

AIRFRANCEKLM  
GROUP

# SHAREHOLDERS' MEETING

MAY 26, 2020

  
KLM

# Legal opening

Anne-Sophie Le Lay

CORPORATE SECRETARY OF AIR FRANCE-KLM GROUP



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# SHAREHOLDERS' MEETING

MAY 26, 2020

  
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# Financial results

Frédéric Gagey

CHIEF FINANCIAL OFFICER, AIR FRANCE-KLM





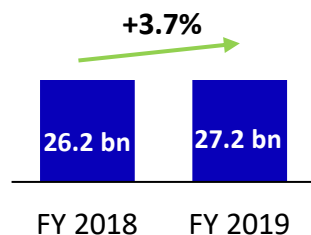
# 2019 KPI targets achieved: Cost-efficiency measures, Financial stability and Investments to support the strategic plan

	Guidance 2019	Full year 2019
<b>Unit cost</b> ex-currency at constant fuel price	-1% to 0%	-0.9%
<b>Capex</b>	€3.2bn-€3.3bn	€3.3bn
<b>Debt ratio</b>	At/below 1.5x	1.5x

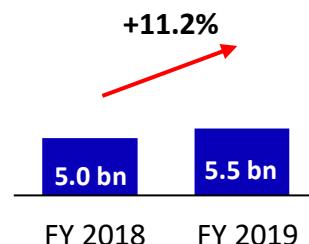


# 2019: Operating result at €1.1bn with cost-efficiency measures offset by pressure on Cargo unit revenue and a higher fuel bill

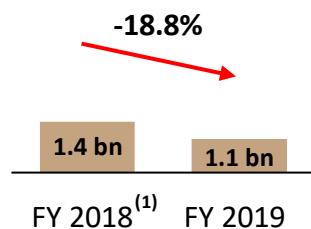
Group revenue



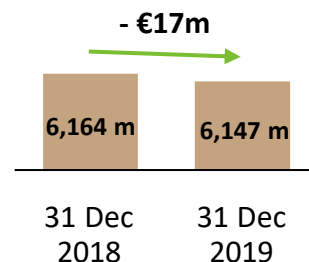
Fuel expenses



Operating result



Net debt



AIRFRANCE KLM

87.6m  
passengers

AIRFRANCE KLM  
Martinair CARGO

1.1m  
tons of cargo

transavia

16.6m  
passengers

AIRFRANCE KLM  
INDUSTRIES Engineering & Maintenance

3,000  
aircraft maintained

AIRFRANCEKLM  
GROUP

104.2m  
passengers

(1) 2018 was impacted by Air France strikes  
2018 and 2019 results restated with a similar impact in both years for limited life parts componentization accounting change.

# Passenger Network: Strong improvement in Air France operational performance, steady solid appreciation in KLM in 2019



**Revenues at €21.1bn, +3.6%**



**55,000 employees**

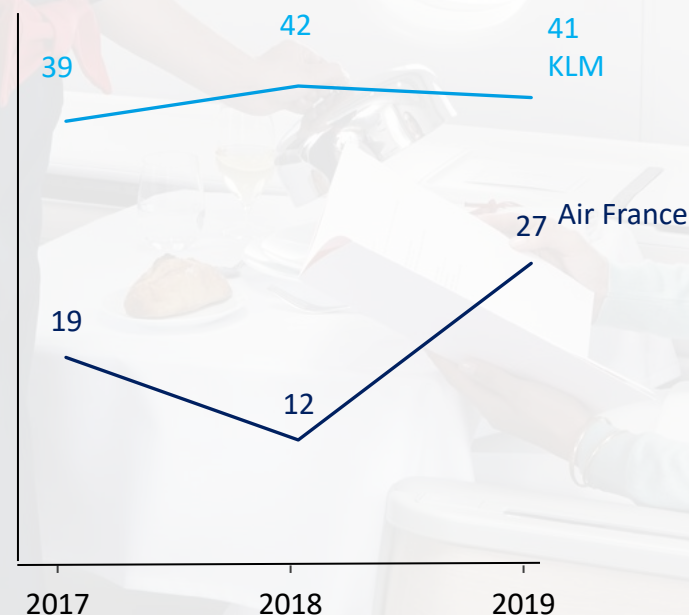


**Worldwide presence**

More than 250 destinations and a powerful network of partnerships

**Air France** rated **7th** airline in the On Time Performance (A14) 2019 worldwide ranking

**Net Promoter Score**







# Cargo: Market share resilient in context of strong supply-demand imbalance in 2019

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**Revenues at €2.2bn, -5.9%**  
4,000 employees



**Decline in Worldwide  
air freight demand**  
Traffic -2.2%



**Market share of 10%**  
+0.3pt







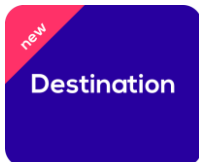
## Transavia: Strong performance and demand in both home markets in 2019, new agreements preparing future growth



**Revenues at €1.7bn, +9.3%**  
3,000 employees



**Margin 7.5%**



**Future network expansion**  
130 destinations in 2019







## Maintenance: Solid trend continuing in 2019, one of the industry leaders



**Third party revenues at €2.1bn, +11.3%**  
14,000 employees



**Order book at \$11.5bn and margin of 5.6%**  
end of 2019



**Worldwide presence**  
with subsidiaries and partnerships







## FY 2019: Stable financial structure to weather the crisis



Debt ratio  
at **1.5x**



Capex 2019  
**€3.3bn**



Total Cash  
**€4.7bn**  
& Credit Line  
**€1.8bn**



**546 aircraft**  
176 in long-haul  
246 in medium-haul  
118 in regional  
6 full cargo





# Q1 2020 results





# Good performance in January and February, March strongly hit by Covid-19

## ► Until February 2020

- > Unit revenue **+0.8%**
- > Unit cost **-1.6%**
- > The strategic plan started to deliver results

## ► Q1 2020

- > Covid-19 crisis impacting all businesses
- > Passenger carried **-20%**
- > Revenues and Operating result significantly down
- > Debt ratio up



# Quick and swift actions taken in response to the Covid-19 outbreak

## ► Cash cost savings

- > Reduction of operating expenses
- > Tax, social charges, suppliers payments deferral
- > Reduction of investments

## ► Secure funding

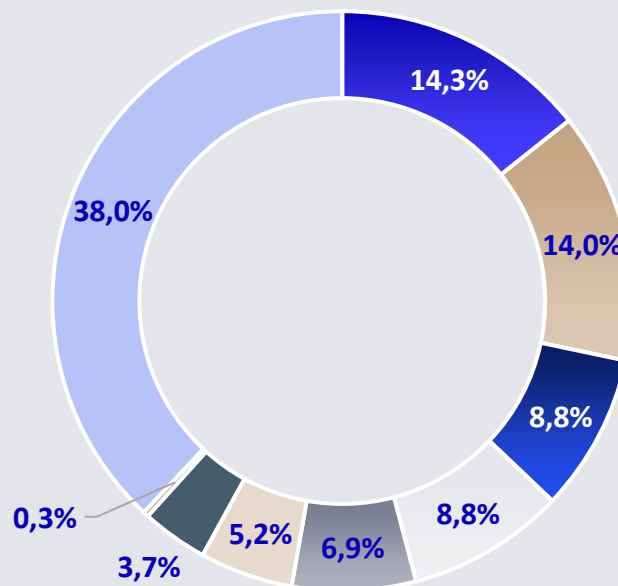
- > Loans of **€7bn** for Air France and **€2-4bn** under discussion for KLM
- > Backed by French & Dutch states
- > In accordance with the European Union regulation





# Who owns Air France-KLM? At March 26, 2020

- French State
- Dutch State
- Delta Air Lines, Inc
- China Eastern Airlines
- Causeway Capital Management LLC
- Donald Smith & Co., Inc.
- Employees (FCPE)
- Treasury stock
- Others



## ► Breakdown by nationality:

- > European: **58%**
- > Others: **42%**



## Proactive engagement with individual shareholders

**Award for the best  
digital communication  
in the SBF120**

*For the 2<sup>nd</sup> consecutive year*



► **Shareholders' Newsletters available on the  
[www.airfranceklm.com](http://www.airfranceklm.com) website**

- > Individual Shareholders' Club
- > Consultative Committee for individual shareholders  
(renewed Q3 2019-Next renewal Q2 2021)
- > Shareholders' meetings in the regions
- > Investor relations:  
Web: [www.airfranceklm.com/finance](http://www.airfranceklm.com/finance)  
[mail.actionnaire@airfranceklm.com](mailto:mail.actionnaire@airfranceklm.com)





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# SHAREHOLDERS' MEETING

MAY 26, 2020

  
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# Strategy

Benjamin Smith

CHIEF EXECUTIVE OFFICER AIR FRANCE KLM



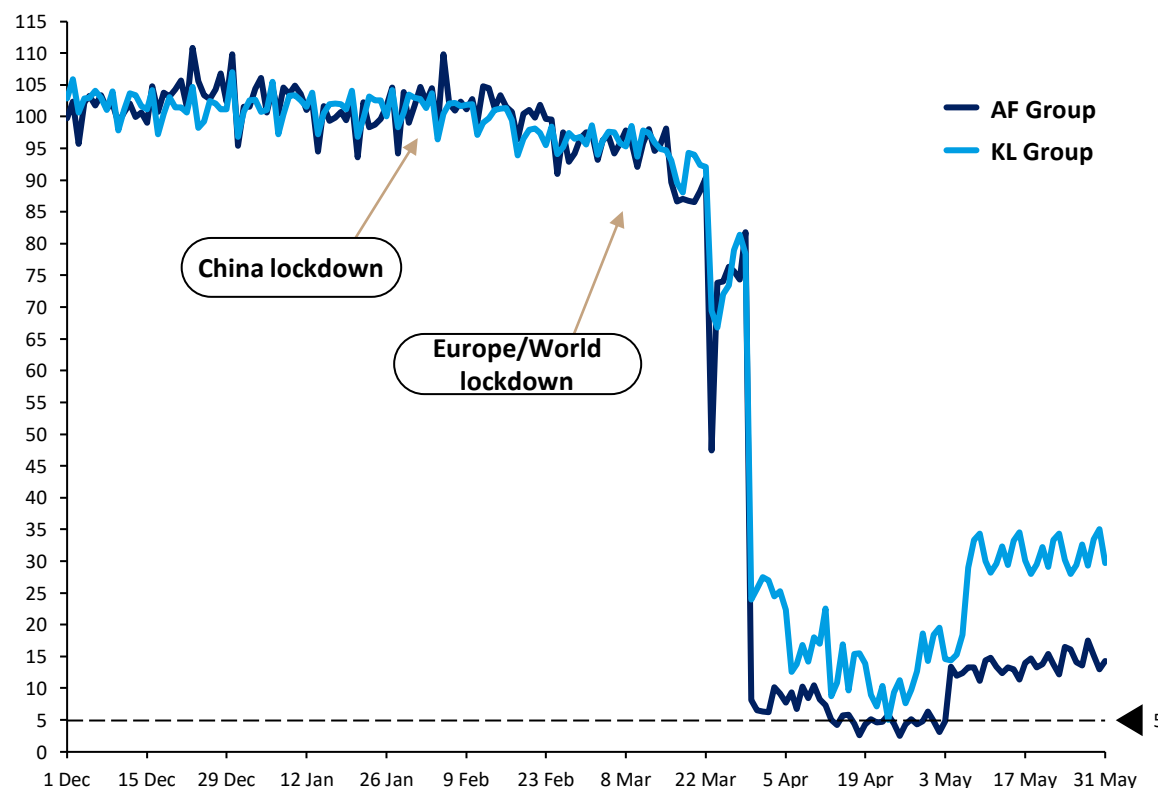


# The Covid-19 crisis has strongly challenged airline capacity

## AF & KLM seat capacity has fallen 90%, while demand has sharply declined

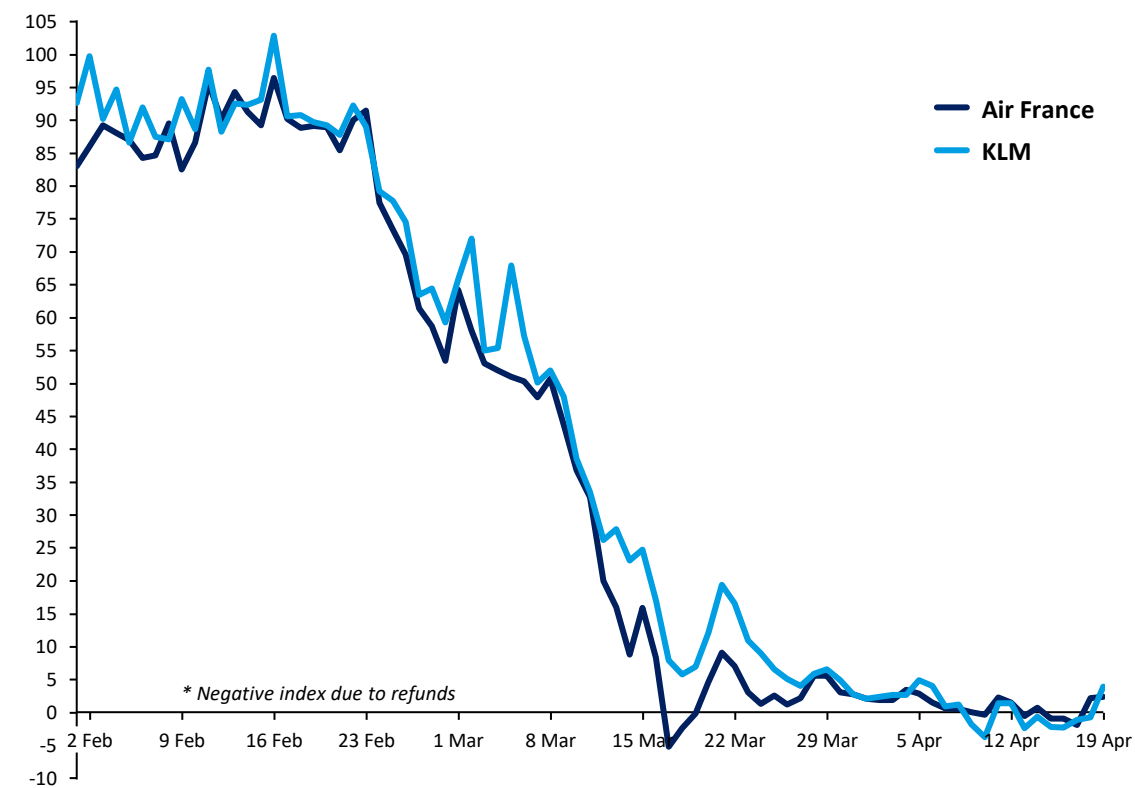
### ASK EVOLUTION

YoY ASK capacity for period Dec 1st until May 26th  
Snapshot May 19th 2020  
Base 100 = same day previous year



### BOOKINGS VARIATION IN NUMBER OF PASSENGERS

Net bookings between Feb 1st & May 15th for a travel between March & October 2020  
Snapshot May 19th 2020  
Base 100 = same day previous year



\* AF Group includes AF, A5, TO – KL Group includes KL, HV, WA

Source: OAG for Capacity and DDS for Bookings

# 2019 Was a Strong Year for Air France KLM

## 2020 Was On Track, Until Onset of COVID-19



► **Passengers Carried**  
**+ 2.7%** vs FY 2018



► **Group Revenues**  
**+ 1.9%** vs FY 2018



► **Unit Cost**  
**-0.9%**  
*(Guidance 2019 -1% to 0%)\**



► **Labour**  
**50+** Agreements Signed












# ....resulting from strong ongoing transformation initiatives

## Decreasing Unit Cost

	More Flexible Labour Contracts	Air France Transavia
	Simplified Fleet	Air France KLM
	Next Generation Aircraft	Air France KLM
	More Efficient Domestic Network	Air France
	Increased Aircraft Utilization	Air France
	Operational Transformation	Air France KLM
	Simplified Organization & Processes	Air France KLM
	Leveraging Additional Group Synergies	Group

## Increasing Unit Revenue

	Clarified Brand Strategy	Air France
	Optimized Interior Configurations & Harmonized Products	Air France KLM
	Optimized Network & Aircraft Gauge	Air France KLM
	Refocused Market Positioning	Air France
	Revised Orly Strategy	Air France Transavia
	Personalization & Ancillary Revenue	Group
	Transavia Growth (fleet cap removal)	Transavia
	Flying Blue & Increased Ancillary Revenue	Group
	E&M and Cargo	Air France KLM





## 2019 Was Also an Important and Successful Year for KLM

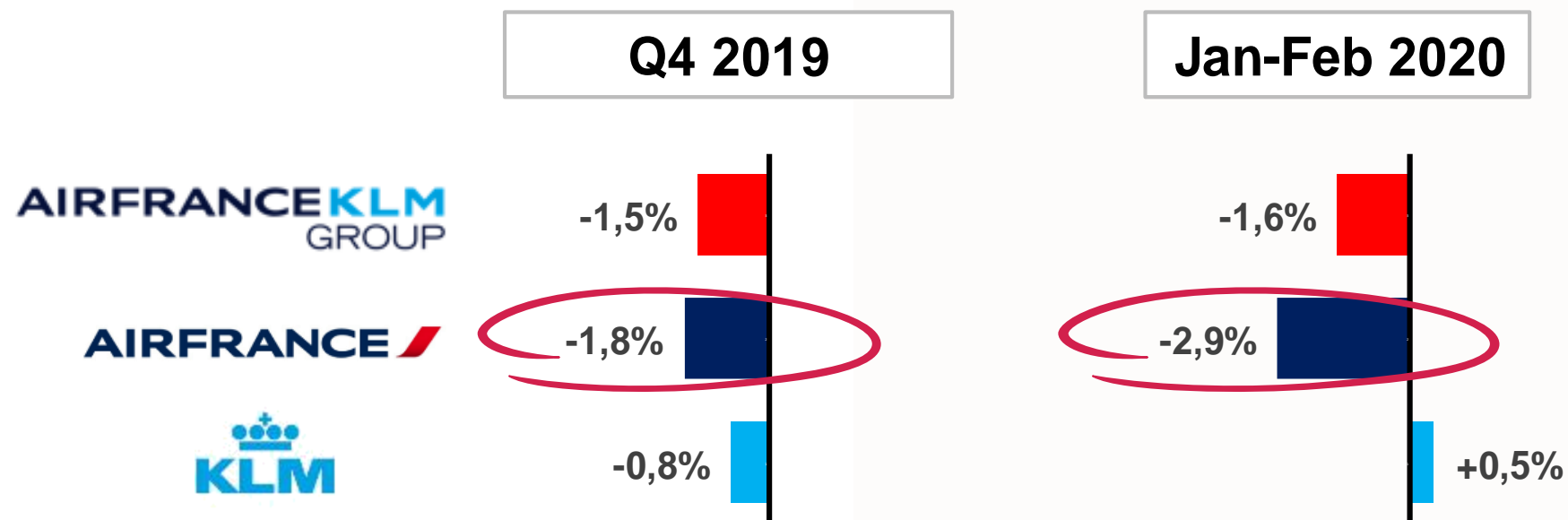






# Air France Transformation Plan Showed First Positive Results

Unit cost evolution



# AFKL Businesses Saw a Successful 2019



## Commercial

- ✓ Strong revenue growth
- ✓ +10 NPS points: B2B/B2T
- ✓ +36% efficiency (NTR/FTE)



- ✓ Preserved AFKL market share
- ✓ Cargo Performance Programs



- ✓ 2019 most **successful year** in E&M history
- ✓ +6.2% total revenue



## IT

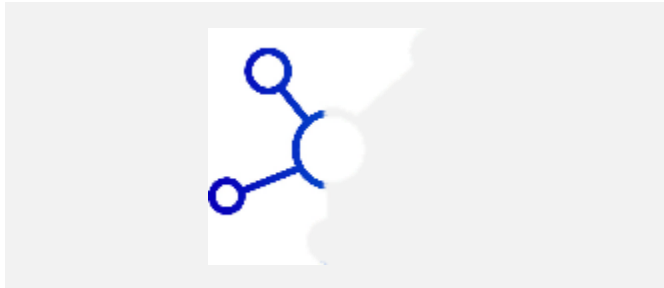
- ✓ -4% IT unit cost
- ✓ 20% Productivity Improvement
- ✓ Quality of service KPIs achieved





# Swift & extensive measures to face the crisis were implemented...

**>90% CAPACITY REDUCTION  
DURING APRIL-JUNE**



**ADDITIONAL FREIGHTER  
CAPACITY DEPLOYMENT**



**SPECIAL REPATRIATION FLIGHTS & MAINTAINING  
ESSENTIAL LINKS WITH TERRITORIES**



**AIR BRIDGE FOR ESSENTIAL MEDICAL SUPPLY IN  
COOPERATION WITH THE FRENCH & DUTCH STATE**



**HIGH SAFETY STANDARDS FOR STAFF AND  
CUSTOMERS**



**CONTINUE TO PURSUE 3<sup>RD</sup> PARTY MAINTENANCE  
ACTIVITIES WHERE POSSIBLE (~45%)**



...in response to the COVID-19 crisis

**Safety - Operational - Social responsibility**





# Summary Covid-19 implications & decision making to secure the Group future



## 1) A promising start 2020

Positive unit revenue  
Efficient cost measures  
New strategic plan



## 3) Quick and swift actions taken

Safety customers & employees  
Operational, >90% grounding fleet  
Cash preservation measures

## 5) New action plan

*Full disclosure by Summer 2020*  
Accelerating existing plan  
New post-crisis measures  
Financial ambitions

January/February

March

April

May

Summer 2020



## 2) Acceleration Covid-19 crisis:

Globally imposed travel  
restrictions & EU border closures  
Lockdown measures in home  
markets



## 4) Secure liquidity

Financing packages  
• 7bn€ for Air France by the French state  
• 2-4bn€ for KLM by the Dutch state under  
negotiation





# French and Dutch States Have Faith in Air France-KLM

AFKL Group is an European strategic asset

**AIRFRANCE** 

**€7bn financing from France, approved by EU**

**Several Conditions attached**

- **Accelerate Group transformation**
- **European champion in terms of sustainability**





**€2-4bn Package to KLM** under discussion with  
Dutch government and banks





# Go Forward Business Plan Presented in November 2019 Remains Base, Must Be Accelerated and Strengthened

## Commitment to Global Environmental Sustainability



**Continue to develop  
current business  
model**



**Leverage unique  
assets to build a  
successful model,  
one step at a time**







**Fully leverage brand  
power and new  
flexibility**





# Business plan presented in 2019 must be accelerated

1		FLEET PLAN UPDATE	<ul style="list-style-type: none"><li>• Air France accelerated phase-out of Airbus A340 and A380</li><li>• KLM accelerated phase-out of Boeing 747 (both passenger &amp; combi versions)</li><li>• Delay of some Airbus A350 &amp; Boeing 787 entry into service</li></ul>
2		FRENCH DOMESTIC RESTRUCTURE	<ul style="list-style-type: none"><li>• Further adaptation and downsizing of loss-making AF domestic network</li><li>• Strong transformation plans for Transavia and Hop!</li></ul>
3		SUSTAINABILITY	<ul style="list-style-type: none"><li>• Extended CO<sub>2</sub> reduction commitment</li><li>• Increase biofuel use for all Group airlines</li><li>• Pursue of existing voluntary offsetting program</li></ul>
4		ORGANIZATION & SUPPORT FUNCTIONS	<ul style="list-style-type: none"><li>• Restructure and resize management &amp; support functions</li><li>• Capex reduction across all Group airlines and business units</li><li>• KLM and Air France voluntary departure plan projects</li></ul>



# Acceleration of French Domestic Restructuring Plan

## STRONGER ADJUSTMENTS



Close domestic flights  
when train <2h30 available



Adapt Workforce

## ON TOP OF EXISTING RESTRUCTURING PLAN



Reduce poor performing  
routes exposed to low-cost  
competition



Improve product and  
operational performance  
for customers



Simplify Operations

**-40%**

Capacity (ASK) Decrease

-€189m

2018

2021



# AFKL Businesses Will Also Accelerate Transformation Plans



## Commercial

- ✓ **SWAT teams** preparing post-crisis initiatives
- ✓ **Cost discipline**



- ✓ **100M+ pieces of PPE** transported via “air bridges”
- ✓ **2020 Flight Plan Update**



- ✓ **New product portfolio** (i.e. engines and components)
- ✓ **Accelerate** cost cutting & transformation plan



## IT

- ✓ **Simplification of the IT organization**
- ✓ **Accelerate IT transformation**







# Accelerated Fleet Phase-Out Will Speed Up Simplification

**Airbus A340**



**Airbus A380**



**Boeing 747-400**



Deferred entry into service of some new aircraft

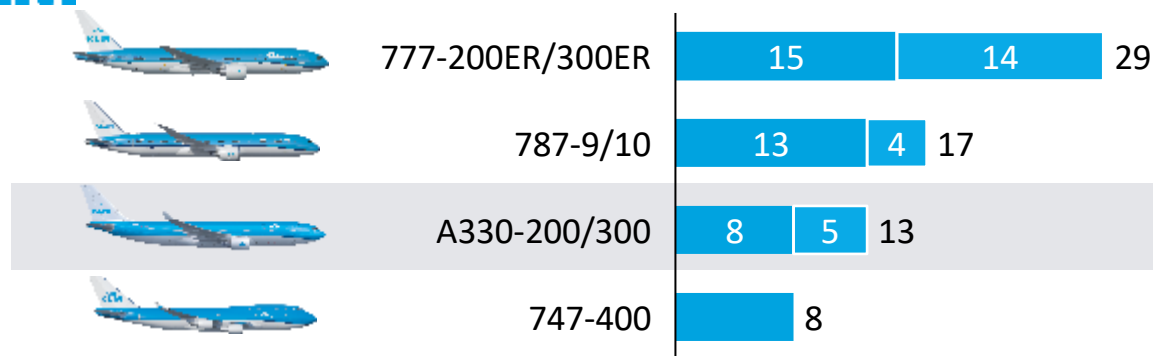


# Remaining Flexibility on the Long Haul Fleet

## Winter 2019 Passenger Long haul Fleet (pre-COVID)



67 Widebody aircraft



## Flexibility to Adapt to Future Reduced Demand

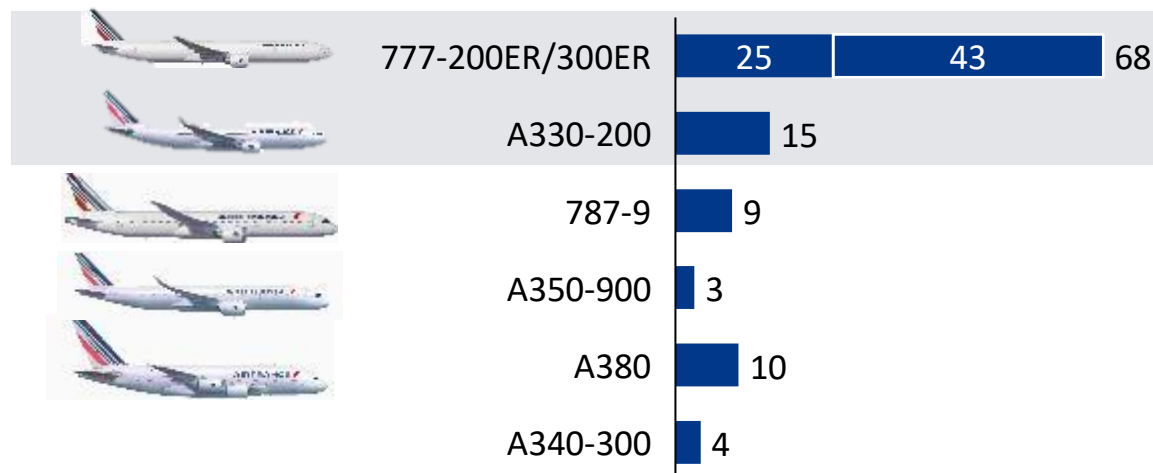
### Airbus A330-300



### Airbus A330-200



109 Widebody aircraft



### Boeing 777-200



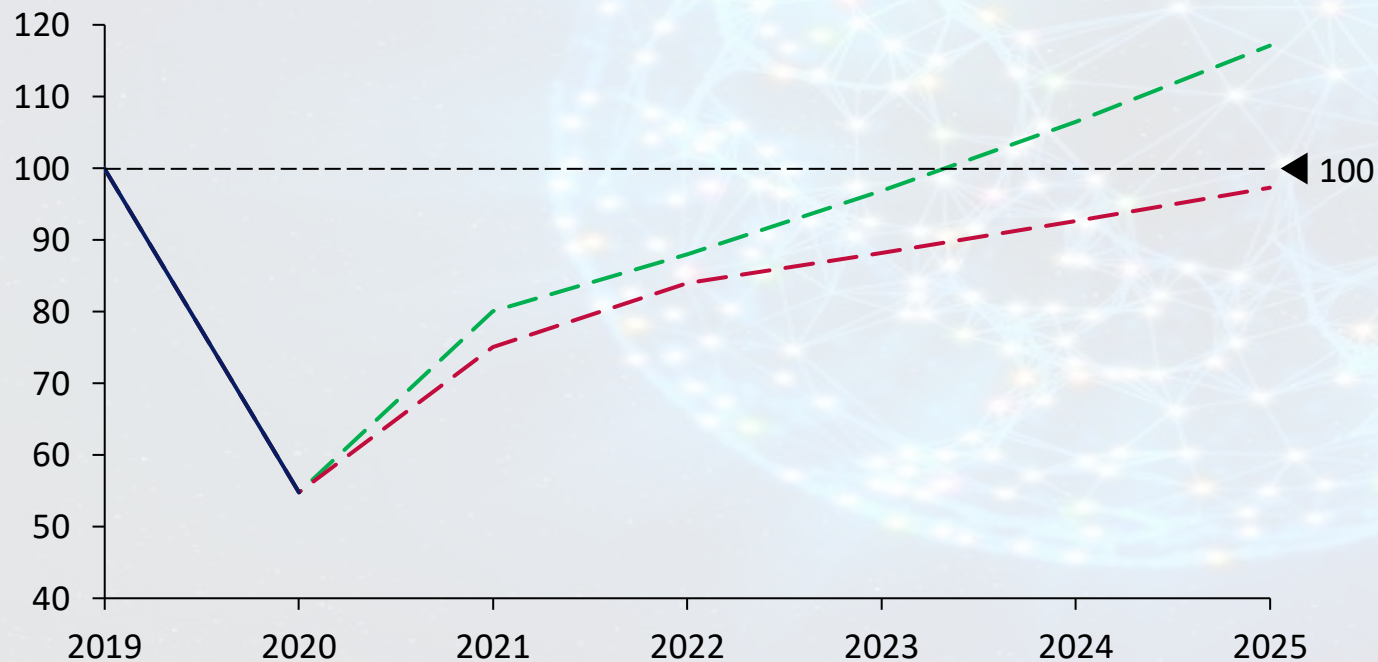
### Airbus A330-200





# Industry reshuffle expected following COVID-19 crisis

Illustrative capacity outlook AFKL Group  
Index 100 is 2019



## Fast & safe recover drivers

- + **Global containment** of virus
- + **Internationally recognized** health standard (e.g. health passport)
- + **Restored consumer confidence**
- + **Accelerated consolidation** of the industry due to bankruptcies with **smoother yield decrease**

## Slow recover drivers

- **Possible second wave** of virus
- **More customer focus** on sanitary measures
- **Slower** economic growth
- **Multiple** national **border policies**

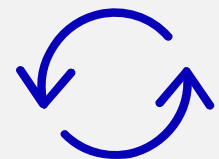




# Future of air travel will change due to changing customer expectations

## CUSTOMER EXPECTATIONS

Reassurance



Tangible measures  
for safe travel

## INDUSTRY RESPONSE



End to end health information



Health checks for employees and customers



Personal protective equipment



Reinforced cleaning and air filtration



Contactless services

- ▶ **Clear communication**
- ▶ **Sanitary levels as new decision factor**
- ▶ **Industry stakeholder cooperation**



# Uncertain Future Outlook Calls for Unified Industry-wide Measures



## SANITARY MEASURES

- **Industry-wide standards** for sanitary measures
- **Cooperation with all stakeholders** (airports, governments, health agencies, etc.) is key for a safe recovery



## CONSUMER CARE

- **Airlines must reassure consumers** through tangible and well-managed risk mitigation measures



## ROLE OF EMPLOYEES

- **Safety focused-mindset** and new sanitary protocols at the heart of crew operations



## REGULATORY MEASURES

- **Aligned global or European policy required** for simplified operations and clear communications towards customers

As during the crisis, airlines will have an important role going forward

- ▶ **Reassurance**
- ▶ **Safety obsession**
- ▶ **Global cooperation**



# The AFKL Group is committed to accelerate its transformation to strengthen its position in a rebalanced airline landscape



Complete flight  
safety with  
sanitary  
measures



Expand  
sustainability  
commitments



Expedite  
redesign of  
French  
domestic  
network



Expand  
Transavia  
France



Accelerate  
fleet  
restructuring



Further  
workforce  
adaptation to  
new activity  
levels



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# SHAREHOLDERS' MEETING

MAY 26, 2020

  
KLM

# Covid-19, tackling the crisis and planning for the future



# Governance

Anne-Marie Couderc

**CHAIR OF THE BOARD OF DIRECTORS OF AIR FRANCE-KLM AND  
CHAIR OF THE APPOINTMENTS AND GOVERNANCE COMMITTEE**





## A Board in support of the Group's General Management

- ▶ **Dissociation of functions** of Chief Executive Officer and Chair of the Board of Directors
- ▶ A **strengthened managerial governance** around a CEO Committee **that has proven its value**
- ▶ **Benjamin Smith is a member of the Air France-KLM, Air France and KLM Boards**

### CEO COMMITTEE

chaired by  
**Benjamin Smith**  
Air France-KLM's CEO

**Anne Rigail**

Air France's CEO  
&  
Air France-KLM's  
Deputy CEO

**Frédéric Gagey**

Air France-KLM's  
CFO

**Pieter Elbers**

KLM's President and  
Chief Executive Officer  
&  
Air France-KLM's  
Deputy CEO



# Balances within the Board of Directors and activity of the Committees

## BOARD OF DIRECTORS

### Composition

- ▶ **19** members
- ▶ independent Board directors
- ▶ **41.2%** of women\*
- ▶ **6** nationalities\*\*
- ▶ **4** Board directors representing the employees and employee shareholders

### Activities

- ▶ **13** meetings
- ▶ **88%** average attendance rate

## 4 SPECIALIZED COMMITTEES

### ▶ Audit Committee

- **Chair:** Maryse Aulagnon, Independent Director
- **89%** attendance rate

### ▶ Sustainable Development and Compliance Committee

- **Chair:** Anne-Marie Idrac, Independent Director
- **92%** attendance rate

### ▶ Appointments and Governance Committee

- **Chair:** Anne-Marie Couderc, Independent Director
- **100%** attendance rate

### ▶ Remuneration Committee

- **Chair:** Isabelle Bouillot, Independent Director
- **94%** attendance rate

\* Excluding employee Board directors

\*\* Taking into account dual nationalities



# Involvement of the Board of Directors in the Group's major events

**February 2019:** the Dutch State became a shareholder of Air France-KLM.  
Creation of a Working Group between the French and Dutch States.

## 2019

- ▶ **Audit of the governance agreements in force**
- ▶ **Construction of the Air France-KLM strategic plan:**
  - setting of ambitious financial targets
  - Strategy seminar on October 10 and 11, 2019
  - Investor Day of November 5, 2019
- ▶ **Approval of important decisions for the Group's future:**  
fleet simplification and modernization, CSR commitments, Air France transformation plan
- ▶ **Positive impact on results**

## 2020

- ▶ **Health crisis linked to COVID-19**
- ▶ **A very involved Board of Directors**  
(1 meeting per week)
- ▶ **Responsiveness and emergency measures taken**
- ▶ **A strong commitment from the French and Dutch States:**  
partial activity in France, NOW program in the Netherlands, €7 billion of financing for Air France, etc.





# Re-appointment of Ms. Anne-Marie Couderc



## INDEPENDENT DIRECTOR

- ▶ **Chair of the Board of Directors**
- ▶ **Chair of the Appointments and Governance Committee**
- ▶ **Principal activity:** Chair of the Air France-KLM Board of Directors\*, Chair of the Air France Board of Directors and company director

### Her contribution to the Board

- > Experience of HR and general management
- > Skills in the fields of governance, communication and public affairs

### Her main competencies

- > Governance
- > General management
- > Public affairs
- > Human resources



# Re-appointment of Mr. Alexander R. Wynaendts



## INDEPENDENT DIRECTOR

- ▶ **Member of the Appointments and Governance Committee**
- ▶ **Principal activity:** Chair and Chief Executive Officer of Aegon NV until May 15, 2020

### His contribution to the Board

- > Skills in the financial field
- > Experience of general management

### His main competencies

- > Governance
- > General management
- > International
- > Finance
- > Public Affairs



# Appointment of Mr. Dirk Jan Van Den Berg



## BOARD DIRECTOR

- ▶ **Board director appointed as proposed by the Dutch State replacing Mr. Jaap de Hoop Scheffer**
- ▶ **Principal activity:** President of the Association of Health Insurance Companies in the Netherlands (ZN, Zorgverzekeraar Nederland)

### His contribution to the Board

- > Skills in the economics field
- > Experience of public affairs

### His main competencies

- > Economics
- > General management
- > International
- > Public affairs



# Ratification of the cooptation of Mr. Jian Wang



## BOARD DIRECTOR

- ▶ **Elected by the Shareholders' Meeting as proposed by China Eastern Airlines**
- ▶ **Member of the Sustainable Development and Compliance Committee**
- ▶ **Principal activity:** Corporate Secretary of China Eastern Airlines Co., Ltd and Chair of Eastern Airlines Industry Investment Co., Ltd.

### His contribution to the Board

- > Skills in the financial field
- > Knowledge of the airline industry
- > Experience of governance, investment and general management

### His main competencies

- > Governance
- > General Management
- > International
- > Finance



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# SHAREHOLDERS' MEETING

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KLM

# Statutory Auditors' Reports

Frédéric Gagey

CHIEF FINANCIAL OFFICER, AIR FRANCE-KLM





# Statutory Auditors' Reports

## AS REGARDS THE ORDINARY MEETING OF SHAREHOLDERS

- ▶ **Reports on the financial statements**
  - > Consolidated financial statements
  - > Annual financial statements
- ▶ **Report on regulated agreements**

## AS REGARDS THE EXTRAORDINARY MEETING OF SHAREHOLDERS

- ▶ **Two reports related to capital operations**

## COVID-19

- ▶ **Financials statements have been approved by the Board on February 19, 2020, considering the information available**
- ▶ **Press releases published after the approval to reflect the evolution of the pandemic**
- ▶ **Recent events, perspectives 2020 and risk factors updated in the Universal Registration Document to reflect the evolution of the pandemic**



# Reports on the consolidated and annual financial statements

## Consolidated financial statements

(pages 321 to 326 of the Universal Registration Document)

► **Unqualified opinion on the fair presentation and consistency of the financial statements, with an emphasis on the following changes in accounting methods:**

- > The capitalization of limited life parts by components
- > The classification of compensations paid to customers for delays or cancellations ("customer compensations")

► **Key Audit Matters**

- > Revenue recognition for issued but unused passenger tickets
- > Provisions for litigations and contingent liabilities
- > Recognition of deferred tax assets
- > Valuation of equity interests (statutory)

## Annual financial statements

(pages 340 to 343 of the Universal Registration Document)

► **Specific verifications**

- > No observations on the information given in the management report and consistency of the information



# Special report on regulated agreements

## On regulated agreements

(pages 344 and 345 of the Universal Registration Document)

- ▶ **Agreements and commitments authorized during the year**
- ▶ **Transatlantic partnership between Air France-KLM, Delta Air Lines and Virgin Atlantic**
  - > The Board of Directors of AF-KLM authorized on October 30, 2019 the modification of the following contracts:
    - Termination of the Share Purchase Agreement allowing to acquire a 31% share in Virgin Atlantic;
    - Amendment of the Joint Venture and Implementation agreements in order to reflect , among other interests, the AF-KLM decision not to proceed with the acquisition of equity interests in Virgin Atlantic.
    - Signature of an agreement between AF-KLM, Delta et Virgin Group granting AF-KLM, a right to acquire shares in the event of a sale by Virgin Group of shares in Virgin Atlantic to a third party.
  - > Justification of the interest of the agreement for the company are presented on page 345 of the Universal Registration Document.





# Reports in relation with the extraordinary meeting of shareholders (1/2)

## On the issuance of shares and other marketable securities with or without preferential subscription rights

(resolutions n°18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30 et 32)

### ► Purpose

- > Delegation of authority for a 26-month period with a defined limit, to decide to proceed to this type of operations
- > Authorization to set the issue price within a limit not to exceed 10% of the share capital a year (in the framework of the utilization of delegations set out in resolutions 19, 20, 21, 26, 27 and 28)
- > Delegation of authority for a 26-month period with a defined limit, to proceed to this type of operations to compensate in-kind contributions granted to the Company
- > Opinion on the fairness of the quantitative information, on the proposed cancellation of preferential subscription rights and on other information

### ► Procedures performed by the statutory auditors

- > Verification of the content of the report of the Board of Directors related to this operation and of methods used to determine the issue price of equity securities.

### ► Conclusion

- > Subject to subsequent review of the conditions of each equity issuance decided, no comments to make on the methods used to determine the issue price of equity securities
- > No opinion on the price and on the proposed cancellation of preferential subscription rights
- > Additional report, where appropriate, when these delegations are used



# Reports in relation with the extraordinary meeting of shareholders (2/2)

**On the issuance of new shares or other securities granting rights to the share capital reserved for members of a company savings plan**

(Resolution n°33)

## ► Purpose

- > Delegation of authority to proceed to increases in share capital for a 26-month period and limited to 2% of the Company's share capital
- > Opinion on the fairness of the quantitative information, on the proposed cancellation of preferential subscription rights and on other information

## ► Procedures performed by the statutory auditors

- > Vérification of the content of the report of the Board of Directors related to this operation and of methods used to determine the issue price of equity securities.

## ► Conclusion

- > Subject to subsequent review of the conditions of each equity issuance decided, no comments to make on the methods used to determine the issue price of equity securities
- > No opinion on the price and on the proposed cancellation of preferential subscription rights
- > Additional report, where appropriate, when this delegation is used



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# Q&A Session

Anne-Sophie Le Lay

SECRÉTAIRE GÉNÉRALE DU GROUPE AIR FRANCE-KLM



The Group has announced that it is currently losing €25 million a day and has obtained €7 billion in financial support. The Group has stated that capacity will not return to its 2019 level before 2022. **How does the Group plan to repay this loan?**



Following the French State support, an Air France-KLM recovery plan was announced.

**Could you say more about the calendar and its objectives?**





**What are the major challenges of KLM's transformation to adapt to the post Covid world?**



**What social distancing rules will be applied by Air France on its flights to encourage passengers to fly again with confidence?**



**What is the policy of Air France and KLM regarding ticket refunds in case of cancellation of flights related to Covid-19?**



Recently, US fund management companies (Causeway Cap Management and Donald Smith & CO) have each crossed the 5% threshold to reach together more than 12% of the capital of Air France/KLM. **Can we not fear that a change of control of Air France - KLM to the benefit of non-European shareholders will eventually take place?**





**Air France has to achieve its transformation. What will you discuss with employee unions? And what is the timeline?**



**Does the Covid-19 public health emergency call into question our alliances and partnerships, particularly with Delta and China Eastern?**



**If there are plans to negotiate (perhaps already underway) with the Dutch State on this financial aid, why has it not been possible to do so in conjunction with the negotiations with the French State?**



Air transport was already in trouble before the covid crisis with a new environmental awareness.

**What are Air France KLM's new commitments to sustainable development in the post-crisis world?**





**Angus Clarke was recently appointed CCO of Air France.  
Can you explain the reasons for this and the ambition?**



**What action has KLM taken to restart its operations after weeks of a very reduced activity?**



**What is the Air France-KLM Group's position on consolidation in the coming months?**

AIRFRANCEKLM  
GROUP

# ASSEMBLÉE GÉNÉRALE

26 MAI 2020

  
KLM



# Vote on the resolutions

Anne-Sophie Le Lay

CORPORATE SECRETARY OF AIR FRANCE-KLM GROUP



# ORDINARY BUSINESS

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## FIRST RESOLUTION

- ▶ **Approval of the statutory financial statements and transactions for the financial year ended December 31, 2019**
  - > Result for the financial year: €(11) million

**APPROVED BY 99.96%**



## SECOND RESOLUTION

- ▶ **Approval of the consolidated financial statements and transactions for the financial year ended December 31, 2019**
  - > Net result, Group part: €290 million

**APPROVED BY** **99.96%**





## THIRD RESOLUTION

- ▶ **Allocation of the result for the financial year ended December 31, 2019**
  - > Loss for the financial year: €11 million
  - > Allocation of the loss for the financial year to 'retained earnings' then retained earnings to be charged to the 'other reserves – various reserves' account
  - > The 'retained earnings' account thus moves from €(53,319,339) to €(64,370,286)

**APPROVED BY** **99.94%**



## FOURTH RESOLUTION

- ▶ **Approval of the regulated party agreements referred to in Article L. 225-38 of the French Commercial Code**
  - > Regulated party agreements authorized by the Air France-KLM Board of Directors during its meeting of October 30, 2019 and referred to in the Statutory Auditors' special report

**APPROVED BY**

**99.94%**



## FIFTH RESOLUTION

- ▶ **Re-appointment of Ms. Anne-Marie Couderc as a Board director**
  - > Term of office: 4 years
  - > Independent Board director

**APPROVED BY 99.64%**



## SIXTH RESOLUTION

- ▶ **Re-appointment of Mr. Alexander R. Wynaendts as a Board director**
  - > Term of office: 4 years
  - > Independent Board director

**APPROVED BY 94.93%**





## SEVENTH RESOLUTION

- ▶ **Appointment of Mr. Dirk Jan van den Berg as a Board director**
  - > Term of office: 4 years
  - > Appointment proposed by the Dutch State to replace Mr. Jaap de Hoop Scheffer, whose resignation becomes effective at the end of this Shareholders' Meeting

**APPROVED BY 99.16%**



## EIGHTH RESOLUTION

- ▶ **Ratification of the cooptation of Mr. Jian Wang as a member of the Board of Directors**
  - > On July 30, 2019, the Board of Directors coopted Mr. Jian Wang to replace Mr. Bing Tang for the remainder of his predecessor's term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ended December 31, 2020
  - > Cooptation as proposed by China Eastern Airlines

**APPROVED BY**

**99.53%**



## NINTH RESOLUTION

- ▶ **Re-appointment of KPMG Audit as a principal Statutory Auditor**
  - > Term of office: 6 financial years

**APPROVED BY 99.74%**



## TENTH RESOLUTION

- ▶ **Appointment of Salustro Reydel as a deputy Statutory Auditor**
  - > Term of office: 6 financial years

**APPROVED BY 99.86%**



# Remunerations

Isabelle Bouillot

CHAIR OF THE REMUNERATION COMMITTEE



## 2019 compensation for Directors

AMOUNT ALLOCATED TO THE DIRECTORS	€826,417
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- ▶ Allocation of compensation in a fixed and a variable portion based on the attendance of directors at Board and Committee meetings
- ▶ Global amount : €950 000

## 2019 compensation for Ms. Anne-Marie Couderc, Chair of the Board of Directors

FIXED	€200,000
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- ▶ Unchanged since 2018



## 2019 compensation for Mr. Benjamin Smith, Chief Executive Officer

**FIXED** **€900,000**

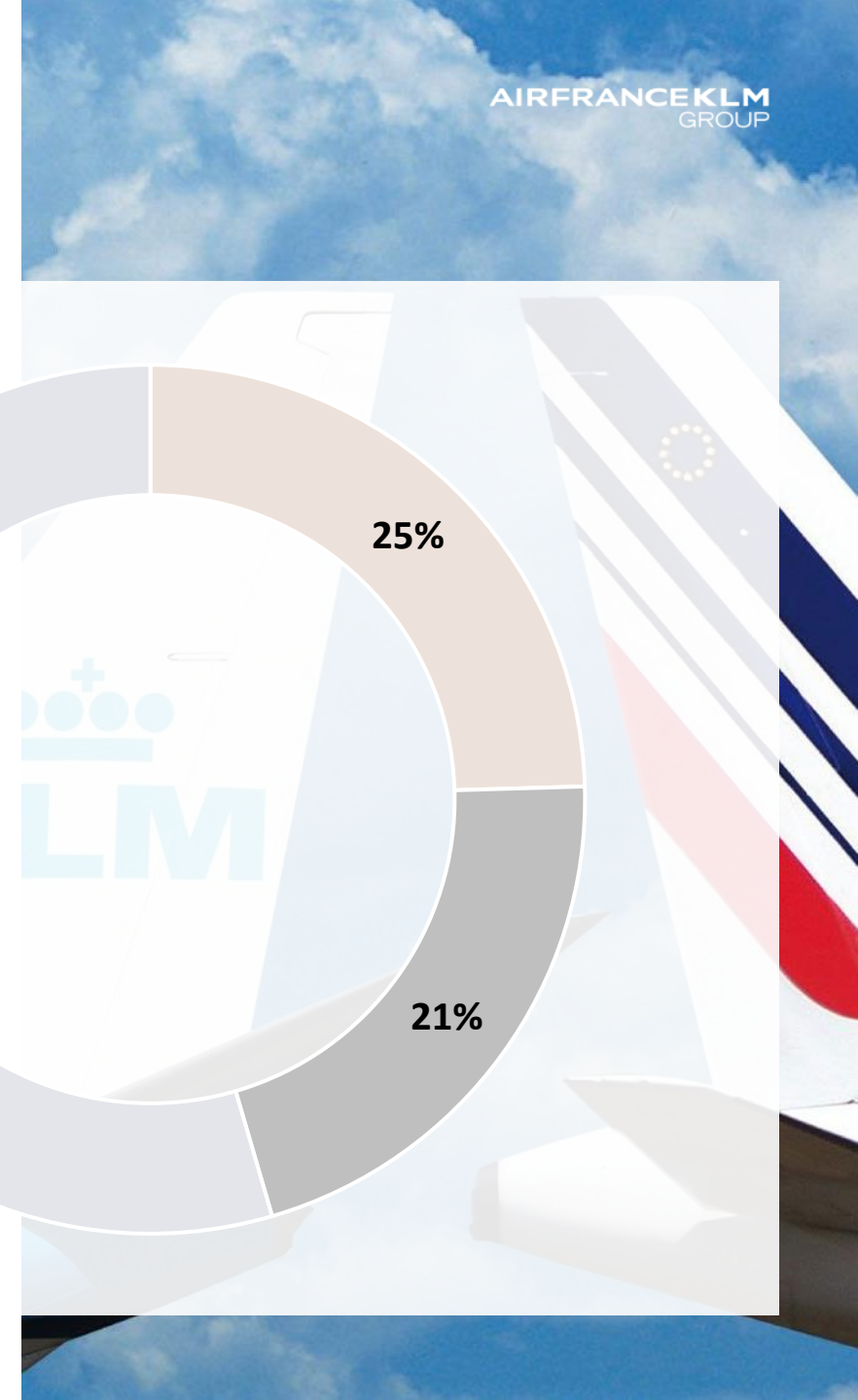
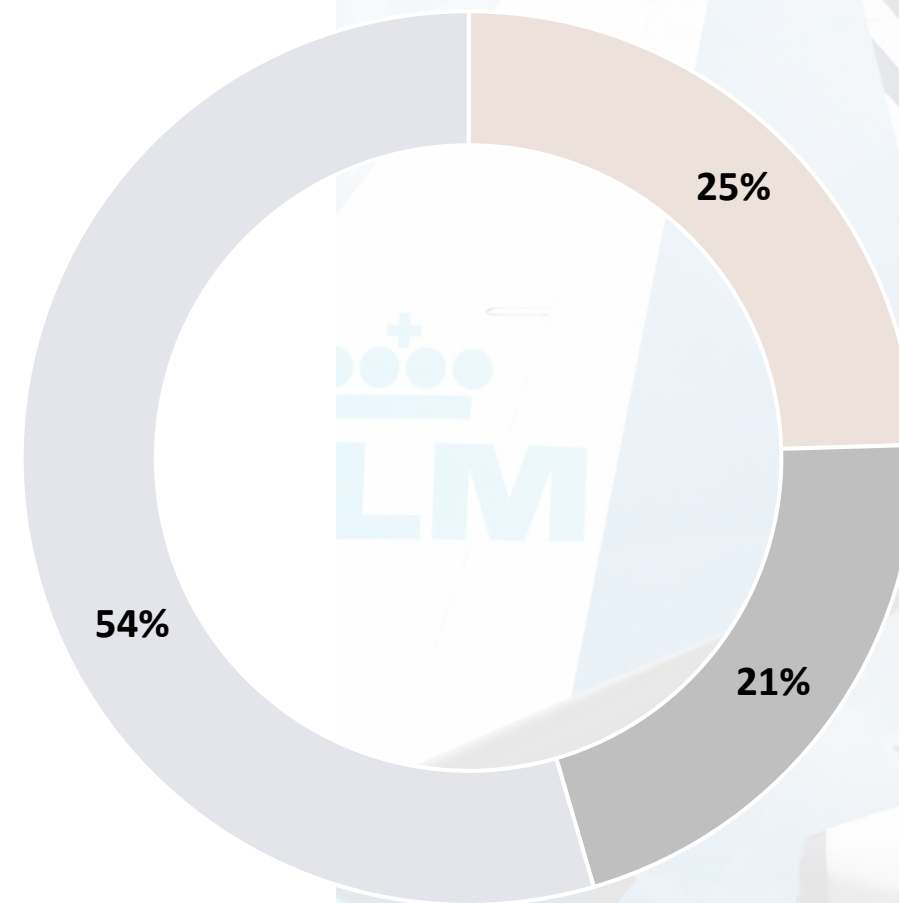
- **Unchanged** since 2018

**ANNUAL VARIABLE** **€768,456**

- **Performance conditions achievement rate of 70%**, of which :
  - 41.6% related to financial objectives; and
  - 112.2% related to individual objectives
- **Deferred payment** as a solidarity gesture with the Group's employees

**LONG-TERM VARIABLE** **€2,000,000**

- Subject to **performance conditions**
- 2 performance unit plans evaluated over 3 years, one of which paid in shares





## 2020 compensation for Ms. Anne-Marie Couderc, Chair of the Board of Directors

FIXED

€220,000

### ► Commitment of the Chair:

- > **Waiving of the increase of her annual fixed compensation.**  
Her annual gross fixed compensation will thus be **€200 000** in respect of her duties for 2020.
- > **Application of a reduction** on the fixed remuneration according to the same terms and conditions that will be applied to all Air France and Air France - KLM SA employees (pro rata temporis for periods of partial employment).



# 2020 compensation policy for the Board directors

**MAXIMUM AMOUNT ATTRIBUTABLE TO THE BOARD OF DIRECTORS AS A WHOLE** **€950,000**  
(unchanged since 2019)

## Elements granted to all the Board directors

- **Fixed** compensation **€15,000**
- **Variable** compensation **€25,000**

on a pro rata basis according to directors' attendance at Board meetings

## Commitment of the Board directors:

**25% reduction in their 2020 compensation pro rata temporis** for the periods of partial activity applied to all employees.

## Elements granted to the Committee members

### Audit Committee

Chair	<b>Fixed</b>	<b>€4,500</b>
	<b>Variable</b>	<b>€7,500</b>

Members of the Committee	<b>Fixed</b>	<b>€3,000</b>
	<b>Variable</b>	<b>€5,000</b>

### For the other Committees

Chair	<b>Fixed</b>	<b>€3,000</b>
	<b>Variable</b>	<b>€4,500</b>

Members of the Committee	<b>Fixed</b>	<b>€2,000</b>
	<b>Variable</b>	<b>€3,000</b>



# 2020 compensation for Mr. Benjamin Smith, Chief Executive Officer

**FIXED** **€900,000**

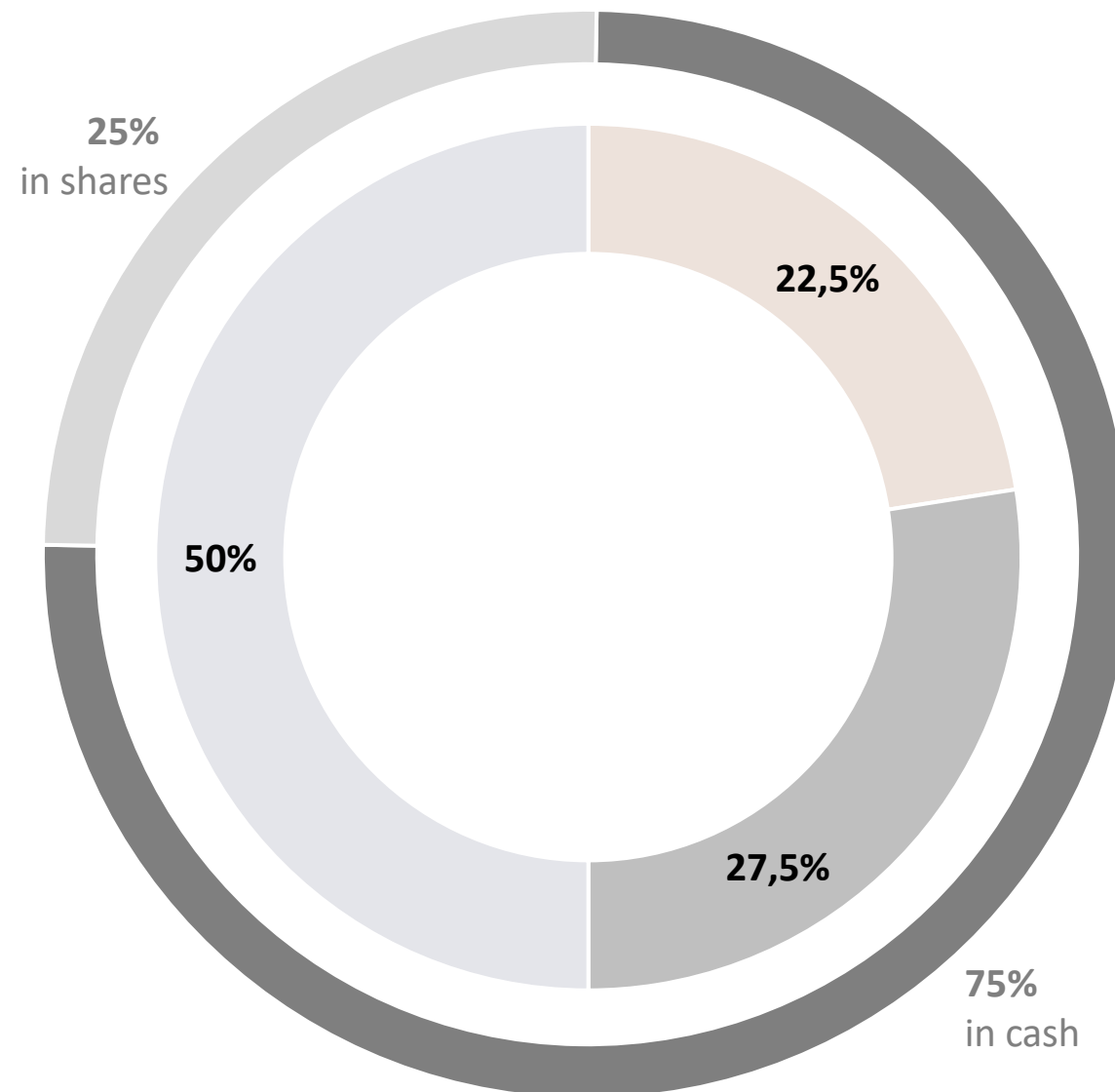
- ▶ **Unchanged** since 2018
- ▶ Due to the Covid-19 public health crisis and by way of solidarity with the Air France-KLM employees, Mr. Smith has forfeited 25% of his fixe compensation during the period of partial activity.

**ANNUAL VARIABLE** —

- ▶ Subject to **performance conditions**
- ▶ Due to the crisis linked to Covid-19, Mr. Smith has forfeited his annual variable compensation.

**LONG-TERM VARIABLE** —

- ▶ Subject to **performance conditions**
- ▶ **2 performance unit plans** evaluated over 3 years, of which one paid in shares





# 2020 compensation for Mr. Benjamin Smith, Chief Executive Officer

## ANNUAL VARIABLE COMPENSATION

**DUE TO THE CRISIS LINKED TO COVID-19, MR. SMITH HAS FORFEITED HIS ANNUAL VARIABLE COMPENSATION**

Discretionary power of the Board of Directors not to grant any annual variable compensation

Weight of the performance criteria

### Financial performance

Air France-KLM Group cash

**70%**

### Individual performance

Leadership demonstrated and implemented in terms of managing the crisis, the exit from crisis and the definition of a strategic recovery plan

**30%**



# 2020 compensation for Mr. Benjamin Smith, Chief Executive Officer

## LONG-TERM VARIABLE COMPENSATION (1/2)

LONG-TERM INCENTIVE PLAN: €1,000,000



Criteria	Weighting
Share price performance for Air France-KLM relative to the shares of companies in the sector	30%
Air France-KLM realized ROCE relative to budget	40%
Dow Jones Sustainability Index	30%

PAYABLE IN CASH AT THE END  
OF A THREE-YEAR PERIOD

SUBJECT TO PERFORMANCE  
CONDITIONS EVALUATED OVER THE  
WHOLE OF THE PERIOD



# 2020 compensation for Mr. Benjamin Smith, Chief Executive Officer

## LONG-TERM VARIABLE COMPENSATION (2/2)

SPECIFIC LONG-TERM VARIABLE INCENTIVE PLAN: €1,000,000



Criteria	Weighting
Air France-KLM relative COI Reduction in the performance differential with IAG and Lufthansa Group over 3 years	80%
CSR performance targets	20%

PAYABLE IN AIR FRANCE-KLM SHARES

ALIGNEMENT WITH THE OBJECTIVE  
OF IMPROVING THE OPERATIONAL  
PERFORMANCE AND THE CSR  
TARGETS



## ELEVENTH RESOLUTION

- ▶ **Approval of the information on the compensation for each of the company officers required by Article L. 225-37-3 I of the French Commercial Code**

**APPROVED BY 99.68%**





## TWELFTH RESOLUTION

- ▶ **Approval of the fixed and variable components making up the total compensation and benefits of any kind paid during the 2019 financial year or granted in respect of this financial year to Ms. Anne-Marie Couderc in her capacity as Chair of the Board of Directors**
  - > Fixed compensation: €200,000

**APPROVED BY** **84.30%**



## THIRTEENTH RESOLUTION

- ▶ **Approval of the fixed and variable components making up the total compensation and benefits of any kind paid during the 2019 financial year or granted in respect of this financial year to Mr. Benjamin Smith in his capacity as Chief Executive Officer**
  - > Fixed compensation: €900,000
  - > Annual variable compensation: €768,456

**APPROVED BY** **81.01%**



## FOURTEENTH RESOLUTION

- ▶ **Approval of the 2020 compensation policy for the Chair of the Board of Directors**
  - > Annual fixed compensation determined by the Board of Directors for the 2020 financial year: €220,000
  - > Waiving by the Chair of her new annual fixed ==> her fixed compensation is maintained at €200,000

Decision to decrease this compensation under the same salary terms and conditions that will be applied to all Air France and Air France-KLM employees during the partial activity period

- > No variable or multi-year compensation

**APPROVED BY**

**84.30%**



## FIFTEENTH RESOLUTION

- ▶ **Approval of the 2020 compensation policy for the non-executive company officers**
  - > Overall budget of 950,000 unchanged compared to 2018 and 2019
  - > Compensation with a fixed and variable part based on attendance at Board of Directors' and committees' meetings

**APPROVED BY**

**99.77%**



## SIXTEENTH RESOLUTION

### ► Approval of the 2020 compensation policy for the Chief Executive Officer

- > Annual fixed compensation for the 2020 financial year: €900,000
- > Forfeiting of his annual variable compensation in respect of the 2020 financial year
- > Decision to submit his annual fixed and variable compensation paid in 2020 to the same salary terms and conditions as those to be applied to all Air France and Air France-KLM employees (i.e. a decrease of around 25%)
- > Long-term variable compensation valued at €2,000,000 divided into two long-term incentive plans subject to performance conditions on a three-year period, with one of these two plans being paid in shares
- > The usual benefits in kind within the framework of his functions and benefits consistent with the policies applied within the Group for senior manager expatriation and mobility

**APPROVED BY** **84.14%**





## SEVENTEENTH RESOLUTION

- ▶ **Authorization to be granted to the Board of Directors to carry out transactions involving the Company's shares**
  - > Maximum purchase unit price per share: €15 (excluding fees)
  - > Maximum authorized: 5% of the share capital
  - > Maximum term of the authorization: 18 months

**APPROVED BY** **99.85%**



# EXTRAORDINARY BUSINESS

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## EIGHTEENTH RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for the purpose of issuing ordinary Company shares and securities granting access to other Company capital securities to be issued or granting the right to the allocation of debt securities, while maintaining preferential subscription rights for shareholders, within a limit not to exceed a nominal amount of €214 million (delegation to be used outside the context of a public tender offer)**
  - > Maximum authorized: €214 million
  - > In the event of an issue of debt securities conferring access to Company capital securities to be issued, the total nominal amount of these debt securities may not exceed €1 billion
  - > Term of the delegation: 26 months

**APPROVED BY**

**99,71%**



## NINETEENTH RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for the purpose of issuing ordinary Company shares and securities granting access to other Company capital securities to be issued or granting the right to the allocation of debt securities, by way of public offerings other than the public offerings referred to in Article L. 411-2, 1° of the French Monetary and Financial Code, without shareholders' preferential subscription rights but with a mandatory priority subscription period, within a limit not to exceed an amount of €214 million (delegation to be used outside the context of a public tender offer)**
  - > Maximum authorized: €214 million
  - > Term of the delegation: 26 months

**APPROVED BY** **82.02%**



## TWENTIETH RESOLUTION

- ▶ **Délégation de compétence au Conseil d'administration à l'effet d'émettre des valeurs mobilières, par voie d'offre au public, avec suppression du droit préférentiel de souscription et délai de priorité de souscription facultatif dans la limite d'un montant nominal de 86 millions d'euros (utilisable en dehors des périodes d'offre publique)**
  - > Maximum authorized: €86 million
  - > Term of the delegation: 26 months

**APPROVED BY** **81.53%**





## TWENTY-FIRST RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for the purpose of issuing ordinary Company shares/securities, without preferential subscription rights, and by way of the private placings referred to in Article L. 411 - 2 of the French Monetary and Financial Code, within a limit not to exceed a nominal amount of €86 million (delegation to be used outside the context of a public tender offer)**
  - > Maximum authorized: €86 million
  - > Term of the delegation: 26 months

**APPROVED BY**

**81.43%**



## TWENTY-SECOND RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for a 26-month term, for the purpose of increasing the number of securities to be issued in the event of a capital increase with or without shareholders' preferential subscription rights, within a limit not to exceed 15% of the amount of the initial issue (delegation to be used outside the context of a public tender offer)**
  - > Maximum authorized: in the event that the demand in the context of the capital increases provided for under the terms of the 18th to 21st resolutions exceeds the amount available for subscription, the number of shares to be issued may be increased, in compliance with the applicable statutory thresholds and conditions, i.e. within a limit not to exceed 15% of the initial issue and at the same price as that retained for this issue
  - > Term of the delegation: 26 months

**APPROVED BY 82.11%**



## TWENTY-THIRD RESOLUTION

- ▶ **Delegation of power granted to the Board of Directors for the purpose of increasing the share capital within the limit of 10% of the share capital in order to compensate contributions in kind granted to the Company and comprised of capital securities or securities granting access to the share capital, for a 26-month term  
(delegation to be used outside the context of a public tender offer)**
  - > Maximum authorized: 10% of the share capital
  - > Term of the delegation: 26 months

**APPROVED BY 99.20%**



## TWENTY-FOURTH RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for the purpose of increasing the share capital via capitalization of reserves, profits, premiums or other amounts eligible for capitalization within a limit not to exceed a nominal amount of €214 million (delegation to be used outside the context of a public tender offer)**
  - > Maximum authorized: €214 million
  - > Term of the delegation: 26 months

**APPROVED BY** **99.54%**



## TWENTY-FIFTH RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for the purpose of issuing shares/securities, while maintaining shareholders' preferential subscription rights, within a limit not to exceed a nominal amount of €107 million (delegation to be used within the context of a public tender offer)**
  - > Maximum authorized: €107 million
  - > Term of the delegation: 26 months

**APPROVED BY 86.01%**





## TWENTY-SIXTH RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for the purpose of issuing shares/securities, by way of a public offering, without shareholders' preferential subscription rights but with a mandatory subscription period and within a limit not to exceed a nominal amount of €107 million (delegation to be used within the context of a public tender offer)**
  - > Maximum authorized: €107 million
  - > Term of the delegation: 26 months

**APPROVED BY**

**70.39%**



## TWENTY-SEVENTH RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for the purpose of issuing securities, by way of a public offering, without shareholders' preferential subscription rights and with an optional priority subscription period, within a limit not to exceed a nominal amount of €43 million (delegation to be used within the context of a public tender offer)**
  - > Maximum authorized: €43 million
  - > Term of the delegation: 26 months

**APPROVED BY** **69.79%**



## TWENTY-EIGHTH RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for the purpose of issuing shares/securities, without shareholders' preferential subscription rights, by way of the private placings referred to in paragraph II of Article L. 411-2 of the French Monetary and Financial Code, within a limit not to exceed a nominal amount of €43 million (delegation to be used within the context of a public tender offer)**
  - > Maximum authorized: €43 million
  - > Term of the delegation: 26 months

**APPROVED BY** **69.82%**



## TWENTY-NINTH RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for a 26-month period, for the purpose of increasing the number of securities to be issued in the event of a capital increase with or without shareholders' preferential subscription rights, within a limit not to exceed 15% of the amount of the initial issue (delegation to be used within the context of a public tender offer)**
  - > Maximum authorized: in the event that the demand in the context of the capital increases provided by resolutions 25 to 28 exceeds the amount available for subscription, the number of shares to be issued may be increased, in compliance with the applicable statutory thresholds and conditions, within a limit not to exceed 15% of the initial issue and at the same price as that retained for this issue
  - > Term of the delegation: 26 months

**APPROVED BY** **70.49%**



## THIRTIETH RESOLUTION

- ▶ **Delegation of power granted to the Board of Directors for the purpose of increasing the share capital by an amount not to exceed a nominal amount of €21 million in order to compensate contributions in kind granted to the Company (delegation to be used within the context of a public tender offer)**
  - > Maximum authorized: 5% of the share capital
  - > Term of the delegation: 26 months

**APPROVED BY 86.05%**



## THIRTY-FIRST RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors for a period of 26 months, for the purpose of increasing the share capital via capitalization of reserves, profits, premiums or other amounts eligible for capitalization within a limit not to exceed a nominal amount of €107 million (delegation to be used within the context of a public tender offer)**
  - > Maximum authorized: €107 million
  - > Term of the delegation: 26 months

**APPROVED BY** **86.52%**





## THIRTY-SECOND RESOLUTION

- ▶ **Delegation of authority granted to the Board of Directors, for the purpose of determining the issue price of shares/securities, within an annual limit not to exceed 10% of the share capital in the event of the capital increases referred to in resolutions 19, 20, 21, 26, 27 and 28**
  - > Maximum authorized: 10% of the share capital
  - > Term of the delegation: 26 months

**APPROVED BY**

**70.50%**



## THIRTY-THIRD RESOLUTION

- ▶ **Delegation of authority to be granted to the Board of Directors, valid for a 26-month period, for the purpose of carrying out capital increases reserved to members of a company or Group savings scheme without shareholders' preferential subscription rights within a limit not to exceed 2% of the share capital**
  - > Total maximum authorized: 2% of the share capital
  - > Term: 26 months

**APPROVED BY** **99.85%**



## THIRTY-FOURTH RESOLUTION

- ▶ **Power to accomplish the formalities**

**APPROVED BY 99.94%**



AIRFRANCEKLM  
GROUP

# SHAREHOLDERS' MEETING

MAY 26, 2020

  
KLM

# Conclusion

Anne-Marie Couderc

CHAIR OF THE BOARD OF DIRECTORS OF AIR FRANCE-KLM



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# SHAREHOLDERS' MEETING

MAY 26, 2020

  
KLM



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# SHAREHOLDERS' MEETING

MAY 26, 2020

  
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