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Air France-KLM S.A.

Statutory auditors' report on the consolidated financial statements

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

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information specifically required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report. 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 consolidated financial statements

For the year ended December 31, 2021

To Air France KLM S.A. Shareholders,

Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 Consolidated 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.

Emphasis of matter

We draw your attention to the change in accounting method described in Notes "3 - Restatement of the 2020 financial statements" and "5.1 - Accounting principles - Changes in accounting principles" to the consolidated financial statements, related to the consequences of the application of the IFRS IC decision on IAS 19 "Employee Benefits" to the methods of allocating over time the expense relating to certain defined benefit plans. Our opinion is not modified in respect of this matter.

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 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 consolidated 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impact of the health crisis on liquidity risk and going concern *(Note 4.1 to the consolidated financial statements)*	
Risk identified	**Our response**
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. In this context, Group Management continued during the financial year the measures implemented as of March 2020 to secure available liquidity. In addition, several recapitalization and refinancing operations were implemented during the financial year 2021. As of December 31, 2021, the Group's total liquidity amounted to €10.2 billion for negative consolidated shareholders' equity of €3.8 billion. As indicated in Note 4.1 to the consolidated financial statements, the Board of Directors approved the financial statements on a going concern basis. The application of this principle is based on cash flow forecasts which have been developed according to three scenarios, with the pace of business recovery deferred for up to one year, and the observation that even in the worst case scenario, the Group's liquidity over more than twelve months would suffice to meet its obligations.	We considered the uncertainties associated with the Covid-19 pandemic when planning and performing our audit. Our work included: • 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 assessed 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 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

These forecasts do not take into account the additional recapitalization and/or financing projects that Management may implement in the context of the extraordinary resolutions voted at the Annual General Meeting of May 26, 2021, which will allow for the provision of new liquidity when they are realized. We therefore considered the assessment of the going concern principle as 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.	Note 4.1 to the consolidated financial statements.

Impairment test for non-current assets *(Notes 2, 5.16, 16 and 18 to the consolidated financial statements)*	
Risk identified	**Our response**
Flight equipment assets amounted to €10,466 million as of December 31, 2021 (2020: €11,031 million). In accordance with IAS 36 "Impairment of Assets", property, plant and equipment, intangible assets, right-of-use assets and goodwill are tested for impairment if there is an indication of impairment, and at least once a year as of September 30 for goodwill and intangible assets with an indefinite useful life. Assets that cannot be directly linked to independent cash flows are grouped together into Cash Generating Units (CGU) to perform the impairment test. The Group concluded that the CGUs correspond to the Group's business segments - the Network, Maintenance and Transavia activities - which represent the smallest independent groups of assets whose use generates identifiable cash inflows. Their value in use is determined based on particularly sensitive forward-looking assumptions, given the current health and	We assessed the procedures and controls implemented by the Group to identify indications of impairment, calculate the book value of non-current assets by CGU and determine their recoverable amount. We tested the key controls used by the Group that were in our opinion the most relevant in the design process of the asset impairment test. Our work included: • assessing whether the methodology used by Management complies with current accounting standards (IAS 36), including validating the CGU independence and consistency criteria as well as the frequency of impairment tests; • reconciling the book value of the non-current assets of each tested CGU with the accounting balances and the corresponding analyses; • corroborating (i) the cash flow projections with the Management-approved 5-year plans, (ii) the intermediate period and perpetual growth rates, as well as (iii) profit margin rates used; • verifying the consistency of discount rate calculation assumptions such as risk-free rate,

economic situation due to the Covid-19 pandemic, including the calculation of discounted cash flows estimated from 5-year budget assumptions validated by Management and communicated to the Board of Directors, the discount rate corresponding to the weighted average cost of capital, and growth rates reflecting assumptions relating to mid- and long-term business development. The 5-year budget assumptions include the impacts of expected or probable environmental regulatory changes (increase in the cost of carbon credits, CO2 offsetting, development of sustainable aviation fuel). We considered the valuation of those non-current assets to be a key audit matter in light of the high degree of judgment and estimates required by Management to determine the value of its assets in a context characterized by economic uncertainty.	industry gearing, financing spread and specific risk premium with external market data; • evaluating assumptions used to estimate the impacts of expected or probable environmental regulatory changes; • assessing the sensitivity scenarios retained by Management by verifying arithmetic accuracy and re-performing sensitivity calculations based on WACC, the perpetual growth rate and long-term profitability; • calculating enterprise value from Air France-KLM's market capitalization to corroborate the impairment test based on value in use. • assessing the appropriateness of the disclosures provided in Notes 2, 5.16, 16 and 18 to the consolidated financial statements.

Recognition of deferred tax assets of the French tax group *(Notes 5.24 and 14 to the consolidated financial statements)*

Risk identified	Our response
Deferred tax assets relating to tax loss carryforwards are only recognized if the Group has deferred tax liabilities against which they can be offset or if their recovery is probable. As of December 31, 2021, a net amount of €278 million in deferred tax assets was recognized in the consolidated balance sheet for the global scope. The amount comprised €285 million in deferred tax assets relating to tax loss carryforwards for the French tax consolidation group as presented in Note 14.4 to the consolidated financial statements. These deferred tax assets are recognized based on their likelihood of recovery pursuant to the medium-term budgets and plans prepared by the Group. As presented in Note 14.4 to the consolidated financial statements, the recovery period for	Our audit approach consisted in examining the compliance of the Group's approach with IAS 12 and assessing the probability of the Company making future use of the tax loss carryforwards generated to date, particularly with regard to: • deferred tax liabilities in the same tax jurisdiction, where the base could be offset against deferred tax assets with the same maturity; and • the Group's ability to generate future taxable profits in the French tax jurisdiction in order to use prior-year tax losses recognized as deferred tax assets. We assessed the appropriateness of the methodology adopted by the Group to identify existing tax loss

these deferred tax assets of the French tax consolidation group is five years. Unrecognized deferred tax assets relating to the tax losses of the French tax consolidation group amounted to €3,514 million as presented in Note 14.5 to the consolidated financial statements. We identified this issue as a key audit matter due to the significant amount of French tax loss carryforwards and the high degree of judgments and estimates made by the Group to assess the validity of the related deferred tax assets recognized.	carryforwards that will be utilized, either through deferred tax liabilities or future taxable profits. To determine future taxable profits, we assessed the forecasting process by: • examining the procedure for preparing the most recent taxable income forecasts used as a basis for estimates; • comparing prior year income forecasts with actual results; • comparing the assumptions used by Management to prepare taxable income forecasts used to assess deferred taxes with those adopted for non-current asset impairment tests. We assessed the appropriateness of the disclosures provided in Notes 5.24 and 14 to the consolidated financial statements.

Revenue recognition for deferred revenue on ticket sales *(Notes 5.6, 7.1, 7.2 and 36 to the consolidated financial statements)*	
Risk identified	**Our response**
Network revenue amounts to €12,253 million and essentially corresponds to passenger transport services, and to a lesser extent to cargo. The revenue related to passenger transportation is recognized when the transportation service is provided and, consequently, passenger tickets are recorded when issued as "Deferred revenue on ticket sales" for a liability amounting to €2,644 million as at December 31, 2021. However, a portion of these sales, relating to tickets that have been issued but which will never be used, is recognized as revenue at the theoretical date of transport, based on statistical rates that are regularly updated. These rates are determined by the Air France-KLM Group based on historical data taken from the information systems and adjusted for non-recurring events that could impact passenger behavior.	We assessed the procedures and controls implemented by the Group to determine the statistical rates for "Deferred revenue on ticket sales." Our procedures primarily consisted in: • assessing the appropriateness of the methodology adopted by the Group; • corroborating the historical database with the databases used; • corroborating the statistical rate calculations; • evaluating and analyzing the impact of adjustments made for non-recurring and specific events related to the health crisis; • analyzing the age of deferred revenue on ticket sales presented in liabilities on the consolidated

We considered the recognition of deferred revenue on ticket sales to be a key audit matter due to the importance of the Group judgment in determining the recognition assumptions.	balance sheet to assess the appropriateness of the revenue recognized in the period.

Provisions for litigations and contingent liabilities *(Notes 5.21, 32.1 and 32.2 to the consolidated financial statements)*	
Risk identified	**Our response**
Air France-KLM is involved in several governmental, judicial or arbitration procedures and litigations, particularly concerning anti-trust laws, as specified in Notes 32.1 and 32.2 to the consolidated financial statements. The outcome of these procedures and litigations depends on future events, and the Company's estimates are inherently based on the use of Group assumptions and assessments. We considered the measurement of the provisions for litigation and contingent liabilities to be a key audit matter due to the uncertainty surrounding the outcome of current proceedings, the high degree of Group estimates and judgment and the potentially material nature of the impact of provision amounts on consolidated net income and equity should these estimates change.	We specifically assessed the estimates and assumptions adopted by the Group in determining the need to recognize a provision and, where applicable, its amount. Based on discussions with the Group, we assessed the analysis of the risks done by the management and status of each significant litigation, whether reported or potential. We assessed the items justifying the recognition or not of a provision. 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. Based on these items, we conducted a critical review of the estimates and positions adopted by the Group. We also assessed the appropriateness of the disclosures in Notes 5.21, 32.1 and 32.2 to the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code is included in the Group management report, it being specified that, in accordance with the provisions of Article L. 823-10 of the code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Other Legal and Regulatory Verifications or Information

Format of presentation of the consolidated 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 consolidated 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. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated 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 consolidated 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 Meetings held on September 25, 1998 for Deloitte & Associés and on September 25, 2002 for KPMG Audit, department of KPMG S.A.

As at December 31, 2021, Deloitte & Associés was in the 24th year of total uninterrupted engagement and KPMG Audit, department of KPMG S.A. was in the 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, 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 consolidated 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 consolidated 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 consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. 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 consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set 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

Statutory Auditors

KPMG Audit *Department of KPMG S.A.*		Deloitte & Associés	
Valérie Besson *Partner*	Eric Dupré *Partner*	Guillaume Crunelle *Partner*	Pascal Colin *Partner*