Trust Together: Air France-KLM regains the offensive with a new strategic plan

- Trust Together’s objective is to respond to the strategic issues that faces Air France-KLM today with an ambitious project of growth and competitiveness

- The Air France-KLM Group’s ambition is to regain the offensive to return to a leadership position in the global air transport industry
  
  - Built around strong airlines Air France and KLM, coordinating two European hubs
  - The European pillar of the most integrated partnership in the world
  - A major player of the Point-to-Point business within Europe to and from its home markets thanks, notably, to Transavia, the Group’s low-cost vehicle
  - Perceived by its clients as the industry reference in terms of operational efficiency, product quality and customer intimacy through digitalization
  - A world leader in the airline MRO business
  - Defending its Cargo business in support of the passenger activities

- To benefit from market growth, Air France-KLM, in a challenging position today, is taking the necessary actions
Long-haul: regaining the offensive

A STRONG POSITION IN A CHALLENGING INDUSTRY

Industry capacity growth
- Industry growth in long-haul demand: seat increase of 5% for 2016-19 CAGR*

Structural challenges
- Growing competition with the emergence of Middle and Far East giants
- Emergence of disruptive business models (long-haul low cost carriers)
- Geopolitical headwinds weighing on inbound tourism

Air France-KLM strengths
- #1 carrier in Europe with unmatched network
- Strong feeding infrastructure
- High market share on domestic markets
- Successful move up-market of products and services
- Strong customer intimacy

SEIZING THE OPPORTUNITIES AND TACKLING THE CHALLENGES

Securing growth of long-haul business
- Deepen the alliances with strong partners on all key markets
- Reinforce commercial integration with partners to benefit from joint distribution networks
- Continue to improve the competitiveness and the asset utilization, and investment in the product

Develop within Air France a new long-haul company (Boost project)
- Competitive and innovative tool, complementing current Air France operations on ultra-competitive markets
- Offering comparable standards as Air France in terms of market and high quality of products
- With a fleet of ~10 widebody aircraft by 2020 of which ~30% of incremental activity
- Volunteer Air France Pilots to operate this new tool at work conditions adapted to its competitive positioning
- Cabin crew: independent path at market conditions
- Ground activities optimized

Target to secure a profitable growth between 2% and 3% until 2020

* Source: AFKLM Network strategy
Hubs: improving performance and sustainable feeding

- Make operational robustness the key priority
  - Continue implementation of operational improvement programs at Air France and KLM hubs
  - Ambition to reach the best punctuality standards on long-haul and medium-haul for the Group by 2020

- Continue to improve the cost-competitiveness, in order to sustain the long-haul and medium-haul businesses from/to the hubs

- Defend and grow CDG feeding
  - Use the new company, similarly to long-haul, with the same characteristics and positioning
  - It will be also a tool to grow from/to hub

- AMS Schiphol: Optimize coordination between KLM and Transavia on Schiphol Hub
Point-to-point: fighting back from/to home markets

- **transavia** # 1 low cost in the Netherlands and # 2 in Paris

- Focus development on strengthening the position on home markets in France and the Netherlands

- In France, develop Transavia to reinforce the position against low cost competitors and TGV; use all the assets on domestic markets to defend the position in Orly and grow from/to Provinces

- Rationalize the brand portfolio in France between AF, Hop, and Transavia

- Adapt operational model for French Province stations, station by station, and reconcile professional and business changes

*As per 30 September 2016*
Maintenance: strengthening the growth

Strong long term trends benefiting Air France-KLM E&M

- Global market to reach €93bn (expected growth of +4% p.a.) over the next 10 years driven by engines and components (+5% p.a.)

- Fragmented market dominated by OEM & OAMs (mono-product offer) and Airline shops (multi-product offer)...

- …with natural shift towards bigger players with integrated offer and global footprint

Air France-KLM E&M: worldwide network of strong brands

Air France-KLM E&M aims to fully benefit from the value of its E&M activity and reinforce its development

- To continue to follow its growth strategy and reinforce its global number 2 position

- Evaluating the opportunity of E&M corporatization while retaining control, to enable management to seize future opportunities and increase the valuation of the Group

Robust track record of growth and value creation

Solid order book at $9.1bn at 30 September 2016, securing future revenues

<table>
<thead>
<tr>
<th>€m</th>
<th>FY 2015</th>
<th>FY 2014</th>
<th>FY 2013</th>
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<tbody>
<tr>
<td>Total Revenue</td>
<td>4,012</td>
<td>3,392</td>
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<td>% growth</td>
<td>+18.3%</td>
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<td>+4.7%</td>
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<tr>
<td>External Revenue</td>
<td>1,577</td>
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<td>% growth</td>
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<td>+2.1%</td>
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<tr>
<td>EBITDAR</td>
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<td>411</td>
<td>394</td>
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<tr>
<td>% growth</td>
<td>+13.2%</td>
<td>+4.3%</td>
<td>+4.8%</td>
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<tr>
<td>Operating result</td>
<td>214</td>
<td>174</td>
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<tr>
<td>% margin</td>
<td>5.3%</td>
<td>5.1%</td>
<td>4.8%</td>
</tr>
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Cross-cutting projects: competitiveness, customer value and organization initiatives

- Continue to improve the competitiveness across all functions by continuing and amplifying Perform initiatives objectives
  - Continue implementation of Air France and KLM operational performance programs
  - All costs items need to be addressed
  - Optimize the use of the fleet, increase the utilization of aircraft, optimize leasing conditions

- Focus on customer value
  - Aim the highest standards for customer recommendation, and use it internally as a management tool
  - Boost revenues through offer personalization and optimized CRM program

- Invest in people and improve the organization and ways of working
  - HR ambition in Air France: redefine a new social ambition to restore truth and strengthen staff engagement
  - Accelerate digitization of processes to simplify the ways of working and increase the agility
  - In Air France, launch an ambitious program to simplify the organization and ways of working, improving efficiency
  - In KLM, fully implement HPO program to achieve organization simplification ambition
Carefully monitoring Air France-KLM financial flexibility

- Continue to improve the competitiveness efforts
  - Confirm Perform 2020 competitiveness objectives
  - Leverage fleet utilization rate and financing to improve fleet unit cost
  - Unit cost reduction in excess of 1.5% per year between 2017 and 2020

- Strict capex discipline
  - Positive yearly free cash flow before disposal
  - Maintain capex discipline
  - Capex forecast for 2017 and 2018: €1.7bn – €2.2bn

- Debt ratio remains a priority
  - Adjusted net debt\(^{(1)}\) to EBITDAR below 2.5x mid cycle by end 2020

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\(^{(1)}\) Adjusted for the capitalization of operating leases (7x yearly expense)
Trust Together: next steps

- Still a lot of work to extract full potential, get full commitment to common ambitious vision and negotiate with the social partners

- Establish trust at the heart of our relationship with all stakeholders: employees, clients, partners, shareholders and debt providers

- Objective is to create a virtuous circle where greater competitiveness brings more avenues for growth with partners to achieve it and means to finance it

Our ambitious project aims to reach the following targets in 2020:

- Revenues of around €28bn (depending on the trend in RASK change)

- For 100 million passengers carried

- With a fleet reaching 435 aircraft (excluding regional aircraft)

We look to present the comprehensive Trust Together vision in early Q2 2017