

Compensation of the executive officer

General principles

Based on the recommendations of the Remuneration Committee, the compensation of the Chairman and Chief Executive Officer is set by the Board of Directors, pursuant to the provisions of the AFEP-MEDEF Corporate Governance Code as amended in November 2016.

Pursuant to the internal regulations, as recommended by the Remuneration Committee, the Board of Directors also approves the compensation of the Chief Executive Officers of the Principal Subsidiaries (Air France and KLM). Furthermore, the Remuneration Committee makes recommendations to the Chairman and Chief Executive Officer regarding the compensation of the Group's Chief Financial Officer and reviews the compensation of the members of the KLM Managing Board.

The compensation policy for the Chairman and Chief Executive Officer thus takes into account the compensation policy for the aforementioned individuals (the "Top Executives"). The Remuneration Committee formulates and reviews the compensation policy applicable to the Chairman and Chief Executive Officer and its implementation on an annual basis.

This compensation policy establishes the principles and criteria for determining, distributing and allocating the fixed, variable and extraordinary components of the total compensation and benefits of any kind, granted to the Chairman and Chief Executive Officer. All of these elements are outlined in this section (see *paragraph 1.2.2.3 below*), pursuant to the provisions of Article L. 225-37-2 of the *Code de Commerce*.

The fundamental principles of the compensation policy are aimed at:

- attracting and retaining qualified top executives by offering them attractive compensation;

- providing fairness, transparency and consistency of their compensation relative to that of the Company's other employees;
- a compensation package linked to the Group's performance and competitiveness.

The evaluation of and possible changes to the compensation of the top executives notably takes into account the changes in the remuneration of the Group's senior executives.

Elements of compensation for 2017

The elements of the Chairman and Chief Executive Officer's compensation paid or granted in respect of the 2017 financial year, to be submitted for shareholder approval at the Shareholders' Meeting of May 15, 2018, pursuant to Article L 225-100 of the *Code de Commerce* as amended by Ordinance No.2017-1162 of July 12, 2017, are detailed below.

Presentation of the compensation structure for Mr. Jean-Marc Janaillac, Chairman and Chief Executive Officer, in respect of the 2017 financial year

The compensation package for the Chairman and Chief Executive Officer in respect of the 2017 financial year is composed of an annual fixed portion and a short-term variable portion (STI) linked to the performance of the previous financial year. The variable portion represents a percentage of the fixed compensation and its amount is determined based on performance criteria. These performance criteria are recommended by the Remuneration Committee and are set and their achievement evaluated by the Board of Directors.

Pursuant to the proposals formulated by the Remuneration Committee, during its meetings of February 15, 2017 and March 15, 2017, the Board of Directors decided to set the fixed and variable compensation of the Chairman and Chief Executive Officer for the 2017 financial year as follows:

Element	Payment modalities	Amounts	Comments
Annual fixed compensation	100% in cash	€600,000	This compensation was set at the same level as in the previous year, it being specified that the Air France-KLM Chairman and CEO's base salary has remained unchanged for the last seven years.
Annual variable compensation	100% in cash paid following approval by the Shareholders' Meeting of May 15, 2018	Target amount: 80% of the fixed compensation (on achievement of the targets) Maximum amount: 100% of the fixed compensation	The annual variable compensation, whose target amount is set at 80% of the fixed compensation (on achievement of the targets), is determined based on the achievement of the performance criteria detailed below. Its amount can vary from 0% to 100% of the fixed compensation based on the level of achievement of these criteria.

The criteria for determining the variable compensation decided for the 2017 financial year are as follows:

	Breakdown of the variable portion	
	Target: 80% of the fixed compensation	Maximum: 100% of the fixed compensation
Quantitative performance: Air France - KLM COI (Current Operating Income) – for confidentiality reasons, the amount set in the 2017 budget is not disclosed	40%	50%
Quantitative performance: Adjusted Net Debt (adjusted net debt before divestments and excluding impact of exchange rate euro/dollar on aircraft operational leases) – for confidentiality reasons, the amount set in the 2017 budget is not disclosed	8%	10%
Qualitative performance		
– efficiency of Group governance	8%	10%
– implementation of the “Trust Together” strategic project and objectives, especially through restoration of trust amongst staff and reduction in unit costs (-1.5% excluding <i>intéressement</i> and profit-sharing)	16%	20%
– strengthening and development of Group international alliances	8%	10%

Evaluation of the performance criteria in 2017:

The quantitative performance relating to the financial criteria (COI and adjusted net debt) was evaluated based on the following rules:

COI - % achievement compared to the budget	% achievement of the criterion
1. < 80% of the budget	0%
2.	proportionate
3. 100% of the budget	100%
4.	proportionate
5. > 120% of the budget	125%

Adjusted Net Debt (in € million)	% achievement of the criterion
1. > budgeted amount + €300 million	0%
2.	proportionate
3. = to budgeted amount	100%
4.	proportionate
5. < budgeted amount - €300 million	125%

In addition to the rules outlined above, the performances of competitors in terms of current operating margins and share prices are also taken into account in the final evaluation of the achievement of the quantitative criteria. Thus, the achievement rate of the quantitative criteria may be adjusted by +10% or -10%, depending on the performance differential relative to IAG and Lufthansa.

The comparative performance compared with IAG and Lufthansa was as follows:

	9m - 2017	9m - 2016	Differential
AFKLM	8%	7%	1 ppt
LH	9%	7%	2 ppt
IAG	15%	12%	3 ppt

Source: reported results.

The qualitative performance is evaluated based on the following rules:

Qualitative criteria Performance	% achievement of the criterion
1. Failure to achieve target	0%
2. Partially achieved target	50%
3. Target achieved	100%
4. Target exceeded	110%
5. Target comfortably exceeded	125%

Based on these rules and taking into account the performance relative to competitors, the achievement of the 2017 criteria were as follows:

Achievement of the performance criteria in 2017		
	Performance realized in 2017	Evaluation of the performance criteria
Quantitative performance: Air France - KLM COI (Current Operating Income)	48%	The COI targets were comfortably exceeded. However, because of the Group's performance relative to IAG and Lufthansa, it was decided to set the amount granted for the achievement of this criterion at 48% of the fixed compensation.
Quantitative performance: Adjusted Net Debt (Adjusted net debt before divestments and excluding impact of exchange rate euro/dollar on aircraft operational leases)	10%	The targets on this criterion were comfortably exceeded. Hence, the amount granted for this criterion was set at its maximum, i.e. 10% of the fixed remuneration.
Qualitative performance		
— efficiency of Group governance	8%	The achievement of this criterion was evaluated as the target having been achieved since some real progress was made (in particular thanks to the CEO meeting discussion) although efforts here will need to be maintained.
— implementation of the "Trust Together" strategic project and objectives, especially through restoration of trust amongst staff and reduction in unit costs (-1.5% excluding <i>intéressement</i> and profit-sharing)	11%	An amount of 3% of fixed compensation was granted for cost reduction and 8% for the other elements of "Trust Together" (excluding the alliances which are evaluated under another criterion).
— strengthening and development of Group international alliances	10%	The amount granted on this criterion was set at 10% of the fixed compensation, i.e. the maximum, in view of the strategic partnerships concluded in 2017 (in particular Jet Airways and the strengthening of the alliances with Delta Air Lines, Inc. and Virgin on the one hand, and China Eastern Airlines on the other.

Further to the above, Air France-KLM's Board of Directors set Jean-Marc Janaillac's variable compensation for the 2017 financial year in his capacity as Chairman and Chief Executive Officer of Air France - KLM at €522,000 based on the performance realized.

Mr. Janaillac decided to waive a portion of his variable compensation for 2017 leaving it unchanged on the variable compensation that he had been granted *pro rata temporis* for 2016 (85% of his fixed salary).

The Board of Directors took note of this waiver.

As a consequence, Mr. Jean-Marc Janaillac will receive variable compensation of €510,000 (this sum will be paid in 2018 following approval by the Shareholders' Meeting of May 15, 2018), i.e. total compensation of €1,110,000 in respect of the 2017 financial year.

The payment of the variable compensation is conditional on prior approval of the afore-mentioned compensation for Mr. Jean-Marc Janaillac by the Air France-KLM Shareholders' Meeting taking place on May 15, 2018, in accordance with the conditions foreseen in Article L. 225-100 of the *Code de Commerce*.

*Elements of compensation for the executive officers
pursuant to AMF Recommendation No.2009-16, as amended on April 13, 2015*

Summary table of the compensation, options and shares granted to each executive officer

(in €)	Financial Year 2017	Financial Year 2016
Jean-Marc Janaillac, Chairman and Chief Executive Officer		
Compensation due in respect of the financial year	1,110,000	548,834 ⁽¹⁾
Multi-year variable compensation granted during the financial year	N/A	N/A
Stock options granted during the financial year	N/A	N/A
Performance shares granted during the financial year	N/A	N/A
Total	1,110,000	548,834⁽¹⁾

(1) For the period from July 4 to December 31, 2016.

Summary table of the compensation for each executive officer

Jean-Marc Janaillac, Chairman and Chief Executive Officer	Reminder of 2016		Reminder of 2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	296,667 ⁽¹⁾	296,667 ⁽¹⁾	600,000	600,000
Variable compensation	252,167 ⁽¹⁾	N/A	510,000	252,167⁽¹⁾
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind	N/A	N/A	N/A	N/A
Total	548,834⁽¹⁾	296,667⁽¹⁾	1,110,000	852,167⁽²⁾

(1) For the period from July 4 to December 31, 2016.

(2) Payment of the fixed compensation in respect of the 2017 financial year and the variable compensation in respect of the 2016 financial year for the period from July 4 to December 31, 2016.

Summary table of the situation of the executive officers

Executive officers	Employment contract		Additional pension scheme <i>(see above)</i>		Indemnities or benefits due or potentially due on a cessation or a change in function		Indemnities relating to a non- competite clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Marc Janaillac Chairman and CEO								
First appointed: July 4, 2016		X		X		X		X

Loans and guarantees granted to company officers

None.

Stock subscription or purchase options granted to the Company officers of Air France -KLM

Air France-KLM did not put in place any stock subscription or purchase option schemes to the benefit of its company officers during the financial year, nor in the preceding financial years.

Stock subscription or purchase option schemes granted to the Company officers of Air France -KLM and employees of the Air France -KLM Group by the subsidiaries

Air France and KLM have not recently put in place any stock subscription or purchase option schemes to the benefit of their employees. The last option plan implemented by KLM in 2007 became null and void in 2012.

Information on stock subscription or purchase option schemes granted to the employees of the Air France -KLM Group and exercised by them during the financial year

None.

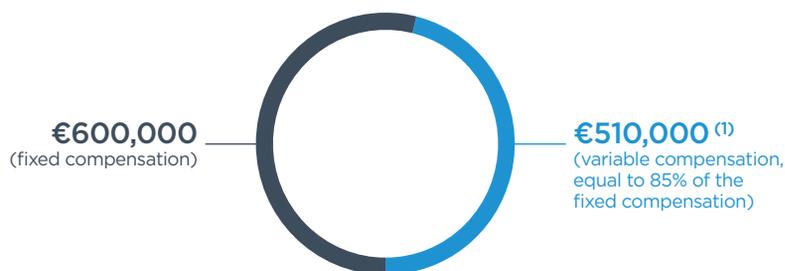
Performance shares granted to the Company officers of Air France -KLM

Air France-KLM and its subsidiaries did not establish a performance share scheme to the benefit of the Air France-KLM company officers during the financial year, nor during the preceding financial years.

Elements of compensation for the Chairman and Chief Executive Officer in respect of the 2017 financial year submitted for approval by the Shareholders' Meeting

Pursuant to Article L. 225-100 of the *Code de Commerce* as amended by Ordinance No.2017-1162 of July 12, 2017, introducing simplification and clarification measures regarding information obligations for companies, the elements of compensation paid or granted to Jean-Marc Janaillac for the 2017 financial year, in his capacity as Chairman and Chief Executive Officer, will be submitted for shareholder approval at the Shareholders' Meeting of May 15, 2018,.

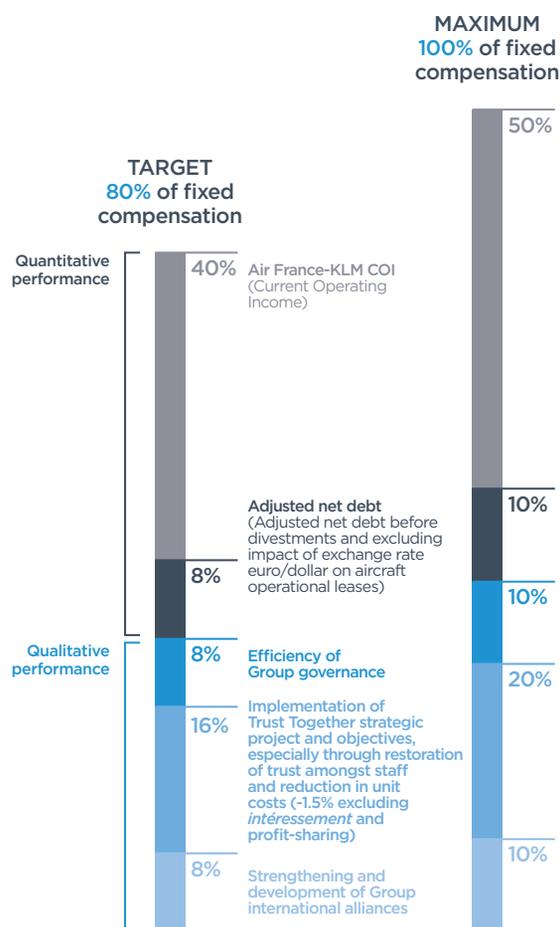
Compensation of Mr. Jean-Marc Janailac in respect of the 2017 financial year



The amount of Mr. Jean-Marc Janailac's annual fixed compensation in his capacity as Chairman and Chief Executive Officer was set at the same level as in the previous year (i.e. €600,000), it being specified that the Air France-KLM Chairman and Chief Executive Officer's base salary has remained unchanged for the last seven years.

Multi-year variable compensation	Extraordinary compensation	Stock subscription or purchase options	Performance shares	Directors' fees	Benefits in kind
—	—	—	—	—	—

Criteria for determining the variable compensation in 2017 ⁽²⁾



(1) Mr. Janailac decided to waive a portion of his variable compensation for 2017, leaving it unchanged on the variable compensation he had been granted *pro rata temporis* for 2016 (85% of his fixed salary).

(2) The level of achievement of these criteria is presented in this table and on page 45 above.

The relevant elements of compensation are presented in the following table:

Elements of compensation paid or granted to Mr. Jean-Marc Janaillac, Chairman and Chief Executive Officer, in respect of the 2017 financial year	Amounts or book value submitted to the vote	Presentation
Annual fixed compensation	€600,000 (amount paid)	Mr. Jean-Marc Janaillac's annual fixed compensation in his capacity as Chairman and Chief Executive Officer was set by the Board of Directors in its meetings of February 15 and March 15, 2017 at the same level as in the 2016 financial year for the second consecutive year, it being stipulated that the Air France - KLM Chairman and CEO's base salary has remained unchanged for the last seven years.
Annual variable compensation	€510,000	<p>During its meetings of February 15 and March 15, 2017, as recommended by the Remuneration Committee, the Board of Directors decided to establish new evaluation criteria for setting Mr. Janaillac's variable compensation for the 2017 financial year. The magnitude of the variable portion of Mr. Janaillac's compensation thus remained unchanged with a target value of 80% of his fixed compensation and a maximum amount of 100% of this compensation. The criteria for determining Mr. Janaillac's variable compensation for the 2017 financial year are outlined in section 1.2.2.2 above.</p> <p>As proposed by the Remuneration Committee, Mr. Janaillac's variable compensation in his capacity as Chairman and Chief Executive Officer was set at €522,000 by the Board of Directors during its meeting of February 15, 2018. This amount corresponds to:</p> <ul style="list-style-type: none"> — 48% of the fixed compensation in respect of the quantitative performance linked to Air France - KLM's COI; — 10% of the fixed compensation in respect of the quantitative performance linked to adjusted net debt; — 8% of the fixed compensation in respect of the qualitative performance linked to the efficiency of the Group's governance; — 11% of the fixed compensation in respect of the qualitative performance linked to the implementation of the "Trust Together" strategic project and its objectives; — 10% of the fixed compensation in respect of the qualitative performance linked to the consolidation and development of the Group's international alliances. <p>Mr. Janaillac decided to waive a portion of his variable compensation for 2017, leaving it unchanged on the variable compensation he had been granted <i>pro rata temporis</i> for 2016 (85% of his fixed salary). He will thus be paid a sum of €510,000 subject to prior approval from the Shareholders' Meeting of May 15, 2018.</p>
Multi-year variable compensation	None	Mr. Janaillac does not benefit from multi-year variable compensation.
Extraordinary compensation	None	Mr. Janaillac does not benefit from extraordinary compensation.

Elements of compensation paid or granted to Mr. Jean-Marc Janaillac, Chairman and Chief Executive Officer in respect of the 2017 financial year

Amounts or book value submitted to the vote

Presentation

Stock options, performance shares or any other long-term benefit (equity warrants, etc.)	None	No such grants occurred during the 2017 financial year. Mr. Janaillac does not benefit from any elements of long-term compensation.
Directors' fees	None	Mr. Janaillac does not receive any directors' fees
Benefits of any kind	None	The material resources made available to Mr. Janaillac are not, in practice, dissociable from the exercise of his duties as Chairman and Chief Executive Officer.
Severance pay	None	Mr. Janaillac does not benefit from severance pay
Non-compete indemnity	None	Mr. Janaillac does not benefit from a non-compete indemnity
Supplementary pension plan	None	Mr. Janaillac does not benefit from a supplementary collective pension plan