Summary minutes of the Shareholders' Meeting of May 20, 2014

The Combined Ordinary and Extraordinary General Shareholders' Meeting of May 20, 2014, chaired by Alexandre de Juniac, Chairman and Chief Executive Officer, assembled more than 500 people at the Carrousel du Louvre, in the presence of the members of the Board of Directors. The quorum for the Meeting reached 57.93%, i.e. 171,490,146 votes of a total of 300,219,278 shares with voting rights, each share conferring the right to one vote. In total, the 12,635 shareholders present or represented adopted the 18 resolutions submitted to the vote.
The scrutineer functions were fulfilled by the French Agency for State Shareholdings (APE) represented by Solenne Lepage and by Bernard Pédamon (pilot employee shareholder), the two members present at the Shareholders' Meeting with the most votes.
The live broadcast of the Meeting was available on the website www.airfranceklm-finance.com.

Results of the voting on the resolutions

		For	Against	Abstention
1	Approval of the statutory financial statements for 2013	99.53%	0.43%	0.04%
2	Approval of the consolidated financial statements for 2013	99.53%	0.43%	0.04%
3	Allocation of the results for 2013	99.74%	0.22%	0.04%
4	Related party agreement and commitments	99.62%	0.26%	0.12%
5	Ratification of the co-opting of Ms. Isabelle Parize as a Board director	99.47%	0.44%	0.09%
6	Re-appointment of Ms. Isabelle Parize as a Board director for a four-year term of office	99.46%	0.45%	0.09%
7	Re-appointment of Mr. Christian Magne as a Board director representing the employee shareholders for a term of four years (other than flight deck crew category of employees)	74.36%	25.56%	0.08%
8	Appointment of Mr. Louis Jobard as a Board director representing the employee shareholders for a term of four years (flight deck crew category)	70.86%	29.04%	0.10%
9	Renewal of KPMG's mandate as an incumbent Statutory Auditor	97.13%	2.76%	0.11%
10	Appointment of KPMG Audit ID as a deputy Statutory Auditor	97.81%	2.07%	0.12%
11	Advisory vote on the elements of compensation due or granted in respect of the 2013 fiscal year to Mr. Alexandre de Juniac (Chairman and Chief Executive Officer since July 1, 2013)	96.44%	3.43%	0.13%
12	Advisory vote on the elements of compensation due or granted in respect of the 2013 fiscal year to Mr. Jean-Cyril Spinetta (Chairman and Chief Executive Officer until June 30, 2013)	99.28%	0.63%	0.09%

13	Advisory vote on the elements of compensation due or granted in respect of the 2013 fiscal year to Mr. Leo van Vijk (Deputy Chief Executive Officer until June 30, 2013)	99.35%	0.56%	0.09%
14	Authorization to be granted to the Board of Directors to perform operations in the Company's shares	99.02%	0.90%	0.08%
15	Authorization to be granted to the Board of Directors to allocate free existing shares, subject to performance conditions, to employees and company officers of the Group companies (excluding the company officers of the Company), within a limit of 2.5% of the share capital, for a period of 38 months	94.40%	5.55%	0.05%
16	Delegation to be granted to the Board of Directors to proceed with capital increases reserved to members of a company or Group savings scheme waiving the preferential subscription right for shareholders in an amount limited to 2% of the share capital, for a period of 26 months	93.03%	6.89%	0.08%
17	Amendment to articles 9.2, 9.3, 9.6.3, 14, 15 and 16 of the Articles of Incorporation	98.07%	1.78%	0.15%
18	Power to accomplish formalities	99.75%	0.20%	0.05%

Governance

Composition of the Board of Directors

On June 30, 2013, Mr. Jean-Cyril Spinetta stepped down as Chairman and Chief Executive Officer and Mr. Leo van Wijk stepped down as Deputy Chief Executive Officer and Vice-Chairman of the Board of Directors. Mr. Alexandre de Juniac was appointed Chairman and Chief Executive Officer, effective as of July 1, 2013.

A presentation was made to the Shareholders' Meeting on the Board of Directors and changes to the Board. Mr. Peter Hartman was appointed Vice-Chairman of the Board of Directors, effective as of July 1, 2013.

The co-opting of Ms. Isabelle Parize to replace Ms. Patricia Barbizet was ratified.

The mandates of Ms. Isabelle Parize and of Mr. Christian Magne were renewed and Mr. Louis Jobard was appointed as a Board director representing the employee shareholders (flight deck crew category). These three mandates have a four-year term of office. At the end of the Shareholders' Meeting, the Board of Directors numbered 14 members, of whom five were women (35.7%).

Compensation

Mr. van Wijk, Chairman of the Remuneration Committee, outlined notably the compensation policy for the Chairman and Chief Executive Officer, and the aims of Resolutions 15 (Authorization to allocated free existing shares) and 16 (Capital increase reserved to employees).

For the period from January 1 to June 30, 2013, the Chairman and Chief Executive Officer, Mr. Spinetta, and the Deputy Chief Executive Officer, Mr. van Wijk, received fixed compensation whose respective amounts were set at €100,000 and €75,000 by the Board of Directors, with no other form of compensation.

In his capacity as Chairman and Chief Executive Officer of Air France-KLM for the last six months of the 2013 financial year, Mr. de Juniac received total compensation (fixed and variable) whose amount was set by the Board of Directors at €375,000.

For the first time this year, these amounts were put to an advisory vote by shareholders, pursuant to the AFEP-MEDEF Corporate Governance Code.

Presentation of the 2013 financial year

(See also the Registration Document and the Annual Report available on the website or on request by mail)

Pierre-François Riolacci, the Air France-KLM Group's Chief Financial Officer, gave a presentation on activity and the financial results for the 2013 financial year.

Key figures

- Revenues: €25,520 million
- EBITDA: €1,855 million
- Operating result: €130 million
- Adjusted net result: € -349 million
- Operating free cash flow: €538 million
- Net debt at end of period: €5,350 million

Activity

Having given a presentation on the key figures for the financial year, characterized notably by a negative currency impact during the second half, Mr. Riolacci reviewed the Group's main businesses.

Under the effect of Transform 2015, the **passenger business,** which represents 80% of the Group's revenues, saw a significant improvement in profitability. The operating result, which improved by €434 million, returned to positive territory to stand at €174 million. The restructuring of the network enabled a 0.6 point improvement in the load factor, which reached 83.8%. While the unit revenue rose by 0.8% excluding currency, unit costs fell by 1.8% excluding currency.

For its part, the **cargo business** suffered from weak global trade and industrial overcapacity. Despite robust efforts on unit costs (-4.9% excluding currency), the operating result improved by only €28 million in 2013 as unit revenues continued their sharp decline (-4.2% excluding currency).

The **maintenance business** posted growth of nearly 5% and generated an operating result of €159 million. At March 31, 2014, the order book had reached €5.2 billion, markedly higher than its level of December 2012 thanks, notably, to the signature of a contract with Air China.

As foreseen in the Transform 2015 plan, the development of **Transavia** continued in 2013, with revenues of nearly €1 billion and an operating result approaching break-even (€-23 million).

Lastly, the **catering business** generated third-party revenues of €340 million, growth of around 7% on a constant scope, with a very strong results improvement thanks to restructuring.

Financial results

As the first full year of Transform 2015 whose execution was fully on track, the 2013 financial year was an important year in terms of cost reduction. Employee costs declined by 2.1%, while aircraft costs were down by 2.4%. The increase in aircraft maintenance costs (+18%) was not a concern in that it was linked to the increase in third-party revenues. The unit costs on maintenance of the Group's aircraft were down by 2%. The performance on employee costs was even more remarkable in that they were reduced by 2.8% excluding currency, scope and technical effects, i.e. an improvement of €218 million.

Analysis of the change in operating result between 2012 (€-336 million) and 2013 (+€130 million) showed that the improvement was exclusively linked to the efforts to reduce unit costs (€466 million). The effects of the environment neutralized each other, a negative currency impact offsetting a positive fuel price effect. The difficult economic environment was reflected in stable unit revenue.
Since the launch of the Transform 2015 plan, the Group had thus improved its performance by €50 million to €150 million each quarter.

In addition to their contribution to the income statement, these efforts were seen in the company's cash-flow generation. In 2013, operating free cash-flow increased by €450 million relative to 2012. The Group contributed €183 million to its Voluntary Departure Plans and benefited from a structural improvement in working capital requirement (€370 million in 2013).
Investments were markedly lower since the Group benefited from the efforts made in the previous years to dispose of a relatively young, competitive fleet. Thanks to it, the Group is also able to manage its investment profile.
In total, debt was reduced by €600 million to €5.3 billion and the debt ratios saw a strong improvement.

Outlook

Mr. Riolacci briefly mentioned the 2014 outlook. In the first quarter, the reduction in costs continued with a 1.7% decline in the unit cost and an improvement of some €87 million in the operating result. Expectations were higher for the second and third quarters of the year, which are traditionally more significant for the Group's activity.
The environment was unchanged on 2013, which is to say it remained uncertain with no real signs of recovery, a continued strong euro and a fuel price which remained, on the other hand, fairly favorable. The passenger business was penalized by the calendar effect of Easter which fell in March during 2013 and April in 2014.

Share price and relations with individual shareholders

In closing, Mr. Riolacci highlighted the numerous measures implemented in favor of individual shareholders which saw Air France-KLM win the Shareholder Relations award in November 2013.
Mr. Riolacci concluded his presentation with a few comments on the share price, which had seen a marked appreciation over the past two years. Admittedly there were structural factors explaining this rise, like the abundant liquidity in the equity market or the increased investor appetite for European cyclical stocks, but the effective execution of the Transform 2015 plan had led to renewed shareholder confidence.
The best evidence of this was the arrival in the share capital of some very large so-called 'long-only' investment funds, considered by Mr. Riolacci to be '*good shareholders'*.

Strategy

The Chairman, Alexandre de Juniac, then took the floor starting with a film focusing on the Group's ambitions. Before outlining some major strategic orientations, the Chairman shared his vision of the market, highlighting three main trends:

- **A growth market**
  In 2013, the air transport market grew by 5.2% with between +5% and +6% expected for 2014. The global economic outlook pointed to this trend continuing in the coming years while shifting focus: it should be much stronger in the emerging markets (whether in Asia, South America or Africa) than in Europe. The European market was, however, expected to pick up.

- **Tough and sometimes inequitable competition**
  Competition in the sector remained tough. All the more so in that it was sometimes inequitable. This was due to the growth of new players such as the Gulf State carriers which had pushed the Group to ask the authorities to establish a level playing field to ensure fair competition.
  In Europe, the low cost carriers represented the most serious competitors since they now had 40% market share. It was slightly below this in France, explaining why they considered the country a target market.
  The Group counts on the public authorities to support the re-establishment of more equitable market conditions. It was legitimate to assist, protect and promote air transportation. Air France-KLM was an enormous contributor in fiscal terms.

- **Development of digital in the distribution channels**
  The sector was undergoing a major transformation with the rapid emergence of digital in all the distribution channels. Passengers were increasingly using the internet to purchase their tickets. For example, more than half of Delta's revenues were generated over the internet and, for the low cost carriers, this figure was as high as 100%. For Air France-KLM, this figure was a quarter but developing fast.

Mr. de Juniac then spoke about the Group's strategy to contend with these market developments. He started with a progress report on the Transform 2015 plan. '*As Pierre-François Riolacci has highlighted, we have been working on Transform 2015 since 2012, thanks to the roll-out of more than 90 projects which have been managed, verified and monitored extremely closely in terms of results, costs and contribution to cash. At both KLM and Air France, this has enabled us to deliver on the performance commitment we gave to you, our employees and everyone who follows us in terms of cost reduction. This is why we are on track to achieve the targeted cost reduction: 0.4 euro cents per seat-kilometer. This might seem a bit technical or jargon-based, but know that it broadly corresponds to a 10% reduction in costs. This is a* ***return to a competitive position*** *comparable to that of our main peers in Europe, the British and German groups with whom you are familiar.*'
Mr. de Juniac then stressed that the race would not end in 2015 but was, however, set to continue. To prepare for the future, a strategic plan was in the planning stage to be unveiled in more detail during the summer of 2014. Mr. de Juniac focused on several lines of this plan:

- **Competiveness as the condition for growth**
  '*The plan will involve pursuing the mandatory improvement in our competitiveness. While improved, we cannot be content with the cost position we will have reached at the end of Transform 2015 since our competitors (those I mentioned earlier but also others like the Gulf State carriers and the Asian airlines) continue to develop and gain ground extremely rapidly!*
  I would thus like to propose to all the stakeholders, and particularly the Group's employees and their representatives, a 'competitiveness contract' for growth. Without competitiveness, we shall not be able to grow at the same rate as the market demands, the 5% to 6% I mentioned. To grow at this rate, we must continue to improve our competitive position and our cost structure. This is absolutely vital!'

- **Maintaining our commercial offensive**
  '*Much of the required investment is already underway with, at Air France, an investment of €500 million in the renovation of 44 Boeing 777s: the whole of the cabin, La Première whose new seat you have seen, Business class also with a new seat and the Economy seats, a new in-flight service and a new cabin in line with the highest international level. The same is true for KLM Group but a little earlier since the renovation of KLM's World Business Class started in August 2013 with a new seat.*

  Additionally, to complete the renovation of both the KLM and Air France fleets, we are going to invest some hundreds of million euros in harmonizing the fleet and offering our customers a product in line with the highest international level.

  We must upgrade our quality standards and improve the service that we offer in keeping, moreover, with a repositioning of our brands.

  Secondly, we need to increase our market presence and step up our commercial offensive; this is reflected in the Mini fares at Air France and the Journeys of Inspiration at KLM which have enabled us to win back customers seeking an attractive proposition at Air France and KLM.

  We need to be more dynamic in the promotion and management of our brands. We are now a Group with four strong brands, Air France and KLM being the two major global premium brands, Hop! the regional brand, and Transavia, the low-cost brand.

  It also involves the creation of new on-board services, new discount passes, the use of Flying Blue miles extended to Transavia and the improvement in our ground products. It is very important to also take good care of our passengers on the ground, with the improvement in our lounges at both

CDG and Schiphol and the refitting of the Sky Priority zones at Charles de Gaulle. We are talking about a considerable effort directed at all passenger channels, including the digital dimension starting from passenger homes at the time of booking to dialogue on our websites and the moment they leave the airport having completed their journeys.

Lastly, we are focusing a particular effort on gastronomy. This will come as no surprise. We are not Air France for nothing. We have turned to leading Michelin-starred chefs to improve our in-flight catering across all classes but particularly in Business and La Première.'

- **Long-haul partnerships**
  '*We have already built a unique network with major partners based on the pooling of resources on a number of routes.*
  Our joint-venture with Delta is an immense undertaking: US$11 billion of revenues, 23% of total capacity on the North Atlantic, and an extremely profitable business which has led to the creation to a real air bridge between Europe and North America in highly profitable conditions.

  We have developed this model in Asia and particularly in China where we have four powerful partners, China Southern, China Eastern, Xiamen Airlines and China Airlines.

  Secondly, this is also the case in the other region of this enormous Asian continent, namely the Persian Gulf, with the implementation of a partnership with Etihad, one of the three Gulf State carriers, launched in 2012, which takes the form of daily flights between our two hubs Schiphol and Charles de Gaulle on one side, and Abu-Dhabi on the other, and with a number of code shares, either on departure from our European hubs (24 destinations under code share) or on departure from Abu Dhabi (20 destinations under code share).

  Concerning Africa, the Group has a very strong presence in West Africa thanks to Air France and in East Africa via KLM. Thanks to our joint-venture with Kenya Airways, we have a very solid partnership enabling us to serve 22 destinations. It was extended in 2014 and covers €400 million of revenues.

  Latin America is also a sector where we are expanding rapidly and now serve 12 destinations. In Summer 2014, we are the leading operator between Europe and Latin America. We are now developing a very extensive agreement with the number two Brazilian carrier, GOL.

  Through these partnerships, we are building the Air France-KLM Group's intercontinental network under conditions which we believe, as we have done in North America, should enable it to enjoy profitable growth.

- **Short and medium-haul: the right tool for the right segment**
  '*Short and medium-haul is a major and difficult subject which the Group is confronting and must continue to address. In this area, we plan to develop the short and medium-haul operations by using the right tools for specific market segments: Hop! for the regional market, Air France, KLM and KLM Cityhopper to feed the hubs, and Transavia to address the leisure and low cost market, with a low cost tool.*
  Our strategy on Transavia is very clear. It is not just to reinforce the activities in France and the Netherlands but also to establish the foundations of a low-cost, pan-European operation beyond the Dutch and French frontiers to represent the Air France-KLM Group's low-cost tool at the service of expanding and reinforcing the Group's commercial footprint in Europe, and also strengthen our presence in the leisure sector which is seeing the fastest growth in Europe (so-called VFR or Visiting Friends and Relatives).

- **Cargo: a business which will remain important but requiring further restructuring**
  The cargo business is in difficulty. We are embarked on a restructuring of this business which is and will remain an important activity for the Group since we have considerable cargo capacity within the bellies of our passenger aircraft. It will thus remain an important business for the Group which makes a very positive contribution to the profitability of our passenger business.

However, the full freighter operations are experiencing very major difficulties, leading us to significantly reduce the number of aircraft. We had planned to curtail the number of full freighters to 10 in 2015 but are going to have to do more in terms of scaling back this full freighter activity by retiring more aircraft (we were at 25 a few years ago). All the options are on the table and under consideration: partnerships, a partial sale of this business or restructuring.'

- **Investing in maintenance**
  '*The maintenance business is seeing profitable growth as witnessed by the 2013 figures. We are the number two globally, behind Lufthansa Technik. This business is continuing its very strong development, either by organic growth via the signature of contracts, like the one with Air China (more than €1 billion), or by external growth.*
  This is a sector in which we shall be investing significant resources to extend the Group's world-wide commercial and industrial footprint as we did, for example, a few weeks ago with the acquisition of Barfield in Miami for North America, or through partnerships with very large component or engine manufacturers. For example, these partnerships are functioning very well with General Electric.
  To sum up, maintenance is a developing, growth sector in which we plan to invest.'

In total, we have a plan structured around our different activities, a growth plan, a development plan, which nonetheless requires pursuing the generation of significant productivity gains.'

Dialogue with shareholders

The Chairman then opened the dialogue with the shareholders attending the meeting by noting that, pursuant to law, the answers to questions in writing had been posted on the www.airfranceklm-finance.com website as of the beginning of the Meeting.
The themes addressed in this dialogue lasting one hour were mainly the Group's strategy and its sustainable development policy. Given the large number of questions, the questions and answers figuring below are those which provide the best summary of the different exchanges.

Strategy

Question relating to the interest for the Group of fighting so hard for the full freighter activity in that 2013 witnessed an 8% increase in ocean container freight.

Alexandre de Juniac said that the difficulties in the Cargo business were the result of three phenomena. Global trade had never returned to its pre-2008-crisis levels of volume and dynamism despite an improvement in 2013. He also pointed to the world-wide over-capacity in full freighters which was having a negative impact on prices resulting in numerous carriers, particularly the Asian and Gulf State airlines, having excess capacity with full freighter aircraft set to come into revenue service. Lastly, he confirmed that ocean freight was a very tough competitor which had significantly improved its logistics conditions and speed of transportation, now being capable of transporting merchandise that hitherto only airlines had been able to carry (e.g. fresh vegetables and flowers), which was taking business away from or reducing the markets which had traditionally been important for the Group. The Chairman said that it had thus been decided to significantly scale back this full freighter activity, with a forecast of only 10 full freighter aircraft in 2015, and probably fewer subsequently, since a more extensive restructuring plan was under consideration.

Question relating to the strategy adopted by the Group with regard to Alitalia following the recent announcement from a Gulf State airline of the potential acquisition of a controlling interest in Alitalia.

Alexandre de Juniac reminded the Meeting that the Group had held 25% of Alitalia until the previous autumn, at which time the Group refused to subscribe to the capital increase in that a number of conditions had not been fulfilled : financial restructuring, industrial restructuring, social restructuring of the Alitalia Group. The Group's shareholding had thus been diluted to around 7% of the share capital. The Chairman stipulated that Etihad had imposed conditions which appeared very similar to those required by the Group, or in all likelihood even more severe, and that it was up to the Alitalia shareholders, the public authorities, the Alitalia unions and creditors, particularly the banks, to decide whether they would accept Etihad's conditions. The Chairman added that Etihad could not purchase more than 49% of Alitalia because it was a non-European company. As for the Group's reaction to this news, the Chairman said that, if the Etihad move was friendly and in consultation with Air France-KLM, it would be possible to consider a form of cooperation with Etihad in Alitalia. On the other hand, were the Etihad operation on Alitalia not to prove amicable and turn out to be unfavorable for Air France-KLM, the Chairman indicated that a review would be conducted on the option of a more significant withdrawal from Alitalia.

Question: in the light of the disappearance at Orly of numerous activities in recent years, notably in the catering sector, the Air France coaches and soon cargo, will other activities be sub-contracted and will the employees impacted by the effects of sub-contracting and the Transform plan be supported at the social level?

Frédéric Gagey (Chairman and Chief Executive Officer of Air France) noted, firstly, that many people sub-contract their activities to the Group in numerous areas (engine overhaul, chartering, catering), enabling the Group to develop its operations. For example, this was recently the case with the signature of an engine support contract on Air China's B777 fleet amounting to more than €1 billion over ten years. This exchange of activities, of services between airlines, means that individual companies are tending to specialize in areas where they are the strongest and the best. Lastly, he noted that the Group's transformation was requiring some adjustments and restructuring and that, whenever such restructuring had an impact on employees, the latter should receive all the attention and support needed to ensure that such restructuring took place in the most acceptable way possible. He added that, in a Group of this scale, restructuring and in-depth transformation necessarily required mobility and that this effort was already paying off and leading to an improvement in Air France's economic positioning.

Question on the prospect of a reinstatement of dividends.

Alexandre de Juniac noted that, when the net result returns to positive territory and the company's cash position, which is by no means bad, allows this, the reinstatement of a dividend distribution will be envisaged. Realistically speaking, the Chairman did not see this happening before the end of the 2015 financial year, i.e. the 2016 Shareholders' Meeting.

Sustainable development

Question from VBDO relating to the circular economy and the main objective for 2015, announced in the Registration Document, to operate 1% of the fleet with bio-fuels. VBDO asks about the main obstacles to be overcome to achieve this objective and the strategies to be implemented to surmount such obstacles.

Camiel Eurlings (President and Chief Executive Officer of KLM) firstly noted that, for both KLM and Air France, it was very important to remain the leader in sustainable development (number one in the Dow Jones Sustainability index). He went on to say that part of this effort was focused on bio-fuels and that the Group aimed to mix 1% bio-fuel in the total quantity of fuel used by the Group in 2017. Mr. Eurlings then stipulated that KLM, in cooperation with the World Wildlife Fund Netherlands, had announced that wherever possible this target could be achieved even earlier, in 2015, knowing that rising to this challenge would not be easy. He indicated that the Group was going to pursue this avenue but that the real challenge consisted of manufacturing a new bio-fuel in sufficient quantities. Sustainable bio-fuels which are acceptable from an environmental perspective could only currently be manufactured in very limited quantities.