

INTERNAL RULES OF THE BOARD OF DIRECTORS
Updated on 15 February 2017

Preamble

The Board of Directors of AIR FRANCE-KLM (the “Company”) operates in accordance with corporate governance principles as presented in the AFEP-MEDEF corporate governance code. Its organisational and operational procedures are defined in these internal rules.

Article 1 – Role and responsibilities

1. Role and responsibilities of the Board of Directors

The Board shall deliberate on any question within the scope of its legal or regulatory powers.

In addition, prior to any decision or implementation by the Company or any of the Group's principal subsidiaries (i.e. Air France, KLM and any other relevant subsidiary as decided by the Board of Directors of the Company, herein referred to as the “Principal Subsidiaries” and individually “Principal Subsidiary”), the Board shall:

- a) approve the strategic options of the Group and shall have a strategic review at least once a year;
- b) approve the budget of the Group, including the investment plan;
- c) without prejudice to paragraph (d) below, approve significant operations which could affect the strategy of the Group, modify its financial structure or scope of activity; the Chief Executive Officer shall be responsible for assessing the significant nature of such operations;
- d) approve the following operations of the Company and its Principal Subsidiaries when the amount in question is equal to or exceeds 150 million euros:
 - i. operating lease agreements, investment in, acquisition or sale of, all assets, including in particular fleet and equity interests in all companies formed or to be formed, participation in the formation of all companies, groups or structures, participation in any issue of shares, units or bonds;
 - ii. borrowings, issuances of debt securities and aircraft financings;
 - iii. all exchanges, with or without balancing cash adjustment, involving assets, stocks or securities.
- e) approve the appointment of the Chief Executive Officer of any of the Principal Subsidiaries upon recommendation of the Appointment and Governance Committee (as provided for under Article 8 of the Internal Rules below);
- f) approve the remuneration and the performance indicators of the Chief Executive Officer of any of the Principal Subsidiaries upon recommendation of the Compensation Committee (as provided for under Article 9 of the Internal Rules below).

The Board of Directors shall be informed of the main operations of the Company and the Principal Subsidiaries and of their equity acquisitions or transfers where these are equal to or amount to less than 150 million Euros.

2. Role and responsibilities of the Chairman of the Board of Directors and the Chief Executive Officer

◆ Chairman of the Board of Directors

Where the functions of Chairman and Chief Executive Officer are separated, the Chairman of the Board of Directors shall organize and direct the work of the Board, reporting to the Shareholders' General Meeting. He ensures the smooth operation of the governing bodies in compliance with the principles of good governance and, in particular, sees that the directors are in a position to fulfil their mission. Furthermore, he ensures that the Board devotes the time necessary to issues affecting the future of the Group, and most particularly its strategy.

The Chairman of the Board of Directors has no executive powers. He may, however, represent the Group in high-level discussions, particularly with the governments, key customers and partners, both domestically and internationally, in close collaboration with the Chief Executive Officer. He devotes his best efforts to promoting the values and image of the Group on all occasions.

The Chairman of the Board of Directors is regularly informed by the Chief Executive Officer of significant events and situations affecting the life of the Group and may request any information which might enlighten the Board and its Committees.

The Chairman has the resources at his disposal which are needed to carry out his mission.

◆ Chairman and Chief Executive Officer or Chief Executive Officer

The Chairman and Chief Executive Officer or, where these functions are separated, the Chief Executive Officer, is vested with the broadest powers to act on all occasions on behalf of the Company. He exercises these powers within the limits of the Company's aims and in respect of those powers specifically attributed by law to shareholders' general meetings and to the Board of Directors, and of the limitations specified in Article 1. He represents the Company in all dealings with third parties.

◆ Deputy Chief Executive Officer

On the recommendation of the Chairman and Chief Executive Officer or the Chief Executive Officer, as the case may be, the Board of Directors may appoint one or more persons to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer. There shall be no more than five Deputy Chief Executive Officers. In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of powers accorded to the Deputy Chief Executive Officers. In dealing with third parties, the Deputy Chief Executive Officers shall have the same powers as the Chief Executive Officer.

Article 2 – Meetings of the Board of Directors

The Board of Directors shall meet at least five times a year, meetings which are held to discuss – depending on the case - investment and financing plans, the accounts and the budget. At least once a year, one item on the agenda shall be the evaluation of the functioning of the Board.

Board members who attend the meetings of the Board via videoconferencing methods or any other telecommunication means allowing their identification and guaranteeing their actual attendance, in accordance with the applicable regulatory provisions, shall be deemed present for determining quorum and majority. This provision is not applicable to the preparation and finalization of the annual individual and consolidated financial statements and the management report.

Notices of meetings, which may be transmitted by the Board's Secretary, shall be sent by mail, telex, telegram, fax, email or verbally.

Article 3 – Information for the Board of Directors

Each director shall receive all documents and information required to perform his duties.

Prior to Board meetings, a file covering those items on the agenda that require special analysis and prior consideration shall be sent in a timely manner whenever confidentiality considerations permit.

Between Board meetings, members shall also receive all relevant information, including criticisms, on events or operations significant for the Company. In particular, they shall receive copies of press releases issued by the Company.

The Board of Directors shall periodically review the main orientations of the Group regarding human resources, information systems and organisation.

Article 4 – Training of Board members

Each director may receive, at the time he is elected or throughout his term of office, the training he believes necessary to perform his duties. Such training shall be organised and offered by the Company and shall be paid for by the Company.

Article 5 – Working Language

The Board's working language is French. Each director whose native language is not French is free to express himself in English.

Working documents are written in French. A translation in English of these documents is available for each Director.

Minutes of Board meetings shall be prepared in French and in English. They shall be approved in both versions.

However, only the French version of the minutes shall have legal force.

Article 6 – Board Committees

The deliberations of the Board of Directors in certain areas shall be prepared by specialized Committees composed of directors appointed by the Board, who review operations falling within the scope of their duties and submit their opinions and recommendations to the Board.

Committees shall conduct their activities under the responsibility of, and with respect for, the prerogatives of the Board of Directors, and without interfering with the Management responsibilities.

The Board has three permanent Committees:

- . the Audit Committee,
- . the Appointment and Governance Committee,
- . the Compensation Committee.

The Board may also create one or more "ad hoc" committees.

Article 7 – The Audit Committee

The Audit Committee is responsible for monitoring questions relative to the drafting and verification of accounting and financial information, to internal control and risk management systems as well as questions relative to Statutory Auditors.

1. Members

The Audit Committee (the "Audit Committee") is composed at least of 5 to 8 directors appointed by the Board of Directors among its members, excluding Board members in executive positions, and including two directors representing the employee shareholders.

One member at least of the Audit Committee is appointed amongst the directors representing KLM and the Dutch State mentioned under points 2.1 (a) to (c) of Article 8 of the present Internal Rules.

One member at least of the Audit Committee shall have particular competence in finance or accounting and be independent with respect to the criteria set out in the AFEP-MEDEF code. The Audit Committee must not contain any director exercising managerial functions within the Company.

The Chairman is appointed by the Board of Directors upon recommendation of the Appointment and Governance Committee.

The term of office of the members of the Audit Committee is identical to their term of office as directors.

2. Organisation

Attendance at meetings

The meetings may be held in any location mentioned in the convening letters and if needed by conference call or videoconference.

The agenda is fixed by the Chairman of the Audit Committee upon the Committee secretariat's proposal and communicated to any of the Audit Committee members before the meeting is held.

A file containing all the documents necessary to the preparation of the meeting is sent to any of the Audit Committee members at least 2 business days prior to the meeting, except in the case of an emergency.

Any member of the Audit Committee may be assisted by a consultant of his choice external to the Company.

The statutory auditors attend the meeting whenever a subject relative to their competence is reviewed.

The Group Chief Financial Officer and the Group internal audit SVP generally attend the Audit Committee meetings.

The directors/executive officers of the Company and/or the companies of the Group having authority regarding financial, accounting and legal matters and the directors/supervisors of the internal audit of the Principal Subsidiaries may also attend the meeting.

The current Chairman of the Board may be involved in the Audit Committee's work.

The Audit Committee may invite to its meetings any person employed by the Group.

The secretarial duties of the Audit Committee shall be organised under the responsibility of the secretary of the Board of Directors in cooperation with the Chairman of the Audit Committee.

Frequency of the meetings

The Audit Committee shall meet any time it deems necessary, and at least four times a year, called by the Audit Committee Chairman or the Chairman of the Board of Directors.

The statutory auditors may ask the Chairman of the Board of Directors to call a meeting of the Audit Committee if they believe it is necessary.

The meetings of the Audit Committee relating to the review of the results generally take place a minimum of two days prior to their review by the Board of Directors.

3. Responsibilities

3.1 Monitoring the process of preparing financial information

The primary responsibility of the Audit Committee is to review the interim and annual consolidated financial statements, and when required quarterly earnings, in order to provide explanations to the Board of Directors as to their content and to ensure the completeness, reliability and quality of the information, including forecasts, that is provided to shareholders and the markets.

Without considering the details of the statements, the Audit Committee shall be responsible, in this context, for assessing the reliability of the information system used to prepare them and the validity of the positions taken to deal with significant operations.

The Audit Committee shall review in particular:

- the scope of consolidation
- the relevance and the permanence of the accounting methods adopted for the preparation of the financial statements,
- principal accounting estimates made by the Company's management,
- principal financial risks with the Company's management and material off-balance sheet commitments,
- statutory auditors' comments and recommendations, including, if applicable, significant adjustments resulting from their audit work.

The Audit Committee makes recommendations, if necessary, to ensure the integrity of the financial reporting process.

3.2 Monitoring the effectiveness of internal control and risk management systems

The Audit Committee is responsible for monitoring the effectiveness of internal control and risk management systems as well as, if appropriate, of internal audit as regards the procedures relating to the preparation and processing of accounting and financial information, without prejudice to its independence.

To this end, the Audit Committee reviews the work program and results of the internal audit work, to ensure in particular that, in the event of any dysfunctions observed, the appropriate action plans have been put in place and that these have been followed through.

It may make any recommendation regarding the preparation of any internal control report required by French or Dutch legislation.

3.3 Monitoring regulatory verifications of the annual accounts

The Audit Committee maintains contacts with the Statutory Auditors and examines their assessments of the annual and half-yearly accounts.

The Audit Committee also pays special attention to the audit issues identified by the Statutory Auditors.

It ensures compliance with legal and regulatory obligations in the sphere of accounting and financial information.

3.4 Monitoring the independence of the Statutory Auditors

Regarding the oversight of the statutory auditors' work, the Audit Committee:

- directs the procedure for selecting the Statutory Auditors,
- [proceeds to the selection of audit firms and proposes its selection to the Board of Directors before their appointment by the shareholders general meeting],
- issues a recommendation to the Board of Directors on the Statutory Auditors proposed for appointment by the shareholders general meeting and when the renewal of their term of office is contemplated in accordance with article L. 823-3-1 of the French Commercial code,
- proposes to the Board of Directors the selection procedure and, in particular, indicates whether a tender offer is needed,
- reviews questions relating to the amount of the statutory auditors' fees for the performance of statutory audits.
- reviews and approves once a year each statutory auditor's fees,
- controls the independence of the statutory auditors and the quality of their work,
- ascertains that the joint system of Statutory Auditors is effective.

3.5 Monitoring of the execution of the Statutory Auditors' mission

The Audit Committee monitors the performance by the Statutory Auditors of their mission. It takes into account the findings and conclusions issued by the Statutory Auditors' high-level council, the *Haut Conseil du Commissariat aux Comptes* (H3C) pursuant to investigations accomplished in accordance with articles L. 821-19 and seq. of the French Commercial code.

3.6 Approval of authorized non-audit services

The Audit Committee approves the provision of non-audit services in compliance with applicable regulations.

It makes a statement on this point after analysis of the threats to the Statutory Auditors' independence and the safeguards applied to mitigate those threats.

3.7 Financial policy

The Audit Committee is also responsible for reviewing the financial, accounting and general tax policy of the group and its implementation.

It issues an opinion on the significant financial operations of the group.

3.8 Other

The Audit Committee may also deal with any questions that the Board of Directors may submit to it.

4. Reporting

The Audit Committee reports on a regular basis to the Board of Directors on the performance of its missions. The Audit Committee also reports on the outcome of the mission relating to the audit of the financial statements, the way this mission contributed to the integrity of financial information and the role the Audit Committee played in this process.

The Audit Committee promptly informs the Board of Directors of any difficulties encountered.

This report or these reports shall be approved by Audit Committee members before being submitted to all members of the Board of directors and is (are) appended to the minutes of the meeting of the Board of Directors.

5. Resources

The Audit Committee benefits from all the resources required for the accomplishment of its duty, including assistance from persons external to the Company.

6. Confidentiality

As the information provided to the Audit Committee or to which it has access in the performance of its mission is confidential, the members of the Audit Committee are bound, with respect to any third party outside the Board of Directors, to strict confidentiality governed by the same regulations applicable to the Company's directors.

This provision shall also apply to outside persons invited to a meeting of the Audit Committee.

Article 8 – The Appointment and Governance Committee

1. Members

The Appointment and Governance Committee is composed of a minimum of three members.

The Committee shall comprise a majority of independent directors.

One member at least of the Committee is appointed amongst the directors representing KLM and the Dutch State mentioned under points 2.1 (a) to (c) of Article 8 of the present Internal Rules.

The current Chairman of the Board may be involved in the Appointment and Governance Committee's work.

The term of office of the members of the Appointment and Governance Committee is identical to their term of office as directors.

The Board of Directors shall fill any vacancy in a member's seat no later than 15 days from the date of the vacancy. If a decision has not been made within this period, the vacancy shall be filled by the Chairman of the Board of Directors in accordance with these internal rules.

The Chairman of the Appointment and Governance Committee shall be appointed by the Board of Directors.

2. Responsibilities

2.1. *Appointments of Directors and Executive Officers of the Company*

The Committee is in charge of making proposals to the Board for the appointment of its chairman, the other directors and for the replacement of the Executive Officers ("*dirigeants mandataires sociaux*") of the Company, particularly in the event of an unexpected vacancy.

It shall make all recommendations to the Board concerning Board membership after conducting the relevant inquiries as necessary.

However, in performing its duties, the Committee shall ensure that its appointment recommendations comply with the commitments made by the Company under the Framework Agreement and Schedule 7.1.3 thereto as amended, which govern membership of the Board of Directors.

Therefore, during the period of these commitments, the Committee shall recommend to the Board:

- a) The appointment as director and Vice-Chairman of the Board of Directors of the Chairman of the Supervisory Board of KLM and, if applicable, the renewal of his term as director or the appointment as director of his successor¹;
- b) The appointment as directors of two persons chosen after consultation and on the recommendation of the Supervisory Board of KLM and, if applicable, the renewal of their terms of office;
- c) The appointment as director of a person chosen after consultation and on the recommendation of the Dutch government and, if applicable, the renewal of his term of office.

It is stipulated that:

- the persons to be proposed in accordance with (b) and (c) above shall be Dutch residents.

¹ Note: to be implemented when a seat occupied by a non-independent Dutch Board member becomes available, Chairman of the Supervisory Board of KLM to attend until then

- the person described in paragraph c) shall not remain on the Board when the French state is no longer represented on the Board of Directors.

2.2. Appointment of Executive Officers of the Principal Subsidiaries

Prior to any decision and/or implementation by the Principal Subsidiaries, the Committee shall make recommendations to the Board of Directors on the appointment of the Chief Executive Officer of any of the Principal Subsidiaries upon proposal made by the competent corporate body of the relevant Principal Subsidiary.

Prior to any decision and/or implementation by any of the Principal Subsidiaries, the Committee shall be consulted by the Chief Executive Officer of the Company, upon proposal made by the competent corporate body of the relevant Principal Subsidiary, on:

- a) The appointment of the other Executive Officers (*dirigeants mandataires sociaux*) or managing directors (*membres du directoire*), as the case may be, of the Principal Subsidiaries ;
- b) The appointment of the members of the Board of directors or the members of the Supervisory board, as the case may be, of the Principal Subsidiaries.

2.3. Governance

The Committee shall make recommendations on the corporate governance principles of the Group and review the consistency of the governance between the Company and the Principal Subsidiaries.

The Committee shall steer the annual assessment of the functioning of the board carried out internally or by an external consultant.

Prior to its review by the Board of directors, the Committee shall review the independency of the members of the Board of directors in view of the criteria of the AFEP-MEDEF code and make a proposal to the Board of directors on its analysis.

3. Organisation of the Appointment and Governance Committee

Resolutions of the Committee shall be adopted by a simple majority vote of the members present or represented.

When the Committee must decide on the appointment or dismissal of one of its members, the member in question shall not participate in the meeting.

In order to fulfil its mission, the Committee may obtain from the Board of Directors the written or oral information required for the discharge of its responsibilities.

With respect to discharging its responsibilities to the Board of Directors, the Committee shall meet:

- . either at the request of any member,
- . or automatically when the agenda of the Board meeting includes a resolution concerning the appointment, dismissal or renewal of a director or any issues referred to in point 2 above.

The Appointment and Governance Committee shall meet either at the Company's headquarters or at any other location selected by the Committee. Meetings may also be conducted by phone conferencing.

4. Amendments to the Internal Rules

The present Article 8 of the Internal Rules may be amended by a majority of votes from the members of the Board of Directors, as long as the amendment has been unanimously approved by the four directors representing KLM and the Dutch State.

Article 9 – The Compensation Committee

1. Members

The Compensation Committee is composed at least of three directors.

One member at least of the Committee is appointed amongst the directors representing KLM and the Dutch State mentioned under points 2.1 (a) to (c) of Article 8 of the present Internal Rules.

The Chairman of the Committee shall be appointed by the Board of Directors.

The term of office of the members of the compensation Committee is identical to their term of office as directors.

2. Organisation

Attendance at meetings

The statutory auditors may attend the Committee meetings.

The committee may invite any person employed within the group or any third party to its meeting. The Executive Vice President of Human Resources and Social Policy generally attends the meetings.

The secretarial duties of the Compensation Committee shall be organised under the responsibility of the secretary of the Board of Directors in cooperation with the Chairman of the compensation Committee.

Confidentiality

As the information provided to the Committee or to which it has access in the performance of its mission is confidential, the members of the Committee are bound, with respect to any third party outside the Board of Directors or the Committee, to strict confidentiality governed by the same regulations as those applicable to the Company's directors.

This provision shall also apply to outside persons invited to a meeting of the Committee.

Frequency of meetings

The Chairman shall set the frequency of Committee meetings, which shall meet whenever he deems it necessary.

3. Responsibilities

The Committee is responsible for formulating recommendations to the Board of Directors on the amount and changes in the compensation of (i) the Chairman and Chief Executive Officer of the Company, (ii) the other Executive Officers of the Company and (iii) the Chief Executive Officers of any of the Principal Subsidiaries upon recommendation of the competent corporate governance body of the relevant Principal Subsidiary.

Prior to any decision and/or implementation by any of the Principal Subsidiaries, the Committee shall be consulted by the Chief Executive Officer of the Company on the remuneration of (i) the other Executive Officers (*dirigeants mandataires sociaux*) or managing directors (*membres du directoire*), as the case may be, of the Principal Subsidiaries, and (ii) the Chief Financial Officer of the Company.

The Committee may be asked to issue an opinion on the following:

- the amount and changes in the compensation of executive members of the Executive Committee;
- the level of compensation offered to persons hired for limited periods, when the level of such compensation is exceptionally high.

The section of the annual report presenting the remuneration of the Executive directors shall be prepared with the support of the Committee.

Finally, the Committee shall study and issue its opinion on the Company's policy concerning stock option plans or similar long term incentive schemes.

4. Report on the work

The Chairman of the Committee shall present a summary of its work and recommendations to a meeting of the Board of Directors.

Article 10 – Conflicts of interest

Any director with a conflict of interest, even a potential conflict, because of the position he holds in another company, must so inform the Board and must refrain from any vote on the corresponding resolution.

The Chairman may ask him not to be present during deliberations and vote.

Article 11 – Directors' fees

The Board shall at its discretion distribute among its members the total amount allocated to the directors in the form of directors' fees.

Specifically, it may allocate to directors who sit on each of the Committees a share greater than those allocated to other directors.

Article 12 – Secrecy

Each director must consider himself bound by true professional secrecy with respect to the confidential information he receives as a director, and given as such by the Chairman of the Board of Directors, and as regards opinions expressed during Board meetings.

The same obligations shall exist for persons who attend Board meetings.

Article 13 – Compliance

Each Director was informed of the rules applicable to the possession, disclosure and use of insider information and the penalties incurred in the event of any breach of these rules when they were presented with the Compliance Rules approved by the Board of Directors, which are regularly updated. All Directors have further been informed that their names have been added to the lists of insiders in accordance with applicable regulation and are regularly notified of “closed” periods where they are required to abstain from trading in Company stock and any related financial instruments.

Directors shall, in accordance with legal and regulatory provisions in force, refrain from passing on or using any insider information that may come into their possession and shall disclose any transactions involving Company shares and related financial instruments which they may make, pursuant to the conditions set out on the said Compliance Rules.

The Chairman and Chief Executive Officer or the Chief Executive Officer, as the case may be, may appoint a Compliance Officer.

Directors in any doubt about effecting a transaction on Company shares may request an opinion from the Compliance Officer.

In any event, the opinion given by the Compliance Officer shall be no more than an advisory, and any decision to trade or not in Company shares is the sole responsibility of the Director concerned.