

# Results presentation

Results at 31 December 2020

18 February 2021





# FY 2020 highlights



**Benjamin Smith**  
*Chief Executive Officer*  
*Air France-KLM*



# Full year 2020 highlights



## Swift operational response to an unprecedented situation

- ✓ Agile flight operations reorganization and opportunistic move on Cargo offer to address industry under-capacity
- ✓ Implementation of high safety standards for customers and employees: 4 stars by Skytrax
- ✓ Reactive support to national efforts with repatriation of citizens and shipping of masks and medical equipment



## Significant cost and productivity initiatives to adapt to crisis

- ✓ Strict cost control supported by FTE reductions, wage support measures and reduction of external expenses
- ✓ Capex reduction and proactive working capital management, contributing to cash preservation
- ✓ State aid schemes contributing to release cash constraints



## Acceleration of transformation plan to build a successful post-crisis model

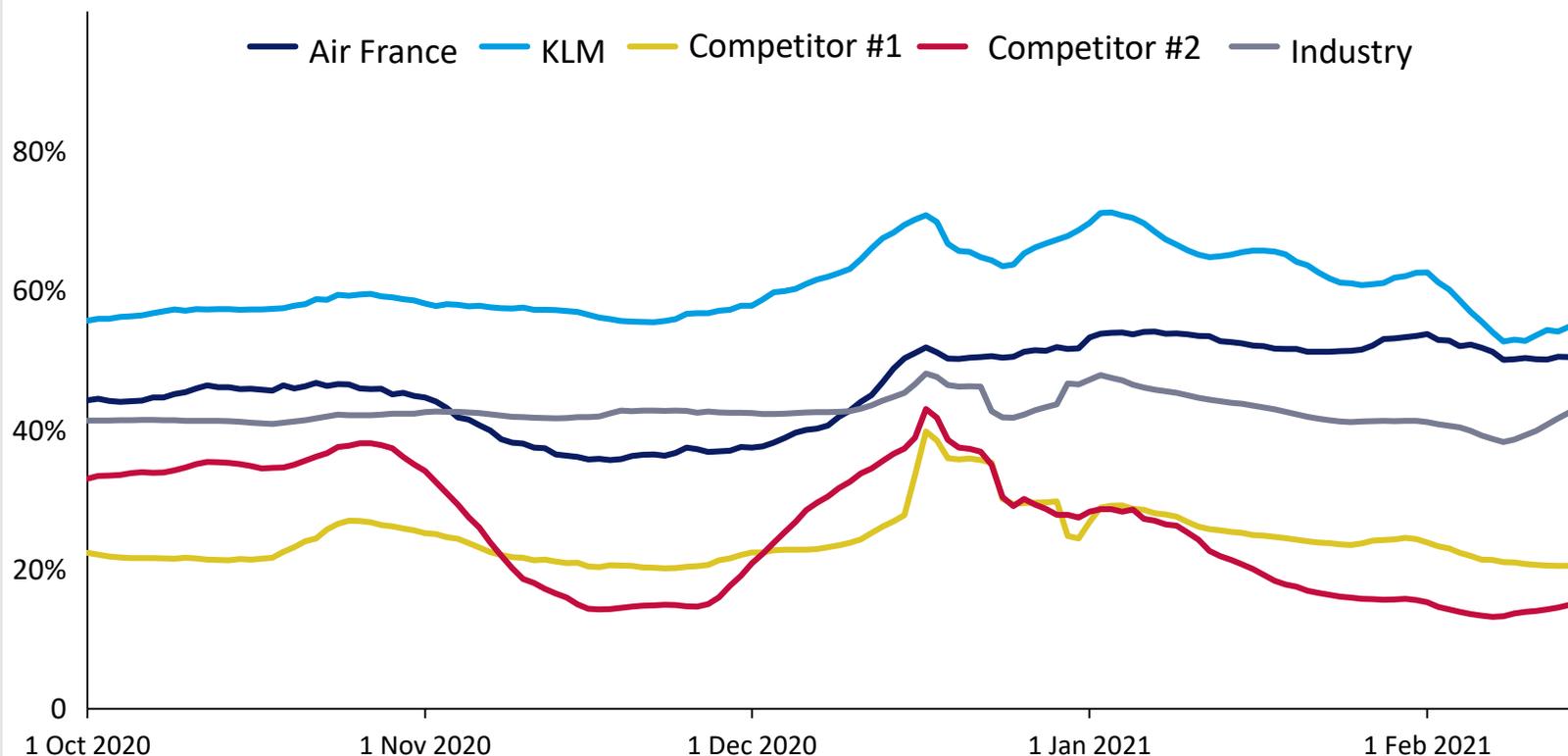
- ✓ Ongoing implementation of Air France and KLM restructuring plans
- ✓ Negotiations with the trade unions have resulted in several key agreements
- ✓ More than 200 projects internally focused on operational efficiency and simplification
- ✓ A step up in our sustainability commitments



# Despite strong cuts, Air France and KLM capacities remain above that of our competitors and industry...

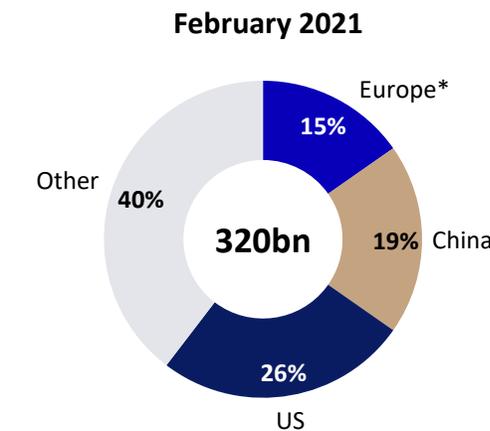
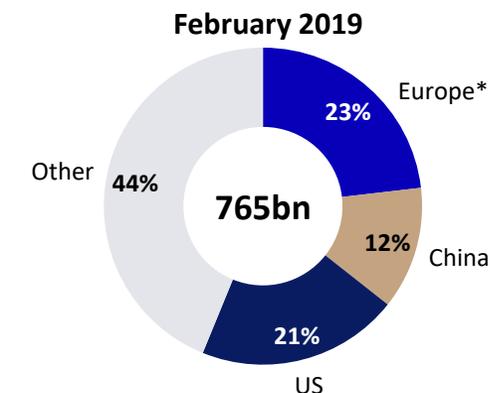
## Global Industry and Airlines ASK capacity, 7-day moving average

(Base 100 = same level as 2019, %)



## Worldwide Capacity split (departing ASKs)

(departing ASKs)



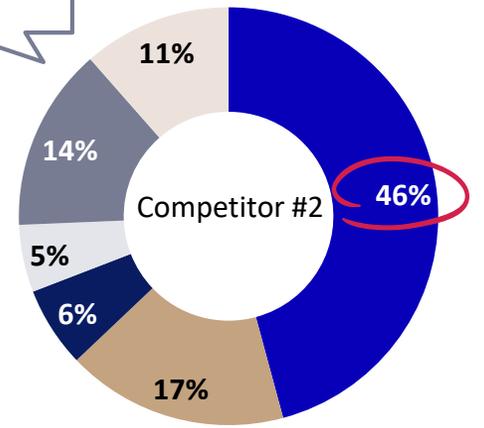
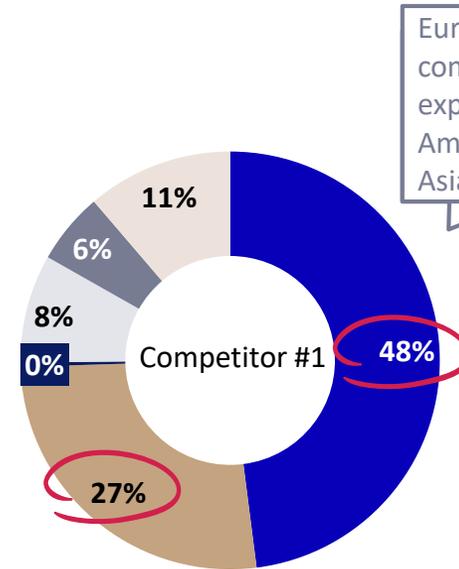
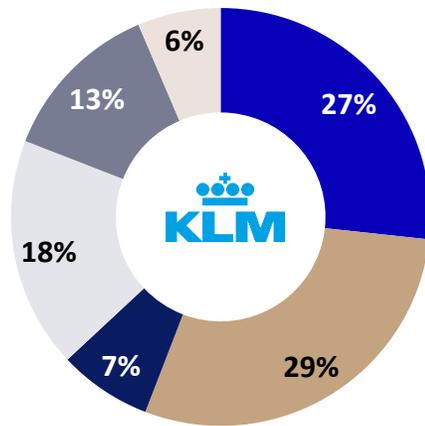
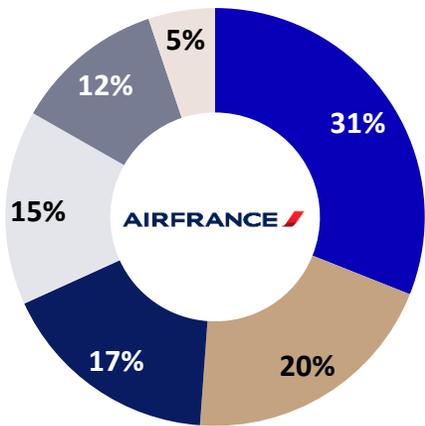
Source:

\* Including Greenland, Israel, Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan and Asian parts of Russia and Turkey



# ... thanks to a balanced network, less reliant on North America, which borders have been closed for almost a year

Long Haul ASK split per region (2019, %)



- North America
- Asia Pacific
- COI
- South America
- Africa
- Middle East



# We are accelerating on our major transformation initiatives



## Reduce unit cost

- ✓ More flexible social contracts Air France Transavia
- ✓ Simplified fleet Air France KLM
- ✓ Next Generation Aircraft Air France KLM
- ⋯ More Efficient Domestic Network Air France
- ⋯ Increased Aircraft Utilization Air France
- ⋯ Operational Transformation Air France
- ⋯ Simplified Organization & Processes Air France
- ⋯ Leveraging Additional Group Synergies Group

## Increase unit revenue

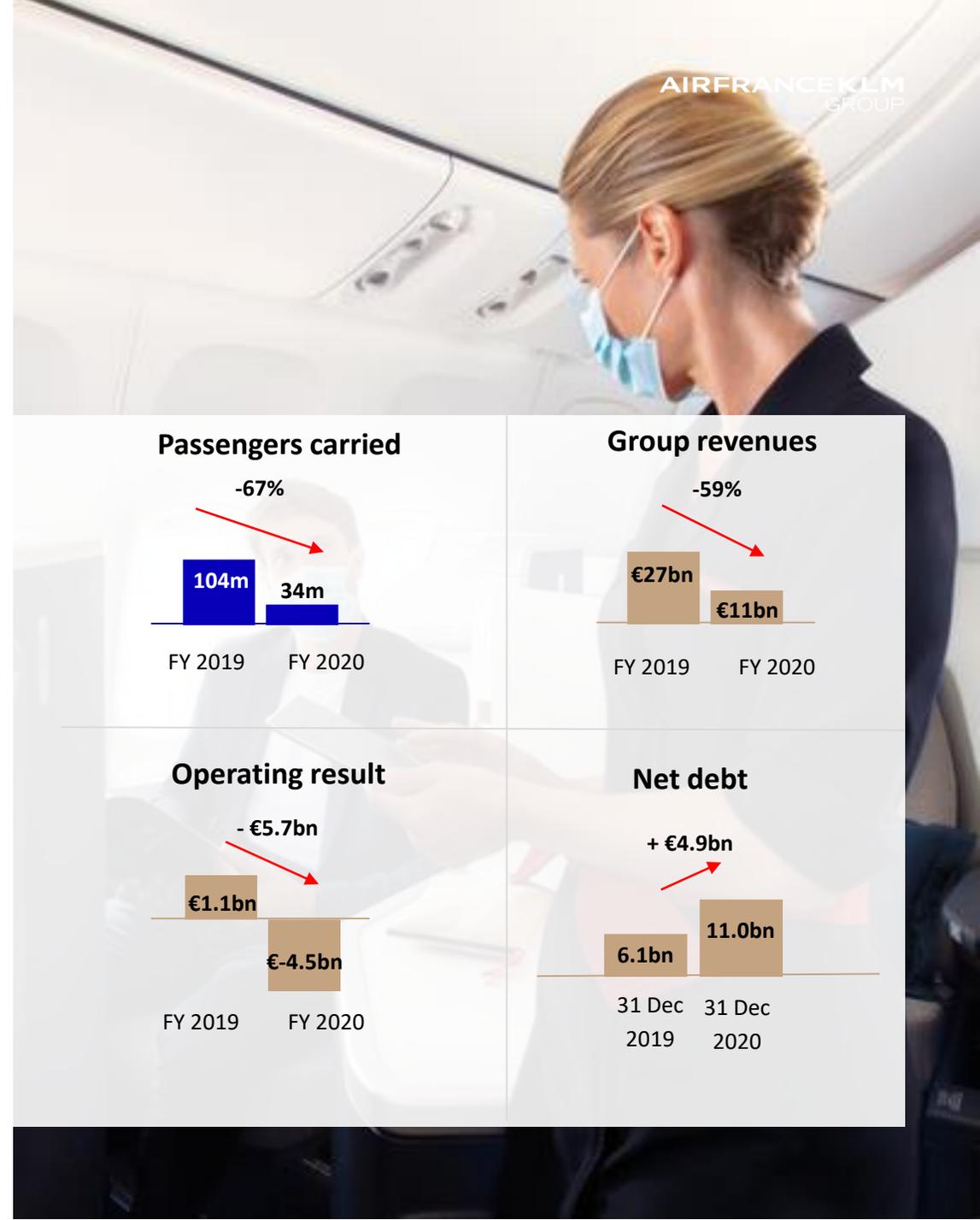
- ✓ Clarified Brand Strategy Air France
- ⋯ Optimized Interior Configurations & Harmonized Products Air France
- ⋯ Optimized Network & Aircraft Gauge Air France
- ✓ Refocused Market Positioning Air France
- ⋯ Revised Orly Strategy Air France Transavia
- ⋯ Personalization & Ancillary Revenue Group
- ⋯ Transavia Growth Transavia
- ⋯ Flying Blue & Increased Ancillary Rev. Group
- ⋯ E&M and Cargo Group

✓ Finalized

⋯ In Progress

# Full year 2020: Covid-19 crisis having an unprecedented impact on Air France-KLM

- Passenger activity severely impacted, -54% capacity
- Strong cargo performance, +77% unit revenue
- EBITDA loss at -€1.7bn, mitigated thanks to state supports on wages and cost control measures
- €9.8bn cash at hand, -€2.6bn compared to Q3: incl. -€2.1bn of adj. operating FCF in Q4
- The Group continues to work on quasi-equity and equity solutions in order to strengthen the balance sheet and expects progress in the following weeks



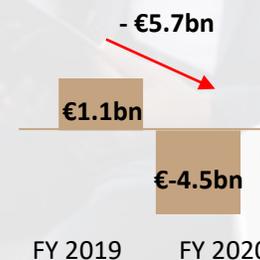
## Passengers carried



## Group revenues



## Operating result



## Net debt





# Results at 31 December 2020

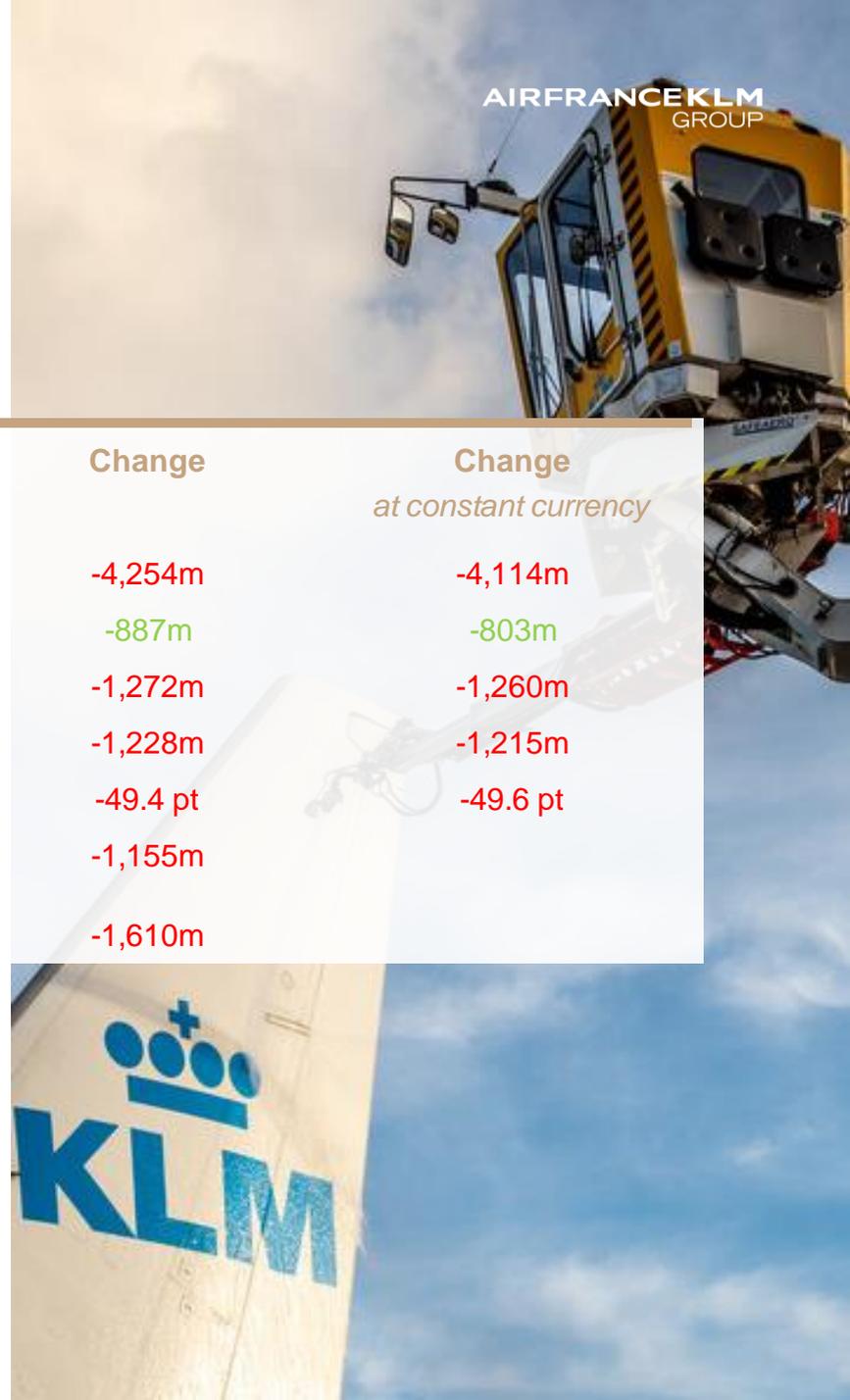


***Frédéric Gagey***  
*Chief Financial Officer*  
*Air France-KLM*



# Q4: Revenue down -€4.3bn and EBITDA down -€1.3bn

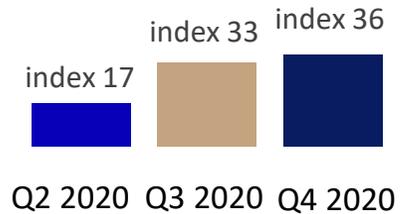
	Q4 2020	Q4 2019	Change	Change <i>at constant currency</i>
Revenues (€ m)	2,363	6,617	-4,254m	-4,114m
Fuel expenses (€ m)	506	1,393	-887m	-803m
EBITDA (€ m)	-407	865	-1,272m	-1,260m
Operating result (€ m)	-1,134	94	-1,228m	-1,215m
Operating margin	-48.0%	1.4%	-49.4 pt	-49.6 pt
Net income - Group part (€ m)	-1,000	155	-1,155m	
Adjusted operating free cash flow (€ m)	-2,115	-505	-1,610m	



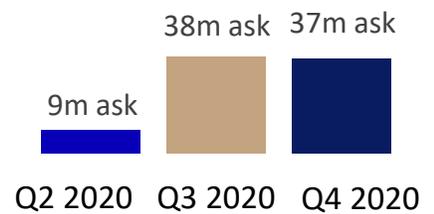


# Q4: Wage cost down -49% and Christmas traffic supporting EBITDA, while Q4 capacity at Q3 levels

Revenue index versus 2019



Capacity in ASK



EBITDA loss improved from Q2



(1) EBITDA loss in Q4 reduced versus guidance, mainly due to **exceptional NOW mechanism (Dutch State support on wages to KLM)** in the range of **€150m**, not attributed to the period specifically



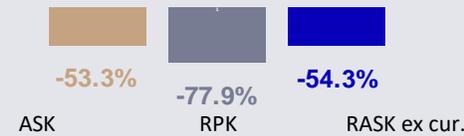
AIRFRANCE  
KLM  
GROUP



# Q4: Traffic impacted by travel restrictions, with stronger demand on French domestic, the Caribbean & Indian Ocean during Christmas

## Q4 2020

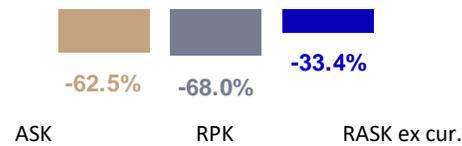
### Total



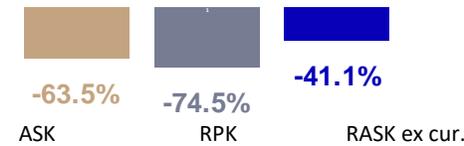
### RASK ex cur.



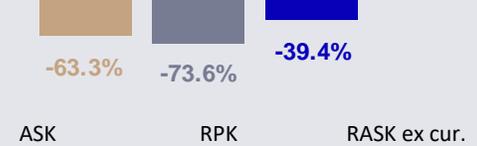
### French domestic



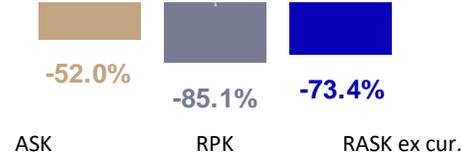
### Medium-haul hubs



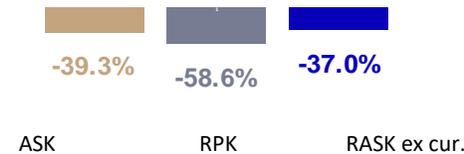
### Total short & medium-haul



### North America



### Caribbean & Indian Ocean



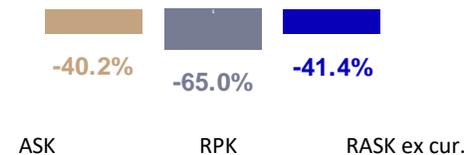
### Asia



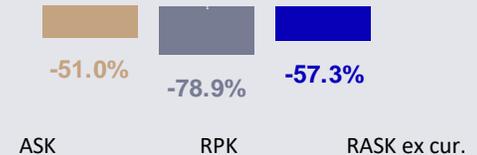
### Latin America



### Africa & Middle East



### Total long-haul





# Q4: Covid-19 severely impacting all businesses, Cargo continues to benefit from high demand and low capacity



		Capacity <sup>(1)</sup>	Unit Revenue <sup>(2)</sup> Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
<b>Network</b>		-53.3%	-54.1%	1,126	-78.3%	-881	-917m	-44%	-45 pt
		-24.3% <sup>(3)</sup>	+116.1%	860	+53.9%				
<b>Transavia</b>		-67.9%	-26.1%	85	-74.8%	-93	-66m	-109%	-101 pt
<b>Maintenance</b>				286	-44.5%	-177	-267m	-29%	-37 pt
<b>Group</b>		-54.5%	-27.1%	2,363	-64.3%	-1,134	-1,228m	-48%	-49 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)

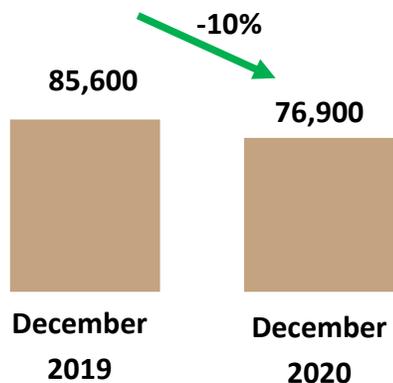
(2). Unit revenues = revenue per ASK, Cargo unit revenues = Cargo revenue per ATK, Group unit revenue = (Network traffic revenues + Transavia traffic revenues) / (Network Passenger ASK + Transavia ASK).

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

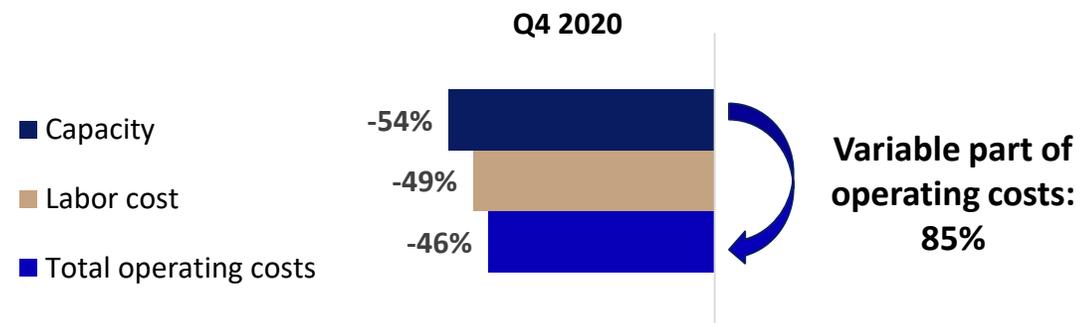


# Q4: Continued good cost control on both airline, supported by staff reductions, states support and cash preservation measures

Group FTE evolution <sup>(1)</sup>

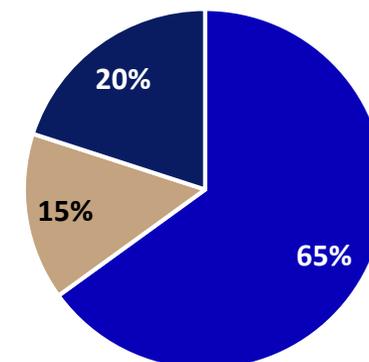


Cost variability increasing from 66% in Q2 to 85% in Q4 with state support schemes



Q4 Labor cost reduction: restructuring not fully materialized yet

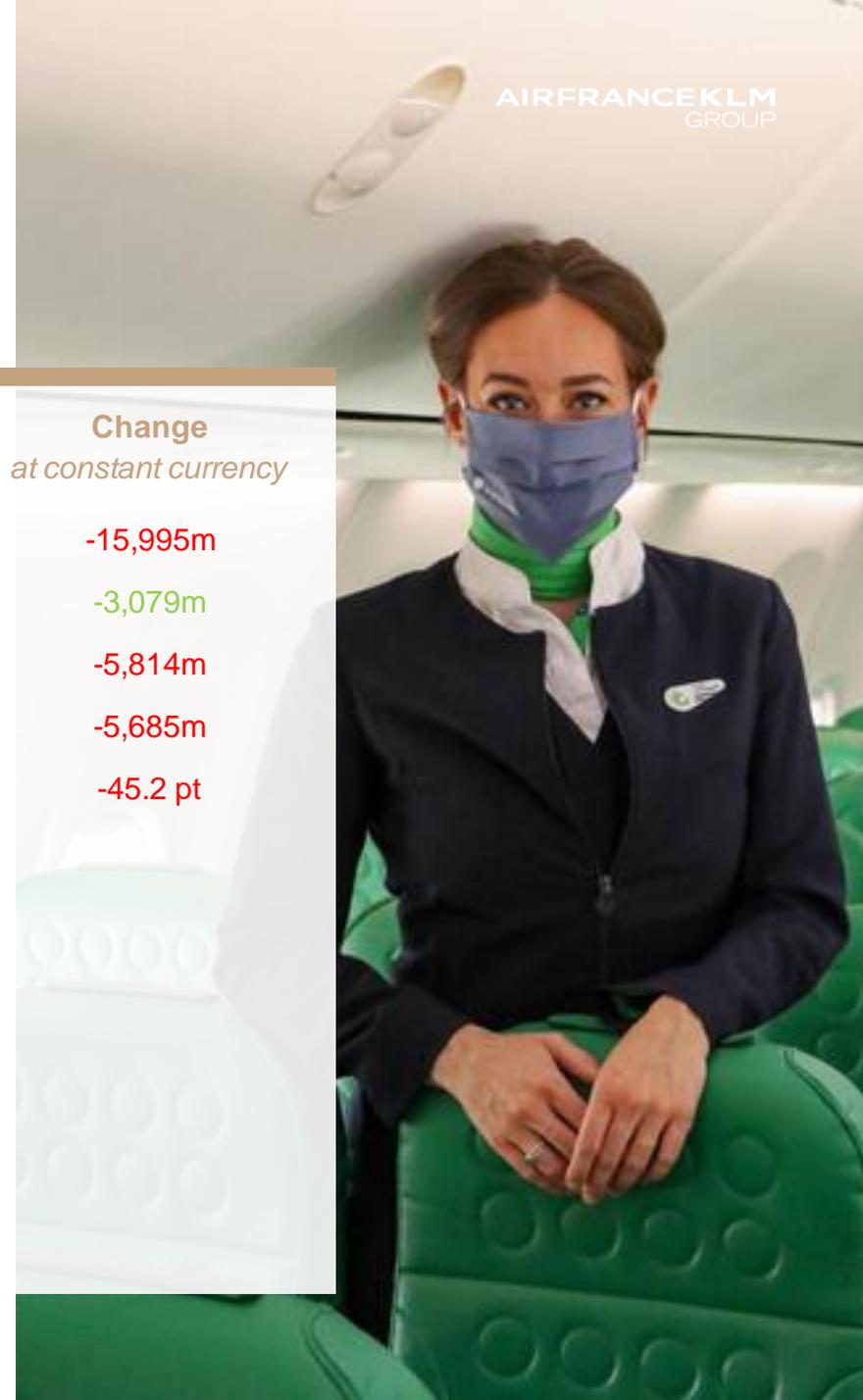
- State support and exonerations
- Restructuring
- Others mainly related to decrease in activity and wages



(1) Average number of FTE in December including hired staff



# Full year: Group financial metrics severely impacted by Covid-19, a decrease of €5.8bn in EBITDA mitigated by cost control

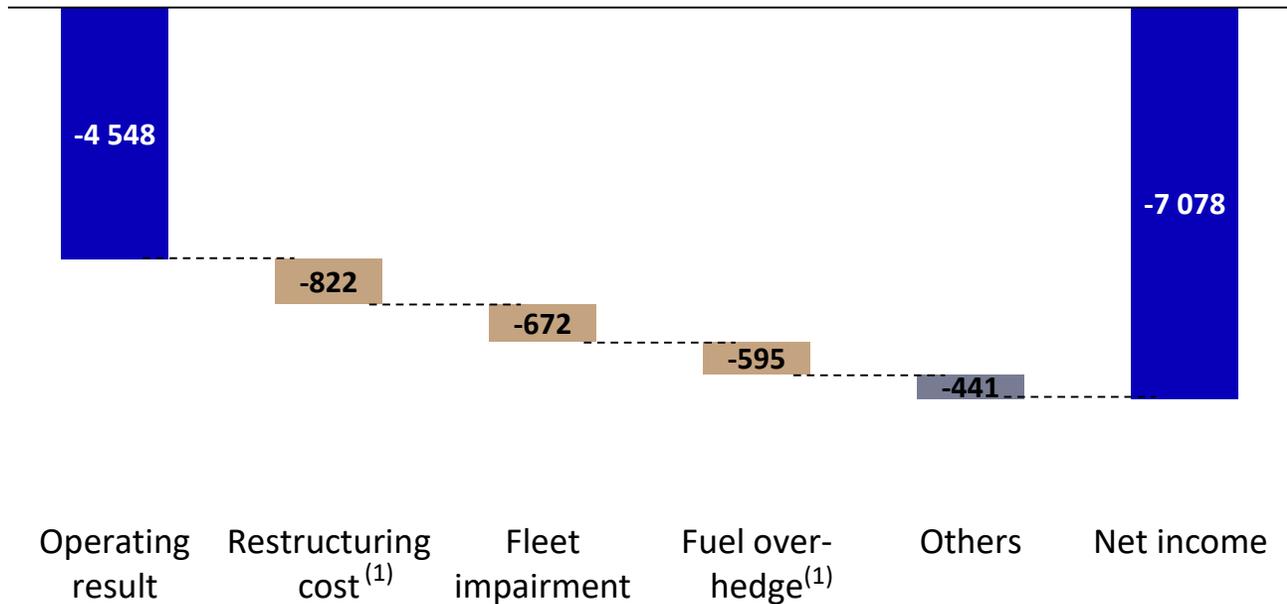


	FY 2020	FY 2019	Change	Change <i>at constant currency</i>
Revenues (€ bn)	11,088	27,189	-16,100m	-15,995m
Fuel expenses (€ bn)	2,392	5,511	-3,119m	-3,079m
EBITDA (€ m)	-1,689	4,128	-5,816m	-5,814m
Operating result (€ m)	-4,548	1,141	-5,689m	-5,685m
Operating margin	-41.0%	4.2%	-45.2 pt	-45.2 pt
Net income - Group part (€ m)	-7,078	290	-7,368m	
Adjusted operating free cash flow (€ m)	-5,661	-385	-5,276m	
	31 Dec 2020	31 Dec 2019	Change	
Net debt (€ m)	11,049	6,147	+4,902m	



# Full Year: Net income mostly impacted by restructuring cost, fleet impairment and fuel over-hedge

FY 2020 Net income evolution



**Restructuring cost -€822m incl.:**

- Provision for Air France Group -€584m
- Provision for KLM Group -€206m

**Fleet impairment -€672m incl.:**

- Acceleration of the Airbus 380 phase out -€553m
- Acceleration of the Boeing 747 phase out -€19m

**Fuel over-hedging -€595m**

**Others -€441m incl.:**

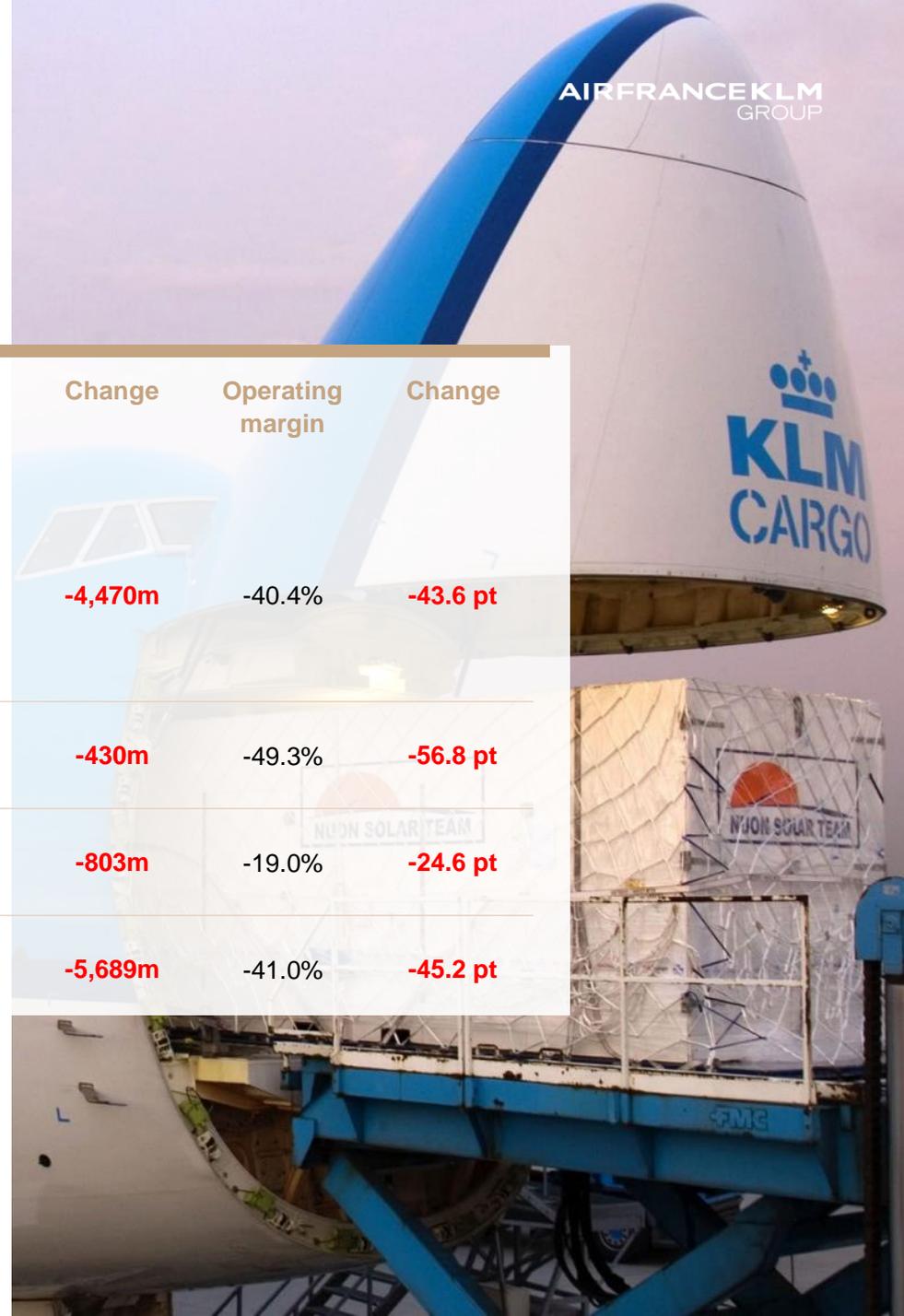
- Cost of financial debt -€477m

(1) Cash-out during 2020  
 Restructuring cost: -€405m  
 Fuel over-hedge: -€589m

 Covid-19 exceptional accounting items



# Full year: All businesses heavily impacted by Covid-19, with strong performance of Cargo



• FY 2020

		Capacity <sup>(1)</sup>	Unit Revenue <sup>(2)</sup> Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
Network		-53.9%	-32.4%	6,638	-68.6%				
						-3,722	-4,470m	-40.4%	-43.6 pt
		-30.7% <sup>(3)</sup>	+76.8%	2,568	+19.3%				
Transavia		-59.5%	-17.4%	606	-65.2%	-299	-430m	-49.3%	-56.8 pt
Maintenance				1,248	-41.6%	-543	-803m	-19.0%	-24.6 pt
Group		-54.4%	-15.8%	11,088	-59.2%	-4,548	-5,689m	-41.0%	-45.2 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)

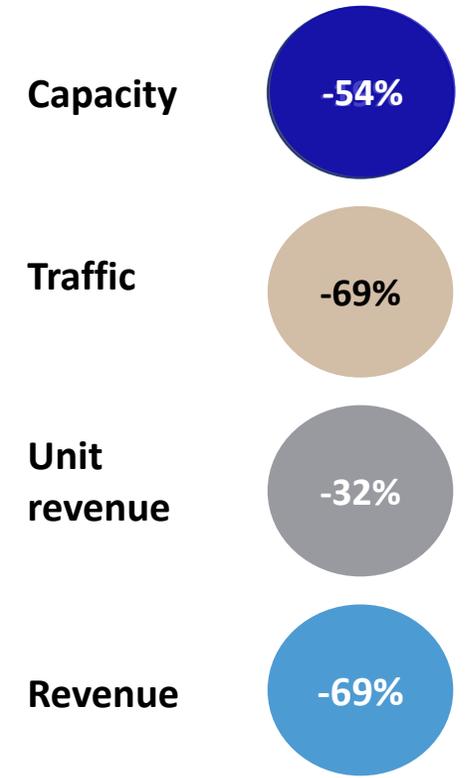
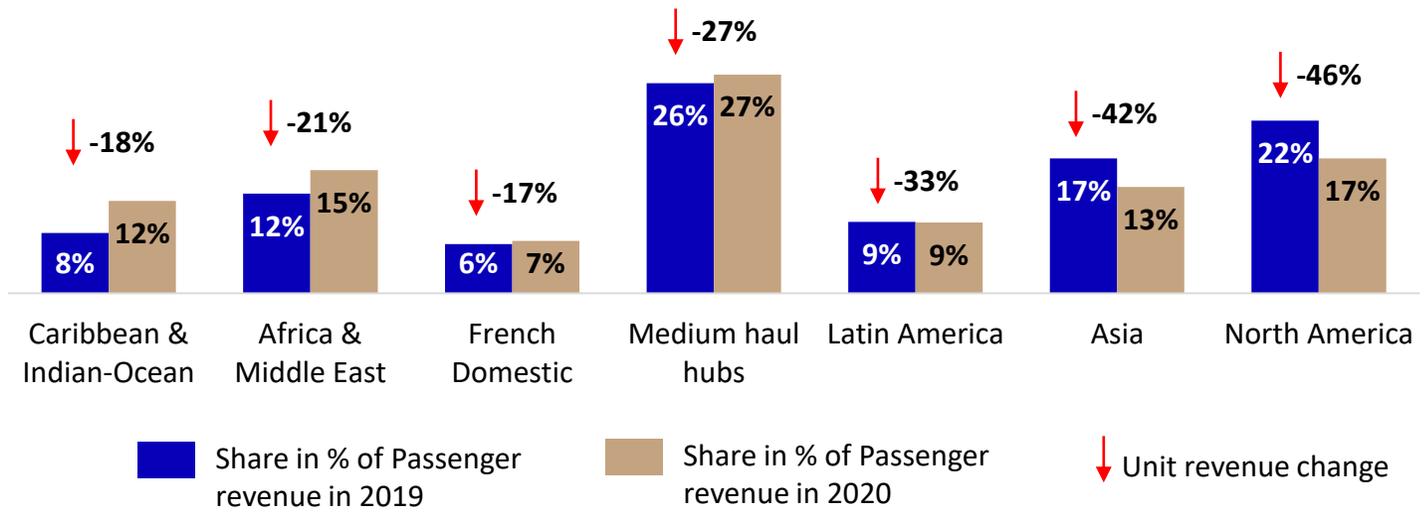
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(3) Capacity of passenger aircraft used for cargo only, is based on theoretical payload without passengers



# Full Year Passenger activity: Ensure health safety on board and adapt network to cope with border restrictions

Air France and KLM balanced network, an asset for the Group



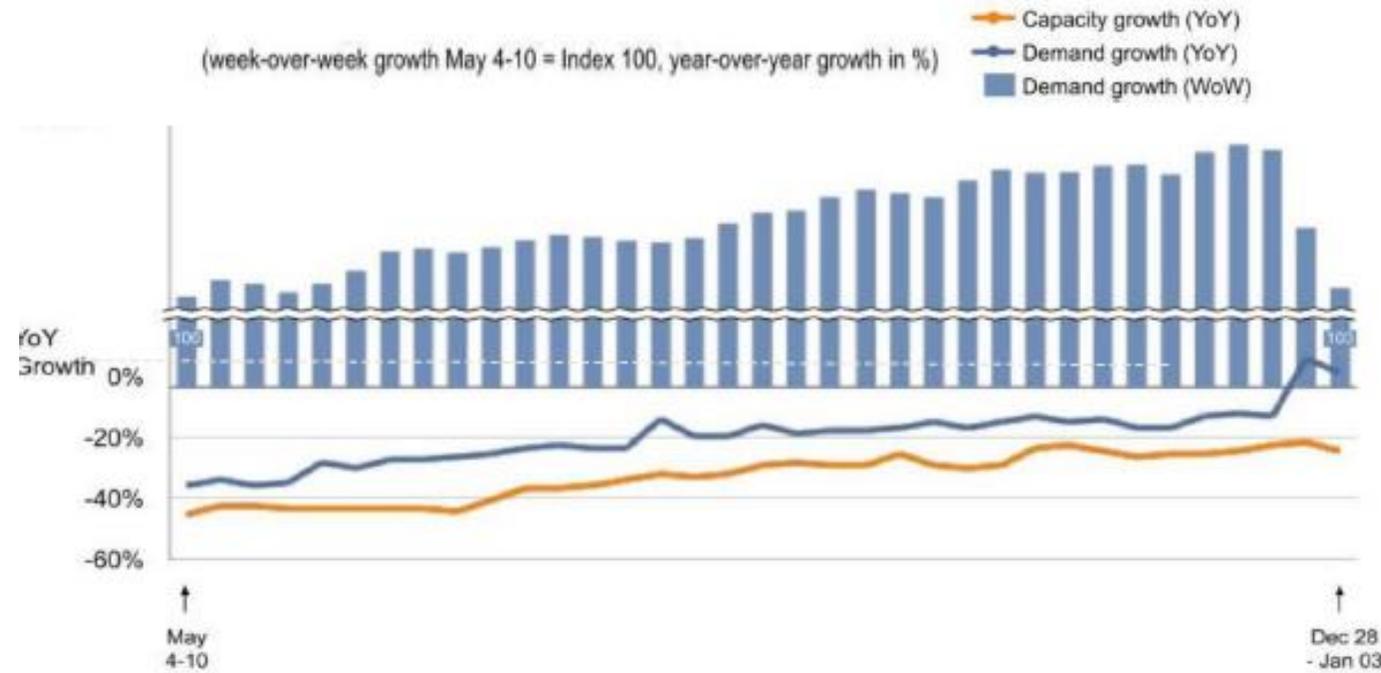
**Highlights:**

- Air France and KLM achieving 4 stars in “Skytrax Covid-19 Airline Safety Rating”, one of highest score
- Ramping-up capacity during Summer and Christmas periods with resilient performance on low border restrictions routes (French Domestic and Caribbean & Indian-Ocean)
- Most of the commercial flights incremental cash positive thanks to cargo activity

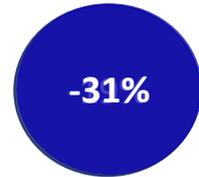


# Full year Cargo: Strong steering unit revenue in a context of industry under-capacity

Global air cargo volumes and capacity development



Capacity



Traffic



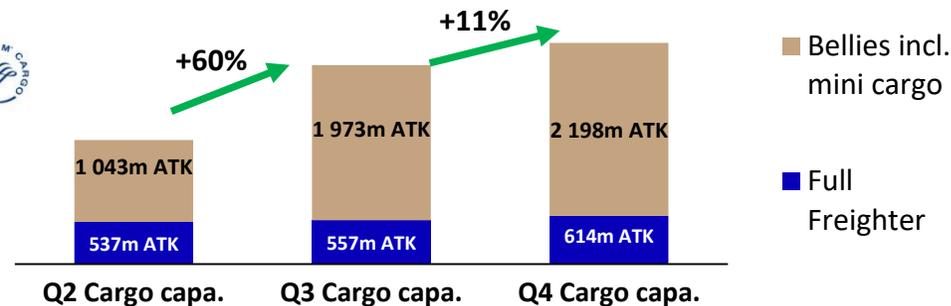
Unit revenue



Revenue



Air France-KLM managed to increase cargo capacity to meet demand

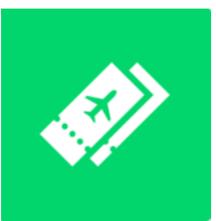




# Full year Transavia: Well positioned for the recovery with a first step on the French domestic market

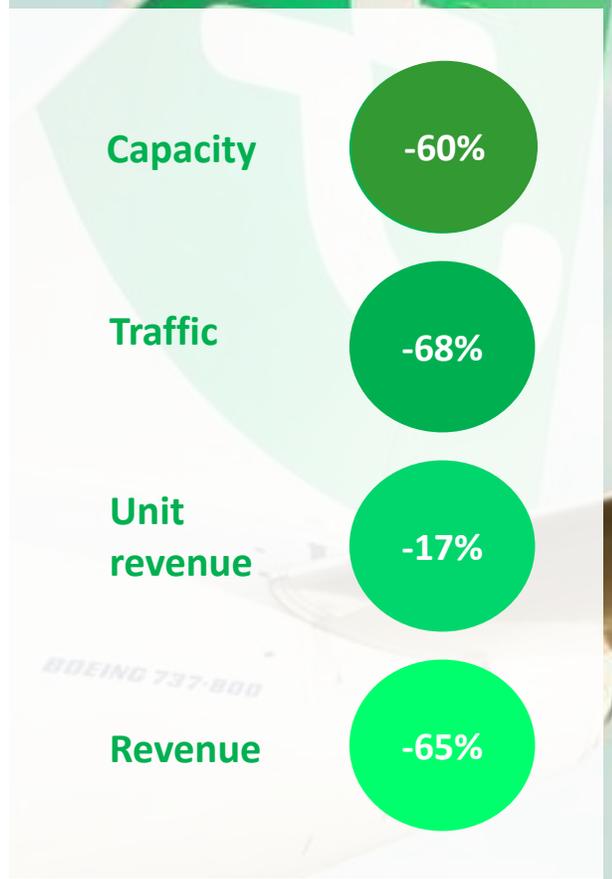
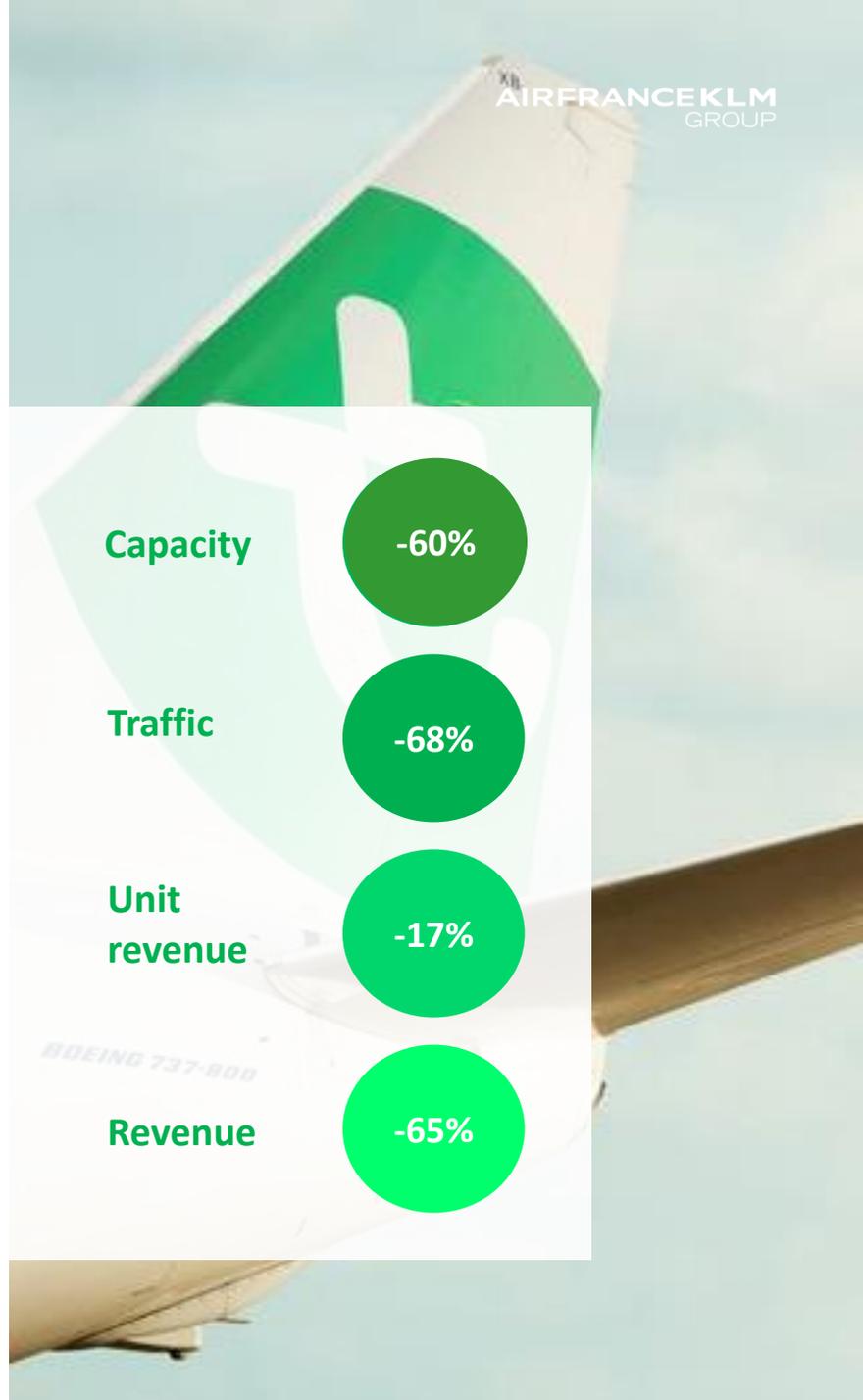


- **Strict cash preservation measures** in place
- **Several CLA agreements** reached in both Transavia NL and FR about labor conditions and restructuring measures
- **French Domestic operations** started in Q4 2020



 **transavia**

A major opportunity for competitiveness gain





# Full year Maintenance: Activity severely impacted by the decrease of airline's activities



**External revenues -42% and Operating result at -€543m**

Covid-19 generated **~€320m exceptional items:**  
€120m of doubtful receivable, €110m provision on asset value and €90m regarding contracts review

## Highlights:

- Order book stood at \$9.1bn, -\$2.4bn below last year
- Carefully managing agreements with clients on payment terms
- Well positioned on new generation aircraft maintenance and solid opportunities for the future





# Full Year: Covid-19 impacting Air France and KLM

FY 2020	Capacity change	Revenues (€ m)	Change YoY	Operating result (€ m)	Change <sup>(1)</sup> YoY	Operating margin	Change <sup>(1)</sup> YoY	Net debt (€ m)	Change 31 Dec 2019
<b>AIRFRANCE</b> /	-58.7%	6,415	-61.3%	-3,389	-3,669	-52.8%	-54.5 pt	7,332	+3,392
<b>KLM</b>	-48.8%	5,120	-53.8%	-1,154	-2,007	-22.5%	-30.2 pt	3,536	+1,011
<b>AIRFRANCEKLM GROUP</b>	-54.4%	11,088	-59.2%	-4,548	-5,689	-41.0%	-45.2 pt	11,049	+4,902

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

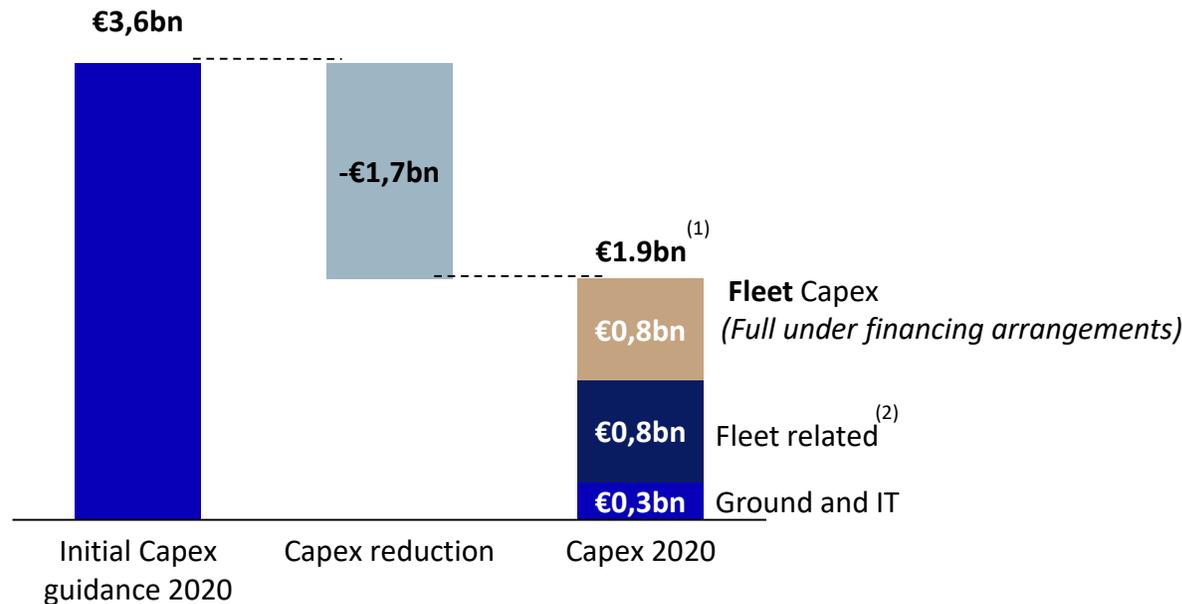
- Initial size of airline
- Higher presence of KLM on Cargo activity (Amsterdam logistical hub close to Rotterdam harbour)
- Different state support schemes impact



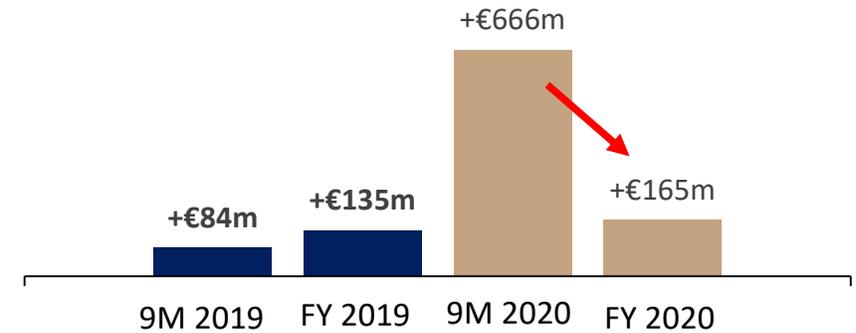


# Full year: Capex reduction ~50% and working capital management contributing to cash preservation. Refunds to customers from March at €2.3bn

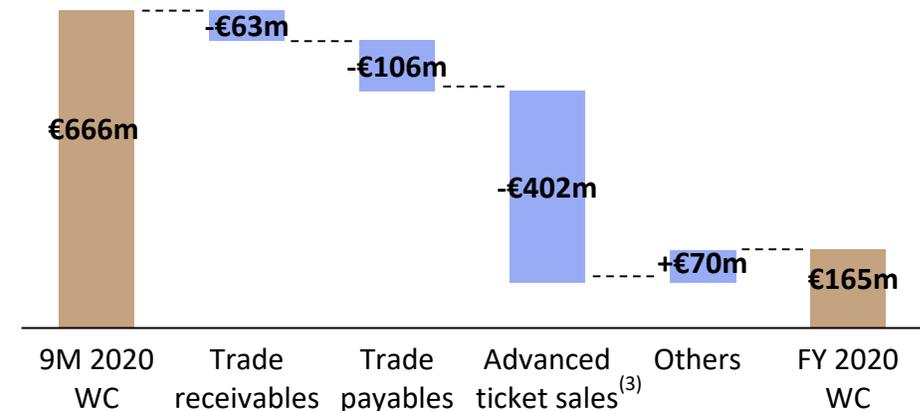
Only essential capex maintained, fleet capex fully financed



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



Q4: Working capital outflow incl €0.8bn refunds



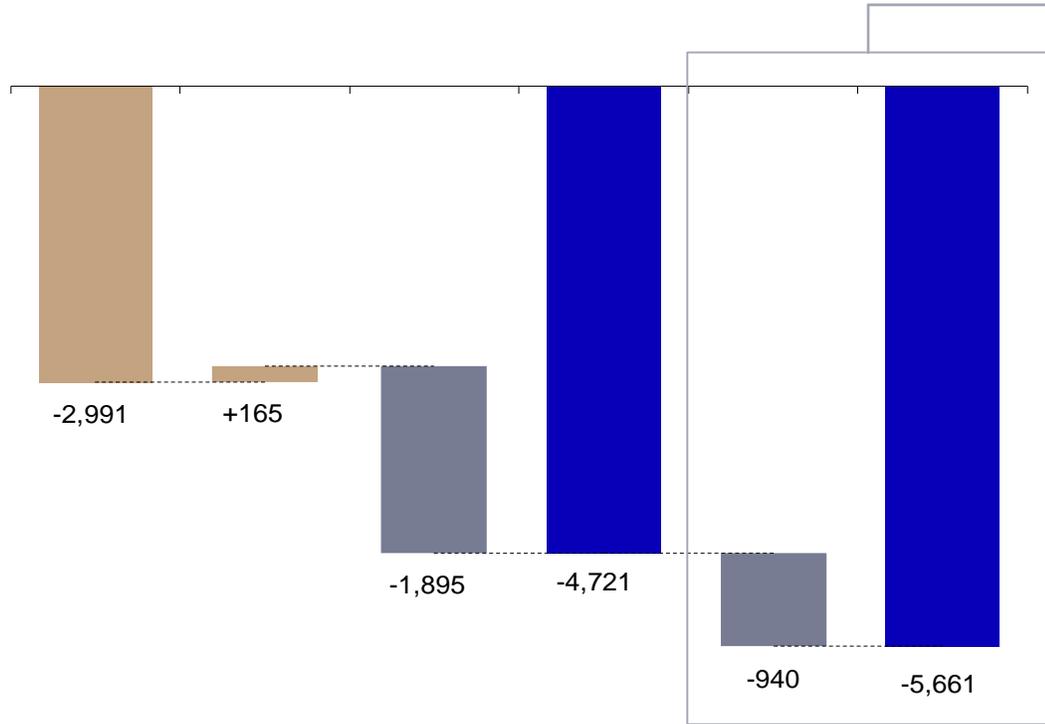
(1) Decrease of €200m capex versus Q3 guidance because of aircraft deferrals to 2021  
 (2) Aircraft modifications, spare parts and capitalized maintenance  
 (3) Variation of the net unflown ticket stock including refunds



# Full year: Working capital and Capex well optimized, Net debt increase by €4.9bn

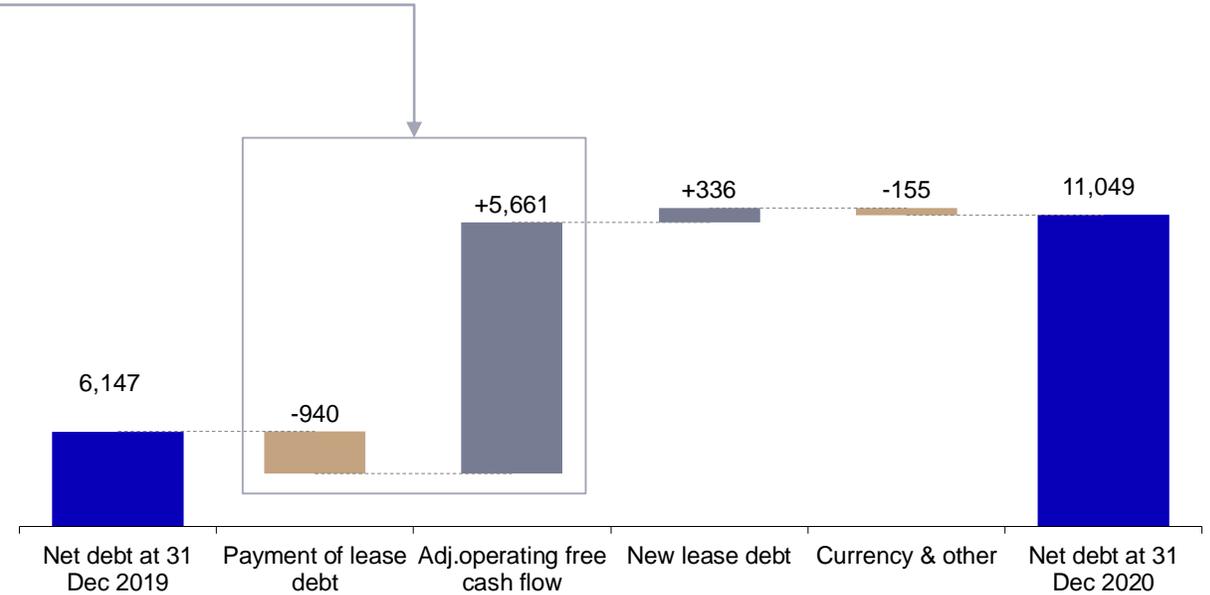
## FY2020 Free cash flow evolution

In € m



## Net debt

In € m



Cash flow before change in WCR    Change in WCR    Net investments    Operating Free Cash Flow    Payment of lease debt    Adjusted operating free cash flow<sup>(1)</sup>

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



# Outlook

Results at 31 December 2020



# Network passenger capacity outlook: New travel restrictions impacting both Europe and International traffic in Q1

## Network Passenger capacity and booking

Snapshot of the 15<sup>th</sup> February 2021 and 2019

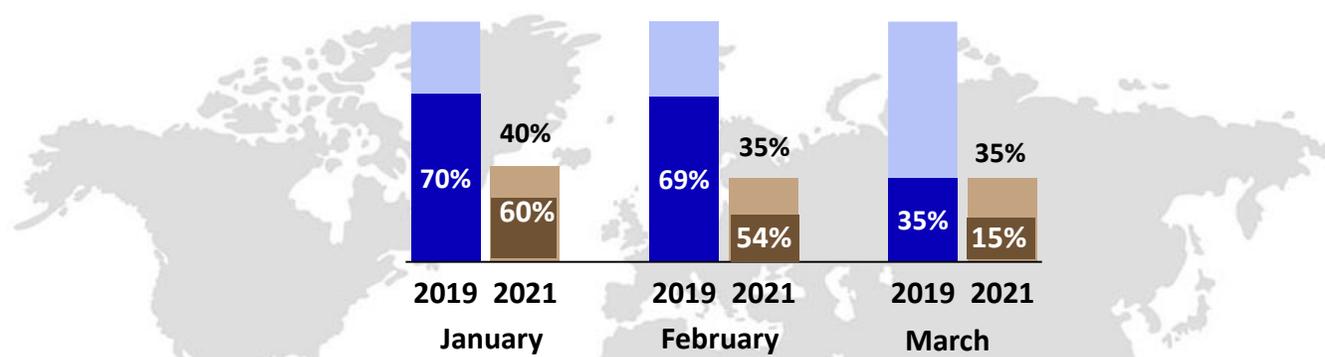


### Network Passenger capacity in ASK versus 2019

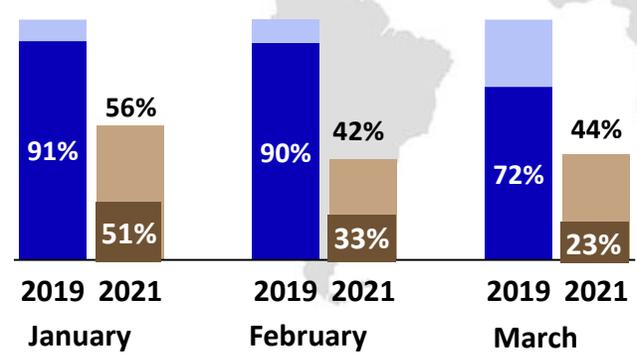


- Very short term oriented bookings
- Progressive ramp up of capacity and traffic towards Summer
- Expected recovery in Q2 and Q3 thanks to vaccine deployment

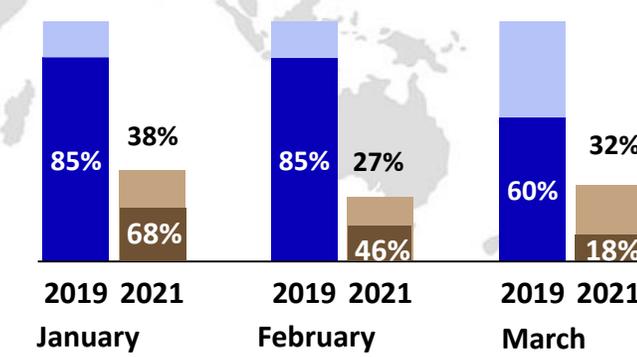
### French Domestic



### Long Haul



### Medium Haul

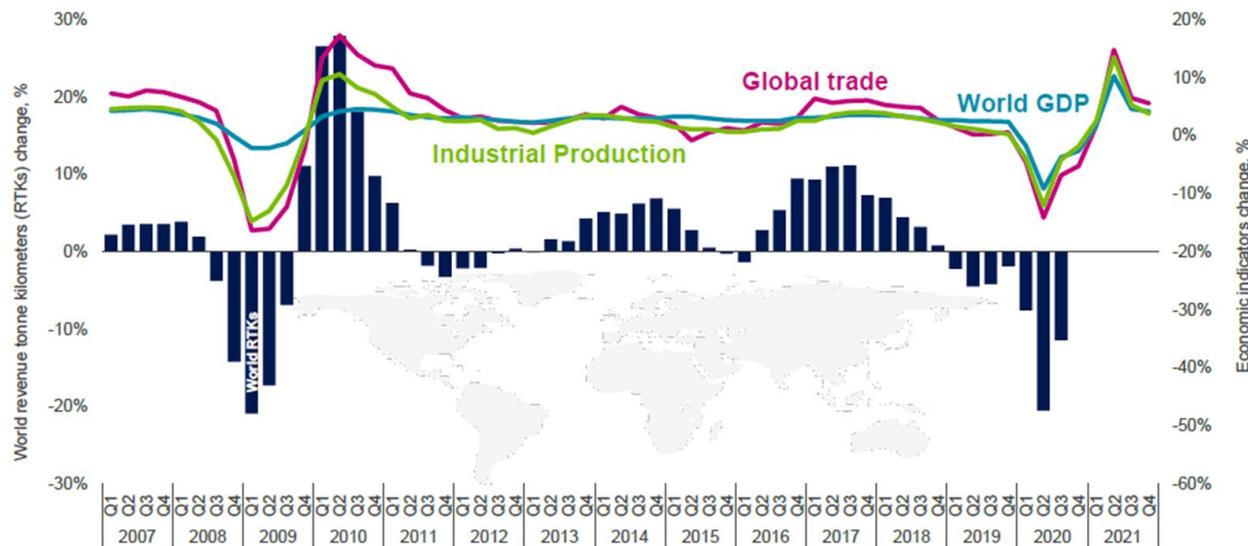


2021 Capacity in ASK versus 2019
  Forward booking load factor 2021  
 2019 Capacity in ASK base 100%
  Forward booking load factor 2019

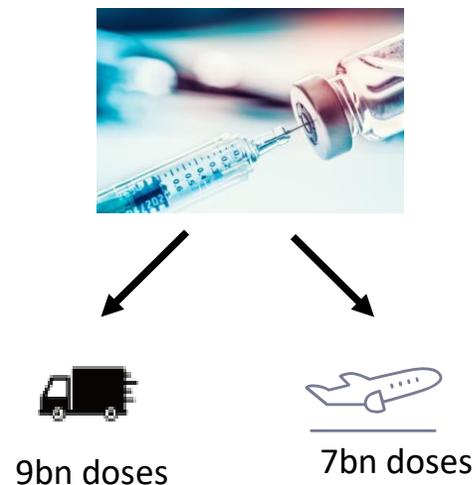
(1) Expected capacity, subject to the evolution of the Covid-19 situation.



# Network Cargo outlook: under capacity continues to offer strong steering options for Q1 2021, future performance pending passenger industry recovery



## 16bn Covid-19 vaccine doses needed worldwide



### 60k tons of air freight:

12% of 2019 pharma air trade industry

5x 2019 vaccine air trade



- Passenger fleet well-equipped for cargo (B777, B787, A350)
- Ready to transport the vaccines world wide and has already delivered them to several destinations successfully. The volumes will gradually increase during H1 2021.

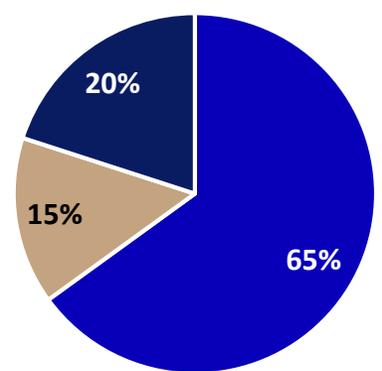


# Labor cost: Restructuring programs at Air France and KLM will progressively compensate the decrease of state aid schemes

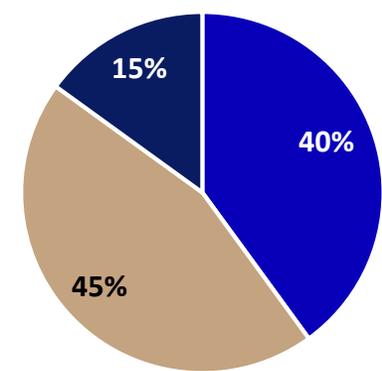
Labor cost reduction

Q4 2020 versus Q4 2019

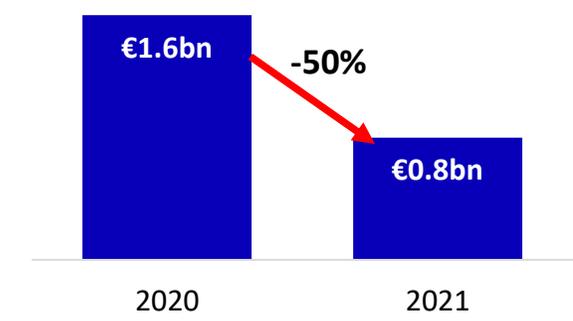
- State support and exonerations
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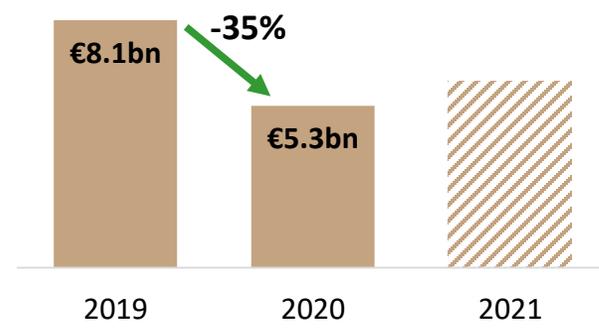
2021 versus 2019



Partial activity and NOW mechanisms impact decreasing in 2021  
*Now mechanism until Q2 2021, higher activity and long-term partial activity scheme less beneficial at Air France*



2021 labor cost > 2020 labor cost





# Ongoing restructuring programs at the right speed, strategic plans remain valid and accelerated

Labour cost



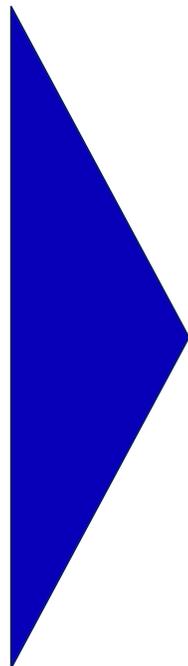
Fleet, suppliers and procurement



Fuel efficiency



Other operating cost



**- €750m**

Structural benefits by end 2021  
*versus 2019*

**-6k FTE**

by end 2021  
-5.1K FTE end 2020

Reduction of labor benefits (up to -20%)  
NOW mechanism until  
end of Q2 2021



**-€1.2bn**

Structural benefits by end of 2022  
*-€800m end 2021  
versus 2019*

**-8.5k FTE**

by end 2022,  
-3.6k FTE end 2020

Long term partial  
activity in place for the  
next two years



# A sufficient liquidity of almost €10bn cash at hand, further liquidity requirements foreseen in 2021

€9.82bn cash at hand<sup>(1)</sup>  
*end of December*



## Liquidity requirements:

- Q1 2021 EBITDA expected below Q4 2020
- Negative Q1 Working Capital impact influenced by ongoing payments and low bookings' inflow. Remaining risk due to cash refunds ~**€1.4bn**
- FY 2021 Capex spending at **€2.0bn**, which is 30% fleet (fully financed), 50% fleet related and 20% IT/ground.
- FY 2021 restructuring cash out **€0.5bn**



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

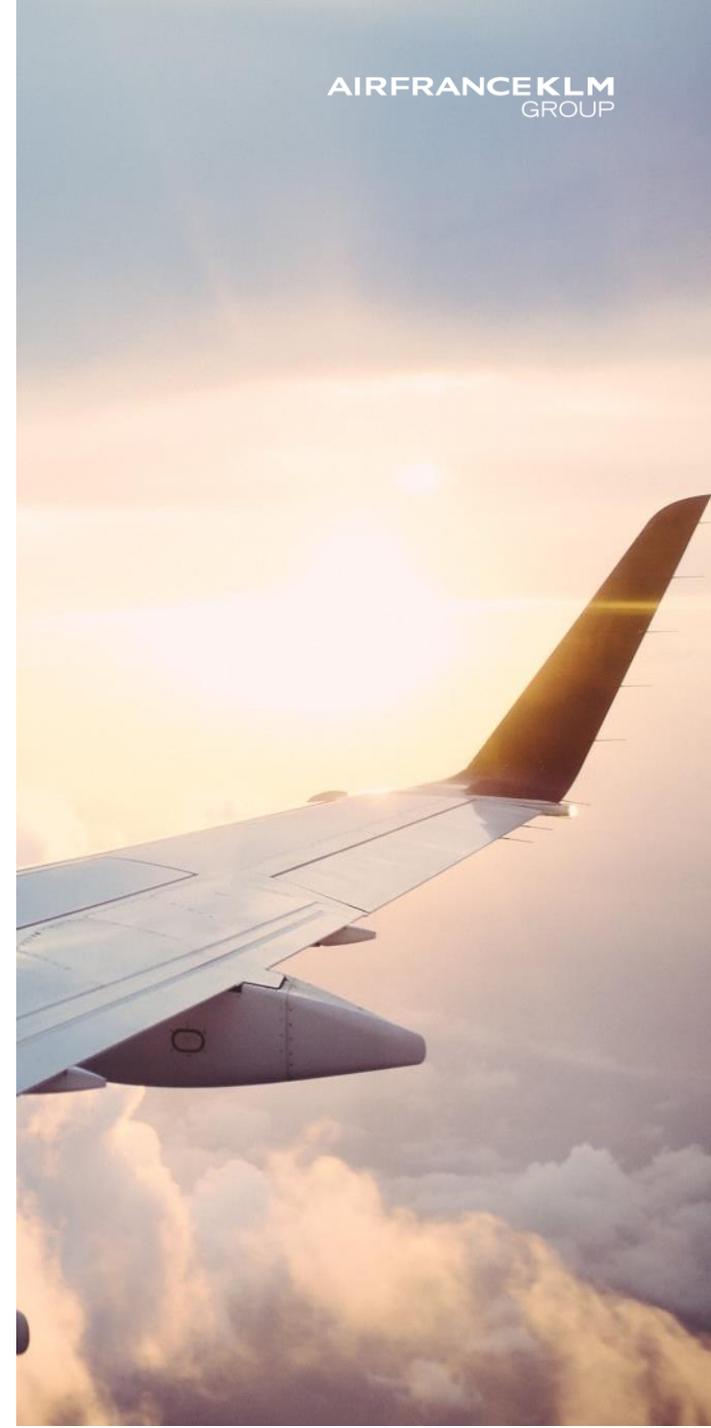


# Air France-KLM Group medium term operating margin objective unchanged but delayed

## Guidance elements



- Plan expects capacity of 2019 level back in 2024, based on Covid-19 crisis development (number of aircraft -7% in 2022 compared to 2019)
- Unit cost down 8 to 10% when capacity back to 2019 level
- Adjusted Operating Free Cash Flow positive in 2023
- Operating margin mid-cycle at 7-8%





# Road to recovery requires continued adaptation of the Group as well as an integrated approach between all stakeholders

## WHAT WE WILL CONTINUE TO EXECUTE ON



Further improve the agility and swift adaptation of our flight operations in order to seize opportunities



Accelerate our transformation plan to build a successful post crisis model



Pursue strict control of our costs and Capex to preserve cash and financial flexibility



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

## WHAT CAN SPEED UP RECOVERY



Implementing highest health standards during Covid crisis remains short-term priority



Harmonization of cross-country policy is needed to restart traveling



Rapid roll-out of wide-scale vaccination is key to recovery



Vaccine passport would support a return of trust in safe travel



# Q&A

Results at 31 December 2020



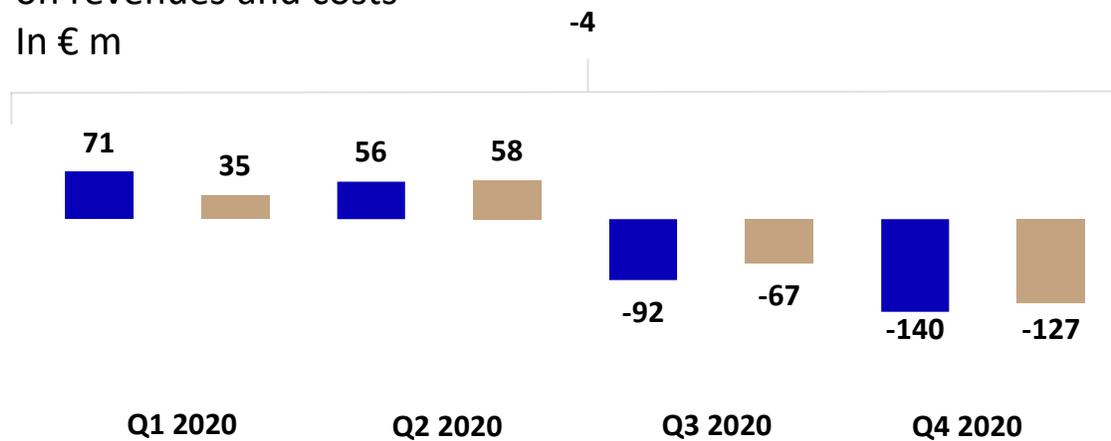
# Appendix

Results at 31 December 2020



# Currency impact on operating result

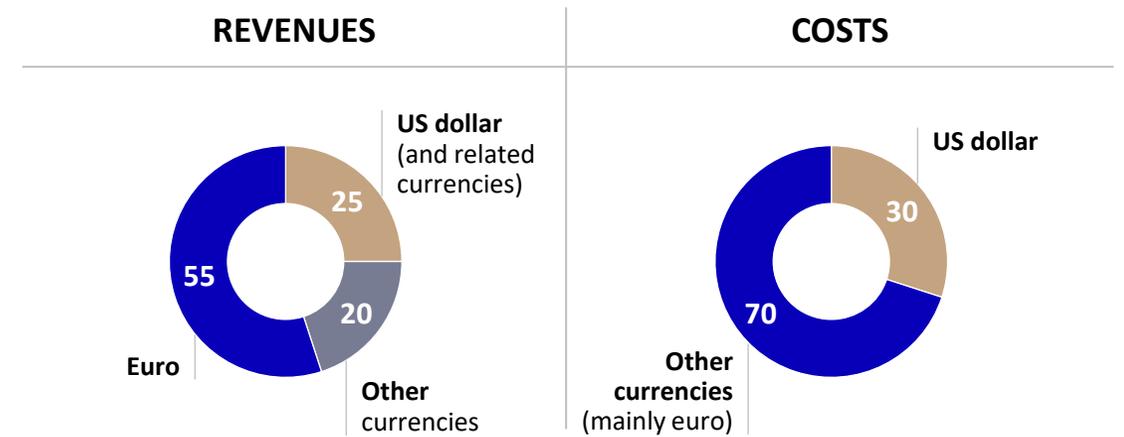
Currency impact on revenues and costs  
In € m



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

FY 2021 guidance suspended due to uncertainty Covid-19 crisis

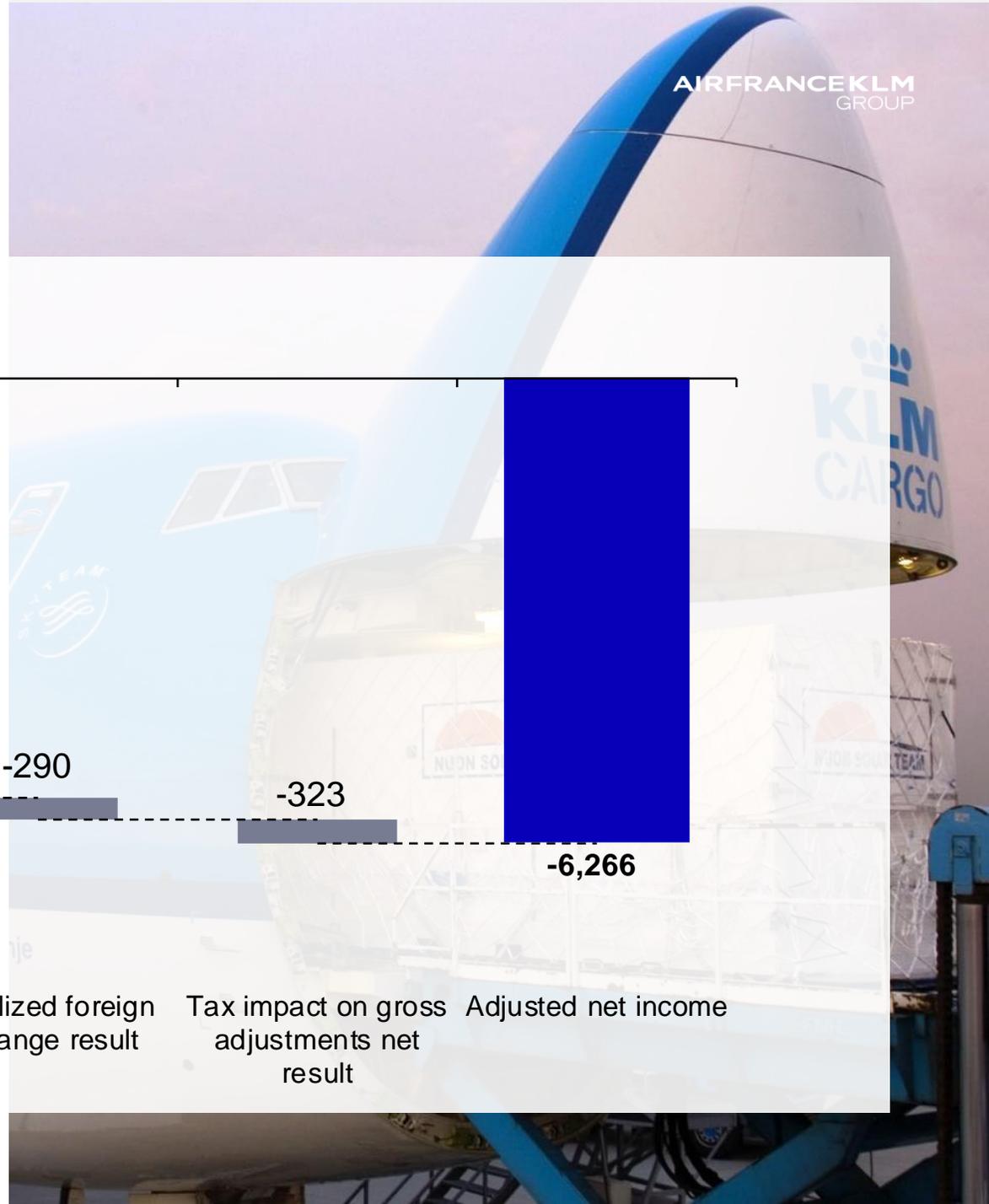
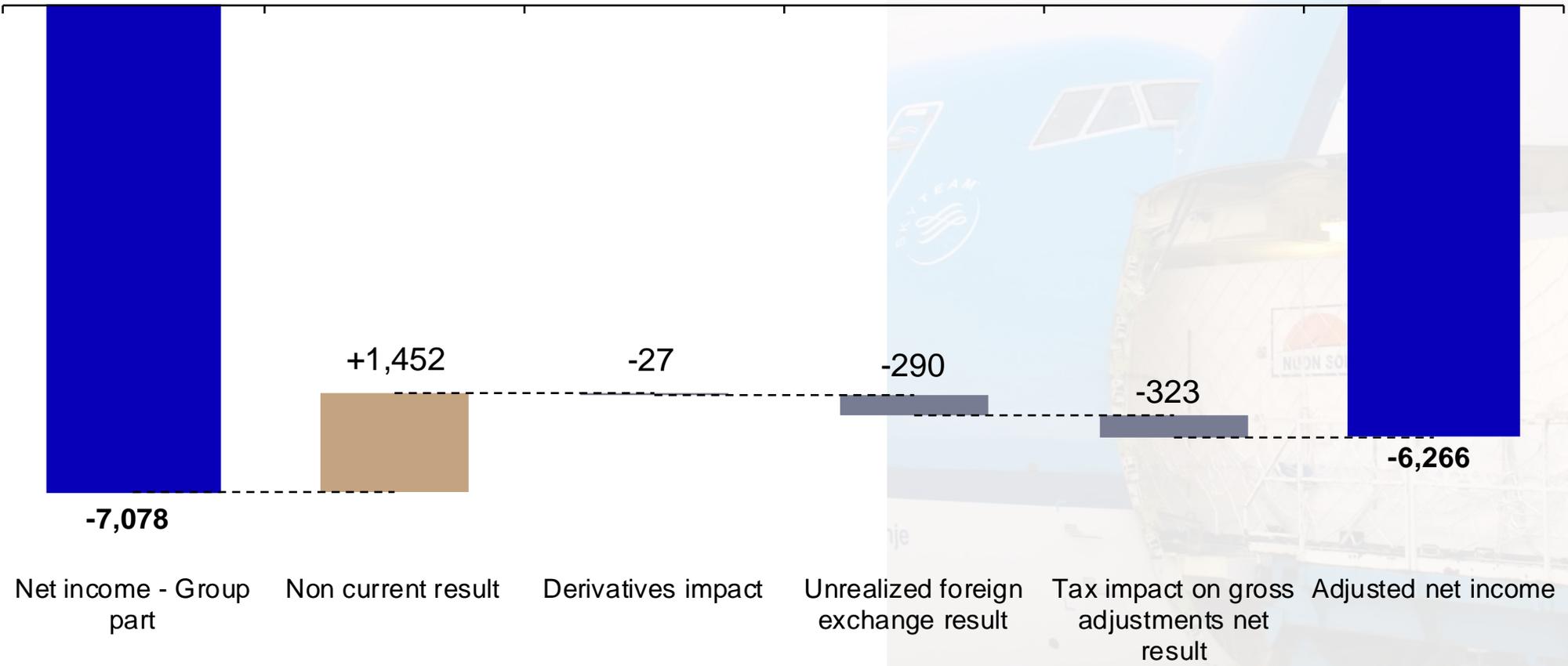
Revenues and costs per currency  
FY 2020





# Adjusted net income of the Group

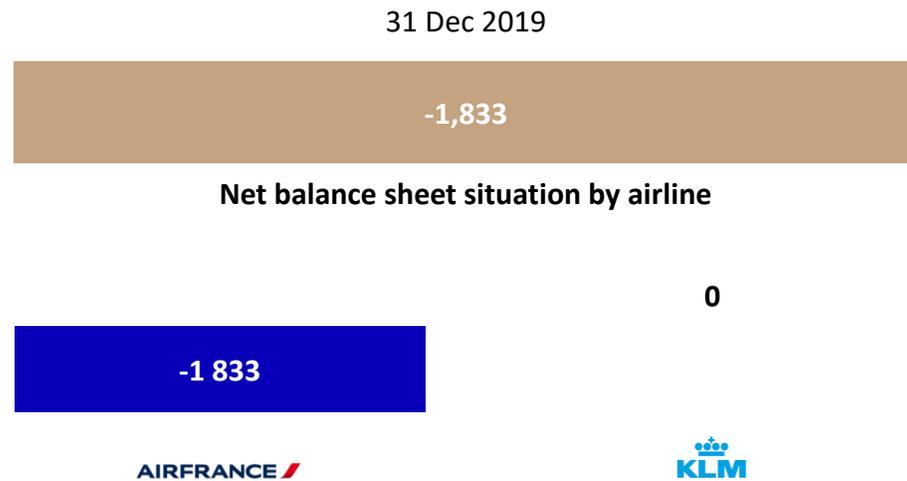
FY 2020  
In € m





# Pension details at 31 December 2020

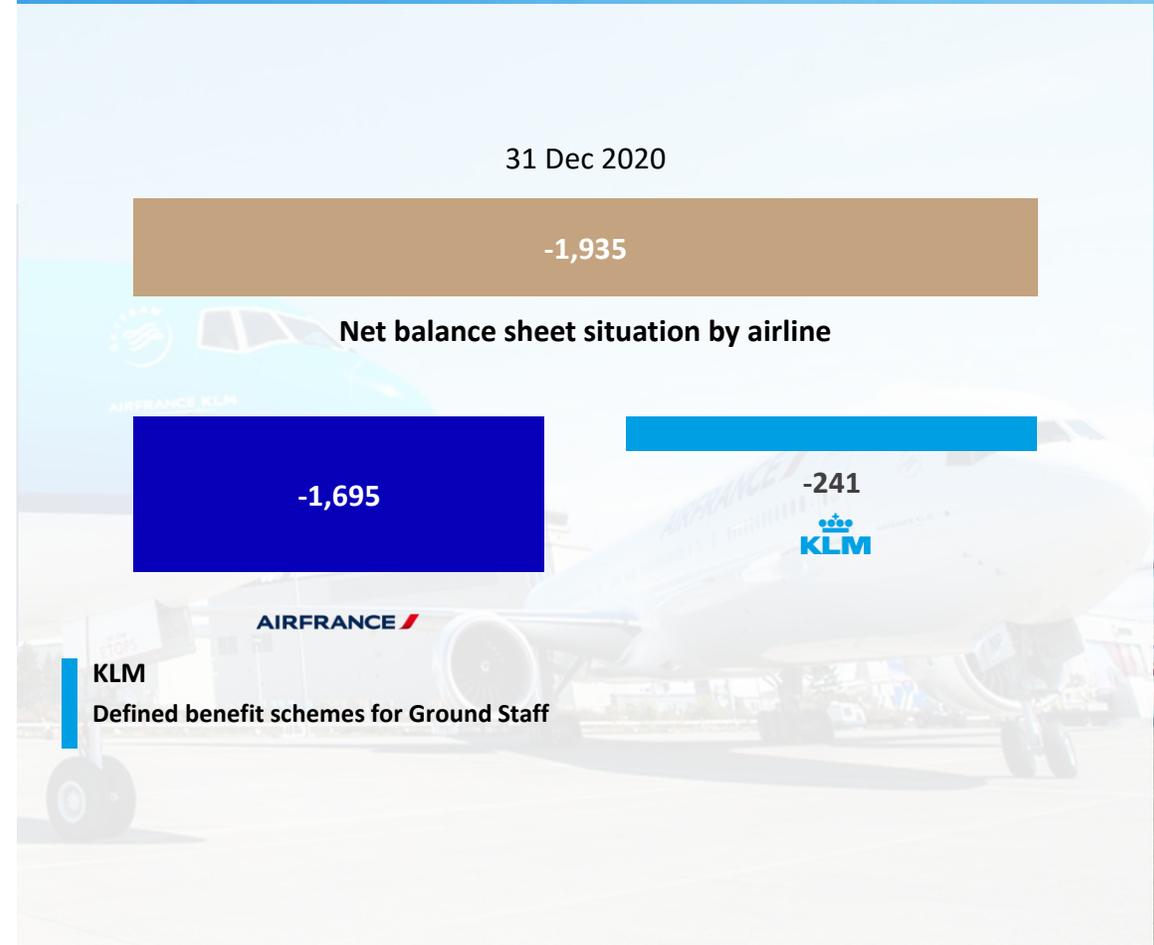
In € m



### 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

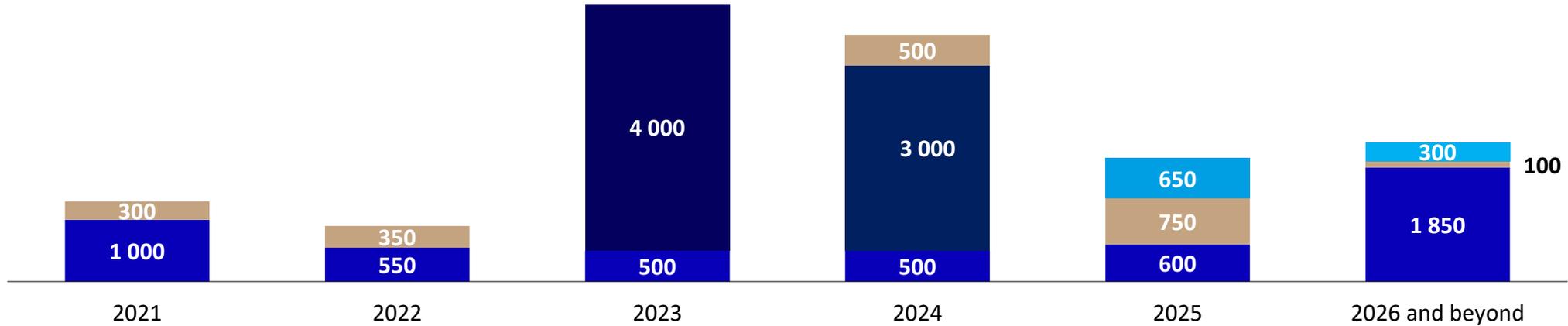
**Defined benefit schemes for Ground Staff**



# Debt reimbursement profile at 31 December 2020

## Debt reimbursement profile<sup>(1)</sup>

In € m



### Bonds issued by Air France-KLM

**June 2021:** AFKL 3.875% (€300m)  
**January 2025:** AFKL 1.875% (€750m)  
**October 2022:** AFKL 3.75% (€350m)  
**December 2026:** AFKL 4.35% \$145m (€118m)  
**March 2024:** AFKL 0,125% (€500m, Convertible « Océane »)

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

### French state-aid package

Air France drew all 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