AIRFRANCE KLM

Report on the extraordinary session of the
Combined Ordinary and Extraordinary Shareholders' Meeting,
of 4 September 2017

The combined ordinary and extraordinary General Shareholders' Meeting held on 4 September 2017, chaired by Jean-Marc Janaillac, Chairman and Chief Executive Officer, convened at the Hôtel Pullman Paris Centre Bercy. The meeting was convened to implement part of the strategic transactions announced on 27 July 2017.The meeting quorum stood at 54.849%, representing 164,039,324 shares held by shareholders present or represented, out of a total of 299,072,784 shares with voting rights, each share entitling its bearer, depending on the case, to one or two votes. This is because, since 3 April 2016, and lacking a clause in the Air France-KLM Articles of Association, all fully paid-up bearer shares owned for two years by a named bearer have double voting rights.

In all, the 6,750 shareholders present or represented adopted all the resolutions put to the vote, it being specified that at the request of a shareholder during the meeting, a further resolution on the appointment of a nineteenth Board member was adopted.

Scrutineer duties were fulfilled by Cédric GARCIN (representing the French State, shareholder) and by François ROBARDET (Director representing ground staff and cabin crew), the two members present having the largest number of votes and agreeing to perform these functions.

The General Shareholders' Meeting was broadcast live on the Company's website at: http://www.airfranceklm.com/en/finance/shareholders/webcast-ag

The presentation broadcast during the meeting is also available on the Company website at: http://www.airfranceklm.com/en/news/combined-ordinary-and-extraordinary-shareholders-meeting-extraordinary-session

Voting on the resolutions

#	Resolutions	For	Against	Abstention
	Ordinary Business			
1	Appointment of Mr. Bing Tang as a member of the Board of Directors for a term of four (4) years	94.91%	5.05%	0.04%
2	Appointment of Delta Air Lines, Inc. as a member of the Board of Directors for a term of four (4) years	94.21%	5.76%	0.03%
	Extraordinary Business			
3	Delegation of authority granted to the Board of Directors, for the purpose of issuing, without shareholders' preferential subscription rights, for the benefit of Eastern Airlines Industry Investment (Luxembourg) Company Limited, a subsidiary of the China Eastern Airlines group, ordinary shares of the Company for a total nominal amount of 37,527,410 euros (thirty seven million and five hundred and twenty-seven thousand and four hundred and ten euros), for a period of 6 months	95.04%	4.82%	0.14%
4	Delegation of authority granted to the Board of Directors, for the purpose of issuing, without shareholders' preferential subscription rights, for the benefit of a company belonging to the Delta group, wholly-owned, directly or indirectly, by Delta Air Lines, Inc., ordinary shares of the Company for a total nominal amount of 37,527,410 euros (thirty seven million and five hundred and twenty-seven thousand and four hundred and ten euros), for a period of 6 months	94.64%	5.23%	0.13%

5	Delegation of authority to be granted to the Board of Directors for a 12-month period, for the purpose of carrying out capital increases reserved to members of a company or Group savings scheme without shareholders' preferential subscription rights within a limit of 2% of the share capital	98.93%	1.04%	0.03%
6	Powers to accomplish formalities	99.65%	0.30%	0.05%
New ordinary resolution				
7	Appointment of Air France-KLM Finance SAS as the nineteenth member of the Board of Directors for a term of four (4) years	54.30%	45.08%	0.62%

Presentation of strategic transactions

Screening of an introductory film on the partnerships with Delta, Virgin and China Eastern.

The Chairman and Chief Executive Officer Jean-Marc Janaillac and Chief Financial Officer Frédéric Gagey presented the strategic transactions part of whose implementation was described in the resolutions submitted to the shareholders' vote: strengthening strategic partnerships between Air France-KLM (AFKLM) with China Eastern Airlines and Delta Air Lines through commercial agreements, and their acquiring an equity interest in AFKLM.

The Chairman said that these transactions served a dual purpose. First of all, they were in line with the rationale of the Group's *Trust Together* strategic project, which aims in particular to enable Air France-KLM to grow over the long term, by building on stronger partnerships and by positioning itself as the European pillar of the SkyTeam alliance. In addition, these transactions were intended to improve the Group's balance sheet and reduce its debt. At the same time, the transactions would protect AFKLM from third-party transactions potentially contrary to its strategic interests. It was in this framework that AFKLM decided to take a major step by entering into strategic commercial and capital transactions with Delta and China Eastern.

First, by building an expanded North Atlantic partnership by merging the Air France-KLM-Delta joint venture with that of Delta and Virgin Atlantic. This alliance will be strengthened by Delta acquiring a 10% equity interest in AFKLM as part of a reserved rights issue, and the acquisition of a 31% stake in Virgin Atlantic by Air France-KLM. To secure and strengthen Air France-KLM's positions in the Chinese market, its commercial cooperation with China Eastern would be intensified. In order to consolidate this agreement over the long term, China Eastern Airlines would subscribe to a 10% increase in the capital of AFKLM. The two capital increases would raise €750 million in equity capital and help to improve AFKLM's financial structure by strengthening its balance sheet.

Thanks to these new agreements, AFKLM would become the European pillar of an unparalleled set of business and cross-shareholding partnerships between Europe, North America, and China. These agreements would strengthen AFKLM's global network of alliances, covering the Americas with Delta, of course, and Aeromexico and Gol; Africa with Kenya Airways and Air Côte d'Ivoire; and Asia with China Eastern, China Southern and Jet Airways. These airlines were the principal partners of AFKLM in those regions, but AFKLM also had many commercial agreements with other airlines.

He added that the joint venture built around Air France, KLM, Alitalia and Delta generated turnover of over 12 billion dollars and a significant share of AFKLM's earnings with 250 flights daily and 500 destinations in Europe and the United States. It provided 20% of the overall capacity on the North Atlantic operated by all the carriers together.

This joint venture relied on strong governance and was the industry's most integrated, with full sharing of results. The Chairman added that this was why it had appeared necessary to renegotiate it in order to strengthen it further. For one thing, AFKLM had noticed a decline in synergy indirectly caused by the existence at Delta two distinct transatlantic joint ventures, one with AFKLM and Alitalia, and the other with Virgin Atlantic. Furthermore, AFKLM wanted to significantly extend the joint venture's duration. In addition, the particular situation prevailing at Alitalia made adjustments necessary.

The Chairman briefly presented Virgin Atlantic, saying first that it was an emblematic brand. He added that the airline had carried 5.4 million passengers in 2016 and that it had a powerful position on the North Atlantic where it ranked 4th, largely thanks to its position at Heathrow, Europe's biggest airport, where it is the second biggest airline. Delta is a principal partner alongside Virgin Atlantic in the framework of the joint venture and had a 49% equity stake in Virgin Atlantic.

Air France, KLM, Delta and Virgin had agreed the main principles of a new transatlantic joint venture which would replace the existing joint ventures as soon as it had received approval from the competent authorities, probably some time in 2018. This new joint venture would allow the airlines in question to propose an offer that would henceforth be fully integrated into the transatlantic market. It would be for a period of 15 years and would generate significant synergies, including new code shares, increased sales coordination, and cost synergies. It would be the leading partnership on routes between the United States and Europe.

The Chairman added that AFKLM was continuing to strengthen its position in Asia, which was already built on strong partnerships. AFKLM had an extensive code-share agreement with Jet Airways, enabling passengers to travel between India and the United States via three major European hubs at CDG, Schiphol and Heathrow. Twelve flights daily between India and Europe could thus connect with the network of 81 daily flights between Europe and North America.

AFKLM continued to see new opportunities for cooperation with other Asian partners of the SkyTeam alliance in order to strengthen its presence on high-growth markets.

China was a priority for developing AFKLM activity due in particular to the high potential of tourism from China and of trade between Europe and China. It was because of this that AFKLM developed the joint ventures with the two Chinese partners, China Eastern, based in Shanghai and a member of SkyTeam, and China Southern, based in Guangzhou.

The joint venture between AFKLM and China Eastern was the biggest and generated 530 million euros in revenues, including more than 400 million euros for AFKLM. It covered routes between Paris, Amsterdam, and Shanghai. China Eastern was also a partner of Delta, which had a 3.2% equity stake in it.

In view of this, it seemed to be a priority to strengthen cooperation with China Eastern. The primary aim was to ensure the long-term security of AFKLM's European leadership position for flights to Shanghai, the leading economic centre in China, and also to improve AFKLM's commercial cooperation through the development of joint contracts and common sales tools, plus greater network coordination. AFKLM would also develop further synergies in maintenance, procurement and IT.

The Chairman said that the cooperation was perfectly aligned with Delta's partnership strategy. It did not contravene the existing joint venture with China Southern.

The Chairman next handed over to Frédéric Gagey to present the financial aspects of the strategic changes.

Presentation of the financial aspects of the transaction

Mr. Gagey next presented the financial aspects of the transactions. He referred to the three financial components of the transaction: the acquisition of 31% of Virgin Atlantic by Air France-KLM for a total consideration of GBP220 million, and the acquisition by Delta on the one hand and China Eastern on the other of 10% equity interests in Air France-KLM. He said that in order to mitigate the consequences of a hard Brexit affecting air transport, especially in the United Kingdom, the agreement to acquire the 31% stake in Virgin Atlantic included a partial resale option in common with Delta for the shares acquired from Virgin so as to comply immediately with the new obligations, if necessary. AFKLM would serve as a Director on the Virgin Atlantic Board and have the same number of Directors as Delta.

Turning to the Delta and China Eastern 10% cross shareholdings with AFKLM, Mr. Gagey said that the same conditions applied to the two partners. The transactions would involve a reserved rights issue by issuing new shares in the amount of €375.5 million each, for a total of €751 million. These transactions were long-term: standstill and lock-up clauses had been negotiated. In addition, provisions had been included designed to restrict the right of the new shareholders to sell their shares to certain players - such as competitors. In economic terms, the transaction with Delta was accretive, ie, the increase in profitability resulting from cost and revenue synergies would outweigh the effects of the dilution of earnings per share (EPS).

The subscription price for these two reserved rights issues was set at €10. This price should be assessed both in the light of recent share price movements and also in the medium term. The proposed price of 10 euros represented a premium of 42% to the average price over the twelve-month period preceding the announcement, a premium of 11% to the average price over the period from the announcement of 2016's results in February 2017 up until the announcement of these strategic transactions on 27 July. The proposed transaction would allow Air France-KLM to reduce its debt-to-equity ratio from 2.7 to 2.5 based on 30 June, 2017 data, while its financial debt, excluding aircraft leases, would fall below the 3 billion euro threshold. The transactions would also change the Air France-KLM capital structure. After completion, Delta and China Eastern would each own 10% of the capital and the share of the French State, like that of the other shareholders, would decrease slightly.

Conclusion

The Chairman concluded saying: "*These long-term strategic partnerships confirm the attractiveness of Air France-KLM and its ability to control its growth strategy. They open up numerous opportunities for us, for profitable growth at Air France-KLM; with Delta and Virgin Atlantic, in the deepest and most profitable market (the North Atlantic), where the Group is building the leading alliance between Europe and the United States in terms of traffic; and with China Eastern, where the Group is able to sustain its growth in a fast-growing market, especially in Shanghai. These transactions will raise €750 million in equity capital, thus making it possible, on the one hand, to continue improving our balance sheet and reducing our debt. The funds will also contribute to the acquisition of an equity stake in Virgin Atlantic.*
The acquisition of equity stakes in Air France-KLM by world-renowned airlines like Delta Airlines and China Eastern demonstrated that confidence in Air France-KLM was real. This trust among key players was the result of the work and commitment of all our employees."

Presentation of the resolutions

Mr. Nanty next presented the resolutions submitted for shareholder approval. He first presented the ordinary resolutions (Nos. 1 and 2) on the appointment of Mr. Bing Tang, a candidate proposed by China Eastern for a four-year term, and of Delta Air Lines Inc., represented by Mr. George Mattson, as directors of Air France-KLM.

He said that these appointments would have a double impact on the make-up of the Board of Directors, which currently comprised 15 members: on the one hand, the appointment of an additional Director representing employees in accordance with Article L225-27-1 of the French Commercial Code, and Article 17-3 of the Articles of Association, and on the other, a drop in the proportion of women Board members. The solution to continued compliance with the legal requirements would be to appoint an additional member to the Board of Directors, who would be a woman or a legal person whose permanent representative would be a woman, and whose mandate would only take effect if Mr. Mattson were actually appointed. To the extent that Delta Air Lines' decision to designate Mr. George Mattson as a permanent representative had become known very recently, it had not been possible to add to convening notice a further resolution to that effect within the statutory time limits.

This situation had been picked up by Mr. Christian Magne, a shareholder and former Director representing Air France-KLM employees, who had informed the committee before the start of the meeting of his intention to submit an additional resolution to nominate a 19th member of the Board of Directors, who would be a woman, for approval by the General Shareholders' Meeting.

In view of this, the Chairman asked Mr. Christian Magne to confirm his request to submit a draft resolution to appoint a female member of the Board of Directors for the approval of the General

Shareholders' Meeting. The latter confirmed his request and said that the 19th director could be a woman or a legal person whose permanent representative would be a woman. Faced with the need to proceed as quickly as possible to this appointment, he proposed the appointment of Air France-KLM Finance, a wholly-owned Air France KLM subsidiary.

The Chairman adjourned the meeting to allow the Committee to decide on this request.

Meeting adjourned. Mr. Magne submitted the draft resolution to the Committee, which was followed by a discussion among its members.

Meeting resumed.

Following the discussion between the members of the Committee, Mr. Nanty reported that the Committee had agreed to submit the resolution proposed by Mr. Magne to the shareholders' vote. He then read the contents of the resolution to shareholders and said that this resolution would be put to the vote as the 7th resolution. The terms of the resolution put to the vote were as follows:

"*The General Shareholders' Meeting, voting under the conditions of quorum and majority required for ordinary General Shareholders' Meetings, decides, subject to the settlement of the reserved capital increases referred to in the third and fourth resolutions, and the appointment by Delta Air Lines Inc. of a permanent male representative, to appoint Air France-KLM Finance SAS as the nineteenth member of the Board of Directors for a period of four years, to take effect from the effective completion of the whole of the above-mentioned conditions.*"

He next presented the extraordinary resolutions to approve a delegation of authority for the reserved rights issues for China Eastern Airlines and Delta Air Lines Inc. (Resolutions 3 and 4) and the reserved rights issues for members of Company or Group savings plans with cancellation of the shareholders' preferential subscription rights, up to a maximum 2% of the share capital (Resolution 5).

Report of the Statutory Auditors

Mr. Guillaume Troussicot (Deloitte & Associés) presented the two reports by the college of Statutory Auditors.

Discussion with shareholders

Following the presentation by the Statutory Auditors, the Chairman, accompanied by Messrs Gagey, Elbers, Terner and Nanty, opened the discussion with the shareholders present in the auditorium, the answers to written questions having been posted online on the www.airfranceklm.com website at the start of the General Shareholders' Meeting, as allowed by law.

The questions raised during this hour-long discussion concerned the strategic transactions presented during the meeting, the arrangements for the reserved rights issues, the appointment of an additional Director to represent employees, relations with the new partners, and the 7th Resolution put to the vote of the meeting. A selection of these questions and answers reflecting the discussion is set out below, with a full transcript of the discussion available on the Company website at:
http://www.airfranceklm.com/fr/finance/actionnaires/webcast-ag.

Question on the reasons for which the partnership with Delta and CEA is linked to reserved capital increases

The Chairman said that the transactions had a dual, financial and strategic, objective. The strengthening of commercial partnerships in Asia and North America would provide the Group with a degree of stability and permanence and growth opportunities in these regions in the short- and mid-term.
Mr. Gagey said that the Air France-KLM group share price had still been very low, at around 5-6 euros, a few months earlier, demonstrating a degree of price fragility in the AFKLM share price, which had been factored in when determining the price. He promised that the rights issues reserved for members

of a company or Group savings plan and those reserved for China Eastern and Delta Air Lines would have beneficial effects for the Group. He added that the transaction had not been rushed and that it was based on considerable preparatory work.

Question on the need to renegotiate the Air France pilots' agreement as a result of the new joint venture

Mr. Terner said that there was a requirement to renegotiate the Air France and Delta pilot agreements in the event of major changes in the shape of the balance between the joint ventures. He explained that initial contacts had already been made with the pilots to clarify that the balance between Delta and Air France-KLM on the one hand and between China Eastern, China Southern and Air France on the other had not been not modified, in particular by Virgin's contribution, since Virgin was bringing new activity. He added he was not expecting any difficulties as to the outcome of the talks.

Question on the practical consequences of the acquisition of equity stakes in the Air France-KLM group by the new partners on the economic situation and the Group's independence.

The Chairman said that the North Atlantic joint venture accounted for the bulk of Air France-KLM's results and that it was therefore in the Group's interest to extend it. He added that these future joint ventures would strengthen the Group's network. He explained that the two new shareholders would have one member each on the Air France-KLM Board of Directors, but would not act in concert.

Question on the strategy with Alitalia

The Chairman said that Alitalia was still a member of the North Atlantic joint venture and that talks were ongoing to determine how it could remain within the new alliance in order to preserve its links, especially in the area of maintenance.
Mr. Terner added that negotiations had taken place recently in order to secure existing maintenance contracts with Alitalia.

Question on the reasons why a public offering was not decided upon

Mr. Gagey said that the Group, even recently, had been in a difficult situation. He explained that the situation was now different. The Company had a sufficient level of cash and that deleveraging was ongoing. He said that the transactions with Delta and China Eastern were more strategic than financial. AFKLM's objective was not, at the time of the discussions, to bring a public rights issue but to develop ties with these strategic partners.

Question on the absence of an equity stake purchase in China Eastern

Mr. Gagey first emphasised that the Chinese partner was taking a risk by investing in AFKLM He added that an investment in the Chinese airline would not have led to an improvement in the results expected from the partnership implemented.
The Chairman added that an investment of 250 to 300 million euros would only have allowed to the Group to acquire a symbolic stake in China Eastern Airlines' capital.

Question on the modalities of the vote on the 7th Resolution put to the vote at the meeting

Mr. Nanty said that the shareholders present or represented would be asked to vote on this new resolution presented by a shareholder at the same time as they voted on the other resolutions. Shareholders who had voted by correspondence had already been able to signal their position with respect to a possible new resolution, in accordance with the applicable arrangements.