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France



Deloitte & Associés
6, places de la Pyramide
92 208 Paris - La Défense Cedex
France

Air France-KLM S.A.

**Statutory auditors' report on the
financial statements**

For the year ended December 31, 2021
Air France-KLM S.A.
2, rue Robert Esnault-Pelterie - 75007 Paris



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This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditor's report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Air France-KLM S.A.

Registered office: 2, rue Robert Esnault-Pelterie - 75007 Paris
Share capital: €642,634,034

Statutory auditors' report on the financial statements

For the year ended December 31, 2021

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Air France-KLM S.A. for the year ended December 31, 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors for the period from January 1, 2021 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on specific items of the financial statements.

<i>Impact of the health crisis on liquidity risk and going concern</i> <i>(Note 1 to the financial statements)</i>	
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Risk identified	Our response
<p>The Covid-19 pandemic, which led to a drastic reduction in air traffic around the world from mid-March 2020, continued to have a major impact on the airline industry in 2021, particularly due to the appearance of new variants. Even though the deployment of vaccination campaigns throughout the world has enabled a recovery in summer traffic due to the gradual lifting of traffic restrictions and the reopening of certain borders, in particular those of the United States, in November 2021, traffic in the second half of 2021 has remained below the level of activity in 2019. In addition, some countries, particularly in Asia, are not expected to reopen their borders until the second half of 2022.</p> <p>In this context, Group Management continued during the financial year the measures implemented as of March 2020 to secure available liquidity.</p> <p>In addition, several recapitalization and refinancing operations were implemented during the financial year 2021.</p>	<p>We considered the uncertainties associated with the Covid-19 pandemic when planning and performing our audit.</p> <p>Our work included:</p> <ul style="list-style-type: none"> – analyzing Management's risk assessment with regard to the Group's operations and financial resources as compared to our own understanding of the risks associated with the Covid-19 crisis. We reviewed and discussed Management's plans to mitigate these risks; – understanding the procedures used to prepare the cash flow forecasts; – performing a critical analysis of the main assumptions used in the preparation of the twelve-month cash flow forecasts derived from operations, investments and financing, based on our knowledge of the Group and Management's intentions; – assessing the consistency of the business plan used to evaluate going concern with that used for impairment tests; – reviewing the sensitivity analyses performed by Management on changes in forecasts in the event of a delay in the recovery of traffic

As shown in Note 1 to the financial statements, the Board of Directors approved the financial statements on a going concern basis by assessing cash flow forecasts over a period of at least one year.

We therefore considered the impact of the health crisis on liquidity and going concern to be a key audit matter as it relies on the assumptions and judgment of Management and presents an inherent risk related to the achievement of cash flow forecasts, which remains uncertain by nature, particularly in the context of the Covid-19 pandemic.

and assessing their impact on the Group's cash position over a twelve-month period;

- conducting interviews with Management about the status of additional recapitalization and financing projects designed to improve existing cash flow forecasts;
 - conducting interviews with Management about any other events or circumstances subsequent to December 31, 2021 that could affect the cash flow forecasts;
 - assessing the appropriateness of the disclosures on liquidity and going concern provided in Note 1 to the financial statements.
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Measurement of equity securities
(Notes 1, 9 and 14 to the financial statements)

Risk identified

Our response

As of December 31, 2021, equity securities represented a net value of €5,684 million compared to total assets of €14,876 million. They are recorded as of their entry date at acquisition cost and impaired based on their fair value, which corresponds to their value in use, by taking into account the share of equity or cash flow or profitability outlooks.

The value in use estimate of these long-term investments requires Management to exercise judgment in its choice of items to consider according to the nature of the investments concerned. Such items may correspond, as the case may be, to historical items (equity) or forecast items (cash flow and profitability outlooks and economic situation in the countries considered).

We considered the measurement of equity securities (and the related receivables) to be a key audit matter because of i) the uncertainties inherent to certain assumptions and specifically the probability that forecasts will be realized in the Covid-19 pandemic health crisis and ii) the potential importance of an impairment provision charge or reversal for these securities in the Company's accounts.

To assess the reasonableness of the value in use estimate of equity securities, based on the information communicated us, our work mainly consisted in verifying that the estimate of these values, as determined by Management, is based on an appropriate justification of the valuation method and the figures used, and according to the securities concerned, in:

- *For valuations based on historical data:* verifying that the equity retained is consistent with the accounts of the entities that were the subject of an audit or analytical procedures and that any equity adjustments are based on probative documentation;
- *For valuations based on historical items:*
 - obtaining the valuations of the relevant entities based on their discounted future cash flows;
 - verifying the consistency of the assumptions adopted with the economic environment on the dates the accounts were prepared and closed;
 - comparing the forecasts adopted for preceding periods with the corresponding realizations in order to assess the achievement of past objectives;
 - verifying that the value resulting from cash flow forecasts was adjusted for the debt of the entity considered;
 - verifying the arithmetical accuracy of the value in use calculations performed.

In addition to assessing the realizable value of equity securities, our work also consisted in assessing the recoverability of the related receivables based on analyses of the equity securities.

Measurement of provisions and contingent liabilities concerning anti-trust laws (Notes 17 and 18 to the financial statements)

Risk identified	Our response
<p>Air France-KLM is involved in several governmental, judicial or arbitration procedures and litigations, particularly concerning anti-trust laws. The outcome of these procedures and litigations depends on future events, and the Company's estimates are inherently based on the use of Management assumptions and assessments.</p> <p>We considered the measurement of the provisions for litigation and contingent liabilities concerning anti-trust laws to be a key audit matter due to the uncertainty surrounding the outcome of current proceedings, the high degree of Management estimates and judgment and the potentially material nature of the impact of provision amounts on net income and equity should these estimates change.</p>	<p>Based on discussions with the Company, we assessed the analysis of the risks done by management and the status of each significant litigation, whether reported or potential.</p> <p>We assessed the items justifying the recognition or not of a provision and performed a critical analysis of Management's estimates and positions. We analyzed the lawyers' replies to Management's enquiries, the exchanges between the Company, its lawyers and other parties to the suits and considered any new developments up to the issue date of our report.</p> <p>We also assessed the appropriateness of the disclosures in Notes 17 and 18 to the financial statements.</p>

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

Information given in the management report and in the other documents addressed to shareholders with respect to the financial position and the financial statements

We have no matters to report on the fair presentation and consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to shareholders.

We attest the fair presentation and consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code.

Report on Corporate Governance

We attest that the Board of Directors' report on corporate governance contains the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code relating to remunerations and benefits received by or awarded to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlled enterprises included in the scope of consolidation. Based on these procedures, we had the following comment on the accuracy and fairness of this information: as stated in the "Governance, Share capital and Shareholding structure" section, Management is in discussions with the European Commission on the consequences of decision SA.59913 of April 5, 2021 regarding the recapitalization of Air France and Air France-KLM on the methods of allocating short- and long-term variable compensation to executive officers.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Other Legal and Regulatory Verifications or Information

Format of presentation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No. 2019/815 of December 17, 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Air France-KLM S.A. by the Annual General Meeting held on September 25, 1998 for Deloitte & Associés and on September 25, 2002 for KPMG Audit, department of KPMG S.A.

As of December 31, 2021, Deloitte & Associés and KPMG Audit, department of KPMG S.A, were in the 24th year and 20th year of total uninterrupted engagement, which are the 23rd year and 20th year since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements;
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.



Deloitte.

Air France-KLM S.A.
Statutory auditors' report on the financial statements
February 18, 2022

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, February 18, 2022

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

Deloitte & Associés

Valérie Besson
Partner

Eric Dupré
Partner

Pascal Colin
Partner

Guillaume Crunelle
Partner