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**Air France-KLM S.A.**

Statutory Auditors' report  
on the financial statements

Year ended December 31, 2018  
Air France-KLM S.A.  
2, rue Robert Esnault-Pelterie – 75007 Paris



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## **Air France-KLM S.A.**

Registered office 2, rue Robert Esnault-Pelterie – 75007 Paris  
Share capital: €428,634,035

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

Year ended December 31, 2018

To the General Shareholders' Meeting of Air France-KLM S.A.,

## **1 Opinion**

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of Air France-KLM for the year ended December 31, 2018.

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 at December 31, 2018 and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

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

## **2 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.



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### ***Independence***

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2018 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics for statutory auditors.

### **3 Justification of assessments - Key Audit Matters**

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 bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as our responses to those risks.

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

***Equity interests (Notes 1 (long term investments), 9, 14 and 15 to the statutory financial statements)***

#### **Risk identified**

As of December 31, 2018, equity interests represented a net value of €4,680 million compared to a total balance sheet of €7,003 million. They are recorded as of their entry date at acquisition cost and impaired based on their fair value by taking into account the share of equity, earnings outlooks and stock market values that can be used as a reference.

The fair value 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 (for certain entities, equity, and for others, average stock market prices over the last month), or forecast items (earnings outlooks and economic situation in the countries considered).

We considered the determination of the fair value of equity interests to be a key audit matter because of i) the uncertainties inherent to certain items and specifically the probability of forecasts, and ii) the potential importance of a reversal or impairment of an equity interest provision in the Company's accounts.

#### **Our response**

To assess the reasonableness of the fair value estimate of equity interests, based on the information communicated to 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:

*For the valuations based on historical items:*

- 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 the valuations based on historical items:*

- Obtaining the financial profitability outlooks for the entities concerned;
- 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 computed fair values

In addition to assessing the fair values of equity interests, our work also consisted in evaluating the recoverability of related receivables with respect to the equity interest analysis.

***Provisions and contingent liabilities concerning anti-trust laws (Notes 18 and 19 to the financial statements)***

### **Risk identified**

Air France-KLM is involved in a number of governmental, legal or arbitration proceedings and litigation, specifically in terms of 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.

We considered the provisions for litigation to be a key audit matter due to the uncertainty over the outcome of current proceedings, the high level of management estimates and judgments and, the potentially material nature of the impact of provision amounts on net income and equity should these estimates change.

### **Our response**

We specifically assessed the estimates and assumptions adopted by the Group in determining the need to recognize a provision and where applicable its amount.



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Based on discussions with the Group, we familiarized ourselves with the latter's analysis of the risks and status of each significant litigation, whether reported or potential.

We assessed the items justifying the recognition or not of a provision. We thus analyzed the lawyers' replies to your enquiries, familiarized ourselves with the exchanges between the Company, its lawyers and other parties to the suits and considered any new developments preceding the issue date of our report.

Based on these items, we conducted a critical review of the estimates and positions adopted by management.

We also assessed the appropriateness of the disclosures in Notes 18 and 19 to the financial statements.

#### **4 Specific verifications**

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

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

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

We attest the fair presentation and the consistency with the financial statements of the information related to payment terms mentioned in Article D. 441-4 of the French Commercial Code (Code de commerce).

We attest that extra-financial performance declaration required under article L. 255-102-1 of the French Commercial Code (Code de commerce) is included in the management report, it being clarified that, in compliance with the terms of Article L. 823-10 of this Code, we have not verified the fair presentation and the consistency with the financial statements of the information contained therein and should be reported on by an independent insurance services provider.

#### **Information related to the governance**

We attest that the section related to the governance of the management report of the Board of Directors contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (Code de commerce).



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Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by 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 controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Concerning the information relating to the items that your Company considered likely to have an impact in the event of a tender or exchange offer, provided pursuant to Article L. 225- 37- 5 of the French Commercial Code (Code de commerce), we have verified their compliance with the underlying documents which have been communicated to us. Based on our work, we have no comment to make on this information.

## **5 Report on other legal and regulatory requirements**

### ***Appointment of the Statutory Auditors***

We were appointed as statutory auditors of Air France-KLM by the Shareholders' Meeting of September 25, 1998 for Deloitte & Associés and September 25, 2002 for KPMG Audit.

As of December 31, 2018, Deloitte & Associés and KPMG were respectively in the 21th year and 17th year of total uninterrupted engagement, which are the 20th year and 17th year since securities of the Company were admitted to trading on a regulated market.

## **6 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 its 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.

## **7 Statutory Auditors' responsibilities for the audit of the financial statements**

### ***Objective 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, he draws attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, he expresses a qualified or an adverse opinion;



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- evaluates the overall presentation of the financial statements and whether the financial 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 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.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 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 (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) 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 19, 2019

The Statutory Auditors

KPMG Audit  
*A division of KPMG S.A.*

Deloitte & Associés

Jean-Paul Vellutini  
*Partner*

Eric Jacquet  
*Partner*

Guillaume Troussicot  
*Partner*

Pascal Colin  
*Partner*