

Roissy, 20 August 2018

**PUBLICATION IN COMPLIANCE WITH
THE AFEP-MEDEF CODE OF CORPORATE GOVERNANCE
AND ARTICLES L. 225-42-1 AND R. 225-34-1 OF THE FRENCH COMMERCIAL CODE**

Compensation of Mr Benjamin Smith as Chief Executive Officer

Due to the adoption of the new group governance structure in the course of the current financial year, and in view of the profile and international experience of Mr Benjamin Smith, the new Chief Executive Officer (*Directeur Général*), the Air France-KLM Board of Directors considered that it was necessary to modify the framework for the compensation of the CEO of the group. In accordance with legislation applicable to CEOs of French public companies, Air France-KLM's shareholders will be asked to approve all Mr Smith's compensation components at the next AGM, both for 2018 (*ex-post* vote) and for the compensation policy that will be set by the Board in early 2019 (*ex-ante* vote).

After review of the market practices (benchmark) regarding the compensation of similar functions at competitor airline companies and taking into account the current compensation of Mr Smith at Air Canada, as well as his current residency in Canada, which requires to relocate him in France, the Board, at its meeting on 16 August 2018, set Mr Smith's compensation as CEO as follows.

Financial Year 2018

▪ **Compensation (fixed and variable)**

For financial year 2018, as CEO, Mr Smith will benefit from a gross monthly fixed compensation of 75,000 euros, and variable compensation of 366,667 euros, which will not be subject to performance criteria given that he will be taking up his duties in the last part of the current financial year.

▪ **Long-Term Incentive Plan**

For 2018, Mr Smith will be awarded performance units corresponding to 333,000 euros, payable in 2021 subject to a three-year presence condition, except in the event of death or disability, or in some cases of forced termination.

The number of performance units granted in 2018 will be calculated on the basis of the Air France-KLM opening share price on 17 August 2018, and their vesting in 2021 (conditional on presence) will be calculated on the share price following the announcement of the annual results for financial year 2020.

Under applicable law, payment of the variable component for 2018 and the performance units will be subject to the shareholders' approval at the AGM.

- Severance payment

In some instances of forced termination (namely dismissal, non-renewal or forced resignation), the Board granted to Mr Smith, in accordance with article L. 225-42-1 of the French Commercial Code, a severance payment.

In accordance with the recommendations of the Afep-Medef Code, the basis of such severance payment will be 2 years of his fixed and variable annual compensation (based, as applicable, on the target variable compensation in the event of a termination during the first 24 months).

A coefficient (between 0% and 100%) will be applied to such amount on the basis of the achieved performance criteria relative to the annual variable component of his compensation over the preceding two financial years of his mandate (or since his appointment, in the event of termination during the first 24 months). The Board will assess the achievement of the performance criteria.

Under applicable law, the statutory auditors will be given notice of this severance payment and it will be subject to a vote at the next AGM.

In accordance with article L. 225-42-1 of the French Commercial Code, the Board decision assessing the achievement of the performance criteria, at the time of termination, will be disclosed pursuant to applicable regulations.

- Benefits in kind

Mr Smith will also enjoy usual benefits in kind (company car with chauffeur, supplementary pension scheme benefitting all Group personnel, supplementary health insurance and disability coverage, provision of free airline tickets, Group CEO civil liability insurance – D&O) and benefits consistent with policies applied within the Group for senior manager expatriation and mobility (accommodation, relocation costs, school fees, and certain advisor fees).

- Other

Mr Smith will have no employment contract and no top-up pension plan, non-compete clause, stock options, or bonus shares.

2019 compensation policy

- Annual compensation (fixed and variable)

In his capacity as CEO, Mr Smith will receive gross annual fixed compensation of 900,000 euros and annual variable compensation of up to 122% of the fixed compensation for targets achieved, with a maximum of 150% if the objectives are exceeded.

The performance criteria for the annual variable compensation, which will be set early 2019, will comprise 60% of quantitative criteria relative to the Group's financial targets, and 40% qualitative criteria comprising individual targets.

- Long-Term Incentive Plan

From 2019, Mr Smith shall be granted performance units equivalent to one million euros, vested after a period of three years following the grant subject to achieving demanding performance conditions assessed over the entire vesting period. Payment of the performance units will be subject to a presence condition for the entire three years except in the event of death or disability (without any performance condition) or in certain cases of forced termination (subject to performance conditions).

Demanding performance conditions calculated over a three-year period will be set by the Board early 2019.

The number of performance units granted in 2019 will be calculated on the Air France-KLM opening share price on 17 August 2018. Payment of performance units from 2022 (subject to performance and presence conditions) will be calculated based on the share price after the announcement of the results for the latest financial year.

- Specific Long-Term Incentive Plan

The Group intends to launch targeted strategic actions aimed at improving the medium and long term operational performance, to the level of the best international airlines. Accordingly, a specific Long-Term Incentive Plan focused on such targets will be implemented early 2019. This will apply to Mr Smith as well as a certain number of senior Group managers.

Under such plan, Mr Smith will be granted annually, in 2019, 2020 and 2021, performance units equivalent to one million euros, to be paid at the end of a three-year vesting period subject to specific performance conditions assessed over the entire vesting period. Payment of the performance units will be subject to a presence condition during the three years except in the event of death or disability (without any performance condition) or in certain cases of forced termination (subject to performance conditions).

The number of performance units granted in 2019 will be calculated on the basis of the Air France-KLM opening share price on 17 August 2018. Payment of these performance units from 2022 (subject to performance and presence conditions) will be calculated based on the share price after the announcement of the results for the latest financial year.

Under applicable law, payment of the variable component of annual compensation and performance units will be subject to AGM approval.

- Severance payment and benefits in kind

The plan is for Mr Smith to continue benefitting from the severance payment and benefits in kind as described above.