



# Air France-KLM

INVESTOR ROADSHOW PRESENTATION FULL YEAR 2019

MARCH 2020





# Overview



- **Resilient operating results** in a challenging macro-economic context
  - Net **improved operating performance** since 2012
  - **Leverage** successfully taken down to **investment grade** like levels
  - **Group guidance for 2020-2024: Capacity growth +2 to +3% p.a.**
  - Commitment to **Global Environmental Sustainability**
  - Group numerous **unique strengths**
    - ✓ France #1 world inbound destination
    - ✓ Schiphol Best-In-Class European hub
- ✈️ **New 4-pillar strategy recently unveiled**
- ✓ **Optimize the operating model:** Reduce operating costs and increase efficiency
  - ✓ Refocus **growth of passenger revenue** on most profitable segments by leveraging hubs and powerful brand identities
  - ✓ Continue to **grow other group's businesses** and **leverage customer data**, Flying Blue, Cargo, and Engineering & Maintenance
  - ✓ Continue to pragmatically evaluate **consolidation opportunities**





# FY 2019 Results



# 2019 highlights

## Labor stability

- Improved social dialogue based on trust, respect, transparency & confidentiality
- 37 staff agreements signed in 2019 for Air France and new CLAs for all KLM staff categories



## Operational reliability

- Air France operational measures resulting in strongly-improved Arrival-punctuality.
- Customer satisfaction scores (NPS) at a record level for Air France and at a steady-state high level for KLM



## Sustainability

- A step up in sustainability, launching new impactful initiatives by Air France-KLM
- Regaining the <Airline> world leader position 2019 in the Dow Jones Sustainability Index





# 2019 KPI targets achieved

## Guidance 2019 Full Year 2019



<b>Unit cost</b> <i>ex-currency at constant fuel price</i>	Guidance 2019: -1% to 0%	Full Year 2019: -0.9%
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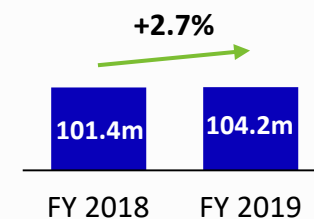


<b>Capex</b>	Guidance 2019: €3.2bn - €3.3bn	Full Year 2019: €3.3 bn
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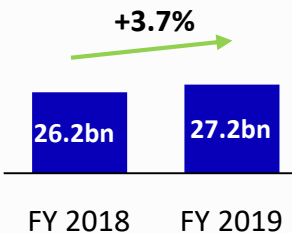


<b>Net Debt / EBITDA</b>	Guidance 2019: at/below 1.5x	Full Year 2019: 1.5x
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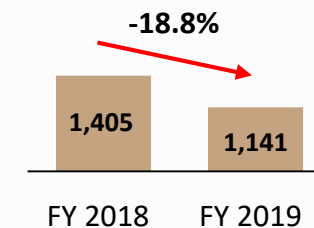
### Passengers carried



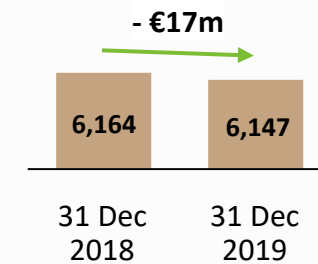
### Group revenue



### Operating result <sup>(1)</sup>



### Net debt



(1) 2018 and 2019 results restated (with a similar impact in both years) for LLP componentization accounting change. For details see slide 36 and/or notes to the consolidated financial statements paragraph 2, page 12-15



# Full Year operating result at €1,141m, with revenues +3.7% and fuel expenses +11.2%

	FY 2019	FY 2018	Change	Change at constant currency
Revenues (€ bn)	27.19	26.23	+3.7%	+2.2%
Fuel expenses (€ bn)	5.51	4.96	+11.2%	+5.5%
EBITDA (€ m)	4,128	4,293	-3.8%	-3.3%
Operating result (€ m)	1,141	1,405	-18.8%	-17.7%
Operating margin	4.2%	5.4%	-1.2 pt	-1.0 pt
Net income - Group part (€ m)	290	420	-130m	
Adjusted operating free cash flow (€ m)	-385	115	-500m	
ROCE 12 months sliding	8.5%	10.4%	-1.9 pt	
	31 Dec 2019	31 Dec 2018	Change	
Net debt (€ m)	6,147	6,164	-17m	
Net debt/EBITDA 12 months sliding	1.5x	1.4x	+0.1x	



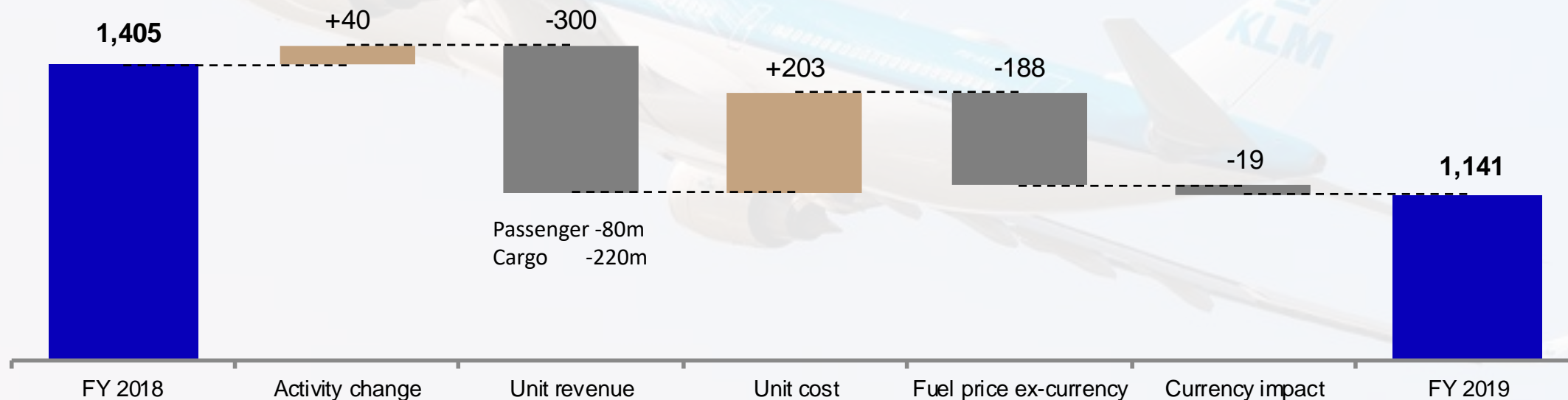
(1) 2018 and 2019 results restated (with a similar impact in both years) for LLP componentization accounting change.  
For details see slide 36 and/or notes to the consolidated financial statements paragraph 2, page 12-15



# Operating result at €1,141m with cost-efficiency measures offset by pressure on Cargo unit revenue and a higher fuel bill

## FY 2019

Operating result evolution in € m



2018 and 2019 results restated (with a similar impact in both years) for LLP componentization accounting change. For details see slide 36 and/or notes to the consolidated financial statements paragraph 2, page 12-15



# Revenue growth for all businesses, margin decline in Passenger airlines and a **positive margin trend in Maintenance at 5.6%, +0.7pt**

Full Year 2019		Capacity <sup>(1)</sup>	Unit Revenue <sup>(2)</sup> Constant Curr.	Revenues (€ m)	Change	Operating result <sup>(3)</sup> (€ m)	Change	Operating margin <sup>(3)</sup>	Change
Network	AIRFRANCE / KLM AIRFRANCE HOP	+2.5%	-0.4%	23,272	+2.6%	749	-293m	3.2%	-1.4 pt
	AIRFRANCE / KLM Martinair CARGO	+1.7%	-10.7%						
Transavia	transavia	+6.5%	+3.0%	1,744	+9.3%	131	-14m	7.5%	-1.6 pt
Maintenance	AIRFRANCE INDUSTRIES / KLM Engineering & Maintenance			2,138	+11.3%	260	+46m	5.6%	+0.7 pt
Group	AIRFRANCEKLM GROUP	+2.9%	-1.2%	27,189	+3.7%	1,141	-264m	4.2%	-1.2 pt

(1). Capacity is defined as Available Seat Kilometers (ASK), except for Network Cargo capacity which is Available Ton Kilometers (ATK). Group capacity is defined as Passenger ASK (Network Passenger ASK + Transavia ASK)

(2). Unit revenues = revenue per ASK, Cargo unit revenues = Cargo revenue per ATK, Group unit revenue = (Network traffic revenues + Transavia traffic revenues) / (Network Passenger ASK + Transavia ASK).

(3) 2018 and 2019 results restated (with a similar impact in both years) for LLP componentization accounting change. For details see slide 36 and/or notes to the consolidated financial statements paragraph 2, page 12-15





# Growth in traffic +3.2% underpinned by load-factor improvements, mitigating yield pressure on unit revenue at -0.4%

FY 2019	Total			RASK ex cur.				
	ASK	RPK	RASK ex cur.	Premium	Economy			
	2.5%	3.2%	-0.4%	-0.7%	-0.3%			
<b>French domestic</b>	<b>Medium-haul hubs</b>			<b>Total short &amp; medium-haul</b>				
-7.5%	-7.3%	-0.3%	2.9%	4.7%	0.6%	1.0%	2.8%	0.1%
ASK	RPK	RASK ex cur.	ASK	RPK	RASK ex cur.	ASK	RPK	RASK ex cur.
<b>North America</b>	<b>Caribbean &amp; Indian Ocean</b>			<b>Asia</b>				
5.2%	5.8%	-1.0%	-0.6%	0.6%	4.2%	3.3%	3.3%	0.4%
ASK	RPK	RASK ex cur.	ASK	RPK	RASK ex cur.	ASK	RPK	RASK ex cur.
<b>Latin America</b>	<b>Africa &amp; Middle East</b>			<b>Total long-haul</b>				
6.4%	5.3%	-7.2%	-2.3%	-1.3%	2.9%	2.9%	3.3%	-0.4%
ASK	RPK	RASK ex cur.	ASK	RPK	RASK ex cur.	ASK	RPK	RASK ex cur.



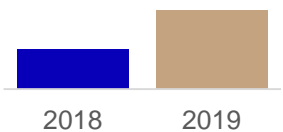
# Network: Strong improvement in Air France operational and NPS performance, steady solid appreciation in KLM

Air France rated 7<sup>th</sup> airline in the On Time Performance (A14) 2019 worldwide ranking

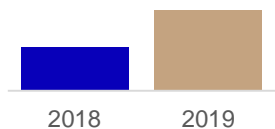


All indicators improved for Air France, on the back of a successful “Cancel the cancellation” program

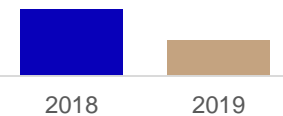
Completion factor %



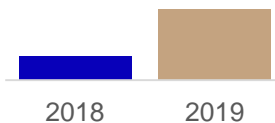
Departure punctuality D0 %



Missing luggage @CDG ‰

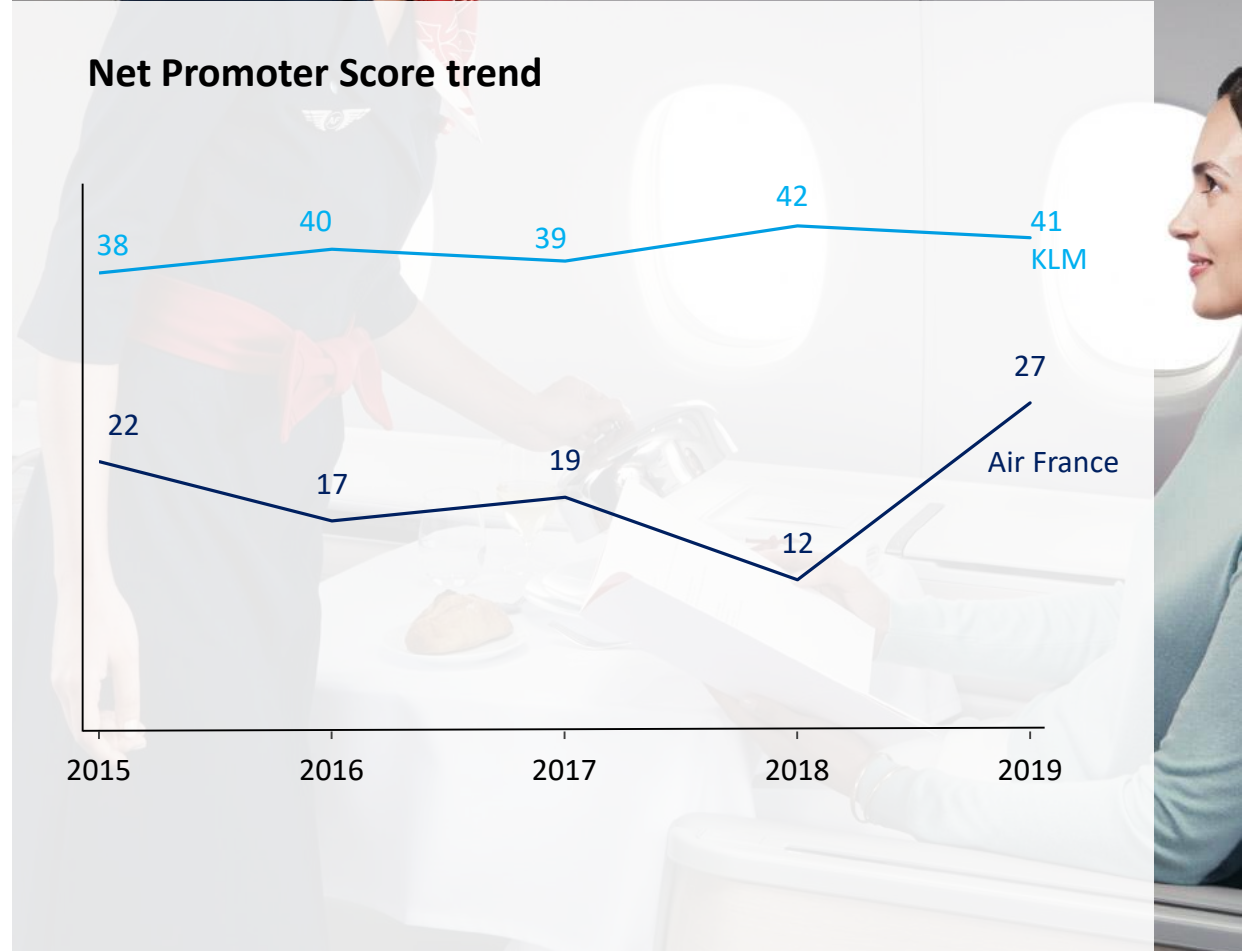
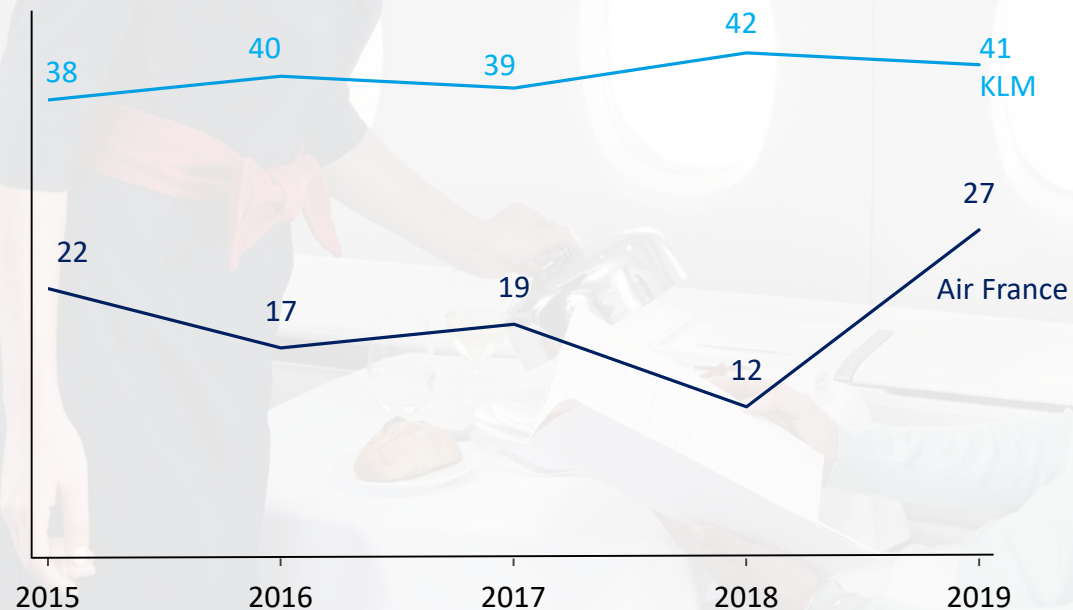


Connection success @CDG %



AIRFRANCEKLM GROUP

Net Promoter Score trend





# Both airlines improved results in Q4 2019, with cost efficiency measures paying off for Air France resulting in a margin increase of +0.8pt

Q4 2019	Capacity change	Revenues (€ m)	Change YoY	Operating result <sup>(1)</sup> (€ m)	Change YoY	Operating margin <sup>(1)</sup>	Change YoY				
<b>AIRFRANCE</b> /	+1.9%	4,056	+1.9%	-19	+30	-0.5%	+0.8 pt				
<b>KLM</b>	+2.1%	2,690	+1.4%	119	+7	4.4%	+0.2 pt				
<b>AIRFRANCEKLM</b> GROUP	+2.0%	6,618	+1.9%	96	+43	1.5%	+0.6 pt				

FY 2019	Capacity change	Revenues (€ m)	Change YoY	Operating result <sup>(1)</sup> (€ m)	Change YoY	Operating margin <sup>(1)</sup>	Change YoY	Net debt (€ m)	Change 31 Dec 2018	Net debt / EBITDA <sup>(2)</sup>	Change 31 Dec 2018
<b>AIRFRANCE</b> /	+3.7%	16,588	+4.6%	280	-41	1.7%	-0.3 pt	3,941	+384	1.8x	+0.1pt
<b>KLM</b>	+1.9%	11,075	+1.7%	853	-238	7.7%	-2.3 pt	2,525	-301	1.3x	-0.0pt
<b>AIRFRANCEKLM</b> GROUP	+2.9%	27,189	+3.7%	1,141	-264	4.2%	-1.2 pt	6,147	-17	1.5x	+0.1pt

(1) 2018 and 2019 results restated (with a similar impact in both years) for LLP componentization accounting change. For details see slide 36 and/or notes to the consolidated financial statements paragraph 2, page 12-15

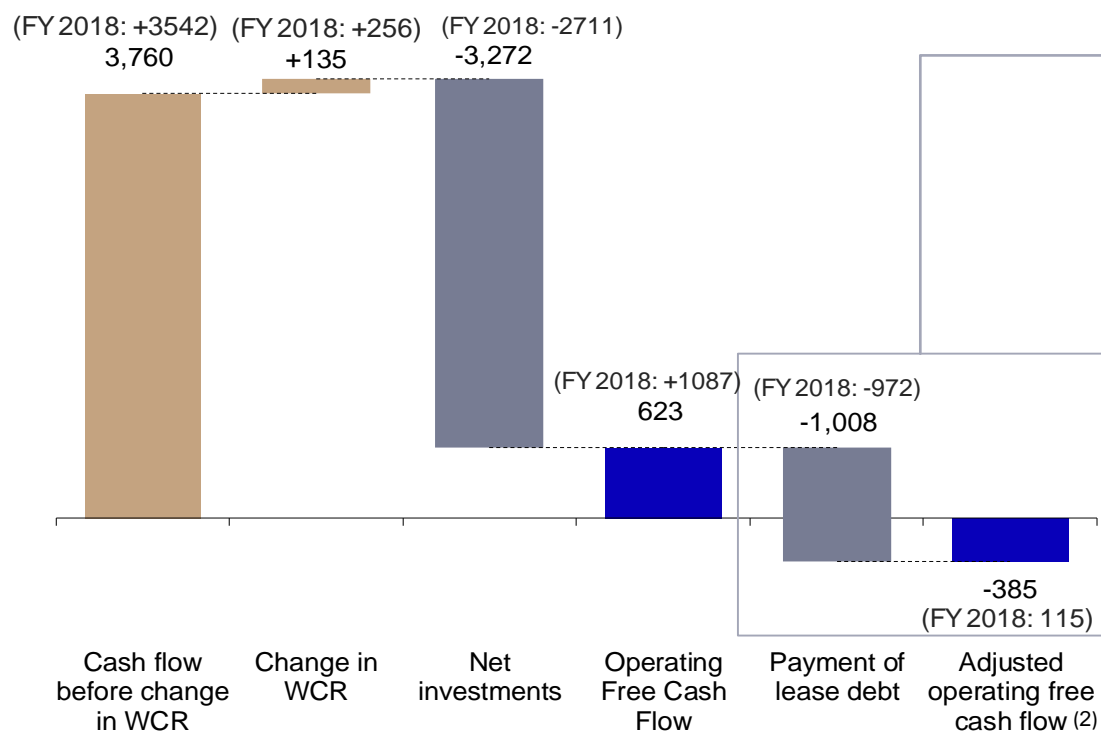
(2) Net Debt / EBITDA: 12 months sliding, see calculation in press release



# Net debt stable and Leverage ratio at full year guidance of 1.5x<sup>(1)</sup>

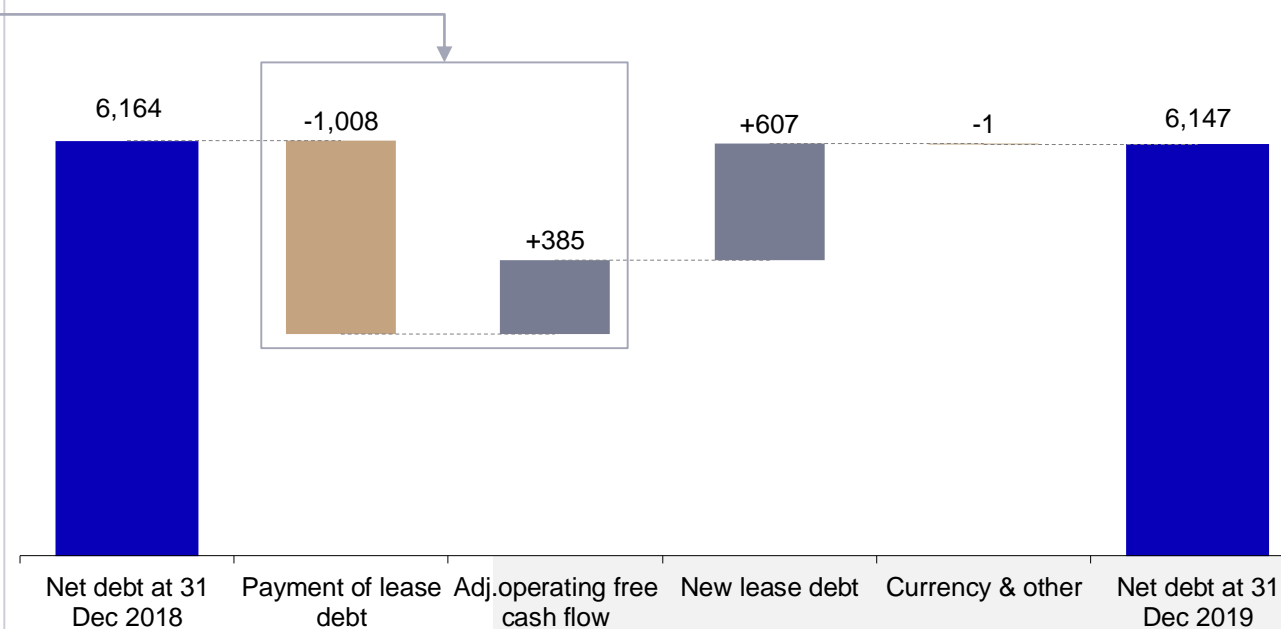
## FY 2019 Free cash flow evolution

In € m



## Net debt stable

In € m



(1) Net Debt / EBITDA: 12 months sliding, see calculation in press release

(2) Adjusted operating free cash flow = Operating free cash flow with deduction of repayment of lease debt





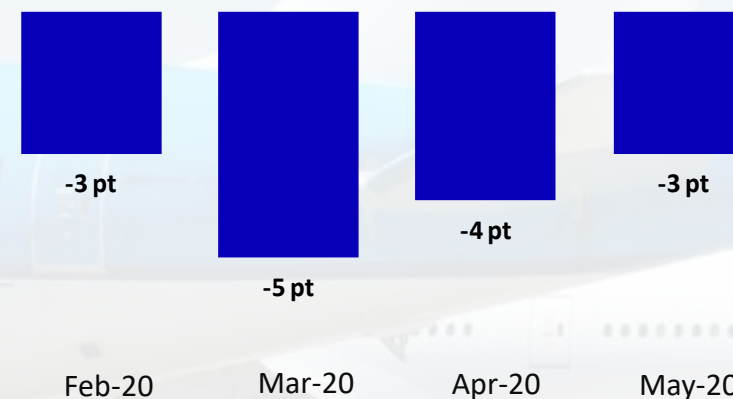
# Network: Passenger unit revenue outlook for Q1 2020 impacted by Covid-19

After a good performance with positive unit revenue in January, recent developments with regards to the Covid-19 have impacted the demand outlook, especially in the Asian network.

Due to Covid-19:

- Passenger network unit revenues now expected to be down for Q1 2020
- Cargo unit revenue under pressure in the first part of the year
- Impact on operating result (Feb-Apr 2020) estimated at between -€150 to -€200m, with:
  - Suspension of China operations in February-March and possible resumption of operations starting from April 2020<sup>(1)</sup>
  - Negative impact for connecting traffic and weakness in rest of Asia taken into account
  - Variable cost savings as no redeployment so far is taken into account

Long-haul forward booking load factor (change vs previous year)



(1) All flights to China were suspended as of 30 January 2020. Air France-KLM Group Mainland China network ASKs at 16.5 billion in 2019, representing 5.5% of the total Network Passenger activity

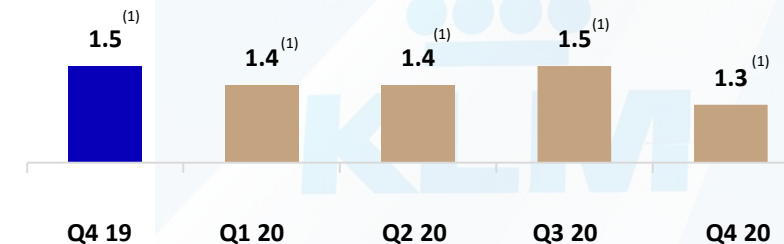
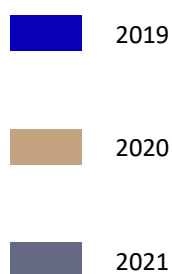


# Fuel bill to decrease by €450m in 2020

**2019:**  
Fuel bill €5.5bn<sup>(2)</sup>

**2020:**  
Fuel bill €5.1bn<sup>(2)</sup>

**2021:**  
Fuel bill €4.8bn<sup>(2)</sup>



## Market price

	2019	2020	2021
Brent (\$ per bbl) <sup>(1)</sup>	64	52	51
Jet fuel (\$ per metric ton) <sup>(1)</sup>	682	549	565

	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Brent (\$ per bbl) <sup>(1)</sup>	62	56	50	50	50
Jet fuel (\$ per metric ton) <sup>(1)</sup>	680	608	520	532	542

## Price after hedge

	2019	2020	2021
Jet fuel (\$ per metric ton) <sup>(1)</sup>	678	619	583
% of consumption already hedged	60%	66%	34%
Hedge result (in \$ m)	50	-650	-50

	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Jet fuel (\$ per metric ton) <sup>(1)</sup>	692	664	612	605	601
% of consumption already hedged	61%	63%	63%	70%	70%
Hedge result (in \$ m)	-50	-100	-200	-200	-150

(1) Based on forward curve at 28 February 2020. Sensitivity computation based on 2020 fuel price, assuming constant crack spread between Brent and Jet Fuel. Jet fuel price including into plane cost

(2) Assuming average exchange rate on US dollar/ Euro of 1.11 for 2020 and 1.12 for 2021

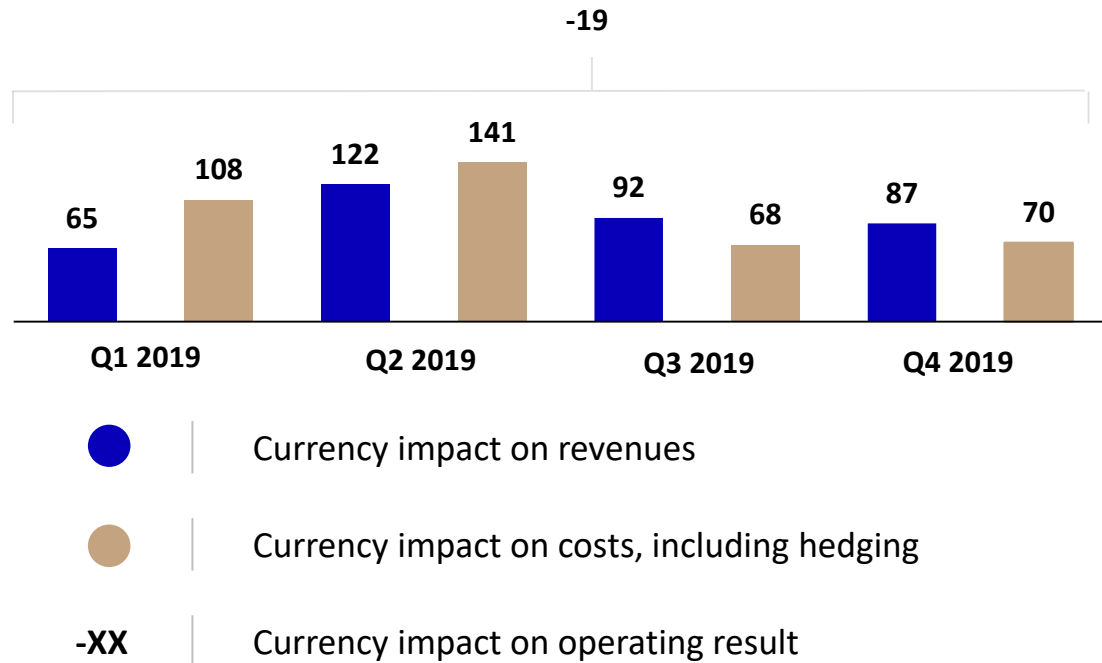


F-GSQD



# Currency impact on operating result

**Currency impact**  
on revenues and costs  
In € m



**FY 2020 guidance** *update 2 March 2020*

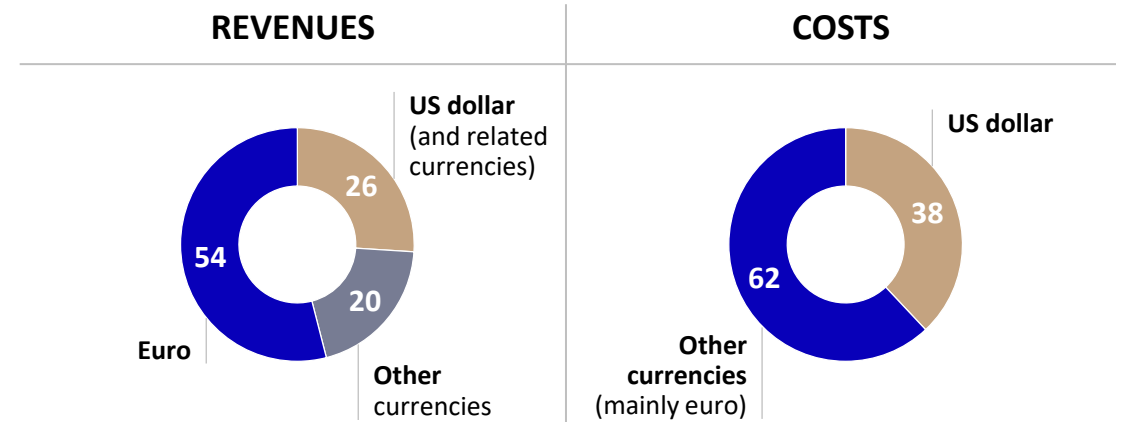
Currency impact **FY 2020: +€100m**, based on **spot €/\$ 1.11**  
Net operational exposure hedging **for 2020:**

**USD ~58%**

**JPY ~57%**

**GBP ~69%**

**Revenues and costs per country**  
FY 2019







# Unit cost ex-currency at constant fuel price between -1% and 0%

- 2020 unit cost trend for Air France foreseen to be more than at target
- KLM unit cost performance impacted by Pension plan<sup>(1)</sup> and new CLAs
- Negative cost implications related to Covid-19 are foreseen due to lower-than-planned capacity growth and expenses for disruptions



AIRFRANCEKLM  
GROUP

- **Simplification plan measures on track for 2020:**
  - Transformation well underway in Group and Airlines, foreseen to deliver over €90m of structural savings in 2020
  - Over 150 identified simplification and optimization projects started in 2020

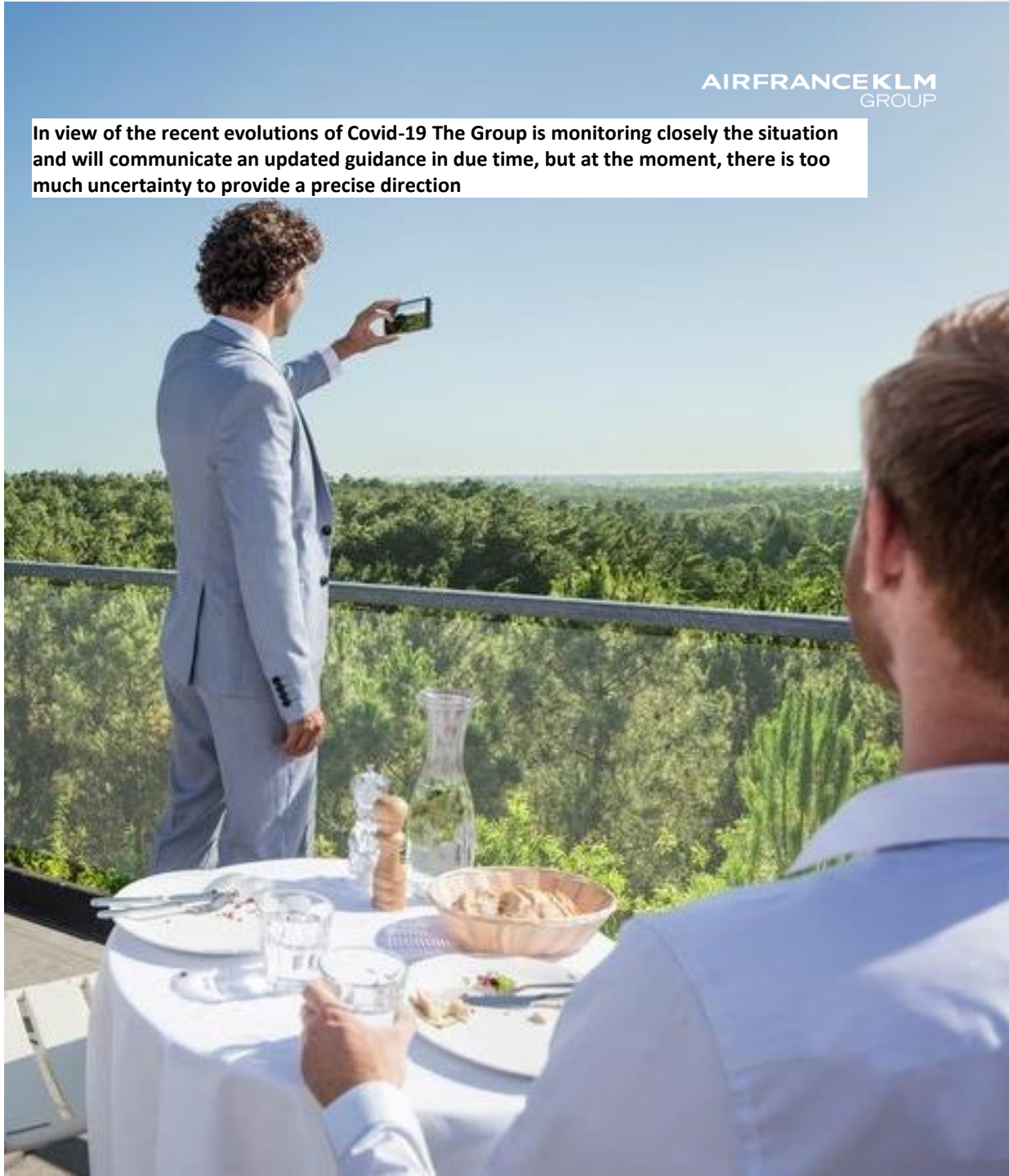




# Summary of Full Year 2020 guidance

In view of the recent evolutions of Covid-19 The Group is monitoring closely the situation and will communicate an updated guidance in due time, but at the moment, there is too much uncertainty to provide a precise direction

		Guidance 2020
Capacity	Passenger	+2.0% to +3.0% <sup>(1)</sup>
	Transavia	+4% to +6%
Fuel		-€450m
Currency on operating result		+€100m
Unit cost ex-currency at constant fuel price		-1% to 0% <sup>(2)</sup>
Capex		€3.6bn
Net debt/EBITDA		Circa 1.5x



(1) Capacity implications due to the Covid-19 related flight suspensions are foreseen to reduce capacity growth to at or below the lower-end of this guided range.

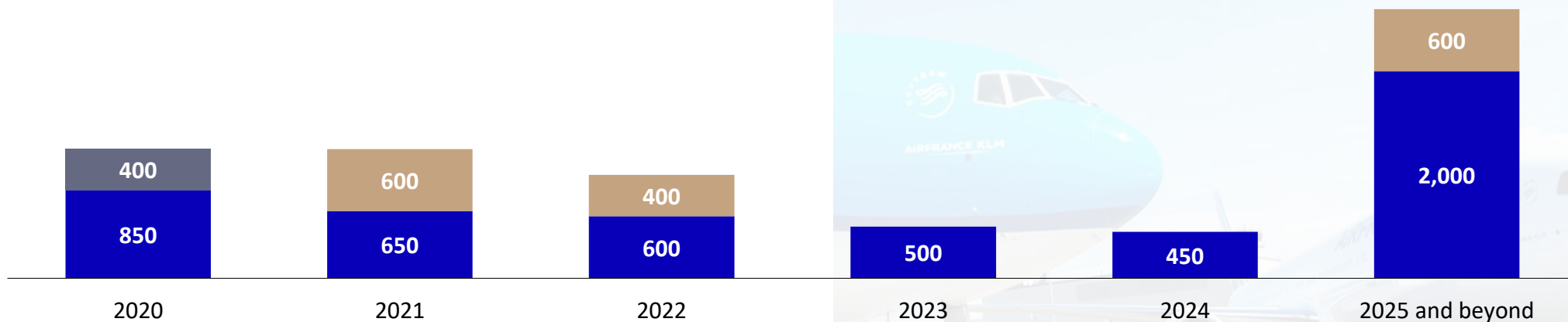
(2) Negative cost implications related to the Covid-19 foreseen due to lower-than-planned capacity growth and disruption cost



# Debt reimbursement profile at 31 December 2019

## Debt reimbursement profile<sup>(1)</sup>

In € m



### Bonds issued by Air France-KLM

<b>September 2021:</b> AFKL 3.875% (€600m)	<b>March 2026:</b> AFKL 0.125% (€500m, Convertible « Océane »)
<b>October 2022:</b> AFKL 3.75% (€400m)	<b>December 2026:</b> AFKL 4.35% (\$145m)

### Air-France KLM Hybrid Unsecured Bond:

AFKL 6.25% Perp Call 2020 (€403m)

**Other Long-term Debt : AF and KLM Secured Debt, mainly "Asset-backed" (Net Deposits)**

(1) Excluding operating lease debt payments and KLM perpetual debt.  
 New 5 year bond issue for €750m with a 1.875% annual coupon & Tender offer accepted for June 2021 and October 2022 bond issues amounting to €350m, completed in January 2020





# Key Financial Achievements



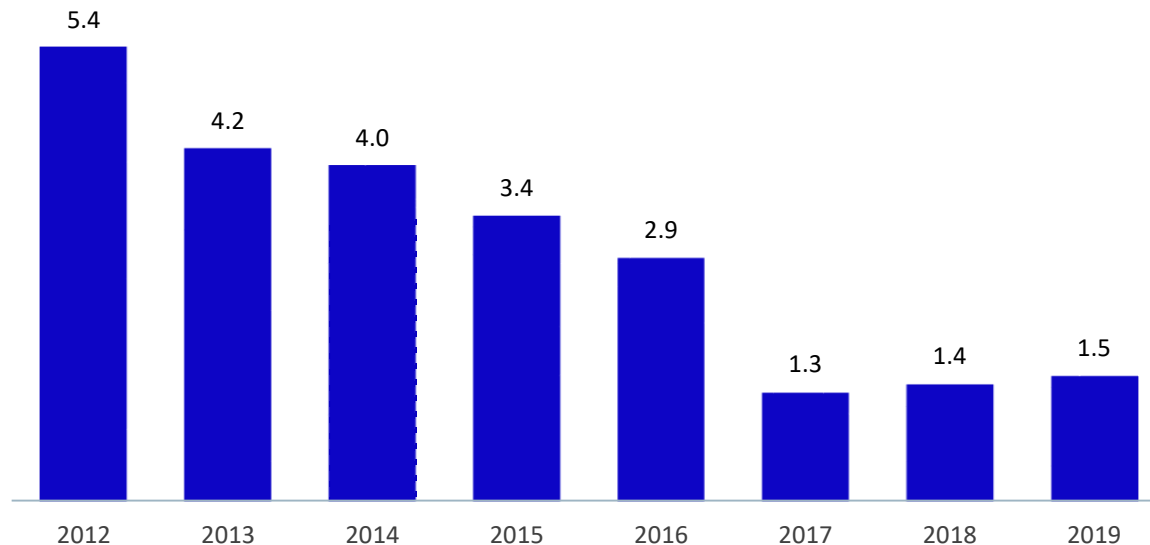
# Leverage Successfully Taken Down

to Investment Grade Like Level

## Air France-KLM successfully deleveraged post-crisis years

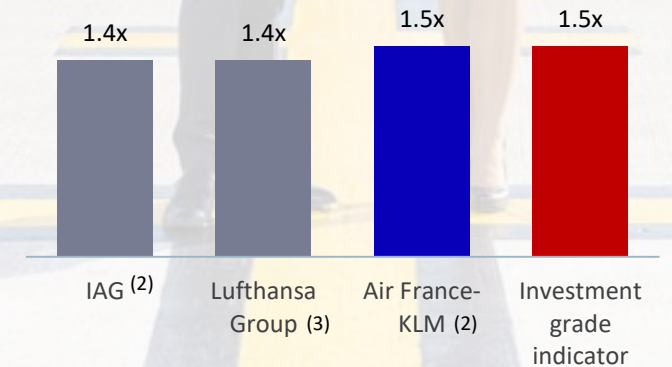
Net Debt/EBITDA trailing 12 months<sup>(1)</sup>

In € bn



## Air France-KLM vs peers

Net Debt/EBITDA trailing 12 months



(1) Pre-IFRS16 restatement as per 2017, Restatement 2018 and 2019 for LLP accounting change, Adjusted Net Debt/EBITDAR, with Adjusted net debt = Net Debt + 7 times yearly operating lease costs

(2) Air France-KLM and IAG end of December 2019 (IAG Source: press release 28 February 2020)

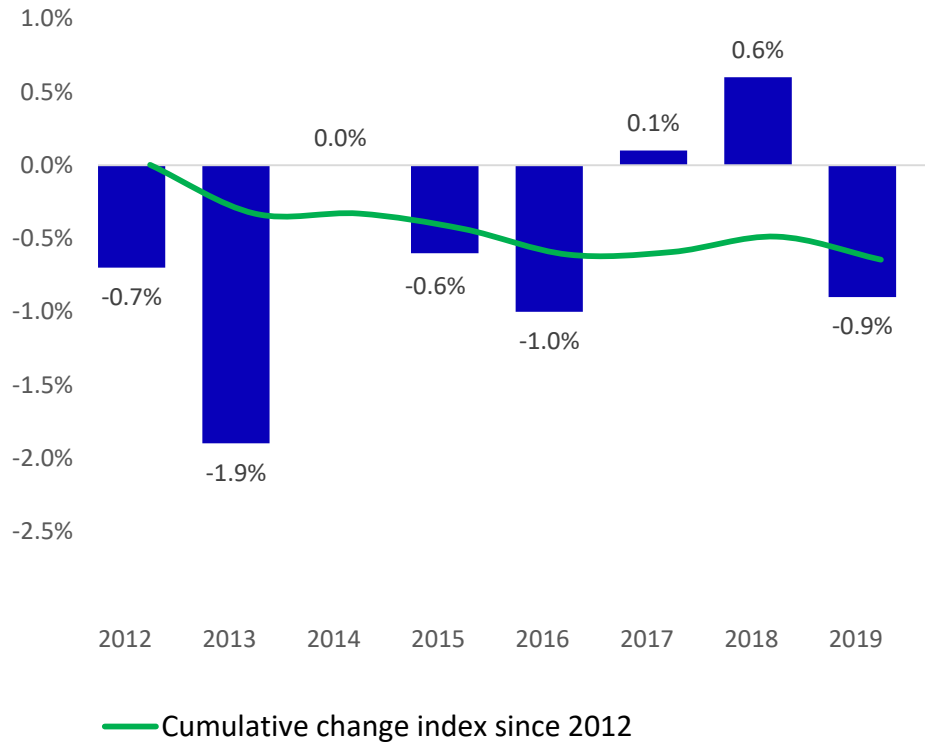
(3) Lufthansa Group end of June 2019



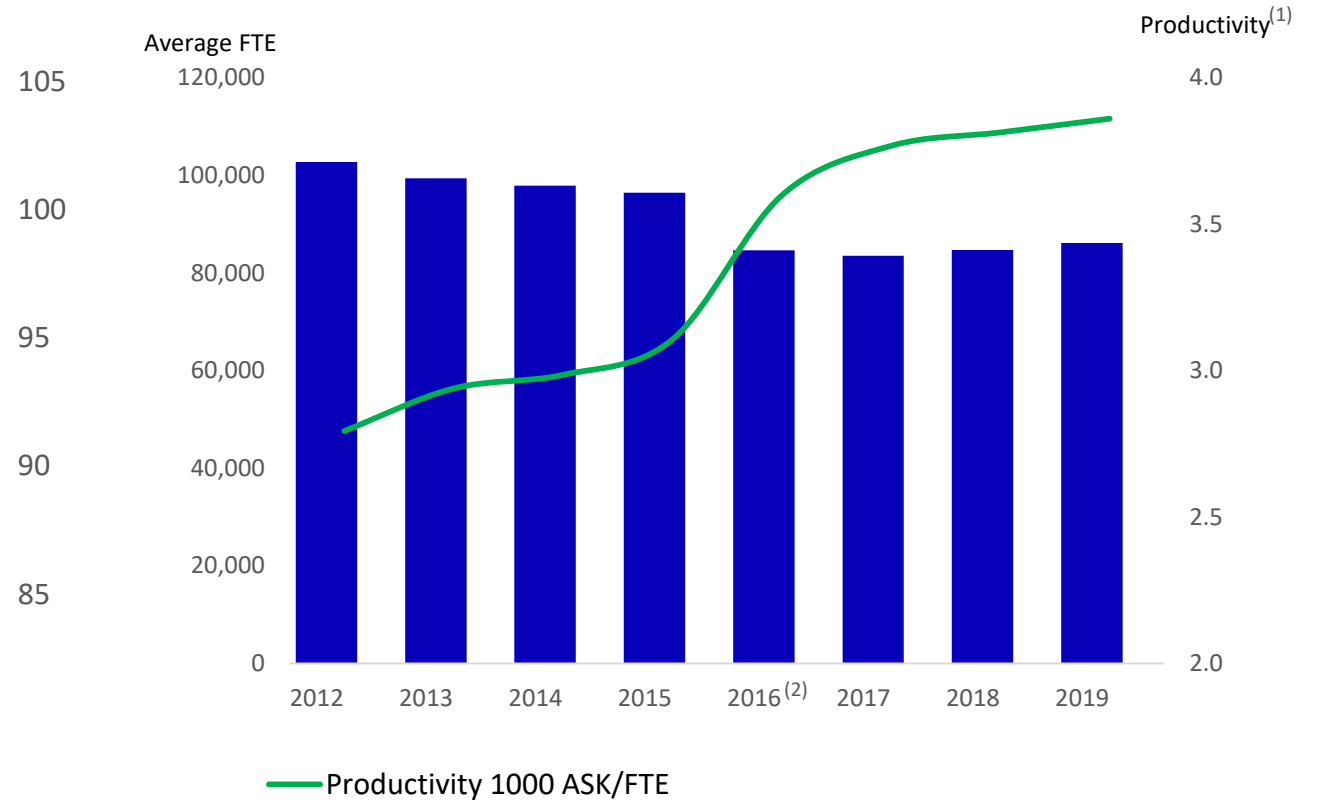
# Strong Focus on Unit cost Reduction and Increasing Productivity

## Unit Costs reduction evolution

At constant currency, fuel price



## FTE reduction and productivity improvement



(1) Productivity measured as 1000 Available Seat Kilometers / Average FTE

(2) 2016 FTE reduction includes partly disposal of Servair

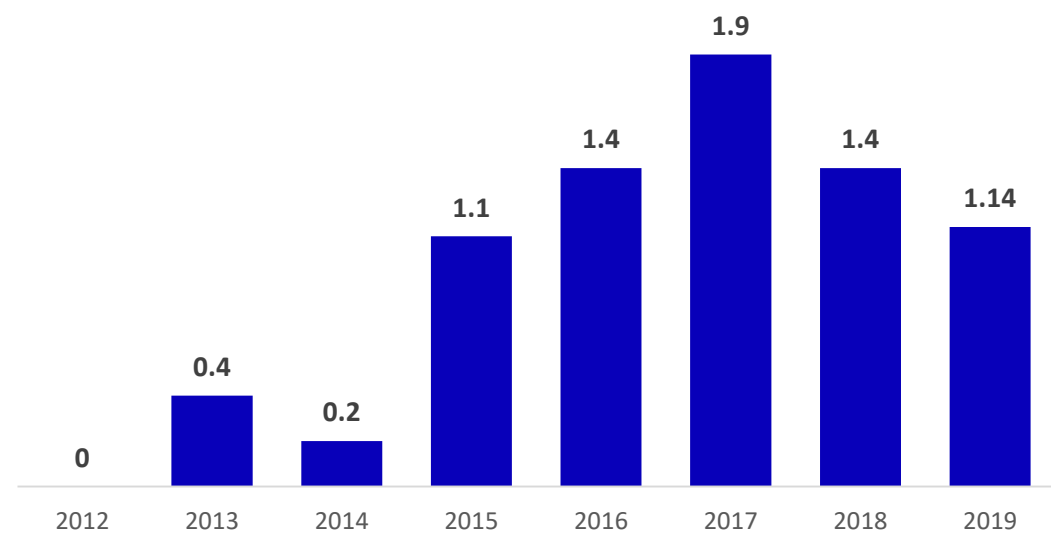


# Improved Operating Performance

Though Not Yet Up to the Level of Peers

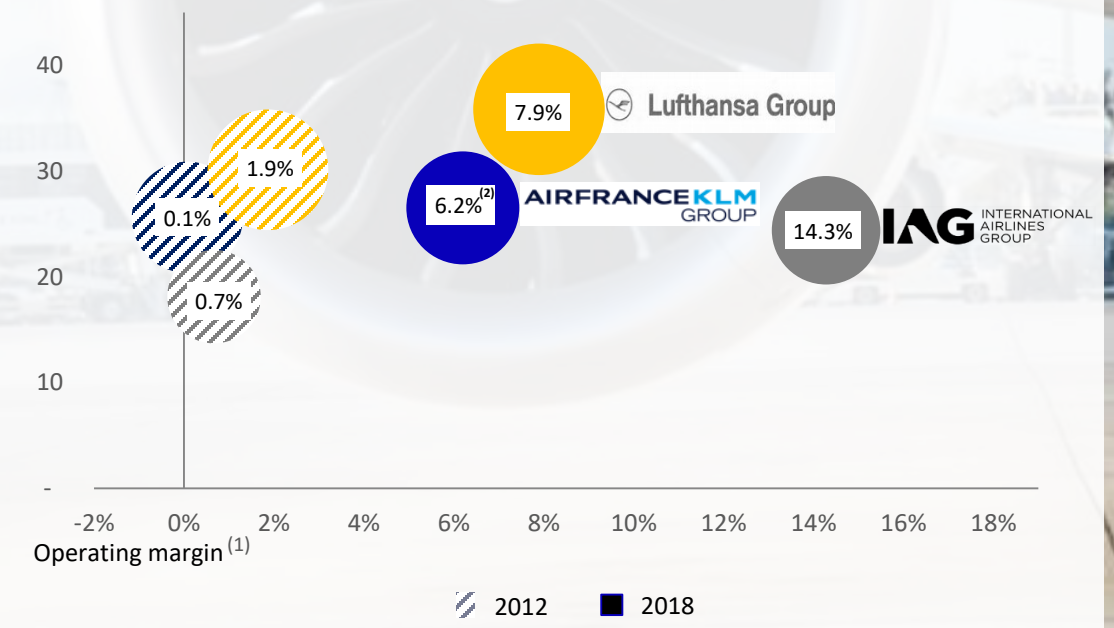
## Operating result evolution<sup>(1)</sup>

In € bn



## Operating margin evolution versus peers

Revenues in € bn



Source: Companies published results

(1) IFRS16 restatement as per 2017, Pre-IFRS16 Operating result adjusted for the interest portion (1/3) of the operating leases. Restatement 2018 and 2019 for LLP accounting change,  
 (2) Air France-KLM Group operating margin is adjusted for strike impact €335m in 2018



# Building A European Champion Based on a New Value-Focused Model





# Air France-KLM has Numerous Unique Strengths

## Our Core Assets

Three Powerful **BRANDS**



**85 000** Engaged and Professional **PEOPLE**



Extensive and Complementary **NETWORKS**



Powerful **PARTNERSHIPS**



## Our Unique Competitive Advantages

**France:** #1 Inbound Destination in the World



**Schiphol:** Best-In-Class European Hub



Joint **Commercial Teams** and **Revenue Production**





# Our Value Creation Model To be a European Champion

**CONTRIBUTING TO  
THE UN SDG'S**

**OUR RESOURCES      OUR BUSINESS MODEL      OUR VALUE CREATION      2019 PERFORMANCE**

- PEOPLE**  
85,000 engaged and professional employees and a diverse culture
- BRANDS**  
Portfolio of attractive, strong brands and a common frequent flyer program "Flying Blue"
- FLEET & NETWORK**  
An extensive network operated with an optimized fleet
- PARTNERSHIP**  
A powerful network of suppliers and partnerships
- FINANCIAL**  
A stable shareholding structure with the French and Dutch states, Delta Air Lines and China Eastern
- ENVIRONMENTAL**  
An experienced and knowledgeable player in the industry committed to contributing to a positive change

## AIRFRANCE **KLM** GROUP

**AIRFRANCE** / **KLM** **transavia**

SHOWCASING THE BEST OF FRANCE AROUND THE WORLD      STRONG INNOVATIVE GLOBAL BRAND      MAKING LOW COST FEEL GOOD

- EMPLOYEES**  
Be the best place to work
- CUSTOMERS**  
Exceed customer expectations
- SHAREHOLDERS**  
Reach top financial performance
- PLANET & SOCIETY**  
Contributing to UN sustainability goals

- EPS** ↗
- 40** HOURS OF TRAINING PER EMPLOYEE
- NPS** ↗
- 104M** CUSTOMERS
- 1.5X** NET DEBT/ EBITDA RATIO
- 4.2%** OPERATING MARGIN
- N° 1** IN DJSI
- 79.9 G/PAX / KM** CO2



# Our Employees, #1 asset of the Group



<p>1</p> 	<p>are proud to work for the Group</p>	<ul style="list-style-type: none"><li>• Inclusive talent management, a company culture which fosters diversity and equality</li></ul>
<p>2</p> 	<p>are professional and engaged</p>	<ul style="list-style-type: none"><li>• Strong increase in the Employee Promoter Score +15% in 2019<sup>(1)</sup></li></ul>
<p>3</p> 	<p>and are pushing our contribution to sustainability</p>	<ul style="list-style-type: none"><li>• Social partnerships with 5,000+ employees involved in volunteer work, skill-sharing and donation projects</li></ul>

(1) Percentage change in the Employee Promoter Score (EPS) measured among Air France and KLM employees July to December 2019 period compared to last year



# Our customers at the forefront of everything we do

## Record levels of customer satisfaction in 2019



### Best in class Customer Products

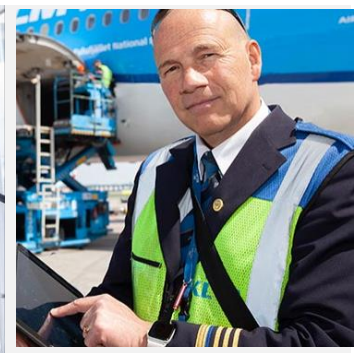
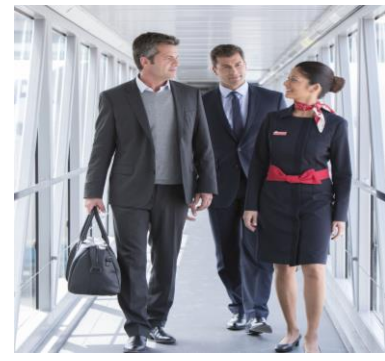
- Installation of Air France full flat beds in Business Class to end in 2021, KLM entire fleet done
- Wi-Fi connect will be available on 93% of fleet in 2020, 100% in 2021
- Lounge refurbishments, including KLM Crown lounge, Paris-Orly and Terminal 2F

### Striving for excellence

- On Time Performance ranking Air France as 7<sup>th</sup> airline world-wide in 2019
- Record high customer satisfaction in 2019 for Air France with NPS score of 27 and KLM steady-state with NPS score of 41

### Brands' sustainability commitments

- KLM as world's first airline introducing 'Fly responsibly' concept
- Replace single-use plastics on board Air France flights
- CO2 compensation for all French Domestic flights





# Becoming a European champion reaching top financial performance

2020

2021

2022

2023

2024

**Commitment to Global Environmental Sustainability**

**Optimize our Operating Model**

**Grow Profitable Passenger Revenue**

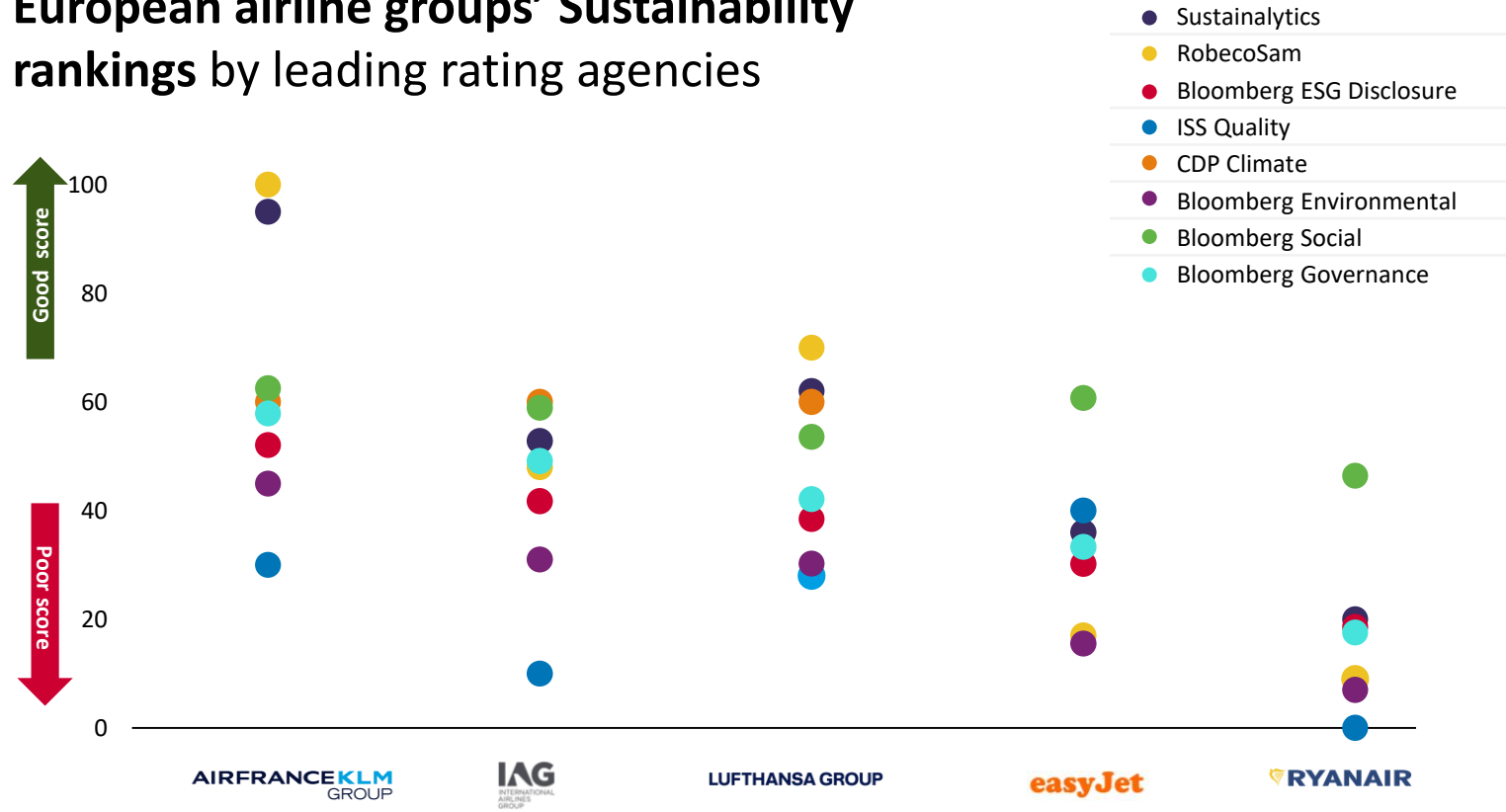
**Leverage European Consolidation**

**Develop Customer Data, Flying Blue, Cargo and Engineering & Maintenance**



# Air France-KLM the leading airline group in 2019 on Sustainability

## European airline groups' Sustainability rankings by leading rating agencies



## No. 1 position in the DJSI

Top ranking for 15 years



### Leader in the « Airline » sector

- Governance: best score
- Environment: best score
- Social: Europe best score



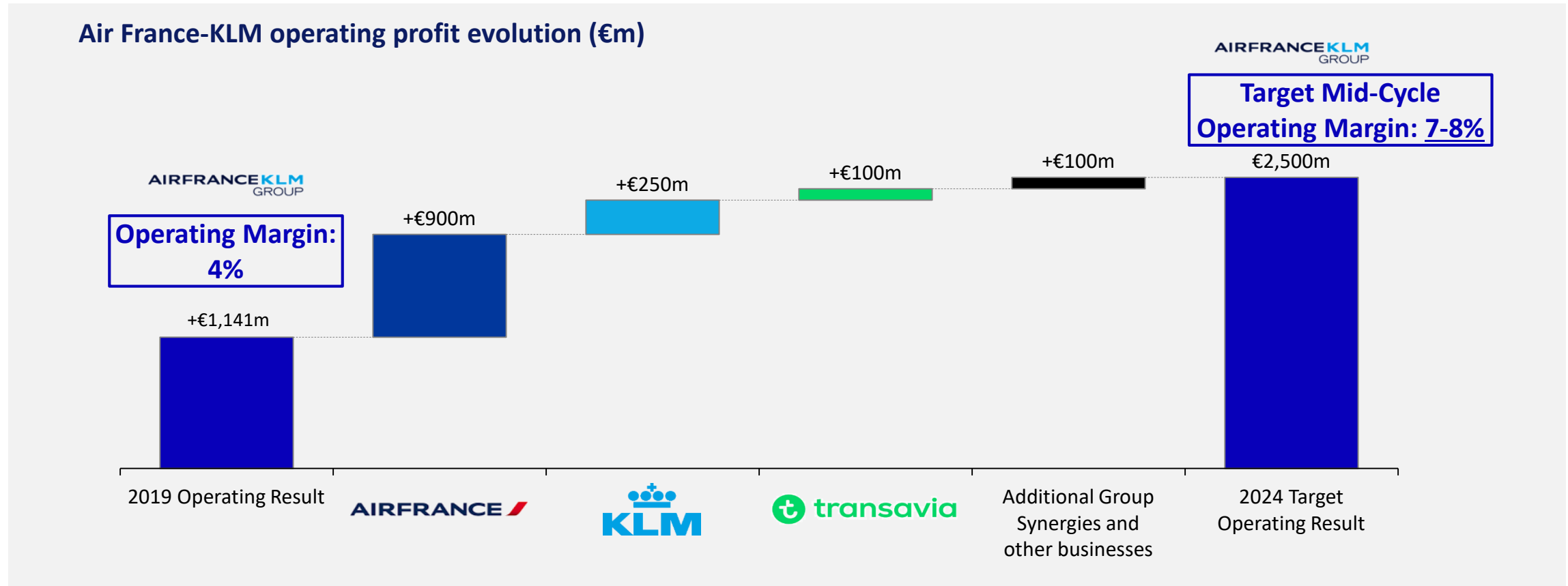
Source: Bloomberg 10 February 2020  
(1) ISS Quality and CDP Climate scores have been normalised for ease of comparison



# New Financial Strategic Framework 2020 - 2024



# Mid-Cycle Operating Margin Reaching 7-8%



1. Company sourced consensus as per 21 October 2019 for full year 2019 as published on <https://www.airfranceklm.com/en/finance/financial-information/consensus>

2. Modelling assumptions:

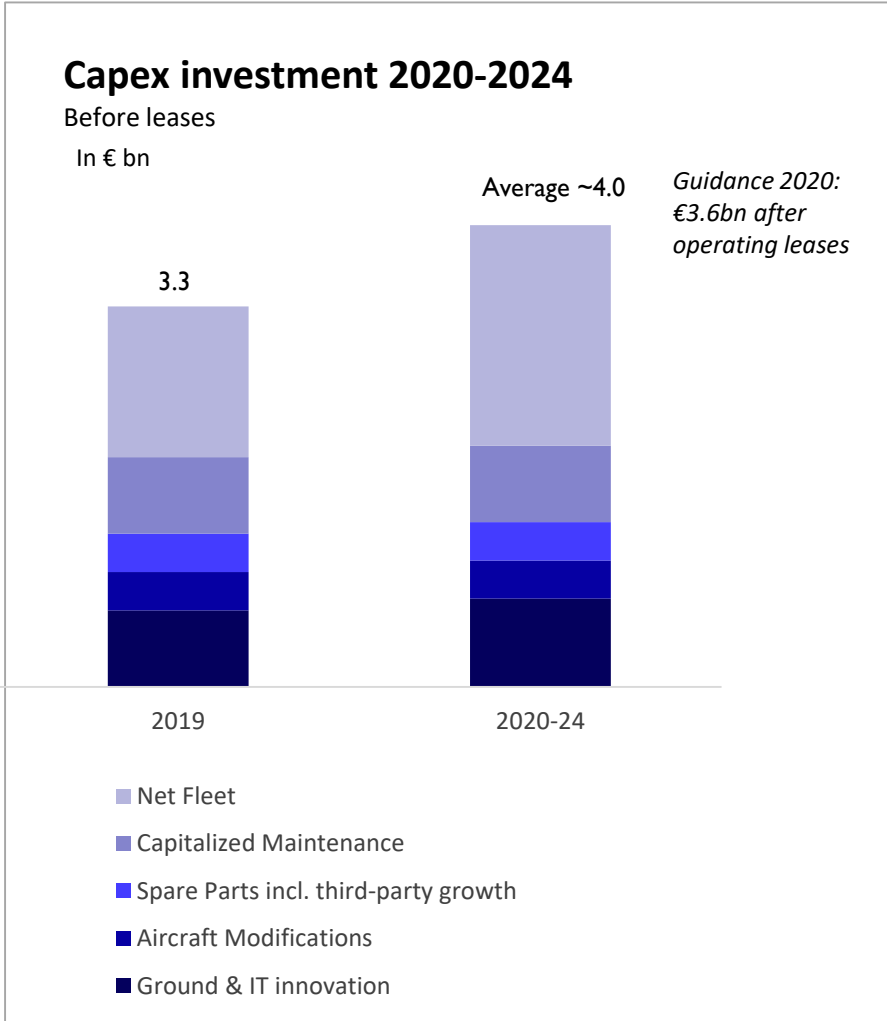
- Excluding Fuel Price, Currency FX and Industry yield development effects
- Objectives per airline are net amounts (including offsets against base-case price inflation and capacity growth).
- Inflation assumption of 1.5% per annum, as per Eurozone Consumer price index 2020-2024. Source: Oxford Economics, updated August 2019
- Air France-KLM Group Available Seat Kilometer (ASK) growth assumption mid-point of guidance range +2 to +3% per annum from 2020-2024





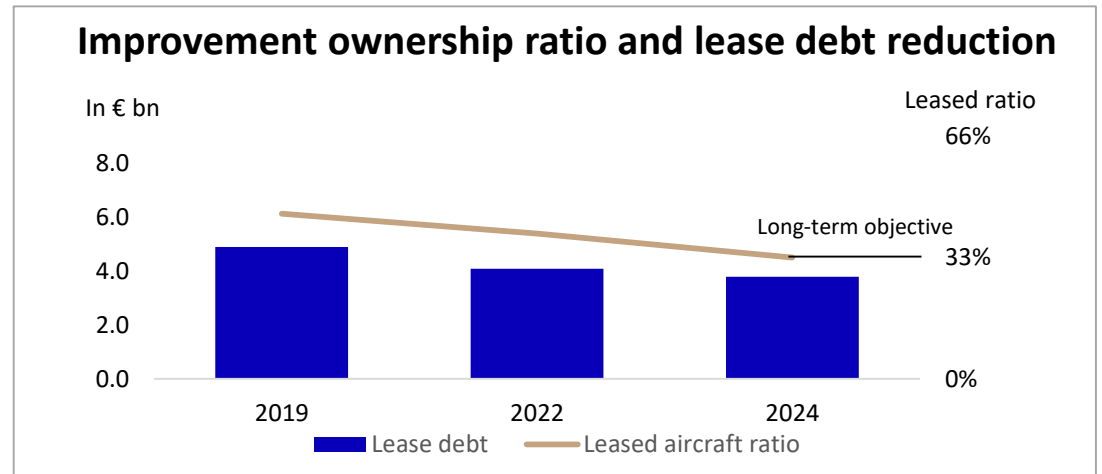
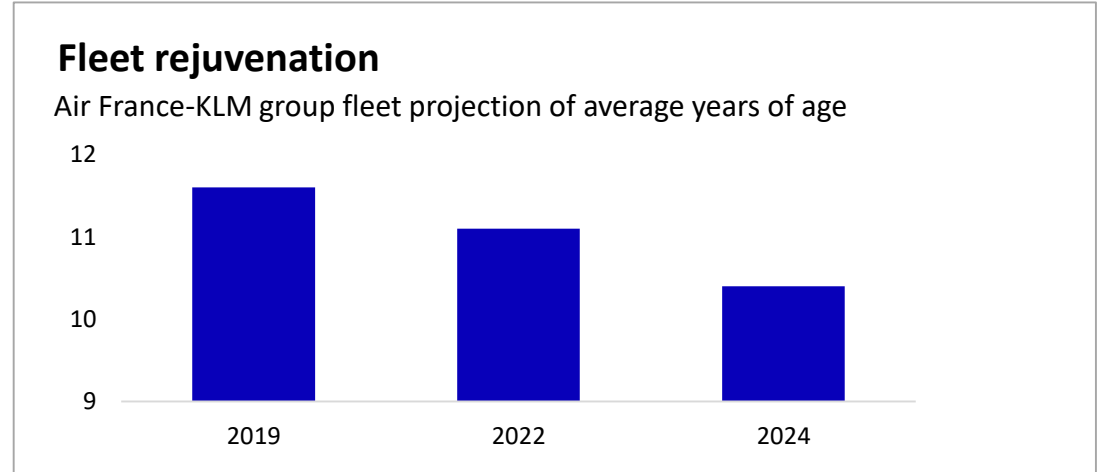
# CAPEX 2020-2024 Underpinning Objective

to Rejuvenate Fleet & Improve Ownership Ratio



## Capex 2020-24:

- Profitability uplift
- Improved fleet age & ownership ratio



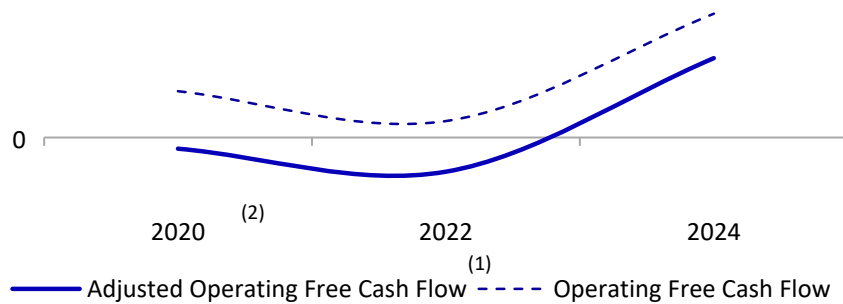
(1) Air France-KLM Group portion of fleet under operational lease versus the total fleet



# Financial Structure Robustness

Leverage Ratio to Remain ~1.5x

## Adjusted Operating Free Cash Flow positive medium-term mid-cycle



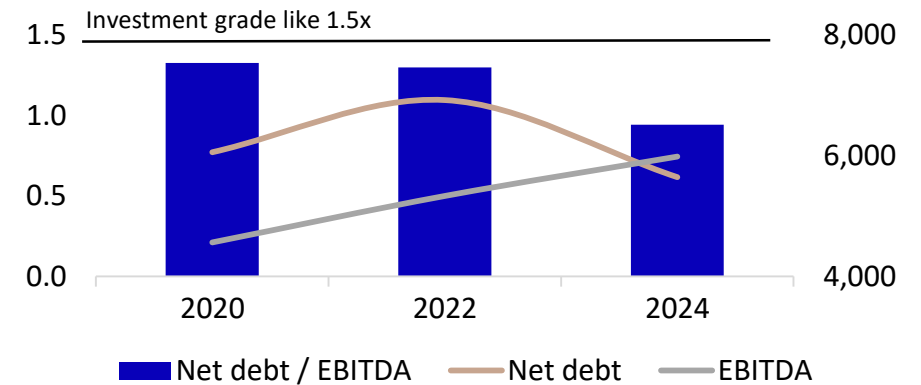
### Increasing cash generation by execution of strategic plans

- Positive Operating Free Cash Flow foreseen throughout 2020-24
- Adjusted Operating Free Cash Flow turns positive as foreseen progressive profitability uplift materializes

### CAPEX investment requirements 2020-24

- New generation fleet and phase-out A380
- Transformation plans

## Net Debt/EBITDA projection ~1.5x 2020-2024



### Net debt evolution positively impacted by reduced portion of lease debt and increased profitability

- Progressive profitability uplift by execution of strategic plans
- Lease debt repayments

### Progressive improvement foreseen in Debt to Equity ratio

(1) Adjusted operating free cash flow = Operating free cash flow with deduction of repayment of lease debt

(2) Including foreseen near-term incidentals

- Cargo claim (negative) (2020)

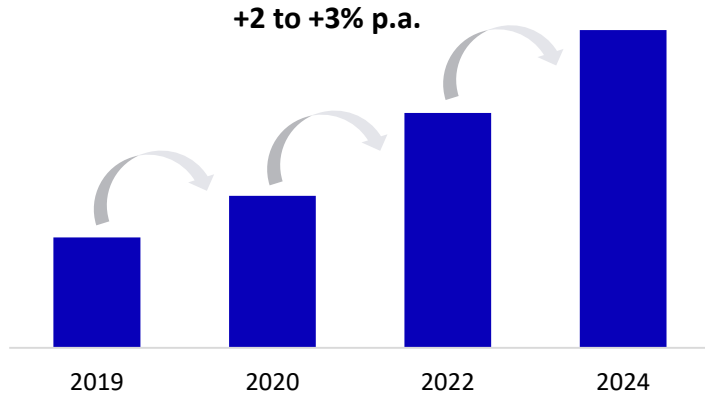
- Sale of Amadeus and Servair stakes (positive) (2020)



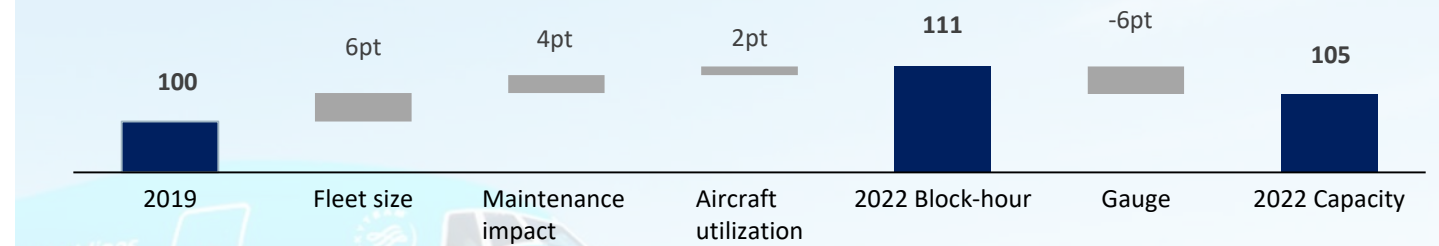
# Group Capacity Evolution

**AIRFRANCE**KLM  
GROUP

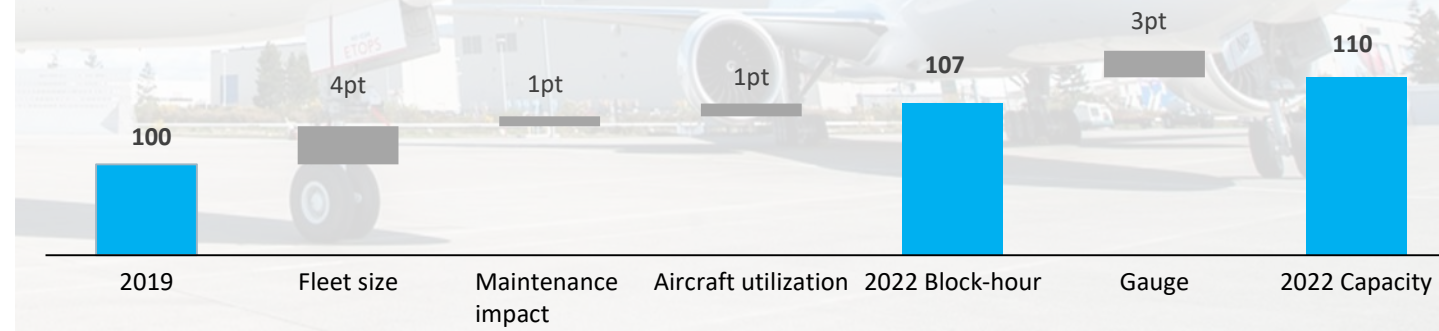
**Capacity evolution 2020-24**  
Passenger Network & Transavia  
In Available Seat Kilometers



## AIRFRANCE Long-haul capacity evolution 2019-2022



## KLM Long-haul capacity evolution 2019-2022



(1) KLM Actual growth will depend on slot growth opportunities in the Netherlands

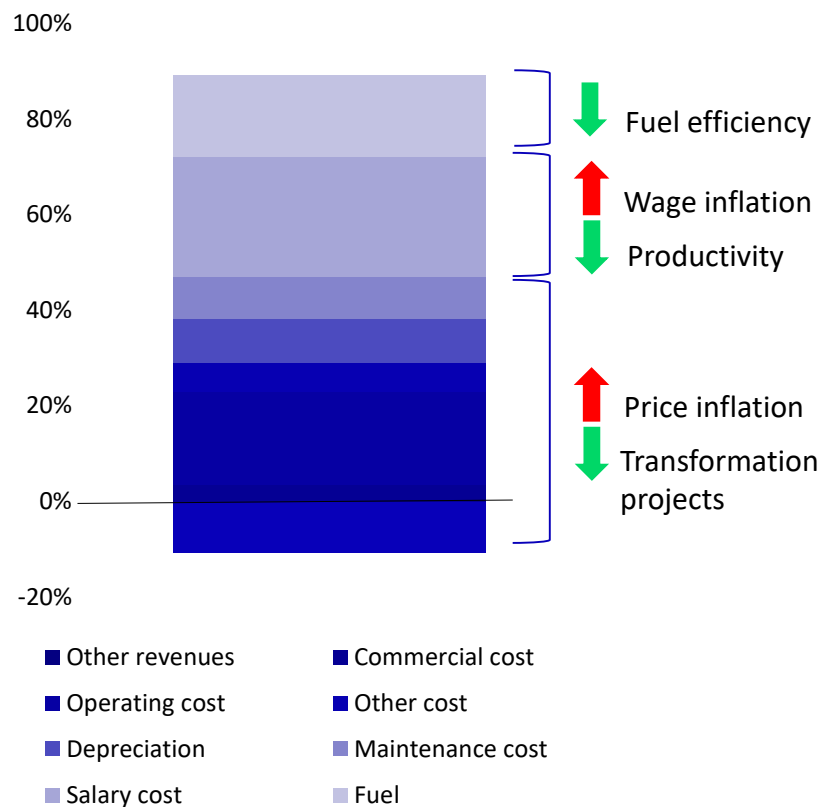


# Strict Cost Control

Turn-Around Plans to Deliver Unit Cost Reduction in Average of -1% per Annum

## Net cost break-down

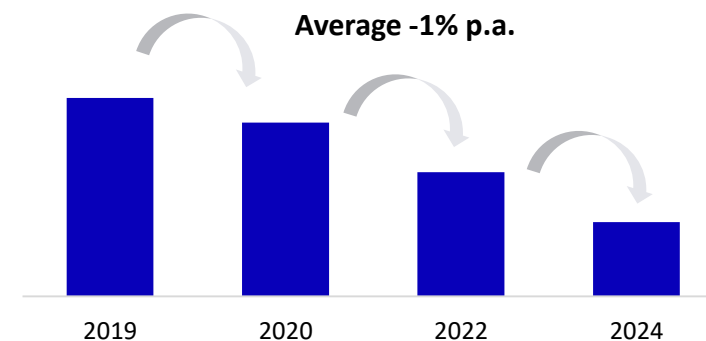
Net cost RTM 2019<sup>(1)</sup>



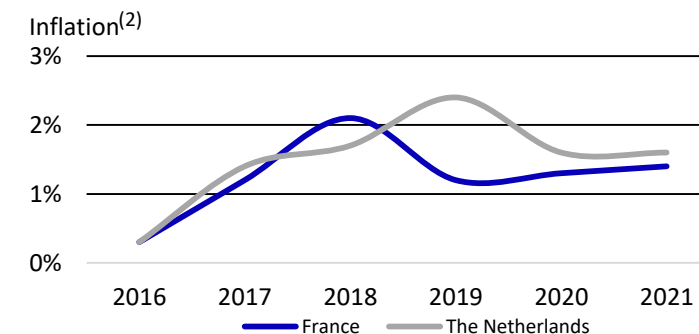
Cost control targeted to exceed inflationary pressure

## Unit cost objective 2020-24

Unit cost at constant fuel and currency



## Despite an upward inflationary trend



(1) Rolling Twelve Months 2019, from 1 October 2018 till 30 September 2019

(2) Inflation as per Eurozone Consumer price index 2020-2024. Source: Oxford Economics, updated August 2019



# Group Objectives and Guidance

## Objectives medium-term (2024)



Operating margin mid-cycle at 7-8%  
Adjusted Operating Free Cash Flow positive



Operating margin mid-cycle at 7-7.5%

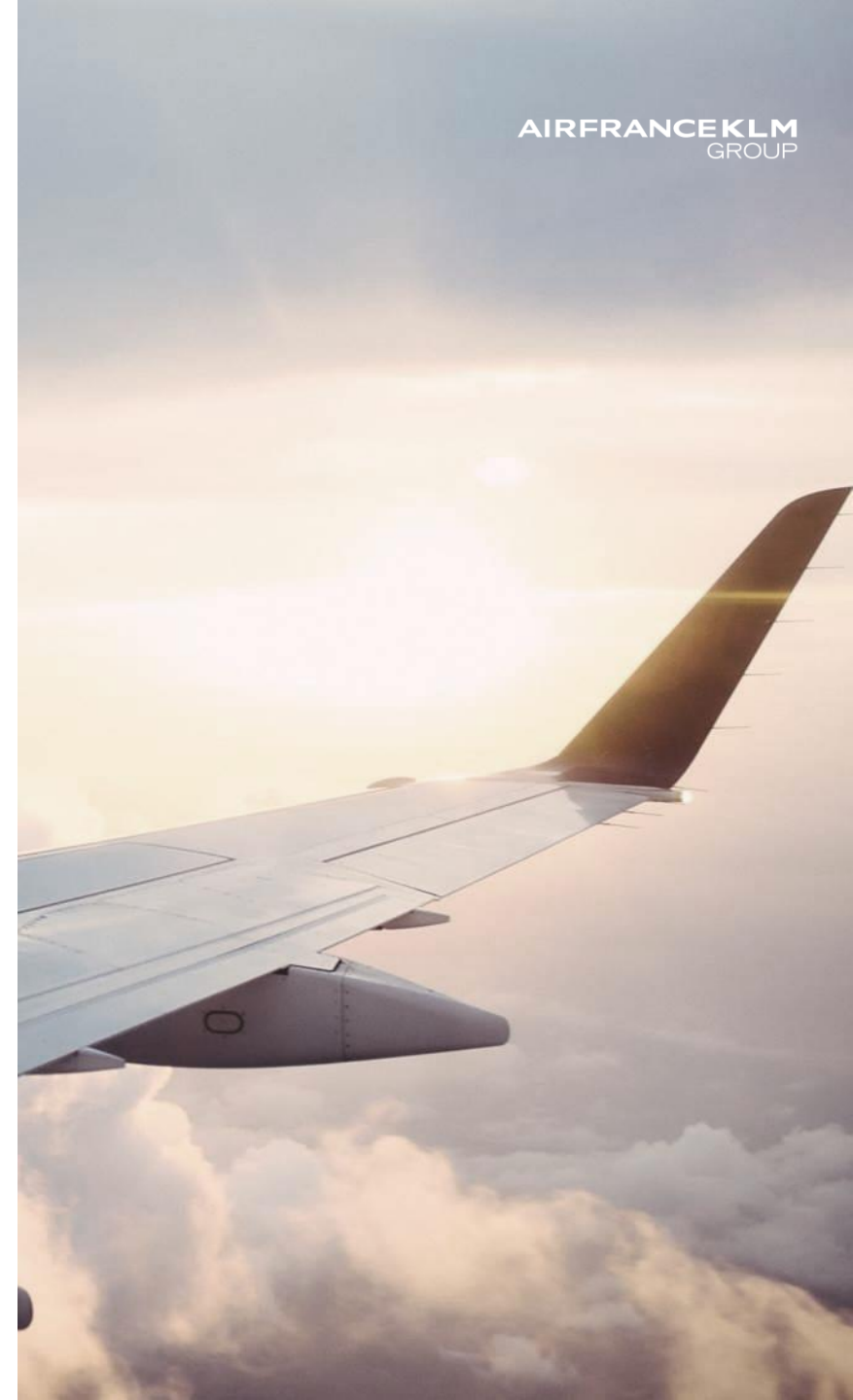


Operating margin mid-cycle at 9-10%

## Guidance elements (period 2020 till 2024)



Capacity growth +2 to +3% p.a.  
Unit cost average -1% p.a.  
Capex average ~€4.0bn p.a.  
Net debt/EBITDA ~1.5x





# Appendix



# Creating Win-Win Partnerships with Employees

## Air France Signed a New Pilot Agreement Permitting Increased Flexibility in Commercial and Fleet Strategy

Previously, an agreement was in place with Air France pilots regulating the growth of Air France in relation to KLM, based on three metrics:

- **Capacity (ASK)**
- **Block Hours**
- **Number of Long Haul Aircraft**

While Block Hours and number of aircraft directly affect pilot employment, the ASK metric has no direct link with pilot activity

This KPI forced Air France to **make financially punitive fleet & product decisions**

### Example: Paris/Amsterdam - Singapore

- **Same aircraft:** Boeing 777-300ER
- **Same block time:** 12 hours 30 minutes
- **+35% ASK for KLM** due to cabin configuration (Air France: 296 seats | KLM: 408 seats)

## A New, More Flexible Agreement Has Been Signed Between Air France and SNPL Pilots

ASK metric is replaced by a **new KPI based on Maximum Seating Capacity** of aircraft

Restrictions regarding **maximum number of aircraft** at Transavia France (TO) have been lifted

Air France is now able to make **optimal fleet and product decisions**, to **extract maximum value and profit**



# Summary of Key Initiatives Currently Underway

And Estimated Operating Result Impact

## Commitment to Global Environmental Sustainability

### Optimize our Operating Model

Increase Commercial & Fleet Flexibility *Pre-requisite*

Optimize Internal Airline Processes **€400-475m**

Simplify and Renew Fleet **€400-450m**

Leverage Group Synergies *€300-350m (accounted in airline P&L)*



### Grow Profitable Passenger Revenue

Clarify Brand and Product Portfolio **~€25-50m**

Revenue Growth on Strongest Segments **~€200m**

Grow Transavia **€75-100m**

Implement Personalized Travel Journeys **~€50m**



### Leverage European Consolidation

Pragmatically Evaluate Consolidation Opportunities



### Develop Data, Flying Blue Cargo, E&M

Flying Blue: Leading Loyalty Platform **€50-100m**

E&M: Remain Industry Leader **~€50m**

Cargo: Maximize Contribution **Positive Contribution**



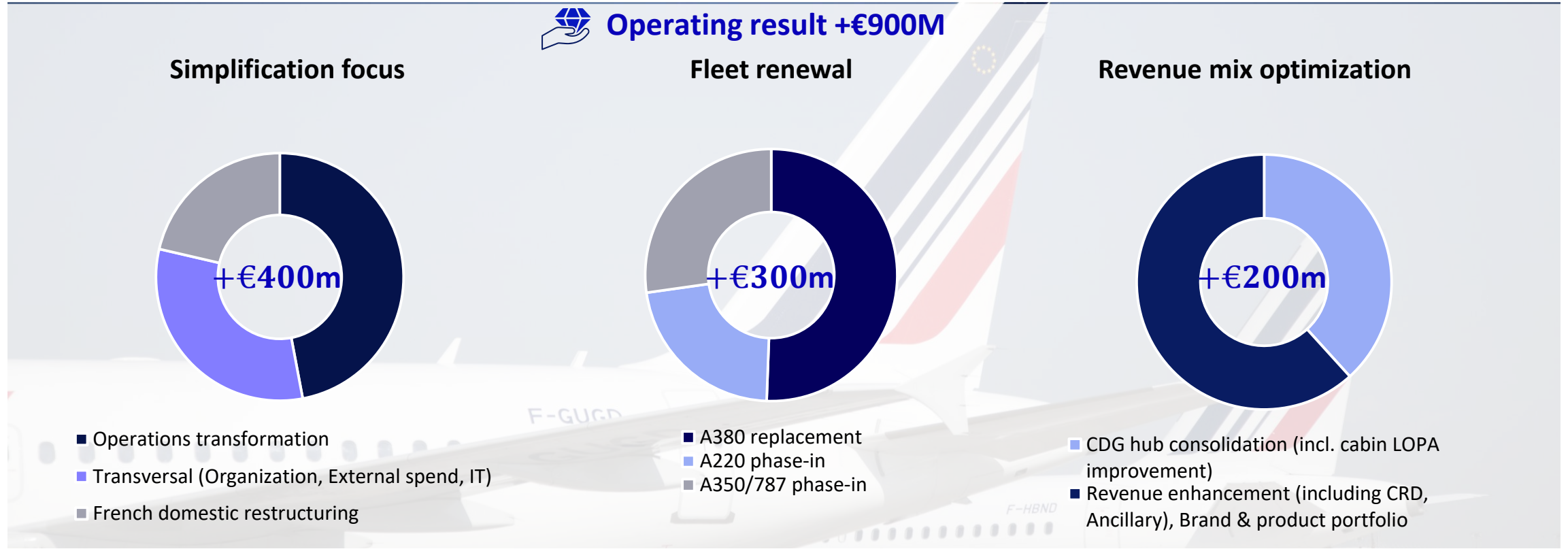




# Air France Turn-Around – Priorities

## Optimize our Operating Model

## Grow Profitable Passenger Revenue





# Focus on Simplification

## Ambitious action plan has already started...

### 2020 Accelerate implementation of transformation projects: some highlights

TRANSVERSAL

#### External spend

- Implement "Control tower" on spends and contracts
- Enforce speed savings: review of contracts
- Optimize marketing, training, catering, outstations, maintenance costs
- Accelerate channel shift

#### Organization simplification

- Simplify processes and break silos, with specific focus on overheads and support functions (delayering, mutualization)

#### IT

- Improve prioritization and standardization
- Develop further agility in innovation projects for efficiency and time to market delivery

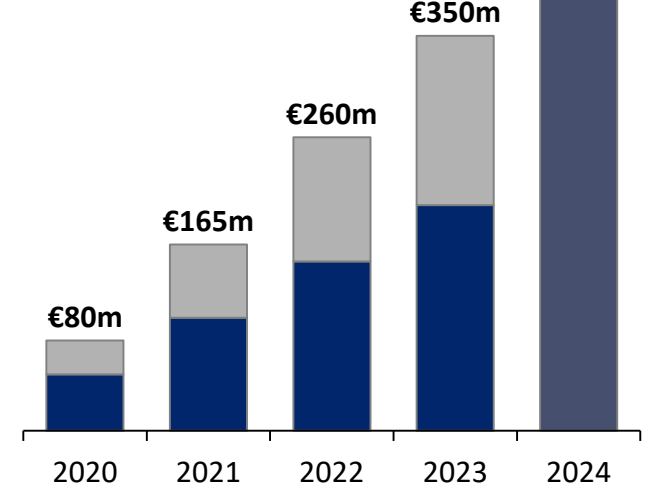
OPERATIONS

- Improve operational performance
- Optimize fuel consumption
- Optimize full flight simulators usage

- Launch successfully the Supply Chain program
- Digitize processes to enhance customer experience and reduce costs
- ...

## ... And will deliver steadily until 2024

Net impact of transformation projects (after inflation)



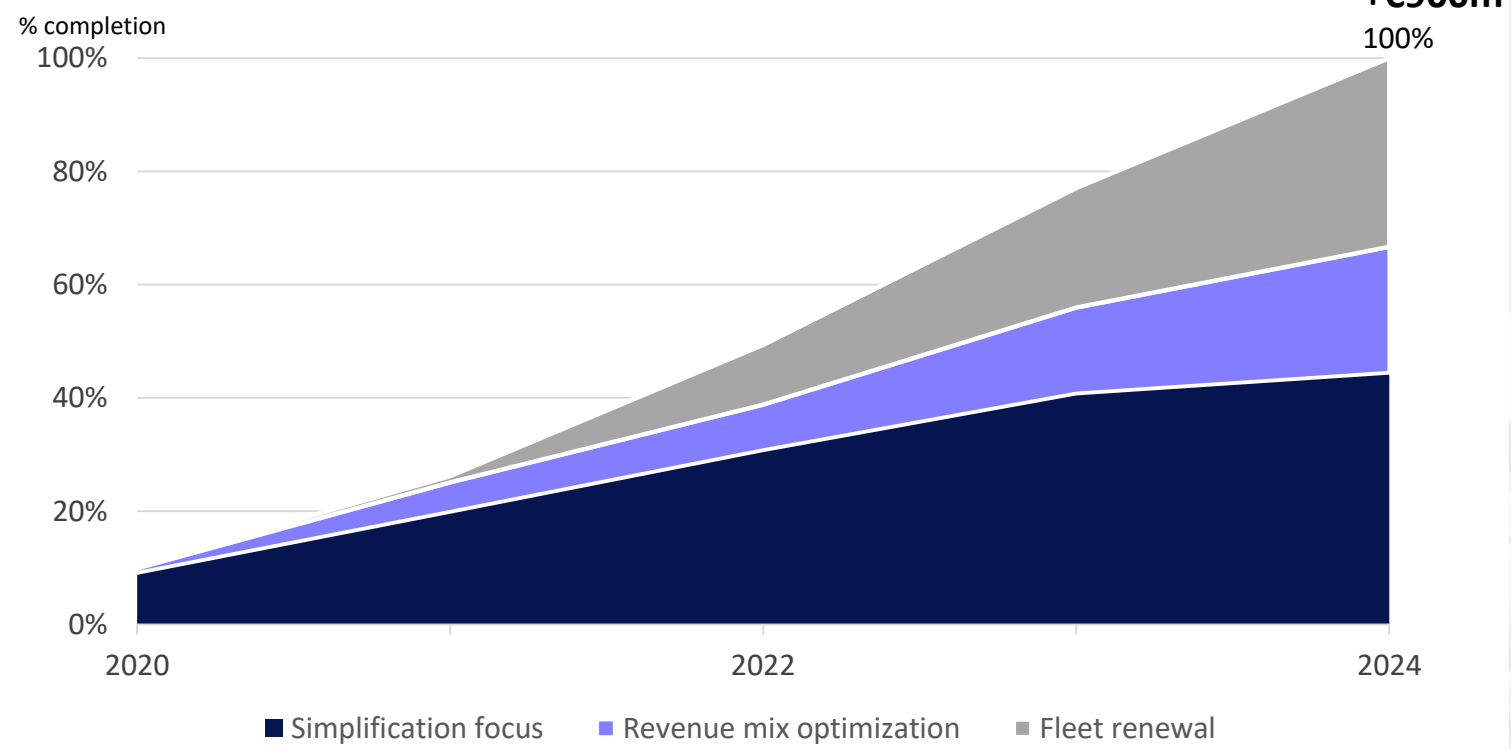
Legend: Transversal streams (grey), Operations Transformation (dark blue)





# Air France Turn-Around —Timeline

## Timeline



## Medium-term objectives

Deliver sufficient operating margin to **ensure profitable growth**

**Operating margin objective**  
mid-cycle at **7-7.5%**





# KLM Strengthening of the Success Model – Priorities

## Optimize our Operating Model

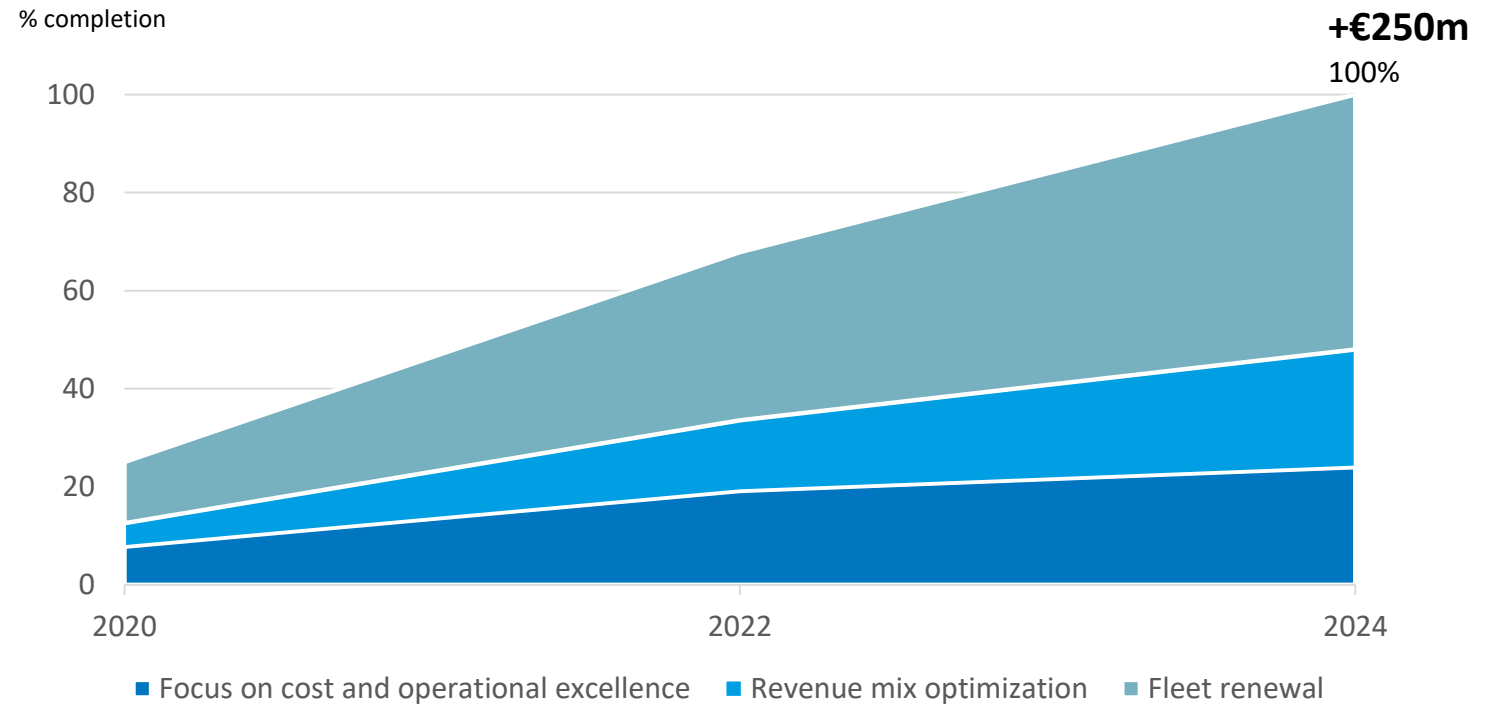
## Grow Profitable Passenger Revenue





# KLM Strengthening of the Success Model - Timeline

## Timeline



## Objective medium term

- Further grow KLM's successful model, including **continuous focus on cost**
- Operating margin objective mid-cycle at 9-10%**

