

# AIR FRANCE-KLM ROADSHOW PRESENTATION

May 2018

# AIR FRANCE-KLM RESULTS

Full Year 2017

# 2017: STRONG OPERATING RESULT AND SIGNIFICANT STRENGTHENING OF THE FINANCIAL STRUCTURE

	FY 2017	Change	Change at constant currency
Revenues (€bn)	25.78	+3.8%	+4.3%
EBITDA (€m)	3,264	+20.3%	+26.8%
Operating result (€m)	1,488	+41.8%	+60.1%
Operating margin	5.8%	+1.5 pt	+2.0 pt
Lease adjusted operating result <sup>(1)</sup> (€m)	1,851	+31.6%	+43.4%
Lease adjusted operating margin <sup>(1)</sup>	7.2%	+1.5 pt	+2.0 pt
Net result, group share (€m)	-274	nm	
Operating free cash flow (€m)	696	+349 m	
ROCE	11.1%	+2.1 pt	
Net debt at end of period (€m)	1,657	-1,998 m	
Adjusted net debt (€m) <sup>(2)</sup>	9,273	-1,893 m	
Adjusted net debt/EBITDAR <sup>(2)</sup>	2.1x	-0.8x	

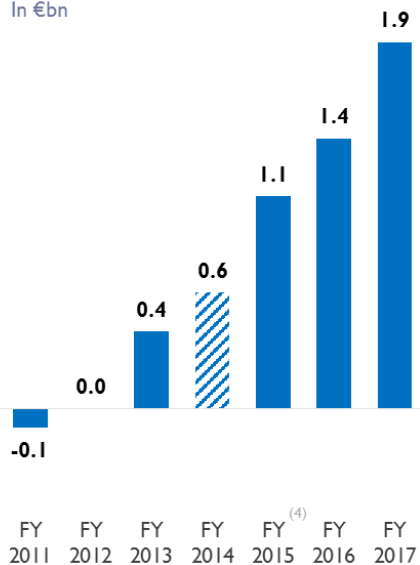
(1) Operating result adjusted for the interest portion (1/3) of the operating leases

(2) Adjusted net debt = net debt + 7x yearly operational lease costs

# SIGNIFICANT STRENGTHENING OF THE FINANCIAL STRUCTURE

## Lease adjusted operating result<sup>(1)</sup>

In €bn

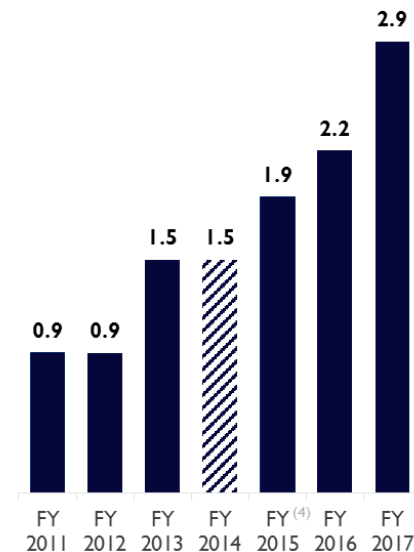


▨ Strike adjusted

● **2017 vs 2011:**  
**+€2.0 bn**

## Operating cash flow<sup>(2)</sup>

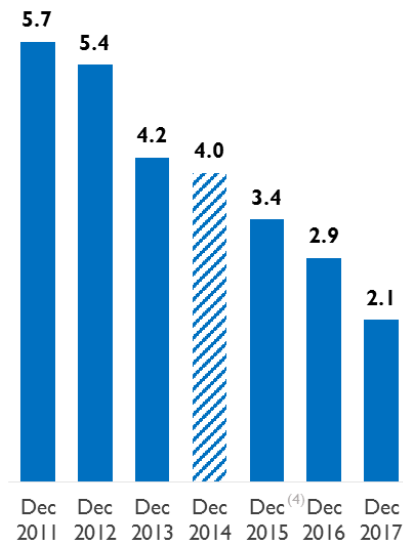
In €bn



▨ Strike adjusted

● **2017 vs 2011:**  
**+€2.0 bn**

## Adjusted net debt / EBITDAR ratio<sup>(3)</sup>



▨ Strike adjusted

● **2017 vs 2011:**  
**-3.6**

(1) Operating results adjusted for interest portion (1/3) of operating leases

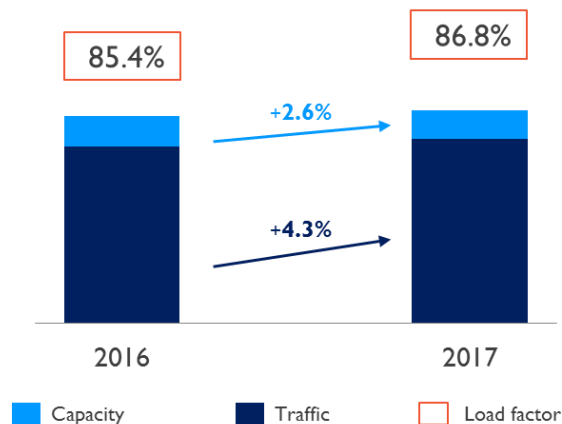
(2) Operating cashflow including VDP and change in WCR, before investments

(3) Adjusted net debt = net debt + 7x yearly operational lease costs

(4) Reclassification of Servair as a discontinued operation

# NETWORK: GROWTH IN PASSENGER TRAFFIC AND UNIT REVENUE

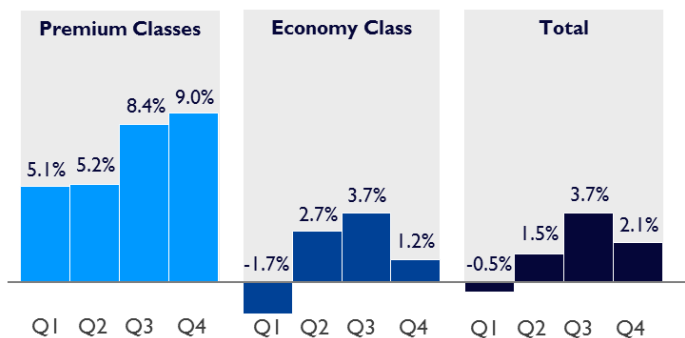
## ACTIVITY



- ▶ Revenues: €22.48 bn, up 3.4%
- ▶ Operating income increasing by €379 m

## UNIT REVENUE EVOLUTION

AT CONSTANT CURRENCY



**83.9 million**  
Passengers in 2017

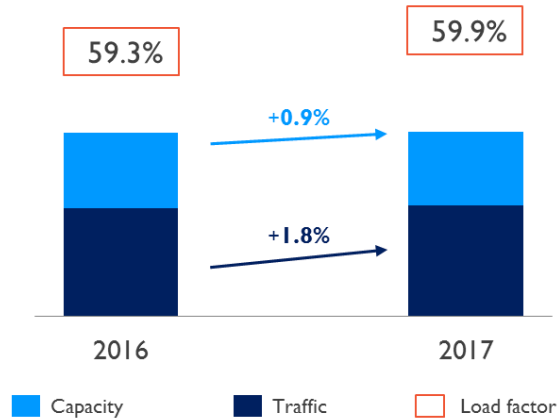
Employees:  
**54,000**

Aircraft in operation:  
**471**



# NETWORK: CARGO TURNAROUND CONFIRMATION

## ACTIVITY



- ▶ Full Freighter activity shows improved performance
- ▶ Traffic and Unit Revenue up
  - > Market demand growth to and from Asia and Latin America

**1.14 million**  
Tons Cargo in 2017

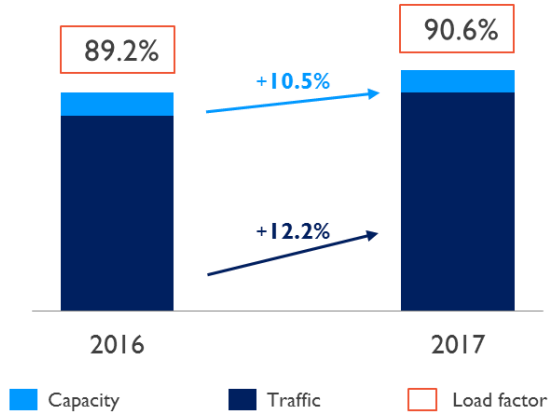
—  
Employees:  
**4,300**

—  
**6 full freighters**  
in operation



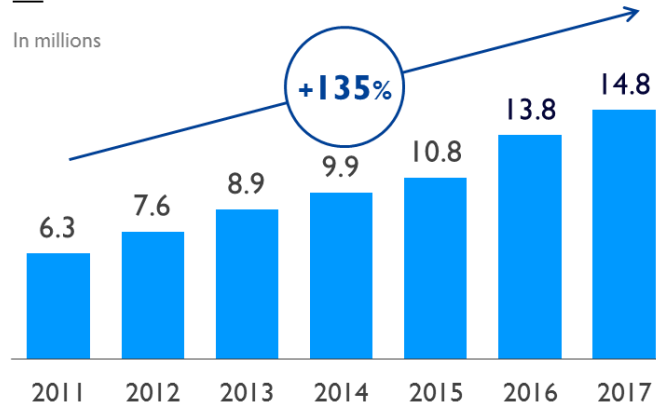
# TRANSAVIA ACCELERATED GROWTH

## ACTIVITY



## PASSENGERS

In millions



- ▶ Unit revenue rise (+6.8%)
- ▶ More than 100 Transavia destinations
- ▶ Low cost n°1 in the Netherlands and Paris-Orly

**14.8 million**

Passengers in 2017

Employees:  
**2,900**

Revenues:  
**€1.4 bn**

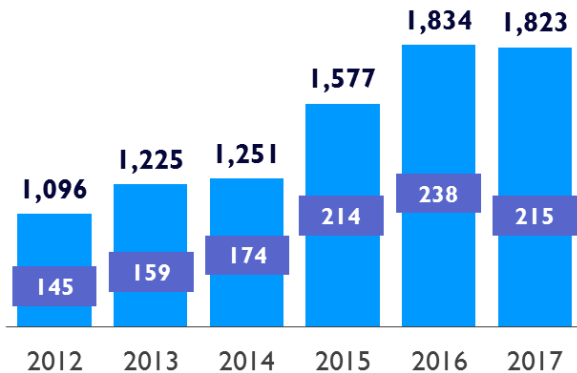
Operating result:  
**€81 m**



# A WORLD LEADER IN MAINTENANCE

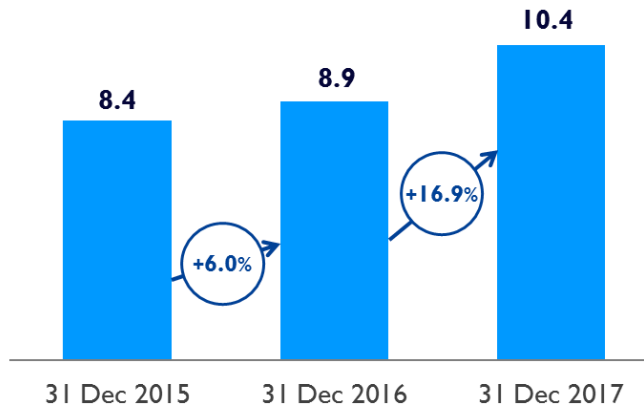
## THIRD PARTY REVENUE AND OPERATING RESULT

In €m



## ORDER BOOK

In \$bn



- ▶ Slight margin pressure, due to strong competitive landscape in the Component activity
- ▶ Further increase in order book
  - > New Component contracts on new-generation aircraft
  - > New Engine deals

## World leader

Employees:  
**13,600**

15 industrial sites  
450 engine shop visits per year  
1,300 aircraft under component support contracts

Revenues:  
**€4.2 bn**

Operating result:  
**€215 m**





# AIR FRANCE-KLM RESULTS

## First quarter 2018

4<sup>th</sup> May 2018

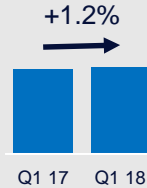
*Note: 2017 restated for implementation of accounting standards IFRS*

# FIRST QUARTER 2018: KEY HIGHLIGHTS

## Strong ongoing demand



**Passengers**

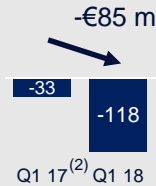


**RASK<sup>(1)</sup>**

At constant currency

- Positive business environment in line with expectations
- First results from enhanced partnership with Jet Airways
- Continuing commercial momentum (Flying Blue, branded fares)

## Results impacted by strike



**Operating result**



**Adj. operating free cash flow<sup>(3)</sup>**

- Strikes due to wage dispute impacting Air France result by around €75 m in Q1 2018
- KLM and Transavia performance improving
- Implementation of new accounting standards IFRS 9, 15 and 16

(1) Group Revenue per Available Seat Kilometer (RASK) Passenger + Transavia

(2) 2017 restated for implementation of accounting standards IFRS

(3) Adjusted operating free cash flow = Operating cash flow with deduction of repayment of lease debt

# FIRST QUARTER 2018

	Q1 2018	Q1 2017 <sup>(1)</sup>	Change	Change at constant currency
Revenues (€ bn)	5.81	5.71	+1.8%	+5.9%
EBITDA (€ m)	621	648	-27 m	-42 m
Operating result (€ m)	-118	-33	-85 m	-105 m
Operating margin	-2.0%	-0.6%	-1.5 pt	-1.8 pt
Net result, group share (€ m)	-269	-143	-126 m	
Adjusted operating free cash flow (€ m) <sup>(2)</sup>	142	324	-182 m	
ROCE <sup>(3)</sup>	14.1%	9.8%	+4.3 pt	





	Q1 2018	31 Dec 2017 <sup>(1)</sup>	Change
Net debt (€ m)	6,282	6,567	-285 m

(1) 2017 restated for implementation of accounting standards IFRS 9, 15 and 16

(2) Adjusted operating cash flow = Operating cash flow with deduction of repayment of lease debt

(3) ROCE 12 months sliding, for new definition see press release

# REVENUE GROWTH IN ALL BUSINESSES, NETWORK MARGIN IMPACTED BY STRIKE

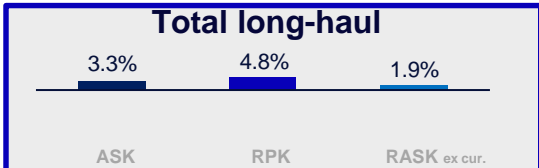
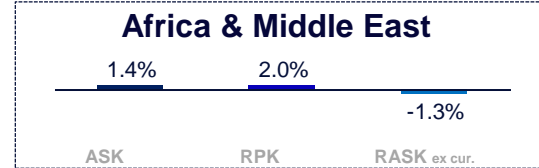
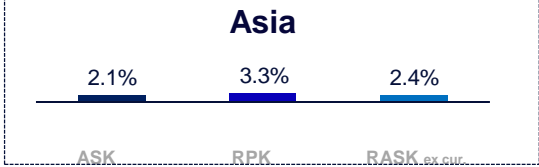
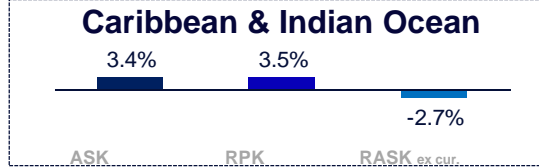
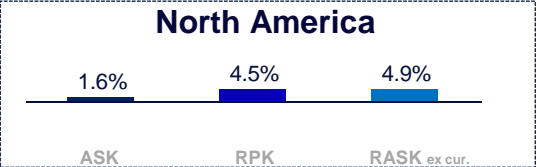
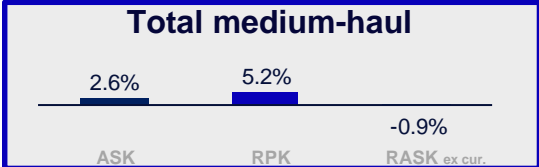
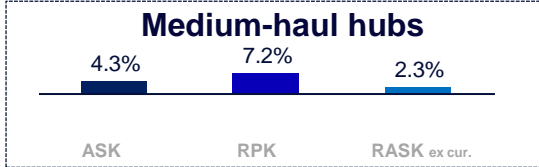
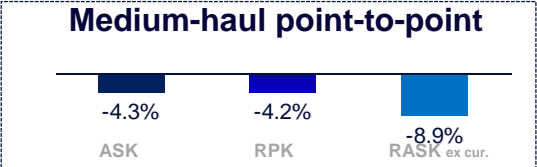
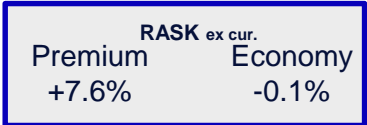
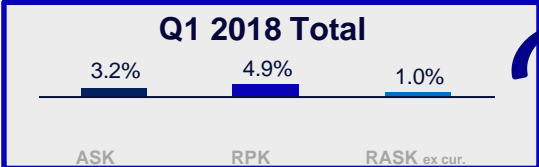
	Capacity <sup>(1)</sup>	Unit Revenue <sup>(2)</sup> Constant Currency	Revenues (€ m)	Change	Operating result <sup>(3)</sup> (€ m)	Change	Operating margin <sup>(3)</sup>	Change	
Network		+3.2%	+1.0%	5,090	+0.8%	-86	-76 m	-1.7%	-1.5 pt
		+0.6%	+7.3%						
Transavia		+10.1%	+8.4%	235	+19.3%	-58	+7 m	-24.7%	+8.3 pt
Maintenance				471	+5.1%	27	-17 m	2.5%	-1.7 pt
<b>Total</b>				<b>5,806</b>	<b>+1.8%</b>	<b>-118</b>	<b>-85 m</b>	<b>-2.0%</b>	<b>-1.5 pt</b>

(1) Passenger airlines capacity is Available Seat Kilometer, Cargo capacity is Available Ton Kilometer

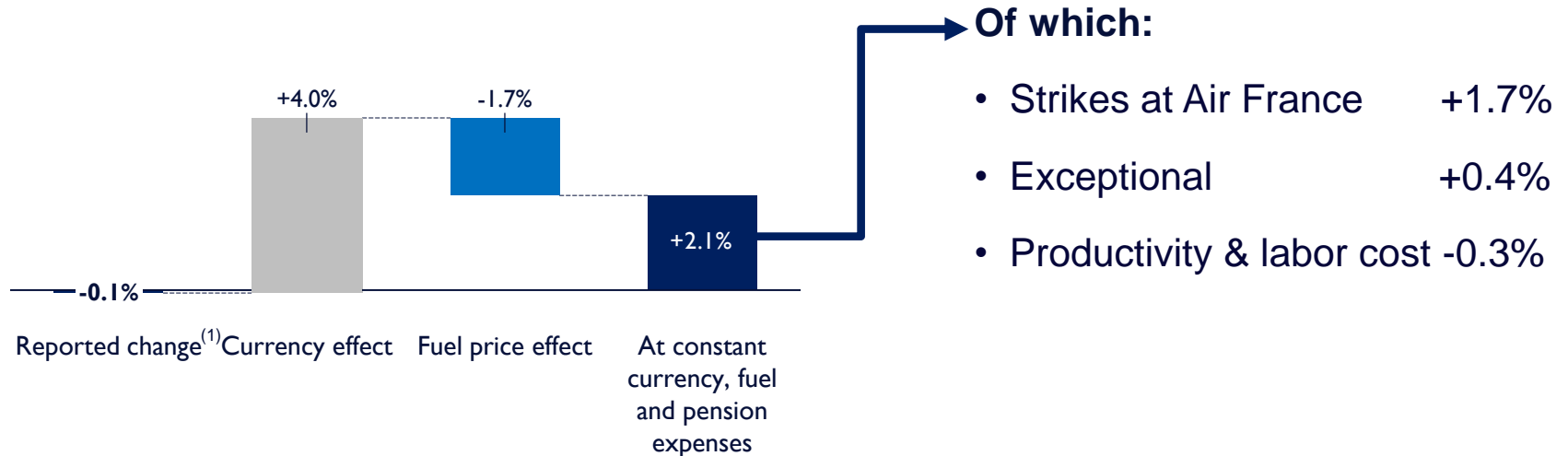
(2) Unit Revenue: Passenger airlines is Revenue per Available Seat Kilometer, Cargo is Revenue per Available Ton Kilometer

(3) 2017 restated for implementation of accounting standards IFRS

# NETWORK: STRONG ONGOING DEMAND FOR LONG-HAUL AND HUBS, PRESSURE IN POINT-TO-POINT



# UNIT COST IMPACTED MAINLY BY AIR FRANCE STRIKE



(1) 2017 restated for implementation of accounting standards IFRS

# INCREASED PRODUCTIVITY SUPPORTED BY CAPACITY GROWTH

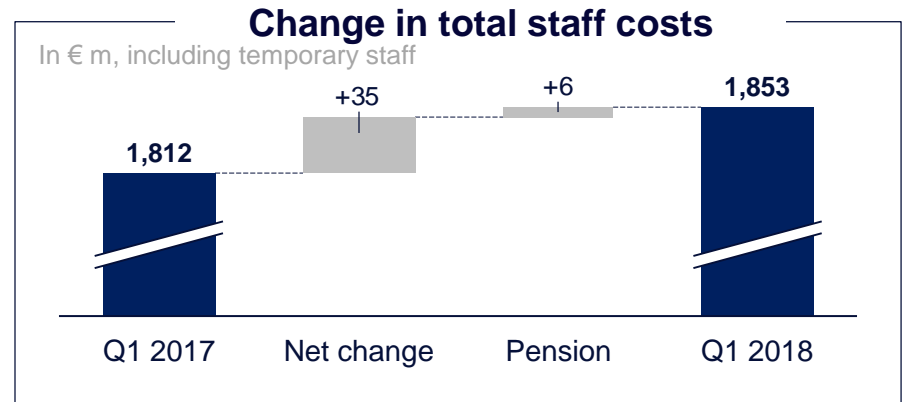
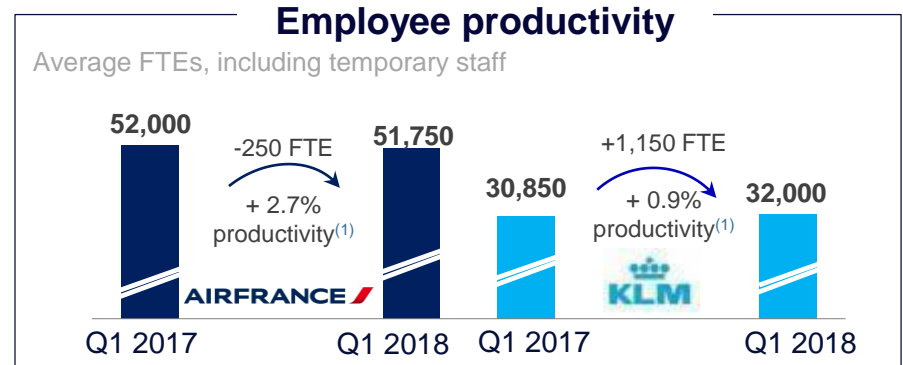
- **Continuous focus on productivity improvement:**

- > First quarter 2018 average FTEs at 83,750, up 900 FTEs compared to first quarter 2017 average

- -300 Ground staff FTEs
- +1100 Cabin and +100 cockpit FTEs due to capacity growth

- > Employee productivity<sup>(1)</sup> +2.1% in Q1 18 (capacity measured in EASK +3.3%)

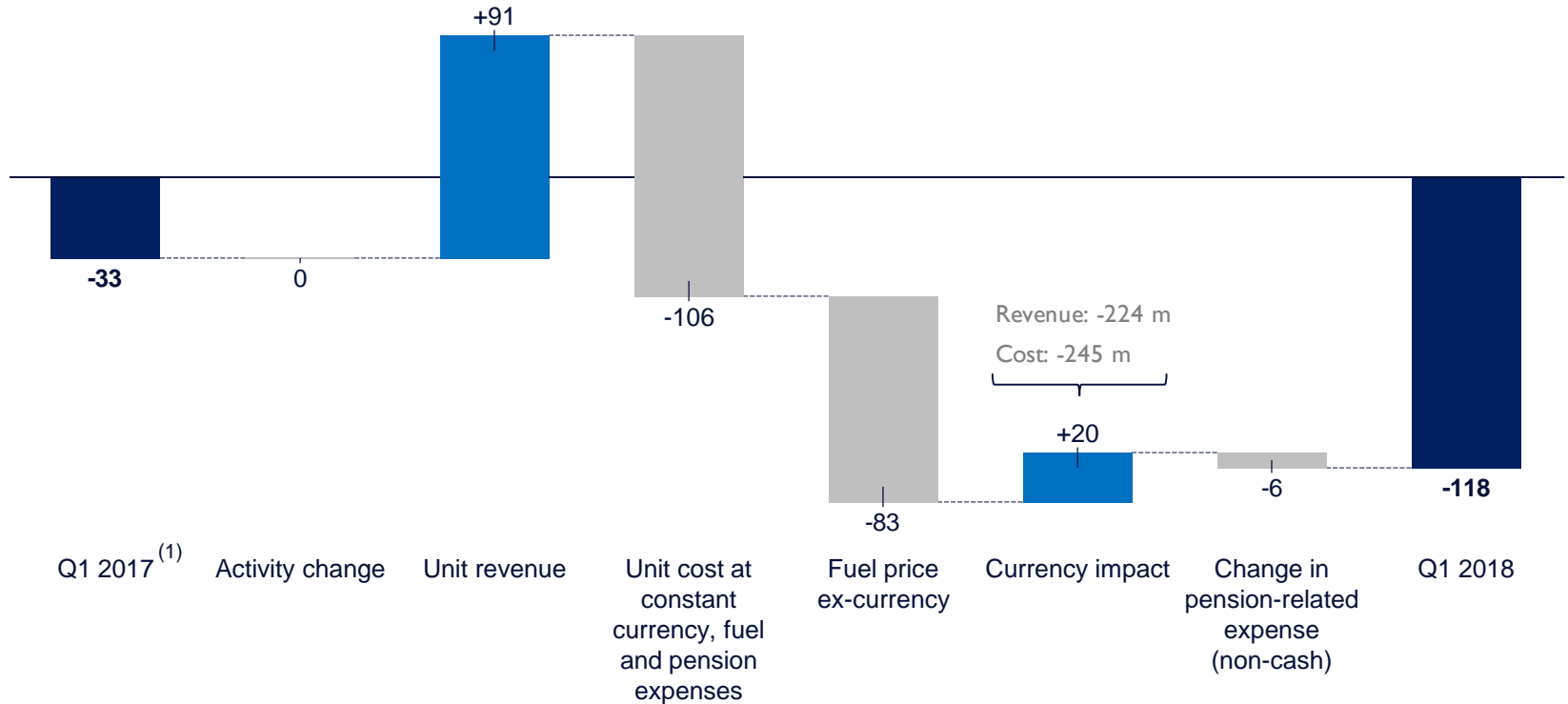
- **First quarter 2018 net change in staff cost +1.9% compared to last year**



(1) Productivity measured by EASK/FTE

# OPERATING RESULT DOWN - €85 M

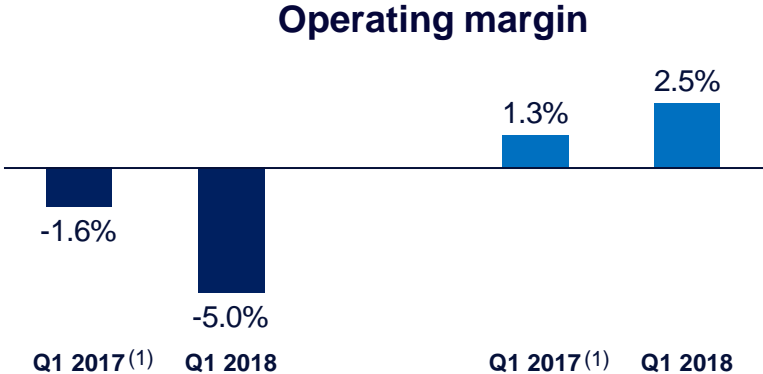
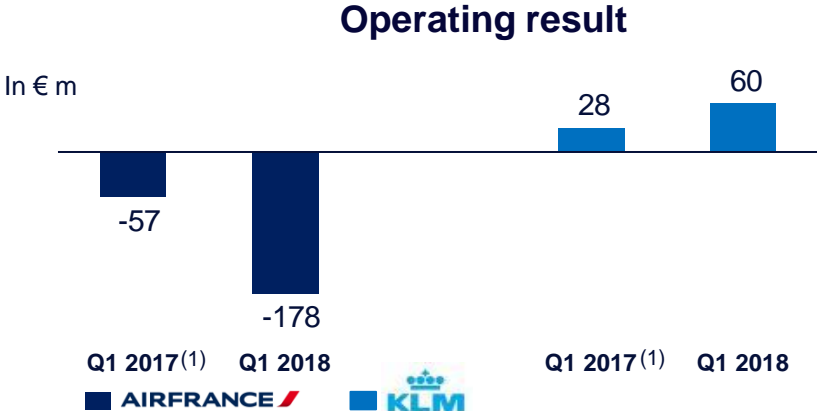
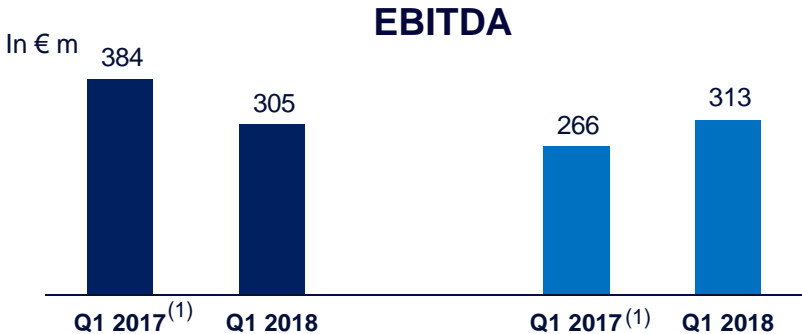
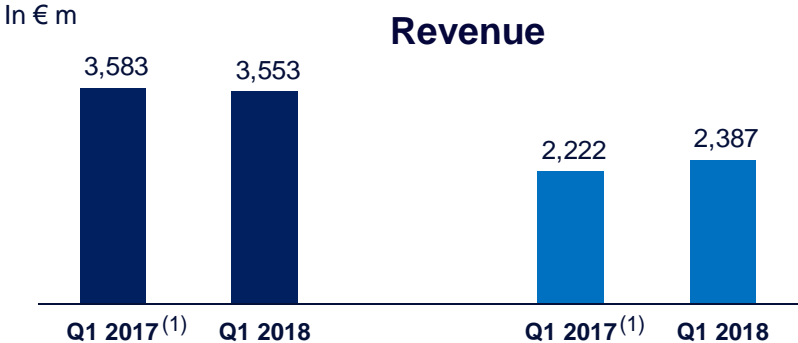
In € m



(1) Restated post implementation of accounting standards IFRS



# AIR FRANCE IMPACTED BY STRIKE AND DOMESTIC MARKET, KLM IMPROVING AND BENEFITTING FROM ROBUST DEMAND



Q1 2017<sup>(1)</sup> Q1 2018

Q1 2017<sup>(1)</sup> Q1 2018

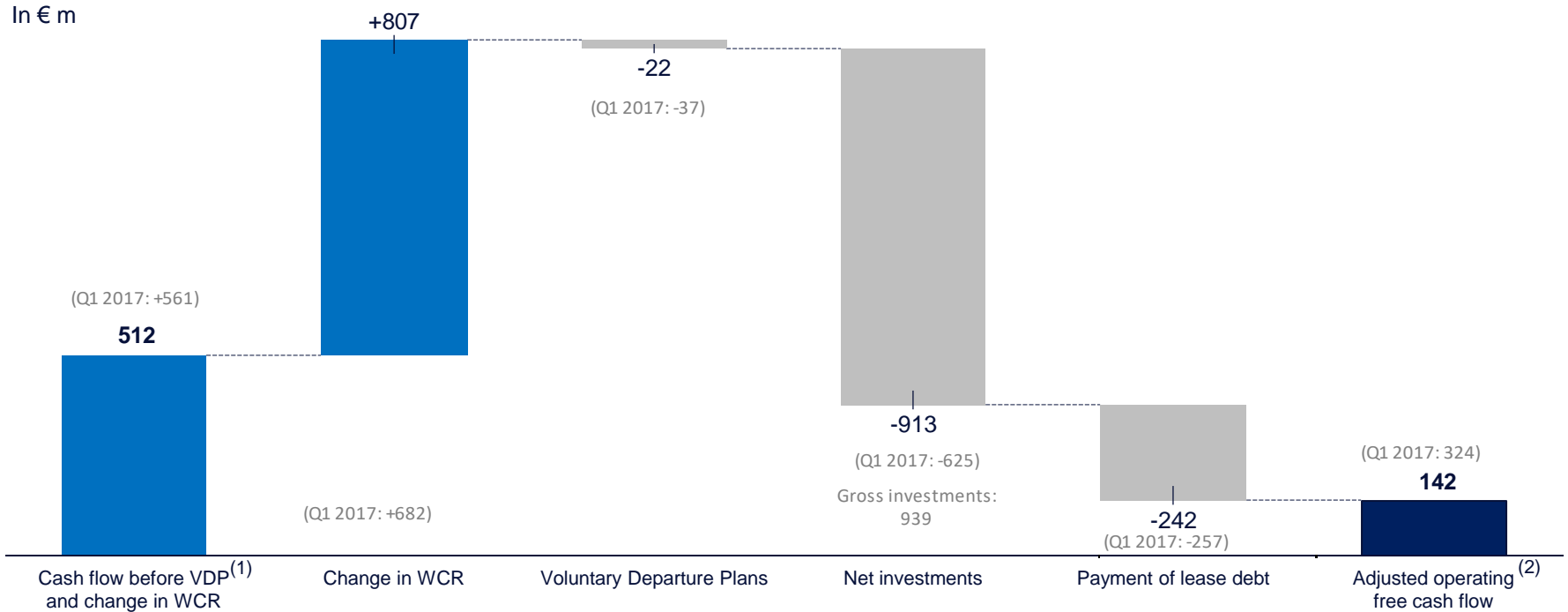
Q1 2017<sup>(1)</sup> Q1 2018

Q1 2017<sup>(1)</sup> Q1 2018



(1) Restated post implementation of accounting standards IFRS

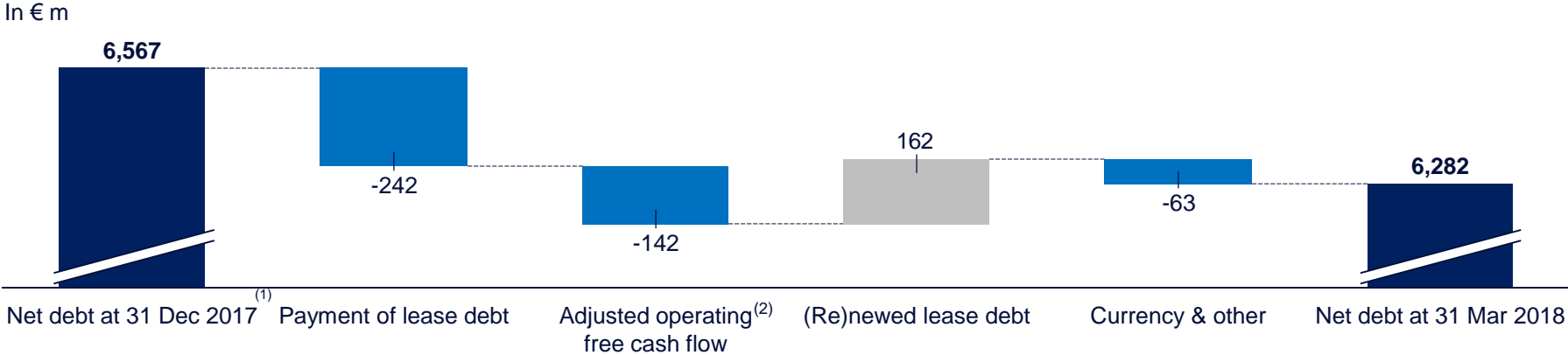
# ADJUSTED OPERATING FREE CASH FLOW + €142 M



(1) Restated post implementation of accounting standards IFRS

(2) Adjusted operating cash flow = Operating cash flow with deduction of repayment of lease debt

# BALANCE SHEET CONTINUES TO IMPROVE



## Change in Net Debt / EBITDA<sup>(3)</sup>



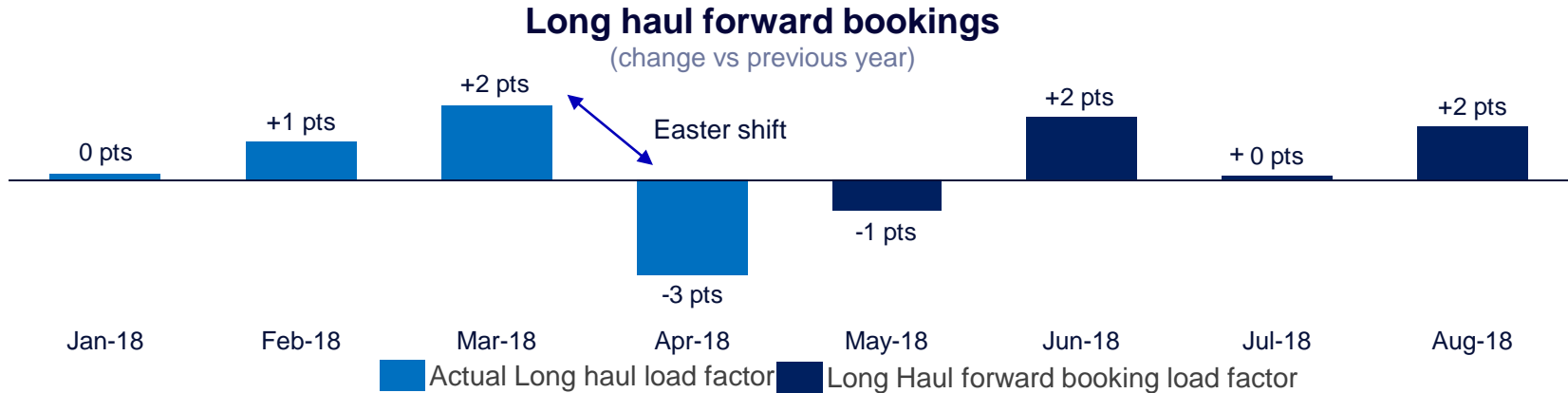
(1) 2017 restated for implementation of accounting standards IFRS  
 (2) Adjusted operating cash flow = Operating cash flow with deduction of repayment of lease debt  
 (3) Net Debt / EBITDA: see calculation in press release. EBITDA 12 months sliding 19

# OUTLOOK

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2018

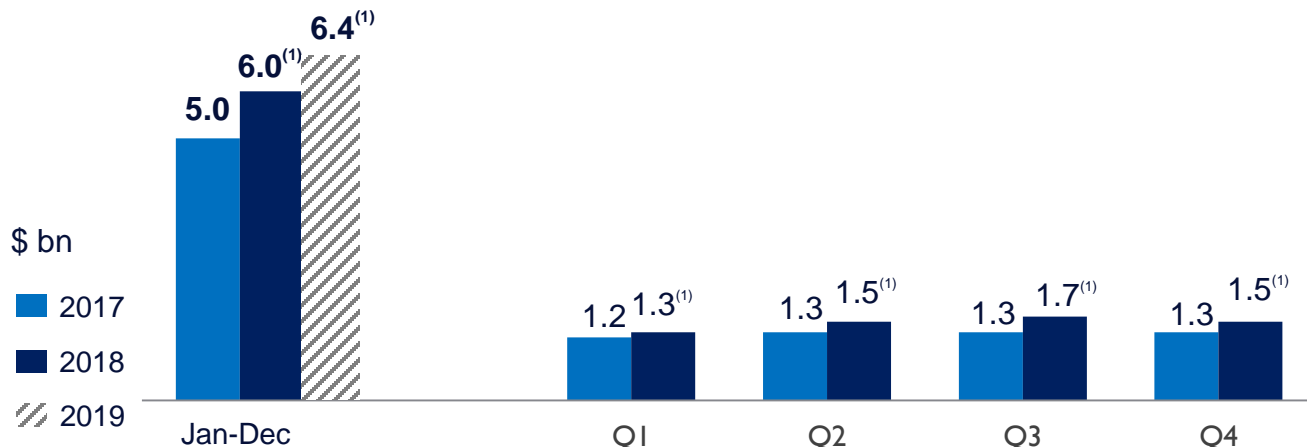
# REVENUE OUTLOOK



- Long haul forward booking load factors ahead of last year on average for the next four months
- Based on current outlook, Q2 2018 unit revenues are expected to be flat at constant currency versus last year

# FUEL BILL INCREASE ESTIMATED AT + €350 M

2017:  
fuel bill €4.5 bn  
2018:  
fuel bill €4.9 bn<sup>(2)</sup>  
2019:  
fuel bill €5.1 bn<sup>(2)</sup>



MARKET PRICE	Brent (\$ per bbl) <sup>(1)</sup>		71	67	73	72	71
		Jet fuel (\$ per metric ton) <sup>(1)</sup>		681	647	699	692
	% of consumption already hedged		59%	62%	62%	55%	58%
	Hedge result (in \$ m)		750	150	250	200	150

(1) Based on forward curve at April 27th 2018. Sensitivity computation based on 2018 fuel price, assuming constant crack spread between Brent and Jet Fuel

(2) Assuming average exchange rate of US dollar per euro 1.23 for 2018 and 1.25 for 2019

# FULL YEAR 2018 GUIDANCE

	Previous guidance 2018	New Guidance 2018		
<b>Capacity</b>	<b>Passenger</b>	+3% to +4%	+2.5% to +3.5%	> Downwards adjustment due to Air France strikes
	<b>Transavia</b>	+6% to +7%	+6% to +7%	> Unchanged
<b>Fuel</b>	+€150 m	+€350 m		> Reflecting expected further increase of oil price throughout the year
<b>Currency</b>	€0 to €50 m tailwind	Circa €100 m headwind		> Euro strengthening compared to other currencies
<b>Unit cost</b> at constant currency, fuel and pension-expense	-1.0 to -1.5%	0% to +1.0%		> Adjusted target including strike related cost and associated lower capacity
<b>Capex</b>	€2.0 bn to €2.5 bn	€2.0 bn to €2.5 bn		> Unchanged
<b>Debt</b>		Net debt below 2017		> Net Debt 31 Dec 2018 expected to decrease compared to 31 Dec 2017

With strike effects estimated at least at 300 million euros integrated in the above guidance elements and taking into account fuel and currency headwinds, the full year 2018 operating result is expected to be notably below 2017

# AIR FRANCE-KLM

## Commercial developments



# SUCCESSFUL COMMERCIAL DEVELOPMENTS: UNRIVALED NETWORK OF ALLIANCES



- **Air France-KLM, Delta Air Lines and Virgin Atlantic have signed definitive agreements paving the way forward for their expanded trans-Atlantic joint venture:**

- The Joint Venture Agreement signed between Air France-KLM, Delta and Virgin Atlantic sets out the governance as well as the commercial and operational terms of the expanded trans-Atlantic Joint Venture
- Upon completion, Air France-KLM will acquire a 31 per cent stake in Virgin Atlantic currently held by Virgin Group for £220 million

Air France-KLM, Delta and Virgin Atlantic will now coordinate efforts to secure the appropriate regulatory approvals

- **Enhanced partnership with Jet Airways is delivering promising first results**

# SUCCESSFUL COMMERCIAL DEVELOPMENTS: INNOVATIVE OFFER AND AN ADAPTED COST STRUCTURE

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## Adapted cost structure to complement our hub operations



2018 summer schedule:

- 6 long haul routes
- 8 medium haul routes

## Profitable point-to-point low-cost airline



2018 summer schedule:

- 24 new routes

# SUCCESSFUL COMMERCIAL DEVELOPMENTS: DIGITAL INNOVATION

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## New distribution strategy



## Flying Blue



## Branded fares

LIGHT

STANDARD

Premium Economy

# APPENDIX

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First Quarter 2018

# IFRS RESTATEMENT OF Q1 AND FULL YEAR 2017 CONSOLIDATED INCOME STATEMENT

In € m	First quarter 2017			Full year 2017 <sup>(1)</sup>			Impact by:
	Published accounts	Restated accounts	Change	Published accounts	Restated accounts	Change	
<b>Revenues</b>	5,709	5,705	-4	25,784	25,860	76	IFRS 15
External expenses	-5,155	-5,057	98	-21,432	-21,086	346	IFRS 15 & 16
Operating leases	-285	0	285	-1,088	0	1,088	IFRS 16
<b>EBITDA</b>	<b>269</b>	<b>648</b>	<b>379</b>	<b>3,264</b>	<b>4,774</b>	<b>1,510</b>	IFRS 15 & 16
Amortizations and depreciation	-412	-681	-269	-1,776	-2,837	-1,061	IFRS 16
<b>Current operating income</b>	<b>-143</b>	<b>-33</b>	<b>110</b>	<b>1,488</b>	<b>1,937</b>	<b>449</b>	IFRS 15 & 16
Cost of financial debt	-56	-140	-84	-214	-537	-322	IFRS 16
<b>Operating income -/- cost of debt</b>	<b>-199</b>	<b>-173</b>	<b>26</b>	<b>1,273</b>	<b>1,400</b>	<b>127</b>	IFRS 15 & 16
Other financial items	-31	46	77	116	582	466	IFRS 9 & 16
Income tax	9	-21	-30	229	74	-155	
<b>Net result</b>	<b>-216</b>	<b>-143</b>	<b>73</b>	<b>-274</b>	<b>162</b>	<b>436</b>	

(1) Full year 2017 restated accounts have not yet been audited and could be subject to changes

# IFRS RESTATEMENT FOR 2017 BALANCE SHEET AND Q1 2017 OPERATING FREE CASH FLOW

## Balance sheet restatement per 31 Dec 2017 <sup>(1)</sup>

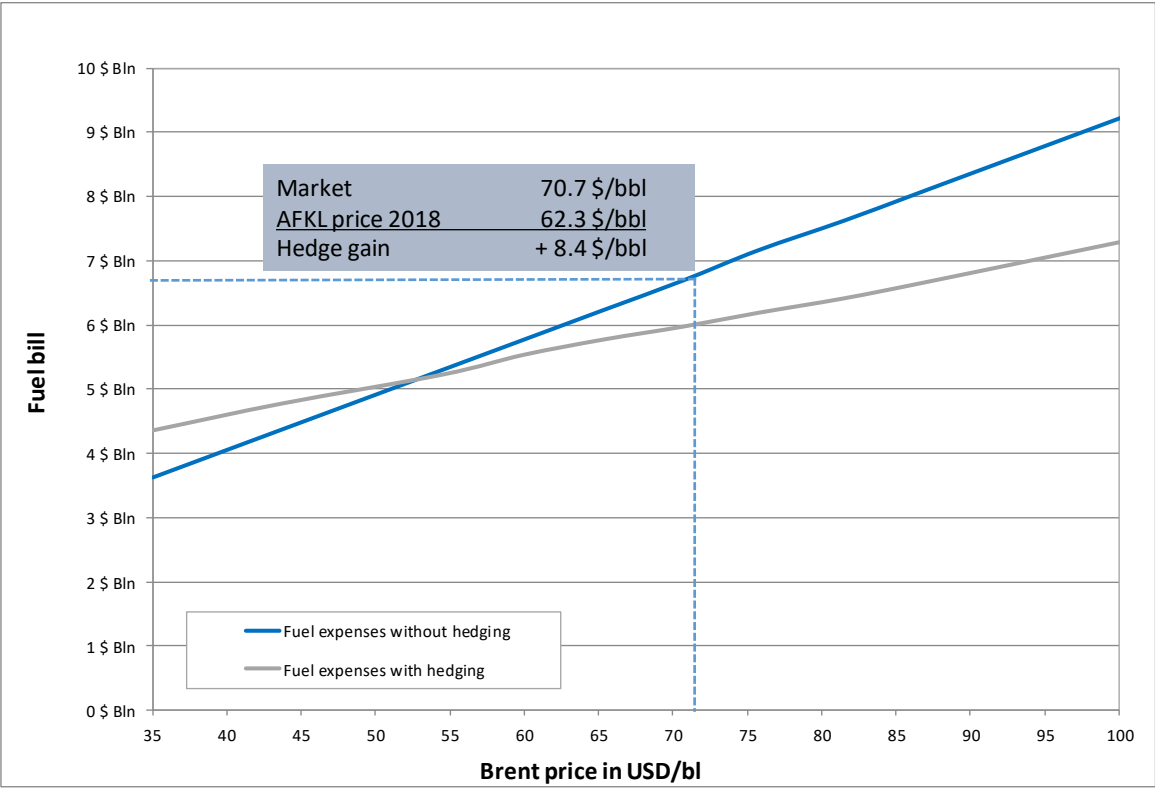
In € bn	Published accounts	Restated accounts	Change		Published accounts	Restated accounts	Change
<b><u>Asset</u></b>	24.4	30.2	5.8	<b><u>Liabilities &amp; Equity</u></b>	24.4	30.2	5.8
Fixed Assets: equipments	11.4	11.1	-0.3	<b>Equity</b>	3.0	2.5	-0.5
Fixed Assets: right of use	0.0	5.9	5.9	<b>Liabilities</b>	21.4	27.7	6.3
Deferred tax asset	0.2	0.5	0.2	Lease debt	0.0	5.1	5.1
				Provision maintenance	2.2	3.2	1.0

## Cashflow restatement Q1 2017 <sup>(1)</sup>

In € m		Published accounts	Restated accounts	Change
Operating free cash flow	↑	329	581	252
Cash flow from financing activities	↓	-192	-444	-252
Change in cash and cash equivalents	→	126	126	0

(1) Only accounts impacted by new accounting standards IFRS

# FUEL BILL SENSITIVITY

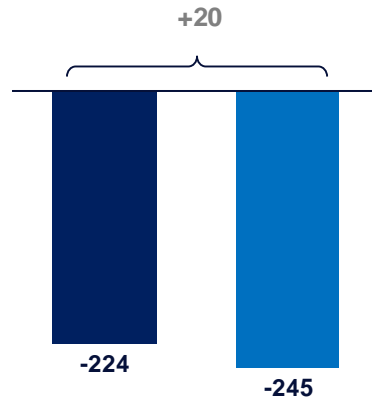


Based on forward curve at April 27th 2018. Sensitivity computation based on 2018 fuel price, assuming constant crack spread between Brent and Jet Fuel  
 Assuming average exchange rate of US dollar per euro 1.23 for 2018

# CURRENCY IMPACT ON OPERATING RESULT

## Currency impact on revenues and costs

In € m



Q1 2018

- Currency impact on revenues
- Currency impact on costs, including hedging

-XX Currency impact on operating result

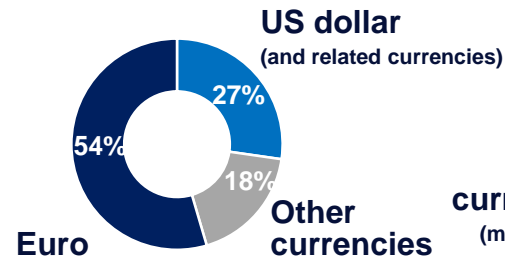
## FY 2018 guidance

- FX FY 2018 estimated circa €100 m headwind, based on spot €/€ 1.23
- Hedging policy on USD, GBP: ~60% and JPY ~40% net operational exposure 2018

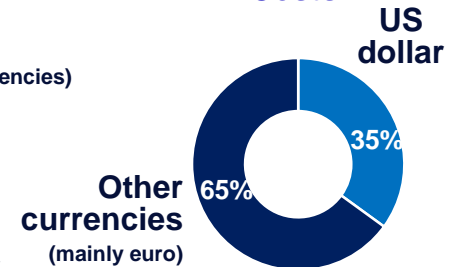
## Revenues and costs per currency

FY 2017

### Revenues



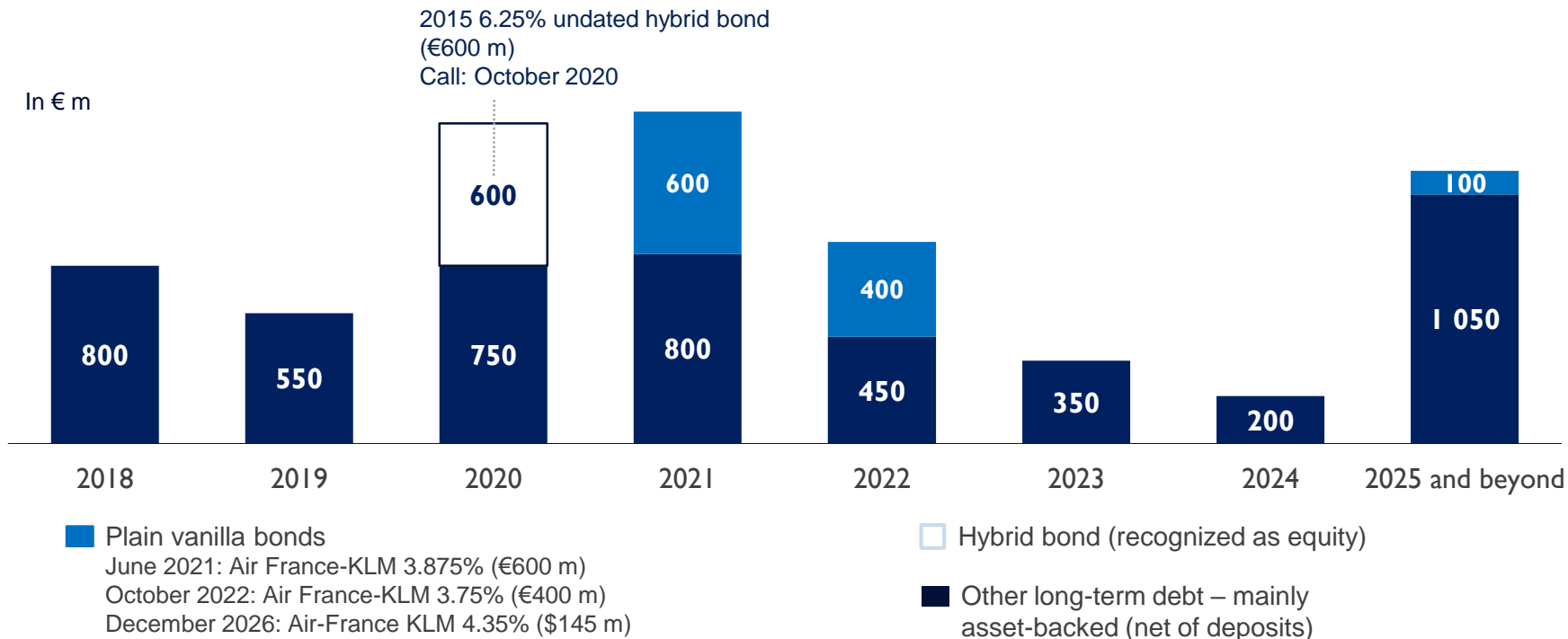
### Costs





# FINANCIAL DEBT REIMBURSEMENT PROFILE AT 31 MARCH 2018

## Debt Reimbursement Profile<sup>(1)</sup>



(1) Net of deposits on financial leases and excluding Operating lease debt payments and KLM perpetual debt