

## AIR FRANCE-KLM

### GENERAL SHAREHOLDERS' MEETING OF THURSDAY MAY 19, 2016

#### 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](http://www.airfranceklm.com) website prior to the Meeting in a special section pursuant to law. Article L.225-108 of the Commercial Code 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 questions have been summarized (without altering their meaning) whenever their full wording is not required for the purposes of proper understanding.

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## Long-haul low-cost strategy

*Like Air Caraïbes which is about to launch its long-haul low-cost carrier, French Blue, Mr. Allaguillemette asks about the potential Air France-KLM Group strategy in this segment given its lag relative to the competition.*

The Air France-KLM Group closely monitors the development of various competitor offers in the so-called long-haul low-cost market, whose homogeneity and profitability are yet to be established. On a range of destinations, and notably those which seem likely to be served by French Blue, the Air France-KLM Group also has a competitive production tool currently.

While the Group does not have a long-haul low-cost plan at present it is, however, ready to participate in such a market were this to become financially relevant and likely to best serve the needs of its customers.

## Slots

*Mr. Allaguillemette would like to understand the reason why Air France sold a number of slots at London Heathrow airport during 2015.*

In mid October 2015, with their partner Delta Airlines, Air France and KLM signed a contract to transfer six pairs of slots at London Heathrow. The companies had already been leasing these slots to Delta for several years, meaning that the flight schedule at London is not affected by this transaction.

This transaction generated cash proceeds of US\$276 million in the 2015 fourth quarter. The related pre-tax capital gain was booked as non-current income in the 2015 financial statements. This is part of the Group's pro-active asset portfolio management strategy and contributes to the reduction in its debt.

## Ground handling of passengers

*Evoking a personal experience at Roissy-CDG, Mr. Allaguillemette asks in which circumstances sequential passenger embarkation might be put in place to facilitate boarding.*

The sequencing process for priority boarding currently in force at Roissy-CDG respects the following principles:

- Passengers with special needs are the first to board (passengers with reduced mobility, unaccompanied minors, families with young children),
- SkyPriority customers are then invited to board; they then benefit from fast track embarkation throughout the boarding process,
- Other passengers are then invited to board.

Other approaches based on alternative forms of segmentation (by zone, window followed by corridor seats, etc.) have been trialed and maintained without having so far shown any additional material benefit.

## Fleet

*Mr. Allaguillemette asks whether the Group has any plans to operate a single aircraft type based on the low-cost airline model, in order to rationalize costs.*

Air France and KLM have 'high end' strategic positioning targeting 'Business traveler' customers transiting through the CDG hub in Paris or the Schiphol hub in Amsterdam for their regular trips between Europe and the rest of the world. They thus adapt the size of their aircraft

to the size of the markets served and the need to offer flight times and frequencies capable of securing the loyalty of this demanding customer base whilst preserving the profitability of the airlines. In terms of its aircraft selection strategy, the Air France-KLM Group is better off seeking the most effective compromise between fleet rationalization and the best match between aircraft types and the operational requirements.

## Servair

*Mr. Laprevote asks about the real reasons behind the Group's decision to sell its Servair subsidiary, in that he believes this to be a financial transaction rather than one aimed at facilitating the development of this company outside the Group.*

The Servair management, in close collaboration with the Group, recognizes that the ability to offer airlines multi-station propositions has become a competitive advantage. Given the investment required to contend with rapid market consolidation, it is now clear that a merger with an industrial player is an attractive strategic option for Servair, enabling the creation of a major sector player.

## Chirac Tax/Le Roux Report

*Mr. Laprevote would like to know the amount of taxes paid by the Group, and particularly the Chirac Tax, as well as the progress made with regard to the measures proposed by the Le Roux Report.*

In 2015, the Air France Group paid more than €1.6bn in taxes collected on airline tickets. This amount includes Solidarity Tax (sometimes called the 'Chirac Tax') of around €65 million.

The Le Roux Report, most of whose conclusions are supported by the Air France Group, has enabled progress in two major areas:

- The total abolition of the civil aviation tax for transfer passengers, representing a gain of several tens of millions of euros.
- A Franco-German initiative aimed at a European mandate to negotiate traffic rights within the framework of fair competition.

## Governance

*Regarding the appointment of Anne-Marie Couderc as a Board director, Mr. Laprevote is concerned about a potential conflict of interest in view of Ms. Couderc's functions within the senior management of the Presstalis press group and the relationship between the latter and Air France in its capacity as a major customer of the French press.*

Presstalis is not a newspaper and magazine publisher but a press distribution business. Its direct customers are newspaper groups and some press distribution chains. Furthermore, Presstalis is an ordinary customer of Air France, and one which is non-significant given the two groups' respective volumes of activity. There is thus no significant business relationship (customer/supplier relationship) between Air France and Presstalis whose nature would be likely to create a situation of conflict of interest for Ms. Couderc given her functions within the Presstalis senior management.

*Mr. Laprevote welcomes the positive results for the 2015 financial year but wonders whether the Chairman and the Board of Directors plan to contribute to the efforts being asked of employees by reducing their directors' fees for the 2016 financial year.*

The Board of Directors participates in the wage restraint asked of employees in that the amount of directors' fees has not increased since 2007 despite the higher average number of meetings and the resulting increased workload. Note that the Chairman does not receive directors' fees.

*Mr. Laprevote asks whether it is appropriate to have two members within the Appointments and Governance Committee whose terms of office expire this year and will not be renewed, particularly at a time when it had to choose the successor to Alexandre de Juniac.*

The composition of the Appointments and Governance Committee has not changed since 2014 and Mssrs. Dehecq and van Lede have been members of this Committee since, respectively, 2004 and 2010. Pursuant to the Board of Directors internal regulations, the Appointments and Governance Committee assumed responsibility for the succession plan for the Group's senior executives based on a calendar approved by the Board of Directors on April 5, 2016. This calendar foresaw the relatively rapid choice of the future Chairman and Chief Executive so that the Shareholders' Meeting of May 19 could be officially informed. The Committee thus met three times within less than four weeks before submitting a unanimous proposal to the Board on the choice of the future Chairman and Chief Executive Officer. During its meeting of May 1, 2016, the Committee approved this choice and applauded a remarkable and effective governance process which enabled a decision to be taken within the allotted timespan.

## **Advertising campaign**

*Mr. Laprevote would like to know the cost of the 'Air France is in the air' advertising campaign. He also asks about the strategic bias concerning, notably, the theme which he finds too elitist, the choice of language and the very female orientation of this campaign.*

Our level of investment is similar to that of our major competitors, something which represents a significant effort for Air France and an ambitious investment in our brand.

This campaign revisits France's strengths internationally through a series of images (art of living, gastronomy, culture) and showcases our services, the level of comfort on board our aircraft and our brand values in a light-hearted and poetic manner.

We liked this strapline because it is in keeping with the orientation that we are looking to give our brand: infuse it with dynamism, youth and modernity to assert the pleasure of travel.

## **Financial communication**

*Mr. Laprevote would like to understand the difference between, firstly, a €125 million loss in respect of the financial year ended December 31, 2015 and, secondly, net income, Group share of +€118 million, the figures mentioned on pages 9 and 21 of the Convening Notice.*

The €125 million loss corresponds to the result for Société Air France-KLM (the holding company for the Air France-KLM Group). The €118 million profit corresponds to the result of the Air France-KLM Group. This result includes not only the €125 million loss from Société Air France-KLM but also the results from the companies Air France and KLM, and from their subsidiaries.

## International initiatives

*Mr. Laprevote asks why the Group became a founder member of A4E (Airlines for Europe), particularly alongside its main low-cost competitors.*

The view shared by the leading European airlines dating back several years is that their representation within the European institutions through more than five different associations was no longer appropriate. This multiple representation was to be compared with that of the airports via a single body, ACI Europe. The defection of a number of companies, including the IAG Group, from the historic AEA association brought this issue into even closer focus.

Within this context, the creation of a unified, powerful voice for the European airlines on matters of common interest seemed like an appropriate solution to the five main European airline founders of Airlines for Europe (A4E). The Air France-KLM Group naturally also continues to express its point of view, alongside the companies which share its opinions, on matters when there is no consensus between the A4E members.

## Other

*Mr. Laprevote asks why Air France's HR policy and the Corporate Works Council's opinion are not more systematically made available to shareholders.*

Information on the HR policy is made available to all Air France employees on request. The 2015 HR policy should be available in July 2016 following the Corporate Works Council consultation which will begin at the end of June 2016.