

Air France-KLM

Annual General Shareholders' Meeting of May 26, 2021

Answers to the questions in writing from shareholders

Preliminary remark

Note that, to be admissible, questions in writing must:

- Relate to the agenda for the Shareholders' Meeting.
- Be received by the Chair by registered letter with acknowledgement of receipt or by email before the end of the second business day preceding the date of the Shareholders' Meeting, notwithstanding the provisions of the first paragraph of Article R. 225-84 of the French Commercial Code.
- Be accompanied by a securities account registration certificate.

The answers to questions in writing are posted on our www.airfranceklm.com website prior to the Meeting in a special section pursuant to law. Article L.225-108 of the French Commercial Code stipulates that *"the answer to a question in writing is deemed to have been given when it figures on the company's website"*. Shareholders may request a copy of the answers posted on our website from the Secretary of the Meeting.

In the same spirit, the text of the questions has been summarized (without altering its meaning) whenever their full wording is not required for the purposes of proper understanding.

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Recapitalization

Questions from SPAAK

1. Will the recapitalization take place at Air France-KLM level only or also at the level of the airlines?

Recapitalization transactions are envisaged at the level of Air France-KLM without excluding the mirror operations at the level of the airlines.

2. What will be the dilution effect for shareholders? How will the current loyal shareholders be compensated for any loss of value and relative influence?

The **Group** is proposing a set of extraordinary financial resolutions to dispose of the flexibility and agility required for the implementation of additional capital-strengthening measures, which are essential for the continuation of the Group's operations within the current context of public health crisis.

Among these, resolution 20 provides for a capital increase via the issuance of shares maintaining a preferential subscription right for shareholders (DPS) amounting to up to 300% of the current share capital. This is the resolution the most commonly used for large recapitalization plans in the current context of crisis. It enables existing shareholders to subscribe under favorable conditions and thus not be diluted.

Resolution 21, the same in nature to the one used during the capital increase of April 2021, would enable a capital increase of up to 100% of the current share capital, without preferential subscription rights for shareholders but with a priority subscription period for the company's existing shareholders, in a certain proportion and at the same issue price conditions as the other shareholders.

3. What conditions are envisaged for the recapitalization (reorganization, change of activities and/or strategy, sale of subsidiaries, others)?

It is premature to anticipate any form of mandatory condition because the next steps of the recapitalization have yet to be defined.

4. When is a further recapitalization planned?

The Group thus envisages further financing operations, involving equity and quasi-equity transactions, between now and the next Shareholders' Meeting in 2022.

5. Will there be any consequences for the KLM and/or Air France employees? If so, what will they be?

As mentioned above, since the next steps in the recapitalization have yet to be defined, no further measures are envisaged at this time.

Labor Relations

Questions from SPAAK

In 2020 Air France and KLM both received financial state support in order to deal with the consequences of the COVID pandemic. This was done in the form of loans, attached with several terms. The Dutch state included very precise terms regarding KLM employees. These contained (among other) a ban on profit sharing and a need to lower employment terms/contracts between 0-20% dependent on income.

When these terms were not implemented on October 1st, (and November 1st accepted in Dutch parliament) no loans would be granted by the Dutch state and KLM would face bankruptcy.

1. **How does the Air France-KLM Board of Directors view the conditions set by the Dutch government regarding the fundamental rights to free and voluntary collective bargaining of its employees and their representatives, given that the KLM unions were not involved in the discussions and/or negotiations regarding these conditions and have filed a complaint with the Committee on Freedom of Association (CFA) on the International Labour Organisation (ILO) regarding the potential infringement of the principles of free and voluntary collective bargaining and ILO-Conventions n° 87 and n° 98 ?**

Air France-KLM and KLM are committed to compliance with applicable laws and regulations, and hence also when it concerns labour matters.

The airlines have the autonomy to manage the collective labor agreements for their legal entity, the related matters with KLM unions and works council pertain to KLM.

The €3.4 billion in financial support provided by the Dutch State to KLM, was subject to several conditions (amongst which conditions related to labour conditions) in line with political, industry, environmental and financial norms.

In the course of discussions with the Dutch State on the financial support package, KLM has solicited (formal or informal) advice, feedback or viewpoints from employee representatives, the Works Council, and trade unions on such conditions.

In this regard, KLM management discussed these plans with all stakeholders within the required timeframe, in view of finding a solution in the best interests of all parties in order to respond to this unprecedented crisis and to safeguard the future of the company.

Air France-KLM is aware of the impact these turbulent times are having on its employees around the world. The Group is grateful for the financial support packages provided by both States and now has to continue transforming its airlines.

2. **Do the terms set by the Dutch government limit or violate the Air France-KLM internal principles on which negotiations with personnel take place within the company: ‘trust, respect, transparency & confidentiality’ ?**

The values of Air France-KLM are shared by the whole employees of the Group. The conditions set by the Dutch government have not affected those principles.

As stated above, in the context of the discussions with the Dutch State to implement the financial support package and its attached conditions, KLM management discussed these

plans with all stakeholders in view of finding a solution in the best interests of all parties in order to respond to this unprecedented crisis.

3. Does Air France-KLM support the complaints of the employee representatives at the CFA against the Dutch government? And in the event that the CFA would rule that the Dutch government violated the principles regarding free and voluntary collective bargaining and/or ILO Conventions n° 87 and n° 98, how does Air France-KLM propose to act towards its employees, the unions and the Dutch government?

Air France-KLM and KLM does not want to anticipate the conclusions of the CFA, it being specified that neither Air France-KLM nor KLM are parties to the present proceedings. When the CFA has taken a decision, Air France-KLM et KLM will study it carefully. In general, as stated in the answers to the above questions, Air France-KLM and KLM adheres to existing legislation and regulations.

Governance

Questions from Mrs Sylvie Adam Kuenen

1. What is the process and which criteria are used for selecting Board directors? Why are users not more represented on your Board of Directors?

The Air France-KLM Board directors are appointed by the Ordinary General Shareholders' Meeting with the exception of the Board director representing the French State (appointed by ministerial order) and the two Board directors representing the employees (appointed, depending on the case, by the *Comité de Groupe Français* or the Air France-KLM European Works Council). As proposed by the Appointments and Governance Committee, the Board of Directors submits for approval by the Shareholders' Meeting, the appointment, ratification of the co-optation and re-appointment of Board directors. The proposed appointment, co-optation and re-appointment of Board directors formulated by the Board of Directors comply with the legal and regulatory provisions (including, notably, the rules on parity) and the recommendations formulated by the AFEP-MEDEF Corporate Governance Code (including, notably, the rules on the independence of the Board directors).

In order to preserve the balance of its composition, the Board gives preference to the following selection criteria:

- Openness to the world, professional experience abroad and diversity of nationalities ;
- General Management experience acquired within major French or international companies ;
- Knowledge and experience of the transport and airline sector as well as of tourism;
- Expertise related to the Group's strategic areas.

The Board's objective in selecting its Board directors is to:

- maintain the balance between the Company's various stakeholders and the balanced representation of men and women;
- favor the independence of spirit of the Board directors;
- promote adherence to the Group's fundamental values;
- ensure the availability of Board directors.

Air France-KLM's Board directors have the following skills: general management, transport, air transport, governance, international, public affairs, finance, HR, CSR and digital. These areas of expertise are essential to ensuring the effective functioning of the Board of Directors in relation to the issues it addresses.

Furthermore, there is an annual evaluation of its functioning, realized either internally or via an external firm.

2. Why is the number of independent Board directors on the Air France-KLM Board so low and how do you determine the independence of your Board directors?

Every year, the Board of Directors examines the situation of each Board director in the light of the independence criteria stipulated by Article 9 of the AFEP-MEDEF Code. At its meeting of February 17, 2021, as recommended by the Appointments and Governance Committee, the Board of Directors qualified seven Board directors (Ms. Aulagnon, Ms. Boeren, Ms. Bouillot, Ms. Couderc, Ms. Idrac, Ms. Parize and Mr. Wynaendts) as independent.

The proportion of independent Board directors at December 31, 2020 is 47% (excluding the Board directors representing the employees and Board directors representing the employee

shareholders), i.e. below the 50% threshold recommended by the AFEP-MEDEF Code. This divergence is due to an exceptional situation linked to the Dutch government's acquisition of a shareholding in Air France-KLM in February 2019, this transaction having led to a loss of independent status for one of the Dutch Board directors who became a representative of the Dutch State.

The discussions initiated in 2019 on the composition of the Board of Directors have continued but no decision has been taken at this stage. The Air France-KLM shareholder structure has changed following the first recapitalization measures and may do so again. The composition of the Board is unchanged and the discussions remain open.

For more details on the independence of the Board directors, please refer to section 2.2.4 of the 2020 Universal Registration Document available on the Air France-KLM website ([Air France-KLM Universal Registration Document 2020](https://www.airfranceklm.com))([airfranceklm.com](https://www.airfranceklm.com))

Questions from SPAAK

1. What will be the consequences for the Group's governance of the implementation of the proposed resolutions relating to the capital-strengthening measures?

The implementation of additional capital-strengthening measures may lead to changes in the shareholder structure of Air France-KLM. The Group's main shareholders are represented on the Board of Directors. Any change to the composition of the Board may only take place in the respect of the different legal and contractual constraints and taking into account the recommendations of the AFEP-MEDEF Corporate Governance Code

2. Is the Board prepared to submit further capital-strengthening measures for approval by an Extraordinary Shareholders' Meeting?

The various financial resolutions proposed to the shareholders on May 26, 2021 (resolutions 20 to 35), should ensure that the Air France-KLM Board of Directors has the flexibility required for the implementation of additional capital-strengthening measures, without the need to convene an Extraordinary Shareholders' Meeting. They were presented to and approved by the Board of Directors during its meeting of April 5, 2021. However, to date no precise plan has been decided.

Question from the Dutch State:

1. Can the Group's Chief Executive Officer waive his short and long-term variable compensation granted in respect of resolution 16 of the Shareholders' Meeting together with any variable compensation as long as the aid granted by the French and Dutch States to the Air France-KLM Group has not been repaid?

Within the context of the crisis linked to the Covid-19 pandemic, Mr. Benjamin Smith decided to:

- Reduce his annual fixed compensation based on the same conditions of proportionality as those applied to all the Air France and Air France-KLM employees. His fixed compensation was thus reduced by 25% between March 23 and December 31, 2020;
- Waive his annual variable compensation in respect of the 2020 financial year.

In respect of the 2020 financial year, the Chief Executive Officer thus received fixed compensation of €744,511. In respect of the 2020 financial year, he was also granted 200,400 performance units under the Long-Term Phantom Share Plan and 200,400 performance units under the Specific Long-Term Plan. These performance units would, in principle, definitively

vest wholly or in part during 2023 subject to (i) the achievement of demanding performance conditions over three years and (ii) the presence of the Chief Executive Officer within the Group in 2023.

The compensation structure for the Chief Executive Officer was established by the Air France-KLM Board of Directors in 2018, in the light of Mr. Smith's profile and international experience and based on the compensation practices for similar functions in comparable international groups (and notably international competitor airline groups). This compensation structure has been unchanged since 2018.

Pursuant to law, the elements of compensation for the Chief Executive Officer are submitted every year for approval by the Annual General Shareholders' Meeting (i) as regards the elements of compensation paid or granted during the previous financial year (*ex post vote*) and (ii) as regards the compensation policy for the current financial year (*ex ante vote*).

Lastly, pursuant to the European Commission's decision of April 5, 2021, within the framework of the 2021 compensation policies, no annual or long-term variable compensation may be paid until 75% of the recapitalization measures have been repaid.

Question from A.D.U.T.A via its President Mr Alaquillemette

1. Is Frédéric Gagey's departure forced or voluntary?

Frédéric Gagey will be 65 years old at the end of June 2021 and he has decided to retire.

Fleet

Question from A.D.U.T.A via its President Mr Alaquillemette

- 1. Within the framework of the modernization and rationalization of the fleet, it had been announced that Air France would operate the Airbus A350s and KLM the Boeing 787s. While KLM has only Boeing 787s in its fleet, why then does Air France continue to operate Airbus A350s and Boeing 787s?**

The modernization and rationalization of the fleet is a priority for Air France. The reduction in the number of aircraft began with the retirement from the fleet of the least financially-efficient aircraft, starting with the A340s and followed by the A380s. The focus is now on phasing out the oldest aircraft, notably the 777-200s, and their replacement with A350-900s. The A350-900s and 787-9s, are currently complementary and efficient at both financial and environmental level. These aircraft consume 20% less fuel than old-generation aircraft. These two aircraft types have their place in the fleets of the Group's two main airlines.

- 2. Lufthansa Technik, a subsidiary of the German group Lufthansa, is working on a new supplementary type certificate (STC) for the Airbus A380 which would enable the European Super Jumbo to temporarily carry cargo in the cabin. Might this not be a worthwhile initiative knowing that your cargo capacity is currently limited owing to the immobilization of a large proportion of the long-haul fleet?**

Air France definitively retired its A380s from its operational fleet in March 2020. The maintenance in the fleet of one or two aircraft solely for cargo transportation would not be economically viable and would not meet the objectives of fleet simplification. We also have aircraft with significant belly capacity (777-300ER, A350-900) which enable us to respond to demand, with great flexibility on the network, unlike the A380 which can only be deployed on a limited number of destinations due to airport constraints.

- 3. In addition, during a recovery in activity, some airlines like Lufthansa and Emirates are looking to maintain the A380 on some destinations, towards Asia or the eastern United States. British Airways has also indicated its interest in preserving the A380 since it would enable the optimized use of its slots at traditionally-congested airports, like London Heathrow. What is the Air France view concerning this?**

Air France has opted to definitively retire its A380s from operation, to simplify its fleet and attain its financial and environmental targets.

Customer experience

Question from the A.D.U.T.A Association via its President Mr Alaquillemette

- 1. Why does Air France not figure amongst the Top 10 in the 2021 ranking from the online travel agent eDreams whereas KLM has been present and well positioned in this ranking for several years (4th position in 2021)?**

The position of the airlines varies according to the rankings organized by the different bodies (Skytrax, APAX, Edreams, Safe Travel Barometer, airline rankings, etc.).

Air France has focused its efforts on the criteria used by Skytrax and APAX: the company was awarded four stars in the Skytrax ranking. Air France was ranked the number one airline in the Safe Travel Barometer during the 2020 first half. More than 90% of customers having traveled on Air France are satisfied with the health measures taken by the company and regrouped under the Air France Protect label.

Shareholder structure

Question from the A.D.U.T.A Association via its President Mr Alaquillemette

1. When can we expect to receive a dividend from Air France-KLM?

At the November 2019 Capital Markets Day, the Group said that a dividend could be paid as soon as the operating result again surpasses €1.9 billion. This guidance was announced prior to the Covid-19 crisis. The European Commission has prohibited the payment of dividends as part of the conditions associated with the recapitalization plan launched in April 2021.