



AIRFRANCE-KLM GROUP

Air France-KLM

Results presentation

NINE MONTHS 2019

31 OCTOBER 2019



PH-BVI



BOEING 777

The Flying Dutchman

F-GSQD

Resilient operating result at €900m in a challenging macro-economic context

A I R F R A N C E - K L M G R O U P



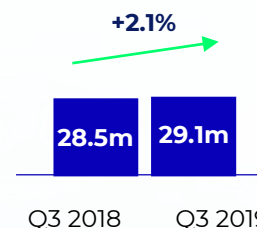
Operating result at €900m, despite a challenging trading environment and rise of fuel bill

Passenger carried up +2.1% and **passenger unit revenue at -0.6%**

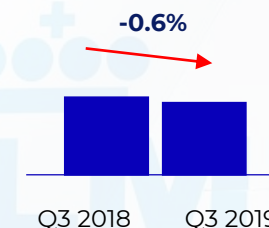
Airbus A380 phase-out, financial impact of €100m in non-operating result Q3 2019

Net debt down

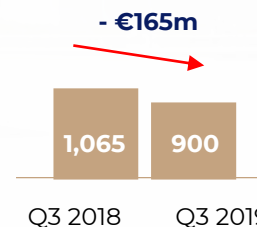
Passengers



Passenger unit revenue⁽¹⁾



Operating result



Net debt



(1) Passenger Unit Revenue (RASK) = (Network Passenger traffic revenues + Transavia traffic revenues) / (Network Passenger ASK + Transavia ASK), at constant currency

Operating result at €900m

with higher revenues +2% and fuel expenses +€135m

	Q3 2019	Q3 2018	Change	Change at constant currency
Revenues (€ bn)	7.70	7.55	+2.0%	+0.8%
Fuel expenses (€ bn)	1.51	1.38	+9.8%	+6.1%
EBITDA (€ m)	1,647	1,771	-7.0%	-8.2%
Operating result (€ m)	900	1,065	-15.5%	-17.4%
Operating margin	11.7%	14.1%	-2.4 pt	-2.6 pt
Net income - Group part (€ m) ⁽¹⁾	366	786	-420m	
Adjusted operating free cash flow (€ m)	-235	-14	-221m	
ROCE 12 months sliding	7.6%	10.8%	-3.2 pt	
	30 Sep 2019	31 Dec 2018	Change	
Net debt (€ m)	5,911	6,164	-253m	
Net debt/EBITDA 12 months sliding	1.5x	1.5x	0.0 pt	

(1). Net income result temporarily impacted by a stronger dollar at the 30th of September 2019 and Airbus A380 phase-out financial impact

Airbus A380 phase-out, financial impact of €100m in non-operating result Q3 2019



Decision taken to **early phase-out Airbus A380 fleet** in July 2019 due to high cost and low operational performance

Non-current result impact estimated **at €400m** spread over period until 2022






Of which €100m in Q3 2019, non-operating result:

- ✓ €75m impairment of assets related to Airbus A380
- ✓ €25m of accelerated aircraft depreciation

And €50m in Q4 2019, accounted for non-operating result



Maintenance and Transavia robust performance, softer Passenger demand and Cargo industry still under pressure

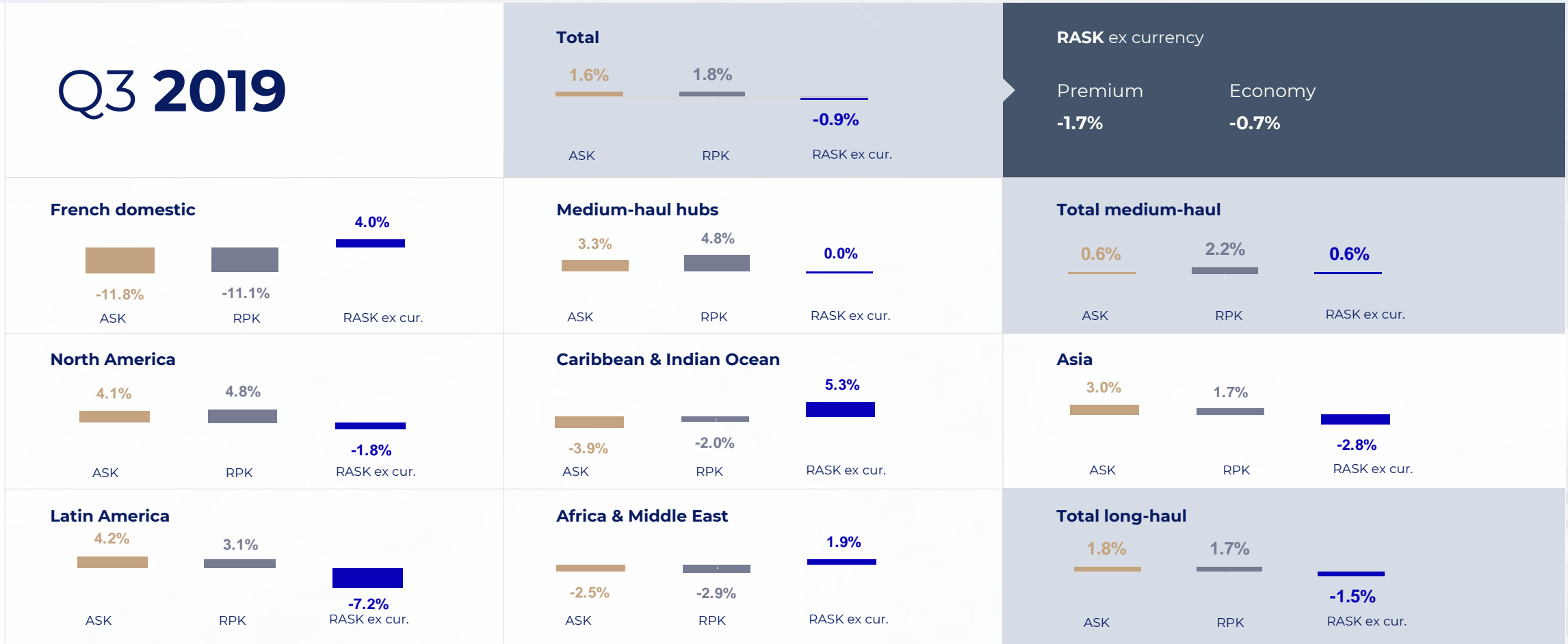
		Capacity ⁽¹⁾	Unit Revenue ⁽²⁾ Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
Network		+1.6%	-0.9%	6,460	+0.5%	649	-161m	10.0%	-2.6 pt
		+0.8%	-13.1%						
Transavia		+7.9%	+3.0%	683	+11.1%	173	-5m	25.3%	-3.6 pt
Maintenance				543	+11.0%	75	-2m	6.4%	-0.8 pt
Group		+2.3%	-1.6%	7,696	+2.0%	900	-165m	11.7%	-2.4 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).



Unit revenue at -0.9%, premium and economy down





French Domestic: Unit revenue lifted by capacity reduction, and Long-Haul impacted by soft trading environment and a high year on year comparison base



French domestic unit revenue at **+4%** with a capacity cut by 12%
Phase-out of one **ATR72-500** and one **ATR42-500**

Resilient **Medium-Haul Hubs** performance despite a strong capacity increase

Mixed **Long-Haul network** performance:

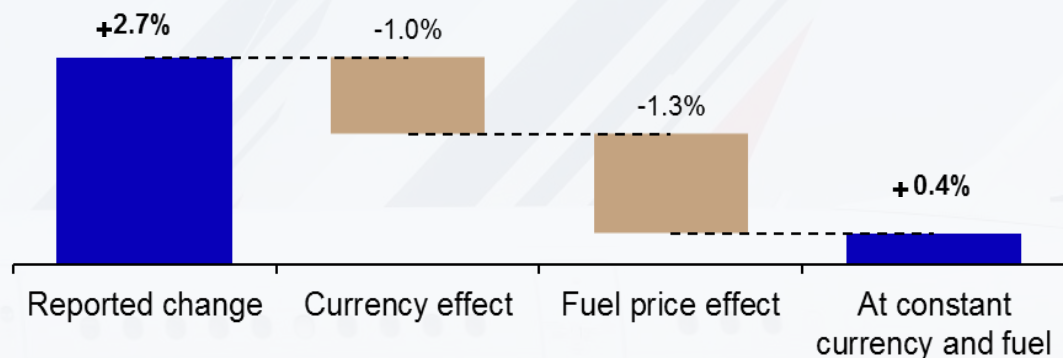
- ✓ Overall **challenging macro-economic situation**
- ✓ **North America** with an high year on year unit revenue comparison base (+3.8% in Q3 2018) and softer demand in European point of sales
- ✓ **Asia** impacted by weaknesses in China and Hong-Kong traffics
- ✓ **Latin America** network did not yet start to recover
- ✓ Strong continuing performance in **Caribbean & Indian Ocean, Africa & Middle East networks**

First **Airbus A350** joining the Air France fleet, destinations Toronto and Seoul



Q3 2019 unit cost at +0.4%, annual unit cost result on track for full year guidance

Q3 2019 underlying unit cost



Ramp up of Pilots hiring over the last 12 months, supporting the 2020 capacity growth plan

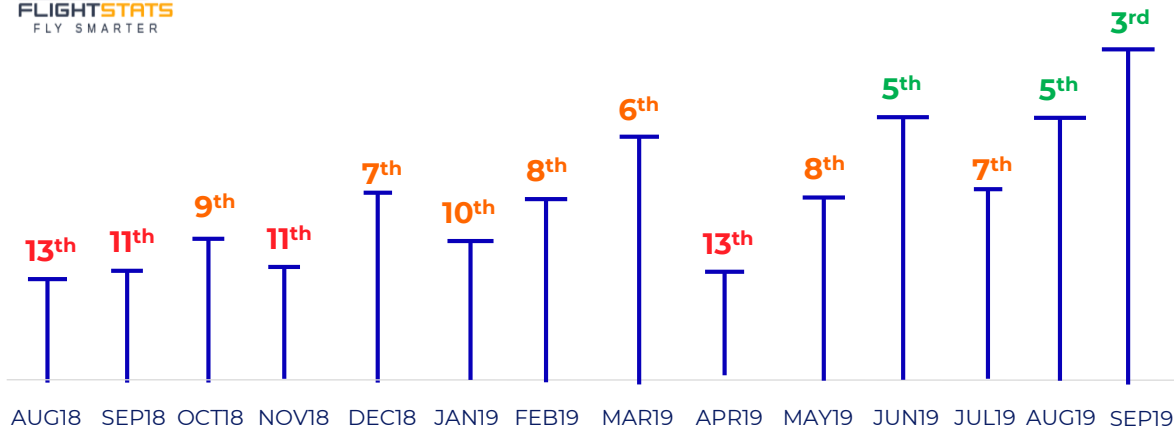
Year-to-date unit cost 2019 at -0.7%

Cost control measures implemented in both airlines of the Group, aiming at a good cost performance for the remainder of the year 2019



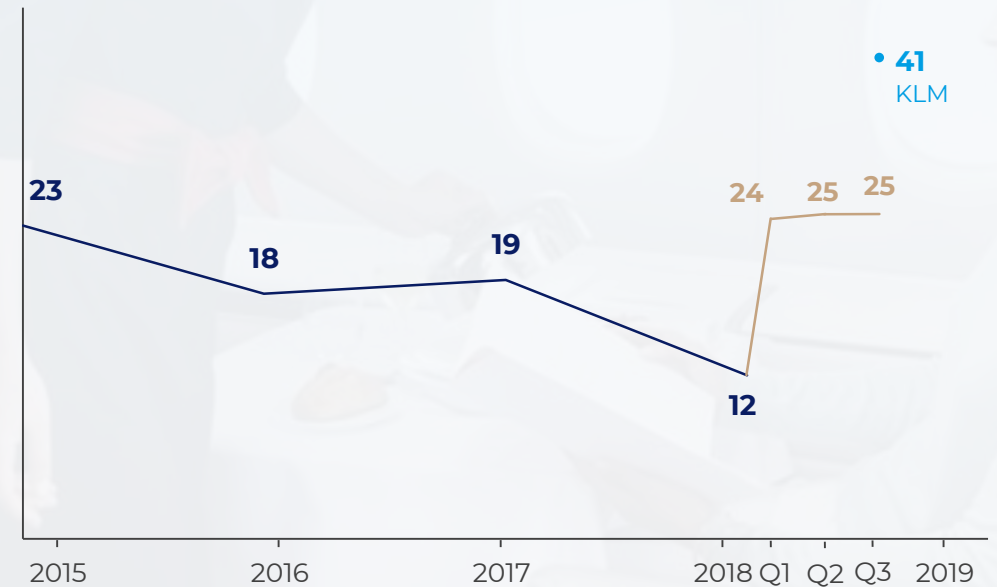
Solid Air France operational performance in the peak travel period

Air France On Time Performance (A14) European ranking



A top 3 European legacy carrier

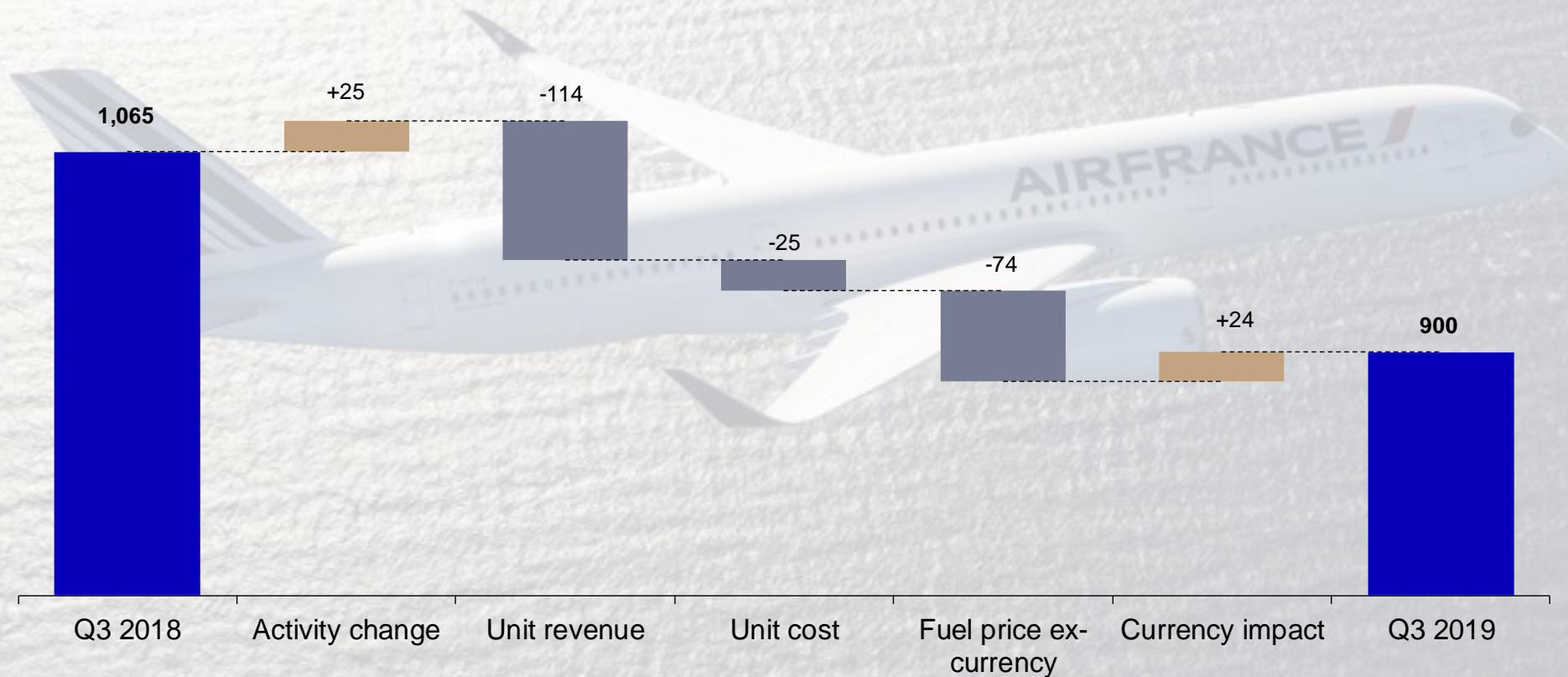
Air France Net Promoter Score trend





Fuel bill increase and weaker unit revenue impacted the operating result development

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Q3 2019
 Operating result development
 in € m



Air France and KLM both impacted by lower unit revenues and rise in fuel costs

Q3 2019	Capacity change	Revenues (€ m)	Change YoY	Operating result (€ m)	Change YoY	Operating margin	Change YoY				
AIRFRANCE	+2.0%	4,650	+1.5%	383	-110	8.2%	-2.5 pt				
KLM	+2.6%	3,160	+1.6%	512	-61	16.2%	-2.2 pt				
AIRFRANCEKLM GROUP	+2.3%	7,696	+2.0%	900	-165	11.7%	-2.4 pt				
9 months 2019	Capacity change	Revenues (€ m)	Change YoY	Operating result (€ m)	Change YoY	Operating margin	Change YoY	Net debt (€ m)	Change 31 Dec 2018	Net debt / EBITDA ⁽¹⁾	Change 31 Dec 2018
AIRFRANCE	+4.3%	12,632	+4.8%	270	-58	2.1%	-0.6 pt	3,809	+252	1.8x	+0.1pt
KLM	+1.8%	8,444	+1.8%	714	-246	8.5%	-3.1 pt	2,454	-372	1.3x	0.0pt
AIRFRANCEKLM GROUP	+3.2%	20,732	+3.8%	997	-295	4.8%	-1.7 pt	5,911	-253	1.5x	0.0pt

(1) Net Debt / EBITDA: 12 months sliding, see calculation in press release

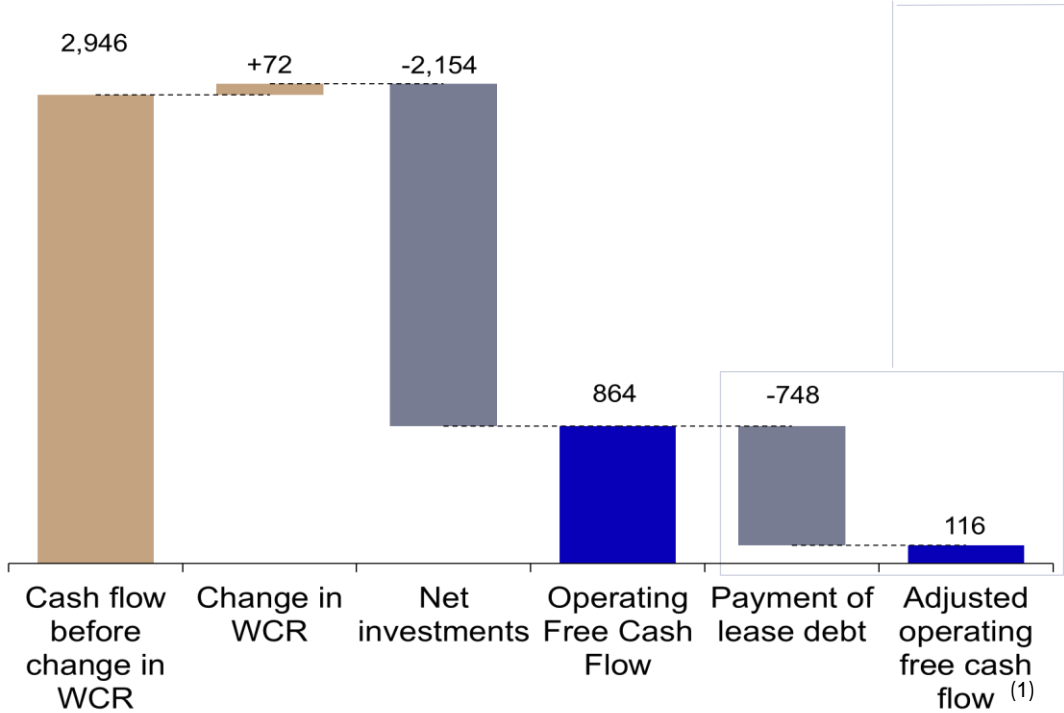


Net debt down, leverage ratio stable, on track for full year guidance of at/below 1.5x

AIRFRANCE-KLM GROUP

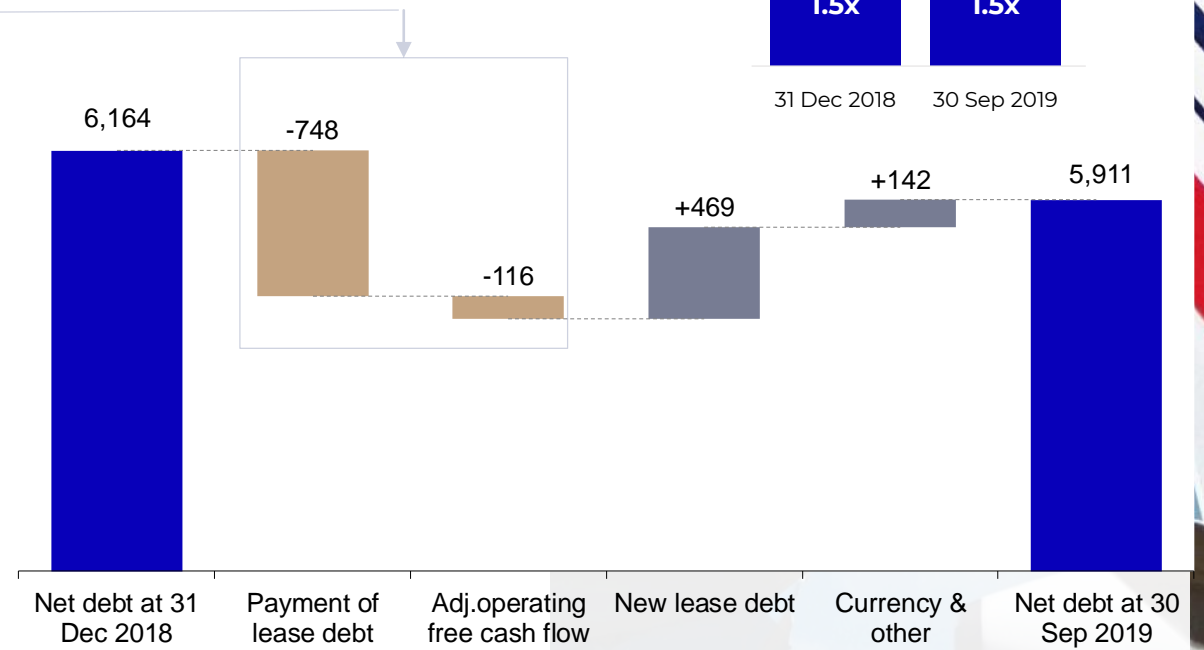
Nine months 2019

Free cash flow evolution
In € m

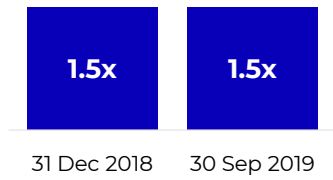


Net Debt evolution

In € m



Net debt/EBITDA⁽²⁾



(1) Adjusted operating free cash flow = Operating free cash flow with deduction of repayment of lease debt

(2) Net Debt / EBITDA: 12 months sliding, see calculation in press release

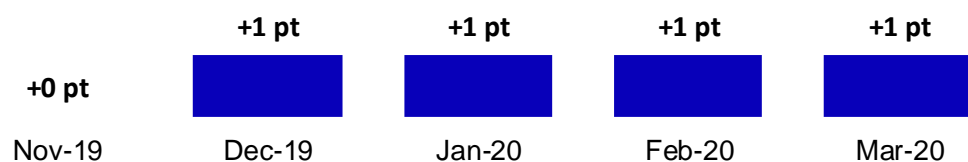
Outlook

Results at **30 September 2019**



Revenue Outlook

Long-haul forward booking load factor (change vs previous year)



Based on the current data for Passenger network:



- October 2019 load factor stable compare to last year
- Long-haul forward booking load factors from November to March are on average ahead of last year
- Passenger network unit revenues at constant currency expected to be slightly down compared to last year for the fourth quarter 2019



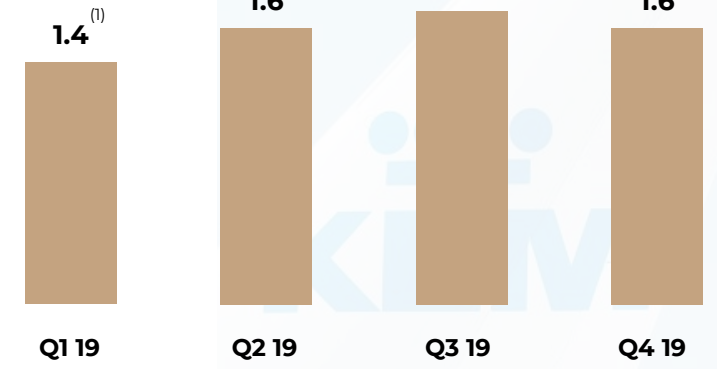
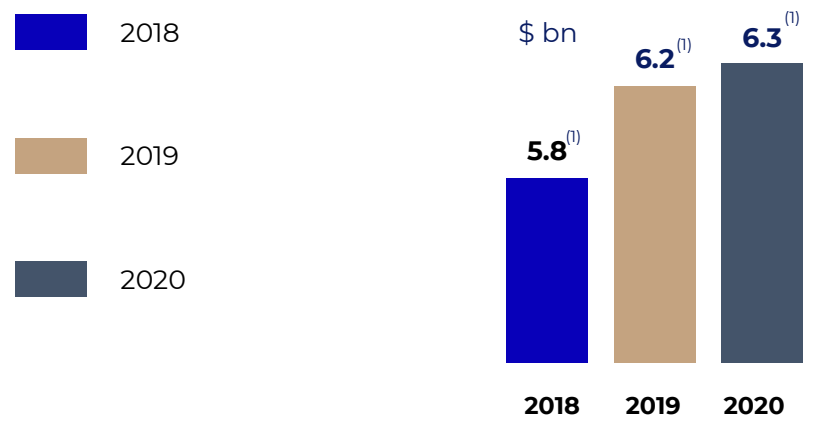
Fuel bill increase by €600m in 2019, explained by lower positive hedge impact compared to 2018

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2018:
Fuel bill €4.9bn⁽²⁾

2019:
Fuel bill €5.5bn⁽²⁾

2020:
Fuel bill €5.6bn⁽²⁾



Market price	2019				
	Q1 19	Q2 19	Q3 19	Q4 19	
Brent (\$ per bbl) ⁽¹⁾	64	68	62	61	
Jet fuel (\$ per metric ton) ⁽¹⁾	669	702	678	684	
Price after hedge	Jet fuel (\$ per metric ton) ⁽¹⁾	650	675	690	699
	% of consumption already hedged	61%	62%	62%	61%
	Hedge result (in \$ m)	50	50	0	-50

(1) Based on forward curve at 25 October 2019. Sensitivity computation based on 2019 fuel price, assuming constant crack spread between Brent and Jet Fuel. Jet fuel price including into plane cost

(2) Assuming average exchange rate on US dollar/Euro of 1.12 for 2019 and 1.13 for 2020



Full year guidance update

	Previous guidance	Guidance 2019
Capacity	Passenger	+2% to +3%
	Transavia	+7% to +9%
Fuel	+€550m	+€600m
Currency	Neutral effect	Neutral effect
Unit cost <i>ex-currency at constant fuel price</i>	-1% to 0%	-1% to 0%
Capex	€3.2bn	€3.3bn ⁽²⁾
Net Debt / EBITDA	below 1.5x	at/below 1.5x

(1) Transavia growth plan in Q4 has been adjusted due to an increase of cockpit crew training needs to prepare the future growth in France

(2) Minor Capex increase versus previous guidance including a change in accounting treatment for some assets, pre-delivery payment of Airbus A220 and decision to acquire instead of leasing spare engines





Q&A

Results at **30 September 2019**



Appendix






Results at **30 September 2019**

Operating result at €997m, with higher revenues +3.8% and fuel expenses +€500m

	9M 2019	9M 2018	Change	Change at constant currency
Revenues (€ bn)	20.73	19.98	+3.8%	+2.3%
Fuel expenses (€ bn)	4.12	3.62	+13.7%	+7.4%
EBITDA (€ m)	3,218	3,441	-6.5%	-5.3%
Operating result (€ m)	997	1,292	-22.8%	-20.5%
Operating margin	4.8%	6.5%	-1.7 pt	-1.4 pt
Net income - Group part (€ m)	126	627	-501m	
Adjusted operating free cash flow (€ m)	116	127	-8.7%	
ROCE 12 months sliding	7.6%	10.8%	-3.2 pt	
	30 Sep 2019	31 Dec 2018	Change	
Net debt (€ m)	5,911	6,164	-253m	
Net debt/EBITDA 12 months sliding	1.5x	1.5x	0.0 pt	



Revenue growth for all businesses in the first nine months 2019

		Capacity ⁽¹⁾	Unit Revenue ⁽²⁾ Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
Network		+2.6%	-0.5%	17,651	+2.5%	660	-300m	3.7%	-1.8 pt
		+1.5%	-8.2%						
Transavia		+9.1%	+1.1%	1,431	+9.9%	154	-27m	10.8%	-3.1 pt
Maintenance				1,623	+13.5%	177	+28m	5.1%	+0.4 pt
Group		+3.2%	-1.3%	20,732	+3.8%	997	-295m	4.8%	-1.7 pt

(1). To align with industry practice, the Equivalent Available Seat Kilometers (EASK) metric is no longer used. 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).



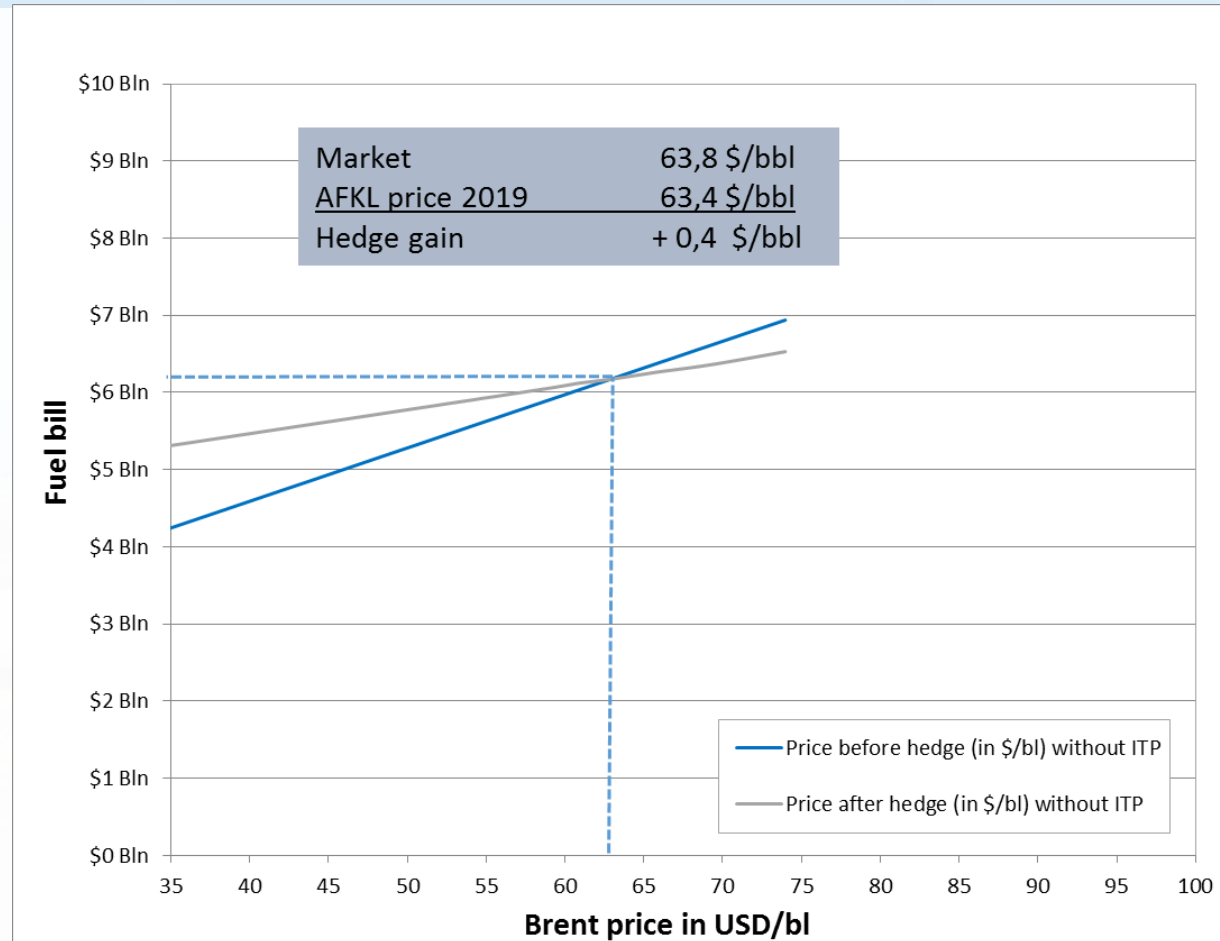
Unit revenue relatively **stable** for long- and medium-haul

<h2>9M 2019</h2>	<p>Total</p> <p>2.6% 3.1% -0.5%</p> <p>ASK RPK RASK ex cur.</p>			<p>RASK ex cur.</p> <p>Premium: -0.1% Economy: -0.6%</p>	
<p>French domestic</p> <p>-6.0% -6.6% -2.8%</p> <p>ASK RPK RASK ex cur.</p>	<p>Medium-haul hubs</p> <p>4.0% 5.5% -0.5%</p> <p>ASK RPK RASK ex cur.</p>			<p>Total medium-haul</p> <p>2.2% 3.5% -1.1%</p> <p>ASK RPK RASK ex cur.</p>	
<p>North America</p> <p>5.3% 5.6% -0.5%</p> <p>ASK RPK RASK ex cur.</p>	<p>Caribbean & Indian Ocean</p> <p>-1.9% -0.3% 4.7%</p> <p>ASK RPK RASK ex cur.</p>			<p>Asia</p> <p>2.9% 3.1% 0.7%</p> <p>ASK RPK RASK ex cur.</p>	
<p>Latin America</p> <p>7.2% 5.8% -8.3%</p> <p>ASK RPK RASK ex cur.</p>	<p>Africa & Middle East</p> <p>-3.0% -1.9% 3.3%</p> <p>ASK RPK RASK ex cur.</p>			<p>Total long-haul</p> <p>2.7% 3.0% -0.1%</p> <p>ASK RPK RASK ex cur.</p>	



Fuel bill sensitivity for full year 2019

A I R F R A N C E - K L M G R O U P

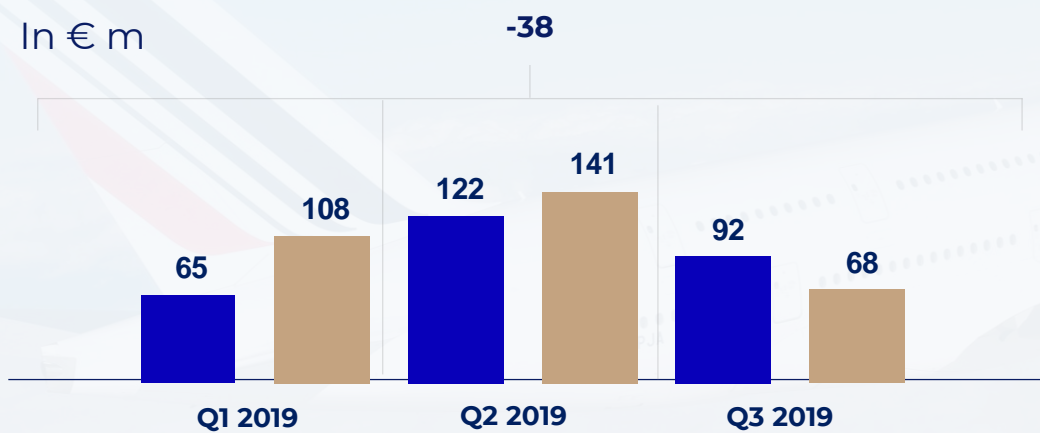


Based on forward curve at 25 October 2019. Sensitivity computation based on 2019 fuel price, assuming constant crack spread between Brent and Jet Fuel. Jet fuel price including into plane cost
Assuming average exchange rate on US dollar/Euro of 1.12 for 2019 and 1.13 for 2020

Currency impact on operating result

Currency impact on revenues and costs

In € m



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

FY 2019 guidance

Currency impact **FY 2019**: no effect, based on spot €/\$ 1.12

Net operational exposure hedging **for 2019**:

USD ~60%

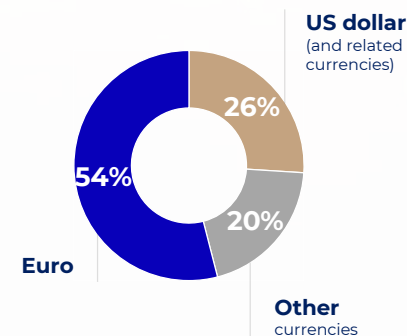
JPY ~50%

GBP ~75%

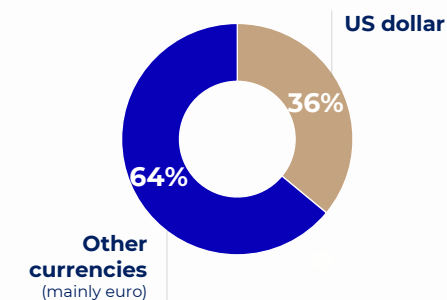
Revenues and costs per currency

FY 2018

REVENUES

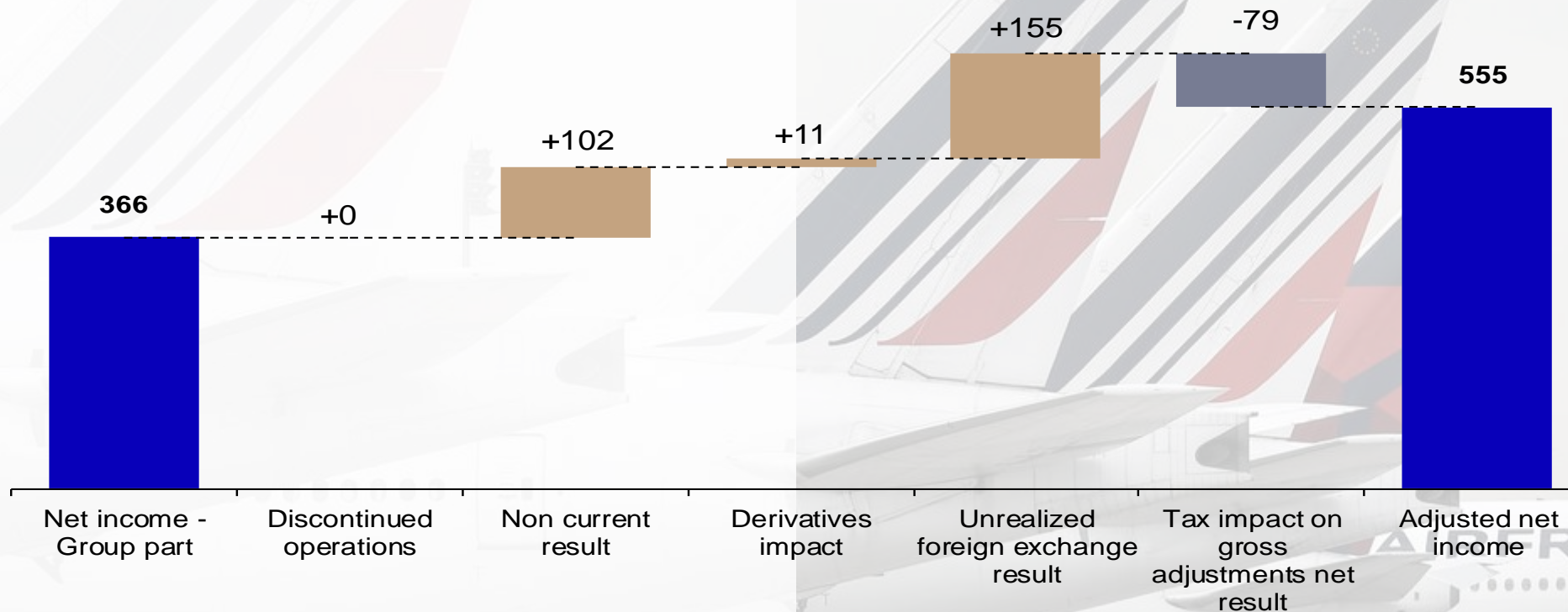


COSTS



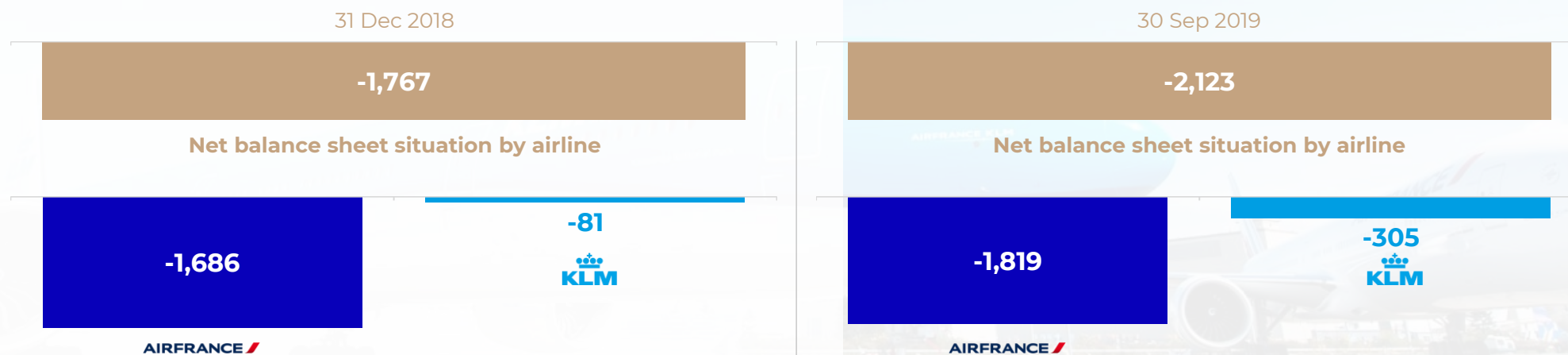
Adjusted net income of the Group

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Q3 2019
In € m



Pension details at 30 September 2019

In € m



Air France

Air 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

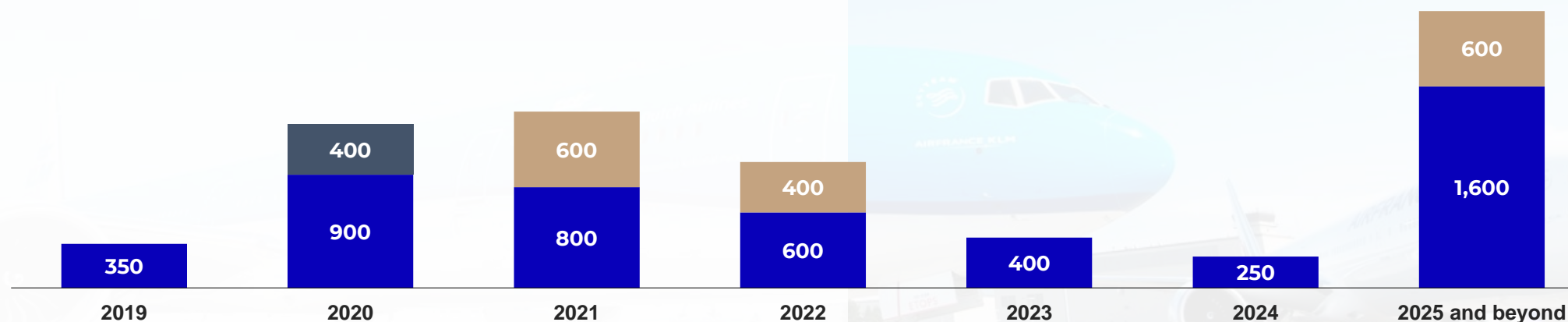
KLM

Defined benefit schemes for Ground Staff

Debt reimbursement profile at 30 September 2019

Debt reimbursement profile⁽¹⁾

In € m



Bonds issued by Air France-KLM

September 2021:

AFKL 3.875% (€600m)

October 2022:

AFKL 3.75% (€400m)

March 2026:

AFKL 0.125% (€500m, Convertible « Océane »)

December 2026:

AFKL 4.35% (\$145m)

Air-France KLM

Hybrid Unsecured Bond :

AFKL 6.25% Perp Call 2020 (€403m)

Other Long-term Debt : AF and KLM

Secured Debt, mainly "Asset-backed"
(Net Deposits)

(1). Excluding operating lease debt payments and KLM perpetual debt