

Results presentation

Results as of June 30, 2021

July 30, 2021





Q2 2021 and strategic highlights

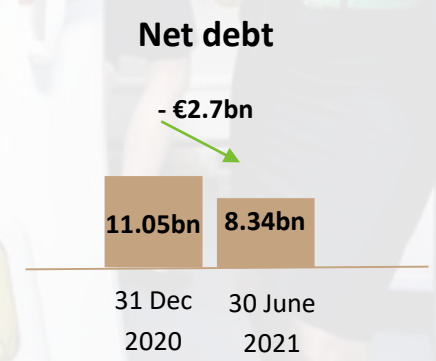
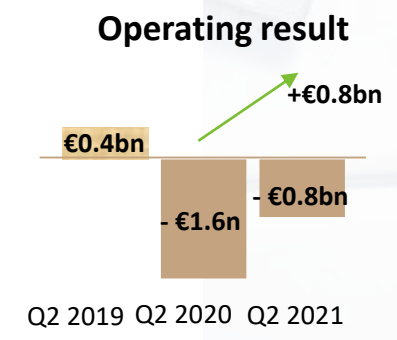
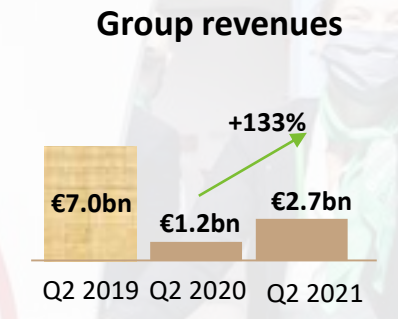
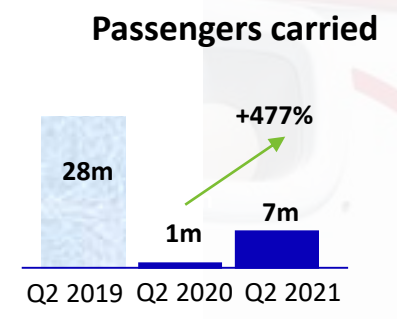


Benjamin Smith
Chief Executive Officer
Air France-KLM



Q2: First signs of recovery

- Network Passenger capacity at index 48% versus Q2 2019
- Cargo performance continued to be very strong
- EBITDA loss at -€248m, better than the Group's guidance
- Adj. operating free cash flow positive at €210m thanks to strong ticket sales
- High level of cash at hand, €9.4bn at the end of June
- The group increased its capital by €1bn, converted the direct French State loan of €3bn into perpetual hybrid instruments and issued a Senior bond of €800m of which the cash will be received in Q3



Q2 2020 was highly impacted by worldwide lockdown

We strengthened and accelerated our transformation across our businesses (passenger, cargo, MRO)



OPTIMIZE OUR OPERATING MODEL

MAINTAIN TRUST & TRANSPARENCY WITH OUR EMPLOYEES



GROW PROFITABLE PASSENGER REVENUES

MODERNIZE OUR FLEET



MAXIMIZE GROUP BUSINESSES AND SYNERGIES

LEAD THE WAY IN SUSTAINABLE AVIATION



COMPETITIVENESS & SUSTAINABLE LEADERSHIP

We are ambitious with our transformation to fight for our business and be competitive

We live up to our commitments and keep optimizing our key assets



Restructuring programs showing improved results

Labour cost



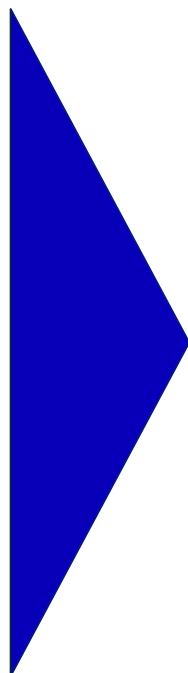
Fleet, suppliers and procurement



Fuel efficiency



Other operating cost



- €800m

Structural benefits by end 2021
versus 2019

-5.5k FTE

by end 2021
-5.7K FTE by end of June 2021

Reduction of labor benefits (up to -20%)
NOW mechanism until end of Q3 2021



-€1.3bn

Structural benefits by end of 2022
-€800m end 2021 versus 2019

-8.5k FTE

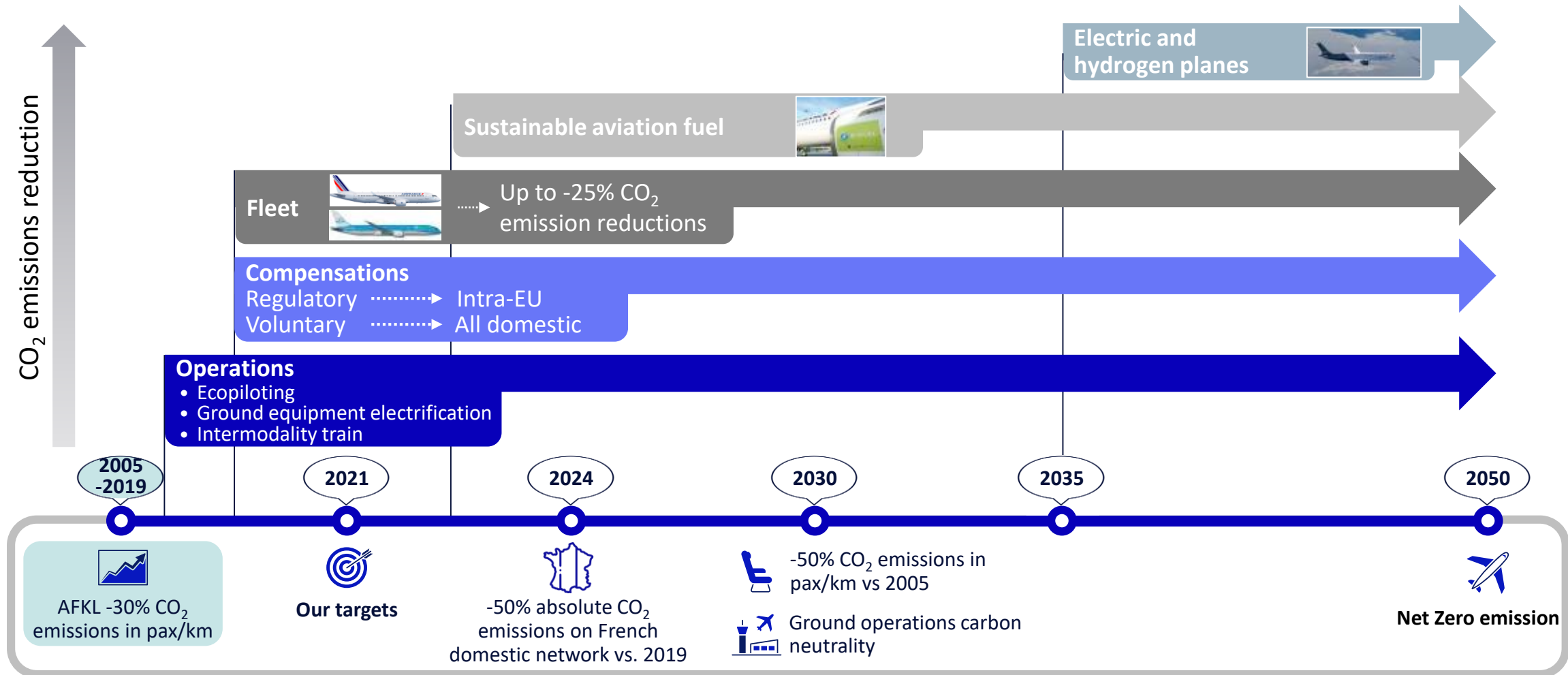
by end 2022,
-5.3k FTE by the end of June 2021

Long term partial activity in place until end of 2022

¹Excluding Transavia France



Air France-KLM is leading the way to sustainable aviation





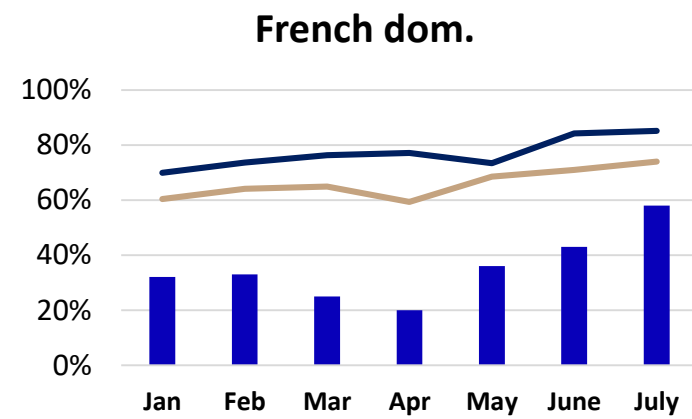
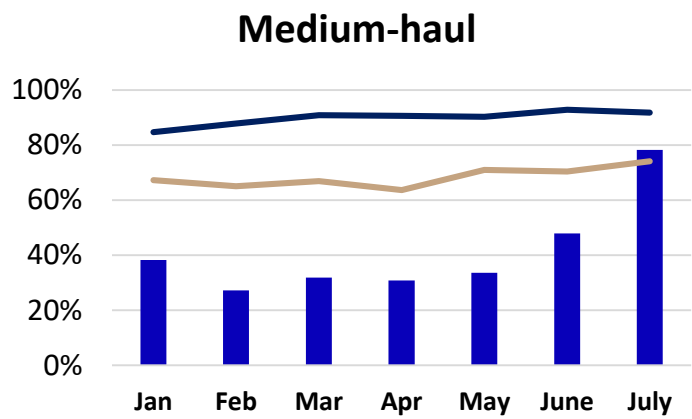
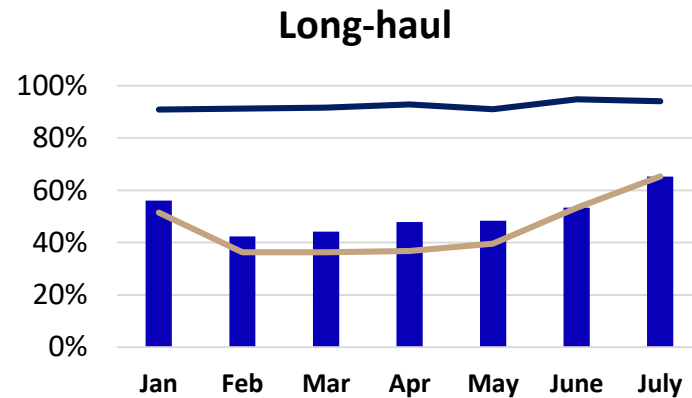
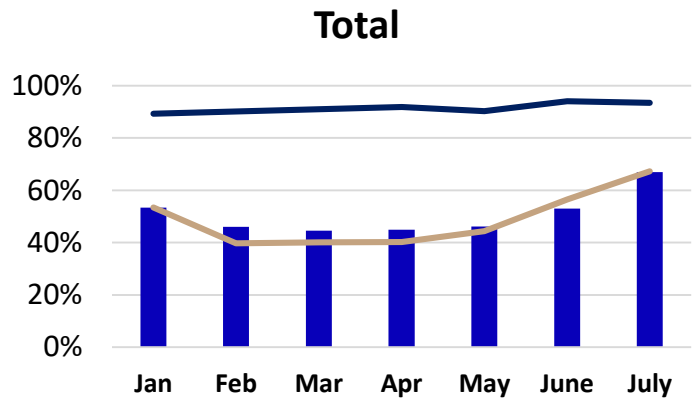
Results as of June 30, 2021



Steven Zaat
Chief Financial Officer
Air France-KLM



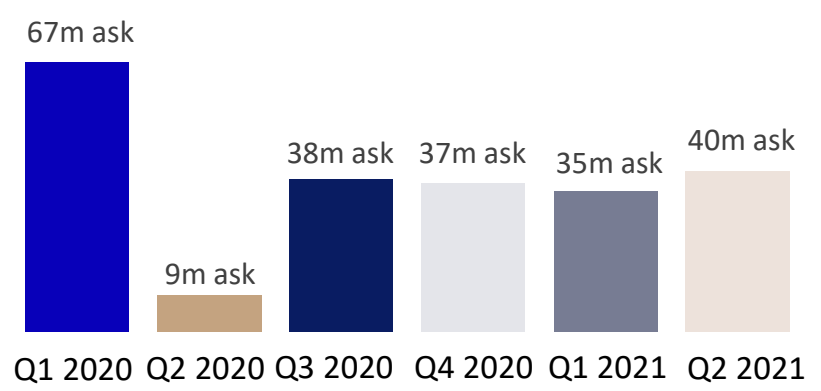
Recovery visible since June, total Booking Load Factor increasing at larger capacity



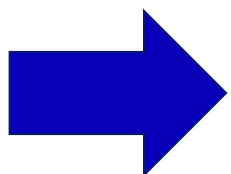
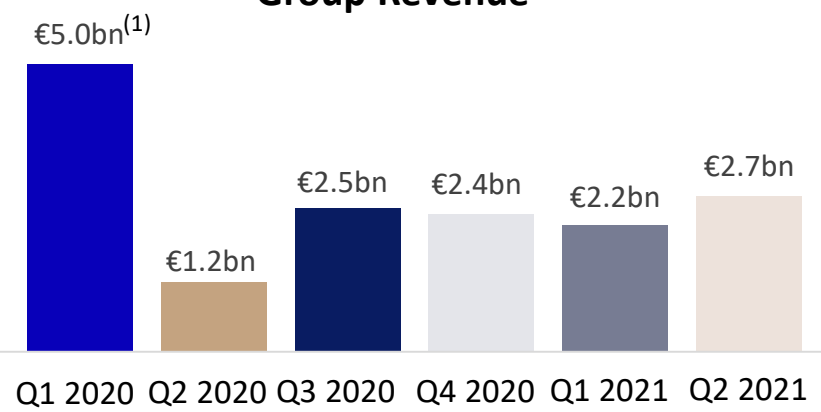


Revenues and EBITDA improved thanks to higher capacity and better load factors

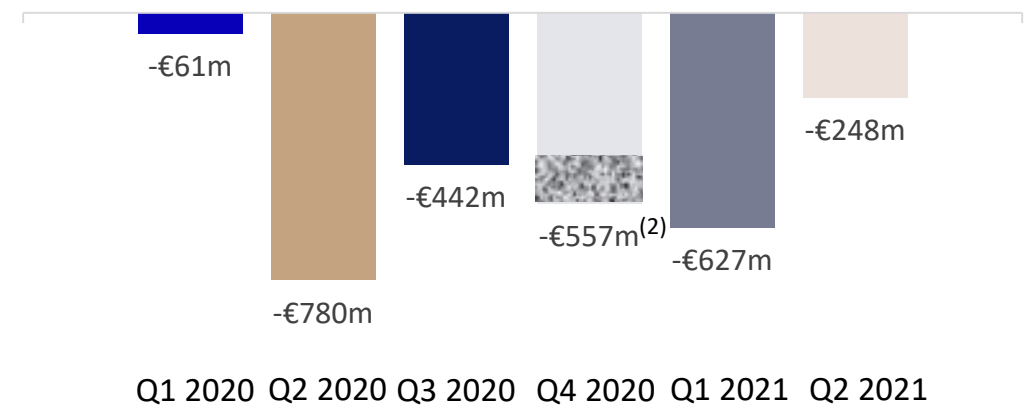
Capacity in ASK



Group Revenue



EBITDA loss development



(1) Q1 2020 results impacted by Covid-19 mostly in March

(2) Reported EBITDA loss in Q4 2020 €407m, thanks to exceptional one-off in salary cost in the range of €150m, not attributed to the period specifically



EBITDA loss reduced to -€0.2bn

Adjusted operating free cash flow positive



	Q2 2021	Q2 2020 ⁽¹⁾	Change	Change <i>at constant currency</i>
Revenues (€ m)	2,750	1,182	+1,568m	+1,619m
Fuel expenses (€ m)	520	213	+307m	+334m
EBITDA (€ m)	-248	-780	+532m	+539m
Operating result (€ m)	-752	-1,553	+801m	+808m
Operating margin	-27.3%	-131.4%	+104.0 pt	+109.4 pt
Net income - Group part (€ m)	-1,489 ²	-2,612	+1,123m	
Adjusted operating free cash flow (€ m)	210	-1,501	+1,711m	

(1) Q2 2020 was highly impacted by worldwide lockdown

(2) Net income negatively impacted by the derecognition of the KLM ground staff pension



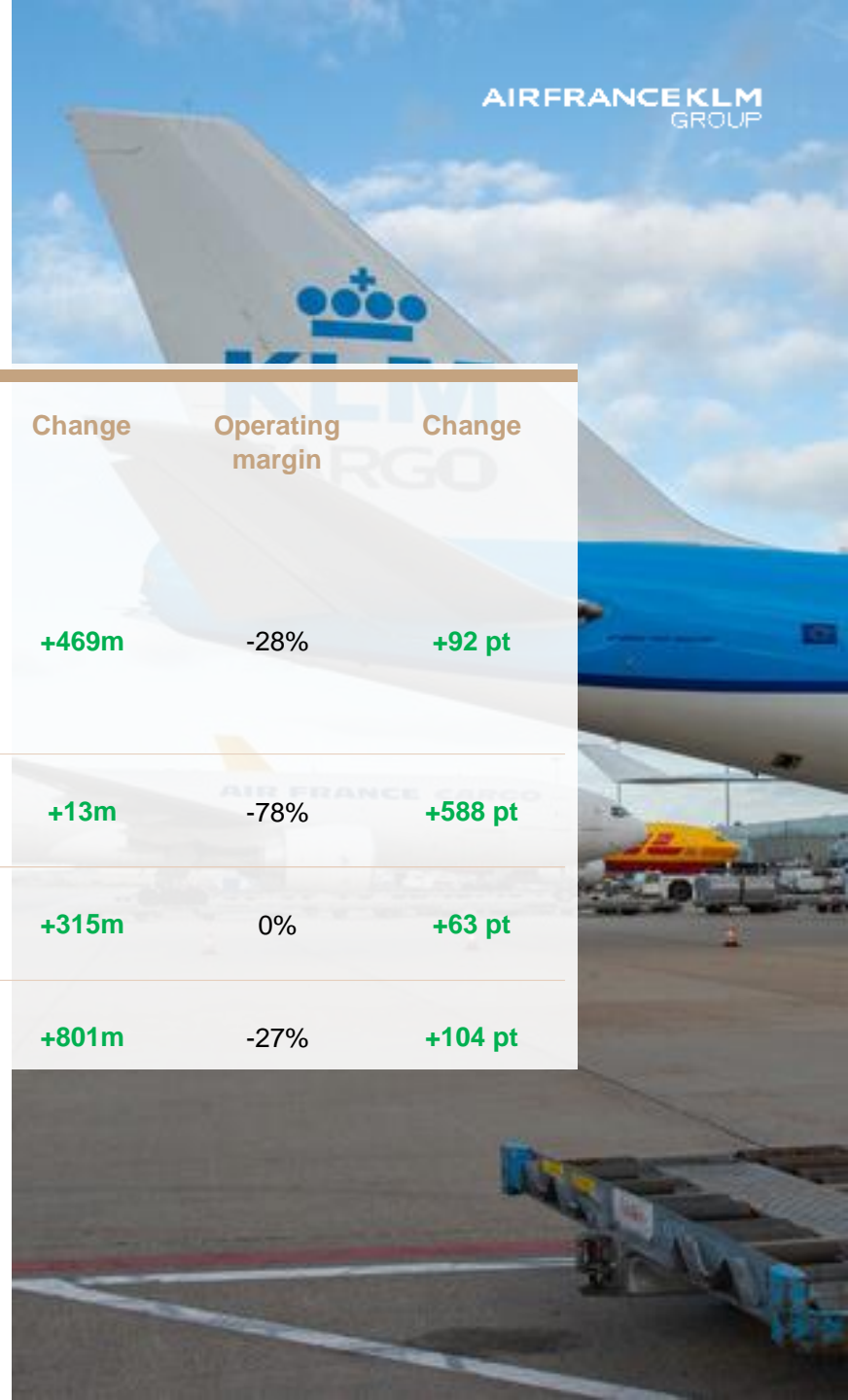
Q2: Continuation of strong performance by Cargo and Maintenance around break-even

Q2 2021 versus 2020		Capacity ⁽¹⁾	Unit Revenue ⁽²⁾ Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
Network	AIRFRANCE KLM	+315.5%	+2.1%	1,468	+294.5%	-654	+469m	-28%	+92 pt
	AIRFRANCE KLM Martinair CARGO	+66.0% ⁽³⁾	+0.5%	894	+58.1%				
Transavia	transavia	+1,069.2%	-29.0%	126	+655.4%	-98	+13m	-78%	+588 pt
Maintenance	AIRFRANCE INDUSTRIES KLM Engineering & Maintenance			255	+14.9%	-3	+315m	0%	+63 pt
Group	AIRFRANCE KLM GROUP	+338.6%	-35.7%	2,750	+132.7%	-752	+801m	-27%	+104 pt

(1). Capacity is defined as Available Seat Kilometers (ASK), except for Network Cargo capacity which is Available Ton Kilometers (ATK). Group capacity is defined as Passenger ASK (Network Passenger ASK + Transavia ASK)

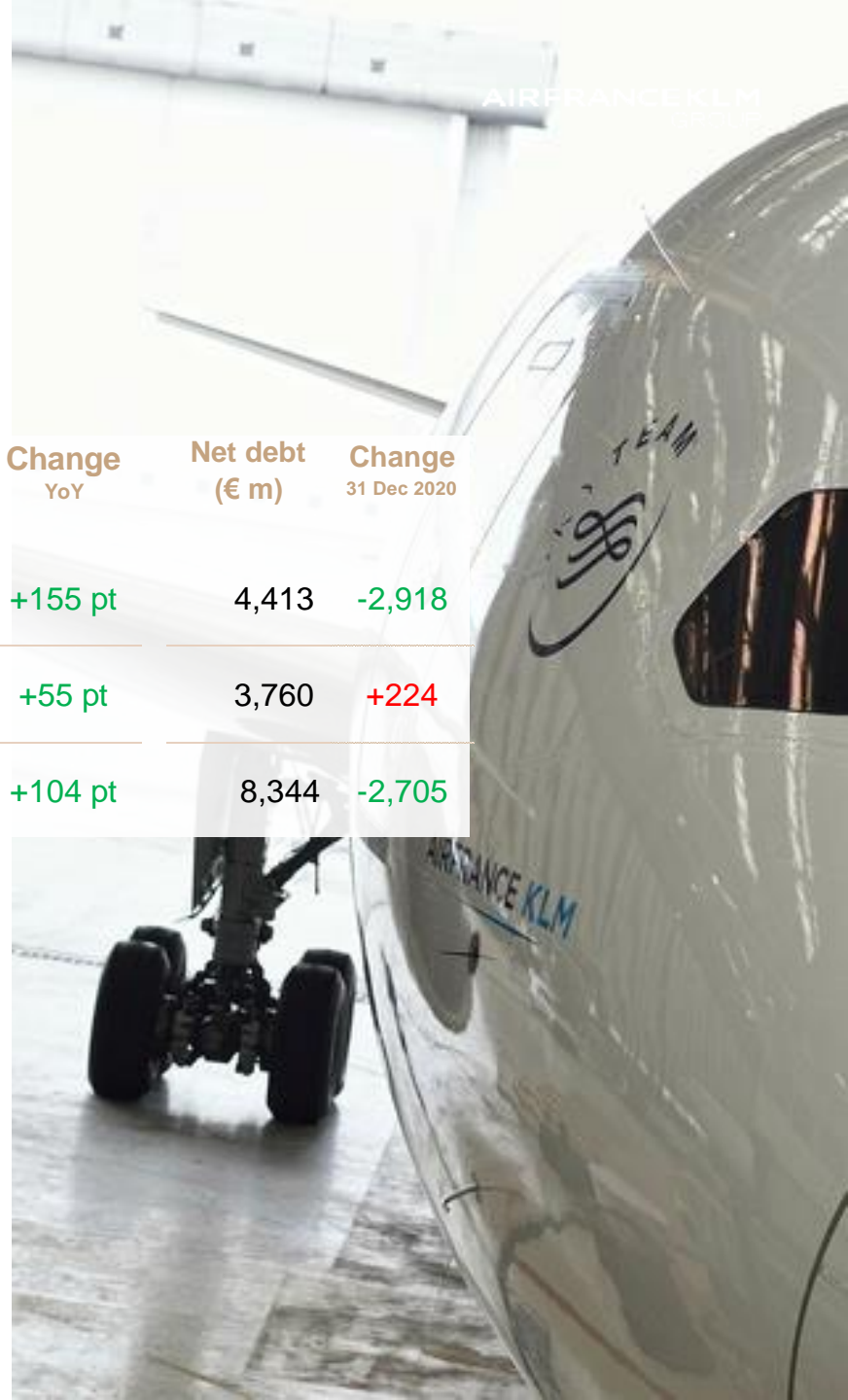
(2). Unit revenues = revenue per ASK, Cargo unit revenues = Cargo revenue per ATK, Group unit revenue = (Network traffic revenues + Transavia traffic revenues) / (Network Passenger ASK + Transavia ASK).




(3) Capacity of passenger aircraft used for cargo only, is based on theoretical payload without passengers





Q2: Performance improved versus last year although still negatively impacted by travel restrictions



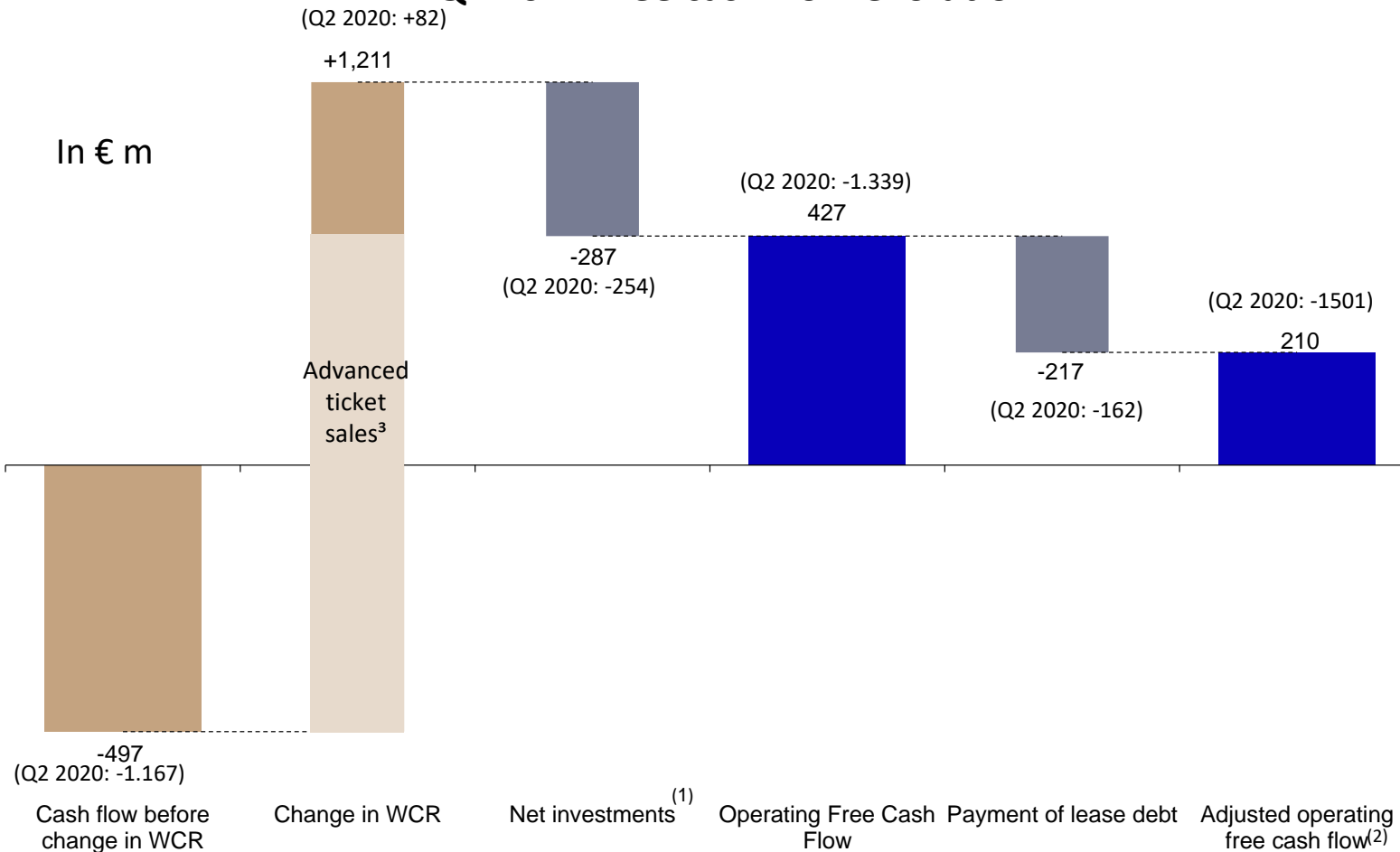
	Q2 2021 versus Q2 2020	Capacity change	Revenues (€ m)	Change YoY	Operating result (€ m)	Change YoY	Operating margin	Change YoY	Net debt (€ m)	Change 31 Dec 2020
AIRFRANCE 		+424%	1,646	+195%	-566	+492	-34%	+155 pt	4,413	-2,918
KLM 		+280%	1,207	+72%	-185	+308	-15%	+55 pt	3,760	+224
AIRFRANCE KLM GROUP 		+339%	2,750	+133%	-752	+801	-27%	+104 pt	8,344	-2,705

- Improvement of Operating result in proportion for both companies
- Reduction of Air France Net Debt thanks to capital increase and conversion of the direct French State loan into perpetual hybrid instruments



Q2: Adjusted Operating Free cash flow positive WCR driven by improved advanced ticket sales

Q2 2021 Free cash flow evolution



(1) Net investments reduced by sale and leaseback transactions

(2) Adjusted operating free cash flow = Operating free cash flow after repayment of lease debt

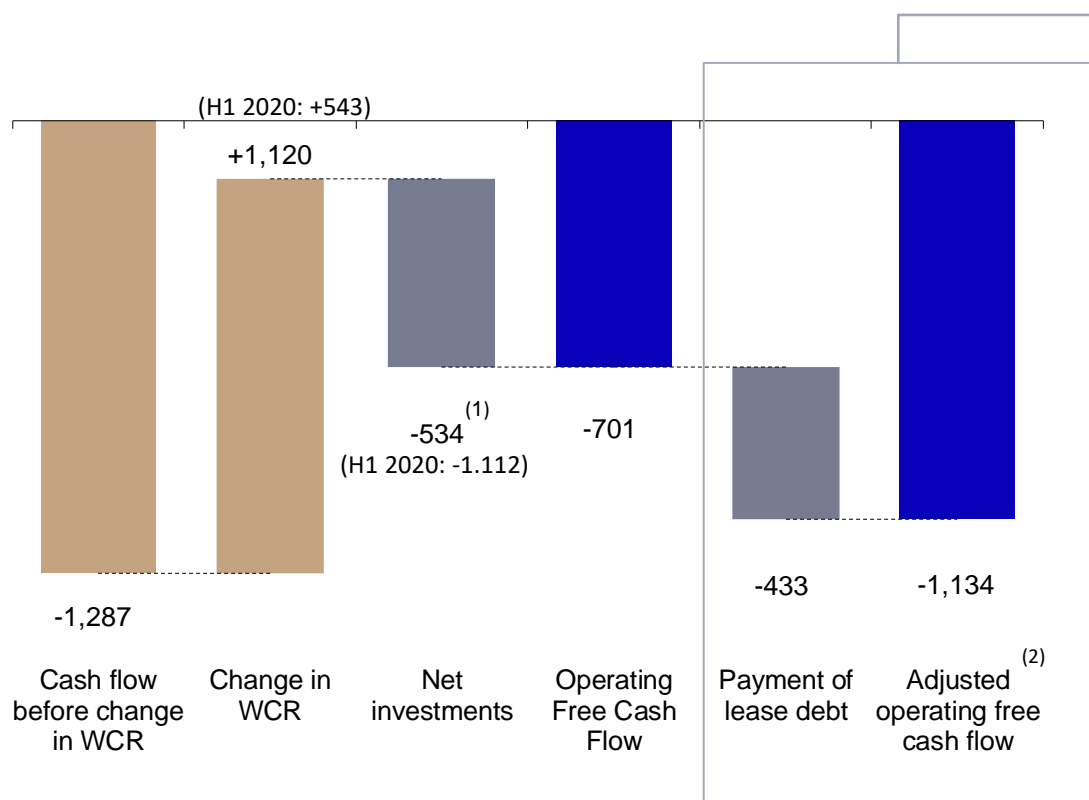
(3) Variation of the net unflown ticket stock including €466m refunds. Maximum risk due to cash refunds ~€1.0bn at the end of June 2021



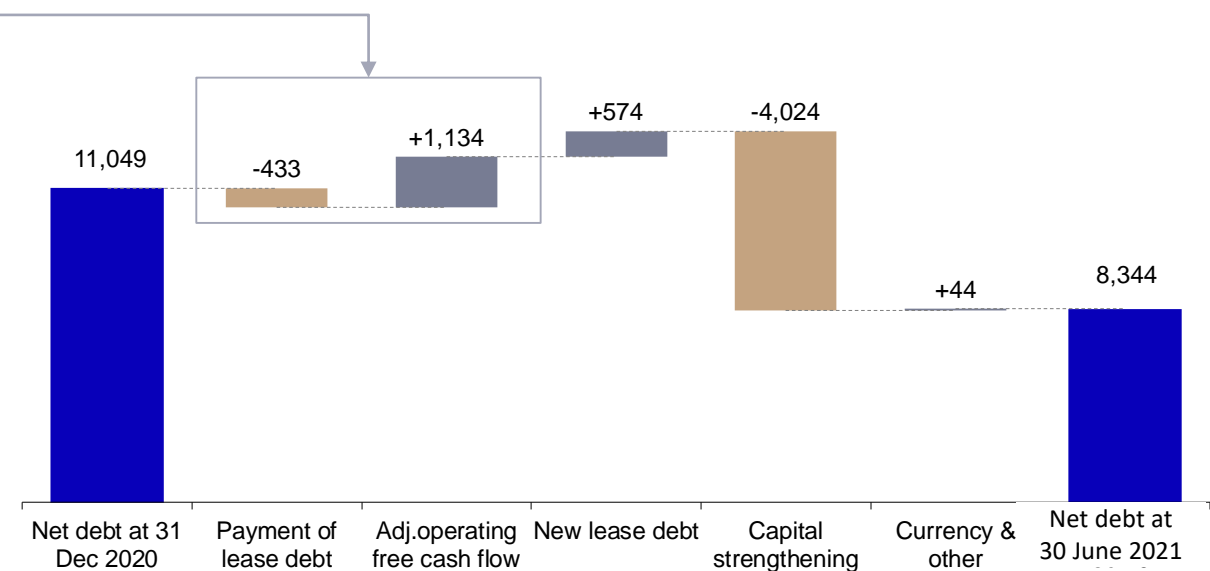
H1: Working capital positive thanks to booking pick up

Net debt decreased by €2.7bn thanks to first capital strengthening measures

H1 2021 Free cash flow evolution
In € m



Net debt
In € m



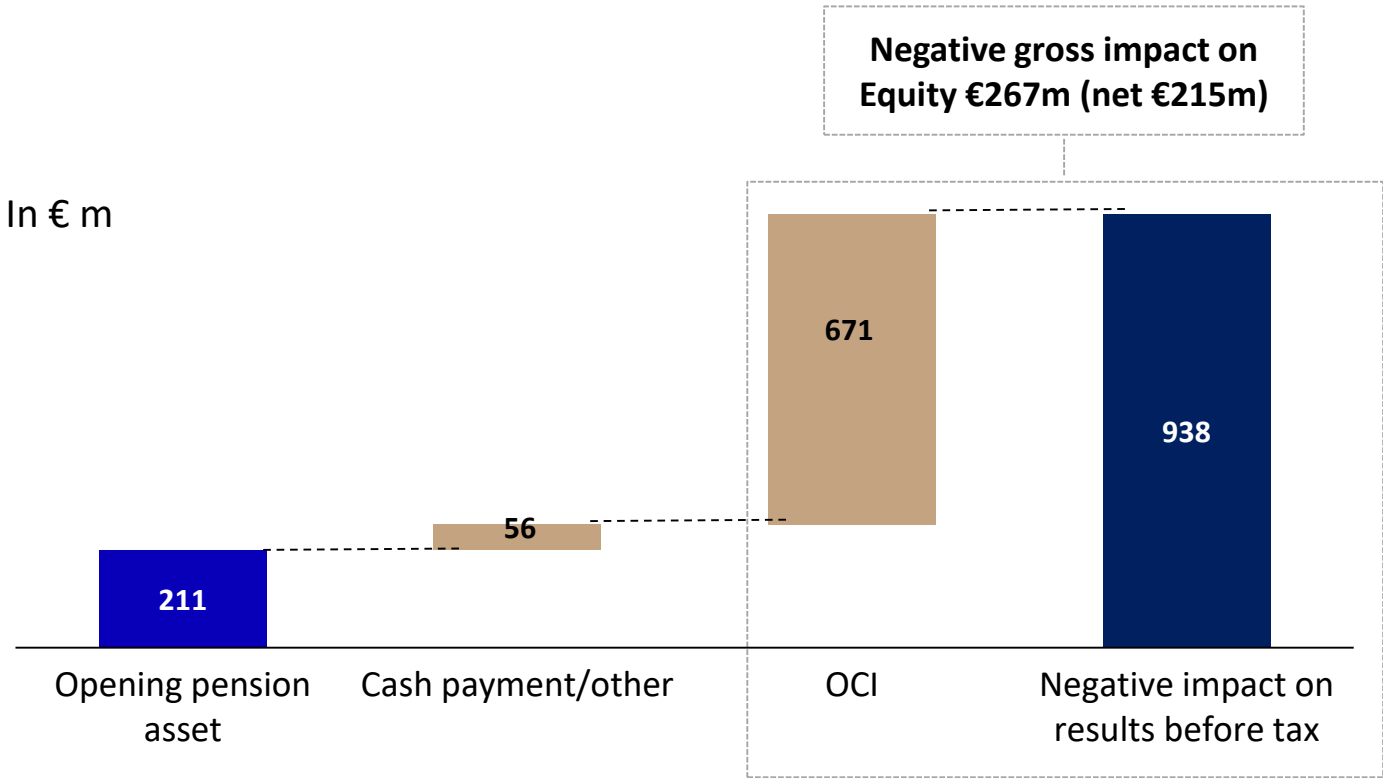
(1) Net investments reduced by sale and leaseback transactions
 (2) Adjusted operating free cash flow = Operating free cash flow after repayment of lease debt



Derecognition of KLM Ground pension fund, reducing the Group's balance sheet volatility

Finalization of the de-risking of the Dutch KLM pension schemes:

- Jan 1st : Opening pension asset at €211m
- Change in fair value of the pension asset over the period (OCI impact of +€671m non cash)
- H1 2021: Release of the asset at fair value (-€211m & -€671m non cash) and one off cash contribution (-€49m) and other non-cash (-€7m)





Recapitalization

Results as of June 30, 2021



Further steps under consideration to pursue securing cash trajectory and relieve constraints on equity

Actions on cash

- **Negotiations to re profile French Bank Loan “PGE” reimbursement with :**
 - Outstanding amount left of €3.5bn repayment currently due in 2023, **to be split into 3 amortized tranches of (indicative):**
 - €0.8bn redemption in 2023 and
 - 2 x €1.3bn redemptions in 2024 and 2025 (indicative final maturity).
- **EMTN program (« Euro Medium Term Note »)** dully executed and ready for use to increase flexible access to debt markets, diversify investor base and to support financing strategy.
- **On going process to get a solicited ESG rating** as an additional tool, to anchor transparency and benchmark on sustainability strategy, as well as support financing strategy, diversify investor base, and further optimize recapitalization measures.

Actions on equity

- **Dutch State** pursuing discussions with European Commission on **recapitalization measures.**
- **Extraordinary financial resolutions** approved at last **AGM (May-21)**, to provide greater flexibility for the Board of Directors to implement further capital strengthening and refinancing measures. Authorisations to increase current share capital up to 300%, issuance for up to €3.5bn equity linked instruments.
- **Such capital strengthening measures** could include instruments such as rights issuance, vanilla quasi-equity and equity-linked instruments in order to restore balance sheet and re-profile debt redemptions.



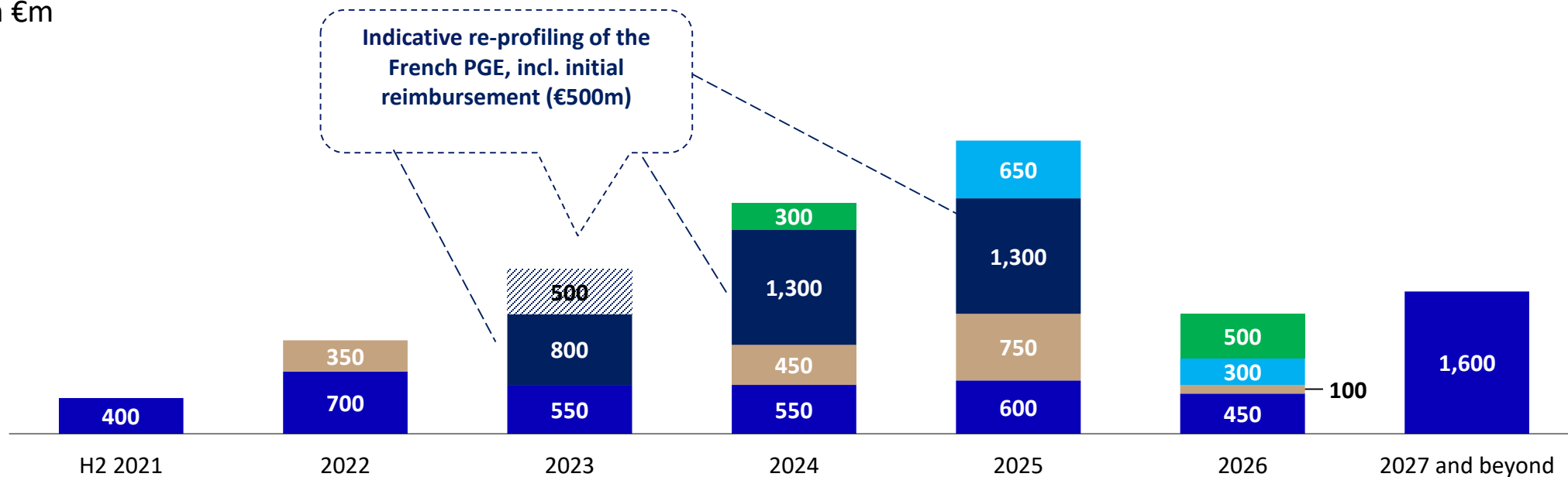
Target of Net debt / EBITDA to circa 2.0x in 2023
(vs. circa 3.0x following the first step)



Indicative debt reimbursement profile

Debt reimbursement profile⁽¹⁾

In €m



- Bonds issued by Air France-KLM**
 - October 2022:** AFKL 3.75% (€350m)
 - March 2024:** AFKL 0,125% (€500m, Convertible « Océane »)
 - January 2025:** AFKL 1.875% (€750m)
 - December 2026:** AFKL 4.35% \$145m (€118m)
- French state aid package**
 - State aid package consists in €4.0bn of banks loan guaranteed by the French State and €3.0bn of French State loan
 - French state loan of €3.0bn has been converted in perpetual quasi-equity in April 2020
- Dutch state aid package**
 - State aid package consists in €2.4bn of banks loan guaranteed by the Dutch State (RCF) and €1.0bn of Dutch State loan
 - Amount displayed correspond to the drawing as of date
- Other long-term Debt : AF and KLM Secured Debt, mainly "Asset-backed"**
- June 2021: €800m dual tranche 3y and 5y senior bond offering**

(1) Excluding operating lease debt payments, KLM perpetual debt, and Air France perpetual quasi-equity

Outlook

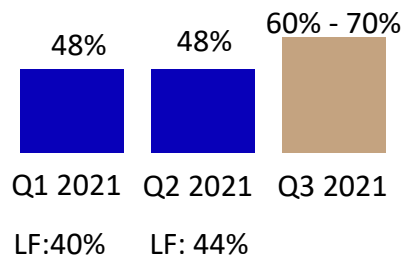
Results as of June 30, 2021



Air France and KLM continue to ramp up capacity in summer with encouraging Load Factor



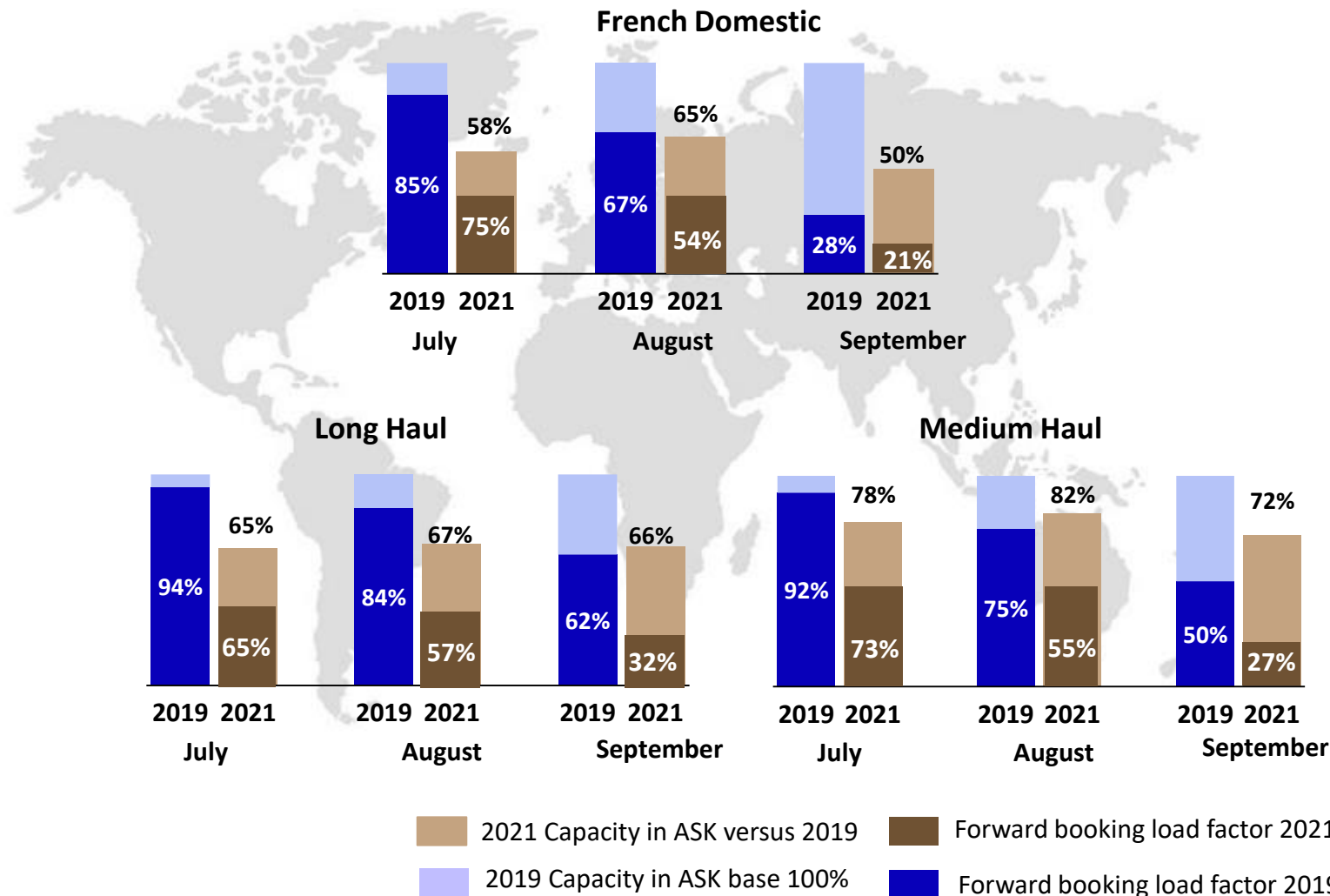
Network Passenger capacity in ASK versus 2019



- Q2 capacity in line with guidance provided during Q1 results presentation
- For Q4 no guidance yet due to uncertainty concerning reopening North Atlantic and travel restrictions waiving

Network Passenger capacity and booking

Snapshot of the 26th July 2021 and 2019



■ 2021 Capacity in ASK versus 2019 ■ Forward booking load factor 2021
■ 2019 Capacity in ASK base 100% ■ Forward booking load factor 2019

€9.4bn cash at hand, including capital increase of €1bn

€9.4bn cash at hand end of June,
€800m Senior bond issue not taken
into account yet



Liquidity requirements:

- Q3 2021 EBITDA expected to be positive
- Remaining risk due to cash refunds is decreasing. At end of June ~€1.0bn
- FY 2021 Net Capex spending estimated below €2.0bn, which is 30% fleet (fully financed), 50% fleet related and 20% IT/ground
- FY 2021 restructuring cash out estimated below €500m, partially compensated by salary cost reduction





Air France-KLM Group medium term operating margin objective unchanged

Guidance elements



- Plan expects capacity of 2019 level back in 2024, based on Covid-19 crisis development (number of aircraft -7% in 2022 compared to 2019)
- Unit cost down 8 to 10% when capacity back to 2019 level ⁽¹⁾
- Adjusted Operating Free Cash Flow expected to be positive in 2023
- Net debt / EBITDA circa 3x in 2023 to be lowered to circa 2x after the expected second step of recapitalization
- Operating margin mid-cycle at 7-8%



(1) Unit cost including fuel and currency change assumptions



Conclusion



Benjamin Smith
Chief Executive Officer
Air France-KLM



ENCOURAGING STEPS IN THE ROADMAP DELIVERY ...



Improvement of our overall performance and competitiveness through initiatives in all our business areas



Preserved cash level and strengthened balance sheet following the successful completion of the first phase of the recapitalization, with effective and continuous cost control and restructuring programs



Air France-KLM is leading the way to sustainable aviation

... STILL WITH CHALLENGES AHEAD

- ✓ Rapid roll-out of wide-scale vaccination remains key to recovery
- ✓ Reinforcement of trust and demand with the launch of vaccine passports, but caution prevails



Appendix

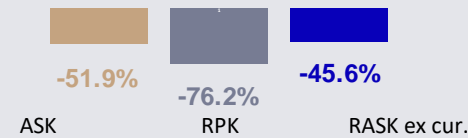
Results as of June 30, 2021



Caribbean & Indian Ocean, Africa & Middle East, Europe and French Domestic as the most resilient areas

Q2 2021 vs 2019

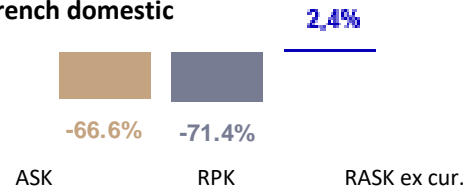
Total



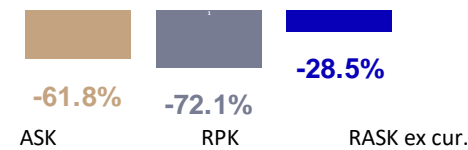
RASK ex cur.



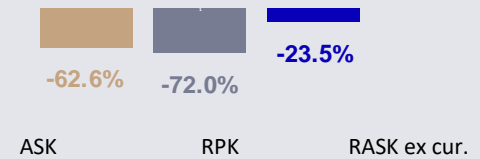
French domestic



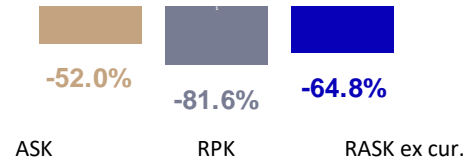
Medium-haul hubs



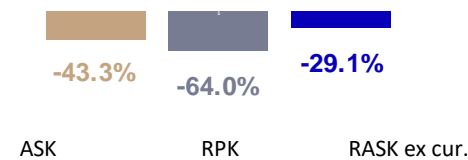
Total short & medium-haul



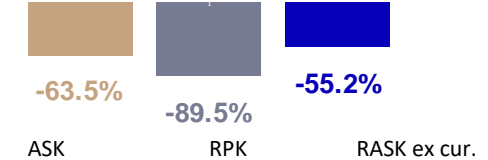
North America



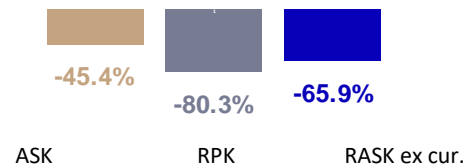
Caribbean & Indian Ocean



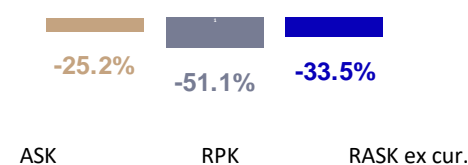
Asia



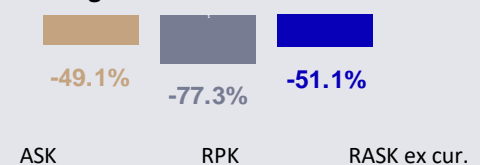
Latin America



Africa & Middle East



Total long-haul





H1: EBITDA loss in line with last year





	H1 2021	H1 2020 ⁽¹⁾	Change	Change at constant currency
Revenues (€ bn)	4,910	6,201	-1,291m	-1,080m
Fuel expenses (€ bn)	982	1,397	-415m	-283m
EBITDA (€ m)	-874	-840	-34m	-26m
Operating result (€ m)	-1,931	-2,368	+437m	+442m
Operating margin	-39.3%	-38.2%	-1.1 pt	+0.1 pt
Net income - Group part (€ m)	-2,970	-4,413	+1,443m	
Adjusted operating free cash flow (€ m)	-1,134	-2,327	+1,193m	



(1) Q2 2020 was highly impacted by worldwide lockdown



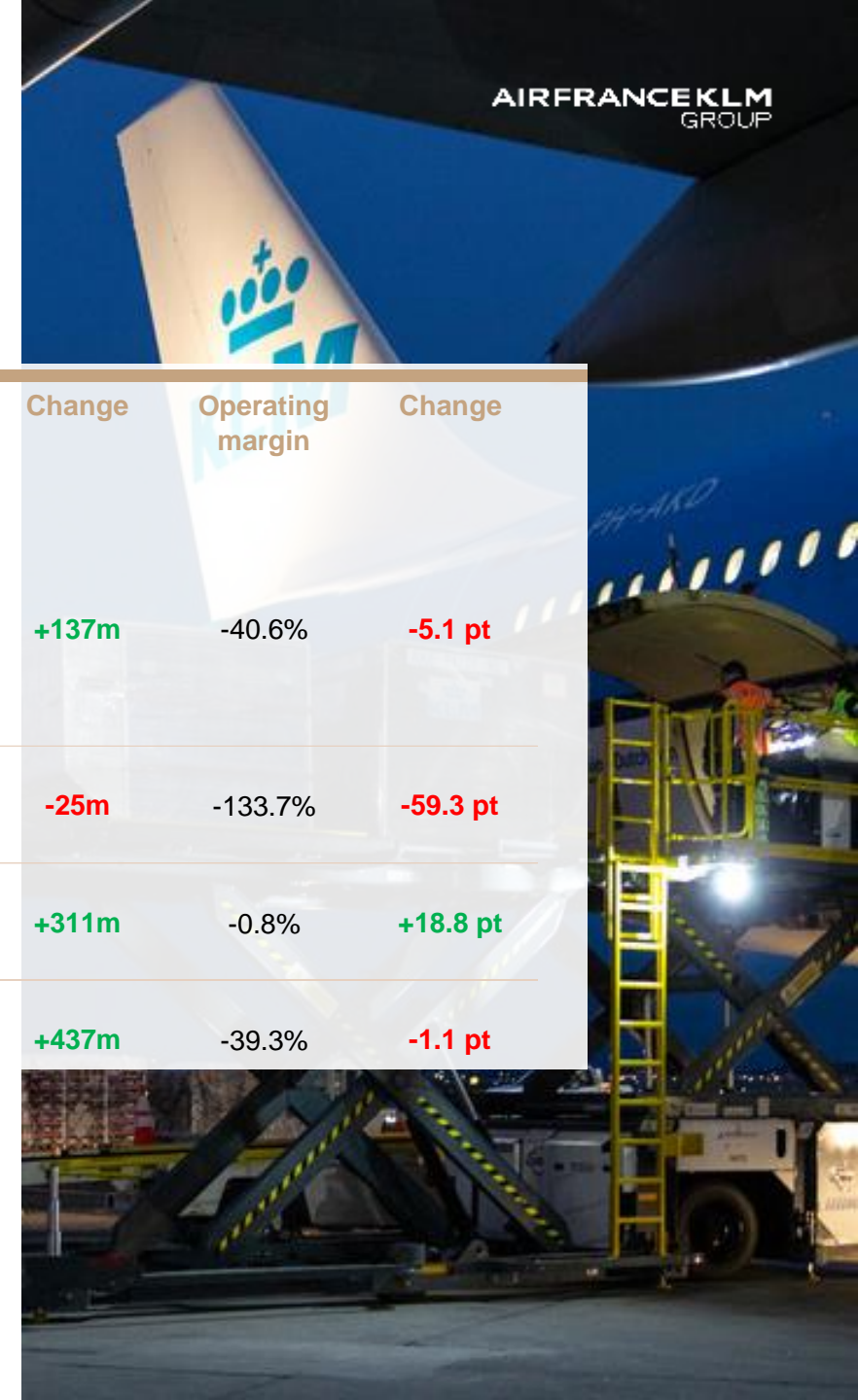
H1: Strong performance of Cargo and Maintenance stabilizing

H1 2021 versus 2020	Capacity ⁽¹⁾	Unit Revenue ⁽²⁾ Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
 Network	-1.6%	-38.7%	2,487	-40.5%	-1,715	+137m	-40.6%	-5.1 pt
 Transavia	+11.3% ⁽³⁾	+61.3%	1,733	+67.9%	-218	-25m	-133.7%	-59.3 pt
 Maintenance	-17.8%	-19.1%	514	-28.3%	-10	+311m	-0.8%	+18.8 pt
 Group	-2.7%	-16.7%	4,910	-20.8%	-1,931	+437m	-39.3%	-1.1 pt

(1). Capacity is defined as Available Seat Kilometers (ASK), except for Network Cargo capacity which is Available Ton Kilometers (ATK). Group capacity is defined as Passenger ASK (Network Passenger ASK + Transavia ASK)

(2). Unit revenues = revenue per ASK, Cargo unit revenues = Cargo revenue per ATK, Group unit revenue = (Network traffic revenues + Transavia traffic revenues) / (Network Passenger ASK + Transavia ASK).

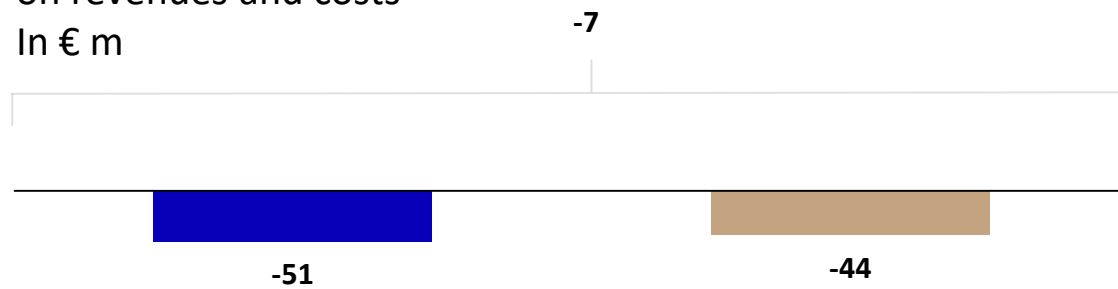
(3) Capacity of passenger aircraft used for cargo only, is based on theoretical payload without passengers





Currency impact on operating result

Currency impact on revenues and costs
In € m

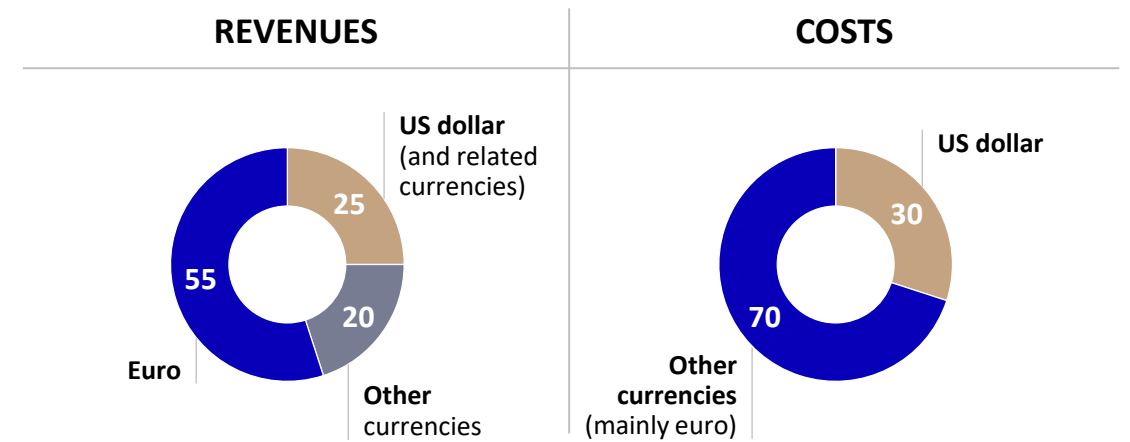


Q2 2021

- Currency impact on revenues
- Currency impact on costs, including hedging
- XX** Currency impact on operating result

FY 2021 guidance suspended due to uncertainty Covid-19 crisis

Revenues and costs per currency
FY 2020

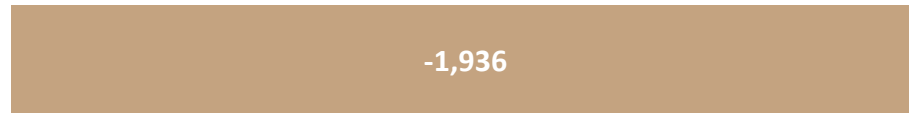




Pension details as of June 30, 2021

In € m

Dec 31, 2020



Net balance sheet situation by airline

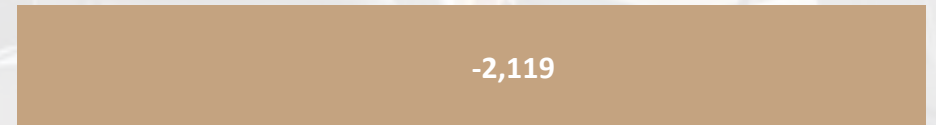


Air-France

France end of service benefit plan (ICS): pursuant to French regulations and the company agreement, every employee receives an end of service indemnity payment on retirement (no mandatory funding requirement). ICS represents the main part of the Air France position

Air France pension plan (CRAF): related to ground staff affiliated to the CRAF until 31 December 1992

June 30, 2021



Net balance sheet situation by airline



KLM Defined benefit schemes