

INAUGURAL SUSTAINABILITY-LINKED BOND

Investor presentation
January 2023





Credit profile



Steven Zaat
Chief Financial Officer
Air France-KLM



About Air France-KLM Group

AIRFRANCEKLM
GROUP



**c.75,000 People
Passionate and
Professionals**



**Strong Sustainability
Ambition**
AIRFRANCEKLM
GROUP



**Extensive and
Complementary
Networks**



**Unique Competitive
Advantages of our
Home Markets**



**World-leading
Businesses
Cargo, E&M,
Flying Blue**



**Strong
Partnerships**

Our achievements and current dynamics demonstrate our ability to excel, with support of our people, shareholders and partners



Strong Q3 results driven by favorable demand and continued Group Transformation

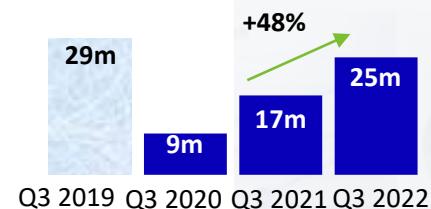
- **Positive Operating result of €1.0bn** above 2019 level
- **Load factor at 88%**, with premium classes load factor above 2019 level and group capacity at 89% compared to 2019
- **Adjusted Operating Free Cash Flow €290m** thanks to **EBITDA of €1.7bn**, supported by strong yield development, fully compensating working capital, capex and lease payments
- **Positive net result of €0.5bn** further strengthening the balance sheet
- **Solid €12.3bn cash at hand** and strong net debt reduction by €2.3bn versus Dec 2021 resulting in a Net Debt / EBITDA ratio of 1.6x⁽²⁾

(1) September snapshot

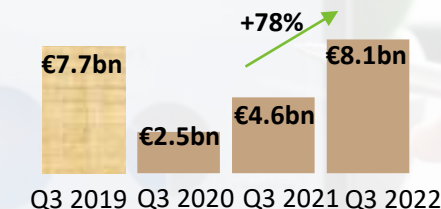
(2) Trading 12 months

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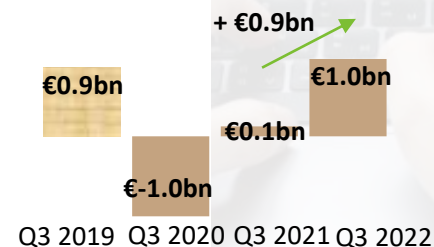
Passengers carried



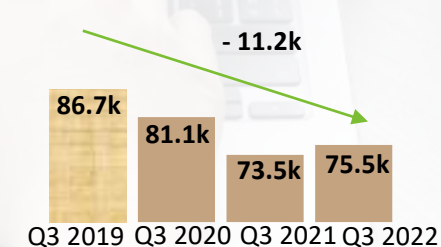
Group revenues



Operating result

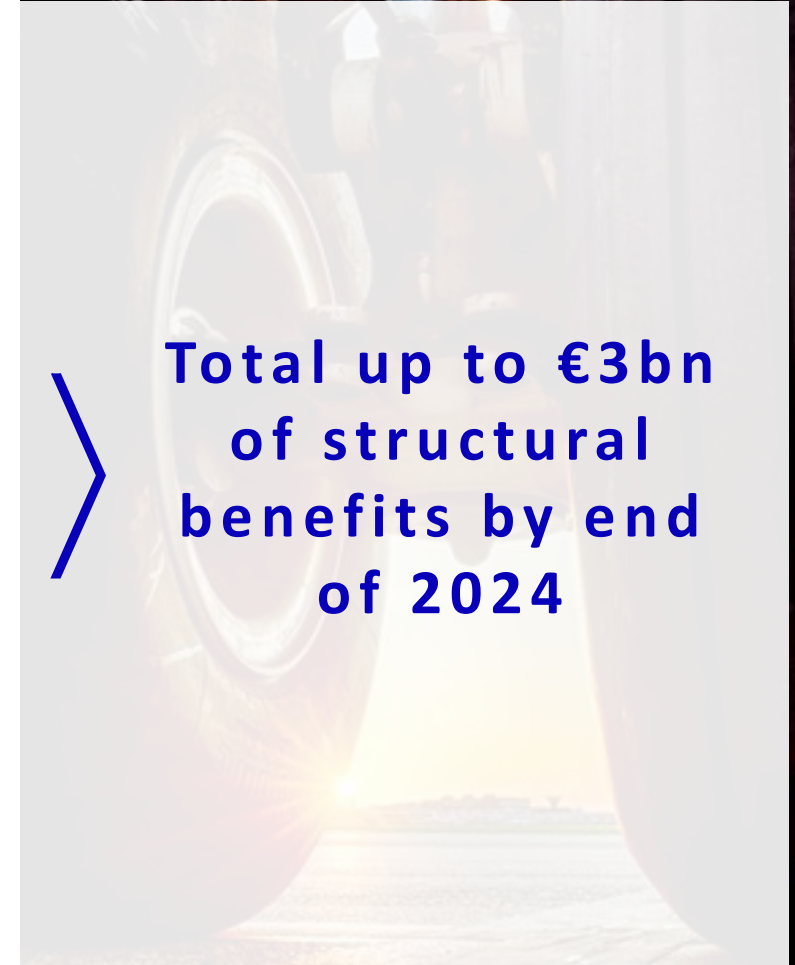


FTE's⁽¹⁾





A clear roadmap to further pursue the Transformation of our Group



Initiative	Savings per 2024	Key Examples
External spend optimization	€0.5bn	<ul style="list-style-type: none">✓ Reduction of external cost✓ Restructuration of the French domestic network
Labor cost reduction	€1.4bn	<ul style="list-style-type: none">✓ ~12% FTE reduction in 2024¹✓ Simplification of the organization
Fleet fuel efficiency	€0.4bn	<ul style="list-style-type: none">✓ Fleet renewal✓ ~30% of New Generation aircrafts in 2024
New revenue streams	€0.4bn	<ul style="list-style-type: none">✓ Flying Blue Pay & Increase program partners✓ Offer Innovation: personalization, ancillaries
New initiatives not yet implemented	~€0.3bn	<ul style="list-style-type: none">✓ Procurement: sourcing, demand, specification✓ Additional group synergies

Total up to €3bn of structural benefits by end of 2024

(1) Excluding Transavia France



Air France-KLM on track to redeem liquidity support while maintaining a solid cash position

December 2021



Air France-KLM **redeemed €0.5bn** of the outstanding €4bn French State guaranteed loan provided by a syndicate of 9 Banks during Covid crisis ("PGE").

June 2022



KLM redeemed fully its RCF and Dutch State Loan for a total amount of €0.9bn

November 2022



Air France-KLM **redeemed €1.0bn** of the outstanding €3.5bn on the "PGE". The redemption schedule now contains two repayment dates, in May 2024 for €1.15bn and May 2025 for €1.35bn. As a result, the Group continues smoothening its debt redemption profile, combined with a reduction of its overall financial charges, and its exposure to floating rates.

November 2022



Air France-KLM has successfully placed undated deeply subordinated unsecured bonds convertible into new shares and/or exchangeable for existing shares **for a nominal amount of €0.3bn**

December 2022



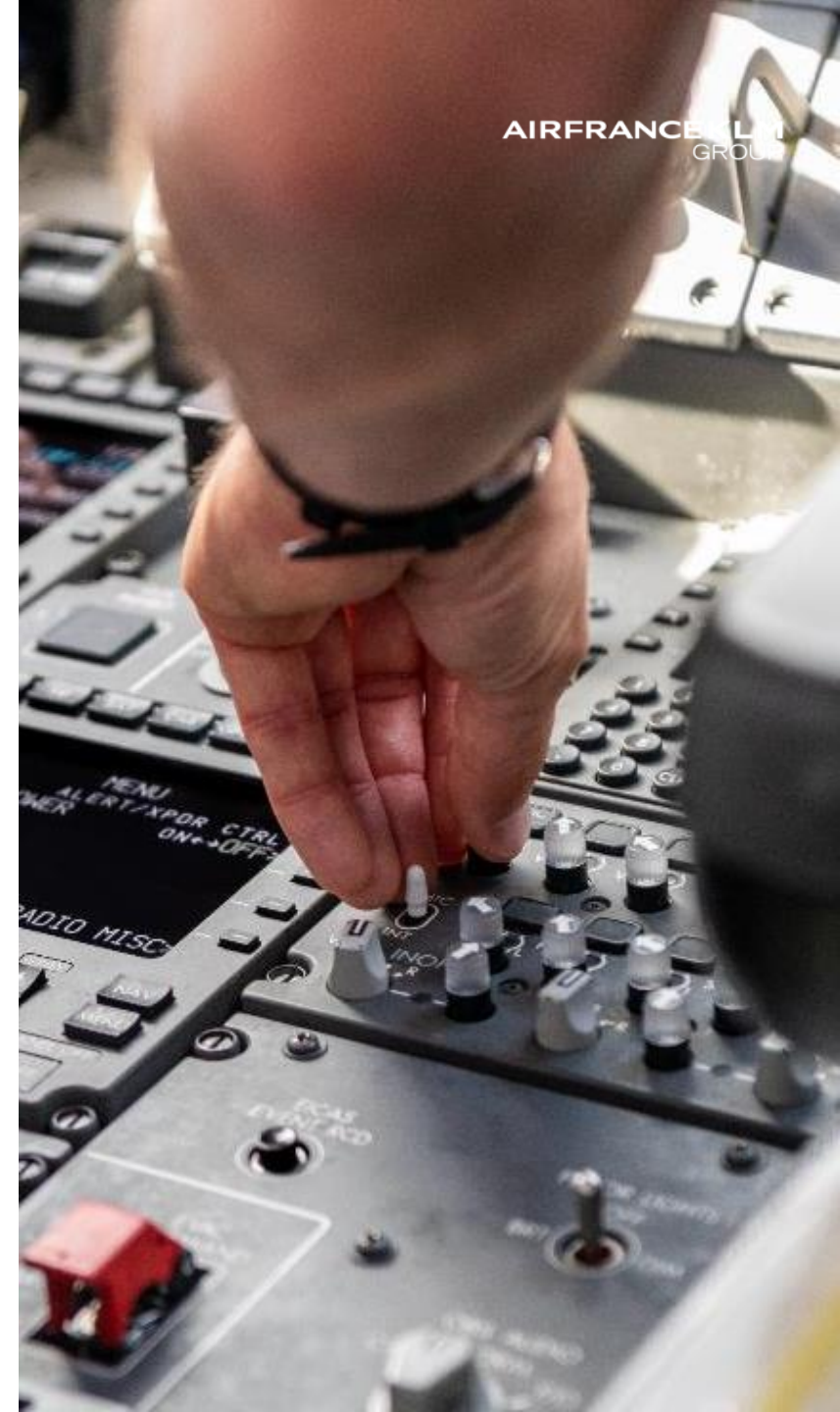
Air France-KLM has consequently **redeemed €0.3bn of French undated deeply subordinated unsecured bonds**

Ongoing 2023



Restoration of Group's negative equity through **net profits generation** and further **assets monetization through quasi-equity projects**, in combination with possible straight hybrid bond issuances - subject to market conditions

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Outlook 2022 and 2023

	Q4 2022	FY 2022	Q1 2023
Air France-KLM network	Circa 85%	Circa 80%	Circa 90%
Capacity¹			
Transavia	Above index 140%	Circa 115%	Above index 140%
Operating result		Above €900m ²	
Capex		€2.3bn	



1) ASK capacity versus 2019
2) Based on fuel forward curve at 21 October 2022 and under currently foreseen circumstances



“Destination Sustainability” ESG strategy



Fatima da Gloria de Sousa
VP Sustainability
Air France - KLM

Our Sustainability Strategy



Our purpose : “At the forefront of a more responsible European aviation, we unite people for the world of tomorrow”.

WE PRESERVE THE ENVIRONMENT



*Commit towards
a net zero carbon footprint*

*Harness emerging
sustainable aviation innovation
On board to zero waste*

WE CARE FOR PEOPLE AND CULTURES



*Drive sustainable
socio-economic developments
Lead diversity & inclusion program*

*Act on noise pollution reduction
Commit on business ethics & build
customer trust*

Health, safety and ethics as basis

**Our commitment to global sustainability:
Contributing to the UN SDG's**



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Destination Sustainability, a renewed ambition across the Group

for Environment

- **-30% CO₂ emissions per RTK** by 2030 compared to 2019¹
- **10% SAF worldwide** by 2030
- **Net Zero** by 2050



for People & Culture

- **40% of the top 10% management level to be held by women** by 2030

(1) This trajectory is based on a scientific assessment method developed by the independent reference organization SBTi (Science-Based Target initiative). Air France-KLM target has been approved by SBTi on November, 2022

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**destination
sustainability**

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AIRFRANCE / KLM



transavia



AIRFRANCE / KLM
Martinair CARGO



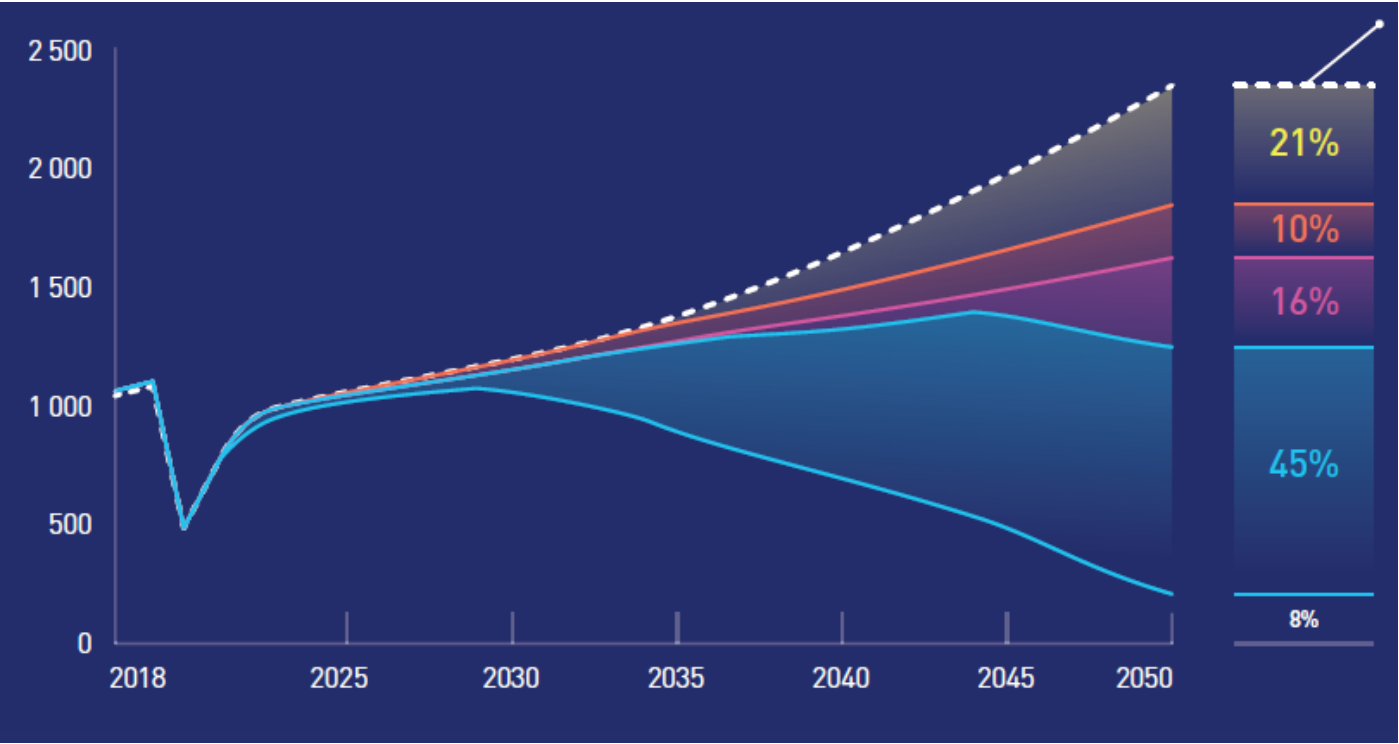
AIRFRANCE / KLM
Engineering & Maintenance



The aviation sector key levers to reach net zero



CO₂ emission trajectory (CORAC)



Fleet renewal

Replace fleet with more efficient aircraft

Operational efficiency

Eco-piloting, Single European Skies

New Technology

New turbine / aerodynamic frameworks and Liquid Hydrogen

SAF (Biofuels & Synfuels)

SAF plays a central role in decarbonization

Remaining emissions to be compensated with high-quality offsets (eg. DACCS)

Collaboration with OEMs, governments and regulators

Collaboration with energy value chain



-30% per RTK vs 2019
(validated by SBTi)



Net Zero

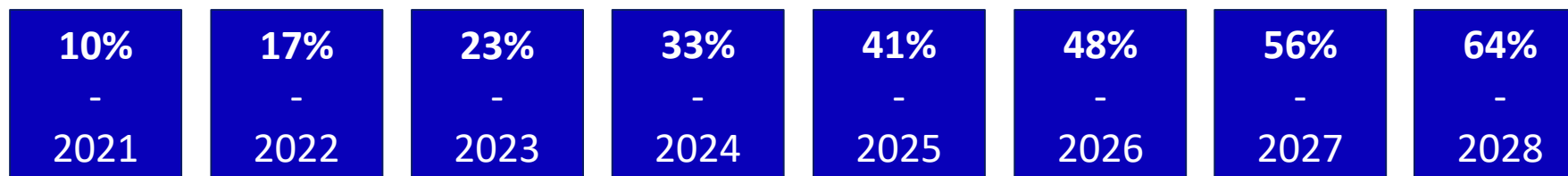


Our decarbonization roadmap



Fleet renewal, with new generation aircraft in the Air France-KLM fleet

100 new generation aircraft ordered in 2021, accompanied by purchase rights for a further 60 aircraft



Regular increased use of certified SAF* with a robust sourcing strategy and commitment of 10% by 2030

- Oct 2022: Signing of two binding contracts with Neste and DG fuels for a total volume of 1.6 million tons of SAF between 2023 and 2036
- Dec 2022: signing of a MOU with Total Energies for delivery of more than 800k tons of SAF over a 10-year period starting in 2023



Operational improvements



Combined mode of transport to offer more train + air options on domestic and regional connections in Europe

*Certification provided by independent, reliable bodies like the Roundtable on Sustainable Biomaterials (RSB) or the ISCC+. Air France – KLM sourcing policy requires a **minimum of 75% reduction of GHG reduction** over its total lifecycle, no competition **with human food production or animal feed** and **no use of palm oil derivatives** due to its risk of deforestation.



External assessors recognize our commitments & trajectory

- Standard & Poor's solicited ESG rating : 64/100
 - “Clear commitments to its sustainability strategy, Air France-KLM compares well with the airline industry, in regards to the management of its significant exposure to environmental challenges, and is **adequately prepared to manage risks** facing airlines over the near-to-medium term.”
 - **First public ESG evaluation** on an airline ([Link to report](#))
- Resources from other external assessors
 - **DJSI / Robecosam :**
 - Air France-KLM in world and European index in 2022
 - Member of DJSI Europe and DJSI World since 2005
 - **CDP Climate Change :**
 - Score: C



Sustainability-Linked Financing Framework

Steven Zaat
Chief Financial Officer
Air France-KLM

Fatima da Gloria de Sousa
VP Sustainability
Air France-KLM



Air France-KLM Group Sustainability-Linked Financing Framework

Key features of Framework Structure

1

Introduction

- About Air France-KLM
- Main sustainability issues for the aviation sector

2

Air France-KLM group global corporate sustainability strategy

- Climate and environmental roadmap
- Fleet renewal and technological improvement
- Sustainable Aviation Fuel
- Operational measures
- Absorb and store carbon emissions from the atmosphere
- Combining different modes of transports
- Social and business ethics commitments
- Market recognition
- Sustainability at governance

3

Sustainability-linked financing Framework

- Selection of Key Performance Indicator
- Calibration of targets (SPTs)
- Financing characteristics (including recalculation policy)
- Reporting
- Verification
- Update and amendment of the Framework

SUSTAINABILITY-LINKED
FINANCING
FRAMEWORK
AIRFRANCEKLM
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- **Framework globally applicable to Air France - KLM Group** for all potential sustainability-linked financing instruments to be issued by Air France - KLM (such as Bonds, Loans) :
 - With focus on the most material Key Performance Indicator (“KPI”) of sector: **the GHG emissions intensity (tCO₂/RTK)**
 - **Bond/Loan issued** under such Framework will include a “**step-up**” to interest coupon, or a **premium payment or margin adjustment** should the Group fail to meet applicable target to KPI at the observation dates
 - **Annual reporting audited** will be published on KPI performance in **Air France – KLM’s URD**.
- Issuer Framework has received a **Second Party Opinion** from **Moody’s Investor Services** with a qualification of “significant contribution to sustainability” and “best practices” alignment



Implementation of the ICMA
Climate Transition Handbook
recommendations





Greenhouse gas emissions intensity KPI & SPT

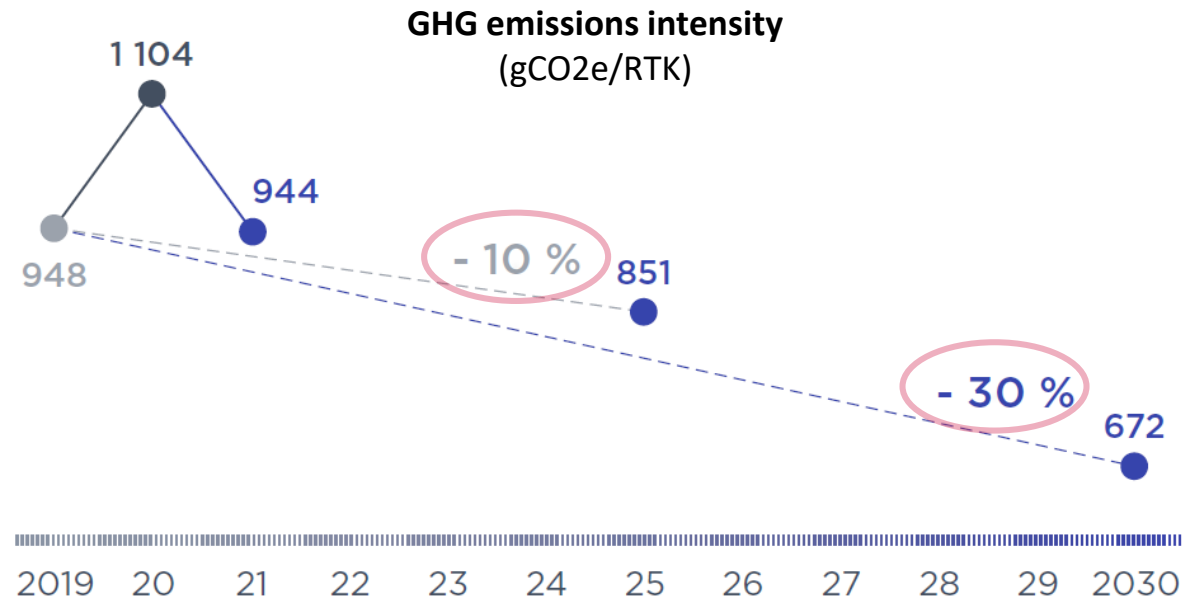


Key Performance Indicator (“KPI”)

- **KPI definition:** the GHG emissions intensity (metric tons of CO2 equivalent per Revenue Tonne Kilometer (gCO2e/RTK))
- **Perimeter & Scope:**
 - **Absolute value of the scope 1 (emissions from direct activities for Air France Group and KLM Group) and scope 3 (Upstream emissions from fuel production) CO2 emissions of the Group operations,**
 - **divided by the sum of RTK (“Revenue Tonne Kilometer”) and RPK (“Revenue Passenger Kilometer”),**
 - **This represents roughly 92% of the Group’s footprint in 2021.**
- **Methodology for calculations*:**
 - **GHG emissions are calculated by the Group based on the GHG Protocol Standard,**
 - **Targets defined and validated with the SBTi methodology.**
- **Baseline FY 2019: 948 gCO2e/RTK.**

Sustainability Performance Targets

- **SPT 1.1: GHG emissions intensity reduction by 10% by 2025 from a 2019 baseline,**
- **SPT 1.2: GHG emissions intensity reduction by 30% by 2030 from a 2019 baseline.**



Source: Air France – KLM group.

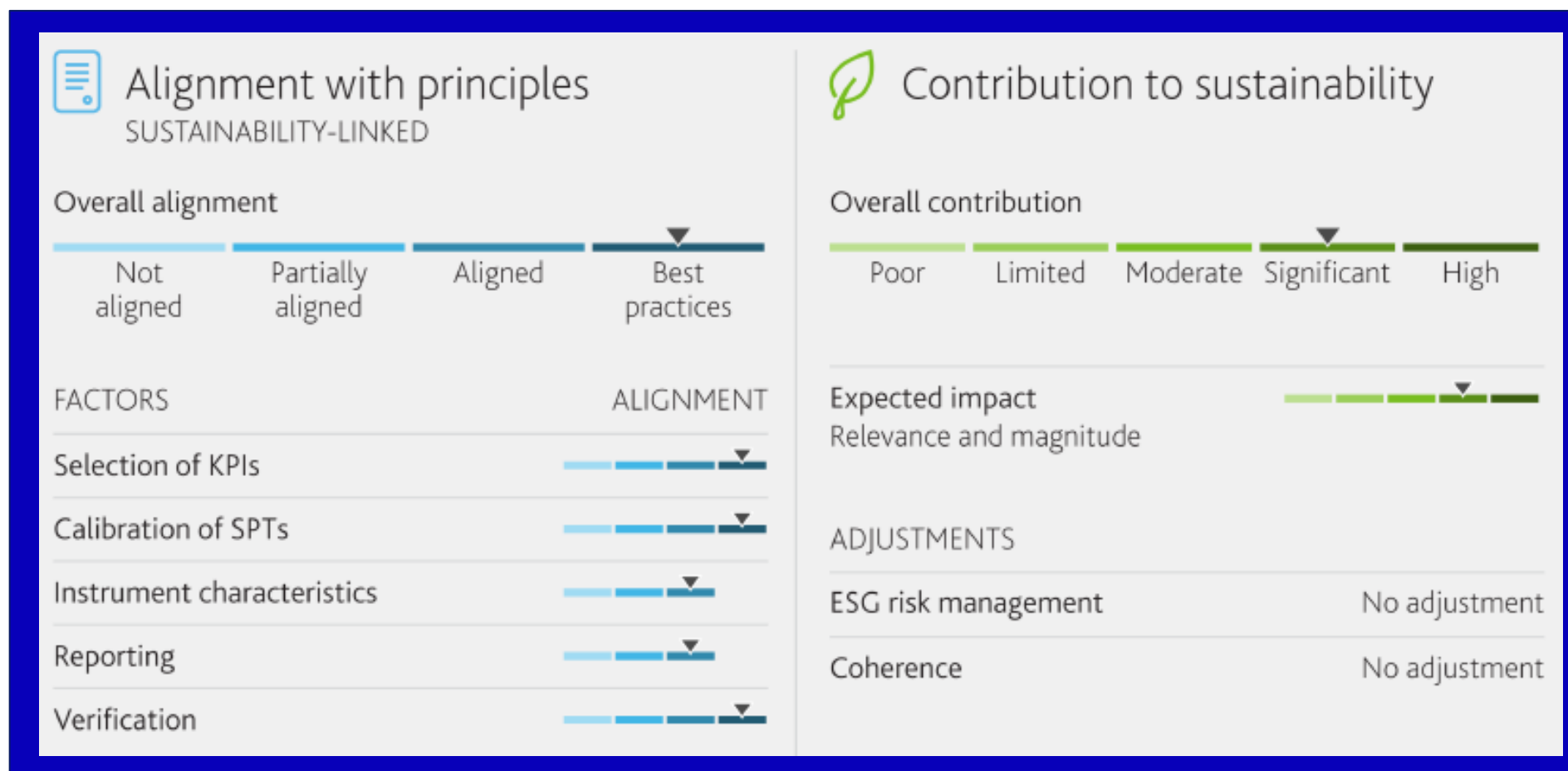
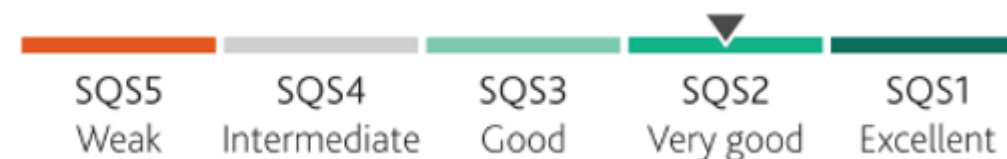
*Carbon offset and avoided emissions are not included in the KPI calculation to comply with SBTi methodology and framework



Air France – KLM Group : Second Party Opinion on the Framework

MOODY'S
INVESTORS SERVICE

SQS2





Overview on Contemplated SLB Bond



Steven Zaat
*Chief Financial Officer
Air France-KLM*





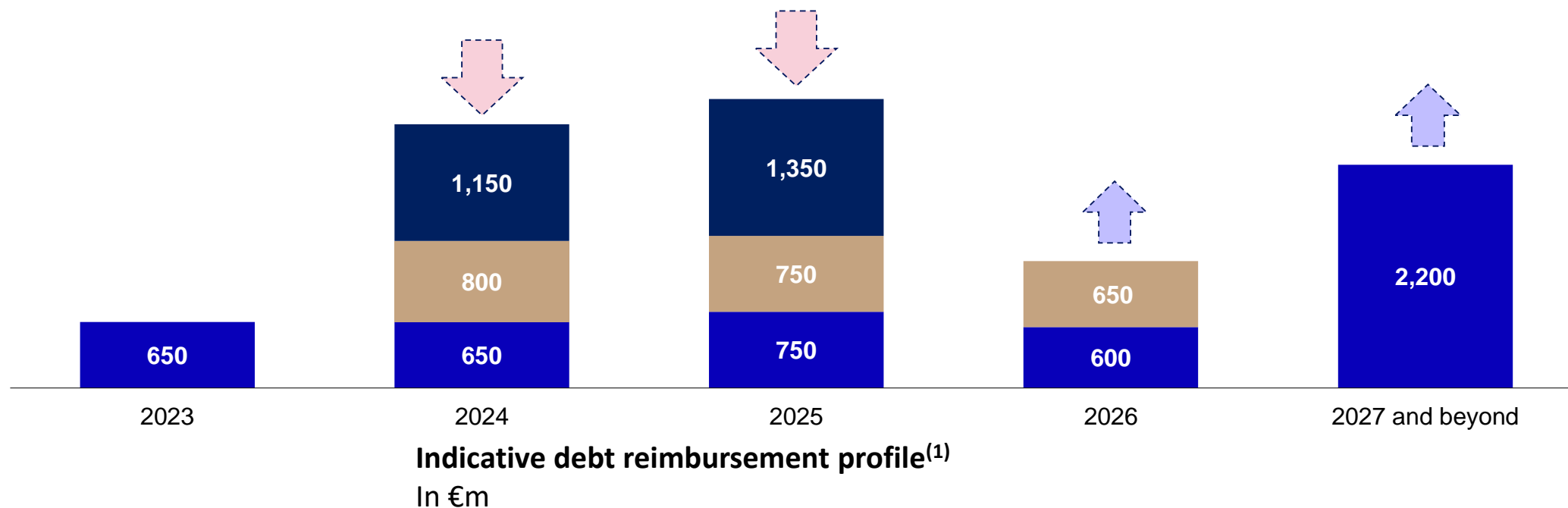
Senior Sustainability Linked Bond, Indicative Terms and Cond's

ISSUER	Air France - KLM
ISSUER RATING	Not rated
AMOUNT	€300m minimum per tranche
MATURITY	Long 3 year (May 2026) and / or Long 5 year (May 2028)
ISSUE TYPE	Fixed Rate
STATUS & FORM OF THE NOTES	Senior Unsecured / Unsubordinated / RegS Bearer
STEP-UP / PREMIUM TRIGGER EVENT	A Step-up / Premium Trigger Event will occur if the Issuer fails to reduce, by the Target Observation Date of 31 Dec 2025, its GHG emission intensity (metric tons of CO2 equivalent per Revenue Tonne Kilometer (gCO2e/RTK) by 10% (baseline FY2019) – SPT1.1
STEP-UP / PREMIUM PAYMENT	Premium of 75bps for Long 3-year / step-up coupon of 37.5bps per annum for Long 5-year
SOLE SUSTAINABILITY-LINKED STRUCTURING ADVISOR	Natixis
GLOBAL COORDINATORS	DB, HSBC, Natixis, SGCIB
JOINT BOOKRUNNERS	DB, HSBC, Natixis, SGCIB, CACIB
DOCUMENTATION	EMTN Programme / MWC / CoC / Clean-up call (75%) / Negative Pledge / 1-month par call for Long 3-year and 3-month par call for Long 5-year
GOVERNING LAW	French law
LISTING	Euronext Paris
DENOMINATIONS	€100,000 + €100,000
USE OF PROCEEDS	General corporate purposes, including partial redemption of the French State guaranteed senior bank loan granted in May 2020 « PGE »
TARGET MARKET	The manufacturer target market (MIFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in EEA or in the UK



Transaction aims to smoothen debt redemption profile

- General Corporate Purpose, including partial redemption of PGE



Bonds issued by Air France-KLM

March 2024:

AFKL 0,125%
(€500m, Convertible
« Océane »)

June 2024:

AFKL 3.0% €300m

January 2025

AFKL 1.875% (€750m)

June 2026:

AFKL 3.875% €500m

December 2026:

AFKL 4.35% \$145m (€145m)

French state aid package

State aid package consists in €4.0bn of banks loan guaranteed by the French State (€500m reimbursed in 2021)³ and €3.0bn of French State loan

French state loan of €3.0bn has been converted in perpetual quasi-equity in April 2021 (1st step-up date in April 2027 for the residual €0.6bn outstanding following various repayments)

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

(1) Excluding operating lease debt payments, KLM perpetual debt, and Air France and Air France – KLM perpetual quasi-equity (Apollo Global Management €0.5bn hybrid with 1st step-up date in Jul. 2025 and AFKLM convertible hybrid €0.3bn bond with 1st step-up date in Nov. 2026)



Conclusion

1

Activity progressively recovering and restore further strong profitability

- **Group revenues +€500m above 2019 level**, with a capacity gradually increasing
- **Load factors close to 2019 level**
- **Strong improvement of our operating margin** at 5.5% for 9m 2022, above 2019 level (5.1%)

2

Right path to improve financial trajectory

- **Solid cash position** available **€12.3bn cash at hand**, further **reduces net debt by €2.3bn** compared to end of 2021
- **Pursuance of active deleveraging and debt reprofiling** namely through **€1bn early redemption** of the French “PGE”), and successful refinancing through **Hybrid Convertible Bond of €0.3bn of State Aid**
- While optimized exposure to floating rates and associated costs

3

Increasingly challenging global environment

- **Uncertain macro environment** with persistent geopolitical tensions,
- **Limited visibility on the impact of potential macro economic slowdown** upcoming,
- **Growing inflationary pressure, and volatility.**

4

Accelerate further transformation and deliver decarbonization roadmap

- **Internal transformation plan to further optimize operating model** is one of the Group’s top priority
- Maintain **trust and transparency** with our employees, and stakeholders,
- **SBTi approved reduction target by 30% by 2030 vs 2019**
- **On-going new fleet renewal and ramp-up on SAF purchase agreements** to achieve targets by 2030.





Appendices





9M: Operating result in line with 2019

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	9M 2022	9M 2021 ⁽¹⁾	9M 2019	Change versus 2021	Change versus 2019
Revenues (€ m)	19,264	9,477	20,572	+9,787m	-1,308m
Aircraft Fuel (€ m)	5,184	1,811	4,118	+3,373m	+1,066m
Salary cost (€ m)	5,239	3,813	6,031	+1,426m	-792m
Other operating expenses (€ m)	6,012	3,935	7,160	+2,077m	-1,148m
EBITDA (€ m)	2,829	-82	3,263	+2,911m	-434m
Operating result (€ m)	1,060	-1,804	1,046	+2,864m	+14m
Operating margin	5.5%	-19.0%	5.1%	+24.5 pt	+0.4 pt
Net income - Group part (€ m)	232	-3,164	135	+3,396m	+97m

(1) Restated figures include the change in accounting principles for pensions (interpretation of IAS19)





9M: All businesses showing a positive operating result

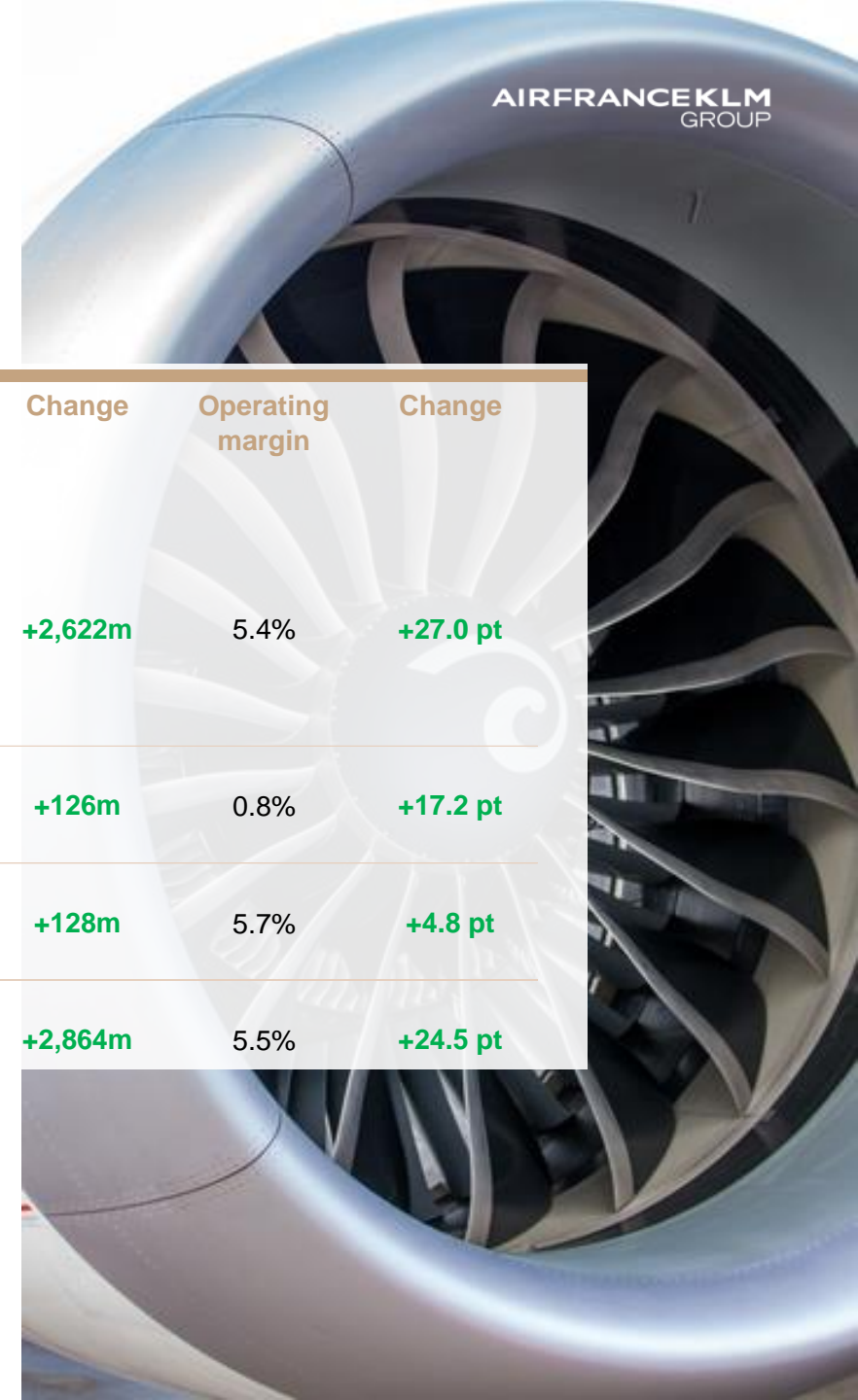
9M 2022 versus 9M 2021

		Capacity ⁽¹⁾	Unit Revenue ⁽²⁾ Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
Network	AIRFRANCE / KLM	+48.7%	+69.8%	13,896	+155.3%				
	AIRFRANCE / KLM Martinair CARGO	+17.8% ⁽³⁾	-16.4%	2,658	+3.5%	894	+2,622m	5.4%	+27.0 pt
Transavia	transavia	+104.9%	+24.1%	1,705	+148.9%	13	+126m	0.8%	+17.2 pt
Maintenance	AIRFRANCE INDUSTRIES / KLM Engineering & Maintenance			984	+29.4%	147	+128m	5.7%	+4.8 pt
Group	AIRFRANCEKLM GROUP	+54.3%	+35.8%	19,264	+103.3%	1,060	+2,864m	5.5%	+24.5 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





Both airlines operating margin above 10%

Q3 2022 versus Q3 2021	Capacity change	Revenues (€ m)	Change YoY	Operating result (€ m)	Change YoY	Operating margin	Change YoY
AIRFRANCE	+42%	5,001	+78%	570	+616	11%	+13 pt
KLM	+14%	3,236	+71%	443	+274	14%	+5 pt
AIRFRANCEKLM GROUP	+29%	8,112	+78%	1,024	+894	13%	+10 pt

- Significant improvement in Operating result for both airlines with operating margin Air France above 2019 level

NB: Sum of individual airline results does not add up to Air France-KLM total due to intercompany eliminations at Group level

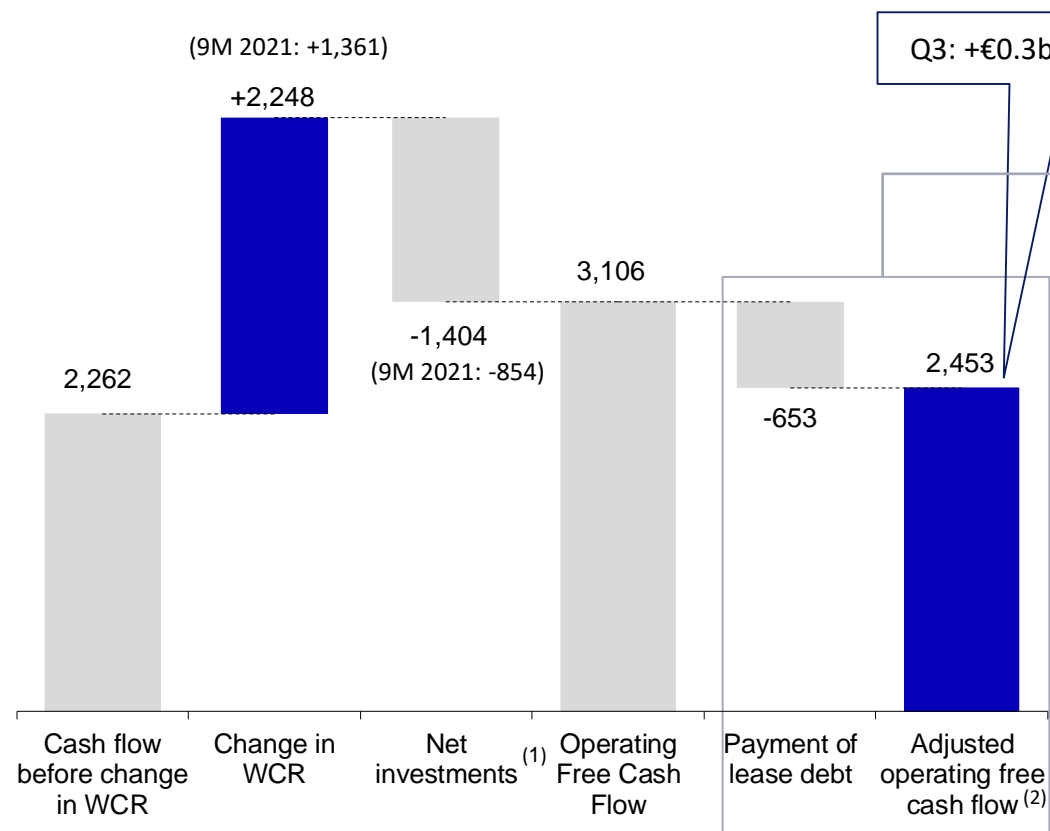




Adjusted operating free cash flow positive in Q3 further reducing the net debt below €6bn

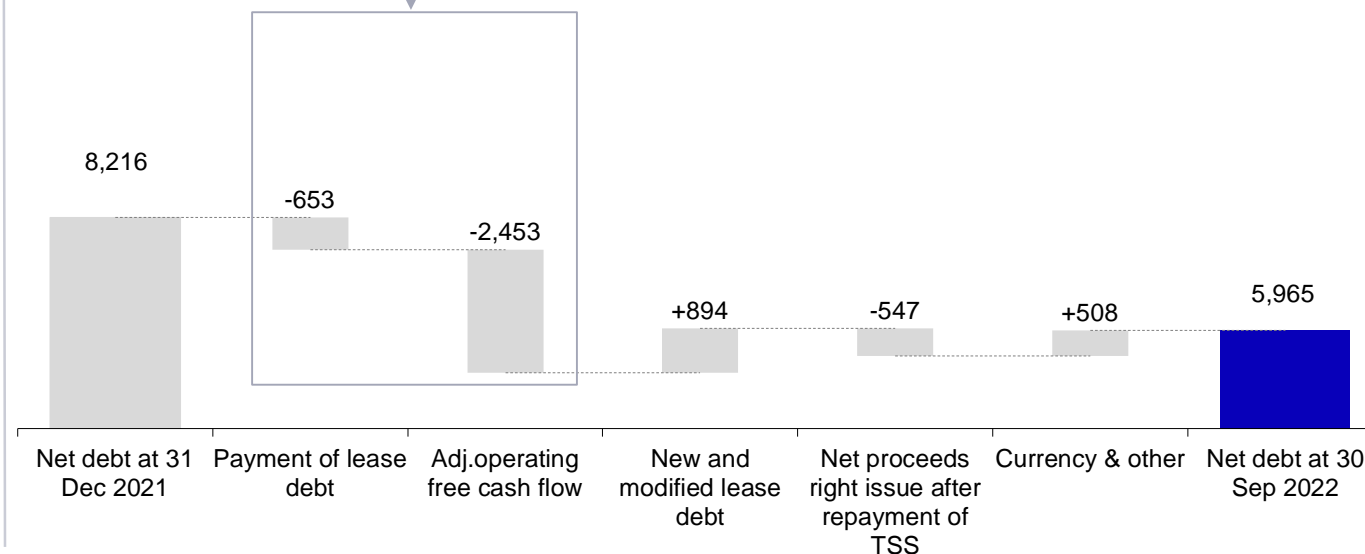
9M 2022 Free cash flow evolution

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



Strong summer demand resulting in high yield across the diversified network

Q3 2022 vs Q3 2019

	<div><div>Yield</div><div>Premium 18%</div><div>Economy 22%</div></div>	
<div><div>North America</div><div>91%</div><div>3.6%</div><div>-0.5 pt</div><div>24.7%</div><div>ASK</div><div>Load Factor</div><div>Yield</div></div>	<div><div>Caribbean & Indian Ocean</div><div>89%</div><div>22.2%</div><div>-1.1 pt</div><div>8.3%</div><div>ASK</div><div>Load Factor</div><div>Yield</div></div>	<div><div>Total Long Haul</div><div>89%</div><div>-14.6%</div><div>-1.3 pt</div><div>27.8%</div><div>ASK</div><div>Load Factor</div><div>Yield</div></div>
<div><div>South America</div><div>92%</div><div>-15.7%</div><div>1.1 pt</div><div>37.9%</div><div>ASK</div><div>Load Factor</div><div>Yield</div></div>	<div><div>Africa</div><div>87%</div><div>-4.0%</div><div>-0.8 pt</div><div>21.2%</div><div>ASK</div><div>Load Factor</div><div>Yield</div></div>	<div><div>Total Short & Medium Haul</div><div>85%</div><div>-14.2%</div><div>-2.3 pt</div><div>17.7%</div><div>ASK</div><div>Load Factor</div><div>Yield</div></div>
	<div><div>Asia & Middle East</div><div>86%</div><div>-54.3%</div><div>-5.6 pt</div><div>46.8%</div><div>ASK</div><div>Load Factor</div><div>Yield</div></div>	<div><div>Total</div><div>88%</div><div>-14.5%</div><div>-1.5 pt</div><div>24.4%</div><div>ASK</div><div>Load Factor</div><div>Yield</div></div>

xx% Actual Load factor Q3 2022



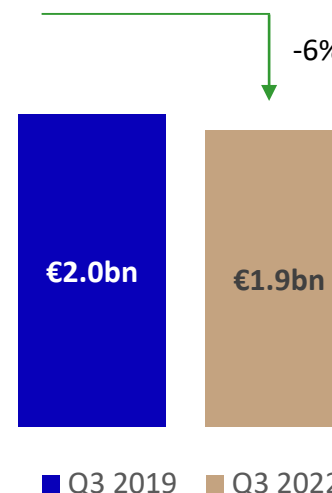
Unit cost up 2.9% while capacity is 11% below 2019

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Unit cost evolution¹



Staff cost evolution



FTE evolution

AIRFRANCE KLM²

-16% FTE

Versus September 2019



-11% FTE

Versus September 2019

Unit cost increase explained by:

- Increase of labor cost KLM
- Airport (+9% at Schiphol) and ATC charges increase
- Inflationary costs on outstations
- Customer compensations

Transformation programs

- Air France : Continuing transformation program
- KLM adjusted staff levels in order to accommodate further capacity increase and release pressure on operations.

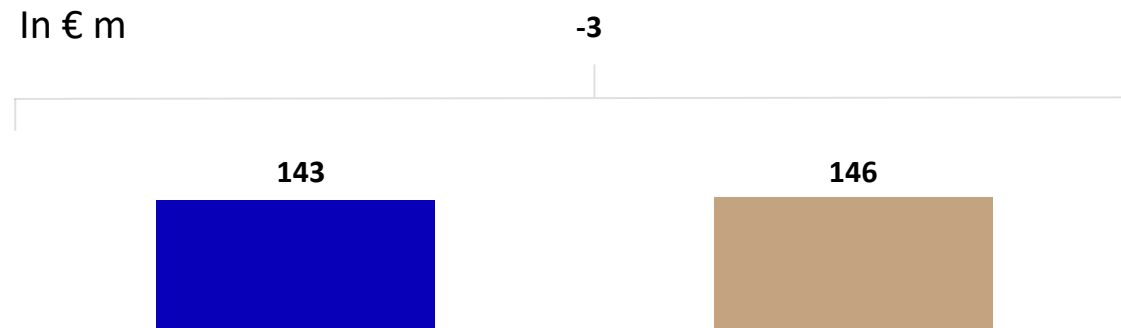
(1) Unit cost against constant fuel price and constant currency (USD & related currencies only) using the same methodology as the Unit cost calculation in press release

(2) Excluding Transavia France



Currency impact on operating result

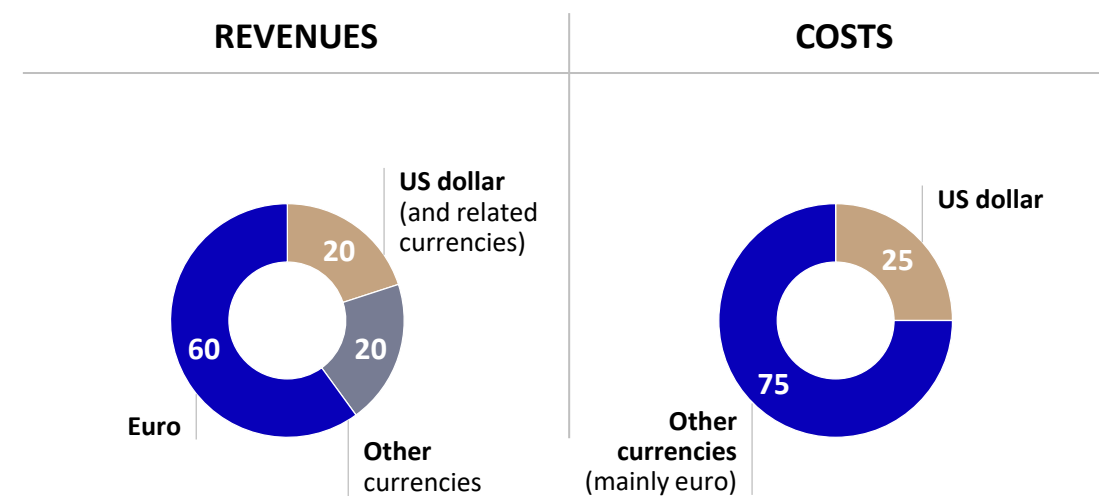
Currency impact
on revenues and costs
In € m



Q3 2022

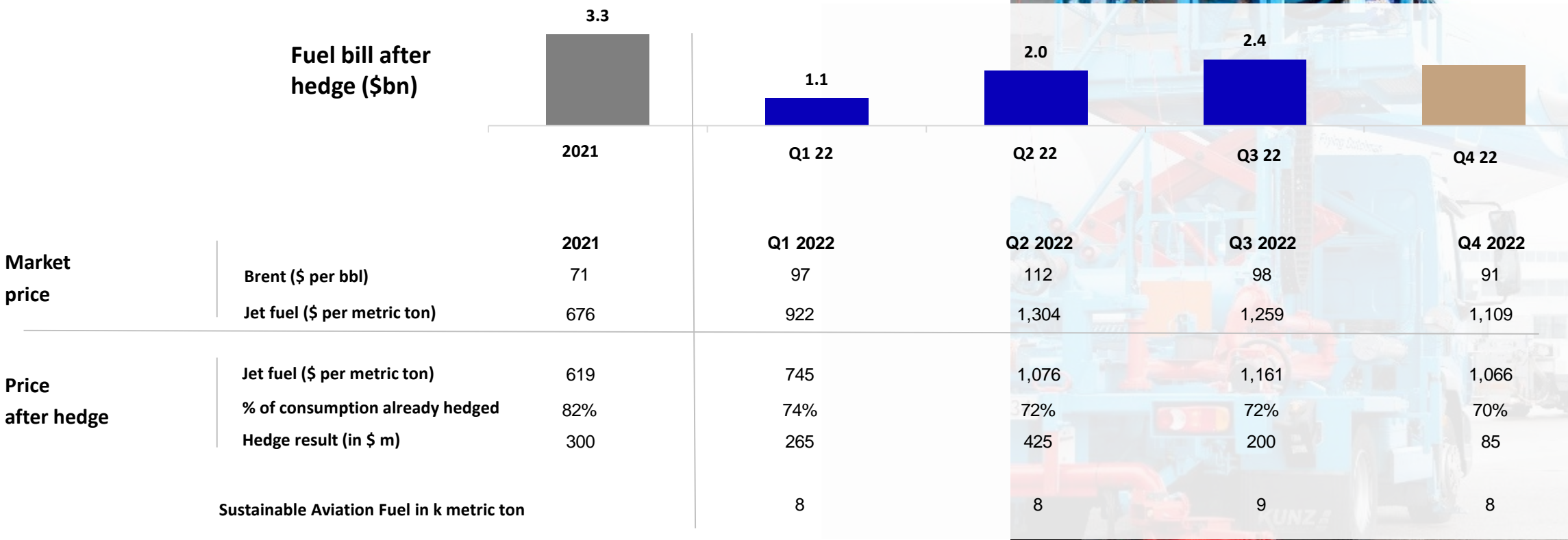
- Currency impact on revenues
- Currency impact on costs, including hedging
- XX Currency impact on operating result

Revenues and costs per currency FY 2021





The fuel hedging policy will result in \$1.0bn savings in 2022

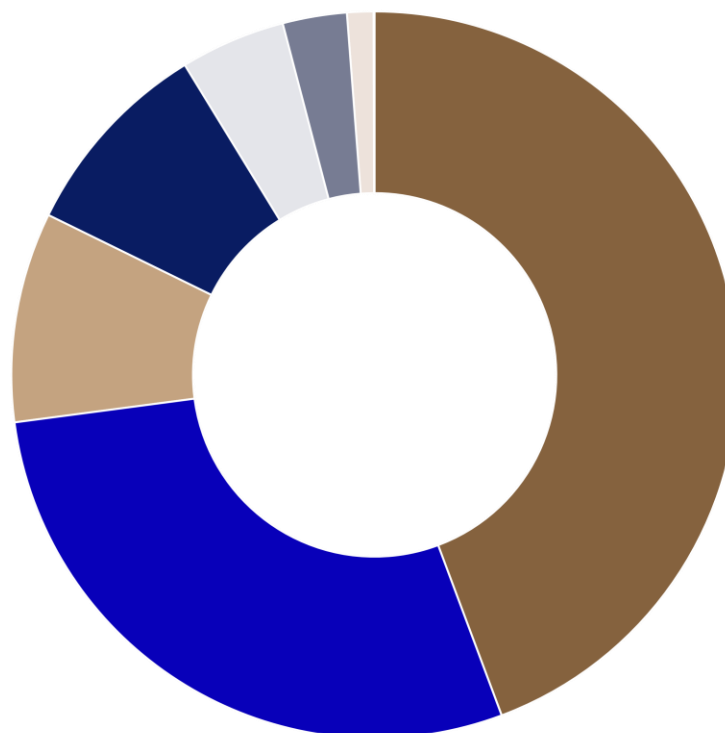


Based on forward curve at 21 October 2022. Jet fuel price including into plane cost



AF-KLM Shareholder structure 30 September 2022

- FRENCH STATE - 28.6%
- DUTCH STATE - 9.3%
- CMA CGM - 9.0%
- CHINA EASTERN AIRLINES - 4.7%
- DELTA AIR LINE - 2.9%
- FCPE - 1.2%
- Treasury shares - 0.05%
- Other - 44.3%



THANK YOU



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