

Air France-KLM

Investor Presentation

JULY 2021





Strategic highlights

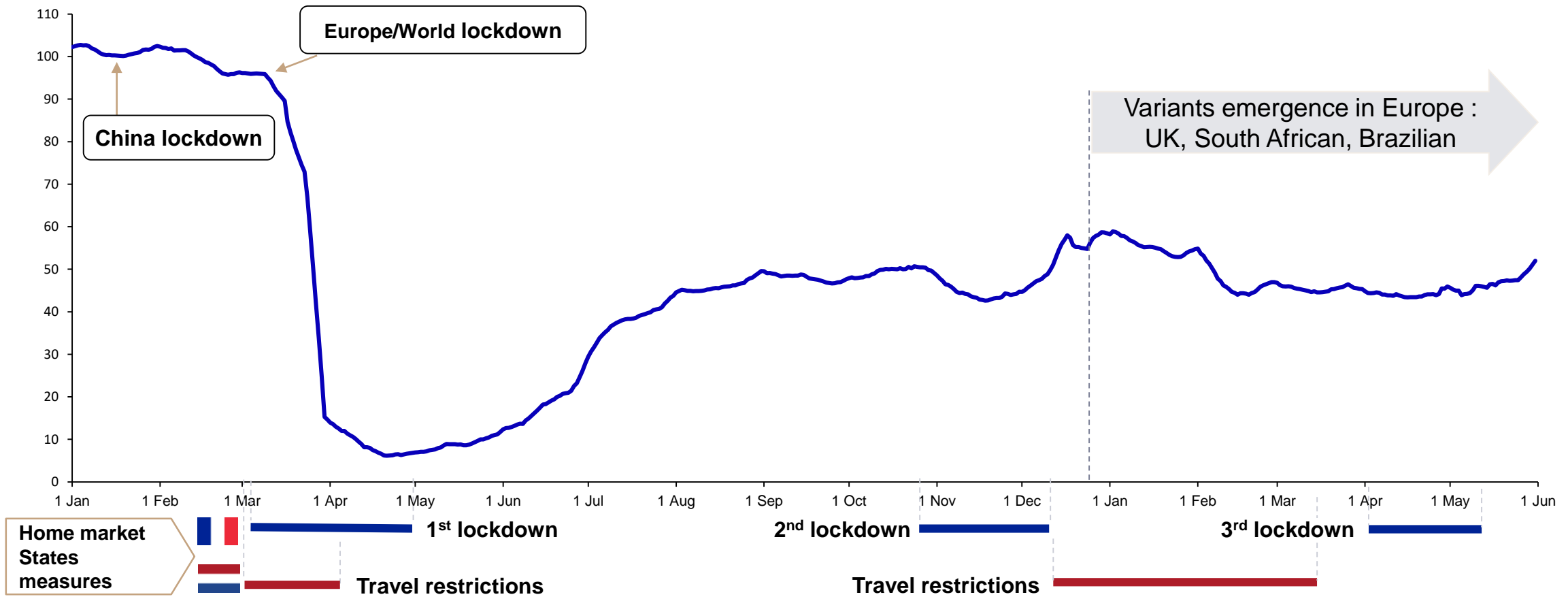


The Covid-19 crisis has strongly challenged our activity

2021 Air France – KLM Group seat capacity has stalled ~50% vs 2019

Air France – KLM Group capacity evolution 2020 – May 2021

%ASK vs same weekday 2019, snapshot May 10th 2021

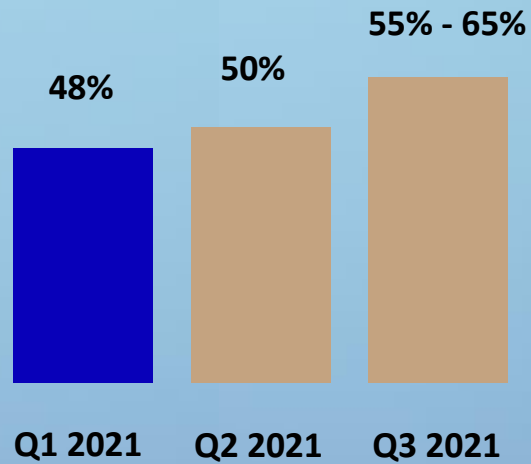


Source: OAG 10th of May 2021 and Air France - KLM internal data

But as restrictions loosen, we prepare for meeting our customers' willingness to fly by ramping up summer capacity

Air France and KLM Network Passenger capacity forecast

%ASK vs 2019, snapshot 21st of May 2021



Source, Internal AFKL, excluding Transavia France and the Netherlands

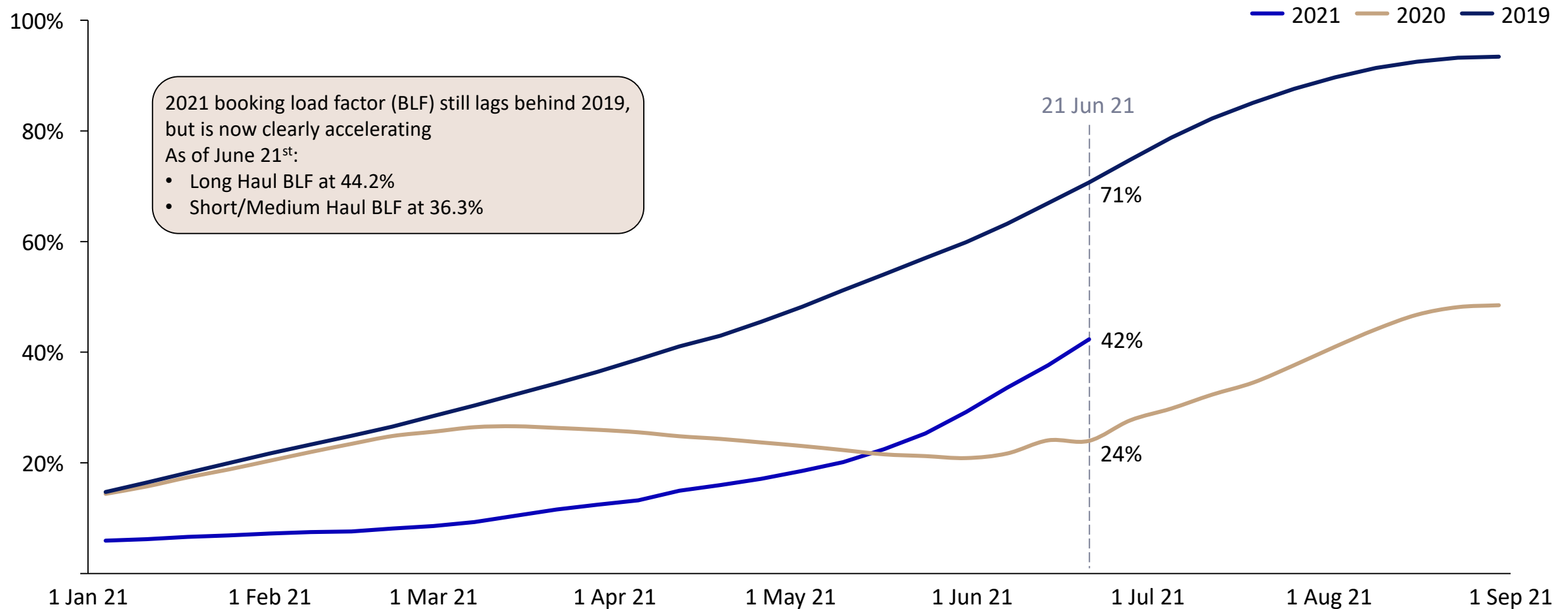




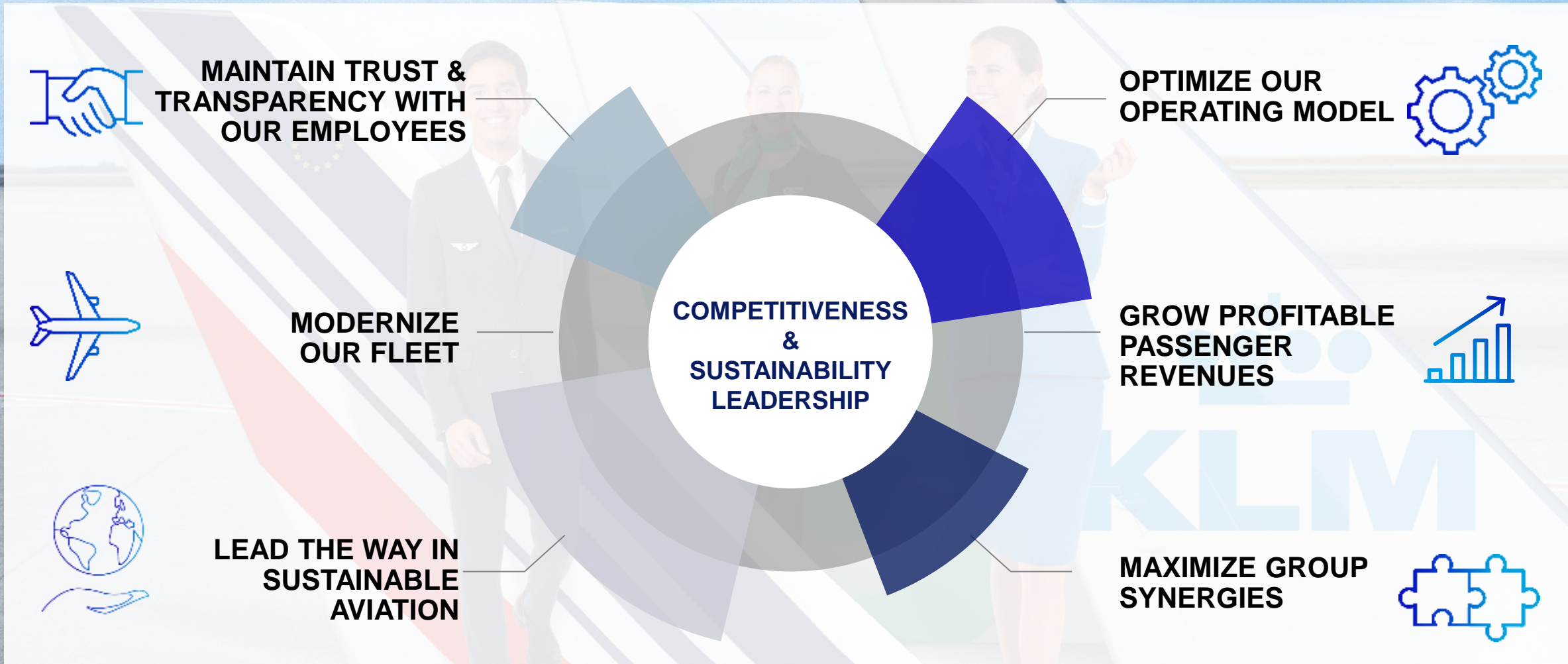
Air France and KLM Summer 2021 bookings are accelerating with the prospect of less stringent restrictions in Europe

Booking Load Factor, Air France and KLM full network, for travel in July and August

%, adjusted for capacity, 2019, 2020 and 2021, snapshot June 21st, 2021



Our plan to overhaul and simplify Air France - KLM Group was initiated at the end of 2018





Before the global pandemic, we already achieved key milestones...

Air France – KLM Group achievements before March 2020



Social stability

40+ agreements signed at Air France



Operating model

Ambitious transformations to optimize Group functions



Fleet modernization

Air France orders of 10 A350-900 & 60 A220-300, and KLM orders of 2 777-300 & 21 E195-E2



Unlocking growth potential

End of fleet size and seat limitations for Transavia France



Sustainability milestones

KLM launches 'Fly Responsibly' initiative
Air France voluntary full offset of domestic CO2 emissions from January 2020



Simplification and synergies

Cabin harmonization
Brand simplification
Fleet swap between Air France and KLM



Since the global pandemic, **we have strengthened & accelerated our plan**

Reinforcement and acceleration of the Group's plan from March 2020



Voluntary Departure Plans

Reduction of more than 8,700 Full Time Equivalent by the end of 2020



Optimize our operating model

Loss making Air France domestic network downsized and Air France-KLM CAPEX cuts by €2bn



Fleet optimization towards more flexibility

Phase-out of all A380s, A340s and Boeing 747s



Grow profitable passenger revenues

Development of Transavia France on domestic market



Reasserted sustainability commitments

Launch of a Sustainable Aviation Fuel program for corporate clients



Simplification and synergies

Extensive OEM contract renegotiation
Digitalization & simplification of Cargo processes
Streamlining of our worldwide commercial organization



We keep modernizing and simplifying our fleet to support our transformations and live up to our commitments

Fleet modernization & simplification with 3 key objectives:



Financial

Lower **unit cost**



Environment

Positive impact on sustainability



Customer

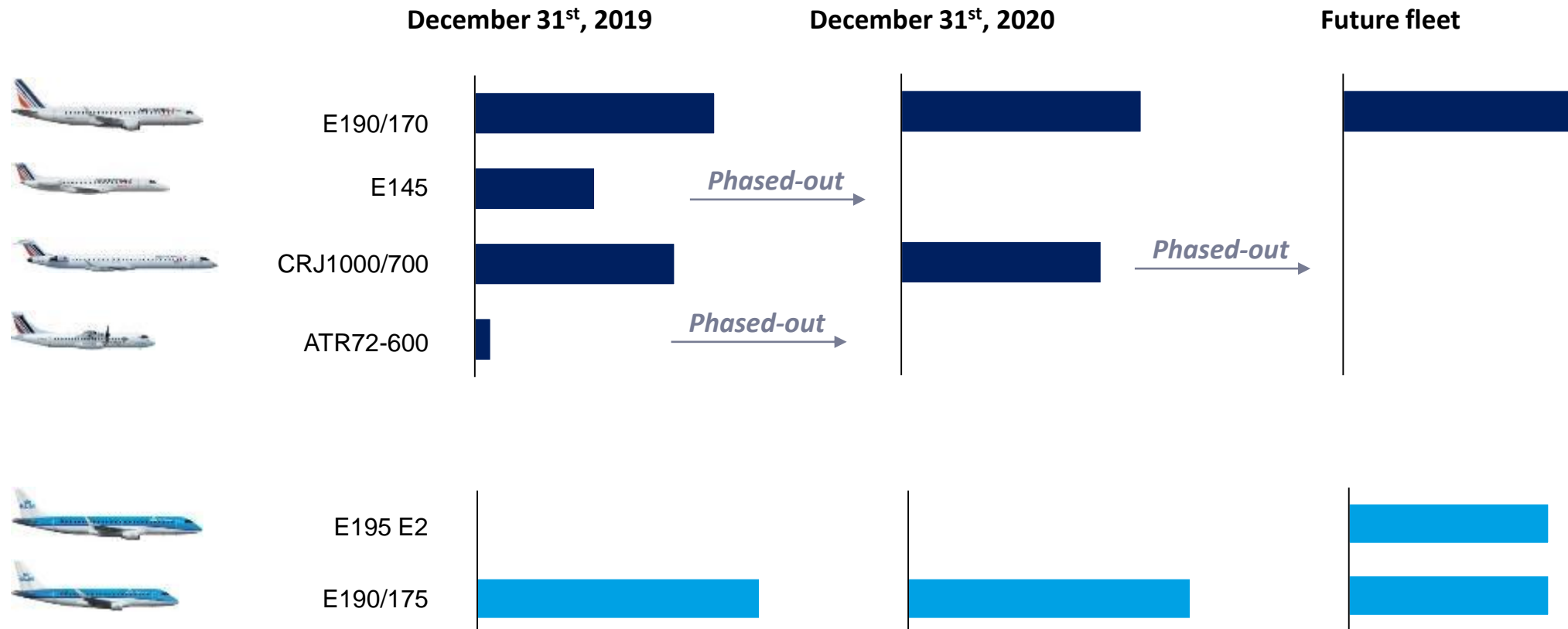
Improved on-board **experience**





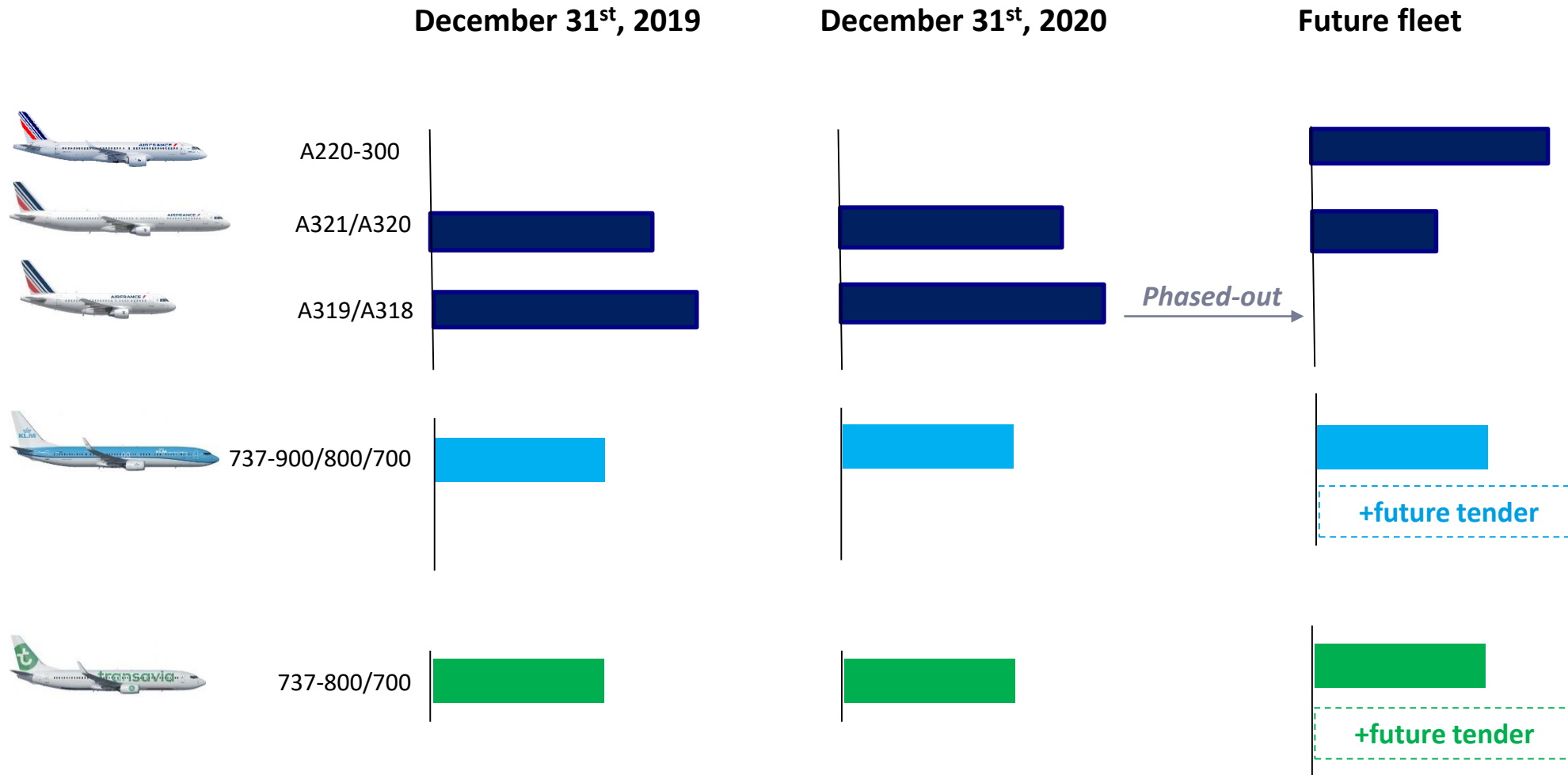
Air France Hop rationalized its fleet, KLM Cityhopper ordered 25 E195-E2

Air France Hop and KLM Cityhopper operational fleets



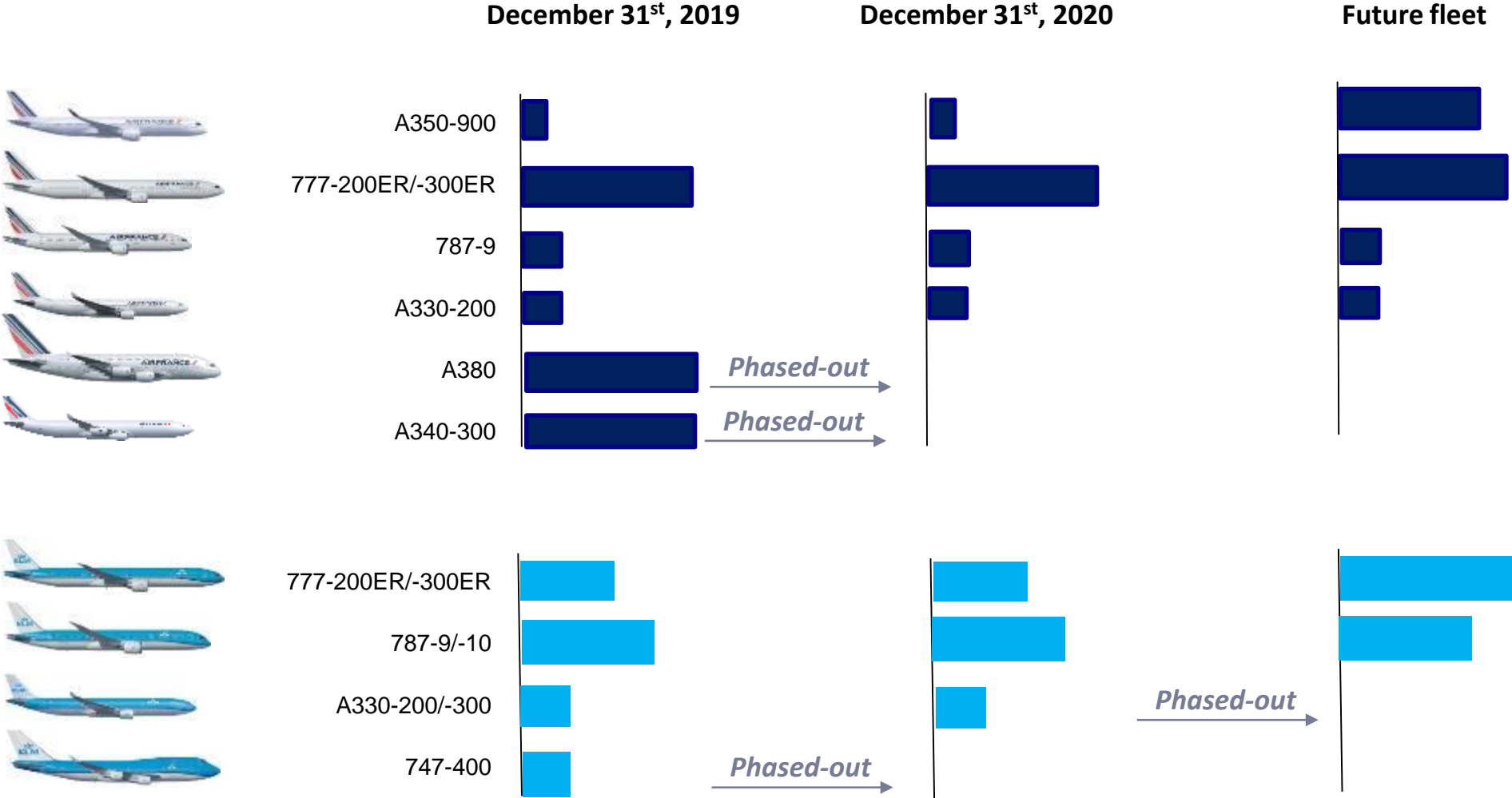


In 2021, Air France will start by replacing part of its **medium-haul** fleet by **latest generation A220-300s**





Long Haul fleet simplification and modernization with A350 and B787

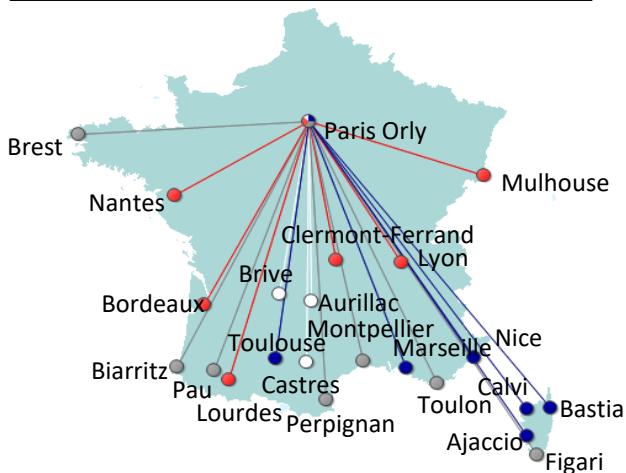




Air France: restructuration of the domestic network on track for 2023

Network evolution: Orly routes

2019



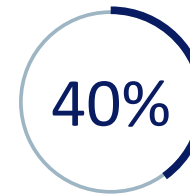
2021 achievement rate



Orly

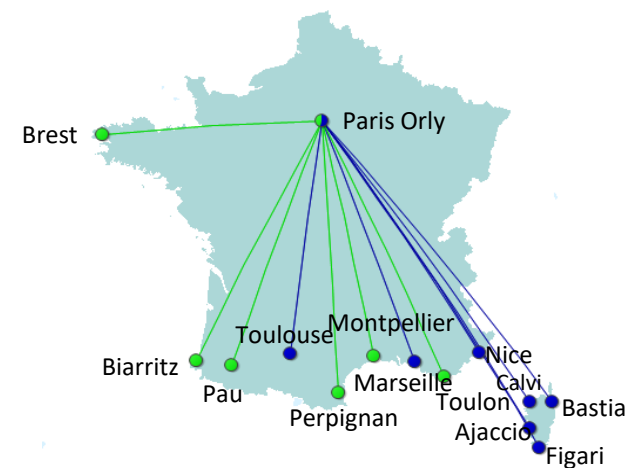


Transversal



Lyon

2023

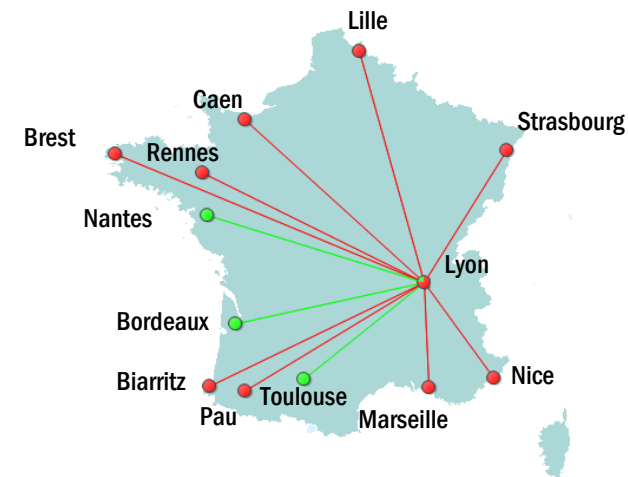
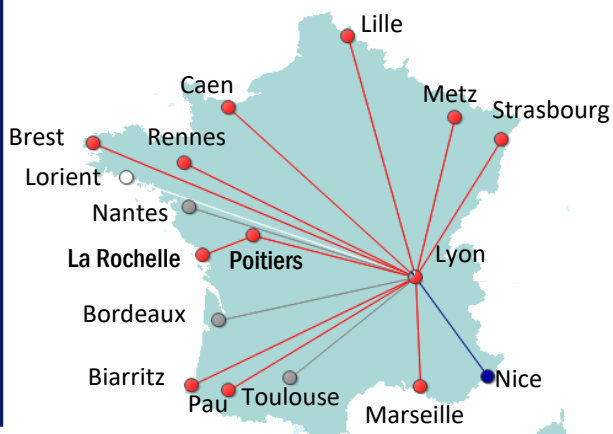


ASK share on ORY-Domestic (2023, %):

Transavia 27%

Air France 73%

Network evolution: Lyon hub



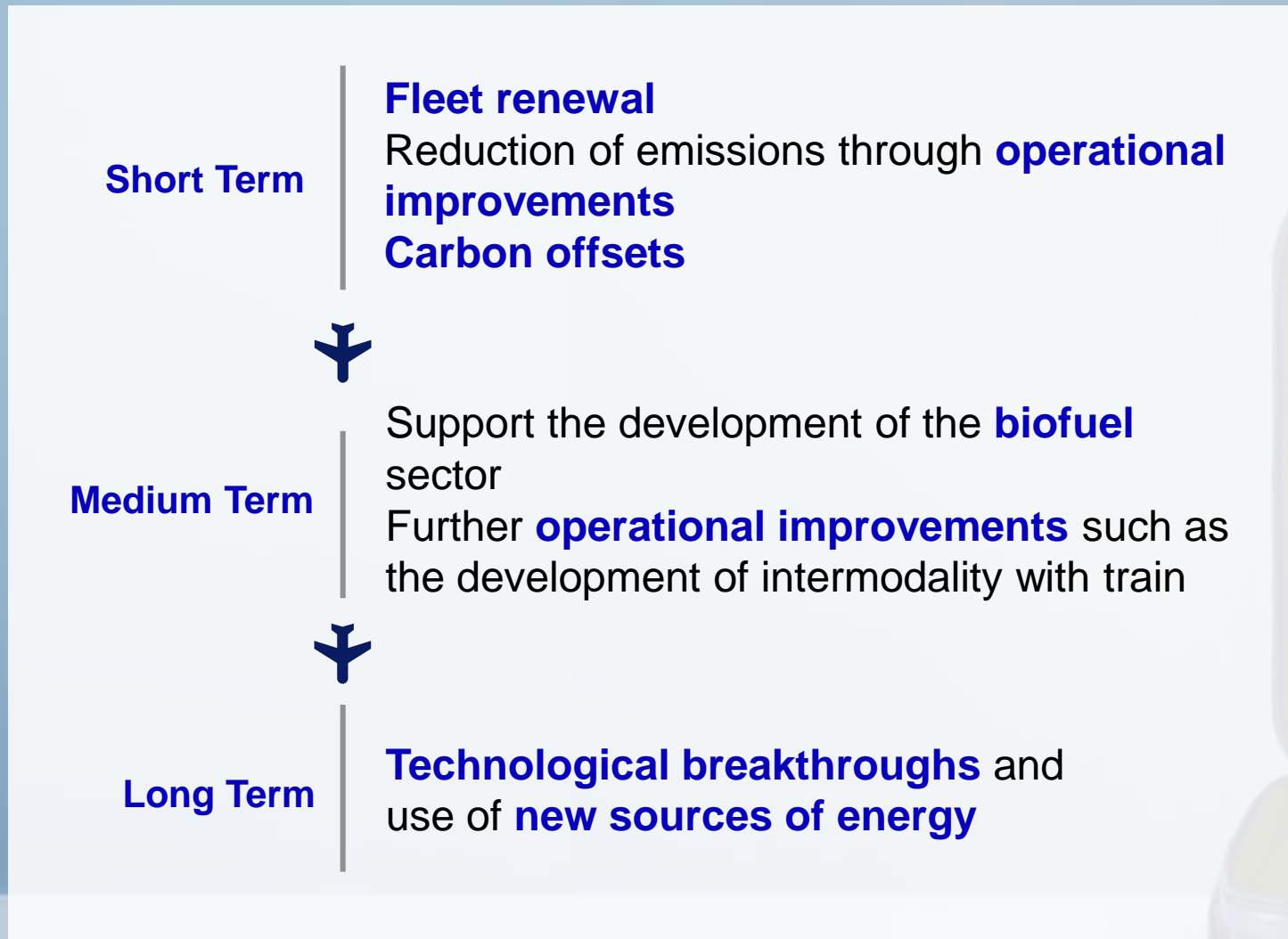
ASK share on Lyon-Domestic (2023, %):

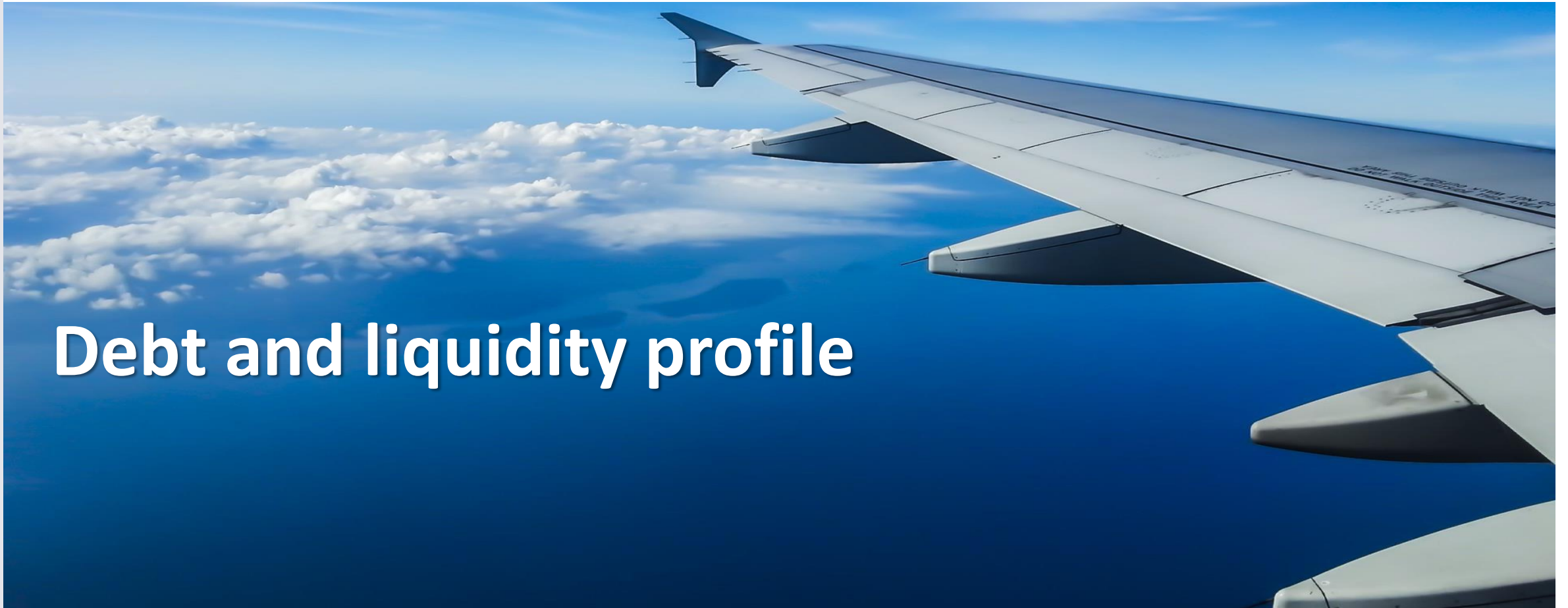
Transavia 32%

HOPi 68%

Key ● Operated by Air France ● Operated by Hop ● Operated by Air France and Hop ● Wetleased ● Operated by Transavia

Air France – KLM Group is activating all levers available to airlines to lower its environmental footprint





Debt and liquidity profile

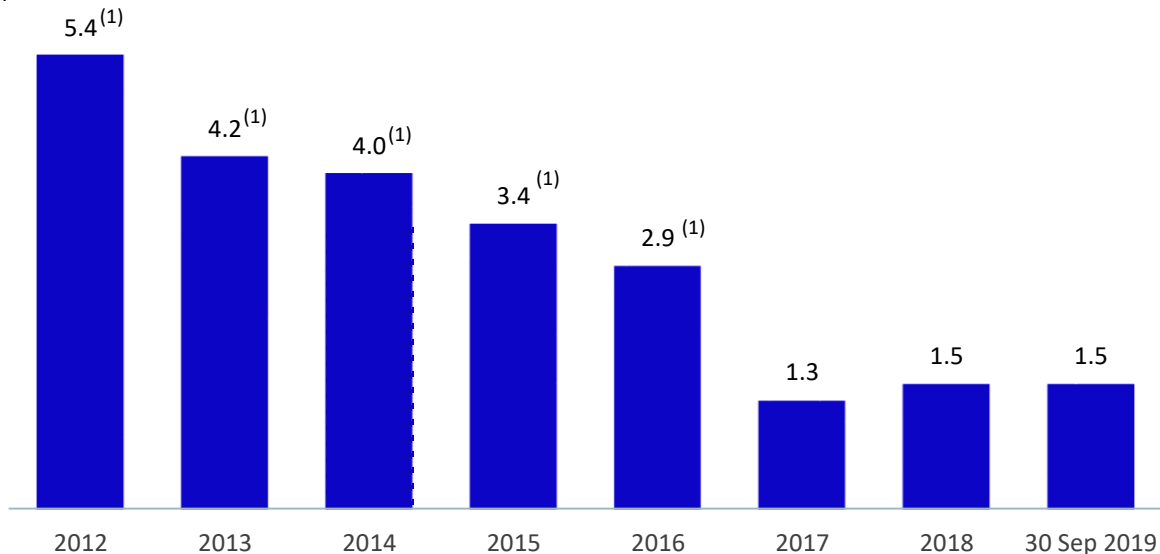


Leverage Successfully Taken Down to Investment Grade Like Level, pre COVID-19

Air France-KLM successfully deleveraged post-crisis years

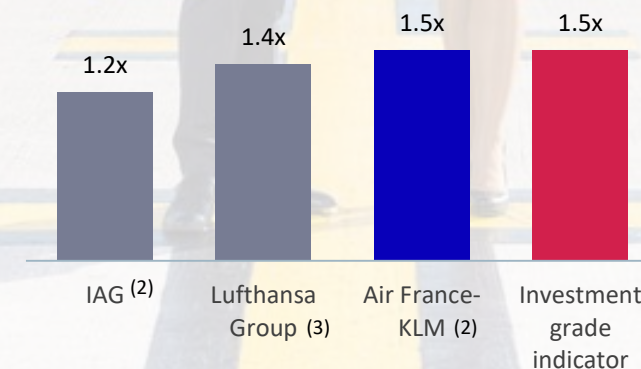
Net Debt/EBITDA trailing 12 months

In € bn



Air France-KLM vs peers

Net Debt/EBITDA trailing 12 months



(1) Pre-IFRS16 restatement as per 2017, Adjusted Net Debt/EBITDAR, with Adjusted net debt = Net Debt + 7 times yearly operating lease costs

(2) Air France-KLM and IAG end of September 2019 (IAG Source: press release 31 October 2019)

(3) Lufthansa Group end of June 2019

31 March 2021: €8.5bn cash at hand

€8.5bn cash at hand
end of March

€2.5bn
loans
undrawn

€6.0bn
cash
position

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





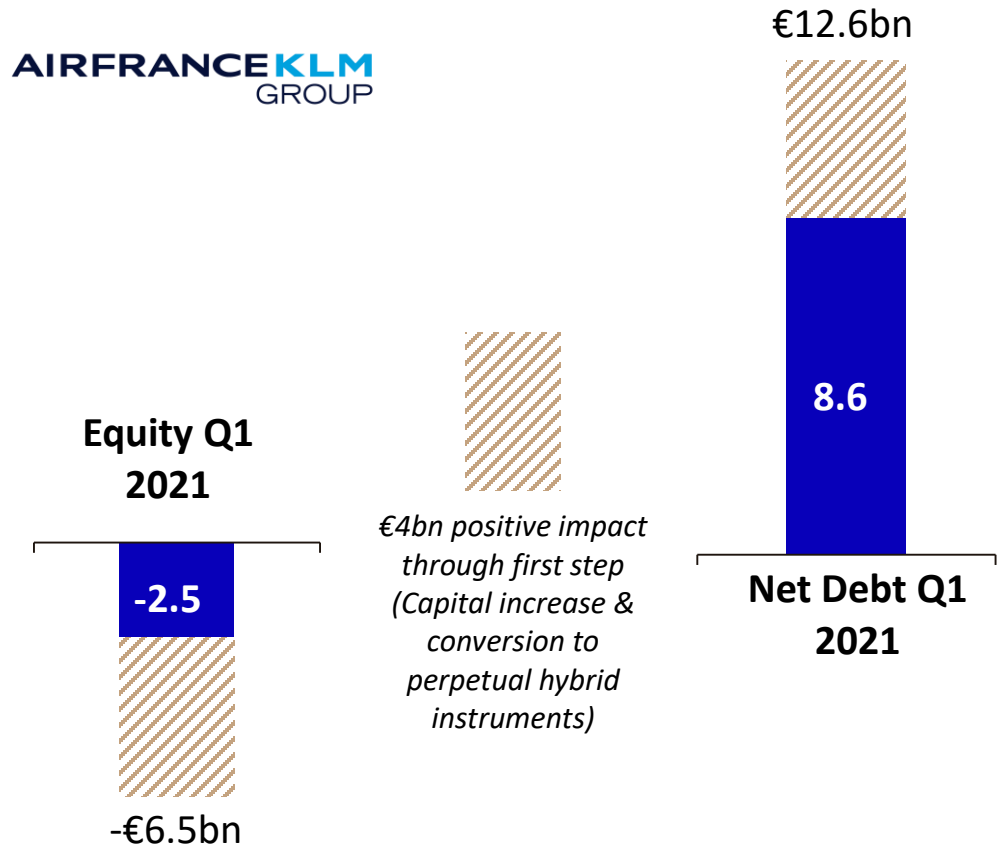
April 2021: A successful first set of capital-strengthening measures (1/2)

- **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
- Following the State aid mechanisms of €10.4bn which helped in 2020 to release medium term cash constraints but substantially increased indebtedness, this first step of measures allow to start **restoring equity and reprofile outstanding debt**, which together with the projected recovery in EBITDA, will progressively support the Group to **target Net Debt/EBITDA ratio circa below 3.0x by 2023, prior any additional further recapitalization measures**
- **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, sustainability / diversity and financial performance** commitments reiterated by the Group to stakeholders parties

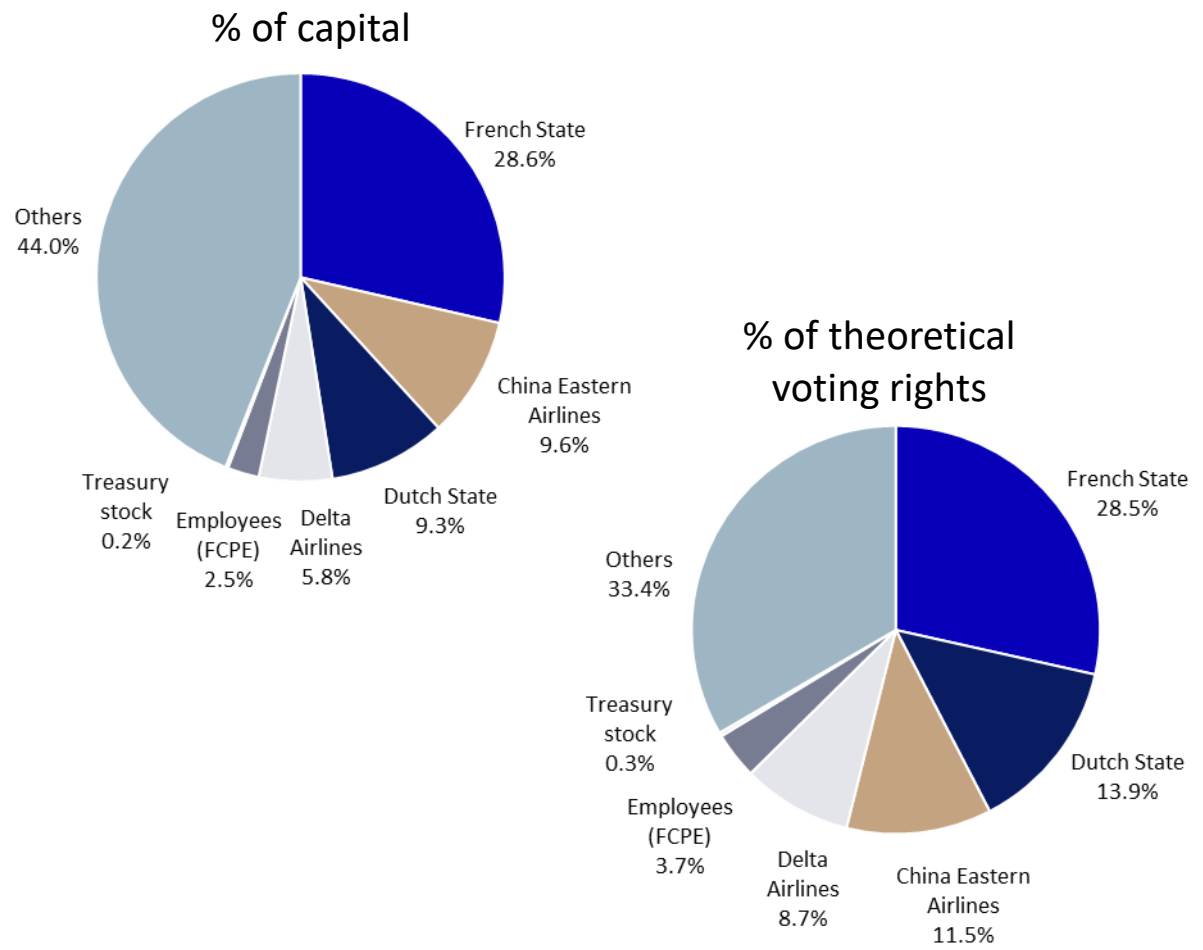


April 2021: A successful first set of capital-strengthening measures (2/2)

BALANCE SHEET STILL REQUIRING FURTHER REINFORCEMENT AND DEBT REPROFILING



SHAREHOLDING STRUCTURE AFTER CAPITAL INCREASE





June 2021: €800m dual tranche 3y and 5y senior bond offering

Key transaction terms

Issuer	Air France-KLM	
Issuer ratings	Unrated	
Format	Senior, Unsecured, RegS, Bearer, Dematerialized	
Pricing date	24 June 2021	
Settlement date	1 July 2021 (T+5)	
Tranche	3-year	5-year
Amount	€300mn	€500mn
Maturity date	1 st July 2024	1 st July 2026
IPTs	3.750% area	4.500% area
Guidance	3.250%	4.125%
Reoffer yield	3.125%	4.000%
Coupon	3.000%	3.875%
Par call	1 month	3 months
Documentation	Standalone / French Law / €100 + €100k / Euronext Paris / Clean-Up Call @ 75% / MWC	

- The transaction represented **Air France-KLM's first return to the senior unsecured bond market since the start of the COVID-19 outbreak** (last transaction in January 2020, a €750m 5-year)
- Proceeds from the transaction will be used to **refinance (i) the redemption of the outstanding market debt of the Issuer (€300m), and gradually (ii) part of the French PGE (€500m)**



Further steps under consideration: Focus first on securing cash trajectory and relieving some constraints on equity

Actions on cash

- **Negotiations started to reprofile French PGE reimbursement :**
 - Remaining €3.5bn repayment in 2023 split into 3 tranches: *€0.8bn in 2023 and 2 x €1.3bn in 2024 and 2025 (indicative)*
- **Launch of an EMTN** issuer program to maximize the use of potential market windows for bond issuance.
- **Solicitation of an ESG rating** for Sustainability Linked Bonds, which will facilitate debt extension and recapitalization measures.

Actions on equity

- **Dutch State** pursuing discussions with European Commission on capital strengthening measures for KLM
- **Extraordinary financial resolutions** approved at last AGM (May-21), to provide larger flexibility for the Board of Directors to aim for further capital strengthening and refinancing, including authorisations to increase capital up to 300% of the current share capital⁽¹⁾ or issue up to 3.5bn equity linked instruments
- **These resolutions** could include products such as rights issuances, quasi-equity vanilla, equity-linked instruments to recycle States support (TSS/State loan) into capital markets instruments with private investors, through a more dynamic financing strategy



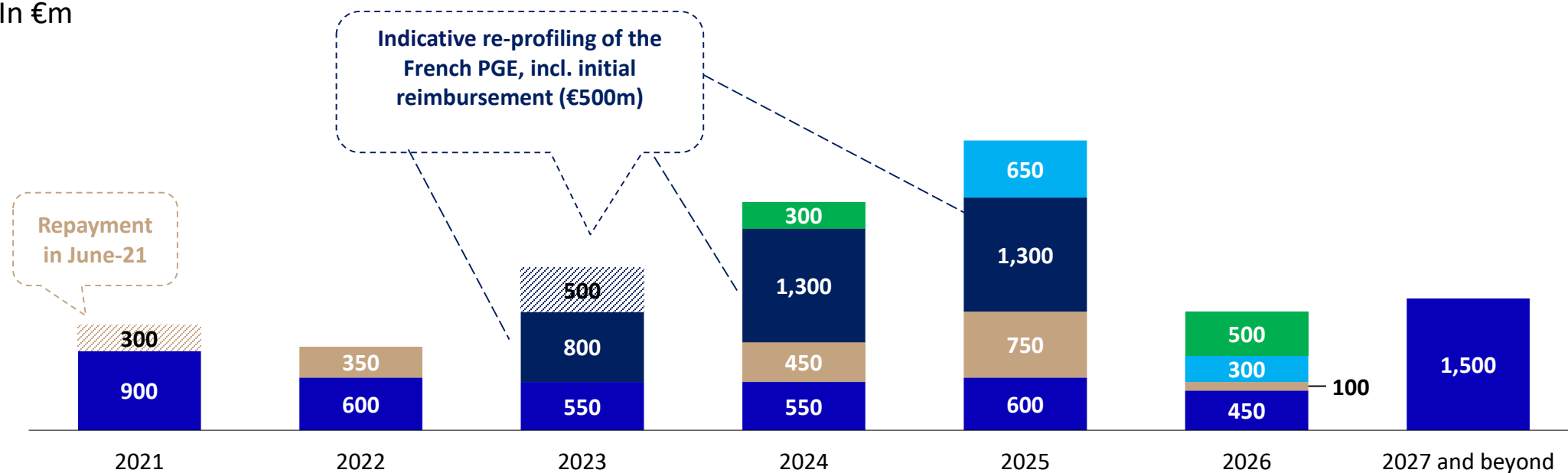
Target of Net debt / EBITDA to c.2.0x in 2023
after the second step
(vs. circa 3.0x following the first step)



Indicative debt reimbursement profile

Debt reimbursement profile⁽¹⁾

In €m



<p>Bonds issued by Air France-KLM</p> <p>June 2021: AFKL 3.875% (€300m)</p> <p>October 2022: AFKL 3.75% (€350m)</p> <p>March 2024: AFKL 0,125% (€500m, Convertible « Océane »)</p>	<p>January 2025 AFKL 1.875% (€750m)</p> <p>December 2026: AFKL 4.35% \$145m (€118m)</p>	<p>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</p> <p>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</p>	<p>Other long-term Debt : AF and KLM Secured Debt, mainly "Asset-backed"</p> <p>June 2021: €800m dual tranche 3y and 5y senior bond offering</p>
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(1) Excluding operating lease debt payments, KLM perpetual debt, and Air France perpetual quasi-equity



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 ⁽¹⁾
- Adjusted Operating Free Cash Flow expected to be positive in 2023
- Net debt / EBITDA circa 3x in 2023 to be lowered to ~2x after the expected second step of recapitalization
- Operating margin mid-cycle at 7-8%

(1) Unit cost including fuel and currency change assumptions

