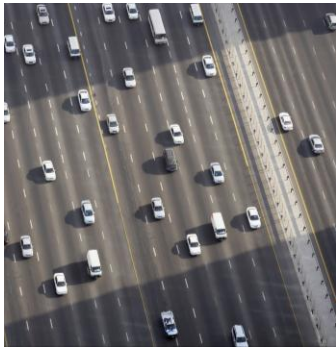


AIRFRANCE KLM



# Information meeting

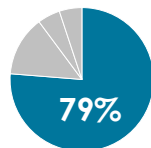
JP Morgan Aviation, Transportation and Industrials Conference  
10 March 2014

# Air France-KLM: four business segments

## Revenue



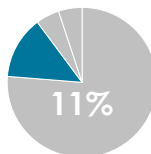
€20.1bn



- ▶ Largest passenger airline group in Europe
- ▶ 79% of capacity on long-haul
- ▶ 528 aircraft
- ▶ 60,000 employees



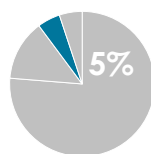
€2.8bn



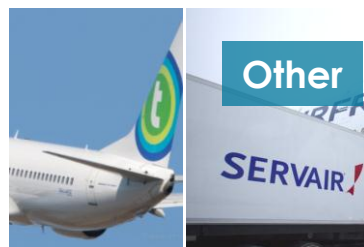
- ▶ Second largest air cargo group in Europe
- ▶ 72% of capacity in passenger aircraft bellies
- ▶ 28% of capacity in 14 full freighter aircraft
- ▶ 5,500 employees



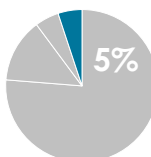
€1.2bn



- ▶ 150 external customers
- ▶ Main growth segments: engines and components
- ▶ €2bn revenue with internal customers
- ▶ 14,000 employees



€1.4bn



- ▶ Transavia: €980m revenue, 2,000 employees
- ▶ Catering activity: €340m external revenue, €570m revenue with internal customers, 10,500 employees

NB: Revenue and capacity data: Full Year 2013, fleet: at 31 December 2013, employees: average FTEs

# Agenda

- ✦ **Transform 2015: securing structural cost reductions**
- ✦ Driving a new revenue dynamic
- ✦ Expanding and strengthening our international networks

# Transform 2015: a comprehensive plan

2012

## Laying the foundations for the group's turnaround

- + Immediate cost reduction measures
- + Strict capacity discipline and reduced investment
- + Renegotiation of collective labor agreements
- + Definition of industrial projects

2013

## Roll-out of Transform 2015 measures

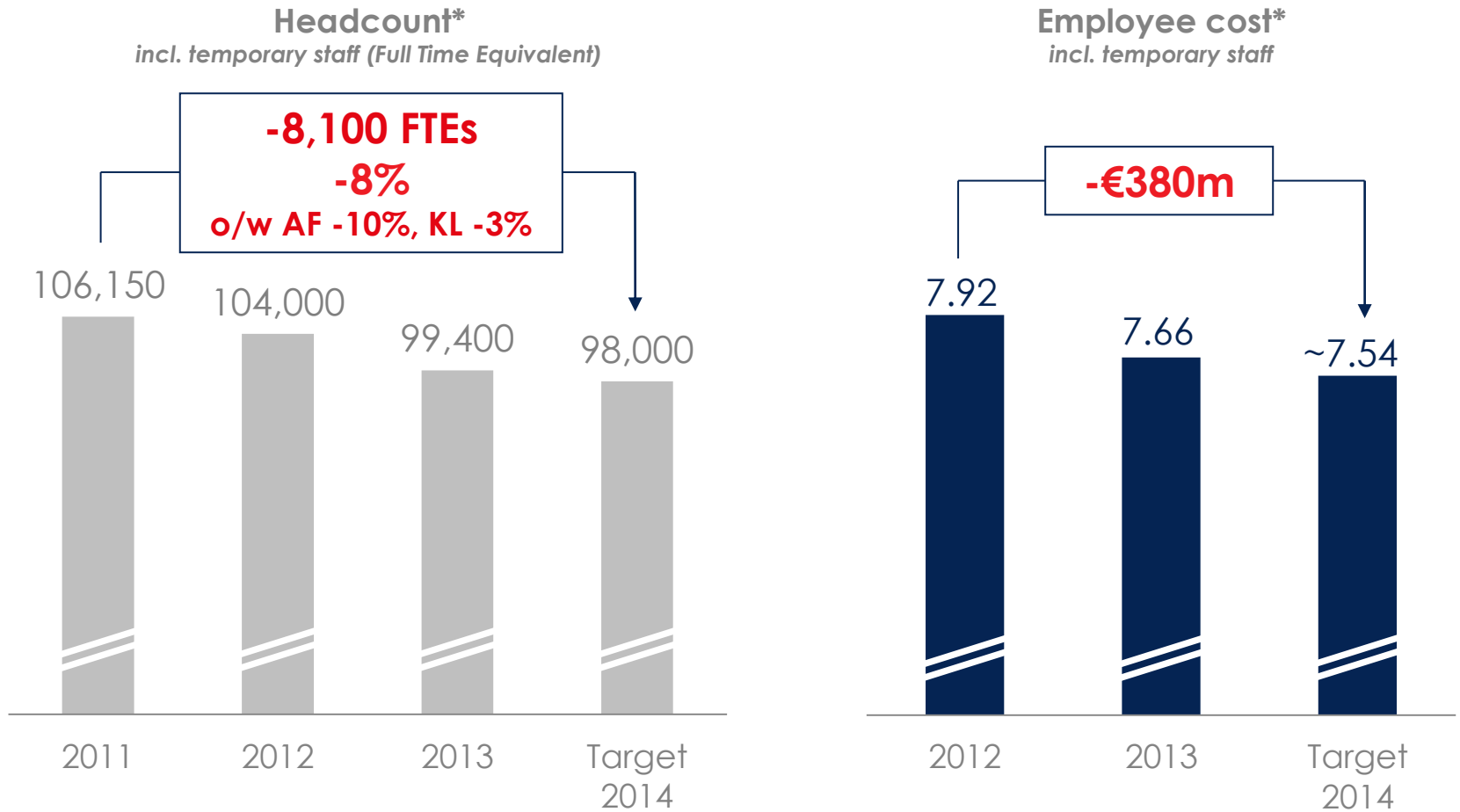
- + Cost reduction
- + Industrial projects
- + Initiatives to reconquer customer base
- + Progress review in October leading to additional measures in medium-haul and cargo

2014

## Further impact of Transform 2015

- + Additional measures delivering as of H2 2014
- + EBITDA in the region of €2.5 billion (vs €1.4 billion in 2012)
- + Ongoing reduction in net debt towards our 2015 objective of €4.5 billion

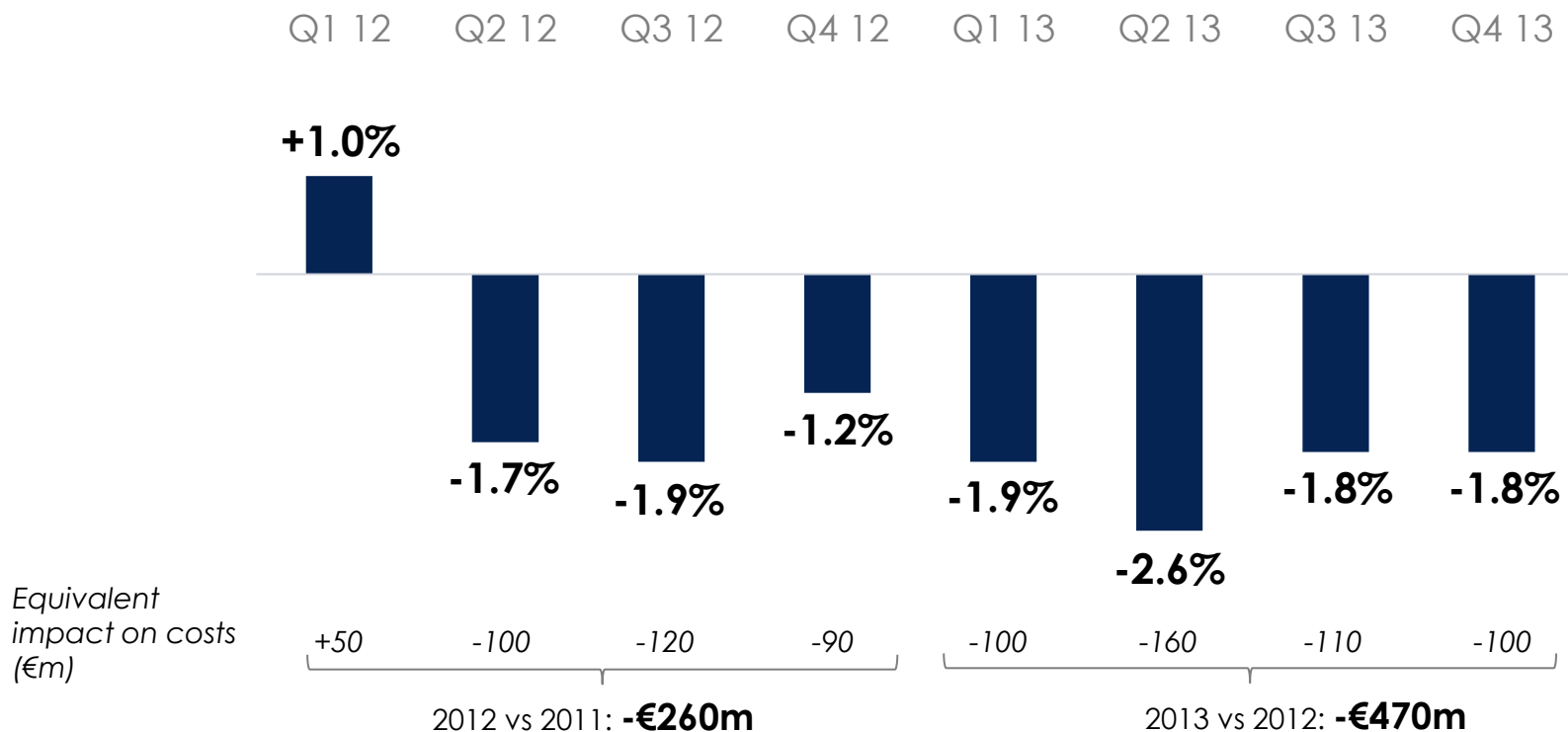
# Reduction in both headcount and employee costs



\* CityJet removed in 2013 and 2014, employee cost at constant pension expense

# Significant reduction in costs since launch of Transform 2015...

## Change in unit cost\*

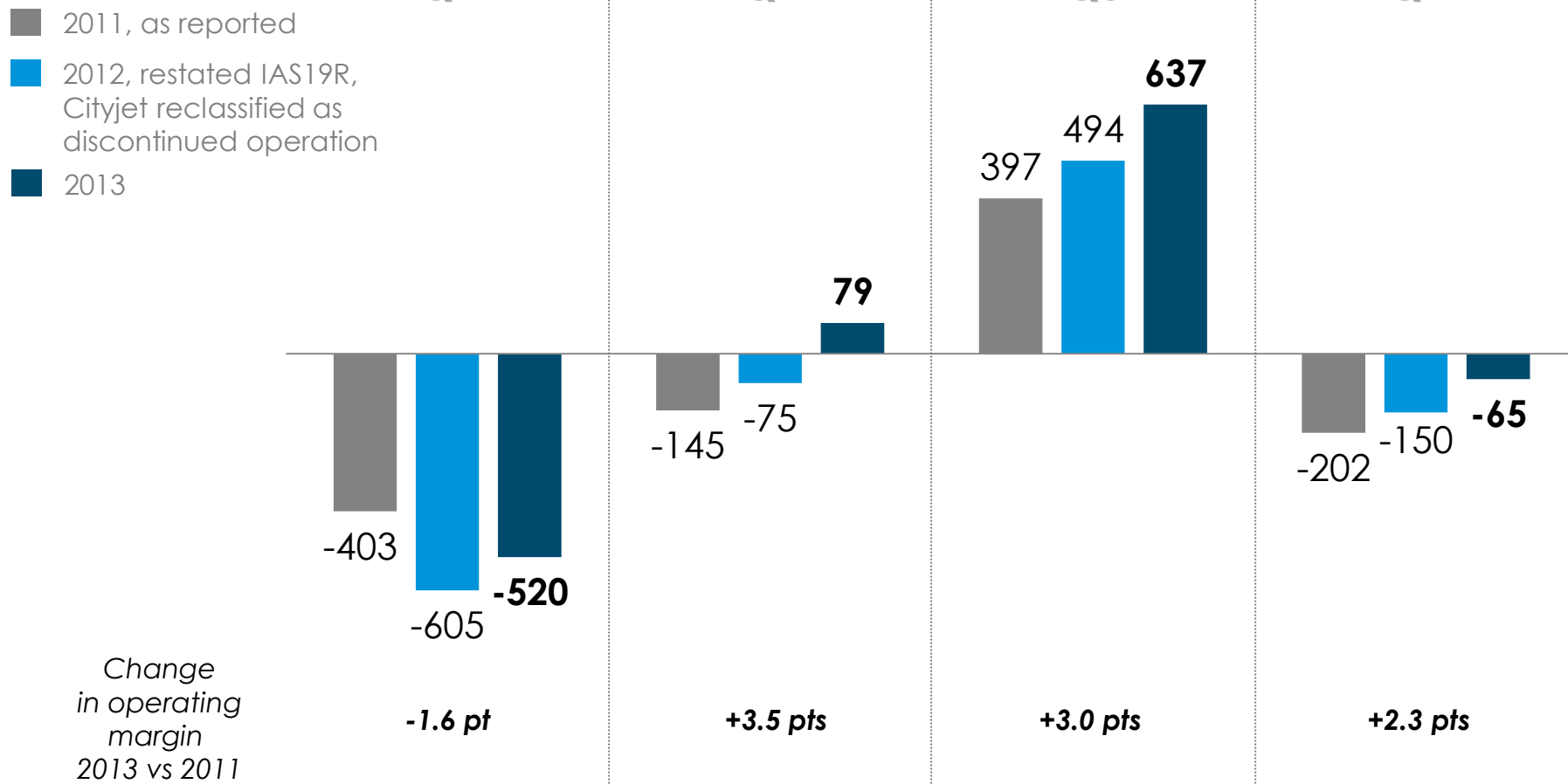


**Costs reduced by over €700 million in 2 years**

\* Net unit cost per EASK in € cents, at constant currency, fuel price and excluding (non cash) pension charge impact

# ...drives positive operating result momentum

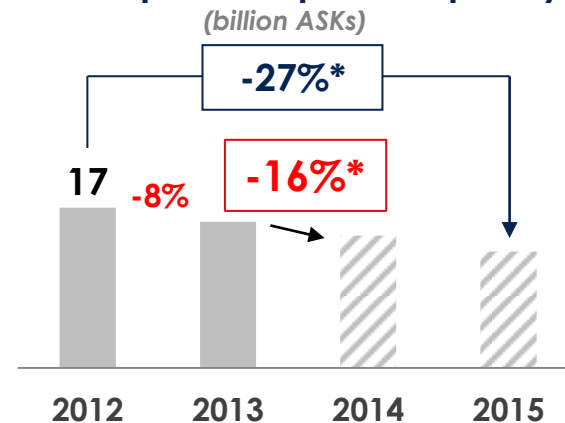
In € millions



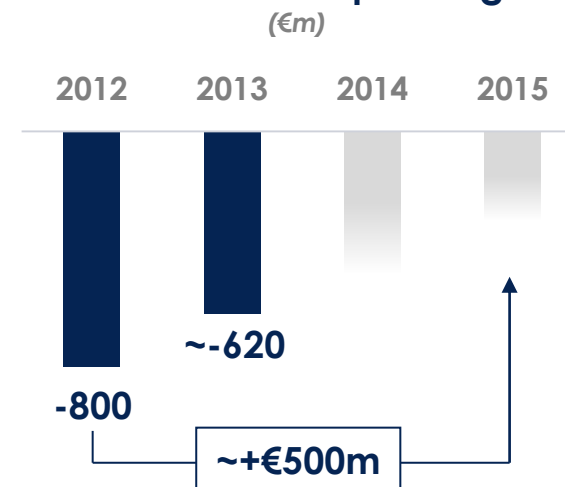
## Medium-haul: new measures on track

- + Losses reduced by €180m in 2013
  - ▶ Hubs: productivity gains, cabin densification, shorter turnaround times and ancillary revenues
  - ▶ Point-to-point: reduction of activity in provincial bases, sale of CityJet
  
- + Deployment of new measures announced in October 2013
  - ▶ Paris-CDG hub: additional fleet reduction and productivity improvements
  - ▶ Amsterdam hub: further actions to increase asset utilization
  - ▶ Point-to-point: capacity cuts
  - ▶ New Voluntary Departure Plan underway targeting 1,400 FTEs in French stations

### French point-to-point capacity



### Medium-haul total operating result



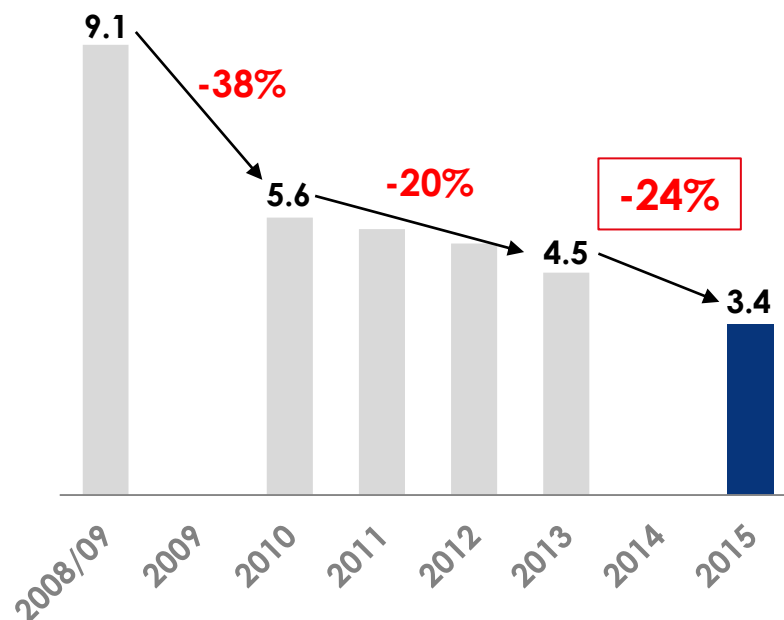
\* o/w 5% due to sale of CityJet



# Cargo restructuring: ready to further adapt

- + Significant cost and capacity reduction achieved in 2013
  - ▶ Full freighter capacity down 11%
  - ▶ CATK down 4%
- + New measures announced in October 2013 on track
  - ▶ Further full freighter fleet reduction, down from 14 in 2013 to 10 in 2015
  - ▶ Outsourcing of handling at Orly, VDP in France targeting 280 FTEs
  - ▶ New revenue initiatives
- + Ready to further adapt in the absence of market recovery

**Full-freighter cargo capacity**  
(billion ATKs)



# Agenda

- + Transform 2015: securing structural cost reductions
- + **Driving a new revenue dynamic**
- + Expanding and strengthening our international networks

# Medium-haul product adjustment

## Evolution of medium-haul brands

**Fares without bag**

**AIRFRANCE**

**NEW MINI PRICES GET YOU CLOSER TO WHAT YOU LOVE**

**EUROPE FROM LONDON 49€ MINI**

AIRFRANCE.COM. Tarif TTC aller simple, taxes de service, sécurité et conditions de disponibilité, voir site internet. Air France 10 jours avant le départ. Réglez en avance tout ce que vous pouvez en France. Flying Blue.

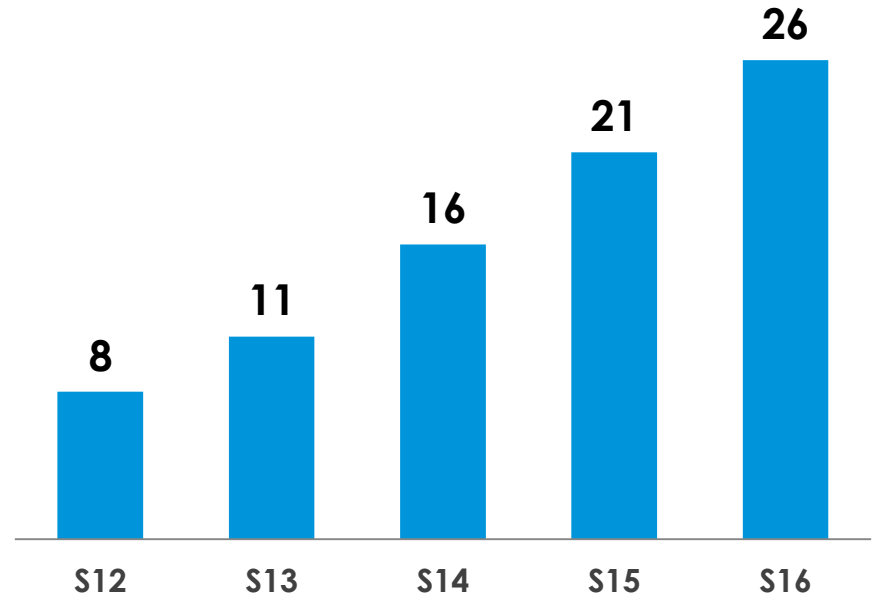
**Launch of HOP!**

**HOP!** For AIRFRANCE

**New in-flight service**

## Accelerated development of Transavia France

**Transavia France fleet plan**  
(number of aircraft)



# €700m investment in long-haul product by end of 2015

## KLM: new World Business Class



- + Launched in July 2013
- + 22 B747-400s upgraded by Summer 2014
- + “Full flat”
- + Marked improvement in customer satisfaction
  - ▶ Customer satisfaction index for seat comfort jumping from 4.4 to 8.7

## Air France: new cabins in 44 B777s



- + Launch in June 2014
- + New seats and new In-Flight Entertainment in all cabins
- + Business class seat positioned at highest standards
  - ▶ “Full flat”
  - ▶ “Full access”: direct aisle access
  - ▶ “Full privacy”

# Agenda

- + Transform 2015: securing structural cost reductions
- + Driving a new revenue dynamic
- + **Expanding and strengthening our international networks**

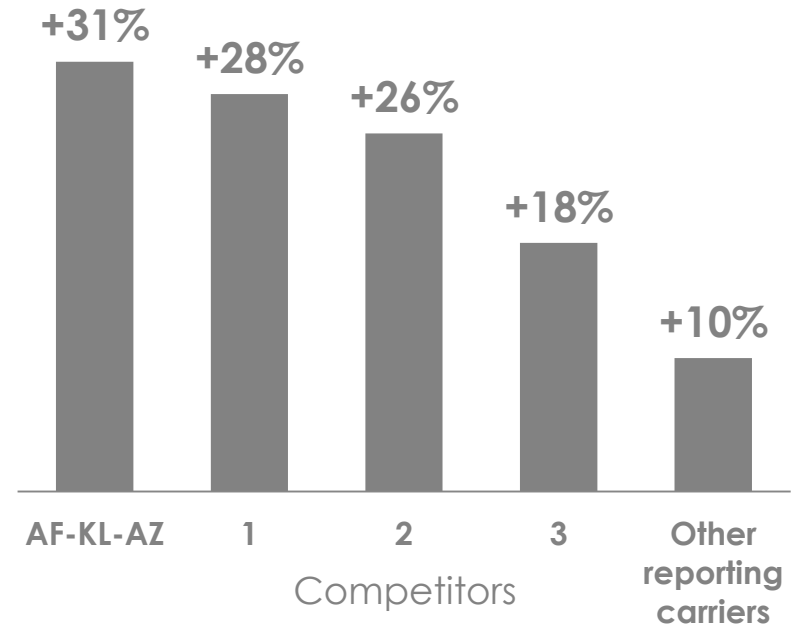
# The North Atlantic Joint Venture with Delta: a unique asset

- + JV represents 23% of industry transatlantic capacity
  - ▶ Market leader
  - ▶ 98 flights per day
  - ▶ Revenue: \$11bn
- + Leading improvement in RASK since 2008
- + New initiatives
  - ▶ Ancillary seat sales
  - ▶ Enhanced integration of Frequent Flyer programs
  - ▶ Cargo



**11 point rise in profit margin since 2008**

## North Atlantic RASK 2013 vs 2008\*



\* Among 13 participating European carriers, January-September 2013 RASK compared to January-September 2008, in € cents, source: Association of European Airlines

# Accelerated development in Latin America

- + Air France-KLM: strong organic growth in last 5 years
  - ▶ 12 destinations, o/w 6 served from both hubs
  - ▶ Summer 2014: #1 carrier between Europe and Latin America
- + Air France-KLM and GOL
  - ▶ A strong local player in Brazil
  - ▶ Code share agreement on 28 destinations since 2009
- + 2014: new strategic agreement
  - ▶ Exclusive access to domestic network
  - ▶ Coordination stepped up between the 2 networks
  - ▶ Extension of code shares
  - ▶ Coordination of sales teams in Europe and Brazil
  - ▶ Maintenance agreement
  - ▶ Cemented by an equity investment

## Development of Air France-KLM Latin American network

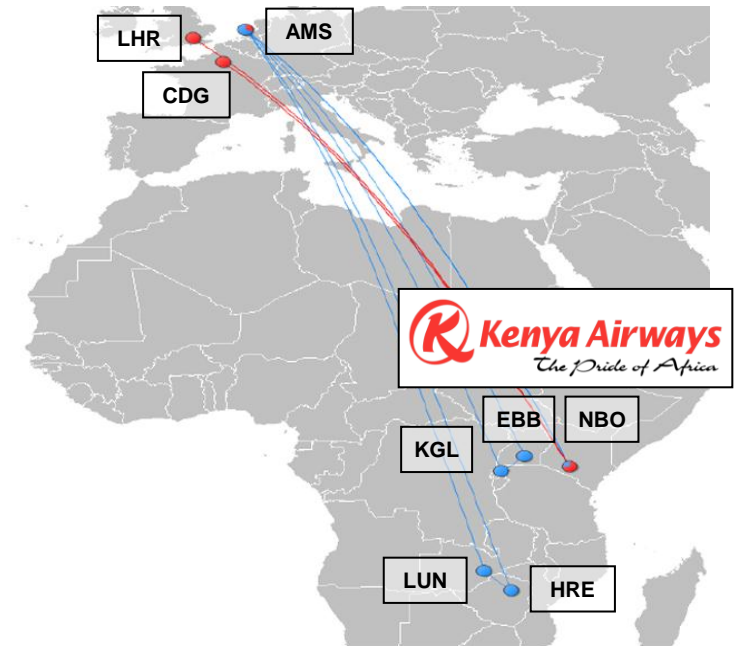
(Summer 2014 vs Summer 2009)



# Africa: reinforcement of network

- + Extensive network serving Africa
  - ▶ 30 daily flights to 34 destinations in 29 countries
  - ▶ Planned deployment of A380 on Abidjan
- + 2014: Extension of Joint Venture with Kenya Airways
  - ▶ 27% shareholding
  - ▶ Scope extended to 44 weekly intercontinental flights
  - ▶ 27 destinations covered in Africa
  - ▶ Doubling of JV scope to €400m in revenues

## Air France-KLM / Kenya Airways Joint Venture scope, effective 2014





# Towards deeper partnerships to serve Asia

## Four partners in Greater China



- + Four SkyTeam members in Greater China
- + JVs with China Southern and China Eastern: revenues above €700m in 2013
- + Codeshare with Xiamen Airlines

## Partnership with Etihad

- + Geographic complementary with addition of destinations in Indian Ocean and Australia
- + Initial cooperation involving trunks and beyonds
  - ▶ Launched in October 2012
  - ▶ 4 daily flights between respective hubs
  - ▶ 24 codeshare destinations beyond European hubs
  - ▶ 20 codeshare destinations beyond Abu Dhabi
- + Extension of existing partnership with Jet Airways under consideration
- + Ongoing discussions to deepen partnership

## In summary

### Secure structural cost reduction

- ✓ New labor agreements
- ✓ Industrial projects
- ✓ Reduction of exposure to medium-haul point-to-point and full-freighter cargo

### Drive a new revenue dynamic

- ✓ Major product upgrade throughout the group
- ✓ Accelerated development of Transavia

### Expand and strengthen international networks

- ✓ Targeted capacity growth
- ✓ Further initiatives with key partners
- ✓ Strategic agreement with GOL

AIRFRANCE KLM



# Information meeting

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10 March 2014