

Air France-KLM

AFKLM Shareholders' Meeting of May 28, 2019

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 Chairman by registered letter with acknowledgement of receipt no later than four business days before the Meeting.
- Be accompanied by a securities account registration certificate.

To devote more time to questions from shareholders attending the Meeting, 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 de 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 their meaning) whenever their full wording is not required for the purposes of proper understanding.

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Transavia

Mr. Girard notes that the commercial conditions (earning of Miles, sale or service conditions etc.) differ between Transavia France and Transavia Netherlands, and that they also differ from the Air France and KLM offers; this is even the case when a flight is operated under code share. He asks whether this might be linked to the incompatibility of the IT systems used by these subsidiaries and whether unification of the commercial offers of Transavia Netherlands and Transavia France, but also of Air France and KLM, is envisaged?

Within the Air France-KLM Group, each company targets different customers and thus deploys a commercial proposition adapted to its target.

- A richer and more comprehensive offer for Air France and KLM, adapted to the needs of frequent flyers, connecting passengers and business travelers.
- A simplified and efficient offer for Transavia, aligned between France and the Netherlands, and managed totally jointly at both IT and commercial level in the two companies. This offer is adapted to a point-to-point customer base that is highly price sensitive. The simplicity of the product and the commercial offer enables the maintenance of unit costs that are competitive with those of the low-cost peers.

However, Air France, KLM and the two Transavias have implemented cooperation mechanisms (code share type) enriching the overall commercial proposition for their customers, while maintaining different positioning and systems which are consistent with their models. For example, Transavia France offers code shares with Air France without offering connections. This expands Air France's commercial offer without increasing Transavia's costs.

Hop!

Mr. Girard is concerned about a chronic lack of availability of Hop! pilots that may have been caused by the transfer of some Hop! pilots to Air France and, given the time needed for their recruitment and training, he asks what measures the Air France-KLM Group is taking to remedy this situation and ensure that these transfers do not take place to the detriment of Hop! operations?

The resumption of pilot recruitment by Air France and the application of agreements signed before this period between Air France, Hop! and the social partners led to an acceleration in the number of pilots transferring from Hop! to Air France.

This phenomenon combined with the consequences of the merger of the three regional airlines to constitute Hop!, and changes to the utilization and dimensioning rules for pilots employed by Air France Hop! had an impact on its operational performance lasting several months.

To remedy this situation, over the course of 2018, Air France and Hop! implemented the following measures:

- renegotiation of the agreements with the Hop! pilots to manage, in the short term, the flow of pilot departures to Air France more effectively,
- temporary recourse to chartering to ease the strain on Hop! operations and regain operational efficiency,
- investment in the Hop! internal processes (dimensioning, crew planning, etc.).

These measures enabled the resolution of the operational difficulties as of September 2018 and Hop! aims to return to operating all its flights in its own aircraft by Winter 2019.

Longer term, work is under way between the Air France and Hop!, managements, in liaison with the employee representative bodies, to enable Air France to continue to integrate Hop! pilots while guaranteeing the operational integrity of Hop!.

The simplification of the Hop! fleet (move from five to three and, in time, two different types of aircraft/cockpits) will also make Hop! more resilient to changes by reducing its pilots' internal training needs.

Fleet

Mr. Allaguillemette would like more information on the breakdown of the long-haul fleet between Air France and KLM with regard to the B787s. He asks for an explanation concerning the rumours suggesting that the Group may have decided to allocate all the A350s it will receive in future to Air France while the future B787s would go to KLM. He notes that the entry into revenue service of the B787s required training for the Air France pilots and an agreement with the SNPL for the secondment of B777 instructors to the B787, and asks what is going to become of the B787s currently in revenue service with Air France?

Within the framework of the renewal of its fleet, Air France ordered two additional aircraft: the B787-9 with 279 seats and the A350-900 with 324 seats. Air France currently operates nine B787-9s. For its part, KLM operates thirteen and will shortly take delivery of its first 787-10 which is a similar-sized aircraft to the A350-900.

The question of the future of the A350 in the KLM fleet is currently under review and the two companies are working closely together within the Air France-KLM Group to harmonize their order books and rationalize their fleets.

At present, there are no plans for Air France to stop operating its B787-9s.

Servair

Mr. Allaguillemette reminds us that, in 2017, Air France sold 49.99% of Servair to Gategroup while HNA, the Gategroup parent company, has just sold Gategroup to the Asian investment fund RRJ Capital. Against this backdrop, Mr. Allaguillemette would like more details on the situation of Servair employees.

Air France gave Servair the resources required for its future growth and enabled the company to maintain the highest standards in the airline catering industry globally through the backing of an industrial partnership with a leading player.

During the sale of 49.99% of the Servair capital to Gategroup, Air France ensured the existence of an equally-solid industrial rationale so as to guarantee the Servair employees growth and development prospects within their company.

The change of control for the Servair parent company has not changed this industrial project and will have no impact on the working conditions or contractual relations between Servair and its employees.

Alliances

Mr. Girard notes the recent 'collapse' [editorial note: at this stage it is only a suspension of its flights] of Jet Airways; he asks what might be the consequences for the Air France-KLM Group and the Group's strategy to prepare for the end to this partnership?

Our first priority has been to minimize the impact for our customers. Our sales teams have been on hand to assist customers who had booked flights on Jet Airways under code share with Air France or KLM to carry them to their final destinations, notably via additional capacity and bookings on other airlines.

For the moment, we continue to serve all our Indian destinations with the exception of the Paris-CDG-Chennai route, which has been suspended. The risk in terms of short-term revenues is around €10 million to €15 million. Over the long term, we had expected a positive impact from this cooperation of the order of €20 million. Furthermore, there is an impact for us from fuel and other services (€5 million).

The future of the Joint-Venture with Jet Airways will depend on the latter's ability to reinstate its operations. Naturally, we continue to follow this closely and we shall review our position in India once the situation of Jet Airways is clearer.

Joon

Mr. Cadene asks about the closure of Joon's operations and the estimated total cost incurred in launching this airline's operations.

Joon launched operations on December 1, 2017 and is pursuing its activity until the integration date with Air France foreseen for June 27, 2019.

Joon completed the administrative formalities required for its operations at a low cost by relying on Air France staff made available to Joon who will now rejoin Air France. Note that Joon currently operates a charter service supported by the Air France tools and teams, and does not sell tickets or have operations in the outstations; the sales and routes remain 'Air France'.

At the end of December 2018, the total number of Joon employees stood at 557, of whom 540 are cabin crew of whom Air France has need to ensure its operations and, at the end of the merger, again operate the routes that Air France had chartered with Joon. The agreements signed in January with the Air France Cabin Crew guarantee the economic balance of this transition (change in the salary scales on recruitment of all new AF cabin crew as of February 1, 2019).

The investment in the launch of Joon mainly involved marketing and the painting of 17 aircraft in the Joon livery, and amounted to a total of around €6 million. Modifications had been made to the A340s operated by Joon, to modernize the cabins for the comfort of passengers. These aircraft purchased from Air France are going to rejoin the Air France fleet and this investment is thus going to last until the end of the lifespan of these aircraft, to the benefit of our customers. While it had been foreseen that the first A350 would be allocated to Joon at the end of 2019, no investment was made directly by the Joon entity. In medium-haul, the 13 mainly-leased aircraft in revenue service will join the Air France fleet at no additional lease cost.

Air France's domestic network

Following the recent announcement by Air France of a reorganization of its domestic network at a time when new competitors are establishing operations in the French airports, Mr. Girard would like to know what changes are envisaged by the Air France-KLM Group for the French domestic network over the long term?

Air France's domestic network is facing two-fold competition from both high-speed rail and the low-cost carriers. The pressure from these competitors has become much more intense in recent years. Toulouse, Marseille and Nice are now the only cities to which rail journeys from Paris take three hours or more, although this doesn't necessarily mean that these lines will be preserved: Air France's Paris-Marseille route thus lost 45% of its traffic with the arrival of the TGV high-speed service at three hours. The low-cost carriers have also seen very rapid growth in France (sometimes with the help of the local authorities): 85% of the seats currently offered by Air France on the domestic network now compete with low-cost carriers compared with 40% only five years ago.

However, even in this context, Air France continues to make the domestic network a pillar of its strategy and plans to maintain a strong presence in its home market. Numerous initiatives have thus been launched and will continue to be, whether in terms of commercial innovation (fares, season ticket offer, etc.) and improvements in the quality of the offer and infrastructures (e.g. use of the new Hall 3 in Orly). This mobilization currently enables Air France to post a 65% share of its domestic market, significantly higher than that of its main European competitors Lufthansa, British Airways, Iberia and Alitalia (whose domestic market shares fluctuate between 18% and 44%).

In parallel, Air France continues to develop its offer on departure from the French regions to the Roissy-Charles de Gaulle Hub. After strong growth in 2018 with the reinforcement of the Nice-Roissy-CDG route (a seventh daily flight) and the opening of the Toulon, Lorient and Perpignan to Roissy CDG services, we are continuing this summer with the addition of a daily flight on Toulouse and Nantes. This enables an increase in the number of connecting opportunities for our customers and responds to the growth of IAG and Lufthansa in France.

The financial situation of the domestic network nonetheless remains difficult, with very strong pressure on the unit revenue. Air France recorded a loss of €185 million in 2018 on this network, taking the total loss since 2013 to more than €700 million. Air France has thus decided to adapt its activity on the domestic network by planning a reduction of some 15% in seat capacity by 2021. This initiative will be reflected in a series of measures, ranging from the closure of structurally-loss-making routes to the adaptation of modules or frequencies on other routes. These measures are key to the financial recovery of a network which is an integral part of Air France's strategy.

Capital

Mr. Allaguillemette believes that the rapid acquisition of a shareholding by the Dutch State in Air France-KLM took place with the help of one of the most powerful US pension funds and asks whether we should be concerned about the potential realization of an alliance between the Dutch State and Delta Air Lines, Inc.?

The acquisition of a shareholding by the Dutch State was executed through a Dutch bank.

In this instance, the banks offer to shareholders a share price higher than the market price, without disclosing the end buyer.

The US pension fund which sold its Air France-KLM shares did so solely on the basis of financial criteria. This transaction in no way presupposes an alliance between the Dutch State or any other shareholder, particularly Delta Air Lines, Inc.

Shareholder relations

As exists in other airlines (All Nippon Airways, Air Asia, etc.), Mr. Girard asks whether Air France-KLM envisages introducing specific benefits for members of the Shareholders' Club, within the framework of their travel on the Air France-KLM Group's airlines?

Air France-KLM would like to take this opportunity to thank shareholders and members of the Club for their confidence and is always delighted to enable them to deepen their knowledge of the Group, in particular via its website and Shareholders' Newsletter but also through meetings with the Group's management in the French regions, several times a year and proposing site visits.

It seems very difficult for Air France-KLM to put in place a benefit exclusively for the very many members of the Shareholders' Club within the framework of their travel without taking into account parameters such as the number of shares held by individual shareholders and the length of time these shares have been held. Such a tool would be very complex to manage.

However, members of the Shareholders' Club can sign up for FlyingBlue which is a frequent flyer program dedicated to customers, whose aim is to support the Group's commercial offensive and its personalization strategy for customers.

Mr. Broenink notes that he did not receive a response to his requests from the email address mail.actionnaires@airfranceklm.com and asks which email address to use to contact the Individual Shareholder Relations team at Air France-KLM.

Mr. Broenink refers to the email address mail.actionnaires@airfranceklm.com. It was a spelling error in the email address used by Mr. Broenink which generated the *recipient user name* return error sent to the latter.

In 2018, we created the email address mail.actionnaire@airfranceklm.com. The Air France-KLM Individual Shareholder Relations team can thus be contacted at the mail.actionnaire@airfranceklm.com address mentioned notably in the Convening Brochure on the Air France-KLM website Finance/Shareholders' Meeting).

Mr. Broenink asks about the participation of Dutch shareholders in the Individual Shareholders' Committee.

The composition of the Individual Shareholders' Committee (ISC) endeavors to represent the geographical diversity and typology of Air France-KLM's individual shareholder base. It depends on the applications submitted by candidates during the renewal process. For example, one of the members of the ISC is based in Sweden.

Mr. Broenink, who was not able to vote during the previous Shareholders' Meeting given the deadlines imposed by the participation and voting procedure at Shareholders' Meetings, asks whether this might be revised.

The procedure for taking part and voting in the Air France-KLM Shareholders' Meeting is reviewed on an annual basis with Société Générale, our agent. This procedure responds to the legal and regulatory requirements and imperatives specific to companies whose shares are admitted to trading on a regulated market and enable the maximum level of security for the shareholder voting process.

All the information relating to these procedures is available on the company's website (<https://www.airfranceklm.com/EN/Finance/Shareholders/Shareholders>' Meeting) at least 45 days prior to the Meeting.

Employee shareholders

Mr. Allaguillemette notes that the Group's employee shareholders currently represent about 4% of the share capital and asks whether it might be a good idea to distribute shares in the Group since he considers that, for the company, this has the advantage of building team spirit while benefiting from a stable, engaged and better-consolidated shareholder base, notably in the event of an attempted takeover of the company.

The Group has always considered it important to give the Group's employees a stake in its growth and align their interests with those of shareholders. It thus wishes to encourage employee shareholding within the Group.

However, this is a complex matter which merits some serious thought. Its implementation must take into account numerous parameters (like the legal, fiscal and HR specificities in the countries where the Group's employees are based).