



AIRFRANCE-KLM GROUP

Air France-KLM

Conference & Roadshow deck

August / September 2019



PH-BVI



BOEING 777

The Flying Dutchman

F-GSQD

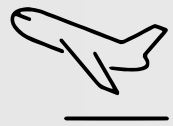
Content

1. Strategic orientations
2. First half 2019 results
3. Outlook
4. Appendix

STRATEGIC ORIENTATIONS



A strong position in the competitive airline marketplace



548

aircraft



2,000

aircraft maintained
for 200+ clients



318

destinations
in 118 countries



88,800

full-time employees+



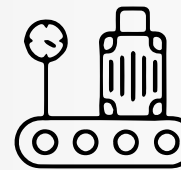
74

new routes
added in 2018



101m+

passengers
carried in 2018



1.1m

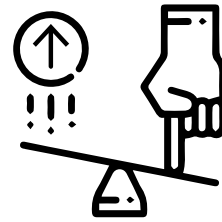
tons of cargo
transported in 2018

A strong position in the competitive airline marketplace

Outstanding professionalism
and **commitment** of the Group employees

Paris-CDG & Amsterdam-Schiphol:
2 of the **largest connecting hubs** in Europe

The **European pillar**
of the leading global airline
partnership,
which includes Delta and
China Eastern



Leverage
our **powerful competitive advantages**

Strong presence
in all major markets

The **largest network**
between Europe
and the rest of the world

A strong position in the competitive airline marketplace...

...relying on strong brands benefiting from exceptional reputations

AIRFRANCE 

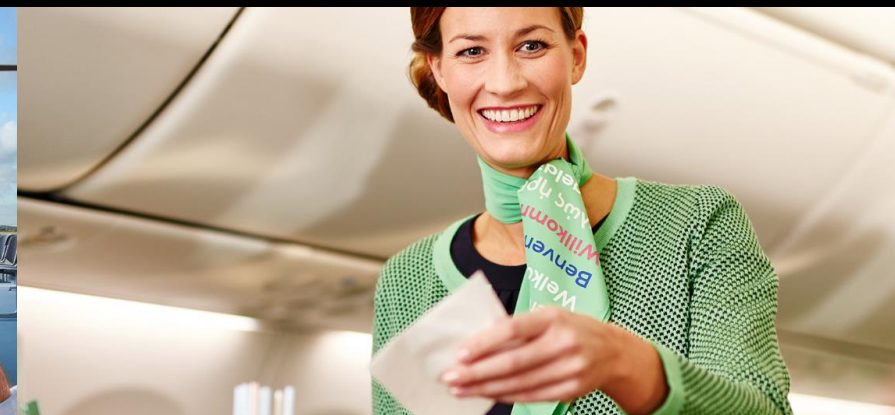
- Globally recognized as **premium** airline
- Strong French **home market**
- **Connecting** passengers



- An **efficient network** airline
- Primarily focused on **connecting customers**
- A **unique Dutch identity**

 **transavia**

- The Group's **low-cost business**
- **Point-to-point flights to Europe** from the Netherlands and France
- Leader in **hospitality, service** and **digital services**



Three priorities laying the foundation to regain the leading position in Europe

Conclusion of **new, balanced labor agreements** at Air France

- Representing **a major step** towards **rebuilding confidence and trust**
- Enabling necessary **flexibility** to implement future commercial strategy

Simplified governance to support the Group's ambition

- Key goals:
 - Simplify and accelerate decision processes
 - Maximize overall value for the Group and all its entities
- Nomination of **Anne Rigail** as CEO of Air France

Develop a **go forward strategy**

- First initiatives
 - Improving and simplifying Air France-KLM's brand portfolio and product offer
 - Simplifying and optimizing the fleet
 - Boosting our competitiveness

Simplifying and strengthening Air France-KLM's offer through network optimization

From **several over-lapping brands** to a **simplified brand portfolio**

Objective: **provide greater clarity** for customers and **more consistency** with the Group's global commercial product offer

- Decision to **integrate Joon** employees and aircraft **into Air France**, the latest cabin crew agreements enable Air France to retain Joon's cost savings through other means
- **Air France regional fleet**, currently under the HOP! brand, will wear the **Air France HOP** livery

AIRFRANCE 

AIRFRANCE
HOP 


KLM


KLM Cityhopper

 **transavia**

Delivering the best product offer to our clients

- **Right-sized cabins** and more **efficient aircraft interior** configurations, to **serve each market segment** with appropriate gauge and product
- **Aircraft retrofit** to latest cabin standards to be **accelerated**
 - All aircraft retrofit completed at KLM
- **Flight connectivity** in all the Group's long-haul fleet in 2020

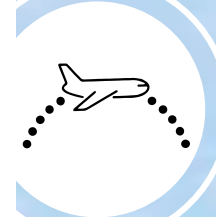


Simplifying and optimizing the fleet



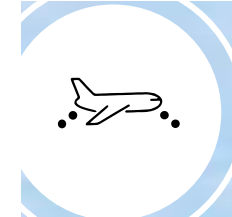
LONG-HAUL FLEET

- Fuel efficient aircraft:
6 Boeing 787 and **3 Airbus 350** to enter the combined fleet in **2019**, more to come in the following years
- Swap orders between Air France and KLM: the **6 Boeing 787** order will be transferred to KLM and the **7 Airbus 350** will be transferred to Air France.
- Ongoing phase out of the remaining Air France **Airbus 340 in 2020** and KLM **Boeing 747 in 2021**
- Early phase-out of **all Airbus 380** until end of **2022**



MEDIUM-HAUL FLEET

- Firm orders for **60 Airbus A220**



REGIONAL FLEET

- Phase out of **ATRs** in **2020**

Boosting our competitiveness

The strategy of upgrading and simplifying the product offer and optimizing the fleet aims to **reinforce the Group's competitiveness**, and we will go further:

- Achieve **Air France profitability** in order to increase its margin to industry standards
- Improve the **operational robustness**, reducing fleet constraints and adding spare aircraft at Air France
- Control our **infrastructure costs**, improving the **relationship with ADP** and **Schiphol** airports
 - ✓ Reopening discussions with ADP for **new terminal T4**, to improve the customer experience and operational performance
 - ✓ Maximise **societal support** for growing KLM at Schiphol
- In **Europe**, implementation of the **conditions for a level playing field**



AIRFRANCE-KLM GROUP

Air France-KLM

Results presentation

FIRST HALF 2019

31 JULY 2019



Increased operating result and improved passenger unit revenue



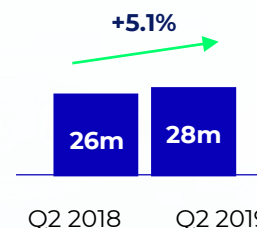
Long-haul driving the **improvement of unit revenue** as anticipated

Operating result increase reflecting **unit cost improvement** partly offset by fuel bill increase

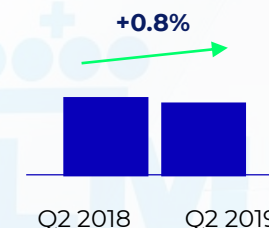
Further **reduction in Group net debt**

Next step in fleet strategy, **early phase-out of Airbus A380 and Air France medium-haul fleet order**

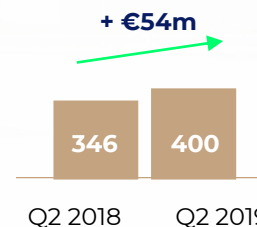
Passengers



Passenger unit revenue⁽¹⁾



Operating result⁽²⁾



Net debt



(1) Passenger Unit Revenue (RASK) = (Network Passenger traffic revenues + Transavia traffic revenues) / (Network Passenger ASK + Transavia ASK), at constant currency
 (2) The Air France strike had a -€260 million impact on the Q2 2018 operating result



AIRFRANCE **KLM**
GROUP

Financial Review

Frédéric Gagey

RESULTS AT **30 JUNE 2019**








Operating result at €400 million

with passenger unit revenue and unit cost improvement

	Q2 2019	Q2 2018	Change	Change at constant currency
Revenues (€ bn)	7.05	6.63	+6.4%	+4.5%
Fuel expenses (€ bn)	1.40	1.18	+18.6%	+10.3%
EBITDA (€ m)	1,147	1,049	+9.3%	+11.6%
Operating result (€ m)	400	346	+54m	+72m
Operating margin	5.7%	5.2%	+0.5 pt	+0.8 pt
Net income – Group part (€ m)	80	110	-30m	
Adjusted operating free cash flow (€ m)	110	-1	+111m	
ROCE 12 months sliding	9.3%	12.4%	-3.1 pt	
	30 Jun 2019	31 Dec 2018	Change	
Net debt (€ m)	5,698	6,164	-466m	
Net debt/EBITDA 12 months sliding	1.4x	1.5x	-0.1 pt	

Positive unit revenue trend in Passenger airlines and Maintenance drive margin improvement at Group level

Q2 2019		Capacity (1)	Unit Revenue Constant Curr.(2)	Revenues (€ m)	Change	Operating Result (€ m)	Change	Operating Margin	Change
Network		+3.9%	+0.9%	6,016	+5.6%	291	+55m	4.8%	+0.7 pt
		+2.8%	-7.5%						
Transavia		+9.2%	+1.3%	500	+10.4%	52	-9m	10.4%	-3.1 pt
Maintenance				527	+11.9%	55	+9m	4.9%	+0.3 pt
Group		+4.5%	+0.0%	7,050	+6.4%	400	+54m	5.7%	+0.5 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 passenger traffic revenues + Transavia traffic revenues) / (Network Passenger ASK + Transavia ASK).

Long-haul driving the improvement of unit revenue as anticipated

Q2 2019	Unit revenue ex-currency		Revenue share long-haul
	Q2 2019	H1 2019	
North America	+2.6%	+0.4%	32%
Latin America	-10.2%	-8.7%	13%
Asia	+3.9%	+2.9%	25%
Africa & Middle East	+8.7%	+4.1%	18%
Caribbean & Indian Ocean	+4.7%	+4.4%	12%
Long Haul	+2.3%	+0.8%	100%
Medium-haul hubs	+0.2%	-0.7%	
Medium-haul point-to-point	-9.1%	-6.2%	
Total Medium-Haul	-1.9%	-2.1%	
Total	+0.9%	-0.2%	



Yields and load factors for all long haul networks, except Latin American:

- ✓ North American network positive unit revenues driven in particular from US point of sale
- ✓ Latin American network pressure is continuing

Medium-haul hubs positive thanks to increased load-factors

Point-to-point decrease as anticipated

F-GSQ

Unit revenue growth in both premium and economy

Q2 2019

Total

3.9%

ASK

5.7%

RPK

0.9%

RASK ex cur.

RASK ex currency

Premium

1.8%

Economy

0.7%

Medium-haul point-to-point

-2.5%

ASK

-5.9%

RPK

-9.1%

RASK ex cur.

Medium-haul hubs

6.1%

ASK

8.2%

RPK

0.2%

RASK ex cur.

Total medium-haul

4.6%

ASK

5.8%

RPK

-1.9%

RASK ex cur.

North America

6.7%

ASK

7.8%

RPK

2.6%

RASK ex cur.

Caribbean & Indian Ocean

1.6%

ASK

4.2%

RPK

4.7%

RASK ex cur.

Asia

4.0%

ASK

6.4%

RPK

3.9%

RASK ex cur.

Latin America

7.8%

ASK

7.0%

RPK

-10.2%

RASK ex cur.

Africa & Middle East

-4.6%

ASK

-0.7%

RPK

8.7%

RASK ex cur.

Total long-haul

3.8%

ASK

5.6%

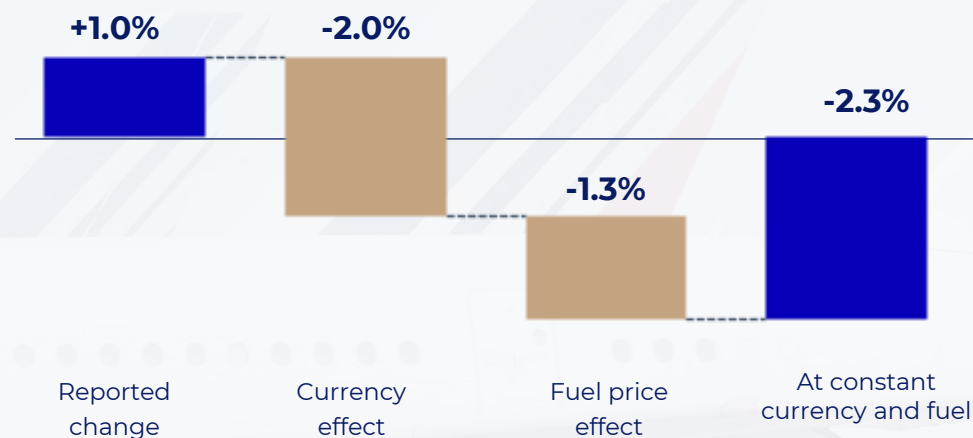
RPK

2.3%

RASK ex cur.

Unit cost down in line with the full year guidance

Q2 2019 underlying unit cost



Lower customer compensation, notably linked to a high base because of last year strike in Air France

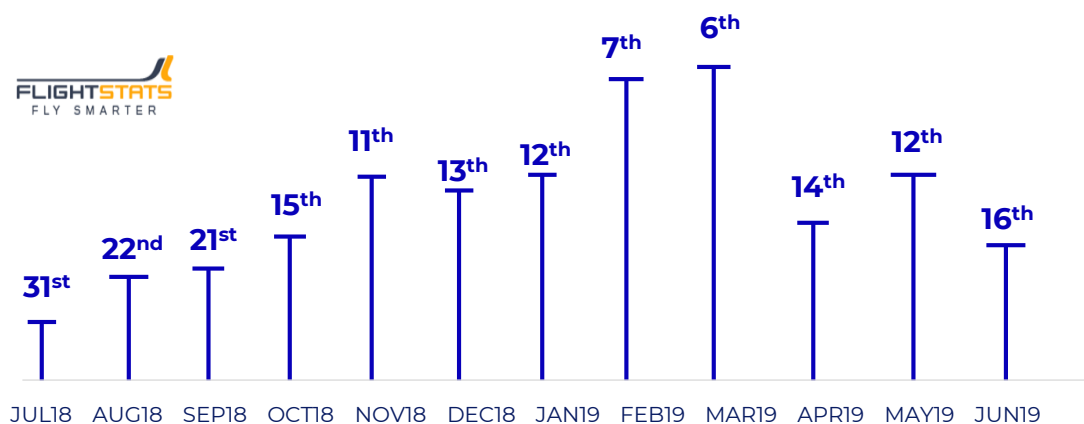
New cost reduction actions for Air France, following external consultation study

Staff costs up 4.6%, explained by:

- ✓ Additional hiring for the capacity growth (+4.5%)
- ✓ Implemented wage agreements for Air France and KLM staff
- ✓ **Labor productivity improvement 3.1%** (in ASK per FTE)

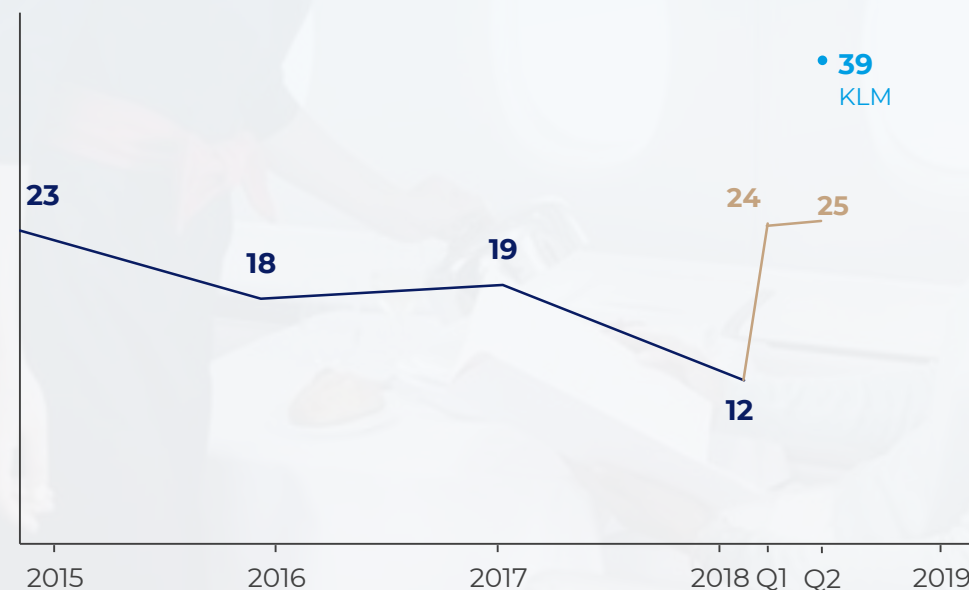
Air France operational performance improvement continuing

Air France On Time Performance (A14) ranking



A top 3 European legacy carrier
in May and June 2019

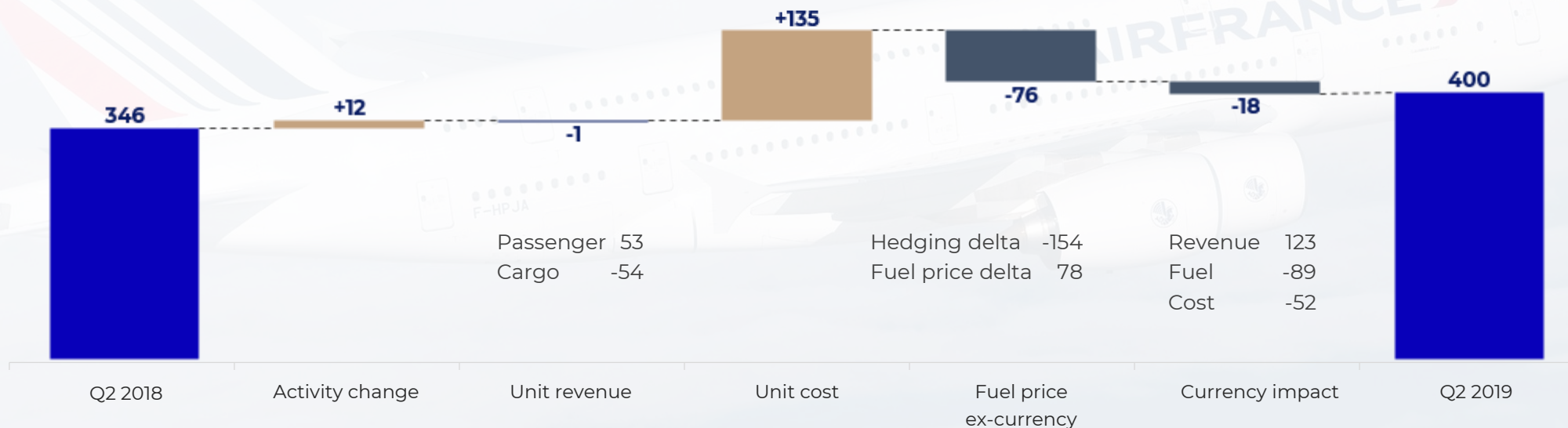
Air France Net Promoter Score trend



Non-fuel unit cost improvement partly offset by fuel bill increase

Q2 2019

Operating result development
in € m



Air France improvement explained by last year strike, KLM impacted by fuel

Q2 2019	Capacity change	Revenues (€ m)	Change YoY	Operating Result (€ m)	Change YoY	Operating Margin	Change YoY				
AIRFRANCE	+6.4%	4,284	+9.1%	143	+130	3.3%	+3.0 pt				
KLM	+2.1%	2,899	+3.7%	258	-70	8.9%	-2.8 pt				
AIRFRANCEKLM GROUP	+4.5%	7,050	+6.4%	400	+54	5.7%	+0.5 pt				
First Half 2019	Capacity change	Revenues (€ m)	Change YoY	Operating Result (€ m)	Change YoY	Operating Margin	Change YoY	Net Debt (€ m)	Change 31 Dec 2018	Net Debt / EBITDA	Change 31 Dec 2018
AIRFRANCE	+5.7%	7,982	+6.7%	-113	+51	-1.4%	+0.8 pt	3,386	-171	1.5x	-0.2 pt
KLM	+1.3%	5,284	+2.0%	202	-186	3.8%	-3.7 pt	2,608	-218	1.3x	-0.0 pt
AIRFRANCEKLM GROUP	+3.8%	13,036	+4.9%	97	-131	0.7%	-1.1 pt	5,698	-466	1.4x	-0.1 pt

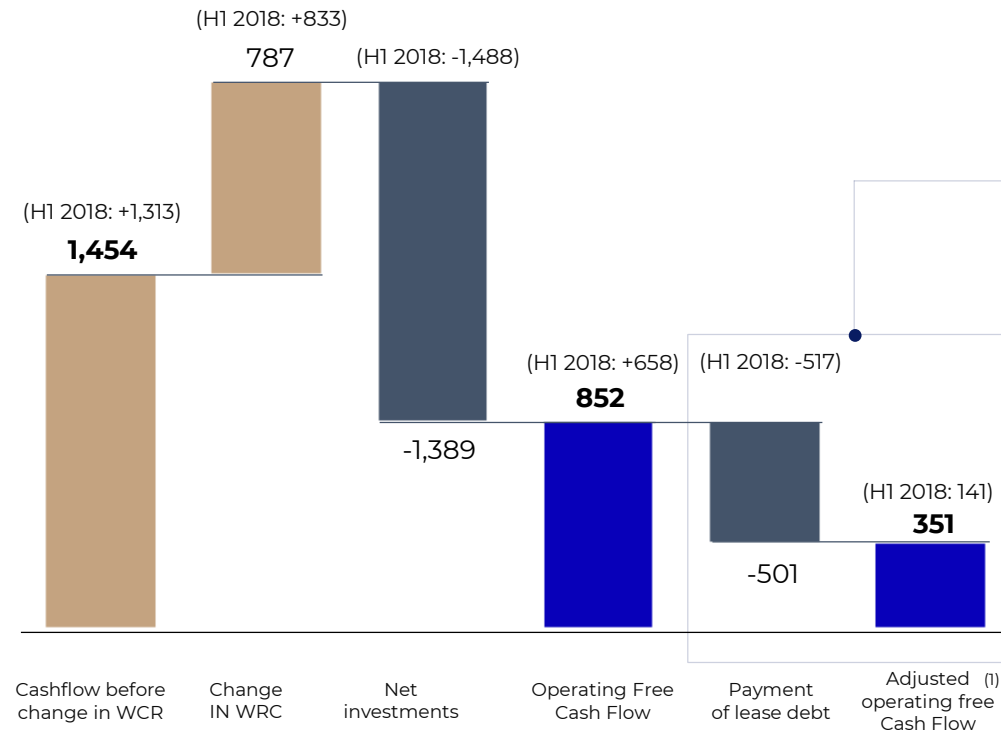
(1) Net Debt / EBITDA: 12 months sliding, see calculation in press release



Net debt down, leverage ratio improved slightly further, on track for full year guidance of below 1.5x

First half 2019

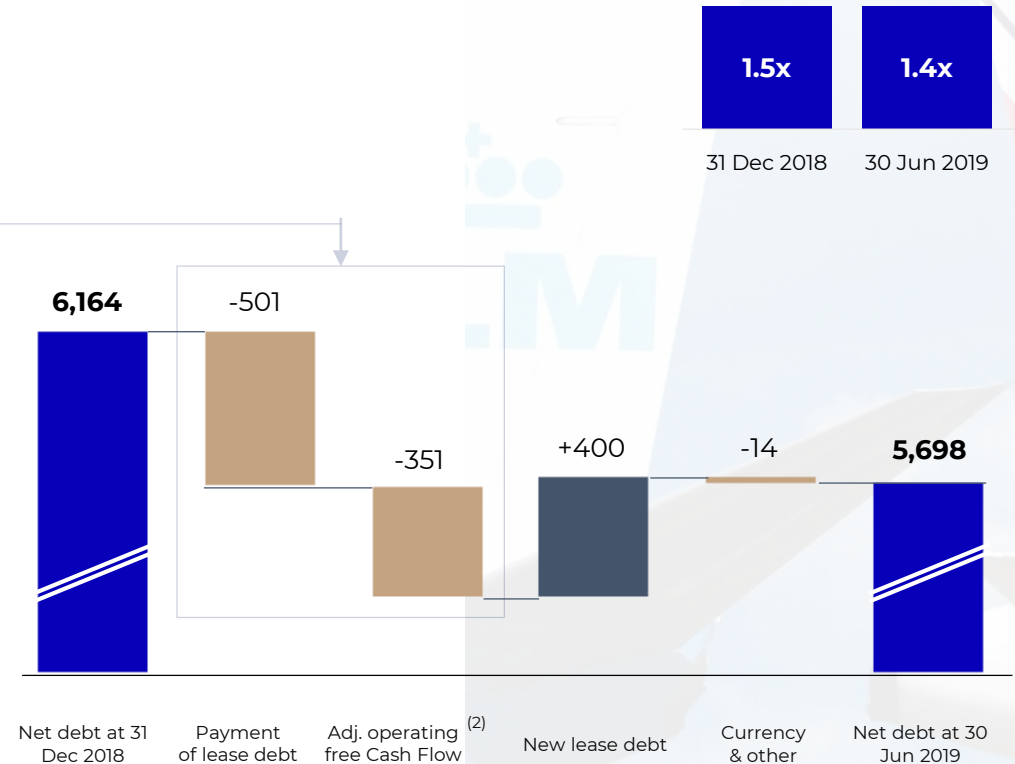
Free cash flow evolution
In € m



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

Net Debt evolution

In € m



(2) Net Debt / EBITDA: 12 months sliding, see calculation in press release

Net debt/EBITDA⁽²⁾



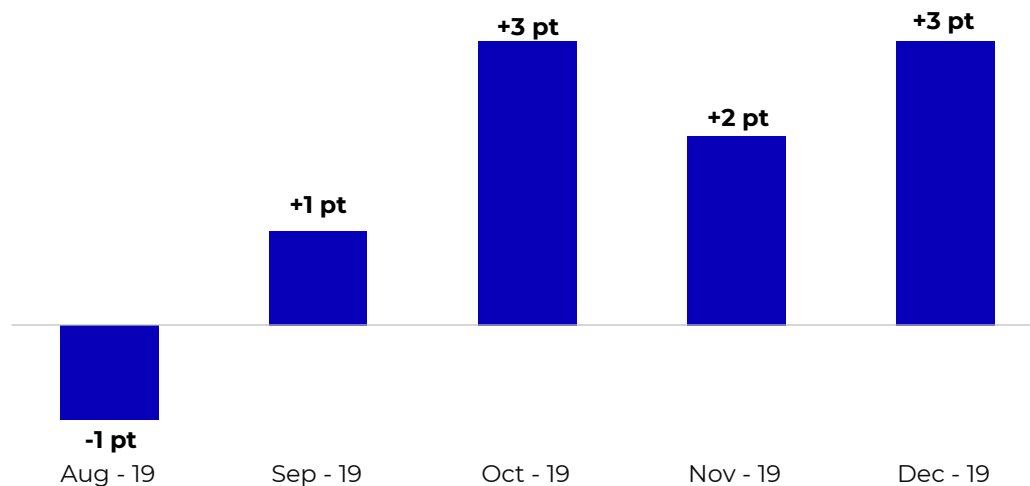
Outlook

Results at 30 june 2019



Revenue Outlook

Long-haul forward booking load factor (change vs previous year)



Based on the current data for Passenger network:



- July 2019 load factor stable
- Long-haul forward booking load factors from August to December are on average higher compared to last year
- Passenger network unit revenues at constant currency expected to be stable compared to last year for the third quarter 2019



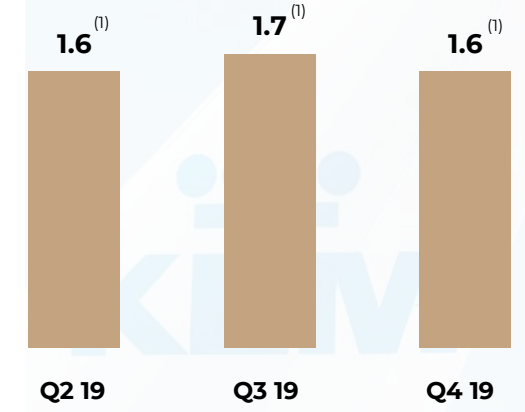
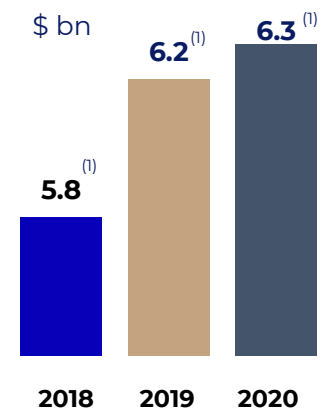
Fuel bill increase by €550 million in 2019, explained by lower positive hedge impact compared to 2018

I

2018:
Fuel bill €4.9bn⁽²⁾

2019:
Fuel bill €5.5bn⁽²⁾

2020:
Fuel bill €5.5bn⁽²⁾



Market price

Brent (\$ per bbl)⁽¹⁾

Jet fuel (\$ per metric ton)⁽¹⁾

	2018	2019	2020	Q1 19	Q2 19	Q3 19	Q4 19
Brent (\$ per bbl) ⁽¹⁾	72	65	61	64	68	64	62
Jet fuel (\$ per metric ton) ⁽¹⁾	738	684	672	669	702	685	678

Price after hedge

Jet fuel (\$ per metric ton)⁽¹⁾

% of consumption already hedged

Hedge result (in \$ m)

	2018	2019	2020	Q1 19	Q2 19	Q3 19	Q4 19
Jet fuel (\$ per metric ton) ⁽¹⁾	651	678	684	650	675	692	692
% of consumption already hedged	60%	61%	48%	61%	62%	62%	60%
Hedge result (in \$ m)	800	50	-100	50	50	0	-50

(1) Based on forward curve at 26 July 2019. Sensitivity computation based on 2019 fuel price, assuming constant crack spread between Brent and Jet Fuel. Jet fuel price including into plane cost

(2) Assuming average exchange rate on US dollar/Euro of 1.13 for 2019 and 1.14 for 2020

Full year guidance update

		Previous guidance	Guidance 2019
Capacity growth	Passenger	+2.0% to +3.0%	+2.0% to +3.0%
	Transavia	+9% to +11%	+7% to +9%
Fuel		+€650m	+€550m
Currency		Neutral effect	Neutral effect
Unit cost			
	Ex-currency at constant fuel price	-1% to 0%	-1% to 0% ⁽¹⁾
Capex		€3.2bn	€3.2bn
Net Debt / EBITDA		Below 1.5x	Below 1.5x

(1) To align with industry practice, the EASK metric will no longer be used as of 2019. New Unit Cost definition will be: Net cost per Available Seat Kilometer at constant currency and fuel. The impact of this change should be approximately -0.1pt for 2019.








Appendix

Results at **30 june 2019**

Operating result at €97 million, further net debt reduction thanks to positive free cash flow €351 million

	H1 2019	H1 2018	Change	Change at constant currency
Revenue (€ bn)	13.04	12.43	+4.9%	+3.3%
Fuel expenses (€ bn)	2.61	2.25	+16.0%	+8.2%
EBITDA (€ bn)	1,571	1,670	-5.9%	-2.0%
Operating result (€ m)	97	228	-131m	-69m
Operating margin	0,7%	1.8%	-1.1 pt	-0.6 pt
Net income – group part (€ m)	-240	-159	-81m	
Adjusted operating free cash flow (€ m)	351	141	+149%	
ROCE 12 month sliding	9.3%	12.4%	-3.1 pt	
	30 Jun 2019	31 Dec 2018	Change	
Net debt (€ m)	5,698	6.164	-466m	
Net debt /EBITDA 12 month sliding	1.4x	1.5x	-0.1 pt	

Revenue growth for all businesses in first half 2019

H1 2019		Capacity ⁽¹⁾	Unit Revenue Constant Curr. ⁽²⁾	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
Network		+3.2%	-0.2%	11,191	+3.8%	12	-138m	0.1%	-1.3 pt
		+2.1%	-5.7%						
Transavia		+10.0%	-0.4%	748	+8.7%	-19	-22m	-2.5%	-3.0 pt
Maintenance				1,081	+14.9%	102	+30m	4.9%	+0.3 pt
Group		+3.8%	-1.0%	13,036	+4.9%	97	-131m	0.7%	-1.1 pt

(1). To align with industry practice, the Equivalent Available Seat Kilometers (EASK) metric is no longer used. 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 passenger traffic revenues + Transavia traffic revenues) / (Network Passenger ASK + Transavia ASK).

Long-haul offsetting the negative performance in medium-haul

H1 2019

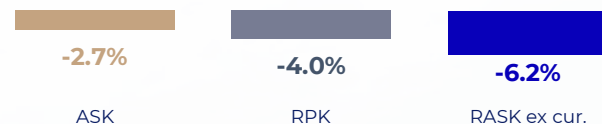
Total



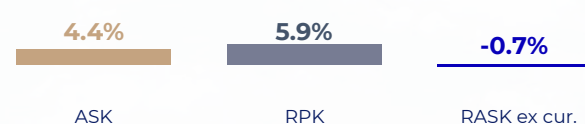
RASK ex cur.



Medium-haul point-to-point



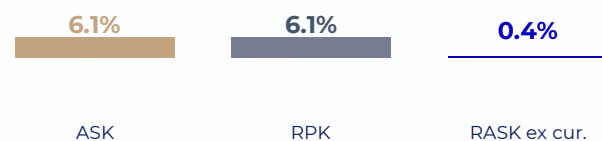
Medium-haul hubs



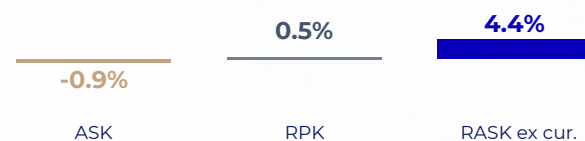
Total medium-haul



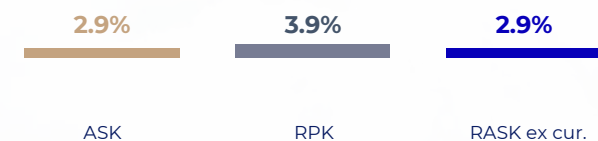
North America



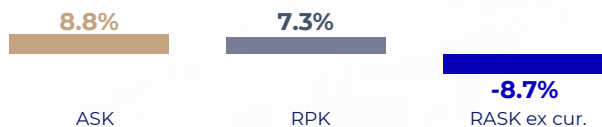
Caribbean & Indian Ocean



Asia



Latin America



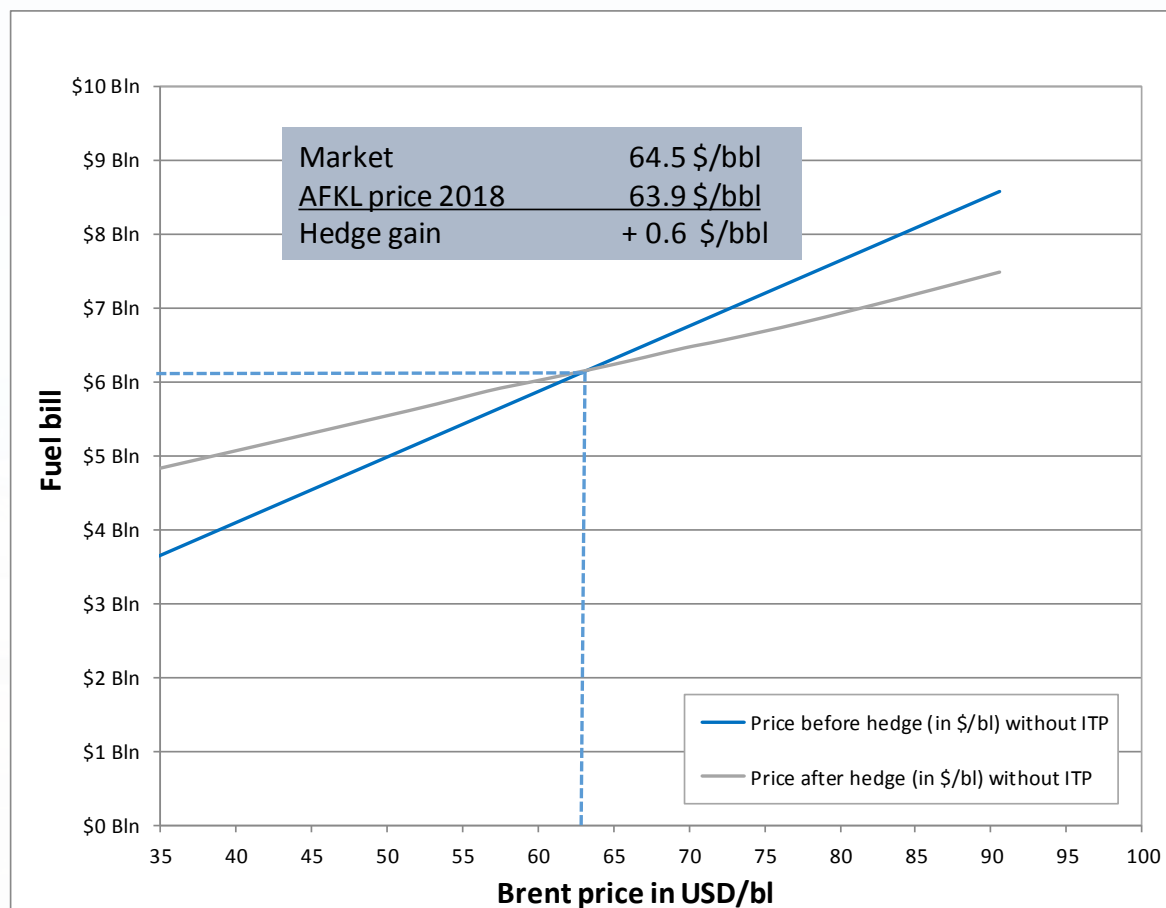
Africa & Middle East



Total long-haul



Fuel bill sensitivity for full year 2019

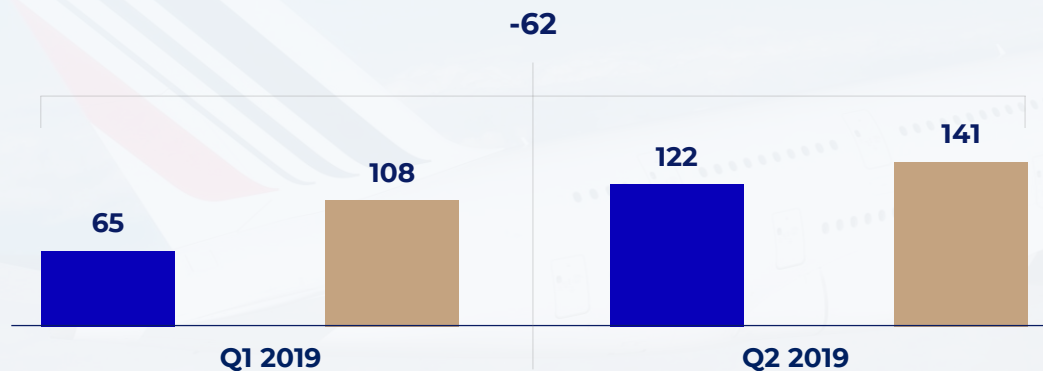


Based on forward curve at 26 July 2019. Sensitivity computation based on 2019 fuel price, assuming constant crack spread between Brent and Jet Fuel. Jet fuel price including into plane cost. Assuming average exchange rate on US dollar/Euro of 1.13 for 2019 and 1.14 for 2020.

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 2019 guidance

Currency impact **FY 2019**: no effect, based on spot €/\$ 1.13

Net operational exposure hedging **for 2019**:

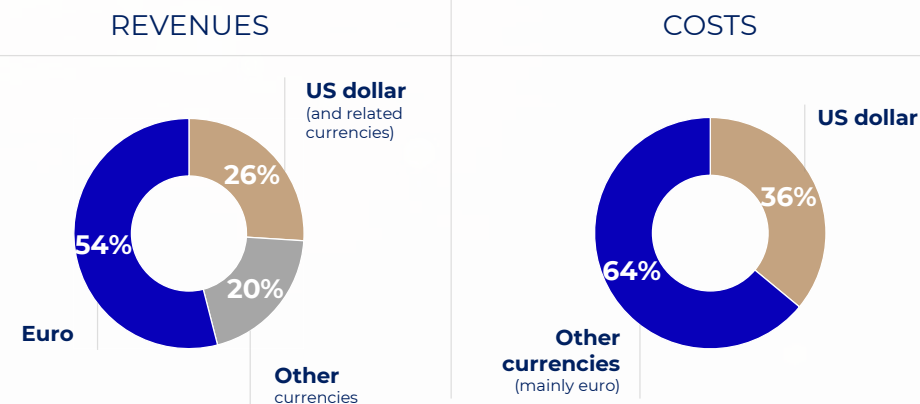
USD ~60%

JPY ~50%

GBP ~75%

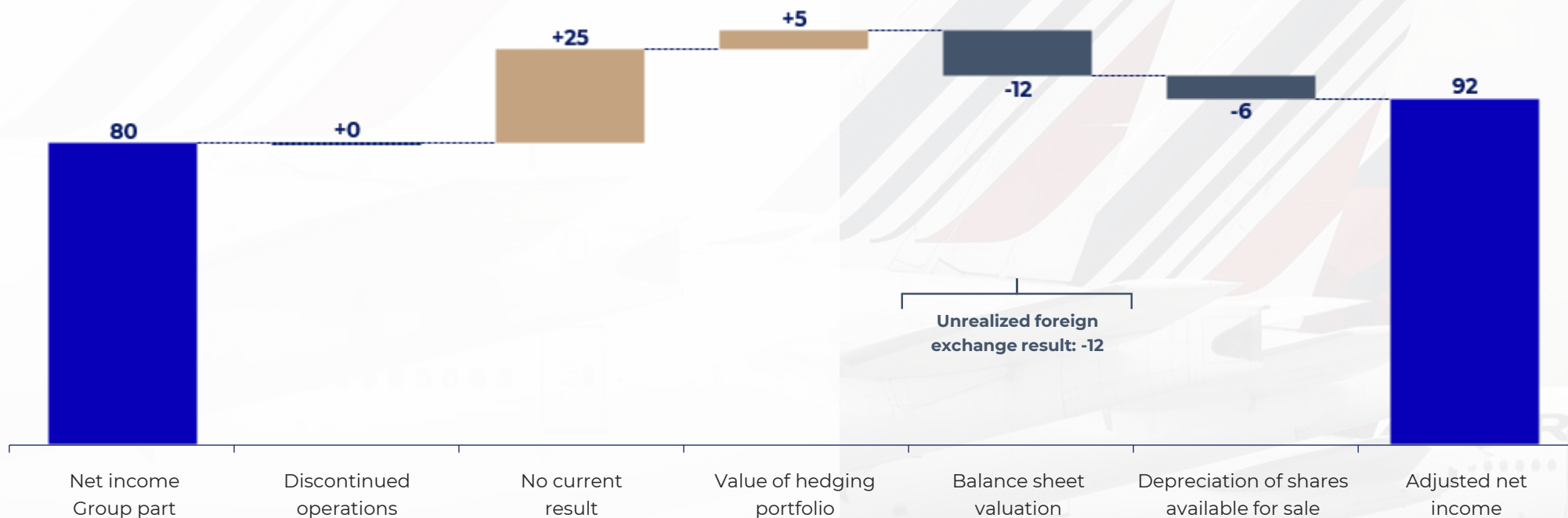
Revenues and costs per currency

FY 2018



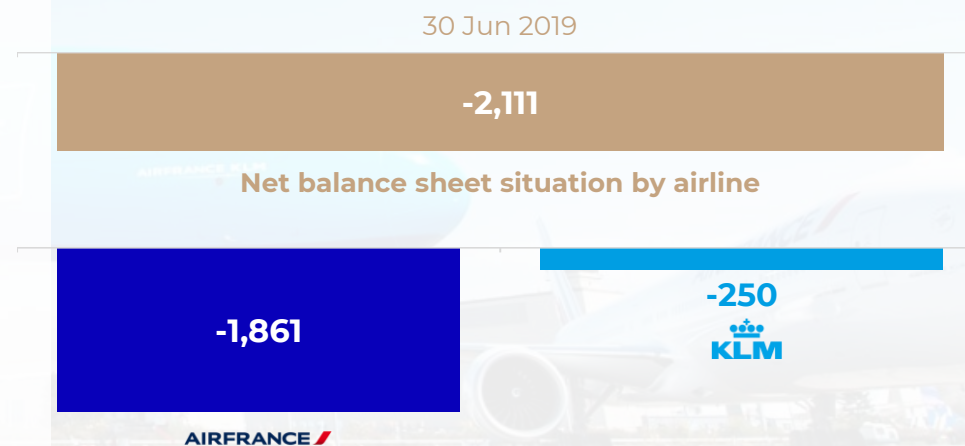
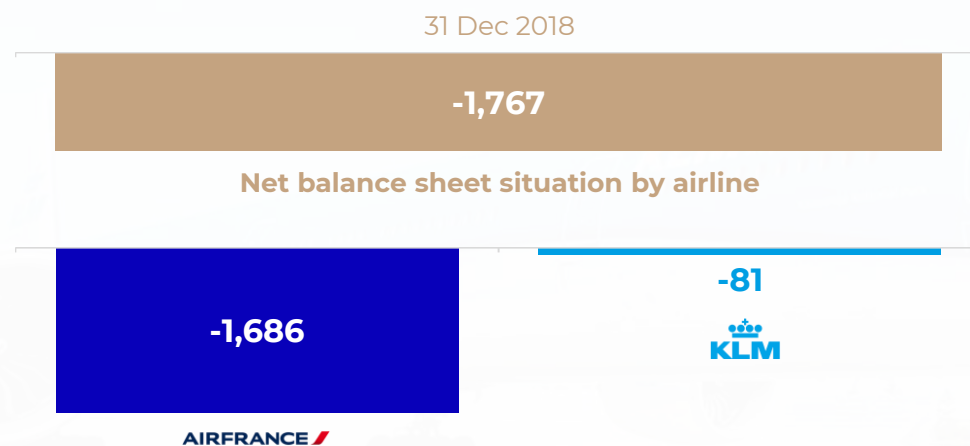
Adjusted net income of the Group

Q2 2019
In € m



Pension details at 30 June 2019

In € m



Air France

Air 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

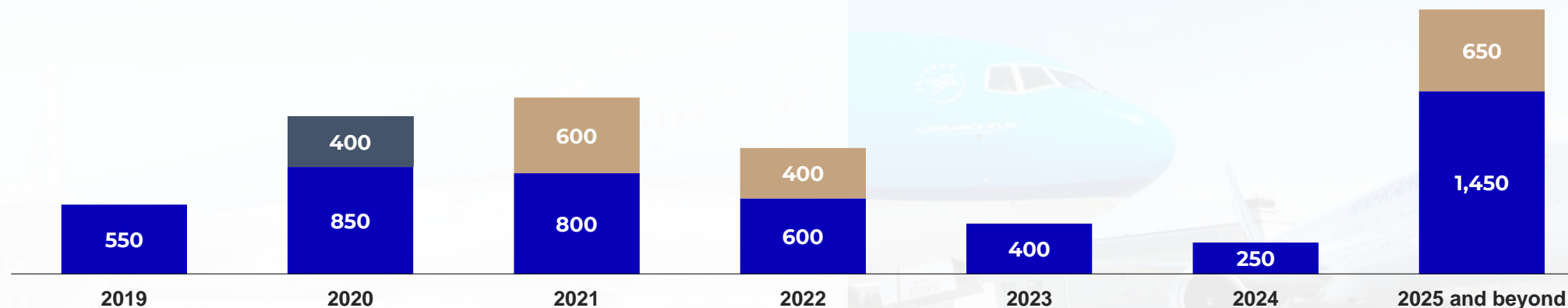
KLM

Defined benefit schemes for Ground Staff

Debt reimbursement profile at 30 June 2019

Debt reimbursement profile⁽¹⁾

In € m



Bonds issued by Air France-KLM

June 2021:

AFKL 3.875% (€600m)

October 2022:

AFKL 3.75% (€400m)

March 2026:

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

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)

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