

UNIVERSAL
REGISTRATION
DOCUMENT 2021
INCLUDING THE ANNUAL FINANCIAL REPORT

AIRFRANCE**KLM**
GROUP


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The components of the Annual Financial Report are identified in the index by the following pictogram 

UNIVERSAL REGISTRATION DOCUMENT 2021

INCLUDING THE ANNUAL FINANCIAL REPORT

AIR FRANCE – KLM

GROUP PROFILE

In its principal businesses of passenger and cargo transportation, low-cost operations and aircraft maintenance, Air France–KLM is a leading global player.



The *Document d'enregistrement universel* was filed with the *Autorité des Marchés Financiers* (AMF) on April 4, 2022, as competent authority under Regulation (EU) 2017-1129, without prior approval pursuant to Article 9 of the said regulation.

The *Document d'enregistrement universel* may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the *Document d'enregistrement universel*. The resulting whole is approved by the AMF in accordance with Regulation (EU) 2017-1129.

The *Document d'enregistrement universel* including the *Rapport financier annuel* is a reproduction of the official version of the *Document d'enregistrement universel* including the *Rapport financier annuel* which was established in xHTML and filed with the *Autorité des Marchés Financiers* on April 4, 2022.

This Universal Registration Document is an unofficial translation of the *Document d'enregistrement universel*. In the event of any ambiguity or discrepancy between this unofficial translation and the *Document d'enregistrement universel*, the French version shall prevail.

Version updated on April 22, 2022 — Cf. p.113

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

2021 proved to be another challenging year for the Air France-KLM Group and its airlines. Your Group demonstrated its resilience and solidity, and was able to maintain a steady course. Although the Covid-19 pandemic continued to seriously impact our activity, widescale vaccine roll-outs and the gradual reopening of borders in numerous countries saw customers gradually return to flying on board our aircraft. Our customers' appetite for travel remains a reality which confirms our strategic orientations and gives us confidence in the future. In the 2021 fourth quarter, for the first time since the beginning of the pandemic, the Air France-KLM Group managed to post positive financial results, and even above those of the 2019 second quarter.

But the pandemic is not yet behind us and this progress remains fragile. All the more so as we finalize this Universal Registration Document with the tragedy of war in Ukraine unfolding at the gates of Europe. We don't yet know the outcome of this conflict but its consequences for populations are already devastating and, since the onset, all the Group's employees have been showing their solidarity with Ukraine through both individual and collective actions. This war is already having a dramatic effect on the air transportation players. Coming after two unrelenting years of exceptional crisis, this is another severe test for our Group, requiring us to continue to adapt and pursue our transformation.

In the past two years, in all the Group's airlines, businesses and professions, we have deployed in-depth transformation plans, implemented the strictest control over our spending and launched numerous initiatives to optimize our revenues. I would like to pay tribute to the remarkable commitment of our 71,000 people, without whom none of our achievements would have been possible.

“ The transformations we are implementing will later enable us to better seize all opportunities to emerge from the crisis and regain our full financial, strategic and operational autonomy.”

AIR FRANCE-KLM IN 2021

In spring 2021, Air France - KLM successfully realized a first step in its recapitalization plan. We are now planning new equity-strengthening measures to continue this improvement in our financial situation, while remaining flexible on these future steps depending on market conditions.

The end of 2021 was marked by the Group's historic announcement of an order for a hundred aircraft in the Airbus A320neo family with purchase rights for sixty additional aircraft destined for the medium-haul fleets of KLM, Transavia France and Transavia Netherlands. This order demonstrates the Group's ability to generate synergies and leverage its purchasing power to accelerate our transformation by giving us new-generation aircraft which are quieter, more fuel-efficient and more respectful of the environment.

It is our responsibility to accelerate our environmental transition and be a leader in a more sustainable aviation industry. This is one of our strategic priorities. We owe this to all our people, our customers, our partners and our investors. The Group is committed to validating its CO₂ emission reduction targets in line with the science-based framework and criteria set by the independent rating agency *SBTi*. Air France-KLM is one of the first European airline groups to choose to have its decarbonization trajectory verified by *SBTi*. This major new step in the Group's decarbonization strategy will support its goal of net zero CO₂ emissions in 2050.

These transformations that we are putting in place will, in time, enable us to seize every opportunity as we emerge from crisis and, in future, regain full financial, strategic and operational autonomy.

I would again like to thank our shareholders for their support, our customers and all our partners for their trust, and all our employees for their exceptional commitment during another particularly difficult year. Together and united, the teams of Air France, KLM, Transavia and all the Group's airlines are our greatest strength and, since the beginning of this crisis, have shown that Air France-KLM has all the assets it needs to regain a leadership position.



Benjamin Smith

Chief Executive Officer of Air France-KLM

45
MILLION
PASSENGERS

1,053k
TONS OF CARGO

536
AIRCRAFT

310
DESTINATIONS

117
COUNTRIES SERVED

3,000
AIRCRAFT MAINTAINED FOR
200 AIRLINE CUSTOMERS

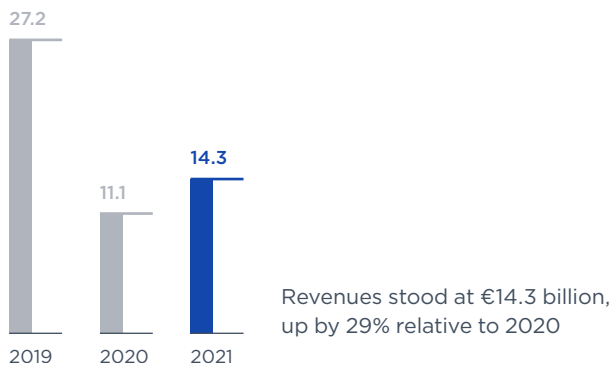
SELECTED FINANCIAL INFORMATION

Pursuant to Article 28 of Regulation (EC) No. 809/2004 of April 29, 2004, the following information is incorporated by reference in this Universal Registration Document (see also section 5.3 “Financial indicators”):

- the consolidated financial statements of the Air France-KLM Group relating to the financial year ended December 31, 2020 and the relevant Statutory Auditors’ Report, as published in sections 5.5 to 5.7 in chapter 5 of the Air France-KLM Group’s 2020 Universal Registration Document;
- the consolidated financial statements of the Air France-KLM Group relating to the financial year ended December 31, 2019 and the relevant Statutory Auditors’ Report, as published in sections 5.5 to 5.7 in chapter 5 of the Air France-KLM Group’s 2019 Registration Document.

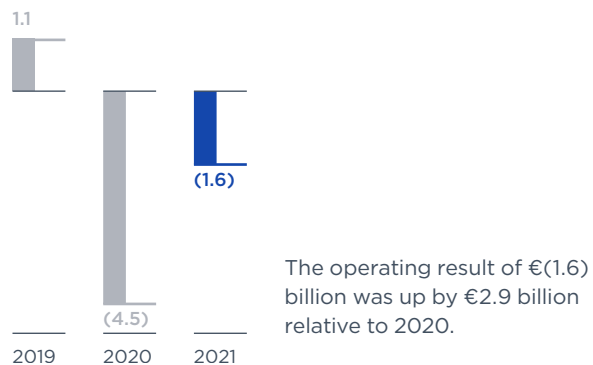
Revenues

(in € billion)

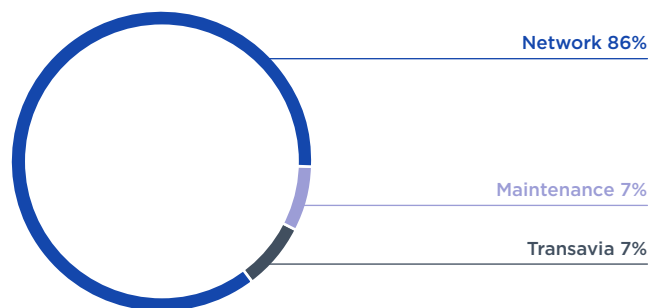


Income/(loss) from current operations

(in € billion)

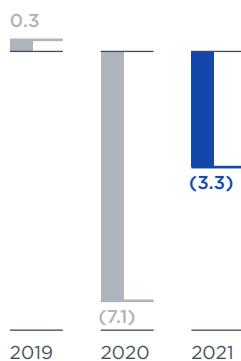


Revenue breakdown



Net result, Group part

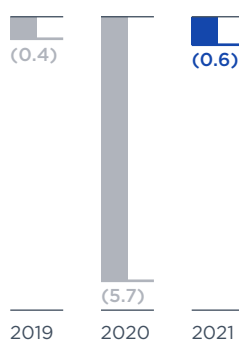
(in € billion)



The net result, Group part stood at €(3.3) billion, up by €3.8 billion relative to 2020.

Adjusted operating free cash-flow

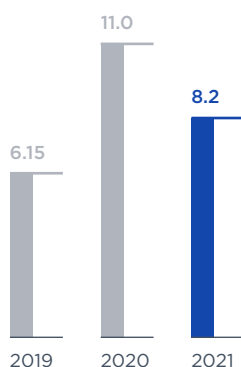
(in € billion)



In 2021, the Group generated operating free cash-flow of €(0.6) billion, up by €5.0 billion relative to the previous year. This increase is mainly explained by higher net cash-flow from operations.

Net debt

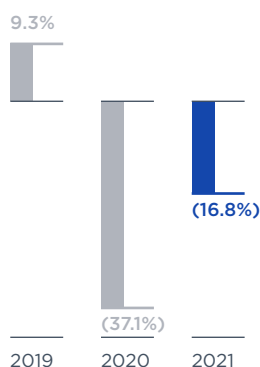
(in € billion)



At December 31, 2021, net debt stood at €8.2 billion, down by €2.8 billion relative to the previous year thanks to the first series of capital-strengthening measures.

Return on Capital Employed (ROCE)

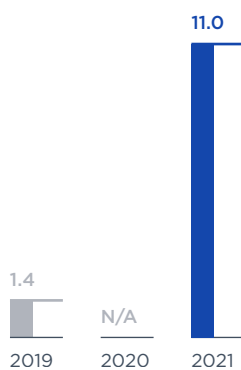
(at December 31)



The return on capital employed (ROCE) stood at (16.8)% in 2021 due to the significant impact of travel restrictions on the operating result.

Debt ratio

(at December 31)



The net debt/EBITDA ratio stood at 11.0x in 2021 due the significant impact of travel restrictions on EBITDA.

HIGHLIGHTS OF THE 2021 FINANCIAL YEAR

Air France-KLM launches its “Sustainable Aviation Fuel” programme dedicated to corporate customers

On January 26, 2021

Today, Air France-KLM is launching an innovative programme enabling companies to play an active role in the future of sustainable travel.

Air France and KLM Corporate customers, after an estimate of the CO₂ emissions associated with their travel, will be able to determine an annual contribution they wish to devote to the Corporate SAF (Sustainable Aviation Fuel) programme. All Air France and KLM contributions will be invested in the sourcing and consumption of SAF. This will support the creation of a sustainable aviation fuel industry that guarantees increasingly eco-responsible air transport.

By investing in this corporate programme, companies are taking concrete action to reduce CO₂ emissions and are contributing to the ecological transition of air transport by supporting innovative solutions.

At a time when awareness of climate issues is at the heart of the strategy of many companies, the Air France-KLM Corporate SAF programme gives customers the opportunity to become players in the reduction of CO₂ emissions in the context of their business trips.

Call for expressions of interest for hydrogen branch for airports

On February 11, 2021

Paris Region, Choose Paris Region, Groupe ADP, Air France-KLM and Airbus are launching an unprecedented worldwide call for expressions of interest for the hydrogen branch in airports.

Paris region, Groupe ADP, Air France-KLM and Airbus are launching a call for expressions of interest to explore the opportunities generated by hydrogen in Paris airports with the aim to decarbonize air transport activities. This worldwide call for expressions of interest complies with the French government's energy transition strategy and supported by the European Commission, which strives for zero-emission aircraft by 2035.

Air France-KLM announces a plan of capital-strengthening measures with the objective of strengthening its balance sheet, preparing the recovery and repositioning the Group on a sustainable financial trajectory

On April 6, 2021

Air France-KLM (“the Group”) announces the following measures in relation to Air France, which have been approved by the European Commission in its decision to authorize a €4 billion French State measures to recapitalize Air France and its Holding company:

- a capital increase for an amount up to €1 billion, with a priority subscription period for shareholders, subject to market conditions and the prior approval on the prospectus by the *Autorité des Marchés Financiers* (the “AMF”) and;
- simultaneously, conversion of the €3 billion French State direct loan drawn into perpetual hybrid bonds instrument.

The Dutch State is continuing discussions with the European Commission regarding potential capital-strengthening measures for KLM.

Additionally, the French State-backed loan (*Prêt Garanti par l'État* - “PGE”) of €4 billion has been extended with a final maturity date in 2023. The Dutch State-backed loan guaranteed loan of €2.4 billion has a maturity date in 2025. These elements enable smoothen the debt redemption profile of the Group and the airlines a smooth extension of the debt maturity profile of the Group.

Commitments made in order to comply with the European Commission's “Temporary Framework for State Aid measures to support the economy in the current Covid-19 outbreak” (TF).

Air France-KLM will be subject to commitments made by the French government in order to comply with the European Commission's “Temporary Framework for State Aid measures to support the economy in the current Covid-19 outbreak” (TF).

These commitments, specifically paragraphs 60-61 and 71-78 of the TF, include Air France's release of up to 18 take-off and landing rights (slots) at Paris-Orly airport to a competing carrier in order to create or develop an existing base at that airport, provided that the competing carrier obtaining Air France's slots bases its aircraft and crews at Paris-Orly airport, in compliance with national and EU labour laws. Other general commitments were made under the TF, including restrictions on acquisitions, share buy-backs dividend distributions and executive management's remuneration. These commitments are applicable to the entire Group with the exception of KLM and its subsidiaries.

The Group has reiterated the economic, financial and environmental commitments made in the framework of the State loan and reflected in its transformation plan. The Group therefore maintains an ambitious environmental roadmap to accelerate the Group's sustainable transition, in line with the objectives of the National Low Carbon Strategy.

Air France-KLM and China Eastern Airlines to reinforce their partnership

On April 12, 2021

In the context of the participation of China Eastern Airlines to the share capital increase of Air France-KLM, both airline groups have decided to extend the scope of their partnership through:

- an intensified commercial cooperation and an extended collaboration to non-commercial related activities (e.g. ground services, catering or maintenance);
- an increased footprint on the Beijing market, with the Paris-Beijing and Amsterdam-Beijing routes joining the current Joint Venture existing between Air France-KLM and China Eastern Airlines when conditions are satisfied.

Air France-KLM and China Eastern Airlines are historical partners, with a codeshare cooperation that started in 2000 on the Paris-Shanghai route, a first Joint Venture agreement signed between Air France and China Eastern Airlines in 2012, and an extension of this agreement to KLM in 2016. China Eastern Airlines took an equity stake in Air France-KLM in 2017, shaping the ambition for a long-term strategic partnership.

With this expansion of the cooperation between Air France-KLM and China Eastern Airlines, both airline groups clearly are clearly paving the way to create the most efficient and powerful Joint Venture between Europe and China.

Issue of deeply subordinated notes in three €1 billion tranches, for a total of €3 billion

On April 19, 2021

Within the framework of its recapitalization plan announced on April 12, 2021 and realized on April 19, 2021 in the amount of €1,036 billion, on April 20, 2021 the Company issued a series of undated deeply subordinated notes (accounted for under IFRS equity in the Company's consolidated financial statements) for an amount of €3 billion, fully subscribed by the French State by way of set-off on claims it holds on the Company pursuant to the Shareholder Loan (the "Shareholder Loan") granted in May 2020 and fully drawn for an amount of €3 billion (the "Deeply Subordinated Notes").

This issue is composed of three tranches with a perpetual maturity and a nominal amount of €1 billion each, with respective redemption options (call) at 4, 5 and 6 years, then repayable on every interest payment date, and bearing interest at an initial rate of 7.00%, 7.25% and 7.50% respectively until these dates.

These initial interest rates for each tranche will increase for each to 8.50%, 8.00% and 8.00%, respectively, on the first respective early redemption date and at the option of the Company, of the relevant tranche. These interest rates will then be revised every year from April 20, 2028, based on the 12-month Euribor rate plus a margin of 10.40%, it being specified that the applicable 12-month Euribor rate will not be less than -0.45%. The Company will have the option to defer the payment of interest at its discretion, in whole or in part. Deferred interest on the Deeply Subordinated Notes will be accrued and capitalized.

The payment of interest will nevertheless become compulsory in the event of, for example, the payment of a dividend or the redemption of equity securities, subject to certain customary exceptions.

These Deeply Subordinated Notes may be converted by way of set-off in the context of future issues of quasi-equity securities or capital increases. In the event of: (i) a third party, acting alone or in concert, holding more than 30% of the share capital of the Company; (ii) non-approval by the Shareholders' Meeting of a project of issuance of shares or any other securities giving right to shares of the Company, submitted by the Board of Directors, and enabling the French State to convert in shares of the Company all or part of the Deeply Subordinated Notes held by the French State; or (iii) in the event of an implementation of a share capital increase or of an issuance of securities giving right to shares of the Company (with the exception of transactions carried out with preferential subscription rights or with a priority subscription period and which may be subscribed by way of off-set, transactions reserved for the French State or transactions with cancellation of preferential subscription rights by "private placement" authorized in advance by the French State) without the agreement of the French State, the Company may redeem (a) in the cases referred to in (i) and (ii) above, in full, and (b) in the case referred to in (iii) above, in full or in part, the Deeply Subordinated Notes remaining outstanding. Otherwise, the applicable interest rate will be increased by an additional margin of 5.50% per annum from the date of occurrence of any of the events referred to in (i), (ii) or (iii). Such interest rate adjustments shall be cumulative provided, however, that the cumulative adjustments shall not exceed 11.00% per annum.

This transaction reinforces the Group's equity by €3 billion under IFRS accounting standards, without impacting cash-flow, while increasing the Group's flexibility in its mandatory debt repayment profile.

Air France-KLM announces that Group CFO Frédéric Gagey will be succeeded by Steven Zaat, current Air France Chief Financial Officer, on July 1, 2021.

On May 6, 2021

Air France-KLM today announced that Group CFO Frédéric Gagey (64) will retire and leave his current position as of July 1, 2021.

Steven Zaat, currently serving as CFO of Air France, will succeed Frédéric Gagey as Air France–KLM Group CFO, on July 1, 2021. Frédéric Gagey and Steven Zaat will work together to conduct a seamless transition of responsibilities.

Steven Zaat has over 20 years of experience in the airline industry. He joined KLM in 2000 where he held various finance positions within the Engineering and Maintenance division and subsequently as VP Finance Alliances and Head of Audit, where he was working closely with Mr. Gagey, then Managing Director and CFO of KLM. In 2014, Steven joined the Air France–KLM Group, as VP Finance & Control of the Engineering and Maintenance division. In 2015, he became SVP Corporate Control of Air France–KLM. He was appointed CFO of Air France in July 2019. Steven Zaat holds a degree in economics and business studies from Rotterdam's Erasmus University and a Certified Controller post-graduate diploma from the Amsterdam Vrije University Controllers Institute.

Air France–KLM, Total, Groupe ADP and Airbus Join Forces to Decarbonize Air Transportation and Carry Out The First long-haul Flight Powered By Sustainable Aviation Fuel Produced in France

On May 18, 2021

Paris, May 18, 2021 – Air France–KLM, Total, Groupe ADP and Airbus have joined forces to carry out the first long-haul flight powered by Sustainable Aviation Fuel (SAF)⁽¹⁾ produced in France. At 3:40 p.m. today, Air France Flight 342 took off from Paris-Charles de Gaulle airport's Terminal 2E for Montreal with its tanks filled for the first time with sustainable aviation fuel produced in Total's French plants.

This flight is a tangible result of the four groups' shared ambition to decarbonize air transportation and to develop a SAF supply chain in France, prerequisite to the generalization of their use in French airports.

No modifications to storage and distribution infrastructure, aircraft or engines are required to incorporate biofuels. Their gradual introduction worldwide should significantly reduce CO₂ emissions from air transportation, in line with the United Nations' Sustainable Development Goals.

The biofuel used for this flight was made from waste and residue sourced from the circular economy. Total produced the SAF from used cooking oil at its La Mède biorefinery in southern France and at its Oudalle factory near Le Havre, without using any virgin plant-based oil.

This first 100% French SAF received ISCC-EU certification from the International Sustainability & Carbon Certification System, an independent organization that guarantees sustainability. The 16% blend on this flight avoided the emission of 20 tons of CO₂.

By developing and supporting France's first industrial SAF production, Air France–KLM, Total, ADP Group and Airbus are paving the way for France to drive innovation in the energy and environmental transition. French legislation calls for aircraft to use at least 1% SAF by 2022 for all flights originating in France, ahead of the European ambition scheduled to gradually ramp up to 2% by 2025 and 5% by 2030, as part of the European Green Deal.

Today's flight also illustrates the synergy of the different drivers for reducing aviation's environmental footprint, i.e., sustainable aviation fuel, latest-generation aircraft and electrification of ground operations. The A350 used for the flight consumes 25% less fuel than its predecessor. What's more, the aircraft was serviced by the first 100% all-electric refueling truck, developed in France with Total expertise, and all of the ground support equipment used by Air France was fully electric powered.

Air France–KLM is a pioneer in testing sustainable aviation fuels. KLM made its first SAF-powered flight in 2009. Since then, the Group has multiplied the number of innovative programs. Between 2014 and 2016, for example, it carried out 78 Air France flights powered by a 10% SAF blend in collaboration with a Total affiliate. These tests showed that the use of SAF had no impact on the reliability of airline operations. Air France–KLM intends to strengthen its leadership in SAF in the years ahead, while contributing to research on future generations of aircraft.

Air France–KLM: Key decisions approved by the Shareholders' Meeting of May 26, 2021

On May 27, 2021

The Air France–KLM Annual General Shareholders' Meeting was held behind closed doors on Tuesday May 26 at 45 rue de Paris, 95747 Roissy CDG, Cedex, under Anne-Marie Couderc's chairmanship.

7,533 shareholders voted remotely or by granting a proxy to the Chair of the Meeting or a third party, representing 396,102,573 shares and 560,871,635 voting rights, representing a quorum of 61.753%. At the end of this Combined Ordinary and Extraordinary Shareholders' Meeting, all of the proposed resolutions were adopted. In particular, the Shareholders' Meeting adopted the following resolutions:

(1) Sustainable aviation fuel (SAF) is a blend of conventional aviation fuel (JET-A1) and biojet fuel made from waste and residue sourced from the circular economy (animal fat, used cooking oil, etc.). Biojet fuel has similar properties to JET-A1 and produces up to 90% fewer CO₂ emissions over its lifecycle compared with the fossil equivalent.

Appointments/re-appointments:

- Ms. Anne-Marie Idrac, Leni Boeren and Isabelle Bouillot were re-appointed as independent Board directors for a four-year term of office;
- Delta Air Lines Inc., whose permanent representative at the Board of Directors is Mr. Alain Bellemare since February 17, 2021, was re-appointed as Board director for a four-year term of office;
- As proposed by China Eastern Airlines Co. Ltd., Mr. Jian Wang was re-appointed as Board director for a four-year term of office;
- Ms. Gwenaëlle Avicé-Huet was appointed as independent Board directors for a four-year term of office.

Approval of Related party agreements relating to:

- the conclusion of a loan agreement guaranteed by the French State and the granting of a shareholder loan by the French State;
- the conclusion of a Framework Agreement between Air France-KLM, KLM and the Dutch State;
- the adjustment of the financial provisions of the partnerships entered into with Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd.; and
- the adjustment of the financial provisions of the partnerships entered into with China Eastern Airlines Co. Ltd.

Compensation:

- approval of the information on the compensation of each of the corporate officers required by Article L. 22-10-9 I of the French commercial Code;
- approval of the elements of compensation paid in the financial year 2020 or granted in respect of that financial year to the Chair of the Board of Directors and the Chief Executive Officer;
- approval of the 2021 compensation policy of the Chair of the Board of Directors, the Board directors and the Chief Executive Officer.

Financial authorizations/delegations:

- all of the financial delegations were renewed. They allow the Groupe to dispose of the flexibility and agility required for the implementation of additional capital-strengthening measures, which are essential for the continuation of the Group's operations within the current context of public health crisis. These resolutions are detailed on pages 29 and following of the convening notice;

Amendment of the Articles of Incorporation:

- amendment of Article 26 of the Articles of Incorporation bringing the limit age for the Chairmanship of the Board of Directors in case of separation of the functions of Chairmanship of the Board of Directors and General Management to 72 years.

Paris Region, Choose Paris Region, Groupe ADP, Air France-KLM and Airbus reveals the winners of the worldwide call for expressions of interest regarding the setup of an Hydrogen branch in airports

On May 27, 2021

Groupe ADP, Airbus, Air France-KLM and the Île-de-France Region, with the support of Choose Paris Region, have launched, last February 11, a call for expressions of interest named "*H₂ hub AIRPORT*", to explore the opportunities offered by hydrogen and to boost air transport decarbonization.

This initiative, with an international dimension and unprecedented in the air transport industry, was a big success with 124 applications received. 11 winners have been selected to contribute to the surge of the hydrogen airport ecosystem of tomorrow.

Air France-KLM 2020 Sustainable Development Report

On June 2, 2021

Air France-KLM has published its 2020 Sustainable Development Report.

This 100% digital report presents the strategy, commitments and actions undertaken by the Group in 2020 to accelerate its transition and make Air France-KLM a European leader in more sustainable air travel.

In 2020, air transport was hit by the biggest crisis in its history. Despite the economic difficulties, the Group has remained mobilized to achieve its ambitious objectives of reducing its environmental footprint. By 2030, the Group will have halved its CO₂ emissions per passenger/km compared to 2005 and will have achieved carbon neutrality for its ground operations. To achieve this, short, medium and long-term levers are being activated, including fleet renewal and modernisation, the incorporation of sustainable aviation fuels and eco-piloting. The Group is also strengthening its commitment to Corporate Social Responsibility: all of the Group's airlines are taking action to promote inclusion and diversity in all business lines through concrete actions aimed at fostering equal opportunities and well-being for all.

Air France-KLM accelerates its environmental transition and commits - with the Science-Based Targets initiative (SBTi) - to setting targets in line with the Paris Agreement to limit global warming

On October 29, 2021

Air France-KLM commits to setting additional CO₂ reduction targets for 2035, in addition to its ambition to reach net zero emissions by 2050.

The Group will submit these targets to SBTi for validation in the first half of 2022.

The Science-Based Targets approach aims to limit global warming to well below 2°C, in line with the Paris Agreement.

The Air France – KLM Group and its airlines are continuing their efforts to reduce their environmental footprint as part of a transparent and responsible approach to the challenges of global warming.

Today, the Group commits to having its CO₂ emissions reduction targets validated by the independent reference organization *SBTi*, founded by the Carbon Disclosure Project (CDP), the United Nations Global Compact and the World Wildlife Fund (WWF). *SBTi* assesses and checks companies' CO₂ emissions reduction targets based on a scientific approach and criteria, ensuring that the targets are in line with the Paris Agreement.

The letter of commitment signed today with *SBTi* places the Air France – KLM Group and its airlines in the trajectory determined by this Agreement, which aims to limit global warming to well below 2°C. Air France – KLM is one of the first European airline group to have its decarbonisation trajectory validated by *SBTi*.

This new important step in the Group's decarbonisation strategy comes in addition to its objective of net zero emissions by 2050.

Air France – KLM and Travelport reach agreement on NDC distribution

On December 1, 2021

Air France – KLM and Travelport, a worldwide leader in *travel retail*, today announced that they have reached a commercial agreement to enable the distribution of the airline group's NDC content *via* Travelport+, Travelport's next-generation content distribution and travel retailing platform. Agents need to sign bilateral access agreements with Air France – KLM and Travelport to be able to access the Group's NDC content and services through Travelport+ in an integrated agent workflow: *via* the agency point-of-sale Smartpoint, or through modern and lightweight API connections.

NDC content will be rolled out on Travelport+ from early 2022, with features and functionality to be added progressively.

Air France and KLM sign codeshare agreements with ITA Airways

On December 9, 2021

Air France and KLM have signed new codeshare agreements with Italia Trasporto Aereo (ITA) Airways. The commercial partnership will offer additional travel opportunities and open up 12 ITA destinations in Italy and Southern Europe for the Air France and KLM customers, as where ITA customers will be able to book tickets to a large variety of Air France and KLM destinations in Europe, including the United Kingdom and Scandinavia. Air France, KLM and ITA will facilitate transfers for passengers to connecting flights at their hubs at Paris Charles de Gaulle, Amsterdam Schiphol and Rome Fiumicino. Customers will be able to fly seamlessly to the destination of their choice with one single ticket, checking-in at the airport of departure, and collecting their checked-through baggage upon arrival at their final destination.

The agreement is effective for KLM as of 1 December and for Air France as of 9 December 2021, for traveling as of 13 December 2021.

Air France and KLM passengers will be able to fly with ITA to 12 Southern European destinations *via* Rome Fiumicino: Bari, Brindisi, Catania, Genoa, Palermo, Reggio Calabria, Lamezia Terme, Turin, Trieste and Venice (Italy), Valletta (Malta), and Tirana (Albania).

Subject to US Governmental Approval, the partnership will be expanded to an extensive choice of US destinations in the near future.

Air France and KLM currently connect Paris and Amsterdam to Italy with about 350 weekly flights to/from Bari, Bologna, Catania, Florence, Genoa, Milan (Malpensa Airport and Linate Airport), Naples, Rome, Turin and Venice.

Air France – KLM has redeemed 500 million euros of the outstanding 4 billion euros bank loan guaranteed by the French State (the “PGE”) and negotiated a revision of the redemption profile with a maturity extended from May 6, 2023 to May 6, 2025

On December 13, 2021

Following early signs of a recovery of the worldwide air traffic, combined with an improved access to capital markets, Air France – KLM has agreed with the syndicate of the 9 banks of the PGE and the French State to redeem 500 million euros of the outstanding bank loan notional, bringing it down to 3.5 billion euros and, concomitantly, to amend its redemption profile by substituting the single repayment initially due on May 6, 2023 with a new maturity on May 6, 2025, at the latest, at Air France – KLM's discretion, as follows:

- May 2023: partial redemption of 800 million euros, which leads to an outstanding amount of 2.7 billion euros;
- May 2024: partial redemption of 1.35 billion euros, which leads to an outstanding amount of 1.35 billion euros;
- May 2025: final redemption of 1.35 billion euros. No more outstanding amount further.

This partial redemption combined with the now amortized redemption profile of the PGE is a new milestone on the restructuring path of the debt profile and of the balance sheet of the group Air France – KLM, following the 1 billion euros capital increase and the conversion of a 3 billion euros French State loan into 3 perpetual bonds in April 2021, the issuances of 800 million euros dual tranches senior bonds in July 2021 as well as the EMTN (Euro Medium Term Notes) program in September and the solicited ESG rating obtained from Standard and Poor's in October.

Air France-KLM orders 100 Airbus A320neo family aircraft – with purchase rights for an additional 60 aircraft – for KLM and Transavia, and signs an LOI for the purchase of 4 Airbus A350F Full Freighter aircraft for Air France

On December 16, 2021

On December 16, 2021, the Air France-KLM Board of Directors made the decision to move forward on the Group's goal to improve its economic and environmental performance through the introduction of next generation aircraft. In doing so, the Group also demonstrated its ability to leverage purchasing synergies.

1. Firm order for 100 Airbus A320neo family aircraft – with purchase rights for 60 additional aircraft, to renew the fleets of KLM and Transavia Netherlands, and to renew and expand the fleet of Transavia France.

The order covers Airbus A320neo and Airbus A321neo aircraft. The first deliveries are expected in the second half of 2023.

Benefiting from the latest technological innovations, the A320neo family aircraft offer the best performance in their category for the network needs of the Group's airlines. Compared to previous generation aircraft, they offer a unit cost reduction of more than 10%, as well as a 15% reduction in fuel consumption and CO₂ emissions. Their noise footprint is also 50% lower.

Fleet renewal is the first lever to cut CO₂ emissions, with immediate effect. Alongside the use of sustainable aviation fuels and eco-piloting, it is one of the pillars of the Group's

decarbonization trajectory, which aims for net zero emissions by 2050, and -50% CO₂ emissions per passenger/km by 2030, i.e. -15% in absolute terms.

These aircraft will operate medium-haul routes in Europe, notably from Amsterdam-Schiphol – KLM's global hub and Transavia Netherlands' main base, and from Paris-Orly, Transavia France's main base.

Details of the cabin configuration will be announced at a later date.

2. Signature of a Letter of Intent (LOI) for the purchase of 4 Airbus A350F Full Freighter aircraft – with purchase rights for 4 additional aircraft, to increase cargo capacity at Air France.

In the context of a steady and sustainable growth of demand for air cargo, this order would increase Air France-KLM's cargo capacity.

Air France-KLM would be among the launch operators of the A350F Full Freighter.

This order would come with full substitution rights to A350 passenger aircraft, which constitute the new spearhead of the Air France long-haul fleet. The airline currently operates 12 of the 38 aircraft of the type on order.

They will be instrumental in reaching our ambitious targets, including zero net CO₂ emissions by 2050.

As of December 15, 2021, Air France-KLM operated a fleet of 502 aircraft to over 300 destinations worldwide.

HIGHLIGHTS OF THE BEGINNING OF THE 2022 FINANCIAL YEAR

Non-renewal of Pieter Elbers' mandate

On January 13, 2022

The Air France-KLM Board of Directors has approved that the Supervisory Board of KLM, after close consultation with CEO Pieter Elbers, has established that Pieter Elbers will not enter into a third term as CEO & President of KLM.

This enables the Supervisory Board of KLM to start a thorough process for a successor in a timely manner.

Air France-KLM and Société Générale announce the financing of an Air France A350-900 aircraft

On January 14, 2022

On December 3, 2021, Air France took delivery of its twelfth A350-900, a latest-generation aircraft offering outstanding environmental performances.

The financing of this Air France aircraft has been arranged and provided by Société Générale in the form of a sustainability-linked debt facility. The financing transaction is the first sustainability-linked aircraft-secured term loan provided to an airline.

Aircraft financing conditions are linked to the achievement by Air France of Sustainability Performance Targets (SPTs) in respect of sustainability-linked key performance indicators. The SPTs selected for the transaction are focusing on the proportion of new-generation and fuel-efficient aircraft in Air France's fleet and the future usage of Sustainable Aviation Fuel (SAF) as part of Air France's daily operations.

The transaction is supported by a Balthazar non-payment insurance policy provided by a consortium of leading private insurance companies through insurance broker Marsh France.

By arranging this landmark aircraft financing transaction, Société Générale supports Air France's fleet renewal efforts, which are central to the airline's sustainability trajectory.

By 2050, Air France and Air France-KLM aim to reach net zero emissions by using all levers, notably fleet renewal with the introduction of Airbus A220s and A350s at Air France, respectively offering a 20 and 25% reduction in CO₂ emissions compared to previous generation aircraft, and the use of Sustainable Aviation Fuels (SAF), which have the potential to reduce CO₂ emissions by up to 80% over the entire life cycle.

Air France-KLM's ambitious environmental framework and targets have been recognized by the recent ESG Evaluation performed by S&P, rating Air France-KLM as leader within the airline industry, and supporting the Group's overall strategy.

Roissy (France), on January 31, 2022 - Declaration of number of voting rights

Information relating to the total number of voting rights and shares as required by article L.233-8 II of the Code of Commerce and Article 223-16 of the general rules of the French market authority (AMF).

Date	Number of shares	Total number of voting rights
31/01/2022	642,634,034	Theoretical number of voting rights ⁽¹⁾ : 867,692,909

(1) Our theoretical number of voting rights includes all the voting rights, including the double voting rights.

Roissy (France), on February 28, 2022 - Declaration of number of voting rights

Information relating to the total number of voting rights and shares as required by article L.233-8 II of the Code of Commerce and Article 223-16 of the general rules of the French market authority (AMF).

Date	Number of shares	Total number of voting rights
28/02/2022	642,634,034	Theoretical number of voting rights ⁽¹⁾ : 867,720,638

(1) Our theoretical number of voting rights includes all the voting rights, including the double voting rights.

Airbus, Air France-KLM, ATR, Dassault Aviation, Groupe ADP, Safran and Thales welcome the Declaration of Toulouse on future sustainability and decarbonisation of aviation alongside European institutions

On February 4, 2022

Airbus, Air France-KLM, ATR, Dassault Aviation, ADP Group, Safran and Thales are supporting the Toulouse Declaration on sustainable development and decarbonization of aviation alongside the European institutions.

- With this historic declaration, Europe becomes the first region in the world to have reached an agreement between public authorities and private stakeholders on a broad platform for decarbonizing aviation.
- Airbus, Air France-KLM, ATR, Dassault Aviation, ADP Group, Safran and Thales confirm their commitment to a collective approach to meet the challenges of the transition to sustainable aviation.

Appeal against the European Commission's decision in the air cargo sector rejected

On March 30, 2022

Air France-KLM has taken note of the EU General Court's judgement on the appeal filed against the decision of the European Commission of 17 March 2017 for practices considered to be anti-competitive in the air cargo sector.

The practices in question date back more than twenty years ago and had already been condemned in a decision of the European Commission in 2010 but annulled by the General Court of the European Union in 2015 due to a contradiction between the grounds and the operative part of the decision.

The Group will immediately analyse this decision in view of an appeal before the Court of Justice.

Provisions of EUR 350.6 million including interest have been made in respect of these fines in the accounts on 31 December 2021.

The Group Air France – KLM confirms its commitment to comply strictly with competition rules while constantly ensuring the effectiveness of the prevention system that it implements within Group divisions in the framework of its general compliance policy.

Benjamin Smith's mandate as CEO to be renewed in anticipation for an additional term of five years and Marjan Rintel to become new CEO of KLM, effective July 1st 2022

On March 30, 2022

Air France – KLM announces that the Group's Board of Directors has decided an anticipated renewal of Benjamin Smith's mandate as Group's Chief Executive Officer, for an additional term of five years, i.e. until the General Meeting called to approve the financial statements for the year 2026, expected to take place in May 2027.

Update on the recapitalization plan

The Covid-19 crisis had a major impact on the Group's results and financial position during the 2021 financial year and will continue to impact the Group's operations within a context where visibility on the recovery in demand is limited, with restrictions on travel still in force in most of the destinations served by the Group.

In 2021, to strengthen its cash position, the Group implemented various liquidity measures to the benefit of Air France, which were approved by the European Commission in its decision to authorize €4 billion of French State measures to support liquidity and partially recapitalize Air France and its holding company:

- a capital increase for an amount of €1,036 million in April 2021;
- the issuance, in April 2021, of undated deeply subordinated notes for a total amount of €3 billion, subscribed in full by the French State by way of set-off on claims it holds on the Company pursuant to the shareholder loan ("ACC") granted in May 2020 and fully drawn by the end of 2020 (as per its condition) for the amount of €3 billion.

In addition, in June 2021, the Company also issued €800 million of senior notes, the net proceeds of which were used to (i) refinance the outstanding market debt of the Issuer and, gradually, (ii) redeem part of the State Aid debt package granted in late May 2020.

Air France – KLM's Board of Directors also approved the proposal of the Supervisory Board of KLM to appoint Marjan Rintel as new CEO of KLM, replacing Pieter Elbers. The Works Council of KLM has been asked for its advice on the above proposal.

Marjan Rintel is currently CEO of NS, the leading passenger railway operator in the Netherlands. Before joining NS in 2014, she held various managerial, operational and commercial positions at KLM and Air France – KLM, such as hub Operations at KLM and Senior Vice-President Strategic Marketing at Air France – KLM. Her extensive experience in the airline industry, her intimate knowledge of the Group, and her leadership qualities, convinced the Board that she is the right person to continue the work started by Pieter Elbers to transform KLM into one of the European's leading airlines and a powerhouse for the Air France – KLM Group as a whole.

Marjan Rintel will take office on July 1st 2022.

In December 2021, following early signs of a recovery in worldwide air traffic, and improved access to capital markets, Air France – KLM agreed with the syndicate of the nine banks of the €4 billion bank loan guaranteed by the French State (the "PGE") and the French State to redeem €500 million of the outstanding bank loan notional, bringing it down to €3.5 billion and, concomitantly, to amend its redemption profile by substituting the single repayment initially due on May 6, 2023 with a new maturity on May 6, 2025, at the latest, at Air France – KLM's discretion.

This partial redemption combined with the now-amortized redemption profile of the PGE constituted a new milestone on the restructuring path of the debt profile and of the Air France – KLM Group's balance sheet, following the above-mentioned transactions.

In parallel, with regard to KLM, in addition to the measures taken in 2020 (a revolving credit facility of €2.4 billion guaranteed by the Dutch State of which €665 million drawn down at December 31, 2020 but with no additional drawdown in 2021 and a direct loan of €1 billion of which €277 million drawn down at December 31, 2020 but with no additional drawdown in 2021), KLM continues to examine potential measures to further strengthen its capital and the discussions with its shareholders, including the Dutch State, on these measures.

Additional measures to further strengthen the Group's capital are currently under consideration.

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1.1 MARKET AND ENVIRONMENT

1.1.1 Economic environment

Real GDP growth (%)	2020	2021
World	-3.1	5.9
Euro zone	-6.3	5.0
Of which France	-8.0	6.3
Of which Netherlands	-3.8	3.7
United Kingdom	-9.8	6.8
North America (USMXCA countries)	-6.2	5.7
Of which United States	3.4	6.0
China	2.3	8.0
Japan	-4.6	2.4
India	-7.3	9.5
Middle East and Central Asia	-2.8	4.1
Of which Saudi Arabia	-4.1	2.8
Sub-Saharan Africa	-1.7	3.7
Latin America and Caribbean	-7.0	6.3
Of which Brazil	-4.1	5.2
Of which Argentina	-9.9	7.5

Source⁽¹⁾

The global economy grew by 5.9% in 2021 (vs -3% in 2020), reflecting a downgrade from the initial projections for the advanced economies, partly due to supply disruptions and, for low-income developing countries, largely due to worsening pandemic dynamics. This was partially offset by stronger prospects for some commodity-exporting emerging markets and developing economies, the main drivers being vaccine access and early policy support. The rapid spread of the Delta variant in 2021 and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome. This has required more difficult policy choices, confronting multidimensional challenges with limited action: employment growth, rising inflation, food insecurity and climate change.

In the Eurozone, after a strong rebound in 2021 with GDP growth of 5% (vs -6% in 2020) as lockdowns were gradually lifted, economic activity is projected to expand, supported by strong consumption as households reduce their savings rate and increased investment owing to national and European recovery plans.

In the United Kingdom, the economy is recovering with GDP growth of 6.8% in 2021, the latter now expected to reach pre-crisis levels at the beginning of 2022. Consumption is the main growth driver as increased border costs following the exit from the EU Single Market are weighing on imports and exports.

Chinese economic growth is expected to reach 8% this year as the economy rebounds, driven by strong exports on the back of the re-opening of overseas economies and robust investment, which had stalled in the second half of 2021. Consumption growth is stable, but adverse confidence effects coupled with inadequate social protection are still acting as a dampener. Strict measures remain in place to control the spread of the virus and sporadic outbreaks are being suppressed by strict, localized lockdowns, mass testing and mass isolation measures.

(1) Database Oxford Economics.

While the United States lifted its travel ban for fully-vaccinated travelers from 33 countries (Schengen area, UK, Brazil, China, India, Iran, Ireland, and South Africa) in early November 2021, many Asian countries continue to impose severe travel restrictions. However, with the rapid spread of new virus variants that are more contagious and more difficult to trace, and the disruption of supply chains due to restrictions, zero-tolerance policies are increasingly being questioned; border controls are unlikely to be an effective way to remain Covid-free in the long run.

Vaccine access remains the principal driver of fault lines in the global recovery, reinforced by the resurgence of the pandemic. Many advanced economies saw remarkable progress on vaccination in 2021 while most emerging markets and developing economies have had much slower rollouts, hampered by a lack of supply and export restrictions.

Oil price

Brent (US\$/bbl)	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Average price for the period	50.91	33.59	43.3	45.23	61.25	69.17	73.17	80.98

Source⁽¹⁾

Following several months of oil production cuts in 2020 and as demand picked up, especially in emerging markets, OPEC+ agreed to gradually restart increasing production in 2021. During the first months of the year, oil prices continued to rise as oil demand

increased due to progress on Covid-19 vaccination programs and as global economic activity recovered. In light of falling global inventories, in July 2021, OPEC+ agreed to gradually phase out its production cuts of 5.8 million barrels per day.

Currency exchange rates

For one Euro (average)	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
USD	1.10	1.10	1.17	1.19	1.20	1.21	1.18	1.15
GBP	0.86	0.89	0.91	0.90	0.87	0.86	0.86	0.85
CHF	1.07	1.06	1.08	1.08	1.09	1.10	1.08	1.06
CNY	7.70	7.81	8.09	7.90	7.81	7.79	7.63	7.35
JPY	120	118	124	125	128	132	130	130

Source⁽¹⁾

In the fourth quarter of 2021, after decreasing since early 2021, the euro traded at around US\$1.15. This depreciation in the euro reflected the different macroeconomic outlooks in the Eurozone versus the United States: a higher growth forecast for the USA, political uncertainty in several large European economies for 2022 and the different timeframes for impending interest rate increases. The US Federal Reserve (Fed) has announced that it plans to speed up its tapering of bond purchases, putting it on track to conclude this program in March 2022 and paving the way for interest rate hikes by the end of 2022 while the European

Central Bank (ECB) has announced a medium-term inflation target and no interest rate increases before 2023.

Despite the considerable uncertainty regarding the post-Brexit relationship between the United Kingdom and the European Union, Pound-Sterling (GBP) held up well versus the Euro (EUR) and remained trading at around 0.86GBP/EUR.

The Japanese currency (JPY) depreciated in 2021, mostly due to the rise in the price of raw materials billed in dollars and of which Japan is a significant importer.

(1) OAG Capacity Data.

1.1.2 The industry context and competition

Worldwide capacity

Worldwide industry capacity stood at around 46%⁽¹⁾ in H1 2021 (versus its 2019 level) before improving throughout H2 2021 to reach 68% in December, 62% on average for H2 2021 and 54% for FY 2021. Amongst the largest domestic markets, US domestic capacity picked up and, from February to June 2021, improved from 62% to 87%, maintaining the average of 93% for the H2 2021. In H1 2021, domestic Chinese capacity comfortably surpassed its 2019 level with 112%⁽²⁾ on average before being disrupted by the Delta variant outbreak which resulted in new restrictions being imposed as of late summer 2021, causing some reversal in capacity in August 2021 (-88%) and the stagnation of capacity at around 104% throughout H2 2021.

The recovery in medium-haul capacity for the European airlines is lagging that of the US and Chinese carriers, as the latter benefit from large domestic markets. The intra-European market has been negatively impacted by States imposing travel restrictions, even on entries from fellow-EU or Schengen States. Intra-European capacity suffered from uncoordinated restrictions throughout H1 2021, maintaining an average of 34%, but started to pick up from June 2021 onwards, reaching 83% by the end of the year (averaging 76% for H2 2021 and 56% FY 2021).

In terms of international capacity, the largest pick-up in 2021 was seen for the US, starting from 37% in H1 2021 and reaching 65% by the end of 2021 (with 54% in H2 2021 and 45% in FY 2021). Chinese international capacity, on the other hand, saw the lowest fluctuation throughout the year with a slight decrease, starting from 8% in January 2021 and ending with 6% in December 2021 (with 6% on average in FY 2021). European international capacity saw a significant improvement between the H1 2021 and H2 2021, with 29% and 48% respectively, ending the year at 61% in December 2021 and 38% in FY 2021.

Sanitary restrictions, variants and vaccination

2021 was marked by the Delta variant of SARS-CoV-2, first detected in India in late 2020 before spreading throughout the world and becoming the dominant strain globally in June 2021 according to The World Health Organization (WHO). After the rise in cases from the second wave, at least 20 countries imposed travel bans and restrictions on passengers from India in April and May. By late July, Delta had driven an increase in daily infections in parts of Asia, the United States, the United Kingdom, Australia and New Zealand. This led many Asian countries like Singapore, Indonesia and Vietnam to re-enter national or regional lockdowns, as in 2020. Others ramped up

restrictions urging populations to wear masks outdoors and limiting the size of gatherings. Tokyo again entered a state of emergency and announced that most spectators would be barred from attending the Olympics.

The Delta variant also prompted new travel restrictions across Europe from the beginning of the summer. Portugal became the first European Union country to announce that the Delta variant was dominant on its territory, requiring anyone travelling to mainland Portugal by air, land or sea to prove they had been fully vaccinated or to enter a period of mandatory quarantine. Germany implemented restrictions on people entering the country from Portugal and Russia (adding them to a list of 13 other states, including the UK), involving a two-week quarantine. Only German citizens and residents were allowed to re-enter the country provided they underwent a mandatory 14-day quarantine, irrespective of whether they had been vaccinated. The Balearic Islands also imposed new restrictions on UK travellers who needed to present a sanitary pass showing they had been fully vaccinated against Covid-19 or a negative PCR test. France also added Russia to its “red list” of 21 countries subject to severe travel restrictions.

In November, after 20 months of closed borders, the US finally opened to vaccinated international travellers only to see Europe face a new wave of Covid. The appearance of the Omicron variant, considered to be highly infectious, led many countries to re-introduce travel restrictions in order to limit entry from the southern African countries. Unlike during the first months of the coronavirus pandemic, health experts and government leaders did not rush to close their international borders completely for non-essential travel although several European nations imposed temporary nationwide lockdowns limiting tourism. More countries are now also adopting the 3G rules (vaccinated, recovered and tested) for entry: travelers must either be vaccinated or have recently recovered and have a negative pre-arrival test. At the end of 2021, while borders did not close, entry requirements, including vaccination and test periods, were stricter for many destinations than they had been earlier in the same year.

In 2021, progress on vaccine roll-outs varied widely by country, as did governmental policies on testing regimes, which have dictated the travel rules and paced the demand recovery on both a regional and global basis. Countries that have been quick to vaccinate their populations against Covid-19 and are managing to control infections through effective public health strategies are seeing their economies recover more quickly. However, while vaccination rates are progressing well in many advanced economies, emerging-market countries are being left behind.

(1) OAG Capacity Data.

(2) https://www.business-standard.com/article/current-affairs/china-imposes-restrictions-as-delta-reaches-nearly-half-the-country-121080500285_1.html

By early December 2021, more than 4.37 billion people⁽¹⁾ worldwide had received a dose of a Covid-19 vaccine, equal to about 57% of the world's population. About 73% of shots have been administered in high and upper-middle-income countries. Only 0.8% of doses have been administered in low-income countries which continue to lag in vaccine doses despite coordination efforts, such as through the COVAX program, a vaccine-sharing arrangement. In its latest projection, the program had expected to have a total of 1.4 billion doses available by the end of 2021. Most countries are assumed to acquire broad access by the end of 2022 and some only in 2023. However, pressure for booster shots in countries with already-high rates of vaccination could further delay access in others which are still at the early stages of getting first jabs into arms. The continuing wide circulation of the virus, particularly within countries and populations where vaccination rates are low, poses a threat to health and economic recoveries everywhere. The World Health Organization is warning that more transmissible and deadly variants, which could escape protection from existing vaccines, are likely to evolve as long as a substantial proportion of the world's population remains unprotected.

Governmental actions and support, financial aid and regulations

Government aid: Governments worldwide have kept airlines on life support with US\$243 billion⁽²⁾ of financial aid (relief measures up to September 2021), of which US\$130 billion non-reimbursable. After the crisis, the airline industry will be penalized by significant leverage, having taken on at least US\$150 billion of additional debt between late 2019 and September 2021, reaching a record figure of US\$340 billion⁽³⁾.

Air navigation and airports: Air transport infrastructures have seen a revenue shortfall during the Covid-19 crisis and some infrastructure operators are looking to recoup lost revenues by overcharging for their services. For example, the Air Navigation Service Providers (ANSPs) in 29 Eurocontrol countries are negotiating to recoup €8 billion. Some airports too are requiring significant charge increases during the current negotiations. For example, Heathrow Airport has asked for a 90% charge increase in 2022. The Covid-19 crisis has also impacted infrastructure projects⁽⁴⁾. For example, the French Transportation Ministry cancelled plans for an additional large terminal in CDG (T4) and has asked stakeholders to come back with a less ambitious project.

Slot usage: During the crisis, in addition to financial support, government assistance was also extended to slot regulation with a waiver of the “80-20 use-it-or-lose-it” rule. This waiver, initially granted for the Summer 2020 season, was subsequently prolonged until the Winter 2021 season but with stricter conditions, enabling airlines under Covid stress to be agile to adapt to the vagaries of the pandemic and to let new competition flourish.

Slot remedies: European-based companies were subject to supplementary constraints in return for the obtention of European Commission approval of state loans or equity, like giving up some slots at sought-after airports to competitors or a ban on the acquisition of competitors. For example, Lufthansa was required to give up 24 daily slots at Frankfurt (April 20) and Munich Airports while Air France had to return 18 slots at Orly (April 21)⁽⁵⁾.

EU traffic rights: In October 21, the EU signed a Comprehensive Air Transport Agreement (CATA), with Qatar which goes far beyond the negotiation of traffic rights, encompassing fair competition, financial transparency, the environment and social issues. It includes a forum to address all issues (joint committee meeting) and mechanisms to swiftly resolve any disputes not resolved by the joint committee. This agreement should serve as the basis of future negotiations with all countries looking for additional EU traffic rights. Limitations on the number of flights between the EU and Qatar will progressively disappear over a three-year period and operators have been granted additional 5th freedom traffic rights for all-cargo services: to the United States for Qatar, to the Far East for the European carriers. A few weeks later, the EU was to sign a fairly similar CATA, excepting the cargo part, with Oman.

Sustainable development

IATA has pledged to be net carbon neutral by 2050, in line with the Paris agreement target to limit global warming to 1.5 degrees. By 2050, with an expectation of 10 billion passengers per year, IATA forecasts show an annual 1.8 gigatons of carbon to abate⁽⁶⁾: the major part (65%) should be abated by Sustainable Aviation Fuel, 19% should be covered either by Carbon Capture and Storage or offsets, and a further 13% by new energy sources (batteries/hydrogen).

Sustainable aviation fuels (SAF) will be the main driver in airline efforts to reduce emissions at source. By 2025, it is estimated that there will be 11 technical pathways to producing SAF, with the largest acceleration expected in the 2030s as policy support becomes global, SAF becomes competitive with fossil kerosene and credible offsets become scarcer.

(1) <https://www.nytimes.com/interactive/2021/world/covid-vaccinations-tracker.html>

(2) <https://www.iata.org/en/iata-repository/publications/economic-reports/state-of-the-aviation-industry--fuel-forum/ slide 3/>

(3) <https://www.bloomberg.com/news/articles/2021-09-13/airlines-debt-burden-hits-340-billion-as-covid-chokes-travel/>

(4) <https://www.iata.org/en/pressroom/2021-releases/2021-10-04-06/>

(5) <https://www.la Tribune.fr/entreprises-finance/services/transport-logistique/vueling-rafle-la-totalite-des-slots-laches-par-air-france-a-orly-pour-faire-passer-l-aide-de-l-etat-francais-892738.html>

(6) <https://airlines.iata.org/analysis/2050-net-zero-carbon-emissions/>

Although the industry plan for net-zero carbon emissions foresees a rapid decline in the use of offsets as in-sector solutions take over, offsetting mechanisms, including carbon capture technologies, will have an important role in the next decade. The Carbon Offsetting Reduction Scheme for International Aviation (CORSA), which is the main pillar, aims to stabilize aviation's net CO₂ emissions at 2019 levels from 2021 onwards and will be implemented in phases, starting with volunteer states, representing 77% of all international aviation activity in 2022, and applying to all international flights in 2027. The exceptions include some developing countries and small island states.

In addition, the “Fit for 55” European Commission draft package includes mandatory SAF blending, stricter ETS rules (fewer allowances and the end of free allocations) and the introduction of a possible fuel tax on intra-EEA flights. European airlines share the EU vision to be net zero carbon by 2050, but are refusing to pay the carbon price twice, to carry the burden on their own and to be exposed to huge discrepancies in the “common competitive playground” versus the non-EU airlines.

In the USA, rather than quotas, a credit tax will be used to subsidize SAF cost overruns aimed at covering 100% of the needs in 2050. \$4.3 billion of subsidies will fund opportunities to support SAF projects.

Trend in European competitive market conditions

Main airline liquidations in 2021

A number of airlines, which had already been weak prior to the Covid-19 crisis, were liquidated in 2021:

- Alitalia disappeared in October 2021 although a smaller airline ITA emerged, operating around half the former Alitalia fleet. Its task will not be easy with a launch in a weak season as the pandemic raged and with increasing pressure from pan-European LCCs like Ryanair and WizzAir.
- Stobart Air, a regional airline used for the Aer Lingus Regional network lost the Aer Lingus competitive tender for 2023-28. In June 2021, it ceased all its (wet-leased) flights operated on behalf of Aer Lingus.
- Italian carrier Blue Panorama ceased flight operations in October. It had been restructured in 2017 after a first bankruptcy.

Despite the dreadful timing for airline launches or re-launches, some projects came to fruition in 2021 or have been announced for 2022:

- Another Norwegian short-haul carrier, Flyr, started operations from June 2021 to link Norway with Europe with four aircraft in service and six on order.
- ITA, which began with 52 aircraft from the former Alitalia, has ambitions to double its size to 105 aircraft by 2025, including 81 new generation aircraft.
- Wizz Air Abu Dhabi, a joint-venture between state-owned HDQ (51%) and Wizz Air (49%) operated its first flight in January 2021 and currently has 4 aircraft. It shares a huge order portfolio of 334 A320/A321s with Wizz Air.
- Norse Atlantic Airways, created in February 2021 following the disappearance of Norwegian Long Haul, has secured leasing rights for 15 B787s in 2022 and will offer low-cost NATL flights on departure from London, Paris and Oslo.

The airlines implement measures to contend with the Covid-19 crisis

Lufthansa: In December 2020, Lufthansa completed the sale of its European catering operations to Gate group (decided in pre-Covid 2019). It simplified its long-haul fleet, with the phase-out of the A380 and A340-600 (subject to delayed Boeing 777 deliveries) and regrouped its leisure operations at the German hubs of Frankfurt and Munich in a new leisure airline called Eurowings Discover, which operated its inaugural flight in July 2021. This airline reports to Lufthansa German Airlines and not to Eurowings, and has both short-haul (10 A320 family aircraft by mid-2022) and long-haul (11 A330s by mid-2022) segments. In early November, Deutsche Lufthansa AG repaid or cancelled all remaining government funds from the German government.

IAG: In 2020, IAG phased-out its B747-400s and A340-600s. British Airways terminated all its short-haul flights out of London Gatwick ahead of the launch of BA Euroflyer from March 2022 from Gatwick, with up to 17 aircraft and a new CLA (collective labor agreement). Aer Lingus transferred some of its long-haul aircraft (A321, LR/A330) to a new UK subsidiary to open a new long-haul base in Manchester. The first flight was operated in October 2020 and four aircraft are foreseen for Summer 2022.

In 2019, IAG had reached agreement with Globalia, the owner of Air Europa to acquire the latter based in Madrid. The acquisition prompted strong objections from the competition authorities owing to the overlapping of the Iberia and Air Europa networks, and the value of Air Europa had witnessed a very substantial decline since 2019. At the end of 2021, IAG finally negotiated with Globalia a payment of €75 million to break this agreement.

Vueling was selected by the EU Commission as the winner of the contest to operate the former Air France slots at Orly relinquished as remedies in return for State support. The airline announced a major Orly expansion from Winter 2021 with 28 new routes and the most significant expansion towards the British Isles. Competition from Paris between Transavia, easyJet and Vueling is expected to intensify.

Cargo

In 2020, the air cargo industry generated \$128 billion, which represented approximately a third of overall airline revenues, an increase of 10%-15% compared to 2019 pre-crisis levels. In 2021, cargo demand is expected to have exceeded its 2019 level by 8% and revenues to have risen to a record \$175 billion (+36% versus 2019), with a 15% rise in yields⁽¹⁾. For 2022, according to IATA forecasts, demand is expected to exceed pre-crisis levels by 13% while revenues should rise to \$169 billion (+31% versus 2019) although yields will decline by 8%.

The strong upward trend in air cargo traffic observed in the second half of 2020 continued into 2021, with Cargo ton kilometers (CTKs) from January to July 2021 some 8% higher than the same period in 2019. In the three months to October 2021, industry-wide CTKs rose by 9% versus the same period in 2019. However, although cargo traffic remains far above its pre-crisis level, it appears to have stopped trending upwards recently⁽²⁾. The global outperformance of air cargo in 2021 showed a pattern usually seen at the beginning of economic upturns, when businesses call on air freight to rapidly restock inventories to meet rising demand. Moreover, exceptionally long supplier delivery times and expensive fares for other transport modes are driving air cargo demand higher.

Air cargo traffic has been rising in the major trade lanes but there have been differences in the pace of recovery. The effect of the grounding of passenger aircraft and travel restrictions in the North Pacific was barely negative as the large freighter fleets of the North American carriers have been unable to meet demand. On many other routes, such as the Middle East-Asia, high cargo yields and profits have forced airlines to use passenger aircraft carrying few or no passengers. However, on routes that are highly dependent on belly capacity, such as Asia and Europe-Asia, the absence of international passenger travel has weakened upward trends in air cargo traffic.

Air cargo capacity has seen a slow but consistent pick up, with significant progress in 2021 compared with 2020, particularly

as from the summer. Belly capacity, which represented around 60% of international air cargo capacity prior to the pandemic, is limited by the lack of international travel, particularly for long-haul trips using widebody aircraft. Airlines are however using passenger aircraft to transport cargo and have increased their dedicated freighter capacity significantly, the size of the global freighter fleet rising by 12% from January to July 2021 compared with the pre-crisis, January-July 2019 period.

Maintenance

The aeronautics maintenance or MRO (Maintenance, Repair and Operations) market is mostly driven by the age, cycles and flight hours of the worldwide fleet. According to estimates, the global MRO market, which comprises the maintenance and modification spending by aircraft operators either directly or through sub-contractors, collapsed to US\$68 billion in 2021 versus US\$83 billion in 2019⁽³⁾.

The trends in this business closely follow those of the commercial airline fleets globally and their utilization. The Covid-19 crisis and CSR priorities have accelerated fleet adjustment decisions, to gain efficiency and reduce CO₂ emissions. Airlines are tending to defer maintenance and are focusing on phasing out older-generation aircraft and increasing the proportion of next-generation aircraft. The MRO operators are suffering from weaker and more volatile demand on older and current-generation aircraft.

Changes to fleet plans and strategies have surged to the top of the list of future disruptors, outpacing even concerns about the supply/demand impacts of Covid-19. The impact of early retirements, a prolonged downturn for international/widebody flight operations and strategic shifts in business models (such as from full service to lower cost) are clearly top of mind for the industry.

The market is also characterized by increased pricing pressure resulting from fiercer competition between maintenance operators (MROs) and more exacting requirements on the part of customer airlines in the wake of the Covid-19 crisis. Furthermore, a growing number of airlines are looking to transfer the financing of spare parts to maintenance service providers within the framework of increasingly-large-scale contracts (in terms of revenue, duration, complexity, etc.). The competition from Original Equipment and Engine Manufacturers (OEMs) and Original Aircraft Manufacturers (OAMs) will remain strong in the coming years. Lastly, the aftermath of the Covid-19 crisis on airline bankruptcies will also have residual effect on the MRO market.

(1) <https://www.iata.org/contentassets/c81222d96c9a4e0bb4ff6ced0126f0bb/iata-annual-review-2021.pdf>

(2) <https://www.iata.org/en/iata-repository/publications/economic-reports/cargo-chartbook--q4-2021/>

(3) https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/Recover-and-rebuild_MRO-Survey-2021-Final1.pdf

1.2 STRATEGY

1.2.1 The Air France – KLM Group’s ambitions

The Group’s business brings people, economies and cultures together, and drives economic growth and social progress. The overarching ambition of the Air France – KLM Group is to become the leading airline group in Europe and one of the most powerful in the world, while acting as an industry pioneer in global environment sustainability. As such, flight safety is both an absolute imperative that the Group owes to its customers and staff, and a daily commitment.

The Air France – KLM value creation model addresses all of the Group’s stakeholders, namely employees, shareholders, customers,

suppliers, authorities, institutional and non-governmental organizations, and other local partners. As part of its day-to-day activities, the Group interacts with diverse stakeholders, while its business and operations have multiple impacts (qualitative and quantitative) on society. The value creation model shows the impact areas where the Air France – KLM Group adds value and which, thanks to its fundamental strengths and unique competitive advantages, enables a response to the societal and sustainability challenges.

1.2.2 Air France – KLM: core assets and unique competitive advantages

As one of the European leaders for intercontinental traffic on departure from Europe, Air France – KLM is a major global air transport player. Its main businesses are passenger and cargo transportation through its network activities, low-cost transportation and aeronautical maintenance.

The Group takes action to reconcile growth with environmental protection, social value and local development at its hubs and destinations. By developing state-of-the-art technologies, investing in R&D and innovation, and partnering with stakeholders, the Group strives to optimize the use of its different forms of capital and resources. This approach gives Air France – KLM a strong position in the aviation industry’s competitive landscape.

People: 71,000 engaged and professional employees, and a diverse culture

Air France – KLM is committed to the value of its workforce worldwide. Through our employees’ collective dedication, professionalism and accomplishments, Air France – KLM is able to provide premium services and a caring journey, fostering lasting relationships with customers while operating in an efficient and safe manner.

Brands: a portfolio of attractive, strong brands and a common frequent flyer program

Air France – KLM has a portfolio of strong brands, positioned in complementary markets with their own specific operating models, aligned with customer expectations. The common frequent flyer program, “Flying Blue”, contributes to reinforcing the attractiveness of the brands.

Partnership: a solid network of suppliers and partners

Air France – KLM is pursuing its commercial integration strategy with its principal partners worldwide, like Delta Air Lines, Inc. and China Eastern Airlines, and through the SkyTeam alliance, to offer value-added services and innovations, whilst reinforcing its

network and building mutual trust. Engaging with stakeholders through sound and regular dialogue is also key for Air France – KLM in terms of identifying emerging issues, tackling upcoming challenges and better understanding their expectations. Air France – KLM sees this as an opportunity to continue strengthening its sustainable and local footprint, creating the basis for trust and long-term acceptance, and developing its activities.

An extensive network operated with an optimized fleet

The Air France – KLM Group currently operates one of the largest networks between Europe and the rest of the world, organized around the dual intercontinental hubs of Paris-CDG and Amsterdam-Schiphol, which are two of the four largest connecting platforms in Europe (the other two are: London Heathrow and Frankfurt am Main airports). In 2021, it served 310 destinations in 117 countries, without counting the repatriation flights within the exceptional context of the Covid-19 pandemic. The Group diversifies its portfolios by being present in all the large markets. Moreover, the Group has a natural risk hedge in that no one market represents more than a third of network revenues.

In 2021, despite a very substantial impact on market capacity due to the health situation and restrictions, Air France – KLM confirmed its commitment and ambition of keeping a leading position in terms of traffic and capacity with over 45 million passengers carried between Europe and the rest of the world, and on intra-European routes on departure from the Group’s natural markets.

Finance: a stable shareholding structure with the French and Dutch States, Delta Air Lines and China Eastern

Financial capital not only ensures Air France – KLM’s financial sustainability but also its ability to accelerate its transformation while enabling value creation with all other forms of capital. Through the combined use of share capital, cash reserves and

debt, the Group is able to fund its infrastructures, optimize its fleet, develop its staff, innovate through digital investments and benefit its supply chain and community relationships.

1.2.3 Value creation model

The Air France – KLM Group’s ambition is to become a European aviation champion and one of the most powerful in the world for its staff, customers and shareholders, while assuming its role as a pioneer in sustainable aviation.

People: be the best place to work

Air France – KLM wants to position itself as an employer of choice and is targeting a leading Employee Promoter Score. Our 71,000 people are our primary asset as they are the face of our company to our customers and represent our brands across the world. The Group thus invests in training to ensure their skills are top notch, and further empower them through the use of digital tools, enabling them to surpass our customers’ expectations.

In the context of public health crisis, the Group is committed to maintaining the strong engagement of employees and the links between teams. The Group encourages personal development and mobility.

The relationship linking the Group to its employees is based on the underlying values of trust, respect, transparency and confidentiality.

Customers: exceed customer expectations

Air France – KLM wants to ensure an unrivaled end-to-end customer experience, which exceeds customer expectations at

1.2.4 Strategic orientations

Response to the Covid-19 crisis

The public health crisis caused by the Covid-19 pandemic has considerably challenged the airline industry since 2020. Sanitary measures encompassing quarantine, social distancing and border closures have led to the worst economic crisis since the Second World War for the aviation industry.

These travel bans and lockdowns in every continent have had dramatic effects on air travel demand as well as on the airlines’ business operations. At the beginning of the pandemic, in 2020, Air France and KLM operated under 10% of their regular scheduled capacity while Transavia and Hop! were forced to ground all flights. By the end of 2020, with additional worldwide governmental restrictions in response to a second wave of the pandemic, the Group was operating under 40% of its capacity.

Environment: an experienced and knowledgeable industry player committed to contributing to positive change

The Group is endlessly innovating so as to be a reference in sustainability. Its ground and flight operations have an impact on the environment, including climate change, noise, air pollution and waste. The Group strives to continuously improve all aspects of its activities to reduce its environmental footprint. In particular, it is contributing to the establishment of a sustainable biofuels industry for aviation.

all touchpoints, and on products, services and health safety. The Group is targeting a leading Net Promoter Score by improving the customer experience through personalized and digitalized offers and best-in-class operational performance. Thanks to the professionalism of the Group’s frontline staff, the quality of its products and services, and an improved operational performance, Air France, KLM and Transavia maintain a daily focus on customers.

Beyond the satisfaction of our customers on the quality of the service Air France – KLM airlines promise to them, the financial impact of customer satisfaction is huge: it is a key driver of Air France – KLM market share gains and revenue growth, increasing customer loyalty and propelling customer growth.

Planet and society: be a pioneer in sustainable aviation

Through the initiatives of its airlines, Air France – KLM is committed to leading the way in terms of sustainable aviation at both flight and ground operations level. The Group aims to continue its efforts to reduce its environmental footprint by improving its operations and processes, partnering and innovating in the supply chain and mobilizing our staff and the industry.

- equipping employees with necessary supplies such as facemasks and gloves to ensure a sanitary working environment;
- compulsory face masks for customers on all flights along with temperature checks before boarding from the Roissy-Charles de Gaulle hub;
- repatriation of customers from all over the world. Since the beginning of the outbreak, the Air France–KLM Group has repatriated more than 500,000 European citizens from across the world with the exceptional engagement of the employees, responding to the needs and requirements of the French and Dutch nations.

The Air France–KLM Group also deployed cargo capacity to respond to the increasing demand for essential medical supplies. Cargo flights were essential elements in the fight against Covid-19.

The Air France–KLM Group has also taken decisive financial actions over the last few months, which have resulted in immediate cash savings:

- downwards revision of the Capex investment plan;
- cut in operating costs;
- labor cost reductions thanks to the partial activity in France (*activité partielle*) and the Dutch government employment support program (NOW);
- halt of all non-safety and non-operational critical projects;
- significant reduction in all consultants and external staff;
- further labor cost reductions through Voluntary Departure Plans.

The Air France–KLM Group's ability to rapidly adapt to this major crisis and to support governments and fellow citizens shows how capable and agile the Group has been in engaging and mobilizing when necessary.

Since the beginning of the Covid-19 crisis, Air France has assisted its customers by enabling them to easily verify the health documents required by the authorities of their destination country with real time online updates. During Summer 21, the airline went one step further with the introduction of the "Ready to Fly" process, offering customers the certainty of knowing that they have all the health documents required for their trip prior to arrival at the airport.

In May 2021, Air France was recognized for its efforts on implementing the strictest health and safety measures through the APEX (Airline Passenger Experience Association) Health Safety Diamond Award, the highest distinction in its category. Later in the year Skytrax recognized the airline's commitment

to health security by awarding Air France the Covid Airline Excellence Award. This is the third time that the airline has received a distinction from Skytrax for all the measures implemented since the beginning of the Covid crisis, with first four and then five stars (the maximum rating) obtained in the Skytrax Covid Safety Rating for its Air France Protect program. In November 2021, KLM received the 2022 APEX World Class Award, as best airline for passengers along with six other airlines (Singapore Airlines, Japan Airlines, Emirates, Saudia, Qatar Airways and Turkish Airlines). This award represents exceptional recognition of achievements in areas such as safety well-being and sustainability, which are now important elements in the overall customer experience, as well as high standards set for service, comfort, catering and performance.

Transavia has also won awards for the quality of its customer service, its welcome on board and the booking experience:

- The 2019 Skyscanner "Traveler Trust" award;
- The Qualiweb "Best online customer relationship 2021";
- Elected Customer Service of the Year 2022 in the collective passenger transport category;
- The Capital Label "Best Brands 2022" on which it has stood out since 2017.

Transformation

In the post-Covid-19 world, the Air France–KLM Group needs to balance its medium-term focus on managing liquidity risk and optimizing capex with the long-term focus on achieving increased competitiveness and its sustainability targets. The Group plans to do this through the five key levers of organization, productivity, network, fleet and cost management.

Organization

It is crucial for the Group and its airlines to restructure their organizations to adapt to the new reality of reduced capacity and a prolonged period of uncertainty. The airlines of the Group will accelerate their ongoing transformation plans and re-adjust the size of their organization to match these new activity levels. Air France's restructuring plan calls for a reduction of 6,560 FTEs by the end of 2022. The many natural departures expected over the period (more than 3,500) represent more than half of this job reduction thanks to a favorable age pyramid. For HOP! the resizing of the activity and the restructuring of the company, linked in particular to the simplification of the fleet, will lead to a reduction of 1,020 jobs over the next three years out of a current workforce of 2,420.

Besides the resizing of their respective organizations, both Air France and KLM will focus on further reducing labor costs. Since March 2020, the staff in France have been on “partial activity” and a variable remuneration system for pilots and flight attendants (otherwise known as the minimum monthly guarantee or MMG), reflecting lower levels of flight activity. In both France and the Netherlands, a percentage of employee wages is paid via the unique furlough schemes offered by the respective governments as part of their Covid-19 support measures.

In France, Air France is prioritizing mobility options and voluntary departure programs in order to avoid involuntary layoffs, while also utilizing notably the *Rupture Convention Collective* (RCC) to permit voluntary departures beyond those that would normally be entitled under French labor laws. In the first half of 2021, Air France and some of its affiliates finalized agreements with the representative trade unions allowing the use of the Long-Term Partial Activity (“APLD”) scheme for a maximum of 24 months. By December 2021, the target of the Voluntary Departure Plan in Air France had been reached. In addition, the implementation of partial activity (without compensation for lost wages) and the application of the variable remuneration system for pilots (MGA) have made it possible to reduce the wage bill. Air France has also announced a policy of salary moderation through the suspension of negotiations on the profit-sharing scheme for the years 2020/2021/2022 and the freezing of general and individual increases (excluding promotion and seniority).

In the Netherlands, KLM’s restructuring plan submitted to the Dutch Ministry of Finance contains a significant reduction of FTEs compared to pre-Covid-2019. Substantively, the plan includes elements such as the reassessment of strategy, cost-cutting initiatives and financial considerations including reduced employment conditions.

The basic principle of the restructuring plan is that KLM’s existing business model is still valid, but far-reaching, structural initiatives are required to ensure KLM’s future success. Owing to the effects of the current pandemic, KLM is preparing itself for an extended period during which fewer flights will be operated. The organization will become smaller, as well as more cost-efficient and sustainable.

As KLM plays an important economic and societal role in the Netherlands, the government has offered the airline a loan package, to which it has attached certain conditions. One condition is that KLM staff should contribute to KLM’s restructuring by accepting reduced employment conditions, amounting to income-dependent graduated cutbacks of up to 20%. These reduced conditions will apply for the term of the loan.

Increase productivity

Both the numerous agreements signed with Air France staff over the course of last year, and a dedicated focus on network optimization and improvement of aircraft utilization, are helping to reduce costs and increase productivity. For instance, an agreement reached with the SNPL (*Syndicat National des Pilotes de Ligne*) and approved by an overwhelming majority, allows for the restructuring of the French domestic network, including transferring some domestic operations to the lower-cost Transavia platform.

Fleet

Air France – KLM’s future competitive position, the focus on sustainability and capex investments are largely linked to decisions made with regards to the network and fleet.

The principles of the Group’s fleet strategy remain as follows:

- exit aircraft as planned in order to avoid Capex due to life extension;
- optimize our current fleet;
- introduce committed new aircraft, in line with our existing fleet plan.

For many years, Air France has been committed to reducing its environmental footprint by implementing concrete actions – weight reduction on board, reducing and recycling waste, promoting eco-piloting, reducing the noise footprint, reducing and offsetting CO₂ emissions and eliminating single-use plastic items. The renewal of the fleet by environmentally-friendly latest-generation aircraft is a powerful way to reduce the airline’s environmental footprint and achieve its sustainable development objectives.

On September 27, 2019, Air France took delivery of its first Airbus A350 which marks a new phase in Air France’s fleet modernization strategy. By 2026, the company will welcome a total of 38 Airbus A350-900s into its fleet, thus having more than 40% of the wide body fleet made up of new-generation aircraft. This aircraft consumes 25% less fuel, thanks to the incorporation of lighter materials, and its noise footprint is reduced by 40%. At the end of 2021, Air France had received 13 A350s.

On September 29, 2021, Air France took delivery of its first Airbus A220-300. The company is continuing its fleet renewal thanks to its firm order for 60 A220-300s, plus an additional mix of 30 options and 30 purchase rights. They will gradually replace the company’s A318s and A319s as well as several A320s by 2025. The Airbus A220-300 is a new-generation aircraft, which generates 20% less CO₂ emissions than the aircraft it replaces, and has a 34% reduced noise footprint. With an operating range and capacity ideally suited to serving Air France’s short and medium-haul network, the Airbus A220-300 perfectly meets the company’s operational requirements and boasts the highest standards of in-flight comfort in its category, contributing to its upmarket positioning. The choice of this aircraft, whose operating costs are 10% lower than those of the aircraft it replaces, is a response to the need to improve Air France’s profitability in its short and medium-haul business. The aircraft will be delivered at a sustained pace. The company took delivery of 6 aircraft in 2021 and a further 15 aircraft are scheduled for 2022. The Airbus A220-300s will ultimately make up close to 60% of the Air France medium-haul fleet, alongside the Airbus A320s and A321s.

On December 16, 2021, the Air France KLM Group announced the decision to place a firm order for 100 Airbus A320neo family aircraft – alongside purchase rights for 60 additional aircraft to renew the fleets of KLM and Transavia Netherlands, and to renew and expand the fleet of Transavia France. The order covers Airbus A320neo and Airbus A321neo aircraft. Benefiting from the latest technological innovations, the A320neo family aircraft offer the best performance in their category for the network needs of the Group’s airlines. Compared to previous generation

aircraft, they offer a unit cost reduction of more than 10%, as well as a 15% reduction in fuel consumption and CO₂ emissions. Their noise footprint is also 50% lower.

End February 2022 the purchase agreements for these 100 Airbus A320neo family aircraft have been signed between Airbus and KLM N.V., Transavia Netherlands and Transavia France. The distribution of the number of aircraft over the three airlines will be announced on a later stage.

Finally the Group also signed a Letter of Intent (LOI) for the purchase of 4 Airbus A350F Full Freighter aircraft with purchase rights for an additional 4 freighters to increase cargo capacity at Air France. In the context of a steady and sustainable growth in demand for air cargo, this order should increase Air France – KLM's cargo capacity. Air France – KLM should be

amongst the launch operators of the A350F Full Freighter. This order should come with full substitution rights to Airbus A350 passenger aircraft, which constitute the new spearhead of the Air France long-haul fleet.

Network

The agreement with the SNPL is an important first step in the Group's strategy to accelerate the transformation into profitability and restructure Air France's unprofitable domestic network.

Air France will maintain operations on the historic "La Navette" routes of Marseille, Nice and Toulouse from Paris Orly airport, while Hop! will refocus on Lyon. Transavia will begin operating domestic routes, in addition to its continued development towards other European destinations.

Cargo

Cargo	Fourth quarter			Year		
	2021	Change	Change at constant currency	2021	Change	Change at constant currency
Tonnage transported (in thousands)	314	-1.9%		1,274	21.0%	
Capacity (in millions of ATK)	3,106	10.5%		11,469	13.3%	
Traffic (in millions of RTK)	2,002	-3.8%		8,058	18.0%	
Load factor	64.5%	-9.6 pt		70.3%	+2.8 pt	
Total cargo revenues (in €m)	1,021	19.0%	17.8%	3,588	40.2%	41.9%
Scheduled cargo revenues (in €m)	895	17.1%	15.9%	3,167	41.0%	42.6%
Unit revenue per ATK (in € cents)	28.80	6.0%	5.0%	27.61	24.4%	25.8%

Global air cargo capacity was approximately 15% lower at the end of the fourth quarter 2021 versus 2019. The tightening of supply and demand levels increased yields significantly in 2021.

The air cargo market gradually improved and Air France – KLM's Cargo activity continued to perform strongly with a unit revenue at constant currency up 5.0% in the fourth quarter 2021.

The Group's 2021 Cargo capacity was up by 13.3%, driven by both increased belly capacity in passenger aircraft and increased full freighter capacity, partly offset by a decrease in mini cargo flights (passenger aircraft with only belly capacity marketed). Yields and load factors were strongly higher, resulting in a unit revenue increase of 25.8% at constant currency, thanks to

the gap between industry capacity and demand. The Group benefited from a full freighter fleet of six aircraft and a passenger long-haul fleet well suited to the cargo activity (Boeing 777, Boeing 787, and A350).

On the demand side, world-wide air freight volumes slowly recovered in 2021 but remained below its pre Covid-19 crisis level. A further recovery is expected in line with trade growth and industrial production. The supply-demand gap of the last year is foreseen to narrow once the industry capacity supply increases, something which will depend on the recovery in passenger traffic. In 2021, Air France – KLM transported approximately 100 million Covid vaccines worldwide.

Manage costs

The fifth lever of transformation is reducing Group costs and non-essential Capex investment spend.

Key measures to structurally improve future unit costs are being implemented throughout each of the Group's business units, such as a stringent policy to cancel or delay non-essential and non-fleet Capex investments, including IT, Ground and real estate investment projects.

In addition, Air France–KLM has implemented a so-called “control tower” procedure to scrutinize all controllable external expenses, and has frozen the contracting of external staff.

Finally, new initiatives linked to transformation to further simplify the support functions have been identified and added to the list of objectives.

Acceleration of the environmental transition

The Air France–KLM Group and its airlines are continuing their efforts to reduce their environmental footprint as part of a transparent and responsible approach to the challenges of global warming. The Group has committed to having its CO₂ emission reduction targets validated by the independent reference organization *SBTi* (Science-Based Targets initiative), founded by the Carbon Disclosure Project (CDP), the United Nations Global Compact and the World Wildlife Fund (WWF). *SBTi* assesses and checks companies' CO₂ emission reduction targets based on a scientific approach and criteria, ensuring that the targets are in line with the Paris Agreement.

The letter of commitment, signed in October 2021 with *SBTi*, positions the Air France–KLM Group and its airlines on the

trajectory determined by this Agreement, which aims to limit global warming to well below 2°C. Air France–KLM is one of the first European airline groups to have its decarbonization trajectory validated by *SBTi*, in addition to its objective of net zero emissions by 2050.

The Air France–KLM Group's decarbonization trajectory is mainly based on:

- an ambitious plan to renew the fleet of the Group's airlines with new generation aircraft emitting 20% to 25% less CO₂, through an investment of €2.5 billion in fleet renewal between 2019 and 2021;
- the use of Sustainable Aviation Fuels (SAF) in which Air France and KLM have been pioneers, will play a key role in the decarbonization of air transport, as they reduce greenhouse gas emissions by an average of 80% over the entire life cycle. Today, the Group is working to make these fuels more accessible in terms of quantity and price by creating an actual sustainable aviation fuel industry in Europe;
- the search for greater operational efficiency, by favoring more direct trajectories and applying procedures that limit fuel consumption (lighter aircraft, single-engine taxi, continuous descent). Air France and KLM have set themselves the target of carbon neutrality for their ground operations by 2030.

In addition, Air France–KLM is mobilizing the entire sector and is committed to the development of innovative solutions for aircraft design and maintenance, engines and synthetic fuels, which will gradually lead to totally carbon-free aviation.

Information about the Air France–KLM Group's fleet can also be found in section 1.4.

1.2.5 Commitments made in order to comply with the European Commission's “Temporary Framework for State Aid measures to support the economy in the current Covid-19 outbreak” (TF)

Air France–KLM remains subject to the commitments made by the French government in order to comply with the European Commission's “Temporary Framework for State Aid measures to support the economy in the current Covid-19 outbreak” (TF) linked to phase one of the Group's recapitalization realized in April 2021.

These commitments, specifically paragraphs 60-61 and 71-78 of the “TF”, included Air France's release of up to 18 take-off and landing rights (slots) at Paris–Orly airport to a competing carrier in order to create or develop an existing base at that airport, provided that the competing carrier obtaining Air France's slots bases its aircraft and crews at Paris–Orly airport, in compliance

with national and EU labor laws. Other general commitments were made under the TF, including restrictions on acquisitions, share buy-backs, dividend distributions and executive management compensation. These commitments are applicable to the entire Group with the exception of KLM and its subsidiaries.

The Group has reiterated the economic, financial and environmental commitments made in the framework of the State loan and reflected in its transformation plan. The Group therefore maintains an ambitious environmental roadmap to accelerate the Group's sustainable transition, in line with the objectives of the National Low Carbon Strategy (*Stratégie Nationale Bas Carbone*, “SNBC”).

OUR STRATEGY: BECOMING A EUROPEAN CHAMPION

OUR RESOURCES



PEOPLE

71,000 engaged and professional employees and a diverse culture



BRANDS

Portfolio of attractive, strong brands and a common frequent flyer program "Flying Blue"



PARTNERSHIP

A powerful network of suppliers and partnerships



FLEET & NETWORK

An extensive network operated with an optimized fleet



FINANCIAL

A stable shareholding structure with the French and Dutch States, Delta Air Lines and China Eastern



ENVIRONMENTAL

An experienced and knowledgeable player in the industry committed to contributing to a positive change

OUR BUSINESS MODEL

With a European base and a global network of more than 300 destinations, the Air France-KLM Group is a global aviation player in the **passenger, cargo** and **maintenance** businesses, represented by 3 strong brands, committed to leading the way in **sustainable aviation**.

AIRFRANCE KLM GROUP

AIRFRANCE 

KLM 

 **transavia**

SHOWCASING
THE BEST OF
FRANCE AROUND
THE WORLD

STRONG
INNOVATIVE
GLOBAL
BRAND

MAKING
LOW COST
FEEL
GOOD

- Focus on business recovery
- Secure customer trust and preference
- Optimize our operating model
- Develop customer data, Flying Blue, cargo & E&M
- Committed to global sustainability

CONTRIBUTING TO THE UN SDGs



OUR VALUE CREATION

2021 PERFORMANCE



PEOPLE
Be the best place to work for our employees

LEADING
EMPLOYEE
PROMOTOR
SCORE

EPS

31
HOURS OF
TRAINING
PER EMPLOYEE



CUSTOMERS
Exceed customer expectations

LEADING
NET
PROMOTOR
SCORE

NPS

45
MILLION
CUSTOMERS



SHAREHOLDERS
Reach top financial performance

- Capacity back to 2019 levels in 2024
- Unit cost down 4% to 6% at constant fuel price when capacity are back to 2019 level
- Operating margin at 7% to 8% as of 2024



SUSTAINABILITY
Contributing to UN sustainability goals

LEADING
THE WAY IN
SUSTAINABLE
AVIATION

DJSI
MEMBER OF DJSI
WORLD AND
EUROPE INDEX

**CARBON
EFFICIENCY**

1.3 ACTIVITIES IN 2021

1.3.1 Network business (passenger and cargo): 2021 still significantly impacted by the Covid-19 crisis

The Network business corresponds to passenger and cargo transportation services on the scheduled flights of the network airlines, Air France and KLM. The Network business is Air France – KLM's principal activity, contributing approaching 76% of the Group's revenues.

Due to the ongoing Covid-2019 health crisis, 2021 was to be another year of capacity reduction across all the networks, short, medium and long-haul, although capacity was slightly higher than its 2020 level. Total capacity in the Air France network was down by 43% versus 2019. Given that the pandemic situation was unfolding month by month and governmental measures by region were also constantly changing over the year, the Scheduling teams continued to react with agility and proactiveness to adjust capacity throughout 2021. The different quarters saw quarter on quarter increases: a first and second quarter still very strongly impacted with capacity down by a respective -61% and -60% relative to 2019 for Air France; a recovery in the third and fourth quarters with our capacity down by -38% and -30%.

Since the beginning of the epidemic, the Air France – KLM Group has repatriated more than 500,000 European citizens from across the world thanks to the exceptional engagement of its people, thereby responding to the needs and requirements of the French and Dutch governments. The KLM Boeing 747s, which had just been retired, were notably temporarily brought back into service to deliver vital medical equipment. In collaboration with Phillips, an air bridge was established between the Netherlands and China to transport important medical and protective equipment. KLM operated more than 153 flights with cargo in the cabins, delivering a total of 120 million masks, gloves and other emergency supplies.

1.3.1.1 Short and medium-haul operations: ongoing adjustments in response to the Covid-19 crisis and continued implementation of the Domestic transformation plan

Faced with the ongoing Covid-19 crisis in 2021, the short and medium-haul network maintained its agility in capacity adjustments and continued to restructure the short-haul network

On the French short-haul network, activity was down by -57% relative to 2019. The 2021 first and second quarters were characterized by very weak activity levels in short-haul of respectively -70% and -67% due to the very serious pandemic situation and governmental measures having a major impact on our network: weekend lockdowns in a number of French cities as of February, lockdowns in some French regions in March then a national lockdown in April. Following the easing of restrictions

in France on May 3, we were progressively able to increase our production capacity in the third quarter to reach -44% relative to 2019. Lastly, the fourth quarter saw a stabilization at these levels with activity down -46% relative to 2019.

Initiated in 2020 to contend with the magnitude of the Covid crisis but also the growing competition from the low-cost carriers, high speed rail and the Ouigo offer dating back several years, in 2021 the Group continued to restructure its short-haul network. After the deployment of Transavia in short-haul as of the Winter 2021 season on the Orly-Biarritz, Nantes-Marseilles, Nantes-Toulouse, Nantes-Nice and Nantes-Montpellier routes, over the summer of 2021 Transavia launched the Orly-Brest and Orly-Toulon routes followed, in Winter 2021, by Orly-Montpellier. Air France is also restructuring its network by initiating, as of the Summer 2020 Season, the closure of structurally loss-making routes; in 2021, the Metz-Nice, Caen-Marseilles, Strasbourg-Marseilles, CDG-Lorient, Strasbourg-Toulouse and Strasbourg-Nice routes were closed. Furthermore, Air France has undertaken to halve its CO₂ emissions on the domestic network by 2024 and confirmed the closure, as of Summer 2020, of routes for which there is a rail alternative with journey times of under two and a half hours from Paris (Orly-Bordeaux, Orly-Nantes, Orly-Lyons). Lastly, to adapt our capacity to more-leisure-oriented demand during the peak summer season, 57 seasonal routes were launched.

The medium-haul network also saw a substantial reduction in activity during 2021. On average, for the whole year, capacity was down by -46% on its 2019 level, the quarterly trends being similar to those in short-haul: a first and second quarter significantly down at -70% and -67% then a progressive pick-up in activity to a level of -26% in the third quarter, underpinned by leisure and VFR demand during the peak summer season. The gradual recovery in Business demand during the fourth quarter enabled the level of activity to be maintained at -26%. The end of 2021 was however marked by a resurgence of the Covid-19 epidemic in Europe and the emergence of the Omicron variant, which impacted a number of European countries as of December including Austria, the United Kingdom, Germany and Morocco with, for example, new governmental measures.

Built around the Paris-CDG and Amsterdam-Schiphol hubs, the medium-haul network experienced an even greater impact in that capacity in the long-haul network was also significantly down, hitting connecting traffic. As a result, for Summer 2021, Air France pursued its deployment strategy focusing on leisure destinations. 24 seasonal routes were thus launched including seven destinations like Corfu, Rhodes, Agadir, Tangiers, Monastir, Malta and Las Palmas.

Within a still extremely-volatile health context, the Group thus showed its ability very rapidly to adapt to the changes in governmental measures and demand. Agility and reactivity became the principles for the construction of the commercial proposition, in terms of adapting both capacity and the destinations faced with more leisure-oriented demand.

1.3.1.2 Long-haul operations: a historically balanced network which has mitigated the effects of the Covid-19 crisis

The KLM network saw a significant reduction in capacity, down to 67% versus its 2019 level. The difference per quarter was significant with a progressive build up over the year, the first and second quarters at 60%, the third quarter at 73% and the fourth quarter at 75%.

The trends were very different between Long-haul and Medium-haul.

In Medium-haul, overall 2021 capacity was 62% with low levels during the first (35%) and second (42%) quarters, followed by far higher levels in the third (83%) and fourth (85%) quarters. The impact on demand volumes of Covid-19 and that of the related measures implemented by the various governments was huge, especially during the first four to five months of the year. In the third and fourth quarters KLM was able to further build up the European Network and also restore part of the seven-wave system on SPL.

In Medium-haul, average 2021 capacity stood at 66% with a more equal division between the quarters, respectively at 66%, 65%, 70% and 73% for the first to the fourth quarters. The main reason for this relatively equal spread between the quarters was the very strong Cargo performance which made it possible to operate flights on a cash positive basis, even with low passenger volumes.

To maintain the global network, KLM maximized the number of destinations, albeit at reduced frequencies. It was thus relatively easy to take advantage of opportunities and adapt to the new travel restrictions. KLM succeeded in adding new destinations, like Cancun (Mexico), Port-of Spain (Trinidad and Tobago), Bridgetown (Barbados), Palma de Mallorca (Spain), Verona (Italy) and Dubrovnik (Croatia).

As in 2020, the Air France long-haul operations also saw an adjustment in capacity to adapt to the travel constraints and the decline in passenger demand. Over the year, Air France capacity measured in Available Seat-Kilometers was down by -47% relative to its 2019 level. This level was higher than in 2020 when capacity had been down -59% relative to 2019.

The adjustments to capacity saw considerable variations between regions and were calibrated as closely as possible to the trends in demand by region, country and route. Air France was thus able to benefit from a historically diversified and balanced network to maintain activity in the regions the least impacted by the health crisis. The cargo contribution to the passenger aircraft was also a key element in maintaining long-haul operations.

Furthermore, the overall trend was a progressive pick-up in activity over the course of 2021 with first half capacity at around -60% but a third quarter at -40% and a fourth quarter at -30%.

Caribbean/Indian Ocean -22 %: Capacity held up relatively well in this network where travel is predominantly for leisure. Capacity had a particular profile with first half capacity down by -40 % versus 2019 and a second half with capacity in line with its 2019 level. This is explained by the lifting of the “travel only for imperative reasons” restriction in the second half and the reopening of countries like Madagascar and Mauritius.

India/Middle East -36%: Demand for travel to India and destinations like Dubai and Beirut held up relatively well. In addition to the flows from/to France, a significant proportion of travelers were connecting to other long-haul regions like North America and Africa. The diversified flight transfer offering at CDG was thus able to mitigate the effects of the crisis. One new destination was launched on this network as of June 2021; Chennai in India. In the winter, two new destinations were launched on this network; Muscat in the sultanate of Oman and Colombo in Sri Lanka.

Africa -18%: It was in Africa that capacity was the most maintained. Air France benefited from its historic presence on niche markets like West Africa and the oil-producing countries to maintain its presence. Air France also opened two new destinations in Africa in 2021 to reinforce its presence on leisure flows: Zanzibar in Tanzania and Banjul in Gambia.

North America -45%: On the USA and Canada, the year was split into three periods with a first when borders were closed to Europeans and Americans, followed by a reopening in Europe to Americans as of the summer and, lastly, a reciprocal reopening of borders in September for Canada and November for the USA. This rule change on border openings had a direct impact on our level of activity: -60 % in the first and second quarters, -40 % in the third quarter and -18 % in the final quarter. A new route, Denver, was launched in Summer 2021.

Central/South America -61%: Operations were progressively reinstated over the course of the year thanks to an easing in public health measures: capacity was down by -70 % at the height of the crisis before improving to -50 % in the fourth quarter.

Asia -75%: The Asian network was to see the most significant adjustments to operations, owing to several factors:

- limitation of traffic rights: in countries like China, in mid-2021, Air France was only able to operate a maximum of three passenger flights a week;
- operational complexity: several Asian destinations requiring PCR tests on arrival, with no guarantee of rapid repatriation to France for flight crews testing positive, made it impossible to schedule rest periods for crews. This was notably the case for China and Vietnam. To operate flights to these destinations, they need to be served *via* another Air France station with geographical proximity, where Flight Crew rest periods are possible (Seoul in Korea for China and Bangkok for Vietnam);

- decline in demand: the arrival restrictions imposed on travelers had a material impact on travel demand. Thus, the sharp fall in demand, combined with more complex and costly flight operations, required a more drastic reduction in capacity in Asia than for the other networks. Some countries have, however, been starting to reopen their borders to vaccinated travelers since the 2021 fourth quarter like, for example, Thailand and Singapore.

Air France Protect, the promise of a safe trip

Air France has put in place health measures guaranteeing the highest level of safety at every step of the journey: at the airport; on board; on arrival.

In the context of a global health crisis, Air France has made the health and safety of its customers and staff its top priority. As of the emergence of the Covid-19 virus, Air France introduced exceptional measures, regrouped under the Air France Protect label, for a safe trip at every stage of the journey, tickets that are 100% changeable and refundable tickets, pandemic-related insurance coverage and a dedicated website to check travel conditions.

The Air France teams are monitoring developments in the health situation and remain more than ever mobilized to continue welcoming customers on board its flights in complete safety.

1.3.1.3 An accelerated digital reset for the present and future

Air France – KLM Digital's crucial ability to adapt to changing circumstances

As an airline group and a player in the travel industry, Air France – KLM has been hit very hard by the Covid-19 pandemic. The Group has seen structural changes in customer behavior for both B2C and B2B, driven by an increased focus on health and sustainability, as well as by technology being embraced as an enabler to connect, from home, with colleagues, friends and family.

Within Air France – KLM, the Covid-19 crisis has also emphasized the need to further embrace the opportunities of digitization and automation, to remain adaptive and resilient in all disciplines and to enhance cost efficiency for the sales and distribution of the offer. Today, the digital channels are often the first point of contact with customers and are constantly being adapted to the ever-changing worldwide travel restrictions and health measures. In this renewed perspective on the digital channels, sales and servicing go hand-in-hand when optimizing the experience for customers.

Digital mission statement and key figures for 2021

Air France – KLM Digital's channel objective is to be our customers' go-to travel solution by providing spot-on offers and services for every step of the journey.

- 280 million visits (metric = number of sessions) on AF.com and KLM.com, of which 53% on mobile devices (i.e. mobile phones and tablets). Period: December 2020–November 2021 – Source: Google Analytics.
- 46.5% of all tickets sold direct online Period: January–November 2021, +11 pts vs the same period in 2019.
- 78.6% Direct Online Interaction Share⁽¹⁾ vs 76.1% in 2020. Period: December 2020–November 2021. Source: Opera.
- 1.7 million active users every month on mobile applications. Period: December 2020–November 2021. Source: Firebase.

Air France Digital Marketing focus: campaigns, emails and social media (2021)

- 500+ cross-channel campaigns executed worldwide⁽²⁾;
- 52.4 million customer lifecycle emails sent;
- 54% customer lifecycle email open rate (unsubscribe rate of 0.10%);
- 10.6 million fans and followers worldwide on the various social media platforms.

KLM Digital Marketing focus: campaigns, emails and social media (2021)

- 400+ cross-channel campaigns executed worldwide;
- 18.4 million customer lifecycle emails sent;
- 53% customer lifecycle email open rate;
- 18.5 million fans and followers worldwide on the various social media platforms.

Actions of Air France – KLM Digital within an unprecedented and changing environment

Informing and supporting our customers in response to the Covid-19 pandemic

The commercial flexibility initiated in 2020 has been extended to all touchpoints, to enable customers to change their bookings, cancel and obtain a refund or receive a voucher. Air France – KLM customers can book with confidence despite constantly-evolving international and domestic travel restrictions due to the Covid-19 waves and variants.

(1) Share of customers interacting with the digital channel to buy a ticket at one point of their journey (through Check In, Ancillary, Booking, Check In & Ancillary).

(2) In 2020 the Digital Marketing campaigns were only operated with targeting focused on searchers having shown an interest in short-term travel/

Alongside commercial flexibility, due to the unprecedented level of changes, it is also key to provide our customers with relevant and updated information to help them plan and anticipate the requested requirements. In this context, the Covid-19 Hub Page was created to ensure a centralized, easy-to-find starting point for customers to guide them to the relevant information. The hub page offers a clear overview of previously-scattered content, regrouped in a visually understandable way according to tested and approved designs.

The page is continuously being monitored and data is driving the decisions to further evolve and improve the content so as to keep up with this fast-moving context. Since the Covid-19 Hub Page was launched on July 26, it has had the highest number of unique page views after the “Information” page, and has received a useful score from customers of 85% on average, with even a 90% score during the first week after the go-live.

Another example is the “Where Can I Fly To?” map launched in October. This is a joint Air France – KLM Digital product to help customers find their next AF/KL destination with a general overview of current Covid-19-related travel requirements and the lowest fare available to this destination for the next 6 months. The map displays the AF/KL-operated destinations with the current travel requirements based on the customer’s point of departure and vaccination status. Each destination features an integrated booking function and a link to the more detailed travel requirements associated with this destination on TravelDoc. The interactive map is accessible *via* the Air France and KLM websites.

In addition to information made available on digital touchpoints, Air France – KLM has proactively sent tailor-made communication to inform customers of their specific travel requirements; more than 100 million contacts were targeted this year, with customer satisfaction increasing as the content was progressively made more accurate.

On Digital Marketing, our focus is on providing Covid-19-related information and practical support for customers, by dynamically adapting our targeted advertising in line with constantly-changing market demand and consumer sentiment. This approach is supported by dashboards integrating internal (e.g. API calls) and external data (e.g. Google demand, social media questions).

A selection of the Digital Marketing highlights in 2021:

- collaboration Brand/Sales campaign marketing through successive messages;
- integration of booking flexibility in all our channels with lower funnel communication;
- the “Recovery Strategy” initiated in 2020, wherein we categorize countries by sentiment and demand, was pursued during 2021, with more and more markets entering the “recovery phase” (reactivation of marketing and marketing investment that follow sentiment and demand). The

consequence was more active marketing and more budget spend while maintaining the return on advertising spend;

- sales pick-ups on the American market that reopened through two sales campaign waves in the autumn and pick-ups on social media (KLM). 2021 also saw an improvement in many initiatives launched in 2020, to facilitate control for our customers and respond to increasing servicing requests, some of which dealt with by information bots dedicated to information on the Covid-19 situation, self-service rebooking, self-service vouchers and refunds.

As part of the Air France – KLM self-service offer, Ready2Fly (Air France) and the Upload@Home (KLM) service were introduced to assist operational staff with the increase in Covid-19 document checks at the airport and offer customers a more streamlined experience. *Via* this service, customers are informed prior to travel of the required Covid-19 documents for their destinations. Customers can then assemble the Covid-19-related entry documents at home at their own pace and receive validation of these documents through a dedicated back-office prior to travel. The use of this service enables the reactivation of our online self-service check-in process since validation of the customer’s health status is done in advance. The service is offered on those routes and destinations which are dependent on the Covid-19 entry rules and regulations.

In 2021, our hybrid model of agent servicing, supported by tooling and bots, demonstrated its essential role in our social media service organization, making tangible the best of human and AI interaction to assist our customers. The digital teams adapted and developed additional bots to handle the high servicing volumes, in a context of complex travel conditions for our customers.

Digital supporting the Group’s sustainability ambitions

To support the Group’s ambition to become the sustainability leader in the aviation industry, Digital has created dedicated content and pedagogic pages to promote sustainable actions (CO₂ reduction and offsetting, waste on board, new fleet, etc.) and includes “100% CO₂ offset” as a structural mention for domestic flights on both the booking module and the price comparison websites.

A number of tools have also been developed to promote the offsetting of CO₂ emissions, i.e a CO₂ calculator, Trip&Tree module (offsetting) with partner Ecoact and Payment in Miles for Trip&Tree.

Reducing CO₂ is key and costly. Digital’s response has been to develop additional tools to increase our investment capabilities in Sustainable Aviation Fuel (SAF), with the implementation of the mandatory (for Air France) SAF surcharge, and a new product to allow customers to voluntary invest in SAF on the booking, reservation and check-in windows alongside offsetting products.

Sustainability is an important topic, and still new. Air France–KLM has thus invested time and resources in market research to better understand our customers' views and ensure that we are developing the most appropriate offers from a sustainability perspective but also aligned with customer expectations.

Revenue

From an Air France–KLM perspective, the focus has been/is on maximizing revenues – now more than ever. Customers are looking for a good deal and to feel excited, in order to increase their spend and become more loyal to our brands. Digital Marketing is instrumental in driving customers to our direct online channels. Optimizing revenues generated *via* our direct online channels is vital. The online offer must be adapted to and fulfil customer needs in both the sales and after-sales windows. Some examples: first go-lives on selected markets of ticket bundles with seats (i.e seats with extra legroom), the “paid empty seat” customers can choose to block an empty seat next to them or even a full row and, for Flying Blue members, it is now possible to buy commercial tickets and pay with cash and Miles.

Furthermore, new customer segments have been attracted to our direct online channels (i.e corporate customers *via* Business Travel Services).

Innovation to offer the most personalized digital experience

Personalization as a key driver in our commercial strategy

Air France and KLM have launched numerous initiatives to personalize their offers in response to customer needs; the goal is to develop the offer's personalization at every stage of the customer journey.

Numerous options such as the choice of seat and meals or lounge access are offered with a discount to our customers through the most relevant touchpoint (email, application, etc.) and at the best time when they are planning their travel.

This is also the case for marketing campaigns. Thanks to data and algorithms, we are able to propose to our customers only the destinations and products in which they are truly interested. Our “Next Best Action” dedicated algorithm is able to make suggestions based on historical bookings and the customer profile.

A pioneer on social media

Air France and KLM are continuing their role as pioneers, having been the first airline brands to propose direct conversations with customers and the sending of travel documents on five social messaging platforms, 24/24 and 7/7, in 10 languages.

Customers can choose to receive their travel documents and notifications directly on their preferred social channel.

The strategy of combining artificial intelligence (bots) and 500 advisors around the world at the service of our customers has enabled the successful management of more than 50,000 cases a week.

Key figures for Air France–KLM on the social media:

- questions from customers are answered by over 500 advisors (based in ten call centers worldwide), making this the largest dedicated social media team in the world;
- 24/24 and 7/7 service on WhatsApp, Facebook, Messenger, Twitter, WeChat, KakaoTalk;
- messages in ten languages (French, Dutch, English, German, Spanish, Portuguese, Italian, Japanese, Simplified Chinese and Korean);
- over 50% of agent replies on social media are supported by artificial intelligence (the agents use suggested answers or fully-automated replies);
- over 50% of incoming Air France–KLM customer conversations are assisted by a chatbot, with around 20% for Air France and 13% for KLM being fully handled by chatbots;
- improving the customer experience and customer recognition by building connections between Air France–KLM-owned media (Mobile App) and the social media channels (Messenger), providing personalized and efficient servicing on our social media channels;
- more than 2 million unique users of the messaging services.

Note 1: A case is a sum of messages exchanged with a customer on a specific subject/question.

Note 2: The number of social fans and followers is subject to the effects of centralization (closure of local pages).

Furthermore, to maintain its frontrunner position, Air France launched its Instagram Shop in November 2021, thereby becoming the first travel brand to position itself on social commerce.

Consolidation of a joint digital platform

For some years Air France and KLM have combined their digital development resources and expertise to create a joint digital ecosystem for the Air France and KLM brands. Based on agile methods of working, a continuous effort is directed at providing our customers with a state-of-the-art digital experience. The foundation of this ecosystem is a joint API framework, covering the entire journey. During 2021, significant progress was made on the new website as well as on the mobile application, for which a uniform architecture and technology set-up is applied for both the Air France and KLM digital channels.

In the same joint spirit, conversational and social media development was combined within the space of a year by migrating to a joint architecture and joint chatbots for both Air France and KLM in less than one year. All automation developments for our customers on social media are now common to both companies.

1.3.1.4 Cargo

During the 2021 financial year, the Group carried 1,053 million kilograms, up by 19.7%, of which 84% in the bellies of passenger aircraft and 16% in the full-freighter fleet. The tightening of supply and demand levels have increased yields significantly since the beginning of the Covid-19 pandemic.

In 2021, the Group's cargo capacity was up by 13.3%, primarily driven by the increased belly capacity in passenger aircraft and the increase in full freighter capacity, and partly offset by a decrease in mini-cargo flights (passenger aircraft for which only the belly capacity is marketed). The yield and load factor were higher, resulting in a unit revenue increase of 25.8% at constant currency, due to the gap between industry capacity and demand. The Group benefited from its full freighter fleet of six aircraft and a passenger long-haul fleet well suited to the cargo activity (Boeing 777, Boeing 787 and A350).

World-wide air freight volumes have strongly recovered, and volumes are above pre-Covid levels, mainly on Europe Middle East/Asia and North Atlantic routes. The supply-demand gap is foreseen to narrow once the industry capacity supply increases which will depend on the recovery in passenger traffic. In 2021, Air France – KLM transported approximately 100 million Covid vaccines worldwide.

1.3.1.5 Airline partnerships and alliances: expanding the Group's commercial presence to respond to global air transport

Air transport demand is global and, to respond to this demand, Air France – KLM is pursuing an ambitious strategy aimed at expanding its commercial presence in every region of the world.

Airline alliances and partnerships are an integral part of this strategy. They contribute to meeting customer expectations and thus creating value for both the Group and its customers. They reinforce the Group's market positioning thanks to an expanded and more diversified network, which supplements the Group's own offer. They may also enable the generation of operational synergies.

Strategic partnerships

In July 2017, Air France – KLM announced a further major step in the reinforcement of its strategic partnerships with, on one hand, the creation of a single global joint-venture between Air France – KLM, Delta Air Lines, Inc. and Virgin Atlantic and, on the other hand, the intensification of its partnership with China Eastern Airlines. These two commercial alliances have been consolidated by equity links with Delta Air Lines, Inc. and China Eastern Airlines each acquiring an 8.8% equity interest

in Air France – KLM within the framework of reserved capital increases carried out during 2017, for a total of €751 million.

The strategic, commercial and capitalistic reinforcement of these partnership positions Air France – KLM as the European pillar of the leading global airline network.

Transatlantic joint-venture with Delta Air Lines and Virgin Atlantic

On January 1, 2020, following approval by the US authorities on November 21, 2019, the Group launched a new transatlantic joint-venture between Air France – KLM, Delta and Virgin Atlantic. As a result, as of December 31, 2019, a decade after its creation, the Group ended the existing joint-venture between Air France – KLM, Delta and Alitalia. As with most joint-ventures in the industry, it did not lead to the creation of a common company but rather the signature of a contract defining both the mechanism of a common income statement, and governance and organizations to manage all aspects of the partnership. The existence of an internal common income statement ensures that the partners implement all the actions contributing to an improved operating result for the activity, to their mutual benefit. Each company member of the joint-venture recognizes the revenues and costs relating to the joint-venture scope in their respective income statements. If necessary, a settlement mechanism between joint-venture members will compensate the imbalances in value creation based on a mechanism agreed between the parties. This mechanism contributes to "metal neutrality", enabling the different members to jointly manage capacity and look for overall optimization rather than the individual interests of each airline, ultimately increasing value for both the partners and customers.

The governance bodies comprise a CEO Committee, a monthly JV Leadership Team meeting and Working Groups.

The scope of this joint-venture is very wide, covering all the flights between North America (including Canada and Mexico) and Europe through integrated cooperation and all the flights between North America to and from Africa, the Middle East and India together with the flights from Europe to and from Central America, Colombia, Venezuela, Peru and Ecuador through close coordination.

Prior to the public health crisis this new joint-venture had revenues exceeding US\$13 billion and a market share of 23%, making it a major player on the transatlantic, the leading market for international air transportation. More than 340 daily flights linked the nine principal hubs: Paris, Amsterdam, London, Atlanta, New York, Detroit, Minneapolis, Cincinnati and Salt Lake City. Pricing and revenue management are centralized within a 60-strong team based in Amsterdam.

The coordination of the network is reflected in the strengthening of the hub-to-hub services, the optimization of aircraft types assigned to each route and an increase in the number of destinations served by non-stop flights on both sides of the Atlantic and the English Channel. The sales forces have been regrouped in each region.

This extended scope marks the expansion and strengthening of one of the most advanced partnership models in the airline industry.

Partnership in China – a consolidated presence in the Chinese market

Air France and KLM benefit from a historic presence in China, bolstered by a strong partnership with one of the three largest Chinese carriers, through a joint-venture agreement concluded ten years ago.

In 2012, Air France signed a joint-venture agreement involving the Paris and Shanghai routes with China Eastern Airlines, a major player in Chinese air transportation, operating a vast domestic network and internationally mainly out of its base in Shanghai, China's economic lung. This agreement was extended to KLM in 2016, when China Eastern Airlines inaugurated the Shanghai-Amsterdam service. The partnership was further reinforced in 2017 when China Eastern Airlines acquired an 8.8% equity interest in Air France–KLM via a reserved capital increase. In November 2018, Air France–KLM and China Eastern signed an agreement extending their joint-venture to two additional routes, Paris-Wuhan and Paris-Kunming, as of January 1, 2019, thereby offering their respective customers new routes under code share and new connecting opportunities between Europe and China. In April 2021, China Eastern Airlines participated in the Air France–KLM share capital increase; within this context, both airline groups decided to extend the scope of their partnership through an intensified commercial cooperation and an increased footprint on the Beijing market, with the Paris-Beijing and Amsterdam-Beijing routes joining the current existing Joint Venture between Air France–KLM and China Eastern Airlines when the conditions are satisfied.

Thanks to this partnership, Air France–KLM can offer its customers access to a total of some forty destinations in China.

In total, the revenues from routes operated between Europe and China by airlines participating in the joint-venture agreement represented more than €600 million in 2019.

Strategic partnership with GOL

In 2014, Air France–KLM and GOL Linhas Aéreas Inteligentes signed an exclusive five-year strategic partnership, reinforcing their commercial cooperation between Brazil and Europe. The partnership notably foresees the optimization of synergies between the two groups and, in particular, connecting opportunities in the major Brazilian cities served by the Group. The partnership was a great success, with almost 25% of Air France passengers, flying to Brazil, transferring to GOL flights. Since April 2015, GOL has used its code on Air France–KLM flights between Europe and Brazil, and on European destinations beyond Paris and Amsterdam. The two partners cooperate on promoting sales in their home markets and, since November 2017, Air France has been GOL's GSA for the French market. This GSA agreement is currently being deployed across the European market.

In May 2018, Air France and KLM took a new step in their strategic development in Brazil with the opening of new flights to Fortaleza on departure from Paris and Amsterdam. These flights connect with GOL's new strategic hub in Fortaleza, offering increased connectivity for customers to the main cities in northern and north-eastern Brazil.

On October 30, 2019, Air France–KLM and GOL renewed this strategic partnership agreement for a five-year period, thereby reinforcing this cooperation. Air France–KLM remains GOL's exclusive European partner and reciprocally, with some exceptions granted.

Other joint-ventures and code shares

Air France–KLM implements various forms of partnership agreements, the choice depending on the balance between value creation for its customers and the Group, and the necessary level of interaction between the offers of the partners, together with the regulatory requirements framing the scope of the agreement.

The first levels of interline cooperation are Traffic and Special Prorate Agreements (SPA) between the partner airlines, enabling the combination of their networks while maintaining their respective IATA codes and setting their own fares.

Within the framework of a code-sharing agreement, two partner airlines sell tickets on the same flight, each under their own code and setting their own fares. The operating carrier has operational control over the aircraft while the marketing partner, for sales purposes, uses its own flight number on its partner's flights. Any such agreement must comply with the safety and regulatory requirements set forth by the competent authorities.

There are two types of code sharing. In the first, under a block seat agreement, the marketing partner purchases a fixed amount of capacity from the operating carrier. The marketing partner has inventory control over the seat block. In the second, known as free flow, no division of capacity is set, the two partners potentially selling all the seats on the relevant flights although inventory control remains the prerogative of the operating carrier. Access to capacity on the relevant flights is through negotiated fares for each booking class.

Joint-ventures are the next level in alliances and participate in the trend towards consolidation when the partners are seeking a higher level of joint optimization on a sub-scope of their network without, however, considering a merger.

A joint-venture enables value creation for customers in the markets where it is implemented and, as a result for the partners who organize coordination of the commercial activities:

- for customers, they enable access to an expanded offer of flights and improved connectivity, loyalty program benefits across a wider perimeter, a harmonized travel experience and integrated commercial propositions;
- the partners thus improve their market positioning, serving a higher number of customers and enabling them to capture market growth.

The partners define the governance principles and financial sharing mechanisms, enabling decision-making and execution across the whole value chain, thus responding to the commercial objectives of the joint-venture.

The final stages in cooperation consolidation and integration are mergers or equity interests, anchoring the development of a common strategy over the long term.

Joint-ventures, equity interests and mergers must be approved in the light of the regulations in force in the jurisdictions covering the scopes of the agreements, particularly with respect to the competition rules (e.g. Anti-trust Immunity).

1.3.1.6 SkyTeam alliance

The three large alliances, SkyTeam (to which Air France and KLM belong), Star Alliance and oneworld, represent some 55% of worldwide traffic. Among the top 50 airline carriers in the world, only 15 do not belong to a global alliance, including eight low-cost carriers whose business models make them unlikely to want to join an alliance.

Since the inception of the global alliances, their capacity in terms of the available seats offered by member airlines has grown by more than the industry average, with SkyTeam now being the second largest global alliance, behind Star Alliance and ahead of oneworld.

SkyTeam: a global alliance

SkyTeam, created in 2000, is a global alliance which numbered 19 airline members at December 31, 2020: Aeroflot, Aerolineas Argentinas, Aeromexico, Air Europa, Air France, Alitalia, China Eastern Airlines, China Airlines, Czech Airlines, Delta Air Lines, Inc., Garuda Indonesia, Kenya Airways, KLM, Korean Air, Middle East Airlines, Saudi Arabian Airlines, Tarom, Vietnam Airlines and XiamenAir.

Belonging to SkyTeam enables its members to strengthen their brand awareness and extend their offer around the globe, thereby bolstering their commercial presence. As members of the SkyTeam alliance, Air France and KLM thus have access to a global network of some 15,500 daily flights to 1,036 destinations in more than 170 countries.⁽¹⁾

The 676 million annual passengers benefit from a seamless travel experience on the flights of member airlines and have access to 790 airport lounges around the world. The 230 million

passengers who are members of frequent flyer programs can earn and burn air miles on all SkyTeam partner flights.

To become an alliance member, airlines need to fulfil a series of specific membership requirements, relating to operations, technologies and products. Members must be linked by bilateral agreements covering code sharing, their loyalty programs and access to airport lounges.

While retaining their separate identities and brands, the airlines combine their networks to offer their customers a more extensive range of travel solutions and the related global services, more rapid earning of miles, access to numerous airport lounges but also a more seamless customer service during the different stages of their journeys thanks to the SkyPriority and SkyTransfer programs.

SkyTeam also provides an environment and tools enabling members to generate operational cost synergies (e.g. co-located facilities, better use of airport lounges and notably the seven SkyTeam lounges, a joint IT platform, etc.).

Airlines must also be able to offer the products and services exclusive to the alliance. SkyTeam has notably developed proprietary products such as Passes enabling travel at competitive fares, global contracts reserved for large companies or international events, and a product dedicated to Marine and Offshore personnel.

SkyTeam's main governance body is the Alliance Board, composed of the Chairs and Chief Executive Officers of the 19 member airlines. The Alliance Board meets twice a year to define the strategic orientations of the Alliance such as the introduction of new members, the definition of the customer experience and the positioning of the SkyTeam brand along with its related investment and operational budget.

The Executive Board, consisting of senior executives with direct commercial and operational roles, is appointed by the Alliance Board and translates the approved strategic orientations into action plans in a wide range of disciplines ranging from marketing, airport synergies, the interface between information systems, the transfer product between member airlines, cargo and advertising of the brand.

In parallel with their proprietary development projects, the member airlines commit to implementing the SkyTeam action plans by earmarking the required internal resources and respecting the timelines set.

(1) For reasons linked to the Covid-19 pandemic, the 2019 figures are given since they are more representative.

1.3.1.7 Key figures

Network business

Networks	Year		
	2021	Change	Change at constant currency
Total revenues (in €m)	12,253	+33.1%	+34.8%
Scheduled revenues (in €m)	11,520	+34.4%	+36.3%
Income/(loss) from current operations (in €m)	(1,582)	+2,140	+2,126

Passenger Network business: ensure health safety on board and adapt the network to cope with border restrictions

Passenger network	Fourth quarter			Year		
	2021	Change	Change at constant currency	2021	Change	Change at constant currency
Number of passengers (in thousands)	12,840	+146.3%		35,855	+24.1%	
Capacity (in ASK million)	53,485	+53.3%		176,019	+27.4%	
Traffic (in RPK million)	37,710	+162.8%		101,092	+24.5%	
Load factor	70.5%	+29.4 pt		57.4%	-1.3 pt	
Total passenger revenues (in €m)	3,223	+186.1%	+184.7%	8,666	+30.5%	+32.3%
Scheduled passenger revenues (in €m)	3,131	+197.0%	+194.2%	8,353	+32.1%	+34.0%
Unit revenue per ASK (in € cents)	5.85	+93.8%	+92.0%	4.75	+3.7%	+5.2%

1.3.2 Low-cost business (Transavia)

Transavia, the Air France – KLM Group's low-cost business, operates point-to-point flights to/from the Netherlands and France. Transavia's cost structure is strictly aligned with the low-cost business model: maximizing the utilization of aircraft, simple products and fares, a strong focus on ancillary revenues, a single aircraft type, a light organizational structure and the outsourcing of a significant portion of the activities.

Transavia Netherlands, the main low-cost airline in the Netherlands serves customers in the leisure segment, was celebrating its 55th anniversary, saw a strong recovery and retained its number one low-cost carrier position. In general, the leisure market has recovered faster than the business market, retaining more capacity than airlines that also depend on intercontinental traffic.

Adapting the network to the Covid-19 crisis

In 2021, both Transavia Netherlands and Transavia France again had to contend with the global pandemic and the emergence of new variants. Once again, the Company had to be very agile in order to constantly adapt its ASK offer to the health situation and to the various border closures and re-openings.

Due to a curfew followed by a lockdown in France during the first quarter of the year, Transavia France considerably revised its capacity, which was down by 68% compared to the same period in 2019.

In May 2021, as restrictions were lifted in France and in several countries key to the network (Portugal, Greece, Italy, Croatia, etc.), customer demand surged as passengers were again eager to travel. The customer profile (Leisure and VFR customers) proved to be an asset as it was these customers who were the first to book and fly again. With a fleet of 48 aircraft, during Summer 2021, Transavia France capacity returned to a level comparable to that of 2019. To meet customer demand and expectations, capacity was added in Spain (+60%) Greece (+40%), Portugal (+15% from July) and other markets in the Mediterranean basin.

In June, the reopening of Morocco's air borders enabled Transavia France to relaunch flights to one of its core markets.

In total, Transavia France launched 37 new routes during the summer to various destinations in France and elsewhere in Europe. With 1.6 million passengers carried during the summer peak, Transavia France regained its pre-crisis levels (with a load factor of 81% in August).

During October and November, as restrictions continued to be lifted, capacity was again increased. The All-Saints' Day holidays benefited from a "very strong catch-up effect", with 30% more passengers than in 2019.

With 13 new routes inaugurated during the fourth quarter, Transavia developed its city break network (Krakow, Stockholm, Berlin, Rome, etc.) and its sun destinations for the winter (Hurghada, Cairo, Cap Verde, etc.).

At the end of the year, with the surge in the Delta and Omicron variants, capacity was again adapted. With the closure of Morocco, where Transavia France serves 10 destinations (20% of capacity in December), a portion of capacity from Paris-Orly was redeployed to Spain, Italy, Tunisia and Portugal.

Transavia Netherlands benefitted from holiday traffic within Europe and performed well around the summer and autumn holidays, from July to October. Over the summer and autumn, load factors stood at more than 80% of their pre-pandemic level, and flown capacity in 2021 was 29% higher than 2020. Revenues per passenger were good, although passengers tended to book late, impacting cash-flow and the ability to predict occupancy rates. Passengers made good use of the Flex proposition we developed in response.

In 2021, Transavia Netherlands took the bold step of opening Bilbao and Fez as two new destinations. For the 2022 season, Transavia Netherlands began selling tickets to five additional new destinations: Bastia (France), Kayseri (Turkey), Ponta Delgada (Portugal), Milan-Bergamo (Italy) and Riga (Latvia). In 2021, Transavia Netherlands operated out of Amsterdam Schiphol, The Hague Airport and Eindhoven. Low-cost carriers are trying their utmost to expand capacity in Europe although this is not possible in the Netherlands due to slot restrictions. In 2022, Transavia Netherlands plans to further roll-out operations from Brussels, starting with Innsbruck then followed by four more destinations.

French domestic network development

Despite the pandemic, the development of the domestic network continued. Transavia France launched the Orly-Toulon and Orly-Brest routes in March 2021, followed by the Orly-Montpellier route in November 2021. A total of 17 new routes, both radial and transversal, were launched in France, connecting various airports.

Continued innovation

In early 2021, Transavia France and the ADP Group launched a trial of facial recognition at Orly for passengers at two key stages of their journey: baggage drop-off and boarding. This technology, which is both reliable and respectful of private data, offers incomparable comfort and time savings to passengers who no longer need to present their travel and identity documents multiple times, including at the boarding gate.

Despite the crisis, Transavia was able to launch customer experience innovations such as Transavia Holidays (a new holiday-booking service combining a wide choice of destinations and hotels at affordable prices on a single platform) and Smoos (an automated solution for rebooking passengers).

Before the summer KLM and both Transavia airlines launched a request for purchase for the replacement of the Boeing 737NG fleet as part of a more comprehensive Air France – KLM tender. In December, KLM and both Transavia airlines signed a Memorandum of Understanding with Airbus for the delivery of new medium-haul aircraft as from 2024. This will be a combination of Airbus A321neo and A320neo aircraft.

Customer experience

In the area of customer experience, the Net Promoter Score (NPS) for Transavia France reached an all-time high with an average of 40 for the full year. In the Netherlands, the customer experience scores as measured with our Passenger Experience Index are in line with the high scores of 2019, with especially good customer satisfaction scores during the check-in process and the flight itself.

With more than 1,700 employees in France, Transavia France puts the quality of its services, the proximity of its crews and innovation at the center of its commitments. This stance has led to the company regularly winning awards. For the second time, Transavia France was voted "Customer Service of the Year 2022" in the Collective Passenger Transport (ESCCA) category and obtained, for the fifth consecutive year, the Capital label "Best Brand Quality of Service" in the Transport category, awarded by Capital magazine. The company was also awarded the Qualiweb 2021 trophy for the quality of its online service in the Tourism and Transport category.

Operations and maintenance have been adapted at all stages of the crisis enabling a maintained reliable service.

Lastly, since 2021, Transavia France passengers have been able to earn XP miles (Experience Points) in connection with the Flying Blue program.

Staff/internal recruitment

To support the resumption of traffic at the beginning of the summer, Transavia France looked for new recruits internally to fill cabin crew career opportunities.

In November, Transavia France signed a new agreement for remote working with the majority of the representative trade unions, aimed at improving the quality of life at work for employees while maintaining the social ties that are essential to the company's economic and social performance objectives.

In 2021, Transavia Netherlands saw its Employee Engagement Scores return to their 2019 levels. Transavia Netherlands also temporarily employed 155 cabin attendants from KLM.

Working during the Covid pandemic has brought a world of experience with regard to hybrid working. With the worker's council Transavia Netherlands developed a "2-3-2" working program which combines flexibility of working at home and combining social cohesion by working at offices and reducing the amount of work-home travel which supports our sustainable ambition.

Sustainable development

Transavia France is a pioneer in the implementation of eco-pilot programs. The pursuit of its partnerships with startups Safety Line and OpenAirlines has led to a 3% to 5% reduction in CO₂ emissions per flight.

In 2021, following on from the innovation partnerships entered into in 2020, Transavia France became the first airline to test OptiLevel, a vertical flight optimization solution. The aim is to achieve even-greater fuel savings and reduce CO₂ emissions.

The three OptiFlight solutions (combined) from its partner Safety Line can save more than 80 tons of fuel per aircraft per year, the equivalent of one aircraft flying neutrally in the Transavia France fleet.

Transavia France has also worked on reducing the weight of its aircraft: choosing a lighter carpet can reduce the weight of an aircraft by 63kg, representing a saving of 5.4kg of fuel per flight.

On the ground, Transavia France has embarked on the APU OFF project with Smart Airport Systems to reduce CO₂ and NO_x emissions. This technology allows the air conditioner on the ground to be powered by electricity, thus no longer using the aircraft's APU (Auxiliary Power Unit). After a first successful test in August, this solution could lead to an average reduction of 16% in CO₂ and 9% in NO_x emissions.

Transavia France has teamed up with the start-up GobUse to promote the recycling of surgical masks. Employees are invited to deposit their masks in the terminals and the masks are then recycled and transformed into building materials.

In 2021, the company also partnered with Tricycle, an SSE company, to collect office waste. The result: 1.4 tonnes of waste sorted, of which one tonne was given a second life.

This year Transavia France again reinforced its commitment to associations like *Movember*, *Octobre Rose*, *Les Rubans Rouges* and the Carlesimo association, by promoting awareness-raising actions on board and with ground staff.

Transavia Netherlands is also making an important contribution to its own and the Group's overall sustainability. Together with

KLM and Transavia France it is investing in the renewal of its fleet and has become a member of the innovation hub at Rotterdam The Hague Innovation Airport. Along with Dimple Aerospace and Delft University of Engineering, Transavia Netherlands was awarded a subsidy by the Dutch Turbulence Taskforce to find ways to reduce turbulence, which leads to lower CO₂ emissions during flight. Transavia is a long-standing partner of JINC, an NGO that develops the talents of disadvantaged young people.

Transavia Netherlands thus plans to blend one per cent sustainable airline fuel on all its outbound flights. These numbers will increase over the coming years. Transavia took the initiative to encourage its staff and management to plant 5,000 trees around Schiphol. The planting of more trees is planned for 2022.

Lastly, Transavia Netherlands celebrated the 25th anniversary of its Peter Pan Holiday Club, which has seen Transavia volunteers organize holidays for 1,200 chronically sick children.

Growth incoming

2022 marks the continuation of Transavia growth in terms of offerings, presence in its core markets and new destinations. Transavia is continuing to build its fleet from 50 aircraft this winter to 61 next April.

With customers keen to travel again as soon as the health situation allows, Transavia France has high expectations for the upcoming summer season and plans an ambitious flight schedule with the opening of 18 new routes.

Transavia Netherlands aims to remain the number one low-cost carrier in the Netherlands, and to be an inspiring organization for employees and passengers. To this end, a recovery plan has been drawn up to sharpen the business strategy, restructure the organization and implement cost reductions.

The Transavia strategy focuses on three domains. The first one is the customer, proposition and distribution. The second is integral airline planning and the third is purpose, people and organization. In 2021, the focus was on strengthening our foundations through more simplification and integral cooperation, and cost reductions with which they are on track. In 2022, the recovery will be accelerated by diversifying the offering and sharpening the purpose. A more integral approach will also be taken to the design of the operations to adapt to the market more flexibly. In terms of production, Transavia Netherlands is closing in on the 2019 capacity with a planned capacity index of 94% compared to 2019 for the full year, and in 2023 above the 2019 levels.

1.3.3 Maintenance business

Aircraft maintenance is the Air France – KLM Group's third business with third-party revenues of €1.0 billion. These revenues generated with external clients represent 36.4% of the total revenues in this business. In 2021, despite the Covid-19 pandemic and its worldwide impact on the airline industry, the AFI KLM E&M order book remained at a high level with a total value of US\$8.7 billion.

In the aircraft maintenance or MRO (Maintenance, Repair and Overhaul) market, Air France Industries KLM Engineering & Maintenance (AFI KLM E&M) ranks number two globally amongst the multi-product players. The role of AFI KLM E&M is to supply competitive support for the Group's fleet, while consolidating its position as a leading MRO in its own market.

The Group operates in three major maintenance segments: airframe maintenance, engine maintenance and component support (electronic, mechanical, pneumatic, hydraulic, etc.). Airframe maintenance covers three sub-segments: line operations support which aims to verify the proper day-to-day functioning of systems and the integrity of the aircraft structure, heavy maintenance for in-depth checks involving the disassembly of cabins, equipment and some structural elements, and the realization of modification programs, particularly the retrofitting of cabins.

1.3.3.1 Business environment

An attractive market despite the growing constraints

The aeronautics maintenance or MRO (Maintenance, Repair, Overhaul) market is mostly driven by the age, cycles and flight hours of the worldwide fleet. According to estimates, the global MRO market, which comprises the maintenance and modification spending by aircraft operators either directly or through sub-contractors, first collapsed in 2020 before recovering in 2021. After a drop to US\$50 billion in 2020, down from an expected US\$91 billion in the initial forecasts, the MRO market recovered to a forecast amount of US\$68 billion for 2021, representing 83% of the 2019 levels (pre-Covid-19 crisis), mainly driven by the recovery in narrow-body operations (source: Oliver Wyman, June 2021).

The trends in this business closely follow those of the commercial airline fleets globally and their utilization. The Covid-19 crisis and a strong emphasis on sustainability have accelerated fleet adjustment decisions, to gain efficiency and reduce CO₂ emissions. Airlines are tending to defer maintenance and are focusing on grounding and/or phasing out older generation aircraft and increasing the proportion of next-generation aircraft, benefitting those like AFI KLM E&M which are well positioned

on the next-generation and the more sustainable segments. Green time management has been increasingly implemented in particular on engines and APUs. The digitalization of engineering services in MRO is expected to be increasingly used by airlines in an effort to optimize their ground time and operations. Furthermore, a growing number of airlines are looking to transfer the financing of spare parts to maintenance service providers within the framework of increasingly-large-scale contracts (in terms of revenue, duration, complexity, etc.). The MRO operators are suffering from weaker and more volatile demand on older and current-generation aircraft. The Air France – KLM Group considers that the MRO market related to newer-generation aircraft, which had yet to require significant spending in 2021, will grow and reach mature levels by 2024. By then, MRO global spending will have shifted away from the older generation aircraft which are gradually being phased out.

The market is also characterized by increased pricing pressure resulting from fiercer competition between maintenance operators and more exacting requirements from customer airlines due to the ongoing Covid-19 crisis. Additionally, supply chain difficulties and rising inflation resulting from the crisis are likely to appear as well as a warning signal on the entire aeronautics business. Ensuring a fair competition on the after-sales market is appearing as a means to secure airline operator budgets, over the long term and despite an uncertain environment.

Finally, the aftermath of the Covid-19 crisis on airline bankruptcies, including bankruptcy protection mechanisms such as Chapter 11, will also have a residual effect on the MRO market. However, the longer-term outlook for the MRO market remains strong, with steady growth projected for the next decade.

Ever-fiercer competition

As with all the players in the aeronautics industry, the MRO operators are participating in a vast consolidation movement to reinforce economies of scale.

Against this backdrop, air framers, engine manufacturers and aircraft component manufacturers are continuing to develop their after-sales services to offer their customers increasingly-integrated aircraft maintenance solutions. This positioning corresponds to a long-term strategy based on leveraging intellectual property by selling licenses to a limited number of maintenance service providers seeking to expand their business activity on certain products. This trend is escalating, especially with the arrival of new aircraft like the E2, A220, A350, Boeing 787, etc. Ultimately, this trend could result in reduced competition on the MRO market, with a seriously adverse effect on airline maintenance costs.

The ability to sustain balanced competitive conditions is a priority objective for AFI KLM E&M's commercial activity, but also to contain Air France's and KLM's maintenance costs.

At the same time, this business is experiencing a technological change which is influencing the products, processes, methods and competencies within the maintenance activities. This is notably the case with next-generation aircraft whose avionics dimension is playing an increasingly important role relative to the mechanical systems: digital tools, composite structures, connectivity, etc. Innovation is an integral part of all the business processes.

1.3.3.2 AFI KLM E&M's position as a world leader

On the strength of its solid position as the number two global multi-product MRO by total revenue, AFI KLM E&M is pursuing its targeted development strategy based on its own specific features and the Group's objectives.

This strategy has two pillars: firstly, cutting costs and maintaining high standards of quality and performance and, secondly, growing the customer portfolio in high value-added products and services.

In the past decade, this ambition has been reflected in substantial investment in modernizing AFI KLM E&M's IT system and industrial infrastructure at its principal maintenance sites: Toulouse, Amsterdam, Villeneuve-Le-Roi, Roissy and Orly. It has also significantly expanded its worldwide footprint with a growing customer portfolio which is well-balanced across the globe, as well as with a growing network of businesses either fully-owned or in Joint Ventures.

A maintained ambition

During the Covid-19 crisis AFI KLM E&M has managed to adapt its services for the Air France – KLM Group airlines and for its worldwide customer portfolio despite huge changes in customer expectations and heavy supply chain constraints.

As part of its continuous improvement efforts, AFI KLM E&M affirms its ambition of making AFI KLM E&M a benchmark brand in its market as an airline MRO supported by a powerful global network.

In 2021, AFI KLM E&M continued to strengthen its global position on new-generation aircraft, with strong growth for the A350, Boeing 787, A220, A320neo and Boeing 737MAX products. While it has been impacted by the crisis, the current order book status indicates that AFI KLM E&M is able to maintain and even reinforce its market position with the new aircraft generations.

This market success is supported by The MRO Lab[®] innovation program which focuses on strategic areas of the MRO sector, ranging from technician mobility and customer experience to the Internet of Things, Big Data applications, predictive maintenance, digitalization, additive manufacturing and artificial intelligence.

In the digital field, PROGNOS[®] constitutes a major building block. Launched in 2016, it regroups a range of predictive maintenance solutions based on exploiting the data from aircraft systems with a view to improving maintenance models and processes. The PROGNOS[®] range of solutions now includes PROGNOS[®] for Aircraft, PROGNOS[®] for APU, PROGNOS[®] for Inventory and PROGNOS[®] for Engines. AFI KLM E&M is capitalizing on the vast amount of data generated by the Air France and KLM fleets to develop its PROGNOS[®] solutions and verify their operational relevance and performance before sharing such innovations with its customers.

AFI KLM E&M has developed several cost-saving projects, along with transformation and restructuring plans to enhance its competitiveness and adapt its organization to the market environment.

In aircraft maintenance, the implementation of adaptation projects has also continued to reinforce AFI KLM E&M's competitiveness. Cost-saving initiatives have been implemented to optimize activity on a site-by-site basis, strengthen external partnerships and deploy more efficient work organizations. All this has been accompanied by efforts to match resources to the level of business activity and build new career paths.

In the Engines and Components segments, AFI KLM E&M has managed to strengthen its positioning on products and services aligned with market cycles and expectations, and secure its global MRO network.

Contributing to the Flight Safety and Operational Efficiency programs

AFI KLM E&M's primary task is to guarantee the airworthiness of the Group's fleet and ensure regulatory compliance. To this end, AFI KLM E&M manages technical data, implements the maintenance policies, and ensures the permanent availability of the required skilled staff and technical resources.

Aircraft maintenance at the service of airlines

Line Operations support

AFI KLM E&M continues to market its services to customers in the line maintenance segment and to develop its business in its main bases as well as internationally.

Light Maintenance operations

Within the framework of AFI KLM E&M's continuous improvement efforts, the Light Maintenance operations, which are mostly executed in Amsterdam, Paris-CDG and Paris-Orly, have continued to implement new processes to further reduce Turn Around Times and increase aircraft utilization, to the benefit of Air France and KLM.

At the same time, AFI KLM E&M continues its iGO Solutions joint-venture operations by delivering high-performance support to its customers; Transavia for its 737 fleet and Air Caraïbes/French Blue for their A330 and A350 fleets.

Heavy Aircraft Maintenance

Heavy maintenance continues to undergo structural change in a market where prices remain low. A maintenance master plan has thus been implemented, designed to rationalize the aircraft maintenance operations by optimizing activity on a site-by-site basis (Paris-CDG, Amsterdam-Schiphol, Paris-Orly, Toulouse-Blagnac). The Group's new fleet plans will enable this optimization to be continued in the coming years.

AFI KLM E&M has continued its use of external partners to cut maintenance costs for the Group's fleets and obtain, in return, additional work in the high-growth Engine and Components segments.

From engineering to maintenance, AFI KLM E&M provides continuous support for the Group's airlines, as well as for an ever-growing number of customers, by defining and deploying new cabin products in both short and medium-haul, and across the long-haul offering.

Military Product

In recent years, AFI KLM E&M has been able to secure the operational maintenance of the French AWACS fleet for which it is responsible.

Component Support: managing a global supply chain

Component Support covers the repair of a broad technological spectrum of aircraft parts, the management of technical and reliability standards and the management of component shipments to/from customers' operating bases. The top request expressed by the airlines is to gain flexibility and help in managing the uncertainty hanging over the market as best they can. In the short term, this has led to the offer of a large number of made-to-measure solutions, but also to working with operators to think about the post-crisis period and how to get back to the more stable contractual frameworks which are essential in terms of industrializing maintenance operations and achieving optimum performance levels.

In 2021, AFI KLM E&M unveiled a new MRO service offering for the Airbus A220 and signed a contract with Air Austral for the support of its fleet. Also in 2021, despite the on-going Covid-19 crisis, AFI KLM E&M's offer on latest-generation aircraft attracted the attention of several airlines such as Gulf Air for the A320neo and Corendon for the 737 MAX component supports. Meanwhile, existing customers are regularly renewing their confidence in AFI KLM E&M, recognizing its overall added-value and attractiveness. Providing component support on over 3,000 aircraft across the globe, AFI KLM E&M is a leader in all the next-generation aircraft segments.

Engines: managing soaring demand

The planned renewal of fleets has been somewhat disrupted by the effects of the health crisis. It is accelerating for certain older models such as the Boeing 747, Airbus A340 and A380. The latest generation of aircraft such as the A350, 787 or A320neo are taking off with new efficient engines, burning less fuel and emitting significantly less CO₂. For engine products (much like other MRO products), the recovery remains difficult to anticipate. In 2021, AFI KLM E&M also integrated the Pratt &

Whitney MRO network for the maintenance of the PW1500G engines powering the A220. The Group provides engine support on the following engines:

- **CFM56:** the Group's workshops support one of the world's largest fleets of CFM56 engines, handling some 400 engines operated by various airlines. AFI KLM E&M is using its Amsterdam engine shop to position itself on the growing need for CFM56-7B support and the Orly engine shop for the CFM56-5 support requirements;
- **CF6-80:** by offering full-service maintenance at its Amsterdam engine shop, AFI KLM E&M is well positioned to support the CF6-80E1 equipping the A330s and the final phase in the life of the CF6-80C2. AFI KLM E&M's long maintenance track record with these engines means that it currently offers the most suitable maintenance solutions;
- **GE90:** on the strength of its state-of-the-art infrastructure, AFI KLM E&M offers the main alternative to the engine manufacturer for overhauls to this engine. Since 2012, AFI KLM E&M has had a new engine test cell at Paris-CDG. This test facility can test 300 engines per year, reducing processing time and offering a more cost-effective service for customers. This test facility, combined with significant expertise and proven experience, has attracted the interest of a growing number of airlines. In 2021, in addition to its infrastructure, AFI KLM E&M continued to build its know-how and can offer customers the benefit of its GE90 operating experience with, for example, On-Site/On-Wing Support enabling remedial as well as preventive actions anywhere in the world. This support can be accompanied by GE90 Engine Monitoring, designed to detect technical problems upstream thereby limiting potential engine damage;
- **GENx:** At the launch in 2015, AFI KLM E&M was the first non-OEM supplier to carry out Quick Turn checks on this engine. Since 2017, the AFI KLM E&M Zephyr test cell has successfully passed the GENx correlation test, enabling AFI KLM E&M to also perform engine test runs for its ten GENx airline customers;
- **LEAP:** Through the EASA/FAA approvals, AFI KLM E&M is able to assist LEAP operators worldwide during the entry into operational service phase. AFI KLM E&M can meet the needs of its customers in carrying out the on-wing/on-site work on LEAP-1A and LEAP-1B engines. The scope of these interventions is tailored to the requirements of airline operators, and may include activities like: power plant build-up, borescope inspection, and line replaceable unit (LRU) replacement services, amongst many others. AFI KLM E&M has secured an offload agreement with CFMI (GE/Safran) to perform Quick Turn shop visits on the LEAP-1B (B737MAX) engines they have under contract. AFI KLM E&M is in the process of expanding the range of Quick Turn workscopes it is capable of performing. Furthermore, AFI KLM E&M has a General Service License Agreement with CFMI in place, authorizing it to offer a large array of engine support services in our Engine workshops to support customers that operate Boeing 737 MAX fleets (LEAP-1B) and well as Airbus A320neo fleets (LEAP-1A), although the build-up of in-shop capabilities on the latter engine type is

not yet that advanced. Thanks to its CAAC approval, AFI KLM E&M can also carry out an extensive set of activities for all customers in China (airlines and MROs).

- **Pratt & Whitney/Rolls Royce:** Air France Industries will perform Maintenance, Repair and Overhaul (MRO) work on Pratt & Whitney PW1500G (A220) and Rolls Royce Trent-XWB 84k (A350-900). This work will be offloaded from the engine Original Equipment Manufacturer (OEM) and will encompass engines from both the Air France fleet and other customers that have contracted maintenance services with the OEM. Here the commercial relationship will be predominantly with the OEM and not with the operator of these engines. Further, Air France Industries KLM Engineering & Maintenance will compete for engine parts advanced repair work within the OEM's networks. These repairs should cover all regional or even worldwide repair flows for the particular repair that AFI KLM E&M could potentially win through the OEM's tendering process.

AFI KLM E&M: an international network tailored to local requirements

AFI KLM E&M is pursuing its growth strategy on profitable markets and segments by deploying its network of subsidiaries (EPCOR, CRMA, KLM UK Engineering, Barfield, AFI KLM E&M Components China) and partnerships (ATI, Beijing LMI, Spairliners, Max MRO Services, iGO Solutions, Airfoils Advanced Solutions, Singapore Component Solutions, AMES, Bonus Tech and xCelle Americas), and leveraging the power of its global logistics network. The development of this MRO network guarantees AFI KLM E&M customers local access to the Group's full array of services, tailored solutions and local spare parts inventories.

AFI KLM E&M subsidiaries and joint-ventures

Engines

Located in the Greater Paris area, CRMA specializes in repairs to engine parts and, in particular; combustion chambers for which it has second-to-none expertise and technology. Its positioning on next-generation products has enabled CRMA to pursue the strong growth in its third-party customer activity.

Airfoils Advanced Solutions is jointly owned by Safran Aircraft Engines and Air France – KLM. This joint-venture helps the two parent companies bolster their competitiveness, and also reflects the major role they play in the global aircraft maintenance market, and in supporting job creation and industry development in their home bases.

AFI KLM E&M is optimizing and developing its US engine tear-down unit Bonus Tech. Since 2013, this joint-venture has operated as part of the MRO global network. Based in Miami, the partnership combines the know-how and the skills of Bonus Tech as a major player in the global engine tear-down market, with the industrial assets of AFI KLM E&M in the United States: equipment, tooling and support.

Components

Barfield, an AFI KLM E&M subsidiary, is an FAA and EASA Certified Repair Station offering maintenance services to major passenger, cargo and regional airlines, serving mainly North, South and Central America, together with the Caribbean. Barfield has 400 employees based at its US sites: Miami, Atlanta, Phoenix and Louisville.

Shanghai-based AFI KLM E&M Components China is a 100%-owned subsidiary initially specializing in A320 and B737 avionics systems dedicated to offer solutions to Chinese operators.

EPCOR, based at Amsterdam-Schiphol, provides state-of-the-art services in Auxiliary Power Unit (APU) maintenance for customers all across the globe.

Located in India (Mumbai), Max MRO Services Pvt. Ltd is an Indian market-leading component MRO, in which Air France has a 26% equity interest.

Singapore Component Solutions, the component repair joint-venture with Sabena Technic in Singapore, is one of the very first multi-product and multi-fleet MROs to set up a component repair shop at the Asian hub.

Hamburg-based Spairliners is a joint-venture set up by Air France and Lufthansa Technik to provide end-to-end component support for airlines operating Embraer E-Jets.

Located in Dubai, the AMES maintenance center (a joint-venture with Safran Nacelles) handles engine nacelle repair and overhaul in the Middle East.

xCelle Americas is a newly-created joint-venture with Triumph, based at Hot Springs, Arkansas, specifically dedicated to providing MRO Services of New Gen Nacelles in the Americas.

Airframe maintenance

In Morocco, Aerotechnic Industries (ATI) is a joint-venture between Royal Air Maroc (RAM) and Air France. Based at Casablanca airport, ATI operates three maintenance bays for heavy maintenance on A320 and Boeing 737 aircraft.

Based at Norwich International Airport in the United Kingdom, KLM UK Engineering Limited delivers maintenance services for narrow-body and regional aircraft, together with an aircraft disassembly service.

The iGO Solutions joint-venture provides light maintenance services for AFI KLM E&M customers (including Transavia France) at Paris-Orly airport.

Corporate Social Responsibility as a lever in achieving sustainable levels of performance

The Air France – KLM Group’s ambition is to be carbon neutral in 2025. As an airline-MRO, AFI KLM E&M will contribute to this target and continue to support the Group in its leading role in sustainability within the aviation industry. AFI KLM E&M has been implementing this strategy for many years in order to reduce the environmental impact of its activities and thus those of its customers.

AFI KLM E&M is analyzing and implementing technologies to reduce this environmental impact wherever possible. This ranges from the eco-responsible design of our infrastructures to the energy savings that this generates for the circular economy such as the recycling of plastics to feed 3D printing.

The constant adjustment of these processes is part of AFI KLM E&M’s DNA. For a very long time AFI KLM E&M has been repairing and maintaining aircraft components, including engine parts, in order to extend their life cycle.

Innovations, such as PROGNOS, the AFI KLM E&M predictive maintenance suite which has been awarded the Solar Impulse label, also have a positive impact in this area. This predictive analysis program is based on harnessing big data technologies to offer an effective and innovative aeronautics maintenance service. The environmental benefits of PROGNOS stem from reducing flight cancellations leading to extra flights to recover grounded passengers, as well as reducing the number of Quick Return Flights (return of the aircraft to its departure airport) following technical alerts, which require fuel tanks to be emptied prior to landing. It also optimizes overall aircraft fuel consumption by monitoring the status of equipment more precisely.

Key figures

Maintenance	Year		
	2021	Change	Change at constant currency
Total revenues (in €m)	2,801	-2,1%	
Third-party revenues (in €m)	1,023	-18.2%	-14.2%
Income/(loss) from current operations (in €m)	88	+631	+647
Operating margin (%)	3.1%	+22.1 pt	+22.6 pt

During 2021, external revenues declined by 18.2%. Operating costs were reduced with the lower level of maintenance activity, staff reductions, governmental wage support measures for employees and other cost-savings measures.

The Maintenance order book was evaluated at US\$8.7 billion at December 31, 2021, a decrease of US\$0.4 billion compared to December 31, 2020, still impacted by the Covid-19 crisis.

The Air France – KLM Group’s maintenance activity is well positioned on new-generation aircraft maintenance and foresees solid opportunities in the future.

1.4 FLEET

At December 31, 2021, the Air France – KLM Group fleet was composed of 536 aircraft, of which 505 in operation versus a respective 546 and 513 aircraft at December 31, 2020.

The main fleet in operation was composed of 408 aircraft (409 aircraft at December 31, 2020). It was divided into 160 long-haul aircraft (157 at December 31, 2020), six cargo aircraft (6 at December 31, 2020) and 242 medium-haul aircraft (246 at December 31, 2020), of which 89 aircraft in the Transavia Group fleet (79 aircraft at December 31, 2020).

The regional fleet in operation was composed of 97 aircraft (104 aircraft at December 31, 2020).

At December 31, 2021, the average age of the aircraft in the operational fleet was 12.2 years, of which 12.2 years for the long-haul fleet, 13.4 years for the medium-haul fleet, 18.8 years for the cargo fleet and 8.9 years for the regional fleet. This compared with 12.1 years at December 31, 2020, of which 12.0 years for the long-haul fleet, 13.2 years for the medium-haul fleet, 17.8 years for the cargo fleet and 9.2 years for the regional fleet.

At December 31, 2021, 37.8% of the total Group fleet was owned (39.2% at December 31, 2020), 12.3% was under finance lease (13.7% at December 31, 2020) and 49.9% under operating lease (47.1% at December 31, 2020).

Excluding operating leases, there were firm orders outstanding for 87 aircraft at December 31, 2021 after the delivery of 15 aircraft fully owned by the Group. Options stood at 58 aircraft (58 at December 31, 2020).

Change in the Air France – KLM Group's order book ⁽¹⁾	December 31, 2020	Deliveries during the period	New orders	Option conversions	December 31, 2021
Main fleet	102	15	-	-	87
Regional fleet	0	-	-	-	0
Total	102	15	-	-	87

(1) Excluding operating leases.

Change in the Air France – KLM Group's option portfolio ⁽¹⁾	December 31, 2020	Exercise during the period	Options cancelled or expired	New options	December 31, 2021
Main fleet	58	-	-	-	58
Regional fleet	-	-	-	-	-
Total	58	-	-	-	58

(1) Excluding operating leases.

Fleet management

Air France – KLM is pursuing a proactive policy of fleet renewal and modernization, thereby contributing to the improvement in the fleet's energy efficiency and a reduction in its environmental footprint.

Over the course of 2021, the Air France Group thus:

- in Long-haul, retired from the fleet four 777-200s, one A450-300 and one A380, and took delivery of seven new A350-900s;
- in Medium-haul, retired 8 aircraft in the A320 family and took delivery of the first six new A220-300s;
- in HOP!, definitively retired its CRJ700s and three CRJ1000s from operations, and took delivery one EMB190;
- in Transavia France, took delivery of fourteen Boeing 737-800s.

Despite the public health crisis, Air France and KLM cancelled none of their orders or options, and made only minor adjustments to the A350 delivery schedule in response to production requirements. Air France's sizeable order book (25 A350s and 54 A220s) for the most-environmentally-efficient next-generation aircraft will

notably enable a reduction in greenhouse gas emissions and respect of the Group's environmental commitments.

For its part, KLM welcomed two more new Boeing 777-300ERs into its fleet and retired two A330-200s, two 747-400s and six B737-700s. KLM Cityhopper withdrew one E190 from its fleet and took delivery of its first seven E195-E2s.

Over the longer term, fleet modernization will be reflected in the continued growth of the Boeing 787 and E195-E2 fleets at KLM and those of the A350-900s and A220-300s at Air France. Transavia (France and Netherlands) will see its fleet adapt to the growth market in the leisure segment.

The Group will continue to invest substantial sums in cabin refurbishment, as is currently the case for its Boeing 777-300ERs, as well as in the satellite on board connectivity proposition, enabling customers to be offered an in-flight WiFi connection in both medium and long-haul.

By signing, with Airbus in December 2021, a Letter of Intent for a firm order of 100 A320/A321s, to be followed in 2022 by the signature of the final procurement contract, the Group has secured the delivery slots on these new-generation aircraft, destined for KLM, Transavia France and Transavia Netherlands.

The AF - KLM fleet at December 31, 2021:

	AF (incl. HOP!)	KL (incl. KLC & Martinair)	Transavia France	Transavia NL	Fully owned	Finance lease	Operating lease	Total
Long-haul	110	61	0	0	70	32	69	171
B777-300	43	16	0	0	18	17	24	59
B777-200	21	15	0	0	26	0	10	36
A350	13	0	0	0	3	5	5	13
B787-10	0	6	0	0	3	3	0	6
B787-9	10	13	0	0	5	6	12	23
A380-800	8	0	0	0	4	1	3	8
A330-300	0	5	0	0	0	0	5	5
A330-200	15	6	0	0	11	0	10	21
Medium-haul	113	46	54	39	80	15	157	252
B737-900	0	5	0	0	5	0	0	5
B737-800	0	31	54	35	31	10	79	120
B737-700	0	10	0	4	6	1	7	14
A321	19	0	0	0	11	0	8	19
A320	43	0	0	0	4	4	35	43
A319	30	0	0	0	12	0	18	30
A318	15	0	0	0	7	0	8	15
A220-300	6	0	0	0	4	0	2	6
Regional	53	55	0	0	49	19	40	108
Canadair Jet 1000	14	0	0	0	14	0	0	14
Canadair Jet 700	1	0	0	0	1	0	0	1
Embraer 190	18	31	0	0	16	5	28	49
Embraer 175	0	17	0	0	3	14	0	17
Embraer 170	15	0	0	0	10	0	5	15
Embraer 145	5	0	0	0	5	0	0	5
Embraer 195 E2	0	7	0	0	0	0	7	7
Cargo	2	4	0	0	4	0	2	6
B747-400BCF	0	1	0	0	1	0	0	1
B747-400ERF	0	3	0	0	3	0	0	3
B777-F	2	0	0	0	0	0	2	2
Total AF-KLM	278	166	54	39	203	66	268	537

1.4.1 The Air France Group fleet

At December 31, 2021, the Air France Group fleet had a total of 332 aircraft, of which 279 aircraft in the main fleet and 53 in the regional fleet. The average age of the aircraft in the operational fleet was 13.1 years (13.2 years at December 31, 2020). Firm orders stood at 87 aircraft.

Air France Group fleet	Fleet at December 31, 2020	Aircraft ⁽¹⁾ entering the fleet over the period	Aircraft ⁽¹⁾ withdrawn over the period	Fleet at December 31, 2021
Long-haul fleet	109	7	6	110
Medium-haul fleet (including Transavia France)	155	20	8	167
Cargo	2	-	-	2
Regional fleet	72	1	20	53
Total	338	28	34	332

(1) Owned or leased.

The Air France fleet

The Air France fleet was composed of 225 aircraft at December 31, 2021, with 210 in operation (226 and 216 respectively at December 31, 2020). The fleet numbered 110 long-haul aircraft, 113 medium-haul aircraft and two freighters.

At December 31, 2021, the average age of the operational fleet was 14.4 years, with 13.5 years for the long-haul fleet, 15.3 years for the medium-haul fleet and 12.9 years for the cargo fleet. At December 31, 2020, the average age of the fleet had been 14.6 years, with 13.6 years for the long-haul fleet, 15.5 years for the medium-haul fleet and 11.9 years for the cargo fleet.

Within the fleet, 85 aircraft are owned (37.8%), 22 are under finance lease (9.8%) and 118 are under operating lease (52.4%).

During the 2021 financial year, the company took delivery of seven A350-900s and its first six A220-300s. Eight aircraft from the A320 family were withdrawn from service, together with four 777-200ERs, one A380 and one A340-300^E.

The regional fleet, Air France HOP!

At December 31, 2021, the regional fleet was composed of 53 aircraft, of which 43 in operation, with a maximum seat capacity of 100.

The average age of the fleet in operation is 11.1 years. Of the fleet, 64.2% is owned and 35.8% is under operating lease.

In 2021, one EMB190 aircraft joined the fleet while ten CRJ700s and ten E145s were retired, thus pursuing the modernization and rationalization strategy for the regional fleet.

The Transavia France fleet

The Transavia France fleet is composed of 54 Boeing 737-800s (40 aircraft at December 31, 2020). The average age of the aircraft in the fleet is 9.4 years. Of this fleet, 16.7% is owned, 7.4% is under finance lease and 75.9% is under operating lease.

During 2021, fourteen 737-800s joined the Transavia France fleet.

1.4.2 The KLM Group fleet

The KLM Group fleet totaled 205 aircraft at December 31, 2021, of which 150 in the main fleet and 55 in the regional fleet. The average age of the aircraft in the operational fleet is 10.9 years (10.3 years at December 31, 2020). Firm orders stand at 27 aircraft.

KLM Group fleet	Fleet at December 31, 2020	Aircraft entering the fleet ⁽¹⁾ during the period	Aircraft withdrawn from the fleet ⁽¹⁾ during the period	Fleet at December 31, 2021
Long-haul fleet	63	2	4	61
Medium-haul fleet (including Transavia Netherlands)	92	-	7	85
Cargo (including Martinair)	4	-	-	4
Regional fleet	49	7	1	55
Total	208	9	13	205

(1) Owned or leased.

The KLM fleet

At December 31, 2021, the KLM fleet was composed of 107 aircraft (115 at December 31, 2020), of which 61 long-haul aircraft and 46 medium-haul aircraft. Of this fleet, 45 aircraft were fully owned (42.1%), 17 aircraft were under finance lease (15.9%) and 45 were under operating lease (42.1%). Of this fleet, 105 aircraft are in operation.

At December 31, 2021, the average age of the aircraft in revenue service was 12.1 years, with 10.0 years for the long-haul fleet and 14.7 years for the medium-haul fleet. At December 31, 2020, the average age of the aircraft in the fleet had been 11.2 years, with 9.3 years for the long-haul fleet and 13.3 years for the medium-haul fleet.

During the 2021 financial year, the long-haul fleet was modernized with the arrival of two B777-300ERs while two Boeing 747-400s, two A330-200s and six 737-700 aircraft were retired.

The regional fleet, KLM Cityhopper

The KLM Cityhopper fleet was composed of 55 aircraft, of which 54 in operation at December 31, 2021. The aircraft in this

regional fleet have an average age of 7.0 years. In this fleet, 27.3% of the aircraft are fully owned, 34.5% are under finance lease and 38.2% are under operating lease.

The first seven E195-E2s joined the fleet while one E190 was withdrawn.

The Transavia Netherlands fleet

The Transavia Netherlands fleet consists of 39 aircraft, of which four Boeing 737-700s and 35 Boeing 737-800s.

In this fleet, 10.3% of the aircraft are under finance lease, 61.5% are under operating lease and 28.2% are owned. The average age of the aircraft in the fleet is 11.8 years.

One B737-700 was retired from the fleet during 2021.

The Martinair fleet

Martinair has a fleet of 4 full freighters, all in operation. All of these aircraft are fully owned. The average age of the aircraft in the operational fleet is 21.7 years.

1.5 CUSTOMER EXPERIENCE DIVISION

Within a context of global public health crisis, Air France places the health and safety of its customers and staff at the heart of its priorities. As of the emergence of the Covid-19 virus, Air France implemented exceptional measures, regrouped under the Air France Protect label, to ensure a safe travel experience: the strictest health protocols at every step of the journey, 100% flexible

tickets, insurance cover linked to the pandemic and a dedicated website to verify the conditions for travel. The Air France teams are monitoring the evolving health situation closely and more than ever remain mobilized to continue to welcome customers on board its flights in total safety.

1.5.1 Air France Protect, the promise of a safe trip

Health measures guaranteeing the highest level of safety at every step of the journey: at the airport, on board, on arrival

For passengers aged 11 years or more, wearing a surgical mask is mandatory as of arrival at the airport where numerous measures are in place to guarantee a journey in optimal hygiene conditions.

At the airport

Special signage, announcements and floor markings remind people of the physical distancing measures.

All the sales, check-in and boarding counters are equipped with plexiglass protective screens. The check-in counters and self-service kiosks are regularly disinfected. Hand sanitizer dispensers are available throughout the customer journey.

As a function of the public health context, Air France has been able to progressively reopen its lounges by guaranteeing optimal sanitary measures; hand sanitizer and the mandatory wearing of surgical masks. At the height of the crisis the catering offer and some services were also adapted: the offer of individually-portioned and packaged dry snacks was maintained while drinks remained self-service and water fountains were installed. At the buffets, hot and cold products were served on plates by a waiter before self-service was again reintroduced in all our lounges with a change in serving cutlery and regular disinfection of contact points. The Clarins spaces have all reopened with sanitary disinfection between customers. The bar in Terminal 2EL at Paris-Charles de Gaulle and the Children's space remain closed. In addition, a body temperature check may be required on the departure of some Air France flights. Since November 2020, Paris Aéroport has joined forces with the Cerballiance laboratory to set up two Covid-19 testing centers to carry out RT-PCR and antigenic testing by appointment on departure from Paris-Charles de Gaulle and Paris-Orly airports.

On board

Air France has reinforced the cleaning of its aircraft prior to every flight. The cabins and all surfaces in contact with customers are scrupulously disinfected, particularly armrests, tablets and entertainment screens. On board and throughout the flight, the wearing of surgical masks remains mandatory. A disinfectant

wipe is offered to customers on boarding the aircraft. Since January 2021, on long-haul flights, a sanitary kit containing a surgical mask, a disinfectant wipe and hand sanitizer is offered to every customer in all the cabins.

During the flight, the air is completely renewed every three minutes. The air recycling system in all Air France aircraft is equipped with HEPA (High Efficiency Particulate Air) filters, identical to those used in operating theaters, which capture 99.9% of particles.

On arrival

Crew announcements made on board invite customers to disembark at a steady rate to respect social distancing. Hand sanitizer dispensers are available in the luggage arrival hall, where floor markings and reminders on social distancing are also in place.

Flexible commercial measures with 100% changeable or refundable tickets until June 30, 2022

To enable customers to plan their travel with peace of mind and facilitate their journeys in the event of service disruption, Air France reminds them that, within the framework of its commercial policy, the airline offers 100% modifiable tickets which are reimbursed at no cost and without documentary proof until the departure date, subject to conditions. Customers may also change their bookings free of charge or obtain a reimbursable voucher if they no longer wish to travel. This commercial policy has been extended owing to the context of public health crisis.

Insurance to cover the health risk

In partnership with Allianz Travel, Air France has extended its travel insurance guarantees to give greater protection to customers in the event of epidemics like Covid-19. During their stays, customers benefit from medical assistance and the reimbursement of medical expenses incurred internationally or additional costs in the event of quarantine. Proposed on the purchase of a ticket on the airfrance.com website and at the airline's customer relations centers, in some European countries and soon in other countries, this insurance supplements the existing Cancellation + Missed Flight, Multirisk and Assistance products.

“Ready to Fly”, a pre-departure verification service for travel documentation

Last July, Air France launched “Ready to Fly”, an optional free service enabling customers to confirm that they have all the documents and proof required for their journeys prior to arrival at the airport. In the bargain: a more serene journey and a more fluid routing process, by avoiding multiple checks on the day of departure. “Ready To Fly” is now available on more than 143 destinations on departure from 89 airports in the Air France network.

In early 2022, for domestic flights, the vaccine pass check is automated and instantaneous. It can be done online or directly on the self-service kiosks on the day of departure.

A health protocol positively perceived by customers

Since June 2020, Air France has used a questionnaire to evaluate customer satisfaction on the hygiene protocols deployed throughout their journeys and on their feelings about their overall travel experience (frustration, anxiety, stress, confidence, enthusiasm). Customers are consulted on the Air France Protect measures and, in 2021, this questionnaire continued to be sent to them. According to the e-score responses to the survey, on November 26, 2021 (cumulative since January 1, 2021), 91% of our customers having travelled on board our aircraft (Air France + HOP!) gave an excellent, very good or good score to the health measures implemented by the airline. Over the same period, 50% of customers said that they felt confident on board our aircraft and 25% were enthusiastic or happy. Inversely, 12% of customer polled were unhappy, stressed or anxious (*source e-Score Air France*).

1.5.2 Air France Protect, a health program that has won several awards

Air France wins the Diamond Award in the Apex Health Safety ranking powered by Simplifying

On May 27, 2021, Air France won the Diamond Award, the highest distinction in its category, at the APEX Health Safety powered by Simplifying awards ceremony recognizing airlines for their efforts on implementing the strictest health and safety measures. Following a comprehensive audit of the Air France Protect program, regrouping all the airline’s health measures, the Airline Passenger Experience Association (APEX) recognized the commitment of Air France which places the health and safety of its customers and staff at the heart of its priorities.

Air France awarded 5-star Covid-19 safety rating by Skytrax

On July 27, 2021, Air France won a 5-star Covid-19 Airline Safety Rating from Skytrax, an international aviation rating agency. Since obtaining a 4-star rating in January 2021, the company

has now attained the highest ranking in this global benchmark for certifying Covid-19 air travel health and safety standards. Air France is the first major European airline to receive this award. Skytrax thus recognizes the effectiveness of the health and hygiene measures implemented by Air France to protect its customers and staff since the onset of the Covid-19 crisis, and the improvements undertaken during the first half of 2021.

Air France wins the prize for Covid Airline Excellence in the Skytrax World Airline awards

On September 28, 2021, Air France won the Covid Airline Excellence Award from Skytrax, recognizing the airline’s health commitment. This is the third time that Air France has received a distinction from Skytrax for all the measures implemented since the beginning of the Covid-19 crisis with first four and then five stars (the maximum score) obtained in the Skytrax Covid Safety Rating for its Air France Protect program.

1.5.3 Air France recognized and wins plaudits

Air France is continuing the move up-market for its products and services. The airline affirms the importance of an attentive customer service between its staff and each of our customers.

Air France again number one at the 2021 Customer Relation Awards

In March 2021, for the sixth year running, Air France won first prize in the Transport category at the Customer Relations Awards organized by BearingPoint and Kantar TNS. These Customer Relations awards are truly the voice of the customer. For each company, the customers surveyed are asked to give their opinion on 15 key criteria that structure customer relations. These criteria are examined from three angles: execution, connection and emotion. In a year heavily impacted by the

health crisis, the company continued to make a difference and to stand out mainly from the emotional point of view (loyalty, surprise effect) as well as from the connection point of view (co-creation, personalization). This excellent performance is also supported by the recognition of our ability to adapt and our customers increased trust:

44% of customers consider that the airline has adapted very well to the health crisis, one of the highest scores across all sectors.

The trend in the customer trust index has been marked by significant scores with 57% of customers saying they have maintained their trust in the brand and 32% that their trust has increased. Only 12% feel that their trust in the company has declined.

Air France wins a series of awards in the Skytrax World Airline Awards 2021

On September 28, 2021, Air France was named Best Airline in Europe, Western Europe and France. It also climbed to 10th place in the global ranking for the first time, gaining 13 places compared to 2019. Air France is the only European airline to figure in the Top 10 of this ranking, which includes more than 350 airlines and is based on the opinions of more than 13 million passengers with over 100 nationalities.

Air France named the leading European airline for its Business class at the World Travel Awards

On October 22, 2021 in London, Air France won the “Europe’s Leading Airline” award for its Business Class at the 28th World Travel Awards ceremony. Air France was named leading European airline for its Business cabin. These annual awards are a prestigious event that recognizes actors in the travel, tourism and hospitality sectors. The awards, recognized as a mark of excellence within the industry, are based on a wide-ranging vote by customers and tourism industry experts. Over 2 million votes were cast for the 2021 awards.

Air France recognized by TheDesignAir

Air France has been recognized by TheDesignAir Awards, having won the 2021 award for Best New Airport Lounge for its lounge in Terminal 2F at Paris Charles de Gaulle, designed by the Jouin Manku interior design agency.

Air France recognized for its *La Première* lounge

In early 2022, the *La Première* lounge at Paris-Charles de Gaulle was named Best Lounge in the World by One Mile at a Time, a well-known blog on the customer travel experience. The satisfaction scores by touchpoint for the *La Première* experience were excellent with an overall level of 83 (NPS) in 2021.

Air France ranked No.1 for its *La Première* in-flight catering

In March 2021, Air France was named No.1 in The Points Guy ranking for the catering in its *La Première* cabin.

The Points Guy, a US travel website and blog with independent contributors, evaluated all the first-class catering served on board five airlines to find “The 5 Best First Class Meal in the Sky”. With a score of 25 out of 25, Air France was ranked ahead of Japan Airlines, Emirates, Korean Air and British Airways.

1.5.4 Air France adapts its services offer

Since the onset of the crisis, Air France has closely monitored the health situation and deployed the protocols required to ensure the well-being and safety of its customers and staff.

On-board service

To limit interaction and as a function of the unfolding health situation, the on-board service has been regularly adapted. For example, on the short-haul flights in France and elsewhere in Europe, or towards the United Kingdom, the offer was limited to a glass of water at the height of the crisis. Inversely, the catering offer has been gradually reintroduced in all cabins whenever the situation has improved. Film-wrapped or individually-packaged products are prioritized. Duty free sales and the press offer have been suspended and customers have access to 150 press and magazine titles free of charge on “Air France Play”, to download up to 30 hours prior to their flight.

New catering offer on the short and medium-haul flights

A new on-board product has been offered on the short and medium-haul network since October 31, 2021. This simplified, complimentary offer is adapted to the new challenges: a difficult financial situation, an unprecedented health context, growing competition and new customer expectations focused notably around environmental protection.

- A committed product: Frenchness is at the heart of this new product which gives star billing to French gastronomy. The new offer prioritizes an anchorage in quality. The AOC label enables the identification of products whose production phases are realized in a same geographical region, based on recognized know-how. Labelled products sourced from producers who protect the environment, with respect for seasonality and focused on local production. Products selected in close collaboration with the Servair Culinary Studio chefs.
- A harmonized and rationalized product: To meet the expectations of our customers, the breakfast service has been extended until 10h00. The division of the flight zones has also been revisited, with a move to 3 zones (compared with 5 previously).
- Since October 31, 2021, François Adamski, Servair Corporate Chef, *Meilleur Ouvrier de France*, winner of the *Bocuse d’Or* and a member of the Servair Culinary Studio, has been signing the Business class menus on Air France medium-haul flights. The meal proposition is composed of a cold dish, an AOP cheese, a desert and a hot roll.

Return of the *La Première* and Business class Michelin-starred-chef menus

In 2021, Air France relaunched the rotation of dishes prepared by leading French chefs for its *La Première* and Business cabins. From July to October, for the first time, Air France chose to entrust its entire *La Première* menu to the French triple-Michelin-star chef, Arnaud Donckele. Created especially for customers in the airline's most exclusive cabin, his dishes were available on departure from Paris-Charles de Gaulle airport. In collaboration with Servair's Culinary Studio, the chef created an appetizer and seven main dishes for Air France, to be unveiled progressively over the four months. With vegetarian, meat and fish dishes, Arnaud Donckele mixed the subtle flavours of Provence and created a mosaic of tastes and colours, producing a high-flying menu inviting customers on a gourmet journey through the Mediterranean. By teaming up with the renowned chef from the Cheval Blanc St-Tropez and Cheval Blanc Paris, Air France is reaffirming its role as an ambassador of fine French dining throughout the world.

Pre-selection of hot dishes in Business

On July 1, 2021, on its Caribbean and India Ocean destinations, Air France launched the complimentary pre-selection of hot dishes from the four main meal choices offered by the Business cabin menu. Since November 10, this offer has been extended to customers traveling in the Business cabin on flights from/to North and South America. By discovering and selecting their meal ahead of departure, customers can be sure of being able to enjoy their in-flight dishes of choice. Meal pre-selection is integral to our commitment to offering our customers the greatest possible satisfaction and an overall approach aimed at reducing the company's environmental footprint, notably thanks to a more responsible catering proposition. This enables a reduction in the loading ratio for hot dishes, and thus the weight of the aircraft, along with discards and waste. This offer will be progressively rolled out in Business class on other long-haul flights and will, in time, cover the whole of the Air France long-haul network.

1.5.5 Despite the crisis, Air France is maintaining investment for its customers

Air France is investing €500 million over five years (2020-2024) in ongoing cabin refurbishment, the roll-out of on-board connectivity, the renovation of some lounges and a unique new lounge in Terminal 2F.

Arrival of the Airbus A220-300s in the Air France fleet

On September 29, 2021, Air France took delivery of its first Airbus A220-300, the latest jewel in its short and medium-haul network. Following the arrival of the Airbus A350 in its long-haul network, the company is continuing its fleet renewal and, by the end of 2025, will have integrated the 60 A220-300s ordered in 2019 to gradually replace its Airbus A318s and A319s as well as several Airbus A320s. This order – the largest from a European customer – includes an additional mix of 30 options and 30 purchase rights. Since October 31, 2021, the Airbus A220-300 has been flying to Berlin (Germany), Barcelona, Madrid (Spain), Milan-Linate and Venice (Italy) on departure from the Air France hub at Paris-Charles de Gaulle. During the Winter 2021-2022 season, the aircraft will progressively extend its network to Bologna, Rome (Italy), Lisbon (Portugal) and Copenhagen (Denmark). A very high-performance aircraft at both financial and environmental level, the Airbus A220-300 is perfectly suited to Air France's short and medium-haul network. It provides a cost reduction per seat of 10% compared to the Airbus A318 and A319, and stands out for its energy efficiency, consuming 20% less fuel than the aircraft it replaces while its CO₂ emissions are also reduced by 20%. Its noise footprint is also 34% lower. These characteristics will play a decisive role in reducing Air France's environmental footprint and achieving its sustainable development objectives. By 2030, the airline will

have reduced its overall CO₂ emissions per passenger/km by 50% compared to 2005, or 15% in absolute terms. Air France is also committed to working with all its stakeholders and the public authorities to achieve the climate target of net zero CO₂ emissions by 2050. The Air France Airbus A220-300 also offers the highest level of in-flight comfort. It has 148 seats, in a 3-2 seat configuration (five seats per row) offering 80% of customers a window or aisle seat. It offers two travel cabins, Business and Economy, and access to *Air France Connect*, the airline's inflight Wi-Fi service. The seat is the widest on the market (48 cm), reclines to 118 degrees and has an adjustable headrest, leather upholstery and an ergonomic seat cushion for enhanced comfort. A wide solid tray table, cup holder, a pouch for storing magazines and books, individual USB A and C ports and a tablet or smartphone holder integrated into the backrest complete the package. At the end of 2021, Air France numbered six Airbus A220s in its fleet.

Refurbishment of the cabins in 12 Air France Boeing 777-300s

In January 2020, Air France unveiled the new travel cabins on board its Boeing 777-300s which are now serving destinations in Guadeloupe, Martinique and Reunion Island. At the end of 2021, 12 refurbished aircraft were brought into revenue service. On board, the aircraft's 472 seats – 14 full flat in Business, 28 fixed shell seats in Premium Economy and 430 in Economy – have been comprehensively redesigned to offer customers the highest standards of comfort, with a soft, warm ambiance in the airline's colors. Early 2022 marked the restart of the refurbishment plans for 12 more Boeing 777-300s (those currently equipped with 42 seats in the Business cabin).

12 Airbus A350s in the Air France fleet at the end of 2021

At the end of 2021, Air France numbered 12 Airbus A350s in its fleet. The company is thus accelerating its transition to more sustainable air transportation, in keeping with its HORIZON 2030 commitments. As a next-generation aircraft, the A350 uses 25% less fuel than the aircraft of the previous generation (i.e 2.5 liters per passenger/100 kilometers) thanks, notably, to the incorporation of lighter materials: 67%, with 53% composites and 14% titanium. Its noise footprint is also reduced by 40%. Once settled in one of its 324 seats – 34 in Business, 24 in Premium Economy and 266 in the Economy cabin – customers discover a new definition of comfort on board: a spacious and quiet cabin, windows some 30% larger, an optimized air pressure system providing a more comfortable cabin atmosphere with regularly-renewed cabin air and ambient lighting adapted to the different flight phases. In Business, the seat turns into a real two-meter-long lie-flat bed, guaranteeing restful sleep. In Premium Economy, the new “Recliner” seat is 48cm wide and reclines to 124°. In Economy, the seat has been redesigned for even more comfort, with a reinforced ergonomic seat cushion, a 118° seat recline, as well as 79-cm of leg room. Each cabin features large individual High-Definition touch screens. To stay connected on board the A350, customers have access to the inflight Wi-Fi service Air France CONNECT. Between now and 2025, Air France will receive 38 Airbus A350s, thus modernizing its long-haul fleet.

An adjusted Business offer on the domestic network

Within a context of crisis, Air France chose to maintain its Business offer on the domestic network to/from its Paris-Charles de Gaulle hub, as well as between the French regions and the Amsterdam-Schiphol hub. On the domestic network to/from Paris-Orly, and between the French regions and internationally (excluding Amsterdam), Air France suspended its Business offer as of January 11, 2021. This decision was part of the adaptation of the service for the French regions to regain competitiveness for the domestic operations and accelerate sustainability efforts with the transfer of Air France domestic routes to Transavia. Offering a single cabin on these routes enables more consistency and simplification from both a financial and commercial point of view. The Business product was terminated on internal flights to/from Orly and between the French regions (Transversal network) as well as on the flights between the French provinces and international destinations (excluding Amsterdam). The Business offer is still proposed on internal flights to/from CDG – excluding flights to/from Corsica – and on the flights between the French provinces and Amsterdam, to preserve a consistent offer for connecting customers in medium or long-haul Business cabins.

Renewal of the baggage racks on the Airbus A320 (Safran ECOS “Efficient Cabin Open Space”)

Air France is the first airline in the world to have selected Safran Cabin’s ECOS (Efficient Cabin Open Space) shelf bins to equip its medium-haul Airbus A320s by the end of 2023. The first retrofitted aircraft came into revenue service on July 13, 2021 and the second on October 18. On its medium-haul aircraft, Air France continues to improve its customers’ travel experience

by offering them more space to stow their cabin baggage. With the new ECOS shelf bins, the stowing of hand baggage is optimized, particularly baggage with wheels, which should have a positive impact on boarding times. It should also reduce the last-minute need to put some cabin baggage in the hold, a source of delays and irritation, for both the crews and customers. Into the bargain, the expected benefits for customers include our punctuality and operations. The ECOS system, the first to offer lateral stowage of baggage with wheels, offers up to 60% more storage capacity than some other options flying today. They consist of new bins, ceilings and infill panels with the cabin, and offer a low shelf height for ease of loading and visibility of contents. The new baggage bins also have doors whose opening has been designed not to encroach on the light in the cabin.

Ongoing deployment of the Air France Connect WiFi offer across the entire Air France fleet

With “Air France CONNECT”, customers can remain connected on board thanks to the three WiFi Pass offers available on their personal smart phones, tablets or laptops.

A “Message” Pass, which is free for everyone, to send and receive text messages throughout the flight: a “Surf” Pass for between €3 and €18 to surf the internet, and consult and send emails; and a “Stream” Pass for between €10 and €30 to benefit from broadband. At the end of 2021, 90% of the Air France was connected with four suppliers:

- Long-haul fleet: Boeing 787: Panasonic/Boeing 777: Intelsat/Airbus 330: Intelsat/Airbus 350: Inmarsat;
- Short and medium-haul fleet: A320 family (Airbus 318, 319, 320, 321) with Orange/Anuvu/Airbus A220: Intelsat.

Within this context of health crisis, the deployment schedule for in-flight connectivity has been impacted and the finalization of the deployment of WiFi is ongoing in 2022. The Air France CONNECT product is progressively being enriched and now offers complementary services like a chauffeur-driven service with Hertz DriveU and an LEA travel assistant bot to benefit from all the information relating to travel. In terms of connectivity, Air France aims to offer each of its customers the opportunity to remain connected throughout their journeys.

Paid-for seat choice in Premium Economy

At the end of 2021, Air France introduced the option to secure a pre-assigned seat by way of a new paid-for option in the Premium Economy cabin on long-haul flights. Like the paid-for seat choice in the Economy cabin, this option enables customers in the Premium Economy cabin to reserve the seat of their choice prior to the opening of check-in, thereby benefiting from a wider choice of seats and the possibility of personalizing their travel experience. The price of this pre-assigned seat option varies depending on the duration of the flight. Amongst others, Flying Blue Platinum, Gold and Silver members, corporate customers (with the exception of bluebiz accounts) and customers with Flex tickets all continue to benefit from free seat pre-selection. This option, launched for sales as of December 7 and flights from December 16, 2021. Is available across the entire Air France network, except for North America and Papeete, whose

deployment is planned in 2022. The choice of seat remains free for all customers as of the opening of check-in, i.e. Departure-30.

Air France lounge update

La Première lounge at Paris-Charles de Gaulle

The lounge exclusively for our *La Première* customers at Paris-Charles de Gaulle reopened on May 4, 2021, giving our customers the opportunity to discover the brand-new design, offering more comfort and serenity. Having been closed since April 6, 2020, the *La Première* lounge has been refurbished, investment in improving service delivery to our customers having been maintained despite the health crisis. During this transition phase, *La Première* customers had been welcomed to a temporary lounge in the mezzanine of the Business lounge in Hall K of Terminal 2E. Amongst the major innovations, in the relaxation space, two curtained private areas have been created to offer more privacy. On December 17, 2021, Air France unveiled a new Sisley well-being space at the heart of its *La Première* lounge. Air France now offers its customers a new space with beauty treatments by Sisley, the French pioneer in botanical cosmetology. A moment of well-being celebrating the art of travel with a French touch.

Medium-haul lounge at Paris-Charles de Gaulle

On August 19, 2021, Air France unveiled its iconic new lounge designed by Jouin Manku, located in Terminal 2F of Paris-Charles de Gaulle. An invitation to celebrate the best of French-style travel on arrival at the airport or during transit. Dedicated to Business customers and Flying Blue Elite Plus customers travelling on Air France's short- and medium-haul Schengen network, this lounge is one of the airline's largest, with a surface area spanning 3,000 sq. m. and 570 seats spread over two levels. In collaboration with the teams from Paris Aéroport, Air France worked with the Paris-based Jouin Manku design agency, on the concept and design of this lounge. The idea of levitation and grace guided the creative duo, Canadian architect Sanjit Manku and French designer Patrick Jouin, to offer the airline's customers a real moment suspended in time and enjoy total relaxation before they board. Air France's choice to associate itself with this prestigious design team once again illustrates its tradition of working with the best architects and designers of its time.

Lounge in Orly

The Schengen lounge at Orly, dedicated to *La Navette* and short-haul flights, and now located on the mezzanine at Orly 2, opened its doors on September 1, 2021. Dedicated to Business and Flying Blue Elite Plus customers on the short- and medium-haul network of the Air France Schengen space on departure from Orly, this lounge spans 335 m² offering a capacity of 112 seats. Open from 5h30 to 22h, this very luminous space offers numerous services adapted to customers on short-haul flights.

Lounge in Montreal

On August 11, 2021, Air France opened its fully-redesigned lounge at Montreal's Pierre-Elliott Trudeau International Airport. In association with the Plaza Premium Group, the airline now offers its Business and Flying Blue Elite Plus customers a vast, elegant and welcoming space, promoting French-style travel and hospitality. Located in the international section of the terminal, this 490m² lounge has a seating capacity of 149 and is open every day from 14h00 to 22h00. Since last autumn, this lounge has offered a Night Service space, with a new dedicated catering service in a cosy atmosphere. This offer anticipates the desire for rest of Business customers traveling from Montreal to Paris on the last evening flight, enabling them to enjoy their night on board to the full.

Air France a member of the Brand Union and FAIRe its responsible communication program

In view of its commitment to responsible travel, in February 2021 Air France became a member of the Brand Union's FAIRe program to continue to factor environmental and societal issues into its communication. As a member of the program, Air France adheres to a progress-based approach covering 15 commitments and now includes three elements of self-regulation in its advertising with regard to content, the diffusion environment and limiting the environmental impact of its advertising. As of 2021, Air France rolled out a number of actions on the responsible drafting of messaging (eliminate gender, sexual and ethnical stereotyping, communicate on Air +Train transport inter-modality, avoid behavior pushing people to travel, etc.) and the eco-socio-design of communication materials (apply recycled paper certifications – FSC ou PEFC, Ecovadis Gold –, contain carbon emissions – reduced crews, limited duration – during the filming and shooting of Air France communication, undertake to recycle elements of the décor and/or donate the design to associations and select digital partners who are themselves committed to increasing their environmental responsibility, etc.). A first evaluation of the 15 criteria will be published in February 2022. Beyond this, Air France envisages a powerful advertising initiative to include awareness-raising for all its advertising spokespersons. Its aim is to make clear information available to consumers to guide their choices and actions at the environmental level. Air France is looking into the possibility of including in all its advertising a reference guaranteeing its eco-responsible commitment to supplement the systematic inclusion of all these initiatives towards even more responsible communication.

Air France Play, a fully-digital press offering

As of October 1, 2021, Air France decided to stop distributing the printed press to its customers in its airport lounges, at boarding gates and on board its aircraft. The entire offer is now available in digital form via the Air France Play application, which offers access to some 100 magazines, 60 international titles (newspapers and magazines) and 13 regional publications (newspapers and magazines). As a bonus, significant savings for Air France. By concentrating on a digital offer, Air France is thus supporting the new consumption modes of its customers who prioritize the digital experience while guaranteeing them an optimal level of service. The same is true for the distribution of the “Air France Magazine” and “Air France Madame”. The new Air France editorial offer will be unveiled during the first quarter of 2022.

Air France joins forces with Reworld Media and Michelin to create and develop its new editorial offer

Following a call to tender launched by Air France in March 2021, Reworld Media and Michelin Editions were chosen to design and implement the company’s new innovative and multi-channel (print, digital, audiovisual) editorial offer. Reworld Media will coordinate the production of editorial content, the development of the various media and the advertising management of this new offer. Air France will draw on their expertise, particularly in terms of technological innovation, digital, brand magazines and the marketing of advertising space.

Michelin, a key player in the fields of gastronomy, travel and the art of living, will contribute its world-renowned know-how. Its subsidiary Michelin Editions will produce all the travel-related content in the new offer. The two partners will support Air France in the implementation of this new platform of inspiring and informative content in order to feed the desire for escapes and to accompany travellers throughout their journeys, on the ground as well as in flight.

The collaboration with Air France began on November 10, 2021 and the new formula will be unveiled in early 2022. By renewing its editorial offer, Air France is pursuing its transformation plan to continue to attract new customers and gain in efficiency and synergies, while guaranteeing the best quality of content.

Air France unveils its new flight safety film

Since March 1, 2021, on its long-haul flights, Air France has been showing its new film on flight safety. A veritable distillation of French culture, full of life and movement, this film aims to be emblematic of the Air France brand. It is a musical promenade through the most iconic places in France, a travel invitation to the whole world in which the airline declares its love for France and the French art of living. From the Opéra Garnier to the French-style gardens of the Château de Versailles, from the sunny landscapes of the Côte d’Azur to the mythical Hôtel Martinez via the Provence vineyards and along the banks of the Seine, the walk finishes on top of the emblematic and scintillating Eiffel Tower where an Air France crew pays tribute to the airline’s customers. The company developed this film with the creative talent of the Aura by Omnicom communications

agency in partnership with *Atout France*, the French tourism development agency.

Inter-modality: Air France and SNCF reinforce their partnership and expand the Train + Air product

For more than 25 years, Air France and SNCF have offered their customers a service enabling train and aircraft journeys to be combined in a single booking.

Known as Train + Air, this service is used every year by more than 160,000 customers to/from Paris-Charles de Gaulle and Paris-Orly airports.

Since December 3, 2020, the Train + Air product has been proposed by Air France between the station of Bordeaux Saint-Jean and Paris-Orly airport enabling a connection to all the Air France network on departure from the Paris airport, and notably to destinations in the French overseas territories (Cayenne, Pointe-à-Pitre, Fort-de-France, Saint-Denis de La Réunion).

Customers travel by train from Bordeaux to Massy TGV station, before being transferred to Paris-Orly by a taxi service.

Five daily departures are assured on departure from Bordeaux Saint-Jean and four on departure from Massy TGV, at times enabling rapid connections.

Since July 19, 2021, seven additional services have been added by Air France and SNCF. Customer can reserve a Train + Air combined journey:

- between Paris-Charles de Gaulle and Aix-en-Provence TGV, Bordeaux Saint-Jean, Marseille Saint-Charles and Montpellier Saint-Roch;
- between Paris-Orly (via the Massy TGV station) and Valence TGV, Avignon TGV, Marseille Saint-Charles.

This extension to the network increases the number of train stations proposed by Air France to 18, within the framework of the Train + Air service: Aix-en-Provence TGV, Angers Saint-Laud, Avignon TGV, Bordeaux Saint-Jean, Champagne-Ardenne TGV, Le Mans, Lille Europe, Lorraine TGV, Lyon Part-Dieu, Marseille Saint-Charles, Montpellier Saint-Roch, Nantes, Nîmes, Poitiers, Rennes, Saint-Pierre-des-Corps, Strasbourg and Valence TGV.

Thanks to Train + Air, customers have a single booking for their whole journey and a guaranteed seat on the next available flight or TGV INOUI service, at no extra cost, in the event of a delay to the train or aircraft. Within the framework of the Flying Blue frequent flyer program, they also earn Miles on the rail journey. Furthermore, Air France customers traveling in the *La Première* or Business cabins also travel in first class on board the SNCF trains.

To simplify this combined Train + Air journey even further, Air France and SNCF are trialing a new fully-digital customer experience, on departure from/arrival at the stations of Lille Europe and Strasbourg, and connecting with an Air France flight via the Paris-Charles de Gaulle or Paris-Orly airports. Customers can thus check in online at airfrance.fr prior to departure for the whole of their journey, including the journey by train, and thus no longer need to retrieve their tickets in the station on the day

of departure. If this trial proves conclusive, this service will be deployed on all the Train + Air journeys during 2022.

Towards a more responsible offer

After flight safety and reassurance on health, our customers' third level of expectation relates to the sustainable development commitments. These days customers are ready to pay more for tickets from an airline which is taking real steps in terms of the ecological transition, something which was not the case a few years ago. At the heart of the customer experience, the offer proposed to our customers must be more respectful of the environment and responsible. To this end, our actions turn around three priority areas: responsible catering, combating waste and reducing the utilization of single use plastics. Concretely, Air France promotes fair consumption by:

- eliminating single use plastics. By the end of 2022, Air France will have eliminated 90% of single use plastic (relative to 2018);
- reducing waste and fine-tuning its on-board offer. Thanks to the rigorous management of inventories and the development of the pre-flight main meal pre-selection service in the long-haul business cabin launched last July, the teams can fine-tune customer demand and guarantee the respect of

their choice. This also contributes to reducing the weight of products carried on board the aircraft and thus reducing its fuel consumption;

- encouraging the reuse and recycling of our items. Since October 1, 2019, Air France has been sorting on-board waste. The sorting, realized on all the short, medium and long-haul flights bound for Paris, concerns plastic bottles, juice cartons and aluminum cans;
- using bio-sourced materials whenever possible. For example, plastic stirrers have been replaced by wood versions.

The comfort kit offered on board the aircraft since December 2021 respects our eco-responsible approach in that, for the first time, it is composed of 93% recycled material. Its plastic packaging has now been replaced by an integrity seal. The same is true for its contents whose components are now wrapped in Kraft paper to avoid plastic materials;

- prioritizing local products and respecting seasonality.

In 2021, Air France offered hot dishes with the A or B Nutri-score in the Economy and Premium Economy cabins. The goal for 2022 is to continue these improvements aimed at eco-responsible catering based on Frenchness and balance.

2

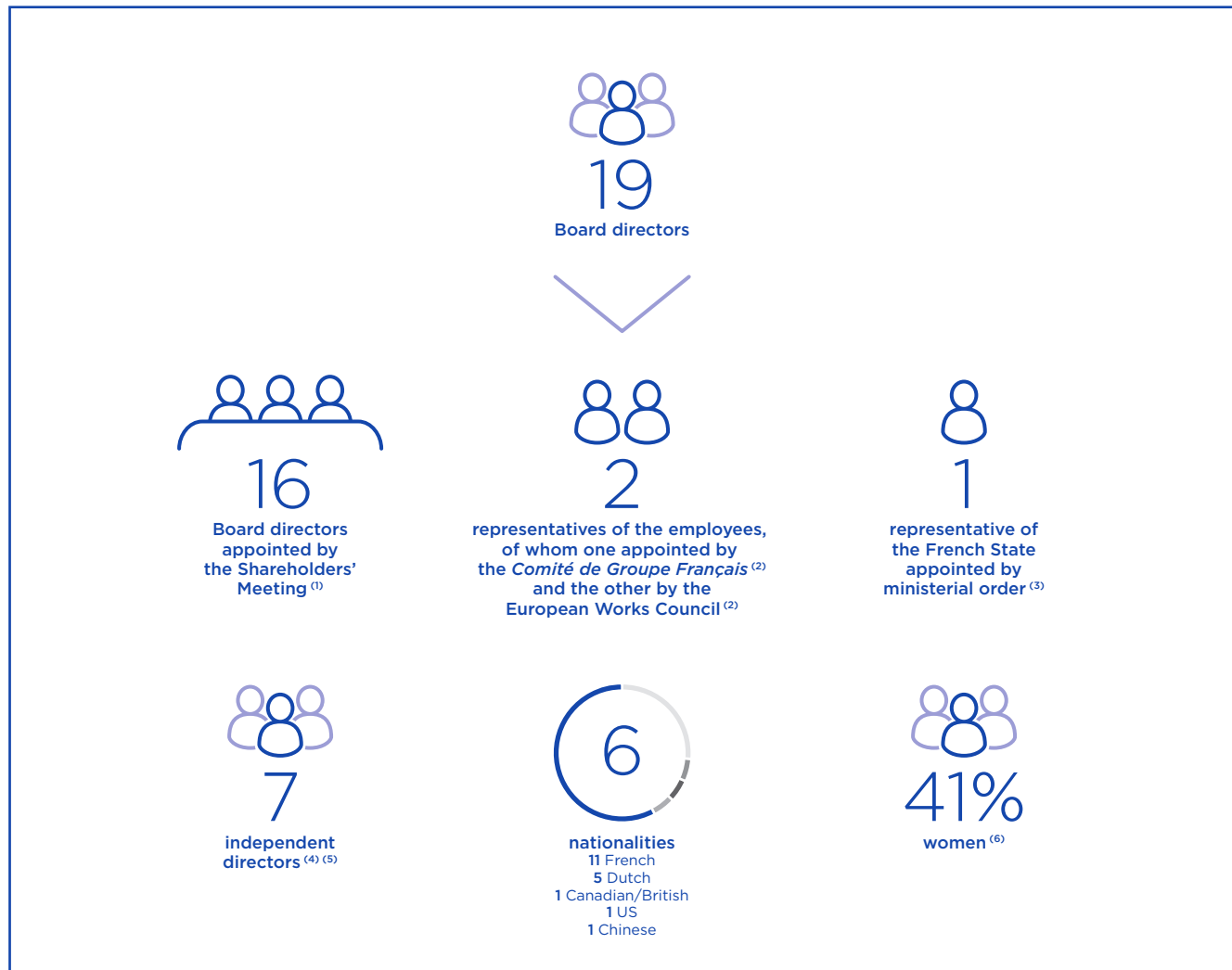
CORPORATE GOVERNANCE REPORT

This section constitutes the corporate governance report foreseen in the final paragraph of Article L. 225-37 of the French Code of Commerce (*Code de Commerce*) and includes the information referred to in Articles L. 22-10-8 to L. 22-10-11 of the *Code de Commerce*. Pursuant to the provisions of Article L. 225-37 of the *Code de Commerce*, a presentation on this report will be made to shareholders during the forthcoming Annual General Shareholders' Meeting on May 26, 2021.

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2.1 COMPOSITION OF THE BOARD OF DIRECTORS

2.1.1 Composition of the Board of Directors at December 31, 2021



- (1) Including two Board directors appointed as proposed by the French State and two Board directors representing the employee shareholders.
- (2) Pursuant to Article L. 22-10-7 of the *Code de Commerce* and Article 17.3 of the Articles of Incorporation.
- (3) Pursuant to Article 4 of Ordinance No.2014-948 of August 20, 2014 relating to governance and to transactions involving the share capital of State-owned companies.
- (4) Pursuant to the provisions of Article 9.3 of the AFEP-MEDEF Code, the Board directors representing the employee shareholders and the employees are not taken into account for the calculation of this percentage.
- (5) At December 31, 2021, the percentage of independent directors stood at 47%. This exceptional situation is linked to the entry into the share capital of the Dutch State and is temporary (see section 2.2.4 "Independence of the Board directors").
- (6) The Board directors representing the employees, appointed pursuant to Article L. 22-10-7 of the *Code de Commerce*, are not taken into account for the gender parity calculation in accordance with the provisions of the aforementioned Article.

Changes in the composition of the Board of Directors during the 2021 financial year

	Departure	Appointment	Re-appointment	Ratification of the co-optation
Board of Directors	Maryse Aulagnon May 26, 2021	Gwenaëlle Avice-Huet⁽¹⁾ May 26, 2021	Leni Boeren⁽²⁾ May 26, 2021 <hr/> Isabelle Bouillot⁽³⁾ May 26, 2021 <hr/> Delta Air Lines Inc.⁽⁴⁾ May 26, 2021 <hr/> Anne-Marie Idrac⁽⁵⁾ May 26, 2021 <hr/> Jian Wang⁽⁶⁾ May 26, 2021	n/a
Audit Committee	Maryse Aulagnon Chair May 26, 2021 <hr/> George Mattson Permanent representative of Delta Air Lines, Inc. February 16, 2021	Isabelle Bouillot Chair July 1, 2021 <hr/> Gwenaëlle Avice-Huet July 1, 2021	n/a	n/a
Appointments and Governance Committee	n/a	n/a	n/a	n/a
Remuneration Committee	Maryse Aulagnon May 26, 2021 <hr/> George Mattson Permanent representative of Delta Air Lines, Inc. February 16, 2021	Alexander Wynaendts Chair July 1, 2021 <hr/> Alain Bellemare Permanent representative of Delta Air Lines Inc. July 1, 2021	n/a	n/a
Sustainable Development and Compliance Committee	n/a	Dirk Jan van den Berg July 1, 2021	n/a	n/a

- (1) Ms. Gwenaëlle Avice-Huet was appointed as an independent Board director by the Air France-KLM Shareholders' Meeting of May 26, 2021, for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2024.
- (2) The mandate of Ms. Leni Boeren, independent Board director, was renewed by the Air France-KLM Shareholders' Meeting of May 26, 2021, for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2024.
- (3) The mandate of Ms. Isabelle Bouillot, independent Board director, was renewed by the Air France-KLM Shareholders' Meeting of May 26, 2021, for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2024.
- (4) The mandate of Delta Air Lines, Inc., Board director, was renewed by the Air France-KLM Shareholders' Meeting of May 26, 2021, for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2024. Since February 16, 2021, Delta Air Lines, Inc. has been represented by Mr. Alain Bellemare (replacing Mr. George Mattson).
- (5) The mandate of Ms. Anne-Marie Idrac, independent Board director, was renewed by the Air France-KLM Shareholders' Meeting of May 26, 2021, for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2024.
- (6) The mandate of Mr. Jian Wang, Board director appointed as proposed by China Eastern Airlines, was renewed by the Air France-KLM Shareholders' Meeting of May 26, 2021, for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2024.

Composition of the Board of Directors at December 31, 2021

Personal information				
Board directors	Gender	Nationality	Age	Number of shares held
Board directors appointed by the Shareholders' Meeting				
Anne-Marie Couderc	Female	French	71	1,000
Benjamin Smith	Male	Canadian and British	50	100,000
Gwenaëlle Avise-Huet	Female	French	42	1,500
Leni M.T. Boeren	Female	Dutch	58	4,000
Isabelle Bouillot	Female	French	72	230
Delta Air Lines, Inc. (Represented by Alain Bellemare ⁽¹⁾)		US		37,527,410
Cees't Hart	Male	Dutch	63	3,500
Dirk van den Berg	Male	Dutch	68	1,000
Anne-Marie Idrac	Female	French	70	1,000
Isabelle Parize	Female	French	64	300
Jian Wang	Male	Chinese	48	2,000
Alexander R. Wynaendts	Male	Dutch	61	1,000
Board directors appointed by the Shareholders' Meeting as proposed by the State				
Jean-Dominique Comolli	Male	French	73	0
Astrid Panosyan	Female	French	50	0
Board directors elected by the Shareholders' Meeting representing the employee shareholders				
François Robardet	Male	French	64	757
Paul Farges	Male	French	50	816
Board director representing the State appointed by ministerial decree				
Martin Vial	Male	French	67	0
Board director representing the employees appointed by the <i>Comité de Groupe Français</i>				
Karim Belabbas	Male	French	48	0
Board director representing the employees appointed by the European Works Council				
Terence Tilgenkamp ⁽²⁾	Male	Dutch	38	0

(1) Mr. Alain Bellemare replaced Mr. George Mattson as the permanent representative of Delta Air Lines, Inc. as of February 16, 2021.

(2) Mr. Terence Tilgenkamp replaced Mr. Mathi Bouts as a Board director representing the employees appointed by the European Works Council as of December 1, 2021.

■ Independent Board directors

Experience	Position within the Board			Participation in Committees			
	Directorships in listed companies	Date appointed	Expiry of term of office	Board experience	Audit Committee	Remuneration Committee	Appointments & Governance Committee
2	19/05/2016	2024 AGM	6 years			▲ (Chair)	
1	05/12/2018	2023 AGM	3 years				
2	26/05/2021	2025 AGM	7 months	▲			
2	16/05/2017	2025 AGM	4 years	▲			▲
1	16/05/2013	2025 AGM	9 years	▲ (Chair)	▲		
1	03/10/2017	2025 AGM	4 years		▲		
2	28/05/2019	2023 AGM	2 years				
1	26/05/2020	2024 AGM	1 year				▲
3	02/11/2017	2025 AGM	4 years				▲ (Chair)
2	27/03/2014	2022 AGM	8 years	▲	▲		
1	30/07/2019	2025 AGM	2 years				▲
4	19/05/2016	2024 AGM	6 years		▲ (Chair)	▲	
1	14/12/2010	2023 AGM	12 years		▲	▲	
2	28/05/2019	2023 AGM	2 years				▲
1	06/12/2016	2022 AGM	6 years	▲	▲		
1	15/05/2018	2022 AGM	4 years	▲			
3	31/05/2019	2023	2 years	▲			
1	01/06/2017	2021 AGM	5 years				▲
1	1/12/2021	2023 AGM	1 month				

2.1.2 Presentation of the Board directors at December 31, 2021

Board directors appointed by the Shareholders' Meeting



Anne-Marie Couderc

*Chair of the Board of Directors
Independent Board director
Chair of the Appointments and Governance Committee*

Expertise and professional experience

Born February 13, 1950, Anne-Marie Couderc is a graduate in private law and holds a French Professional Lawyer's Certificate (*Certificat d'Aptitude à la Profession d'Avocat*).

Ms. Couderc began her career in 1972 as a lawyer with the Paris Bar. She then became Chief Legal Officer in Hachette's industrial division between 1979 and 1982, before fulfilling different management functions within the Lagardère Group from 1982 to 1995.

In parallel, Anne-Marie Couderc has pursued a political career: having been elected to the Paris Council in 1983, until 2001 she successively served as Advisor then Deputy to the Mayor of Paris between 1989 and 2001. Having been elected as a Member of Parliament in 1993, she subsequently joined the government in 1995 where she was appointed Secretary of State to the Prime Minister, responsible for Employment, then Minister for Employment and Social Affairs, responsible for Employment, until 1997.

In 1997, she was named Chief Executive Officer of Hachette Filipacchi Associés followed, from 2006 to 2010, by Secretary-General of Lagardère Active (press and audiovisual). From 2011 to 2017, she was Chair of Presstalis Group (press distribution), Since June 30, 2017, Ms. Couderc has been a company director. She has been Chair of the Air France-KLM Board of Directors since May 15, 2018.

Nationality: French

Age: 71 years

First appointed as a Board director:
May 19, 2016

Expiry of current term of office: 2024 Shareholders' Meeting

Number of shares held in the Company's stock:
1,000 shares

Professional address:
Air France-KLM,
2 rue Robert-Esnault-Pelterie, 75007 Paris

Other directorships and offices

French companies

- Chair of the Société Air France^(G) Board of Directors since 2018;
- Board director and Chair of the Remuneration Committee and member of the Audit Committee of Ramsay Générale de Santé since 2014;
- Board director of Transdev since 2012 and member of the Audit Committee of Transdev since 2017;
- Board director and Chair of the Remuneration and Nomination Committees of Plastic Omnium⁽¹⁾ since 2010;
- Member of the Supervisory Board of Ayming since December 2014;
- Board director of the Veolia Foundation;
- Member of the ESEC Council since November 2015.

Directorships and offices held in the last five years and having expired

French companies

- Member of the AYMING Supervisory Board until 2021;
- Member of the MEDEF Executive Committee until 2018;
- Board director and Chair of the Board of Directors of Presstalis until June 2017.

^(G) Company in the Air France-KLM Group.

⁽¹⁾ Listed company.



Benjamin Smith

*Chief Executive Officer
Board director*

Expertise and professional experience

Born August 27, 1971, Benjamin Smith is a reputed senior airline industry executive at international level, having spent the past twenty years at Air Canada where he was President Airlines and Chief Operating Officer.

In 1990, in parallel with his studies, he started out as a customer service agent at Air Ontario before taking an entrepreneurial path in 1992 when he set up his own retail corporate travel agency, which he ran successfully for eight years. In 1999, he also simultaneously took on a consultancy role for Air Canada before finally joining the Group in 2002.

As of his 2002 arrival, Benjamin Smith fulfilled a number of high-ranking positions at Air Canada including Head of network Planning before joining the executive management team as Executive Vice-President and Chief Commercial Officer in 2007.

In 2014, he was appointed President Airlines (Air Canada, Rouge, Express, Cargo) and Chief Operating Officer of Air Canada with overall responsibility for commercial affairs, operations and customer relations for the Group. He was also responsible for Air Canada's commercial growth strategy.

On August 16, 2018, Benjamin Smith was appointed Chief Executive Officer of Air France-KLM. On December 5, 2018, he was appointed as a member of the Air France-KLM Board of Directors.

Nationalities: British and Canadian

Age: 50 years

First appointed as a Board director:
December 5, 2018

Expiry of current term of office: 2023 Shareholders' Meeting

Number of shares held in the company's stock:
100,000 shares

Professional address:
Air France-KLM,
2 rue Robert-Esnault-
Pelletier, 75007 Paris

Other directorships and offices

French company

- Board director of Société Air France^(G) since December 12, 2018.

Non-French company

- Member of the Supervisory Board of KLM^(G) since April 2019.

Other

- Member of the International Air Transport Association's (IATA) Board of Governors since 2018;
- Chair of the Airlines for Europe Association (A4E) since March 2020.

Directorships and offices held in the last five years and having expired

N/A

^(G) Company in the Air France-KLM Group.



Gwenaëlle Avice-Huet

Independent Board Director
Member of the Audit Committee

Expertise and professional experience

Born on November 16, 1979, Ms. Avice-Huet is a graduate of the École Normale Supérieure de Cachan (agrégation in physics and chemistry), an engineer of the Corps des Ponts et Chaussées and a graduate of the École Polytechnique (DEA in molecular chemistry).

She began her career in 2006 with the Saint-Gobain Group in the United States, as a project manager in the field of energy, before working as an analyst at the World Bank in Washington D.C., where she co-published a book dedicated to urban infrastructure.

From 2007 to 2010, she started working in the administration, first at the General Secretariat for European Affairs (Prime Minister's department) and then as an advisor in various Ministerial cabinets where she notably took part in international climate negotiations.

In 2010, she joined the Engie Group (formerly GDF-Suez), where she was to hold the position of Director of European and Regulatory Affairs and advised the Group's General Management until 2015. In 2016, she was appointed CEO of Engie France Renouvelables and contributed to the industrial transformation that was to position Engie as the leader in wind and solar energy in France.

As of 2019, she held the positions of Deputy CEO of the Engie Group in charge of renewable energies and CEO of Engie North America (Houston, USA), and was a member of the Engie Group Executive Committee.

In March 2021, she joined the Schneider Electric Group (Boston, USA), where she heads strategic projects for the company on energy transition.

She will take up a new position as Chief Strategy and Sustainability Officer and will be a member of the Schneider Electric Executive Committee as of April 1, 2022.

Gwenaëlle Avice-Huet is a Young Global Leader of the World Economic Forum.

Ms. Avice-Huet is a Knight of the National Order of Merit.

Nationality: French

Age: 42 years

First appointed as a Board director:
May 26, 2021

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock:
1,500 shares

Professional address:
Air France-KLM,
2 rue Robert-Esnault-
Pelterie, 75007 Paris

Other directorships and offices

French company

- SVP Schneider Electric⁽¹⁾ since March 2021

Directorships and offices held in the last five years and having expired

French companies

- Deputy CEO of Engie until March 2021;
- CEO of Engie North America until March 2021;
- CEO of Engie France Renouvelables until January 2021;
- Member of the Board of Directors of Hydrogen Council until March 2021;
- Member of the Board of Directors of WindEurope until March 2021;
- Member of the Board of Directors of the Franco-American Chamber of Commerce of Houston until March 2021.

(1) Listed company.



Leni M.T. Boeren⁽¹⁾

Independent Board director

Member of the Audit Committee and of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born December 23, 1963, Leni M.T. Boeren holds a Masters degree in Business Management from Erasmus University in Rotterdam (the Netherlands).

Ms. Boeren started her career in the financial sector at Paribas in 1983. She went on to work for Rabobank, where she held various positions through to 1992. She then moved to Robeco as head of the marketing and product management department from 1992 to 1997. She subsequently became a member of the Board of Directors of Amsterdam Exchanges followed, in 2000 to 2005, by her appointment as a member of the Executive Committee of Euronext N.V.⁽²⁾ the result of the merger of the Paris (ParisBourse), Brussels (Brussels Exchanges) and Amsterdam (Amsterdam Exchanges) stock exchanges.

In 2005 she joined the Robeco Group, an international asset management firm, where she was successively a member, Vice-Chair and Chair of the Management Board. She was also responsible for Robeco Group's subsidiaries and held several Board positions until December 2016. She also served as a member and Chair of the Board of DUFAS, the Dutch Fund and Asset Management Association (2009-2016) and as a member of the Board of FCLTGlobal (2019-2020).

Ms. Boeren served as Chair and CEO of the Management Board of Kempen Capital Management and a member of the Executive Board of Van Lanschot Kempen N.V.⁽²⁾ (from February 2018 to March 2020).

Nationality: Dutch

Age: 58 years

First appointed as a Board director:
May 16, 2017

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock:
4,000 shares

Professional address:
Air France – KLM,
2 rue Robert-Esnault-
Pelletier, 75007 Paris

Other directorships and offices

Non-French companies

- Member of the AFM Capital Markets Committee (Dutch Financial Markets Authority, Netherlands) since January 2022;
- Member of the Supervisory Board and of the Appointments and Remuneration Committee of NIBC Holding N.V.⁽²⁾ and of NIBC Bank N.V. (Netherlands) since October 2021;
- Member of the Advisory Board of Keyser & Mackay (Netherlands) since September 2021;
- Chair of the Supervisory Board of Ohpen Expeditions B.V. (Netherlands) since March 2021;
- Member of the Board of Directors of Stichting Administratiekantoor Koninklijke Brill (Netherlands) since 2020;
- Member of the Supervisory Board of Tata Steel Nederland B.V. (Netherlands) since 2014.

Directorships and offices held in the last five years and having expired

Non-French companies

- Board director of FCLT Global, USA, until 2020;
- Chair of the Management Board of Kempen & Co N.V. (Netherlands), until 2020;
- Chief Executive Officer of Kempen Capital Management N.V. (Netherlands), until 2020;
- Member of the Management Board of Van Lanschot, Kempen N.V.⁽²⁾ (Netherlands) until 2020;
- Chair of the Supervisory Board of Transtrend BV, Netherlands, until 2019;
- Within the Robeco Group: Chair of the Management Board of Robeco Groep N.V., Chair of the Management Board of Robeco Holding B.V., Chair and CEO of the Management Board of Robeco Institutional Asset Management B.V., Chair of the Management Board of Robeco Nederland B.V., (Netherlands), Chair of the Board of Directors of Boston Partners Global Advisors Inc., (USA), Director of Harbor Capital Advisors Inc., (USA), Vice-Chair of RobecoSAM AG (Switzerland) until 2016;
- Member of the Board of Directors of Sustainable Asset Management USA Inc., USA, until 2016;
- Chair and member of the Board of DUFAS, Netherlands, until 2016.

(1) As proposed by the KLM Supervisory Board pursuant to the agreements concluded on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM (see section 2.2.3 "Rules applicable to the appointment and replacement of members of the Board of Directors"), Ms. Boeren was appointed by the Shareholders' Meeting.

(2) Listed company.



Isabelle Bouillot

Independent Board director

Chair of the Audit Committee and member of the Remuneration Committee

Expertise and professional experience

Born May 5, 1949, Isabelle Bouillot holds an advanced degree in Public Law and is a graduate of the *Institut des Etudes Politiques de Paris* and of the *École Nationale d'Administration*.

Having occupied various positions in the French Public Administration, including Economic Advisor to the President of the Republic between 1989 and 1991 and Budget Director at the Ministry of Economy and Finance between 1991 and 1995, Ms. Bouillot was Deputy Chief Executive Officer in charge of the financial and banking activities at the *Caisse des Dépôts et Consignations* between 1995 and 2000, then Chair of the Management Board of the Investment Bank of the CDC IXIS Group from 2000 to 2003. Since 2006, Ms. Bouillot has been President of China Equity Links (SAS).

Nationality: French

Age: 72 years

First appointed as a Board director:
May 16, 2013

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock:
230 shares

Professional address:
China Equity Links,
27 avenue de l'Opéra,
75001 Paris

Other directorships and offices

French companies

- President of China Equity Links since 2006;
- President of IB Finance;
- Member of the Supervisory Board of Gimar & Cie.

Non-French companies

- Board director of Saint Gobain China;
- President of CELPartners Ltd, Hong Kong;
- Board director of Yafei Dendistry Limited⁽²⁾.

Directorships and offices held in the last five years and having expired

French company

- Board director of Saint-Gobain⁽¹⁾ until June 2016.

Non-French companies

- Board director of Crystal Orange Hotel Holdings Limited⁽²⁾ until May 2017;
- Board director of JD Holding Inc⁽²⁾ until December 2016.

(1) Listed company.

(2) Unlisted company registered outside France in which China Equity Links holds or held an equity interest.



Delta Air Lines, Inc.

Board director
Member of the Committee Committee

Corporation formed under the laws of the State of Delaware (USA) having its registered office at Delta Bld, Atlanta, GA, USA 30354.

Nationality: US

First appointed as a Board director: October 3, 2017

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock: 37,527,410 shares

Professional address: 1030 Delta Boulevard, Atlanta, GA, USA 30354

Other directorships and offices

N/A

Directorships and offices held during the last five years and having expired

N/A



Alain Bellemare

Permanent representative of Delta Air Lines, Inc.
Member of the Remuneration Committee

Expertise and professional experience

Born June 14, 1961, Alain Bellemare is the permanent representative on Air France-KLM's Board of Directors of Delta Air Lines, Inc.⁽¹⁾, a corporation formed under the laws of the State of Delaware having its registered office at 1030 Delta Bld. Atlanta. GA USA 30354.

Alain Bellemare is a transformative business leader and board member with extensive experience in strategy, business development and operational roles. He has served as Executive Vice-President and President-International at Delta Air Lines Inc.⁽¹⁾ since January 2021.

In 2020, Mr. Bellemare was an Operating Executive with The Carlyle Group, focused on the aerospace, defense and government services sectors. Prior to joining The Carlyle Group, he served as President, Chief Executive Officer and Board member of Bombardier Inc.⁽¹⁾ from 2015 to 2020.

Before joining Bombardier, Mr. Bellemare spent 18 years with United Technologies Corporation, serving as President and Chief Executive Officer of UTC Propulsion & Aerospace Systems from 2011 to 2015.

Nationalities: US and Canadian

Age: 59 years

Professional address: 1030 Delta Boulevard, Atlanta, GA, USA 30354

Other directorships and offices

Other

- Member of the International Advisory Board of McGill University's Desautels Faculty of Management;
- Member of the Wings Club Foundation.

Directorships and offices held during the last five years and having expired

Non-French company

- President, CEO and Board director of Bombardier Inc.⁽¹⁾, until March 2020.

(1) Listed company.



Anne-Marie Idrac

Independent Board director

Chair of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born July 27, 1951. Anne-Marie Idrac is a graduate of the *Institut d'Etudes Politiques*, the *École Nationale d'Administration* and the *Institut des Hautes Etudes de Défense Nationale*. Ms. Idrac has spent most of her career in the fields of the environment, housing, urban development and transport.

She was Chief Executive Officer at the Public Development Agency of Cergy-Pontoise, Director of Land Transportation at the Ministry of Equipment and Transport and subsequently Secretary of State for Transport. She occupied the positions of Chair and CEO of the RATP (Paris Public Transport Authority) from 2002 to 2006, and Chair and CEO of the SNCF (French State Railways) from 2006 to 2008. She was a Member of Parliament from 1997 to 2002 and Secretary of State for Foreign Trade from 2008 to 2010. Anne-Marie Idrac is a company director and consultant.

Nationality: French

Age: 70 years

First appointed as a Board director:

November 2, 2017

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock:
1,000 shares

Professional address:

Air France-KLM,
2 rue Robert-Esnault-
Pelterie, 75007 Paris

Other directorships and offices

French companies

- Board director of TotalEnergies since June 2021⁽¹⁾;
- Board director of Saint-Gobain since May 2011⁽¹⁾;
- Board director of SANEF.

Other

- Board director of the Fondation Robert Schuman;
- High representative of the French government for the development of autonomous vehicles since October 2017;
- President of the France Logistics Association since January 2020;
- President of the Alliance for International Medical Action (ALIMA Foundation) since 2020.

Directorships and offices held in the last five years and having expired

French companies

- Member of the Supervisory Board of Bouygues until May 2021⁽¹⁾;
- President of the Aéroport de Toulouse-Blagnac Supervisory Board until May 2018.

(1) Listed companies.



Isabelle Parize

Independent Board director

Member of the Remuneration Committee and of the Audit Committee

Expertise and professional experience

Born June 16, 1957, Isabelle Parize is a graduate of the *École Supérieure de Commerce de Paris*.

Having occupied various positions within Procter & Gamble between 1980 and 1993 including notably that of Marketing Manager, Health and Beauty Care, Ms. Parize joined Henkel Group in 1994. She was Managing Director of Schwarzkopf, Henkel France, from 1994 to 1998, and then Senior Vice-President in charge of Europe, the Middle East and Africa (based in Germany) from 1998 to 2001. She subsequently became President of Canal+ Distribution and Chair and CEO of Canal Satellite in 2001. She then became President of the Fragrance division at Quest International (2005-07) and Managing Director then Vice-Chair of the company Betclac (2007-11) before joining Nocibé as President of the Managing Board (2011-16). She was Chair and Chief Executive Officer of Douglas Holding AG until October 2017. From November 2018 until August 2021, she was CEO of Delsey and of the DHI Holding company. Ms. Parize is currently Chief of the Supervisory Board of DHI and a member of several Boards of Directors.

Nationality: French

Age: 64 years

First appointed as a Board director:

March 27, 2014

Expiry of current term of office: 2022 Shareholders' Meeting

Number of shares held in the Company's stock: 300 shares

Professional address:
Odys SPRL
31, rue des Aduatiques,
1040 Etterbeek Belgium

Other directorships and offices

Non-French companies

- Associate of Odys SPRL, Belgium;
- Board director and member of the Audit Committee of Pandora⁽¹⁾ since January 2019;
- Board director and member of the Audit Committee of Coty⁽¹⁾ since March 2020;
- Board director of FLO Health, Inc. since December 2020.

Directorships and offices held in the last five years and having expired

French companies

- Within DELSEY Group until July 2021:
 - Chair of DHI SAS,
 - Chair of Delsay SAS;
- Within Nocibé/Douglas Group until January 2016:
 - Chair and Chair of the Managing Board of Al Perfume France,
 - CEO and Chair of the Managing Board of Parfumerie Douglas France,
 - Chair and CEO of Douglas Expansion,
 - Chair of Douglas Passion Beauté Achats DPB Achats;
- Board director of Auchan Retail International until October 2018;
- Board director of Robardet⁽¹⁾ until June 2020.

Non-French companies

- Within DELSEY Group:
 - Board director of Delsey Luggage Inc. and Delsey DUSH between late 2018 and August 2021,
 - Board director of Delsey Asia Limited, Delsey Hong Kong Ltd, and Delsey Dongguan between late 2018 and September 2021;
- Within Nocibé/Douglas Group until October 2017:
 - Chair and Chief Executive Officer of Douglas Holding AG,
 - Member of the Supervisory Board of Douglas Holding AG, Germany,
 - Member of the Managing Board of Douglas GmbH, Parfümerie Douglas GmbH, Douglas Cosmetics GmbH, Kirk Beauty One GmbH, Kirk Beauty Two GmbH, Germany, Parfumerie Douglas Nederland B.V., Douglas Investment B.V., Netherlands, Parfümerie Douglas Ges mbH, Austria, Douglas Polska Sp.z.o.o, Poland, Douglas Spain SA and Parfumerie Iberia Holding SL, Spain, Parfümerie Douglas Portugal LDA, Portugal;
- Member of the Supervisory Board of Beiersdorf AG⁽¹⁾, Germany, until February 2016;
- Within the Nocibé/Douglas Group until January 2016:
 - Chief Executive Officer of Parfumeria Douglas Portugal SA, Portugal,
 - CEO of Parfümerie Douglas GmbH and Douglas Cosmetics GmbH, Germany,
 - Managing Director of Douglas Monaco, Monaco.

(1) Listed companies.



Cees 't Hart

Board director

Expertise and professional experience

Born in 1958, Mr. 't Hart holds an MA in Social Science from Leiden University (Netherlands). He worked for 24 years with Unilever, starting his career as a management trainee before holding a range of international management positions in the Netherlands, Hungary, Singapore, Poland and Italy. His last position in Unilever was as a member of the Unilever Europe Board as SVP Marketing Operations.

He joined Carlsberg Group as Chief Executive Officer in 2015 after seven years as Chief Executive Officer of the Dutch dairy cooperative Royal Friesland Campina. He has also been a member of the Supervisory Board of KLM since 2014.

Nationality: Dutch

Age: 63 years

First appointed as a Board director: May 28, 2019

Expiry of current term of office: 2023 Shareholders' Meeting

Number of shares held in the Company's stock:
3,500 shares

Professional address:
J.C. Jacobsens, Gade 1,
DK-1799 Copenhagen V,
Denmark

Other directorships and offices

Non-French companies

- CEO of Carlsberg Group⁽¹⁾;
- President of the Supervisory Board of KLM^(G).

Directorships and offices held in the last five years and having expired

N/A

^(G) Company in the Air France–KLM Group.
⁽¹⁾ Listed company.



Dirk Jan van den Berg

*Board director appointed by the Shareholders' Meeting as proposed by the Dutch State
Member of the Sustainable Development and Compliance Committee*

Expertise and professional experience

Born December 18, 1953. Dirk Jan van den Berg is a graduate of Groningen State University (Netherlands), the *École Nationale d'Administration* (Paris) and the *Academie voor Bank en Verzekeringen* (Amsterdam). He began his career as a Research Assistant in the Faculty of Economics (Groningen State University). He joined the Ministry of Economic Affairs (Netherlands) in 1980 where he was appointed Policy Advisor on macroeconomics before becoming the Head of the Medium Term Bureau of the Macro Economic Policy Directorate and Director Industrial Policy in the Directorate General for Industry at the Ministry of Economic Affairs from 1987 to 1989. During those two years, he was also Director of the "BOFEB" (Netherlands), a one-year professional training program for young economists, aspiring for government jobs. In 1989 he was appointed as Deputy Director General for Foreign Economic Relations at the Ministry of Economic Affairs (Netherlands). In 1992 he was appointed Deputy Director General for Industry at the Ministry of Economic Affairs and, from 1992 to 2001, he was appointed Secretary General of the Ministry of Foreign Affairs. From 2001 until 2005, he was the Permanent Representative of the Netherlands to the United Nations in New York. From 2005 to 2008, he was Ambassador of the Kingdom of the Netherlands to the People's Republic of China and Mongolia, before becoming President of the Executive Board of Delft University of Technology (Netherlands) in 2008. From 2015 until 2020, he was Chairman of the Executive Board of Sanquin Blood Supply. Since 2020, Mr. van den Berg has been President of the Association of Health Insurance Companies in the Netherlands (ZN, Zorgverzekeraars Nederland).

Nationality: Dutch

Age: 68 years

First appointed as a Board director: May 26, 2020

Expiry of current term of office: 2024 Shareholders' Meeting

Number of shares held in the Company's stock: 1,000 shares

Professional address:

Zorgverzekeraars Nederland, Sparrenheuvel 16, 3708 JE Zeist, The Netherlands

Other directorships and offices

Non-French companies

- Chair of the Dutch Association of Insurers (Zorgverzekeraars Nederland) since 2020;
- Chair of the Supervisory Board of the National Science Organisation in the Netherlands (NWO);
- Member of the General Governance Council of the Employer's Organisation in the Netherlands (VNO-NCW);
- Chair (non-executive) of the Board of Tradesparent B.V.;
- Chair of the Supervisory Board of the Dutch Entrepreneurial Development Bank;
- Vice-Chair of the Supervisory Board of Nederlandse Gasunie N.V.;
- President of the Atlantic Committee of the Netherlands;
- Member of the Academic Council for Technology and Innovation in the Netherlands (AcTI).

Directorships and offices held in the last five years and having expired

Non-French companies

- Chair of the Governing Board of the European Institute of Innovation and Technology until 2020;
- Member of the Centrale Plancommissie (CPC), until 2019;
- Member of the Advisory Committee on International Affairs to the Minister of Foreign Affairs, working Group on European Affairs, until 2019;
- Member of the International Advisory Board of PolyU Hong Kong, until 2017;
- Chair of the IHE Foundation Board, until 2017;
- Chair of the inter-ministerial working Group on improvement of the operational readiness of the Dutch Armed Forces (in 2016);
- Member of the International Advisory Board of the Moscow Institute of Physics and Technology, until 2016.



Jian Wang

*Board director appointed as proposed by China Eastern Airlines
Member of the Sustainable Development and Compliance Committee*

Expertise and professional experience

Born August 18 1973, Jian Wang graduated from Shanghai Jiao Tong University with a Bachelor degree in Engineering. He also holds two MBAs from *East China University of Science and Technology* and *Tsinghua University*.

Jian Wang began his career in the aviation industry in 1995 and has extensive experience of corporate governance, strategic investment, capital operations and management. He has designed and facilitated a number of strategic projects within China Eastern.

Since April 2012, Jian Wang has been Corporate Secretary of China Eastern Airlines⁽¹⁾, a subsidiary of China Eastern Air Holding Company Limited. Between November 2016 and February 2019, he was a Board member and President of Eastern Airlines Industry Investment Company Limited, a wholly owned subsidiary of China Eastern Air Holding Company Limited. Since June 2017, Mr. Wang has also been Board member of Eastern Air Logistics Corporation Limited.

Jian Wang is currently Corporate Secretary of China Eastern Airlines Corporation Limited and Chair of Eastern Air Industry Investment Company Limited.

Nationality: Chinese

Age: 48 years

First appointed as a Board director: July 30, 2019

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock: 2,000 shares

Professional address:
China Eastern Airlines,
2550 Hongqiao
International Airport
Shanghai 200335 P.R.
China

Other directorships and offices

Non-French companies

- Corporate secretary of China Eastern Airlines Corporation Limited;
- Board director, Office of Board Affairs, of China Eastern Air Holding Company Limited;
- Chairman of Eastern Airlines Industry Investment Company Limited;
- Board director of Eastern Air Logistics Corporation Limited.

Directorships and offices held in the last five years and having expired

Non-French company

- Board director and President of Eastern Airlines Industry Investment Company Limited until February 2019.

(1) Listed company.



Alexander R. Wynaendts⁽¹⁾

Independent Board director

Chair of the Remuneration Committee and member of the Appointments and Governance Committee

Expertise and professional experience

Born August 1, 1960. Alexander Wynaendts holds an electrical engineering degree from the École Supérieure d'Electricité (1984) and an economics degree from the *Université Paris-Sorbonne* (1983). He has more than thirty years' experience of insurance and international finance.

Mr. Wynaendts began his career in banking with ABN AMRO in 1984, where he was responsible for commercial and investment banking operations in Amsterdam and London. Between 1992 and 1997, he held various positions with ABN AMRO in London. In 1997 he joined Aegon within the Group Business Development division. He joined Aegon's Executive Board in 2003 and was appointed Aegon's Chief Operating Officer in 2007.

Mr. Wynaendts was then Chair and Chief Executive Officer of Aegon N.V.⁽²⁾ from April 2008 until May 2020.

Other directorships and offices

Non-French companies

- Board director of Uber Inc.⁽²⁾ (United States) since, 2021;
- Member of the Salesforce⁽²⁾ Advisory Board in Europe, the Middle East and Africa since 2020;
- Board director of Citigroup Inc.⁽²⁾, USA, since 2019;
- Chair of the Supervisory Board of Puissance B.V., Netherlands, since 2017.

Other

- Member of the Supervisory Board of the Hoge Veluwe National Park, Netherlands, since January 2021;
- Chair of the Supervisory Board of the Rijks museum in Amsterdam;
- Member of the Advisory Board of the Vumc Cancer Center in Amsterdam, Netherlands.

Directorships and offices held in the last five years and having expired

Other

- Chair and CEO of Aegon N.V.⁽¹⁾ (Netherlands) until 2020;
- Chair of the Supervisory Board of the Mauritshuis Museum in The Hague until 2018;
- Vice-Chair of the PEIF (Pan-European Insurance Forum) until 2018;
- Board director of the Geneva Association, Switzerland.

Nationality: Dutch

Age: 61 years

First appointed as a Board director: May 19, 2016

Expiry of current term of office: 2024 Shareholders' Meeting

Number of shares held in the Company's stock: 1,000 shares

Professional address:
Air France-KLM,
2 rue Robert-Esnault-
Pelletier, 75007 Paris

(1) As proposed by the KLM Supervisory Board pursuant to the agreements concluded on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM (see section 2.2.3 "Rules applicable to the appointment and replacement of members of the Board of Directors"), Mr. Wynaendts was appointed by the Shareholders' Meeting.

(2) Listed companies.

Board directors appointed by the Shareholders' Meeting as proposed by the French State

Pursuant to Article 6 of French Ordinance No. 2014-948 of August 20, 2014 concerning governance and transactions involving the share capital of public sector companies, and in that the French State has a direct holding of between 10%

and 50% in the Air France-KLM share capital, one or several seats are reserved within the Board of Directors for members potentially proposed by the French State.



Jean-Dominique Comolli

*Board director appointed by the Shareholders' Meeting as proposed by the French State
Member of the Appointments and Governance Committee and of the Remuneration Committee*

Expertise and professional experience

Born April 25, 1948, Jean-Dominique Comolli is a graduate of the Institut d'Etudes Politiques de Paris and of the *École Nationale d'Administration* and holds a Masters degree in Economic Sciences.

Mr. Comolli began his career in 1977 as a civil administrator before becoming a technical advisor at the Ministry of Budget under Laurent Fabius, then a member of Prime Minister Pierre Mauroy's and Laurent Fabius' staff. He then became Chief of Staff at the Budget Ministry under Michel Charasse, before being appointed Director of Customs in 1989. Between 1993 and 2010, he was Chair and Chief Executive Officer of Seita, Vice-Chair of Altadis until 2005 and Chair of the Board of Altadis between 2005 and 2010.

In September 2010, Mr. Comolli was appointed Commissioner for State Holdings, a position he was to occupy until October 2012.

Mr. Comolli is currently an Honorary Civil Service Administrator.

Nationality: French

Age: 73 years

First appointed as a Board director:
December 14, 2010

Expiry of current term of office: 2023 Shareholders' Meeting

Professional address:
Air France-KLM,
2 rue Robert-Esnault-Pelterie, 75007 Paris

Other directorships and offices

N/A

Directorships and offices held in the last five years and having expired

French companies and public institutions

- Board director of France Télévisions representing the State.



Astrid Panosyan

*Board director appointed by the Shareholders' Meeting as proposed by the French State
Member of the Sustainable Development and Compliance Committee*

Expertise and professional experience

Born August 13, 1971, Astrid Panosyan is a graduate of the *Institut d'Etudes Politiques* (IEP) Paris, the *École des Hautes Etudes Commerciales* (HEC) and of Harvard University (Kennedy School of Government).

She began her career in 1994 at AT Kearney before joining AXA's Strategy Department in 1998 before moving to the Department of Business Support & Development for Asia-Pacific region.

In 2002, she joined Groupama where she successively held various management positions in the International Department, the Department of Strategy and the Department of Finance. She became General Secretary of the Group in 2011.

In 2014 Ms. Panosyan joined the cabinet of Emmanuel Macron, French Minister of Economy, Industry and Digital Affairs, where she was in charge of Economic Attractiveness and International Investments.

In 2015 she was appointed Managing Director of the Central Functions of the Unibail-Rodamco-Westfield Group in charge of Human Resources, Organization, Information Systems, Legal Affairs, Risks & Compliance and Security.

On January 8, 2021 she was appointed as a member of the Management Board of the Unibail-Rodamco-Westfield Group⁽¹⁾ (URW).

Nationality: French

Age: 50 years

First appointed as a Board director: May 28, 2019

Expiry of current term of office: 2023 Shareholders' Meeting

Professional address:
Unibail-Rodamco-Westfield,
7 Place du Chancelier
Adenauer, 75016 Paris

Other directorships and offices

French companies and public institutions

- Board directorships in companies belonging to the Unibail Rodamco-Westfield Group; Member of the Management Board of Unibail-Rodamco-Westfield SE⁽¹⁾; Chair of Doria, Unibail Management and Espace Expansion Immobilière, Chair of Unibail-Rodamco Participations, Member of the Supervisory Board of Uni-Expos, Chair of URW Brands, Chair of the Board of Directors and CEO of Taynih;
- Member of the Supervisory Board of AP-HP International.

Non-French company

- Board director of WCL Management PTY Limited⁽²⁾.

Directorships and offices held in the last five years and having expired

French companies and public institutions

- Member of the Management Board of Unibail-Rodamco SE;
- Board director of Unibail-Rodamco Participations;
- Member of the Strategy Committee of Fabernovel Group.

Non-French companies

- Board director of U&R Management B.V.;
- Board director of Rodamco Europe Beheer B.V.

(1) Listed company.

(2) Company belonging to the Unibail-Rodamco-Westfield Group.

Board director representing the French State appointed by ministerial order

Pursuant to Article 4 of Ordinance No.2014-948 of August 20, 2014 concerning governance and transactions involving the share capital of public sector companies and Article 2 of the decree-law No.2014-949 of August 20, 2014 applying Ordinance No.2014-948, in that the French State holds more than 10% of

Air France-KLM's share capital, a seat may be reserved for the State within the Board of Directors. Martin Vial was appointed Board director representing the French State by a ministerial order dated May 31, 2019.



Martin Vial

*Board director appointed by the French State
Member of the Audit Committee*

Expertise and professional experience

Born February 8, 1954. Martin Vial is a graduate of ESSEC and the *École Nationale Supérieure des Postes et Télécommunications*.

He began his career as an administrator of Post Offices and Telecommunications in the Financial Office of the French Postal Service (*Direction Générale des Postes*). In 1986 he joined the Treasury Department at the Ministry of the Economy and Finance, where he was responsible for overseeing banking activities and stock flotations.

In 1988 he was appointed technical advisor and later Deputy Director of the Office of the Minister for Post Offices, Telecommunications and Space, where he was notably responsible for the institutional reform of the postal service and France Télécom. From 1991 to 1993, he was successively Deputy Director and then director of the Office of the Minister of Infrastructure, Housing, Transport and Space, before going on to become director of the Office of the Minister for Post Offices and Telecommunications.

In 1993 Martin Vial was appointed Chair and Managing Director of the airline Aéropostale, a joint airline subsidiary of Air France, La Poste and TAT. In 1996 he was elected Chair of the *Chambre Syndicale du Transport Aérien* (French air transport association) and of the FNAM (National Federation of Commercial Aviation).

At the end of 1997, he became CEO of the La Poste Group before becoming Chair in December 2000. At the same time, he was a member of the Supervisory Board (1998), then Vice Chair (2002) of the National Welfare Fund (CNP). From 1999 to 2004, he was also a member of the Economic and Social Council and a member of the Strategic Council on Information Technologies under the authority of the Prime Minister. In September 2002, Martin Vial joined the *Cour des Comptes* as counsel. From 2003 to 2014, he served as CEO of the Europ Assistance Group, the world leader in care services with 44 subsidiaries in 33 countries, and CEO of Europ Assistance Holding. He also Chairs several Boards of Directors of the Group's companies. In January 2015, he founded Premium Care, a senior assistance company with high-tech content and delivering an end-to-end remote assistance and home services offer.

On August 24, 2015, Martin Vial was appointed a Commissioner of State Shareholdings.

Nationality: French

Age: 67 years

First appointed as a Board director: May 31, 2019

Expiry of current term of office: May 2023

Professional address:
Agence des Participations de l'État, Ministère de l'Économie, des Finances et de la Relance, 139 rue de Bercy, 75572 Paris Cedex 12

Other directorships and offices

French companies

- Board director of Bpifrance SA. in the capacity as representative of the State;
- Board director of E.D.F⁽¹⁾ in the capacity as representative of the French State;
- Board director of Renault Group⁽¹⁾ in the capacity as representative of the State.

Directorships and offices held in the last five years and having expired

- Board director and member of the Strategy Committee and of the Governance and Remuneration Committee of Thales⁽¹⁾ until 2017.

(1) Listed companies.

Board directors representing the employee shareholders

Pursuant to Articles L. 22-10-5 of the French Code of Commerce (*Code de Commerce*), L. 6411-9 of the French Transport Code (*Code des Transports*) and 17-2 of the Air France–KLM Articles of Incorporation, in that the employees of Air France–KLM subsidiaries hold more than 3% of Air France–KLM's share capital, there are two representatives of the employee shareholders within the Board of Directors:

- one representative belonging to the Flight Deck Crew category of staff; and
- one representative belonging to the Other Employee category of staff.

These Board directors representing the employee shareholders are elected by the Shareholders' Meeting having been proposed by the shareholders referred to in Article L. 225-102 of the *Code de Commerce*. The employee and former employee shareholders are invited to choose their candidates for each of the two colleges (Flight Deck Crew and Other Employees), the appointment taking place based on a majority vote in two rounds of balloting. The candidate having obtained the absolute majority of the votes cast in each college, in either the first or second round, is then proposed to the Shareholders' Meeting.



Paul Farges

*Board director representing the flight deck crew employee shareholders
Member of the Audit Committee*

Expertise and professional experience

Born February 9, 1971, Paul Farges holds two qualifications from the *École Nationale d'Aviation Civile* (ENAC): a diploma as an Airline Pilot (EPL) and a degree in Air Traffic Control Engineering (ICNA).

He began his career in 1994 as Head of the *Aviation Sans Frontière* (ASF) mission in Angola before becoming an air traffic controller at the *Centre en Route de la Navigation Aérienne* de Paris.

In 1999 he joined Air France as a Pilot Officer on the Boeing 737, then on the Boeing 747. Having been promoted to Flight Captain on the A320 in 2007, he became an airline pilot instructor in 2017. Since 2019, Mr. Farges has been assigned to the Boeing 777.

He also holds a Corporate Directors Certificate (Sciences-Po - IFA) and an ICCF@HEC Certificate in Financial Analysis.

Nationality: French

Age: 50 years

First appointed as a Board director:

May 15, 2018

Expiry of current term of office: 2022 Shareholders' Meeting

Number of shares held in the Company's stock:
816 shares

Professional address:

Air France,
45 rue de Paris,
95747 Roissy
Charles-de-Gaulle Cedex

Other directorships and offices

N/A

Directorships and offices held in the last five years and having expired

- Vice-President of the Air France section of the SNPL Pilots' Union and Head of International Affairs until October 2017.



François Robardet

*Board director representing the current and former Ground Staff and Cabin Crew employee shareholders
Member of the Audit Committee and of the Remuneration Committee*

Expertise and professional experience

Born November 9, 1957, François Robardet is a graduate of the *École Nationale Supérieure des Arts et Métiers*. Mr. Robardet began his career in 1983 as a consulting engineer on management information systems within *Compagnie Générale d'Informatique*.

In 1993 he joined Air Inter as an IT project manager before moving to Air France in 1997.

Nationality: French

Age: 64 years

First appointed as a Board director:

December 6, 2016

Expiry of current term of office: 2022 Shareholders' Meeting

Number of shares held in the Company's stock:
757 shares

Professional address:

Air France,
5 avenue Maxwell,
31109 Toulouse Cedex

Other directorships and offices

French entities

- Titular member (elected) of the Supervisory Board of the Aeroactions employee shareholder FCPE;
- Manager of SCI Arcole 3.

Directorships and offices held in the last five years and having expired

- Titular member (elected) of the Supervisory Board of the Aeropelican employee shareholder FCPE;
- Titular member (elected) of the Supervisory Board of the Horizon Epargne Actions diversified savings fund.

Board directors representing the employees

Pursuant to Article 17-3 of the Air France-KLM Articles of Incorporation and Article L. 22-10-7 of the French Code of Commerce (*Code de Commerce*), there are two Board directors representing the employees within the Air France-KLM Board of Directors:

- on June 1, 2017, as stipulated in Article L. 2331-1 of the French Employment Code (*Code du Travail*), the *Comité de Groupe Français* appointed Mr. Karim Belabbas, a Support Technician Weight and Balance CDG hub Ground Operations, as a Board director representing the employees. His mandate was renewed by the *Comité de Groupe Français* respectively on May 10, 2019 then on May 19, 2021;
- on October 5, 2021, Air France-KLM's European Works Council appointed Mr. Terence Tilgenkamp, a Senior Purser KLM Flight

Operations, as a second Board director representing the employees, replacing Mr. Mathi Bouts. The mandate of Mathi Bouts had been renewed by the Air France-KLM European Works Council on April 13, 2021 and his mandate came to an end on December 2, 2021 on his retirement. Mr. Tilgenkamp replaced Mr. Bouts as a Board director representing the employees effective December 3, 2021, for the remaining term of his predecessor's mandate, i.e. until the end of the 2023 Shareholders' Meeting.

The Board directors representing the employees are appointed for a two-year term of office expiring at the end of the Air France-KLM Annual Shareholders' Meeting taking place during the year in which their mandates expire. The mandates of Mr. Belabbas and Mr. Tilgenkamp will this expire at the end of the 2023 Annual Shareholders' Meeting.



Karim Belabbas

Board director representing the employees
Member of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born July 28, 1973, Karim Belabbas is a graduate of the École Supérieure des Métiers de l'Aéronautique in Montpellier (1998) Operations/Traffic Agent. He holds a university degree in aeronautics from Saint-Denis University (2001).

Having been an air Traffic operations coordinator with Aéroport de Paris, Mr. Belabbas joined Air France in November 1999 as an Aircraft Leader. Since 2005 Karim Belabbas has been a support technician weight and balance, CDG hub Ground Operations.

Nationality: French

Age: 48 years

First appointed as a Board director:
June 1, 2017

Expiry of current term of office: 2023 Shareholders' Meeting

Professional address:
Air France,
45 rue de Paris,
95747 Roissy
Charles-de-Gaulle Cedex

Other directorships and offices

N/A

Directorships and offices held in the last five years and having expired

N/A



Terence Tilgenkamp

Board director representing the employees

Expertise and professional experience

Born January 30, 1983, Terence Tilgenkamp joined KLM in 2006 as a cabin attendant. He has worked as a Chief Purser on KLM flights since 2018.

He was previously a member of the KLM section of the parliament of the Union of Dutch Cabin Crew, a member of the KLM Works Council which he Chaired from 2019 to 2021, and a non-executive Board director of the KLM Cabin Crew Pension Fund.

Nationality: Dutch

Age: 38 years

First appointed as a Board director:
December 1, 2021

Expiry of current term of office: 2023 Shareholders' Meeting

Professional address:
KLM, AMS/AF, PO Box
7700, 1117 ZL Schiphol
Airport, Netherlands

Other directorships and offices

N/A

Directorships and offices held in the last five years and having expired

Other

- Member of the KLM Works Council until November 2021;
- President of the KLM Works Council until September 2021;
- Non-executive director of the KLM Cabin Crew Pension Fund until October 2019;
- Member of the KLM section of the parliament of the Union of Dutch Cabin Crew until May 2019.

Board directors whose mandates expired during the 2021 financial year

**Maryse Aulagnon***Independent Board director**Chair of the Audit Committee and member of the Remuneration Committee***Expertise and professional experience**

Born April 19, 1949, Maryse Aulagnon, Honorary Master of Petitions at the *Conseil d'État*, is a graduate of the *Institut des Sciences Politiques de Paris* and of the *École Nationale d'Administration* and holds a post-graduate degree (*DESS*) in Economic Sciences.

Having occupied various positions at the French Embassy in the United States and in a number of Ministerial cabinets (Budget, Industry), Ms. Aulagnon joined the CGE Group (now Alcatel) in 1984 as Director of International Business. She subsequently joined Euris as Chief Executive Officer on its creation in 1987. She served as Chair of the Affine Group SA⁽¹⁾ (a real estate company) which she founded in 1990 until December 18, 2018 and is now developing Finestate (MAB Finances), an investment company and co-living operator.

Ms. Aulagnon was appointed Chair of the *Fédération des Sociétés Immobilières et Foncières* (FSIF) in April 2019.

Nationality: French**Age:** 72 years**First appointed as a****Board director:**

July 8, 2010

Expiry of current term of**office:** 2021 Shareholders' Meeting**Number of shares held in the Company's stock:**

1,500 shares

Professional address:

Finestate, 25 rue de Ponthieu, 75008 Paris

Other directorships and offices**French companies**

- Lead Director and Chair of the Remuneration Committee of Veolia Environnement⁽¹⁾;
- Chair and CEO of Finestate (Mab-Finances).

Non-French company

- Board director of Holdaffine B.V. Netherlands (MAB Finances Group).

Other

- Member of the MEDEF Executive Committee;
- Board director of the *Théâtre National de l'Opéra Comique*.

Directorships and offices held in the last five years and having expired**French companies**

Within the Affine Group:

- Chair of Affine R.E⁽¹⁾ until December 18, 2018;
- Chair of Promaffine SAS, CEO of ATIT (SC) and of Transaffine SAS, representative of Affine, Mab Finances and Promaffine within the employee representative bodies of the various Affine Group entities until January 1, 2017;
- Chair of the Board of GESFIMMO (S.A.) until May 2017;
- Member of the BPCE group's (Banques Populaires Caisses d'Épargne) Supervisory Board and Chair of the Appointments and Remuneration Committees until April 2019.

Non-French company

Within the Affine Group:

- Chair of the Board of Banimmo^{(1) (2)}, Belgium, until November 8, 2018.

(1) Listed companies.

(2) Banimmo is controlled by Affine (49.5%).



Mathi Bouts

*Board director representing the employees
Member of the Sustainable Development and Compliance Committee*

Expertise and professional experience

Born June 29, 1959, Mathi Bouts holds a Bachelor in mathematics and philosophy from the Catholic University of Nijmegen (The Netherlands). He joined KLM in 1987 as a steward. He previously occupied the positions of Chair of KLM's Works Council (where he was, in particular, a member of the Financial Economic Committee) and Vice-Chair of the Air France-KLM European Works Council until 2010. Since 2011, he has also been Chair of the Dutch foundation MNO (*Stichting MultiNationale Ondernemingsradenoverleg*), a network of Works Councils in multinationals.

Mathi Bouts has been a Senior Purser on KLM long-haul flights since 2017.

Nationality: Dutch

Age: 62 years

First appointed as a Board director:
October 10, 2017

Expiry of current term of office: December 2, 2021

Professional address:
KLM, AMS/AF,
PO Box 7700,1117
ZL Schiphol Airport,
Netherlands

Other directorships and offices

Non-French companies

- Chair of the Dutch foundation MNO, Netherlands, since 2011;
- Non-executive director of the "De Première.Nu" Dutch Foundation (Netherlands) since 2020.

Directorships and offices held in the last five years and having expired

Non-French company

- Member of the VNC Council Schiphol-Oost, Netherlands until 2017.



George N. Mattson

Permanent representative of Delta Air Lines, Inc. until February 16, 2021

Expertise and professional experience

Born March 23, 1966, George Mattson is the permanent representative on Air France-KLM's Board of Directors of Delta Air Lines, Inc., a corporation formed under the laws of the State of Delaware (USA) having its registered office at 1030 Delta Blvd. Atlanta, GA USA 30354.

George Mattson is a retired partner at Goldman Sachs & Co where he had a 19-year career. He has extensive experience in M&A, corporate finance and the capital markets. During this period, he also acquired extensive knowledge of the airline sector.

He is now a private investor focused on acquiring and growing private industrial companies. George Mattson has been a member of Delta's Board of Directors since 2012, where he chairs the Finance Committee and sits on the Personnel & Compensation and Corporate Governance Committees.

Nationality: US

Age: 55 years

Professional address:
1030 Delta Boulevard,
Atlanta, GA USA 30354

Other directorships and offices

Non-French companies

- Board director of Delta Air Lines, Inc.⁽¹⁾, USA;
- Board director of Injection Technologies Inc., Canada;
- Board director of Tropic Ocean Airways, USA;
- Board director of Virgin Galactic Holdings, Inc.⁽¹⁾, USA;
- Senior advisor of Comvest. Partners, USA;
- Senior advisor of Star Mountain Capital, USA.

Directorships and offices held during the last five years and having expired

Non-French company

- Board director of Instant Channel Inc., USA, until 2020.

(1) Listed companies.

2.2 ORGANIZATION AND FUNCTIONING OF THE BOARD OF DIRECTORS

2.2.1 Functioning of the Board of Directors

Corporate Governance Code

The Board of Directors functions according to the corporate governance principles in force in France as set forth in the AFEP-MEDEF Corporate Governance Code (hereinafter the “AFEP-MEDEF Code”), updated in January 2020 and available on the AFEP (www.afep.com) and MEDEF (www.medef.com) websites.

In application of Article L. 22-10-10, of the *Code de Commerce* and in line with the recommendations of the AFEP-MEDEF Code, this section identifies in a summary table the recommendations of the AFEP-MEDEF Code that have not been adopted and explains the reasons for this choice (see section 2.4 “Summary table of the AFEP-MEDEF’s Comply or Explain recommendations not applied”).

Internal Rules of the Board of Directors

On June 17, 2004, the Air France-KLM Board of Directors adopted a set of Internal Rules based on the corporate governance principles established by the AFEP-MEDEF Code.

In addition to the respective missions and powers of the Chair of the Board of Directors and of the Chief Executive Officer, these Internal Rules specify the modalities for the organization and functioning of the Board of Directors, and establish the prerogatives and duties of Board directors as regards the rules on reporting, disclosure, confidentiality and conflicts of interest. They also determine the powers of each of the advisory Committees established within the Board.

The last update to the Internal Rules took place on March 12, 2019. It concerned the missions of the newly-created Sustainable Development and Compliance Committee and the changes to the AFEP-MEDEF Code having taken place in June 2018.

The Internal Rules of the Board of Directors are available on the Air France-KLM website at <http://www.airfranceklm.com> (Governance section).

2.2.2 Separation of the functions of Chair of the Board of Directors and Chief Executive Officer

During its meeting of May 15, 2018, the Air France-KLM Board of Directors decided to separate the functions of Chair of the Board of Directors and Chief Executive Officer. This decision followed Mr. Jean-Marc Janaillac stepping down as Chair and Chief Executive Officer of Air France-KLM, and the implementation of a transitional governance to, notably, enable the Chair of the Board of Directors to focus on the effective functioning of the Board and on the search for candidates for the position of Air France-KLM’s Chief Executive Officer.

On August 16, 2018, the Board of Directors confirmed the separation of the functions of Chair of the Board of Directors and Chief Executive Officer within the framework of the implementation of the long-term governance with the appointment of Mr. Benjamin Smith as the new Chief Executive Officer of Air France-KLM. The Board of Directors considered that this was the best governance option for the Company at this stage in its development in that it enables the Company to benefit from a new dynamic with a Chair of the Board of Directors who is dedicated to governance matters and a Chief Executive Officer with recognized expertise in the air transport industry, who is focused on the Group’s operations. The complementarity of their profiles and roles optimizes the Group’s governance and ensures a balanced and respectful division of their respective missions. It also enables

the effective coordination of the Board of Directors thanks to the presence of a Chair of the Board of Directors who is exclusively devoted to its functioning and guarantees a more effective separation between the control and management functions.

On May 26, 2021, the Shareholders’ Meeting adopted a resolution setting the age limit for the Chair of the Board of Directors at 72 years (previously 70 years), when the functions of Chair of the Board of Directors and Chief Executive Officer are separate, and as applied by a number of French listed companies. Pursuant to the provisions of the Air France-KLM Articles of Incorporation and the Internal Rules of the Board of Directors, the role and attributions of the Chair remain unchanged. The Board of Directors also decided that Ms. Anne-Marie Couderc would fulfil her functions as Chair of the Board of Directors until the Shareholders’ Meeting convened to approve the financial statements for the 2022 financial year. Within the context of the unprecedented public health crisis currently being traversed by the Air France-KLM Group, the Board of Directors stressed the importance of stabilizing the Group’s governance and thus creating the most favorable conditions for the management to concentrate its efforts on the operational management and the exit from crisis.

Powers and missions of the Chair of the Board of Directors

In her capacity as Chair of the Board of Directors, Ms. Anne-Marie Couderc organizes and steers the work of the Board of Directors, and ensures the preservation of the corporate interests and the effective functioning of the corporate bodies (Board of Directors, advisory Committees and Shareholders' Meetings) in the respect of the principles of good governance. She also ensures that the Board of Directors devotes the time required to issues of interest to the Group's future and, in particular, its strategy.

She has no executive responsibility but may represent the Group in its high-level relations, notably with the public authorities, major customers and partners, at both national and international level, in close collaboration with the Chief Executive Officer. She devotes her best efforts to promoting the values and image of the Group in all circumstances. Lastly, the Chief Executive Officer keeps her regularly informed of any significant events and situations relating to the life of the Group and she may ask him for any information relevant to the understanding of the Board and its advisory Committees⁽¹⁾. Ms. Couderc, an independent Board director, also retains her role as Chair of the Appointments and Governance Committee.

Powers and missions of the Chief Executive Officer

In his capacity as Chief Executive Officer of Air France-KLM, Mr. Smith is invested with the broadest powers to act in the Company's name in all circumstances within the limits of the corporate purpose and subject to those expressly attributed by law to the Shareholders' Meeting and the Board of Directors.

Furthermore, without prejudice to the legal provisions relating to the authorizations that must be granted by the Board of Directors (regulated agreements, securities, agreements and guarantees, divestment of equity interests and real estate, etc.), the provisions of the Internal Rules of the Board of Directors require prior approval from the Board for operations by the Company and its Principal Subsidiaries whose amount is equal to or exceeds €150 million as outlined in points (i), (ii) and (iii) of paragraph (d) on the powers and missions of the Board of Directors below.

The Chief Executive Officer of Air France-KLM also chairs both the CEO Committee and the Group Executive Committee (see sections 2.6 "CEO Committee" and 2.7 "Group Executive Committee").

2.2.3 Rules applicable to the appointment and replacement of members of the Board of Directors

Appointment and re-appointment of members of the Board of Directors

The modalities governing the appointment of Board directors are set forth in Article 17 of the Air France-KLM Articles of Incorporation and in the Internal Rules of the Board of Directors.

(1) Article 1.2 of the Internal Rules of the Board of Directors.

Powers and missions of the Board of Directors

The Board of Directors deliberates on any matters falling within the powers devolved to it by law and those stipulated by the Internal Rules of the Board of Directors or in application of the AFEP-MEDEF Code.

In particular, prior to any decision or deployment by the Company or principal subsidiary (Air France, KLM, and any other subsidiary, as may be decided by the Board of Directors, hereinafter known as the "Principal Subsidiaries" or individually "Principal Subsidiary"), the Board of Directors:

- a) approves the Group's strategic directions and reviews them as a whole at least once a year;
- b) approves the budget including the capex plan;
- c) without prejudice to the provisions of paragraph (d) below, approves any significant operations that are liable to affect the Group's strategy or modify its financial structure or scope of activity; the Chief Executive Officer being responsible for determining whether or not an operation is significant in nature;
- d) approves the following operations by the Company and its Principal Subsidiaries when their amount is equal to or in excess of €150 million:
 - (i) operating lease contracts, investments, the acquisition or sale of any assets including, specifically, the fleet, interests in companies formed or to be formed, participation in the formation of all companies, groups or organizations, subscriptions to all issues of shares, units or bonds;
 - (ii) borrowings, issues of bonds and aircraft financing;
 - (iii) granting of all exchanges with or without balancing cash adjustments involving the Company's assets, stocks or securities;
- e) as recommended by the Appointments and Governance Committee (as provided in Article 8 of the Internal Rules of the Board of Directors), approves the appointment of the Chair and Chief Executive Officer or Chief Executive Officer of any of the Principal Subsidiaries; and
- f) as recommended by the Remuneration Committee (as provided in Article 9 of the Internal Rules of the Board of Directors), approves the compensation of the Chair and Chief Executive Officer or Chief Executive Officer of any of the Principal Subsidiaries.

The Board of Directors is informed of the proper running of the company and its Principal Subsidiaries, and of the main acquisitions or disposals of any equity interests whenever their amount is equal to or inferior to €150 million.

The Board of Directors is thus composed of between three and eighteen members, excluding the Board directors representing the employee shareholders and the Board directors representing the employees. The Air France-KLM Board directors are appointed by the Ordinary General Shareholders' Meeting with the exception of the Board director representing the French State

(appointed by ministerial order⁽¹⁾) and the two Board directors representing the employees (appointed, depending on the case, by the *Comité de Groupe Français* or the Air France – KLM European Works Council)⁽²⁾.

As proposed by the Appointments and Governance Committee, the Board of Directors submits for approval by the Shareholders' Meeting, the appointment, ratification of the co-optation and re-appointment of Board directors. The proposed appointment, co-optation and re-appointment of Board directors formulated by the Board of Directors comply with the legal and regulatory provisions (including, notably, the rules on parity) and the recommendations formulated by the AFEP-MEDEF Code (including, notably, the rules on the independence of the Board directors)⁽³⁾.

Pursuant to Article 8.2 of the Internal Rules of the Board of Directors referring to the provisions of the agreements signed on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM, the Appointments and Governance Committee submits to the Board of Directors proposals regarding:

- a) the appointment as a Board director of the President of the KLM Supervisory Board;
- b) the appointment or re-appointment as Board directors of two high-profile individuals residing in the Netherlands, chosen after consultation and on the recommendation of the KLM Supervisory Board; and
- c) the appointment or re-appointment as a Board director of a high-profile individual residing in the Netherlands, chosen after consultation and on the recommendation of the Dutch State.

In addition, two Board directors are appointed by the Shareholders' Meeting as proposed by the French State, in application of Ordinance No.2014-948 of August 20, 2014.

Pursuant to the provisions of the two Subscription Agreements signed on July 27, 2017 between, on one hand, Air France – KLM and Delta Air Lines, Inc. and, on the other, between Air France – KLM and China Eastern Airlines (outlined in section 2.8.4 "Reinforcement of the Air France – KLM Group's strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines"), since October 2017

Delta Air Lines, Inc. and China Eastern Airlines have each had one representative on the Company's Board of Directors⁽⁴⁾.

Furthermore, pursuant to Articles L. 225-23 and L. 22-10-5 of the *Code de Commerce*. L. 6411-9 of the *Code des Transports* and Article 17-2 of the Air France – KLM Articles of Incorporation, two Board directors representing the employee shareholders and former employee shareholders are appointed by the Shareholders' Meeting as proposed by the employee (and former employee) shareholders referred to in Article L. 225-102 of the *Code de Commerce*:

- one representative belonging to the Flight Deck Crew category of staff; and
- one representative belonging to the Other Employee category of staff.

The employee and former employee shareholders are invited to select their candidates for each of the two colleges (Flight Deck Crew and Other Employees), the appointments taking place based on a majority vote in two rounds of balloting. The candidate having obtained the absolute majority of the votes cast in each college, in either the first or second round, is then proposed to the Shareholders' Meeting⁽⁵⁾.

Lastly, in that the Air France – KLM Board of Directors is composed of more than eight Board directors, there are two directors representing the employees in the Board of Directors⁽⁶⁾. Pursuant to Article 17-3 of the Air France – KLM Articles of Incorporation, the first Board director representing the employees is appointed by the *Comité de Groupe Français* as stipulated in Article L. 2331-1 of the *Code de Travail*, while the second is appointed by the European Works Council of Air France – KLM. Each Board director representing the employees is appointed for a two-year term of office, expiring at the end of the Annual General Shareholders' Meeting taking place during the year in which their mandates expire⁽⁷⁾.

Pursuant to the corporate governance principles as stipulated by the AFEP-MEDEF Corporate Governance Code, the duration of Board directors' terms of office is four years⁽⁸⁾ and the expiration dates for these terms of office are staggered to facilitate the smooth renewal of the Board of Directors.

Furthermore, every Board director⁽⁹⁾ must own at least ten shares for the duration of their term of office (Article 19 of the Air France – KLM Articles of Incorporation).

(1) Pursuant to Article 4 of Ordinance No. 2014-948 of August 20, 2014 relating to governance and to transactions involving the share capital of State-owned companies and Article 2 of the decree-law No.2014-949 of August 20, 2014, in application of Ordinance No. 2014-948.

(2) Board directors appointed pursuant to Article L. 22-10-7 of the *Code de Commerce*, in accordance with the modalities foreseen by Article 17-3 of Air France – KLM's Articles of Incorporation.

(3) Article 9.3 of the AFEP-MEDEF Code notably provides that half the members of the Board of Directors must be independent directors (see section 2.2.4 "Independence of the Board directors").

(4) Delta Air Lines, Inc. is thus a Board director of Air France – KLM and Mr. Jian Wang is a Board director appointed by the Shareholders' Meeting as proposed by China Eastern Airlines.

(5) The mandates of the two Board directors representing the employee shareholders, Mr. François Robardet and Mr. Paul Farges, will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2021. The process to select new candidates, whose appointment will be submitted to the Shareholders' Meeting of May 24, 2022 convened to approve the financial statements for the financial year ending December 31, 2021, was launched in January 2022.

(6) On May 19, 2021, the mandate of Mr. Karim Belabbas, a support technician weight and balance, CDG hub Ground Operations, was renewed by the *Comité de Groupe Français* while, on October 5, 2021 Mr. Terence Tilgenkamp, Chief Purser KLM Flight Operations, was appointed by the European Works Council in the capacity of a second Board director representing the employees. He took up his functions on December 1, 2021.

(7) The mandates of Mr. Karim Belabbas and Mr. Terence Tilgenkamp will expire at the end of the May 2023 Shareholders' Meeting convened to approve the financial statements for the financial year ended December 31, 2022.

(8) With the exception of the Board directors representing the employees whose term of office is two years pursuant to Article 17-3 of the Air France-KLM Articles of Incorporation.

(9) With the exception of the Board directors representing the employee shareholders and the Board directors representing the employees (Article L. 225-25 paragraph 3 of the *Code de Commerce*) and the Board directors appointed by the French State or the Shareholders' Meeting as proposed by the State (Article 5 paragraphs 5 and 6 VI of Ordinance No.2014-948 of August 20, 2014).

Diversity policy applicable to the members of the Board of Directors

As recommended by the Appointments and Governance Committee, at its meeting of March 16, 2022 the Board of Directors reviewed the criteria of the diversity policy applicable to the composition of the Board of Directors. The criteria and objectives of this policy set out below take into account the results of the evaluation of the Board of Directors as well as the skills matrix of its Board directors (see below).

Selection criteria for Board directors

In the context of the appointment and re-appointment of Board directors, and to preserve the balance of its composition, the Board of Directors gives preference to the following selection criteria:

- openness to the world, international professional experience and the diversity of nationalities: Air France – KLM was created through the merger of two companies of different nationalities with global reach leading to numerous international challenges;
- General Management experience acquired within major French and foreign international companies; the Group numbers around 71,000 employees across three main businesses: the Network business (Passenger and Cargo transportation), the Maintenance business and the low-cost-flight passenger transportation business, operating in 116 countries;
- knowledge and experience of the transportation and airline sectors, as well as of tourism; these are the businesses in which the Group is primarily active;
- the Board of Directors also ensures that expertise related to the Group's strategic priorities is represented within the Board, particularly in the areas of brand strategy, digital and customer relations, human resources, and social and environmental responsibility (CSR).

Implementation of the diversity policy

In implementing this diversity policy, the Board has set itself clear objectives:

- maintain the balance between the Company's various stakeholders and the balanced representation of men and women;
- prioritize the independence of spirit of the Board directors;
- promote adherence to the Group's fundamental values;
- ensure the availability of the Board directors.

In connection with this policy, the following changes to the composition of the Board of Directors took place in 2021:

Consolidation of air transportation industry expertise

The Board of Directors welcomed Ms. Gwenaëlle Avicé-Huet as a new independent Board director appointed by the Shareholders' Meeting of May 26, 2021. Ms. Gwenaëlle Avicé-Huet replaced Ms. Maryse Aulagnon, whose mandate expired at the end of the Shareholders' Meeting of May 26, 2021. She notably brings to the Board her expertise in sustainable development.

Delta Air Lines, Inc. was re-appointed as a Board director. The Board welcomed Mr. Alain Bellemare as the new permanent representative of Delta Air Lines, Inc. as of February 16, 2021, who brings to the Board his experience of air transportation, the aerospace sector, and company management and transformation.

Ms. Boeren, Ms. Bouillot and Ms. Idrac were also re-appointed as independent Board directors, as was Mr. Wang in his capacity as Board director appointed as proposed by China Eastern Airlines. They continue to contribute to the Board their expertise in a number of different areas: General Management, air transportation, governance, public affairs, finance, human resources, CSR and digital.

Lastly, on December 3, 2021, Mr. Terence Tilgenkamp, appointed by the European Works Council on October 5, 2021 as the successor to Mr. Mathi Bouts who had retired, took up his functions as a Board director representing the employees. Mr. Tilgenkamp enables the Board to benefit from his expertise in air transportation and employee relations, and his knowledge of airline operations.

Balance of nationalities and international openness

The arrival in the Board of Directors of Mr. Bellemare, a Canadian and US national, and Mr. Tilgenkamp a Dutch national, and the re-appointment of Ms. Boeren, an Independent director and a Dutch national, enables the Board to consolidate the diversity of its nationalities. Five directors within the Board, Ms. Boeren and Messrs Tilgenkamp, 't Hart, Wynaendts and van den Berg, are Dutch nationals. Mr. Wang, a Board director appointed as proposed by China Eastern Airlines, is a Chinese national. Lastly, Mr. Smith, Chief Executive Officer and a Board director of the Company, holds dual Canadian and British citizenship.

The Board of Directors thus numbers six different nationalities and eight non-French Board directors (a Canadian-British Board director, five Dutch Board directors, a Canadian-US Board director and a Chinese Board director), i.e. a proportion of 42%. These Board directors bring to the Board of Directors an in-depth knowledge of their respective markets.

A balance favorable to the exercise of the missions of each Committee

In addition, by applying criteria like the balanced representation of men and women, professional qualifications and experience, and nationality, the Board of Directors ensures that there is a balance conducive to the fulfilment of the individual Committees' duties.

Balance of competencies within the Board of Directors at December 31, 2021

The following table shows, by Board director, the areas of expertise that are essential to ensuring the effective functioning of the Board of Directors in relation to the issues it deals with. The review of these areas of expertise was the subject of a

specific point during the evaluation of the Board of Directors, as part of the analysis of the contributions of the individual Board directors to the Board's work.

Competencies of the Board of Directors at December 31, 2021

Board director	Current main function	General Management	Transport (GICS 2030) ⁽¹⁾	Air transport (GICS 2030) ⁽¹⁾
Anne-Marie Couderc	Chair of the Air France-KLM Board of Directors, company Board director	√		
Benjamin Smith	Chief Executive Officer of Air France-KLM	√	√	√
Gwenaëlle Avice-Huet	SVP Schneider Electric	√		
Leni M.T. Boeren	Chair of the Supervisory Board, member of the Supervisory Board and Board director of companies	√		
Isabelle Bouillot	President of China Equity Links	√	√	
Delta Air Lines, Inc. (represented by Alain Bellemare)	Airline company	√	√	√
Cees 't Hart	CEO of Carlsberg Group (Denmark) Chair of the KLM Supervisory Board (Netherlands)	√		
Dirk Jan van den Berg	Chair of the Association of Health Insurance Companies in the Netherlands (ZN, Zorgverzekeraars Netherlands).	√		
Anne-Marie Idrac	Company director and consultant	√	√	√
Isabelle Parize	Corporate counsel, Chair of the Supervisory Board of DHI Company and Board director	√		
Jian Wang	Corporate Secretary of China Eastern Airlines Corporation and Chair of Eastern Airlines Industry Investment Co., Ltd.			√
Alexander R. Wynaendts	Chair of the Supervisory Board, member of the Supervisory Board and Board director of companies	√		
Martin Vial	Commissioner of State Shareholdings	√		√
Jean-Dominique Comolli	Honorary Civil Service Administrator	√		
Astrid Panosyan	Managing Director of the Central Functions and member of the Management Board of the Unibail-Rodamco-Westfield Group	√		
François Robardet	Air France Executive			√
Paul Farges	Airline Pilot Instructor			√
Karim Belabbas	Support Technician Weight and Balance, CDG hub Ground Operations			√
Terence Tilgenkamp	Purser, KLM Flight Operations			√
Total number of Board directors		14	4	9

(1) Global Industry Classification Standard (GICS), code levels 2 and 3. Nine Board directors have air transportation industry competencies.

Governance	International	Public affairs	Finance	HR	CSR	Digital
√		√		√		
√	√			√		
√		√	√		√	√
√	√		√	√	√	√
√	√	√	√			
√	√					
√	√			√	√	
√	√	√				
√	√	√		√	√	
√	√	√	√	√		√
	√		√			
√	√	√	√			
√	√	√	√			
√				√	√	√
				√	√	
√			√	√		
		√		√		
√				√		
16	11	10	9	11	6	4

2.2.4 Independence of the Board directors

Having examined the situation of each Board director as at December 31, 2021 in the light of the criteria stipulated by the AFEP-MEDEF Code, and as proposed by the Appointments and Governance Committee, at its meeting of March 16, 2022 the Board of Directors adopted the following position:

- seven Board directors (Ms. Avice-Huet, Ms. Boeren, Ms. Bouillot, Ms. Couderc⁽¹⁾, Ms. Idrac, Ms. Parize and Mr. Wynaendts) are independent in that:
 - none of these seven Board directors has directly or indirectly a relationship of any nature, whether with the Company, its Group or its management, that is such as to color their judgement;
 - no significant business relationships exist between the Group and any of these independent board directors; and
 - in her capacity as Chair of the Board of Directors, Ms. Anne-Marie Couderc receives only fixed compensation and no variable compensation in the form of either cash or shares;
- although they were appointed as proposed by the Supervisory Board of KLM in accordance with the 2003 agreements relating to the business combination between Air France and KLM, Ms. Boeren and Mr. Wynaendts are independent with respect to §9.2 of the AFEP-MEDEF Code insofar as they have no direct or indirect relationship of any kind whatsoever with the Company, its Group or its management that could compromise the exercise of their freedom of judgement. Ms. Boeren and Mr. Wynaendts have no special interest (significant shareholder, employee, other) in the Company or its Group. Ms. Boeren and Mr. Wynaendts have been independent directors of Air France-KLM since, respectively, May 2017 (first appointed as a Board director) and May 2020 (re-appointment date following a first appointment as a Board director in May 2016).
- the other non-independent Board directors are:
 - a representative of the French State appointed by ministerial order: Mr. Vial;
 - Board directors appointed by the Shareholders' Meeting as proposed by the French State: Mr. Comolli and Ms. Panosyan;
 - a Board director appointed by the Shareholders' Meeting as proposed by the Dutch State: Mr. Dirk Jan van den Berg⁽²⁾;
 - Delta Air Lines, Inc.⁽³⁾, whose permanent representative is Mr. Bellemare; and
 - a Board director appointed by the Shareholders' Meeting as proposed by China Eastern Airlines: Mr. Wang⁽⁴⁾;
 - representatives of the employee shareholders: Mr. Farges and Mr. Robardet;

- representatives of the employees: Mr. Belabbas and Mr. Tilgenkamp; and
- executive officers of the Air France-KLM Group: Mr. Smith, Chief Executive Officer of Air France-KLM and Board director of Air France, and Mr. 't Hart, Chair of the KLM Supervisory Board.

Given the above, and pursuant to the provision of the AFEP-MEDEF Code by which Board directors representing employee shareholders and Board directors representing the employees are not counted in the calculation of the percentages of independent shareholders within the Board of Directors and its Committees (§9.3 and 15.1 of the AFEP-MEDEF Code), the percentages of independent directors as of December 31, 2021 are:

- 47% in the Board of Directors;
- 80% in the Audit Committee (chaired by an Independent director);
- 67% in the Appointments and Governance Committee (chaired by an Independent director);
- 60% in the Remuneration Committee (chaired by an Independent director);
- 40% in the Sustainable Development and Compliance Committee (chaired by an Independent director).

The proportion of independent directors at December 31, 2021 is therefore 47%, i.e. below the 50% threshold recommended by the AFEP-MEDEF Code for non-controlled companies.

This divergence is due to an exceptional situation linked to the Dutch government's acquisition of a shareholding in Air France-KLM in February 2019. In effect, on March 25, 2019, the Board of Directors of Air France-KLM considered, based on a report from the Appointments and Governance Committee, that in view of the Dutch State's acquisition of a shareholding in Air France-KLM on February 26, 2019, Mr. de Hoop Scheffer, a Board director appointed as proposed by the Dutch State, could no longer qualify as an Independent director as of that date. On May 26, 2020, Mr. van den Berg was appointed as a Board director of Air France-KLM by the Shareholders' Meeting as proposed by the Dutch State, replacing Mr. de Hoop Scheffer whose term of office was expiring. Mr. van dan Berg is not an independent Board director.

The discussions initiated in 2019 on the composition of the Board of Directors have continued between Air France-KLM, the French State and the Dutch State but no decision has been taken at this stage. The issues around these discussions have changed following the impact of the crisis linked to the Covid-19 pandemic. Notably, the impact of the measures to reinforce Air France-KLM's equity and quasi equity which were realized in April 2021 and those which will, in principle, be implemented in the near future will, if necessary, will need to be taken into account in the change to the composition of the Board of Directors. This situation is thus temporary.

(1) Ms. Anne-Marie Couderc, Chair of the Air France-KLM Board of Directors is also non-executive Chair of the Air France Board of Directors.

(2) Pursuant to the agreements of October 16, 2003 concluded between the Dutch State, Air France and KLM.

(3) Pursuant to the provisions of the Memoranda of Understanding concluded, *inter alia*, between Delta Air Lines Inc. and Air France-KLM on July 27, 2017.

(4) Pursuant to the provisions of the Marketing Agreement concluded between China Eastern Airlines and Air France-KLM on July 27, 2017.

Independence of the Board directors

Criteria to be evaluated pursuant to paragraphs 9.5 to 9.7 of the AFEP-MEDEF Code	Criterion 1 ⁽¹⁾	Criterion 2 ⁽²⁾	Criterion 3 ⁽³⁾	Criterion 4 ⁽⁴⁾	Criterion 5 ⁽⁵⁾	Criterion 6 ⁽⁶⁾	Criterion 7 ⁽⁷⁾	Criterion 8 ⁽⁸⁾	Independent director
Gwenaëlle AVICE-HUET	√	√	√	√	√	√	√	√	Yes
Karim BELABBAS	X	√	√	√	√	√	√	√	No
Leni M.T. BOEREN	√	√	√	√	√	√	√	√	Yes
Isabelle BOUILLOT	√	√	√	√	√	√	√	√	Yes
Terence TILGENKAMP	X	√	√	√	√	√	√	√	No
Jean-Dominique COMOLLI	√	√	√	√	√	√	√	X	No
Anne-Marie COUDERC	X ⁽⁹⁾	√	√	√	√	√	√	√	Yes
Cees 'T HART	X	√	√	√	√	√	√	√	No
Dirk Jan VAN DEN BERG	√	√	√	√	√	√	√	X	No
Delta Air Lines, Inc.	√	√	X	√	√	√	√	X	No
Paul FARGES	X	√	√	√	√	√	√	√	No
Anne-Marie IDRAC	√	√	√	√	√	√	√	√	Yes
Isabelle PARIZE	√	√	√	√	√	√	√	√	Yes
Astrid PANOSYAN	√	√	√	√	√	√	√	X	No
François ROBARDET	X	√	√	√	√	√	√	√	No
Benjamin SMITH	X	√	√	√	√	√	√	√	No
Martin VIAL	√	√	√	√	√	√	√	X	No
Jian WANG	√	√	X	√	√	√	√	X	No
Alexander R. WYNAENDTS	√	√	√	√	√	√	√	√	Yes

(1) Employee or company officer within the past five years.

(2) Cross-directorships.

(3) Significant business relationships.

(4) Family ties.

(5) Statutory Auditors.

(6) Term of office exceeding 12 years.

(7) Non-executive officer status.

(8) Significant shareholder status.

(9) Anne-Marie Couderc, Chair of the Air France-KLM Board of Directors, is also non-executive Chair of the Société Air France Board of Directors.

Training for Board directors

Newly appointed Board directors are encouraged to meet with the company's principal executives and are offered site visits to increase their understanding of the Group's business environment and activities. On their appointment, they are also sent a dossier including, notably, the Air France-KLM Articles of Incorporation, the Internal Rules of the Board of Directors, the Universal Registration Document, the latest press releases issued by the company and a reminder of the stock market compliance rules.

On their appointment and during their terms of office, every Board director (including the Board directors representing the employees and the employee shareholders) can benefit from the training that they deem necessary for the exercise of their mandate. This training is proposed and organized by the Company.

This training, which is paid for by the Company, is mostly carried out *via* a program designed by a professional body, supplemented by in-house training offered by the Company, and is aimed at gaining a better understanding of the functioning of the Board of Directors and their roles as Board directors. Accounting and financing modules are also proposed to enable them to improve their financial know-how. A portion of this training time is carried out within the Company. Pursuant to the applicable regulation, during its meeting of March 16, 2022, the Board of Directors decided to establish and update the training program in French and English offered to the Board directors representing the employee shareholders and the employees.

2.2.5 Other rules applicable to Board directors

Situation of conflict of interests

Pursuant to the recommendations of the AFEP-MEDEF Code and Article 11 of the Internal Rules of the Board of Directors, Board directors are bound to report to the Board of Directors any conflicts of interest, whether actual or potential, owing to the position they hold in another company, and must abstain from taking part in the deliberation and voting on the related resolution. Every year, the Company sends the Board directors a questionnaire enabling confirmation that there are no conflicts of interest and the Company to be informed of any potential conflicts.

To the Company's knowledge, none of the Board members are related and there are no conflicts of interest between the duties of the Board members with regard to the Company and their private interests and other duties.

With the exception of the agreements listed below, there are no arrangements or agreements between the main shareholders, customers, suppliers or other parties, in accordance with which a member of the Board of Directors has been selected:

- (i) the agreements signed on October 16, 2003 between Air France, KLM and the Dutch government pursuant to which four Board directors are appointed to the Board of Directors as proposed by KLM and the Dutch government (see section 2.2.3 "Rules applicable to the appointment and replacement of members of the Board of Directors"); and
- (ii) the agreements signed on July 27, 2017 between, firstly, Air France-KLM and Delta Air Lines, Inc. and, secondly, between Air France-KLM and China Eastern Airlines pursuant to which Delta Air Lines, Inc. and Mr. Wang were appointed to the Board of Directors (see section 2.8.4 "Reinforcement of the Air France-KLM Group's strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines").

Furthermore, pursuant to the provisions of Ordinance No. 2014-948 of August 20, 2014 concerning the governance and transactions involving the share capital of public sector companies and the application decree-law No. 2014-949 of August 20, 2014, a Board director representing the French State is appointed by ministerial order and two Board directors are appointed by the Shareholders' Meeting as proposed by the French State. In addition, pursuant to Articles L. 225-23 and L. 22-10.5 of the *Code de Commerce* (French Code of Commerce), L. 6411-9 of the *Code des Transports* (French Transport Code) and 17.2 of the Air France-KLM Articles of Incorporation, as proposed by the employee (and former employee) shareholders referred to in Article L. 225-102 of the *Code de Commerce*, two Board directors representing the employee and former-employee shareholders are appointed by the Shareholders' Meeting. Lastly, in that the Board of Directors is composed of more than eight

directors, two Board directors representing the employees have seats on the Board of Directors pursuant to the provisions of Article L. 22-10-7 of the *Code de Commerce* and Article 17-3 of the Air France-KLM Articles of Incorporation (see section 2.2.3 "Rules applicable to the appointment and replacement of members of the Board of Directors").

As of December 31, 2021, there were no service level contracts binding any member of the Board of Directors to Air France-KLM or to one of its subsidiaries and foreseeing the granting of benefits under the terms of the contract.

With the exception of Delta Air Lines, Inc. (see the Subscription Agreement signed on July 27, 2017 and detailed in section 2.8.4 "Reinforcement of the Air France-KLM Group's strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines"), the Board directors have accepted no restrictions concerning the sale of their shareholdings in Air France-KLM, subject to respect of the rules relating to the prevention of insider trading and the statutory obligation to own at least ten shares in the Company during their terms of office⁽¹⁾.

Stock market and ethical compliance

The Compliance Rules, adopted by the Board of Directors on March 25, 2004, and as amended on November 17, 2017, remind notably company officers, senior executives of the Company, anyone with close personal ties with the latter and certain employees with access to inside information that, owing to their positions within Air France-KLM, they are required to refrain from trading in the Company's shares for a minimum of (i) thirty calendar days prior to the publication of the full annual and half-year financial statements and (ii) a minimum of fifteen calendar days prior to the publication of the full quarterly financial statements, the day of their publication being included in these periods. They also reiterate the specific obligations (particularly relating to access to inside information) applying to senior executives, Board directors and anyone with access to inside information relating to Air France-KLM concerning the use of this information and their trading in the shares of Air France-KLM pursuant to the applicable laws and regulations relating to market abuse.

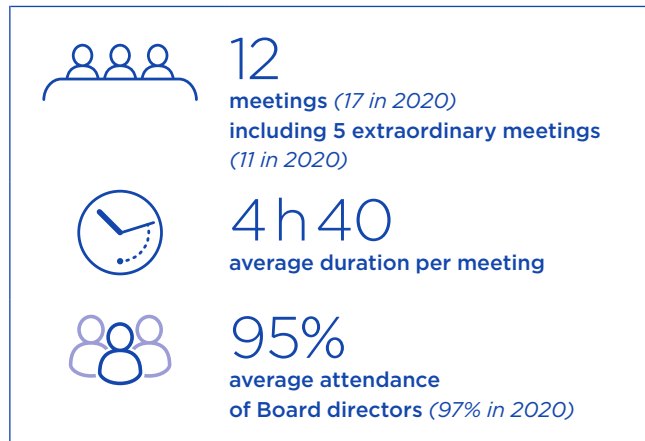
In the past five years, to the Company's knowledge, no Board director has been the subject of a fraud conviction or official public sanction by the statutory or regulatory authorities, associated with a bankruptcy, sequestration of goods or a placing of a company under administrative receivership nor has, lastly, been prevented by a court from acting as a member of a management or supervisory body of an issuer or from involvement in managing the business of an issuer. This information is confirmed every year *via* a questionnaire sent to the Board directors.

(1) This obligation to hold at least ten shares in the company for the duration of their terms of office is not applicable to the Directors representing the employee shareholders, the Directors elected by the employees and the Directors representing the employees (Article L. 225-25 paragraph 3 of the *Code de Commerce*), nor to the Directors appointed by the State or the Shareholders' Meeting as proposed by the State (Articles 5 paragraphs 5 and 6 VI of Ordinance No. 2014-948 of August 20, 2014).

2.3 ACTIVITIES AND FUNCTIONING OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

2.3.1 Activities and functioning of the Board of Directors

Board activity during the 2021 financial year



The minimum number of Board of Directors meetings is set at seven per year. Prior to Board meetings a dossier is circulated containing the agenda for the meeting together with any summaries or, where appropriate, full documentation on any issues requiring special analysis and/or prior consideration. The matters raised in meetings are usually the subject of presentations, followed by discussion.

Board of Directors meetings are conducted in French and English; however, individual directors may speak in French, English or Chinese with simultaneous interpretation.

During these meetings, the following matters were notably addressed:

- annual, half-year and quarterly financial statements;
- regular status reports on the Group's activity, financial situation and outlook;

- budget including the capex plan;
- financing plan;
- financial transactions and, in particular, the monitoring the implementation of the Group's recapitalization and refinancing transactions (capital increase, bond issues, implementation of an EMTN program, extension in the maturity of the loan guaranteed by the French State, etc.);
- monitoring and implementation of the financial support plans granted by the French and Dutch States, the discussions with the European Commission and the resulting financial, social and environmental commitments;
- presentation of the financial, legal, operational, social and environmental risks;
- report on compliance;
- regular information on the activity and development of Air France and KLM, including on the situation of the Group's employees and social relations within the Group;
- Air France and KLM transformation plans;
- Air France and KLM fleet plans, and monitoring of the calls to tender;
- information on the alliances and partnerships;
- discussions focusing on the Group's mission statement;
- governance of the Group and in particular: evolution of the Group's governance, independence of the Board directors, evaluation of the Board of Directors, appointment and training of the new Board directors and executive directors, composition of the Board of Directors and Committees, compensation of the top executives and the succession plan for the company officers.

In July 2021, the Board of Directors held a meeting dedicated to the Group's strategy, the management of the crisis linked to Covid-19 and the post-crisis challenges.

Board director attendance

The attendance records for individual Board directors at meetings of the Board of Directors during 2021 are presented below:

Board director	Board meeting attendance
Anne-Marie Couderc Chair of the Board of Directors and of the Appointments and Governance Committee	100%
Maryse Aulagnon ⁽¹⁾	100%
Gwenaëlle Avice-Huet ⁽²⁾	100%
Karim Belabbas	100%
Leni M.T. Boeren	100%
Isabelle Bouillot Chair of the Audit Committee	92%
Mathi Bouts ⁽³⁾	100%
Jean-Dominique Comolli	100%
Dirk Jan van den Berg	100%
Cees 't Hart	83%
Delta Air Lines, Inc. (represented by Alain Bellemare)	83%
Paul Farges	100%
Anne-Marie Idrac Chair of the Sustainable Development and Compliance Committee	100%
Astrid Panosyan	75%
Isabelle Parize	92%
François Robardet	92%
Benjamin Smith	100%
Terence Tilgenkamp ⁽⁴⁾	100%
Martin Vial	100%
Jian Wang	83%
Alexander R. Wynaendts Chair of the Remuneration Committee	100%
Average attendance	95%

(1) Board director until May 26, 2021.

(2) Board director since May 26, 2021.

(3) Board director representing the employees until December 2, 2021.

(4) Board director representing the employees since December 3, 2021.

Regulated agreements and commitments

Agreements referred to in Articles L. 225-37-4 2° and L. 22-10-10 of the *Code de Commerce*

Except for the agreements detailed in the section relating to the regulated agreements referred to in Article L. 225-38 of the *Code de Commerce* below and agreements covering current operations and entered into under normal terms and conditions, no agreements were entered into in 2021, either directly or through an intermediary, between, on one side, a Board director or shareholder of Air France-KLM holding a fraction of the voting rights greater than 10% (French and Dutch States) and, on the other, a corporate shareholder in which more than half the share capital is held, directly or indirectly, by Air France-KLM.

Agreements referred to in Article L. 225-38 of the *Code de Commerce*

Agreements and commitments authorized and signed during the financial year

Agreements entered into with the French State in April 2021

As part of the Group's recapitalization plan announced on April 6, 2021, Air France-KLM entered into the following agreements involving, directly or indirectly, the French State, which held 14.3% of the Company's share capital on the signature date of these agreements (collectively, the "Agreements"):

- on April 12, 2021, a subscription commitment by the French State in the context of a capital increase by the Company, without preferential subscription rights and with a priority subscription period granted to existing shareholders, to a maximum total number of 213,999,999 new shares (the "Subscription Commitment from the French State to the Capital Increase");
- on April 20, 2021, a Subscription Agreement relating to the issue by the Company and the subscription by the French Republic of undated deeply subordinated notes (IFRS accounted as shareholders' equity in the Company's consolidated financial statements) in an aggregate amount of €3 billion by way of set-off on claims it held on the Company pursuant to the shareholder's loan agreement dated May 6, 2020 between the French State and the Company (the "Shareholder Loan") and fully drawn for an amount of €3 billion (the "Deeply Subordinated Notes" and the "Deeply Subordinated Notes Subscription Agreement"). The issue of Deeply Subordinated Notes is outlined in section 2.8.2. "Securities conferring entitlement to shares"; and
- on April 20, 2021, an amendment to the Shareholder Loan entered into between the Company and the French State on May 6, 2020, to modify certain provisions of the Shareholder Loan, in order to allow the repayment of the Shareholder Loan by way of conversion into deeply subordinated notes issued by the Company.

Ms. Astrid Panosyan and Mr. Jean-Dominique Comolli, Board directors appointed by the Shareholders' Meeting as proposed by the French State and Mr. Martin Vial, Board director representing the French State appointed by ministerial decree, were deemed to be indirectly interested in the conclusion of the Agreements owing to the fact that the French State held 14.3% of the Company's share capital at the date of conclusion of the Agreements.

Pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Board of Directors of the Company authorized the signature of the Agreements at its meeting on April 5, 2021. Ms. Astrid Panosyan, Mr. Jean-Dominique Comolli and Mr. Martin Vial did not take part in the deliberations or vote relating to the authorization of the Agreements.

The Subscription Commitment from the French State to the Capital Increase and the Deeply Subordinated Notes Subscription Agreement were entered into to allow the Group to strengthen its equity in the context of the Covid-19 crisis.

The capital increase referred to in the Subscription Commitment from the French State to the Capital Increase will thus improve the Group's equity by up to €1 billion under IFRS and French GAAP accounting standards, and provide the Group with the same amount of cash for the benefit of Air France.

In addition, the issuance of the Deeply Subordinated Notes being the subject of the Deeply Subordinated Notes Subscription Agreement will improve the Group's equity by €3 billion under IFRS accounting standards, without impacting cash-flow, while increasing the Group's flexibility in its mandatory repayment profile spread over time (with a Non-call period ranging from four to six years). The Amendment to the Shareholder Loan allows the repayment of the Shareholder's Loan by way of conversion into Deeply Subordinated Notes.

The public health crisis having considerably impacted the Company's business, its financial situation would not have allowed a sustained recovery of its activity. Consequently, the conclusion of these Agreements appeared necessary for the Company's long-term future.

Assuming that the Company does not make use of the option to defer payment of interest at its discretion, the financial expenses incurred by the Company over the first twelve⁽¹²⁾ month period should amount to approximately €217.5 million in respect of the Deeply Subordinated Notes.

Expansion of the cooperation agreement entered into between Air France-KLM, Air France, KLM and China Eastern Airlines

In the context of the Group's recapitalization plan announced on April 6, 2021, Air France-KLM entered into an agreement with China Eastern Airlines on June 23, 2021 to accelerate their efforts to deepen and broaden existing and future cooperation, and further strengthen their partnership for transportation services between China and Europe (the "CEA Commercial Agreement").

The CEA Commercial Agreement sets out the ambitions for the expansion of the cooperation between China Eastern Airlines, Air France-KLM, Société Air France and Koninklijke Luchtvaart Maatschappij N.V. The parties intend to intensify their commercial

cooperation (exclusive joint-venture partnership from January 1, 2022 for passenger air transportation between Europe and China (improved code share offer, closer alignment of fares and sales policy, etc.) and extend cooperation.

In particular, the parties undertake to:

- add the Paris-Beijing and Amsterdam-Beijing routes to the CEA Commercial Agreement, upon satisfaction of the agreed conditions;
- accelerate their efforts to deepen the existing cooperation on business, operational, marketing and innovation policies, including through staff exchanges;
- explore new opportunities for cooperation in the area of passenger transport in particular in the domains of competition rules, alliances and technologies;
- explore synergies in areas such as ground services, catering, maintenance and non-aviation-related areas such as tourism, hotels and car rental; and
- strengthen the strategic coordination between the parties within the SkyTeam alliance and IATA.

The ambitions set out in the CEA Commercial Agreement do not affect the existing agreements between the parties. These ambitions shall be further elaborated and subsequently be separately implemented in the joint-venture agreement between the parties for passenger air transport between Europe and China.

Jian Wang, a Board director appointed by the Shareholders' Meeting as proposed by China Eastern Air Holding Co., Ltd., was deemed to be indirectly interested in the conclusion of the CEA Commercial Agreement, as China Eastern Airlines held 8.8% of the Air France-KLM share capital as of the date of approval of the CEA Commercial Agreement by the Board of Directors.

Pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Board of Directors authorized the execution of the CEA Commercial Agreement at its meeting of April 5, 2021. Mr. Jian Wang did not take part in the deliberations or vote with respect to the authorization of the CEA Commercial Agreement.

The legally-binding CEA Commercial Agreement sets out the ambitions for the future cooperation and does not automatically affect or amend the terms of the existing exclusive joint-venture agreement in place between the parties for passenger air transportation between Europe and China. These ambitions shall be further elaborated and subsequently be separately implemented in the exclusive joint-venture agreement existing between the parties for passenger air transportation between Europe and China. It is thus too early to assess or determine the impact of the CEA Commercial Agreement for the Company.

Extension of the maturity date of the State Guaranteed Loan and financial conditions

On December 10, 2021, after approval by the European Commission, Air France-KLM concluded, with the consortium of banks and the French State, an amendment to the State Guaranteed Loan of May 6, 2020 (the "Amendment to the State Guaranteed Loan").

As a result of the French State holding 28.6% of Air France-KLM's share capital, Ms. Astrid Panosyan and Mr. Jean-Dominique Comolli, Board directors of the Company appointed by the

Shareholders' Meeting as proposed by the French State, and Mr. Martin Vial, Board Director of the Company representing the French State and appointed by ministerial decree, were deemed to be indirectly interested in the Amendment of the State Guaranteed Loan.

Pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Board of Directors of Company authorized the execution of the Amendment of the State Guaranteed Loan Agreements at its meeting of October 11, 2021. Ms. Astrid Panosyan, Mr. Jean-Dominique Comolli and Mr. Martin Vial did not take part in the deliberations and vote with respect to the Amendment of the State Guaranteed Loan.

This Amendment was concluded to allow the Company to smooth its repayment profile over time and thus balance the Group's consolidated debt maturity schedule.

The financial expenses incurred by the Company over the first twelve⁽¹²⁾ month period, should amount to approximately €120 million in respect of the State Guaranteed Loan.

Agreements and commitments authorized and signed in previous financial years

Finalization of a Framework Agreement between Air France-KLM, KLM and the Dutch State

On August 7, 2020, within the framework of the financial support package granted by the Dutch State to KLM, a subsidiary of Air France-KLM, Air France-KLM entered into a Framework Agreement with KLM and the Dutch State, a shareholder in the Company with 14% of its share capital.

On June 25, 2020, the Company's Board of Directors approved a financing package for KLM in the total amount of €3.4 billion, backed by the Dutch State, composed of two loans for KLM and its subsidiaries:

- a revolving credit facility in the amount of €2.4 billion, granted to KLM by eleven banks and up to 90% guaranteed by the Dutch State; and
- a direct loan in the amount of €1 billion, granted by the Dutch State to KLM, with subordination to the revolving credit facility.

This financial support package aims to enable KLM to overcome the current crisis linked to the Covid-19 pandemic and to prepare for the future. A number of conditions were associated with the loan from the Dutch State. These conditions were the subject of a Framework Agreement entered into between Air France-KLM, KLM and the Dutch State foreseeing, notably, commitments made by the airline in terms of becoming more sustainable and the restored performance and competitiveness of KLM, including a comprehensive restructuring plan and a contribution made by employees. KLM has undertaken to suspend dividend payments to its shareholders until these two loans have been repaid in full. Mr. Dirk Jan van den Berg, a Board director appointed by the Shareholders' Meeting as proposed by the Dutch State, and Mr. Cees 't Hart and Mr. Benjamin Smith, both being Board directors in Air France-KLM and KLM, were deemed to be indirectly interested by the signature of the Framework Agreement given, in particular (i) the Dutch State's 14% shareholding in the Company, (ii) the ownership by the Company of the majority

of the KLM share capital and (iii) Mr. Benjamin Smith's duties as Chief Executive Officer of the Company. Pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Company's Board of Directors authorized the signature of the Framework Agreement during its meeting of June 25, 2020. Mr. Dirk Jan van den Berg, Mr. Cees 't Hart and Mr. Benjamin Smith did not take part in the deliberation or the vote relating to the Framework Agreement.

The Framework Agreement was finalized within the framework of the financial support package granted by the Dutch State to KLM, aimed at enabling KLM, a subsidiary of the Company, to meet its urgent need for cash following the crisis linked to the Covid-19 pandemic. This financing should enable KLM to weather the current Covid-19 crisis and prepare for the future.

In that this crisis has considerably impacted KLM's activity, in the current state of affairs, its financial situation would not have enabled a sustainable recovery in activity. The finalization of the financing and the Framework Agreement thus appeared necessary for KLM's long-term future. By covering, notably, KLM's general financial needs and foreseeing various economic, social and environmental measures, it will enable a viable recovery in activity.

The Framework Agreement constitutes a key element in the Dutch State's financial support package for KLM in the total amount of €3.4 billion.

Amendment to the financial settlement mechanism for the joint-ventures entered into with (i) Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd., and (ii) China Eastern Airlines (the "Joint-Venture Agreements") within the context of the Covid-19 public health crisis

On December 4, 2020, pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Air France-KLM Board of Directors authorized:

- 1) the amendment of the provisions relating to the financial settlement mechanism (to share the revenues and costs generated by the joint-venture) in the Blue Skies joint-venture agreement (entered into on May 15, 2018 and amended in October 2019), for the calendar year 2020. In this respect, each party waives all rights it may have with respect to the amounts due to it under the joint-venture agreement for the calendar year 2020, and agrees to waive them permanently. This waiver avoids the uncertain and potentially material financial exposure for either party given the context linked to the public health crisis. This waiver may be extended into 2021 by mutual agreement between the parties, based on the duration of the impacts of the Covid-19 pandemic on the joint-venture operations; and
- 2) the suspension of the provisions relating to the financial settlement mechanism (to share the revenues generated by the joint-venture) in the joint-venture agreement entered into with China Eastern Airlines on November 26, 2018. In this respect, each party agrees to waive all payments under the joint-venture agreement as of February 1, 2020 for a period to be mutually agreed between the parties depending on the duration of the effects of the Covid-19 pandemic on the joint-venture. This waiver avoids uncertain and potentially

material financial exposure for each party given the context linked to the public health crisis.

The other provisions of the joint-venture agreements remain unchanged.

In that Delta Air Lines, Inc. is a Board director and shareholder in Air France-KLM and China Eastern Airlines is a shareholder of Air France-KLM and has a representative, Mr. Jian Wang, on the Air France-KLM Board of Directors, the supplementary clauses in the aforementioned joint-venture agreements enter into the application scope of the regulated agreements procedure referred to in Article L. 225-38 of the *Code de Commerce*. As of December 31, 2020, Delta Air Lines, Inc. and China Eastern Airlines held more than 10% of the Air France-KLM voting rights.

Owing to the rapidly-changing health measures and regulations linked to the Covid-19 public health crisis, and to the highly uncertain environment, the parties wish to avoid unlimited financial exposure within the framework of the existing joint-venture agreements and thus decided to suspend the financial settlement provisions in the aforementioned two joint-venture agreements during the public health crisis period.

Given the amendment to the financial settlement mechanism foreseen in the joint-venture agreements, there has been no need to calculate the impact that would have resulted from the application of these provisions.

For more information concerning the agreements between, firstly, Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic and, secondly, between Air France-KLM and China Eastern Airlines, see section 2.8.4 "Reinforcement of the strategic partnerships between Air France-KLM, Delta Air Lines, Inc. and China Eastern Airlines".

Transatlantic partnership between Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic

On October 30, 2019, the Board of Directors mandated the Air France-KLM management to finalize the discussions and negotiate amendments to the agreements authorized during the Board meetings of March 14 and May 15, 2018 (see section 2.8.4 "Reinforcement of the Air France-KLM Group's strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines"), so as not to proceed with the planned acquisition by Air France-KLM of a 31% equity interest in Virgin Atlantic Limited. This decision resulted in the amendment of the following agreements:

- 1) termination of the Share Purchase Agreement ("SPA") between Air France-KLM Finance SAS and Virgin Investments Limited, enabling Air France-KLM, through its 100%-owned subsidiary Air France-KLM Finance SAS, to acquire a 31% equity interest in Virgin Atlantic, and termination of agreements ancillary to the SPA;
- 2) amendment and updating of the Joint Venture Agreement between Delta Air Lines, Inc., Virgin Atlantic Airways Limited, Air France-KLM, KLM and Société Air France, aimed at the implementation of a commercial joint-venture between Air France-KLM, Delta Air Lines, Inc., Virgin Atlantic Airways Limited, Air France and KLM (signed on January 30, 2020 and

effective as per January 1, 2020) to reflect the termination of the SPA;

- 3) amendment and updating of the Implementation Agreement between Air France-KLM, Air France-KLM Finance SAS, Société Air France, KLM, Delta Air Lines, Inc., Virgin Investments Limited, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Sir Richard Branson (signed on January 9, 2020 and effective as per January 1, 2020) to reflect, notably, the termination of the SPA;
- 4) signature of an agreement between Air France-KLM, Delta Air Lines, Inc. and Virgin Group (signed and effective as per January 30, 2020) granting Air France-KLM, subject to specific conditions, a right to acquire shares in Virgin Atlantic Limited in the event of a sale by Virgin Group of shares in Virgin Atlantic Limited to a third party.

Since Delta Air Lines, Inc. is a Board director of Air France-KLM and of Virgin Atlantic, the aforementioned contracts enter into the application scope for the regulated agreements procedure set forth in Article L. 225-38 of the *Code de Commerce*. Any agreement, entered into directly or through an intermediary between, notably, the company and one of its Board directors, whether the latter has a direct or indirect interest, is subject to the prior authorization of the Board of Directors. Agreements between the company and another company are also subject to prior authorization by the Board of Directors if one of the Board directors of the company is an owner, an unlimited liability partner, a manager, a Board director, a member of the Supervisory Board or, in general, a director of this other company. The termination, amendment or waiving of regulated agreements must follow the same procedure as their signature, which begins with prior approval by the Board of Directors.

For more information on the July 2017 agreements between Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic, see section 2.8.4 “Reinforcement of the Air France-KLM Group’s strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines”.

Commitments relating to the severance payment to the benefit of Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM

On August 16, 2018, pursuant to the provisions of the former Article L. 225-42-1 of the *Code de Commerce* (repealed by Ordinance No. 2019-1234 of November 27, 2019), the Air France-KLM Board of Directors authorized the granting of a severance payment to the benefit of Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM, in some instances of forced termination and, namely, dismissal, non-renewal of his mandate as Chief Executive Officer or forced resignation linked to a change of control.

It is stipulated that the instances of forced termination enabling the implementation of this severance payment exclude any situation of serious misconduct on the part of the Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the basis of the severance payment is equivalent to two years of his annual fixed and variable compensation (according to specific calculation modalities based, as applicable, on the target variable compensation in the event of a termination during the first 24 months).

A coefficient (between 0 and 100% inclusive) will be applied to the basis of the severance payment based on the achieved performance criteria relating to the annual variable component of his compensation over the two last financial years of his mandate (or since his appointment, in the event of termination during the first 24 months). The Board will assess the achievement of these performance criteria.

For more information, see section 2.5.2 “Compensation of the company officers in 2021”.

There were no agreements or commitments authorized and signed over the course of previous financial years whose execution continued during the last financial year.

Procedure for the qualification and regular evaluation of the current agreements signed in normal conditions

During its meeting of December 11, 2019, as recommended by the Audit Committee, the Board of Directors established a procedure enabling the qualification and regular evaluation of the agreements relating to current operations entered into under normal terms and conditions pursuant to the provisions of Article L. 22-10-12 of the *Code de Commerce*. The current and normal nature of an agreement is evaluated on a case-by-case basis during the signature, renewal or amendment of the said agreement, on the basis of objective criteria defined in the procedure.

Within the framework of this annual evaluation procedure, the Company:

- draws up an inventory of all the agreements referred to in Article L. 22-10-12 of the *Code de Commerce*;
- reviews all the elements and documents having enabled the qualification of the agreements; and
- as necessary, reviews the qualification of any agreements with interested parties (regulated agreement or free agreement, depending on the case).

Persons with an interest in one of these agreements, entered into either directly or through an intermediary, do not participate in their evaluation.

A presentation on the result of the inventory of the agreements referred to in Article L. 22-10-12 of the *Code de Commerce*, in respect of the financial year ended December 31, 2021, was made to the Audit Committee on February 15, 2022 and was reviewed by the Board of Directors in the context of the corporate governance report.

Evaluation of the functioning of the Board of Directors and its Committees

At least once a year, pursuant to Article 10 of the AFEP-MEDEF Code and Article 2 of the Internal Rules of the Board of Directors, the Board of Directors discusses its functioning and organization. To inform this discussion, a formalized evaluation is conducted *via* a questionnaire. This evaluation is steered by the Appointments and Governance Committee. It may also be entrusted to an independent external consultant.

Concerning 2021, the Board of Directors realized an evaluation in the form of a questionnaire submitted to each Board director. The following topics were addressed through the evaluation questionnaire:

- the composition, organization, functioning and dynamic of the Board of Directors and its Committees;
- the relationship between the Board of Directors and the General Management;
- the effectiveness of the Board of Directors and its Committees;
- the articulation of the work of the Board of Directors with that of the Group's two main subsidiaries: Air France and KLM;
- the individual contributions of the Board directors to the Board's work and the areas of expertise to be developed within the Board;
- the main changes and areas requiring improvement.

The results of the evaluation were handled under the seal of anonymity and gave rise to a presentation and discussion during the Board of Directors meeting of March 16, 2022.

In 2021, the Board of Directors continued to be strongly mobilized around the consequences of the crisis linked to the Covid-19 pandemic in view of the prolongation of the impacts of this crisis on the Group and on the resulting work on the recapitalization and refinancing measures for the Group. To respect the health measures, the Board directors could opt to participate either remotely or physically attend the meetings of the Board and its Committees. The Board directors continued to demonstrate a high degree of commitment during the 2021 financial year.

As a general rule, the Board directors considered that the functioning of the Board of Directors had improved during 2021 since the previous evaluation. The evaluation revealed the following positive points:

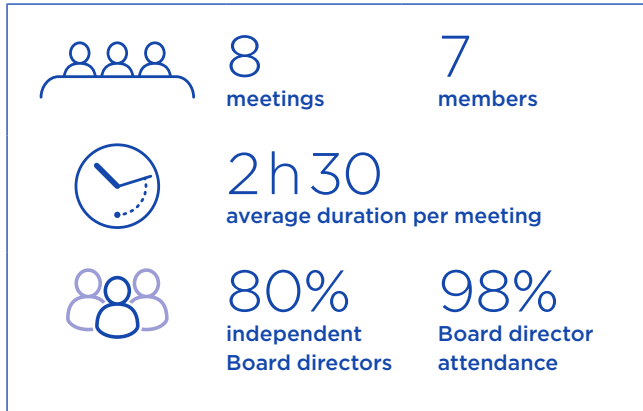
- a high level of mobilization amongst the Board directors and internal teams enabling, notably, the continued adaptations linked to the Covid-19 pandemic, the Group's recapitalization and refinancing measures, and those linked to the Group's major strategic developments;
- the improved structuring of the tasks between the Board and its Committees enabling the topics to be effectively addressed;
- the composition, structure and work of the advisory Committees in response to the Board's needs;
- the organization of the Board meetings ensuring a high-quality debate between the Board directors.

The results of the 2021 evaluation enabled the identification of a number of areas for improvement to be monitored during 2022, notably:

- more concise presentation of the oral information presented to the Board;
- resume more regular contact between the Board directors and the members of the General Management and Operational Divisions;
- reposition the induction and training program for Board directors at its rate of prior to the public health crisis;
- increase the time devoted to questions relating to the strategy, governance and digital and digital technologies;
- continue to open the Board of Directors to other nationalities and competencies (notably around digital and digital technologies);
- further improve the formalization of the follow-up process for decisions taken by the Board of Directors.

2.3.2 Activities and functioning of the Committees

Audit Committee



Composition

At December 31, 2021, the Audit Committee was composed of the following seven members: Isabelle Bouillot (Chair of the Committee), Gwenaëlle Avice-Huet, Leni M.T. Boeren, Paul Farges, Isabelle Parize, François Robardet and Martin Vial.

The members of the Audit Committee benefit from financial and accounting competencies enabling them to exercise their functions.

At its meeting of November 9, 2011, the Board of Directors adopted the position whereby, pursuant to the provisions of Article L. 823-19 of the *Code de Commerce*, the Company's Audit Committee includes at least one independent member with specific financing and accounting skills. On July 1, 2021, the Board of Directors decided to appoint Ms. Bouillot as Chair of the Audit Committee, in that she has the academic background and professional experience to fulfill this requirement for specific financial competence, and she has no relationships with the company, its Group or management that are such as to color her judgment. The six other Committee members also have financial and/or accounting skills.

The principal executives responsible for accounting, legal affairs, finance, internal control and Internal Audit of Air France-KLM also attend meetings in an advisory capacity.

The Statutory Auditors attended all the meetings of the Audit Committee. At the request of the Chair of the Committee and pursuant to Article 16.3 of the AFEP-MEDEF Code, they were able to consult with Committee members outside the presence of the Group's senior executives on the occasion of the review of the annual financial statements.

Missions

The Audit Committee's principal missions are to review the interim and annual consolidated financial statements to inform the Board of Directors of their content, ensure that they are reliable and exhaustive, and that the information they contain, including the forward-looking information provided to shareholders and the market, meets high standards of quality. The Committee also oversees the auditing of the annual financial statements. In particular, the Audit Committee reviews the:

- consolidation scope;
- relevance and consistency of the accounting methods used to draw up the financial statements;
- principal estimates made by the General Management of Air France-KLM;
- principal financial risks with the General Management of Air France-KLM and the material off-balance-sheet commitments;
- comments and recommendations made by the Statutory Auditors and, if applicable, any significant adjustments resulting from audits.

As necessary, the Audit Committee formulates recommendations to guarantee the integrity of the process to establish the financial information.

The Audit Committee monitors the effectiveness of the Internal Control and risk management procedures and, as necessary, Internal Audit, in terms of the processes relating to the establishment and treatment of the accounting and financial information, with no compromise to its independence. In this capacity, it reviews in particular the program and results of Internal Audit to ensure, notably, that, in the event of any malfunctioning, the appropriate action plans and follow-up monitoring have been implemented. The Committee discusses with the Statutory Auditors and reviews their conclusions on the half-year and annual financial statements. It also pays particular attention to the audit points identified by the Statutory Auditors and ensures compliance with the legal and regulatory requirements for financial and accounting information.

The Audit Committee is responsible for steering the procedure to select the Statutory Auditors. It submits a recommendation to the Board of Directors when their appointment or re-appointment by the Shareholders' Meeting is envisaged pursuant to Article L. 823-3-1 of the *Code de Commerce*. It proposes the selection procedure to the Board of Directors and, in particular, whether a call to tender is appropriate. It verifies the independence and quality of the Statutory Auditors' work, examines issues relating to their amount of fees for the execution of statutory audit assignments, reviews and approves the fees submitted by each of the Statutory Auditors on an annual basis and ascertains that the joint system of Statutory Auditors is effective.

The Committee also follows the realization by the Statutory Auditors of their assignment and notes the comments and conclusions of the Audit Office Control Board (*Haut Conseil du Commissariat aux Comptes*) following the verification carried

out pursuant to Articles L. 821-9 and following of the *Code de Commerce*.

The Committee approves the supply of services other than the certification of the financial statements pursuant to the applicable regulation. It rules on this point having first analyzed the risks of any compromise to the independence of the Statutory Auditors and the safeguarding measures applied by the latter.

The Committee is also responsible for reviewing the Group's overall financial, accounting and fiscal policy and its implementation. It issues an opinion on the Group's significant financial operations.

The Audit Committee has access to the resources required to fulfill its mission and may, notably, be assisted by persons from outside the Company. Lastly, the Committee regularly reports to the Board of Directors on the execution of its missions. It also reports back on events subsequent to the certification of the financial statements, on the manner in which this certification process contributed to the integrity of the financial information and on the role it has played in this process.

Activity

Board director	Audit Committee attendance
Isabelle Bouillot <i>Chair of the Audit Committee</i>	100%
Maryse Aulagnon ⁽¹⁾	100%
Gwenaëlle Avice-Huet	100%
Leni M.T. Boeren	100%
Paul Farges	88%
Isabelle Parize	100%
François Robardet	100%
Martin Vial	86%
Average attendance	98%

(1) Chair and member of the Audit Committee until May 26, 2021.

During the 2021 financial year, the Audit Committee met eight times (versus seven in 2020) with an attendance record for its members of 98% (91% in 2019). The duration of the meetings averaged two hours and thirty minutes.

The following matters were notably reviewed by the Audit Committee during the 2021 financial year:

— Review of the financial statements

The Committee reviewed the quarterly, half-year and annual financial statements, and the budget, prior to their presentation to the Board of Directors. It conducted a detailed examination of the Statutory Auditors' summary reports on the half-year and annual financial statements as well as the significant points noted in audits. The main accounting options adopted were the subject of a special presentation every quarter. In 2021, particular attention was paid, for example, to the impact of the crisis linked to the Covid-19 pandemic, the bond issues, a capital increase,

the implementation of an EMTN program and the extension in maturity of the loan guaranteed by the French State.

The review of the financial statements by the Audit Committee usually takes place the day before their review by the Board of Directors.

— Review and monitoring of the budget

The Audit Committee reviews the budget prior to its presentation to the Board of Directors and oversees its tracking on a quarterly basis. This year the Audit Committee examined the major points in the 2022 budget prior to the review of the detailed budget.

— Internal control, risk management and Internal Audit

During the Audit Committee meetings, Internal Audit gave a presentation on its half-year activity report.

The Company applies high standards of financial disclosure and corporate governance, and maintains a rigorous level of internal control across the Group.

The Audit Committee reviewed the summary sheet of the main operational and/or strategic risks on a half-yearly basis. The Committee also reviewed the financial risks (fuel and emission quotas, currency exchange rates, financing). It also reviewed and approved the process for reviewing the extra-financial risks. These extra-financial risks are submitted by Internal Audit to the Sustainable Development and Compliance Committee whose comments are taken into account in the presentations on risks made to the Audit Committee.

— Statutory Auditors

The Audit Committee approved the budget for the Statutory Auditors' fees prior to the opening of the financial year together with their final amount as of the closing date. The Committee also addressed the matter of the appointment or re-appointment of the Statutory Auditors within the framework of the term of their mandates and in application of the requirement to organize a call to tender on the appointment of a new Statutory Auditor (Article 16 of Regulation (EU) No.537/2014 of April 16, 2014).

In addition, owing to the forthcoming expiry of Deloitte's mandate at the end of the 2022 Shareholders' Meeting, a call to tender was launched during the 2021 financial year. Within this framework, the Audit Committee examined several candidates and formulated a recommendation for the Board of Directors on the choice of a new Statutory Auditor.

— Approval of non-audit services

To execute this mission, the Audit Committee relies on an internal procedure deployed within the Group in 2004 and updated in 2016, pursuant to the provisions of Ordinance No. 2016-315 of March 17, 2016 relating to Statutory Auditors, which came into force on June 17, 2016.

As foreseen by its annual work schedule, the Audit Committee also reviewed the following matters in 2021:

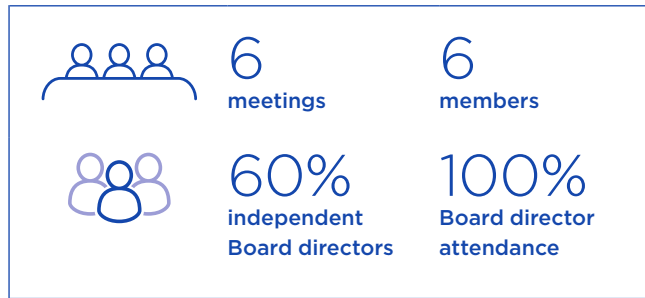
- tracking of the cash and financing situation;
- review of the financing and capex plan;
- review of the principal litigation, fiscal risks and financial risks;
- financial transactions, recapitalization and refinancing operations including, notably, a capital increase, the

implementation of an EMTN program and the extension in the maturity of the loan guaranteed by the French State;

- fraud detection and prevention;
- monitoring of activity in the Group's subsidiaries;
- monitoring of the commitments made within the framework of the State aid granted by the Dutch State;
- review of the management report;
- review of the financing strategy.

The Committee is also responsible for reviewing the Group's overall financing, accounting and fiscal strategy, and its implementation. It comments on the Group's material financial transactions.

Remuneration Committee



Composition

At December 31, 2021, the Remuneration Committee was composed of the following six members: Alexander R. Wynaendts (Chair of the Committee), Isabelle Bouillot, Jean-Dominique Comolli, Isabelle Parize, François Robardet and Delta Air Lines, Inc. represented by Alain Bellemare.

Alexander Wynaendts, an independent Board director, has exercised the functions of Chair of the Remuneration Committee since July 1, 2021.

Mr. Cees 't Hart is a permanent guest of the Remuneration Committee.

Missions

The Remuneration Committee is primarily responsible for formulating recommendations to the Board of Directors on the level of/changes to the compensation of the executive officers. It may also be asked to comment on the compensation of the Group's senior executives who are members of the Executive Committee and on the level of remuneration granted to individuals recruited for fixed terms, when the level of this remuneration is exceptionally high. The Remuneration Committee reviews and expresses an opinion on the policy governing any stock subscription and share purchase option schemes or any other long-term incentive programs.

Activity

The Remuneration Committee met six times during the 2021 financial year (five in 2020) and the attendance rate for members was 100% (90% in 2020).

Board director	Remuneration Committee attendance
Alexander R. Wynaendts ⁽¹⁾ <i>Chair of the Remuneration Committee</i>	100%
Maryse Aulagnon ⁽²⁾	100%
Isabelle Bouillot	100%
Jean-Dominique Comolli	100%
Delta Air Lines, Inc. (represented by Alain Bellemare)	100%
Isabelle Parize	100%
François Robardet	100%
Average attendance	100%

(1) Chair and member of the Remuneration Committee since July 1, 2021.

(2) Board director until May 26, 2021.

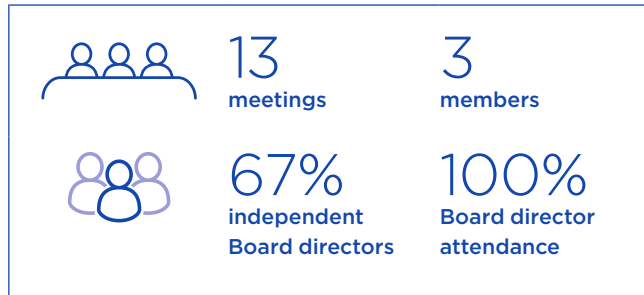
During the 2021 financial year, in view of the particular context linked to the Covid-19 public health crisis, the Remuneration Committee formulated a number of recommendations for the Board of Directors concerning:

- during its meeting of February 17, 2021, the modalities for the allocation of Board director compensation;
- the 2020 compensation and the 2021 compensation policy for the Chief Executive Officer of Air France-KLM;
- during its meeting of February 17, 2021, the 2020 compensation and the 2021 compensation policy for the Chief Executive Officer of Air France and the President & Chief Executive Officer of KLM;
- during its meeting of February 17, 2021, the compensation for the Chair of the Air France-KLM Board of Directors.

The Committee was also consulted on the proposed 2021 compensation for the Group's new Chief Financial Officer as of July 1, 2021, pursuant to Article 9.3 of the Internal Rules of the Board of Directors.

Although Mr. Benjamin Smith had decided, on April 23, 2020, to waive his annual variable compensation in respect of the 2020 financial year, the Committee analyzed and reviewed his performance as Chief Executive Officer (see section 2.5 "Compensation of the company officers" hereinafter, established with the cooperation of the members of the Remuneration Committee). Lastly, it commented on the reduction in the compensation of the members of the Group Executive Committee within the framework of the crisis management measures linked to the Covid-19 pandemic.

Appointments and Governance Committee



Composition

At December 31, 2021, the Appointments and Governance Committee was composed of the following three members: Anne-Marie Couderc (Chair of the Committee), Jean-Dominique Comolli and Alexander R. Wynaendts.

Missions

The Appointments and Governance Committee is responsible for proposing candidates to the Board of Directors for the appointment and replacement of the Chair of the Board of Directors, the other Board directors and the executive officers of Air France - KLM, and for the succession plans for the executive officers, particularly in the event of unforeseen vacancies. Having initiated, when necessary, the relevant searches, the Committee may submit any proposals it deems fit to the Board of Directors regarding the latter's composition. The Appointments and Governance Committee also formulates recommendations for the Board of Directors on the appointment of the Chief Executive Officers (CEOs) of the Principal Subsidiaries. Furthermore, it is consulted by Air France - KLM's Chief Executive Officer on the appointment of the other executive officers (Executive Vice-Presidents and members of the Management Board) and members of the Boards of Directors and Supervisory Boards of the Principal Subsidiaries. It establishes the succession plan for the executive officers and also formulates proposals to the Board of Directors concerning the diversity and appointment policy for Board directors.

The Appointments and Governance Committee makes recommendations regarding the governance principles for the Air France - KLM Group and reviews the consistency of the governance between the Company and its Principal Subsidiaries.

The Appointments and Governance Committee steers the annual evaluation of the functioning of the Board of Directors.

Lastly, prior to review by the Board of Directors, the Appointments and Governance Committee formulates proposals on the independence of the members of the Board of Directors in the light of the criteria in the AFEP-MEDEF Code.

Activity

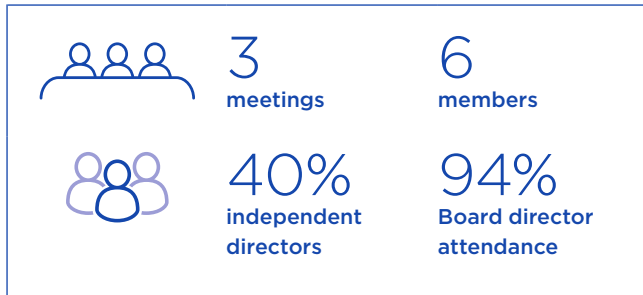
During the 2021 financial year, the Appointments and Governance Committee met thirteen times (seventeen in 2020) with an attendance record for members of 100% (as in 2020).

Board director	Appointments and Governance Committee attendance
Anne-Marie Couderc <i>Chair of the Appointments and Governance Committee</i>	100%
Jean-Dominique Comolli	100%
Alexander R. Wynaendts	100%
Average attendance	100%

During the 2021 financial year, the Appointments and Governance Committee notably addressed the following matters:

- proposals relating to changes in the composition of the Board of Directors submitted to the Shareholders' Meeting of May 26, 2021;
- composition of the advisory Committees;
- review and updating of the succession plan for the Group's principal executive directors;
- recommendations on the appointment and re-appointment of members of the Air France Board of Directors and the KLM Supervisory Board;
- appointment of a new Chief Financial Officer for the Group;
- independence of the members of the Air France - KLM Board of Directors;
- diversity and non-discrimination policy within the Group's management bodies;
- setting of diversity targets within the Group's management bodies;
- oversight of the work on a mission statement for the Group;
- evaluation of the functioning of the Board of Directors and its Committees, carried out between December 2021 and January 2022 (for more details, see section 2.3.1 "Activities and functioning of the Board of Directors").

Sustainable Development and Compliance Committee



Composition

At December 31, 2020, the Sustainable Development and Compliance Committee was composed of the following six members: Anne-Marie Idrac (Chair of the Committee), Karim Belabbas, Leni Boeren, Astrid Panosyan, Dirk Jan van den Berg and Jian Wang.

Missions

The Sustainable Development and Compliance Committee assists the Board of Directors in reviewing the Group's policies on compliance and sustainable development. It ensures that the Group promotes long-term value creation and takes the social and environmental issues involved in its activities into account in the establishment of the Group's strategy by submitting recommendations to the Board of Directors.

The Sustainable Development and Compliance Committee's mission is thus to:

- review the Group's CSR policy and its implementation;
- examine the extra-financial risks and specifically those relating to environmental, social and societal matters;
- review the extra-financial performance statement foreseen in Articles L. 225-102-1 and L. 22-10-36 of the *Code de Commerce* including, in particular, the extra-financial performance criteria;
- review the Group's compliance program and monitor its implementation pursuant to the AFEP-MEDEF Code.

The Sustainable Development and Compliance Committee may also deal with any matters deemed appropriate by the Board of Directors.

Activity

During the 2021 financial year, the Sustainable Development and Compliance Committee met three times with an attendance record for members of 94%.

Board director	Sustainable Development and Compliance Committee attendance
<i>Anne-Marie Idrac</i> <i>Chair of the Sustainable Development and Compliance Committee</i>	100%
Karim Belabbas	100%
Leni M.T. Boeren	100%
Mathi Bouts ⁽¹⁾	100%
Jian Wang	67%
Astrid Panosyan	100%
Dirk Jan van den Berg ⁽²⁾	100%
Average attendance	94%

(1) Member until December 2, 2021.

(2) Member since July 1, 2021.

The Sustainable Development and Compliance Committee notably addressed the following subjects during the 2021 financial year:

- Air France-KLM's Extra-Financial Performance Statement;
- the Group's sustainable development strategy;
- monitoring of the Group's environmental commitments within the framework of the financial support measures from the French and Dutch States;
- review of the Group's compliance program;
- anti-corruption plan for the Group;
- review procedure for the extra-financial risks;
- participation in a working group on the Group's mission statement;
- environmental, social and societal ambitions of the Group.

2.4 SUMMARY TABLE OF THE AFEP-MEDEF CODE'S COMPLY OR EXPLAIN RECOMMENDATIONS NOT APPLIED

The following table shows the recommendations of the AFEP-MEDEF Code which have not been applied and the reasons for this:

Provisions of the AFEP-MEDEF Code not applied	Reasons
Meeting of the non-executive directors outside the presence of the executive or in-house officers	
<p><i>"It is recommended that a meeting not attended by the Executive Officers be organised each year"</i></p> <p>(paragraph 11.3 of the AFEP-MEDEF Code)</p>	<p>The current practice is that the main matters concerning the executive officers (such as their appointment, performance and compensation) are discussed by the Board of Directors outside the presence of the interested parties, after consulting the opinion of, as required, the Appointments and Governance Committee or the Remuneration Committee.</p>
Proportion of independent directors within the Board of Directors	
<p><i>"The independent directors should account for half the members of the Board in widely held corporations without controlling shareholders."</i></p> <p>(paragraph 9.3 of the AFEP-MEDEF Code)</p>	<p>At December 31, 2021, the percentage of independent directors stood at 47%, i.e. below the 50% threshold recommended by the AFEP-MEDEF Code for non-controlled listed companies.</p> <p>This divergence is due to an exceptional situation linked to the entry by the Dutch State into the Air France - KLM share capital in February 2019. Following the report from the Appointments and Governance Committee, on March 25, 2019 the Air France - KLM Board of Directors considered that, in view of the Dutch State's acquisition of a shareholding in Air France - KLM on February 26, 2019, Mr. Jaap de Hoop Scheffer, a Board director appointed as proposed by the Dutch State, could no longer be considered an independent Board director as of that same date.</p> <p>On May 26, 2020, as proposed by the Dutch State, Mr. Dirk Jan van den Berg was appointed as a Board director of Air France - KLM by the Shareholders' Meeting, replacing Mr. de Hoop Scheffer, whose mandate was expiring. Mr. van den Berg is not an independent Board director.</p> <p>The discussions opened in 2019 on the composition of the Board of Directors have continued between Air France - KLM and the French and Dutch States but no decisions have been taken at this stage. The issues around these discussions have changed following the impact of the crisis linked to the Covid-19 pandemic. Notably, the impact of the measures to reinforce Air France - KLM's equity and quasi equity realized in April 2021 and those which will, in principle, be put in place in the near future may, if necessary, also need to be taken into account in the changes to the composition of the Board of Directors. This situation is thus temporary.</p>
Presence of an employee director within the Remuneration Committee	
<p><i>It (the Remuneration Committee) must not include any executive officer and must be composed of a majority of independent directors. It is recommended that the chairman of the committee be independent and that an employee director be a member."</i></p> <p>(paragraph 18.1 of the AFEP-MEDEF Code)</p>	<p>A director representing the employee shareholders was appointed as a member of the Remuneration Committee from March 2014 in application of good governance practices. The Board of Directors takes note of the recommendation to appoint a Board director representing the employees to this Committee and will examine this issue during the 2022 financial year.</p>

2.5 COMPENSATION OF THE COMPANY OFFICERS

2.5.1 General principles

Pursuant to the provisions of Article L. 22-10-8 of the *Code de Commerce* (French Code of Commerce), the compensation of Air France-KLM's company officers is set by the Board of Directors, as recommended by the Remuneration Committee, pursuant to the provisions of the AFEP-MEDEF Code. The Company's Board of Directors thus establishes a compensation policy which complies with the Company's corporate interest (*intérêt social*), is aligned with its commercial strategy, and which contributes to its long-term sustainability. It outlines all the components of the fixed and variable compensation for the Company officers, and explains the decision-making process followed for its establishment, revision and implementation. This compensation policy is the subject of a draft resolution submitted for approval by the Shareholders' Meeting, under the conditions provided for in Article L. 22-10-32 of the *Code de Commerce*, on an annual basis and on any significant amendment to the compensation policy.

Pursuant to the provisions of Articles L. 22-10-9 and L. 22-10-34 of the *Code de Commerce*, the Shareholders' Meeting must also approve on an annual basis, firstly, the information referred to in Article L. 22-10-9, including notably the total compensation and benefits of any kind paid to all the Company officers in respect of their mandates during the previous financial year or granted in respect of their mandates for the same financial year and, secondly, the total compensation and benefits of any kind paid during the previous financial year or granted for the same financial year to each executive officer.

The Shareholders' Meeting of May 24, 2022 is thus convened to approve:

- the information relating to the compensation for each of the Company officers, pursuant to Articles L. 22-10-9 and L. 22-10-34 of the *Code de Commerce*. This information is presented hereinafter in section 2.5.2 ("Compensation of the Company officers in 2021"); and
- the fixed and variable elements composing the total compensation and benefits of any kind paid during the 2021 financial year or granted in respect of this financial year to Ms. Anne-Marie Couderc, Chair of the Board of Directors and to Mr. Benjamin Smith, Chief Executive Officer, pursuant to Article L. 22-10-34 of the *Code de Commerce*. This information is presented hereinafter in section 2.5.2.2 ("Elements of compensation paid or granted during the 2021 financial year to the executive officers and submitted for approval by the Shareholders' Meeting of May 24, 2022"); and
- the compensation policy for the Company officers in respect of 2022, i.e. the members of the Board of Directors, the Chair

of the Board of Directors and the Chief Executive Officer of the Company, as established by the Board of Directors, pursuant to Article L. 22-10-8 of the *Code de Commerce*. This policy is set forth hereinafter in section 2.5.3 ("Compensation policy for the Company officers in respect of 2022").

It is specified that, pursuant to the provisions of Article L. 22-10-8 of the *Code de Commerce*, to avoid becoming null and void, no element of compensation, of any kind whatsoever, may be established, granted or paid by the Company, nor any commitment made corresponding to elements of compensation, indemnities or benefits due or potentially due on taking up, stepping down or by reason of a change in their duties or following their exercise, unless it complies with the approved compensation policy or, in its absence, with past compensation or practices.

Furthermore, if the Shareholders' Meeting of May 24, 2022 does not approve the draft resolution referred to in Article L. 22-10-34, I of the *Code de Commerce*, the Board of Directors must submit a revised compensation policy, taking into account the shareholders' vote, for approval by the next Shareholders' Meeting. In such a situation, the payment of the sum allocated to the Board directors for the 2022 financial year shall be suspended until approval of the revised compensation policy. Once reinstated, it shall include the arrears incurred since the Shareholders' Meeting of May 24, 2022.

In addition, the elements of variable or extraordinary compensation granted to the Chief Executive Officer in respect of the 2021 financial year may only be paid after approval, by the Shareholders' Meeting of May 24, 2022, of these elements of compensation under the conditions provided for in the first paragraph of Article L. 22-10-34, II of the *Code de Commerce*.

Lastly, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, until such time as at least 75% of the recapitalization measures has been repaid, the compensation of the Chair of the Board of Directors, the Chief Executive Officer and the members of the Air France-KLM Board of Directors may not exceed the fixed portion of their respective compensation at December 31, 2019 (it being stipulated that, if an individual has become or becomes Chair of the Board of Directors, Chief Executive Officer or a member of the Air France-KLM Board of Directors after the recapitalization, the applicable compensation is capped at the level of the fixed compensation received by the individual fulfilling the same level of responsibility at December 31, 2019) and no bonuses or other elements of variable or comparable compensation may be paid.

2.5.2 Compensation of the Company officers in 2021

The information referred to in Article L. 22-10-9 of the *Code de Commerce* and the elements of compensation and benefits of any kind paid during the 2021 financial year or granted in respect of this financial year to the different company officers of Air France-KLM, to be submitted for approval by shareholders during the Shareholders' Meeting of May 24, 2022, pursuant

to Article L. 22-10-34 of the *Code de Commerce*, is detailed hereinafter and concerns:

- the Company's Board directors (section 2.5.2.1);
- the Chair of the Company's Board of Directors (section 2.5.2.2 a.); and
- the Company's Chief Executive Officer (section 2.5.2.2 b.).

2.5.2.1 Elements of compensation paid or granted to the Board directors during the 2021 financial year and submitted for approval by the Shareholders' Meeting of May 24, 2022

The elements of compensation paid during the 2021 financial year or granted in respect of this financial year to the Board directors of Air France-KLM are in accordance with the compensation policy set by the Board of Directors following consultation with the Remuneration Committee, and approved by the Shareholders' Meeting of May 26, 2021. These elements of compensation, which will be submitted for approval by shareholders at the Shareholders' Meeting of May 24, 2022 pursuant to Article L. 22-10-34 of the *Code de Commerce*, are detailed hereinafter.

It is stipulated that, in view of the context of crisis linked to the Covid-19 pandemic, on February 17, 2021 the members of the Air France-KLM Board of Directors decided to reduce by 25% their compensation paid during 2021 until such time as the Group's current operating income (COI) has returned to a positive level.

	Attendance record at Board and Committee meetings and at the Shareholders' Meeting (2021 financial year) ⁽¹⁾	Amounts granted in respect of the 2021 financial year and paid during this financial year or accounting value (in €)	Amounts granted in respect of the 2020 financial year and paid during this financial year or accounting value (in €)
Members of the Board of Directors in function as of the date of this Universal Registration Document			
Anne-Marie Couderc	100%	N/A	N/A
Benjamin Smith ⁽²⁾	100%	N/A	N/A
Gwenaëlle Avice-Huet	100%	19,154	N/A
Karim Belabbas ⁽³⁾	100%	33,750	36,103
Leni M.T. Boeren	100%	45,000	46,317
Isabelle Bouillot	96%	41,335	43,966
Jean-Dominique Comolli	100%	37,708	40,665
Delta Air Lines, Inc. (permanent representative Mr. Alain Bellemare) ⁽⁵⁾	89%	35,704	46,624
Paul Farges ⁽³⁾	96%	35,531	38,121
Anne-Marie Idrac	100%	35,625	37,978
Astrid Panosyan	84%	29,423	36,103
Isabelle Parize	96%	43,766	45,516
François Robardet ⁽³⁾	96%	38,516	42,889
Cees't Hart	84%	32,365	38,015
Terence Tilgenkamp ^{(4) (6)}	100%	9,865	N/A
Dirk Jan van den Berg	100%	36,500	16,917
Martin Vial	100%	36,000	37,990
Jian Wang	78%	35,365	40,743
Alexander R. Wynaendts	100%	41,188	42,077

	Attendance record at Board and Committee meetings and at the Shareholders' Meeting (2021 financial year)⁽¹⁾	Amounts granted in respect of the 2021 financial year and paid during this financial year or accounting value (in €)	Amounts granted in respect of the 2020 financial year and paid during this financial year or accounting value (in €)
Former members of the Board of Directors during the 2020 and 2021 financial years no longer acting in the capacity of Board director as of the date of this Universal Registration Document			
Maryse Aulagnon ⁽⁷⁾	100%	17,221	43,943
Mathi Bouts ⁽⁴⁾	100%	34,385	41,765
Jaap de Hoop Scheffer	N/A	N/A	30,401
Total	97%	637,772	706,133

- (1) On February 17, 2021, in view of the context of crisis linked to the Covid-19 pandemic, the members of the Air France-KLM Board of Directors decided to reduce by 25% their compensation paid in respect of the 2021 financial year, until such time as the Group's current operating income has returned to a positive figure.
- (2) Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM, was appointed as a Board director on December 5, 2018. He does not receive any compensation in respect of his Board director duties.
- (3) The Board directors representing the employee shareholders and the Board director representing the French employees appointed by the *Comité de Groupe Français* receive compensation in respect of their employment contracts with Air France, unrelated to their corporate mandates within Air France-KLM. Furthermore, their compensation relating to their Board director mandates is paid to their unions.
- (4) Mr. Mathi Bouts and Mr. Terence Tilgenkamp receive compensation in respect of their employment contracts with KLM, unrelated to their corporate mandates within Air France-KLM.
- (5) Mr. Alain Bellemare has been the permanent representative of Delta Air Lines, Inc. since February 16, 2021.
- (6) Board director appointed by the European Works Council on October 5, 2021.
- (7) Board director until May 26, 2021.

In respect of the 2021 financial year, the Board directors were granted and paid during this financial year, total compensation of €637,772 (within the framework of the €950,000 annual budget voted by the Shareholders' Meeting of May 15, 2018), including the 25% reduction in their compensation, the Group's current operating income not having returned to a positive level during the 2021 financial year.

Pursuant to the Board of Directors decision of December 11, 2019, the compensation for Board directors is composed of a flat-rate amount with an additional amount of compensation based on their individual attendance records. The allocation and granting modalities for this additional compensation are set by the Board of Directors, as proposed by the Remuneration Committee. An additional amount of compensation is also granted to non-resident Board directors. The information on the number of meetings of the Board of Directors and its advisory Committees held during the 2021 financial year and the attendance record for each Board director at the aforementioned meetings is set forth in section 2.3.

The allocation rules are outlined in section 2.5.3.1.

Audit Committee:

- the Chair receives a flat-rate amount of compensation of €4,500, with additional compensation amounting to a maximum of €7,500 based on attendance at Committee meetings; and
- the members each receive a flat-rate amount of compensation of €3,000, with additional compensation for the individual Committee members amounting to a maximum of €5,000 based on their attendance records at Committee meetings.

Other Committees:

- the Chair receives a flat-rate amount of compensation of €3,000, with additional compensation amounting to a

maximum of €4,500 based on their attendance at Committee meetings; and

- the members each receive a flat-rate amount of compensation of €2,000, with additional compensation for the individual Committee members amounting to a maximum of €3,000 based on their attendance records at Committee meetings.

2.5.2.2 Elements of compensation paid or granted during the 2021 financial year to the executive officers and submitted for approval by the Shareholders' Meeting of May 24, 2022

a) Compensation of the Chair of the Board of Directors, for the period from January 1 to December 31, 2021

Presentation of the 2021 compensation structure for the Chair of the Board of Directors

Pursuant to the Board of Directors' resolutions of February 17, 2021, the compensation of the Chair of the Board of Directors comprised a fixed portion of €200,000. This annual fixed compensation was unchanged on its level in 2019 and 2020. However, note that, on March 19, 2020, the Chair had informed the Board of Directors that she intended to waive the application, during the 2020 financial year, of her new annual fixed compensation of €220,000 set by the Board of Directors during its meeting of February 19, 2020. The Chair reiterated her commitment for the 2021 financial year during the Board of Directors meeting of February 17, 2021. Her annual fixed compensation was thus €200,000 for the 2021 financial year.

There are no Board directors' fees nor variable compensation in addition to this compensation.

The 2021 compensation policy for the Chair of the Board of Directors was approved by the Shareholders' Meeting of May 26, 2021.

For more details on the compensation policy for the Chair in respect of the 2021 financial year, see section 2.5.2.2 of the 2020 Universal Registration Document.

Elements of compensation paid during or granted in respect of the 2021 financial year

The elements of compensation paid during the 2021 financial year or granted in respect of this financial year to the Chair

of the Board of Directors, for the period from January 1 to December 31, 2021, comply with the compensation policy set by the Board of Directors following consultation with the Remuneration Committee, and approved by the Shareholders' Meeting of May 26, 2021. These elements of compensation are detailed as follows:

Elements of compensation submitted to the vote	Amounts paid during the 2021 financial year	Amounts granted in respect of the 2021 financial year	Presentation
Fixed compensation	€200,000	€200,000	The annual gross fixed compensation of the Chair of the Board of Directors in respect of the 2021 financial year was set at €200,000 by the Board of Directors during its meeting of February 17, 2021, after reiteration of the Chair's commitment to waiving the application, during the 2021 financial year, of the increase in her fixed compensation to €220,000 approved by the Board of Directors on February 19, 2020. As a result, the fixed compensation granted in respect of the 2021 financial year and paid to the Chair during this financial year was €200,000.
Annual variable compensation	N/A	N/A	The Chair does not benefit from annual variable compensation.
Multi-year variable compensation	N/A	N/A	The Chair does not benefit from multi-year variable compensation.
Extraordinary compensation	N/A	N/A	The Chair does not benefit from extraordinary compensation.
Stock options, performance shares or other long-term benefit (equity warrants, etc.)	N/A	N/A	No awards of this type were made during the 2021 financial year. The Chair does not benefit from any elements of long-term compensation.
Compensation in respect of a Board director mandate	N/A	N/A	The Chair does not receive compensation in respect of her Board director mandate.
Benefits of any kind	€15,984	€15,984	The Chair benefits from a chauffeur-driven company car.
Severance payment	N/A	N/A	The Chair does not benefit from a severance payment.
Non-compete indemnity	N/A	N/A	The Chair does not benefit from a non-compete indemnity.
Supplementary pension scheme	N/A	N/A	The Chair does not benefit from a supplementary pension scheme.

b) Compensation of the Chief Executive Officer for the period from January 1 to December 31, 2021

Presentation of the 2021 compensation structure for Mr. Benjamin Smith, Chief Executive Officer

As proposed by the Remuneration Committee, the framework of the compensation policy for the Chief Executive Officer was set by the Board of Directors during its meeting of August 16, 2018. In this context, the 2021 compensation policy for the Chief Executive Officer, set pursuant to the resolution of the Board of Directors at its meeting of February 17, 2021, is composed of the following three elements:

- 1) a fixed amount of compensation;
- 2) an annual variable amount of compensation related to the performance during the previous financial year potentially reaching 122% of the fixed compensation at targets achieved and up to 150% in the event that the targets are exceeded; and
- 3) a variable amount of long-term compensation.

The 2021 compensation policy for the Chief Executive Officer was approved by the Shareholders' Meeting of May 26, 2021.

For more details on the compensation policy for the Chief Executive Officer in respect of the 2021 financial year, taking into account the exceptional context of crisis linked to the Covid-19 pandemic, see section 2.5.2.2 of the 2020 Universal Registration Document.

Elements of compensation paid during or granted in respect of the 2021 financial year

The elements of compensation paid during the 2021 financial year or granted in respect of this financial year to the Chief Executive Officer were set by the Board of Directors at its meeting on February 16, 2022 as recommended by the Remuneration

Committee. These elements of compensation, for the period from January 1 to December 31, 2021, comply with the compensation policy set by the Board of Directors following consultation with the Remuneration Committee, and approved by the Shareholders' Meeting of May 26, 2021. These elements of compensation are detailed as follows:

Elements of compensation submitted to the vote	Amounts paid during the 2021 financial year	Amounts granted in respect of the 2021 financial year	Presentation
Fixed compensation	€900,000	€900,000	<p>The annual gross fixed compensation for the Chief Executive Officer was set at €900,000 by the Board of Directors during its meeting of February 17, 2021.</p> <p>This compensation has been unchanged since 2019.</p> <p>As a result, the fixed compensation granted to the Chief Executive Officer in respect of the 2021 financial year and paid during the 2021 financial year was €900,000.</p> <p>The ratio between the fixed and variable compensation granted to Mr. Benjamin Smith in respect of the 2021 financial year, as required pursuant to the provisions of Article L. 22-10-9, I, paragraph 2 of the <i>Code de Commerce</i> is 343.33%.</p>
Annual variable compensation ⁽¹⁾	€0	€1,089,984	<p>In respect of the 2021 financial year</p> <p>Note that the annual variable compensation can vary from 0% to 122% of the annual fixed compensation at targets partially achieved, and from 122% to 150% of the annual fixed compensation in the event that the targets are exceeded (calculated on a linear basis).</p> <p>Notwithstanding the information below, note that, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France - KLM, no variable compensation may be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid.</p> <p>As proposed by the Remuneration Committee, the amount of the Chief Executive Officer's annual variable compensation was set at 121.11% of the annual fixed compensation, i.e. €1,089,984 by the Board of Directors during its meeting of February 16, 2022. This amount is composed of:</p> <ul style="list-style-type: none"> — quantitative criteria linked to the Group's financial targets: 90.56% (i.e. 66.11% of his annual gross fixed compensation): <ul style="list-style-type: none"> — 22.5% (on a target at 18% and a maximum at 22.5%) of the fixed compensation in respect of the current operating income (COI) of Air France - KLM, i.e. an achievement rate of around 125%. This percentage takes into account the level of COI reached by the Group and the performance relative to the competitors IAG and Lufthansa Group;

(1) On February 23, 2022, in the framework of the discussions with the European Commission concerning Decision SA.59913 of April 5, 2021 relating to the recapitalization of Air France and Air France - KLM, it was confirmed that an annual variable remuneration could be allocated to the Chief Executive Officer for the 2021 financial year.

Elements of compensation submitted to the vote

Amounts paid during the 2021 financial year Amounts granted in respect of the 2021 financial year

Presentation

- 43.61% (on a target at 37% and a maximum at 45%) of the fixed compensation in respect of the result of the transformation plan and cash management, i.e. an achievement rate of 117.86%;
- 0% (on a target at 18% and a maximum at 22.5%) of the fixed compensation in respect of the capital market equity strengthening (excluding the transformation of the direct loan from the French State into undated deeply subordinated notes), i.e. an achievement rate of 0%;
- qualitative criteria linked to the Group's non-financial targets: 114.58% (i.e. 55% of his annual gross fixed compensation)
 - 12% (on a target at 12% and a maximum at 15%) of the fixed compensation in respect of the actions realized and the results obtained on Societal and Environmental Responsibility, and Human Capital, i.e. an achievement rate of 100%. This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2020 Universal Registration Document;

In its evaluation, the Board of Directors took into account the introduction of sustainable alternative fuels on the flights on departure from France and the Netherlands from January 2022, the new aircraft orders and their impact on CO₂ reduction, (ii) the maintained social cohesion and stability and (iii) the acceleration of an action plan on diversity, engagement and inclusion;
 - 15% (on a target at 12% and a maximum at 15%) of the fixed compensation in respect of the actions realized and the results obtained in terms of customer relations management, i.e. an achievement rate of 125%. This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2020 Universal Registration Document;

In its evaluation, the Board of Directors took into account the improvement in the Net Promoter Score relative to 2019, the exceeding of the targets on reliability and punctuality for Air France and KLM flights, the successful implementation within the Group and the aircraft of the appropriate health measures during the Covid-19 pandemic, which were very favorably received by customers and the commercial initiatives adapted to the public health crisis like the flexible cancellation conditions and ticket reimbursement;
- 28% (on a target at around 24% and a maximum of 30%) of the fixed compensation in respect of the individual and leadership performance, i.e. an achievement rate of 117%. This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2020 Universal Registration Document.

Elements of compensation submitted to the vote	Amounts paid during the 2021 financial year	Amounts granted in respect of the 2021 financial year	Presentation
Long-term variable compensation ⁽¹⁾	€0	195,313 performance units payable in cash, valued at €1,000,000 and calculated with reference to the Air France-KLM opening share price on April 1, 2021.	<p>In its evaluation, the Board of Directors took into account the implementation of the transformation plan and the development of synergies within the Group, while maintaining the trust and commitment of all the internal and external stakeholders. The Board also evaluated the measures taken to define and implement the post-crisis orientations.</p> <p>In application of Article L. 22-10-34 of the <i>Code de Commerce</i>, the payment of the amount of €1,089,984 is subject to prior approval by the Shareholders' Meeting of May 24, 2022.</p> <p>In the event of a positive vote by shareholders during the Shareholders' Meeting of May 24, 2022, authorizing the payment of the variable compensation to Mr. Benjamin Smith, the Company will not be able to request its return.</p> <p>Note however that, as indicated above, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation may be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid.</p> <p>In respect of the 2020 financial year</p> <p>Note that, on April 23, 2020, within the context of the crisis linked to the Covid-19 pandemic being traversed by the Air France-KLM Group, Mr. Benjamin Smith announced that he was waiving his annual variable compensation in respect of the 2020 financial year (for more detail, see section 2.5.2.2 of the 2020 Universal Registration Document).</p> <p>In respect of the 2021 financial year</p> <p>The compensation of the Chief Executive Officer includes a variable long-term portion composed of performance units payable in cash and Air France-KLM shares.</p> <p>Notwithstanding the information below, note that, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation may be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid.</p>

(1) On February 23, 2022, in the framework of the discussions with the European Commission concerning Decision SA.59913 of April 5, 2021 relating to the recapitalization of Air France and Air France-KLM, it was confirmed that a long-term variable remuneration could be allocated to the Chief Executive Officer for the 2021 financial year.

Elements of compensation submitted to the vote	Amounts paid during the 2021 financial year	Amounts granted in respect of the 2021 financial year	Presentation
		195,313 performance units payable in shares, valued at €1,000,000 and calculated with reference to the Air France-KLM opening share price on April 1, 2021 ⁽¹⁾	<p>As proposed by the Remuneration Committee, during its meeting of March 17, 2021, the Board of Directors granted the Chief Executive Officer, performance units within the framework of two long-term plans:</p> <ul style="list-style-type: none"> — Long-term Incentive Plan (“Phantom shares”): grant of 195,313 performance units, payable in cash in 2024 subject to a three-year presence condition and to the attainment of financial and extra-financial performance conditions. The amount to be paid in 2024 will be calculated with reference to the share price after the results announcement for the 2023 financial year (excepting exercise by the beneficiary of his right to defer the payment by a maximum of three years, in which case the amount will be calculated with reference to the share price after the announcement of the results for the financial year preceding the year during which the payment will take place); — Specific Long-term Incentive Plan: grant of 195,313 performance units, payable in Air France-KLM shares (one performance unit conferring the right to one share) in 2024 subject to the attainment of performance conditions and a three-year presence condition. <p>It is specified that the Chief Executive Officer has given a formal undertaking that he has not used and will not use risk hedging transactions in connection with this plan until the payment of the performance units.</p> <p>The main terms and conditions of these two long-term compensation plans are detailed in section 2.5.3.2 b) of the 2020 Universal Registration Document.</p>
Multi-year variable compensation	N/A	N/A	The Chief Executive Officer does not benefit from multi-year variable compensation.
Extraordinary variable compensation	N/A	N/A	The Chief Executive Officer does not benefit from extraordinary compensation.
Stock options, performance shares or other long-term benefit (equity warrants, etc.)	N/A	N/A	No awards of this type were made during the 2020 financial year.
Compensation in respect of a Board director mandate	N/A	N/A	The Chief Executive Officer does not receive compensation in respect of his Board director’s mandate.
Benefits of any kind	€287,113	€287,113	The Chief Executive Officer benefits from a chauffeur-driven company car and a supplementary health and disability scheme benefiting all the Group’s personnel. Given his relocation to France, he also benefits from an accommodation allowance, free airline tickets, school fees and advisory fees.

(1) Updated on April 22, 2022 as approved by the Board of Directors on February 16, 2022.

Elements of compensation submitted to the vote	Amounts paid during the 2021 financial year	Amounts granted in respect of the 2021 financial year	Presentation
Severance payment	N/A	N/A	<p>Pursuant to the 2021 compensation policy approved by the Shareholders' Meeting of May 26, 2021 (nineteenth resolution), the Chief Executive Officer continues to benefit from a severance payment granted to him by the Board of Directors in its meeting of August 16, 2018 in the event of forced termination, including dismissal, non-renewal of his mandate as Chief Executive Officer or resignation following a change of control (excluding any situation of gross misconduct on the part of the Chief Executive Officer).</p> <p>Pursuant to the recommendations of the AFEP-MEDEF Code, the basis of this severance payment is equivalent to two years of his annual fixed and variable compensation (based on the specific calculation modalities referring, as necessary, to the target variable in the event of termination in the first 24 months).</p> <p>A coefficient (between 0% and 100%) will be applied to this amount on the basis of the performance of the interested party, measured with reference to the attainment of the performance criteria for the annual variable component of his compensation over the preceding two financial years of his mandate (or since his appointment, in the event of termination during the first 24 months). The Air France - KLM Board of Directors is responsible for evaluating the achievement of these performance criteria.</p>
Non-compete indemnity	N/A	N/A	The Chief Executive Officer does not benefit from a non-compete indemnity.
Supplementary pension scheme	N/A	N/A	The Chief Executive Officer does not benefit from a collective supplementary pension scheme.

Elements of long-term variable compensation granted in respect of preceding financial years

Note that, in respect of the 2018, 2019 and 2020 financial years, as recommended by the Remuneration Committee, the Board of Directors granted the Chief Executive Officer performance units within the framework of long-term incentive plans:

- **Long-term Incentive Plan** (“phantom shares”);
 - in respect of the 2018 financial year: 36,714 performance units valued at €333,000, payable in cash in 2021 subject to the attainment of a three-year presence condition. It is specified that, in 2021, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price after the announcement of the results for the financial year preceding the one in which the payment must in principle take place pursuant to the applicable plan,
 - in respect of the 2019 financial year: 110,253 performance units valued at €1,000,000, payable in cash in 2022 subject to the attainment of performance conditions and a three-year presence condition, excepting exercise by

the Chief Executive Officer of his right to defer payment for a maximum of three years.

As proposed by the Remuneration Committee, during its meeting of February 16, 2022 the Board of Directors noted the level of achievement of the performance conditions of the plan which stood at an overall 77.3%, this overall figure including the achievement at:

- 89.87% of the condition linked to the Net debt/ EBITDA ratio,
- 70.93% of the condition linked to the EBITDA relative to the sector, and
- 73.33% of the condition linked to the Dow Jones Sustainability Index for airline companies.

As a result, as proposed by the Remuneration Committee, the Board of Directors set the number of performance units acquired by the Chief Executive Officer in respect of this plan at 85,226. In application of Article L. 22-10-34 of the *Code of Commerce*, the payment of these 85,226 performance units is subject to prior approval by the Shareholders' Meeting;

Furthermore, note that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France

and Air France-KLM, Mr. Benjamin Smith's variable compensation may not be paid until such time as 75% of the recapitalization measures has been repaid.

It is stipulated that, in 2022, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price following the announcement of the results for the financial year preceding the year in which the payment must in principle take place in application of the applicable plan,

- in respect of the 2020 financial year: 200,400 performance units valued at €1,000,000, payable in cash in 2023 subject to the attainment of performance conditions and a three-year presence condition, excepting exercise by the Chief Executive Officer of his right to defer payment for a maximum of three years;

— **Specific Long-Term Incentive Plan:**

- in respect of the 2019 financial year: 110,253 performance units valued at €1,000,000, payable in shares in 2022 subject to the attainment of performance conditions and a three-year presence condition.

As proposed by the Remuneration Committee, during its meeting of February 16, 2022 the Board of Directors noted the level of achievement of the performance conditions of the plan which stood at an overall 70%, this overall figure including the achievement at:

- 83.33% of the condition linked to the Air France-KLM relative COI, and
- 16.7% of the condition linked to the CSR performance targets.

As a result, as proposed by the Remuneration Committee, the Board of Directors set the number of performance units payable in shares acquired by the Chief Executive Officer at 77,177. In application of Article L. 22-10-34 of the *Code de Commerce*, the payment of these 77,177 performance units is subject to the prior approval of the Shareholders' Meeting;

It is stipulated that, pursuant to the modification of the 2019 Specific Long-Term Incentive Plan detailed in section 2.5.3.2 b) hereinafter, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The number of shares delivered in respect of these performance units will be calculated relative to the share price following the announcement of the results for the financial year prior to the one in which the payment must in principle take place in application of the applicable plan;

- in respect of the 2020 financial year: 200,400 performance units valued at €1,000,000, payable in shares in 2023 subject to the attainment of performance conditions and a three-year presence condition. It is stipulated that, pursuant to the modification of the Specific Long-Term Incentive Plan detailed in section 2.5.3.2 b) hereinafter, the Chief Executive Officer will be able to exercise his right to defer payment of these performance units for a maximum of three years.

These grants of performance units within the framework of these two long-term incentive plans were submitted for approval by the Shareholders' Meetings of May 28, 2019 concerning the grants in respect of the 2018 financial year (fifteenth resolution), May 26, 2020 concerning the grants in respect of the 2019 financial year (thirteenth resolution) and May 26, 2021 concerning the grants in respect of the 2020 financial year (sixteenth resolution) in application of the former Article L. 225-100 of the *Code de Commerce*.

It is specified that, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation may be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid. Any payment in respect of the Long-Term Incentive Plan ("phantom shares") and the Specific Long-Term Incentive Plan will thus be deferred until after the repayment of 75% of the recapitalization measures.

2.5.2.3 Ratios on the multiples of compensation paid to the executive officers in 2021

This section has been established pursuant to the provisions of Article L. 22-10-9, I, paragraph 6 of the *Code de Commerce* and to the AFEP guidelines updated in February 2021. It sets forth, for the Company's last five financial years, the ratios between the level of compensation for the executive officers and, firstly, the average compensation on a full-time equivalent base for employees of the Company other than the Company officers and, secondly, the median compensation on a full-time equivalent base for employees of the Company other than the Company officers.

The following ratios have been calculated based on the annualized fixed and variable compensation paid during the relevant financial years.

Since the Company Air France-KLM does not include a representative number of employees during the relevant period (fewer than 20% of the staff in France), a broader scope has been used ("relevant scope") consisting of Air France employees on permanent contracts (except expatriate and seconded staff) in France, present and paid throughout the year on a full-time basis, representing more than 80% of the headcount in France.

2017
Financial Year **2018**
Financial Year

Chair and CEO

Ratio with average employee compensation in the relevant scope	13.99	16.97
Ratio with median employee compensation in the relevant scope	18.00	22.00

Detail on the elements used to calculate the ratios presented above:

- 2018 Financial Year:
 - the compensation of the Chair and Chief Executive Officer has been annualized based on Mr. Jean-Marc Janailiac's compensation in his capacity as Chair and Chief Executive Officer for the period from January 1 to May 15, 2018.

	2018 Financial Year	2019 Financial Year⁽¹⁾	2020 Financial Year	2021 Financial Year
Chair of the Board of Directors				
Ratio with average employee compensation in the relevant scope	3.09	3.39	3.22	3.68
Ratio with median employee compensation in the relevant scope	4.00	4.42	4.18	4.72
Chief Executive Officer				
Ratio with average employee compensation in the relevant scope	13.89	38.78	30.61	20.24
Ratio with median employee compensation in the relevant scope	18.00	50.57	39.63	25.96

(1) As the average and median compensation of employees in the relevant scope taken into account for the 2019 financial year corresponds to a budgeted amount in the 2019 Universal Registration Document, the amounts for the 2019 financial year presented here have been corrected.

Detail on the elements used to calculate the ratios presented above:

- 2018 Financial Year:
 - the compensation of the Chair of the Board of Directors has been annualized based on Ms. Anne-Marie Couderc's compensation in her capacity as Chair for the period from May 15 to December 31, 2018;
 - the compensation of the Chief Executive Officer has been annualized based on Mr. Benjamin Smith's compensation in his capacity as Chief Executive Officer from September 17 to December 31, 2018 (the compensation of Mr. Gagey, interim Chief Executive Officer from May 15 to September 17, 2018 has not been included in this calculation since it was established on the basis of his compensation as Chief Financial Officer and not on that of the compensation for the Chief Executive Officer);
- 2019 Financial Year:
 - the annual variable compensation of the Chief Executive Officer paid in 2019 in respect of 2018 has been annualized based on Mr. Benjamin Smith's compensation in his capacity as Chief Executive Officer for the period from September 17 to December 31, 2018;
- 2020 Financial Year:
 - note that, on March 19, 2020, the Chair of the Board of Directors waived the application in the 2020 financial year of her new annual fixed compensation set by the Board of Directors on February 19, 2020. Her annual gross fixed compensation was thus €200,000 in respect of her functions for 2020. Furthermore, the Chair submitted her fixed compensation paid during the 2020 financial year to the same wage modalities as those applied to all the Air France and Air France-KLM SA employees (notably its reduction *pro rata temporis* for the periods of partial activity applied to all the employees);
 - note that, on March 19, 2020, the Chief Executive Officer informed the Board of Directors of his decision to submit his fixed compensation, paid during the 2020 financial year, to the same wage modalities as those applied to all the Air France and Air France-KLM SA employees (notably the reduction of the payment *pro rata temporis* for the periods of partial activity applied to all the employees for 2020). In practice, his annual fixed compensation was reduced by 25% between March 23 and December 31, 2020;
- 2021 Financial Year:
 - note that, on February 17, 2021, the Chair of the Board of Directors reiterated her commitment to waiving the application of her new annual fixed compensation defined by the Board of Directors on February 19, 2020. Her annual fixed gross compensation, in respect of her functions for 2021, decided by the Board of Directors on February 17, 2021, was thus €200,000;
 - note that, on April 23, 2020, within the context of the crisis linked to the Covid-19 pandemic being traversed by the Air France-KLM Group, the Chief Executive Officer announced that he was waiving his annual variable compensation in respect of the 2020 financial year.

2.5.2.4 Change in the compensation policy

This section has been established pursuant to the provisions of Article L. 22-10-9, I, paragraph 7 of the *Code de Commerce* and to the AFEP guidelines updated in February 2021. It

shows the annual change in compensation, the performances of the Company Air France-KLM, the average remuneration on a full-time equivalent basis for employees of the Company Air France-KLM other than the Directors and the ratios referred to in section 2.5.2.3, for the last five financial years:

	2017 Financial Year	2018 Financial Year	2019 Financial Year ⁽¹⁾	2020 Financial Year	2021 Financial Year
Annual compensations					
Chair and Chief Executive Officer⁽²⁾					
Compensation	€852,167	€1,100,000	N/A	N/A	N/A
Change/N-1	-20%	+29.08%			
Ratio with average compensation	13.99	16.97	N/A	N/A	N/A
Change/N-1	-3.84	+2.98			
Ratio with median compensation	18.00	22.00	N/A	N/A	N/A
Change/N-1	-4.55	+4.00			
Chair of the Board of Directors⁽²⁾					
Compensation	N/A	€200,000	€215,985	€190,835 ⁽³⁾	€215,984
Change/N-1			+7.99%	-11.64%	+13.18%
Ratio with average compensation	N/A	3.09	3.39	3.22	3.68
Change/N-1			+0.30	-0.17	+0.46
Ratio with median compensation	N/A	4.00	4.42	4.18	4.72
Change/N-1			+0.42	-0.24	-0.54
Chief Executive Officer⁽²⁾					
Compensation	N/A	€900,000 ⁽⁴⁾	€2,470,345	€1,808,253 ⁽⁵⁾	€1,187,113 ⁽⁶⁾
Change/N-1			+174.47%	-26.80%	-52.32%
Ratio with average compensation	N/A	13.89	38.78	30.51	20.24
Change/N-1			+24.89	-8.27	-10.27
Ratio with median compensation	N/A	18.00	50.57	39.63	25.96
Change/N-1			+32.57	-10.93	-13.68
Board directors⁽⁷⁾					
Compensation (formerly directors' fees)	€720,695	€907,505 ⁽⁸⁾	€826,417	€706,133 ⁽⁹⁾	€637,772 ⁽¹⁰⁾
Change/N-1	+7.47%	+25.92%	-8.93%	-14.55%	-9.68%
Employees in the relevant Air France-KLM scope⁽¹¹⁾					
Average compensation	€60,914	€64,814	€63,696	€59,261	€58,656
Change/N-1	+1.5%	+6.4%	-1.72%	-6.96%	-1.02%

	2017 Financial Year	2018 Financial Year	2019 Financial Year ⁽¹⁾	2020 Financial Year	2021 Financial Year
Performance of the Company based on the reported figures					
Results (in € million)	- 247	419	290	- 7,100 ⁽¹²⁾	- 3,292
Change/N-1 (in € million)	- 1,066	+694	-129	- 7,390	+ 3,808
Current Operating Income (COI) (in € million)	1,488	1,332	1,141	- 4,554 ⁽¹²⁾	- 1,626
Change/N-1 (in € million)	+ 439	-83	-264	- 5,695	+ 2,928
Net debt/EBITDA ratio	2.1x	1.4x	1.5x	- 6.5x	11.0x
Change/N-1	- 0.8	-0.7	+0.1	- 8	+ 17.5

- (1) As the average and median compensation of the employees in the relevant scope taken into account for the 2019 financial year corresponds to a budgeted amount in the 2019 Universal Registration Document, the amounts for the 2019 financial year presented here have been corrected.
- (2) The compensation for the Chair and Chief Executive Officer, the Chair of the Board of Directors and the Chief Executive Officer shown above have been calculated on the basis of the fixed and variable compensation paid during the relevant financial years. These elements have been annualized for the purposes of comparison.
- (3) Note that the Chair of the Board of Directors submitted her fixed compensation of €200,000 paid during the 2020 financial year to the same modalities as those applied to all the Air France and Air France-KLM SA employees (notably its reduction *pro rata temporis* for the period of partial activity applied to all the employees).
- (4) The compensation of the Chief Executive Officer for the 2018 financial year only includes the Chief Executive Officer's annualized fixed compensation. The variable portion of the Chief Executive Officer's compensation granted in respect of the 2018 financial year was paid at the end of the Shareholders' Meeting of May 28, 2019.
- (5) Note that the Chief Executive Officer informed the Board of Directors of his decision to submit his fixed compensation, paid during the 2020 financial year, to the same modalities as those applied to all the Air France and Air France-KLM SA employees (notably its reduction *pro rata temporis* for the periods of partial activity applied to all the employees).
- (6) Note that, on April 23, 2020, in view of the crisis linked to the Covid-19 pandemic being traversed by the Air France-KLM Group, the Chief Executive Officer announced that he was waiving his annual variable compensation in respect of the 2020 financial year.
- (7) Note that, during its meeting of December 11, 2019, the Board of Directors decided to introduce a variable portion of compensation based on attendance, allocated to the Board directors in respect of their functions within the advisory Committees.
- Audit Committee:
- The Chair now receives a fixed portion of €4,500 and a variable portion of €7,500 based on attendance at Committee meetings; and
 - The members now receive a fixed portion of €3,000 and a variable portion of €5,000 based on attendance at Committee meetings.
- Other Committees:
- The Chair now receives a fixed portion of €3,000 and a variable portion of €4,500 based on attendance at Committee meetings; and
 - The members now receive a fixed portion of €2,000 and a variable portion of €3,000 based on attendance at Committee meetings.
- (8) In view of the very high number of extraordinary meetings of the Board of Directors taking place during the 2018 financial year within the framework of the transitional governance period and the investment made by the different Board directors in attending these meetings, during its meeting of October 29, 2018, the Board of Directors granted an exceptional additional element of compensation (within the framework of the budget approved by the Shareholders' Meeting) to each member of the Board of Directors. These elements are set forth in section 2.5.2.1.
- (9) On April 3, 2020, the members of the Air France-KLM Board of Directors decided to reduce by 25% their compensation paid in 2020 *pro rata temporis* for the periods of partial activity applied to all the employees of Air France and Air France-KLM SA, i.e. from April 1 to December 31, 2020.
- (10) On February 17, 2021, in view of the context of crisis linked to the Covid-19 pandemic, the members of the Air France-KLM Board of Directors decided to reduce by 25% their compensation paid in 2021 until such time as the Group's current operating income (COI) has returned to a positive figure.
- (11) Since the Company Air France-KLM SA does not include a representative number of employees during the relevant period (less than 20% of the employees in France), a broader scope has been used ("relevant scope") consisting of Air France employees on permanent contracts (except expatriate and seconded staff) in France, present and paid throughout the year on a full-time basis, representing more than 80% of the headcount in France.
- (12) The restated figures include the change in accounting principles for pensions (interpretation of IAS 19).

2.5.2.5 Additional information concerning the compensation paid or granted to all the Company officers in 2021

In the 2021 financial year, the total amount of compensation paid to the Board directors did not exceed the maximum budget of €950,000 approved by the shareholders during the Shareholders' Meeting of May 15, 2018.

Pursuant to Article L. 22-10-9, I, paragraph 10 of the *Code de Commerce*, it is specified that, during the 2021 financial year, no divergences or exemptions were applied relative to the implementation procedure for the compensation policy.

Elements of compensation for the executive officers pursuant to the AMF Position-Recommendation DOC-2021-02:

Summary table of the compensation of each executive officer

	2021 Financial Year		2020 Financial Year	
	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Ms. Anne-Marie Couderc, Chair of the Board of Directors				
Fixed compensation	200,000 ⁽¹⁾	200,000 ⁽¹⁾	174,851 ⁽²⁾	174,851 ⁽²⁾
Annual variable compensation	N/A	N/A	N/A	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Compensation granted in respect of a Board director's mandate	N/A	N/A	N/A	N/A
Benefits in kind	15,984 ⁽³⁾	15,984 ⁽³⁾	15,984 ⁽³⁾	15,984 ⁽³⁾
Total	215,984	215,984	190,835	190,835

(1) The Chair of the Board of Directors waived the application in respect of the 2021 financial year of her new annual fixed compensation set by the Board of Directors in its meeting of February 19, 2020. Her annual gross fixed compensation was thus €200,000 in respect of her functions for 2021.

(2) The Chair of the Board of Directors waived the application in respect of the 2020 financial year of her new annual fixed compensation set by the Board of Directors in its meeting of February 19, 2020. Her annual gross fixed compensation was thus €200,000 in respect of her functions for 2020. Furthermore, the Chair of the Board of Directors submitted her fixed compensation to the same modalities as those applied to all Air France and Air France-KLM S.A. employees (notably a reduction in payment *pro rata temporis* for the periods of partial activity applied to all the employees).

(3) Ms. Anne-Marie Couderc benefits from a chauffeur-driven company car.

	2021 Financial Year		2020 Financial Year	
	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Mr. Benjamin Smith, Chief Executive Officer				
Fixed compensation	900,000	900,000	744,511 ⁽¹⁾	744,511 ⁽¹⁾
Annual variable compensation	1,089,984 ⁽²⁾	0 ⁽³⁾	0 ⁽³⁾	768,456 ⁽⁴⁾
Long-term variable compensation	2,000,000 ⁽⁵⁾	N/A	2,000,000 ⁽⁶⁾	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Compensation granted in respect of a Board director's mandate	N/A	N/A	N/A	N/A
Benefits in kind	287,113 ⁽⁷⁾	287,113 ⁽⁷⁾	295,287 ⁽⁷⁾	295,287 ⁽⁷⁾
Total	4,277,097⁽⁸⁾	1,187,113	3,039,798	1,808,253

(1) Note that the Chief Executive Officer informed the Board of Directors of his decision to submit his fixed compensation, paid during the 2020 financial year, to the same modalities as those applied to all the Air France and Air France-KLM employees (notably a reduction in payment *pro rata temporis* for the periods of partial activity applied to all the employees).

(2) The criteria in application based on which this amount has been calculated are detailed in section 2.5.2.2 above.

(3) The Chief Executive Officer waived payment of his annual variable compensation in respect of the 2020 financial year.

(4) The details concerning the annual variable compensation of the Chief Executive Officer for 2019, paid in 2020, are outlined in action 2.5.5.2.b of the 2019 Universal Registration Document.

(5) 390,625 performance units valued at €2,000,000 and calculated with reference to the Air France-KLM opening share price on April 1, 2021, payable in 2024 (excepting the exercise by the beneficiary of his right to defer payment for a maximum of three years) subject to performance conditions and a three-year presence condition.

(6) 400,800 performance units valued at €2,000,000 and calculated with reference to the Air France-KLM opening share price on April 1, 2020, payable in 2023 (excepting the exercise by the beneficiary of his right to defer payment for a maximum of three years) subject to performance conditions and a three-year presence condition.

(7) The Chief Executive Officer benefits from a chauffeur-driven company car and a supplementary health and disability scheme benefiting all the Group's personnel. Given his relocation to France, he also benefits from an accommodation allowance, free airline tickets, school fees and advisory fees.

(8) It is stipulated that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, no long-term variable compensation may be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid. Discussions are currently under way between Air France-KLM and the European Commission concerning the scope of application of these restrictions.

Summary table of the compensation, options and shares granted to each executive officer

(in euros)	2021 Financial Year	2020 Financial Year
Ms. Anne-Marie Couderc, Chair of the Board of Directors		
Compensation granted in respect of the financial year	215,984 ⁽¹⁾	190,835 ⁽²⁾
Valuation of multi-year variable compensation granted during the financial year	N/A	N/A
Valuation of stock options granted during the financial year	N/A	N/A
Valuation of free shares granted during the financial year	N/A	N/A
Valuation of other long-term compensation plans	N/A	N/A
Total	215,984	190,835

(1) The Chair of the Board of Directors waived the application in respect of the 2021 financial year of her new annual fixed compensation set by the Board of Directors meeting of February 19, 2020. Her annual gross fixed compensation was thus €200,000 in respect of her functions for 2021.

(2) The Chair of the Board of Directors waived the application in respect of the 2020 financial year of her new annual fixed compensation set by the Board of Directors meeting of February 19, 2020. Her annual gross fixed compensation was thus €200,000 in respect of her functions for 2020. Furthermore, the Chair of the Board of Directors submitted her fixed compensation paid during the 2020 financial year to the same modalities as those applied to all the Air France and Air France-KLM SA employees (notably a reduction in payment *pro rata temporis* for the periods of partial activity applied to all the employees).

(in euros)	2021 Financial Year	2020 Financial Year
Mr. Benjamin Smith, Chief Executive Officer		
Compensation granted in respect of the financial year	4,277,097 ⁽¹⁾	3,039,798
Valuation of multi-year variable compensation granted during the financial year	2,000,000 ⁽²⁾	2,000,000 ⁽³⁾
Valuation of stock options granted during the financial year	N/A	N/A
Valuation of free shares granted during the financial year	N/A	N/A
Valuation of other long-term compensation plans	N/A	N/A
Total	4,277,094⁽⁴⁾	3,039,798

(1) This amount is detailed in the table above summarizing the compensation of the Chief Executive Officer.

(2) 390,626 performance units valued at €2,000,000 and calculated with reference to the Air France-KLM opening share price on April 1, 2021, payable in 2024 (excepting the exercise by the beneficiary of his right to defer payment for a maximum of three years) subject to performance conditions and a three-year presence condition.

(3) 400,800 performance units valued at €2,000,000 and calculated with reference to the Air France-KLM opening share price on April 1, 2020, payable in 2023 (excepting the exercise by the beneficiary of his right to defer payment for a maximum of three years) subject to performance conditions and a three-year presence condition.

(4) It is stipulated that pursuant to the European Commission's decision of April 5, 2021 on case No. SA59913 relating to the recapitalization of Air France and Air France-KLM, no long-term variable compensation may be paid until such time as at least 75% of the recapitalization measures has been repaid. Discussions are under way between Air France-KLM and the European Commission concerning the scope of application of these restrictions.

Summary table of the situation of the executive officers

	Employment contract		Supplementary pension scheme (see above)		Indemnities or benefits due or potentially due on a cessation or change of function		Indemnity relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive officers								
Ms. Anne-Marie Couderc Chair of the Board of Directors Start date of mandate: May 15, 2018 Expiry date of mandate: 2023 Ordinary Shareholders' Meeting ⁽¹⁾		√		√		√		√
M. Benjamin Smith Chief Executive Officer Start date of mandate: September 17, 2018 Expiry date of mandate: September 17, 2023 ⁽²⁾		√		√	√ ⁽³⁾			√

- (1) Ms. Anne-Marie Couderc was appointed Chair of the Board of Directors from May 15, 2018 to May 28, 2021. Her mandate as Chair of the Board of Directors was renewed for two more years by the Board of Directors resolution of December 4, 2020, subject to the amendment of Article 26 of the Company's Articles of Incorporation increasing the age limit for exercising the functions of the Chair of the Board of Directors, submitted to the shareholders' vote during the Shareholders' Meeting of May 26, 2021. This resolution was adopted by the shareholders during the Shareholders' Meeting of May 16, 2021.
- (2) The Chief Executive Officer has also been a Board director of Société Air France-KLM since December 5, 2018. His Board director mandate was submitted for ratification by the shareholders during the Shareholders' Meeting of May 28, 2019 then renewed during this same Shareholders' Meeting for a four-year term of office, i.e. until the end of the 2023 Ordinary Shareholders' Meeting.
- (3) For more details on the severance payment to the benefit of the Chief Executive Officer, see section 2.5.2.2.

Loans and guarantees granted to the Company officers

None.

Stock options granted to the Company officers of Air France-KLM

Air France-KLM did not put in place any stock option schemes to the benefit of its company officers during the financial year, nor during the preceding financial years.

Stock option schemes granted to the Company officers of Air France-KLM and to the employees of the Air France-KLM Group by the subsidiaries

Air France and KLM have not recently put in place any stock option schemes to the benefit of their employees and no stock option schemes are currently in force.

Information on stock option schemes granted to the employees of the Air France-KLM Group and exercised by them during the financial year

None.

Performance shares granted to the Company officers of Air France-KLM

Air France-KLM and its subsidiaries did not put in place any stock option schemes to the benefit of its company officers during the financial year, nor during the preceding financial years.

2.5.3 Compensation policy for the Company officers in respect of 2022

This section has been established pursuant to Articles L. 22-10-8 and R. 22-10-14 of the *Code de Commerce* and shows the elements composing the compensation policy for the Company officers in respect of 2022.

As recommended by the Remuneration Committee, the Board of Directors has taken into account the vote of the Shareholders' Meeting of May 26, 2021 on the compensation for the executive officers in respect of the 2020 financial year to determine the 2022 compensation policy for the Company officers.

Established by the Board of Directors, as recommended by the Remuneration Committee and consistent with the provisions of the AFEP-MEDEF Code, the compensation policy for the Company officers of Air France-KLM in respect of 2022:

- complies with the Company's corporate interests (*intérêt social*) in that it enables qualified company officers to be attracted and retained while being adapted to the responsibilities of the beneficiary and consistent with the practices in comparable companies;

- linked to its commercial strategy in that it is composed, firstly, of a long-term variable portion giving the executive directors an interest in the Company's results and adapted as a function of the strategic priorities; and
- contributes to the Company's long-term sustainability in that it is always aligned with the interests of shareholders.

This policy is subject to an annual review by the Remuneration Committee. The work of the Remuneration Committee takes into account the examination of benchmarking studies carried out with the help of external consultants to compare this policy with the practices in comparable companies. The Committee also ensures that the compensation policy is aligned with the Company's strategy. On the basis of this work, the Committee formulates recommendations for the Board which then sets the compensation policy on an annual basis. The Remuneration Committee also formulates recommendations for the Board regarding its implementation.

As recommended by the Remuneration Committee, during the establishment of the compensation policy for company officers, the Board of Directors takes into account the remuneration and employment conditions of Air France-KLM's employees. As for all the employees of Air France-KLM, the Board of Directors ensures the implementation of a simple, understandable and consistent compensation policy in a fair manner. The Board of Directors takes particular care that, at their individual level, all the employees and company officers have the material resources required for the fulfilment of their respective duties.

The internal regulations of the Board of Directors stipulate that any Board director in a situation of conflict of interests, even potential, must inform the Board of Directors and abstain from participating in the debate or vote for the corresponding deliberation. The executive officers are not present during the discussions of the Board of Directors and the Remuneration Committee regarding their own compensation.

Should a new Chair of the Board of Directors or a new Chief Executive Officer be appointed, the elements of compensation foreseen in the compensation policy for company officers would also apply to them. As recommended by the Remuneration Committee, the Board of Directors will then determine, while adapting them to the situation of the interested parties, the targets, levels of performance, parameters, structure and maximum percentages relative to their annual fixed compensation which may not be higher than those approved by the Shareholders' Meeting.

The 2022 compensation policy for the Company officers outlines all the components of the fixed and, as necessary, variable compensation for Board directors (section 2.5.3.1 hereinafter); the Chair of the Board of Directors (section 2.5.3.2 a. hereinafter); and the Chief Executive Officer (section 2.5.3.2 b. hereinafter), and explains the decision-making process for its establishment, review and implementation.

This 2022 compensation policy for the Company officers will be the subject of a draft resolution submitted for approval by the Shareholders' Meeting of May 24, 2022 under the conditions

provided for in Article L. 22-10-8 of the *Code de Commerce* and on any material amendment to the compensation policy.

2.5.3.1 Compensation for the Board directors in respect of 2022

Subject to approval of the 2022 compensation policy for the Company officers by the Shareholders' Meeting of May 24, 2022, the members of the Air France-KLM Board of Directors will receive, in respect of their Board directors' mandates, compensation (formerly directors' fees) amounting to a maximum which was set at €950,000 for the entire Board of Directors.

The compensation for Board directors shall be composed of a flat-rate amount of compensation, with an additional portion calculated as a function of their respective attendance records, whose modalities for distribution and granting are set by the Board of Directors, as proposed by the Remuneration Committee.

These allocation rules have been unchanged since the Board of Directors' resolution of February 19, 2014, and are as follows:

- €15,000 in flat-rate compensation;
- €25,000 of compensation based on their individual attendance records at meetings of the Board of Directors and at Shareholders' Meetings; and
- a sum of additional compensation is also granted to non-resident Board directors (€7,000).

At its meeting of December 11, 2019, the Board of Directors also resolved that a portion of Board director compensation, in respect of their duties within the Committees, shall be based on their individual attendance records;

- for the Audit Committee:
 - the Chair will receive flat-rate compensation of €4,500 plus a maximum of €7,500 based on their attendance record at Committee meetings, and
 - the members will each receive flat-rate compensation of €3,000 plus a maximum of €5,000 as a variable portion based on their respective attendance records at Committee meetings;
- for the other Committees:
 - the Chair will receive flat-rate compensation of €3,000 plus a maximum of €4,500 based on their individual attendance records at Committee meetings, and
 - the members will receive flat-rate compensation of €2,000 plus a maximum of €3,000 based on their individual attendance records at Committee meetings.

It is specified that, relative to the allocation policy voted in 2014, the introduction of an amount of compensation based on attendance in respect of functions exercised within the Committees (i) does not change the total budget granted for the duties exercised within Committees as either member or Chair, and (ii) has been set based on the same proportions as the attendance-record-based compensation defined for meetings of the Board of Directors.

For Board directors leaving or joining the Board during the financial year, the amount of compensation is calculated *pro rata temporis* based on the number of Board of Directors, Committee and Shareholders' Meetings held during the period the Board director was in function.

In respect of the aforementioned allocation, all the Board directors, with the exception of the Chair of the Board of Directors and the Chief Executive Officer, will receive an amount of compensation in line with the allocation modalities set by the Board of Directors.

It is also specified that, in the event of a high number of extraordinary meetings of the Board of Directors, the Board of Directors may decide on an exceptional and additional allocation, within the limits of the budget allocated by the Shareholders' Meeting. The additional amount will be calculated *pro rata temporis* based on the attendance records of the individual Board directors at these extraordinary meetings.

The Board directors (non-executive company officers) may not benefit from:

- a long-term incentive plan or specific long-term incentive plan;
- benefits in kind which are not linked to their duties;
- an employment contract;
- a non-compete indemnity;
- an award of stock-options or free shares.

Modalities for the granting and payment of the compensation (formerly directors' fees) to representatives of the State and Board directors appointed as proposed by the French State

The allocation rules for compensation paid to the Board directors outlined above are applicable to the State representatives and to the Board directors appointed as proposed by the French State.

Pursuant to Ordinance No. 2014-948 of August 20, 2014 and Article 1 of the ministerial order of December 18, 2014, as amended by the ministerial order of January 5, 2018, the following rules apply:

- for Board directors appointed directly by the French State, 100% of the compensation is paid to the French State (Article 5 of the Ordinance);
- for Board directors appointed by the Shareholders' Meeting as proposed by the French State (Article 6 of the Ordinance), there are two separate cases:
 - for public officials of the French State, 100% of the compensation is paid to the State,
 - for those not acting in the capacity of public officials, the payment of the compensation must be shared as follows:
 - 15% paid to the State, and
 - 85% paid directly to the relevant director (with the application of the social and tax charges).

Commitment of the members of the Air France-KLM Board of Directors

On February 16, 2022, in view of the context of crisis linked to the Covid-19 pandemic, the members of the Air France-KLM Board of Directors resolved to reduce by 25% their compensation paid in respect of the 2022 financial year until such time as the Group's Current Operating Income (COI) returns to a positive figure.

2.5.3.2 Compensation of the executive officers in respect of 2022

Based on the recommendation of the Remuneration Committee, the compensation packages of the Chair of the Board of Directors and of the Chief Executive Officer are set by the Board of Directors, pursuant to the provisions of the AFEP-MEDEF Code.

Pursuant to the internal regulations of the Board of Directors, as recommended by the Remuneration Committee, the Board of Directors also approves the compensation of the Chief Executive Officers of the principal subsidiaries (Air France and KLM). Furthermore, the Remuneration Committee makes recommendations to the Chief Executive Officer regarding the compensation of the Group's Chief Financial Officer and reviews the compensation of the members of the KLM Managing Board.

These compensation policies establish the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of any kind awarded, firstly, to the Chair of the Board of Directors and, secondly, to the Chief Executive Officer, as well as their relative significance. All of these elements are detailed in this section in point a. relating to the mandate of the Chair of the Board of Directors and b. relating to the mandate of the Chief Executive Officer, pursuant to the provisions of Articles L. 22-10-8 and R. 22-10-14 of the *Code de Commerce*.

a) 2022 compensation policy for the Chair of the Board of Directors

Ms. Anne-Marie Couderc has been a member of the Air France-KLM Board of Directors since May 19, 2016. Her Board director mandate was renewed during the Shareholders' Meeting of May 26, 2020 for a term of four years, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2023. Ms. Anne-Marie Couderc was appointed Chair of the Board of Directors from May 15, 2018 until May 28, 2021. Her mandate as Chair of the Board of Directors was renewed for two additional years as resolved by the Board of Directors during its meeting of December 4, 2020, subject to the amendment of Article 26 of the Company's Articles of Incorporation increasing the age limit for the exercise of the duties of Chair of the Board of Directors, submitted to the vote by shareholders during the Shareholders' Meeting of May 26, 2021. This amendment having been approved at 99.87%, the mandate of Ms. Anne-Marie Couderc, Chair of the Board of Directors, will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2023. The Chair of the Board of Directors may be dismissed at any time by the Board of Directors. Ms. Anne-Marie Couderc has no employment contract binding her to the Company or another company within the Group.

During its meeting of February 16, 2022, as proposed by the Remuneration Committee, the Board of Directors set the structure of the compensation attributable to the Chair of the Air France-KLM Board of Directors in respect of the 2022 financial year.

— **Annual compensation (fixed and variable)**

Description of the annual fixed and variable elements

During its meeting of February 16, 2022, as recommended by the Remuneration Committee and in view of the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air-France-KLM which provides that the compensation of the Chair of the Board of Directors may not exceed the fixed portion of her compensation as of December 31, 2019, the Board of Directors decided to set the annual gross fixed compensation for the Chair at €200,000 in respect of her duties. The Chair of the Board of Directors will not benefit from variable or multi-year compensation.

— **Annual extraordinary compensation**

The Chair of the Board of Directors will not benefit from annual extraordinary compensation.

— **Long-term incentive plan or specific long-term incentive plan**

The Chair of the Board of Directors will not benefit from a long-term incentive plan or a specific long-term incentive plan.

— **Compensation in the capacity of Board director**

The Chair of the Board of Directors will not receive compensation in respect of her Board director duties.

— **Severance payment**

The Chair of the Board of Directors will not benefit from a severance payment.

— **Benefits in kind**

The Chair of the Board of Directors will dispose of material resources (chauffeur-driven company car) that cannot, in practice, be separated from the performance of her duties.

— **Other**

The Chair of the Board of Directors will not benefit from an employment contract, nor from a top-up pension plan, non-compete indemnity, stock options or free shares.

b) 2022 compensation policy for the Chief Executive Officer

Mr. Benjamin Smith was appointed Chief Executive Officer as of September 17, 2018 and a Board director as of December 5, 2018. His Board director mandate was submitted for ratification by the shareholders during the Shareholders' Meeting of May 28, 2019 then renewed during this same Shareholders' Meeting for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2022. The term of his mandate as Chief Executive Officer is five years. The Chief Executive Officer may, however, be dismissed at any time by the Board of Directors. Mr. Benjamin Smith has no employment contract with the Company or any other company within the Group.

Note that, given the adoption of the new Group governance during 2018, and in view of the profile and international experience of Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM as of September 17, 2018, the Air France-KLM Board of Directors considered it necessary to modify the framework for the compensation of the Group's Chief Executive Officer which had been approved by the Shareholders' Meeting of May 15, 2018 and which had de facto become inapplicable.

Within this context, the Board of Directors had reviewed the compensation practices for similar functions at competitor airline companies internationally and taken into account the compensation paid to Mr. Benjamin Smith in respect of his duties at Air Canada, as well as his residency of Canada which required him to relocate to France.

It is specified that, to determine the elements of compensation for the Chief Executive Officer, the Air France-KLM Board of Directors referred to a sample of compensation in place in comparable international groups.

The structure of the compensation set by the Board of Directors in August 2018 remained unchanged for the 2019 to 2021 financial years. It is also within this framework that the compensation policy has been set for 2022.

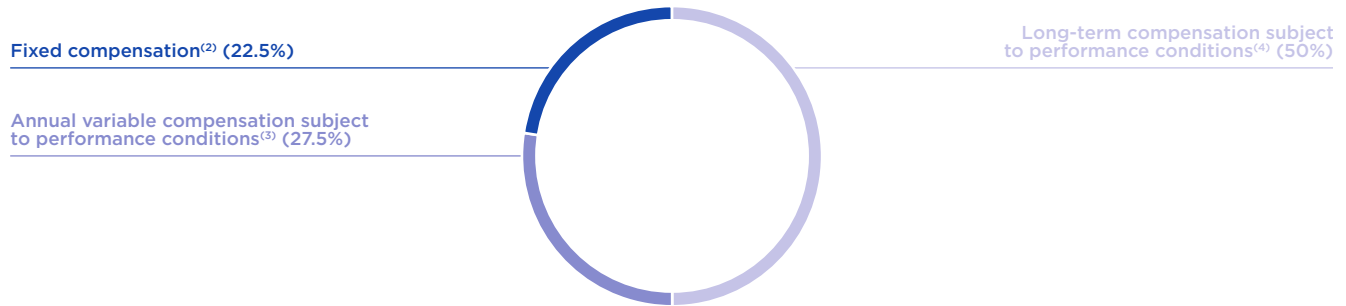
During its meeting of February 16, 2022, as proposed by the Remuneration Committee, the Board of Directors defined the compensation structure for the Chief Executive Officer of Air France-KLM in respect of the 2022 financial year.

The performance criteria linked to the variable compensation within the framework of the 2022 compensation were set pursuant to the Board resolutions of February 16, 2022.

It is specified that, as recommended by the Remuneration Committee, the Board of Directors will be able to use its judgement in determining any variable compensation for the Chief Executive Officer. As a result, the Board of Directors will be able to determine the terms of the variable compensation for the Chief Executive Officer (i) consistent with (a) the performance achieved by the Group and the Group's financial situation at the end of the financial year, (b) the compensation policy applied to the Group's employees, and (c) the protection of the Group's interests and those of its shareholders, and (ii) in compliance with the restrictions on corporate officers' remuneration as set forth in the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM under the Temporary Framework for State Aid measures to support the economy in the current Covid-19 outbreak. Discussions are currently ongoing between Air France-KLM and the European Commission regarding the restrictions on corporate officers' remuneration, and the remuneration policy of the Chief Executive Officer, as regards his variable remuneration, could change based on the outcome of these discussions.

Note however that, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation may be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid.

Structure of the compensation for the Chief Executive Officer of Air France-KLM in respect of the 2022 financial year⁽¹⁾



(1) Note however that, pursuant to the European Commission's decision on case No. SA.59913 of April 5, 2021 relating to the recapitalization of Air France and Air France-KLM, no variable compensation may be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures have been repaid. Discussions are currently under way between Air France-KLM and the European Commission concerning the scope of application of these restrictions.

(2) Amount of €900,000.

(3) 122% of the fixed compensation on achievement of the targets potentially rising to 150% should the targets be exceeded.

(4) A long-term incentive plan conferring the right to the granting of performance shares corresponding to an amount of €2 million.

— **Annual compensation (fixed and variable)**

Description of the annual fixed and variable elements

The Chief Executive Officer will benefit from annual gross fixed compensation of €900,000 and annual gross variable compensation potentially varying between 0% and 122% of the annual gross fixed compensation at targets partially achieved (calculated on a linear basis), and potentially reaching a maximum of 150% in the event the targets are exceeded (calculated on a linear basis). Note that the structure of the annual compensation has been unchanged since 2019.

Note however that, pursuant the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation may be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid. Discussions are currently ongoing between Air France-KLM and the European Commission concerning the scope of application of these restrictions.

The performance criteria which were set by the Board of Directors during its meeting of February 16, 2022, are 60% quantitative criteria linked to the Group's financial performance and targets, and 40% qualitative criteria linked to the non-financial targets.

Breakdown of the variable portion

Target: 122% of the fixed compensation **Maximum: 150% of the fixed compensation**

Quantitative financial performance**Air France–KLM comparative Current Operating Income**

Reduction in the gap between Air France–KLM's performance and those of IAG and Lufthansa Group in 2022, compared with the COI margin in the 2019 financial year	18%	22.5%
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Transformation plan impact on cost saving

Comparison between the results of the structural benefits coming from the cost-saving plan, the realization of the reduction in FTEs and the targets already communicated	36%	45%
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Capital market equity strengthening

Realization and amount of the equity-strengthening by capital market transactions (excluding transformation of the Shareholder Loan into hybrid convertibles)	18%	22.5%
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Qualitative non-financial performance

Societal & Environmental Responsibility (CSR)	12.5%	15%
Human capital	12.5%	15%
Customers	12.5%	15%
Individual & Leadership	12.5%	15%

— Evaluation of the 2022 performance criteria

Quantitative financial performance:

The quantitative performance relative to the financial criteria (comparative Current Operating Income, impact of the

transformation plan on cost savings and cash management, capital market equity strengthening) will be evaluated on the basis of the following rules:

Air France–KLM comparative COI	Performance	% attainment of the criterion
Reduction in the gap between Air France–KLM's performance and those of IAG and Lufthansa Group in 2022	Performance of Air France–KLM > than those of Lufthansa and IAG	Maximum
	Reduction in the performance gap relative to Lufthansa and IAG	Maximum at 50% Proportionate
	Reduction in the performance gap relative to Lufthansa or IAG	50% to 0% Proportionate
	Increase in the performance gap relative to Lufthansa and IAG	0%

Transformation plan impact on cost savings and cash management

% realization of the structural savings relative to the budget	% attainment of the criterion
Level 1. <90% relative to the budget	0%
Level 2. 90% to 100%	0% to 100% Proportionate
Level 3. 100%	100%
Level 4. 100% to 120%	100% to maximum Proportionate
Level 5. >120% of the amount set in the budget	Maximum

Capital market equity strengthening

Realization and % of the amount of contributions in equity and quasi-equity (excluding transformation of the Shareholder Loan into a hybrid convertible) relative to the target value	Targets in % of the target value
Level 1. No capital increase	0%
Level 2. Below the target value	0 to 100% Proportionate
Level 3. Target	100%
Level 4. Above target and less than 140% of the amount set in the budget	100% to maximum Proportionate
Level 5. >140% of the amount set in the budget	Maximum

Qualitative non-financial performance:

The qualitative performance relative to the non-financial criteria (*CSR & People, Customers, Individual & Leadership*) will be evaluated on the basis of the following rules:

Societal & Environmental Responsibility (CSR)	The evaluation will cover the actions and results of the Societal & Environmental Responsibility commitment, notably in the light of the following priority: <ul style="list-style-type: none"> Engage in the initiatives appropriate to remaining on the trajectory of the 2030 environmental road map
Human Capital	The evaluation will cover the actions and results on Human Capital, notably in the light of the following priorities: <ul style="list-style-type: none"> Improvement in the staff engagement score and the Group's attractiveness: position of the airlines in the rankings of the best places to work; Diversity on the 10% of managers at the highest level of responsibility
Customers	The evaluation will review the actions and results on customer engagement, notably in the light of the following fundamental priorities: <ul style="list-style-type: none"> Improvement in the NPS vs 2021; Realization of the flight schedule + reliability and punctuality.
Individual & Leadership	The evaluation will review the actions and results, notably in the light of the following fundamental priorities: <ol style="list-style-type: none"> Crisis management leadership: execution of the transformation plan while maintaining the trust and commitment of all the stakeholders (employees, customers, Works Council, shareholders, government); Post-crisis management leadership: anticipation of the key business initiatives to remodel the offer and plan the post-crisis orientations.

Societal & Environmental Responsibility

Performance	Percentage granted
Significantly below target	0%
Target attained	100%
Significantly above target	Maximum

Human capital

Performance	Percentage granted
Significantly below target	0%
Target attained	100%
Significantly above target	Maximum

Customers

Performance	Percentage granted
Significantly below target	0%
Target attained	100%
Significantly above target	Maximum

Individual & Leadership

Performance	Percentage granted
Subject to the evaluation of the Board of Directors	0% to Maximum

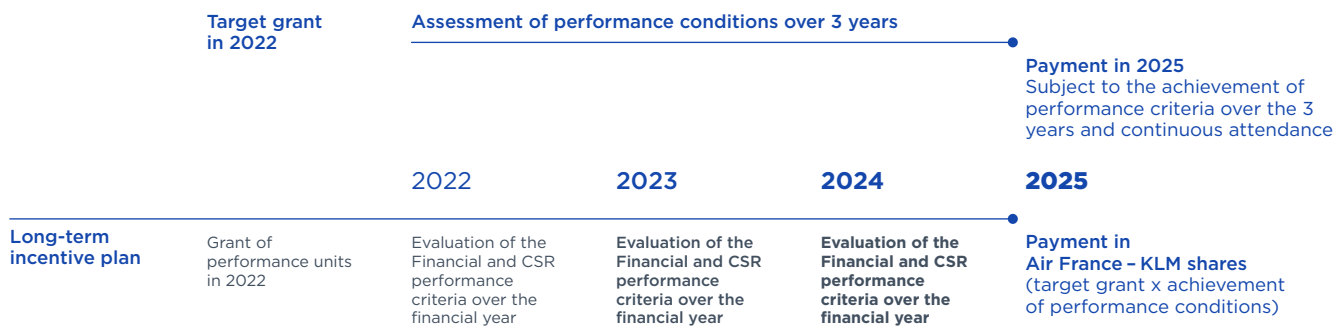
As necessary and in any case, any extraordinary compensation would be subject to approval by the Shareholders' Meeting in the year during which the Board of Directors may decide to grant any such compensation, in application of Article L. 22-10-8 of the *Code de Commerce* (ex ante vote), and the year of its payment, in application of Article L. 22-10.34 of the *Code de Commerce* (ex post vote).

— Long-term compensation

The compensation policy for the Chief Executive Officer is predominantly composed of long-term variable elements to align the compensation with the Group's performance on a long-term perspective, thereby contributing to the Company's strategy and long-term sustainability.

These elements of compensation correspond to a long-term plan subject to the achievement of demanding performance conditions evaluated over a three-year period and covering the interests of the Group, its employees and shareholders. Note that the vesting and payment of these elements of compensation will only take place at the end of this three-year period.

Note however that, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation may be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid. Discussions are currently ongoing between Air France-KLM and the European Commission concerning the scope of application of these restrictions.

Long-term compensation scheme for Air France-KLM**c) Long-term incentive plan**

The Group plans to launch targeted strategic actions aimed at improving the medium and long-term operational performance, into line with the best international airline standards, while taking into account the environmental and societal issues linked to its growth. Accordingly, a new long-term incentive plan applicable to the Chief Executive Officer and to a number of the Group's other managers and employees has been established pursuant to the resolutions of the Board of Directors of February 16, 2022.

In respect of this plan, the Chief Executive Officer is thus granted performance units on an annual basis corresponding to an amount of €2 million, payable in shares at the end of a three-year vesting period following the grant, subject to the attainment of

specific performance conditions, evaluated over the whole of this period, and with a maximum of 100% over three years. The payment of the performance units is also subject to a three-year presence condition, except in the event of death or disability (without performance conditions), or retirement departure or in some cases of forced termination (the performance conditions remaining applicable). It is specified that one performance unit will confer the right to one Air France-KLM share.

The number of performance units granted each year is calculated with reference to the Air France-KLM opening share price on April 1 of the grant year. The payment of these performance units (subject to performance and presence conditions) is made in Air France-KLM shares (one performance unit conferring the right to one share). The Board of Directors reserves the

option, instead of the granting of units, to grant an equivalent number of performance shares with the same performance and presence conditions.

At its meeting of February 16, 2022, the Board of Directors thus set demanding performance conditions for the evaluation, as necessary, of the Chief Executive Officer's long-term performance for the eventual grant of any such extraordinary compensation.

	Performance	Definitive vesting of a % of the grant with a maximum of 100% over 3 years
1. Net debt/EBITDA (25%)	Level 3. 130%	130%
	Level 2. 70% to 130%	0 to 130%
	Proportionate	Proportionate
	Level 1. < 70%	0%
2. AF-KLM relative COI (25%) Reduction in the gap in Air France-KLM's performance relative to those of IAG and Lufthansa Group over 3 years (2022, 2023, 2024)	Air France-KLM performance > that of Lufthansa and IAG	100% Maximum
	Reduction in the gap relative to Lufthansa and IAG	100% to 50% Proportionate
	Reduction in the gap relative to Lufthansa or IAG	50% to 0% Proportionate
	Increase in the gap relative to Lufthansa and IAG	0%
3. Relative share performance (TSR) TSR relative to IAG and Lufthansa (2022, 2023, 2024)	Position 1	0%
	Position 2	70%
	Position 3	130%
4. CSR performance targets (30%)		See the evaluation rules below

The CSR performance criteria within the framework of the long-term incentive plan are as follows:

	Indicators	Targets
Environment	1. Reduce CO ₂ emissions (gCO ₂ /passenger/km, including the market measures)	Long-term target of a 50% reduction over the 2005-2030 period: to be evaluated annually and reported in the sustainable development report/verified annually whether on track to achieve the target
Employees	2. Reinforce diversity	Improve the 2024 EPS score relative to 2021 and achievement of a target of 28% women in the Group Executive Committee.
Customers	3. Reinforce customer satisfaction	Improve the 2024 NPS score relative to 2021.

These criteria are evaluated in the following manner:

Criteria	Performance	Percentage grant
Evaluation of each individual criterion	Significantly above target	Max (100%)
	Target achieved	50%
	Significantly below target	0%

The number of performance units granted in 2022 will be calculated with reference to the Air France-KLM opening share price on April 1, 2022. Payment of these performance units (subject to performance and presence conditions) will be made in Air France-KLM shares (one performance unit conferring the right to one share).

It is stipulated that the Chief Executive Officer has not used and has given a formal undertaking not to use risk hedging transactions within the framework of this plan until payment of the performance units.

d) 2018, 2019, 2020 and 2021 long-term incentive plans

In 2022, the Chief Executive Officer will continue to benefit from the specific long-term incentive plans granted in 2018, 2019, 2020 and 2021, with an option to defer payment of these performance units for a maximum of three years (already exercised for the 2018 and 2019 plans).

e) Severance payment and benefits in kind

The Chief Executive Officer will continue to benefit from the severance payment granted by the Board of Directors in its meeting of August 16, 2018, as approved by the Shareholders' Meeting of May 28, 2019.

During its meeting of August 16, 2018, the Board of Directors authorized the granting to the Chief Executive Officer of a severance payment in some instances of forced termination, including dismissal, non-renewal of his mandate as Chief Executive Officer or resignation following a change of control (other than in relation to a gross misconduct). It is specified that the

instance of forced termination enabling the implementation of this severance pay excludes any situation of serious misconduct on the part of the Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the basis of the severance payment is equivalent to two years of his annual fixed and variable compensation (based on specific calculation methods referring, as applicable, to the target variable in the event of a termination during the first 24 months).

A coefficient (between 0 and 100% inclusive) will be applied to the basis of the severance payment based on the performance of the interested party with reference to the level of the achievement of the performance criteria relating to the annual variable component of his compensation over the two last financial years of his mandate (or since his appointment, in the event of termination during the first 24 months). The Board of Air France-KLM will be responsible for evaluating the achievement of these performance criteria.

The Chief Executive Officer will also benefit from the usual benefits in kind (chauffeur-driven company car, supplementary pension scheme benefiting all Group employees, supplementary health insurance and disability coverage, provision of free airline tickets, Group CEO civil liability insurance - D&O) and benefits consistent with policies applied within the Group for senior manager expatriation and mobility.

f) Other

The Chief Executive Officer will not benefit from an employment contract, nor from a top-up pension scheme, non-compete indemnity, stock options or free shares.

2.6 CEO COMMITTEE

The CEO Committee is chaired by Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM, and has three other members reporting directly to Mr. Smith:

- Ms. Anne Rigail, Chief Executive Officer of Air France;
- Mr. Pieter Elbers, President and Chief Executive Officer of KLM; and
- Mr. Steven Zaat, Chief Financial Officer of Air France-KLM as of July 1, 2021. Mr. Steven Zaat succeeded Mr. Frédéric Gagey, Chief Financial Officer of Air France-KLM until June 30, 2021. Mr. Gagey stepped down from his position and retired as of July 1, 2021.

At its meeting of February 19, 2019, the Air France-KLM Board of Directors appointed Ms. Anne Rigail and Mr. Pieter Elbers as Deputy Chief Executive Officers of the Group.

On January 12, 2022, the Board of Directors of Air France-KLM approved the decision of the Supervisory Board of KLM, taken in close consultation with Mr. Pieter Elbers, President of the Management Board and Chief Executive Officer of KLM, that Mr. Elbers will not serve a third term. This will allow the KLM Supervisory Board to start the process of identifying a successor for Pieter Elbers in due course.

The CEO Committee is responsible for defining the strategic direction of all of the Group's airlines and operational entities.

2.7 GROUP EXECUTIVE COMMITTEE

Chaired by the Chief Executive Officer of Air France-KLM, the Group Executive Committee is composed of twelve (12) members and a secretary of the Executive Committee:

- the Chief Executive Officer of Air France-KLM, the President and Chief Executive Officer of KLM and the Chief Executive Officer of Air France; and
- the ten heads of the Group's functions.

Members at December 31, 2021	Age at December 31, 2021	Relevant professional experience	
		Sector	Experience
Benjamin Smith <i>Chief Executive Officer, Air France-KLM</i>	50 years	Air Transport	31 years
Pieter Elbers <i>President and Chief Executive Officer, KLM</i>	51 years	Air Transport	29 years
Anne Rigail <i>Chief Executive Officer, Air France</i>	52 years	Air Transport	30 years
Steven Zaat <i>Chief Financial Officer, Air France-KLM⁽¹⁾</i>	52 years	Air Transport	19 years
Pieter Bootsma <i>Chief Revenue Officer, Air France-KLM</i>	52 years	Air Transport	26 years
Anne Brachet <i>Executive Vice-President, Engineering & Maintenance, Air France-KLM</i>	58 years	Air Transport	26 years
Oltion Carkaxhija <i>Executive Vice-President Transformation, Air France-KLM</i>	45 years	Air Transport	14 years
Angus Clarke <i>Executive Vice-President Strategy, Air France-KLM⁽²⁾</i>	47 years	Air Transport	20 years
Adriaan den Heijer <i>Executive Vice-President Cargo, Air France-KLM</i>	51 years	Air Transport	26 years
Jean-Christophe Lalanne <i>Executive Vice-President Information Technology, Air France-KLM</i>	60 years	Industry, IT Services, Air Transport	24 years 17 years
Anne-Sophie Le Lay <i>Corporate Secretary of Air France-KLM and Air France</i>	50 years	Attorney Law/Governance, Automotive Industry, Air Transport	7 years 19 years 4 years
Henri de Peyrelongue <i>Executive Vice-President Commercial Sales, Air France-KLM</i>	56 years	Air Transport	31 years
Constance Thio <i>EVP Human Resources Air France-KLM⁽³⁾</i>	51 years	Sustainability Human Resources Air Transport	2 years 6 years 23 years

(1) Mr Steven Zaat took up the position of Chief Financial Officer of the Air France-KLM Group as of July 1, 2021, replacing Mr. Frédéric Gagey.

(2) Mr. Angus Clarke stepped down from his position within the Air France-KLM Group on December 31, 2021.

(3) Ms. Constance Thio is a permanent guest on the Group Executive Committee.

Secretarial services to the Group Executive Committee are provided by the Air France-KLM Chief Executive Officer's Chief of Staff.

Information on the diversity targets within the management bodies

At its meeting of February 17, 2021, the Board of Directors set targets for diversity within the management bodies and an action plan on the way in which the Company is seeking to achieve a balanced representation between men and women.

Within this framework, Air France-KLM has set itself a long-term target of reaching parity between men and women within the Group Executive Committee and the top 10% of the positions with the highest level of responsibility. Furthermore, medium-term targets of a minimum of 33% women within the Group Executive

Committee by 2030 and 40% women within the top 10% of the positions with the highest level of responsibility also by 2030 have been set by the Board of Directors. Concretely, in the event of the recruitment and/or appointment of new members, and candidates with equal skills, expertise and management qualities, preference is given to female candidates. An action plan has been deployed to accelerate the taking into account of female profiles at all levels of management. During its meeting of March 16, 2022, the Board of Directors was informed of the results achieved during the 2021 financial year. This information is detailed in section 4.2.4 "Diversity, equity and inclusion".

2.8 SHARE CAPITAL AND SHAREHOLDER STRUCTURE

2.8.1 Share capital

At December 31, 2021, the Air France-KLM share capital comprised 642,634,034 fully paid-up shares with a nominal value of one euro, held in registered or bearer form according to shareholder preference.

Until April 2, 2016, each share had one voting right attached. In application of the Florange Act⁽¹⁾ as from April 3, 2016, in the

absence of a provision to the contrary in the Air France-KLM Articles of Incorporation, all fully paid-up shares held in registered form in the name of the same shareholder for at least two years automatically benefit from a double voting right. There are no other specific rights attached to the shares.

Changes in the share capital over the last three financial years

The change in the share capital over the last three financial years is as follows:

Financial year ended	Amount of capital (in €)	Number of shares
December 31, 2019	428,634,035	428,634,035
December 31, 2020	428,634,035	428,634,035
December 31, 2021	642,634,034 ⁽²⁾	642,634,034

On April 6, 2021, the Air France-KLM Group announced a series of capital-strengthening measures, in the amount of €4 billion, composed of (i) a capital increase without preferential subscription rights for shareholders by way of a public offering and with a priority subscription period for shareholders and (ii) an issue of Deeply Subordinated Notes in several tranches, fully subscribed by way of debt compensation by the French State. These measures were authorized by the European Commission on April 5, 2021, as State Aid.

In this context, on April 13, 2021, Air France-KLM announced the launch of a capital increase without shareholders' preferential subscription rights by way of a public offering and with a priority subscription period for shareholders, for a gross amount (including issue premium) of €900,660,867.04 which could, in the event of the exercise in full of the increase option,

be increased to a maximum gross amount (including issue premium) of €1,035,759,995.16. The capital increase, decided in accordance with the nineteenth resolution of the Company's Shareholders' Meeting of May 26, 2020, was the subject of a prospectus approved by the *Autorité des Marchés Financiers* on April 13, 2021 under number 21-0270. The subscription period for the capital increase closed on April 16, 2021.

On 20 April 2021, Air France-KLM announced the final results of the capital increase, i.e. 213,999,999 new shares issued at a unit price of €4.84 euros, i.e. a total of around €1,036 million (after exercise in full of the increase option). The settlement-delivery of the newly-issued shares took place on April 23, 2021.

In this context, to give the Air France-KLM Group the flexibility and agility required to implement additional capital-strengthening

(1) Furthermore, there are no securities not representing the share capital. Article 7 of Act No.2014-384 of March 29, 2014 for the Reconquest of the Real Economy.

(2) Issue of 213,999,999 new shares within the framework of the capital increase announced by Air France-KLM on April 13, 2021

measures, which are essential for the continuation of the Group's activities in the current context of public health crisis, while taking into account the diversity of interests and expectations of Air France-KLM's shareholders, whose shareholdings could be significantly diluted if they do not subscribe to the additional measures envisaged, a number of financial resolutions were adopted by the Annual Shareholders' Meeting of May 26, 2021 (resolutions 20 to 35).

These authorizations enable the Board of Directors, in compliance with legal and regulatory provisions and under certain conditions,

to increase the capital of Air France-KLM by various means (issuance of shares and/or securities giving access to the capital and/or giving the right to the allocation of debt securities, with or without shareholders' preferential subscription rights, as the case may be, with or without a priority subscription period, as the case may be, during or outside the period of a public offering with specific caps) and depending on the market opportunities at the time of the issue and the financing needs of the Air France-KLM Group, in particular with regard to the additional measures envisaged to strengthen the equity capital.

The authorizations currently in force are summarized in the following table.

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2021
Authorizations granted by the Combined Ordinary and Extraordinary Shareholders Meeting of May 26, 2021			
Outside the context of a public tender offer			
No.20	Capital increase (outside the context of a public tender offer) maintaining preferential subscription rights for shareholders	€1,930 million in nominal (i.e. c.300% of the current share capital)	€1,930 million in nominal (i.e. c.300% of the current share capital)
No.21	Capital increase (outside the context of a public tender offer) without preferential subscription rights for shareholders but with a mandatory priority subscription period	€643 million in nominal (i.e. c.100% of the current share capital)	€643 million in nominal (i.e. c.100% of the current share capital)
No.22	Capital increase (outside the context of a public tender offer) without preferential subscription rights for shareholders but with an optional priority subscription period (authorization also enabling the issuance by the Company's subsidiaries of securities conferring access to the Company's share capital)	€129 million in nominal (i.e. c.20% of the current share capital)	€129 million in nominal (i.e. c.20% of the current share capital)
No.23	Capital increase (outside the context of a public tender offer) through private placement with qualified investors/restricted group of investors	€129 million (i.e. c.20% of the current share capital)	€129 million (i.e. c.20% of the current share capital)
No.24	Increase in the number of securities to be issued in the event of a capital increase (outside the context of a public tender offer) with or without preferential subscription rights ("greenshoe")	15% of the initial issue (not to exceed the cap amounts set under resolutions 20, 21, 22, and 23)	15% of the initial issue (not to exceed the cap amounts set under resolutions 20, 21, 22, and 23)
No.25	Capital increase (outside the context of a public tender offer) to compensate contributions in kind granted to the Company	€64.2 million (i.e. c.10% of the current share capital)	€64.2 million (i.e. c.10% of the current share capital)
No.26	Capital increase (outside the context of a public tender offer) by capitalization of reserves, profits, issuance premiums, or other amounts eligible for capitalization	€322 million in nominal (i.e. c.50% of the current share capital)	€322 million in nominal (i.e. c.50% of the current share capital)

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2021
Within the context of a public tender offer			
No.27	Capital increase (within the context of a public tender offer) maintaining preferential subscription rights for shareholders	€161 million in nominal (i.e. c.25% of the current share capital) [charged against the cap amount of the 20th resolution, usable outside the context of a public tender offer]	€161 million in nominal (i.e. c.25% of the current share capital) [charged against the cap amount of the 20th resolution, usable outside the context of a public tender offer]
No.28	Capital increase (within the context of a public tender offer) without preferential subscription rights for shareholders but with a mandatory priority subscription period	€161 million in nominal (i.e. c.25% of the current share capital) [charged against the cap amount of the 20th and 27th resolutions, usable outside the context of a public tender offer]	€161 million in nominal (i.e. c.25% of the current share capital) [charged against the cap amount of the 20th and 27th resolutions, usable outside the context of a public tender offer]
No. 29	Capital increase (within the context of a public tender offer) without preferential subscription rights for shareholders but with an optional priority subscription period (authorization also enabling the issuance by the Company's subsidiaries of securities conferring access to the Company's share capital)	€65 million in nominal (i.e. c.10% of the current share capital) [charged against the cap amount of the 20th, 22nd and 28th resolutions, usable outside the context of a public tender offer]	€65 million in nominal (i.e. c.10% of the current share capital) [charged against the cap amount of the 20th, 22nd and 28th resolutions, usable outside the context of a public tender offer]
No. 30	Capital increase (within the context of a public tender offer) through private placement with qualified investors/restricted group of investors	€65 million in nominal (i.e. c.10% of the current share capital) [charged against the cap amount of the 20th, 22nd, 27th and 29th resolutions, usable outside the context of a public tender offer]	€65 million in nominal (i.e. c.10% of the current share capital) [charged against the cap amount of the 20th, 22nd, 27th and 29th resolutions, usable outside the context of a public tender offer]
No.31	Increase in the number of securities to be issued in the event of a capital increase (within the context of a public tender offer) with or without preferential subscription rights ("greenshoe")	15% of the initial issuance (not to exceed the cap amounts indicated under resolutions 20, 27, 28, 29 and 30)	15% of the initial issuance (not to exceed the cap amounts indicated under resolutions 20, 27, 28, 29 and 30)
No. 32	Capital increase (within the context of a public tender offer) to compensate contributions in kind granted to the Company	€33 million in nominal (i.e. c.5% of the current share capital) [charged against the cap amount of the 20th, 22nd, 27th and 29th resolutions, usable outside the context of a public tender offer]	€33 million in nominal (i.e. c.5% of the current share capital) [charged against the cap amount of the 20th, 22nd, 27th and 29th resolutions, usable outside the context of a public tender offer]

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2021
No. 33	Capital increase (within the context of a public tender offer) by capitalization of reserves, profits, issuance premiums, or other amounts eligible for capitalization	€161 million in nominal (i.e. c.25% of the current share capital)[charged against the cap amount of the 20th, 27th and 28th resolutions, usable outside the context of a public tender offer]	€161 million in nominal (i.e. c.25% of the current share capital) [charged against the cap amount of the 20th, 27th and 28th resolutions, usable outside the context of a public tender offer]
Other authorizations in respect of the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021			
No. 34	Delegation of authority granted to the Board of Directors, for the purpose of determining the issue price, within a limit not to exceed 10% of the share capital per year in the event of a capital increase without shareholders' pre-emptive subscription rights	10% of the share capital (not to exceed the cap amounts set under resolutions 21, 22, 23, 28, 29 and 30)	10% of the share capital (not to exceed the cap amounts set under resolutions 21, 22, 23, 28, 29 and 30)
No. 35	Capital increases reserved for members of a company or Group savings scheme	2% of the share capital at the time of each issuance [charged against the cap amount indicated under resolution 20, usable outside the context of a public tender offer]	2% of the share capital at the time of each issuance [charged against the cap amount indicated under resolution 20, usable outside the context of a public tender offer]

A common cap of €1,930 million applies to resolutions 20 and 22 to 26 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021. Note that the amount of capital increases that may be realized under resolution 21 is not intended to be deducted from the overall nominal cap of €1,930 million (i.e. around 300% of the current share capital) set under resolution 20. Thus, in the event of the implementation in full of resolutions 20 and 21, the maximum aggregate nominal amount of capital increases realized in this context, immediately or in the future, could reach €2,573 million, i.e. approximately 400% of the current share capital.

A common sub-cap of €129 million applies to resolutions 22 to 25 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021. A common cap of €161 million applies to resolutions 27 to 33 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021. A common sub-cap of €65 million applies to resolutions 29 to 32 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021.

Amendment to Air France-KLM's Articles of Incorporation

The Extraordinary Shareholders' Meeting, deliberating with a majority of two-thirds of the votes held by the shareholders present or represented, is the only entity authorized to amend the Articles of Incorporation in all their provisions pursuant to Article L. 22-10-31 of the *Code de Commerce*.

The Air France-KLM Articles of Incorporation can be found on the website at <http://www.airfranceklm.com> (Finance/Publications/Articles of Incorporation).

Modalities for shareholders wishing to participate in the Shareholders' Meeting

The modalities for shareholders wishing to participate in Shareholders' Meetings are those stipulated by the regulation in force. They are set out in Article 30 of the Air France-KLM Articles of Incorporation and the detailed conditions can be found in the documentation made available to shareholders ahead of the Shareholders' Meeting.

2.8.2 Securities conferring entitlement to shares

Bonds convertible and/or exchangeable into new or existing shares 0.125% 2026

In March 2019, Air France-KLM issued bonds convertible into new shares and/or exchangeable for existing shares (OCEANE), maturing in 2026, for an amount of €500 million, representing 27,901,785 underlying shares.

The nominal unit value of the bonds is €17.92. The bonds bear a coupon of 0.125%, payable annually in arrears on March 25 of each year.

Tender offer to repurchase three series of existing notes and issue of 1.875% senior bonds 2025

On January 6, 2020, the Air France-KLM Group launched a Tender Offer to repurchase the following three series of existing notes:

- senior notes in the principal amount of €600 million maturing on June 18, 2021 and bearing a coupon of 3.875% (whose amount in circulation prior to the repurchase stood at €600 million) (ISIN: FRO011965177) (the “2021 Notes”);
- senior notes in the principal amount of €400 million maturing on October 12, 2022 and bearing a coupon of 3.750% (whose amount in circulation prior to the repurchase stood at €400 million) (ISIN: FRO013212958) (the “2022 Notes”); and
- undated Deeply Subordinated Fixed Rate Resettable Notes in the initial principal amount of €600 million bearing a coupon of 6.250% (whose amount in circulation prior to the repurchase stood at €403.3 million), (ISIN: FRO012650281) (the “Undated Notes”, and together with the 2021 Notes and the 2022 Notes, the “Existing Notes”) (the “Tender Offer”).

The repurchase offer closed on January 13, 2020 and the results were announced by the Company on January 14, 2020.

On January 14, 2020, Air France thus announced that Existing Notes for a total principal amount of €677.7 million, representing 48.3% of the outstanding Existing Notes had been tendered to the Tender Offer and €350.0 million had been accepted, of which €311.2 million of 2021 Notes and €38.8 million of 2022 Notes: no Undated Notes were redeemed by the Company.

As a result, the principal amount of the Existing Notes remaining in circulation after the realization of the Tender Offer was €1,053.3 million, of which €288.8 million in 2021 Notes, €361.2 million in 2022 Notes and €403.3 million in Undated Notes. As of 19 June 2021, the principal amount of the Existing Notes remaining in circulation is €764.5 million.

The Tender Offer was financed in full from the net proceeds on the issue of new bonds in a total principal amount of €750 million with a five-year maturity and bearing a coupon at an annual rate of 1.875%, whose successful placement was announced by the Company on January 10, 2020.

In effect, on January 10, 2020, Air France-KLM successfully placed a new issue of senior notes (the “New Notes”) in the amount of €750 million, with a five-year maturity and bearing an annual coupon of 1.875%. The net proceeds from this new issue will be partly or wholly used to finance the Tender Offer and for Air France-KLM’s general corporate purposes. The Tender Offer closed on January 13, 2020 and the results of the Tender Offer were announced on January 14, 2020. The settlement and delivery of the Tender Offer and the New Notes took place on January 16, 2020.

These transactions are part of the ongoing dynamic management of the Group’s balance sheet structure. The issuance of the New Notes, combined with the Tender Offer, contribute to reducing the overall cost of the Group’s debt and extending its maturity profile.

Issue of deeply subordinated notes in three €1 billion tranches, for a total of €3 billion

Within the framework of its recapitalization plan announced on April 12, 2021 and realized on April 19, 2021 in the amount of €1,036 billion, on April 20, 2021 the Company issued a series of

undated deeply subordinated notes (accounted for under IFRS equity in the Company’s consolidated financial statements) for an amount of €3 billion, fully subscribed by the French State by way of set-off on claims it holds on the Company pursuant to the Shareholder Loan (the “Shareholder Loan”) granted in May 2020 and fully drawn for an amount of €3 billion (the “Deeply Subordinated Notes”).

This issue is composed of three tranches with a perpetual maturity and a nominal amount of €1 billion each, with respective redemption options (call) at 4, 5 and 6 years, then repayable on every interest payment date, and bearing interest at an initial rate of 7.00%, 7.25% and 7.50% respectively until these dates.

These initial interest rates for each tranche will increase for each to 8.50%, 8.00% and 8.00%, respectively, on the first respective early redemption date and at the option of the Company, of the relevant tranche. These interest rates will then be revised every year from April 20, 2028, based on the 12-month Euribor rate plus a margin of 10.40%, it being specified that the applicable 12-month Euribor rate will not be less than -0.45%. The Company will have the option to defer the payment of interest at its discretion, in whole or in part. Deferred interest on the Deeply Subordinated Notes will be accrued and capitalized.

The payment of interest will nevertheless become compulsory in the event of, for example, the payment of a dividend or the redemption of equity securities, subject to certain customary exceptions.

These Deeply Subordinated Notes may be converted by way of set-off in the context of future issues of quasi-equity securities or capital increases. In the event of: (i) a third party, acting alone or in concert, holding more than 30% of the share capital of the Company; (ii) non-approval by the Shareholders’ Meeting of a project of issuance of shares or any other securities giving right to shares of the Company, submitted by the Board of Directors, and enabling the French State to convert in shares of the Company all or part of the Deeply Subordinated Notes held by the French State; or (iii) in the event of an implementation of a share capital increase or of an issuance of securities giving right to shares of the Company (with the exception of transactions carried out with preferential subscription rights or with a priority subscription period and which may be subscribed by way of off-set, transactions reserved for the French State or transactions with cancellation of preferential subscription rights by “private placement” authorized in advance by the French State) without the agreement of the French State, the Company may redeem (a) in the cases referred to in (i) and (ii) above, in full, and (b) in the case referred to in (iii) above, in full or in part, the Deeply Subordinated Notes remaining outstanding. Otherwise, the applicable interest rate will be increased by an additional margin of 5.50% per annum from the date of occurrence of any of the events referred to in (i), (ii) or (iii). Such interest rate adjustments shall be cumulative provided, however, that the cumulative adjustments shall not exceed 11.00% per annum.

This transaction reinforces the Group’s equity by €3 billion under IFRS accounting standards, without impacting cash-flow, while increasing the Group’s flexibility in its mandatory debt repayment profile.

2.8.3 Authorization to buy back Air France – KLM’s own shares

Every year, the Air France – KLM Board of Directors asks the Shareholders’ Meeting for the authorization to buy back the company’s own shares in the stock market, subject to a number of conditions.

During the 2021 financial year, the Group neither purchased nor sold Air France – KLM shares within the framework of these authorizations.

Within the framework of the collective labor agreement reached in August 2015 between KLM and the VNV pilots’ union, Air France – KLM and KLM signed an agreement on

December 8, 2016 with the VNV and an independent foundation established by the VNV for KLM pilots. Under this agreement, and in consideration for the gains resulting from the August 2015 agreement, on December 12, 2016 KLM financed the acquisition by the foundation of three million Air France – KLM treasury shares at the market price.

At December 31, 2021, Air France – KLM held 1,208,005 of its own shares, i.e. 0.2% of the share capital, of which 1,116,420 shares held by KLM in respect of its various stock option plans. The valuation of the portfolio stood at €4.7 million at December 31, 2021.

2.8.4 Reinforcement of the Air France – KLM Group’s strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines

During the 2021 financial year, Air France – KLM continued to execute its strategic partnerships entered into in 2017 with Delta Air Lines, Inc. (Delta) and China Eastern Airlines (CEA).

On July 27, 2017, Air France – KLM had announced, firstly, the planned creation of a joint-venture between Air France – KLM, Delta and Virgin Atlantic and, secondly, the intensification of its partnership with CEA. These two commercial alliances were consolidated by equity links in 2017: Delta Air Lines, Inc. and China Eastern each acquired equity interests in Air France – KLM within the framework of reserved capital increases authorized by the Combined Ordinary and Extraordinary Shareholders’ Meeting of September 4, 2017 for a total of €751 million. In addition, Air France – KLM announced its intention to acquire a 31% equity interest in Virgin Atlantic, in which Delta has a 49% stake, for around £220 million.

Within this framework, on July 27, 2017, Air France – KLM and CEA on one hand, and Air France – KLM, Delta Air Lines, Inc. and Virgin Atlantic on the other, signed partnership agreements aimed at defining the principles of their closer cooperation:

- on July 27, 2017, Air France – KLM, Delta Air Lines, Inc. and Virgin Atlantic signed Memoranda of Understanding laying the foundations for a future integration of the existing joint-ventures between Air France – KLM, Delta Air Lines, Inc. and Alitalia, and between Delta Air Lines, Inc. and Virgin Atlantic, within a single joint-venture. Within this framework, Air France – KLM was expected to acquire a 31% equity interest in Virgin Atlantic, Delta Air Lines, Inc. having held 49% of the latter since 2013, with the historic shareholder Sir Richard Branson retaining 20%. These agreements foresaw specific conditions intended to protect the interests of Air France – KLM in the event of any deterioration in the joint-venture’s operating conditions linked to the United Kingdom’s exit from the European Union (Brexit);
- Air France – KLM and CEA also stepped up their commercial cooperation and reinforced their partnership within the framework of the existing joint-venture, through the signature on July 27, 2017, of a Marketing Agreement aimed at defining the principles of their closer cooperation.

Furthermore, to proceed with the capital increases reserved to CEA and Delta Air Lines, Inc., on July 27, 2017 China Eastern Airlines and Delta Air Lines, Inc. signed two Subscription Agreements with Air France – KLM, wherein both investors agreed to subscribe to the reserved capital increases and containing the following commitments:

- lock-ups on the stakes wherein China Eastern Airlines and Delta Air Lines, Inc. both undertake, during a five-year period as of the settlement date (i.e. October 3, 2017), not to offer, sell, pledge or otherwise transfer or dispose of a number of 37,527 shares in Air France – KLM (as this number shall be adjusted for any share split or share consolidation of the Company) without the prior written consent of Air France – KLM, and subject to certain exceptions as set out in the Securities Note for the transaction authorized under No.17-441 dated August 17, 2017, section E.5;
- a standstill commitment wherein China Eastern Airlines and Delta Air Lines, Inc. both undertake, during a five-year period as of the settlement date (i.e. October 3, 2017), not to acquire or subscribe to any additional shares in Air France – KLM or other equity securities conferring access to the Air France – KLM share capital, directly or indirectly, which would have the effect of increasing the CEA and Delta stakes to above 10% of the Air France – KLM share capital, without the prior written consent of Air France – KLM, except in the case of (a) any person announcing their intention to launch a public offer (in cash, shares or a combination of both) for Air France – KLM shares, (b) the announcement by Air France – KLM or any competent authority of an upcoming change of control for Air France – KLM, it being specified that “control” shall be defined in accordance with Article L. 233-3 of the *Code de Commerce* or (c) the replacement of at least the majority of the members of the Board of Directors, in the event this replacement is not recommended by the Board of Directors;
- an approval clause wherein, for the duration of this Subscription Agreement, China Eastern Airlines and Delta Air Lines, Inc. undertake to obtain the formal approval of the Company’s Board of Directors if they wish to sell their Air France – KLM

shares to another airline company. In addition, following the expiry of the above-mentioned five-year lock-up undertaking, in the event of a trade sale of Air France-KLM shares to a third party *via* an over-the-counter transaction, both CEA and Delta have undertaken to first give Air France-KLM the option of purchasing these shares, at the same pricing conditions.

On October 3, 2017, Eastern Airlines Industry Investment (Luxembourg) Company Limited, a wholly-owned subsidiary of CEA Global Holdings (Hong Kong) Limited, and Delta Air Lines, Inc. both subscribed in cash to capital increases without shareholders' preferential subscription rights, each for a total (including issue premium) of €375,274,100, at a subscription price of €10 per share (including issue premium). The acquisition of these shareholdings was accompanied by the appointment of two directors to the Air France-KLM Board of Directors designated, firstly, by China Eastern Airlines and, secondly, by Delta Air Lines, Inc.

Lastly, on March 14 and May 15, 2018, within the framework of the implementation of the future single joint-venture between Air France-KLM, Delta and Virgin Atlantic, and following authorization by the Air France-KLM Board of Directors (see section 2.3.1 "Activities and functioning of the Board of Directors") the following agreements were signed:

- a Share Purchase Agreement (the "SPA") between Air France-KLM Finance SAS and Virgin Investments Limited, allowing Air France-KLM, through its 100%-owned subsidiary Air France-KLM Finance SAS, to purchase a 31% equity interest in Virgin Atlantic for £220.1 million. Within this framework, a Disclosure Letter relating to the SPA and compensation from Virgin Investments to Air France-KLM linked to tax liabilities relating to the Virgin Atlantic Group (the Tax Deed) were also agreed between the parties;
- a Shareholders' Agreement between Air France-KLM Finance, Delta, Virgin Investments Limited, Virgin Atlantic Limited and Sir Richard Branson organizing the shareholding in Virgin Atlantic;
- a Put and call Option Deed between Air France-KLM Finance, Virgin Investments and Delta relating to 31% of the Virgin Atlantic share capital;
- a joint-venture Agreement aimed at the implementation of a commercial joint-venture between Air France-KLM, Delta, Virgin Atlantic Airways Limited, Air France and KLM together with the related bilateral Transition Agreement signed with Delta; and
- an Implementation Agreement between Air France-KLM, Air France-KLM Finance SAS, Société Air France, KLM, Delta, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Sir Richard Branson, concerning the realization of the transaction.

On November 21, 2019, the US Department of Transportation granted Antitrust Immunity (ATI) within the framework of the extension of the transatlantic joint-venture. This regulatory step enabled the airlines to move forward with their transatlantic partnership.

In parallel, the partners finalized the expanded joint-venture's governance, agreeing on simplified decision-making processes enabling the joint-venture to deliver its full synergy potential. Air France-KLM and Virgin thus finally considered that Air France-KLM's acquisition of an equity interest in Virgin Atlantic was no longer necessary and negotiated an agreement whereby Air France-KLM would not acquire an equity interest in Virgin Atlantic with no impact on Air France-KLM's position in the commercial joint-venture between Delta Air Lines Inc., Virgin Atlantic and Air France-KLM. The Virgin Group was to retain its 51% majority shareholding in the capital of Virgin Atlantic while Delta was to retain the remaining 49%. This partnership is considered to be key to reinforcing the Group's leadership position between Europe and North America, and will offer customers a seamless travel experience across the Atlantic.

As a result, on October 30, 2019, the Board of Directors mandated the Air France-KLM management to finalize the discussions and negotiate amendments to the relevant agreements so as to no longer proceed with the planned investment in a 31% equity interest in Virgin Atlantic. This decision led to the following amendments to the agreements, whose signature had been authorized by the Board meetings of March 14 and May 15, 2018:

- termination of the Share Purchase Agreement ("SPA") for the acquisition of a 31% equity interest in Virgin Atlantic, and termination of agreements ancillary to the SPA.;
- amendment and updating of the joint-venture Agreement to reflect the termination of the SPA. This agreement was signed on January 30, 2020, effective as from January 1, 2020;
- amendment (reflecting the termination of the SPA) and updating of the Implementation Agreement. This agreement was signed on January 9, 2020 effective as from January 1, 2020;
- signature of the agreement between Air France-KLM, Delta and Virgin Group (signed and effective as from January 30, 2020) giving Air France-KLM, subject to certain conditions, the right to acquire Virgin Atlantic Limited shares in the event of sale by Virgin Group of Virgin Atlantic Limited shares to a third party.

The overall joint-venture between Air France, KLM, Delta and Virgin Atlantic was launched in early February 2020, offering customers a wider choice of routes and loyalty options for travel between Europe, the United Kingdom and North America.

Within the context of the Covid-19 pandemic, restrictive border regulations and constantly-changing health measures led to a drastic reduction in airline capacity and created a highly uncertain environment regarding the management of networks by joint-venture partners. In view of the impact on the implementation of the Air France-KLM Group's existing joint-ventures, in December 2020, the partners reviewed the financial conditions of their agreements and amended the provisions relating to the financial "settlement" mechanisms provided in the Group's joint-venture agreements signed, on one hand, with Delta and Virgin Atlantic Airways Limited and, on the other, with CEA.

On December 4, 2020, pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Air France-KLM Board of Directors authorized the amendment of the provisions concerning the financial settlement mechanism (to share the revenues and costs generated by the joint-venture) in the Blue Skies joint-venture agreement (entered into on May 15, 2018 and amended in October 2019) for the calendar year 2020. In this respect, each party waives all rights it may have with respect to the amounts due to it under the joint-venture agreement for the calendar year 2020, and agrees to waive them permanently. This waiver avoids uncertain and potentially material financial exposure for either party given the context linked to the public health crisis. The duration of this waiver may be extended in 2021 by mutual agreement of the parties based on the duration of the impacts on the joint-venture operations of the Covid-19 pandemic. The other provisions of the joint-venture agreement remain unchanged.

On December 4, 2020, the Air France-KLM Board of Directors also authorized the suspension of the provisions concerning the financial settlement mechanism (to share the revenues generated by the joint-venture) in the joint-venture agreement entered into

with CEA on November 26, 2018. In this respect, each party agrees to waive all payments under the joint-venture agreement as of February 1, 2020 for a period to be mutually agreed between the parties depending on the duration of the effects of the Covid-19 pandemic on the joint-venture. This waiver avoids uncertain and potentially material financial exposure for either party given the context linked to the public health crisis. The other provisions of the joint-venture agreement remain unchanged.

Lastly, within the framework of the Group's recapitalization plan announced on April 6, 2021, on June 23, 2021, Air France-KLM entered into an agreement with China Eastern Airlines aimed at accelerating their efforts to deepen and expand the existing and future cooperation, and further reinforce their partnership for air transport services between China and Europe. This agreement enables the Group to reinforce its commercial cooperation with China Eastern Airlines and its position in the Chinese market (see section 2.3.1 "Activities and functioning of the Board of Directors"). China Eastern Airlines also subscribed to the Company's capital increase realized on April 19, 2021 and, following this participation, now holds 9.6% of the Company's share capital.

2.8.5 Air France - KLM shareholder structure

Changes in the shareholder structure

The following table shows the changes in the Company's shareholder structure at December 31, 2021 relative to December 31, 2020 and December 31, 2019.

	% of the capital			% of exercizable voting rights ⁽¹⁾			% of theoretical voting rights ⁽²⁾		
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019
Number of shares or voting rights	642,634,034	428,634,035	428,634,035	848,169,460	550,004,411	550,280,634	867,682,342	586,705,740	586,975,522
French State	28.6%	14.3%	14.3%	28.9%	22.3%	22.3%	28.2%	20.9%	20.9%
Dutch State	9.3%	14.0%	14.0%	14.1%	10.9%	10.9%	13.8%	10.2%	10.2%
Delta Air Lines, Inc.	5.8%	8.8%	8.8%	6.8%	10.5%	10.5%	8.7%	12.8%	12.8%
China Eastern Airlines ⁽³⁾	9.6%	8.8%	8.8%	11.7%	10.5%	10.5%	11.4%	12.8%	12.8%
Employees (FCPE)	2.5%	3.7%	3.8%	3.7%	5.8%	5.9%	3.6%	5.4%	5.5%
Treasury stock	0.2%	0.3%	0.3%	0.0%	0.0%	0.0%	0.3%	0.4%	0.4%
Other	44.0%	50%	50%	34.8%	40.0%	40.0%	34.0%	37.5%	37.4%

(1) The exercizable voting rights do not include the voting rights on treasury shares or shares that have been stripped of their voting rights given, notably, late notification of the crossing of a threshold.

(2) The theoretical voting rights calculation takes into account all of the voting rights including the double voting rights.

(3) Through Eastern Airlines Industry Investment (Luxembourg) Company Limited.

Since April 3, 2016, in application of French law, shareholders holding their shares in registered form for more than two years have benefited from a double voting right.

Shareholder analysis

Pursuant to the obligation for air transport companies to monitor and control their shareholders, Air France-KLM has implemented a procedure for their identification on a quarterly basis.

The TPI (identifiable bearer shares) analysis was carried out on December 31, 2021 on the basis of the following thresholds:

intermediaries holding a minimum of 100,000 shares and shareholders holding a minimum of 500 shares. Based on the TPI analysis of December 31, 2021, Air France-KLM is more than 77% held by citizens of the European Union Member States and States party to the European Economic Area Agreement.

	Number of shares			% of the share capital		
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019
French State	183,801,576	61,241,325	61,241,325	28.6%	14.3%	14.3%
Dutch State	60,000,000	60,000,000	60,000,000	9.3%	14.0%	14.0%
Delta Air Lines, Inc.	37,527,410	37,527,410	37,527,410	5.8%	8.8%	8.8%
China Eastern Airlines ⁽¹⁾	61,472,099	37,527,410	37,527,410	9.6%	8.8%	8.8%
Employees (FCPE)	15,872,812	16,037,988	16,103,590	2.5%	3.7%	3.8%
Treasury stock	1,208,005	1,208,005	1,201,571	0.2%	0.3%	0.3%
Other European shareholders ⁽²⁾	231,121,128	168,860,198	117,770,414	36.0%	39.4%	27.5%
Other non-European shareholders	51,631,004	46,231,699	97,262,315	8.0%	10.7%	22.5%
Total number of shares	642,634,034	428,634,035	428,634,035	100%	100%	100%

(1) Through Eastern Airlines Industry Investment (Luxembourg) Company Limited.

(2) The shares held by United Kingdom nationals have been included in Other European shareholders.

At December 31, 2021, Air France-KLM was 77% owned by European residents, excluding the capital flows coming from the United Kingdom.

Shareholder pacts

Air France-KLM is not aware of the existence of any shareholder pacts or agreements whose implementation could lead to a change of control.

Dividend policy

In the past three financial years, Air France-KLM distributed no dividends.

Financial year	Earnings per share (in euros)	Dividend paid (in euros)
2019	0.64	-
2020	(16.61) ⁽¹⁾	-
2021	(5.95)	-

(1) The restated figures include the change in accounting principles for pensions (interpretation of IAS 19).

The stipulations of the loan guaranteed by the French State and the loan granted by the French State, implemented in May 2020 and whose maturity was extended for a further two-year period in December 2021, notably prohibit dividend payments by the Company until the repayment of the relevant loans. Furthermore,

the undertakings made by the Group vis-à-vis the European Commission within the framework of the prior approval of the Group's recapitalization measures notably prohibit any dividend payments until the aid granted has been repaid.

2.8.6 A regular dialogue with individual shareholders and investors

On the basis of the TPI shareholder analysis of December 31, 2021, Air France-KLM is more than 75% owned by citizens of the European Union Member States and States party to the European Economic Area Agreement. The Air France-KLM Group keeps the market informed on its activity through monthly traffic figures and quarterly updates on the trend in its results and strategic orientations. All its regulated information is available on the www.airfranceklm.com website in French and English. As a global player in the airline industry, the Group assumes its role as a pioneer in sustainable aviation. Its commitment and performance in terms of Corporate Social Responsibility have been recognized by the extra-financial rating agencies for many years.

Relations with investors

The Investor Relations department maintains a dialogue with financial analysts and institutional investors. In addition to conference calls and information meetings scheduled to coincide with results announcements, the Group's management regularly

meets with financial analysts and institutional investors during road-shows and conferences in Europe, the United States and Asia.

Relations with individual shareholders

The Individual Shareholder Relations Department has a pro-active policy on engaging with individual shareholders. The shareholders' newsletter, with updates on the Group's business activity and objectives, is circulated by email and is available on the website in French and English.

The Individual Shareholder Relations Department can be reached by email at mail.actionnaire@airfranceklm.com.

Lastly, since 2000, the Individual Shareholders' Committee, has constituted a forum for discussion and suggestions on Air France-KLM's communication aimed at individual shareholders. Composed of twelve members, the Committee meets several times a year including one meeting devoted to planning the Shareholders' Meeting. It also participates in major company events.

2.8.7 Legal and statutory investment thresholds

Pursuant to the option provided in Article L. 233-7 of the *Code de Commerce* (French Commercial Code), Article 13 of the Air France-KLM Articles of Incorporation stipulates that any private individual or corporate body, acting alone or in concert, acquiring directly or indirectly at least 0.5% of Air France-KLM's capital or voting rights or any multiple thereof, must notify Air France-KLM by registered mail with acknowledgement of receipt no later than four stock market trading days as of the date on which this threshold is crossed. The declaration must include all the information required to be submitted to the French market regulator (*Autorité des Marchés Financiers*) in the event of the crossing of a legal threshold, as well as a certain amount of information referred to in Article 10 of the Air France-KLM Articles of Incorporation.

Notice must again be given under the same conditions each time a further 0.5% of the capital or voting rights is acquired or disposed up to 50%.

To determine the thresholds foreseen in Article 13 of the Articles of Incorporation, the shares and voting rights defined by the provisions of Article L. 233-9 of the *Code de Commerce* and

those of the relevant AMF General Regulation are assimilated in the share capital and voting rights.

In the event of failure to comply with this notification obligation and at the request of one or more shareholders holding at least 0.5% of the Air France-KLM capital or voting rights, the shares exceeding the reporting thresholds will be stripped of their voting rights at all Shareholders' Meetings for a period of two years following compliance with notification procedures.

Furthermore, any shareholder, whether acting alone or in concert, acquiring more than 5% of Air France-KLM's share capital or voting rights is required to transfer these securities to registered form within the legal limit of no more than four stock market trading days as of the date on which the threshold is crossed (Article 9.2 of the Articles of Incorporation).

If the 5%, 10%, 15%, 20% and 25% capital and voting right thresholds are exceeded, the shareholder must notify Air France-KLM and the AMF within four stock market trading days of the crossing of the capital and voting right thresholds of its intentions for the next six months. This notification is subject to the conditions and sanctions set forth in Article L. 233-14 of the *Code de Commerce*.

Summary of the legal thresholds crossed during the 2021 financial year and at the beginning of the 2022 financial year:

Shareholders	Declaration date	Number of shares ⁽¹⁾	% of the capital ⁽²⁾	Increase or Reduction
Bank of America Corporation ⁽³⁾	February 8, 2021	30,812,416	7.19	I
Dutch State ⁽⁴⁾	March 10, 2021	60,000,000	14.00	I
French State ⁽⁵⁾	April 14, 2021	61,241,325	14.29	R
Dutch State ⁽⁶⁾	April 23, 2021	60,000,000	9.34	R
Delta Air Lines, Inc. ⁽⁷⁾	April 23, 2021	37,527,410	5.84	R
French State ⁽⁸⁾	April 27, 2021	183,801,576	28.60	I
Bank of America Corporation ⁽⁹⁾	July 20, 2021	3,008,409	0.47	R

(1) "Number of shares" represents the total number of shares held by the declaring shareholder following the declaration.

(2) "% of the capital" represents the percentage of the share capital held by the declaring shareholder following the declaration.

(3) The 7.19% of the share capital declared by Bank of America Corporation corresponds to the consolidation of shares physically owned but also, for the majority, the equity accounting of shares held through financial instruments. Excluding these instruments, Bank of America Corporation physically holds less than 5% of the Air France-KLM share capital and is thus not represented in the shareholder structure table (see section 2.8.5 "Air France-KLM shareholder structure").

(4) In a letter received on March 8, 2021, supplemented by a letter received on March 9, the Dutch State gave notification that, on March 4, 2021, it had crossed the 15% voting rights threshold in the company Air France-KLM and held 60,000,000 Air France-KLM shares representing 120,000,000 voting rights, i.e. 14.00% of the capital and 18.56% of the voting rights in this company.

(5) In a letter received on April 13, 2021, supplemented by a letter received on April 14, 2021, the French State Shareholdings Agency, acting on behalf of the French State and by way of compliance, gave notification that, as of April 6, 2021 the French State's shareholding had fallen below the 20% threshold of voting rights in Air France-KLM and as of that date and currently holds 61,241,325 shares representing 122,482,650 voting rights, i.e. 14.29% of the share capital and 18.94% of the voting rights in this company.

(6) In a letter received on April 23, 2021, the Dutch State gave notification that, as of April 19, 2021, its shareholding had fallen below the 15% threshold of voting rights and 10% threshold of the share capital in Air France-KLM and holds 60,000,000 shares, representing 120,000,000 voting rights. i.e. 9.34% of the share capital and 13.94% of the voting rights in this company.

(7) Acting in the capacity of general partner of the partnership under Dutch law DAL Foreign Holdings, C.V. The company Delta Air Lines, Inc. controls DAL Foreign Holdings, C.V. and, in the capacity of general partner of DAL Foreign Holdings, C.V., is the legal owner of the Air France-KLM shares.

(8) In a letter received on April 23, 2021, supplemented by a letter received on April 27, 2021, the French State (French State Shareholdings Agency) gave notification that, as of April 22, 2021 the French State's shareholding had increased above the 15% threshold of the share capital and 20% and 25% of the share capital and voting rights in Air France-KLM and holds 183,801,576 shares representing 245,042,901 voting rights, i.e. 28.60% of the share capital and 28.47% of the voting rights in this company.

(9) In a letter received on July 20, 2021, Bank of America Corporation gave notification that, as of July 14, 2021, Bank of America Corporation's shareholding had fallen below, indirectly via the companies in its group that it controls, the 5% thresholds in Air France-KLM's share capital and voting rights, and holds 3,008,409 shares representing the same amount of voting rights, i.e. 0.47% of the share capital and 0.35% of the voting rights in this company.

2.8.8 Identification of shareholders and statutory provisions concerning shareholders

Identification of holders of bearer shares

Pursuant to Articles L. 6411-2 to L6411-5 and L. 6411-8 of the French Transport Code (*Code des Transports*), as amended by the French Act No.2004-734 of July 26, 2004, listed French air transport companies are authorized to include a provision in their Articles of Incorporation allowing them to monitor and control their shareholders and to require certain shareholders to sell all or part of their interests in the event of a risk relating to their nationality. This is because, over time, changes in the shareholder structure of an air transport company whose shares are listed for trading on a regulated market could jeopardize its operating license as an EU air transport carrier, the retention thereof being conditional on EU interests holding a majority of the shares and maintaining effective control, or the traffic rights held by the Company as a French air transport company, pursuant to bilateral international agreements concluded between France and other States outside the European Union.

Identification and monitoring of shareholders

Articles 9 and following of the Air France-KLM Articles of Incorporation set the conditions under which the Board of Directors can or must decide either to reduce the 5% threshold above which shares must be held in registered form to 10,000 shares, or to require all shares in Air France-KLM to be held in registered form. Thus, when the 40% share capital or voting right threshold has been passed by non-French shareholders, the Board of Directors can decide to reduce this 5% threshold to 10,000 shares.

Air France-KLM publishes a notice informing the shareholders and the public that non-French shareholders as defined by Article 14 of the Articles of Incorporation own, directly or indirectly, 45% of Air France-KLM's share capital or voting rights. If it appears that non-French shareholders as defined by Article 14 of the Articles of Incorporation represent, directly or indirectly, more than 45% of Air France-KLM's capital or voting rights on a long-term basis, the Board of Directors must decide to make it mandatory for all Air France-KLM shares to be held in registered form. Following an amendment to the Articles of Incorporation in 2014, citizens of the European Union Member States and

States party to the European Economic Area Agreement are considered to be French nationals.

Article 10 of the Air France-KLM Articles of Incorporation specifies the information that must be provided to Air France-KLM by shareholders, whether they are private individuals or corporate bodies, subject to the obligation to hold their shares in registered form. This information includes the nationality of the shareholder. Article 11 of the Articles of Incorporation specifies the conditions under which the Board of Directors may exercise its right to approve new shareholders.

Formal notice to sell and mandatory sale of shares

Article 14 of the Air France-KLM Articles of Incorporation stipulates the information that Air France-KLM must publish and circulate to inform the public that over 45% of the capital or voting rights is held by shareholders who are not of French nationality. Based on this threshold, Air France-KLM will be entitled to launch procedures requiring the sale of shares in order to safeguard its nationality. Articles 15 and 16 of the Articles of Incorporation, respectively, concern formal notices to sell and the mandatory sale of shares held in breach of regulations pursuant to the *Code de l'Aviation Civile* (French Civil Aviation Code) and the *Code des Transports* (French Transport Code). The terms for setting the sale price (market price) are foreseen by the *Code des Transports*.

2.8.9 Information on trading in the stock

2.8.9.1 Air France-KLM in the stock market

Air France-KLM shares are listed for trading on the Paris and Amsterdam Stock Markets (Euronext Paris and Amsterdam) under the ISIN code FR0000031122. The stock is a component of the SBF 120.

Since February 2008, Air France-KLM's ADR program (American Depository Receipt) has been traded on the OTC Pink Marketplace under the ticker AFLYY.

The Reuters code for the stock is AIRF.PA or AIRF.AS and the Bloomberg code AF FP.

Pursuant to Article 222-1 of the *Autorité des Marchés Financiers* (AMF) General Regulation, since the registered office for Air France-KLM SA is located in France, its Home Member State, as defined by Directive 2004/109/EC of December 15, 2004, as amended (Transparency Directive), is France. The AMF is consequently its competent market authority as regards ensuring compliance with its regulated information obligations.

2.8.9.2 Stock market performance

Over the 2021 financial year from January 1 to December 31, 2021, the Air France-KLM share price declined by 20.5%.

	January-December 2021	January-December 2020
Share price high (in euros)	5.63	10.27
Share price low (in euros)	3.68	2.61
Number of shares in circulation	642,634,034	428,634,035
Market capitalization at December 31 (in billions of euros)	2.5	2.2

2.8.9.3 Transactions in Air France–KLM shares in the last 12 months

Air France–KLM shares

Euronext volumes	Trading days	Average share prices and trading ranges			Volumes	Amount (in € m)
		Average price (in €)	High (in €)	Low (in €)		
2021						
January	20	4.89	5.29	4.45	111,629,991	547.03
February	20	5.02	5.96	4.68	97,594,880	496.08
March	23	5.22	5.76	4.80	81,886,230	426.94
April	20	4.96	5.58	4.57	121,731,499	604.82
May	21	4.56	4.80	4.39	87,847,306	400.34
June	22	4.51	4.95	3.95	111,843,232	503.51
July	22	3.99	4.33	3.67	90,579,756	360.00
August	22	4.01	4.28	3.75	79,881,348	321.54
September	22	4.10	4.79	3.71	128,245,251	535.31
October	21	4.06	4.41	3.85	95,910,988	390.08
November	22	4.19	4.85	3.61	129,093,097	537.01
December	23	3.88	4.08	3.66	89,953,761	347.79

Transactions in the Company's shares realized by the company officers

Summary of the transactions referred to in Article L. 621-18-2 of the *Code Monétaire et Financier* (French Monetary and Financial Code) executed during the 2021 financial year.

Relevant individual	Date of the transaction	Nature of the transaction	Number of shares	Unit price
French State Shareholdings Agency, Finance Division, Board director	April 19, 2021	Subscription	122,560,251	4.84

3

RISKS AND RISK MANAGEMENT

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3.1 RISK FACTORS

This section outlines the main risks to which Air France–KLM considers itself exposed – macroeconomic and geopolitical risks, risks linked to the air transportation activity, risks linked to the Group’s processes, legal and market risks – together with the management procedures implemented to mitigate these risks. Other risks of which the Group is currently not aware, or risks that as of the date of this document are not considered to be amongst the most material, could also negatively affect its activities.

This section includes the main risks which, as of the date of this document, could potentially impact the Group’s activity, financial situation, reputation, results and outlook, as notably identified within the framework of the establishment of the Group’s risk mapping, which evaluates their criticality, i.e. their gravity and probability of occurrence, as well as the mitigation plans in place. In accordance with the provisions of Article 16 of Regulation (EU) No. 2017-1129 of the European Parliament and the European Council, within each of the risk categories mentioned below, the risk factors considered to be the most significant (indicated by an asterisk) are presented first.

3.1.1 Geopolitical and macro-economic risks

3.1.1.1 Impact of the Covid-19 epidemic on the Group’s activities*

Description of the risk

The Covid-19 coronavirus epidemic had a major adverse impact on the Group’s operational activity, financial position and results during the 2021 financial year and is expected to continue to impact the Group in the near future.

Since February 2020, the Group’s activities have been strongly affected by the Covid-19 coronavirus epidemic. Characterized as a “pandemic” by the WHO, the Covid-19 coronavirus epidemic has resulted in numerous restrictive measures to limit its spread. The measures put in place by the public authorities in numerous countries have notably led to the temporary suspension of airline operations and a significant reduction or suspension of travel, thereby having a material and negative impact on the Group’s activity in the countries where it operates. Inter-continental/business travel is in particular being impacted by these regulatory restrictions and the cost-saving plans of the Group’s corporate customers. During 2021, restrictive measures were still in place, but were adapted by region and throughout the year to limit the spread and impact of the different variants, (Delta, Omicron, etc.). For the financial year ended December 31, 2021, the Group’s passenger traffic (measured in thousands of passengers) was well below its 2019 level but was 31.1% up on the previous year (vs -67% for 2020).

Given the ever-changing travel restrictions and the decrease in passenger traffic and sales, the Group has been obliged to significantly reduce its capacity and, notably, drastically curtail its flight activity.

For full year 2021, the Group’s capacity (in millions of ASK (available seat-kilometers)) was well down on its 2019 level but increased by 29.5% compared to the previous year (vs -54% for 2020).

This health crisis continued to have a very strong impact on the Group’s activities and results for the financial year ended December 31, 2021, with an operating loss of €1.6 billion (vs. income of €1.1 billion in 2019 and a €4.6 billion loss in 2020).

The Air France–KLM Group has also implemented substantial cost-saving measures, involving staff reductions and the curtailment of non-essential investment and expenditure, the implementation of which could in particular damage the Group’s reputation due to negative reactions from public authorities or unfavorable media coverage, or even lead to labor disputes, with a negative impact on the Group’s activity.

The Group has also taken various measures to strengthen its cash and liquidity position which are outlined in the “Mitigating principles and actions” paragraph below. As at December 31, 2021, the Group’s net debt amounted to €8.2 billion (vs. €11 billion in 2020).

In view of the pandemic’s progressive spread and the unfolding developments, the current and future measures implemented by the public authorities in many countries could further disrupt, or even prevent, any activity by the Group for an indefinite period. In this context, several countries where the Group conducts its activities, including France and the Netherlands, again implemented lockdowns or several other health measures at the end of 2021, in light of the proliferation of the pandemic and the emergence of new variants. However, the second half of 2021 was characterized by a recovery in traffic over the summer and during the Christmas holiday period, mainly due to the gradual reopening of borders.

Given the uncertainties inherent in any health crisis, the Group does not expect this situation to be fully stabilized in the short term, despite significant progress on vaccination throughout the world. The Group’s baseline scenario is a return to the pre-crisis level of capacity in 2024.

Mitigating principles and actions

Each airline is supported by a coordination structure responsible for prevention, crisis management, the circulation of health advice and liaising with the national and international authorities on outbreaks of epidemics or threats of epidemics. Concerning the management of the public health crisis associated with the Covid-19 virus, the Group's airlines are also being supported by a dedicated coordination structure. Furthermore, the Group has implemented a Network Contingency Planning process, for capacity and schedule optimization, in coordination with its partner airlines and is continuously monitoring the restrictions in various countries, adapting schedules and route planning accordingly. To this end, the processes for building and adjusting flight schedules have had to be reinvented for all the Group's companies. A combined analysis of the latest routing results with the booking trends enables capacity to be adjusted to match demand as closely as possible. As a result, capacity has varied by a factor of four between periods of lockdown and vacation periods.

To strengthen its cash and liquidity position, the Group has taken various measures, to the benefit of Air France, including the implementation of a loan guaranteed by the French State (Prêt Garanti par l'État - PGE) for a total amount of €4 billion, granted by a syndicate of nine banks (the "PGE"), and a €3 billion loan from the French State; these two loans were drawn down in full respectively at July 31, 2020 for the PGE and December 31, 2020 for the shareholder loan, and the amounts borrowed allocated to the general needs of the business.

With regard to KLM, the measures taken mainly relate to a revolving credit facility of €2.4 billion guaranteed by the Dutch State (of which €665 million drawn down at December 31, 2020 but with no additional drawdown in 2021) and a direct loan of €1 billion (of which €277 million drawn down at December 31, 2020 but with no additional drawdown in 2021) (see Note 33.3 in section 5.6 for the financial year ended December 31, 2021 for a description of the main characteristics of these financing packages). The amounts borrowed were allocated to the general needs of the business.

The first step in the recapitalization took place in April 2021 with the €1 billion capital increase and the conversion of the €3 billion French State loan into three perpetual hybrid bonds of €1 billion each. Other measures followed: in June 2021, €800 million of senior bonds were issued *via* two tranches (with settlement and delivery taking place in July 2021) and, in July 2021, an EMTN (Euro Medium Term Notes) program was also implemented; this is a flexible instrument facilitating the issuance of bond instruments.

On December 10, 2021, Air France - KLM redeemed €500 million of the PGE and negotiated a revised redemption profile with a maturity extended from May 6, 2023 to May 6, 2025. Air France - KLM is considering the next steps in its recapitalization measures to strengthen its balance sheet.

The Group has also adopted budgetary measures in order to save cash:

- downwards revision in the capex plan;
- reduction in operating costs;
- labor cost reductions thanks to the partial activity (Activité Partielle) in France and recourse to the employment support program from the Dutch government in response to Covid-19 (NOW);
- halt to all non-safety and non-operational critical projects; and
- significant reduction in all consultants and external staff.

Beyond that, with the crisis continuing and the conditions for a recovery remaining uncertain, the Group will continue to monitor the unfolding situation on a daily basis, to make adjustments as necessary and define/deploy protection resources like the appropriate health measures.

3.1.1.2 Terrorist attacks, threats of attack or geopolitical instability*

Description of the risk

Since 2016, the security situation resulting from terrorist attacks perpetrated in France, elsewhere in Europe and in the Group's operational zones, together with worldwide politico-security events (Middle Eastern and African countries) have all represented a range of security risks negatively impacting the Group. For example, the estimated impact of the Paris terrorist attacks in November 2015 on the Group's fourth quarter revenues in the financial year ended December 31, 2015 amounted to €120 million.

The occurrence of geopolitical instability, terrorist attacks or threats of attacks, closure of an airspace or military action could have a negative effect on both the Group's passenger traffic, and thus its revenues, and on the level of operating expenses.

Mitigating principles and actions

In terms of security, the Group's airlines comply with national, European and international regulations and submit regular reports to the competent authorities of the measures and procedures in place.

The Group has no hedging in place for air transportation operating losses but is insured for the consequences of an attack on one of its aircraft and has subscribed to war and assimilated risks insurance.

The Group has implemented a series of safety and security management processes in line with the sector's best practices and fully compliant with the IOSA requirements (IATA).

Protecting individuals and assets from assault, terrorist attacks and threatened attacks, and potential threats to their integrity of any nature, is a major priority for the Group. The Security departments in each Air France and KLM company establish the security policies, analyze the threats and take all the appropriate measures, particularly in relation to the factors involved in geopolitical instability.

In 2021, the threat linked to jihadist terrorism remained very high in the world, especially in areas where it had hitherto not been particularly present or active (East Africa, Gulf of Guinea countries, other Asian regions, etc.), requiring airlines to increase their security measures to ensure secure operations. In addition, geopolitical events and even international organized crime have also necessitated the establishment of contingency plans to anticipate these developments.

Finally, new questions have arisen about the attitude of certain States restricting air navigation (notably the Belarusian incident), prompting us to be particularly vigilant. The Group has also developed emergency plans and temporary adaptation procedures (e.g the suspension of flight operations) enabling an effective response to diverse situations should an epidemic, geopolitical or other type of event occur. The aim of these plans is the effective protection of passengers and staff, operational and service continuity, and the preservation of the long-term viability of the Group's businesses. These plans are regularly adjusted to take into account the lessons learnt from events experienced.

The Ukrainian crisis has repercussions for the Group's activity, the latter having announced the suspension until further notice of services to/from and overflight of Ukraine (February 12, 2022 for KLM and February 21, 2022 for Air France) and Russia (February 26, 2022 for KLM and February 27, 2022 for Air France). These routes represent less than 1% of the Group's network business in terms of revenues. The impact of route extensions on flights to China, Japan and South Korea also remains, for the moment, limited. However, uncertainty as to the outcome of the conflict does not currently enable us precisely to anticipate the totality of its impact on the Group's activity.

The Air France – KLM Group has also, pursuant to the sanctions decided by the Western countries, suspended its maintenance activities for Russian airlines; the impact of this measure is not material.

Beyond the impact of these suspensions of activity and the required adjustments to its network, the main impact for the Group from this Ukrainian crisis is the risk incurred by higher fuel prices (on this subject, see sections 3.1.1.4 "Trend in the oil price*" and 3.1.5.2 "Risks relating to the fuel price") and the risk to global economic growth.

3.1.1.3 Cyclical nature of the air transportation industry*

Description of the risk

Local, regional and international economic conditions can have a significant impact on the Group's activities and, hence, on its financial results. Periods of crisis or post-crisis with an unstable economic environment are liable to affect demand for transportation, both for tourism and business travel. Furthermore, during such periods, the Group may have to accept delivery of

new aircraft or be unable to sell unused aircraft under acceptable financial conditions. The negative impact on the global economy of the current Covid-19 health crisis, combined with the traffic restrictions imposed by several countries, has led to a significant reduction in business and leisure transport flows, which has also impacted many companies within the value chain such as travel agents, ground handling companies and other suppliers and subcontractors involved in engineering and maintenance. The difficult financial position of suppliers may result in cost increases or worsened contractual conditions for the Group and the bankruptcy of certain suppliers, as the case may be, could lead to cost increases due to the monopolistic position of the remaining suppliers. Finally, airports and air navigation service providers (ANSP) are looking to increase their charges in coming years, affecting the profitability of the Group.

If the economic crisis were to continue or deteriorate, this would have a significant impact on air transportation activity and consequently, on the Group's performance. The Covid-19 crisis and the associated travel restrictions have strongly impacted Business travel. New remote working habits and environmental expectations may have a lasting effect on Business demand. Weaker Business demand would have an impact on yield and network structure.

Mitigating principles and actions

Air France – KLM has a balanced international geographical network and can address all customer segments enabling it to limit its exposure to risk. To expand its own network, for some years the Group has also been developing an extensive air partner portfolio.

To contend with the lower level of activity, the Group has reduced its costs and improved flexibility in several processes. Regarding its subcontractors and suppliers which may be affected by the Covid-19 epidemic, the Group closely monitors potential distress at all levels within the supply chain with the support of local teams, centralized teams, IATA and the Procurement department, and seeks to find alternative suppliers in the most distressed cases. Regarding airport and air navigation charges, the Group is engaged in ongoing discussions with airports and ANSPs on lowering charges or improving the value for money.

3.1.1.4 Trend in the oil price*

Description of the risk

The fuel bill is one of the largest cost items for airlines, making oil price volatility a risk for the air transportation industry. A sharp increase in the oil price can have a very material negative impact on the profitability of airlines, particularly if the economic environment does not enable them to adjust their pricing strategies. Similarly, a sharp decline in fuel prices is generally favorable for airline profitability. However, the way in which airlines pass on a sharp fall in the fuel price in their fares is a factor of significant uncertainty.

For the financial year ended December 31, 2021, the fuel bill amounted to €2,748 million, up by 15% compared to the previous year due, in particular, to (i) the higher activity in 2021 compared with 2020 following a progressive restart in traffic as from Summer 2021 and (ii) a higher fuel price supported by demand.

The Ukrainian crisis is pushing up oil prices to levels not seen since 2012, mainly as a result of the sanctions imposed on Russian oil producers by the international community. Whilst the impact of such price increases could be significant should they remain at the levels prevailing since the inception of the crisis, the uncertainties around the outcome of the conflict do not enable a precise evaluation at this stage.

Mitigating principles and actions

Insofar as possible, the Group seeks to protect itself from any further increases in the oil price, whilst remaining protected against downwards risks, and adapts its fares when necessary to reduce the impact of rising fuel prices.

In addition to fare adjustments and permanent efforts to reduce fuel consumption, the Group has implemented a policy of systematically hedging the fuel price risk which is detailed in section 3.1.5.2 “Risks relating to the fuel price”.

Notwithstanding the uncertainties surrounding the outcome of the Ukrainian crisis, the Group is maintaining the systematic implementation of its fuel hedging policy. In addition, Air France and KLM have already implemented two fare increases, in February and March, which vary according to destination and travel class.

3.1.1.5 Competition in the short, medium and long-haul air passenger transportation market*

Description of the risk

As the leading group in terms of intercontinental traffic on departure from Europe, Air France-KLM is a major global air transport player; in 2021, the Group carried 45 million passengers (104 million in 2019 and 34 million in 2020) between Europe and the rest of the world, as well as on intra-European routes on departure from its local markets.

The air transport industry is extremely competitive. This competitive pressure could be exacerbated by the Covid-19 crisis and its long aftermath, impacting the demand for air transport. During the recovery period, a mismatch between airline overcapacity and low customer demand could lead to more aggressive pricing policies being implemented by airlines. Conditions related to State Aid could also dramatically reshape the European aviation landscape: slot remedies, acquisition bans and environmental conditions can all distort competition.

In short and medium-haul, the Group competes with other airlines and, in particular, the low-cost and low-fare carriers which have seen very rapid growth over the last fifteen years.

It also competes with alternative means of transportation like high-speed rail (TGV), in particular further to the adoption of the Climate and Resilience Law which has introduced a ban on operating airline services on domestic routes whenever the route is also served by the national rail network in under 2h30. Modernization, growth and increased competition from high-speed rail in Europe are liable to have a negative impact on the air transport industry's activity and financial results. 2021 was the first year of full implementation for the Fourth Railway Package, an EU legislative measure that breaks down the remaining institutional, legal and technical barriers to competition, creating a single, integrated European rail area and spurring economic growth.

In addition, self-connect platforms like Kiwi.com or easyJet Worldwide enable the different point-to-point airlines to offer connecting journeys. Should these platforms be significantly expanded and prove successful, the current hub and spoke model of hub carriers like Air France or KLM could be affected.

The competition is also very intense in long-haul, with different competitive landscapes and recovery dynamics depending on the region.

Meanwhile, manufacturers are selling narrowbody aircraft with extended range, which may open the way to competition from low-cost carriers on a growing number of routes in the medium-haul narrowbody segment.

Mitigating principles and actions

The Group's different strategic plans seek to respond to these risks, particularly *via* the restructuring of the point-to-point operations, the accelerated development of Transavia, air/rail inter-modality development, fleet evolution and modernization, and the development of partnerships in large high-growth markets. In parallel, the Group is lobbying the authorities for a legal framework ensuring fair competition between carriers (see also section 1.2 “Strategy” and 1.3 “Activities in 2021”).

Furthermore, within the framework of the Open Skies agreement between Europe and the United States, European airlines are authorized to operate flights to the United States from any European airport. While this agreement potentially opens the way to increased competition for Paris-CDG and Amsterdam-Schiphol, it has also enabled Air France and KLM to expand their networks and strengthen cooperation within the SkyTeam alliance within the framework, notably, of a transatlantic joint-venture with their transatlantic partners.

3.1.1.6 Competition and trends in the aeronautics maintenance market

Description of the risk

Airframers, engine manufacturers and aircraft component manufacturers are rapidly expanding their after-sales services to offer customers increasingly-integrated aircraft maintenance solutions. This positioning corresponds to a long-term strategy based on leveraging intellectual property by selling licenses to maintenance providers seeking to exercise their business activity on certain products. This competition is putting pressure on the revenues of the maintenance business (which represented 7% of the Group's revenues for the financial year ended December 31, 2021 versus 11% in 2020) due to increased competition in the sale of services and, on the cost side, owing to an aggressive Original Equipment Manufacturers (OEMs) escalation policy. Ultimately, if it were to result in reduced competition in the aeronautics maintenance market, this trend could have a material adverse impact on airline maintenance costs.

This trend is escalating, especially with the arrival of new aircraft (A220, A350, B787, etc.). The ability to maintain balanced competitive conditions is a priority objective, both for Air France-KLM's commercial activity in maintenance and to contain the Group's maintenance costs.

The Maintenance, Repair, overhaul (MRO) market is showing healthy growth although most of this growth is outside the EU and especially in Asia. To maintain customer proximity and optimize the supply chain, further development of the AFI KLM E&M supply chain is needed *via* the expansion of local service centers and the regional industrial footprint.

The Covid-19 pandemic and its impact on the MRO market is leading to additional competitive pressure and thus a drop in sales prices and production overcapacity, resulting in a loss of profitability. In addition, several airlines which are also customers of the Group for engineering and maintenance services have incurred losses due to the crisis, which exposes the Group to a risk of delayed payment of its receivables or even the bankruptcy of these companies.

Mitigating principles and actions

Air France-KLM is working on a number of initiatives to limit the impacts inherent to this risk:

- the involvement of the Maintenance teams in fleet renewal campaigns: procurement of licenses and the securing of industrial cooperation with Original Equipment and Engine Manufacturers (OEMs) and Original Aircraft Manufacturers (OAMs) be able to continue to develop Air France-KLM's commercial activity in maintenance;
- Air France - KLM's current strong market position has the necessary scale and scope to serve as a basis for win-win partnerships with OEMs and other airlines;
- developing repair solutions and the use of Used Serviceable Materials, thereby reducing the dependence on certain OEMs;
- negotiation of the value added contributed by licenses.

Furthermore, at the request of the airlines, IATA is also maintaining a watching brief on this issue.

Regarding the impact of the Covid-19 public health crisis on the MRO market, the Group is adapting its product portfolio to the market's needs, reinforcing the attractiveness of the offers, reinforcing dynamic partnerships and its global industrial footprint and continuing digital initiatives. With regards to production overcapacity issues related to the impact of the Covid-19 epidemic, the Group has implemented workforce restructuring plans. Regarding the impact of the Covid-19 epidemic on its customers for engineering and maintenance services, and the risk of non-payment or bankruptcy of these customers, the Group actively monitors receivables and the risks of non-payment, and adapts the services proposed to customers according to their demand and financial capabilities. In addition, the processes and controls have been improved in order to maintain the profitability of future contracts at an acceptable level. For airlines under financial administration, the Group continues its services subject to a payment commitment from the administrators and the freezing of previous receivables, with recourse to COFACE for some companies.

3.1.2 Risks relating to the air transportation activity

3.1.2.1 Risks related to airline safety*

Description of the risk

Accident risk, with the possibility of damage to people and property, is inherent to air transportation which is why airline activities - passenger and cargo transportation, aircraft maintenance - are regulated by a series of European regulatory provisions directly applicable or for some of them transposed

into French and Dutch law. Compliance with these regulations is governed by whether an airline is awarded the AOC (Air Operator Certificate).

The national Civil Aviation Authority carries out a series of checks on the proper application of these rules covering notably the:

- designation of a senior executive and managers responsible for the principal operational functions;

- appropriate organization of the flight, ground, cargo and maintenance operations;
- deployment of a Safety Management System (SMS); and
- implementation of a quality assurance system.

The materialization of this risk could have a significant negative impact on the Group's reputation and legal or financial consequences.

In the context of the Covid-19 pandemic, the risks related to airline safety may increase as a result, notably, of reduced employee activity, the integration and respect of health measures, the partial availability of the infrastructures, and the grounding and re-entry into service of some aircraft.

Mitigating principles and actions

For Air France-KLM, Flight Safety is the absolute priority. Safety is fundamental to maintaining the confidence of customers and staff and is a day-to-day imperative which determines the Group's activity and the long-term future of the air transportation industry.

All of the Group's businesses are subject to numerous checks and certifications, and meet extremely strict standards and the highest level of regulations in the industry, both at European level with the European Aviation Safety Agency (EASA), and globally with the International Air Transport Association (IATA), whose IOSA Operational Safety Audit is a benchmark within the industry and leads to certification which must be renewed every two years.

The IOSA audits were carried out between the end of 2020 and early of 2021, enabling the certifications. The Air France and KLM IOSA certifications were renewed in early 2021 following an on-site audit.

To reach the highest possible level of Flight Safety, each airline updates and reinforces its SMS which defines in concrete terms the conditions for the implementation of its risk management system. The SMS, which is an integral part of the organization, procedures and corporate culture, is supported by a commitment made at the highest level of management, and by training and awareness-raising programs for all staff (see section 4.4.1 "Operational safety for stakeholders").

This risk is covered by the aviation insurance policy.

As of March 2020, the Covid-19 pandemic and the counter-measures implemented by governments and global aviation industry organizations refocused the individual airlines on re-engineering their procedures and working methodologies to ensure the safety and well-being of their customers, employees and the environment worldwide. The airlines played a crucial role in this period by determining the variability risk prior to implementation and, above all, indicating what was needed to make it feasible. In addition, the airlines identified, assessed and embedded all the restrictions imposed by local governments and agencies within their operations. To ensure the safety of passengers and staff, the Covid-19 regulations have constantly been adapted and, where necessary, have been improved through the introduction of additional regulations as a result of safety studies and risk analysis. The measures have since been adapted to the variations

in flight activity and the state of the infrastructures, to maintain our level of Flight Safety.

3.1.2.2 Risks related to the environment

Acceptability of air transportation growth*

Description of the risk

From the Flygskam or "flight-shaming" movement in the social media to calls for a tax on kerosene in several countries and court cases on corporate legal responsibility for climate change, air transportation is having to contend with ever-increasing public pressure at both local and global level, condemning the industry's impacts on the environment. Furthermore, the unprecedented crisis triggered by Covid-19 has further questioned our societies' focus on economic growth and globalization at the cost of environmental impacts – with aviation very much remaining in the spotlight on these issues. As a result, the sector now finds itself confronted with a renewed and urgent societal acceptability challenge. This requires aviation to fully embrace sustainability as part of the necessary evolution of its business and economic model in the post-Covid-19 era.

The airline industry must pursue its efforts to reduce its impacts and intensify communication on its commitments and the mitigating initiatives that are already in place. Airlines are accommodating their customers' growing need for mobility, while improving their energy efficiency and focusing on containing noise hindrance at an acceptable level for those living near airports. Public pressure never ceases to grow, at both local and global level, with regard to the environmental impacts linked to the air transport industry.

In this respect, the actions implemented by Air France-KLM to limit and reduce its environmental impact directly influence its ability to manage and develop its activities ("license to grow") in all regions of the world and over the long-term.

The air transport industry is subject to a significant level of environmental legislation governing areas such as the exposure of people to aircraft noise and local emissions, air quality, the treatment of waste products, and the introduction of taxes on airlines and obligations to ensure the compliance of their operations. For example, since 2020, airline tickets issued by all airlines have attracted a tax on all flights departing from France (but not on arrivals), except connecting flights. This tax will raise funds for investment in greener transportation infrastructure, including rail.

Such legislation may have a significant negative impact on the Group's operations and growth which could be reflected in more substantial costs, and could lead to competitive distortions between airlines when applied solely to a specific geographical area. The debate about the role of aviation in climate change increases the risk that CO₂ emissions will be subject to more rigorous pricing in the future. In future, the regulation will also take into account the "non-CO₂ climate impact of aviation", such as condensation trails and nitrogen oxide emissions which may impact aviation activities.

For example, in addition, in consideration of the support measures provided by the French State in May 2020, with the granting by the French State of a €3 billion loan, Air France has notably undertaken to review the scope of its domestic routes to reduce the environmental footprint of its activities, taking into account in particular the existence of rail alternatives when they are shorter than two and a half hours (Article 145 of the Climate and Resilience Law, as transposed under Article L. 6412-3 of the Code de Transport (French Code of Transport) which has introduced a ban on operating airline services on domestic routes in the French territory whenever the route is also served by the national rail network without connection and by several daily services in under 2h30).

In consideration for the support measures provided by the Dutch State, KLM has set several targets on sustainability, among others the utilization of sustainable aviation fuel (SAF) by 2030. Air France and KLM are therefore members of working groups and support research projects aimed at the creation of a Sustainable Aviation Fuel market (see section 4.5 “Environmental impact”).

Mitigating principles and actions

The airline industry is amongst the sectors that are mobilizing the most to reduce their carbon footprints and was the first sector to commit to collectively reducing its CO₂ emissions. As early as 2009, the International Air Transport Association (IATA) set an ambitious global commitment to stabilizing the CO₂ emissions from international aviation at the 2020 level (Carbon Neutral Growth as of 2020), and committed in 2021 to Net Zero emissions by 2050. Air France-KLM is a member of the representative associations for the airline industry (IATA, ATAG, A4E, FNAM) which engage in lobbying activities directed at the relevant national, European and international authorities and bodies (ICAO, European Union, supervisory Ministries in France and the Netherlands) to promote effective solutions for the environment, and also to ensure that the measures which are put in place do not lead to any distortion in competition between the air transportation players.

The Group's airlines have communicated widely, in conjunction with the industry players, on their commitments, the measures already in place and the medium and long-term emission reduction targets. The use of sustainable aviation fuel is a proven avenue towards reducing CO₂ emissions from aviation and a key element in achieving Air France-KLM's CO₂ emission reduction targets, as well as those of the aviation industry as a whole. On the ground, the Group is investing in a fleet of electric ground support equipment and in sources of renewable energy to supply power to its buildings. The Group has set a carbon neutrality target for its Ground Operations by 2030. The Air France-KLM Group and its airlines are continuing their efforts to reduce their

environmental footprint as part of a transparent and responsible approach to the challenges of global warming. In 2021, the Group committed to having its CO₂ emission reduction targets validated by the independent reference organization SBTi, founded by the Carbon Disclosure Project (CDP), the United Nations Global Compact and the World Wildlife Fund (WWF). SBTi assesses and checks companies' CO₂ emission reduction targets based on a scientific approach and criteria, ensuring that the targets are in line with the Paris Agreement. The letter of commitment signed in 2021 with SBTi positions the Air France-KLM Group and its airlines on the trajectory determined by this Agreement, which aims to limit global warming to well below 2°C. This new important step in the Group's decarbonization strategy is in addition to its objective of net zero emissions by 2050.

Furthermore, to objectivize its ESG profile and enhance its strategy and practice, in 2021 Air France-KLM proactively sought an independent ESG rating from Standard and Poor's. This makes Air France-KLM the first airline group to be evaluated via a requested ESG rating. S&P Global Ratings has assigned Air France-KLM an ESG score of 64/100. This evaluation reflects S&P Global Ratings' view that Air France-KLM compares well with the airline industry in terms of the management of its significant exposure to environmental challenges. S&P noted that the Group is adequately prepared to manage the ESG-related risks facing airlines over the near-to-medium term.

During the public health crisis in 2020 and 2021, and within the framework of the Group's environmental strategy, a number of initiatives were announced to customers and the general public (introduction of a high-energy-performance fleet, accelerated phase-out of the most-polluting aircraft which are the least adapted to our environmental route map, launch of the Cargo & Corporate Sustainable Aviation Fuel Program, enabling customers to invest in the development and use of SAF, in addition to the introduction, since January 2022, of a SAF contribution on ticket prices, thereby contributing to a cleaner future for air transportation, development of inter-modality by extending the Train + Air product with the SNCF business partner etc.).

The renewal of the fleet with environmentally-friendly latest-generation aircraft is a powerful way to reduce the airlines' environmental footprint and achieve sustainable development objectives (for a description of the measures linked to the arrival of new aircraft in the Group's airline fleets see sections 1.2.4 “Strategic orientations” and 1.4 “Fleet”).

In addition, regular discussion meetings take place with residents' associations, local elected representatives and the public authorities to address any matters relating to the effects of air transportation activity around airports.

Climate change and violent natural phenomena

Description of the risk

To meet the requirements of Article 173 III of Act No. 2015-992 of August 17, 2015 relating to the Energy Transition for Green Growth, the Group takes into account the financial risks related to the effects of climate change and implements measures to reduce them through a low-carbon strategy in all the components of its activity. These risks are both operational (linked to the physical impacts of climate change) and financial in nature, the latter being linked to the political and regulatory impacts of the energy transition (e.g. environmental tax).

Climate change will lead to more frequent extreme weather events that will have a greater or lesser impact on all world regions. Air operations depend on meteorological conditions and may be impacted by other natural phenomena (earthquakes, volcanic eruptions, floods, etc.) which may lead to operational disruption such as flight cancellations or delays and diversions. As a general rule, the duration of such adverse natural events tends to be short and their geographical range limited but they may require the temporary closure of an airport or airspace, like in September 2017 when Hurricane Irma caused considerable damage in the Caribbean, mainly on St. Martin. Another emblematic illustration is the eruption of the Eyjafjallajökull volcano in Iceland in 2010, during which nearly 100,000 flights were cancelled in eleven European countries, leaving ten million passengers stranded. Such events may have significant operational and financial repercussions for the Group's activity given the regulations requiring the Company to assist passengers in the European Union territory (e.g. passenger repatriation and accommodation).

Mitigating principles and actions

To adapt to the already-visible consequences of climate change such as more frequent extreme weather events, Air France-KLM has a policy in place to ensure safe operational and passenger handling conditions, and regularly conducts comprehensive risk analyses to optimize these arrangements.

Through its international operations, Air France-KLM is present in all continents and operates in different weather conditions, including the most extreme. It regularly reviews the operational risks to improve the existing procedures. The operation of a network balanced between the different continents and the flexibility related to the composition of the fleet enable the financial consequences of these impacts to be minimized.

With its partners, the Group has deployed procedures aimed at guaranteeing its services as far as possible and thus minimizing the consequences of these situations for its customers. In such circumstances, the Group deploys commercial measures to enable passengers to defer their travel if they so wish, or change their destination. The Group has no hedging in place for operating losses incurred due to such events.

In addition, during a major climate event, its aim is to reestablish flight operations as soon as possible to fulfil its mission of service continuity and ensure operations and the transportation of humanitarian assistance to the affected regions.

The Group deploys measures to limit the impact on climate change via a low-carbon strategy. Air France-KLM's Climate Action Plan stipulates the Group's priorities in terms of reducing its environmental impacts, like fleet modernization, improved fuel management and optimizing operational procedures such as eco-piloting.

The Group follows the format recommended by the Task Force on Climate-related Financial Disclosures (TCFD) for the management of the financial risks linked to climate change (see table in section 4.6.3 "Monitoring of Act No. 2017-399 known as the Duty of Vigilance Law").

Carbon credit risk

Description of the risk

As an air operator, the Group is an emitter of carbon dioxide meaning that it has, since 2012, been subject to the European Union emission quota system (EU-ETS or European Union Emission Trading Scheme). It is thus required to offset its emissions by purchasing carbon quotas in the financial markets.

For the financial year ended December 31, 2021, as a result of the Covid-19 crisis, the Group's CO₂ emissions remained well below their level for normal activity at 16.3 million tons, of which 2.6 million tons fell under the EU-ETS requirement. Taking into account free allowances received, the Group purchased emission allowances in the amount 897,000 tons of CO₂ to offset its emissions, complying with the EU-ETS.

Since 2021, the Group has been subject to the global carbon offsetting mechanism, known as CORSIA, adopted by the ICAO in October 2016.

During its 40th General Assembly in October 2019, the ICAO resolved that "CORSIA is the only global market-based measure applying to CO₂ emissions from international aviation so as to avoid a possible patchwork of duplicative State or regional MBMs, thus ensuring that international aviation CO₂ emissions should be accounted for only once." In this context, Air France-KLM considers that its CO₂ emissions cannot be subject to both the European ETS and CORSIA. Furthermore, assuming a change to the provisions of the European ETS, Air France-KLM is calling for a detailed impact study to be conducted on the envisaged amendments. In addition, the Group is drawing attention to the need for the prior design of a carbon adjustment mechanism at the frontiers of the European Union, to protect the European airlines from "carbon leakage" which neutralizes or even aggravates the environmental impacts and benefits their international competitors.

Mitigating principles and actions

At financial level, the Group has implemented a carbon credit risk hedging strategy in the form of forward purchases, a strategy whose components are approved by the Risk Management Committee.

At operational level, the Group is also committed to exploring all avenues potentially reducing its fuel consumption and carbon emissions:

- at its own initiative within the framework of its Climate Action Plan; and
- in cooperation with the authorities (SESAR project for the Single European Sky and optimization of air traffic control).

The Group also uses an internal carbon price (price range) when deciding on whether to proceed with investments and projects, to factor the carbon risk into its decision-making scenarios (see section 4.3 “Environmental impact”).

3.1.2.3 Loss of flight slots or lack of access to flight slots

Description of the risk

Due to the saturation of major European airports, air carriers must obtain flight slots which are allocated in accordance with the terms and conditions defined in Regulation No. 95/93 issued by the EC Council of Ministers. Pursuant to this Regulation, at least 80% of the flight slots held by air carriers must be used during the period for which they have been allocated. Unused slots will be lost by this carrier and transferred into a pool. The Regulation does not provide for any exemptions to this rule for situations in which, due to a dramatic drop in traffic caused by exceptional events, air transport companies are required to reduce activity levels substantially and no longer use their flight slots at the required 80% level during the period in question. The European Commission can, however, decide to temporarily suspend Regulation No. 95/93 governing the loss of unused flight slots, as it has done on several occasions.

In the context of the Covid-19 public health crisis, Regulation No. 95/93 was thus amended to enable slots allocated for the period from March 1, 2020 to October 24, 2020 to be considered as having been operated by the air carrier to which they were initially granted. In view of the continuing health crisis and the low demand for air transportation in the coming months, on October 14, 2020 the European Commission decided to extend this exception to cover the entire Winter season, until March 27, 2021. On February 16, 2021, the European Commission adopted a new amendment to the Slot Regulation, potentially enabling maintained temporary relief from the usual slot utilization rules in view of the crisis. These provisions are applicable until the end of the Summer 2022 season. The precise parameters are defined for each IATA season depending on the health situation and specific provisions on slot relief were implemented for the Summer 2021 season. In July 2021, the European Commission

further amended the Slot Regulation by extending the slot relief to the Winter 2021 season, setting the slot usage requirement at 50% in order for airlines to qualify for historical precedence. Lastly, in December 2021, the European Commission adopted another extension to the slot relief rules for the Summer 2022 season. Instead of the normal requirement to use at least 80% of a given slot series, airlines now have to use 64% to retain their historic rights to those slots.

Any loss of flight slots or lack of access to flight slots due to a limited number of slots, especially at Schiphol, or saturation could have an impact in terms of market share, results and even growth.

Mitigating principles and actions

Air France-KLM applies the provisions of the European Regulation on the allocation of flight slots, guaranteeing an air carrier the ongoing use of these slots from one season to another provided they have been used for 80% of the time excluding exceptional circumstances. Air France and KLM also liaise with their national authorities to ensure the regular availability at their principal hubs of the capacity necessary to the Group's growth. They also liaise with the national and European Authorities to try to ensure that no revisions of the current European Regulation take place that would limit their accessibility to slots. Lastly, they ensure that specific provision is being made within the framework of the Covid-19 crisis to ensure that they can preserve their slot portfolio worldwide despite not being in a position to operate numerous flights given the health measures introduced by the public authorities.

3.1.2.4 Reinforcement of passenger compensation rights

Description of the risk

a) European regulations

Within the European Union, the rights of passengers in the event of flight delays, cancellation or denied boarding are defined by Regulation (EC) No. 261/2004 of February 11, 2004 which came into force in 2005. It applies to all flights, whether scheduled or unscheduled, departing from an airport located in a European Union Member State (including Paris-Charles de Gaulle and Amsterdam Schiphol, the Group's two hubs) and establishes the European rules for compensation and assistance on denied boarding, substantial delay, flight cancellation and class downgrading.

Numerous rulings by the European Court of Justice (ECJ) have contributed to reinforcing passenger rights by reducing the possibilities for airlines to invoke “extraordinary circumstances” to exempt them from the compensation foreseen in Regulation No.261/2004.

The ever-stricter regulations applying to the European airlines, but only partially applicable to airlines of third-party countries, only increase the existing distortions to competition. The emergence of companies specialized in passenger compensation is increasing the financial cost resulting from this risk. The amount of compensation is, however, the same for Air France-KLM, whether the customer contacts the company directly or via an intermediary.

The Covid-19 crisis has also highlighted the fact that the Regulation may not be appropriate to a situation of massive cancellations and needs to be revised to achieve a better balance between the rights of passengers and airlines in such circumstances.

Under Community rules on passenger rights, flights cancelled due to extraordinary circumstances, such as a decision by one or more States to restrict air traffic, do not qualify for the compensation package provided for in Regulation (EC) No 261/2004. In these circumstances, passengers may nevertheless request reimbursement of their tickets.

b) US regulations

In the United States, the regulation increasing US airline passenger protections came into effect on August 23, 2011, and its provisions are now in force.

The US regulations in terms of passenger rights apply to all airlines operating in the US territory and/or marketing flights to/from the United States which means that Air France-KLM is concerned by these US protections.

c) National regulations

IATA has collated some fifty national regulations in a database to be able to monitor changes more effectively.

Over the course of 2021 (as was the case in 2020), owing to the Covid-19 health crisis and the resulting border closures, the Group was forced to reduce its capacity and cancel a large number of flights, customers then being able to request the refunding of their tickets or the issue of a voucher. As of December 31, 2021, this line included €307 million of tickets (fare and additional fee) and ancillary transport revenues whose date of transportation had passed and potentially giving rise to refunding, and €387 million of vouchers to be used on future flights (or giving rise to a possible refund). Since 2020, the Group has also implemented a revised refund and voucher policy, which has led to a complex business process redesign.

Mitigating principles and actions

To keep the effects of these regulations as much as possible within financially-acceptable limits, the Group lobbies the national and European institutions, both directly and indirectly through the air transportation industry's professional associations (IATA, A4E), to obtain reasonable obligations which create no competitive distortions or major additional costs which could lead it either to increase its fares or decrease its margins. In this respect, Air France-KLM continues to lobby for the revision of Regulation (EC) No.261/2004 of February 11, 2004.

In relation to the changes made to its refund and voucher policy in the context of the Covid-19 pandemic, the Group implemented several actions including intense cooperation across all the relevant Group departments to secure swift decision-taking so as to adapt to changes in legislation worldwide, an extensive communication campaign for customers and trade partners via various platforms and the priority handling of cash refund requests to prevent litigation.

3.1.2.5 Changes in international, national or regional regulations and legislation

Description of the risk

Air transportation activities remain highly regulated particularly with regard to the allocation of traffic rights for extra-community services and the conditions relating to operations (standards on safety, aircraft noise, CO₂ emissions, airport access and the allocation of slots). Within this context, the EU institutions may adopt regulations which could prove restrictive for airlines and are liable to have significant organizational and/or financial impacts. Any changes to regulations and legislation may increase the Group's operating expenses or reduce its revenues.

Mitigating principles and actions

The Air France-KLM Group actively defends its positions with the French and Dutch governments, and the European institutions, both directly and through industry bodies such as the Airlines for Europe association (A4E) regarding changes to European and national regulations. The Air France-KLM Group is engaged in direct lobbying of the European Commission and the national authorities to ensure a reasonable and balanced allocation of traffic rights to non-European airlines. Coordination with like-minded carriers on this topic takes place within the framework of the Airline Coordination Platform (ACP).

3.1.2.6 Regulatory authorities' inquiry into the commercial cooperation agreements between carriers

Description of the risk

Alliance operations and commercial cooperation are required to comply with the competition law in force. In certain jurisdictions, these agreements are liable to be subject to prior investigation by the competition authorities prior to any implementation. In other jurisdictions, particularly in Europe, airlines are required to ensure that their operations are compliant with the applicable competition rules. At any time, the European Commission also has the right to open inquiries into any cases of cooperation it considers of interest to the European Community. For example, the joint-venture between Air France, KLM, Delta and Alitalia was the subject of such an inquiry (resulting in a positive decision in 2015). Such inquiries could have a negative effect on the Group's results, business, reputation, financial position and outlook.

Mitigating principles and actions

In May 2015, the Directorate General for Competition (DG COMP) adopted a favorable decision on the basis of Article 101 of the Treaty on the Functioning of the European Union on the former transatlantic joint-venture (between Air France–KLM, Delta Air Lines, Inc. and Alitalia).

The Commission accepted the final undertakings offered by the Parties and closed the case.

This joint-venture has since been terminated with the launch of the current joint-venture between Air France–KLM, Delta Air Lines and Virgin Atlantic, thereby bringing to an end the commitments offered by Air France–KLM, Delta Air Lines and Alitalia to the European Commission following the 2015 antitrust investigation (however the agreements entered into with third-party carriers under the said commitments remain in full force until the end of their term).

The US and other worldwide authorities had already published their conclusions, recognizing the benefits for consumers of this joint-venture. In this regard, the joint-venture between Air France–KLM, Delta Air Lines and its transatlantic partners has benefited from anti-trust immunity (ATI) on departure from the United States since 2008.

3.1.2.7 Commitments vis-à-vis the European Commission

Description of the risk

a) Merger regulation and cooperation agreements

In 2004, for the European Commission to authorize the business combination between Air France and KLM, the latter two companies made a number of commitments, notably with regard to the possibility of making landing and takeoff slots available to competitors at certain airports. Other remedies were introduced following the May 2015 decision on the transatlantic joint-venture.

b) State Aid

In 2020, the implementation of the measures (see section 3.1.1.1 “Impact of the Covid-19 epidemic on the Group’s activities”) to reinforce the Group’s liquidity, outlined in section 3.1.2.3 “Loss of flight slots or lack of access to flight slots” (a loan guaranteed by the French State (PGE) in the amount of €4 billion and a €3 billion loan from the French State, together with a revolving credit facility of €2.4 billion guaranteed by the Dutch State and a €1 billion loan from the Dutch State), were submitted for prior

approval by the European Commission in accordance with State Aid regulations (decisions of May 4, 2020 and July 13, 2020 respectively).

On April 6, 2021, the Group announced the first part of its overall recapitalization plan, outlined in section 5.4 “Subsequent events and outlook for 2022”. Certain measures in this plan contained State Aid, which were accordingly notified by the French authorities to the European Commission, the latter approving them in its decision of April 5, 2021 pursuant to the rules pertaining to State Aid. This decision made the approval of the measures subject to a number of structural and behavioral commitments made by the French State with regard to the companies Air France–KLM and Air France, notably requiring Air France to make landing and take-off slots available to a designated third-party carrier at Orly airport. Other behavioral undertakings were also imposed within the framework of the European Commission’s Temporary Framework for State Aid (such as restrictions on acquisitions, share buybacks and dividend payments) which could have an impact on the Group’s activities.

Like all airlines receiving State support in the context of the Covid-19 crisis, the European Commission’s decisions granting support measures to Air France and KLM have been subject to annulment proceedings brought by Ryanair.

Mitigating principles and actions

a) Merger regulation and cooperation agreements

The Air France–KLM Group has ascertained that the eventual consequences of slot availability under the 2004 and 2015 remedies remain admissible and do not affect the economics of the lines in question. Air France–KLM also regularly contacts the Commission to discuss the need to maintain these commitments adopted more than sixteen years ago.

b) State Aid

The Group has ensured that its growth plan will be implemented in the respect and in a manner which is fully compatible with the commitments made within the framework of the State Aid packages. Pursuant to the European Commission’s decision of April 5, 2021, a Monitoring Trustee responsible for monitoring respect of the commitments imposed by the decision has been appointed. A State Agent has also been appointed by the Dutch State, responsible for verifying the application of the measures foreseen by the agreement concerning State Aid from the Dutch State.

3.1.3 Risks relating to the Group's processes

3.1.3.1 Failure of a critical IT system, IT risks and cyber criminality

The IT and telecommunications systems are of primordial importance when it comes to the Group's day-to-day functioning. The IT applications, deployed in the operating centers or *via* cloud computing systems, are accessed *via* a network comprising thousands of work positions and a growing number of mobile devices. The information contained in all these systems is exposed to a growing number of threats. The volume of information exchanged with customers and third parties is growing while aircraft are increasingly connected to the Information System. The number of laws and regulations to be taken into account is also growing.

Cybercriminality*

Description of the risk

As with any business making extensive use of modern communication and IT data processing technologies, including revenue management systems and booking systems (including Altea), the Group is exposed to threats of cyber-criminality.

Cyber-criminality and cyber-espionage refer to a wide range of different activities related to the improper use of data and interference with the integrity of the Air France-KLM Information System for personal, financial, psychological and political ends. Their heavy dependence on IT and communication technologies makes airlines vulnerable to cyber-criminality. Should Air France-KLM fail to counter such incidents of cyber-criminality, this could have a negative impact on the Group's activity, reputation, revenues and costs, and thus its results.

Mitigating principles and actions

To protect itself against this risk, the Group deploys substantial resources aimed at ensuring business continuity, data protection, the security of personal information pursuant to law and the safeguarding of at-risk tangible and intangible assets.

The Cyber-crime program, approved by the Group's Audit Committee, covers the prevention and detection procedures such as cyber-threat surveillance, evaluations of Information System security and tests to pinpoint any Information System incursions *via* the internet. There are regular awareness-raising campaigns on IT security for staff across the Company. An audit of this program was realized in 2017 which confirmed the best practices in place and the orientations adopted. The recommended improvements have been added to the program. The Group complies with the Cyber standards of the Original Aircraft Manufacturers (OAM). Since 2020, the Group has subscribed to a permanent 24/7 independent cybersecurity assessment by the world leading company BitSight to monitor in real time its cybersecurity posture and performance to stay ahead of the emerging cyber threats.

Since 2018, the Group has subscribed to a cyber insurance policy to transfer a part of this risk.

As an illustration of the effectiveness of the security measures in place, a sophisticated cyber incident took place on December 2, 2020 which was swiftly detected and blocked before any negative effect could impact the business. No partner interfaces were impacted. Immediate mitigation measures were taken to suspend the assets used by the cybercriminals to connect to the network. All the connections in the Microsoft 365 Cloud, and all user passwords and system passwords were reset within the framework of these mitigation measures. A special notification on how to protect and safeguard passwords was sent to all employees in both airlines as a precautionary measure. External parties specialized in cyber investigation in the Netherlands and in France were involved in analyzing and cleaning all the assets. In addition, this incident was reported to the relevant parties such as Risk Management, the DPO (Data Protection Officer) and to the authorities.

In 2021, three independent audits on IT Security were successfully performed to finetune the Cybercrime program action plan. The IT staff dedicated to security were increased by 20% to adapt our organization to the new threats. New processes and tools were deployed to detect, protect and fix any potential deviations spotted or system vulnerabilities more rapidly. A new cyber awareness training module was approved at Executive Committee level to become mandatory for all staff.

Data security

Description of the risk

As airline companies, Air France and KLM collect personal data from their customers and employees. Management of the Group's assets is supported by rigorous management of the required data, whose consistency and integrity presents a permanent challenge for IT projects, and in the operation of digital services. Frequent changes to both applications and processes call for the ongoing adaptation of IT management tools and methods, in coordination with the businesses and their regulatory and operational requirements. If the Group fails to implement such frequent changes or to protect data of a personal nature pursuant to the relevant laws and regulation, this could have a negative impact on the Group's activity, reputation, revenues and costs, and thus its results.

Mitigating principles and actions

The Group's IT division implements security rules aimed at reducing the risks related to new technologies, particularly mobile data terminals. The access controls to IT applications and to the computer files at each work station together with control over the data exchanged outside the Company all comply with rules pursuant to national, European and international standards. Campaigns to raise the awareness of all staff on the potential threats and encourage best practices are regularly carried out. Specialized companies and Internal Audit regularly evaluate the effectiveness of the solutions in place.

Data security is a priority for the Group, and specifically the protection of data of a personal nature pursuant to the relevant laws and regulations. The new EU General Data Protection Regulation No. 2016/679 ("GDPR") is being applied *via* the GDPR and NIS compliance programs. Within each company, specialist teams ensure that the processing of personal information by the company complies with the relevant legislation.

In each Air France and KLM company, the Data Privacy Officers define the applicable policies, promote the data protection culture and ensure the effective fulfilment of the regulatory standards.

Business continuity and regulatory compliance

Description of the risk

The IT systems, including the revenue management systems and booking systems (including Altea) used by the Group, and the information they contain may be exposed to risks concerning continuity of functioning, data security and regulatory compliance. These risks have diverse origins both inside and outside the Group. The materialization of one of these risks could have an impact on the Group's activity, reputation, revenues and costs, and thus its results.

Mitigating principles and actions

The Group Executive Vice-President Information Technology, assisted by the Group IT Committee and the Group Chief Information Security Officer, is responsible for managing the risks relating to their processes and defining, in particular, the IT and Telecommunications Security policy.

The context requires a high level of security, which is guaranteed by the mandate of the Group Executive Vice-President Information Technology and his staff who are responsible for System security. Air France and KLM ensure the allocation of the resources required to counter such threats, secure the information and guarantee the regulatory compliance of the information systems.

Air France-KLM monitors the secure functioning of the IT systems on a permanent basis. Dedicated help centers and redundant networks guarantee the availability and accessibility of data and IT processing in the event of major incidents.

The infrastructures of the back-up operating centers and business continuity plans are tested regularly. The access controls to the IT systems and to the data exchanged within the company are governed by rules which meet international laws and standards.

Companies specializing in IT security, Internal Audit and Internal Control all regularly evaluate the relevance and effectiveness of the solutions in place.

The risk of damage to the IT facilities is covered by an insurance policy.

3.1.3.2 Operational performance and customer risks*

Description of the risk

For customers, our operational performance is a cornerstone of the product. In the day-to-day operations, where there is pressure on airlines and growing congestion in airports and airlines, and where regulations are increasingly complex (e.g. security and health measures), within a context of social unrest within the airline industry but also externally (air traffic control and ground handler strikes), increased traffic volume brings with it a risk of sub-optimal operational performance or a lower standard of customer service, leading to an increase in the costs of operational performance and a reduction in levels of customer satisfaction, which can result in a negative impact on the Group's reputation.

In the context of the Covid-19 pandemic, as a result of needing to comply with governmental health and social distancing requirements, airports have, for example, only been open for limited hours leading to long turnaround times. The additional requirements in the departure and/or arrival processes are also causing delays and resulting in long passenger boarding and turnaround times. In addition, the risk of a lack of operational resources within Air France and KLM, or at airports (e.g. security, customs) and subcontractors (e.g. ground handlers), could affect the planned restart of re-dimensioned operations or generate the associated costs.

Mitigating principles and actions

For both Air France and KLM, the Operations Control Center is at the heart of operations and any disruption is managed in an integrated manner. Numerous action plans are deployed on operational excellence, service disruption management and recovery, security, network agility, the compensation procedure (EU 261), crew management and other critical internal and external resources, and coordination with key stakeholders like the authorities and airports. The goal is to reduce the number of service disruptions, reduce the impact on customers, improve customer satisfaction and reduce the costs of sub-optimal performance.

3.1.3.3 Non-compliance with regulations, including competition and anti-bribery laws

Description of the risk

Non-compliance with regulations, like competition laws, anti-bribery laws, trade sanctions or export control regulations owing to the unethical behavior of employees can result in a negative impact on the Group's reputation, and lead to substantial fines and other legal proceedings. The Group is currently involved in investigations in relation to anti-trust matters in the air-freight industry, initiated before the European Commission in December 2005 and still ongoing, and in the passenger sector (see Note 32.2.1 to the Group's consolidated financial statements for the financial year ended December 31, 2021).

In addition, the Group and, in particular, Air France-KLM as a company that is listed for trading, is also exposed to risks involving capital market compliance. Since July 2016, the EU Market Abuse Regulation (MAR) and many other national and European regulations have codified bans on insider trading and market manipulation, the obligation to make ad hoc announcements as well as other obligations relating to capital markets.

Mitigating principles and actions

Various measures are in place to mitigate the risk of non-compliance with laws and regulations. The preventive measures include, for example, guidelines in the form of manuals, policies and instructions to clarify expected and acceptable behavior, training in the form of e-learning as well as classroom-based training or training by video conference dedicated to certain domains (i.e. procurement, IT, cargo and maintenance in 2021) or categories of personnel based on their risk exposure (managers, newly-hired or promoted employees), and the ability to report any compliance concerns.

With regard to competition law, Air France-KLM has developed its policy to prevent anti-competitive practices by circulating a Competition Law Compliance Manual which is available in three languages. An e-learning module on competition law was made available on December 14, 2021 for Air France-KLM, Air France and KLM employees, and may subsequently be deployed in 2022 to the main subsidiaries with the assistance of the members of the compliance correspondents' network.

Other prevention-based tools include dedicated training modules. Having completed this training and taken an evaluation test, employees sign an individual declaration promising to respect the competition rules applying to their functions.

Regarding corruption, following the anti-bribery campaign at the end of 2019, ongoing efforts have been deployed to further strengthen the awareness and knowledge of employees regarding the prevention of bribery like, for example, presentations and discussions, improved access to compliance documents and communication by the Group's management.

Regarding compliance with the requirements of the applicable capital markets, the Group has implemented internal documentation (i.e. "Compliance Rules regarding securities trading") and uses internal tools to compile insider lists, enabling it to publish any ad hoc announcements, and provide such insiders with the relevant policies, information letters and process descriptions to ensure their compliance and enforcement by the relevant employees and recipients. For more detail see section 4.5.3 "Business ethics".

3.1.3.4 Working conditions and human capital development

Description of the risk

Employees are at the heart of Air France-KLM and maintaining their trust is vital to enabling them to attain their highest standards of performance to the benefit of customers. Employee engagement, talent development and social stability is imperative for the long-term viability and success of the company.

The staff in the different Air France-KLM Group entities have different (local) HR contracts and policies which comply with the corporate form of each of the entities and employment legislation in force in their respective countries. Strategic changes and changes impacting the working conditions of staff are applied pursuant to the legislation and protocols as defined for each of the entities comprising the Group.

In the past and potentially in future, the Group's operations may be disrupted by labor disputes such as strikes, walkouts, industrial action or other forms of social unrest, which could also have a negative impact on the Group's operations, profitability and image.

In particular, in the context of the Covid-19 health crisis and its impact on the Group's activities, Air France, KLM and their subsidiaries have been forced to implement measures to reduce labor costs for the various categories of staff and major staff reduction and reorganization plans. They may be forced to do so again in the future.

The measures taken by the Group in this context may result in a decline in employee engagement, motivation and commitment at work, and difficulty in recruiting and retaining key competencies owing to, *inter alia*: uncertainty about the future of the Group and their own employment or worries about the economic situation; remote working and partial activity (*activité partielle*) resulting in reduced contact with colleagues and management; Voluntary Departure Plans, salary reductions, an increasing workload and loss of expertise. Absenteeism may also rise due to employees being infected with Covid-19 at work or outside the professional environment, also leading to fear of infection (e.g. at work or in public transport). There is also a risk of the closure of crucial departments due to an internal Covid-19 outbreak, meaning that specialized functions cannot be performed, leading to serious operational problems for the Group.

Mitigating principles and actions

The Group recognizes the constraints and risks to which it is exposed and the need to adapt to a more rapid pace of change. At the same time, the Group seeks to preserve cohesion by fostering a constructive and transparent workplace dialogue and by pursuing a policy based on respect and responsibility. Internal communication has been swiftly adapted to the new situation in terms of both frequency and resources, with staff connecting remotely and with new interactive ways to share their questions and concerns.

To ensure the effective coordination of the workplace dialogue, responsibilities and accountabilities are defined for each entity and category of staff. At Group level, coordination takes place between the different entities, specifically for transverse topics concerning categories of staff across several entities. Significant changes to the HR policies and collective labor agreements are approved at the highest level of management within the airlines and the Group.

Various initiatives aimed at improving the workplace dialogue are planned and implemented in the different Group entities.

In Air France and KLM, an Employee Promotor Score indicator has been implemented to measure the engagement of employees.

3.1.4 Legal risks

During their ordinary course of business, the Group's companies may be involved in legal, administrative, criminal, or arbitration proceedings, especially concerning civil liability, competition, industrial, fiscal, or intellectual property claims, or claims relating to the environment and discrimination. In some of these proceedings, significant monetary claims have been made or may be made against one or more Group companies. The relevant provisions, if any, that the Group may have to record in its financial statements may not be sufficient, which could have a material adverse effect on its business, financial position, results and outlook. As of December 31, 2021, the Group's total provisions for litigation amounted to €424 million (see Note 32 in section 5.6 "Notes to the consolidated financial statements").

New proceedings, stemming from existing proceedings or otherwise, related to risks already identified by the Group or to new risks, could be initiated against a Group entity. Should these proceedings result in an unfavorable outcome, there could be a significant adverse effect on the Group's business, financial position, results and outlook. With the exception of the proceedings and litigation outlined in Notes 32.1 and 32.2 in section 5.6 "Notes to the consolidated financial statements", there are no other administrative, legal or arbitration proceedings

The results feed into local action plans aimed at improving employee engagement and opening up the dialogue between managers and their teams. Decreasing the distance between management and staff is key to understanding the needs and concerns of staff, tackling any issues in a proactive manner and avoiding any escalation.

The level of employee engagement is included in the targets for the highest level of management within Air France-KLM. Continuous monitoring takes place and the methodology will be subject to ongoing improvement (see section 4.2 "Human Resources").

Regarding the consequences of the measures implemented by the Group within the context of the Covid-19 epidemic, the Group has maintained its openness and transparency with unions, with negotiations based on relationships of trust. Given its reduced workforce the Group is focused on optimizing and transforming its ways of working, by reviewing organizational structures and workloads, and by efficient communication, etc. The Group is also seeking to minimize the impact on employees physically present at the Group's premises and has implemented a specific and detailed health protocol to ensure the mitigation of contamination risk, in close cooperation with the health and safety committees.

(including, to the Group's knowledge, any proceedings under way or threats of proceedings) that could have or have recently had a material effect on the Group's financial position or profitability in the past twelve months.

Mitigating principles and actions

Ongoing procedures are regularly monitored and analyzed by the legal department, with the support of external legal counsel where necessary.

If necessary, provisions may be recorded in the Group's financial statements in respect of these disputes. The Group's estimate of its financial exposure to pending proceedings is regularly reassessed in the light of changes in such proceedings, and the amount of the corresponding provisions is adjusted accordingly to the best of the Group's knowledge. These amounts are also reviewed and validated by the Statutory Auditors.

Certain risks relating to these procedures are also covered, under certain conditions, by the insurance policies taken out by the Group and outlined in section 3.1.1 "Geopolitical and macro-economic risks".

3.1.5 Financial market risks

3.1.5.1 Financial structure*

Description of the risk

In addition to measures taken by Air France–KLM and KLM in the context of the health crises and described in section 3.1.1.1 “Impact of the Covid-19 epidemic on the Group’s activities” above, Air France and KLM prioritize long-term resources to finance their investments by raising conventional bank debt secured by their assets (in the form of mortgage debt or finance leases) and, when available, by using export credit.

In view of the application of prudential standards, the banks could reduce their balance sheets in future years and consequently make a more limited volume of lending available to businesses. Furthermore, the impact of the Covid-19 pandemic has led to increased pressure on fleet financing, with lenders requiring additional guarantees and charging higher interest rates, within a context where the renewal of the Group’s fleet is important for the years to come, particularly owing to its CO₂ reduction commitments.

At December 31, 2021, the Air France–KLM Group’s net debt stood at €8.2 billion, taking into account net cash of €7.7 billion (not including €2.5 billion of undrawn credit lines).

This level of liquidity is fairly comfortable in terms of the Group’s ability to perform operations for the coming years.

However, bond redemptions and refinancing within the market will be significant. This is why the Group initiated an amendment and extension to the loan guaranteed by the French State (*Prêt Garanti par l’État* – PGE), to smooth the impact of the €4 billion to be redeemed in May 2023. After an early redemption of €0.5 billion in December 2021, the redemption schedule is now as follows:

- May 2023: €0.8 billion;
- May 2024: €1.35 billion;
- May 2025: €1.35 billion.

This step should provide an adequate liquidity cushion for the Group.

Cash and liquidity requirements linked to the impact of the current public health crisis

Within the framework of the current public health crisis linked to Covid-19 and its negative impact on the Group’s activities, balance sheet and financial position, and to strengthen its capital, following its first step of recapitalization, the Group realized a major recapitalization plan in April 2021 consisting of two operations: a €1 billion capital increase and the conversion of the €3 billion French State direct loan into three €1 billion tranches of undated deeply subordinated notes, for a total of €4 billion.

The other measures include the issuance of senior bonds for €800 million in June 2021 (with settlement and delivery taking place in July 2021) and the partial redemption of the PGE for €500 million as mentioned above.

In the meantime, additional measures to further strengthen the Group and its subsidiaries’ equity are currently under consideration, including equity and quasi-equity instruments (to allow for smooth debt profiling). Furthermore, Société Air France also has a legal obligation to reconstitute its stockholders’ equity by December 31, 2023.

In the unlikely event of a further deterioration in the health situation and/or the economic environment, this plan could prove insufficient, and thus require the Group to further reinforce its financial structure with, as the case may be, the risk of not being able to raise funds in the capital markets under favorable conditions, in view of the deteriorating context.

Mitigating principles and actions

The financing strategy is decided by the Group in coordination with the Air France Group and the KLM Group. The Air France–KLM Group’s financing is mainly composed of unsecured bond debt and/or the issuance of equity or quasi-equity capital, and debt collateralized by assets at the level of the Companies. For the bonds, the issuer is mainly Air France–KLM S.A.

Furthermore, in view of the Group’s investment program, particularly in the fleet, Air France and KLM plan to be active in the financing market. In the current market conditions, the Group and its airlines thus intend to finance its forthcoming aircraft deliveries using, notably, collateralized debt. These financing or refinancing operations will, as usual, be the subject of requests for proposals.

To mitigate this risk, the Group and the Companies plan to adapt their financing strategy:

- priority recourse to capital market financing *via* Air France–KLM S.A.;
- diversification of the asset-financing structures by the Air France and KLM subsidiaries *via* secured financing;
- diversification of the banking and/or financial counterparties;
- solicitation of a ESG rating.

In July 2021, the EMTN (Euro Medium Term Notes) program was implemented to facilitate and simplify the rapid issuance of bonds when the market conditions are favorable.

Furthermore, an ESG rating (64/100) has been established in cooperation with S&P Global, to support the Group to access sustainable financing.

3.1.5.2 Risks relating to the fuel price

Description of the risk

As outlined in paragraph 3.1.1.4, oil price volatility represents a risk for the air transport industry.

At February 14, 2022 the Air France-KLM Group's fuel price exposure, based on futures prices at February 11, 2022 (US\$88.0 a barrel for 2022 and US\$81.1 a barrel for 2023), was as follows:

(in US\$ million)	2021	2022	2023
Gross expenditure before hedging	3,550	6,337	6,718
Hedge percentage	82%	51%	3%
Gain/(loss) on hedging	299	470	0
Net expenditure after hedging	3,250	5,867	6,717

Based on the forward curve at February 11, 2022, an increase of US\$10 per barrel over 2022 would give an average price of US\$96.7 per barrel and would lead to a US\$248 million increase in the fuel bill after hedging, i.e a total fuel bill of US\$6,115 million for the Air France-KLM Group in 2022.

Symmetrically, a fall of US\$10 per barrel over 2022 would give an average price of US\$79.5 per barrel and would lead to a US\$272 million reduction in the fuel bill after hedging, i.e a total expense of US\$5,595 million in 2022.

Mitigating principles and actions

Risks related to the jet fuel price are hedged within the framework of a hedging strategy defined by the Risk Management Committee (the "RMC") and presented to the Audit Committee and the Board of Directors of the Company.

The hedging strategy sets the time span of the hedges and the target hedging ratios to be reached for the coming quarters. The hedging uses simple futures or option-based instruments, eligible for hedging pursuant to the accounting standards in force.

In respect of the application of IFRS 9, hedging by component has been applied since January 1, 2018. Since the Group's fuel procurement is strongly correlated to the Jet Kerosene Cargoes CIF NWE Index, components specific to this fuel risk are used (Brent ICE, Gasoil ICE, Jet CIF NWE) to align the fuel hedging accounting and the Group's risk management policy more effectively.

Within the framework of a dynamic risk monitoring approach, the Group tracks indicators capping the potential maximum loss and the potential maximum gain (value of the portfolio prompting its restructuring).

An indicator enabling the measurement of the extreme risk of the portfolio has been deployed. The level of this Value at Risk indicator is calculated and regularly analyzed and may also trigger a restructuring of the portfolio.

Following the Covid-19 public health crisis and the unforeseeable reduction in the volume of fuel used during 2020, like most European airlines, the Group found itself in a situation of overhedging which led to a financial loss being recognized in the 2020 financial results. Faced with this situation, and the uncertainty which continued to weigh on capacity growth in 2021 and 2022, together with the tightening of the credit facilities granted by the financial partners, on February 17, 2021 the Risk Management Committee (RMC) submitted a revised hedging policy to the Board which approved it. Compared with the previous policy, the latter is characterized by a reduction in the timespan of the hedges, from a rolling 24 months to a rolling 12 months, and a reduction in the hedge amounts, from an equivalent of 80% to 50% of the annual volume consumed. This revised policy is now implemented by the Air France and KLM fuel departments.

The Group has decided to continue the systematic implementation of the hedging policy, in spite of the uncertainties linked to the Ukrainian crisis.

3.1.5.3 Currency risks

Most of Air France-KLM's revenues are generated in euros. However, because of its international activities, the Group incurs currency exchange risks.

The Group's main exposure relates to the US dollar. Since expenditures on items such as fuel and maintenance exceed the amount of overall revenues in US dollars, the Group is a net buyer of US dollars, representing a residual structural risk. As a result, any significant appreciation in the US dollar against the euro could result in a negative impact on the Group's financial results.

On the contrary, the Group is a net seller of other currencies, the level of its revenues in currencies other than the US dollar exceeding its expenditures in the same currencies. This exposure is, however, much lower than with the US dollar. A significant decline in these currencies against the euro could nevertheless have a negative effect on the Group's financial results.

Operational exposure (“Transaction risk”)

(in millions of currencies at December 31, 2021)	US Dollar	Sterling	Yen
Net position before hedging	(2,048)	492	11,973
Currency hedge	1,656	(146)	(600)
Net position after hedging	(392)	346	11,373

Following the significant increase in the fuel bill, the Ukrainian crisis is increasing the net exposure to the US dollar.

Mitigating principles and actions

The currency risk management for the Group’s airline subsidiaries is centralized within each airline company while the currency risks incurred in investments by the Group’s holding company are managed at holding company level.

The risk management of the Group’s overall currency exposure is carried out on the basis of a forecast net exposure for each currency. Currencies highly correlated to the US dollar are usually aggregated with the US dollar exposure.

For each currency hedged, the time span of the hedging is a rolling 12 to 24-month period, the first four quarters being relatively more hedged than the following four. The RMC sets hedging targets for the US dollar, sterling and the yen on a quarterly basis.

3.1.5.4 Investment exposure (“Translation risk”)**Description of the risk**

Aircraft are generally purchased in US dollars, meaning that the Group is exposed to an appreciation in the US dollar relative to the euro in terms of its investment in aircraft and flight equipment.

The net investments in US dollars figuring in the table below reflect the contractual commitments as of December 31, 2021.

(in US\$ million)	2022	2023	2024	2025	2026
Investments	2,070	1,617	1,326	834	240
Currency hedge	1,951	1,169	812	21	0
Hedge ratio	94%	71%	61%	3%	0%

Mitigating principles and actions

The hedging strategy provides for the implementation of a gradual level of hedging between the order and delivery dates of the aircraft or flight equipment.

At December 31, 2021, the exchange rate risk on the debt, other than coming from operating leases, denominated in currencies other than the euro mostly concerns the yen (6%), the US dollar (5%) and the Swiss franc (3%).

3.1.5.5 Exposure on indebtedness

Since the application of IFRS 16 by the Group as of January 1, 2018, the aircraft operating leases, which are mostly denominated in US dollars, have been recognized in the Group’s debt. For airlines generating US dollar revenues, the revaluation of this debt in US dollars is neutralized at the accounting level through the recognition of this debt as a natural hedge against a fraction of the Group’s US dollar revenues. With the Covid-19 public health crisis, as soon as the revenues in US dollars became too low relative to the lease payments, the hedge accounting was temporarily suspended for the coming periods. For airlines not generating US dollar revenues, US dollar-denominated assets and currency hedges are in place to mitigate the exchange rate risk.

Mitigating principles and actions

The exchange rate risk on the non-operating lease debt (non-IFRS 16) is limited. At December 31, 2021, 86% of the Group’s gross debt, after taking into account derivative instruments, was euro-denominated, thereby significantly reducing the risk of currency fluctuation on the debt.

3.1.5.6 Interest rate risk**Description of the risk**

A portion of the overall debt is linked to floating rates and, even though Euribor may be capped in some contractual arrangements, the Group is thus exposed to volatility risk.

After swaps, the exposure to floating rates of the Air France–KLM Group’s consolidated debt represents 50% of the total debt. The interest rate on the Group’s gross debt after swaps stood at 2.23% at December 31, 2021 (versus 2.55% at December 31, 2020).

Mitigating principles and actions

The exposure to interest rates increased over the course of the financial year owing to the fact that the loans guaranteed by the State are indexed to floating rates.

Air France and KLM both use interest rate swap hedging strategies through derivatives contracts to convert a portion of this floating-rate debt into fixed rate debt.

3.1.5.7 Investment risks

Description of the risk

The cash resources of Air France–KLM, Air France and KLM are invested so as to maximize the return for a very low level of risk. They are invested in money market mutual funds, and, secondarily, in debt securities and term deposits with highly-rated banks. The investment risk is considered to be low, in that the investments in debt securities and term deposits are managed within the framework of the overall counterparty management (see paragraph 3.1.5.8).

Mitigating principles and actions

To reduce the currency risk on the debt, a portion of KLM's liquid assets is invested in foreign-currency AAA and AA+ rated bonds.

3.1.5.8 Counterparty risk exposure

Description of the risk

To mitigate the different market risks to which it is exposed, Air France works with a number of financial counterparties. In the event of default by a counterparty in a liability position vis-à-vis Air France–KLM on a derivatives portfolio, Air France–KLM could lose the gain linked to the hedging required to be the subject of a termination. Except in the event of express dispensation from the RMC, counterparties must benefit from a minimum rating of BBB+ (S&P) with the exception of mutual funds where the risk is considered negligible. The maximum commitments by counterparty are determined based on the quality and ranking of their ratings. The RMC also monitors the trend in the respective proportion each counterparty represents in the overall hedging portfolio (fuel, currency and interest rate) and investments. The positions of both Air France and KLM, together with those of the Air France–KLM parent company, are taken into account in the assessment of the overall exposure.

Mitigating principles and actions

The rules concerning counterparty risk management are established by the RMC and applied within each company.

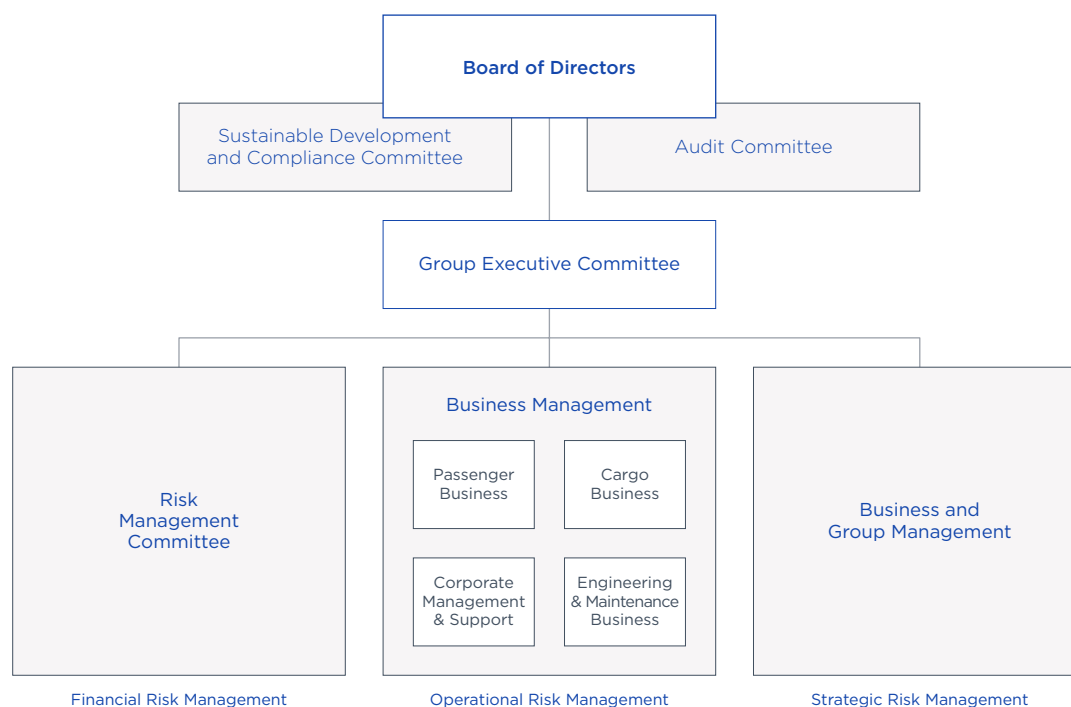
A monthly report is established and circulated to the members of the General Management of the two airline companies. It is supplemented by real time information in the event of any real risk of a rating downgrading for counterparties.

3.2 ENTERPRISE RISK MANAGEMENT

The Air France–KLM Group is exposed to the general risks associated with the air transport industry and with airline operations, and has consequently implemented a system to identify, analyze, monitor, manage and control its risks.

3.2.1 Risk management process: players and overall organization

Air France–KLM: the players and governance bodies involved in the risk management process



Risk management process

The risk management process aims to determine the events that could potentially impact the Group and prevent it from achieving its objectives, and to implement a risk management and reporting system.

The risk management process enables, on one hand, the different divisions and principal subsidiaries and, on the other hand, the Group Executive Committee, the Audit Committee and the Sustainable Development and Compliance Committee to monitor the principal strategic and operational risks, their evolution over time and the measures in place to manage these risks. It thus aims to create and preserve value, and to safeguard the Group's assets and reputation.

Each Group entity is responsible for managing its risks and for producing regular reports.

The overall risk management process also serves as a basis for the Universal Registration Document and makes a major contribution to establishing the annual audit program.

As a facilitator of risk management, Group Internal Audit regularly evaluates the risk management process. Its conclusions are the subject of presentations to the Group Executive Committee and the Audit Committee, and for extra-financial risks to the Sustainable Development and Compliance Committee. The conclusions of the Sustainable Development and Compliance Committee are taken into account by Group Internal Audit in the risk presentations made to the Audit Committee.

The Risk Management Committee also monitors the management of financial market risks that could have an impact on the financial statements (fuel price, currency exposure, etc.) on a quarterly basis. The risk management process complies with international regulatory standards including the European Union 8th Directive.

In addition to the usual insurance policies covering the industrial sites, the real estate assets and the ancillary activities, the Group's subsidiaries subscribe to specific airline insurance

policies covering accidental or incidental damage to aircraft and the resulting costs, liability in relation to their passengers and general liability to third parties in connection with their activities.

3.2.2 Identification and evaluation of the risks

Risk mapping and risk universe procedures have been established and are regularly updated by Internal Audit.

The principal risks are ranked by nature and characterized with respect to their probability of occurrence and potential impact. The risk management procedures are outlined for each risk, together with the situation which is likely to result from their implementation.

Risk monitoring and reporting

Internal Audit produces a biannual report for the Group Executive Committee and the Audit Committee on the Group's operational risks. The Audit Committee may decide to bring specific points to the attention of the Board of Directors. Reporting on strategic risks is part of the Strategic process.

The operational risk reporting process follows a bottom-up process starting in the different Air France and KLM divisions and the principal subsidiaries. Every half year the Enterprise Risk Coordinators, who have been designated by the different businesses, entities and subsidiaries, establish the risk sheets and send them to Internal Audit, the latter being responsible for their consolidation at airline and Group level.

The risk sheets indicate and describe the inherent material risks and the action plans implemented for their mitigation or neutralization, together with an evaluation of their probability of occurrence and the resulting impact. The risk owners and those responsible for the procedures to control risks are specifically

named. To ensure the reliability of the process, the risk sheets for each entity are systematically reviewed during regular meetings between Internal Audit and the relevant Executive Vice-Presidents.

The Group's operational risk sheets (summarizing the operational risks of the entities), which detail any new risks or those which have been withdrawn, and the main changes, are the subject of approval by the Group Executive Committee prior to their presentation and review by the Audit Committee.

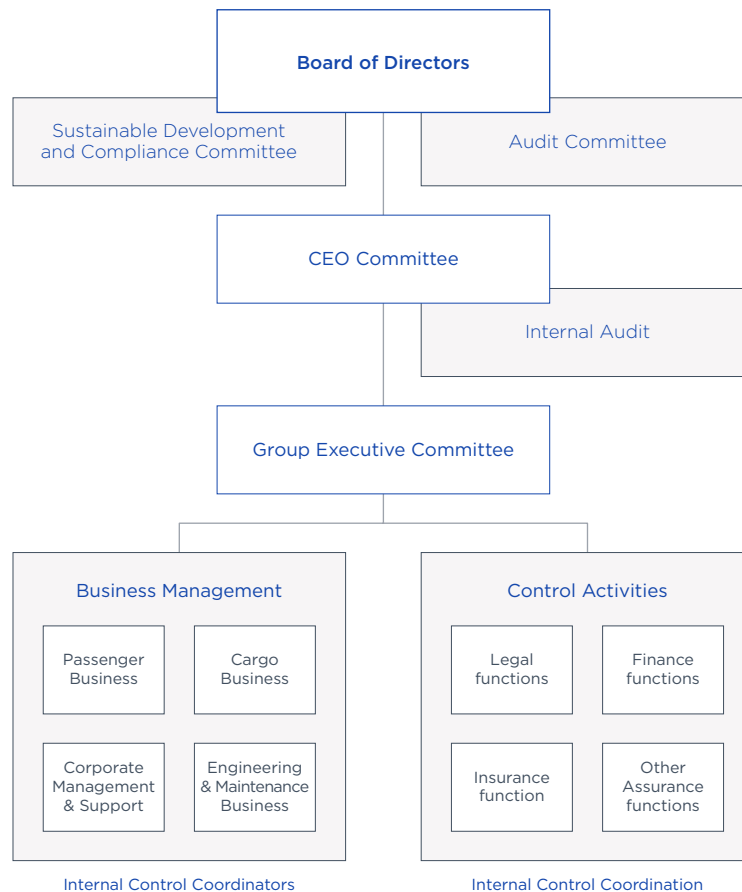
To be able to complete the Extra-financial performance statement (see section 4.1.3 "Business responsibility at the heart of the strategy"), the main environmental, social and societal risks, linked to the Group's activities across the entire value chain, are reviewed and assessed annually. The most material extra-financial risks are an integral part of the Group's operational risk sheet and are submitted to the Sustainable Development and Compliance Committee. The conclusions of this Committee are taken into account in the Group's operational risk sheet presented to the Audit Committee.

Management of risks by the Risks-Insurance departments

Within Air France and KLM, each of the Risks-Insurance departments constitutes an integral part of the Internal Control process. They identify the insurable risks at the level of each company and their subsidiaries, draw up the insurance policies and contribute to the prevention recommendations.

3.3 ORGANIZATION AND FUNCTIONING OF INTERNAL CONTROL

3.3.1 Internal Control organization and tools



Internal Control network

An Air France-KLM Internal Control network has been established, supported by Internal Control Coordinators embedded in the business units.

The organization within the Group, covering its principal businesses, can be summarized as follows: Passenger (passenger transportation), Cargo and Engineering & Maintenance. Due to the interdependence of each of the businesses, this organization involves numerous cross-functional processes (sale of passenger aircraft belly space to the cargo business, Engineering and Maintenance services relating to the both Passenger and Cargo aircraft, IT services, etc.).

- The Board of Directors is the corporate body that determines the direction of the Group's activities. To this end, the Board acts to ensure the successful performance of the

Air France-KLM Group, supported by advice from the advisory committees mentioned in section 2.2 "Organization and functioning of the Board of Directors".

- The CEO Committee is composed of the Air France-KLM, Air France and KLM CEOs and the Air France-KLM CFO. It is the primary executive management decision body for the Group and has final management rights (except when the approval of the Air France-KLM Board is required) and accountability on all matters pertaining to both Airline and Group functions and performance, while respecting the existing agreements, commitments and bylaws of the relevant airlines. In particular, it is responsible for setting the strategic direction of the Group and for the Airlines, and reviewing the performance of the Airlines and Group functions on an ongoing basis.

— The Group Executive Committee (GEC) puts the Group's go forward plan into action, within the framework of the strategy defined by the Board of Directors and the CEO Committee. In December 2021, the GEC was composed of twelve members (the Air France-KLM CEO, the CEOs of Air France and KLM, and the nine heads of Group functions), plus a secretary to the GEC. The Committee meets every two weeks, alternating between Amsterdam and Paris. Its purview covers the following areas: Group Finance; Corporate Secretary, Sustainability, Communication; Engineering & Maintenance; Cargo; Information Technology; Human Resources; Strategy; Transformation; Commercial Sales and Revenue.

— Finance functions

A Group Finance division has been constituted around the Group's Chief Financial Officer, staffed by some thirty people (Financial Communication and Investor Relations, Consolidation & Accounting, Central Management Control and Mergers-Acquisitions & Financial Operations). This division submits to the Group Executive Committee and the Board the Group's overall financial policy and orientations (the latter being applied at the level of the Group's two principal companies, which each have their own financial functions) and tracks the Group's financial performance.

In addition, some operations relating to the Air France-KLM holding company are entrusted to Air France, *via* a management mandate (notably treasury management).

— Insurance functions

The insurance functions are responsible for identifying at-risk sectors of the Group that might impact the operations and financial results, so as to reduce their potential impact or transfer them either to insurers through insurance policies, particularly aviation policies, or to third parties under contractual mechanisms.

They also manage the claims and advise the Group's entities on reducing and controlling their risks.

There is an aviation insurance policy in place for the entire Air France-KLM Group to cover civil liability, damage to aircraft and risks of war, which constitute the major financial and legal risks of any airline.

— Legal functions

The legal departments of Air France-KLM, Air France and KLM perform a consulting mission for their management and decentralized organizations, notably in the areas of corporate law, competition law, transportation law, contract law and insurance law. They cooperate to establish the Group's legal policy.

Legal Affairs draws up a systematic inventory of the disputes in process, to be able to assess the risks and constitute the corresponding provisions booked as liabilities.

— Compliance functions

The Compliance Officers within Air France-KLM, Air France and KLM design and assist in the implementation and monitoring of the compliance framework and anti-corruption action plan within the Group. They set up and manage a compliance correspondent network within the main domains and entities of the Group to facilitate communication on policies, exchange of good practices, reporting and monitoring.

Within Air France and KLM, Data Privacy Officers are tasked with strengthening privacy compliance.

Export Control Managers are responsible for securing trade compliance on the export of goods or technology.

The Compliance Officers report to the relevant governance bodies, like the Audit Committee. In addition, the Air France Compliance Committee and the KLM Compliance Committee monitor the respective compliance programs. Various legal experts also provide advice on compliance with laws and regulations.

At the end of 2018, the Board of Directors decided to create a Sustainable Development & Compliance Committee, whose mission is to assist in reviewing the Group's policies.

— Internal Audit

Air France-KLM's Internal Audit is an independent function intended to improve the Group's various processes. It helps the Group to achieve its stated objectives by providing a systematic and formalized approach with which to evaluate and strengthen the effectiveness of the decision-making, risk management, Internal Control and governance processes. The Internal Audit function objectively reviews the reliability of the overall Internal Control procedures implemented by the Group, as well as the controls in place for the processes specific to each business.

Given the Group's governance rules, each company has retained its own Internal Audit department; the coordination of Internal Audit at Group level has, nevertheless, been effective since the beginning of the 2005-06 financial year. The Group's Head of Internal Audit function, which is fulfilled by a Vice-President from within the airlines' Internal Audit departments, is responsible for overall coordination and has a functional reporting line into the Group's Chief Financial Officer. The Internal Audit departments in the two sub-groups use identical methodologies (Group Charter, Group Audit Manual, etc.), while a common tool was adopted in early 2017 (Nasdaq Bwise).

The Internal Audit function carries out audits at the level of the Group and its subsidiaries (Air France and KLM). Audits are conducted in collaboration with the internal auditors of the two airlines.

The number of auditors' positions averages 20.3 in FTE (excluding management).

The Internal Audit division reports on its work to the Group Executive Committee and to Air France – KLM’s Audit Committee in a summary report presented twice yearly. Since 2020, Internal Audit has also been reporting on its work on extra-financial risks to Air France – KLM’s Sustainable Development and Compliance Committee. The conclusions of the Sustainable Development and Compliance Committee on the review of extra-financial risks are then taken into account by Internal Audit in the risk presentations made to the Group Audit Committee.

To execute its mission, Internal Audit, which operates within the framework of the internal Audit Charter established by the Audit Committee of the Air France – KLM Group, either acts on its own initiative or intervenes at the request of the Group Executive Committee, the Audit Committee, the Sustainable Development and Compliance Committee or the Board of Directors.

An annual program of missions is established and submitted for approval to the Group Executive Committee and to the Group’s Audit Committee.

The Internal Audit function performs the following actions:

- assurance Audit:
 - operational Audit: to review the effectiveness, efficiency and general control over processes,
 - information and Communication Technologies or Electronic Data Processing (EDP) Audit: to assess the effectiveness and efficiency of internal controls related to the information and communication systems,
 - compliance Audit: to check compliance with laws and regulations and/or standards, procedures and/or policies issued by the Group,
 - post audit: to check follow-up on findings in previous assurance audits;
- consulting assignments: advisory services that are performed at the specific request of business management. When performing consulting services, the Internal Auditor must remain objective and not assume management responsibility;
- fraud investigations: to prevent, detect and investigate significant suspected internal or external fraudulent activities;
- enterprise Risk Management: to facilitate and improve the risk management process.

Once completed, the conclusions of the audits are summarized in a report highlighting the findings, the risks and the corresponding recommendations.

The audited entities then establish corrective action plans and a follow-up is conducted in the next few months.

Organization of responsibilities

The organization of the individual companies has been defined to ensure compliance with the principles of secure and effective

operations. It specifically takes into account the regulatory requirements governing air transportation, notably with regard to air operations (see section 3.2.2 “Identification and evaluation of the risks”), ground operations and engineering and maintenance, as well as airline catering and security.

The managers of the relevant entities and subsidiaries are required to apply these principles and organization at their level, and ensure that the organizational charts, job descriptions and procedures defined by business process are up to date. They must ensure their consistency and adequacy, verify that they are taken into account in the main information systems and appropriately integrated within the organization.

Internal Control tools

Charters and manuals

Air France, KLM and their respective subsidiaries have a Social Rights and Ethics Charter titled “Air France – KLM Principles” that enshrines their individual commitments to Corporate Social Responsibility by orienting their corporate and ethical policy towards respect for individuals at the professional, social and citizenship levels.

The Air France Group deploys a Charter for the prevention of harassment in the workplace, which complies with French legislation and is part of a contractual approach through agreements signed for the benefit of employees. The legal purpose of this Charter is to set forth the principles of prevention, define the actions, stress everyone’s individual legal and human responsibilities, and establish internal prevention procedures.

For its part, the KLM Group has published a Code of Conduct addressing the following principal matters: compliance with laws and regulations, conflicts of interest, confidentiality, the safeguarding of assets, environmental protection, Corporate Social Responsibility and intellectual property.

KLM has a Code of Ethics intended principally for employees in the finance function (see also section 4.5.3 “Business ethics”).

Manuals to prevent non-compliance

Staff have access to a series of manuals and policies on the intranet sites. With regard to the prevention of bribery, the Anti-Bribery Manual affirms the Air France – KLM Group’s commitment to conducting business with loyalty, fairness, transparency, honesty and integrity, and in the strict respect of anti-corruption laws wherever its companies or subsidiaries exercise their activities. The Manual establishes the guidelines for preventing corruption, and for identifying and handling at-risk situations in the light of the anti-corruption legislation. The related Gift and Hospitality Policy (the “Policy”) sets out the rules and guidelines with regard to Gifts and Hospitality in more detail. These documents are subject to regular reviews for updates and improvements whenever needed.

The Competition Law Compliance Manual emphasizes the objectives of integrity and transparency, and contains instructions on the prevention of anti-competitive agreements and the abuse of market power. For more detail, see section 4.5.3 “Business ethics”.

Internal Audit Charter

The Air France-KLM Group’s internal Audit Charter was signed by the Chairman and Chief Executive Officer, the Chair of the Audit Committee and the Head of the Group Internal Audit in 2021.

The internal Audit Charter defines the mission of the Audit division and guarantees its independence as well as the conditions by which the division functions.

In accordance with the International Institute of Internal Auditors (The IIA) rules, the Charter formalizes the position of audit within the business and defines its sphere of operation.

Internal Control Charter

The Internal Control Charter defines the commitments of the three top executives of Air France-KLM, Air France and KLM, and stipulates the main components of internal control within the Group: governance and the most important tools enabling its exercise, an outline of the overall Internal Control process and the different Internal Control activities (verification of the entity’s environment, transactional controls (process) and overall IT control).

Procurement Manual

The organization of the Procurement function common to Air France and KLM is outlined in the Procurement Manual.

The Procurement function regularly updates the Quality reference system. This reference system comprises, notably, the purchasing Code of Ethics for Employees, which stipulates the rules of conduct for Air France-KLM buyers when dealing with suppliers or service providers, and informs all those involved in the process of the limits that must not be exceeded.

3.3.2 Fundamental components of internal control established within the Group

Based on analysis of the potential major risks, taking into account the changes inside and outside its operations, the Group has established and implemented the fundamental components of Internal Control, aimed at preventing and controlling, insofar as possible, risks that are both financial and non-financial in nature, and evaluating its ability to implement the appropriate remedial measures.

Operational procedures and processes

Management of the quality system

Both the Air France (Integrated Management System/IMS Manual) and KLM Safety Management System/Manual outline all the

Quality reference system

The Air France and KLM quality assurance systems are based on the following principal external and internal standards:

– External standards

Operations: national regulations (based on European regulations) and applicable general laws, international standards (ICAO, IATA, etc.) or those that are specific to aeronautics maintenance (Part 145, etc.).

Passenger service: European and US regulations (Special Care Passengers), European commitments of the Association of European Airlines (AEA), service commitments of those involved in air transportation (airports).

Management, the environment, documentation, food security, health and safety in the workplace: ISO series 9001, 14001, 15489, 22000 and OHSAS 18001/ISO 45001.

– Internal standards

These represent the application of the external standards, adapted to the processes of each company.

Regulatory level: operating, maintenance and safety manuals, etc., and the related general procedures, which are mostly subject to formal approval by the administrative authorities issuing the authorizations (DGAC, IVW-DL, FAA, etc.).

Management systems: the Air France Integrated Management System/IMS Manual and the KLM Safety Management System/Manual, together with the related general procedures like the Quality-Safety-Environment manuals of the entities, the manual on health and safety in the workplace, Flight Safety management, environmental management, management of the Company’s food hygiene, together with the related general procedures.

Passenger service: standards, services signatures, the five attitudes, the PAMs (Passenger Airport Manuals), the general sale and after-sales conditions, together with the other procedures associated with customer service common to Air France and KLM.

general provisions of the quality assurance system applied in the two companies, i.e. the overall organization, management processes, and the procedures and resources required to implement quality management and meet the expectations of customers and other stakeholders.

In each division of the two companies, an ISM/ISMS review takes stock of the operation of the ISM/ISMS management systems and measures the performance of the main steering processes.

In addition to the regulatory approvals enabling each company to carry out its activities, progress is recognized in the achievement of certification from independent bodies, notably, for example:

For Air France:

- IOSA certification (IATA Operational Safety Audit) since September 2005, renewed in 2021;
- Air France global IMS certification based on the ISO 14001/Environment, ISO 22000 certification for food health renewed in 2021.

For KLM:

- the ISO 14001/Environment and ISO 500001/Energy certifications were renewed in 2021;
- IOSA certification (IATA Operational Safety Audit): The audit was performed in the autumn of 2020 and the renewal of the certificate took place in March 2021.

Quality assurance

Control over the operational processes is based primarily on three monitoring methods:

Internal monitoring is carried out by the quality assurance departments articulated around:

- an audit and inspection program (covering, in particular, organization and management, flight operations, in-flight service, flight planning, ground handling and freight, hazardous merchandise, engineering and maintenance);
- regular monitoring of operations with incident analysis and routine use of debriefing;
- proactive prevention processes.

External monitoring is carried out by the Civil Aviation Authorities (IVW-DL, DGAC, FAA, etc.) and specialized certification bodies, and takes the form of audits of the operating principles and of the Group's proprietary internal monitoring system. Air France and KLM are also regularly audited by their customers and partners.

Monitoring of partners

Control over sub-contractors and suppliers is undertaken within the framework of the regulatory monitoring program approved by the Civil Aviation Authorities.

Code share partnerships are subject to an additional requirement to comply with IOSA standards that are recognized by the profession as the ultimate reference in Flight Safety and Security. The general rule is that partners are IOSA certified except in the specific case when, for example, the size of aircraft excludes the airline from the IOSA scope. In this case, the partner airline is not IOSA certified, Air France and KLM implement a special technical monitoring process aimed at providing a reasonable assurance of an equivalent level.

In terms of control over the monitoring process, the supervision of the effective implementation of preventive/remedial actions resulting from this overall monitoring is ensured by the quality assurance departments, coordinated within each airline.

More generally, the sub-contractor control procedure addresses all the areas of risk. It is reflected in the realization of monitoring activities like audits, inspections and checks, sometimes carried out by the sub-contractors themselves. Monitoring is ensured on a quarterly basis. An expanded transverse action plan is in place, taking into consideration the new legislation on the duty of vigilance. More globally an action plan covering the monitoring of sub-contractor activity is deployed in the different Air France entities and coordinated at the corporate transverse level in dedicated steering committees.

Information systems

The control procedures cover the information and telecommunication systems.

These procedures aim to ensure the:

- reliability of the IT and telecommunications systems;
- integrity of the data through the appropriate resources, infrastructure and checks;
- continuity of IT services and the availability of data at the production sites through a local contingency strategy, secure architecture and a security system covering external access points;
- confidentiality of information within the framework of national laws and the security of IT infrastructures through the establishment of secure, monitored and effective accesses.

The managements of the Air France Group and the KLM Group ensure that the resources and expertise required by the information systems are developed within the framework of defined strategic objectives.

Project management and software application development tools are also deployed: the so-called Symphony method for common Air France-KLM projects was based on the Tempo (Air France) and Prince2/Steelband (KLM) methods. Air France-KLM has adopted an "Agile" development process based on the SCRUM and DEVOPS methodologies. The main aims are to generate business line added value more rapidly, accelerate "Time to Market", align IT and business line objectives by prioritizing value, avoiding the development of rarely-used functionalities, reducing the risks at the earliest-possible opportunity, streamlining the development and maintenance processes and increasing the effectiveness of the teams.

The work carried out in connection with Internal Control projects and the ongoing project to gradually establish a coordinated and optimized organization is leading to the launch of action plans designed to strengthen Internal Control, particularly with regard to risks like business continuity and personal data protection.

The Group's Information Technology division defines the policies establishing the framework for the functioning, security and consistency of the information systems deployed and has published a Security Information Manual (ISM – ISO 27001 standard), establishing a common security policy for information systems.

Procurement

The common Air France–KLM Procurement organization has been operational since September 1, 2008, and is headed by a Group Chief Procurement Officer from KLM, seconded by an Air France Senior Vice-President, Procurement. It is structured around seven procurement teams. These procurement teams act in a transverse and coordinated manner for each of the Air France–KLM Group, Air France and KLM as well as for, when required, a number of the Group's airline subsidiaries.

The activity of the Procurement function aims to supply the entities with suitable products and services at the required time, at the best possible cost of ownership and at the lowest possible risks.

This is achieved by applying a procurement policy focused on the expertise of the buyers, with separate responsibilities (buyer, prescriber and supplier), the establishment of contracts and the use of various (electronic) tools.

The CPO Board, comprising the Group Chief Procurement Officer from KLM and Air France's Senior Vice-President, Procurement, coordinates the Procurement teams through regular meetings and presents the procurement performance and developments to the CFOs on a quarterly basis.

The Heads of Procurement meet on a regular basis in the different structures (e.g. the Quarterly Air France–KLM DPO Meeting, a Quarterly Performance Meeting, direct meetings between Heads, etc.) to develop joint programs and share best practices.

To assess the risks related to sustainability (environmental, ethics, procurement, social) vendors are analyzed and evaluated by EcoVadis, a company mandated by Air France–KLM, with the emphasis on high-risk segments such as production in low-cost countries, and with a minimum score requirement. In addition,

all procurement-managed vendors are required to commit to a Code of Conduct, reflecting Air France–KLM's sustainability requirements.

All new vendors are assessed on their level of financial risk on the basis of the Dun & Bradstreet evaluation. Risk reduction strategies are required for vendors with a high level of financial risk.

Lastly, to reduce the risks at Air France–KLM level, all contracts with vendors include clauses on anti-bribery, personal data handling and other relevant risk areas.

Prevention of ticketing fraud

A fraud prevention unit is responsible for preventing, insofar as possible, the risks relating to the:

- fraudulent use of illegally-purchased tickets (credit cards and other means of payment);
- protection of loyalty programs (individual and corporate clients) in terms of both earn and burn;
- internal fraud.

A fraud prevention activity report was submitted to the Audit Committee in October 2021.

Both Air France and KLM have put in place whistle-blower procedures and an e-learning anti-fraud training module aimed mainly at the sales teams.

Prevention of financial fraud

Due to the proliferation of cases of attempted fraud, the Group has strengthened its internal control processes with detailed instruction notes, e-learning modules and training/information sessions.

Evaluation and monitoring of Internal Control

When establishing its internal control framework and risk management process, Air France–KLM chose the COSO 2013 (Committee Of Sponsoring Organisation of the Treadway Commission) standard and the COBIT 5 (Control Objectives for Information and related Technology) as its starting point.

3.3.3 Internal control relating to the establishment and processing of financial and accounting information

Based on an analysis of the significant entries in the consolidated financial statements and an assessment of the risks, the Airlines have identified the most significant divisions and subsidiaries and, within these divisions, the processes that make a predominant contribution to the establishment of the financial statements.

The Group's major divisions and subsidiaries had thus evaluated the effectiveness of their Internal Control relating to financial information as at December 31, 2021.

Pursuant to Article L. 823-19 of the *Code de Commerce*, the Audit Committee oversees the process to establish the financial information and, when necessary, formulates recommendations to guarantee the integrity of the process to establish the financial information, the effectiveness of the Internal Control and risk management procedures and, as necessary, of Internal Audit, as regards the procedures required to establish and process the accounting and financial information, with no compromise to its independence. It also ensures the realization by the Statutory Auditors of their mission and respect by the Statutory Auditors of the conditions for their independence.

Financial procedures and processes and the accounting year end

Finance process

Investments are managed at the level of each company and the decision-making process is coordinated by the Group Investment Committee (GIC) through decision-making platforms (above €0.5 million) bringing together all the stakeholders (business line and management controllers at company and Group level). This Group Investment Committee is composed of Air France-KLM's Chief Financial Officer and the Chief Financial Officers of Air France and KLM.

All investments of more than €5 million, together with operations relating to the fleet, and shareholding and divestment transactions, are submitted for approval to the Group Executive Committee by the Group's Management Controller and the Group's Chief Financial Officer.

The management of Air France-KLM's market risks is overseen by the Risk Management Committee (RMC), which meets at least each quarter to define the risk management strategy of the Group, and, after examining the various Group risk reports, determines the hedges to be set up during the coming quarters, with notably, the hedging ratios to be achieved, the time period for respecting these targets and, potentially, the preferred type of hedging instrument.

These decisions are then implemented in each company by the respective Treasury Management departments, pursuant to the procedures for the delegation of powers.

Regular meetings are organized between the Treasury Management departments of the two companies, to optimize the coordination of recommendations made to the RMC and subsequent decision implementation (hedging instruments, the strategies planned and counterparties).

The fuel hedges are covered in a weekly report forwarded to the General Managements of the Air France-KLM Group, Air France and KLM. A summary of the cash positions of Air France, KLM and Air France-KLM is communicated weekly to the Air France-KLM Group's General Management.

The Air France-KLM, Air France and KLM cash positions are the subject of monthly reports to the Finance departments. These reports include the interest rate and currency positions, the portfolio of hedging operations, a summary of investments and financing by currency and a tracking statement of the risk exposure by counterparty. The Risk Management Committee sets the minimum thresholds in terms of the financial quality of counterparties, determines the maximum amount to be allocated to a single counterparty and is responsible for monitoring the quarterly positions.

The hedge strategies aim to reduce the exposure of Air France-KLM and therefore to preserve budgeted margins. The instruments used are futures, swaps and options. The internal risk management procedures prohibit instruments characterized as trading instruments unless expressly authorized by the Chief Financial Officer of Air France-KLM. All the instruments used must qualify as hedging instruments pursuant to the IAS/IFRS accounting rules. Generally speaking, no trading or speculation is authorized.

Any substantive change in the hedging strategy is the subject of a systematic presentation to the Group Audit Committee.

Accounting and financial statements process

The consolidated financial statements of the Air France-KLM Group are prepared on the basis of the data provided by the finance departments of the Air France-KLM holding company and its subsidiaries.

The Group is principally composed of the two operational sub-Groups, Air France and KLM, which prepare their own consolidated financial statements prior to their consolidation within the Air France-KLM financial statements.

It is imperative that the accounting information reported by the different companies complies with the Group's accounting rules, methods and standards as defined by the Group, and the presentation of the financial statements must comply with the format circulated by the Group.

All the companies within the Group refer to the Accounting Procedures Manual which is based on the International Financial Reporting Standards governing the establishment of the financial statements of European listed companies.

The consolidated financial statements are submitted to the General Management then presented to the Audit Committee every quarter. Furthermore, the half-year and annual financial statements are also audited by the Statutory Auditors prior to their formal closure.

The parent company's financial statements are the subject of a presentation to the General Management and the Audit Committee, are approved by the Board of Directors and are audited by the Statutory Auditors.

Process for reporting passenger and cargo revenues

This process is performed in each of the companies and enables monthly revenue figures to be communicated to management. Furthermore, Air France and KLM have established a procedure known as the "progressive daily revenue" process making it possible to know the estimated amount of passenger revenues for the previous day.

In addition, departments of the Group, Air France and KLM analyze the results by market and by route (unit revenues per revenue passenger-kilometer, per available seat-kilometer, per revenue ton-kilometer etc.) at the level of the passenger and cargo businesses.

A monthly presentation on the level of transportation revenues (passenger and cargo) is also made to the Group Executive Committee by the senior managers of these entities.

The Shared Services Center (SSC) in Toulouse is in charge of commercial Passenger revenues for the companies Air France and KLM, while the Shared Services Center at Amsterdam-Schiphol is responsible for commercial Cargo revenues for the Group (Air France, KLM and Martinair).

For these two activities, service level agreements have been signed between Air France, KLM and Air France-KLM.

Management Control reporting process

The Group Corporate Control department coordinates the reporting process with the Corporate Controllers in the two sub-groups.

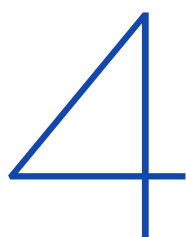
In liaison with the Group's principal divisions and subsidiaries, these three teams of controllers then analyze the past month's

financial results and estimate the results for the coming months (forecast adjustment process) through to the end of the current financial year.

Once the accounting result for the month is known, Group Corporate Control produces a monthly document (known as the Group management report) that summarizes the monthly key business, employee-related and financial data, both actual and for the coming months, in order to determine the outcome for the current financial year for the Group, the two sub-groups and each business line. The same applies to the figures on cash-flow, and the cash and debt positions.

This monthly Group management report is distributed to the Group Executive Committee and presented to the CEO Committee by the Group's Chief Financial Officer.

In addition, management review meetings take place on at least a quarterly basis between the CEOs, CFOs and Executive Vice-Presidents of the Passenger, Cargo, Engineering & Maintenance and Transavia businesses.



CORPORATE SOCIAL RESPONSIBILITY — EXTRA-FINANCIAL PERFORMANCE STATEMENT

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Pursuant to Article L. 225-102-1 of the French Code of Commerce (*Code de Commerce*), the Air France-KLM Group sets forth the main social, societal and environmental issues linked to its activities, and relating to Human Rights and business ethics, across the entire value chain, and stipulates the policies in force to prevent, identify and mitigate the occurrence of these risks.

All of this information is reviewed by one of the Group's Statutory Auditors, as a designated Independent Third Party. The reporting scope covers the Air France-KLM Group. When the information relates to a different scope, the scope of application is specified in the text.

4.1 CREATING LONG-TERM VALUE FOR ALL OUR STAKEHOLDERS

4.1.1 The Group's business model

The world has been traversing a major public health crisis. The global fight against Covid-19 has had a severe impact on our economies and societies. This is an unprecedented chapter in the history of the Air France-KLM Group, as well as for the airline industry as a whole. The Air France-KLM Group is committed to tackling this crisis and demonstrating that we have all the assets we need to overcome it, as we have done repeatedly throughout our history.

The Group's business brings together people, economies and cultures, and drives economic growth and social progress. The overarching ambition of the Air France-KLM Group is to become an aviation champion in Europe, while assuming its role as a pioneer in sustainable aviation. As such, flight and health security are both an absolute imperative that the Group owes to its customers and staff, and a daily commitment.

The value creation model shows the impact areas where the Air France-KLM Group adds value and which, thanks to its

fundamental strengths and unique competitive advantages, enables a response to the societal and sustainability challenges. As part of its day-to-day activities, the Group interacts with all its stakeholders (employees, shareholders, customers, suppliers, authorities, local communities and players in civil society like NGOs, etc.), while its activities and operations have multiple impacts on wider society.

The main impacts, both quantitative and qualitative, are summarized in the "Reporting of the Group's extra-financial risks" paragraph in section 4.1.2 "Identification of the key priorities for building long-term relationships". The policies implemented are outlined in sections 4.2 to 4.6.

The post-crisis world will no longer be the same. Within this context, the fundamentals of our strategy, in particular our commitment to sustainability, remain and are being accelerated.

4.1.2 Identification of the key priorities for building long-term relationships

Ongoing dialogue and a mutual understanding of the challenges facing Air France-KLM and its environment are key to building long-term relationships with stakeholders.

Dialogue with stakeholders

The Group pays a great deal of attention to the expectations of its stakeholders, in particular its customers, shareholders, employees, the authorities and national policy makers, its suppliers, associations and local communities, and players in civil society, like NGOs. A number of initiatives enable their perception to be evaluated on a regular basis through, notably:

- internal barometers and meetings to gather employee suggestions;
- customer perception and satisfaction surveys;

- regular exchanges with individual shareholders, mainstream and Socially Responsible Investment (SRI) investors together with recommendations from extra-financial ratings agencies;
- dialogue with the authorities and national policy makers;
- dialogue and evaluation of supplier CSR performance;
- exchange of best practices and working groups within the industry, and with other large companies;
- opinions and remarks gleaned from the dedicated email addresses, websites and the social media;
- feedback channels deployed to enable stakeholders (particularly employees, customers and local residents around airports) to communicate any comments and complaints.

Every two years, the Group carries out materiality analyses, enabling the priorities key to the Group's activity to be re-evaluated and the results to be compared with those from previous materiality analyses. Group stakeholders like corporate and individual customers, employees, shareholders, investors, suppliers, NGOs, governmental organizations, local representatives from the Paris and Schiphol regions, sustainability managers from leading companies and representatives of the airline sector and the Group's peers, are requested to reassess the key priorities of the Group's activity. For each topic, the respondents rank the level of priority to be accorded by Air France-KLM and their perception of the Group's current level of performance.

The materiality analysis carried out in 2021 reaffirmed the priorities deemed to be the most important for the Group in 2019. Customer Satisfaction, Fleet development, Reducing CO₂ Emissions, Financial Performance and Safety (flight, health safety and security) remain the top materiality issues raised by stakeholders. The 2021 materiality analysis also shows the growing concern surrounding Sustainable Aviation Fuel, sustainable supply chain management and climate change in the impact of the Group's activity. Innovation is also a concern for our customers. The detailed results highlight that the Group and its stakeholders agree on the perception of the priority nature of these issues.

Within the framework of this analysis, stakeholders also ranked a list of strategic priorities potentially impacting the sector's long-term growth, namely: the acceptability of the environmental impacts of aviation, the use of sustainable alternative fuels, changing customer behavior, control over the carbon reduction trajectory and fair competition between airlines all headed the list.

In 2021, BlueLink, the Group's largest non-aviation subsidiary, a specialist in customer relations in the airline, luxury, tourism and cultural sectors, also carried out a consultation process with all its stakeholders: a map of 15 issues drawn up by the Management Committee were ranked in order of priority by the various stakeholders of BlueLink. More than 400 employees worldwide, the company's Board, trade unions, government entities, customers, the different key partners and various representatives of the local community all participated in this process. As a result of this consultation process, a sustainability strategy was built based on three priority issues on which BlueLink will focus over the next three years (2022-24): human capital development, staff engagement and local & environmental impact. An additional four issues have been identified and

will continue to guide its actions on a daily basis: customer engagement, economic impact, data security and responsibility & business ethics. By focusing on these three priority issues and consolidating the four additional issues, BlueLink seeks to contribute to attaining UN Sustainable Development Goals 5, 8, 9, 10 and 13⁽¹⁾. By pursuing and developing its sustainable development strategy, BlueLink's ambition is to be a responsible, solid and efficient international group, focused on business development, innovation and staff engagement.

Analysis of the extra-financial risks

The extra-financial risks are monitored on a permanent basis and are an integral part of the Group's operational risk sheets. They are also an integral part of the Group's Sustainable Development strategy and are the subject of measures, monitoring procedures and action plans.

The Group reviews its main extra-financial risks and opportunities on an annual basis. The main environmental, social and societal risks resulting from its activities across the entire value chain are evaluated to establish a matrix of the extra-financial risks. The results are reconciled with those of the materiality matrix which illustrates the differing perceptions of the internal and external stakeholders.

Within the Board of Directors, the main extra-financial risks are discussed and reviewed each year by the Sustainable Development and Compliance Committee, then validated by the Audit Committee. These risks and the policies implemented are outlined in chapter 3 "Risk and risk management" and in sections 4.2 to 4.6.

Reporting of the Group's extra-financial risks

In 2020, the extra-financial risks analysis enabled a re-evaluation of the main risks to which the Group must respond and these risks were outlined in its Extra-financial performance statement.

The following table summarizes the Group's priorities, the related risks and the opportunities deemed to be the most material, the policies in force to reduce their impacts, the performance indicators and the Group's contribution to the United Nations Sustainable Development Goals (SDGs). For each topic, the risks are ranked by order of importance. The most material issues are marked with an asterisk. In addition, wherever possible, key performance indicators have been added.

(1) <https://www.un.org/sustainabledevelopment/sustainable-development-goals>

Group's priorities and policies in force to reduce their impacts

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Human resources			
Working conditions and social dialogue* SDG 8	<p>Risks: Conflictual negotiations on workplace agreements, social conflicts, strikes.</p> <p>Potential impact on employee engagement, on customer service quality, on the quality of customer service, on operations, on the Group's reputation and its attractiveness as an employer.</p> <p><i>See section 3.1.3.4 "Working conditions and human capital development"</i></p>	<p>Foster a constructive and transparent dialogue to build mutual trust, pursue a policy based on respect of individuals and responsibility towards customers, in a confidential manner.</p> <p>Opportunities: Employee motivation and commitment.</p> <p><i>See 4.2.1 "Working conditions and employee engagement"</i></p> <p><i>See section 4.2.2 "Resource adaptation and employee dialogue"</i></p>	Employee Promoter Score (EPS)
Human capital development* SDG 8	<p>Risks: Mismatch between employee skills and the company's needs, shortage of people with specific qualifications, difficulty in recruiting and/or retaining talent.</p> <p>Potential impact on the ability to grow, capture new market shares and fight the competition, and on the employer brand image.</p> <p><i>See section 3.1.3.4 "Working conditions and human capital development"</i></p>	<p>Offer a training and career development program to every employee, giving them the opportunity to learn and develop their skills.</p> <p>Opportunities: Attract talent, steer skills and qualifications in line with the long-term strategy.</p> <p><i>See section 4.2.3 "Development of human capital and talent management"</i></p>	Number of hours of training per employee
Diversity, equity and inclusion SDG 5	<p>Risks: Inequitable treatment of employees, discrimination in recruitment, compensation and career development for inappropriate reasons (sex, age, nationality, sexual orientation, disability, religion, ethnicity, etc.).</p> <p>Potential financial impacts with the increase in social costs (disputes, absenteeism, resignations), reduced innovative ability due to a lack of diversity, deterioration in the company's reputation as an employer.</p>	<p>Advocate diversity, implement processes ensuring equal opportunity and combatting all forms of discrimination.</p> <p>Opportunities: Employee motivation and commitment, diversity and inclusion for a more innovative company and better to reflect society and customers.</p> <p><i>See section 4.2.4 "Diversity, equity and inclusion"</i></p>	% of women in managerial functions

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Health and safety in the workplace SDG 8	<p>Risks: Unsafe working situations (safety and security), accidents in the workplace (physical and psychosocial), employee health measures in keeping with the working conditions.</p> <p>Potential financial impacts with an increase in social costs (absenteeism, loss of working time, insurance and replacement costs), deterioration in levels of customer service and in the company's reputation as an employer.</p>	<p>Implement a voluntary and proactive approach towards risk prevention and protecting employee health and safety <i>i.e.</i> the airline safety standards in force.</p> <p>Opportunities: Promotion of a safety-first culture and individual vigilance supported by all the employees.</p> <p><i>See section 4.2.5 "Health, safety and quality of life in the workplace"</i></p>	<p>Frequency and gravity rates for accidents in the workplace</p>
Environment CO₂ emissions and adaptation to climate change* SDG 13, 7, 9, 17	<p>Risks: Questioning of the acceptability of air transportation growth potentially leading to a reduction in operations and more restrictive regulations. Customer expectations and growing pressure from civil society to reduce environmental impacts.</p> <p>Potential financial impacts with an increase in operational costs (new procedures, etc.) and compensation potentially leading to a distortion in competition between carriers. Decline in customer demand. Deterioration in the company's reputation and that of the industry as a whole.</p> <p><i>See section 3.1.2.2 "Acceptability of air transportation growth"</i></p>	<p>Implement CO₂ emission reduction policies for the air and ground operations, and identify ambitious reduction targets through to 2030. Propose offsetting solutions.</p> <p>Opportunities: Modernization of the fleet with the arrival of more efficient aircraft (reduction in fuel consumption) and the earlier retirement of older and more polluting aircraft types, energy transition to electric runway equipment. Contribution to the development of low-carbon energies by supporting the development of industrial production for sustainable alternative fuels. Gain market share by responding to the expectations of individual and corporate customers. Partnerships to develop innovative solutions on the ground and in the air.</p> <p><i>See section 4.3.1 "Carbon emissions"</i></p>	<p>CO₂ efficiency per passenger kilometer √</p> <p>CO₂ emissions variation from the ground operations (scope 1&2)</p>
Acoustic performance and air quality* SDG 9, 17	<p>Risks: Questioning of the acceptability of air transportation growth potentially leading to more restrictive regulations and the limitation of operations.</p> <p>Potential operational and financial impacts with the implementation of new regulations and procedures.</p> <p><i>See section 3.1.2.2 "Acceptability of air transportation growth"</i></p>	<p>Pursue a permanent dialogue with the representatives of local-resident associations around airports and implement less noise procedures.</p> <p>Opportunities: Modernization of the fleet with the arrival of more efficient, quieter aircraft and the earlier retirement of older and more polluting aircraft types.</p> <p><i>See section 4.3.2 "Acoustic performance and air quality"</i></p>	<p>% of fleet under ICAO Chapters 4 & 14</p>

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Waste and the circular economy* SDG 12	<p>Risks: Questioning of the acceptability of air transportation growth potentially leading to more restrictive regulations on resource management and waste.</p> <p>Potential operational and financial impacts with the implementation of new procedures, impacts on the Group's reputation as a responsible airline operator.</p> <p><i>See section 3.1.2.2 "Acceptability of air transportation growth"</i></p>	<p>Develop a policy to reduce, recycle and upcycle waste.</p> <p>Opportunities: Respond to the expectations of customers by reducing wastefulness and recycling waste.</p> <p><i>See section 4.3.3 "Waste and the circular economy"</i></p>	% change in non-hazardous non-recycled waste
Biodiversity SDG 17	<p>Risks: Impact of air transportation on biodiversity linked to the effects of climate change induced by the CO₂ emissions it generates.</p> <p>Potential financial impacts with the increase in operating costs (new procedures, etc.) and offsetting potentially leading to a distortion in competition between carriers. Decline in customer demand. Deterioration in the company's reputation and that of the industry as a whole.</p>	<p>Offer customers offsetting solutions and support environmental projects.</p> <p>Opportunities: Partnerships to develop innovative solutions on the ground and in the air.</p> <p><i>See section 4.3.4 "Biodiversity"</i></p>	
Customer trust Operational safety for stakeholders* SDG 3, 12	<p>Risks: Loss of customer trust in the Group's ability to ensure their safety throughout their journeys (flight safety, food security, health, etc.).</p> <p>Potential financial impacts linked to the loss of market share and to competition.</p> <p><i>See section 3.1.2 "Risks relating to the air transportation activity"</i></p>	<p>Ensure the safety and health of all stakeholders (customers, employees and partners) while improving the customer experience throughout their journey.</p> <p>Opportunities: Customer loyalty based on trust in the Group's activities.</p> <p><i>See section 4.4.1 "Operational safety for stakeholders"</i></p>	Net Promoter Scores (NPS)
Adaptation to climate change (operational impacts)* SDG 13	<p>Risks: Operational disruption due to more frequent extreme climate events (storms, high winds, flooding, snow, droughts, etc.). Deterioration in customer service quality.</p> <p>Potential operational and financial impacts linked to flight cancellations, delays and re-routing. Additional costs linked to the maintenance and preservation of assets, passenger compensation.</p> <p><i>See section 3.1.2.2 "Climate change and violent natural phenomena"</i></p>	<p>Implement a policy to secure operations and operational and commercial procedures to guarantee customers service continuity, in the best conditions.</p> <p>Opportunities: Development of a balanced network. Deployment of a differentiated Recovery policy for customers.</p> <p><i>See section 4.4.1 "Operational safety for stakeholders"</i></p>	

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Confidentiality and data protection* SDG 12	<p>Risks: Loss of customer trust in the Group's ability to protect and ensure the confidentiality of their personal data.</p> <p>Potential financial impacts linked to the loss of market share and to competition.</p> <p>See section 3.1.3 "Risks relating to the Group's processes"</p>	<p>Implement data privacy policies and IT systems, and ensure the confidentiality of personal data.</p> <p>Opportunities: Secure customer loyalty based on their trust in the Group's activities.</p> <p>See section 4.4.2 "Confidentiality and data protection"</p>	
Accessibility of the products and services SDG 12	<p>Risks: Loss of customer trust in the Group's ability to ensure access to its products and services, to all of its customers, throughout their journeys.</p> <p>Potential financial impacts linked to the loss of market share and to competition. Reputational impact on the Group's image as a responsible air operator.</p>	<p>Propose assistance services to passengers with disabilities or with reduced mobility.</p> <p>Opportunities: Gain of market share and customer loyalty based on their trust in the Group's activities. Contribution to a more inclusive society.</p> <p>See section 4.4.3 "Accessibility of the products and services"</p>	
Ethics			
Respect of Human Rights	<p>Risks: Non-respect of the fundamental liberties and social regulations in the capacity as an employer and through the supply chain.</p> <p>Potential financial impacts (substantial fines, legal proceedings), impact on the Group's reputation.</p>	<p>Implement policies aimed at ensuring respect of the fundamental liberties and the compliance of all the Group's activities. Deploy a responsible procurement policy.</p> <p>Opportunities: Image and reputation as a responsible business.</p> <p>See section 4.5.2 "Respect of human rights"</p>	
Business ethics	<p>Risks: Non-respect of regulations (laws on competition and anticorruption, taxation), commercial sanctions and regulations relating to export control, due to unethical behavior on the part of employees.</p> <p>Potential financial impacts (substantial fines, legal proceedings), impact on the Group's reputation.</p> <p>See section 3.1.3 "Risks relating to the Group's processes"</p>	<p>Implement a compliance program and process to ensure the compliance of all the businesses, and measures to prevent unethical practices by employees, via risk mapping, policies and relevant information, training and awareness-raising initiatives.</p> <p>Opportunities: Image and reputation as a responsible business.</p> <p>See section 4.5.3 "Business ethics"</p>	Realization rate of e-learning program on the prevention of corruption

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Societal value			
Local development SDG 8	<p>Risks: Questioning of the Group's regional growth due to more restrictive local and national regulations.</p> <p>Potential financial impacts with the increase in operating costs potentially leading to a distortion in competition between carriers.</p> <p><i>See section 3.1.2 "Risks relating to the air transportation activity"</i></p>	<p>Contribute to local development by creating direct and indirect jobs and activity around the hubs, and in the territories served by the Group.</p> <p>Opportunities: Promote the acceptability of activity growth.</p> <p><i>See section 4.6.1 "Local development"</i></p>	
Responsible procurement SDG 12, 17	<p>Risks: Major break-down in the supply chain due to non-respect or serious breach in terms of working conditions (health and safety), Human Rights (forced working, child labor), the environment (pollution) or corruption.</p> <p>Potential financial impacts (substantial fines, legal proceedings), on the Group's reputation.</p> <p><i>See section 3.3.2 "Fundamental components of internal control established within the Group"</i></p>	<p>Implement a responsible procurement policy enshrining the principles of societal responsibility in relations with suppliers, by reinforcing the management of ethical, social, environmental and supply chain risks.</p> <p>Opportunities: Dialogue with suppliers on the sustainable development priorities, implementation of innovative solutions.</p> <p><i>See section 4.6.2 "Sustainable procurement"</i></p>	<p>% of suppliers having signed the Supplier Code of Conduct</p> <p>Number of suppliers evaluated by Ecovadis</p>

√ Data verified by KPMG for 2021 (reasonable level of assurance).

4.1.3 Business responsibility at the heart of the strategy

Air France-KLM's ambition is to achieve high standards of performance over the long term by reconciling profitable growth, environmental protection, social progress and the development of the regions in which it operates.

Governance

Sustainable Development governance is ensured by the management bodies at the highest level of the Group. The Board of Directors and Executive Committees ensure that sustainability topics are given high priority and the sustainability teams report frequently to the most senior levels of management. They make sure that sustainability decisions are taken at the right level within all the relevant entities:

- the Board of Directors approves the strategic orientations and monitors their implementation;
- within the Board of Directors, the Sustainable Development and Compliance Committee, established in 2018, assists in reviewing the risks and policies, by issuing recommendations and ensuring that issues linked to sustainable development are taken into account when defining the Group's strategy. In particular, twice a year, the Sustainable Development and

Compliance Committee reviews the risks linked to climate change and the remedial measures in place. Having taken into account the recommendations of the Sustainable Development and Compliance Committee, the Audit Committee approves the review of the main extra-financial risks on an annual basis;

- the Group Executive Committee determines the sustainable development policy and ensures that it is an integral part of the Group's strategic planning. It reviews the sustainable development strategy and performance on an annual basis. The Group's Corporate Secretary is responsible for the Sustainability and Compliance department;
- at Air France, the Sustainable Development policy is steered by the Executive Vice-President, Corporate Secretary, who is a member of the Air France Executive Committee, supported by Air France's Sustainable Development Committee composed of members of the Air France Executive Committee, which guides and ensures the advancement of Air France's sustainability strategy and efforts. At KLM, this role is fulfilled by the Executive Vice-President General Counsel & Corporate Center who is a member of the KLM Executive Committee, supported by KLM's Sustainable Development Council, which guides and ensures the advancement of KLM's sustainability strategy and efforts.

The compensation of Benjamin Smith, Chief Executive Officer of the Air France – KLM Group, includes criteria related to non-financial issues and sustainability in both the KPIs for the annual variable compensation and the KPIs for the long-term variable remuneration (see section 2.5.2). The same sustainable development criteria are also included in the variable portion of the compensation of Anne Rigail, Chief Executive Officer of Air France and Pieter Elbers, President & Chief Executive Officer of KLM.

Centralized and transversal responsibility for sustainability

Initiation, coordination and management of activities related to sustainability

The Group and airline Sustainability Departments are tasked with proposing and implementing the sustainable development strategy. The teams align their actions and policies in a weekly meeting known as the “Sustainability Circle”. Department Sustainability Leaders act as multipliers in their respective business units. These sustainability champions function as a network in close cooperation with their Sustainability Departments as well as their own EVP/SVPs, to initiate, embed and accelerate sustainability topics within their functions.

In addition, during 2021, a Decarbonization Committee was established as a cross-functional internal management body for the review and strategic advancement of the Air France – KLM Decarbonization Road Map and its execution.

Commitments

Air France – KLM assumes its responsibilities as an employer and economic partner. It places its commitment to responsible and innovative corporate citizenship at the heart of its strategy. The Group’s commitments are set forth in its Corporate Social Responsibility Statement, The Air France-KLM Principles and its Climate Action Plan.

Air France – KLM’s Sustainable Development policy enshrines the respect of fundamental rights as defined in the leading international principles: Universal Declaration of Human Rights, the International Labor Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development’s (OECD) guiding principles.

Air France – KLM has been a signatory of the United Nations Global Compact since 2003 and is committed to respecting its ten principles in the areas of Human Rights, labor, the environment and anti-corruption, and to promoting this commitment to its partners. By integrating sustainability into its business and operations, the Group strives to contribute significantly to the attainment of the UN Sustainable Development Goals within its scope of influence.

Extra-financial ratings

Air France – KLM assesses its extra-financial performance on a regular basis through the ratings of RobecoSAM (DJSI), Ecovadis, CDP, Vigeo Eiris, MSCI, Sustainalytics and ISS-ESG.

In 2021, for the seventeenth year running, Air France – KLM figured in the Dow Jones Sustainability Indexes (DJSI World and DJSI Europe) and, for the second consecutive year, the Ecovadis sustainability rating agency awarded the Air France – KLM Group the Platinum Medal (highest recognition for the top 1% highest label) while CDP awarded the Air France – KLM Group a score of C (awareness level) for the Climate Change rating questionnaire.

Furthermore, in 2021, to objectify its ESG performance and improve its strategy and practices, Air France-KLM proactively requested an independent ESG rating from Standard and Poor’s, becoming the first airline group to be evaluated through a requested ESG rating. Standard & Poor’s (S&P) Global Ratings thus assigned to Air France-KLM an ESG score of 64/100. With this rating, the Group is well positioned among the players in the airline industry with regard to the management of its significant exposure to environmental challenges. S&P underlined that Air France – KLM was well prepared to manage the ESG risks faced by airlines in the short and medium term.

Extra-Financial Performance Statement

In its Extra-Financial Performance Statement, the Group has opted to report on a number of priorities that it considers important in the light of its analysis of the extra-financial risks, its business activity and expectations of its stakeholders, and on the regulatory requirements.

The following concordance table shows where all the elements presented within the framework of the Extra-Financial Performance Statement (EFPS) can be found:

Elements of the EFPS	Chapter/section	
Strategy and business model	1.1	Market and environment
	1.2	Strategic outlook
	1.2.3	Air France-KLM's value creation model
Identification and description of the main extra-financial risks	3.1.2	Risks relating to the air transportation activity
	3.2.2	Identification and evaluation of the risks linked to the business
	3.1.3	Risks relating to the Group's processes
	4.1.2	Identification of the key priorities in building long-term relationships
Description of the policies, results and indicators	4.2	Human resources, Environmental impacts, Customer trust, Performance indicators
	to 4.6	Ethics and compliance, Societal value

4.1.4 Eligibility to the European taxonomy

The EU taxonomy is a classification system, establishing a list of environmentally-sustainable economic activities. It may play an important role in helping the EU scale up sustainable investment and implement the European green deal. The EU taxonomy provides companies, investors and policymakers with appropriate definitions and criteria to be met by economic activities to be considered environmentally sustainable. The Taxonomy Regulation was published in the Official Journal of the European Union on June 22, 2020 and entered into force on July 12, 2020, with a first application in the year ended December 31, 2021.

In 2021, as air transport and the maintenance of aircraft are not included in the delegated acts related to the taxonomy, the share of eligible activities in the Group's turnover is nil. Globally, in compliance with the definition provided by the Taxonomy Regulation, 1.8 percent of the Group's capital expenditure and 1.4 percent of its operational expenses, are eligible to the taxonomy. These percentages are mainly driven by investments and costs related

to Energy, Waste Management and Remediation, Transport, Construction and Real Estate activities, and Professional, Scientific and Technical activities.

Due to the absence of technologically and economically-feasible low-carbon alternatives in the aviation sector, and with the objective to meet our net zero emission commitment by 2050, aviation's contribution to fighting climate change and reducing emissions will have to be achieved by continuing to use kerosene in more fuel-efficient aircraft, progressively switching to sustainable aviation fuels that are increasingly CO₂ neutral. As current aircraft technology does not support zero or low-emission flying and is unlikely to do so until the next decade, the decarbonization of air transport will have to count on these transition activities. In this respect, the concept of sustainable aviation activity needs to be clarified as well as the key role of transition activities essential to achieving our goal of net zero emissions by 2050.

4.2 HUMAN RESOURCES

The Air France-KLM employees, present all over the world, are the Group's main asset; they bring to life the Group's brands and are their face to customers. Thanks to their collective commitment and professionalism, the Group is able to offer its customers high-end services and a caring journey, promoting lasting relationships while operating its activities efficiently and safely.

Despite the public health crisis, Air France-KLM aims to provide one of the best places to work, by creating a safe and motivating

environment for employees, and by monitoring engagement through the Employee Promoter Score (EPS). The Group continues to invest in human capital development and training, to develop the skills of employees and empower them, and to enable them to exceed customer expectations.

The relationship that links the Air France-KLM Group to its employees is based on four values: trust, respect, transparency and confidentiality.

Key Performance Indicator	Definition	2020 results	2021 results	Targets
Employee Promoter Score (EPS)	Annual change in the EPS measured with Air France and KLM employees between 2020 and 2021	+1.6%	-38.3%	
Percentage of women in managerial functions	Executive Committee members	30.8%	25%	33% by 2030
	Top 10% management level for ground staff			
	Flight deck crew managerial functions	34%	34.6%	40% by 2030
	Cabin crew managerial functions	5.7%	5.8%	
		65.7%	65.8%	
Number of hours of training per employee	Number of hours of training per employee consolidated at Group level	27.2 hours	31.3 hours	

See Note on the methodology for the reporting of the social performance indicators, section 4.2.6.4.

4.2.1 Working conditions and employee engagement

Context and strategy

The Covid-19 public health crisis had a very significant impact on Air France-KLM's activity and results in 2021. Border closures, health measures to respect for travel, a climate of international alarm and uncertain professional futures all devastated the aviation industry.

Air France-KLM did everything in its power to protect the health and safety of its customers and staff thanks to strict and effective health protocols. Against this backdrop of crisis and despite the context of remote and partial activity, employees maintained a very high level of engagement.

A continuous dialogue between the social partners and the General Management enabled all the negotiations on the reconstruction plan to take place in full transparency and in a constructive manner. In recognition of the loans guaranteed by the French and Dutch States, and recognizing the urgency, the entire social structure mobilized with agility and contributed significantly to Air France-KLM's long-term future.

Now, more than ever, the strategy common to all the Air France-KLM Group's businesses remains fostering the commitment and

motivation of employees, by offering the working conditions enabling them effectively to fulfil their professional functions, in support of the Group's levels of performance.

During 2021, our employees showed resilience and agility to adapt to the changing volume of operations. With many employees leaving the company mainly under voluntary departure plans, the Air France-KLM Group focused on employee mobility and the retention of talent.

Measures and performance

Within the Air France-KLM Group, the Employee Experience is a key element of its People strategy and a pillar of its Sustainable Development strategy. "Our people deliver our customer experience" and it is through this policy that the company can outperform its competitors. The roadmap is defined in action plans at the level of every division of the airlines and the Group including, notably, an ongoing commitment to staff development, support for initiative, the promotion of team spirit and reinforcing levels of motivation which is key to surmounting the Covid-19 crisis.

To measure the level of employee engagement, Air France and KLM use the Employee Promoter Score (EPS), the in-house equivalent of the Net Promoter Score which measures the level of customer satisfaction. In the two companies, a rotating random selection of employees is regularly polled to ascertain whether they would recommend Air France and KLM as employers to their friends and family. The results are shared with all staff. At Group level the consolidated EPS dropped by 38.3% between 2020 and 2021, which had been expected owing to the impact of the crisis on working conditions, a reduced workforce, the impact on compensation and benefits, and other elements related to the difficulties the industry is currently facing.

In addition to measuring the EPS, both airlines are working on a restructuring plan to give substance to the recovery in the longer term.

During the public health crisis, Transavia Netherlands experienced the highest ever score for its EPS. The airline has created a dedicated index to monitor the impact of Covid-19 on the Employee Experience. In the first month of the Covid outbreak, it identified ten dimensions potentially influencing the happiness of its employees which have been monitored by the airline throughout the crisis and have been maintained at a stable level.

Working conditions during the public health crisis

As of the onset of the public health crisis in March 2020 and throughout 2021, Air France-KLM implemented the company public health protocols stipulated by the French, Dutch and foreign governments, and sought to adapt these protocols to its various staff categories during the different phases of the pandemic (lockdowns, curfew, etc.).

These health measures have been communicated throughout the crisis *via* the different digital communication channels in support of line managers and *via* a proactive Health and Safety in the Workplace network: protective measures, availability of health kits, limitation on the number of days spent in the workplace, closure of the workplace restaurants, remote working, certification of professional travel, etc.

Health, safety and working conditions commissions have been organized at every key stage to agree with the employee representatives the measures to be put in place.

In France, in line with the recommendations of the health authorities and the national protocol for each change, the implementation of measures to protect employees against the risk of epidemics have been accompanied by a strengthening of the surveillance and follow-up of cases and contacts through occupational medicine, a statistical focus on declarations, and the constant availability of medical experts for the validation of the preventive measures.

In the Netherlands, any adjustments to Dutch legislation have been immediately translated into measures within KLM. Continuous

company-wide execution of Safety Issue Risk Analyses on the virus and the monitoring/introduction of new regulations, procedures and methodologies have ensured the appropriate measures and mitigations are in place to maintain safety.

Air France has implemented successful health prevention measures thanks to the identification of/work-arounds for its key challenges: the deployment of prevention measures, adoption of a multidisciplinary approach (Prevention OHS, management, HR, occupational medicine, logistics, the authorities, etc.), introduction of the French Sanitary Pass, constant adaptation and agility, clear processes and communication, involvement of the authorities and documentation, have all been addressed with positive energy.

To guarantee optimal working conditions for their employees, KLM, Transavia and Air France have enabled the development of remote working, as already provisioned, or by adding this provision to the existing agreement between Air France and the unions, signed in 2018.

At Air France, feedback on the practice of remote working was conducted over the summer of 2020 involving the relevant 12,200 employees. The results fueled a thinking process about different ways of working in the future, in particular hybrid working.

At Transavia France, specific attention was paid to the conditions for remote working. Guidelines have been provided for managers and regular communications including weekly live events have been organized to maintain strong links between all team members and employees. In November 2021, an innovative and flexible Working-From-Home agreement was signed for all support functions and crew management undertaking office activities.

KLM continued to facilitate the government's Covid-19 "working from home unless" guidelines and regulations, and applied strict safety and hygiene measures. In the meantime, taking the aspects of working from home into account, a corporate policy for hybrid working (combining working from home and in the office) was rolled out. To ensure that this hybrid way of working is sustainable and positive for all parties, KLM developed a digital guide that includes a team chart addressing relevant team collaboration topics. The mental health of employees working under increased pressure and/or from home is monitored *via* surveys.

In 2021, KLM also announced the results of its "How Are You?" well-being survey summarizing the answers of more than 5,500 respondents. In addition to the fact that 71% of the respondents reported their job satisfaction as "at least sufficient", this survey highlighted a broadly common perception of health and job satisfaction amongst those working at a KLM location or from home. The survey in itself showed care on the part of the company and KLM employees indicated their appreciation, opening the way to ongoing dialogue and follow-up.

Transavia Netherlands organized a number of “Healthy Talks” and online sessions on themes such as stress and a good work-life balance. This initiative will be followed up in 2022.

For frontline staff in contact with customers or aircraft who are not eligible for remote working, the Air France–KLM Group has continued to communicate the protection measures to be respected and equipped them with health protection kits.

Employee commitment despite the difficulties

2021 was marked by a very significant level of commitment from the Group’s employees despite the voluntary or compulsory departures of many colleagues. In 2021, the economic and social context prompted a feeling of uncertainty and this weighed on the major airlines’ Employee Promoter Scores (EPS) which dropped to below their levels of 2019. In 2021, the Air France–KLM Group reaffirmed its commitment to social and environmental topics in the regions where it operates.

In partnership with the start-up Vendredi, Air France mobilized its employees around volunteering with the creation of the “Mon Engagement Citoyen” initiative. Via this network and throughout the year, employees can offer their free time, positive energy and skills to partner associations in six areas of action dear to Air France and the Air France Foundation: Children, Education – Training – Employment, Disability-Health, Combating Precarity, Intergenerational Sharing and the Environment. Since its launch, 3,000 Air France employees have registered on the Vendredi platform and nearly 400 volunteering actions have already been carried out. This dynamic follows on from the Citizenship Days organized by the company in the past three years.

KLM’s approach to promoting sustainable development at the scale of the organization also drove the establishment of programs aimed at making KLM a more welcoming and inspirational employer offering diverse professional development opportunities. The aim is to stimulate employees and facilitate the activities enabling them to discover and develop their talents so that they can make better choices in a constantly-changing environment.

4.2.2 Resource adaptation and employee dialogue

Context and strategy

This is the most serious crisis experienced by the Air France–KLM Group since the Second World War.

Within this unprecedented context, the Group’s airlines have initiated a number of different actions to enable a return to financial breakeven, notably by reducing their labor costs, while prioritizing voluntary departures as far as possible. The Dutch

A few examples:

- in collaboration with MBO Airport College, KLM provides vocational education programs for employees without diplomas but with many years of professional experience. In the last five years, more than five hundred KLM operational employees have graduated with a nationally-recognized vocational degree in this “life-long learning” program. In 2021, the students of the BBL-3 Logistic team lead class and the BBL-4 supervisor logistic classes, which started in the 2019-20 academic year, completed their programs and obtained their degrees. In September 2021, new classes were launched in both programs;
- Regarding newly-hired employees on temporary KLM contracts, the company strengthened their position on the labor market by offering them a training program in September 2021 and obtaining a recognized degree. These students were well equipped to find positions with another employer;
- thanks to a collaboration with MBO Airport College lecturers which started in 2020, together with three other preferred schools, a further improvement in the quality of the steward/stewardess internship training program was achieved, benefiting hundreds of students.

Since 2020, the yearly societal initiative the “KLM Employee Blue Heart Event” has consisted of two parts: the KLM Blue Heart Days and the KLM Blue Heart Broadcast. Due to Covid-19 circumstances, the 2021 Blue Heart Day was cancelled, however the KLM Blue Heart Broadcast aired live in February.

During the year, KLM held multiple employee events across the Group and in the divisions to create memorable individual experiences. Managers continued to use WhatsUpp, a tool to facilitate dialogue within teams and help determine the actions to improve the Employee Experience (empowerment).

Throughout the year the CEOs, Board members and Executive Committee members frequently held webcasts to connect with staff, keep them informed of relevant developments and be available to answer any questions. In addition, the Human Resources departments multiplied their touch points with employees and managers.

and French governments have supported the Group’s efforts, each within the framework of their own country’s social systems.

This resource adaptation has been accompanied by reorganization and transformation projects aimed at improving the Group’s efficiency and restructuring its French domestic network, but also to take into account the new environmental conditions. The proposed measures have taken different forms adapted to the Group’s companies and depending on the legislation in force.

Right from the start, the calibration of the different plans and support measures have systematically been discussed and negotiated with the unions within the framework of the procedures imposed by the country's legal framework.

This constant and intense employee dialogue has been maintained throughout the crisis, notably *via* the use of an in-house video conferencing system, enabling all the relevant players to exchange ideas, including during lockdowns or periods of self-isolation.

Measures and performance

For Air France–KLM, the coordination of the workplace dialogue takes place in each Group entity and within the Group's European Works Council, bringing together the representatives of staff whose head offices or entities are based in the European Community.

During 2021, Benjamin Smith (Chief Executive Officer of Air France–KLM), Pieter Elbers (KLM's President & Chief Executive Officer) and Anne Rigail (Air France's Chief Executive Officer) held regular meetings with employees in the various sites, mainly *via* web conferences due to the situation of public health crisis, to engage in dialogue on current topics.

The number of Air France–KLM employees needs to be adapted to the present level of activity but also with that of the future, particularly in the face of the crisis currently being traversed by the aviation industry. Demographic changes, digitalization, changes in the employment markets and the new aviation industry technologies are pressurizing the company to prepare its employees to adapt to these changes. Strategic planning combined with an HR and business-oriented approach is focusing on the staffing outlook and the various future scenarios, while providing solutions on mobility, employability, staff recruitment and loyalty, and the management of the effects of the digital transformation.

The implementation of emergency measures for all employees

In France, further to the Partial activity (Activité Partielle) scheme implemented in 2020, the company and the unions signed an agreement with the three staff categories (Hostesses/Stewards, Ground Staff and Pilots) to enable the company to benefit from the Long-Term Partial Activity, from January 1, 2021 and for a two-year period (the maximum allowed by law).

This agreement mitigated the effects of the crisis on the Air France–KLM Group's cash position during 2021 and will extend the savings on personnel costs for Air France over this two-year period. It is also a lever for adapting organizations to the level of activity which remains dependent on the public health decisions and travel restrictions linked to border closures worldwide.

In April 2020, the Dutch government launched a generic wage support grant for companies in the Netherlands whose revenues had been impacted by the Covid-19 crisis. Both KLM and its subsidiaries applied for this so-called NOW-grant (whose literal

translation is the Emergency Bridging Measure for Employment) and committed to respecting the conditions linked to this measure. The NOW-grant was applied from March 2020 and continued in 2021. This support mechanism has prevented forced redundancies as far as possible in the short term.

Signature of major agreements in times of crisis

The negotiation of agreements in the different airlines of the Air France–KLM Group continued throughout 2021, to respond to the health and financial issues arising from the Covid-19 crisis.

In view of the health context and following the lockdowns in France, an amendment on remote working arrangements was signed in the summer of 2021 allowing employees whose positions are qualified to benefit from up to three days of remote working per week and to expand the use of this working method, while initiating discussions on hybrid working.

The salary negotiations with Air France Ground Staff, Cabin Crew and Pilots formalized the commitment to no general or individual salary increases during the crisis period of 2021-22, while recording additional cost-saving measures based on the reduction in the number of days of leave and the prioritization of the end-of-year additional remuneration as per the rate of partial activity.

The impact of salary reduction linked to partial activity is greater for employees with higher levels of remuneration. These measures enabled the avoidance of layoffs, Air France having reached its Voluntary Departure Plan objectives for the three staff categories.

Considering its growth outlook, Transavia France did not implement a resource adaptation program however partial activity was implemented until July 2021 and no general or individual salary increases took place in 2021.

In 2020, the Dutch government also facilitated a loan package to help mitigate the impact of the crisis. There are conditions attached to this loan package including a mandatory reduction in payroll costs. Employees earning a higher-than-median salary (€36,500 on an annual, full-time basis) have to contribute to this *via* a reduction in salary. This reduction depends on the level of salary and rises to 20% for employees earning three times the average salary or more.

While a workable Social Plan for Flight Deck Crew had already been part of an existing collective labor agreement, in 2020 KLM and the unions signed two new Social Plan agreements for Cabin Crew and Ground Staff. These agreements apply between October 2020 and December 2024. These two Social Plans for Cabin Crew and Ground Staff are based on measures aimed at limiting compulsory lay-offs as far as possible *via* recourse to a voluntary severance scheme and new career opportunities outside of KLM (e.g. a move into the healthcare or education sectors). Employees whose jobs are redundant after these measures will be forced to leave KLM. Agreements have been signed with the unions concerning one-off payments in the event of dismissal, and outplacement and assistance in finding new employment.

In 2017, the pension schemes for Flight Deck Crews and Cabin Crews had been de-risked while the pension fund for Ground Staff had remained a Defined Benefit scheme. In 2020, KLM and the unions for Ground Staff reached agreement on a Collective Defined Contribution Scheme (CDC-scheme). In 2021, the Pension Fund approved this new agreement and implemented the CDC-scheme.

Resource adaptation via a number of measures

At the beginning of the crisis in March 2020, the Group implemented emergency measures *via* a hiring freeze for external staff and only limited renewal of temporary contracts.

The Air France Group adapted its resource level with Voluntary Departure Plans. The restructuring of the Hop! entity led to 40% shrinkage in the number of positions. At Air France, collective contractual terminations (*Ruptures Conventionnelles Collectives* – RCC) implemented in the summer of 2020 enabled the departure of 368 pilots and 1,063 cabin crew employees, and a Job Protection and Voluntary Departure Plan (*Plan de Sauvegarde de l'Emploi* – PDV-PSE) was negotiated between July and November 2020 for ground staff. Having been approved by the French Employment Ministry in December 2020, this plan was implemented in 2021 with 97% of the targeted workforce subscribing. Most of the relevant employees left in 2021 while the remaining departures will take place between January and June 2022. The success of these plans has enabled the company to avoid compulsory departures in the short term.

In 2021, recruitment at Air France was extremely targeted (e.g. doctors, cyber-security), concerning only profiles and essential technical skills that could not be filled by internal mobility. The level of activity during the year did not enable the resumption of outside hiring aside from very specific, precise needs. As detailed in paragraph 4.2.4, the recruitment of certain categories like people with disabilities or apprentices and trainees was maintained, at an adapted level.

To support the redeployment of resources within the framework of the transformation projects associated with these plans, specific internal mobility steering committees were deployed to collectively manage the employees in overstuffed business segments and prioritize their applications for the available

internal positions. In particular, short-haul and Hop! employees benefitted from this initiative.

In total, during the 2021 financial year, Transavia France convened 12 meetings of the works councils and four of the health and safety committees, while Air France convened 12 meetings of the Social and Economic Committee (*Comité Social et Économique* – CSE), of which three were extraordinary, and four meetings of the *Comité de Groupe Français*, testifying to the intensive employee dialogue required to continue to respond to an unprecedented crisis.

In 2020, conscious of the need to adapt to reality to ensure the company's long-term viability, KLM had decided to reduce headcount by around 5,000 FTEs. The implementation of this plan ended in 2021 while other actions were initiated to terminate temporary contracts, reduce new hires and launch two voluntary departure plans. Around 2,200 employees opted for voluntary redundancy. Others took advantage of the opportunities for part-time working, further education and secondments to other companies.

Never in the Company's history have so many employees left the Company at the same time. Thanks to these measures, during 2021 KLM was able to avoid Cabin Crew redundancies and limit redundancies amongst Ground Staff. The social plan agreed with the unions included support for the employees affected in their search for new job opportunities.

The restructuring of the organization led to many new job vacancies which were filled mainly by internal candidates. The second half of 2021 saw renewed recruitment of interns and the restart of the program to attract young talented people.

At the height of the Covid-19 crisis, KLM created the *Loket Blauwe Inzet* program to help find temporary outplacements for employees in departments where posts were available. In 2020 and 2021, over 1,700 employees volunteered to be temporarily assigned to another workplace. These temporarily-assigned employees gave expression to their "Blue Heart" driven by the feeling that they were doing the best they could for KLM. These temporary assignments also helped fill gaps that might otherwise have been filled by external hiring and helped develop the skills of the employees concerned. Transavia Netherlands has a similar scheme in place *via* the WeCare platform.

4.2.3 Development of human capital and talent management

Context and strategy

Within this context of crisis, internal reorganization and headcount reduction, the development of human capital and securing the loyalty of talented individuals are imperative for transforming the companies within the Group.

The 2020-22 campaign on the Forward Planning of Jobs and Skills (GPEC), combined with a business-focused approach,

enabled the identification of the future staffing needs based on a number of different scenarios, while providing solutions on mobility, employability, research and employee loyalty.

The Human Resources teams and the Executive Committee very rapidly pinpointed the strategic challenges involved in retaining and developing talent, but also the need to establish succession plans in key posts in the context of the departure plan.

In 2021, Human Resources assessed the current talent management approach for the Group, redefining the requirements of the business, reviewing the tools and processes used by the human resources departments, and sharing the needs and expectations of the talents. Priority areas for improvement were defined and implementation will continue in 2022.

Measures and performance

Despite this challenging context, the Group pursued its policy of prioritizing training: the number of training hours per employee stood at 31.3 hours in 2021.

In 2021, Air France and KLM continued the policy launched in 2019, to transition from exclusive (aimed at a targeted group of employees) to inclusive talent management (every employee is a talented individual who must be given the opportunity to develop his or her skills) by using a talent development approach created jointly by the two companies and by implementing joint development strategies and actions.

On January 17, 2020, Air France and the unions representing the Ground Staff had signed a three-year agreement on Employment and Career Management. This agreement notably foresees the deployment of a training and development path but also the recruitment of new talent and end-of-career support. It remains in force for the next two years even if some provisions have been improved within the framework of the Job Protection and Voluntary Departure Plan and the FNE (*Fond National pour l'Emploi*), while others are no longer relevant in view of the current crisis.

In KLM, dashboards based on HR data are used and updated to monitor the number of promotions, and the inflow and outflow of employees. In 2021, HR conducted a data collection process (including survey and exit interviews) to gain insights into the reasons why some employees chose to leave the company. Based on these insights, KLM will be able to further improve its employee value proposition.

The departure of many employees with the voluntary or compulsory departure plans and the reorganization of the company accelerated internal job transfers; within the airlines, these moves were collectively steered to meet the need for business-specific competencies.

Air France also continued to encourage its employees to benefit from training to maintain and develop their employability through various programs advertised on the joint Learning Management System:

- Personal Training Account;
- Validation of Previous Experience;
- 2021 FNE (*Fond National pour l'Emploi*) courses that cover a broad range of training courses such as languages, sustainable development, big data, management and professional effectiveness;
- internal digital training modules: MOOCs, Webinars, Videos, Courses.

In November 2021, the Air France teams obtained Qualiopi certification for training, a new French regulatory requirement for Air France to be recognized as a training center.

Managers played an important role in conducting Career Development interviews and proposing these different types of training to their teams on their days of partial activity.

Linked to the transformation of the company and the context of accelerated internal mobility, Air France prioritized several areas of development, including:

- risk management: flight safety, occupational health, and safety;
- fundamentals and hard business skills: digitalization, customer care, cyber security, sustainable development, fleet development, etc;
- development of individualized career paths: for short-haul employees to become cabin crew or sales advisors, or for support employees to meet identified purchasing needs, as well as management skills for new managers.

At Transavia France, a training module dedicated to managers was launched at the end of 2021; it focused on the consolidation of performance and leadership spirit with the development of specific soft and hard skills.

KLM continued to improve its renewed MyLearning learning environment: a modern and user-friendly digital learning platform for its entire organization. This cutting-edge management system provides training, management and collaboration solutions as well as personalized learning solutions, and has a state-of-the-art search function.

In 2021, KLM enlarged the scope of learning content distributed through MyLearning, via a link to the “*Anotherday*” learning portal which includes a rich and varied training catalogue with an open external offering.

To further encourage personalized learning, KLM introduced the ability to request courses from outside the catalogue aimed at enhancing and expanding the employee’s personal effectiveness, professional skills and knowledge. In its quest for a broad, varied and challenging Learning and Development portfolio, KLM identified the need for an excellent service and advisory helpdesk. This was achieved by adding an “Intercom” chat function to support staff in exploring and defining their individual and customized development paths.

In 2020, KLM had developed a dedicated SharePoint website whose goal is to help employees find the right learning and development support. The development possibilities it offers are based on personae or imaginary employees asking typical questions like “I am new to the role. How do I get up to speed?” or “I have been in the same role too long. How can I keep adding to my skills?”. In 2021, the Sharepoint content was further improved and made more user friendly.

Reinforced steering of mobility

In 2021, the Air France – KLM Group reaffirmed its commitment to promoting skills-based mobility within the context of restructuring and voluntary departures. Throughout 2021, the steering process for transverse mobility between the different Group companies, deployed in December 2020, was activated to enable the more effective matching of requirements and resources, and to foster the development of human capital.

During 2021, KLM adjusted rapidly to the numerous internal and external labor market changes. Due to Covid-19, in 2020, the entire labor market experienced significant change and the Ground Staff recruitment procedures and advertised vacancies (internal and external) were immediately put on hold with only the most pressing hires being advertised internally. In 2021, the activity of the airline sector partially recovered and KLM returned to the labor market to attract talented individuals, specifically in the technical and IT functions. The KLM Management Traineeships were adapted, enabling young top talents to find their way within KLM and use their skills to help create a more innovative, sustainable, people-orientated and efficient organization.

Throughout the crisis, KLM has continued to build a strong employer brand. Internally, KLM further optimized the candidate journey, with updated communication and a leaner application process, with no motivation letter required. Due to its agile team structure, KLM was rapidly able to adapt to the sudden change in internal mobility forecasts. At the end of 2021, KLM prepared for the roll-out of a series of external recruitment campaigns during 2022.

In anticipation of the departure of ground staff in 2021, Air France had established the Mobility Steering Committee to address the challenges of matching needs and resources linked to activity reorganization. The aim is to monitor staffing levels and skill sets, bring visibility to applications from employees whose positions disappear and limit the need for external recruitment to provide rare skills. The Mobility Steering Committee also promotes the retention and development of talents, bringing agility to both selection and development.

In response to the many employees finding opportunities to move jobs following the Voluntary Departure Plan in France, Air France set up and positively tested a dedicated onboarding process for new positions; this process will be systematically implemented in 2022.

Developing leadership and performance management

In the shift from performance management to performance development, the Air France – KLM Group's approach to performance appraisals is now oriented towards a forward-looking and appreciative process based on encouraging feedback. In these individual conversations, managers are asked to put the emphasis on talent and the development of the expertise and actions needed to enhance an individual's value in both their

current and future roles and activities. The aim is to help identify employees' talents and their individual growth potential, and thus maximize everyone's contribution to the company's results.

In early 2019, Air France had launched its new continuous performance management learning program. This program is supported by a tool developed internally and is positioned as a management transformation lever. It is based on two key concepts: continuous performance management and multi-evaluation. This new program has enabled the development of the feedback process to build employee skills and, consequently, enhance collective performance. Since this launch, Air France has asked its managers to conduct at least one annual interview with every member of their teams to assess their performance for the year and their potential development for the following year.

Air France continues to improve and adjust its managerial leadership model to the challenges of the business and the changing environment. In 2021, it updated the cross-functional skills reference framework for executives and managers. This new framework will be deployed at the beginning of 2022; it aims to help managers identify the hard and soft skills necessary to address the market and business transformation, and will provide development orientations and open up career path opportunities.

In 2021, Transavia Netherlands managed the restructuring of the Transavia ground organization and a dedicated team is making progress towards an inclusive talent management policy, focused on mobilizing everyone's talents. This Talent Management initiative has been formally adopted within the Career Journey team.

KLM and Air France continue to offer talent and leadership programs like the *Femmes de Talent* training and coaching program, aimed at enabling high-potential women to develop their skills within the Group and occupy senior management positions, and joint financial programs with the HEC business school for future managers. The first KLM female leadership program ended in 2021 and is currently being evaluated.

Further to Transavia Netherlands focusing on leadership, along with communication and connection, in 2021 a module was added to the leadership program to develop managers' ability to take care of themselves and support their teams. The airline also encouraged connection and discussion, *via* online peer groups of leaders or on wider platforms.

Internal coaching and mentoring continue to be offered at the different levels of the company

The Air France – KLM Group promotes all kinds of positive and constructive feedback, seeing this as a key part of development and also contributing to a healthy working environment: on-the-spot and timely feedback, individual conversations, 360° and other forms of feedback are all encouraged throughout the Group, supplemented by coaching and mentoring.

Based on KLM's People Strategy, the transition to an inclusive Talent and Performance Development process was implemented in 2021. With this process, KLM aims to enable employees to make optimal use of their talents, improve their employability and thus add value to the organization. A new conversation method was developed in collaboration with the Works Council to discuss talent, performance and personal development. This contributes to a healthy in-, through- and out flow of KLM staff.

To structure this process, the Talent Development Cycle has been developed: a yearly cycle for managers and employees with a specific route to be followed on Talent and Performance Development topics, based on the business priorities.

As the Covid-19 crisis continued, KLM further adjusted the content of its leadership development program, offering interactive online learning. Relevant and appropriate content for inspiration and learning is available on a curated Sharepoint site for leadership development: The Optimal Leadership hub. The baseline of leadership development – building on the Optimal Leadership framework – remained in place in 2021. Transavia continued to pursue its leadership program of the last three years, while responding to the Covid-19 crisis.

in response to the crisis, KLM has adopted an improvement plan, known as the “From More to Better”, strategy. Since staff engagement and talent management are one of the foundations for this strategy, KLM has developed “The Spirit for the Future” program aimed at meeting the talents needed for inspiration, and enhancing skills and knowledge, personal growth, making an impact, enlarging their view and building a network outside their own immediate working environments. To date, 125 middle managers and specialists have been selected for the program with the first cohort of 24 successfully completing it in the autumn of 2021.

Diagnostic tools such as 360° feedback saw wider roll-outs in 2021 and individual mentoring and coaching continued to be deployed. Furthermore, training paths for key roles, such as manager, project manager and expert, were made available.

In 2021, Air France moved up four places in the Glassdoor ranking of the best French employers, continuing its progression.

In addition, for the second year in a row, Air France won the award for the company of choice for students in the transportation category.

4.2.4 Diversity, equity and inclusion

Context and strategy

As a signatory of the United Nations Global Compact, Air France – KLM is committed to respecting the universal principles relating to the respect of Human Rights.

In the Air France – KLM Principles, the Group affirms its commitment to fostering a climate of trust and mutual respect in a working environment where no form of discrimination or harassment is tolerated. Various initiatives have been implemented at Air France and KLM to support this commitment.

Air France – KLM strongly believes that a diverse and inclusive workforce has a positive impact on the performance of the organization and thus continues to support all forms of action to encourage equal opportunity, equity between men and women, LGBTIQ+ networks, the vocational integration of young people, the transmission of knowledge and skills, and the maintained employment and recruitment of persons with disabilities.

The current global pandemic, with its far-reaching societal and economic implications, presents both opportunities for and challenges to promoting Diversity & Inclusion within the workplace. Prior to Covid-19, the business imperatives for Diversity & Inclusion (D&I) had become increasingly clear with,

as a consequence, an increased management commitment and efforts directed at reinforcing D&I. As part of its restructuring, diversity and inclusion remains a key priority in the transformation of the Group, of the teams, of each individual.

In September 2021, the Group launched an internal assessment to understand its current D&I departure point and its transversal mindset going forward to emerge stronger from the crisis. The goals will be to further improve and encourage an inclusive culture and leadership, improve our approach to combating all forms of discrimination and inequality, make our progress more measurable based on relevant data, insights and good practices, and prioritize decentralized activation based on specific needs, with clear objectives and initiatives. In November 2021, a D&I survey was sent to all employees within the Group and the strong response testified to their keen interest in the topic of D&I. The objective of the survey is to develop deeper insights into multiple aspects, like representation, inclusion and equity.

The survey's results will be analyzed in early 2022 and will help us to set a baseline on D&I to be able to track progress, gain a targeted understanding as to where our D&I efforts have an impact and enhance our knowledge and insights into employee perceptions on D&I.

Measures and performance

Air France – KLM has set itself a long-term objective of reaching parity between men and women within the Group Executive Committee and within the top 10% highest levels of management.

In addition, medium-term targets of a minimum of 33% women within the Group Executive Committee and 40% of the top 10% management level positions to be held by women by 2030 have also been set by the Board of Directors. Concretely, in the event of the recruitment and/or appointment of new members and candidates with equal skills, expertise and management qualities, preference is given to female candidates. An action plan has been deployed to accelerate the taking into account of female profiles at all levels of management. In 2021, 25% of the members of the Group Executive Committee were women.

In 2021, the proportion of women in managerial positions continued to increase for all categories of staff: ground staff (34,6% of the 10% highest levels of management were women compared to 34% in 2020), pilots (5.8% of Flight Captains were women compared to 5.7% in 2020), cabin crew (65.8% of Pursers were women compared to 65.7% in 2020). Air France – KLM has pursued its policy of promoting diversity and reiterated the need to combat all forms of prejudice and discrimination by putting the emphasis on the power of diversity and inclusion via coordinated interventions and reinforced commitment.

More diverse and inclusive organizations are known to attract more talent and be more customer driven, have higher levels of employee engagement, take better decisions and be more innovative and creative. All of these factors are key to the shared ambition set by the two airlines in terms of equal opportunity and combating all forms of prejudice and discrimination.

Promoting gender equality

For Air France, professional and wage equality between men and women is a major business priority in which the company would like to make further progress in terms of human resource management. This undertaking has been reflected in the signature of agreements with the unions on Professional Gender Equality. A sixth three-year agreement was signed in January 2022.

To ensure equal treatment between men and women, a number of male-female comparative indicators are tracked annually within the framework of an audit carried out within each division of the company (training, careers, vocational safety, remuneration, etc.). Special wage equalization and equitable salary management measures are in place, together with an annual audit of male and female comparative remuneration.

To encourage women to access the highest management positions, coaching and mentoring initiatives are in place to promote their career progression. In 2020 and 2021, despite the public health crisis, the *Femmes de Talent* coaching program was maintained and adapted (digitalized content and optimized duration) thanks to FNE financing. Fifty participants were able to benefit from this program in 2020-21.

The internal Women For Tomorrow (WoTo) network, aimed at reinforcing the recognition of women within the Group, currently numbers some 600 members. Air France is also a member of the *Elles Bougent* external network, whose female business mentors encourage young girls to join the engineering and technical professions. In 2021, 60 female pupils from middle schools participated in the smart city week and industry week organized by *Elles Bougent*, benefiting from input about maintenance, flight operations and IT career choices.

Air France is a partner of Air Emploi and supports the *Féminisons les Métiers de l'Aéronautique* initiative dedicated to promoting airline vocations for women. A special competition was organized with the aim of raising awareness of aeronautics and space industry career opportunities and promoting its access to young female students.

In the 2021 financial year, Air France continued its awareness-raising and actions to prevent sexism and sexual harassment. In June 2021, all members of the Executive Committee signed the Stop Sexism commitment. The e-learning module deployed in November 2020 for all staff realized in partnership with several other large French companies having signed up for the *#StOpE au Sexisme* initiative is still online as a reference tool for Air France and Transavia France employees.

In partnership with the occupational medicine teams and social officers, Air France takes awareness-raising actions to prevent violence against women.

On November 25, 2021, International Day for the Elimination of Violence against Women, the HR department partnered with social services, the occupational medicine teams and a specialized lawyer, to offer its HR community a webinar focusing on women victims of domestic or intra-family violence. In September 2021, Air France launched a game dedicated to diversity and combating discrimination, to which all managers have access.

A section is dedicated to professional equality between women and men.

In early 2021, KLM participated in the annual Talent to the Top monitor and, despite the Covid-19 crisis impacting the industry, the metrics of the monitor remained stable in all six criteria. In March 2019, the KLM President & CEO had signed the Talent to the Top Charter, a manifesto aimed at increasing the number of women in management positions.

This Charter helps to bring the right focus to the company's diversity policy and activate the appropriate dialogue. The Charter contains guidelines and clear agreements that help KLM purposefully work towards durable and effective results. Every year KLM's progress is monitored based on six criteria: Leadership, Strategy and Interventions, HR Management, Communication, Knowledge and Skills, and Work Climate.

Since 2018, a Diversity Circle composed of KLM Executive Committee members and internal ambassadors has been responsible for defining and executing a clear D&I strategy. In 2021, the D&I circle continued with four work streams led by Executive Vice-Presidents. The targets remained focused on gender diversity but, in addition, the scope was enlarged to diversity in the broadest sense.

The 2030 People Sustainability Goals have been defined and the target is for KLM employees to experience a diverse and inclusive working environment within the company.

During the 2021 financial year, KLM carried out numerous actions in favor of diversity and inclusion:

- with the signature of Workplace Pride's Declaration of Amsterdam on Friday November 12, 2021, KLM committed to developing a working environment where openness and equality are fundamental, and where there is an explicit awareness of diversity, inclusion and the LGBTIQ+ community;
- while completing the Group Diversity & Inclusion survey, KLM deep dived into specific demographic questions for its population in the Netherlands to be able to set targets for the coming years based on data-driven insights. The results of the survey are expected in the 2022 first quarter. The Women on Board network organizes inspirational events giving women opportunities to connect and learn from each other;
- in 2021, KLM continued the Female Leadership training program at the top management level. Due to Covid-19, the first group went ahead mostly on a virtual basis;
- Transavia Netherlands had taken several Transavia women employees through a Branded U leadership development series of seminars, this initiative having positively affected their leadership development. In 2021, Transavia Netherlands partnered with the Refugee Talent hub to improve the Branded U initiative, offering seven Transavia women employees an opportunity not only to accelerate their leadership development but also support another woman in their development goals. In addition to a package of online/offline seminars on leadership development, the program also offered the opportunity to attend a female leadership visibility conference, Amplify Her, and the chance to act as a mentor to a fellow woman leader with a refugee background. This new Branded U program was the opportunity, on the one hand, to assess the potential of this format in leadership learning and development and, on another hand, to gain further insights into diversity and inclusion (to support a development project to begin in 2022).

Equal opportunities within the Group: persons with disabilities

Throughout the Covid-19 public health crisis and despite a challenging economic situation, the Air France–KLM Group has reaffirmed its commitment to welcoming persons with disabilities.

The 2021-23 Disability Agreement was signed in January 2021. Through this 11th agreement, Air France reaffirms its desire to pursue an ambitious policy by maintaining the recruitment of people with disabilities, by pursuing actions on maintained employment, training and professional support *via*, in particular, coaching and co-development.

For the third year running, Air France took part in the DuoDay (six events in digital form and one in a face-to-face setting) and organized remote internships for school children with disabilities. During European Week for the Employment of People with Disabilities, amongst its many awareness-raising initiatives, Air France invited its CEO Anne Rigail who reaffirmed Air France's commitment to the inclusion of employees with disabilities.

In 2021, the hiring of employees with disabilities was maintained despite a global hiring freeze in the company linked to its economic situation, along with dedicated actions towards the retention of people with disabilities. The airline strongly supports suppliers who employ people with disabilities. Thus, about forty external organizations have signed agreements with Air France, to cover activities such as the laundering of blankets or bolting in aircraft maintenance.

At KLM, pursuant to Dutch Law, all employees have equal rights in the workplace. Differentiating between employees on the basis of disability or chronic disease is not permitted. It is only when people with a disability or health condition are unable to fulfil the tasks necessary to do a job effectively that employers may refuse to hire them, especially if health or safety is a major issue.

It is also mandatory for an employer to investigate whether an adjustment in tasks or the working environment might help a disabled person to execute the relevant work.

Equal opportunities within the Group

The Air France – KLM Group has a long history of proud engagement with the LGBT+ community. In 2019, Air France's Chief Executive Officer, Anne Rigail, signed the association *L'Autre Cercle's* LGBT+ Commitment Charter.

At KLM, the LGBTIQ+ Over the Rainbow network continues to work closely with the KLM D&I Circle. The focus of Over the Rainbow has been on increasing awareness and enhancing discussion.

In 2021, KLM led a Pride “road show” involving colleagues discussing D&I at different KLM locations. More attention has been paid to transgender. KLM has been a member of Workplace Pride for ten years and has joined the international organization Workplace Pride for the fourth year. 2021 saw KLM participate for the fourth time in the Workplace Pride Global Benchmark, whose report showed an increase in the commitment and representation of the LGBTI community within the airline.

At the end of 2020, KLM had set up the “Inclusive Ally” program, aimed at recognizing colleagues who demonstrate innovative and appreciate inclusive behavior, and encouraging them to share their best practices. This initiative drives culture change and is in line with the 2030 People Sustainability strategy. Since its inception, 18 Inclusive Allies have come forward. During the annual Workplace Pride Leadership Gala, individuals and organizations that have made an exceptional contribution to the acceptance of LGBTQ+ colleagues in the workplace are recognized; one of KLM’s captains won the award for being the most effective ally.

Adapted initiatives for young people

Despite the public health crisis and its financial impact on the company, Air France continued to welcome interns and school children on work experience placements. These programs took place both at the company’s premises in the respect of the health rules and remotely, notably *via* digital sessions with the company’s *Tous En Stage* partner association.

In 2021, support for Air France interns nearing the end of their contracts was if anything an even greater priority for the company. The resources in place were adapted to the situation and individual support prioritized in partnership with Sodesi. Remote workshops on job-seeking techniques, building self-confidence and starting a business were thus proposed to interns. A dedicated website enabling them to access numerous job offers, training and internships but also training content was put at their disposal.

As part of a growing commitment to the territories in which it exercises its activities, this year Air France reinforced its support for educational actions in line with the airline industry. It cooperated with the CFA of the AFMAE aviation professions and worked with local missions and *Pôle Emploi* in the identification of profiles who could benefit from this perspective. An innovative

collaboration between JEREMY and Air France’s Maintenance division, AFMAE and Grand Paris Seine Bièvre was successful and offered a pre-training program to unemployed young people, enabling them to be prepared for the AFMAE selections and to integrate a two-year or three-year apprenticeship. In 2021, 17 young people benefited from this program and Air France welcomed 11 of them on apprenticeship contracts. Despite the crisis, Air France continued to welcome internship students in 2020 and 2021, their number being adapted to the situation, while students were able to benefit from the support of committed tutors. In 2020, around 9% of the apprentices present at Air France came from disadvantaged socio-economic backgrounds (*Quartiers Prioritaires de la Ville*).

In 2021, Air France partnered with local associations “Article 1” and “*Nos Quartiers Ont du Talent*” to sponsor secondary school students and young graduates from disadvantaged socio-economic backgrounds and to help them succeed in their studies or in their professional integration. In line with its commitment to helping local young people find employment, Air France has voluntarily signed the governmental PAQTE programs agreement, “*La France, Une Chance, Les Entreprises S’entendent*” and “1 student, 1 solution”. In parallel, Air France in partnership with the association “*Tous en Stage*” continues to regularly welcome students in year three of secondary school for an internship lasting a few days. Lastly, in November 2020, Air France pilots proposed a ground-breaking initiative enabling the children of employees aged between 13 to 25 years to train for an Aeronautics Initiation Certificate (*Brevet d’Initiation Aéronautique*) awarded by the DGAC. Most of the registered students successfully passed the exam and the decision was taken to re-run the program for a second group of young people.

Finally, Air France compensates for the job losses linked to the Voluntary Departure Plans in the French regions through regeneration actions. Since 2011, three regeneration agreements have been implemented with the payment of €9.8 million and more than 3,600 jobs created or maintained (500 more than the total number of job losses) in the Ile de France and the French regions and overseas territories. The subsidiary Sodesi is responsible for implementing job creation projects as close to the ground as possible, in conjunction with the regional state representatives and the *Directions Régionales des Entreprises, de la Concurrence, de la Consommation, du Travail et de l’Emploi* (DIRECCTEs).

4.2.5 Health, Safety and Quality of Life in the Workplace

Context and strategy

For the Air France – KLM Group, health, safety and the quality of life in the workplace is a major priority on which there may be no compromise. Everyone working for or with the Air France – KLM Group has the right to a healthy and safe working environment that takes into account their physical and mental well-being.

In addition to the financial impacts, the current public health crisis has major human consequences for every one of us and thus for the Group’s employees.

Remote working, partial activity but also and especially the Job Protection and Voluntary Departure Plan formalized in 2020 have human repercussions that the company must foresee and support.

Measures and performance

On an annual basis, the Air France–KLM Group measures and reports the indicators related to health and safety at work: absenteeism, number of workplace accidents, frequency rate and severity rate of workplace accidents (see sections 4.2.6.2 and 4.2.6.3).

The Health, Safety and Quality of Life at Work Department within Human Resources is responsible for steering and coordinating the health, safety and quality of life at work networks. This department has representatives in all of the company's business lines, enabling coordinated deployment of the policy, actions and objectives. Accident analysis is used to adjust the policy and actions designed to protect the health and safety of individuals. The monitoring of indicators ensures that the initiatives are continuously adapted.

In 2020, Air France signed an agreement to prevent and take action against violence and harassment in the workplace. This agreement establishes simplified, more effective and swifter procedures for the handling of the relevant employees, but also awareness-raising and training actions together with the diagnostics to be realized.

Within both Transavia Netherlands and KLM, safety and compliance are achieved *via* a continuous system of processes and procedures known as the Integrated Safety Management System (ISMS). The ISMS guarantees the safety performance of all processes, in all domains, through the effective management of safety risks. Safety and compliance are continuously improved *via* collaboration between the tasks and responsibilities of the Integrated Safety Services Organization (ISSO) and the divisions/business units. The ISMS identifies hazards, threats and safety issues, collects and analyses data, assesses safety risks, implements mitigations and monitors the results. The ISMS supports the mitigation of risks in order to keep accident and incident rates below an "acceptable level".

In 2021, the focus was fully on improving the occupational safety and health performance. The mitigation team of occupational experts continued to support the line management and their departments in the implementation of KLM's Occupational Safety and Health policies and the mitigation of the occupational safety and health risks.

During 2021, the focus was on the ever-changing Covid situation in terms of current knowledge, risk assessment and the appropriate mitigating measures. Within the framework of the risk inventory and evaluation, further in-depth studies were conducted in the areas of physical load, work equipment and psycho-social workloads.

Permanent adaptation and application of the health measures

In line with 2020, the focus in 2021 remained on managing the consequences and impact of the Covid-19 pandemic, and adapting and continuing the risk prevention measures for the Group's operations.

These measures consisted of implementing procedures to protect employees from the risk of the epidemic in line with the recommendations from the public health authorities and the national protocol in response to the unfolding public health crisis.

The deployment of these measures was accompanied by the reinforcement of the intelligence teams and the monitoring of the cases and contacts by the occupational medicine teams, a statistical focus on the declarations and the permanent availability of occupational experts to approve the prevention measures.

Reinforced prevention of psycho-social risks

At Air France, to provide the best-possible support for staff facing personal or professional difficulties, the network of social assistants rapidly mobilized. As of March 2020, the social assistants established telephone hot lines functioning five days a week to listen to and assist callers, and provide the appropriate responses. Counseling was also available from the vocational psychiatrist for situations requiring their specialist input, with direct action or the appropriate referrals for employees or their families. In January 2021, Air France set up a completely anonymous and confidential psychological support and advice program with a 24/7 number. A digital platform is also available on computer, tablet and cell phone for rapid contact with a psychologist or access to psychological health information.

Continuous company-wide execution of Safety Issue Risk Analyses on the virus and the monitoring/introduction of new regulations, procedures and methodologies have ensured the appropriate measures and mitigations are in place to maintain safety. To guarantee the safety of all employees, the Covid-19 regulations have constantly been adapted and wherever possible improved with more rules added as a result of safety studies and risk analysis. The mental health of employees working under increased pressure and/or from home is monitored *via* surveys. Initiatives to safeguard social coherence are also carried out throughout the company.

In addition to the commissioning of Vereva (an absenteeism tracking system), KLM also rolled out a digital tool in which the legislation and regulations are explained. In addition, a customized approach is set up in cases where employees are no longer able to return to their own work. In November 2021, both KLM and Transavia Netherlands participated in the Week of Work Stress. By organizing various activities for all employees, attention was drawn to work stress and its prevention. Workshops were offered on mindfulness, yoga, psychological capital, the balance between energy givers and energy takers, and the energy balance. In 2021, KLM won a Diamond Award for Best Airline for Health Safety.

Support for remote workers during the lockdowns

The Air France internal survey conducted in summer 2020 indicates that 61% of the respondents noted an improvement in the quality of life in the workplace for their teams and gave a positive score for the effectiveness of their teams during the remote working period of the first lockdown, the Company and unions (CFDT and CGC-CFE) concluded an agreement on remote working on July 13, 2021. This agreement simplifies access to remote working and proposes a flexible approach. The organization proposes three types of remote working, the dates and frequencies being submitted for line management agreement in the light of the operating requirements of the department:

- occasional remote working, where employees have an annual number of days during which they can work remotely;
- alternate remote working, where, each week, employees alternate working days at and outside the Company's premises; it is possible to combine alternate with occasional remote working;
- regular remote working where employees spend the major part of their working days away from the Company's premises.

Since September 2021, about 8,500 employees have signed up for a remote working scheme. The agreement also reminds participants of the criteria for accessing remote working: sufficient autonomy, mastery of the skills to be exercised, mutual trust with the manager, a compatible work organization and position, and a suitable remote working space. Finally, more than a basic trend, the sustainable coexistence of remote and face-to-face working is leading the Group to contemplate hybrid working.

At the end of 2020, KLM conducted a survey to ascertain the level of well-being of its employees. The survey was well received and asking the question proved to be important.

In 2021, seeing that the Covid public health crises still had an impact on absenteeism, KLM introduced guidance for employees to encourage a return to the workplace. Reintegration Officers guaranteed a faster return to the workplace for employees, and thus maintained overall productivity and limited the damage

caused by incapacity for work. A new absenteeism tracking system was rolled out in September 2021, regrouping individual files, tasks and agreements, and ensuring the transparency of the responsibilities of all the parties.

Staying both physically and mentally fit has been particularly important during the pandemic and periods of lockdown or quarantine.

To highlight good practices and encourage employees to take this question seriously, KLM has deployed various interventions advertised on the KLM MyHealth Portal, such as:

- physiotherapy on site: dedicated to Ground Staff, a team of occupational therapists are available to prevent or treat physical complaints.
- corporate Social Work (Gimd): experts are available for any form of mental support, for instance questions about maintaining a healthy work-life balance, setting boundaries and dealing with changes. Financial assistance is also provided. Since the 2021 third quarter, Corporate Social Work has also been active at various workplace locations within KLM.
- physically strong; various interventions to stay/become physically strong were offered in 2021 such as; Staprill (a monthly challenge to walk 10,000 steps a day), Summerrun, Urban Trails and Hello Fit (online exercises on the MyHealth portal).

In 2021, the KLM MyHealth portal was visited at least once by almost every KLM employee. Transavia Netherlands Ground Staff have a personal budget of €700 per year (full-time, part-time in proportion) to spend on various interventions to support their health. From 2022 onwards, all Transavia Netherlands employees will have access to the health portal with a budget in accordance with the CLA agreements.

Due to the many compulsory and voluntary departures linked to the crisis, workload stress was an important theme in 2021. KLM offered various interventions, webinars and workshops to support its employees in stress management. As in previous years, in November 2021, the KLM focus was on the *Week van de Werkstress*, or Stress in the Workplace Week, whose theme this year was "Mentally Strong!" The content was updated on MyHealth and, for employees who preferred to approach the theme by themselves, KLM also offered a video training module on how to prevent too much pressure, at home or at work, leading to stress. Transavia Netherlands highlighted the Dutch governmental guidelines, mainly "Work at home unless...". This directive had an impact on about 350 colleagues working in the office, leading Transavia Netherlands to start looking into whether a hybrid way of working could be introduced in the future.

Different hybrid working methods were tested during a three-month pilot among 40% of our office staff and this will enable the company to introduce a hybrid working method in early 2022.

4.2.6 Social indicators for the Group

4.2.6.1 Consolidated social data for the Air France-KLM Group

	AFKL Group		
	2020	2021	20-21 in %
Total staff (Full Time Equivalent) at 12/31	75,861	71,469	-5.8%
Scope of Social reporting	98%	98%	stable
Total staff (headcount, permanent and fixed-term contracts)⁽¹⁾	82,132	76,803	-6.5%
Ground staff	49,680	44,810	-9.8%
Cabin crew	23,702	23,455	-1.0%
Flight deck crew	8,750	8,545	-2.3%
Staff under permanent contract at 31/12	79,770	74,664	-6.4%
Recruitment under permanent contract at 12/31 ⁽²⁾	1,199	1,825	52.2%
Recruitment under fixed – term contract at 12/31	1,570	2,140	36.3%
Departures at 12/31	11,950	10,215	-14.5%
of which redundancies (incl. economic)	311	568	82.6%
Percentage of women at 12/31 ⁽³⁾	44.6%	45.0%	+0.4 pt
Percentage of part – time employees at 12/31	27.7%	26.3%	-1.4 pts
Breakdown of staff by age at 12/31			
≤29 years	7,535	6,728	-10.7%
Between 30 and 39 years inclusive	14,191	13,201	-7.0%
Between 40 and 49 years inclusive	29,215	27,052	-7.4%
50 Years and above	31,191	29,822	-4.4%
Breakdown of staff by geographical area at 12/31			
Europe (except France and the Netherlands)	2,885	2,241	-22.3%
North & South America	1,528	1,552	1.6%
Caribbean/Indian Ocean (including French overseas territories) ⁽⁴⁾	656	971	48.0%
Asia/Pacific	1,412	1,328	-5.9%
Africa/Middle East	959	907	-5.4%
The Netherlands	27,869	26,664	-4.3%
Continental France	46,823	43,151	-7.8%
Training			
Number of training hours by employee ⁽⁵⁾	27.2	31.3	+4,1 pts

(a) Air France Group: Air France and Air France subsidiaries. Air France subsidiaries: Barfield, Blue Connect, Bluelink, Bluelink International CZ, CRMA, Hop!, Sodexi and Transavia France.

(b) KLM Group: KLM and KLM subsidiaries. KLM subsidiaries: Cygnific, KLM UK Engineering, KLM Cityhopper B.V., Transavia Pays-Bas, KLM Catering Services Schiphol B.V. and Int. Airline Services.

(1) (2) (3) (4) (5): See Note on the Methodology.

		Air France Group						KLM Group	
Air France Group		of which Air France		KL Group		of which KLM			
	2020	2021	2020	2021	2020	2021	2020	2021	
	48,571	45,194	42,601	38,918	27,290	26,276	21,032	19,975	
	99%	99%	100%	100%	97%	97%	100%	100%	
	51,219	47,192	44,961	40,840	30,913	29,611	25,668	24,458	
	32,277	28,198	28,565	24,563	17,403	16,612	14,277	13,531	
	13,952	14,128	12,642	12,565	9,750	9,327	8,269	7,864	
	4,990	4,866	3,754	3,712	3,760	3,679	3,122	3,063	
	50,228	46,226	44,177	40,327	29,542	28,438	24,921	23,977	
	886	1,092	416	416	313	733	119	229	
	893	1,612	435	363	677	528	235	194	
	6,699	7,634	5,540	5,689	5,251	2,581	3,883	1,650	
	169	486	50	71	142	82	46	44	
	44.7%	45.2%	45.5%	46.0%	44.4%	44.7%	43.4%	43.3%	
	17.9%	16.9%	19.1%	17.4%	44.0%	44.7%	44.6%	43.9%	
	4,256	3,797	3,276	2,640	3,279	2,931	1,903	1,602	
	7,828	7,150	6,144	5,408	6,363	6,051	5,061	4,729	
	20,769	19,265	18,765	17,240	8,446	7,787	7,355	6,725	
	18,366	16,980	16,776	15,552	12,825	12,842	11,349	11,402	
	1,684	1,025	954	777	1,201	1,216	814	827	
	1,169	1,213	831	801	359	339	358	338	
	615	931	615	592	41	40	41	40	
	390	361	390	341	1,022	967	609	460	
	542	514	542	493	417	393	417	393	
	37	38	37	28	27,832	26,626	23,388	22,359	
	46,782	43,110	41,591	37,808	41	41	41	41	
	26.1	26.7	23.7	24.2	29.0	38.6	30.5	39.9	

4.2.6.2 Other social data for the Air France Group (according to local legislation)**Air France (100% of the staff headcount, registered at the end of the calendar year)**

	Air France Group		
	2020	2021	20/21
Absenteeism⁽¹⁾			
Absenteeism due to illness	2.87	3.20	11.5%
Absenteeism due to work accidents	0.49	0.38	-22.4%
Health and safety			
Total workplace accidents ⁽²⁾	931	1,218	30.8%
Number of fatal workplace accidents	2	1	-50.0%
Frequency rate for workplace accidents ⁽³⁾	20.64	23.46	+2.82 pts
Severity rate of workplace accidents ⁽³⁾	0.88	0.89	+0.01 pt
Disabled staff⁽⁴⁾			
Total staff with disabilities	2,067	1,999	-3.3%
Total staff with disabilities recruited during year	9	9	0.0%
Yearly spending in the sheltered sector (<i>millions of euros</i>)	7	8	14.3%
Collective agreements signed	67	102	52.2%

(1) (2) (3) (4): See Note on the Methodology.
n.a.: not available.

4.2.6.3 Other data for the KLM Group (according to local legislation)**KLM (100% of the staff headcount, registered at the end of the calendar year)**

	KLM Group		
	2020	2021	20-21%
Absenteeism⁽¹⁾			
Absenteeism due to illness	5.00	6.61	+1.61 pt
Absenteeism due to work accidents	0.04	0.12	+0.08 pt
Health and safety			
Total workplace accidents ⁽²⁾	121	165	36.4%
Number of fatal workplace accidents	0	0	0.0%
Frequency rate for workplace accidents ⁽³⁾	2.24	3.40	+1.16 pt
Severity rate of workplace accidents ⁽³⁾	0.12	0.25	+0.13 pt
Disabled staff⁽⁴⁾			
Total staff with disabilities	687	623	-9.3%
Total staff with disabilities recruited during year	n.a.	n.a.	n.a.
Yearly spending in the sheltered sector (<i>millions of euros</i>)	n.a.	n.a.	n.a.
Collective agreements signed	10	20	100%

(1) (2) (3) (4): See Note on the Methodology.
n.a.: not available.

4.2.6.4 Note on the methodology for the reporting of the social performance indicators

In 2005-06, under the aegis of the Air France-KLM Disclosure Committee, and validated by the college of Statutory Auditors, the social performance indicators were defined to comply with the requirements of the French New Economic Regulations law (*Les Nouvelles Régulations Economiques*, NRE, May 15, 2001) and the European Prospectus Directive Regulation (EC 809/2004).

Work on optimizing these indicators was undertaken in 2018 to align the Grenelle II reporting with the new requirements linked to the transposition of the Directive on the Extra-Financial Performance Statement.

Since the 2007-08 financial year, the Group has chosen to appoint one of its Statutory Auditors, KPMG Audit, a department of KPMG SA, to be responsible for verifying a selection of its reported social indicators.

Since 2018 and in application of the provisions of Article L. 225-102-1 of the French Code of Commerce (*Code de Commerce*), it has been the responsibility of our Independent Third Party to determine the compliance of the Extra-financial performance statement and the accuracy of the published CSR information.

Reporting scope

The Air France-KLM Group's social reporting consolidation scope is based on the number of employees (expressed as headcount) on the payroll at the end of the calendar year.

The reporting scope covers 98% of the average employees in the Air France-KLM Group at the end of the 2021 calendar year, expressed in full-time equivalent.

The subsidiaries of Air France and KLM over which the Group exercises control at the 50% minimum, whose acquisition dates back at least one full year and which have at least 250 employees, are included in this social reporting scope.

Note that the number of employees for Air France and KLM and its subsidiaries comprises their entire workforces including staff employed internationally:

- for the 2021 financial year, the Air France consolidated subsidiaries are: Barfield Inc., Blue Connect, BlueLink, BlueLink International CZ, CRMA, HOP, Sodexi and Transavia France, representing 93% of the employees of the subsidiaries in the Air France Group;
- for the 2021 financial year, the KLM consolidated subsidiaries are: Cygnific, KLMUK Engineering, KLM Cityhopper, Transavia C.V., KLM Catering Services and Int. Airline Services, representing 86% of the employees in the subsidiaries of the KLM Group.

The reporting scope for the AF subsidiaries did not change relative to 2020, with no subsidiaries being either included or withdrawn.

The reporting scope for the KLM subsidiaries did not change relative to 2020, with no subsidiaries being either included or withdrawn.

The reference number of employees for calculating the coverage rate of the social reporting is the average number of employees in Full Time Equivalent during 2021, derived from the Management Control division's BFC tool.

The reporting period for the Group's social information is based on the calendar year to ensure consistency with the social performance indicators of other French companies.

Reporting tools

This year the social reporting has been carried out using the ONEmission tool from the editor Enablon implemented for the Air France-KLM Group. Consistency tests have been incorporated within this tool together with precise definitions of each indicator. The data are verified and approved locally at the level of each subsidiary by a manager who is responsible for the HR statistical data.

This tool is supplemented by overall coordination of the process and by a general reporting procedure which defines the process for compiling, calculating and consolidating the indicators, based on an instruction memorandum circulated by the Air France-KLM Group's Finance division.

The consolidation of the Air France-KLM Group's social information is carried out by Air France-KLM's Sustainability & Compliance department.

Details and methodology – Definition of the key performance indicators and comments on changes in the indicators

Definition of the key performance indicators

Employee Promoter Score (EPS)

Scope: Air France and KLM (employees on French or Dutch contracts).

The Employee Promoter Score (or EPS) is the score given to Air France and KLM in their capacity as employers by their employees. Since July 2019, this indicator has been measured at Air France and KLM on a weekly basis, based on a random group of 1,500 employees representing all the Air France and KLM businesses, in the form of a question sent by mail: "How likely are you to recommend Air France - KLM as an employer to friends and family?", on a scale of 0 to 10. The EPS corresponds to the difference between the percentage of employee promoters (score of 8 to 10) of the employer brand and the percentage of detractors (scores 0 to 5).

The indicator measured is the annual change in the consolidated EPS for Air France-KLM.

Percentage of women in management functions (ground staff, pilots, cabin crews)

Scope: Air France and KLM employees (expressed as "headcount") on both permanent (CDI) and fixed-term (CDD) contracts, on the payroll as of December 31 of the reference year.

The indicator measured is the percentage of women in the three staff categories:

- Ground staff: percentage of women in the top 10% management level. The percentage of women is calculated by combining all the levels of management, classified in descending hierarchical order, until the threshold of 10% of the total salaried workforce of Air France and KLM is reached. For this last level of management, the entire workforce is taken into account;
- Pilots: percentage of women amongst the pilots exercising management functions (Flight Captain);
- Cabin crews: percentage of women amongst the cabin crews exercising management functions (Pursers).

Number of training hours

See “Training” below – Note 5.

Comments on changes in the social indicators

No changes were made to the social indicators in 2021.

For the other social data dashboard (Absenteeism, Health and Safety, Disabled Staff and Collective Agreements Signed), the data of Air France and its subsidiaries have been aggregated. KLM and its subsidiaries’ data have also been aggregated.

“Consolidated social data for the Air France–KLM Group” table

This table presents the indicators relating to the number of employees, hires and departures, the proportion of female employees and the percentage of staff working part time. These indicators are consolidated at the level of the Air France–KLM Group.

The following notes refer to the references in the social indicator tables (section 4.2.1).

Employees

Note 1: The number of people employed by the Group (expressed as headcount) on both permanent (CDI) and fixed-term contracts (CDD) on December 31 of the reference year.

Recruitment on permanent contracts

Note 2: The indicator concerns employees hired on permanent contracts (CDI).

For Air France, the calculation of the number of employees recruited on permanent contracts includes those initially recruited on fixed-term contracts (CDD) transferring to permanent contracts (CDI) during the year.

For KLM, only employees recruited directly on permanent contracts are taken into account.

Percentage of women – Organization of working time

Note 3: These indicators enable the percentage of women to be evaluated relative to the workforce and the proportion of part-time employees on both permanent and fixed-term contracts at December 31 of the reference year.

Employees by geographical zone at December 31

Note 4: In 2021, the Air France Group employees in the French Overseas Departments and Territories, i.e. 592 employees, have been included in the Caribbean-Indian Ocean geographical zone.

Training

Note 5: The “Number of training hours by employee” indicator is calculated based on all the training sessions, divided by the average monthly headcount. This indicator is presented at Air France–KLM Group consolidated level.

For KLM and the KLM subsidiaries, the hours of external training dispensed to KLM Group administrative employees and the hours of training given to employees of the Transavia Netherlands subsidiary (less than 10% of the Air France–KLM Group’s headcount) are not included in the “Training Hours” indicator due to there being no information collation process in place. Measures will be taken to progressively expand the reporting scope of the indicator in the coming financial years.

The subsidiaries regrouped under KLM International are managed independently locally and the KLM Group only has access to e-learning training.

“Other social data” tables

The indicators reported in the “Other social data” tables are subject to different qualification and legal reporting obligations in France and the Netherlands, meaning that they are not comparable and need to be presented separately for Air France and KLM. The subsidiaries concerned in these tables are listed in the reporting scope section above.

Absenteeism – Health and safety in the workplace (see Note 1)

A significant portion of the work-related accidents reported by Air France is due to cases of barometric otitis and musculoskeletal disorders which are recognized as work-related accidents in France whereas they are recorded as sick leave by KLM in accordance with Dutch law.

All KLM absences are on a declarative basis due to the local legislation which, unlike in France, only requires the employee to provide a certificate of absence from work after six weeks of absence. For work-related absences, only absences following a work-related accident are easily detected.

– Air France and Air France subsidiaries (Note 1)

The absenteeism rates are calculated based on the hours of absence expressed as a ratio of the hours theoretically worked (excluding leave). For Air France flight crews, absenteeism is broken down into days then converted into hours by multiplying by five hours.

The absenteeism rate for accidents in the workplace also takes into account travel-related accidents.

– KLM and KLM subsidiaries (Note 1)

Since the 2014 financial year, the absenteeism rates due to work-related accidents or illness have been reported separately.

The absenteeism rates are calculated by expressing the number of calendar days of absence as a percentage of the calendar days theoretically worked. Absenteeism is tracked on the basis of figures declared by the KLM entities in the Netherlands.

Health and safety – work-related accidents (Note 2)

There are significant differences in the definition criteria for work-related accidents between France and the Netherlands (see also paragraph on absenteeism).

– Air France and Air France subsidiaries together with KLM and KLM subsidiaries

The work-related accidents taken into account are work-related accidents involving time off work (at least one day of absence from work). Travel-related accidents are not included in the indicator but are the subject of specific monitoring and action plans.

Frequency and severity rates (Note 3)

The frequency and severity rates concern 93% of the Air France–KLM Group workforce.

– Air France and Air France subsidiaries

The frequency and severity rates are calculated in calendar days:

- for ground staff, based on the actual paid hours worked;
- for flight crews, based on the hours of “commitment”.

For Air France, the number of days of sick leave recorded for the year corresponds only to the accidents having taken place during the financial year. Part-time working for health reasons is booked as sick leave. The total period of sick leave is booked in the month of the accident. The 15 accidents in the workplace for the Air France International entity (local contracts) have not been included in the calculation of these indicators. The impact of this exclusion is not significant.

– KLM and KLM subsidiaries

The frequency and severity rates are calculated for all staff based on the hours theoretically worked.

The days lost for work-related accidents are tracked based on figures declared by the KLM entities in the Netherlands.

Number of disabled employees (Note 4)

– Air France and Air France subsidiaries

For Air France, the number of disabled employees refers to those who, based in Continental France and the French Overseas Departments and Territories, were present for at least one day during the year and for whom a valid certificate, pursuant to French law (Article L. 5212-2 of the French Labor Code), is available.

Note that the data for international employees are reported based on local legislation.

The number of disabled employees recruited corresponds to the number of permanent and fixed-term employment contracts signed during the year; an employee recruited on a fixed-term contract who then transfers to a permanent contract during the year will be reported twice.

– KLM and KLM subsidiaries

The definition of a disabled person varies according to the local legislation governing the entities in the Netherlands and the United Kingdom.

For KLM and KLM’s Dutch subsidiaries, an individual is deemed to be disabled if unable to carry out his or her work or any other work at an equivalent salary level. This requires the employer and the employee to look for another position with a salary as near as possible to the previous level and gives the employee the right to government benefits to compensate for any difference.

For KLM’s UK subsidiaries, the reported number of employees with disabilities refers to the employees on the payroll at December 31, 2021, for whom a valid certificate, pursuant to national legislation, is available.

4.3 ENVIRONMENTAL IMPACT

Climate change is a major concern for the airline industry and for the Air France–KLM Group in particular. Attitudes towards the acceptability of air transportation growth are changing at both political level and in terms of wider society. Both France and the Netherlands have implemented policies to ensure the transition to a net zero carbon society by 2050. The Air France–KLM Group intends to be a player in the transformation of its sector of activity, and aims to occupy a leading role and influence.

Playing an active role in advancing our goal of net zero emissions by 2050 as an industry, and committing to setting science-based targets in line with the *SBTi* criteria, were crucial milestones in 2021 and a strong marker for the Group, reflecting people's changing perceptions of travel and calls for more responsible use of aviation. The Group's environmental efforts are summarized in a Climate Action Plan.

See also section 3.1.2 “Risks relating to the air transportation activity”.

Key Performance Indicator	Definition	2020 results	2021 results	2030 targets
CO ₂ efficiency per passenger kilometer	CO ₂ footprint for passenger transportation [√]	102 g.CO ₂ /passenger/km	95.5 g.CO ₂ /passenger/km	
	Percentage change in CO ₂ efficiency (g.CO ₂ /passenger/km) between 2005 and 2021 (operational measures only) [√]		-3,5%	
	Percentage change in CO ₂ efficiency (g.CO ₂ /passenger/km) between 2005 and 2021 (operational and market-based measures)		Non significant in 2021	50% reduction compared to 2005
CO ₂ emissions from ground operations	Percentage change in absolute CO ₂ emissions (scope 1&2) from the ground operations between 2020 and 2021		-9.4%	Carbon neutrality
Non recycled waste	Percentage change in non recycled wastes between 2011 and 2021		-70%	50% reduction compared to 2011 ⁽³⁾
Acoustic impact ⁽¹⁾	Number of chapter 4 and 14 ⁽²⁾ certified aircraft out of the total AFKL fleet in operation		70%	

See note on the methodology for the reporting of the environmental indicators, section 4.3.5.4.

[√] Figures verified by KPMG for 2021 (reasonable level of assurance).

(1) The measurement of the acoustic impact changed in 2021.

(2) Chapters 4 and 14 are the most efficient acoustic levels to date for jet aircraft.

(3) The target will be reviewed in 2022.

4.3.1 Carbon emissions

Context and strategy

Global aviation accounts for 2% to 3% of CO₂ emissions. Studies are ongoing in order to assess the “effective radiative forcing” when taking non-CO₂ impacts on the climate into account. Projections show that, within a decade and unless the airline industry takes action now, this contribution could reach 10%. The Air France–KLM Group's ambition is to rise to the challenge of the ecological transition along with all the players in the aviation sector. Companies must now adopt a new model guaranteeing a balance between growth and ecology. The challenges facing the aviation sector are not just restrictions but also technological. Air France–KLM has the opportunity to lead the construction of this new model. The Group will reach these ambitious objectives by working with all the players in the aviation industry – aircraft manufacturers, airlines and industrial partners – as well as with the entire transport sector, rail partners included.

In 2021, the International Air Transport Association (IATA) reinforced its previous climate ambitions and approved a resolution targeting net zero carbon emissions for the global air transport industry by 2050. Air France–KLM has taken very proactive action by defining a decarbonization trajectory with ambitious targets:

- target of net zero carbon emissions by 2050;
- 50% reduction in CO₂ emissions by 2030;
- carbon neutrality for the ground operations by 2030.

Although international aviation is not included in the Paris Climate Agreement, the industry's efforts respond to the latter's goal of limiting the global temperature increase to well below 2°C. In 2021, the Air France–KLM Group announced plans to align its CO₂ emission targets with the UN's Paris Climate Agreement.

On October 29, Air France and KLM also announced their commitment to having their CO₂ emission reduction targets validated by the independent reference organization *SBTi* (*Science Based Targets* initiative), founded by the CDP (Carbon Disclosure Project), the United Nations Global Compact and the World Wildlife Fund (WWF). This commitment shows the Air France–KLM Group's determination to achieve its CO₂ reduction targets by allowing them to be evaluated and verified using a scientific framework and criteria, to guarantee that the targets set are aligned with the Paris Climate Agreement. With the Science-Based Targets initiative, stakeholders have the assurance that the targets set are in line with the Paris Climate Agreement's goal of limiting global warming to below 2°C. The Air France–KLM Group is one of the first European airline groups to choose to have its decarbonization trajectory validated by the *SBTi*. With this commitment, the Group has adopted the principle of full transparency, the scientific evaluation of our ambitions and a supplementary commitment to reducing CO₂ by 2030 in addition to our net zero carbon emission target by 2050.

The Air France–KLM Group is, however, not only a company committed to preserving the environment but also a company committed to giving the best of its human qualities, which continues to take initiatives and innovate.

To achieve these objectives and reduce its carbon footprint by activating all the levers at its disposal, the Group is pursuing its Climate Action Plan. A key element of this plan is the decarbonization road map. This road map has six priority areas for which targets have been identified and action plans deployed:

- fleet modernization and contributing to aeronautical research; increased aircraft efficiency is a key priority and is being addressed in all the company's business segments;
- sustainable Aviation Fuels (SAF) and participation in research into alternative propulsion technologies; Air France–KLM's contribution to the energy transition involves a commitment to developing the use of SAF. Fleet renewal and the generation of new fuels are the two main levels in the transformation of an airline. Air France is participating in the SAF call for projects in France and aims to open the way to their utilization: the Group will progressively include a 5% SAF component by 2030 and more than 60% in 2050;
- operational measures;
- support for the implementation of the global climate agreement (CORSIA, Carbon Offsetting and Reduction Scheme for International Aviation to reduce net CO₂ emissions by 50% by 2050 relative to the 2005 baseline) and a fair contribution from aviation;
- regulatory and proactive offsetting;
- support for environmental programs.

The European aviation sector believes that its recovery is fully compatible with, and should be accompanied by, broader efforts to reduce its environmental footprint, provided the right policies are in place. The Air France–KLM Group and the

European aviation players are thus committed to pursuing their efforts to reduce their environmental impacts, at both local and global level. The latter implies, in particular, that all stakeholders and policy-makers work together to achieve net zero CO₂ emissions by 2050.

Measures and performance

Greenhouse gas emissions: Scopes 1, 2 and 3

Most of the greenhouse gas emissions (GHG) are generated by Air France–KLM's direct activities (scope 1), and mainly by the flight operations which represent 99.7% of the Group's total direct emissions. The ground operations (testing bench, runway vehicles, etc.) represent 0.3%.

The ground operations, like the aircraft maintenance and tertiary activities, also generate indirect greenhouse gas emissions (scope 2), through energy consumption in buildings (electricity and air conditioning). The Group implements measures to reduce ground energy consumption.

The indirect Scope 3 greenhouse gas emissions mostly come from the upstream phase (extraction, production, distribution, etc.) in aviation kerosene production and carbon emissions from runway vehicles and equipment. The other scope 3 components are the purchasing of goods and services, aircraft manufacturing, passenger road travel to and from airports, and employee commuting. Air France and KLM implement measures to reduce scope 3 emissions.

Every year, the Group reports 100% of its scope 1 and 2 CO₂ emissions, and the scope 3 emissions resulting from the upstream phase in aviation kerosene production. These emissions are reported in the form of indicators presented in the environmental indicator tables, accompanied by a definition of the respective scopes (see section 4.3.5).

Fuel-saving measures

All possible avenues of fuel-savings are identified and, when feasible, implemented, subject to strict respect of the rules on Flight Safety. All the airlines within Air France–KLM are included in the Fuel Plan, to improve the Group's energy efficiency and reduce its carbon footprint.

Fleet modernization

Currently, the most impactful way to reduce the carbon footprint is to invest in more fuel-efficient fleet. The Group is focusing on simplification and rationalization to make the fleet more competitive. The transformation of the Group is therefore continuing with the arrival of more modern, high-performance aircraft with a significantly lower environmental impact. The Covid-19 public health crisis has accelerated the phase-out of the aircraft least adapted to the environmental route map; the A340s and A380s at Air France and the B747s at KLM were phased out respectively in March 2020 and October 2021 (except for the four B747 Freighters).

In 2021, Air France took delivery of seven new A350-900s (twenty five additional A350-900s will be delivered by 2026) and, since September 2021, has received six new Airbus A220-300s (fifty-five additional A220-300s have been ordered) to replace its Airbus A318s and A319s on the short and medium-haul networks. The latest-generation A350 consumes 25% less fuel than previous-generation aircraft (a gain of 2.5 liters per passenger per 100 kilometers) thanks, in particular, to the incorporation of 67% lighter materials: 53% composites and 14% titanium. Its noise footprint has also been reduced by 40%. The latest-generation Airbus A220 embodies Air France's commitment to sustainable development: it consumes 20% less fuel than the aircraft it replaces and its noise footprint is 34% lower than that of the older generation aircraft.

In 2021, KLM received its first Embraer 195-E2. This new aircraft type is both quieter and more economical than its predecessor the EMB190. The 195-E2 consumes 9% less fuel per flight and therefore emits 31% less CO₂ per passenger km in comparison with the E-190. This new aircraft type is also 63% quieter than the EMB190. Seven new aircraft of this type entered the KLM Cityhopper fleet this year of the total 25 that KLM has on order.

Despite the crisis, the Group is maintaining its investment efforts and thus contributing to improving its environmental performance. The average age of the Group's fleet moved from 12.1 years in 2020 to 12.2 years in 2021 (see section 1.4 for more information on the fleet).

Sustainable aviation fuel

The use of Sustainable Aviation Fuel (SAF) is one of the most promising avenues for reducing CO₂ emissions from aviation. Depending on the bio mass and technology utilized, they can reduce CO₂ emissions, over the total life cycle, by up to 90% (existing technologies) with the prospect of more than 100% for future technologies (synthetic fuels). When sourcing SAF, the Group aims for at least a 75% reduction in CO₂. By 2022, the Group will incorporate around 1% SAF in the total fuel consumption of flights on departure from France and the Netherlands. Such fuels will be key to supporting the Air France-KLM Group's energy transition but also that of the aviation industry as a whole.

After analysis phases during which Air France and KLM respectively demonstrated no operational impact and the ability to carry out safe air operations in any type of aircraft powered by all engine types, for several years the Group has been committed to fostering the development of a sustainable alternative fuel industry for aviation. By mobilizing the eco-system, Air France and KLM have established innovative partnerships with corporate clients, suppliers, airports and logistics partners exemplified, in 2019, by the announcement from KLM and SkyNRG of plans to develop Europe's first dedicated plant for the production of SAF in Delfzijl (the Netherlands). For its part, Air France was behind the Engagement for Green Growth (*Engagement pour la Croissance Verte* – ECV), a public-private initiative to study the

conditions necessary to establish French and European industries, whose report was submitted to the government in 2019. In 2020, the airline made a commitment to various consortia supporting French production projects. Strong governmental support, for example via incentive mechanisms, is however required to ensure the economic viability of such biofuels, in terms of both their more-wide-scale deployment and the creation of production facilities for producers and operators alike.

The Air France – KLM Group has strict standards for the sustainability criteria of the Sustainable Aviation Fuel it uses. It requires a reduction of more than 75% in CO₂ emissions over its total lifecycle, a minimal impact on biodiversity, no competition with food production or access to food resources, no use of palm oil as it is a strong driver of deforestation, and a positive impact on local development.

Air France and KLM have been members of a sustainable certification body, the Roundtable on Sustainable Biomaterials (RSB), since 2008, in their capacity as founding members of the Sustainable Aviation Fuel Users Group (SAFUG). This body takes into account 12 criteria ranging from food security to rural development, the quality of air, soil and water resources, and waste management.

Stimulating the industry

Air France and KLM are members of working groups and support research projects aimed at the creation of a Sustainable Aviation Fuel market. For example:

In 2021:

- Air France-KLM joined forces with the global airline leaders and Boston Consulting Group to form the Aviation Climate Taskforce (ACT), a new non-profit organization founded to accelerate breakthroughs in emerging technologies to decarbonize aviation. ACT will stimulate innovation in the next generation of technologies, principally focused on critical medium-term solutions, such as synthetic fuel and direct air capture. Over time, the portfolio will expand to include more near-term solutions, such as emerging bio-based Sustainable Aviation Fuel pathways, and long-term solutions, such as hydrogen technologies. ACT's mission will be supported by two pillars: an Innovation network and a Collaboration Forum to help accelerate innovation and expedite adoption.
- KLM has operated the world's first commercial passenger flight with a mixture of 500 liters of sustainably-produced synthetic kerosene. Shell produced this synthetic kerosene at its research centre in Amsterdam based on CO₂, water and renewable energy from sun and wind in the Dutch territory. In addition to this initiative, KLM also announced that the start-up Synkero is collaborating with the Port of Amsterdam, Schiphol, KLM and SkyNRG on the realization of a commercial synthetic sustainable kerosene plant in the Amsterdam port.

- On May 18, 2021, Air France operated the first long-haul flight powered by Sustainable Aviation Fuel (SAF). This first “*Made in France*” SAF was ISCC-EU certified by the International Sustainability & Carbon Certification, an independent body which guarantees sustainability. The 16% SAF blend powering this flight avoided the emission of 20 tonnes of CO₂. This flight also illustrates the complementarity between the levers in reducing the environmental footprint: sustainable aviation fuel, latest-generation aircraft and electrification of the ground operations. The flight was operated in the A350, an aircraft consuming 25% less fuel than its predecessors. The aircraft was serviced using the first 100% all-electric refueling truck, developed in France with Total expertise, and all of the ground support equipment used by Air France was fully electric powered.
- KLM is member of the Clean Skies for Tomorrow (CST) coalition, which was established within the World Economic Forum to ensure adequate supplies of SAF so as to be able to fly CO₂-neutral by the middle of this century. In 2021, the coalition worked on creating a coalition-wide ambition of “using 10% SAF by 2030”.

In previous years:

- Air France joined forces with ATAG (Air Transport Aviation Group) to promote, with the French Civil Aviation Research Council, greater knowledge of biofuels for aviation and thus raise public authority awareness of the need to support a French biofuels industry. The airline is also actively participating in the establishment of the French national road map on aviation biofuels managed by the National Alliance for Coordination of Research on Energy (ANCRE);
- In 2017, Air France initiated the Green Growth Commitment (ECV) with the Ministries of Ecological Transition and Solidarity, Transport and Economy and Finance, as well as four other major French industrial groups (Airbus, Safran, Suez and Total). This ECV has made it possible to identify the conditions for the emergence of sustainable aeronautical fuel industries in France, under economically viable conditions.

Supporting regulatory incentives in France and the Netherlands, and at international level

The flight path and ART fuel forum platforms are being transformed. Air France and KLM are now involved in the creation and implementation of a new European platform, the ESAF (European SAF Alliance), to support the development and use of SAF at European level.

Within the framework of the French State’s call for Projects in 2021, Air France supported several new Sustainable Aviation Fuel production programs. By actively seeking industrial and logistics partners to combine forces in consortia, the Group is backing innovative technologies, with alternative fuels originating from the circular economy (e.g. wood residues and household waste) and, in future, synthetic fuels whose design is based on green electricity and carbon capture (e.g. from the cement industry).

In 2021, the Swedish Energy Agency granted funding to KLM Royal Dutch Airlines, Södra, Växjö Energi, SkyNRG, RISE Research Institutes of Sweden and 2030-sekretariatet, enabling them to continue their research into developing the manufacturing of Sustainable Aviation Fuel (SAF) in the Växjö region in Småland, Sweden. The funding will support the consortium’s ongoing research on an integrated Fischer-Tropsch SAF production facility using forestry residues. To meet future demand, the partners will study all the engineering, technical, business and sustainability angles of the project.

The European Commission has awarded funding to a number of consortia aiming to speed up the rollout of sustainable technologies in aviation and significantly contribute towards zero-emission and zero-waste airports by 2030, and climate-neutral aviation by 2050. These consortia include:

- **TULIPS:** a consortium of 29 partners, including KLM, led by Royal Schiphol Group. Amsterdam Airport Schiphol will be the proving ground for 17 demonstrator projects originating from the collaboration. The TULIPS project will kick off in January 2022 and last until December 2025.
- **OLGA:** led by ADP Group with Paris-Charles de Gaulle Airport as frontrunner, this project regrouping four international airports and 57 partners was launched on October 1, 2021: Paris-Charles de Gaulle, Milan Malpensa, Zagreb, and Cluj. Air France, as a partner of the OLGA project and a pioneer in the electrification of the ground support equipment fleet at the Paris airports, is a real driving force in the clean energy transition and the reduction of local emissions thanks to its work on optimizing electric recharging operations and hydrogen solutions, and the use of sustainable aviation fuel.

This funding is part of the European Green Deal, to develop innovative solutions that facilitate the transition to low-carbon mobility and enhance sustainability at airports. To rise to these emission-reduction challenges in the aviation sector, a real commitment is required from the entire chain. The cooperation between airports, airlines, knowledge institutes and industrial partners in these unique European consortia makes it possible to contribute significantly to sustainable aviation.

Through the Council for Civil Aviation Research (CORAC), Air France is participating in the definition of a sustainable fuel strategy in coherent technological research and innovation actions, aimed at achieving the objectives of the ecological transition, in a global context.

KLM is actively involved in the BioPort Holland project, a collaboration between the Dutch Government and several private parties with a collective ambition of launching sustainable aviation fuel production in the Netherlands.

Innovating in the supply chain

KLM is one of the founders of SkyNRG, a pioneer and global leader for Sustainable Aviation Fuel solutions. Since 2016, all KLM flights on departure from Los Angeles airport have been operated with SAF produced by the local World Energy (former AltAir Fuels) refinery and supplied by SkyNRG. This sustainable fuel, produced by Neste from used cooking oil, will bridge the gap until the coming on stream of the SAF production plant.

In 2019, KLM made a decade-long commitment to developing and purchasing an annual 75,000 tons of Sustainable Aviation Fuel, making it the first airline in the world to invest in SAF on this scale. SkyNRG will develop Europe's first dedicated plant for the production of SAF. The construction of this facility, which is scheduled to open in 2024, is a concrete step towards fulfilling KLM's sustainability ambitions.

Involving customers and partners

As part of a KLM WWF-Netherlands partnership and Green Deal commitment, thanks to this initial production of SAF, Air France and KLM have been the first carriers to offer both a Corporate SAF program and a Cargo SAF program to their customers, creating awareness and knowledge around SAF, and encouraging companies to reduce their business-travel-related scope 3 emissions. In 2021, seventy companies signed up, tripling the number of corporate customers committed to the program compared to 2020.

Operational measures

Weight reduction: the lighter the aircraft, the less fuel it consumes. All the divisions of Air France-KLM are working to reduce weight on board. This includes, for example, reducing the weight of seats, galley and service equipment, products such as paper documentation for cargo and flight decks, magazines and the loading of drinking water.

Route and flight path optimization: improvements in fuel efficiency are achieved through the optimization of routes, flight paths and altitudes, and a reduction in aircraft waiting times. Air France-KLM is proactively involved in the SESAR program, which contributes to the targets of the Single European Sky (SES) for the better management of air traffic. SESAR aims to contribute to the SES's 10% CO₂ reduction target by reducing fuel burn.

Flight operations optimization: whenever possible, pilots apply the most-fuel-efficient procedures: Flight Plan precision, speed adjustments and optimized trajectories, and, on the ground, taxiing with one engine shut down. New efficient tools based on artificial intelligence are being implemented, in partnership with innovative start-ups.

For example, Transavia has joined forces with OpenAirlines, a start-up which has been awarded the Solar Impulse Efficient Solution label by Bertrand Piccard's Solar Impulse Foundation. The SkyBreathe tool enables the highly-precise tracking of the application of fuel-efficiency practices for each flight. Transavia was the first airline to deploy this solution in France and is pursuing its efforts on eco-flying. The airline has thus announced a new partnership with OpenAirlines for the roll-out of SkyBreathe OnBoard, a real-time, eco-flying solution.

The company has also deployed a tool proposed by Satefy Line: Optidirect. The application proposes direct alternative routes in flight to reduce fuel consumption. With Optiflight (composed of Opticlimb, Optispeed and Opdirect) Transavia France benefits from efficient tools to reduce its inflight CO₂ emissions. The Air France-KLM Group airline thus benefits from high-performance and innovative tools enabling a reduction in its inflight CO₂ emissions.

Mandatory CO₂ compensation

Since 2012, all intra-European flights have been subject to the application of the European Union Emission Trading Scheme for greenhouse gas emission quotas (EU-ETS) (for the 2021 figures, see section 4.3.6 "Environmental indicators").

The global market-based mechanism established by the ICAO, known as CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), aims to limit the CO₂ emissions from international aviation by targeting carbon neutral growth relative to the 2020 baseline. In 2020, due to the impact of the public health crisis on aviation, the baseline was changed to 2019.

For the implementation of CORSIA, the Air France-KLM Group contributed to the calculation of the CO₂ emission baseline data as of January 1, 2019. The implementation of CORSIA offsetting began with a first phase from 2021 to 2026, based on those States volunteering to contribute: i.e. currently 88 countries, representing around 77% of international aviation activity.

The European Union will implement the ICAO's CORSIA scheme within the framework of the current EU-ETS regulation for the scope of international flights. In this context, Air France-KLM considers that the same CO₂ emissions should not be subject to both EU-ETS and CORSIA. Assuming a change to the provisions of the EU-ETS, the Group is calling for a detailed impact study to be conducted on the envisaged amendments and is drawing attention to the need for the prior design of a carbon adjustment mechanism at the borders of the European Union, to protect the European airlines from "carbon leakage".

Voluntary carbon offsetting and support for environmental programs

Air France and KLM offer their individual and corporate customers the opportunity to offset their CO₂ emissions on a voluntary basis, by making CO₂ emission calculators available to customers on their websites. These calculators are directly linked to an emission evaluation system, enabling passengers to offset the carbon emissions associated with their travel, should they so wish.

With the Trip and Tree program, Air France is partnering with the A Tree for You association which brings together, in total transparency, donors and tree-planting projects from all over the world. When purchasing a flight ticket, customers can volunteer to help the planet by making a donation in the amount of their choice to finance one of the tree-planting projects supported by the Trip and Tree program.

KLM's CO2ZERO compensation service also enables passengers to offset their carbon emissions. Customer contributions are invested directly in a carbon-offsetting project in Panama certified by the Gold Standard for the Global Goals label that focuses on planting new trees, preserving existing forests and supporting the local community. In 2021, the number of journeys booked including a CO₂ compensation request represented the purchase of 71,000 tons of carbon credits.

Transavia also offers its customers the opportunity to offset their CO₂ emissions on a voluntary basis when booking thanks to the CO2ZERO program. Every month, in 2020, between 5% and 8% of customers thus offset their emissions. This figure has remained stable despite the Covid-19 public health crisis.

Since January 1, 2020, Air France has been proactively offsetting 100% of the CO₂ emissions generated by its domestic flights. This represents a daily average of more than 450 flights. In cooperation with its partner EcoAct, this compensation takes the form of participation in projects certified by the highest international standards, and selected for their effective contribution to the United Nations Sustainable Development Goals (SDGs) and their significant benefits for the local populations, to support reforestation, preserve forests and biodiversity, and develop renewable energies. Air France is one of the first airlines in the world to offset the emissions generated by its domestic flights.

Lastly, corporate customers can also volunteer to offset up to 100% of the emissions generated on their short, medium and long-haul flights thanks to a dedicated offer. Seventy-eight corporate customers (under Corporate Incentive Agreements) and 92 Bluebiz customers thus participated in our offsetting programs, representing 11,382 mT of CO₂.

For more information on these programs see section 4.3.5 "Biodiversity".

Ground energy consumption

Energy consumption in the ground operations, such as the fuel used by ground support equipment, gas for heating purposes and electricity for aircraft maintenance and tertiary activities, generates direct and indirect greenhouse gas emissions (scope 1 and scope 2).

Air France and KLM had initially been targeting a 20% improvement in ground operation energy efficiency by 2020 (relative to the 2011 level), by optimizing energy consumption and increasing the use of renewable energies. Air France reached this target in 2017 and has pursued its initiatives to maintain and build on these results, despite the fluctuations in consumption linked to climate events.

In 2019, Air France and KLM set themselves a target of carbon-neutral ground operations by 2030. In 2021, the Group reduced its CO₂ emissions by 10% compared with their 2020 level.

In 2021, within the framework of its zero-emission target for the ground operations by 2030, the Group pursued and stepped up its actions to reduce its energy consumption by upgrading its equipment and including this target in supplier contracts with, notably, an energy-efficiency commitment based on a bonus/malus principle and the implementation of a five-year action plan aiming for carbon neutrality.

In 2020, a plan to rationalize the Group's floor area and different buildings had also enabled an increase in the per m² utilization ratio and thus a reduction in the associated energy footprint. For example, the Air France-KLM sales teams for the French market moved to more suitable premises in central Montreuil. In November 2020, it was the turn of the Air France-KLM delegation in Dubai to move into its new LEED OR (Leadership in Energy and Environmental Design) ecological-excellence-certified premises.

Other initiatives are based on the increased use of renewable energies. For example, at Toulouse and Valbonne in the south of France where the bulk of the IT servers are located, 100% of the heating needs of the tertiary buildings are met by recycling the heat generated by the air conditioning system. Photovoltaic energy projects will be deployed in the Group's facilities at the Roissy-CDG head office. Another example is KLM's initiative to install solar panels on the roof of its largest aircraft hangar, finalized in 2021.

2020 was the last year of KLM's third multi-year energy efficiency agreement with the Dutch Ministry of Economic Affairs, aimed at increasing energy efficiency by at least 2% a year. In order to comply with the Energy Efficiency Directive, which replaced this agreement as of January 1, 2021, KLM has obtained ISO 50001 certification for its energy management system.

To reduce fuel consumption, all the ramp equipment transporting baggage have been replaced by electrically-powered alternatives, enabling the proportion of electrically-powered ground assistance equipment to reach 61% at Roissy-CDG airport in 2021. KLM has trialed electrical alternatives to the ground propulsion units, and push back and towing equipment. All this equipment is responsible for 72% of the CO₂ emissions from ground equipment, meaning that pursuing these trials in 2022 offers a promising avenue towards reducing direct emissions in airports.

In 2020, with other industry players, KLM and Transavia participated in a Proof-of-Concept exercise for the Taxibot at Schiphol Airport. This aircraft towing vehicle can replace the use of aircraft engines during taxiing. The pilot project was realized to gather information on its feasibility, the impact on safety and capacity, and emission reductions.

Environmental management/ISO 14001 certification

The Air France and KLM Environmental Management Systems (EMS) have been ISO 14001 certified, respectively, since 2008 and 1999, for all air and ground operations in France (metropolitan France, Saint-Denis de La Réunion and Papeete outstations) and the Netherlands. The ISO 14001 certificate (2015 version) has been renewed until 2023 for Air France and KLM. Internal and external audits verify the effective implementation of the EMS.

In addition to compliance with the regulations in force, the Environmental Management System is used to drive an improvement in environmental performance and innovation, both within the Group and at its suppliers.

Mobilizing partners and supporting research and development

The Group is mobilizing the industry and is committed to research and development into innovative solutions, design, aeronautical and engine maintenance and navigation tools, and in Sustainable Alternative Fuels.

In December 2019, Air France announced the signature of a partnership with the Solar Impulse Foundation, to promote the identification and rapid implementation of economically and ecologically-viable solutions for aviation. Air France and the Solar Impulse Foundation have launched a call for clean, efficient and profitable solutions to accelerate the ecological transition of the aviation sector. The PROGNOS solution, deployed by Air France Industries KLM Engineering & Maintenance, has already obtained the Solar Impulse Label. This predictive analysis program is based on harnessing big data technologies to offer an effective and innovative aeronautics maintenance service. The environmental benefits of PROGNOS stem from reducing

flight cancellations leading to extra flights to recover grounded passengers, as well as reducing the number of Quick Return Flights (return of the aircraft to its departure airport) following technical alerts, which require fuel tanks to be emptied prior to landing. It also optimizes overall aircraft fuel consumption by monitoring the status of equipment more precisely.

In 2019, TU Delft and KLM announced the start of the design of the Flying-V aircraft. The Flying-V is a design for a very-energy-efficient long-haul aircraft. The improved aerodynamic shape and reduced weight of the aircraft will reduce fuel consumption by 20% compared to today's most advanced aircraft. After extensive wind tunnel and ground tests, the first successful test flight with a scale model of the Flying-V took place in 2020. Further flight simulator tests were successfully completed in 2021, making further climate assessments and studying the potential for noise reduction and improvements in flight characteristics and structures. The Hydrogen Flying V concept was also featured in a National Geographic article "Take a look inside the Flying-V" (nationalgeographic.com).

Air France - KLM Group companies are investing in training their future pilots on electric aircraft. Since March 2021, pilots in the Air France "cadets" program have been trained on Vélis Electro, the world's first certified electric aircraft. This has enabled Air France to become the first airline in the world to introduce electric aviation in its pilot training.

Also, on the occasion of its 75th anniversary, the KLM Flight Academy announced that flight training on electric training aircraft had started for future KLM pilots, in collaboration with the E-Flight Academy at Teuge Airport. In addition, purchase options have been taken out for the next generation of electric training aircraft being developed in the US by Bye Aerospace, which are expected to become available within a few years.

Principles of the Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) was set up by the G20 in December 2015 during the United Nations COP21 conference to draft recommendations for use by financial and non-financial companies in their public disclosure of the impacts of climate-related risks and opportunities. These recommendations, which are applicable across all sectors and can be included in existing financial reports, aim to increase the transparency between companies and investors, thereby

reducing investment risks and reconciling short-term financial decisions with the longer-term consequences of climate change.

In 2019, the Group realized the TCFD Climate Maturity Assessment developed by KPMG, to evaluate the concordance of its environmental reporting with the principles of the TCFD. The actions implemented by the Group are presented in the table below.

As a result, Air France-KLM decided to become an official supporter of the TCFD principles with a commitment to continuing to improve its knowledge and reporting.

Table of concordance with URD document and TCFD principles

TCFD Principles	Sections in the 2021 Universal Registration Document
1. Governance	
1.1 Describe the Board's oversight of climate-related risks and opportunities	Sections 2.3.2, 3.2.1
1.2 Describe management's role in assessing and managing climate-related risks and opportunities	Section 2.3.2
2. Strategy	
2.1 Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Sections 3.1.2, 4.1.2, 4.3.2
2.2 Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Sections 3.1.2, 4.1.2, 4.3.2
2.3 Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Section 4.3.2
3. Risk management	
3.1 Describe the organization's processes for identifying and assessing climate-related risks	Sections 3.1.2, 4.3.2
3.2 Describe the organization's processes for managing climate-related risks	Sections 2.3.2, 3.1.2, 4.3.2
3.3 Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Section 3.2.2
4. Metrics and targets	
4.1 Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Sections 4.3.1, 4.3.2
4.2 Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Sections 4.3.1, 4.3.6
4.3 Describe the targets used by the organization to manage climate-related risks and opportunities, and performance against targets	Sections 4.3.1, 4.3.2

4.3.2 Acoustic performance and air quality

Noise

Context and strategy

Airlines are accommodating their customers' increased demand for mobility, while maintaining noise hindrance at an acceptable level for those living near airports. The Group has formalized its commitment to noise mitigation by making it a requirement enshrined in The Air France-KLM Principles.

Fleet modernization and improved operational procedures are the two pillars of the Group's noise reduction strategy. Despite the crisis, the Group is pursuing its investment in fleet renewal, thereby significantly reducing its noise impact. In 2021, Air France and KLM thus took delivery of, respectively, 13 (of a total of 253) and 7 (of a total of 164) new aircraft.

Specific solutions are also sought to reduce the noise emissions from aircraft. Whenever possible, Air France - KLM thus implements continuous descent or NADP (Noise Abatement Departure Procedure) procedures which significantly reduce noise pollution. The SESAR program also aims to improve the management of noise and its impact through precision landing procedures using satellite navigation and optimized flight paths, including optimized climb and descent operations.

Measures and performance

In 2021, 70% of the Air France-KLM Group's fleet complied with the ICAO Chapter 4 or 14 certification criteria, the most stringent jet aircraft noise levels to date.

Air France and KLM are committed to ensuring a permanent dialogue with stakeholders in all territories. They meet with the representatives of local communities, the airport authorities and air traffic control to identify measures enabling a reduction in noise hindrance potentially affecting the inhabitants of areas located near airports.

In 2020, KLM took part in the *Minder Hinder* (less hindrance) program with Schiphol and Air Traffic Control The Netherlands to reduce noise hindrance and improve the quality of the local environment. KLM is committed to contributing to a 2% annual reduction in serious disruption around Schiphol airport and has undertaken to contribute to the government and Schiphol's local emission reduction plans covering ultrafine particles and nitrogen. KLM will make a proportional reduction in its night flights from 32,000 to 25,000 at Schiphol in return for, amongst other conditions, an increase in the number of aircraft movements at Schiphol to 540,000, the opening of Lelystad airport and the development of rail replacement services for destinations like Brussels and Düsseldorf, the latter within the framework of the Air Rail program in which KLM participates.

In the Netherlands, KLM participates in *Het Regioforum* which addresses issues surrounding noise with the local community. In France, this dialogue is mainly conducted within the context of the CCEs (Environmental Consultative Commissions) and CCARs (Advisory Residents' Assistance Commissions) in which Air France participates at all the French airports where it has operations.

Air France has been actively involved in the Night Flights working group, overseen by the Prefect of the Paris-CDG airport region. This working Group has notably proposed new "dead of night" continuous descent procedures and welcomed the voluntary retirement of noisy aircraft, including Air France's B747s and A340s. In 2019, during the French National Air Transportation Debate (*Assises du Transport Aérien*), the government announced a commitment to the widespread application of continuous descent procedures in the medium-term (2023). Lastly, the punctuality of flights scheduled for late at night or early in the morning is the subject of a specific expert monitoring group.

In 2021, the Air France Group's (Air France, Air France HOP! and Transavia France) contribution to the Airport Noise Tax (TNSA) paid to the French State amounted to €10 million. Its proceeds are allocated to the financing of sound-proofing for homes located around the main airports. Since the TSNA was put in place, around €16 million has been allocated to the sound-proofing of housing, to which the Air France Group has made a substantial contribution.

Around Schiphol airport, all the measures to reduce the noise footprint have been implemented. Over the past two decades, KLM has contributed most of the total €750 million in noise taxes, devoted to the sound-proofing and compensation for loss of value in property around Schiphol airport.

Air quality

Context and strategy

The Air France-KLM Group monitors its atmospheric emissions for both the flight and ground operations, including low altitude emissions which impact the quality of the air around airports. The indicators cover emissions of CO₂, SO₂ and NO_x.

Most of these gas and particle emissions come from aircraft movements. The remainder is produced by the ground operations and maintenance activities, airport logistics and road travel by passengers, employees and suppliers.

Measures and performance

Air France-KLM reduces its local emissions *via* a number of levers:

- a modern fleet with more energy-efficient aircraft;
- electric or more efficient ground vehicles and runway equipment, powered by cleaner fuels;
- optimized operational procedures for the ground operations: taxiing time, taxiing using just one engine, the use of ground power units (GPUs) to ensure the functioning of on-board systems, replacing the Auxiliary Power Units (APUs) on kerosene-powered aircraft.

Towards carbon neutral ground operations

In 2020, Air France committed to investing €3.4 million in the electrification of its ground support equipment fleet, to replace the old diesel engine equipment. An additional €0.3 million has subsequently been allocated to continue the electrification of vehicles.

By the end of 2021, the rate of electrification of the Air France GSE fleet was 66% for CDG and 61% for the entire fleet. The process of electrifying old equipment has been maintained for eight belt loaders.

By 2020, Air France was servicing 100% of its long-haul flights with electric ACUs at all terminal gates. The implementation of long-haul electric ACUs was extended to Orly in 2021 to drastically reduce the use of APUs during aircraft ground operations.

At the end of 2020, the CDG hub and Orly station adopted Gas-to-Liquid (GTL) to replace Non-Road Diesel (GNR). All Air France GSEs at CDG are fueled by this fuel, which is 15% to 20% more economical in terms of CO₂, generates 10% less NO_x, requires 10% less fuel consumption and lowers maintenance costs (less engine clogging). We plan to systematically use GTL as a substitute fuel for GNR throughout the electrification phase of our equipment.

For KLM, the proportion of full-electric ground support equipment surpassed 60% in 2021, thereby reducing CO₂ and local emissions (see section 4.3.1 "Ground energy consumption" for progress on the electrification strategy). Since 2019, all the ground support equipment at Schiphol Airport has been powered by Gas-to-Liquid (GTL), a transition initiated by KLM to ensure a substantial reduction in the related local emissions.

Transavia has been experimenting with the start-up SAS on the use of thermal ACU converters for air conditioning on the ground. This reduces emissions from the use of APUs. During the first test phase, Transavia was able to save 50,000 liters of fuel, i.e. around 100 tonnes of CO₂ emissions. In the long term, Transavia is pursuing its road map for the use of electric GPUs and ACUs.

Air France has participated in the Paris Region's Atmosphere Protection Plan since 2008 through its Mobility Plan and, at the outstations in the French provinces, has launched the roll-out of proprietary Mobility Plans.

With more than 80% of staff commuting to work by car, the aim of the Mobility Plan is to reduce the pollutant emissions linked to their travel. This is thus a major challenge for the company, in terms of both the environment and health and safety in the workplace.

In 2021, the Air France Mobility Plans in Ile de France were based on the same actions as in 2020 in a health context that remained generally unfavorable. However, the committed action plans have been continued.

In 2021, remote working was the main measure developed. The figures are still exceptional, but they are partly indicative of a work organization that should see remote working continue at a higher level than prior to the onset of the public health crisis: while the number of employees (11,709) working remotely was down by 11% compared to 2020, the associated unrealized commuting to and from work continued to increase to almost 30 million kilometers and a saving of 7,194 tons of CO₂, i.e. 748 circumnavigations of the earth. Taking into account the partial activity measures implemented throughout 2021 within the company, an additional 22 million kilometers were saved and 5,270 tons of CO₂ avoided.

The initiatives under way include the:

- change in carpooling service provider: Air France and sixteen other member companies of the mobility plans in the Paris region have opted for a national platform offering much-higher-quality services. The new Karos platform is free for employees in the member companies.

Despite a context that is not very favorable to carpooling (partial activity work and remote working), 139 Air France users have already adopted Karos and made 880 carpooling trips between the launch of the platform on May 11, 2021 and the end of December 2021.

In total, all the companies that are members of the R'Pro and Orly'Pro mobility plans in the Ile de France region have adopted Karos, with 332 users and 2,505 trips made between May 11, 2021 and the end of December 2021.

- promotion of public transport, even if this action was not very prominent this year;
- installation of new charging points for electric vehicles in car parks (70 electrical terminals installed in 2021 in the parking lot of Air France headquarters);
- studies have confirmed the feasibility of cycle tracks at Orly and Roissy. A first deployment should take place at Orly in 2022;
- raising of employee awareness of the link between air quality and commuting patterns.

Other avenues are currently being explored, such as car-sharing: since June 2017, Air France employees have benefited from the Crewpop service at CDG and Orly for their personal needs. In May 2021, the car-sharing service available in Montreuil (mainly for business needs) was redesigned with a new provider.

In addition, a questionnaire sent to all employees in the Île-de-France region in the last quarter of 2020 provided a wealth of information on travel habits before and after the health crisis in

order to devise the appropriate mobility solutions. Two feedback webinars were organized during 2021.

In the provinces, carpooling is also encouraged and supported. In Toulouse, for example, the mobility plans underway have made it possible to launch several challenges and concrete actions such as bicycle trials, the installation of charging stations in employee car parks, the promotion of public transport, and communication on sustainable mobility in general and carpooling in particular.

4.3.3 Waste and the circular economy

Context and strategy

Air France-KLM handles many forms of waste, mostly arising from flight operations and maintenance, within a context of strict regulatory requirements. Across the entire supply chain, the Group strives to minimize waste and increase the proportion of waste recycled or incinerated with energy recovery where recycling is not possible.

In 2019, Air France and KLM had set themselves a target of halving residual waste (non-recycled waste from the cabin and ground activities) by 2030 compared to 2011. In 2021, while the public health crisis caused operating disruption meaning that this result does not directly reflect its strategy, the Group reduced its non-recycled waste by 70% compared to the 2011 baseline.

Air France and KLM base their actions on the four principles of the circular economy: rethink, reduce, reuse and recycle. Risks and mitigation actions are assessed from a life cycle perspective.

Measures and performance

Inflight waste

Air France and KLM run programs aimed at a constant improvement in the overall management of flight waste: waste prevention, increasing the recycled portion, the eco-design of products and the identification of appropriate reprocessing facilities, with the main goal being a reduction in residual waste. The end-of-life management of items is factored into their design.

On-board sorting concerns plastic bottles, juice cartons and cans for all short, medium and long-haul flights to Paris. The articles are sorted on board by the cabin crews, then handled by Servair at Paris-CDG and Paris-Orly, before being recycled in France or elsewhere in Europe. Despite the decline in activity, on-board sorting and recycling have been maintained, enabling the ongoing mobilization of crews. In 2021, trial periods aimed at expanding on-board sorting to the outstations were set up for Montreal, Cancun and Papeete.

At KLM, the use of less product packaging and the overall design of products have been a focus of efforts. In 2020, KLM was nominated for an Onboard Hospitality Award for the design of its closed loop food tray. The trays are washed and reused unless they are damaged in which case they are recycled by the supplier and used in the design of new trays.

On all the European flights, on-board waste is sorted and the trolleys have been adapted to collect plastic and cardboard cups. Glass, cans, aluminum lids, paper, EPS boxes, PET plastic bottles and other forms of plastic are also sorted and recycled by the catering teams.

Whether for reasons of hygiene and food safety, or to reduce the weight embarked, the inflight service uses a substantial quantity of Single-Use Plastic products (SUPs). The Air France-KLM Group is committed to reducing the environmental impact of SUP in its operations. The Group achieves this *via* a number of levers: by eliminating SUPs wherever possible; by replacing these plastics with other materials whenever more sustainable alternatives are available (based on Life Cycle Assessments or other environmental proofs); by redesigning SUP items to decrease material use; and by using recycled plastic or ensuring SUPs are recycled wherever possible.

In 2019, to reduce its environmental footprint, Air France had set itself a target of replacing 80% of single-use plastic (SUP) items with sustainable alternatives by the end of 2025 compared to 2019. By the end of 2021, Air France had removed or abandoned 45% of its single-use plastic articles, representing 1,318 tons.

In the same year, Transavia had also committed to the progressive and significant reduction of single-use plastic items on board its aircraft by proposing, on its scheduled flights, certified alternatives to single-use plastic (Duty Free bags in Kraft paper and cups, stirrers and cutlery kits of plant origin, etc.). In total, more than seven million single-use plastic items are no longer distributed each year on the scheduled flights, or 41 tons of plastic.

Action to combat food waste and food insecurity

Air France-KLM handles food waste from flight operations in the respect of a permanent commitment to guaranteeing food safety and security, within a context of strict regulation. The regulations vary depending on the context of each station and are often very exacting, like the European Regulation requiring the incineration of any elements potentially having been in contact with foods of animal origin for flights arriving from outside the EU.

Two main levers enable a reduction in food waste: the adjustment of the catering embarked on flights and a strict policy of merchandise inventory management. Based on statistics and historic flight load factors, and on passenger habits, the number of meals actually embarked is regularly re-evaluated. This re-evaluation prevents waste and reduces both production and transportation costs, and overall wastage. This also reduces the onboard weight, resulting in lower CO₂ emissions. However, owing to the disruption of flight schedules and unpredictable load factors resulting from the Covid-19 public health crisis, these measures have been temporarily suspended. New measures have been established and will be implemented as soon as there is a return to a higher volume of flight operations.

The pre-selection of the hot meal in the Business cabin had been suspended during the Covid-19 crisis due to the disruption of the flight schedule. This service was reinstated in 2021 for the Caribbean, Indian Ocean, North America and South America regions, with a full roll-out scheduled for 2022. Rethinking some offers also contributes to a reduction in food waste. Air France therefore takes this parameter into account as soon as a new product development is launched.

In order to fight poverty and limit waste, Air France donates food and non-food products to charitable associations such as *L'Agence du Don en Nature*, *Les Restaurants du Cœur*, *Le Samu Social*, *Les Œuvres de la Mie de Pain* and the Food Bank. In 2020, approximately 5.3 million food products were donated. Adjusting orders for perishable products and maintaining a rigorous merchandise inventory management policy also helps to reduce wastage of unconsumed fresh produce. Meetings of the steering bodies are held annually during which a summary presentation is made on donations, and updates provided on combating waste and the monitoring indicators on waste avoided and recycled, with a view to a continuous improvement.

Air France-KLM and Martinair Cargo are active in the perishable goods transportation segment. The teams maintain a permanent relationship with all the players in the value chain (producers, exporters, importers, supermarkets, airport authorities, etc.) to promote sustainable development in the agricultural and air transportation sectors. Numerous initiatives are under way: joint communication actions with the Paris-CDG plant protection department and exporter customers, an improvement in perishable goods handling capacity and management of the cold chain, etc. The Group is also a member of the Cold Chain association and contributes to its work on reducing food waste. Within this framework, 2019 saw the definition of the priority measures to be implemented for the sustainable development of air-shipped exports of West African mangoes, at both technical (combatting fruit flies which degrade the quality of the fruit) and logistical level (improvement in airport infrastructures, notably at Burkina Faso and in Senegal, and verification procedures at Paris-CDG).

Aeronautical waste

Air France and KLM have procedures in place for recycling metal aeronautical waste. Wherever possible, the cradle-to-cradle principle is applied to reintegrate waste in a new production cycle. The process foresees procedures to reuse and recycle spare parts. This program has been extended to other types of waste: furniture, equipment, pallets and blankets.

At Air France, the move up-market for the medium and long-haul cabins with the installation of new seats has been accompanied by the implementation of a recycling and dismantling process for the old seats ranging from the reuse and recycling of components to the recovery of foams and metals.

Hazardous waste from the maintenance activities is the subject of a comprehensive tracing system and its management is harmonized in the different maintenance sites. This approach is also reflected in the optimized management of suppliers and costs, and the search for more relevant solutions in the light of regulatory changes. In 2020, KLM employees revisited the key points in the collection of hazardous and non-hazardous waste in the hangers and implemented an awareness-raising campaign to involve all employees in attaining the waste reduction target for 2030.

Applying the principles of the circular economy

The companies are working on initiatives to up-cycle waste for new uses like, for example, the recycling of used uniforms.

A permanent recycling system is in place for Air France uniforms and work clothing. Staff are invited to adopt good recycling practice by depositing uniforms and work clothing in secure containers in the Air France premises. The uniforms are collected (63.2 tons of textiles since September 2018 at the Roissy site) from the various sites and are recovered by different partners including a French Support and Work Assistance Establishment (ESAT for the employment of disabled workers), before subsequently being up-cycled. Uniforms are thus up-cycled *via* the help of energy recovery in the form of textile pellets while the ashes are used in the manufacturing of cement. In addition, employees have launched the 100% Uniforms initiative to recycle these uniforms into other products such as a new collection of non-aeronautic accessories (pouches, etc.).

In order to avoid the destruction of products and encourage their reuse, Air France signed a Framework Agreement with the *Agence du Don en Nature* (ADN) in January 2017. By donating new, refurbished products such as crockery or blankets, Air France supports the work of the ADN association, which collects and redistributes new, non-food products for everyday use to combat exclusion in France. In 2020, nearly 70,000 items were donated to the association.

4.3.4 Biodiversity

Context and strategy

The impact of air transportation on biodiversity is linked to the effects of climate change induced by the CO₂ emissions that it generates. The Group supports a number of projects and initiatives aimed at protecting biodiversity around its hubs and destinations.

In 2021, Air France made a strong commitment to biodiversity by joining the Act4Nature international initiative: this is a voluntary commitment initiative in favor of biodiversity aimed at French international companies. At the end of 2021, Act4Nature regrouped 57 major French companies with an international presence, which will adopt ten common commitments as well as their own specific undertakings.

Measures and performance

Forestry projects supported by client donation

Alongside the French Civil Aviation Authority (*Direction Générale de l'Aviation Civile* – DGAC), Air France is a founding member of the A Tree For You association which brings together, in complete transparency, donors and tree-planting projects everywhere in the world.

The Trip and Tree by Air France program was integrated into the online ticket sales process in 2019. When purchasing a ticket, customers have the opportunity to make a donation of their choice to reduce their environmental footprints and contribute to reforestation projects in France and around the world. Selected by a committee of recognized and independent experts, the projects must be beneficial to soil enrichment, the water cycle and the climate. They must allow biodiversity to flourish and assist the human populations in developing an activity in harmony with nature.

By the end of 2021, 79,594 donors from the Trip and Tree eco-travel group had contributed to the comprehensive funding of 28 projects, with 233,768 trees planted.

Supporting projects via the offsetting of domestic flights

Since January 1 2020, Air France has proactively offset 100% of the CO₂ emissions on its domestic flights. In liaison with the United Nations Sustainable Development Goals, this offsetting scheme takes the form of a contribution to reforestation, forest preservation and biodiversity projects, and those dedicated to the development of renewable energies, while guaranteeing the protection of the most vulnerable populations.

KLM sorts over 14 types of waste, with wood, plastic and metal being its main residual forms. In cooperation with its partners. For example, KLM up-cycles old cargo straps into bags, pillows and laptop cases, recycles uniform fibers into cabin carpets, furniture and KLM goodies, and up-cycles old furniture.

Projects on four continents (located in France, Brazil, Peru, Cambodia, India and Kenya) have been selected and launched with EcoAct, a pioneer in carbon offsetting in France.

All the projects selected have received the highest certification standards in the voluntary carbon offset market, The Gold Standard, VERRA's VCS and CCBA's additional CCB standard.

KLM CO₂ZERO program

Since 2008, KLM has contributed to preserving and restoring forests via its CO₂ZERO-projects in Panama and a number of African countries. The Gold Standard for the Global Goals-certified project in Panama, CO₂OL Tropical Mix, turns formerly degraded pasture land into mixed forestry by planting a blend of mainly native tree and some exotic species. In addition to the numerous environmental benefits such as biodiversity protection and ecosystem restoration, the project's activities enable skills development and the creation of long-term employment with a sustainable source of income for the local population which improves their living conditions.

Since January 2020, Transavia has also offered its customers this service.

An association to promote the preservation of biodiversity in the areas around airports

Going against the tide of received wisdom, airports are home to enclosed and protected areas: their grasslands constitute a preserved environment which hosts a rich and sometimes remarkable level of biodiversity, thus contributing to the development of the local ecosystem. This is why the scientific community, public administrations and aviation players all come together around common and shared objectives: expanding knowledge, improving and promoting biodiversity in airport spaces in the respect of the safety requirements.

Created in 2015 after two years of preliminary studies, the *Aéro Biodiversité* association is thus tasked with evaluating and highlighting airport biodiversity, identifying best practices and acting as the link between the industry players to promote more responsible management of biodiversity while taking into account the operational constraints.

At the end of 2021, three airlines (Air France, Air Corsica, Air Saint-Pierre) but also the DGAC, UAF&FA, FFA and FFPLUM were members of the association and teams of professional naturalists were present at 37 airport sites (compared to 20 in 2020). All of them have factored this project into their sustainable development policies and the commitment on the ground

has been recognized under the French National Strategy for Biodiversity (*Stratégie Nationale pour la Biodiversité* – SNB).

New membership applications have been registered for 2022, which should bring the number of airfields covered in mainland France and the French Overseas Departments and Territories to 50.

The work takes place within a methodological framework scientifically validated by the French Natural History Museum, a member of the association. They involve local staff through participatory science protocols. The data amassed supplements the national databases of knowledge on biodiversity. While always giving priority to aviation safety – the French Civil Aviation Authority (*Direction Générale de l'Aviation Civile*) is also a member of the association – this work shows that it is possible to enrich the biodiversity of the relevant spaces by, for example, practicing the appropriate strategies (reasoned management, late mowing that respects the life cycle of biodiversity, elimination of crop protection products, etc.).

This year, *Aérobiodiversité* also launched an “*aerobio*” label to promote commitments in favor of biodiversity. Orly, Perpignan Sud de France and Tarbes-Lourdes were the first airports to be awarded this label.

With an average surface area in airports reserved for green spaces of 73%, i.e. approximately 350 km² at national level for all structures hosting aircraft, aviation can play a role in preserving lowland meadows, the most threatened natural habitat in Western Europe.

As active members, Air France and the ADP Group ensure the continuity of the work and contribute to raising awareness amongst their employees and the general public.

Contributing to combating the traffic in protected species

In 2017, Air France and KLM became signatories of the Buckingham Palace Declaration, which formalizes their resolute commitment to combating illegal trading in protected species.

For many years, the Group has been committed to combating this illegal trade. For example, the Cargo division has already carried out a number of initiatives, notably employee training and awareness raising for customers, and participates in working groups with international bodies and associations (World Organization for Animal Health – OIE, IATA, United for Wildlife).

Despite a very reduced level of activity in 2020 due to the health context, Air France continued its program for frontline Ground Operations staff to help them spot and report suspicious behavior or baggage to the relevant authorities. Air France provides information for its customers, particularly on its commercial website under Prohibited and Regulated Goods and also on board its long-haul flights through an awareness-raising video on illegal trafficking.

Air France was also behind a working Group set up at the end of 2017, bringing together Paris Airport, the Customs authorities, Chronopost and WWF, to plan joint, coordinated initiatives at the Paris-CDG hub. In 2019, the Europe Handling Group joined this working group.

4.3.5 Environmental indicators

4.3.5.1 Carbon emission indicators

			Air France - KLM Group		
			2020	2021	21/20
		Unit			
Greenhouse gas emissions (Scope 1 GHG protocol)	Aviation Fuel [√]	ktons CO ₂	13,999	16,292	16%
	CO ₂ savings fom Sustainable Aviation Fuel	ktons CO ₂	0.50	9.9	x19,8
	Ground Operations	ktons CO ₂	49	44	-10%
Greenhouse gas emissions (Scope 2 GHG protocol)	Electricity ⁽¹⁾	ktons CO ₂	6.8	6.7	-2%
Greenhouse gas emissions (Scope 3 GHG protocol)	Upstream emissions from fuel production	ktons CO ₂	3034	3,528	16%
Total carbon Emissions		ktons CO ₂	17,088	19,869	16%
Offsetting	Mandatory carbon offsets	ktons CO ₂ credits	111	897	x8.08
	Voluntary carbon offsets	ktons CO ₂ credits	623	662	6%
	Customers' carbon offsets	ktons CO ₂ credits	51	102	100%

[√] Data verified by KPMG for 2021 (reasonable level of assurance)

(a) Air France Group scope: all flights under AF code operated by Air France and HOP, all flights under TO code operated by Transavia France.

(b) KLM Group scope: all flights operated by KLM, KLM Cityhopper, Martinair and Transavia Netherland.

(1) Estimated data for 2021 taking into account the 2% consumption variation versus 2020

n.a: not applicable.

	Air France Group ^(a)			KLM Group ^(b)		
	2020	2021	21/20	2020	2021	21/20
	7,319	8,922	22%	6,680	7,370	10%
	0.0	0.02	n.a.	0.5	9.8	x19,8
	17.7	14	-22%	31.3	30	-4%
	6.8	6.7	-2%	0	0	0%
	1,586	1,933	22%	1,448	1,594	10%
	8,930	10,875	22%	8,159	8,994	10%
	0	339	n.a.	111	558	403%
	608	650	7%	15	12	-20%
	0	0	n.a.	51	102	100

4.3.5.2 Flight operation indicators

		Air France-KLM Group			
		Unit	2020	2021	21/20
Consumption of raw materials	Conventional Aviation Fuel [√]	ktons	4,430	5,156	16%
	Sustainable Aviation Fuel	ktons	0.2	4.2	x21
Fuel efficiency	CO ₂ footprint for passengers transport [√]	grCO ₂ /passengers/km	102	95.5	-6%
	CO ₂ footprint for Cargo transport	grCO ₂ /100kg cargo/km	57	52.9	-7%
Non-carbon emissions	NO _x low altitude (<3,000 ft)	ktons	4.8	6.0	26%
	SO ₂ low altitude (<3,000 ft)	ktons	0.3	0.4	33%
Noise impact	Acoustic performance	% fleet under chapter 4 & 14	-	70%	n.a.

[√] Data verified by KPMG for 2021 (reasonable level of assurance).

(a) Air France Group scope: all flights under AF code operated by Air France and HOP, all flights under TO code operated by Transavia France.

(b) KLM Group scope: all flights operated by KLM, KLM Cityhopper, Martinair and Transavia Netherland.

(1) No existing 2020 data reference as Air France-KLM changed the calculation of this indicator in 2021.

n.a: not applicable.

	Air France Group ^(a)			KLM Group ^(b)		
	2020	2021	21/20	2020	2021	21/20
	2,316	2,823	22%	2,114	2,332	10%
	0	0.01	n.a.	0.2	4.2	x21
	102	95.2	-7%	101	96.0	-5%
	60	52.5	-13%	56	53.3	-5%
	3	3.7	25%	1.8	2.3	28%
	0.2	0.3	40%	0.1	0.1	0%
	-	79%	n.a.	-	62%	n.a.

4.3.5.3 Ground operations indicators

			Air France – KLM Group		
			2020	2021	21/20
		Unit			
Consumptions					
Electricity	Total consumption	MWh	236,614	231,903	-2%
	of which renewable	MWh	92,906	99,357	7%
Other energies	Fuel	MWh	123,598	93,509	-24%
	Natural Gas	MWh	95,797	113,297	18%
	Steam/other heating/cooling	MWh	66,046	79,482	20%
	of which renewable	MWh	16,109	24,855	n.a.
Water	Water consumption	m ³	464,465	314,200	-32%
Non-carbon emissions					
	NO _x	ktons	0.322	0.09	-72%
Waste					
Non-hazardous industrial waste	Total quantity	tons	13,482	9,735	-28%
	Percentage recycled	%	39%	44%	+5 pts
Hazardous industrial waste	Total quantity	tons	3,811	3,570	-6%
	Percentage recovered	%	58%	60%	+2 pts

(a) Air France and its subsidiaries (HOP, Sodexi, CRMA, BlueLink and Transavia France).

(b) KLM and its subsidiaries: KLM Cityhopper BV (KLC), KLM Equipment Services (KES), KLM Catering Services (KCS), KLM Health Services (KHS), Cygnific BV, Transavia NL and Martinair.

	Air France Group ^(a)			KLM Group ^(b)		
	2020	2021	21/20	2020	2021	21/20
	167,039	164,639	-1%	69,575	67,264	-3%
	23,331	32,093	38%	69,575	67,264	-3%
	51,865	38,259	-26%	71,733	55,250	-23%
	23,235	32,571	40%	72,561	80,726	11%
	66,046	79,482	20%	0	0	n.a.
	16,109	24,855	54%	0	0	n.a.
	328,183	209,933	-36%	136,282	104,267	-23%
	0.207	0.08	-61%	0.115	0.01	-91%
	3,875	2,921	-25%	9,608	6,814	-29%
	50%	43%	-7 pts	35%	44%	+9 pts
	2,148	2,236	4%	1,663	1,334	-20%
	49%	53%	+4 pts	70%	73%	+3 pts

4.3.5.4 Note on the methodology for the reporting of the environmental indicators

In 2005-06, under the aegis of the Air France–KLM Disclosure Committee, and validated by the college of Statutory Auditors, the Group's environmental indicators were defined to comply with the requirements of the French New Economic Regulations law (*Les Nouvelles Régulations Economiques*, NRE, May 15, 2001) and the European Prospectus Directive Regulation (EC 809/2004). Work on optimizing these indicators was undertaken in 2018 to align the Grenelle II reporting with the new requirements linked to the transposition of the Directive in the Extra-Financial Performance Statement.

Since 2018 and in application of the provisions of Article L. 225-102-1 of the French Code of Commerce (*Code de Commerce*), it has been the responsibility of our Independent Third Party to determine the compliance of the Extra-Financial Performance Statement and the accuracy of the published CSR information. Furthermore, the data relating to the "Conventional kerosene consumption" and "CO₂ emissions associated with conventional kerosene consumption" indicators linked to the Flight Operations have been verified with the highest level of assurance, reasonable assurance (indicated by the symbol ✓), since 2007-08.

Scope covered and scope N-1

For the flight operations, the environmental consolidation scope covers:

- all the commercial flights under the AF codes operated by Air France and HOP!, and the TO codes operated by Transavia France;
- all the commercial flights under the KLM code operated by KLM and its subsidiaries KLM Cityhopper B.V. (KLC), Martinair and Transavia Netherlands.

For the ground operations, the environmental consolidation scope covers:

- Air France consolidated subsidiaries: HOP!, CRMA, Sodexi, BlueLink and Transavia France.
- KLM consolidated subsidiaries: KLC (KLM Cityhopper), KES (KLM Equipment Services), KCS (KLM Catering Services), KHS (KLM Health Services), Transavia Netherlands, Martinair and EPCOR (for a portion of the indicators).

For the ground activities, the consolidation scope for the environmental reporting covers nearly 100% of the sites in France and the Netherlands (some very small subsidiaries being excluded). The international stations are not taken into account (partially for the French Overseas Departments and Territories).

- For Air France, the indicators in the French stations are not reported when there is no detail available on the charges invoiced by airports. The contribution from the relevant stations is, however, marginal compared with the reported data.

Reporting tools

The environmental indicators are assembled at local level *via* different reporting tools: ONEmission (Enablon software), Tennaxia for waste, SAP Finance (invoicing) for Air France and CaeSaR for KLM.

The reliability of the reporting process is supported by definitions of each indicator and tool user guides made available to the contributors. Consistency tests have also been implemented.

The consolidation of the Air France–KLM Group's environmental data is carried out by the Air France–KLM Sustainability department.

Details and methodology – Definition of the key performance indicators and comments on changes in the indicators

At Air France–KLM Group level, the regulatory requirements and the reporting and consolidation principles are outlined in a joint document which is updated regularly. Within the framework of an improvement-based approach, methodological details are provided on some indicators, and particularly on their definitions. When these changes have a significant impact on the data, comparison with the figures for previous years is not meaningful.

When the data is not available, the figure reported for the year (N) is estimated based on the value reported for the previous year (N-1).

The reporting period for the Group's environmental data is based on a rolling twelve-month period from October 1 until September 30 for ground data and January 1 to December 31 for flight and social data.

Definition of the key performance indicators

Comments on changes in the indicators

In 2021, the crisis caused by the Covid-19 pandemic continued to impact Air France–KLM's business and results. Border closures, health measures to be respected for travel and a climate of international concern devastated the air transport sector and all the published indicators were significantly affected for the second consecutive year. The latter therefore do not reflect Air France–KLM's long-term commitments and its environmental performance in recent years.

While the Group increased its activity by about 30% in 2021 compared to 2020 in terms of seat capacity or passengers transported, its level of activity did not regain the 2019 level. The load factor remained low (60%), negatively impacting energy efficiency per passenger (CO₂/passenger/km).

Efficiency per passenger however increased by 6% in 2021 (after a sharp 29% deterioration in 2020) but remained far from the 2019 level (72gr CO₂/passengers/km in 2019, 96 gr CO₂/passengers/km in 2021).

The Group's overall energy efficiency also improved in 2021, kerosene consumption and carbon emissions increasing by less (+16%) than the Group's activity (+30%).

CO₂ efficiency per passenger kilometer

Operational CO₂ efficiency is expressed as grams of CO₂ per passenger kilometer. It is calculated using the actual jet fuel consumed and the number of passengers flown over the actual flight distance planned. For international flights, the fuel burned is divided between passengers and cargo based on mass. The distance used is the flight distance planned which is on average around 7% longer than the great circle distance due to various restrictions (no fly zones, local air traffic control, weather conditions, etc.). The standard mass for a passenger plus luggage amounts to 100kg (ICAO-standard).

The fuel efficiency with the market-based measures compares the efficiency of the current year with the value in 2005. The actual CO₂ from mandatory and voluntary offsetting is deducted, as well as the CO₂ emission savings from the use of Sustainable Aviation Fuel. The mandatory offsetting per calendar year is based on an estimate since the final data will be reported after the publication of this document. To determine the CO₂ offsetting, Air France-KLM deducts the free allowances from the total CO₂ emissions subject to the EU ETS.

CO₂ emissions from the ground operations

The CO₂ emissions from the ground operations include all scope 1 and 2 emissions at the sites in France and the Netherlands.

Non-recycled non-hazardous industrial waste

Non-recycled non-hazardous industrial waste is defined as waste disposed of (Eural Code D). Incinerated waste (Eural Code R1) and R12 or R13 waste, for which it is not possible to know whether this waste has been recycled or incinerated, is categorized as Non-Recycled Waste as a conservative position.

Comments on changes in the environmental indicators

Carbon emissions

Direct and indirect CO₂ emissions are reported in line with the GreenHouseGas Protocol. Since 2017, scope 3 emissions have been reported. These are solely based on the reported scope 3 emissions from the flight operations (upstream emissions from Jet fuel). According to ADEME, the CO₂ emissions correspond to 98% of all greenhouse gases.

Scope 1 - Aviation fuel

Scope 1 emissions generated by the combustion of aviation fuel are reported for all the kerosene used in Air France-KLM's flight operations. The used emission factor of 3.16 kg CO₂ per

kg kerosene is in line with the emission factor from the ICAO (CORSIA - Carbon Offsetting and Reduction Scheme for International Aviation). Note that there are differences between the scope of the reported CO₂ emissions and those in the EU ETS for greenhouse gas emission quotas, so comparison is not meaningful.

Scope 1 - CO₂ savings from Sustainable Aviation Fuel

The CO₂ savings from the use of Sustainable Aviation Fuel (SAF) are calculated based on the specific percentage CO₂ saving for the particular SAF batch and the total volume purchased.

Scope 1 - Ground operations

The direct emissions from the ground operations are based on the consumption of energy coming from different sources and their corresponding emission factors. The factors are based on national standards or are delivered by the energy supplier.

Scope 2 - Electricity

The emissions from electricity use are based on the consumption volume and the corresponding emission factors (ADEME reference for Air France, no CO₂ emissions for KLM's green electricity). The CO₂ saving from purchasing Certificates of Origin for renewable electricity are subtracted from the total. The electricity supply is 100% renewable for KLM.

Scope 3 - Upstream emissions from kerosene production

These emissions are generated during the production, transportation and distribution of kerosene. The greenhouse gas emission factor used for the scope 3 calculation is 0.6448 kg CO₂e per kg of fuel is based on the ICAO full life cycle GHG emissions factor (89gCO₂e/MJ for jet fuel A1).

Offsetting - Mandatory carbon offsets (EU ETS)

The volume of reported mandatory carbon credits is based on the annual reporting of the EU ETS and CORSIA. Free allowances and the trading costs are excluded.

Offsetting - Voluntary carbon offsets

The volume of voluntary carbon credits is calculated over the calendar year. Voluntary carbon offsetting of CO₂ paid by customers is not included. The carbon credits are purchased by Air France and KLM (e.g. for the CO₂ emissions from Air France's domestic flights since January 2020 and for employee business trips); These carbon credits are Gold Standard or VERRA certified.

Offsetting - Customer carbon offsets

The volume of voluntary carbon offsets is calculated based on the calendar year. This concerns the voluntary CO₂ compensation paid by customers *via* the Air France and KLM offsetting programs.

Flight operations

Consumption of Conventional Aviation Fuel

This is the actual conventional aviation fuel consumption for each flight. It includes the fuel consumption for the use of APUs (Auxiliary Power Unit).

Consumption of Sustainable Aviation Fuel

This is the quantity of Sustainable Aviation Fuel (SAF) purchased during the reporting period.

Fuel efficiency – CO₂ emissions for passenger transportation

Fuel efficiency is expressed in both liters of fuel per passenger-kilometer and in grams of CO₂ per passenger-kilometer. The calculation is based on an allocation of fuel between passengers and cargo. The fuel consumption for passengers is divided by the RPKs (Revenue Passenger Kilometers) and adjusted by the Flight Plan distance/ground circle distance ratio. The CO₂ emissions for passengers are based on fuel use, from which the CO₂ savings from the use of SAF are deducted.

Fuel efficiency – CO₂ emissions for cargo transportation

Fuel efficiency is expressed in both liters of fuel per 100kg of cargo-100 kilometers and in grams of CO₂ per 100kg of cargo. The calculation is based on an allocation of fuel between passengers and cargo. The fuel consumption for cargo is divided by 0.1TK and adjusted by the Flight Plan distance/ground circle distance ratio. The CO₂ emissions for cargo are based on fuel use, from which the CO₂ savings from the use of SAF are deducted.

Non-carbon emissions – NO_x low altitude

The methodology used to calculate low-altitude emissions (i.e. below 3,000 feet) is common to Air France and KLM. It is based on the LTO (Landing-Take Off) cycle and on engine data communicated by the ICAO (International Civil Aviation Organization). The taxiing time taken into account is the actual taxiing time, which is more precise than the standard values recommended by the ICAO methodology. Note that, since the actual taxiing time is not available for Transavia France, the standard ICAO values have been used for this subsidiary.

Non-carbon emissions – SO₂ low altitude

Note: the “low altitude” and “LTO” for Landing-Take Off cycle denominations are equivalent. The calculation of the SO₂ emissions from flight operations is based on the average sulfur content (level provided by the SMCA company for Air France and AFS for KLM, in charge of Jet Fuel logistics at CDG and AMS) of the fuel loaded, respectively, on the Amsterdam and Paris platforms which is applied, respectively, to all fuel used during the year by KLM and its subsidiaries, and by Air France and its subsidiaries.

Acoustic impact

The measurement of the acoustic impact of the Air France – KLM group has changed in 2021 due to the particularity of the previous indicator (complex indicator, expressed in energy). The new indicator is closer to those commonly used by other air transport operators. It is measured according to the classification of its fleet in operation according to the ICAO noise chapters. The indicator evaluates the percentage of aircraft certified under chapters 4 and 14 (which are the most efficient noise levels for jet aircraft to date) out of the total fleet in operation. A comparison with the year 2020 is therefore not possible. Nevertheless, thanks to its ongoing efforts to renew its fleet, the Group has performed well, with 70% of its fleet certified at very high noise standards (chapters 4 and 14). The flights concerned are AF, KL, TO, HV or MP operated, franchised and chartered, code-share excepted.

Ground operations

Consumption – Electricity (of which renewable)

This is the total volume of electricity use in MWh. For KLM the volume of renewable electricity is based on the purchase of EU Certificates of Origin coming from wind energy.

Consumption – Other energies: Fuel

The total volume of fuel use for the ground operations includes:

- kerosene (Jet fuel A1) for testing engines;
- non-road diesel fuel for the Air France runway equipment;
- gasoline, diesel and GTL for the Ground Support Equipment (GSE).

In 2021, the fuel consumption of some French outstations has been estimated on the basis of the 2020 data.

Consumption – Other energies: Natural gas

The total quantity of natural gas is mainly used for heating buildings, maintenance hangars and cargo warehouses. The conversion factor for the quantity of gas used is based on the characteristics of the gas specific to France and the Netherlands.

Consumption – Other energies: Steam/other heating/cooling (of which renewable)

This includes superheated and iced water for climate comfort. For Air France, superheated and iced water is supplied by ADP (Aéroports de Paris) at the Orly and Roissy sites. The KLM facilities do not consume this type of energy.

Consumption – Other: Water consumption

The consumption of water is taken into account for all the ground activities. The water used on board the aircraft is not included.

Non-carbon emissions - NO_x

The NO_x emissions related to engine testing are calculated based on a methodology similar to the one used for the Flight Operations, which reflects the actual testing conditions. Other sources of NO_x include combustion by ground support vehicles and runway equipment. For Air France, the calculation is based on the European standards EURO 1 to 6 for light and heavy vehicles, and Stage I to IV for diesel engines (European Directive 97/68/EC for non-road mobile machinery), setting the emission limits based on engine power. For KLM, the NO_x emissions from gas installations and vehicles are determined by direct measurements, from manufacturer data or external databases.

Waste - Non-hazardous industrial waste and percentage recycled

Non-hazardous industrial waste (NHIW) is monitored and reported by specialized waste management suppliers. The KLM scope includes KLM Catering Services (KLM subsidiary) and thus includes catering waste, unlike the Air France scope which sub contracts this service. The reported percentage of recycled

non-hazardous industrial waste covers all forms of waste that are collected separately for recycling purposes. The recycling percentage does not include the waste that is incinerated with energy recovery (Eural Code R1).

Transavia France waste is not included (services included in the rental cost) in the data on waste but represents only a non-material amount of the overall total (less than 1% of the total tonnage).

Waste - Hazardous industrial waste and percentage recovered

Hazardous industrial waste (HIW) is monitored and reported based on data provided by specialized waste management suppliers. If the quantity of hazardous waste has not been communicated by the suppliers at the end of the reporting period, the quantity mentioned in the specification slip is taken into account. This quantity is, however, estimated to be marginal. The reprocessing of hazardous waste complies with the EU Regulation. The recovery percentage is the ratio between the HIW waste recycled/recovered (R code) to the total HIW.

4.4 CUSTOMER TRUST

For Air France–KLM, customer satisfaction is a key priority and the Group is developing numerous initiatives to improve the customer's end-to-end travel experience. Customer satisfaction is notably measured through the Net Promoter Score (NPS), the reference indicator driving customer recommendations. Performance indicators and tools have been developed to track the results on a daily basis.

Customer satisfaction is above all based on their trust in the Group's airline activities. As a responsible airline Group, Air France–KLM

must ensure the safety and health of its customers, employees and partners. This commitment covers flight safety, health security, the safety of the food services offered on board and in the lounges, the protection of personal data and also occupational health and safety (see section 4.2.3). The Group is also committed to facilitating access to its products and services, particularly for passengers with disabilities or those with reduced mobility.

Key Performance Indicator	Definition	Companies	21/20 variation	2021 target
Net Promoter Scores (NPS)	Change in the NPS (expressed as an annual average) of Air France, KLM, Transavia (France and the Netherlands) between 2020 and 2021 Achievement of the 2021 target	Air France	+1 pt	Yes
		KLM	-4 pts	No
		Transavia France	0 pt	Yes
		Transavia Netherlands	-11 pts	No

Definition

Scope: Air France, KLM, Transavia France and Transavia Netherlands.

The Net Promoter Score (or NPS) is a recommendation indicator given by customers to the products and services of Air France, KLM and Transavia (France and the Netherlands) in their capacity as airlines, ranging from 0 to 10 (0 corresponding to "I will definitely not recommend" and 10 to "I will definitely recommend"). It corresponds to the difference between the percentage of promoter customers (scores 9 and 10) and the percentage of customers critical of the brand (scores 0 to 6). This concerns the response to the first question asked in Air France–KLM's e-Score online customer satisfaction questionnaire: "Based on

your opinion and experience, how likely are you to recommend Air France/KLM/Transavia to your friends/colleagues?". For each brand, the indicator measured is the annual change in the NPS (calculated as an annual average). Note that, since they are reported via two different measurement tools, the Net Promoter Scores for Transavia France and Transavia Netherlands cannot be consolidated.

For each brand, whether or not the annual target has been achieved is also indicated.

4.4.1 Operational safety for stakeholders

Flight safety

Context and strategy

Flight Safety is paramount for Air France–KLM. It is key to retaining the trust of both customers and staff, and imperative for the long-term viability of its operations and of air transportation as a whole.

Within a context of crisis and a changing environment, the Group does whatever it takes to maintain the highest level of Flight Safety thanks to its Safety Management System and by supporting its Flight Safety players through specific measures.

All of the Group's activities are subject to numerous checks and certifications; in particular, via the supervisory actions carried out by the Civil Aviation authorities in each country and via the International Air Transport Association (IATA), whose IOSA Operational Safety Audit is a benchmark within the industry. Air France's and KLM's IOSA certifications were renewed in early 2021 following an on-site audit.

See also section 3.1.2 in chapter 3 "Risks relating to the air transportation activity".

Measures and action plan

To achieve the highest attainable standard of Flight Safety, each airline updates and reinforces its Safety Management System (SMS), which concretely defines the modalities in place to manage aviation risks.

Management of Flight Safety risks

Air France and KLM both use the evaluation method for operational risks recommended by the European Aviation Safety Agency. They have deployed this method in all the operational entities and at all levels of the business. The management of Flight Safety risks, notably through systems compiling flight parameters and situation reports, enables threats to be identified, risks to be evaluated, the implementation of remedial measures and the monitoring of the results obtained. It enables proactive management of the risks to maintain them below the level that is deemed acceptable to the responsible management and monitored by the Corporate Safety Department. An internal quality assurance procedure continuously evaluates the proper functioning of Flight Safety Risk Management.

Air France is developing synergies between an array of progress-oriented and risk management approaches – Flight Safety, Health & Safety in the Workplace, Customer Service Quality, Operational Performance, Environmental & Sustainable Development, Food Safety & Hygiene. This quality-based approach is the vector for the steering and management of the businesses, aimed at a continuous improvement in results.

KLM deploys a similar approach. The company is building on the best safety and security practices through an Integrated Safety Management System (ISMS), a working environment of continuous learning and improvement, and independent oversight of the four safety domains: operational, occupational, environmental safety and operational security. KLM thus continuously aims to improve its industry-leading, risk and performance-based Safety Management System in which risk-based decisions can be taken by the responsible management at all levels within KLM. The ISMS is outlined in KLM's Integrated Safety Management Manual (ISMM) and has been approved by the Dutch Civil Aviation authorities as part of the Air Operator Certificate.

Air France and KLM's Safety Culture programs, which include promotion, communication, training and learning interventions, are embedded in the companies to enhance safety awareness and the relevant safe attitude and behavior at all levels.

The specific situation linked to the Covid-19 public health crisis saw the Group realize safety studies aimed at identifying the risks generated by the situation and defining risk mitigation measures enabling the level of safety to be maintained. These actions form part of the international cooperation framework *via*, notably, participation in the work of the International Air Transport Association (IATA) and the Flight Safety Foundation, and by generating synergies within the SkyTeam alliance and sharing information with partner airlines. These measures are adapted according to the level of activity, which varies in line with transport demand.

Governance

Flight Safety Committees, chaired by the Executive Vice-Presidents responsible for the operational entities, meet every quarter within Air France. Their task is to approve the action plans established to apply the orientations set by the companies, the results of inquiries and the results of supervisory acts.

These committees are also tasked with sharing information on the emergence of new Flight Safety issues originating from feedback or risk analysis, by ensuring that the resources and action plans in place are adapted to the issues.

Flight Safety Committee meetings are held twice a year at the level of each company, to evaluate the effectiveness of the existing action plans.

At KLM, the Corporate Safety Committee within the KLM Board of Directors meets every quarter to analyze the Safety Indicators. In 2021, KLM continued its focus on Occupational Safety hazards by updating the main Occupational Safety Policy to provide structure for the required mitigating action. However, the main focus in 2021 was the Covid-19 pandemic. Occupational risk analyses were performed on the transmission of the virus followed by the implementation of mitigating measures. All working environments, whether these be aircraft, offices or operational work spaces, have been set up to facilitate a safe working and living environment. Safety Action Groups (SAGs), chaired by the Nominated Persons and/or Head of Divisions are in place across the company with, at the highest level, the Corporate Safety Action Group chaired by the COO and Accountable Manager. The SAGs decide on the safety action plans during meetings held either weekly or fortnightly. In cooperation with the aviation industry stakeholders at Schiphol Airport, like the airport authorities and Dutch Air Traffic Control, KLM has carried out a number of joint safety risk assessments and conducted mitigating actions to improve safety around the airport. These activities were carried out within the joint sector Integrated Safety Management System, a unique collaboration between the aviation players at the airport which was established in 2018.

Furthermore, in that flight safety is an absolute priority for Air France-KLM, the Board of Directors conducts an annual review of the flight safety KPIs and results, and the measures in place to mitigate the impact of the risks.

Developing a safety-first culture

Building a company-wide awareness of the prerequisite for a safety-first culture across all the operations is a gradual yet ongoing approach aimed at raising the ambition of the airlines in the Air France-KLM Group. Vocational training is a cornerstone of this culture and thus primarily takes into account the skills and expertise to be acquired in matters of safety: safety training for pilots and cabin crews, training relating to the maintenance professions and ground operations.

The quintessential idea that concerns all employees is a comprehensive safety awareness and a safe working environment, both physical and mental/social. Everyone working in the Air France-KLM Group should feel safe and free to report mistakes and incidents, even caused by themselves. By embracing a "Just Culture" we learn, develop and improve on a permanent basis.

Air France and KLM are further embedding safety in the attitude of every employee and the execution of every function by making safety awareness an integral part of every "onboarding" and "cross-boarding" program.

Air France has set itself the objective of developing its safety culture through the Safety Attitude program, launched at the end of 2018. The ambition of Safety Attitude is to always be strengthening the company's safety performance and promote industry best practices.

The Safety Attitude program began with a benchmarking study of five companies, completed by a diagnostic phase, conducted by an independent organization. 22,500 employees from all the Air France professions responded to a questionnaire and over 600 people were interviewed. This in-depth diagnosis enabled us to identify the areas of work that will enable us to unite all employees around a common safety culture as close to operations as possible, based on transparency and trust. In 2020, despite the crisis, the Executive Committee reaffirmed its determination to pursue the project by implementing the first concrete actions, in particular the introduction of field visits for the entire line management. The action plan has been developed with all the departments to maintain a culture of transparency, simplification and respect for procedures, the evaluation of non-technical skills and inter-business exchanges. In 2021, other major actions were launched, such as the “Safety Leadership” training courses deployed from the Executive Committee to middle management, dealing with major subjects such as the right culture and arbitration. To this end, a three-year program of concrete actions adapted to each business line has been structured: mobilization of the line management, a culture of transparency, respect of the procedures, evaluation of non-technical skills and inter-business-line exchanges.

Results and performance

During 2021, Air France-KLM had one non-major accident and one serious incident, respectively a passenger having fallen when disembarking using the airstair and a pilot becoming unwell, which resulted in a diversion.

The rate of reporting of Flight Safety events by staff is above target, contributing to the proper functioning of the Safety Management System.

The measures taken during the resumption of operations post the first lockdown to reduce the risk associated with a low level of activity have borne fruit. Vigilance nonetheless remains the order of the day hence the launch of a new safety study. The Flight Safety network teams are mobilized to analyze the signals coming from the Safety Management System and to take the appropriate action, in addition to the measures already in force.

Health security and commercial measures

Context and strategy

In 2021, the world had to contend with one of the gravest public health emergencies in its history, affecting all populations across all continents. As of the emergence of Covid-19, the Air France-KLM Group implemented never-before-seen measures to guarantee the health and safety of its customers and staff.

In 2021, exceptional commercial measures were maintained and constantly adjusted by the Group’s airlines to enable customers to plan their trips with complete peace of mind.

Given the health situation, some countries require a health Pass, a negative test for Covid-19, quarantine and specific travel documents.

In 2021, customers were given access to the “TravelDoc” website, enabling them to check the latest entry requirements before travelling. In addition, Air France’s “Ready to Fly” and KLM’s “Upload@Home” digital services, free of charge and optional, were introduced to enable customers to verify that they have all the necessary health documentation before starting their journeys and to pre-validate the documents required by the destination so that customers can ensure that their documentation is in order prior to embarkation.

Throughout the year, the Company maintained a flexible commercial policy with 100% changeable and refundable tickets.

Measures and action plans

Air France-KLM has implemented the strictest health measures both on the ground and on board, as well as a fully-flexible commercial policy and a new travel insurance policy in partnership with Allianz Travel for epidemic-related risks. These measures include the:

- mandatory wearing of surgical masks by both customers and staff;
- at the airport, posters, announcements and floor signage remind people of the physical distancing measures;
- sales, check-in and boarding counters are equipped with Plexiglass protective screen;
- check-in counters and self-service kiosks are regularly disinfected, hydro alcoholic gel dispensers are available throughout the customer journey;
- body temperature checks may be implemented on departure of certain flights;
- all the health measures are also implemented in the lounges: hydro alcoholic gel dispenser at the entrance, mandatory wearing of masks, organized physical distancing and cleaning of all surfaces. The buffet, bar, beauty treatment and children’s spaces have been adapted or closed;
- on board, prior to every departure, all the aircraft are thoroughly cleaned: vacuuming of carpets, seats and headrests. All contact surfaces (tablets, armrests, entertainment screens, remote controls, baggage racks, windows and toilets) are cleaned and disinfected;
- aircraft are equipped with air recycling systems consisting of HEPA (High Efficiency Particulate Air) filters, identical to those used in operating theaters, which trap 99.9% of particles. The air is thus renewed every three minutes;
- a return to a normal in-flight and airport catering offer has begun, but individually wrapped products or products served under a bell are still prioritized;

- the teams have received detailed instructions and new procedures to be able to work in safety and guarantee respect of the new standards;
- the press and magazine offer and inflight sales have been suspended.

Air France launched its health commitment under the name “Air France Protect”.

Since the onset of the public health crisis, the Air France–KLM Group has adapted its communication to support customers and help them plan their travel. To facilitate customers in the event of unforeseen developments, the Group’s airlines have adapted their commercial policies. With 100% changeable and refundable tickets, it allows trip postponement for any reason, a refundable credit if the customer no longer wishes to travel or a refund if the flight is cancelled.

KLM has introduced an interactive “Where can I fly to?” map showing the current travel requirements for every country in the KLM network. The map displays the travel requirements based on the customer’s country of departure and vaccination status, so they can choose their next destination at a glance.

Results and performance

In 2021, following a comprehensive audit of its health measures, the Group won the APEX (Airline Passenger Experience Association) Diamond Award Health Safety award, the highest distinction in its category. This award recognizes the best measures put in place by airlines in terms of health and health safety, showing that the airlines take the right measures at the highest level to offer customers the safest possible journey.

Following the implementation of the Air France Protect measures, customers were rapidly consulted to evaluate their level of satisfaction with the hygiene measures deployed throughout the customer journey and their in-flight experiences. Since June 2020, they have thus been invited to complete a questionnaire. Nearly 90% of Air France customers say they are satisfied or very satisfied with the measures in place, approaching 60% reply that they feel comfortable during their journeys and some 23% say that they are enthusiastic/happy; feelings of aggravation, anxiety or stress are reported by 8.5% of the customers polled.

Operational measures to take into account the impact of climate change

Context and strategy

For air transportation, the impacts of climate change could have consequences for the routes and destinations served. In particular, the more frequent occurrence of extreme climate events could affect the safety of flight operations and service continuity (re-routing, flight cancellations and delays, etc.) causing disruption for customers.

Measures and performance

Since they are present across all continents, the Group’s airlines already operate in all weather conditions. They have thus already

deployed the procedures and resources to ensure operations in extreme climate conditions. Air France, KLM and Transavia have developed special training programs for employees on the management of emergency situations.

The airlines also work in cooperation with airports to ensure safe operational and passenger handling conditions and, in such circumstances, deploy commercial measures to enable passengers to defer their travel should they so wish, or change their destinations.

Lastly, the size of the Air France–KLM network, with services balanced between the different continents and the flexibility obtained through fleet composition, are all valuable assets when it comes to minimizing the economic and commercial consequences of these impacts, and adapting flight schedules to market requirements.

Food safety

Context and strategy

The Air France–KLM Group is committed to guaranteeing food services that are safe for its customers and flight crews.

As the years go by the relevant regulations are becoming increasingly exacting. This is why food safety is a key priority for the Group. Air France and KLM both deploy quality-control procedures to fulfil these requirements.

Measures and action plans

The management system is based on four processes, steered by a centralized unit within the Group.

- the first process is cross-cutting and applies to the whole risk area: regulatory intelligence, risk analysis and definition of the measures to mitigate these risks, staff training, establishment and updating of the reference standards, monitoring of the action plans;
- the three other processes are operational and are detailed based on the activity: on board services, water on board and services offered in the lounges.

The management measures are deployed by a Food Safety specialist in each relevant entity: procurement, air operations, ground services, maintenance, operations, international stations, logistics and flight product. They are the guarantors that the measures have been applied within their business lines and report back on functioning together with the associated action plans. The management measures are regularly monitored through indicators and decision-making committees ensuring the effectiveness of the provisions in place relating to Food Safety.

Despite the significant reduction in the number of flights linked to the public health crisis, the monitoring of catering suppliers has been maintained while adapting the model. Food safety audits have continued for some catering suppliers. In order to adapt to the health crisis, remote audits have been set up. Microbiological checks, water analyses and temperature checks have been maintained in proportion to the flight schedule.

Risk control relating to food safety is managed the following ways:

- caterers are audited at least once a year by an external company, specialized in food safety for inflight catering. These audits are executed by specially-trained auditors, and are unannounced and on-site. The audits verify compliance with the QSAI Food Processing Safety and Food Processing Quality standards, based on the HACCP (Hazard Analysis and Critical Control Point) principles;
- e-audits are also conducted to verify the exhaustiveness and effectiveness of the traceability within all caterers.
- in addition, all food product suppliers are referenced based on very strict specifications and are the subject of close microbiological monitoring, carried out by an in-house ISO17025-accredited laboratory for KLM and by an external microbiological analysis laboratory for Air France.

4.4.2 Confidentiality and data protection

Data and IT systems protection

Context and strategy

Passenger bookings, flight schedule management, baggage check-in, the calculation of ticket prices, aircraft maintenance and crew information: IT is at the heart of all of Air France-KLM's activities. Privacy and data protection constitutes a major operational and financial challenge for the business, and for customer trust.

Measures and action plans

The Air France-KLM Group manages its cybersecurity risks in liaison with the national authorities and cooperates with the relevant European agencies (EASA, ENISA). Air France-KLM has its cyber security assessed annually by several independent auditors who participate in the continuous improvement of its action plans. Air France-KLM also takes part in the cybersecurity working groups of the main professional airline associations (IATA, A4E, etc.) and contributes to research by associations specialized in cybersecurity (CLUSIF, CESIN, CIGREF, R2GS, European Aviation ISAC).

Permanent benchmarking and an independent cyber rating agency enable Air France-KLM to be compared with other companies in the air transportation industry. In December 2021, Air France-KLM's IT centers were ranked amongst the leading large companies.

Results and performance

In addition to compliance with the HACCP Principles & Application Guidelines, Air France is the first airline in the world to have attained ISO 22000 certification. An annual audit carried out by an external body verifies that the management system complies with the standard and with the regulatory requirements. In response to the standard's new requirements, Air France made some changes to its management system which were approved by an external audit in March 2021. Internal audits are also realized based on a three-year plan across all the relevant business lines.

A series of key indicators, one per operational process, form part of a monthly dashboard presented to the Executive Committee. Any malfunctioning flagged, notably, by flight crews or customers, is also studied to be able to implement remedial and/or preventive measures. Throughout the year, several meetings of in-house steering bodies are held, enabling the monitoring of current events in this area and the tracking of performance *via* indicators and action plans, with a view to ensuring a continuous improvement.

Air France-KLM also calls on the expertise of leading consultants in the cybersecurity market and actively cooperates with companies with which its Information System is connected.

To offer the best level of protection on the ground and in the air, the Air France-KLM Group is increasing the number of staff dedicated to cyber security and the major cyber security programs in line with the risks:

- a program directed at more effective cybersecurity techniques, to adapt to the evolving cyber threat. This includes cyber insurance;
- an awareness-raising program for all staff involving mandatory Cyber training;
- a program to ensure regulatory compliance which includes a specific level of protection and supervision for critical systems;
- a program to support the digital transformation to offer a simplified and secure user experience.

Results and performance

An annual presentation on these programs is made to the Group Executive Committee and to the Audit Committee of the Board of Directors, guaranteeing sponsorship at the highest level of the company. These programs are supported by Cybersecurity Governance composed of:

- a cybersecurity regulatory framework for ground IT and onboard systems (safety policy based on a series of international ISO 27000 regulations and other standards or regulations concerning Air France-KLM's activities);

- an annual monitoring plan for risks linked to the digital technologies (audits) and testing of the Cyber Crisis mechanism overseen by the Operations Control Center and the authorities;
- three management committees with complementary perspectives. The Group's IT Executive Committee notably evaluates the coherence between the cyber risks and investment in IT. The Cyber Plane Committee, chaired by the Accountable Manager, decides on the orientations to be adopted to reduce the potential cyber risks for the different businesses. Lastly, the Safety Performance Committee, chaired by the Head of Safety, evaluates the effective mitigation of generic safety risks, including cybersecurity;
- a report on the residual cybersecurity risk in the major operational risk sheets managed by Internal Control.

See also section 3.1.3 "Risks relating to the Group's processes".

Data privacy

Context and strategy

In force since May 25, 2018, the European General Data Protection Regulation (GDPR) aimed at protecting personal data, has firstly extended the rights of data subjects and, secondly, strengthened the accountability and obligations of data controllers, requiring documentation and proof of their compliance.

To meet the requirements of the GDPR, Air France and KLM have deployed, since 2018, under the responsibility of their Data Protection Officers, a broad-ranging program to strengthen their Data Protection management systems in line with their cybersecurity programs and design a personal data management framework to ensure compliance with all GDPR principles, in particular Data Protection by design and by default.

In addition to standard security controls, the Information Security Manual (ISM) incorporates the GDPR controls that Air France and KLM must implement to guarantee the highest level of security and protection of personal data, in particular through of the following topics: data lifecycle, retention period and purge mechanism, protection of sensitive data, logical access security controls, data flows, personal data extractions, protection of mobile devices, third-party management, etc.

4.4.3 Accessibility of the products and services

Context and strategy

The Group offers all its customers the best-possible travel experience and undertakes to provide comfortable, attentive and reliable air travel. Passengers with disabilities or reduced mobility (PDRM) are welcome, providing that air travel is not counter to medical advice.

Measures and action plans

In 2021, in addition to strengthening the existing systems in terms of Data Protection governance, and the management of data breaches and training as part of the annual compliance program, several major projects were carried out:

- implementation of the guidelines of the Group's data protection authorities and of the recommendation of the CNIL (*Commission Nationale de l'Informatique et des Libertés*) relating to the "management of cookies and other tracers" on the Group's web environments and mobile applications;
- launch of a program to deploy the new models of Standard Contractual Clauses of the European Commission and of the recommendations of the European Data Protection Board (EDPB) on personal data transfers outside the European Economic Area (following the analysis of the judgement of the Court of Justice of the European Union invalidating the Privacy Shield in the "Schrems II" case);
- support for measures imposed in the context of the Covid-19 public health crisis, in France and internationally, and for initiatives launched in this area by the Group's companies.

Results and performance

The overall effectiveness of the Data Protection management system is assessed through the management of an internal network of business privacy correspondents (first level controls), the internal control systems implemented (second level controls) and a dedicated Internal Audit program (third level control). This framework is subject to a continuous improvement process.

Risks related to Data Protection are periodically assessed within the various business activities of the Air France - KLM Group and integrated into the overall risk management and control system.

Insofar as these risks, combined with cybersecurity threats, become more and more significant, the protection of personal data, and, more generally, data privacy, is an absolute imperative for the Air France - KLM Group.

See also section 3.1.3 "Risks relating to the Group's processes".

This calls for the appropriate assistance involving a degree of complexity owing, notably, to the differences between EU and US regulations. In the US, the responsibility falls solely to the airline and there are no reporting requirements for US citizens and passengers on flights to/from the US. In the European Union, however, the airport authority is responsible for the end-to-end assistance of PDRMs during their journeys through airports and customers are invited to transmit this information to the airline 48 hours before departure, the airline then being responsible for forwarding this information to the airport authority 36 hours prior to departure.

At Paris-CDG, for example, where more than 80% of PDRM passengers are traveling with Air France, Paris Aéroport (ADP Group) oversees special assistance for Air France passengers via its *Passerelle CDG* and Samsic service providers. At Amsterdam-Schiphol Airport, PDRM assistance is supplied by Axxicom Airport Caddy.

For disabled and reduced mobility (PDRM) customers, within the context of the public health crisis, the airlines have reinforced their protocols to guarantee their health and well-being (wheelchairs disinfected daily and after every use, the wearing of masks and gloves by airport assistance personnel, etc.). Lastly, all the communication channels are updated to help customers comply with all the travel conditions (entry documents, tests, etc.).

Measures and action plans

The Air France dedicated assistance service for passengers with reduced mobility, known as Saphir (*Service d'Assistance aux Personnes Handicapées pour les Informations et la Réservation*), offers an array of adapted services, such as facilitated booking procedures, airport assistance, baggage assistance and special equipment on board. With some twenty dedicated advisors, Saphir fielded around 56,000 calls in 2020: telephone and online services enable ticket bookings and the provision of the appropriate assistance. A special telephone assistance service for the hard of hearing or deaf customers is also offered. Nineteen other Customer Relations Centers around the world are able to process requests from our PDRM customers via our business partner Accéo. SAPHIR is available in 19 other countries and not only for the deaf and hard of Hearing persons.

Air France has also long partnered multiple associations dedicated to disability and has forged strong links with national and European bodies in this field, to cooperate on the design and development of service improvements.

KLM Cares is a dedicated service to assist PDRM customers with the planning and booking of flights. At the airport and on board, KLM offers specially-adapted facilities and equipment to ensure a seamless travel experience.

Both Air France and KLM cabin crews are specially trained in the assistance needs of customers with disabilities and have received specific instructions to contend with the public health crisis.

1,000 of them have obtained the status of "PHRM referral clients" after undergoing in-depth training. They are the vectors of a change in attitude towards this clientele, and the guarantee of appropriate treatment on board. In addition, some staff members (approximately 30 in 2015) speak French sign language (LSF). LSF-qualified sales agents and crew members wear a pin so they can be easily identified.

Results and performance

The number of people with disabilities or reduced mobility flying with the Group is growing year after year. Despite the Covid-19 public health crisis, nearly 215,000 PDRM customers traveled with Air France in 2020.

With around 127,000 PDRM passengers flying KLM, the breakdown in the nature of the requests in 2020 was similar to 2019 (+/- 1.1%). In early 2020, the increasing trend in the number of wheelchair assistance requests continued, showing year-on-year growth of about 10%. Due to Covid-19, this trend finally stabilized leading to figures very similar to those of 2019: 94% of PDRM customers requested wheelchair assistance, of whom about half requested the most basic service (for customers unable to walk long distances).

At Air France, a Key Customer Club with PDRM passengers has been created. Their feedback has helped to improve certain services, particularly better information, both up-stream and during the journey, for both customers and frontline staff, within the framework of Air France's Attentive Relationship.

Other new initiatives have also been deployed, such as the upgraded pages on the Air France and KLM websites devoted to PDRMs, providing a wealth of travel tips and pushing tailored information to all passengers based on their type of disability.

For customer-facing staff, on board and at the airport, awareness-raising workshops focusing on the appropriate forms of words and actions to adopt with PDRM customers have been launched, together with IT tools to facilitate their care.

4.5 ETHICS AND COMPLIANCE

As an international Group with operations all over the world and employing a large number of staff, Air France–KLM is committed to respecting both ethical values and the applicable legislation in the corporate compliance domains. This includes, in particular, the protection of Human Rights, combating corruption and all forms of child and forced labor, and the fight against tax fraud and tax evasion.

These fundamental principles are based on the international standards for businesses, including the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the Core Conventions of the International Labor Organization (ILO) and the Children’s Rights and Business Principles.

As a signatory of the United Nations (UN) Global Compact since 2003, the Group supports its ten principles and actively promotes them with partners and suppliers.

4.5.1 The Air France–KLM Principles

In 2020, Air France–KLM developed its Social Rights and Ethics Charter which become The Air France–KLM Principles. The Air France–KLM Principles reaffirm to all employees the Group’s commitment to fostering a climate of mutual trust, respect, transparency and confidentiality, and to promoting a work environment where health, safety and quality of life are a major priority without compromise.

The principles apply to all individual employees in the Air France–KLM Group, including those on part-time and temporary contracts. They serve as a shared foundation for all companies within the Group and support new initiatives, procedures, rules, and Codes of Conduct. The Air France–KLM

Principles were developed in cooperation with the European Works Council.

Where relevant, these principles apply to all Air France–KLM stakeholders, irrespective of their nature, and the Group encourages all its customers, shareholders, business partners and local communities to respect them.

Please see the below link for the full text of the Air France–KLM Principles:

https://www.airfranceklm.com/sites/default/files/afklm_principles_2021_en.pdf

4.5.2 Respect of Human Rights

Human Rights are the foundation for social, economic and cultural cohesion within each company and across the Group. Every employee of the Air France–KLM Group has the right to working conditions that respect their health, safety and dignity, and guarantee a social dialogue.

Within the framework of its activities, the Group has identified the risk factors relating to Human Rights. The measures put in place to mitigate these risks fall into a number of different areas: health and safety of individuals, equal opportunity, achieving a better work/life balance and data protection procedures to protect the personal data of customers and employees (see sections 4.2, 4.4.1, 4.4.2, 4.4.3 and 4.6.3).

In its relationships with suppliers, the Group is committed to ensuring that the fundamental principles and social rights are

properly respected, everywhere in the world. Suppliers are invited to sign a Supplier Code of Conduct based on the principles of the United Nations Global Compact (see sections 4.6.2 and 4.6.3).

Air France carries out awareness-raising actions for its employees on human trafficking, to help them to identify at-risk situations and take action against this form of international organized crime, comparable with modern-day slavery. Whether it is trafficking for the purpose of forced labor or crime, sexual exploitation, illegal adoption or forced marriage, child soldiers, organ trafficking or other forms of human exploitation, the ground staff and flight crews should be able to recognize behavior that may be considered abnormal or worrying and, in the event of suspected human trafficking, report the event as soon as possible and in accordance with the instructions. These actions, which were initiated in 2019, will continue in 2022.

4.5.3 Business ethics

Guidance on business conduct

The importance of respecting ethical principles in everyday business conduct is underscored in a number of documents.

For issues applying to all employees, like combating corruption and promoting fair competition, training programs, manuals and other forms of information sources are brought to their attention while there are specific codes for certain functions like, for example, procurement. The Air France–KLM Anti-Bribery Manual, supported by the Air France–KLM Gift & Hospitality policy, is publicly available on the airfranceklm.com website.

The Air France–KLM Group's commitment to conducting business in good faith, founded on equity, transparency, honesty and integrity, and in the strict respect of the anti-corruption laws in all the countries where its companies or subsidiaries exercise their activities, is affirmed in The Air France–KLM Principles and the Anti-Bribery Manual. This Manual acts as a Code of Conduct for all employees and establishes the guidelines for preventing corruption, and for identifying and handling at-risk situations in the light of the anti-corruption legislation.

Following the publication of recommendations from the French Anti-Corruption Agency (AFA) on September 11, 2020, the Air France–KLM Group is currently updating its Gift & Hospitality policy and has clarified other policies such as those relating to conflicts of interest and facilitation payments.

The Procurement divisions contributed to the establishment of a Sustainable Development Charter for suppliers. As the application of ethical, social and environmental principles constitutes an important criterion when selecting suppliers, the latter must confirm their respect of these principles. This Charter has since been replaced by a Supplier Code of Conduct which specifies the commitments on Human Rights, health and safety, the environment and ethics. This Supplier Code of Conduct is regularly checked and updated to be in line with applicable regulations, notably the French Sapin 2 Act which sets forth a monitoring obligation on the probity of contracting partners.

Fair business practice

Prevention of bribery and anti-competitive practices

The prevention of bribery and anti-competitive behavior is an important factor in honest and fair business practice. As unethical or inappropriate behavior can have considerable negative consequences, both financial and in terms of the Group's reputation, preventing unfair practices is key.

Since 2017, Air France–KLM has been required to comply with the French Sapin II Act (Act No.2016-1691) and has accordingly improved its anti-bribery compliance program. Work is ongoing

on improving its effectiveness within the Group. For example, the Anti-Bribery Manual and the Gift & Hospitality Policy are regularly checked for updates and improvements. This Policy aims to provide clear guidelines for staff, including financial limits, on giving and receiving gifts and hospitality. Both the Anti-Bribery Manual and the Gift & Hospitality Policy documents are available in three languages and can be consulted by staff on the intranet sites. In 2021, it was decided to simplify the structure and language of the Anti-Bribery Manual (which will become the "Anti-bribery Code of Conduct") with a framework document and appendices dedicated to each topic to be covered in accordance with the Recommendations of the French Anti-corruption Agency and bribery risk mapping. Subject to validation by top management and the European Works Council, this revised version of the manual should be released in 2022.

In terms of anti-competitive practices, the Air France–KLM Group is developing its policy aimed at the prevention of anti-competitive acts by circulating to staff a Competition Law Compliance Manual which was updated in 2020.

The KLM Group has adopted a Code of Conduct which stipulates all the rules governing the activities exercised by the KLM Group and its suppliers. The KLM Code of Conduct covers the following areas: Safety, Business Integrity, Social Responsibility and reporting Violations. The KLM Group has also deployed a Code of Ethics for the Finance Function.

An anti-bribery e-learning training campaign has been deployed to maintain and reinforce the anti-bribery awareness and knowledge of staff. At the end of 2021, the realization rate for this training was 85%. Awareness is also reinforced through, for example, information meetings and discussions, improved access to compliance documents and regular communication by the Group's General Management.

A competition law e-learning module was developed in-house and deployed in December 2021 amongst a significant number of Air France–KLM Group employees, to remind them of the competition law principles and the risks at stake.

See also section 3.1.2 "Risks relating to the air transportation activity".

Compliance and fair business conduct

The Compliance activities are based on compliance programs, executed within the context of a formalized framework. New legislation or requirements relating, for example, to anti-bribery or data privacy are taken into account when establishing the compliance programs and their increased appropriation is ensured *via*, amongst other initiatives, awareness-raising campaigns, and dedicated processes or projects which are organized to ensure compliance.

The Group has deployed an organization dedicated to compliance. The Compliance Officers within Air France-KLM, Air France and KLM are tasked with overseeing the implementation of the Compliance programs within the Group. They are supported by a network of compliance correspondents in the activities or departments and subsidiaries. Depending on the type of business transaction and the complexity within the activities or departments and entities, subject matter experts and compliance correspondents facilitate compliance with specific legislation and the roll-out of the relevant elements of the compliance program.

The compliance program is mainly based on training and awareness-raising. Matters that require greater awareness

and transcend businesses, like the prevention of bribery and anti-competitive behavior, are the subject of information campaigns. These campaigns are supplemented by dedicated training which is available to individual employees. Employees can also raise questions or concerns with the Compliance Officers and legal experts.

Before entering into any undertakings and during commercial relationships with customers, suppliers and intermediaries ("Third Parties"), the Air France-KLM Group ensures that the compliance and fair business conduct rules are duly respected through an evaluation by a third party.

Key Performance Indicators	Definition	2019 results	2020-21 results
Realization rate of the e-learning program on the prevention of corruption	Number of employees having completed the entire training program as of December 31, 2021 divided by the total number of employees invited to undertake this training	86%	85%

Definition

Scope: Target group of Air France-KLM Group employees.

Training is mandatory for the target group of employees. The target group is selected based on level of function or exposure to bribery risk. The measured indicator is the number of employees having completed the entire training program as of December 31, 2021, divided by the total number of employees invited to undertake this training. The training is considered to have been completed if the individual passes the test with a score of at least 70%.

Whistle-blower procedures:

Since all employees are required to respect these rules, employees in all the Group's entities are encouraged to discuss any compliance concerns with their line managers. They can also contact a Compliance Officer directly. Employees also have the option of flagging any issues via the Whistle-blower procedures. These procedures also include the possibility of reporting any serious situations, notably relating to corruption offences and the duty of vigilance (Human Rights, fundamental freedoms, health and safety, environment), pursuant to the regulation in force. The whistle-blower mechanism includes guidance for employees on the reporting of incidents and states the measures undertaken to ensure the strict confidentiality of the alert and identity of the relevant employees. It also includes a guarantee that no sanctions will be taken against employees reporting any such incidents in good faith, as provided under the applicable law.

Reports under the whistle-blower procedures are investigated and the appropriate corrective actions are implemented.

Tax strategy

Tax is an integral part of the Finance function within Air France and KLM and supports Air France-KLM's corporate strategy. As such the Air France-KLM's tax strategy is aligned with the business strategy, ambitions and values of the Group. We

want to act fairly, transparent and with integrity towards all our stakeholders. Our tax strategy is driven by demonstrating the commitment to comply with legislation and explaining Air France-KLM's approach to tax.

Tax principles

Air France-KLM's bases its approach to tax on a set of three key principles: Compliance, Transparency and Risk Management.

Compliance

Air France-KLM recognizes the important role fiscal compliance plays in its strategy and undertakes to act with integrity and transparency in all tax matters and to prevent tax evasion. The Company is committed to comply with the letter, the intent and the spirit of the tax legislation, local and international laws (including bilateral tax treaties, OECD and UN guidelines) of the countries in which it operates and to pay the right amount of tax at the right time. Air France-KLM complies with the OECD's Base Erosion and Profit Shifting Action Plan and files all the required transfer pricing documents, including a Country-by-Country Report.

Pursuant to the specific guidelines relating to the taxation of international air transportation services, wherein operational income is taxed in the country of domicile, Air France-KLM consequently reports most of its airline income in France and the Netherlands. Specific local taxation rules require the Group to also report a relatively small portion in foreign jurisdictions where the Group operates. Tax returns will be well sourced, based on sound evidence and full disclosure. Any information is to be recorded and reported in a fair, timely, and accurate manner following good business practices, applicable accounting standards and local tax laws.

Transparency

Mutual respect, transparency and trust drive the Air France–KLM's relationships with tax authorities and other relevant external stakeholders all around the world. Air France–KLM seeks to establish and maintain an open and constructive dialogue with the tax authorities and other government bodies. The Group participates in the development of tax policies by contributing constructive inputs to public consultations.

The aim is to proactively deal with disputed taxation matters, avoid unnecessary challenges and disputes to achieve certainty wherever possible.

Risk management

The Group's aim is to take sustainable tax positions which are long-term in nature, in support of the business operations. It only uses business structures that are driven by commercial considerations, are aligned with its business activity and have genuine substance. It does not look for schemes that might be deemed improper at the fiscal level or are intended to avoid paying taxes.

Air France–KLM conducts its operations with a minimum level of risk with respect to tax matters and as such applies the anti-tax-avoidance rules within the framework of the European Directive (EU) 2016-1164 transposed into French and Dutch tax laws.

The European mandatory disclosure regime for potentially aggressive international tax arrangements came into effect on July 1, 2020 (DAC6 Directive, EU 2018/822 of May 25, 2018). Both Air France and KLM's tax departments have reviewed the compliance reporting obligations the businesses are potentially facing under the new Mandatory Disclosure Rules (MDR) in relation to certain cross border arrangements. No such arrangements have been identified.

The Tax Affairs departments in France and the Netherlands seek to anticipate and reduce the tax risks to their lowest-possible level. They ensure that reasonable care applies in relation to all the Group's processes that could materially affect compliance with the tax obligations and are particularly vigilant in the application of the rules combating fraud and tax evasion.

The global challenges of the public health crisis for tax

The ongoing pandemic has led to unprecedented challenges for all businesses and for tax affairs globally, in terms of supporting the operations aimed at preserving and improving the Group's liquidity position. The possibility of obtaining governmental aid through employment subsidies and financial packages has also been the subject of rigorous scrutiny on the part of the French and Dutch governments.

During this whole period, new tax legislation, tax relief measures and tax payment deferrals in a number of countries, together with the implementation of restructuring and automation projects, have been an integral part of the fiscal strategies developed locally.

4.6 SOCIETAL VALUE

Air France–KLM strives to add economic and social value in the areas where it operates, around its hubs and destinations. By working together with local partners, the Group creates new business opportunities and supports projects that contribute to the future generations and local communities.

As a major purchaser of diverse products and services, the Group integrates ethical and sustainability criteria in its supply chain, by sourcing products and services that minimize its environmental footprint and create societal value.

Key Performance Indicators	Definition	2020 results	2021 results	2022 targets
Percentage of suppliers having signed the Supplier Code of Conduct ⁽¹⁾	Number of Air France and KLM suppliers under contract having signed Air France–KLM's Supplier Code of Conduct divided by the total number of Air France and KLM suppliers under contract.	53%	52%	70%
Number of suppliers evaluated by EcoVadis ⁽²⁾	Number of suppliers under contract with Air France and KLM evaluated by the CSR rating agency EcoVadis or an equivalent body.	262	291	90 additional suppliers

Definitions

(1) Percentage of suppliers having signed the Supplier Code of Conduct

Scope: Suppliers under contract with Air France and KLM, monitored under ARIBA.

As of the initiation of the purchasing process, suppliers are invited to sign the Air France–KLM Supplier Code of Conduct

The indicator measured is the number of Air France and KLM suppliers under contract (monitored *via* ARIBA) having signed the Code of Conduct divided by the number of suppliers concerned (under contract followed under ARIBA) (end December of the reference year).

(2) Number of suppliers evaluated by EcoVadis

Scope: Suppliers under contract with Air France and KLM, monitored under ARIBA, and scored by the CSR rating agency EcoVadis or an equivalent body.

Within the framework of its supplier risk policy, Air France–KLM has its suppliers evaluated and takes into account their sustainable development performance. In the event of an elevated or severe risk, suppliers must be assessed by the CSR rating agency EcoVadis or an equivalent body on the following four themes: environmental, social, ethical and responsible purchasing. All other suppliers are invited to carry out this evaluation on a voluntary basis.

The indicator measured is the number of suppliers evaluated by EcoVadis or an equivalent body (end December of the reference year).

Suppliers considered are those with a score equal to or greater than 35 over the last 3 years.

4.6.1 Local development

Context and strategy

The Group's direct and indirect activities contribute to economic development at a national level in France and the Netherlands, and, in particular, around its Paris and Amsterdam hubs. These hubs offer multiple connecting opportunities in Europe and with the rest of the world, and are part of an extensive, high-quality network that generates an attractive business environment. According to an Opinionway survey of international investors carried out in 2019, the presence of a hub offering direct and frequent international connections is the second most important criterion when choosing a location.

With more than 90% of the Group's employees based in France and the Netherlands, Air France–KLM is a significant contributor to direct job creation in the regions around its two main hubs. The Group's activities also generate numerous indirect and induced jobs: assistance and catering in the outstations, cleaning and sub-contracted services required for the operation of an aircraft.

The hubs create highly-attractive business environments while airport proximity leads to the development of other activities (hotels, conferences, company show-rooms, commercial and marketing functions, business services and activities linked to innovation).

As the number one air operator carrying international tourists visiting France, Air France–KLM makes a significant contribution towards promoting France and the Netherlands as destinations, and to the development of tourism.

KLM's extensive network has contributed to making the Netherlands an attractive location for both Dutch and international companies. The Air France Group, with operations at 33 French airports in 2021 (in mainland France and overseas), reinforces the appeal of the regions and contributes to the growth in local activity.

Historically, the Group has also played an active role in promoting international development, particularly through its support of NGOs and projects sponsored by its own employees.

Measures and action plans

Contributing to national and local development

For many years, Air France–KLM has supported the development of small and medium-sized companies to which it entrusts a significant proportion of its procurement. The Group also promotes innovation and working with start-ups *via* its involvement in initiatives such as the creation of an innovation counter, and participation in special business incubators.

At local level, Air France and KLM are involved in various initiatives and local authorities to promote sustainable development, and build human capital and the attractiveness of the territories around their hubs. Air France is working in cooperation with local officials and companies as a member of the Board of the “*Club des Acteurs du Grand Roissy*”. This association aims to foster harmonious and balanced development of the *Grand Roissy* area, in synergy with the airport platform, and to promote public transport, housing and infrastructure projects that are vital to the development of this area.

In 2020 and 2021, the Air France-KLM Group was significantly impacted by the consequences of the Covid-19 public health crisis. It nonetheless maintained an intensive dialogue with stakeholders at both local and national level to adapt and optimize its schedule, operations and network to take into account, as far as possible, the expectations and connectivity needs of the regions. During the various lockdown phases, particularly in France and the Netherlands, Air France, KLM and Transavia thus maintained a minimum schedule enabling the repatriation of fellow French and Dutch compatriots, and ensuring the basic needs for regional access and connectivity. Furthermore, the Air France Group maintained territorial continuity between France and the overseas departments and territories, while the whole Group mobilized around operating the air bridge for the transportation of masks and medical equipment.

Creating social impact

Air France and KLM support initiatives enabling the development of skills, the vocational integration of young people and the social inclusion of vulnerable individuals. This also includes promoting access to training leading to professions in the airline industry, through numerous associations and educational programs for young people.

Air France is a founder member and partner of four associations involved in information and training programs on aviation careers (*AirEmploi*, *Jeremy*, *AFMAé*, and *Engineers for Schools*). The company organizes skills sponsorship initiatives by mobilizing its in-house teams and leveraging the expertise of associations like “*Nos Quartiers ont du Talent*”, “*Article1*” and “*Tous En Stage*”, an association for which Air France was a founder member. “*Tous En Stage*” organizes multi-company internships for school children in the regions (mainland France, French Overseas Departments and Territories) and young people with disabilities.

The KLM Group supports a number of educational programs to attract and develop future talent through collaboration with ROCs, Delft University of Technology, Schiphol Aviation College, the Amsterdam University of Applied Sciences and the JINC foundation. In particular, the KLM Maintenance division offers internships to students training for the aeronautical mechanics professions.

Air France and KLM continue to support workers with disabilities by using companies in the sheltered and adapted sector for multiple projects (e.g. the upkeep of green spaces at some sites, shipment of packages of uniforms, packaging of headphones used on board, laundering of on-board linen) and by entrusting them with highly-critical services (four sheltered sector suppliers work with the Air France-KLM IT department).

In 2021, Air France, in partnership with the start-up *Vendredi* mobilized its employees around volunteering with the creation of the “*Mon Engagement Citoyen*” initiative. The company is thus reaffirming its commitment to social and environmental issues in the areas where it operates. *Via* this network and throughout the year, employees can offer their free time, positive energy and skills to partner associations in the six areas of action prioritized by Air France and the Air France Foundation: Children, Education - Training - Employment, Disability - Health, Combating Precarity, Intergenerational Sharing and the Environment. Since its launch, 3,000 Air France employees have registered on the *Vendredi* platform and nearly 400 volunteering actions have already been carried out. This dynamic follows on from the Citizenship Days organized by the company in the past three years.

Social partnerships

Air France provides practical support to development projects through four long-standing partnerships: the Air France Foundation, the Air France Humanitarian Aid Department, Acting for Life and *Aviation Sans Frontières*.

The Air France Foundation has adapted its projects while pursuing its primary objective: supporting children. The long-standing projects on the themes of education for sick, disabled and vulnerable children are being pursued and now include environmental issues. The Foundation finances educational projects contributing to fostering new kinds of behavior and increased understanding of climate issues, together with training and awareness-raising projects on sustainable practices respecting natural resources. In 2021, the Air France Foundation was active in 48 projects (12 projects for environmental education, 23 projects for children in difficulty, nine projects for sick or disabled children and four projects to support the social and health crisis) in 18 countries with 100,000 beneficiaries. The Friends of the Air France Foundation network mobilizes more than 4,800 employees around different volunteering, skills-sharing and donation-based initiatives.

The Humanitarian Patronage Service supports 18 medical NGOs working with children. Following the health situation related to Covid-19, 240 tickets were issued in 2021 for medical teams and the repatriation of sick children. In addition, free excess baggage fees were offered to more than 38 NGOs for the transport of medical equipment and health emergencies in the context of the health crisis, i.e. 118 pieces of luggage.

In 2021, Acting for Life, which Air France has partnered for more than forty years, ran 22 development projects in Africa, Asia, Latin America, the Middle East and Oceania. Acting for Life is involved in the promotion of sustainable social and economic territorial development.

Thanks to the financial support and transportation facilities donated by Air France, the emergency aid organization *Aviation Sans Frontières* accompanied more than 950 sick children on the airline's flights and shipped nearly 8,500 packages of medicines and minor medical supplies to 26 destinations. In addition, the Air France-KLM Flying Blue loyalty program enables *Aviation Sans Frontières* to benefit from numerous miles, thereby reducing the transportation costs incurred in accompanying sick children. There are many active and retired Air France employees amongst the *Aviation Sans Frontières* teams of volunteers.

For many years, Air France has been involved in promoting sustainable and responsible tourism within the travel profession ecosystem, and particularly the most proactive like *Agir pour un Tourisme Responsable* (ATR). Air France also acts as an information conduit on the devastation caused by child sex tourism, by financing ECPAT International's prevention campaign and handing out literature on the airline's long-haul flights.

Twenty-four years ago, Transavia created the Peter Pan Holiday Club. This initiative, supported by Transavia employees, organizes holidays for young people between the ages of 13 and 20 years who are unable to enjoy a "normal" holiday due to illness or difficult circumstances. Transavia also works closely with JINC, an organization that arranges activities for children from economically-disadvantaged backgrounds.

Transavia employees are invited and encouraged to actively participate in these initiatives during which children notably visit companies to gain valuable insight into the working world and its functioning, and become familiar with the concept of networking. These initiatives illustrate the Transavia conviction that "Everybody deserves to be seen" and contribute to a more inclusive society.

For over a decade, Transavia France has been supporting the Louis Carlesimo association, enabling sick children to travel on its flights. Every year, between 50 and 80 children have the opportunity to travel to Lapland and meet Father Christmas on the outbound flight as part of a magical and unforgettable experience with the airline. In 2021, once again, the magic worked and 42 children, accompanied by 11 employees, were able to explore Lapland and visit Father Christmas.

Transavia also supports the men and women combating diseases via its commitment to associations like *Les Hôtesse de l'Air Contre le Cancer* and *Les Hommes de l'Air*. In 2021, special flights were organized to raise customer awareness and highlight the two associations. In partnership with *Les Hommes de l'Air*, limited edition key rings were sold on board the aircraft and to employees. All proceeds were donated to the association.

Since 2019, Transavia has fostered diversity by supporting *Personn'Ailes*, Air France's LGBT and gay-friendly association. Each year, special flights are organized in the colors of the rainbow to share our common vision of diversity and inclusion. On December 1, 2021, Transavia organized special flights to raise awareness of the fight against AIDS.

KLM works together with selected partners to protect the environment and preserve cultural heritage. In addition, KLM supports a number of large institutions that assist people in need. One of these is Wings of Support, which was founded by KLM and Martinair staff and runs projects that provide shelter, education and medical care for children in need worldwide. In 2021, the partnership with Wings of Support was extended for a further three years. KLM is also engaged in several partnerships that aim to preserve cultural heritage and, more generally, offer support to arts and cultural initiatives. Examples include the Royal Concertgebouw in Amsterdam, the Royal Concertgebouw Orchestra and various leading museums and theatres in the Netherlands.

Lastly, Air France-KLM customers who are members of the Flying Blue loyalty program are offered the opportunity to donate their Miles to 18 NGOs selected by Air France and KLM: WWF, the Ocean Cleanup, Close the Gap, the Red Cross, UNICEF, Wings of Support and Giro555. In 2021, more than 31 million Miles were donated to NGOs.

A solidarity chain linked to the public health crisis

In 2021, the Group also actively participated in the transportation of vaccines, notably on its cargo flights.

Results and performance

National and regional economic impact

In France:

Economic impact in France, according to an EM Strasbourg research report published in early 2020 on the basis of 2019 figures (pre-Covid-19):

- €40 billion positive economic impact attributable to the Air France-KLM Group's activity, representing 1.6% of French GDP;
- 475,000 FTE jobs depend on the Group's activity;
- for every job created by the Group, 8.7 jobs are created in the French economy;
- for every euro invested, the Group generates two euros in the national economy;
- the Air France-KLM Group's activity directly generates €3.6 billion (including the taxes and social contributions paid by the Group and its employees);
- Air France is a leading private sector employer in the Île-de-France.

In the Netherlands:

- at the end of 2021, KLM was one of the five largest private sector employers in the Netherlands. The KLM Group accounted for more than 29,000 jobs.

See section 4.2.2 “Resource adaptation and employee dialogue” for the impact of the Covid-19 public health crisis on the number of employees.

Contribution to the sheltered and adapted sector

In 2020, Air France renegotiated its eleventh three-year agreement on jobs and the maintained employment of persons with disabilities. Within the framework of this agreement, one of the commitments concerns reaffirmed support for the sheltered and adapted sector.

Air France also cooperates with associations and companies in the sheltered sector on multiple projects representing, in 2021, approximately €8 million of the Group's procurement (e.g. the upkeep of green spaces at some sites, shipment of packages of uniforms, packaging of headphones used on board, laundering of on-board linen). Air France maintains long-term partnership relations, thus enabling these companies to develop in a sustainable context.

4.6.2 Sustainable procurement

Context and strategy

As a service company, Air France–KLM's business activity is heavily dependent on procurement which represents around €10 billion per year. Note that this figure was still down in 2021 owing to the Covid-19 public health crisis and the sharp decline in air traffic. Fuel purchasing amounts to some 40% of this expenditure, followed by aircraft maintenance and components, airport and navigation fees, and airport handling.

Given the significant proportion of external expenses relative to total revenues, optimizing, innovating and making the supply chain more sustainable are priorities for the Group, and contribute to improving profitability. The Procurement department deploys an ambitious policy and encourages the adoption of responsible practices within its processes. For a number of years, this responsible procurement policy has aimed to factor societal responsibility principles into relationships with suppliers by reinforcing control over ethical, social, environmental and supply chain risks. In its Flight Plan, the Procurement Department includes Corporate Social Responsibility as a pillar of its actions. A transformation plan is underway within the department, seeking to go even further on this topic and dedicating resources that will support the overall purchasing actions to respond to the Horizon 2030 corporate strategy. In 2021, we launched the Escalation process to monitor high-risk suppliers' compliance and to mitigate the risks.

Measures and action plan

Pursuing a responsible procurement policy throughout the process

Air France–KLM pursues a responsible procurement policy throughout the process:

- during the supplier referencing process, the Group sends suppliers a questionnaire, addressing a number of themes such as safety, environmental management, HR policy;

Since the 2000s, Air France has been developing one of the most important support initiatives in the national territory for workers with disabilities by using the STPA (*Secteur du Travail Protégé et Adapté*) for multiple projects (e.g. the upkeep of green spaces at some sites, shipment of packages of uniforms, packaging of headphones used on board, laundering of on-board linen). The IT department is constantly looking for new projects in sectors where the STPA innovates and branches out into new areas of human expertise (four companies in the protected sector work for Air France–KLM's IT department).

Contribution to community projects

In 2021, Air France–KLM allocated €4.7 million to supporting NGOs and other social and environmental initiatives. A key performance indicator to measure the impact of the sums allocated is in the development phase.

- suppliers are invited to sign the Sustainable Development Charter for Suppliers based on the principles of the UN Global Compact or provide their own equivalent document, which can be approved following analysis. Since 2015, this Charter has been supplemented by a Supplier Code of Conduct;
- the tender documents frequently list the criteria enabling the evaluation of the environmental impact of the product or service, which are then taken into account during the evaluation of the different supplier proposals. This is an integral part of the assessment of the total cost of ownership and the life cycle analysis.

To supplement the existing process, the Procurement function uses the services of EcoVadis, a company specialized in the evaluation of suppliers based on Corporate Social Responsibility criteria;

The risk mapping process, which takes place at the beginning of the procurement process, takes into account the different sectors of procurement and the countries in which the suppliers are based:

- buyers must systematically verify the positioning of each supplier in the risk map. There are six levels of risk;
- in the event of an elevated or severe level of risk, suppliers are contacted so that they can be evaluated by EcoVadis or an equivalent organization on the following four themes: environment, social, ethics and sustainable procurement (as defined in the EcoVadis system);
- if the risk category of the supplier is lower than “high risk”, buyers are advised to encourage their supplier to be evaluated in order to improve their weak points. The suppliers can then share their scores with other companies, which may prove to be a competitive advantage in terms of winning bids and contracts.

Since March 2020, through two risk managers, the Procurement department support has monitored suppliers to guarantee the financial health of its partners. The Covid-19 public health crisis

requires the Group to secure its supply chain and take into account the specific situations being traversed by its suppliers, particularly the smallest. The local Small & Medium Enterprises (SME) and companies from the Adapted and Protected Sector (STPA) purchasing mindset was a focus of concern this year.

The KLM Fuel Procurement function has made a decade-long commitment to developing and purchasing 75,000 tons of sustainable aviation fuel per year. To this end, KLM is contributing, alongside SkyNRG, the world leader in sustainable aviation fuels (SAF), to the development of the first European plant dedicated to the production of SAF in Delfzijl. The construction of this facility, scheduled to open in 2024, is a concrete step towards achieving KLM's ambitions for sustainable development and contributes to the broader "Smart and Sustainable" industrial plan. As of 2023, the plant will produce 100,000 tons of SAF annually, as well as 15,000 tons of bio LPG, as a by-product. This will mean an annual CO₂ reduction of 270,000 tons for the aviation sector. This is an important milestone for the industry in its quest to reduce carbon emissions and meet the growing demand for sustainable fuel for aviation.

Empowering the buyers

Air France - KLM buyers are committed to respecting the Group's Corporate Social Responsibility commitments. On their first day in the office, they sign a Code of Ethics outlining the ethical rules to follow when dealing with suppliers. In the light of the Anti-Bribery legislation, a reminder of the Code of Ethics is sent to the prescribers. These documents, the Sustainability Charter for Suppliers and the Code of Ethics are available on the Procurement website. This year, the Group worked on the updating of these documents and a new Code of Conduct will be gradually rolled out.

An internal process has also been established to develop the buyers' skills, with training modules, seminars and web links providing more information on best environmental practices. All Procurement staff have completed an anti-corruption e-learning module. All new buyers receive training on the department's CSR commitments, the duty of vigilance and the anti-bribery processes, and on how to use a scoring tool (EcoVadis). EcoVadis training was provided in October 2021 and all relevant information is available in the Sharepoint tool under "Procurement and Sustainability".

The Procurement function encourages the maintenance of a watching brief on information relating to CSR (news, legislation, events, conferences, webinars, etc.) and the sharing of experience. Relevant CSR news is communicated in Sharepoint or by mail.

The Procurement Action Plan sets out the CSR undertakings as a strategic lever; this Plan has been distributed to the teams and forms part of the on-boarding documentation for new recruits. More than ever, CSR is a focus for Air France - KLM, which places sustainable development at the heart of its priorities and projects: the buyers seek suppliers who can help the Group make progress on this issue and contribute suggestions and innovative ideas. EcoVadis training is proposed and an EcoVadis kit for new buyers is also available.

Mobilizing and innovating with suppliers

Supplier Relations Management (SRM) is based on building long-term relationships between Air France - KLM and its strategic suppliers. This SRM process enables issues like Corporate Social Responsibility to be central to discussions and to move forward together on these issues.

The Procurement function sees its suppliers as bona fide partners in mutually beneficial growth. In this capacity, it supports their quest for innovative solutions and analysis of the environmental impact of products. During the drafting of a product specification, the prescriber and buyer work together to identify the environmental and societal characteristics, thereby encouraging the supplier to not only develop the environmental performance of its products but also make a wider commitment to sustainability.

KLM works with its suppliers on the recycling of plastic waste, transforming this waste into a material for 3D printing. KLM thus collects tons of plastic bottles on flights and then sorts and recycles them to obtain recycled plastic pellets. This recycled plastic is used, for example, to print tools for the maintenance of aircraft.

For its part, Air France has put in place measures to recycle and upcycle its waste, and minimize the utilization of single-use-plastic. The Procurement teams have made a significant contribution to the quest for new innovative partnerships.

Taking into account social and environmental priorities

The obligations of suppliers in terms of the environment and vocational health and safety are stipulated in the product or service specifications. To prevent the risks linked to joint-activity during interventions, the establishment of prevention plans is systematic. This approach is the subject of a General Occupational Health and Safety Procedure. Air France tracks the accident record for sub-contractors in the Company's annual social reporting.

Furthermore, an environmental clause figures in Air France's catering contracts which includes measures to reduce the environmental footprint, such as the sorting and recycling of waste and the use of seasonal products.

Measures in favor of responsible catering

One of the Air France - KLM Group's priorities is to develop an ever-more-eco-responsible onboard product. Air France is thus working on the development of responsible catering, in terms of both the food services and tableware used.

For instance, it favors locally-sourced products that are seasonal and sustainable.

Some products have labels such as the controlled and protected designation of origin (AOC/PDO) and organic farming (AB). Furthermore, to guarantee passengers a balanced meal, since May 2021 all hot dishes served in Economy class have had an A or B Nutriscore.

For on-board tableware, multiple criteria are considered: weight of the articles, materials used, place of manufacturing, mode of transportation, management of the material's end of life. Environmental labels and certifications like FSC or PEFC are prioritized. The selection of new articles is made in cooperation with the suppliers to envisage products with the lowest-possible environmental impact from a long-term perspective.

Reducing single-use plastic is a major objective for Air France: the target is to eliminate 80% of this material by 2025. Many projects are underway to remove it or replace it with renewable materials. The implementation on board of certain plastic-free items was delayed during the year due to the decrease in activity. Indeed, in order to limit waste, Air France wants to run down its inventories before launching new items. During 2021, the collaboration between the Solar Impulse Foundation and Air France continued to find innovative ways to substitute plastics.

Whenever feasible, to contribute to the overall objective of attaining the Sustainable Development Goals, KLM chooses products and partners that share its values. KLM's responsible catering policy mainly focuses on environmental preservation in production areas, Human Rights, working conditions and animal

welfare. The catering policy applies to all flights departing from Schiphol Airport and elsewhere in Europe and, where possible, responsible products are included in the catering products on board flights on departure from other countries. For KLM, it is important that the ingredients used in meals, such as fish, chocolate, palm oil and soy, are sourced responsibly. To this end, KLM is a member of the Responsible Soy (RTRS) and Sustainable Palm Oil (RSPO) Round Table and offers certified products on board its aircraft such as MSC and ASC-certified fish, "better life" eggs, chicken and veal, and UTZ-certified coffee, tea and chocolate.

Results and performance

Through its "Air France-KLM Procurement" website, the Group maintains an ongoing dialogue with suppliers, informing them, amongst other things, of its policy and commitment to sustainable development. Right from the inception of the procurement process, suppliers thus become aware of these issues and are invited to sign the Air France-KLM Supplier Code of Conduct.

In 2021, 52% of suppliers signed the Supplier Code of Conduct.

In 2021, the total number of companies evaluated and actively assessed by EcoVadis or an equivalent body stood at 291. Suppliers considered are those with a score of 35 or higher over the last three years. As part of a continuous-improvement process, Air France-KLM aims to evaluate 90 additional suppliers in 2022.

4.6.3 Monitoring of Act No. 2017-399 known as the Duty of Vigilance Law

The Air France-KLM Group is subject to the obligations introduced by the Act of March 27, 2017 relating to the duty of vigilance for parent companies and ordering companies.

Since 2018, in response to the regulatory requirements, the Group has implemented a vigilance plan in compliance with the legal provisions, it being understood that the Group already had processes in place enabling it to comply directly or indirectly with the requirements of the 2017 Act for Duty of Vigilance. In particular, having established verification processes in the areas required to be covered by the vigilance plan, the Group has ensured that it is in a position to benefit, as effectively as possible, from the contributions of its various entities through a questionnaire to be completed by the entities of the Group. In 2021, Air France-KLM also focused on its contracting partners - as requested by the Act - by updating the template of the questionnaire to be sent to suppliers (this process is still ongoing between Procurement (Center of Expertise) and the Compliance team).

Identification and regular risk evaluation procedures

The identification and evaluation of the various risks relating to the duty of vigilance are part of the overall risk management

process established within the Air France-KLM Group. As a facilitator of risk management, Group Internal Audit regularly evaluates the risk management process and its conclusions are the subject of presentations to the Group Executive Committee and the Audit Committee.

The Air France-KLM Group's overall sub-contracting management system applies to all risk areas. It is based on contract reviews, compliance monitoring and supervision acts such as audits, inspections and checks, carried out by the sub-contractors themselves where appropriate or with external providers (as part of the EcoVadis screening on social rights, environment and sustainable procurement).

Every year, the Group conducts a review of the non-financial risks generated by its activities. This analysis verifies the relevance and comprehensiveness of the measures and action plans aimed at the effective prevention, control and mitigation of the non-financial risks deemed to be the most material.

See chapter 3 "Risks and risk management" and section 4.1.2 "Identification of the key priorities in building long-term relationships".

Measures deployed to prevent and mitigate the risks and monitoring mechanisms

Air France-KLM's policy enshrines the respect of fundamental rights as established in the leading international principles: Universal Declaration of Human Rights, International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development's (OECD) guiding principles.

Air France-KLM has been a signatory of the United Nations Global Compact since 2003 and is committed to respecting and promoting its ten principles in the areas of Human Rights, labor, the environment and anti-corruption. This undertaking is reaffirmed each year by the Group's top management.

The duty of vigilance is a multi-risk approach. The management of risks is at the heart of the steering of the Air France-KLM Group's business activities, based on a rationale of prevention and homogeneous management *via* common methods and tools.

Human Rights and fundamental liberties

In 2019, the Social Rights and Ethics Charter was reviewed by a working group bringing together the relevant Group entities and the European Works Council, to develop its content and formalize a set of principles fostering the respect of Human Rights. This new document, intended for both internal and external use, and entitled The Air France-KLM Principles, was published in 2020.

The Air France-KLM Principles affirm the Group's commitment to fostering a climate of mutual trust and respect amongst staff, and ensuring a safe working environment. The Group undertakes to apply the labor legislation of the European Union and its Member States and all national collective agreements, and to respect the exercise of trade union rights in all the relevant countries. The Group also undertakes to scrupulously respect Human Rights, oppose child and forced labor, apply laws and ask its service providers and suppliers to uphold these principles.

In view of its organization, the Group delegates to its subsidiaries the responsibility of respecting and promoting the content of these commitments locally, in the respect of the national provisions and legislation specific to each country.

See sections 4.2 "Human Resources" and 4.5.2 "Respect of Human Rights".

Health and safety

For Air France-KLM, the health and safety of both customers and staff is an absolute priority.

Flight Safety is paramount for the Group. It is key to retaining the trust of customers and imperative for the long-term viability of its operations. All the Group's activities are the subject of multiple checks and certifications, and comply with extremely strict norms and the highest standards in the industry.

Each Group airline deploys a Safety Management System, which is integral to their business organizations, processes and corporate cultures.

See chapter 3 "Risks and risk management" and section 4.4 "Customer trust".

Safeguarding health and safety in the work place is a human priority to which the Group responds by preventing vocational risks and improving the quality of life in the workplace.

See section 4.2 "Human resources".

The Group must guarantee its customers and flight crew safe catering services and, to this end, has implemented a Food Hygiene and Safety process to respond to the regulatory requirements linked to the preparation and supply of meals.

See section 4.4 "Customer trust".

Environment

Air France-KLM's Climate Action Plan embodies the Group's strategy and main priorities for reducing its impact on climate change. In November 2019, the Group unveiled its global strategy through to 2025, based on environmental sustainability.

The Air France and KLM Environmental Management Systems (EMS) aim to prevent and mitigate the environmental impacts of their operations. These Environmental Management Systems have ISO 14001 certification and internal and external audits enable the verification of their effective deployment.

In 2019, the Group adopted the format recommended by the Task Force on Climate-related Financial Disclosures (TCFD) for the management of financial risks linked to climate change (TCFD concordance table, section 4.3.2).

See section 4.3 "Environment".

Supply chain

In its relations with sub-contractors and suppliers, Air France-KLM ensures that the fundamental social rights and principles, and environmental protection provisions, are properly respected everywhere in the world.

A supplier selection process was implemented to respond to the duty of vigilance requirements. To this end, Air France-KLM's Procurement function provides awareness training on these risks for its buyers.

A risk-mapping process is in place with, for each segment and procurement domain, an evaluation of the environmental, social and ethical risks. Risks are also evaluated by country.

For all new contracts or contract renewals, the signature of the Code of Conduct or an equivalent commitment covering the four areas (environment, social, ethical and supply chain) is mandatory and is included in the contract's appendix.

In the segments most exposed to risks, suppliers are asked to submit an evaluation of their sustainability performance, carried out by a specialized organization or the equivalent. This evaluation must address four areas: environment, social, ethics, supply chain. The "Supplier supply chain" section provides visibility for tier 2 suppliers.

Suppliers failing to reach an acceptable level are required to put in place a remedial action plan. Independent in-situ audits may also be triggered.

Independently of the level of risk, all suppliers are encouraged to carry out evaluations of their CSR performance.

In 2021, at the Group's request, 291 suppliers had their sustainability performance evaluated.

Listening to stakeholders and whistle blower mechanism

In 2021, Air France-KLM realized a new materiality analysis by questioning a representative panel of internal and external stakeholders. The comparison of these results with those of the analysis carried out in 2019 enabled confirmation of the relevance of Air France-KLM's strategic choices in the light of the issues deemed to be priorities for its activities and the expectations of its stakeholders.

Several processes enable the Group to regularly evaluate the perception of its stakeholders and to understand the related risks. The Group also has a number of feedback channels in place enabling stakeholders (particularly employees, customers and local residents around airports) to communicate any complaints.

See section 4.1.2 "Identification of the key priorities in building long-term relationships".

The Air France-KLM Group has updated the scope of its internal whistle-blower procedures to enable employees to report any situations arising within the scope of the Act of March 27, 2017 relating to the duty of vigilance of parent companies and ordering companies. For reporting under the Whistle-blower procedure see section 4.5.3 "Business ethics".

Table of concordance for the social, societal and environmental information

DPEF	GRI Standard Indicators	Advanced level Global Compact criteria
4.1 Creating long-term value for all our stakeholders		
4.1.1 The Group's business model	X	Criteria 1; 15
4.1.2 Identification of the key priorities for building long-term relationships	102-21; 102-42; 102-43; 102-47	Criteria 1; 15
4.1.3 Business responsibility at the heart of the strategy	102-18; 102-20; 102-22; 102-26; 102-56	Criteria 1; 15
4.2 Human resources		
4.2.1 Working conditions and social dialogue	102-21; 402-1; 407-1	Criteria 6-8
4.2.2 Resource adaptation and employee dialogue	404-1; 404-2; 404-3	Criteria 6-8
4.2.3 Development of human capital and talent management	102-21; 402-1; 404-1; 404-2; 404-3; 407.1	Criteria 6-8
4.2.4 Diversity and equality	405-1; 406-1	Criteria 6-8
4.2.5 Health, safety and quality of life in the workplace	403-1; 403-2; 403-3; 403-4; 403-5; 403-6	Criteria 6-8
4.2.6 Social indicators for the Group	103-1; 102-8; 403-2; 403-3; 401-1	Criteria 6-8
4.3 Environmental impact		
4.3.1 Carbon emissions	302-4; 302-5; 305-1; 305-5	Criteria 9-11
4.3.2 Noise and local pollution	102-21; 305-5; 305-7; 413-1; 413-2	Criteria 9-11
4.3.3 Waste and circular economy	306-2	Criteria 9-11
4.3.4 Biodiversity	304-1; 304-3	Criteria 9-11
4.3.5 Environmental indicators	302-1; 303-1; 305-1; 305-2; 305-4; 305-5; 305-7; 306-3; 306-4	Criteria 9-11
4.4 Customer trust		
4.4.1 Operational safety for stakeholders	416-1	Criteria 21
4.4.2 Data and IT systems protection	418-1	Criteria 21
4.4.3 Accessibility of products and services	406-1	Criteria 3-5
4.5 Ethics and compliance		
4.5.1 Group reference texts	412-3	Criteria 3-5; 12-14
4.5.2 Respect of Human Rights	408-1; 409-1; 412-2; 412-3	Criteria 3-5
4.5.3 Business ethics	205-2	Criteria 12-14
4.6 Societal Value		
4.6.1 Local development	102-21; 413-1; 203-1	Criteria 16; 18
4.6.2 Sustainable procurement	414-1; 414-2	Criteria 2
4.6.3 Monitoring the Duty of Vigilance Law		
4.7 Report by one of the Statutory Auditors	102-56	

4.7 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2021

To the Shareholders,

In our capacity as Statutory Auditor of your company (hereinafter the “entity”), appointed as Independent Third Party and accredited by COFRAC under number 3-1049⁽¹⁾, we have undertaken a limited assurance engagement on the historical financial information (actual or extrapolated) of the consolidated non-financial statement, prepared in accordance with the entity's procedures (hereinafter the “Guidelines”), for the year ended December 31st 2022 (hereinafter, respectively, the “Information” and the “Statement”), included in the Group's management report pursuant to the requirements of Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de Commerce*).

At the request of the entity, we conducted works designed to express a reasonable assurance conclusion on the information selected by the entity and identified by the sign √.

Limited assurance conclusion

Based on the procedures performed, as set out in the “Nature and scope of our work” section of this report, and the information collected, nothing has come to our attention that causes us to believe that the Statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Reasonable assurance conclusion on a selection of non-financial information

Based on the procedures performed, as set out in the “Nature and scope of our work” and “Nature and scope of additional work on the information selected by the entity and identified by the sign √” sections of this report, and the evidences collected, the information selected by the entity and identified with the symbol √ in the Statement has been prepared, in all material respects, in accordance with the Guidelines.

Preparation of the Statement

The absence of a commonly used generally accepted reporting framework or established practices on which to draw to evaluate

and measure the Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Information needs to be read and understood together with the Guidelines, the main elements of which are presented in the Statement (or available on request from the entity's registered office).

Inherent limitations in preparing the Information

The Information may be subject to inherent uncertainty because of incomplete scientific and economic knowledge and the quality of external data used. Some information is sensitive to methodological choices, assumptions and/or estimates used for their preparation and presentation in the Statement.

Responsibility of the entity

The Management Board's is responsible for:

- selecting or establishing suitable criteria for preparing the Information;
- preparing a Statement in accordance with legal and regulatory requirements, including a presentation of the business model, a description of the main extra-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators, and the information provided for in Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation);
- implementing internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

The Statement was prepared by applying the entity's Guidelines as mentioned previously.

Responsibility of the Statutory Auditor, appointed as Independent Third Party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;

(1) Accreditation COFRAC Inspection, number 3-1049, scope available at www.cofrac.fr

- the fairness of the historical financial information (actual or extrapolated) provided in accordance with Article R. 225-105-I (3) and II of the French Commercial Code concerning action plans and policy outcomes, including the key performance indicators on the main risks.

As it is our responsibility to provide an independent conclusion on the Information as prepared by Management, we are not authorised to help prepare said Information, as that could compromise our independence.

At the request of the entity and outside of the scope of certification, we may express reasonable assurance that the information selected by the entity, presented in the appendices, and identified by the symbol ✓ has been prepared, in all material respects, in accordance with the Guidelines.

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory requirements (in particular, the disclosures provided for in Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation), the French duty of care law and anti-corruption and tax avoidance legislation);
- the fairness of the disclosures provided for in Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation);
- the compliance of products and services with the applicable regulations.

Regulatory provisions and applicable professional guidance

We performed our work described below in accordance with the provisions of Articles A. 225 1 and following of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and International Standard on Assurance Engagements 3000⁽¹⁾.

Our independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with applicable legal, regulatory and ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors relating to this engagement.

Means and resources

Our work was carried out by a team of eight people between October 2021 and February 2022 and took a total of ten weeks.

We were assisted in our work by our specialists in sustainable development and Corporate Social Responsibility. We conducted approximately twelve interviews with the people responsible for preparing the Statement.

Nature and scope of our work

We planned and performed our work to address the areas where we identified that a material misstatement of the Information was likely to arise.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion:

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in Article L. 225 102 1 III as well as information regarding compliance with Human Rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement provides the information required under Article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under Article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
 - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in the appendices. Concerning certain risks⁽²⁾, our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities⁽³⁾;

(1) ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information.

(2) Working conditions and social dialogue; Respect of Human Rights; Business ethics; Responsible procurement; Adaptation to climate change; Operational safety for stakeholders; Confidentiality and data protection; Accessibility of the products and services; Local development.

(3) Human resources: Air France, Transavia France, CRMA, KLM, Transavia NL. Environment: Air France in France and KLM Schiphol for ground operations; Air France, HOP1, KLM, Martinair and KLC for flight operations.

- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with Article L. 233-16, within the limitations set out in the Statement;
- we obtained an understanding of the internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important, as presented in the appendices, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
 - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities⁽¹⁾ and covers between 29% and 100% of the consolidated data selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement performed in accordance with the professional guidance issued by the French Institute of Statutory Auditors; a higher level of assurance would have required us to carry out more extensive procedures.

Reasonable assurance report on a selection of non-financial information

Nature and scope of our work

With regard to the information selected by the entity presented in the appendices and identified by the symbol √ in the Statement, we conducted the same work as described in the paragraph “Nature and scope of our work” above for the Information considered to be the most important, but in a more in-depth manner, in particular with regard to the number of tests.

The selected sample accounts for 93% of the information identified by the symbol √.

We believe that our work is sufficient to provide a basis for our reasonable assurance opinion on the information selected by the entity and identified by the symbol √.

Paris-La Défense, February 18th 2022

KPMG S.A.

Fanny Houlliot
Partner
Sustainability Services

Éric Dupré
Partner

(1) Human resources: Air France, Transavia France, CRMA, KLM, Transavia NL.
Environment: Air France in France and KLM Schiphol for ground operations ; Air France, HOP!, KLM, Martinair and KLC for flight operations.

Appendix

Qualitative information (actions and outcomes) considered most important

Action plans and associated results on health and safety and well-being at work

Gender equality programme

Decarbonisation roadmap

Group contribution to the Airport Noise Tax

Measures to prevent food waste

Funding schemes for environmental projects

Group tax policy

Measures for passenger safety and satisfaction and related results

Action plans and associated results in terms of personal data protection

Measures to promote the accessibility of services

Partnership and other arrangements to support local development

Evaluation and monitoring programme for suppliers at risk

Key performance indicators and other quantitative results considered most important		Level of assurance
Human resources	Total staff at 31/12 and breakdown by age	Limited
	Number of recruitments and Number of departures	Limited
	Percentage of women in the Executive Committee	Limited
	% of women in managerial functions	Limited
	Frequency rate for accidents in the workplace	Limited
	Gravity rate for accidents in the workplace	Limited
	Number of hours of training per employee	Limited
	Total staff with disabilities	Limited
	Number of collective agreements signed	Limited
	Change in Employee Promoter Score (EPS)	Limited
Environment - Air operations	Fuel consumption	Reasonable
	CO ₂ emissions of fuel consumption	Reasonable
	Fuel efficiency for passenger transportation	Reasonable
	Percentage change in CO ₂ efficiency between 2005 and 2021 (operational measures)	Reasonable
	Fuel efficiency for cargo transportation	Limited
	Low altitude NO _x emissions	Limited
	Low altitude SO ₂ emissions	Limited
Environment - Ground operations	Percentage of ICAO Chapter 4 and 14 certified aircrafts	Limited
	CO ₂ emissions from ground operations (scope 1)	Limited
	Percentage change in absolute CO ₂ emissions from ground operations between 2020 and 2021 (scopes 1 and 2)	Limited
	NO _x emissions from ground operations	Limited
	Quantity of hazardous and non-hazardous industrial waste	Limited
	Percentage change in non-recycled wastes between 2011 and 2021	Limited
Societal	Percentage of recovered hazardous industrial waste	Limited
	Number of suppliers evaluated by Ecovadis	Limited
	% of suppliers having signed the Supplier Code of Conduct	Limited

5

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5.1 INVESTMENTS AND FINANCING

During the 2021 financial year, the Air France-KLM Group's capital expenditure on tangible and intangible assets amounted to €2,202 million and proceeds on disposals to €899 million. With net cash flow from operating activities amounting to €1,534 million, the Group generated positive operating free cash flow of €231 million.

At December 31, 2021, the Group's net liquidity position amounted to €7.70 billion, including €189 million of investments with

maturities of above three months, €324 million of cash pledges and €529 million of AAA bonds. In addition, the Group had credit facilities of €2.46 billion available at December 31, 2021 (see also section 3.1.5.1 "Financial Structure").

Net debt stood at €8.22 billion (€11.05 billion at December 31, 2020). The detailed net debt calculation can be found in Note 35 in the notes to the financial statements).

5.1.1 Investments

(in € million)	2021	2020
Acquisition of intangible assets	(222)	(198)
Investment in flight equipment	(1,856)	(1,745)
Other property, plant and equipment	(124)	(156)
Acquisitions of subsidiaries, of shares in non-controlled entities	(4)	(1)
Loss of control over subsidiaries, disposal of shares in non-controlled entities	75	357
Proceeds on disposal of property, plant and equipment and intangible assets	899	204
Dividends received	2	-
Net decrease (increase) in Investments between 3 months and 1 year	(9)	(44)
Net cash flow used in investing activities	(1,239)	(1,583)

Investment in flight equipment included advance payments and balances on the delivery of aircraft purchases, capitalized aircraft modifications, spare parts procurement and maintenance costs eligible for capitalization. Investment in intangible assets related

to the purchase of software and capitalized IT development. Other investments in tangible assets mostly included the acquisition of industrial equipment for the flight operations, maintenance and IT.

5.1.2 Financing

(in € million)	2021	2020
Capital increase	1,024	-
Issuance of debt	1,724	11,437
Repayment of debt	(1,993)	(3,389)
Payments on lease debts	(862)	(940)
New loans	(188)	(282)
Repayment on loans	219	321
Dividends and coupons paid on perpetual	(1)	-
Net cash flow from financing activities	(77)	7,147

5.1.3 Structure of the financial debt and reimbursement profile

Structure of the financial debt

The Group's gross debt stood at €12.5 billion at December 31, 2021, of which €4.36 billion is guaranteed by pledged or mortgaged assets amounting to €5.14 billion, representing 35.4% of the net book value of the relevant assets (see also Note 41.1 "Commitments made" in the notes to the consolidated financial statements). After hedging, 50% of the gross debt (excluding lease debt) is at fixed rates and 86% (excluding lease debt) is denominated in euros. The average cost of the debt is 2.23% (see also section 3.1.5 "Financial market risks").

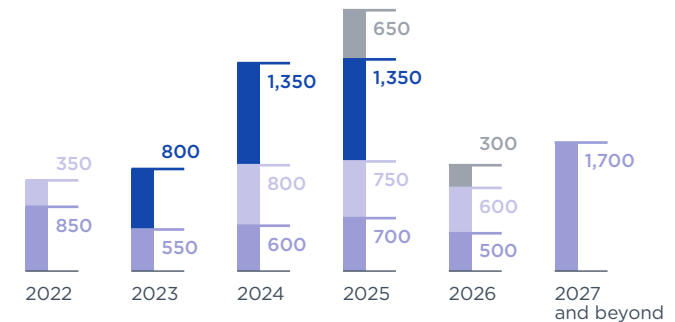
At December 31, 2021, the structure of the debt was as follows:

- market financing (bonds and perpetual subordinated loan stock): €3.0 billion;
- debt financial lease with bargain option: €3.3 billion;
- loans from or guaranteed by States: €4.6 billion;
- other borrowings including bank debt and accrued interest: €1.6 billion.

Reimbursement profile for debt and subordinated securities, excluding lease debt and KLM perpetuals

The debt reimbursement maturities are progressive over time.

Reimbursement profile



Bonds issued by Air France-KLM

October 2022: AFKL 3.75% (€350m)
 March 2024: AFKL 0.125% (€500m, Convertible "OCEANE")
 January 2025: AFKL 1.875% (€750m)
 December 2026: AFKL 4.35% \$145m (€118m)
 June 2024-26: AFKL 3.0% (€300m in 2024)
 AFKL 3.875% (€500m in 2026)

Other long-term debt issued by Air France and KLM

Mainly asset-backed

French state aid package

State aid package consists of €4.0bn in banks loan guaranteed by the French State (€500m reimbursed in 2021) and a €3.0bn French State loan. French State loan of €3.0bn was converted into perpetual quasi-equity in April 2021.

Dutch state aid package

State aid package consists of €2.4bn in bank loans guaranteed by the Dutch State (RCF) and a €1.0bn Dutch State loan. Amount displayed corresponds to the drawdown as of date.

5.2 COMMENTS ON THE FINANCIAL STATEMENTS

5.2.1 Consolidated results at December 31, 2021

Restatement of the 2020 financial statements

Since January 1, 2021, the Group has applied the IFRIC decision relating to IAS 19. As a result, the 2020 financial statements have been restated for the purposes of comparison.

This restatement is outlined in Note 3 “Restatement of the 2020 financial statements” in the notes to the consolidated financial statements.

Scope at December 31, 2021

At December 31, 2021, the consolidation scope was composed of 79 fully consolidated companies, 23 companies consolidated using the equity method and one joint-venture. Air France-KLM and its two main subsidiaries, Air France and KLM, represent 91% of revenues and 94% of the balance sheet. The other subsidiaries are principally involved in air transportation (Hop!, KLM Cityhopper), maintenance and low-cost transportation (Transavia).

As far as possible, the changes in the like-for-like figures have been estimated on a constant currency basis.

(in € million)	2021	2020 restated	Change
Revenues	14,315	11,088	3,227
EBITDA	745	(1,695)	2,440
Income/(loss) from current operations	(1,626)	(4,554)	2,928
Income/(loss) from operating activities	(2,532)	(6,030)	3,498
Net income/(loss) from continuing operations	(3,294)	(7,105)	3,811
Net income/(loss), Group part	(3,292)	(7,100)	3,808
Basic earnings/(loss) per share, Group (in €)	(5.95)	(16.61)	10.66

Revenues

Consolidated revenues for the period amounted to €14.3 billion, an increase of 29.1% and 31.6% on a constant currency basis. Air France-KLM increased its overall capacity by 29.5% (ASK). The 2021 financial year was characterized by a 7.1% increase in unit revenues on a constant currency basis, due to the combined performances of the passenger (+5.2%) and cargo (+25.8%) transportation activities, both these activities being included in the Network business, and the performance of Transavia

(+14.6%). In addition, Air France-KLM increased its passenger capacity by 27.4% (ASK) and its cargo capacity by 13.3% (ATK). Transavia's capacity increase stood at 51.0% (ASK). Revenues from the Network business increased by 33.0%. Maintenance revenues decreased by 2.0%, third-party maintenance revenues decreased by 18.1% (-11.8% on a constant currency basis). Transavia revenues increased by 67.0%.

Operating expenses

Operating expenses increased by 2% to €15.9 billion, while capacity (ASK) increased by 29.5%.

External expenses increased by 10.6% to €8.83 billion versus €7.98 billion over the previous twelve months. Excluding fuel, external expenses were up by 8.8% relative to the previous twelve months.

The breakdown of external expenses was as follows:

(in € million)	2021	2020	% ch.	% ch. at constant currency
Aircraft fuel	2,748	2,392	14.9	21.5
Chartering costs	325	253	28.5	32.4
Landing fees and en route charges	1,185	969	22.2	23.9
Catering	382	294	29.9	31.7
Handling charges and other operating costs	1,027	833	23.2	24.9
Aircraft maintenance costs	1,625	1,618	0.4	4.2
Commercial and distribution costs	385	346	11.3	13.7
Other external expenses	1,152	1,275	(9.6)	(7.2)
Total	8,829	7,980	10.6	14.5

The main changes were as follows:

- **aircraft fuel:** fuel expense for the year increased by 21.5 % (constant currency), mainly due to higher capacity (+29.5 % ASK). The rise in the oil price was mitigated by hedging. The fuel bill before hedging increased by €1,046 million, partially offset by the €691 million change in fuel hedge effects;
- **chartering costs:** the costs incurred in leasing aircraft capacity from other airlines. Their increase in 2021 is explained by higher aircraft chartering;
- **landing fees and en route charges:** these costs are incurred for air navigation services and the use of airports;
- **catering costs:** these costs comprise the services supplied on board the Air France-KLM Group's own aircraft;
- **handling charges and other operating costs:** principally cover aircraft handling on the ground and the cost of passenger care for the Group and, to a lesser extent, third-party customers. The increase in these costs is mainly explained by the increase in capacity;
- **aircraft maintenance costs:** they include maintenance procurement and consumption for the Group's aircraft and for the third-party activity; their increase is linked to the increase in activity;

- **commercial and distribution costs:** these costs increased by less than capacity due to cost-saving measures;
- **other external expenses** principally comprise rental charges, telecommunications costs, insurance and fees.

Salaries and related costs were up by 0.6 % to €5.34 billion versus €5.31 billion in 2020. The stabilization in these costs was mostly due to ongoing State allowances and restructuring, despite the capacity increase.

Taxes other than income taxes stood at €116 million in 2021 versus €137 million in 2020, down by 15.3 %.

Other current income and expenses stood at net income of €715 million in 2021 versus net income of €640 million at December 31, 2020. They included:

- capitalized production amounting to €728 million in 2021 versus €610 million in 2020;
- a result from joint-ventures of €8 million in 2021 versus €(7) million in 2020;
- €16 million from currency hedges in 2021 versus €79 million at December 31, 2020;
- a €(36) million expense booked in respect of CO₂ quotas versus €(32) million in the previous financial year.

EBITDA

EBITDA amounted to €745 million (versus €(1,695) million at December 31, 2020).

The contributions to EBITDA by business segment were as follows:

(in € million)	2021	2020 restated	% ch.
Network	262	(1,678)	115.6
Maintenance	374	26	1,388
Transavia	68	(77)	188.3
Others	41	34	20.6
Total	745	(1,695)	144.0

Amortization, depreciation and provisions

Amortization, depreciation and provisions totaled €2.37 billion in 2021 versus €2.86 billion in 2020.

Income/(loss) from current operations

The result from current operations was negative to the tune of €(1,626) million (versus €(4,554) million at December 31, 2020).

The contributions to revenues and income/(loss) from current operations by business segment were as follows:

(in € million)	2021		2020 restated	
	Revenues	Income/(loss) from current operations	Revenues	Income/(loss) from current operations
Network	12,253	(1,582)	9,206	(3,722)
Maintenance	1,023	88	1,248	(543)
Transavia	1,012	(150)	606	(299)
Others	27	18	28	10
Total	14,315	(1,626)	11,088	(4,554)

The nominal unit cost per ASK (available seat-kilometer) decreased by 20.2%. In addition, there was a 0.7% decrease on currency variation and a fuel price increase of 0.5%. Together this amounted to a unit cost ex currency ex fuel price effect of -20.0%.

Income/(loss) from operating activities

The result from operating activities amounted to €(2,532) million versus €(6,030) million in 2020.

Over the 2021 financial year, the result from operating activities included, notably:

- the change in the KLM Ground Staff pension scheme from a Defined Benefit to a Defined Contribution plan for €(938) million;
- the impairment of the fleet for €(39) million, mainly at Hop!;
- the release of unused restructuring provisions for €86 million at Air France.

Over the 2020 financial year, the result from operating activities had included, notably:

- the impact of the A380, A340, B747 and CRJ700 phase-outs amounting to €(672) million;
- restructuring charges for Air France, KLM and HOP! of €(846) million.

These operations are detailed in Note 12 “Sales of aircraft equipment and other non-current income and expenses” in the notes to the financial statements.

Net cost of financial debt

The net cost of financial debt increased to €728 million versus a net cost of €477 million during the previous financial year. This variation is explained by a:

- €234 million increase in interest on financial debt;
- €17 million decrease in interest on financial assets.

Other financial income and expenses

Other net financial income and expenses amounted to €(289) million in 2021 versus €(451) million in 2020. The breakdown was as follows:

- an unrealized foreign exchange loss of €(289) million versus a €302 million gain in 2020. At December 31, 2021, the foreign exchange result mainly included a €(236) million unrealized foreign exchange loss on return obligation liabilities and provisions on aircraft leased in US dollars, and a €(45) million unrealized foreign exchange loss on the debt, of which €(66) million for the US dollar and €24 million for the Japanese yen. At December 31, 2020, the foreign exchange result had mainly included a €302 million unrealized foreign exchange gain, composed of a gain of €277 million on return obligation liabilities and provisions on aircraft leased in US dollars and a €42 million foreign exchange gain principally on the debt in US dollars (€28 million) and Japanese yen (€29 million).
- a €31 million impact from the change in fair value of financial and equity instruments in 2021 (versus €(561) million in 2020). In 2020, due to the significant reduction in fuel consumption for 2020 and expected for the beginning of 2021, the Group had been over-hedged. An amount of €(595) million was recycled to the income statement.

- an accretion effect on long-term return obligation liabilities on aircraft: €(116) million in 2021 versus €(165) million in 2020, the variation being linked to a decrease in the discount rate from 4.5% in 2020 to 3.4% in 2021.

Net result - Group part

Income taxes stood at income of €282 million in 2021 versus €(89) million in 2020. The effective tax rate as of December 31, 2021 was 8.0%. The 2021 tax losses have not been recognized in the deferred tax assets.

Share of profits/(losses) from associates contributed a loss of €(27) million in 2021 versus a €(58) million loss in the previous year. This was principally the result from the Servair Group and from partnerships in the maintenance business.

The net result, Group part stood at loss of €(3,292) million in 2021 versus a €(7,100) million loss in 2020.

The contributions to the net result by quarter were, respectively, €(1,482) million at March 31, 2021, €(1,490) million at June 30, 2021, €(192) million at September 30, 2021 and €(128) million at December 31, 2021.

Basic earnings per share, Group part amounted to €(5.95) at December 31, 2021 versus €(16.61) at December 31, 2020.

5.2.2 Investments and financing of the Group

Operating cash flow amounted to €1.5 billion (versus €(2.8) billion at December 31, 2020).

Capital expenditure on tangible and intangible assets amounted to €2.2 billion over the financial year (versus €2.1 billion in 2020), of which €1,123 million of investment in the fleet, €443 million in maintenance, €164 million in spare parts, €138 million in cabin refurbishment and €334 million in the ground operations and intangible assets. Proceeds on disposals of tangible and intangible assets amounted to €899 million versus €204 million at December 31, 2020.

After taking into account net capital expenditure on tangible and intangible assets, operating free cash flow stood at €0.23 billion (versus €(4.72) billion in 2020). After the reimbursement of lease debt, adjusted operating free cash flow was €(0.63) billion in 2021 (€(5.66) billion in 2020).

At December 31, 2021, the Group had €7.70 billion of net cash, of which €6.66 billion in cash and cash equivalents. Furthermore, the Group has undrawn credit facilities amounting to a total of €2.46 billion.

Net financial debt amounted to €8.22 billion at December 31, 2021 (versus €11.05 billion at December 31, 2020).

5.2.3 Consolidated equity at December 31, 2021

Equity attributable to equity holders of Air France-KLM amounted to €(3,824) million at December 31, 2021 versus €(5,351) million as of December 31, 2020. The €1,527 billion increase is mainly explained by the following:

- a negative net result of €(3.3) billion;

- the modification of the €3.0 billion loan from the French State into Deeply Subordinated Undated Notes;
- a €1.0 billion capital increase;
- a €0.6 billion change (net of tax) in the fair value of the Group's pension liabilities.

5.2.4 Air France – KLM parent company results

The Air France–KLM parent company results were closed on December 31, 2021.

As a holding company, Air France–KLM has no operating activity. Its revenues comprise royalties paid by the two operating subsidiaries for use of the Air France–KLM logo and the supply of services invoiced to Air France and KLM. Its expenses mostly comprise financial communication expenses, Statutory Auditors' fees, the expenses linked to the compensation of the company officers and the staff made available by Air France and KLM. At December 31, 2021, the operating result amounted to a loss of €(3) million (compared with income of €2 million in 2020).

The net result was a €(4) million loss, mainly due to the financial costs on the bonds, the loan guaranteed by the State (*Prêt Garanti par l'État* - PGE), the State Current Account Advance and the Deeply Subordinated Undated Notes and other loans.

Pursuant to the provisions of Article 39-5 and Article 223 quinquies of the French tax Code relating to expenses in the statement of general expenses excluded from non-tax-deductible expenses, note that no amount was recognized during the financial year.

Pursuant to the provisions of Article 39-4 and Article 223 quater of the French tax Code no excess amortization was recognized.

Information on the maturity of accounts payable for the company Air France–KLM:

At December 31, 2021, accounts payable stood at €18 million of which €13 million outside the Group, mostly not yet due within 45 days as of the end of the month.

At December 31, 2020, accounts payable stood at €14 million of which €10 million outside the Group, mostly not yet due within 45 days as of the end of the month.

5.3 KEY FINANCIAL INDICATORS

Financial cover ratios

Net debt/EBITDA ratio	2021	2020 restated
Net debt <i>(in €m)</i>	8,216	11,049
EBITDA <i>(in €m)</i>	745	(1,695)
Net debt/EBITDA	11.03	N/A

EBITDA/net cost of financial debt ratio	2021	2020 restated
EBITDA <i>(in €m)</i>	745	(1,695)
Net cost of financial debt <i>(in €m)</i>	728	477
EBITDA/net cost of financial debt	1.02	N/A

Return on Capital Employed (ROCE)

Return on capital employed measures the return on invested capital by expressing a result after tax as a percentage of capital employed. The calculation methodology is as follows:

- the calculation of the capital employed is based on an additive method by identifying the relevant balance sheet items. The

capital employed for the year is obtained by taking the average of the capital employed on every quarterly balance sheet;

- the adjusted result after tax corresponds to the sum of the operating result adjusted for dividends received and the share of profits/(losses) of associates.

<i>(in € million)</i>	December 31, 2021	September 30, 2021 restated	June 30, 2021 restated	March 31, 2021 restated
Goodwill and intangible assets	1,457	1,456	1,464	1,479
Flight equipment	10,466	10,478	10,645	10,800
Other property, plant and equipment	1,402	1,418	1,453	1,476
Right-of-use assets	5,148	5,061	5,033	4,795
Investments in equity associates	109	172	166	223
Other financial assets excluding shares available for sale, marketable securities and financial deposits	157	147	147	146
Provisions excluding pension, cargo litigation and restructuring	(4,173)	(4,180)	(4,033)	(4,083)
WCR, excluding market value of derivatives	(8,262)	(7,995)	(7,745)	(6,410)
Capital employed	6,304	6,557	7,130	8,426
Average capital employed (A)		7,104		
Adjusted result from current operations		(1,626)		
Dividends received		-		
Share of profits/(losses) of associates		(27)		
Normative income tax		462		
Adjusted result from current operations after tax (B)		(1,191)		
ROCE (B/A)		N/A		

(in € million)	December 31, 2020 restated	September 30, 2020 restated	June 30, 2020 restated	March 31, 2020 restated
Goodwill and intangible assets	1,445	1,470	1,500	1,564
Flight equipment	11,031	11,009	10,919	11,465
Other property, plant and equipment	1,548	1,535	1,551	1,579
Right-of-use assets	4,678	4,789	4,938	5,119
Investments in equity associates	230	224	267	299
Other financial assets excluding shares available for sale, marketable securities and financial deposits	146	135	133	142
Provisions excluding pension, cargo litigation and restructuring	(3,922)	(4,001)	(4,130)	(4,190)
WCR, excluding market value of derivatives	(6,505)	(6,894)	(6,779)	(6,650)
Capital employed	8,651	8,267	8,399	9,328
Average capital employed (A)		8,661		
Adjusted result from current operations		(4,554)		
Dividends received		-		
Share of profits/(losses) of associates		(58)		
Normative income tax		1,396		
Adjusted result from current operations after tax (B)		(3,216)		
ROCE (B/A)		N/A		

Cost of capital

	2021	2020
Cost of stockholders' equity	17.7%	14.3%
Marginal cost of debt, post tax	2.9%	2.2%
Percentage of stockholders' equity/target debt		
Stockholders' equity	26%	33%
Debt	74%	67%
Weighted average cost of capital after taxation	6.7%	6.3%

Net cost per ASK

To analyze the cost performance of each transportation activity, the Group divides the net cost of this activity by the capacity produced, expressed in ASK for the passenger business and Transavia, and in ATK for the cargo business. To analyze the company's overall cost performance, the Group uses the net cost per ASK. This net cost is obtained by dividing the total net cost

by the capacity produced expressed in available seat-kilometers (ASK). The net cost is calculated by subtracting the revenues other than those generated by the three transportation activities (passenger, cargo and Transavia) from total operating expenses. The capacity produced by the two passenger transportation activities is combined by adding the capacity of the passenger business (in ASK) to that of Transavia (in ASK).

	2021	2020 restated
Revenues (in €m)	14,315	11,088
Income/(loss) from current operations (in €m)	(1,626)	(4,554)
Total operating expense (in €m)	(15,941)	(15,641)
Network business – other network revenues (in €m)	734	635
Third-party revenues in maintenance (in €m)	1,023	1,248
Transavia – other revenues (in €m)	(3)	20
Other businesses (in €m)	27	28
Net cost (in €m)	14,161	13,714
Capacity produced, reported in ASK	196,116	151,480
Net cost, per ASK (in € cents)	7.22	9.05
Gross change		-20.2%
Currency effect on net costs (in €m)		+115
Change at constant currencies		-19.5%
Fuel price effect (in €m) ⁽¹⁾		-80
Change on a constant currency and fuel price basis		-20.0%
Net cost per ASK on a constant currency and fuel price basis	7.22	9.03

(1) Adjusted for 2020 capacity.

5.4 SUBSEQUENT EVENTS AND OUTLOOK FOR 2022

5.4.1 Subsequent events

See page 6, “Highlights of the beginning of the 2021 financial year”.

5.4.2 Outlook for 2022

See page 13, “Highlights of the beginning of the 2022 financial year: Recapitalization plan”.

5.5 CONSOLIDATED FINANCIAL STATEMENTS

5.5.1 Consolidated income statement

Period from January 1 to December 31 (in € millions)	Notes	2021	2020 restated ⁽¹⁾
Revenues from ordinary activities		14,315	11,088
External expenses	8	(8 829)	(7 980)
Salaries and related costs	9	(5 340)	(5 306)
Taxes other than income taxes		(116)	(137)
Other current operating income and expenses	10	715	640
EBITDA		745	(1 695)
Amortization, depreciation and provisions	11	(2 371)	(2 859)
Income from current operations		(1 626)	(4 554)
Sales of aircraft equipment	12	(19)	41
Other non-current income and expenses	12	(887)	(1 517)
Income from operating activities		(2 532)	(6 030)
Cost of financial debt	13	(730)	(496)
Income from cash and cash equivalents		2	19
Net cost of financial debt	13	(728)	(477)
Other financial income and expenses	13	(289)	(451)
Income before tax		(3 549)	(6 958)
Income taxes	14.1	282	(89)
Net income of consolidated companies		(3 267)	(7 047)
Share of profits (losses) of associates	21	(27)	(58)
Net income for the period		(3 294)	(7 105)
Non-controlling interests		(2)	(5)
Net income – Group part		(3 292)	(7 100)
Earnings per share – Equity holders of Air France-KLM (in euros)			
– basic	15	(5.95)	(16.61)
– diluted		(5.95)	(16.61)

(1) See Note 3 in notes to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

5.5.2 Consolidated statement of recognized income and expenses

Period from January 1 to December 31 (in € millions)	Notes	2021	2020 restated ⁽¹⁾
Net income for the period		(3,294)	(7,105)
Cash flow hedges and cost of hedging			
Effective portion of changes in fair value hedge and cost of hedging recognized directly in other comprehensive income	30.6	541	(946)
Change in fair value and cost of hedging transferred to profit or loss	30.6	(272)	969
Exchange difference resulting from the translation		3	(4)
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	14.2	(72)	(10)
Total of other comprehensive income that will be reclassified to profit or loss		200	9
Remeasurements of defined benefit pension plans		772	(282)
Fair value of equity instruments revalued through OCI		(2)	(21)
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	14.2	(171)	79
Total of other comprehensive income that will not be reclassified to profit or loss		599	(224)
Total of other comprehensive income, after tax		799	(215)
Recognized income and expenses		(2,495)	(7,320)
— Equity holders of Air France-KLM		(2,495)	(7,314)
— Non-controlling interests		-	(6)

(1) See Note 3 in notes to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

5.5.3 Consolidated balance sheet

Assets (in € millions)	Notes	December 31, 2021	December 31, 2020 restated ⁽¹⁾	January 1, 2020 restated ⁽¹⁾
Goodwill	16	222	215	217
Intangible assets	17	1,235	1,230	1,305
Flight equipment	18	10,466	11,031	11,334
Other property, plant and equipment	18	1,402	1,548	1,580
Right-of-use assets	20	5,148	4,678	5,173
Investments in equity associates	21	109	230	307
Pension assets	22	-	211	420
Other non-current financial assets	24	951	795	1,096
Non-current derivative financial assets	39	143	92	238
Deferred tax assets	14.4	278	252	485
Other non-current assets	28	-	4	3
Total non-current assets		19,954	20,286	22,158
Assets held for sale	25	74	-	-
Other current financial assets	24	484	607	800
Current derivative financial assets	39	469	160	258
Inventories	26	567	543	737
Trade receivables	27	1,511	1,248	2,164
Other current assets	28	966	914	865
Cash and cash equivalents	29	6,658	6,423	3,715
Total current assets		10,729	9,895	8,539
Total assets		30,683	30,181	30,697

(1) See Note 3 in notes to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheet (continuation)

Liabilities and equity (in € millions)	Notes	December 31, 2021	December 31, 2020 restated ⁽¹⁾	January 1, 2020 restated ⁽¹⁾
Issued capital	30.1	643	429	429
Additional paid-in capital	30.2	4,949	4,139	4,139
Treasury shares	30.3	(25)	(25)	(67)
Perpetual	30.4	3,151	-	403
Reserves and retained earnings	30.5	(12,542)	(9,894)	(2,522)
Equity attributable to equity holders of Air France-KLM		(3,824)	(5,351)	2,382
Non-controlling interests		8	9	15
Total equity		(3,816)	(5,342)	2,397
Pension provisions	31	1,939	2,041	2,117
Non-current return obligation liability and other provisions	32	4,055	3,670	3,750
Non-current financial liabilities	33	11,274	14,171	6,271
Non-current lease debt	34	2,924	2,425	3,149
Non-current derivative financial liabilities	39	25	122	107
Deferred tax liabilities	14.4	1	22	142
Other non-current liabilities	38	2,555	1,294	115
Total non-current liabilities		22,773	23,745	15,651
Current return obligation liability and other provisions	32	885	1,337	714
Current financial liabilities	33	1,215	1,318	842
Current lease debt	34	825	839	971
Current derivative financial liabilities	39	46	363	154
Trade payables		1,850	1,435	2,379
Deferred revenue on ticket sales	36	2,644	2,394	3,289
Frequent flyer programs	37	888	916	848
Other current liabilities	38	3,369	3,175	3,448
Bank overdrafts	29	4	1	4
Total current liabilities		11,726	11,778	12,649
Total liabilities		34,499	35,523	28,300
Total equity and liabilities		30,683	30,181	30,697

(1) See Note 3 in notes to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

5.5.4 Consolidated statement of changes in stockholders' equity

(in € millions)	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual bonds	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Non-controlling interests	Total equity
December 31, 2019 - published	428,634,035	429	4,139	(67)	403	(2,620)	2,284	15	2,299
Change in accounting policy ⁽¹⁾						98	98		98
January 1, 2020 - restated ⁽¹⁾	428,634,035	429	4,139	(67)	403	(2,522)	2,382	15	2,397
Other comprehensive income		-	-	-	-	(214)	(214)	(1)	(215)
Net result for the period		-	-	-	-	(7,100)	(7,100)	(5)	(7,105)
Total of income and expenses recognized		-	-	-	-	(7,314)	(7,314)	(6)	(7,320)
Perpetual		-	-	-	(403)	-	(403)	-	(403)
Coupons on perpetual		-	-	-	-	(17)	(17)	-	(17)
Other		-	-	42	-	(41)	1	-	1
December 31, 2020 - restated ⁽¹⁾	428,634,035	429	4,139	(25)	-	(9,894)	(5,351)	9	(5,342)
Other comprehensive income		-	-	-	-	797	797	2	799
Net result for the period		-	-	-	-	(3,292)	(3,292)	(2)	(3,294)
Total of income and expenses recognized		-	-	-	-	(2,495)	(2,495)	-	(2,495)
Capital increase	213,999,999	214	810	-	-	-	1,024	-	1,024
Perpetual bonds		-	-	-	3,000	(3)	2,997	-	2,997
Coupons on perpetual		-	-	-	151	(151)	-	-	-
Dividends paid		-	-	-	-	-	-	(1)	(1)
Other		-	-	-	-	1	1	-	1
December 31, 2021	642,634,034	643	4,949	(25)	3,151	(12,542)	(3,824)	8	(3,816)

(1) See Note 3 in notes to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

5.5.5 Consolidated statement of cash flows

Period from January 1 to December 31 (in € millions)	Notes	2021	2020 restated ⁽¹⁾
Net income		(3,294)	(7,105)
Amortization, depreciation and operating provisions	11	2,371	2,859
Financial provisions	13	115	183
Loss (gain) on disposals of tangible and intangible assets		18	(50)
Loss (gain) on disposals of subsidiaries and associates	12	(26)	1
Derivatives - non monetary result		(39)	(27)
Unrealized foreign exchange gains and losses, net		257	(290)
Share of (profits) losses of associates	21	27	58
Deferred taxes	14	(284)	159
Impairment	43.1	40	680
Other non-monetary items	43.1	739	541
Financial capacity		(76)	(2,991)
(Increase)/decrease in inventories		(41)	138
(Increase)/decrease in trade receivables		(239)	760
Increase/(decrease) in trade payables		395	(898)
Increase/(decrease) in advanced ticket sales		227	(837)
Change in other assets and liabilities		1,268	1,002
Change in working capital requirement		1,610	165
Net cash flow from operating activities		1,534	(2,826)
Acquisition of subsidiaries, of shares in non-controlled entities		(4)	(1)
Purchase of property plant and equipment and intangible assets	19	(2,202)	(2,099)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	4.2	75	357
Proceeds on disposal of property plant and equipment and intangible assets	12	899	204
Dividends received		2	-
Decrease (increase) in net investments, more than 3 months		(9)	(44)
Net cash flow used in investing activities		(1,239)	(1,583)

⁽¹⁾ See Note 3 in notes to the consolidated financial statements.

Period from January 1 to December 31 (in € millions)	Notes	2021	2020 restated⁽¹⁾
Increase of equity	30.1	1,024	-
Issuance of debt	33	1,724	11,437
Repayment on debt	33	(1,993)	(3,389)
Payments on lease debts	34	(862)	(940)
New loans		(188)	(282)
Repayment on loans		219	321
Dividends paid		(1)	-
Net cash flow from financing activities		(77)	7,147
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		14	(27)
Change in cash and cash equivalents and bank overdrafts		232	2,711
Cash and cash equivalents and bank overdrafts at beginning of period	29	6,422	3,711
Cash and cash equivalents and bank overdrafts at end of period	29	6,654	6,422
Income tax (paid)/reimbursed (flow included in operating activities)		55	(15)
Interest paid (flow included in operating activities)		(563)	(399)
Interest received (flow included in operating activities)		(12)	(1)

(1) See Note 3 in notes to the consolidated financial statements.

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NOTE 1 BUSINESS DESCRIPTION

As used herein, the term “Air France – KLM” refers to Air France – KLM SA, a limited liability company organized under French law. The term “Group” is represented by the economic definition of Air France – KLM and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world.

The Group’s core business is network activities which includes passenger transportation on scheduled flights and cargo activities. The Group’s activities also include aeronautics

maintenance, leisure passenger transportation (Transavia) and other air-transport-related activities.

The limited company Air France – KLM, domiciled at 2, rue Robert Esnault-Pelterie, 75007 Paris, France, is the parent company of the Air France – KLM Group. Air France – KLM is listed for trading in Paris (Euronext) and Amsterdam (Euronext).

The presentation currency used in the Group’s financial statements is the Euro, which is also Air France – KLM’s functional currency.

NOTE 2 SUSTAINABLE DEVELOPMENT AND CLIMATE

Climate change is a major concern for the airline industry and for the Air France – KLM Group in particular. Attitudes towards the acceptability of air transportation growth are changing at both political level and in terms of wider society. Both France and the Netherlands have implemented policies to ensure the transition to a Net Zero Carbon society by 2050.

The Air France – KLM Group intends to be a player in the transformation of its sector of activity, and aims to occupy a leading role and influence.

Playing an active role in advancing the goal of Net Zero emissions by 2050 as an industry, and committing to setting science-based targets in line with the Science-Based Targets initiative (SBTi) criteria and the Paris agreement, were crucial milestones in 2021 and a strong marker for the Group, reflecting people’s changing perceptions of travel and calls for more responsible use of aviation. The Group’s environmental efforts are summarized in a Climate Action Plan.

Air France – KLM assesses its extra-financial performance on a regular basis through the ratings of RobecoSAM, Ecovadis, Carbon Disclosure Project (CDP), Vigeo Eiris, MSCI Sustainalytics and

ISS-ESG. In 2021, for the seventeenth year running, Air France – KLM figured in the Dow Jones Sustainability Indexes (DJSI World and DJSI Europe) and, for the second consecutive year, the Ecovadis sustainability rating agency awarded Air France – KLM Group the Platinum Medal (highest recognition for the top 1% highest label) while CDP rated AFKL group with a score of C (awareness level) for the Climate Change rating questionnaire.

Furthermore, to objectify its ESG performance and improve its strategy and practices, Air France – KLM proactively requested an independent ESG rating from Standard and Poor’s, becoming the first airline group to be evaluated through a requested ESG rating. In 2021, Standard & Poor’s (S&P) Global Ratings thus assigned to Air France – KLM an ESG rating of 64/100. With this rating, the Group is well positioned among the players in the airline industry with regard to the management of its significant exposure to environmental challenges. S&P underlined that the Group were well prepared to manage the ESG risks faced by airlines in the short and medium term.

The Group’s financial statements integrate climate change and sustainability issues in various items as described below.

2.1 Valuation of assets and consideration of environmental risks

The impact of climate change in the short to medium term has been taken into account in the preparation of the Group’s financial statements for the year ending December 31, 2021. However, the risks identified have not been considered material to the Group’s operational continuity, given the operation of a balanced network between the different continents and the flexibility of the fleet to minimize the economic consequences of extreme weather events that may occur.

The impacts related to the expected or probable changes in the regulations (increase in carbon credit prices, CO₂ compensation and development of sustainable aviation fuel – “SAF”) are included in the five-year plan and consequently in the tested recoverable value of assets (see Note 23 “Impairment”).

In 2021, the Group’s environmental objectives have not led to the recognition of any impairment or accelerated depreciation of assets.

2.2 Sustainable investments

2.2.1 Fleet modernization

The Air France - KLM Group is committed to reduce CO₂ emissions by 50% by 2030 compared to 2005. Currently, the most impactful way to reduce the carbon footprint is to invest in a more fuel-efficient fleet. The Group is focusing on simplifying and rationalizing its fleet to make it more competitive. The transformation of the Group is therefore continuing with the arrival of more modern, high-performance aircraft with a significantly lower environmental impact and a reduced noise footprint.

The renewal of the Group's airline fleet resulted in capital expenditures on aircraft equipment amounting to €1,047 million as of December 31, 2021 (€808 million as of December 31, 2020) (see Note 19 "Capital expenditures").

Pursuing its fleet renewal plan, the Group will continue to receive new generation aircraft over the next few years (see Note 40 "Flight equipment orders").

2.2.2 Ground equipment

In order to reach the objective of carbon neutrality in ground operations by 2030, the Group is investing in fully electric ramp equipment (vehicles, pushbacks and loaders in particular). These sustainable investments represented €0,1 million as of December 31, 2021 (€3 million as of December 31, 2020).

These investments are included in the indicators related to sustainable capital expenditures according to the European green taxonomy.

2.3 Greenhouse gas emission rights - CO₂ compensation

Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) regulations for all flights to or from the European Economic Area, as described in Note 5.22. and the paragraphs "Carbon credit risks" in Notes 39.1. and 39.2.4. As such, the Group must purchase CO₂ allowances to offset its emissions. The Group accounts for the CO₂ quotas as intangible assets. These assets are non-depreciable.

as of December 31, 2020) corresponding to the best estimates of its emissions for the year 2021 (see Note 10 "Other current operating income and expenses"). Finally, the Group held CO₂ quota hedging instruments for an amount of €143 million as of December 31, 2021 (€31 million as of December 31, 2020) (see Note 30.6 "Derivatives instruments reserves").

As of December 31, 2021, the value of the CO₂ quotas related to ETS program in the Group's balance sheet represented €74 million (€21 million euros as of December 31, 2020) (see Note 17 "Intangible assets"). To meet its obligation to surrender the rights corresponding to its emissions, the Group has booked a net expense of €36 million as of December 31, 2021 (€32 million

Additionally, since January 1, 2020, Air France has compensated the CO₂ emissions of its customers on the French domestic routes. The purchase of credits representing the carbon compensation are accounted for as intangible assets, for an amount of €2 million as of December 31, 2021 (€2 million as of December 31, 2020) (see Note 17. Intangible assets).

2.4 Other expenses and commitments

The criteria taken into account for the calculation of long-term variable management compensation (see Note 42.1 "Transactions with the principal executives") include items linked with sustainability targets, especially a targeted level of sustainability measured by the DJSI index and the reduction of CO₂ emissions.

In addition, KLM has committed to becoming more sustainable as part of the conditions associated with the direct loan granted by the Dutch State (see Note 33.3 "Financial support from the French and Dutch States").

NOTE 3 RESTATEMENT OF THE 2020 FINANCIAL STATEMENTS

Since January 1, 2021, the Air France-KLM Group has applied the IFRIC decision relating to IAS 19 "Employee benefits", described in Note 5.1 "Accounting policies".

This change has been applied retrospectively to the financial information presented in the prior periods in accordance with

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The impacts on the comparative periods are presented below.

Only the items impacted by the changes in accounting policies are presented.

Impact on the consolidated income statement

Period from January 1 to December 31, 2020 (in € million)	Published accounts	IFRIC IAS 19	Restated accounts
Salaries and related costs	(5 300)	(6)	(5 306)
EBITDA	(1 689)	(6)	(1 695)
Income from current operations	(4 548)	(6)	(4 554)
Other non-current income and expenses	(1 493)	(24)	(1 517)
Income from operating activities	(6 000)	(30)	(6 030)
Income before tax	(6 928)	(30)	(6 958)
Income taxes	(97)	8	(89)
Net income of consolidated companies	(7 025)	(22)	(7 047)
Net income	(7 083)	(22)	(7 105)
Earnings per share (basic)	(16.56)	(0.05)	(16.61)
Earnings per share (diluted)	(16.56)	(0.05)	(16.61)

Impact on the consolidated statement of recognized income and expenses

Period from January 1 to December 31, 2020 (in € million)	Published accounts	IFRIC IAS 19	Restated accounts
Net income for the period	(7 083)	(22)	(7 105)
Total of other comprehensive income that will not be reclassified to profit or loss	(224)	-	(224)
Total of other comprehensive income, after tax	(215)	-	(215)
Recognized income and expenses	(7 298)	(22)	(7 320)
— Equity holders of Air France-KLM	(7 292)	(22)	(7 314)
— Non-controlling interests	(6)	-	(6)

Impact on the consolidated balance sheet

Balance sheet as of December 31, 2020 (in € million)	Published accounts	IFRIC IAS 19	Restated accounts
Asset	30 211	(30)	30 181
Deferred tax assets	282	(30)	252
Equity and liabilities	30 211	(30)	30 181
Retirement provisions	2 147	(106)	2 041
Equity	(5 418)	76	(5 342)
— Holders of Air France-KLM	(5 427)	76	(5 351)
— Non-controlling interests	9	-	9

The adjusted balance sheet as of January 1, 2020 is also presented:

Balance sheet as of January 1, 2020 (in € million)	Published accounts	IFRIC IAS 19	Restated accounts
Asset	30 735	(38)	30 697
Deferred tax assets	523	(38)	485
Equity and liabilities	30 735	(38)	30 697
Retirement provisions	2 253	(136)	2 117
Equity	2 299	98	2 397
– Holders of Air France-KLM	2 284	98	2 382
– Non-controlling interests	15	-	15

Impact on the consolidated statement of cash flows

Only the cash flow statement items impacted by the changes in accounting principles are presented hereafter.

Period from January 1 to December 31, 2020 (in € million)	Published accounts	IFRIC IAS 19	Restated accounts
Net income	(7 083)	(22)	(7 105)
Deferred tax	167	(8)	159
Other non monetary items	511	30	541
Financial capacity	(2 991)	-	(2 991)

NOTE 4 SIGNIFICANT EVENTS

4.1 Covid-19 and going concern

Since the beginning of 2020, the worldwide spread of Covid-19 has had and continues to have a major impact on air traffic around the world. The very stringent conditions on global travel adopted by many countries as of March 2020 resulted in a drastic reduction in air traffic in 2020. In the first half of 2021, new measures have been put in place by the French and Dutch governments to slow the spread of the virus and travel restrictions have been tightened globally following the emergence of new variants of the virus, again limiting air traffic.

However, the second half of 2021 was marked by a recovery in traffic over the summer and, in particular, during the Christmas holiday period, thanks to the gradual reopening of borders. Capacity in the third and fourth quarters of 2021 stood at a respective 66% and 72% relative to its level in the third and fourth quarters of 2019.

The strong measures taken by the Group to mitigate the effect of Covid-19 on its business since the beginning of the pandemic are continuing. These actions include, amongst others, adapting capacity to the demand trends, structural changes to the fleet, cash preservation and salary measures.

The Group continues to closely monitor and evaluate the situation.

Reduction in capacity and costs

Available seat-kilometers for the Passenger network and Transavia were 62% higher in the second half of 2021 compared to the second half of 2020, in response to the easing of travel restrictions in a number of countries. Traffic in terms of passenger-kilometers jumped by 155% in the second half of the year compared to 2020 driven by a dynamic recovery in demand. For the full year, capacity thus increased by 30% compared to its 2020 level, while traffic rose by 28%. The cargo business continued to benefit from a buoyant environment with available ton-kilometers up 13% compared to 2020 and a positive yield trend. As a result, total revenues increased by 29% compared to last year and amounted to €14,315 million.

In parallel, specific cost initiatives, in particular staff reduction and salary measures, enabled the Group to control external costs despite the significant increases in capacity. Since the beginning of the year, external expenses amounted to €8,829 million, an increase of 11% compared to 2020, comfortably below the capacity increase.

Within external expenses, fuel costs amounted €2,748 million as of December 31, 2021 against €2,392 million as of December 31, 2020, an increase of 15% due to the increase in capacity and the higher fuel price.

In addition, the continuation of the partial activity mechanisms in France, implemented from March 23, 2020, the “Temporary Emergency Bridging Measures for Sustained Employment” (NOW) program in the Netherlands, applicable from March 1, 2020, as well as the implementation of restructuring plans and the reduction in the workforce (see Note 2.2. “Significant events occurring during the period” in the notes to the consolidated financial statements for the year ended December 31, 2020) continued to contribute to limiting salaries and related costs. The total salaries and related costs amounts to €(5,340) million as of December 31, 2021 compared to €(5,306) million as of December 31, 2020 and €(8,139) million as of December 31, 2019 before Covid.

Liquidity position

As of December 31, 2021, the Group’s total liquidity amounted to €10.16 billion, of which €7.7 billion in net cash excluding undrawn credit lines (see Note 35 “Net debt”) and €2.46 billion in undrawn credit lines (see Note 33.3 “Financial support from the French and Dutch States” and 33.7 “Credit lines”).

In April 2021 and July 2021 respectively, the Group’s liquidity position was strengthened by €1 billion *via* a capital increase by the Air France – KLM Group and by €800 million raised *via* a bond issue (see Note 4.2. “Significant events occurring during the period”).

The Group reimbursed €500 million of the loan guaranteed by the French State on December 10, 2021 and negotiated an amendment to the repayment profile with the final maturity extended from May 6, 2023 to May 6, 2025 (see Note 33.3 “Financial support from the French and Dutch States”).

In addition, the Group is continuing the measures initiated in 2020 to defer non-core capital expenditure and internal projects and to spread the payment of payroll tax and social security contributions.

Going concern

In determining the appropriate basis for preparing the financial statements for the year ended December 31, 2021, the Board of Directors considered the Group going concern by evaluating the financial forecasts over a time horizon of at least one year and by analyzing, in particular, the trading position of the Group within the context of the current Covid-19 pandemic and taking into account the following elements.

As mentioned above, the Group had total cash at hand of €10.16 billion at December 31, 2021 (see the “Liquidity position” paragraph).

The deployment of vaccines is allowing for the gradual lifting of traffic restrictions, including the reopening of the US border to Europeans on November 8, 2021. Despite the rapid spread of the Omicron variant at the end of the year, traffic in the last quarter of 2021 was maintained at budgeted capacity of 74%, EBITDA in the last quarter of 2021 stood at almost the same level as in the last quarter of 2019 and operating income was higher than in 2019.

The activity forecast for the first quarter of 2022 is 73% to 78% of the first quarter of 2019.

In addition, the Group is carrying out an ambitious transformation plan which has already generated savings by the end of 2021. These savings have already enabled the company to return to its 2019 unit cost level by the fourth quarter of 2021, despite having less capacity. The progress of the transformation plan is an essential asset for achieving the operating profit targets for 2022.

Combined with the capital increase, the €800 million bond issue and the EMTN program available for the Group (see Note 4.2 “Significant events occurring during the period”), the cash flow projections over an horizon of more than 12 months ensure a level of liquidity considered to be sufficient.

The assumptions take notably into account:

- the adjustment of the flight schedule and capacity to the expected demand in order to operate only flights having a positive incremental impact in terms of operating cash flow;
- the continued specific mechanisms from the French and Dutch governments to partially cover staff costs through the Long-Term Partial Activity (“APLD”) in France until the end of 2022 for Air France and the “NOW” program in the Netherlands for the first quarter of 2022;
- a deferral of the payment of social contributions and taxes on salaries over a period of 4 to 5 years;
- a high level of variable costs linked to a reduction in capacity;
- the limitation of non-aeronautical investments;
- the systematic refinancing of new aircrafts delivered during the period.

Based on these financial forecasts, the banking covenants applicable in 2022, including the €2.46 billion Revolving Credit Facility at the level of KLM (see Note 33.3 “Financial support from the French and Dutch governments”), are met. Concerning the non-financial commitment as included in the Framework Agreement related to the State Aid between the Dutch State, KLM and Air France – KLM, the Dutch State agent assessed that KLM does not comply with a non-financial indicator, regarding termination of facilitation of possible tax avoidance by employees. KLM is currently discussing this topic with the Dutch State agent to arrive at an acceptable solution.

The Group continues to pursue additional financing projects to improve equity or quasi-equity, and provide new liquidity, in the context of the extraordinary resolutions voted at the Annual Shareholders' Meeting of May 26, 2021. It is also working on various additional options to restore Air France's equity to the legally required level.

In addition, at the end of October 2021, an "ESG rating" ("Environmental Social and Governance") was secured to provide access to sustainable financing (see Note 2 "Sustainable development and climate").

The Group is actively managing its debt profile. Air France-KLM repaid €500 million of the guaranteed loan from the French State on December 10, 2021 and negotiated an amendment to the repayment profile extending the final maturity from May 6, 2023 to May 6, 2025 (see Note 33.3 "Financial support from the French and Dutch States").

In this context of the fifth wave of the Covid-19 crisis and the spread of the Omicron variant, the Board of Directors also considered three scenarios for the year 2022 with recovery paths deferred for up to one year. Even the most degraded and highly unlikely scenario does not call into question the going concern assumption.

The Group is likely to face various uncertainties on its financial trajectory, in particular the pace of recovery of activity and the

lifting of restrictions notably in Asia, the potentially negative evolution of certain behaviors relating to air transport, the possible impact of an imposed restriction on airport slots especially in Schiphol, the lack of available financing, notably alternative financing for the fleet renewal, the increase in the fuel price, and the ability to Pass on in the ticket prices the potentially increasing costs linked notably to airport taxes, fuel and the carbon transition. In addition, the Air France company has a legal obligation to restore its equity by December 31, 2023.

Were this scenario to materialize, the Management may implement additional mitigating actions:

- further optimization and reduction of the network and capacity;
- asset disposals;
- further staff restructuring;
- other cost-saving measures; and
- deferral of capital expenditure and charges.

Accordingly, having reviewed the cash position and the financial forecasts, and taking into account the uncertainties described above, the committed financing facilities and possible mitigating actions, the Board of Directors considers it appropriate to prepare the yearly-consolidated financial statements on a going concern basis without retaining the concept of "significant uncertainty" introduced in December 2020.

4.2 Significant events occurring during the period

Long-Term Partial Activity agreement

In the first half of 2021, Air France and some of its subsidiaries finalized the signature of all the agreements with the representative trade unions allowing the use of the Long Term Partial activity (LTPA) for a maximum period of 24 months.

Approval of Hop! departure plan

As part of its restructuring, HOP! has launched a departure plan ("PDV-PSE") (see Note 2.2 "Significant events occurring during the period" in the notes to the consolidated financial statements for the financial year ended December 31, 2020). On February 16, 2021, HOP! received a request from the French Labor Ministry (DREETS, formerly DIRECCTE) to amend some measures of the plan concerning flight crew. The amended departure plan was finally approved on June 16, 2021. An additional allocation of €28 million was made to this provision for the financial year ending December 31, 2021.

Measures to strengthen the capital and liquidity of the Air France-KLM Group

On April 6, 2021, the Air France-KLM Group announced a plan of measures concerning Air France, which was approved by the European Commission in its decision to authorize the €4 billion transaction by the French State to recapitalize Air France and Air France-KLM. Subsequent to this authorization, the following transactions were carried out:

€1,036 million capital increase

On April 19, 2021, the Group realized a capital increase without shareholders' preferential subscription rights, by way of a public offering and with a priority subscription period on an irreducible and reducible basis granted to existing shareholders, for an amount of €1,036 million, or €1,024 million net of issuance fees. This operation improves the Group's shareholders' equity, and brings the same amount of new money to the Group for the benefit of Air France.

The capital increase resulted in the issuance of 213,999,999 new shares (the "New Shares") at a price per share of €4.84, representing approximately 50% of the Company's existing share capital. Following the completion of the capital increase, the Company's share capital increased to €642,634,034 divided into 642,634,034 shares, each with a nominal value of €1.

As per their subscription commitments, and given the allotment scale of the reducible orders, the French State and China Eastern Airlines subscribed within the context of the priority period to respectively 122,560,251 New Shares (i.e. 57% of the total amount of the Capital Increase) and 23,944,689 New Shares (i.e. 11% of the total amount of the Capital Increase). The Dutch State did not subscribe to this capital increase. Neither did Delta Airlines due to the current framework of the CARES Act in force in the United States at the time of the operation.

Conversion of the fully drawn €3 billion French State loan into perpetual hybrid bond instruments (“Super Subordinated Notes”)

On April 20, 2021, the €3 billion direct loan granted by the French State to Air France via Air France-KLM in late May 2020 was converted into Super-Subordinated Notes in the same nominal amount, improving the Group’s equity by €3 billion with no cash impact, while increasing the flexibility of the Group’s debt redemption profile. This issue is composed of three tranches with perpetual maturities and each in a nominal amount of €1 billion, respectively bearing a coupon of 7%, 7,25% and 7,5%, and with first redemption options (call) at 4, 5 and 6 years respectively.

In accordance with the provisions of IAS 32 – Financial instruments, as the redemption of perpetual bonds and the payment of coupons are only at the sole initiative of the Group, these issuances have been accounted for in Equity.

Reimbursement of €500 million of the loan guaranteed by the French State and extension of the maturity of the outstanding capital

In addition, on December 10, 2021, the Air France-KLM Group repaid €500 million of the state guaranteed loan and negotiated an amendment to the repayment profile extending the final maturity date from May 6, 2023 to May 6, 2025, as follows:

- May 2023: partial repayment of €800 million, leaving €2.7 billion outstanding,
- May 2024: partial repayment of €1.35 billion, leaving €1.35 billion outstanding,
- May 2025: final repayment of €1.35 billion, (there will be no outstanding balance after this date).

The remaining amount outstanding is therefore €3.5 billion as of December 31, 2021.

These factors make it possible to smooth the debt repayment profile of the Group, with a gradual extension of the maturity profile.

The Dutch State also approved this package and has indicated that it is continuing discussions with the European Commission on possible capital-strengthening measures for KLM.

€800 million bond issue

On June 24, 2021, the Group announced the successful realization of a senior bond issue for a total of €800 million in two tranches:

- a first tranche of bonds for €300 million, with a maturity of 3 years and a coupon of 3% per year.
- a second tranche of bonds for €500 million, with a maturity of 5 years and a coupon of 3.875% per year.

Settlement and delivery of the bonds took place on July 1, 2021. The debt has been accounted for in the balance sheet as of that date under “non-current financial liabilities”.

Launch of an EMTN (“European Medium-Term Note”) program

On July 8, 2021, the Group launched an EMTN program with an initial term of 12 months to maximize the use of potential market windows for bond issuance.

Sale of Servair shares

In early 2021, the terms under which Air France-KLM could sell a 30% shareholding in Servair to Gategroup (see Note 38.2 “Commitments received”, in the notes to the consolidated financial statements for the financial year ended December 31, 2020) were re-negotiated. This resulted in the sale by Air France Finance, on May 31, 2021, of 15% of Servair for €71 million. A second payment in respect of a further 15% shareholding should be received in December 2022.

This sale led to the recognition of a disposal gain of €26 million in “Other non-current income and expenses” in the consolidated income statement. The proceeds from the sale are included in the line “Income from loss of control of subsidiaries or disposal of shares in non-controlled companies” in the consolidated statement of cash flows.

Agreement on the KLM Ground Staff pension plan

On June 14, 2021, KLM and the five Dutch Ground Staff unions signed an agreement enabling a change in the Ground Staff pension plan effective from January 2021. As provided for by this agreement, the KLM Ground Staff pension fund now qualifies as a defined contribution plan under IFRS rules. The pension assets, based on the actuarial assumptions as of May 31, 2021, amounted to €875 million (before tax). Under this agreement, KLM has paid an additional pension premium covering the period January-May 2021, as well as a one-off contribution representing the savings realized since 2014 following changes in the Dutch law. These contributions amount to €63 million.

The total impact of the de-recognition of the pension assets together with the additional contributions has been booked in “Other non-current income and expenses” in the amount of €938 million (€704 million net of tax).

Additional restructuring plan at KLM

An additional restructuring plan had been announced on January 21, 2021 for between 800 and 1,000 employees. Following agreements signed with the KLM unions to avoid additional departures and the expected scale-up of activity, KLM decided to withdraw this additional restructuring plan.

4.3 Subsequent events

There have been no significant events since the end of the accounting period.

NOTE 5 ACCOUNTING POLICIES

5.1 Accounting principles

Accounting principles used for the consolidated financial statements

Pursuant to the European Regulation 1606-2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM Group as of December 31, 2021 were established in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union on the date these consolidated financial statements were established.

IFRS, as adopted by the European Union, differ in certain respects from IFRS as published by the International Accounting Standards Board (“IASB”). The Group has, however, determined that the financial information for the periods presented would not differ substantially if the Group had applied IFRS as published by the IASB.

The consolidated financial statements were approved by the Board of Directors on February 16, 2022.

Change in accounting principles

IFRS standards which are applicable on a mandatory basis to the 2021 financial statements

Amendments to IFRS 9 “Financial instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial instruments: Disclosures” and IFRS 16 “Leases”

From January 1, 2021, the Group has applied the amendments to IFRS 9, IFRS 7 and IFRS 16 in connection with “Phase 2” of the interest rate benchmark. These amendments stipulate in particular the accounting treatment to be applied when an old benchmark interest rate is replaced by a new benchmark in a given contract, as well as the impact of this change on hedging relationships affected by the IBOR reform. The Group has little exposure to the indices affected by the reform. The application of these amendments has no impact on the Group’s financial statements as of December 31, 2021.

With the disappearance of the EUR LIBOR rates at the end of 2021, during the year the Group amended the financing contracts (aircraft debt) indexed on this reference and restructured the related interest rate derivatives to re-index them on Euribor.

With regard to the disappearance of the USD LIBOR rates, scheduled for June 2023, the Group does not anticipate any particular risk relating to the transition to the new reference index and which will concern its debt and derivative contracts.

Amendments to IFRS 16 “Leases”

This amendment extends the simplification whereby lessees can account for lease relief related to the Covid-19 pandemic as if it were not a contract amendment. This is tantamount to recognizing the impact of the rent relief in the profit or loss for the period and to not smoothing it over the remaining term of the contract. The application of this amendment has no significant impact on the Group’s financial statements at December 31, 2021.

IFRS IC decision on IAS 19 “Employee Benefits”

This IFRS IC decision deals with the methods for allocating over time the expense related to defined benefit plans that meet the following three conditions:

- the definitive acquisition of the benefits is conditional on presence in the company at the time of retirement;
- the amount of the benefits depends on the length of service;
- the amount of the benefits is capped at a number of consecutive years of service in the company.

For these schemes, the rights must be spread in a linear manner, no longer over the entire career of the employee in the company, but, for individual employee, over the last years of his or her career giving rise to the acquisition of new rights.

The application of this IFRS IC decision is accounted for as a change in accounting policy with application from the opening date of the first comparative period presented in the first-time adoption financial statements, i.e. from 1 January 2020 (see Note 31 “Retirement benefits”).

IFRS IC decision on “Configuration or customization costs in a SaaS arrangement” (Software as a Service)

This IFRS IC decision aims to clarify whether an intangible asset should be recognized in accordance with IAS 38 in respect of these software configuration and customization costs. If this is not the case, the IFRS IC decision indicates the other accounting principles that should be applied to account for these costs.

Cloud migration projects are underway within the Group. As at December 31, 2021, no applications have been migrated to the cloud.

The application of this IFRS IC decision in the Group’s financial statements as at December 31, 2021 has no impact on the Group’s financial statements as at December 31, 2021.

IFRS standards which are applicable on a mandatory basis to the 2022 financial statements

Texts for which the impact assessment is underway within the Group

Amendments to IAS 37 “Provisions, Contingent liabilities and Contingent Assets” (Effective for accounting periods as of January 1, 2022)

These amendments standardize the identification and assessment practices related to the provisions for onerous contracts, especially regarding losses upon termination arising from contracts concluded with customers within the scope of IFRS 15 “Revenue from Contracts with Customers”.

These amendments indicate that the costs, including in the assessment of the “cost of fulfilling a contract”, are the costs that relate directly to the contract.

These amendments will apply to the contracts for which the entity has not yet fulfilled all its obligations as from the commencement date of the year of the first-time adoption.

Texts for which implementation will not result in significant impacts

Amendments to IAS 16 “Property, Plant and Equipment” (Effective for accounting periods as of January 1, 2022)

These amendments aim to standardize the accounting method for the proceeds and costs while an item of property, plant or equipment is in the testing phase.

Amendment to IFRS 9 “Financial instruments” (Effective for accounting periods as of January 1, 2022)

The amendment to IFRS 9 is included in the annual improvements to IFRS standards 2018-2020.

The amendment indicates that the fees included in the 10% test for assessing whether a financial liability must be derecognized are only the costs paid or fees received between the borrower

and the lender, including those which are paid or received on behalf of the other party.

Concerning the first adoption, the amendment to IFRS 9 will apply to financial liabilities that are modified or exchanged as from the commencement date of the earliest comparative period presented in the financial statements of the first adoption of the annual improvements to IFRS standards 2018-2020.

Other texts potentially applicable to the Group, published by the IASB but not yet adopted by the European Union

Amendments to IAS 1 “Presentation of financial statements” (Effective for accounting periods as of January 1, 2023)

These amendments clarify the classification of current or non-current liabilities and aim to promote a consistent approach to this classification.

Amendments to IAS 1 “Presentation of financial statements” (Effective for accounting periods as of January 1, 2023)

These amendments aim to identify the disclosures about accounting policies that are useful to users of financial statements. The main change is to provide information about “significant” accounting policies rather than “major” accounting policies.

Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (Effective for accounting periods as of January 1, 2023)

These amendments aim to facilitate the distinction between accounting policies and accounting estimates. However, they focus exclusively on accounting estimates, now defined as “monetary amounts in the financial statements that are subject to measurement uncertainty”.

Amendments to IAS 12 “Income taxes” (Effective the accounting periods as of January 1, 2023)

These amendments aim in particular to generalize the recognition of deferred tax on leases.

5.2 Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and use assumptions that are considered reasonable, and that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. The main areas of estimates are disclosed in the following notes:

- Note 14 “Income taxes”;
- Note 17 “Intangible assets”;
- Note 18 “Tangible assets”;
- Note 20 “Right-of-use-assets”;
- Note 31 “Retirement benefits”;
- Note 32 “Return obligation liability and provision for leased aircraft and other provisions”;
- Note 36 “Deferred revenue on ticket sales”;
- Note 37 “Loyalty program”;
- Note 39 “Financial instruments”.

The Group's management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable.

The consolidated financial statements for the financial year have thus been established on the basis of the financial parameters available at the closing date.

These accounting estimates are based on the most-recently available, reliable information.

The actual results could differ from these estimates depending on changes in the assumptions used or different conditions.

5.3 Consolidation principles

Subsidiaries

In conformity with IFRS 10 "Consolidated Financial Statements", the Group's consolidated financial statements comprise the financial figures for all the entities that are controlled directly or indirectly by the Group, irrespective of its level of participation in the equity of these entities. The companies over which the Group exercises control are fully consolidated. An entity is controlled when the Group has power over it, is exposed or has rights to variable returns from its involvement in this entity, and has the ability to use its power to influence the amounts of these returns. The determination of control takes into account the existence of potential voting rights if they are substantive, meaning they can be exercised in time when decisions about the relevant activities of the entity need to be taken.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control begins until the date this control ceases.

Non-controlling interests are presented within equity and on the income statement separately from Group stockholders' equity and the Group's net income, under the line "non-controlling interests".

The effects of a buyout of non-controlling interests in a subsidiary already controlled by the Group and divestment of a percentage interest without loss of control are recognized in equity.

In a partial disposal resulting in loss of control, the retained equity interest is re-measured at fair value at the date of loss of control. The gain or loss on the disposal will include the effect of this re-measurement and the gain or loss on the sale of the equity interest, including all the items initially recognized in equity and reclassified to profit and loss.

Interest in associates and joint ventures

In accordance with IFRS 11 "Joint Arrangements", the Group applies the equity method to partnerships over which it exercises control jointly with one or more partners (joint-venture). Control is considered to be joint when decisions about the relevant activities of the partnership require the unanimous consent of the Group and the other parties with whom control is shared.

In cases of a joint activity (joint operation), the Group recognizes assets and liabilities in proportion to its rights and obligations regarding the entity.

In accordance with IAS 28 "Investments in Associates and Joint Ventures", companies in which the Group has the ability to exercise significant influence over financial and operating policy decisions are also accounted for using the equity method. The ability to exercise significant influence is presumed to exist when the Group holds more than 20% of the voting rights.

The consolidated financial statements include the Group's share in the net result of associates and joint ventures from the date the ability to exercise significant influence begins until the date it ceases, adjusted for any impairment loss.

The Group's share of losses of an associate exceeding the value of the Group's interest and net investment (long-term receivables for which no reimbursement is scheduled or likely) in this entity are not accounted for, unless the Group has:

- incurred contractual obligations to recover losses, or
- made payments on behalf of the associate.

Any surplus in investment cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate company on the date of acquisition is accounted for as goodwill and included in the book value of the investment accounted for using the equity method.

Investments in which the Group has ceased to exercise significant influence or joint control are no longer accounted for by the equity method and are accounted at their fair value as other financial assets on the date of loss of significant influence or joint control.

Intra-Group operations

All intra-Group balances and transactions, including income, expenses and dividends, are fully eliminated. Profits and losses resulting from intra-Group transactions are also eliminated.

Gains and losses realized on internal sales with associates and jointly-controlled entities are eliminated, to the extent of the Group's interest in the entity, providing there is no impairment.

5.4 Translation of foreign companies' financial statements and transactions in foreign currencies

Translation of foreign companies' financial statements

The financial statements of foreign subsidiaries are translated into euros on the following basis:

- except for the equity for which historical prices are applied, balance sheet items are converted on the basis of the foreign currency exchange rates in effect at the closing date;
- the income statement and the statement of cash flows are converted on the basis of the average foreign currency exchange rates for the period;
- the resulting foreign currency exchange adjustment is recorded in the "Translation adjustments" item within equity;
- goodwill is expressed in the functional currency of the entity acquired and is converted into euros using the foreign exchange rate in effect at the closing date.

Translation of foreign currency transactions

Foreign currency transactions are translated using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate in effect at the closing date.

Non-monetary assets and liabilities denominated in foreign currencies assessed on an historical cost basis are translated using the rate in effect at the transaction date or the hedging rate, when applicable.

The corresponding exchange rate differences are recorded in the income statement. Changes in fair value of the hedging instruments are recorded using the accounting treatment described in Note 5.11 "Financial instruments".

5.5 Business combinations

Business combinations completed on or after April 1, 2010 are accounted for using the purchase method in accordance with IFRS 3 "Business Combinations". In accordance with this standard, for a first consolidation, all assets and liabilities are measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition (except for non-current assets classified as assets held for sale which are measured at fair value less costs to sell).

Goodwill corresponding, at the acquisition date, to the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable assets acquired and the liabilities assumed at the acquisition date, is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The previously held equity interest in the acquiree at fair value at the date of acquisition is also revalued and any gain or loss is recognized in profit or loss.

Costs other than those related to the issuance of debt or equity securities are recognized immediately as an expense when incurred.

For individual acquisitions, the Group has the option of using the "full" goodwill method, where goodwill is calculated by taking into account the fair value of non-controlling interests at the

acquisition date rather than their proportionate interest in the fair value of the assets and liabilities of the acquiree.

If the fair values of the identifiable assets acquired and liabilities assumed exceed the consideration transferred, the resulting negative goodwill is recognized immediately in the income statement.

Contingent considerations or earn-outs are recorded in equity if the contingent payment is settled by delivery of a fixed number of the acquirer's equity instruments (according to IAS 32). In all other cases, they are recognized in liabilities related to business combinations. Contingent payments or earn-outs are measured at fair value at the acquisition date. This initial measurement is subsequently adjusted through goodwill only when additional information is obtained after the acquisition date about facts and circumstances existing on that date. Such adjustments are made only during the 12-month measurement period that follows the acquisition date and insofar as the initial measurement had still been presented as provisional. Any other subsequent adjustments which do not meet these criteria are recorded as receivables or payables through the income statement.

In a step acquisition, the previously-held equity interest in the acquiree is remeasured at its acquisition-date fair value. The difference between the fair value and the net book value must be accounted in profit or loss as well as elements previously recognized in other comprehensive income.

5.6 Sales

Passenger and freight transportation

Sales related to air transportation operations, which consist of passenger and freight transportation, are recognized as revenue when the transportation service is provided, net of any discounts granted. The transportation service is also the trigger for the recognition as external expenses of the commissions paid to agents (e.g. credit card companies and travel agencies) and the booking fees.

Both passenger tickets and freight airway bills are consequently recorded as “Deferred revenue upon issuance date”. The recognition of the revenue known as “ticket breakage” is deferred until the transportation date initially foreseen. This revenue is calculated by applying statistical rates on tickets issued and unused. These rates are regularly updated and adjusted for non-recurring and specific events that may have an impact on passengers’ behaviour.

The Group applies the exemption provided by IFRS 15 which allows the balance of the outstanding transactions to remain unspecified as well as their planned recognition date for the performance obligations related to contracts with an initial term set at one year or less. If the tickets are not used, the performance obligations related to passenger and freight transportation effectively expire within one year.

Pursuant to the European Union’s Regulation EC 261, the Group compensates passengers in the event of denied boarding and for flight cancellations or long delays. This compensation is booked as contra revenue. The Group recognizes a corresponding amount in liabilities for future refunds to passengers. The determination of this liability for future refunds relies on a statistical approach.

Passenger ticket taxes calculated on ticket sales are collected by the Group to be paid to the airport authorities. Therefore, they do not correspond to revenue. Taxes are recorded as a liability until such time as they are paid to the relevant airport authority as a function of the chargeability conditions (on ticket issuance or transportation).

The Group considers that the company that issues the airway bill acts as principal since the latter has control over the achievement of the performance obligation. When the Group issues freight airway bills for its goods carried by another carrier (airline company or road carrier), the Group acts as principal. Therefore, at the time of transportation the Group recognizes as revenue the amount invoiced to the customer in its entirety as well as the chartering costs invoiced by the other carrier for the service provision.

Maintenance

The main types of contracts with customers identified within the Group are mainly:

Sales of maintenance and support contracts – Power by the hour contracts

Some maintenance and support contracts cover the airworthiness of engines, equipment or airframes, an airframe being an aircraft without engines and equipment. The invoicing of these contracts is based on the number of flight hours or landings of the goods concerned by these contracts.

The different services included within each of these contracts consist of a unique performance obligation due to the existing interdependence between the services within the execution of these contracts.

Revenue from maintenance and support services is recognized progressively. Revenue is recognized on a percentage of completion basis, based on the costs incurred, if they can be reliably measured, plus the expected margin.

As there is a continuous transfer of the control of these services, the revenue from these contracts is recognized as the costs are incurred. As long as the margin on the contract cannot be measured in a reliable manner, the revenue will only be recognized at the level of the costs incurred.

Forecast margins on the contracts are assessed through the forecast future cash flows that take into account the obligations and factors inherent to the contracts as well as other internal parameters to the contract selected using historical and/or forecast data.

These forecast margins are regularly reviewed. If necessary, provisions are recorded as soon as any losses on completion of contracts are identified.

Amounts invoiced to customers, and therefore mostly collected, which are not yet recognized as revenue, are recorded as liabilities on contracts (deferred revenue) at the accounting year end. Inversely, any revenue that has been recognized but not yet invoiced is recorded under assets on the balance sheet at the accounting year end.

Sales of spare parts repair and labor – Time & Material contracts

These services which relate to engines, equipment or airframes, an airframe being an aircraft without engines and equipment, are generally short term.

They consist of a unique performance obligation. The revenue is recognized as costs are incurred.

Third-party procurement

When the Group serves as a broker between its suppliers and end customers, the Group acts as an agent and hence, recognizes the margin that results from this operation as revenue.

5.7 Loyalty programs

The airlines of the Group have a common frequent flyer program “Flying Blue”. This program enables members to acquire Miles as they fly with Air France, KLM and airline partners and from transactions with non-airline partners (credit card companies, hotels, car rental agencies). These Miles entitle members to a range of benefits such as free flights with Air France, KLM and their airline partners or other free services with non-airline partners.

Miles are considered as separate elements of a sale of a ticket with multiple elements and one part of the price of the initial sale of the ticket is allocated to these Miles and deferred until the Group’s commitments relating to these Miles have been met.

The deferred amount due in relation to the acquisition of Miles by members is estimated:

- according to the fair value of the Miles, defined as the amount for which the benefits could be sold separately;
- after taking into account the redemption rate, corresponding to the probability that the Miles will be used by members, using a statistical method.

With regard to the re-invoicing of Miles between the partners in the program, the margins realized on sales of these Miles are recorded immediately in the income statement.

5.8 Distinction between income from current operations and income from operating activities

The Group considers it relevant to the understanding of its financial performance to present in the income statement a subtotal within the “income from operating activities”. This subtotal, entitled “Income from current operations”, excludes unusual elements that do not have predictive value due to their nature, frequency and/or materiality, as defined in recommendation No. 2020-01 from the France’s accounting standards authority.

Such elements are as follows:

- sales of aircraft equipment and significant disposals of other assets;
- accelerated aircraft phase-out;
- income from the disposal of subsidiaries and affiliates;
- restructuring costs when they are significant;
- modification of pension plans;
- significant and infrequent elements such as the recognition of badwill in the income statement, the recording of an impairment loss on goodwill and significant provisions for litigation.

5.9 Aggregates used within the framework of financial communication

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): by excluding the main line of the income statement which does not involve cash disbursement (“Amortization, depreciation and provision”) from income from current operations, EBITDA provides a simple indicator of the cash generated by the Group’s current operational activities. It is thus commonly used for the calculation of the financial coverage and enterprise value ratios (see “Consolidated income statement”).

Operating free cash flow: this corresponds to the net cash flow from operating activities net of the purchases of property, plant and equipment and intangible assets, plus the proceeds on the disposal of property, plant and equipment and intangible assets. It does not include the other cash flows linked to investment operations, particularly investments in subsidiaries and other financial assets and net cash flow from the operating activities of discontinued operations (see 43.2 “Operating free cash flow”).

Operating free cash flow adjusted: this corresponds to operating free cash flow net of the payment of lease debts (see Note 43.2 “Operating free cash flow”).

5.10 Earnings per share

Earnings per share are calculated by dividing the net income attributable to the equity holders of Air France-KLM by the average number of shares outstanding during the period. The average number of shares outstanding does not include treasury shares.

Diluted earnings per share are calculated by dividing the net income attributable to the equity holders of Air France-KLM, adjusted for the effects of dilutive instrument exercise, by the average number of shares outstanding during the period, adjusted for the effect of all potentially-dilutive ordinary shares.

5.11 Financial instruments

Valuation of trade receivables and non-current financial assets

Trade receivables, loans and other non-current financial assets are considered to be assets issued by the Group and are initially recorded at fair value. They are subsequently valued using the amortized cost method. In addition, they are written off based on the expected loss.

Regarding the impairment of trade receivables, the Group has chosen the simplified method approach in that the automated customer invoicing and settlement processes for the Network business significantly limit the credit risk. The Group also uses credit insurance to reduce the risk of potential default regarding trade receivables concerning the clients of the Maintenance activity.

The Group considers that the change in credit risk on the non-current financial assets since their initial recognition is limited due to the current selection criteria (e.g. type of instrument, counterparty rating, maturity). The impairment recorded by the Group consists of the expected credit loss over the 12 months following the closing date.

Purchases and sales of financial assets are booked as of the transaction date.

Investments in equity instruments

Investments in equity securities qualifying as equity instruments are recorded at fair value in the Group's balance sheet. For publicly-traded securities, the fair value is considered to be the market price at the closing date. For non-quoted securities, the valuation is made on the basis of the financial statements of the entity.

The valuation of equity instruments is either in fair value through the income statement or in fair value through other comprehensive income:

- when the instrument is deemed to be a cash investment, i.e. it is held for the purposes of monetary transactions, its revaluations are recorded in "Other financial income and expenses";
- when the instrument is deemed to be a business investment, i.e. it is held for strategic reasons (as it mainly consists of investments in companies whose activity is very close to that of the Group), its revaluations are recorded in "Other comprehensive income" non-recyclable. Dividends are recorded in the income statement.

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risks incurred on shares, exchange rates, changes in interest rates or fuel prices and the ETS (Emission Trading Scheme).

Forward currency contracts and options are used to hedge exposure to exchange rates.

The Group also uses interest rate swaps to manage its exposure to interest rate risk. Most of the swaps traded convert floating-rate debt to fixed-rate debt.

The exposure to fuel risk is hedged by swaps or options on jet fuel, diesel or Brent.

Finally, the risk related to the ETS is hedged by forwards.

Most of these derivatives are classified as hedging instruments if the derivative is eligible as a hedging instrument and if the hedging relationships are documented as required by IFRS 9 "Financial Instruments".

These derivative instruments are recorded on the Group's consolidated balance sheet at their fair value adjusted for the market value of the Group's credit risk (DVA) and the credit risk of the counterparty (CVA). The calculation of the credit risk follows a common model based on default probabilities from CDS counterparties. The method of accounting for changes in fair value depends on the classification of the derivative instruments.

There are three classifications:

Derivatives classified as fair value hedge

Changes in the fair value of the derivative are recorded through the income statement and offset within the limit of its effective portion against the changes in the fair value of the underlying item (asset, liability or firm commitment), which are also recognized through the income statement.

Derivatives classified as cash flow hedge

The changes in fair value of the derivative are recorded in other comprehensive income for the effective portion and are reclassified as income when the hedged element affects earnings. The ineffective portion is recorded as financial income or losses until the termination of the derivative. When the termination occurs, the residual ineffective portion is recycled on the hedged item.

Derivatives classified as trading

Changes in the fair value of the derivative are recorded as financial income or losses.

For options, only the intrinsic risk can be hedged. The time value is excluded as it is considered as a cost of hedging. The change in fair value of the option time value is recognized in other comprehensive income in so far as it relates to the hedged item. When the latter occurs (if the hedged item is transaction related), the change in fair value is then recycled and impacts the hedged item or is amortized over the hedging period (if the hedged item is time-related).

The difference in time value between non-aligned structured options and the related “vanilla” (“aligned”) options is recognized in the profit and loss account.

Regarding forward contracts, only the spot component is considered as a hedging instrument, since the forward element is considered as a hedging cost and accounted for similarly to the option time value.

The currency swap basis spread is also excluded from the hedging instrument and considered to be a hedging cost.

Convertible bonds

Convertible bonds are deemed to be financial instruments comprising two components: a bond component recorded as debt and a stock component recorded in equity. The bond component is equal to the discounted value of all the coupons due on the bond at the rate of a simple bond that would have been issued at the same time as the convertible bond. The value of the stock component recorded in the Group’s equity is calculated by the difference between this value and the bond’s nominal value at issuance.

The difference between the financial expense recorded and the amounts effectively paid out is added, at each closing date, to the amount of the debt component so that, at maturity, the amount to be repaid if there is no conversion equals the redemption price.

Financial assets, cash and cash equivalents

Financial assets at fair value through profit and loss

Financial assets include financial assets at fair value through profit and loss (French mutual funds such as SICAVs and FCPs, certificates, etc.) that the Group intends to sell in the near term to realize a capital gain, or that are part of a portfolio of identified financial instruments managed collectively and for which there is evidence of a practice of short-term profit taking. They are classified in the balance sheet as current financial assets.

Cash and cash equivalents

Cash and cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Financial liabilities

Financial liabilities are recognized initially at fair value. Subsequent to the initial measurement, financial liabilities are recorded:

- at their net book value for bonds;
- based on amortized cost calculated using the effective interest rate for the other financial liabilities. Under this principle, any redemption and issue premiums, as well as issue costs, are recorded as debt in the balance sheet and amortized as financial income or expense over the life of the loans using the effective interest method.

Fair value hierarchy of the financial assets and liabilities

The table presenting a breakdown of financial assets and liabilities categorized by value (see Note 39.4 “Valuation methods for financial assets and liabilities at their fair value”) meets the amended requirements of IFRS 7 “Financial Instruments: Disclosures”. The fair values are classified using a scale which reflects the nature of the market data used to make the valuations.

This scale has three levels of fair value:

Level 1: Fair value calculated from the exchange rate/price quoted on an active market for identical instruments,

Level 2: Fair value calculated from valuation methods based on observable data such as the prices of similar assets and liabilities or scopes quoted on an active market,

Level 3: Fair value calculated from valuation methods which rely completely or in part on non-observable data such as prices on an inactive market or multiple-based valuation for non-quoted securities.

5.12 Goodwill

Goodwill corresponds, at the acquisition date, to the aggregation of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable amounts acquired and the liabilities assumed at the acquisition date.

For acquisitions prior to April 1, 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under French GAAP. The classification and accounting treatment of business combinations taking place prior to April 1, 2004 were not modified at the time international standards were adopted, on April 1, 2004, in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

Goodwill is valued in the functional currency of the entity acquired. It is recorded as an asset in the balance sheet.

It is not amortized and is tested for impairment annually and at any point during the year when an indicator of impairment exists. As discussed in Note 5.16, once recorded the impairment may not subsequently be reversed.

When the acquirer’s interest in the net fair value of the identifiable assets and liabilities acquired exceeds the consideration transferred, there is negative goodwill which is recognized and immediately reversed in the Group’s income statement.

At the time of the sale of a subsidiary or an equity affiliate, the amount of the goodwill attributable to the entity sold is included in the calculation of the income from the sale.

5.13 Intangible assets

Intangible assets are recorded at initial cost less accumulated amortization and any accumulated impairment losses.

IT development costs are capitalized and amortized over their useful lives. The Group has the tools required to enable the tracking by project of all the stages of development, and, in particular, the internal and external costs directly related to each project during its development phase.

Identifiable intangible assets acquired with a finite useful life are amortized over their useful lives from the date they are available for use.

The KLM and Transavia brands and slots (takeoff and landing) acquired by the Group as part of the acquisition of KLM are identifiable intangible assets with an indefinite useful life. They are not amortized but tested annually for impairment or whenever there is an indication that the intangible asset may be impaired. If necessary, impairment as described in Note 5.16 is recorded.

Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) market regulations as described in Note 5.22 and the “Risks on carbon credit” paragraph in Note 39.2.4. As such, the Group is required to purchase CO₂ quotas to offset its emissions. The Group records the CO₂ quotas as intangible assets. These assets are not depreciable.

Intangible assets with a definite useful life are amortized on a straight-line basis over the following periods:

Software	1 to 5 years
Licenses	Duration of contract
Information Technology developments	Up to 20 years ⁽¹⁾

(1) IT developments are amortized over the same useful life as the underlying software. In some cases, they can be amortized over a longer period. This duration must be documented.

5.14 Property, plant and equipment

Principles applicable

Property, plant and equipment are recorded at their acquisition or manufacturing cost, less accumulated depreciation and any accumulated impairment losses.

Pursuant to IAS 23, the financial interest attributed to advance payments made on account of investments in aircraft and other significant assets under construction is capitalized and added to the cost of the asset concerned. As prepayments on investments are not financed by specific loans, the Group uses the average interest rate on the current unallocated loans of the period.

Maintenance costs are recorded as expenses during the period when incurred, with the exception of programs that extend the useful life of the asset or increase its value, which are then capitalized (e.g. maintenance on aircraft airframes and engines including parts with limited useful lives).

Flight equipment

The purchase price of aircraft equipment is denominated in foreign currencies. It is translated at the exchange rate at the date of the transaction or, if applicable, at the hedging price assigned to it. Manufacturers’ discounts, if any, are deducted from the value of the related asset.

Aircraft are depreciated using the straight-line method over their average estimated useful life which is between 20 and 25 years for all types of aircraft except in specific cases.

During the operating cycle, and when establishing fleet replacement plans, the Group reviews whether the amortizable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognized and the useful life adapted.

Any major aircraft airframe and engine overhaul including parts with limited useful lives are treated as a separate asset component with the cost capitalized and depreciated over the period between the date of acquisition and the next major overhaul.

Aircraft spare parts (maintenance business) which enable the use of the fleet are recorded as fixed assets and are amortized

on a straight-line basis over the estimated residual lifetime of the aircraft/engine type on the world market. The useful life is limited to a maximum of 30 years.

Other property, plant and equipment

Other property, plant and equipment are depreciated using the straight-line method over their useful lives as follows:

Buildings	20 to 50 years
Fixtures and fittings	8 to 20 years
Flight simulators	10 to 20 years
Equipment and tooling	3 to 15 years

5.15 Lease contracts

Lease contracts, as defined by IFRS 16 “Leases”, are recorded in the balance sheet and lead to the recognition of:

- an asset representing a right of use of the asset leased during the lease term of the contract; and
- a liability related to the payment obligation.

Assets (aeronautical and buildings) which are not eligible for an accounting treatment according to IFRS 16 are those:

- which were acquired by the airline or for which the airline took a major share in the acquisition process from the OEMs (Original Equipment Manufacturers);
- and which, in view of the contractual conditions, will almost certainly be purchased at the end of the lease term,.

Since these financing arrangements are “in substance purchases” and not leases, the related liability is considered as a financial liability under IFRS 9 and the asset, as property, plant and equipment, according to IAS 16.

Measurement of the right-of use asset

At the commencement date, the right-of-use asset is measured at cost and comprises:

- the amount of the initial measurement of the lease liability, to which is added, if applicable, any lease payments made at or before the commencement date, less any lease incentives received;
- where relevant, any initial direct costs incurred by the lessee for the conclusion of the contract. These are incremental costs which would not have been incurred if the contract had not been concluded;
- estimated costs for the restoration and dismantling of the leased asset according to the terms of the contract. At the date of the initial recognition of the right-of-use asset, the lessee adds to these costs, the discounted amount of the restoration and dismantling costs through a return obligation

liability or provision as described in Note 5.20. These costs also include maintenance obligations with regard to the engines and airframes.

Following the initial recognition, the right-of-use asset must be depreciated over the useful life of the underlying assets (lease term for the rental component, flight hours for the component relating to engine maintenance or on a straight-line basis for the component relating to the airframe until the date of the next major overhaul).

Measurement of the lease liability

At the commencement date, the lease liability is recognized for an amount equal to the present value of the lease payments over the lease term.

Amounts involved in the measurement of the lease liability are:

- fixed payments (including in-substance fixed payments; meaning that even if they are variable in form, they are in-substance unavoidable);
- variable lease payments that depend on an index or a rate, initially measured using the index or the rate in force at the lease commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured based on a process similar to the amortized cost method using the discount rate:

- the liability is increased by the accrued interests resulting from the discounting of the lease liability, at the beginning of the lease period;
- less payments made.

The interest cost for the period as well as variable payments, not taken into account in the initial measurement of the lease liability and incurred over the relevant period, are recognized as costs.

In addition, the lease liability may be remeasured in the following situations:

- change in the lease term;
- modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option;
- remeasurement linked to the residual value guarantees;
- adjustment to the rates and indices according to which the rents are calculated when rent adjustments occur.

Types of capitalized lease contracts

“Aircraft” lease contracts

For the aircraft lease contracts fulfilling the capitalization criteria defined by IFRS 16, the lease term corresponds to the non-terminable period of each contract except in cases where the Group is reasonably certain of exercising the renewal options contractually foreseen. For example, this may be the case if substantial cabin customization has taken place whereas the residual lease term is significantly shorter than the useful life of the cabins. The accounting treatment of the maintenance obligations related to leased aircraft is outlined in Note 5.20.

Aircraft lease contracts concluded by the Group do not include guaranteed value clauses for leased assets.

The discount rate used to calculate the lease debt corresponds, for each aircraft, to the implicit interest rate induced by the contractual elements and residual market values. This rate is easy to calculate due to the availability of current and future data concerning the value of aircraft. It is recalculated on each contract renewal (prolongation). The implied rate of the contract is the discount rate that gives the aggregated present value of the minimum lease payments and the unguaranteed residual value. This present value should be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

Since most of the aircraft lease contracts are denominated in US dollars, starting from January 1, 2018 the Group put in place a cash flow hedge for its US dollar revenues *via* the lease debt in US dollars. Consequently, the revaluation of the Group's debt at the closing rate is accounted for in “Other comprehensive income”.

“Real-estate” lease contracts

Based on its analysis, the Group has identified lease contracts according to the standard concerning surface areas rented in its hubs, lease contracts on buildings dedicated to the maintenance business, customized lounges in airports other than hubs and lease contracts on office buildings. The lease term corresponds to the non-terminable period, with most of the contracts not including renewal options.

The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate at the signature date. The incremental borrowing rate is the rate that the lessee would pay to borrow the required funds to purchase the asset over a similar term, with a similar security and in a similar economic environment. This rate is achieved by the addition of the interest rate on government bonds and the credit spread. The coupon on government bonds is specific to the location, currency, period and maturity. The definition of the spread curve is based upon reference points, each point consisting of asset financing on assets other than aircraft.

“Other-assets” lease contracts

The main lease contracts identified correspond to company cars, pools of spare parts and engines. The lease term corresponds to the non-terminable period. Most of the contracts do not provide renewal options. The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate at the signature date. The incremental borrowing rate is the rate that the lessee would pay to borrow the required funds to purchase the asset over a similar term, with a similar security and in a similar economic environment (for the method used to determine the incremental borrowing rate, see the “Real estate lease contracts” paragraph above).

Types of non-capitalized lease contracts

The Group uses the two exemptions foreseen by IFRS 16 allowing for non-recognition in the balance sheet: short-term lease contracts and lease contracts for which the underlying assets have a low value.

Short duration lease contracts

These are contracts whose duration is equal to or less than 12 months. Within the Group, they mainly relate to leases of:

- surface areas in our hubs with a reciprocal notice-period equal to or less than 12 months;
- accommodations for expatriates with a notice period equal to or less than 12 months;
- spare engines for a duration equal to or less than 12 months.

Low value lease contracts

Low-value lease contracts concern assets with a value equal to or less than US\$5,000. Within the Group, these include, notably, lease contracts on printers, tablets, laptops and mobile phones.

Sale and leaseback transactions

The Group qualifies as sale and leaseback transactions, operations which lead to a sale according to IFRS 15. More specifically, a sale is considered as such if there is no repurchase option on the goods at the end of the lease term.

Transactions deemed to be a sale

If the sale by the vendor-lessee is qualified as a sale according to IFRS 15, the vendor-lessee must: (i) de-recognize the underlying asset, (ii) recognize a right-of-use asset equal to the retained portion of the net carrying amount of the asset sold.

Transaction not deemed to be a sale

If the sale by the vendor-lessee is not qualified as a sale according to IFRS 15, the vendor-lessee maintains the goods transferred on its balance sheet and recognizes a financial liability equal to the disposal price (received from the buyer-lessor).

5.16 Impairment test

In accordance with IAS 36 “Impairment of Assets”, tangible fixed assets, intangible assets, right-of-use assets and goodwill are tested for depreciation if there is an indication of impairment, and those with an indefinite useful life are tested at least once a year on September 30.

For this test, the Group deems the recoverable value of the asset to be the higher of the market value less cost of disposal and its value in use. The latter is determined according to the discounted future cash flow method, estimated based on budgetary assumptions approved by management, using an actuarial rate which corresponds to the weighted average cost of the Group’s capital and a growth rate which reflects the market hypotheses for the appropriate activity.

The depreciation tests are carried out individually for each asset, except for those assets to which it is not possible to attach independent cash flows. In this case, these assets are regrouped within the CGU to which they belong and it is this which is tested. The CGUs correspond to the Group’s business segments: network, maintenance, leisure and others which are homogeneous asset groups whose use generates identifiable cash inflows.

When the recoverable value of an asset or CGU is inferior to its net book value, an impairment is recognized. The impairment of a CGU is charged in the first instance to goodwill, the remainder being charged to the other assets which comprise the CGU, prorated to their net book value.

5.17 Inventories

Inventories are measured at the lower of their cost and net realizable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition and location. These costs include the direct and indirect production costs incurred under normal operating conditions.

Inventories are valued on a weighted average basis.

The net realizable value of the inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

5.18 Treasury shares

Air-France-KLM shares held by the Group are recorded as a deduction from the Group’s consolidated equity at the acquisition cost. Subsequent sales are recorded directly in equity. No gains or losses are recognized in the Group’s income statement.

5.19 Employee benefits

The Group’s obligations in respect of defined benefit pension plans, including termination indemnities, are calculated in accordance with IAS 19 Revised “Employee Benefits”, using the projected units of credit method based on actuarial assumptions and considering the specific economic conditions in each country concerned. The commitments are covered either by insurance or pension funds or by provisions recorded on the balance sheet as and when rights are acquired by employees.

The Group recognizes in “other comprehensive income” all the actuarial gains or losses relating to post-employment plans, the differential between the actual return and the expected return on the pension assets, and the impact of any asset ceiling.

When a defined benefit pension plan is converted into a defined contribution pension plan or closed, the amounts recorded in other comprehensive income will be reclassified in other reserves.

The actuarial gains or losses relating to termination benefits (mainly jubilees) are recognized in the income statement.

The Group recognizes all the costs linked to pensions (defined contribution pension plans and defined benefit pension plans) in the income from current operations (salaries and related costs).

Specific information related to the recognition of some pension plan assets

Pension plans in The Netherlands are generally subject to minimum funding requirements (“MFR”) that can involve the recognition of pension surpluses.

These pension surpluses constituted by the KLM sub group were recognized until June 2021 (see Note 4.2 “Significant events occurred during the period”) in the balance sheet according to the IFRIC 14 interpretation (IAS 19 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”).

5.20 Return obligation liability and provision on leased aircraft

The Group recognizes return obligation liabilities and provisions in respect of the required maintenance obligations within the framework of the leasing of aircraft from lessors. The constitution of these return obligation liabilities and provisions depends on the type of maintenance obligations to fulfill before returning these aircraft to the lessors: overhaul and restoration work, airframe and engine potential reconstitution as well as the replacement of limited life parts.

Overhaul and restoration works (not depending on aircraft utilization)

Costs resulting from work required to be performed just before returning aircraft to the lessors, such as painting of the shell or aircraft overhaul (“C Check”) are recognized as provisions as of the inception of the contract. The counterpart of these provisions is booked as a complement through the initial book value of the aircraft right-of-use assets. This complement to the right-of-use asset is depreciated over the lease term.

Airframe and engine potentials reconstitution (depending on the utilization of the aircraft and its engines)

The airframe and the engine potentials as well as the limited life parts are recognized as a complement to the right-of-use assets since they are considered as fully-fledged components, as distinct from the physical components which are the engine and the airframe. These components are the counterparts of the return obligation liability, recognized in its totality at the inception of the contract. When maintenance events aimed at reconstituting these potentials or replacing the limited life parts take place, the costs incurred are capitalized. These potentials and the limited life parts are depreciated over the period of use of the underlying assets (flight hours for the engine potentials component, straight-line for the airframe potentials component and cycles for the limited life parts).

5.21 Other provisions

The Group recognizes a provision in the balance sheet when it has an existing legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amounts recorded as provisions are discounted when the effect of the passage of time is material. The effect of the time

value of money is presented as a component of “Other financial income and expenses”.

Restructuring provisions are recognized once the Group has established a detailed and formalized restructuring plan which has been announced to the parties concerned.

5.22 Emission Trading Scheme

Since January 1, 2012, European airlines have been included in the scope of companies subject to the Emission Trading Scheme (ETS). In the absence of IFRS standards or interpretations governing ETS accounting, the Group has adopted the accounting treatment known as the “netting approach”.

According to this approach, the quotas are recognized as intangible assets in the following way:

- free quotas allocated by the State are valued at nil; and
- quotas purchased on the market are accounted at their acquisition cost.

These intangible assets are not amortized.

If the allocated quotas are insufficient to cover the actual emissions then the Group recognizes a provision. This provision is assessed at the acquisition cost for the acquired rights and,

for the non-hedged portion, with reference to the market price as of each closing date.

At the date of the restitution to the State of the quotas corresponding to actual emissions, the provision is written-off in exchange for the intangible assets returned.

5.23 Capital increase costs

Capital increase costs are deducted from paid-in capital.

5.24 Current and deferred taxes

The Group records deferred taxes using the balance sheet liability method, providing for any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the exceptions described in IAS 12 "Income Taxes".

The tax rates used are those enacted or substantively enacted at the balance sheet date.

Net deferred tax balances are determined on the basis of each entity's tax position.

Deferred tax assets relating to temporary differences and tax losses carried forward are recognized only to the extent it is probable that a future taxable profit will be available against which the asset can be utilized at the tax entity level.

Deferred tax assets corresponding to fiscal losses are recognized as assets given the prospects of recoverability resulting from the budgets and medium-term plans prepared by the Group. The assumptions used are the same as those used for the impairment tests on assets (see Note 5.16).

A deferred tax liability is also recognized for the undistributed reserves of the equity affiliates.

Taxes payable and/or deferred are recognized in the income statement for the period, unless they are generated by a transaction or event recorded directly in other comprehensive income. In such cases, they are recorded directly in other comprehensive income.

Impact of the Contribution on Added Value of Enterprises

The CAVE (Contribution on Added Value of Enterprises/*Cotisation sur la Valeur Ajoutée des Entreprises - CVAE*) is calculated by the application of a tax rate to the added value generated by the company during the year. As the added value is a net amount of income and expenses, the CAVE meets the definition of a tax on profits as set out in IAS 12.2. Consequently, the expense relating to the CAVE is presented under the line "Income taxes".

5.25 Non-current assets held for sale and discontinued operations

Assets or groups of assets held for sale meet the criteria for this classification if their carrying amount is recovered principally through a sale rather than through their continuing use. This condition is considered to be met when the sale is highly probable and the asset (or group of assets intended for sale) is available for immediate sale in its present condition. Management must be committed to a plan to sell, with the expectation that the sale will be realized within a period of twelve months from the date on which the asset or group of assets were classified as assets held for sale.

The Group determines on each closing date whether any assets or groups of assets meet the above criteria and presents such assets, if any, as "non-current assets held for sale".

Any liabilities related to these assets are also presented on a separate line in liabilities on the balance sheet.

Assets and groups of assets held for sale are valued at the lower of their book value or their fair value minus exit costs. As of the date of such a classification, the asset is no longer depreciated.

The results from discontinued operations are presented separately from the results from continuing operations in the income statement.

NOTE 6 CHANGE IN THE CONSOLIDATION SCOPE

Year ended December 31, 2021

No significant acquisitions or disposals took place during 2021.

Year ended December 31, 2020

No significant acquisitions or disposals took place during 2020.

NOTE 7 INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments

The segment information is prepared on the basis of internal management data communicated to the Executive Committee, the Group's principal operational decision-making body.

The Group is organized around the following segments:

Network: The revenues for this segment, which includes the Passenger and Cargo network, primarily come from passenger transportation services on scheduled flights with the Group's airline code (excluding Transavia), including flights operated by other airlines under code-share agreements. They also include code-share revenues, revenues from excess baggage and airport services supplied by the Group to third-party airlines and services linked to IT systems.

Network revenues also include freight carried on flights operated under the codes of the airlines within the Group and flights operated by other partner airlines under code-share agreements. Other cargo revenues are derived principally from the sale of cargo capacity to third parties and the transportation of shipments on behalf of the Group by other airlines.

Maintenance: Maintenance operating revenues are generated through maintenance services provided to other airlines and customers worldwide.

Transavia: The revenues from this segment come from the "leisure" activity realized by Transavia.

Other: The revenues from this segment come from various services provided by the Group and not covered by the four segments mentioned above.

The results of the business segments are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond to the EBITDA, current operating income and to the income from operating activities. Other elements of the income statement are presented in the "non-allocated" column.

Inter-segment transactions are evaluated based on normal market conditions.

Geographical segments

Activity by origin of sales area

Group activities by origin of sale are broken down into four geographical areas:

- Metropolitan France;
- Benelux;
- Europe (excluding France and Benelux);
- Rest of the world.

The format for presenting activities by zone of origin of sales has been revised to take into account the Group's new commercial organization.

Only segment revenue is allocated by geographical sales area.

Activity by destination

Group activities by destination are broken down into seven geographical areas:

- Metropolitan France;
- Europe (excluding France) and North Africa;
- Caribbean, West Indies, French Guyana and Indian Ocean;
- Africa (excluding North Africa), Middle East;
- North America, Mexico;
- South America (excluding Mexico);
- Asia and New Caledonia.

7.26 Information by business segment

Year ended December 31, 2021 (in € millions)	Network	Maintenance	Transavia	Other	Non-allocated	Total
Total sales	12,279	2,801	1,012	167	-	16,259
Intersegment sales	(26)	(1,778)	-	(140)	-	(1,944)
External sales	12,253	1,023	1,012	27	-	14,315
EBITDA	262	374	68	41	-	745
Income from current operations	(1,582)	88	(150)	18	-	(1,626)
Income from operating activities	(2,237)	(184)	(149)	38	-	(2,532)
Share of profits (losses) of associates	1	(11)	-	(17)	-	(27)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(1,017)	(1,017)
Income taxes	-	-	-	-	282	282
Net income from continuing operations	(2,236)	(195)	(149)	21	(735)	(3,294)
Depreciation and amortization for the period	(1,996)	(268)	(225)	(24)	-	(2,513)
Other non-monetary items	639	253	2	(129)	(26)	739
Total assets	15,928	3,934	1,693	166	8,962	30,683
Segment liabilities	9,213	1,837	1,155	15	6,037	18,257
Financial liabilities, lease debts, bank overdrafts and equity	-	-	-	-	12,426	12,426
Total liabilities	9,213	1,837	1,155	15	18,463	30,683
Purchase of property, plant and equipment and intangible assets	1,957	174	68	3	-	2,202

The non-allocated assets, amounting to €9 billion, comprise cash and cash equivalents of €6.7 billion, financial assets of €1.3 billion, deferred tax of €0.3 billion, income taxes of €0.1 billion and derivatives financial assets of €0.6 billion.

The non-allocated segment liabilities, amounting to €6 billion, mainly comprise pension provisions for €1.9 billion, tax and employee-related liabilities of €3.6 billion, other provisions for €0.4 billion and derivatives financial liabilities of €0.1 billion.

Financial liabilities, lease debts, bank overdrafts and equity are not allocated.

Year ended December 31, 2020 restated⁽¹⁾ (in € millions)	Network	Maintenance	Transavia	Other	Non-allocated	Total
Total sales	9,234	2,858	606	157	-	12,855
Intersegment sales	(28)	(1,610)	-	(129)	-	(1,767)
External sales	9,206	1,248	606	28	-	11,088
EBITDA	(1,678)	26	(77)	34	-	(1,695)
Income from current operations	(3,722)	(543)	(299)	10	-	(4,554)
Income from operating activities	(5,043)	(678)	(303)	(6)	-	(6,030)
Share of profits (losses) of associates	-	-	-	(58)	-	(58)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(928)	(928)
Income taxes	-	-	-	-	(89)	(89)
Net income from continuing operations	(5,043)	(678)	(303)	(64)	(1,017)	(7,105)
Depreciation and amortization for the period	(2,087)	(408)	(219)	(22)	-	(2,736)
Other non-monetary items	558	126	5	(133)	(15)	541
Total assets	15,641	3,963	1,615	202	8,760	30,181
Segment liabilities	7,988	1,984	918	28	5,851	16,769
Financial liabilities, lease debts, bank overdrafts and equity	-	-	-	-	13,412	13,412
Total liabilities	7,988	1,984	918	28	19,263	30,181
Purchase of property, plant and equipment and intangible assets (continuing operations)	1,826	224	57	(7)	-	2,099

⁽¹⁾ See Note 3 in notes to the consolidated financial statements.

The non-allocated assets, amounting to €8.8 billion, comprise cash and cash equivalents of €6.4 billion, pension assets of €0.2 billion, financial assets of €1.2 billion, deferred tax of €0.3 billion, income taxes of €0.4 billion and derivatives financial assets of €0.3 billion.

The non-allocated segment liabilities, amounting to €5.9 billion, mainly comprise pension provisions for €2.1 billion, tax and employee-related liabilities of €2.5 billion, a portion of other provisions for €0.8 billion and derivatives financial liabilities of €0.5 billion.

Financial liabilities, lease debts, bank overdrafts and equity are not allocated.

7.27 Information by geographical area

External sales by geographical area

Year ended December 31, 2021 (In € millions)	Metropolitan France	Benelux	Europe (excl. France and Benelux)	Rest of the world	Total
Transportation	3,286	1,197	2,695	4,342	11,520
Other sales	175	132	153	273	733
Total network	3,461	1,329	2,848	4,615	12,253
Transportation	347	587	71	12	1,017
Other sales	(1)	(4)	-	-	(5)
Total Transavia	346	583	71	12	1,012
Maintenance	582	338	26	77	1,023
Others	5	22	-	-	27
Total	4,394	2,272	2,945	4,704	14,315

Year ended December 31, 2020 (In € millions)	Metropolitan France	Benelux	Europe (excl. France and Benelux)	Rest of the world	Total
Transportation	2,381	983	2,010	3,196	8,570
Other sales	184	60	147	245	636
Total network	2,565	1,043	2,157	3,441	9,206
Transportation	165	363	50	8	586
Other sales	(1)	(1)	1	21	20
Total Transavia	164	362	51	29	606
Maintenance	605	562	24	57	1,248
Others	7	21	-	-	28
Total	3,341	1,988	2,232	3,527	11,088

Traffic sales by geographical area of destination

Year ended December 31, 2021 (in € millions)	Metropolitan France	Europe (excl. France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
Network	809	2,171	1,189	2,027	2,582	1,300	1,442	11,520
Transavia	63	923	-	31	-	-	-	1,017
Total Transportation	872	3,094	1,189	2,058	2,582	1,300	1,442	12,537

Year ended December 31, 2020 (in € millions)	Metropolitan France	Europe (excl. France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
Network	662	1,503	880	1,381	1,674	1,040	1,430	8,570
Transavia	8	552	-	26	-	-	-	586
Total Transportation	670	2,055	880	1,407	1,674	1,040	1,430	9,156

NOTE 8 EXTERNAL EXPENSES

Period from January 1 to December 31 (in € millions)

	2021	2020
Aircraft fuel	2,748	2,392
Chartering costs	325	253
Landing fees and air route charges	1,185	969
Catering	382	294
Handling charges and other operating costs	1,027	833
Aircraft maintenance costs	1,625	1,618
Commercial and distribution costs	385	346
Other external expenses	1,152	1,275
Total	8,829	7,980
Excluding aircraft fuel	6,081	5,588

A portion of external expenses, mainly aircraft fuel and maintenance, is sensitive to fluctuations in the US dollar exchange rate.

The hedges covering this currency exposure are presented in Note 10 "Other current operating income and expenses".

NOTE 9 SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

Period from January 1 to December 31 (in € millions)	2021	2020 restated ⁽¹⁾
Wages and salaries	4,410	4,660
Social contributions	811	846
Pension costs on defined contribution plans	634	547
Pension costs of defined benefit plans	206	307
Cost of temporary employees	86	83
Profit sharing and payment linked with shares	(69)	(8)
Temporary Emergency Bridging Measure for Sustained Employment	(771)	(1,049)
Other expenses	33	(80)
Total	5,340	5,306

(1) See Note 3 in notes to the consolidated financial statements.

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). Since this multi-employer plan is assimilated with a French State plan, it is accounted for as a defined contribution plan in “pension costs linked to defined contribution plans”.

Following the impact of the Covid-19 public health crisis, as of March 23, 2020 Air France and its main French subsidiaries implemented part-time activity for their employees.

In the first half of 2021, Air France and some of its affiliates finalized agreements with the representative trade unions

allowing the use of the Long-Term Partial Activity (“APLD”) scheme for a maximum of 24 months.

As of December 31, 2021, the impact of these measures amounts to €657 million (€999 million as of December 31, 2020).

The line “Temporary Emergency Bridging Measure for Sustained Employment (NOW)” includes the compensation received from the Dutch State for the KLM Group’s labor expenses during the period from January 1 until December 31, 2021. This compensation amounted to €771 million (versus €1,049 million for the period from March 1 until December 31, 2020).

Average number of employees

Period from January 1 to December 31	2021	2020
Flight deck crew	8,170	8,641
Cabin crew	20,002	21,871
Ground staff	45,572	50,714
Temporary employees	977	941
Total⁽¹⁾	74,721	82,167

(1) Excluding partial activity effect.

NOTE 10 OTHER CURRENT OPERATING INCOME AND EXPENSES

Period from January 1 to December 31 (in € millions)	2021	2020
Capitalized production	728	610
Joint operation of routes	8	(7)
Operations-related currency hedges	16	79
European carbon emission allowances (ETS)	(36)	(32)
Other	(1)	(10)
Other income and expenses	715	640

NOTE 11 AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to December 31 (in € millions)	2021	2020
Amortization		
Intangible assets	192	187
Flight equipment	1,027	1,167
Other property, plant and equipment	184	197
Right-of-use assets	1,110	1,185
Sub-total	2,513	2,736
Depreciation and provisions		
Inventories	22	27
Trade receivables	25	118
Risks and contingencies	(189)	(22)
	(142)	123
Total	2,371	2,859

The amortization variations for intangible and tangible assets are presented in Notes 17 and 18, and for right-of-use assets in Note 20.

The variations relating to inventories and trade receivables are presented in Notes 26, 27 and 28.

The balance sheet movements in provisions for risks and charges are detailed in Note 32.

NOTE 12 SALES OF AIRCRAFT EQUIPMENT AND OTHER NON-CURRENT INCOME AND EXPENSES

Period from January 1 to December 31 (in € millions)	2021	2020 restated ⁽¹⁾
Sales and leaseback	(29)	19
Other aeronautical sales	10	22
Sales of aeronautical assets	(19)	41
Restructuring costs	56	(846)
Impairment of fleet	(39)	(672)
Impairment of intangible assets	-	(8)
Modification of pensions plans	(922)	-
Disposals of subsidiaries and affiliates	26	11
Other	(8)	(2)
Other non-current income and expenses	(887)	(1,517)

(1) See Note 3 in notes to the consolidated financial statements.

Year ended December 31, 2021

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in an expense of €(29) million in the income statement and a result on disposal of €830 million in the cash flow statement as of December 31, 2021.

Restructuring costs

This line mainly includes a reversal of the Voluntary Departure Plan provision for Air France ground staff, amounting to €86 million and an additional provision related to the Voluntary Departure Plan for HOP! amounting to €(28) million, both following an adjustment based on the definitive list of individuals and departure indemnities.

The impacts on pension provisions relating to the restructuring are detailed in Note 31 "Retirement Benefits".

Impairment of fleet

This line includes the impact of the early phase-out of the twenty-five CRJ aircrafts from the HOP! fleet for €(39) million. Depreciation slopes have been revised so that the net book value as of the date of the aircrafts' phase-out, which is expected by 2022 at the latest, converges with the estimated market value. As of December 31, 2021, 15 CRJs remain under ownership.

Modifications to pension plans

Following the modification of KLM's Ground Staff pension plan (see Note 4.2 "Significant events occurring during the period"),

the total impact of the de-recognition of the pension assets together with the additional contributions has been booked in "Other non-current income and expenses" and amounts to an expense of €(938) million.

In addition, the thresholds for the payment of small capital annuities were raised, leading to a decrease in liabilities towards the active and deferred members of the CRAF scheme in the amount of €16 million (see Note 31 "Retirement Benefits").

Result on the disposal of subsidiaries and affiliates

This line corresponds to the capital gain on the disposal of a 15% shareholding in Servair on May 31, 2021 (see Note 4.2 "Significant events occurring during the period").

Year ended December 31, 2020

Restructuring costs

As of December 31, 2020, this line mainly included:

- KLM's Voluntary Departure Plans, amounting to € (175) million, net of KLM ground staff pension curtailment and a restructuring provision of €(16) million for KLM ground staff;
- KLM Group subsidiaries' various Voluntary Departure Plans and restructuring plans, amounting to €(14) million;
- a net cost related to the proposed collective mutual agreement on termination of contract ("Rupture Conventiionelle Collective") for Air France pilots and flight attendants, to the Voluntary Departure Plan for Air France ground staff and the departure plan ("PDV-PSE") for HOP! employees amounting to €(584) million;

- a Voluntary Departure Plan for Air France–KLM international sales force provision for €(33) million.

Impairment of fleet

As of December 31, 2021, this line related to the impact of the phase-out of the A380, A340, B747 and CRJ aircrafts from the fleet of Air France–KLM Group, following the drastic reduction in air traffic in relation to Covid-19.

Phase-out of the Air France A380 aircrafts

The final phase-out of the nine aircraft in the A380 fleet announced on May 20, 2020, and initially planned for the end of 2022, had been brought forward to 2020. The related impact amounted to €(553) million as of December 31, 2020.

As of December 31, 2021, five A380 aircraft are still owned and three are leased.

Phase-out of KLM's B747 aircrafts

A €19 million impairment had been recorded to revalue the eight KLM B747s at their estimated market value.

Phase-out of Air France's A340 aircrafts

A €72 million impairment had been recorded to revalue the four Air France A340 aircraft at their estimated market value following the phase-out decision on May 6, 2020.

Phase-out of HOP! CRJ aircrafts

This line included the impact of the early phase-out of the 25 CRJ aircraft from the HOP! fleet for €(26) million.

NOTE 13 NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

Period from January 1 to December 31
(in € millions)

	2021	2020
Income from marketable securities	(21)	(7)
Other financial income	23	26
Financial income	2	19
Interest on financial liabilities	(325)	(186)
Interest on lease debt	(241)	(252)
Capitalized interests	25	23
Other non-monetary items	(178)	(73)
Other financial expenses	(11)	(8)
Gross cost of financial debt	(730)	(496)
Net cost of financial debt	(728)	(477)
Foreign exchange gains (losses), net	(197)	300
Financial instruments and change in fair value of hedged shares	31	(561)
Net (charge)/release to provisions	1	(17)
Undiscounting of provision	(116)	(165)
Other	(8)	(8)
Other financial income and expenses	(289)	(451)
Total	(1,017)	(928)

Net cost of financial debt

Financial income mainly consists of interest income on financial assets recognized at the effective interest rate.

As of December 31, 2021, following the maturity extension of the bank loan guaranteed by the French State (“PGE”) and the early repayment of €500 million on December 10, 2021, the actual value of future payments has been reviewed. This has led to a one-off expense of €(84) million was accounted for in the line “Other non-cash items” (see Note 4.2 “Significant events occurring during the period”).

As of December 31, 2021, following the update of the cash flow projections on the State guaranteed revolving credit facility (“RCF”) (see Note 33.3 “Financial support from the French and Dutch States”), an expense of €(20) million in the carrying amount was accounted for in the line “Other non-cash items”.

Foreign exchange gains (losses)

As of December 31, 2021, the foreign exchange losses mainly include an unrealized currency loss of €(289) million of which, mainly, a loss of €(236) million on return obligation liabilities and provisions on aircraft in US dollars, and an unrealized €(45) million currency loss on debt, mainly composed of a loss on debt in US dollars (€(66) million) and a gain on debt in Japanese Yen (€24 million).

As of December 31, 2020, the foreign exchange losses mainly included an unrealized currency gain of €302 million of which a gain of €277 million on return obligation liabilities and provisions on aircraft in US dollars and an unrealized €42 million currency gain mainly on debt in US dollars (€28 million) and in Japanese Yen (€29 million).

Financial instruments and change in fair value of hedged shares

As of December 31, 2020, due to the significant reduction in fuel consumption for 2020 and expected for the beginning of 2021, this line included the impact of over-hedging, amounting to €(595) million of which the Air France Group €(357) million and the KLM Group €(238) million, recycled to the income statement.

As of December 31, 2020, an amount of €(589) million of these derivatives had been settled and €(6) million related to the period January-March 2021.

Undiscounting of provision

The rate used to un-discount the long term return obligation liability and provision for leased aircraft and other provisions is 3.4% in 2021 against 4.5% in 2020 (see Note 5.20 “Return obligation liability and provision for leased aircraft”).

Other

As of December 31, 2020, this line mainly included premiums paid on early reimbursement on part of the bonds with maturity dates in 2021 and 2022. The total premium was €22 million.

NOTE 14 INCOME TAXES

14.1 Income tax charge

Current income tax expenses and deferred income tax are detailed as follows:

Period from January 1 to December 31 (in € millions)	2021	2020 restated ⁽¹⁾
Current tax (expense)/income	(2)	70
Change in temporary differences	237	244
(Use/de-recognition)/recognition of tax loss carry forwards	47	(403)
Deferred tax income/(expense) from continuing operations	284	(159)
Total	282	(89)

(1) See Note 3 in notes to financial statements.

The current income tax charge relates to the amounts paid or payable to the tax authorities in the short term for the period, in

accordance with the regulations prevailing in various countries and any applicable treaties.

French fiscal group

In France, the corporate tax rate, including additional contribution, is 28.41% for 2021. The French Finance Act 2018 provides for a gradual reduction in the French corporate tax rate to 25.83% in 2022. Tax losses can be carried forward for an unlimited period. However, the amount of fiscal loss recoverable each year is limited to 50% of the profit for the period beyond the first million euros. The Group limits its recoverability horizon on the deferred tax losses of the French fiscal group to a period of five years, consistent with its strategic plan.

The deferred tax asset position on tax losses remains stable versus December 31, 2020 at €285 million resulting from the medium and long term uncertainty arising from the current public health context leading the Group to keep its deferred tax asset recognition policy unchanged.

Subsequently, an amount of €492 million of deferred tax assets related to tax losses and temporary differences has not been recognized for the period ended December 31, 2021 (including €453 million through the income statement).

Dutch fiscal group

In the Netherlands, the tax rate is 25% in 2021. As from 2022, the Dutch corporate tax rate will be 25.8%. Under income tax law in the Netherlands, the maximum future period for utilising tax losses carried forward is currently six years. As from January 1, 2022, this period will become indefinite for tax losses.

However, the amount of fiscal loss recoverable each year is limited to 50% of the profit for the period beyond the first million euros.

As of December 31, 2021, the Dutch fiscal group has deferred taxes assets on fiscal losses in the balance sheet amounting to €57 million, relating to an interest deduction allowance which can be carried forward indefinitely (€10 million as of December 31, 2020).

In addition, an amount of €234 million of deferred tax liabilities has been derecognized following the changes in the ground staff pension plan into a defined contribution plan (see Note 4.2. "Significant events occurring during the period").

In view of the medium and long term uncertainty surrounding the business outlook due to the health situation, the Dutch fiscal group has limited the recognition of deferred tax assets for additional tax losses in the period. Consequently, €156 million of deferred tax assets have not been recognized for the period ended December 31, 2021, in addition of the €270 millions not recognized at the end of December 31, 2020.

14.2 Deferred tax recorded in equity (equity holders of Air France - KLM)

Period from January 1 to December 31 (in € millions)	2021	2020
Coupons on Perpetual	-	8
Other comprehensive income that will be reclassified to profit and loss	(72)	(10)
Other comprehensive income that will not be reclassified to profit and loss	(171)	79
Equity instruments	1	6
Pensions	(172)	73
Total	(243)	77

14.3 Effective tax rate

The difference between the standard and effective tax rates applied in France is detailed as follows:

Period from January 1 to December 31 (in € millions)	2021	2020 restated ⁽¹⁾
Income before tax	(3,549)	(6,958)
Standard tax rate in France	28.41%	32.02%
Theoretical tax calculated based on the standard tax rate in France	1,008	2,228
Differences in French/foreign tax rates	(59)	(137)
Non-deductible expenses or non-taxable income	(72)	(40)
Variation in unrecognized deferred tax assets	(603)	(2,133)
CAVE impact	(4)	(10)
Other	12	3
Income tax	282	(89)
Effective tax rate	8.0%	-1.3%

(1) See Note 3 in notes to the consolidated financial statements.

The effective tax rate in France for 2021 is 28.41%. The effective tax rate in the Netherlands until 2021 is 25%.

Deferred tax has been calculated with a tax rate gradually decreasing to 25.83% for the French tax group and an increase in the tax rate to 25.8% for the Dutch tax group, applicable in 2022.

14.4 Variation in deferred tax recorded during the period

(in € millions)	January 1, 2021 restated ⁽¹⁾	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassification and other	December 31, 2021
Flight equipment	(948)	253	-	-	-	(695)
Right-of-use assets	(803)	(68)	-	-	(3)	(874)
Pension assets	-	170	(167)	-	42	45
Financial liabilities	606	(89)	(1)	-	(19)	497
Lease debt	597	47	30	-	(1)	673
Deferred revenue on ticket sales	143	(14)	-	-	-	129
Debtors and creditors	41	50	(129)	-	(49)	(87)
Provisions	509	(48)	(3)	-	-	458
Others	(222)	(64)	27	-	(151)	(410)
Deferred tax corresponding to fiscal losses	307	47	-	-	187	541
Deferred tax asset/(liability) net	230	284	(243)	-	6	277

(1) See Note 3 in notes to the consolidated financial statements.

(in € millions)	January 1, 2020 restated ⁽¹⁾	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassification and other	December 31, 2020 restated ⁽¹⁾
Flight equipment	(1,091)	215	-	-	(72)	(948)
Right-of-use assets	(883)	165	-	-	(85)	(803)
Pension assets	(92)	(66)	66	-	92	-
Financial liabilities	627	(20)	-	8	(9)	606
Lease debt	757	(200)	(34)	-	74	597
Deferred revenue on ticket sales	160	(17)	-	-	-	143
Debtors and creditors	(14)	(45)	56	-	44	41
Provisions	280	95	7	-	127	509
Others	(103)	117	(26)	-	(210)	(222)
Deferred tax corresponding to fiscal losses	702	(403)	-	-	8	307
Deferred tax asset/(liability) net	343	(159)	69	8	(31)	230

(1) See Note 3 in notes to the consolidated financial statements.

French fiscal group

The deferred taxes recognized on fiscal losses for the French fiscal group amounts to €285 million with a basis of €1,104 million as of December 31, 2021 (as in December 31, 2020). The deferred tax asset position in respect of tax loss carryforwards remains stable in relation to the forecast of future taxable profits.

The total deferred-tax position of the French fiscal group stands at a net asset of €216 million (€209 million as of December 31, 2020).

Dutch fiscal group

The Dutch fiscal group recognized €57 million deferred taxes on fiscal losses with a basis of €221 million as of December 31, 2021 versus €10 million as of December 31, 2020. The increase in deferred tax assets in respect of tax loss carryforwards is due to deductible interest that can be carried forward indefinitely.

The total deferred tax position of the Dutch fiscal group stands at a net asset of €27 million (versus a €17 million net liability as of December 31, 2020).

14.5 Unrecognized deferred tax assets

(in € millions)	December 31, 2021		December 31, 2020	
	Basis	Tax	Basis	Tax
Temporary differences	1,320	341	1,359	386
Tax losses	13,934	3,599	11,312	3,203
Total	15,254	3,940	12,671	3,589

French fiscal group

As of December 31, 2021, the cumulative effect of the limitation of deferred tax assets results in the non-recognition of a deferred tax asset amounting to €3,514 million (corresponding to a basis of €13,604 million), of which €3,173 million relating to tax losses and €341 million relating to temporary differences (non-recognition of deferred tax assets relating mainly to pension provisions).

As of December 31, 2020, the cumulative effect of the limitation of deferred tax assets resulted in the non-recognition of a deferred tax asset amounting to €3,319 million (corresponding to a basis of €11,596 million), of which €2,933 million relating to tax losses and €386 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuring provisions and pensions).

Dutch fiscal group

As of December 31, 2021, the cumulative effect of the limitation of deferred tax assets results in the non-recognition of a deferred tax asset amounting to €426 million (corresponding to a basis of €1,650 million), entirely constituted of tax losses.

As of December 31, 2020, the cumulative effect of the limitation of deferred tax assets results in the non-recognition of a deferred tax asset amounting to €270 million (corresponding to a basis of €1,075 million), entirely constituted of tax losses.

Other

Other unrecognized deferred tax assets mainly correspond to a portion of the tax loss carry forwards of the Air France and KLM subsidiaries not belonging to the fiscal groups, in particular in the United States of America and the United Kingdom.

NOTE 15 EARNINGS PER SHARE

15.1 Income for the period – Equity holders of Air France–KLM per share

Reconciliation of income used to calculate earnings per share

The results used to calculate earnings per share are as follows:

Results used for the calculation of basic earnings per share

As of December 31 (in € millions)	2021	2020 restated ⁽¹⁾
Net income for the period – Equity holders of Air France–KLM	(3,292)	(7,100)
Coupons on perpetual (net of tax)	(151)	–
Basic net income for the period – Equity holders of Air France–KLM	(3,443)	(7,100)

(1) See Note 3 in notes to the consolidated financial statements.

The earnings per share before dilution (basic earnings per share) corresponds to the net result divided by the weighted average number of shares in circulation during the financial year, excluding the weighted average number of treasury shares.

Since the perpetual subordinated loan is considered to be preferred shares, the coupons are included in the basic earnings per share.

Results used for the calculation of diluted earnings per share

As of December 31 (in € millions)	2021	2020 restated ⁽¹⁾
Basic net income for the period – Equity holders of Air France–KLM	(3,443)	(7,100)
Net income for the period – Equity holders of Air France–KLM (taken for calculation of diluted earnings per share)	(3,443)	(7,100)

(1) See Note 3 in notes to the consolidated financial statements.

For the calculation of the diluted earnings per share, the weighted average number of shares in circulation is adjusted for the potential dilutive effect of all equity instruments issued by the

Group, in particular stock option plans and performance shares. The dilution resulting from the exercise of stock option plans and performance shares is based on the IAS 33 methodology.

Reconciliation of the number of shares used to calculate earnings per share

Period from January 1 to December 31	2021	2020
Weighted average number of:		
– Ordinary shares issued	579,899,788	428,634,035
– Treasury stock held regarding stock option plan	(1,116,420)	(1,116,420)
– Other treasury stock	(91,585)	(91,585)
Number of shares used to calculate basic earnings per share	578,691,783	427,426,030
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	578,691,783	427,426,030

For the years 2020 and 2021, the potential conversion of OCEANEs, representing 27,901,785 shares, and the impacts on net income, have not been taken into account. The ordinary shares potentially created would not have decreased the earning per share or increased the loss per share.

The change in the number of ordinary shares issued is disclosed in Note 30.1 "Issued capital".

As of December 31, 2021, taking into account the above items, the basic earnings per share amounts to €(5,95) and the diluted earnings per share amounts to €(5,95).

15.2 Non-dilutive instruments

The Air France-KLM Group held no non-dilutive instruments as of December 31, 2021.

15.3 Instruments issued after the closing date

No instruments were issued subsequent to the closing date.

NOTE 16 GOODWILL

16.1 Detail of consolidated goodwill

As of December 31 (in € millions)	2021			2020		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Network	197	-	197	197	-	197
Maintenance	24	(4)	20	22	(4)	18
Other	5	-	5	-	-	-
Total	226	(4)	222	219	(4)	215

16.2 Movement in net book value of goodwill

As of December 31 (in € millions)	2021	2020
Opening balance	215	217
Change in scope	5	-
Currency translation adjustment	2	(2)
Closing balance	222	215

NOTE 17 INTANGIBLE ASSETS

(in € millions)	Trademarks and slots	CO ₂ Quotas and other carbon credit	Other intangible assets	Total
Gross value				
Amount as of December 31, 2019	280	24	1,787	2,091
Additions	-	77	121	198
Disposals	-	(74)	(28)	(102)
Reclassification	-	-	(4)	(4)
Amount as of December 31, 2020	280	27	1,876	2,183
Additions	-	84	138	222
Disposals	-	(31)	(15)	(46)
Reclassification	-	-	5	5
Change in scope	-	-	7	7
Amount as of December 31, 2021	280	80	2,011	2,371
Depreciation				
Amount as of December 31, 2019	(6)	(4)	(776)	(786)
Charge to depreciation	(4)	-	(195)	(199)
Releases on disposals	-	-	27	27
Reclassification	-	-	5	5
Amount as of December 31, 2020	(10)	(4)	(939)	(953)
Charge to depreciation	-	-	(193)	(193)
Releases on disposals	-	-	14	14
Change in scope	-	-	(4)	(4)
Amount as of December 31, 2021	(10)	(4)	(1,122)	(1,136)
Net value				
As of December 31, 2020	270	23	937	1,230
As of December 31, 2021	270	76	889	1,235
Including:				
- Network	256			
- Transavia	8			
- Maintenance	3			
- Other	3			

The intangible assets mainly comprise:

- the KLM and Transavia brands and slots (takeoff and landing) acquired by the Group as part of the acquisition of KLM. These intangible assets have an indefinite useful life as the nature of the assets means that they have no time limit;
- CO₂ quotas;
- software and capitalized IT costs.

NOTE 18 TANGIBLE ASSETS

(in € millions)	Flight equipment				Other tangible assets					Total
	Owned aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total	
Gross value										
January 1, 2020	17,192	1,263	2,425	20,880	2,708	1,169	205	993	5,075	25,955
Acquisitions	354	1,222	174	1,749	13	17	127	14	171	1,920
Disposals	(959)	-	(176)	(1,135)	(51)	(15)	-	(72)	(138)	(1,273)
Fair value	-	206	-	206	-	-	-	-	-	206
Reclassification	441	(1,141)	188	(512)	75	(99)	(143)	167	-	(512)
Currency translation	1	-	-	1	-	-	-	-	-	1
Others	129	(44)	(93)	(8)	13	(2)	2	-	13	5
December 31, 2020	17,158	1,506	2,518	21,181	2,758	1,070	191	1,102	5,121	26,302
Acquisitions	690	1,064	122	1,876	15	15	71	5	106	1,982
Disposals	(1,844)	-	(159)	(2,003)	(60)	(39)	-	(54)	(153)	(2,156)
Fair value	-	(192)	-	(192)	-	-	-	-	-	(192)
Reclassification	744	(1,150)	115	(291)	24	11	(127)	22	(70)	(361)
Others	36	15	(47)	4	2	2	(6)	1	(1)	3
December 31, 2021	16,784	1,243	2,549	20,575	2,739	1,059	129	1,077	5,004	25,579
Depreciation										
January 1, 2020	(8,684)	-	(862)	(9,546)	(1,851)	(862)	-	(782)	(3,495)	(13,041)
Charge to depreciation	(1,316)	-	(284)	(1,600)	(92)	(49)	-	(62)	(203)	(1,803)
Releases on disposal	896	-	133	1,029	49	14	-	68	131	1,160
Reclassification	64	-	8	72	1	74	-	(82)	(7)	65
Others	(65)	-	(41)	(106)	-	1	-	-	1	(105)
December 31, 2020	(9,105)	-	(1,046)	(10,151)	(1,893)	(822)	-	(858)	(3,573)	(13,724)
Charge to depreciation	(906)	-	(84)	(990)	(89)	(43)	-	(54)	(186)	(1,176)
Releases on disposal	985	-	119	1,104	53	37	-	51	141	1,245
Reclassification	(72)	-	-	(72)	18	-	-	-	18	(54)
Others	30	-	(30)	-	(1)	(1)	-	-	(2)	(2)
December 31, 2021	(9,068)	-	(1,041)	(10,109)	(1,912)	(829)	-	(861)	(3,602)	(13,711)
Net value										
December 31, 2020	8,053	1,506	1,472	11,031	865	248	191	244	1,548	12,579
December 31, 2021	7,716	1,243	1,508	10,466	827	230	129	216	1,402	11,868

Aeronautical assets under construction mainly comprise advance payments, engine maintenance work in progress and aircraft modifications.

Note 41 details the amount of pledged tangible assets.

In 2020, the line “Charge to depreciation” includes the accelerated depreciation, amounting to €(514) million, following the decision to phase out the A380, A340, B747 and CRJ aircrafts.

Commitments to assets purchases are detailed in Notes 40 and 41 to these financial statements.

NOTE 19 CAPITAL EXPENDITURES

The detail of capital expenditures on tangible and intangible assets presented in the consolidated cash flow statements is as follows:

As of December 31 (in € millions)	2021	2020
Acquisition of flight equipment	1,856	1,745
Acquisition of tangible assets	105	170
Acquisition of other intangible assets	222	198
Accounts payable on acquisitions	19	(14)
Total	2,202	2,099

NOTE 20 RIGHT-OF-USE ASSETS

The table below presents the right-of-use assets per category:

(in € millions)	Aircraft	Maintenance	Land & Real Estate	Others	Total
Net value					
As of January 1, 2020	2,798	1,575	558	242	5,173
New contracts	95	109	56	-	260
Change in contracts	117	35	36	7	195
Disposals	-	(52)	-	-	(52)
Reclassification	(12)	369	-	24	381
Amortization	(805)	(285)	(111)	(66)	(1,267)
Others	(2)	(12)	2	-	(12)
As of December 31, 2020	2,191	1,739	541	207	4,678
New contracts	786	281	83	-	1,150
Change in contracts	134	10	77	9	230
Disposals	12	(16)	-	-	(4)
Reclassification	(1)	283	24	23	329
Currency translation	-	-	1	-	1
Amortization	(646)	(297)	(118)	(50)	(1,111)
Others	-	(102)	-	(23)	(125)
As of December 31, 2021	2,476	1,898	608	166	5,148

Information related to lease debt is available in Note 34.

The line “Amortization” in 2020 included the accelerated amortization relating to the early phase-out of the A380, including the leased aircrafts, amounting to €(88) million.

The line “New contracts” in 2021 includes mainly the sales and leaseback effect of 2 Airbus A220s and 5 Airbus A350s delivered during the year and of 4 Boeing B777s.

The line “Others” in 2021 includes mainly movements of the return obligation liability following aircrafts restitution.

The amount recognized in the income statement in respect of lease contracts not subject to IFRS 16 amounts to:

As of December 31 (in € millions)	2021	2020
Variable rents	(3)	35
Short term rents	52	80
Low value rents	16	19
Total	65	134

NOTE 21 EQUITY AFFILIATES

Movements over the period

The table below presents the movement in investments in associates and joint ventures:

(in € millions)	Maintenance	Catering	Other	Total
Carrying value of share in investment as of December 31, 2019	57	236	14	307
Share in net income of equity affiliates	1	(62)	3	(58)
Other variations	(20)	-	1	(19)
Capital increase	-	-	1	1
Currency translation adjustment	(1)	-	-	(1)
Carrying value of share in investment as of December 31, 2020	37	174	19	230
Share in net income of equity affiliates	(11)	(19)	3	(27)
Distributions	(2)	-	-	(2)
Other variations	2	(93)	-	(91)
Capital increase	1	-	-	1
Capital decrease	-	-	(3)	(3)
Currency translation adjustment	1	-	-	1
Carrying value of share in investment as of December 31, 2021	28	62	19	109

Maintenance

As of December 31, 2021 and 2020, the equity affiliates in the maintenance business mainly comprise joint-venture partnerships entered into by the Group to develop its maintenance activities worldwide. These partnerships, whose country localizations and percentages of interest are presented in Note 45.2, have been concluded either with airlines or with independent players in the maintenance market.

Servair Group

The Servair Group is the French number one in aviation catering. With about 36 establishments in 19 countries and approximately 10,500 employees, Servair has a leading position in Paris and Africa. Servair numbers more than a hundred air carrier customers worldwide and proposes a series of services regrouped around three core businesses: On-Board Services, Airports Services and Out-of-Home Catering.

Following the acquisition of gategroup by HNA on December 22, 2016, Air France and gategroup finalized the agreement for the sale to gategroup of 49.99% of the Servair share capital. On conclusion of this transaction, the operational control of Servair was transferred to gategroup in application of the governance planned in the agreements between Air France and gategroup.

In early 2021, the terms under which Air France could sell a 30% shareholding in Servair to Gategroup were re-negotiated. This resulted in the sale by Air France Finance, on May 31, 2021, of 15% of Servair shares for €71 million. A second instalment for a further 15% shareholding should be paid in December 2022. These 15% are classified in assets held for sale (see Note 25 “Assets held for sale”) and the remaining 20% were revalued accordingly to the IFRS 10 standard at their fair value based on the transaction value for an amount of €62 million in the line “equity affiliates”.

As of December 31, 2021, the Servair group remains consolidated according to the equity method, as it has been the case since December 31, 2016.

The net result from airline catering is mainly impacted by the Servair operating loss. However, the total fair value of the Group’s 34.9% equity interest in the Servair Group, including the put option recorded in the balance sheet in the lines other derivatives and assets held for sale, remains unchanged (see Note 41 “Other Commitments”).

Other

As of December 31, 2021 and 2020, the equity affiliates linked to the Group’s other businesses are mainly joint-venture partnerships entered into by the Group in the airport business. The localizations of the activities and the interest percentages in these partnerships are presented in Note 45.2.

NOTE 22 PENSION ASSETS

As of December 31
(in € millions)

	2021	2020
Opening balance	211	420
Net periodic pension (cost)/income	(77)	(175)
Payments of benefits and contributions to the funds	(833)	119
Reclassification	28	(28)
Fair value revaluation	671	(125)
Closing balance	-	211

The analysis of these pension assets including the impacts related to the modification of the KLM Ground staff pension

plan is presented in Note 31 (see Note 31.1 “Characteristics of the main defined benefit plans”).

NOTE 23 IMPAIRMENT

Year ended December 31, 2021

Concerning the methodology followed for impairment tests, the Group has allocated each item of goodwill and each intangible fixed asset with an indefinite useful life to Cash Generating Units (CGUs), corresponding to its business segments (see Note 5 “Accounting Policies”).

The recoverable value of the CGU assets has been determined by reference to their value in use as of September 30, 2021. The tests were realized for all the CGUs on the basis of a five-year Group plan, presented by the management to the Board in early December 2021.

Revenues (network, leisure and maintenance), costs and investments forecasts are based on reasonable hypotheses and are the management’s best estimates. They are subject to the

uncertainties related to the current situation. They forecast a return to the level of 2019 activity in 2024 and savings linked to the pursuit of the reorganization/restructuring plans implemented by the Group.

The discount rate used for the test corresponds to the Group’s weighted average cost of capital (WACC). This stood at 6.7% as at December 31, 2021 versus 6.3% as at December 31, 2020. The revenue growth rate varies between 2% and 5% depending on the CGU over the interim period (2027-33). The long-term growth rate for the calculation of the terminal value is 1%.

After the aforementioned test, no impairment was recognized on the Group’s CGUs, including with a WACC 100-basis point higher combined with a decrease of 100-basis point in the long-term growth rate or a decrease of 100-basis point in the target operating margin.

Year ended December 31, 2020

As of December 31, 2020, no impairments were recognized on the Group's CGUs.

NOTE 24 OTHER FINANCIAL ASSETS

As of December 31 (in € millions)	2021		2020	
	Current	Non-current	Current	Non-current
Equity instruments				
Equity instruments at fair value through OCI	-	49	-	51
Equity instruments at fair value in P&L	-	-	-	-
Assets – Debt instruments at fair value in P&L				
Marketable securities	115	74	105	88
Cash secured	324	-	309	-
Financial asset – at amortized cost				
AAA Bonds	32	497	180	338
Deposit on lease contracts	7	78	5	75
Financial liabilities deposit	-	99	-	101
Other loans and deposits	6	176	8	171
Gross value	484	973	607	824
Impairment at opening date	-	(28)	-	(24)
New impairment charge	-	-	-	(6)
Use/Reversal	-	2	-	1
Other	-	4	-	-
Impairment at closing date	-	(22)	-	(29)
Total	484	951	607	795

Equity instruments

	Fair Value (in € millions)	% interest	Stockholder's equity (in billions of currency)	Net income (in billions of currency)	Classification methodology	Stock price	Closing date
As of December 31, 2021							
GOL Linhas Aéreas ⁽¹⁾	12	1.19%	NA ⁽²⁾	NA ⁽²⁾	OCI	17 BRL	December 2021
Kenya Airways	13	7.76%	NA ⁽²⁾	NA ⁽²⁾	OCI	NA ⁽²⁾	December 2021
Other	24	-	-	-	-	-	-
Total	49						
As of December 31, 2020							
GOL Linhas Aéreas ⁽¹⁾	17	1.19%	(13.767)	(5.895)	OCI	24.9 BRL	December 2020
Kenya Airways	12	7.76%	(64.223)	(33.084)	OCI	NA ⁽²⁾	December 2020
Other	22	-	-	-	-	-	-
Total	51						

(1) Listed company.
(2) Not-available.

Transfer of financial assets that are not derecognized in their entirety

Transfer of receivables agreement

The Group entered into a loan agreement secured by Air France's one % housing loans. For each of the CILs (Comités Interprofessionnels du Logement), Air France and the bank concluded, in July 2012, a tripartite receivables delegation agreement with reference to the loan agreement. Through this

agreement, the CILs commit to repaying the bank directly on each payment date. These are imperfect delegations: in the event of non-repayment by the CILs, Air France remains liable to the bank for repayments of the loan and interest.

As of December 31, 2021, the amount of transferred receivables stood at €90 million (versus €94 million as of December 31, 2020) and is included in the line "financial liabilities deposits". The associated loan stood at €74 million as of December 31, 2021 (versus €76 million as of December 31, 2020).

NOTE 25 ASSETS HELD FOR SALE

Year ended December 31, 2021

As of December 31, 2021, the line "Assets held for sale" includes the Group's 15% equity interest in shares and destined to be sold as by the end of 2022 (See Note 21 "Equity affiliates").

NOTE 26 INVENTORIES

As of December 31 (in € millions)	2021	2020
Aeronautical spare parts	653	663
Other supplies	160	106
Production work in progress	16	14
Gross value	829	783
Opening valuation allowance	(240)	(202)
Charge to allowance	(32)	(49)
Use of allowance	9	10
Reclassification	1	1
Closing valuation allowance	(262)	(240)
Net value	567	543

NOTE 27 TRADE ACCOUNTS RECEIVABLES

As of December 31 (in € millions)	2021	2020
Airlines	356	329
Other clients:		
— Network	889	660
— Maintenance	524	512
— Other	61	49
Gross value	1,830	1,550
Opening valuation allowance	(302)	(173)
Charge to allowance	(38)	(136)
Use/Reversal of allowance	20	6
Currency translation adjustment	(2)	3
Reclassification	3	(2)
Closing valuation allowance	(319)	(302)
Net value	1,511	1,248

The charge to allowance for 2020 and 2021 mainly relates to maintenance receivables.

NOTE 28 OTHER ASSETS

As of December 31 (in € millions)	2021		2020	
	Current	Non-current	Current	Non-current
Suppliers with debit balances	124	-	86	-
State receivables (including tax credit)	138	-	188	-
Prepaid expenses	169	-	134	-
Other debtors	539	-	510	4
Gross value	970	-	918	4
Opening valuation allowance	(4)	-	(1)	-
Charge to allowance	-	-	(3)	-
Closing valuation allowance	(4)	-	(4)	-
Total	966	-	914	4

NOTE 29 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

As of December 31 (in € millions)	2021	2020
Liquidity funds (SICAV) (assets - debt instruments)	3,688	4,267
Bank deposits and term accounts (assets - debt instruments)	1,113	654
Cash in hand	1,857	1,502
Total cash and cash equivalents	6,658	6,423
Bank overdrafts	(4)	(1)
Cash, cash equivalents and bank overdrafts	6,654	6,422

NOTE 30 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE – KLM SA

30.1 Issued capital

As of December 31, 2021, following the realization of the capital increase on April 19, 2021, the issued capital of Air France – KLM comprised 642,634,034 fully paid-up shares. Each share with a nominal value of one euro is entitled to one vote. However, since April 3, 2016, shareholders who have owned their shares for at least two years have benefited from double voting rights.

As of December 31, 2021, the issued capital of Air France – KLM Group amounts to €643 million, an increase of €214 million following the capital increase detailed in Note 4.2. “Significant events occurring during the period”.

The number of issued shares held is as follows:

As of December 31 (In number of shares)	2021	2020
At the beginning of the period	428,634,035	428,634,035
French State	183,801,576	61,241,325
Dutch State	60,000,000	60,000,000
Delta Air Lines	37,527,410	37,527,410
China Eastern Airlines	61,472,099	37,527,410
Employees and former employees	15,872,812	16,037,988
Treasury shares	1,208,005	1,208,005
Others	282,752,132	215,091,897
At the end of the period	642,634,034	428,634,035
Of which: – number of shares issued and paid up	642,634,034	428,634,035

Authorized stock

The Combined Ordinary and Extraordinary Shareholders’ Meeting of May 26, 2021 authorized the Board of Directors, for a period of

26 months from the date of the Meeting of May 26, 2021 (i.e. until July 26, 2023), to issue shares and/or other securities conferring immediate or future rights to Air France – KLM’s share capital, limited to a total maximum nominal amount of €1,930 million.

Breakdown of the share capital and voting rights

The breakdown of the share capital and voting rights is as follows:

As of December 31	% of capital		% of voting rights	
	2021	2020	2021	2020
French State	28.6	14.3	28.2	20.9
Dutch State	9.3	14.0	13.8	10.2
Delta Air Lines	5.8	8.8	8.7	12.8
China Eastern Airlines	9.6	8.8	11.4	12.8
Employees and former employees	2.5	3.7	3.6	5.4
Treasury shares	0.2	0.3	0.3	0.4
Other	44.0	50.1	34.0	37.5
Total	100	100	100	100

The line “Employees and former employees” includes the shares held by employees and former employees identified in the “*Fonds Communs de Placement d’Entreprise (FCPE)*”.

30.2 Additional paid-in capital

Additional paid-in capital represents the difference between the nominal value of the equity securities issued and the value of contributions in cash or in kind received by Air France-KLM.

As of December 31, 2021, the additional paid-in capital amounts to €4,949 million, increasing by €810 million following the capital increase detailed in Note 4.2 “Significant events occurring during the period”.

30.3 Treasury shares

As of December 31, 2021, Air France-KLM Group holds 1,208,005 treasury shares valued at €25 million. All of these treasury shares are classified as a reduction of equity.

30.4 Perpetual

Period ended December 31, 2021

On April 20, 2021, the Group issued €3 billion of perpetual super-subordinated bonds subscribed by the French State, to offset its direct loan of the same nominal amount (see Note 4.2 “Significant events occurring during the period”).

This non-monetary transaction is recorded in the Group’s consolidated balance sheet as a reclassification to equity of €3 billion from the line “Financial liabilities” (see Note 33 “Financial liabilities”).

As of December 31, 2021, the accrued coupon amounts to €151 million.

Period ended December 31, 2020

In April 2015, the Group issued a perpetual subordinated bond for a total amount of €600 million. These securities, which had no maturity date and bear an annual coupon of 6.25%, had a first repayment option in October 2020, at the issuer’s discretion.

Air France-KLM decided to redeem all of the outstanding perpetual subordinated notes issued in 2015 representing a total nominal amount of €403 million.

This amount and the related coupon (€(25) million before tax) were reclassified from equity to short-term bonds before making the early redemption on October 1, 2020 at par, i.e. €100,000 per note, plus interest accrued since the last date on which interest was paid under the notes (i.e. October 1, 2019) until the early redemption date (included).

30.5 Reserves and retained earnings

(in € millions)	December 31, 2021	December 31, 2020 restated ⁽¹⁾
Legal reserve	70	70
Defined pension benefit reserves ⁽²⁾	(899)	(1,701)
Derivatives reserves ⁽²⁾	199	2
Equity instrument reserves ⁽²⁾	(54)	(52)
Other reserves	(8,566)	(1,113)
Net income (loss) - Group share	(3,292)	(7,100)
Total	(12,542)	(9,894)

(1) See Note 3 in notes to the consolidated financial statements.

(2) Net of tax.

As of December 31, 2021, the legal reserve of €70 million represents 11% of Air France-KLM's issued capital. French company law requires a limited company (*société anonyme*) to allocate 5% of its unconsolidated statutory net income each year to this legal reserve until it reaches 10% of the Group's issued capital. The amount allocated to this legal reserve is deducted from the distributable income for the current year.

The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

Following the transformation of the KLM Ground Staff pension plan, the opening amount of €204 million as well as the variation until June 2021 of the actuarial assumptions and the plan assets value for an amount of €504 million, have been reclassified from the line "Defined benefit pension reserves" to the line "Other reserves" (see Note 4.2 "Significant events occurring during the period").

30.6 Derivatives instruments reserves

Derivatives instruments reserves are composed as follows (before the effect of deferred tax):

(in € millions)	December 31, 2020	Variation of fair value	Recycling in income statement	December 31, 2021	Recycling allocated by heading
Fuel	(148)	514	(262)	104	External expenses
Interest rate	(35)	25	11	1	Cost of financial debt
Currency exchange - Operating	17	54	(16)	55	Other income and expenses
Currency exchange - Financial liabilities	2	(2)	-	-	Other financial expenses
Currency exchange - Capital expenditures	62	(10)	-	52	
Change on revenues	61	(151)	(5)	(95)	Sales
European carbon emission allowances (ETS)	31	111	-	142	
Total	(10)	541	(272)	259	

NOTE 31 RETIREMENT BENEFITS

(in € millions)

Retirement benefits

Amount as of December 31, 2019	2,117
<i>Of which: Non-current</i>	<i>2,117</i>
New provision	121
Reversal of provision	(349)
Fair value revaluation	158
Currency translation adjustment	(8)
Reclassification	2
Amount as of December 31, 2020	2,041
<i>Of which: Non-current</i>	<i>2,041</i>
New provision	128
Reversal of provision	(142)
Fair value revaluation	(100)
Currency translation adjustment	12
Amount as of December 31, 2021	1,939
<i>Of which: Non-current</i>	<i>1,939</i>

Pension costs are recorded in the line “salary costs”, except for plan amendments and curtailments with a significant impact, which are recorded under “other non-current income and expense”.

Curtailments of pension plans due to restructuring are also recorded under “other non-current income and expense”.

The plan amendments, curtailments and settlements in 2021 and 2020 are presented in Note 31.3.

31.1 Characteristics of the main defined benefit plans

The Group has a large number of retirement and other long-term benefit plans for its employees, several of which are defined benefit plans. The specific characteristics of the plans (benefit formulas, funding policies and types of assets held) vary according to the regulations and laws in the particular countries in which the employees are located.

The total impact of the de-recognition of the pension assets together with the additional contributions has been booked in “Other non-current income and expenses” in the consolidated statement of income for an amount of €938 million (€704 million net of tax).

Pension plan related to KLM Ground Staff – The Netherlands

On June 14, 2021, KLM and the five Dutch Ground Staff unions signed an agreement enabling a change in the Ground Staff pension plan effective from January 2021. As provided for by this agreement, the KLM Ground Staff pension fund now qualifies as a defined contribution plan under IFRS rules. The pension assets, based on the actuarial assumptions as of May 31, 2021, amounted to €875 million (before tax). Under this agreement, KLM has paid an additional pension premium covering the period January-May 2021, as well as a one-off contribution representing the savings realized since 2014 following changes in the Dutch law. These contributions amount to €63 million.

Air France pension plan (CRAF) – France

The employees covered by this plan are the Air France Ground Staff affiliated to the CRAF until December 31, 1992.

The participants receive, or will receive on retirement, an additional pension paid monthly or a lump sum based on the monthly annuity and definitively calculated based on the data known as of December 31, 1992 and expressed in the form of points. The value of each point is adjusted every year based on the weighted increases seen in the CNAV and AGIRC-ARRCO schemes over the last twelve months.

Until 2009, the CRAF had the legal form of a supplementary pension institution (pursuant to the “Code de Sécurité Sociale”). With this status, the CRAF was responsible, on behalf of the Air France ground staff employed in France, for managing the pension plan resulting from the merging of the Air France ground staff plan with the mandatory pension plan for the private sector.

Following the 2003 law on pension reform foreseeing the disappearance of supplementary pension institutions as of December 31, 2009, the CRAF’s Board of Directors opted to transform it into an institution managing supplementary pensions. The CRAF is now responsible for the administrative functions linked to the plan. The pension rights were not amended by this reform. Air France is directly responsible for the pension obligations.

As of December 31, 2009, all the funds managed by the CRAF had been transferred to two insurance companies. On December 31, 2012, one of the insurance contracts was terminated and its funds were transferred to the other, which thus became the only insurer.

This guarantees a capital of 17% equal to the amount of capital invested in units of account in its collective fund, this percentage being automatically set to increase over time. The annual payments made by Air France to the insurance company are governed by the agreement signed with the employee representative bodies on December 14, 2009. The minimum annual payment defined by this agreement amounts to €32.5 million as long as the life annuity guaranteed by the insurer does not reach 85% of the benefits payments for this plan without future revaluations. If the value of the funds falls below 50% of the total obligations calculated for funding purposes, Air France is required to make an additional payment to achieve a minimum 50% coverage rate.

As of December 31, 2021, the coverage of liabilities by reserves is 53%.

The funds are invested in bonds, equities and general assets of the insurance company. Studies of assets/liabilities allocation are carried out regularly, to verify the relevance of the investment strategy.

As from October 1, 2021, the thresholds for the payment of small capital annuities have been raised, leading to a decrease in liabilities towards active and deferred members of €16 million.

Air France end of service benefit plan (ICS) – France

Pursuant to French regulations and the company agreements, every employee receives an end of service indemnity on retirement.

In France, this indemnity depends on the number of years of service, the professional category of the employee (flight deck crew, cabin crew, ground staff, agent, technician and executive) and, in some cases, on the age of the employee at retirement.

On retirement, employees consequently receive an end of service indemnity based on their final salaries over the last twelve-months and on their seniority. The indemnity is only payable to employees on their retirement date. There is no mandatory minimum funding requirement for this scheme.

Air France has nevertheless signed contracts with three insurance companies to partly pre-finance the plan. Air France has sole responsibility for payment of the indemnities, but remains free to make payments to these insurance companies.

The relevant outsourced funds are invested in bonds and equities.

As of December 31, 2021, the liabilities have been valued by changing the valuation method in accordance with the IFRIC advice of May 2021 (see Note 3 “Restatement of the 2020 financial statements”).

As of December 31, 2021, following the transformation of the KLM Ground Staff pension plan into a defined contribution plan, the two French plans presented above represented a respective 61% of the Group’s defined benefit obligation and 42% of the Group’s pension plan assets.

31.2 Description of the actuarial assumptions and related sensitivities

Actuarial valuations of the Group’s benefit obligation were made as of December 31, 2021 and 2020.

These calculations include:

- assumptions on staff turnover and the life expectancy of the plan beneficiaries;
- assumptions on salary and pension increases;
- assumptions on retirement ages varying from 50 to 68 years depending on the localization and applicable laws;

- inflation rates determined with reference to the inflation swaps applied to the Group’s cash flows and based on the duration of the schemes:

As of December 31	2021	2020
Euro zone – Duration 10 to 15 years	2.15%	1.25%
Euro zone – Duration 15 years and beyond	N/A	1.35%

- discount rates used to determine the actuarial present value of the projected benefit obligations.

The discount rates for the different geographical areas are thus determined based on the duration of each plan, taking into account the average trend in interest rates on investment grade bonds, observed on the main available indices. In some countries, where the market in this type of bond is not sufficiently broad, the discount rate is determined with reference to government bonds. Most of the Group's benefit obligations are located in the Euro zone, where the discount rates used are as follows:

As of December 31	2021	2020
Euro zone – Duration 10 to 15 years	0.90%	0.45%
Euro zone – Duration 15 years and beyond	N/A	0.75%

The duration of between 10 and 15 years mainly concerns the plans located in France while the duration of 15 years

and beyond mainly concerned the KLM Ground Staff plan located in The Netherlands, transformed into a defined contribution plan.

- discount rates used to determine the actuarial present value of the service cost. Since January 1, 2016, by using adequate flows, the Group has refined its calculations on the discount rate used for the service-cost calculation. In the Euro zone, this implies using a discount rate for the service-cost calculation 5bps higher than the one used to discount the obligation.
- on average, the main assumptions used to value the liabilities are summarized below:
 - the rate of salary increase is 3.23% for the Group as of December 31, 2021 against 1.57% as of December 31, 2020,
 - the rate of pension increase is 2.68% for the Group as of December 31, 2021 against 0.88% as of December 31, 2020,
 - the sensitivity of the pension obligations to a change in assumptions, based on actuarial calculations, is as follows:

Sensitivity to changes in the inflation rate

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2021	Sensitivity of the assumptions for the year ended December 31, 2020
25 bp increase in the inflation rate	79	284
25 bp decrease in the inflation rate	(78)	(271)

Sensitivity to changes in the discount rate

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2021	Sensitivity of the assumptions for the year ended December 31, 2020
100 bp increase in the discount rate	(369)	(2,253)
100 bp decrease in the discount rate	448	2,987

Sensitivity to changes in salary increase (excluding inflation)

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2021	Sensitivity of the assumptions for the year ended December 31, 2020
25 bp increase in the salary increase rate	49	84
25 bp decrease in the salary increase rate	(45)	(76)

Sensitivity to changes in pension increase

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2021	Sensitivity of the assumptions for the year ended December 31, 2020
25 bp increase in the pension increase rate	38	571
25 bp decrease in the pension increase rate	(38)	(532)

31.3 Evolution of commitments

The following table details the reconciliation between the benefits obligation and the plan assets of the Group and the

amounts recorded in the financial statements for the years ended December 31, 2021 and December 31, 2020.

(in € millions)	As of December 31, 2021			As of December 31, 2020 restated ⁽¹⁾		
	Netherlands	France	Others	Netherlands	France	Others
Benefit obligation at beginning of year	10,256	2,159	995	9,570	2,268	956
Service and administrative costs	91	85	11	207	86	9
Interest cost	32	9	16	107	16	18
Employees' contribution	16	-	-	21	-	-
Plan amendments, curtailments and settlements	(9,671)	(43)	-	(16)	(221)	-
Benefits paid	(99)	(86)	(44)	(201)	(105)	(33)
Actuarial loss/(gain) demographic assumptions	-	3	(13)	(174)	60	29
Actuarial loss/(gain) financial assumptions	(396)	23	(29)	672	54	63
Actuarial loss/(gain) experience gap	3	(33)	(1)	70	1	11
Change in currency exchange rates	-	-	64	-	-	(58)
Benefit obligation at end of year	232	2,117	999	10,256	2,159	995
<i>Including benefit obligation resulting from schemes totally or partly funded</i>	-	2,041	949	10,037	2,081	940
<i>Including unfunded benefit obligation</i>	232	76	50	219	78	55
Fair value of plan assets at beginning of year	10,245	604	731	9,755	621	721
Actual return on plan assets	294	29	46	565	4	66
Employers' contributions	133	31	17	118	-	17
Employees' contributions	16	-	-	21	33	-
Settlements	(10,609)	-	-	-	-	-
Benefits paid	(79)	(68)	(33)	(190)	(54)	(29)
Change in currency exchange rates and others	-	-	52	(24)	-	(44)
Fair value of plan assets at end of year	-	596	813	10,245	604	731
Amounts recorded in the balance sheet						
Pension asset	-	-	-	211	-	-
Provision for retirement benefits	(232)	(1,521)	(186)	(222)	(1,555)	(264)
Net amount recognized	(232)	(1,521)	(186)	(11)	(1,555)	(264)
Net periodic cost						
Service and administrative costs	91	85	11	207	86	9
Net interest cost/(income)	-	7	4	(5)	12	4
Plan amendments, curtailment and settlement	938	(43)	-	(16)	(221)	-
Actuarial losses/(gain) recognized in income statement	7	1	-	(6)	-	-
Net periodic cost	1,036	50	15	180	(123)	13

(1) See Note 3 in notes to the consolidated financial statements.

Amendments, curtailment and settlement of pension plans

— As of December 31, 2021

As of December 31, 2021, an adjustment to the 2020 plan reduction was made based on the final list of individuals for the Air France departure plan in the amount of €27 million (see Note 12 “Sales of aircraft equipment and other non-current income and expenses”) and the thresholds for the payment of small capital annuities were increased, leading to a decrease in the liabilities to active and deferred members of the CRAF plan for an amount of €16 million (see Note 31.1 “Characteristics of the main defined benefit plans”).

In addition, on June 14, 2021, KLM and the five Dutch unions for the KLM Ground Staff signed an agreement allowing for the modification of the Ground Staff pension scheme as of January 2021. As a result of this agreement, the KLM Ground Staff pension fund is now classified as a defined contribution

plan under IFRS rules. The overall impact of the de-recognition of the pension asset as well as these additional payments has been recognized in “other non-current income and expenses” in the consolidated income statement for an amount of €938 million (€704 million net of tax) (see Note 31.1 “Characteristics of the main defined benefit plans”).

— As of December 31, 2020

A curtailment of the pension plan at Air France and its regional subsidiaries was accounted for, amounting to a €226 million gain as of December 31, 2020, within the framework of the Voluntary Departure Plan and collective mutual agreement on termination of contract (“*Rupture Conventiionnelle Collective*”) for pilots and flight attendants.

A curtailment of the KLM Ground Staff in The Netherlands was made, amounting to a profit of €16 million, within the framework of the 2020 Voluntary Departure Plan for ground staff.

31.4 Asset allocation

The weighted average allocation of the funds invested in the Group’s pension and other long-term benefit plans is as follows:

(in %)	Funds invested as of December 31, 2021		Funds invested as of December 31, 2020	
	France	The Netherlands	France	The Netherlands
Equities	23	-	25	40
Bonds	54	-	51	47
Real estate	-	-	-	9
Others	23	-	24	4
Total	100	-	100	100

The equity portion is mainly invested in active markets in Europe, the United States and emerging countries.

The bonds primarily comprise government bonds, rated at least BBB, and invested in Europe, the United States and emerging countries.

The real estate assets are mainly located in Europe and the United States.

The Group’s pension assets do not include assets occupied or used by the Group.

31.5 Expected cash outflows and risks linked to the pension obligations

The employer contributions relating to the defined benefit pension plans amount to €51 million for the year ended December 31, 2022. The weighted average duration of the obligation is 12.01 years.

The funding, capitalization and matching strategies implemented by the Group are presented in Note 31.1.

NOTE 32 RETURN OBLIGATION LIABILITY AND PROVISION FOR LEASED AIRCRAFT AND OTHER PROVISIONS

(in € millions)	Return obligation liability on leased aircraft	Maintenance on leased aircraft	Restructuring	Litigation	Others	Total
Amount as of January 1, 2020	3,376	486	63	412	127	4,464
<i>Of which: Non-current</i>	3,209	410	-	59	72	3,750
<i>Current</i>	167	76	63	353	55	714
New provision	(4)	16	1,084	20	57	1,173
Use of provision	(42)	(2)	(404)	(2)	(60)	(510)
Reversal of unnecessary provisions	-	(6)	(2)	(7)	(1)	(16)
New lease contract/Change in lease contract	103	(12)	-	-	-	91
Currency translation adjustment	(248)	(26)	-	-	(1)	(275)
Accretion impact	144	20	-	-	2	166
Others	(63)	(55)	-	-	32	(86)
Amount as of December 31, 2020	3,266	421	741	423	156	5,007
<i>Of which: Non-current</i>	2,860	300	-	402	108	3,670
<i>Current</i>	406	121	741	21	48	1,337
New provision	6	12	38	43	41	140
Use of provision	(180)	(12)	(291)	(23)	(41)	(547)
Reversal of unnecessary provisions	-	-	(72)	(16)	(16)	(104)
New lease contract/Change in lease contract	243	4	-	-	(3)	244
Currency translation adjustment	233	3	-	-	2	238
Accretion impact	113	2	-	-	1	116
Others	128	(278)	-	(3)	(1)	(154)
Amount as of December 31, 2021	3,809	152	416	424	139	4,940
<i>Of which: Non-current</i>	3,433	128	-	405	89	4,055
<i>Current</i>	376	24	416	19	50	885

The movements in provisions for litigation and other risks and charges with an impact on the income statement are booked in the lines of the income statement corresponding to the nature of the expenses.

The line "Other" in 2021 mainly includes movements in return liabilities following the restitution of aircraft.

32.1 Provisions

32.1.1 Return obligation liability and provision on leased aircraft

The movements in return obligation liabilities and provisions (revaluation of future costs and change in discount rate) are booked in the components corresponding to the potential and restoration work performed on leased aircraft and recorded in the right-of-use assets. The effects of discounting and foreign exchange translation on return obligation liabilities and provisions recorded in local currencies are recognized in "Other financial income and expenses" (see Note 13 "Net cost of financial debt and other financial income and expenses").

The discount rate used to calculate these restitution liabilities and provisions relating to leased aircraft, determined on the basis of a short-term risk-free rate increased by a spread on risky debt (used for companies with high financial leverage), is 3.6% as of December 31, 2021.

32.1.2 Restructuring provisions

The movements in restructuring provisions with a significant impact on the income statement are booked in "Other non-current

income and expenses" (see Note 12 "Sales of aircraft equipment and other non-current income and expenses").

32.1.3 Litigation

An assessment of litigation risks with third parties has been carried out with the Group's attorneys and provisions have been recorded whenever circumstances require.

Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities, within the framework of tax audits, could

reasonably challenge a tax position adopted by the Group or one of its subsidiaries.

In the normal course of its activities, the Air France-KLM Group, its subsidiaries Air France and KLM (and their subsidiaries) are involved in litigation cases, some of which may be significant.

32.1.4 Litigation concerning anti-trust laws in the air-freight industry

Air France, KLM and Martinair, a wholly-owned subsidiary of KLM since January 1, 2009, have been involved, since February 2006, with up to twenty-five other airlines in investigations initiated by the antitrust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air freight industry.

As of December 31, 2021, most of these investigations had been terminated following the entry into plea agreements between the three companies of the Group and the appropriate competition authorities, providing for the payment of settlement amounts or fines, with the exception of the proceedings initiated by the European Commission, and by the Swiss antitrust authority, which are still pending.

In Europe, the decision of the European Commission of 2010 against eleven air cargo carriers, including the companies of the Group, Air France, KLM and Martinair, was annulled by the General Court of the European Union on December 16, 2015 because it contained a contradiction regarding the exact scope

of the practices sanctioned. On March 17, 2017, the European Commission issued a new decision against the aforementioned cargo carriers, including Air France, KLM and Martinair. The total amount of fines imposed in respect of this decision at the Air France-KLM Group level was €339 million. This amount was slightly reduced by €15.4 million as compared to the initial decision owing to a lower fine for Martinair due to technical reasons. On May 29 and 30, 2017, the Group companies filed an appeal against this decision before the General Court of the European Union. The Group has maintained a provision covering the total amount of these fines.

In Switzerland, Air France and KLM filed an appeal before the Federal Administrative Court against the decision of the competition authority to impose a fine of €4 million. The Group has provisioned the totality of this fine.

As of December 31, 2021, the total provisions in connection with proceedings which have not yet resulted in definitive decisions amounts to €350.6 million.

32.1.5 Case brought against KLM by (former) Martinair pilots

A case was brought against KLM by a number of (former) Martinair airline pilots on the basis that the cargo department of Martinair was transferred to KLM and that all former cockpit crew are entitled to remuneration from KLM, taking into account their Martinair seniority.

After several court cases the supreme court ruled that the judgment of the court of appeal lacked sufficient motivation and referred the case to another court of appeal in November 2019. On June 8, 2021 the Dutch court ruled against KLM in the

proceeding brought by the former Martinair pilots. The pilots were recruited by KLM on January 1, 2014 and KLM is obliged to offer to reinstate the pilots in their former positions at Martinair. KLM is executing the court ruling and thus has offered the former Martinair pilots new positions. Furthermore, the court ruled that KLM must pay any damages caused by non-respect of the laws of "transfer of undertaking". KLM is investigating the judgement and related impact and has decided to record a legal provision of €22 million in 2021.

32.1.6 Other provisions

Other provisions relate principally to provisions for onerous contracts, provisions for the portion of CO₂ emissions not

covered by the free allocation of quotas and provisions for the dismantling of buildings.

32.2 Contingent liabilities

The Group is involved in several governmental, judicial and arbitration procedures for which in most cases provisions have not been recorded in the financial statements in accordance with the applicable accounting rules. Indeed, with respect to

most cases the Group is not in a position at this stage in these procedures, to give a reliable estimate of the potential loss that could be incurred in connection with these disputes.

32.2.7 Litigations concerning anti-trust laws in the air-freight industry

Following the initiation of various investigations by the competition authorities in 2006 and the European Commission decision in 2010, several collective and individual actions were brought by forwarders and air-freight shippers in the civil courts against Air France, KLM and Martinair, and other cargo operators, in a number of jurisdictions.

Under these civil lawsuits, shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to alleged competition law infringement.

Although significant amounts have been reported by the media, plaintiffs are mostly claiming for unspecified and/or insufficiently substantiated damages against defendants taken as a whole (and not individually) and the EU decision to which the plaintiffs refer to is still not definitive.

The Group companies and the other airlines involved in these lawsuits continue to vigorously oppose all such civil claims. For Air France, KLM and Martinair the main civil claims still pending are those in the Netherlands and in Norway.

32.2.8 Litigations concerning anti-trust laws in the passenger sector

Canada

A civil class action was reinitiated in 2013 by claimants in Ontario against seven airlines including Air France and KLM. The plaintiffs

allege that the defendants participated in a conspiracy in the passenger air transport service from Canada on the cross-Atlantic routes, for which they are claiming damages. Air France and KLM strongly deny any participation in such a conspiracy.

32.2.9 Other litigations

Rio-Paris AF447 flight

On March 28, 2011 Air France and Airbus were indicted for manslaughter of the 228 victims who died in the crash of the AF 447 Rio-Paris flight on June 1, 2009.

The investigating judges of the Court of First Instance ruled in favor of Air France and Airbus, by issuing an order dismissing the case on September 4, 2019.

The Public Prosecutor's Office and most of the civil parties (including the Pilots' associations and unions) appealed this decision. The Paris Court of Appeals ruled on May 12, 2021, referring Airbus and Air France to the Criminal Court. Further to the rejection of the appeal introduced by Air France and Airbus ("pourvoi en cassation") by the Court of Cassation on August 26, 2021 the case is now before the Criminal Court.

US Department of Justice investigation related to United States Postal Service

In March 2016, the US Department of Justice (DoJ) informed Air France and KLM of a civil inquiry regarding contracts with the United States Postal Service for the international transportation of mail by air. In September 2016, a Civil Information Demand from the DoJ has been received seeking certain information relating to these contracts. The DoJ has indicated it is investigating potential violations of the False Claims Act. Air France and KLM are cooperating with the DoJ investigation.

Except for the matters specified under the paragraphs 32.1 and 32.2, the Group is not aware of any governmental, judicial or arbitration dispute or proceedings (including any proceedings of which the issuer is aware, or that are pending or threatened against it) that could have a significant impact on the Group's financial position, earnings, assets, liabilities or profitability, for a period covering at least the past twelve months.

NOTE 33 FINANCIAL LIABILITIES

As of December 31 (in € millions)	Notes	2021			2020		
		Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan in Yen	33.1.1	153		153	158	-	158
Perpetual subordinated loan in Swiss francs	33.1.2	363	-	363	347	-	347
OCEANE (convertible bonds)	33.2.3	476	-	476	465	-	465
Bonds	33.2	1,678	361	2,039	1,229	289	1,518
Debt on financial leases with bargain option		2,901	404	3,305	2,908	604	3,512
Loans guaranteed by the French and the Dutch states	33.3	4,310		4,310	4,685		4,685
State loans	33.3	278		278	3,278		3,278
Other financial liabilities		1,114	340	1,454	1,101	335	1,436
Accrued interest		1	110	111	-	90	90
Total - Financial liabilities		11,274	1,215	12,489	14,171	1,318	15,489

Change in financial liability

(in € millions)	December 31, 2020	New financial debt ⁽¹⁾	Non-monetary change	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2021
Perpetual loan in Japanese Yen and Swiss Francs	505	-	-	-	11	-	516
OCEANE	465	-	11	-	-	-	476
Bonds	1,518	792	-	(289)	10	8	2,039
Debt on financial lease with bargain option	3,512	358	51	(630)	16	(2)	3,305
Loans guaranteed by the French and Dutch States	4,685	-	125	(500)	-	-	4,310
State loans	3,278	-	-	-	-	(3,000)	278
Other financial liabilities	1,436	574	12	(574)	13	(8)	1,454
Accrued interest	90	-	4	-	-	17	111
Total	15,489	1,724	203	(1,993)	50	(2,985)	12,489

(1) The difference between the issuance of debt in the cash flow statement and the presentation in this table is explained by accrued interests being payable at the maturity date.

(in € millions)	December 31, 2019	New financial debt	Non-monetary change	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2020
Perpetual loan in Japanese Yen and Swiss Francs	509	-	-	-	(4)	-	505
OCEANE	454	-	11	-	-	-	465
Bonds	1,128	744	1	(753)	(11)	409	1,518
Debt on financial lease with bargain option	3,485	776	23	(584)	(47)	(141)	3,512
Loans guaranteed by the French and Dutch States	-	4,657	28	-	-	-	4,685
State loans	-	3,278	-	-	-	-	3,278
Other financial liabilities	1,494	1,982	3	(2,052)	(11)	20	1,436
Accrued interest	43	-	(19)	-	-	66	90
Total	7,113	11,437	47	(3,389)	(73)	354	15,489

33.1 Perpetual subordinated debt

33.1.1 KLM Perpetual subordinated debt in Japanese Yen

In 1999, the KLM Group issued perpetual subordinated notes in Japanese Yen (JPY) for a principal amount of JPY 30 billion.

Since August 28, 2019, KLM has partially redeemed an amount of JPY 10 billion, leaving the residual outstanding principal amount at JPY 20 billion, i.e. €153 million as of December 31, 2021. Since this date, the interests rate applicable on the residual nominal amount has been reset at a fixed rate of 4% per annum.

The residual nominal amount of these perpetual notes can be redeemed at KLM's discretion on each fifth anniversary of the first interest payment date, August 28, 1999. The next option date for redemption at Par is thus August 28, 2024. Note that an indemnity is due if the JPY loan is redeemed in a currency other than the JPY.

This debt is subordinated to all other existing and future debt at KLM.

33.1.2 KLM perpetual subordinated debt in Swiss Francs

The perpetual subordinated bond debt in Swiss Francs (CHF) was issued by KLM in two tranches, one in 1985 and one in 1986. The initial nominal amount for these two perpetual bonds combined was CHF 500 million.

Over the years, KLM has proceeded with several partial buy back transactions to partially redeem the debt. As a result, the total amount now outstanding is CHF 375 million, i.e. €363 million as of December 31, 2021.

Concerning the tranche issued in 1985, KLM is entitled to early redeem at Par the then-prevailing outstanding residual amount on each tenth anniversary of the interest payment date. The next "call date" is February 12, 2025. The coupon reset date is fully aligned with the above mentioned frequency. If the call option is

not exercised, the next coupon reset date is February 12, 2025. The current outstanding coupon is 0.75% per annum.

Concerning the tranche issued in 1986, the KLM Group is entitled to early redeem the outstanding residual nominal amount at Par on each fifth anniversary of the interest payment date. The next "call date" is May 15, 2026. The call price amount in 2001 was 101.75% of the notional face value, and thereafter with a premium declining by 0.25% on each fifth anniversary of the interest payment date. From May 15, 2036, the amount of early redemption will thus be set at 100% of the residual Par. The debt is subject to the payment of a coupon of 5.75% per annum.

The two CHF perpetual bond debts are ranked "pari passu" with the JPY perpetual loan debt and are subordinated to all other existing and future debt at KLM.

33.2 Bonds

33.2.1 Perpetual subordinated notes

In 2020, Air France - KLM decided to redeem all of the outstanding perpetual subordinated notes issued in 2015 representing a total nominal amount of €403.3 million (see Note 30.4 "Perpetual").

33.2.2 Other bonds

Bond	Issuing date	Amount issued (in millions)	Maturity date	Reimbursement date	Coupon
Bond issued in 2014	June 4, 2014	€289	June 18, 2021	June 18, 2021	3.875%
€ Bond issued in 2016	Oct. 5, 2016	€361	Oct. 12, 2022	-	3.75%
\$ Bond issued in 2016 ⁽¹⁾	Dec. 9, 2016	\$145	Dec. 15, 2026	-	4.35%
€ Bond issued in 2020	Jan. 10, 2020	€750	Jan. 16, 2025	-	1.875%
€ Bond issued in 2021	July 1, 2021	€300	July 1, 2024	-	3.00%
€ Bond issued in 2021	July 1, 2021	€500	July 1, 2026	-	3.875%

(1) Bonds issued to Asian institutional investors via an unlisted private placement.

33.2.3 OCEANE

On March 20, 2019, Air France-KLM issued 27,901,785 bonds convertible and/or exchangeable for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at March 25, 2026 for a total nominal amount of €500 million. Each bond has a nominal value of €17.92. The annual coupon amounts to 0.125%. The conversion period of these bonds runs from May 4, 2019 to the seventh working day preceding the normal or early reimbursement date. The conversion ratio is one share for one bond.

Repayment at par, plus accrued interest, will be possible on March 25, 2024 at the request of the bond holders. Air France-KLM

can enforce the cash reimbursement of these bonds by exercising a call option running from April 15, 2022 if the share price exceeds 130% of the nominal, i.e. €23.29, encouraging OCEANE bond holders to convert their bonds into Air France-KLM shares.

Upon issue of these convertible bonds, Air France-KLM recorded a debt of €446 million, corresponding to the present value of future payments of interest and nominal discounted at the rate of a similar bond without a conversion option. The option value, calculated by deducting this debt value from the total nominal amount of the issue (i.e. €500 million), was recorded in equity.

As of 31 December 2020, the debt value amount to €476 million.

33.3 Financial support from the French and Dutch States

Financial support package of €7.0 billion backed from the French State

On May 6, 2020, the Air France-KLM Group signed the legal documentation relating to the financing for a total amount of €7 billion including two loans:

- a loan of €4 billion, provided by nine French and foreign financial institutions, 90% guaranteed by the French State, with an initial 12-month maturity and a one-year or two-year extension option exercisable at its sole discretion, by Air France-KLM. The loan has a coupon at an annual rate equal to EURIBOR (floored at zero) plus a margin of 0.75% in the first year, 1.50% in the second year and 2.75% in the third year. The cost of the French State guarantee initially equals 0.5% of the total amount of the loan and will step up to 1% for each of the second and third years.

The loan includes a mandatory partial early repayment of 75% of any net new money raised by Air France-KLM or Air France from financial institutions or through debt capital markets, subject to some exceptions and a mandatory total early repayment notably in case of change of control of Air France-KLM or Air France.

Of this €4 billion, the Air France-KLM group repaid €500 million on December 10, 2021 and negotiated a change in the repayment profile with the final maturity date being extended from May 6, 2023 to May 6, 2025, breaking down as follows:

- May 2023: partial repayment of €800 million, i.e. an outstanding balance of €2.7 billion,
- May 2024: partial repayment of €1.35 billion, i.e. an outstanding balance of €1.35 billion,
- May 2025: final repayment of €1.35 billion.

The outstanding balance is therefore €3.5 billion as at 31 December 2021.

The loan has been recognized using the amortized cost method with an effective interest rate of 2.66% over an assumed 3-year period for the secured loan, the rate having not been changed in spite of the review of the future cash flow projections following the extension of the maturity of this secured loan and the partial early repayment. However, a one-off expense of €(84) million for the period has been recognized in the net cost of financial debt (see Note 13 “Net cost of financial debt and other financial income and expenses”).

- a subordinated shareholder loan of €3 billion, granted by the French State to Air France – KLM, with a maturity of four years, with two consecutive one-year extension options exercisable by Air France – KLM. This loan has a coupon payable annually or capitalizable at the discretion of Air France – KLM at a rate equal to EURIBOR 12 months (floored at zero) plus a margin of 7% for the first four years, 7.5% for the fifth year and 7.75% for the sixth year.

The rate for this shareholder loan should have increased by a 5.5% step up in case (i) the Shareholders’ Meeting would not approve a capital increase proposed by the Board of Directors that would enable incorporation in the company’s shareholder equity of all or part of the outstanding shareholder loan, (ii) the Shareholders’ Meeting would approve, without the approval from the French State, a capital increase which would not enable the incorporation of all or part of the outstanding shareholder loan in the company’s shareholder equity or (iii) a third party, not acting in concert with the French State, would exceed, alone or in concert, the threshold of 20% of the capital of Air France – KLM.

This loan is subordinated to the bank loan guaranteed by the French State and, in the event of receivership or liquidation, to all the Air France – KLM senior bond and bank debt, without prejudice of an incorporation of all or part of the outstanding shareholder loan in the company’s shareholder equity.

The company has undertaken not to pay dividends until these two loans have been repaid in full.

The European Commission approved the French State’s aid mechanism on May 4, 2020.

On April 20, 2021, the €3 billion direct loan granted by the French State to Air France *via* Air France – KLM at the end of May 2020, was converted into super subordinated notes of the same nominal amount, allowing the Group to improve its equity by €3 billion without impacting cash flow, while increasing the flexibility of its debt repayment profile. This issue is made up of three tranches with perpetual maturities of a nominal amount of €1 billion each, each with a first redemption option (call) at 4, 5 and 6 years respectively.

Financial support package of €3.4 billion backed by the Dutch State

On June 25, 2020, the Dutch State, the Air France – KLM Group and KLM have finalized an agreement on a financial support mechanism supported by the Dutch State for an amount of

€3.4 billion. This financial support package includes two loans for KLM and its subsidiaries:

- a revolving credit facility of €2.4 billion, 90% guaranteed by the Dutch State and with a maturity of 5 years. This revolving credit facility incurring interest at EURIBOR (floored at zero) plus a margin of 1.35%. The cost of the associated Dutch State guarantee equals 0.50% in year 1, 1.00% in year 2 and 3 and 2.00% after year 3;
- a direct loan of €1 billion, granted by the Dutch State to KLM, with a maturity of 5.5 years and incurring interest at EURIBOR 12 months (floored at zero) plus a margin of 6.25% for year 1, 6.75% for year 2 and 3, and 7.75% for year 4 and 5. This loan is subordinated to the new revolving credit facility.

Both the revolving credit facility and the direct loan are drawn simultaneously on a pro rata basis.

KLM’s first drawdown under the new revolving credit facility amounted to €665 million, drawn on August 26, 2020. It replaced the existing revolving credit facility drawn on March 19, 2020 (see Note 33.7 “Credit lines”). KLM’s first drawdown under the Dutch State loan, amounting to €277 million, was made on the same day.

The main conditions associated with the direct State loan are linked to manageable cost improvements, the airline becoming more sustainable and the restored performance and competitiveness of KLM, including a comprehensive restructuring plan and contributions made by employees.

KLM has undertaken to suspend dividend payments to its shareholders until these two loans have been repaid in full.

The European Commission approved the Dutch State Aid on July 13, 2020. On November 3, 2020, approval was obtained from the Dutch Ministry of Finance for the restructuring plan. Following this, KLM has the possibility to draw additional amounts under the financial support package.

There was no new draw on 2021.

As of December 31, 2021, KLM has drawn down €942 million of the financial support package (€665 million of the revolving credit facility and €277 million of the direct State loan). The loans have been recorded at amortized cost based on a 5 and 5.5 years drawn down assumptions with the Effective Interest Rate method (3.95% for the revolving credit facility and 7.05% for the direct State loan).

The review of future cash flow projections on the credit line guaranteed by the Dutch government generated an adjustment of €(20) million recognized in net cost of financial debt (see Note 13 “Net cost of financial debt and other financial income and expenses”).

Both the revolving credit facility and the direct State loan are presented as non-current liabilities based on IAS 1 (presentation of financial statements). As per December 31, 2021 the revolving credit facility has a remaining contractual maturity of 4 years and the direct State loan has a remaining contractual maturity of 4.5 years. With that, the loans are not due for settlement in the coming 12 months after balance sheet date.

Furthermore, a quarterly, 12 months rolling, covenant testing is required as from September 2021. The covenants include a required interest coverage ratio and a required ratio of Consolidated Unsecured Assets to Consolidated Unsecured Net Debt. Per September 30, 2021 and December 31, 2021 the covenants were met. As from March 31, 2022 the required interest coverage ratio will be 2.5 under the revolving credit facility and 1.67 under the direct State loan. The applicable ratio of Consolidated Unsecured Assets to Consolidated Unsecured Net Debt remains constant and is set not to be between 0 and 1 under the revolving credit facility. Under the direct State loan the applicable ratio of Consolidated Unsecured Assets to Consolidated Unsecured Net Debt also remains constant and shall not be between 0 and 0.67. It is expected that KLM will continue to meet the covenants going forward.

The classification of loans as current or non-current as described in IAS 1 is amended, with an effective date as from January 1, 2023 (but not yet adopted by the European Union). Future conditions need to be incorporated in a hypothetical test at reporting date. For the revolving credit facility and the direct state loan this would entail a covenant test per balance sheet date.

In the hypothetical test per balance sheet date, as at December 2021, KLM is meeting the covenant requirements that are applicable for December 2022 for both the revolving credit facility and the direct state loan. Following that, there is a right to defer the settlement for at least 12 months after balance sheet date, and both the revolving credit facility and the direct State loan would also be required to be classified as non-current if the amended version of IAS 1 would have been applied.

33.4 Other debt

Other debt breaks down as follows:

As of December 31 (in € millions)	2021	2020
Reservation of ownership clause and mortgage debt	1,038	1,057
Other debt	416	379
Total	1,454	1,436

Mortgage debt is a debt secured by a mortgage on an aircraft. The mortgage is filed with the national Civil Aviation Authority (the DGAC in France) in order to be publicly available to third parties. A mortgage grants to its beneficiary a right to enforce the security (by order of a judge), the sale of the asset and a

priority claim on the sale proceeds in line with the amount of the loan, the balance reverting to the other creditors.

Other debt mainly corresponds to bank borrowings. This also includes €(29) million related to issuance expenses on financial debt.

33.5 Maturity analysis

The financial liabilities maturities break down as follows:

As of December 31 (in € millions)	2021	2020
Maturities in		
Y+1	1,671	2,099
Y+2	1,675	1,439
Y+3	3,051	4,928
Y+4	3,598	4,307
Y+5	1,528	2,094
Over 5 years	2,577	2,993
Total	14,100	17,860
Including: Principal	12,489	15,489
Interest	1,611	2,371

As of December 31, 2021, the expected financial costs amount to €457 million for the 2022 financial year, €821 million for the 2023 to 2026 financial years, and €333 million thereafter.

As of December 31, 2021, the KLM perpetual subordinated notes are included in the line “Over 5 years”.

The bonds issued in 2016, 2020 and 2021 will be reimbursed on their contractual maturity dates (see Note 33.2 “Bonds”).

33.6 Currency analysis

The breakdown of financial liabilities by currency after the impact of derivative instruments is as follows:

As of December 31 (in € millions)	2021	2020
Euro	10,792	13,639
US Dollar	605	680
Swiss franc	373	357
Yen	719	813
Total	12,489	15,489

33.7 Credit lines

As of December 31, 2019, the Air France – KLM Group held undrawn credit lines amounting to €1,765 million. The two undrawn revolving credit lines facilities amounted to, respectively, €1.1 billion for the Air France – KLM holding company together with Air France, and €665 million for KLM standalone.

On March 13, 2020, Air France – KLM drew down its revolving credit facility concluded in the total amount of €1.1 billion divided into two tranches of €550 million each. The total amount was repaid on May 7, 2020 and the Group terminated this credit facility.

On March 19, 2020, KLM drew down, for an initial period of 6 months, its revolving credit facility concluded on May 23, 2018 for the full amount of €665 million. KLM’s new €2.4 billion revolving credit facility, 90% guaranteed by the Dutch State (see Note 33.3 “Financial support from the French and Dutch States”), replaced this credit line on August 26, 2020. As of December 31, 2020 and 2021, KLM drew down €665 million of its credit facility and holds an undrawn amount of €1,735 million.

No new credit lines were taken out during 2021.

NOTE 34 LEASE DEBT

As of December 31 (in € millions)	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Lease debt – aircraft	2,166	653	2,819	1,687	675	2,362
Lease debt – real estate	634	107	741	595	105	700
Lease debt – other	124	48	172	143	42	185
Accrued interest	-	17	17	-	17	17
Total – Lease debt	2,924	825	3,749	2,425	839	3,264

Change in lease debt

(in € millions)	December 31, 2020	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31, 2021
Lease debt - Aircraft	2,362	969	(704)	195	(3)	2,819
Lease debt - Real estate	700	163	(122)	2	(2)	741
Lease debt - Others	185	18	(36)	10	(5)	172
Interest	17	-	-	-	-	17
Total	3,264	1,150	(862)	207	(10)	3,749

(in € millions)	December 31, 2019	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31, 2020
Lease debt - Aircraft	3,127	227	(755)	(241)	4	2,362
Lease debt - Real estate	725	92	(118)	(1)	2	700
Lease debt - Others	249	17	(67)	(14)	-	185
Interest	19	-	-	-	(2)	17
Total	4,120	336	(940)	(256)	4	3,264

The column "New contracts and renewal of contracts" in 2021 includes mainly the sales and leaseback effect of 2 Airbus A220s and 5 Airbus A350s delivered during the year and of 4 Boeing B777s.

The lease debt maturities break down as follows:

(in € millions)	As of December 31, 2021	As of December 31, 2020
Y+1	1,028	1,034
Y+2	813	856
Y+3	646	662
Y+4	493	451
Y+5	388	301
Over 5 years	1,357	860
Total	4,725	4,164
Including: Principal	3,749	3,264
Interest	976	900

NOTE 35 NET DEBT

As of December 31 (in € millions)	Notes	2021	2020
Current and non-current financial liabilities	33	12,489	15,489
Repo triple A bond		-	(84)
Current and non-current lease debts	34	3,749	3,264
Accrued interest	33 and 34	(128)	(107)
Deposits related to financial liabilities	24	(99)	(101)
Deposits related to lease debt	24	(85)	(80)
Derivatives impact on debt		(14)	27
Gross financial liabilities (I)		15,912	18,408
Cash and cash equivalents	29	6,658	6,423
Marketable securities	24	189	193
Cash secured	24	324	309
Triple A bonds	24	529	518
Repo triple A bond		-	(84)
Other		-	1
Bank overdrafts	29	(4)	(1)
Net cash (II)		7,696	7,359
Net debt (I-II)		8,216	11,049

As of December 31 (in € millions)	Notes	2021	2020
Opening net debt		11,049	6,147
Operating free cash, cash flow excluding discontinued activities	43.2	(231)	4,721
Perpetual reclassified from Equity	33.2.1	-	403
Coupons on perpetual reclassified from Equity	33.2.1	-	26
Perpetual reclassified from financial liabilities	30.4	(2,997)	-
Capital increase	30.1 and 30.2	(1,024)	-
Disposal of subsidiaries, of shares in non-controlled entities		(75)	(357)
Acquisition of subsidiaries, of shares in non-controlled entities		2	1
New lease debts (new and renewed contracts)	34	1,150	336
Unrealized exchange gains and losses on lease financial debts through OCI		159	(215)
Impact of derivatives on net debt		(22)	18
Impact of Effective Interest Rate methodology on State loans		126	27
Currency translation adjustment in income statement		42	(15)
Amortization of OCEANE optional part		11	11
Change in scope		-	(50)
Other non-monetary variations of the net debt		26	(4)
Closing net debt		8,216	11,049

NOTE 36 DEFERRED REVENUE ON TICKET SALES

This line corresponds to the unused air tickets that will be recognized in revenues at the date of transportation. Due to the Covid-19 crisis and resulting border closures, the Group has been forced to reduce capacity and cancel a significant number of flights. In such an eventuality, customers can either ask for a refund of their tickets or the issuance of a voucher.

As of December 31, 2021, this line includes:

- €307 million of air tickets (fare and carrier-imposed charges) and revenue ancillary to transportation (“EMD”) for which the date of transportation has passed and which are eligible for refunds, versus €740 million as of December 31, 2020;
- €387 million of vouchers that can be used for future flights (or which can be refunded), versus €739 million as of December 31, 2020.

NOTE 37 LOYALTY PROGRAM

Within Air-France-KLM, there are two loyalty programs: Flying Blue and BlueBiz.

As of December 31, 2021 the deferred revenues relating to the outstanding miles of the Flying Blue customer loyalty program

amount €794 million. This will be recognized as revenue once the miles are redeemed. The Group expects 50% of the miles to be recognized as revenue over the next five years.

The breakdown of the Flying Blue program is the following:

Flying Bue – Deferred revenues (in € millions)	2021	2020
As of January 1	832	774
Accumulation	127	130
Redemption	(165)	(72)
As of December 31	794	832

NOTE 38 OTHER LIABILITIES

As of December 31 (in € millions)	2021		2020	
	Current	Non-current	Current	Non-current
Tax liabilities	794	1,060	565	625
Employee-related liabilities	960	1,355	1,134	545
Non-current asset payables	70	-	96	-
Deferred income	873	43	836	36
Prepayments received	390	-	342	-
Other	282	97	203	88
Total	3,369	2,555	3,175	1,294

Non-current deferred income mainly relates to long-term contracts in the maintenance business.

NOTE 39 FINANCIAL INSTRUMENTS

39.1 Risk management

Market risk management

The aim of the Air France-KLM Group's risk management strategy is to reduce its exposure to such risks. Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which is composed of the Chief Financial Officer of Air France-KLM, and the Deputy Chief Financial Officer, head of Financial Operations of Air France-KLM, and the Chief Financial Officers of Air France and of KLM.

The RMC meets each quarter to review the Group reporting on the risks relating to the fuel price, carbon credits, main currencies and interest rates and counterparties. The RMC decides on the hedging policies to be implemented, the targets for hedging ratios and the periods and instrument types. Formalized RMC decisions are then implemented by the respective Treasury Management departments within each sub-group, in compliance with the procedures governing the delegation of powers. Each sub-group centralizes the management of the market risks of its subsidiaries. Regular meetings are organized between the Treasury Management departments on hedging instruments, strategies to consider and counterparties.

To implement the strategy most appropriate to each circumstance, any type of instrument may be used provided it qualifies as hedging within IFRS. As a general rule, no trading or speculation is allowed. Any exception to this rule must be approved by the Risk Management Committee.

The treasury management departments of each sub-group circulate weekly information on the level of cash and cash equivalents to their respective General Managements. The level of the Group's consolidated cash is communicated every week and, at the end of the month to the Group's General Management.

Every month, a complete report including the interest rate and currency positions, the portfolio of hedging instruments, a summary of investments and financing by currency and the monitoring of risk by counterparty is sent to the General Managements.

The Treasury Management departments have full responsibility for the hedging strategy on fuel and carbon credits. The General Managements receive a weekly fuel report, mainly covering the transactions carried out during the week, the valuation of all the positions, the percentages hedged as well as the breakdown of the instruments and underlying used, the average hedge levels and the resulting net prices. All this data covers a rolling 12 months. Furthermore, a weekly Air France-KLM Group report (known as the Fuel Hedge report) consolidates the figures from the two sub-groups relating to fuel hedging and carries out a budget update.

Fuel price risk

The fuel bill is one of the largest cost items for airlines, making oil price volatility a risk for the air transport industry. A sharp increase in the oil price can have a very material negative impact on the profitability of airlines, particularly if the economic environment does not enable them to adjust their pricing strategies. Similarly, a sharp decline in fuel prices is favorable for airline profitability. However, the way in which airlines pass on a sharp fall in the fuel price in their fares is a factor of significant uncertainty.

Risks linked to the jet fuel price are hedged within the framework of a hedging strategy defined by the RMC for the whole of the Air France-KLM Group.

Compared with the previous policy, since February 17, 2021, the revised hedging strategy approved by the Board of Directors has reduced, the time span from a rolling 24 months to a rolling 12 months and reduced the hedge amount from an equivalent of 80% to 50% of the annual volume consumed. In addition, it uses instruments that may be fixed forwards or options. These instruments are treated in such a way as to qualify as hedging instruments under the provision of IFRS 9 rule.

With the application of IFRS 9 as of January 1, 2018, the hedging strategy of the Group has evolved and now includes components (crude oil and gasoil oil are specified as components of jet fuel prices). These components are considered as separately identifiable and reliably measurable as required by IFRS 9.

Main characteristics of the hedging strategy

Hedge horizon: 12 months rolling

Minimum hedge percentage, to reach at the end of the current quarter:

- quarter underway: 70% of the volumes consumed;
- quarter 1: 70% of the volumes consumed;
- quarter 2: 55% of the volumes consumed;
- quarter 3: 40% of the volumes consumed;
- quarter 4: 25% of the volumes consumed.

Increment of coverage ratios: 15% by quarter

Underlyings: Brent, Gas Oil and Jet Fuel

Instruments: Swap, call, call spread, three ways, four ways and collar.

Implementation of monitoring indicators on positions:

To ensure more effective monitoring of the marked-to-market positions and dynamic management of its exposure, the Group uses the VAR (Value at Risk) metric to help measure the risk incurred by its portfolio. This monitoring is also reinforced by taking into account the maximum loss and maximum gain which limit the scale of variation of this same portfolio and enable the appropriate reaction.

Currency risk

Most of the Air France–KLM Group’s revenues are generated in euros. However, because of its international activities, the Group incurs a foreign exchange risk. The management of the currency risk for the subsidiaries of the two sub-groups is centralized by each sub-group. The principal exposure relates to the US dollar. Since the expenditure on items such as fuel and components exceeds the amount of revenues in dollars not covered by the lease debt, the Group is a net buyer of US dollars. As a result, any significant appreciation in the dollar against the euro could result in a negative impact on the Group’s activity and financial results.

On the other hand, Air France–KLM Group is a net seller of other currencies, the level of revenues in these currencies exceeding its expenditure. This exposure is far less significant than with the US dollar. As a result, any significant decline in these currencies against the euro would have a negative effect on the Group’s financial results.

The management of the Group’s exchange rate risk is carried out based on the forecasted net exposure for each currency. Currencies which are highly correlated to the US dollar are aggregated with the US dollar exposure.

For each currency hedged, the time span of the hedging is a rolling 12 to 24-month period, the first four quarters having more hedging than the following four. The RMC sets the hedging targets for the dollar, sterling pound and the yen.

Air France uses some zero-cost structured options, as hedging instruments. These generate volatility in the financial result because of their non-aligned time value, unlike vanilla options whose time value is aligned. Changes in aligned time values are recorded in the consolidated statement of comprehensive income in accordance with IFRS 9.

Aircrafts are mostly paid for in US dollars, meaning that the Group is exposed to an appreciation in the dollar relative to the euro in terms of its investments in flight equipment. The hedging strategy provides for the implementation of a systematic and graduated level of hedging between the date aircrafts are ordered and their delivery.

The exchange rate risk on the Group’s financial debt is limited. At December 31, 2021, 86% of the Group’s debt, after taking into account derivative instruments, was euro-denominated, thereby significantly reducing the risk of currency fluctuation on the debt. The exchange rate risk on debt denominated in other currencies mostly concerns the Yen for 6%, the US dollar for 5% and the Swiss franc for 3%.

As of January 1, 2018, the Group has applied IFRS 16 meaning that aircraft leases mostly denominated in US dollars are accounted for in the Group’s debt. These loans have been requalified as hedging for the network’s future revenues in US dollars. Consequently, the impact of foreign exchange differences in US dollars is accounted in other comprehensive income. For both Transavia and KLM Cityhopper, which have no US dollar

revenues, hedging programs specific to these commitments have been defined.

Interest rate risk

A portion of the financial liabilities is contracted at floating rates. However, to limit its volatility, Air France and KLM have used option and swap strategies involving the use of derivatives to convert a significant proportion of their floating-rate debt into fixed rates; after hedging, the Air France–KLM Group’s debt contracted at fixed rates represents 50% of the overall total. The interest rate on the Group’s gross debt after swaps stood at 2.23% at December 31, 2021 versus 2.55% at December 31, 2020.

Risks on carbon credit

To meet its regulatory obligations, the CO₂ emission quota acquisition strategy has been monitored and reviewed during every RMC meeting since October 2011. Its implementation led to the progressive hedging of the future requirement through the use of forward contracts meaning that the 2022 requirement and a portion of the 2023 requirement are hedged.

Underlyings: EUA, EUAA and CER quotas

Instruments: Forwards, delivery and payment during the quarter preceding the compliance application date.

Investment risks

The cash resources of Air France, KLM and Air France–KLM are currently invested over a short-term time horizon, primarily in deposits, money market mutual funds and certificates with high-rated banks.

Lastly, in order to reduce the currency risk on the debt, a portion of KLM’s liquid assets is invested in high-quality foreign-currency denominated bonds.

Equity risks

The Air France–KLM Group holds a limited number of shares which are listed for trading. The value of these investments may vary during their period of ownership. These investments are accounted for using either the equity method (associates) if the Group has the ability to exercise significant influence, or at their fair value. If the fair value cannot be determined from a practical point of view, the value of the investment is measured at its acquisition cost.

The treasury shares held by Air France–KLM are not deemed to be investments. Furthermore, the treasury shares are not deemed to be exposed to risk, since any variation in the value of these shares is only recognized directly in equity when they are sold in the market, with no impact on the net result.

Counterparty risk management

The rules concerning the management of counterparty risk are established by the RMC and applied by the sub-groups.

Except in the event of express dispensation from the RMC, counterparties must benefit from a minimum rating of BBB+ (S&P) with the exception of mutual funds where the risk is considered negligible. The maximum commitments by counterparty are determined based on the quality of their rating. The RMC also monitors the trend in the respective proportion each counterparty represents of the overall hedging portfolio (fuel, currency and interest rate) and investments. The positions of both Air France and KLM, together with those of the Air France-KLM parent company, are taken into account in the assessment of the overall exposure. A monthly report is established and circulated to the members of the General Management in the two sub-groups. It is supplemented by real time information in the event of any real risk of a rating downgrade for counterparties.

The transactions involving potential counterparty risk are as follows:

- financial investments;
- derivative instruments;
- trade receivables.

Counterparty risk linked to financial investments and derivative instruments is managed by the Risk Management Committee which establishes limits by counterparty, for all instruments except investments in money market funds (OPCVM) for which the counterparty risk is deemed to be insignificant. The Group's counterparty-risk reporting is circulated each month to the General Management, the risk being measured at the fair market value of the various instruments. Any exceeding of a limit immediately results in the implementation of corrective measures.

Counterparty risk linked to derivative instruments is taken into account in the valuation of their market value as described in Note 5.11. Derivative instruments are governed by the ISDA and FBF compensation master agreements. Within the framework of these agreements, compensation (in the event of default) must be made by counterparty for all the derivatives governed by each type of agreement.

Counterparty risk relating to trade receivables is limited due to the large number and geographical diversity of the customers.

The Group has identified the following exposure to counterparty risk:

LT Rating (Standard & Poors)	Total exposure (in € million)	
	As of December 31, 2021	As of December 31, 2020
AAA	246	257
AA	322	66
A	1,893	898
BBB	140	-
Total	2,601	1,221

This presentation does not include money market funds (OPCVM) and current accounts.

Liquidity risk

The liquidity risk relates to the credit lines held by the Group, as described in Note 33.7.

39.2 Derivative instruments

As of December 31, 2021, the fair value of the Group's derivative instruments and their expected maturities are as follows:

(in € millions)		Total	Y+1	Y+2	Y+3	Y+4	Y+5	> Y+5
Commodities derivative instruments	Asset	166	166	-	-	-	-	-
	Liability	(16)	(16)	-	-	-	-	-
Interest rate derivative instruments	Asset	23	3	4	3	4	1	8
	Liability	(22)	(8)	(2)	(3)	(3)	(3)	(3)
Currency exchange derivative instruments	Asset	242	159	63	20	-	-	-
	Liability	(33)	(22)	(2)	-	(1)	(8)	-
Carbon credit derivative instruments	Asset	143	141	2	-	-	-	-
	Liability	-	-	-	-	-	-	-
Other derivative instruments	Asset	38	-	38	-	-	-	-
	Liability	-	-	-	-	-	-	-
Total	Asset	612	469	107	23	4	1	8
	Liability	(71)	(46)	(4)	(3)	(4)	(11)	(3)

As of December 31, 2020, the fair value of the Group's derivative instruments and their expected maturities were as follows:

(in € millions)		Total	Y+1	Y+2	Y+3	Y+4	Y+5	> Y+5
Commodities derivative instruments	Asset	3	3	-	-	-	-	-
	Liability	(229)	(225)	(4)	-	-	-	-
Interest rate derivative instruments	Asset	3	1		2	-	-	-
	Liability	(60)	(18)	(3)	(6)	(8)	(10)	(15)
Currency exchange derivative instruments	Asset	142	88	43	9	2	-	-
	Liability	(195)	(120)	(44)	(4)	(9)	-	(18)
Carbon credit derivative instruments	Asset	33	25	8	-	-	-	-
	Liability	-	-	-	-	-	-	-
Other derivative instruments	Asset	71	43	-	-	-	28	-
	Liability	(1)	-	-	-	-	(1)	-
Total	Asset	252	160	51	11	2	28	-
	Liability	(485)	(363)	(51)	(10)	(17)	(11)	(33)

39.2.1 Commodity risk linked to fuel prices

The Group's commitments on Brent, Gas Oil and Jet CIF are presented below, at their nominal value:

As of December 31, 2021 (in € millions)	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Cash flow hedging operating flows								
Swap	283	283	-	-	-	-	-	1
Options	2,157	2,157	-	-	-	-	-	119
Sub-total	2,440	2,440	-	-	-	-	-	120
Receivables/payables on fuel hedges								30
Total	2,440	2,440	-	-	-	-	-	150
Price after hedge USD/Metric Tons		730	726	-	-	-	-	-

The price after hedge of the total fuel expenses is equal to the market price, to which unitary into-plane costs and hedge results have been added. The hedge results reflect the payout of the

hedging strategy based on the forward curve as of December 31, 2021. Time value of options derivatives is not included in the hedge results.

As of December 31, 2020 (in € millions)	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Cash flow hedging operating flows								
Swap	356	356	-	-	-	-	-	(43)
Options	1,031	992	39	-	-	-	-	(103)
Total	1,387	1,348	39	-	-	-	-	(146)
Operations qualifying as transactions								
Swap	65	65	-	-	-	-	-	(31)
Sub-Total	65	65	-	-	-	-	-	(31)
Receivables: debt on fuel hedges								(49)
Total	1,452	1,413	39	-	-	-	-	(226)
Price after hedge USD/Metric Tons		542	532	-	-	-	-	-

Fuel hedge sensitivity

The impact on “income before tax” and on “gains/(losses) taken to equity” of a variation in the fair value of the fuel hedges following an increase or a decrease of USD 10 in the price of a barrel of Brent is as follows:

As of December 31 (in € millions)	2021		2020	
	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent
Income before tax	-	-	12	(12)
Gains/(losses) taken to equity	167	(161)	252	(263)

39.2.2 Exposure to interest rate risk

To manage the interest rate risk on its short and long-term borrowings, the Group uses instruments with the following nominal values:

As of December 31, 2021 (in € millions)	Nominal	Balance sheet item of underlying items	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
				1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging	2,409		511	357	324	198	224	795	(1)
Rate swaps	2,259	Financial liabilities	511	357	324	198	124	745	(2)
Options	150	Financial liabilities	-	-	-	-	100	50	1
Operations qualified as fair value through profit and loss	70		16	11	11	21	12	-	2
Rate swaps	70	N/A	16	11	11	21	12	-	2
Total	2,480		527	368	335	219	236	795	1

As of December 31, 2020 (in € millions)	Nominal	Balance sheet item of underlying items	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
				1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging	2,083		299	86	192	124	255	1,127	(54)
Rate swaps	1,933	Financial liabilities	299	86	192	124	255	977	(30)
Options	150	Financial liabilities	-	-	-	-	-	150	(24)
Operations qualified as fair value through profit and loss	98		21	18	12	10	11	26	(3)
Rate swaps	98	N/A	21	18	12	10	11	26	(3)
Total	2,181		319	104	204	134	266	1,154	(57)

In 2021, given the perfect economic relationship between hedging instruments and hedged items, no ineffectiveness was recognized on the interest rate hedging strategies.

Taking into account the hedging operations, the Group's exposure to interest rate risks breaks down as follows:

As of December 31 (in € millions)	2021				2020			
	Before hedging		After hedging		Before hedging		After hedging	
	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed-rate financial assets and liabilities								
Fixed-rate financial assets	1,592	0.8%	1,592	0.8%	1,291	1.3%	1,291	1.3%
Fixed-rate financial liabilities	8,936	4.0%	10,645	3.9%	8,175	4.0%	9,665	3.8%
Floating-rate financial assets and liabilities								
Floating-rate financial assets	4,022	0.1%	4,022	0.1%	4,495	0.2%	4,494	0.2%
Floating-rate financial liabilities	7,384	2.7%	5,675	3.0%	10,696	1.7%	9,206	1.8%
Without-rate financial assets	2,466	-	2,487	-	2,031	-	2,032	-
Without-rate financial liabilities	(55)	-	(55)	-	-	-	-	-

As of December 31, 2021, without-rate financial assets mainly include cash as well as at December 31, 2020.

Interest rate sensitivity

The Group is exposed to the risk of interest rate variations. A 100 basis point variation (increase or decrease) in interest rates would have an impact of €40 million on the financial income for the year ended December 31, 2021 versus €52 million for the year ended December 31, 2020.

39.2.3 Exposure to exchange rate risk

The nominal amounts of futures and options linked to exchange rates are detailed below given the nature of the hedging operations:

As of December 31, 2021 (in € millions)	Hedged item		Maturity below 1 year	Maturities between 1 and 5 years					Fair value
	Nominal	Balance sheet Item		1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Cash flow hedging of operating flows	2,773		1,827	945	-	-	-	-	42
Exchange rate options	1,396	N/A	930	465	-	-	-	-	12
Forward purchases	1,130	N/A	682	448	-	-	-	-	37
Forward sales	247	N/A	215	32	-	-	-	-	(7)
Fair value hedging of flight equipment acquisition	3,642		2,430	670	542	-	-	-	158
Exchange rate options	145	Other commitments	107	38	-	-	-	-	30
Forward purchases	2,942	Other commitments	1,768	632	542	-	-	-	140
Forward sales	555	Other commitments	555	-	-	-	-	-	(12)
Cash flow hedges on debts	167		39	-	-	-	128	-	(8)
Forward purchases	39	N/A	39	-	-	-	-	-	-
Others	128	Financial liabilities	-	-	-	-	128	-	(8)
Fair value hedges on debt	229		66	56	43	63	-	-	12
Forward purchases	229	-	66	56	43	63	-	-	12
Trading	128		122	6	-	-	-	-	5
Forward purchases	128	N/A	122	6	-	-	-	-	-
Total	6,939		4,484	1,677	585	63	128	-	209

As of December 31, 2020 (in € millions)	Hedged item		Maturity below 1 year	Maturities between 1 and 5 years					Fair value
	Nominal	Balance sheet Item		1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Cash flow hedging of operating flows	2,505		2,222	283	-	-	-	-	(39)
Exchange rate options	885	N/A	857	28	-	-	-	-	(10)
Forward purchases	1,014	N/A	811	203	-	-	-	-	(65)
Forward sales	606	N/A	554	52	-	-	-	-	36
Fair value hedging of flight equipment acquisition	3,253		1,666	1,093	242	252	-	-	10
Exchange rate options	158	Other commitments	14	107	37	-	-	-	19
Forward purchases	2,561	Other commitments	1,352	752	205	252	-	-	(18)
Forward sales	534	Other commitments	300	234	-	-	-	-	9
Cash flow hedges on debts	180		43	-	-	-	-	137	(21)
Forward purchases	43	N/A	43						(2)
Others	137	Financial liabilities	-	-	-	-	-	137	(19)
Fair value hedges on debt	232		66	66	57	43	-	-	-
Forward purchases	232	-	66	66	57	43	-	-	-
Trading	740		720	20	-	-	-	-	(3)
Forward purchases	561	N/A	541	20	-	-	-	-	(4)
Forward sales	179	N/A	179	-	-	-	-	-	1
Total	6,910		4,717	1,462	299	295	-	137	(53)

The unaligned time value of options with-barrier is booked under other financial income and expenses in the income statement

for a gain of €8 million as of December 31, 2021 and a loss of €9 million as of December 31, 2020.

Currency hedge sensitivity

The value in euros of the monetary assets and liabilities is presented below:

As of December 31 (in € millions)	Monetary assets		Monetary liabilities	
	2021	2020	2021	2020
US dollar	1333	997	4389	3396
Pound sterling	23	14	5	14
Yen	34	45	773	832
Swiss francs	13	19	373	353
Others	13	13	8	14

The amounts of monetary assets and liabilities disclosed above do not include the effect of the revaluation of assets and liabilities documented in fair value hedge.

The impact on “income before tax” and on “gains/(losses) taken to equity” of a 10% appreciation in foreign currencies relative to the euro is presented below:

As of December 31 (in € millions)	US dollar		Pound sterling		Yen	
	2021	2020	2021	2020	2021	2020
Income before tax	(191)	(121)	(3)	(9)	(73)	(79)
Gains/(losses) taken to equity	590	131	(19)	(11)	-	(3)

The impact of the change in fair value of currency derivatives on “income before tax” and on “gains/(losses) taken to equity” of a 10% depreciation in foreign currencies relative to the euro is presented below:

As of December 31 (in € millions)	US dollar		Pound sterling		Yen	
	2021	2020	2021	2020	2021	2020
Income before tax	132	63	(2)	-	73	77
Gains/(losses) taken to equity	(438)	(63)	18	14	-	7

39.2.4 Carbon credit risk

As of December 31, 2021, the Group has hedged its future purchases of CO₂ quotas as follows:

As of December 31, 2021 (in € millions)	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operating flows as cash flow hedging	261	253	8	-	-	-	-	143
Forwards	261	253	8	-	-	-	-	143
Total	261	253	8	-	-	-	-	143

As of December 31, 2020 (in € millions)	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operating flows as cash flow hedging	133	99	34	-	-	-	-	33
Forwards	133	99	34	-	-	-	-	33
Total	133	99	34	-	-	-	-	33

These contracts mostly expire within three years.

39.3 Market value of financial instruments

Market values are estimated for most of the Group's financial instruments using a variety of valuation methods. However, the methods and assumptions used to provide the information set out below are theoretical in nature.

They include the following inherent limitations:

- the estimated market values of financial instruments are estimated on the basis of the market price as of December 31, 2021 and December 31, 2020.
- the estimated amounts as of December 31, 2021 and December 31, 2020 are not indicative of gains and/or losses potentially arising on maturity or in the event of cancellation of a financial instrument.

The application of alternative methods and assumptions may, therefore, have a significant impact on the estimated market values.

The methods used are as follows:

- Cash, trade receivables, other receivables, short-term bank facilities, trade payables and other payables:

The Group considers that, due to their short-term nature, net book value can be deemed a reasonable approximation of their market value.

- Marketable securities, investments and other securities:

The market value of securities is determined based mainly on the market price or the prices available on other similar securities. Securities classified under equity instruments are recorded at their stock market value.

Where no market comparable exists, the Group uses their book value, which is deemed a reasonable approximation of their market value in this instance.

- Borrowings, other financial liabilities and loans:

The market value of fixed and floating-rate loans and financial liabilities is determined based on discounted future cash flows at market interest rates for instruments with similar features.

- Derivative instruments:

The market value of derivative instruments corresponds to the amounts that would be payable or receivable were the positions to be closed out as of December 31, 2021 and December 31, 2020, calculated using the year-end market rate.

Only the financial assets and liabilities whose fair values differs from their net book values are presented in the following table:

As of December 31 (in € millions)	2021		2020	
	Net book value	Estimated market value	Net book value	Estimated market value
Financial assets				
Loans	533	533	636	518
Financial liabilities				
Bonds	2,515	2,428	1,983	1,831
OCEANE 2019	476	448	465	370
Bond 2014	-	-	289	289
Bond €2016	361	366	361	361
Bond \$2016	128	139	118	138
Bond €2020	750	696	750	673
Bond €2021-2024	300	295		
Bond €2021-2026	500	484		
Perpetual subordinated loans	548	466	537	489
Other borrowings and financial liabilities	2,111	2,609	2,278	2,530

39.4 Valuation methods for financial assets and liabilities at their fair value

The breakdown of the Group's financial assets and liabilities is as follows based on the three classification levels (see Note 5.11):

As of December 31 (in € millions)	Level 1		Level 2		Level 3		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Financial asset equity instruments	49	51	-	-	-	-	49	51
Asset debt instruments								
Marketable securities and cash secured	48	46	465	456	-	-	513	502
Cash equivalents liquidity funds (JV/P&L)	3,605	4,269	1,196	652	-	-	4,801	4,921
Derivative instruments assets								
Interest rate derivatives	-	-	23	3	-	-	23	3
Currency exchange derivatives	-	-	242	142	-	-	242	142
Commodity derivatives	-	-	166	3	-	-	166	3
ETS derivatives	-	-	143	33	-	-	143	33
Others	-	-	38	71	-	-	38	71
Derivative instruments liabilities								
Interest rate derivatives	-	-	(22)	(60)	-	-	(22)	(60)
Currency exchange derivatives	-	-	(33)	(195)	-	-	(33)	(195)
Commodity derivatives	-	-	(16)	(229)	-	-	(16)	(229)
Others	-	-	-	(1)	-	-	-	(1)

NOTE 40 FLIGHT EQUIPMENT ORDERS

Due dates of firm orders commitments to the purchase of aircraft equipment are as follows:

As of December 31 (in € millions)	2021	2020
Y+1	1,653	1,444
Y+2	1,253	1,386
Y+3	1,165	1,347
Y+4	822	923
Y+5	212	678
> Year Y+5	-	196
Total	5,105	5,974

These commitments mainly relate to amounts in US dollars, converted into euros at the closing date exchange rate. All these amounts are hedged.

The number of aircraft under firm order as of December 31, 2021 decreased by 15 units compared with December 31, 2020 and stood at 87 aircrafts.

This change is explained by the delivery of 15 aircrafts.

Long-haul fleet (passenger)

The Group took delivery of two Boeing B777s and seven Airbus A350s.

Medium-haul fleet

The Group took delivery of six Airbus A220s.

Regional fleet

The Group did not take delivery of any aircraft.

The Memorandum of Understanding signed with Airbus in December 2021 for the order of A320neo has not yet been the subject of a binding purchase contract at the date of closing of the consolidated accounts of the Air France-KLM group. Consequently, the order is not reported in the tables of the note.

Aircraft type	To be delivered in	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet – passenger								
A350	As of December 31, 2021	7	5	6	5	2	-	25
	As of December 31, 2020	7	7	8	4	4	2	32
B787	As of December 31, 2021	4	2	2	-	-	-	8
	As of December 31, 2020	5	1	-	2	-	-	8
B777	As of December 31, 2021	-	-	-	-	-	-	-
	As of December 31, 2020	2	-	-	-	-	-	2
Medium-haul fleet								
A220	As of December 31, 2021	15	15	12	12	-	-	54
	As of December 31, 2020	6	15	15	12	12	-	60
Total	As of December 31, 2021	26	22	20	17	2	-	87
	As of December 31, 2020	20	23	23	18	16	2	102

NOTE 41 OTHER COMMITMENTS

41.1 Commitments made

As of December 31 (in € millions)	2021	2020
Commitments to leased aircraft, not yet in operation	580	525
Call on investment securities	75	146
Warranties, sureties and guarantees	257	339
Secured debts	4,362	4,586
Other purchase commitments	168	124

The restrictions and pledges as of December 31, 2021 are as follows:

(in € millions)	Amount pledged	NBV of balance sheet entry concerned	Corresponding %
Intangible assets	-	1,235	-
Tangible assets	4,576	11,868	36.5%
Other financial assets	568	1,434	39.6%
Total	5,144	14,537	

41.2 Commitments received

As of December 31 (in € millions)	2021	2020
Warranties, sureties and guarantees	353	97
Put option on shares ⁽¹⁾	170	243

(1) Estimate based on the disposal price of remaining 35% stake in Servair.

In 2021, warranties, sureties and guarantees correspond to credit letters granted by financial institutions and the credit

line granted by Export Development Canada for the financing of A220 aircrafts.

41.3 Order book

Long term contracts of the maintenance business

On December 31, 2021, the future revenues from long-term contracts in the maintenance business amount to €7,342 million. The Group expects around 60% of the order book to be recognized as revenue over the next five years.

The table below presents the reconciliation between the order book according to accounting principles and the order book as described in the Universal Registration Document:

As of December 31 (in € millions)	2021
Order book according accounting definition	7,342
Contracts with no client' obligations	1,150
Receipts not recognized in revenues ⁽²⁾	(841)
Published order book in the URD ⁽¹⁾	7,651

(1) See section 1.1.3.

(2) Including in the deferred income (Note 38).

Passenger and freight transportation

As indicated in Note 5.6, the Group applies the exemption provided by IFRS 15.

Loyalty program

Information on the liabilities relating to the loyalty program is presented in Note 37 "Loyalty program".

NOTE 42 RELATED PARTIES

42.4 Transactions with the principal executives

The total compensation recorded as costs for the members of the Group Executive Committee in respect of their functions within the Group breaks down as follows:

Period from January 1 to December 31 (in € millions)	2021	2020
Short-term employee benefits	5.4	5.0
Post-employment benefits	0.7	0.3
Termination benefits	0.8	0.7
Share-based payment	-	0.7
Total	7.0	6.7

The compensation of the non-executive Chair of the Board amounts to €0.22 million.

Directors' fees booked in expenses amount to €0.7 million as of December 31, 2021, versus €0.8 million as of December 31, 2020.

42.5 Transactions with the other related parties

The total amounts of transactions with related parties are as follows:

As of December 31 (in € millions)	2021	2020
Assets		
Net trade accounts receivable	259	202
Other current assets	3	5
Other non-current assets	9	8
Total	271	215
Liabilities		
Perpetual	3,151	-
Trade accounts payable	96	114
Other current liabilities	286	263
Other long-term financial liabilities	278	3,278
Total	3,811	3,655

As of December 31 (in € millions)	2021	2020
Net sales	181	167
Landing fees and other rents	(259)	(216)
Other selling expenses	(17)	(16)
Passenger service	(221)	(161)
Other	(43)	(39)
Total	(359)	(265)

As a part of its normal business, the Group enters into transactions with related parties including transactions with State-owned and governmental entities such as the French Defense Ministry, the Paris Airport Authority ("Aéroports de Paris", or "ADP"), Amsterdam Airport Schiphol, the Dutch and French States and the French civil aviation regulator ("DGAC"). Air France-KLM considers that such transactions are concluded on terms equivalent to those on transactions with third parties. The most significant transactions are described below:

Aéroports de Paris (ADP)

- land and property rental agreements;
- airport and passenger-related fee arrangements.

In addition, ADP collects airport landing fees on behalf of the French State.

Total expenses incurred by the Group in connection with the afore-mentioned arrangements amounted to a respective €283 million and €205 million for the periods ended December 31, 2021 and December 31, 2020.

Amsterdam Airport Schiphol (AAS)

- land and property rental agreements;
- airport and passenger-related fee arrangements.

In addition, AAS collects airport fees on behalf of the Dutch State.

Total expenses incurred by the Group in connection with the afore-mentioned arrangements amounted to €76 million for the period ended December 31, 2021.

French Defense Ministry

Air France-KLM has entered into contracts with the French Defense Ministry concerning the maintenance of aircraft in the French Air Force. The net revenue derived from this activity amounts to €60 million for the year ended December 31, 2021 versus €51 million as of December 31, 2020.

Direction Générale de l'Aviation Civile (DGAC)

This civil aviation regulator is under the authority of the French Ministry of Transport, which manages security and safety in the French air space and at airports. As a result, the DGAC charges fees to Air France-KLM for the use of installations and services which amounts to €46 million as of December 31, 2021 versus €49 million for the year ended December 31, 2020.

China Eastern Airlines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to a respective €4 million and €6 million for the periods ended December 31, 2021 and December 31, 2020.

Delta Air Lines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to a respective €31 million and €26 million for the periods ended December 31, 2021 and December 31, 2020.

Dutch and French States

Other long-term liabilities as of December 31, 2021 include shareholder loans granted by the Dutch and French States (see Note 33.3 "Financial support from the French and Dutch States") and the line "Perpetual" includes the hybrid following the conversion of the direct loan granted by the French State.

NOTE 43 CONSOLIDATED STATEMENT OF CASH FLOW AND OPERATING FREE CASH FLOW

43.1 Other non-monetary items and impairment

Other non-monetary items and impairment can be analyzed as follows:

As of December 31 (in € millions)	Notes	2021	2020 restated ⁽¹⁾
Variation of provisions relating to restructuring plan		(352)	456
Variation of provisions relating to pension		66	66
Variation of other provisions		(7)	(17)
Changes to the pension plans		859	-
Impairment on fleet		40	680
European carbon emission allowances (ETS)		31	22
Effective interest rate methodology on states loans	33	126	28
Amortization of equity component of convertible bonds (OCEANE)		11	11
Other		5	(25)
Total		779	1,221

(1) See Note 3 in notes to the consolidated financial statements.

43.2 Operating free cash flow

Period from January 1 to December 31 (in € millions)	Notes	2021	2020
Net cash flow from operating activities		1,534	(2,826)
Purchase of property plant and equipment and intangible assets		(2,202)	(2,099)
Proceeds on disposal of property plant and equipment and intangible assets		899	204
Operating free cash flow	35	231	(4,721)
Payments on lease debts		(862)	(940)
Operating free cash flow adjusted		(631)	(5,661)

NOTE 44 STATUTORY AUDITORS' FEES

KPMG	2021				2020			
	Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
As of December 31 (in € millions)								
Statutory audit, certification, review of stand-alone and consolidated accounts	1.8	82%	2.2	96%	1.8	93%	1.3	84%
— Air France-KLM S.A.	0.5		-		0.5		-	
— Consolidated subsidiaries	1.3		2.2		1.3		1.3	
Other services	0.4	18%	0.1	4%	0.1	7%	0.2	16%
— Air France-KLM S.A.	0.3		-		-		-	
— Consolidated subsidiaries	0.1		0.1		0.1		0.2	
Total Air France-KLM	2.2		2.3		1.9		1.6	

Deloitte & Associés	2021				2020			
	Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
As of December 31 (in € millions)								
Statutory audit, certification, review of stand-alone and consolidated accounts	1.8	90%	1.0	77%	1.8	100%	1.3	100%
— Air France-KLM S.A.	0.5		-		0.5		-	
— Consolidated subsidiaries	1.3		1.0		1.3		1.3	
Other services	0.2	10%	0.3	23%	-	0%	-	0%
— Air France-KLM S.A.	0.2		-		-		-	
— Consolidated subsidiaries	-		0.3		-		-	
Total Air France-KLM	2.0		1.3		1.8		1.3	

NOTE 45 CONSOLIDATION SCOPE

As of December 31, 2021, the scope includes 79 fully consolidated entities, 23 equity affiliates and 1 joint operation.

Based on the Air France–KLM ownership in terms of both voting rights and equity interest, and on the functioning mode of the Group's Executive Committee, Air France–KLM has the power

to manage the KLM Group's financial and operational strategies and controls KLM. As a result, KLM is fully consolidated in Air France–KLM's consolidated financial statements.

The interest percentage in KLM is calculated based on the ordinary shares.

45.1 Consolidated entities

Entity	Country	Segment	% interest	% control
AFI KLM E&M TEARDOWN MANAGEMENT SAS	France	Maintenance	100	100
AIR FRANCE INDUSTRIE US	United States	Maintenance	100	100
AIR FRANCE KLM COMPONENT SERVICES CO LTD	China	Maintenance	100	100
AIR ORIENT SERVICES	France	Maintenance	100	100
BARFIELD INC	United States	Maintenance	100	100
CRMA	France	Maintenance	100	100
EUROPEAN PNEUMATIC COMPONENT OVERHAUL AND REPAIR (EPCOR) B.V.	Netherlands	Maintenance	100	49
KLM E&M MALAYSIA SDN BHD	Malaysia	Maintenance	100	49
KLM LINE MAINTENANCE NIGERIA LTD.	Nigeria	Maintenance	100	49
KLM UK ENGINEERING LIMITED	United Kingdom	Maintenance	100	49
REGIONAL JET CENTER B.V.	Netherlands	Maintenance	100	49
AIR FRANCE S.A.	France	Multi activities	100	100
KONINKLIJKE LUCHTVAART MAATSCHAPPIJ N.V.	Netherlands	Multi activities	100	49
AIR ANTWERP B.V.	Belgium	Network	100	49
AIRTRADE HOLDINGS B.V.	Netherlands	Network	85	42
BLUE CONNECT	Mauritius	Network	70	70
BLUE CROWN B.V.	Netherlands	Network	100	49
BLUELINK	France	Network	100	100
BLUELINK INTERNATIONAL	France	Network	100	100
BLUELINK INTERNATIONAL AUSTRALIA	Australia	Network	100	100
BLUELINK INTERNATIONAL CHILE	Chile	Network	100	100
BLUELINK INTERNATIONAL CZ S.R.O.	Czech Rep.	Network	100	100
BLUELINK INTERNATIONAL MAURITIUS	Mauritius	Network	100	100
BLUELINK INTERNATIONAL STRASBOURG	France	Network	100	100
CONSTELLATION FINANCE LIMITED	Ireland	Network	100	100
CYGNIFIC B.V.	Netherlands	Network	100	49
HOP!	France	Network	100	100
HOP! TRAINING	France	Network	100	100

Entity	Country	Segment	% interest	% control
IASA INCORPORATED	Philippines	Network	100	49
INTERNATIONAL AIRLINE SERVICES EUROPE LIMITED	United Kingdom	Network	100	49
INTERNATIONAL AIRLINE SERVICES LIMITED	United Kingdom	Network	100	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED	United Kingdom	Network	100	49
KLM CITYHOPPER B.V.	Netherlands	Network	100	49
KLM CITYHOPPER UK LTD	United Kingdom	Network	100	49
KLM EQUIPMENT SERVICES B.V.	Netherlands	Network	100	49
KLM LUCHTVAARTSCHOOL B.V.	Netherlands	Network	100	49
MARTINAIR HOLLAND N.V.	Netherlands	Network	100	49
MEXICO CARGO HANDLING	Mexico	Network	100	100
SNC CAPUCINE BAIL	France	Network	100	100
SNC OTTER BAIL	France	Network	100	100
SODEXI	France	Network	65	65
STICHTING STUDENTENHUISVESTINGVliegVeld EELDE	Netherlands	Network	100	49
AIR FRANCE FINANCE IRELAND	Ireland	Other	100	100
AIR FRANCE FINANCE SAS	France	Other	100	100
AIR FRANCE KLM E&M PARTICIPATIONS SAS	France	Other	100	100
AIR FRANCE KLM FINANCE SAS	France	Other	100	100
AIRCRAFT CAPITAL LEASING A LTD	United Kingdom	Other	100	49
AIRCRAFT CAPITAL LTD	United Kingdom	Other	100	49
AIRPORT MEDICAL SERVICES B.V.	Netherlands	Other	80	39
AIRPORT MEDICAL SERVICES C.V.	Netherlands	Other	80	39
AMSTERDAM SCHIPHOL PIJPLEIDING C.V.	Netherlands	Other	76	49
ASP BEHEER B.V.	Netherlands	Other	60	49
B.V. KANTOORGEBOUW MARTINAIR	Netherlands	Other	100	49
BIGBLANK	France	Other	100	100
BLUE TEAM V SAS	France	Other	100	100
BLUE YONDER XIV B.V.	Netherlands	Other	100	49
CELL K16 INSURANCE COMPANY	Guernsey	Other	100	0
EXECUTIVE HEALTH MANAGEMENT B.V.	Netherlands	Other	100	49
INTERNATIONALE FINANCIERING EN MANAGEMENT MAATSCHAPPIJ B.V.	Netherlands	Other	100	49
KLM AIR CHARTER B.V.	Netherlands	Other	100	49
KLM CATERING SERVICES SCHIPHOL B.V.	Netherlands	Other	100	49
KLM HEALTH SERVICES B.V.	Netherlands	Other	100	49
KLM INTERNATIONAL CHARTER B.V.	Netherlands	Other	100	49
KLM OLIEMAATSCHAPPIJ B.V.	Netherlands	Other	100	49
MARTINAIR VESTIGING VliegVeld LELYSTAD BV	Netherlands	Other	100	49

Entity	Country	Segment	% interest	% control
ORION-STAETE B.V.	Netherlands	Other	100	49
PELICAN	Luxemburg	Other	100	100
PYRHELIO-STAETE B.V.	Netherlands	Other	100	49
RIGEL-STAETE B.V.	Netherlands	Other	100	49
STICHTING GARANTIEFONDS KLM LUCHTVAARTSCHOOL	Netherlands	Other	100	49
TRAVEL INDUSTRY SYSTEMS B.V.	Netherlands	Other	100	49
TREASURY SERVICES KLM B.V.	Netherlands	Other	100	49
WEBLOK B.V.	Netherlands	Other	100	49
BLUE TEAM III SAS	France	Transavia	100	100
TRANSAVIA AIRLINES B.V.	Netherlands	Transavia	100	49
TRANSAVIA AIRLINES C.V.	Netherlands	Transavia	100	49
TRANSAVIA COMPANY SAS	France	Transavia	100	100
TRANSAVIA FRANCE SAS	France	Transavia	100	100
TRANSAVIA VENTURES B.V.	Netherlands	Transavia	100	49

45.2 Equity affiliates

Entity	Country	Segment	% interest	% control
AAF SPARES	Ireland	Maintenance	50	50
AEROSTRUCTURES MIDDLE EAST SERVICES	United Arab	Maintenance	50	50
AEROTECHNIC INDUSTRIES	Morocco	Maintenance	50	50
AFI KLM E&M-BGAC LINE MAINTENANCE CO.LTD	China	Maintenance	60	60
BONUS AERO	United States	Maintenance	50	50
BONUS TECH	United States	Maintenance	50	50
IGO SOLUTIONS SAS	France	Maintenance	33	33
MAX MRO SERVICES	India	Maintenance	26	26
SHS TECHNICS	Senegal	Maintenance	49	50
SINGAPOUR COMPONENT SOLUTIONS PTE	Singapore	Maintenance	50	50
SPAIRLINERS	Germany	Maintenance	50	50
TRADEWINDS ENGINE SERVICES LLC	United States	Maintenance	50	50
TURBINE SUPPORT INTERNATIONAL LLC	United States	Maintenance	50	50
XCELLE AMERICAS LLC	United States	Maintenance	50	50
ADM BLUE	Madagascar	Network	40	40
INTERNATIONAL AEROSPACE MANAGEMENT COMPANY S.C.R.L.	Italy	Other	25	25
INTERNATIONAL PATIENT CENTER B.V.	Netherlands	Other	33	33
MAINPORT INNOVATION FUND BV	Netherlands	Other	25	25
MAINPORT INNOVATION FUND BV II	Netherlands	Other	24	24

Entity	Country	Segment	% interest	% control
SCHIPHOL LOGISTICS PARK CV	Netherlands	Other	53	45
SERVAIR	France	Other	35	35
SKYNRG	Netherlands	Other	20	20
TERMINAL ONE GROUPE ASSOCIATION	United States	Other	25	25

45.3 Joint operations

Entity	Country	Segment	% interest	% control
AIRFOILS ADVANCES SOLUTIONS SAS	France	Maintenance	49	49

5.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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

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.

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.

Our response

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 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

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 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.

Our response

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, 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

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 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.

Our response

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 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

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 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.

Our response

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 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

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.

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.

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 - KLMS.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

The Statutory Auditors

KPMG Audit

Department of KPMG S.A.

Valérie Besson
Partner

Éric Dupré
Partner

Deloitte & Associés

Pascal Colin
Partner

Guillaume Crunelle
Partner

5.8 STATUTORY FINANCIAL STATEMENTS

5.8.1 Income statement

Year ending December 31, (in € millions)	Notes	2021	2020
Operating income	3	53	55
External expenses	4	(46)	(46)
Salaries and related costs	5	(8)	(6)
Other expenses		(2)	(1)
Total operating expenses		(56)	(53)
Income from current operations		(3)	2
Financial income		323	87
Financial expenses		(363)	(153)
Net financial income	6	(40)	(66)
Earnings before tax and non-recurring items		(43)	(64)
Non-recurring income		-	-
Non-recurring expenses		-	-
Non-recurring income/- (loss)	7	-	-
Income tax	8	39	(2)
Net income/(loss)		(4)	(66)

5.8.2 Balance sheet

Assets (in € millions)	Notes	December 31, 2021	December 31, 2020
Long-term investments	9.2	5,684	4,661
Loans & receivables related to long-term investment	9.3	7,210	7,051
Fixed assets		12,894	11,712
Trade receivables	13	20	32
Other receivables	13	134	195
Marketable securities	10	1,111	1,146
Cash and cash equivalent		690	623
Prepaid expenses		1	1
Current assets		1,956	1,997
Issue costs		20	16
Bond redemption premium		6	4
Total Assets		14,876	13,729
Liabilities & equity (in € millions)	Notes	December 31, 2021	December 31, 2020
Capital	11.1	643	429
Additional paid-in capital	11.2	4,949	4,139
Legal reserve		70	70
Reserves		(129)	(63)
Income for the year	11.2	(4)	(66)
Shareholder's equity	11.2	5,529	4,509
Other equity	12	3,151	0
Provision for risks & liabilities	17	0	0
Financial debts	12	6,106	9,069
Trade payables and related accounts	13	18	14
Tax and social debts	13	7	4
Other liabilities	13	56	113
Liabilities	13	6,187	9,200
Unrealized foreign exchange gain		9	20
Total Liabilities & Equity		14,876	13,729

5.8.3 Notes

The following information constitutes the notes to the financial statements for the year ended December 31, 2021.

It is an integral part of the financial statements.

Air France-KLM SA, a public limited company (*société anonyme*) with registered office at 2 rue Robert Esnault Pelterie 75007 Paris, is the parent company of the Air France-KLM Group. It is listed for trading in Paris (Euronext) and Amsterdam (Euronext).

1. Accounting policies and procedures

Generally accepted accounting policies have been applied, consistent with the prudence principle and in accordance with the legal and regulatory provisions applicable in France and to the base assumptions whose aim is to provide a true and faithful representation of the company:

- going concern;
- consistent accounting methods from year to year;
- independence of financial periods;

and in accordance with the general rules for establishing and presenting annual financial statements.

The basic method used to value items recorded in the financial statements is the historical cost method.

Going concern

In determining the appropriate basis for preparing the financial statements for the year ended December 31, 2021, the Board of Directors considered the Group as a going concern by evaluating the financial forecasts over a time horizon of at least one year and by analyzing, in particular, the trading position of the Group in the context of the current Covid-19 pandemic and taking into account the following elements:

The Group had total cash of €10 billion at December 31, 2021.

The 2022 budget, as modelled by the management and approved by the Board of Directors, assumes a gradual ramp-up in passenger demand.

This plan will ensure a level of liquidity considered to be adequate thanks to the following elements:

- the adjustment of the flight schedule and capacity to the expected demand in order to operate only flights having a positive incremental impact in terms of operating cash flow;
- the continued specific mechanisms from the French and Dutch governments to partially cover staff costs through the “NOW” program in the Netherlands and the Long-Term Partial Activity (“APLD”) in France;
- a high level of variable costs linked to a reduction in capacity;
- the reduction in the capital expenditure plans;
- the systematic refinancing secured by assets of new aircraft delivered from manufacturers.

Based on these financial forecasts, the banking covenants applicable in 2022, including the €2.46 billion Revolving Credit Facility at the level of KLM, are met.

In addition, the Group is working on financing projects, pursuant to the European Regulation, which would increase the stockholders’ equity and provide further liquidity and secure access to additional financing secured by assets.

Lastly, and more generally, the French and Dutch States have shown their support to enable Air France and KLM to weather the current difficulties.

Considering these elements, the Board of Directors thus considers it appropriate to prepare the financial statements on the basis of the going concern principle.

Value in use of its equity investments

In the current context, the company has paid particular attention to the value in use of its equity investments.

The main accounting methods used are the following:

Long-term investments

Investments in equity securities are presented on the balance sheet at their acquisition cost net of impairment, if any. A provision for impairment is recorded as soon as the fair value, which corresponds to the value in use, falls below the acquisition value. The fair value of securities is determined by taking into account the share of shareholders’ equity, the outlook for profitability and the stock market values that can be used as a reference.

Transfer taxes, fees or commissions and legal fees related to the acquisition of securities are expensed, according to the option offered by the regulations.

Treasury shares not allocated to employees or to a capital decrease are booked in long-term investments. They are shown at the lower of their acquisition cost or fair value. The fair value is determined based on the average market price for the last month of the financial year.

Trade receivables

Trade receivables are valued at their nominal value. They are valued on a case-by-case basis and a provision is set up as required based on the assessed risks.

Marketable securities

Marketable securities are shown on the balance sheet at the lower of their acquisition cost and their market value. In the case of listed shares, this market value is determined based on the market price at the end of the financial year.

Treasury shares invested as part of a liquidity agreement are valued at the lower of their acquisition price and fair value. The fair value is determined based on the last month average market price at the end of the financial year.

Negotiable debt securities (certificates of deposits, and bills issued by financial companies) are booked at their acquisition cost. Interest is booked as financial income, on a *pro-rata temporis* basis.

Foreign currency transactions

Operating expense and income transactions in foreign currencies are recognized at the average exchange rate for each relevant month.

Trade payable and receivable in foreign currencies are valued at the exchange rate in effect at end year closing.

Unrealized losses and gains are recognized as assets and liabilities on the balance sheet. Provisions are established for unrealized losses, except for the following cases:

- transactions where the currency and the term contribute to an overall positive currency position and;
- currency hedging contracts concerning the payment of future investment deliveries.

Debts

Debts are valued at their nominal amount. The debt in foreign currency is valued at the closing rate Euro/Dollar.

Financial instruments

Financial derivative instruments are used to reduce exposure to interest rates risk and to foreign exchange. They are over the counter instruments with first class counterpart. Group management policy bans subscription of trading instruments.

Dividends received

Dividends are recognized as income – when they are approved by the competent bodies in the companies (i.e.: the Board of Directors or the General Shareholders' Meeting depending on the local regulations) – or according to the terms of the bylaws.

2. Significant events of the period

On April 20, 2021, the Air France–KLM group issued Subordinated Notes with no fixed maturity, by transformation of the French State's Current Account Advance (ACC) for a total amount of 3 billion euros. Also on April 20, 2021, it was agreed that the

repayment of the outstanding amount of the Loan made available to Air France under the intra-group loan agreement between AFKLM and Air France backed by the ACC, will be made by converting the AFKLM debt into undated deeply subordinated notes issued by Air France and fully subscribed by AFKLM.

On April 19, 2021, Air France–KLM carried out a capital increase with cancellation of the preferential subscription right and with a priority period for the benefit of shareholders. The capital increase resulted in the issue of 213,999,999 new shares at a price per share of EUR 4.84, i.e. approximately 50% of the existing share capital of the Company for an amount of approximately EUR 1,024 million net of issue costs.

On April 27, 2021, the Air France–KLM group subscribed to the capital increase in cash of the Company Air France for a nominal amount of 1,020 million euros.

On June 18, 2021, Air France–KLM redeemed the bond issued in 2014, which had reached maturity for 288.8 million euros.

On July 01, 2021, Air France–KLM issued two new bonds, one tranche with a 3-year maturity of €300 million and one tranche with a 5-year maturity of €500 million.

On December 10, 2021, Air France–KLM made the funds from the 5-year tranche available to Air France by means of an Intra-Group Loan granted in an amount equivalent to the nominal value of the 5-year tranche, i.e. 500 million euros.

On December 10, 2021, Air France partially repaid the outstanding amount of the Loan made available to Air France under the State Guaranteed Loan Agreement (PGE), for an amount of 500 million euros by offsetting it against a drawdown of the same amount under the Intra-Group Loan Agreement.

On December 10, 2021, Air France–KLM extended the maturity of the State Guaranteed Loan and its amortisation. The amendment modified the following provisions of the State Guaranteed Loan:

- the final maturity date of the State Guaranteed Loan has been extended by two additional years to 6 May 2025;
- the State Guaranteed Loan is subject to repayment by amortisation according to the following schedule:
 - 500 million on December 10, 2021 on the date of signature of the amendment,
 - 800 million on May 06, 2023,
 - 1.350 billion on May 06, 2024,
 - 1.350 billion on May 06, 2025.

3. Other income

Period	2021	2020
Management fees (<i>in € million</i>)	33	35
Of which Air France	21	21
Of which KLM	12	14
Royalties (<i>in € million</i>)	20	20
Of which Air France	12	12
Of which KLM	8	8
Total	53	55

4. External expenses

Period	2021	2020
Fees and surveys	20	23
Insurance	2	1
Sub-Contracting and rent re-invoiced by Air France and KLM	21	18
Financial communication	1	1
Other	3	3
Total	46	46

During the financial year 2021, the teams assigned to Air France-KLM holding company represent 84,6 Full Time Equivalent seconded from Air France and 22,7 full-time equivalent seconded from KLM.

5. Compensation of company's corporate officers

The gross remuneration of the company's corporate officers, recognized as an expense in 2021 and 2020, amounts to €1.26 million.

The remuneration of the non-executive Chairman of the Board of Directors amounts to €0.22 million.

6. Net financial income

This section regroups interest paid or received, currency losses and gains, and allocations and reversal of financial provisions. The break-down is as follows.

Period	Notes	2021	2020
Interest on loans and other financial expenses		(363)	(136)
Of which interest on OCEANE	12.2	(1)	(1)
Of which interest on bonds	12.2	(53)	(40)
Of which interest on perpetual subordinated loan	12.1	(152)	(19)
Of which PGE and ACCs	12.3	(149)	(38)
Of which others		(8)	(38)
Interest on loans		320	66
Of which related companies		320	66
Other financial income		2	21
Of which related companies		2	20
Of which investment in mutual funds and certificates of deposit		-	1
Allocation to provisions		1	(17)
Of which provision for risks & liabilities		(1)	(1)
Of which Air France-KLM Finance shares		2	(16)
Total		(40)	(66)

7. Non-recurring income

None.

8. Income tax

Air France-KLM has benefited from the tax consolidation scheme since April 1, 2002. The consolidation scope, for which Air France-KLM is the parent company, mainly includes Air France, HOP! and Transavia France Companies. In 2021, the two entities "SNC Capucine Bail" and "SNC Otter bail" entered the French tax consolidation scope, following their 100% acquisition on 17 December 2020.

The tax consolidation agreement is based on the so-called neutrality method and puts each member company of the tax group in the situation in which it would have been in without consolidation.

Air France-KLM has a tax losses carried forward of €925 million. The Group's cumulative tax losses, which can be carried forward indefinitely, amount to €13 204 million.

The subsidiaries recording a net earning, generated a bonus of 39 million euros in 2021, compared to a tax consolidation corrective adjustment of 2 million euros in 2020 following a correction on the 2019 bonus.

9. Long-Term Investments

9.1 Net book value

(in € million)	Notes	Beginning of year	Allocation	Reversal	End of Year
Equity investments	9.2	4,661	1,023		5,684
Loans & receivables related to long term investment	9.3	7,051	159		7,210
Gross amount	-	11,712	1,182		12,894

9.2 Equity investments

(in € million)	Notes	December 31, 2021	December 31, 2020
Gross value			
Air France		4,841	3,821
KLM		824	824
Air France-KLM Finance		31	31
Transavia Company		4	4
Air France-KLM Mobility		-	-
Big Blank		-	-
Total gross		5,700	4,680
Impairment			
Air France		-	-
KLM		-	-
Air France-KLM Finance		(16)	(19)
Transavia Company		-	-
Air France-KLM Mobility		-	-
Big Blank		-	-
Total impairment		(16)	(19)
Net			
Air France		4,841	3,821
KLM		824	824
Air France-KLM Finance		15	12
Transavia Company		4	4
Air France-KLM Mobility		-	-
Big Blank		-	-
Total Net	9.1	5,684	4,661

9.3 Loans & receivables related to long-term investment

Gross value Notes (in € million)	Notes	Beginning of year	Allocation	Reversal	End of year
Air France		7,030	660	(500)	7,190
KLM		-	-	-	-
Air France-KLM Finance		21		(1)	20
Bigblank		4	-	-	4
Total gross		7,055	660	(501)	7,214
Impairment		Impairment beginning of year	Allocation	Reversal	Impairment end of year
Air France		-	-	-	-
KLM		-	-	-	-
Air France-KLM Finance		-	-	-	-
Bigblank		(4)	-	-	(4)
Total impairment		(4)	-	-	(4)
Net		Net value beginning of year	Allocation	Reversal	Net value end of year
Air France		7,030	660	(500)	7,190
KLM		-	-	-	-
Air France-KLM Finance		21		(1)	20
Bigblank		-	-	-	-
Total Net	9.1	7051	660	(501)	7,210

Air France-KLM has set up a treasury agreement for the benefit of its subsidiary Air France, which has enabled Air France to partially repay the funds received as part of the retrocession of

the State Guaranteed Loan ("PGE") for an amount of 500 million euros (see Note 12.3).

10. Marketable securities

(in € million)	December 31, 2021	December 31, 2020
Gross Value		
Mutual funds, certificates of deposit & marketable term notes ⁽¹⁾	1,111	1,146
Securities Compagnia Aerea Italiana	355	355
Total Gross value	1,467	1,501
Depreciation		
Securities Compagnia Aerea Italiana	(355)	(355)
Total Depreciation	(355)	(355)
Total	1,111	1,146

(1) Of which €1,105 million of marketable securities at less than 3 months for 2021.

The net carrying amount for the marketable securities, mutual funds and certificates of deposit is the market value.

11. Shareholders' equity

11.1 Distribution of share capital and voting rights

The issued capital comprises 642,634,034 fully paid-up shares with a nominal value of one euro. Each share is entitled to one voting right. However, since April 3, 2016, any shareholder who

has been owning registered shares for more than two years is entitled to double voting rights, raising the number of voting rights to 867 682 342 as at December 31, 2021:

	% of capital		% of voting rights	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
French State	28.6%	14.3%	28.2%	20.9%
China Eastern Airlines	9.6%	8.8%	11.4%	12.8%
Dutch State	9.3%	14.0%	13.8%	10.2%
Delta Airlines	5.8%	8.8%	8.7%	12.8%
Employees and former employees ⁽¹⁾	2.5%	3.7%	3.6%	5.4%
Treasury shares	0.2%	0.3%	0.3%	0.4%
Other	44.0%	50.1%	34.0%	37.5%
Total	100%	100%	100%	100%

(1) The line "Employees and former employees" includes the shares held by employees and former employees identified in the "Fonds Communs de Placement d'Entreprise (FCPE)".

11.2 Statement of changes in shareholders' equity

(in € million)	Capital	Additional paid-in capital	Reserves	Earnings for the year	Shareholders' equity
At December 31, 2019	429	4,139	18	(11)	4,575
Allocation of earnings	-	-	(11)	11	-
Earnings for the period	-	-	-	(66)	(66)
At December 31, 2020	429	4,139	7	(66)	4,509
Increase in Capital	214	810			1,024
Allocation of earnings	-	-	(66)	66	-
Earnings for the period	-	-	-	(4)	(4)
At December 31, 2021	643	4,949	(59)	(4)	5,529

12. Financial debt and other equity

(in € million)	Notes	December 31, 2021	December 31, 2020
Other equity			
Perpetual subordinated loan	12.1	3,000	-
Interest on Perpetual subordinated loan	12.1	151	-
Total Other equity		3,151	-
Non-current financial debt			
Bonds	12.2	2,178	1,729
Miscellaneous loans & debts	12.3	3,500	7,000
Total non-current debt		5,678	8,729
Current Financial Debt			
Bonds	12.2	361	289
Accrued interest		67	51
Total current debt		428	340
Total financial debt		6,106	9,069
Total financial debt and Other equity		9,257	9,069

12.1 Perpetual subordinated loan

On April 20, 2021, the €3 billion direct loan granted by the French State to Air France via Air France-KLM at the end of May 2020, was converted into a Perpetual subordinated notes of the same nominal amount, allowing the Group to improve its equity by

€3 billion without impacting cash flow, while increasing the flexibility of its debt repayment profile. The issue consists of three perpetual tranches with a nominal amount of EUR 1 billion each, and a coupon of 7%, 7.25% and 7.5%, each with a first call option at 4, 5 and 6 years respectively (see Note 12.3).

12.2 Bonds

Bond	Issuing date	Amount issued (in millions)	Maturity date	Coupon
Bond issued in 2014	4 Jun 2014	€289	18 Jun 2021	3.875%
€ Bond issued in 2016	5 Oct. 2016	€361	5 Oct. 2022	3.750%
\$ Bond issued in 2016 ⁽¹⁾	12 Dec. 2016	\$145	15 Dec. 2026	4.350%
€ Bond in 2019	25 Mar 2019	€500	25 Mar 2026	0.125%
€ Bond in 2020	16 Jan 2020	€750	16 Jan 2025	1.875%
€ Bond in 2021	01 Jul 2021	€300	01 Jul 2024	3.000%
€ Bond in 2021	01 Jul 2021	€500	01 Jul 2026	3.875%

(1) Issuance bonds with Asian institutional investors by way of unlisted private placement.

On June 4, 2014, Air France-KLM issued €600 million of bonds maturing on June 18, 2021 with an annual coupon of 3.875%. In August 2015, an amount of €200 million has been hedged and converted to a floating rate through a swap and is connected to a floor. On January 16, 2020, a partial repayment of 311 million

euros brought the balance of the loan to 289 million euros. The financial coverage hedge of this loan has been also closed on the same date. On June 18, 2021, Air France-KLM repaid the balance of this loan, i.e. 289 million euros.

On October 5, 2016, Air France-KLM issued €400 million of bonds with a 6 years maturity. The annual coupon arises 3.75%. As of January 16, 2020, a partial repayment of 39 million euros brought the balance of the loan to 361 million euros.

On December 12, 2016, Air France-KLM issued -fully hedged- USD145 million senior notes by way of unlisted private placement to Asian institutional investors. Maturity is December 15, 2026 and annual coupon arises 4.35%. This loan is the object of a complete cover. (see Note 17).

On March 25, 2019, Air France-KLM issued a bond in the form of a bonds convertible into and/or exchangeable for new or existing shares (OCEANE) of €500 million with a 7-year maturity. The coupon rate is 0.125%.

On January 16, 2020, Air France-KLM issued a 5-year, 750 million euros bond. The coupon is 1.875%. 311 million of this new bond has been allocated to the repayment of the 2014 bond and 39 million to the 2016 bond. The remaining amount is intended to finance the company's general expenses.

On July 01, 2021, Air France-KLM issued an 800 million euros bond in two tranches, the first of 300 million euros with a 3-year maturity and a coupon of 3%, and the second of 500 million euros with a 5-year maturity and a coupon of 3.875%.

12.3 Miscellaneous loans & debts

Miscellaneous loans & debts	Issuing date	Amount issued (in millions)	Maturity date	End date	Coupon
€ PGE in 2020	12 May 2020	€4,000	12 May 2023	-	2.50%
€ ACC in 2020	30 Nov 2020	€3,000	30 Nov 2026	20 Apr 2021	7.00%

On May 6, 2020, the Air France-KLM group signed the legal documentation relating to the financing for a total amount of 7 billion euros, announced in its press release of April 24, 2020 and approved by the European Commission on May 4, 2020. This financing includes two loans intended to finance the liquidity needs of Air France and its subsidiaries:

- a loan guaranteed by the French State ("PGE") granted by a syndicate of 9 banks: Crédit Agricole CIB, HSBC France, Natixis, Deutsche Bank Luxembourg SA, Société Générale, Banco Santander Paris Branch, BNP Paribas, Crédit Industriel et Commercial, Crédit Lyonnais (LCL).

The main characteristics are as follows:

4 billion; a 90% guarantee granted by the French State; an initial maturity of 12 months, with a one-year or two-year extension option exercisable by Air France-KLM; a coupon excluding the cost of the French State guarantee at an annual rate equal to EURIBOR (zero rate) plus a margin of 0.75% in the first year, 1.50% in the second year and 2.75% in the third year; a cost of the guarantee granted by the French State initially equal to 0.5% of the total amount of the loan, which will increase to an additional guarantee fee of 1% in each of the second and third years.

On December 10, 2021, in order to smooth the repayment profile of the State Guaranteed Loan beyond its maturity date of 2023, Air France-KLM entered into an amendment to the State Guaranteed Loan with the consortium of banks and the French State and after approval by the European Commission. The amendment modifies the following stipulations of the State Guaranteed Loan:

- the final maturity date of the State Guaranteed Loan has been extended by two additional years and is therefore set at 6 May 2025;

- the State Guaranteed Loan is subject to repayment by amortisation according to the following schedule:
 - 500 million on the date of signature of the amendment,
 - 800 million on 6 May 2023,
 - 1.350 billion on 6 May 2024,
 - 1.350 billion on 6 May 2025;

- the State Guaranteed Loan will bear interest at the rate of: Euribor 3 months (with a floor at zero) with an annual margin of between 0.75% and 2.75%, it being specified that this margin will henceforth apply according to the following schedule: 1.50% from 6 May 2021 (inclusive) until 6 May 2022 (exclusive) and 2.75% from 6 May 2022;

- the guarantee fee will apply according to the following schedule: 1.0% from 6 May 2021 (inclusive) until 6 May 2023 (exclusive) and 2.0% from 6 May 2023. Until 6 May 2023 (excluded), it will be calculated on the basis of the initial amount of EUR 4 billion. Thereafter, the calculation basis will be reduced by the scheduled repayments mentioned above;

- a subordinated shareholder loan ("ACC") granted by the French State to Air France-KLM, the main features of which are as follows:

A total amount of EUR 3 billion; a four-year term, with two consecutive one-year extension options exercisable by Air France-KLM; a coupon payable annually or capitalizable at Air France-KLM's option at a rate equal to 12-month EURIBOR (zero rate) plus a margin of 7% for the first four years, 7.5% for the fifth and 7.75% for the sixth.

On April 20, 2021, the French State issued €3 billion of Subordinated Notes by way of set-off against the shareholder Loan Receivable ("ACC") (see Note 12.1).

13. Maturity of receivables and debt

As of December 31, 2021

(in € millions)

Receivables	Gross amount	Up to one year	More than one year	Related companies
Non-current assets				
Loans and receivables related to long-term investment (Note 9.3)	7,210	210	7,000	7,210
Current assets				
Trade receivables and related accounts	20	20	-	20
Other receivables (including tax receivables)	134	131	3	72
Total	7,364	361	7,003	7,302

As of December 31, 2021

(in € millions)

Debt	Gross amount	Up to one year	More than one year	Related companies
Financial debt (Note 12)	6,106	428	5,678	-
Trade payables and related accounts	18	18	-	5
Tax and social debts	7	7	-	-
Other liabilities ⁽¹⁾	56	56	-	56
Total	6,187	509	5,678	61

(1) Other liabilities comprise, mainly, the tax consolidation accounts of subsidiaries in the Air France-KLM integration tax group.

14. List of subsidiaries and equity investments

Companies or Groups of companies (in € millions)	Share of capital held	Carrying amount of shares held		Loans & advances granted and not reimbursed	Amount of security and guarantees given	Revenues (excl. tax) for financial year	Net profit or loss for financial year	Dividends booked during financial year
		Gross	Net					
Detailed information about individual investment whose gross value exceeds €15 million.								
1. Subsidiaries (held at more than 50%)								
Société Air France (France) ⁽¹⁾	100%	4841	4841	7,000	19	8,141	(1,565)	-
KLM (Netherlands) ⁽¹⁾	99.7%	824	824	-	-	5,622	(1,260)	-
Air France-KLM Finance ⁽¹⁾	100%	31	15	20	-	-	1	-

(1) Statutory financial statements at December 31, 2021.

15. Items concerning related companies

As of December 31, 2021
(in € millions)

			Amount
Trade receivables & related accounts related to long term investment	Of Which	Air France	7,190
		KLM	-
		Air France-KLM Finance	20
Trade receivables & related accounts	Of Which	Air France	10
		KLM	10
		Air France-KLM Finance	-
Other receivables	Of Which	Air France	40
		KLM	21
		Air France-KLM Finance	1
Trade payable and related accounts	Of Which	Air France	4
		KLM	1
Other payables	Of Which	Air France- tax consolidation current account	53
		Other members of the tax group	3

16. Commitments

KLM shares

During the business combination of the Air France and KLM groups, the Dutch government undertook to reduce its stake in KLM proportionally to any reduction by the French government of its stake in Air France-KLM's capital. To this end, the Dutch government had to sell its cumulative preferred shares to Air France-KLM or to a Dutch foundation in the name of and on behalf of Air France-KLM, if the transfer had occurred during the first three years following the business combination.

In the latter case, the foundation would have issue, to the benefit of Air France-KLM, share certificates corresponding to the cumulative A preferred shares transferred to the foundation. These share certificates would have conferred to Air France-KLM all of the economic rights attached to the said shares, the voting rights attached to the said shares being exercised by the foundation until Air France exchanges the share certificates against the said shares.

At the end of the initial three-year period, Air France-KLM had the option to exchange the share certificates against the cumulative A preferred shares, which it could hold directly. As Air France-KLM decided in 2007 to maintain SAK I and SAK II foundations, Air France-KLM did not carry out this exchange. Furthermore, Air France-KLM can decide to dissolve the foundations at any time and at its sole discretion.

Moreover, the Dutch government has the right to sell to Air France-KLM at any time as many cumulative A preferred shares as it wants.

After the sale of 5,103,885 shares to Air France-KLM in April 2005 for €11.6 million, the acquisition price of the 3,708,615 cumulative A preferred shares still held by the Dutch government amounts to €8.4 million (i.e. a unit price of €2.27 per cumulative A preferred share, which has to be paid pro rata during any sale or transfer under the conditions above).

Hedges

The December 18, 2016, \$145 million bond is fully hedged by a cross currency swap. As of December 31, 2021, the fair value of this derivative instrument is € (8) million (see Note 12.2).

Other

Since January 2009, Air France-KLM has acted as a guarantor for Air France Company within the framework of its commitments to Aéroport de Paris in respect of civil leases. This guarantee has been renewed in July 2014 and more recently on 23 September 2019 for a period of 5 years. The guarantee is now expressly limited to €19 million (and, cumulatively, at a maximum of 3 months' rent per contract).

Air France-KLM guarantees a debt that KLM holds on the Airline GOL for an amount of \$50 million. This guarantee expired on 30 June 2021.

Air France-KLM guarantees the payment by Transavia Holland to a lessor, of outstanding operational leases until 2024 for an amount of \$52 million at December 31, 2021.

17. Litigation

Litigation concerning anti-trust laws in the air-freight industry

Air France-KLM, as parent company of Air France, KLM and Martinair, is involved, since February 2006, in investigations initiated by the antitrust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air freight industry with up to twenty-five other airlines.

As of December 31, 2017, most of these investigations have been terminated following the entry into plea agreements between Air France, KLM and Martinair and the appropriate competition authorities providing for the payment of settlement amounts or fines, with the exception of the proceedings initiated by the European Commission, and by the Swiss antitrust authority, which are still pending.

In Europe, the decision of the European Commission of 2010 against eleven air cargo carriers, including the companies of the Group, Air France, KLM and Martinair, was annulled by the General Court of the European Union on 16 December 2015. On 17 March 2017, the European Commission issued a new decision against eleven air cargo carriers, including Air France, KLM and Martinair. The total amount of fines imposed on the Air France-KLM Group is €339 million. This amount has been reduced by €15 million as compared to the initial decision owing to a lower fine for Martinair due to technical reasons. On 29 and 30 May 2017, the Group companies filed an appeal against this decision before the General Court of the European Union. The Group has maintained a provision covering these fines.

In Switzerland, Air France and KLM are challenging a decision imposing a €4 million fine before the relevant court. The subsidiaries of the Group have provisioned the totality of this fine.

Those provisions are booked by each airlines and do not have any impact in the financial statements of Air France-KLM.

18. Contingent liabilities

Following the initiation of various investigations by the competition authorities in 2006 and the European Commission decision in 2010, several collective and individual actions were brought by forwarders and airfreight shippers in the civil courts against Air France, KLM and Martinair, and other cargo operators, in a number of jurisdictions.

Under these civil lawsuits, Air France-KLM is involved as the parent company of the airlines. Shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to alleged competition law infringement.

Air France, KLM and/or Martinair remain defendants, either as main defendants (in particular in The Netherlands, Norway) or as third party interveners brought in these cases by other main defendants under "contribution proceedings". Where Air France, KLM and/or Martinair are the main defendants, they have also initiated contribution proceedings against other airlines.

Although significant amounts have been reported by the media, plaintiffs are mostly claiming for unspecified and/or insufficiently substantiated damages against defendants taken as a whole (and not individually) and the EU decision to which the plaintiffs refer to is still not definitive.

The Group companies and the other airlines involved in these lawsuits continue to vigorously oppose all such civil claims.

Except for the matters specified under the paragraphs 17 and 18, the company is not aware of any governmental, judicial and arbitration dispute or proceedings (including any proceedings of which the issuer is aware, or that are pending or threatened against it) that could have a significant impact on the company's financial position, earnings, assets, liabilities or profitability, for a period covering at least the past twelve months.

19. Subsequent events

There were no post-closing events.

5.9 FIVE-YEAR RESULTS SUMMARY

	December 2021	December 2020	December 2019	December 2018	December 2017
Year ended 31	12 months	12 months	12 months	12 months	12 months
1. Share capital at year end					
Share capital (<i>in €</i>)	642,634,034	428,634,035	428,634,035	428,634,035	428,634,035
Number of ordinary shares outstanding	642,634,034	428,634,035	428,634,035	428,634,035	428,634,035
Number of shares with a priority dividend	-	-	-	-	-
Maximum number of shares that may be created:					
— by bond conversion	27,901,785	27,901,785	27,901,785	-	-
— by exercise of subscription rights	-	-	-	-	-
2. Transactions and results for the year <i>(in € thousand)</i>					
Net revenues	890	-	-	-	-
Net income/(loss) before income tax, employee profit-sharing, net depreciation, amortization and provisions	(43,801)	(47,243)	(32,516)	(56,742)	(73,163)
Income tax	(39,155)	1,636	(17,173)	(12,182)	(35,980)
Employee profit-sharing for the year					
Net income/(loss) after income tax, employee profit-sharing, net depreciation, amortization and provisions	(4,152)	(65,851)	(11,051)	(38,406)	(29,668)
Distributed net income					-
3. Per share data (<i>in €</i>)					
Net income/(loss) after income tax and employee profit-sharing but before net depreciation, amortization and provisions	(0.01)	(0.11)	(0.04)	(0.10)	(0.09)
Net income/(loss) after income tax, employee profit-sharing, net depreciation, amortization and provisions	(0.01)	(0.15)	(0.03)	(0.09)	(0.07)
Dividend per share	-	-	-	-	-
4. Employees					
Average number of employees during the year	10.3	8.5	3.9	-	-
Total payroll costs <i>(in € thousand)</i>	4,060	3,518	1,831	-	-
Employee welfare contributions and similar charges (Social Security, employee organizations, etc.) <i>(in € thousand)</i>	1,990	1,207	636	-	-

5.10 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

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 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 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.

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, 2021 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.

Impact of the health crisis on liquidity risk and going concern (Note 1 to the financial statements)

Risk identified

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 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.

Our response

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 Note 1 to the financial statements.

Measurement of equity securities (Notes 1, 9 and 14 to the financial statements)

Risk identified

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.

Our response

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

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.

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.

Our response

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.

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.

We also assessed the appropriateness of the disclosures in Notes 17 and 18 to the financial statements.

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 - KLMS.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.

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.

Valérie Besson
Partner

Éric Dupré
Partner

Deloitte & Associés

Pascal Colin
Partner

Guillaume Crunelle
Partner

5.11 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

This is a free translation into English of the Statutory Auditors' special report on Related-Party Agreements and Commitments issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided for by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

General Meeting of Shareholders held to approve the financial statements for the year ended December 31, 2021

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

As Statutory Auditors of your company, we hereby present our special report on related-party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions, the purpose, and the benefits to the Company of the agreements of which we were informed or became aware of during our engagement. It is not our role to determine whether they are beneficial or appropriate or to ascertain whether any other agreements exist. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements with a view to approving them.

In addition, we are required to inform you, where appropriate, in accordance with Article R. 225-31 of the French Commercial Code, of the agreements already approved at the General Meeting of Shareholders.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. Our work entailed verifying that the information provided is consistent with the documents from which it was derived.

Agreements submitted for approval at the General Meeting of Shareholders

Agreements authorized and/or concluded during the year

In accordance with the provisions of article L. 225-40 of the French Commercial Code (*Code de Commerce*), we have been informed of the following agreements which have been subject to prior authorization by your Board of Directors throughout the year.

Conclusion of a commitment to subscribe to a capital increase, a subscription contract for the issuance of Super-Subordinated Securities of Indefinite Duration and an amendment to the Shareholder Loan agreement between the Company and the French State

Directors concerned

- French State, shareholder with a fraction of the voting rights greater than 10%;
- Mr. Martin Vial, director representing the French State appointed by ministerial decree.
- Ms. Astrid Panosyan and Mr. Jean-Dominique Comolli, directors appointed at the General Meeting of Shareholders upon the proposal of the French State.

Nature, purpose, terms and conditions

Your Board of Directors, gathered on April 5, 2021 previously authorized the conclusion of the following two agreements and involving, directly or indirectly, the French State, which is a shareholder currently holding 14.3% of the Company's share capital:

- (i) on April 12, 2021, a subscription commitment from the French State for 65.86% of the increase in the Company's

capital (excluding the exercise of the extension clause) with the cancellation of the preferential subscription right and with a period of priority for profit shareholders, with a maximum total number of 213,999,999 new shares (the "Subscription Commitment of the French State to the Capital Increase").

Payment/delivery of 122 560 251 new shares subscribed by the French State intervened on April 22, 2021 for a price of €4.84 per share;

- (ii) on 20 April 2021, a subscription contract relating to the issue by the Company and the subscription by the French State of super-subordinated securities of indefinite duration (the "Super-Subordinated Securities") for a total amount of €3 billion by offsetting the claims it held on the Company under the Shareholder Loan agreement dated 6 May 2020 concluded between the French State and the Company (the "Shareholder Loan") and fully drawn for a total of €3 billion (the "Super-Subordinated Securities Subscription Agreement").

The issue of Super-Subordinated Securities consists of three perpetual maturity instalments with a nominal amount of €1 billion each, each with a first repayment option (call) at 4, 5 and 6 years and then repayable on each interest payment date, bearing interest at the initial rate of 7.00%, 7.25% and 7.50% respectively. These initial interest rates for each instalment will increase to 8.50%, 8.00% and 8.00% respectively, on the first respective prepayment date and at the Company's option, of the relevant instalment. These interest rates will then be revised annually from 20 April 2028, based on the 12-month Euribor rate plus a margin of 10.40%, it being specified that the applicable 12-month Euribor rate will not be less than -0.45%. The Company will have the option to defer payment of interest at its discretion, in whole or in part. Deferred interest on the Super-Subordinated Securities will be accumulated and capitalized.

The payment of interest will nevertheless become mandatory in the event of a dividend payment or the repurchase of equity securities, subject to certain usual exceptions.

These Super-Subordinated Securities may be converted by offsetting receivables in the context of future issues of quasi-equity securities or capital increases.

Your Board of Directors meeting on April 6, 2021 also previously authorized the conclusion, which took place on April 20, 2021, an amendment to the Shareholder Loan concluded between the Company and the French State on May 6, 2020, after the prior authorization of your Board of Directors on April 24, 2020. The purpose of this amendment is to modify certain stipulations of the Shareholder Loan, in order to allow the repayment of the Shareholder Loan by way of conversion into Super-Subordinated Securities issued by the Company.

The financial expenses incurred by the Company over the first twelve-month period, considering that the Company does not use the possibility of deferring interest payments at its

discretion, would amount to approximately €217.5 million for Super-Subordinated Securities.

For the year ended 31 December 2021, the amount of interest recognized as an expense was €151 million for Super-Subordinated Securities and €63 million for the Shareholder Loan (until 20 April 2021).

Reasons justifying the interest of the agreements for the Company

Your Board of Directors considered that:

- the French State's Subscription Commitment to the Capital Increase and the Subscription Contract for Super-Subordinated Securities were to be concluded in order to enable the Group to strengthen its own funds in the context of the Covid-19 crisis;
- the capital increase referred to in the French State's Subscription Commitment to the Capital Increase was thus expected to improve the Group's equity by one (1) billion euros in IFRS and French accounting standards, and to provide the Group with the same amount of cash for the benefit of Air France;
- the issuance of the Super-Subordinated Securities covered by the Super-Subordinated Securities Subscription Agreement was thus expected to improve the Group's equity by €3 billion in IFRS accounting standards, without impact on cash, while increasing the Group's flexibility in its mandatory debt repayment profile spread over time (with a Non-call period ranging from 4 to 6 years). The Amendment to the Shareholder Loan was to make it possible to repay the Shareholder Loan by conversion into Super-Subordinated Securities;
- as this crisis has had a considerable impact on the Company's activity, its financial situation will not allow for a sustainable recovery of activity. Therefore, the conclusion of these agreements appeared necessary for the sustainability of the Company.

Extension of the cooperation agreement concluded with China Eastern Airlines Co. Ltd

Persons concerned

- China Eastern Airlines Co. Ltd, shareholder with a fraction of the voting rights greater than 10%;
- Mr. Jian Wang, director appointed by the general meeting on the proposal of China Eastern Airlines Co. Ltd.

Nature, purpose, terms and conditions

As part of the Group's recapitalization plan announced on April 6, 2021, your Board of Directors meeting on April 5, 2021, previously authorized the conclusion, on June 23, 2021, of an agreement with China Eastern to accelerate their efforts to deepen and expand existing and future cooperation and further strengthen their partnership for transport services between China and Europe (the "CEA Trade Agreement").

The CEA Trade Agreement sets out the ambitions to increase cooperation between China Eastern, the Company, Air France

and Koninklijke Luchtvaart Maatschappij N.V. (KLM). The Parties intend to strengthen their commercial cooperation (exclusive partnership from 1^{er} January 2022 for air passenger transport between Europe and China, improvement of the codeshare offer, reinforced alignment of fares and sales policy, etc.) and expand cooperation.

In particular, the parties undertake to:

- integrate the Paris-Beijing and Amsterdam-Beijing routes into the CEA Trade Agreement, subject to compliance with the agreed terms;
- accelerate their efforts to deepen existing cooperation on trade, operational, marketing and innovation policy aspects, in particular through staff exchanges;
- explore new opportunities for cooperation in the field of passenger transport on the aspects of competition rules, alliances and technologies;

- explore synergies in areas such as ground services, catering, maintenance and non-aviation-related areas such as tourism, hospitality, and car rental; and
- strengthen their strategic coordination within the SkyTeam alliance and IATA.

The ambitions set out in the CEA Trade Agreement do not affect existing agreements between the parties. These ambitions will therefore have to be defined and will subsequently be implemented

separately in the exclusive partnership agreement between the parties for air passenger transport between Europe and China.

Reasons justifying the interest of the agreement for the Company

Your Board of Directors considered that this agreement should be concluded in the context of equity strengthening operations and with the aim of enabling the Group to strengthen its commercial cooperation with China Eastern, as well as its position on the Chinese market.

Conclusion of an amendment to the Loan Guaranteed by the French State

Directors concerned

- French State, shareholder with a fraction of the voting rights greater than 10%;
- Mr. Martin Vial, director representing the French State appointed by ministerial decree.
- Ms. Astrid Panosyan and Mr. Jean-Dominique Comolli, directors appointed at the General Meeting of Shareholders upon the proposal of the French State.

Nature, purpose, terms and conditions

To cope with the impacts of the Covid crisis on the Group's cash flow level, your Board of Directors meeting on 24 April 2020 had previously authorized the conclusion, on 6 May 2020, of a €4 billion loan granted by a consortium of banks and guaranteed 90% by the French State under the regime set up by Law No. 2020.-280 of 23 March 2020 (the "State-Guaranteed Loan"). The French State was a shareholder of the Company to the tune of 14.3% of its share capital at the time of the conclusion of the agreement.

In order to smooth the repayment profile of the State-Guaranteed Loan beyond its 2023 maturity, your Board of Directors meeting on 11 October 2021 has previously authorized the conclusion, reached on December 10, 2021, with the consortium of banks and the French State and after approval by the European Commission, of an amendment to the State-Guaranteed Loan (the "Amendment").

The maturity of the State-Guaranteed Loan, initially planned at one year, renewable once for a period of one or two years by hand of the borrower, was contractually set at May 7, 2023, after exercise by the Company, in February 2021, of the two-year extension option.

The Amendment amended the following stipulations of the State-Guaranteed Loan:

- the final maturity date of the State-Guaranteed Loan is extended by a further two years and is therefore set at 6 May 2025;
- the State-Guaranteed Loan will now be reimbursed by amortization according to the following schedule:

- €500 million on the date of signature of the Amendment. The funds to make this early repayment came from the proceeds of the bond issues of 24 June 2021;
- €800 million as at 6 May 2023;
- €1.350 billion as at 6 May 2024;
- €1.350 billion as at 6 May 2025;

- the State-Guaranteed Loan will bear interest at the rate of: Euribor 3 months (with a floor at zero) with an annual margin between 0.75% and 2.75%, it being specified that this margin will now apply according to the following schedule: 1.50% from 6 May 2021 (inclusive) until 6 May 2022 (excluded) and 2.75% from 6 May 2022;

- the guarantee commission will apply according to the following schedule: 1.0% from 6 May 2021 (inclusive) until 6 May 2023 (excluded) and 2.0% from 6 May 2023 (inclusive) until 6 May 2025 (excluded). Until 6 May 2023 (excluding), it will be calculated on the basis of the initial amount of €4 billion. Subsequently, the basis of calculation will be deducted from the reimbursements provided for and mentioned above.

Mandatory reimbursement clauses ("Mandatory Prepayments") are provided for in the contract, in particular in the case of debt issues resulting from capital market on the bond market up to a limit of 75% of the amounts raised, excluding hybrid instruments, convertible bonds or quasi-equity repayments to be made under bond and convertible lines existing on the date of signature of the Addendum and whose maturity falls during the term of the State-Guaranteed Loan thus extended.

For the year ended 31 December 2021, the amount of the guarantee fee recognized as an expense was €33 million.

Reasons justifying the interest of the agreement for the Company

Your Board of Directors considered that the conclusion of the Amendment allowed the Company to smooth its repayment profile over time and thus balance the schedule of the Group's consolidated debt.

Agreements already approved by the general meeting of shareholders

Agreements approved in prior years which continued to apply during the year

In accordance with Article R. 225-30 of the French Commercial Code, we have been informed of the performance, during the

period, of the following agreements already approved at the General Meetings of Shareholders in prior years.

Blue Skies transatlantic Partnership concluded with Delta Air Lines Inc. and Virgin Atlantic Airways Ltd.

Persons concerned

- Delta Air Lines Inc., shareholder with a fraction of the voting rights greater than 10% and director of the Company, represented by Mr. George N. Mattson, and of Virgin Atlantic.

Nature, purpose, terms and conditions

The Company, Delta and Virgin announced on February 3, 2020 the implementation of their expanded Blue Skies transatlantic partnership (the "Partnership"), as well as confirmation that the Company would not acquire the 31% of Virgin's capital. This last decision, authorized by your Board of Directors meeting on October 30, 2019, led to the modification of the agreements relating to the Partnership that had been concluded on May 15, 2018 and authorized by your Board of Directors at its meetings of March 14 and May 15, 2018, without this impacting the Company's position in the commercial joint-venture associating Delta, Virgin and the Company.

Given the impact of the Covid-19 crisis on the implementation of joint-existing ventures of the Air France group-KLM, your Board of Directors meeting on 4 December 2020 authorized, following the review of the financial conditions of the agreements by the various partners, the temporary adjustment of the provisions relating to the "Settlement" (financial mechanism to allocate revenues and costs generated by the joint-venture) provided for in the Joint Venture Agreement (Joint Venture Agreement). The other provisions of this agreement remain unchanged.

On December 18, 2020, the "waiver" between the Company, Delta and Virgin was signed regarding the adjustment of the financial provisions relating to the "settlement" for the calendar year 2020. In this context, each party waived all rights it could

have in respect of the amounts due to it under the Joint Venture Agreement for the calendar year 2020, and agreed to waive them permanently. In accordance with the waiver conditions, the duration of the waiver may be extended to the financial years of 2021 and 2022 by mutual agreement of the parties due to the length of the repercussions of the Covid-19 epidemic on the operations of the joint-venture.

The Partnership agreements that were in effect in fiscal year 2021 were as follows:

- Joint Venture Agreement (Joint Venture Agreement) between Delta, Virgin, the Company, KLM and Air France, to set up a joint commercial venture between these companies, concluded on 30 January 2020 with effect from 1^{er} January 2020). This agreement was the subject of a "waiver" concerning the adjustment of the financial provisions relating to the "settlement", as mentioned above;
- Implementation Agreement (Implementation Agreement) between the Company, Air France - KLM Finance SAS, Air France, KLM, Delta, Virgin Investments Limited, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Sir Richard Branson, concluded on 9 January 2020 with effect from 1 January 2020 or January 2020;
- agreement between the Company, Delta and Virgin Group, entered into and effective on 30 January 2020, conferring on the Company, subject to certain specific conditions, a right to acquire shares of Virgin Atlantic Limited in the event of a sale by Virgin Group of shares of Virgin Atlantic Limited to a third party. This agreement was not implemented in fiscal year 2021.

Adjustments of the partnership concluded with China Eastern

Persons concerned

- China Eastern Airlines Co. Ltd, shareholder with a fraction of the voting rights greater than 10%;
- Mr. Jian Wang, director appointed by the general meeting on the proposal of China Eastern Airlines Co. Ltd.

Nature, purpose, terms and conditions

Given the impact of the Covid-19 crisis on the implementation of joint-existing ventures of the Air France group-KLM, your Board of Directors meeting on 4 December 2020 authorised, following the review of the financial conditions of the agreements by the various partners, the temporary adjustment of the provisions

relating to the "Settlement" (financial mechanism to allocate revenues and costs generated by the joint) venture) provided for in the partnership agreement concluded with China Eastern on 26 November 2018. The other stipulations of this contract remain unchanged.

On January 15, 2021, the "waiver" between the Company and China Eastern, relating to the suspension of the financial provisions relating to the "Settlement" provided for in the partnership contract. In this context, the parties waive any payment under the partnership contract as of 1^{er} February 2020 and for a period to be mutually agreed between the parties depending on the duration of the effects of the Covid-19 outbreak on the joint-venture.

Conclusion of a Framework Agreement between Air France-KLM, KLM and the Dutch State

Directors concerned

- The Dutch State, shareholder with a fraction of the voting rights greater than 10%;
- Mr. Dirk van den Berg, director appointed at the General Meeting of Shareholders upon proposal of the Dutch State.
- Mr. Cees 't Hart and Mr. Benjamin Smith, joint directors of the Company and KLM.

Nature, purpose, terms and conditions

Your Board of Directors gathered on June 25, 2020 previously authorized to enter, as part of the financial support plan granted by the Dutch state to the Company Koninklijke Luchtvaart Maatschappij NV ("KLM"), a subsidiary of the Company, of a Framework Agreement signed on August 7, 2020 between the Company, KLM and the Dutch State, a shareholder of the Company holding 14% of its share capital.

The Framework Agreement includes a financial support package for KLM for a total amount of €3.4 billion backed by the Dutch State, including two loans for KLM and its subsidiaries:

- a revolving credit facility of €2.4 billion, granted by 11 banks to KLM with a 90% guarantee supported by the Dutch State; and
- a direct loan of €1 billion, granted by the Dutch State to KLM, subordinated to the revolving credit facility.

The loan granted by the Dutch State is subject to certain conditions. These conditions were addressed in a Framework Agreement between the Company, KLM and the Dutch State, which includes, in particular, commitments by KLM on sustainable development and restoring its performance and competitiveness, including a comprehensive restructuring plan and the contribution of its employees. KLM has undertaken to suspend the dividend payments to its shareholders until these two loans have been repaid in full.

Paris-La-Défense, March 24, 2022

The Statutory Auditors

KPMG Audit

Department of KPMG S.A.

Valérie Besson
Partner

Éric Dupré
Partner

Deloitte & Associés

Pascal Colin
Partner

Guillaume Crunelle
Partner

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6.1 HISTORY

Two companies born on the same day

October 7, 1919

KLM, Koninklijke Luchtvaartmaatschappij, is founded, Royal Dutch Airline for the Netherlands and its colonies.

October 7, 1933

Air France is born from the combination of five French airlines (Air Union, Air Orient, Société Générale de Transport Aérien (SGTA), CIDNA and Aéropostale).

Air France and KLM jointly operate the Amsterdam-Rotterdam-Paris route within the framework of a commercial agreement.

1934

First KLM transatlantic flight from Amsterdam to Curaçao in a Fokker F-XVIII Snip.

Air transportation and the two companies take off

1945-46

Air France is nationalized.

KLM flights, interrupted by the war, resume service.

Introduction of scheduled flights to New York in DC-4s, from Paris with Air France and from Amsterdam with KLM. At this time, the flight takes nearly 24 hours.

Air France and KLM are equipped with Constellations and engage in mutual assistance.

1958

Air France and KLM inaugurate the polar route, flying from Paris and Amsterdam to Tokyo *via* the North Pole.

1959-1960

Arrival of the jet era: Air France brings the first Caravelles and B707s into service, reducing the duration of the Paris-New York flight to eight hours. KLM brings its first DC-8 aircraft into service.

1961

Air France bases its operations and maintenance at Orly Sud.

1967

First KLM flight takes off from the new Schiphol airport.

1970-71

The Boeing 747 is first used on long-haul routes by Air France in 1970 and by KLM in 1971.

1974-1982

Air France operations move, in 1974, to the new Terminal 1 at Paris-Charles de Gaulle, then to CDG 2 in 1982.

1976

The supersonic airplane, Concorde, is brought into service, first on the Paris-Rio, Paris-Caracas and Paris-Washington routes then, in 1977, on Paris-New York, connecting the two cities in three hours 45 minutes.

Development of the two majors

1989

Conclusion of an alliance, the first in the history of air transportation, between KLM and the US company Northwest Airlines.

1990

Air France acquires UTA (*Union des Transports Aériens*), founded in 1963.

1991

KLM founds a regional company, KLM Cityhopper, by merging NLM Cityhopper and NetherLines, and reinforces its shareholding in Transavia from 40% to 80%.

1992

Air France and UTA merge, giving Air France a 72% stake in Air Inter after combining its own shareholding in that company with that of UTA.

KLM establishes the first European medium-haul/long-haul transfer platform at Schiphol airport.

First Open Skies agreement between the Netherlands and the United States.

1993

All KLM and Northwest Airlines flights between Europe and the United States are operated within a joint-venture.

1996

Air Inter becomes Air France Europe.

Establishment of Air France's medium-haul/long-haul transfer platform at Paris-CDG.

1997

Air France Europe is merged with Air France.

1999

Air France is listed for trading on the Monthly Settlement Market of the Paris Stock Exchange for the first time on February 22, 1999.

2000

Air France, Aeromexico, Delta Air Lines, Inc. and Korean Air found the SkyTeam and SkyTeam Cargo alliances.

Creation of the Air France regional division following the acquisition of Régional Airlines, Flandre Air, Proteus, Brit Air and CityJet.

2001

Open Sky agreement signed between France and the United States.

Alitalia and CSA Czech Airlines join SkyTeam.

Creation of Air France-KLM, the leading European air transport group**2003**

September 30: Air France and KLM announce their intention to merge through a public exchange offer.

2004

May: Air France-KLM shares are listed for trading on the Euronext Paris and Amsterdam markets as well as on the New York Stock Exchange. Privatization of Air France with the transfer of the majority of its shares to the private sector involving the dilution of the French State's shareholding.

September: Finalization of the Group's organizational structure with the creation of the Air France-KLM holding company, regrouping the two airline subsidiaries, Air France and KLM. KLM and its US partners Northwest Airlines and Continental join the SkyTeam alliance.

December: The French State reduces its shareholding from 44% to 23% by selling shares in the market.

2005-06

The French State reduces its shareholding in Air France-KLM from 23% to 18.6% by selling shares within the framework of the share offer (ORS) reserved to Air France employees.

2006-07

Signature of the Open Skies agreement between Europe and the United States to come into force in March 2008.

2008-09

The US Department of Transportation grants Air France, KLM, Delta Air Lines, Inc. and Northwest anti-trust immunity with the obligation to establish a single transatlantic joint-venture between these four airlines before the end of 2009.

Air France-KLM acquires a 25% equity interest in Alitalia.

2009-10

In April, Air France-KLM and Delta Air Lines, Inc. implement the joint-venture on the North Atlantic joined, in July 2010, by Alitalia.

2012

Launch of the "Transform 2015" plan targeting a €2 billion reduction in net debt, the restoration of the Group's competitiveness and a turnaround in the short and medium-haul network.

2014

In early September, the Group unveils its new strategic plan, "Perform 2020", foreseeing an ongoing improvement in competitiveness and an increase in the Group's exposure to growth markets.

2015

The B787 enters the KLM fleet.

2016

Air France-KLM returns to the offensive with the launch of the new "Trust Together" strategic project.

2017

Air France-KLM takes a further major step in the reinforcement of its strategic partnerships when China Eastern Airlines and Delta Air Lines, Inc. become shareholders.

2018

Anne-Marie Couderc is appointed Chair of the Air France-KLM Board of Directors. Benjamin Smith is appointed Chief Executive Officer.

2019

The longest-standing commercial airline in the world still to be flying under its original name, on October 7, 2019 KLM celebrates its centenary.

The Dutch State acquires 14% of the Air France-KLM share capital.

2020

The public health crisis linked to the Covid-19 pandemic has a major impact on the airline industry and Air France-KLM's activity throughout 2020. Air France-KLM implements a number of strong measures to reduce its costs and preserve cash. The Group also benefits from financial support packages from the French and Dutch States.

2021

The Covid-19 crisis had a significant impact on the Group's results and financial position in financial year 2021 and will continue to do so, in a context where visibility on the recovery of demand is limited, with travel restrictions still in place in most destinations served by the Group.

In 2021, in order to strengthen its cash position, the Group put in place various measures which were approved by the European Commission as part of its decision to authorise an intervention by the French State of up to €4 billion to recapitalize Air France and its holding company.

6.2 GENERAL INFORMATION

Corporate name

Air France-KLM

Trade name

Air France-KLM Group

Registered office

2, rue Robert Esnault-Pelterie, 75007 Paris
Tel: +33 (0)1 43 17 21 96

Mailing address

BP 90112 75326 Paris Cedex 07

Website

www.airfranceklm.com

The Company information figuring on the website is not an integral part of this Universal Registration Document, excepting incorporation by reference.

Legal status

French public company (*société anonyme*) with a Board of Directors

Legislation

French law

Air France-KLM is governed by the French Code of Commerce (*Code de Commerce*) and the provisions of the Civil Aviation (*Code de l'Aviation Civile*) and Transport (*Code des transports*) Codes relating to air transport companies and notably to Air France. The Transport Code (*Code des Transports*) contains a provision designed to safeguard the nationality of air transport companies whose shares are listed for trading on a regulated market.

Incorporation and expiry dates

Incorporated on: April 23, 1947.

Due to expire on: July 3, 2045 barring early liquidation or extension.

Corporate purpose (Article 2 of the Articles of Incorporation)

The primary purpose of Air France-KLM is to hold direct or indirect interests in the capital of air transport companies and, more generally, in any companies in France or elsewhere whose purpose is related to the air transport business.

Trade register

Paris Trade and Company Register: 552,043,002
APE Code: 6420Z

Legal Entity Identifier

969500AQW31GYO8JZD66 (LEI Code)

Consultation of legal documents

The legal and corporate documents relating to Air France-KLM may be consulted at 45 rue de Paris, Tremblay en France, 95737 Paris-CDG Cedex.

Financial year

The financial year begins on January 1 and ends on December 31.

Appropriation of income

After approving the financial statements and taking due note of the income available for distribution, the shareholders vote in the Shareholders' Meeting on the total or partial distribution of such income (with, in the latter case, the appropriation of the undistributed balance to one or more reserve accounts), or the appropriation of all distributable income to one or more reserve accounts.

Relations between Air France-KLM and its subsidiaries

Air France-KLM and its subsidiaries Air France and KLM have signed agreements whose aim is to define the conditions under which Air France and KLM, at the request of Air France-KLM, provide technical and administrative support services to Air France-KLM (intra-group accounting, administrative, legal, financial and IT services).

6.3 INFORMATION ON THE AGREEMENTS CONCLUDED IN CONNECTION WITH THE BUSINESS COMBINATION BETWEEN AIR FRANCE AND KLM

In connection with the business combination taking place in 2004 between Air France and KLM for the creation of the Air France-KLM holding company, agreements were entered into

with various stakeholders, some of whose provisions continue to apply as of the date of this Universal Registration Document.

6.3.1 Agreements relating to the KLM shareholding structure

Holding of shareholder voting rights by two Dutch foundations

In order to continue to comply with specific regulatory requirements relating to KLM air transport operations, a system to separate the rights attached to KLM shares and the exercise of the voting rights attached to these shares by two Dutch foundations (SAK I and SAK II) was put in place in 2004.

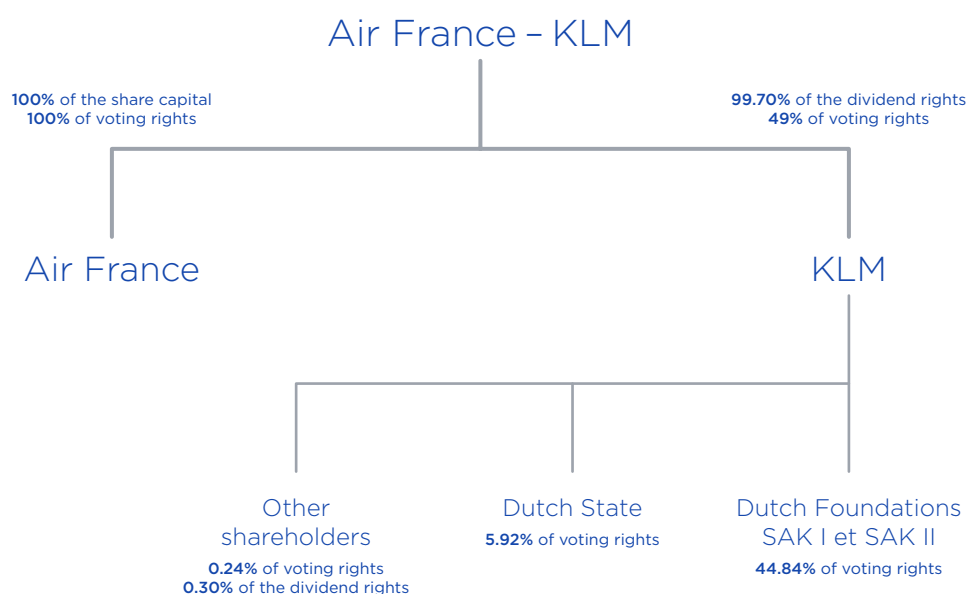
Pursuant to this system which is still in force, Air France-KLM held, as at December 31, 2021, 93.84% of KLM's economic rights, 99.70% of KLM's dividend rights and 49% of KLM's voting rights, while the two Dutch foundations held, together, 44.84% of KLM's voting rights.

Furthermore, as at December 31, 2021, the Dutch State held 5.92% of KLM's voting rights and the remaining minority shareholders held 0.24% of KLM's voting rights and 0.30% of its dividend rights.

In KLM Shareholders' Meetings, the two Dutch foundations, SAK I and SAK II, exercise the voting rights they hold in accordance

with decisions taken unanimously by the three Board directors constituting their respective Boards of Directors, it being specified that these Board directors must act in accordance with the corporate governance principles defined in the agreements relating to the business combination between KLM and Air France, and in the best interests of KLM, Air France-KLM and its shareholders. If a unanimous decision cannot be reached by the three Board directors in the Board of Directors for each of the Dutch Foundations, no resolution may be passed by the Board of the relevant Foundation, which consequently cannot then vote on the relevant resolutions in the KLM Shareholders' Meeting.

Amongst the three Board directors for each of the foundations, one member is appointed by Air France-KLM, one by KLM and the third, acting in the capacity of Chair of the Foundation, is appointed by the first two directors, it being specified that the majority of the members of the Boards of Directors of each Foundation, including the Chair, must be Dutch residents.



Unilateral termination option for Air France-KLM at any time

Initially incorporated in 2004 for a three-year period, the two SAK I and SAK II foundations were however extended for an unlimited period by a 2007 agreement. Nevertheless, this agreement provides that Air France-KLM may, at any time

6.3.2 Agreements with the Dutch State

To enable the completion of the business combination and safeguard KLM's traffic rights, airline status and the scale of its network and operations at Schiphol, Air France and KLM entered into the following agreements with the Dutch State.

Agreement for the acquisition of cumulative preference A shares held by the Dutch State

On October 16, 2003, Air France, KLM and the Dutch State signed an agreement pursuant to which the Dutch State agreed to decrease its interest in KLM proportionately to any reduction by the French State of its stake in Air France-KLM. To this end, the Dutch State will sell its cumulative preferential A shares to Air France-KLM or to SAK I on behalf of Air France-KLM as long as this foundation is maintained. In such case, SAK I will issue share certificates to the benefit of Air France-KLM corresponding to the cumulative preferential A shares transferred to SAK I. These share certificates confer to Air France-KLM the economic right attached to the transferred cumulative preferential A shares, i.e. a right to a dividend, the corresponding voting rights being exercised by SAK I until the share certificates have been exchanged by Air France-KLM against the said shares.

In March 2005, pursuant to the agreement, 5,103,885 cumulative preference A shares were transferred by the Dutch State to SAK I on behalf of Air France-KLM, which received, in return, SAK I share certificates.

At the end of the initial three-year period (2004 to 2007), Air France-KLM had the option to exchange the share certificates against cumulative preferential A shares, and to directly hold the cumulative preferential A shares. Having decided, in 2007, to maintain the SAK I and SAK II foundations, Air France-KLM did not proceed with this exchange but could still do so at any time, in whole or in part. In addition, Air France-KLM is free to decide to dissolve the foundations at any time and at its sole discretion.

Furthermore, the Dutch State benefits from the right to transfer, at any time, as many cumulative preferential A shares as it wishes to Air France-KLM.

These agreements relating to the cumulative preferential A shares remain in force.

Option for the Dutch State to subscribe for preferential KLM B shares

This option granted to the Dutch State lapsed in May 2010.

as of May 6, 2007 and at its sole discretion, terminate this administered shareholding structure for KLM shares through SAK I and SAK II and proceed to regroup the economic and voting rights attached to the KLM shares, thereby holding 93.84% of KLM's voting rights.

Assurances given to the Dutch State

Nature and duration of the assurances - unilateral termination option

Within the framework of the 2004 business combination, Air France and KLM granted the Dutch State, for an initial eight-year period starting from the completion of the business combination (i.e. expiring in 2012), various assurances as to KLM's airline status, its air services and the scale of its passenger and cargo operations at Schiphol airport with a view to maintaining the quality of KLM's network at Schiphol which, according to the Dutch State, is of public interest, while at the same time taking into account the interests of the Air France-KLM Group and its shareholders (the "Assurances").

In return for these Assurances, the Dutch State undertook to take the importance of KLM's activities at Schiphol into consideration when defining its civil aviation policy. Furthermore, the Dutch State agreed to:

- maintain the existing portfolio of traffic rights granted to KLM, other than those that have not been used by KLM over a cumulative period of twelve months;
- continue to review any future request submitted by KLM for the allocation of new traffic rights on a fair and non-discriminatory basis.

Pursuant to an agreement entered into on May 25, 2010, the Dutch State, Air France-KLM and KLM agreed to extend the Assurances given to the Dutch State, with the exclusion, however, of an assurance foreseeing that the combined growth should not negatively impact KLM's operations in the passenger and cargo segment, beyond May 5, 2012 for an indefinite period, subject to Air France-KLM's right to terminate these Assurances, at its sole discretion, with prior notice of nine months. This agreement was confirmed by a meeting between, *inter alia*, the Minister for Transportation of the Netherlands, the Chairman and Chief Executive Officer of Air France-KLM and the President of the Management Board of KLM which took place on March 12, 2015.

Mechanism to ensure compliance with the Assurances

Air France and KLM set up a Dutch foundation, known as the KLM Assurances Foundation (*Stichting Assurances KLM* - duration extended in 2010) to facilitate the provision of binding advice (*bindend advise*) on the interpretation of the Assurances granted to the Dutch State (the "Advice"). These advices are issued by a KLM Assurances Foundation Committee in the event that a decision taken by the KLM Supervisory Board, KLM Management Board or Air France-KLM Board of Directors is considered to be in conflict with the Assurances given to the Dutch State.

When giving its Advice, the KLM Assurances Foundation must act in the best interests of KLM, the Air France–KLM Group and its shareholders.

The Committee is composed of three members:

- one member appointed by Air France–KLM;
- one member appointed by the Dutch State; and
- one member jointly appointed by the first two members as well as by a Board member of the KLM Assurances Foundation appointed by KLM who is not a Committee member; it being specified that the member appointed by Air France–KLM has a double voting right for the appointment of the third Committee member.

The filing of a case with the Foundation's Committee relating to a decision taken by the KLM Supervisory Board, the KLM

Management Board or the Air France–KLM Board of Directors can be made by the Dutch State only in relation to the Assurances given to it.

If the KLM Assurances Foundation Committee issues an Advice indicating that the decision submitted to it contravenes the Assurances given to the Dutch State, the KLM Supervisory Board, the KLM Management Board or the Air France–KLM Board of Directors will be required to cancel or amend its decision as soon as possible and nullify the effects of any measure taken in connection with the said decision, in accordance with the issued Advice. The Committee's decisions are adopted by majority vote of its members.

As at December 31, 2021, no Advice had been rendered by the KLM Assurances Foundation Committee.

6.3.3 Assurances given to KLM

The assurances granted to KLM have been null and void since May 6, 2009.

6.4 LEGISLATIVE AND REGULATORY ENVIRONMENT FOR THE AIR TRANSPORT INDUSTRY

Commercial air transport is governed by eight freedoms, national and supranational legislation, and various international conventions that each State undertakes to apply in its air space after their ratification.

6.4.1 Freedoms of the air and international conventions

In addition to the eight freedoms of the air established by the Chicago Agreements relating to transit and transport (1944), three main treaties establish the legal and regulatory framework for commercial aviation: the Chicago Convention (1944), the Montreal Convention (1999) and the Tokyo Convention (1963). A fourth treaty, the Rome Convention (1952), covers damage caused to third parties on the ground.

Freedoms of the air

Under a bilateral treaty, an air carrier has freedoms that allow it to operate in the air space and the territory of a State other than its State of origin. These eight freedoms are as follows:

- 1st freedom – A carrier that leaves from its State of origin has the right to overfly the air space of a foreign State;
- 2nd freedom – A carrier that leaves from its State of origin has the right to make a technical layover without unloading or loading passengers in a foreign State. This freedom is the “transit right”;
- 3rd freedom – A carrier that leaves from its State of origin has the right to unload passengers from its State of origin in a foreign State;
- 4th freedom – A carrier that leaves from a foreign State has the right to load passengers in this foreign State and unload them in its State of origin;

- 5th freedom – A carrier that leaves from its State of origin has the right to unload and load passengers in two successive foreign States;
- 6th freedom – A carrier that leaves from a foreign State has the right to load passengers in that State and unload them in its State of origin, then in another foreign State;
- 7th freedom – A carrier that leaves from a foreign State has the right to load passengers in that State to unload them in another foreign State, without going through its State of origin;
- 8th freedom – A carrier that leaves from its State of origin has the right to load passengers in a foreign State, to unload them in another city in this same foreign State.

The Chicago Convention (1944)

The Convention relating to international civil aviation, known as the Chicago Convention, sets out the legal, regulatory and technical rules governing commercial aviation and its Member State signatories are required to implement a common legal framework governing their domestic air space and their relations with one another.

Signed on December 7, 1944, the Chicago Convention established the International Civil Aviation Organization (ICAO) as the instrument of cooperation between the 193 signatory States in all areas of civil aviation.

The Montreal Convention (1999)

The Montreal Convention of May 1999, ratified to date by 136 States, aims to provide better protection for passengers suffering damages. This convention entered into force on June 28, 2004. It is based on several fundamental provisions, notably the principle of the unlimited liability of air transport companies in the event of physical injury with the implementation of a two-tier system:

- a first tier that sets an objective liability for the air transport company of up to 128,821 Special Drawing Rights (SDR);
- a second tier, based on a presumption of fault for the air transport company, for which the airline may be exempt if it proves that it or its agents or officials have not been negligent in any way or that the damages result exclusively from the acts of a third party.

The Rome Convention (1952)

The Rome Convention, signed in 1952, covers damages caused to third parties on the ground by foreign aircraft. This convention has not been ratified by France, the Netherlands or the United States. The ICAO's legal commission is currently involved in a major initiative to redraft the wording which would facilitate its ratification by making a distinction between everyday risk and terrorist risk.

The Convention intended to replace the Rome Convention, relating to compensation for damage caused to third parties following acts of unlawful interference with aircraft, signed in Montreal on May 2, 2009 by thirteen States, for the most part African, is still not applicable. It has only been ratified by three of the 35 States required for its entry into force.

6.4.2 European legislation

Single European air space

Within the European Union, these eight freedoms have been supplemented, since April 1, 1997, by common legislation that creates a homogeneous regulatory situation for all European carriers. All European airlines may freely operate and, in particular, perform cabotage operations within a single European air space. Furthermore, any resident of an EU Member State may hold a stake in the shares of any EU-registered airline, without limit, provided that the shareholder is not acting as a front for a beneficial owner who is not a citizen of an EU Member State. The existence of this legislation eliminates the need for bilateral agreements between EU Member States and does not prevent them from participating in the ICAO, nor does it conflict with the principles and regulations of the Chicago Convention.

The Tokyo Convention (1963)

The Tokyo Convention, in force since December 4, 1969, sets out the principles and establishes the procedures for handling offences against penal law (except those of a political nature and based on racial or religious discrimination) and acts endangering the safety of the aircraft or that of the persons and property on board.

One of the specific characteristics of this Tokyo Convention is that it recognizes certain powers and immunities of aircraft commanders, exonerating them, under certain conditions, from responsibility for any harm potentially caused to individuals committing such unlawful acts.

This Tokyo Convention (ratified by France in 1970) is currently the subject of a revision process within the ICAO.

A Protocol to amend the Tokyo Convention was adopted in Montreal on April 4, 2014. It gathered the minimum of 22 ratifications required for its entry into force and is thus applicable in the States having ratified it. It was ratified by France at the beginning of 2021.

This Montreal Protocol expands the jurisdiction by recognizing, under certain conditions, the jurisdiction of the State of Landing and the State of the Operator over offences and acts committed on board aircraft. The establishment of such jurisdiction over offences is mandatory if the criteria stipulated in the Protocol are respected. Furthermore, the Protocol grants legal recognition and some protections to in-flight security officers. It also contains provisions covering matters such as intra-State coordination, due process of law and fair treatment.

Open Skies agreements between Europe and third-party countries

Based on mandates issued by the Council of Ministers, the European Union and its Member States have signed air transport agreements with the following third-party countries:

- **United States:** the agreement signed in April 2007 was amended by a protocol of June 2010 enabling, notably, European airlines to operate an unlimited number of flights, aircraft and routes to the United States from any European airport with the freedom to set prices, and to operate their services within the framework of cooperation agreements with partners of their choice. This agreement does not change the US rules on ownership and control and, similarly, cabotage remains forbidden;
- **Canada:** the agreement signed in December 2009 offers EC carriers similar opportunities to those figuring in the agreement with the United States and also includes the same restrictions;

- **European Union neighboring countries:** the agreement signed with Morocco in December 2006 was the first in a series of agreements signed with European Union neighboring countries: Georgia and Jordan in December 2010, Moldavia in June 2012 and Israel in June 2013. These agreements foresee the liberalization of bilateral air relations subject to the relevant countries adopting the EU aviation-related acquis;
- **Balkan States** (Albania, Bosnia, Macedonia, UNMIK, Montenegro, Serbia): the agreement signed in June 2006 aims to create a common air space. At the end of transition periods that vary by country, the Balkan airlines will benefit in Europe from the same traffic rights as EC airlines. At this stage, only the 3rd and 4th freedom rights have been liberalized.
- **Qatar:** the agreement signed in November 2021 aims, by 2024 and at the end of transition periods that vary by country, to liberalize access to the EC market for Qatari carriers, in return for provisions aimed at guaranteeing the financial transparency of the relevant air carriers and establishing a fair competition framework. At this stage only the 3rd and 4th freedom rights have been liberalized.

In April 2002, the European Union also signed an air transport agreement with Switzerland giving Swiss carriers, which are assimilated with EU carriers, access to all the intra-Community rights with the exception of cabotage.

Access to the market between France and States other than those mentioned above for which there are existing agreements at European Community level remains governed by bilateral aviation agreements signed between France and these third-party States.

Community air transport policy

The regulation applicable to air transportation within the European Union is primarily of European Community origin. The aims as outlined in the work programs of the European Commission are to reinforce the competitiveness of European Community airlines while insisting on the need to reduce the air transport industry's environmental impact and offer a high degree of passenger protection⁽¹⁾. The principal positive measures consist of establishing a legal framework favoring fairer competition between EU and third-party carriers, the

effective implementation of the Single European Sky and a commitment to developing biofuels. The European Commission also proposed a series of measures known as the "Better Airports" package, aimed at reducing the cost of infrastructure use within the European Union. The latter initiatives have only come to very partial fruition due to persistent disagreements within the European institutions. A new European Commission Aviation Strategy was published on December 7, 2015 but the concrete consequences of the proposed measures remain to be evaluated. This strategy should notably be reflected in the adoption of a new EC commercial defense instrument aimed at protecting European airlines against competition from subsidized air carriers from third-party countries.

Management of airport time slots within the context of the pandemic

The regulation concerning the allocation of time slots at European Union airports sets the minimum threshold for slot use at 80%, failing which the airline loses the historic right to utilize these slots. Within the framework of the emergence of Covid-19, the European Commission obtained, by means of a delegated act by Member States, the option to define extraordinary thresholds. For the Summer 2021 Season, the threshold had been set at 50% and was maintained at this level for the 2021/22 Winter season.

European Green Deal and "Fit For 55" legislative package

On July 14, 2021, the European Commission presented a package of 15 draft legislative proposals aimed at reducing net greenhouse gas emissions by 55% by 2030. These draft proposals include four which directly impact the aviation sector. REFUELEU aims to set a mandatory minimum percentage of sustainable aviation fuel for flights on departure from all EU airports. The revised EU-ETS Directive is targeting the phasing out of free quotas for airlines in the EU Carbon Market. The Energy Tax Directive aims to implement a tax on fuel, and the removal of the current exemption for aviation. Lastly, the Carbon Border Adjustment Mechanism is targeting the introduction of a Carbon Tariff on imported goods and services, and envisages its extension to airline operations over the medium term. All these legislative proposals will be debated in the European Parliament during 2022.

6.4.3 Other legal aspects of Air France - KLM's activities

Access to the main international airports is subject to the prior allocation of time slots. A European Regulation covers access to most so-called coordinated European airports (London, Paris, Frankfurt, Milan, Madrid, Amsterdam, etc.). Elsewhere in the world, the allocation of slots is generally done on the basis of recommendations issued by IATA in a Worldwide Slot Guidelines reference document. Countries nonetheless retain sovereignty for defining the modalities of slot allocation and may apply rules that differ slightly from the IATA recommendations (e.g. China, Japan, United States, Dubai, etc.).

For airports within the European Union, each Member State with coordinated airports under its responsibility, after consulting the airlines that regularly use the airports concerned, their representative organizations and the airport authorities, must designate a coordinator or an entity to be responsible for the allocation of slots and the monitoring of their use. Such individuals or entities must have specialized knowledge of coordinating aircraft routes for air transport companies.

(1) The passenger compensation rules are detailed in section 3.1.2 "Risks relating to the air transportation activity".

Slots are allotted twice a year by the designated airport coordinator, at the same time as the airline flight schedules for the relevant IATA season.

The allocation procedure is as follows:

- airlines file their slot applications with the coordinator five months prior to the beginning of each season;
- the coordinator first allocates slots to airlines that already had slots the previous season (known as grandfather rights) for past operations;
- a pool is then created that regroups, for each coordination period, all the available slots, whether they are newly created, unused, abandoned by a carrier or have become available for any other reason;
- finally, the coordinator allocates half of the pooled slots to newcomers and the other half to the other operators.

Since slots are first allocated to existing long-standing operators, and given the expansion plans of all the airlines, requests for new slots are rarely satisfied at saturated airports.

At the end of this preliminary allocation (pre-coordination) process, a conference attended by virtually all airport coordinators and airlines is organized in order to enable the airlines to:

- simultaneously coordinate the slots they are allocated on different airports so that when they operate flights between two coordinated airports they are granted compatible slots by each of them; and
- exchange slots among themselves in the event that the slots originally allocated by the airport coordinators are unsatisfactory.

Within the framework of the public health crisis linked to Covid-19, Regulation No.95/93 was amended for the period from March 1, 2020 to October 24, 2020 to enable slots allocated for this period

to be considered as having been operated by the air carrier to which they were initially granted. On October 14, 2020, in view of the continuing public health crisis and the weak demand for air transportation in the coming months, the European Commission decided to extend this exception from the requirement to the whole Winter scheduling season, i.e. until March 27, 2021. A further amendment to the Regulation enabling the easing of the conditions relating to the operation of slots and covering a period extending until the IATA Summer 2022 Season was adopted on February 16, 2021 (see also paragraph 3.1.2.3 “Loss of flight slots or lack of access to flight slots”).

Reinforcement of passenger compensation rights

See section 3.1.2.4.

Framework for State aid within the context of the public health crisis

In March 2020, the European Commission adopted a Temporary Framework to enable Member States to use the full flexibility foreseen under State Aid rules to support the economy and companies facing the consequences of the public health crisis. Recapitalization measures for companies by Member States will be authorized within this framework until June 30, 2022. The implementation of measures to reinforce the Group’s liquidity (guarantee by the State of a €4 billion bank loan (PGE) and a €3 billion loan from the French State, together with the guarantee by the Dutch State of a €2.4 billion revolving credit facility and a €1 billion loan from the Dutch State) was submitted for prior approval to the European Commission pursuant to the rules on State Aid, applying the aforementioned Temporary Framework. Similarly, the capital-strengthening measures in which the French State participated during 2021 (€593 million of shares subscribed during the capital increase and subscription to €3 billion of Deeply Subordinated Notes) were the subject of prior approval by the European Commission on April 4, 2021.

6.5 INFORMATION AND CONTROL

6.5.1 Person responsible for the Universal Registration Document and for the Annual Financial Report

Benjamin Smith, Chief Executive Officer of Air France-KLM.

6.5.2 Certification by the person responsible for the 2021 Universal Registration Document

April 4, 2022,

I hereby declare that, to the best of my knowledge, the information contained in this Universal Registration Document reflects reality and that nothing has been omitted that would be likely to change the significance thereof.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and

all the companies within the consolidation scope, and that the information contained in the management report figuring on pages 6 to 13, 15 to 49, 59 to 144, 145 to 174, 175 to 197, 198 to 252 and 383 of this Universal Registration Document provides a true and fair view of the changes in the business, results and financial position of the Company and all the companies within the consolidation scope, and that it outlines the main risks and uncertainties that they face.

Benjamin Smith

Chief Executive Officer of Air France - KLM

6.5.3 Statutory Auditors

Incumbent Statutory Auditors

Deloitte et Associés

6 place de la Pyramide,
92908 Paris-La Défense Cedex, France
Represented by Pascal Colin and Guillaume Crunelle
Starting date of first mandate: September 25, 1998
Renewed for a six-year period by the Shareholders' Meeting of May 19, 2016. The Deloitte et Associés mandate will expire at the end of the Shareholders' Meeting on May 24, 2022.

KPMG Audit

A division of KPMG S.A.
Tour EQHO, 2 avenue Gambetta,
CS 60006, Paris-La Défense Cedex
Represented by Valérie Besson and Éric Dupré
Starting date of first mandate: September 25, 2002
Renewed for a six-year period by the Shareholders' Meeting of May 26, 2020.

Deputy Statutory Auditors

BEAS

A limited liability company (*société à responsabilité limitée*)
7/9 Villa Houssaye, 92200 Neuilly-sur-Seine
Nanterre Trade and Company Register: 315,172,445
Starting date of first mandate: September 25, 1998
Renewed for a six-year period by the Shareholders' Meeting of May 19, 2016.

Salustro Reydel

A simplified joint stock company
(*société par actions simplifiée*)
Tour EQHO, 2 avenue Gambetta,
92066 Paris-La Défense Cedex
Nanterre Trade and Company Register: 652,044,371
Starting date of first mandate: May 26, 2020
Appointed for the first time during the Shareholders' Meeting of May 26, 2020

6.5.4 Head of Investor Relations

Frédéric Kahane

Mailing address: Air France - KLM/AFKL.FI
95737 Paris-CDG Cedex

6.5.5 Documents available to the public

Amongst the documents available on the Company's website (www.airfranceklm.com) figure, notably:

- the 2021 Universal Registration Document;
- the 2021 first-half financial report;
- the 2020 Universal Registration Document and the 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 Registration Documents filed with the *Autorité des Marchés Financiers*;
- the financial press releases (traffic, quarterly, half-year and annual results);
- the offering memoranda;
- the financial presentations;
- the Company's Articles of Incorporation.

6 Other information

GLOSSARIES AND TABLES OF CONCORDANCE

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AIR TRANSPORT GLOSSARY

A4E

Airlines for Europe. On January 20, 2016, at the European Aviation Summit, the five largest European airline groups – Air France–KLM, easyJet, International Airlines Group, Lufthansa Group and Ryanair – announced the creation of the new association.

The five groups, which carry more than 50% of passengers in Europe, chose to join forces with the aim of influencing European aviation policy.

A4E aims to replace the AEA in lobbying the European Commission effectively on at least three major measures:

- reducing European airport charges;
- ensuring a safe and efficient air space by reducing the cost of air traffic control (ATC);
- stimulating increased economic activity and employment by creating an appropriate regulatory framework.

AEA

Association of European Airlines. Created in 1952, notably by Air France and KLM, the AEA represents the interests of its members within the European Union institutions, the European Civil Aviation Conference and other organizations and associations.

Available seat-kilometers (ASK)

Total number of seats available for the transportation of passengers multiplied by the number of kilometers traveled.

Available ton-kilometers (ATK)

Total number of tons available for the transportation of cargo, multiplied by the number of kilometers traveled.

Biometry

Technique enabling the identity of an individual to be verified, while crossing a national border for example, through the automatic recognition of certain pre-recorded physical characteristics.

Coordinated airport

Airport where a coordinator has been appointed to allocate landing and take-off slots according to rules established in advance. All large European Union airports are coordinated.

Cabotage

Airline cabotage is the carriage of air traffic that originates and terminates within the boundaries of a given country by an air carrier of another country.

Capacity

Capacity is measured in available seat-kilometers.

Catering

In-flight catering involves the planning and preparation of meals and the assembly of meal trays destined to be served on board an aircraft.

Codeshare

In accordance with a codeshare agreement, two partner airlines offer services on the same aircraft, each under their own brand, their own IATA code and their own flight number. Codesharing may take two forms. In the first case, the two airlines purchase and sell seats to and from each other at an agreed price. The airline which has purchased the seats then markets them under its brand and at its fares. In the second case, under the system known as free flow, the two airlines are allowed to sell all the seats on the flights involved. Each airline retains the revenues generated on the flight it operates and remunerates the other airline for the number of seats the latter has sold on its aircraft.

Combi

Aircraft whose main deck is equipped for the transportation of both passengers and cargo. The freight is stored at the back of the aircraft and is accessed by a specially-fitted cargo door.

Connecting traffic

Traffic between two destinations which are not linked by a direct flight.

DGAC

Direction Générale de l'Aviation Civile. Under the authority of the French Ministry of Transport, the DGAC is in charge of the security of air transport and of air space in France.

DGTL

Directoraat-Generaal Transport en Luchtvaart. Under the authority of the Dutch Ministry of Traffic and Public Works, the DGTL is in charge of the security of air transport and of air space in the Netherlands.

E-services

Range of ground services offered by Air France and KLM to their passengers, based on the new information technologies. E-services notably enable passengers to check in using self-service kiosks or *via* the airlines' websites as well as the use of electronic tickets.

EASA

European Aviation Safety Agency. EASA develops safety and environmental protection expertise in civil aviation in order to assist the European institutions to establish legislation and implement measures regarding aircraft security, organizations and associated staff.

Electronic ticket

All the journey information for one or several passengers which, instead of being printed, is recorded in an airline's IT database, once the reservation has been made and paid for. An electronic or e-ticket replaces a traditional paper ticket.

FAA

Federal Aviation Administration. Body responsible for civil aviation security in the United States.

Handling

Preparation of the aircraft, involving loading and unloading, as well as the associated logistics such as management and storage of hotel products.

Hub

Term used for a transfer platform where departures and arrivals are scheduled to minimize transit times. Air France – KLM disposes of two of the four major European hubs: Paris-CDG and Amsterdam-Schiphol. The Air France and KLM hubs are organized into successive waves for arrivals and departures each day in order to increase the transfer opportunities for customers.

IATA

International Air Transport Association. Created in 1945, IATA establishes regulations for the air transport industry and provides its members with a framework for the coordination and proper implementation of tariffs, together with various commercial and financial support services.

ICAO

The International Civil Aviation Organisation, a UN Specialized Agency, promotes the safe, secure and sustainable development of civil aviation worldwide. It establishes the standards and regulations required to ensure the safety, security, efficiency and continuity of aviation operations as well as the protection of the environment.

Joint-venture

Joint company with two partners, often held equally with 50% each. This type of shareholder structure notably allows the implementation of technological or industrial alliances in order to undertake specific projects common to both partner companies.

Load factor

Revenue passenger-kilometers (RPK) divided by available seat-kilometers (ASK). In the cargo activity this is revenue ton-kilometers (RTK) divided by available ton-kilometers (ATK).

Multi-hub

System linking several hubs, allowing customers to access the networks developed from each hub, thus multiplying the round-trip offer to and from worldwide destinations.

Premium

Fare classes corresponding to business or first class.

Over-reservation or over-booking

Over-reservation or over-booking consists of accepting more bookings than seats available. Practiced by all airline companies and permitted by European legislation, over-booking enables management of the fact that some passengers cancel their trips but not their reservations. It thus allows many passengers to find a seat on board flights that could have departed with available seats. Airlines usually have a passenger compensation policy.

Point-to-point traffic

Traffic between two airports, excluding passengers prolonging their trip with a connecting flight.

Revenue management

Technique designed to optimize revenue on flights, by constantly seeking a better balance between the load factor and the fares offered.

Revenue passenger-kilometer (RPK)

Total number of paying passengers carried multiplied by the number of kilometers traveled.

Revenue ton-kilometer (RTK)

Total number of tons of paid cargo multiplied by the number of kilometers that this cargo is carried.

Safety and security

Airline safety includes all the measures implemented by air transport professionals aimed at ensuring the reliable operation and maintenance of aircraft.

Airline security involves all the measures taken by air transport professionals to prevent any illicit or malicious act. Air transport is particularly exposed to terrorist acts due to the considerable media impact offered by such activity. Airline security notably includes baggage screening, and the screening and questioning of passengers.

Self-service check-in kiosk

Self-service check-in kiosks, available in airport departure halls, allow passengers to check in and print their own boarding cards, without having to go to a check-in counter.

Segment

Section of a flight between two destinations. The number of passengers is calculated by segment carried.

Slot

A slot represents clearance given for a carrier to land at or take off from an airport at a specified time and date.

Sub-fleet

All the aircraft of the same type, with identical technical and commercial characteristics (engines, cabin configuration, etc.).

Summer season

Defined by IATA as the period running from the last Saturday in March to the last Saturday in October. The summer season corresponds to a schedule of summer flights over a period of seven months.

Traffic

Traffic is measured in revenue passenger-kilometers (RPK).

Unit revenue

In the passenger business, corresponds to the revenue for one available seat or for one paying passenger transported over one kilometer. In the cargo business, corresponds to the revenue for one available ton or one ton transported over one kilometer.

Winter season

Defined by IATA as the period running from the first Sunday following the last Saturday in October to the Friday before the last Saturday in March. The winter season corresponds to a schedule of winter flights over five months.

FINANCIAL GLOSSARY

Adjusted net interest charges

The net financial charges are adjusted for the portion of operating leases (34%) deemed to be interest charges.

ADR

American Depositary Receipt. ADRs are negotiable certificates representing a specific number of shares with a nominal value in dollars. The Air France-KLM level 1 ADR program is traded on the OTC Pink Open Marketplace.

Earnings per share

Net income divided by the average number of shares for the period.

EBITDA

Earnings before interest, taxation, depreciation and amortization.

Fuel hedging

Financial mechanism aimed at protecting Air France-KLM from the risk of a rise in the fuel price. Involves purchasing financial instruments, mostly in the form of options, whose value fluctuates as a function of the jet fuel price and the related oil products (oil, diesel). The hedging strategy is detailed in Note 36.1.

IFRS

International Financial Reporting Standards. International accounting standards used by European Union listed companies to establish their consolidated financial statements. Adopted on January 1, 2005, they allow investors to compare European companies more easily.

ISIN

International Securities Identification Number. Attributed to securities listed for trading on the Euronext market.

Market capitalization

The market capitalization corresponds to the share price multiplied by the number of shares comprising the Company's capital.

Net result, Group part

Corresponds to the net result, minus the share reverting to the minority shareholders in fully consolidated subsidiaries.

Result from current operations

The result from current operations corresponds to the difference between revenues and the operating expenses incurred (external expenses, salaries and related costs, and amortization, depreciation and provisions). It represents what the Company earns from its main activity before the impact of financial and exceptional items.

Return on Capital Employed (ROCE)

A measure of the returns that a company is making on the capital employed to ensure its business activity. The calculation method is detailed in section 5.3.

Revenues

Revenues correspond to the total sales generated by the Air France-KLM Group in its three core businesses (passenger, cargo, maintenance) and in its ancillary activities. The revenues from airline operations are recognized on realization of the transportation, net of any potential discounts granted. Consequently, when passenger and cargo tickets are issued, they are recorded in balance sheet liabilities under deferred revenue on ticket sales (see Note 33).

Share capital

Corresponds to the total contributions either financial or in kind made by the shareholders either at the time the company is created or during capital increases. It is equal to the number of shares multiplied by the nominal value of the share.

Stockholders' equity

Stockholders' equity represents accounting value of the capital contributed by the shareholders to establish the company or subsequently, or left at the disposal of the company as income not distributed in the form of dividends. Corresponds to total balance sheet assets, net of total debt.

TPI

Titre au Porteur Identifiable or identifiable bearer shares. TPI analysis enables a company to identify its shareholders holding stock in bearer form.

TABLE OF CONCORDANCE FOR THE UNIVERSAL REGISTRATION DOCUMENT

This concordance table is based on the main headings required by the Delegated Regulation (EU) 2019/980 of March 14, 2019 (“the Regulation”), supplementing the provisions of Regulation (EU) 2017-1129 of June 14, 2017, and provides the page numbers in this Universal Registration Document on which the relevant information for each of this headings can be found.

No	Information based on Annex 1 of the Regulation	Pages
1	Persons responsible, information from a third party, from experts' reports and approval by the competent authority	
1.1	Persons responsible	405
1.2	Information from a third party, from experts' reports and declarations of interest	Not applicable
2	Statutory Auditors	405
3	Risk factors	146 to 164
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5.1	Principal activities	30 to 45
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5.3	Important events in the development of the issuer's business	6 to 13
5.4	Strategy and objectives	22 to 29
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6	Organizational structure	
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8	Capital resources	
8.1	Information on the Group's capital resources	132 to 144, 319 to 321 and 377
8.2	Sources and amounts of cash flows	161 to 164, 254 to 255, 270 to 274 and 355 to 356
8.3	Information on borrowing requirements and funding structure	161 to 164, 254, 257 to 259, 261 to 263, 332 to 339, 345 to 350 and 377
8.4	Restrictions on the use of capital resources having materially affected or potentially materially affecting the Group's activities	161 to 164, 320, 332 to 336
8.5	Anticipated sources of funding	6 to 7, 161 to 164

No	Information based on Annex 1 of the Regulation	Pages
9	Regulatory environment	401 to 404
10	Information on trends	6 to 13
	Update on recent events linked to Covid-19	6 to 13 and 264
11	Profit forecasts or estimates	sans objet
12	Administrative, management and supervisory bodies, and the Senior Management	60 to 83, 130 to 131
12.1	Information relating to members of the Board and the Senior Management	60 to 83, 130 to 131
12.2	Conflicts of interest affecting members of the Board of Directors and the Senior Management	92 and 93
13	Compensation and benefits	
13.1	Compensation and benefits in kind	106 to 130
13.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	131 and 353
14	Functioning of the administrative and management bodies	84 and 85
14.1	Mandates of the members of the Board of Directors	60 to 83
14.2	Service contracts binding the members of the management bodies	92
14.3	Information on the Audit Committee and the Remuneration Committee	100 to 104
14.4	Statement of compliance with a Corporate Governance regime	84 and 105
14.5	Potential material impacts on Corporate Governance	105
15	Employees	185 to 203
15.1	Number of employees and breakdown of persons employed	198 to 199 and 299
15.2	Shareholdings and stock options held by members of the Board of Directors and the Senior Management	62 to 83, 120 and 121, 135 to 140, 319 to 321
15.3	Employee shareholding in the issuer's share capital	Not applicable
16	Major shareholders	
16.1	Identification of the main shareholders	135 to 143
16.2	Existence of specific voting rights	132
16.3	Control of the issuer	Not applicable
16.4	Agreements known to Air France-KLM which could lead to a change in control	140
17	Related party transactions	353 to 356
18	Financial information concerning the issuer's assets and liabilities, financial position and results	
18.1	Historical financial information	4 and 5, 265 to 361, 362 to 368, 369 to 383
18.2	Interim and other financial information	Not applicable
18.3	Auditing of historical annual financial information	362 to 368, 384 to 389
18.4	Pro forma financial information	Not applicable
18.5	Dividend policy	140
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Glossaries and tables of concordance

Table of concordance for the Universal Registration Document

No	Information based on Annex 1 of the Regulation	Pages
19	Additional information	
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19.2	Memorandum and Articles of Incorporation	132 to 135, 141 to 143 and 398
20	Material contracts	137 to 139
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INFORMATION INCLUDED BY REFERENCE

Pursuant to Article 19 of Regulation (EU) 2017-1129 of the European Parliament and of the Council of June 14, 2017, the following information is included by reference in this Universal Registration Document:

2020 Financial Year

The Universal Registration Document for the 2019 financial year was filed with the *Autorité des Marchés Financiers* on April 7, 2021 under the registration number D. 21-0270. The consolidated financial statements are presented on pages 246 to 339 and the related Statutory Auditors' report on pages 340 to 346. The full statutory financial statements can be found on pages 347 to 360 and the related Statutory Auditors' certification on pages 362 to 366. The selected financial information is presented on pages 4 and 5 of the Universal Registration Document. The management report figures on pages 6 to 12, 13 to 43, 47 to 129, 131 to 160, 161 to 180, 182 to 234 and page 361. The elements shown in blue in the document relate to the updating of the paragraphs in the management report to, notably, take into account the crisis in Ukraine.

2019 Financial Year

The Registration Document for the 2019 financial year was filed with the *Autorité des Marchés Financiers* on April 17, 2020 under the registration number D. 20-0313. The consolidated financial statements are presented on pages 234 to 320 and the related Statutory Auditors' report on pages 321 to 326. The full statutory financial statements can be found on pages 327 to 339 and the related Statutory Auditors' certification on pages 340 to 343. The selected financial information is presented on pages 4 and 5 of the Registration Document. The management report figures on pages 6 to 108, 33 to 413, 118 to 128, 129 to 154, 155 to 220, and page 139. The elements highlighted in blue in the document relate to a comprehensive update of the paragraphs in the management report following the Covid-19 public health crisis.

TABLE OF CONCORDANCE FOR THE ANNUAL FINANCIAL REPORT

This Universal Registration Document contains all the elements of the financial report as referred to in Article L. 451-1-2 of the French Monetary and Financial Code (*Code Monétaire et Financier*)

and required by Article 222-3 of the AMF's General Regulation. The table below resumes the elements of the financial report.

Elements required	Pages of the Universal Registration Document
The annual statutory financial statements	369 to 382
The Group's consolidated financial statements	265 to 361
Corporate governance report	59 to 144
Management report	6 to 13, 15 to 49, 59 to 144, 145 to 174, 175 to 197, 198 to 252 and 383 The elements included as we finalize this 2021 Universal Registration Document as of April 1 st , 2022, appear in <i>bold italic blue</i> .
Certification by the person responsible for the Annual financial report	404 and 405
Statutory Auditors' report on the statutory financial statements	384 to 389
Statutory Auditors' report on the consolidated financial statements	362 to 368
Statutory Auditors' fees	357



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GROUP