

## AIR FRANCE-KLM

### GENERAL SHAREHOLDERS' MEETING OF TUESDAY MAY 20, 2014

#### REPLIES TO THE QUESTIONS IN WRITING FROM SHAREHOLDERS

#### Preliminary remarks

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 be able to devote more time to the questions from shareholders attending the Meeting, the answers to questions in writing are posted on our [www.airfranceklm-finance.com](http://www.airfranceklm-finance.com) website prior to the Meeting in a special section pursuant to law. Article L225-108 of the Commercial Code provides 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 changing their meaning) whenever their full wording is not required for the purposes of proper understanding.

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## Flight safety

*Given the difficulties encountered in locating the wreckage of flights AF447 and MH370, Mr. Rouverand asks whether Air France-KLM could propose to the authorities and competent bodies new measures enabling:*

- *The permanent monitoring of the positioning of aircraft flying over oceans;*
- *The real-time recording, on the ground, of the data currently recorded in the black boxes.*

Since the AF447 tragedy, the Group has implemented procedures aimed at tracking aircraft positioning in real time and retrieving the recorders in the event of an accident:

- The frequency of the systematic position reports to the ground, which had been nominally every 10 minutes, has been modified: it is every minute if a trajectory anomaly is detected by the on board systems;
- The autonomy of the under-water transmitting markers attached to the flight recorders has been increased from 30 to 90 days.

The Group participates in industry initiatives on flight safety, and particularly in working groups to ensure more reliable position reports and the retrieval of the flight recorder parameters. This subject will be discussed in detail at next June's IATA Annual General Meeting.

## Transavia

*Mr. Allaguillemette is surprised by the size of the Transavia fleet which has increased from 11 to 16 aircraft, compared with those of its competitors Germanwings and Vueling which will increase to a respective 87 and 120 aircraft. He asks why it does not deploy a far more offensive strategy faced with the low-cost carriers.*

The fleet operated by Transavia in 2014 will comprise 46 aircraft, 30 in the Netherlands and 16 in France. The Group's objective is to accelerate significantly the development of Transavia to position this company as a major player in the European "leisure" market. The growth in the fleet will accompany this offensive strategy.

## Cargo business

*In view of the retirement of the B747s (full freighters with the particularity of having a "nose door"), Mr. Allaguillemette asks how the Group plans to meet the needs customers with atypical forms of cargo?*

In 2013, Air France's B747 full freighter fleet generated an operating loss of €44 million. The cargo niche requiring a nose door is now extremely limited and its weight in the result is totally incommensurate with the loss mentioned above.

Furthermore, the retirement of Air France's B777 full freighters is not envisaged.

***Mr. Boisseau asks about the underlying reasons explaining the decline in cargo traffic and whether capacity reduction is the only solution.***

The trend in the world cargo market has been profoundly affected by the 2008 crisis. To react to this crisis, the Group multiplied its commercial initiatives and restructured its fleet.

There are plans to significantly scale back the number of full freighters operated by the Group by retaining only the most efficient aircraft. The Group will maintain its cargo transportation capability by using the bellies of passenger aircraft.

The reduction in this cargo capacity combined with a considerable commercial offensive appeared to be the best way of ensuring a turnaround in the cargo business.

## **New La Première cabin**

***Mr. Allaguillemette asks about the relevance of installing the new La Première cabin at Air France, in that, like for most airlines, this product is not particularly profitable and, again in his view, below the standard offered by the Gulf State carriers, notably Etihad. He asks if it wouldn't be wiser to focus solely on Business class.***

As an exceptional product, La Première is addressed at a specific clientele: the offer in seats and the route portfolio have thus been reviewed to correspond more closely with demand, and adapt to the potential of the most rapidly-growing regions (principally North America: Los Angeles, New York, Washington), but also reposition Air France on strategic routes where the excellence of the product takes precedence (Asia as a priority: Hong Kong, Singapore, Tokyo).

The move up-market is thus accompanied by a rationalization of resources to significantly improve the results. The new La Première suite thus contributes to reinforcing Air France's brand image with the public.

The presentation of the new La Première cabin on 7 May in Shanghai confirmed that, through an understated, elegant suite articulating the image of French-style luxury, and thanks to the unique concept of a curtain enabling a totally private space, Air France can effectively rival the Asian or Gulf State carriers.

## **Fiscal context**

***Mr. Allaguillemette is outraged by the taxes and levies to which Air France is subject, unlike foreign carriers, which he feels creates unfair competition. He would like to know to what extent the French State shareholder can intervene to rebalance this situation.***

The air transport industry is subject to numerous levies on tickets and taxes and charges applicable to the airlines.

The number of different levies in force and applicable to airline tickets in the Air France and KLM global network amounts to some 1,200.

The taxes levied on Air France tickets in France amount to a little under €700 million.

Furthermore, the airline is subject to the taxes and levies (just under €300 million) and social charges (€1 billion) of a company based in France.

The air transport industry being global in nature and competitive, Air France and KLM compete with operators sometimes incurring few taxes at their base.

The Group is very attentive to any resulting risks of a distortion to competition and does not fail to alert the public authorities when such distortions are identified.

## Customer relations

*Mr. Boisseau, referring to a delay of several hours on one of the Group's flights, mentions the disparities in passenger compensation. He therefore asks for more details on the policy for compensating passengers in the event of operational disruption.*

Air France and KLM make significant efforts to scrupulously respect the rights of passengers, particularly during any operational disruption, pursuant to the international conventions, European regulations and national legislation in force.

However, before handling any cases, to be able to evaluate the situation effectively and provide the appropriate response to the needs/complaints of the relevant passengers, the causes and the context behind this operational disruption need to be analysed. The different scenarios foreseen by the various provisions of Regulation 261/2004, notably with regard to the payment of compensation, may be an obstacle to immediate payment.

We are not aware of practices, on the part of other air carriers, consisting of a payment on exit from the aircraft.

## Employee savings/Time Savings Account

*Mr. Dalle would like to obtain the following information:*

*a) The number of hours saved in the Time Savings Account per year since its implementation in 2000*

2000	64 571
2001	77 237
2002	92 851
2003	109 880
2004	138 839
2005	137 401
2006	186 500
2007	164 230
2008	253 549
2009	136 453
2010	172 681
2011	225 853
2012	134 367
2013	128 738

*b) The annual amounts provisioned until the end of 2013*

The Time Savings Account provisions since 2010 to end December 2013 are as follows.

2010: €24.9 million  
 2011: €30.3 million  
 2012: €27.1 million  
 2013: €24.8 million

***c) The number of employees having opened a Time Savings Account;***

10,367 Air France employees have opened a Time Savings Account since 2000. To date, 6,661 employees have a Time Savings Account containing hours.

***d) The amount of the contribution paid by Air France following the implementation of the Company Retirement Savings Plan and the article 83 scheme***

There was no contribution to the supplementary pension scheme in 2013 (for information, the PERE scheme was closed in 2012 and the funds transferred to the article 83 scheme).

## **Shareholder relations**

***Mr. Boisseau asks whether benefits in kind might be granted to individual shareholders, such as miles or priority on upgrading.***

As a priority, we have chosen to enable our shareholders to deepen their knowledge of the company by organizing:

- A Shareholders' Meeting with numerous communication channels offering the opportunity for discussion and explanations,
- Meetings in Paris and the French provinces,
- An interactive website
- Detailed documentation,
- A Shareholders' Club whose members receive a regular newsletter.

During the latest air show at Le Bourget, more than 400 shareholders were able to attend a presentation made by the Chief Financial Officer and Senior Vice President, Fleet followed by a visit to the air show.

These efforts addressed at shareholders are regularly recognized. Last December, the Group won two awards for the quality of its shareholder relations.

With a view to good governance and containing costs, we have opted not to grant any particular benefits to our shareholders when they travel with the Air France-KLM airlines.