

# CONVENING NOTICE

COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING



TUESDAY MAY 15, 2018  
AT 2.30 PM

AT THE ESPACE GRANDE ARCHE  
PARVIS DE LA DÉFENSE  
92044 PARIS LA DÉFENSE

**AIRFRANCE KLM**

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## CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S MESSAGE



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“Air France-KLM closed 2017 with strong results boosted by a positive business environment. Thanks to the commitment of employees and the continuing focus on the quality of customer service, the group confirmed its leadership position in Europe in traffic terms while reporting an operating income increase of 42% and significantly improving its financial profile. These achievements went hand in hand with major strategic advances including the strengthening and broadening of our network of alliances following the acquisition by Delta Air Lines, Inc. and China Eastern Airlines of equity interests in Air France-KLM, and the successful launch of Joon. As we enter 2018, in a context of rising oil prices and even more intense competition, we will pursue the offensive, work on competitiveness and unit cost reduction, and capitalize on the realizations of 2017 in order to maintain a profitable growth momentum.”

Dear shareholder,

I am delighted to invite you to Air France-KLM's Combined Ordinary and Extraordinary Shareholders' Meeting to be held at 14h30 on Tuesday May 15, 2018 at the Espace Grande Arche, Parvis de La Défense, Paris La Défense, France.

Attended by the members of the Board of Directors and the Group's senior management, the Shareholders' Meeting is a unique opportunity to share information, exchange and dialogue, and for you to vote on the resolutions submitted for the Shareholders' Meeting's approval.

I very much hope you will be able to participate by attending personally, arranging to be represented or by voting by mail. To encourage a maximum level of participation by shareholders in a simple, secure and swift voting process, Air France-KLM also offers you the option of voting *via* the internet.

Thank you in advance for the consideration that you will give to these resolutions.

Yours faithfully

**Jean-Marc Janailac**

Chairman and Chief Executive Officer of Air France-KLM

# COMPLETE THE MEETING FORMALITIES BY INTERNET WITH THE **E-CONVENING** NOTICE AND **E-VOTE**



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**A SIMPLE,  
SWIFT and  
SECURE service  
to encourage  
maximum  
shareholder  
participation  
in voting**

Whether you hold your shares in **registered or bearer** form or hold units in **employee FCPEs**, Air France-KLM enables you to complete all the formalities required to participate in the Shareholders' Meeting in a few clicks, wherever you may be!

As of **April 20, 2018 (11h00)**,  
*via* a secure website, you will be able to:

- request then print your admission card;
- vote;
- grant a proxy to the Chairman; or
- grant a proxy to a third party.

Find all the information on the Annual Shareholders' Meeting at: [www.airfranceklm.com](http://www.airfranceklm.com) (section Finance/Shareholders/Annual General Meeting)

Respect for the environment is a key commitment in Air France-KLM's Corporate Social Responsibility policy. As a shareholder, you can contribute to this goal by choosing to receive your convening notice by email and/or voting by internet.

# AGENDA

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## I. Ordinary business

1. Approval of the statutory financial statements and transactions for the financial year ended December 31, 2017
2. Approval of the consolidated financial statements and transactions for the financial year ended December 31, 2017
3. Allocation of the income (or loss) for the financial year ended December 31, 2017
4. Ratification of the co-opting of Ms. Anne-Marie Idrac as a Board director
5. Re-appointment of Ms. Isabelle Parize as a Board director for a four-year term
6. Appointment of Mr. François Robardet as a Board director representing the employee shareholders (ground staff and cabin crew employee shareholders) for a four-year term
7. Appointment of Mr. Paul Farges as a Board director representing the employee shareholders (flight deck crew employee shareholders) for a four-year term
8. Vote on the elements of compensation paid or granted to Mr. Jean-Marc Janaillac in respect of the 2017 financial year, in his capacity as Chairman and Chief Executive Officer
9. Approval of the elements of the compensation policy for the Chairman and Chief Executive Officer
10. Setting of the amount of directors' fees
11. Authorization to be granted to the Board of Directors to carry out transactions involving the Company's shares

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## II. Extraordinary business

12. Increase of the total nominal cap amount foreseen in the 12th resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017 granting a delegation of authority to the Board of Directors for a 26-month period, for the purpose of issuing ordinary Company shares/and securities granting access to other Company capital securities to be issued in the future or granting the right to the allocation of debt securities, while maintaining preferential subscription rights for shareholders, valid until July 15, 2019 (usable outside the context of a public tender offer) to set this cap amount at €214 million (i.e., given the amount already used, an available cap of around €139 million)
13. Delegation of authority to be granted to the Board of Directors for a 14-month period, to carry 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
14. Powers to accomplish formalities

# CONDITIONS FOR PARTICIPATING IN THE SHAREHOLDERS' MEETING

## Conditions for participating in the Shareholders' Meeting

**Shareholders of Air France-KLM and unit-holders in the Aéro pélican, Concorde and Majoractions FCPEs have the right to attend and vote in the Shareholders' Meeting, regardless of the number of shares or FCPE units they hold, provided that these securities are registered at the latest two business days prior to the date of the Meeting ("record date"). For the Air France-KLM Combined Ordinary and Extraordinary Shareholders' Meeting on May 15, 2018, this record date will thus be May 11, 2018 at 0h00 (Paris time).**

## How to exercise your voting rights

**As a shareholder or FCPE unit holder, you have several ways to exercise your voting rights:**

- by attending the Meeting in person (admission card request);
- by giving the Chairman the power to vote on your behalf;
- by voting by mail;
- by arranging to be represented by another natural person or legal entity of your choice.

You can make your choice either via the internet or by mail as specified below.

**N.B. :** The option you choose for participating in the Shareholders' Meeting (whether by mail or internet voting, granting a proxy or requesting an admission card) is final.

### A. You wish to attend the Meeting in person

Shareholders or holders of FCPE units wishing to attend the Meeting in person must request **an admission card**.

#### 1) You hold your shares in registered form

- You wish to make your request on the Sharinbox website:



As of 11h00 (Paris time) on April 20, 2018 until 15h00 (Paris time) on May 14, 2018, with your usual identifier and password, you can print your admission card directly from the Sharinbox website, **[www.sharinbox.societegenerale.com](http://www.sharinbox.societegenerale.com)**.

Should you lose or forget your identifier/password, just go to the home page of the website and click on "Get your codes".

Then click on Air France-KLM Shareholders' Meeting in the "Current operations" section of the home page. Select the operation, follow the instructions and click on the "Vote" link in the "Your voting rights" section. You will automatically be redirected to the voting website.

- You wish to make your request by mail:

To obtain your admission card, you must check **Box A** in the form which has been mailed to you and return it to Société Générale, Air France-KLM's agent, using the pre-paid envelope.


If you have forgotten to request an admission card, you can still participate in the Meeting provided you bring proof of identity.



**In the event that the admission card you have requested has not arrived two days before the Shareholders' Meeting, you can find out about its status by contacting the Société Générale admission card call center from Monday through Friday between 8h30 and 18h00 Paris time on 0825 315 315 (cost of the call: €0.15/minute excluding VAT).**

## 2) You hold your shares in bearer form


You must request an admission card from your financial intermediary who will send a certificate proving that your shares were registered on the record date to Société Générale, Service Assemblées, CS 30812, 44308 Nantes Cedex 3, France. If you sell shares between the moment you indicate your voting intentions and the second business day before the Meeting, i.e. May 11, 2018, your financial intermediary must notify Société Générale of the sale and forward the necessary information. After this date, no notifications will be taken into account.

 If your account holders use the Votaccess website, as of 11h00 (Paris time) on April 20, 2018 until 15h00 (Paris time) on May 14, 2018, with your usual identifier and password, you can also print your admission card directly from the website of the bank responsible for managing your Air France-KLM shares.

You can then access the Votaccess website by clicking on the icon that will appear on the line corresponding to your Air France-KLM shares and follow the procedure indicated on the screen.

## 3) You hold FCPE units

You must make your request on the internet:

 As of 11h00 (Paris time) on April 20, 2018 until 15h00 (Paris time) on May 14, 2018, you can print your admission card from the <https://airfranceklm.voteassemblee.com> website, using the identifier and password mailed to you in mid-April, just follow the procedure indicated on the screen.


If you are unable to access the dedicated website, you can request all the documentation required to participate in the Meeting before May 9, 2018 at the following address: Société Générale, Service Assemblées, CS 30812, 44308 Nantes Cedex 3, France.

To obtain your admission card, you must check **Box A** in the voting form which you should have received by mail and return it using the pre-paid envelope.

## B. If you are unable to attend the Meeting in person

### If you wish to vote or grant a proxy by internet

#### 1) You hold your shares in registered form


 You just need to connect to the Sharinbox website, [www.sharinbox.societegenerale.com](http://www.sharinbox.societegenerale.com), with your usual identifier and password.

Should you lose or forget this identifier/password, just go to the home page of the website and click on "Get your codes".

Then click on Air France-KLM Shareholders' Meeting in the "Current operations" section of the home page. Select the operation, follow the instructions and click on the "Vote" link in the "Your voting rights" section. You will automatically be redirected to the voting website.


This secure website, which is dedicated to voting ahead of the Shareholders' Meeting, will be open from 11h00 (Paris time) on April 20, 2018 until 15h00 (Paris time) on May 14, 2018.

#### 2) You hold your shares in bearer form and your account holders use the Votaccess website

 You just need to connect, with your usual identifier and password, to the internet portal of the bank responsible for managing your securities account, provided that the latter has joined the Votaccess website, then click on the icon which will appear on the line corresponding to your Air France-KLM shares and follow the procedure indicated on the screen.

You will then access the Votaccess voting website which will be open from 11h00 (Paris time) on April 20, 2018 until 15h00 (Paris time) on May 14, 2018.

#### 3) You hold FCPE units

 You just need to connect to the <https://airfranceklm.voteassemblee.com> voting website, using the identifier and password which were mailed to you in mid-April, then follow the procedure indicated on the screen.

This secure website, which is dedicated to voting ahead of the Shareholders' Meeting, will be open from 11h00 (Paris time) on April 20, 2018 until 15h00 (Paris time) on May 14, 2018.

## If you wish to vote or grant a proxy by mail

### 1) You hold your shares in registered form

You just need to complete the form you will have received by mail (follow the instructions on *page 8* of this document) and return it to Société Générale by May 11, 2018 at the latest, using the pre-paid envelope that you will also have received.

You can also notify the designation and revocation of a representative (natural person or a legal entity) electronically, pursuant to Article R. 225-79 of the *Code de Commerce*. You must send, by the day before the Meeting, i.e. May 14, 2018 before 15h00 (Paris time) at the latest, an email incorporating an electronic signature obtained from a certifying third party authorized in accordance with the legal and regulatory conditions in force, to the following email address: **mail.assemblee@airfranceklm.com**, specifying your surname, first name, address and Société Générale identifier if you hold your shares in direct registered form (information available on the top left of your account statement) or your identifier with your financial intermediary if you hold your shares in administered registered form, together with the surname, first name and address of the representative to be designated or revoked.

Only notifications of the designation or revocation of representatives should be sent to the aforementioned email address. Any requests or notifications on other matters cannot be taken into account and/or dealt with.

### 2) You hold your shares in bearer form

You can obtain a mail voting form or proxy from your financial intermediary.

You then need to follow the instructions on *page 8* of this document to complete the form, remembering to date and sign it at the bottom.

The mail voting form must then be sent to your financial intermediary who will forward it to Société Générale at least three days prior to the Meeting, i.e. by May 11, 2018 at the latest, accompanied by a shareholding certificate.

You can also notify the designation and revocation of a representative (natural person or a legal entity) electronically, pursuant to Article R. 225-79 of the *Code de Commerce*. By the day before the Meeting, i.e. May 14, 2018 before 15h00 (Paris time) at the latest, you must then send an email incorporating an electronic signature obtained from a certifying third party pursuant to the legal and regulatory conditions in force, to the following email address: **mail.assemblee@airfranceklm.com**,

specifying your surname, first name, address and bank reference details together with the surname, first name and address of the representative being either designated or revoked. It is imperative that you then ask the financial intermediary responsible for managing your securities account to send written confirmation (by mail or fax) to Société Générale, Service Assemblées, CS 30812, 44308 Nantes Cedex 3, France.

Only notifications of the designation or revocation of representatives should be sent to the aforementioned email address. Any requests or notifications on other matters cannot be taken into account and/or dealt with.

### 3) You hold FCPE units

If you are unable to access the dedicated website you can request all the documentation enabling you to vote or grant a proxy by mail, before May 9, 2018, at the following address: Société Générale, Service Assemblées, CS 30812, 44308 Nantes Cedex 3, France.

You then need to follow the instructions on *page 8* of this document, remembering to date and sign the bottom of the voting form.

The voting form must arrive at Société Générale by May 11, 2018 at the latest, using the pre-paid envelope you will have received.

You can also notify the designation and revocation of a representative (natural person or a legal entity) electronically, pursuant to Article R. 225-79 of the *Code de Commerce*. You must send, by the day before the Meeting, i.e. May 14, 2018 before 15h00 (Paris time) at the latest, an email incorporating an electronic signature obtained from a certifying third party authorized in accordance with the legal and regulatory conditions in force, to the following email address: **mail.assemblee@airfranceklm.com**, specifying your surname, first name, address and identifier together with the surname, first name and address of the representative to be designated or revoked.

Only notifications of the designation or revocation of representatives should be sent to the aforementioned email address. Any requests or notifications on other matters cannot be taken into account and/or dealt with.

**NB:** *shareholders who have already cast their votes by mail, forwarded proxies or requested admission cards or shareholding certificates to attend the meeting personally may not opt for another voting method.*



## How to ask a question during the Meeting

The Shareholders' Meeting is the opportunity for privileged access when you are able to put a question to the Chairman during the question and answer session preceding the vote on the resolutions. You may also submit a question in writing. Questions in writing must be sent by registered letter to Air France-KLM SG.GL BS, Tremblay en France, 95737 Roissy Charles de Gaulle Cedex, France, accompanied by a registration certificate for shares held either in registered or bearer form, at least four business days before the Shareholders' Meeting, i.e. May 7, 2018.

A single answer may be given for questions addressing the same subjects. Note that the answers to questions in writing may be published on the Company's [www.airfranceklm.com](http://www.airfranceklm.com) website in a section dedicated to questions and answers in writing and will then be deemed to have been given.

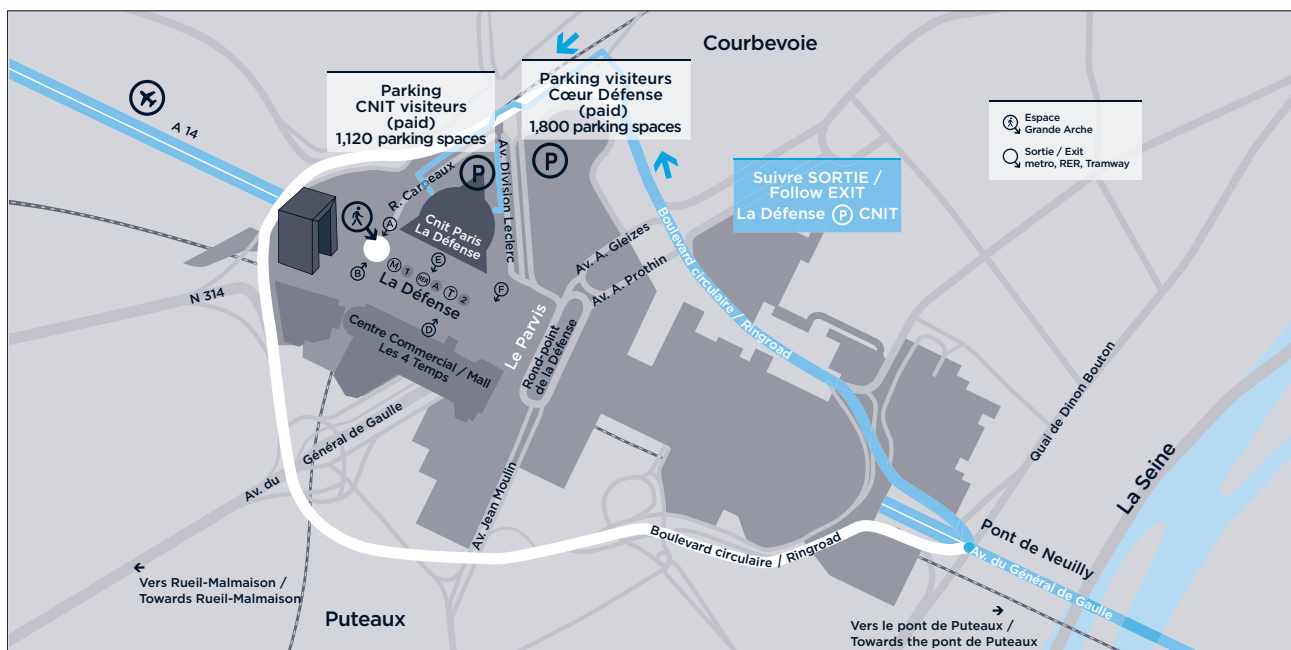
## How to request the documentation relating to the Meeting

To consult the Registration Document (containing, notably, the statutory and consolidated financial statements and the management report of the Board of Directors), you just need to:

- go to the [www.airfranceklm.com](http://www.airfranceklm.com) website where you can also access all the Group's other publications together with all the documents and information provided pursuant to Article R. 225-73-1 of the *Code de Commerce*; or
- fill in the document request form provided on the last page of this document and send it to Société Générale, Service Assemblées, CS 30812, 44308 Nantes Cedex 3, France.

For additional information, please contact the Shareholder Relations Department at the following email address: [mail.actionnaires@airfranceklm.com](mailto:mail.actionnaires@airfranceklm.com)

## Espace Grande Arche - Parvis de La Défense



NB.: All luggage must be presented to the security staff and, if necessary for the largest items, be deposited in the lockers provided.

### By car

Road access from Paris Boulevard Périphérique:

- exit at Porte Maillot towards La Défense;
- follow the direction of Neuilly (avenue Charles de Gaulle);
- take the Pont de Neuilly, then the ringroad, serving all the La Défense districts;
- exit at La Défense 6;
- follow the signs for Parking Visiteurs or Exposants Cnit.

### Other parking options:

- exit at La Défense 7 Parking Valmy;
- exit at La Défense 4 Parking Center.

From these car parks, take the pedestrian exit to the Parvis de La Défense, and access the "Espace Grande Arche" by the main entrance symbolized by a totem at the foot of the Grande Arche.

### Pedestrian access

**Subway:** line 1, La Défense station (Terminus)  
**RER:** line A, La Défense station (Grande Arche)  
 Direct access to Espace Grande Arche via Exit A or B.

### From Roissy Charles de Gaulle airport

50 min: **RoissyBus**

30 min by car

### From Orly airport

60 min: **orlybus** then or

40 min by car

## How to complete the form

### Stage 1

**If you want to attend the Meeting and receive your admission card, check **Box A**.**

**If you are not able to attend the Meeting and want to vote by mail or be represented, see Stage 2.**

**AIR FRANCE-KLM**  
2, rue Robert Esnault-Pelterie  
75007 PARIS - FRANCE  
S.A. au capital de € 428 634 035  
552 043 002 RCS Paris

**ASSEMBLÉE GÉNÉRALE MIXTE**  
Convoquée le 15 mai 2018 à 14h30  
A L'Espace Grande Arche  
Parvis de La Défense - 92044 Paris La Défense

**COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING**  
To be held on May 15th, 2018 at 2:30 pm,  
at L'Espace Grande Arche  
Parvis de La Défense - 92044 Paris La Défense (France)

**CADRE RÉSERVÉ À LA SOCIÉTÉ - FOR COMPANY'S USE ONLY**

Identifiant - Account

Nombre d'actions / Number of shares

Porteur / Bearer

Vote simple / Single vote

Vote double / Double vote

Nombre de voix - Number of voting rights

**A** **TANT** : Avant d'exercer votre choix, veuillez prendre connaissance des instructions situées au verso - **Important** : Before selecting please refer to instructions on reverse side que soit l'option choisie, noircir comme ceci  la ou les cases correspondantes, dater et signer au bas du formulaire - **Whichever option is used, shade box(es) like this , date and sign at the bottom of the form**

**A.** Je désire assister à cette assemblée et demande une carte d'admission : dater et signer au bas du formulaire. / **I wish to attend the shareholder's meeting and request an admission card : date and sign at the bottom of the form.**

**B.** J'utilise le formulaire de vote par correspondance ou par procuration ci-dessous, selon l'une des 3 possibilités offertes / **I prefer to use the postal voting form or the proxy form as specified below.**

**C** **JE VOTE PAR CORRESPONDANCE / I VOTE BY POST**  
Cf. au verso (2) - See reverse (2)

Je vote OUI à tous les projets de résolutions présentés ou agréés par le Conseil d'Administration ou le Directoire ou la Gérance, à l'EXCEPTION de ceux que je signale en noircissant comme ceci  la case correspondante et pour lesquels je vote NON ou je m'abstiens.

**I vote YES all the draft resolutions approved by the Board of Directors, EXCEPT those indicated by a shaded box - like this , for which I vote NO or I abstain.**

1	2	3	4	5	6	7	8	9	Oui / Yes	Non/No	Abst/Abs	Oui / Yes	Non/No	Abst/Abs
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	A	<input type="checkbox"/>	<input type="checkbox"/>	F	<input type="checkbox"/>	<input type="checkbox"/>
10	11	12	13	14	15	16	17	18	B	<input type="checkbox"/>	<input type="checkbox"/>	G	<input type="checkbox"/>	<input type="checkbox"/>
19	20	21	22	23	24	25	26	27	C	<input type="checkbox"/>	<input type="checkbox"/>	H	<input type="checkbox"/>	<input type="checkbox"/>
28	29	30	31	32	33	34	35	36	D	<input type="checkbox"/>	<input type="checkbox"/>	J	<input type="checkbox"/>	<input type="checkbox"/>
37	38	39	40	41	42	43	44	45	E	<input type="checkbox"/>	<input type="checkbox"/>	K	<input type="checkbox"/>	<input type="checkbox"/>

**D** **JE DONNE POUVOIR AU PRÉSIDENT DE L'ASSEMBLÉE GÉNÉRALE**  
Cf. au verso (3)

**I HEREBY GIVE MY PROXY TO THE CHAIRMAN OF THE GENERAL MEETING**  
See reverse (3)

**E** **JE DONNE POUVOIR À** : Cf. au verso (4)

**I HEREBY APPOINT** : See reverse (4)

M. Mme ou Mlle, Raison Sociale / Mr, Mrs or Miss, Corporate Name

Adresse / Address

**ATTENTION** : s'il s'agit de titres au porteur, les présentes instructions ne seront valides que si elles sont directement retournées à votre banque.

**CAUTION** : if it is about bearer securities, the present instructions will be valid only if they are directly returned to your bank.

Nom, prénom, adresse de l'actionnaire (les modifications de ces informations doivent être adressées à l'établissement concerné et ne peuvent être effectuées à l'aide de ce formulaire). Cf au verso (1)

**Surname, first name, address of the shareholder (change regarding this information have to be notified to relevant institution, no change can be made using this proxy form). See reverse (1)**

Si des amendements ou des résolutions nouvelles étaient présentés en assemblée / In case amendments or new resolutions are proposed during the meeting

- Je donne pouvoir au Président de l'Assemblée Générale de voter en mon nom. / I appoint the Chairman of the general meeting to vote on my behalf.

- Je m'abstiens (l'abstention équivaut à un vote blanc). / I abstain from voting (is equivalent to vote NO)

- Je donne procuration (cf. au verso rev 4) à M. / Mme ou Mlle, Raison Sociale pour voter en mon nom

/ I appoint (see reverse 4) Mr, Mrs or Miss, Corporate Name to vote on my behalf

Date et Signature

à la banque / to the bank 11/05/2018 / on 11th of May, 2018

à la société / to the company 11/05/2018 / on 11th of May, 2018

**3**

**4**

### Stage 2

**To vote by mail, check **box C**.**

- To vote YES to a resolution, leave the box corresponding to the number of this resolution empty.
- To vote NO to a resolution, fill the box corresponding to the number of the resolution in black.

**To give the Chairman the power to vote in favor of the resolutions presented by the Board of Directors, just check **box D**.**

**To give another natural person or legal entity the power to represent you at the Meeting and vote on your behalf, check **box E** and enter the contact details of this natural person or legal entity.**

### Stage 3

**Enter your name, first name and address here or verify them if they already appear.**

### Stage 4

**No matter which option you choose, don't forget to sign and date the form here.**

**REMINDER:** Only forms completed (whether a mail voting form, a proxy to give the Chairman the power to vote on your behalf or a proxy given to a third party) and received by Société Générale at least three days before the date of the Meeting and accompanied by the shareholding certificate provided by your financial intermediary for bearer shareholders will be taken into account.

# THE AIR FRANCE-KLM GROUP IN 2017



## Brief presentation

### 2017 Financial Year

In 2017, the Group ranked amongst the European leaders in terms of traffic and carried nearly 100 million passengers, i.e. 5.6% more than in 2016.

The 2017 financial year was characterized by:

- a return to the offensive and growth for the Group, accompanied by a significantly improved performance and the strengthening of its financial structure;
- a positive result from current operations amounting to €1,488 million, a marked 42% increase on the previous year;
- free cash-flow from operations and financial operations, leading to a substantial €2 billion reduction in net debt;
- the achievement of the first “Trust Together” objectives like the consolidation of partnerships via strategic, commercial and capitalistic agreements with, firstly, the creation of a single trans-Atlantic joint-venture between Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic and, secondly the intensification of the partnership with China Eastern Airlines, the successful launch of Joon, the arrival of new-generation aircraft and, lastly, the launch of digital transformation projects at the service of customer intimacy.

### Activity

#### *Network business*

The Network business corresponds to passenger and cargo transportation services on the scheduled flights of the network airlines Air France, KLM, Joon and HOP!. As the Group’s principal activity, the Network business contributes 87% of its revenues.

In the 2017 financial year, Network business revenues stood at €22.48 billion, up by 3.4%. The combined operating income from the passenger and cargo operations stood at €1,192 million for 2017, representing an increase of €379 million. This results improvement was mainly due to the strong unit revenue performance.

The passenger business benefited from a favorable trading environment with dynamic demand. The improved product offerings on board, personalization of the customer experience and numerous targeted commercial initiatives also contributed to the unit revenue growth. Over the financial year, 84 million passengers were carried, up by 4.3%.

Air France-KLM also continued the turnaround in its cargo business and benefited from the solid demand growth to/from Asia and Latin America.

### The low-cost business, Transavia

Transavia operates point-to-point flights on departure from the Netherlands and France.

In 2017, Transavia pursued its rapid development with capacity growth of 10.5% and carried 14.8 million passengers, i.e. an 11.2% increase relative to 2016. Revenues reached €1.4 billion, up by 18%, and the operating result stood at €81 million.

In the Netherlands, Transavia is the leader in the low-cost market and is now focused on the development of scheduled flights. In addition to this main point-to-point business, Transavia continued to offer connections thanks to the KLM hub in Amsterdam. In France, Transavia is the number one low-cost carrier at Orly airport and, as planned, maintained its accelerated growth by increasing its capacity by 12%.

### Maintenance business

Aircraft maintenance is the Air France-KLM Group's third business with third-party revenues of €1.8 billion, i.e. a little more than 43% of the total revenues in this business. Furthermore, the AFI KLM E&M order book reached a year-end record high of US\$ 10.4 billion, i.e. a rise of some 17% over the year.

The operating income of the maintenance business amounted to €215 million, down by €23 million, reflecting an operating margin of 5.1%. All the segments (Airframe, Components, Engines) contributed to the results improvement.

### Fleet

At December 31, 2017, the Air France-KLM Group's fleet comprised 545 aircraft, of which 537 in revenue service.

The main operational fleet consisted of 412 aircraft, of which 170 were long-haul aircraft, six were cargo aircraft and 236 were medium-haul aircraft, including 68 aircraft in the Transavia Group fleet. The regional fleet in operation comprised 125 aircraft.

At December 31, 2017, the average age of the aircraft in the operational fleet was 11.9 years. Of the total Group fleet, 36.9% was fully owned, 19.6% was under finance lease and 43.5% under operating lease.

Excluding operating leases, there were firm orders outstanding for 63 aircraft at December 31, 2017. Options stood at 47 aircraft.

### Financial results

Consolidated revenues for the 2017 financial year amounted to €25.8 billion, an increase of 3.8%.

The 2017 results were marked by a 2% increase in the Group's unit revenues on a constant currency basis (unit revenue per available seat-kilometer) and by flat unit costs (+0.1%).

The net result, Group share stood at €(274) million, down by €1,066 million, due to a non-current expense linked to the de-recognition of the KLM pension funds. Adjusted for this non-current expense, the result was up by €363 million.

Free cash-flow generation, the capital increases reserved to Delta Air Lines, Inc. and China Eastern Airlines, and conversion into shares of the convertible bonds enabled an ongoing reduction in net debt to the tune of €2 billion.

At December 31, 2017, net debt thus stood at €1.66 billion versus €3.66 billion at December 31, 2016, enabling a reduction in the adjusted net debt/EBITDAR ratio to 2.1x, against 2.9x at December 31, 2016.

### Air France-KLM parent company results

At December 31, 2017, the net result stood at a negative €(30) million, mainly due to financial expenses.

### Dividend

Air France-KLM paid no dividends in respect of the last three financial years.

### Share capital and shareholding structure

At December 31, 2017, the Air France-KLM share capital comprised 428,634,035 fully paid-up shares with a nominal value of one euro, held in registered or bearer form according to shareholder preference.

Following the successful realization of the capital increases reserved to Delta Air Lines, Inc. and China Eastern Airlines on October 3, 2017 and the conversion of the OCEANES 2023 taking place in November 2017, the number of shares increased by 128,414,757 in 2017, to a total of 428,624,035.

Since April 3, 2016, pursuant to law, shareholders holding their shares in registered form for more than two years benefit from a double voting right.

## HIGHLIGHTS OF THE BEGINNING OF THE 2018 FINANCIAL YEAR

### **Air France-KLM adjusts its organization**

The Air France-KLM management makes the following adjustments to the Group's organization to support the Group's strategic ambition within the framework of Trust Together.

An Air France-KLM Strategy and Innovation division is established. This division, attached to the Air France-KLM Chairman and CEO's office, is responsible for defining and implementing the strategy, and for analyzing the changing needs of customers, market trends, the emergence of new technologies and long-term innovation. The head of this new division is Sonia Barrière, EVP Strategy and Innovation at Air France-KLM. She will be a member of the Group Executive Committee.

The Digital and "Flying Blue" loyalty divisions are attached to the Air France-KLM Commercial Strategy division, which is renamed Air France-KLM's Commercial & Revenue division. Pieter Bootsma remains in charge of this division and becomes EVP Commercial & Revenue, Air France-KLM. He will remain a member of the Group Executive Committee.

The Air France-KLM Communications division reports to the Air France-KLM Chairman and CEO's office. The Communications division remains under the responsibility of Dominique Wood, who is also EVP Brand and Communication at Air France.

Anne-Sophie Le Lay is appointed Corporate Secretary of the Air France-KLM Group and of Air France. She will be a member of the Group Executive Committee.

This organization aims to strengthen the deployment of Air France-KLM's strategic ambition while improving coordination with the Group's airlines.

### **Summer 2018 schedule: capacity growth of 4.1%**

Setting a record in the Summer 2018 season (from March 25 to October 27, 2018), the Air France-KLM Group opens 78 new routes on the short-, medium- and long-haul networks, representing 4.1% growth in capacity.

This increase is driven by the Transavia low-cost business (+10.6%), the long-haul passenger operations (+3.9%) and the short- and medium haul passenger operations (+1.4%). In 2018, the Group is pursuing its growth, offering 314 destinations in 116 countries, including 78 new routes this summer across the whole of its network.

## SELECTED FINANCIAL INFORMATION

### Revenues

(in € billion)

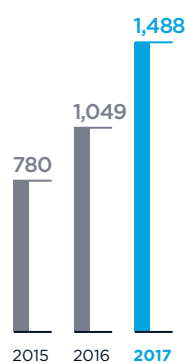


Revenues stood at €25.8 billion, 3.8% higher than in 2016.

(1) Servair was reclassified as a discontinued operation.

### Income from current operations

(in € million)



Income from current operations amounted to €1,488 million, up by €439 million on the 2016 level.

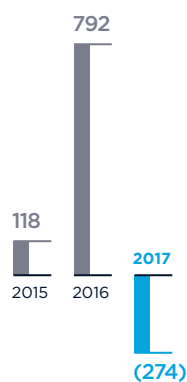
### Information by business segment

At December 31	2017		2016		2015	
	Revenues (in €bn)	Income/(loss) from current operations (in €m)	Revenues (in €bn)	Income/(loss) from current operations (in €m)	Revenues (in €bn)	Income/(loss) from current operations (in €m)
Network <sup>(1)</sup>	22.48	1,192	-	-	-	-
Passenger	-	-	19.68	1,057	20.54	842
Cargo	-	-	2.07	(244)	2.42	(245)
Third-party maintenance	1.82	215	1.83	238	1.588	214
Transavia	1.44	81	1.22	0	1.10	(35)
Other	0.04	-	-	(2)	0.05	4

(1) Since 2017, the Passenger and Cargo businesses have been regrouped under Network.

## Net income/(loss), Group share

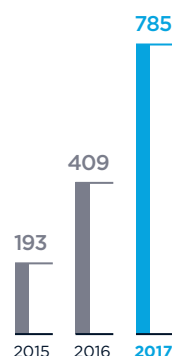
(in € million)



The net result, Group share stood at €(274) million, due to a non-current net expense of €1,429 million relating to the de-recognition of two KLM pension plans.

## Restated net income, Group share

(in € million)

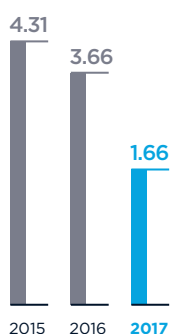


The restated net income<sup>(1)</sup>, Group share amounted to €785 million versus €409 million in 2016, an increase of €376 million.

(1) After adjusting for non-current items (including the result from discontinued operations, unrealized foreign exchange gains and losses and the valuation of the derivatives portfolio).

## Net debt

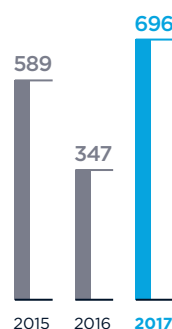
(in € billion, at December 31, 2017)



Net financial debt stood at €1.66 billion at December 31, 2017, down by €2 billion relative to December 31, 2016.

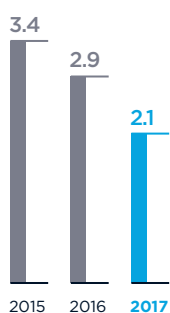
## Operating free cash-flow

(in € million)



The Group generated operating free cash-flow of €696 million, up by €349 million on its 2016 level.

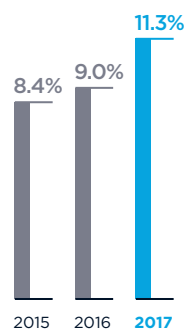
## Adjusted net debt/EBITDAR



Over twelve rolling months, the adjusted net debt/EBITDAR ratio amounted to 2.1x at December 31, 2017, compared with 2.9x at December 31, 2016.

## Return on capital employed (ROCE)

(at December 31, 2017)



The return on capital employed (ROCE) progressed by 2.3 points to 11.3% at the end of 2017.

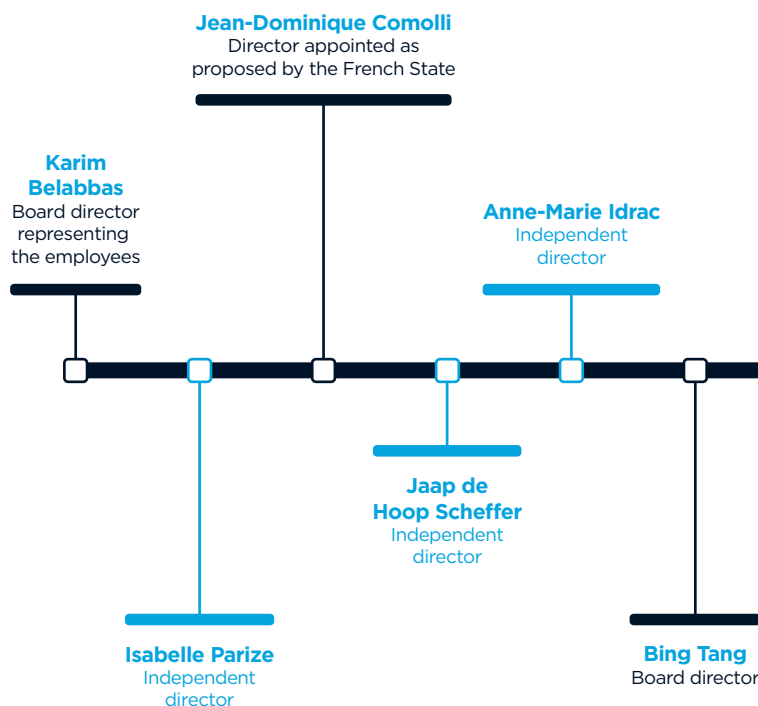
# AIR FRANCE-KLM'S GOVERNANCE

## The Board of Directors at December 31, 2017

At December 31, 2017, the Board of Directors comprised **19 members**:

- **16 Board directors** appointed by the Shareholders' Meeting (including two representing the employee shareholders):
  - **2 directors proposed by the French State** and,
  - **2 directors representing the employees shareholders**:
    - 1 director representing the flight deck crew shareholders,
    - 1 director representing the ground staff and cabin crew shareholders;
- **1 representative of the French State** appointed by ministerial order;
- **1 representative of the employees appointed by the Comité de Groupe Français** and;
- **1 representative of the employees appointed by the European Works Council**.

Despite the particularity of its composition, the Board of Directors is a collegial body which collectively represents all the shareholders and acts in the interests of the company.



## Nationality

**37%**

international Board directors representing 4 different nationalities

## Independence

**53%**

of independent directors <sup>(1)</sup>

## Gender

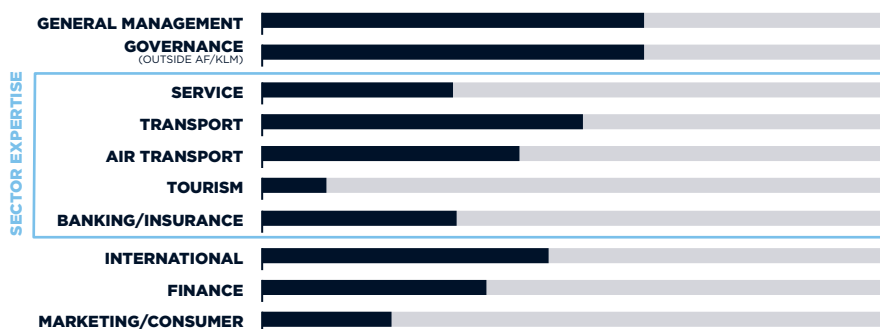
**7**

women i.e.

**41.2%**

of the Board directors <sup>(2)</sup>

## Areas of expertise

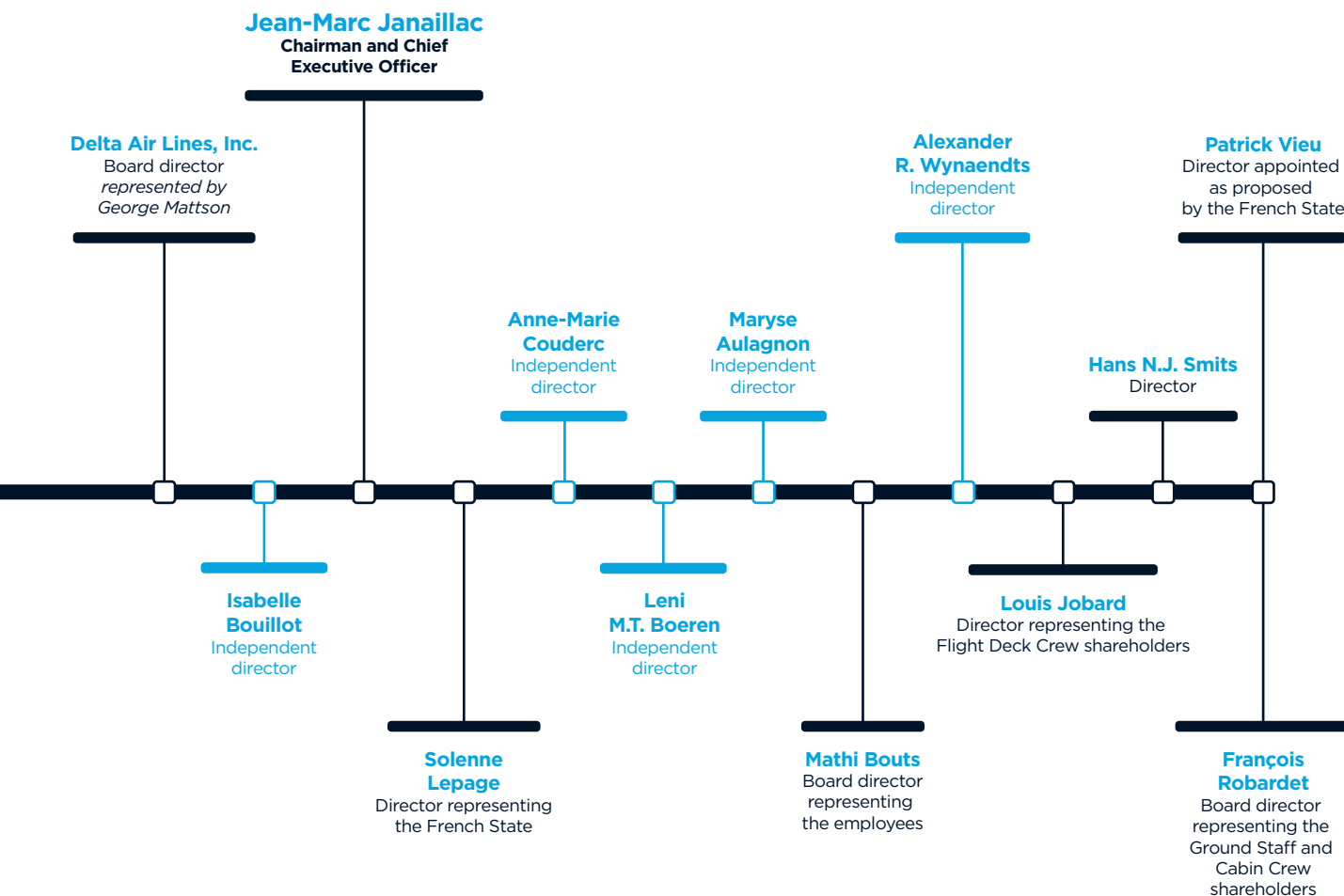


Some Directors are represented in several of these main areas of expertise. On the basis of 100 at 31/12/2017.
















(1) Pursuant to articles 8.3 and 14.1 of the AFEP-MEDEF Code, directors representing the employee shareholders and the directors representing the employees are not included in the calculation of this percentage.

(2) The Board directors representing the employees appointed pursuant to Article L.225-27-1 of the Code de Commerce are not included in the calculation of the parity consistent with the provisions of the aforementioned Article.





## Composition of the Board of Directors Committees

	Maryse Aulagnon <sup>(1)</sup>	Isabelle Bouillot <sup>(1)</sup>	Jean-Dominique Comolli	Leni M.T. Boeren <sup>(1)</sup>	Jaap de Hoop Scheffer <sup>(1)</sup>	Louis Jobard	Anne-Marie Couderc <sup>(1)</sup>	Solenne Lepage	François Robardet	Isabelle Parize <sup>(1)</sup>	Alexander R. Wynaendts <sup>(1)</sup>	Hans N.J. Smits
Audit Committee	 <sup>(1)</sup>			 <sup>(1)</sup>			 <sup>(1)</sup>					
Appointments and Governance Committee							 <sup>(1)</sup>				 <sup>(1)</sup>	
Remuneration Committee		 <sup>(1)</sup>			 <sup>(1)</sup>					 <sup>(1)</sup>		

 **Chairman**     **Member**

(1) Independent Director.

## COMPOSITION OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2017

Board Directors	Inde- pendence	Date appointed to the Air France-KLM Board	Mandate expiry date	Audit Committee	Remuneration Committee	Appointments and Governance Committee	Current functions
<b>Board Directors appointed by the Shareholders' Meeting</b>							
<b>Jean-Marc Janailiac</b> (64 years) French		07/04/2016	2019 AGM				Chairman and Chief Executive Officer of Air France-KLM
<b>Maryse Aulagnon</b> (68 years) French	X	07/08/2010	2021 AGM	X (Chair)			Chair of Affine
<b>Leni M.T. Boeren</b> (54 years) Dutch	X	05/16/2017	2021 AGM	X			Member of the Executive Board of Van Lanschot Kempen NV and Chair of the Kempen & Co NV Executive Board (Netherlands)
<b>Isabelle Bouillot</b> (68 years) French	X	05/16/2017	2021 AGM		X		President of China Equity Links
<b>Anne-Marie Couderc</b> (67 years) French	X	05/19/2016	2020 AGM	X		X (Chair)	Company director
<b>Delta Air Lines, Inc.</b> (Represented by George Mattson) American		10/03/2017	2021 AGM				Airline company
<b>Jaap de Hoop Scheffer</b> (69 years) Dutch	X	07/07/2011	2019 AGM		X (Chair)		Professor, Leiden University (Netherlands)
<b>Anne-Marie Idrac</b> (66 years) French	X	11/02/2017	2021 AGM				Company director
<b>Isabelle Parize</b> (60 years) French	X	03/27/2014	2018 AGM		X		Company, start-up and private equity funds counsel
<b>Hans N. J. Smits</b> (67 years) Dutch (Netherlands)		05/19/2016	2020 AGM		X		Chairman of the Supervisory Board of KLM NV
<b>Bing Tang</b> (50 years) Chinese		10/03/2017	2021 AGM				Vice-President of China Eastern Air Holding Company (China)
<b>Alexander R. Wynaendts</b> (57 years) Dutch	X	05/19/2016	2020 AGM			X	Chairman and CEO of Aegon NV (Netherlands)

Board Directors	Inde- pendence	Date appointed to the Air France-KLM Board	Mandate expiry date	Audit Committee	Remuneration Committee	Appointments and Governance Committee	Current functions
<b>Board Directors appointed by the Shareholders' Meeting as proposed by the French State</b>							
<b>Jean-Dominique Comolli</b> (69 years) French		12/14/2010	2019 AGM		X	X	Honorary Civil Administrator
<b>Patrick Vieu</b> (53 years) French		05/21/2015	2019 AGM				Advisor to the Vice- President of the General Council for the Environment and Sustainable Development
<b>Board Directors appointed by the Shareholders' Meeting representing the employee shareholders</b>							
<b>Louis Jobard</b> Captain (58 years) French		05/20/2014	2018 AGM	X			B777 Flight
<b>François Robardet</b> Executive (60 years) French		12/06/2016	2018 AGM	X	X		Air France
<b>Board Director representing the French State appointed by ministerial order</b>							
<b>Solenne Lepage</b> (45 years) French		03/21/2013	May 2019	X			Director of Transportation Shareholdings, Agency for State Shareholdings
<b>Board Director representing the employees appointed by the <i>Comité de Groupe français</i></b>							
<b>Karim Belabbas</b> (44 years) French		06/01/2017	2019 AGM				Weight and Support Technician, CDG hub Ground Operations
<b>Board Director representing the employees appointed by the European Works Council</b>							
<b>Mathi Bouts</b> (58 years) Dutch		10/10/2017	2019 AGM				Senior Purser on KLM long-haul flights

# INFORMATION ON THE BOARD DIRECTORS

## Ratification of the co-opting



### Anne-Marie Idrac

#### Expertise and professional experience

Anne-Marie Idrac graduated from the Paris Institute of Political Studies (Institut d'Études Politiques), the National School of Administration (*École Nationale d'Administration*) and the Institute of Higher Learning in National Defense (*Institut des Hautes Etudes de Défense Nationale*). She has spent most of her career working in the fields of the environment, housing, urban development and transport. She was chief executive office at the Public Development Agency of Cergy-Pontoise, director of land transportation at the Ministry of Equipment and Transport and subsequently Secretary of State for Transport. She occupied the positions of Chair and CEO of the RATP (Paris Public Transport Authority) from 2002 to 2006, and Chair and CEO of the SNCF (French State Railways) from 2006 to 2008. She was a Member of Parliament from 1997 to 2002, and Secretary of State for Foreign Trade from 2008 to 2010. Anne-Marie Idrac is currently board director of companies.

#### Independent director

Born July 27, 1951

#### First appointed as a Board director:

November 2, 2017

#### Expiration date of current term of office:

2021 Shareholders' Meeting

#### Number of shares held in the Company's stock:

1,000 shares

#### Other directorships and offices

##### French companies

- President of *Aéroport de Toulouse-Blagnac* Supervisory Board (this function will expire in May 2018);
- Board director of Bouygues<sup>(1)</sup>;
- Board director of Saint-Gobain<sup>(1)</sup>;
- Board director of Total<sup>(1)</sup>.

#### Directorships and offices held in the last five years and having expired

##### French company

- Member of the Supervisory Board of Vallourec<sup>(1)</sup> until 2015.

##### Non-French Company

- Board member of Mediobanca<sup>(1)</sup>, Italia, until 2014.

(1) Listed companies.

# INFORMATION ON THE BOARD DIRECTORS

## Re-appointment



**Independent director**  
**Member of the Remuneration Committee**  
Born June 16, 1957

**First appointed as a Board director:**  
March 27, 2018

**Expiration date of current term of office:**  
2018 Shareholders' Meeting

**Number of shares held in the Company's stock:**  
300 shares

### Isabelle Parize

#### Expertise and professional experience

Isabelle Parize is a graduate of the *École Supérieure de Commerce de Paris*. Having occupied various positions within Procter & Gamble between 1980 and 1993 including notably that of Marketing Manager, Health and Beauty Care, Ms. Parize joined Henkel Group in 1994. She was Managing Director of Schwarzkopf, Henkel France, from 1994 to 1998, then Senior Vice-President in charge of Europe, the Middle East and Africa and of strategic marketing (based in Germany) from 1998 to 2001. She subsequently became Managing Director of Canal+ Distribution and Chief Executive Officer of CanalSatellite in 2001. She then became President of the Fragrance division at Quest International (2005-07) and Managing Director then Vice-Chair of the company Betclac (2007-11) before joining Nocibé as President of the Managing Board (2011-16). She was Chairman and Chief Executive Officer of Douglas Holding SA until October 2017. Since October 2017, Isabelle Parize counsels companies, start-ups and private equity funds.

#### Other directorships and offices

##### French company

- Member of the Board of Directors of Auchan since February 2018.

##### Non-French company

- Associate of ODYS SPRL, Belgium.

#### Directorships and offices held in the last five years and having expired

##### French companies

- Nocibé/Douglas Group until January 2016:
  - Chair and Chair of the Managing Board of Al Perfume France,
  - CEO and Chair of the Managing Board of Parfumerie Douglas France,
  - Chair and CEO of Douglas Expansion,
  - Chair of Douglas Passion Beauté Achats DPB-Achats;
- Director of Sofipost SA until April 2014.

##### Non-French companies

- Nocibé/Douglas Group until October 2017:
  - Chairman and Chief Executive Officer of Douglas Holding SA until October 2017,
  - Member of the Supervisory Board of Douglas Holding AG, Germany,
  - Member of the Managing Board of Douglas GmbH, Parfumerie Douglas GmbH, Douglas Cosmetics GmbH, Kirk Beauty One GmbH, Kirk Beauty Two GmbH, Germany, Parfumerie Douglas Nederland BV, Douglas Investment BV, Netherlands, Parfumerie Douglas Ges mbH, Austria, Douglas Polska Sp.z.o.o, Poland, Douglas Spain SA and Parfumerie Iberia Holding SL, Spain, Parfumerie Douglas Portugal LDA, Portugal;
- Member of the Supervisory Board of Beiersdorf AG<sup>(1)</sup>, Germany until February 2016;
- Nocibé/Douglas Group until January 2016:
  - Chief Executive Officer of Parfumeria Douglas Portugal SA, Portugal,
  - CEO of Parfumerie Douglas GmbH and Douglas Cosmetics GmbH, Germany,
  - CEO of Douglas Monaco, Monaco.

##### Other

- Director of the Invest in France Agency (*Agence Française pour les investisseurs internationaux*) until April 2014.

(1) Listed company.

# INFORMATION ON THE BOARD DIRECTORS

## Appointment



**Board director representing the Ground Staff and Cabin Crew employee shareholders**  
Born November 9, 1957

**First appointed as a Board director:**  
December 6, 2016

**Expiration date of current term of office:**  
2018 Shareholders' Meeting

**Number of shares held in the company's stock:**  
684 shares

### François Robardet

#### Expertise and professional experience

François Robardet is a graduate of the *École Nationale Supérieure des Arts et Métiers*. Mr. Robardet began his career in 1983 as a consulting engineer on management information systems within Compagnie Générale d'Informatique. In 1993, he joined Air Inter as an IT project manager before moving to Air France in 1997.

#### Directorships and offices

- Titular member (elected) of the Supervisory Board of the Aeropelican employee shareholder FCPE;
- Titular member (elected) of the Supervisory Board of the Horizon Epargne Actions diversified savings fund;
- Manager of SCI Arcole 3.

#### Other directorships and offices held in the last five years and having expired

N/A



**Board director representing the Flight Deck Crew employee shareholders**  
Born February 9, 1971

**Number of shares held in the Company's stock:**  
816 shares

### Paul Farges

#### Expertise and professional experience

Paul Farges holds a degree in Air Traffic Control engineering from the *École Nationale d'Aviation Civile* and a diploma as an airline pilot (ATPL).

He began his career in 1994 as Head of the *Aviation Sans Frontière* (ASF) mission in Angola before becoming an air traffic controller at the *Centre en Route de la Navigation Aérienne Nord* from March 1995 to June 1998. In 1999, he joined Air France where he was as a Pilot Officer on the B-737 until 2001, then on the B-747 from 2001 to 2007. He then became a Flight Captain on the A320 from 2007 to 2017. Since May 2017, he has been an airline pilot instructor.

#### Other directorships and offices

N/A

#### Directorships and offices held in the last five years and having expired

- Within the SNPL pilots' union:
  - Vice-President of the Air France section, and Head of International Affairs until October 2017,
  - Elected to the *Comité d'Etablissement*, until March 2015.

# PROPOSED RESOLUTIONS AND EXPLANATORY STATEMENTS

*This is an unofficial translation for the convenience of English-speaking shareholders. In the event of any discrepancy or ambiguity, the French version shall prevail.*

The resolutions are preceded by an introductory paragraph explaining the reasons for each proposed resolution. All these explanatory paragraphs constitute the report from the Board of Directors to the Shareholders' Meeting.

For more information on the Group's situation since the beginning of the financial year, please refer to the 2017 Registration Document and the press releases issued by Air France-KLM, which are, in particular, available on the website [www.airfranceklm.com](http://www.airfranceklm.com).

## Ordinary business

### Approval of the financial statements for the financial year ended December 31, 2017 (resolutions 1 and 2)

The first two resolutions submit to shareholders for approval Air France-KLM's statutory and consolidated financial statements for the financial year ended December 31, 2017 recording, respectively, a loss of €(30) million and a net loss, Group share of €(274) million.

#### First resolution

##### **Approval of the statutory financial statements and transactions for the financial year ended December 31, 2017**

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, having read the reports of the Board of Directors and the Statutory Auditors, approves the statutory financial statements for the financial year ended December 31, 2017, which include the balance sheet, the income statement and the notes, as drawn up and presented, as well as the transactions documented in these financial statements and/or mentioned in these reports.

#### Second resolution

##### **Approval of the consolidated financial statements and transactions for the financial year ended December 31, 2017**

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, having read the reports of the Board of Directors and the Statutory Auditors, approves the consolidated financial statements for the financial year ended December 31, 2017, which include the balance sheet, the income statement and the notes, as drawn up and presented, as well as the transactions documented in these financial statements and/or mentioned in these reports.

### Allocation of the income (or loss) (resolution 3)

The purpose of the third resolution is to proceed with the allocation of the income/(loss) for the financial year ended December 31, 2017, which corresponds to a loss of €(29,668,414.82).

Given the Group's results and the priority given to deleveraging, the Board of Directors decided not to propose the payment of a dividend in respect of the 2017 financial year.

The Board of Directors hereby reminds those present at the Shareholders' Meeting that no dividends were paid in respect of the financial years ended December 31, 2014, December 31, 2015 and December 31, 2016.

#### Third resolution

##### **Allocation of the income (or loss) for the financial year ended December 31, 2017**

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, having read the reports of the Board of Directors and the Statutory Auditors, notes that the loss for the financial year

ended December 31, 2017 amounts to €(29,668,414.82) and, as recommended by the Board of Directors, decides to allocate this loss to retained earnings, which thereby move from €(957,896,738.06) to €(987,565,152.88).

Note that no dividends were paid in respect of the financial years ended December 31, 2014, 2015 and 2016.

#### **Ratification of the co-opting of Ms. Anne-Marie Idrac as a Board director (resolution 4)**

Note that, during the Shareholders' Meeting of September 4, 2017, the company Air France-KLM Finance SAS, a 100%-owned subsidiary of Air France-KLM, had been appointed as the nineteenth member of the Board of Directors, subject to settlement- delivery of the capital increases reserved to China Eastern Airlines and Delta Air Lines, Inc.

The appointment of the company Air France-KLM Finance, whose permanent representative would be a woman, was decided in order to continue to comply with the legal obligation governing the parity between men and women.

The appointment of Air France-KLM Finance SAS became effective, on October 3, 2017, following the successful realization, on the same date, of the capital increases reserved to China Eastern Airlines and Delta Air Lines, Inc.

A candidate selection process was launched as of September 2017 by Air France-KLM's Appointments and Governance Committee aimed at replacing Air France-KLM Finance SAS with an independent Board director. On November 2, 2017, Air France-KLM's Board of Directors decided to co-opt Ms. Anne-Marie Idrac as a new independent Board director.

It is thus proposed to the Shareholders' Meeting that is ratify the co-opting of Ms. Anne-Marie Idrac as an independent Board director effective November 2, 2017, for the remainder of her predecessor's term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

The Board of Directors considered that Ms. Idrac fulfilled the independence criteria as stipulated in the AFEP-MEDEF Corporate Governance Code. The Board of Directors' conclusions are presented in the Board of Directors' report on corporate governance *figuring in section 1.1.2 of the Registration Document, on pages 31 to 33*.

All the information on Ms. Anne-Marie Idrac, including her professional experience, offices and functions is detailed in *page 18* of the convening notice which is also available on the website **www.airfranceklm.com** (*section Finance/Shareholders/Shareholders' Meeting*).

#### **Fourth resolution**

##### ***Ratification of the co-opting of Ms. Anne-Marie Idrac as a Board director***

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, having read the report of the Board of Directors, ratifies the co-opting of Ms. Anne-Marie Idrac as a Board director, replacing Air France-KLM Finance SAS which stepped down

on November 2, 2017, for the remainder of her predecessor's term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2020.

#### **Re-appointment of Ms. Isabelle Parize as a Board Director (resolution 5)**

In that her mandate expires at the end of this Shareholders' Meeting, it is proposed that the Shareholders' Meeting re-appoint Ms. Isabelle Parize as a Board director, for a four-year term, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2021.

As recommended by the Appointments and Governance Committee, Ms. Isabelle Parize is considered by the Board of Directors to be an independent Board director in the light of the criteria stipulated by the AFEP-MEDEF Corporate Governance Code. The conclusions of the Board of Directors are presented in the Board of Directors' report on corporate governance *figuring in section 1.1.2 of the Registration Document, on pages 31 to 33*.

All the information on Ms. Isabelle Parize, including her professional experience, offices and functions is detailed in *page 19* of the convening notice which is also available on the website **www.airfranceklm.com** (*section Finance/Shareholders/Annual General Meeting*).

#### **Fifth resolution**

##### ***Re-appointment of Ms. Isabelle Parize as a Board director for a four-year term***

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, having read the report of the Board of Directors,

decides to re-appoint Ms. Isabelle Parize as a Board director for a four-year term, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2021.



### **Mandates of the two Board directors representing the employee shareholders (resolutions 6 and 7)**

The mandates of the two Board directors representing the employee shareholders, Mr. Louis Jobard (Board director representing the flight deck crew shareholders and Mr. François Robardet (Board director representing the ground staff and cabin crew employee shareholders), expire at the end of this Shareholders' Meeting. In accordance with the company's Articles of Incorporation, the two candidates whose appointment is submitted to the Shareholders' Meeting (and their potential substitutes in the event of a vacancy due to death, resignation, retirement or termination of employment contract) were selected following a vote by the employee shareholders in January 2018.

The candidates designated by the employee shareholders with a majority of the votes cast and proposed to the Shareholders' Meeting are:

- board director representing the ground staff and cabin crew employee shareholders: Mr. François Robardet (substitute Mr. Alain Thommas), elected with a majority of 63% of the votes cast by the other than flight deck crew category of employee shareholders;
- board director representing the flight deck crew shareholders: Mr. Paul Farges (substitute Mr. Yannick Floc'h), elected with a majority of 100% of the votes cast by the employee shareholders belonging to the flight deck crew electoral college.

All the information on Mr. François Robardet and Mr. Paul Farges, including their professional experience, offices and functions is detailed in *page 20* of the convening notice which is also available on the website [www.airfranceklm.com](http://www.airfranceklm.com) (section Finance/Shareholders/Annual General Meeting).

#### **Sixth resolution**

##### ***Appointment of Mr. François Robardet as a Board director representing the employee shareholders (ground staff and cabin crew employee shareholders) for a four-year term***

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, having duly noted the proposal of the employee shareholders referred to in Article L. 225-102 of the *Code de Commerce* and also noting the expiry of the term of office of Mr. François Robardet, a Board director representing the employee shareholders (ground staff and cabin crew employee category), decides to appoint Mr. Robardet as a Board director representing the employee shareholders (ground staff and cabin crew employee category) (substitute Alain Thommas) for a four-year term, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2021.

#### **Seventh resolution**

##### ***Appointment of Mr. Paul Farges as a Board director representing the employee shareholders (flight deck crew employee shareholders) for a four-year term***

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, having duly noted the proposal of the employee shareholders referred to in Article L. 225-102 of the *Code de Commerce* and also noting the expiry of the term of office of Mr. Louis Jobard, a Board director representing the employee shareholders (flight deck crew category), decides to appoint Mr. Paul Farges as a Board director representing the employee shareholders (substitute Mr. Yannick Floc'h) for a four-year term, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2021.

### **Elements of compensation paid or granted to Mr. Jean-Marc Janaillac in respect of the 2017 financial year, in his capacity as Chairman and Chief Executive Officer (resolution 8)**

Pursuant to Article L. 225-100 of the *Code de Commerce* as amended by Ordinance No.2017-1162 of July 12, 2017 introducing several simplification and clarification measures regarding the disclosure obligation for companies, the elements of compensation paid or granted to the executive officers in respect of the 2017 financial year are submitted for approval by shareholders.

The eighth resolution submits for approval by shareholders the elements of compensation paid or attributed to Mr. Jean-Marc Janaillac, Chairman and Chief Executive Officer, in respect of the 2017 financial year. The compensation paid or granted to Mr. Jean-Marc Janaillac, Chairman and Chief Executive Officer, in respect of the 2017 financial year is presented in detail in the report of the Board of Directors on corporate governance *presented in section 1.2.2.2 of the Registration Document*, on *pages 42 to 50*.

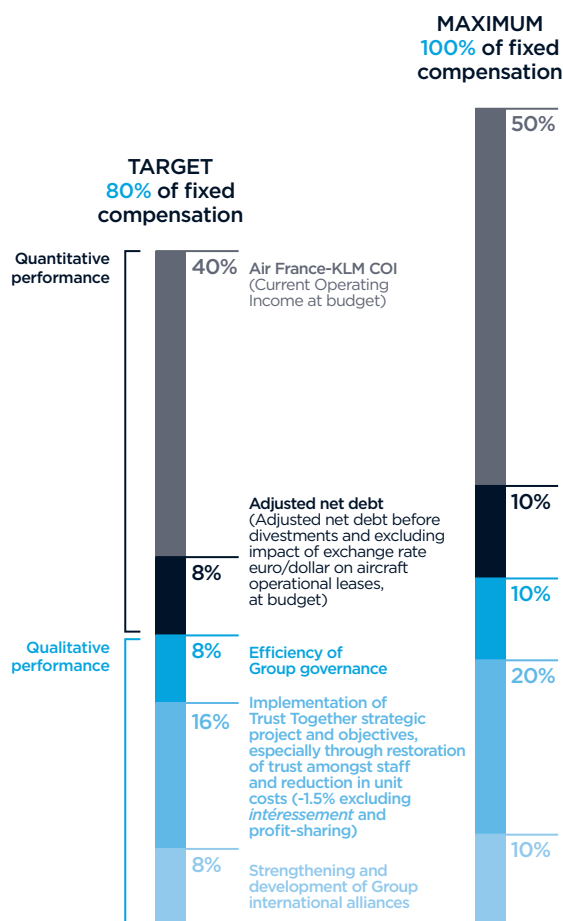
Compensation of Mr. Jean-Marc Janailac in respect of the 2017 financial year



The amount of Mr. Jean-Marc Janailac's annual fixed compensation in his capacity as Chairman and Chief Executive Officer was set at the same level as in the previous year (i.e. €600,000), it being specified that the Air France-KLM Chairman and Chief Executive Officer's base salary has remained unchanged for the last seven years.

Multi-year variable compensation	—	Extraordinary compensation	—	Stock subscription or purchase options	—	Performance shares	—	Directors' fees	—	Benefits in kind	—
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Criteria for determining the variable compensation in 2017 (2)



(1) Mr. Janailac decided to waive a portion of his variable compensation for 2017, leaving it unchanged on the variable compensation he had been granted *pro rata temporis* for 2016 (85% of his fixed compensation).

(2) The level of achievement of these criteria is presented in the table below and in Section 1.2.2.2 of the 2017 Registration Document.

The elements of compensation paid or granted to Mr. Jean-Marc Janaillac in respect of the 2017 financial year are presented in the following table:

Elements of compensation paid or attributed to Mr. Jean-Marc Janaillac, Chairman and Chief Executive Officer for the financial year 2017	Amounts or book value submitted to vote	Presentation
Fixed compensation	€600,000 (Paid amount)	The annual fixed compensation of Mr. Jean-Marc Janaillac as Chairman and Chief Executive Officer was set to the same level as for the financial year 2016 by the Board of Directors of February 15 and March 15 2017, for the second consecutive year, it being specified that for the Air France-KLM CEO's fixed compensation has remained unchanged for the last 7 years.
Annual variable compensation	€510,000	<p>During its meetings of February 15 and March 15, 2017, the Board of Directors, on recommendation of the Compensation Committee, decided to set new determination criteria for Mr. Janaillac's variable compensation for the financial year 2017. The magnitude of the variable portion of Mr. Janaillac's compensation remained unchanged with a target value of 80% of his fixed compensation and a maximum amount of 100% of this compensation. The determination criteria of Mr. Janaillac's variable compensation for the financial year 2017 are described in section 1.2.2.2 of the annual report.</p> <p>As proposed by the Remuneration Committee, the amount of Mr. Janaillac's variable compensation as Chairman and Chief Executive Officer was set at €522,000 by the Board of Directors during its meeting of February 15, 2018. This amount corresponds to:</p> <ul style="list-style-type: none"> <li>— 48% of fixed compensation in respect of the quantitative performance related to the Air France-KLM COI;</li> <li>— 10% of the fixed compensation for the quantitative performance related to adjusted net debt;</li> <li>— 8% of the fixed compensation for qualitative performance related to the Group's effective governance;</li> <li>— 11% of the fixed compensation for the qualitative performance related to the implementation of the project "Trust Together" and its strategic objectives;</li> <li>— 10% of the fixed compensation for the qualitative performance linked to the consolidation and development of the Group's international alliances.</li> </ul> <p>Mr. Janaillac decided to waive part of his variable compensation for 2017 in order to keep it unchanged compared to the variable compensation he received <i>pro rata temporis</i> for 2016 (85% of his fixed compensation). An amount of €510,000 will be paid to Mr. Janaillac subject to the prior approval of the Shareholders' Meeting of May 15, 2018.</p>
Multi-year variable compensation	None	Mr. Janaillac does not benefit from any multi-year variable compensation.
Exceptional compensation	None	Mr. Janaillac does not benefit from any exceptional compensation.

Elements of compensation paid or attributed to Mr. Jean-Marc Janaillac, Chairman and Chief Executive Officer for the financial year 2017	Amounts or book value submitted to vote	Presentation
Stock options, performance shares or any other long-term benefit (BAS...)	None	No such attribution occurred during the 2017 financial year. Mr. Janaillac does not benefit from any elements of long-term compensation.
Attendance fees	None	Mr. Janaillac does not perceive any attendance fees.
Benefits of any kind	None	The material resources made available to Mr. Janaillac are not, in practice, dissociable from the exercise of his duties as Chairman and Chief Executive Officer.
Severance pay	None	Mr. Janaillac does not benefit from any severance pay.
Non-compete indemnity	None	Mr. Janaillac does not benefit from non-compete indemnity.
Supplementary pension plan	None	Mr. Janaillac does not benefit from any supplementary collective pension scheme.

#### Eighth resolution

**Vote on the elements of compensation paid or granted to Mr. Jean-Marc Janaillac in respect of the 2017 financial year, in his capacity as Chairman and Chief Executive Officer**

Pursuant to the provisions of Articles L. 225-37-2 and L. 225-100 of the *Code de Commerce*, the Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, approves the fixed, variable and extraordinary elements composing the total compensation and

advantages of any kind paid or granted to Mr. Jean-Marc Janaillac, Chairman and Chief Executive Officer, in respect of the financial year ended December 31, 2017, as figuring in the Board of Directors' Corporate Governance report referred to in Article L. 225-37 of the same Code, presented to the Shareholders' Meeting and available notably on the website [www.airfranceklm.com](http://www.airfranceklm.com) (Finance, Shareholders, Annual General Meeting section).

#### Approval of the elements of the compensation policy for the Chairman and Chief Executive Officer (resolution 9)

Pursuant to the provisions of Article L. 225-37-2 of the *Code de Commerce* as amended by Ordinance No.2017-1162 of July 12, 2017 introducing various simplification and clarification measures regarding the disclosure obligation for companies, the Shareholders' Meeting is asked to approve, for the financial year ending December 31, 2018, the principles and criteria for determining, distributing and granting the fixed, variable and extraordinary elements comprising the total compensation and the benefits of any kind, granted to each of the executive directors, in respect of their mandates.

These principles and criteria are presented in the Board of Directors' report on corporate governance established pursuant to the aforementioned Article and *figuring in section 1.2.2.3 of the Registration Document, pages 50 to 53.*

#### Ninth resolution

**Approval of the elements of the compensation policy for the Chairman and Chief Executive Officer**

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, pursuant to the provisions of Article L. 225-37-2 of the *Code de Commerce* and having read the Board of Directors' report, approves the principles and criteria for determining,

distributing and granting the fixed, variable and extraordinary elements comprising the total compensation and benefits of any kind granted to the Chairman and Chief Executive Officer, as presented in the aforementioned report, available notably at the website [www.airfranceklm.com](http://www.airfranceklm.com) (Finance, Shareholders, Annual General Meeting section).

### Setting of the amount of directors' fees (resolution 10)

The Shareholders' Meeting of June 24, 2004 set the total maximum amount of directors' fees paid to the Air France-KLM Board directors in any one financial year in respect of their mandates.

It is proposed that this maximum amount be raised to take into account the increase in the number of directors constituting the Board of Directors (19 directors since October 10, 2017) and to set it at €950,000, until otherwise decided.

The criteria and rules relating to the allocation of directors' fees, as determined by the Board of Directors and outlined on page 40 of the 2017 Registration Document available on [www.airfranceklm.com](http://www.airfranceklm.com) (section Finance/Shareholders/Shareholders' Meeting), remain unchanged. In accordance with the AFEP-MEDEF Corporate Governance Code for listed companies, the Board of Directors takes into consideration, based on the modalities defined by the latter, the effective contributions of the Board directors to Board and Committee meetings, and includes a preponderant variable portion.

This resolution would replace the authorization granted by the Shareholders' Meeting of June 24, 2004.

### Tenth resolution

#### Setting of the amount of directors' fees

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, having examined the Board of Directors' report, decides to set the Board directors' fees at an annual sum of €950,000

for the current financial year and for each ensuing financial year until a new decision from the Shareholders' Meeting.

The Shareholders' Meeting grants full powers to the Board of Directors for the purpose of allocating these directors' fees, in whole or in part, and according to the terms and conditions it determines.

### Authorization to be granted to the Board of Directors to carry out transactions involving the Company's shares (resolution 11)

The eleventh resolution enables the Company to buy back its own shares within the limits determined by the shareholders and in accordance with applicable law. It replaces the authorization granted at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017, which expires in November 2018.

The Shareholders are therefore invited to renew this authorization.

Buy-back transactions can be carried out at any time, in compliance with the regulations in force on the date of the planned transactions. However, in the event that a third party launches a takeover bid for the Company's securities, the Board of Directors could not, during the offer period, decide to execute this resolution without prior authorization by the Shareholders' Meeting.

Since May 16, 2017 (date of the most recent authorization granted by the Shareholders' Meeting), no shares have been bought back or sold by the Company within the framework of these authorizations. Given the trading activity in the secondary market and the good stock liquidity, Air France-KLM suspended its liquidity contract (which could be reactivated were the market trading criteria or the stock liquidity to require it) on March 1, 2012. As of December 31, 2017, the Company directly held 1,146,376 of its own shares, representing 0.27% of its share capital.

The buy-back program proposed to the shareholders would have the following characteristics:

- maximum purchase price per share: €15 (excluding fees);
- maximum number of shares potentially acquired: 5% of the number of shares comprising the share capital (i.e., as of December 31, 2017, a maximum of 21,431,701 shares for a theoretical maximum amount of €321,475,515);
- purposes of the program: coordination of stock liquidity within the framework of the liquidity contract, allocation of shares upon exercise of the rights attached to securities conferring access to shares, allocation and sale of shares to the employees and senior executives of the Group, retention and future remittance of the shares as payment or in an exchange offer within the framework of external growth transactions, pursuit of any market practices and the realization of any transactions in accordance with applicable laws and regulations;
- maximum duration of the authorization: 18 months as from the date of this Shareholders' Meeting.

### Eleventh resolution

#### **Authorization to be granted to the Board of Directors to carry out transactions involving the Company's shares**

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Ordinary Shareholders' Meetings, having read the report of the Board of Directors, and voting pursuant to the provisions of Articles L. 225-209 and seq. of the *Code de Commerce* and the provisions of Regulation (EU) No.596/2014 of the European Parliament and of the Council dated April 16, 2014 on market abuse:

1. Hereby authorizes the Board of Directors to buy back the Company's shares, in one or several installments, according to the following main objectives:
  - to allow an investment firm to coordinate stock liquidity within the framework of a liquidity contract in compliance with the Compliance Charter recognized by the French Financial Markets Authority (*Autorité des Marchés Financiers*),
  - to allocate shares upon exercise of the rights to shares attached to securities issued by the Company or by companies in which it holds, either directly or indirectly, more than half of the share capital and that grant the right to the allocation of Company shares via conversion, exercise, repayment, exchange, presentation of a warrant or any other means,
  - to carry out any allocation or sale of shares to employees and/or corporate officers of the Company and companies, located in France or internationally, related to it under the conditions set forth in Article L. 225-180 of the *Code de Commerce*, any allocation of free shares, any employee shareholding scheme, any Company compensation scheme, within the context of, in particular, the relevant provisions set forth under the *Code de Commerce* and/or *Code de Travail*, or French or foreign legal and regulatory provisions and the execution of any hedging transaction associated with these related party transactions and commitments of the Company, under the conditions provided for by the market authorities and at the times at which the Board of Directors or the person acting pursuant to a delegation of power granted by the Board of Directors takes action,
  - to hold or remit shares in order to use them as payment or in an exchange offer within the framework of external growth transactions,
  - to engage in any market practice that may be admissible by law or by the French Financial Markets Authority (*Autorité des Marchés Financiers*) and, more generally, to execute any transaction in compliance with the applicable regulations;
2. Decides that, within the limits provided for under the regulations in force, the shares may be acquired, sold, exchanged, or transferred, in one or several installments, by any and all means, on either a regulated or non-regulated market, on a multilateral trading facility (MTF), via a market maker or over-the-counter, including via the acquisition or sale of

blocks of shares. These means include the use of any financial instrument, in compliance with applicable regulations. The proportion of the buyback program that may be realized through trading in blocks of shares can reach the full amount of the program;

3. Decides that these transactions can be carried out at any time, in compliance with regulations in force as of the date of the transactions in question. However, in the event that a third party launches a takeover bid for the Company's securities, the Board of Directors cannot, during the offering period, decide to execute this resolution without prior authorization by the Shareholders' Meeting;
4. Sets the maximum purchase price at €15 per share (excluding fees);
5. Decides that the maximum number of acquired shares can never exceed 5% of the number of shares comprising the share capital (or, for example, as of December 31, 2017, a maximum number of 21,431,701 shares and a maximum theoretical amount of €321,475,515, based on the maximum purchase price per share as set forth above);

In the event of a share capital increase by capitalization of reserves, profits, or premiums, triggering either an increase in the nominal value or the creation and grant of free shares, as well as in the event of a share split or consolidation or any other transaction involving the share capital, the Board of Directors will be able to adjust the aforementioned purchase price in order to take into account the impact of these transactions on the value of the share;
6. Hereby grants all powers to the Board of Directors, with the ability to sub-delegate such powers, for the purpose of executing this authorization and, in particular, to complete all stock market orders on all markets or to carry out any off-market transactions, to enter into any agreements related to the management of registers recording any share purchases and sales, to allocate or reallocate the shares acquired to various objectives under applicable legal and regulatory conditions, to draw up any documents, particularly a description of the share buyback program, to complete all formalities and filings with the French Financial Markets Authority (*Autorité des Marchés Financiers*) and any other authorities and, more generally, do whatever is necessary;
7. Decides that this resolution terminates the authorization granted under the 11th Resolution of the Shareholders' Meeting of May 16, 2017.

The Board of Directors must inform the Shareholders' Meeting of the transactions carried out within the framework of this authorization.

This delegation is granted for an 18-month period as from the date of this Shareholders' Meeting.

## Extraordinary business

**Increase of the total nominal cap amount foreseen in the 12th resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017, granting a delegation of authority to the Board of Directors for a 26-month period, for the purpose of issuing ordinary Company shares/and securities granting access to other Company capital securities to be issued in the future or granting the right to the allocation of debt securities, while maintaining preferential subscription rights for shareholders, valid until July 15, 2019 (usable outside the context of a public tender offer), to set this cap amount at €214 million (i.e. given the amount already used, an available cap of around €139 million) (resolution 12)**

### *Current authorized cap amounts*

- Shareholders' Meeting of May 16, 2017: €150 million;
- Shareholders' Meeting of September 4, 2017: two capital increases approved, each amounting to €37.5 million, reserved to Delta Air Lines, Inc. and China Eastern Airlines, i.e. a total amount of €75 million, and to charge this amount against the overall nominal cap amount of €150 million;
- available authorized cap amount: €75 million.

### *Proposal: increase this cap amount to €214 million*

- representing approximately 50% of the current share capital;
- taking into account the reserved capital increases totaling €75 million which are charged against the overall cap amount, the available authorized cap amount is €139 million;
- valid for the remaining 14 months of the current authorization.

On May 16, 2017, the Combined Ordinary and Extraordinary Shareholders' Meeting delegated to the Board of Directors the power of the Shareholders' Meeting to issue ordinary Company shares/and securities granting access to other Company capital securities to be issued in the future or granting the right to the allocation of debt securities while maintaining preferential subscription rights for shareholders, within a limit not to exceed a nominal amount of €150 million, for a period of 26 months, until July 15, 2019.

On September 4, 2017, the Combined Ordinary and Extraordinary Shareholders' Meeting delegated to the Board of Directors the power of the Shareholders' Meeting to decide on two reserved capital increases. At its meeting of September 4, 2017, making use of these delegations, the Board of Directors decided on a capital increase of €37,527,410 reserved to Delta Air Lines, Inc. (Delta) and a capital increase of €37,527,410 reserved to China Eastern Airlines (CEA). These two capital increases were successfully realized on October 3, 2017, for a total nominal amount of €75,054,820.

The total nominal amount of these two capital increases was charged against the overall nominal cap amount of €150 million for the delegation of capital increases that had been voted by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017 in its 12th resolution. As a result, the Company currently has a nominal cap amount of only €74,945,180 to carry out share capital increases with shareholders' preferential subscription rights (usable outside the context of a public tender offer), this cap amount also constituting the overall cap amount for the delegation of powers and authorizations to carry out capital increases approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017 (resolutions 12 to 25).

Note that the Board of Directors has not used any of the other delegations and authorizations to increase the capital approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017 and subject to the overall cap amount (i.e. the 12th to 25th resolutions). The €53,359,937 capital increase resulting from the conversion of the bonds convertible and/or exchangeable into new or existing shares (OCEANE 2023 - ISIN FR0011453463) taking place on November 9 and November 14, 2017 was approved by the Shareholders' Meeting of July 7, 2011 (resolution 9) and is therefore not charged against the overall cap amount approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017.

In addition, to give the Air France-KLM Board of Directors the flexibility and agility required for the Company's financial management while taking into account the diverse interests and expectations of Air France-KLM's shareholders, the Board of Directors proposes to your Shareholders' Meeting that it increase the overall nominal cap amount to €214 million (i.e. approximately 50% of the current share capital): this cap amount would thus be applicable to the delegation of authority to increase the capital with preferential subscription rights for shareholders as approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017 in its 12th resolution (usable outside the context of a public tender offer) and, more generally, to all the delegations of powers and authorizations to carry out the approved capital increases which are charged against the global cap amount as provided for by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017 (12th to 25th resolutions).

By setting the overall nominal cap amount at €214 million and taking into account the two reserved capital increases realized on October 3, 2017 totaling €75,054,820 which were charged against the cap amount of the 12th resolution, the total amount of capital increases potentially realizable following this modification may not exceed a nominal amount of €138,945,180 million;

This resolution would be given only for the remaining period of the 12th resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017, i.e. until July 15, 2019. The other provisions of the 12th resolution remain unchanged.

Note also that all the delegations of authority and authorizations to increase the capital approved by the shareholders at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017 (12th to 25th resolutions) remain unchanged and are valid for the remaining period of each of these resolutions, i.e. until July 15, 2019, it being stipulated that any reference in these resolutions to the overall cap amount provided for in the 12th resolution shall be understood to mean this global cap amount as modified by the 12th resolution which is submitted for your approval by this Shareholders' Meeting.

## Twelfth resolution

***Increase of the total nominal cap amount foreseen in the 12th resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017, granting a delegation of authority to the Board of Directors for a 26-month period, for the purpose of issuing ordinary Company shares/and securities granting access to other Company capital securities to be issued in the future or granting the right to the allocation of debt securities, while maintaining preferential subscription rights for shareholders, valid until July 15, 2019 (usable outside the context of a public tender offer), to set this cap amount at €214 million (i.e. given the amount already used, an available cap of around €139 million)***

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Extraordinary Shareholders' Meetings, having read both the report of the Board of Directors and the Statutory Auditors' special report, and in accordance with the provisions of Articles L. 225-129 and seq. and L. 228-91 and seq. of the *Code de Commerce*:

1. Having noted that the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017, in its 12th resolution, granted a delegation of authority to the Board of Directors to issue ordinary shares of the Company/and securities giving access other securities of the Company to be issued or giving right to the allocation of debt securities, maintaining preferential rights for shareholders, up to a nominal amount of €150 million, valid July 15, 2019 (usable outside the context of a public tender offer);
2. Having noted that the Combined Ordinary and Extraordinary Shareholders' Meeting of September 4, 2017, in its 3rd and 4th resolutions, delegated its powers to the Board of Directors to proceed with two reserved capital increases. Having also noted that the Board of Directors, making use of these delegations, decided during its meeting of September 4, 2017 to proceed with a capital increase of €37,527,410 reserved

to Delta Air Lines, Inc. (Delta) and a capital increase of €37,527,410 reserved to China Eastern Airlines (CEA). These two capital increases were successfully realized on October 3, 2017, for a total nominal amount of €75,054,820, which was charge against the overall nominal amount of €150 million;

3. Decides that the maximum nominal amount of capital increases that could be carried out pursuant to the aforementioned delegation may not exceed a new aggregate nominal cap amount of €214 million, it being stipulated that this aggregate nominal amount does not take into account the adjustments that could potentially be applied in accordance with the applicable legal and regulatory provisions and, as the case may be, with contractual stipulations providing for other adjustment cases, in order to protect the rights of holders of securities or other rights granting access to the share capital and that, taking into account the two reserved capital increases totaling €75,054,820 carried out on October 3, 2017 charged against the cap amount in the 12th resolution, the total amount of capital increases potentially carried following this modification may not exceed the nominal amount of €138,945,180 million;
4. Decides that the other provisions of the 12th resolution remain unchanged and are valid for the remaining period of the aforementioned resolution, i.e. until July 15, 2019;
5. Decides that all the delegations of authority and authorizations to increase the capital approved by the shareholders at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017 (12th to 25th resolutions) remain unchanged and are valid for the remaining period of each of these resolutions, i.e. until July 15, 2019, it being stipulated that any reference in these resolutions to the overall cap amount provided for in the 12th resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017 means the aggregate cap amount as amended by this resolution.



### Employee access to the share capital (resolution 13)

This resolution complies with the legal requirement, in the event of delegations of authority granted to the Board of Directors for the purpose of increasing the share capital, to submit a proposed resolution to the Shareholders' Meeting, allowing for a new capital increase reserved for employees.

This resolution also allows the involvement of all the employees of the Air France-KLM Group in its development and seeks to align their interests with those of the company's shareholders.

By voting in favor of this resolution, you will give the Board of Directors the option to increase the share capital, in one or more installments, to the benefit of employees who are members of a Company savings plan or companies related to it and who, in addition, satisfy any conditions that may have been set by the Board of Directors.

The total maximum nominal amount of capital increases that may be carried out pursuant to this authorization cannot be higher than 2% of the Company's existing share capital at the time of each issuance. The issuance price of the shares cannot be higher than the average share price for the twenty Euronext Paris stock market trading sessions preceding the date of the Board of Directors decision setting the opening date of the subscription period or more than 20% below this average.

This amount will be charged against the aggregate nominal cap amount set by the 12th resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 16, 2017, as amended by the 12th resolution of this Shareholders' Meeting.

This authorization is valid for a 14-month period. It immediately terminates the authorization granted under the terms of the 5th resolution of the Shareholders' Meeting of September 4, 2017.

As of December 31, 2017, employees held 3.92% of the share capital via employee shareholding vehicles (*fonds communs de placement d'entreprise*). At Shareholders' Meetings, employees exercise their voting rights directly.

### Thirteenth resolution

***Delegation of authority to be granted to the Board of Directors for a 14-month period, to carry 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***

The Shareholders' Meeting, deliberating in accordance with the quorum and majority conditions required at Extraordinary Shareholders' Meetings, having read the report of the Board of Directors and the Statutory Auditors' special report, and in accordance with the provisions of Articles L. 225-129-6 and L. 225-138-1 of the *Code de Commerce* and of Articles L. 3332-18 and seq. of the *Code de Travail*:

1. Grants a delegation of authority to the Board of Directors, with the ability to sub-delegate under the conditions provided for by law, to increase the share capital, in one or more installments, by issuing new shares to be paid for in cash and, as the case may be, by granting free shares within the limits set forth under the terms of Article L. 3332-21 of the *Code de Travail*, or other securities granting rights to the share capital under the conditions set by law, reserved for employees participating in a company savings scheme;
2. Decides that the beneficiaries of the hereby authorized share capital increases shall be members of a company or group savings scheme of the Company or of companies related to it in the meaning of Article L. 225-180 of the *Code de Commerce* and Article L. 3344-1 of the *Code de Travail*, it being also specified that such members must, as the case may be, satisfy any conditions set by the Board of Directors;
3. Decides to waive shareholders' preferential subscription rights for the benefit of the members of the aforementioned schemes;
4. Authorizes the Board of Directors to sell, in one or more installments, the shares or other securities granting access to the Company's share capital, acquired by the Company pursuant to the share buyback program authorized under the 11th resolution of this Shareholders' Meeting (or in any subsequent resolution having the same purpose), within the limits set forth in this program, to the members of a Company or group savings scheme of the Company or of companies related to it in the meaning of Articles L. 225-180 of the *Code de Commerce* and L. 3344-1 of the *Code de Travail*;
5. Decides that the total maximum nominal amount of share capital increases that may be carried out pursuant to this delegation cannot exceed 2% of the share capital of the Company at the time of each issuance, and that this amount will be deducted from the aggregate nominal cap amount set under the terms of the 12th resolution of the Shareholders' Meeting dated May 16, 2017, as modified by the 12th resolution of this Shareholders' Meeting;
6. Decides that the share subscription price to be paid by the beneficiaries referred to above, under the terms of this delegation, can neither be higher than the average of the opening prices quoted for the share on the Euronext Paris stock market during the twenty trading sessions preceding the date of the Board of Director's decision setting the opening date of the subscription period, nor be more than 20% below this average;

7. Decides to grant all powers to the Board of Directors, with the ability to sub-delegate in compliance with the limits set forth by law, in order to, in particular:
- (i) set all the terms and conditions of the planned transaction(s) and, in particular:
    - determine the scope of the issuances carried out pursuant to this delegation,
    - set the characteristics of the securities to be issued or sold, determine the amounts to be offered for subscription or sale, set the issuance price, the dates, time periods, the terms and conditions governing the subscription, sale, payment, delivery and benefit entitlement of the securities and, more generally, all of the terms and conditions applicable to each issuance,
  - (ii) take all actions and complete all formalities in order to successfully complete the capital increase(s);
8. Decides that this resolution terminates the authorization granted to the Board of Directors under the 5th resolution of the Shareholders' Meeting dated September 4, 2017.
- This delegation is granted for a 14-month term as from the date of this Shareholders' Meeting.

#### **Powers to accomplish formalities (resolution 14)**

This resolution allows for the completion of the formalities and public disclosure requirements required by law following the Shareholders' Meeting.

#### **Fourteenth resolution**

##### ***Powers to accomplish formalities***

The Shareholders' Meeting fully authorized the Board of Directors, the President of the Board of Directors, the bearer of an original or a copy of the minutes of this Shareholders' Meeting, or an

abstract thereof, to comply with any legal or administrative requirements and of any filing and public disclosure requirements required under applicable legislation following the adoption of the previous resolutions.

# STATUTORY AUDITORS' REPORT

## Statutory Auditors' report on the financial statements

Year ended December 31, 2017

To the General Shareholders' Meeting of Air France-KLM SA,

### 1. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of Air France-KLM for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities, and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

The audit opinion expressed above is consistent with our report to the Audit Committee.

### 2. Basis for opinion

#### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

#### Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of ethics for Statutory Auditors.

### 3. Justification of assessments – Key Audit Matters

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements, accounts or items of the financial statements.

#### Equity interests (Notes 1 (financial imobilization), 9, 14 and 15 to the statutory financial statements)

##### Risk identified

As of December 31, 2017, equity interests represented a net value of €4,680 million compared to a total balance sheet of €8,288 million. They are recorded as of their entry date at acquisition cost and impaired based on their fair value by taking into account the share of equity, earnings outlooks and stock market values that can be used as a reference.

The fair value estimate of these long-term investments requires management to exercise judgment in its choice of items to consider according to the nature of the investments concerned. Such items may correspond, as the case may be, to historical items (for certain entities, equity, and for others, average stock market prices over the last month), or forecast items (earnings outlooks and economic situation in the countries considered).

We considered the determination of the fair value of equity interests to be a key audit matter because of i) the uncertainties inherent to certain items and specifically the probability of forecasts, and ii) the potential importance of a reversal or impairment of an equity interest provision in the Company's accounts.

##### Our response

To assess the reasonableness of the fair value estimate of equity interests, based on the information communicated to us, our work mainly consisted in verifying that the estimate of these values, as determined by management, is based on an appropriate justification of the valuation method and the figures used, and according to the securities concerned:

For the valuations based on historical items:

- verifying that the equity retained is consistent with the accounts of the entities that were the subject of an audit or analytical procedures and that any equity adjustments are based on probative documentation.

For the valuations based on historical items:

- obtaining the financial profitability outlooks for the entities concerned;
- verifying the consistency of the assumptions adopted with the economic environment on the dates the accounts were prepared and closed;

- comparing the forecasts adopted for preceding periods with the corresponding realizations in order to assess the achievement of past objectives;
- verifying that the value resulting from cash-flow forecasts was adjusted for the debt of the entity considered.

In addition to assessing the fair values of equity interests, our work also consisted in evaluating the recoverability of related receivables with respect to the equity interest analyses.

#### **Provisions and contingent liabilities concerning anti-trust laws (Notes 18 and 19 to the financial statements)**

##### **Risk identified**

Air France-KLM is involved in a number of governmental, legal or arbitration proceedings and litigation, specifically in terms of anti-trust laws. The outcome of these procedures and litigations depends on future events and the Company's estimates are inherently based on the use of management assumptions and assessments.

We considered the provisions for litigation to be a key audit matter due to the uncertainty over the outcome of current proceedings, the high level of management estimates and judgments and, the potentially material nature of the impact of provision amounts on net income and equity should these estimates change.

##### **Our response**

We specifically assessed the estimates and assumptions adopted by the Group in determining the need to recognize a provision and where applicable its amount.

Based on discussions with the Group, we familiarized ourselves with the latter's analysis of the risks and status of each significant litigation, whether reported or potential.

We assessed the items justifying the recognition or not of a provision. We thus analyzed the lawyers' replies to your enquiries, familiarized ourselves with the exchanges between the Company, its lawyers and other parties to the suits and considered any new developments preceding the issue date of our report.

Based on these items, we conducted a critical review of the estimates and positions adopted by management.

We also assessed the appropriateness of the disclosures in Notes 18 and 19 to the financial statements.

#### **4. Verification of the management report and other documents provided to shareholders**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to shareholders with respect to the financial position and the financial statements.

We attest that the Chairman's report on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Concerning the information relating to the items that your Company considered likely to have an impact in the event of a tender or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified their compliance with the underlying documents which have been communicated to us. Based on our work, we have no comment to make on this information.

In accordance with French law, we have verified that the required information concerning participating and controlling interests, the identity of shareholders and the holders of voting rights has been properly disclosed in the management report.

#### **5. Report on other legal and regulatory requirements**

##### **Appointment of the Statutory Auditors**

We were appointed as Statutory Auditors of Air France-KLM by the Shareholders' Meetings of September 25, 1998 for Deloitte & Associés and September 25, 2002 for KPMG Audit.

As of December 31, 2017, Deloitte & Associés and KPMG were respectively in the 20th year and 16th year of total uninterrupted engagement, which are the 19th year and 16th year since securities of the Company were admitted to trading on a regulated market.

#### **6. Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its Internal Audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

## 7. Statutory Auditors' responsibilities for the audit of the financial statements

### Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular as description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris la Défense and Neuilly-sur-Seine, February 16, 2018  
The Statutory Auditors

**KPMG Audit**  
Division of KPMG SA

Jean-Paul Vellutini  
Partner

Eric Jacquet  
Partner

**Deloitte et Associés**

Pascal Pincemin  
Partner

Guillaume Troussicot  
Partner

*This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This Statutory Auditors' report includes information required by European Regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

# Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2017

To the Shareholders' Meeting of Air France-KLM SA,

## 1. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying financial statements of Air France-KLM for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Group for the year then ended and of its financial position and of its assets and liabilities as of December 31, 2017 in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

## 2. Basis for opinion

### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

### Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5 (1) paragraph 1 of Regulation (EU) no. 537/2014 or in the French Code of Ethics for Statutory Auditors.

## 3. Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We do not express an opinion on any components of the consolidated financial statements taken individually.

**Revenue recognition for issued but unused passenger tickets  
(Note 4.6 to the consolidated financial statements)**

**Risk identified**

Network revenue amounts to €22 522 million and essentially corresponds to passenger transport services and to a lesser extent to cargo. The revenue related to passenger transportation is recognized when the transportation service is provided and, consequently, passenger tickets were recorded on issuance as "Deferred revenue on ticket sales", which balance as of December 31, 2017 is €2,889 million. However, a portion of these sales, relating to tickets that have been issued but which will never be used, is recognized as revenue on issuance, based on a statistical rate regularly updated. The rate is determined by the Air France - KLM Group based on historical data taken from the information systems and adjusted for non-recurring and specific events of the periods considered.

We considered revenue recognition for issued but unused passenger tickets to be a key audit matter due to the importance of the Group judgment in determining the recognition assumptions.

**Our response**

We tested the key controls implemented by the Group that we considered the most relevant in determining the statistical rates for "Deferred revenue on ticket sales."

Our procedures primarily consisted in:

- assessing the appropriateness of the methodology adopted by the Group;
- agreeing the historical database with the databases used;
- agreeing the statistical rate calculations;
- comparing actual revenue from unused passenger tickets with prior year-end estimates;
- analyzing the age of deferred revenue on ticket sales presented on the consolidated balance sheet to assess the appropriateness of the revenue recognized in the period.

## Measurement of retirement and other long-term benefits (Notes 4.18, 22 and 30 to the consolidated financial statements)

### Risk identified

The Group has a large number of retirement and other long-term benefit plans for its employees with specific characteristics, most of which are in France and the Netherlands. Several of these schemes are defined benefit plans.

As of December 31, 2017, the actuarial value of cumulative benefits was €11,512 million, covered by plan assets with a market value of €9,900 million. As of this same date, plan assets and pensions provisions recognized on the balance sheet amounted to €590 million and €2,202 million, respectively.

The measurement of obligations and related plan assets, as well as the actuarial cost for the year requires the exercise of judgment to determine the key assumptions to adopt, particularly in relation to discount and long-term inflation rates, as well as salary and pension increase rates, staff turnover in the Group, life expectancy, and retirement age assumptions. As indicated in Note 30.2, changes in certain of these assumptions could have a material impact on pension assets and provisions recorded and Group net income. Accordingly, the Group calls on external actuaries to help determine these assumptions.

We considered the measurement of retirement and other long-term benefits to be a key audit matter due to the materiality of the amounts, the high degree of the Group judgment, the technicality required for their measurement and the sensitivity of measurement results to the assumptions adopted.

### Our response

We reviewed the measurement process applied by the Group for employee benefit obligations.

With the assistance of our own actuaries, we examined the measurement of the obligations, assets and liabilities of the main pension plans and the information presented in the actuarial valuation reports made available by the Group, in particular by assessing:

#### Pension commitments

- the appropriateness of discount and long-term inflation rates in relation to available market data;
- the consistency of the assumptions relating to salary increase, turnover and mortality rates, and pension increases with the particulars of each plan and, where applicable, with the relevant national and sector benchmarks;
- the calculations prepared by the external actuaries, and specifically those supporting the sensitivity of obligations to changes in the discount rate.

#### Measurement of plan assets

- the reasonableness of the assumptions adopted by the Group to measure these assets, which primarily concern the Netherlands and the justification of their treatment as plan assets based on the documentation provided (report of the external actuary hired by KLM NV).

We also assessed the appropriateness of the disclosures in Note 30 to the consolidated financial statements and specifically the information covering:

- the implementation of the new pension schemes for KLM Cabin Crew in August 2017 and KLM Cockpit Crew in December 2017, considered as collective defined contribution plans, whose main impact on the accounts are (i) the derecognition of the related net assets and (ii) a non-current expense of €1,904 million;
- the sensitivity of the measurement of these obligations to the assumptions adopted.



## Provisions for litigations and contingent liabilities (Notes 4.20, 31.1 and 31.2 to the consolidated financial statements)

### Risk identified

Air France-KLM is involved in several governmental, judicial or arbitration procedures and litigations, particularly concerning anti-trust laws. The outcome of these procedures and litigations depends on future events, and the Company's estimates are inherently based on the use of Group assumptions and assessments.

We considered the measurement of the litigation provisions to be a key audit matter due to the uncertainty surrounding the outcome of current procedures, the high degree of Group estimates and judgment and the potentially material nature of the impact of provision amounts on consolidated net income and equity should these estimates change.

### Our response

We specifically assessed the estimates and assumptions adopted by the Group in determining the need to recognize a provision and, where applicable, its amount.

Based on discussions with the Group, we familiarized ourselves with the latter's analysis of the risks and status of each significant litigation, whether reported or potential.

We assessed the items justifying the recognition or not of a provision. We analyzed the lawyers' replies to your enquiries, familiarized ourselves with the exchanges between the Company, its lawyers and other parties to the suits and considered any new developments up to the issue date of our report.

Based on these items, we conducted a critical review of the estimates and positions adopted by the Group.

We also assessed the appropriateness of the disclosures in Note 31 to the consolidated financial statements.

## Recognition of deferred tax assets (Notes 4.23 and 13 to the consolidated financial statements)

### Risk identified

Deferred tax assets for a net amount of €234 million are recognized in the balance sheet. This balance comprises €668 million in deferred tax assets for French tax group tax loss carry-forwards and €196 million in deferred tax assets for Dutch tax group tax loss carry-forwards. These deferred tax assets are recognized based on their likelihood of recovery pursuant to budgets and medium-term plans prepared by the Group. The recovery horizons for these deferred tax assets are seven years for the French tax Group and three years for the Dutch tax Group.

We identified this issue as a key audit matter due to the importance of the Group judgment in the recognition of these assets and the particularly high level of tax loss carry-forwards of which only a portion has been capitalized due to recoverability prospects.

### Our response

Our audit approach consisted in assessing the probability of the Company making future use of the tax loss carry-forwards generated to date, particularly in regard to:

- deferred tax liabilities in the same tax jurisdiction, where the base could be offset against deferred tax assets with the same maturity; and
- the Group's ability to generate future taxable profits in the French and Dutch tax jurisdictions in order to use prior-year tax losses recognized as deferred tax assets.

We assessed the appropriateness of the methodology adopted by the Group to identify existing tax losses carried forward that will be utilized, either by offset against deferred tax liabilities or future taxable profits.

To assess future taxable profits, we appraised the reliability of the preparation process for the mid-term business plan underlying the assessment of the probability that deferred tax assets will be recovered. Our work consisted in assessing the future growth assumptions used to prepare the mid-term business plan by:

- comparing income forecasts for prior years with actual results for the years concerned;
- comparing these assumptions with the ones adopted for non-current asset impairment tests.

We also assessed the consistency of Group assumptions used to prepare income forecasts for the period beyond the mid-term business plan particularly with the economic data for the Group's operating sector and the information gathered during discussions with the Group.

#### 4. Specific Verification Concerning the Group Presented in the management report

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

#### 5. Report on Other Legal and Regulatory Requirements

##### Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Air France-KLM by the Shareholders' Meeting of September 25, 1998 for Deloitte & Associés and September 25, 2002 for KPMG Audit.

As of December 31, 2017, Deloitte & Associés and KPMG were respectively in the 20th year and 16th year of total uninterrupted engagement, which are the 19th year and 16th year since securities of the Company were admitted to trading on a regulated market.

#### 6. Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its Internal Audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

#### 7. Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

##### Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which the Company's Management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;

- evaluate the overall presentation of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

### Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Paris La Défense and Neuilly-sur-Seine, February 16, 2018  
The Statutory Auditors

**KPMG Audit**  
**Division of KPMG SA**

Jean-Paul Vellutini  
Partner

Eric Jacquet  
Partner

**Deloitte et Associés**

Pascal Pincemin  
Partner

Guillaume Troussicot  
Partner

*This is a translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This Statutory Auditors' report includes information required by European Regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the information concerning the Group presented in the management report.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

## Statutory Auditors' special report on regulated agreements and commitments

### Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2017

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby present to you our report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms, conditions of those agreements and commitments, as well as the reasons justifying their interest for the company, brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French

National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) relating to this engagement.

#### **Agreements and commitments submitted to the approval of the Shareholders' Meeting**

##### **Agreements and commitments authorized during the year**

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Shareholders' Meeting pursuant to article L. 225-38 of the French Commercial Code.

#### **Agreements and commitments previously approved by the Shareholders' Meeting**

We hereby inform you that we have not been advised of any agreement or commitment previously approved by the Shareholders' Meeting which remained in force during the year.

Paris La Défense and Neuilly-sur-Seine, February 16, 2018  
The Statutory Auditors

**KPMG Audit**  
A division of KPMG SA

Jean-Paul Vellutini  
Partner

Éric Jacquet  
Partner

**Deloitte et Associés**

Pascal Pincemin  
Partner

Guillaume Troussicot  
Partner

*This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers.*

*This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

*It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

## Statutory Auditors' report on the proposed amendment to the maximum nominal amount set forth in the 12th resolution of the Combined Shareholders' Meeting of May 16, 2017

### Combined Shareholders' Meeting of May 15, 2018 – 12th resolution

To the Shareholders' Meeting,

In our capacity as Statutory Auditors of your Company and in compliance with the engagement set forth in Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed amendment to the maximum nominal amount set forth in 12th resolution of the Combined Shareholders' Meeting of May 16, 2017, an amendment on which you are being asked to vote.

In its 12th resolution, the Combined Shareholders' Meeting of May 16, 2017 had granted the Board of Directors the authority, to be used outside the context of a public offering, to issue, with retention of preferential subscription rights, ordinary shares of your Company and marketable securities granting entitlement to other equity securities of your Company to be issued or granting entitlement to the allocation of debt securities. The total nominal amount of share capital increases likely to be carried out, immediately or in the future, outside the context of a public offering, could not, under the 12th resolution, exceed €150 million, this limit also being the maximum amount for the delegations of authority to carry out share capital increases voted by the Combined Shareholders' Meeting of May 16, 2017, pursuant to resolutions 12 to 25 some resolutions being proposed with cancellation of shareholders' preferential subscription rights.

We presented a report to this Shareholders' Meeting.

Shareholders are now asked to amend the maximum nominal amount of share capital increases likely to be carried out, immediately or in the future, from €150 million to €214 million, under the delegation of authority to increase share capital with retention of preferential subscription rights, as voted by the Combined Shareholders' Meeting of May 16, 2017 in its 12th resolution (to be used outside the context of a public

offering) and, more generally, all voted delegations of authority to carry out share capital increases that are allocated to the maximum amount as set forth by the Combined Shareholders' Meeting of May 16, 2017 (12th to 25th resolutions), it being specified that the other provisions of all these delegations of authority remain unchanged and valid for the remaining duration of each of these resolutions, i.e. until July 15, 2019.

Considering the amount of the two reserved share capital increases carried out on October 3, 2017, i.e. €75,054,820, that was allocated to the maximum amount in the 12th resolution, the total nominal amount of share capital increases likely to be carried out with or without preferential subscription rights by virtue of this amendment may not exceed €138,945,180.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. It is our responsibility to express our opinion on the proposed amendment to the maximum nominal amount set forth in the 12th resolution of the Combined Shareholders' Meeting of May 16, 2017

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in verifying the information provided in the Board of Directors' report on the proposed amendment to the maximum nominal amount set forth in the 12th resolution of the Combined Shareholders' Meeting of May 16, 2017.

We have no comments to make on the proposed amendment to the maximum nominal amount set forth in the 12th resolution of the Combined Shareholders' Meeting of May 16, 2017.

Paris-La Défense and Neuilly-sur-Seine, March 30, 2018  
The Statutory Auditors

**KPMG Audit**  
A division of KPMG SA

Jean-Paul Vellutini  
Partner

Éric Jacquet  
Partner

**Deloitte et Associés**

Pascal Pincemin  
Partner

Guillaume Troussicot  
Partner

*This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

## Statutory Auditors' report on the issuance of shares or other securities granting entitlement to the share capital reserved for members of a company savings plan

Combined Shareholders' Meeting of May 15, 2018 – 13th resolution

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in compliance with the engagement set forth in Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposal to delegate authority to the Board of Directors to increase share capital, by issuing new shares or other securities granting entitlement to the share capital, with cancellation of preferential subscription rights, reserved for members of a company or group savings plan of your Company or its affiliates within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code (*Code de travail*), a transaction on which you are being asked to vote.

The total nominal amount of share capital increases that may be carried out, immediately or in the future, under this delegation of authority may not exceed 2% of the Company's share capital as of the issue date, and will be allocated to the new maximum nominal amount of €214 million set forth in the 12th resolution, outside the context of a public offering.

This issuance is subject to your approval pursuant to Article L. 225-129-6 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labor Code.

The Board of Directors proposes that you grant it authority, on the basis of its report, for a 14-month period as from the date of this Shareholders' Meeting, to decide an issuance, and to cancel your preferential subscription rights to shares or marketable securities to be issued. Where appropriate, the Board of Directors will be responsible for finalizing the issuance terms of this transaction.

It is the responsibility of the Board of Directors to issue a report, in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the quantitative information derived from the financial statements, on the proposed cancellation of preferential subscription rights and on other information relating to the issuance, as provided in the report.

We performed the procedures we deemed necessary in accordance with professional guidelines issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. Our work consisted in verifying the content of the Board of Directors' report relating to this transaction and the methods used to determine the issue price of the equity securities to be issued.

Subject to the subsequent review of the conditions of each issuance decided, we have no comments to make on the methods used to determine the issue price of equity securities presented in the Board of Directors' report.

As the issuance arrangements have not yet been finalized, we do not express an opinion on them and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we shall prepare an additional report, where appropriate, when your Board of Directors uses this delegation of authority to issue shares or marketable securities granting entitlement to other equity securities or marketable securities granting entitlement to equity securities to be issued.

Paris-La Défense and Neuilly-sur-Seine, March 30, 2018  
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# REQUESTS FOR DOCUMENTATION AND INFORMATION



To be taken into account, this request must be returned to:

Société Générale  
Service Assemblées  
CS 30812  
44308 Nantes Cedex 3

or using the pre-paid envelope enclosed for registered shareholders

I the undersigned,

Surname (or Company name): .....

First name (or type of Company): .....

Address (or registered office): .....

holder<sup>(1)</sup> of ..... shares in Air France-KLM,

hereby request<sup>(2)</sup> the information referred to in Articles R. 228-81 and R. 228-83 of the *Code de Commerce* (notably, the statutory and consolidated financial statements and the management report of the Board of Directors), other than that contained in this report.

Signed in (city): ..... on (date): ..... 2018

Signature:



(1) Requests for documentation by holders of shares in bearer form must include a registration certificate stating that their shares have been recorded in the register held by the securities account-holding intermediary as proof that they are shareholders on the date the request is made.

(2) Pursuant to Article R. 225-88 of the Code de Commerce, the holders of registered shares may ask the Company to automatically send them the documents and information referred to in Articles R. 225-81 and R. 225-83 of the Code de Commerce on the occasion of future General Shareholders' Meetings.

To take advantage of this, please check the following box:

**AIRFRANCE KLM**

**CONVENING NOTICE  
COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING**