

Roissy, 5<sup>th</sup> November 2019

## **Air France-KLM presents its go forward plan to recapture a leadership position in Europe**

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Today, in Paris, Air France-KLM is organizing a presentation for investors. On this occasion, Benjamin Smith, Air France-KLM CEO, along with Pieter Elbers, KLM President and CEO, Anne Rigail, Air France CEO, and Frederic Gagey, Air France-KLM CFO, will outline the group's strategic priorities and its financial trajectory over the next five years.

- Restore a dynamic of sustainable profitability based on a new value-focused model for the group's primary stakeholders: employees, customers, and shareholders.
- A plan built around four main strategic priorities: optimising the operational model, refocusing passenger revenue growth around the most profitable segments, developing initiatives on customer data, the Flying Blue loyalty program, maintenance and cargo, and pragmatically analyzing consolidation opportunities. Each of these initiatives support the group's goal to remain a leader in the sector's ecological transition.
- Financial targets:
  - Profit: Medium-term operating margin of 7-8%
  - Cash: Medium-term positive adjusted Free Cash Flows
  - Leverage: Net debt/EBITDA ratio circa 1.5x
  - Shareholder returns: Prospects for returning to dividend distribution

*"In a competitive and fast-transforming environment for European airlines, the Air France-KLM Group has all the assets to regain its leadership position", said Benjamin Smith, CEO of the Air France-KLM Group. "Thanks to the dedication of our employees at Air France, KLM and Transavia, since the end of 2018 we have been able to establish the fundamentals of our go forward plan: simplifying our fleet, clarifying our brand and market positioning, and unlocking significant commercial and operational flexibility thanks to new labour agreements. This is the starting point of a strategy that will allow Air France-KLM to reinvent itself, creating value for all key stakeholders. We will optimize our operational model and increase revenues to significantly improve our operating margin. Everything we do will support our goal of remaining an industry pioneer as the airline group most committed to global environmental sustainability."*

The Air France-KLM Group has several unique assets: the strength of its three brands Air France, KLM and Transavia, its two hubs in Paris – the world’s leading inbound destination – and Amsterdam – the leading European connection hub and where the airline hub-and-spoke model was first invented, its extensive and highly complementary combined network, and its powerful commercial partnerships.

To fully leverage these assets, the Group must simplify and optimize its mode of operation and reposition itself to pursue the most profitable traffic.

At the end of 2018 work was started to lay the foundation for future success, and the next steps will revolve around four main strategic priorities, to be rolled out at each airline.

## **1. Optimize the Operating Model: Reduce Operating Costs and Increase Efficiency**

- Managing fleet and product in a more flexible and optimal way
- Simplifying each airline’s internal processes
- Accelerating fleet renewal
- Implementing additional Group synergies
- Lobbying French authorities to create a more competitive airline business environment

## **2. Refocus Growth of Passenger Revenue on Most Profitable Segments by Leveraging Hubs and Powerful Brand Identities**

- Simplifying the brand portfolio around the three master brands: Air France, KLM, and Transavia, to better target relevant and most profitable market segments
- Optimizing the networks, each airline focusing on its unique expertise and core assets:
  - For KLM, strengthen its leadership position at Schiphol while continuing to grow in order to become the benchmark carrier for connecting traffic to and from Europe.
  - For Air France, leverage its local market and premium strength, with Paris and France being the world’s leading inbound destinations.
  - For Air France and Transavia, strengthen their positions at Paris-Orly by better leveraging the slot portfolios at the slot-constrained airport.
  - For Transavia, consolidate its leading low-cost position in The Netherlands and aim to become the leading low-cost airline in France in terms of number of based aircraft.
- More accurate targeting of customers for an increasingly personalized offer at a reduced cost of sale

## **3. At the same time, the group will continue to grow its other businesses and leverage Customer Data, Flying Blue, Cargo, and Engineering & Maintenance**

- Leverage customer data as a major asset of the Group
- Accelerate development of Flying Blue, continuing 2018 program evolution
- Further develop Cargo contribution
- Position E&M on a profitable growth path, while contributing to airline operational performance

## **4. The Air France-KLM Group will continue to pragmatically evaluate consolidation opportunities**

- On the strength of its numerous successful global partnerships, Air France-KLM will pragmatically consider consolidation opportunities when and where they make sense, with a view to complementing and strengthening the Air France and KLM networks while maintaining strict financial discipline.

**The Group's strategic roadmap is an integral part of a global responsible and sustainable road to European leadership**

- Air France-KLM will remain an industry pioneer in terms of sustainable aviation, notably by implementing an environmental and societal plan to 2030.
- From an environmental perspective, the three airlines have adopted important measures aimed at cutting their CO<sub>2</sub> emissions per passenger by 50% by 2030, as well as promoting the emergence of sustainable fuels.

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