

**INVESTOR DAY 2019**  
BECOMING A EUROPEAN CHAMPION



**PRIORITIES AND FINANCIAL TARGETS**



**MY SHARES**



**THE GROUP'S STRATEGIC PRIORITIES**



**SOCIAL AND ENVIRONMENTAL RESPONSIBILITY**



**100 YEARS OF COMMERCIAL AVIATION**



## BECOMING A EUROPEAN CHAMPION

At the Investor Day which took place on November 5, 2019, Air France-KLM unveiled its strategic direction, focused on four pillars which are key to the Group's transformation to become a veritable European champion:

- Optimize the operating model,
- Refocus revenue growth on the most-profitable segments,
- Develop customer data initiatives, the Flying Blue loyalty program, maintenance and cargo,
- Analyze all the consolidation opportunities.

**Each of the initiatives support the Group's ambition to remain leader of the ecological transition within the industry.**

### BENJAMIN SMITH

Chief Executive Officer  
of Air France-KLM



*"In a competitive environment which is undergoing a transformation for the European airlines, **the Air France-KLM Group has all the assets it needs to regain its leadership position.***

***Since the end of 2018, thanks to the commitment of our Air France, KLM and Transavia employees, we have put in place the fundamentals of our strategy: simplify our fleet, clarify our positioning in both our market segments and brand portfolio, gain substantial commercial and operational flexibility thanks to new employee agreements.***

*This is the departure point which must enable Air France-KLM to reinvent itself and create a more virtuous dynamic for its stakeholders. We shall optimize our operating model and increase our revenues to significantly improve our level of margin. All the actions undertaken will support our ambition to be **the airline frontrunner in sustainable development.***



### **The Air France-KLM Group benefits from numerous strengths:**

- The power of its three brands Air France, KLM and Transavia
- Its two hubs of Paris - the leading destination in the world - and Amsterdam - the number one European connecting hub and the city where this model was invented
- Its vast, highly-complementary network, and
- Its strong commercial partnerships.

To capitalize to the full on these strengths, **the Group must simplify and optimize its functioning and reposition itself on the most-profitable market segments.**

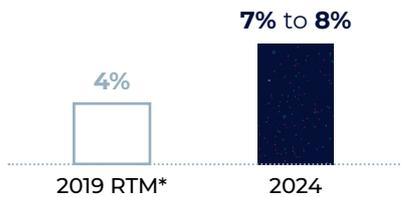
Since late 2018, a great deal of work has been done to put in place the fundamentals of this strategy.

This work will be pursued and intensified around the four main strategic pillars which are reflected in the roadmaps for each of the companies.

FINANCIAL TARGETS

PROFITABILITY

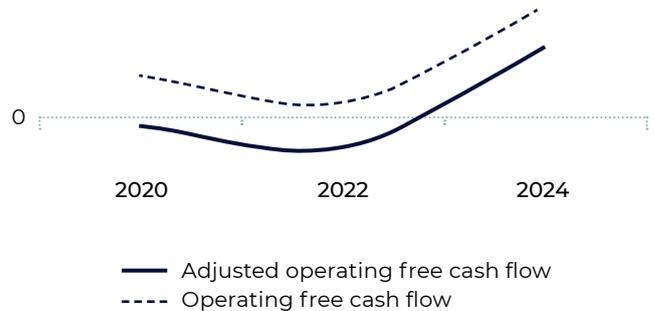
Operating margin at 7% to 8%  
medium-term mid-cycle



\*Rolling twelve months 2019 from October 1, 2018 to September 30, 2019

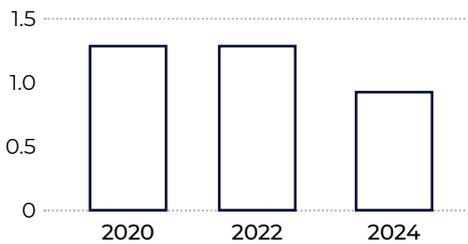
CASH GENERATION

Adjusted operating free cash flow  
positive medium-term mid-cycle



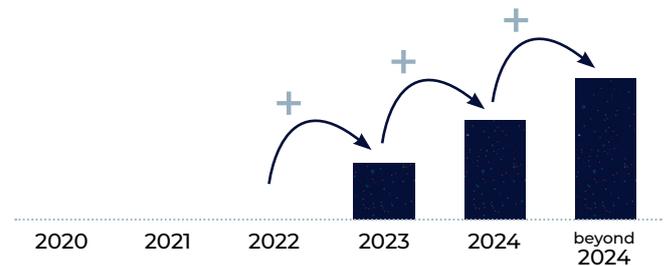
LEVERAGE EFFECT

Net debt/EBITDA  
of around 1.5x



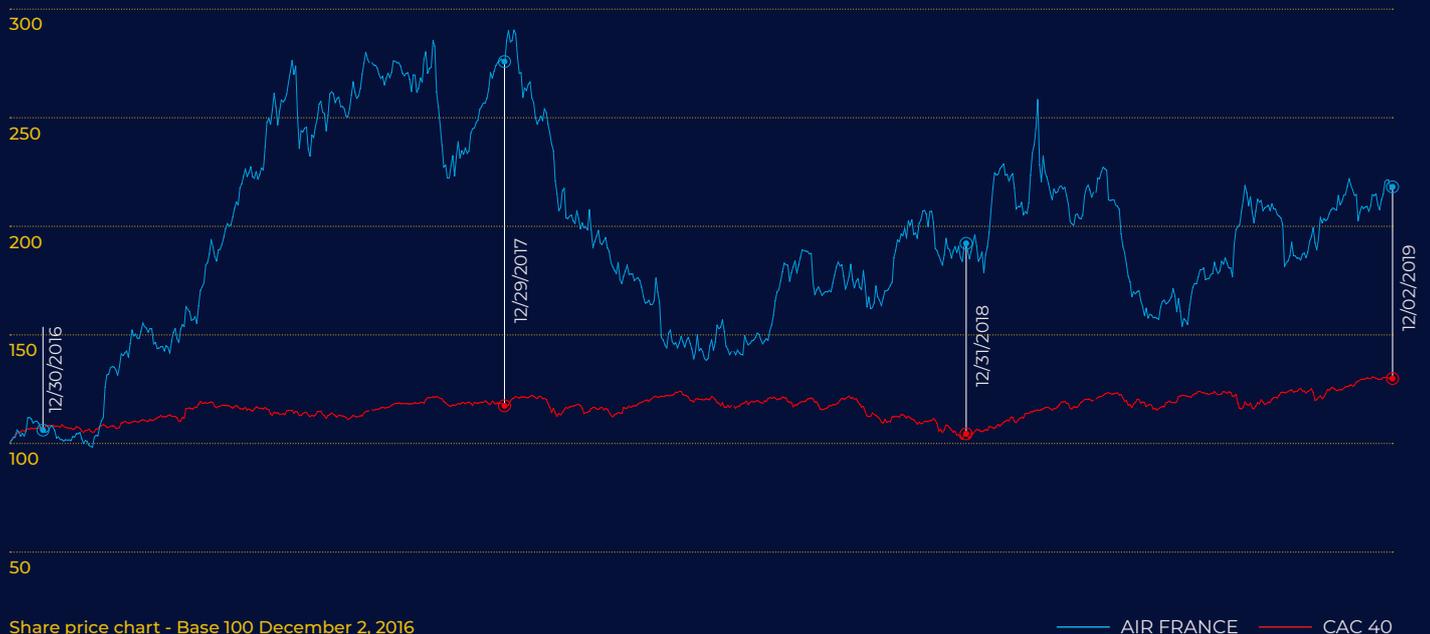
SHAREHOLDER RETURN

Envisaged return to dividend  
distribution



MY SHARES

AIR FRANCE-KLM SHARE PRICE FROM DECEMBER 2, 2016 TO DECEMBER 2, 2019



STRATEGIC PRIORITIES

## THE 4 PILLARS

### 1 OPTIMIZE THE OPERATING MODEL: REDUCE OPERATING COSTS AND GAIN EFFICIENCY

The Group's first strategic priority is to optimize its operating model via the following measures:



**Increase flexibility**  
in fleet management  
and in products and services



**Generate** additional synergies  
at Group level



**Simplify the internal processes**  
within each company



**Continue to encourage**  
the French authorities to create  
an environment more favorable to  
the competitiveness of Air France



**Accelerate renewal**  
of the fleet

### 2 REFOCUS PASSENGER REVENUE GROWTH ON THE MOST PROFITABLE SEGMENTS BY LEVERAGING THE HUBS AND THE POWER OF THE BRANDS

The Group's second priority is to increase the profitability of its passenger revenues by focusing on the most profitable segments of each airline.

**First of all, Air France-KLM is refocusing its brand portfolio around three master brands:** Air France, Transavia and KLM, to target the most relevant and profitable market segments more effectively.

Each company is participating in network optimization by concentrating on its unique know-how and strengths:

- **For KLM, reinforce its leadership at Schiphol** and continue to grow to become the reference carrier on connecting traffic to/from Europe.
- **For Air France, capitalize on its local market** and premium offer, Paris and France being the most-visited destination in the world.
- **For Air France and Transavia, reinforce their positions at Orly** by optimizing the use of their slots.
- **For Transavia, consolidate its position as the leading low-cost operator in the Netherlands** and achieve its goal of becoming the leading low-cost carrier in France in terms of based aircraft.



STRATEGIC PRIORITIES



4

**AIR FRANCE-KLM CONTINUES TO TAKE A PRAGMATIC VIEW ON CONSOLIDATION IN THE EUROPEAN MARKET**

Backed by the success of its many global alliances, Air France-KLM intends to pragmatically evaluate consolidation opportunities, aimed at complementing and reinforcing the networks of Air France and KLM while maintaining strict financial discipline.



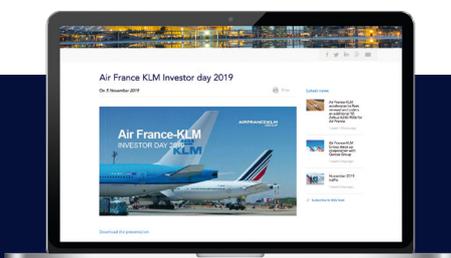
3

**THE GROUP WILL CONTINUE TO GROW ITS CUSTOMER DATA CAPABILITY AND FLYING BLUE**

Air France-KLM is going to further capitalize on key resources by developing customer data management as a significant asset for the Group and by fine-tuning customer targeting which is key to greater personalization.

**Continuing the initiatives undertaken in 2018, one of the levers in this development consists of accelerating the growth of Flying Blue. In parallel, the Group plans to develop the Cargo business and position the maintenance business on a profitable growth trajectory, at the service of the operating performance of the Group's airlines.**

On November 21, 2019, Air France-KLM, Delta Air Lines and Virgin Atlantic welcomed the U.S. Department of Transportation's decision to grant them Antitrust Immunity (ATI) within the framework of the extension of the transatlantic joint-venture. This regulatory step now enables the airlines to move forward with their alliance. In parallel, the partners finalized the expanded joint-venture's governance with simplified decision-making processes that will enable the joint-venture to deliver its full synergy potential. Air France-KLM and Virgin considered that Air France-KLM's acquisition of a stake in Virgin Atlantic was no longer necessary. This partnership is key to strengthening the Group's leadership position between Europe and North America and, from January, will offer its customers the best streamlined travel experience across the Atlantic.



Find all the information from the Investor Day at  
<https://www.airfranceklm.com/en/news/air-france-klm-investor-day-2019>

STRATEGIC PRIORITIES

# GOING FURTHER IN TERMS OF ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

The Group's entire strategic route map perpetuates its long-term commitment to responsibility and sustainability.

Air France-KLM wants to affirm its leadership in sustainable aviation, notably by deploying an environmental and societal plan through to 2030.

At environmental level in particular, the three companies have implemented major initiatives to **halve their CO<sub>2</sub> emissions** per passenger by 2030 and to **encourage the emergence of sustainable fuels**.

14 TIMES A LEADER

DOW JONES  
SUSTAINABILITY  
INDEX 2019



“THE AIR TRANSPORT SECTOR IS AN INCREDIBLE WAY OF BRINGING PEOPLE TOGETHER, PROMOTING OPEN-MINDEDNESS AND EXCHANGE FOR ALL CITIZENS OF THE WORLD. BY ACTING RESPONSIBLY, WE ARE MEETING THE EXPECTATIONS OF OUR CUSTOMERS, OUR STAFF AND ALL OUR STAKEHOLDERS.”

**Benjamin Smith**  
Chief Executive Officer of Air France-KLM

**EDITORIAL**

**“THE AIR TRANSPORT SECTOR IS AN INCREDIBLE WAY OF BRINGING PEOPLE TOGETHER, PROMOTING OPEN-MINDEDNESS AND EXCHANGE FOR ALL CITIZENS OF THE WORLD. BY ACTING RESPONSIBLY, WE ARE MEETING THE EXPECTATIONS OF OUR CUSTOMERS, OUR STAFF AND ALL OUR STAKEHOLDERS.”**

**Benjamin Smith**, Chief Executive Officer, Air France-KLM

The air transport sector is an incredible way of bringing people together, promoting open-mindedness and exchange for all citizens of the world. By acting responsibly, we are meeting the expectations of our customers, our staff and all our stakeholders.

At Air France-KLM, we are clearly aware of this. As proof, we have made a series of commitments and taken concrete action, with significant results that we can be proud of. The Group has managed to reduce its CO<sub>2</sub> emissions by 20% between 2005 and 2018 and improved its energy efficiency per passenger-km by 25.6% between 2015 and 2018. We have been included in the CDJ Climate and World Leaders for the 10th year running. Air France-KLM is also the only airline to be included in the ESG European ranking.

Our ambition is to make each of us responsible for, by constantly reducing our environmental footprint by thinking our operations, by encouraging innovation and partnerships, with the commitment of all our staff.

The strategic objectives of the aviation sector is a long-term commitment. We are working with our ecosystem to implement innovative solutions, as illustrated by our contribution to research into opening the aircraft of the future. An aircraft designed to be more environmentally friendly, and offering an increasingly innovative in-flight service. We continue to promote a viable alternative sustainable fuel market, the support research to encourage the rapid emergence of breakthrough technologies aimed at drastically reducing the environmental impact of air transport.

It is because I am very passionate about preserving this culture that we have decided to more closely integrate sustainability into our vision, by making our commitment fully part of the Group's ambition. In 2018, we created a committee dedicated to sustainable development within the Group's governing board, making our responsible action the focus of all our decisions.

The Group has been a member of the Global Compact since 2003, of which it supports its commitments and principles. By integrating sustainable development into its activities and operations, Air France-KLM aims to make a significant contribution to the UN's sustainable development goals in connection with its activities.

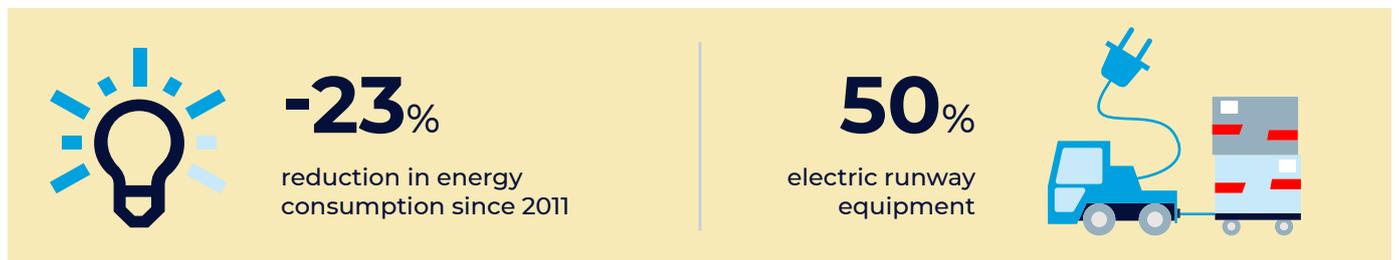
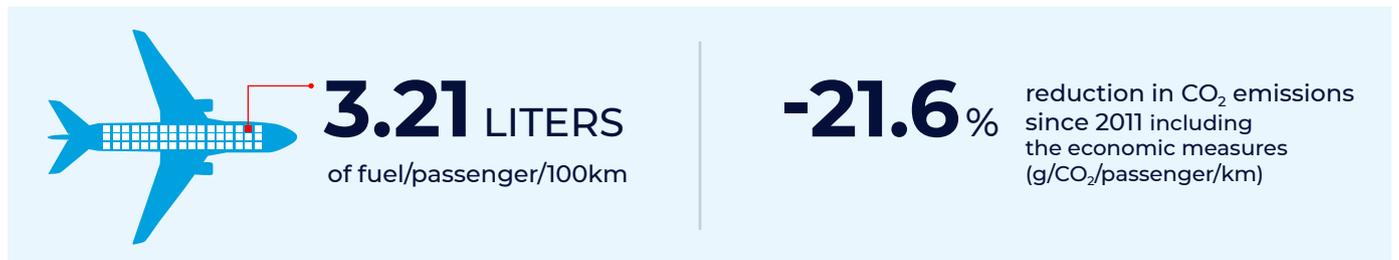
By creating jobs and training and building on-going through its supply chain and its 57 billion euro annual procurement business, the Group contributes to sustainable economic growth in France, the Netherlands and in the regions where it operates. Air France-KLM also has a role to play in developing indirect employment and economic activity by working with local partners and supporting projects with high social and economic added value for the benefit of future generations and local communities.

Since my arrival at Air France-KLM, I have reconfirmed the extent of the Group's commitment to sustainability. Numerous environmental and social actions have been implemented on a proactive and voluntary basis. These actions fully contribute to our long-term profitability and sustainability. This commitment is widely shared by all our staff around the world. It is a formidable force, as for all of us, Air France-KLM must be a reference in our industry.

See Benjamin Smith's editorial:  
<https://csrreport2018.airfranceklm.com/en/homepage>

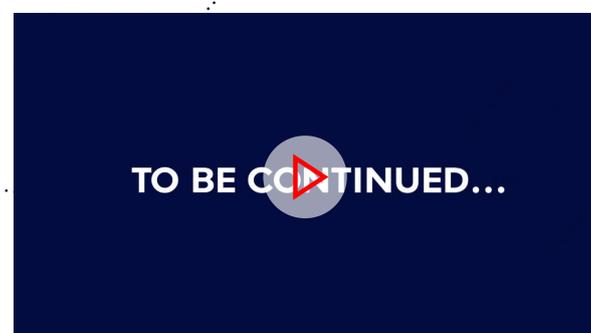
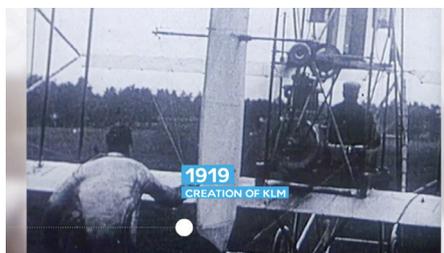


## 3 RESPONSIBLE BRANDS





## 100 YEARS OF AVIATION



[www.airfranceklm.com](http://www.airfranceklm.com)

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May 26, 2020 - 14h30

**General Shareholders' Meeting**

Espace Grande Arche de la Défense