



# Information meeting

# Agenda

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- + Update on Transform 2015
- + 2012 and Q1-2013: first effects of plan
- + Reinforcement of our competitive advantages
- + Conclusions



Transform 2015

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# Transform 2015: a comprehensive plan

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**2012**

## Laying the foundations for the group's turnaround

- + Immediate cost reduction measures
- + Renegotiation of collective agreements
- + Definition of industrial projects
- + Repositioning of products and services

**2013**

## Roll-out of Transform 2015 measures

- + Strict control of capacity and investments
- + Implementation of new collective labor agreements
- + Roll-out of action plans for all businesses
- + Implementation of a new governance

**2014**

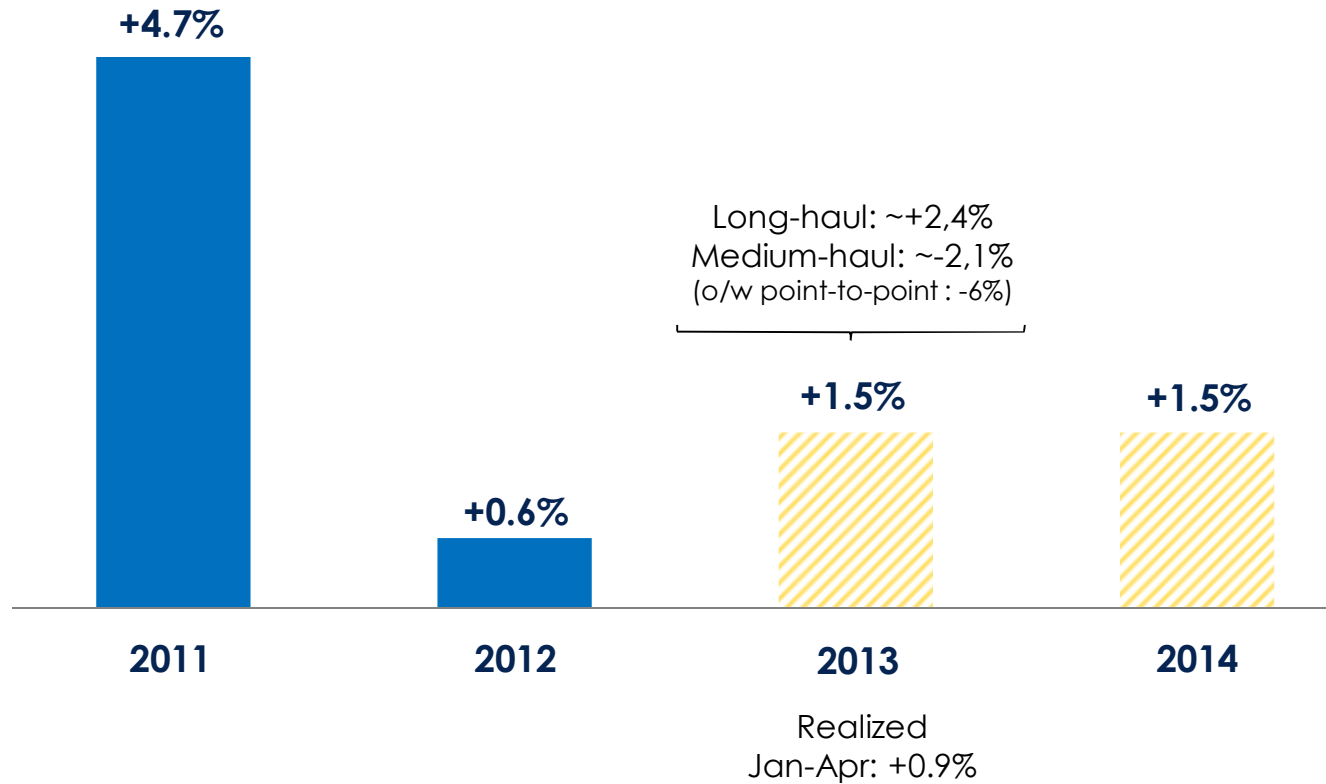
## Full impact of Transform 2015

- + Net debt reduced by €2 billion to €4.5 billion
- + EBITDA target of €2.5 to 3 billion

# Limited capacity growth

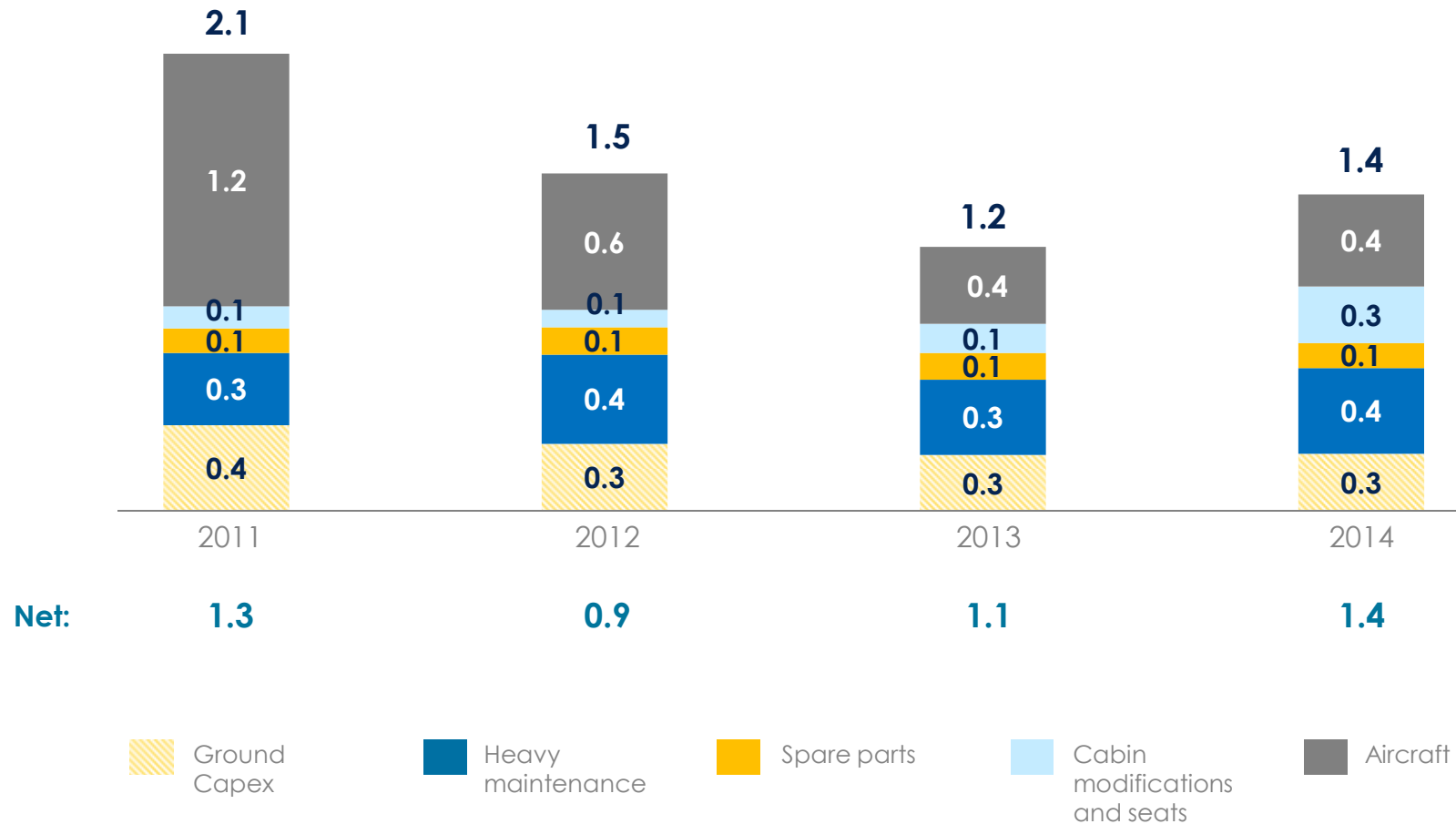
Passenger activity  
Available Seat Kilometers

## Passenger capacity growth



# Investment plan revised down

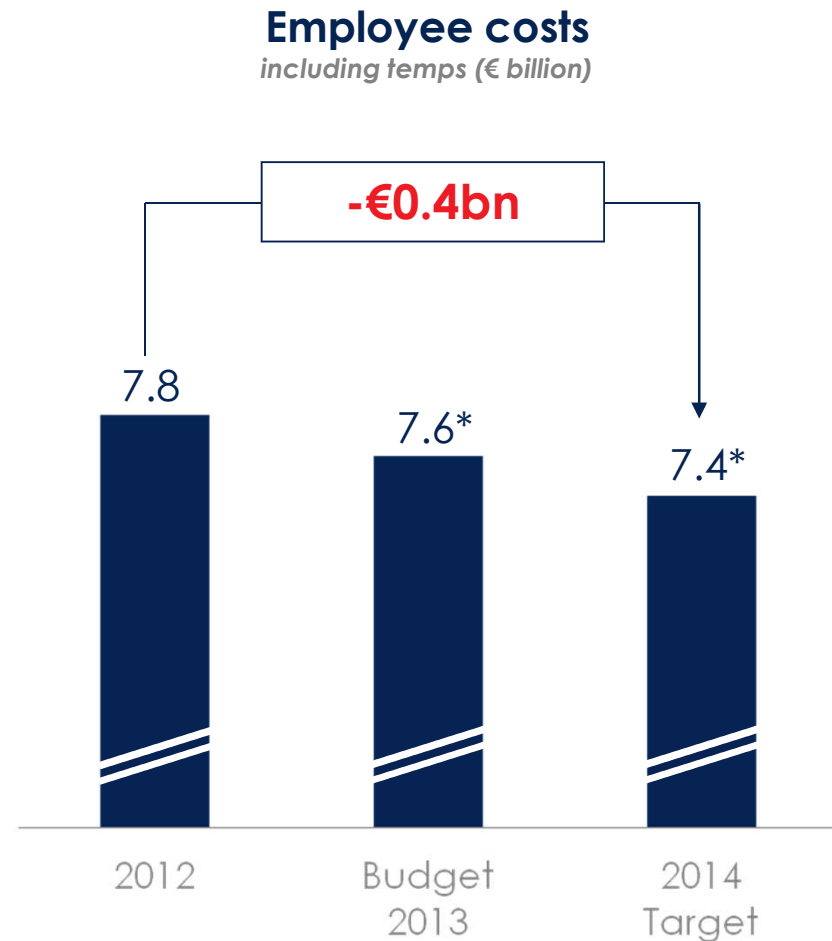
Investments\*  
(€ billions)



\* After aircraft disposal and before sale and lease-backs

# Renegotiation of collective agreements

- + New collective agreements signed and implemented at 1<sup>st</sup> April 2013
  - ▶ Increase in average time worked
  - ▶ Higher flexibility
- + Increasing impact of freeze in general salary increases
  - ▶ Air France: 2012 and 2013
  - ▶ KLM: 2013 and 2014
- + Ongoing headcount reduction
  - ▶ Reduction in temporary and contract staff
  - ▶ Voluntary departures at Air France until end 2013



\* At constant pension charge (estimated impact ~€130m) and excluding integration of Airlinair (~€50m)

# Industrial projects

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Passenger	Medium haul	<ul style="list-style-type: none"><li>+ Operations reorganized to increase use of assets</li><li>+ Restructuring of heaviest loss-making routes</li><li>+ Adapted product offer</li><li>+ Increase in 'customer' investment</li></ul>
	Long haul	<ul style="list-style-type: none"><li>+ Accelerated phase-out of least productive aircraft (MD-11s)</li><li>+ Improvement in schedule productivity</li><li>+ Increase in 'customer' investment</li></ul>
Cargo		<ul style="list-style-type: none"><li>+ Rightsizing and reorganization of full-freighter fleet</li><li>+ Simplified product portfolio, new commercial policy</li><li>+ Cost reduction</li></ul>
Maintenance		<ul style="list-style-type: none"><li>+ Focus on most profitable activities: engines and components</li><li>+ Restructuring of selected maintenance activities</li></ul>



## 2013: a key stage in medium-haul turnaround

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- + Improved medium-haul schedule productivity
  - ▶ Air France: fleet reduction of 16 Airbus (from 135 in 2012 to 119 in 2013), higher than capacity reduction
  - ▶ KLM: densification of 737 cabins, improved utilization of regional fleet
- + Reorganization of French regional activity
  - ▶ Fleet reduction of 18 aircraft (from 116 in 2012 to 98 in 2013)
  - ▶ Marketing and commercial repositioning, new brand: **Hop!**
- + Regional base project adapted
  - ▶ Schedules reduced
  - ▶ Further evaluation planned for September 2013
- + Development of Transavia France
  - ▶ Increase from 8 to 11 aircraft

# Reconquering our customer base



Sky Priority



New catering



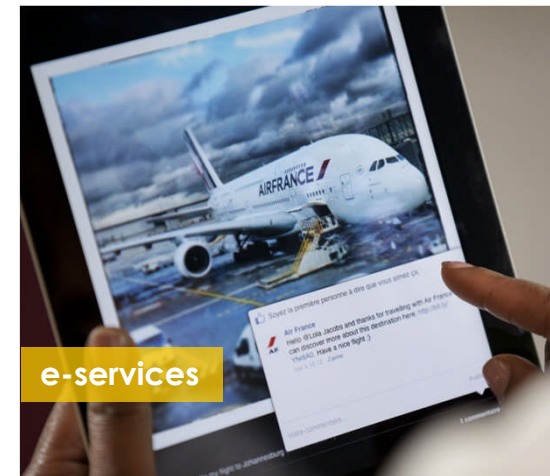
New KLM business class

Air France long-haul cabin redesign project

# Best



New lounge at CDG airport



e-services

## Cargo: measures to reduce losses by ~€140 million in 2013

- + Strict capacity control
    - ▶ Ongoing capacity reduction: ~ -0,5%,  
o/w full-freighters: ~ -6,0%
  - + Reduction in unused aircraft
    - ▶ 3 aircraft returned to lessors
    - ▶ 1 aircraft wet-leased to Etihad
    - ▶ 1 aircraft used in JV with Kenya Airways  
on the China-Africa routes
  - + Impact of Transform 2015 on manageable costs
  - + New commercial and revenue management policies
- } ~€50m
- ~€40m
- ~€50m



# First impacts of Transform 2015

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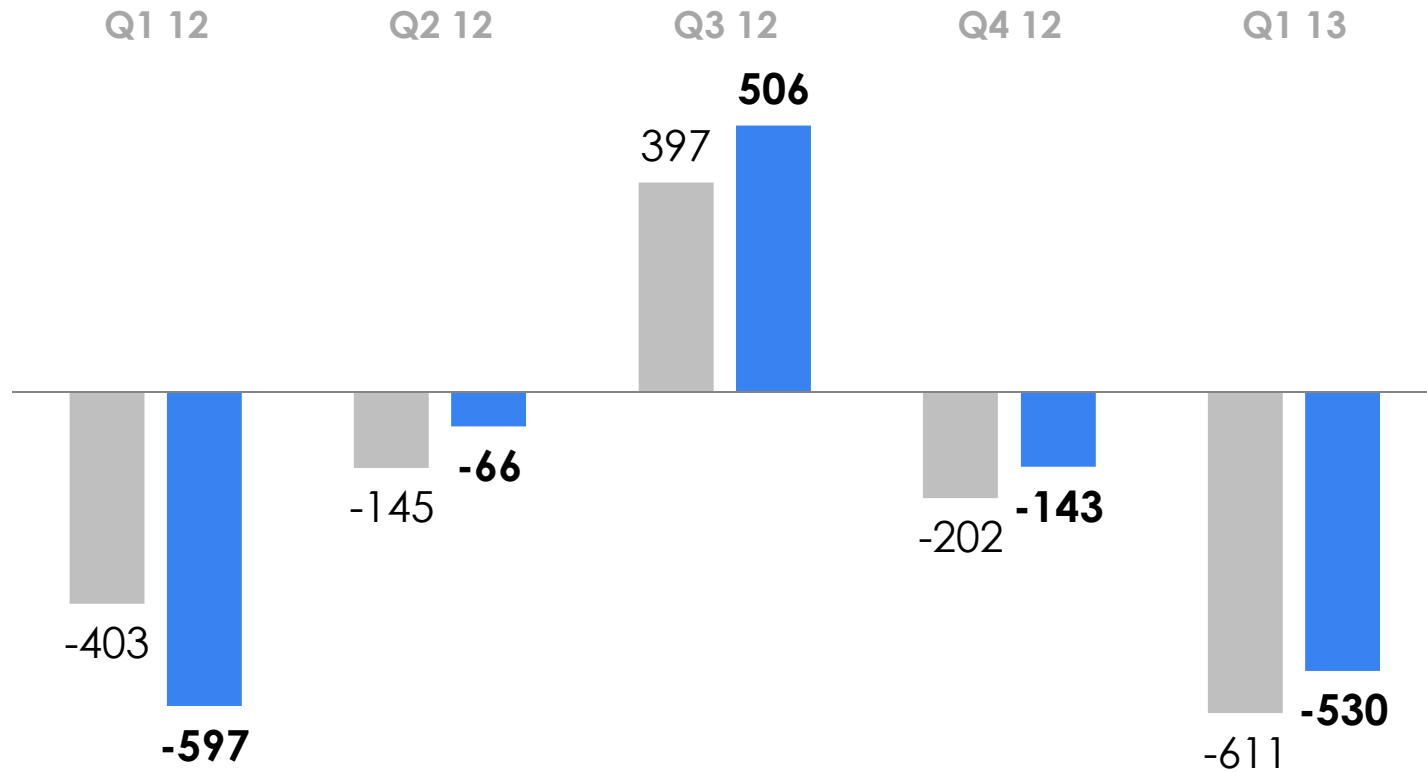
## Key figures

(In €m)	2012	Q1-2013
+ Revenues	25,633 ↗	5,721 ↗
+ EBITDAR	2,405 ↗	123 ↗
+ Operating income	-353 ↗	-530 ↗
+ Net result, group share	-1,192 ↘	-630 ↘
+ Net debt at the end of the period	5,966 ↘	5,896 ↘

# Operating result by quarter

In € millions

- Previous year
- Current year



Change in operating margin

-3.0 pts

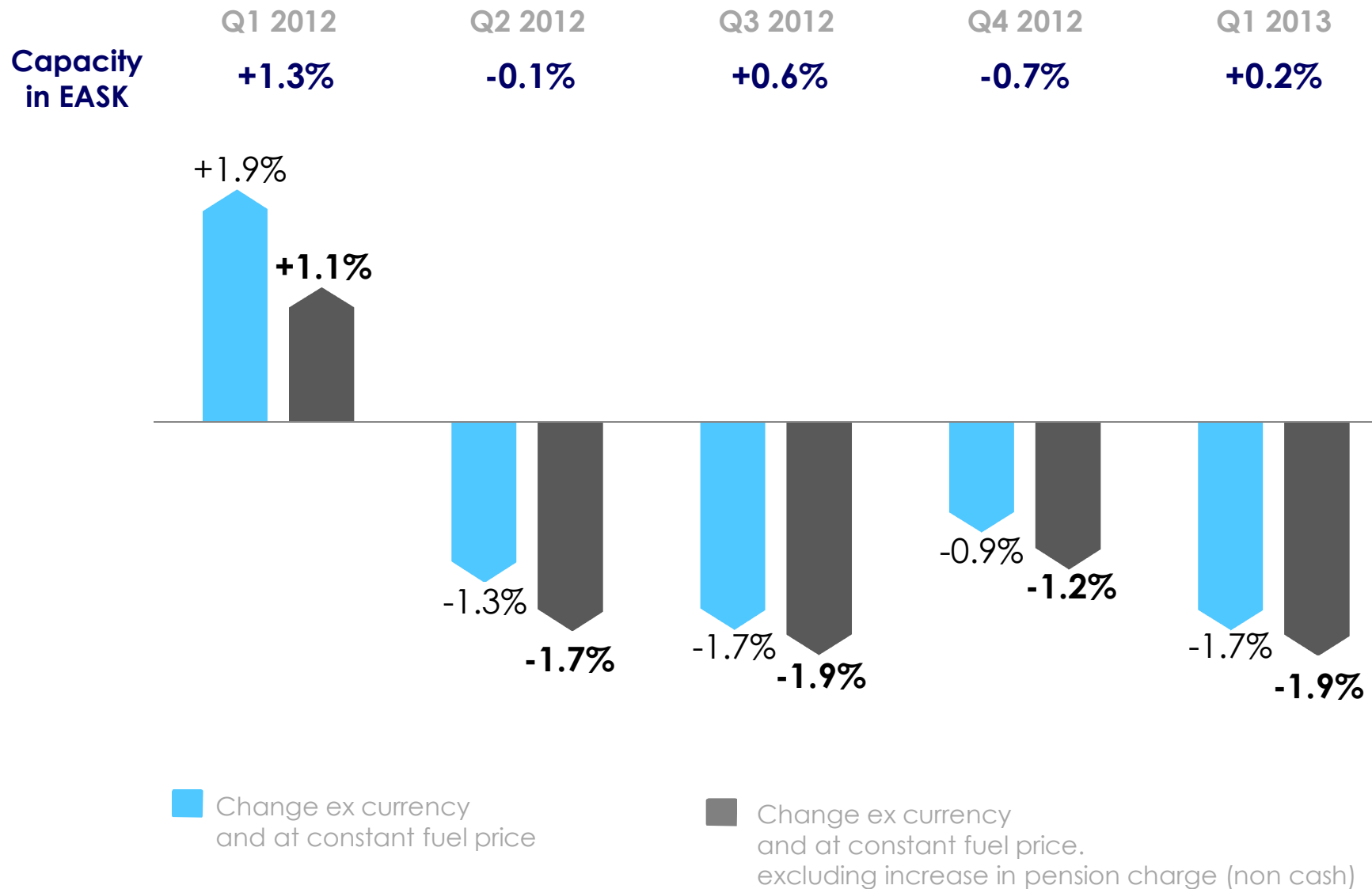
+1.3 pt

+1.2 pt

+1.1 pt

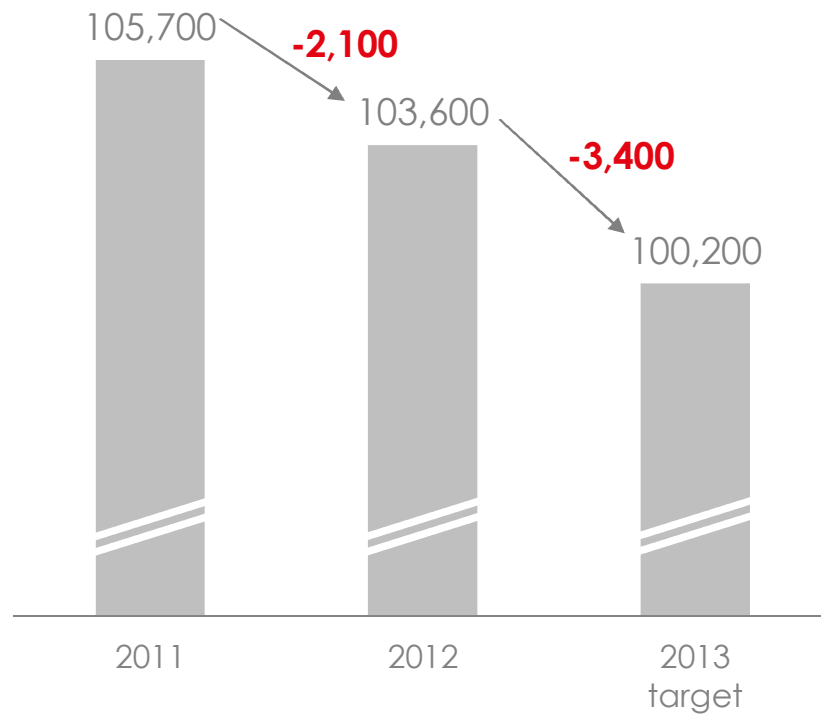
+1.6 pt

# Unit costs reduced with no capacity increase

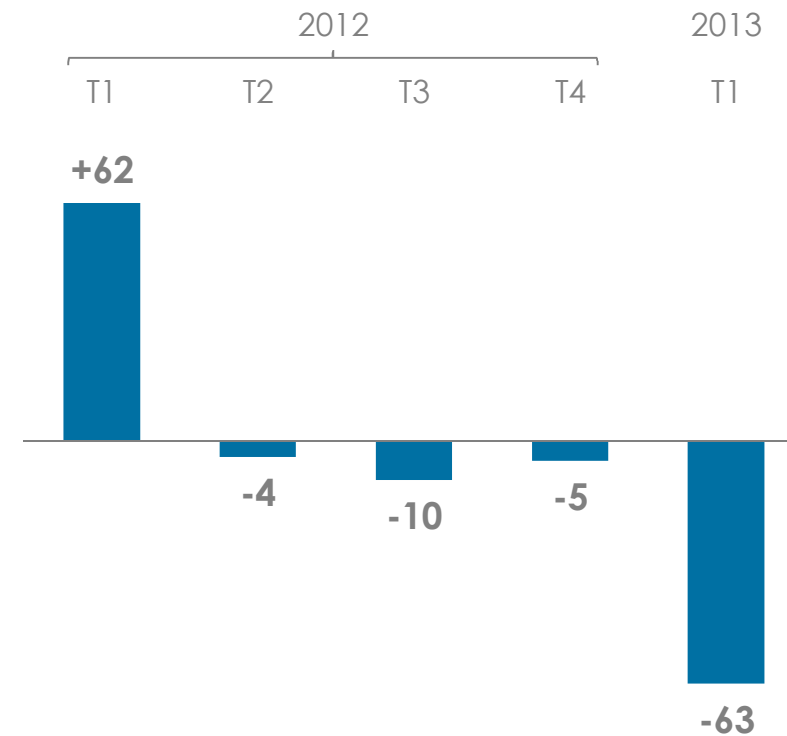


# Reduction in both headcount and employee cost

Headcount<sup>(1)</sup>



Change in employee cost<sup>(2)</sup>



**2013 target:  
more than  
€200m**

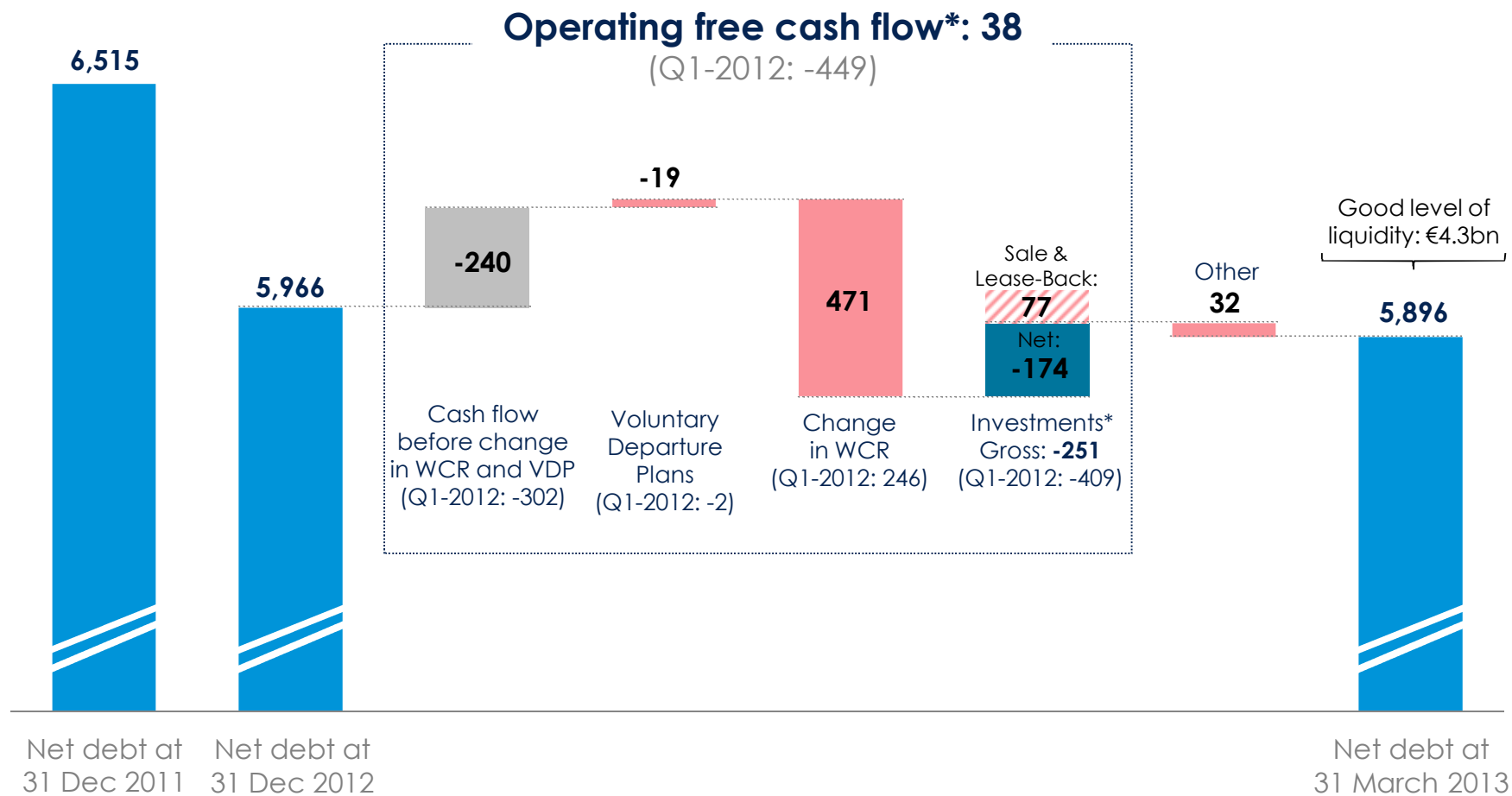
(1) Full Time Equivalents (FTEs), including temporary staff, corrected for integration of Airlinair

(2) In € millions, including temporary staff, excluding non cash increase in pension charge and integration of Airlinair



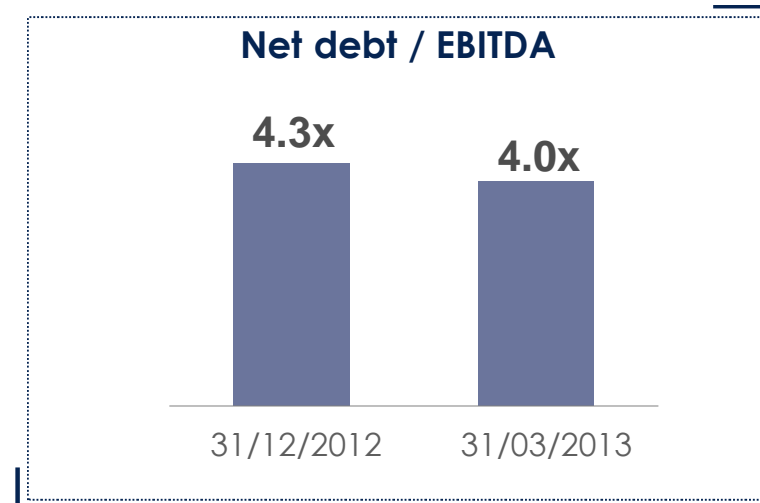
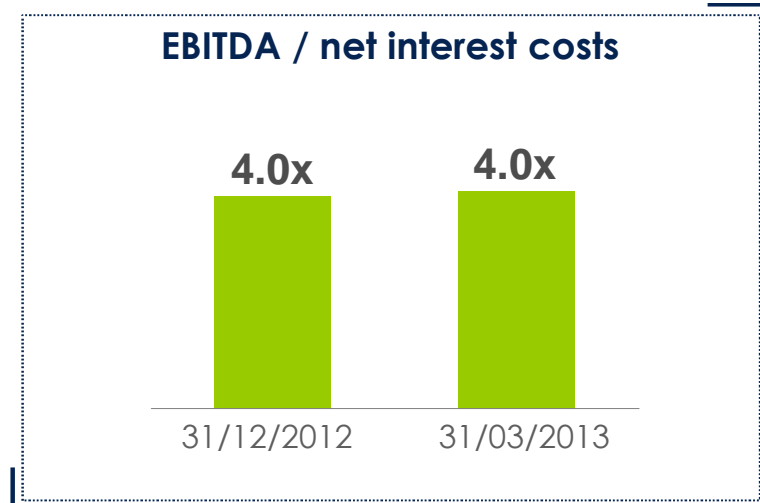
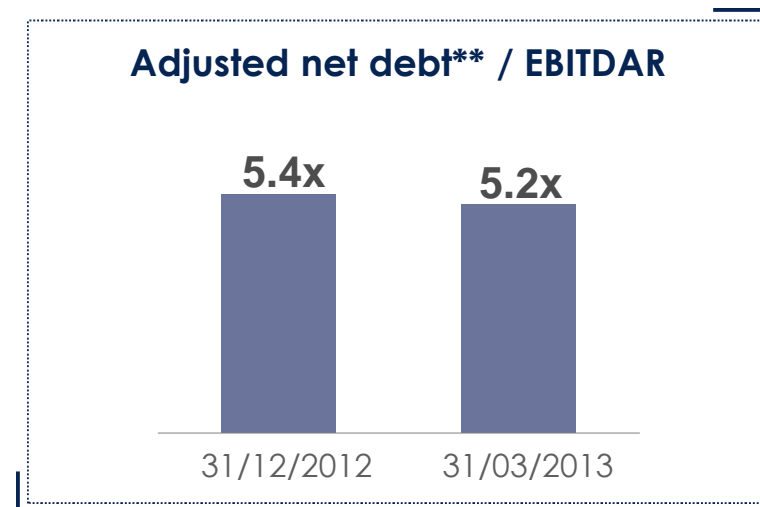
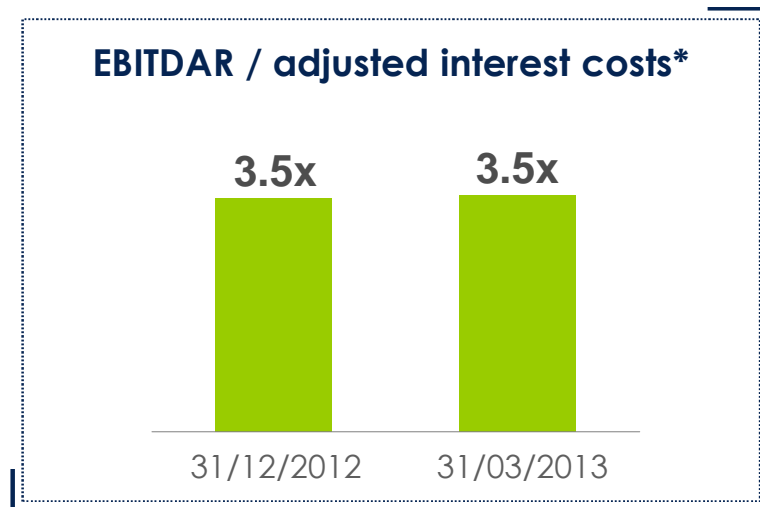
# Change in net debt

In € millions



\* Net cash flow from operating activities less net capex on tangibles and intangibles.

## Financial ratios at 31 March 2013, sliding 12 months



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

\*\* Adjusted for the capitalisation of operating leases (7x yearly charge)

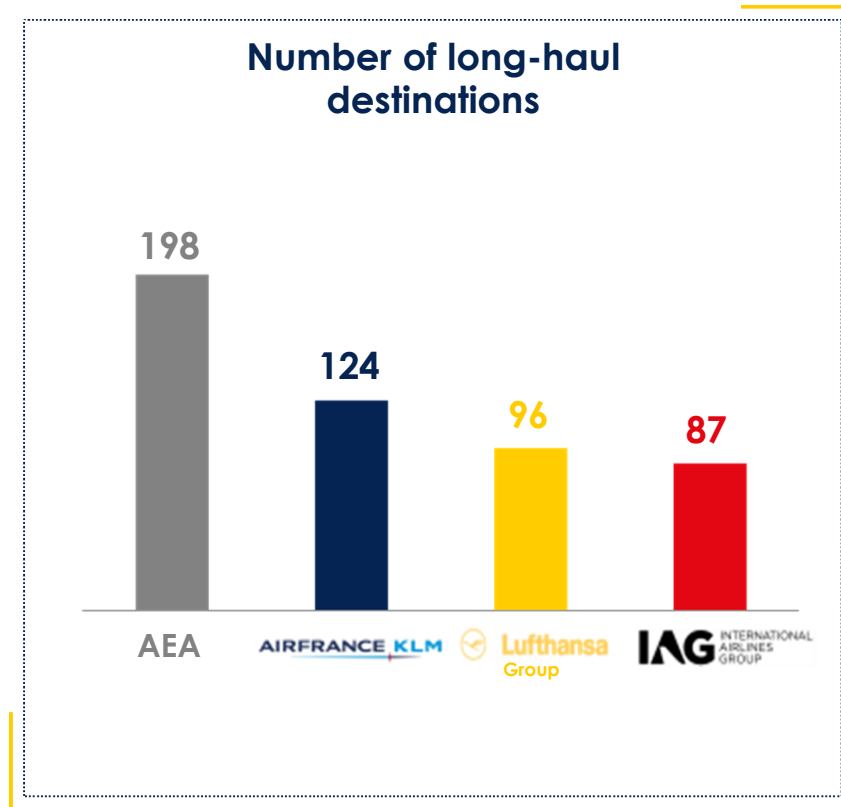


Reinforcement  
of our  
competitive  
advantages

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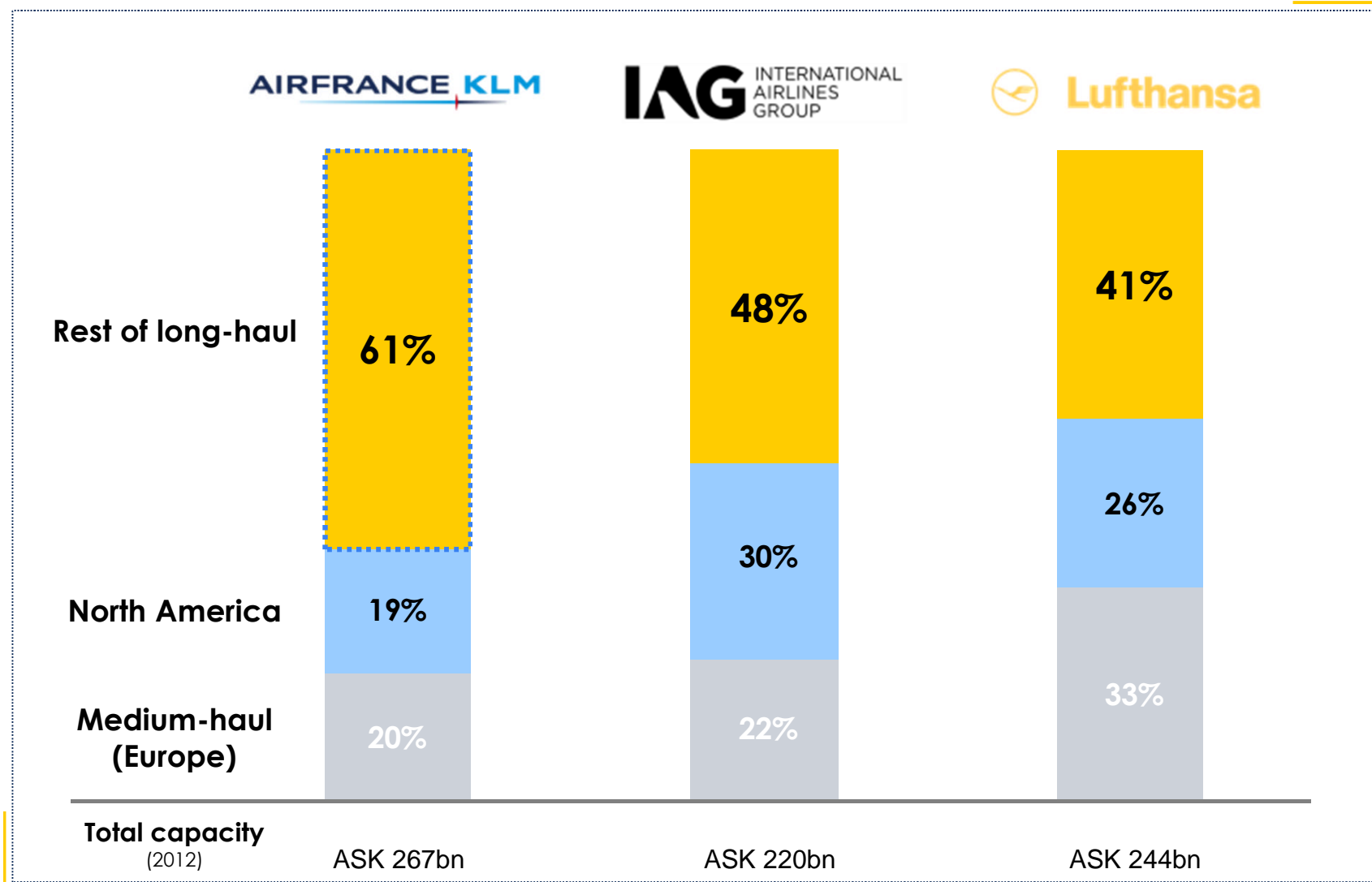
# A powerful long-haul network

- + **124** long-haul destinations\*
  - ▶ 35 from both hubs
  - ▶ 89 from a single hub
  - ▶ 66% of the long-haul destinations served by AEA members carriers
- + **143** direct long-haul flights per day
- + **34** "unique" destinations: 27% of our destinations served neither by Lufthansa nor by IAG



\* Including destinations served by Delta in the framework of the North Atlantic JV

# Strong exposure to high growth markets...

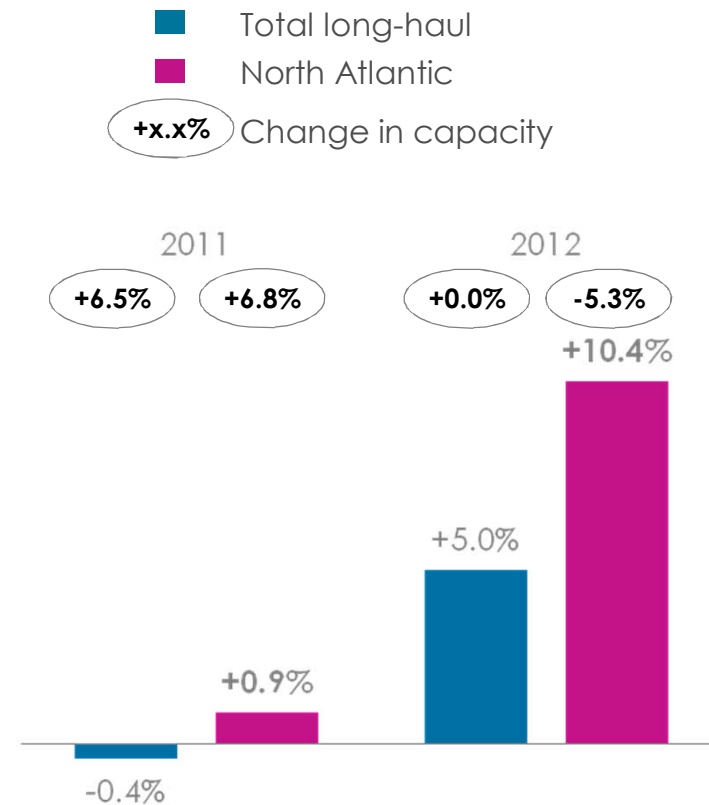


## ....strengthened by the reinforcement of the North-Atlantic JV...



- + Number one operator on North Atlantic
  - ▶ Revenues of €9.6 billion
  - ▶ 29% of Europe-USA industry capacity
  - ▶ ~125 aircraft
- + Capacity discipline pursued in 2013
- + JV agreement renewed for 10 years
- + Strengthened competitive position thanks to Delta-Virgin partnership

### Unit revenue ex-currency



## ...and the development of other partnerships

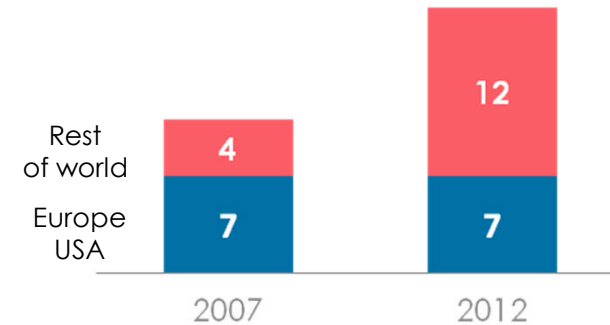
### + Chinese partners

- ▶ Four SkyTeam members in Greater China
- ▶ JVs with China Southern and China Eastern: revenues above €700m in 2012
- ▶ Codeshare with Xiamen Airlines

### + Etihad

- ▶ First codeshare agreement at Winter 2012
- ▶ 2013: wet-lease of one cargo aircraft and one A340, extension of codeshare agreement

### SkyTeam members



### Main hubs of Chinese partners



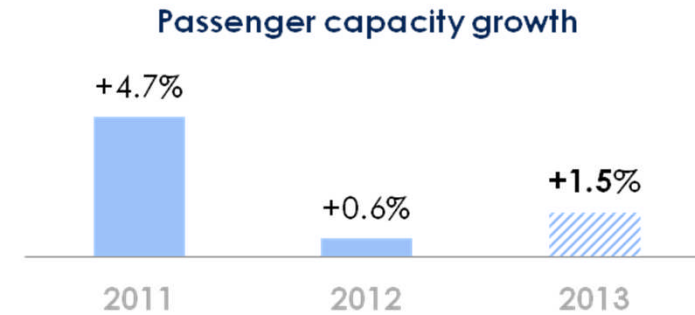


Conclusion •

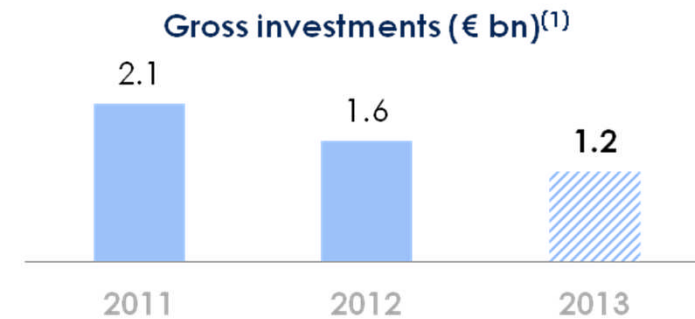


# Our priorities for 2013

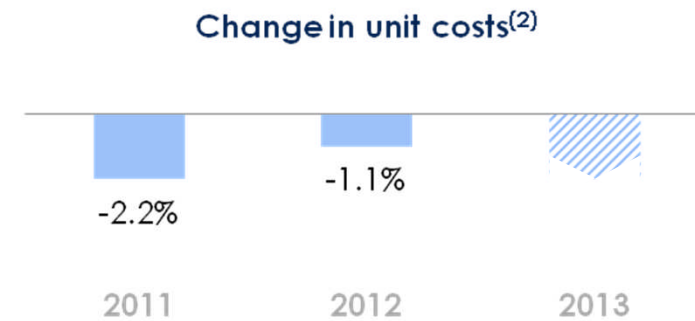
**Strict capacity discipline**



**Controlled investments**



**Cost reduction**



(1) Net investments: 2011: €1.3 bn, 2012: €0.9 bn, 2013: €1.1 bn

(2) Ex-currency and at constant fuel price, excluding increase in pension charge (non cash)

## Outlook for 2013

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- + Ongoing tough economic environment in Europe
- + High currency and fuel price volatility
- + Full roll-out of Transform 2015 plan
- + 2013 objective: further reduction in unit costs\* and net debt

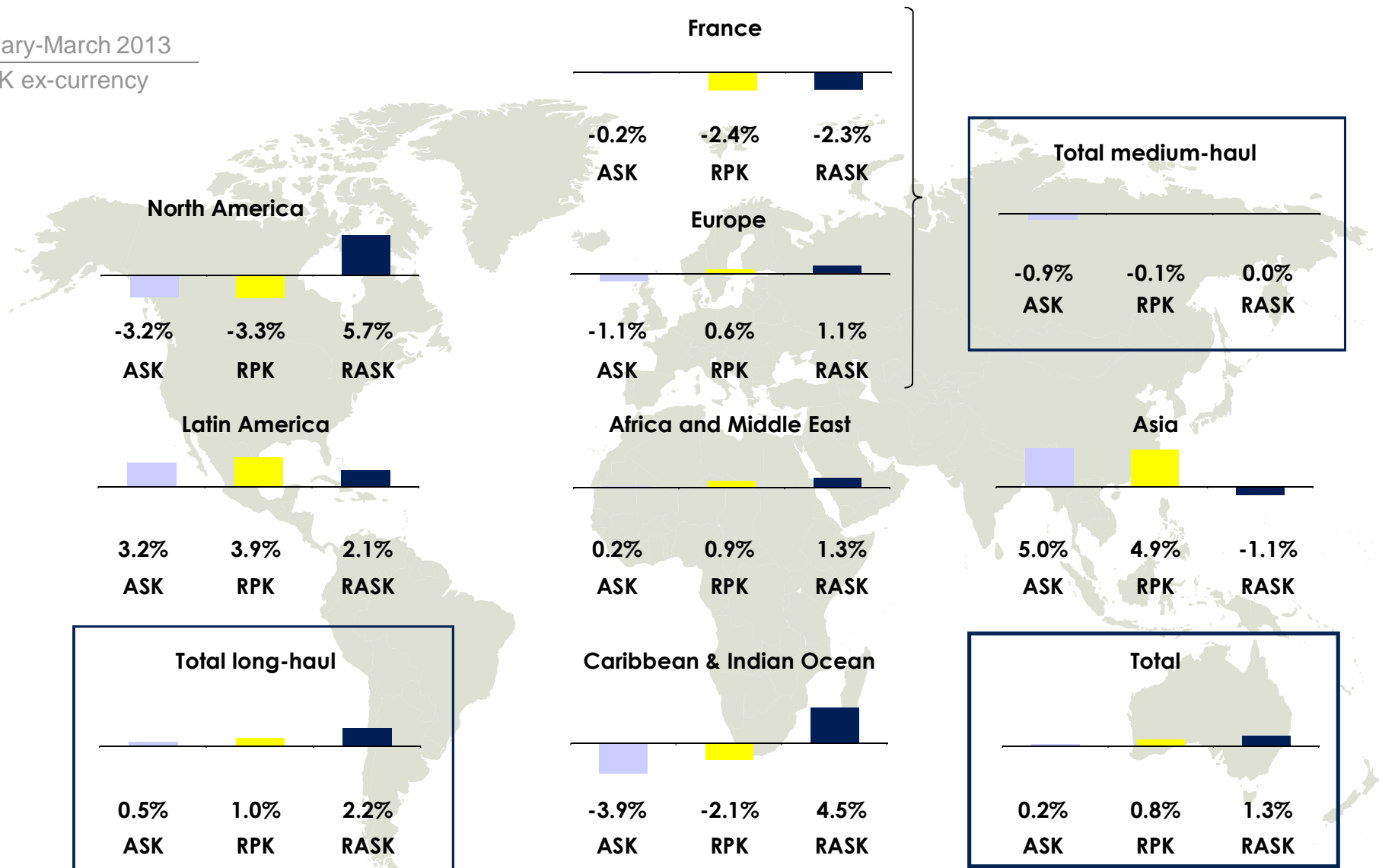
\* At constant currency and fuel price



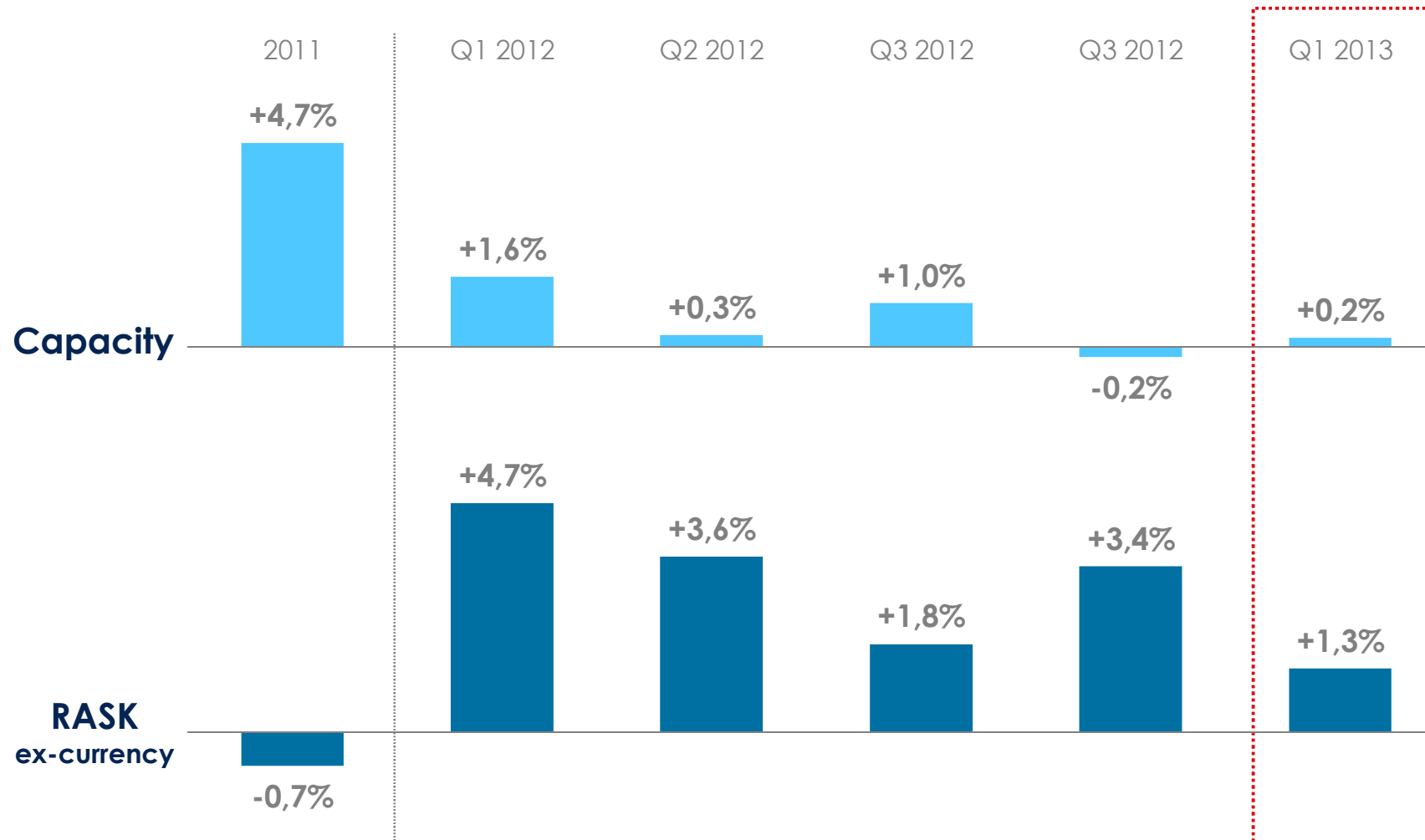
# Appendices

# Unit revenue by network

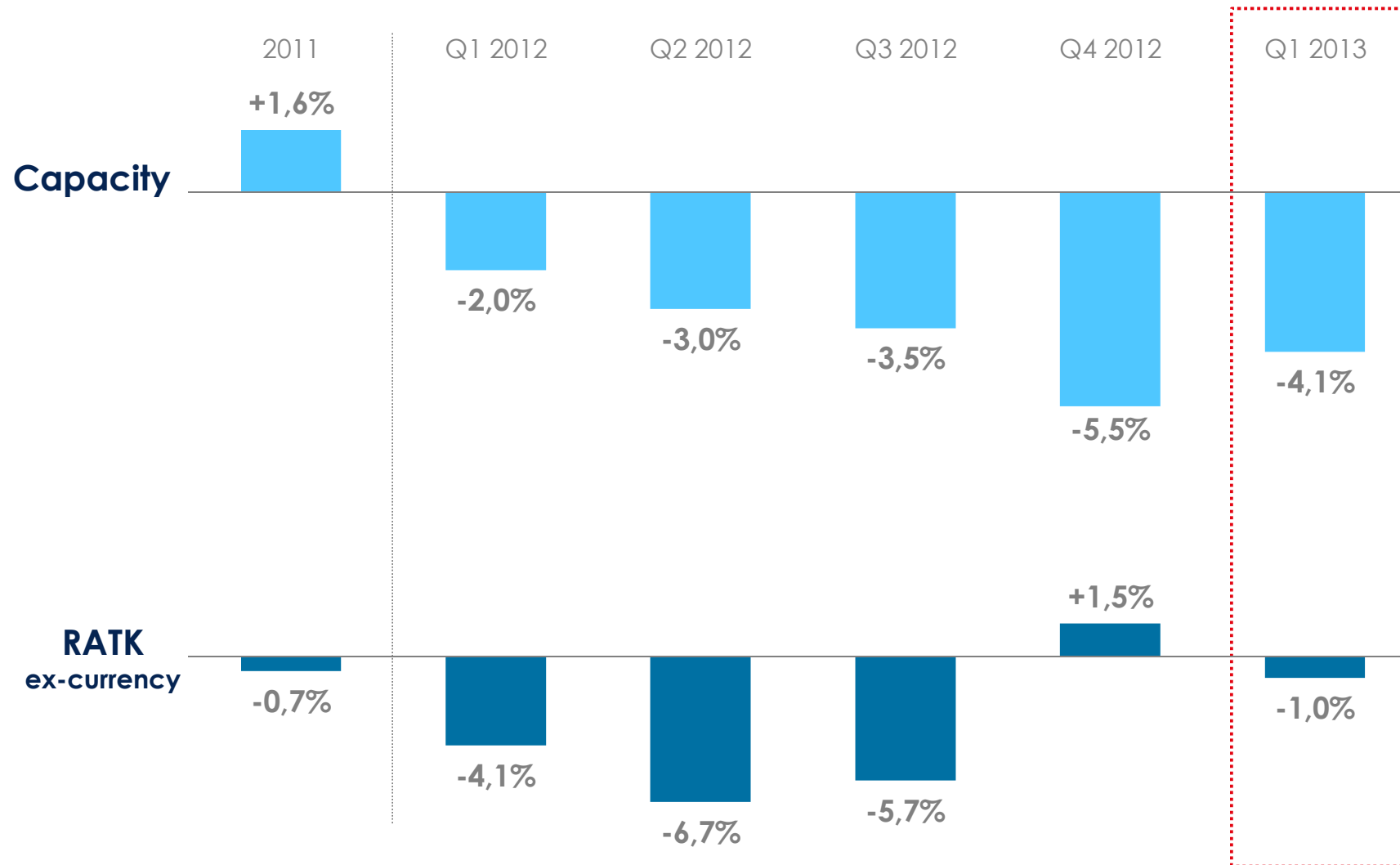
January-March 2013  
RASK ex-currency




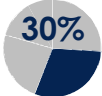



# Activity and unit revenue per quarter



# Cargo activity and unit revenue per quarter



## Change in quarterly operating costs

January-March 2013	€m	Actual change	Ex-currency
 <b>Fuel</b>	1,667	-0.8%	+0.4%
 <b>Employee costs</b>	1,892	-1.7%	-1.7%
 <b>Manageable external charges<sup>(1)</sup></b>	1,437	+2.2%*	+2.8%
 <b>Other charges linked to capacity<sup>(2)</sup></b>	770	-0.3%	+0.7%
 <b>Non manageable external charges<sup>(3)</sup></b>	469	-2.3%	-1.7%
<b>Total<sup>(4)</sup></b>	<b>6,251</b>	<b>-0.1%</b>	<b>+0.5%</b>
<b>Operating costs ex-fuel</b>	<b>4,584</b>	<b>+0.2%</b>	<b>+0.5%</b>

(1) Catering, handling charges, maintenance, commercial and distribution, and other external expenses

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

(3) Landing fees and en-route charges, other taxes

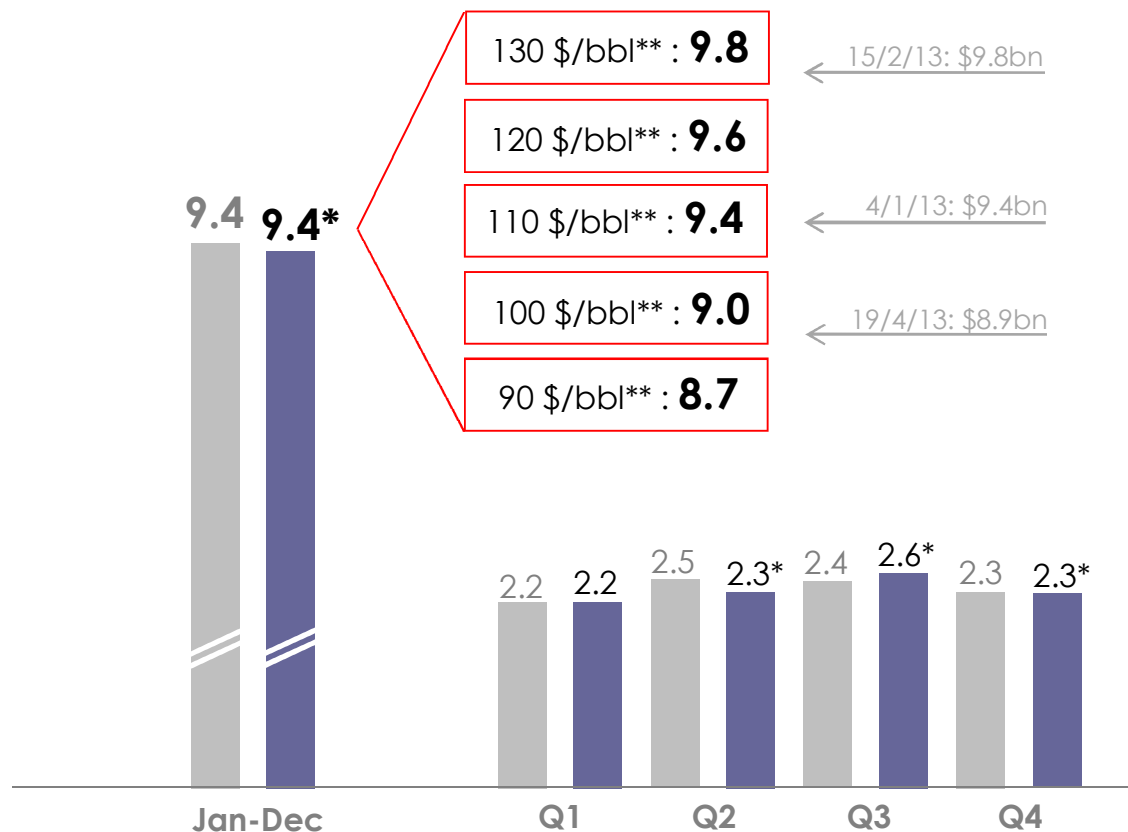
(4) Including other revenues and other income and expenses

\* Manageable external charges excluding purchasing of maintenance services and parts: -0.2%

# Update on fuel bill

Fuel bill in billion dollars  
after hedging

■ 2012  
■ 2013



Market price	Brent (\$ per bbl)*	109	113	109	108	106
	Jet fuel (\$ per metric ton)*	1,010	1,040	990	1,000	1,000
	% of consumption already hedged	71%	71%	70%	69%	74%

\* Q1 as reported + forward curve at 28 March 2013

\*\* Over May-December 2013



## 2012 net result

€m	4th quarter		Full year	
	2012	2011	2012	2011
<b>Income from current operations</b>	<b>-143</b>	<b>-202</b>	<b>-300</b>	<b>-353</b>
Non current income and expenses	-117	-23	-580	-127
<i>o/w Amadeus operation</i>	0	0	97	0
<i>o/w restructuring*</i>	-99	-5	-471	0
<i>o/w impairment of goodwill</i>	-5	-1	-173	-1
<i>o/w other</i>	-13	-17	-33	-126
<b>Income from operating activities</b>	<b>-260</b>	<b>-225</b>	<b>-880</b>	<b>-480</b>
Net cost of financial debt	-89	-98	-353	-371
Net foreign exchange	90	-28	62	-116
Change in fair value of financial assets and liabilities	4	76	62	-66
Other financial income and expenses	7	2	15	2
Income taxes	31	3	-27	245
Share of profit (losses) of associates, minority interest	-18	11	-71	-23
<b>Net income, group</b>	<b>-235</b>	<b>-259</b>	<b>-1,192</b>	<b>-809</b>

\* Including Transform 2015 restructuring charge of €421m and provision on full freighter fleet of €50m

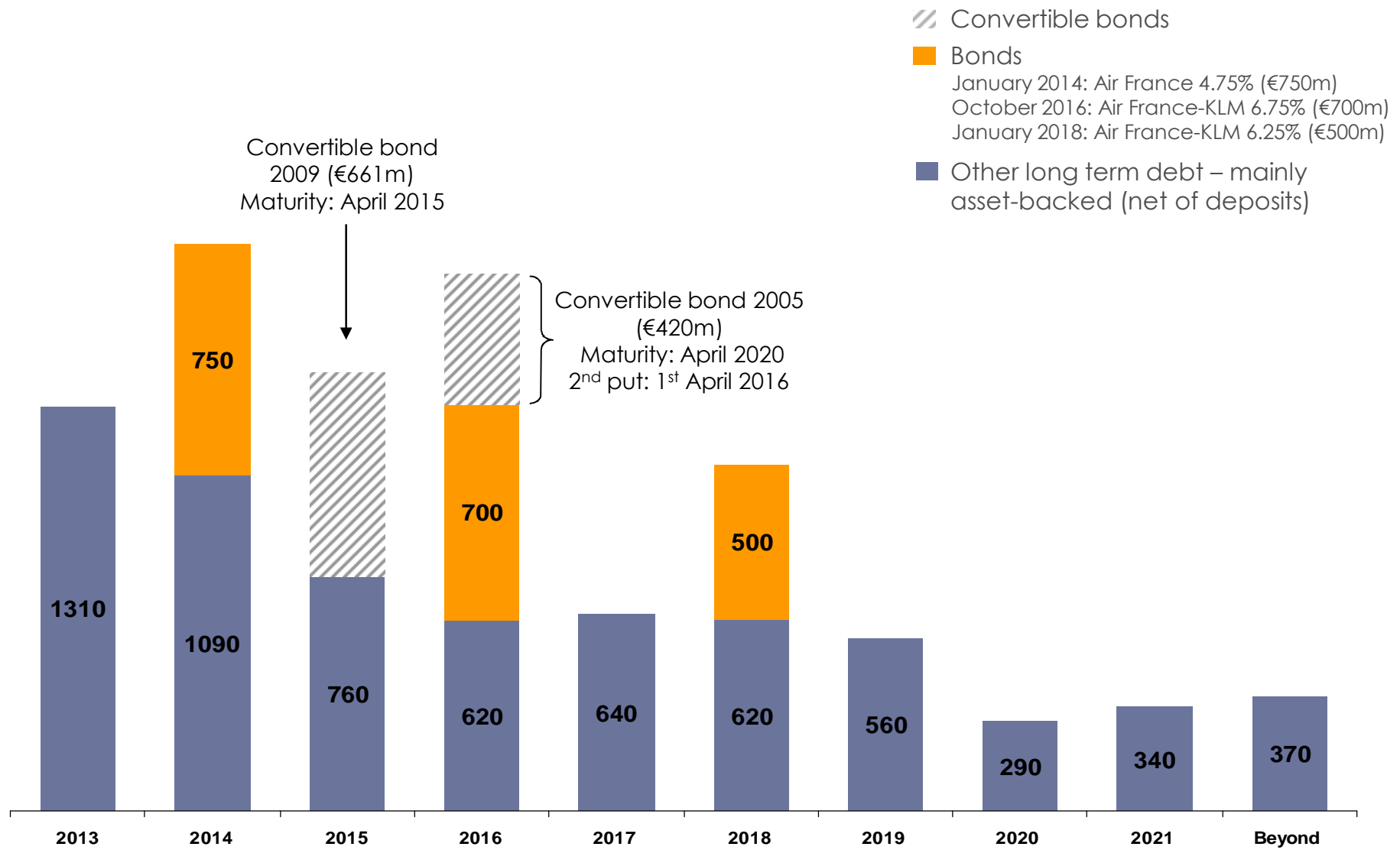
# Net debt calculation

In € millions

	31 March 2013	31 Dec. 2012
Current and non-current financial debt	11,396	10,999
Deposits linked to financial debt	(652)	(650)
Financial assets pledged (OCEANE swap)	(393)	(393)
Currency hedge on financial debt	(6)	4
Accrued interest	(106)	(112)
<b>= Financial debt</b>	<b>10,239</b>	<b>9,848</b>
Cash and cash equivalents	3,730	3,420
Marketable securities	287	328
Available cash pledges	235	235
Deposits (Triple A bonds)	153	156
Bank overdrafts	(62)	(257)
<b>= Net cash</b>	<b>4,343</b>	<b>3,882</b>
<b>Net debt</b>	<b>5,896</b>	<b>5,966</b>
Consolidated shareholders' funds	3,589	3,637*
<b>Net debt / shareholders' funds</b>	<b>1.64</b>	<b>1.64</b>
EBITDA (Last twelve months)	1,487*	1,395*
<b>Net debt / EBITDA</b>	<b>3.97</b>	<b>4.28</b>

\* 2012 pro forma IAS19R

# Debt reimbursement profile at 1<sup>st</sup> January 2013\*



\* In million euros, net of deposits on financial leases and excluding KLM perpetual debt (€600m)

# Financial position

