

Roissy, 23 October 2017

New pension scheme agreements reached by KLM with its pilot and cabin staff unions

Following a change in Dutch pension regulation and in order to ensure more predictable annual contributions and to de-risk its balance sheet, KLM has conducted negotiations since 2015 to adjust the pension schemes of its cockpit and cabin staff.

After a first agreement with the pilots in 2015 allowing to increase the age of retirement, an important step has recently been achieved. KLM and the Dutch Airline Pilot Union VNV reached an agreement allowing the modification of the pilot's pension scheme as per January 2018, subject to the approval of the VNV members:

- This agreement will eliminate the risk for deficit payments and will thus avoid significant variances in the equity position,
- For the future, the scheme is expected to be qualified as a collective defined contribution scheme and yearly pension contributions will have a limited volatility,
- As part of the agreement, KLM will pay a one-off lump sum to the pension fund of EUR 194 million, to be paid in several annual installments.

According to IAS 19, the de-risking of the pilot pension fund will lead to the derecognition of the so-called "Pension asset" of Air France-KLM's balance sheet. The contribution of the pension asset to the equity is estimated at EUR 1.34 billion after tax at 30 September 2017¹.

The impact of this derecognition will be taken in the P&L as a non-current expense. The actual amount will be calculated and recorded at the date of implementation of the agreement, which is expected to be in Q4 2017.

Furthermore, an agreement has been reached by KLM in August 2017 with its cabin staff to change their pension scheme into a collective defined contribution scheme, with an impact on Air France-KLM's equity and a related P&L non-current (and non-cash) expense of EUR 311 million (net of tax EUR 233 million) in Q3 2017.

With these agreements, KLM has finalized the implementation of de-risked pension schemes for pilot and cabin staff, thus contributing to reduce significantly the volatility of the annual pension contributions and the Group's balance sheet.

¹ The pilot net pension assets increased by EUR 395 million (gross EUR 527 million) between 31 December 2016 and 30 September 2017

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