

Results presentation

Results at 30 September 2020

30 October 2020





Promising summer until mid-August, expected traffic recovery disrupted by stricter travel restrictions



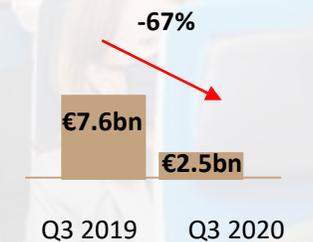
AIRFRANCEKLM GROUP

- EBITDA loss -€442m⁽¹⁾, revenues index 33 year on year with successful cost control and state aid in Q3
- Tightening of travel restrictions, border closures and absence of corporate travel delayed the expected traffic recovery
- Ongoing implementation of Air France and KLM restructuring plans, substantial plan on FTE and manageable costs reductions
- €12.4bn cash at hand, -€1.8bn compared to Q2 2020: incl. -€1.2bn of adj. operating FCF and -€0.7bn repayment of KLM RCF

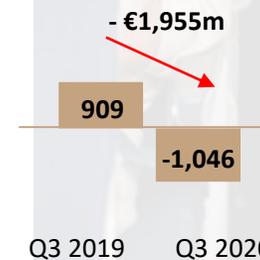
Passengers carried



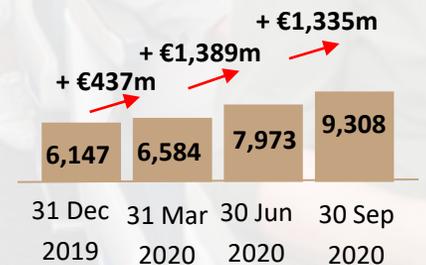
Group revenues



Operating result⁽²⁾



Net debt



(1) See press release for the reconsolidation between EBITDA, cash impact on operating result and Financial capacity

(2) 2019 results restated for LLP componentization accounting change and EU passenger compensation reclassification between revenues and external expenses



Results at 30 September 2020



Frédéric Gagey
Chief Financial Officer
Air France-KLM



Decline of €5bn in revenues and €2bn in EBITDA during Q3

	Q3 2020	Q3 2019	Change	Change at constant currency
Revenues (€ m)	2,524	7,609	-5,085m	-4,993m
Fuel expenses (€ m)	489	1,513	-1,024m	-982m
EBITDA (€ m) ⁽¹⁾	-442	1,653	-2,095m	-2,071m
Operating result (€ m)	-1,046	909	-1,955m	-1,931m
Operating margin ⁽²⁾	-41.4%	11.9%	-53.4 pt	-53.9 pt
Net income - Group part (€ m)	-1,665	362	-2,027m	
Adjusted operating free cash flow (€ m)	-1,220	-234	-986m	
	31 Sep 2020	31 Dec 2019	Change	
Net debt (€ m)	9,308	6,147	+3,161m	

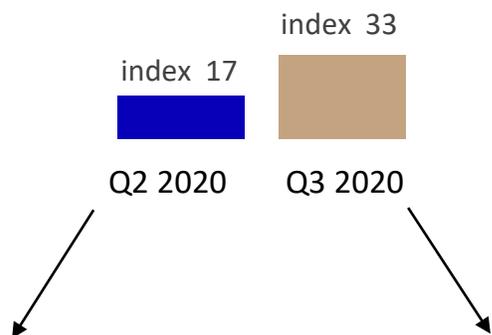
(1) 2019 results restated for LLP componentization accounting change and EU passenger compensation reclassification between revenues and external expenses

(2) See page 10 of this presentation for further details



Dynamic management of capacity to meet the increasing demand and ability to ramp up activity with incrementally cash positive flights in Q3

Revenue index versus 2019



EBITDA loss at an average of €260m per month in Q2



EBITDA loss at an average of €150m per month in Q3

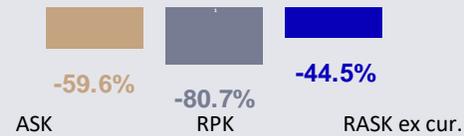




Long-haul impacted by travel restrictions, ability to capture traffic when border controls are less restrictive

Q3 2020

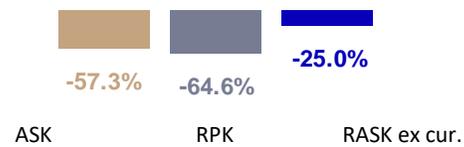
Total



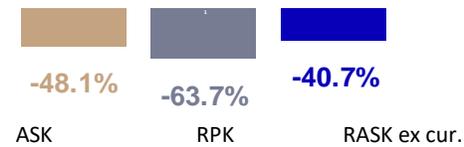
RASK ex cur.



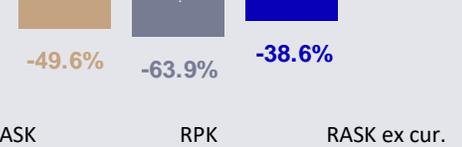
French domestic



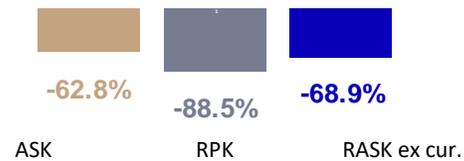
Medium-haul hubs



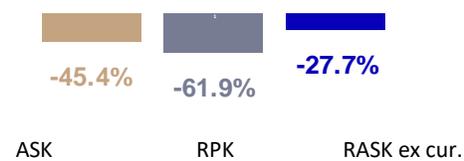
Total short & medium-haul



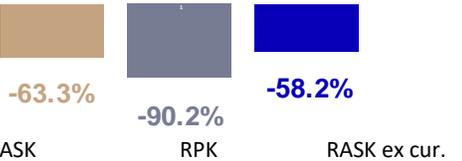
North America



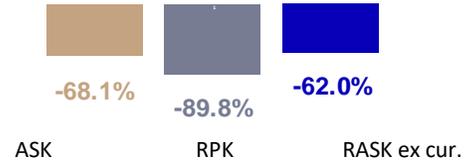
Caribbean & Indian Ocean



Asia



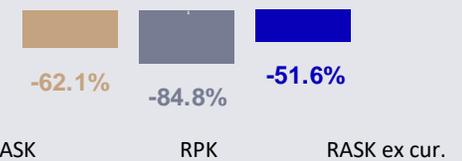
Latin America



Africa & Middle East

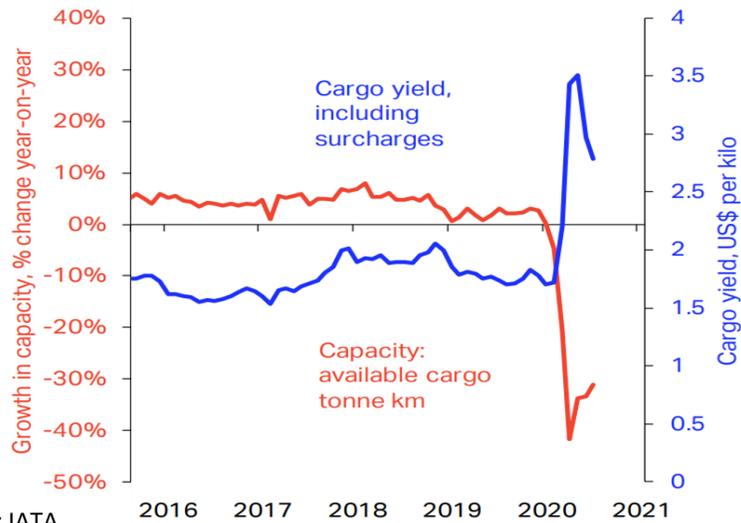


Total long-haul



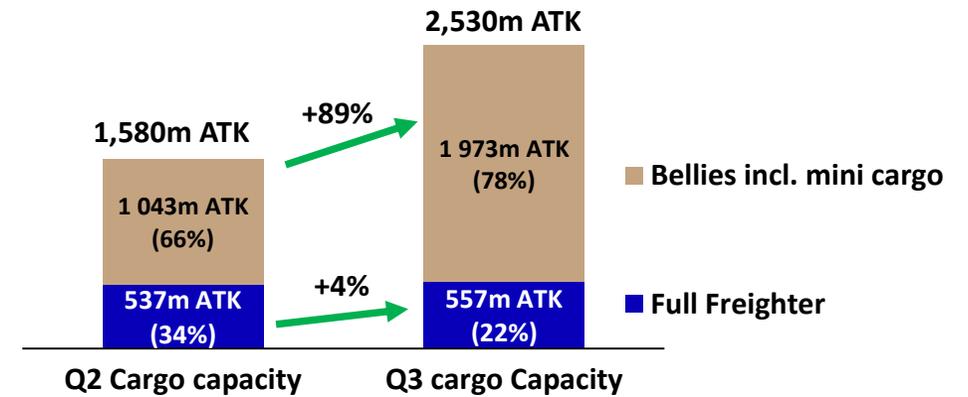
Agile management of Cargo capacity during Q3

Tightening of supply increased yields



Source: IATA

Additional cargo capacity through "mini cargo" (passenger aircraft used for cargo only)



Summer period Network activity of KLM

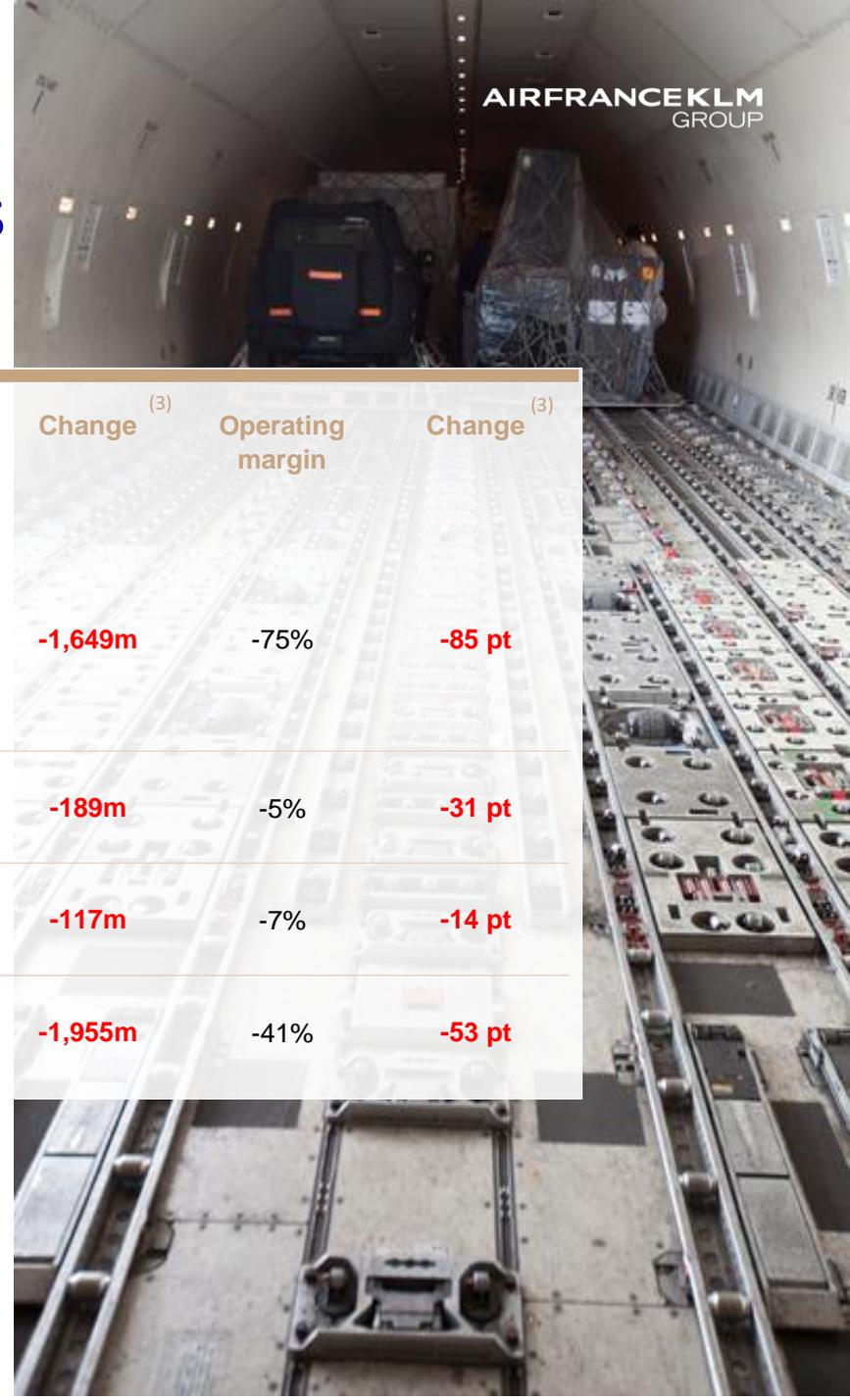


Summer period Network activity of Air France





Continued strong performance of Cargo, Covid-19 severely impacting all other businesses



Q3 2020	Capacity ⁽¹⁾	Unit Revenue ⁽²⁾ Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change ⁽³⁾	Operating margin	Change ⁽³⁾
 Network	-59.6%	-44.5%	1,329	-77.4%	-990	-1,649m	-75%	-85 pt
 Network Cargo	-33.3% ⁽⁴⁾	+107.6%	676	+31.7%				
 Transavia	-44.7%	-30.2%	262	-60.6%	-13	-189m	-5%	-31 pt
 Maintenance			247	-54.5%	-46	-117m	-7%	-14 pt
 Group	-57.8%	-25.6%	2,524	-66.8%	-1,046	-1,955m	-41%	-53 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) 2019 results restated for LLP componentization accounting change and EU passenger compensation reclassification between revenues and external expenses

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

Both airlines results negatively impacted by Covid-19

Q3 2020	Capacity change	Revenues (€ m)	Change YoY	Operating result (€ m)	Change ⁽¹⁾ YoY	Operating margin	Change ⁽¹⁾ YoY		
AIRFRANCE /	-64%	1,492	-68%	-807	-1,200	-54%	-63 pt		
KLM	-50%	1,144	-63%	-234	-745	-20%	-37 pt		
AIRFRANCE KLM GROUP	-58%	2,524	-67%	-1,046	-1,955	-41%	-53 pt		

9M 2020	Capacity change	Revenues (€ m)	Change YoY	Operating result (€ m)	Change ⁽¹⁾ YoY	Operating margin	Change ⁽¹⁾ YoY	Net debt (€ m)	Change 31 Dec 2018
AIRFRANCE /	-58%	5,066	-60%	-2401	-2,699	-47%	-50 pt	6,285	+2,344
KLM	-50%	3,984	-52%	-1,002	-1,736	-25%	-34 pt	2,857	+332
AIRFRANCE KLM GROUP	-54%	8,725	-58%	-3,414	-4,460	-39%	-44 pt	9,308	+3,161

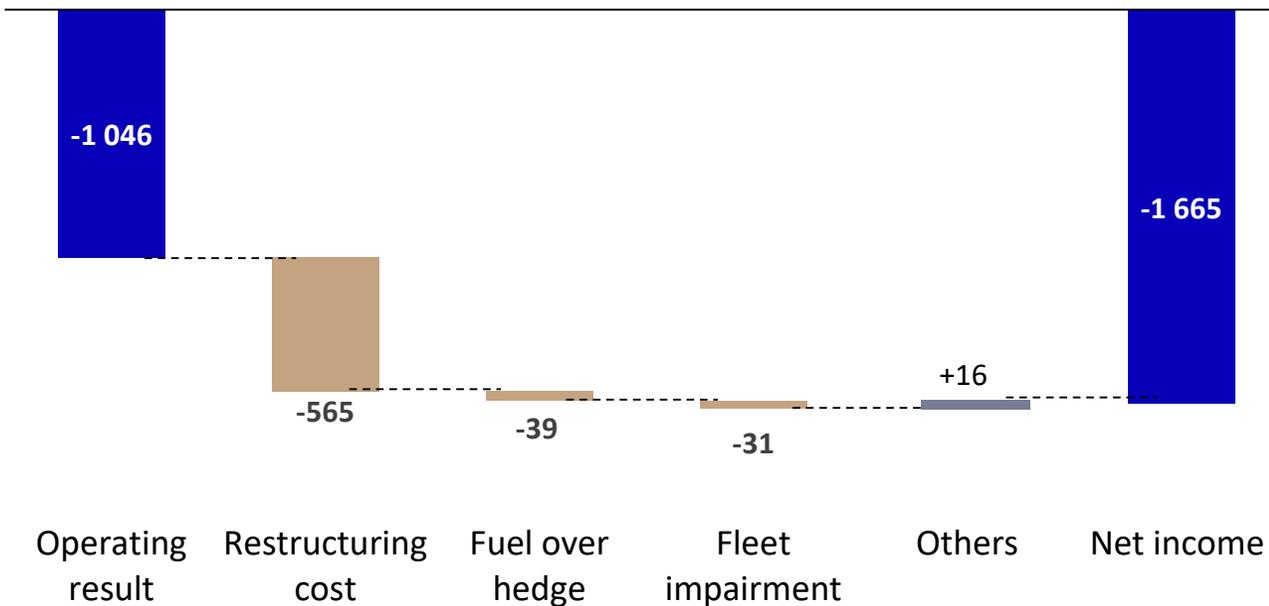
(1) 2019 results restated for LLP componentization accounting change and EU passenger compensation reclassification between revenues and external expenses





Net income mostly impacted by restructuring costs ~ -630m of Covid-19 exceptional accounting items

Q3 2020 Net income evolution



Restructuring cost -€565m incl.:

- Departure Plan of French Ground staff
- Contractual termination for Air France flight attendants and pilots
- Departure Plan for Air France-KLM International Commercial staff
- Departure Plan for HOP!

Fuel over-hedging -€39m:

- Q4 2020 and Q1 2021 fuel over hedge has been recycled to "Other financial income and expenses"

Fleet impairment -€31m incl.:

- Phase-out of the Canadair Jet of HOP! -€14m
- Acceleration of the Airbus 380 phase-out -€20m

Others +€16m incl.:

- Cost of debt -€131m
- Foreign exchange result +€180m

■ Covid-19 exceptional accounting items

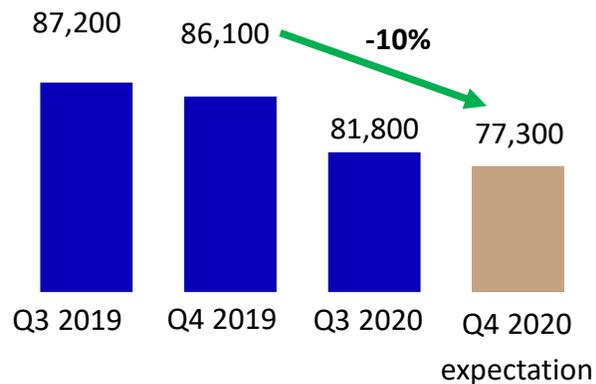


Strong cost control supported by staff reductions, partial activity schemes and cash preservation measures

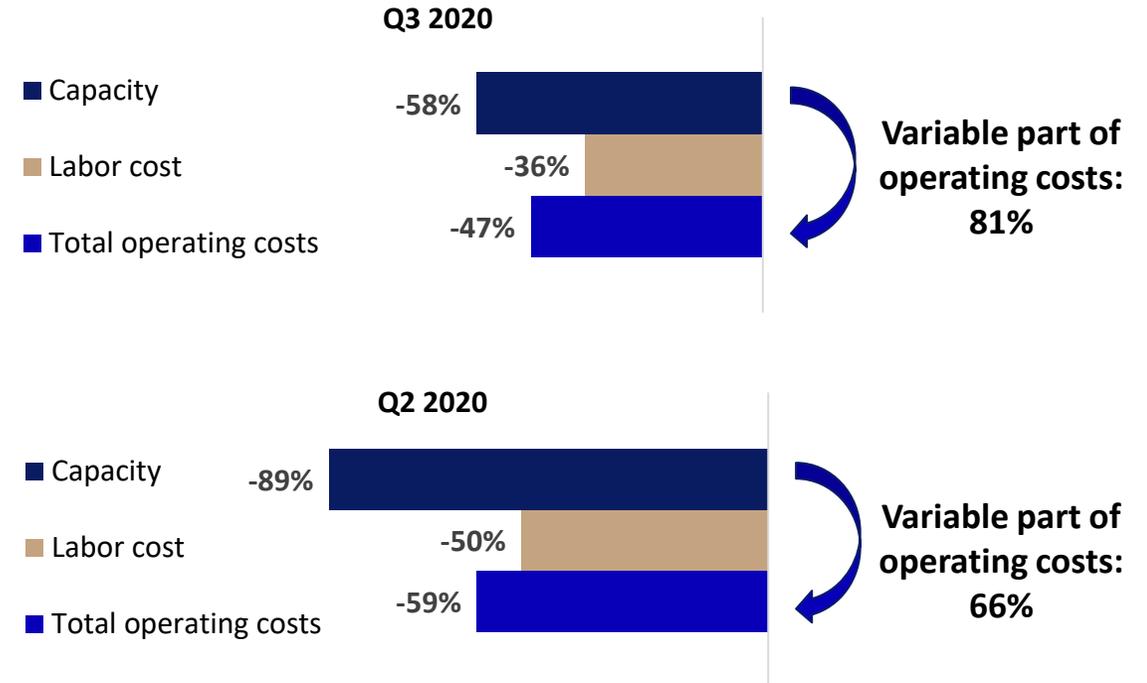
Cost control measures

- Labor cost reductions thanks to the partial activity and NOW mechanisms
- Transformation projects and focus on reducing external expenses

Group FTE evolution



Cost variability >50% with partial activity schemes

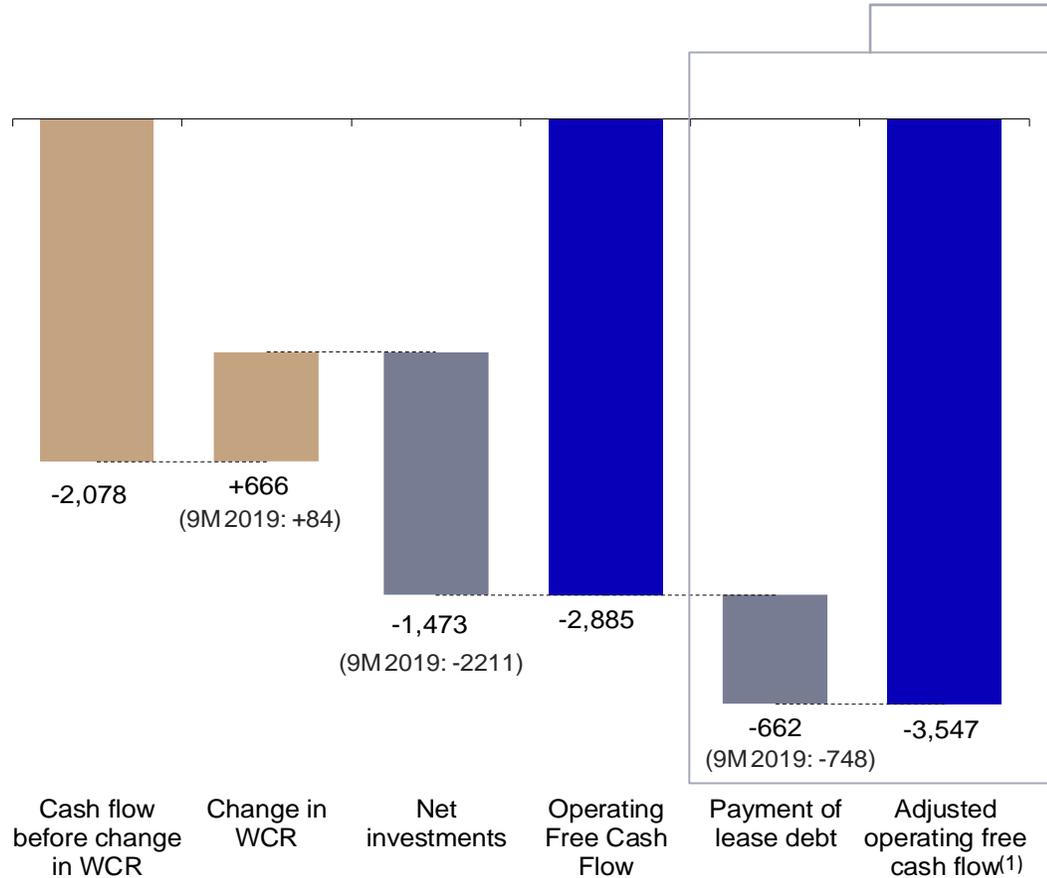




Net debt up €3.2bn

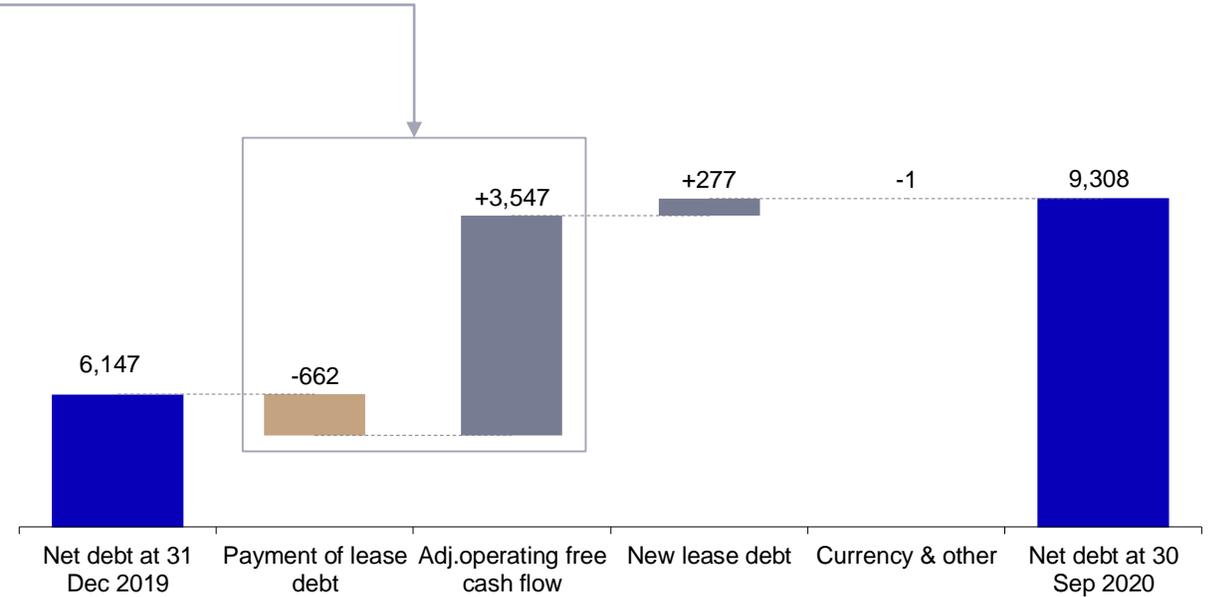
9M 2020 Free cash flow evolution

In € m



Net debt

In € m

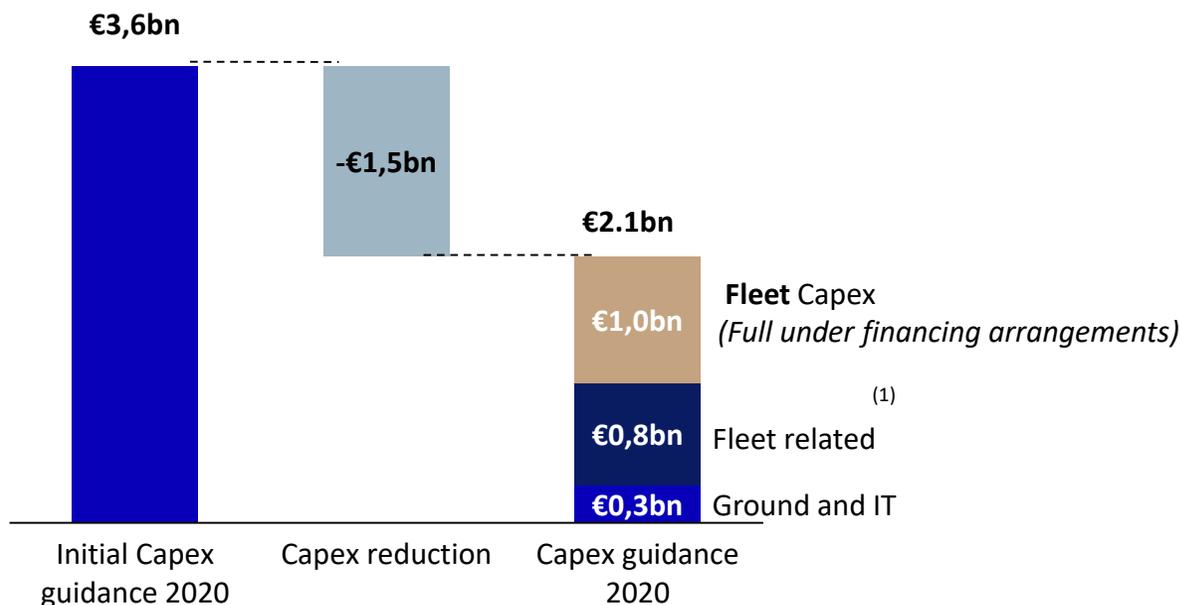


(1) Adjusted operating free cash flow = Operating free cash flow after repayment of lease debt

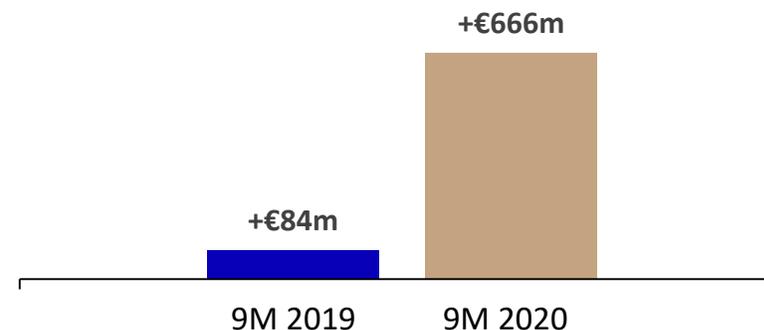


Capex reduction and working capital management contributing to cash preservation

Only essential capex maintained, fleet capex fully financed



Positive change in 2020 working capital thanks to tax deferrals and negotiations with suppliers



2020 Working capital

- €1.8bn refunds since March 2020, incl. €300m of vouchers refunded
- Postponement of social charges, taxes and negotiation with suppliers compensating the refunds process and the low inflow of bookings

(1) Aircraft modifications, spare parts and capitalized maintenance



Outlook

Results at 30 September 2020

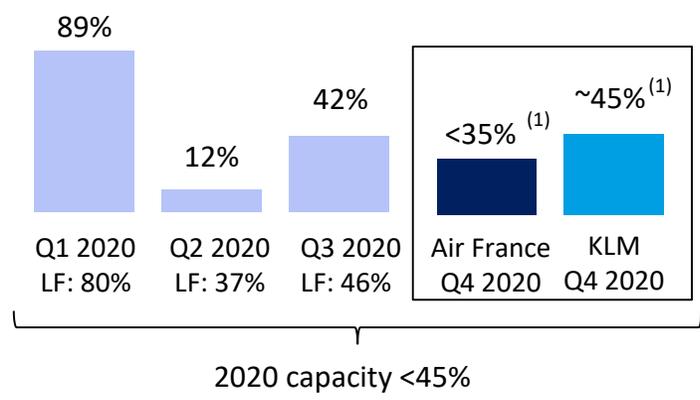


Network passenger capacity outlook: tightening of travel restrictions and border closures are impacting the traffic recovery in Q4



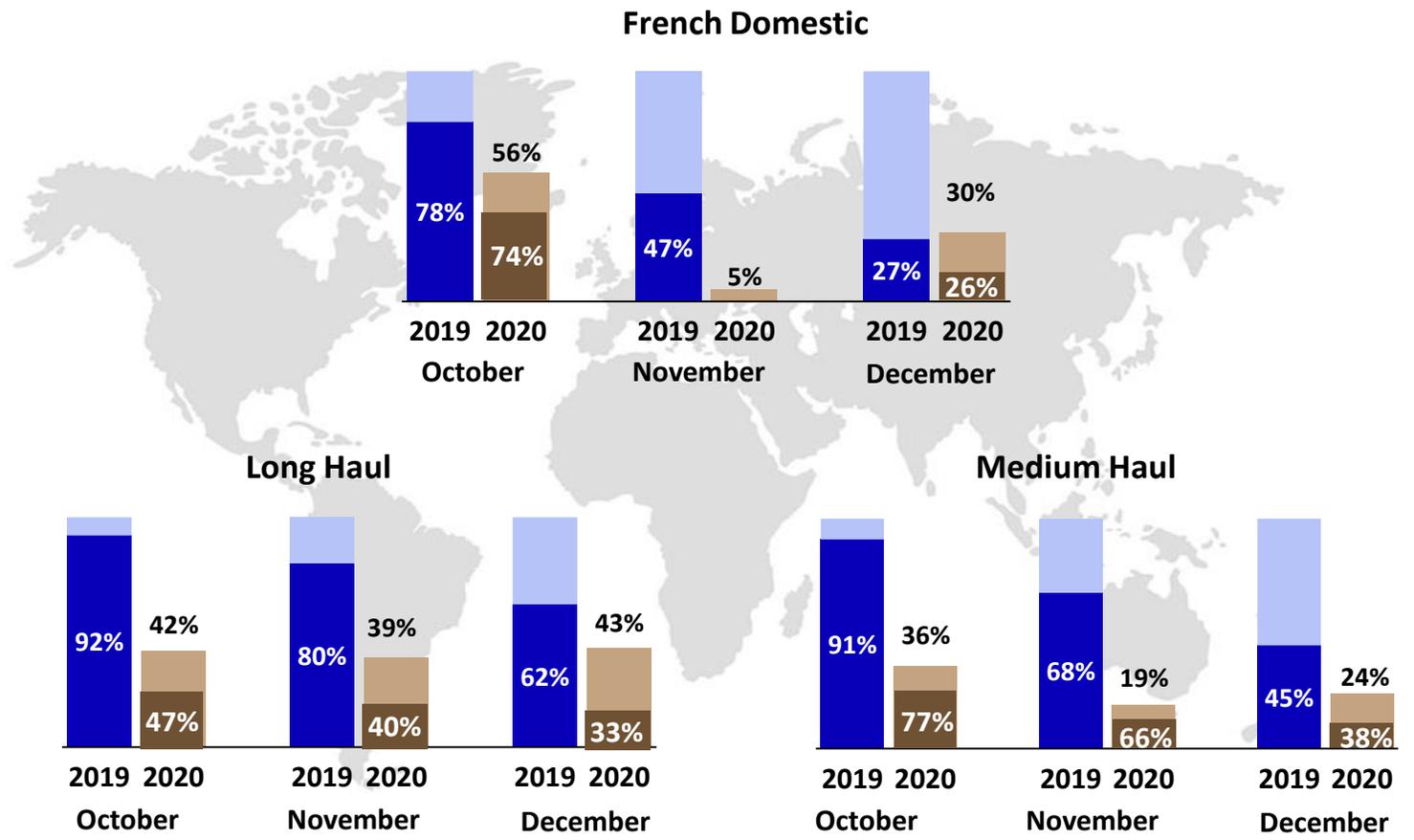
Network Passenger capacity and booking
Snapshot of the 27th October 2020 and 2019

Network Passenger capacity in ASK versus 2019



- The period of lockdown starting today in France is a new difficulty that will weigh on the Group's activities
- Most flights currently operated are incrementally cash positive
- Expected negative unit revenues for Q4 2020 due to delayed recovery of business activity and overall load factors to remain below levels of last year

(1) Expected capacity for the next quarters, subject to the evolution of the Covid-19 situation.



Legend:
■ 2020 Capacity in ASK versus 2019
■ 2019 Capacity in ASK base 100%
■ Forward booking load factor 2020
■ Forward booking load factor 2019

€12.4bn cash at hand, important liquidity requirements expected in Q4

€12.4bn cash at hand



Liquidity requirements:

- Q4 EBITDA expected significantly below Q3
- Negative Q4 Working Capital impact influenced by ongoing payments and low bookings' inflow. Remaining risk due to cash refunds ~**€1.5bn**
- Q4 Capex spending at **€0.6bn**, of which half is fleet Capex
- Hybrid bond **€0.4bn** repaid in October 2020

(1) Air France drew €4.0bn out of the €7.0bn state aid package
KLM drew €0.9bn out of the €3.4bn state aid package





CEOs interventions

Results at 30 September 2020





A clear roadmap for each airline of the Group pre-Covid19

Commitment to Global Environmental Sustainability



Continue to develop
current successful
business model



Leverage unique
assets to build a
successful model,
one step at a time



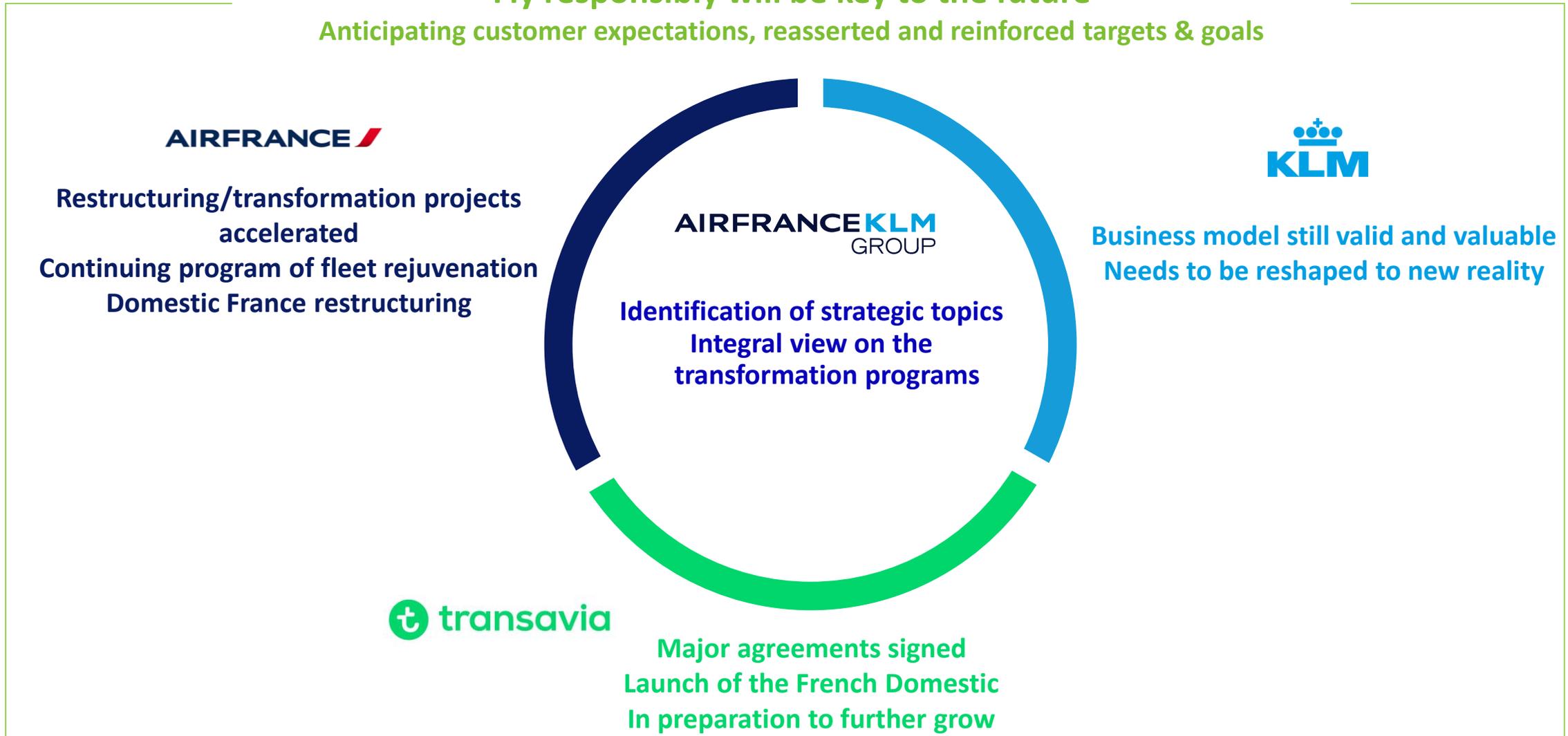
Fully leverage brand
power and new
flexibility



Air France-KLM is accelerating its transformation plans to cope with the new reality after Covid-19 crisis

Fly responsibly will be key to the future

Anticipating customer expectations, reasserted and reinforced targets & goals





KLM business model is still both valid and valuable but needs to be reshaped to new reality

“Kleiner” Smaller

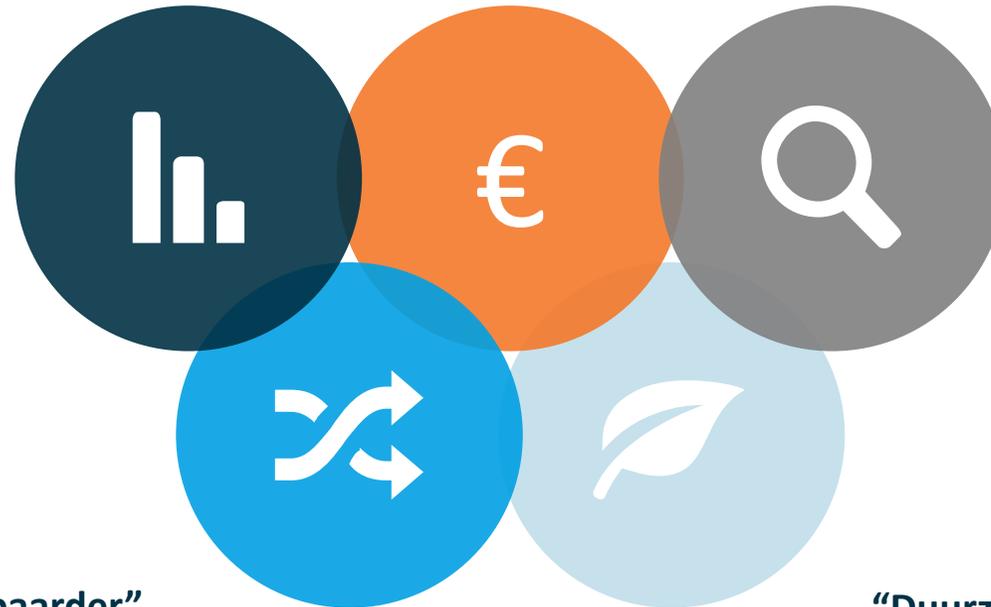
We expect a slow recovery, reaching the 2019 level not before 2024, therefore we need to re-size our organisation

“Goedkoper” Cheaper

Revenues will remain significantly low for a longer period of time, we need to reduce our cost levels accordingly

“Zuiniger” More frugal

There will be less room for investment in the years ahead, and we focus on paying back the loans as soon as possible



“Wendbaarder” More agile

The road to recovery will be long and full of uncertainties, being agile and flexible will be key in the years to come

“Duurzamer” More sustainable

Public expectations on our societal role are increasing, we embrace this role and continue to be a leader in sustainability



KLM operating costs are structurally being reduced in 2021 and beyond



- €750m

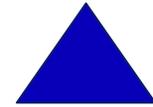
Structural benefits in 2021



-5k FTE

by Dec 2020

- ✓ -15% staff cost by end 2020, saving ~500m€;
- ✓ Reduction labour benefits (up to -20%)



Labour cost



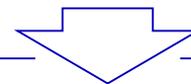
Fleet, suppliers and procurement



Fuel efficiency



Other operating cost



1 October 2020:

- ✓ Labour representation consultations finalized and agreements reached for all staff categories
- ✓ Restructuring plan submitted to Dutch Government compliant with state aid conditions



Leverage Air France unique assets, enlarging and accelerating the restructuring plan to build a post-crisis successful model





Air France improves and adapts the restructuring ambition to the new post-covid context



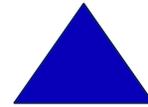
-€1,2Bln

Structural benefits by end of 2022
-€800m in 2021

- ✓ Additional transformation plans identified

-8.5k FTE

by 2022,
-4k by end 2020



Labour cost



- ✓ -11% staff cost by H1 2021, saving ~500m€;
- ✓ Flight variable pay and reduction performance bonus

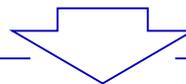
Fleet, suppliers and procurement



Fuel efficiency



Other operating cost



Q3 2020:

- ✓ Negotiations with the trade unions have resulted in several agreements
- ✓ Restructuring plan submitted to French Government compliant with state aid conditions
 - ✓ Long term partial activity under discussion



Concluding remarks



Safety first:

- ✓ Highest safety standards for customers, frontline operation staff and crew
- ✓ Very limited transmission risk in aircraft
- ✓ Rapid testing establishment in airports

The Covid-19 crisis:

- ✓ Unprecedented impact on the airline industry
- ✓ Recovery expected has been delayed with the resurgence of Covid-19 end of summer
- ✓ 2019 traffic expected to come back in 2024 according to IATA

Exit from the crisis:

- ✓ Dependent of medical progress and vaccine availability
- ✓ Easing of travel restrictions and opening long-haul corridor will be key for the industry
- ✓ Is the world without travelling a wish of future generations?



Q&A

Results at 30 September 2020

A large passenger airplane is shown from a rear perspective, parked on a runway. The sky is filled with dramatic, golden clouds illuminated by a low sun, creating a strong backlight effect. The airplane's tail fin features a large blue 'K' logo. The overall scene is atmospheric and evocative of travel.

Appendix

Results at 30 September 2020



Covid-19 severely hampering the Group's financial metrics in 9M 2020

	9M 2020	9M 2019	Change	Change at constant currency
Revenues (€ bn)	8,725	20,572	-11,847m	-11,882m
Fuel expenses (€ bn)	1,886	4,118	-2,232m	-2,276m
EBITDA (€ m)	-1,282	3,263	-4,545m	-4,554m
Operating result (€ m) ⁽¹⁾	-3,414	1,046	-4,460m	-4,470m
Operating margin	-39.1%	5.1%	-44.2 pt	-44.2 pt
Net income - Group part (€ m) ⁽²⁾	-6,078	135	-6,213m	
Adjusted operating free cash flow (€ m)	-3,547	116	-3,663m	
	31 Sep 2020	31 Dec 2019	Change	
Net debt (€ m)	9,308	6,147	+3,161m	

(1) 2019 results restated for LLP componentization accounting change and EU passenger compensation reclassification between revenues and external expenses

(2) See page 9 of this presentation for further details





Strong Cargo yields due to industry decrease of capacity, Covid-19 severely impacting all other businesses



9M 2020

		Capacity ⁽¹⁾	Unit Revenue ⁽²⁾ Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change ⁽³⁾	Operating margin	Change ⁽³⁾
Network	AIRFRANCE / KLM	-54.1%	-25.3%	5,512	-65.4%	-2842	-3,555m	-51.6%	-55.6 pt
	AIRFRANCE / KLM Martinair CARGO	-32.9%	+61.6%	1,708	+7.1%				
Transavia	transavia	-57.4%	-16.3%	521	-62.9%	-206	-364m	-39.6%	-50.8 pt
Maintenance	AIRFRANCE INDUSTRIES / KLM Engineering & Maintenance			963	-40.7%	-366	-536m	-16.2%	-21.2 pt
Group	AIRFRANCE KLM GROUP	-54.4%	-12.3%	8,725	-57.6%	-3,414	-4,460m	-39.1%	-44.2 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)

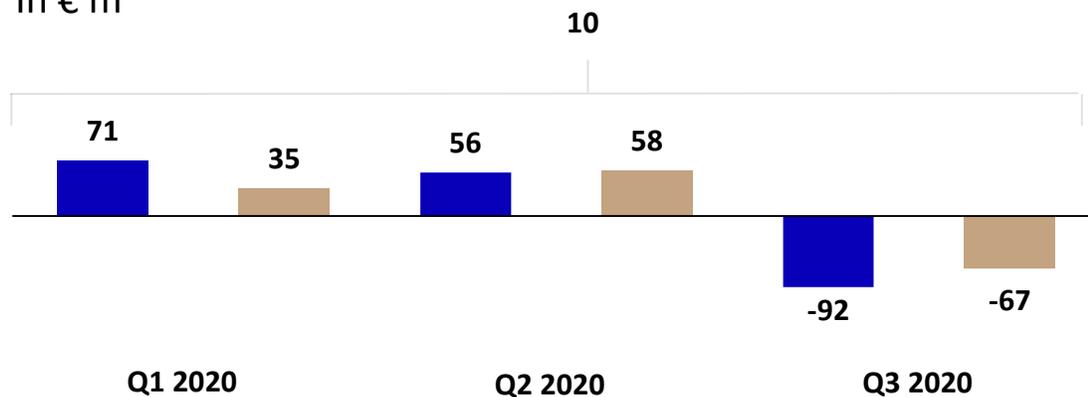
(2). Unit revenues = revenue per ASK, Cargo unit revenues = Cargo revenue per ATK, Group unit revenue = (Network traffic revenues + Transavia traffic revenues) / (Network Passenger ASK + Transavia ASK).

(3) 2019 results restated for LLP componentization accounting change and EU passenger compensation reclassification between revenues and external expenses



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 2020 guidance suspended due to uncertainty Covid-19 crisis

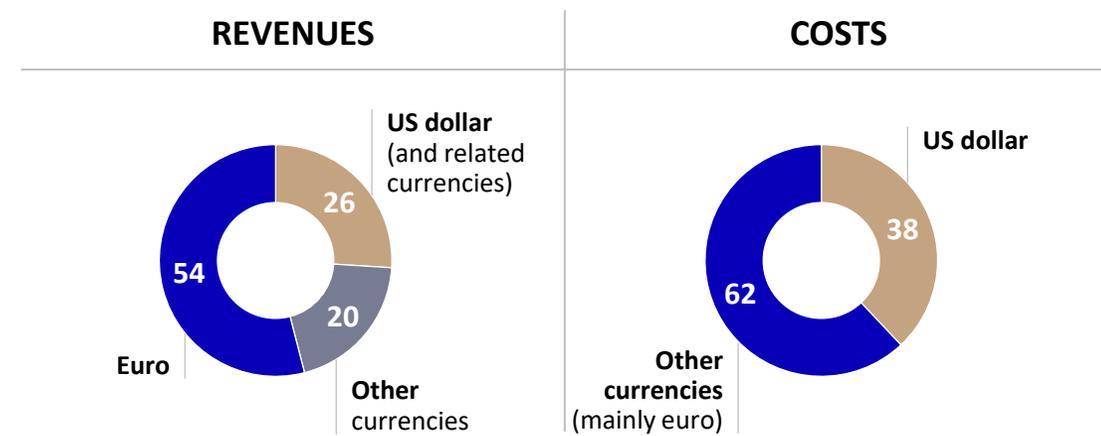
Net operational exposure hedging based on 2019:

USD ~58%

JPY ~57%

GBP ~69%

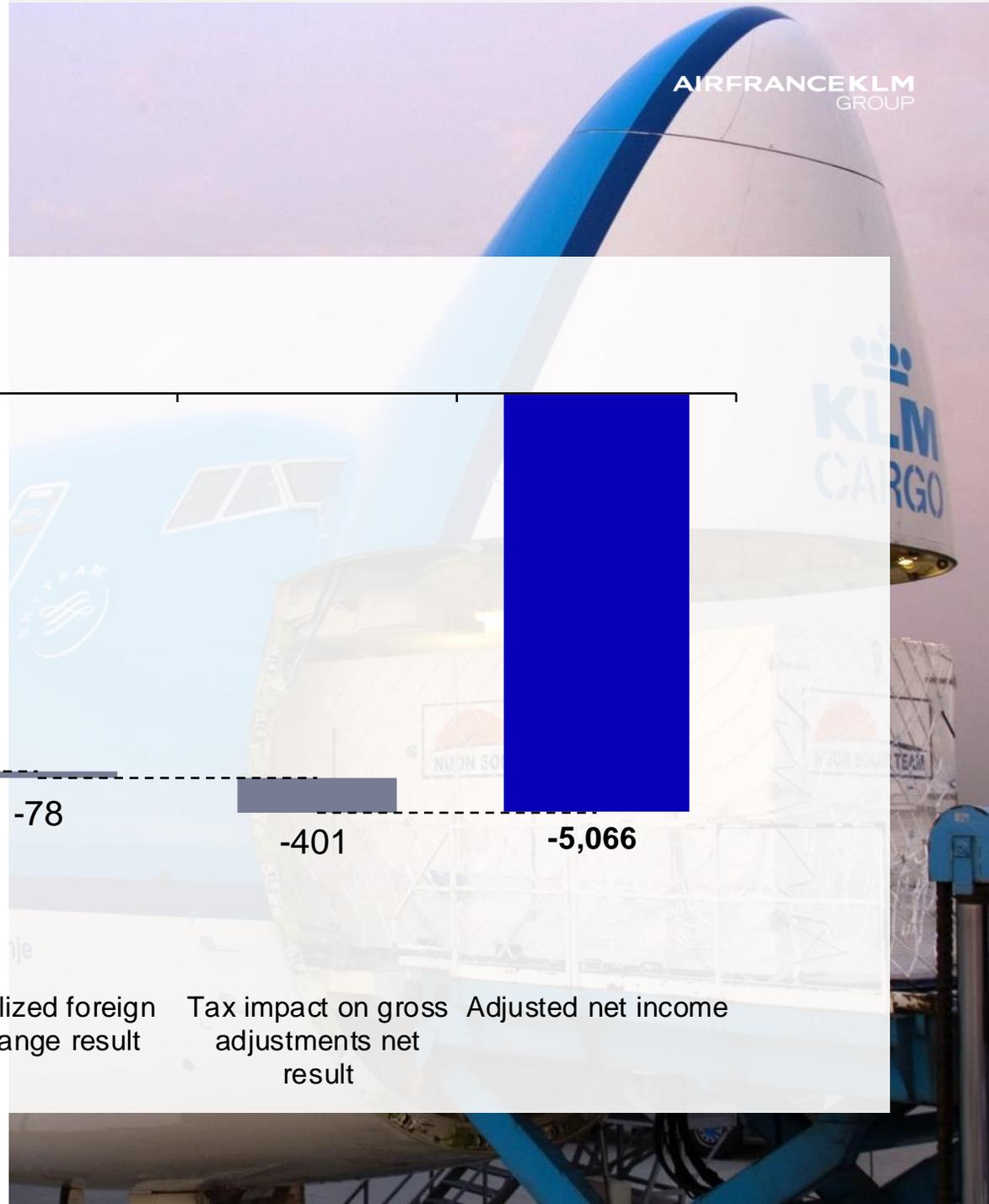
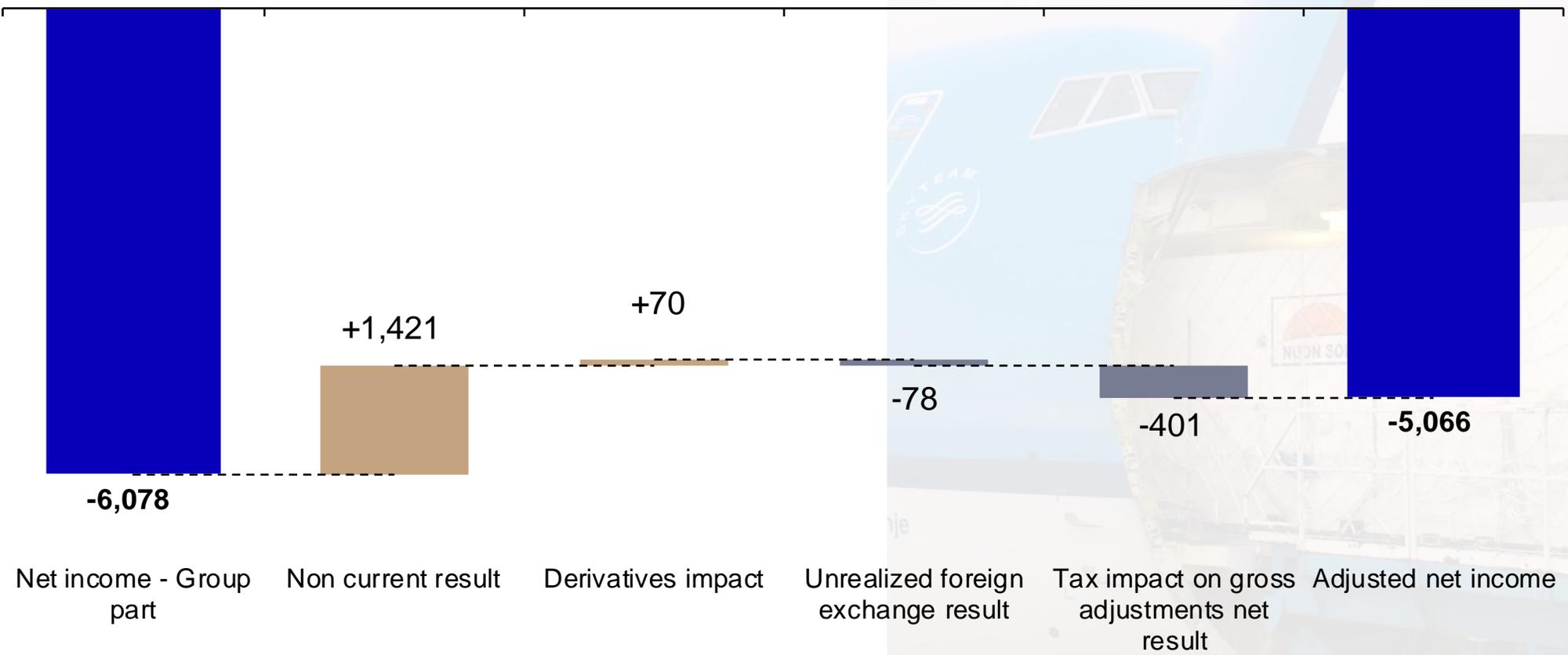
Revenues and costs per country
FY 2019





Adjusted net income of the Group

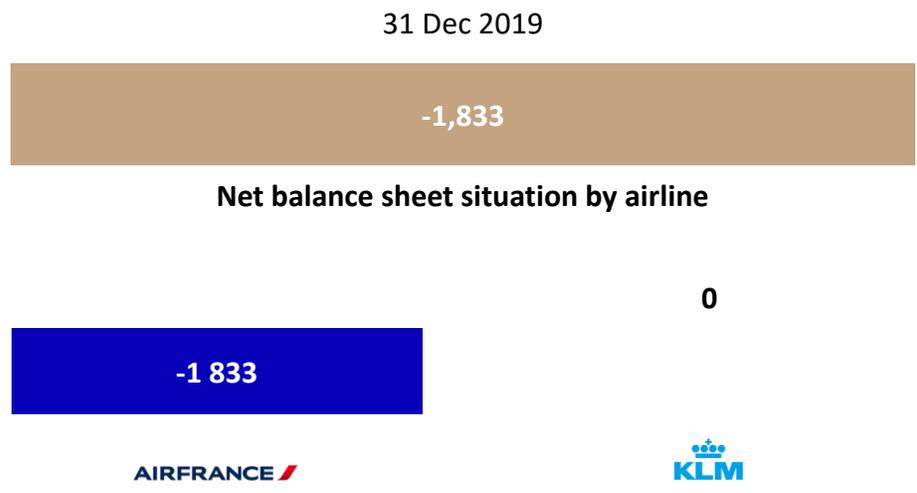
9M 2020
In € m



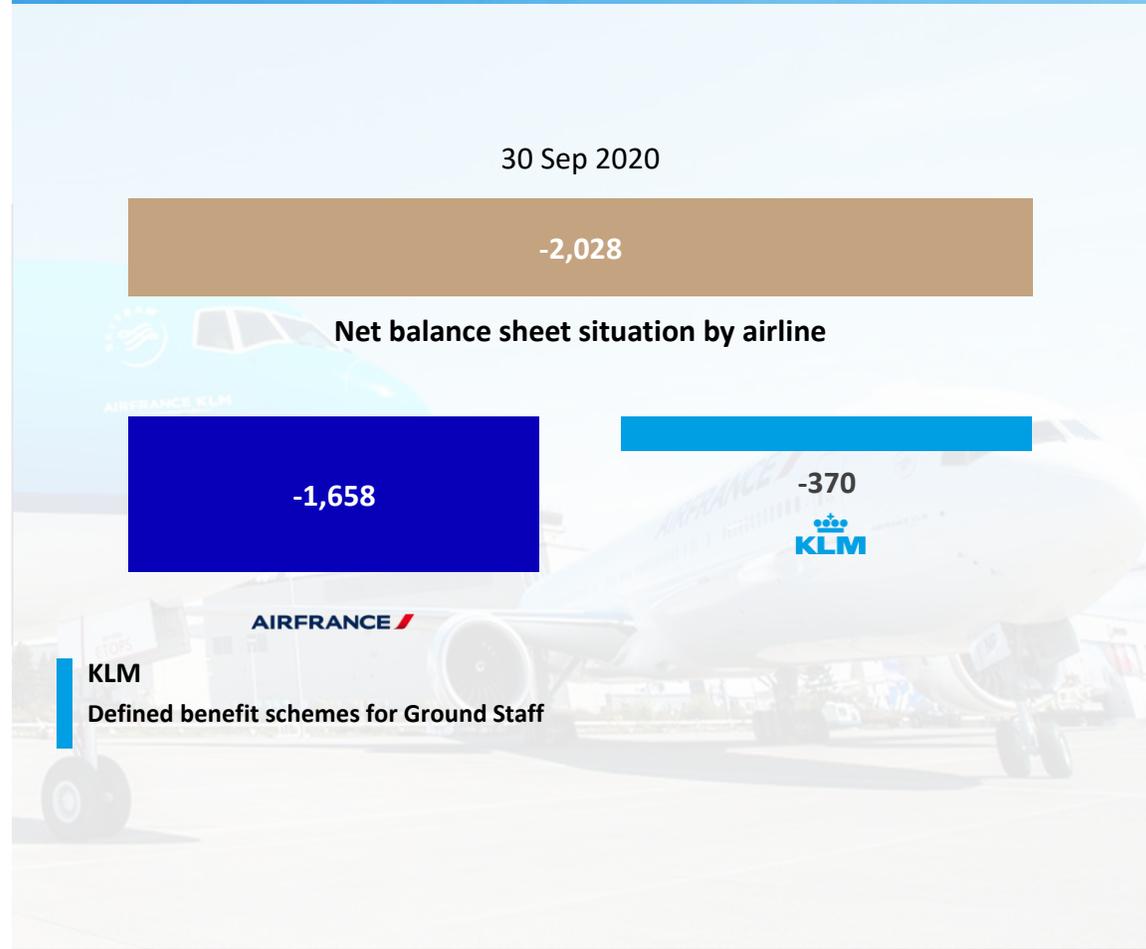


Pension details at 30 September 2020

In € m



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



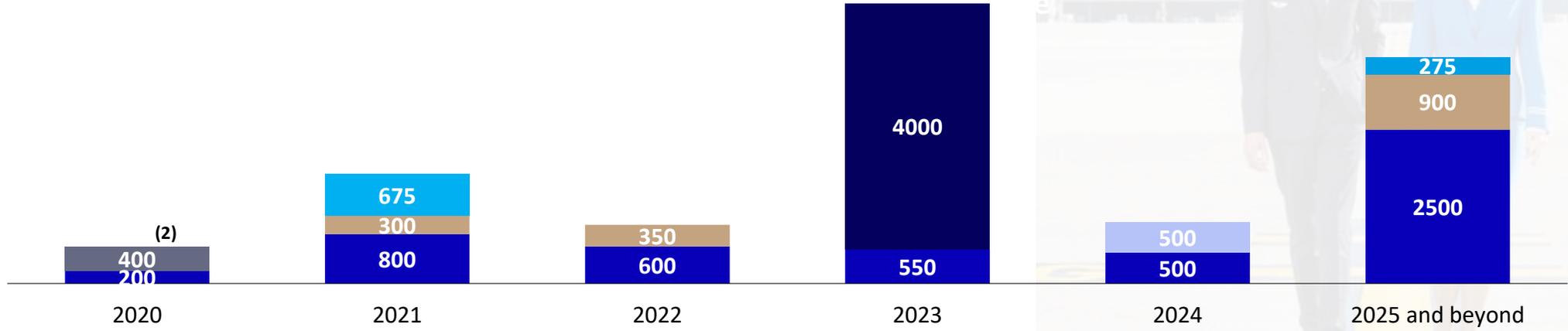
KLM
Defined benefit schemes for Ground Staff



Debt reimbursement profile at 30 September 2020

Debt reimbursement profile⁽¹⁾

In € m



Bonds issued by Air France-KLM

September 2021: AFKL 3.875% (€300m)	January 2025: AFKL 1.875% (€750m)
October 2022: AFKL 3.75% (€350m)	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)

Air France-KLM convertible bond

March 2024 AFKL 0.125% (€500m, Convertible « Océane »)

French state-aid package

Air France drew €4.0bn out of the €7.0bn state aid package

Dutch state-aid package

KLM drew €0.9bn out of the €3.4bn state aid package

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

(2) Hybrid bond €0.4bn repaid in October 2020

