



2012 Investor Day



Setting the scene

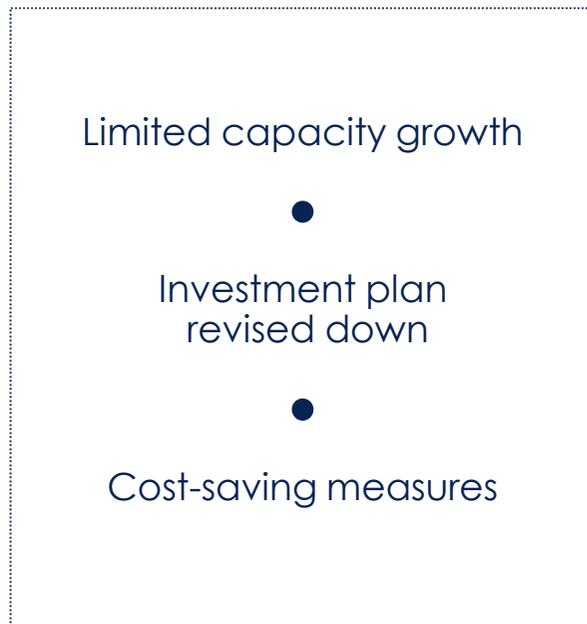
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Transform 2015

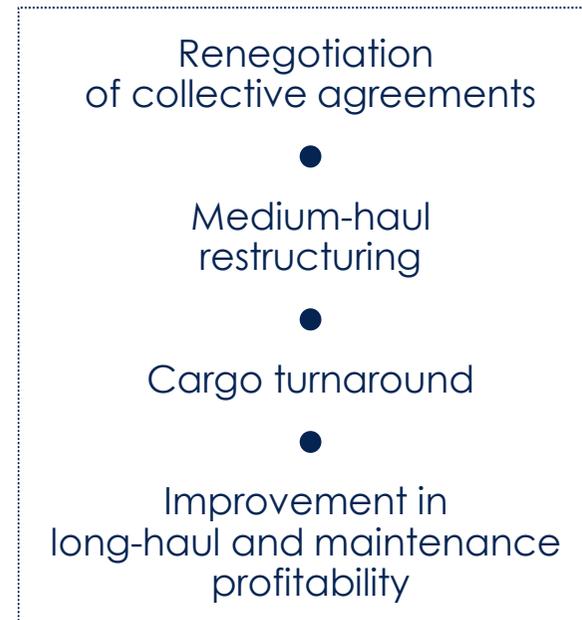
Setting targets <ul style="list-style-type: none">▶ Net debt▶ Cost reduction	January 2012
Implementing immediate measures <ul style="list-style-type: none">▶ Capacity▶ Capex▶ Cost reduction	2012 and beyond
Securing structural cost reductions <ul style="list-style-type: none">▶ New labor agreements▶ Industrial projects	From 2013
Initiating a new revenue dynamic	From 2013

Transform 2015: end 2014 objectives

Reduction in net debt: **€2bn**

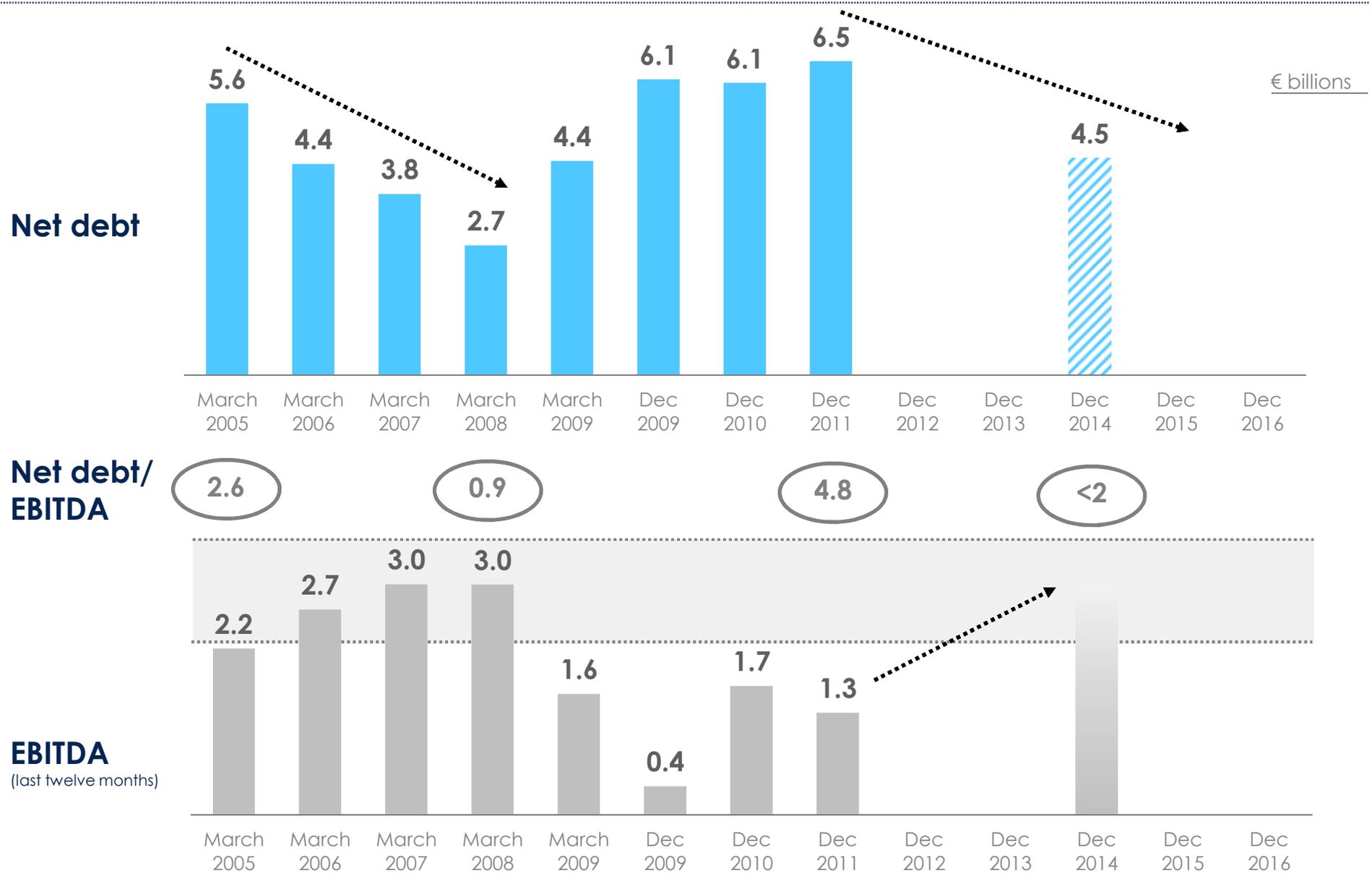


Reduction in unit costs*: **10%**



* Unit cost per EASK ex fuel

Our overarching target: deleveraging the balance sheet



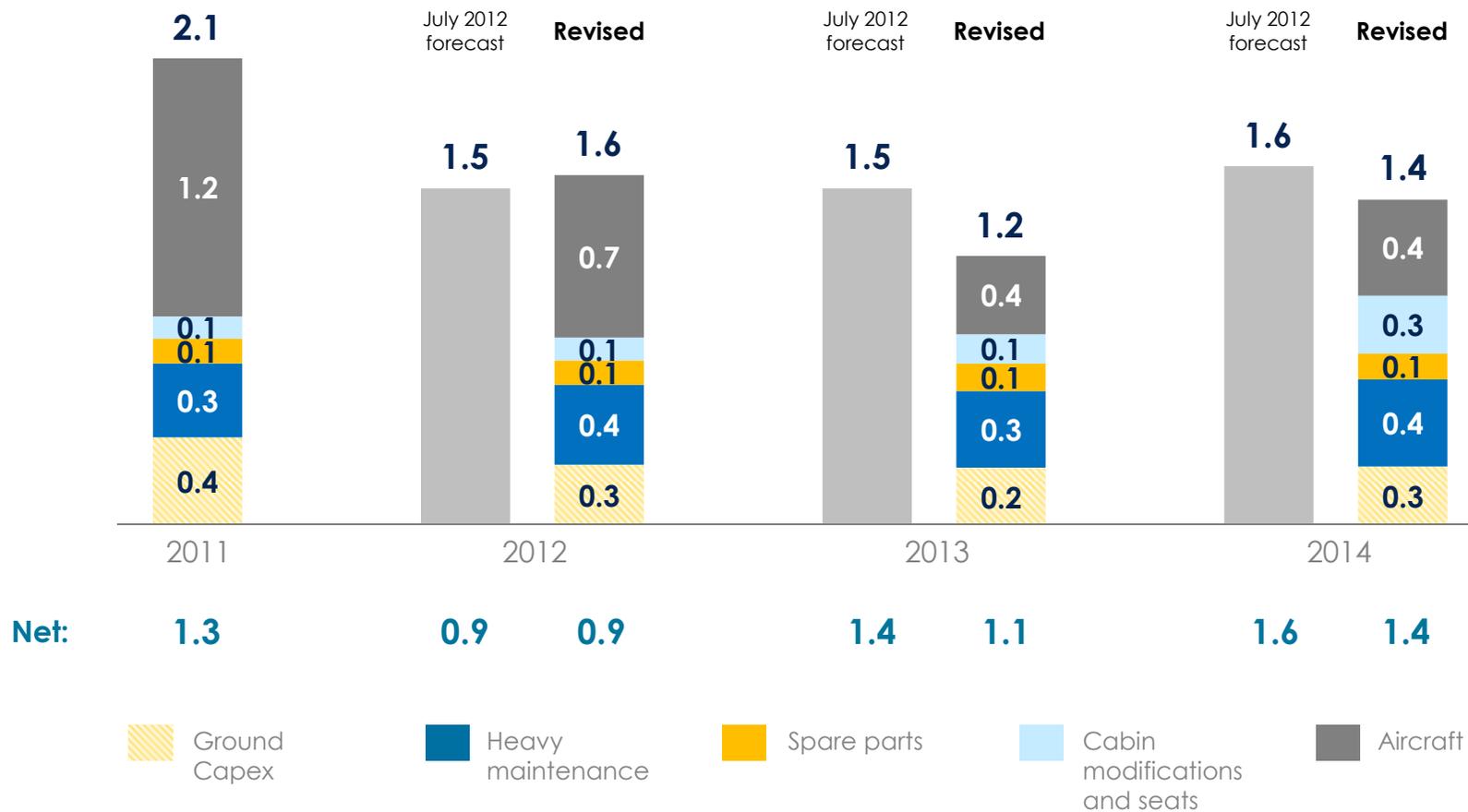
Improvement in operating cash flows the primary source of net debt reduction

- + Capex adjusted to cash generation
- + Limit sale and lease-back operations
 - ▶ Less than €100m per year planned for 2013, 2014 and beyond
- + Focus on cost reduction rather than asset disposals
 - ▶ Hedging operation on 1/3 of remaining Amadeus stake (7.5%) within framework of our risk management strategy

Capex plan further reduced

Investments*

€ billions



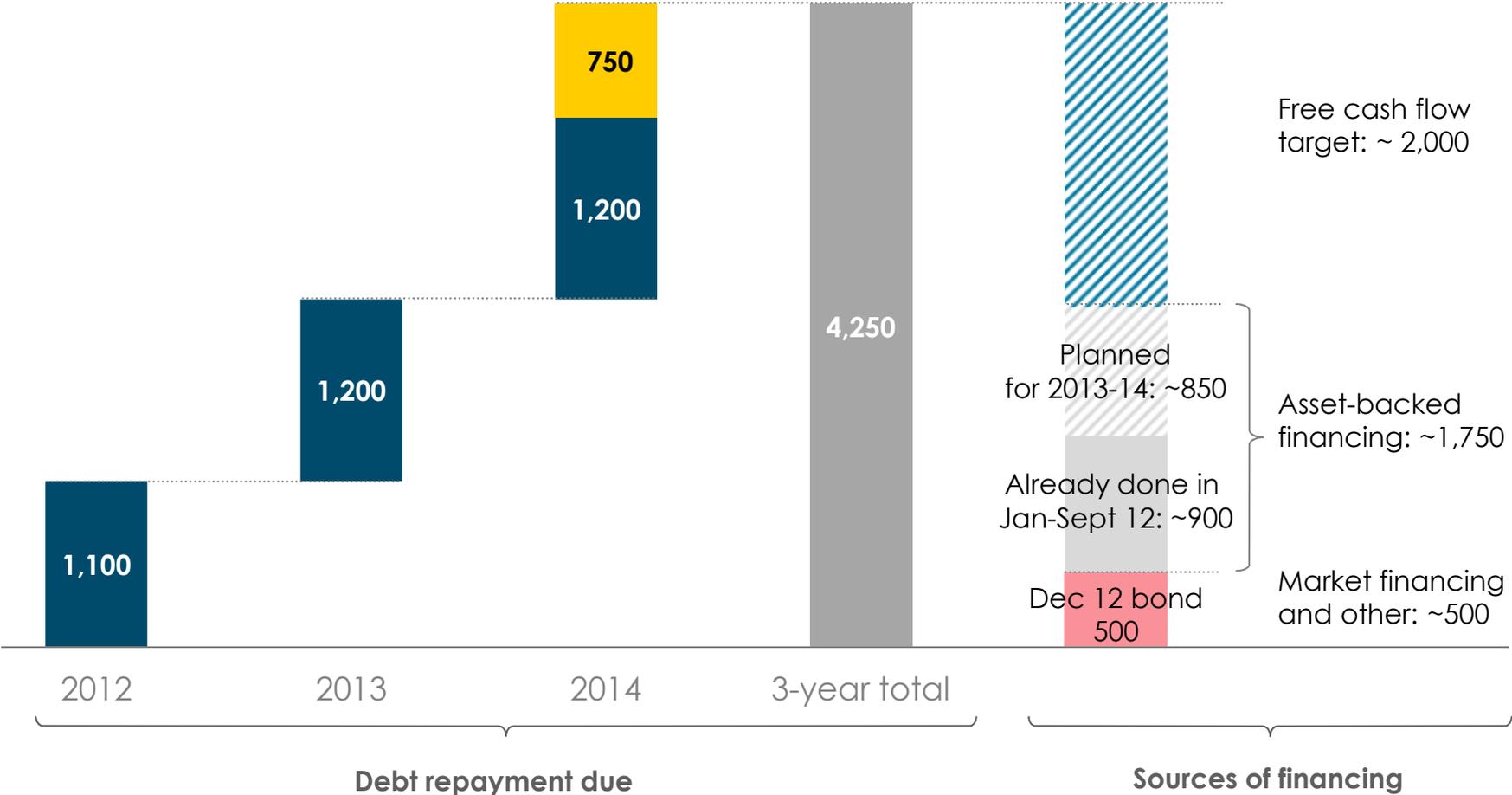
* After aircraft disposal and before sale and lease-backs

Transform 2015 focused on unit cost reduction

- + Cautious macro-economic assumptions
 - ▶ Average 2012-14 oil price: \$107
 - ▶ Ex-currency passenger unit revenue up ~1.4% per year in 2013 and 2014, reflecting capacity discipline and internal revenue initiatives
- + Focus of plan must be structural ex-fuel unit cost reduction

Three-year financing plan

€ millions



Current topics

+ Implementation of IAS19R

▶ Impact on the equity of the suppression of 10% corridor

- Negative adjustment in the opening equity as of January 1st 2013: €1.1bn estimated at the end of 2011
- Subsequent years: difference between, on the one hand, the discount rate used to value benefit obligations and plan asset, and on the other hand, the actual rate of return on plan assets

▶ Income statement

- Variation of discount rate year-on-year

+ French “competitiveness” tax credit

▶ Scope for Air France group: employee cost of ~€1.2bn in 2011

▶ Estimated income statement impact: ~€45m credit in 2013, ~€70m credit in 2014

▶ No immediate cash flow impact

+ Change in EU Emission Trading System

▶ Applied only to intra-EU operations in 2012: reduction of provision

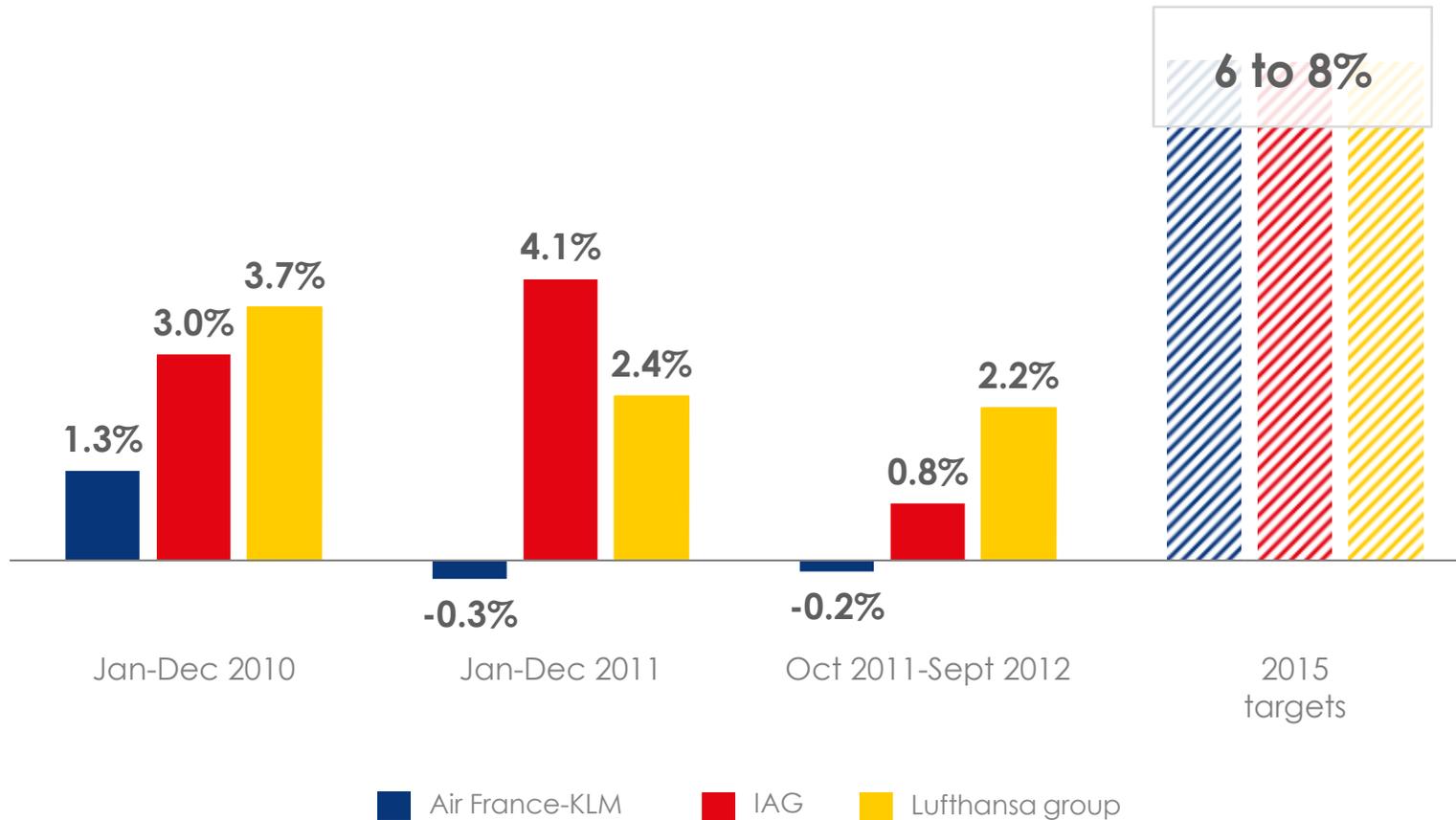
Implied end of 2014 balance sheet parameters

€ billions

	March 2006	Dec. 2011	Sept. 2012 <i>(last 12 months)</i>	Target Dec. 2014
EBITDA	2.7bn	1.3bn	1.4bn	~2.5-3bn
Net debt	4.4bn	6.5bn	6.0bn	4.5bn
Net debt/EBITDA	1.6	4.8	4.3	<2
Operating cash flow before change in WCR/net debt	~50%	5%	13%	>40%

Our aim: close the margin gap with peers by 2015

Adjusted* operating margin



* Adjusted for the share of financial costs in operating leases (34%) and differences in pension accounting
 Source: AF-KL own estimates based on published targets and consensus revenue estimates



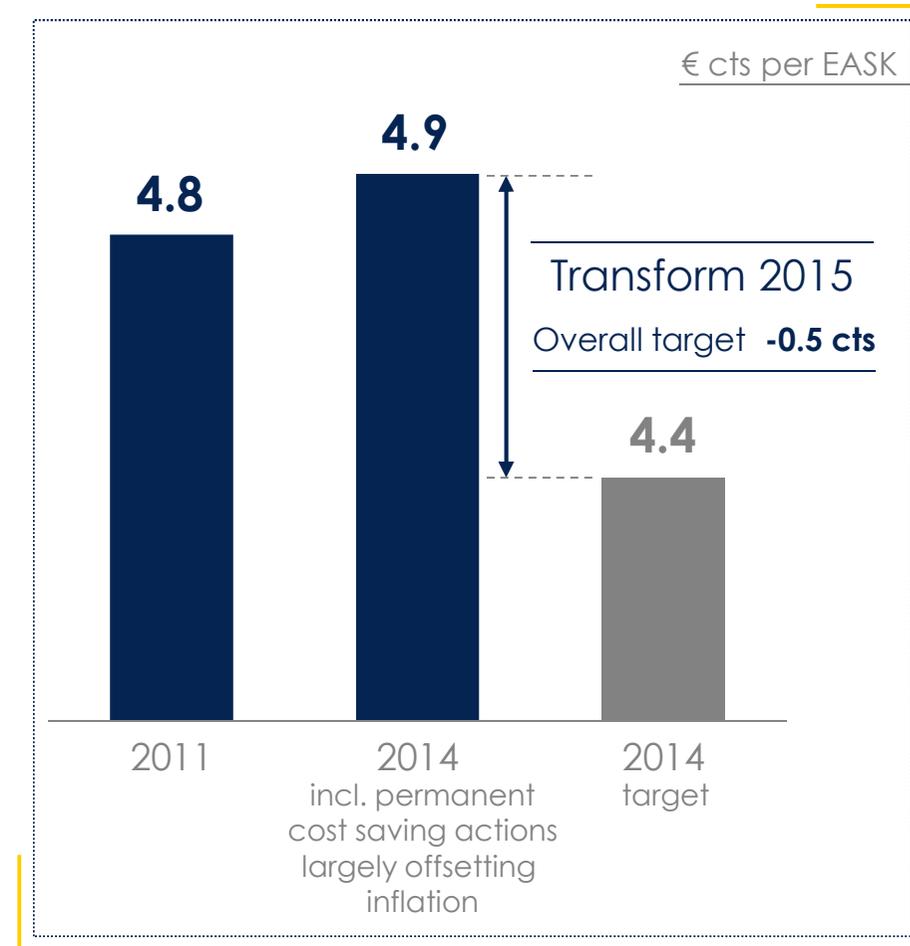
Financial review of Transform 2015

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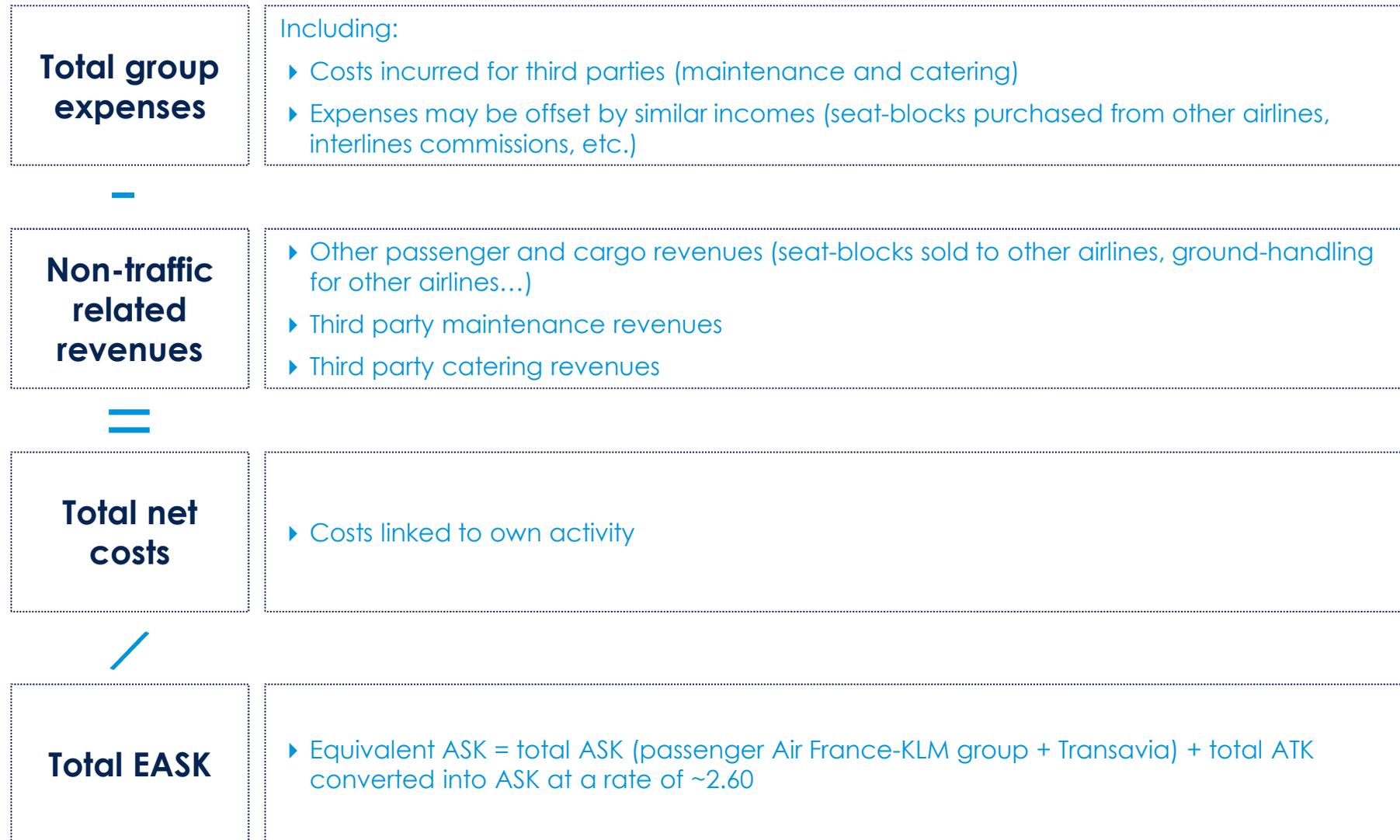
Levers implemented in each company

- + Focus on cash flow
 - ▶ Strict control of capex
 - ▶ WCR management
- + Reduction of ex-fuel costs
 - ▶ Renegotiation of labor agreements and other employee cost measures
 - ▶ Cost reduction projects launched throughout both companies

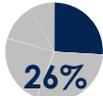
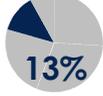
Ex-fuel unit cost



How do we define unit cost per EASK?



Cost structure

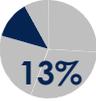
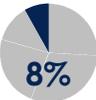
		FY 2011 € millions	Unit cost (€ cts per EASK)
 Fuel		6,438	2.0
 Employee costs		7,460	2.3
 Manageable external charges*		5,842	1.8
 Other charges linked to capacity**		3,116	0.9
 Non manageable external charges***		2,009	0.6
Non traffic-related revenues		-2,465	-0.8
Total net cost		22,251	6.8
Ex-fuel net cost		15,813	4.8

* Catering, handling charges, maintenance, commercial and distribution and other external expenses

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

*** Landing fees and en-route charges, other taxes

Limited opportunity to reduce some cost lines...

	FY 2011 € millions	Main drivers
 Fuel	6,438	Consumption, fuel price and dollar rate
 Other charges linked to capacity	3,116	
Chartering (capacity purchases)	571	Activity, network agreements
Operating lease	848	Fleet financing policy and dollar rate
Amortization, depreciation and provisions	1,697	Aircraft: 20 years Building: 20 to 50 years Equipment and tooling: 5 to 15 years Flight simulators: 10 to 20 years
 Non manageable external charges	2,009	
Landing fees and en-routes charges	1,818	Traffic, imposed price policy by providers in monopoly situation and euro rate versus other currencies
Taxes other than income tax	191	

...hence emphasis on most manageable charges

	FY 2011 € millions	Main drivers
 Employee costs	7,460	Headcount, seniority creep, general salary increases
 Manageable external charges	5,842	
Catering	577	Traffic, type of on-board service, change in outsourcing activity
Purchasing of ground handling services	1,342	Traffic, change in level of outsourcing, automation of ground processes
Purchasing of E&M services and parts	1,172	Change in level of outsourcing, AF-KL fleet activity, growth of external revenue, dollar rate
Commercial and distribution costs	847	Advertising strategy, volume of transactions through GDS, travel agent commissions, credit card fees
Other external expenses (rental charges, telecommunications costs, temps, insurance and fees...)	1,904	Overhead inflation, outsourcing policy, purchasing efficiency

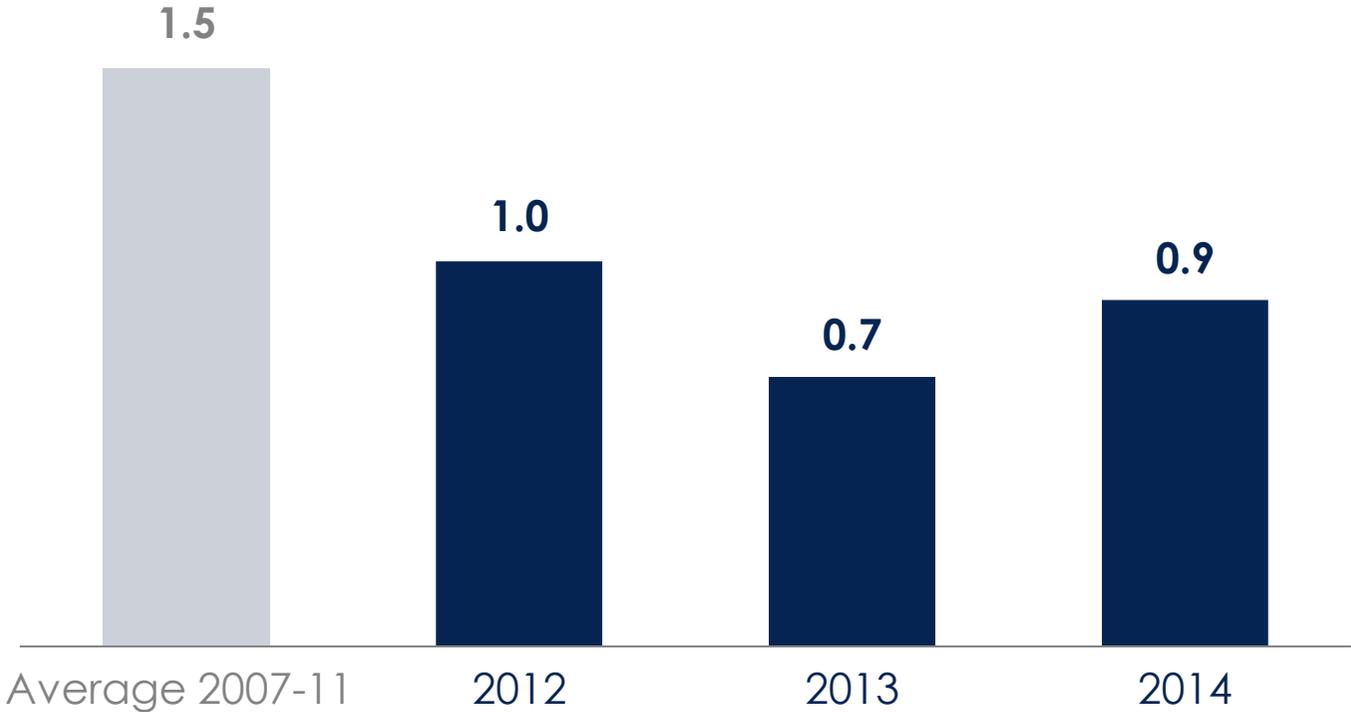


AIRFRANCE 

Strict control of investments

Air France investments*

€ billions



* After aircraft disposal and before sale and lease-backs

Focus on working capital

- + Seasonality leads Air France WCR to vary between **-€1.9bn** and **-€2.9bn** throughout the year
- + WCR management initiatives in 2012:

Optimization of inventories	30m
Acceleration of receivables	30m
Factoring programs (BSP, CASS, clearing)	85m*
Vendor payment terms	5m
Total	150m

* After 90m in 2011

Reduction of medium-haul fleet reduces leverage

- + Medium-haul fleet: reduction of 19 aircraft
 - ▶ From 146 at Summer 2012 to 127 at Summer 2014
 - ▶ No cost thanks to flexibility policy
- + Regional fleet: reduction of 32 aircraft
 - ▶ From 150* at Summer 2012 to 118 at Summer 2014
 - ▶ €20m impairment already recorded at Q2, some additional impairment to expect by end 2012
- + Savings on operating and ownership costs

* Including 23 aircraft operated by Airlinair to be integrated in regional business activity

Ground staff: renegotiation of labor agreements

- + New agreement focused on increase in average time worked and flexibility
 - ▶ Effective January 2013
 - ▶ Annual number of working days/“days on” increased by 10 to 12 (5.5%)
 - ▶ Applicable to 49,000 FTEs based in France
- + Wage moderation
 - ▶ Two years of salary freeze and reduction of individual measures
- + Voluntary departure plan of 2,700 FTEs* launched in November
 - ▶ 3,400 employees have already expressed interest
 - ▶ First wave: 735 departures, with first leavers by year end 2012

* After 300 departures before start of plan

Cockpit crew: agreement focused on productivity

- + New agreement focused on productivity and wage moderation
 - ▶ Freeze of general salary increase for 2012 and 2013
 - ▶ Freeze of individual promotions for 2012, 2013 and 2014
 - ▶ Applicable to 4,000 cockpit crew
- + Measures to address overstaffing implemented as of November
 - ▶ Voluntary Retirement Plan: contact with 212 pilots at end of November
 - ▶ Temporary move to Transavia
 - ▶ Temporary unpaid leave

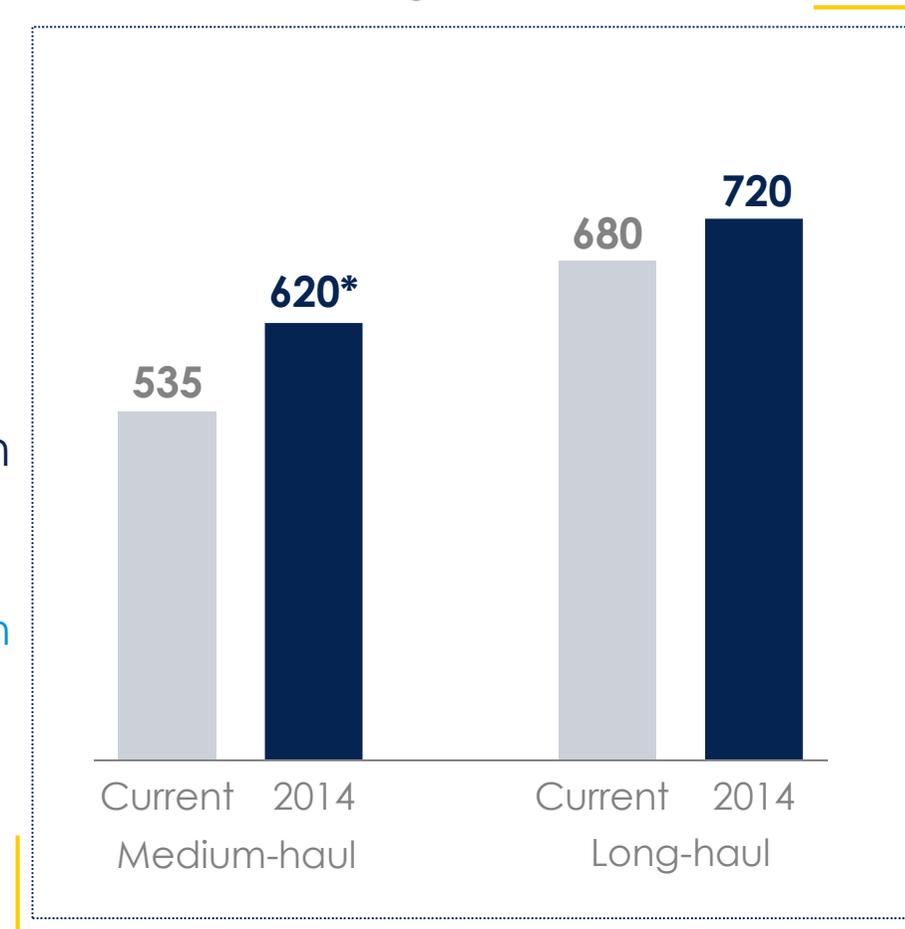


* 715 hours in the provincial bases

Cabin crew: new working conditions as of April 1st, 2013

- + Changes to crew composition
 - ▶ Medium-haul: at legal minimum since April 2012
 - ▶ Long-haul
 - Already adjusted in First Class and on Caribbean/Indian Ocean routes
 - Further reduction planned at end 2013
- + Project agreement negotiated with unions, focused on productivity and wage moderation
 - ▶ Rejected by Unions, but application of new working conditions as of April 2013
 - ▶ Applicable to 15,000 cabin crew
- + Overstaffing currently addressed through natural attrition and broader access to part time

Annual cabin crew flight hours



* 640 hours in the provincial bases

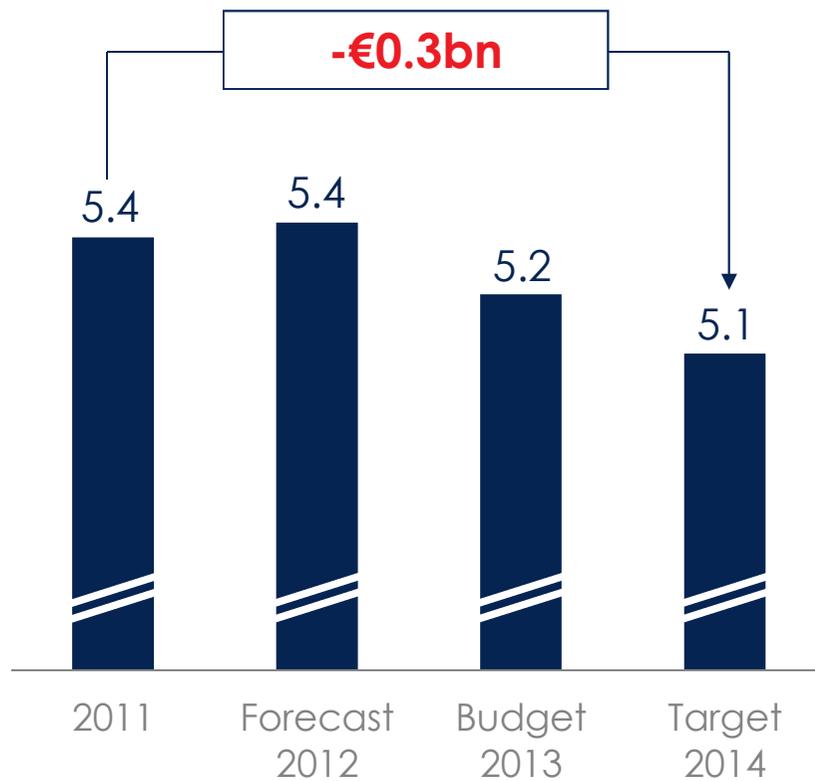
Update on Air France subsidiaries

- + Restructuring of French regional airlines
 - ▶ 2,800 employees, 3,200 including Airlinair
 - ▶ Return to profitability by 2015
 - ▶ 15% reduction in ACMI charge to Air France
 - ▶ Labor negotiations ongoing

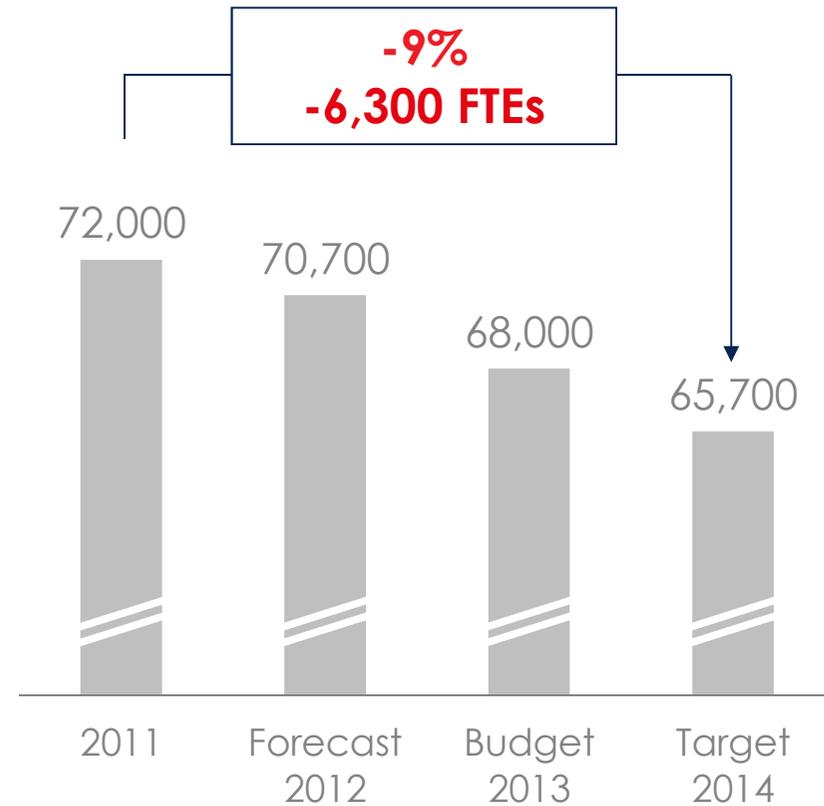
- + Servair
 - ▶ 9,300 employees
 - ▶ Ongoing negotiations with 15% cost reduction target
 - ▶ First presentation of new industrial plan made to Works Council in October

Reduction in both headcount and employee cost

Air France group employee cost
incl. temporary staff



Air France group headcount
incl. temporary staff (Full Time Equivalent)



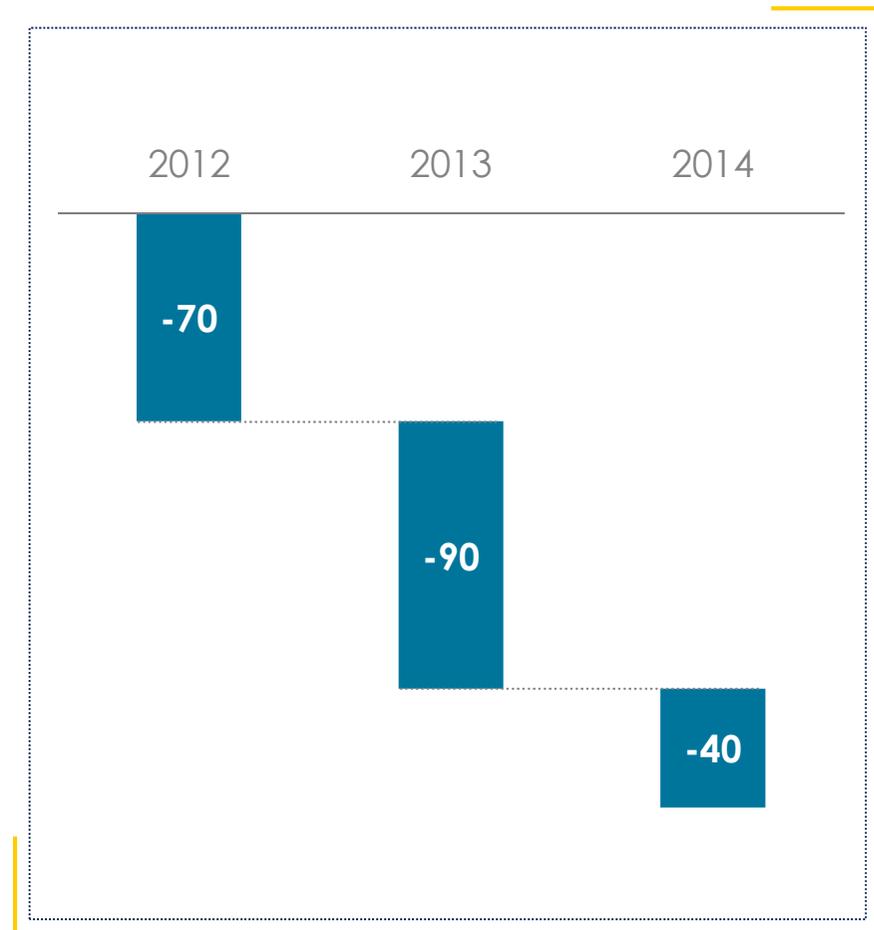
Evolution of productivity
2014 vs 2011 (EASK per FTE)

+15%

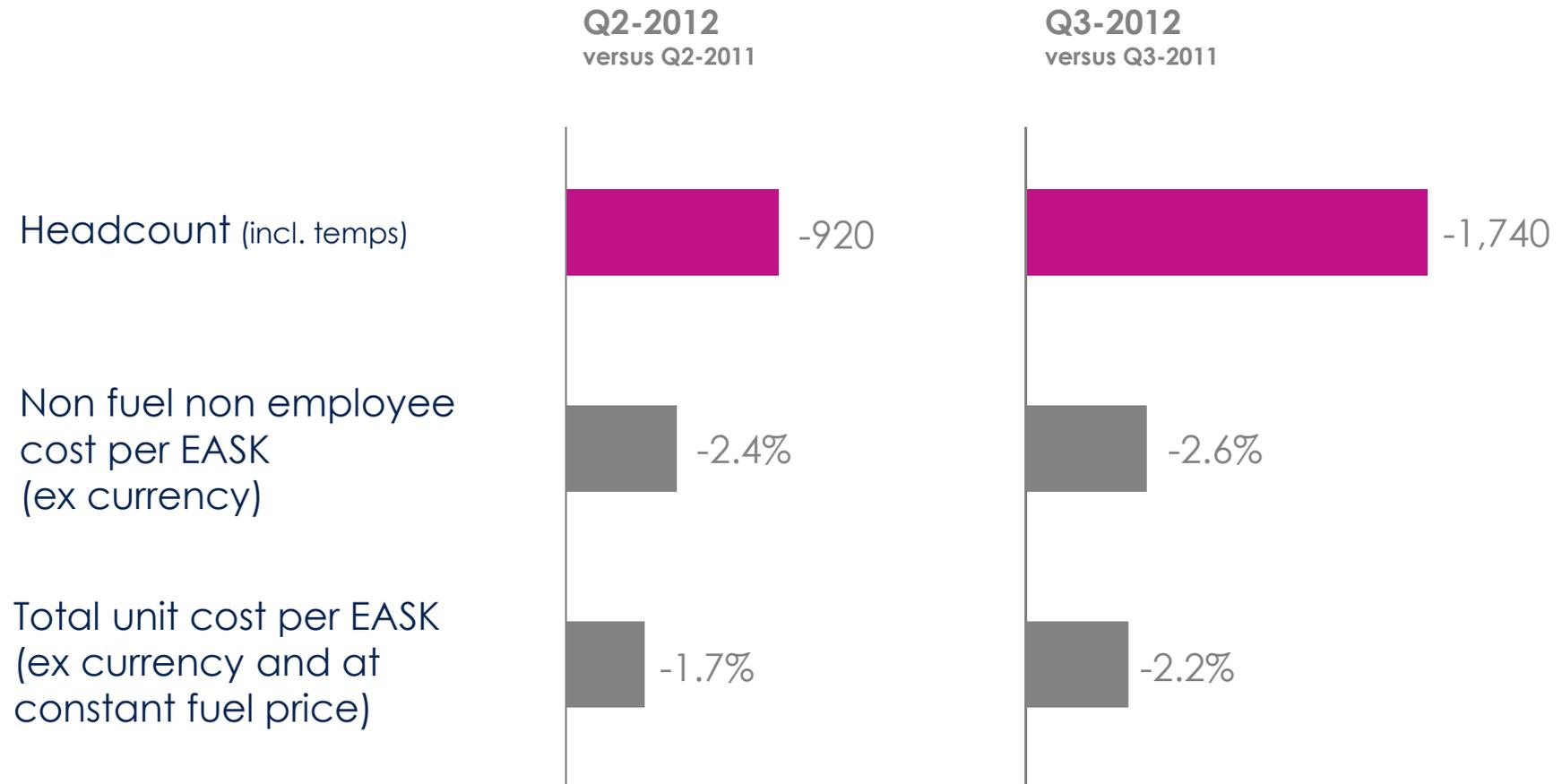
Selected initiatives: savings on manageable purchases

- + Air France manageable purchases: €2.8bn in 2011
- + Examples of initiatives:
 - ▶ Renegotiation of advertising contracts: €11m, -22%
 - ▶ Redesigned logistics of in-flight headphones: €1m, -18%
 - ▶ Optimization of luggage logistics at CDG and renegotiation of contracts: €20m, -17%

Air France cost reduction on manageable purchases versus 2011: €200m by 2014



Impact of measures visible in 2012

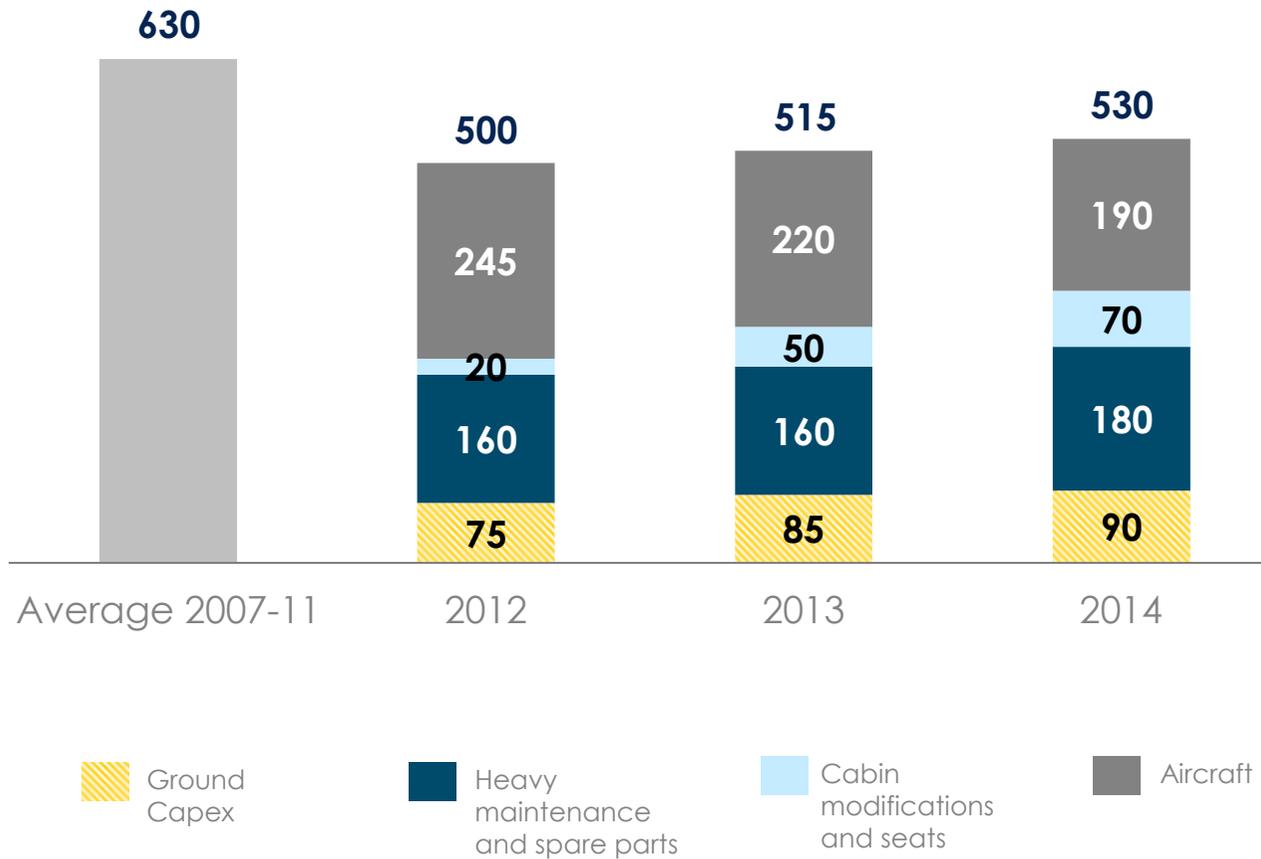




Stricly controlled investments

KLM investments*

€ millions



* After aircraft disposal and before sale and lease-backs

2014: stable fleet, with focus on renewal

	# of units		Planned fleet changes		
Long Haul	Summer 2011: 68 Summer 2014: 66		Phased out: <ul style="list-style-type: none"> ▪ B767-300 Start phase out: <ul style="list-style-type: none"> ▪ MD 11 	Phased in: <ul style="list-style-type: none"> ▪ B777-300 ▪ B777-200 ▪ A330-300 ▪ A330-200 	 
Medium Haul	Summer 2011: 47 Summer 2014: 48		Phased out: <ul style="list-style-type: none"> ▪ B737-300 ▪ B737-400 	Phased in: <ul style="list-style-type: none"> ▪ B737-700 ▪ B737-800 ▪ B737-900 	
Regional	Summer 2011: 48 Summer 2014: 48	 	Phased out: <ul style="list-style-type: none"> ▪ Fokker 100 ▪ Fokker 50 	Phased in: <ul style="list-style-type: none"> ▪ Embraer 190 	
Total	Summer 2011: 163 Summer 2014: 162				

Focus on working capital

- + KLM WCR varies between **-€1.5bn** and **-€1.8bn** throughout the year (less seasonality than Air France)

- + WCR management initiatives in 2012:

Improved vendor payment terms	65m
Optimization of inventories	20m
Acceleration of receivables	30m
Advance ticket sales	100m
Other working capital	35m
Total	250m

Update on collective labour negotiations

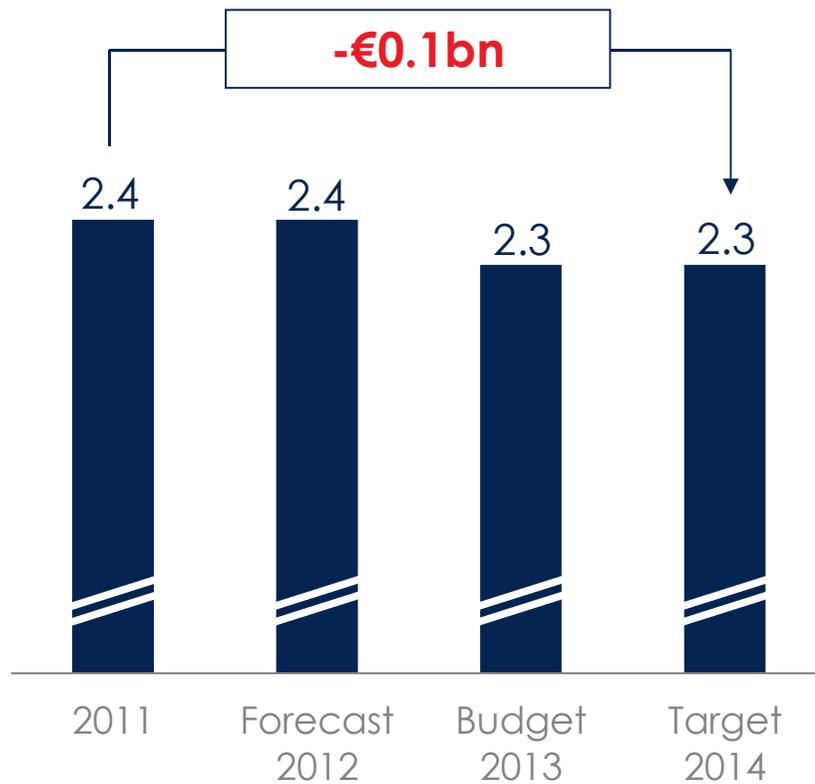
- + Status of CLA negotiations
 - ▶ Agreement with ground staff and cabin crew unions
 - ▶ Negotiations with cockpit crew union ongoing

- + Highlights of CLA
 - ▶ CLA period: 1st October 2011 until 1st January 2015
 - ▶ Zero general salary increase in 2013 and 2014
 - ▶ Reduction of leave days
 - ▶ New wage structure for cabin crew
 - ▶ Mandatory mobility measures for ground staff

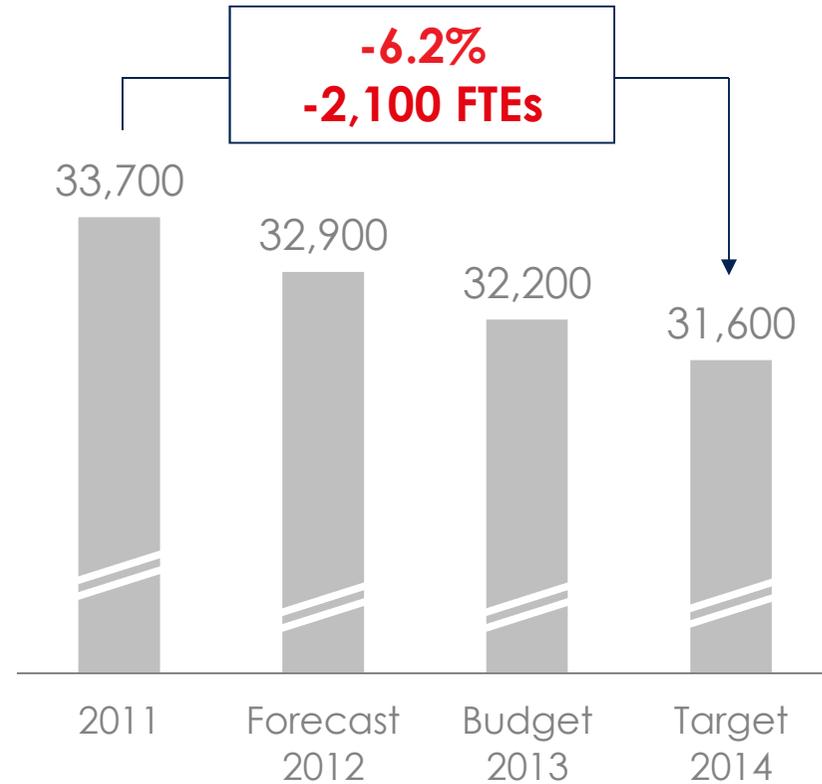
- + Furthermore
 - ▶ 1,230 FTE staff reduction achieved in 2012 without cash-out incentives
 - ▶ More efficient rostering of staff including pilots with new rostering method
 - ▶ Adjustment of duty travel policy
 - ▶ First phase of pension reform for ground staff finalized

Reduction in both headcount and employee cost

KLM employee cost
incl. temporary staff (at constant pension cost)



KLM headcount
incl. temporary staff (Full Time Equivalent)



Evolution of productivity
2014 vs 2011 (EASK per FTE)

+12%

Implementation of Transform 2015 driven through over 150 initiatives

+ Selected initiatives

- ▶ Passenger operations: increased seating density, optimization of fleet
- ▶ Cargo: reduction of freighter fleet
- ▶ Maintenance: internal mobility
- ▶ Cash committee

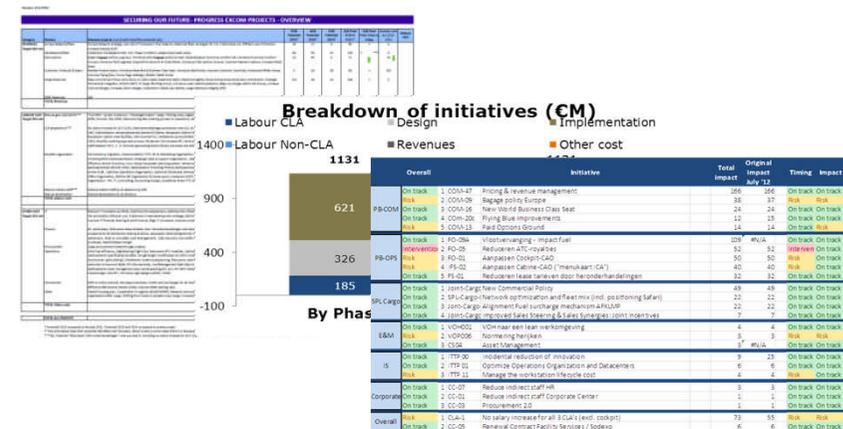
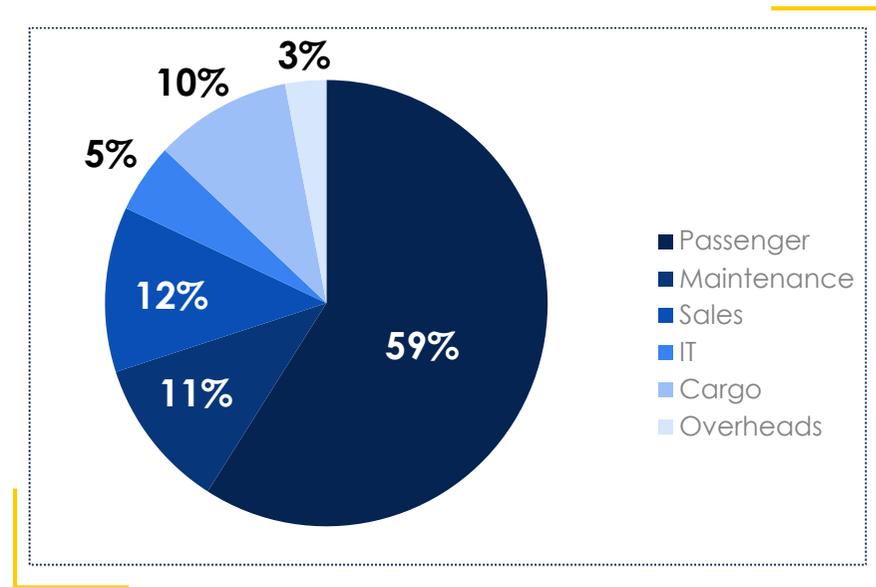
+ Monitoring process in place

- ▶ Unit revenue & unit cost analyses
- ▶ Staff costs/Staff costs per FTE
- ▶ P&L versus Transform analyses
- ▶ Internal tool to report on progress

+ Central project management office supporting Transform 2015 implementation

- ▶ Monthly review meetings with Businesses
- ▶ Monthly report to Executive Committee

Distribution of KLM Transform 2015 initiatives per area



Selected initiatives (1/2)

Passenger

Initiative

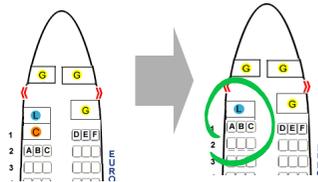
Concrete achievements

Optimization of fleet



- Already 4 of 10 MD-11 phased out before end of 2012
- Full phase-out of MD11 to be completed by end Summer 2014
- F100 phased-out completed, aircraft sold

Increased density & Economy Comfort Europe



- Coat room removed from all B737-800s and -700s (-900s follow end 2012), creating 3 more seats
- Economy Comfort Europe introduced at 1st October 2012

Reduced turnaround times

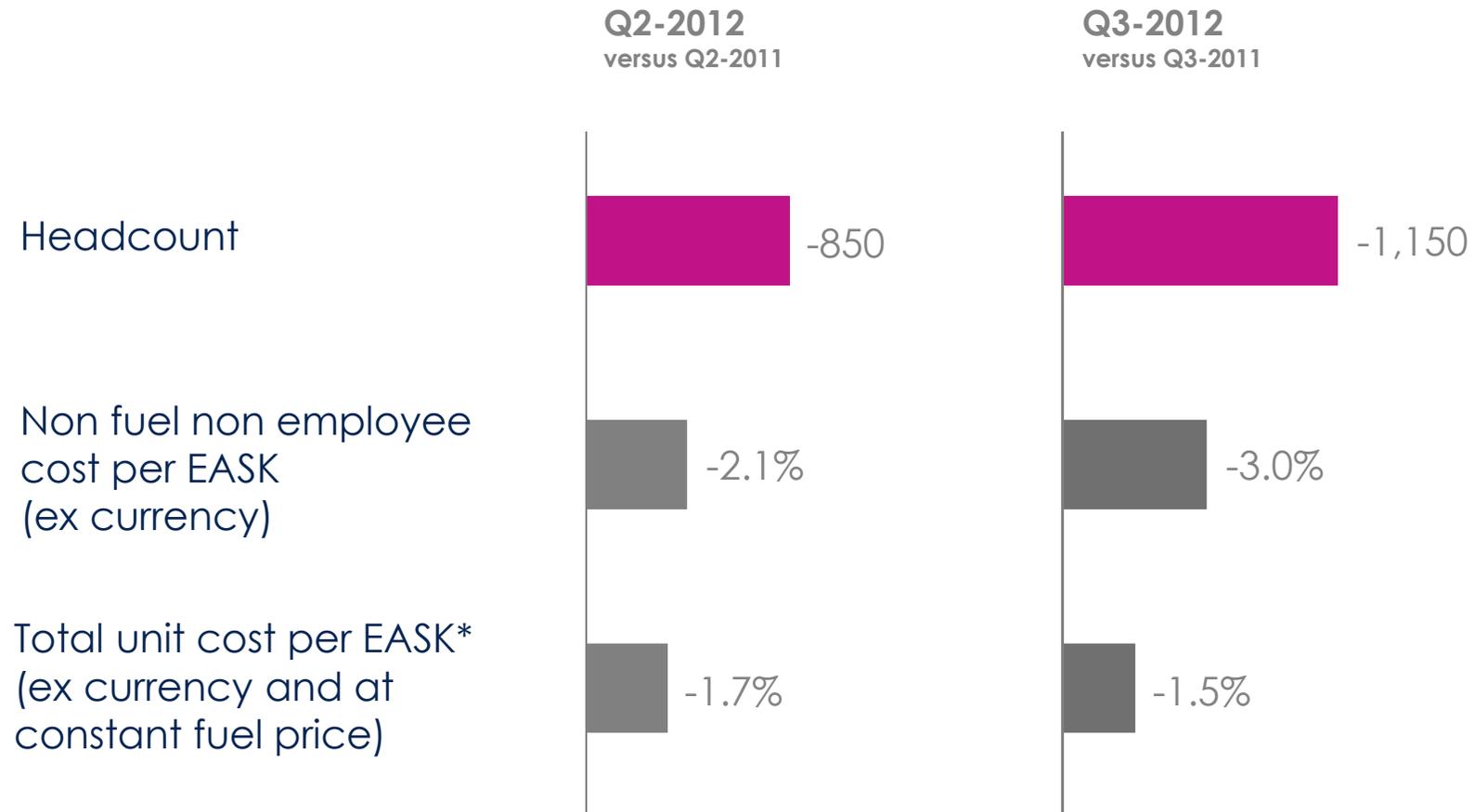


- Minimum turnaround time E190 reduced from 50 to 35 minutes (pilot Sept 2012; implement Winter 2012)
- Similar initiative for B737 in progress

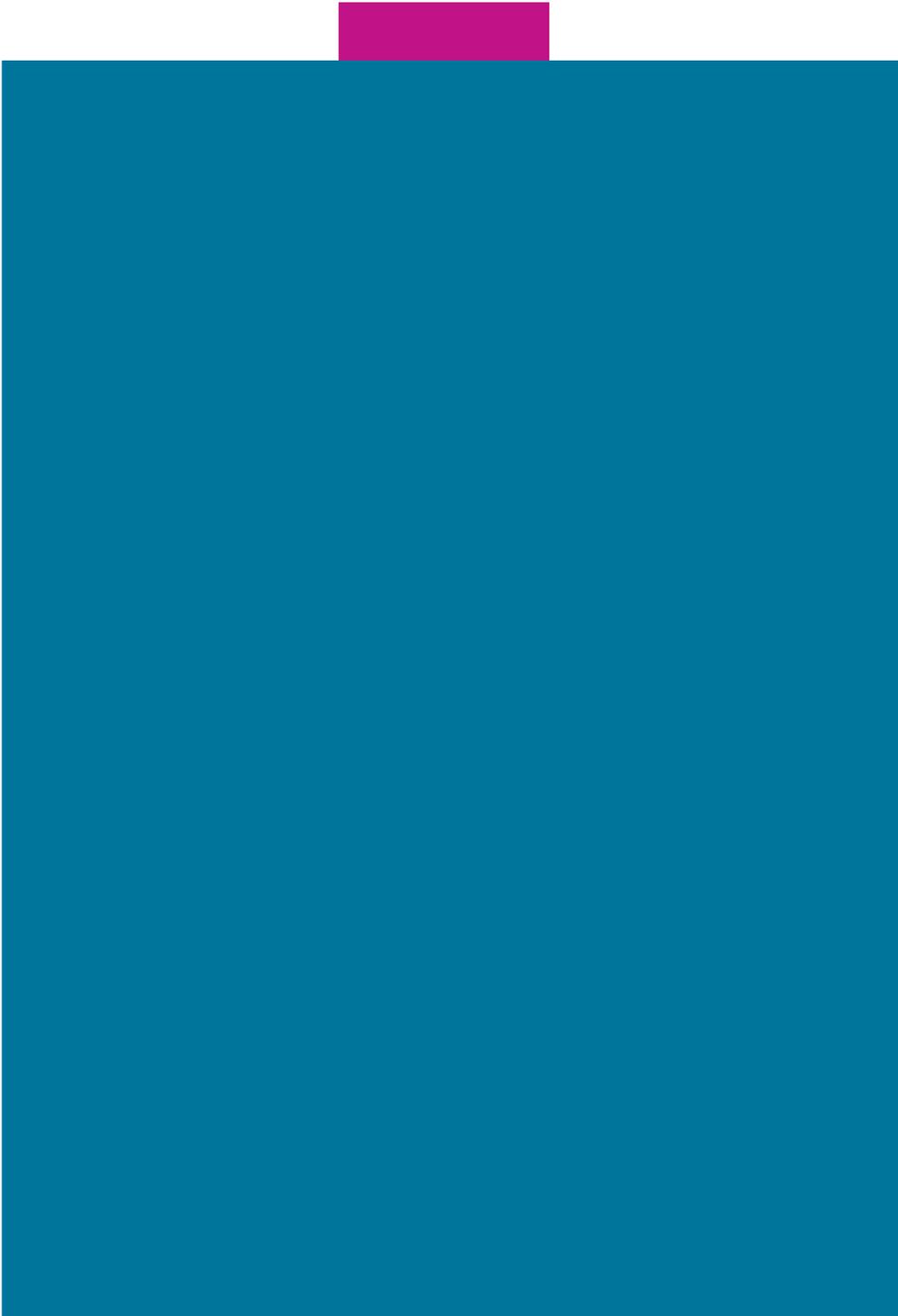
Selected initiatives (2/2)

	Initiative	Concrete achievements
Cargo	Reduction of freighter fleet 	<ul style="list-style-type: none">• 1 B747 returned to lessor (Nov '12)• 1 MD11 to be returned to lessor (Q1 '13)• 1 B747 no longer scheduled in network and available for sublease• Extended lifetime owned full freighters to 25 years
	Cargo housing plan 	<ul style="list-style-type: none">• Integration of KLM Cargo management into Transport building (with Martinair)
E&M	Internal mobility 	<ul style="list-style-type: none">• Internal mobility agreement with the Works Council• FTE reduction: already ~100 FTEs less than last year

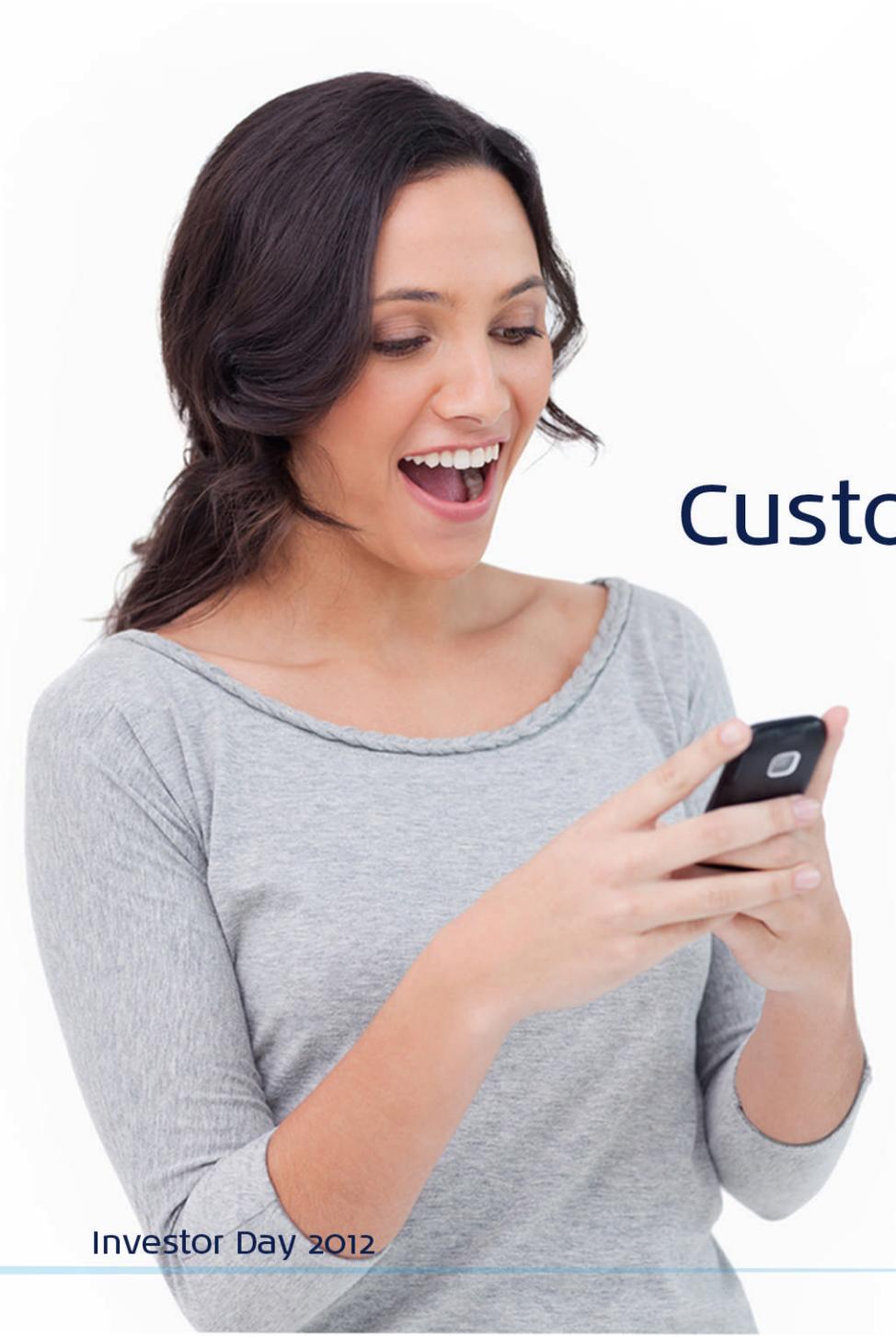
Impact of measures visible in 2012



* At constant pension cost



Customer
experience ●



Air France KLM Customer Experience

Christian Herzog
Marjan Rintel

Investor Day 2012

AIRFRANCE **KLM**

Agenda

1. Market trends and customer expectations

2. Key topics:

- ▶ Ground experience
- ▶ Flight experience
- ▶ Digital experience
- ▶ Frequent Flyer experience
- ▶ Paid options



Customer Trends



Emerged
Creating opportunities

**CUSTOMIZE
YOUR
DOCKSIDES**



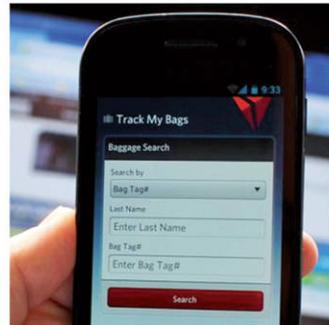
mykear
REDEFINE YOUR RIDE



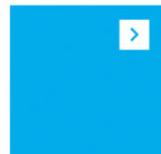
Younique
Effortlessly Customize



Right here, right now
Access Information



Eco
More Sustainability

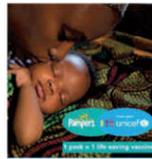
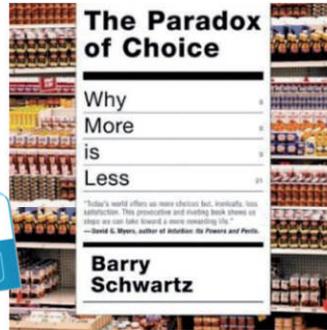


**Reduce
Your
Carbon
Footprint**



Customer Trends

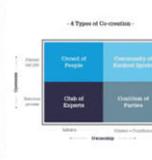
Seamless
Make things easier



Human
Transparency & Honesty



Known
Knowledge is power



Joyning
Active collaboration



Customer expectations

- ▶ Choice and control (A la Carte)
- ▶ Recognition (VIP) and attention (clusters / segmentation)
- ▶ Mobile & digital solutions
- ▶ Value for money whatever the travel motives
- ▶ Brand experience
- ▶ New distribution channels (travel metasearch)
- ▶ Recovery





Ground experience

Ground experience

Consistent ground experience with our SkyTeam partners in order to implement long term loyalty with high value customers

- ▶ Introduction  to offer best service for premium customers
- ▶ Priority at different touchpoints
- ▶ 1000 airports worldwide with same process and signage, today deployed in more than 900 airports



Check-in



Security & passport control



Boarding

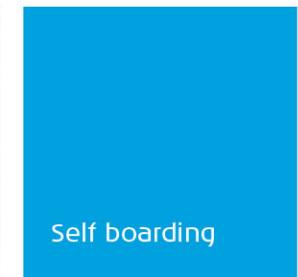
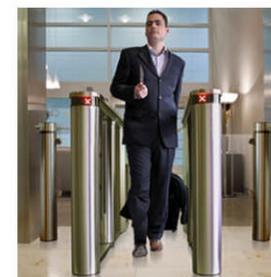
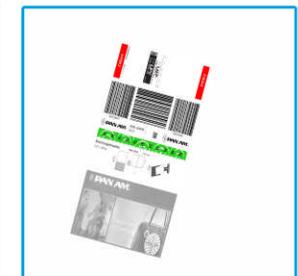


Baggage delivery

Ground experience

Offer self-services for more autonomy and fluidity, cut costs

- ▶ Focus on 2 main processes: baggage and boarding .
- ▶ Speed up the implementation to accelerate cost savings.



Ground experience

Improve our customers' experience, attract more international traffic strengthening the leading European connecting Paris CDG hub

June - December 2012 :

Reorganization of Air France's operations with new infrastructures and a concentration of the CDG hub :

June 2012 :

Opening of a new boarding satellite at CDG (Hall M)

- ▶ 2 new boarding piers: a range of new, innovative services
- ▶ Accommodate up to 7,8 mn passengers per year
- ▶ Over 95% of gate-parked aircraft ->a significant increase

June 2012 :

Opening of Air France's largest lounge in Hall M

- ▶ A new architectural concept developed around relaxation and well-being
- ▶ An enhanced catering offer (hot dishes, greater choice)

September 2012 :

Grouping Air France operated flights at fewer terminals

December 2012 :

Faster and more convenient connecting channels

- ▶ The average connecting time is decreased by 6 min and by as much as 10 min for one-stop screening customers.
- ▶ Over 85% of customers travelling to/from the Schengen area benefit from one-stop screening.





Flight experience

Flight experience Medium Haul

Improve profitability for the company
and travel experience for premium customers

Air France

- ▶ Improved inflight catering for Business and Premium Economy Class (deployed in October 2012)
- ▶ More attractive pricing grid
- ▶ New option Seat Plus (launch 1st quarter 2013)



KLM

- ▶ Future KLM European Offer: 'Choice & Control'
- ▶ Successfully introduced European Business Class
- ▶ Introduction Economy Comfort



Flight experience Long Haul Air France

Reposition products and services at the top level in our industry

▶ Reposition products and services at the top level of the industry

Achieved in 2012 :

▶ **New “Full sleep” Business class seat**

62% of long haul fleet equipped, high customer appreciation

▶ **Premium Economy cabin roll out**

long-haul fleet equipped, almost 100 mn € more revenue versus previous equipment

▶ **To come :**

Redesigned Business and La Première cabins on Boeing 777 fleet

LA PREMIERE “Feel at home” concept

BUSINESS “FFF” concept : full flat, full access, full privacy

Investment : several hundred mn €

Deployment period : 2014 - 2016

Flight Experience

- ▶ Long Haul product investment KLM

- ▶ Introduction Dutch designers

- Marcel Wanders
- Hella Jongerius
- Mart Visser
- Viktor & Rolf

- ▶ KLM upgrade 747-400 (start 2013) & 777-200 (start 2014)

- 'Feel at home' concept
- Full flat bed and new WBC interior
- New IFE system (bigger screens, superior image quality, touch screens, advanced handsets, ipad like navigation)
- New Economy Class and Economy Comfort seats



- ▶ Introduction iPad on board

- Better serve customers with real-time information





Digital experience

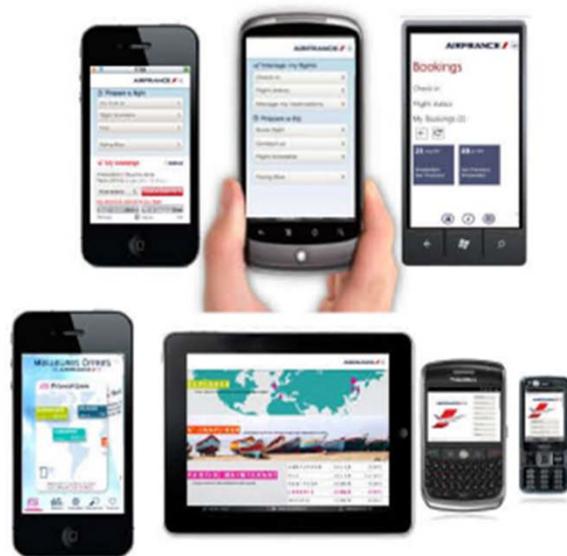
Digital experience

Mobile as a personal travel assistant -
accompany our customers before,
during and after their travel



Investor Day 2012

- ▶ Pro-actively inform customers in case of irregularities via sms or e-mails
- ▶ Air France KLM Connect: a major competitive advantage
- ▶ Air France and KLM leader for mobile services all along the journey



- ▶ Offer all services in a mobile-optimized way
- Mobile site + Hybrid Apps for Apple, Android and Windows



Innovate with exclusive "mobile" services

Digital experience

Innovate with exclusive "mobile" services

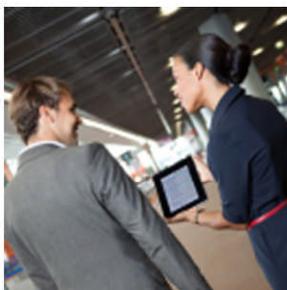


- ▶ Offer digital press on customers' personal mobile and tablet

Launch in March 2013.

Full deployment end of 2013.

Enrich the offer for the customer and reduce cost



- ▶ Equip airport floorwalkers with mobile assistance tools

to improve customer information and push sales

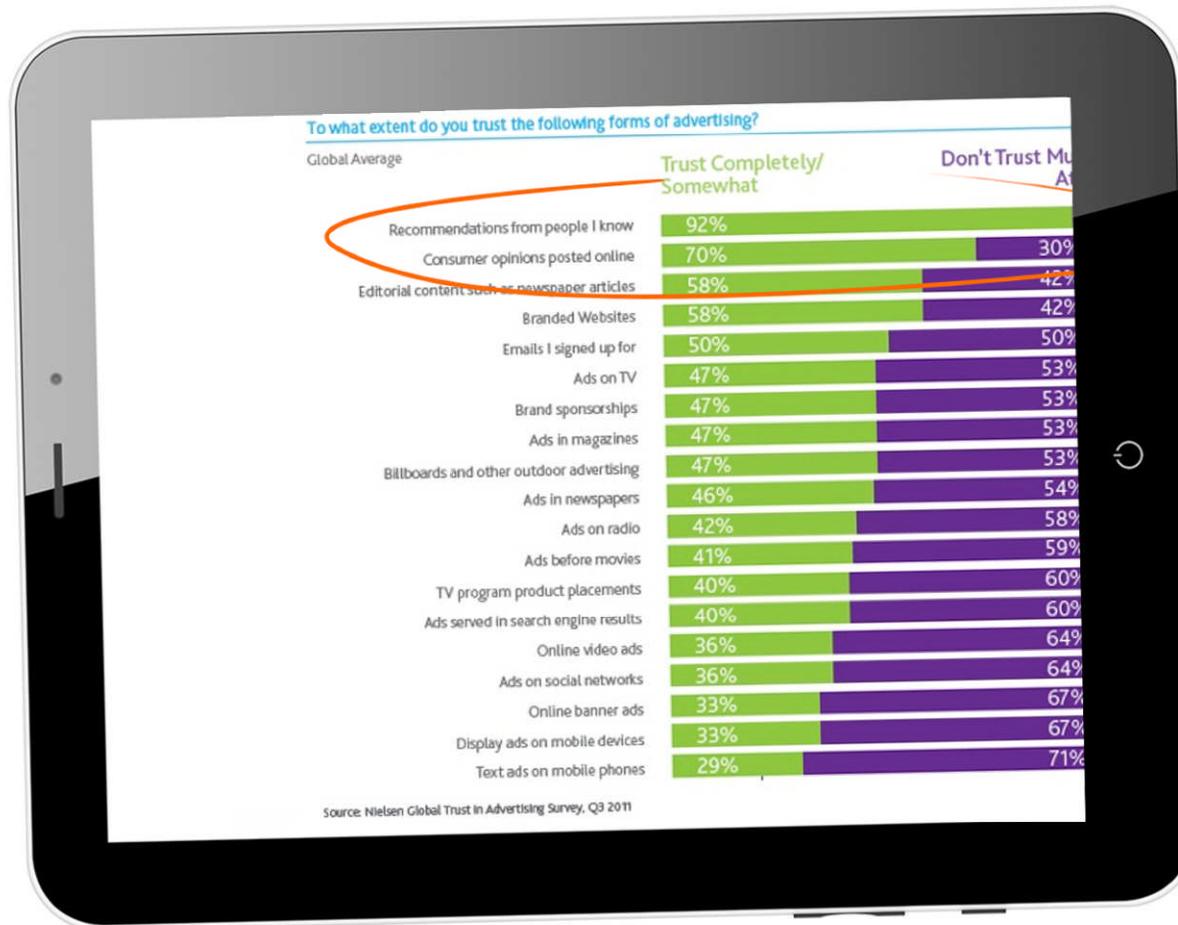


- ▶ Offer geolocation services in airports

Start in our main hubs

Digital experience

Air France KLM adapting communication strategy due to changed customer behaviour



▶ Air France KLM leader on social media

▶ KLM number 1 on youtube.

▶ Air France number 1 for Servicing on Social Media in France

Digital experience

Social media strategy: develop customer servicing in an interactive way, enhancing brand and reputation and starting social commerce

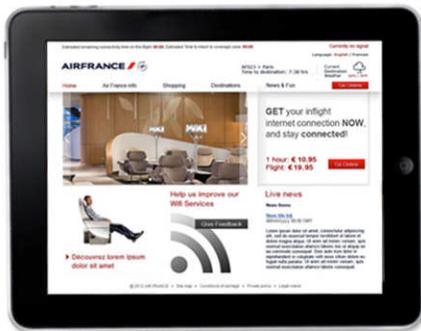


The buzz...



Digital Experience

Offer connectivity on board to answer customers' expectations, a full portal of services



82% of our customer find this service appealing



Short Medium Haul (Intra European)

- ▶ Offer connectivity in partnership with Orange
 - ▶ Pilot before further roll out
 - ▶ Technology, exact offered service and pricing
 - ▶ still to be determined
- Focus AirFrance first, KLM at a later stage

Long Haul (intercontinental)

- ▶ Pilot wifi on board
- ▶ Partnership with Panasonic Avionics
- ▶ Start March 2013
- ▶ 1 AF Boeing 777-300 & 1 KL Boeing 777-300
- ▶ Test: - internet on personal devices
- texting and email on phone
- offering free live news
- later live TV



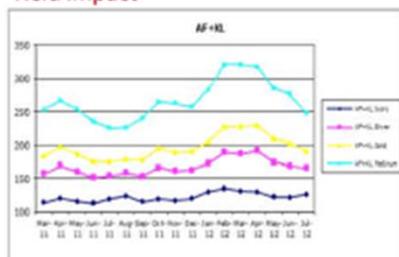
Frequent Flyer experience

Frequent Flyer experience

Increase yield through our loyalty program

Platinum coupon value more than twice the average coupon

Yield impact



FLYINGBLUE
Keys

Latest improvements

- ▶ New award offer on Europe, and integration of the carrier surcharge (June 2012)
- ▶ Flying Blue Carry Over Level miles (June 2012)
- ▶ 7/7 availability of call centers and extension of opening hours (November 2012)
- ▶ Priority boarding is now offered to our 'Abonnés' customers (November 2012), besides our Elite customers

Further improvements

- ▶ Domestic flights for Abonnés passengers will become qualifying for Flying Blue Elite status (January 2013)
- ▶ Extension of 'Abonnement' card to Europe (1st semester 2013)
- ▶ New award offer on long haul destinations (under study)
- ▶ New Flying Blue website with more earn & burn possibilities (ongoing)
- ▶ And more improvements to come...



Paid options

Paid options

Offer the choice and drive extra revenue

- ▶ A major source of revenue already representing 5 - 10% of our turnover
- ▶ A double digit growth



Customer Experience 2012-2014



Customer Experience 2012-2014



Customer Experience 2012-2014



Customer Experience 2012-2014



Customer Experience 2012-2014



“Improving our customer experience is key to achieving bottom-line results”



Medium-haul restructuring

-

Transform 2015 medium-haul target: breakeven by 2014

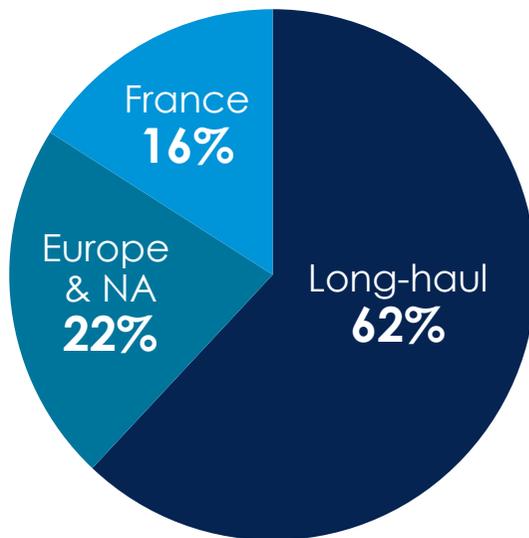


Medium-haul network key to our business model at both Air France...

Short and medium-haul networks account for 38% of total revenue...

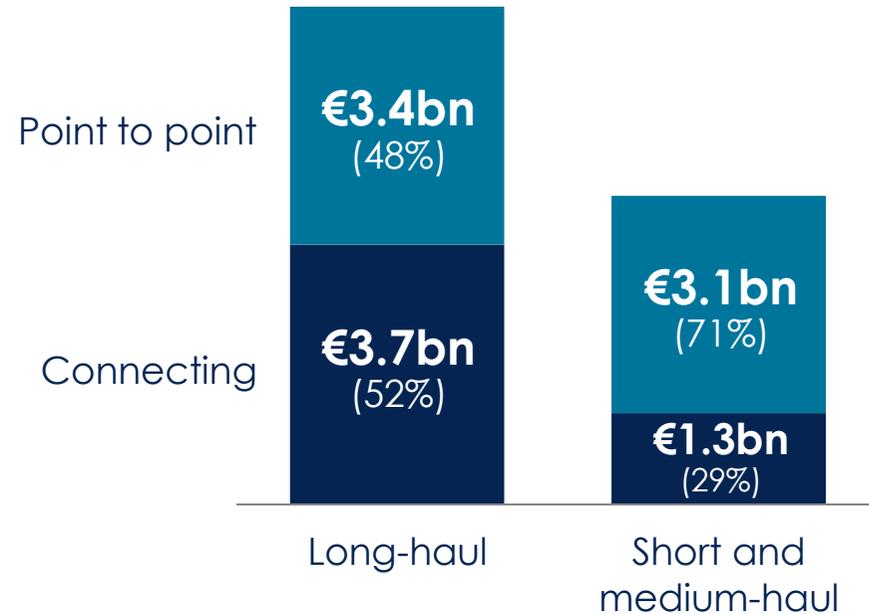
... and vital in order to feed our long-haul networks

AIRFRANCE 



Revenue (2011)

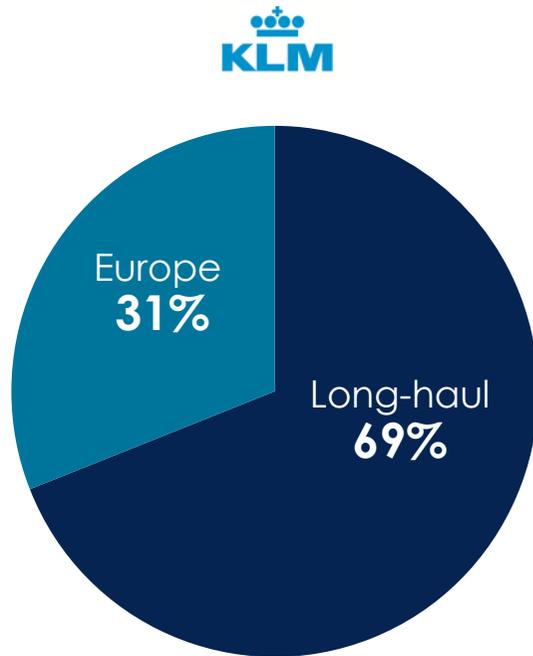
Short-haul: €1.9bn
 Medium-haul: €2.5bn
 Long-haul: €7.1bn



**Air France revenues (2011)
 from Paris/CDG and Paris/Orly**

... and KLM

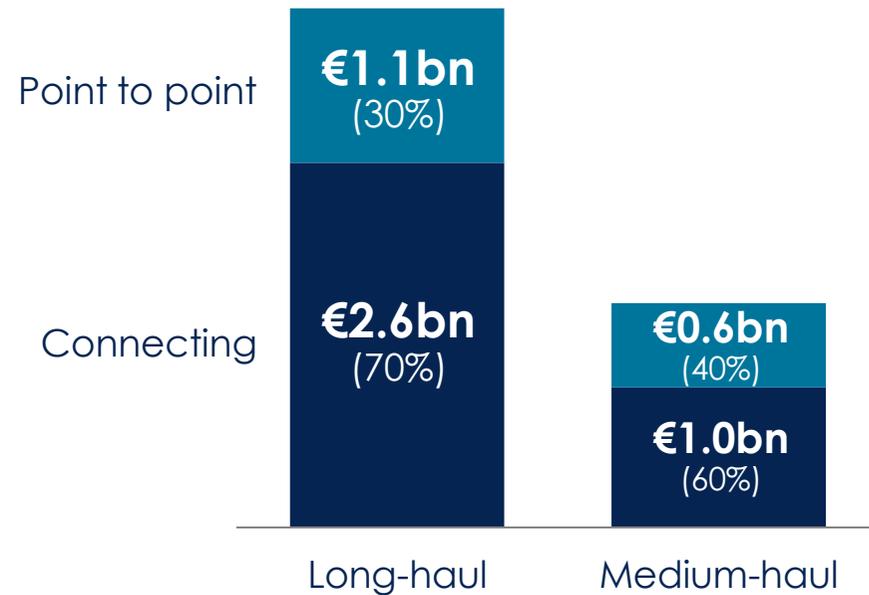
Medium-haul network accounts for 31% of total revenue...



Revenue (2011)

Medium-haul: €1.7bn
Long-haul: €3.7bn

... also vital to maintain our long-haul networks



**KLM revenues (2011)
from Amsterdam**



AIRFRANCE 

A deeper and accelerated restructuring process

Key measures

- + Rationalize **group organization**
- + Restructure **network** to increase assets utilization and facilitate staff productivity
- + Improve **crew and ground staff productivity**
- + Adapt our **products**:
 - ▶ Increase revenue on Business segment
 - ▶ Capture the growth of the price-sensitive segment

Reorganisation

+ **Air France mainline**

- ▶ CDG hub-feeding
- ▶ Routes with significant business traffic (domestic and Europe)
- ▶ Regional Bases

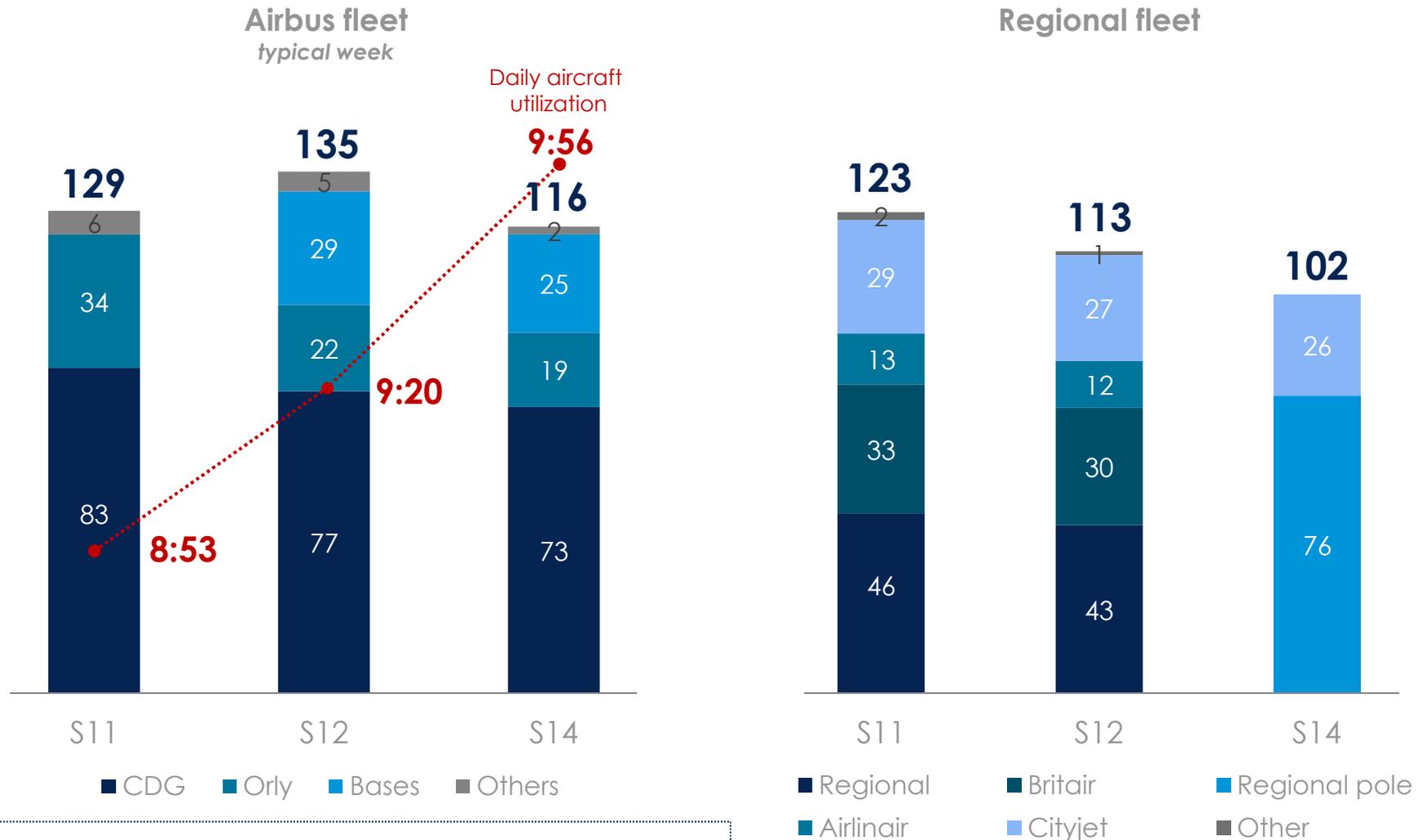
+ **Regional pole** (Britair, Regional, Airlinair)

- ▶ Aircraft lease to Air France
- ▶ Own operations on smaller flow business routes

+ **Transavia**

- ▶ Point to point leisure
- ▶ Fleet growing from 8 to 20 Boeing 737 by 2015

Significant reduction in aircraft numbers...

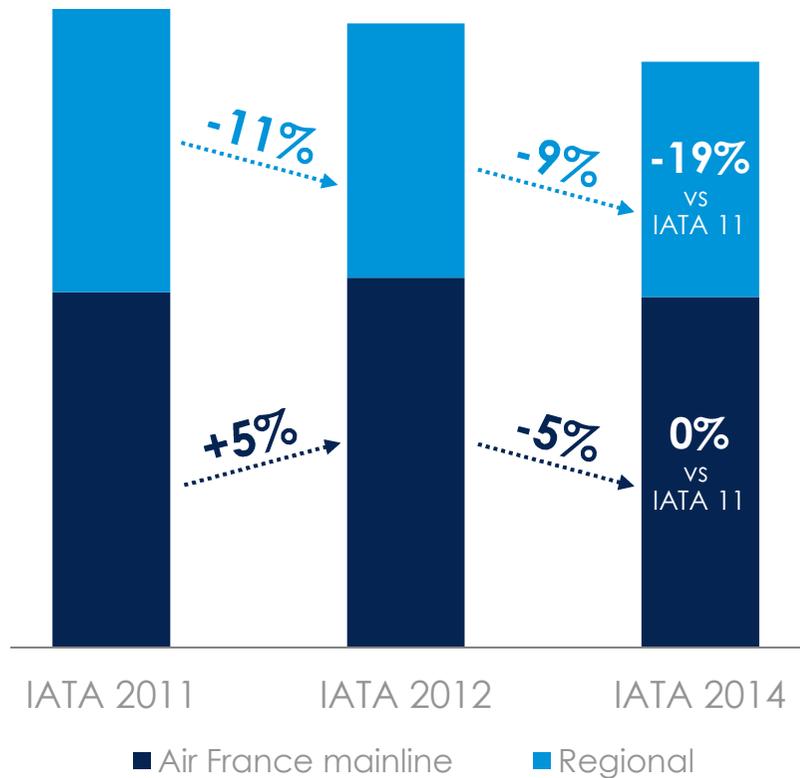


Utilization increased by one hour per day

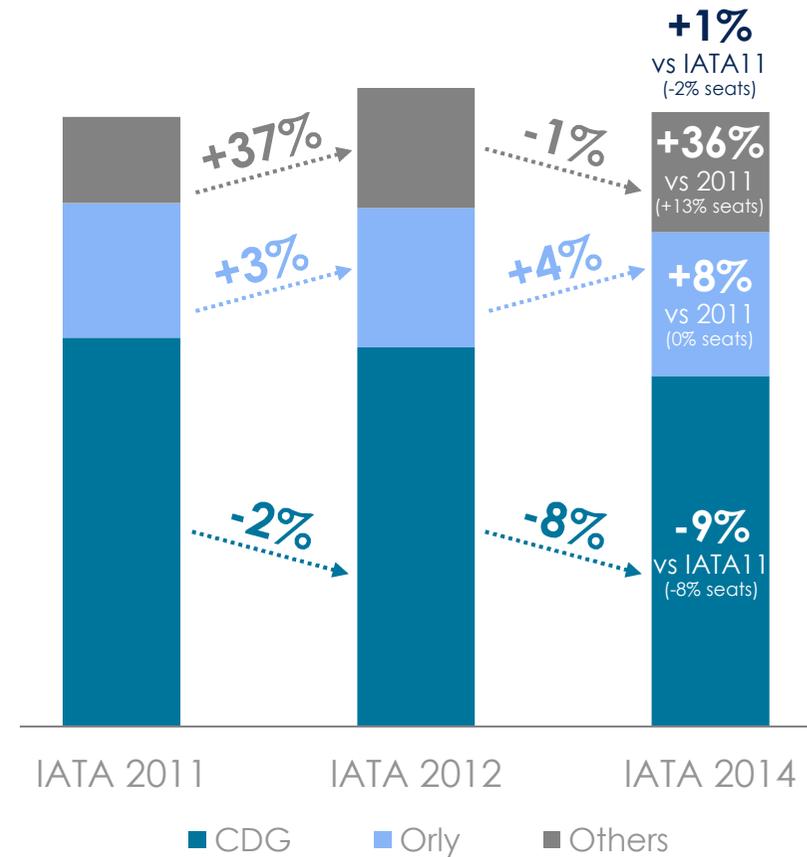
Scope: Air France + wetlease + franchises

...while conserving 2011 production levels

Yearly block hours evolution
based on typical week



Yearly medium-haul ASK evolution
based on typical week

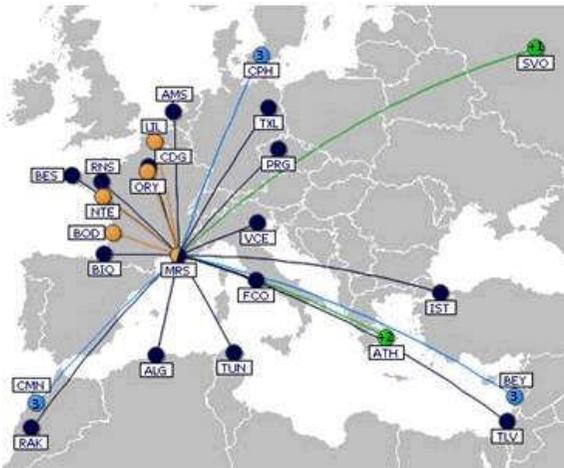


Scope: Air France + wetlease + franchises

Regional bases: ongoing adaptation to improve profitability

IATA 13 planned schedule

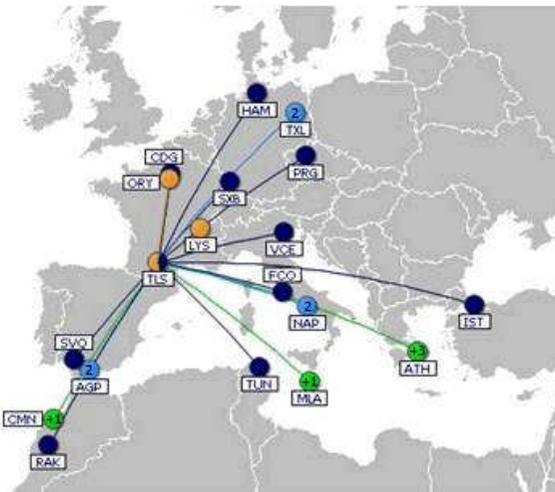
Marseille Base



- + Reduction of 4 aircraft
- + Network optimization
- + W flights introduction to cope with crew volunteers in each base
- + Smooth seasonality

Regional bases model to be reassessed in September 2013

Toulouse Base



Nice Base

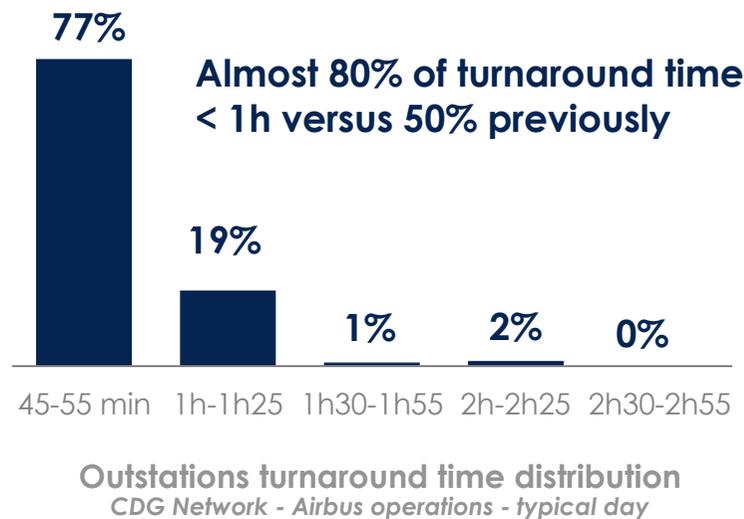


- Routes only operated on summer peak period
- Routes strengthened during summer peak period
- Routes with frequency reduction
- Structural routes

Increase productivity of crew and ground staff

Optimized operations at Orly and CDG (April 2013)

- + Ground time in outstations dramatically reduced



- + Crew productivity strongly improved
 - ▶ Optimal crew utilization: 2 crews per aircraft per day
 - ▶ Average crew block hours ~5h/day vs 4.3h today
- + New schedule has limited impact on network revenue

- + Optimal aircraft utilization in 2014
 - ▶ From 7h22 to 9h18 per day at Orly
 - ▶ From 9h29 to 9h57 per day at CDG

Two pillars to innovate and increase revenue on Business segment

A more competitive pricing grid

Actions	Target
<p>Full Combinability</p> <ul style="list-style-type: none"> Between Premium and Economy fares 	Since August 2012
<p>'Business on Board'</p> <ul style="list-style-type: none"> Reposition price & availability for business motive travelers Ensure competitiveness against competitors Reduce the price gaps between different fare products 	End of 2012
<p>Business Class</p> <ul style="list-style-type: none"> Additional price levels in Business class to sustain revamped product Paid upgrade introduction 	H1 2013

A significantly enhanced product

On board



On the ground



Initiating a new revenue dynamic - Economy

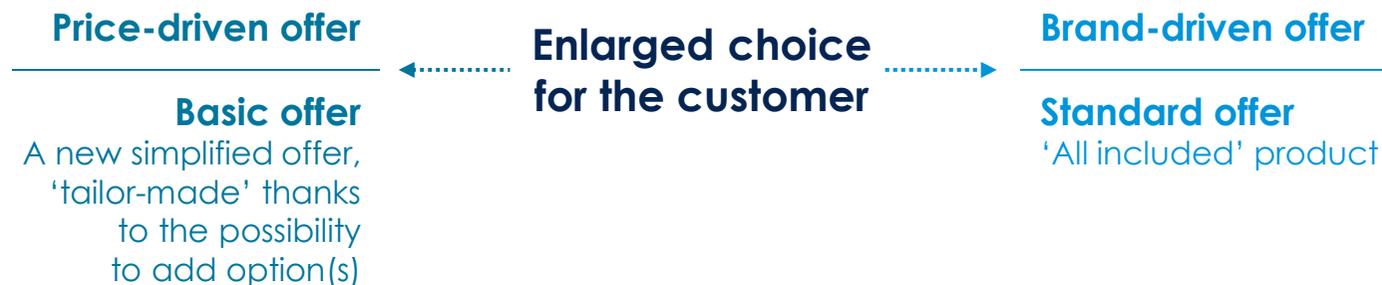
Goals

- + Entice customers into **systematically consulting Air France prices**
- + **Provide additional choice** on top of the current “all inclusive” offer with a simplified and cheaper proposal

Calendar

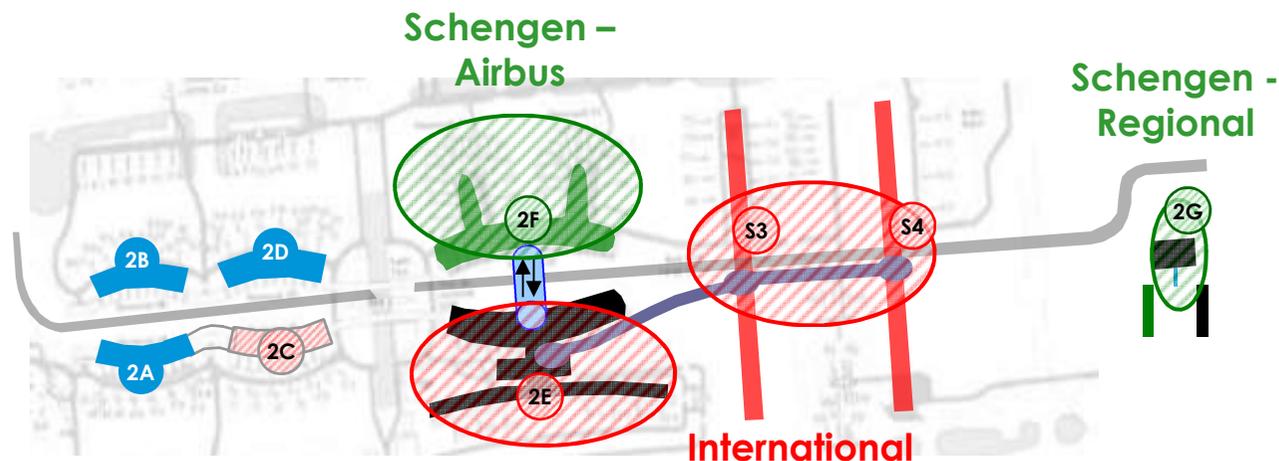
New economy offer unveiled
January 7th, 2013

Principles



Optimization of operations at CDG

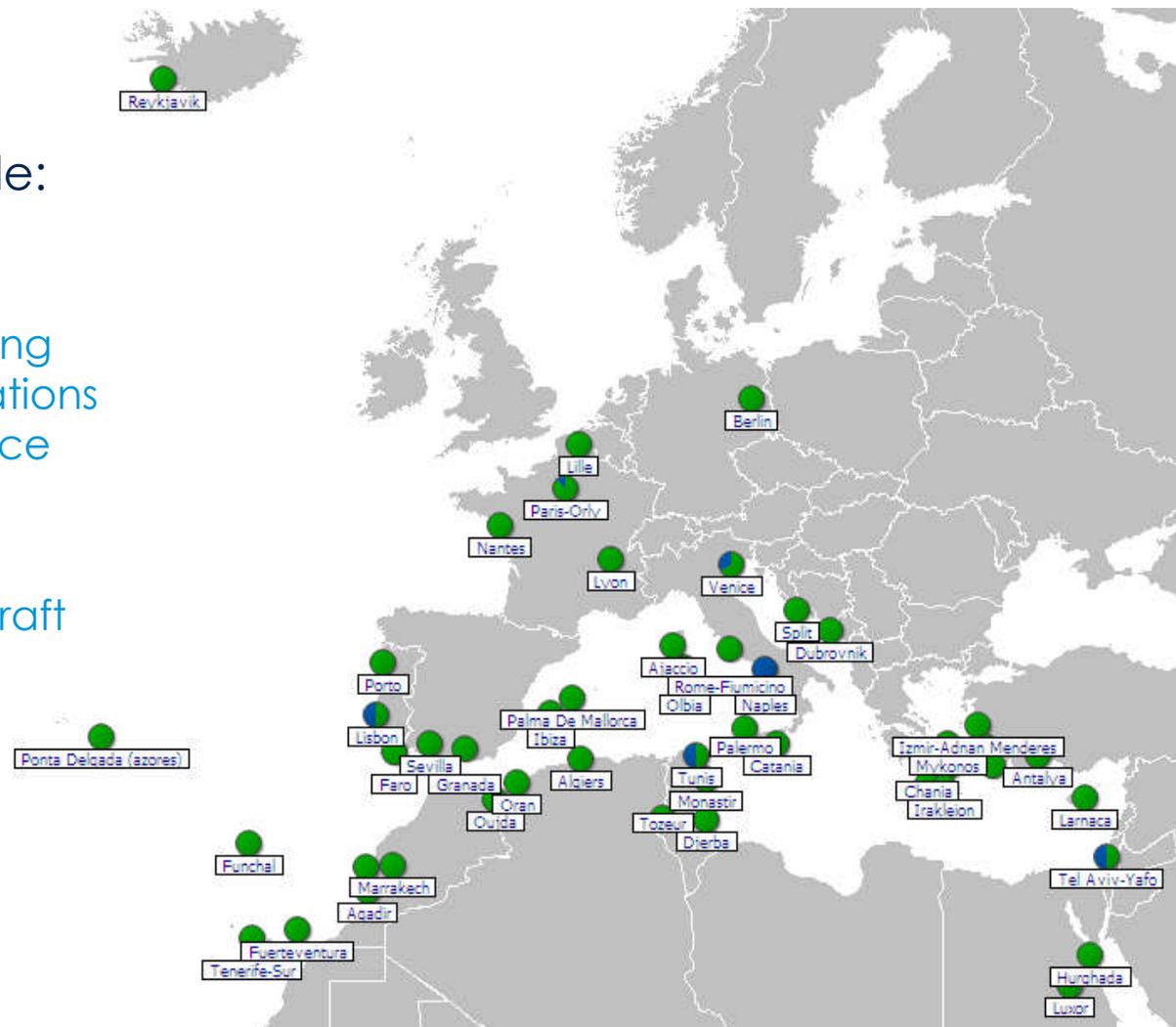
- + Opening of Satellite 4 has allowed Air France to regroup its medium-haul mainline Schengen operations in 2F and international operations in 2E (leaving terminal 2D)
- + Separate Airbus and regional operations, to optimize CDG efficiency and offer a consistent product
- + Separate Schengen and non-Schengen aircraft rotations to maximize contact rate

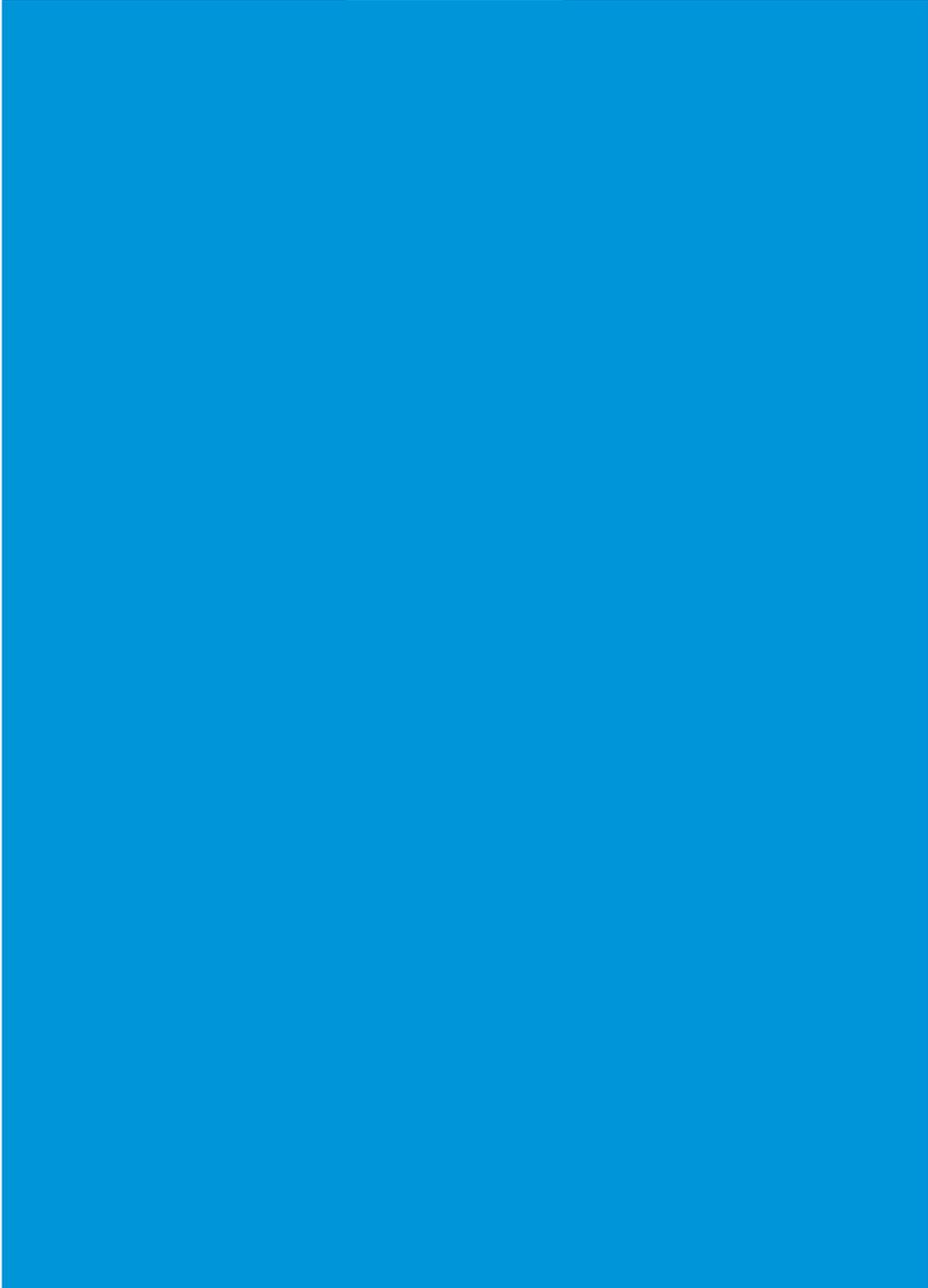


Development of Transavia to target growth in price-sensitive segment

Fleet to grow from 8 in 2012 to 20 aircraft by 2016

- + Summer 2013 schedule:
4 additional aircraft
 - ▶ **Orly**: +2 aircraft, development including opening new destinations operated by Air France from CDG
 - ▶ **Lyon**: +1 aircraft
 - ▶ **Lille / Nantes**: +1 aircraft

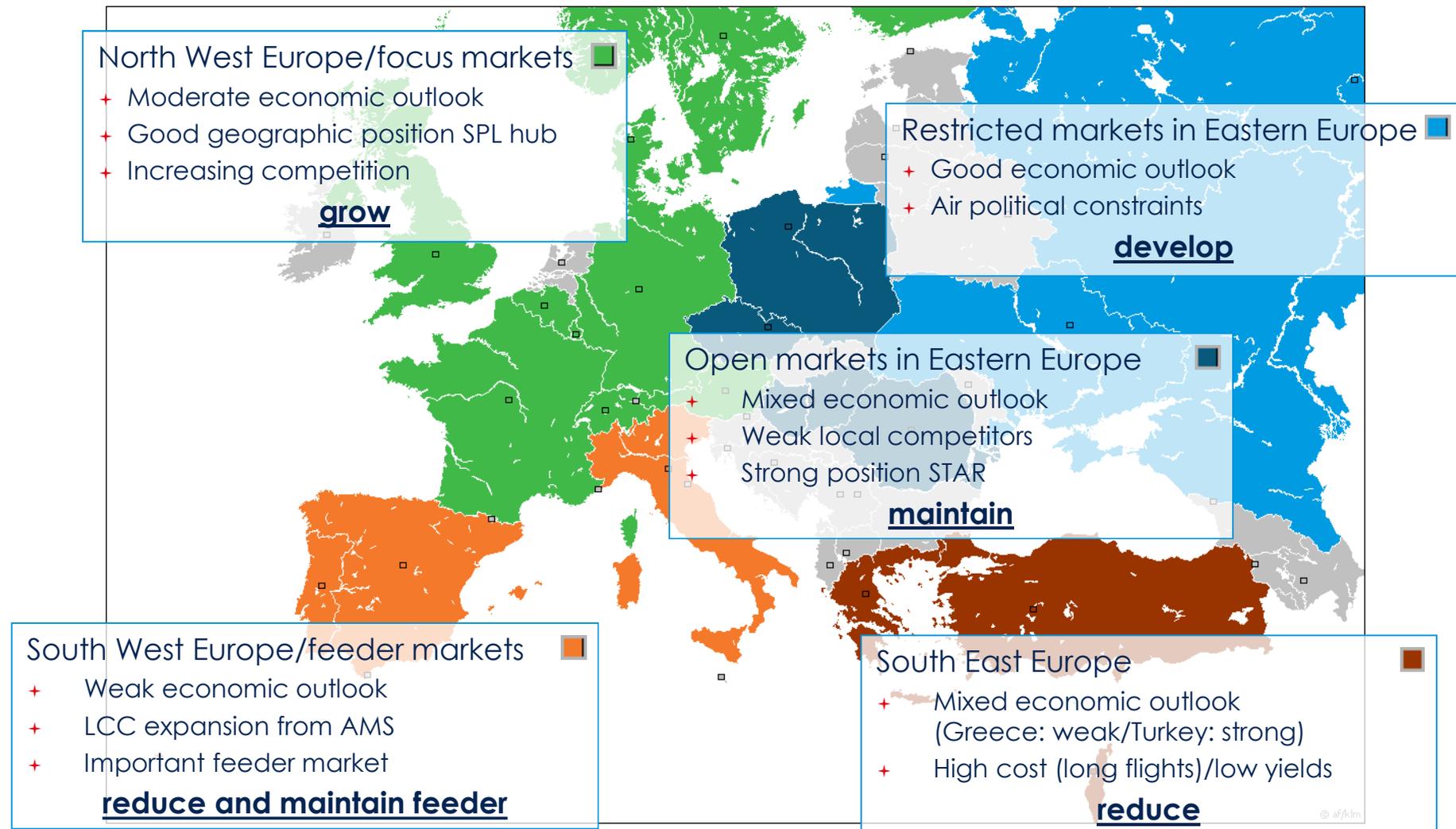




Medium-haul strategy aimed at strengthening financial results

- + Restructure network and intensify cooperation with partners and Transavia
- + Increase utilization of assets:
 - ▶ Introduction of 7-wave system
 - ▶ Fleet standardization
 - ▶ Reduce turn around times
 - ▶ Increase densification
- + Improve price positioning and yield steering possibilities
- + Improve value proposition and increase ancillary revenues

Dynamics and strategy per area



Secondary stations outperform primary; more growth planned on secondary stations

Secondary vs primary stations

Primary stations

32 destinations out of 65

Example: Stockholm, Athens, Hamburg, etc.

Result 2011

Margin: -15%
Feeder: €1,500m

Development

Number of daily flights
Summer 2011: 142
Summer 2013: 141

Secondary stations

33 destinations out of 65

Example: Bergen, Venice, Newcastle, etc.

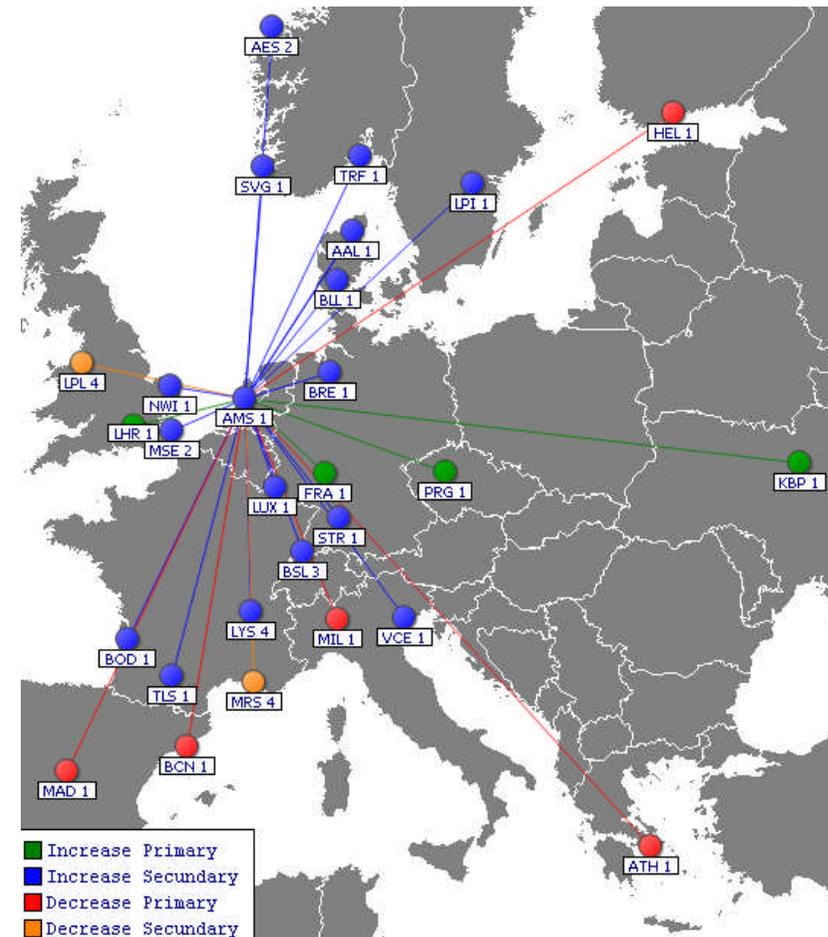
Result 2011

Margin: -6%
Feeder: €900m

Development

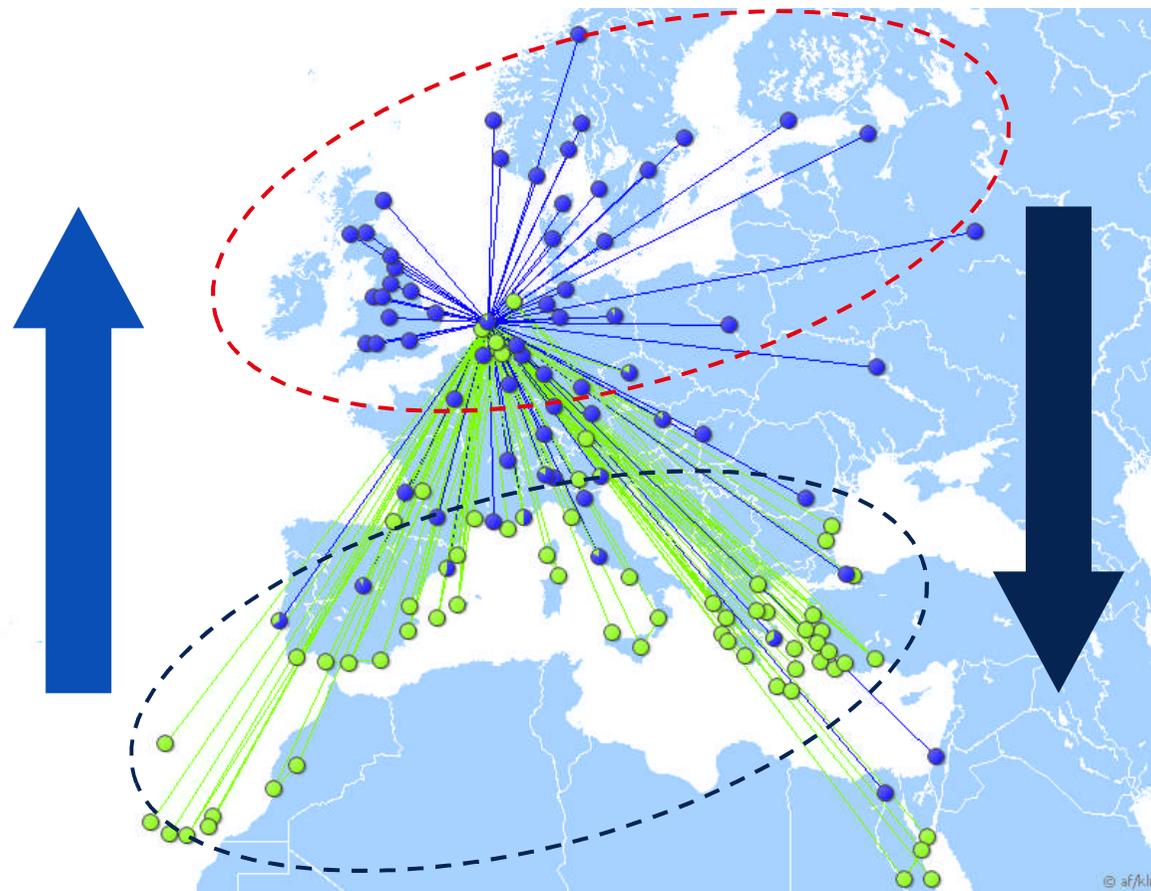
Number of daily flights
Summer 2011: 114
Summer 2013: 129

Frequency changes planned Summer 2013 vs Summer 2011

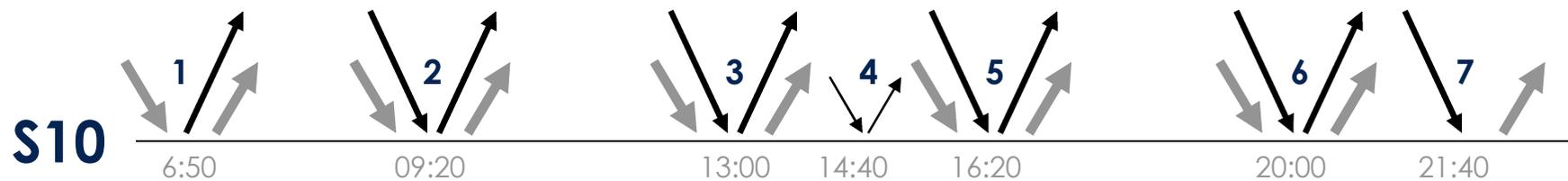


5,000 - 8,000 passengers per month transferring between KLM and Transavia

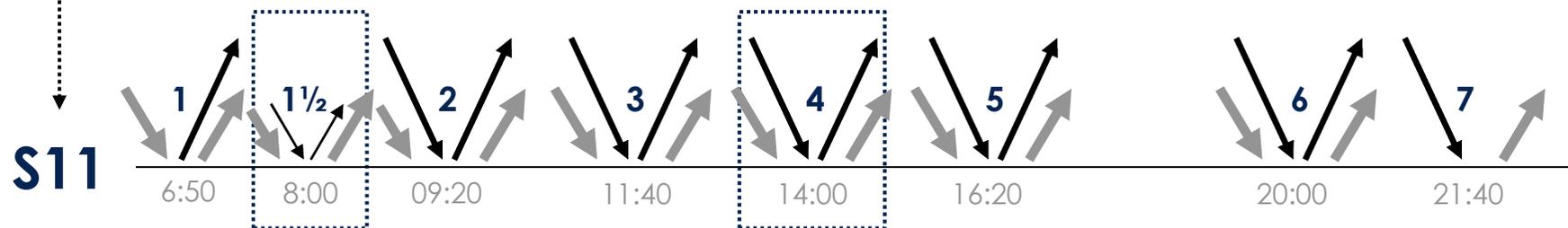
- + KLM connecting codeshare on 12 unique Transavia destinations
- + Currently 5,000-8,000 bookings per month
- + Next step is to expand to more unique destinations



Change of hub system from 6 waves to 7 waves leads to significant efficiency improvement



- + Improved utilization of short and medium-haul fleet by 9%
- + Increased number of medium-haul and long-haul connections
- + Production increase (12% more passengers) with stable ground assets (terminal, number of gates, baggage system, man power)



Fleet rationalization: reduction from 9 to 5 aircraft types

			2009	2010	Summer 2011	2012	2013
Medium-haul	seats						
	737-900	189	5	5	5	5	5
	737-800	171	21	21	23	23	24
	737-700	129	4	7	13	18	18
	737-400	147	10	9	4		
	737-300	127	10	7	2		
			9				5
Regional	Embraer 190	100	5	17	17	22	22
	Fokker 100	100	13	5	5	3	
	Fokker 70	80	24	26	26	26	26
	Fokker 50	50	12				
Total			104	97	95	97	95

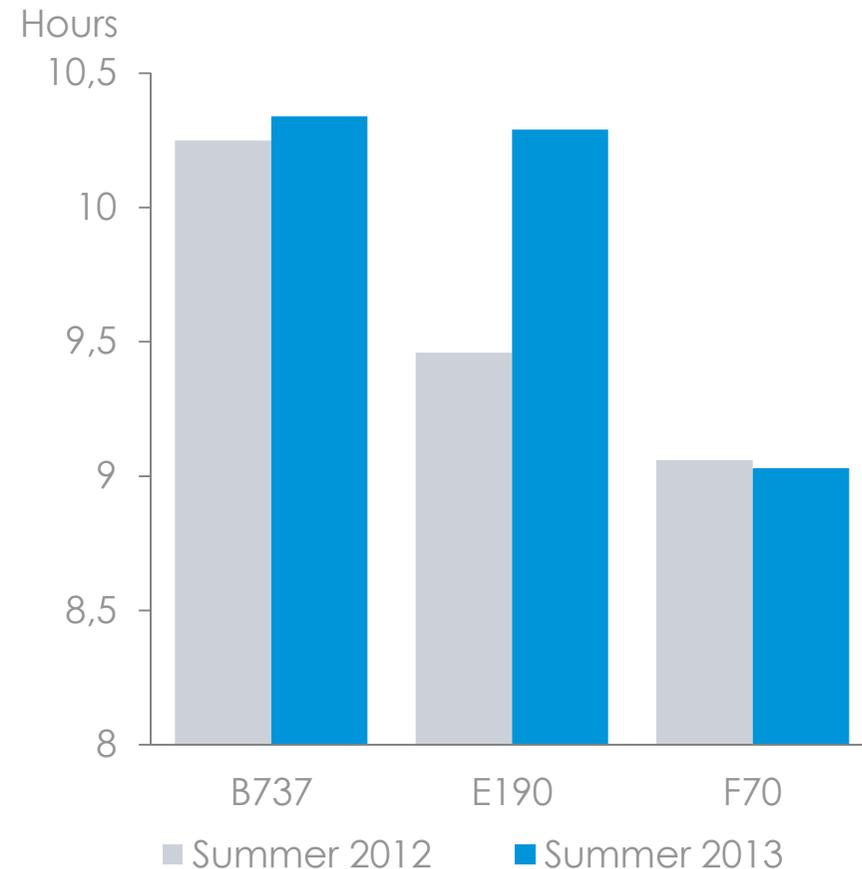
- + Phased out Boeing 737-300/400, replaced by Boeing 737-700/800/900 NG
- + Phased out Fokker 50 and 100, replaced by Embraer 190
- + By phasing out older types, less spare aircraft is needed

Improved utilization in summer thanks to shorter turnarounds and maintenance shifts

Aircraft utilization improved thanks to two key projects

- + Reduction in turnaround times E190 fleet
 - ▶ Reduction in turnaround times by 15 minutes for E190 and by 5 minutes for F70
 - ▶ No extra cockpit crew needed; increased utilization of E190 increases crew efficiencies
 - ▶ Currently project in progress to reduce B737 turnaround time boosting utilization
- + Maintenance adjustments E190 and B737 fleet
 - ▶ Planning optimization of maintenance slots
 - ▶ Move maintenance from Summer to Winter season

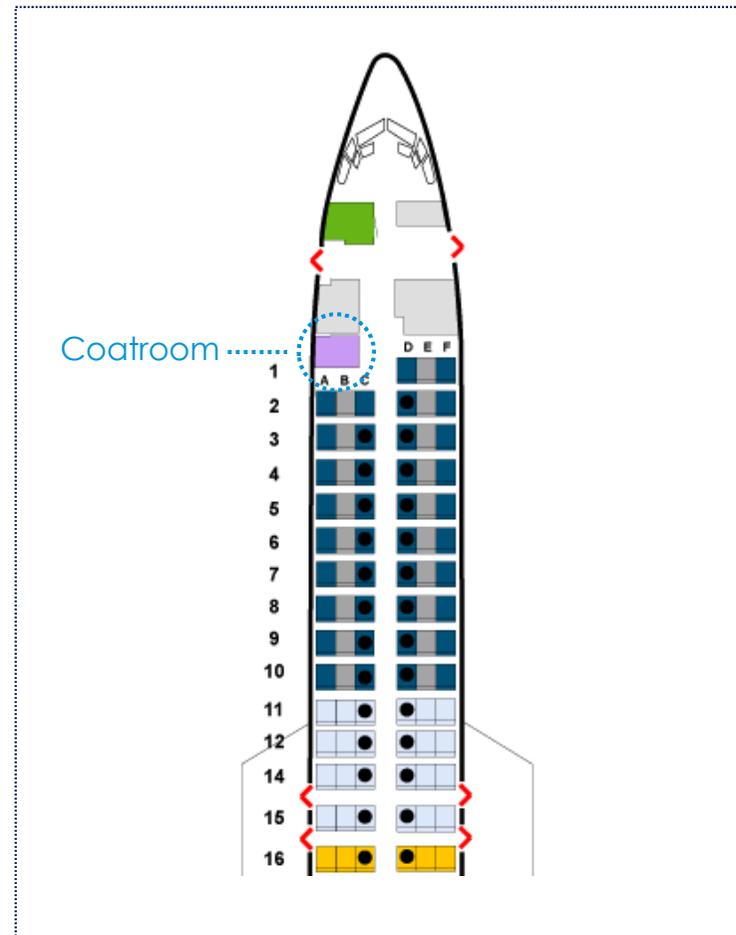
Utilization per aircraft type



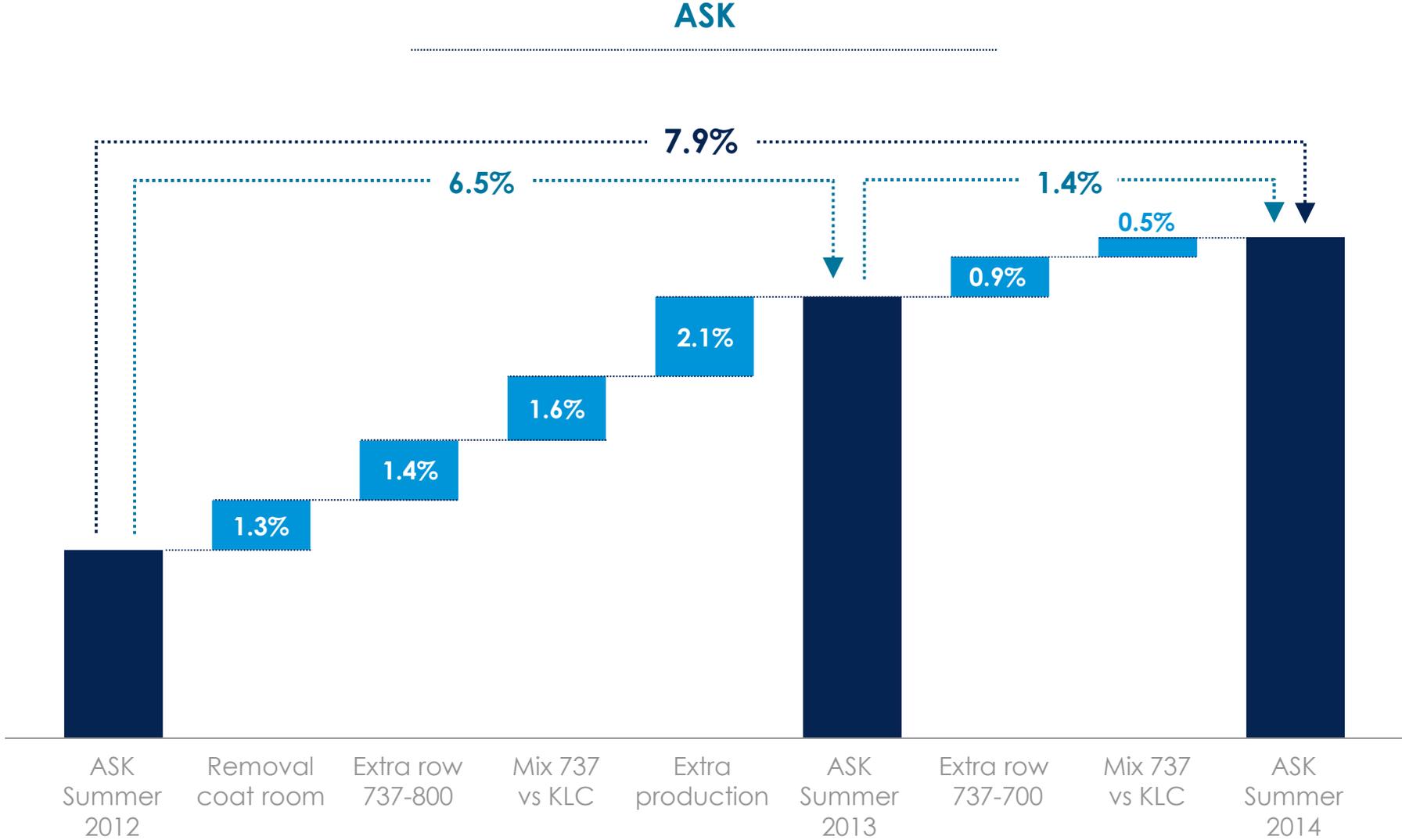
Improved utilization thanks to densification of all B737 types

- + **Step 1:** remove coatroom on all B737 types
 - ▶ +3 extra seats
 - ▶ Planned Summer 2012
- + **Step 2:** add extra seat row on B737-800
 - ▶ +6 extra seats
 - ▶ Planned Summer 2013
- + **Step 3:** add extra seat row on B737-700
 - ▶ +6 extra seats
 - ▶ Planned Summer 2014

B737

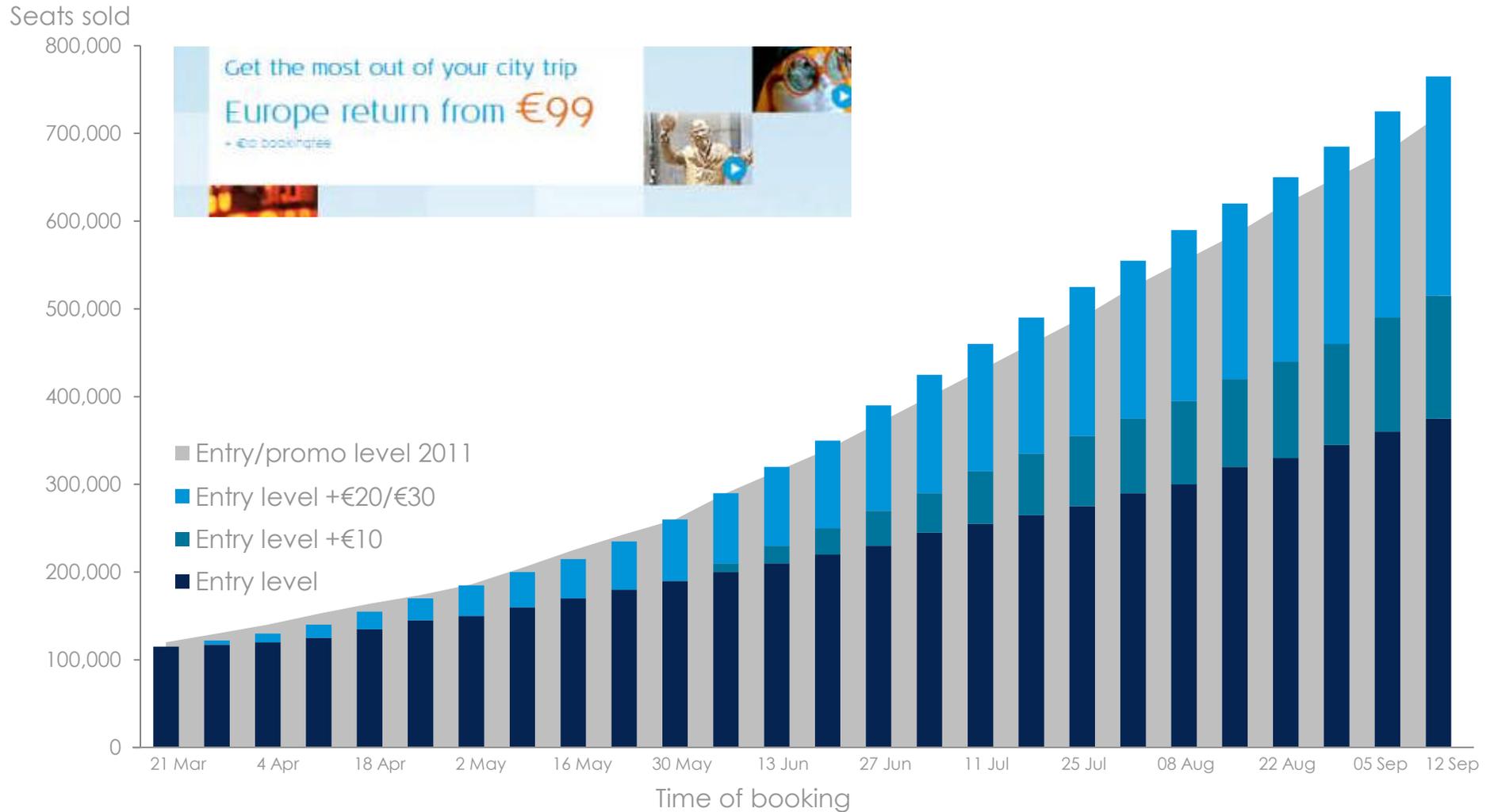


Combined efficiency measures lead to 7.9% ASK growth in Summer 2014 versus Summer 2012



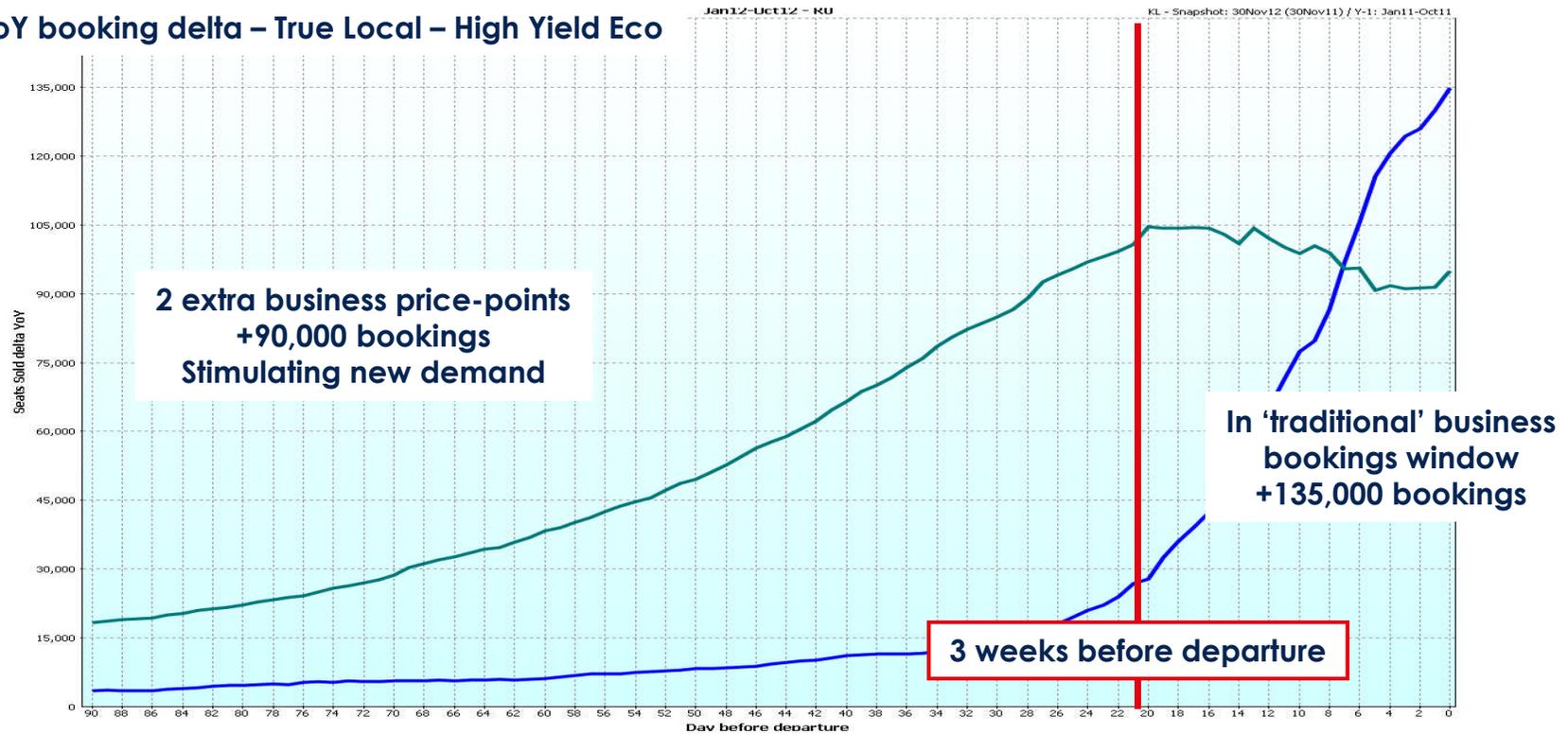
Intro of small buy-ups on entry level increases yield, while maintaining volume...

Forward bookings Jul-Dec 2012 vs 2011 – point to point traffic



New pricing structure for business traffic boosted revenues by over 20%

YoY booking delta – True Local – High Yield Eco



Campaign for SMEs in the Netherlands

KLM Business Deals

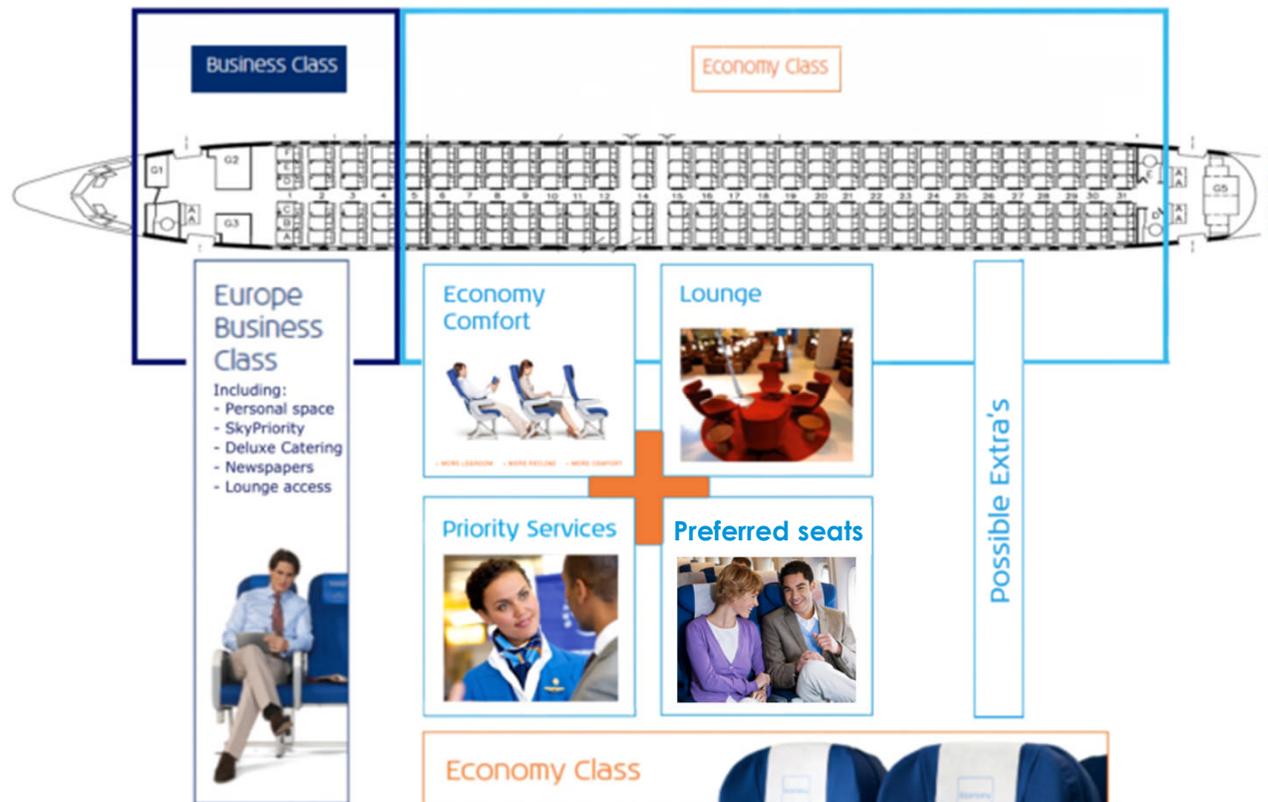
Return flights within Europe from **€199** +€10 booking fee

- book 28 days before departure
- no minimum stay
- flexible ticket

efficient & flexible
reduced fares
wide range of e-services

KLM medium-haul product investment

- ★ Future European Offer: Choice & Control
 - ▶ Successful launch of European Business Class
 - ▶ Introduction of Economy Comfort
 - ▶ Further enhancement of ancillary proposition

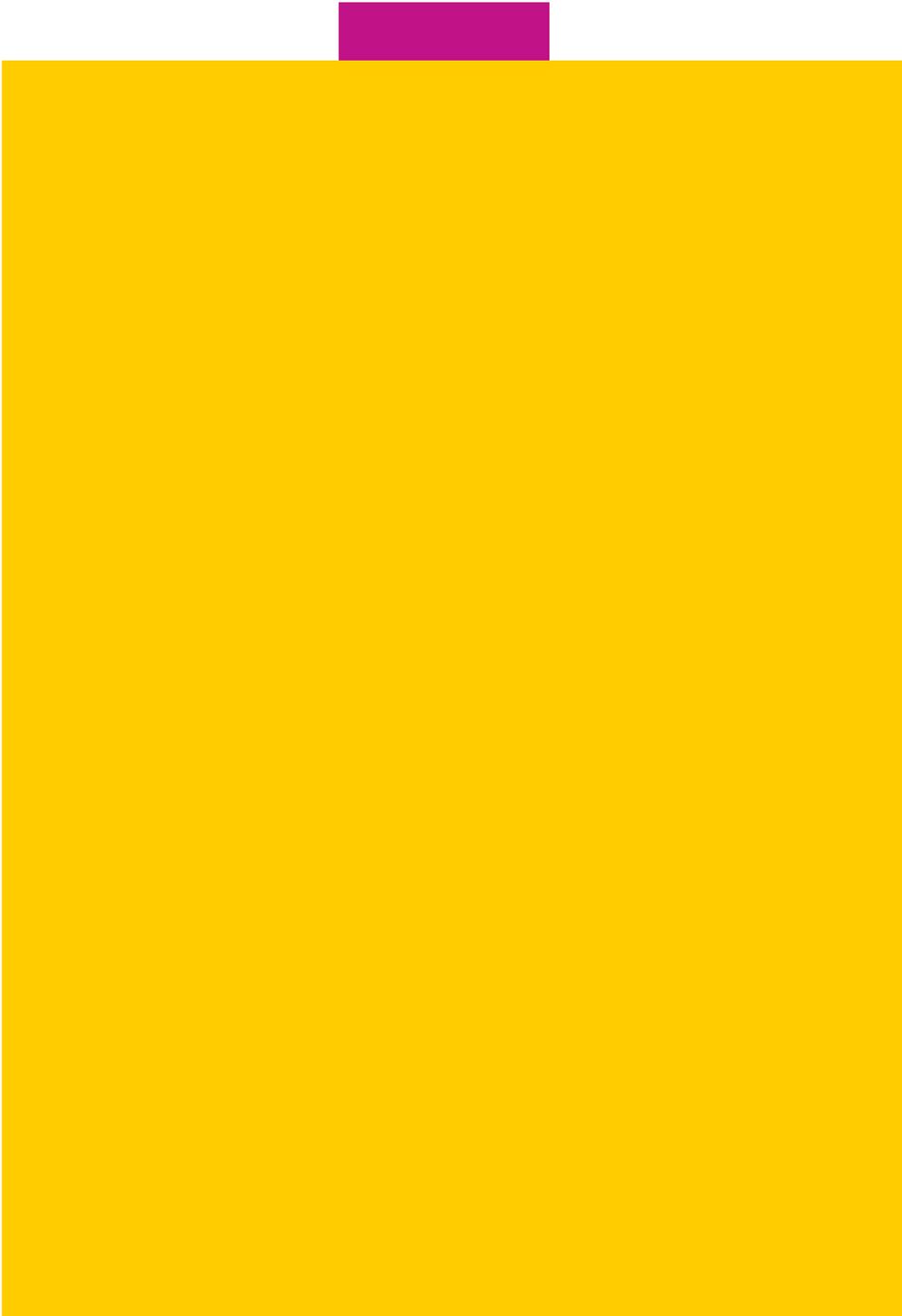


To sum up: Air France-KLM engages all levers to turn around medium-haul

- + Network rationalization
- + Product enhancement
- + Improved usage of our assets
- + More competitive and segmented pricing
- + Streamline organization
- + Development of Transavia



**Breakeven
in 2014**



Concluding
remarks
and Q&A

-

Transform 2015 on track

	2012 Target	2012-14 target
✓ Strict capacity discipline	+1.0%	~+1.5% per annum
✓ Gross capex reduction	-€500m vs 2011	-€700m per annum vs 2011
✓ Ex-fuel unit cost reduction*	-1.1%	-10%
✓ New labor agreements signed	Air France mainline KLM	All entities
✓ Net debt reduction	Reduction in net debt	-€2bn

* Ex-currency, at constant pension cost, 2014 target vs 2014 including permanent cost saving actions

European airline industry confronted by two challenges

- + Immediate challenge of prolonged European economic weakness
- + Permanent, structural headwind of new competitive forces
 - ▶ Low cost carriers on short and medium-haul
 - ▶ Gulf carriers and carriers from emerging markets with lower labor costs

Air France-KLM: a profound change to adapt to the new environment

- + Installing a new corporate culture, initiated by Transform 2015
- + Transform 2015 fully implemented by end 2014...
- + ...but we must remain nimble and able to adapt on a permanent basis
- + New group organization and governance to reinforce and facilitate our adaptability

Principles of the new organization

Group Management

CEO committee functions as managing board of the group, appoint key functions at Group and airlines level

Scope of the Group

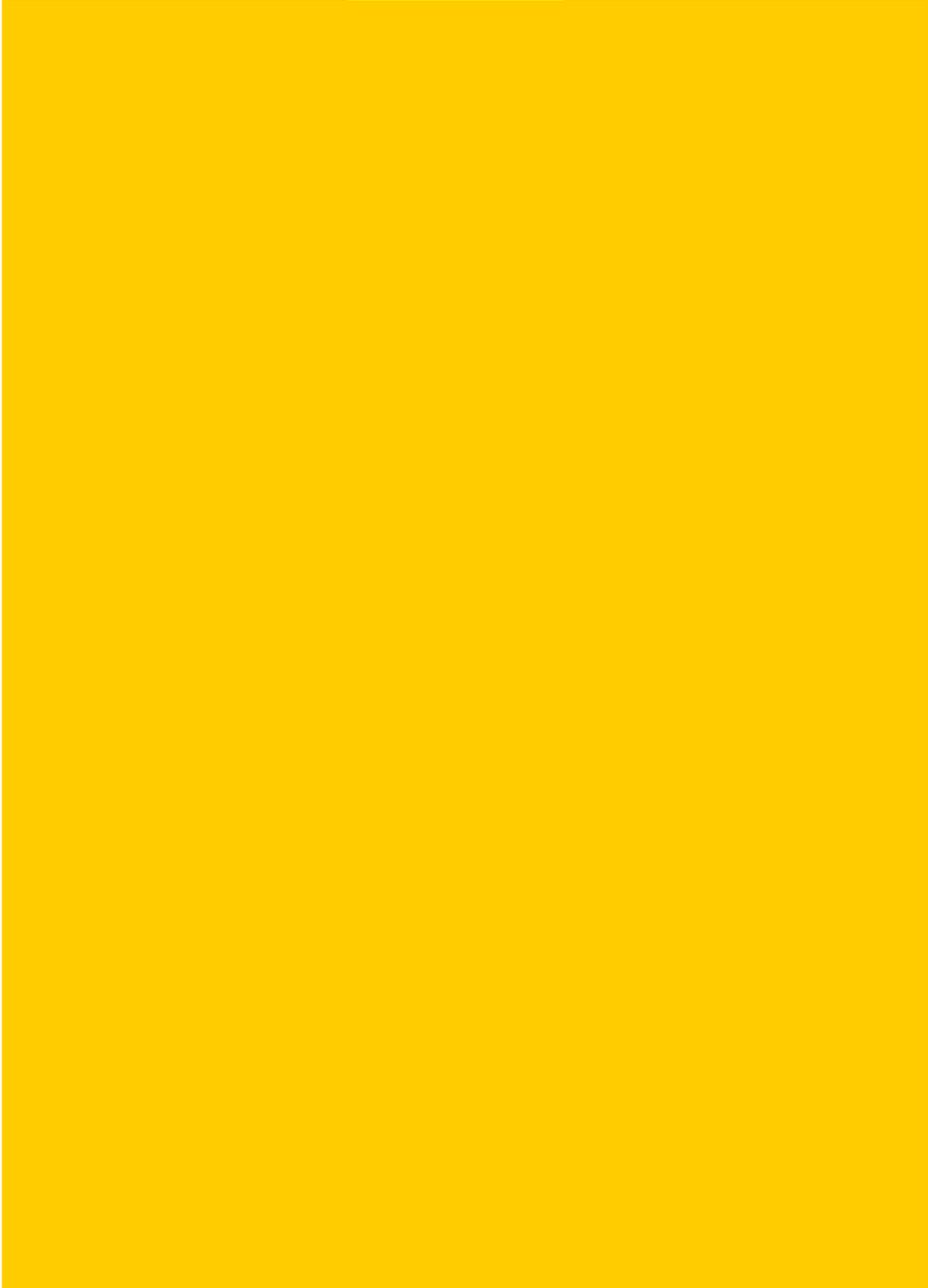
Group corporate center
Joint functions for Passenger, Cargo and E&M
Group support functions

'Single hats'

Managers at Group level focused on optimizing group results, not day to day running of the airlines

Leveraging the power of Air France-KLM group through a new governance

- + Accelerated decision making process
- + Capture all available remaining synergies
- + Greater facility to seize alliance and partnership opportunities
- + Promote a new generation of managers



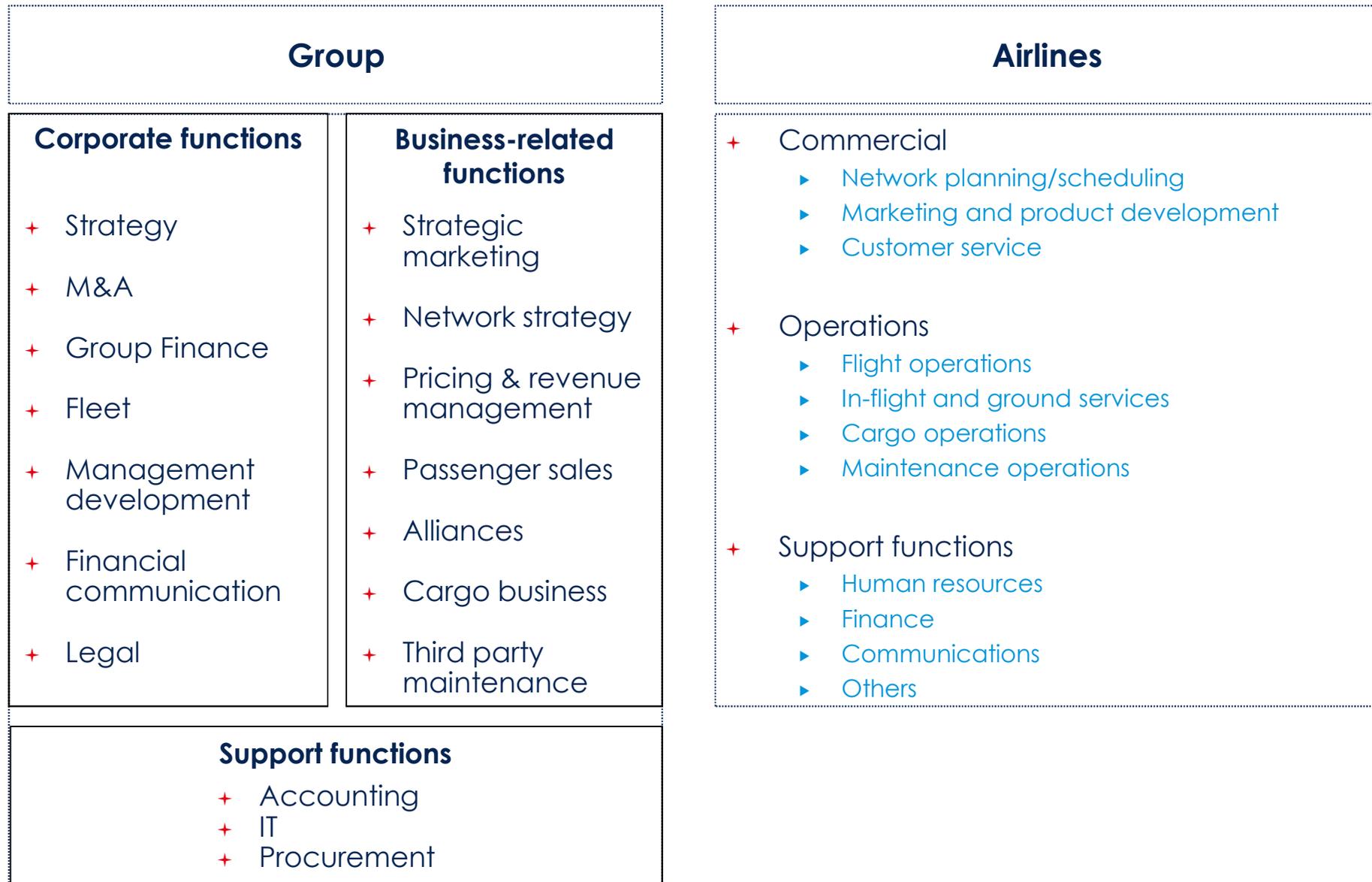
Q&A
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Appendix

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Group organization as of July 2013





2012 Investor Day