

Roissy, 27th July 2017

Air France-KLM expands its alliances between the North Atlantic, Europe and Asia, and affirms its position in the worldwide airline industry

Air France-KLM today announces a further major step in the strengthening of its strategic partnerships with, firstly, the creation of a single global joint-venture between Air France-KLM, Delta Air Lines (Delta) and Virgin Atlantic and, secondly, the strengthening of its partnership with China Eastern Airlines (China Eastern). These two commercial alliances will be strengthened by equity investments:

- Air France-KLM will acquire Virgin Group's 31% stake in Virgin Atlantic for around £220 million.
- Delta and China Eastern will each acquire a 10% stake in Air France-KLM by subscribing new shares through capital increases totalling €751 million.

The strategic, commercial and capitalistic reinforcement of these partnerships will position Air France-KLM as the European pillar of the leading global airline network.

At the heart of the most global partnership in the airline industry

Air France-KLM, Delta and Virgin Atlantic today signed a Memorandum of Understanding laying the foundations for a future combination of the existing joint-ventures between firstly Air France-KLM, Delta and Alitalia, and secondly between Delta and Virgin Atlantic, within a single joint-venture. This step will mark the expansion and strengthening of one of the most advanced partnership models in the airline industry. Subject to the signature of the definitive agreements and the approval of the relevant regulatory authorities, this joint-venture will enable the Group to:

- Offer customers an unrivaled proposition on the trans-Atlantic axis,
- Drive the capacity growth of the partners,
- Create an associate partner status enabling the inclusion of other players at a later stage,
- Establish a partnership over a 15-year period,
- Generate significant synergies within the joint-venture thanks to new code shares to/from London, sales coordination, the extended partnership and cost savings.

The creation of this joint-venture will thus consolidate Air France-KLM's leadership position in the North-American and European markets with the largest airline network articulated around twelve powerful hubs on both sides of the Atlantic: Amsterdam, Atlanta, Boston, Cincinnati, Detroit, Los Angeles, London Heathrow, Minneapolis-St Paul, New York-JFK, Paris-CDG, Salt Lake City and Seattle.

In parallel, Air France-KLM and China Eastern will step up their commercial cooperation and reinforce their partnership within the framework of the existing joint-venture, to:

- Secure and reinforce Air France-KLM's presence in the Chinese market thanks to a long-term partnership.
- Give Air France-KLM a European leadership position on Shanghai, the main business market in China.
- Improve the services for our customers.

- Enable increased cooperation in terms of the network, pricing and operational synergies

The strengthening of this cooperation will take place in accordance with the partnership strategy of Delta, which already holds a 3.2% stake in China Eastern Airlines Corporation Limited. This cooperation does not call into question the current joint-ventures between the Air France-KLM Group and China Southern.

All of these agreements with Delta, Virgin Atlantic and China Eastern Airlines will enable Air France-KLM to offer its customers an expanded network and to capitalize on the pooling of extensive distribution networks. As an integral part of the Trust Together strategic plan, these partnerships will support the Group's profitable growth and enable Air France-KLM to offer its customers an unparalleled proposition.

Reinforcing the partnerships via the acquisition of equity stakes

To consolidate the new trans-Atlantic joint-venture, Air France-KLM has announced plans to acquire a 31% stake in Virgin Atlantic for around £220 million. This transaction should take place in 2018, after approval by the relevant regulatory authorities. Air France-KLM will become the second largest shareholder in Virgin Atlantic after Delta which holds 49%, and will have the same level of representation as Delta within the Board of Directors.

In addition, Delta and China Eastern, who are now Air France-KLM's very long-term partners, will subscribe equal amounts to two reserved capital increases totaling €751 million at a subscription price of €10 per share, enabling them to acquire 10% each of the Air France-KLM share capital. This price represents a 42% premium relative to the average share price over the last 12 months¹ and a 13% premium relative to the average share price since the announcement of the 2016 annual results on 16th February 2017. Relative to the closing share price of 26th July 2017, the subscription price represents a 17% discount.

The realization of these reserved capital increases will be subject to approval by the Air France-KLM shareholders during an Extraordinary Shareholders' Meeting convened for 4th September 2017, and to approval by the relevant regulatory authorities. These reserved capital increases will be the subject of a prospectus to be submitted for authorization by the *Autorité des Marchés Financiers* ("AMF"). The acquisition of these stakes will be accompanied by the appointment of two Board directors to the Air France-KLM Board of Directors, the first nominated by China Eastern and the second by Delta.

The subscription agreements signed separately with Delta and China Eastern, who are not acting in concert, have a 25-year duration and include a commitment by the partners to retain their shares subject to a number of exceptions and not to purchase shares potentially leading to the crossing of 10% threshold in the share capital for five years. The partners have also made a commitment not to sell their stakes to another airline without the agreement of the Air France-KLM Board of Directors

These capital increases will enable an improvement in Air France-KLM's financial structure, accelerate the reduction in its net debt and finance the purchase of the stake in Virgin Atlantic.

¹ As of July 26, 2017

Jean-Marc Janaillac, Chairman and Chief Executive Officer of Air France-KLM, said: *“This partnership which is unprecedented in scale gives Air France-KLM a leadership position in the worldwide airline industry. With Delta and Virgin Atlantic we are reinforcing our trans-Atlantic alliance, making us the number one alliance between Europe and the United States in terms of traffic. With China Eastern, we are consolidating our position on a high-growth market. The commitment and efforts of Air France-KLM staff have enabled an improvement in our performance and the securing of these strategic partnerships. These agreements accelerate the value-creation initiatives deployed through the Trust Together project.”*

Planned calendar for the transaction:

- 4th September 2017: Extraordinary Shareholders’ Meeting to approve the capital increases and the appointment of the new members of the Board of Directors
- Once the regulatory approvals are obtained: realization of the reserved capital increases.

About Air France-KLM

Air France-KLM is the air transport leader in terms of international traffic on departure from Europe. In 2016, it offered customers a network covering 320 destinations across 114 countries, thanks to its four brands, Air France, KLM Royal Dutch Airlines, Transavia and HOP! Air France. With a fleet of 534 aircraft in operation and 93.4 million passengers carried in 2016, Air France-KLM operates up to 2,200 flights a day, principally on departure from the Group’s Paris-Charles de Gaulle and Amsterdam-Schiphol hubs.

Its Flying Blue frequent flyer program ranks amongst the leaders in Europe and numbers more than 27 million members.

With its partners Delta Air Lines and Alitalia, Air France-KLM operates the largest trans-Atlantic joint-venture with 270 daily flights.

Air France-KLM is also a member of the SkyTeam alliance bringing together 20 airlines and offering access to a global network of more than 16,270 daily flights to 1,057 destinations in 179 countries.

Disclaimer

This document does not and shall not be considered as an offer to the public, an offer to sell or to subscribe or aimed at soliciting a purchase or subscription order in any jurisdiction.

No communication and no information in respect of this transaction may be distributed to the public in any jurisdiction where a registration or approval is required. No steps have been or will be taken in any jurisdiction (other than France) where such steps would be required. The issue, the subscription for or the purchase of Air France-KLM’s shares may be subject to specific legal or regulatory restrictions in certain jurisdictions. Air France-KLM assumes no responsibility for any violation of any such restrictions by any person.

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