

Air France-KLM
AFKLM Shareholders' Meeting of June 7, 2023
Answers to the questions in writing from shareholders

Preliminary remark

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

- Relate to the agenda for the Shareholders' Meeting.
- Be sent to the Chair by registered letter with acknowledgement of receipt or by email, at the latest by the fourth business day preceding the date of the Shareholders' Meeting.
- Be accompanied by a securities account registration certificate.

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

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

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Commercial strategy/Network/Alliances

Questions from VEB Investors

- 1. To what extent are the sector constraints (aircraft delivery delays, shortages of cabin crew, pilots and ground staff) a blessing in disguise for Air France-KLM, insofar as capacity will be limited, which will lead to higher fares and improved profitability?**

Air transportation is a value chain. The constraints encountered by some service providers, suppliers and partners of Air France-KLM can also impact the Group's performance and that of its airlines.

In contrast to its competitors, Air France-KLM's efforts directed at advanced planning have enabled the Group to take full advantage of the recovery dynamic in place since the lifting of the travel restrictions.

- 2. Should investors be worried that the Transavia brand might be structurally weakened owing to the high level of cancellations, which would lead to a reduction in future profitability?**

This situation concerns only Transavia Netherlands. Due to an unexpected shortage of aircraft (caused by late charter deliveries, aircraft on the ground (AOGs) and prolonged heavy maintenance periods, all three of which linked to supply chain problems), Transavia Netherlands had to contend with last-minute cancellations during the May holidays. To stabilize operations and maintain passenger confidence over the medium and long term, we have put in place additional reserve capacity for the Summer 2023 season. In April, May and June we have thus been able to find a solution linked to cancellation for more than 99% of our passengers. For July and August, a solution has been found in our network for nearly 100% of passengers. This situation has attracted the attention of the media in the Netherlands and we expect some impact on the number of bookings in the very short term (one to three weeks). By deciding to increase the reserve capacity, we stabilize the network and directly reinforce passenger confidence. The strong ticket sales for the summer period underpin our confidence in Transavia's ability to deliver on its promises this summer. At this stage, we expect to achieve the target in the 2023 budget for Transavia Netherlands.

Dutch State agent

Question from VEB Investors

3. Following Air France-KLM's announcement of the exit from the State Aid:

a) Does Air France-KLM concur with the remarks from the Dutch State in its report according to which “important conditions of state aid have not been met”?

The Audit Committee of the Board of Directors of Air France-KLM has (i) monitored the terms and conditions of the agreements relating to the Dutch State Aid and (ii) regularly review the matters regarding the Dutch State Aid to KLM and, in particular, has reviewed and discussed all the reports of the Dutch State Agent. The Chair of the Audit Committee of the Board of Directors of Air France-KLM has liaised, when necessary, with the Dutch State Agent to discuss these matters.

Regarding the remarks of the State Agent in its fifth report, KLM made a public response on May 31, 2023. This publication can be found at the following link: <https://news.klm.com/klm-response-to-fifth-state-agent-report/>.

b) What could be the impact in case of non-compliance and does Air France-KLM believe this risk and (potential) impact is adequately disclosed in the annual report 2022 of KLM and Air France-KLM?

The Dutch State Aid was granted subject to certain conditions. The manner in which these conditions were met is detailed by KLM in its public response of May 31, 2023. This publication is available at the following link: <https://news.klm.com/klm-response-to-fifth-state-agent-report/>.

Potential risks and their impact, when identified, are duly disclosed in Air France-KLM's Universal Registration Document.

Finance

Question from Mr. Antoine Pr ea

4. **Between 2009 and 2014, what was the dividend distribution policy with regard to shareholders?**

No dividends were paid in respect of the years between 2009 and 2014 (inclusive).

Question from Ms. Yutong Li

5. **Why have you decided to proceed with a share buyback rather than distribute dividends? What is the interest for you in purchasing your own shares? Which criteria do you use to make this allocation between share buybacks and dividends, other than the needs of the employee shareholder plan?**

The authorization for a share buyback is foreseen, at this stage, to compensate the beneficiaries of long-term variable compensation plans.

At present the level of the Group's equity does not enable Air France-KLM to remunerate its shareholders. The main priority is to use the Group's results to strengthen its equity.

As a result, in the short term, Air France-KLM does not foresee a dividend payment to shareholders.

Question from Karolos Kontonikos

6. **I would like to know the future target price for the Air France-KLM share.**

Share price is set by the markets and the Group cannot therefore predict future share price.

Questions from VEB Investors

7. **Is it realistic to think that Air France-KLM can maintain such a high level of return on capital employed (ROCE, 21% for the 2022 financial year) over the medium and long-term?**

The Group does not provide guidance on return on capital employed (ROCE).

The Group's medium-term financial ambition is to reach an Operating Margin of 7% to 8%.

8. **The Group recently revised down its fuel cost forecasts for this year. Does Air France-KLM think that the fall in fuel prices will be reflected in the net result rather than being passed on to customers (reduction in ticket prices)?**

Wherever possible, the Group seeks to protect itself against any new rises in oil prices and adapts its ticket prices whenever this is necessary to reduce the impact of higher fuel prices. The introduction of SAF should also have an impact on lower fuel prices.

In addition to fare adjustments and permanent efforts to reduce fuel consumption, the Group has put in place a systematic hedging policy defined by its Risk Management Committee (“RMC”) to address the risk linked to the fuel price. This hedging policy aims to limit the impact of higher fuel prices on both the Group’s results and ticket prices.

The fuel hedging policy enabled a saving of €1 billion in 2022. For 2023, the fuel hedges should be slightly negative following the fall in the fuel price.

9. Does Air France-KLM expect the improvement in working capital due mainly to pre-payments by customers to support future cash flows?

In 2022, the adjusted free cash flows were supported by a positive WCR of nearly €2 billion, of which 50% came from advance ticket sales. Due to the significant increase in capacity, Air France-KLM benefited from this leverage effect but, owing to lower capacity growth, the leverage effect in 2023 will be much less strong than in the previous year.

10. Could you explain the weak financial performance for Transavia compared to Air France and KLM?

Transavia’s performance can be explained by a number of factors:

- The increase in costs, particularly those of fuel and handling
- The impact of the air traffic control strikes in France and the grounding of aircraft in the Netherlands.
- The company does not have a cargo business whereas this activity was particularly dynamic during the Covid crisis and saw growth in its contribution to Air France and KLM’s results.
- As a leisure airline, Transavia is more exposed to seasonality.

However, the strong ticket sales for the summer period look set to enable Transavia to deliver on its promises this summer.

Governance

Questions from SPAAK

11. How will the Board of Directors manage to achieve a balance between sustainable development and economic profitability?

The Air France-KLM Group aims to become a champion of the air transport sector in Europe, while fulfilling its key role as a pioneer of the sustainable aviation for the future.

In accordance with Article 1.1. of the Internal Rules of the Board of Directors, prior to any decision or implementation by Air France-KLM or any of the Group’s principal subsidiaries, the Board of Directors shall notably:

- approve the strategic options of the Group and conduct a strategic review at least once a year;
- approve the significant operations which could affect the Group’s strategy, modify its financial structure or have an impact on its scope of activity; the Chief Executive Officer shall be responsible for assessing the significant nature of such operations; and
- approve certain operations of the Air France-KLM and its principal subsidiaries when the

amount in question is equal to or exceeds €150 million (see Article 1.1.d. of the Internal Rules of the Board of Directors for the exhaustive list); and

- be informed of the main operations of Air France-KLM and its principal subsidiaries and of their equity acquisitions or transfers where these are equal to or amount to less than €150 million.

In addition, once a year, the Board of Directors comes together for a strategic seminar to discuss strategic long-term plans for the Group presented by the members of the Group Executive Committee (GEC).

The Committees of the Board of Directors also play an important role in shaping the Group's long-term strategy.

For instance, the Audit Committee is responsible for monitoring questions relative to the drafting and verification of the accounting and financial information, and for the internal control and risk management systems as well as questions relating to the Statutory Auditors. It may also deal with any questions that the Board of Directors may submit to it. In practice it reviews all strategic projects and their financial impact before they are submitted to the Board of Directors.

In addition, by submitting recommendations to the Board of Directors, the Sustainable Development and Compliance Committee ensures that the Group promotes long-term value creation and takes the social and environmental issues involved in its activities into account in the establishment of the Group's strategy.

The financing of the environmental transition is a major challenge for the coming years and is at the heart of the strategic decisions discussed and taken by the Board of Directors.

12. How does the Board of Directors plan to positively influence public perception and convince the Dutch government to make the right choices for the environment and for Air France-KLM?

The Air France-KLM Group constitutes a key sovereign asset for France and the Netherlands, and more generally for Europe. It guarantees connections between the territories of these two countries, their populations and their companies with the rest of the world, and thus reinforces their attractiveness and competitiveness. To ensure this mission, the Air France-KLM Group will need to achieve the decarbonization of its activity while securing the conditions for its competitiveness and profitability.

The Air France-KLM Group and its airlines communicate in full transparency vis-à-vis the public on its impact on the environment, the ambitious targets in its decarbonization trajectory and the associated milestones, the levers for action and the progress on their implementation. The Group is investing massively in renewing its fleet with latest-generation aircraft which are particularly efficient in terms of energy and noise reduction, and is accelerating the use of sustainable aviation fuels by securing supply contracts.

This transition constitutes a unique opportunity to shape the future of the air transport industry. To this end, we need to harness the efforts of the whole ecosystem around the development of bold and innovative initiatives to reduce the environmental impact of air transportation. Greater cross-functional consultation with the economic players concerned - public/private, including energy specialists – will enable us to anticipate the regulatory changes and to mobilize the financing required for this hitherto-unprecedented ecological transition.

Social, societal and environmental responsibility (CSR)

Questions from VEB Investors

13. How does Air France-KLM plan to achieve the objectives of the Paris Agreement (calendar, sustainable development goals, components of the strategy)?

Sustainable development is at the heart of the Air France-KLM Group's strategy, as witnessed in the launch by the Group is the Destination Sustainability program, regrouping the Group's initiatives in this area. Since 2019, the Group has been accelerating its environmental transition and has set some ambitious targets linked to the decarbonization of its activities:

- A 30% reduction in its greenhouse gas (GHG) emission intensity by 2030 relative to the 2019 baseline (gCO₂eq/revenue-ton-kilometer (RTK));
- Incorporation of a minimum of 10% SAF (Sustainable Aviation Fuel) by 2030 on all our flights; going beyond the 6% incorporation mandate which only applies to flights on departure from Europe;
- Achieve Net Zero emissions by 2050 for the Air France-KLM Group.

The Air France-KLM Group, Air France and KLM have submitted their CO₂ emissions reduction targets to the Science Based Targets initiative which were approved in November 2022 by the SBTi's Target Validation Team confirming that they are in line with a well-below 2°C objective, as determined by the Paris Agreement signed in 2015.

Air France-KLM's decarbonization strategy details the Group's priorities in terms of reducing its environmental footprint and the means to achieve this, like fleet renewal which contributes to reducing both fuel consumption and noise hindrance, the use of sustainable aviation fuel, and the optimization of operational procedures like eco-piloting and inter-modality. We are cooperating with industrial partners, governments and research institutes to accelerate the development and adoption of the new technologies that are required for our sustainable transition.

Air France – KLM also plays a front-runner role in the airline industry, mobilizing the sector to accelerate its decarbonization commitments. At the 77th IATA Annual General Meeting in 2021, IATA member airlines passed a resolution committing them to achieving Net Zero carbon emissions from their operations by 2050. In 2022, ICAO Member States adopted the same long-term aspirational goal (LTAG) of Net Zero carbon emissions by 2050 during its 41st ICAO Assembly.

Furthermore, we are putting in place robust monitoring mechanisms and regular reporting to be able to track our progress in a transparent manner. Regular evaluations will enable us to identify areas for improvement and make the necessary adjustments to our strategy.

14. What are the specific roles of the company's competent administrative bodies as regards the sustainability targets (particularly the responsibilities attributed)?

Sustainable Development governance is ensured by the management bodies at the highest level of the Group. The Board of Directors and the Executive Committees ensure that sustainability topics are given

high priority and the sustainability teams report frequently to the most senior levels of management. They make sure that sustainability decisions are taken at the right level within all the relevant entities:

- The Board of Directors approves the strategic orientations and monitors their implementation;
- Within the Board of Directors, the Sustainable Development and Compliance Committee, established in 2018, assists in reviewing the risks and policies, by issuing recommendations and ensuring that the issues linked to sustainable development are taken into account when defining the Group's strategy. In particular, twice a year, the Sustainable Development and Compliance Committee reviews the risks linked to climate change and the remedial measures in place. The minutes of the discussions and, as necessary, the recommendations arising from meetings of the Sustainable Development and Compliance Committee are presented to the Board of Directors. Having taken into account the recommendations of the Sustainable Development and Compliance Committee, the Audit Committee approves the review of the main extra-financial risks on an annual basis;
- The Group Executive Committee determines the sustainable development policy and strategy and ensures that they are an integral part of the Group's strategic planning. It reviews the sustainable development strategy and performance on an annual basis. The Group's Corporate Secretary is responsible for the Compliance department and the Group Executive Vice President, Human Resources and Sustainability is responsible for Sustainable Development;
- At Air France, the sustainable development policy is steered by the Vice-President in charge of sustainable development and new mobility, who reports to the Chief Executive Officer of Air France. He is supported by the Air France Sustainable Development Committee, composed of members of the Air France Executive Committee, which guides and ensures the progress of Air France's sustainable development strategy and efforts;
- At KLM, this role is fulfilled by the Senior Vice President Sustainability & Strategy, who is a member of the KLM Executive Committee. This role is supported by KLM's Sustainable Development Council, which guides and ensures the advancement of KLM's sustainability strategy and efforts.

During 2021, an executive level Decarbonization Committee was established as a cross-functional internal management body for the review and strategic advancement of the Air France-KLM Decarbonization Road Map and its execution.

The Group's Sustainability Departments and airline companies are tasked with proposing and implementing the sustainable development strategy. The teams align their actions and propose policies in a weekly meeting known as the "Sustainability Circle".

Departmental Sustainability Leaders act as multipliers in their respective business units. These sustainability champions function as a network in close cooperation with their Sustainability Departments as well as their own EVP/SVPs, to initiate, embed and accelerate sustainability topics within their functions.

15. What role does Air France-KLM plan to play in actively influencing customer behaviour from a political perspective on the climate risk?

As an airline group, we recognize that it is important to raise awareness and provide completely transparent information for customers on the impact of their travel. We believe that, by adopting a proactive approach, we can encourage our customers to make more sustainable choices and contribute to mitigating climate change.

Air France and KLM were the first carriers to offer their customers a SAF (Sustainable Aviation Fuel) program for both businesses and cargo, thereby raising awareness and knowledge around sustainable aviation fuels and encouraging companies to reduce their scope 3 emissions linked to business travel and the transportation of cargo. The Group's different programs numbered 125 members in 2022.

In January 2022, Air France and KLM introduced a SAF contribution for all tickets on departure from France and the Netherlands, to reflect the financial impact linked to the incorporation of up to 1% SAF, pursuant to the regulation.

Customers can also support the development of a SAF manufacturing industry by signing up for an environment option when they make a booking or up until check-in. For members of the Flying Blue loyalty program, Air France and KLM now offer the option to contribute to the development of sustainable aviation fuels using Miles. Since June 2022, as a mark of recognition for Air France and KLM high-value customers, these contributions also count towards earning or maintaining Flying Blue Elite status. Flying Blue was the first loyalty program in the travel industry to structurally introduce such a choice to earn or maintain status.

In addition, we cooperate with industry partners, governments and other relevant stakeholders to lobby in favor of policies that encourage sustainable travel choices. By actively participating in the political debate, we strive to shape regulations and initiatives that promote sustainable aviation and inspire our customers to make sustainable choices.

Fleet

Questions from the A. D. U.T.A. association via its President Mr. Allaguillemette

16. Why continue to increase the Transavia fleet with B737s, which are less efficient than A320neos?

Fleet renewal is at the heart of the strategy to improve Air France-KLM's economic and environmental performance. To this end, in December 2021, the Group placed a firm order for 100 aircraft in the Airbus A320neo family, with purchase rights for an additional 60 aircraft, destined for KLM, Transavia Airlines (Netherlands) and Transavia France.

KLM and Transavia Airlines have both prioritized the A321neo, whose higher passenger capacity will help offset the slot constraints specific to Amsterdam-Schiphol airport. With 186 seats on board, the A320neo is perfectly suited to replace the B737-800s at Transavia France, which carry 189 passengers.

These two models do not however have the same delivery schedules. While, when the order was signed, the first A321neos were expected to be available from October 2023, Airbus will not be able to deliver the A320neos until the second quarter of 2025.

To accelerate the entry into revenue service of this next-generation aircraft, Transavia France has leased 17 A320neos from Avolon and AerCap. KLM and Transavia Airlines have adopted the same approach with the A321s leased from ALC, with a respective three and seven aircraft.

These medium- and long-term dynamics are being compounded by occasional delivery delays. They thus explain the postponement by a few weeks of the entry into revenue service of 12 aircraft initially scheduled for April 2023, which will finally join the operational fleet in August 2023.

Ahead of these first deliveries, the Group also took the decision to lease 12 B737-800s to meet the airline's growth requirements for Summer 2023. These short-term contracts (42 to 72 months) benefited from favorable lease conditions in the uncertain context of the Covid-19 crisis.

17. Why has Air France abandoned the A380 while its competitors appear to be bringing this aircraft model back into service?

Air France had decided to retire the A380 from its fleet prior to the Covid crisis. The economic equation for these four-engine aircraft delivered between 2009 and 2014 effectively no longer added up, given notably the need to upgrade the cabins.

This retirement from revenue service took place earlier than initially planned owing to the Covid crisis: the aircraft stopped flying as of the first lockdown in 2020, and have never returned to service.

Consistent with the strategy to standardize the fleet, the company thus chose to concentrate its long-haul investment on refurbishing the B777-200/300 cabins and on an A350-900 order, an aircraft whose economic and environmental performance is vastly superior.

Lufthansa's long-haul fleet strategy is based on the order for 20 B777Xs, an aircraft for which they are the launch clients, and for 27 B787-9s. These two programs are having to contend with multiple delays, for example the delivery of the first B777Xs having been pushed back from 2023 to 2025.

To fill a part of the capacity deficit created by these delays, Lufthansa has added second-hand B787-9s and A350-900s to its fleet and brought back into revenue service six of its 14 A380s. The latter aircraft will be operated for a period of two to three years, enabling the required investment to be more easily amortized.

The extended operation of the A380 by some of our competitors thus needs to be seen within the framework of a shortage of next-generation long-haul aircraft and does not call into question Air France's long-term strategy focused on fleet modernization. Unlike many of its competitors, Air France-KLM continued to take delivery of aircraft during the crisis.

Shareholders

Question from Mr. Loïc Menetrier

18. Does Air France-KLM have any plans to grant a benefit to shareholders who are frequent flyers with the Group (e.g. gold status)?

Flying Blue status is linked solely to the travel characteristics on the Group's airlines. There are no plans to grant a Flying Blue status linked to the ownership of Air France-KLM shares. On the other hand, shareholders owning at least 50 shares can become members of the Shareholders' Club at the following address: [Shareholders' Club | AIR FRANCE KLM](#) and thus benefit from the advantages reserved to its members, like dedicated newsletters sent by email and invitations to exclusive events like the Paris Air Show.