



KLM

Results presentation

Results as of June 30, 2022
July 29, 2022





Q2 2022 highlights



Benjamin Smith
Chief Executive Officer
Air France-KLM

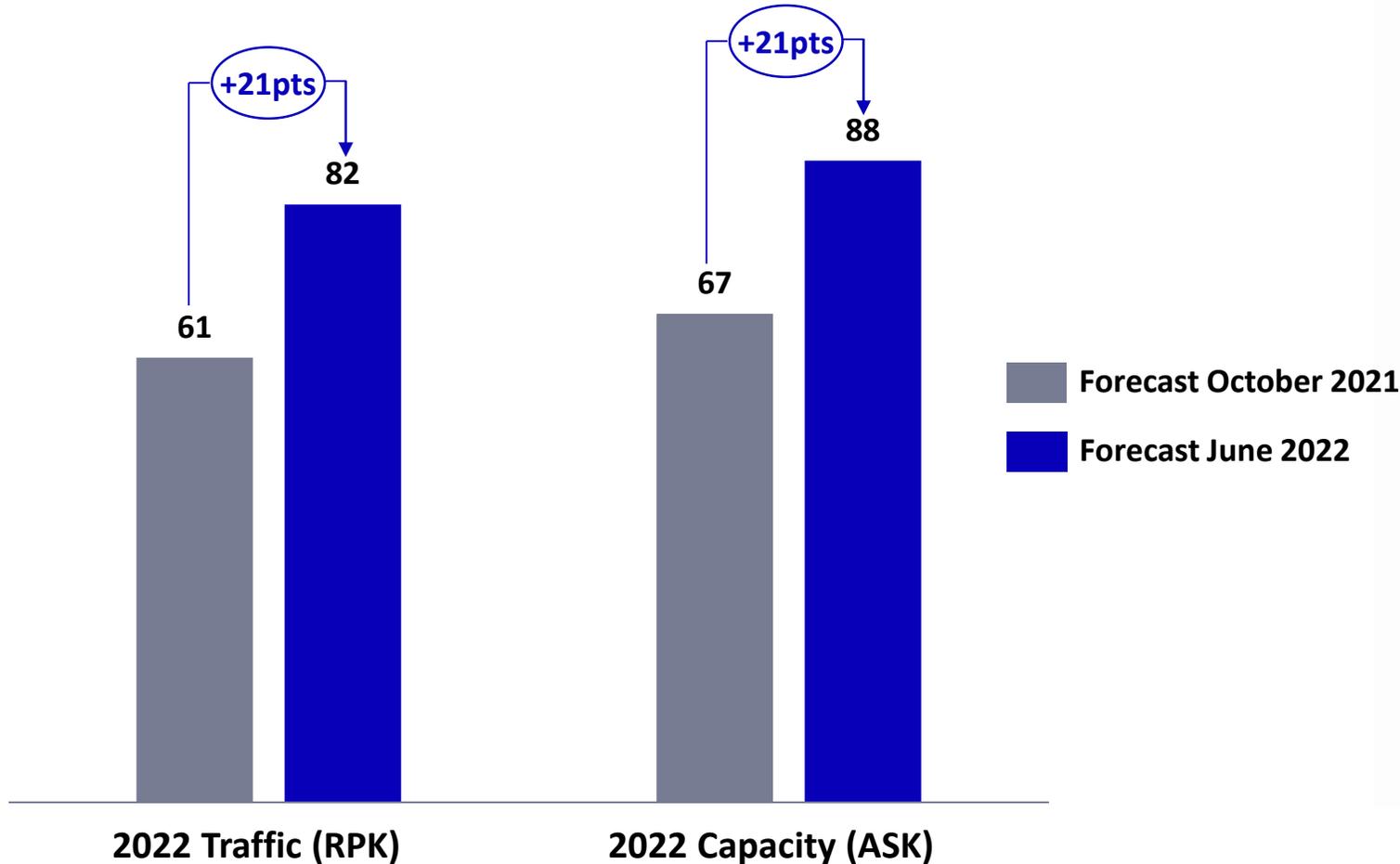




Airline industry: faster-than-expected recovery resulting into operational challenges

IATA 2022 forecast - Worldwide capacity & traffic

Index 100 = 2019 levels



A new global environment

Strong travel demand in a context of social unrest and staff shortage leading to critical infrastructures and ATC disruptions



Safeguarding the trust of our customers is our top priority in a complex operational environment

- Air France-KLM among the strongest in travel recovery **with anticipated Summer growth**
- Despite numerous proactive efforts, we face **operational difficulties across our network** in an industry-wide context of staff shortages and a **challenging social environment** across numerous customer touchpoint
- KLM has to operate **in deteriorated conditions at Schiphol** and mitigates the disruptions by **prioritizing delayed customers** over punctuality and **facilitating rebooking** with load factor restrictions on top of the restrictions requested by Schiphol airport⁽¹⁾
- Overall, **Air France is able to maintain a steady operation** with 99.4% of scheduled flights in June and July⁽²⁾
- **For Q2, those disruptions lead to an additional €70M cost⁽³⁾** to compensate our customers and limit as much as possible the negative impact on their travel

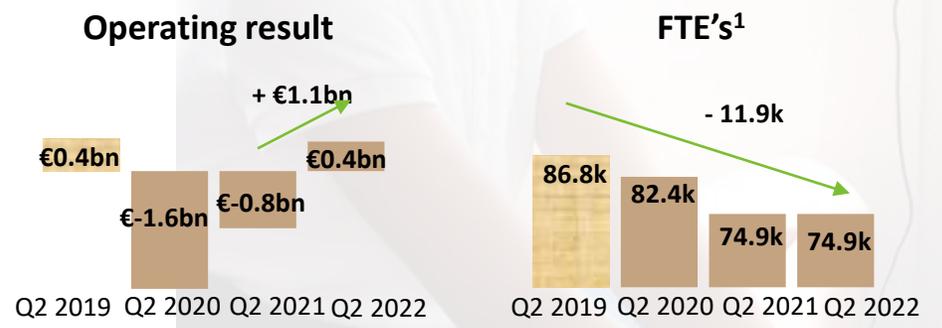
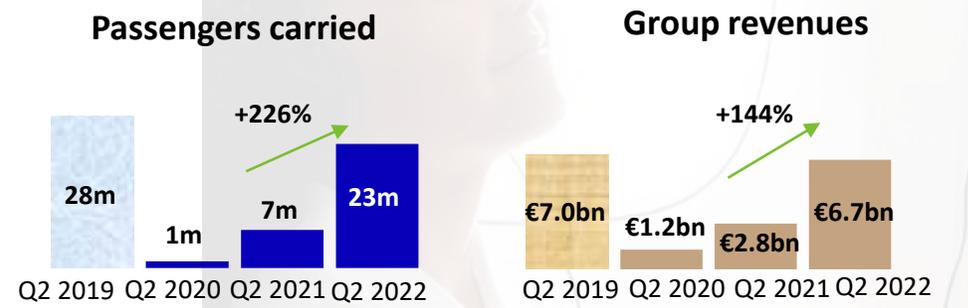
(1) Schiphol airport requested KLM to reduce the number of departing passengers from SPL between July 7th and August 31st and as a consequence KLM decided to reduce 14 seats on every KLC flight and ~5% of seats on every other European flight ; (2) Excluding mandatory cancellations at French Authorities' request due to CDG firemen strikes (4 days) ; (3) Additional disruption cost (excluding missed revenues)





Strong Q2 results driven by a favorable travel demand well anticipated from a capacity perspective by the airlines

- **Positive Operating result of €0.4bn in Q2**
- **Load factor at 85% with group capacity at 85% compared to 2019**
- **Adjusted Operating Free Cash Flow at €1.5bn thanks to EBITDA of €931m and strong bookings for summer with more than €1bn of advanced tickets sales during Q2**
- **Major steps taken to strengthen the balance sheet**
- **Solid €11.9bn cash at hand and strong net debt reduction by €2.2bn versus Dec 2021**





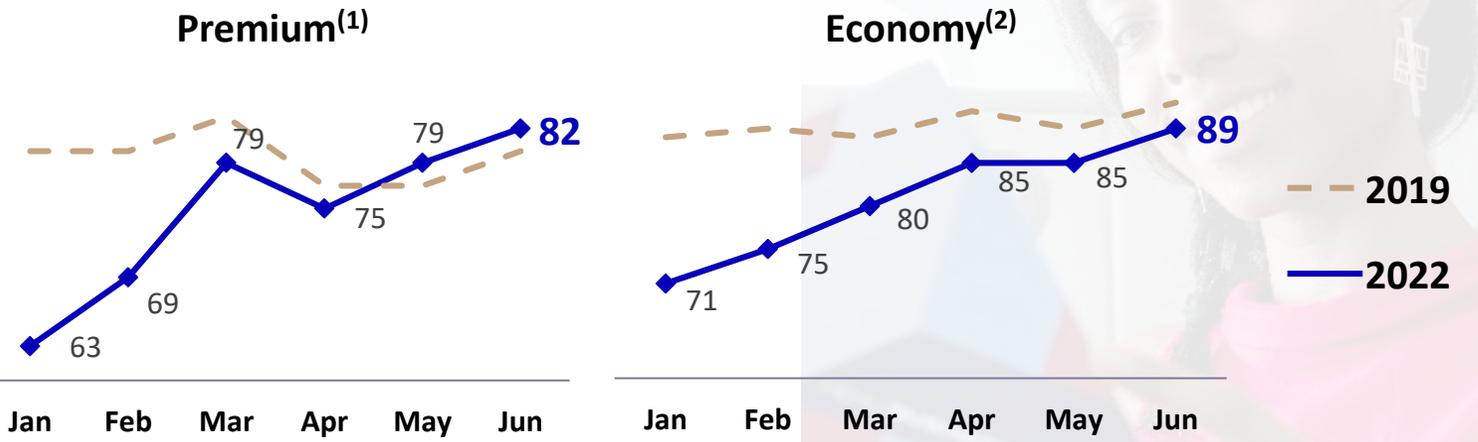
Steady increase of load factors and solid recovery of corporate traffic



Long haul Premium cabin load factors **above 2019** levels

2022 H1 Load Factors

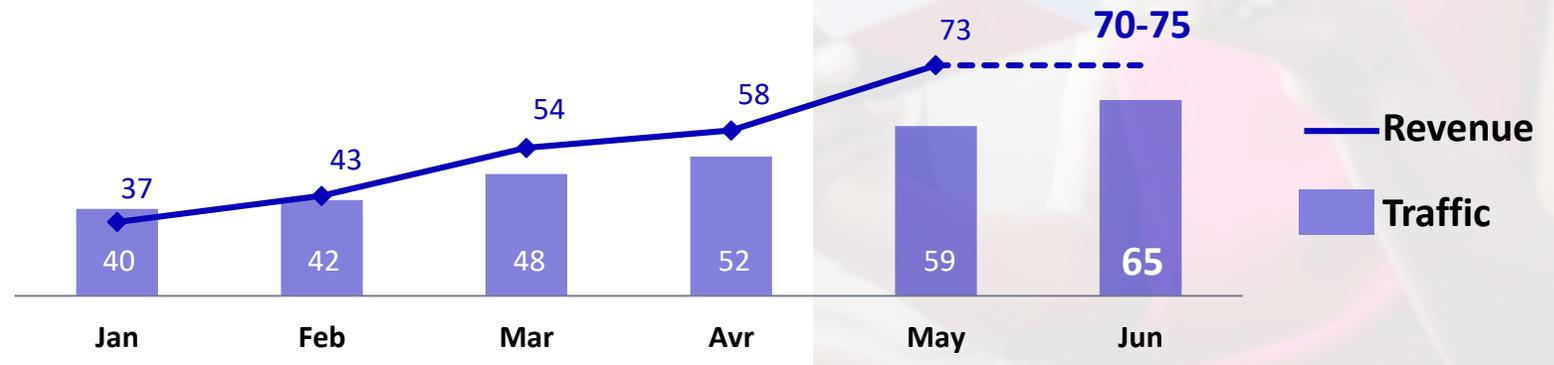
Air France & KLM Long Haul Passenger Network



Successful corporate traffic recovery with positive yield dynamic

2022 H1 Corporate revenue & traffic⁽³⁾

Air France & KLM Total Passenger Network



(1) Premium = First & Business ; (2) Economy = Premium Economy & Economy ; (3) Index vs. 2019



Positive rebound trends within our airlines and businesses continue



- Capacity at index 82⁽¹⁾
- Yield +15% vs. 2019
- Fleet renewal on its way with +3.5%⁽²⁾ of New Generation aircraft⁽³⁾ on H1

- Capacity at index 110⁽¹⁾
- Transavia France operating result negative in a context of strong growth and transfer of French Domestic routes (capacity at index 140⁽¹⁾)
- Transavia Holland back to 2019 margin

- NPS Cargo sharply increased
- Close working relationship initiated with CMA CGM teams
- ACW⁽⁴⁾ Achievement award for sustainability efforts

- Selection of engines LEAP secures Air France-KLM position as world leading engine MRO provider
- Signing of various new customer contracts (Air Canada, Aero Mexico, ...)

(1) Compared to 2019 reference levels (2) Comparison of total Air France and KLM fleet (medium and long haul) New Generation aircraft ratio between 2021 December 31 and 2022 June 30 ; (3) New Generation aircraft include Airbus A350, Boeing 787-9/10 and Airbus A220 ; (4) Air Cargo Week



Results as of June 30, 2022



Steven Zaat
Chief Financial Officer
Air France-KLM





Operating margin at 2019 level despite the steep increase of fuel cost

	Q2 2022	Q2 2021 ⁽¹⁾	Q2 2019	Change versus 2021	Change versus 2019
Revenues (€ m)	6,707	2,750	7,021	+3,957m	-314m
Aircraft Fuel (€ m)	1,863	520	1,404	+1,343m	+459m
Salary cost (€ m)	1,820	1,238	2,048	+582m	-228m
Other operating expenses (€ m)	2,093	1,241	2,402	+852m	-309m
EBITDA (€ m)	931	-249	1,167	+1,180m	-236m
Operating result (€ m)	386	-753	423	+1,139m	-37m
Operating margin	5.8%	-27.4%	6.0%	+33.2 pt	-0.2 pt
Net income - Group part (€ m)	324	-1,489	97	+1,813m	+227m

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





Network and Maintenance at 6% operating margin, Transavia coping with strong capacity increase

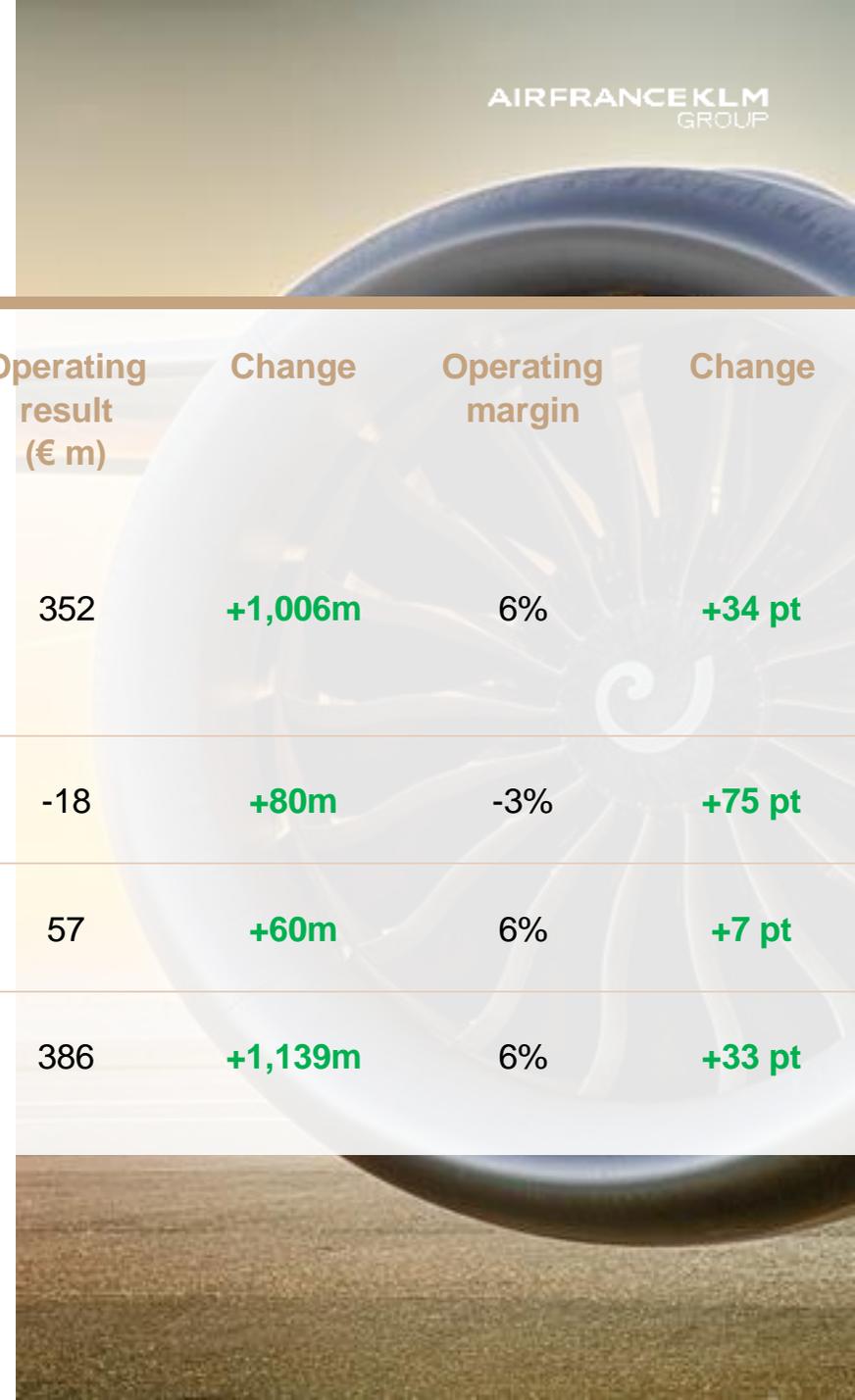
Q2 2022 versus Q2 2021

	Capacity ⁽¹⁾	Unit Revenue ⁽²⁾ Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
Network	 +69.4%	+95.6%	4,835	+229.3%	352	+1,006m	6%	+34 pt
	 +27.4% ⁽³⁾	-23.7%	918	+2.6%				
Transavia	 +221.9%	+51.0%	601	+378.0%	-18	+80m	-3%	+75 pt
Maintenance			345	+35.1%	57	+60m	6%	+7 pt
Group	 +81.9%	+42.1%	6,707	+143.9%	386	+1,139m	6%	+33 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 able to reach positive operating margin

Q2 2022 versus Q2 2021	Capacity change	Revenues (€ m)	Change YoY	Operating result (€ m)	Change YoY	Operating margin	Change YoY
AIRFRANCE /	+117%	4,062	+147%	133	+700	3%	+38 pt
KLM	+48%	2,782	+130%	262	+447	9%	+25 pt
AIRFRANCEKLM GROUP	+82%	6,707	+144%	386	+1,139	6%	+33 pt

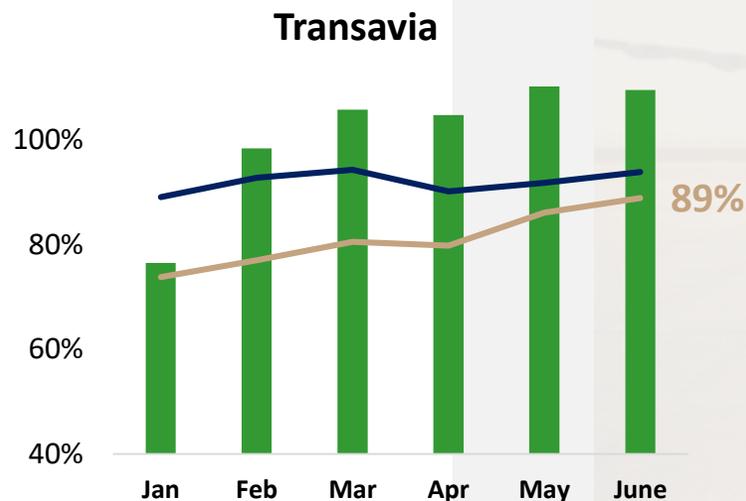
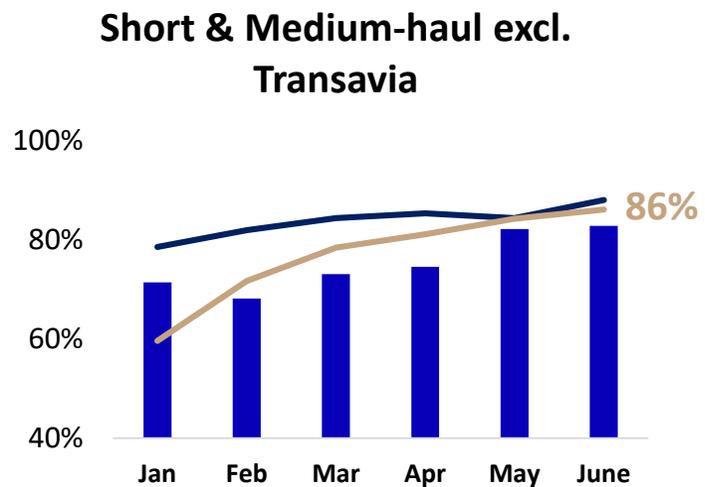
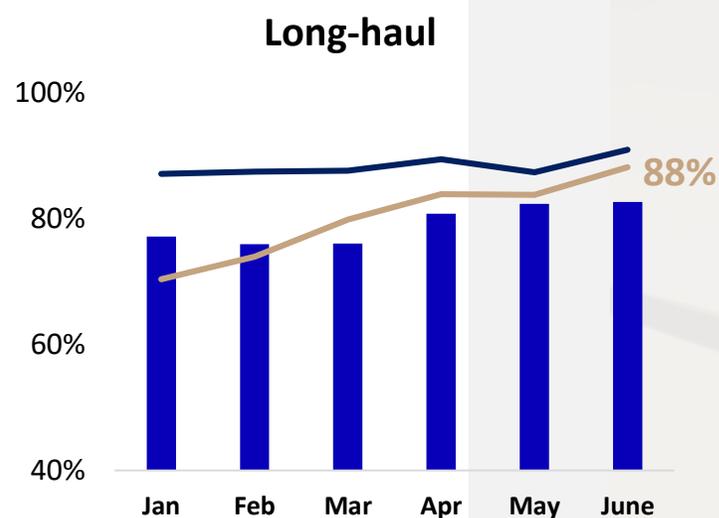
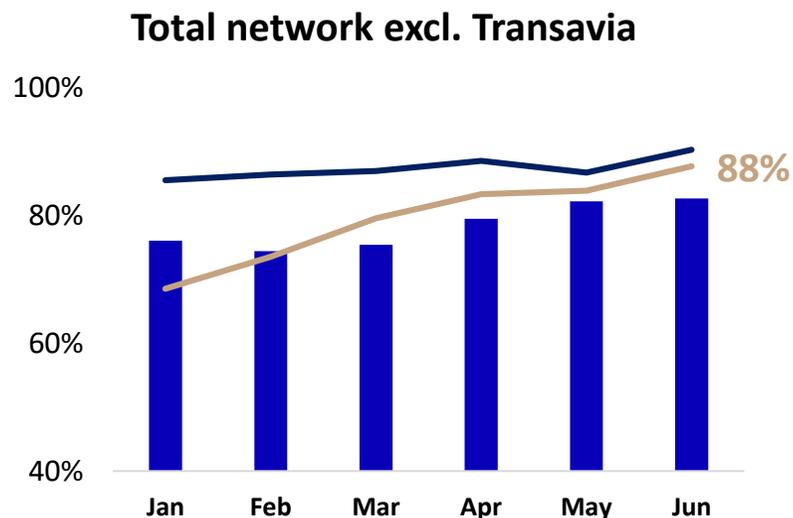
- Significant improvement in Operating result for both airlines with operating margins close to 2019 levels

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





Load factors getting closer to 2019 while capacities keep growing



■ ASK index vs 2019
 — Load factor 2019
 — Load factor 2022
 Xx% June Load factor 2022



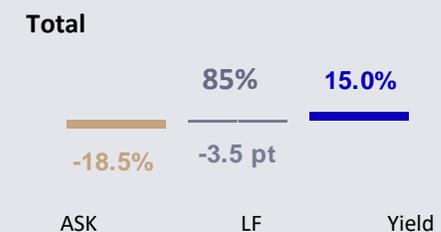
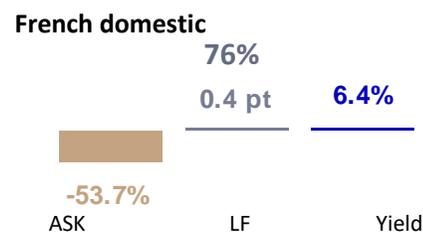
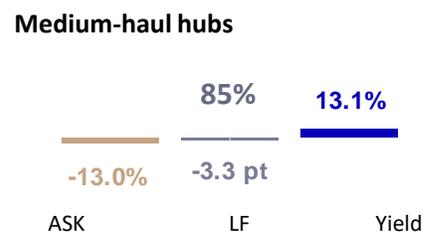
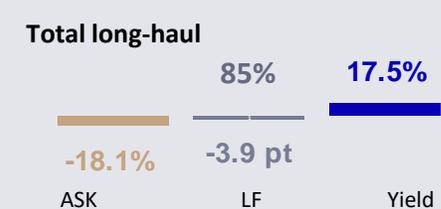
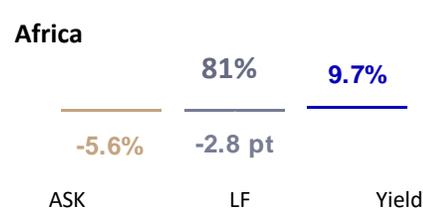
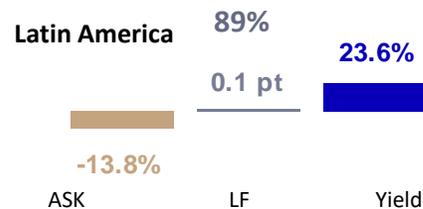
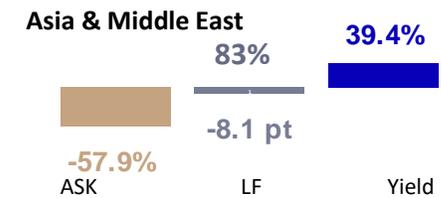
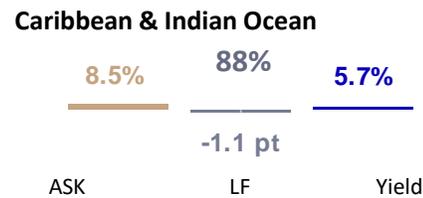
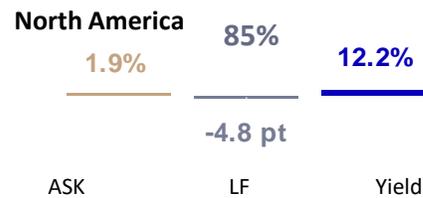


Double-digit yield increase on most regions and on both economy and premium cabins

Q2 2022 vs Q2 2019

Yield

Premium	Economy
12.5%	16.9%



xx% Actual Load factor Q2 2022

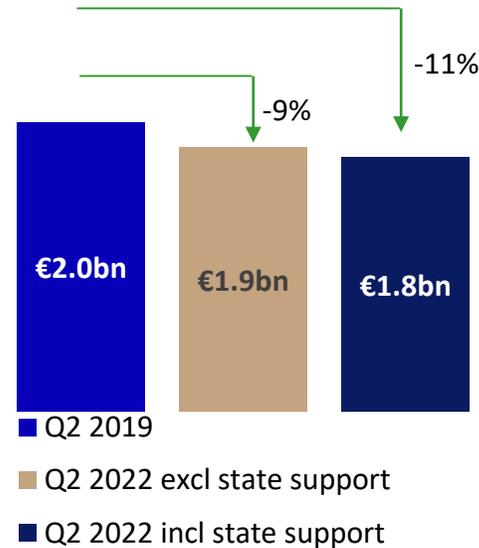


Transformation programs are mitigating the challenging cost environment

Unit cost evolution¹



Staff cost evolution



FTE evolution



Unit cost above 2019 levels with capacity 15% below only explained by:

- CLA (Collective Labor Agreement) delayed implementation at KLM in Q2 2022
- Airport (+9% at Schiphol) and ATC charges increase
- Customer compensations

Transformation programs

- Air France : Continuing transformation program
- KLM adjusted staff levels in order to accommodate further capacity increase. NOW terminated by the end of Q1 2022

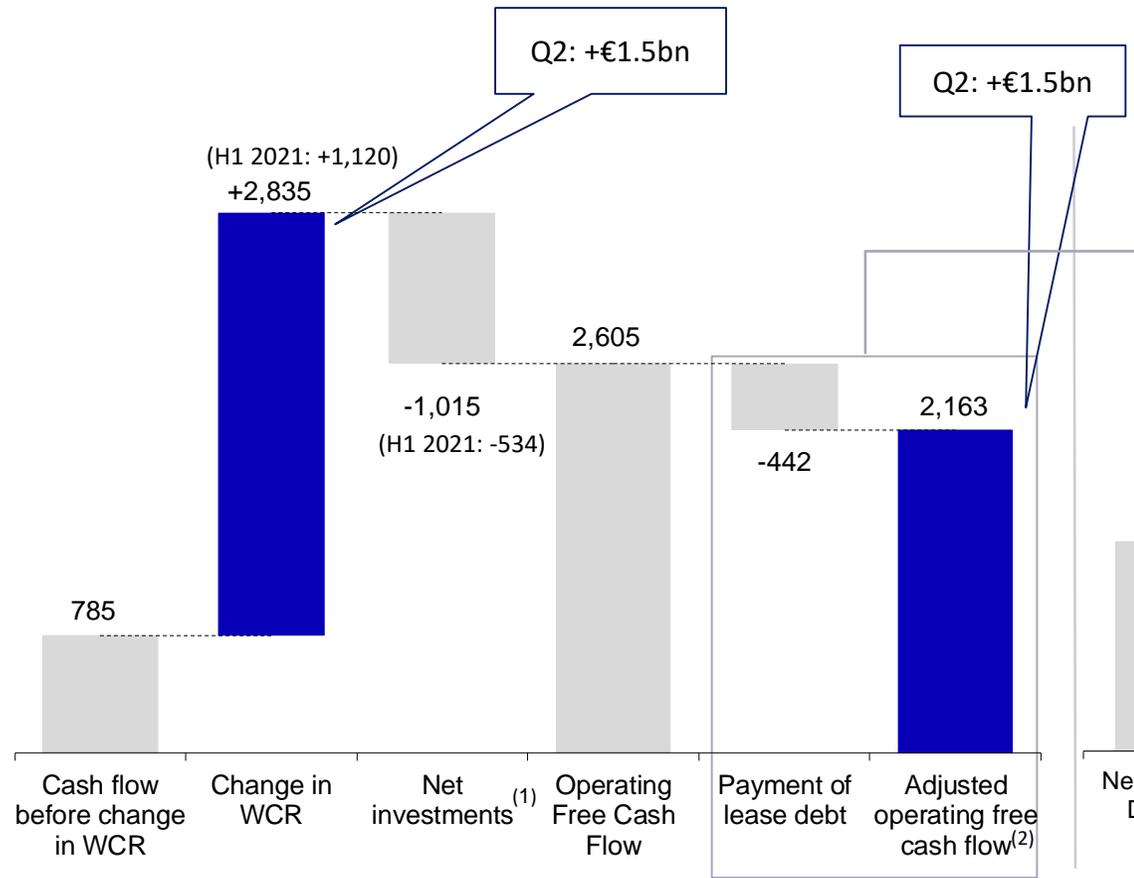
(1) Unit cost against constant fuel price and constant currency

(2) Excluding Transavia France

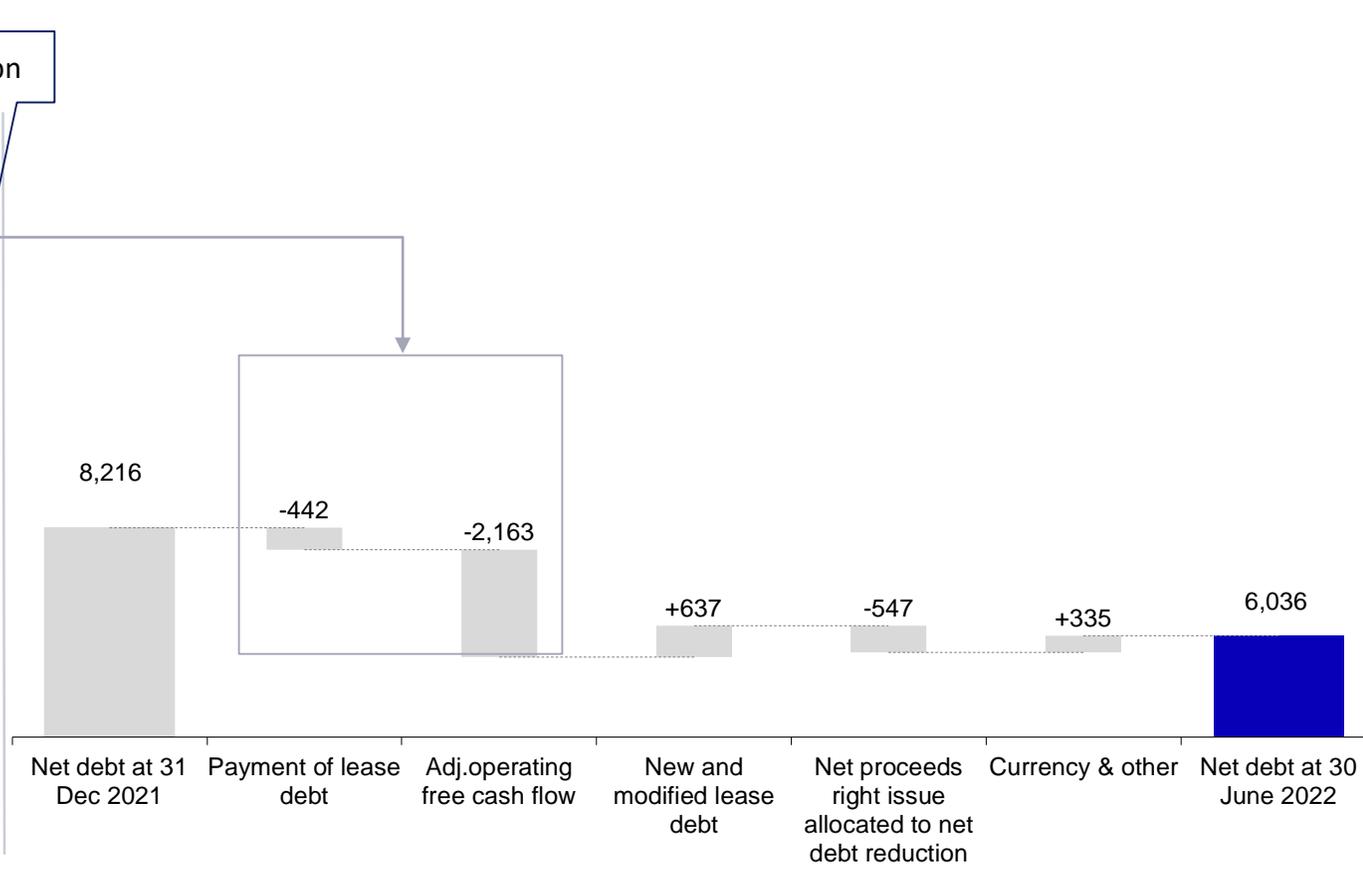


Positive EBITDA and strong ticket sales reinforce the adjusted operating free cash flow and support net debt reduction by €2.2bn

H1 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



Major steps achieved to pave the financial trajectory



AIR FRANCE-KLM GROUP

February 2022 (FY results)

Air France-KLM announces plans for a set of **equity strengthening measures** up to **€4bn**

June 2022

Air France-KLM successfully completes **€2.3bn** rights issue, with CMA-CGM becoming new strategic shareholder and a reference commercial partner in the cargo activity

June 2022

Air France-KLM / Air France redeemed €1.6bn of French State perpetual bonds (incl. coupon) thanks to proceeds of the rights issue

June 2022

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

July 2022

Apollo Global Management invested into an ad hoc affiliate of Air France Group owning a pool of spare engines for an amount of **€0.5bn**, qualified as equity and contributing to lower financing cost. Proceeds will have been used to redeem partly the French State perpetual bonds

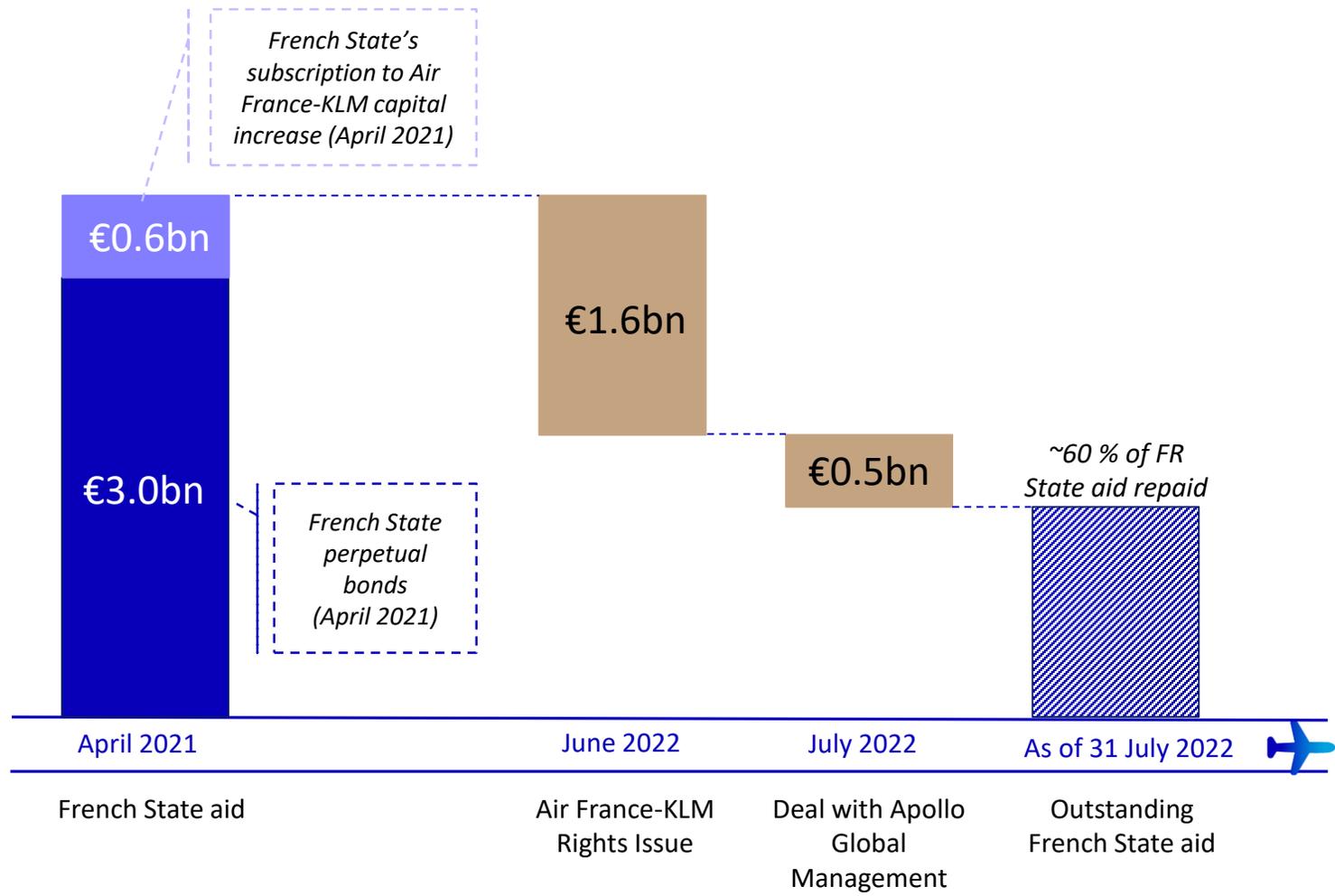
Later in 2022-2023

Possible hybrid bonds issuances up to **€1.2bn** subject to market conditions

Restoration of Group's negative equity through net profits generation and further assets monetization through quasi/equity projects



Acceleration of the French State aid redemption aiming to redeem as soon as possible at least 75%



1. June 2022: **successful right issue**— 75% of the proceed was affected to redeem the French State perpetual bonds
2. July 2022: **€500m capital injection by Apollo Global Management** into an Air France affiliate owning spare engines. Proceeds used to continue redeeming the French State perpetual bonds
3. As of 31 July 2022, ~60% of French State aid will be redeemed - objective is to redeem as soon as possible at least **75% of the French State aid** and will be subject to market condition





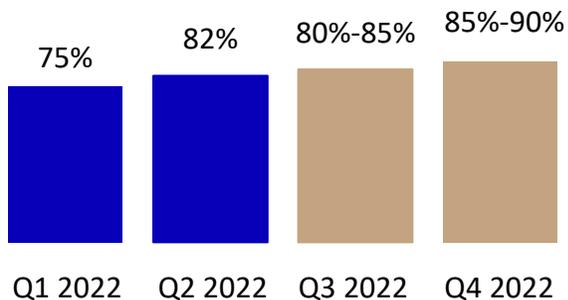
Outlook

Results as of June 30, 2022



Air France-KLM estimates to reach capacity levels of 80% to 85% during peak summer

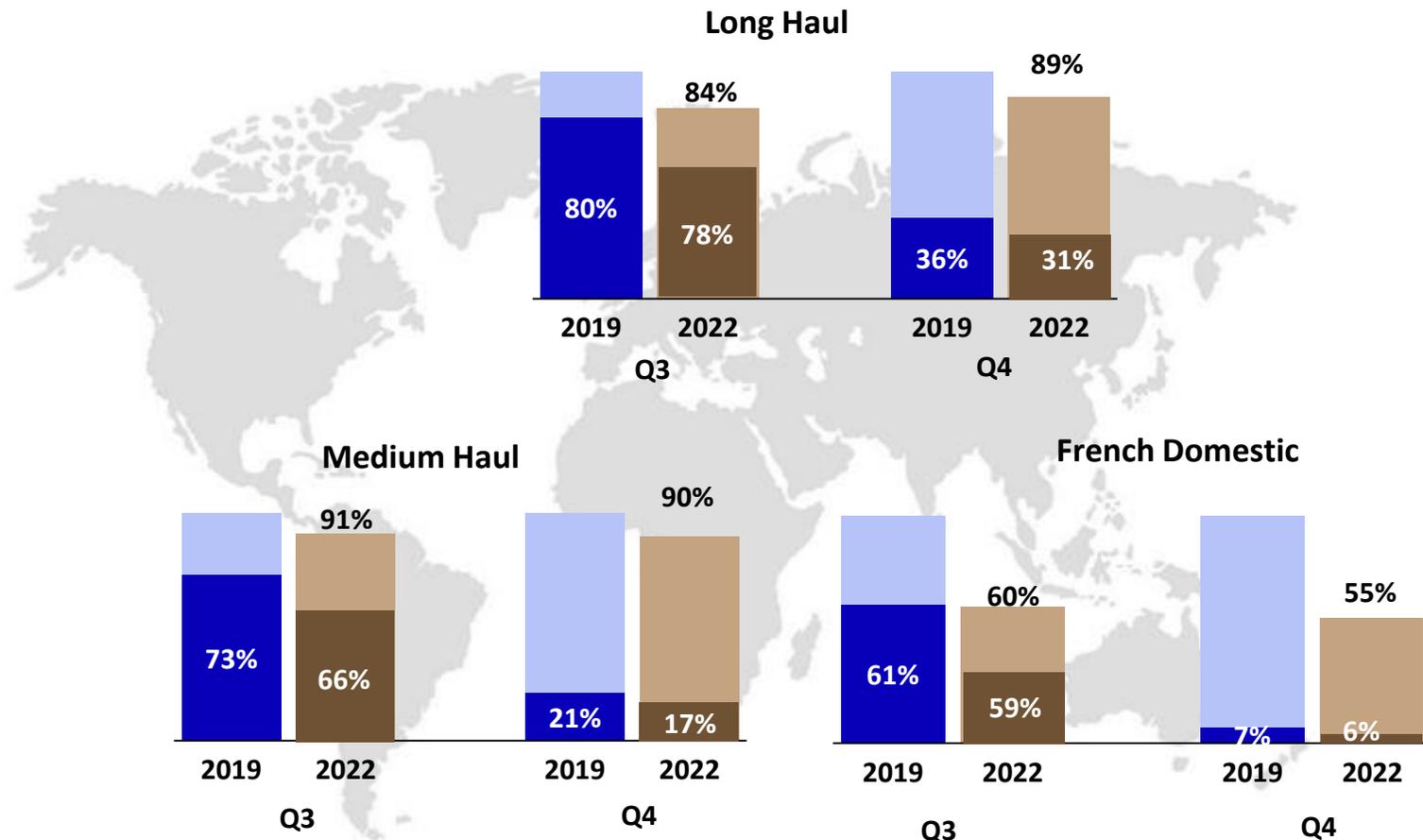
AIRFRANCE  **KLM** 
Network Passenger capacity in ASK versus 2019



- French Domestic capacity reduced on the HOP/Air France side, however partly compensated by Transavia France growth
- Transavia capacity above index 100 for Q3 and Q4 2022
- Healthy yield environment for the remainder of 2022

Network Passenger capacity and booking

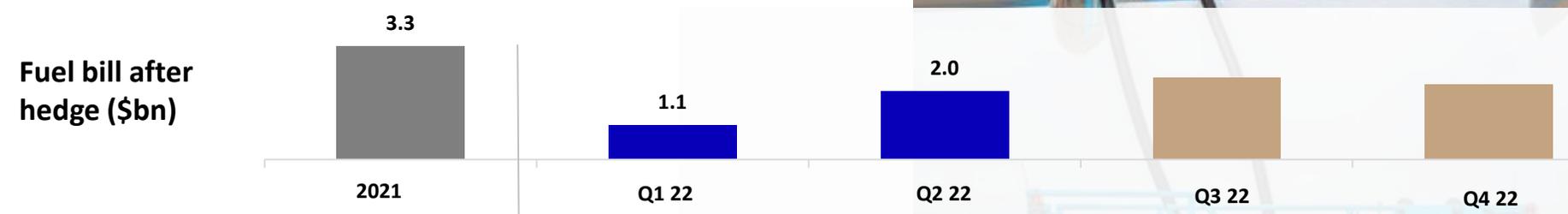
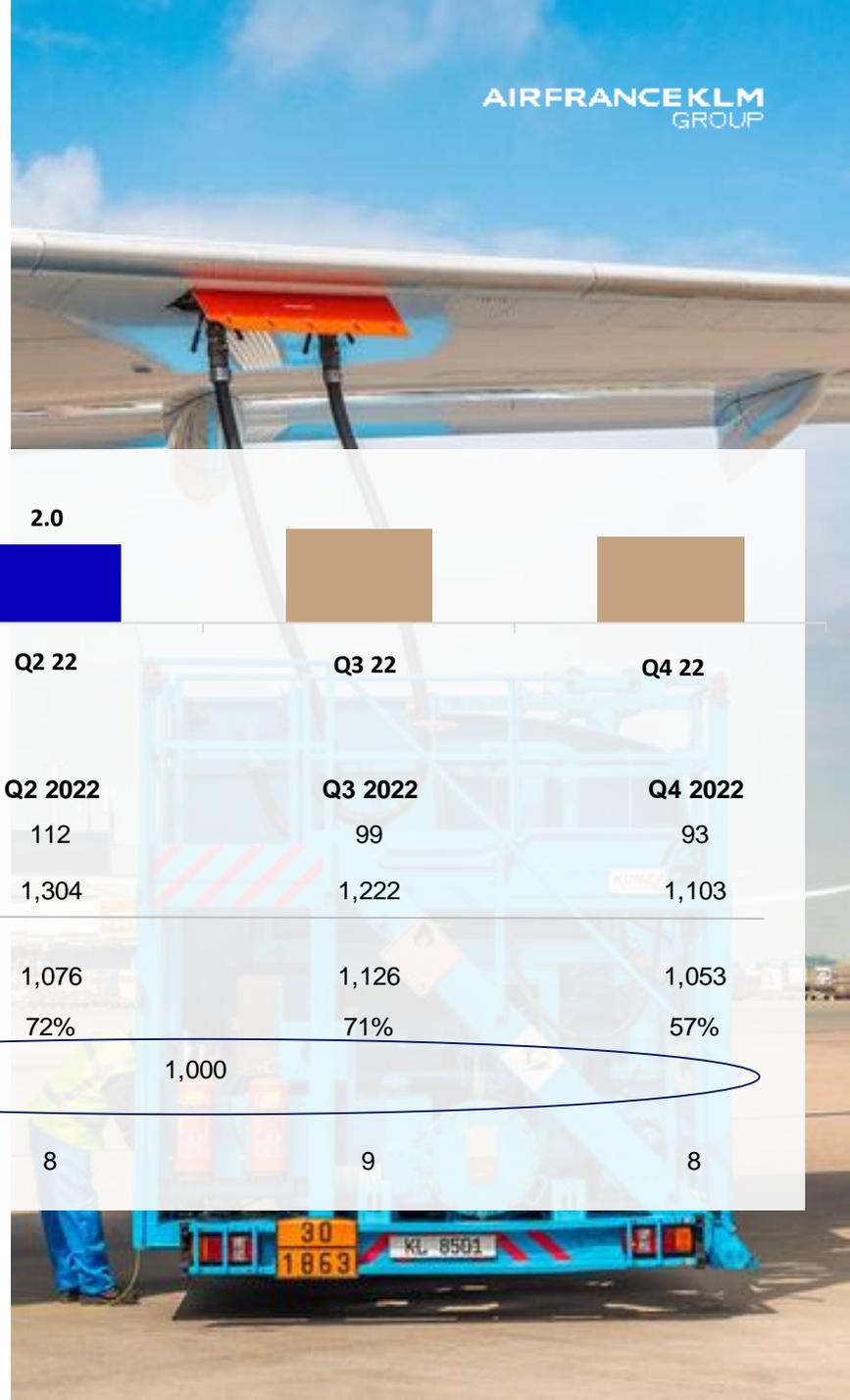
Snapshot of the 25th of July 2022 and 2019



■ 2022 Capacity in ASK versus 2019 ■ Forward booking load factor 2022
■ 2019 Capacity in ASK base 100% ■ Forward booking load factor 2019



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

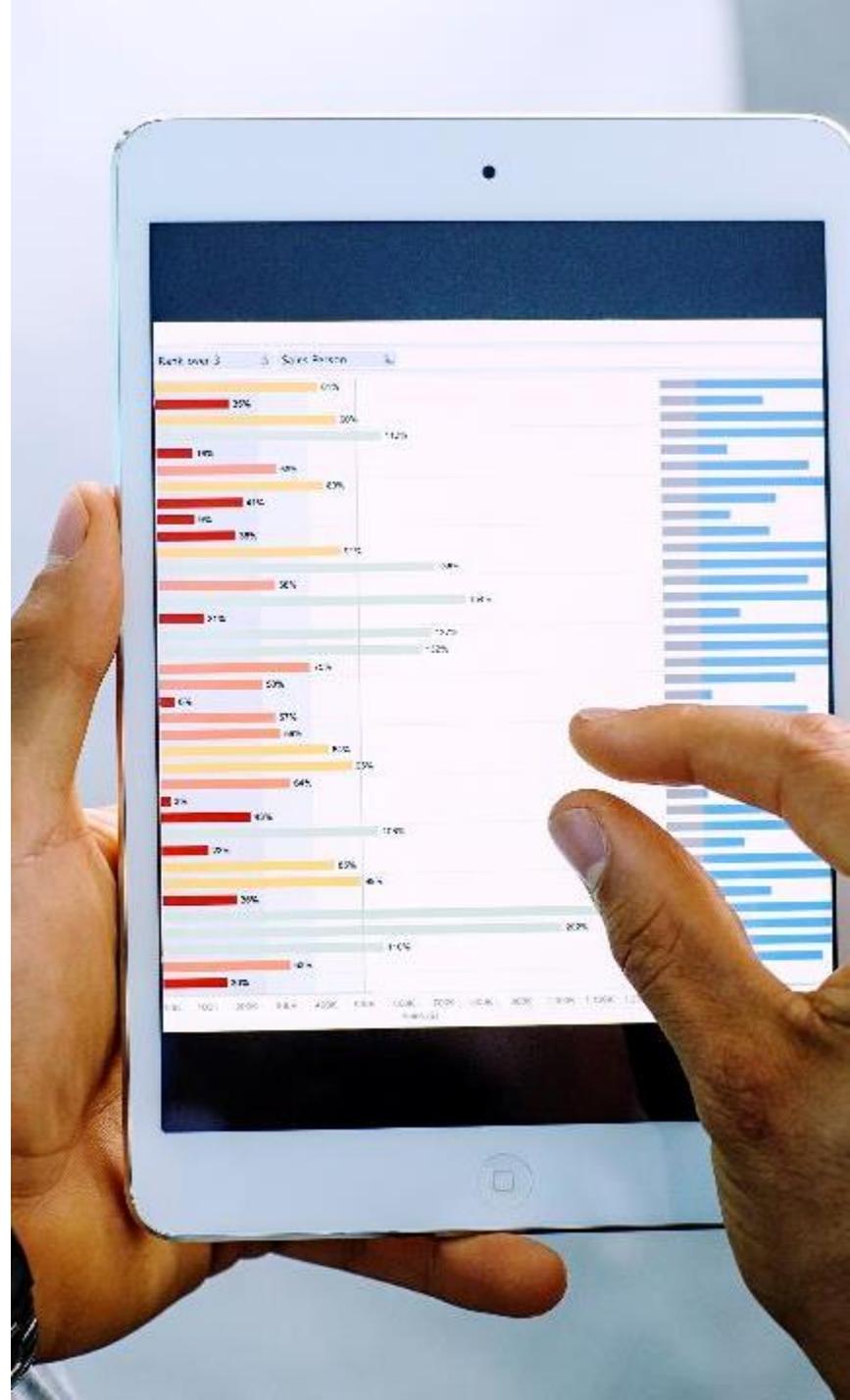


		2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Market price	Brent (\$ per bbl)	71	97	112	99	93
	Jet fuel (\$ per metric ton)	676	922	1,304	1,222	1,103
Price after hedge	Jet fuel (\$ per metric ton)	619	745	1,076	1,126	1,053
	% of consumption already hedged	82%	74%	72%	71%	57%
	Hedge result (in \$ m)	300			1,000	
Sustainable Aviation Fuel in k metric ton			8	8	9	8

Based on forward curve at 25 July 2022. Jet fuel price including into plane cost

Outlook 2022

	Q3	Q4	FY	
Capacity	Air France-KLM network	80 to 85%	85 to 90%	Circa 80%
	Transavia	Above index 100	Above index 100	Above index 100
Operating result	Significant positive		Positive	
Capex	€2.5bn			





Q2 2022 highlights

Conclusion



Benjamin Smith
Chief Executive Officer
Air France-KLM





Positive development of our booked load factor continue

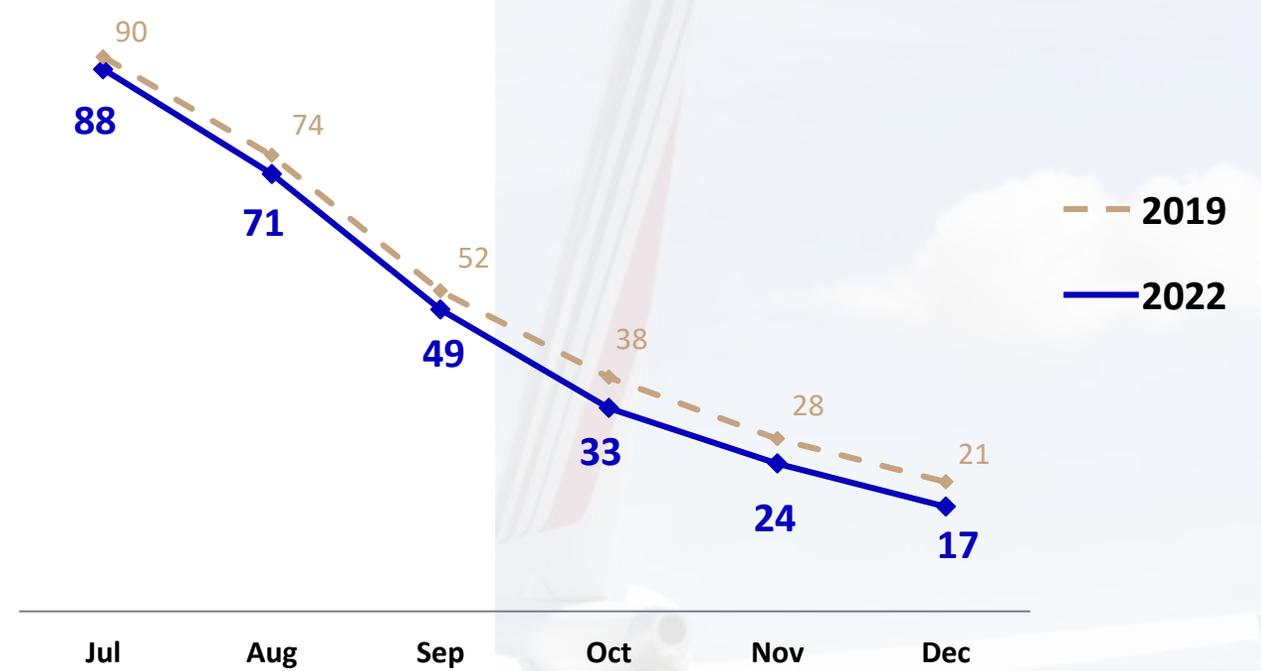
✓ Q4 capacity to reach 85-90% of 2019 levels

✓ H2 booked load factor close to 2019 levels

✓ Dynamic corporate traffic expected especially on North Transatlantic

2022 H2 Booked Load Factor⁽¹⁾

Air France & KLM Total Passenger Network



(1) Snapshot July 11th 2022



Air France-KLM continues its actions in support of its environmental roadmap

- LOI signed with Airbus to explore **Direct Air Carbon Capture and Storage** to remove CO₂ directly from the atmosphere
- Launch of the **Air France-KLM Flying Blue sustainability offer** rewarding members⁽¹⁾ choosing to voluntarily contribute with SAF⁽²⁾ or reforestation
- Important **technological milestones** demonstrated by our airlines

Skyteam Sustainability Flight Challenge



Reduction of CO₂ emissions by up to 50% by activating all decarbonization levers⁽³⁾

Connecting Europe Days (Lyon)



Air France, KLM and Transavia operated European flights with **30% SAF**



(1) XP gain relative to Flying Blue tier levels and associated benefits ; (2) Sustainable Aviation Fuel ; (3) New Generation aircraft, SAF, electrical ground operations and eco-piloting



Conclusion

1

Air France-KLM delivered better than expected revenues and results ...

- Air France and KLM were **among the most active airlines** to capture the recovery
- Significant **improvement in Operating result** for both airlines with **operating margins close to 2019 level**

2

... despite overwhelming operational challenges

- **Faster-than-expected recovery** generated operational disruptions and critical infrastructures' congestions
- Air France-KLM took many actions to **protect its customers**, adapt its activity and use all levers to mitigate disruptions

3

The global environment is becoming more challenging...

- **Growing inflation**
- **Uncertain macro environment** due to continued geopolitical tensions and Covid persistent risks

4

... but Air France-KLM has a clear strategy going forward

- **Internal transformation** remains one of the Group's top priority
- Further **strengthening our financial trajectory**
- **Continuous action towards sustainable aviation**





Appendix

Results as of June 30, 2022



H1: Operating result slightly positive

	H1 2022	⁽¹⁾ H1 2021	H1 2019	Change versus 2021	Change versus 2019
Revenues (€ m)	11,152	4,910	12,963	+6,242m	-1,811m
Aircraft Fuel (€ m)	2,858	982	2,605	+1,876m	+253m
Salary cost (€ m)	3,343	2,406	4,020	+937m	-677m
Other operating expenses (€ m)	3,799	2,399	4,728	+1,400m	-929m
EBITDA (€ m)	1,152	-877	1,610	+2,029m	-458m
Operating result (€ m)	36	-1,934	137	+1,970m	-101m
Operating margin	0.3%	-39.4%	1.1%	+39.7 pt	-0.7 pt
Net income - Group part (€ m)	-228	-2,972	-227	+2,744m	-1m

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





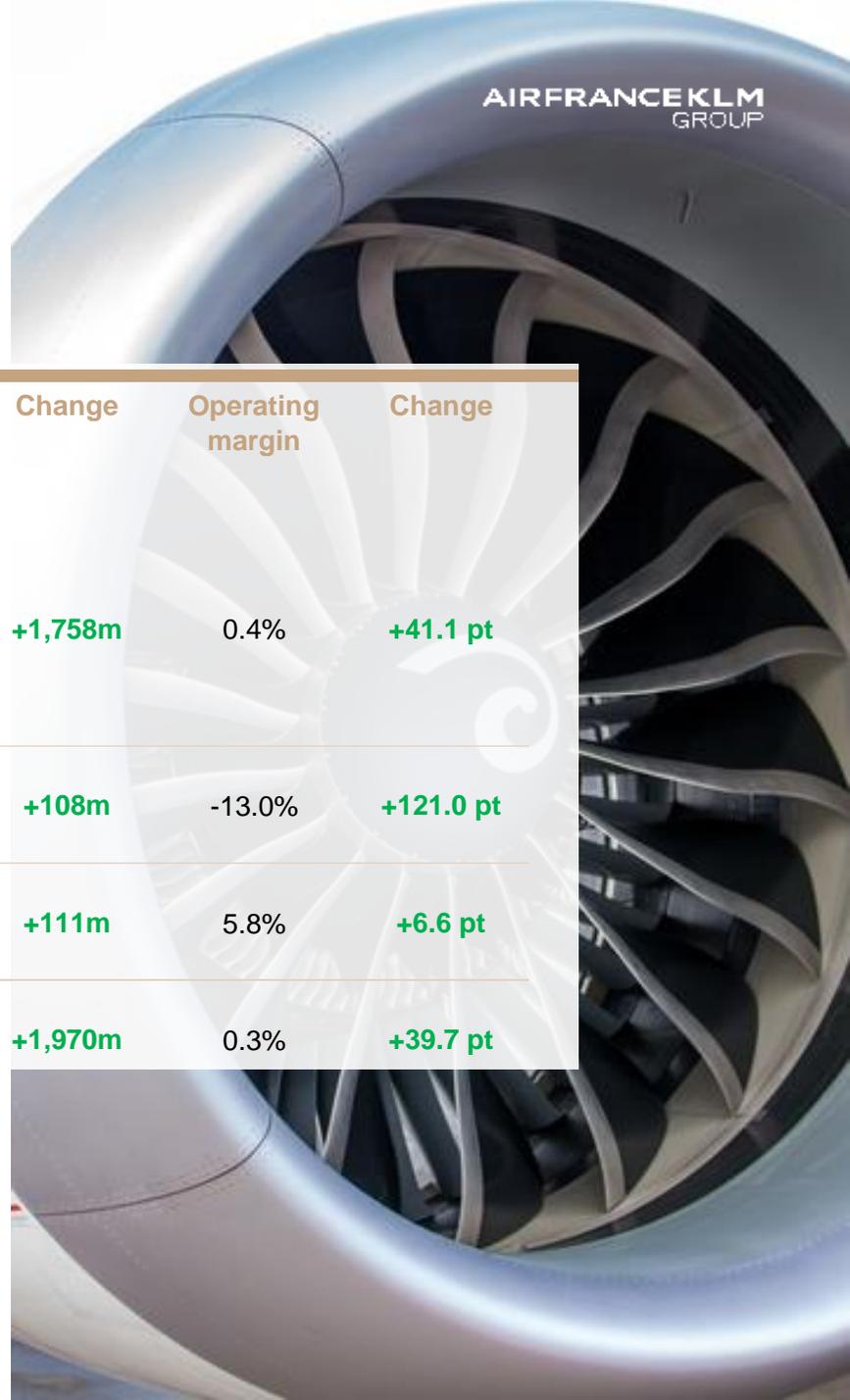
H1: Network and Maintenance positive operating result

H1 2022 versus 2021	Capacity ⁽¹⁾	Unit Revenue ⁽²⁾ Constant Curr.	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change
Network	 +63.2%	+93.6%	7,818	+214.3%	43	+1,758m	0.4%	+41.1 pt
	 +18.9% ⁽³⁾	-15.5%	1,828	+5.5%				
Transavia	 +274.6%	+41.2%	850	+422.2%	-110	+108m	-13.0%	+121.0 pt
Maintenance	 +25.0%		642	+25.0%	101	+111m	5.8%	+6.6 pt
Group	 +75.3%	+38.0%	11,152	+127.1%	36	+1,970m	0.3%	+39.7 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).

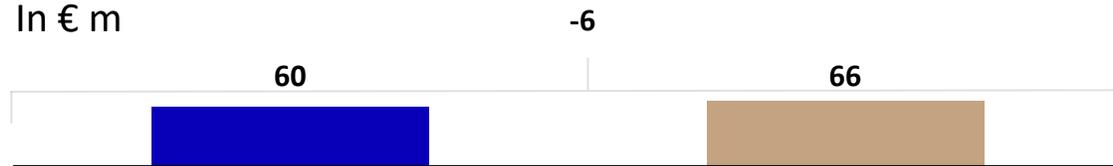
(3) Capacity of passenger aircraft used for cargo only, is based on theoretical payload without passengers





Currency impact on operating result

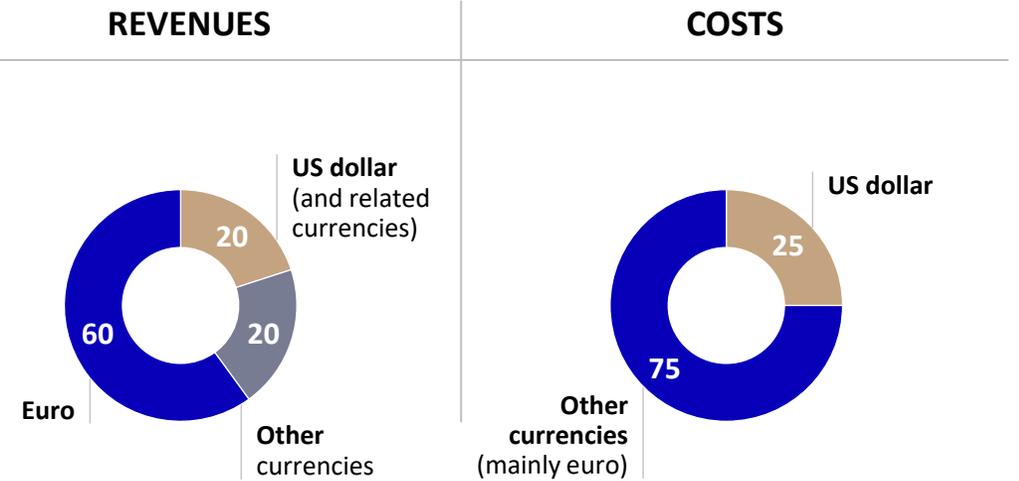
Currency impact on revenues and costs
In € m



Q2 2022

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

Revenues and costs per currency FY 2021





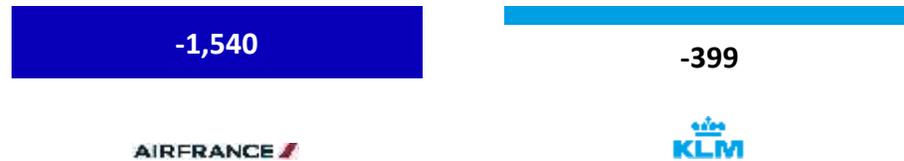
Pension details as of June 30, 2022

In € m

Dec 31, 2021



Net balance sheet situation by airline



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

AIRFRANCE KLM GROUP

Jun 30, 2022



Net balance sheet situation by airline



KLM Defined benefit schemes

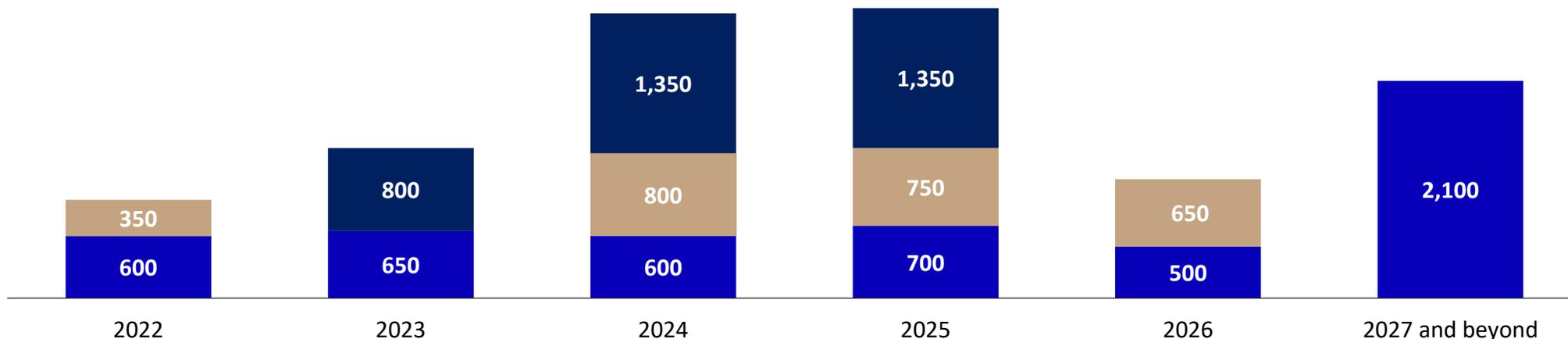
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Debt redemption profile at 30 June 2022

Debt reimbursement profile⁽¹⁾

In €m



Bonds issued by Air France-KLM

October 2022:

AFKL 3.75% (€350m)

March 2024:

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

January 2025

AFKL 1.875% (€750m)

December 2026:

AFKL 4.35% \$145m (€118m)

June 2024-26:

AFKL 3.0% €300m in 2024
AFKL 3.875% €500m in 2026

French state aid package

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

French state loan of €3.0bn has been converted in perpetual quasi-equity in April 2021

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

(1) Excluding operating lease debt payments, KLM perpetual debt, and Air France perpetual quasi-equity