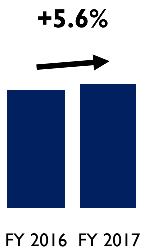
Full Year 2017 RESULTS
16th of February 2018

Press Conference

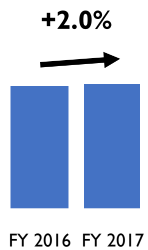
AIRFRANCE KLM

FULL YEAR 2017 MAIN ACHIEVEMENTS

Robust traffic statistics



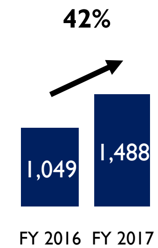
Passengers



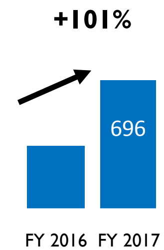
RASK(1)

At constant currency

Strong Full Year results



Operating income



Operating free cash flow

Key Highlights

- **Regaining the offensive and growth: number one European airline in traffic (RPK)**
- **Building an unrivaled global network of alliances: North Atlantic joint-venture with Delta and Virgin Atlantic, in Asia with China Eastern, Jet Airways and Vietnam Airlines**
- **Major advances with Trust Together: successful launch of Joon, personalizing customer experience**

(1) Group Revenue per Available Seat Kilometer (RASK) Passenger + Transavia

3

FINANCIAL REVIEW

FOURTH QUARTER 2017: DELIVERING REVENUE GROWTH AND INCREASED OPERATING RESULT

	Q4 2017	Change	Change at constant currency
Revenues (€bn)	**6.24**	+2.4%	+5.1%
EBITDA (€m)	**594**	+4.0%	+7.1%
Operating result (€m)	**113**	+20.2%	+13.3%
Operating margin	**1.8%**	+0.3 pt	+0.1 pt
Lease adjusted operating result(1) (€m)	**200**	+7.5%	+1.1%
Lease adjusted operating margin(1)	**3.2%**	+0.2 pt	-0.1 pt
Net result, group share (€m)	**-977**	nm	

Net result, group share is €219M at Q4 2017 excluding non current expense impact of the de-recognition of KLM pilot pension plan

(1) Operating result adjusted for the interest portion (1/3) of the operating leases

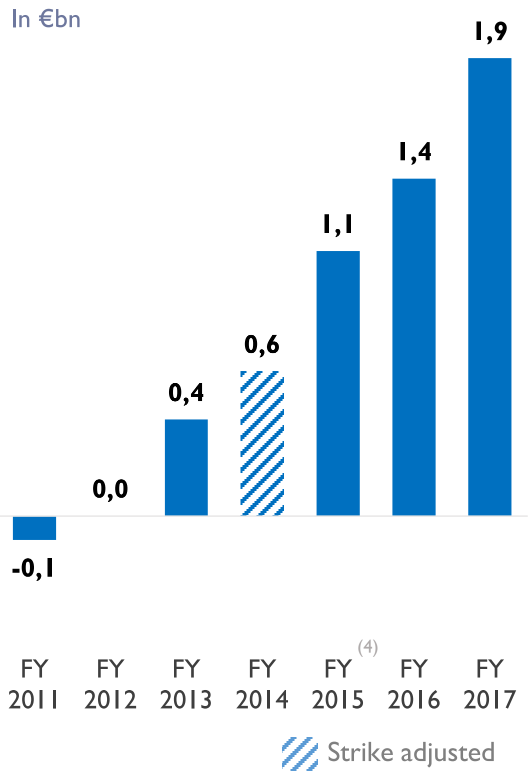
2017: STRONG OPERATING RESULT AND SIGNIFICANT STRENGTHENING OF THE FINANCIAL STRUCTURE

	FY 2017	Change	Change at constant currency
Revenues (€bn)	**25.78**	+3.8%	+4.3%
EBITDA (€m)	**3,264**	+20.3%	+26.8%
Operating result (€m)	**1,488**	+41.8%	+60.1%
Operating margin	**5.8%**	+1.5 pt	+2.0 pt
Lease adjusted operating result(1) (€m)	**1,851**	+31.6%	+43.4%
Lease adjusted operating margin(1)	**7.2%**	+1.5 pt	+2.0 pt
Net result, group share (€m)	**-274**	nm	
Net result 2017 is €1,155M excluding non current impact of the de-recognition of KLM pilot and cabin pension plans			
Operating free cash flow (€m)	**696**	+349 m	
ROCE	**11.1%**	+2.1 pt	
Net debt at end of period (€m)	**1,657**	-1,998 m	
Adjusted net debt (€m)(2)	**9,273**	-1,893 m	
Adjusted net debt/EBITDAR(2)	**2.1x**	-0.8x	

(1) Operating result adjusted for the interest portion (1/3) of the operating leases
(2) Adjusted net debt = net debt + 7x yearly operational lease costs

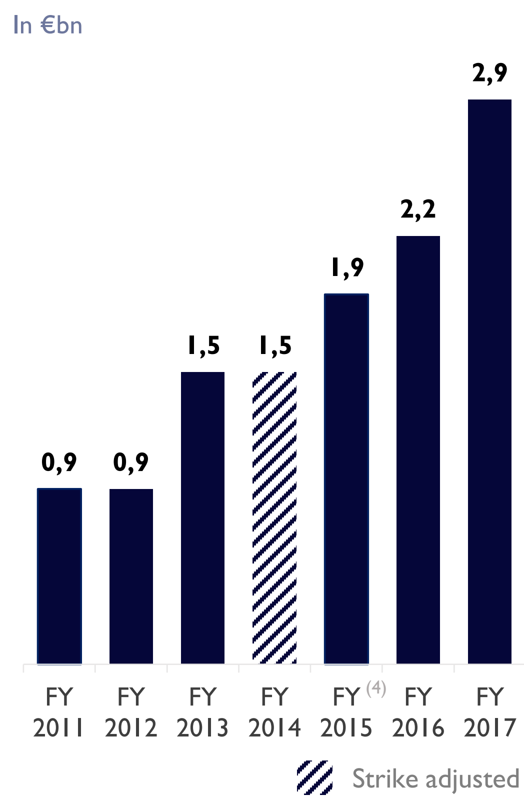
SIGNIFICANT STRENGTHENING OF THE FINANCIAL STRUCTURE

Lease adjusted operating result[1]



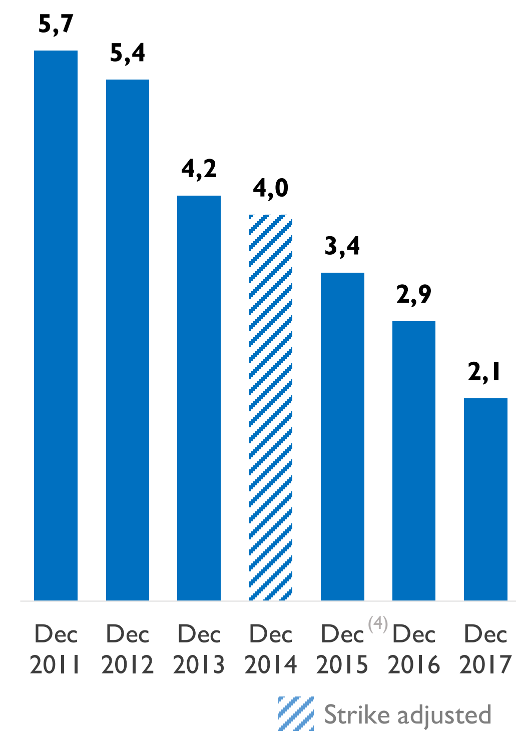
- **2017 vs 2011: +€2.0 bn**

Operating cash flow[2]



- **2017 vs 2011: +€2.0 bn**

Adjusted net debt / EBITDAR ratio[3]



- **2017 vs 2011: -3.6**

(1) Operating results adjusted for interest portion (1/3) of operating leases
(2) Operating cashflow including VDP and change in WCR, before investments
(3) Adjusted net debt = net debt + 7x yearly operational lease costs
(4) Reclassification of Servair as a discontinued operation

INCREASED OPERATING RESULT DRIVEN BY NETWORK AND TRANSAVIA

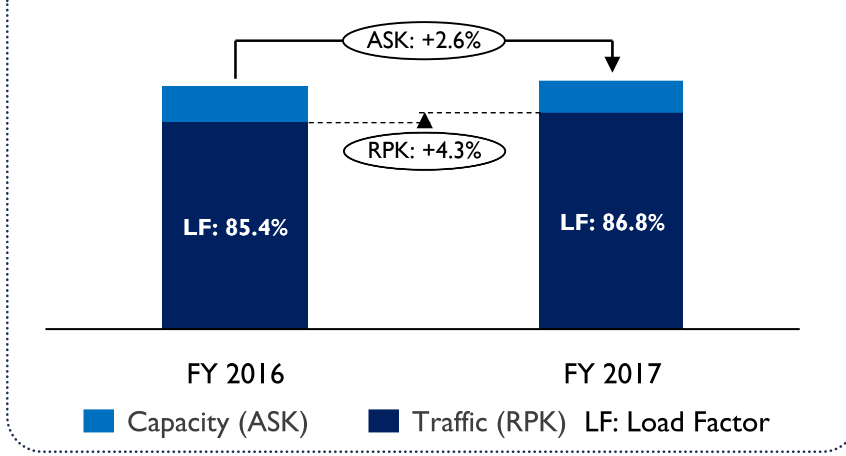
	Q4 2017				Full Year 2017			
	Revenues (€bn)	Change	Operating Result (€m)	Change	Revenues (€bn)	Change	Operating Result (€m)	Change
Network[(1)]	5.49	140m	101	55m	22.48	729m	1,192	379m
Transavia	0.28	31m	-40	-23m	1.44	218m	81	81m
Maintenance	0.46	-25m	51	-15m	1.82	-11m	215	-23m
Total	6.23	147m	113	19m	25.78	937m	1,488	439m

(1) As per Q1 2017, the Network segment consists of Passenger network (Air France, KLM and HOP!) and Cargo business

NETWORK: SOLID GROWTH IN PASSENGER TRAFFIC AND UNIT REVENUE

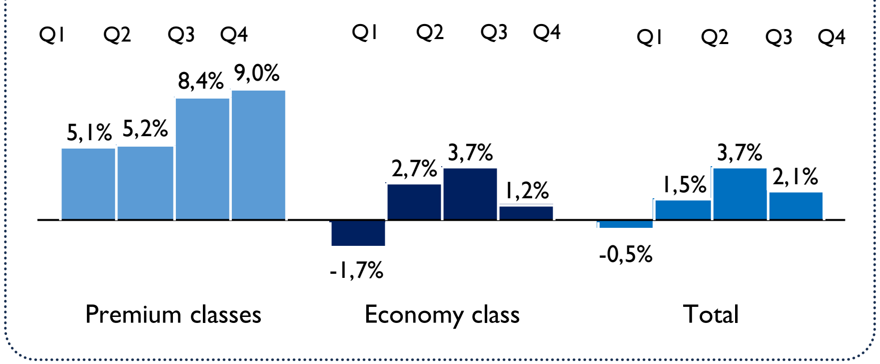
- **Traffic and Unit revenue up compared to last year:**
  - > More favorable supply-demand balance
  - > Unrivaled global network, innovative product offerings and targeted commercial initiatives
- **2017 Ancillary revenues €575m, up 13% versus last year**

Full year 2017 Activity

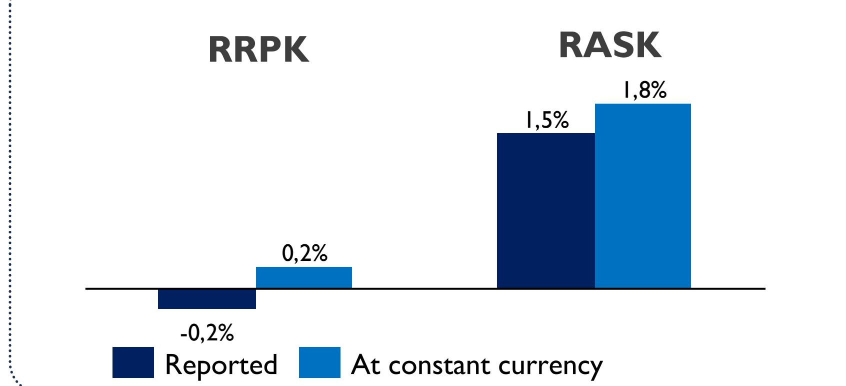


2017 Quarterly evolution Unit Revenue

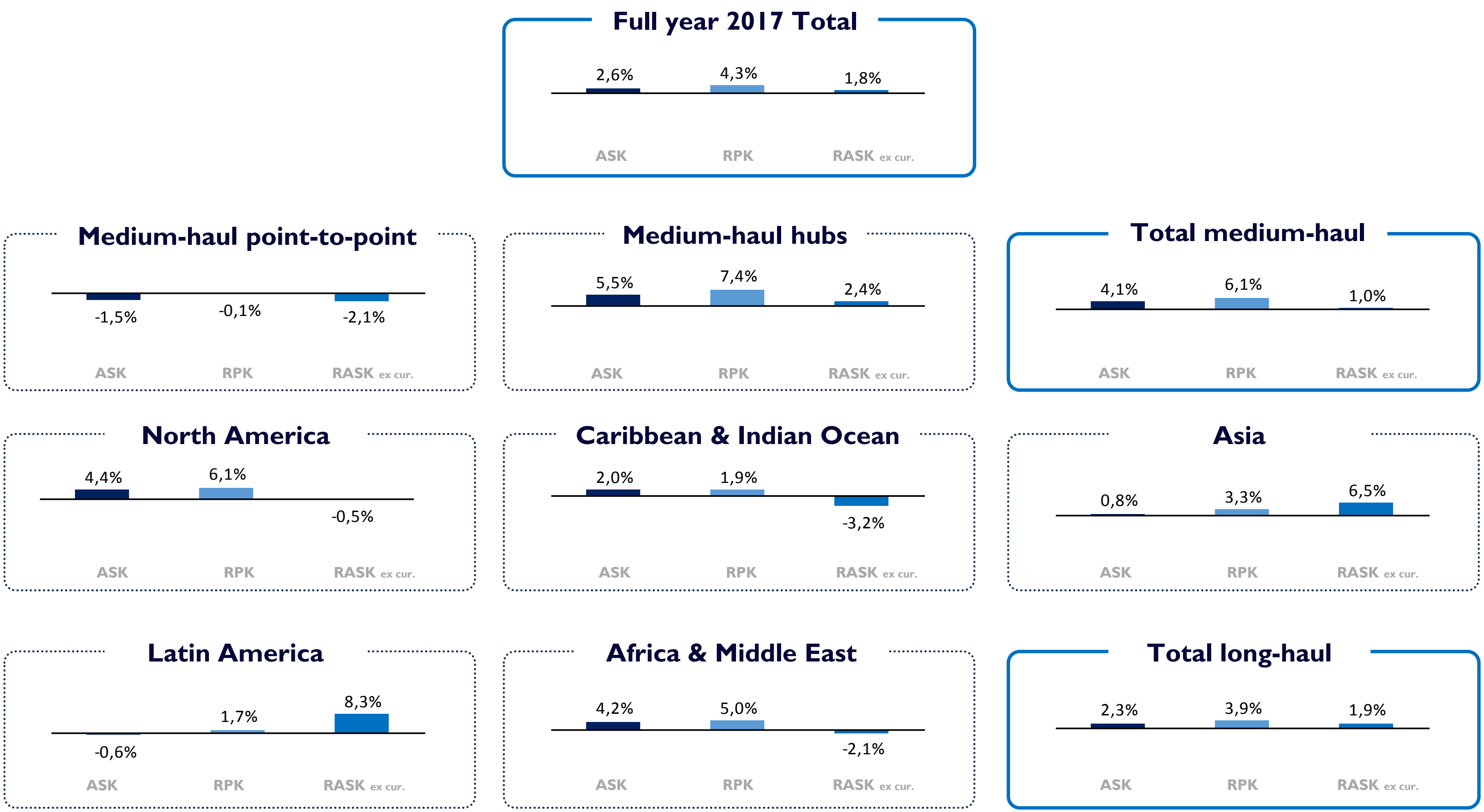
at constant currency



Full year 2017 Unit Revenue



NETWORK: STRONG DEMAND IN 2017 ON NORTH AMERICAN ROUTES AND MEDIUM-HAUL HUBS, RECOVERY IN ASIA AND LATIN AMERICA

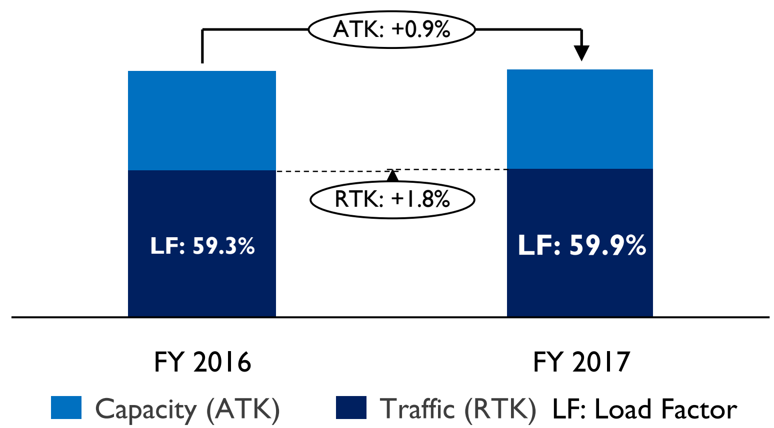


Passenger network: Air France, KLM and HOP!

NETWORK: CARGO TURNAROUND CONFIRMATION IN 2ND HALF OF 2017

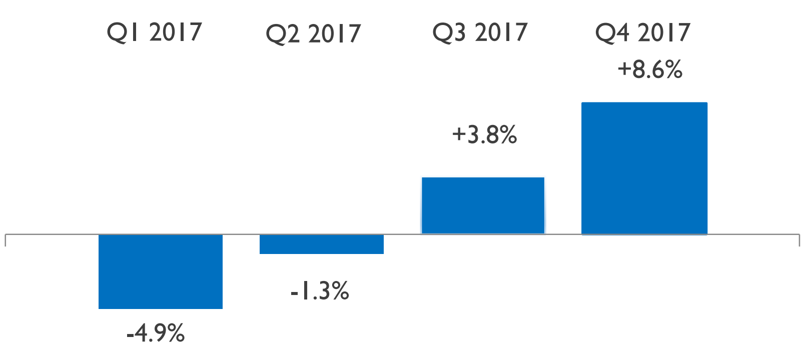
- **Full Freighter activity shows significantly improved performance**
- **Traffic and Unit Revenue up compared to last year:**
  - Market demand growth to and from Asia since start of 2017, and from Latin America starting in H2 2017
  - Optimizing revenue management steering

Full year 2017 Activity

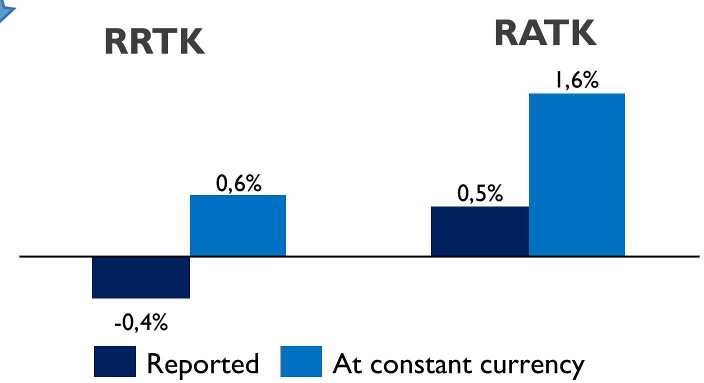


Quarterly evolution Unit Revenue

at constant currency



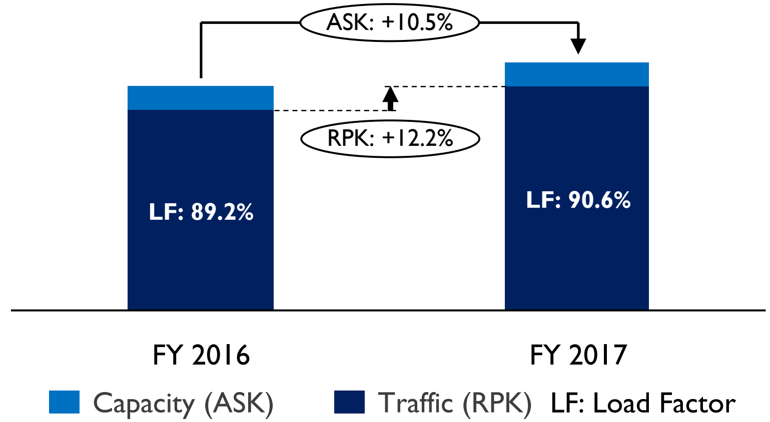
Full year 2017 Unit Revenue



TRANSAVIA: CLEARLY POSITIVE OPERATING RESULT IN 2017

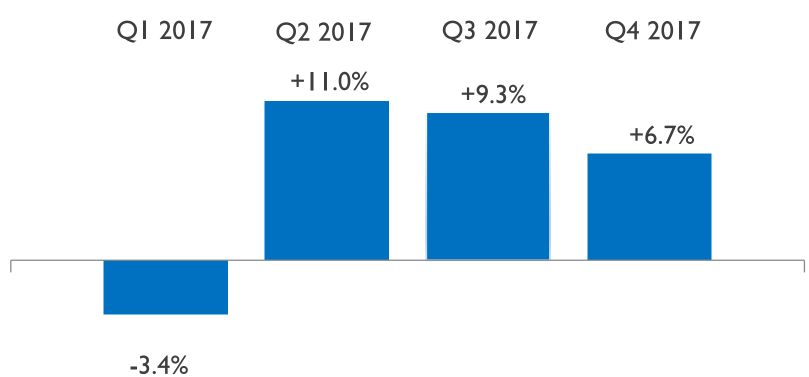
- **14.8 million passengers, capacity growth 10.5% driven by entire network**
  - > Capacity France +12.1%
  - > Capacity Netherlands +9.6%
- **Operating result full year 2017 €81m with a margin of 5.6%, versus break-even in 2016:**
  - > Unit revenue improvement driven by enhanced commercial positioning and network rationalization
  - > Process and productivity improvements

Full year 2017 Activity

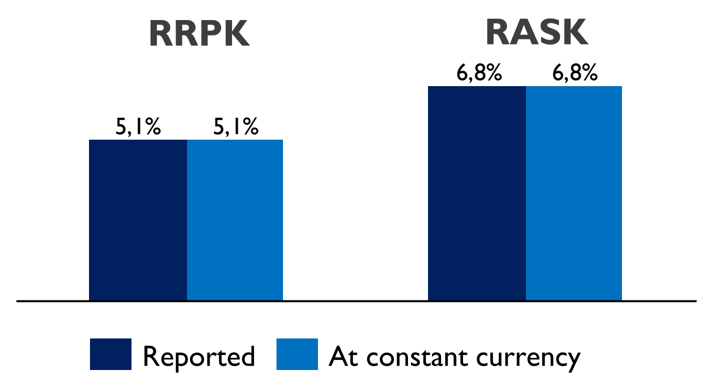


Quarterly evolution Unit Revenue

at constant currency



Full year 2017 Unit Revenue



MAINTENANCE: MARGIN REMAINING AT SOLID LEVEL AND FUTURE ORDER BOOK INCREASE AHEAD OF TARGET

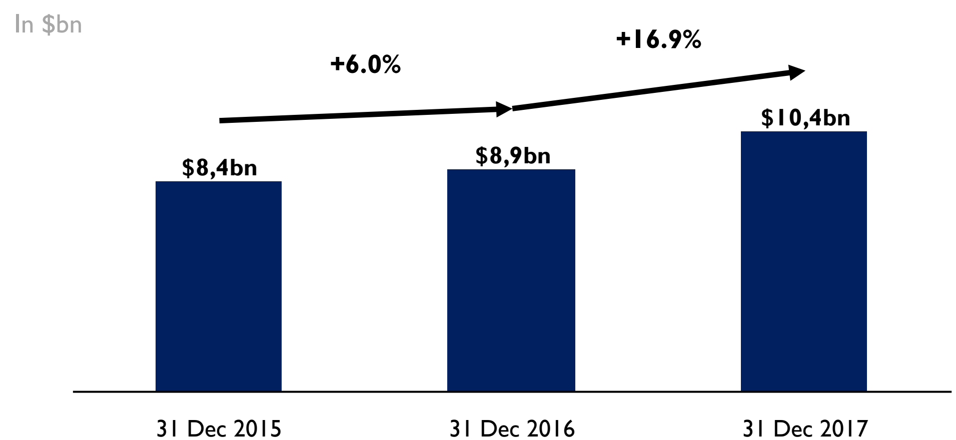
- **Solid margin level on third party revenues, reflecting:**
  - Margin pressure on Components activity due to strong competitive landscape including OEMs
  - Manufacturer supply chain pressure and impact of price escalation in the Engine business industry
  - Better performance on Airframe activity

- **Strong increase in order book of $1.5bn versus last year, securing future growth**
  - Largely ahead of target ~10% growth, driven by increase in both Engine and Component order book
  - New contracts signed in the quarter, mainly large CFM56 engine deals and various "Next Gen" components

Financials

	Q4 2017			Full Year 2017		
	Q4 2017 (€m)	Change	At constant currency	FY 2017 (€m)	Change	At constant currency
Total revenue	1,086	-3.9%		4,177	-0.1%	
Third party revenue	461	-5.1%	+2.5%	1,823	-0.6%	+1.1%
Operating result	51	-15 m	-10 m	215	-23 m	-23 m
Operating margin [1]	4.7%	-1.1 pt	-1.0 pt	5.1%	-0.5 pt	-0.6 pt

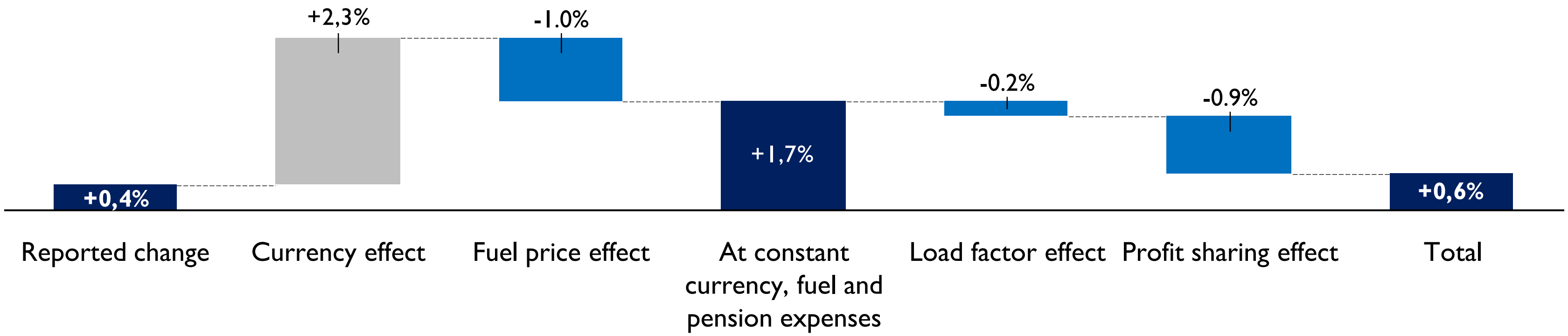
Order book



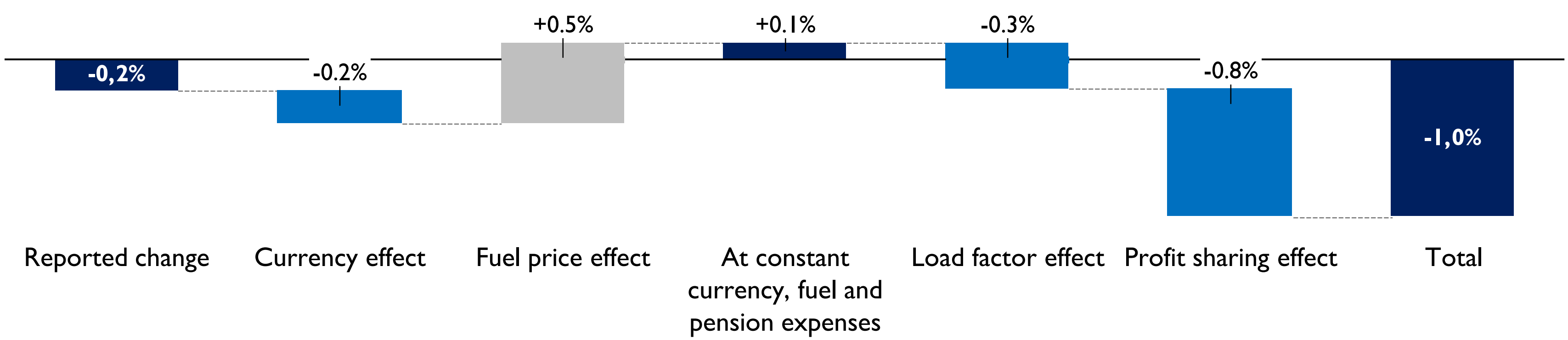
(1) Operating margin: operating result / total revenue

FULL YEAR 2017: FLAT UNIT COST IN SPITE OF INCREASED PROFIT SHARING AND LOAD FACTOR EFFECTS

Q4 unit cost evolution



Full year unit cost evolution



NB: See unit cost definition in press release

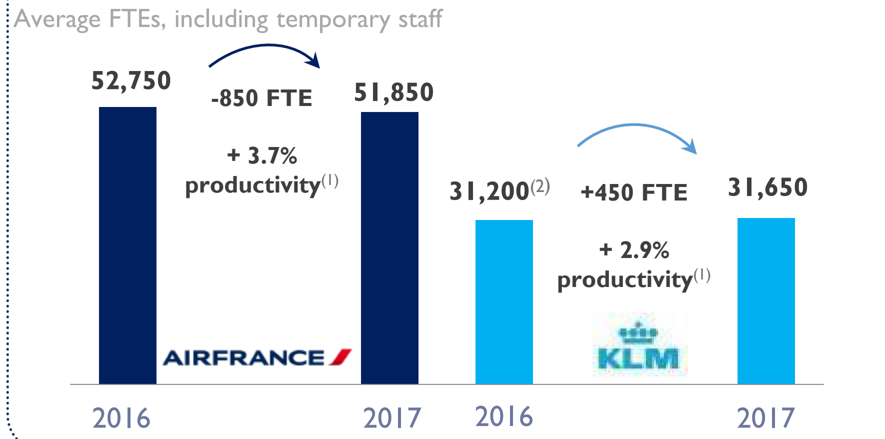
EMPLOYEES DELIVERING PRODUCTIVITY AND SHARING THE BENEFITS

- **Continuous focus on productivity improvement:**
  > FY 2017 average FTEs at 83,500, down 400 FTEs compared to FY 2016 average
  - -1,050 Ground staff FTEs
  - +650 Cabin and cockpit FTEs due to capacity growth

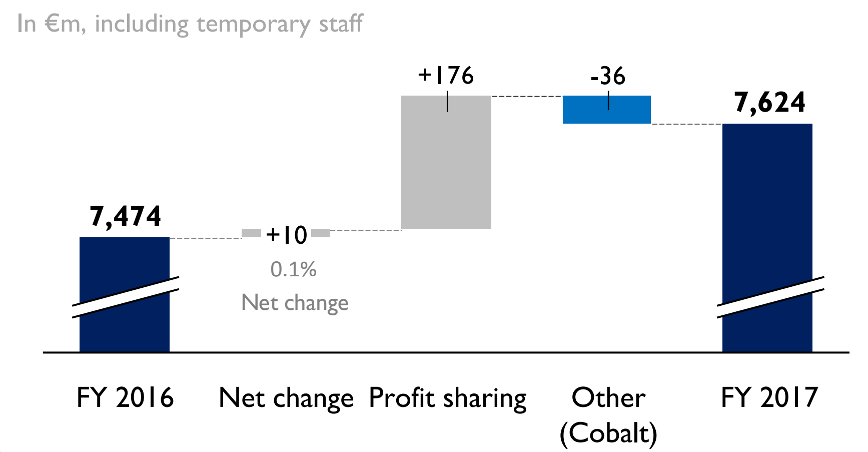
  > Employee productivity (1) +3.5% in 2017 (capacity measured in EASK +3.0%) (1)

- **Stable staff costs excluding profit sharing**

Employee productivity

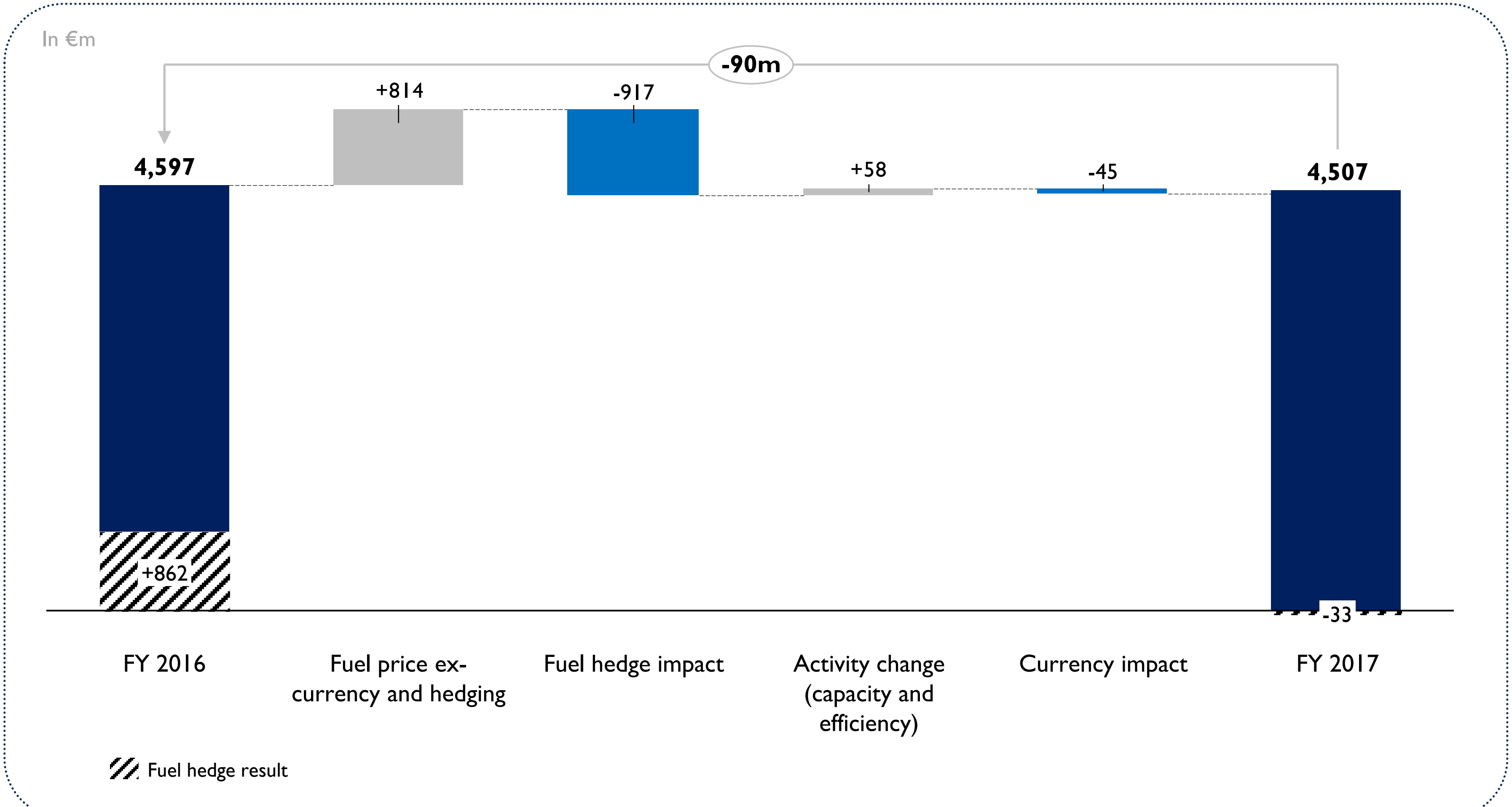


Change in total staff costs

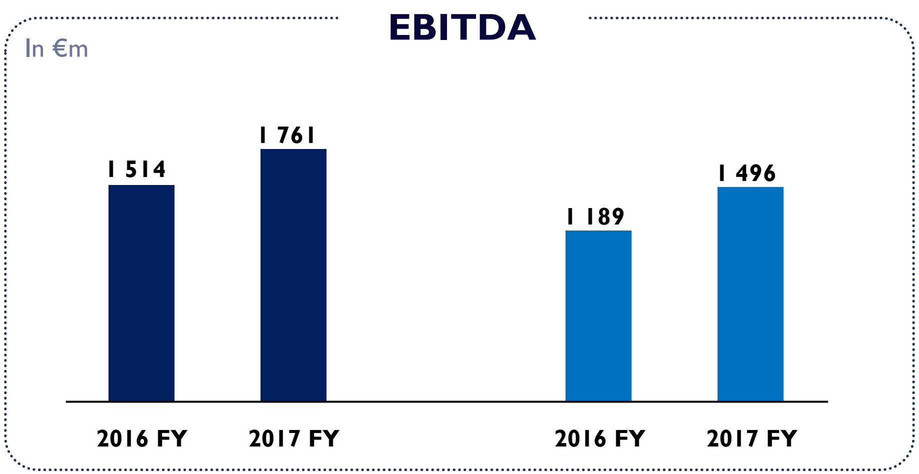


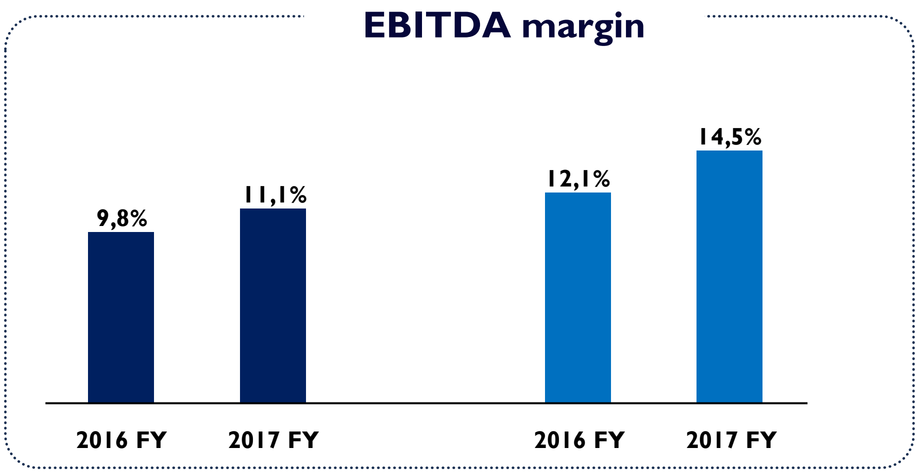
(1) Productivity measured by EASK/FTE
(2) 2016 FTE headcount restated for the sale of Cobalt Ground Solutions

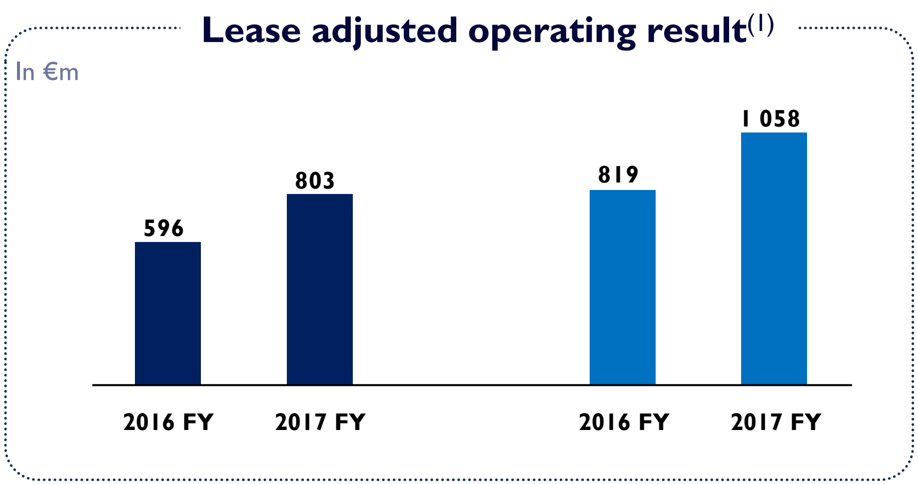
2017 FUEL BILL DOWN 90M EUR

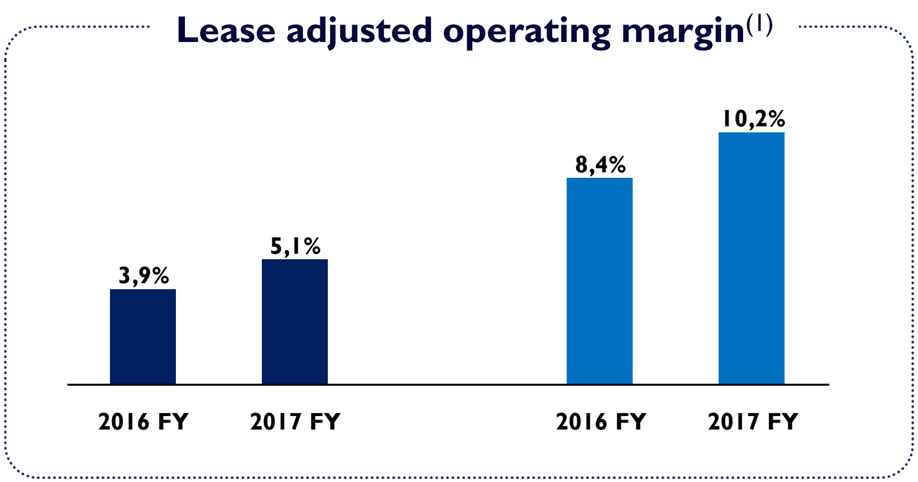


CONTRIBUTION BY AIRLINE TO FULL YEAR RESULTS







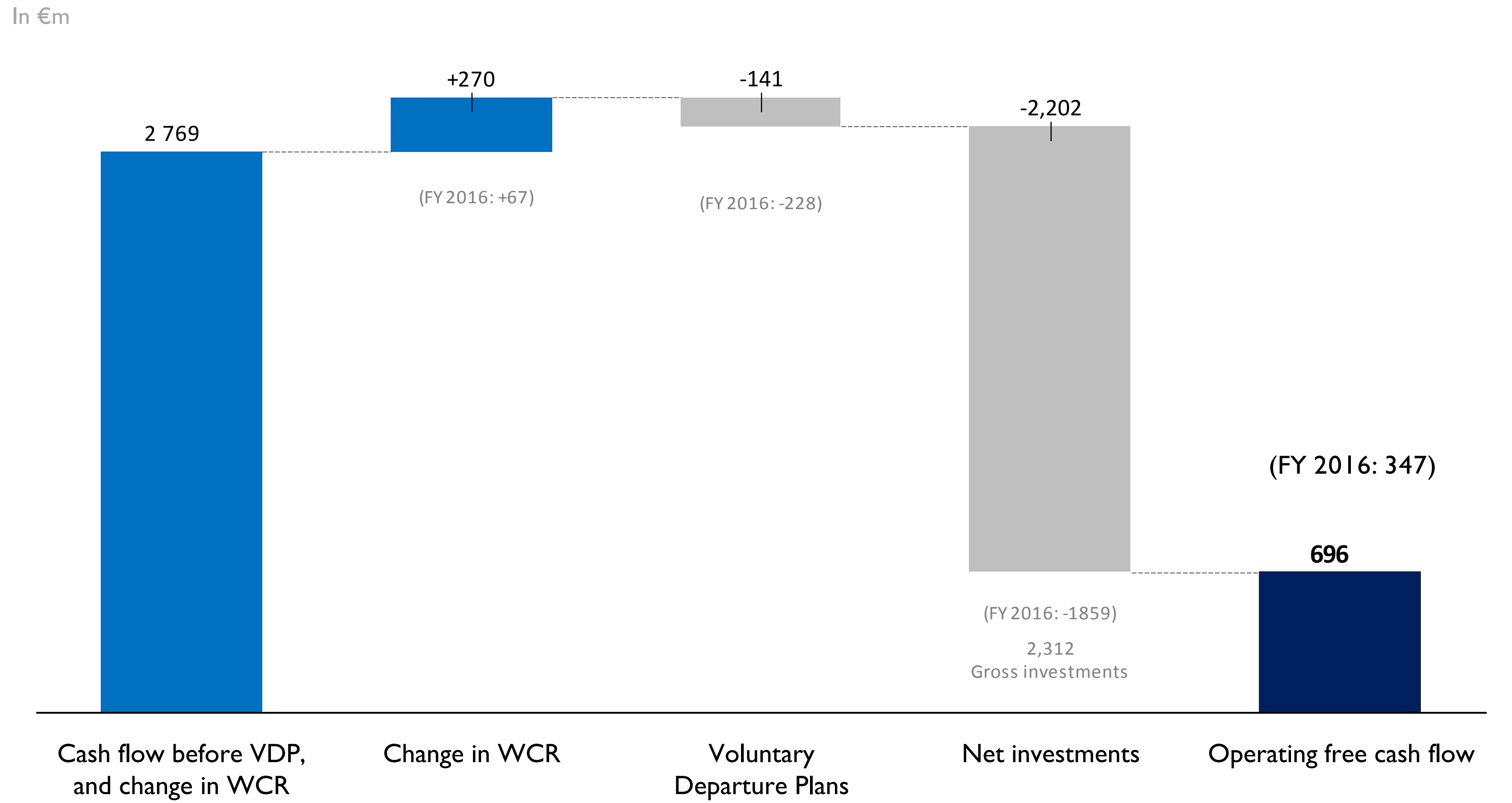


AIRFRANCE KLM

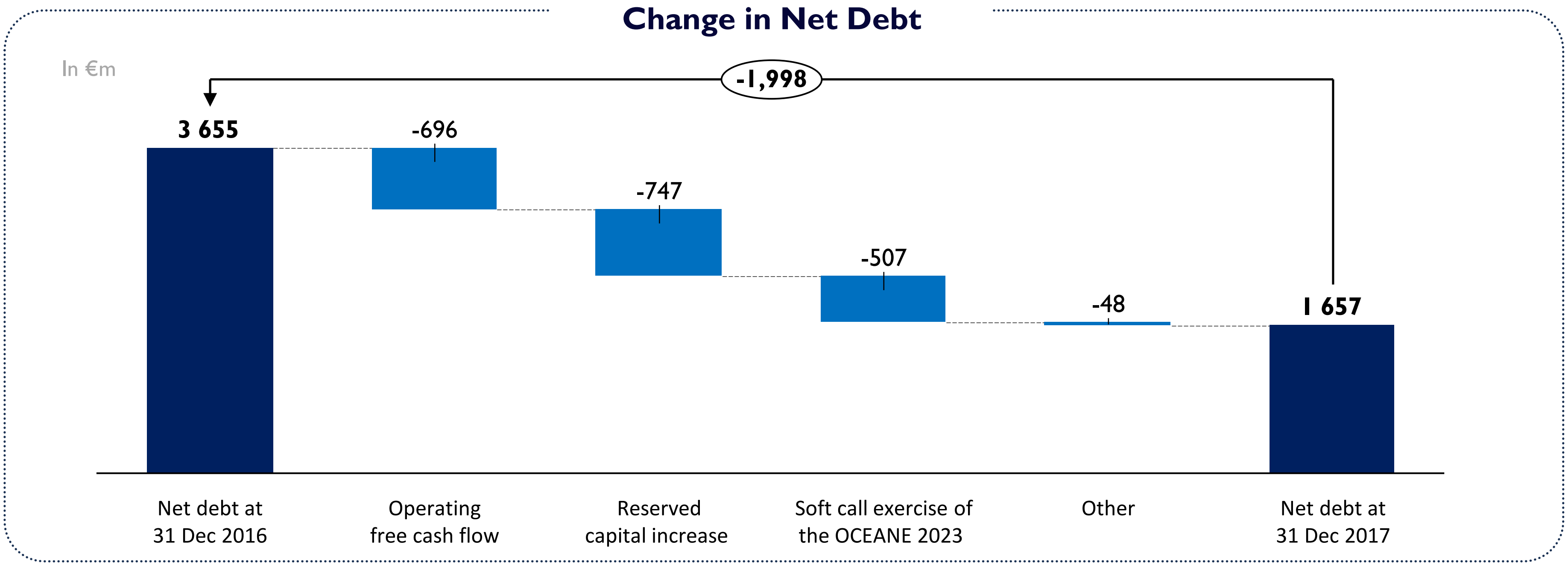
(1) Operating results adjusted for interest portion (1/3) operating leases

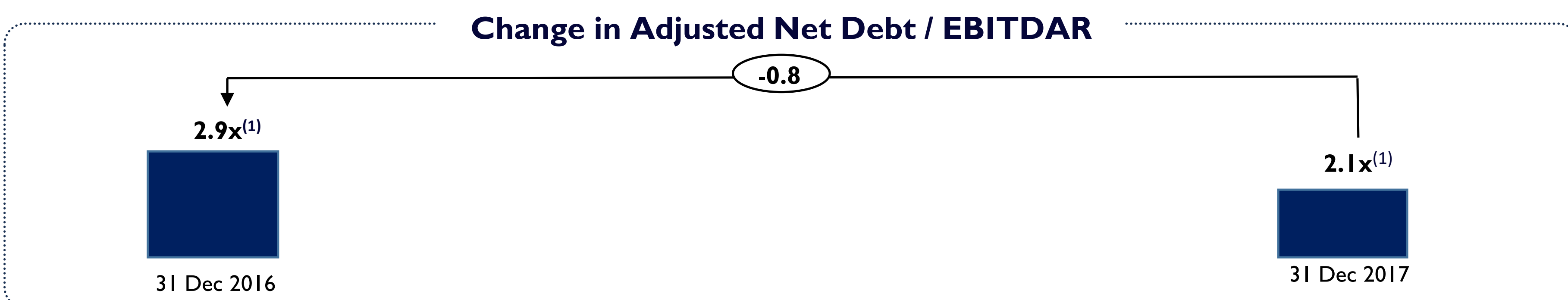
STRONG OPERATING FREE CASH FLOW

Operating free cash flow breakdown Full Year 2017



REDUCTION IN NET DEBT OF 2 BILLION EUROS FROM OPERATING FREE CASH FLOW AND CAPITAL INCREASES





(1) Adjusted net debt = Net Debt + 7* Yearly Operating lease costs

IFRS 16 IMPLEMENTATION PER JANUARY 2018: NET DEBT REDUCED BY 2.0 TO 2.4 BILLION EUROS COMPARED TO REPORTED ADJUSTED NET DEBT

IFRS 16 impact on P&L and Balance sheet

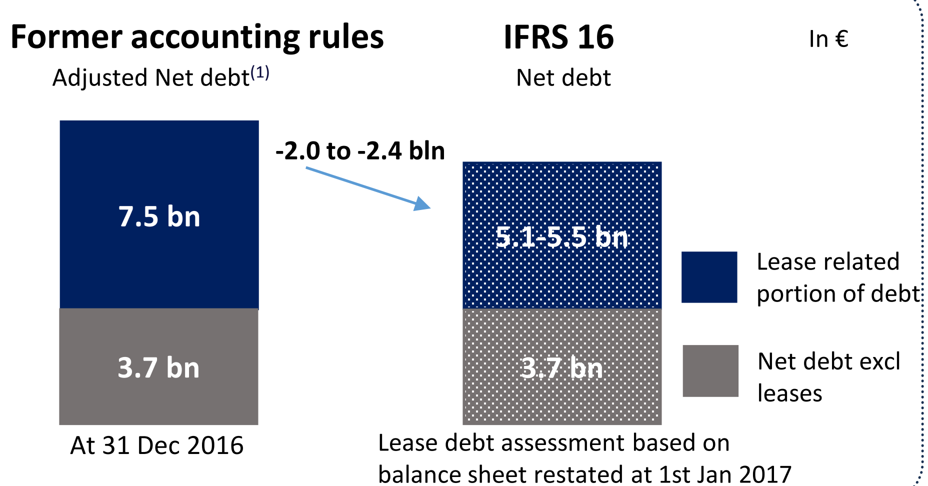
P&L impact 2018 and 2017 re-stated	
External expenses	↓
EBITDAR	✕
Operating leases	✕
EBITDA	↑
Amortizations and depreciation	↑
Income from operating activities	↑
Cost of financial debt	↑
Net result	≈

Balance sheet restatement per 1st of Jan '17
€ Bln

Asset	↑ 4.1 <> 4.9	Liabilities & Equity	↑ 4.1 <> 4.9
Fixed Assets: right of use	↑ 4.0 <> 4.4	Equity	↓ -0.6 <>-0.9 → -0.3 <> -0.6
Deferred tax asset	↑ 0.1 <> 0.5	Liabilities	↑ 5.1 <> 5.5
		Lease debt	↑ 5.1 <> 5.5
		Provision maintenance	TBC

Re-valuation 2017 proforma input on result +€0.3 Bln

IFRS 16 Net debt evolution



- **Debt related to lease contracts reduced by 2.0 to 2.4 billion euros under IFRS 16**
- **Limited volatility in the foreign exchange result involved by the revaluation of the USD lease debt from 2018 onwards: natural hedge for the USD revenues by the USD lease debt**

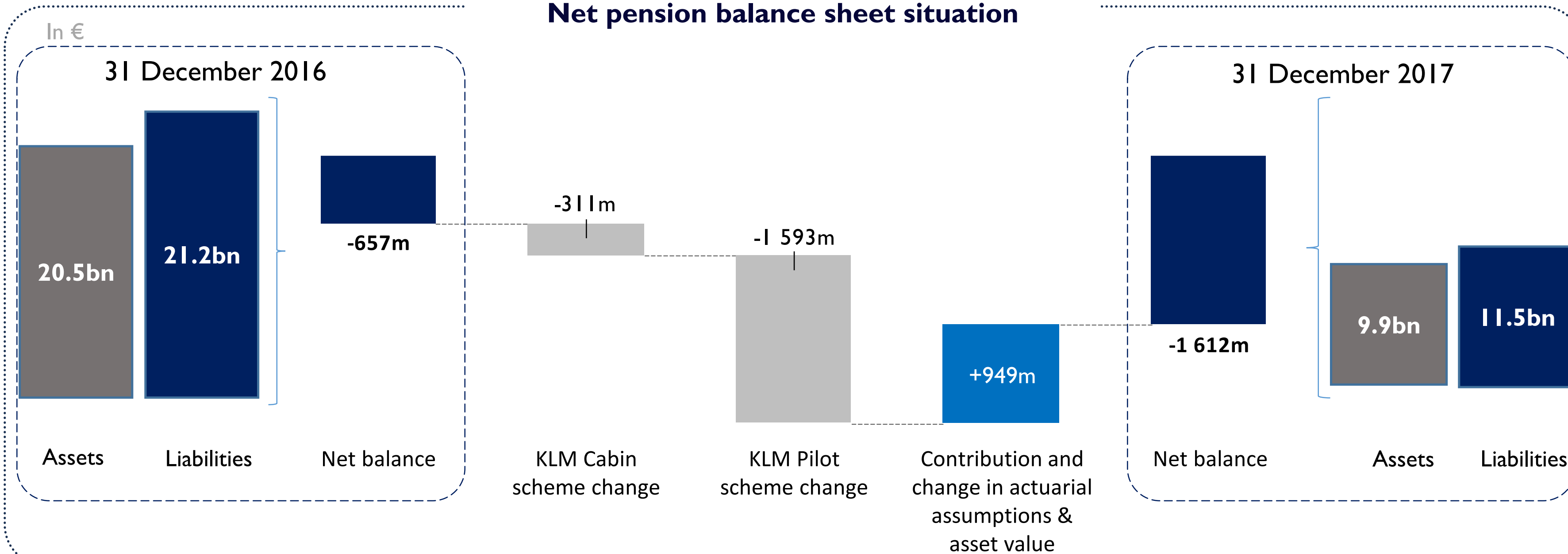
(1) Under former accounting rules, Adjusted Net debt amounts to Net Debt added to the annual of operating leases capitalized 7x. IFRS 16

NET PENSION BALANCE SHEET SITUATION IMPACTED BY DE-RISKING OF KLM CABIN AND PILOT PENSION SCHEMES

De-risking KLM pension schemes impact

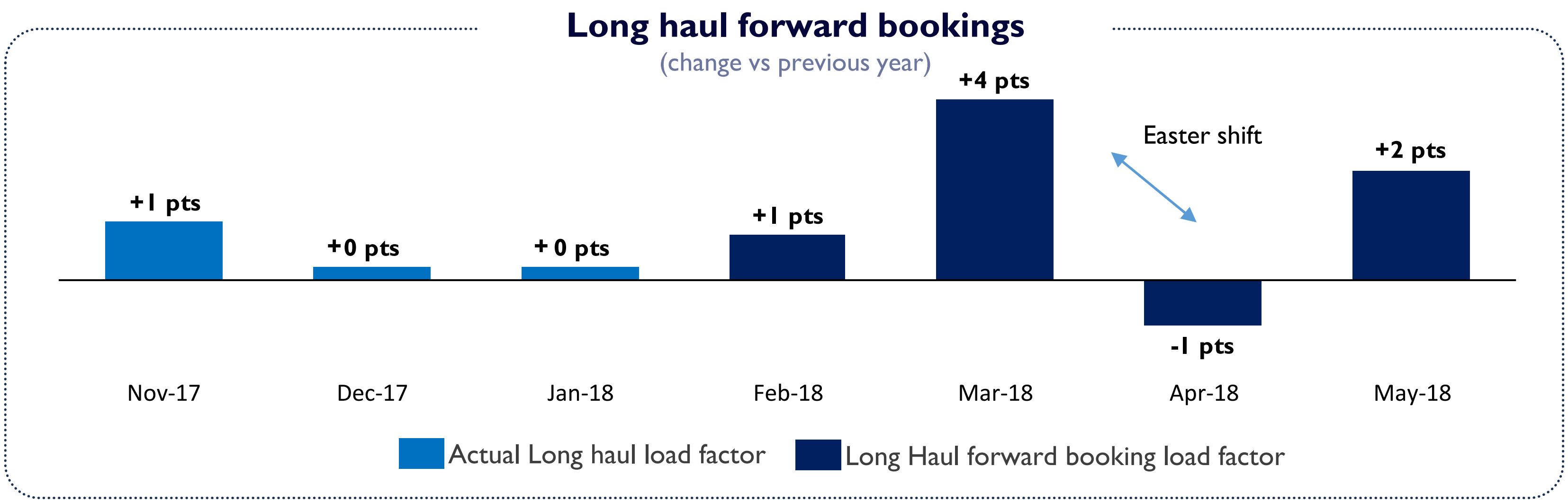
Impact on balance sheet of change of schemes	De-recognition of pension asset (€m)	One-off lump sum to the pension fund (€m)	Gross contribution (€m)	Net contribution of pension asset to equity / Non-current P&L effect (€m)
KLM Cabin	-311	0	-311	-233
KLM Pilot	-1,399	-194	-1,593	-1,196
	-1,710	-194	-1,904	-1,429

Net pension balance sheet situation



OUTLOOK

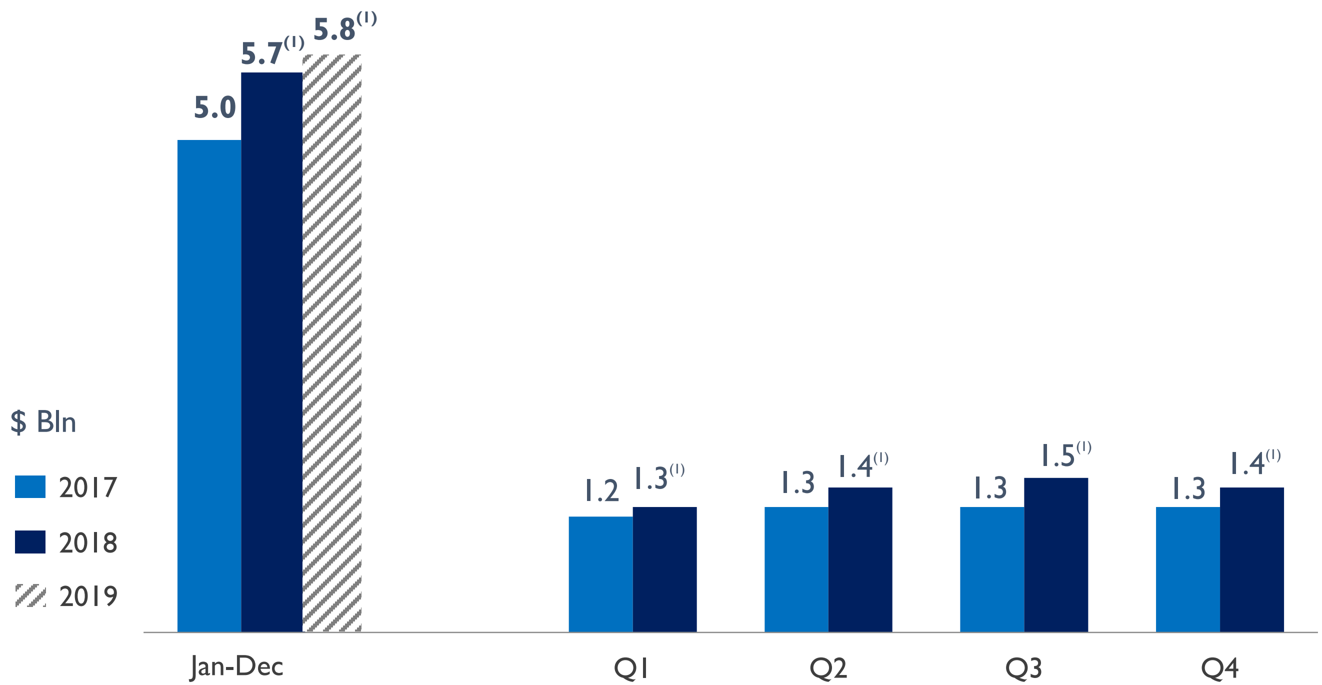
EARLY 2018 OUTLOOK FOR PASSENGER NETWORK: CONTINUATION OF THE POSITIVE TREND



- Long haul forward booking load factors ahead of last year for the first months of 2018 with a strong March 2018 due to Easter shift
- Based on current outlook, Q1 2018 unit revenues are expected to be positive at constant currency versus last year

2018 OUTLOOK FUEL BILL: +650M USD, +150M EUR

2017:
fuel bill €4.5bn
2018:
fuel bill €4.7bn(2)
2019:
fuel bill €4.6bn(2)



		Jan-Dec	Q1	Q2	Q3	Q4
MARKET PRICE	Brent ($ per bbl)(1)	62	66	62	61	60
	Jet fuel ($ per metric ton)(1)	604	631	602	595	590
	% of consumption already hedged	55%	60%	60%	52%	50%

(1) Based on forward curve at February 9th 2018. Sensitivity computation based on 2018 fuel price, assuming constant crack spread between Brent and Jet Fuel
(2) Assuming average exchange rate of US dollar per euro 1.22 for 2018 and 1.28 for 2019

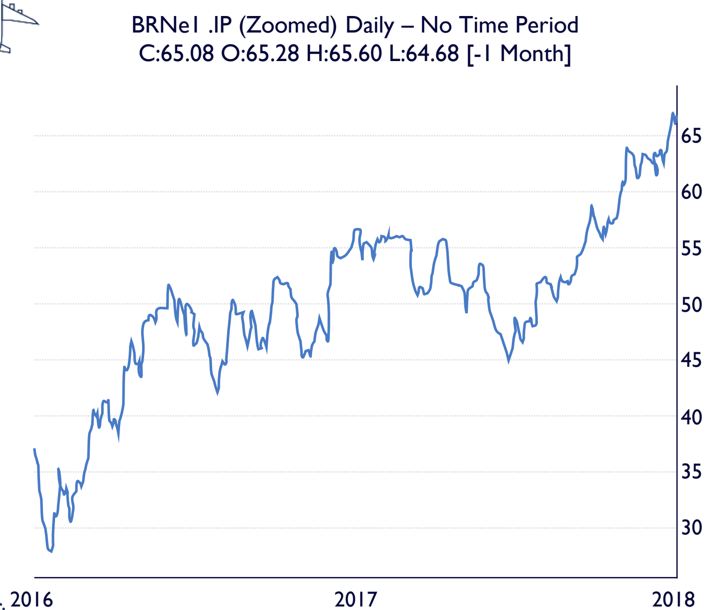
2018 OUTLOOK

- Full year 2018 capacity of Passenger Network +3-4% and Transavia +6-7%
- Unit cost reduction between -1.0% and -1.5% at constant currency, fuel and pension-expense
- 2018 capex to be managed in the long-term target range of €2.0bn to €2.5bn
- Positive operating free cash flow (before acquisitions and disposals)
- Adjusted net debt to EBITDA: new target to be defined taking into account IFRS16

BUSINESS HIGHLIGHTS

STARTING 2018 WITH A MORE CHALLENGING ENVIRONMENT

Rising oil prices



Source: ICE – Brent Crude Oil Future – APR18

Intense competition

PURSUE THE OFFENSIVE AND RESPOND TO COMPETITION

Unrivaled network of alliances

Adapted cost structure to complement our hub operations

Joon

Profitable point-to-point low-cost airline

transavia

COMMERCIAL INITIATIVES AND DIGITAL INNOVATION

New distribution strategy

Flying Blue

Digital innovation

SUCCESSFUL EXECUTION OF KLM STRATEGY AND FLIGHT PLAN 2017

Customer & Product

Network & Fleet

Operational Excellence

People & Organisation

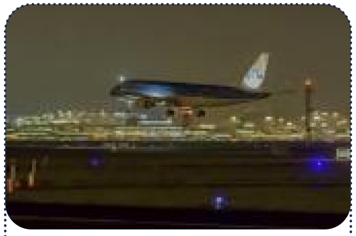
Innovation

- De-risking of cockpit and cabin pensions
- CLA progress
- Team development
- Profit sharing
- Productivity increase

KLM HIGHLIGHTS 2017

2017: the highest operational result in KLM's 98 year old history

10th Dreamliner



12th Embraer 175+

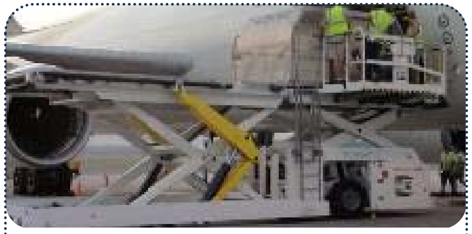
15 new destinations

Start use of Artificial Intelligence in Social Media

"Language chairs" connect people at the holidays

Over 40 mln passengers KLM Group

Innovative sorter system KLM Cargo



CSR: Lower emissions due to electrical loaders

Third party revenues E&M increased

Anytime for You service expanded to Bangkok flights

"Becoming Europe's most customer centric, innovative and efficient network carrier"

KLM STRATEGIC PRIORITIES 2018

Strategic health

- Strengthening customer focus and increasing our NPS
- Creating growth opportunities at Schiphol airport
- Strengthening operational excellence capabilities
- Introducing new digital innovations for customers and staff
- Improving performance of our cargo and maintenance business
- Increasing synergies between KLM and Transavia Netherlands

Organizational health

- Reaching new CLA agreements with Cockpit and Ground staff
- Increasing employee engagement with introduction of EPS
- Developing new innovations, applying latest technological technologies

Financial health

- Maintaining a healthy COI level
- Improving KLM equity situation

AIR FRANCE : SPEEDING UP RECOVERY IN A FAVORABLE CONTEXT IN 2017

Business highlights

- Signature of collective agreements
  - Air France cabin crew
  - Air France pilots
  - Transavia pilots
- Creation and launch of Joon
- New alliances
- Opening/re-opening of routes
- Delivery of the first B787
- Profitability of Transavia France
- Reduction in the RSTCA *(Paris airports fees)*

Key figures

- Increase in capacity:
  - +1.4% for Air France*
  - +12% for Transavia France
- Increase in traffic (nb of passengers):
  - +3% for Air France *
  - +10% for Transavia France
- Operating result: €590 million
- €1.3 billion in investments

* Including Hop! Air France

STRENGTHENING THE NETWORK'S ACTIVITIES AROUND THE PARIS-CDG HUB

AIRFRANCE

On the offensive

- Opening new routes:
  - Accra
  - Malé (Maldives)
  - Agadir
  - Palma de Majorca
  - Marrakech
- Increased frequencies:
  - 138 additional medium-haul flights during the summer season
  - Havana, Lima, Chicago, San Jose, Bengalore, Cancun, Tokyo, Mauritius, Cape Town
- Deployment of the B787 to several destinations

Joon

New recovery lever

- 12 destinations from the Paris-CDG hub including 2 route openings/re-openings:
  - Fortaleza
  - Mahé (Seychelles)
- Cost savings of around 15 to 18% compared to Air France
- A laboratory of innovation for the Air France group
- Positive first results:
  - 300,000 passengers carried since the launch of Joon on 1st December 2017
  - A load factor of around 85%
  - 140 cabin crew hired for the launch, 360 currently being recruited

2018: CONTINUING THE OFFENSIVE IN AN UNCERTAIN CONTEXT

Continue the offensive and improve our competitiveness

- Joon on long-haul
- New long-haul routes
- €1.3 billion in investments
- Improve our operational performance
- French Air Transport Conference

Put the customer at the heart of our attentions

- Retrofitting cabins: A330 as from 2018
- Renovation and extension of lounges
- Inflight connectivity
- Personalization and digitalization
- Preparing for the delivery of the first A350

Value our staff and strengthen cohesion

- 2017-2019 profit-sharing agreement
- Innovative initiatives to strengthen internal cohesion
- Resuming recruitment in all sectors especially the relaunch of the cadet pilot program

PURSUE THE OFFENSIVE AND MAINTAIN PROFITABLE GROWTH MOMENTUM

- Leveraging 2017 achievements to maintain the offensive
- Priority roadmap for further cost reductions and to generate sustainable growth
- Pursue discipline to preserve a sound balance sheet
- Preparation of mid-term strategic plan