KPMG S.A.
Registered office
Tour EQHO
2, avenue Gambetta
CS 60066
92066 Paris la Défense Cedex
France

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France

Air France-KLM S.A.

Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2017
Air France-KLM S.A.
2, rue Robert Esnault-Pelterie – 75007 Paris
This report contains 109 pages

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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 consolidated financial statements

Year ended December 31, 2017

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

1 Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying financial statements of Air France-KLM for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Group for the year then ended and of its financial position and of its assets and liabilities as of December 31, 2017 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.

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.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 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) paragraph 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 consolidated financial statements of the current period, as well as our responses to those risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We do not express an opinion on any components of the consolidated financial statements taken individually.

Revenue recognition for issued but unused passenger tickets *(Note 4.6 to the consolidated financial statements)*	
Risk identified	**Our response**
Network revenue amounts to €22 522 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 were recorded on issuance as "Deferred revenue on ticket sales", which balance as of December 31, 2017 is €2,889 million. However, a portion of these sales, relating to tickets that have been issued but which will never be used, is recognized as revenue on issuance, based on a statistical rate regularly updated. The rate is determined by the Air France-KLM Group based on historical data taken from the information systems and adjusted for non-recurring and specific events of the periods considered.	We tested the key controls implemented by the Group that we considered the most relevant in determining the statistical rates for "Deferred revenue on ticket sales." Our procedures primarily consisted in: • assessing the appropriateness of the methodology adopted by the Group; • agreeing the historical database with the databases used; • agreeing the statistical rate calculations; • comparing actual revenue from unused passenger tickets with prior year-end estimates; • analyzing the age of deferred revenue on ticket sales presented on the consolidated balance sheet to assess the appropriateness of the revenue recognized in the period.

We considered revenue recognition for issued but unused passenger tickets to be a key audit matter due to the importance of the Group judgment in determining the recognition assumptions.

Measurement of retirement and other long-term benefits *(Notes 4.18, 22 and 30 to the consolidated financial statements)*

Risk identified	**Our response**
The Group has a large number of retirement and other long-term benefit plans for its employees with specific characteristics, most of which are in France and the Netherlands. Several of these schemes are defined benefit plans. As of December 31, 2017, the actuarial value of cumulative benefits was €11,512 million, covered by plan assets with a market value of €9,900 million. As of this same date, plan assets and pensions provisions recognized on the balance sheet amounted to €590 million and €2,202 million, respectively. The measurement of obligations and related plan assets, as well as the actuarial cost for the year requires the exercise of judgment to determine the key assumptions to adopt, particularly in relation to discount and long-term inflation rates, as well as salary and pension increase rates, staff turnover in the Group, life expectancy, and retirement age assumptions. As indicated in Note 30.2, changes in certain of these assumptions could have a material impact on pension assets and provisions recorded and Group net income. Accordingly, the Group calls on external actuaries to help determine these assumptions.	We reviewed the measurement process applied by the Group for employee benefit obligations. With the assistance of our own actuaries, we examined the measurement of the obligations, assets and liabilities of the main pension plans and the information presented in the actuarial valuation reports made available by the Group, in particular by assessing: *Pension commitments* • the appropriateness of discount and long-term inflation rates in relation to available market data; • the consistency of the assumptions relating to salary increase, turnover and mortality rates, and pension increases with the particulars of each plan and, where applicable, with the relevant national and sector benchmarks; • the calculations prepared by the external actuaries, and specifically those supporting the sensitivity of obligations to changes in the discount rate. *Measurement of plan assets* • The reasonableness of the assumptions adopted by the Group to measure these assets, which primarily concern the Netherlands and the justification of their treatment as plan assets based on the documentation provided

We considered the measurement of retirement and other long-term benefits to be a key audit matter due to the materiality of the amounts, the high degree of the Group judgment, the technicity required for their measurement and the sensitivity of measurement results to the assumptions adopted.	(report of the external actuary hired by KLM N.V.). We also assessed the appropriateness of the disclosures in Note 30 to the consolidated financial statements and specifically the information covering: • the implementation of the new pension schemes for KLM Cabin Crew in August 2017 and KLM Cockpit Crew in December 2017, considered as collective defined contribution plans, whose main impact on the accounts are (i) the derecognition of the related net assets and (ii) a non-current expense of €1,904 million ; • the sensitivity of the measurement of these obligations to the assumptions adopted.

Provisions for litigations and contingent liabilities *(Notes 4.20, 31.1 and 31.2 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. 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 litigation provisions to be a key audit matter due to the uncertainty surrounding the outcome of current procedures, 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 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 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 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 Note 31 to the consolidated financial statements.

Recognition of deferred tax assets *(Notes 4.23 and 13 to the consolidated financial statements)*	
Risk identified	**Our response**
Deferred tax assets for a net amount of €234 million are recognized in the balance sheet. This balance comprises €668 million in deferred tax assets for French tax group tax loss carry-forwards and €196 in deferred tax assets for Dutch tax group tax loss carry-forwards. These deferred tax assets are recognized based on their likelihood of recovery pursuant to budgets and medium-term plans prepared by the Group. The recovery horizons for these deferred tax assets are seven years for the French tax Group and three years for the Dutch tax Group. We identified this issue as a key audit matter due to the importance of the Group judgment in the recognition of these assets and the particularly high level of tax loss carry-forwards of which only a portion has been capitalized due to recoverability prospects.	Our audit approach consisted in assessing the probability of the Company making future use of the tax loss carry-forwards generated to date, particularly in 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 and Dutch tax jurisdictions 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 losses carried forward that will be utilized, either by offset against deferred tax liabilities or future taxable profits. To assess future taxable profits, we appraised the reliability of the preparation process for the mid-term business plan underlying the assessment of the probability that deferred tax assets will be recovered. Our work consisted in assessing the future growth assumptions used to prepare the mid-term business plan by: • comparing income forecasts for prior years with actual results for the years concerned;

- comparing these assumptions with the ones adopted for non-current asset impairment tests.

We also assessed the consistency of Group assumptions used to prepare income forecasts for the period beyond the mid-term business plan particularly with the economic data for the Group's operating sector and the information gathered during discussions with the Group.

4 Specific Verification Concerning the Group Presented in the Management Report

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Directors' Management report.

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

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, 2017, Deloitte & Associés and KPMG were respectively in the 20^{th} year and 16^{th} year of total uninterrupted engagement, which are the 19^{th} year and 16^{th} 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 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 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 consolidated financial statements have been approved by the Board of Directors.

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

Objective 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 financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which the Company's Management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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;

- Obtain 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- Conclude on 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. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;
- Evaluate 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;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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 bring to its attention 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. We describe these matters in the audit report.

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 where applicable, the related safeguards.

Paris La Défense and Neuilly-sur-Seine, February 16, 2018

The Statutory Auditors

KPMG Audit *Division of KPMG S.A.*		Deloitte & Associés	
Jean-Paul Vellutini *Partner*	Eric Jacquet *Partner*	Pascal Pincemin *Partner*	Guillaume Troussicot *Partner*

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 required by European regulation 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.