










# Full Year 2013 Results

20 February 2014

## Key data: underlying improvement at every level

	FY 13		FY 12 <sup>(1)</sup>	Change
Revenue (€bn)	<b>25.52</b>		25.42	Reported: +0.4% Ex-currency: +2.3%
EBITDA <sup>(2)</sup> (€m)	<b>1,855</b>		1,394	+461m
Operating result (€m)	<b>130</b>		-336	+466m
Net result, group share (€m)	<b>-1,827</b>		-1,225	-602m
Adjusted net result <sup>(2)</sup> (€m)	<b>-349</b>		-696	+347m
Operating free cash flow <sup>(2)</sup> (€m)	<b>538</b>		-47	+585m
Net debt <sup>(2)</sup> (€bn)	<b>5.35</b>		5.97	-618m

(1) Restated for IAS 19 revised, CityJet reclassified as discontinued operation

(2) See definition in press release

# Highlights of 2013

## Financial

- + Return to positive operating result in a challenging context
- + Further reduction in unit cost
- + Robust free cash flow generation
- + Significant reduction in net debt

## Efficiency

- + Restructuring measures ongoing in all areas, and reinforced where necessary
- + Successful implementation of new working conditions with all categories of staff
- + Streamlining the portfolio of activities and improving asset utilization

## Customer

- + Initiation of major product upgrade throughout the group
- + Launch of HOP! and expansion of Transavia
- + Strengthening of international long-haul network

# Activity and Results



 Pierre François Riolacci

## Full Year and Q4 2013 results summary

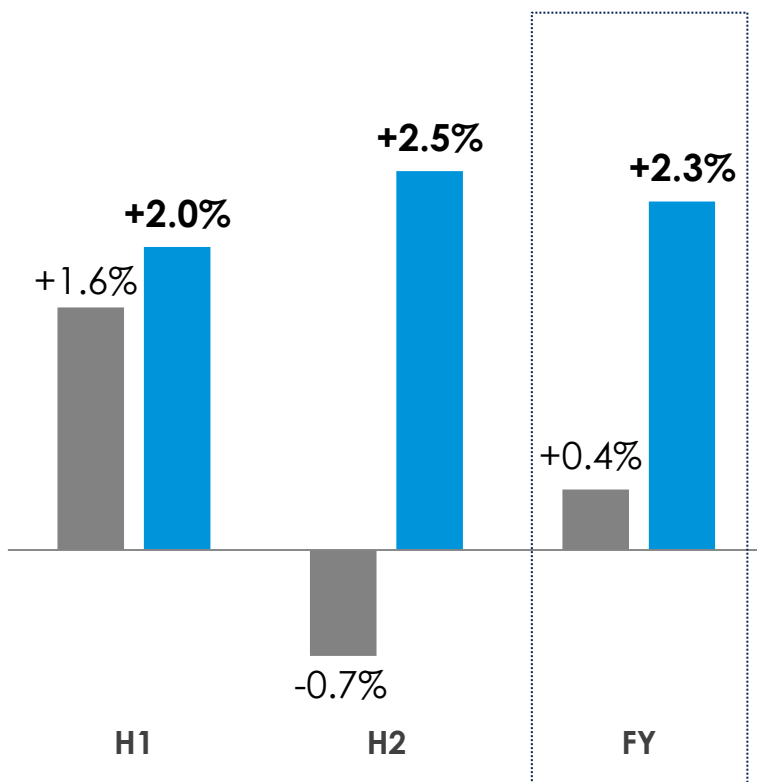
In € millions	Q4-13	Q4-12 <sup>(1)</sup>	Change	FY-13	FY-12 <sup>(1)</sup>	Change
Revenues	<b>6,123</b>	6,258	-2.2%	<b>25,520</b>	25,423	+0.4%
Change ex-currency			+0.7%			+2.3%
EBITDA <sup>(2)</sup>	<b>381</b>	281	+100	<b>1,855</b>	1,394	+461
EBITDA margin	<b>+6.2%</b>	+4.5%	+1.7 pts	<b>+7.3%</b>	+5.5%	+1.8 pts
Operating result	<b>-65</b>	-152	+87	<b>130</b>	-336	+466
Operating margin	<b>-1.1%</b>	-2.4%	+1.3 pts	<b>0.5%</b>	-1.3%	+1.8 pts
Net result, group share	<b>-1,177</b>	-244	-933	<b>-1,827</b>	-1,225	-602
Adjusted net result, group share <sup>(2)</sup>	<b>-112</b>	-126	+14	<b>-349</b>	-696	+347
Operating free cash flow <sup>(2)</sup>				<b>538</b>	-47	+585
Net debt at end of period <sup>(2)</sup>				<b>5,348</b>	5,966	-618

(1) Restated for IAS 19 revised, Cityjet reclassified as discontinued operation

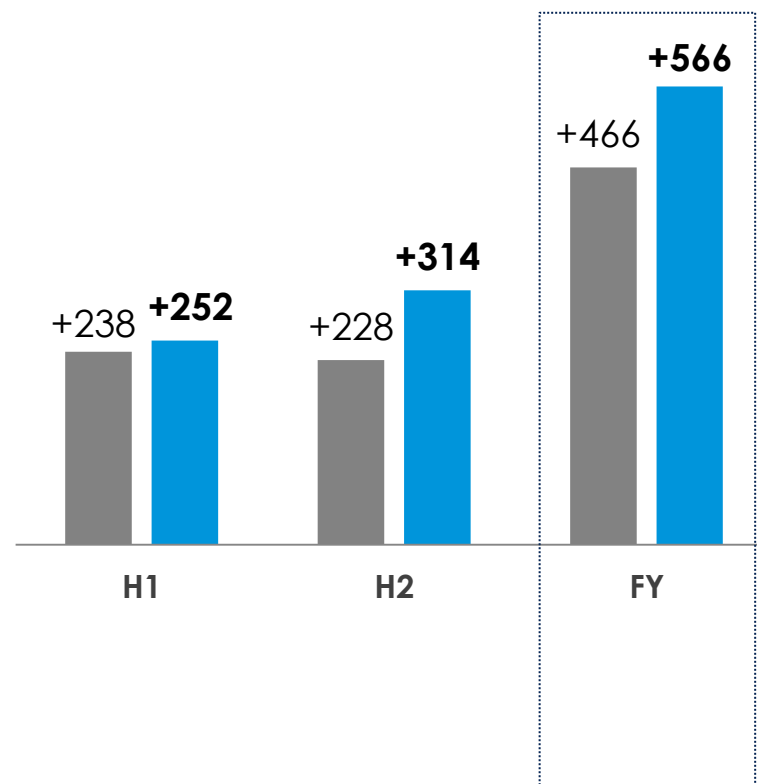
(2) See definition in press release

# Negative currency impact in H2

**Revenues**  
(% change)



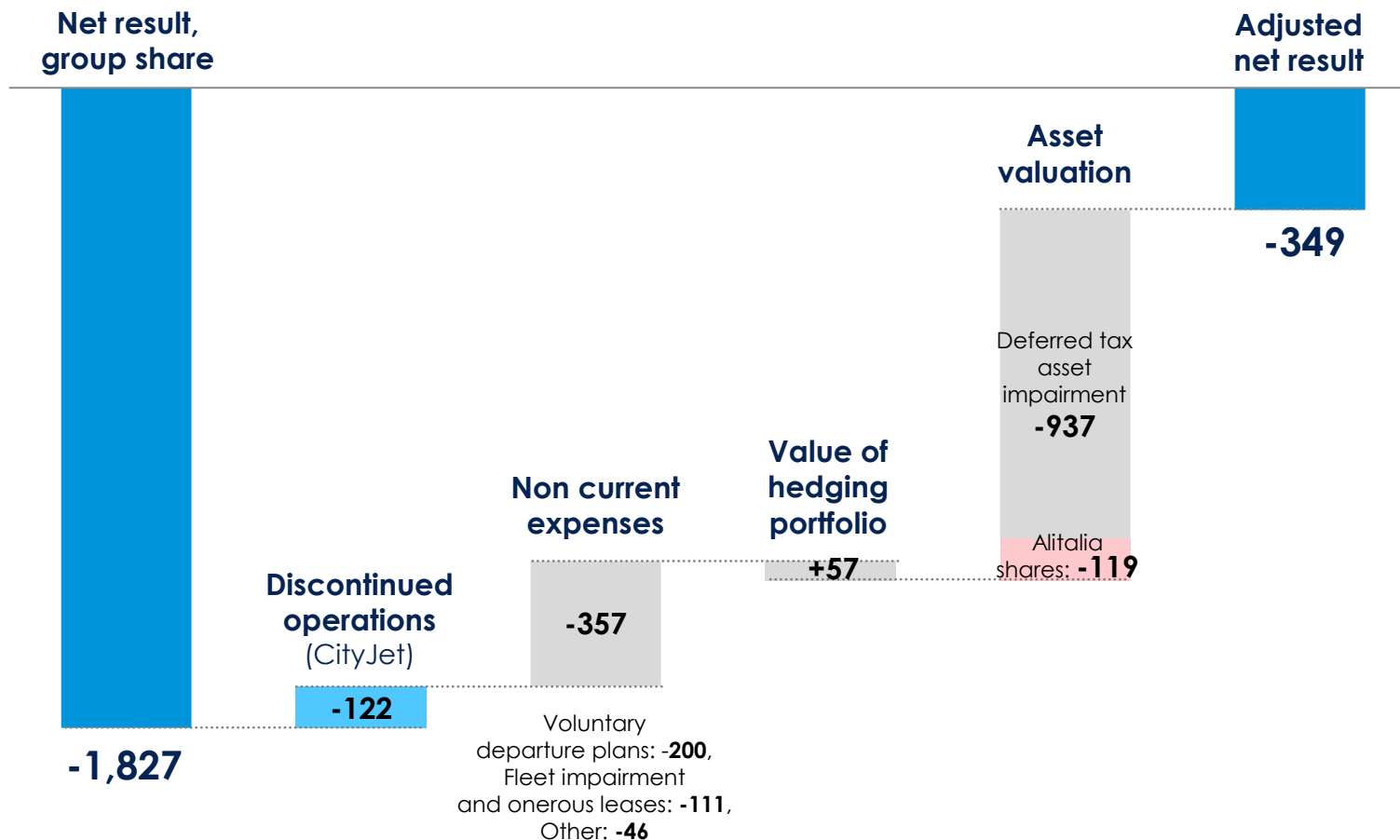
**Operating result**  
(€m improvement)




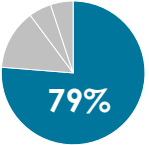

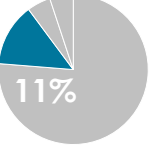

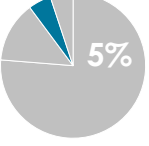

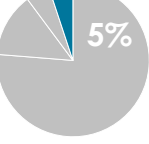
■ Reported evolution   ■ Evolution excluding currency

# Net result impacted by restructuring and impairment expenses

FY 2013  
In € millions



# Contribution by business to Full Year results

		Revenue (€ bn)	Change (%)	Change ex-currency (%)		Op. result (€m)	Change (€m)	Change ex-currency (€m)	
 <b>Passenger</b>		<b>20.11</b>	+0.7%	+2.6%	➔	<b>174</b>	+434	+499	➔
 <b>Cargo</b>		<b>2.82</b>	-7.9%	-5.7%	➔	<b>-202</b>	+28	+37	➔
 <b>Maintenance</b>		<b>1.22</b>	+11.8%	+15.1%	➔	<b>159</b>	+19	+29	➔
 <b>Other</b>		<b>1.37</b>	+5.6%	+5.3%	➔	<b>-1</b>	-15	+0	➔
<b>Total</b>		<b>25.52</b>	<b>+0.4%</b>	<b>+2.3%</b>	➔	<b>130</b>	<b>+466</b>	<b>+566</b>	➔



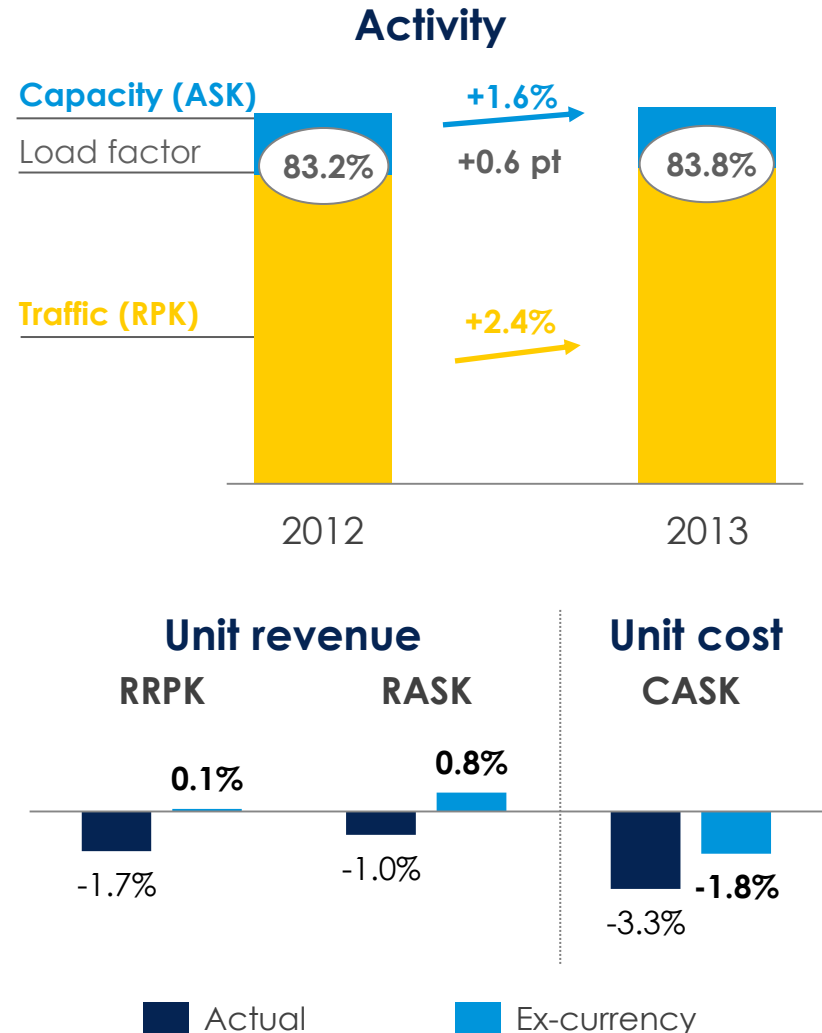
# Passenger activity



- + Disciplined capacity growth
- + Load factor up 0.6 pts
- + Unit revenue: up +0.8%\*
  - ▶ Long-haul up +0.6%\*
    - Premium: -0.6%\*
    - Economy: +1.2%\*
  - ▶ Medium-haul up +2.4%\*
    - Positive effect of capacity reduction on medium-haul point-to-point
    - RASK up 3.2%\* in hubs
- + CASK reduced by 1.8%\*

  
**Operating result improved by €434m**

\* Ex-currency

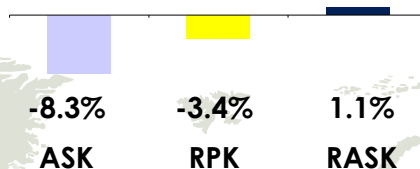


# Unit revenue by network

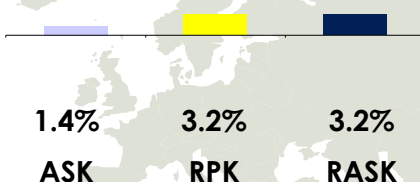


Full Year 2013  
RASK ex-currency

## Medium-haul point-to-point



## Medium-haul hubs



## Total medium-haul



## North America



## Latin America



## Africa and Middle East



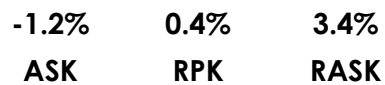
## Asia



## Total long-haul



## Caribbean & Indian Ocean



## Total



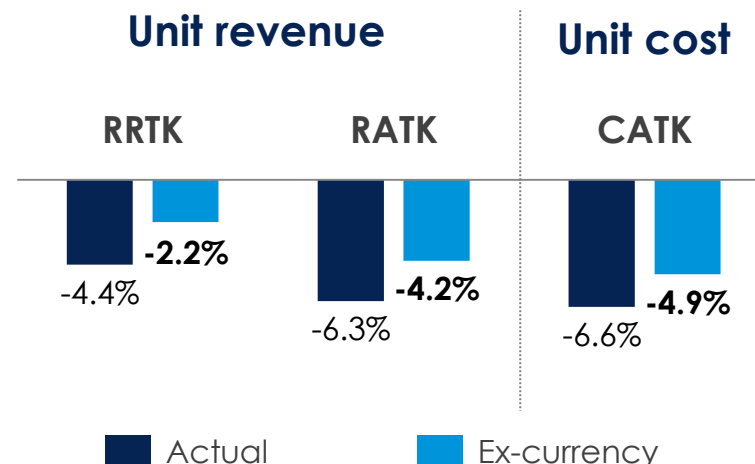
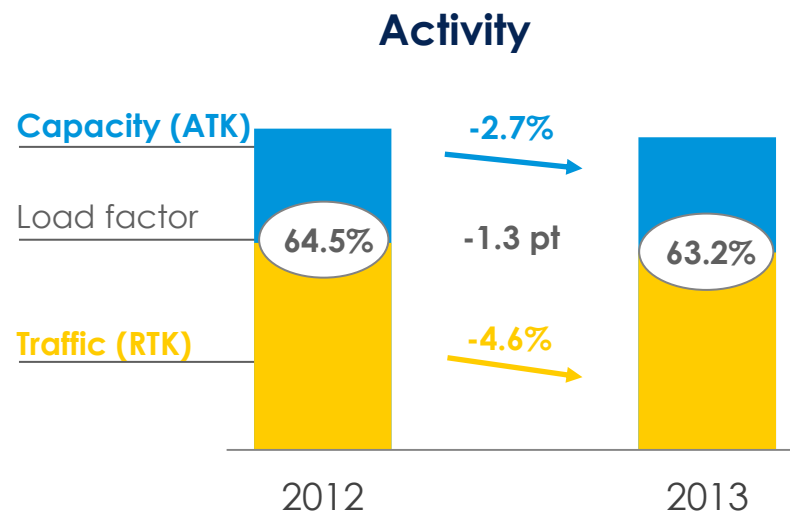
# Cargo activity



- + Weak global trade and industry overcapacity
- + Full freighter capacity reduced by 11%, above initial plan
- + RATK down by 4.2%\*
- + CATK reduced by 4.9%\*
- + But insufficient improvement in operating result

**Additional measures announced in October 2013**

\* Ex-currency

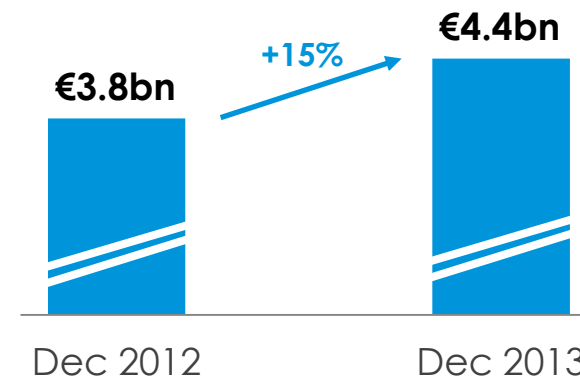


# Strong performance of maintenance activity



- + Third party revenue up 17.6% like-for-like<sup>(2)</sup>
  - ▶ Order book up €600m thanks to new contracts
  - ▶ Quarter to quarter volatility of revenues due to one-offs
  
- + Targeted investments to reinforce positions
  - ▶ US-based engine tear-down joint venture (April 2013)
  - ▶ Component shop in Shanghai (December 2013)
  
- + Operating result up
  - ▶ Development of higher margin activities
  - ▶ Transform 2015 efficiency gains

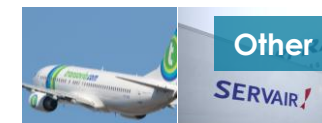
## Order book



In € millions	FY-13	FY-12 <sup>(1)</sup>	Change
Total revenue	<b>3,280</b>	3,134	+4.7%
Third party revenue	<b>1,225</b>	1,096	+11.8%
<i>Like-for-like<sup>(2)</sup></i>			+17.6%
Operating result	<b>159</b>	140	+19
<i>Operating margin</i>	<b>4.8%</b>	4.5%	+0.3 pt

(1) Restated IAS19R

(2) Excluding currency impact and one-offs



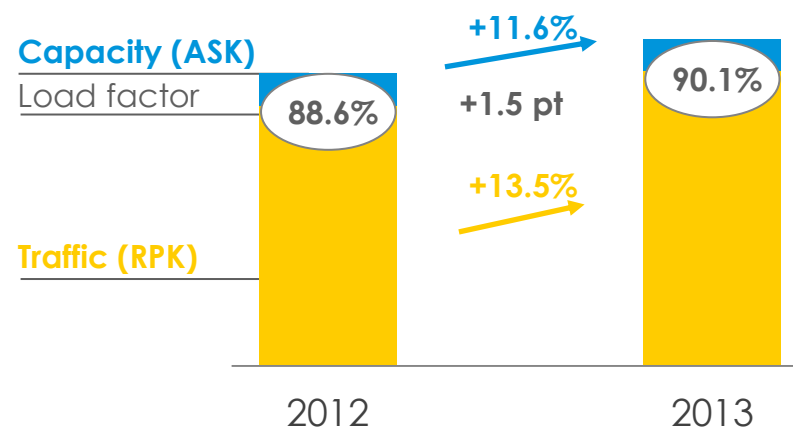
## + Transavia

- ▶ Capacity growth: +11.6%
  - Netherlands: +7.6%
  - France: +25.5%
- ▶ Unit revenue: -0.2%
  - Stable in spite of high growth
- ▶ Operating result down
  - Political unrest in some Mediterranean destinations
  - Launch costs of certain routes

## + Catering

- ▶ Third party revenue up 6.9% at constant scope
- ▶ Positive impact of Transform 2015 on operating result






## Transavia activity



Transavia	FY-13	FY-12*	Change
Transport revenue	948	851	+11.4%
Operating result	-23	0	-23
RASK (€ cts per ASK)	4.82	4.83	-0.2%
<b>Catering (Servair)</b>			
Third party revenue	341	355	-3.9%
At constant scope			+6.9%
Operating result	24	7	+17

\* Restated IAS19R

## Full Year: change in operating costs

	€m	Actual change	Ex-currency change
 <b>Employee costs</b>	7,482	-2.3%	-2.1%
 <b>Supplier costs<sup>(1)</sup></b> <i>excluding purchasing of maintenance services and parts</i>	6,429	+1.0%	+2.4%
 <b>Aircraft costs<sup>(2)</sup></b>	3,093	-4.2%	-2.4%
 <b>Purchasing of maintenance services and parts</b>	1,303	+15.2%	+18.4%
<b>Operating costs ex-fuel<sup>(3)</sup></b>	<b>18,493</b>	<b>+0.1%</b>	<b>+0.8%</b>
 <b>Fuel</b>	6,897	-5.2%	-2.2%
<b>Grand total of operating costs</b>	<b>25,390</b>	<b>-1.4%</b>	<b>-0.0%</b>
<i>Capacity (EASK)</i>			+1.6%

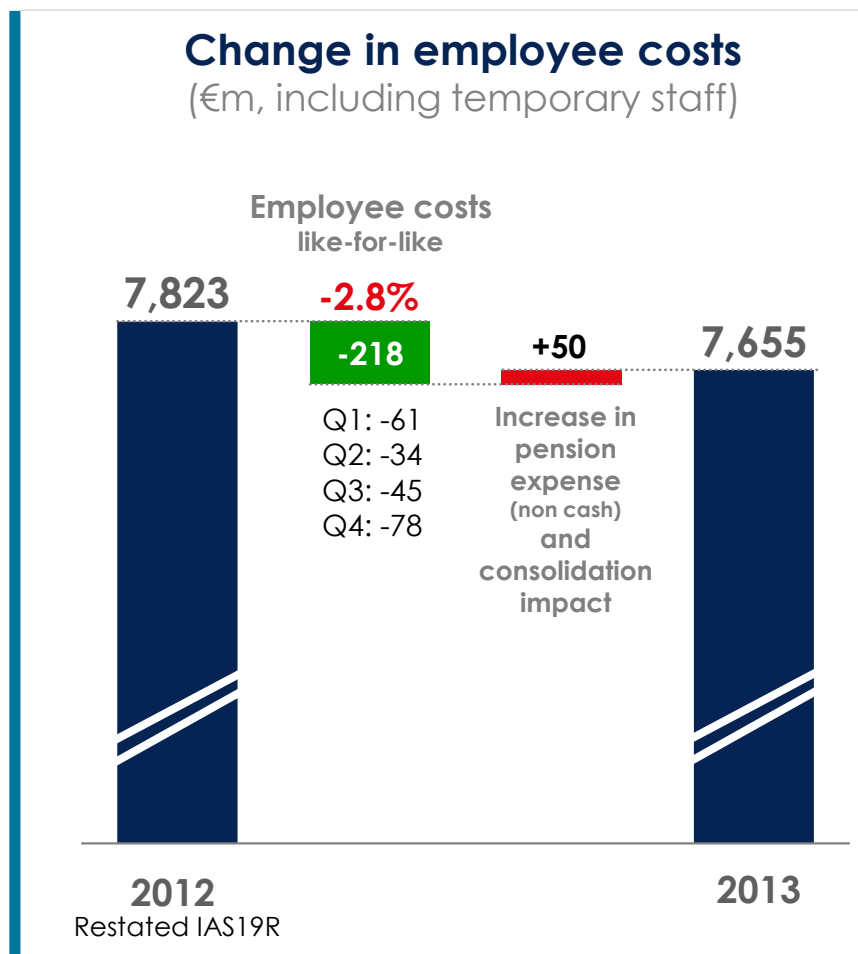
(1) Catering, handling charges, commercial and distribution, landing fees and air-route charges, other external expenses

(2) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions

(3) Including other taxes, other revenues, other income and expenses

## Significant decline in employee costs

- + Headcount reduction
  - ▶ -3,700 FTEs<sup>(1)</sup>
- + General pay freeze at both Air France and KLM
- + On track to achieve further reduction<sup>(2)</sup> in 2014



(1) December 2013, at constant scope

(2) Like-for-like: excluding increase in pension expense

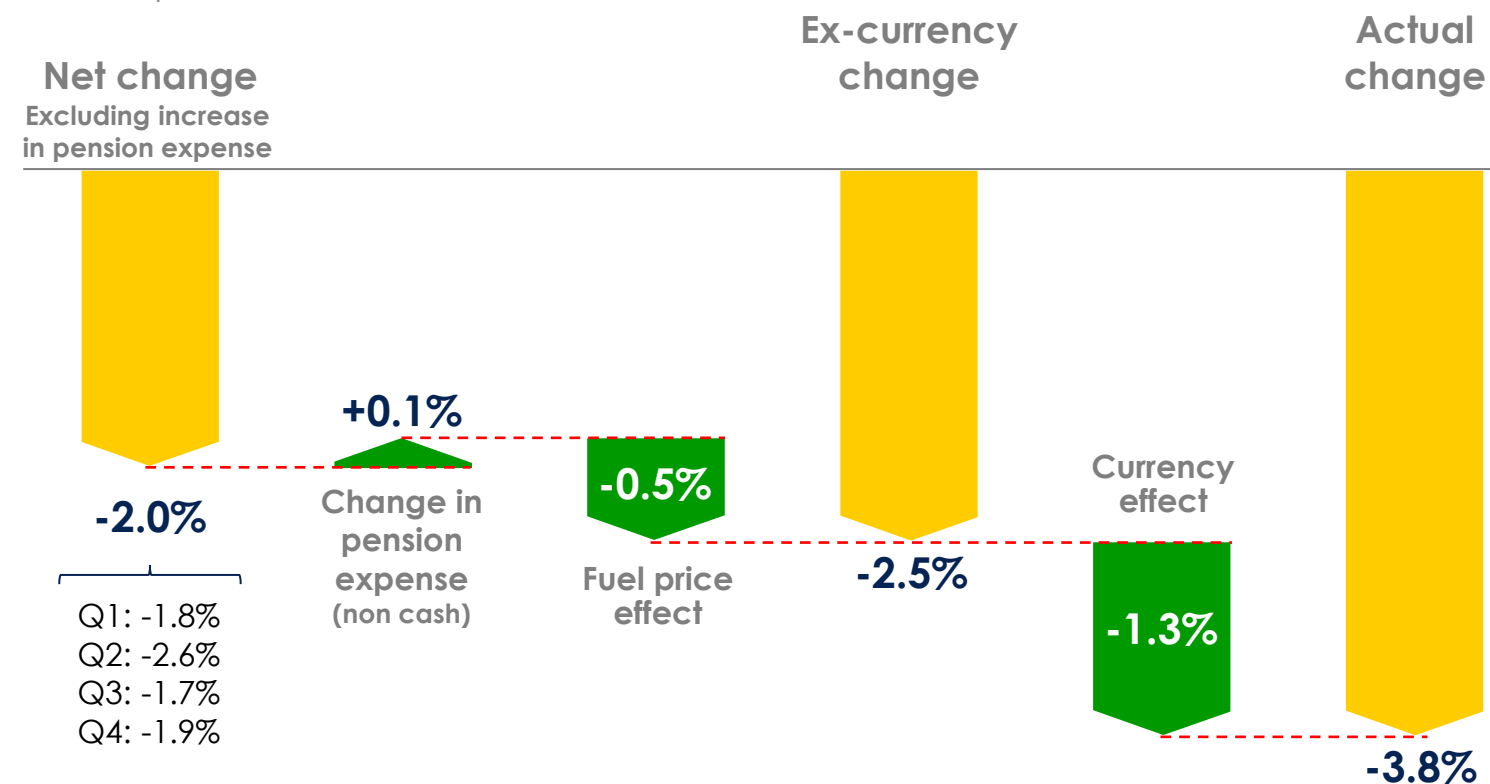
# Further reduction in unit costs

## FY 2013

Net cost: €22,613m (-2.2%)

Capacity in EASK: 333,480m (+1.6%)

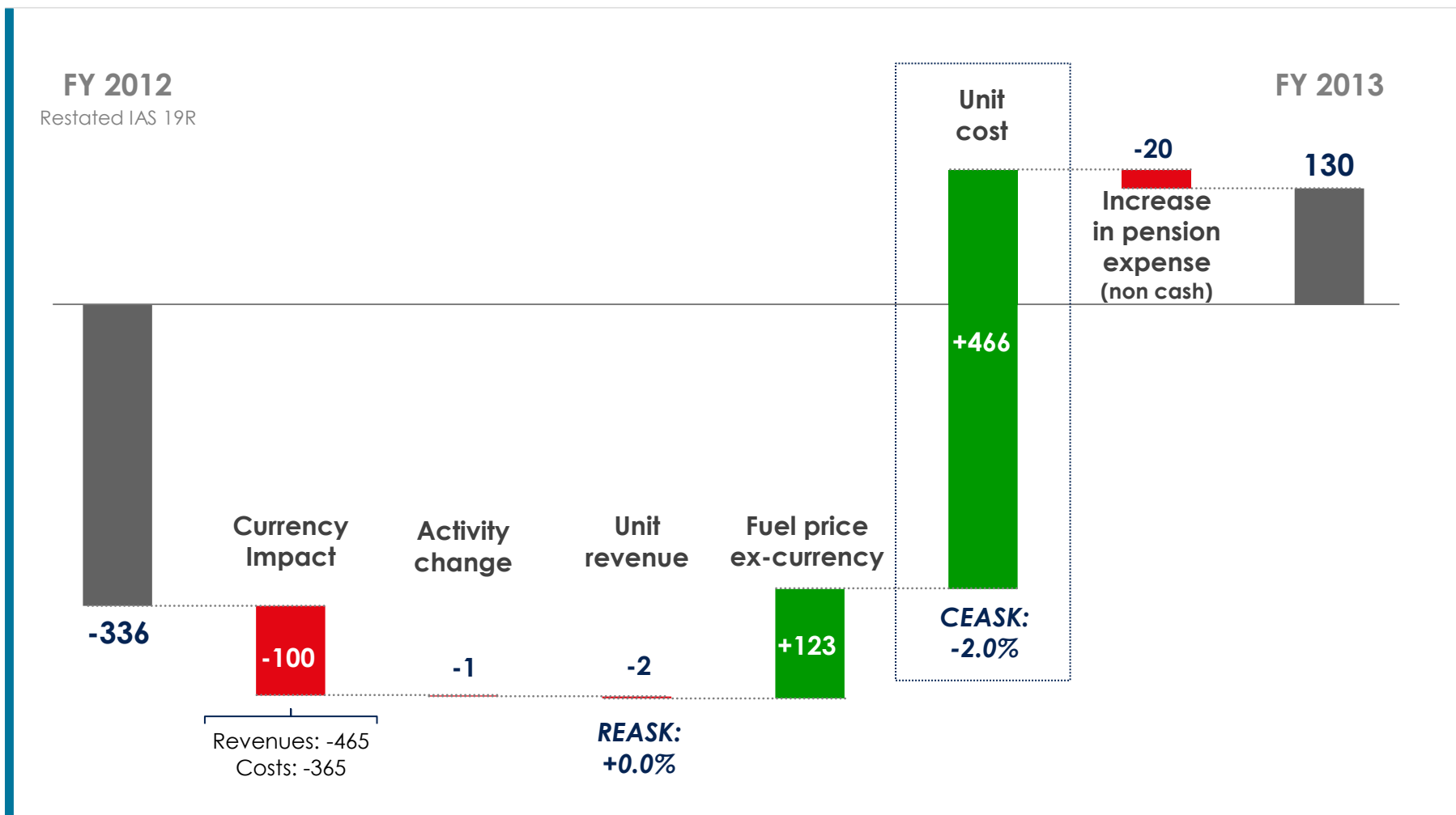
Unit cost per EASK: €6.78 cents





# Cost reduction drives improvement in operating result...

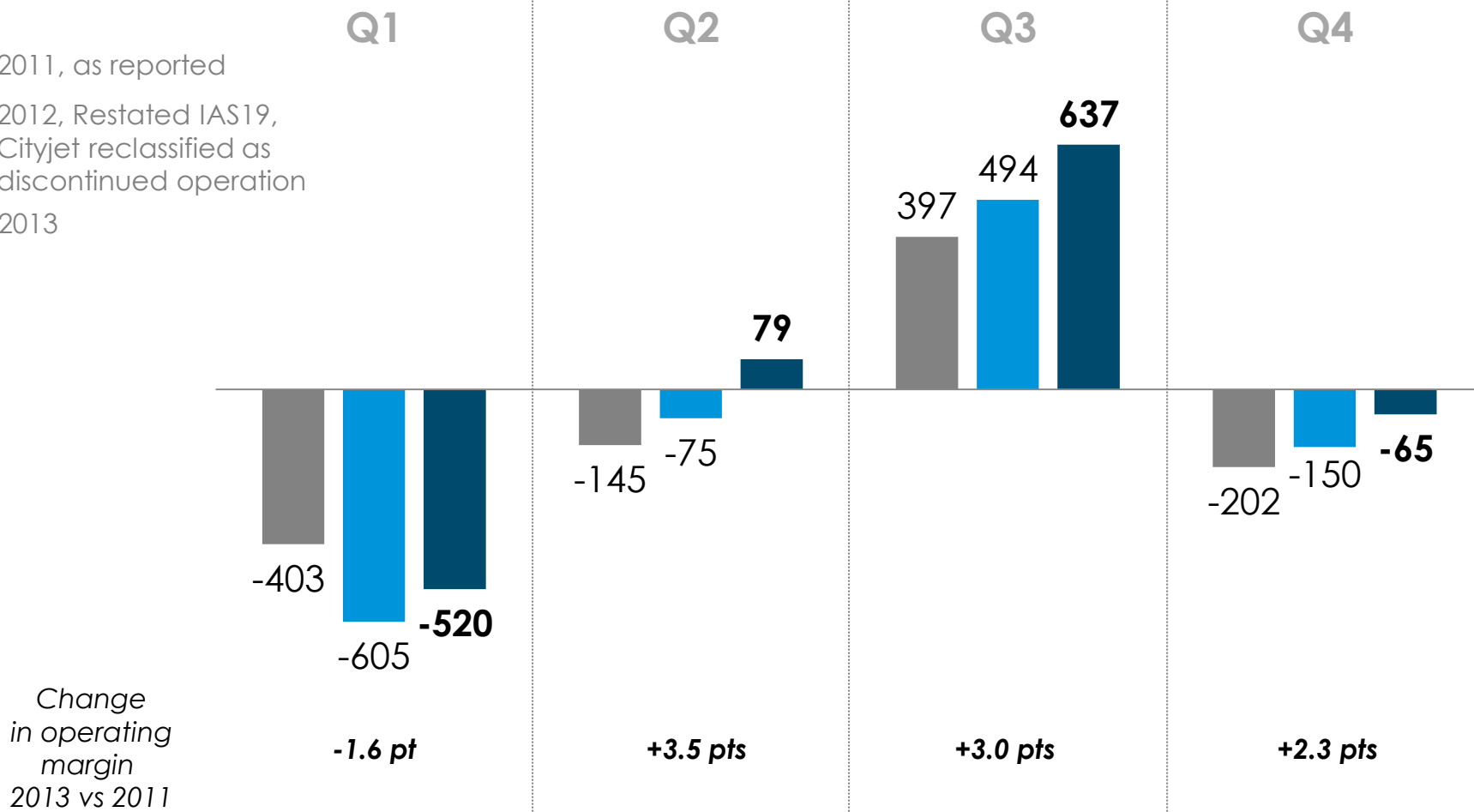
In € billions



# ...with a positive momentum since Transform 2015 launch

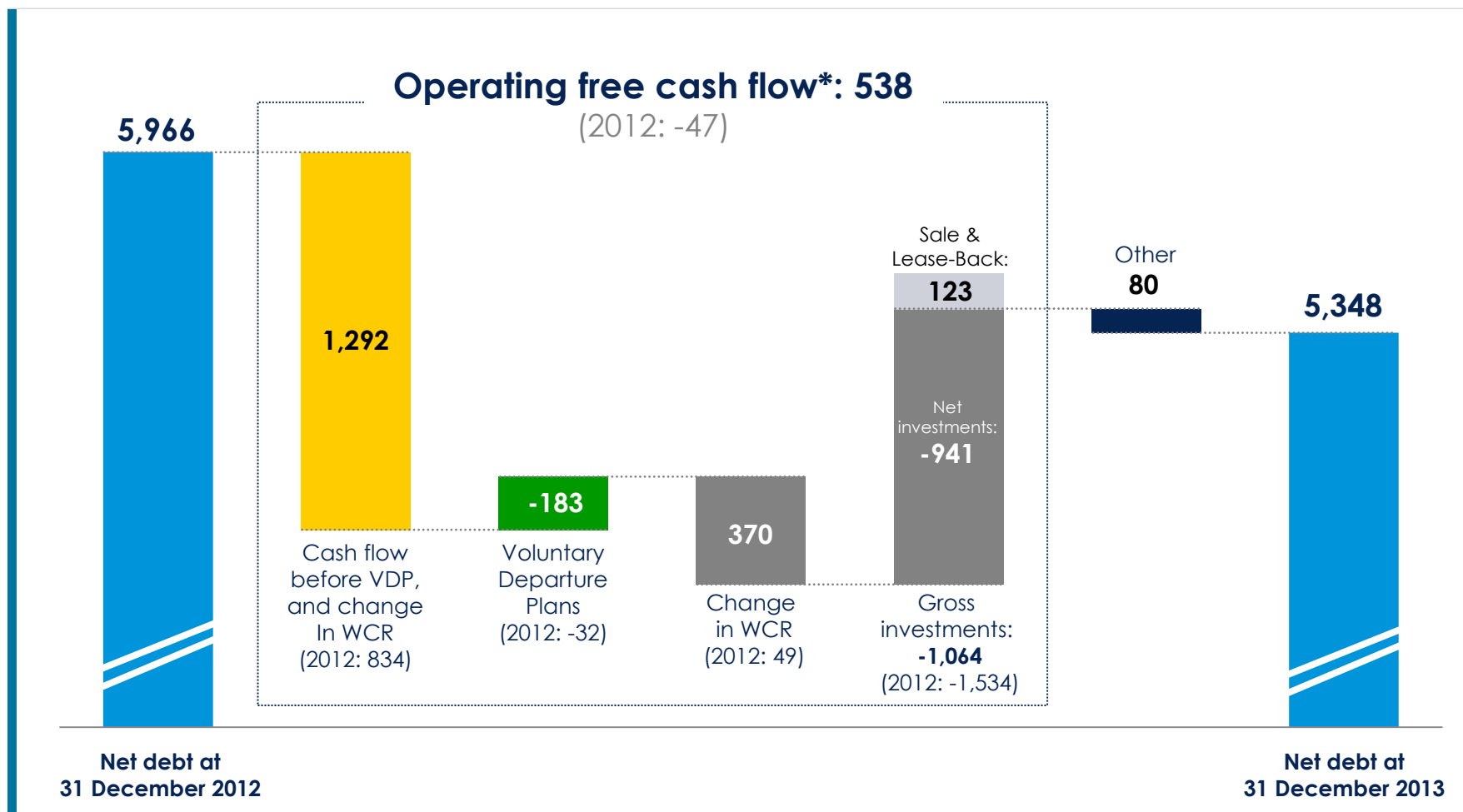
In € billions

- 2011, as reported
- 2012, Restated IAS19, Cityjet reclassified as discontinued operation
- 2013



# Strong free cash flow generation

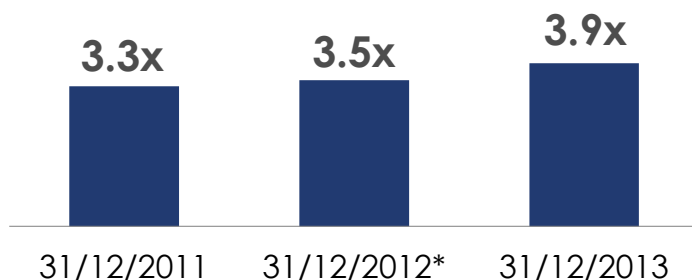
In € billions



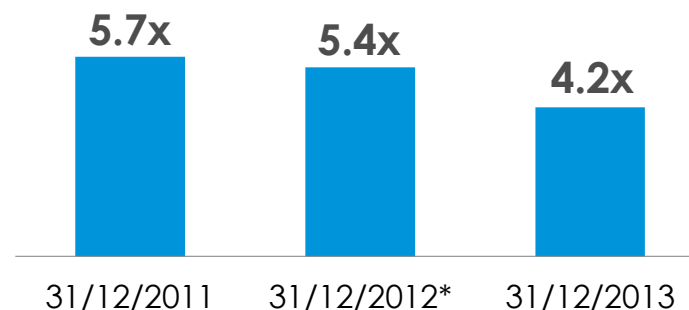
\* Net cash flow from operating activities less net capex on tangibles and intangibles. See definition in press release

# Improved financial ratios at 31 December 2013

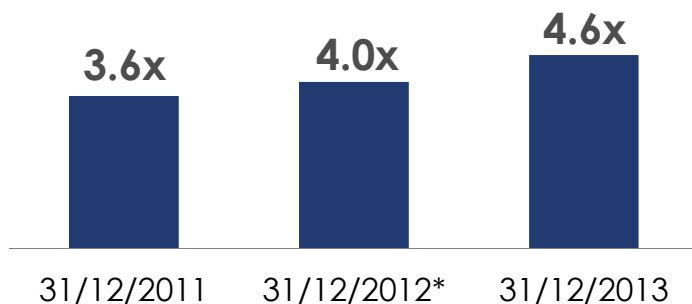
## EBITDAR / adjusted net interest costs<sup>(1)</sup>



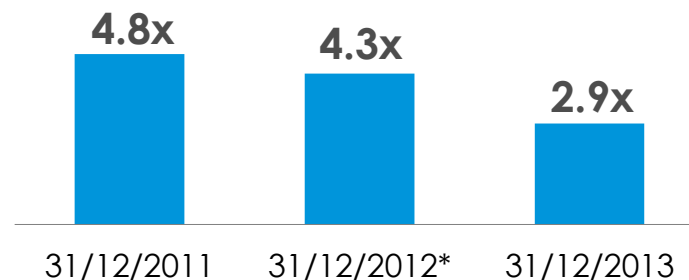
## Adjusted net debt<sup>(2)</sup> / EBITDAR



## EBITDA / net interest costs



## Net debt / EBITDA



\* Restated for IAS 19 revised, CityJet reclassified as discontinued operation

(1) Adjusted by the portion of financial costs within operating leases (34%)

(2) Adjusted for the capitalization of operating leases (7x yearly charge)

## Good level of liquidity

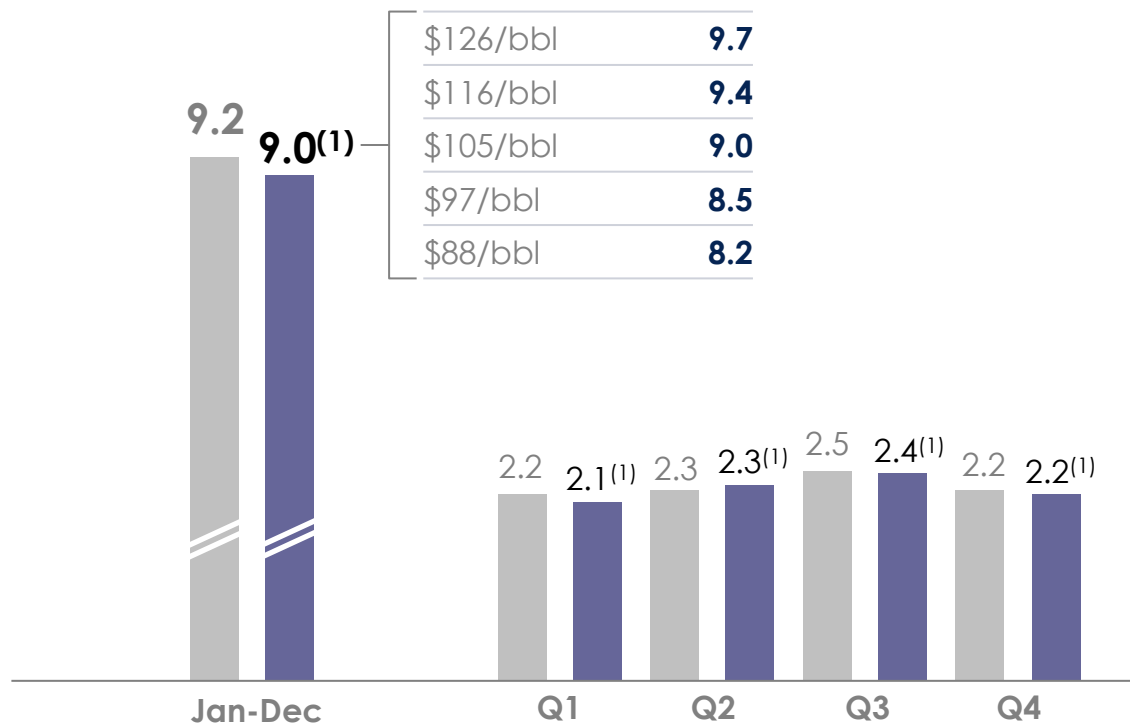
- + Cash of €4.2 billion at 31 December 2013
- + Undrawn credit lines of €1.8bn
  - ▶ Air France: €1.06bn until 2016
  - ▶ KLM: €540m until 2016
  - ▶ Air France-KLM: €200m until 2017
- + Amadeus shares: more than €900m
- + Short term debt: €1.9bn

# Update on fuel bill

In \$ billions

## Fuel bill after hedging

- 2013
- 2014

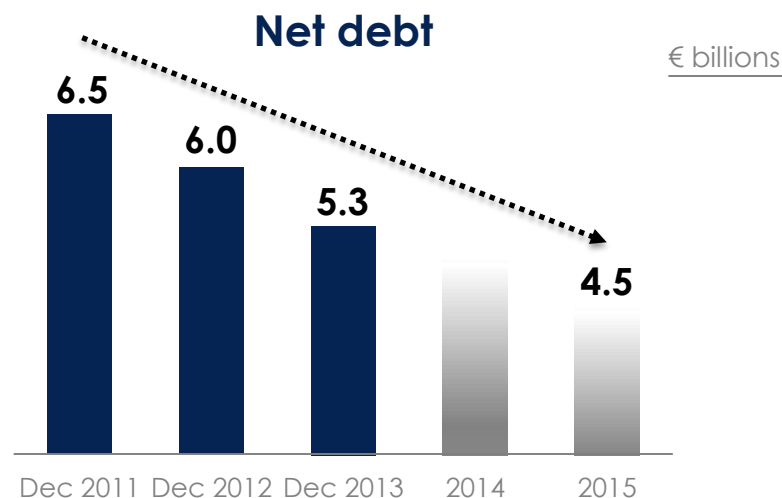
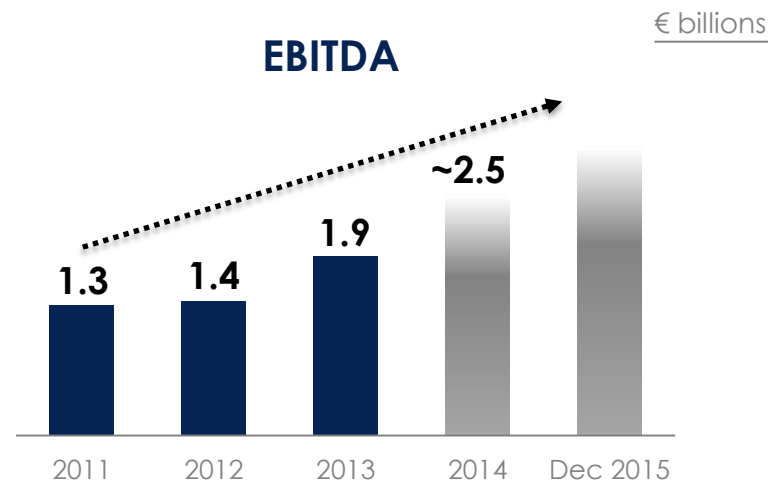


<b>Market price</b>	<b>Brent (\$ per bbl)<sup>(1)</sup></b>	105	107	106	104	103
	<b>Jet fuel (\$ per metric ton)<sup>(1)</sup></b>	970	980	970	965	960
<b>% of consumption already hedged</b>		63%	66%	67%	64%	54%

(1) Average of forward curves of past 5 weeks (10 January to 7 February 2014)  
Sensitivity computation based on February-December 2014 fuel price

# Outlook for 2014

- + Operating environment remains uncertain
  - ▶ Timing/strength of economic recovery in different regions
  - ▶ Still volatile currencies and fuel prices
  - ▶ Industry capacity
- + Positive impact of Transform measures
  - ▶ Initial measures fully delivering
  - ▶ Additional measures delivering as of H2 2014
- + EBITDA expected in the region of €2.5bn in 2014, subject to there being no reversal in current operating trends
- + Ongoing reduction in net debt
  - ▶ Towards our 2015 objective of €4.5bn



# Strategy



 Alexandre de Juniac



# Agenda

- ✦ **Transform 2015: securing structural cost reductions**
- ✦ Driving a new revenue dynamic
- ✦ Expanding and strengthening our international networks

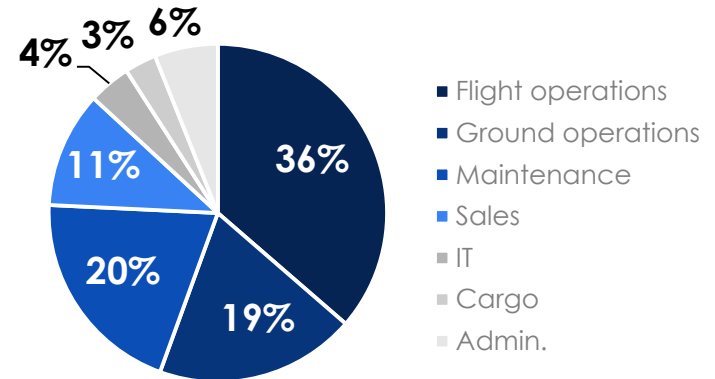
# Transform 2015 initiatives implemented in all divisions

- + More than 90 projects launched in 2012

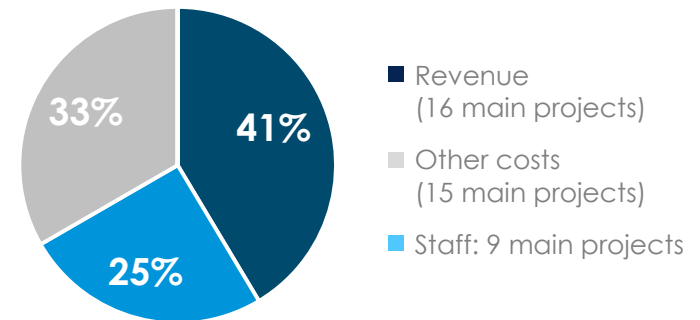


- + Central project management office driving Transform 2015 implementation within each airline
- + Additional measures in Medium-Haul and Cargo announced in October 2013 and currently being implemented

Distribution of Air France Transform 2015 initiatives per area

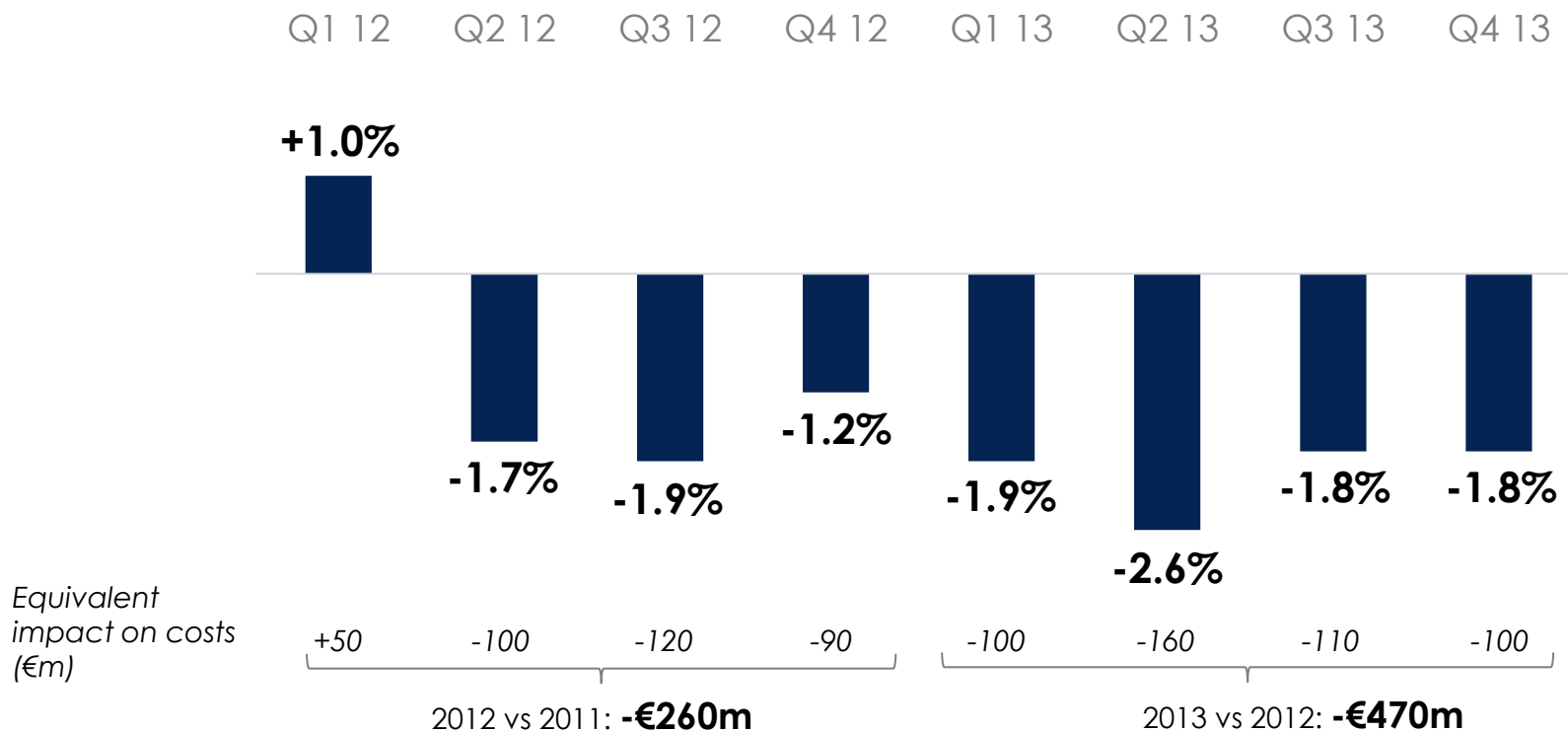


Distribution of KLM Transform 2015 initiatives



# Significant reduction in costs since launch of Transform 2015

## Change in unit cost\*

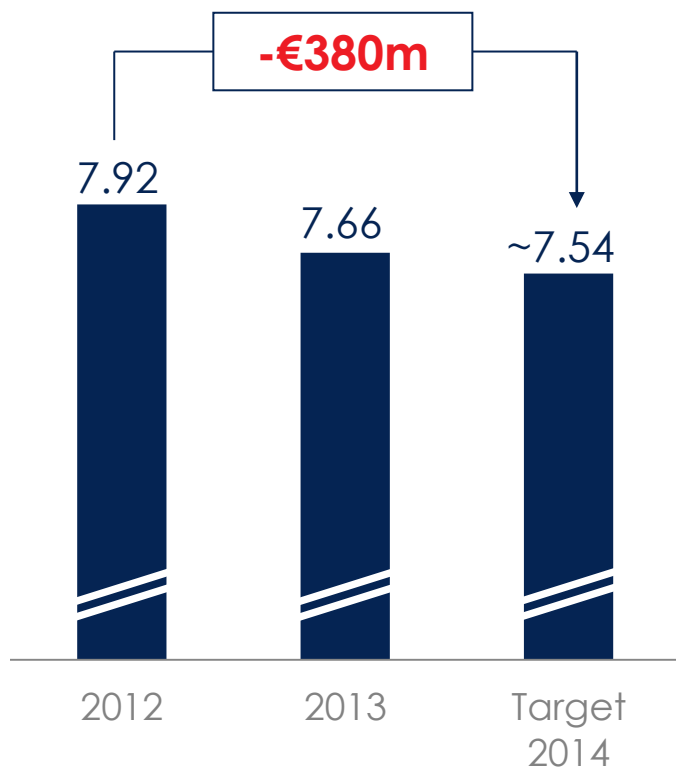


**Costs reduced by over €700 million in 2 years**

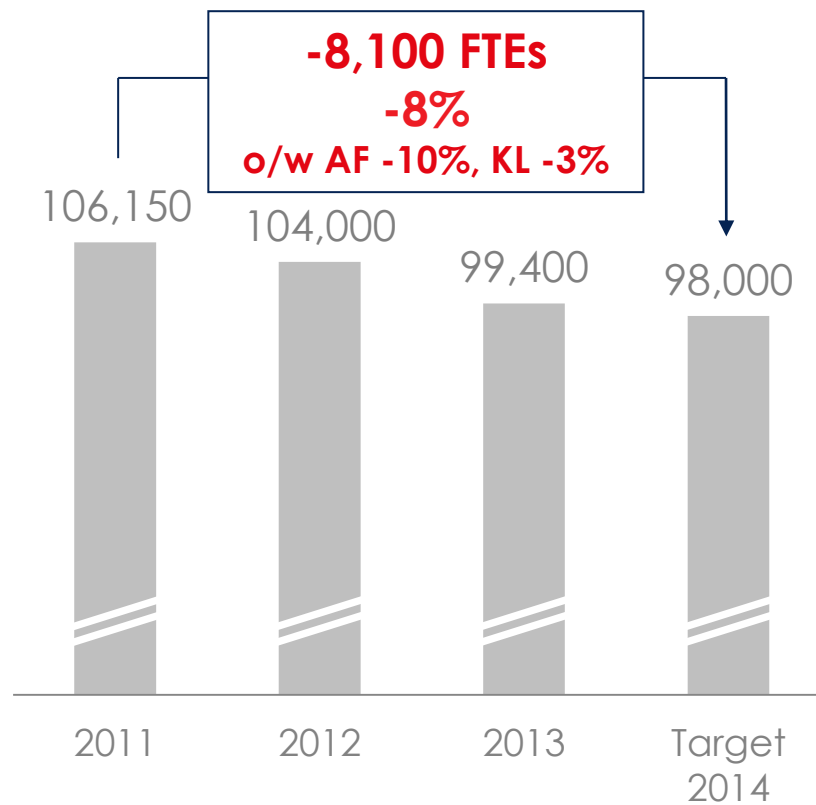
\* Net unit cost per EASK in € cents, at constant currency, fuel price and excluding (non cash) pension charge impact

# Reduction in both headcount and employee costs

**Employee cost\***  
incl. temporary staff



**Headcount\***  
incl. temporary staff (Full Time Equivalent)



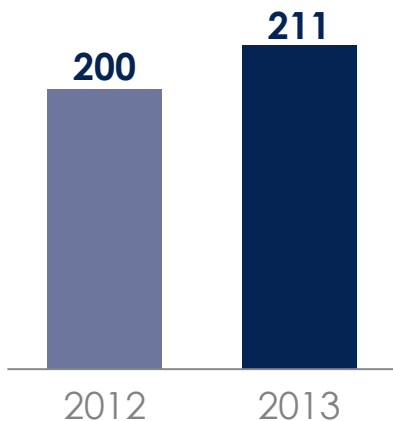
\* At constant pension cost, CityJet removed in 2013 and 2014

# New collective agreements lead to improved efficiency and productivity at Air France

## Ground

Ground staff:  
days worked per year

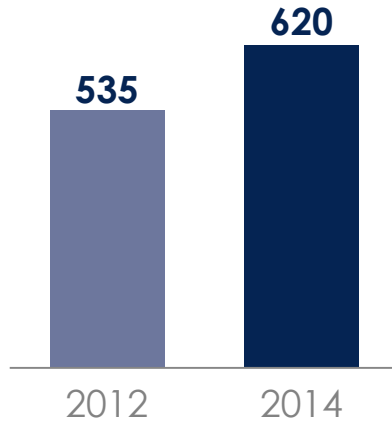
**+5.5%**



## Medium-haul

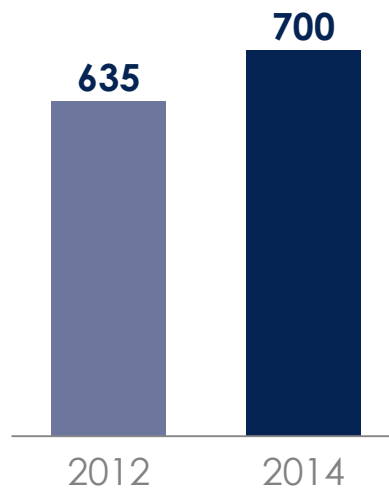
Annual cabin crew  
flight hours

**+16%**



Annual cockpit crew  
flight hours

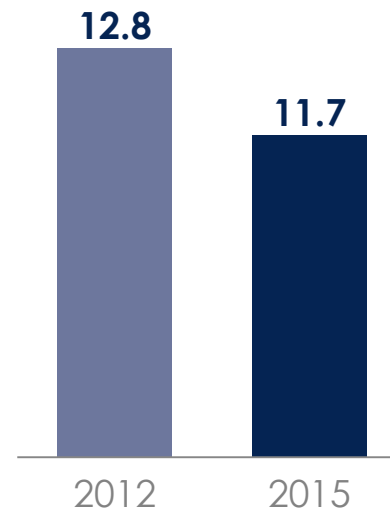
**+10%**



## Long-haul

Average cabin  
crew complement

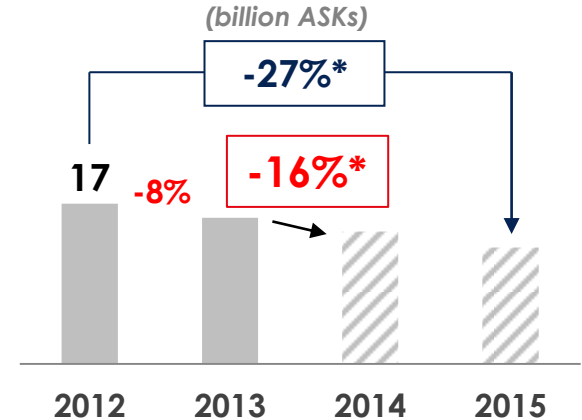
**-8%**



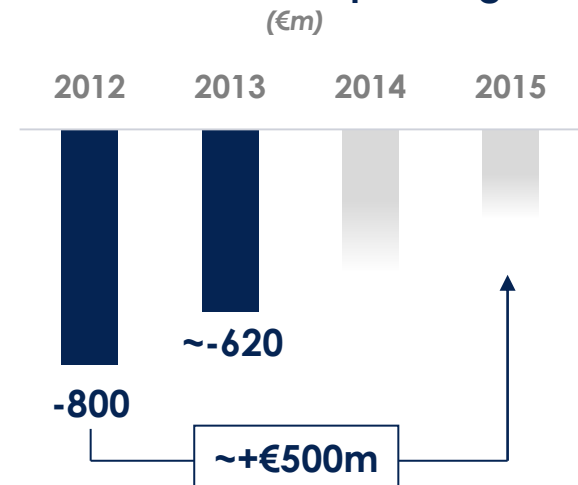
# Medium-haul: new measures on track

- + Losses reduced by €180m in 2013
  - ▶ Hubs: productivity gains, cabin densification, shorter turnaround times and ancillary revenues
  - ▶ Point-to-point: reduction of activity in provincial bases, sale of CityJet
  
- + Deployment of new measures announced in October 2013
  - ▶ Paris-CDG hub: additional fleet reduction and productivity improvements
  - ▶ Amsterdam hub: further actions to increase asset utilization
  - ▶ Point-to-point: capacity cuts
  - ▶ New Voluntary Departure Plan underway targeting 1,400 FTEs in French stations

## French point-to-point capacity (billion ASKs)



## Medium-haul total operating result (€m)

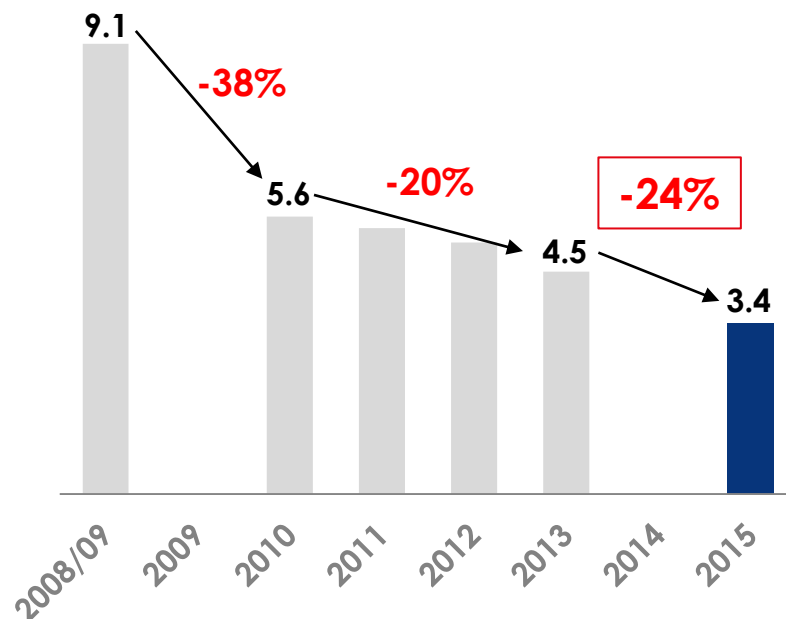


\* o/w 5% due to sale of CityJet

# Cargo restructuring: ready to further adapt

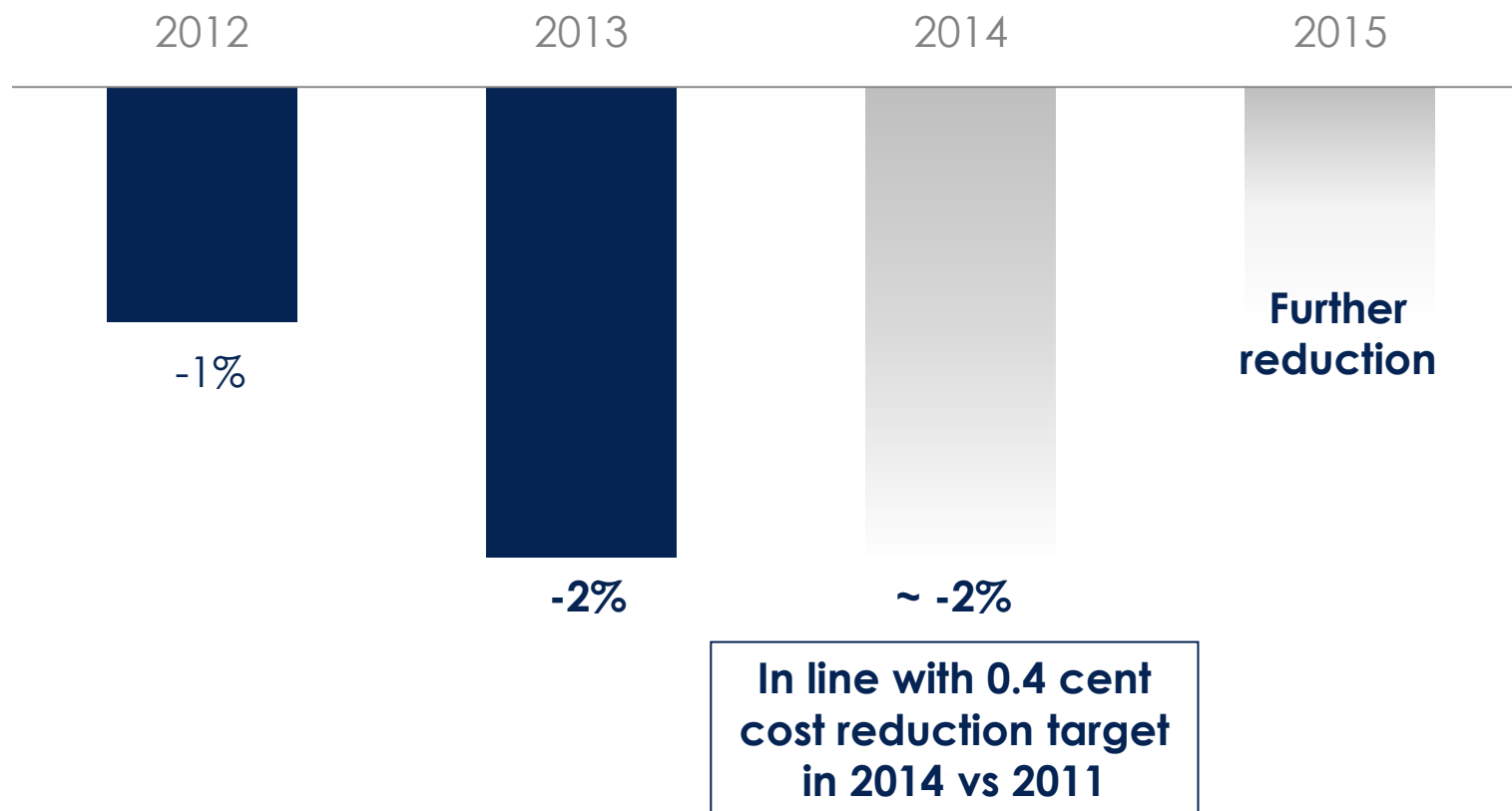
- + Significant cost and capacity reduction achieved in 2013
  - ▶ Full freighter capacity down 11%
  - ▶ CATK down 4%
- + New measures announced in October 2013 on track
  - ▶ Further full freighter fleet reduction, down from 14 in 2013 to 10 in 2015
  - ▶ Outsourcing of handling at Orly, VDP in France targeting 280 FTEs
  - ▶ New revenue initiatives
- + Ready to further adapt in the absence of market recovery

**Full-freighter cargo capacity**  
(billion ATKs)



# Targeting a further reduction in unit costs in 2014 and 2015

Trend in unit costs\*



\* Net unit cost per EASK in € cents, at constant currency, fuel price, and pension expense. Restated following reclassification of CityJet as discontinued operation. See definition in press release.



# Agenda

- + Transform 2015: securing structural cost reductions
- + **Driving a new revenue dynamic**
- + Expanding and strengthening our international networks

# Air France long-haul product upgrade

- + €500m investment in long-haul product by end of 2015
- + New cabins in 44 B777s
  - ▶ Launch in June 2014
  - ▶ New seats and new In-Flight Entertainment in all cabins
- + Business class seat positioned at highest standards
  - ▶ “full flat”
  - ▶ “full access”: direct aisle access
  - ▶ “full privacy”
  - ▶ Incorporates “quick change” feature to match demand seasonality

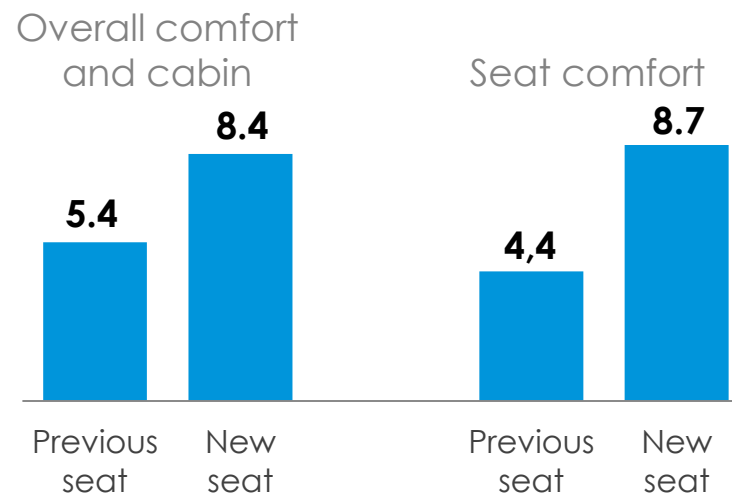


# KLM long-haul product upgrade

- + €200m investment in long-haul product by end of 2015
- + New World Business Class seat
  - ▶ Launched in July 2013
  - ▶ 22 B747-400s upgraded by Summer 2014
  - ▶ “full flat”
  - ▶ Marked improvement in customer satisfaction
- + Accelerated replacement of MD11s
- + KLM frontline staff ranked #1 in Europe by SkyTrax



## Customer satisfaction\*



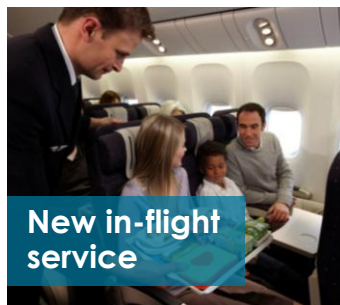
\* First results on 7 upgraded B747s

## Reorganization of medium-haul brands

April 2012



October 2012



April 2013



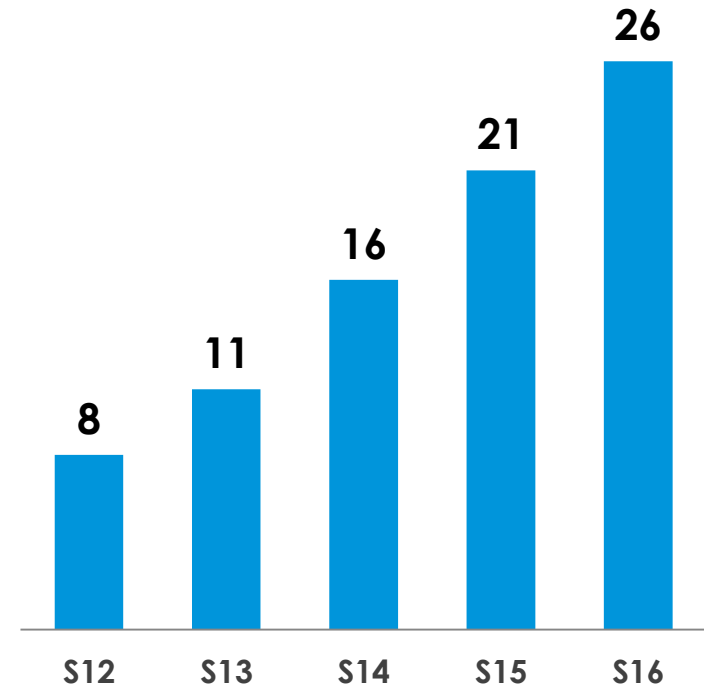
- + Investment in medium-haul product
  - ▶ New in-flight service at Air France (October 2012)
  - ▶ Introduction of Economy Comfort at KLM (December 2012)
- + Revised business model on regional point-to-point activity
  - ▶ New brand (HOP!) supporting product and fare adaptation
  - ▶ Capacity reduction
- + Adaptation of mainline fare structure
  - ▶ Air France: successful launch of fares without bag (Mini)
  - ▶ KLM: smooth introduction of paid first bag

# Accelerated development of Transavia France

- + Transavia to capture growth opportunities in French leisure market
  - ▶ Positioned as a high-end leisure product
  - ▶ Based in Orly
- + Significant network development
  - ▶ Aiming at both “sun” and “city-breaks” routes
  - ▶ Served or not by Air France
- + Brand position adapted
  - ▶ Investment in brand awareness
  - ▶ Development of distribution channels, in both France and in inbound markets
  - ▶ Link with Flying Blue

## Transavia France fleet plan

(number of aircraft)



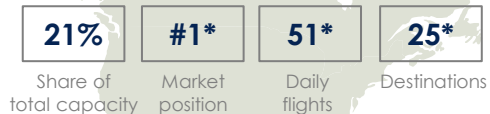
# Agenda

- + Transform 2015: securing structural cost reductions
- + Driving a new revenue dynamic
- + **Expanding and strengthening our international networks**

# Balanced long-haul network with strong exposure to high growth markets and high quality partners

## North America

*Benefits from JV with Delta*



## Asia-Pacific

*JVs with Chinese airlines  
Development of partnership with Etihad*



## Africa & Middle-East

*Expansion of Kenya Airways JV*



## Latin America

*Accelerated development*

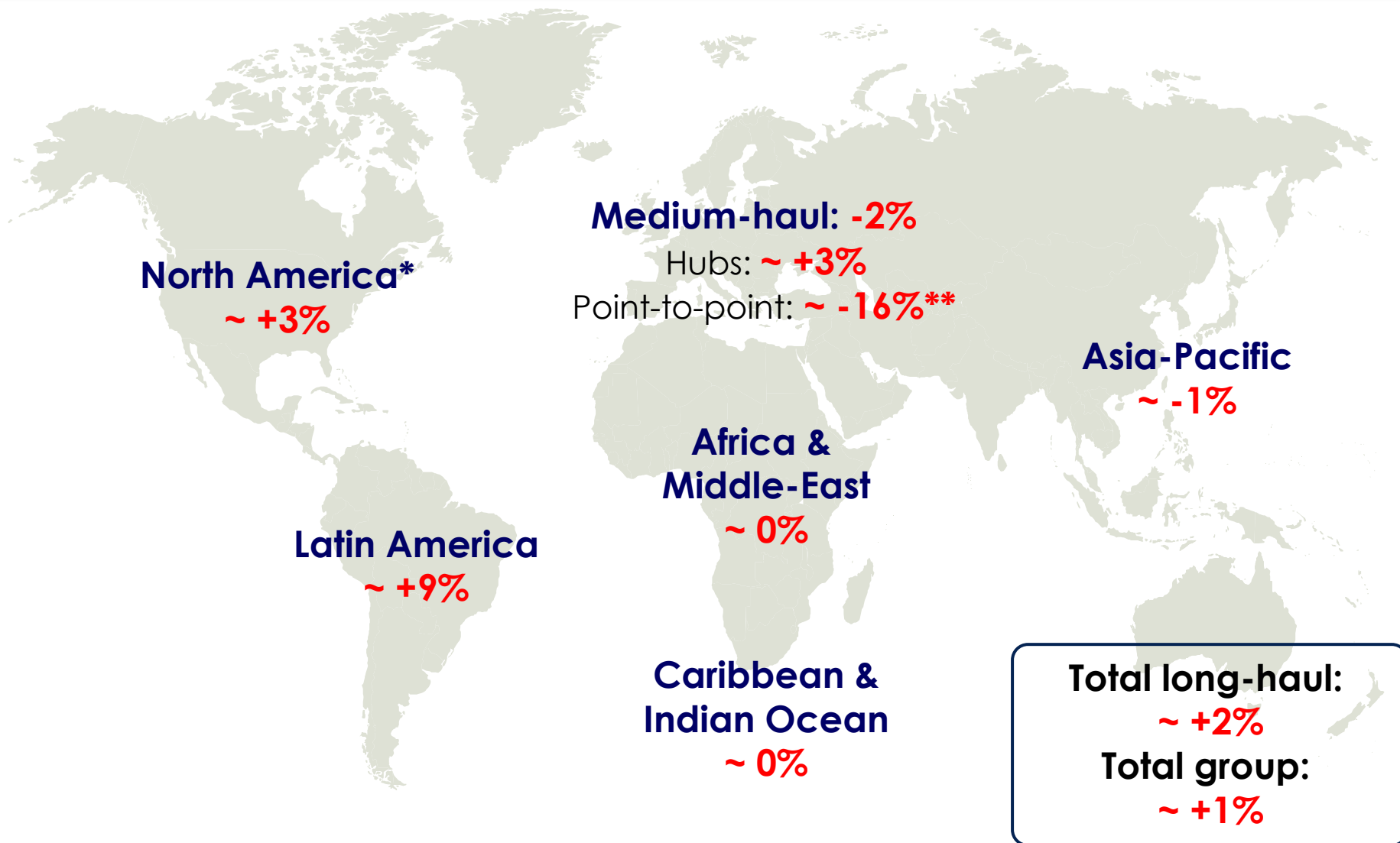


## Caribbean & Indian Ocean



\* Including flights and destinations served by Delta as part of JV, Summer 2013 data

# Targeted capacity growth in 2014



\* Including Mexico

\*\* o/w 5% due to sale of CityJet

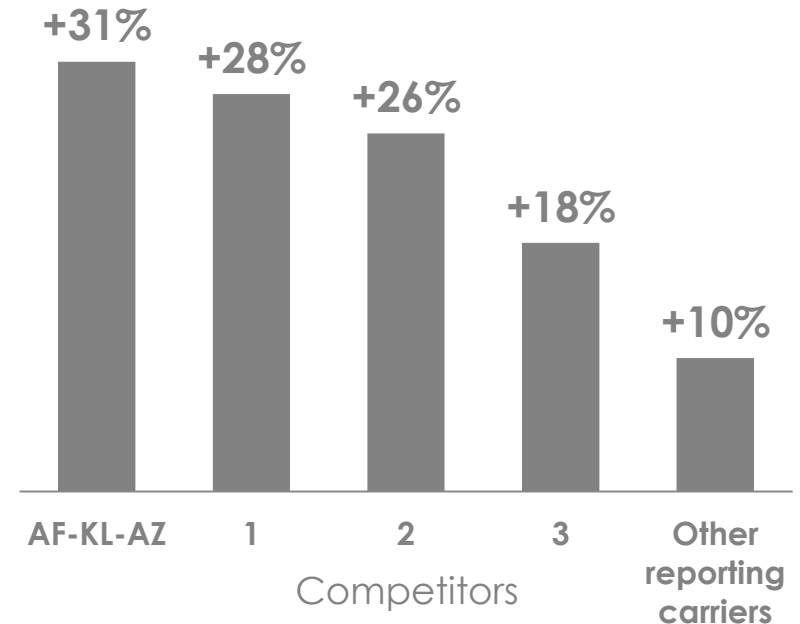


## The North Atlantic JV: a unique asset

- + JV represents 23% of industry transatlantic capacity
  - ▶ 98 flights per day
  - ▶ Revenue: \$11bn
- + Leading improvement in RASK since 2008
- + New initiatives
  - ▶ Ancillary seat sales
  - ▶ Enhanced integration of Frequent Flyer programs
  - ▶ Cargo

**11 point rise in profit margin since 2008**

### North Atlantic RASK 2013 vs 2008\*

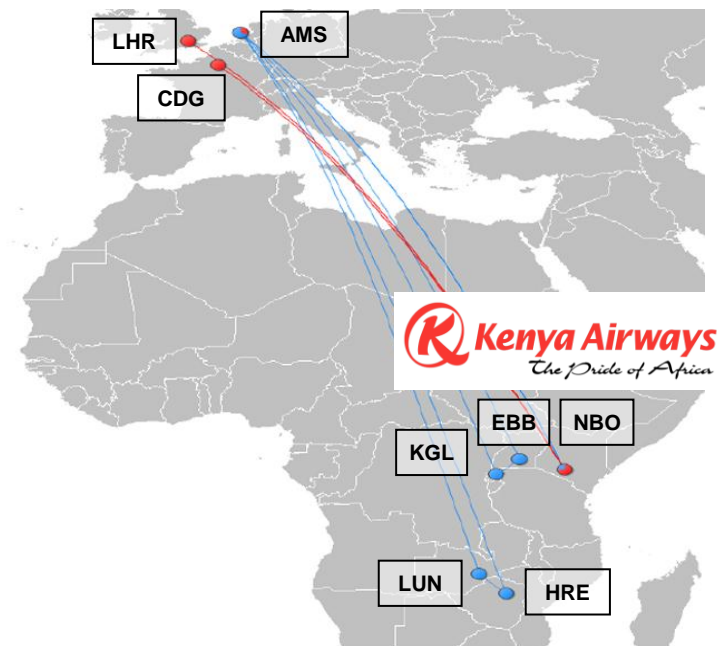


\* Among 13 participating European carriers, January-September 2013 RASK compared to January-September 2008, in € cents, source: AEA

## Africa: reinforcement of network

- + West Africa
  - ▶ 22 destinations in 20 countries
  - ▶ Planned deployment of A380 on Abidjan
- + 2014: Extension of Joint Venture with Kenya Airways
  - ▶ 27% shareholding
  - ▶ Scope extended to 44 weekly intercontinental flights
  - ▶ 27 destinations covered in Africa
  - ▶ Doubling of JV scope to €400m in revenues

### Air France-KLM / Kenya Airways Joint Venture scope, effective 2014



# Accelerated development in Latin America

- + Air France-KLM: strong organic growth in last 5 years
  - ▶ 12 destinations, o/w 6 served from both hubs
  - ▶ Summer 2014: #1 carrier between Europe and Latin America
- + Air France-KLM and GOL
  - ▶ A strong local player in Brazil
  - ▶ Code share agreement on 28 destinations since 2009
- + 2014: new strategic agreement
  - ▶ Exclusive access to domestic network
  - ▶ Coordination stepped up between the 2 networks
  - ▶ Extension of code shares
  - ▶ Coordination of sales teams in Europe and Brazil
  - ▶ Maintenance agreement
  - ▶ Cemented by an equity investment

## Development of Air France-KLM Latin American network

(Summer 2014 vs Summer 2009)



## Towards a deeper partnership with Etihad

- + Geographic complementary with addition of destinations in Indian Ocean and Australia
- + Initial cooperation involving trunks and beyonds
  - ▶ Launched in October 2012
  - ▶ 4 daily flights between respective hubs
  - ▶ 24 codeshare destinations beyond European hubs
  - ▶ 20 codeshare destinations beyond Abu Dhabi
- + Cooperation extending to cargo
- + Extension of existing partnership with Jet Airways under consideration
- + Ongoing discussions to deepen partnership

## To sum up

Our priorities remain:

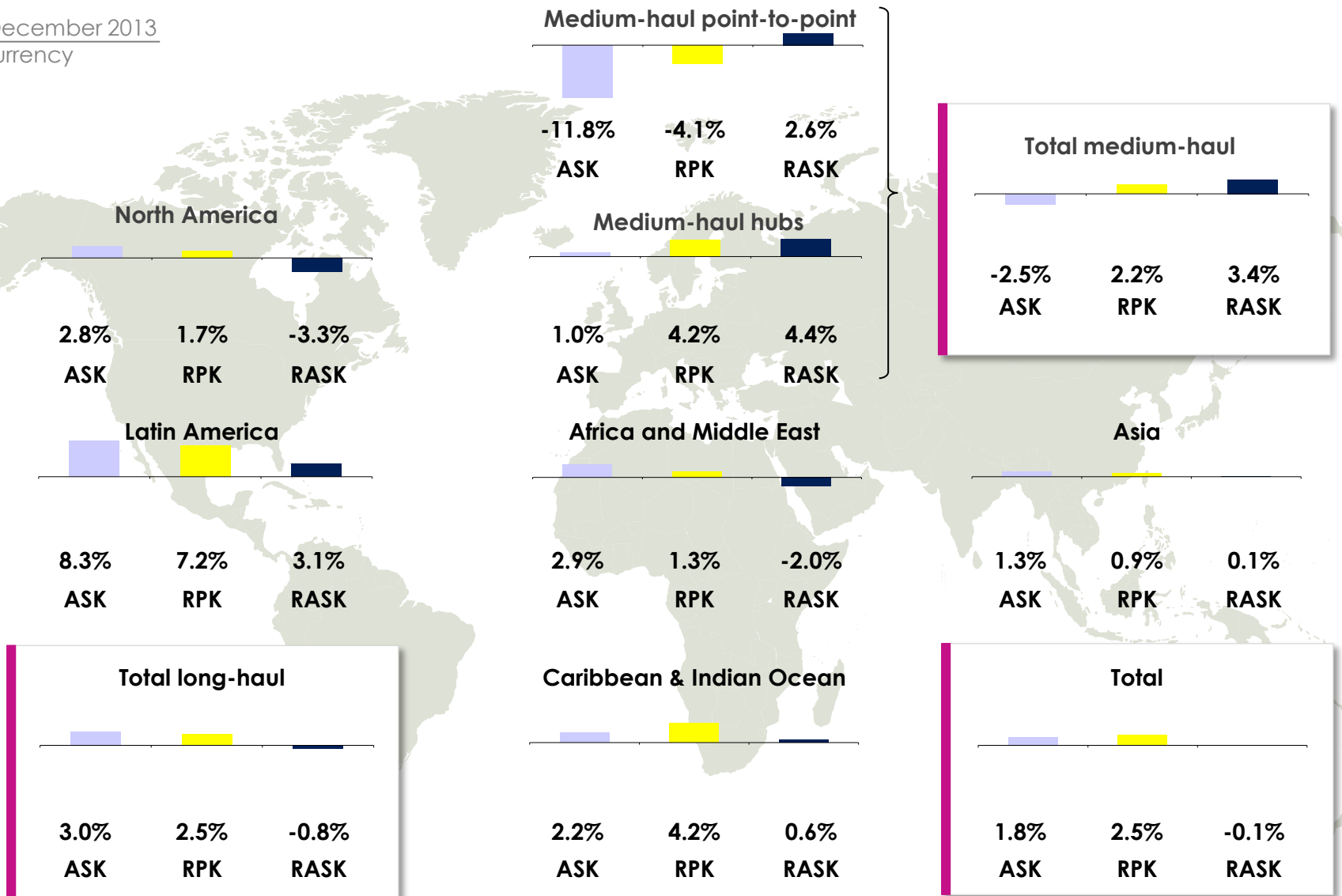
- + The successful completion of Transform 2015
  - ▶ Securing net debt reduction down to €4.5bn in 2015
- + Repositioning our brands and products to reconquer our customer base and restore our revenue dynamic
- + Continue to strengthen and expand our international network focused on high growth regions

# Appendices








# Fourth quarter: passenger unit revenue by network

October-December 2013  
RASK ex-currency



## Fourth Quarter: change in operating costs

	€m	Actual change	Ex-currency change
 <b>Employee costs</b>	1,790	-5.7%	-5.5%
 <b>Supplier costs<sup>(1)</sup></b> <i>excluding purchasing of maintenance services and parts</i>	1,585	+0.3%	+2.0%
 <b>Aircraft costs<sup>(2)</sup></b>	771	-4.5%	-2.1%
 <b>Purchasing of maintenance services and parts</b>	327	+3.8%	+7.9%
<b>Operating costs ex-fuel<sup>(3)</sup></b>	<b>4,535</b>	<b>-2.1%</b>	<b>-0.9%</b>
 <b>Fuel</b>	1,653	-7.0%	-2.4%
<b>Grand total of operating costs</b>	<b>6,188</b>	<b>-3.5%</b>	<b>-1.3%</b>
<i>Capacity (EASK)</i>			+1.9%

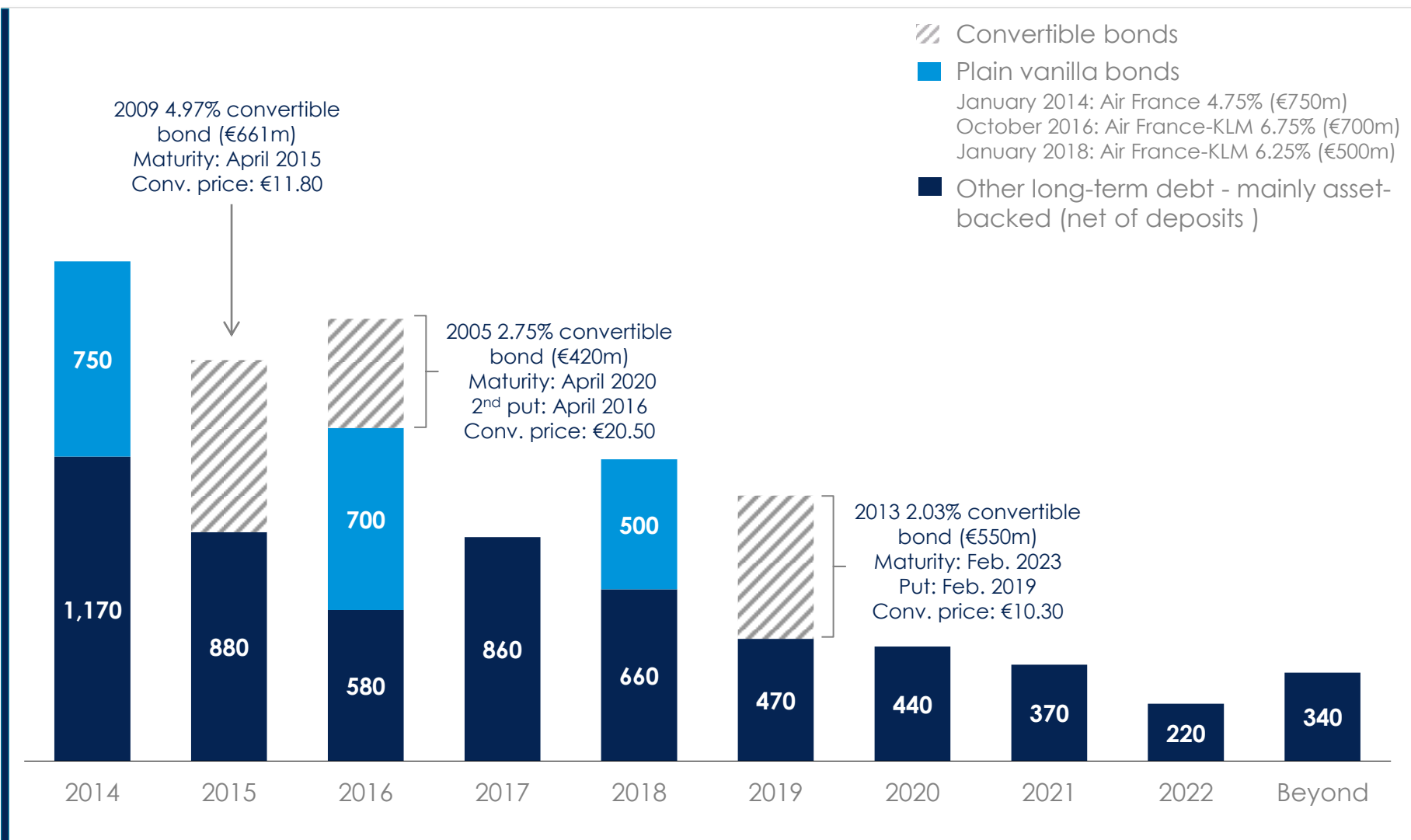
(1) Catering, handling charges, commercial and distribution, landing fees and air-route charges, other external expenses

(2) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions

(3) Including in addition other taxes, other revenues, other income and expenses



# Debt reimbursement profile at 31 December 2013\*



\* In € millions, net of deposits on financial leases and excluding KLM perpetual debt (€550m)