

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

Prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European
Commission for use in the European Union

January 1, 2019 – September 30, 2019

Air France-KLM Group

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Air France-KLM Group

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

<i>In € millions</i>			
Period from January 1 to September 30	<i>Notes</i>	2019	2018
Sales	5	20,732	19,976
Other revenues		-	1
Revenues		20,732	19,977
External expenses	6	(12,050)	(11,310)
Salaries and related costs	7	(6,031)	(5,728)
Taxes other than income taxes		(119)	(127)
Other income and expenses	9	686	629
EBITDA		3,218	3,441
Amortization, depreciation and provisions	8	(2,221)	(2,149)
Income from current operations		997	1,292
Sales of aircraft equipment		24	(1)
Other non-current income and expenses	10	(133)	(5)
Income from operating activities		888	1,286
Cost of financial debt		(332)	(354)
Income from cash and cash equivalents		40	29
Net cost of financial debt		(292)	(325)
Other financial income and expenses	11	(346)	(135)
Income before tax		250	826
Income taxes		(136)	(203)
Net income of consolidated companies		114	623
Share of profits (losses) of associates		14	6
Net income for the period		128	629
<i>Non-controlling interests</i>		2	2
<i>Net income - Group part</i>		126	627
Earnings per share – Equity holders of Air France-KLM (in euros)			
- basic		0.26	1.42
- diluted		0.26	1.42

The accompanying notes are an integral part of these consolidated financial statements.

Air France-KLM Group

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES (UNAUDITED)

<i>In € millions</i>		
Period from January 1 to September 30	2019	2018
Net income for the period	128	629
Cash flow hedges and cost of hedging		
Effective portion of changes in fair value hedges and cost of hedging recognized directly in other comprehensive income	118	920
Change in fair value and cost of hedging transferred to profit or loss	(57)	(503)
Currency translation adjustment	-	1
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	(17)	(119)
<i>Total of other comprehensive income that will be reclassified to profit or loss</i>	<i>44</i>	<i>299</i>
Remeasurements of defined benefit pension plans⁽¹⁾	(320)	293
Fair value of equity instruments revalued through OCI	(19)	(36)
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	65	(58)
<i>Total of other comprehensive income that will not be reclassified to profit or loss</i>	<i>(274)</i>	<i>199</i>
Total of other comprehensive income, after tax	(230)	498
Recognized income and expenses	(102)	1,127
- Equity holders of Air France-KLM	(104)	1,125
- Non-controlling interests	2	2

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⁽¹⁾ Remeasurement of defined benefit pension plans is composed of €1,178 million related to the difference between the expected and actual return on assets (September 2018: €63 million) and €(1,498) million related to the change in actuarial assumptions (September 2018: €230 million)

Air France-KLM Group

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Assets		September 30,	December 31,
<i>In € millions</i>	<i>Notes</i>	2019	2018
Goodwill		218	217
Intangible assets		1,263	1,194
Flight equipment		10,619	10,167
Other property, plant and equipment		1,554	1,503
Right-of-use assets		4,921	5,243
Investments in equity associates		310	311
Pension assets	<i>12</i>	132	331
Other financial assets		1,390	1,487
Deferred tax assets		501	544
Other non-current assets		354	264
Total non-current assets		21,262	21,261
Other short-term financial assets		499	325
Inventories		704	633
Trade receivables		2,397	2,191
Other current assets		1,324	1,062
Cash and cash equivalents	<i>13</i>	4,109	3,585
Total current assets		9,033	7,796
Total assets		30,295	29,057

The accompanying notes are an integral part of these consolidated financial statements.

Air France-KLM Group

CONSOLIDATED BALANCE SHEET (AUNAUDITED) (continued)

Liabilities and equity		September 30,	December 31,
<i>In € millions</i>	<i>Notes</i>	2019	2018
Issued capital		429	429
Additional paid-in capital		4,139	4,139
Treasury shares		(67)	(67)
Perpetual		403	403
Reserves and retained earnings		(3,144)	(3,051)
Equity attributable to equity holders of Air France-KLM		1,760	1,853
Non-controlling interests		13	12
Total equity		1,773	1,865
Pension provisions	<i>12</i>	2,255	2,098
Return obligation liability and other provisions		3,246	3,035
Financial debt	<i>13</i>	6,006	5,733
Lease debt	<i>13</i>	3,400	3,546
Deferred tax liabilities		-	4
Other non-current liabilities		423	459
Total non-current liabilities		15,330	14,875
Return obligation liability and other provisions		623	492
Current portion of financial debt	<i>13</i>	1,027	826
Lease debt	<i>13</i>	999	989
Trade payables		2,594	2,460
Deferred revenue on ticket sales		3,455	3,153
Frequent flyer programs		850	844
Other current liabilities		3,628	3,548
Bank overdrafts	<i>13</i>	16	5
Total current liabilities		13,192	12,317
Total liabilities		28,522	27,192
Total equity and liabilities		30,295	29,057

The accompanying notes are an integral part of these consolidated financial statements.

Air France-KLM Group

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

<i>In € millions</i>	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Non-controlling interests	Total equity
December 31, 2017	428,634,035	429	4,139	(67)	600	(2,693)	2,408	12	2,420
Gain / (loss) on cash flow hedges	-	-	-	-	-	298	298	-	298
Fair value of equity instruments through OCI	-	-	-	-	-	(36)	(36)	-	(36)
Remeasurements of defined benefit pension plans	-	-	-	-	-	235	235	-	235
Currency translation adjustment	-	-	-	-	-	1	1	-	1
Other comprehensive income	-	-	-	-	-	498	498	-	498
Net result for the period	-	-	-	-	-	627	627	2	629
Total of income and expenses recognized	-	-	-	-	-	1,125	1,125	2	1,127
Change in scope	-	-	-	-	-	1	1	-	1
Perpetual	-	-	-	-	(197)	(14)	(211)	-	(211)
Dividends paid and coupons on perpetual	-	-	-	-	-	(25)	(25)	-	(25)
September 30, 2018	428,634,035	429	4,139	(67)	403	(1,606)	3,298	14	3,312
December 31, 2018	428,634,035	429	4,139	(67)	403	(3,051)	1,853	12	1,865
Gain / (loss) on cash flow hedges	-	-	-	-	-	44	44	-	44
Fair value of equity instruments through OCI	-	-	-	-	-	(19)	(19)	-	(19)
Remeasurements of defined benefit pension plans	-	-	-	-	-	(255)	(255)	-	(255)
Other comprehensive income	-	-	-	-	-	(230)	(230)	-	(230)
Net result for the period	-	-	-	-	-	126	126	2	128
Total of income and expenses recognized	-	-	-	-	-	(104)	(104)	2	(102)
OCEANE	-	-	-	-	-	35	35	-	35
Dividends paid and coupons on perpetual	-	-	-	-	-	(25)	(25)	(1)	(26)
Change in scope	-	-	-	-	-	1	1	-	1
September 30, 2019	428,634,035	429	4,139	(67)	403	(3,144)	1,760	13	1,773

The accompanying notes are an integral part of these consolidated financial statements.

The amounts included in other comprehensive income are presented net of deferred tax

Air France-KLM Group

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period from January 1 to September 30	<i>Notes</i>	2019	2018
<i>In € millions</i>			
Net income from continuing operations		128	629
Amortization, depreciation and operating provisions		2,221	2,149
Financial provisions		133	93
Loss (gain) on disposals of tangible and intangible assets		(34)	(18)
Loss (gain) on disposals of subsidiaries and associates		-	1
Derivatives – non monetary result		15	25
Unrealized foreign exchange gains and losses, net		207	118
Share of (profits) losses of associates		(14)	(6)
Deferred taxes		72	187
Other non-monetary items		218	(283)
Financial capacity		2,946	2,895
(Increase) / decrease in inventories		(83)	(102)
(Increase) / decrease in trade receivables		(147)	(471)
Increase / (decrease) in trade payables		42	222
Change in other receivables and payables		260	361
Change in working capital requirement		72	10
Net cash flow from operating activities (A)		3,018	2,905
Acquisition of subsidiaries, of shares in non-controlled entities		(1)	(9)
Purchase of property plant and equipment and intangible assets (B)		(2,238)	(2,138)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities		8	5
Proceeds on disposal of property plant and equipment and intangible assets (C)		84	96
Dividends received		10	4
Decrease (increase) in net investments, more than 3 months		(9)	5
Net cash flow used in investing activities		(2,146)	(2,037)
Increase of equity due to new convertible bond		54	-
Perpetual		-	(211)
Issuance of debt		904	532
Repayment on financial debt		(560)	(1,182)
Payments on lease debt (D)		(748)	(736)
New loans		(43)	(127)
Repayment on loans		26	75
Dividends and coupons on perpetual paid		(1)	(12)
Net cash flow from financing activities		(368)	(1,661)
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		9	2
Change in cash and cash equivalents and bank overdrafts		513	(791)
Cash and cash equivalents and bank overdrafts at beginning of period		3,580	4,667
Cash and cash equivalents and bank overdrafts at end of period		4,093	3,876

The accompanying notes are an integral part of these consolidated financial statements.

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Period from January 1 to September 30	<i>Notes</i>	2019	2018
<i>in € millions</i>			
Net cash flow from operating activities	<i>A</i>	3,018	2,905
Purchase of property plant and equipment and intangible assets	<i>B</i>	(2,238)	(2,138)
Proceeds on disposal of property plant and equipment and intangible assets	<i>C</i>	84	96
Operating free cash flow	<i>13</i>	864	863
Payments on lease debt	<i>D</i>	(748)	(736)
Operating free cash flow adjusted		116	127

The accompanying notes are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS**

Air France-KLM Group

1. BUSINESS DESCRIPTION

As used herein, the term "Air France-KLM" refers to Air France-KLM SA, a limited liability company organized under French law. The term "Group" is represented by the economic definition of Air France-KLM and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world. The Group's core business is network activities which includes passenger transportation on scheduled flights and cargo activities. The Group's activities also include aeronautics maintenance, "low cost" passenger transportation (Transavia) and other air-transport-related activities.

The limited company Air France-KLM, domiciled at 2, rue Robert Esnault-Pelterie 75007 Paris, France, is the parent company of the Air France-KLM Group. Air France-KLM is listed for trading in Paris (Euronext) and Amsterdam (Euronext).

The presentation currency used in the Group's financial statements is the euro, which is also Air France-KLM's functional currency.

2. SIGNIFICANT EVENTS

2.1. Events that occurred in the period

Phase-out of A380 aircraft

On July 30, 2019, the Group announced to early phase out progressively the A380 aircraft from the Air France fleet by the end of 2022. The impact of this decision, at this stage, is estimated around € (400) million, mainly due to the acceleration in the depreciation of the aircraft. The impact is accounted for in "other non-current incomes and expenses" (please see note 10) and spread over the period July 1, 2019 until December 31, 2022.

Voluntary Departure Plan

Voluntary Departure Plan focused on Air France ground staff of short haul, aimed at the respective departure of some 465 full time equivalents. In June 2019, the Group accordingly charged €32 million to the income statement.

Convertible bond (OCEANE) issued in 2019

On March 20, 2019, Air France-KLM issued 27,901,785 bonds convertible and/or exchangeable for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at March 25, 2026 for a total nominal amount of €500 million. Each bond has a nominal value of €17.92. The annual coupon amounts to 0.125 per cent. The conversion period of these bonds runs from May 4, 2019 to the seventh working day preceding the normal or early reimbursement date. The conversion ratio is one share for one bond.

Repayment at par, plus accrued interest, will be possible on March 25, 2024 on request of the bond holders. Air France-KLM can enforce the cash reimbursement of these bonds by exercising a call option running from April 15, 2022 if the share price exceeds 130 per cent of the nominal, amounting to €23.29, encouraging OCEANE bond holders to convert their bonds into Air France-KLM shares.

Upon issue of this convertible debt, Air France-KLM recorded a debt of €446 million, corresponding to the present value of future payments of interest and nominal discounted at the rate of a similar bond without a conversion option. The option value was evaluated by deducting this debt value from the total nominal amount (i.e. €500 million) and was recorded in equity.

2.2. Subsequent events

There have been no significant events since the closing of the period.

Air France-KLM Group

3. ACCOUNTING POLICIES

3.1. Accounting principles

Accounting principles used for the consolidated financial statements

Pursuant to the European Regulation n° 1606/2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM Group as of December 31, 2018 were established in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Commission on the date these consolidated financial statements were established.

The interim condensed consolidated financial statements as of September 30, 2019 are prepared in accordance with IFRS, as adopted by the European Union on the date these condensed consolidated financial statements were established, and are presented according to IAS 34 “Interim financial reporting” and must be read in connection with the annual consolidated financial statements for the year ended on December 31, 2018.

The interim condensed consolidated financial statements as of September 30, 2019 have been established in accordance with the accounting principles used by the Group for the consolidated financial statements 2018, except for standards and interpretations adopted by the European Union applicable as from January 1, 2019.

The condensed consolidated financial statements were approved by the Board of Directors on October 30, 2019.

Change in accounting principles

- **IFRS standards which are applicable on a mandatory basis to the 2019 financial statements**

Amendment to IFRS 9 “Financial instruments”

This amendment deals with prepayment features with negative compensation.

IFRIC 23 “Uncertainty over Income Tax Treatments”

This interpretation of IAS 12 “Income Taxes” clarifies the treatment of any uncertainty situation regarding the acceptability of a tax treatment related to income taxes.

Amendment to IAS 28 “Long-term interests in an associate or joint venture”

This amendment is related to the measurement of other interests in an associate or a joint venture which would not be recognized by the equity method.

Amendment to IAS 19 “Employee benefits”

This amendment relates to the consequences of a plan amendment, curtailment or settlement on the current service cost and the net interest.

Amendment to IAS 12 “Income taxes”

This amendment outlines income tax consequences of payments on instruments classified as equity.

Amendment to IFRS 11 “Joint arrangements”

This amendment clarifies the accounting treatment of the interest’s acquisition in a joint operation;

Amendment to IAS 23 “Borrowing costs”

This amendment indicates borrowing costs eligible for capitalization;

The application of these amendments and interpretation has no significant impact on the Group’s consolidated financial statements.

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- **Other texts potentially applicable to the Group, published by the IASB but not yet adopted by the European Union**

Amendment to IFRS 3 “Business Combinations”

(Effective for the accounting periods as of January 1, 2020)

This amendment clarifies the definition of a business.

Amendments to IAS 1 “Presentation of financial statements” and IAS 8 “Accounting policies, changes in accounting estimates and errors”

(Effective for the accounting periods as of January 1, 2020)

This amendment defines the materiality.

Amendments to IFRS 9 “Financial instruments” and IFRS 7 “Financial instruments: Disclosures”

(Effective for the accounting periods as of January 1, 2020)

This amendment relates to the hedge accounting due to the ongoing interest rate benchmark reform.

The impact of the application of these amendments is currently being assessed.

3.2. Preparation of unaudited interim consolidated financial statements

Seasonality of the activity

Revenues and income from current operations are characterized by their seasonal nature related to a high level of activity from April 1 to September 30. This phenomenon varies in magnitude depending on the year. In accordance with IFRS, revenues and the related expenses are recognized over the period in which they are realized and incurred respectively.

Income taxes

For the interim financial statements, the tax charge (current and deferred) is calculated by applying to the income before tax of the period the estimated annual average tax rate for the current year for each entity or fiscal group.

Retirement benefits

The net obligations concerning the defined-benefits schemes are revalued based on the discount rates and the fair-value of assets at interim closing dates. The net impact of these revaluations is recorded in other comprehensive income. Significant variation in discount rates can lead the Group to review other actuarial assumptions in order to keep a global consistency of the assumptions set.

3.3. Use of estimates

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. The significant areas of estimates described in the note 4 of the December 31, 2018 consolidated financial statements, concerned:

- Revenue recognition related to deferred revenue on ticket sales;
- Frequent flyer program;
- Financial instruments;
- Tangible and intangible assets;
- Lease contracts;
- Pension assets and provisions;
- Return obligation liability and provisions for leased aircraft and Other provisions;
- Current and deferred tax assets.

The Group’s management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable that provide the basis for these assumptions.

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The consolidated financial statements for the period have thus been established on the basis of financial parameters available at the closing date. Concerning the non-current assets, the assumptions are based on a limited level of growth.

These accounting estimations are based upon the latest available, reliable information.

Actual results could differ from these estimates depending on changes in the assumptions used or different conditions.

4. CHANGE IN THE CONSOLIDATION SCOPE

• Nine-month period ended September 30, 2019

No significant acquisition or disposal took place during the nine-month period ended September 30, 2019

• Nine-month period ended September 30, 2018

No significant acquisition or disposal took place during the nine-month period ended September 30, 2018

5. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments

The segment information is prepared on the basis of internal management data communicated to the Executive Committee, the Group's principal operational decision-making body.

The Group is organized around the following segments:

Network: Passenger network and Cargo operating revenues primarily come from passenger transportation services on scheduled flights with the Group's airline code (excluding Transavia), including flights operated by other airlines under code-sharing agreements. They also include commissions paid by SkyTeam alliance partners, code-sharing revenues, revenues from excess baggage and airport services supplied by the Group to third-party airlines and services linked to IT systems.

The revenues also including income from freight transport on flights under the companies' codes, including flights operated by other partner airlines under code-sharing agreements. Other cargo revenues are derived principally from sales of cargo capacity to third parties and transportation of shipment on behalf of the Group by other airlines.

Maintenance: Maintenance operating revenues are generated through maintenance services provided to other airlines and customers worldwide.

Transavia: The revenues from this segment come from the "low cost" activity realized by Transavia.

Other: The revenues from this segment come from various services provided by the Group and not covered by the four segments mentioned above.

The results of the business segments are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond to the EBITDA, current operating income and to the income from operating activities. Other elements of the income statement are presented in the "non-allocated" column.

Inter-segment transactions are evaluated based on normal market conditions.

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Geographical segments

• Activity by origin of sales area

Group activities by origin of sale are broken down into eight geographical areas:

- Metropolitan France
- Benelux
- Europe (excluding France and Benelux)
- Africa
- Middle East, Gulf, India (MEGI)
- Asia-Pacific
- North America
- Caribbean, West Indies, French Guyana, Indian Ocean, South America (CILA)

Only segment revenue is allocated by geographical sales area.

• Activity by destination

Group activities by destination are broken down into seven geographic areas:

- Metropolitan France
- Europe (excluding France) and North Africa
- Caribbean, West Indies, French Guyana and Indian Ocean
- Africa (excluding North Africa), Middle East
- North America, Mexico
- South America (excluding Mexico)
- Asia and New Caledonia

Air France-KLM Group

5.1. Information by business segment

• Nine-month period ended September 30, 2019

<i>In € millions</i>	Network	Maintenance	Transavia	Other	Non allocated	Total
Total sales	17,685	3,453	1,434	190	-	22,762
Intersegment sales	(34)	(1,830)	(3)	(163)	-	(2,030)
External sales	17,651	1,623	1,431	27	-	20,732
EBITDA	2,410	440	341	27	-	3,218
Income from current operations	660	177	154	6	-	997
Income from operating activities	604	150	154	(20)	-	888
Share of profits (losses) of associates	-	2	-	12	-	14
Net cost of financial debt and other financial income and expenses	-	-	-	-	(638)	(638)
Income taxes	-	-	-	-	(136)	(136)
Net income from continuing operations	604	152	154	(8)	(774)	128

• Nine-month period ended September 30, 2018

<i>In € millions</i>	Network	Maintenance	Transavia	Other	Non allocated	Total
Total sales	17,247	3,143	1,305	184	-	21,879
Intersegment sales	(31)	(1,713)	(3)	(156)	-	(1,903)
External sales	17,216	1,430	1,302	28	-	19,976
EBITDA	2,681	378	354	28	-	3,441
Income from current operations	960	149	181	2	-	1,292
Income from operating activities	926	153	181	26	-	1,286
Share of profits (losses) of associates	1	3	-	2	-	6
Net cost of financial debt and other financial income and expenses	-	-	-	-	(460)	(460)
Income taxes	-	-	-	-	(203)	(203)
Net income from continuing operations	927	156	181	28	(663)	629

Air France-KLM Group

5.2. Information by geographical area

External sales by geographical area

- **Nine-month period ended September 30, 2019**

<i>In € millions</i>	Metropo- litan France	Benelux	Europe (except France and Benelux)	Africa	Middle- Eastern gulf India (MEGI)	Asia Pacific	North America	West Indies Caribbean Guyana Indian Ocean South America (CILA)	Total
Network	4,780	1,875	3,544	836	426	1,627	2,626	1,038	16,752
Other network sales	342	129	155	55	17	106	55	40	899
Total network	5,122	2,004	3,699	891	443	1,733	2,681	1,078	17,651
Scheduled Transavia	640	682	80	2	10	2	4	2	1,422
Transavia - other sales	4	-	-	-	-	-	5	-	9
Total Transavia	644	682	80	2	10	2	9	2	1,431
Maintenance	928	599	19	-	-	2	75	-	1,623
Others	6	21	-	-	-	-	-	-	27
Total	6,700	3,306	3,798	893	453	1,737	2,765	1,080	20,732

- **Nine-month period ended September 30, 2018**

<i>In € millions</i>	Metropo- litan France	Benelux	Europe (except France and Benelux)	Africa	Middle- Eastern gulf India (MEGI)	Asia Pacific	North America	West Indies Caribbean Guyana Indian Ocean South America (CILA)	Total
Network	4,638	1,838	3,556	789	438	1,579	2,382	1,109	16,329
Other network sales	317	127	167	51	15	116	59	35	887
Total network	4,955	1,965	3,723	840	453	1,695	2,441	1,144	17,216
Scheduled Transavia	572	632	70	2	8	2	4	2	1,292
Transavia - other sales	4	-	-	-	-	-	6	-	10
Total Transavia	576	632	70	2	8	2	10	2	1,302
Maintenance	770	570	21	-	-	2	67	-	1,430
Others	6	22	-	-	-	-	-	-	28
Total	6,307	3,189	3,814	842	461	1,699	2,518	1,146	19,976

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Traffic sales by geographical area of destination

- Year ended September 30, 2019

<i>In € millions</i>	Metropolitan France	Europe (except France) and North Africa	Caribbean, French Guyana, Indian Ocean	Africa (except North Africa) Middle East	North America, Mexico	South America, except Mexico	Asia, New Caledonia	Total
Network	1,267	3,778	1,245	2,152	3,718	1,631	2,961	16,752
Scheduled Transavia	19	1,308	-	95	-	-	-	1,422
Total	1,286	5,086	1,245	2,247	3,718	1,631	2,961	18,174

- Year ended September 30, 2018

<i>In € millions</i>	Metropolitan France	Europe (except France) and North Africa	Caribbean, French Guyana, Indian Ocean	Africa (except North Africa) Middle East	North America, Mexico	South America, except Mexico	Asia, New Caledonia	Total
Network	1,302	3,821	1,210	1,957	3,496	1,668	2,875	16,329
Scheduled Transavia	20	1,126	-	146	-	-	-	1,292
Total	1,322	4,947	1,210	2,103	3,496	1,668	2,875	17,621

6. EXTERNAL EXPENSES

<i>In € millions</i>	2019	2018
Period from January 1 to September 30		
Aircraft fuel	4,118	3,622
Chartering costs	407	434
Landing fees and air route charges	1,471	1,419
Catering	617	586
Handling charges and other operating costs	1,440	1,481
Aircraft maintenance costs	1,923	1,769
Commercial and distribution costs	783	776
Other external expenses	1,291	1,223
Total	12,050	11,310
<i>Excluding aircraft fuel</i>	7,932	7,688

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7. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

<i>In € millions</i>	2019	2018
Period from January 1 to September 30		
Wages and salaries	4,158	3,943
Social contributions	834	817
Pensions costs on defined contribution plans	507	474
Pensions costs on defined benefit plan	203	175
Cost of temporary employees	189	177
Profit sharing	82	143
Other expenses	58	(1)
Total	6,031	5,728

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). Since this multi-employer plan is assimilated to a French State plan, it is accounted for as a defined contribution plan in “pension costs on defined contribution plans”.

Average number of employees

Period from January 1 to September 30	2019	2018
Flight deck crew	8,454	7,922
Cabin crew	22,515	22,055
Ground staff	52,073	51,503
Temporary employees	3,082	3,212
Total	86,124	84,692

8. AMORTIZATION, DEPRECIATION AND PROVISIONS

<i>In € millions</i>	2019	2018
Period from January 1 to September 30		
Amortization		
Intangible assets	133	119
Flight equipment	895	862
Other property, plant and equipment	147	143
Right-of-Use assets	946	935
	2,121	2,059
Depreciation and provisions		
Inventories	19	(1)
Trade receivables	17	25
Risks and contingencies	64	66
	100	90
Total	2,221	2,149

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9. OTHER INCOME AND EXPENSES

<i>In € millions</i>	2019	2018
Period from January 1 to September 30		
Capitalized production	722	665
Joint operation of routes	(45)	(44)
Operations-related currency hedges	33	(19)
European carbon emission allowances (ETS)	(42)	(14)
Other	18	41
Other income and expenses	686	629

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10. OTHER NON-CURRENT INCOME AND EXPENSES

<i>In € millions</i>	2019	2018
Period from January 1 to September 30		
Restructuring costs	(33)	(29)
Modification on pension plans	(11)	-
Disposal of subsidiaries and affiliates	-	(1)
Other disposals of assets	6	32
Phase-out of A380 aircraft	(100)	-
Other	5	(7)
Other non-current income and expenses	(133)	(5)

- **Nine-month period ended September 30, 2019**

Restructuring costs

This mainly includes the new provision relating to the voluntary plan for Air France ground staff (please refer to note 2.1).

Modification on pension plans

On February 22, 2019, an agreement was signed amending the retirement indemnities for Air France pilots retiring at 60 years or above, increasing the benefit obligation by €11 million.

Phase-out of A380 aircraft

This line corresponds to the impact of the early phase-out of the A380 aircraft of Air France fleet. It includes the acceleration of the depreciation of these aircraft for € 25 million and the impairment of related assets for € 75 million (see note 2.1).

- **Nine-month period ended September 30, 2018**

Restructuring costs

This mainly includes the new provision relating to the voluntary departure plan for KLM cabin crew.

Disposal of other assets

This line mainly includes the sale of Vilgénis real estate in France and the activities of Jet Center at Amsterdam Airport Schiphol.

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11. NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

<i>In € millions</i>	2019	2018
Period from January 1 to September 30		
Income from marketable securities	2	3
Other financial income	38	26
Financial income	40	29
Interest on financial debt	(104)	(108)
Interest on lease debt	(207)	(221)
Capitalized interests and other non-monetary items	(10)	(15)
Other financial expenses	(11)	(10)
Gross cost of financial debt	(332)	(354)
Net cost of financial debt	(292)	(325)
Foreign exchange gains (losses), net	(216)	(113)
Financial instruments and change in fair value of hedged shares	9	78
Net (charge)/release to provisions	(2)	(1)
Other	(137)	(99)
Other financial income and expenses	(346)	(135)

Net cost of financial debt

Financial income mainly consists of interest income on financial assets accounted at the effective interest rate and of the result of disposal of financial assets at fair value recorded through the income statement.

Foreign exchange gains (losses)

As of September 30, 2019, the foreign exchange losses mainly include an unrealized currency loss of €218 million of which €120 million loss on return obligation liabilities and provisions on aircraft in US dollars and an unrealized €100 million currency loss on debt in US Dollar (€33 million) and in Japanese Yen (€67 million).

As of September 30, 2018, the foreign exchange mainly include an unrealized currency loss of €111 million of which €64 million on return obligation liabilities and provisions on aircraft in US dollars and an unrealized currency loss of €22 million on the debt in Japanese Yen.

Financial instruments and change in fair value of hedged shares

As of September 30, 2019, this line mainly includes a gain on the hedged Amadeus shares of €12 million and a loss on the non-aligned time value of dissymmetrical options with barriers for an amount of €3 million.

As of September 30, 2018, it mainly includes a gain on the hedged Amadeus shares of €32 million and on the non-aligned time value of dissymmetrical options with barriers for an amount of € 41 million.

Other financial income and expenses

As of September 30, 2019 and 2018, this line comprises the accretion effect on long-term provisions amounting to € (131) million and € (92) million respectively.

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12. PENSION ASSETS AND PROVISIONS

As of September 30, 2019, the discount rates used by companies to calculate the defined benefit obligations are the following:

	September 30, 2019	December 31, 2018
Euro zone – duration 10 to 15 years	0.50%	1.45%
Euro zone – duration 15 years and more	1.00%	1.85%

The inflation rates used are the following:

	September 30, 2019	December 31, 2018
Euro zone – duration 10 years	1.15%	1.60%
Euro zone – duration 20 years	1.30%	1.75%

The duration of between 10 and 15 years mainly concerns the plans located in France while the duration of 15 years and beyond mainly concerns the KLM ground staff located in the Netherlands.

The impact in variations of discount rates on the defined benefit obligation has been calculated using sensitivity analysis of the pension defined benefit obligation. The sensitivity analysis is mentioned in note 29.2 of the annual financial statements as of December 31, 2018.

Over the same period, the fair value of the plan assets of the pension funds increased.

All these items have a cumulative impact resulting in:

- A decrease of €224 million of the “pension assets” on the balance sheet (schemes with a net asset position) and
- An increase of €96 million of the “pension provisions” on the balance sheet (schemes with a net liability position).

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13. NET DEBT

<i>In € millions</i>	September 30,	December 31,
	2019	2018
Current and non-current financial debt	7,033	6,559
Current and non-current lease debt	4,399	4,535
Accrued interest	(60)	(67)
Deposits related to financial debt	(346)	(343)
Deposits related to lease debt	(93)	(85)
Derivatives impact on debt	(11)	7
Gross financial debt (I)	10,922	10,606
Cash and cash equivalents	4,109	3,585
Marketable securities ⁽¹⁾	79	74
Cash secured ⁽¹⁾	269	265
Triple A bonds ⁽¹⁾	568	522
Others	2	1
Bank overdrafts	(16)	(5)
Net cash (II)	5,011	4,442
Net cash (I-II)	5,911	6,164

(1) Included in "others financial assets"

<i>In € millions</i>	September 30,	December 31,
	2019	2018
Opening net debt	6,164	6,359
Operating free cash, cash flow excluding discontinued activities	(950)	(1,087)
Perpetual	-	197
Coupons on perpetual paid	-	38
Disposal of subsidiaries, of shares in non-controlled entities	(1)	(6)
Acquisition of subsidiaries, of shares in non-controlled entities	8	9
Lease debts (new and renewed contracts)	469	439
Unrealised exchange gains and losses on lease financial debts through OCI	104	121
Currency translation adjustment	123	66
Reclassification	-	3
Other	(5)	25
Closing net debt	5,911	6,164