

# AIR FRANCE-KLM RESULTS PRESENTATION

Results as at 30<sup>th</sup> of June 2018

1<sup>st</sup> August 2018

# SECOND QUARTER 2018: KEY HIGHLIGHTS

## Leveraging ongoing solid demand



Passengers

RASK<sup>(1)</sup>  
At constant currency

- Demand remains positively oriented within a robust business environment
- Strong premium traffic unit revenue performance at constant currency
- Strong traffic growth and unit revenue increase for Transavia

## Stable operating result before strike impact of - €260m



Operating result

Adj. operating  
free cash flow<sup>(3)</sup>

- Strikes impacted Air France operating result
- Higher pricing offset part of fuel and currency headwinds
- Net debt stable despite strike, high liquidity level

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

(2) Restated for implementation of new accounting standards IFRS 9,15 and 16

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

# FINANCIAL REVIEW

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Results as at 30<sup>th</sup> of June 2018

# SECOND QUARTER 2018: REVENUE UP AT CONSTANT CURRENCY, OPERATING RESULT AT €345M, WITH €260M STRIKE IMPACT

	Q2 2018	Q2 2017 <sup>(1)</sup>	Change	Change at constant currency
Revenues (€ bn)	6.63	6.63	+0.0%	+4.0%
EBITDA (€ m)	1,048	1,292	-244m	-173m
Operating result (€ m)	345	586	-241m	-171m
Operating margin	5.2%	8.8%	-3.6 pt	-2.9 pt
Net result, group share (€ m)	109	593	-484m *	

\* Net result, group share 2017 restated for IFRS16 contains a positive impact of €254 million due to an exchange rate gain on lease debt in USD. Excluding this impact, the Net result, group share is down €230 million compared to last year

(1) Restated for implementation of new IFRS accounting standards

# FIRST HALF 2018: OPERATING RESULT AT €228M, WITH -€335M STRIKE IMPACT, NET DEBT REDUCED BY -€315M






	H1 2018	H1 2017 <sup>(1)</sup>	Change	Change at constant currency
Revenues (€ bn)	12.43	12.33	+0.8%	+4.9%
EBITDA (€ m)	1,670	1,940	-270m	-216m
Operating result (€ m)	228	553	-325m	-277m
Operating margin	1.8%	4.5%	-2.7 pt	-2.4 pt
Net result, group share (€ m)	-159	450	-609m*	
<i>* Net result, group share 2017 restated for IFRS16 contains a positive impact of €313 million due to an exchange rate gain on lease debt in USD. Excluding this impact, the Net result, group share is down €296 million compared to last year</i>				
Adjusted operating free cash flow (€ m) <sup>(2)</sup>	141	658	-517m	
ROCE <i>12 months trailing</i>	12.4%	12.3%	+0.1 pt	

	H1 2018	31 Dec 2017	Change
Net debt (€ m)	6,256	6,571	-315m
Net debt/EBITDA <i>12 months trailing</i>	1.4x	1.4x	+0.0x

(1) Restated for implementation of new IFRS accounting standards

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

# SECOND QUARTER 2018: POSITIVE UNIT REVENUE FOR NETWORK, STRONG REVENUE GROWTH FOR TRANSAVIA AND MAINTENANCE

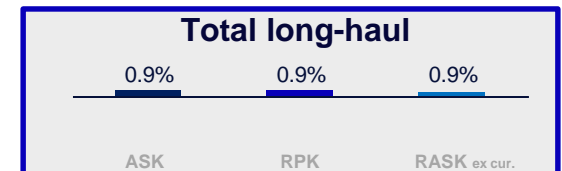
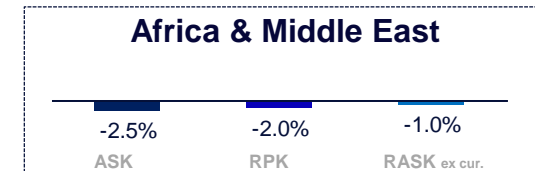
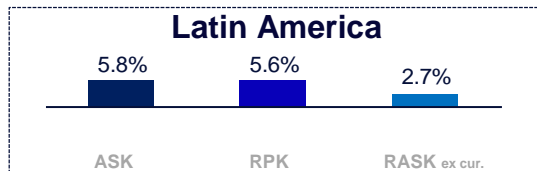
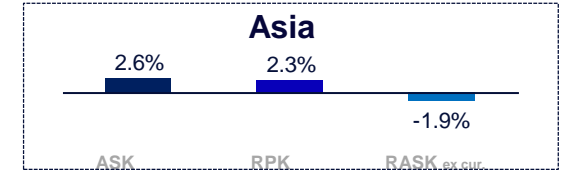
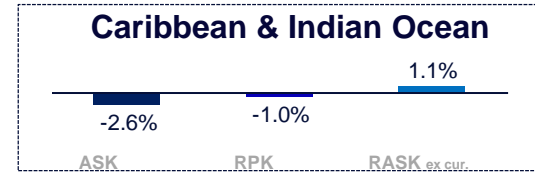
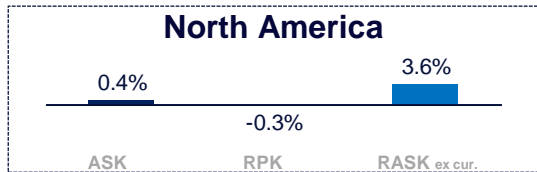
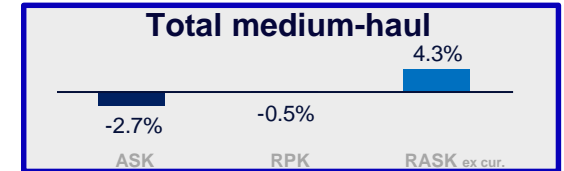
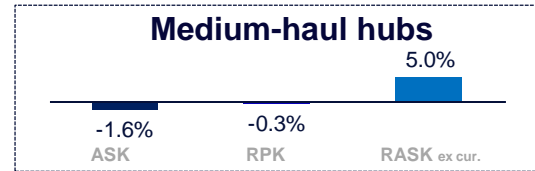
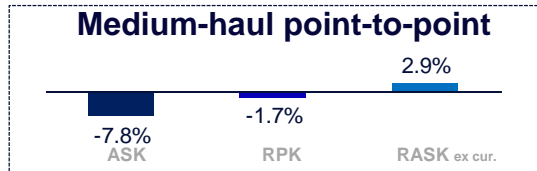
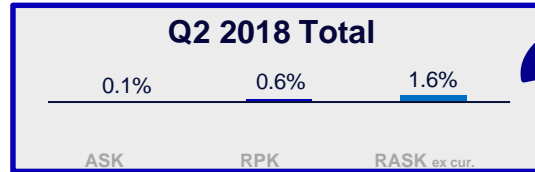
		Capacity <sup>(1)</sup>	Unit Revenue <sup>(2)</sup> Constant Currency	Revenues (€ m)	Change	Operating result <sup>(3)</sup> (€ m)	Change	Operating margin <sup>(3)</sup>	Change
Network		+0.1%	+1.6%	5,696	-1.2%	236	- 245m	4.1%	-4.2 pt
		-2.5%	+6.3%						
Transavia		+6.1%	+4.5%	453	+11.0%	61	+ 17m	13.5%	+2.7 pt
Maintenance				471	+6.8%	46	- 16m	4.6%	-1.7 pt
Group		+0.4%	+2.1%	6,625	0.0%	345	- 241m	5.2%	-3.6 pt

(1) Passenger airlines capacity is Available Seat Kilometer, Cargo capacity is Available Ton Kilometer, Group is Equivalent Available Seat Kilometer

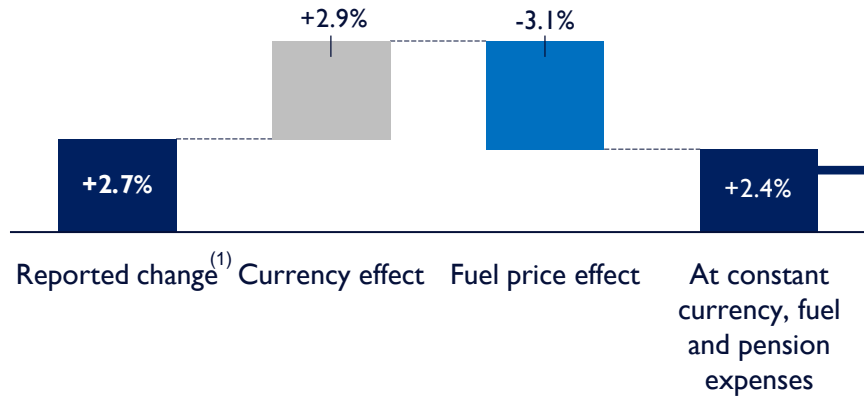
(2) Unit Revenue: Passenger airlines is Revenue per Available Seat Kilometer, Cargo is Revenue per Available Ton Kilometer, Group is Revenue per Equivalent Available Seat Kilometer

(3) 2017 restated for implementation of new IFRS accounting standards

# SECOND QUARTER 2018: LONG HAUL, HUBS AND POINT-TO-POINT CONTRIBUTING TO POSITIVE UNIT REVENUE PERFORMANCE



# SECOND QUARTER 2018: UNIT COST ON TRACK FOR FULL YEAR TARGET RANGE OF 0 TO +1%



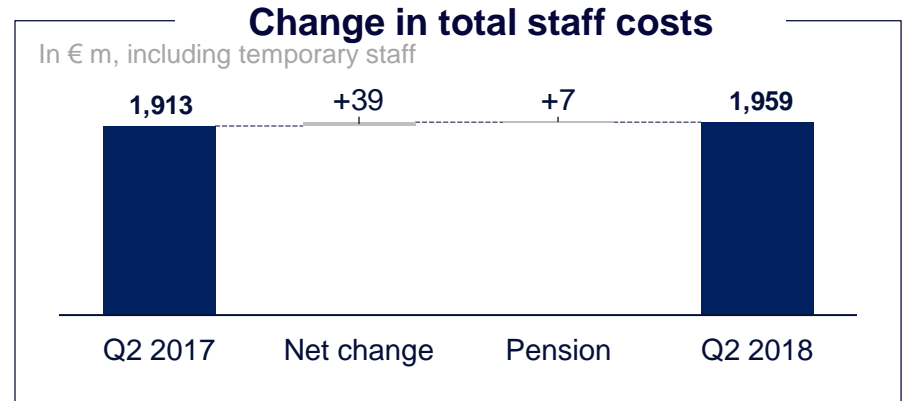
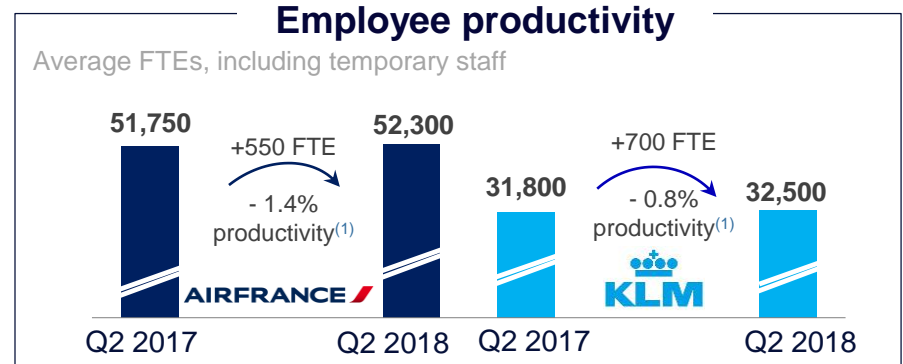
- **Of which strikes at Air France +3.1%.**
  - > *Strikes had a -4.5% negative impact on planned capacity for Air France and -2.5% for the total Group*
- **Q2 2018 underlying structural unit cost savings of -0.7%.**

(1) 2017 restated for implementation of new IFRS accounting standards



# PRODUCTIVITY IMPACTED BY CAPACITY LOWER THAN PLANNED

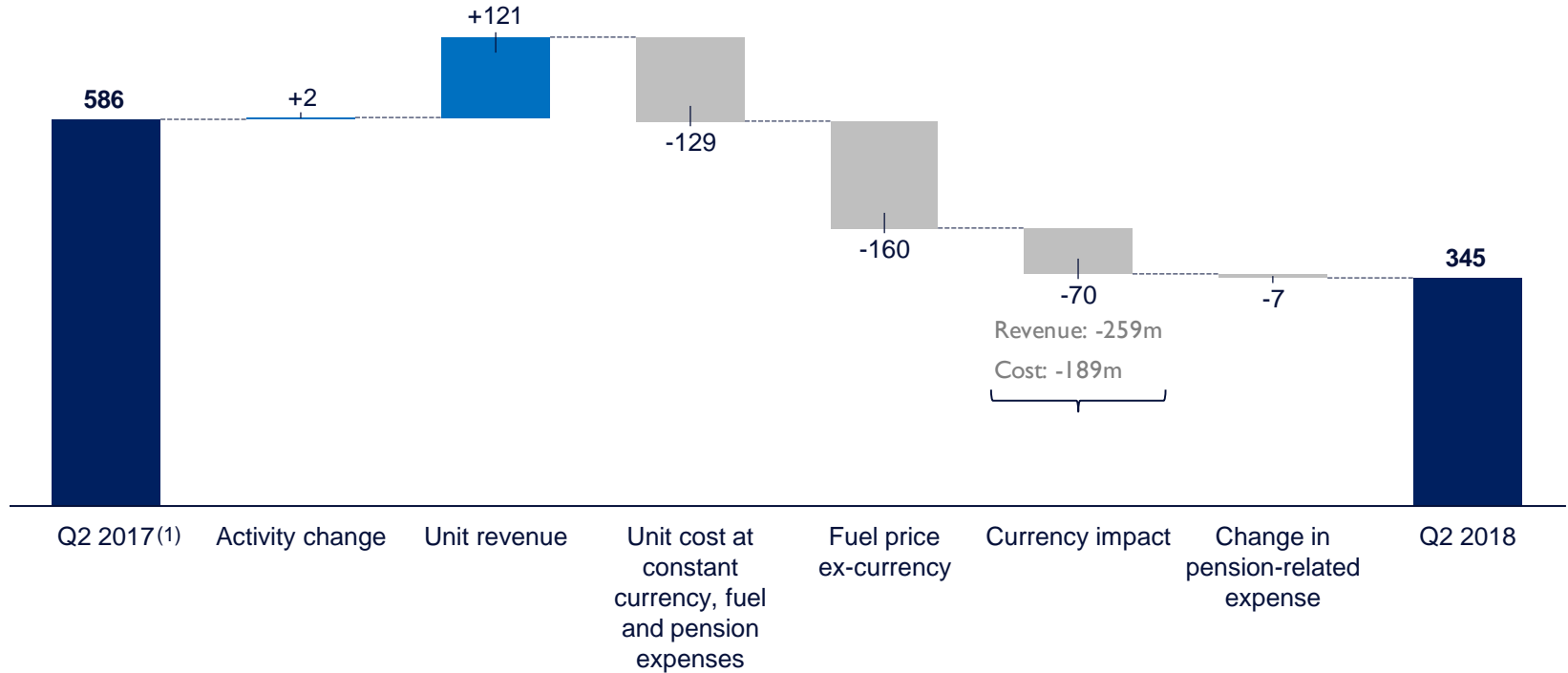
- **Average FTEs at 84,800, up 1,250 FTEs compared to last year's average:**
  - > +700 Ground, of which +450 at KLM
  - > +400 Cabin and +150 Cockpit FTEs due to planned capacity growth
  - > Employee productivity<sup>(1)</sup> -1.1% in Q2 18 (capacity measured in EASK +0.4%)
- **Net change in staff cost +2.0% compared to last year:**
  - > HOP!: Merger of pilot CLAs completed
  - > KLM: Cockpit and Ground staff CLAs in progress and expected to be concluded after Summer



(1) Productivity measured by EASK/FTE

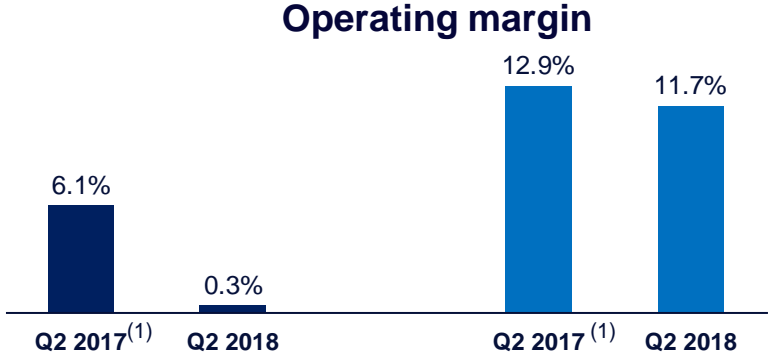
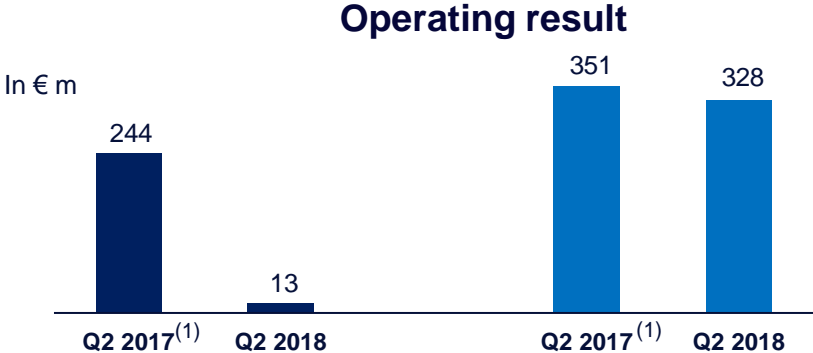
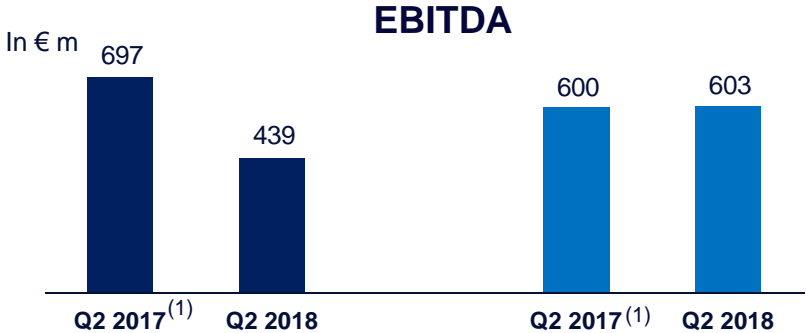
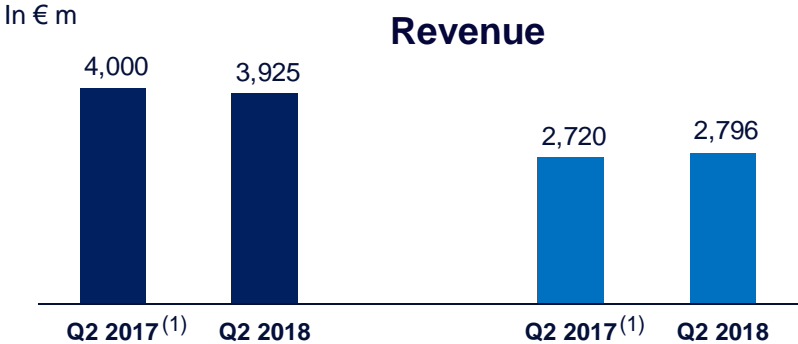
# OPERATING RESULT DOWN -€241M DUE TO STRIKES, HIGHER UNIT REVENUES PARTLY OFFSET FUEL AND CURRENCY HEADWINDS

In € m



(1) Restated for implementation of new IFRS accounting standards

# SECOND QUARTER 2018: KLM EBITDA STABLE AND OPERATING RESULT CLOSE TO LAST YEAR

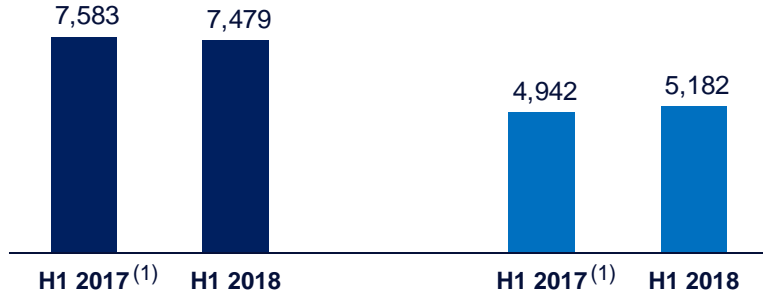


(1) Restated for implementation of new IFRS accounting standards

# FIRST HALF 2018: IMPROVEMENT IN KLM EBITDA AND OPERATING RESULT

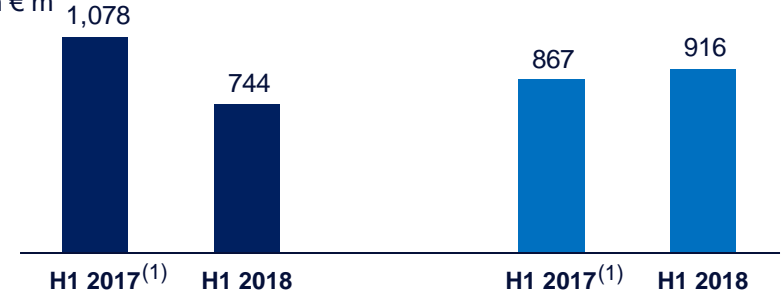
In € m

## Revenue



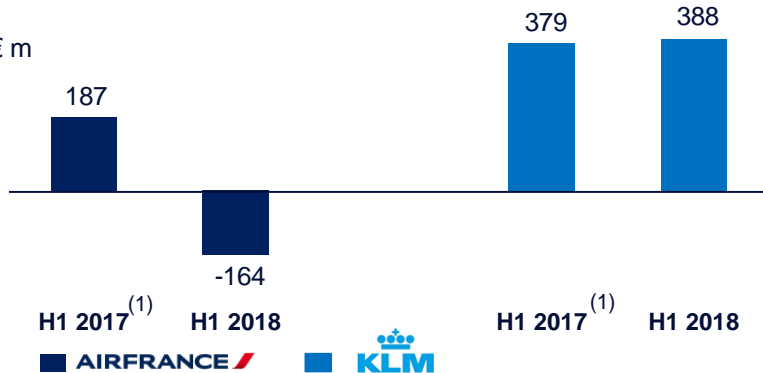
In € m

## EBITDA

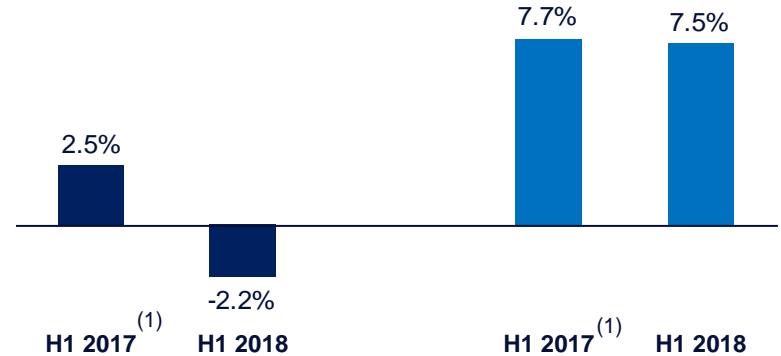


In € m

## Operating result

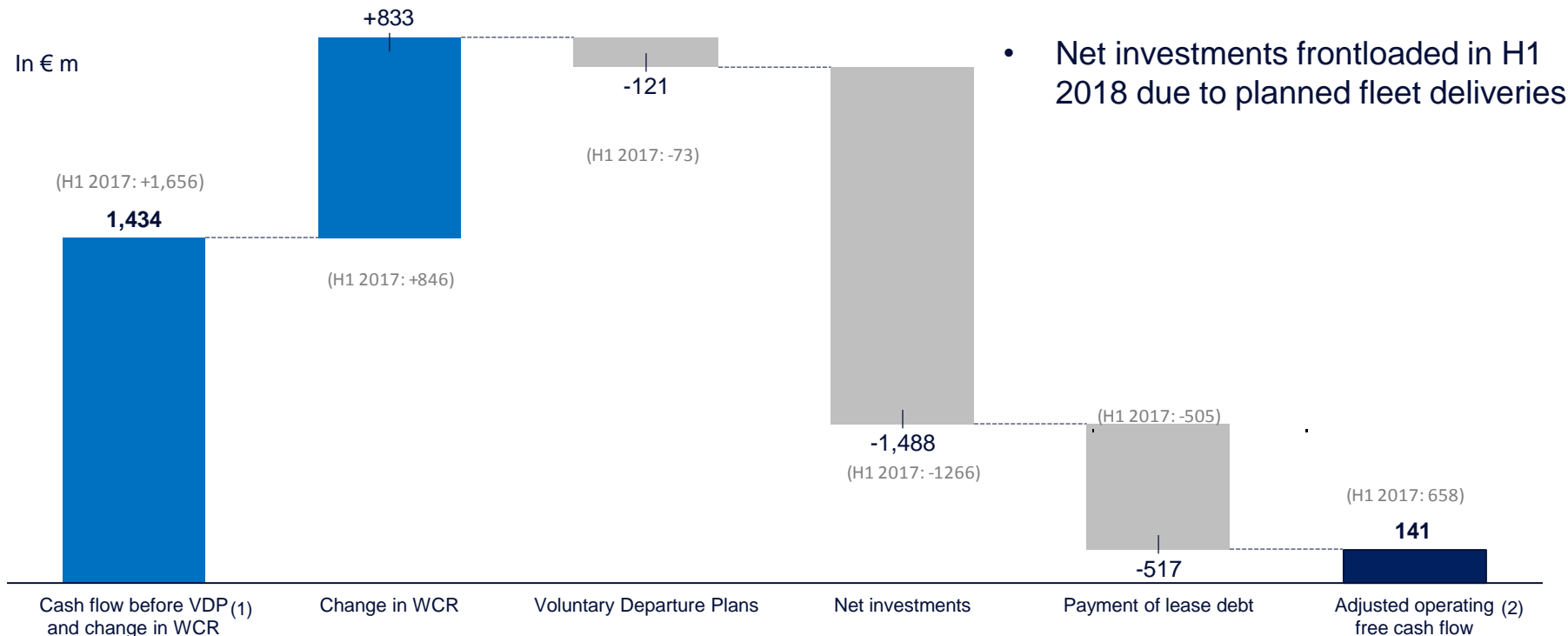


## Operating margin



(1) Restated for implementation of new IFRS accounting standards

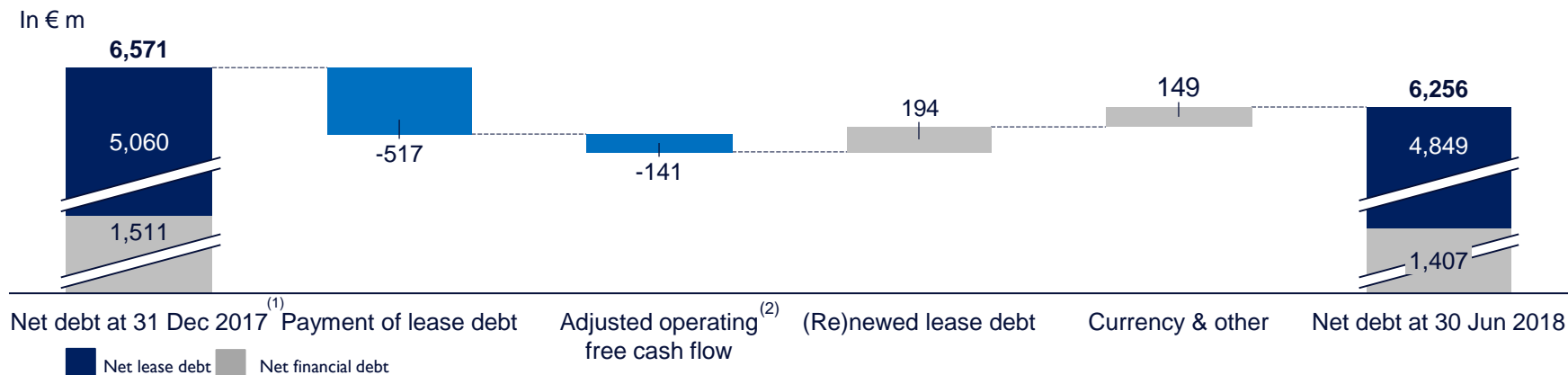
# FIRST HALF 2018: ADJUSTED OPERATING FREE CASH FLOW €141M



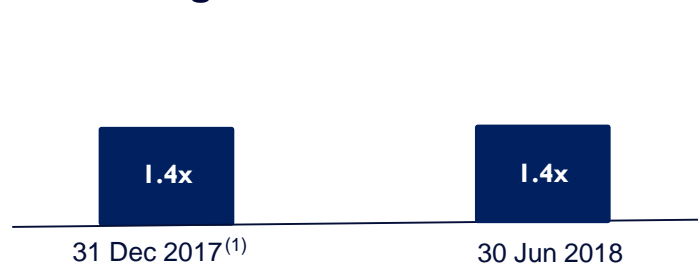
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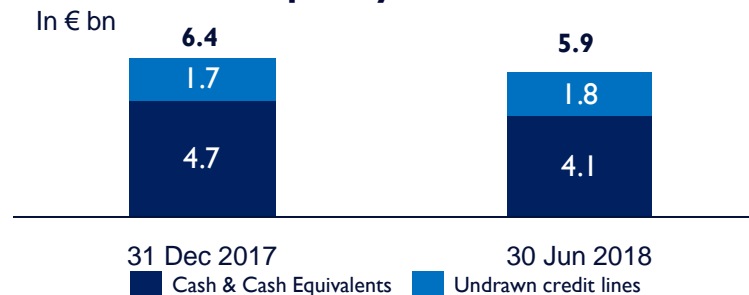
# BALANCE SHEET CONTINUES TO IMPROVE



## Change in Net Debt / EBITDA<sup>(3)</sup>



## Liquidity situation



(1) 2017 restated for implementation of new IFRS accounting standards

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

(3) Net Debt / EBITDA: see calculation in press release. EBITDA 12 months sliding 14

# STRATEGY UPDATE

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Results as at 30<sup>th</sup> of June 2018

# PHASE-IN OF NEW EFFICIENT FLEET ACCORDING TO PLAN

Aircraft	In operation		Trend Medium term
	31-Dec-17	30-Jun-18	
B747	13	12	↘
B777	97	97	=
B787	15	18	↗
A380	10	10	=
A340	7	6	↘
A330	28	28	=
<b>Total long haul</b>	<b>170</b>	<b>171</b>	
B737	118	124	↗
A321/20/19/18	118	116	↘
<b>Total short and medium haul</b>	<b>236</b>	<b>240</b>	
ATR72/42	21	15	↘
Canadair jet	25	25	=
Embraer 190/175/145/135	82	89	↗
<b>Total Regional</b>	<b>128</b>	<b>129</b>	
<b>Total Air France-KLM Group</b>	<b>534</b>	<b>540</b>	

Excluding Air France-KLM cargo fleet

- Current fleet plan 2017-2020:
  - > Passenger: phase-in of “Next Generation” wide body B787 & A350 and pursuing phase-out of B747 & A340
  - > Transavia France to grow up to 40 B737 by 2020
  - > Increase existing fleet utilization
- Preparing RFPs for long term renewal of medium-haul fleet
- Regional fleet: decrease of ATRs



# EXTENDED NORTH ATLANTIC JOINT-VENTURE ON TRACK FOR IMPLEMENTATION APRIL 1<sup>ST</sup> 2019

## Ambition: expand and strengthen the most powerful North Atlantic JV with Air France-KLM, Delta and Virgin Atlantic

25% capacity share between Europe and North America

300+ daily flights

Solid margin generation

## Implementation roadmap on track

### Contracting & regulatory filings

- Definitive JV agreement signed on May 15<sup>th</sup> between Air France - KLM, Delta and Virgin Atlantic
- Air France-KLM, Delta and Virgin Atlantic filed with the US authorities for Anti-Trust Immunity on July 20<sup>th</sup> 2018

### JV launch & future developments *(under discussion)*

- Strategic cooperation between Air France – KLM and Virgin Atlantic on other parts of the world (*e.g. Europe, Asia, Africa*) under discussion to leverage a worldwide combined offer for our customers
- Ongoing work to ensure seamless customer experience across the JV

# FURTHER PROGRESS WITHIN OUR CHINESE PARTNERSHIPS

## Towards an extended joint-venture with our equity partner China Eastern



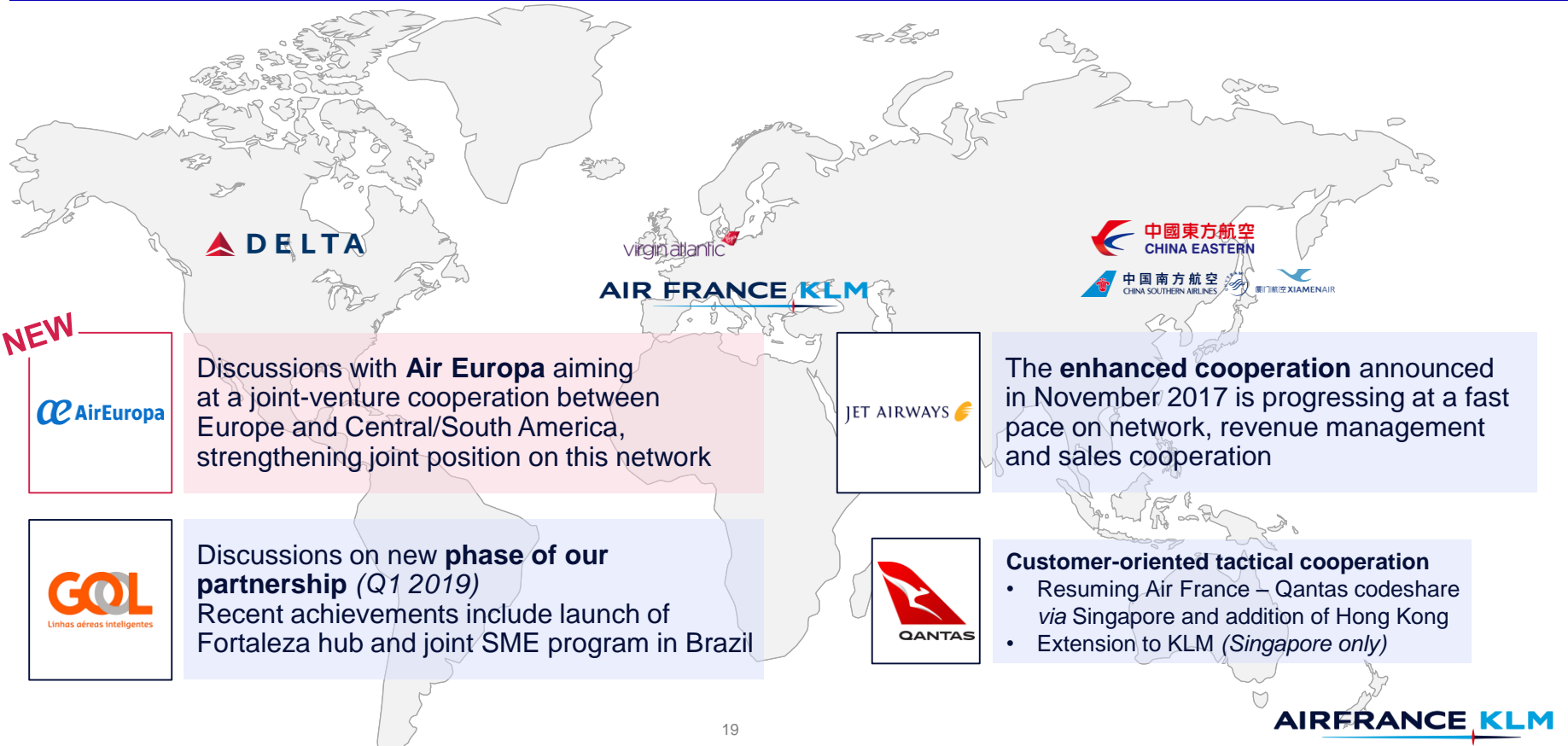
- Strengthening of partnership in line with China Eastern's investment in Air France-KLM:
  - > Enhanced joint-venture between Air France-KLM and China Eastern aiming at implementation in 2019, leading to the extension of the current scope of Paris/Amsterdam-Shanghai to Paris-Wuhan and Paris-Kunming routes
  - > Cooperation in MRO with a contract for the component repair of China Eastern's B787-9s

## A single joint-venture between Air France, KLM, China Southern and Xiamen Airlines



- Merger of the two existing joint-ventures to create a single one
- Scope includes Paris-Guangzhou and Amsterdam-Beijing, Chengdu, Guangzhou, Hangzhou and Xiamen
- Cooperation in MRO with engine maintenance for Xiamen Airlines' B787 fleet. Other fields of cooperation include airport handling and catering

# DELIVERING ON OUR PARTNERSHIP STRATEGY, DISCUSSIONS ON EXTENDING COOPERATION WITH AIR EUROPA



# OUTLOOK

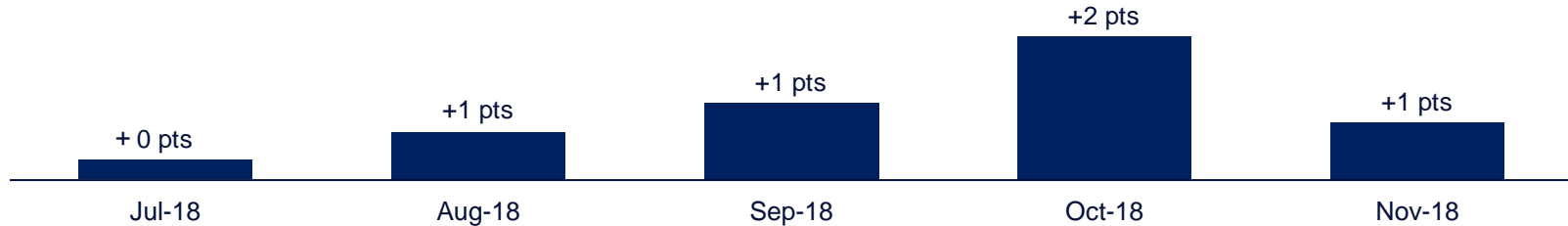
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2018

# REVENUE OUTLOOK

## Long-haul forward booking load factor

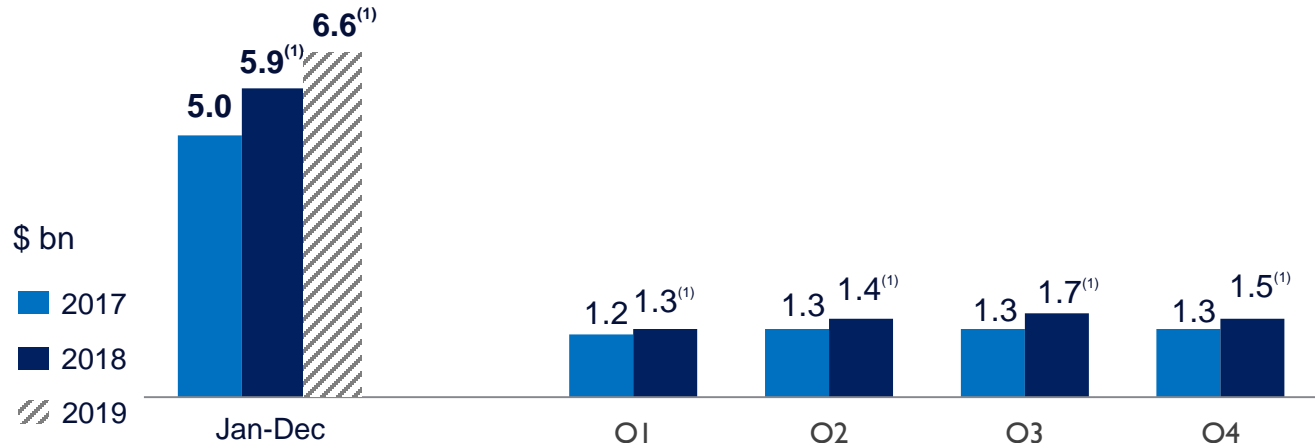
(change vs previous year)



- Long-haul forward booking load factors ahead of last year for the next four months
- Based on current outlook, Q3 2018 and thus Full Year 2018 unit revenues are expected to be above last year at constant currency

# FUEL BILL INCREASE ESTIMATED AT €450M IN 2018

2017:  
fuel bill €4.5bn  
2018:  
fuel bill €5.0bn<sup>(2)</sup>  
2019:  
fuel bill €5.5bn<sup>(2)</sup>



	Jan-Dec	Q1	Q2	Q3	Q4
<i>Market price</i>					
Brent (\$ per bbl) <sup>(1)</sup>	73	67	75	75	75
Jet fuel (\$ per metric ton) <sup>(1)</sup>	748	697	754	767	770
<b>Price after hedge</b>					
Jet fuel (\$ per metric ton) <sup>(1)</sup>	656	625	636	674	683
% of consumption already hedged	60%	62%	64%	55%	58%
Hedge result (in \$ m)	850	150	250	250	200

(1) Based on forward curve at 27 July 2018. Sensitivity computation based on 2018 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 1.19 for 2018 and 1.20 for 2019

# FULL YEAR GUIDANCE

	Previous guidance 2018	New Guidance 2018	
<b>Capacity</b>	<b>Passenger</b>	+2.5% to +3.5%	<i>Unchanged</i>
	<b>Transavia</b>	+6% to +7%	+8% to +9% <i>Slightly accelerated growth for Transavia to benefit from dynamic market demand</i>
<b>Fuel</b>	+€350 m	+€450 m	<i>Reflecting expected further increase in oil price</i>
<b>Currency</b>	Circa €100m headwind	Circa €150m headwind	<i>Strengthening of the USD to the Euro</i>
<b>Unit cost</b> at constant currency, fuel and pension-expense	0% to +1.0%	<i>Unchanged</i>	
<b>Capex</b>	€2.0 bn to €2.5 bn	<i>Unchanged</i>	
<b>Debt</b>	Net debt below 2017	<i>Unchanged</i>	

# APPENDIX

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Results per 30<sup>th</sup> of June 2018



# FIRST HALF 2018: NETWORK RESULTS IMPACTED BY STRIKES, GROWTH OF REVENUES IN TRANSAVIA AND MAINTENANCE

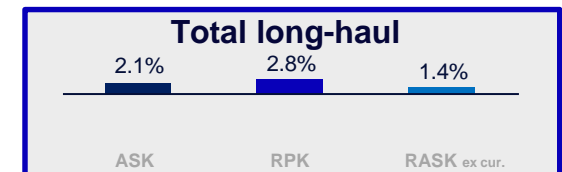
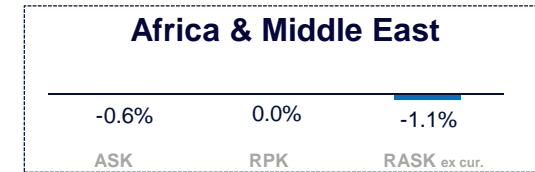
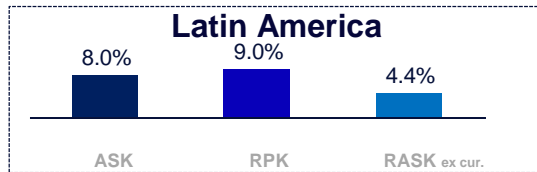
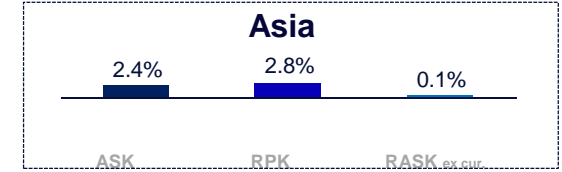
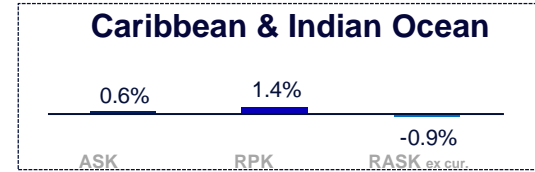
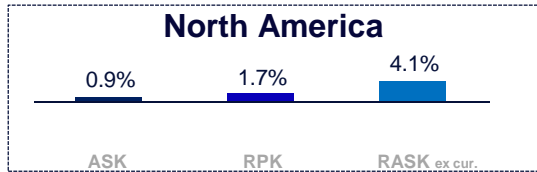
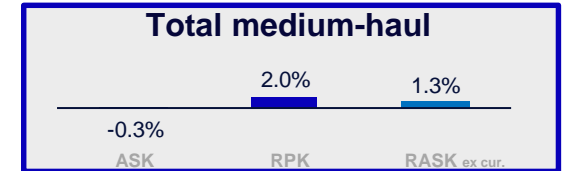
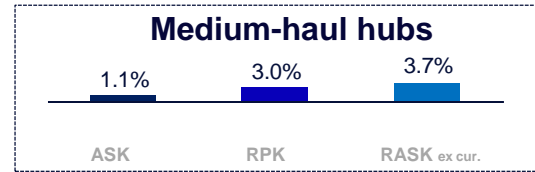
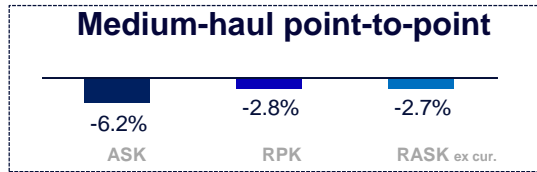
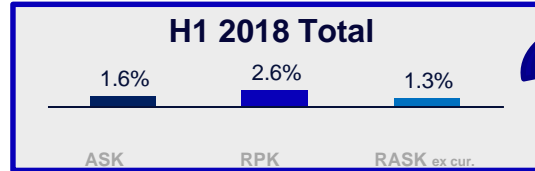
		Capacity <sup>(1)</sup>	Unit Revenue <sup>(2)</sup> Constant Currency	Revenues (€ m)	Change	Operating result <sup>(3)</sup> (€ m)	Change	Operating margin <sup>(3)</sup>	Change
Network	AIRFRANCE / HOP / KLM / JON	+1.6%	+1.3%	10,786	-0.3%	150	- 321m	1.4%	-3.0 pt
	AIRFRANCE / Martinair / KLM / CARGO	-1.0%	+6.8%						
Transavia	transavia	+7.6%	+5.5%	688	+13.7%	3	+ 23m	0.4%	+3.7 pt
Maintenance	AIRFRANCE INDUSTRIES / KLM Engineering & Maintenance			941	+5.7%	72	- 34m	3.5%	-1.8 pt
Group	AIRFRANCE / KLM	+1.8%	+1.9%	12,432	+0.8%	228	- 325m	1.8%	-2.7 pt

(1) Passenger airlines capacity is Available Seat Kilometer, Cargo capacity is Available Ton Kilometer, Group is Equivalent Available Seat Kilometer

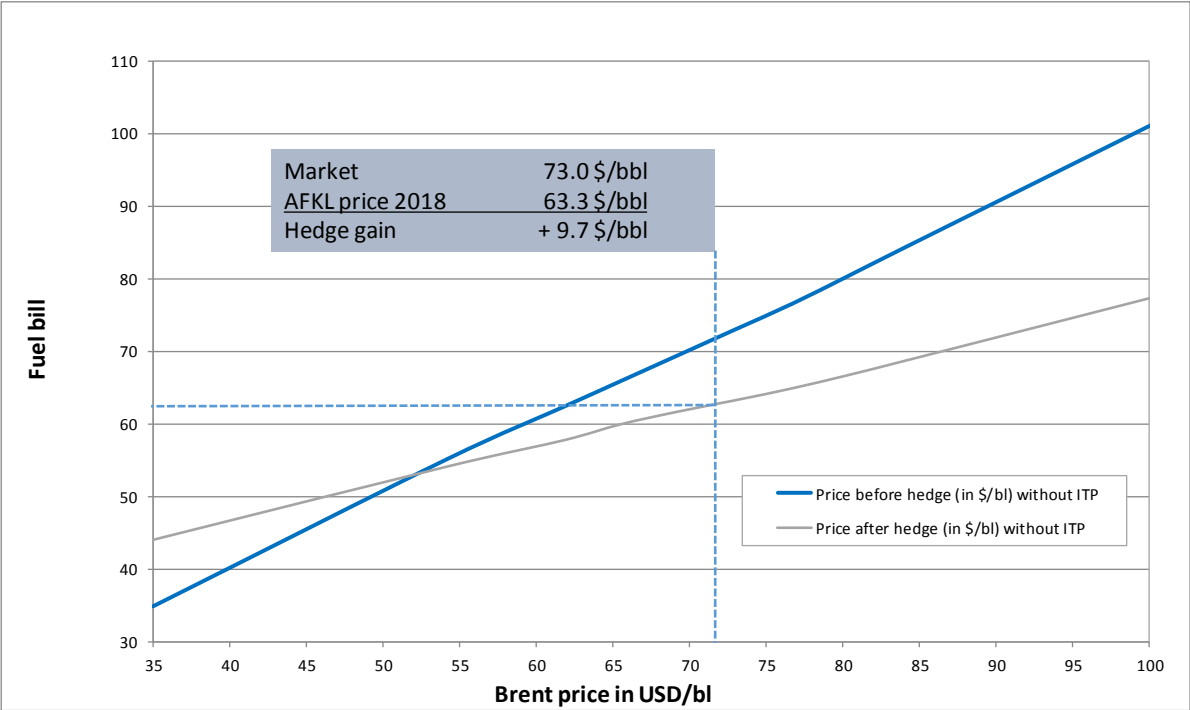
(2) Unit Revenue: Passenger airlines is Revenue per Available Seat Kilometer, Cargo is Revenue per Available Ton Kilometer

(3) 2017 restated for implementation of accounting standards IFRS

# FIRST HALF 2018: BOTH LONG HAUL AND MEDIUM HAUL CONTRIBUTING TO POSITIVE UNIT REVENUE PERFORMANCE



# FUEL BILL SENSITIVITY FULL YEAR 2018

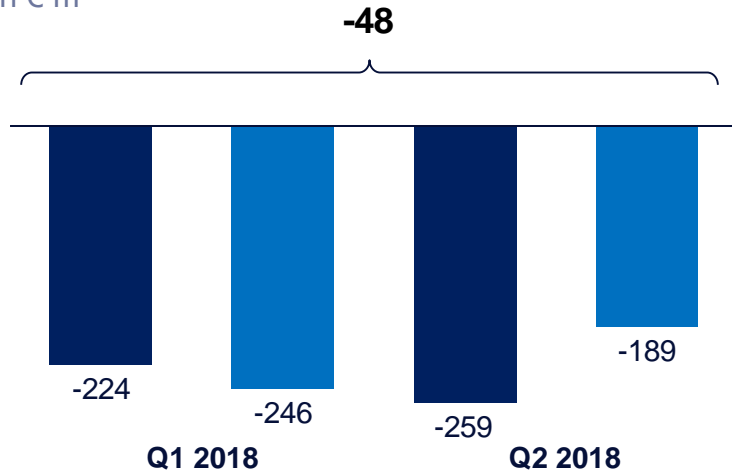


Based on forward curve at 27 July 2018. Sensitivity computation based on 2018 fuel price, assuming constant crack spread between Brent and Jet Fuel  
Assuming average exchange rate on US dollar/Euro of 1.19 for 2018

# 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

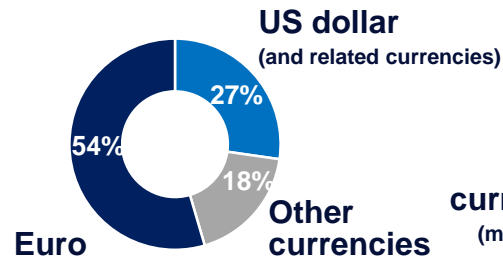
## FY 2018 guidance

- FX FY 2018 estimated circa €150m headwind, based on spot €/€ 1.18
- Hedging policy on USD, GBP: ~60% and JPY ~40% net operational exposure 2018

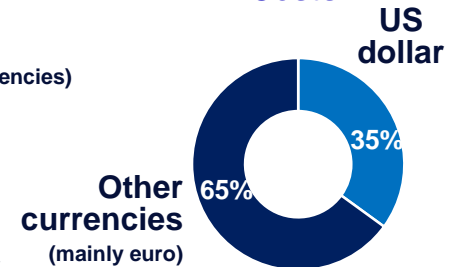
## Revenues and costs per currency

FY 2017

### Revenues

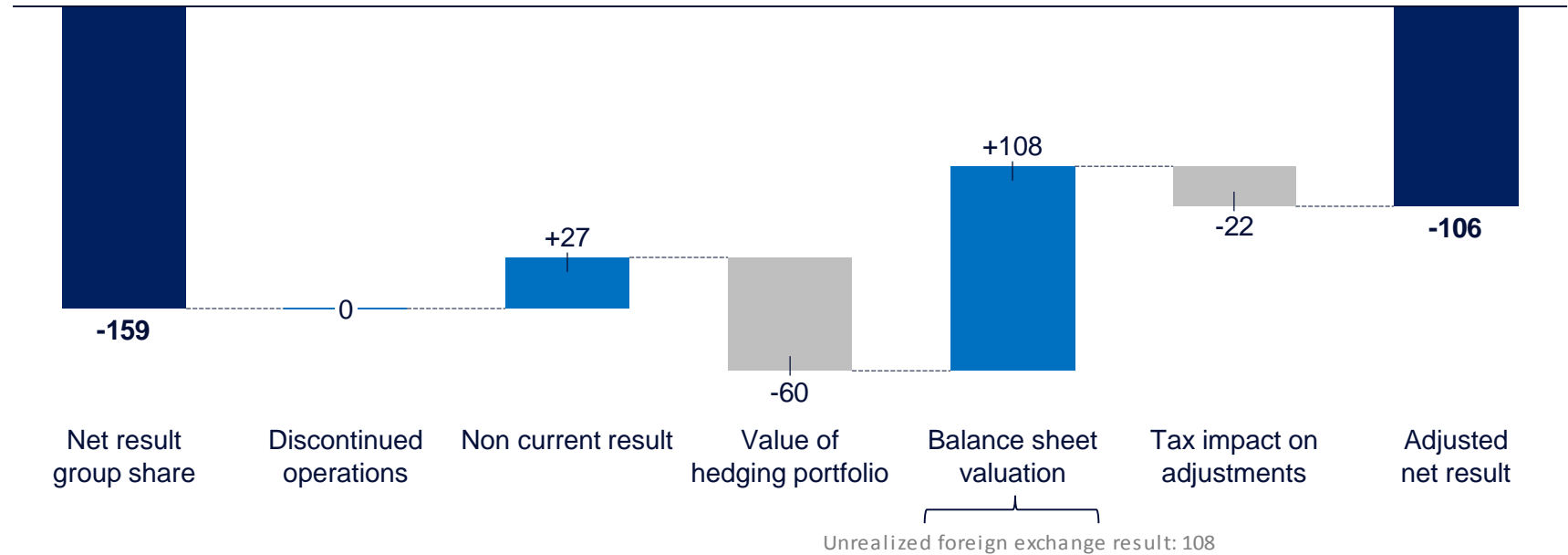


### Costs

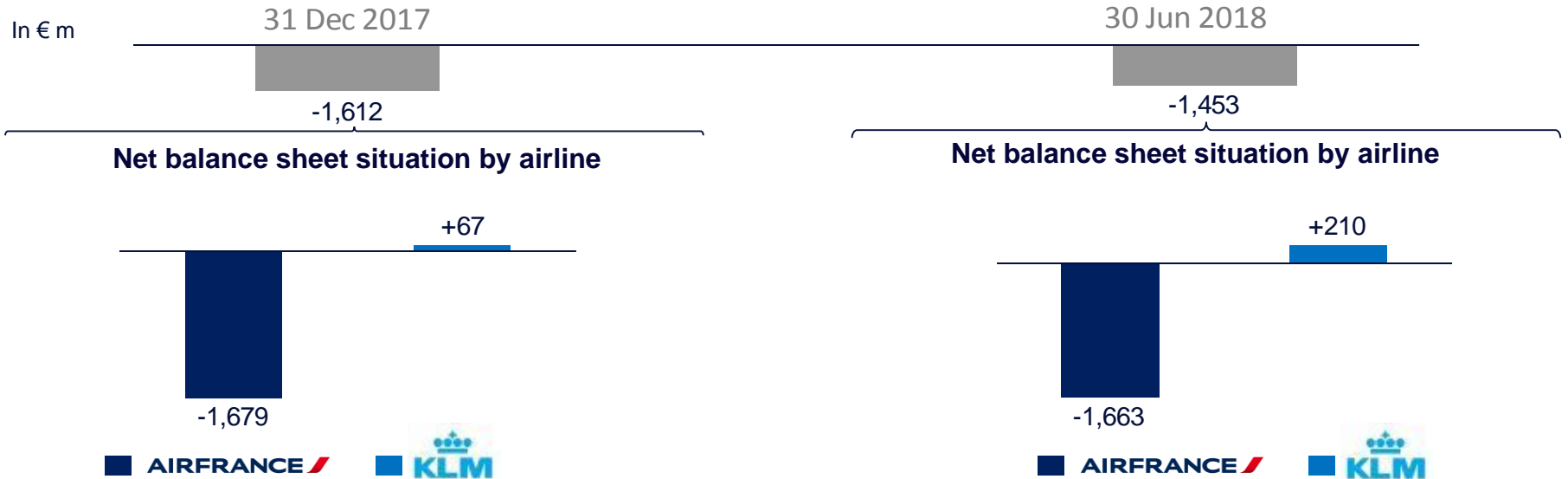


# ADJUSTED NET RESULT AT 30 JUNE 2018

In € m



# PENSION DETAILS AT 30 JUNE 2018



## Air France

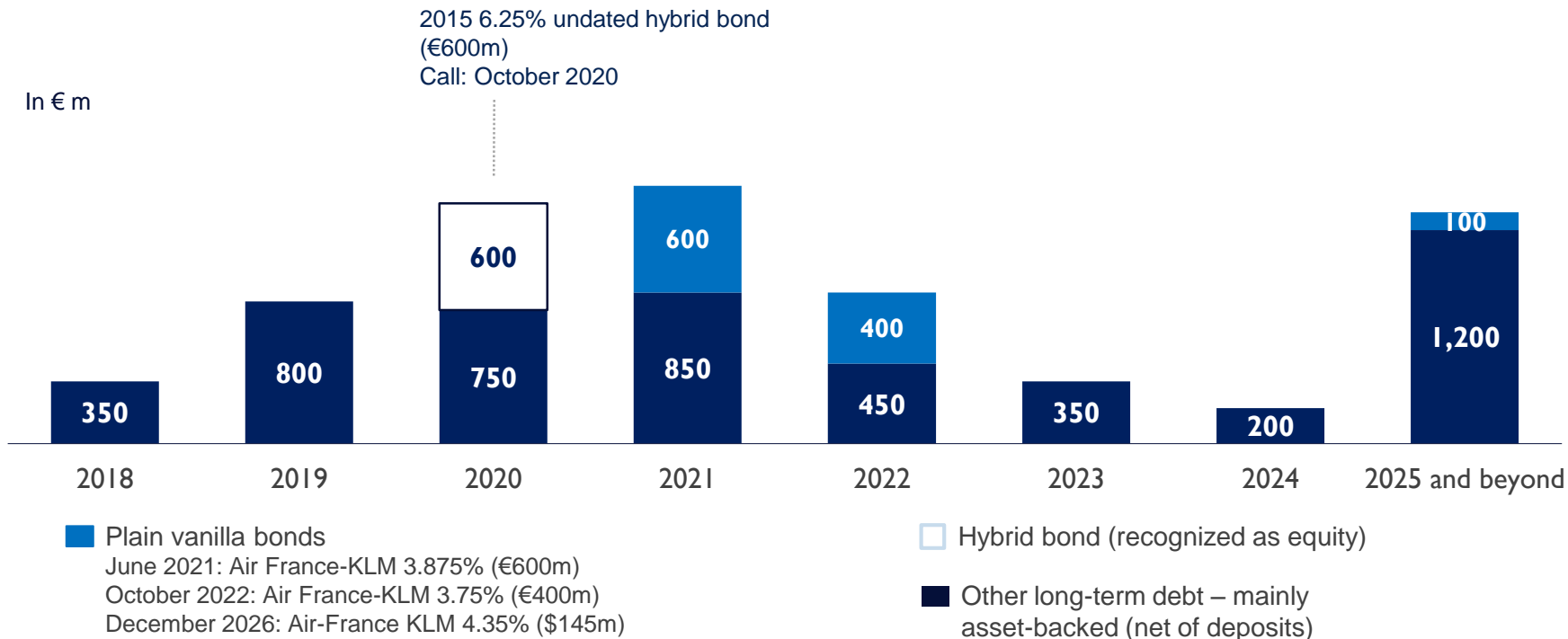
- Air France end of service benefit plan (ICS): pursuant to French regulations and the company agreement, every employee receives an end of service indemnity payment on retirement (no mandatory funding requirement). ICS represents the main part of the Air France position
- Air France pension plan (CRAF): related to ground staff affiliated to the CRAF until 31 December, 1992

## KLM

- Defined benefit schemes for Ground Staff

# FINANCIAL DEBT REIMBURSEMENT PROFILE AT 30 JUNE 2018

## Financial debt reimbursement profile<sup>(1)</sup>



(1) Net of deposits on financial leases and excluding Operating lease debt payments and KLM perpetual debt