AIRFRANCEKLM GROUP

Results presentation

Results at 31 March 2021

6 May 2021

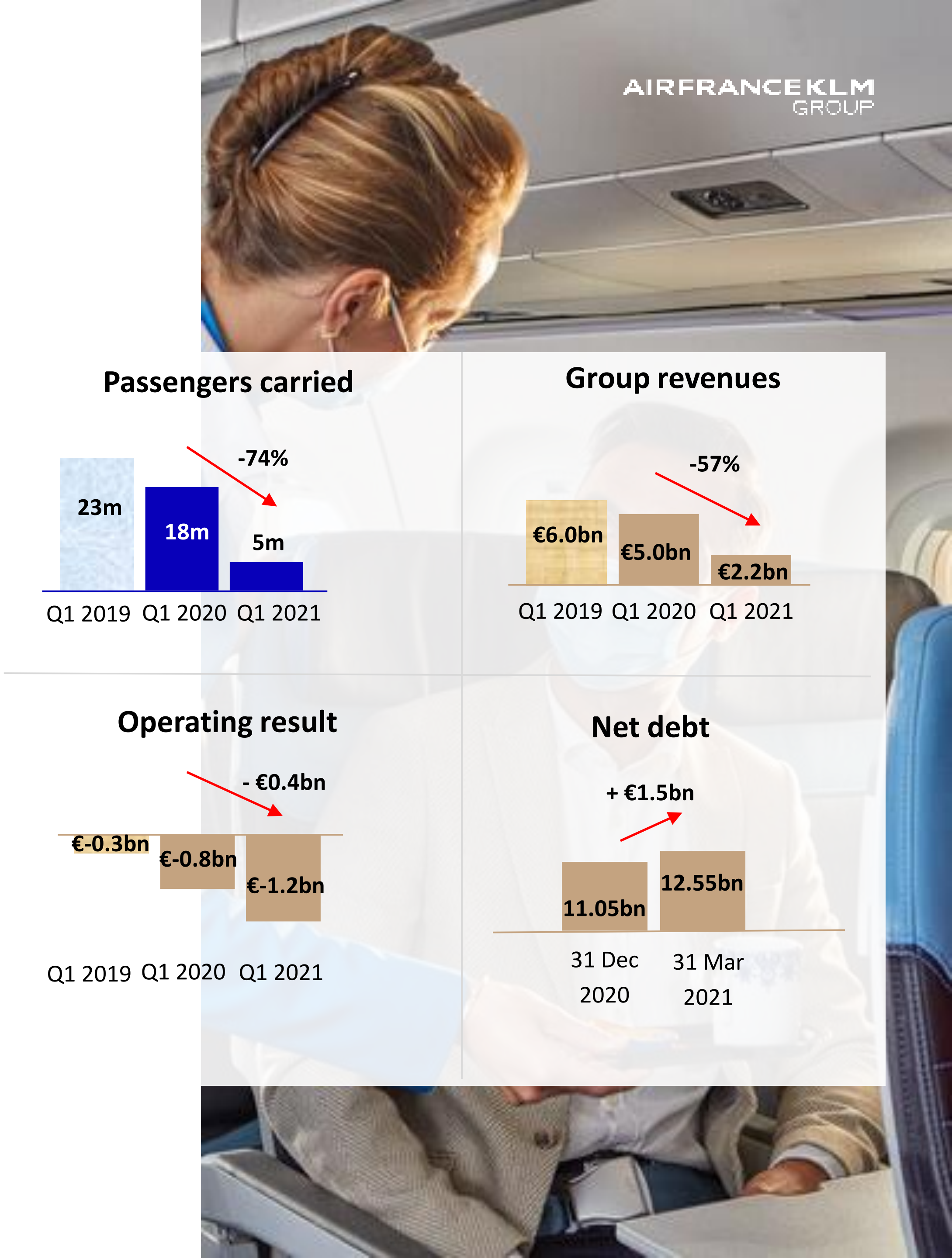
AIRFRANCEKLM GROUP

Q1 2021 highlights

Benjamin Smith
Chief Executive Officer
Air France-KLM

Q1: Travel restrictions still impacting our activity

- Network Passenger capacity at index 48% versus Q1 2019
- Cargo performance further improved versus Q1 2020, +132% unit revenue while RTK went up 13%
- EBITDA loss at -€627m. Better than the Group's budgeted assumptions[1]. Strict cost control and partial activity schemes mitigated the loss
- €8.5bn cash at hand, down -€1.3bn compared to Q4
- Early April 2021, first set of balance sheet strengthening measures successfully executed resulting in an increase of €4bn equity and improved cash position by €1bn



(1) In the Press release, dated 6 April 2021, announcing the capital strengthening plan the following guidance was provided: EBITDA Q1 -€750m, Operating Result Q1 -€1.3bn and Cash at hand €8.8bn at the end of February

AIRFRANCEKLM GROUP

Results at 31 March 2021

Frédéric Gagey
Chief Financial Officer
Air France-KLM

Recovery in Q1 hampered by tough travel restrictions worldwide, with North America, Latin America and Asia as the most impacted areas

Q1 2021 vs 2019

	ASK	RPK	RASK ex cur.
Total	-51.9%	-77.7%	-54.0%
French domestic	-67.2%	-72.6%	-18.9%
Medium-haul hubs	-67.7%	-77.8%	-30.5%
Total short & medium-haul	-67.6%	-77.0%	-27.9%
North America	-49.3%	-83.1%	-72.8%
Caribbean & Indian Ocean	-41.2%	-60.7%	-40.6%
Asia	-60.0%	-90.2%	-67.5%
Latin America	-45.6%	-78.6%	-64.8%
Africa & Middle East	-36.4%	-63.4%	-43.0%
Total long-haul	-48.2%	-77.8%	-58.3%

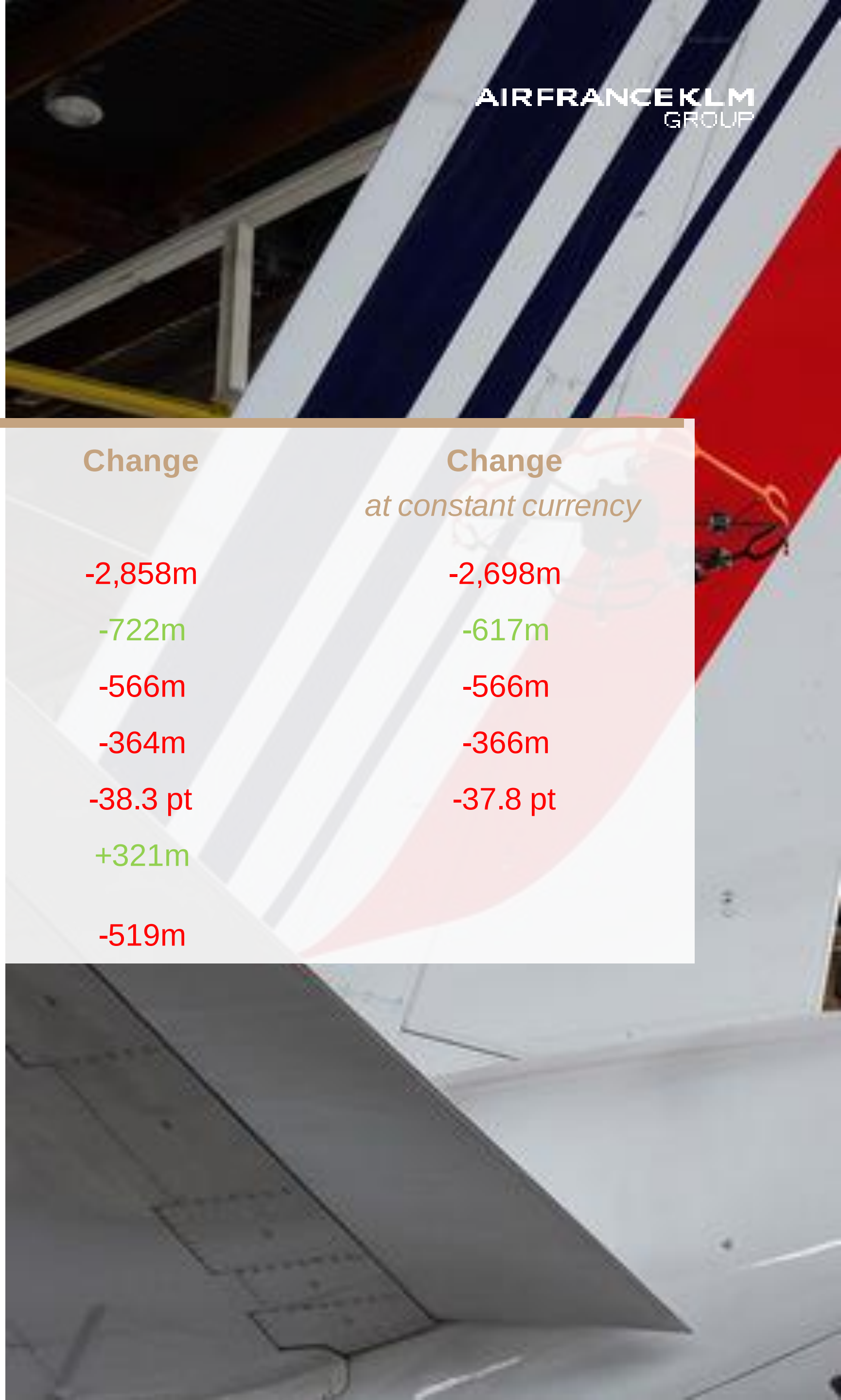
RASK ex cur.

Premium	Economy
-68.0%	-49.1%

EBITDA decrease limited to -€0.6bn, as revenues went down by €2.9bn in Q1

	Q1 2021	Q1 2020 [1]	Change	Change *at constant currency*
Revenues (€ m)	**2,161**	5,020	-2,858m	-2,698m
Fuel expenses (€ m)	**463**	1,185	-722m	-617m
EBITDA (€ m)	**-627**	-61	-566m	-566m
Operating result (€ m)	**-1,179**	-815	-364m	-366m
Operating margin	**-54.6%**	-16.2%	-38.3 pt	-37.8 pt
Net income - Group part (€ m)	**-1,481**	-1,801	+321m	
Adjusted operating free cash flow (€ m)	**-1,344**	-825	-519m	

(1) Good performance in January and February, March strongly hit by Covid-19



Strict control of capacity and cost ensured a more stable EBITDA development during the crisis quarters

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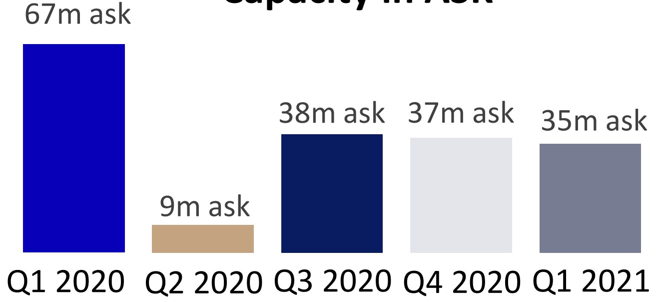
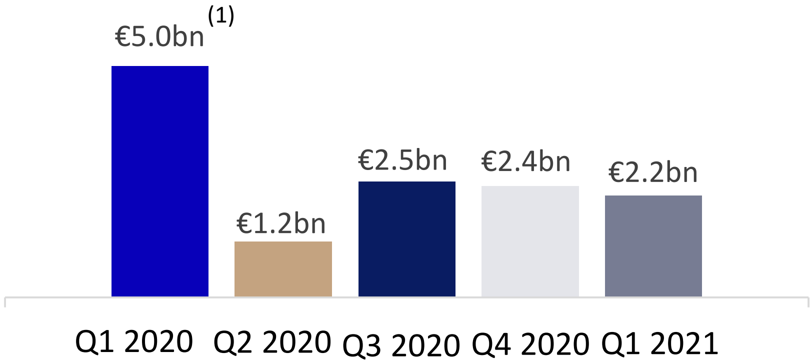
Capacity in ASK



Group Revenue



EBITDA loss development

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

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

Strong performance of Cargo and Maintenance stabilizing

Q1 2021 versus 2020

Q1 2021 versus 2020		Capacity [1]	Unit Revenue [2] Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
Network	AIRFRANCE KLM	-46.2%	-49.9%	1,019	-73.3%	-1060	-331m	-57%	-40 pt
	AIRFRANCE KLM Martinair CARGO	-15.8% [3]	+131.7%	839	+80.0%				
Transavia	transavia	-79.3%	-21.6%	37	-84.8%	-120	-38m	-325%	-292 pt
Maintenance	AIRFRANCE INDUSTRIES KLM Engineering & Maintenance			259	-47.5%	-8	-5m	-1%	-1 pt
Group	AIRFRANCEKLM GROUP	-48.6%	-18.8%	2,161	-56.9%	-1,179	-364m	-55%	-38 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).

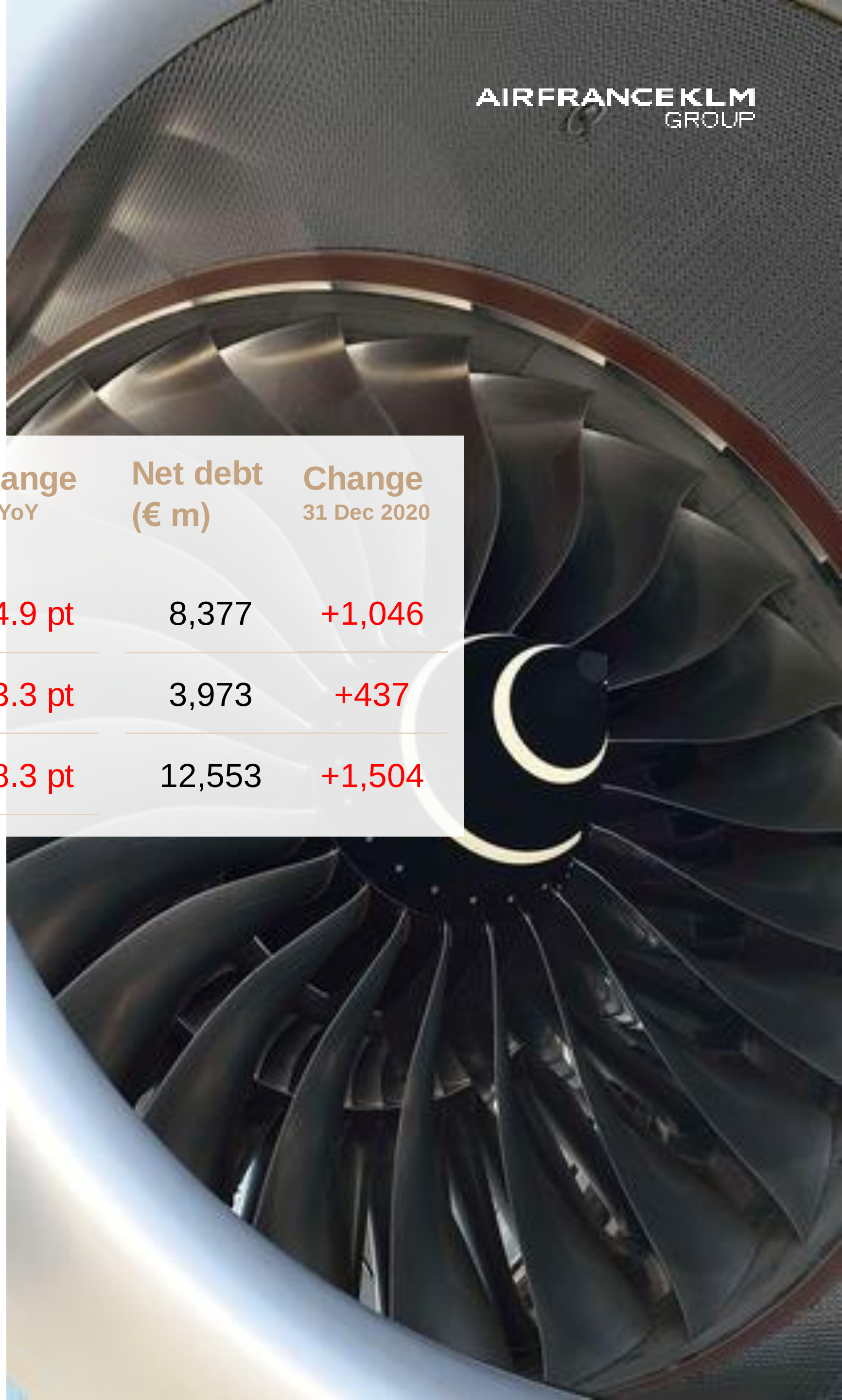
(3) Capacity of passenger aircraft used for cargo only, is based on theoretical payload without passengers

Air France and KLM continued to be negatively impacted by travel restrictions

Q1 2021	Capacity change	Revenues (€ m)	Change YoY	Operating result (€ m)	Change YoY	Operating margin	Change YoY	Net debt (€ m)	Change 31 Dec 2020
AIRFRANCE	-55.9%	1,341	-55.5%	-840	-304	-62.6%	-44.9 pt	8,377	+1,046
KLM	-38.7%	930	-56.6%	-337	-61	-36.2%	-23.3 pt	3,973	+437
AIRFRANCE KLM GROUP	-48.6%	2,161	-56.9%	-1,179	-364	-54.6%	-38.3 pt	12,553	+1,504

Variation of operating result between Air France and KLM partly explained by:

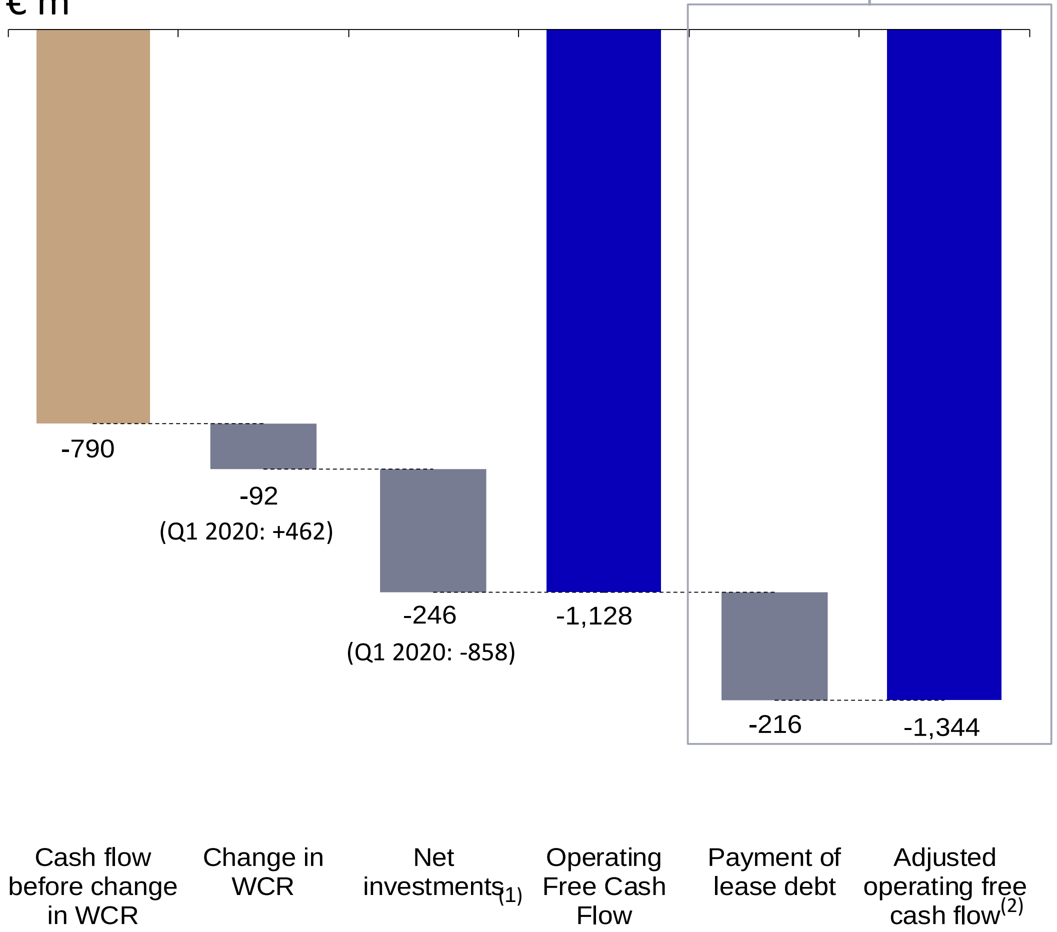
- Initial size of airline
- Partial activity schemes different in France and the Netherlands



Working capital slightly negative,
Net debt increased by €1.5bn

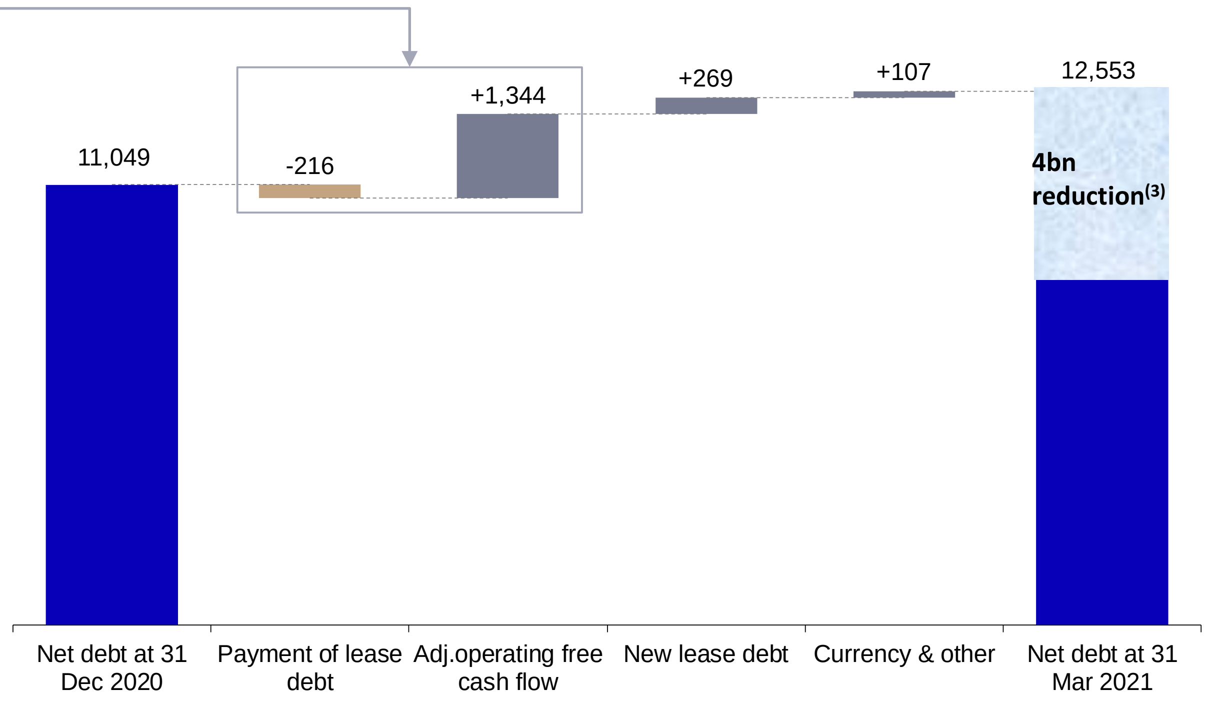
Q1 2021 Free cash flow evolution

In € m



Net debt

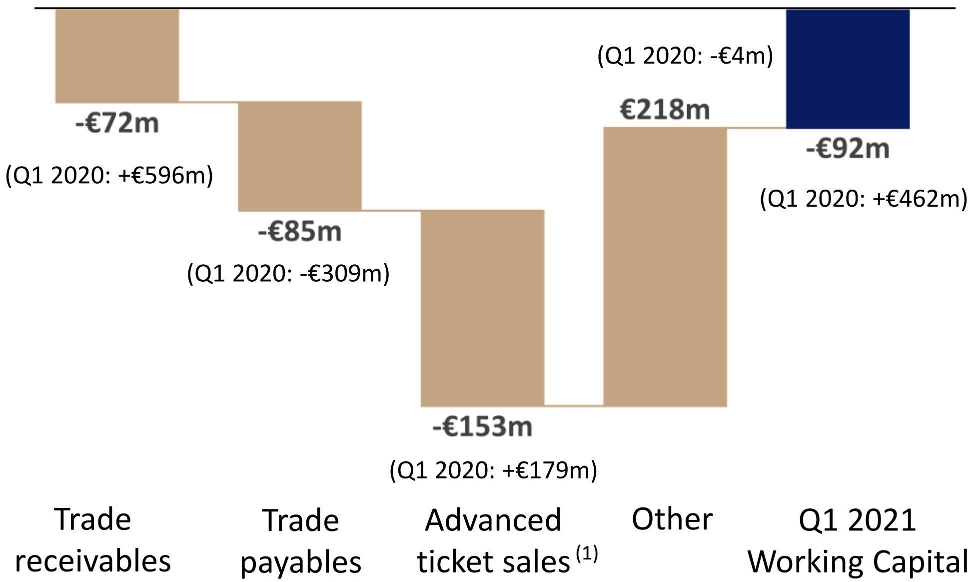
In € m



(1) Net investments reduced by sale and leaseback transaction
(2) Adjusted operating free cash flow = Operating free cash flow after repayment of lease debt
(3) First set of balance sheet strengthening measures successfully executed post quarter resulting in a Net Debt decrease of €4bn

Q1: Ongoing focus on cash flow by continuing the deferral of payments

Q1: Working capital outflow including €550m refunds
Other mainly related to state tax liabilities and employee related liabilities



(1) Variation of the net unflown ticket stock including refunds
Maximum risk due to cash refunds ~€1.2bn at the end of March 2021

Recapitalization

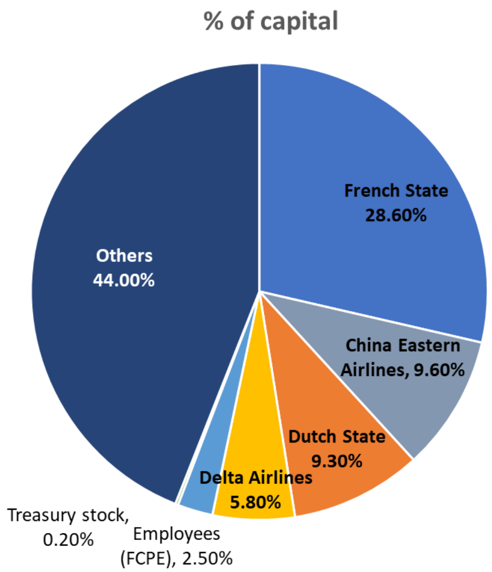
Results at 31 March 2021

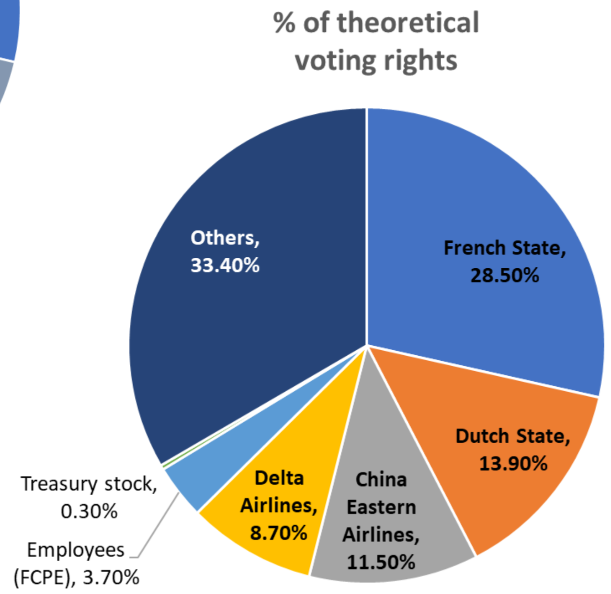
A successful first set of capital-strengthening measures to reinforce our balance sheet, manage liquidity and prepare for recovery

Key takeaways of the operation

- **Capital increase** of €1bn, at 4.84€ per share, mostly subscribed by French state and China Eastern Airlines.
- Simultaneous **conversion of €3bn** French State loan into perpetual hybrid instruments.
- **Extension of the maturity of the €4bn French state-backed loan** to a final maturity date in 2023
- This first step of measures allow to start **restoring the equity**, and, together with the expected recovery in EBITDA, will progressively help the Group **bringing Net Debt/EBITDA ratio below 3.0x by 2023**
- **Remedies imposed by European Commission** to Air France and Air France-KLM holding include release of 18 slots at Orly, restriction on management remuneration, M&A and dividend ban.
- **Climate and financial performance** commitments reiterated by the Group

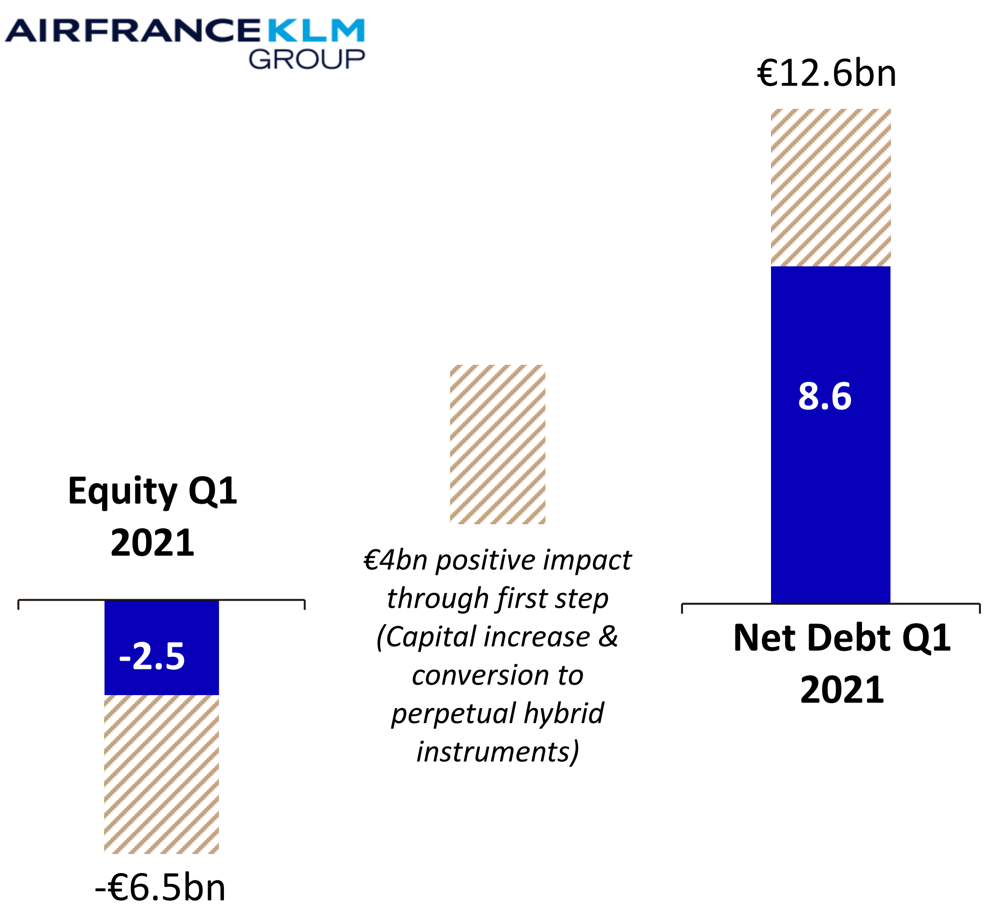
Shareholding structure after capital increase





Additional measures of equity and quasi-equity instruments
currently under consideration

BALANCE SHEET STILL UNDER PRESSURE REQUIRING FURTHER REINFORCEMENT



ADDITIONAL MEASURES CURRENTLY UNDER CONSIDERATION

- **Dutch State** continuing discussions with European Commission on capital strengthening measures for KLM
- **Extraordinary resolutions** presented at next AGM, aiming to provide large flexibility for the Board to restore equity
- **These measures** could include new equity, quasi-equity instruments and recycling of the States support (Hybrid or State loan) into other instruments

Target of Net debt/EBITDA from below 3.0x after the first step to **~2.0x after the second step in 2023**

Outlook

Results at 31 March 2021

Progressive ramp up of capacity and demand expected during second half of Q2

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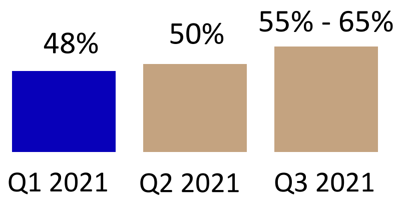
AIRFRANCE KLM

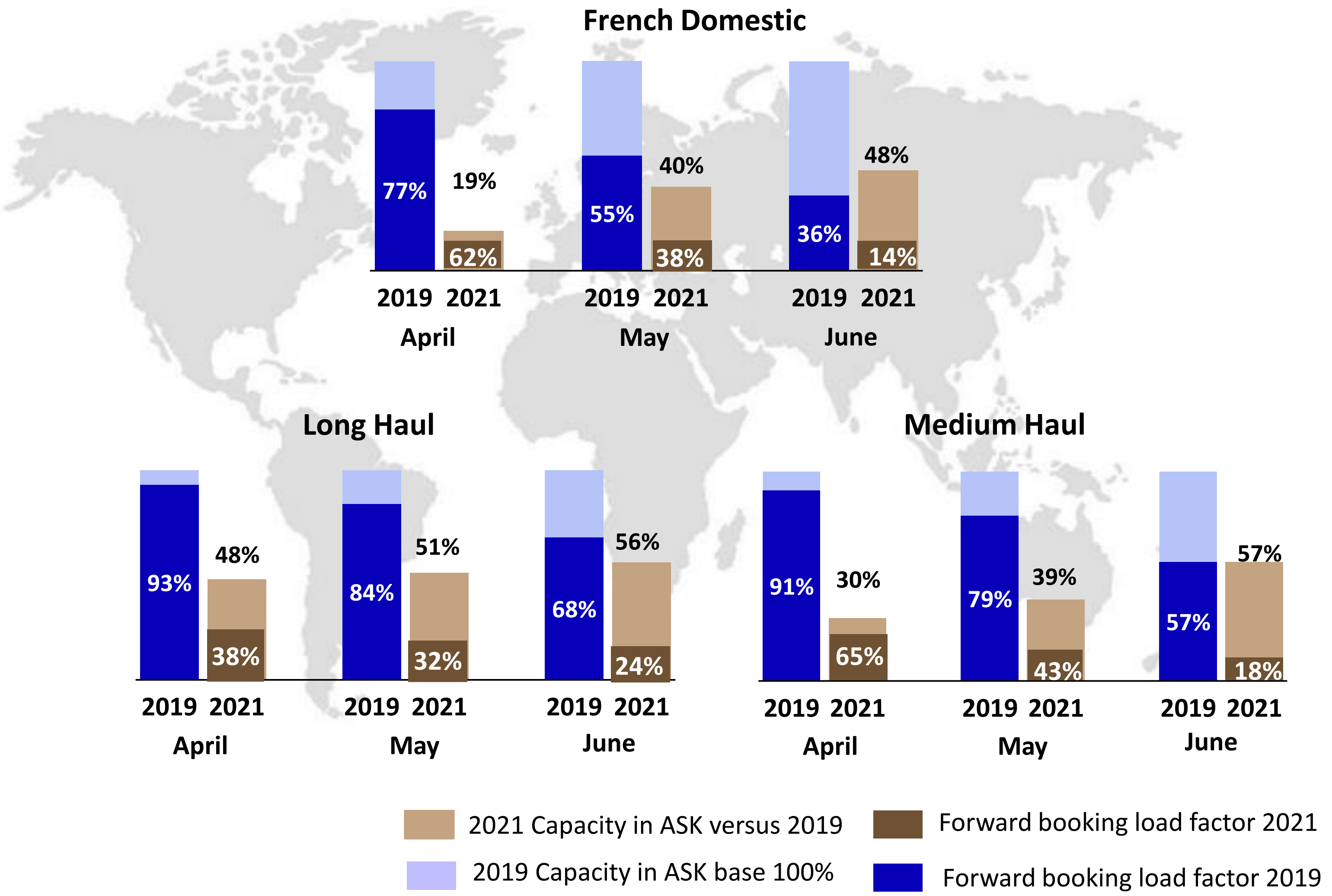
Network Passenger capacity in ASK versus 2019



- Q1 capacity above guidance (index 40%) provided during Q4 results presentation
- Expected recovery in Europe in summer thanks to vaccine deployment (the rapid roll-out of vaccination campaign fueled the swift pick-up of US domestic demand)
- Bookings continue to be short term oriented
- For Q3 sufficient flexibility included in capacity to be agile

Network Passenger capacity and booking

Snapshot of the 3rd May 2021 and 2019



€8.5bn cash at hand, post quarter additional €1bn generated thanks to capital increase

€8.5bn cash at hand
end of March

Liquidity requirements:

- Q2 2021 EBITDA expected to be in the same range as EBITDA Q1 2021
- Remaining risk due to cash refunds is decreasing. At end of March ~€1.2bn
- 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 at €0.5bn partially financed by salary cost reduction

Acceleration on our major initiatives and new initiatives launched on top of existing plans

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Finalized

- Simplified Fleet and introduction of next generation Aircraft
- Clarified Brand strategy
- More Flexible social contracts
- Refocused Market Positioning

Work in Progress

- Increased Aircraft Utilization
  Optimized Network and Aircraft Gauge
  Optimized Interior Configurations & Harmonized Products
- More Efficient Domestic Network
  Revised Orly Strategy
  Transavia growth
- Operational Transformation
  Simplified Organization & Processes
- Leveraging Additional Group Synergies
- Flying Blue & Increased Ancillary Rev.
- E&M and Cargo

~15% reduction in labor cost in Q1 2021 compared to 2019 for the group (excluding partial activity schemes)

Air France **ongoing restructuring programs** at the right speed, with staff willing to make use of the VDP

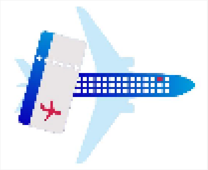
New initiatives launched throughout all businesses having positive impact on competitiveness

Conclusion

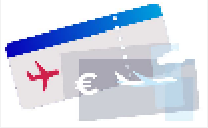
Benjamin Smith
Chief Executive Officer
Air France-KLM

Conclusion

WE ARE COMMITTED TO EXECUTING OUR ROADMAP…



Accelerate our transformation plan to build a successful post crisis model. Voluntary Departure Plans developing as expected



Pursue strict control of our costs to preserve cash and financial flexibility. Capex FY 2021 below initial guidance of €2bn

Step up our sustainability commitments in line with our ambitious environmental roadmap

… IN A STILL UNCERTAIN ENVIRONMENT

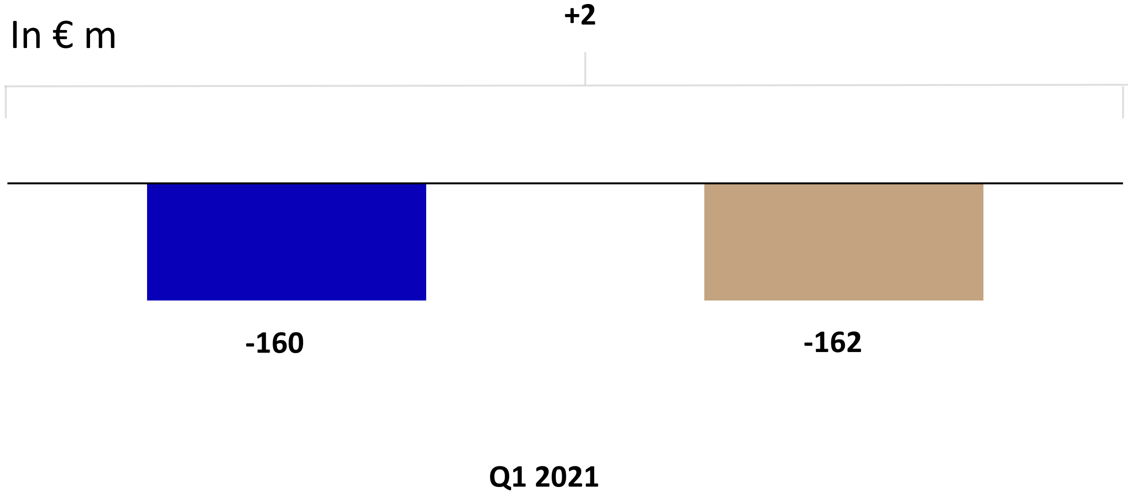
- ✓ Deployment of vaccines makes us more optimistic for the second half of 2021
- ✓ Recovery will depend on the pace of vaccine rollout, the harmonization of travel conditions in Europe, and the pace of border reopening

Appendix

Results at 31 March 2021

Currency impact
on operating result

Currency impact
on revenues and costs
In € m

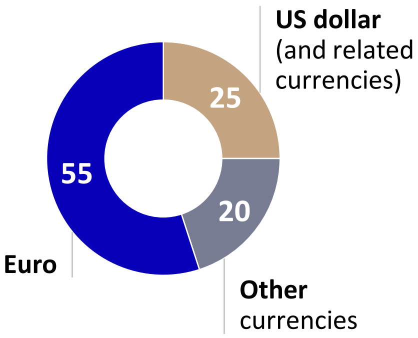


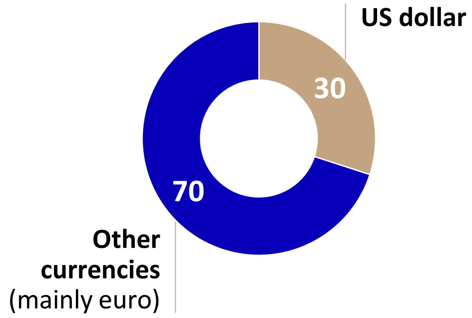
● (blue)		Currency impact on revenues
● (tan)		Currency impact on costs, including hedging
XX		Currency impact on operating result

FY 2021 guidance suspended due to uncertainty Covid-19 crisis

Revenues and costs per currency
FY 2020

REVENUES	**COSTS**

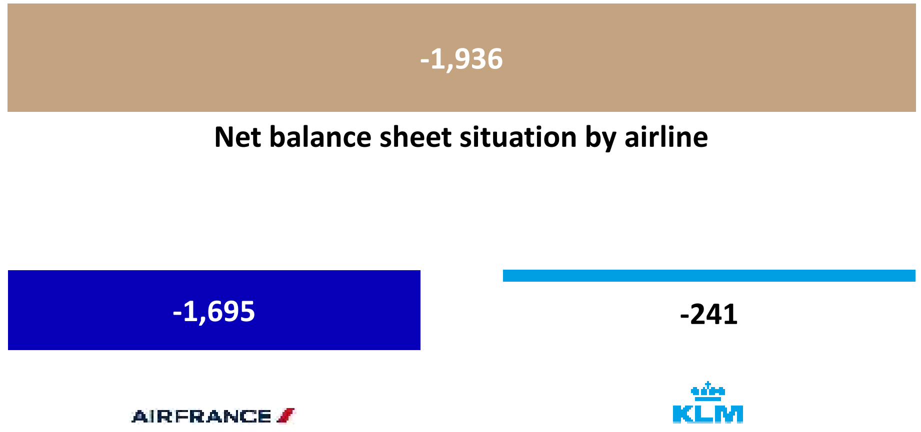




Pension details
at 31 March 2021

In € m

31 Dec 2020

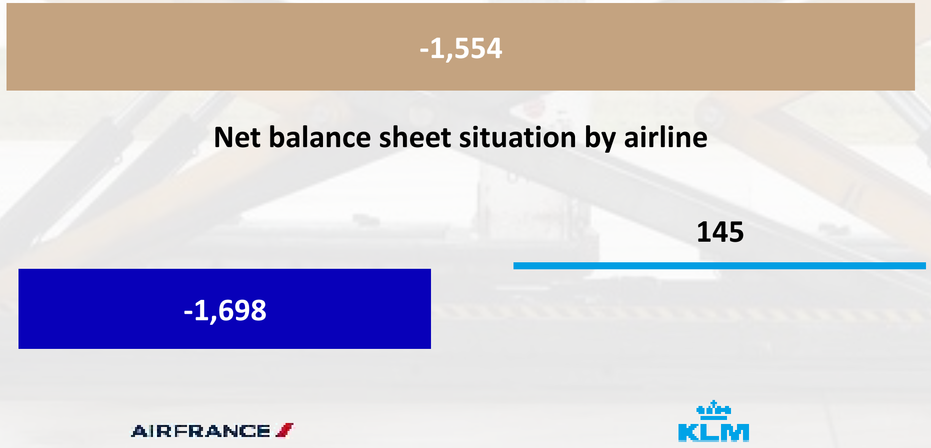


Air-France

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

31 Mar 2021



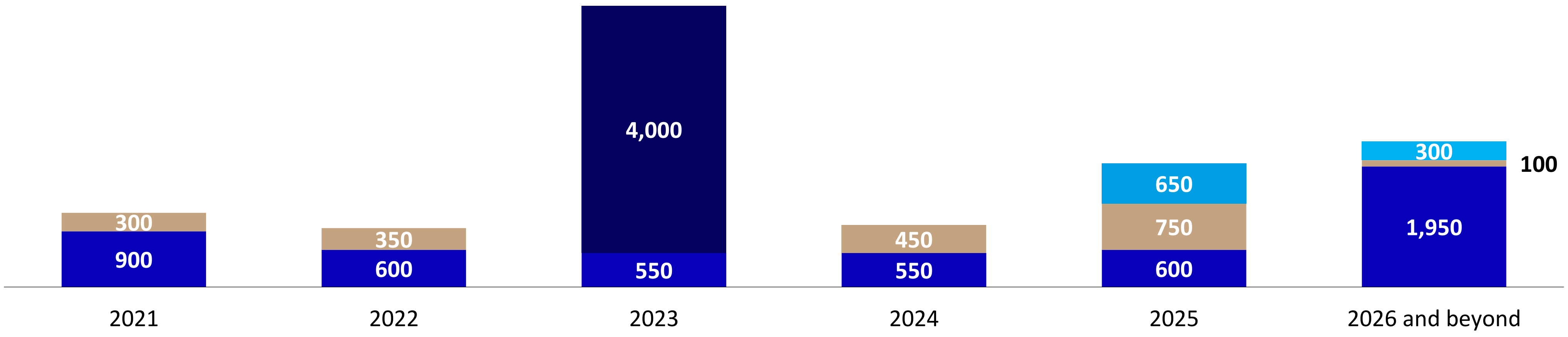
KLM

Defined benefit schemes for Ground Staff

Debt reimbursement profile **after first set of capital-strengthening measures**

Debt reimbursement profile(1)

In €m



Bonds issued by Air France-KLM

June 2021:

AFKL 3.875% (€300m)

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 at 31 March 2021

Other long-term Debt : AF and KLM Secured Debt, mainly "Asset-backed"

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