

Air France-KLM

Investor Day

NOVEMBER 5TH 2019





Agenda

8:30	Registration & Breakfast	
9:30	Building A European Champion	Benjamin Smith, Chief Executive Officer, Air France KLM
11:00	KLM Strategy	Pieter Elbers, Chief Executive Officer, KLM
11:20	Air France Strategy	Anne Rigail, Chief Executive Officer, Air France
11:40	Reaching Leading European performance	Frederic Gagey, Chief Financial Officer, Air France KLM
12:10	Q&A	Benjamin Smith, Chief Executive Officer, Air France KLM Frederic Gagey, Chief Financial Officer, Air France KLM Pieter Elbers, Chief Executive Officer, KLM Anne Rigail, Chief Executive Officer, Air France
13:00	Lunch	





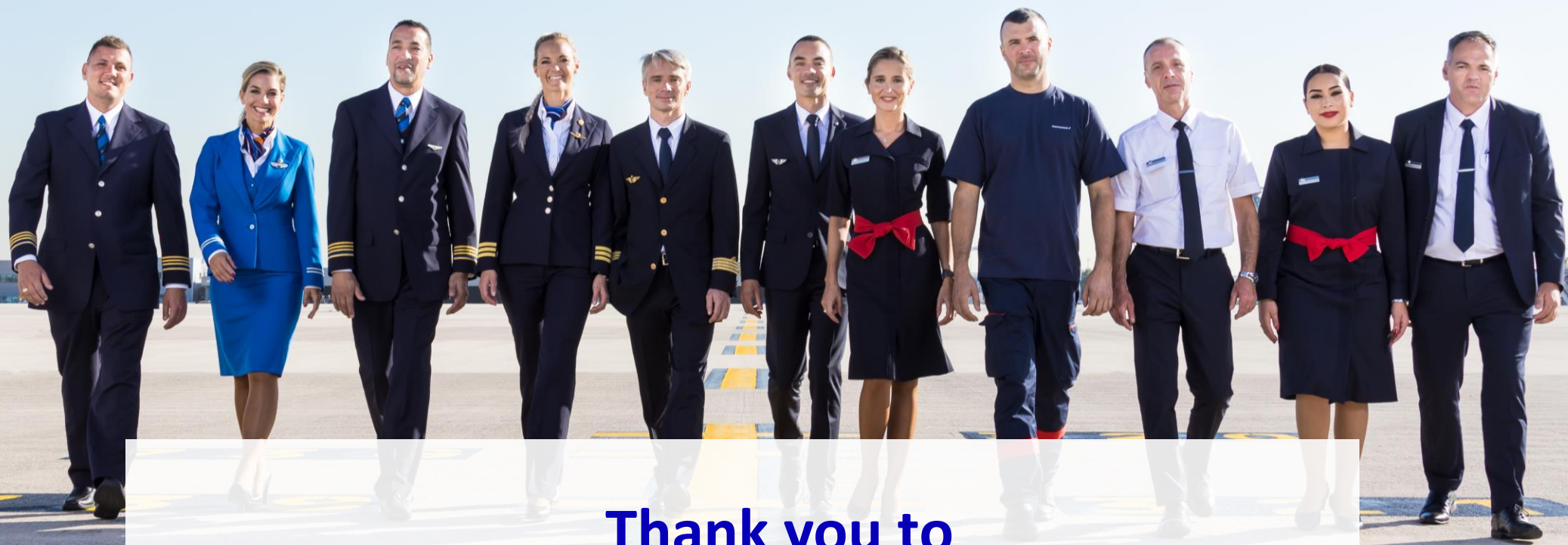
Building A European Champion Based on a New Value-Focused Model



Benjamin Smith
Chief Executive Officer
Air France KLM



Employees Are Air France-KLM's #1 Asset



**Thank you to
all Air France-KLM Group employees!**



Our Business Revolves Around Our Customers



Our goal is to exceed the expectations of our customers at all touchpoints



A New Value-Focused Model for All Stakeholders

Commitment to Global Environmental Sustainability

Medium Term (2024)





Air France-KLM is Building a New Value-Focused Model

Commitment to Global Environmental Sustainability

Optimize our
Operating Model

Leverage **European Consolidation**

Grow Profitable
Passenger Revenue

Develop **Customer Data, Flying Blue, Cargo, and E&M**



Becoming a European Champion



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**





Brand Portfolio Simplified around Three Master Brands

From Unclear Value Proposition...

...to **Three Master Brands**, Targeting the Right Customers with the Right Brand

AIRFRANCE

KLM

HOON

HOP!

transavia



AIRFRANCE

KLM

transavia



Showcasing the Best of France Around the World



Strong Innovative Global Brand



Making Low Cost Feel Good



Clear Roadmap For Each Airline

Commitment to Global Environmental Sustainability



**Continue to develop
current successful
business model**



**Leverage unique
assets to build a
successful model,
one step at a time**



**Fully leverage brand
power and new
flexibility**



Optimizing Our Operating Model



KLM: Continue to Develop Current Successful Business Model



- **Successful Initiatives Since 2014, With Strong Results**
 - Significant decrease of structural cost and increased operational efficiency
- **Ongoing Simplification Effort Focusing on 5 Pillars**
 - Customer & Product
 - Network & Fleet
 - Operational Excellence
 - People and Organization
 - Innovation & Sustainability



KLM Fleet Will Be Simplified and Optimized



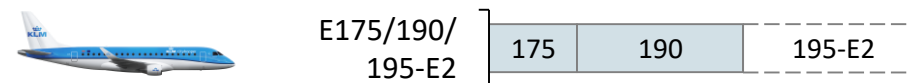
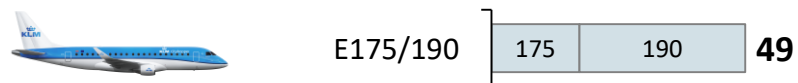
Current Passenger Fleet

5 cockpits

Future Fleet

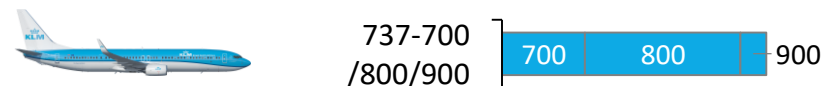
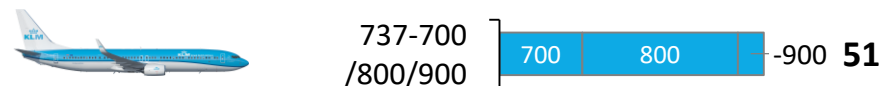
3 cockpits

Regional
KLM Cityhopper



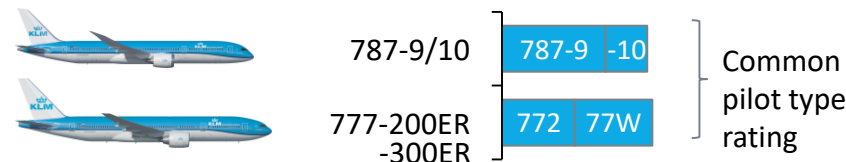
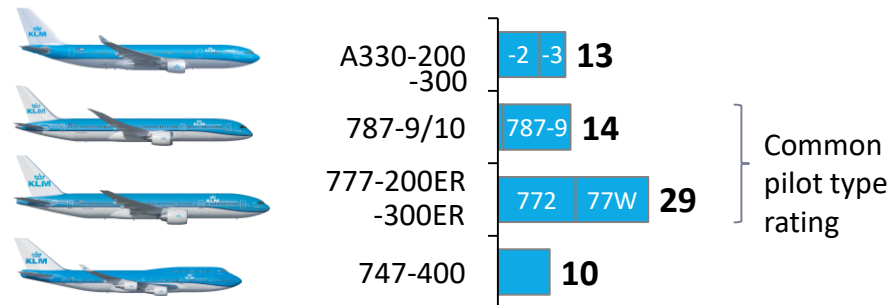
Target Regional Fleet: 52-54 aircraft

Medium Haul



Target Narrowbody Fleet: 52-54 aircraft

Long Haul



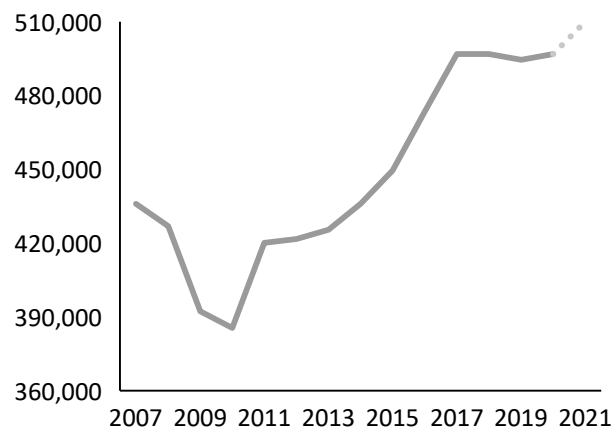
Target Widebody Fleet: 71-73 aircraft



KLM Will Continue to Support Future Growth At Schiphol

Aircraft movement reaching current capping at Schiphol

Aircraft movement at Schiphol



Natural leading position for KLM

+30 destinations

141 in 2014 > 171 in 2019

+6m customers

28m in 2014 > 34m in 2018

Looking ahead...

Adapt Fleet:

- Short term growth via larger aircraft gauge
- Reduced environmental impact through reduction in CO₂ and noise emissions

Optimize revenue in a capacity-constrained environment: limited opportunities for new entrants given slot constraints

Align with external stakeholders to enable future capacity growth at Schiphol beyond artificial cap of 500,000 movements





Maintain the Power of the KLM Brand For the Next Generation of Travelers

AIR FRANCE-KLM INVESTOR DAY – NOVEMBER 2019





Air France: Leverage Unique Assets to Build a Successful Model, One Step at a Time



- **A New Social Contract**
- **Step by step evolution of each group contract** (pilot, cabin, ground) to ensure best position for future success
- **Focus on operational robustness** significantly increased
- **Major cost transformation program started**





Creating Win-Win Partnerships with Employees

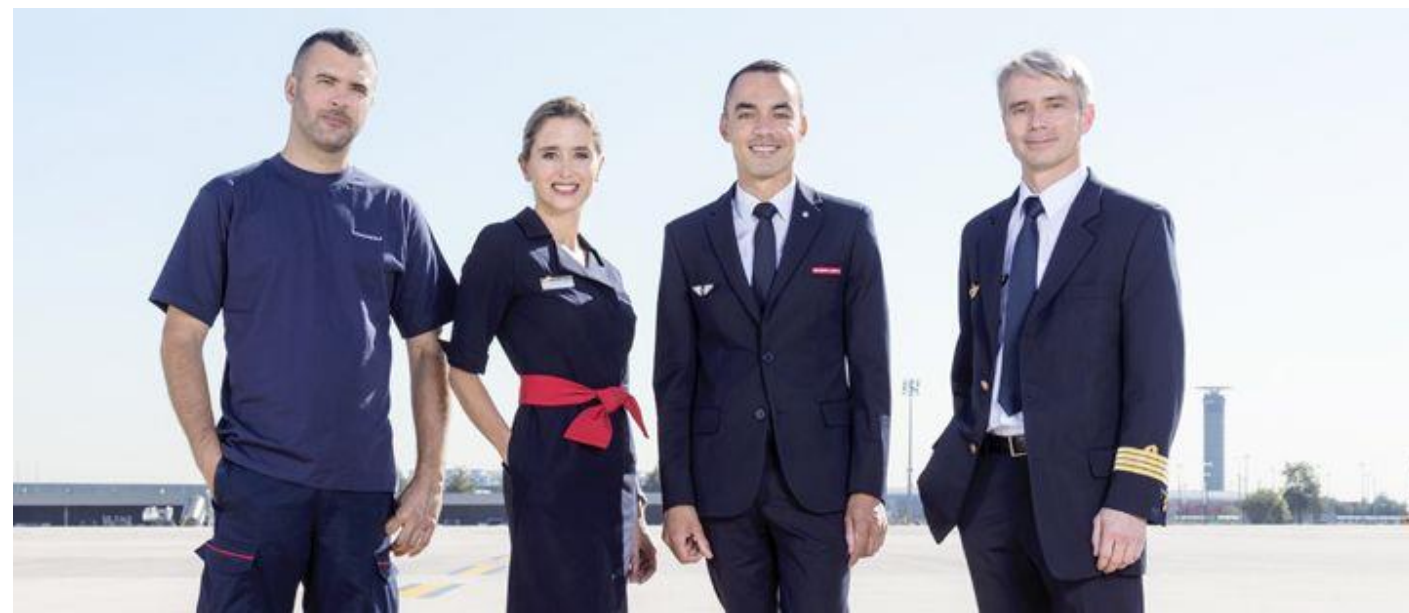
Four New Underlying Values

Trust

Respect

Transparency

Confidentiality



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**



Previously, Air France Was Forced to Reduce Premium Cabin Size to Comply With ASK Production Rule

Premium Cabin Reduction: Illustration on Boeing 777-200ER

2014

59-77 Premium Seats



2018

52-64 Premium Seats



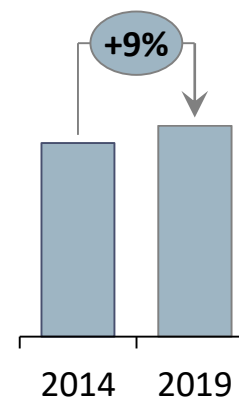
Up to
-13 Premium Seats
(First / Business / Prem. Econ.)

3-4x more ASKs

are produced by an **Economy seat** vs. a **Business seat**

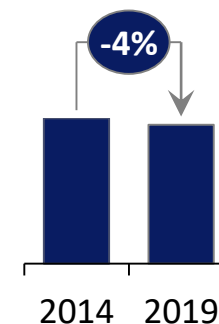
Impact: Decreased Footprint on High-Margin Premium Segment

Industry Long Haul Premium ASK From Paris

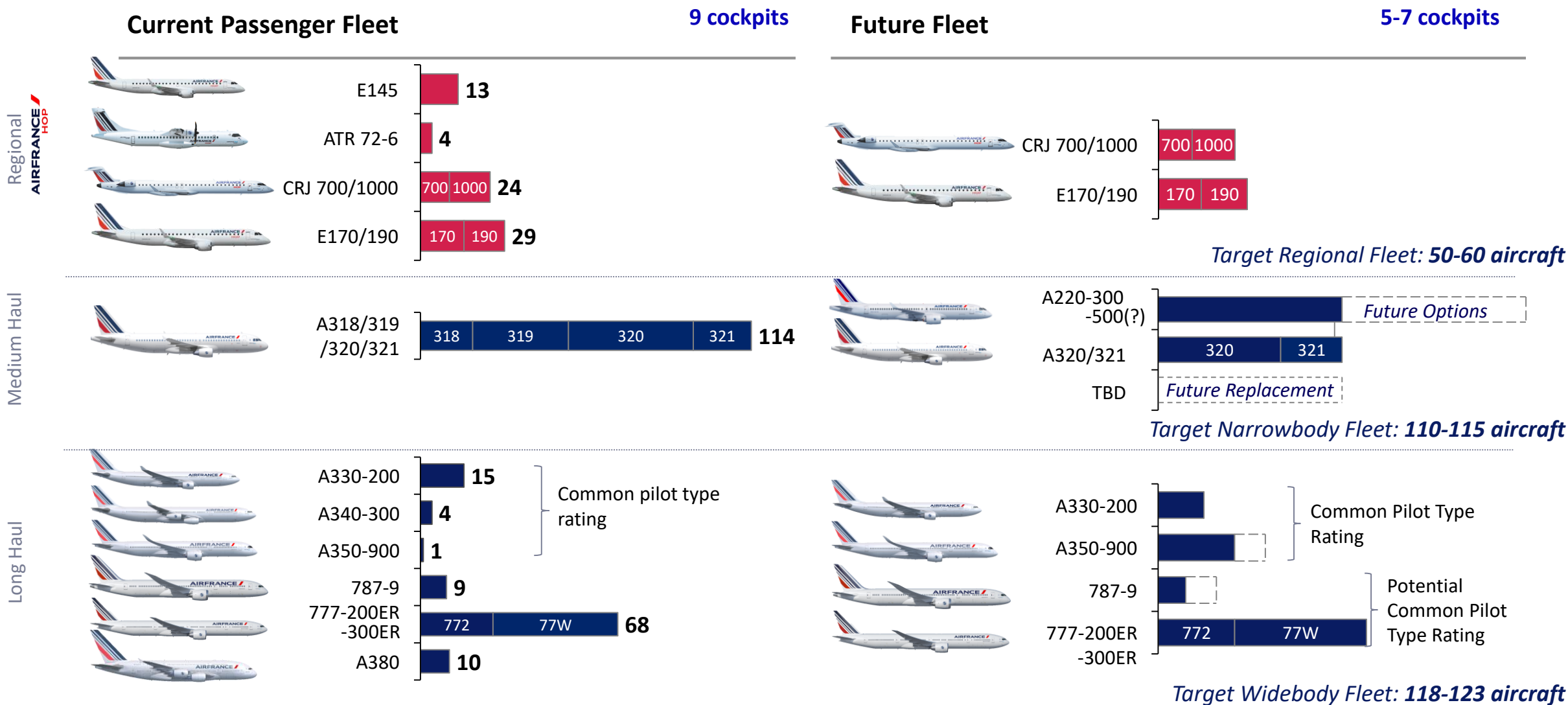


VS

Air France Premium Long Haul ASK



Air France Fleet Will Be Simplified and Optimized





Multiple Benefits of A380 Replacement



+ €400m CAPEX avoidance for cabin refurbishment and necessary maintenance & engine overhaul



Increased operational reliability and reduced environmental footprint with more efficient & sustainable replacement aircraft



Better fit with market needs, through smaller gauge aircraft with increased frequencies



Opportunistic pricing for replacement aircraft



New Air France Fleet Will Yield Strong Economic Benefits Beyond 2024

Widebody Fleet: Airbus A350-900

Narrowbody Fleet: Airbus A220-300

+€12.5m

28

+€350m

EBITDA Increase
Per Aircraft

Ordered
Aircraft

A350-900
Total EBITDA
Impact

- €6.5m Fuel
- €6m Cabin

+€1.3m

60

+€75m

EBITDA Increase
Per Aircraft

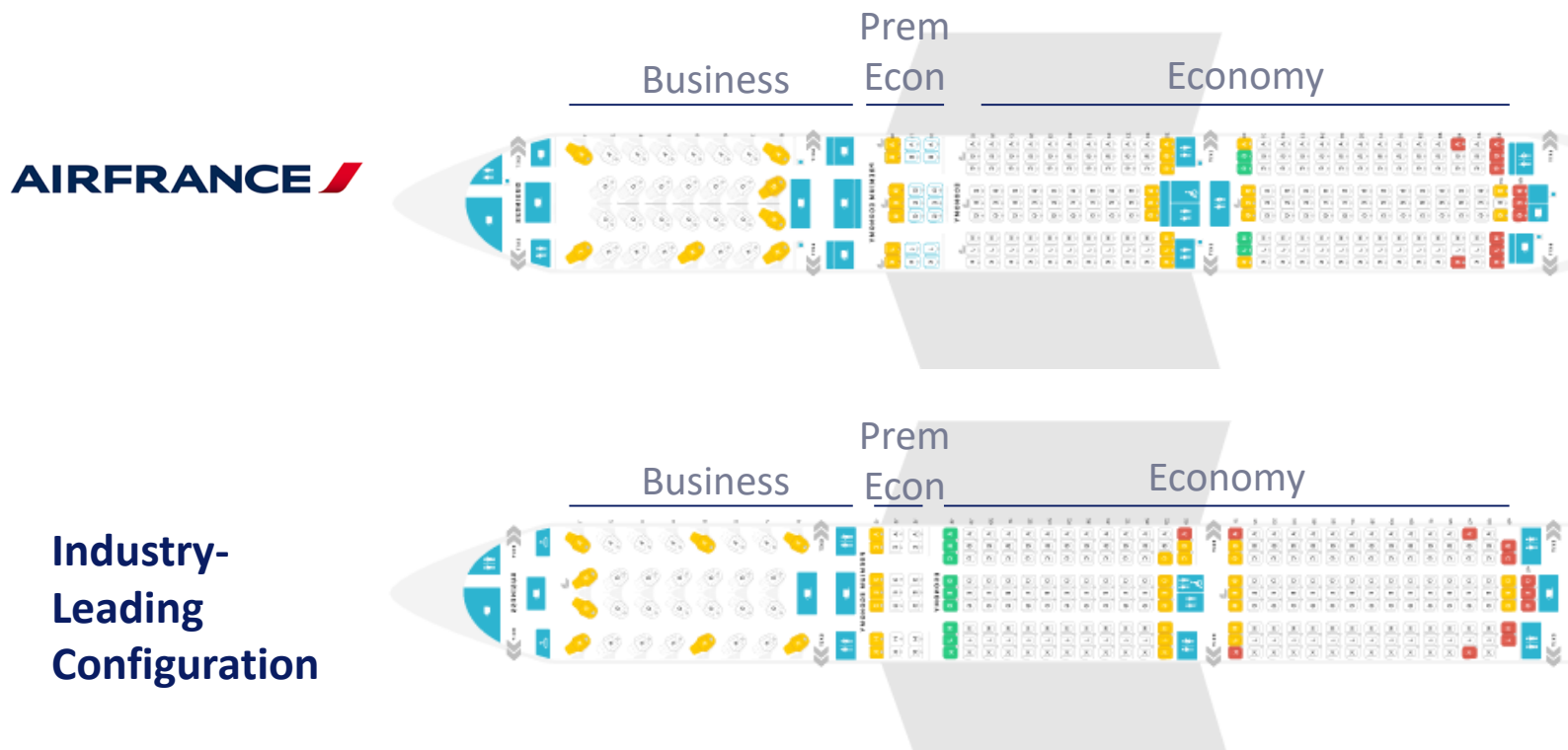
Ordered
Aircraft

A220-300
Total EBITDA
Impact



Cabin Optimization (LOPA) Potential: Current Boeing 787-9 Illustration

For Illustrative Purposes Only



Total	# Seats		
	Business	Premium Economy	Economy
276	30	21	225 Avg Pitch: 31'
298	30	21	247 Avg Pitch: 31'

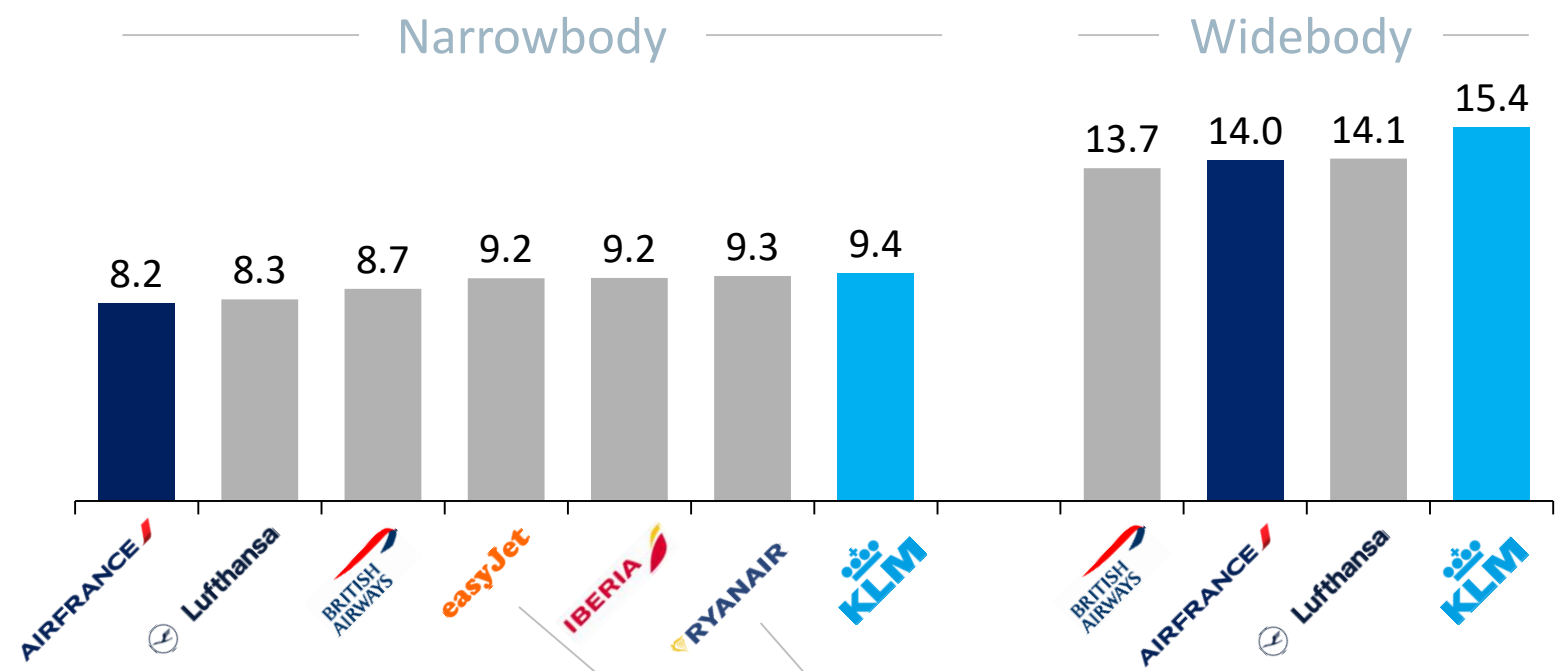
9% less efficient

**Illustration of Pure Optimization Potential:
Future LOPAs Will Have Built-in Flexibility Aided by New Agreements With Cabin Crew**



Increased Fleet Utilization Will Reduce Ownership Cost

Fleet Utilization (hours)



Low Cost: point-to-point model with high seasonality

Note: Oct18-Sep19



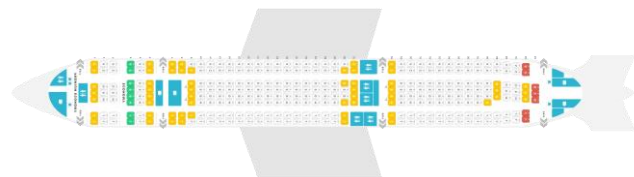
Potential reduction of up to 10-20% in ownership cost

Through improved Air France fleet utilization



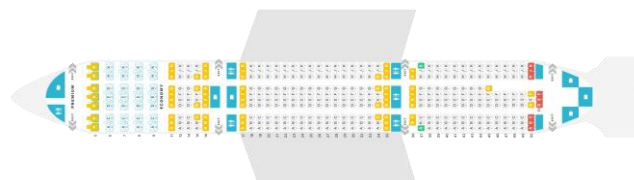
Response to Date to Long-Haul Low-Cost Competition

Current Benchmark: Airbus A330-200



	# Seats			CASK ²
	Total	Premium ¹	Economy	€ct/km
Current Benchmark: Airbus A330-200	314	21	293	<5 €ct

New Benchmark: Airbus A350-900



New Benchmark: Airbus A350-900	411	35	376	<4 €ct
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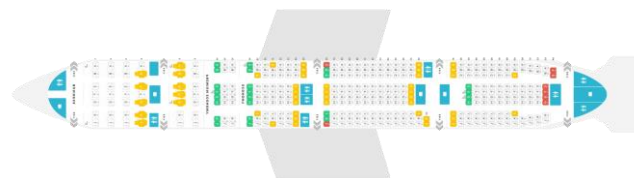
Future A350-1000 will have **480** seats and even lower CASK

AIRFRANCE has tool to respond to this competition, and will continue to monitor market evolution

Dense Boeing 777-300ER:

Current Air France product on price-sensitive markets

Ex: Fort-de-France, Réunion



Dense Boeing 777-300ER	468	46	422	<5 €ct
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Further planned efficiencies: **472** seats, including full-flat Business seat

1. Includes First, Business and Premium Economy
2. Estimated CASK for Paris-Antilles route



Air France Will Lobby for a More Competitive French Airline Business Environment

Paris-CDG more expensive than Schiphol

Taxes and charges in CDG vs Amsterdam Schiphol **+ €300m**

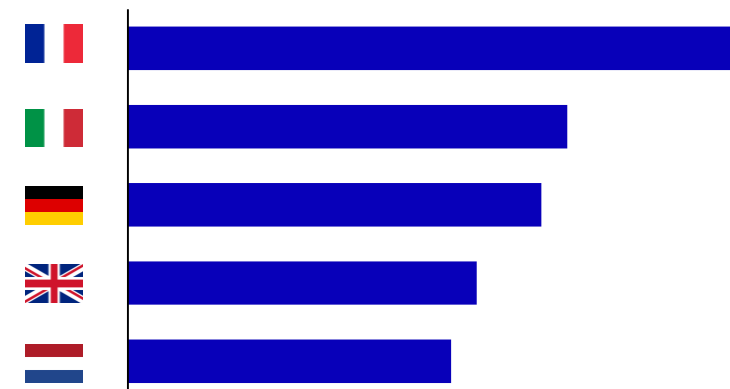
Other specific French taxes **+ €270m**

- Civil Aviation **€108m**
- Solidarity Tax **€62m**
- Eco-contribution (starting 2020) **€60m**
- CDG Express (starting 2024) **€20m**
- Other unique taxes¹ **> €20m**

1. Noise taxation: €18m, Corsica: €3m
 Source: 2017 employer costs benchmark, Air France-KLM internal data

France has the Highest Social Taxation in Europe

Illustration of employer cost for a gross wage at 100



Fully Leverage Brand Power and New Flexibility

Optimize & grow position in a slot-constrained market

- Remain **#1 low cost carrier** in The Netherlands
- **Grow seat capacity** through fleet renewal
- With demand still growing and slots constrained, consider **flying from secondary and tertiary airports**

Become the **#1 LCC** in France in terms of based aircraft

- Strengthen **core markets**
- **Diversify and grow network**
- Leverage **removal of the 40 aircraft cap & pilot flexibility**

New base opening in
April 2020:

Montpellier



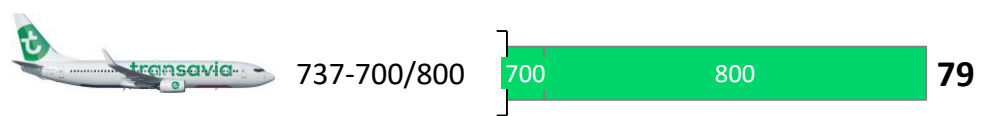
Transavia Fleet Will Grow



Current Passenger Fleet

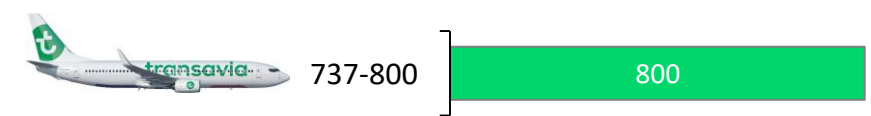
1 cockpit

Medium Haul



Future Fleet

1 cockpit



*Transavia Fleet Growth Target:
+5-6 aircraft per annum*





Further Leveraging Group Efficiencies

Continued Cost Synergies Ongoing

-  Commercial, Distribution and Alliances
-  IT Efficiency
-  E&M and Cargo



Better Focus on Strategic Group Levers

-  Strategic Group Levers
 -  Fleet & Network
 -  Commercial & Alliances
 -  Human Resources
 -  Purchasing & Procurement
 -  Digital & Data Management



Growing Profitable Passenger Revenue



Complementary Group Network to be Further Leveraged

KLM to/from Amsterdam



171 Destinations **347** Daily Frequencies

Air France to/from Paris (CDG/ORY)



194 Destinations **444** Daily Frequencies

VS

British Airways to/from London



224 Destinations **455** Daily Frequencies

Lufthansa to/from Frankfurt



200 Destinations **423** Daily Frequencies

**Strong AFKL Group
'Dual Hub' Model**

Revenue Strategy

Air France and KLM Will Grow Their Strongest Segments

KLM Current Strength per Segment

KLM		Local		Connection	
Domestic	Premium				
	Economy				
Medium Haul	Premium	Green	Green	Green	Green
	Economy	Green	Green	Red	Red
Long Haul	Premium	Green	Green	Green	Green
	Economy	Green	Green	Green	Green

Growth possible on all segments



Going forward: Continue to grow, maintain leadership position as **best connection carrier to/from Europe**



Strengthening **leadership at Schiphol**

Air France Current Strength per Segment

AIRFRANCE		Local		Connection	
Domestic	Premium			Green	Green
	Economy	Red	Red	Red	Red
Medium Haul	Premium	Green	Green	Green	Green
	Economy	Red	Red	Red	Red
Long Haul	Premium	Green	Green	Green	Green
	Economy	Green	Green	Red	Red

Main strength: Paris local and high yield connections traffic



Going Forward: Previous structural cost disadvantage has been addressed, enabling a focus on **growing profitable segments**



Leveraging **Paris strength** to extract maximum value from **local and premium market segments**



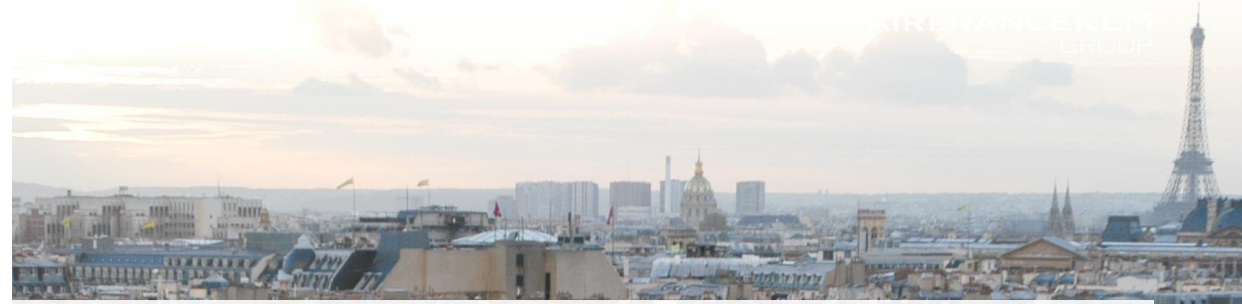
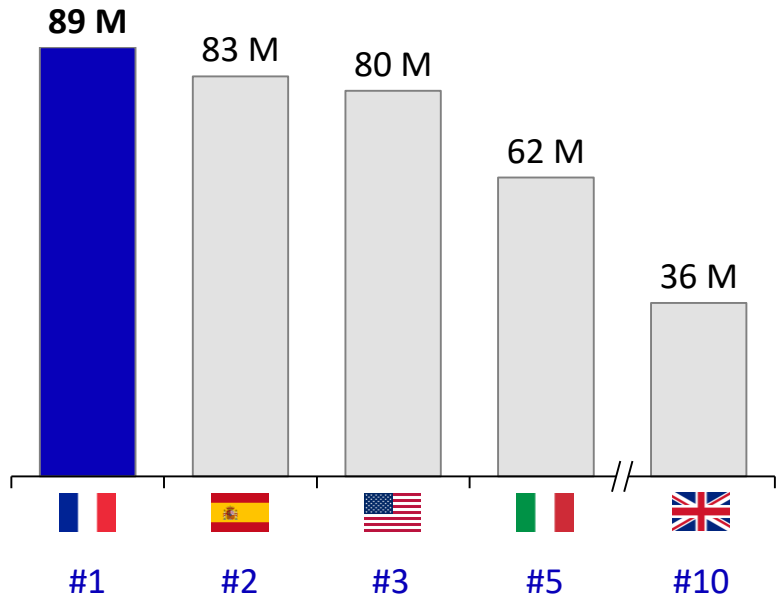
Redesigning **Orly strategy** to strengthen position at airport

Note: Premium includes First, Business and Premium Economy

Attractiveness of Paris & France Is a Major Asset for Air France

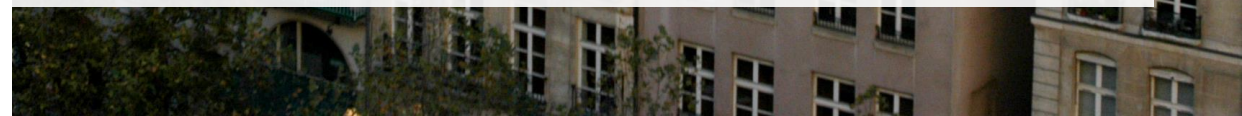
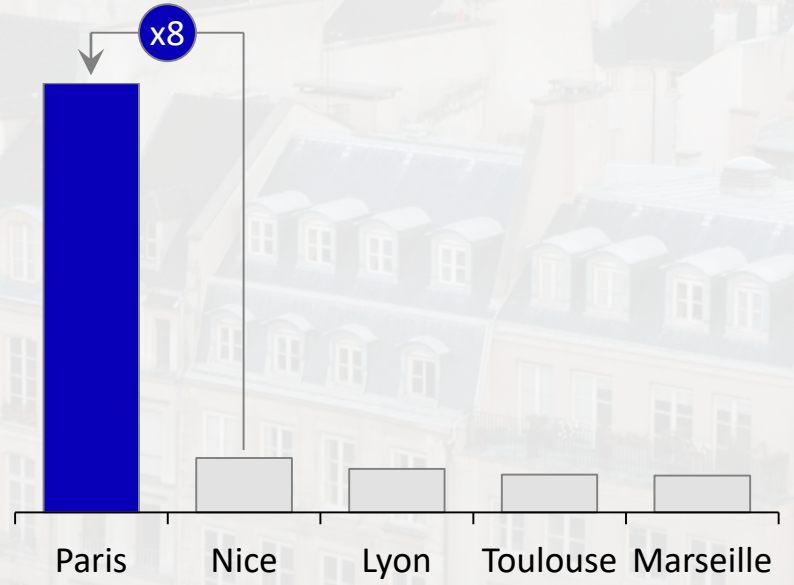
France, most visited country in the world

International tourist arrivals in 2018, Top 10



Airline market largely centralized around Paris

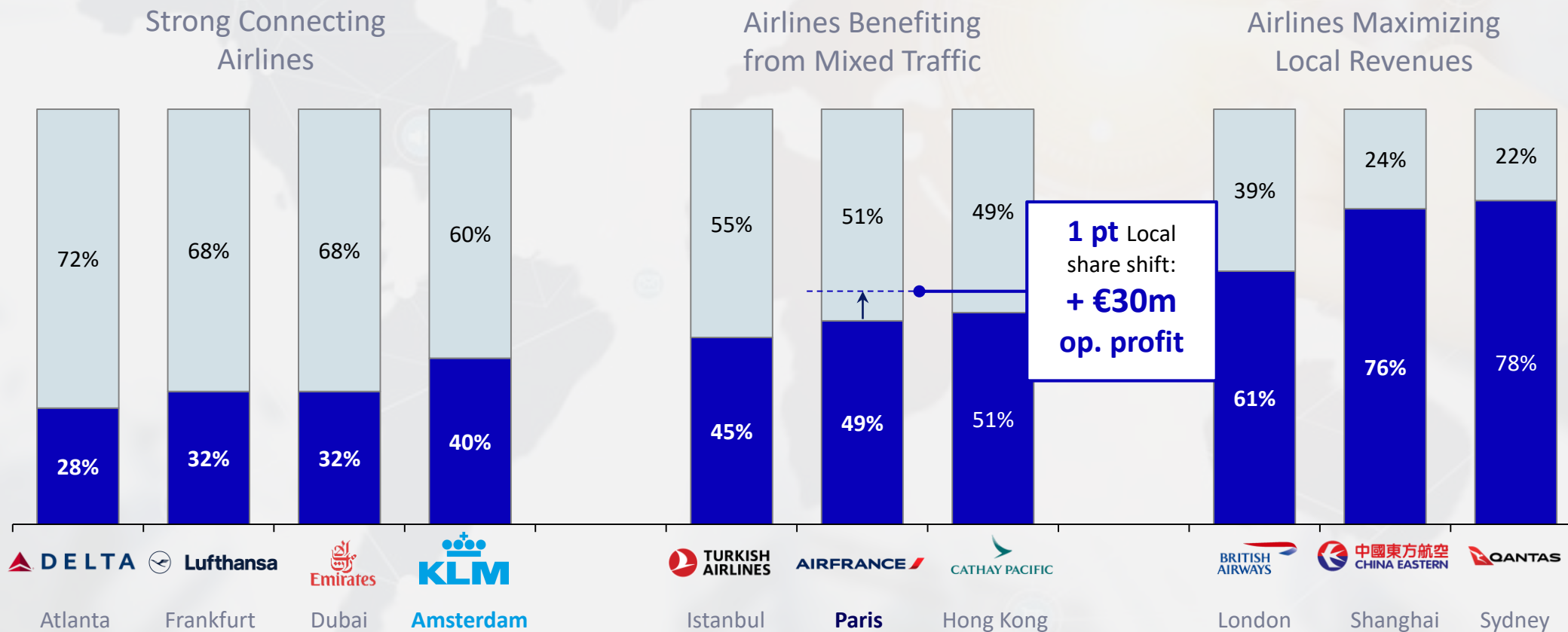
Passenger traffic in 2018 per airport city



Source: World Tourism organization, Albatross

Grow Profitable Air France Local Traffic

Traffic type per hub



Source: Air France-KLM internal data – From November 2017 to October 2018

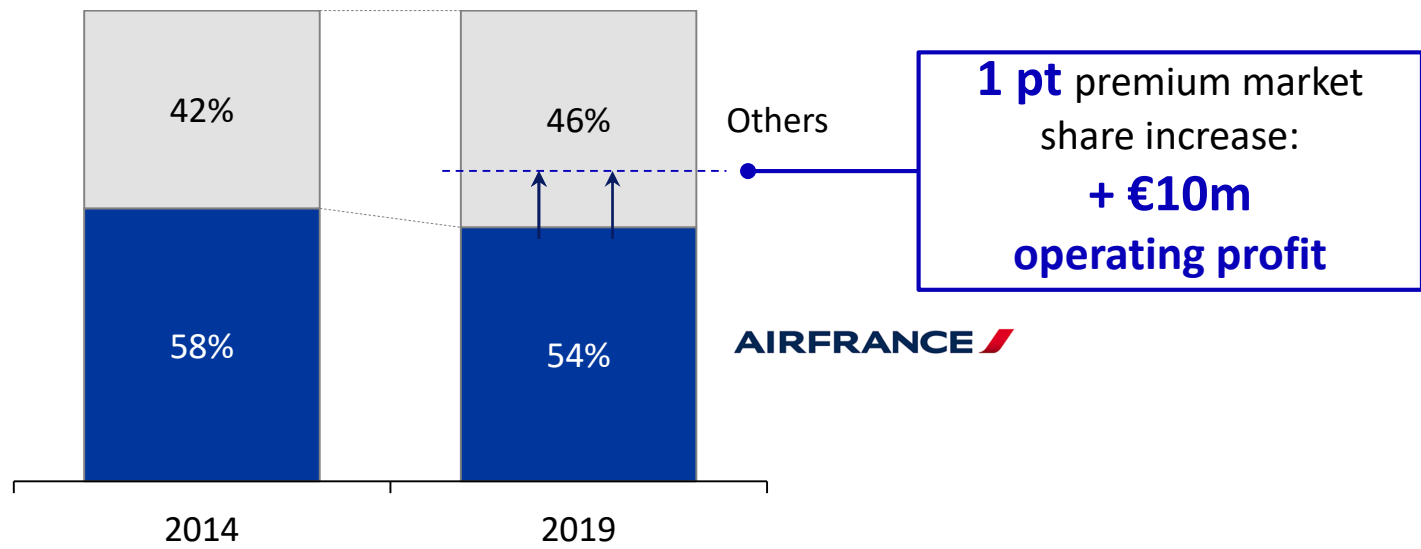
Connection Local



Opportunity to Strengthen Air France Position on Premium Segment

Air France has recently been losing premium market share

Long haul premium seat capacity from Paris CDG & Orly



Air France now has the means to strengthen its market position:

Restrictive structural issues have been addressed through new relationship with labour partners

Air France can now optimize its revenue mix **towards the more profitable premium segment**, in line with customer demand

Note: Premium includes First & Business cabin



Develop Customer Data, Flying Blue, Cargo and E&M



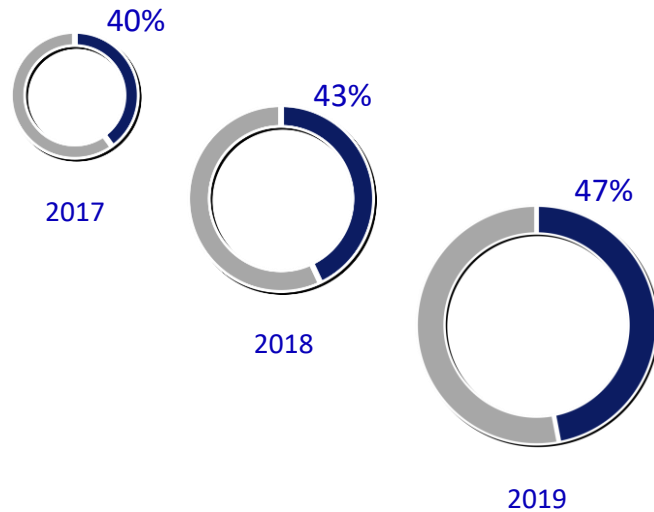


Growing Customer Data, Personalization and Loyalty Capabilities

Personalization

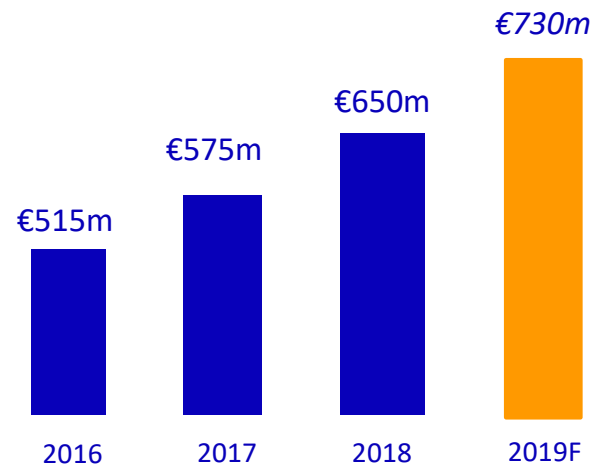


Growing Share of Bookings Through Direct Sales & NDC



■ Share of direct Sales & NDC

Ancillary Revenue Evolution



Data, Personalization, Loyalty



Flying Blue: Solid Foundation with Room to Grow

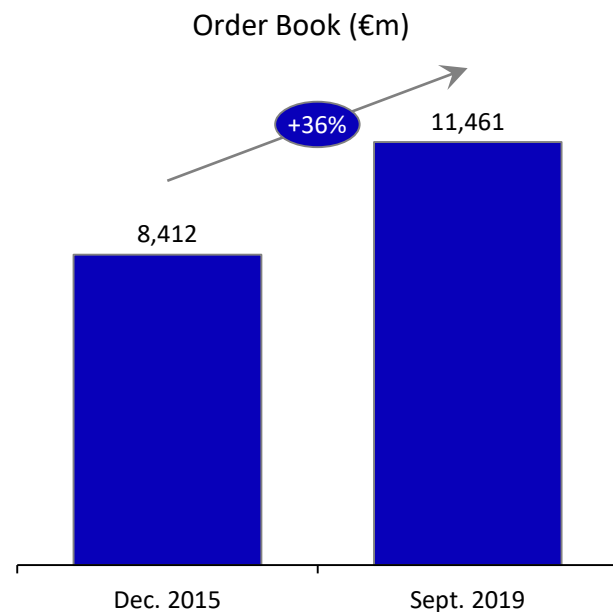
Increased contribution to Group sales and margin

- **Sale of miles:** credit cards, services, etc.
- **New digital experience**
- **Payment in miles (as currency)**



Air France-KLM E&M is Strong and Well Positioned to Benefit From Future Growth in MRO Market

Growing order book is solid basis for Future E&M Business Growth

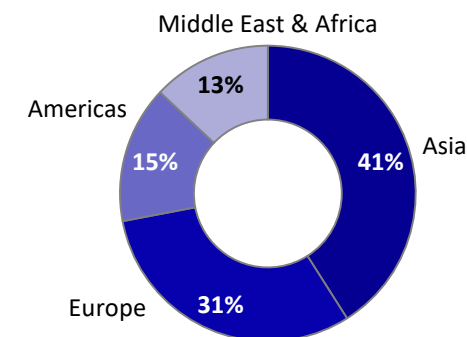


* Annualized Growth rate

Strong position on the fast growing market of Next Generation Products



Asia is the geographical growth engine, where E&M has become a key player



Air France-KLM Cargo Will Continue to Maximize Contribution to the Group



5

Global Cargo Carrier

3.8 %

Global Market Share

135

European Trucking Stations



#2 and #3

European Cargo Hubs

130+

Direct Intercontinental Connections

1.100

Weekly Flown Frequencies



€2.3bn

Cargo Revenues

1.1 m

Air France-KLM Freight Tons

3800+

FTEs

Source: 2018 data



Leverage European Consolidation





Air France-KLM Will Pragmatically Evaluate Consolidation Opportunities

- Active role when and where consolidation makes sense
- As a complement to the global reach and robustness of the Air France and KLM networks
- Strict financial discipline





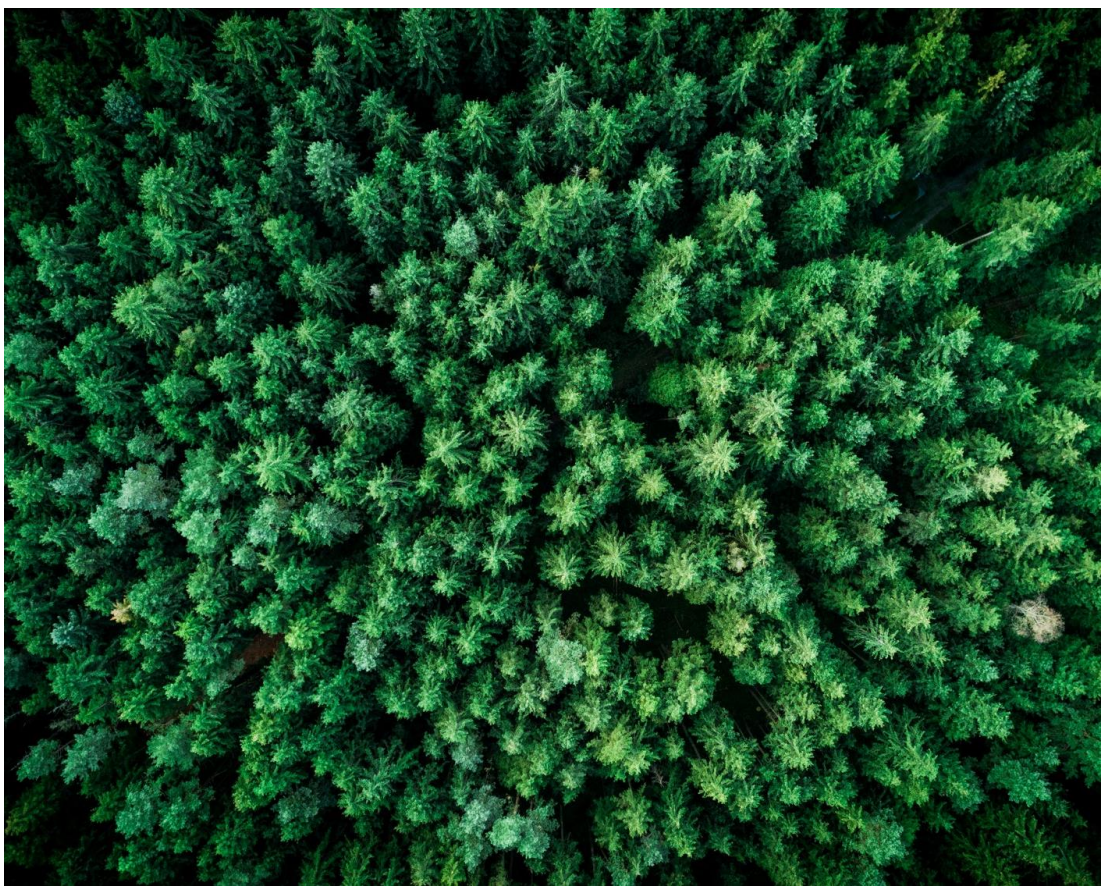
Commitment to Global Environmental Sustainability





Air France-KLM's Leading Position in the DJSI Recognition for our Environmental Stewardship

Commitment to Global Environmental Sustainability



**Dow Jones
Sustainability
Indices
20th Anniversary**

In collaboration with SAM

**#1 Rank:
Leading Airline Group**



Key Initiatives and Impact



Summary of Key Initiatives Currently Underway

Decreasing Unit Cost

More Flexible Labour Contracts	Air France Transavia
Simplified Fleet	Air France KLM
Next Generation Aircraft	Air France KLM
More Efficient Domestic Network	Air France
Increased Aircraft Utilization	Air France
Operational Transformation	Air France KLM
Simplified Organization & Processes	Air France KLM
Leveraging Additional Group Synergies	Group



Increasing Unit Revenue

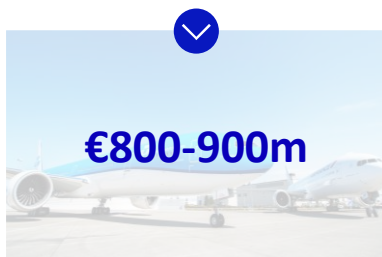
Clarified Brand Strategy	Air France
Optimized Interior Configurations & Harmonized Products	Air France KLM
Optimized Network & Aircraft Gauge	Air France KLM
Refocused Market Positioning	Air France
Revised Orly Strategy	Air France Transavia
Personalization & Ancillary Revenue	Group
Transavia Growth	Transavia
Flying Blue & Increased Ancillary Revenue	Group
E&M and Cargo	Air France KLM

Summary of Key Initiatives Currently Underway And Estimated Operating Result Impact

Commitment to Global Environmental Sustainability

Optimize our Operating Model

Increase Commercial & Fleet Flexibility	<i>Prerequisite</i>
Optimize Internal Airline Processes	€400-475m
Simplify and Renew Fleet	€400-450m
Leverage Group Synergies	€300-350m <i>(accounted in airline P&L)</i>



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



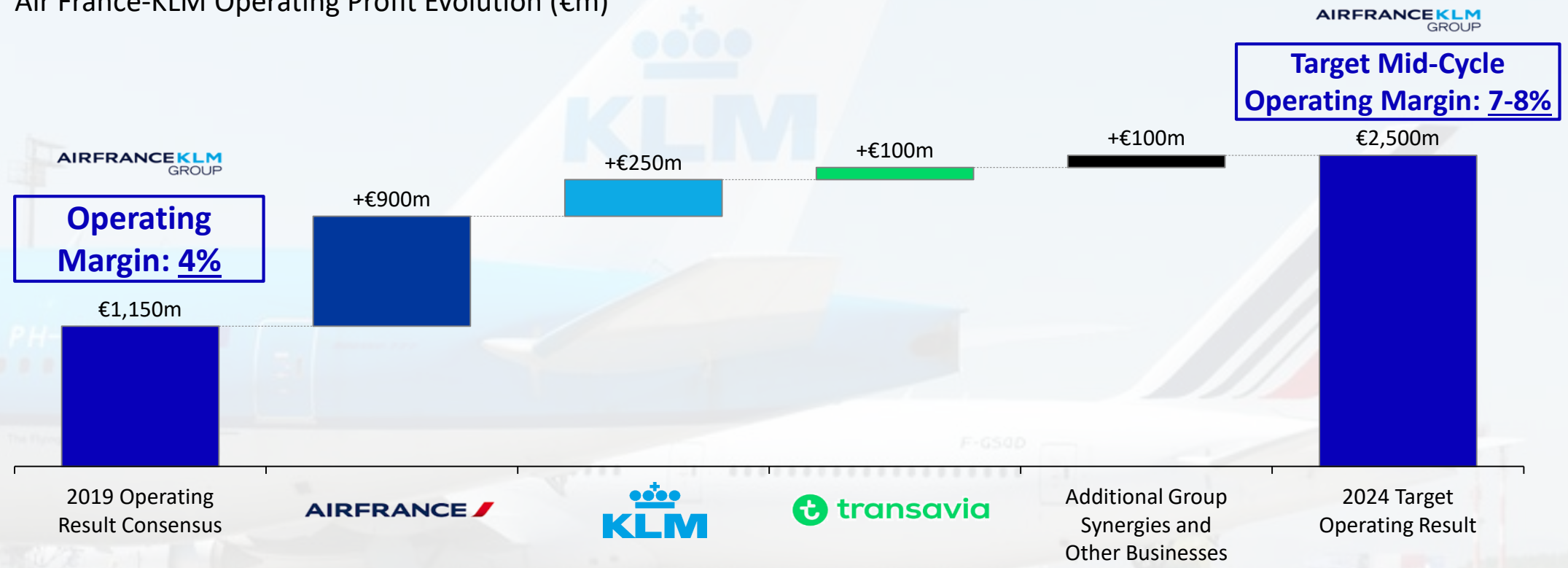
Develop Data, Flying Blue Cargo, E&M

Flying Blue: Leading Loyalty Platform	€50-100m
E&M: Remain Industry Leader	~€50m
Cargo: Maximize Contribution	Positive Contribution



Mid-Cycle Operating Margin Reaching 7-8%

Air France-KLM Operating Profit Evolution (€m)



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 -€900m offsets against base-case price inflation and +€100m 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



KLM Strategy







Pieter Elbers
Chief Executive Officer
KLM



Where We're Coming From and Where We're Going

Where We're Coming From: Our Strategy Build Up 2014-2018

KLM's 2015 strategic review has provided a clear set of strategic choices that remain valid today

-  **Direction** Setting our **goals** and our **purpose** (and our 'Compass')
-  **Choice** Making **strategic choices** & **initiatives** ('Transformation-projects')
-  **Coherence** Through the **integral KLM** Transformation agenda
-  **Execution** With the **annual KLM Flight Plan** (with KPIs)

**Improvement of all relevant KPIs:
Financial, Operational and Customer Experience**



Where We're Going

Future strategy centred around 5 pillars:

-  **Customer and Product**
-  **Network & Fleet**
-  **Operational Excellence**
-  **People and Organization**
-  **Innovation and Sustainability**

A Strategy Without Execution is a Hallucination

5 Pillars of Our Annual Flight Plan Guide the Implementation



Continue to develop **successful business model**

- Further grow position as **best connection carrier** to/from Europe, strengthening leadership at Schiphol
- Keep **continuous focus on cost and operational excellence**
- Leverage **global brand strength and continue to evolve** to remain first customer choice



Customer and Product

Customer satisfaction: **NPS ≥ 44**

Win the hearts of our customers and excel in customer intimacy by **focusing on integral customer journey priorities**



Network and Fleet

> 34.5 m PAX
> 168 Destinations

Strengthen our hub-and-spoke model by **increasing the agility of our network and simplifying and modernizing our fleet**



Operational Excellence

A15 worldwide: 86%
Completion factor ICA: 99.6%

Deliver on our customer promise safely, effectively and at the lowest integral cost by **integrally reshaping all products, processes, control, organization and information**



People and Organization

≥ 60% of all KLM teams participated in **team engagement measurement and dialogue**.
Going forward, diversity becomes even more important objective

Empower employees to be “the best of themselves” by **creating an optimal, engaged, diverse and inclusive workforce** that fits strategy execution and acts in line with the KLM Compass



Innovation and Sustainability

100% experiments linked to business goals **≥ 2 initiatives** in scale-up phase
Goals sustainability

Improve our (radical) innovation ecosystems by **maximizing the learnings of experiments** that focus on (longer term) business goals

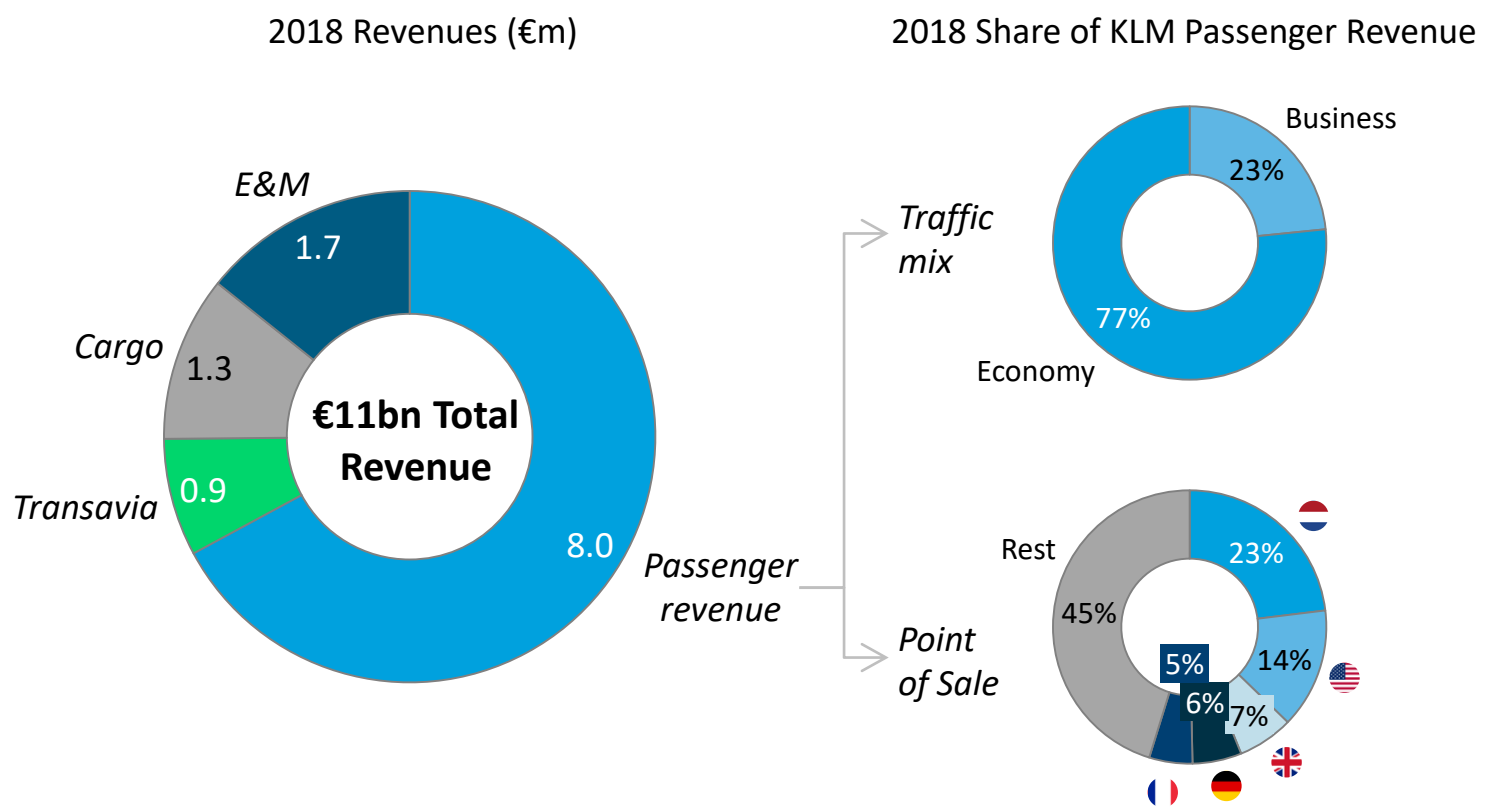


WHERE WE STAND NOW

KLM is a Fit and Financially Healthy Airline

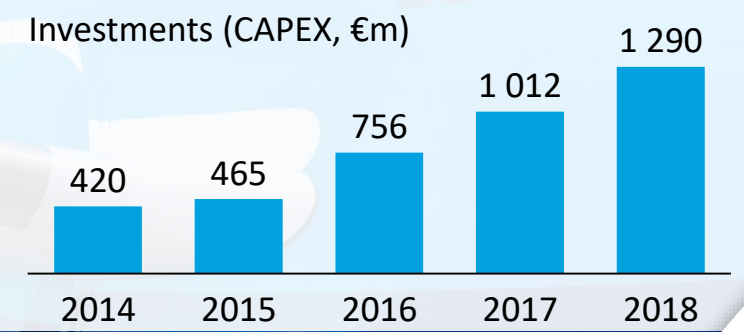
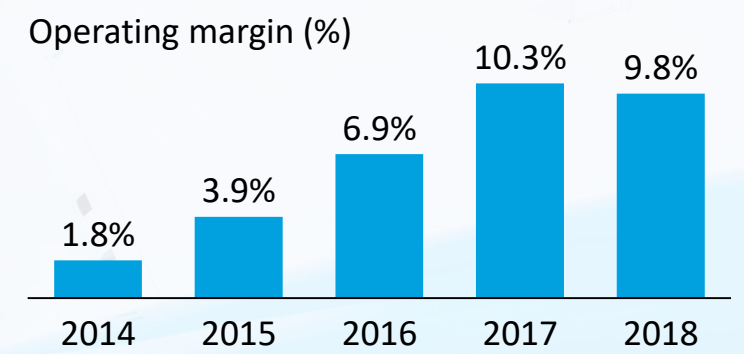
Sustaining upward spiral of revenue generation to continue investing

Creating Solid Revenues: €11bn KLM Revenue in 2018



Note: E&M including 898 M€ internal revenue

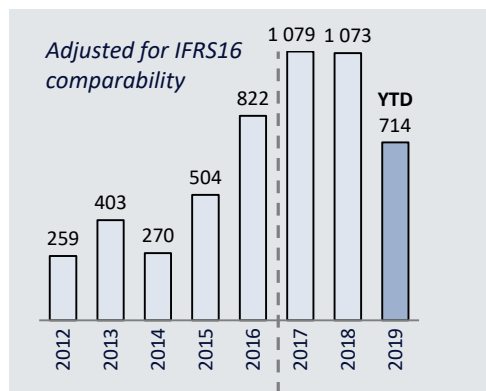
Sustaining the Upward Spiral



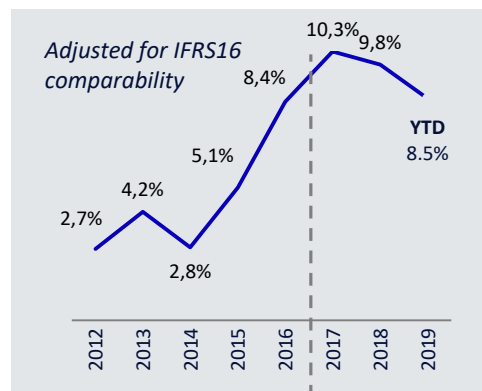
KLM KPIs Significantly Improved Since 2012

2019 YTD September—Year to Date Figures Do Not Reflect Full Year Outlook

Operating Income (€m)¹



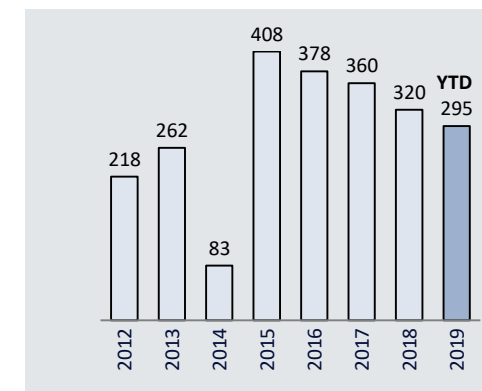
Operating Margin (%)



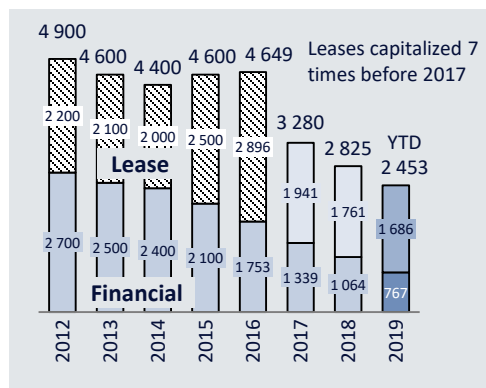
Investing Cash Flow (€m)
(net CAPEX)



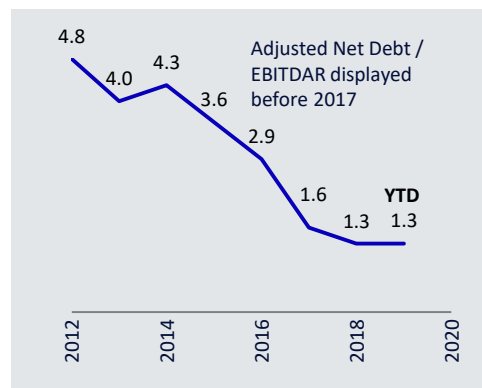
Adjusted Free Cash Flow²



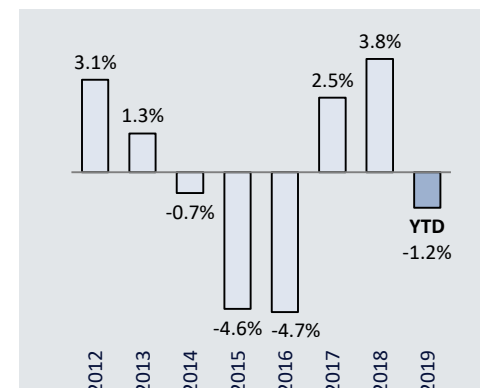
Net debt (€m)



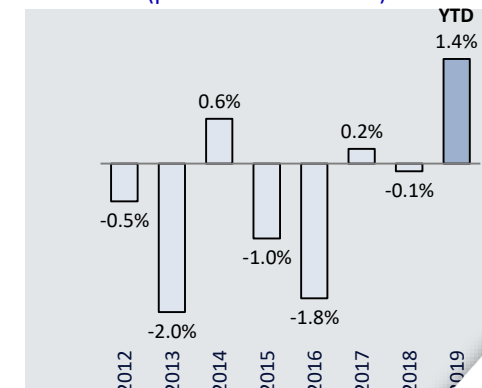
Net debt / EBITDA



R/(E)ASK³ ex-ROX



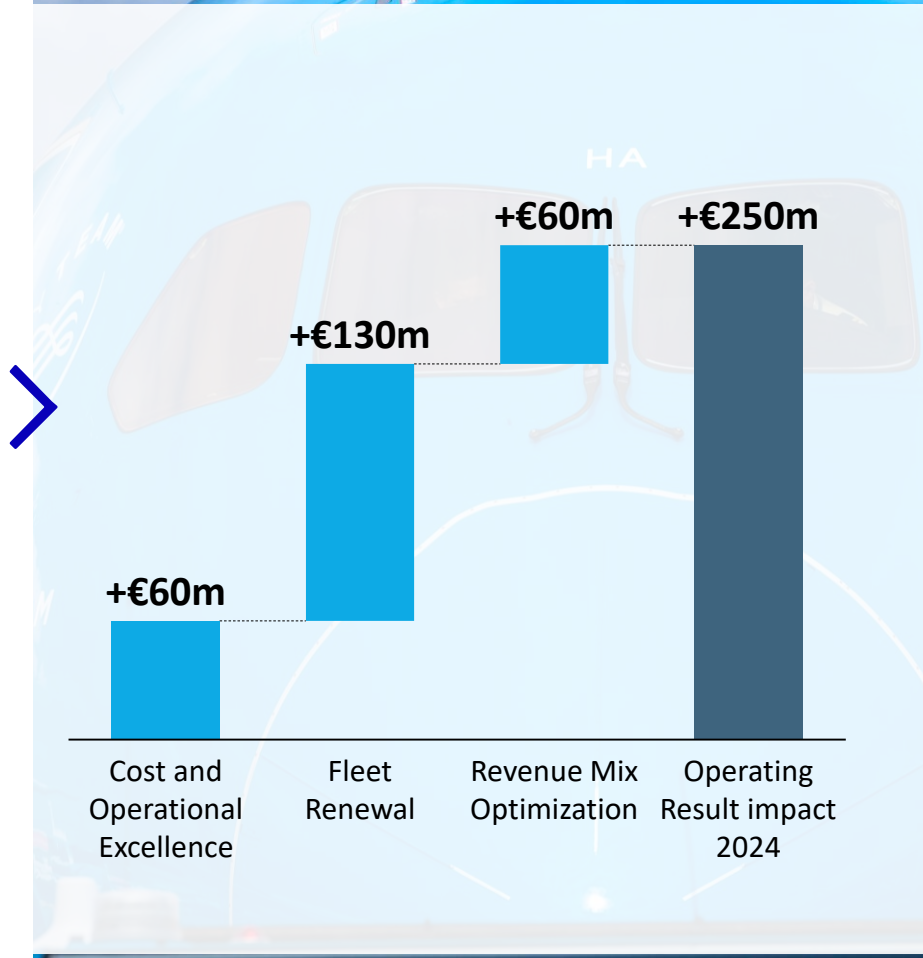
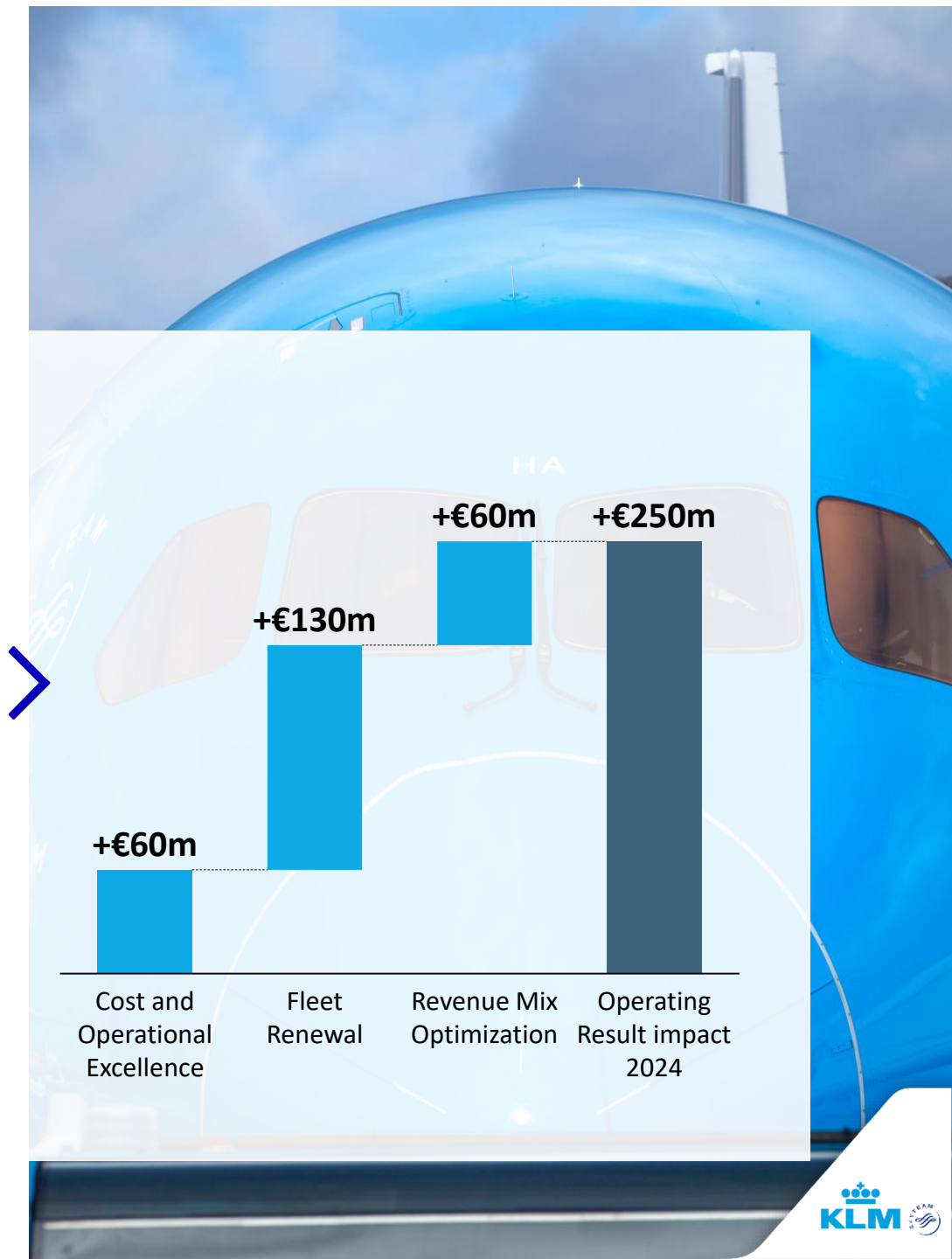
C/(E)ASK³ ex ROX/Fuel
(profit share included)



1. Operating income adjusted from operating leases interests before 2017 2. Cash Flow displayed in pre-IFRS fashion (cash out regarding operating leases already deducted in operating cash flow/free cash flow, no CAPEX for lease creation/extension)
3. Period 2012-2018 year over year differences based on EASK, 2018-2019 year over year difference based on ASK (as EASK usage is terminated). Year over year differences remain comparable.



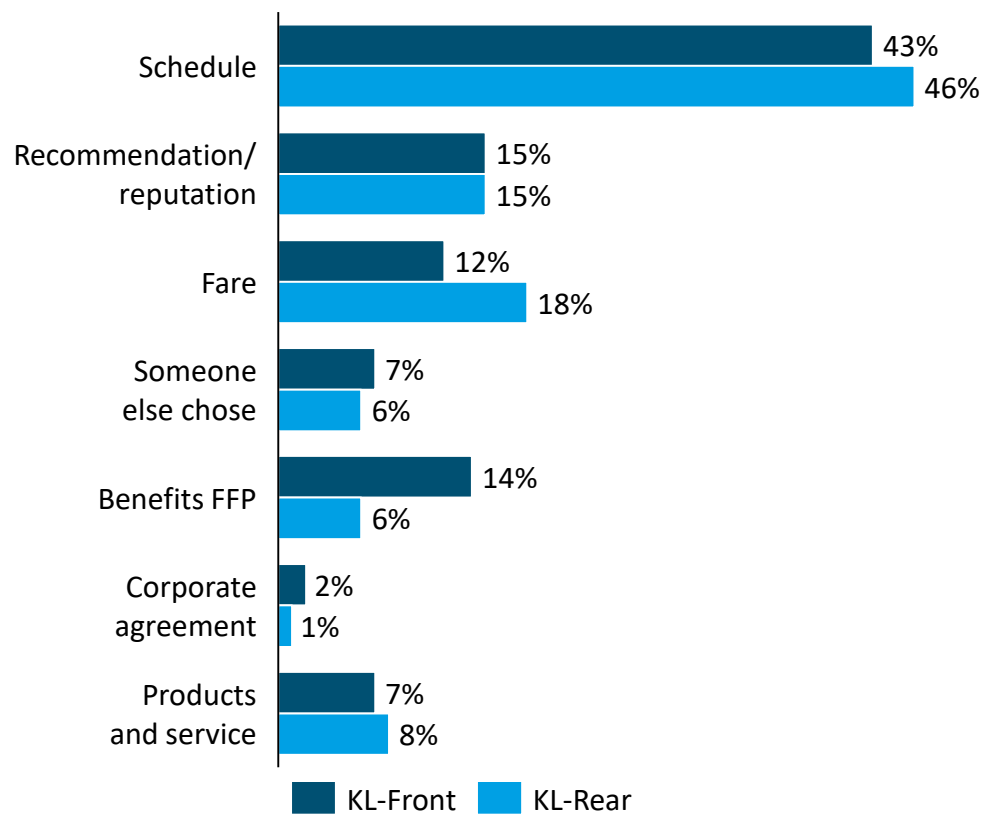
Continued Investment to Enhanced Profitability



Why People Fly KLM

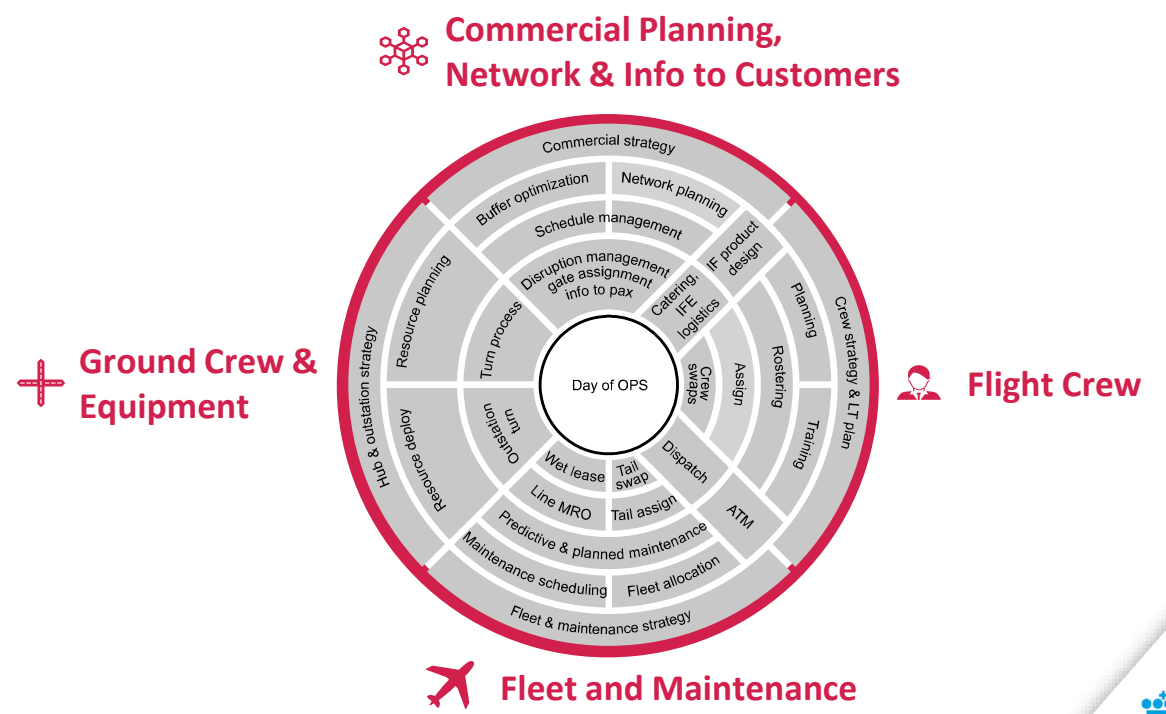
Our Customers' Most Important Decision Factors

Main Reasons for Flying KLM ...



...Creates an Integrated Approach

- We have an integrated approach between commercial, network & fleet and operations
- This way, we can optimally satisfy the needs of our customers

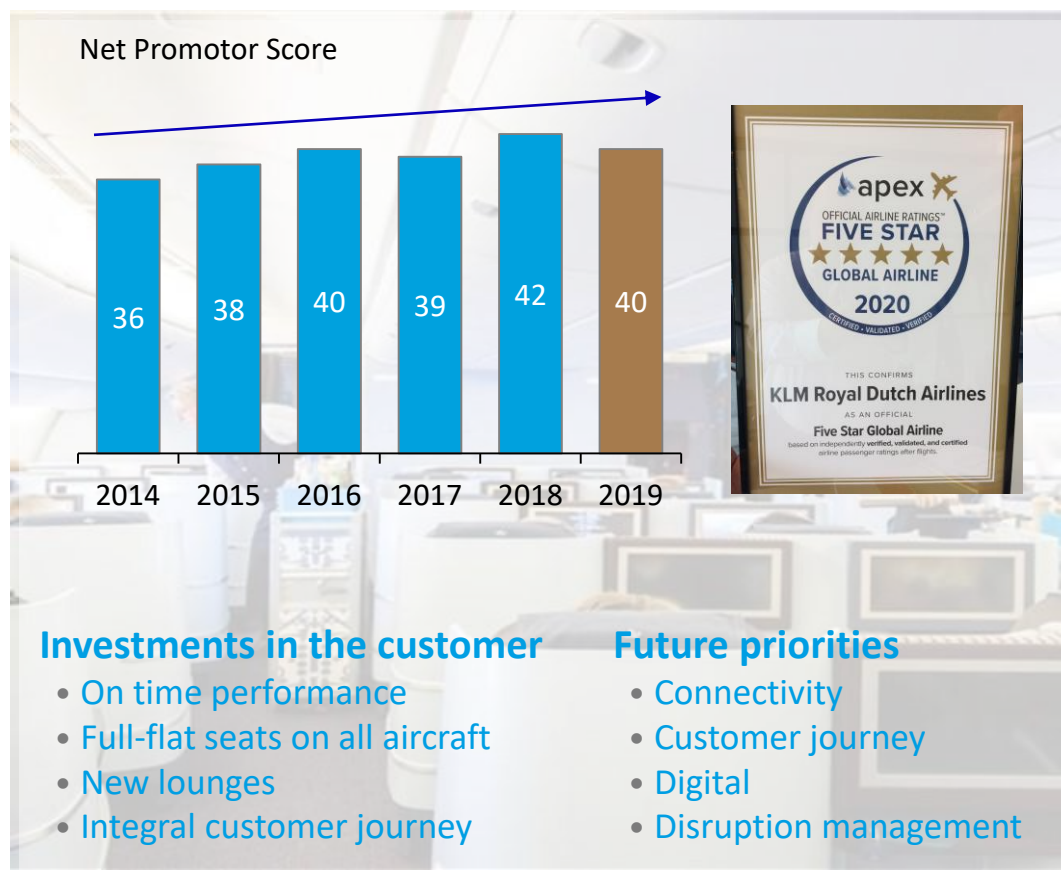




We Continuously Improve Customer Satisfaction & Brand Strength

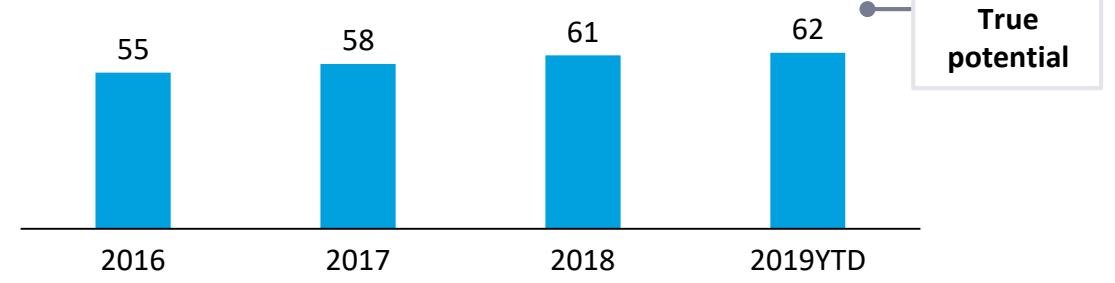
APEX Granting Us the Official Five Star Global Airline Rating

Targeted initiatives & investments have led to a strongly increased NPS and customer recognition

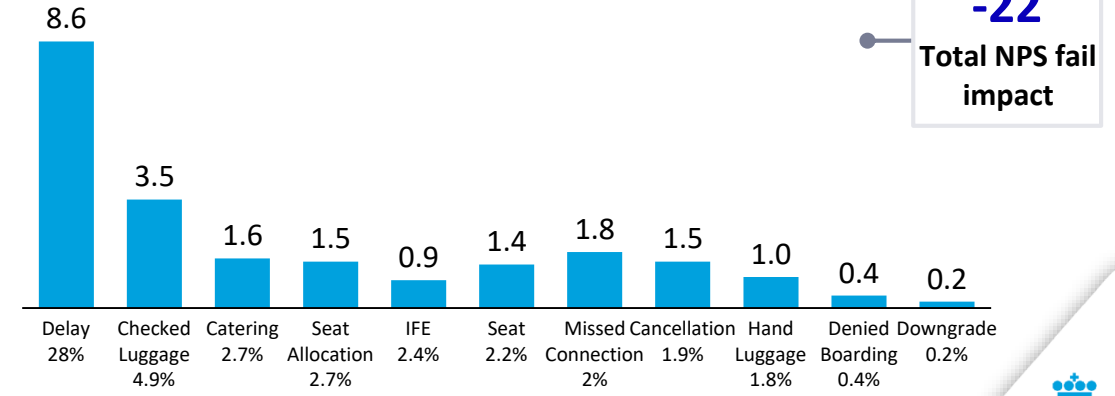


Decline in NPS mainly caused by unforeseen disruptions

Non perceived failures NPS



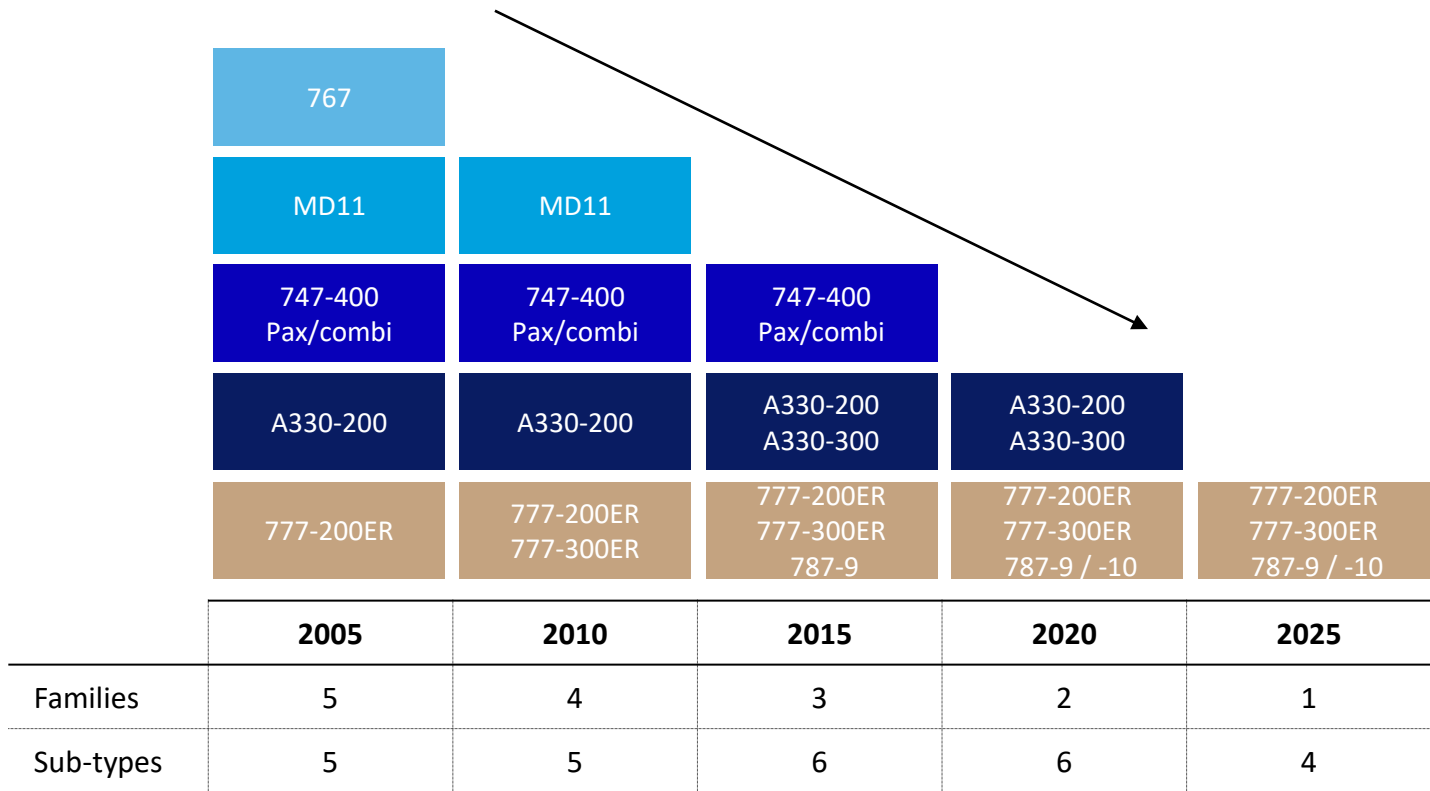
Impact opportunity NPS per experienced failure



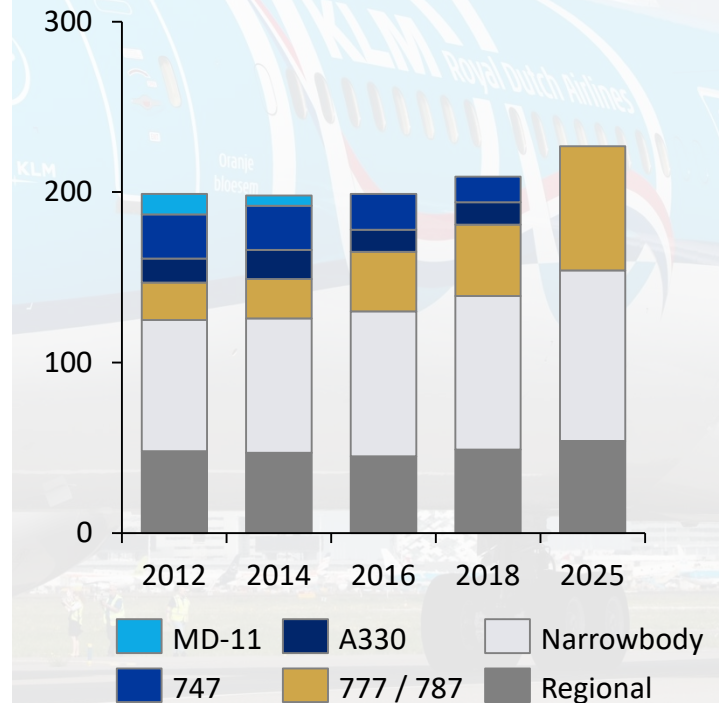


Simplifying Fleet to Reduce Complexity and Costs

Widebody fleet simplified to 2 families, ambition to reach 1 by 2025

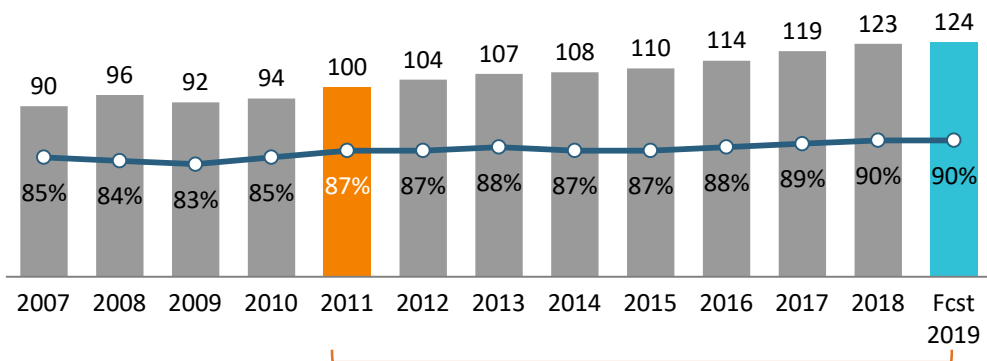


Total fleet evolution KLM Group

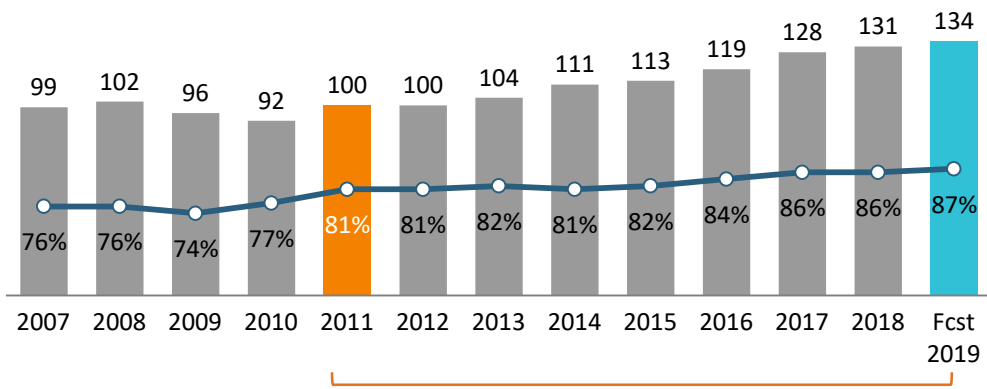


Continue Growth and Fleet Optimisation/Simplification

Capacity Long Haul ASK (index = 2011) & Load factor (in %)



Capacity Medium Haul ASK (index = 2011) & Load factor (in %)



+34% ASK (FC 2019 vs 2011)

KLM – with a small home market but large network – traditionally **strongly relies on transfer traffic**, requiring a **broad portfolio of destinations** with **high frequency** to provide good connectivity

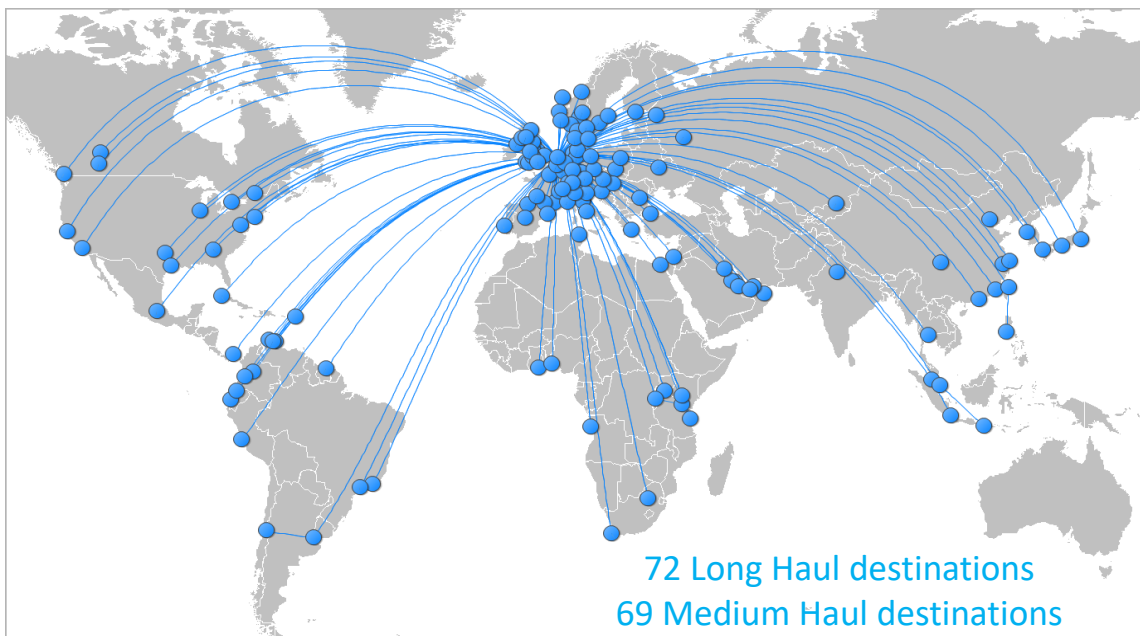
The KLM medium haul network has delivered **positive operating results from 2016 onwards**

Network performance update / October 2019
 All figures: excluding Other (non recurring), IFRS pension adjustment and Full Freighters
 2019 figures: Actual Jan-Sep and Forecast Oct-Dec
 2007-2016 are in this version historic reported figures. In the previous slide deck 2007-2016 were partly IFRS restated



KLM Has Shown Agility and Has been Dynamic in its Network With Multiple New Route Openings in Recent Years

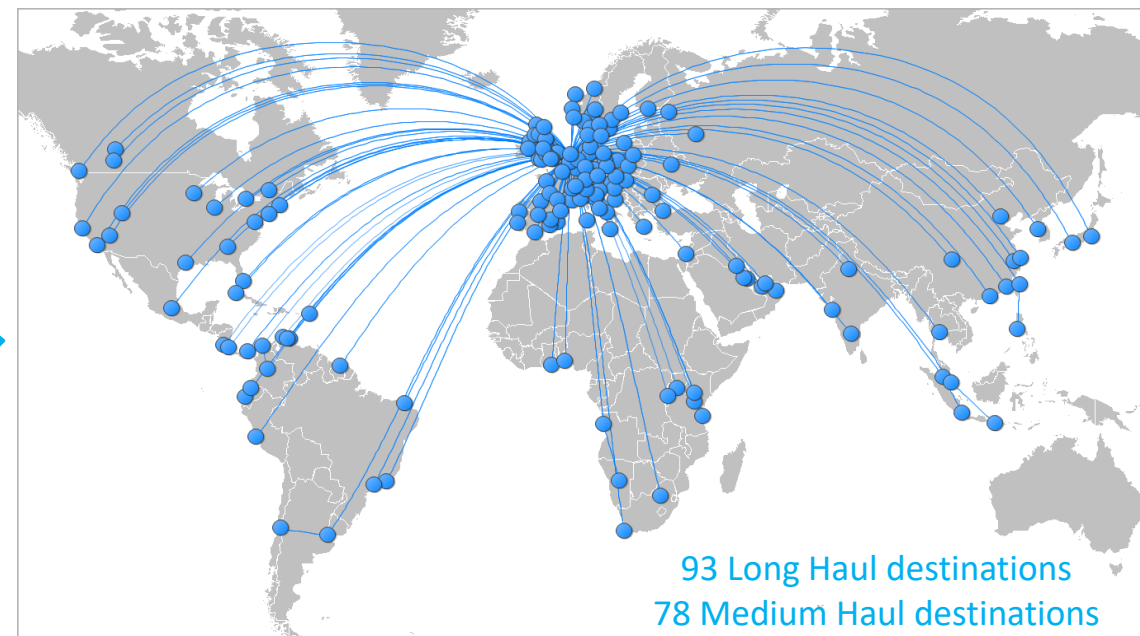
KLM Network in 2015



141

Total Destinations

KLM Network in 2019



171

Total Destinations

14 destinations closed¹
46 destinations opened¹

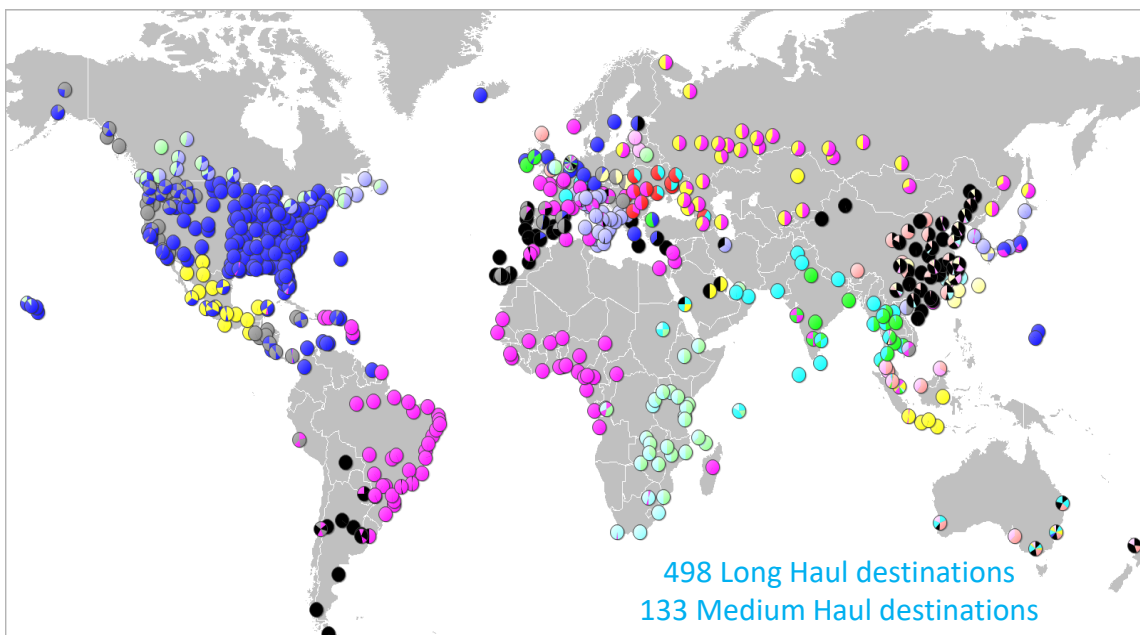
1. Six destinations are opened in 2015 and part of 141, five destinations are closed in 2019 and part of 171





Together With Partners, KLM As Part of the Air France-KLM Group is Able to Grow an Industry Leading Network

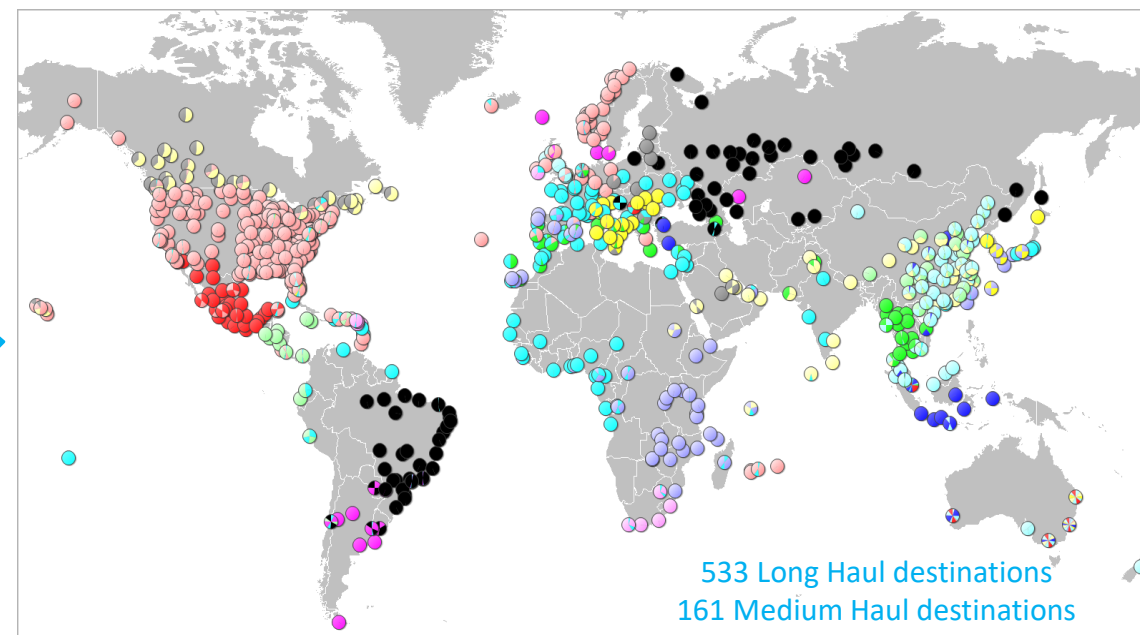
KLM code-share destinations in 2015



631

Total Code-shared Destinations

KLM code-share destinations in 2019



694

Total Code-shared Destinations



KLM Passenger Business: Value-Focused Model

Fleet

Through an integral approach between these topics, KLM positions itself for long term profitability, expansion and growth

- Utilization
- Standardization
- Densification
- Upgauging
- E195-E2 / 787-10



Network

- Destinations
- Partners



Partners

- Connect to Schiphol
- Build JVs



Airports

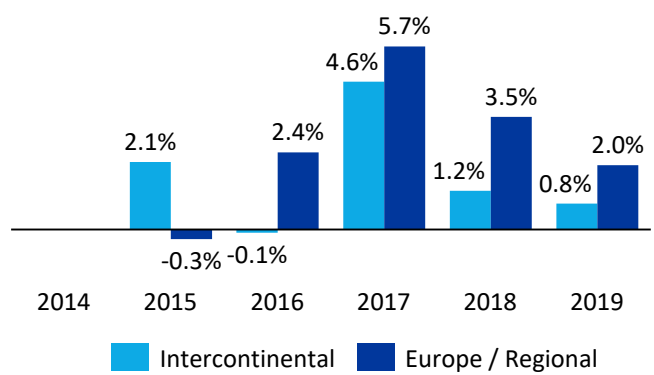
- Schiphol Growth
- Lelystad Opening



Growth Coupled With Increased Asset Utilization

Number of flights increases over the years for both Intercontinental as Europe

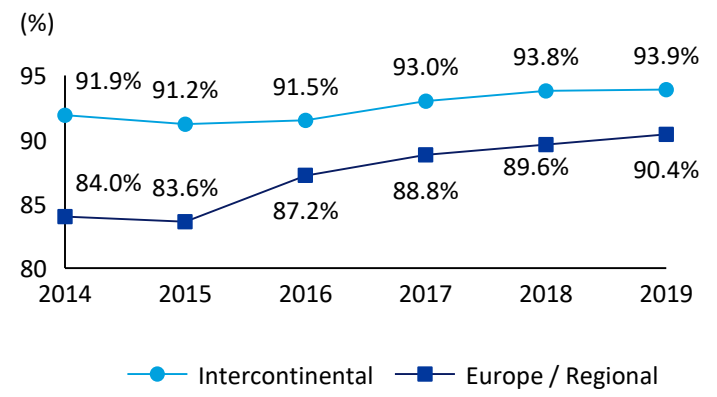
Yearly index count of scheduled flights



- The total increase in the last five years is 13% and 9% on Europe / Regional and Intercontinental respectively

Although ASK grows, passenger growth is higher and results in higher load factor

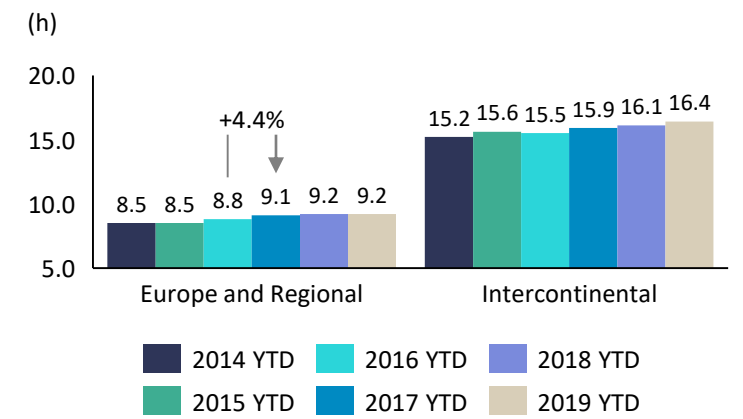
Booked load factor (BLF)



- Significant passenger increase over the KLM network

Average flight time per aircraft increase over the years

Yearly net fleet utilization per 24h



- The ground time decrease of Europe / Regional fleet in 2016-2017 is clearly shown

170 aircraft

700 flights / day

97,000 pax / day

Notes: 1. For this presentation the months Jan – Jul are denoted as YTD



Transformation From Industrial Towards Digital Age in Aviation



ANSWER

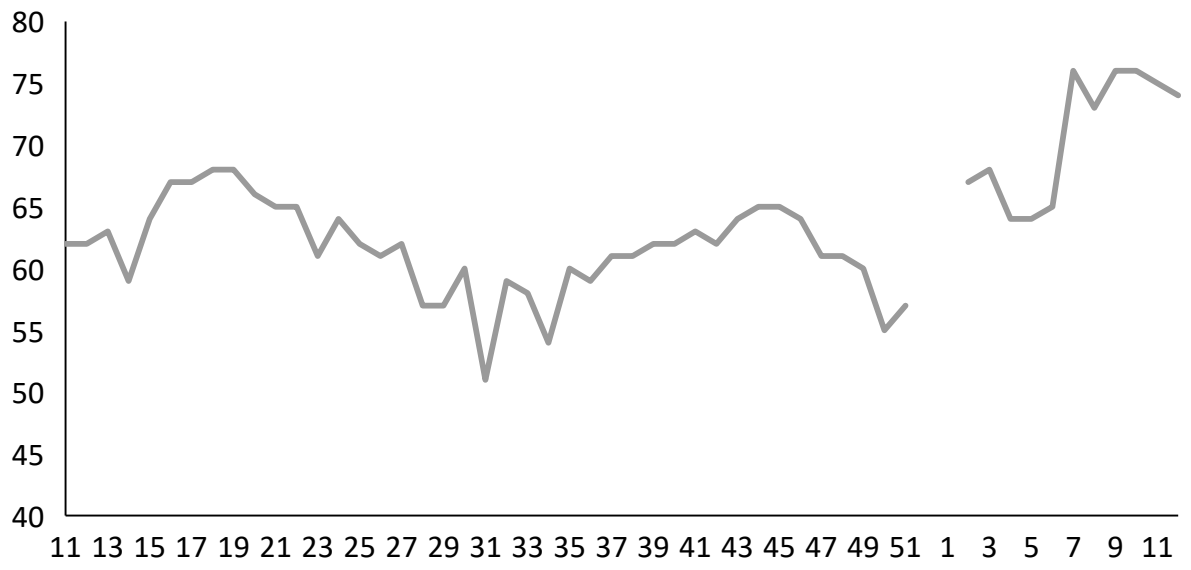
2014
Transform: HPO
2018
Next phase
2025



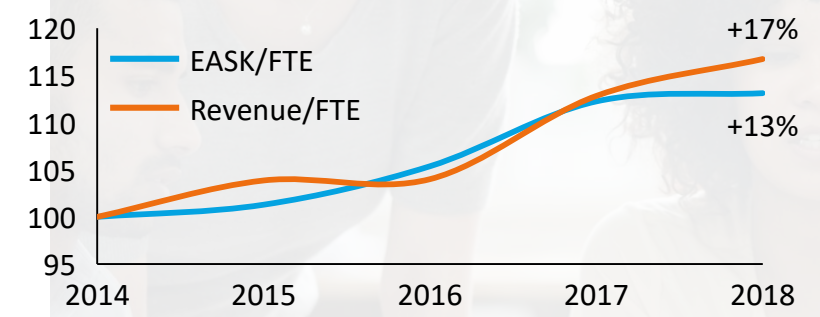


While in the Same Time Employee Promoter Score Increases With improved Productivity Numbers

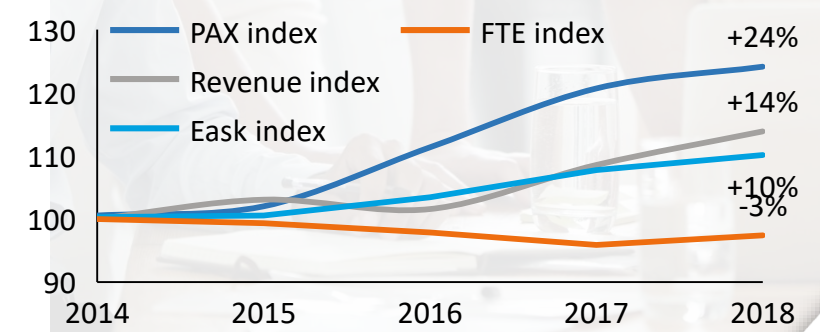
Employee Promoter Score (week score)



Productivity (index)



EASK, Revenue, Pax and FTE (index)



EU EPS definition

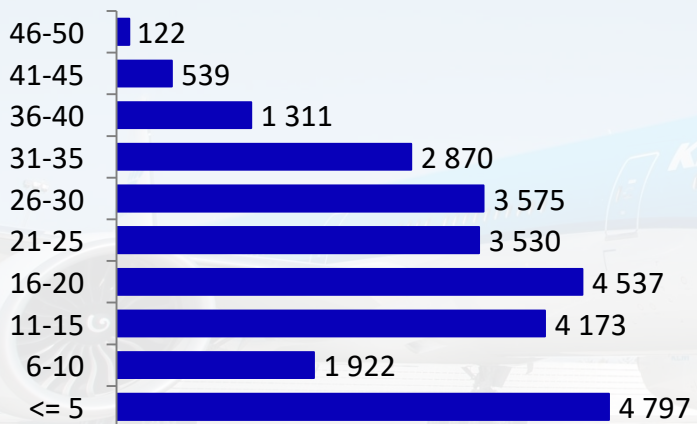




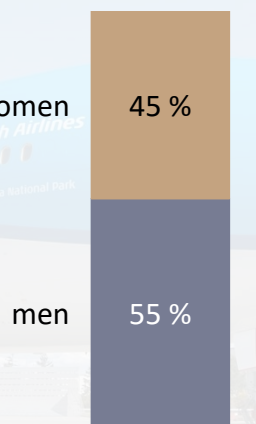
KLM Is a Large And Mature Organisation With a Talented And Diverse Workforce

Empower employees to be “the best of themselves” by creating an **optimal, engaged, diverse and inclusive workforce** that fits strategy execution and acts in line with the KLM Compass

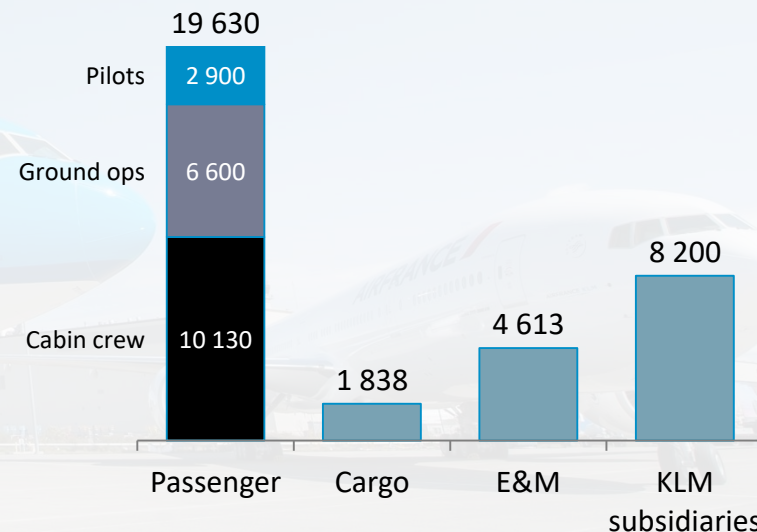
Headcount per years of service



Gender mix



Headcount per type of activity



Attract, retain and develop talent



Develop leadership capabilities



Improve sustainable employment



Create diverse workforce and inclusive culture



Prepare workforce for digital transformation

KLM Focuses on Radical Innovation Topics

Apron Robotization

Goal: Co-create & execute the innovation vision of Apron Services

Key Achievements

- **Technology scan for 2030 completed**
- Robotizing experiment with Technical University of Delft
- Experiment with autonomous vehicles
- Joint innovation discovery with Embraer



Additive Manufacturing

Goal: Accelerate additive manufacturing in E&M

Key Achievements

- **6 local 3D print offices** throughout E&M hangars
- First airline in the world to create **3D printing material from plastic waste** from our flights
- Development for 3D printed cabin parts & AM repairs



Cargo Volume Scanning

Goal: Co-develop a state-of-the-art Cargo Volume Scanning technology

Key Achievements

- Accurate volume measurement enables accurate volume taxing
- Currently experimenting with the start-up Cargometer



Components Trading Platform

Goal: Co-develop a components trading platform which makes its industry transparent and reduces the influence power of brokers

Key Achievements

- Workshops in cooperation with TCS resulted in strategy
- Co-creation with partners resulted in MVP roadmap & backlog
- **Enables saving up to 30% on broker fee** to monetize excess parts stock



Fly Responsibly

Pioneer sustainable solutions.

Connect to new partners in sustainability.

Adapt to changing society expectations & maintain a liveable planet.

Our day
after
tomorrow.

Horizon 2050

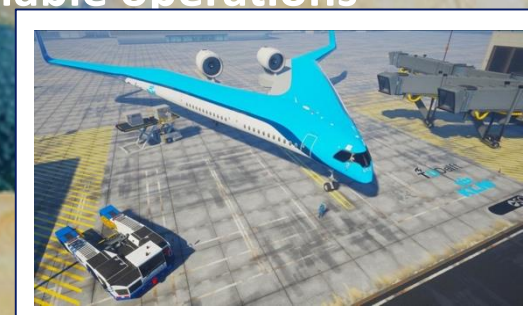
Electric flights

Horizon 2030

Fleet renewal
Substitution

Horizon 2025

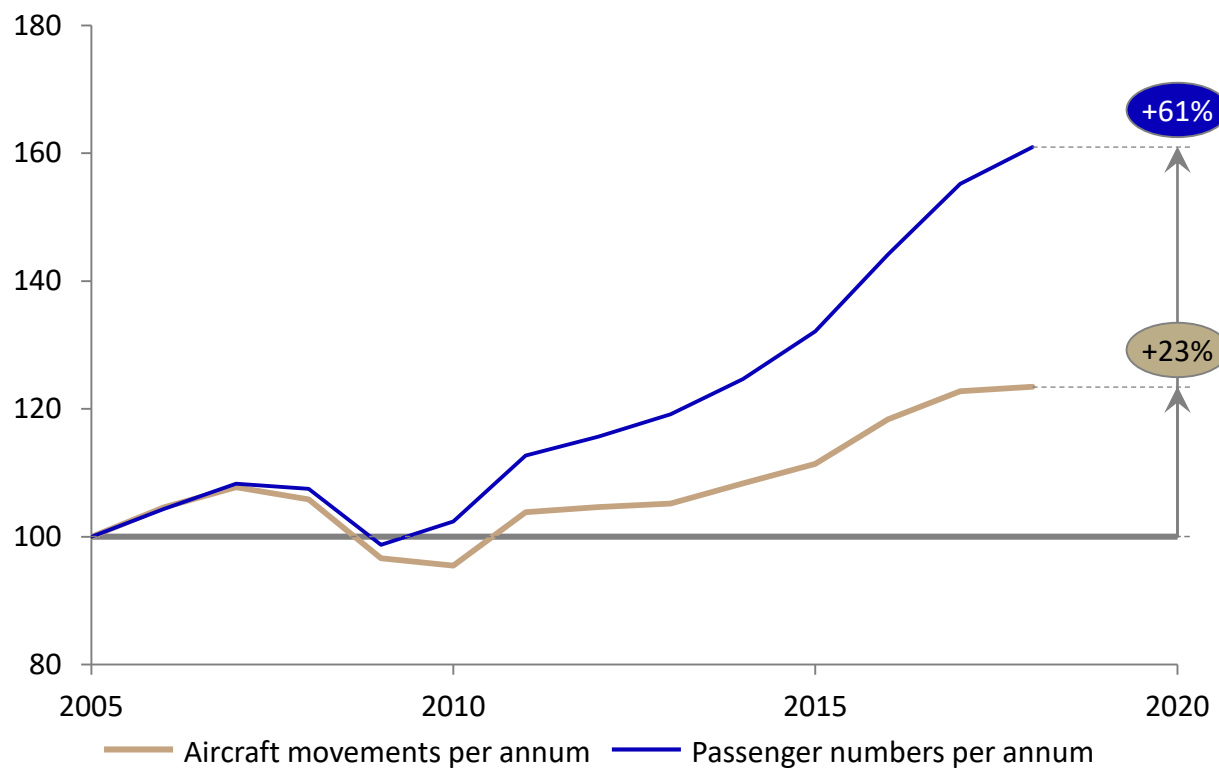
Bio-fuel
CO2-compensation
Sustainable operations



In Recent Years Schiphol Has Grown to 500,000 Movements

For the coming years new growth initiatives will be undertaken

Passenger and aircraft movements at Schiphol (base 100 in 2005)



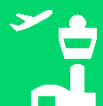
Schiphol movements possibly expanded to **540.000** in coming years

In addition, **Lelystad airport** is expected creating **additional room for growth**

KLM growth via **substitution by train**

Transavia: Sustainable Position As #1 LCC in the Netherlands

Cooperation KLM-Transavia Holland intensified



Capacity & Network

- Joint slot portfolio management
- Partnering beyond slots
- Network alignment & optimization
- Coordinated (re)actions to the competition



Pricing Revenue Management

- Joint routes
- Code share
- Pricing



Commercial

- B2B Partners
- Joint proposition opportunities
- Distribution synergy
- Flying Blue



Other

- Fuel
- Hedging
- Air France KLM Hull and Liability Insurance
- KLM engine shop and shared component buying

Key themes 2019 for Transavia Holland

Creating a travel experience exceeding expectations

- Launch new mobile app
- Increase self-service

Continuous focus on low-cost

- Increased efficiency and effectivity with integral planning
- Fleet strategy to increase seats per aircraft and lower fleet CASK

Enforce a breakthrough in operational performance

- Lean ops teams to optimize processes and increase efficiency
- Value driven business process management

To continue sustainable growth...

- Sustain a competitive CASK level of 3,36 €ct (ex fuel)
- + 6% ASK in a slot constrained market
- Revenue growth of 7%
- Healthy COI margin of 7,5%

... and remain the #1 LCC in the Netherlands

- 2 **Amsterdam** with 28 aircraft
- 2 **Eindhoven** with 9 aircraft (+1)
- 1 **Rotterdam** with 8 aircraft (+1)



Five Priorities KLM 2019/2020





Air France Strategy



Anne Rigail
*Chief Executive Officer
Air France*



CSR: A renewed environmental ambition



-50%
CO₂ emissions per passenger/km compared to 2005.

Continue to reduce our noise footprint.

HORIZON 2030

Carbon neutrality of our ground operations.

Reduce non-recycled waste by

50%
compared to 2011.

4 MAIN WAYS

REDUCING OUR CO₂ EMISSIONS

Fleet modernization
A lighter aircraft, less CO₂ emissions

The fuel plan and eco-piloting, a more eco-friendly way to fly

Electric power for ground operations

OFFSETTING OUR CO₂ EMISSIONS

Regulatory compensation
Offsetting 100% of CO₂ emissions on domestic flights

Compensation for corporate customers

Supporting tree planting

RECYCLING, REDUCING AND LIMITING WASTE

Selective waste sorting

Wage war on plastic
A reduction of

1,300

tons of single-use plastic used on board each year as from end-2019

INVESTING IN RESEARCH AND INNOVATION FOR CREDIBLE ALTERNATIVES

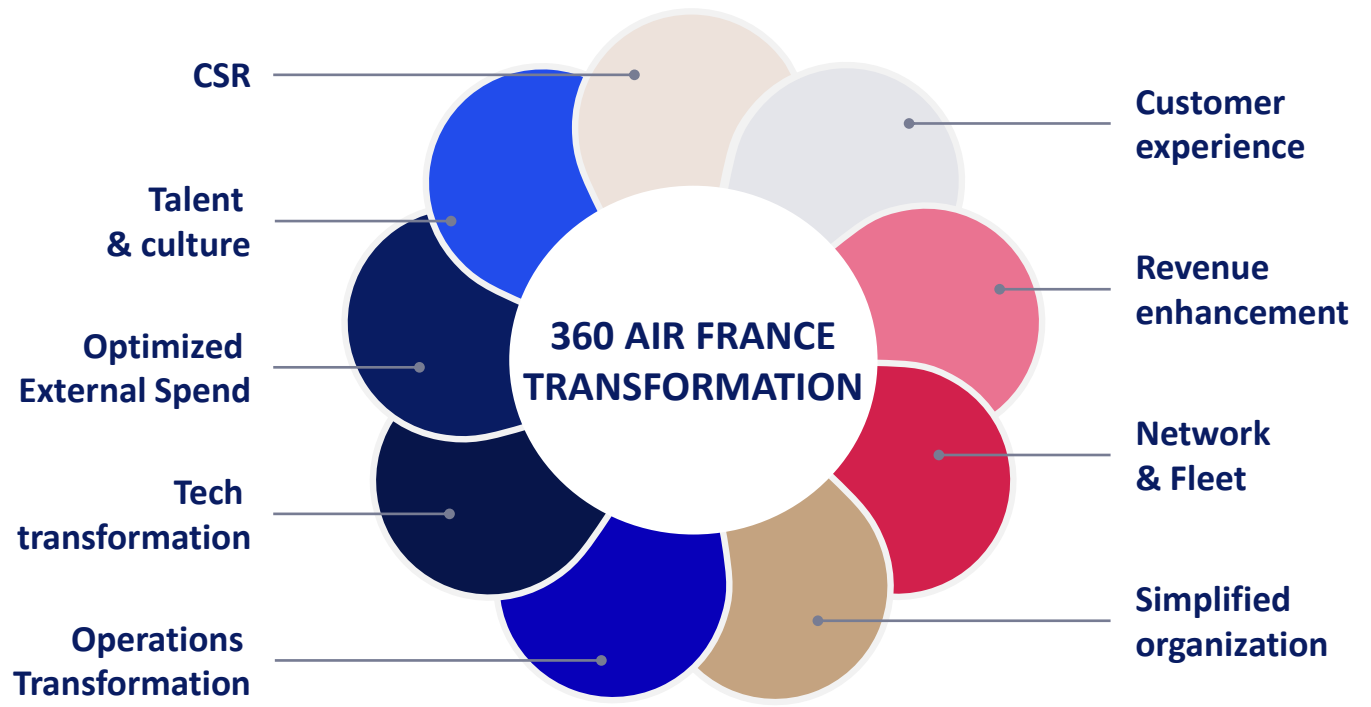
With the Solar Impulse Foundation, partners for Clean Aviation

The all-electric aircraft





Biofuel, the future of fuel



End-to-End Transformation Launched at Air France



Contributing to Group Goals

-  Employees engagement
-  Customer satisfaction
-  Financial recovery
-  Corporate & Social Responsibility



Financial Recovery Launched Around Seven Clusters

Optimize our operating model



Simplified organization

- Reduce layers
- Increase span of control
- Mutualize support functions
- Redesign IMO function



Optimized External Spend

- Operations
- E&M
- Catering
- Marketing
- Training
- IT
- Channel cost and fee



Network and Fleet

- Fleet simplification and densification
- New generation aircraft influx
- Increase aircraft utilization
- Domestic network redesign



Tech Transformation

- IT standardization and automation
- Efficiency of IT delivery
- Business partnership optimization



Operations Transformation

- Process simplification and digitization
- On time performance
- Productivity gains

Grow profitable passenger revenue



Network and Fleet

- CDG Network dynamic optimization
- More Premium oriented cabin mix



Revenue enhancement

- Customer reach & distribution
- Loyalty
- Ancillary revenues



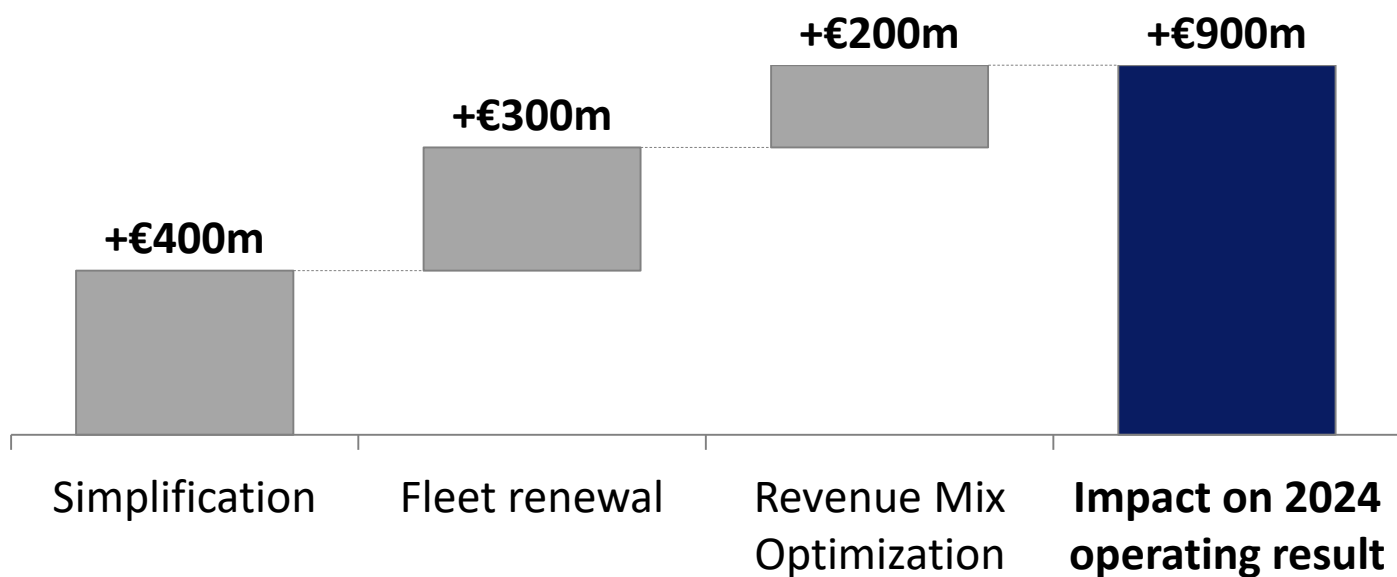
150+

Projects throughout all Air France



Structural Impact on Four Dimensions

Strong increase of Air France operating result



+ Three success KPIs

- Customer satisfaction > NPS
- Employee Engagement > Employee Promoter Score
- CSR > CO₂ emissions reduction



Focus on Simplification

Ambitious action plan has already started...

... And will deliver steadily until 2024

2019 Keep costs on track

2020 Accelerate implementation of transformation projects: some highlights

Short-term emergency measures

- Support functions hiring freeze
- Advertising and IT costs prioritization
- Discretionary costs reduction

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

IT

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

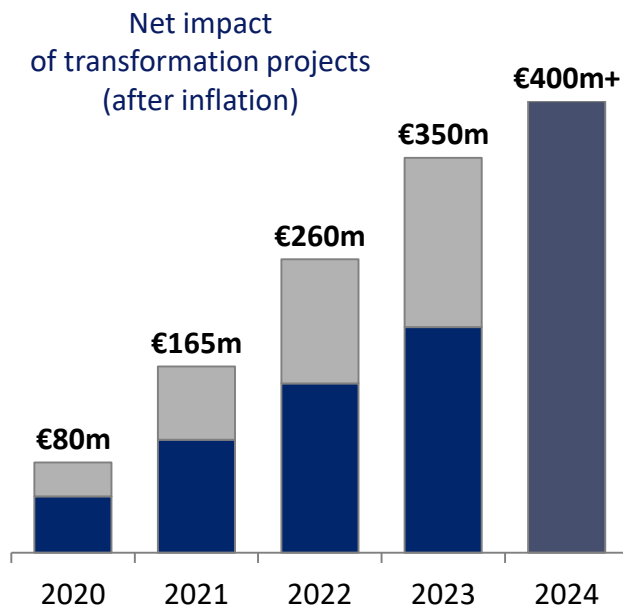
OPERATIONS

Organization simplification

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

- 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
- ...



Transversal streams
 Operations Transformation





Fleet Simplification and Renewal

Long Haul fleet

- A350 ramp up
- A380 replacement
- Targeting 2-3 cockpits

Medium Haul fleet

- A220 ramp up
- ATR and ER4 phase out

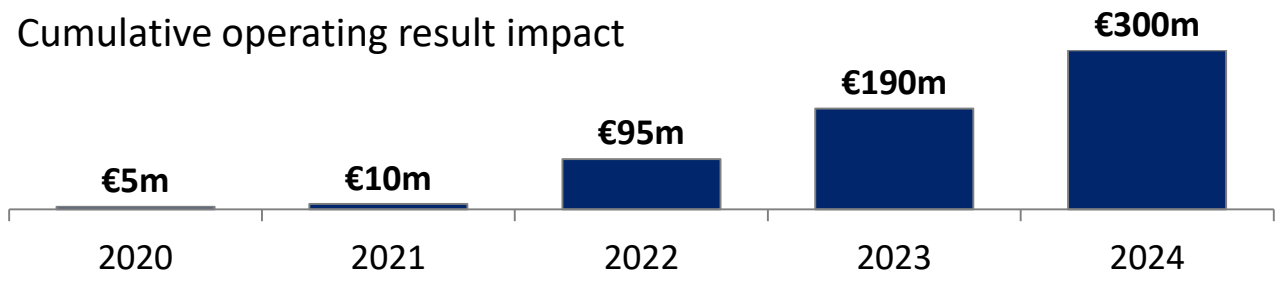
A350-900



A220-300



Cumulative operating result impact



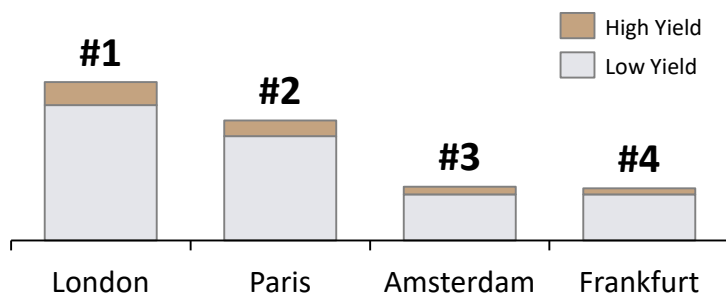
Benefits

- Scale savings
- Unit costs
- Simplified processes
- Operations reliability
- Enhanced inflight experience
- CSR efficiency



Network: Strong Position in Paris, an Asset to Build On

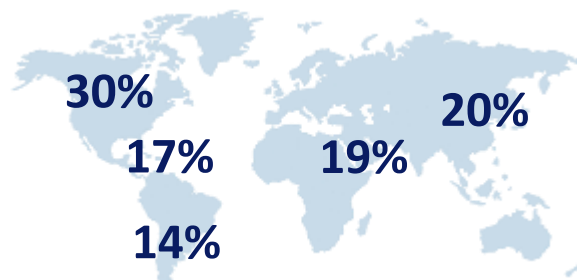
Strong natural traffic in Paris



Largest True destinations cities in Europe



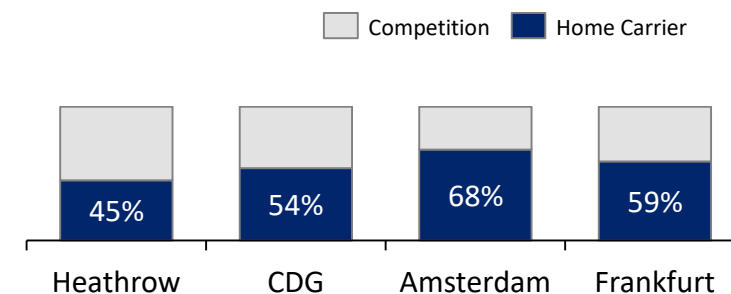
Resilient, balanced, global network



ASK per region



High footprint in CDG, with still opportunity to increase



Capacity share per European hub





Air France Hub Will Be Further Optimized

Dynamic Network Management

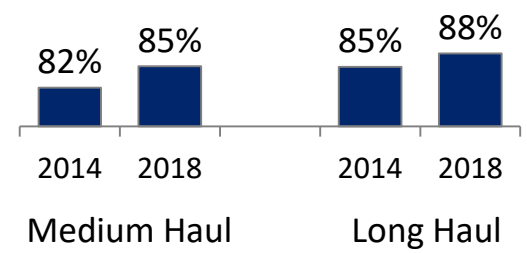


- **Dynamic strategy** to reallocate fleet from loss-making/less dynamic areas to profitable/dynamic areas
 - Redeployment on leisure destinations in periods of low business demand
 - Adaptations between Americas, Asia, Africa, etc. following local dynamics
- **Increase footprint on Premium local and French market flows**
 - Increased flexibility to optimize cabin and fleet choices
 - A380 replaced by smaller, more efficient aircraft
- **Leverage new airport infrastructure to support growth and enhance experience**
 - CDG Terminal 4: Up to 40 M passengers capacity for AF and partners

Improving Asset utilization



- **Aircraft utilization improvement**
 - **+12%** on CDG-Medium Haul in 2019 vs 2016 (+1:07)
 - **+3%** on Long Haul in 2019 vs 2016 (+0:26)
- **Load factor increase**



• **Further improvement to be implemented on these 2 dimensions**

Enhancing Customer Experience



- **One unique brand: Air France**
- **Fleet and product improvement**
 - Full flat product on USA and Asia
 - Consistent product every day
 - Daily La Premiere on served destinations
 - Short/Medium Haul fleet renewal: extra comfort
- **Operational performance**
 - Improved completion factor thanks to additional spare aircraft without decreasing aircraft utilization
 - Better punctuality thanks to anticipation of line maintenance in the schedule design



Domestic Network Restructuring Plan



Adjust Orly's network to face TGV competition

- Closure of loss making routes
- Reduction of frequencies in weak period
- Reduction of average gauge to increase load factors



Reduce poor performing transversal routes exposed to low-cost

- Closure of unprofitable routes with limited business footprint
- Development of partnerships with other carriers to consolidate our commercial presence



Improve product and operational performance for our Customers

- Redesign schedule on "la Navette" routes
- Implementation of more qualitative aircraft (Embraer 170/190, A220) and Business Cabin



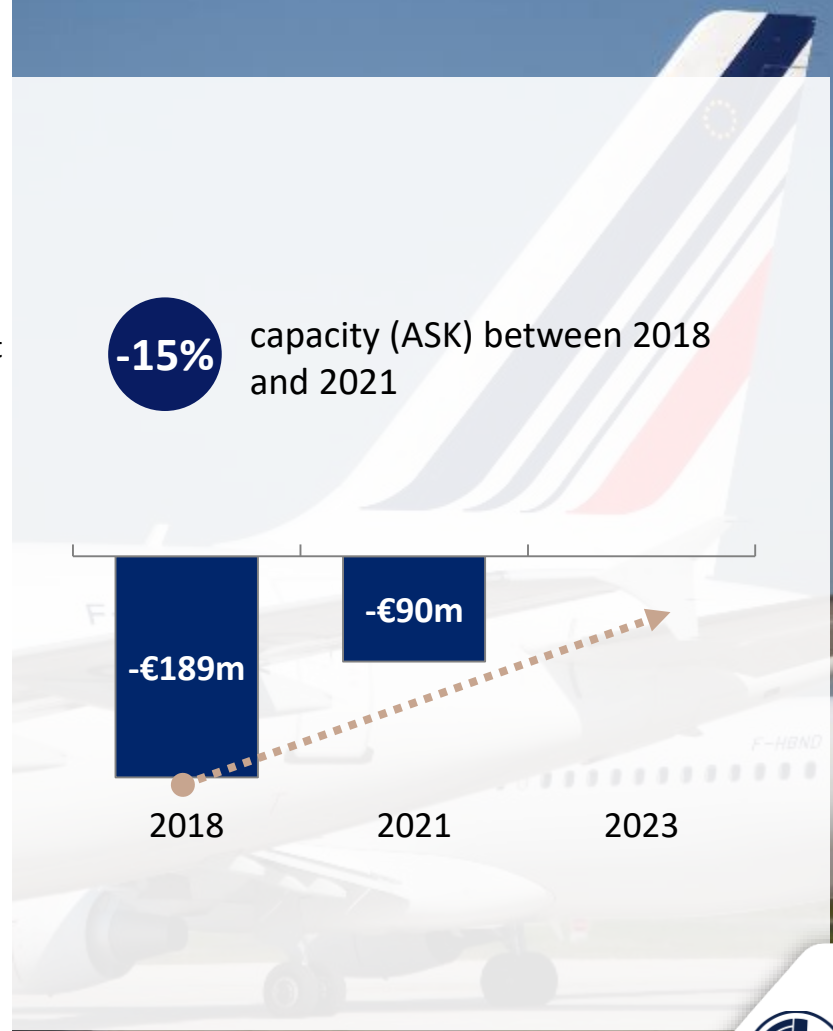
Simplify our operations

- One unique brand: Air France
- Simplify Hop operating model (full ACMI)
- Rationalize Hop fleet : phase out of ATR (2020) and Embraer 145 (2021)



Adapt French stations size

- 465 positions (out of 3200) on Volunteer Departure



Orly Strategy (1/2): Towards New Frontiers for Air France

Quality network tailored for business customers from Orly to Europe

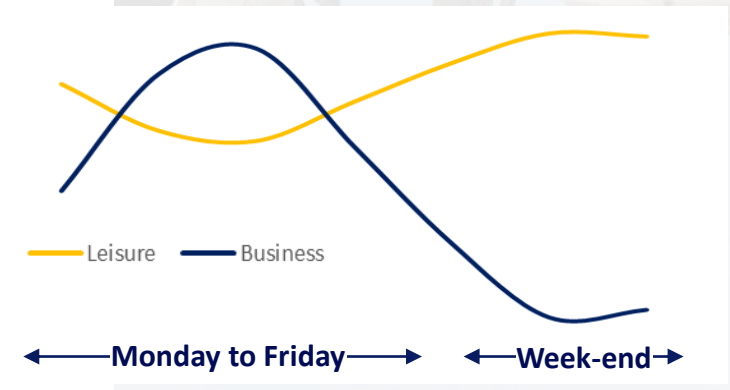
- Take full advantage of our Paris business airport
 - Better catchment area:** wealthy and dynamic
 - Better accessibility:** closer to Paris
 - Better customer experience:** recently refurbished and faster customer journey
- Target destinations with **strong business motive profile**
- Design **quality schedule** to fit business customers needs



Starting April 2020 with **Paris-Orly to Madrid**

Leisure European destinations to adjust to seasonality of French business demand

- Adjust more and more to **seasonality of demand** on domestic business routes (bank holidays, weekends, ...)
- Redeploy capacity from Domestic business** to European leisure destinations, consistently with Transavia offer
- Profile of leisure and business demand during the week**



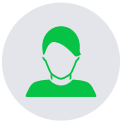


Orly Strategy (2/2): Grow Transavia France to Strengthen #1 Position

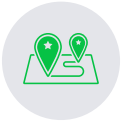
Structural changes Have Unlocked Future Potential of Transavia France



Removal of **Transavia France fleet cap**



Removal of **narrowbody seat cap**



Removal of **commercial & network constraints** between Transavia and Air France

Transavia France will grow in Orly to strengthen its leadership



International routes up to 3000 nautical miles

- Focus on Leisure / VFR destinations
- High aircraft utilization



Innovative connecting experience

- SmartConnect product: enhance self-connectivity on own Transavia network



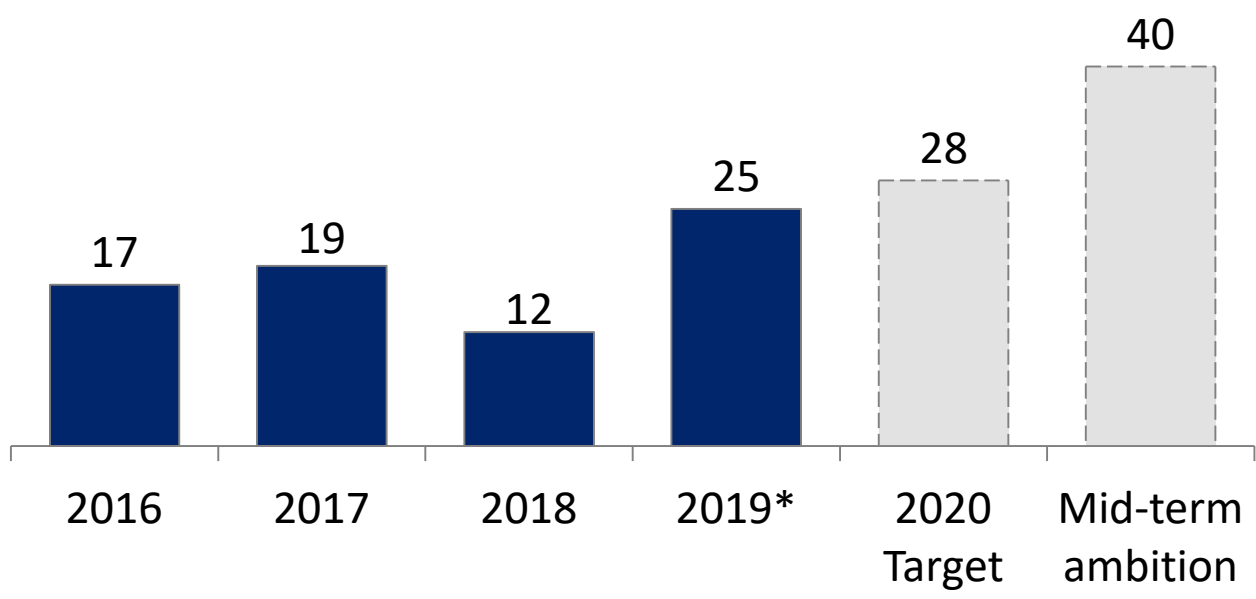
AIRFRANCEKLM GROUP





Customer Experience Improvement Drives NPS Growth

Air France Yearly NPS evolution



3 drivers of same importance:

- 1 Products & services
- 2 Operational performance
- 3 Disruption handling

Action plan with 1st results visible: 2019 NPS improved by 15 pts

- +5 on products & services
- +7 on operational performance
- +3 on disruption handling

*YTD Sep. 2019



In-Flight Experience Will Reach Top Industry Level



Upgraded cabin features

Consistent business product



80% of long haul fleet at highest standard in 2020, 100% by 2022



Business cabin on all routes including domestic as of 2020

Larger overhead bins



45% of Medium Haul fleet equipped in 2021, 100% by 2025

Connectivity



100% of fleet connected in 2020

Entertainment



1400 hours of Inflight Entertainment on Long Haul Streaming on Medium Haul

Leading Business service

100% of meals by Michelin chefs



Flying French gastronomy



Hot meal preselection



Personalized services



Wines of excellence



Introduction of Business Class on French Domestic Network



Consistent business product on all Air France network, including domestic

Ground experience

- Sky Priority access
- Lounge access

Inflight experience

- Dedicated front cabin
- Blocked middle seat
- Food and beverages dedicated offer (champagne, wine, deluxe snacks)

Targeted Launch: Q1 2020



Fluid and Serene Ground Experience



Lounges upgrade

2018



July: CDG, Terminal E Hall L
December: JFK with dinner service

2019



January: Lyon
May: Washington with dinner service

2020



January: Orly Hall 3 (Long Haul flights), Geneva, San Francisco, Los Angeles, CDG 2F (Schengen)

Zone boarding



100% flights handled with zone boarding process

Biometrics



2019: End-to end facial recognition (USA)
2020: baggage drop-off with biometric boarding pass experimented

Disruption handling



Massive rebooking tool
Bots and digital vouchers to accelerate customer service

Increased airport fluidity



Operational Performance Is Another Key NPS Driver

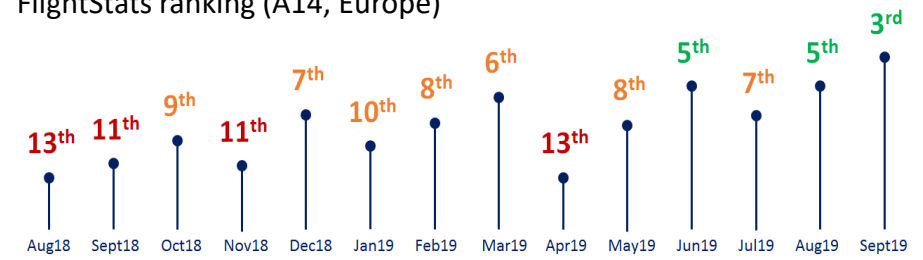


2019 results are very encouraging



Punctuality consistent for months, **progressing in industry benchmark**

FlightStats ranking (A14, Europe)



Strong Q3 results



Next steps ahead



Ambition: become #1 on completion factor

- Aircraft spares
- New strategy for maintenance scheduling and tight monitoring of « aircraft health »
- Adjustment of crew sizing

Comprehensive program for continuous improvement

- Process optimization
- Digitization and tools
- Third parties involvement
- Data driven

Go on with **partnership with Delta**  **DELTA** 



An innovative ecosystem to reinvent our air travel experience

Focus on digitization and new technologies



Transform our core experience



- **Customer 360° view** connected to more than 20 touchpoints for a personalized experience all along the customer journey
- **20,000 iPads** for ground staff, cabin crew and pilots
- **Digital Factory** to accelerate internal digitization and process efficiency



Build new opportunities for customers



- **Bots** complementing our staff expertise to accelerate customer service and disruption handling
- **Biometrics solutions** to remove hassle from the boarding and security process
- **Voice Platforms and new features on social medias** to enhance customer experience (WhatsApp, Google home, Alexa...)



Invest in new technologies for the future



- **AI** to build new predictive tools for maintenance, ground operations, copiloting...
- **LiFi** to test opportunities for an improvement of Internet speed on board
- **Blockchain** to reinvent the exchanges in the travel industry for our customers





People: a renewed dynamics with our employees

Renewed social dialogue



- 26 agreements signed in less than 12 months with all staff categories
- Staff involvement in process redesign

Employee engagement



- Staff CSR initiatives. e.g. Citizen Days: 2,000 staff involved
- Mission statement, Culture & Values project
- AF Foundation support

Promoting diversity



- Gender equality
- Disabled staff employment
- Apprentices recruitment esp. from priority areas
- LGBT non discrimination

Culture Transformation



- Improve cross-functionality and empowerment
- Talent management program





Reaching Leading European Performance



Frédéric Gagey
Chief Financial Officer
Air France KLM

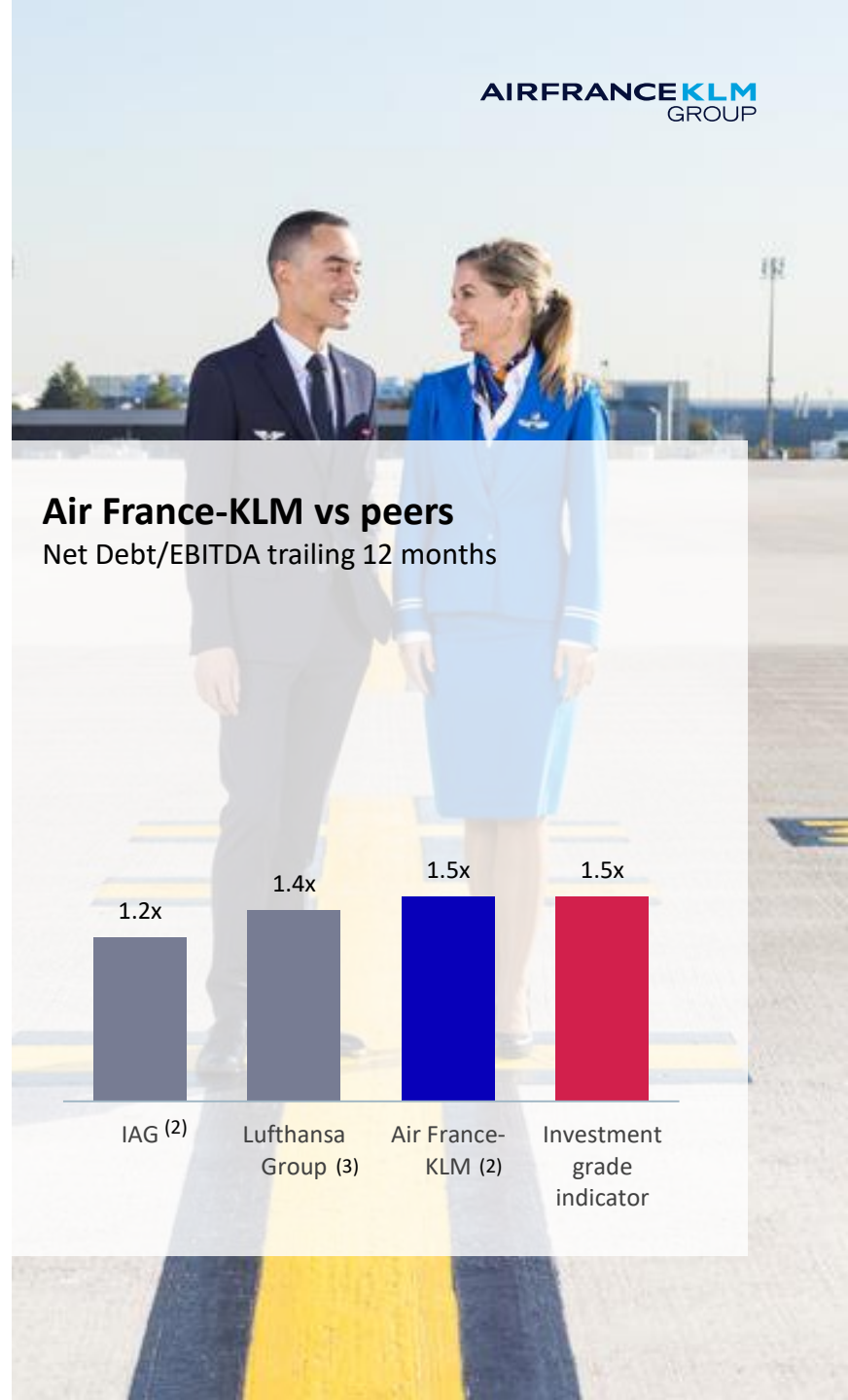


Where Do We Stand?





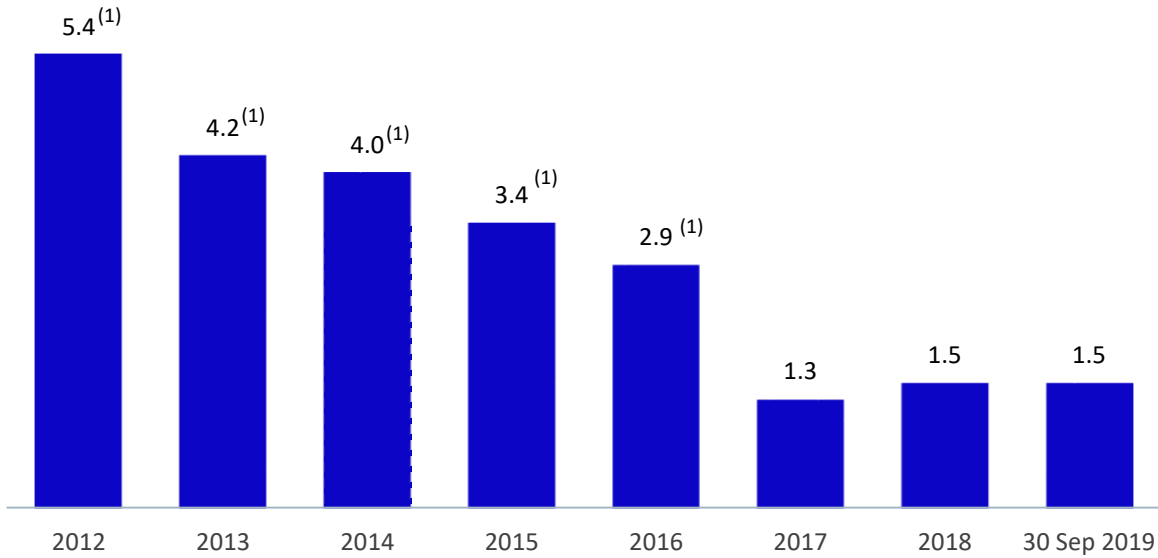
Leverage Successfully Taken Down to Investment Grade Like Level



Air France-KLM successfully deleveraged post-crisis years

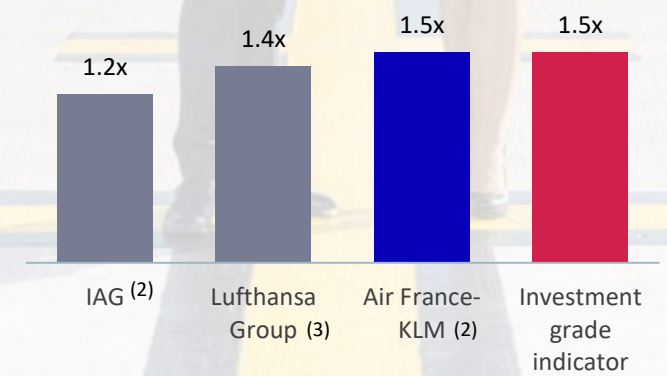
Net Debt/EBITDA trailing 12 months

In € bn



Air France-KLM vs peers

Net Debt/EBITDA trailing 12 months



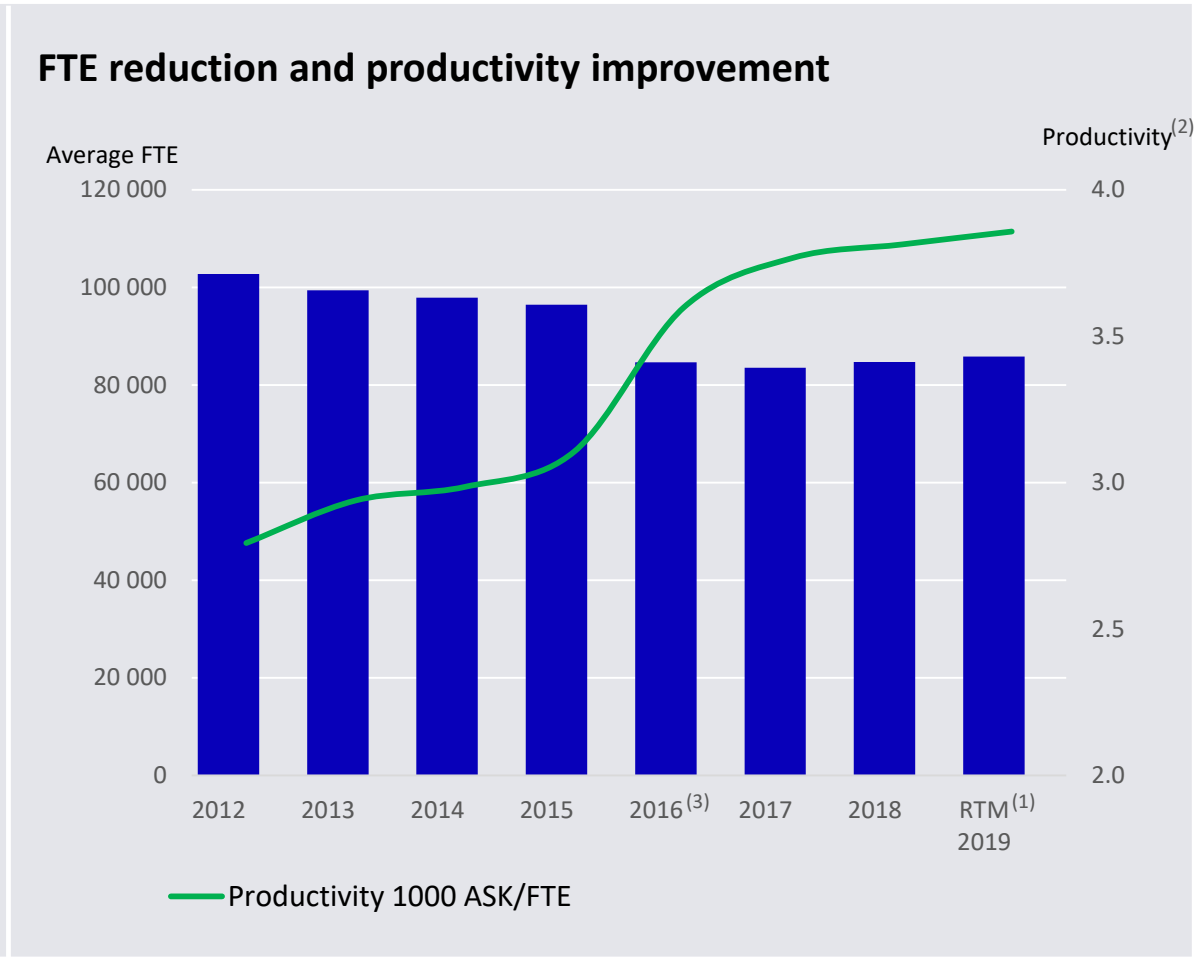
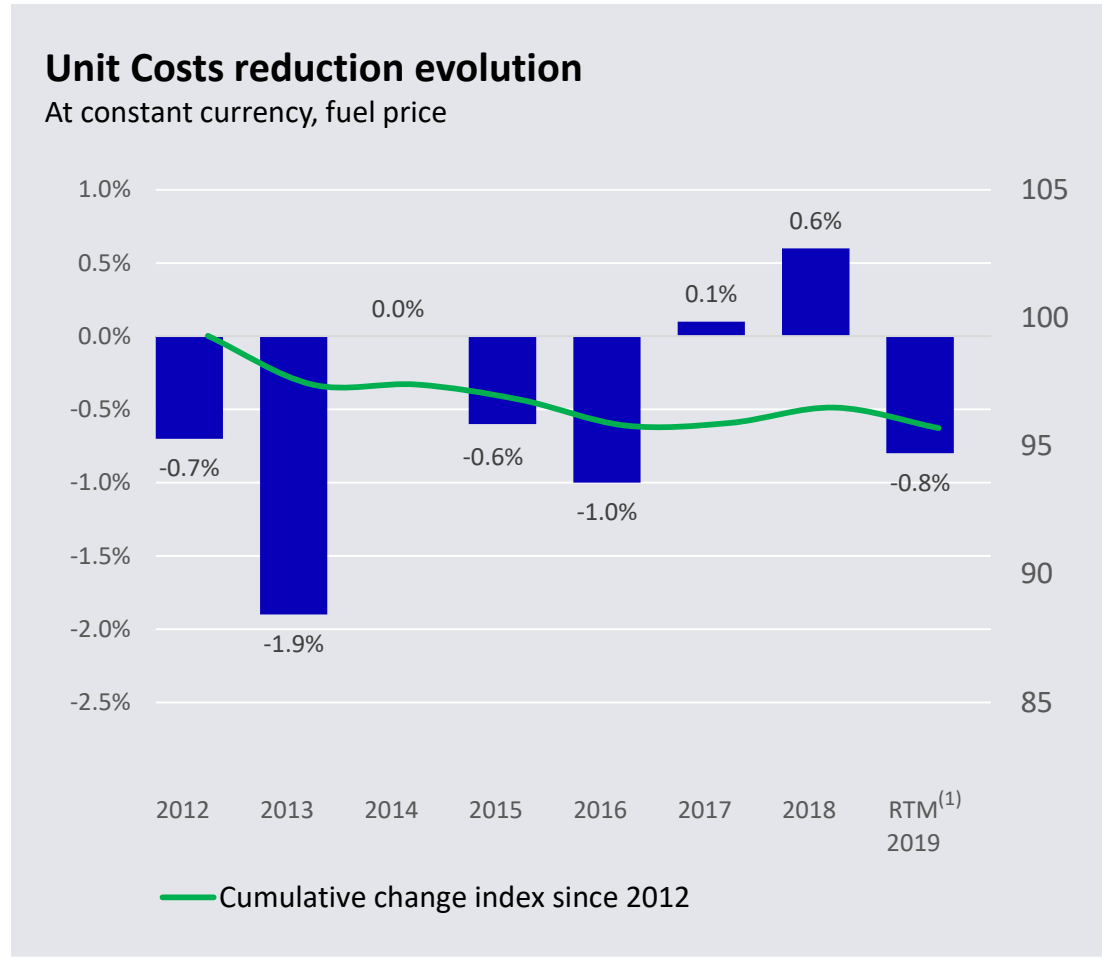
(1) Pre-IFRS16 restatement as per 2017, Adjusted Net Debt/EBITDAR, with Adjusted net debt = Net Debt + 7 times yearly operating lease costs

(2) Air France-KLM and IAG end of September 2019 (IAG Source: press release 31 October 2019)

(3) Lufthansa Group end of June 2019



Strong Focus on Unit cost Reduction and Increasing Productivity



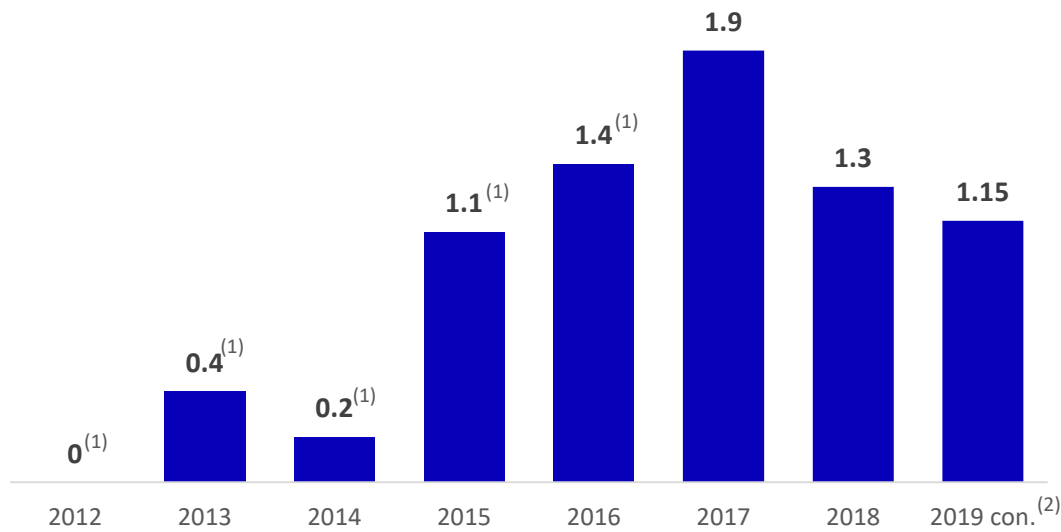
(1) Rolling Twelve Months 2019, from 1 October 2018 till 30 September 2019
 (2) Productivity measured as 1000 Available Seat Kilometers / Average FTE
 (3) 2016 FTE reduction includes partly disposal of Servair



Improved Operating Performance Though Not Yet Up to The Level of Peers

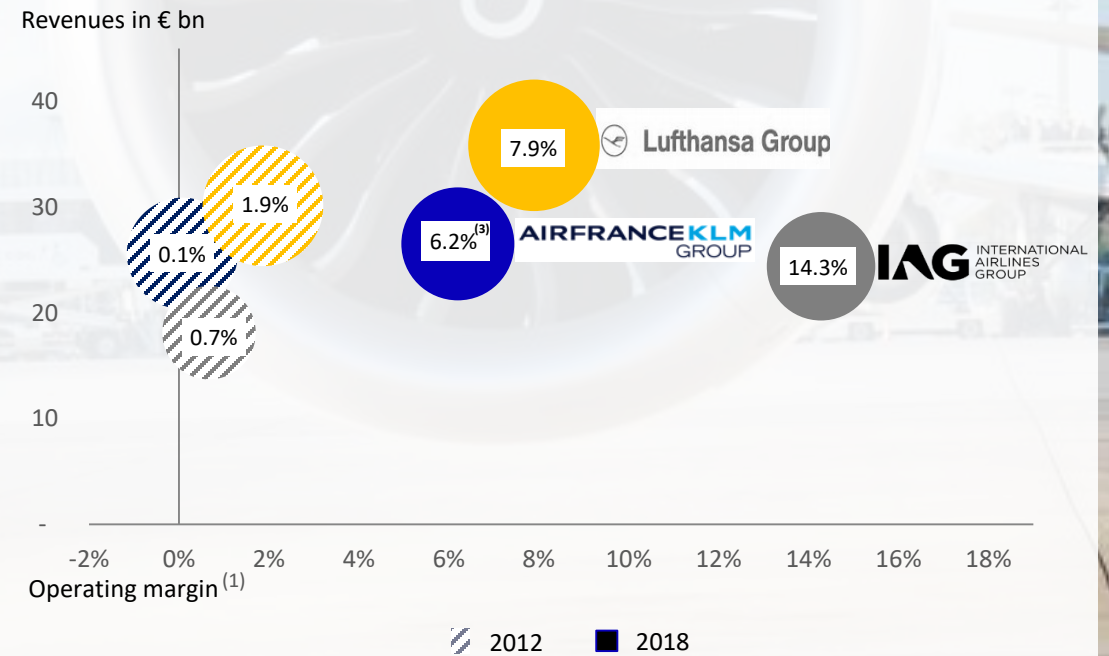
Operating result evolution

In € bn



(1) Pre-IFRS16 restatement as per 2017, Operating result adjusted for the interest portion (1/3) of the operating leases
 (2) Company sourced consensus as per 21 October 2019 for full year 2019 as published on <https://www.airfranceklm.com/en/finance/financial-information/consensus>
 (3) Air France-KLM Group operating margin is adjusted for strike impact €335m in 2018

Operating margin evolution versus peers

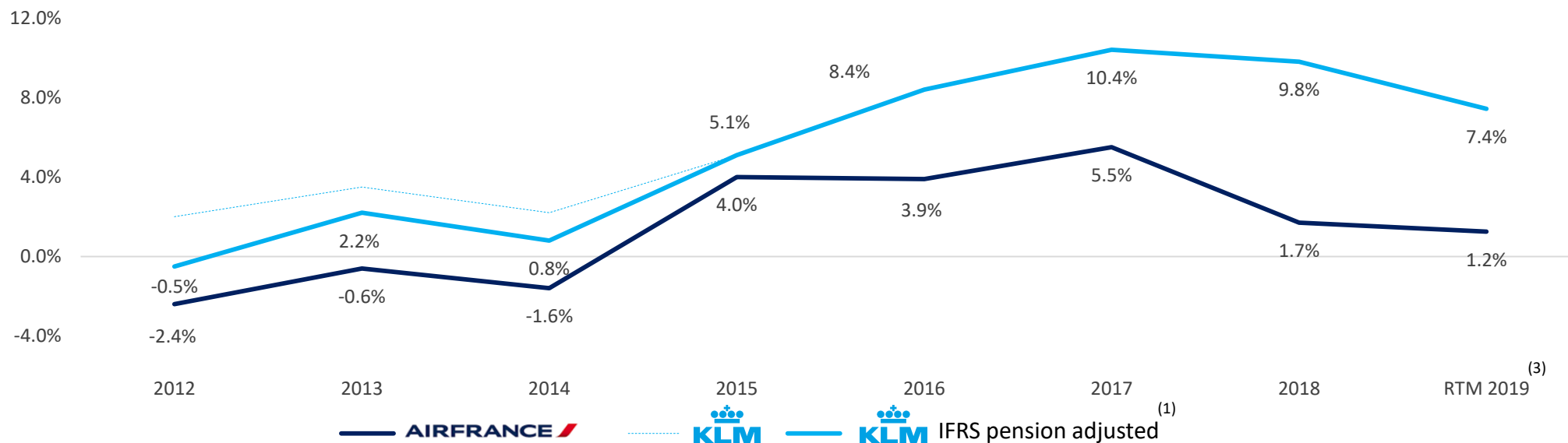


Source: Companies published results

Past Achievements Supporting Catch Up Thesis

Operating margin evolution of Air France and KLM ⁽²⁾

Operating margin %



Air France & KLM successfully restructured post-crisis

Air France hampered by successive strikes

Exogenous factors explaining margin gap

Including: tax, social and airport charges in France; 2 bases in Paris

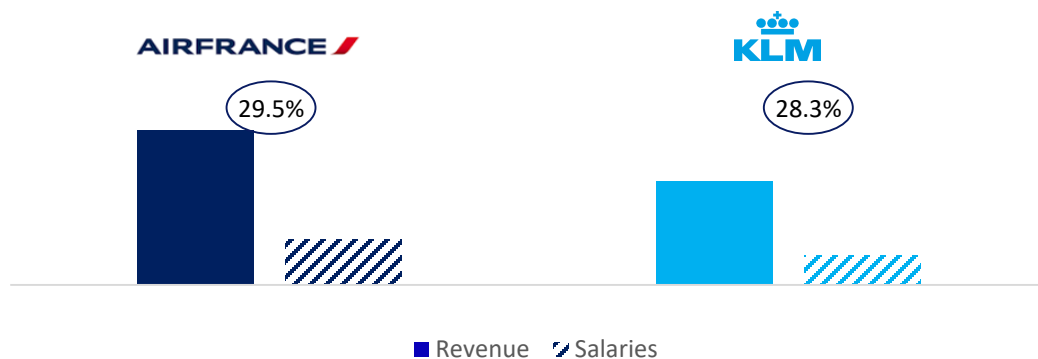
KLM restructuring acceleration

(1) KLM operating margin included positive effect of pension adjustment for the discount rate, due to change in IFRS regulations this benefit disappeared after 2014
 (2) Pre-IFRS16 restatement as per 2017, Operating result adjusted for the interest portion (1/3) of the operating leases
 (3) Rolling Twelve Months 2019, from 1 October 2018 till 30 September 2019

Gap Analysis Pointing to Divergence in Capital Utilization

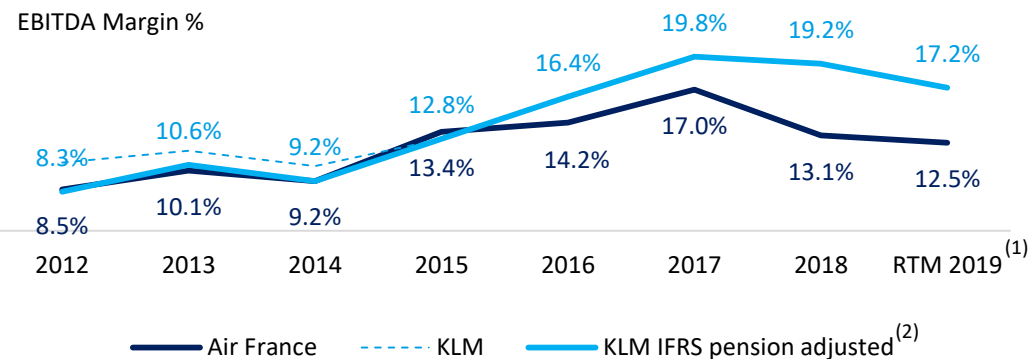
Equivalent salary cost in Air France and KLM today

RTM 2019 Salaries & related costs / Revenues ⁽¹⁾



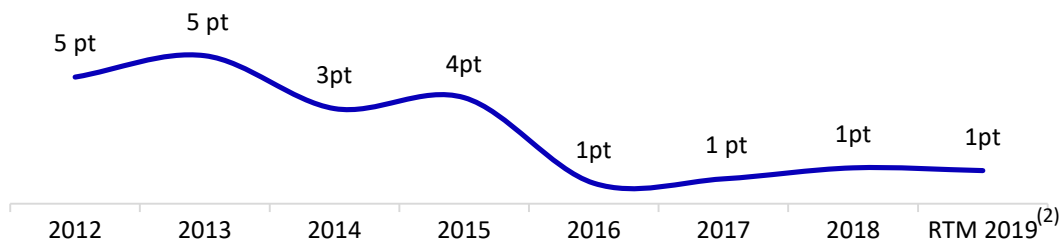
EBITDA margin of Air France is nearer to KLM

compared to operating margin



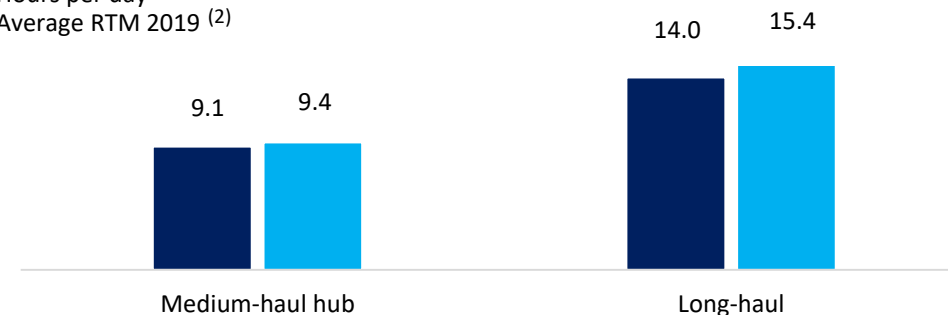
Evolution of the salary cost gap between Air France and KLM

Difference between Air France and KLM of Salaries & related costs / Revenues ⁽³⁾



Main driver: Fleet capital utilization

Hours per day
Average RTM 2019 ⁽²⁾



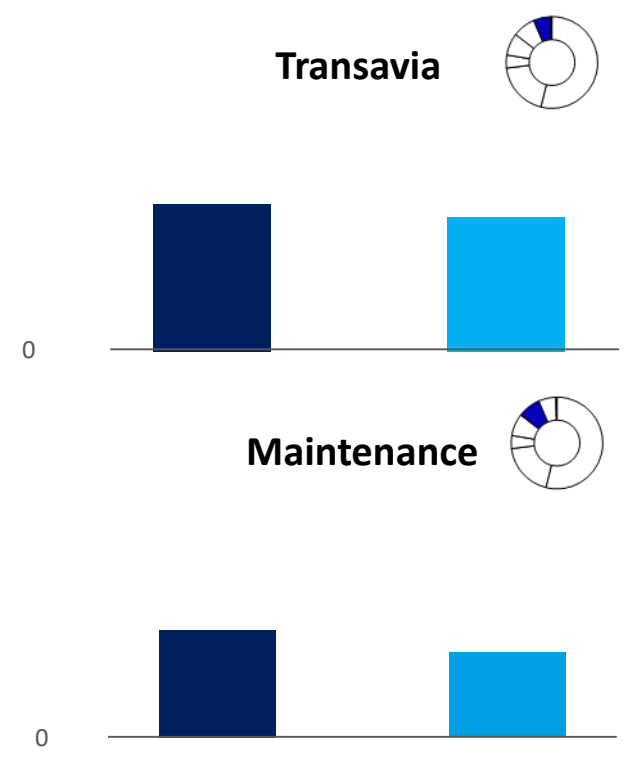
(1) KLM operating margin included positive effect of pension adjustment for the discount rate, due to change in IFRS regulations this benefit disappeared after 2014
 (2) Rolling Twelve Months 2019, from 1 October 2018 till 30 September 2019
 (3) KLM Salaries & related cost adjusted for positive effect of pension adjustment for the discount rate, due to change in IFRS regulations this benefit disappeared after 2014



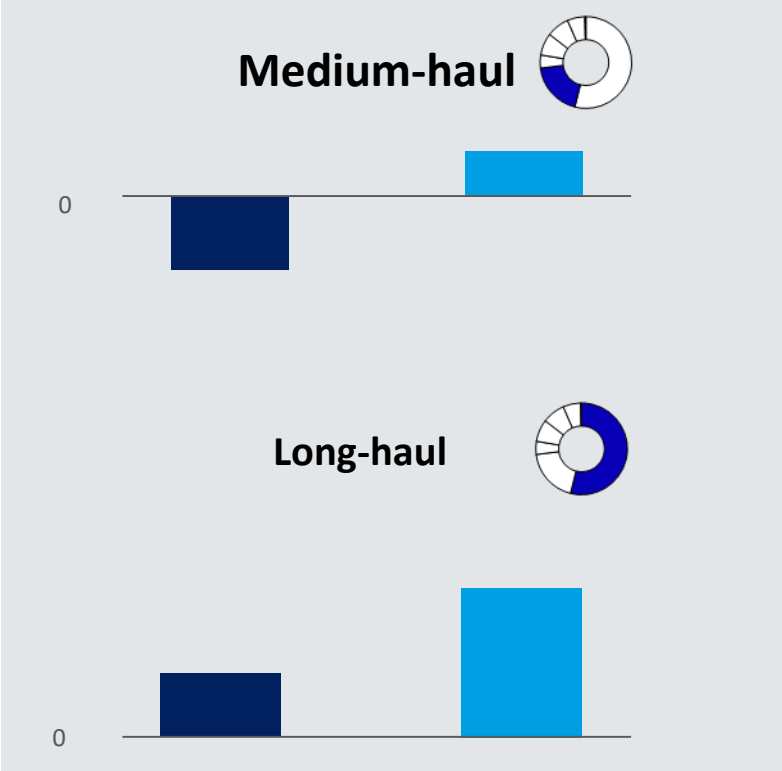
Similar Results in E&M and Leisure, Air France Profitability Lower than KLM in Network Activity

Operating margins per business unit
Full year 2018

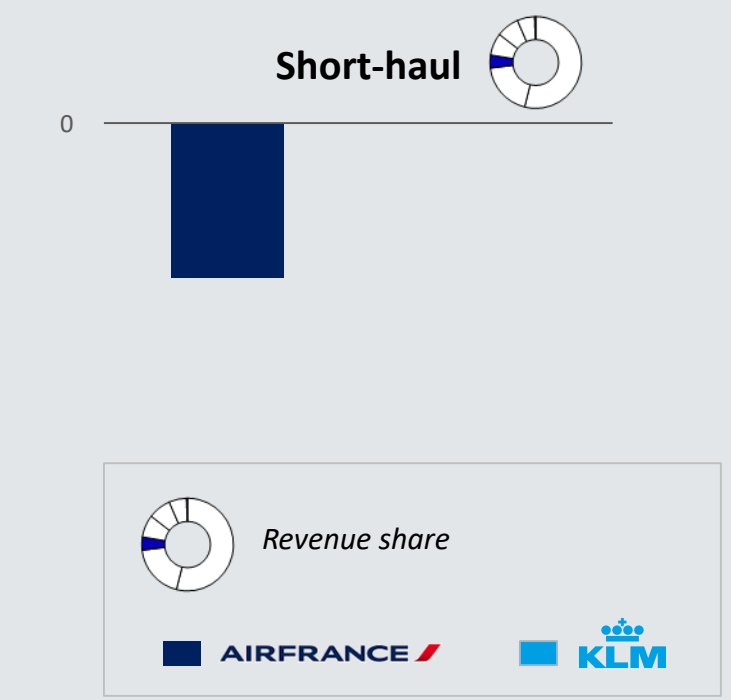
Limited gap between Air France & KLM



Significant gap between Air France & KLM



Short haul exposure at Air France only



Revenue share

AIRFRANCE KLM



New financial strategic framework

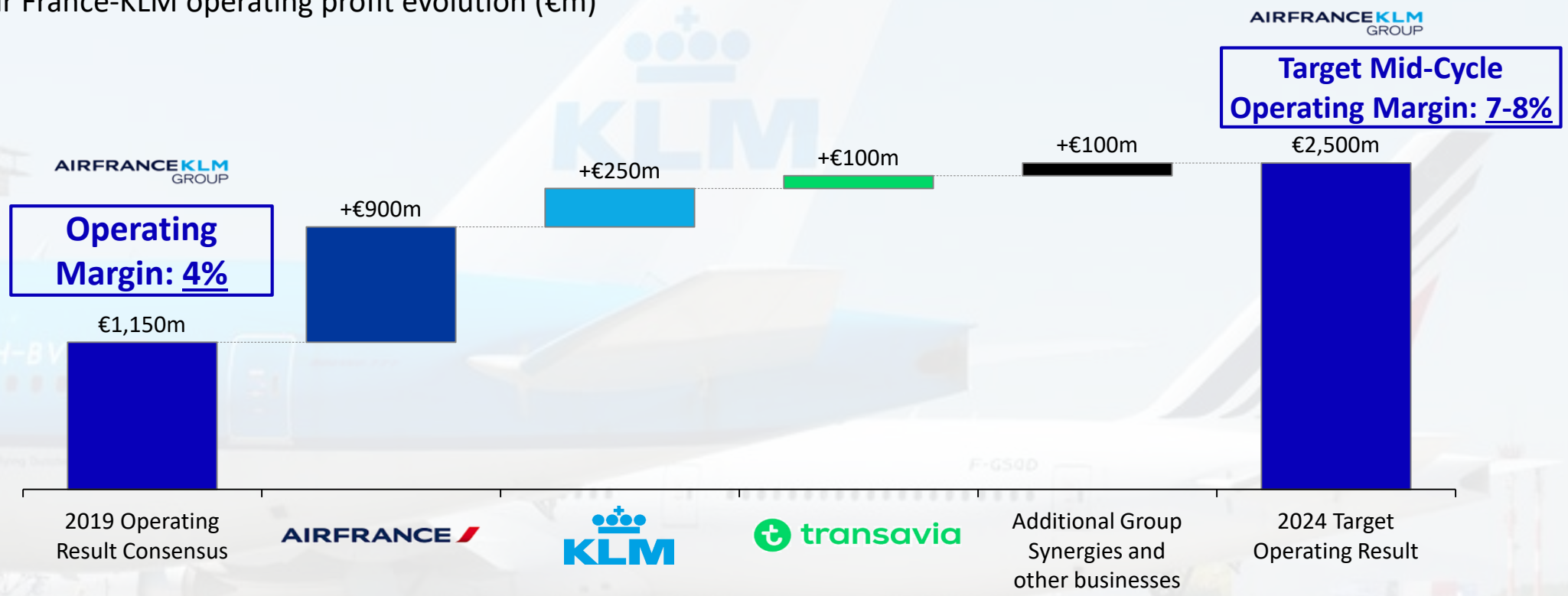
Build Value-Focused Model

- Financial roadmap
- Financial KPI's
- Shareholder returns



Mid-Cycle Operating Margin Reaching 7-8%

Air France-KLM operating profit evolution (€m)



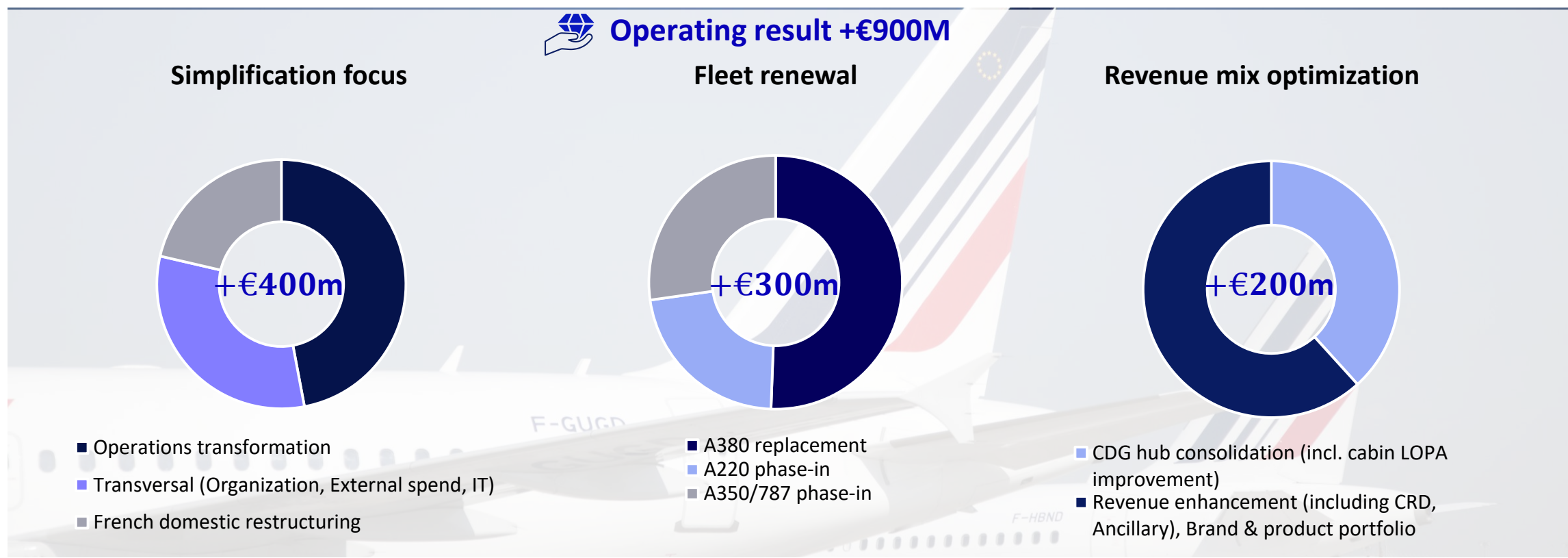
1. Company sourced consensus as per 21 October 2019 for full year 2019 as published on <https://www.airfranceklm.com/en/finance/financial-information/consensus>
 2. Modelling assumptions:
 • Excluding Fuel Price, Currency FX and Industry yield development effects
 • Objectives per airline are net amounts (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



Air France Turn-Around – Priorities

Optimize our Operating Model

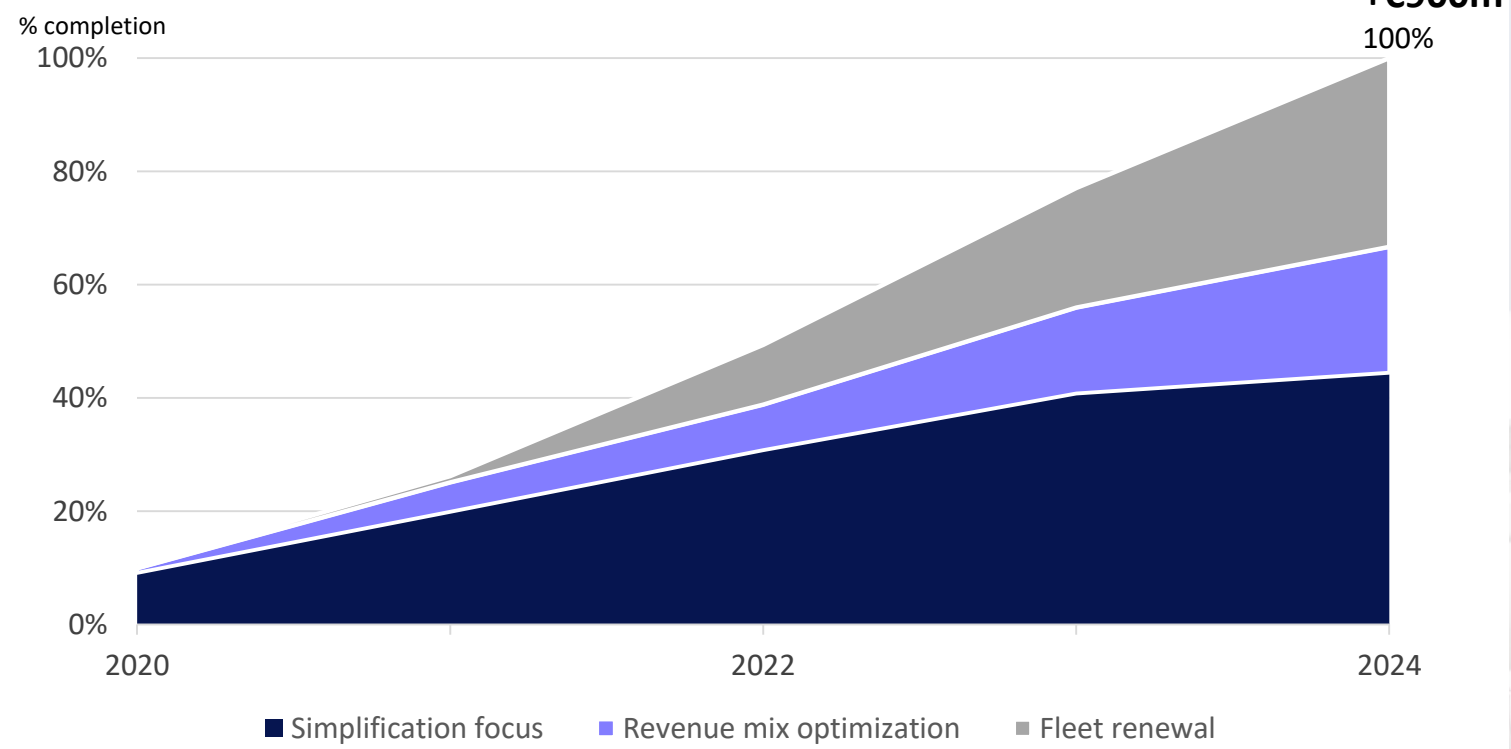
Grow Profitable Passenger Revenue





Air France Turn-Around —Timeline

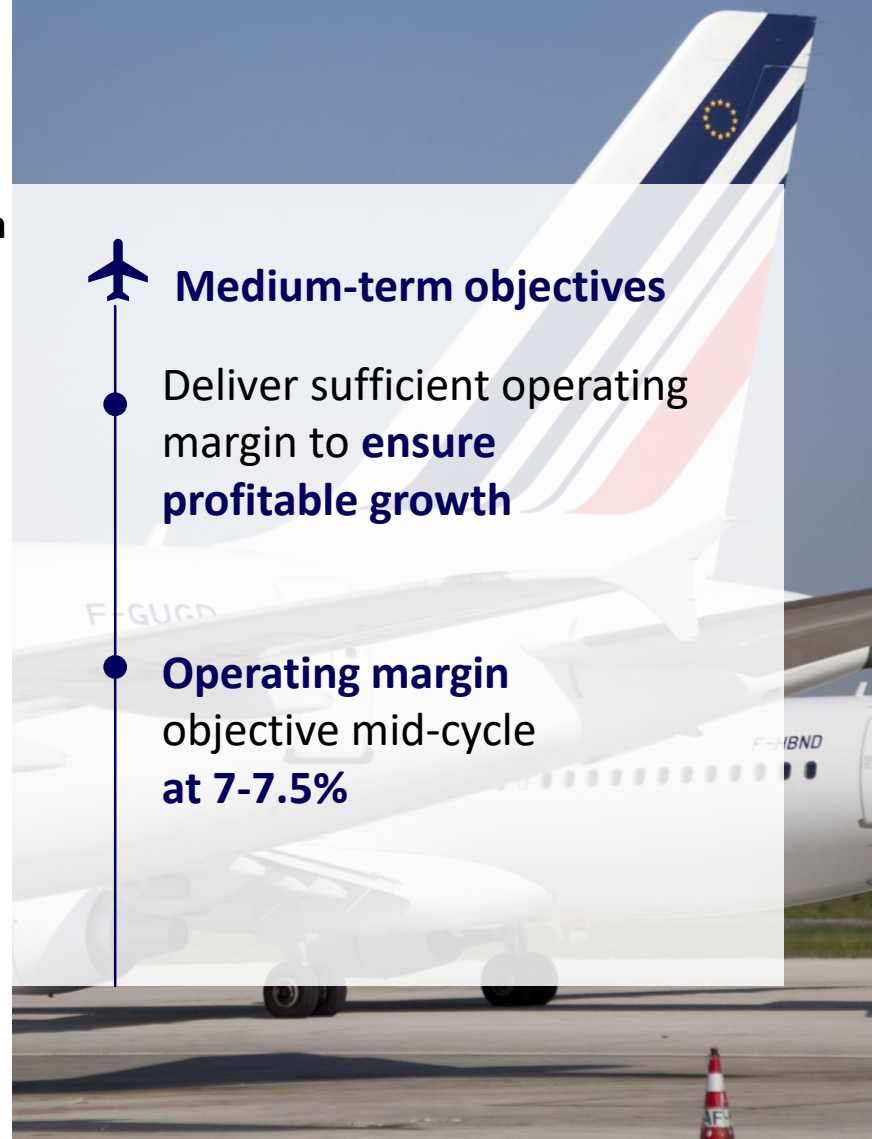
Timeline



Medium-term objectives

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

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



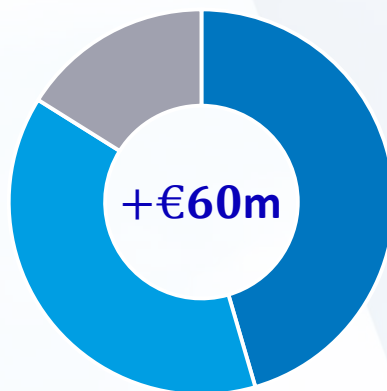
KLM Turn-Around – Priorities

Optimize our Operating Model

Grow Profitable Passenger Revenue

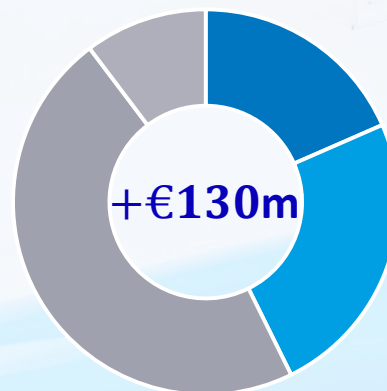
 **Operating result +€250M**

Focus on cost and operational excellence



- Operational excellence
- External spend management
- Margin improvement initiatives

Fleet renewal



- E195 phase in
- B737 replacement
- Long Haul fuel efficiency
- Long Haul optimization

Revenue mix optimization



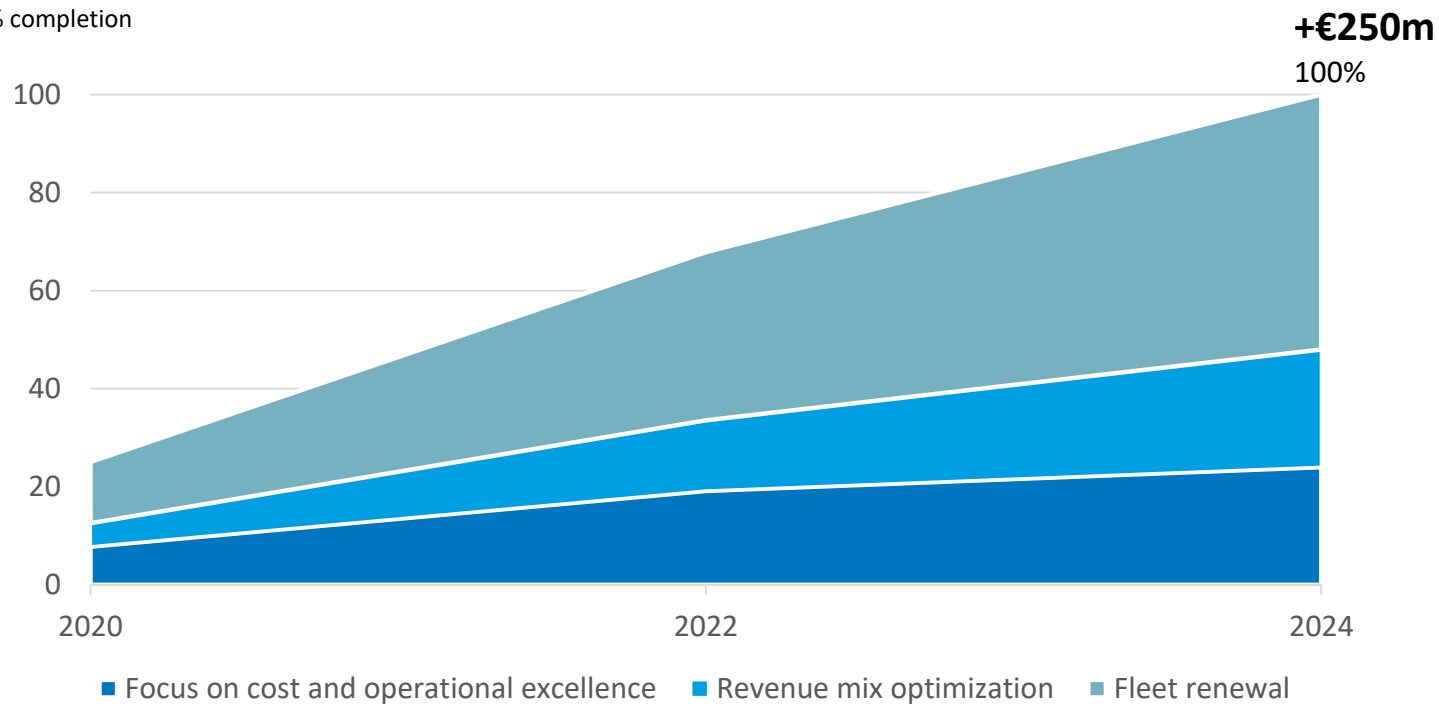
- Revenue management
- Revenue enhancement (including Customer Reach and Distribution, Ancillary)



KLM Strengthening of the Success Model - Timeline

Timeline

% completion



Objective medium term

Further grow KLM's successful model, including **continuous focus on cost**

Operating margin objective mid-cycle at 9-10%



CAPEX 2020-2024 Underpinning Objective to Rejuvenate Fleet & Improve Ownership Ratio

Capex investment 2020-2024

In € bn

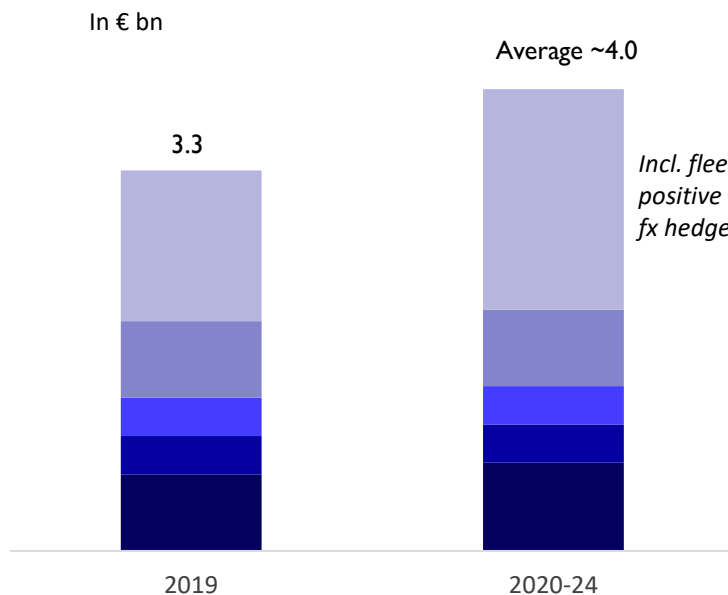
Average ~4.0

Incl. fleet order-book positive result on fx hedge of €400m



Capex 2020-24:

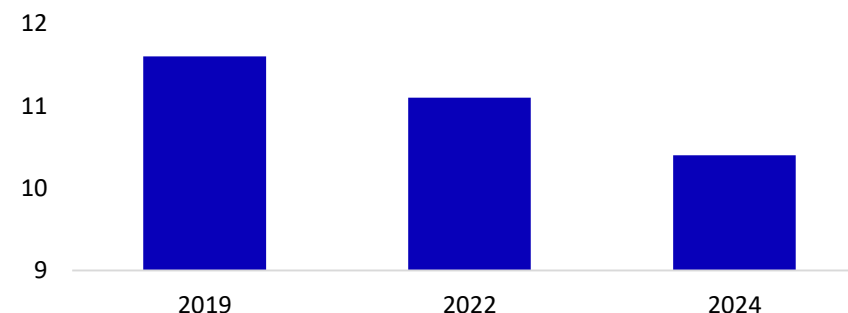
- Profitability uplift
- Improved fleet age & ownership ratio



- Net Fleet
- Capitalized Maintenance
- Spare Parts incl. third-party growth
- Aircraft Modifications
- Ground & IT innovation

Fleet rejuvenation

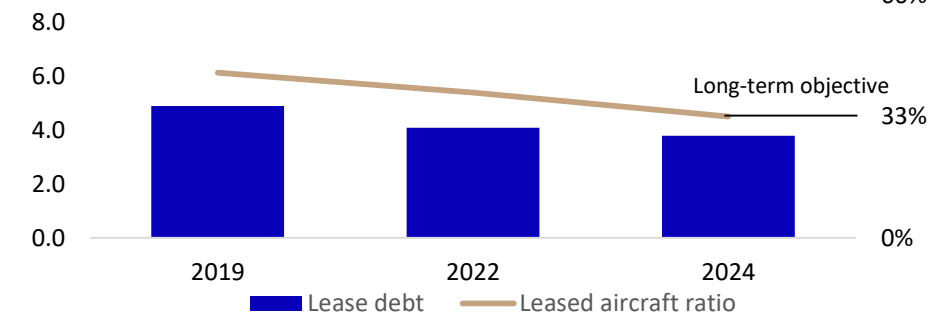
Air France-KLM group fleet projection of average years of age



Improvement ownership ratio and lease debt reduction

In € bn

Leased ratio
66%

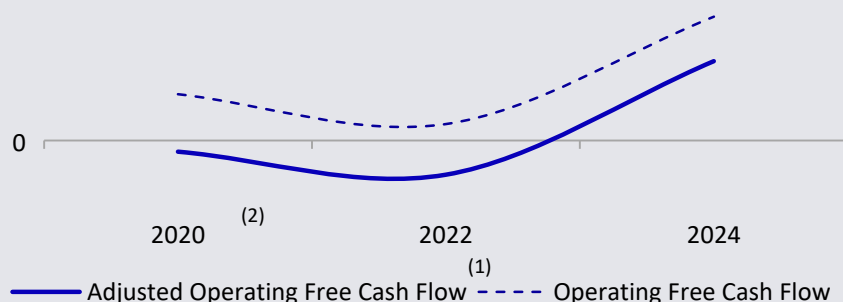


(1) Air France-KLM Group portion of fleet under operational lease versus the total fleet

Financial structure robustness

Leverage ratio to remain ~1.5x

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



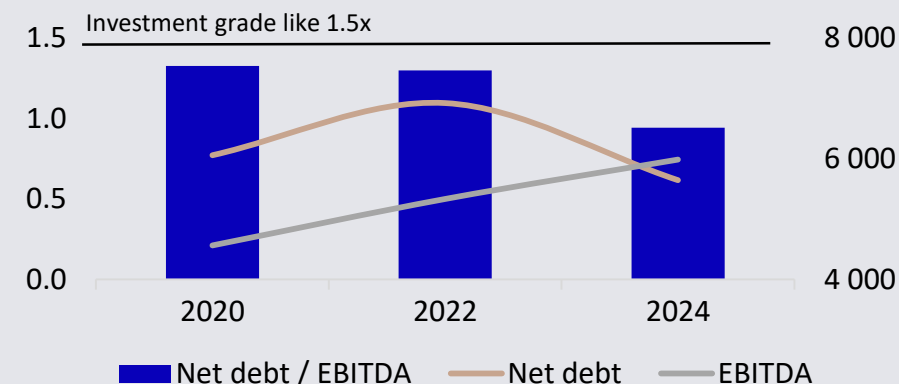
Increasing cash generation by execution of strategic plans

- 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

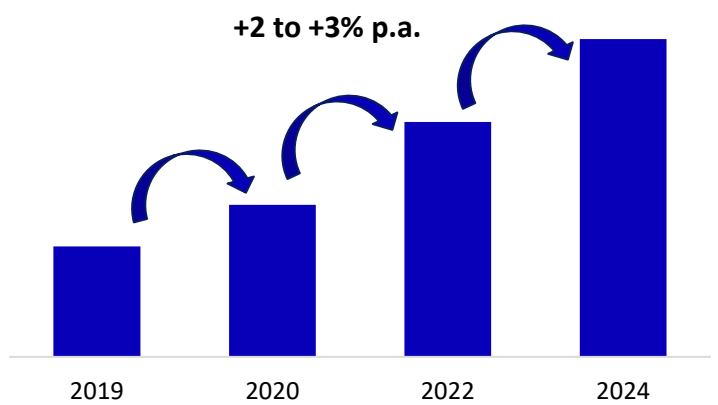
(1) Adjusted operating free cash flow = Operating free cash flow with deduction of repayment of lease debt

(2) Including foreseen near-term incidentals
 - Cargo claim (negative) (2020)
 - Sale of Amadeus and Servair stakes (positive) (2020)

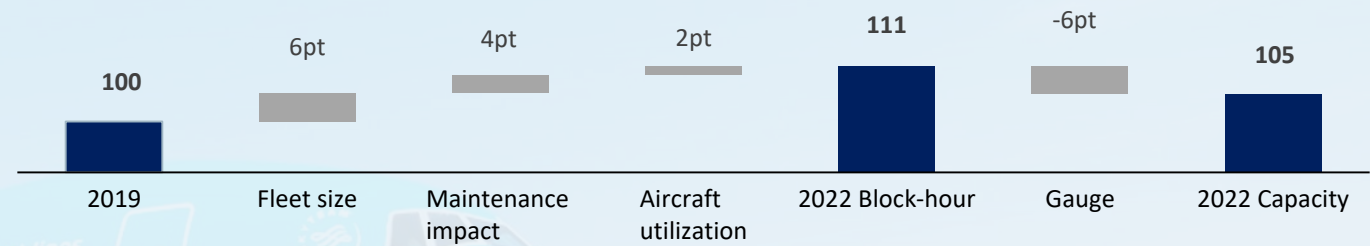
Group Capacity Evolution



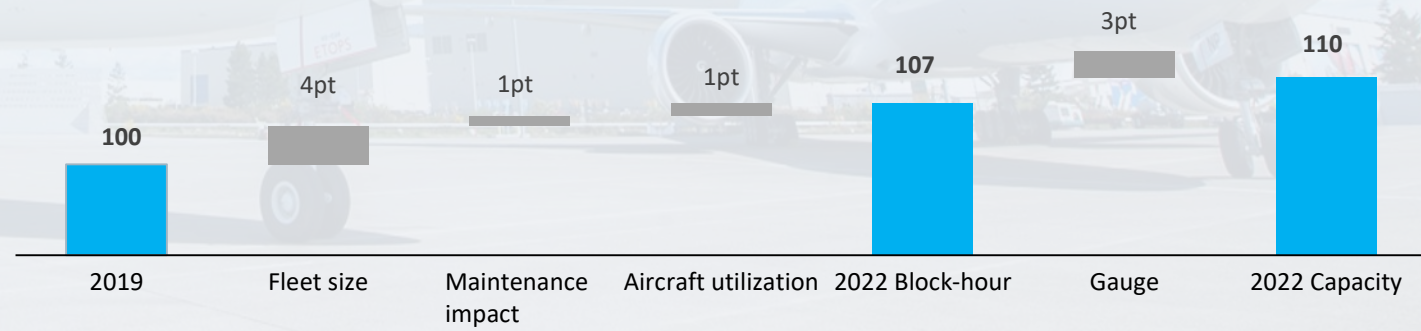
Capacity evolution 2020-24
 Passenger Network & Transavia
 In Available Seat Kilometers



AIRFRANCE Long-haul capacity evolution 2019-2022



Long-haul capacity evolution 2019-2022

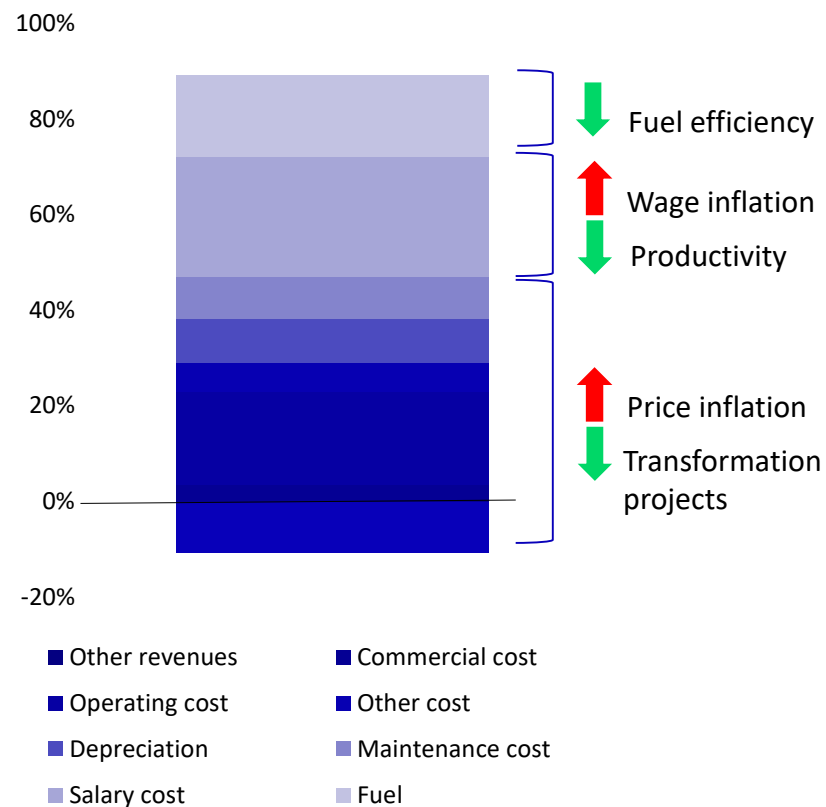


(1) KLM Actual growth will depend on slot growth opportunities in the Netherlands

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⁽¹⁾

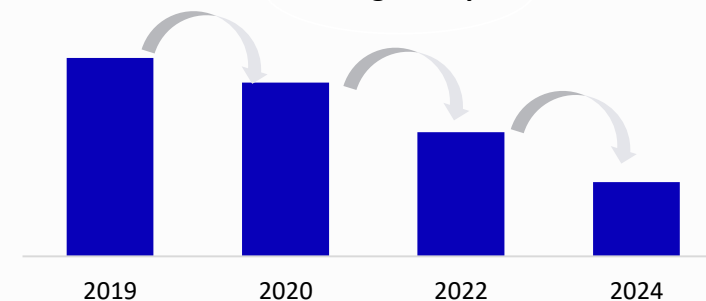


Cost control targeted to exceed inflationary pressure

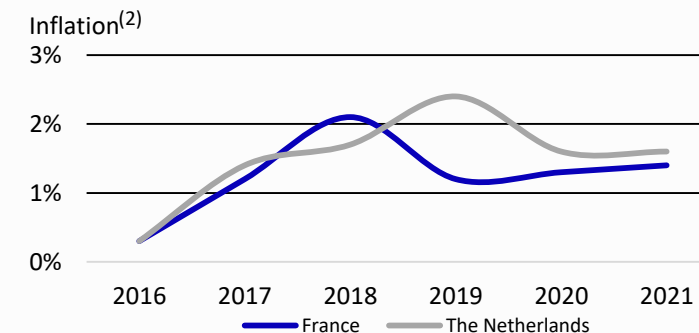
Unit cost objective 2020-24

Unit cost at constant fuel and currency

Average -1% p.a.



Despite an upward inflationary trend



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

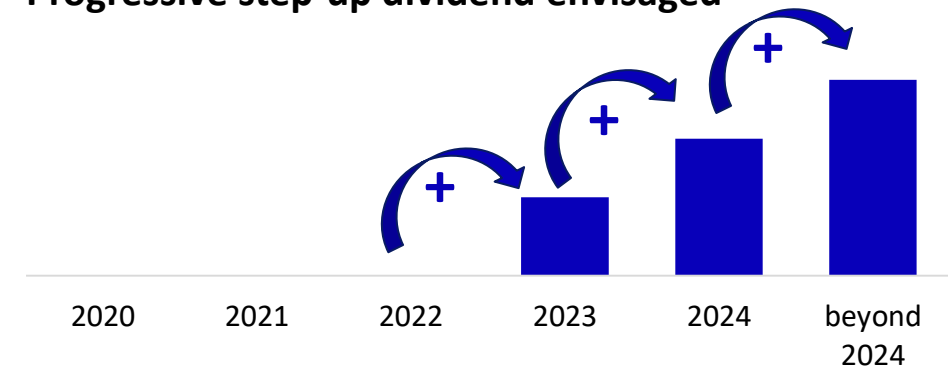
(2) Inflation as per Eurozone Consumer price index 2020-2024. Source: Oxford Economics, updated August 2019



Shareholders - Dividend envisaged as turn around plan materializes



Progressive step-up dividend envisaged



Ordinary dividend payout policy:

- Minimum of 25% underlying after-tax profit

Trigger, as soon as:

- Operating result > € 1.9 bn

Financial Strategic Framework

Building a Value-Focused Model

Financial roadmap

Execution strategic plans 2020-2024

- Air France
- KLM
- Transavia
- Develop other businesses

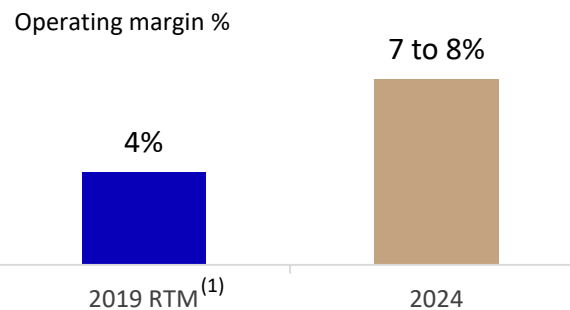
Capex investment 2020-2024

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

Reach top Financial Performance

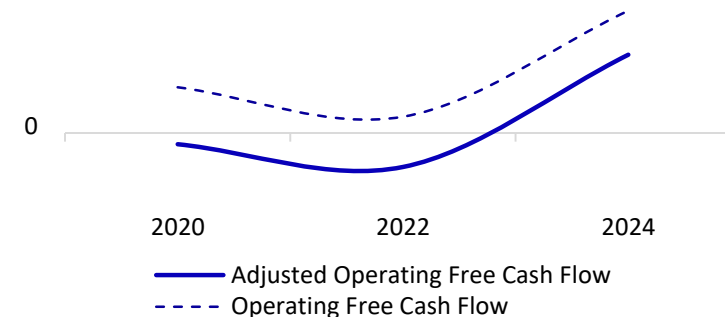
Profitability

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



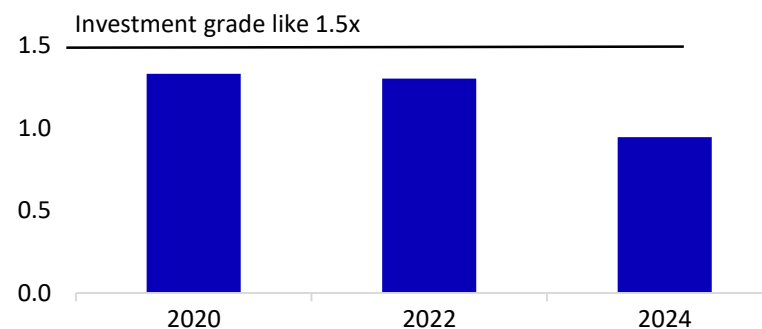
Cash generation

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



Net Debt/EBITDA projection ~1.5x

2020-2024



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



Thank You





Q&A

Air France-KLM Investor Day



Appendix





Air France-KLM 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

