

# Three year plan 2012-2014

## Progress Report



January 12<sup>th</sup> 2012

# Three Year Plan 2012-2014

- + Capacity growth limited and investments revised down
- + Immediate cost-cutting measures
- + Transformation plan for the group



Objective

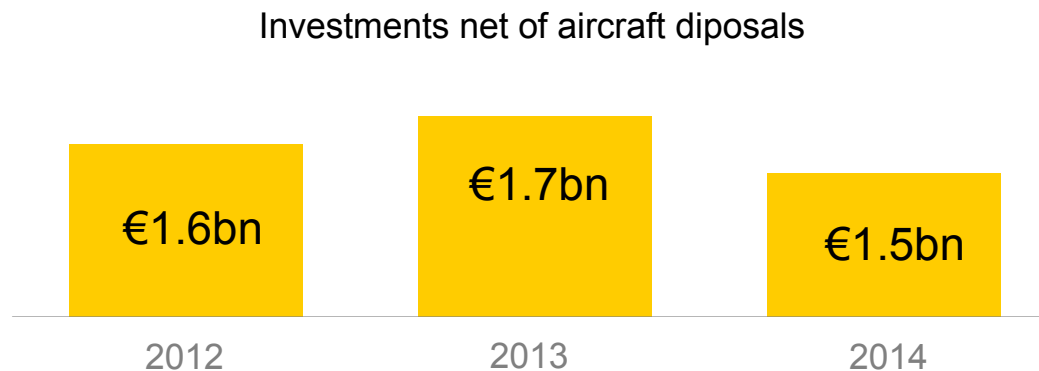
Generate free cash flow  
of two billion euros

# Capacity development over three years

- ✦ Current environment
  - ▶ Overcapacity leading to weak unit revenues
  - ▶ Ever intensifying competition
- ✦ Air France-KLM: limit capacity growth
  - ▶ Cumulative rise in capacity 5% over three years (excluding opening of provincial bases)...
  - ▶ ...with attendant reduction in investments

# Reduced investments over 2012-2014

- ✦ Reduction of the fleet out to 2014
- ✦ Medium-term fleet plan revised
- ✦ Maximum investment of €4.8bn, €1bn less than initial plan
- ✦ €700m in sale and lease backs targeted over the period



# Debt reduction of two billion euros at end December 2014

## + Current situation

- ▶ Debt of 6.5 billion euros
- ▶ Net debt/EBITDA ratio: 4.5 (sliding 12 months at 30 September 2011)

## + Objective at end December 2014

- ▶ Two billion euro reduction in net debt to 4.5 billion euros
- ▶ Net debt/EBITDA ratio: below 2

# Immediate cost-cutting measures

- + Objective: over €1bn over three years
- + Main measures
  - ▶ Payroll measures: over €500m
    - Freeze in general pay rises at Air France in 2012 and 2013
    - Wage moderation at KLM
    - Hiring freeze
  - ▶ Reduction in overhead costs: €150m
  - ▶ Productivity improvements and network adaptation: €200m

# Transformation plan

## ✦ Clear targets

- ▶ Return to break even of medium-haul within three years
- ▶ Turnaround of cargo activity
- ▶ Improvement in profitability at long-haul and maintenance

## ✦ Central driver: improve productivity

- ▶ Significant improvement targeted by 2014
- ▶ Denunciation and renegotiation of collective agreements
  - Define framework for the provisions to be negotiated in the coming weeks
  - Adapt employment rules to the new business model

# Medium-haul business

- ✦ Current situation
  - ▶ Operating loss of some €700m in 2011
- ✦ Objective: break even in 2014
  - ▶ Improve productivity
  - ▶ Restructure the network
  - ▶ Redefine the product
  - ▶ Rationalise the regional network



# Long-haul and Cargo

## + Long-haul

- ▶ Improve productivity
- ▶ Selected route closures
- ▶ Capacity increases generated solely by better utilisation
  - Stable long haul-fleet over three years
- ▶ Development remains focused on high growth markets
- ▶ Reinforce the attraction of the dual-hub
- ▶ Invest in the product

## + Cargo

- ▶ Reduction in full-freighter capacity

# Conclusion

- ✦ Ambitious but realistic objectives
- ✦ Measures will reinforce the Group's financial position and preserve the current level of liquidity
- ✦ Regular updates in order to measure progress

# Calendar

- + January 2012 : First Progress Report
- + Start of the negotiations on the new collective agreements in the coming weeks
- + March 2012: Second Progress Report
- + Summer 2012: presentation of the final transformation plan for implementation in 2012 and 2013