11 September 2014

Investor Day
Presentation of the new PERFORM 2020 strategic plan

Clear, renewed strategic framework: growth and competitiveness

Acceleration of successful operational initiatives
- Growth of the passenger hub business
- Creation of a single business unit to further optimize point-to-point operations
- New development phase in the European leisure market via Transavia
- Finalisation of cargo repositioning
- Expansion of the maintenance business

Ongoing productivity drive and financial discipline maintained across the Group

Medium-term financial targets to 2017
- EBITDAR[1] up by 8% to 10%[2] per year between 2013 and 2017
- An adjusted net debt[1]/EBITDAR[1] ratio of below 2.5 from 2017
- Targets consistent with a ROCE[1] of 9% to 11% in 2017

At today's Investor Day, Air France-KLM will unveil its new Perform 2020 strategic plan.

Perform 2020 is the successor to Transform 2015, which represented the first phase in the Group's turnaround. While maintaining the imperatives of competitiveness and the ongoing strengthening of the Group's financial position, this growth plan will focus on the following three strategic areas:

- Selective development to increase exposure to growth markets
- A product and services upgrade targeting the highest international level
- An ongoing improvement in competitiveness and efficiency within the framework of strict financial discipline

Air France-KLM's Chairman and Chief Executive Officer, Alexandre de Juniac, made the following comments:
"Transform 2015 will be completed by the year end having fully delivered on its objective of significantly improving the Group's competitiveness and delivering a €1 billion-plus reduction in costs. Perform 2020, the strategic plan we are launching today, will be supported by two main levers: growth, which we are looking to capture in a number of areas, and competitiveness combined with financial discipline which should continue to ensure firm foundations for the development of Air France-KLM. This is why the ambitious initiatives we are launching today will go hand in hand with redoubled efforts to reduce costs and restructure activities which remain loss-making. By 2020, we will have built an air transport Group focused on a leading long-haul network at the heart of global alliances, with a portfolio of unique brands, restructured short and medium-haul operations with a reinforced presence in the low cost segment in Europe, leadership positions in cargo, maintenance and catering, and a significantly improved risk profile both operationally and financially."

[1] See definition in appendix
[2] At constant currency, fuel price and pension cost

Business review

In an environment which remains challenging but with profitable growth opportunities across all the Group's markets, Air France-KLM plans to reinforce its key strengths, namely its network, its products and services, and its brands, while adjusting its portfolio of activities.

At the operational level, Perform 2020 reflects:

- The development of the **passenger hub business** based on an upgraded product offer, an increased customer focus and a stronger positioning of brands. Benefiting from the broadest long-haul network on departure from Europe, the Group will be able to continue to capture growth opportunites particularly via the reinforcement of strategic partnerships.
  The Group will maintain strict capacity discipline with growth in passenger capacity expected to be around 1% to 1.5% for the 2015-2017 period.

- The Group will continue to restructure its **point-to-point operations**, aiming at a return to operating breakeven by 2017. In addition to the full impact of the measures launched in 2013, this objective will be reached thanks to new initiatives to restructure the network and reduce costs, together with the creation of a single business unit combining HOP and the Air France point-to-point operations.

- The accelerated development of Air France-KLM in the European **leisure market,** under the Transavia brand, based on the two existing companies - Transavia France and Transavia Netherlands – and new bases to be created in other European countries. In a growth market, the Group plans to build on the results achieved within the framework of Transform 2015 to move to a more pan-European scale. By 2017, Transavia will rank amongst the leading low cost carriers in Europe, operating a fleet of 100 aircraft and carrying more than 20 million passengers. This business should contribute an additional €100 million of EBITDAR in 2017. With profitability being impacted by ongoing ramp-up costs, the Group is targeting operating profits by 2018.

- The finalisation of **cargo** repositioning: a significant reduction in the full-freighter fleet, from 14 aircraft in operation in 2013 to 5 aircraft at the end of 2016, should enable this business to return to operating breakeven in 2017 (versus a loss of €110 million in 2013 and a €200 million loss including bellies). The group will maintain a small full-freighter fleet as an important commercial lever to support its revenue premium on bellies. The Group will remain a major player in the European cargo sector thanks to its extensive belly network, but with only very limited remaining exposure (15% of capacity) to full-freighter volatility.

- The recent development of the **maintenance business** has proven successful, with increased profitability and rapid growth in the order book. The Group will pursue its growth in this segment, particularly in engines and components, including via targeted acquisitions. This business should generate an additional €50 million to €80 million of EBITDAR in 2017, depending on acquisitions.

From a financial perspective, Air France-KLM plans to pursue the reduction in its unit costs and selective capex management while adopting a disciplined approach to growth opportunities.

The Group will leverage the structured approach implemented within the framework of Transform 2015 to maintain unit cost[3] reduction at an annual rate of 1% to 1.5%. To achieve this target, the group will go beyond traditional efforts directed at reducing unit costs (e.g. reduction in external expenses, purchasing policy and renewal of the long-haul fleet). This will involve the ongoing restructuring of uncompetitive activities and implementing a systematic review of processes using benchmarking based on profit centers. It will also entail negotiating with staff on the achievement of productivity gains paving the way to growth.

A progressive increase in fleet capex will be undertaken within the framework of strict capex control. Investment will remain below its pre-2012 level. Dedicated sources of funding will be allocated to significant development opportunities to ensure control over credit ratios. For example, the first phase

[3] Unit cost per EASK, at constant currency, fuel price and pension expense

in Transavia expansion will be financed by the €339 million proceeds generated from the partial disposal of Amadeus shares on 9 September.

Medium-term financial targets to 2017

As a result of all these initiatives, Air France-KLM has set itself the following Group financial targets:

- **EBITDAR[4] up by 8% to 10%[5] per year between 2013 and 2017**
- **An adjusted net debt[4]/EBITDAR[4] ratio of below 2.5 in 2017**
- **Base businesses to consistently generate annual positive free cash flow**

These targets are consistent with a ROCE[4] of 9% to 11% in 2017.

The contributors to this Investor Day (by order of appearance) will be:

- **Alexandre de Juniac**, Chairman and Chief Executive Officer, Air France-KLM Group
- **Frédéric Gagey**, Chairman and Chief Executive Officer, Air France
- **Camiel Eurlings**, President and Chief Executive Officer, KLM
- **Bram Gräber**, Executive Vice President, Strategy-Passenger Business, Air France-KLM, appointed Executive Vice President, Transavia
- **Franck Terner**, Executive Vice President, Engineering & Maintenance
- **Pierre-François Riolacci,** Chief Financial Officer

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A live broadcast of the morning's presentations is available at www.airfranceklm-finance.com (password: ID2014AFKLM). A recording will also be available on the website as of 2pm.
The support documents for the presentations will be posted on the website at 9am.

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[4] See definition in appendix
[5] At constant currency, fuel price and pension cost

Appendix: Key financial indicators

EBITDAR

(In € million)	2013	2012*
Income/(loss) from current operations	130	(336)
Amortization	1,566	1,576
Depreciation and provisions	159	154
Operating leases	913	949
EBITDAR	**2,768**	**2,343**

** Restated for IAS19 Revised, CityJet reclassified as a discontinued operation*

Adjusted net debt and adjusted net debt/EBITDAR ratio

Adjusted net debt amounts to net debt added to the annual amount of operating leases capitalized at seven times.

Balance sheet at (In € million)	31 December 2013	31 December 2012*
Current and non-current financial debt	10,733	10,999
Deposits on aircraft under finance lease	(626)	(650)
Financial assets pledged (OCÉANE swap)	(393)	(393)
Currency hedge on financial debt	8	4
Accrued interest	(144)	(112)
Gross financial debt (A)	**9,578**	**9,848**
Cash and cash equivalents	3,684	3,420
Marketable securities	126	320
Cash pledges	432	243
Deposits (bonds)	154	156
Bank overdrafts	(166)	(257)
Net cash (B)	**4,230**	**3,882**
Net debt (A) – (B)	**5,348**	**5,966**
Operating leases x 7	6,391	6,643
Total adjusted net debt	**11,739**	**12,609**
Adjusted net debt/EBITDAR ratio	**4.2x**	**5.4x**

** Restated for IAS19 Revised, CityJet reclassified as a discontinued operation*

Return on capital employed

Return on capital employed measures the return on invested capital by expressing the adjusted income/(loss) from current operations (after the application of the tax rate recognized in the restated net result) as a percentage of capital employed.
The calculation methodology has been reviewed to be more consistent with market practices.

(In € million)	2013***	2012*
Goodwill and intangible assets	1,133	1,094
Flight equipment	9,391	10,048
Other property, plant and equipment	1,819	1,932
Investments in equity associates	177	381**
Financial assets excluding shares available for sale, marketable securities and financial deposits	128	130
Provisions excluding pension, cargo litigation and restructuring	(1,106)	(953)
Working capital excluding derivatives market value	(4,905)	(4,535)
Capital employed before operating leases	**6,637**	**8,097**
Flight equipment under operating leases (operating leases x 7)	6,391	
Average capital employed (average between opening and closing balance sheet)	**13,758**	
Average capital employed excluding Alitalia value (A) (no more equity shares at the closing date)	**13,655**	
Adjusted result from current operations	440	
- dividends received	(9)	
Share of profits (losses) of associates	(211)	
Tax recognized in the adjusted net result	(20)	
Adjusted result from current operations after integration of the tax recognized in the adjusted net result	**200**	
Adjusted result from current operations after integration of the tax recognized in the adjusted net result excluding Alitalia (B)	**401**	
ROCE (B/A)	**2.9%**	

** Restated for IAS19 Revised*
*** Including Alitalia for € 207 million*
**** Restated for IFRIC 21*