

Air France-KLM

AFKLM Shareholders' Meeting of May 15, 2018

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 the 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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Commercial strategy/network

Ms. Heintz asks about a possible re-opening of the Orly-Strasbourg service that was closed in March 2016. She also wishes to know whether Air France-KLM has discussed this subject with the French State and the local authorities (Orly and Strasbourg) since the Shareholders' Meeting of May 2017.

Strasbourg, service from Orly (closed since March 2016)

In the current competitive context, there is no economically-viable scenario supporting the re-opening the Orly-Strasbourg service.

In effect, the coming into service of the TGV-East high-speed train in 2007 (reducing the journey time from four hours to two hours 20 minutes) led to the loss of nearly 50% of our traffic as of the first year (from 735,000 passengers carried in 2006 to 400,000 in 2007). This decline in traffic was prolonged during the ensuing years to finally descend to fewer than 150,000 people carried in 2015. Every year, despite restructurings to our schedule (from 12 daily frequencies in 2006 to just four in 2015), we had to bear a loss of several million euros (losses of -€10 million in 2014, -€6 million in 2015). The extension of the LGV high-speed line to Vendenheim, inaugurated on July 3, 2016, led to an additional 30 minute reduction in the journey time by train (from 2h20 to 1h50 currently). With this second phase of acceleration, we were going to suffer a further significant fall in our traffic (estimated loss of between 50% and 90%). The decision to suspend the service was thus vital and became effective on March 27, 2016.

Strasbourg, service from Roissy-Charles-De-Gaulle (closed since end March 2014)

No long-term solution can be envisaged for the reinstatement of the Roissy-Charles-De-Gaulle-Strasbourg flights.

Formerly operated with four daily frequencies, the Roissy-Charles-de-Gaulle-Strasbourg service also suffered from the impact of the acceleration in the TGV as of 2007. Traffic thus fell by 24% as of the first year and continued to be eroded (-44% in three years). In 2012, the results were very significantly loss-making (losses of -€8.6 million and -€4.7 million taking into account this service's contribution to the network on departure from CDG). The decision was then taken to close the service and replace the flights with an air-rail partnership to feed the Roissy-Charles-De-Gaulle hub by purchasing capacity on the train: hence the AIR RAIL product which is now offered to our connecting customers at CDG.

As a consequence of the information reiterated above, Air France-KLM's position on this matter has remained unchanged since the 2017 Shareholders' Meeting.

Joon

Mr. Allaguillemette remembers that, during the launch of Joon, it was announced that this airline would have costs 15% to 20% lower than those of Air France. He would like some information enabling him to evaluate the profitability of Joon in 2007.

On December 1, 2017, the first Joon flights were inaugurated for Barcelona, Berlin, Lisbon and Porto. On March 25, 2018, the Oslo, Rome, Naples and Istanbul lines in medium-haul, and Cairo then Tehran, Fortaleza, Mahe and soon Mumbai services in long-haul were launched. Nearly 750,000 customers have traveled with Joon and 500 hostesses and stewards have been recruited. Seven A320s, four A321s and three A340s are currently operated by Joon.

Joon's operating results are in line with expectations. The financial results for Joon in respect of the 2018 first quarter show a contribution to the Group's results consistent with the initial forecasts and include the expected

cost reductions, it being stipulated that the activity for this quarter relates almost exclusively to medium-haul. More detailed figures will be provided at the end of the financial year.

Fleet/Cargo

Mr. Allaguillemette would like to know if Air France plans to install bunks in its aircraft bellies. If so, he asks whether Air France plans to bring some full freighters back into service for the air freight business.

Installing bunks in the holds is a project that is currently being studied internally but it is still too early to decide on its feasibility due, notably, to technical constraints and the prevailing passenger safety imperatives. Only a portion of the Fleet (long-haul) would be concerned. Furthermore, the arrival in our Fleet of new-generation aircraft (the B787 and A350) increases our belly capacity. There are thus currently no plans to bring more full freighters into service.

Mr. Allaguillemette asks whether the agreement relating to the secondment of B777 instructors to the B787 expiring on April 30, 2018 has been renewed.

While, at this stage, the agreement has yet to be renewed, discussions on this subject are ongoing with the professional organizations with a view to rapidly reaching an agreement on this point.

Servair

Mr. Allaguillemette would like to know whether Gate Group, which acquired 49.99% of the Servair share capital in 2016, could acquire an additional 30% stake in Servair during 2018.

In December 2016, Air France sold 49.99% of Servair's share capital to Gate Group. This disposal led to a transfer of control over Servair to Gate Group.

At present, Air France has a put option on Gate Group for all or a portion of the Servair share capital that it still holds. This option may be exercised between December 30, 2018 and December 30, 2022. For the years 2018 and 2019, the exercise price on this put option will be equal to the per share sale price at the time of the initial disposal in December 2016. As of 2020, the sale price will be a market price, to be negotiated between the parties based on multi-criteria valuations.

Gate Group has a call option to increase its shareholding in Servair to 80%. This option may be exercised between March 31, 2019 and March 31, 2020 or at any time in the event of a breach by Air France of the shareholder agreements signed at the time of the initial disposal in December 2016. This call option held by Gate Group thus only covers up to a maximum of 30% of the additional Servair shares and will be at a share price identical to that of the initial transaction.

Shareholders' Club

Ms. Heintz asks about the conditions for joining and participating in the Air France-KLM Shareholders' Club and notes that none of her subscription requests made by mail or on the Air France-KLM's website have succeeded.

The conditions for joining and participating in the Air France-KLM Shareholders' Club are as follows:

- Ownership of at least 50 Air France-KLM shares at the time of the membership request,
- Submission of proof of ownership, and
- Submission of the Air France-KLM Shareholders' Club membership form duly completed and signed.

This form can be downloaded on the Air France-KLM's website:

<http://www.airfranceklm.com/fr/finance/shareholders/Shareholders'Club>

The enrolment system for the Air France-KLM Shareholders' Club has been experiencing some technical problems in recent months. These problems are in the process of being resolved and the Club's activity should be reactivated within the next few weeks. We thus suggest that you consult the Air France-KLM's website regularly at the above-mentioned link.

Employee representation

Mr. Maillat would like to know the level of union representation relative to the actual employees of Air France and KLM, for all staff categories.

Since the process whereby employees become union members is handled personally, we do not have this information. However, we can communicate the results of the latest professional elections held within Air France in March 2015:

	CFE-CGC / UNAC	FO/ SNPNC	UNSA AERIEN	CGT/ UGICT	CFDT	SNPL	SPAF	SUD AERIEN	SNGAF	CFTC	COMPA	ALTER	CAT	SNPNAC - RWAY	SLIC A
Ground staff	18,69%	14,58%	13,32%	19,70%	20,24%	-	-	10,98%	0,34%	1,30%	-	-	0,61%	-	0,25%
Flight attendants	21,86%	22,82%	22,82%	7,67%	3,21%	-	-	3,23%	9,17%	-	5,68%	-	-	-	-
Pilots	-	-	-	-	-	65,37%	20,76%	-	-	-	-	9,85%	-	4,02%	-
Total	18,11%	15,94%	15,19%	14,27%	13,19%	5,48%	1,74%	7,62%	3,09%	1,89%	1,79%	0,82%	0,37%	0,33%	0,15%

Mr. Maillat asks whether the results of the consultation announced on May 4, 2018 are totally reliable?

To manage this consultation, Air France called on the services of an outside service provider with which it regularly works for elections within the Board of Directors: AlphaVote.

AlphaVote is certified by Bureau Veritas and Demaeter for its compliance with the regulations in force and ballot confidentiality. The ballot papers are encrypted from the voter's work station to the server. The result is known only once the electronic urn is unsealed and the votes counted, something which took place after the close of voting, at 18h00 on May 4. Furthermore, a bailiff was present during the sealing of the urn on April 26 and for the counting of the votes on May 4. We can thus affirm that the results of the consultation are totally reliable.

Mr. Maillat would like to know the modalities for employee representation within the Air France-KLM's Board of Directors.

Both the Group's employees and the employee shareholders are represented within Air France-KLM's Board of Directors.

i. Board directors representing the employee shareholders

Pursuant to the legal and statutory provisions (Article 17.2), the Board directors representing the employee shareholders are proposed by Air France-KLM's employee (and former employee) shareholders and appointed by the Shareholders' Meeting. Article L.6411-9 of the Code des Transports and Air France-KLM's Articles of Incorporation provide for two Board directors representing the employee shareholders who must be appointed by the Shareholders' Meeting of whom:

- A Board director representing the employees of the company and/or related companies belonging to the flight deck crew category of staff (currently Mr. Jobard), and
- A Board director representing the employees of the company and/or related companies belonging to the other staff category (currently Mr. François Robardet).

Since the mandates of Msrs. François Robardet and Louis Jobard expire at the end of the Shareholders' Meeting on May 15, 2018, elections were organized in January 2018 to designate the new Board directors representing the employee shareholders.

The information on the candidates designated by the employee shareholders is set out on page 20 of the Convening Notice for the Shareholders' Meeting of May 15, 2018, which may be consulted on the following website:

<http://www.airfranceklm.com/Finance/Shareholders/ShareholdersMeeting>

ii. Board directors representing the employees

Pursuant to law and the Air France-KLM's Articles of Incorporation (Article 17.3), a Board director representing the employees is appointed by the Comité de Groupe Français. When the Board numbers more than twelve Board directors, a second Board director representing the employees is appointed by the European Works Council.

On June 1, 2017, Mr. Karim Belabbas was appointed by the Comité de Groupe Français and, on October 10, 2017, Mr. Mathi Bouts was appointed by Air France-KLM's European Works Council. They were both appointed for a two-year term expiring at the end of the Shareholders' Meeting to be held in the year in which their mandates are due to expire, i.e. at the end of the 2019 Annual General Shareholders' Meeting.

Air France receivables

Mr. Maillat would like to obtain the following information on the customer receivables owed by non-French customers to Air France: the amounts concerned, the identity of the debtors, whether there are any plans to write off this debt, the recovery procedures under way, the existence of any Coface-type credit-insurance and the amount of provisions for bad debts.

At December 31, 2017, for all the company's activities (Maintenance, Cargo and Passenger traffic), Air France had booked €638 million of customer receivables (excluding third-party airlines). Adding the receivables with other airlines, the receivables held by Air France represented €942 million at December 31, 2017.

In addition to the airlines, Air France's debtors are multiple and diverse: credit card acquirer bodies, travel agencies, public agencies and 'on account' associations and private companies for the passenger transportation business, freight forwarders and postal offices for the cargo business. For confidentiality reasons and due to the structure of the information systems, we are not able to supply any information on the portion of receivables coming solely from 'non-French' debtors.

Some Air France Industries receivables (trading name for Air France's aeronautics maintenance business) held against customers based outside France are the subject of credit-insurance subscribed with Coface. Air France also proceeds with factoring operations for a portion of the travel agency and freight forwarder receivables in France and elsewhere in Europe.

€64 million of the receivables held by Air France as of December 31, 2017 have been qualified as bad debt (and, of these, €31 million are with third-party airlines) and have been provisioned in full.

Air France does not write off bad debt. The measures taken by Air France to recover its receivables (whether or not they are bad debts) are graduated as a function of the nature of the default and the delay in payment and/or the amounts at stake: reminder letters and formal notices to pay are sent. Air France may then decide to freeze the customer account (above a certain credit limit) and/or suspend its services. Lastly, failing an amicable settlement, under certain conditions, French law authorizes the retention of some assets (for example, within the framework of aeronautics maintenance) and even their seizure following a ruling by the competent court.

Flying Blue

Mr. Maillat would like to obtain additional information and explanations on the functioning of the new Flying Blue loyalty program which he finds difficult to understand.

All the information relating to the Air France-KLM Group's new loyalty program is available on the website:

<https://www.flyingblue.fr/en>

Below you will find a summary of the main characteristics of this program.

Flying Blue was born of the merger between Air France's "Fréquence Plus" and KLM's "Flying Dutchman" frequent flyer programs in June 2005. The program has since seen steady growth to reach today's some 15 million members and cover a network of more than 135 partners.

To be always responding to customer expectations more effectively, the new program was launched on April 1, 2018. One element of very strong clarification consisted of merging the monetary part of the program (i.e. the way in which a customer is going to earn miles and how they can be spent) and the part which is status-related (i.e. the modalities for acquiring or changing status for which we have significantly simplified the rules).

From now on, the number of miles earned on flights marketed by Air France, KLM, Joon and Hop! depends solely on the amount spent, based on a proprietary scale of the customer's status. For example, a customer with Gold status will henceforth earn six miles per euro spent. We are also the only airline to offer this possibility on seat options, additional baggage and meal options.

As of June 1, 2018, another new feature will be the option to 'pay' for part of a reward ticket in cash. Thus, up to 25% of a reward ticket (obtained with miles) can be paid in cash. Furthermore, all the seats available for sale are eligible to be paid for with miles, based on an expanded price range. We are thus introducing more flexibility in the use of miles by our customers.

New mechanisms have also been put in place to access the four status levels in the program: Explorer (which replaces Ivory), Silver, Gold and Platinum. We are effectively introducing Experience Points (or XPs) to be earned depending on the type of flight (Domestic, Medium-haul and three types of Long-haul) and the travel cabin booked, independently of the price paid. It thus becomes easy to foresee the number and type of trips required to maintain program status and change level. From now on, a Silver customer will need 180 XPs to move up to Gold, i.e. for example, the equivalent of three return trips to New York in Business class, each earning 60 XPs.

Lastly, we have also revamped the Flying Blue brand and visual identity, something which is reflected in new physical cards for Elite customers and new virtual cards for everyone.

