

Principles and criteria for determining, distributing and allocating the fixed, variable and extraordinary components of the total compensation and benefits of any nature, granted to the Chairman and Chief Executive Officer (Article L. 225-37-2 of the Code of Commerce)

Based on the recommendations of the Remuneration Committee, the compensation of the Chairman and Chief Executive Officer is set by the Board of Directors pursuant to the provisions of the AFEP-MEDEF Corporate Governance Code, as amended in November 2016.

Pursuant to the internal regulations, as recommended by the Remuneration Committee, the Board of Directors also approves the compensation of the Chief Executive Officers of the Principal Subsidiaries (Air France and KLM). The Remuneration Committee also makes recommendations to the Chairman and Chief Executive Officer regarding the compensation of the Group's Chief Financial Officer and reviews the compensation of the members of the KLM Managing Board.

The compensation policy for the Chairman and Chief Executive Officer thus takes into account the compensation policy for the aforementioned individuals (the "Top Executives"). The Remuneration Committee formulates and reviews the compensation policy applicable to the Chairman and Chief Executive Officer and its implementation on an annual basis.

This compensation policy establishes the principles and criteria for determining, distributing and allocating the fixed, variable and extraordinary components of the total compensation and benefits of any nature, granted to the Chairman and Chief Executive Officer. All of these elements are outlined in this section, pursuant to the provisions of Article L. 225-37-2 of the Code of Commerce.

General principles

The fundamental principles of the compensation policy are aimed at:

- attracting and retaining qualified top executives by offering them attractive compensation;
- guaranteeing the fairness, transparency and consistency of their compensation relative to that of the Company's other employees.
- the allocation of a compensation package linked to the Group's performance and competitiveness.

The evaluation of and changes to the compensation of the top executives notably take into account the changes in the compensation of the Group's senior executives.

Elements composing the compensation of the Chairman and Chief Executive Officer

The compensation package for the Chairman and Chief Executive Officer is composed of the following two elements set by the Board of Directors:

1. annual fixed compensation;
2. annual variable compensation linked to the performance of the previous financial year.

Annual fixed compensation

The amount of fixed compensation is linked to the degree of responsibility and the demands inherent to the relevant top executive's functions. The Remuneration Committee determines the appropriate level of fixed compensation based on the external reference data provided by independent compensation consultants. It also takes into account the required consistency with the level of compensation for the Group's principal executives.

On the assumption of his functions in July 2016, Mr. Jean-Marc Janaillac's fixed compensation was set at the same level as that of his predecessor. This amount (€600,000) remains unchanged for the 2017 financial year.

Annual variable compensation

The annual variable compensation aims to reward the top executives for the attainment of pre-determined performance criteria relating to the previous financial year. The variable compensation is paid in cash and represents a percentage of the fixed compensation.

The performance criteria linked to the variable compensation for the Chairman and Chief Executive Officer of Air France - KLM has two components:

- quantitative criteria relating to the Group's financial targets (60%);
- qualitative criteria composed of individual targets (40%).

The variable compensation, whose target value is set at 80% of the fixed compensation (on achievement of the targets), can vary from 0% to 100% of the fixed compensation based on the level of achievement of these criteria.

Every year, at the accounting year end, the Remuneration Committee evaluates the achievement of the criteria set for the previous financial year and proposes new criteria for the current financial year. The Board of Directors sets the amount of compensation in respect of the previous financial year together with the structure and elements of variable compensation for the current financial year based on these proposals. The performance criteria relating to the variable compensation are set directly in line with the Group's strategy.

The payment of the annual variable compensation for 2017 is subject to the prior approval of the Shareholders' Meeting held in 2018 in the conditions foreseen in Article L. 225-100 of the Code of Commerce.

Pursuant to the proposals formulated by the Remuneration Committee, during its meetings of February 15 and March 15, 2017, the Board of Directors decided, for the 2017 financial year, to set the criteria for determining the variable compensation as follows, subject to the approval of the Shareholders' Meeting.

	Breakdown of the variable portion	
	Target: 80% of the fixed compensation	Maximum: 100% of the fixed compensation
Quantitative performance: Air France - KLM COI (Current Operating Income at budget)	40%	50%
Quantitative performance: Adjusted Net Debt (Adjusted net debt before divestments and excluding impact of exchange rate euro/dollar on aircraft operational leases, at budget)	8%	10%
Qualitative performance		
— efficiency of Group governance	8%	10%
— implementation of "Trust Together" strategic project and objectives, especially through restoration of trust amongst staff and reduction in unit costs (-1.5% excluding <i>intéressement</i> and profit-sharing)	16%	20%
— strengthening and development of group international alliances	8%	10%

Benefits of any nature

The material resources put at the Chairman and Chief Executive Officer's disposal (chauffeur-driven car) cannot be separated from the exercise of his duties.

No other commitments made with respect to the Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer does not benefit from any extraordinary compensation.

The Chairman and Chief Executive Officer received no compensation on his appointment.

The Chairman and Chief Executive Officer does not benefit from the supplementary collective pension scheme for Air France senior executives, established following a deliberation of the Board of Directors on January 15, 2004.

The Chairman and Chief Executive Officer does not receive directors' fees in respect of his Board director and Chairman of the Board of Directors mandates.

The Chairman and Chief Executive Officer does not benefit from stock subscription or purchase option schemes nor from

performance shares. The Chairman and Chief Executive Officer receives no elements of compensation or benefits of any nature due or likely to be due in respect of an agreement concluded, directly or *via* an intermediary, in respect of his mandate, with the company or a company within the Group.

The Chairman and Chief Executive Officer does not receive other elements of compensation or benefits of any nature from other companies within the Group.

Cessation of functions

The Chairman and Chief Executive Officer does not benefit from a non-compete clause or severance payment in the event of his departure.

The amount of fixed compensation is paid on departure *pro rata temporis* for the accrued period of the current financial year. The amount of annual variable compensation is evaluated at the beginning of the year following the departure date, according to pre-defined criteria potentially applicable based on the evaluation of the Board of Directors, as recommended by the Remuneration Committee.