

# Air France-KLM

Investor Day

NOVEMBER 5<sup>TH</sup> 2019





# Agenda

8:30	<b>Registration &amp; Breakfast</b>	
9:30	<b>Building A European Champion</b>	Benjamin Smith, Chief Executive Officer, Air France KLM
11:00	<b>KLM Strategy</b>	Pieter Elbers, Chief Executive Officer, KLM
11:20	<b>Air France Strategy</b>	Anne Rigail, Chief Executive Officer, Air France
11:40	<b>Reaching Leading European performance</b>	Frederic Gagey, Chief Financial Officer, Air France KLM
12:10	<b>Q&amp;A</b>	Benjamin Smith, Chief Executive Officer, Air France KLM Frederic Gagey, Chief Financial Officer, Air France KLM Pieter Elbers, Chief Executive Officer, KLM Anne Rigail, Chief Executive Officer, Air France
13:00	<b>Lunch</b>	





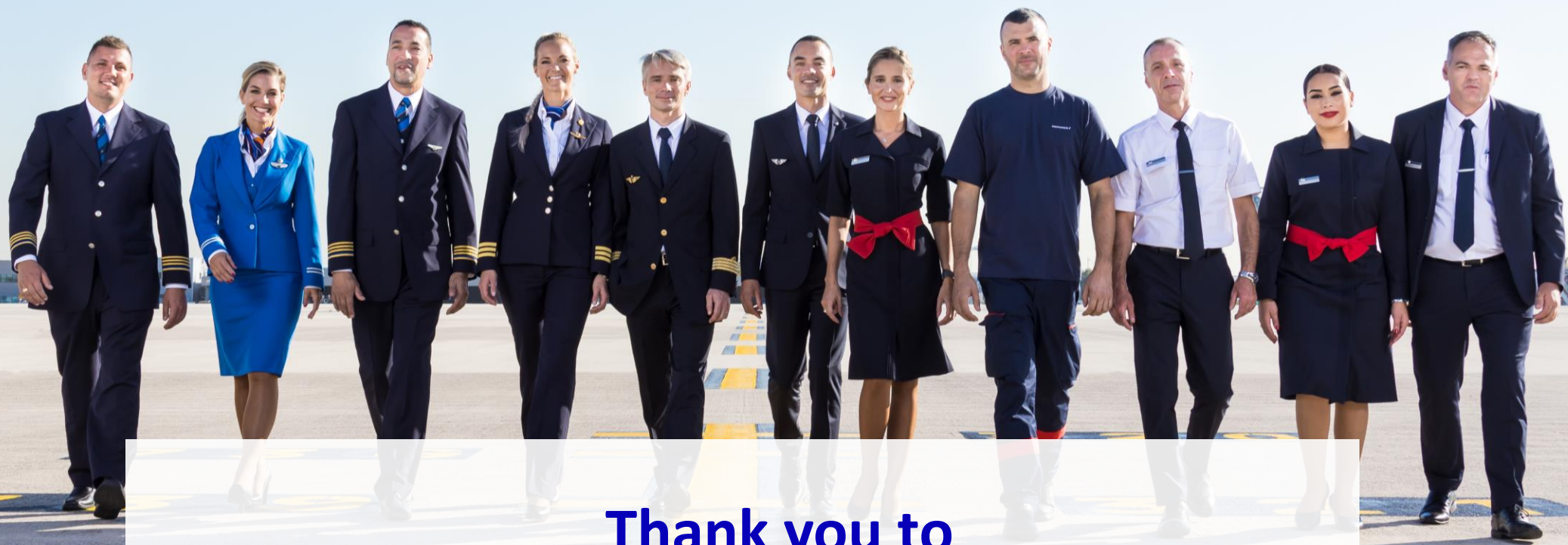
# Building A European Champion Based on a New Value-Focused Model



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



# Employees Are Air France-KLM's #1 Asset



**Thank you to  
all Air France-KLM Group employees!**



# Our Business Revolves Around Our Customers



**Our goal is to exceed the expectations of our customers at all touchpoints**



# A New Value-Focused Model for All Stakeholders

## Commitment to Global Environmental Sustainability

Medium Term (2024)





# Air France-KLM is Building a New Value-Focused Model

## Commitment to Global Environmental Sustainability

Optimize our  
**Operating Model**

Leverage **European Consolidation**

Grow Profitable  
**Passenger Revenue**

Develop **Customer Data, Flying Blue, Cargo, and E&M**



# Becoming a European Champion





# Air France-KLM Has Numerous Unique Strengths

## Our Core Assets

Three Powerful  
**BRANDS**



**85 000** Engaged and  
Professional **PEOPLE**



Extensive and  
Complementary **NETWORKS**



Powerful **PARTNERSHIPS**



## Our Unique Competitive Advantages

**France:** #1 Inbound Destination  
in the World



**Schiphol:** Best-In-Class  
European Hub



Joint **Commercial Teams**  
and **Revenue Production**



# Brand Portfolio Simplified around Three Master Brands

From Unclear Value Proposition...

...to **Three Master Brands**, Targeting the Right Customers with the Right Brand

AIRFRANCE

KLM

HOON

HOP!

transavia



AIRFRANCE

KLM

transavia



Showcasing the Best of France Around the World



Strong Innovative Global Brand



Making Low Cost Feel Good



# Clear Roadmap For Each Airline

## Commitment to Global Environmental Sustainability



**Continue to develop  
current successful  
business model**



**Leverage unique  
assets to build a  
successful model,  
one step at a time**



**Fully leverage brand  
power and new  
flexibility**



# Optimizing Our Operating Model



# KLM: Continue to Develop Current Successful Business Model



- **Successful Initiatives Since 2014, With Strong Results**
  - Significant decrease of structural cost and increased operational efficiency
- **Ongoing Simplification Effort Focusing on 5 Pillars**
  - Customer & Product
  - Network & Fleet
  - Operational Excellence
  - People and Organization
  - Innovation & Sustainability



# KLM Fleet Will Be Simplified and Optimized



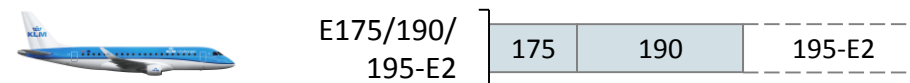
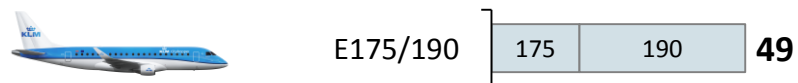
## Current Passenger Fleet

5 cockpits

## Future Fleet

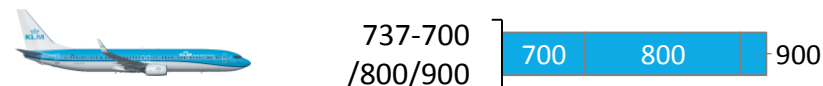
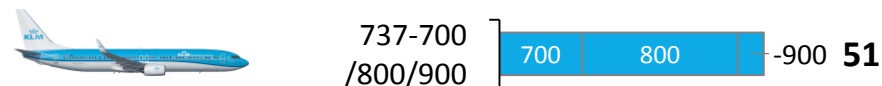
3 cockpits

Regional  
**KLM** Cityhopper



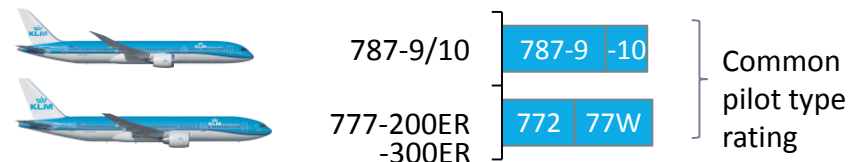
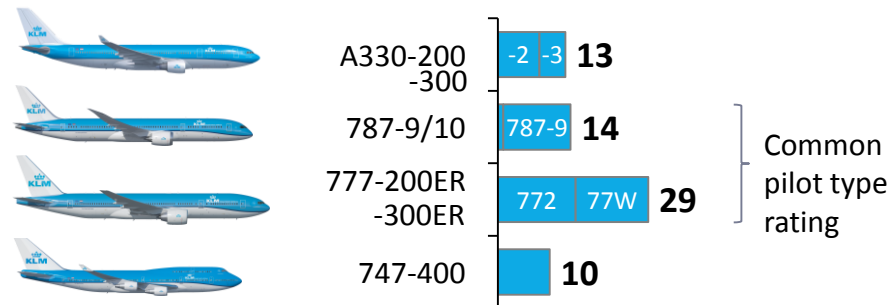
*Target Regional Fleet: 52-54 aircraft*

Medium Haul



*Target Narrowbody Fleet: 52-54 aircraft*

Long Haul



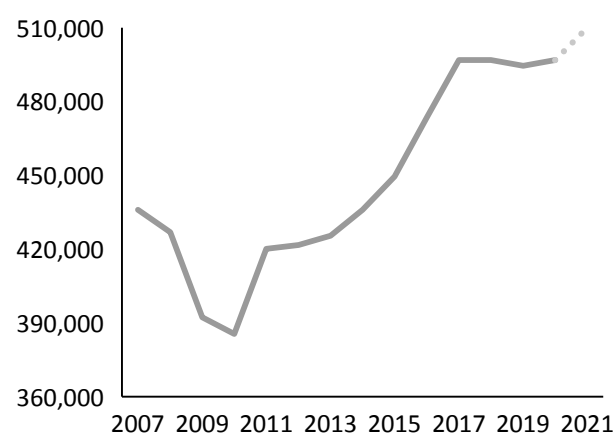
*Target Widebody Fleet: 71-73 aircraft*



# KLM Will Continue to Support Future Growth At Schiphol

Aircraft movement reaching current capping at Schiphol

**Aircraft movement at Schiphol**



Natural leading position for KLM

**+30 destinations**

141 in 2014 > 171 in 2019

**+6m customers**

28m in 2014 > 34m in 2018

Looking ahead...

**Adapt Fleet:**

- Short term growth via **larger aircraft gauge**
- Reduced environmental impact through **reduction in CO<sub>2</sub> and noise emissions**

**Optimize revenue** in a capacity-constrained environment: limited opportunities for new entrants given slot constraints

**Align with external stakeholders** to enable future capacity growth at Schiphol beyond artificial cap of 500,000 movements





# Maintain the Power of the KLM Brand For the Next Generation of Travelers

AIR FRANCE-KLM INVESTOR DAY – NOVEMBER 2019







# Air France: Leverage Unique Assets to Build a Successful Model, One Step at a Time



- **A New Social Contract**
- **Step by step evolution of each group contract** (pilot, cabin, ground) to ensure best position for future success
- **Focus on operational robustness** significantly increased
- **Major cost transformation program started**





# Creating Win-Win Partnerships with Employees

## Four New Underlying Values

Trust

Respect

Transparency

Confidentiality



# Air France Signed a New Pilot Agreement Permitting Increased Flexibility in Commercial and Fleet Strategy

Previously, an agreement was in place with Air France pilots regulating the growth of Air France in relation to KLM, based on three metrics:

- **Capacity (ASK)**
- **Block Hours**
- **Number of Long Haul Aircraft**



While Block Hours and number of aircraft directly affect pilot employment, the ASK metric has no direct link with pilot activity

This KPI forced Air France to **make financially punitive fleet & product decisions**

**Example: Paris/Amsterdam - Singapore**

- **Same aircraft:** Boeing 777-300ER
- **Same block time:** 12 hours 30 minutes
- **+35% ASK for KLM** due to cabin configuration (Air France: 296 seats | KLM: 408 seats)



# A New, More Flexible Agreement Has Been Signed Between Air France and SNPL Pilots

ASK metric is replaced by a **new KPI based on Maximum Seating Capacity** of aircraft

Restrictions regarding **maximum number of aircraft** at Transavia France (TO) have been lifted

Air France is now able to make **optimal fleet and product decisions**, to **extract maximum value and profit**



# Previously, Air France Was Forced to Reduce Premium Cabin Size to Comply With ASK Production Rule

## Premium Cabin Reduction: Illustration on Boeing 777-200ER

**2014**

59-77 Premium Seats



**2018**

52-64 Premium Seats



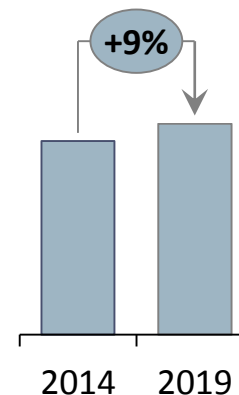
Up to  
**-13 Premium Seats**  
(First / Business / Prem. Econ.)

**3-4x more ASKs**

are produced by an **Economy seat** vs. a **Business seat**

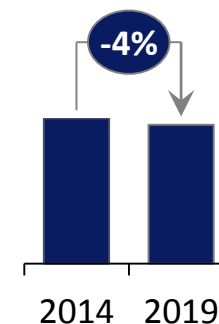
## Impact: Decreased Footprint on High-Margin Premium Segment

Industry Long Haul Premium ASK From Paris

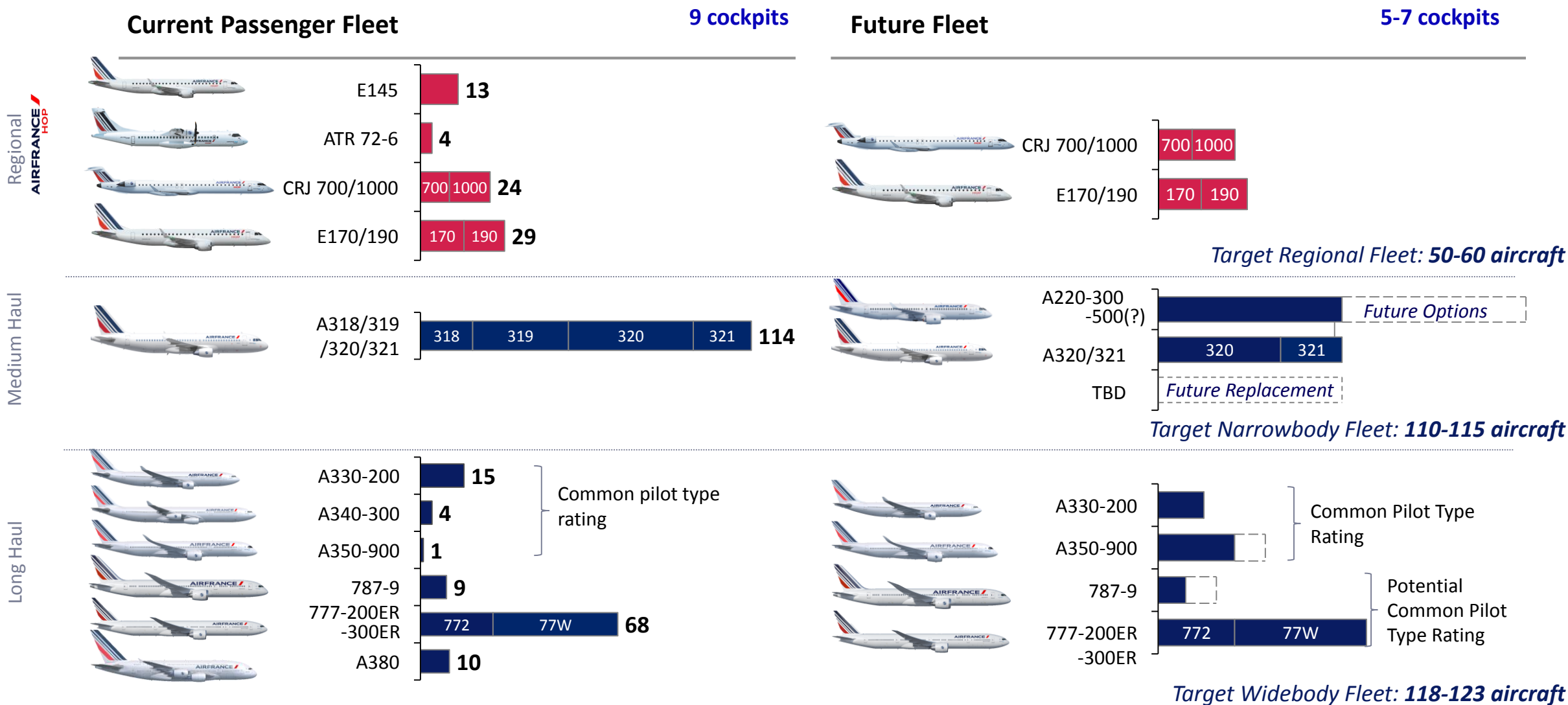


VS

Air France Premium Long Haul ASK



# Air France Fleet Will Be Simplified and Optimized





# Multiple Benefits of A380 Replacement



**+ €400m CAPEX avoidance** for cabin refurbishment and necessary maintenance & engine overhaul



**Increased operational reliability and reduced environmental footprint** with more efficient & sustainable replacement aircraft



**Better fit with market needs**, through smaller gauge aircraft with increased frequencies



**Opportunistic pricing** for replacement aircraft



# New Air France Fleet Will Yield Strong Economic Benefits Beyond 2024

## Widebody Fleet: Airbus A350-900

## Narrowbody Fleet: Airbus A220-300

**+€12.5m**

**28**

**+€350m**

EBITDA Increase  
Per Aircraft

Ordered  
Aircraft

A350-900  
Total EBITDA  
Impact

- €6.5m Fuel
- €6m Cabin

**+€1.3m**

**60**

**+€75m**

EBITDA Increase  
Per Aircraft

Ordered  
Aircraft

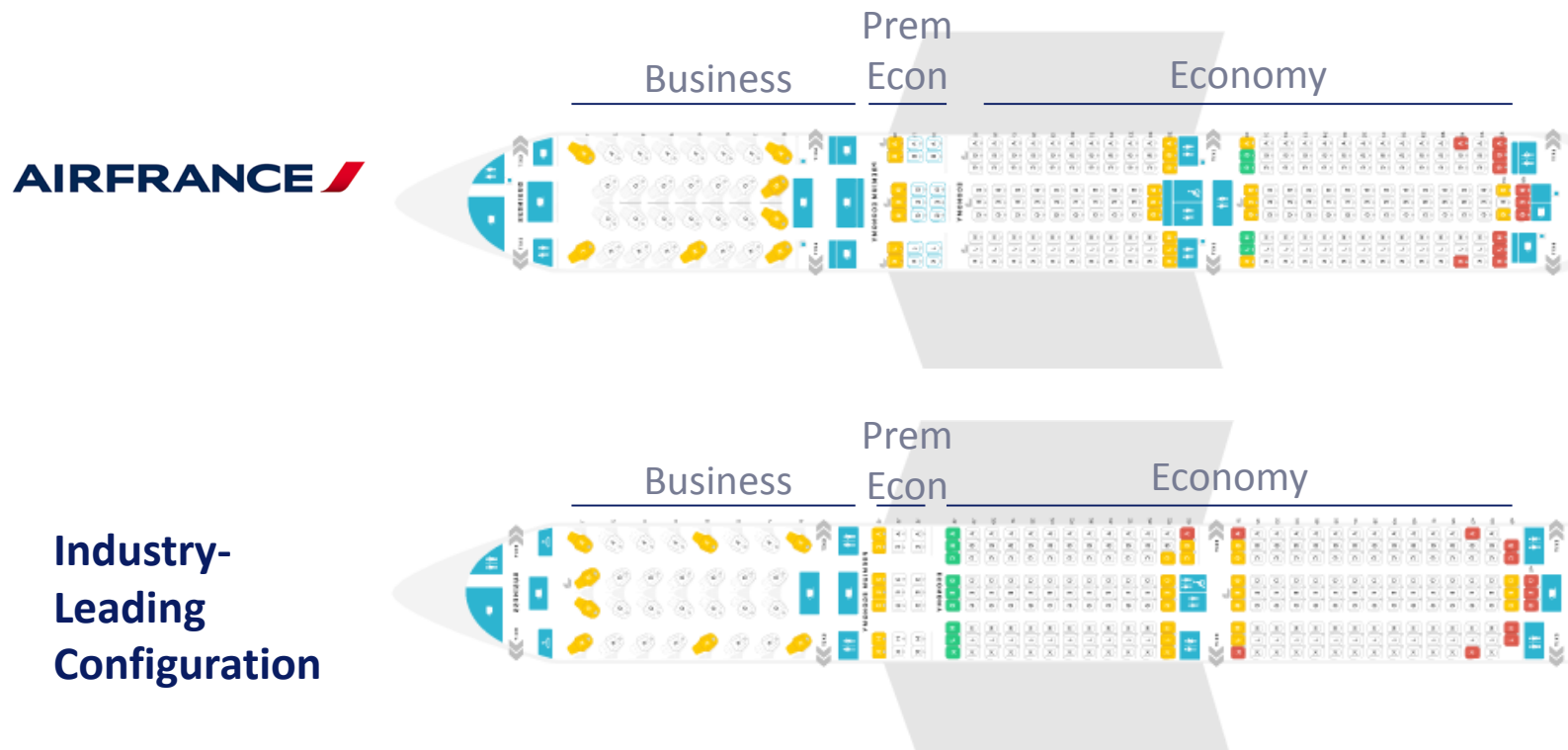
A220-300  
Total EBITDA  
Impact





# Cabin Optimization (LOPA) Potential: Current Boeing 787-9 Illustration

*For Illustrative Purposes Only*



Total	# Seats		
	Business	Premium Economy	Economy
<b>276</b>	30	21	<b>225</b> Avg Pitch: 31'
<b>298</b>	30	21	<b>247</b> Avg Pitch: 31'

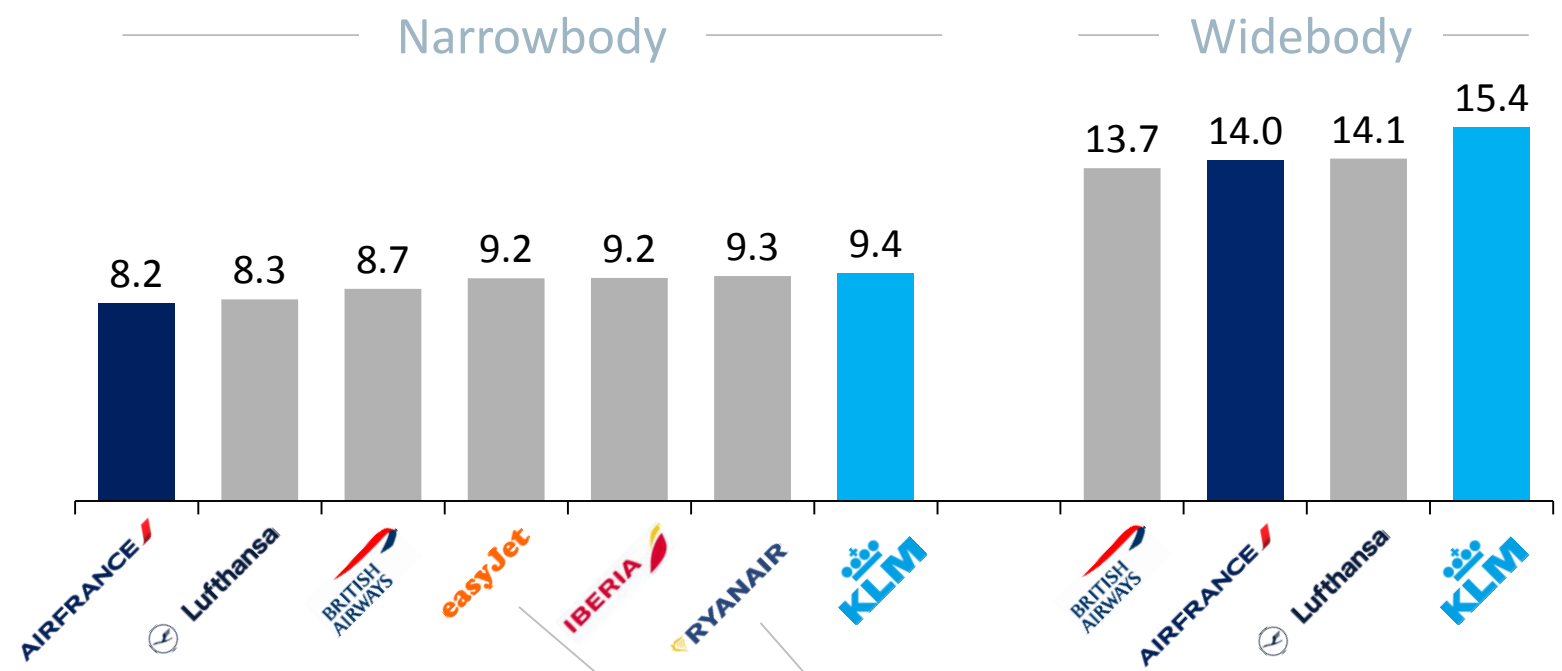
*9% less efficient*

**Illustration of Pure Optimization Potential:  
Future LOPAs Will Have Built-in Flexibility Aided by New Agreements With Cabin Crew**



# Increased Fleet Utilization Will Reduce Ownership Cost

Fleet Utilization (hours)



Low Cost: point-to-point model with high seasonality

Note: Oct18-Sep19



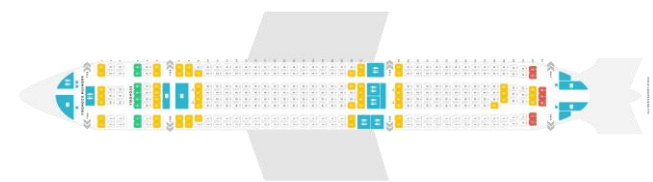
Potential reduction of up to 10-20% in ownership cost

Through improved Air France fleet utilization



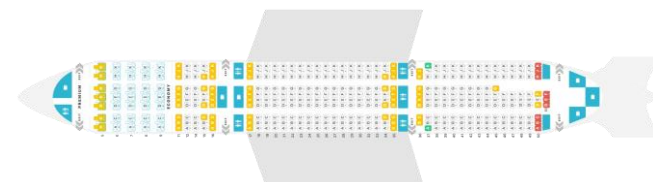
# Response to Date to Long-Haul Low-Cost Competition

**Current Benchmark: Airbus A330-200**



	# Seats			CASK <sup>2</sup>
	Total	Premium <sup>1</sup>	Economy	€ct/km
Current Benchmark: Airbus A330-200	314	21	293	<5 €ct

**New Benchmark: Airbus A350-900**



Future A350-1000 will have **480** seats and even lower CASK

New Benchmark: Airbus A350-900	411	35	376	<4 €ct
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**AIRFRANCE** has tool to respond to this competition, and will continue to monitor market evolution

**Dense Boeing 777-300ER:**  
Current Air France product on price-sensitive markets  
*Ex: Fort-de-France, Réunion*



Further planned efficiencies: **472** seats, including full-flat Business seat

Dense Boeing 777-300ER	468	46	422	<5 €ct
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1. Includes First, Business and Premium Economy  
2. Estimated CASK for Paris-Antilles route





# Air France Will Lobby for a More Competitive French Airline Business Environment

## Paris-CDG more expensive than Schiphol

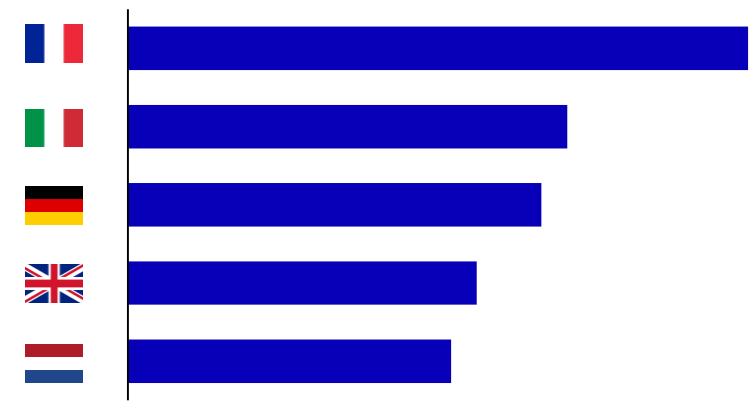
Taxes and charges in CDG vs Amsterdam Schiphol **+ €300m**

### Other specific French taxes **+ €270m**

- Civil Aviation **€108m**
- Solidarity Tax **€62m**
- Eco-contribution (starting 2020) **€60m**
- CDG Express (starting 2024) **€20m**
- Other unique taxes<sup>1</sup> **> €20m**

## France has the Highest Social Taxation in Europe

Illustration of employer cost for a gross wage at 100



1. Noise taxation: €18m, Corsica: €3m  
Source: 2017 employer costs benchmark, Air France-KLM internal data



# Fully Leverage Brand Power and New Flexibility

## Optimize & grow position in a slot-constrained market

- Remain **#1 low cost carrier** in The Netherlands
- **Grow seat capacity** through fleet renewal
- With demand still growing and slots constrained, consider **flying from secondary and tertiary airports**

## Become the **#1 LCC** in France in terms of based aircraft

- Strengthen **core markets**
- **Diversify and grow network**
- Leverage **removal of the 40 aircraft cap & pilot flexibility**

New base opening in  
April 2020:

**Montpellier**



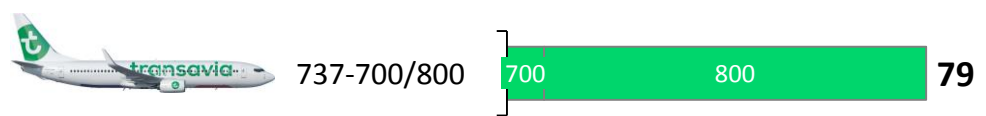
# Transavia Fleet Will Grow



## Current Passenger Fleet

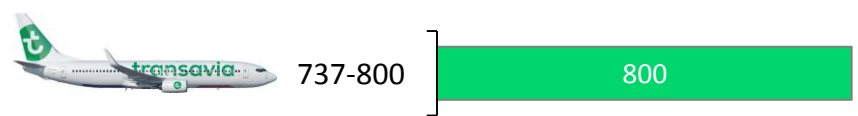
1 cockpit

Medium Haul



## Future Fleet

1 cockpit



*Transavia Fleet Growth Target:  
+5-6 aircraft per annum*





# Further Leveraging Group Efficiencies

## Continued Cost Synergies Ongoing

-  Commercial, Distribution and Alliances
-  IT Efficiency
-  E&M and Cargo



## Better Focus on Strategic Group Levers

-  Strategic Group Levers
  -  Fleet & Network
  -  Commercial & Alliances
  -  Human Resources
  -  Purchasing & Procurement
  -  Digital & Data Management



# Growing Profitable Passenger Revenue





# Complementary Group Network to be Further Leveraged

KLM to/from Amsterdam



**171** Destinations **347** Daily Frequencies

Air France to/from Paris (CDG/ORY)



**194** Destinations **444** Daily Frequencies

VS

British Airways to/from London



**224** Destinations **455** Daily Frequencies

Lufthansa to/from Frankfurt



**200** Destinations **423** Daily Frequencies

**Strong AFKL Group  
'Dual Hub' Model**

# Revenue Strategy

## Air France and KLM Will Grow Their Strongest Segments

**KLM Current Strength per Segment**

KLM		Local		Connection	
		Premium	Economy	Premium	Economy
Domestic	Premium				
	Economy				
Medium Haul	Premium	Green	Green	Green	Green
	Economy	Green	Green	Red	Red
Long Haul	Premium	Green	Green	Green	Green
	Economy	Green	Green	Green	Green

Growth possible on all segments

**Going forward:** Continue to grow, maintain leadership position as **best connection carrier to/from Europe**



Strengthening **leadership at Schiphol**

**Air France Current Strength per Segment**

AIRFRANCE		Local		Connection	
		Premium	Economy	Premium	Economy
Domestic	Premium			Green	Green
	Economy	Red	Red	Red	Red
Medium Haul	Premium	Green	Green	Green	Green
	Economy	Red	Red	Red	Red
Long Haul	Premium	Green	Green	Green	Green
	Economy	Green	Green	Red	Red

Main strength: Paris local and high yield connections traffic

**Going Forward:** Previous structural cost disadvantage has been addressed, enabling a focus on **growing profitable segments**



Leveraging **Paris strength** to extract maximum value from **local and premium market segments**



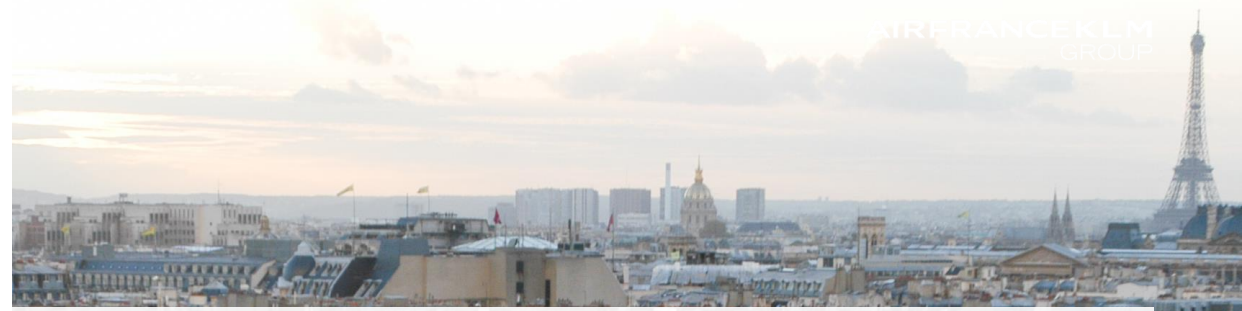
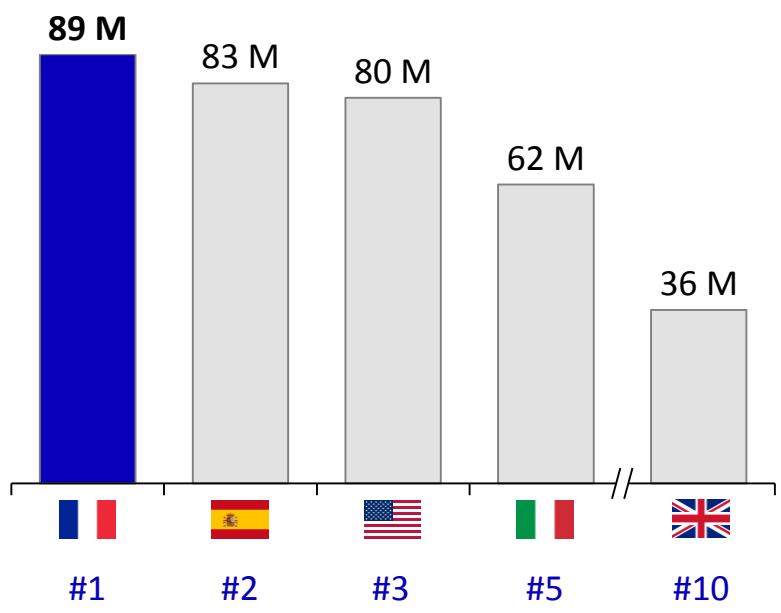
Redesigning **Orly strategy** to strengthen position at airport

Note: Premium includes First, Business and Premium Economy

# Attractiveness of Paris & France Is a Major Asset for Air France

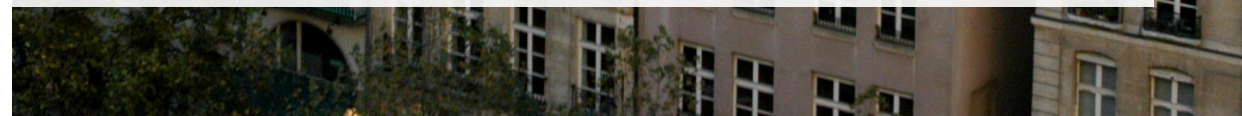
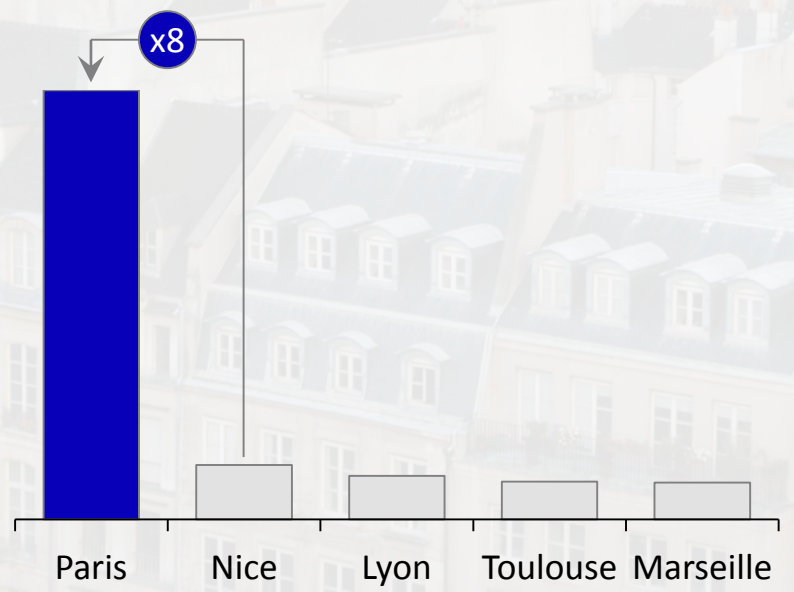
France, most visited country in the world

International tourist arrivals in 2018, Top 10



Airline market largely centralized around Paris

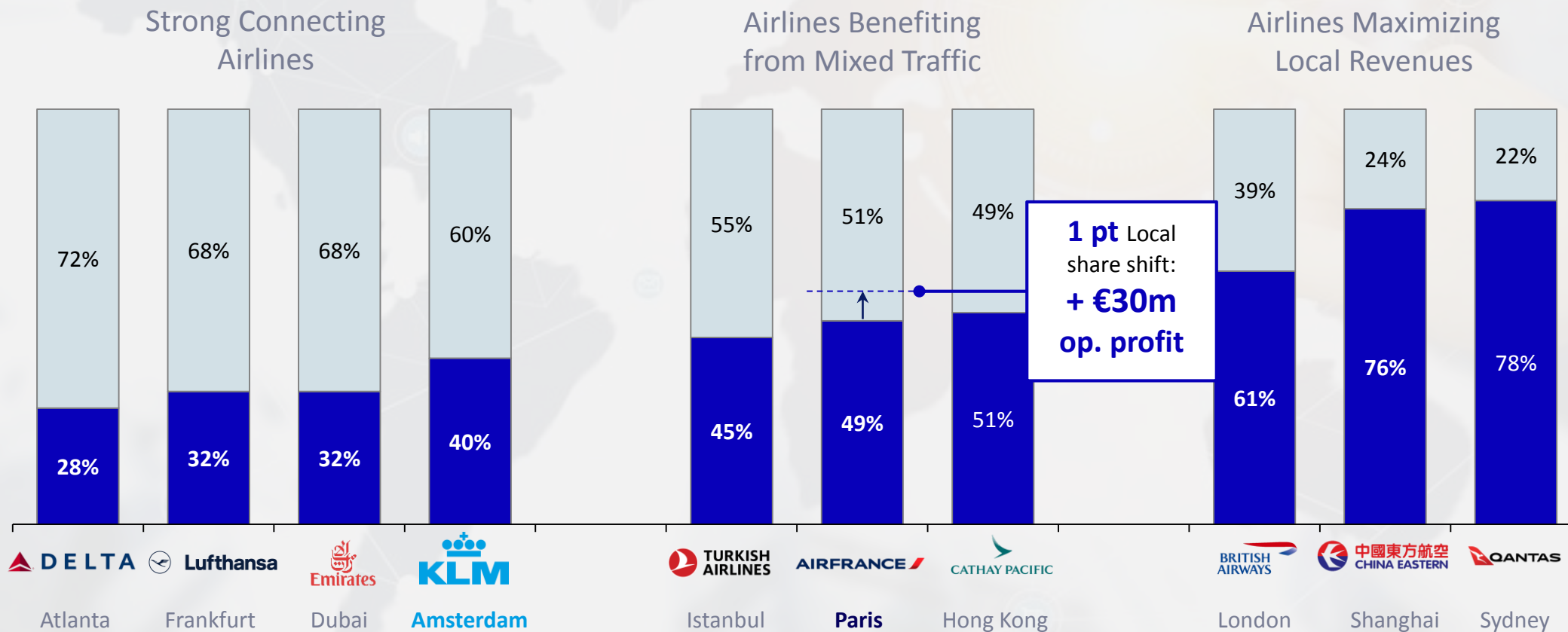
Passenger traffic in 2018 per airport city



Source: World Tourism organization, Albatross

# Grow Profitable Air France Local Traffic

Traffic type per hub



Source: Air France-KLM internal data – From November 2017 to October 2018

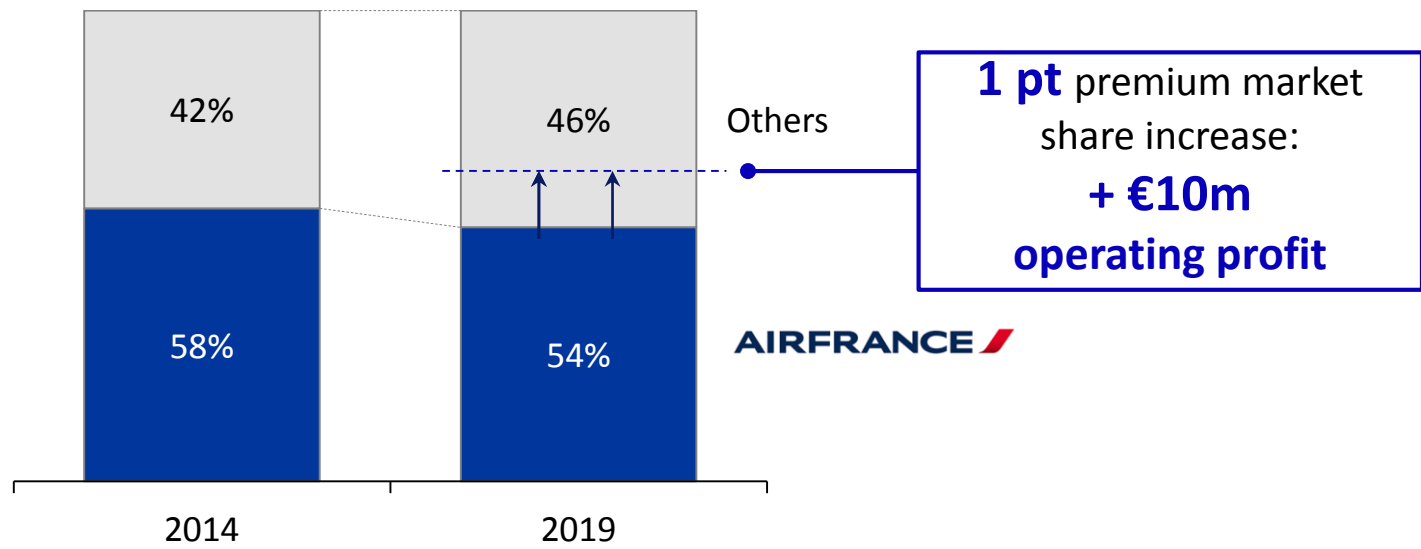
Connection Local



# Opportunity to Strengthen Air France Position on Premium Segment

Air France has recently been losing premium market share

Long haul premium seat capacity from Paris CDG & Orly



Air France now has the means to strengthen its market position:

**Restrictive structural issues have been addressed** through new relationship with labour partners

Air France can now optimize its revenue mix **towards the more profitable premium segment**, in line with customer demand

Note: Premium includes First & Business cabin



# Develop Customer Data, Flying Blue, Cargo and E&M

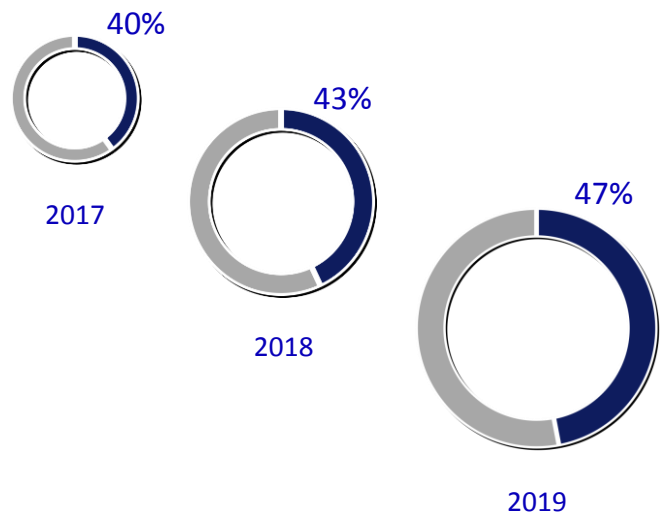




# Growing Customer Data, Personalization and Loyalty Capabilities

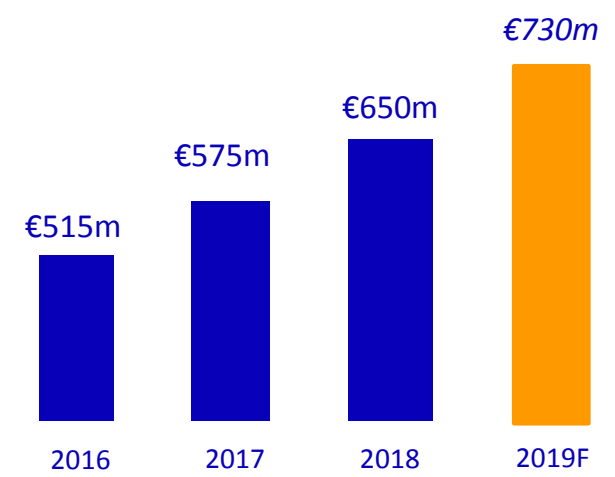
## Personalization

### Growing Share of Bookings Through Direct Sales & NDC



■ Share of direct Sales & NDC

### Ancillary Revenue Evolution



## Data, Personalization, Loyalty

### Flying Blue: Solid Foundation with Room to Grow

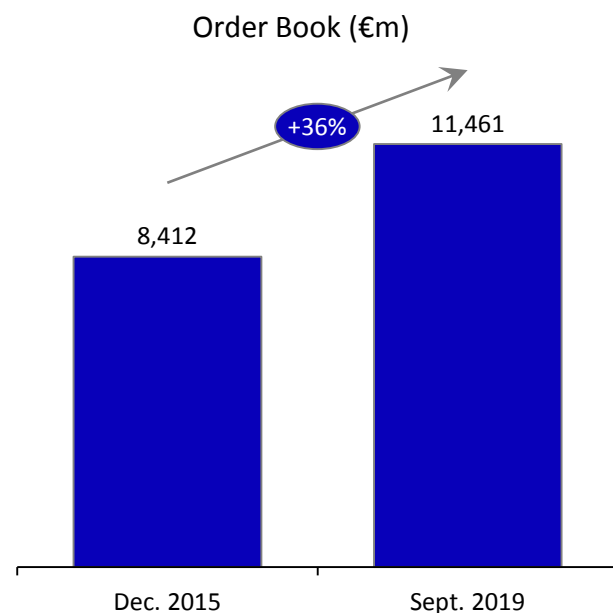
#### Increased contribution to Group sales and margin

- **Sale of miles:** credit cards, services, etc.
- **New digital experience**
- **Payment in miles (as currency)**



# Air France-KLM E&M is Strong and Well Positioned to Benefit From Future Growth in MRO Market

**Growing order book is solid basis for Future E&M Business Growth**

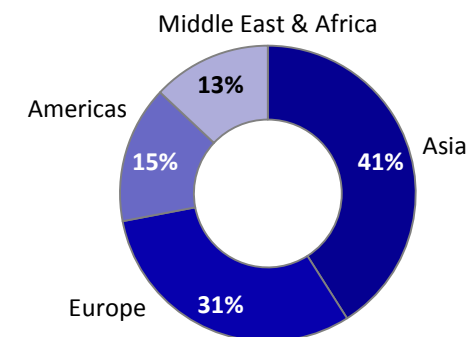


\* Annualized Growth rate

**Strong position on the fast growing market of Next Generation Products**



**Asia is the geographical growth engine, where E&M has become a key player**





# Air France-KLM Cargo Will Continue to Maximize Contribution to the Group



**# 5**

Global Cargo Carrier

**3.8 %**

Global Market Share

**135**

European Trucking Stations



**#2 and #3**

European Cargo Hubs

**130+**

Direct Intercontinental Connections

**1.100**

Weekly Flown Frequencies



**€2.3bn**

Cargo Revenues

**1.1 m**

Air France-KLM Freight Tons

**3800+**

FTEs

Source: 2018 data



# Leverage European Consolidation





# Air France-KLM Will Pragmatically Evaluate Consolidation Opportunities

- Active role when and where consolidation makes sense
- As a complement to the global reach and robustness of the Air France and KLM networks
- Strict financial discipline





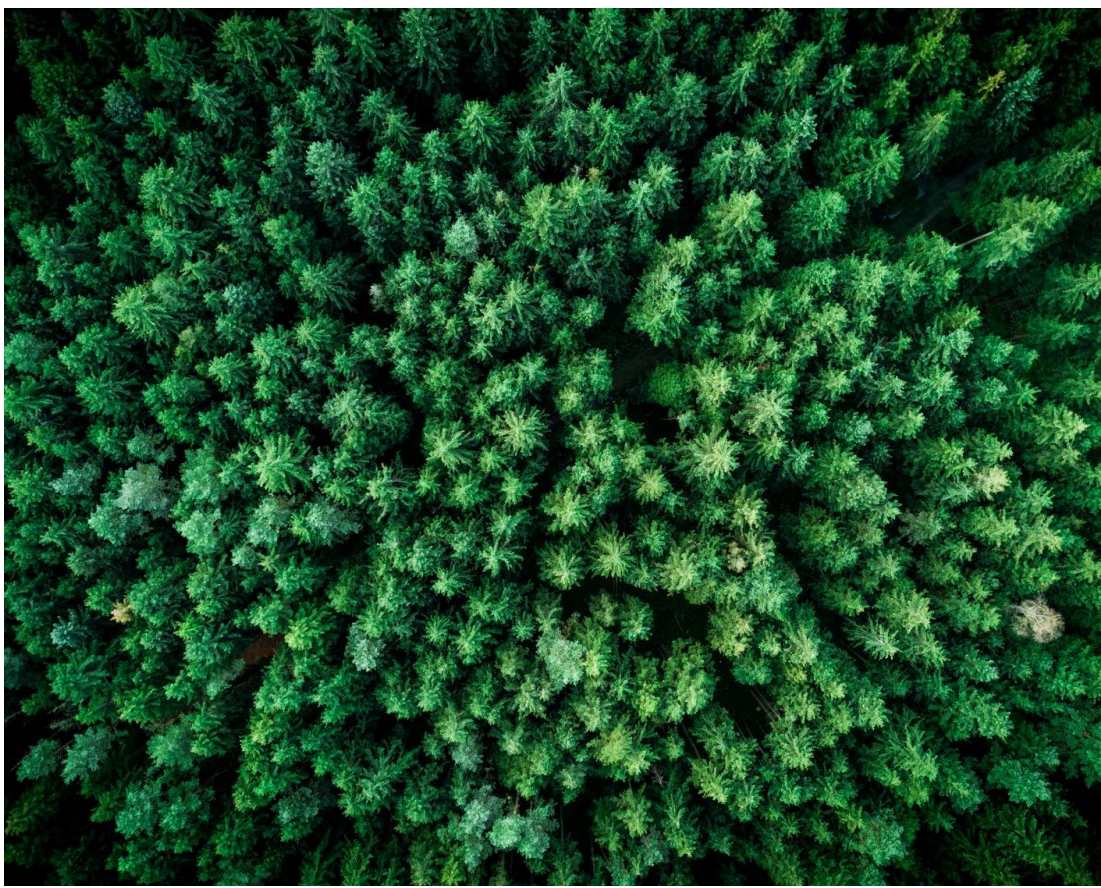
# Commitment to Global Environmental Sustainability





# Air France-KLM's Leading Position in the DJSI Recognition for our Environmental Stewardship

## Commitment to Global Environmental Sustainability



**Dow Jones  
Sustainability  
Indices  
20<sup>th</sup> Anniversary**

In collaboration with SAM

**#1 Rank:  
Leading Airline Group**



# Key Initiatives and Impact



# Summary of Key Initiatives Currently Underway

## Decreasing Unit Cost

More Flexible Labour 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 KLM
Simplified Organization & Processes	Air France KLM
Leveraging Additional Group Synergies	Group

## Increasing Unit Revenue

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



# Summary of Key Initiatives Currently Underway And Estimated Operating Result Impact

## Commitment to Global Environmental Sustainability

### Optimize our Operating Model

Increase Commercial & Fleet Flexibility	<i>Prerequisite</i>
Optimize Internal Airline Processes	<b>€400-475m</b>
Simplify and Renew Fleet	<b>€400-450m</b>
Leverage Group Synergies	€300-350m <i>(accounted in airline P&amp;L)</i>



### Grow Profitable Passenger Revenue

Clarify Brand and Product Portfolio	<b>~€25-50m</b>
Revenue Growth on Strongest Segments	<b>~€200m</b>
Grow Transavia	<b>€75-100m</b>
Implement Personalized Travel Journeys	<b>~€50m</b>



### Leverage European Consolidation

Pragmatically Evaluate Consolidation Opportunities



### Develop Data, Flying Blue Cargo, E&M

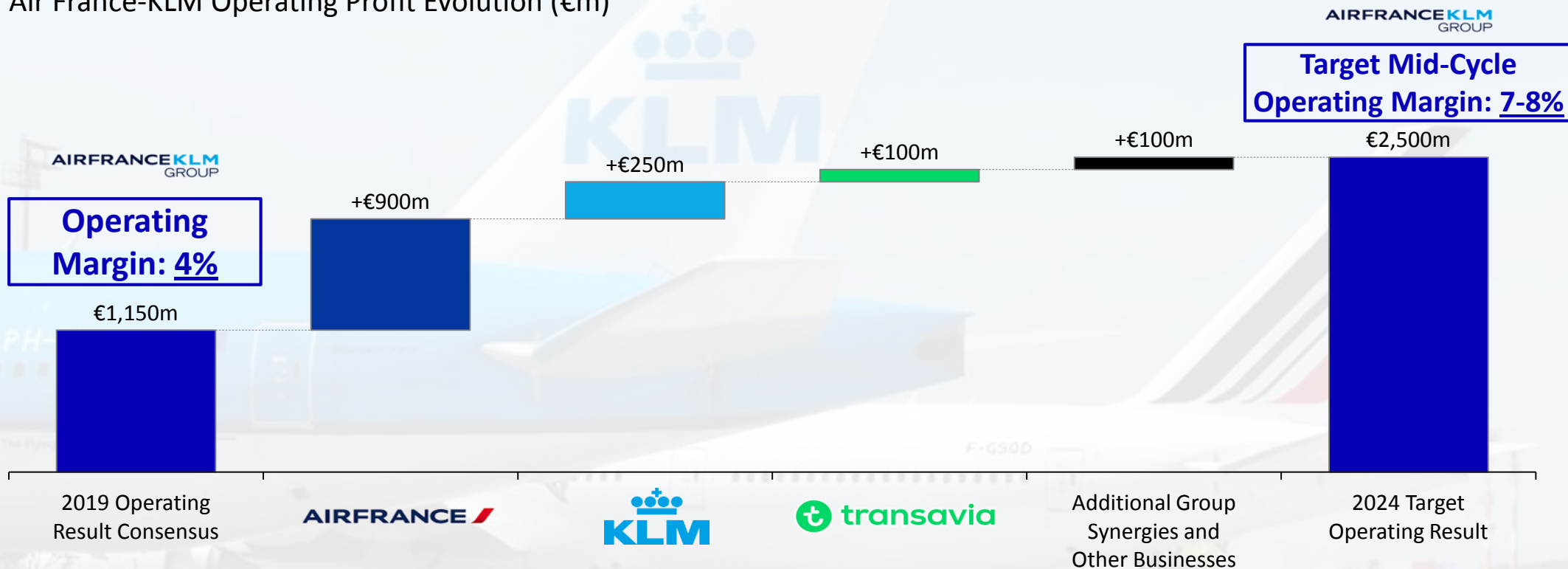
Flying Blue: Leading Loyalty Platform	<b>€50-100m</b>
E&M: Remain Industry Leader	<b>~€50m</b>
Cargo: Maximize Contribution	Positive Contribution





# Mid-Cycle Operating Margin Reaching 7-8%

Air France-KLM Operating Profit Evolution (€m)



1. Company sourced consensus as per 21 October 2019 for full year 2019 as published on <https://www.airfranceklm.com/en/finance/financial-information/consensus>

2. Modelling assumptions:

- Excluding Fuel Price, Currency FX and Industry yield development effects
- Objectives per airline are net amounts (including -€900m offsets against base-case price inflation and +€100m capacity growth).
  - Inflation assumption of 1.5% per annum, as per Eurozone Consumer price index 2020-2024. Source: Oxford Economics, updated August 2019
  - Air France-KLM Group Available Seat Kilometer (ASK) growth assumption mid-point of guidance range +2 to +3% per annum from 2020-2024



# KLM Strategy







**Pieter Elbers**  
*Chief Executive Officer*  
**KLM**



# Where We're Coming From and Where We're Going

## Where We're Coming From: Our Strategy Build Up 2014-2018

*KLM's 2015 strategic review has provided a clear set of strategic choices that remain valid today*

-  **Direction**      Setting our **goals** and our **purpose** (and our 'Compass')
-  **Choice**              Making **strategic choices** & **initiatives** ('Transformation-projects')
-  **Coherence**          Through the **integral KLM** Transformation agenda
-  **Execution**            With the **annual KLM Flight Plan** (with KPIs)

**Improvement of all relevant KPIs:  
Financial, Operational and Customer Experience**



## Where We're Going

*Future strategy centred around 5 pillars:*

-  **Customer and Product**
-  **Network & Fleet**
-  **Operational Excellence**
-  **People and Organization**
-  **Innovation and Sustainability**

# A Strategy Without Execution is a Hallucination

## 5 Pillars of Our Annual Flight Plan Guide the Implementation



Continue to develop **successful business model**

- Further grow position as **best connection carrier** to/from Europe, strengthening leadership at Schiphol
- Keep **continuous focus on cost and operational excellence**
- Leverage **global brand strength and continue to evolve** to remain first customer choice



### Customer and Product

Customer satisfaction: **NPS ≥ 44**

Win the hearts of our customers and excel in customer intimacy by **focusing on integral customer journey priorities**



### Network and Fleet

**> 34.5 m PAX**  
**> 168 Destinations**

Strengthen our hub-and-spoke model by **increasing the agility of our network and simplifying and modernizing our fleet**



### Operational Excellence

**A15 worldwide: 86%**  
**Completion factor ICA: 99.6%**

Deliver on our customer promise safely, effectively and at the lowest integral cost by **integrally reshaping all products, processes, control, organization and information**



### People and Organization

**≥ 60% of all KLM teams** participated in **team engagement measurement and dialogue**.  
Going forward, diversity becomes even more important objective

Empower employees to be “the best of themselves” by **creating an optimal, engaged, diverse and inclusive workforce** that fits strategy execution and acts in line with the KLM Compass



### Innovation and Sustainability

**100% experiments** linked to business goals **≥ 2 initiatives** in scale-up phase  
**Goals sustainability**

Improve our (radical) innovation ecosystems by **maximizing the learnings of experiments** that focus on (longer term) business goals

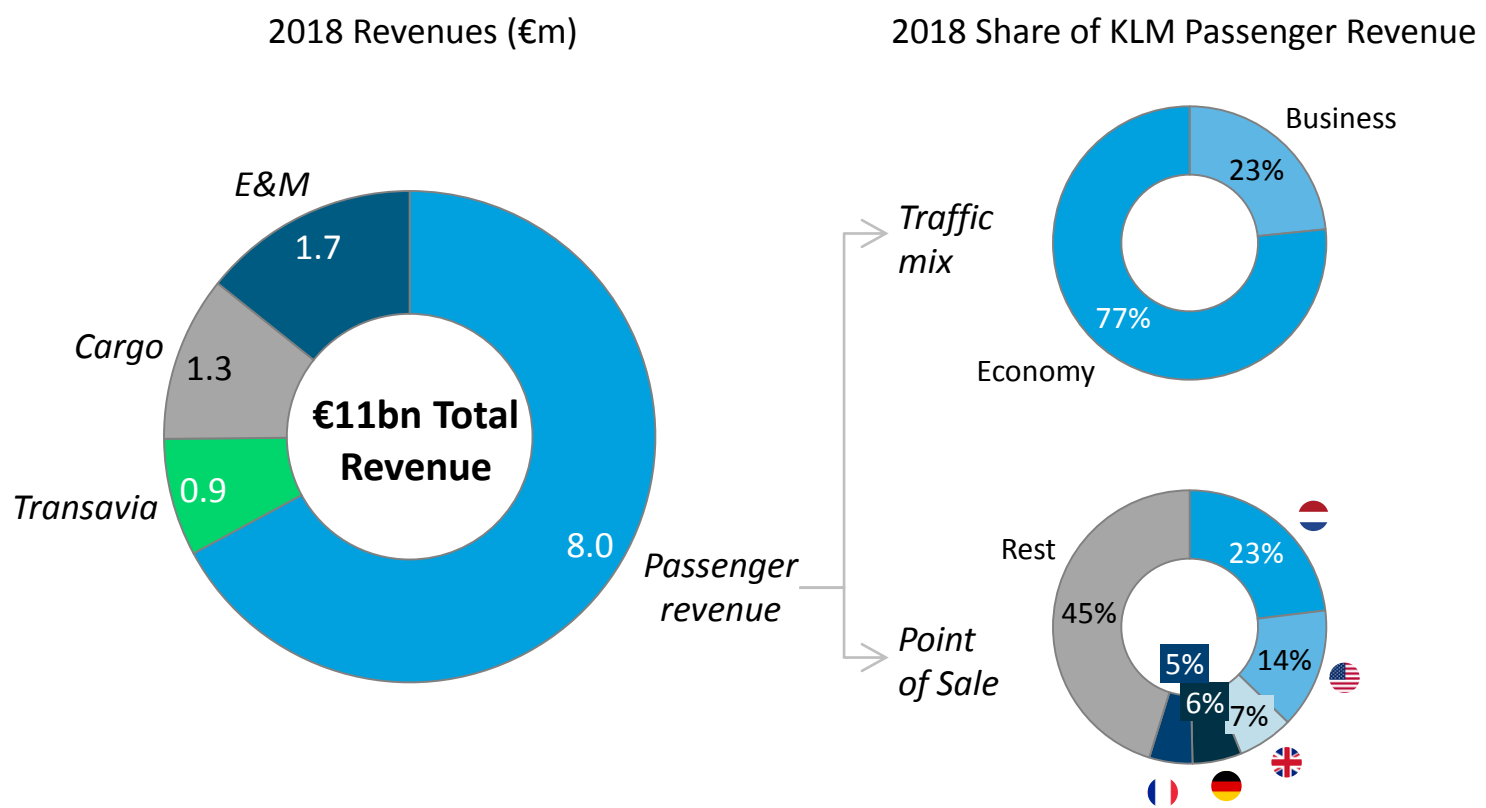


# WHERE WE STAND NOW

# KLM is a Fit and Financially Healthy Airline

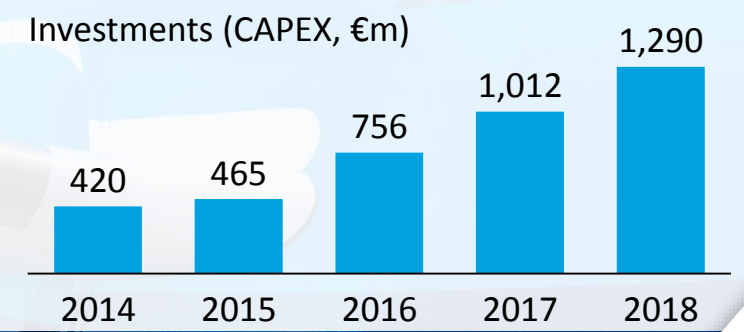
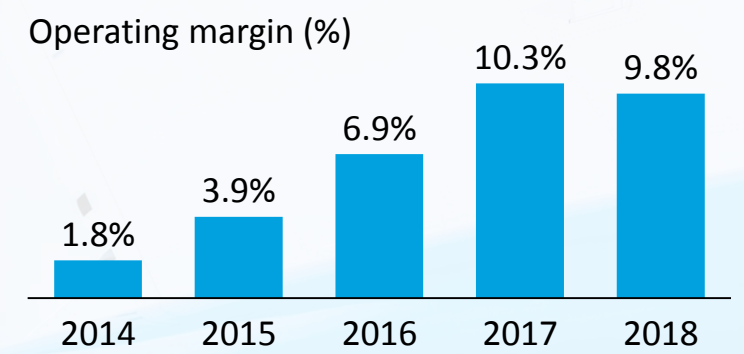
Sustaining upward spiral of revenue generation to continue investing

## Creating Solid Revenues: €11bn KLM Revenue in 2018



Note: E&M including 898 M€ internal revenue

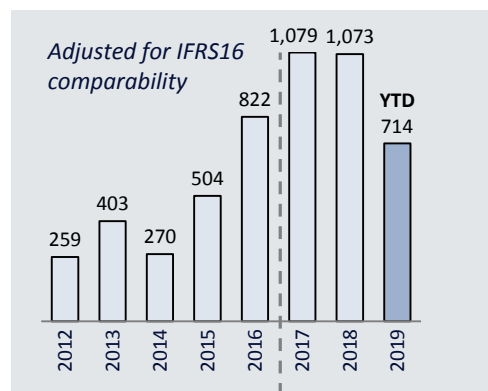
## Sustaining the Upward Spiral



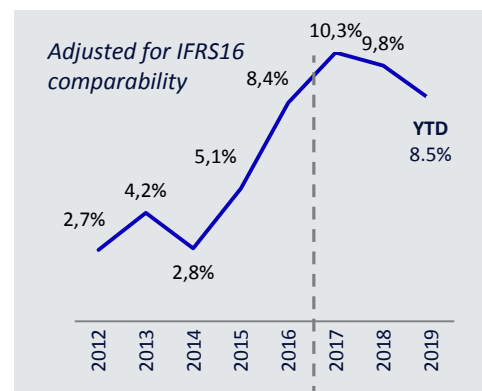
# KLM KPIs Significantly Improved Since 2012

2019 YTD September—Year to Date Figures Do Not Reflect Full Year Outlook

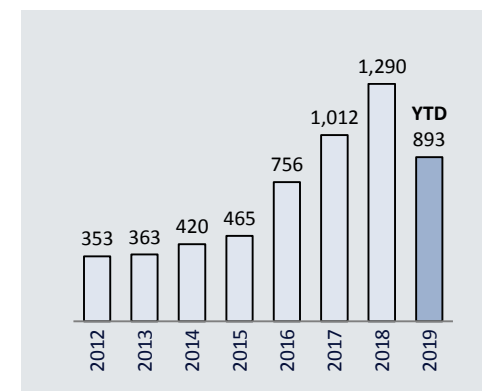
**Operating Income (€m)<sup>1</sup>**



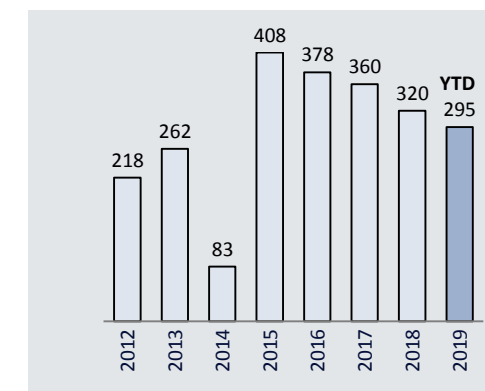
**Operating Margin (%)**



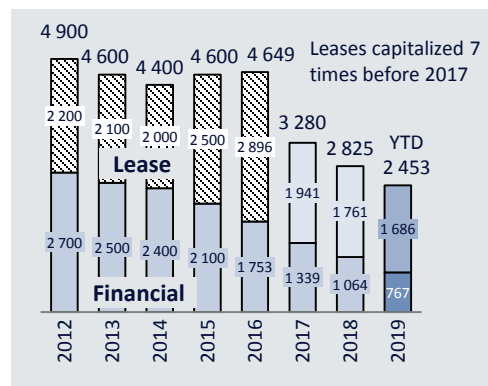
**Investing Cash Flow (€m)**  
(net CAPEX)



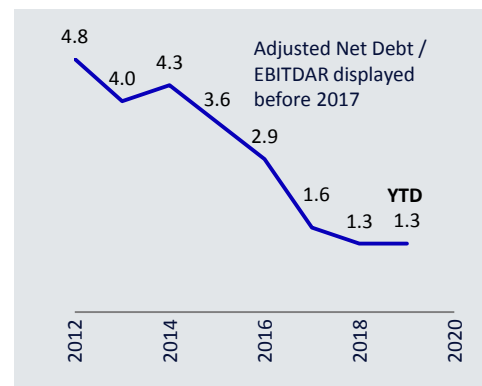
**Adjusted Free Cash Flow<sup>2</sup>**



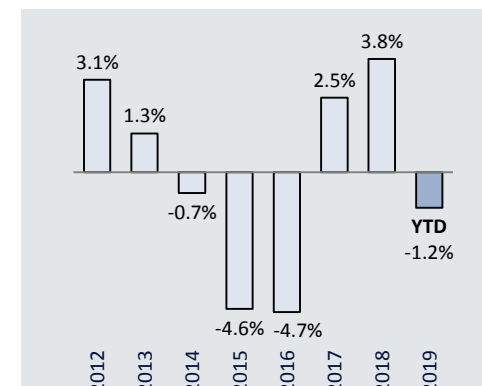
**Net debt (€m)**



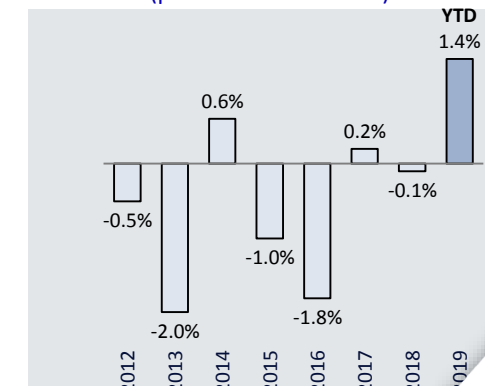
**Net debt / EBITDA**



**R/(E)ASK<sup>3</sup> ex-ROX**

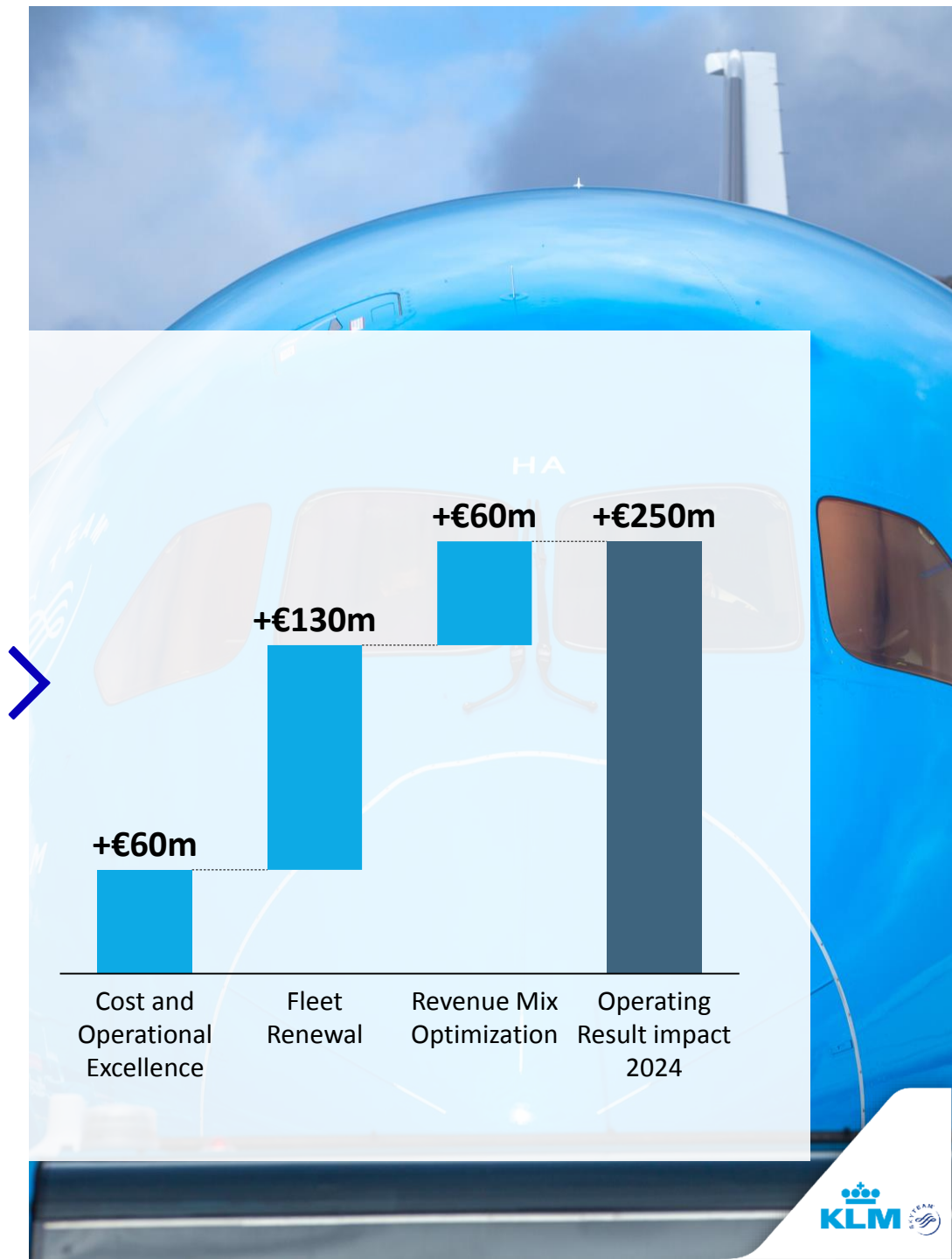


**C/(E)ASK<sup>3</sup> ex ROX/Fuel**  
(profit share included)



1. Operating income adjusted from operating leases interests before 2017 2. Cash Flow displayed in pre-IFRS fashion (cash out regarding operating leases already deducted in operating cash flow/free cash flow, no CAPEX for lease creation/extension)  
3. Period 2012-2018 year over year differences based on EASK, 2018-2019 year over year difference based on ASK (as EASK usage is terminated). Year over year differences remain comparable.

# Continued Investment to Enhanced Profitability

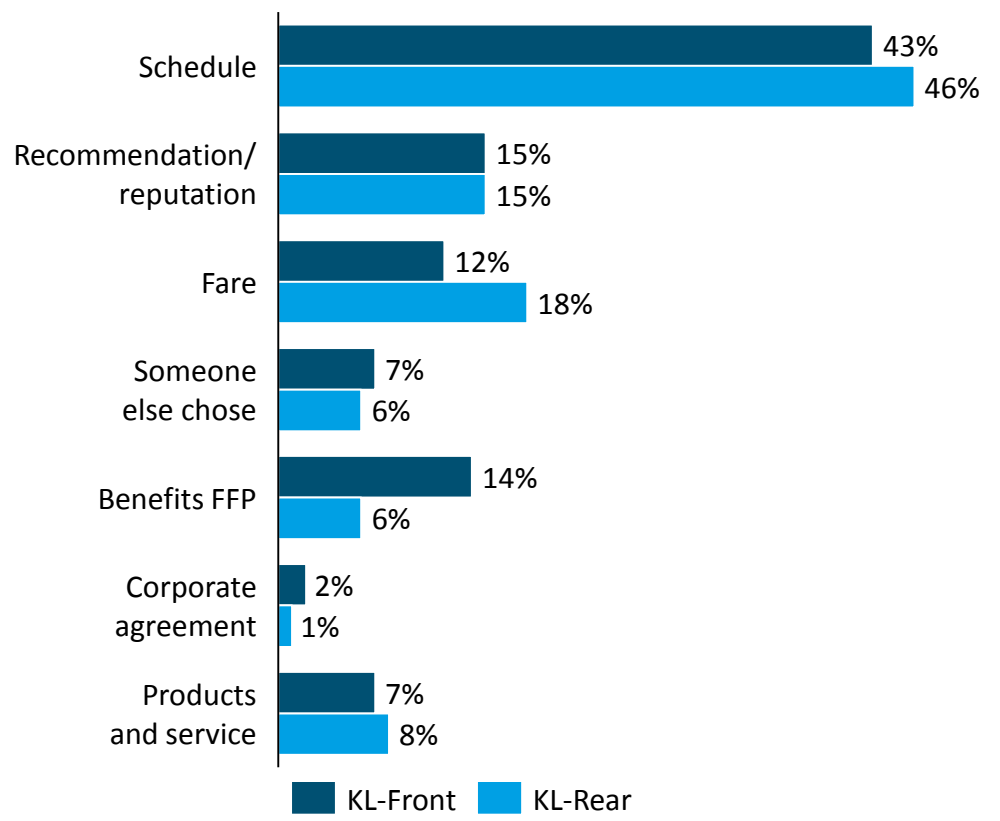




# Why People Fly KLM

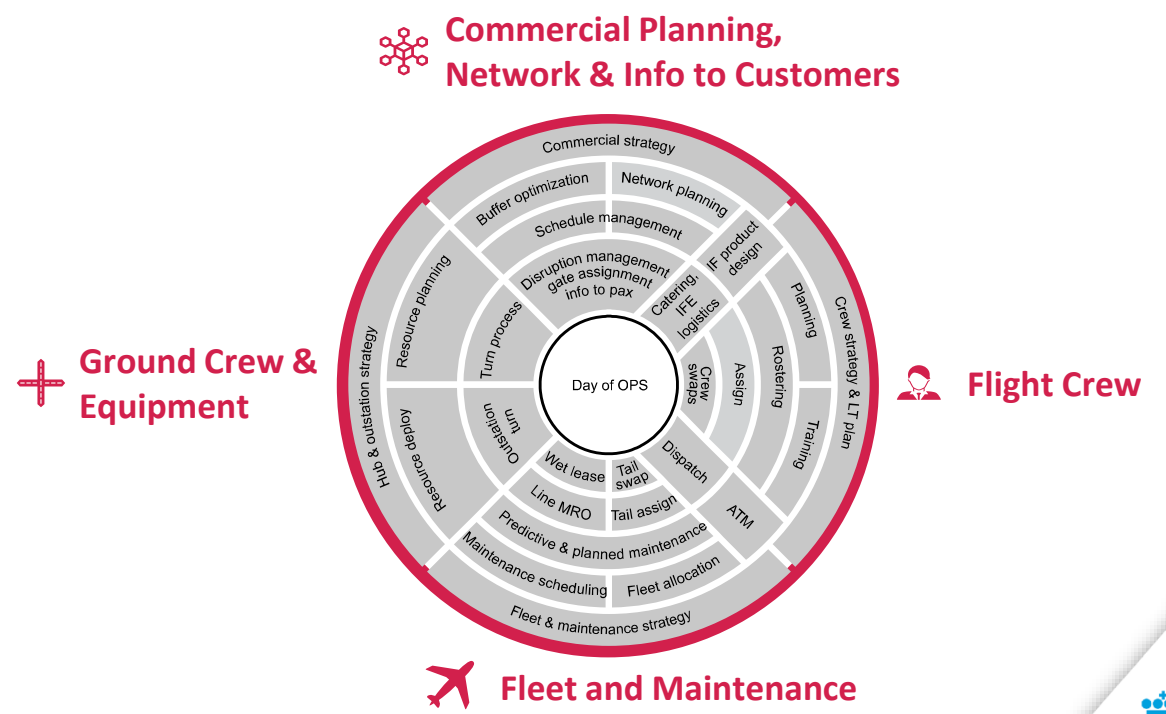
## Our Customers' Most Important Decision Factors

### Main Reasons for Flying KLM ...



### ...Creates an Integrated Approach

- We have an integrated approach between commercial, network & fleet and operations
- This way, we can optimally satisfy the needs of our customers

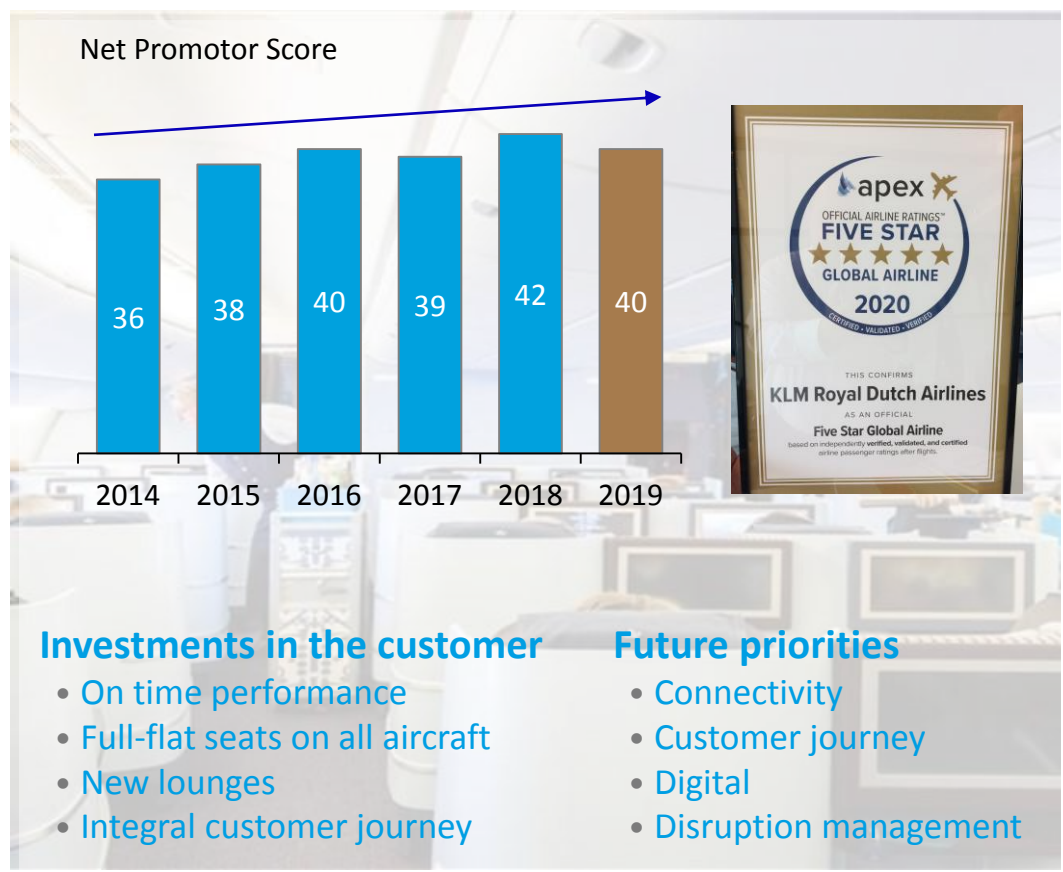




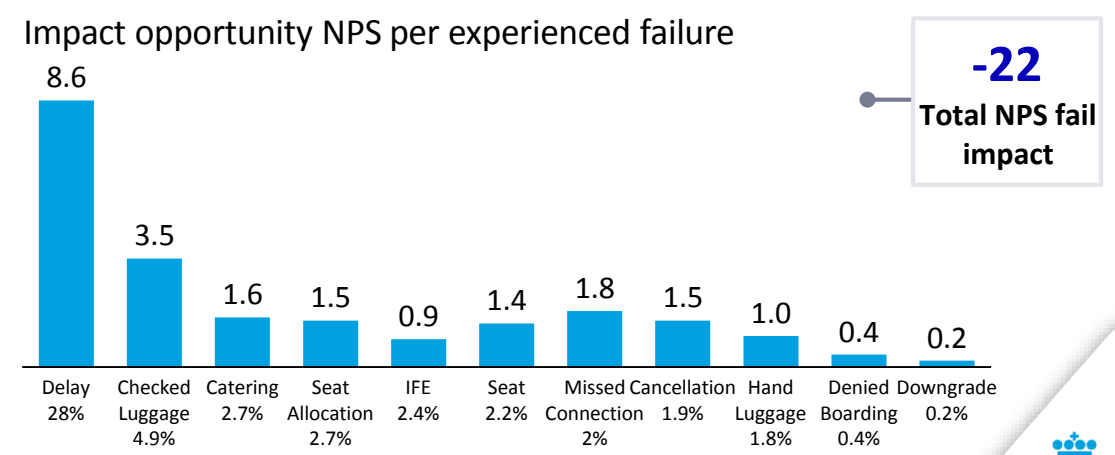
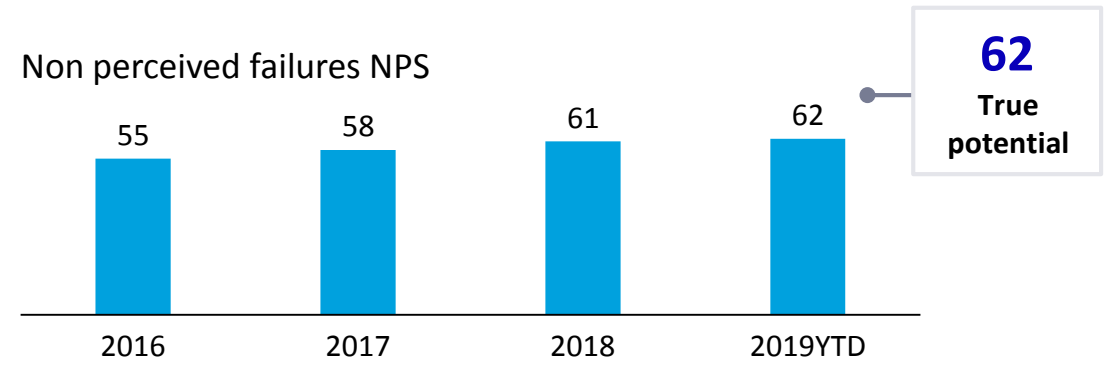
# We Continuously Improve Customer Satisfaction & Brand Strength

## APEX Granting Us the Official Five Star Global Airline Rating

Targeted initiatives & investments have led to a strongly increased NPS and customer recognition

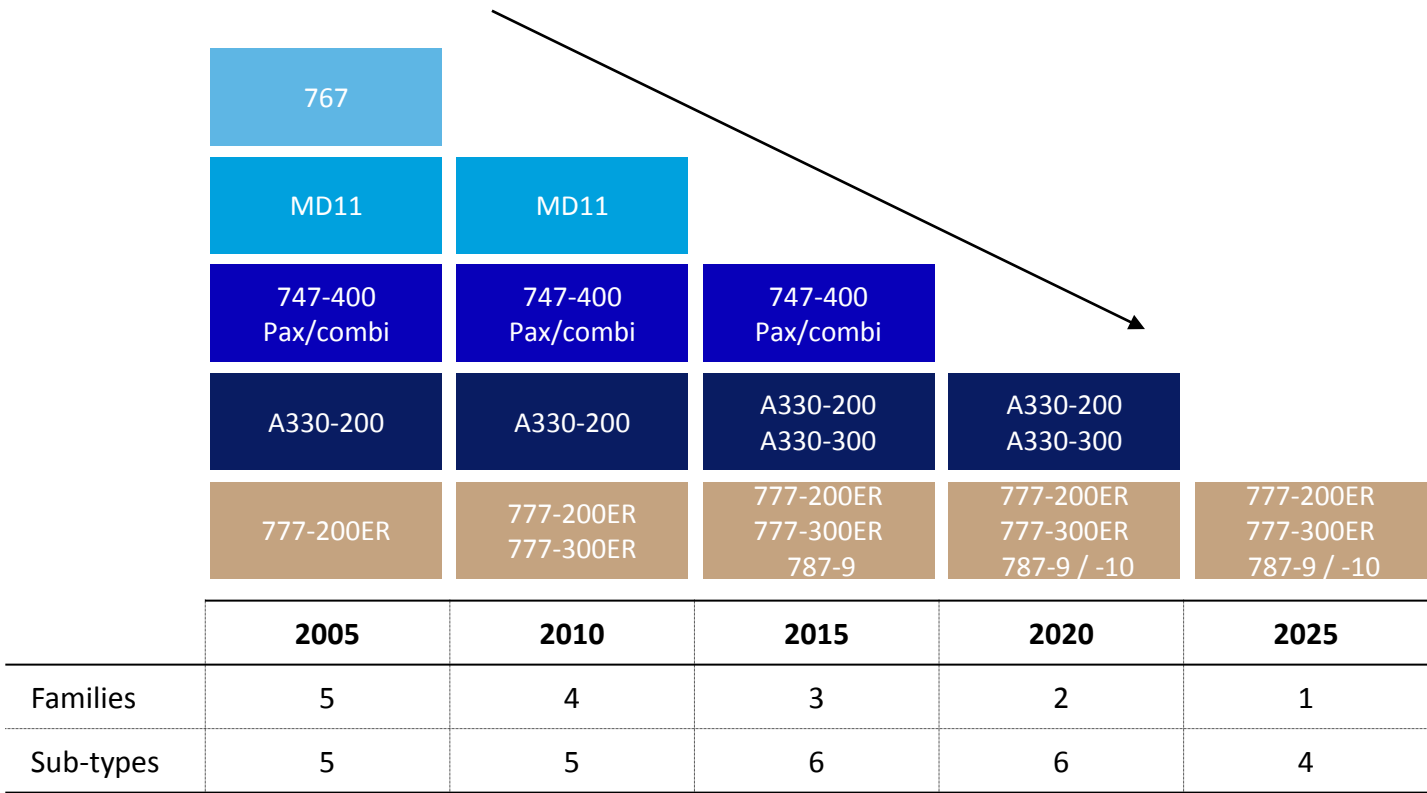


Decline in NPS mainly caused by unforeseen disruptions

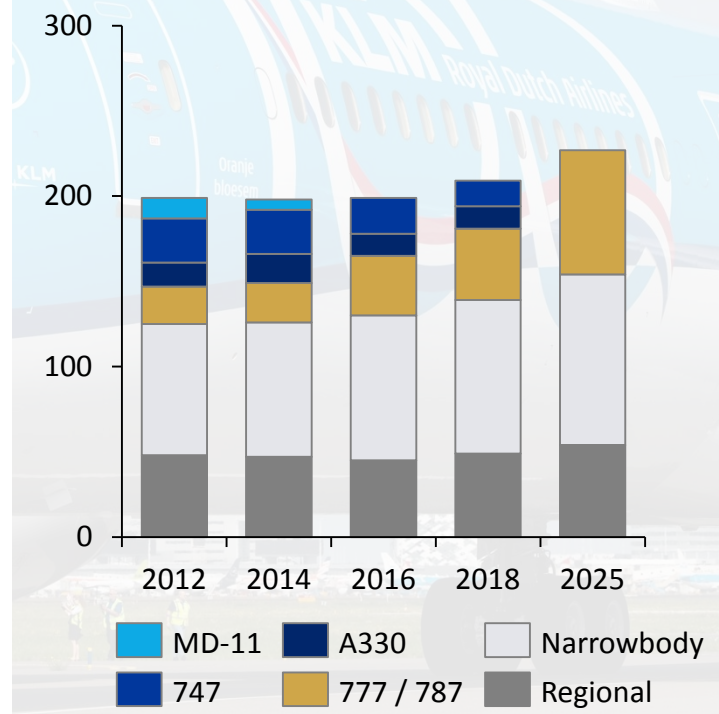


# Simplifying Fleet to Reduce Complexity and Costs

Widebody fleet simplified to 2 families, ambition to reach 1 by 2025

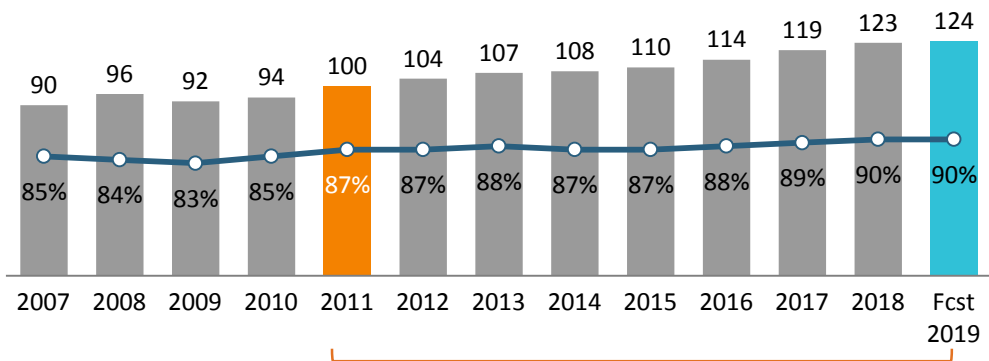


Total fleet evolution KLM Group

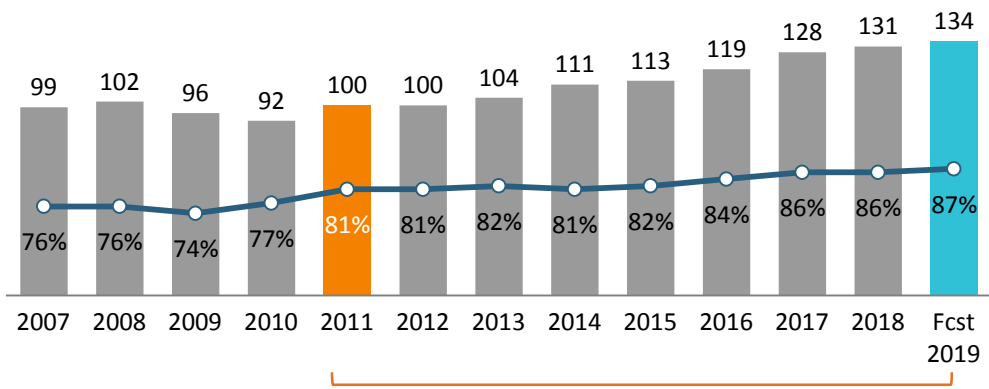


# Continue Growth and Fleet Optimisation/Simplification

Capacity Long Haul ASK (index = 2011) & Load factor (in %)



Capacity Medium Haul ASK (index = 2011) & Load factor (in %)



**+34% ASK (FC 2019 vs 2011)**

KLM – with a small home market but large network – traditionally **strongly relies on transfer traffic**, requiring a **broad portfolio of destinations** with **high frequency** to provide good connectivity

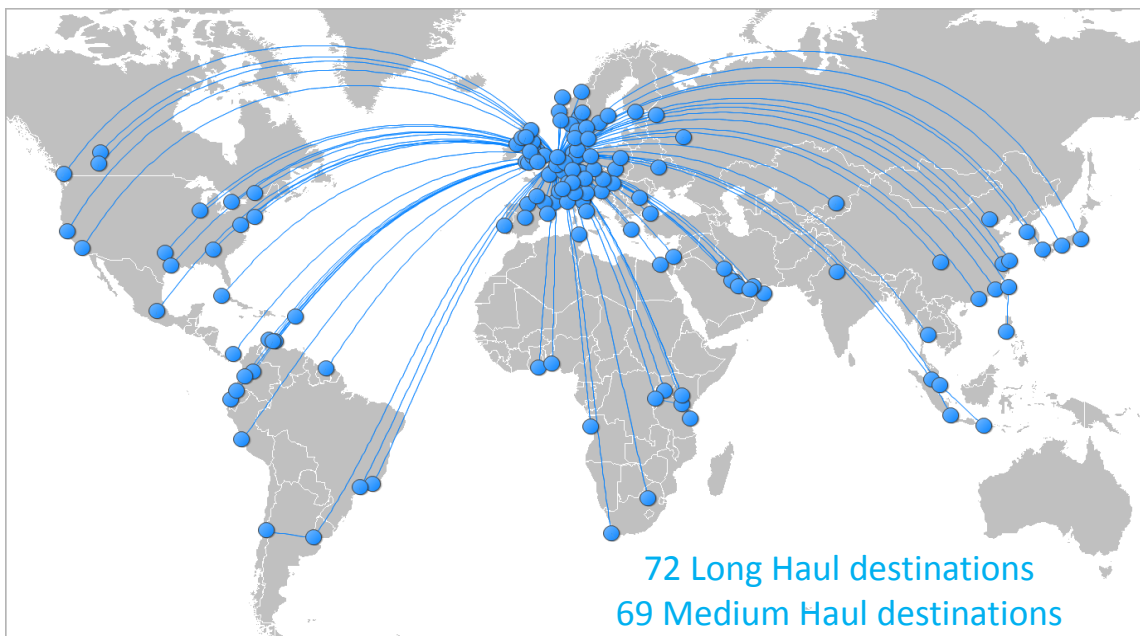
The KLM medium haul network has delivered **positive operating results from 2016 onwards**

Network performance update / October 2019  
 All figures: excluding Other (non recurring), IFRS pension adjustment and Full Freighters  
 2019 figures: Actual Jan-Sep and Forecast Oct-Dec  
 2007-2016 are in this version historic reported figures. In the previous slide deck 2007-2016 were partly IFRS restated



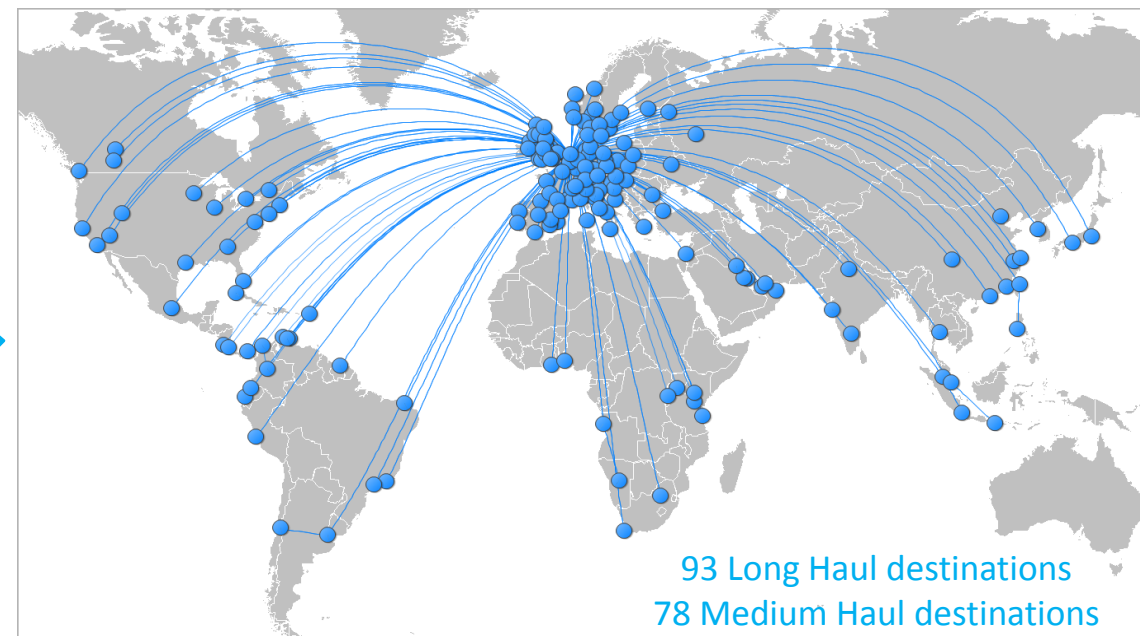
# KLM Has Shown Agility and Has been Dynamic in its Network With Multiple New Route Openings in Recent Years

### KLM Network in 2015



**141**  
Total Destinations

### KLM Network in 2019



**171**  
Total Destinations

14 destinations closed<sup>1</sup>  
46 destinations opened<sup>1</sup>

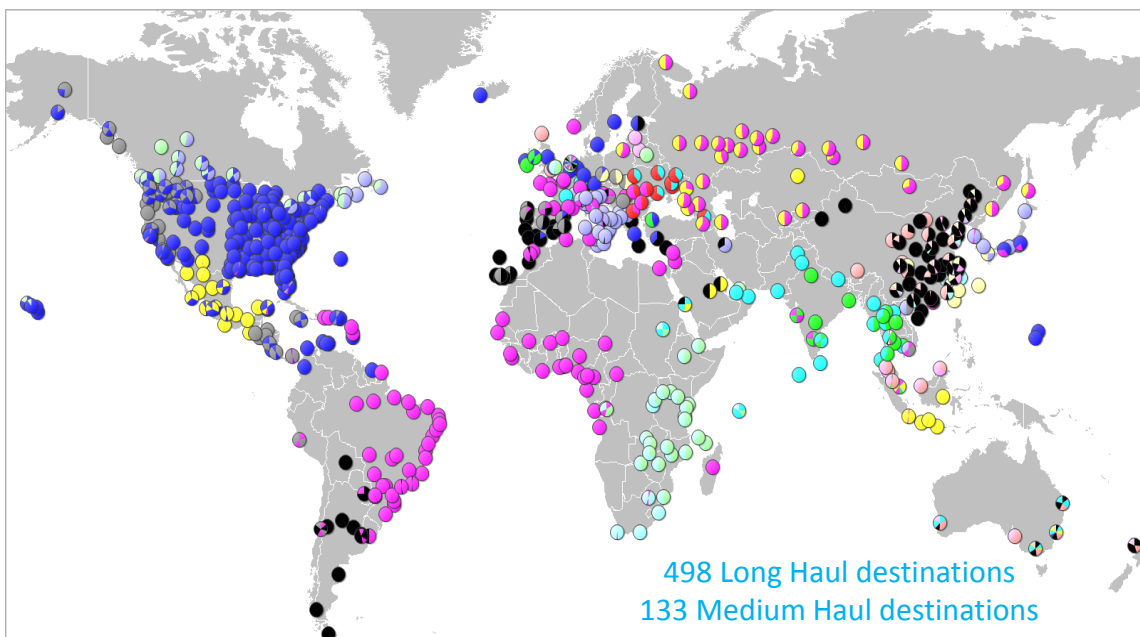
1. Six destinations are opened in 2015 and part of 141, five destinations are closed in 2019 and part of 171





# Together With Partners, KLM As Part of the Air France-KLM Group is Able to Grow an Industry Leading Network

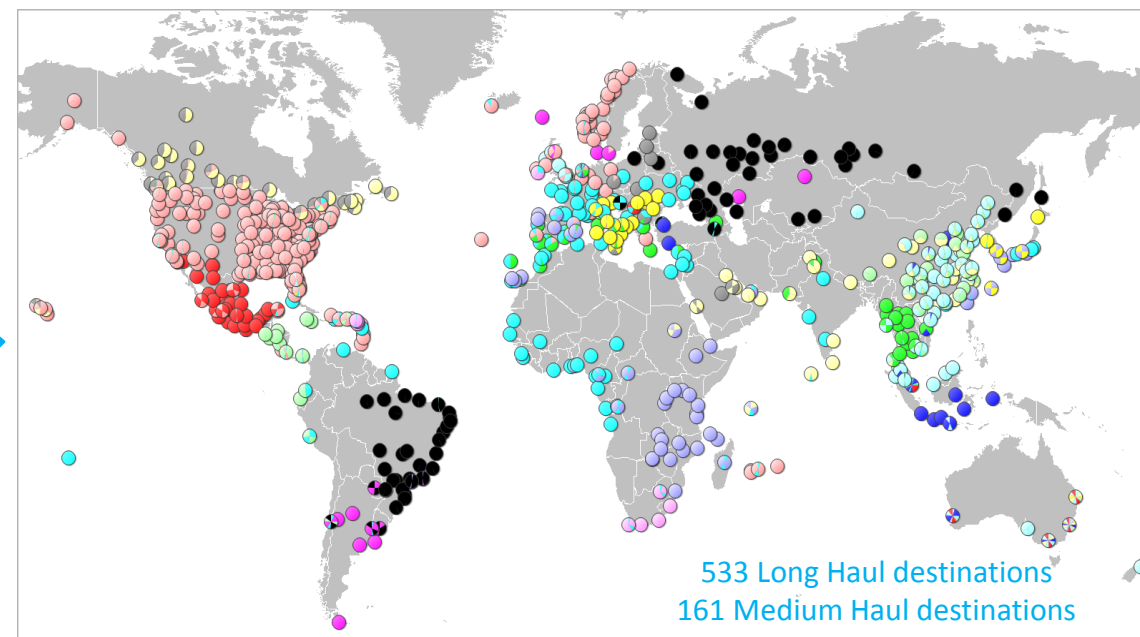
### KLM code-share destinations in 2015



## 631

Total Code-shared Destinations

### KLM code-share destinations in 2019



## 694

Total Code-shared Destinations



# KLM Passenger Business: Value-Focused Model

## Fleet

*Through an integral approach between these topics, KLM positions itself for long term profitability, expansion and growth*

- Utilization
- Standardization
- Densification
- Upgauging
- E195-E2 / 787-10



## Network

- Destinations
- Partners



## Partners

- Connect to Schiphol
- Build JVs



## Airports

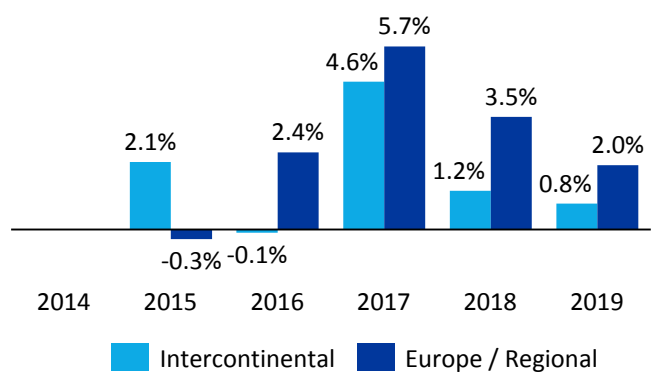
- Schiphol Growth
- Lelystad Opening



# Growth Coupled With Increased Asset Utilization

**Number of flights increases over the years for both Intercontinental as Europe**

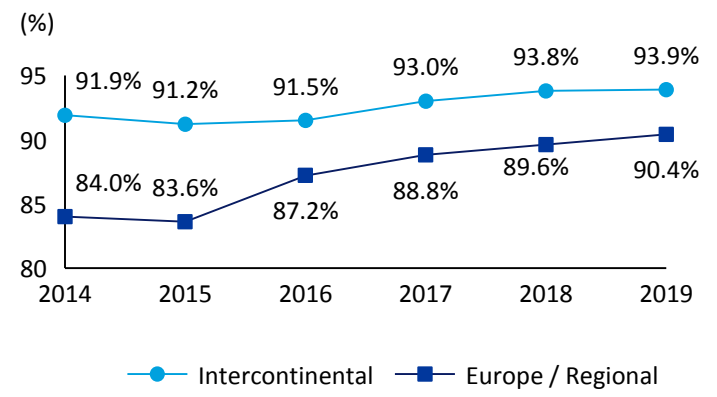
Yearly index count of scheduled flights



- The total increase in the last five years is 13% and 9% on Europe / Regional and Intercontinental respectively

**Although ASK grows, passenger growth is higher and results in higher load factor**

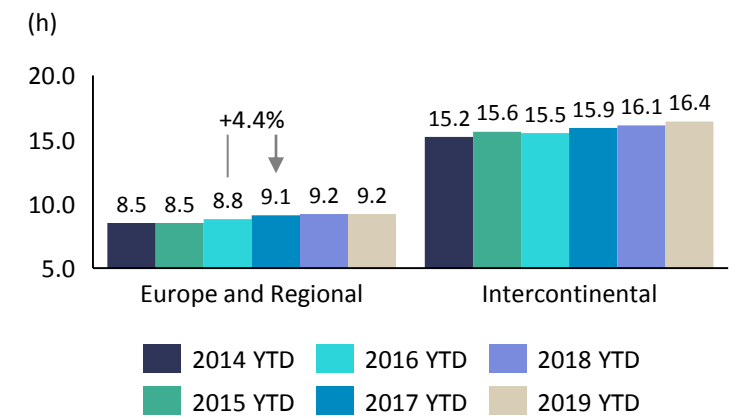
Booked load factor (BLF)



- Significant passenger increase over the KLM network

**Average flight time per aircraft increase over the years**

Yearly net fleet utilization per 24h



- The ground time decrease of Europe / Regional fleet in 2016-2017 is clearly shown

**170 aircraft**

**700 flights / day**

**97,000 pax / day**

Notes: 1. For this presentation the months Jan – Jul are denoted as YTD





# Transformation From Industrial Towards Digital Age in Aviation



ANSWER

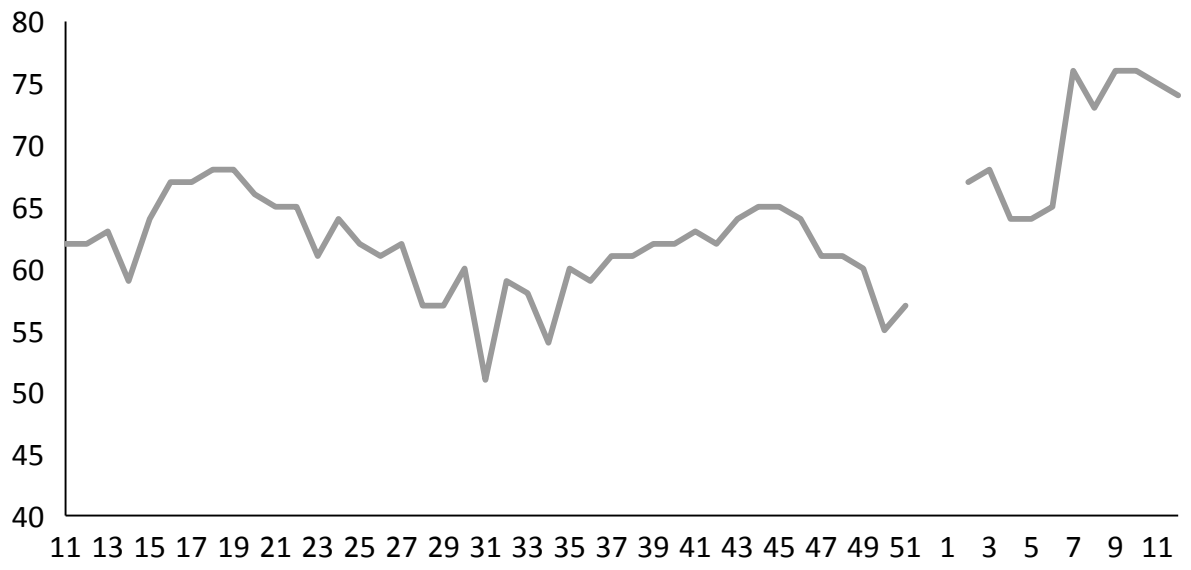
2014  
Transform: HPO  
2018  
Next phase  
2025



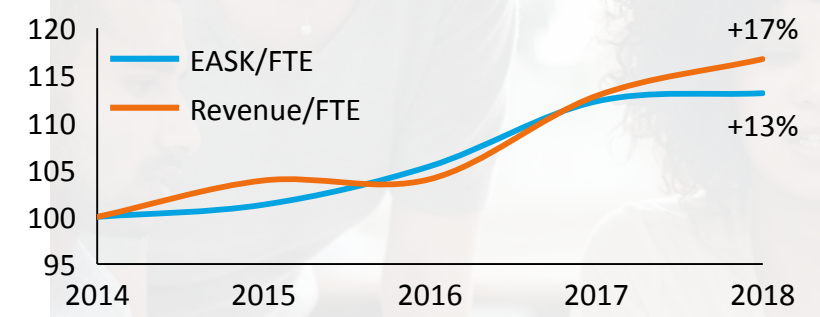


# While in the Same Time Employee Promoter Score Increases With improved Productivity Numbers

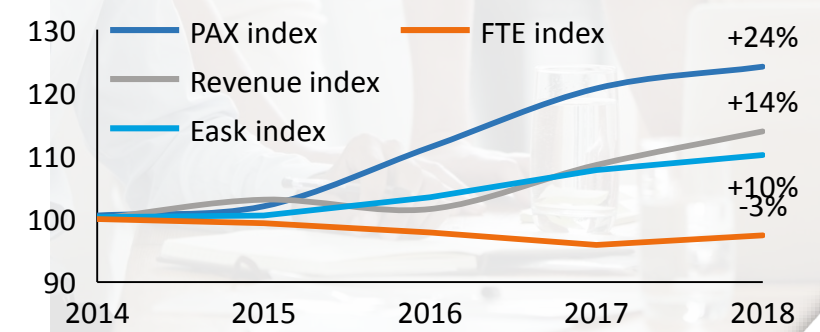
Employee Promoter Score (week score)



Productivity (index)



EASK, Revenue, Pax and FTE (index)



EU EPS definition

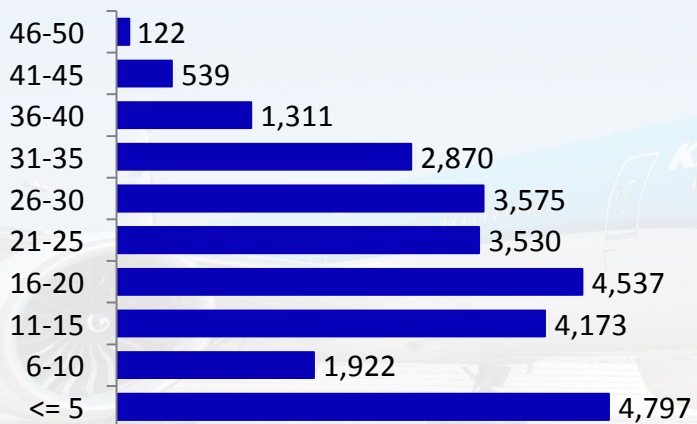




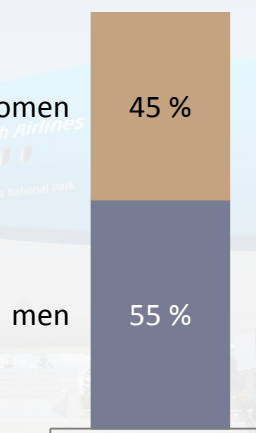
# KLM Is a Large And Mature Organisation With a Talented And Diverse Workforce

Empower employees to be “the best of themselves” by creating an **optimal, engaged, diverse and inclusive workforce** that fits strategy execution and acts in line with the KLM Compass

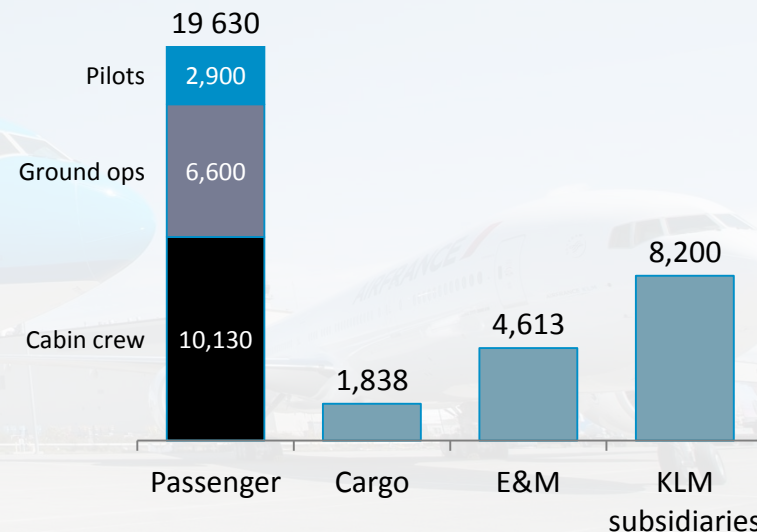
Headcount per years of service



Gender mix



Headcount per type of activity



**Attract, retain and develop talent**



**Develop leadership capabilities**



**Improve sustainable employment**



**Create diverse workforce and inclusive culture**



**Prepare workforce for digital transformation**



# KLM Focuses on Radical Innovation Topics

## Apron Robotization

**Goal:** Co-create & execute the innovation vision of Apron Services

### Key Achievements

- **Technology scan for 2030 completed**
- Robotizing experiment with Technical University of Delft
- Experiment with autonomous vehicles
- Joint innovation discovery with Embraer



## Additive Manufacturing

**Goal:** Accelerate additive manufacturing in E&M

### Key Achievements

- **6 local 3D print offices** throughout E&M hangars
- First airline in the world to create **3D printing material from plastic waste** from our flights
- Development for 3D printed cabin parts & AM repairs



## Cargo Volume Scanning

**Goal:** Co-develop a state-of-the-art Cargo Volume Scanning technology

### Key Achievements

- Accurate volume measurement enables accurate volume taxing
- Currently experimenting with the start-up Cargometer



## Components Trading Platform

**Goal:** Co-develop a components trading platform which makes its industry transparent and reduces the influence power of brokers

### Key Achievements

- Workshops in cooperation with TCS resulted in strategy
- Co-creation with partners resulted in MVP roadmap & backlog
- **Enables saving up to 30% on broker fee** to monetize excess parts stock





# Fly Responsibly

**Pioneer** sustainable solutions.

**Connect** to new partners in sustainability.

**Adapt** to changing society expectations & maintain a liveable planet.

## Our day after tomorrow.

**Horizon 2050**

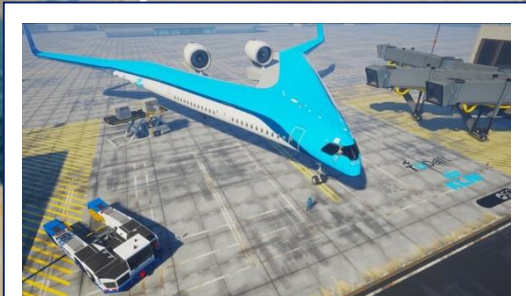
Electric flights

**Horizon 2030**

Fleet renewal  
Substitution

**Horizon 2025**

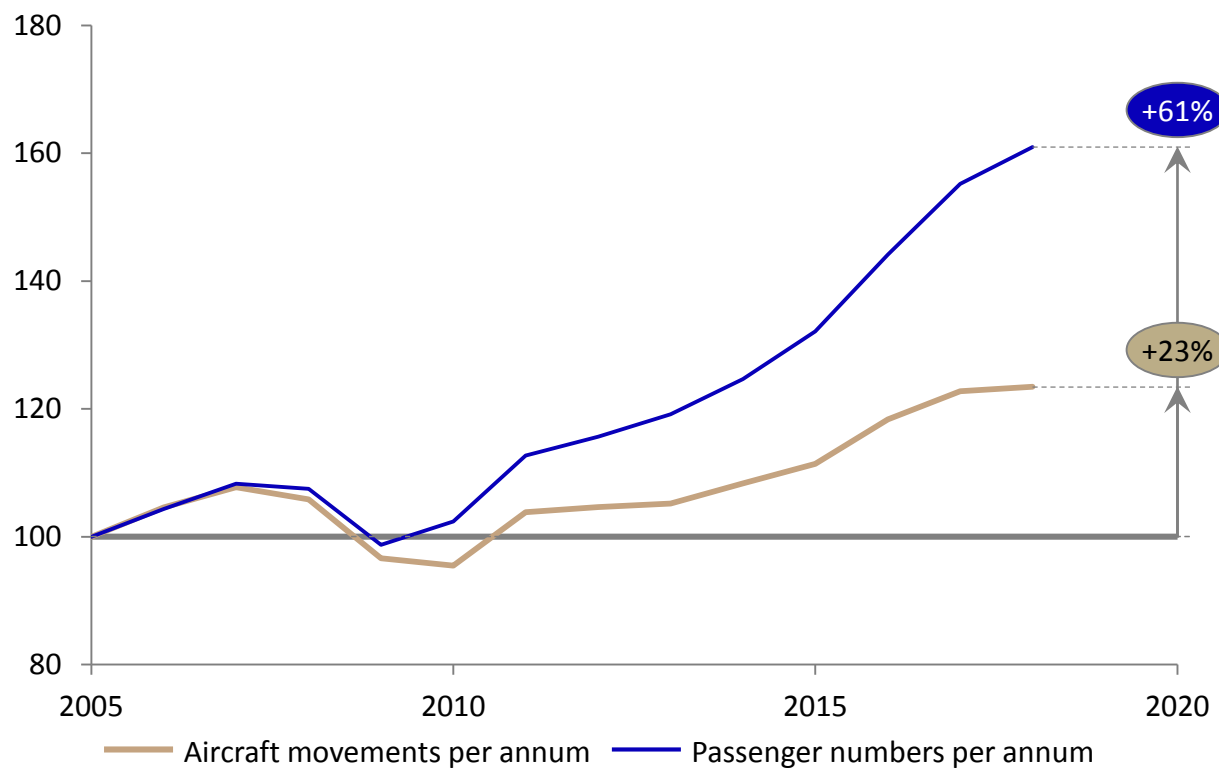
Bio-fuel  
CO2-compensation  
Sustainable operations



# In Recent Years Schiphol Has Grown to 500,000 Movements

For the coming years new growth initiatives will be undertaken

Passenger and aircraft movements at Schiphol (base 100 in 2005)



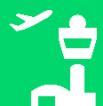
**Schiphol movements** possibly expanded to **540.000** in coming years

In addition, **Lelystad airport** is expected creating **additional room for growth**

KLM growth via **substitution by train**

# Transavia: Sustainable Position As #1 LCC in the Netherlands

## Cooperation KLM-Transavia Holland intensified



### Capacity & Network

- Joint slot portfolio management
- Partnering beyond slots
- Network alignment & optimization
- Coordinated (re)actions to the competition



### Pricing Revenue Management

- Joint routes
- Code share
- Pricing



### Commercial

- B2B Partners
- Joint proposition opportunities
- Distribution synergy
- Flying Blue



### Other

- Fuel
- Hedging
- Air France KLM Hull and Liability Insurance
- KLM engine shop and shared component buying

## Key themes 2019 for Transavia Holland

### Creating a travel experience exceeding expectations

- Launch new mobile app
- Increase self-service

### Continuous focus on low-cost

- Increased efficiency and effectivity with integral planning
- Fleet strategy to increase seats per aircraft and lower fleet CASK

### Enforce a breakthrough in operational performance

- Lean ops teams to optimize processes and increase efficiency
- Value driven business process management

## To continue sustainable growth...

- Sustain a competitive CASK level of 3,36 €ct (ex fuel)
- + 6% ASK in a slot constrained market
- Revenue growth of 7%
- Healthy COI margin of 7,5%

## ... and remain the #1 LCC in the Netherlands

- 2 **Amsterdam** with 28 aircraft
- 2 **Eindhoven** with 9 aircraft (+1)
- 1 **Rotterdam** with 8 aircraft (+1)



# Five Priorities KLM 2019/2020







# Air France Strategy



**Anne Rigail**  
*Chief Executive Officer*  
*Air France*



# CSR: A renewed environmental ambition



**-50%**  
CO<sub>2</sub> emissions per passenger/km compared to 2005.

**Continue to reduce our noise footprint.**

## HORIZON 2030

**Carbon neutrality of our ground operations.**

Reduce non-recycled waste by

**50%**  
compared to 2011.

4 MAIN WAYS

### REDUCING OUR CO<sub>2</sub> EMISSIONS

**Fleet modernization**  
A lighter aircraft, less CO<sub>2</sub> emissions

The fuel plan and eco-piloting, a more eco-friendly way to fly

**Electric power for ground operations**

### OFFSETTING OUR CO<sub>2</sub> EMISSIONS

**Regulatory compensation**  
**Offsetting 100% of CO<sub>2</sub> emissions on domestic flights**

**Compensation for corporate customers**  
**Supporting tree planting**

### RECYCLING, REDUCING AND LIMITING WASTE

**Selective waste sorting**

**Wage war on plastic**  
A reduction of

# 1,300

tons of single-use plastic used on board each year as from end-2019

### INVESTING IN RESEARCH AND INNOVATION FOR CREDIBLE ALTERNATIVES

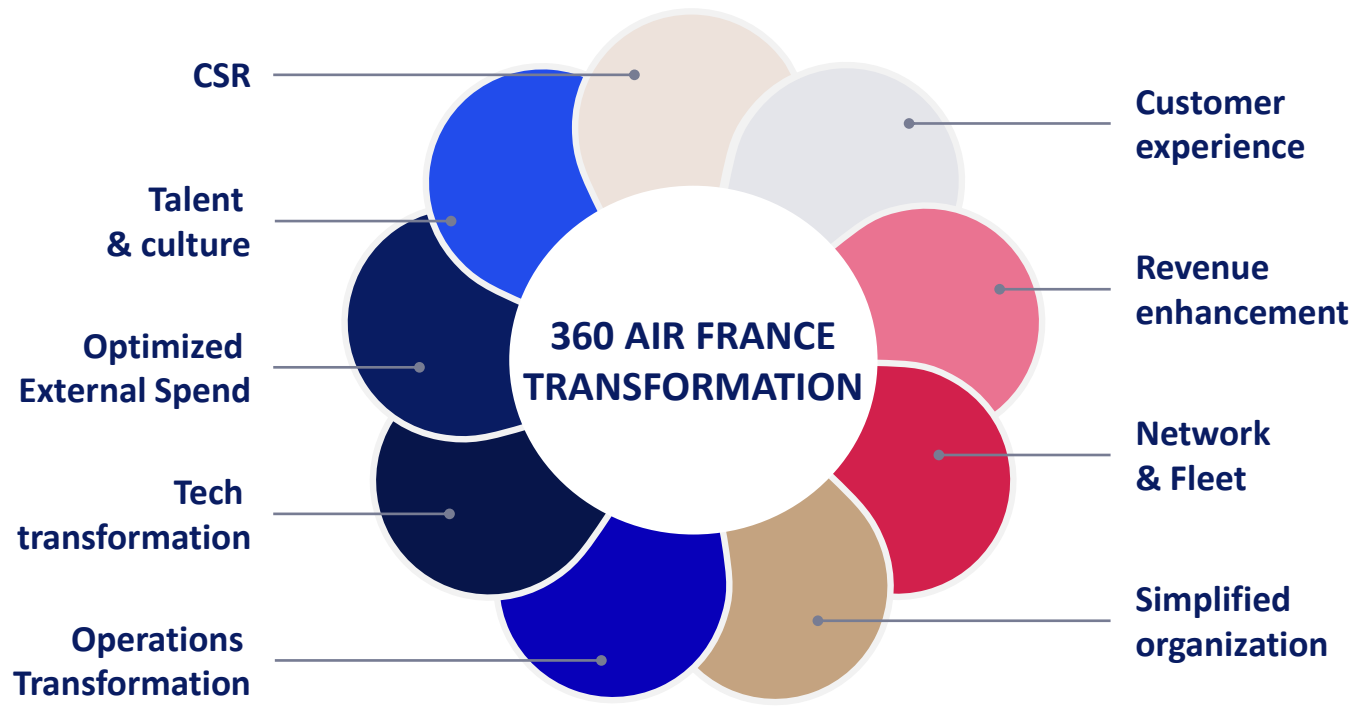
**With the Solar Impulse Foundation, partners for Clean Aviation**

**The all-electric aircraft**





**Biofuel, the future of fuel**



# End-to-End Transformation Launched at Air France



## Contributing to Group Goals

-  Employees engagement
-  Customer satisfaction
-  Financial recovery
-  Corporate & Social Responsibility



# Financial Recovery Launched Around Seven Clusters

## Optimize our operating model



### Simplified organization

- Reduce layers
- Increase span of control
- Mutualize support functions
- Redesign IMO function



### Optimized External Spend

- Operations
- E&M
- Catering
- Marketing
- Training
- IT
- Channel cost and fee



### Network and Fleet

- Fleet simplification and densification
- New generation aircraft influx
- Increase aircraft utilization
- Domestic network redesign



### Tech Transformation

- IT standardization and automation
- Efficiency of IT delivery
- Business partnership optimization



### Operations Transformation

- Process simplification and digitization
- On time performance
- Productivity gains

## Grow profitable passenger revenue



### Network and Fleet

- CDG Network dynamic optimization
- More Premium oriented cabin mix



### Revenue enhancement

- Customer reach & distribution
- Loyalty
- Ancillary revenues



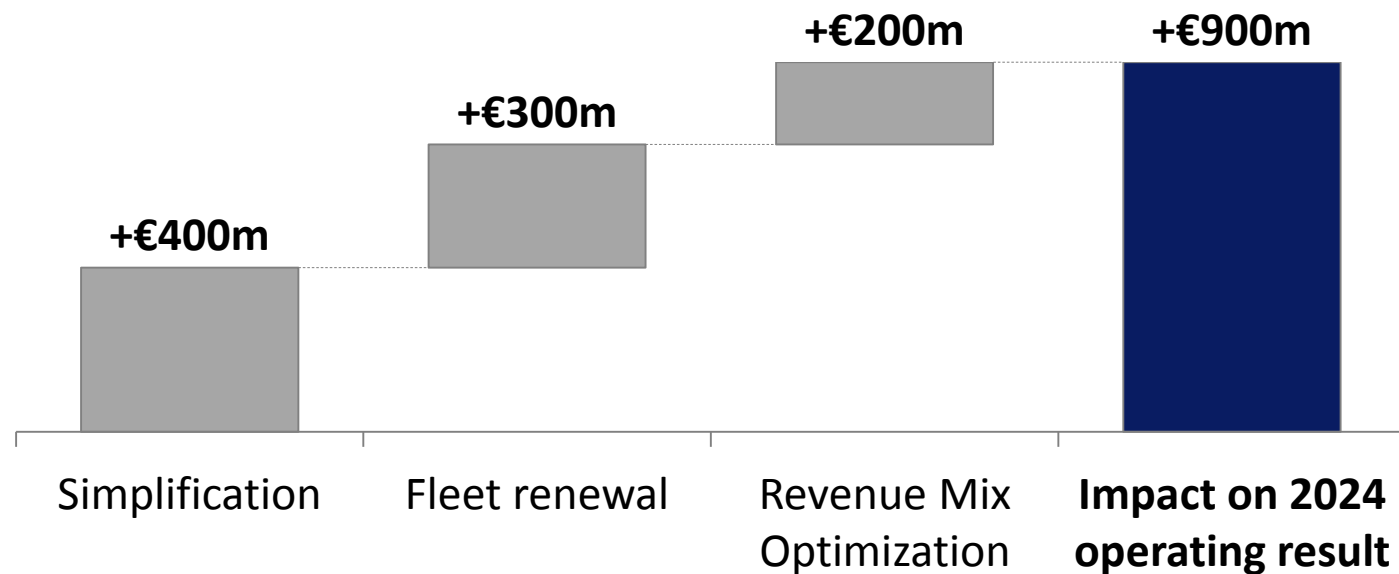
150+

Projects throughout all Air France



# Structural Impact on Four Dimensions

## Strong increase of Air France operating result



**+** Three success KPIs

- Customer satisfaction > NPS
- Employee Engagement > Employee Promoter Score
- CSR > CO<sub>2</sub> emissions reduction



# Focus on Simplification

Ambitious action plan has already started...

... And will deliver steadily until 2024

**2019** Keep costs on track

**2020** Accelerate implementation of transformation projects: some highlights

## Short-term emergency measures

- Support functions hiring freeze
- Advertising and IT costs prioritization
- Discretionary costs reduction

TRANSVERSAL

## External spend

- Implement “Control tower” on spends and contracts
- Enforce speed savings: review of contracts
- Optimize marketing, training, catering, outstations, maintenance costs
- Accelerate channel shift

## IT

- Improve prioritization and standardization
- Develop further agility in innovation projects for efficiency and time to market delivery

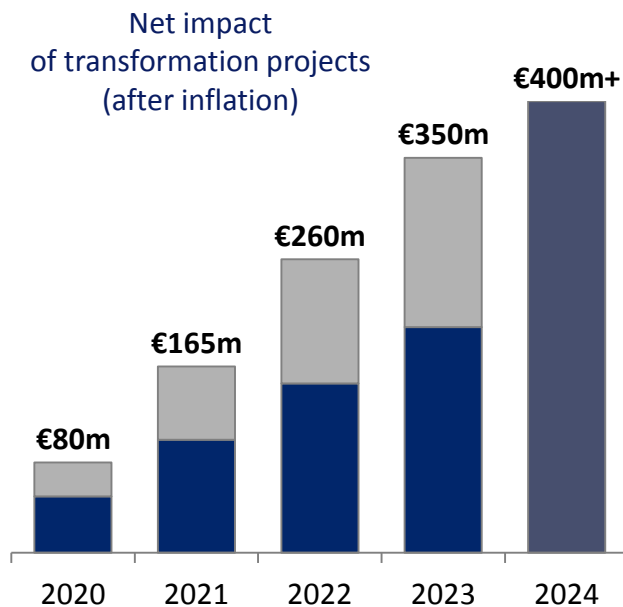
OPERATIONS

## Organization simplification

- Simplify processes and break silos, with specific focus on overheads and support functions (delayering, mutualization)

- Improve operational performance
- Optimize fuel consumption
- Optimize full flight simulators usage

- Launch successfully the Supply Chain program
- Digitize processes to enhance customer experience and reduce costs
- ...



Transversal streams  
 Operations Transformation



# Fleet Simplification and Renewal

## Long Haul fleet

- A350 ramp up
- A380 replacement
- Targeting 2-3 cockpits

## Medium Haul fleet

- A220 ramp up
- ATR and ER4 phase out

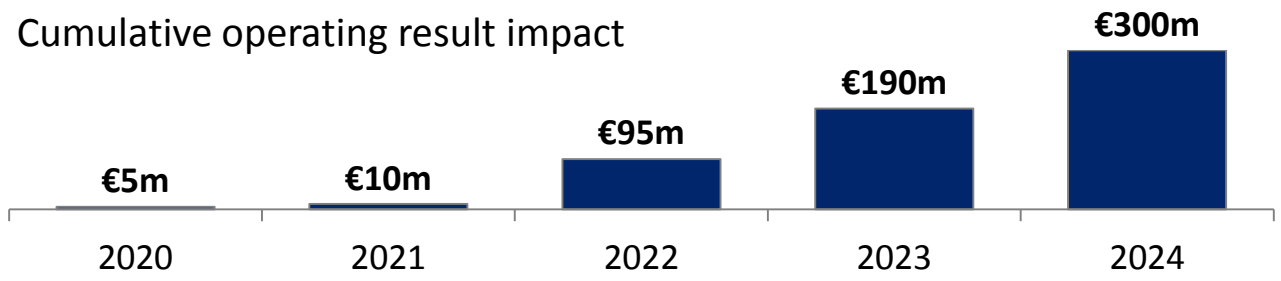
**A350-900**



**A220-300**



Cumulative operating result impact



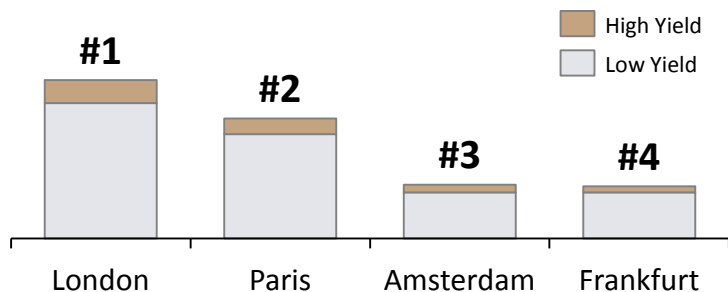
## Benefits

- Scale savings
- Unit costs
- Simplified processes
- Operations reliability
- Enhanced inflight experience
- CSR efficiency



# Network: Strong Position in Paris, an Asset to Build On

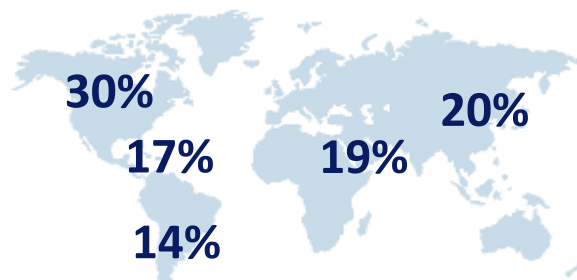
## Strong natural traffic in Paris



Largest True destinations cities in Europe



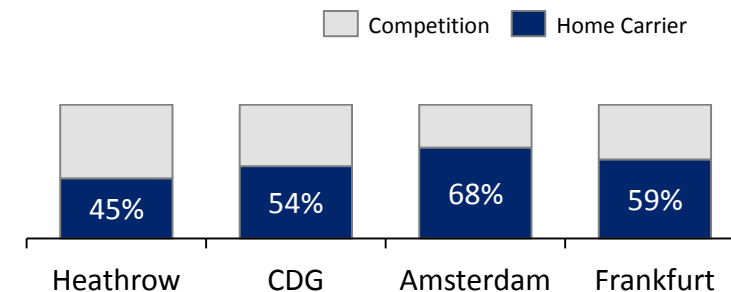
## Resilient, balanced, global network



ASK per region



## High footprint in CDG, with still opportunity to increase



Capacity share per European hub







# Air France Hub Will Be Further Optimized

## Dynamic Network Management

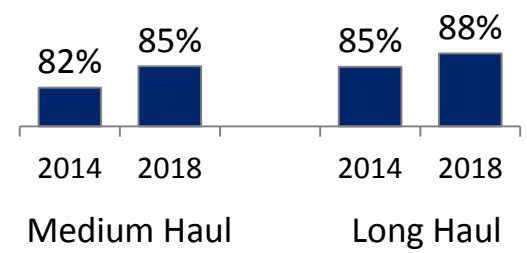


- **Dynamic strategy** to reallocate fleet from loss-making/less dynamic areas to profitable/dynamic areas
  - Redeployment on leisure destinations in periods of low business demand
  - Adaptations between Americas, Asia, Africa, etc. following local dynamics
- **Increase footprint on Premium local and French market flows**
  - Increased flexibility to optimize cabin and fleet choices
  - A380 replaced by smaller, more efficient aircraft
- **Leverage new airport infrastructure to support growth and enhance experience**
  - CDG Terminal 4: Up to 40 M passengers capacity for AF and partners

## Improving Asset utilization



- **Aircraft utilization improvement**
  - **+12%** on CDG-Medium Haul in 2019 vs 2016 (+1:07)
  - **+3%** on Long Haul in 2019 vs 2016 (+0:26)
- **Load factor increase**



• **Further improvement to be implemented on these 2 dimensions**

## Enhancing Customer Experience



- **One unique brand: Air France**
- **Fleet and product improvement**
  - Full flat product on USA and Asia
  - Consistent product every day
  - Daily La Premiere on served destinations
  - Short/Medium Haul fleet renewal: extra comfort
- **Operational performance**
  - Improved completion factor thanks to additional spare aircraft without decreasing aircraft utilization
  - Better punctuality thanks to anticipation of line maintenance in the schedule design





# Domestic Network Restructuring Plan



Adjust Orly's network to face TGV competition

- Closure of loss making routes
- Reduction of frequencies in weak period
- Reduction of average gauge to increase load factors



Reduce poor performing transversal routes exposed to low-cost

- Closure of unprofitable routes with limited business footprint
- Development of partnerships with other carriers to consolidate our commercial presence



Improve product and operational performance for our Customers

- Redesign schedule on "la Navette" routes
- Implementation of more qualitative aircraft (Embraer 170/190, A220) and Business Cabin



Simplify our operations

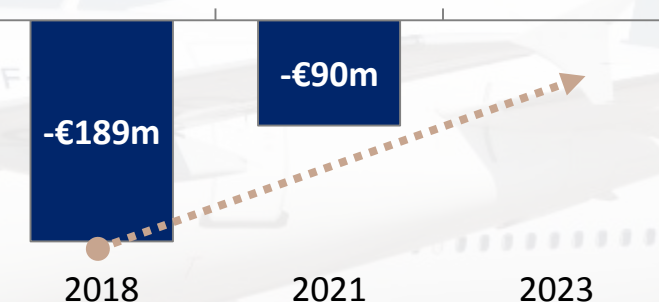
- One unique brand: Air France
- Simplify Hop operating model (full ACMI)
- Rationalize Hop fleet : phase out of ATR (2020) and Embraer 145 (2021)



Adapt French stations size

- 465 positions (out of 3200) on Volunteer Departure

**-15%** capacity (ASK) between 2018 and 2021



# Orly Strategy (1/2): Towards New Frontiers for Air France

## Quality network tailored for business customers from Orly to Europe

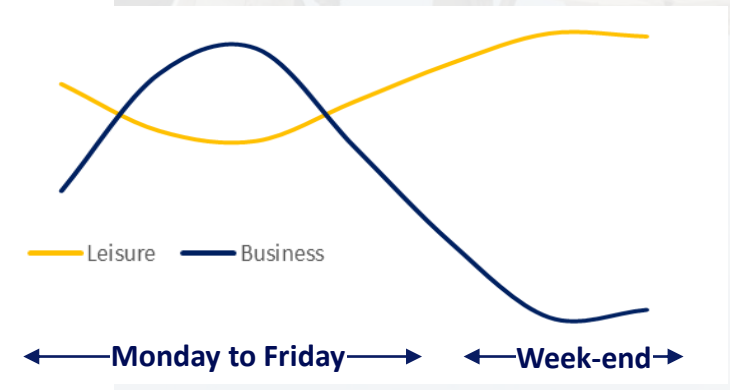
- ✈️
- Take full advantage of our Paris business airport
  - **Better catchment area:** wealthy and dynamic
  - **Better accessibility:** closer to Paris
  - **Better customer experience:** recently refurbished and faster customer journey
- Target destinations with **strong business motive profile**
- Design **quality schedule** to fit business customers needs



Starting April 2020 with **Paris-Orly to Madrid**

## Leisure European destinations to adjust to seasonality of French business demand

- ✈️
- Adjust more and more to **seasonality of demand** on domestic business routes (bank holidays, weekends, ...)
- **Redeploy capacity from Domestic business** to European leisure destinations, consistently with Transavia offer
- **Profile of leisure and business demand during the week**



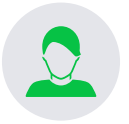


# Orly Strategy (2/2): Grow Transavia France to Strengthen #1 Position

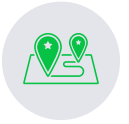
Structural changes Have Unlocked Future Potential of Transavia France



Removal of **Transavia France fleet cap**



Removal of **narrowbody seat cap**



Removal of **commercial & network constraints** between Transavia and Air France

Transavia France will grow in Orly to strengthen its leadership



**International routes up to 3000 nautical miles**

- Focus on Leisure / VFR destinations
- High aircraft utilization



**Innovative connecting experience**

- SmartConnect product: enhance self-connectivity on own Transavia network



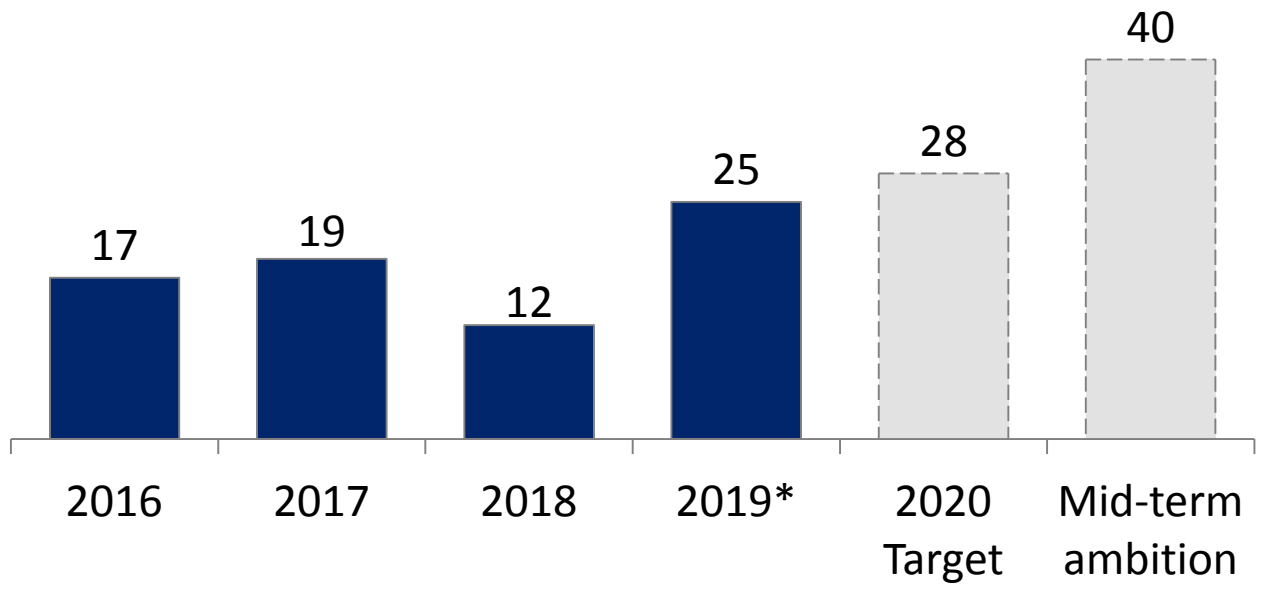
AIRFRANCEKLM GROUP





# Customer Experience Improvement Drives NPS Growth

Air France Yearly NPS evolution



### 3 drivers of same importance:

- 1 Products & services
- 2 Operational performance
- 3 Disruption handling

### Action plan with 1<sup>st</sup> results visible: 2019 NPS improved by 15 pts

- +5 on products & services
- +7 on operational performance
- +3 on disruption handling

\*YTD Sep. 2019



# In-Flight Experience Will Reach Top Industry Level



## Upgraded cabin features

### Consistent business product



80% of long haul fleet at highest standard in 2020, 100% by 2022



Business cabin on all routes including domestic as of 2020

### Larger overhead bins



45% of Medium Haul fleet equipped in 2021, 100% by 2025

### Connectivity



100% of fleet connected in 2020

### Entertainment



1400 hours of Inflight Entertainment on Long Haul Streaming on Medium Haul

## Leading Business service

### 100% of meals by Michelin chefs



### Flying French gastronomy



### Hot meal preselection



### Personalized services



### Wines of excellence



# Introduction of Business Class on French Domestic Network



**Consistent business product** on all Air France network, including domestic

## Ground experience

- Sky Priority access
- Lounge access

## Inflight experience

- Dedicated front cabin
- Blocked middle seat
- Food and beverages dedicated offer (champagne, wine, deluxe snacks)

Targeted Launch: Q1 2020



# Fluid and Serene Ground Experience



## Lounges upgrade

2018



**July:** CDG, Terminal E Hall L  
**December:** JFK with dinner service

2019



**January:** Lyon  
**May:** Washington with dinner service

2020



**January:** Orly Hall 3 (Long Haul flights), Geneva, San Francisco, Los Angeles, CDG 2F (Schengen)

## Increased airport fluidity

### Zone boarding



**100% flights** handled with zone boarding process

### Biometrics



2019: End-to end **facial recognition** (USA)  
2020: baggage **drop-off with biometric boarding pass** experimented

### Disruption handling



**Massive rebooking tool**  
**Bots and digital vouchers** to accelerate customer service





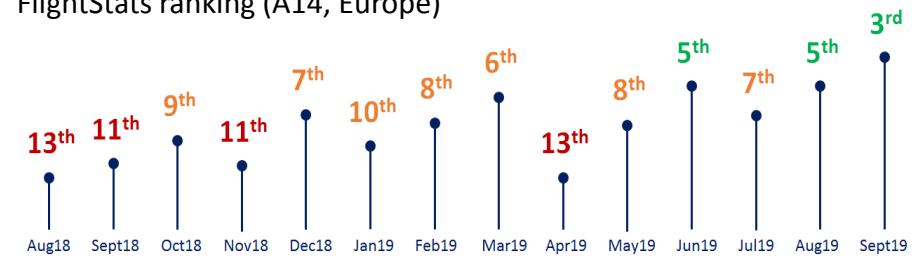
# Operational Performance Is Another Key NPS Driver



## 2019 results are very encouraging

**Punctuality consistent for months, progressing in industry benchmark**

FlightStats ranking (A14, Europe)



### Strong Q3 results



## Next steps ahead



### Ambition: become #1 on completion factor

- Aircraft spares
- New strategy for maintenance scheduling and tight monitoring of « aircraft health »
- Adjustment of crew sizing

### Comprehensive program for continuous improvement

- Process optimization
- Digitization and tools
- Third parties involvement
- Data driven

Go on with **partnership with Delta**  **DELTA** 



# An innovative ecosystem to reinvent our air travel experience

## Focus on digitization and new technologies



### Transform our core experience



- **Customer 360° view** connected to more than 20 touchpoints for a personalized experience all along the customer journey
- **20,000 iPads** for ground staff, cabin crew and pilots
- **Digital Factory** to accelerate internal digitization and process efficiency



### Build new opportunities for customers



- **Bots** complementing our staff expertise to accelerate customer service and disruption handling
- **Biometrics solutions** to remove hassle from the boarding and security process
- **Voice Platforms and new features on social medias** to enhance customer experience (WhatsApp, Google home, Alexa...)



### Invest in new technologies for the future



- **AI** to build new predictive tools for maintenance, ground operations, copiloting...
- **LiFi** to test opportunities for an improvement of Internet speed on board
- **Blockchain** to reinvent the exchanges in the travel industry for our customers



# People: a renewed dynamics with our employees

## Renewed social dialogue



- 26 agreements signed in less than 12 months with all staff categories
- Staff involvement in process redesign

## Employee engagement



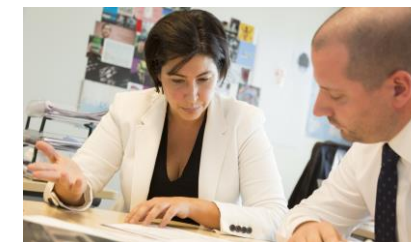
- Staff CSR initiatives. e.g. Citizen Days: 2,000 staff involved
- Mission statement, Culture & Values project
- AF Foundation support

## Promoting diversity



- Gender equality
- Disabled staff employment
- Apprentices recruitment esp. from priority areas
- LGBT non discrimination

## Culture Transformation



- Improve cross-functionality and empowerment
- Talent management program





# Reaching Leading European Performance



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

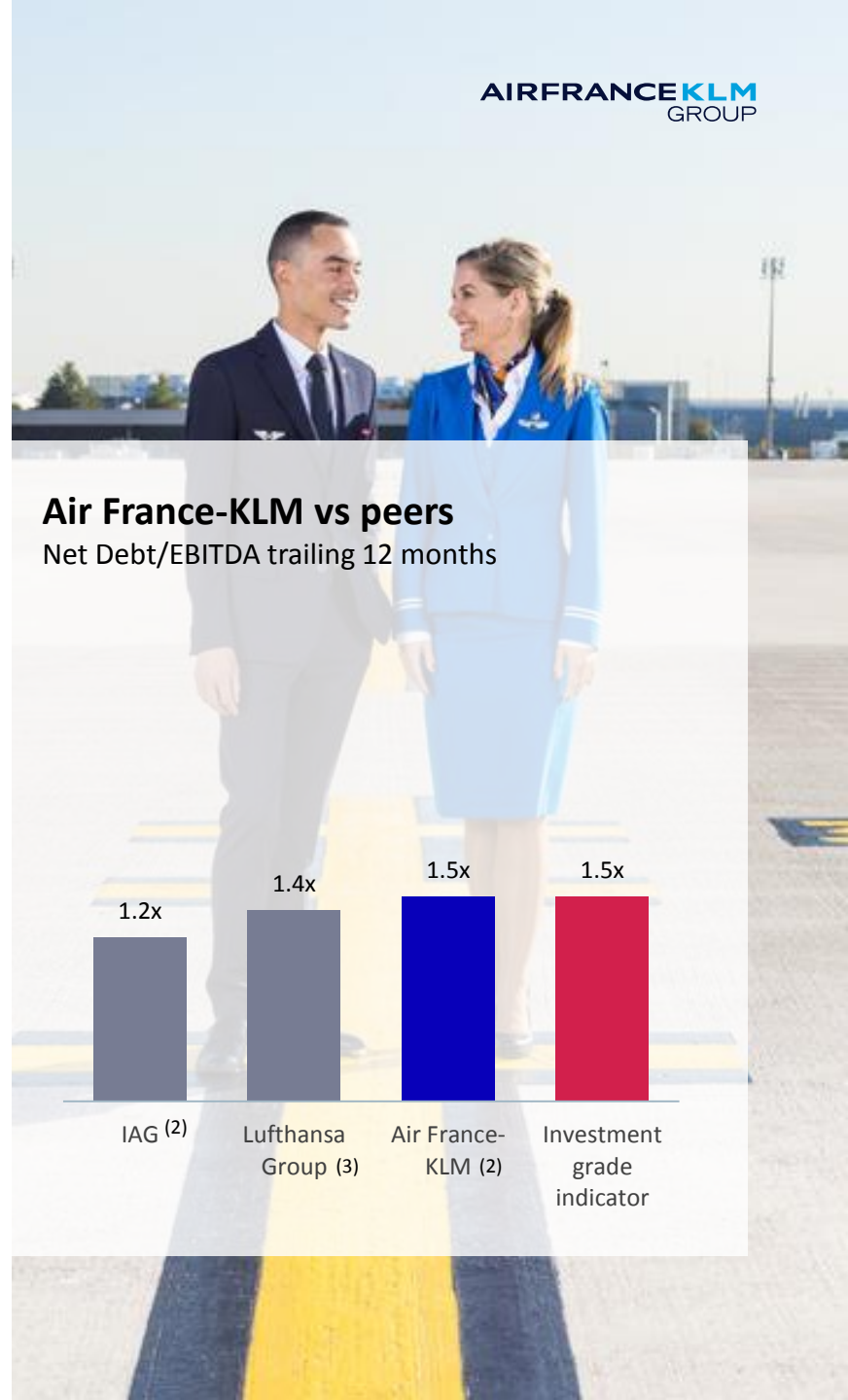


# Where Do We Stand?



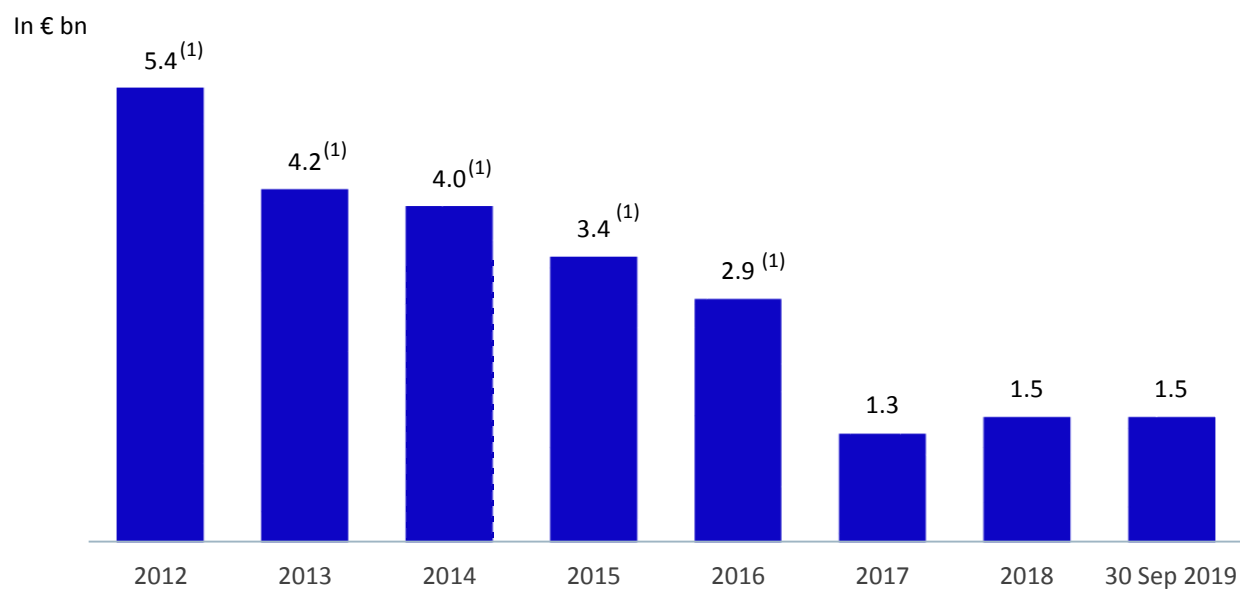


# Leverage Successfully Taken Down to Investment Grade Like Level



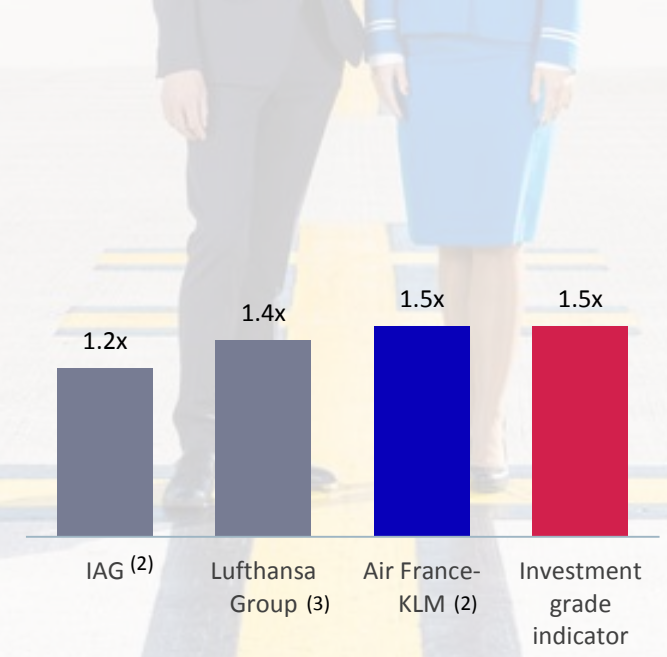
## Air France-KLM successfully deleveraged post-crisis years

Net Debt/EBITDA trailing 12 months



## Air France-KLM vs peers

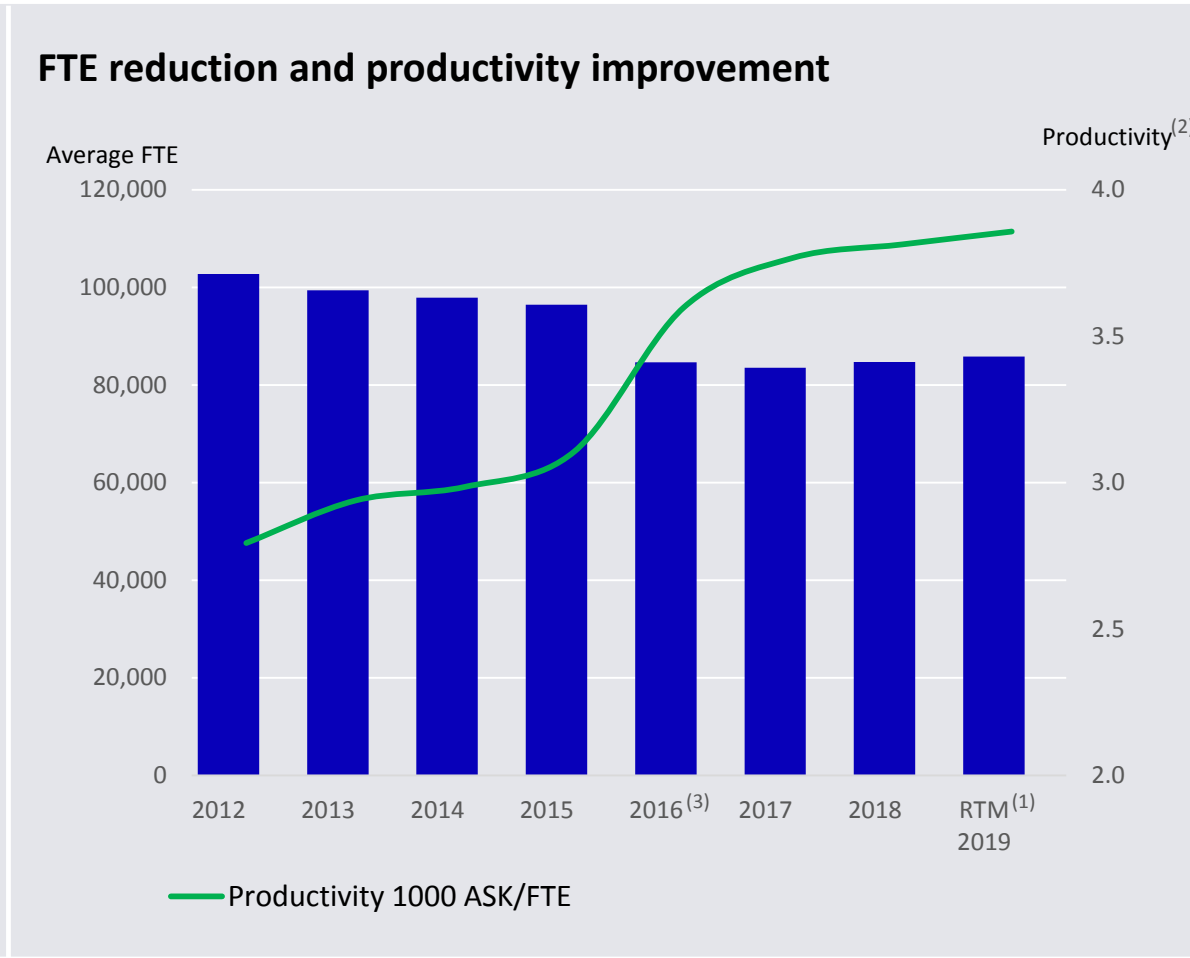
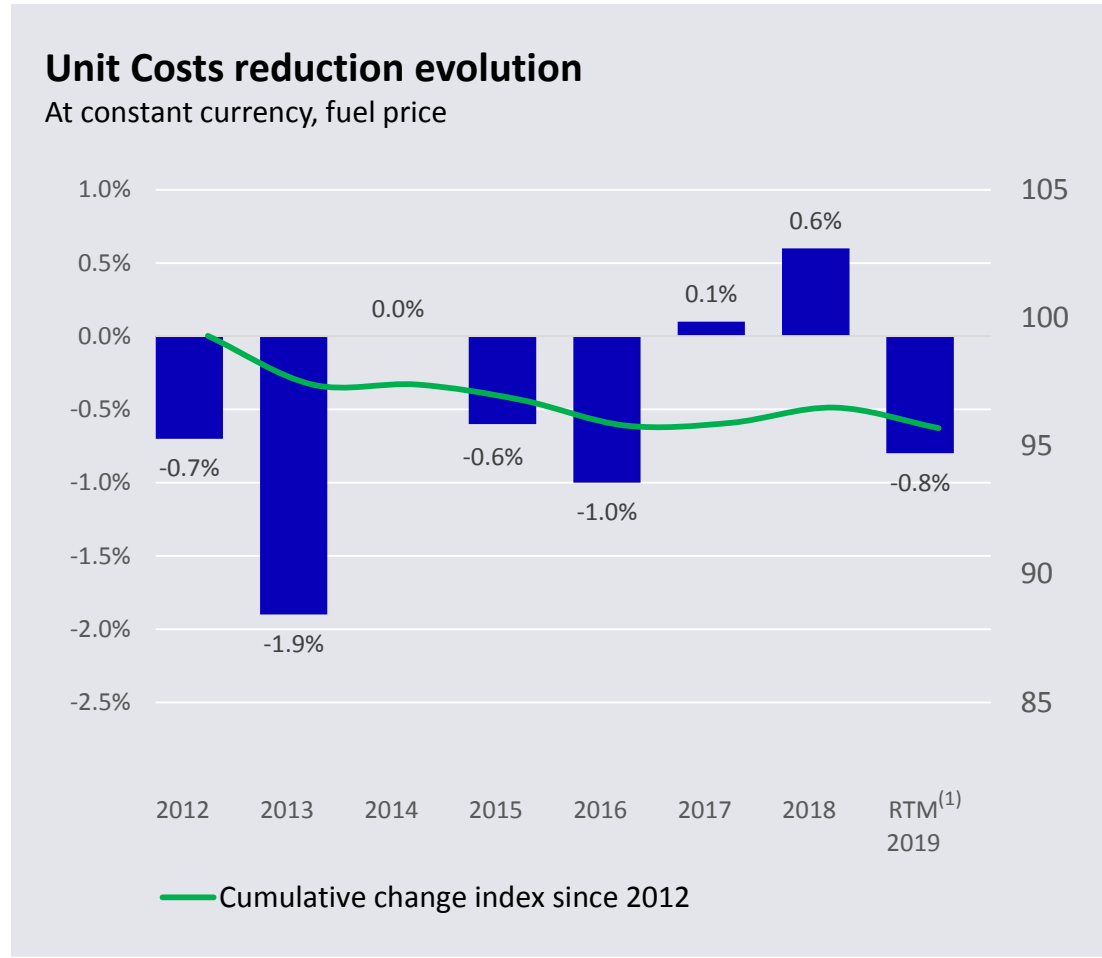
Net Debt/EBITDA trailing 12 months



(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



# Strong Focus on Unit cost Reduction and Increasing Productivity



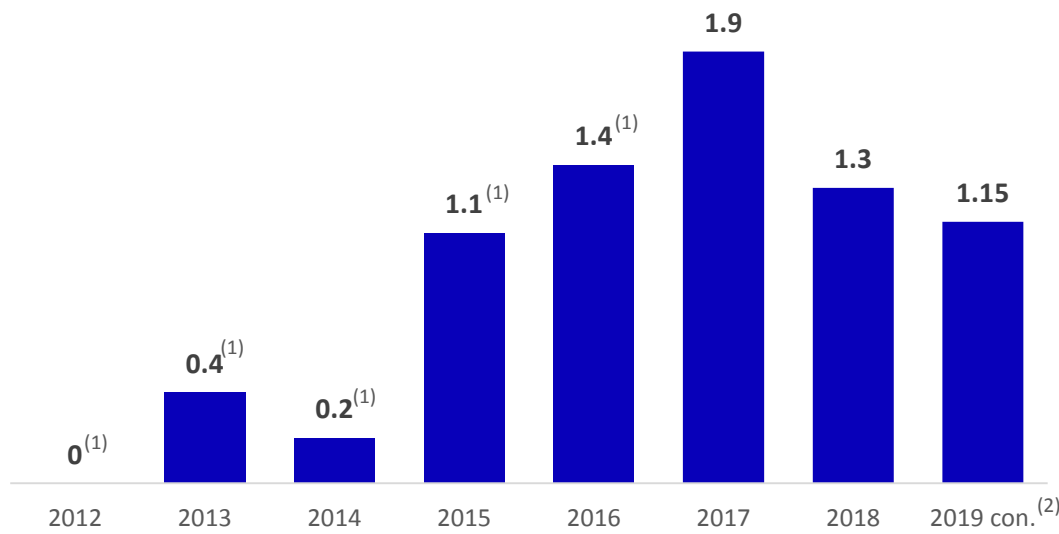
(1) Rolling Twelve Months 2019, from 1 October 2018 till 30 September 2019  
 (2) Productivity measured as 1000 Available Seat Kilometers / Average FTE  
 (3) 2016 FTE reduction includes partly disposal of Servair



# Improved Operating Performance Though Not Yet Up to The Level of Peers

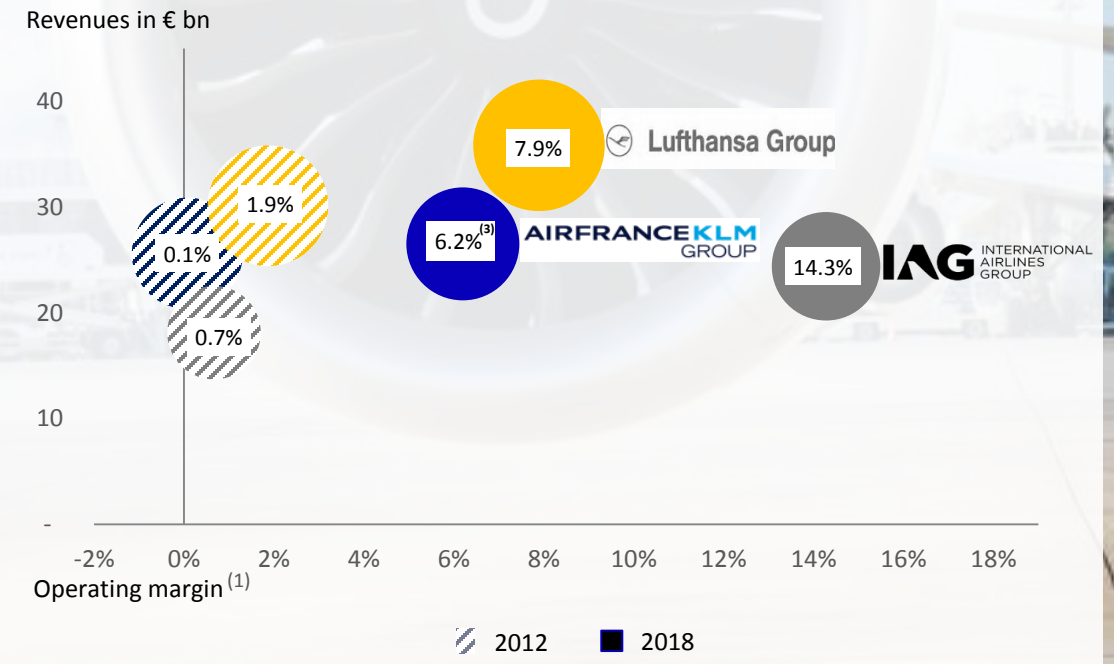
## Operating result evolution

In € bn



(1) Pre-IFRS16 restatement as per 2017, Operating result adjusted for the interest portion (1/3) of the operating leases  
 (2) Company sourced consensus as per 21 October 2019 for full year 2019 as published on <https://www.airfranceklm.com/en/finance/financial-information/consensus>  
 (3) Air France-KLM Group operating margin is adjusted for strike impact €335m in 2018

## Operating margin evolution versus peers



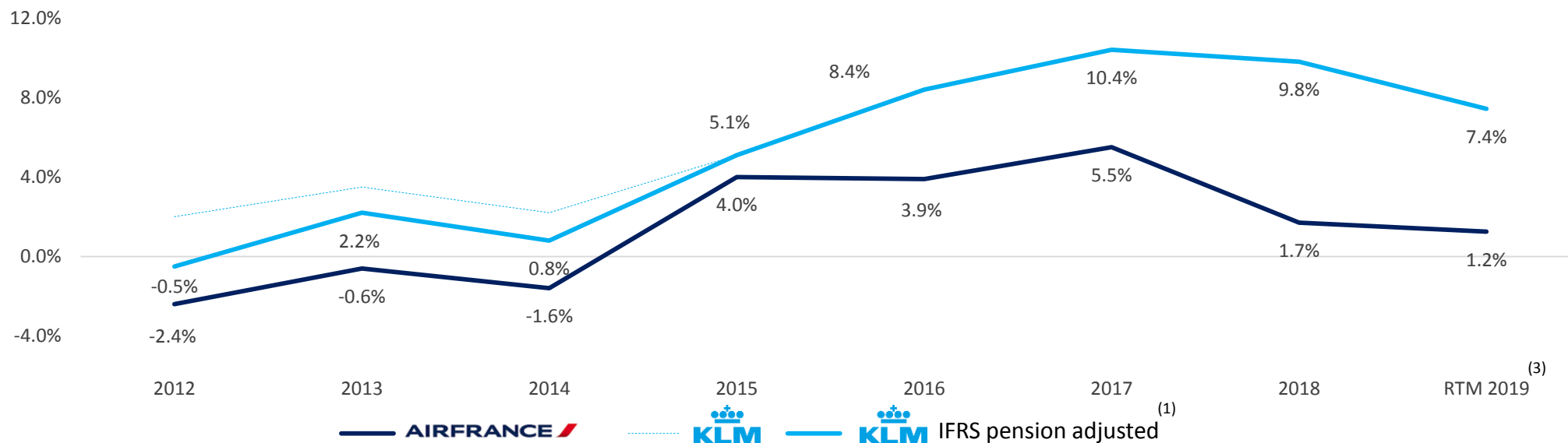
Source: Companies published results



# Past Achievements Supporting Catch Up Thesis

**Operating margin evolution of Air France and KLM** <sup>(2)</sup>

Operating margin %



**Air France & KLM successfully restructured post-crisis**

**Air France hampered by successive strikes**

Exogenous factors explaining margin gap

Including: tax, social and airport charges in France; 2 bases in Paris

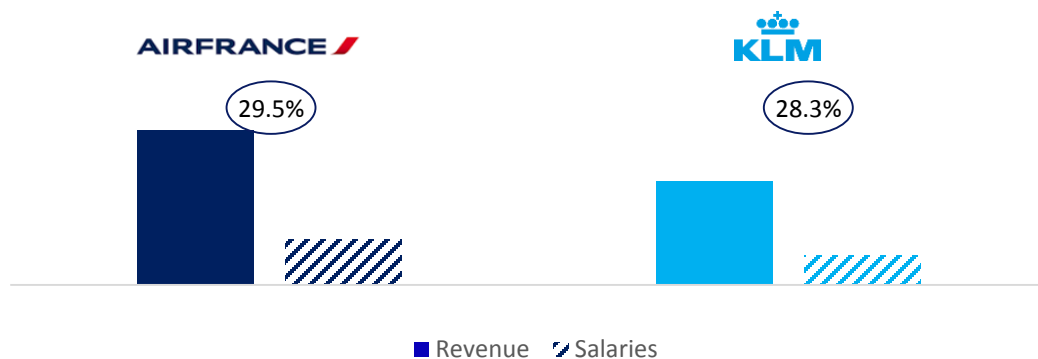
**KLM restructuring acceleration**

(1) KLM operating margin included positive effect of pension adjustment for the discount rate, due to change in IFRS regulations this benefit disappeared after 2014  
 (2) Pre-IFRS16 restatement as per 2017, Operating result adjusted for the interest portion (1/3) of the operating leases  
 (3) Rolling Twelve Months 2019, from 1 October 2018 till 30 September 2019

# Gap Analysis Pointing to Divergence in Capital Utilization

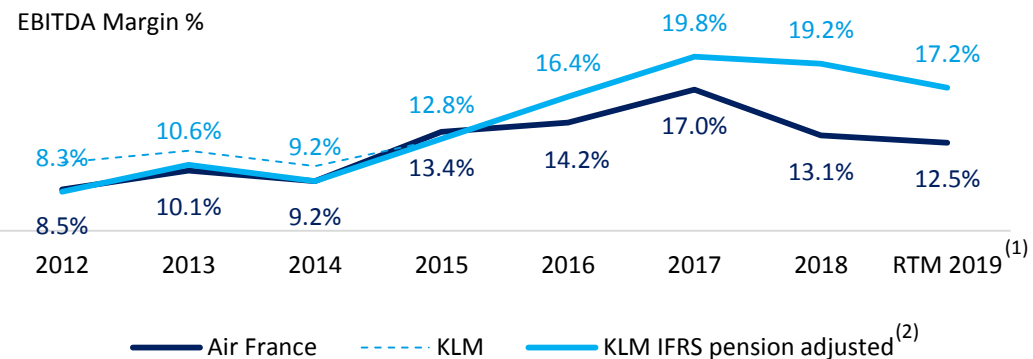
## Equivalent salary cost in Air France and KLM today

RTM 2019 Salaries & related costs / Revenues <sup>(1)</sup>



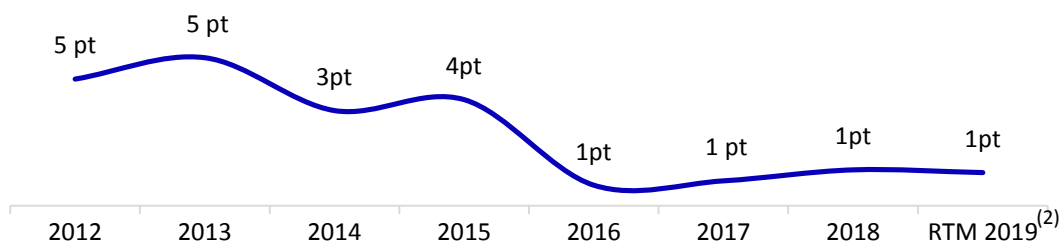
## EBITDA margin of Air France is nearer to KLM

compared to operating margin



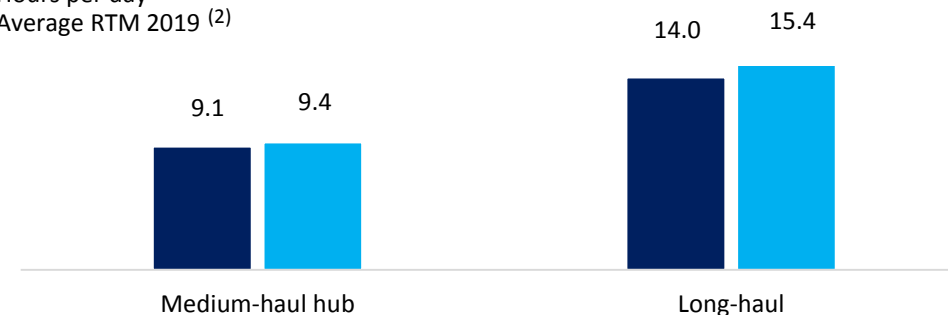
## Evolution of the salary cost gap between Air France and KLM

Difference between Air France and KLM of Salaries & related costs / Revenues <sup>(3)</sup>



## Main driver: Fleet capital utilization

Hours per day  
Average RTM 2019 <sup>(2)</sup>



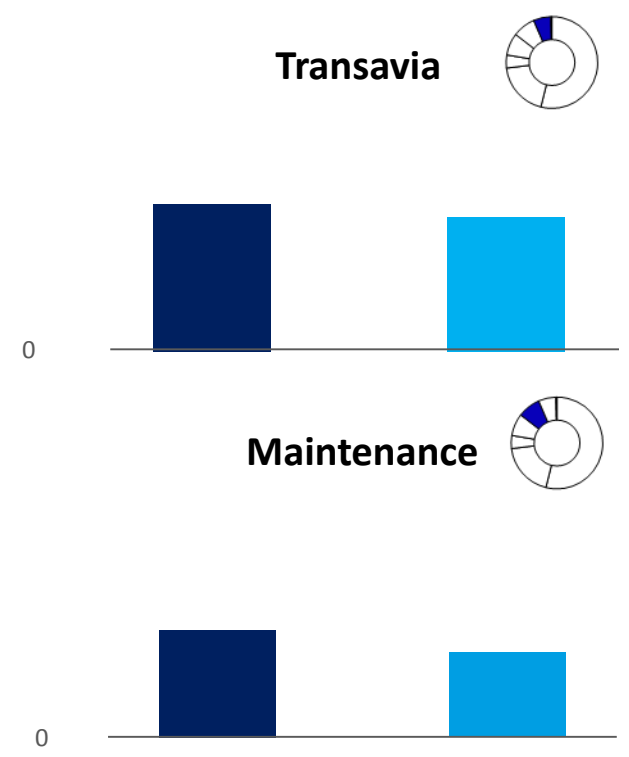
(1) KLM operating margin included positive effect of pension adjustment for the discount rate, due to change in IFRS regulations this benefit disappeared after 2014  
 (2) Rolling Twelve Months 2019, from 1 October 2018 till 30 September 2019  
 (3) KLM Salaries & related cost adjusted for positive effect of pension adjustment for the discount rate, due to change in IFRS regulations this benefit disappeared after 2014



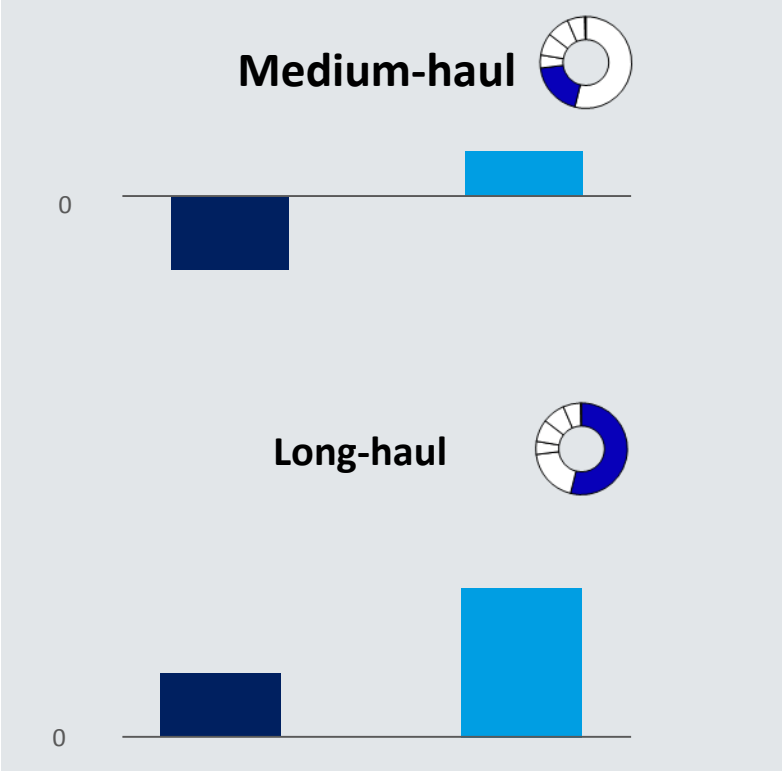
# Similar Results in E&M and Leisure, Air France Profitability Lower than KLM in Network Activity

Operating margins per business unit  
Full year 2018

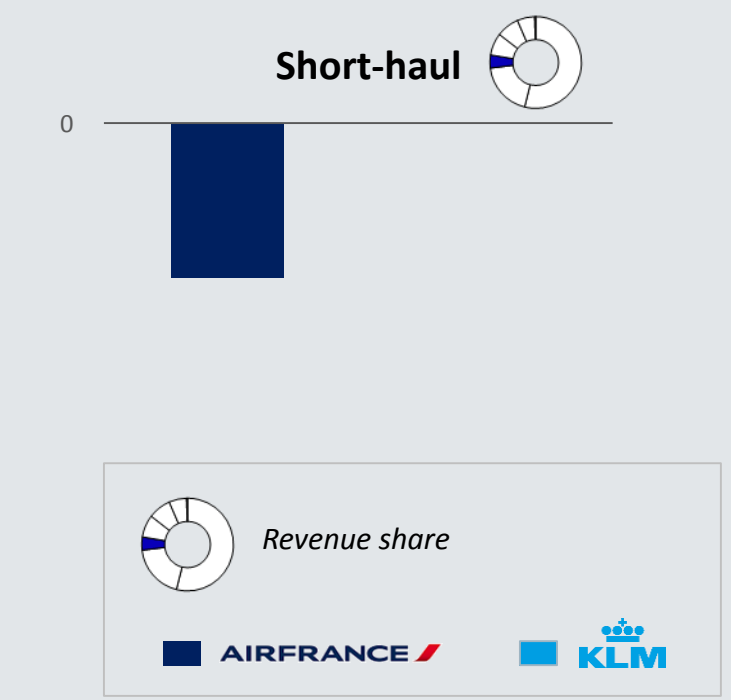
## Limited gap between Air France & KLM



## Significant gap between Air France & KLM



## Short haul exposure at Air France only



Revenue share

AIRFRANCE KLM



# New financial strategic framework

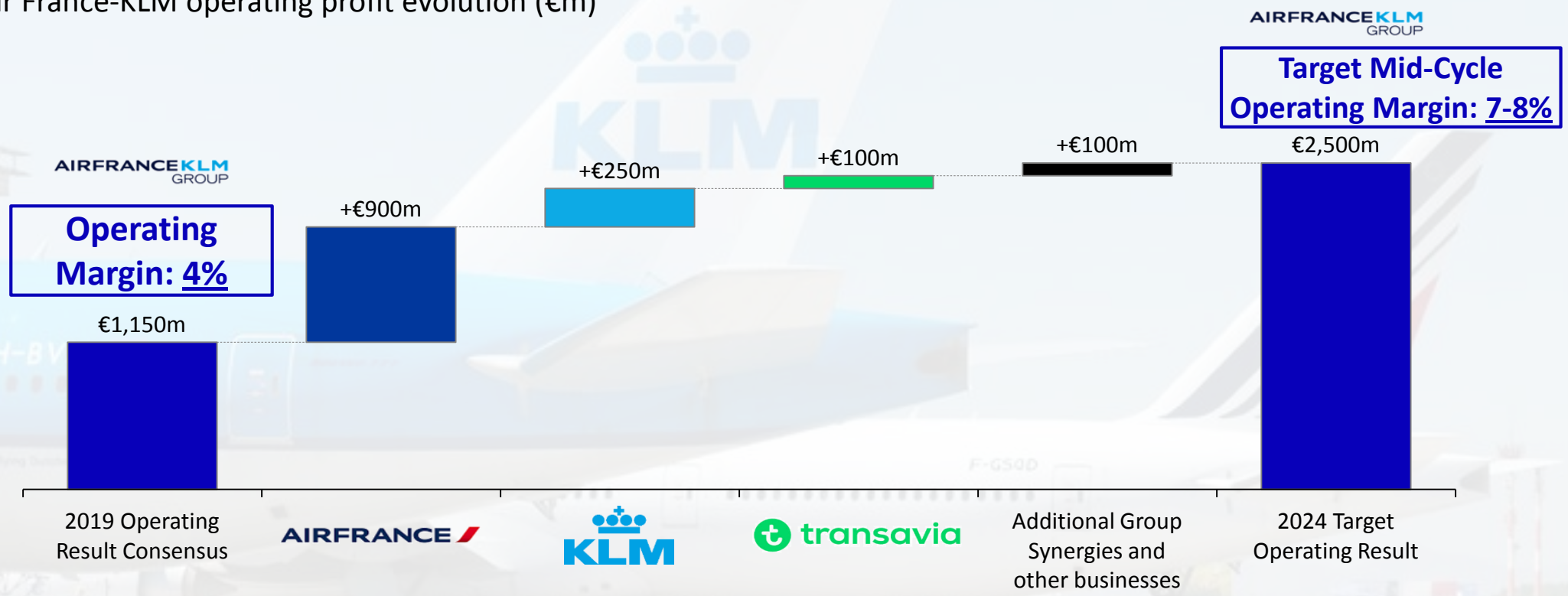
## Build Value-Focused Model

- Financial roadmap
- Financial KPI's
- Shareholder returns



# Mid-Cycle Operating Margin Reaching 7-8%

Air France-KLM operating profit evolution (€m)



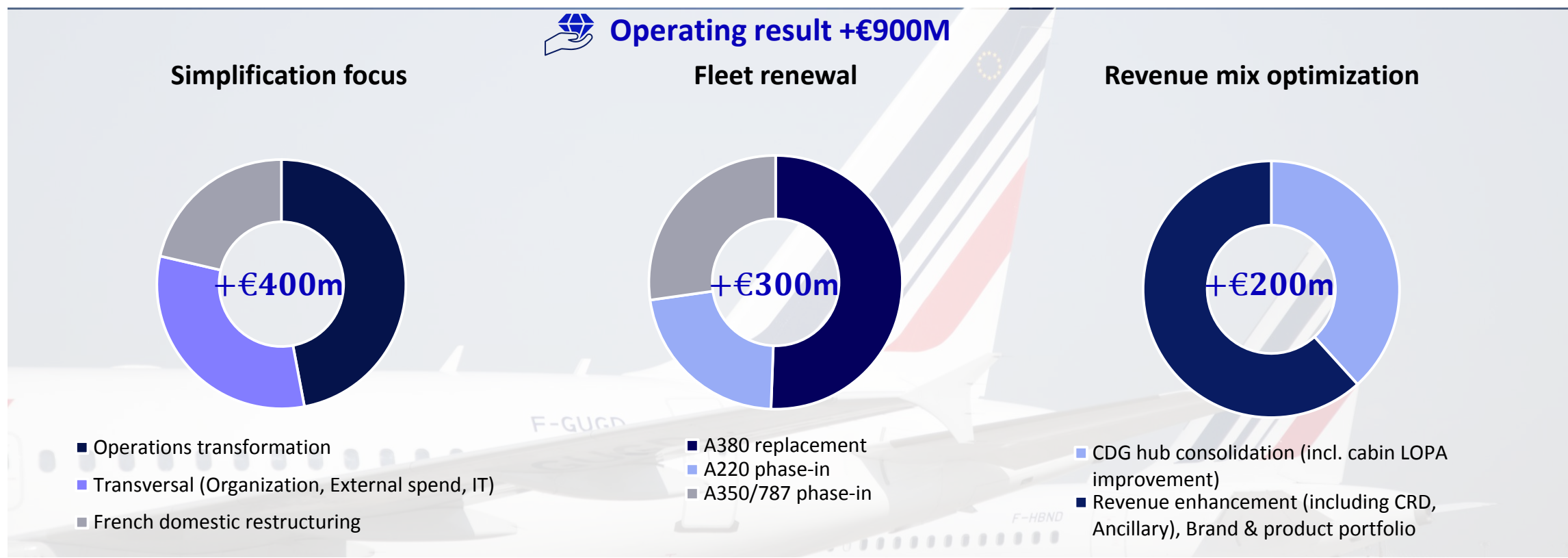
1. Company sourced consensus as per 21 October 2019 for full year 2019 as published on <https://www.airfranceklm.com/en/finance/financial-information/consensus>  
 2. Modelling assumptions:  
 • Excluding Fuel Price, Currency FX and Industry yield development effects  
 • Objectives per airline are net amounts (including offsets against base-case price inflation and capacity growth).  
 • Inflation assumption of 1.5% per annum, as per Eurozone Consumer price index 2020-2024. Source: Oxford Economics, updated August 2019  
 • Air France-KLM Group Available Seat Kilometer (ASK) growth assumption mid-point of guidance range +2 to +3% per annum from 2020-2024



# Air France Turn-Around – Priorities

## Optimize our Operating Model

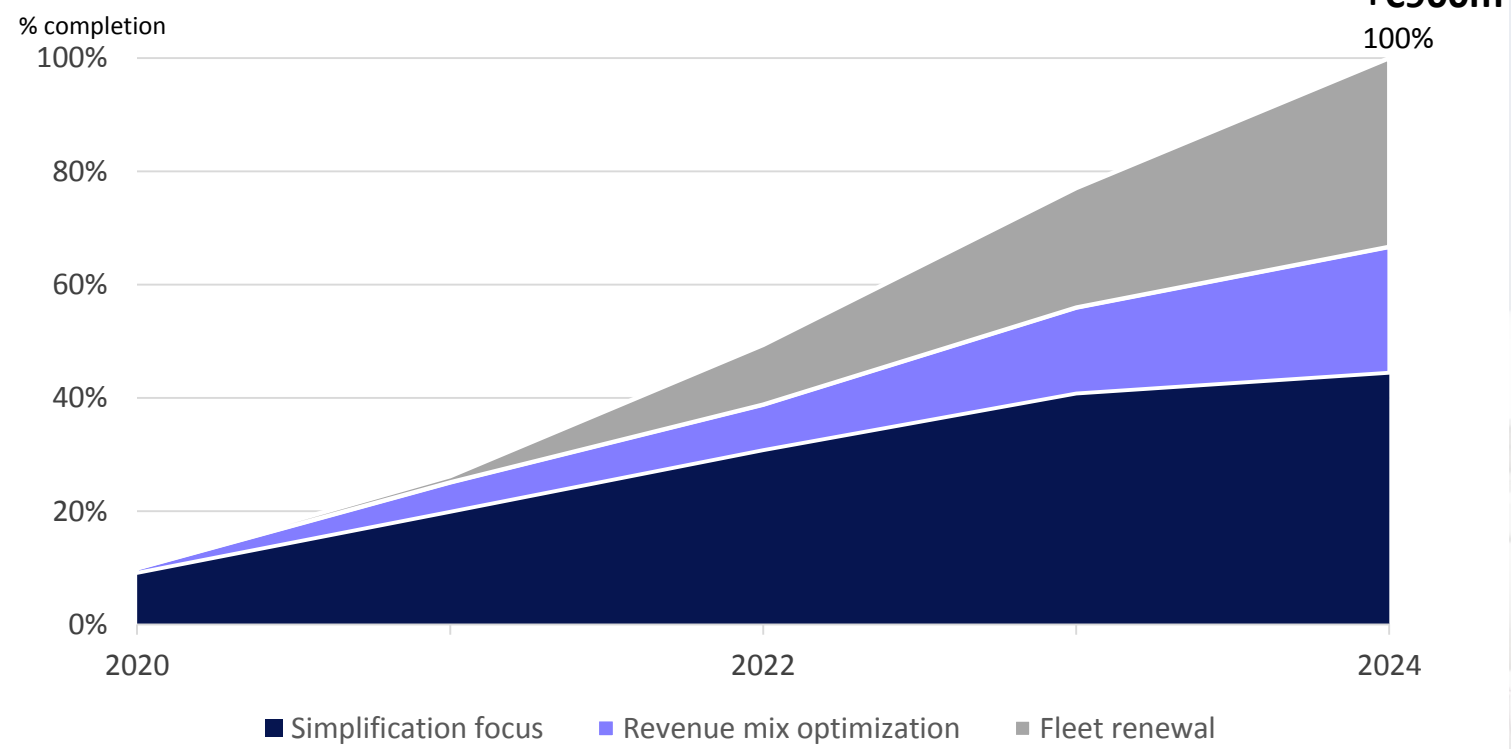
## Grow Profitable Passenger Revenue





# Air France Turn-Around —Timeline

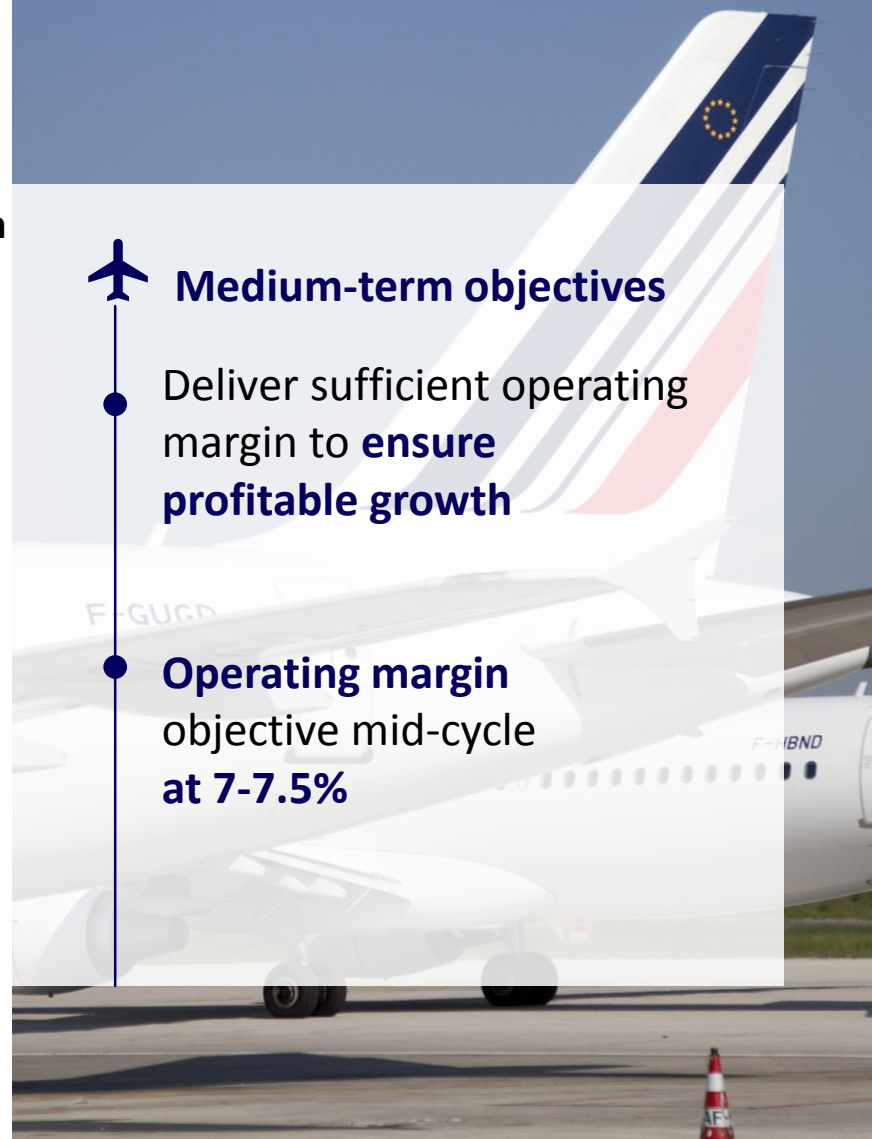
## Timeline



### Medium-term objectives

Deliver sufficient operating margin to **ensure profitable growth**

Operating margin objective mid-cycle at **7-7.5%**



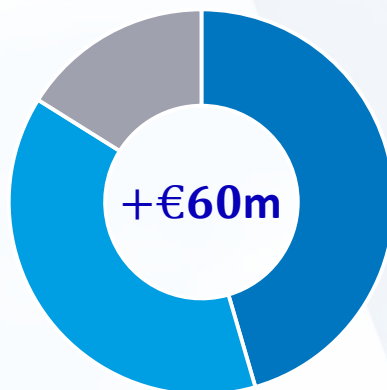
# KLM Strengthening of the Success Model – Priorities

## Optimize our Operating Model

## Grow Profitable Passenger Revenue

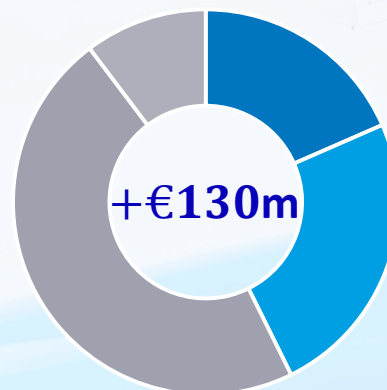
 Operating result +€250M

### Focus on cost and operational excellence



- Operational excellence
- External spend management
- Margin improvement initiatives

### Fleet renewal



- E195 phase in
- B737 replacement
- Long Haul fuel efficiency
- Long Haul optimization

### Revenue mix optimization



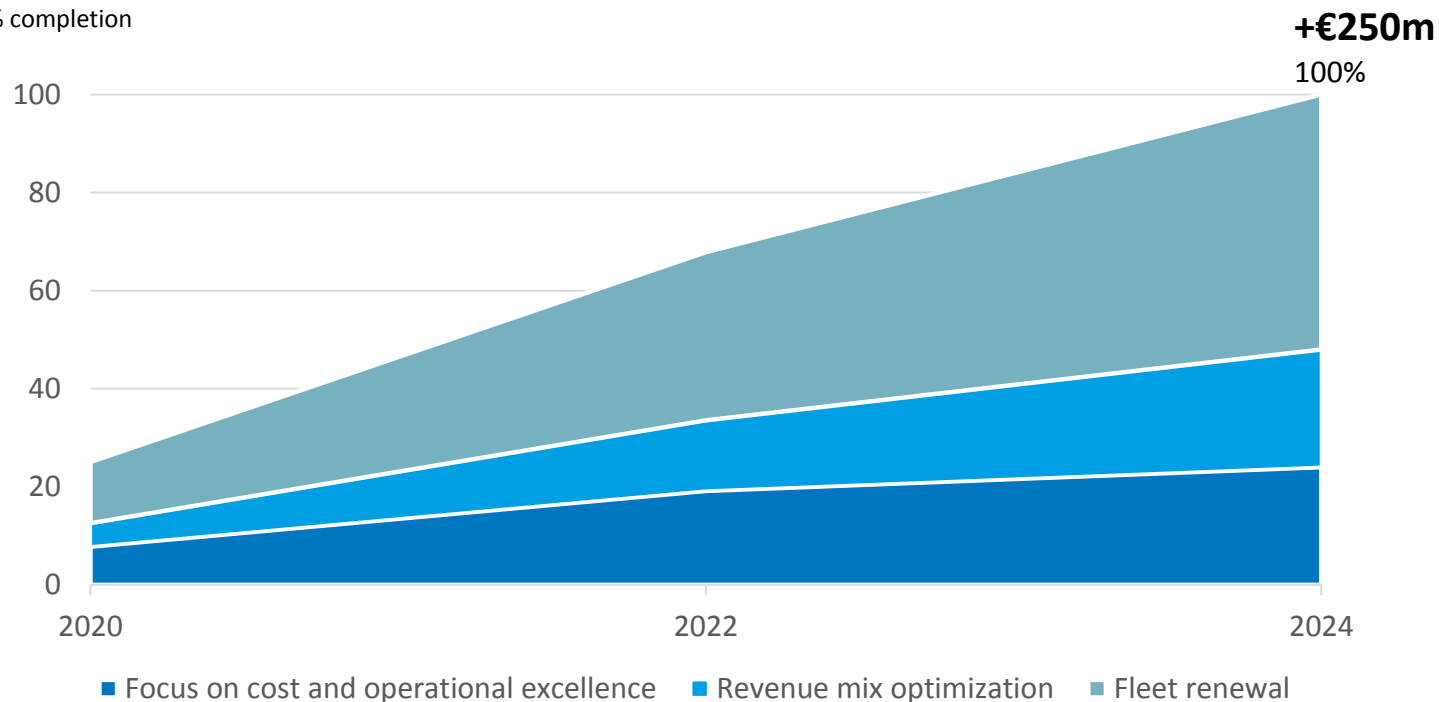
- Revenue management
- Revenue enhancement (including Customer Reach and Distribution, Ancillary)



# KLM Strengthening of the Success Model - Timeline

## Timeline

% completion



### Objective medium term

Further grow KLM's successful model, including **continuous focus on cost**

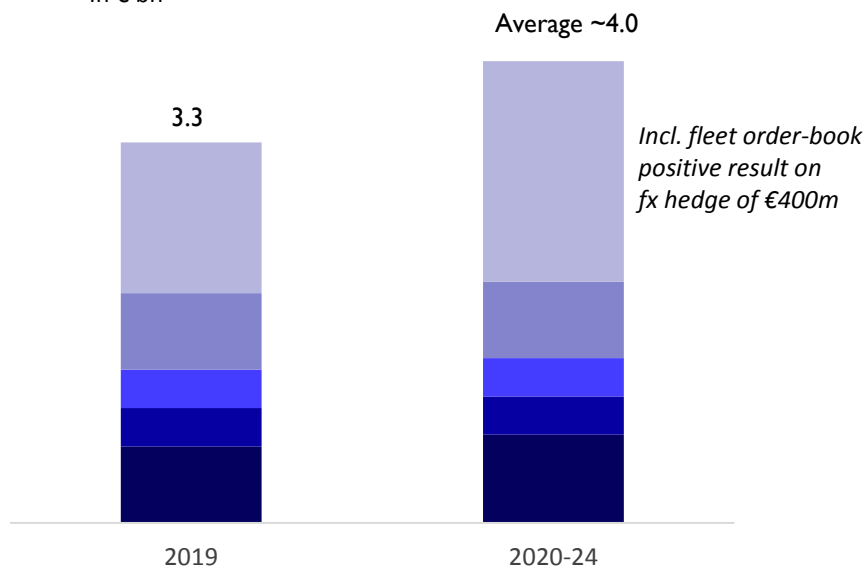
**Operating margin objective mid-cycle at 9-10%**



# CAPEX 2020-2024 Underpinning Objective to Rejuvenate Fleet & Improve Ownership Ratio

## Capex investment 2020-2024

In € bn



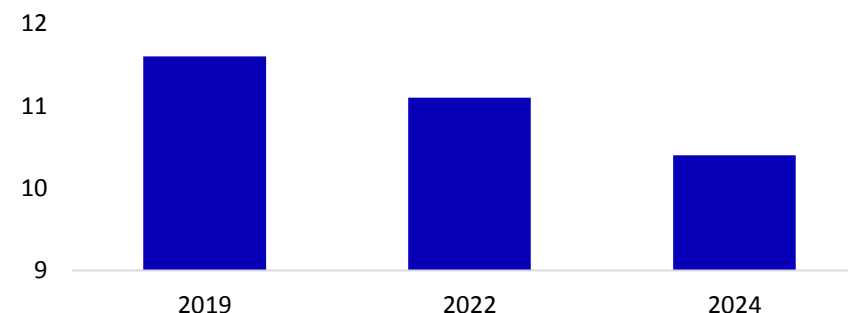
### Capex 2020-24:

- Profitability uplift
- Improved fleet age & ownership ratio

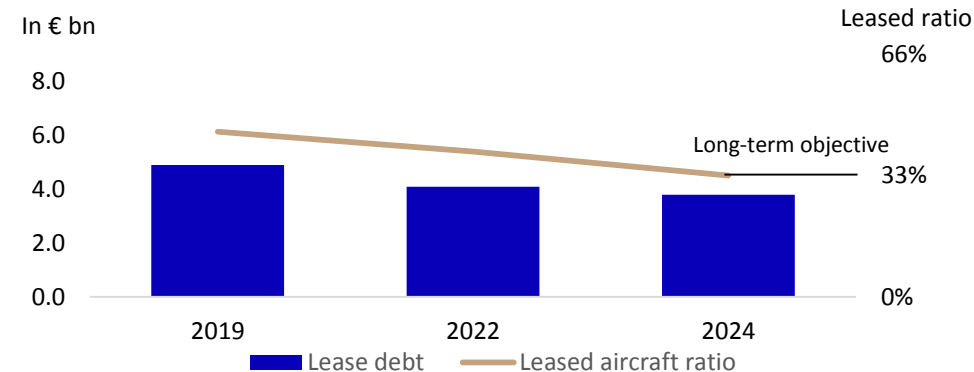
- Net Fleet
- Capitalized Maintenance
- Spare Parts incl. third-party growth
- Aircraft Modifications
- Ground & IT innovation

## Fleet rejuvenation

Air France-KLM group fleet projection of average years of age



## Improvement ownership ratio and lease debt reduction

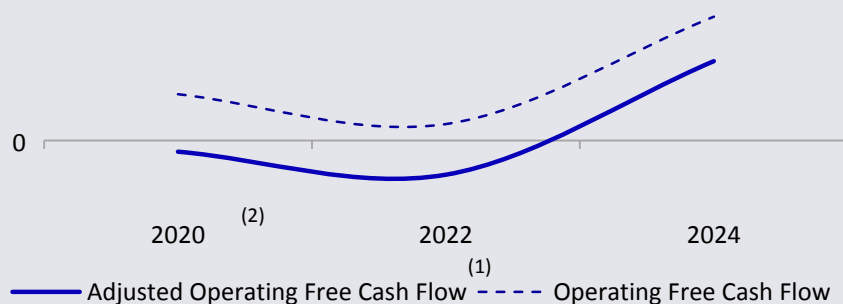


(1) Air France-KLM Group portion of fleet under operational lease versus the total fleet

# Financial structure robustness

Leverage ratio to remain ~1.5x

## Adjusted Operating Free Cash Flow positive medium-term mid-cycle



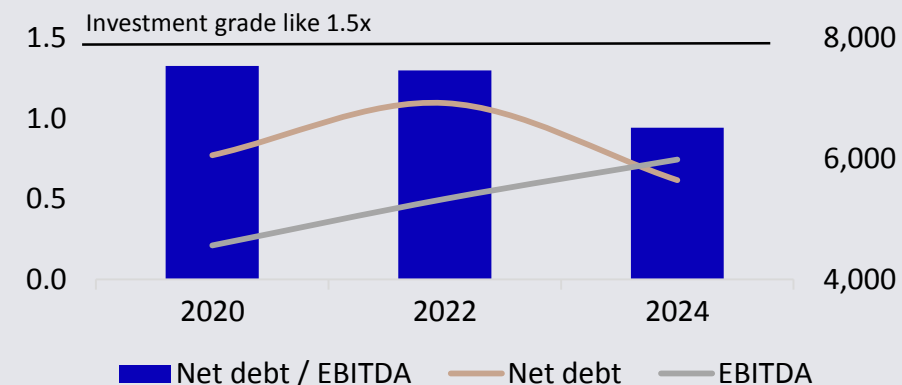
### Increasing cash generation by execution of strategic plans

- Positive Operating Free Cash Flow foreseen throughout 2020-24
- Adjusted Operating Free Cash Flow turns positive as foreseen progressive profitability uplift materializes

### CAPEX investment requirements 2020-24

- New generation fleet and phase-out A380
- Transformation plans

## Net Debt/EBITDA projection ~1.5x 2020-2024



### Net debt evolution positively impacted by reduced portion of lease debt and increased profitability

- Progressive profitability uplift by execution of strategic plans
- Lease debt repayments

### Progressive improvement foreseen in Debt to Equity ratio

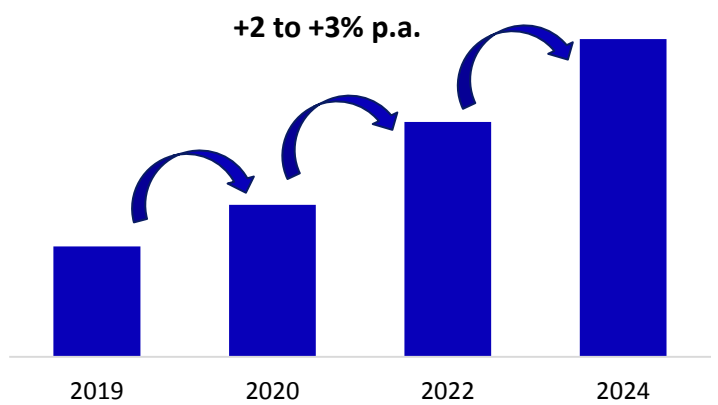
(1) Adjusted operating free cash flow = Operating free cash flow with deduction of repayment of lease debt

(2) Including foreseen near-term incidentals  
 - Cargo claim (negative) (2020)  
 - Sale of Amadeus and Servair stakes (positive) (2020)

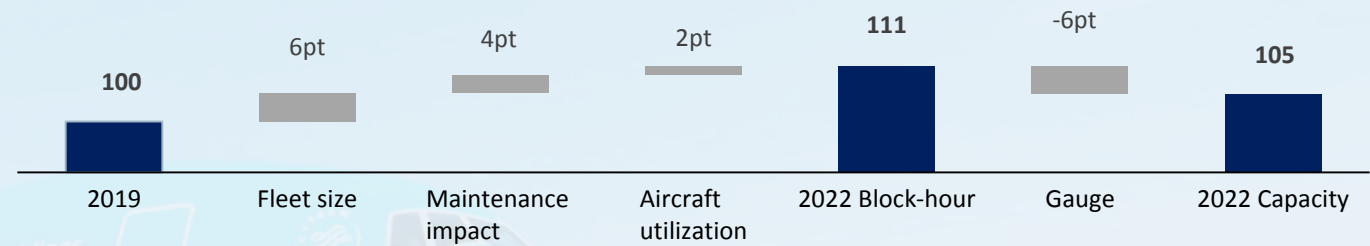
# Group Capacity Evolution



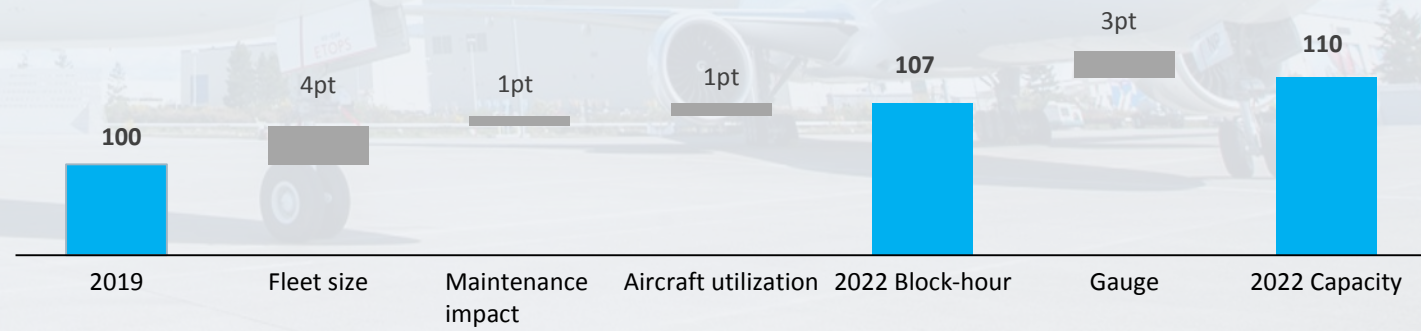
**Capacity evolution 2020-24**  
 Passenger Network & Transavia  
 In Available Seat Kilometers



## AIRFRANCE Long-haul capacity evolution 2019-2022



## Long-haul capacity evolution 2019-2022 <sup>(1)</sup>



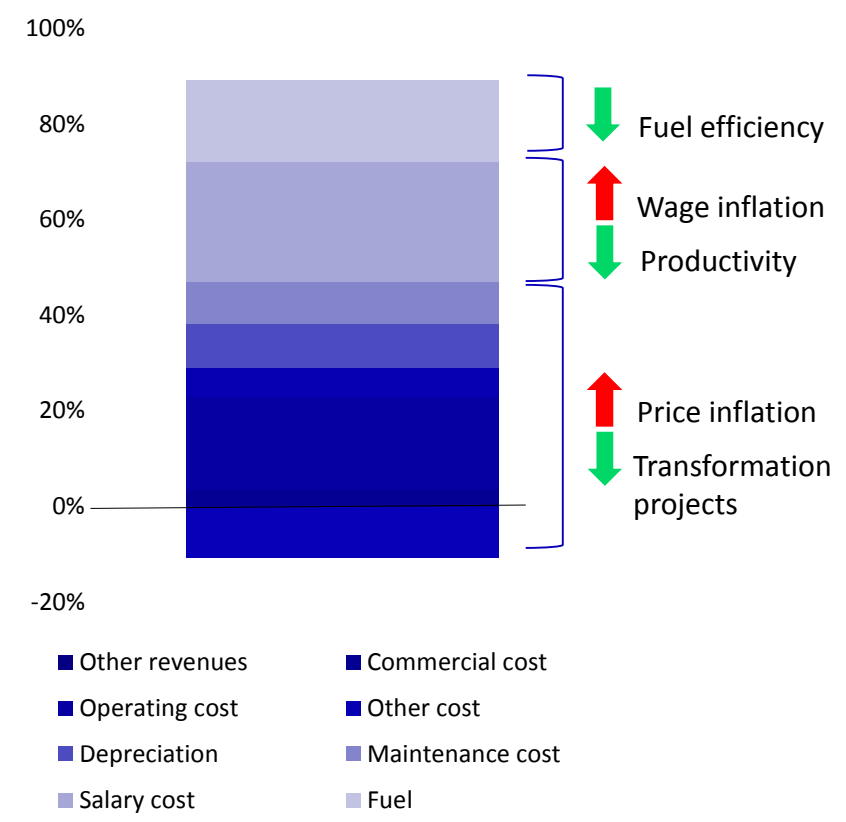
(1) KLM Actual growth will depend on slot growth opportunities in the Netherlands



# Strict Cost Control: Turn-Around Plans to Deliver Unit Cost Reduction in Average of -1% per Annum

## Net cost break-down

Net cost RTM 2019<sup>(1)</sup>

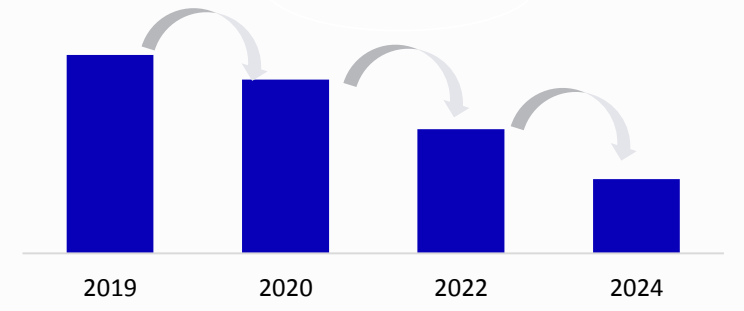


Cost control targeted to exceed inflationary pressure

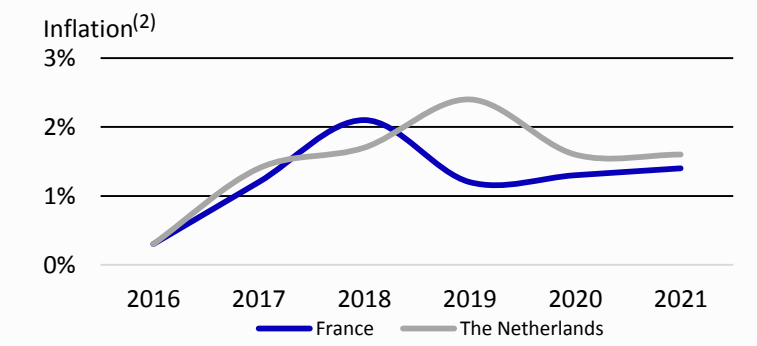
## Unit cost objective 2020-24

Unit cost at constant fuel and currency

Average -1% p.a.



## Despite an upward inflationary trend



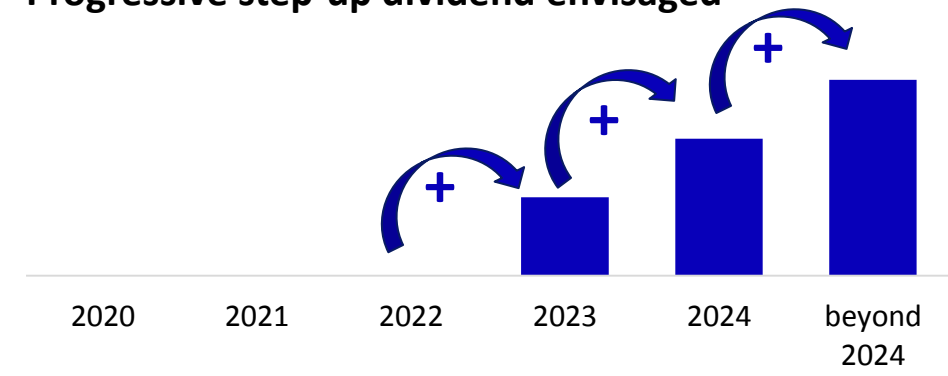
(1) Rolling Twelve Months 2019, from 1 October 2018 till 30 September 2019  
 (2) Inflation as per Eurozone Consumer price index 2020-2024. Source: Oxford Economics, updated August 2019



# Shareholders - Dividend envisaged as turn around plan materializes



## Progressive step-up dividend envisaged



## Ordinary dividend payout policy:

- Minimum of 25% underlying after-tax profit

Trigger, as soon as:

- Operating result > € 1.9 bn

# Financial Strategic Framework

## Building a Value-Focused Model

### Financial roadmap

### Execution strategic plans 2020-2024

- Air France
- KLM
- Transavia
- Develop other businesses

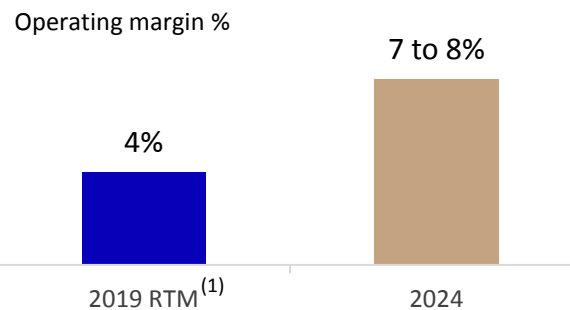
### Capex investment 2020-2024

- New generation fleet and phase-out A380
- Transformation plans

## Reach top Financial Performance

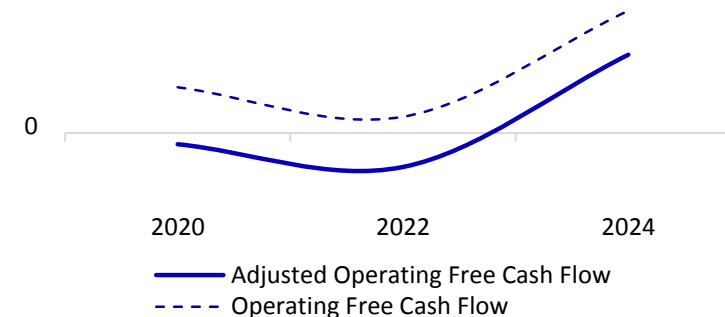
### Profitability

**Operating margin at 7 to 8%**  
medium-term mid-cycle



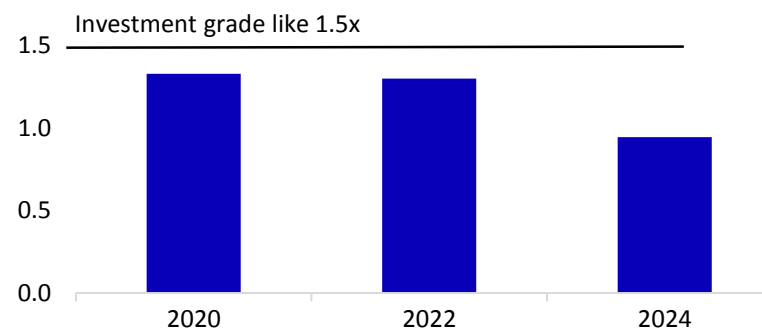
### Cash generation

**Adjusted Operating Free Cash Flow**  
positive medium-term mid-cycle



### Net Debt/EBITDA projection ~1.5x

#### 2020-2024



(1) Rolling Twelve Months 2019, from 1 October 2018 till 30 September 2019



**Thank You**







# Q&A

## Air France-KLM Investor Day



# Appendix





# Air France-KLM Group Objectives and Guidance

## Objectives medium-term (2024)



Operating margin mid-cycle at 7-8%  
Adjusted Operating Free Cash Flow positive



Operating margin mid-cycle at 7-7.5%



Operating margin mid-cycle at 9-10%

## Guidance elements (period 2020 till 2024)



Capacity growth +2 to +3% p.a.  
Unit cost average -1% p.a.  
Capex average ~€4.0bn p.a.  
Net debt/EBITDA ~1.5x

