



KPMG SA  
Tour EQHO  
2 Avenue Gambetta  
CS 60055  
92066 Paris La Défense Cedex



PricewaterhouseCoopers Audit  
Simplified joint stock company  
(société par actions simplifiée)  
63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

# Air France-KLM S.A.

Statutory Auditors' special report on related-party agreements

Annual General Shareholders' Meeting for the approval of the financial statements for the year ended December 31, 2022

Air France-KLM S.A.

7 Rue du Cirque 75008 Paris

KPMG SA  
société française membre du réseau  
KPMG constitué de cabinets  
indépendants adhérents de KPMG  
International Limited, une société de droit  
anglais ("private company limited by  
guarantee").

SA  
Société de commissariat aux comptes  
Siège social : Tour EQHO  
2 Avenue Gambetta  
CS 60055  
92066 Paris La Défense Cedex  
775726417 RCS NANTERRE

PricewaterhouseCoopers Audit SAS  
Société de commissariat aux comptes  
Siège social :  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex  
RCS NANTERRE



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PricewaterhouseCoopers Audit  
SAS  
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92208 Neuilly-sur-Seine Cedex

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

7 rue du Cirque, 75008 Paris, France

### ***Statutory Auditors' special report on related-party agreements***

Annual General Shareholders' Meeting for the approval of the financial statements for the year ended December 31, 2022

*This is a free translation into English of the Statutory Auditors' special report on related party agreements 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.*

In our capacity as Statutory Auditors of Air France-KLM S.A. (hereinafter the "Company"), we hereby report to you on related party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R. 225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R. 225-31 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the Annual General Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

## **AGREEMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL SHAREHOLDERS' MEETING**

### ***Agreements authorized and entered into during the year***

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following agreements entered into during the year or since the year-end, and authorized in advance by the Board of Directors during the year.

### ***Redemption of part of the undated deeply subordinated notes***

#### **Persons concerned**

- The French State, a shareholder owning more than 10% of voting rights;
- Astrid Panosyan, until her resignation on June 21, 2022, and Jean-Dominique Comolli, both members of the Board of Directors of the Company, appointed by the Annual General Shareholders' Meeting as proposed by the French State;
- Pascal Bouchiat co-opted as a director on October 3, 2022, as proposed by the French State, to replace Astrid Panosyan; and
- Stéphanie Besnier, director representing the French State appointed by ministerial order.

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### Nature, purpose and conditions

Within the framework of the planned recapitalization of Air France-KLM (the "Group") announced on April 6, 2021, the Company entered into a subscription agreement on April 20, 2021 relating to the issue by the Company and subscribed by the French Republic of undated deeply subordinated notes for a total amount of €3 billion, divided into three tranches of €1 billion each, redeemable in April 2025 (the "NR4 Deeply Subordinated Notes"), April 2026 (the "NR5 Deeply Subordinated Notes") and April 2027 (the "NR6 Deeply Subordinated Notes") (together, the "Undated Deeply Subordinated Notes").

On June 16, 2022, the Company redeemed a total of €645,075,390.15, corresponding to the principal amount of 6,381 NR4 Deeply Subordinated Notes plus interest in order to allow the French State to subscribe to the capital increase with preferential subscription rights carried out by the Company on June 16, 2022 (the "Capital Increase with Preferential Subscription Rights"). The Board of Directors, meeting on June 15, July 28 and December 8, 2022, previously authorized the conclusion of the following three agreements involving, directly or indirectly, the French State, which held 28.6% of the Company's share capital on the date the agreements were entered into:

- on June 16, 2022, redemption by the Company of (i) the remaining NR4 Deeply Subordinated Notes and the related interest, i.e. 3,619 securities, for an amount of €365,856,109.85 and (ii) 6,308 NR5 Deeply Subordinated Notes and the related interest for an amount of €637,941,854.52;
- on July 29, 2022, redemption by the Company of (i) the remaining NR5 Deeply Subordinated Notes and the related interest, i.e. 3,692 securities, for an amount of €376,533,419.60 and (ii) 1,179 NR6 Deeply Subordinated Notes and the related interest for an amount of €120,322,497.41; and
- on December 9, 2022, redemption by the Company of 2,871 NR6 Deeply Subordinated Notes and the related interest for an amount of €300,845,400.57 (the "Redemption").

It was decided, in agreement with the French State Shareholdings Agency (*Agence des Participations de l'État*) (the "APE"), to set the redemption price of the securities as the sum of the nominal amount and the value of the coupons accrued at the Redemption dates. This corresponds to:

- an additional cost compared to the aggregate nominal amount of €7.0 million for the 6,381 NR4 Deeply Subordinated Notes used by the APE to subscribe to the capital increase with preferential subscription rights;
- an additional cost compared to the aggregate nominal amount of €4.0 million for the 3,619 NR4 Super-Subordinated Notes, and an aggregate €7.1 million for the 6,308 NR5 Super-Subordinated Notes, redeemed following receipt of the funds from the capital increase with preferential subscription rights;
- an additional cost compared to the aggregate nominal amount of €7.3 million for the 3,692 NR5 Deeply Subordinated Notes and an aggregate €2.4 million for the 1,179 NR6 Deeply Subordinated Notes, redeemed following Apollo's subscription to the securities issued by AFI Spare Engine Management SAS, a subsidiary of the Company;
- an additional cost compared to the aggregate nominal amount of €13.7 million of the 2,871 NR6 Super-subordinated Notes redeemed following a bond issue in November 2022.

### Reasons why the agreement is beneficial for the Company

The Board of Directors considered that the redemptions were carried out in order to allow the Company to partially redeem the Undated Deeply Subordinated Notes issued by the Company on April 20, 2021 for a total amount of €3 billion and fully subscribed by the French State, by way of setting of receivables that it held against the Company under the shareholder's current account agreement of May 6, 2020, between the French State and the Company. The outstanding principal amount of Undated Deeply Subordinated Notes to be redeemed now amounts to €595,000,000 and corresponds to 5,950 NR6 Deeply Subordinated Notes.



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***Commercial cooperation agreement between Air-France-KLM, Air France, KLM, CMA CGM Air Cargo and CMA CGM***

**Persons concerned**

- CMA CGM, a shareholder of the Company with 8.3% of the voting rights; and
- Rodolphe Saadé, director appointed by the Annual General Shareholders' Meeting of the Company on May 24, 2022 as proposed by CMA CGM.

**Nature, purpose and conditions**

On December 9, 2022, the Company entered into a commercial cooperation agreement for air cargo with Air France, KLM, CMA CGM Air Cargo and CMA CGM, which holds 9% of the Company's share capital (the "Cooperation Agreement"). The Board of Directors of the Company authorized the Cooperation Agreement in advance at its meeting on December 8, 2022.

The main terms and conditions of the Cooperation Agreement, as well as those of CMA CGM's investment in the Company's capital through a capital increase carried out by the Company on June 16, 2022 (the "Investment"), were approved on May 17, 2022 by the Company's Board of Directors.

The Cooperation Agreement covers cargo capacity in the air freight sector, and will enable the Air France-KLM and CMA CGM groups to pool their cargo networks, their all-cargo aircraft capacity and their services dedicated to this sector, and to jointly market their air freight capacity.

The Cooperation Agreement was entered into for an initial period of ten years from its entry into force once the usual conditions for this type of transaction have been met.

The parties' objective is to be able to begin commercial cooperation in the second quarter of 2023, subject to the approval of the relevant legal and regulatory authorities.

In this context, the Company and CMA CGM agreed on November 28, 2022, by way of an amendment to the Investment Agreement dated May 22, 2022, to extend from December 1, 2022 to December 9, 2022 the early expiration period of CMA CGM's undertaking to retain the shares of the Company made at the time of the Investment. In view of the signature of the Cooperation Agreement on December 9, 2022, this lock-up undertaking will remain in force, in accordance with its terms.

**Reasons why the agreement is beneficial for the Company**

The Cooperation Agreement is expected to generate revenue synergies for the Company, particularly through the joint definition of all-cargo aircraft networks and opportunities offered by the extension of the range of transport products and services offered. The Cooperation Agreement will build on the strength of the Air France-KLM brand, its experience and capacities in air cargo, supported by its global cargo network. CMA CGM will mobilize its extensive sales network and capacities and complement this offering with innovative logistics and multimodal solutions.

The Cooperation Agreement is a commercial agreement, the costs and benefits of which for the Company are not quantifiable at this stage. It had no impact on the financial statements for the financial year 2022.

## **AGREEMENTS ALREADY APPROVED BY THE ANNUAL GENERAL SHAREHOLDERS' MEETING**

### ***Agreements approved in previous years that continued to be implemented during the year***

In accordance with Article R. 225-30 of the French Commercial Code, we were informed of the following agreements, approved by the Annual General Shareholders' Meeting in previous years, which continued to be implemented during the year.

### ***Subscription agreement for the issue of Undated Deeply Subordinated Notes entered into on April 20, 2021***

#### **Persons concerned**

- The French State, a shareholder owning more than 10% of voting rights;
- Astrid Panosyan, until her resignation on June 21, 2022, and Jean-Dominique Comolli, both members of the Board of Directors of the Company, appointed by the Annual General Shareholders' Meeting as proposed by the French State;
- Pascal Bouchiat co-opted as a director on October 3, 2022, as proposed by the French State, to replace Astrid Panosyan; and
- Stéphanie Besnier, director representing the French State appointed by ministerial order.

#### **Nature, purpose and conditions**

As indicated in the "Redemption of part of the Undated Deeply Subordinated Notes" agreement above, within the framework of the Group's recapitalization plan announced on April 6, 2021, the Company entered into a subscription agreement on April 20, 2021 relating to the issue by the Company and the subscription by the French State of Undated Deeply Subordinated Notes for a total amount of €3 billion.

This agreement remained in effect in 2022 and gave rise to partial redemptions, described in the above section regarding the agreement authorized and entered into during the year.

### ***Extension of the cooperation agreement between the Company, Air France, KLM and China Eastern Airlines***

#### **Persons concerned**

- China Eastern Airlines Co Ltd. ("China Eastern Airlines"), a shareholder with 5.7% of the voting rights; and
- Jian Wang, director appointed by the Annual General Shareholders' Meeting, as proposed by China Eastern Airlines.

#### **Nature, purpose and conditions**

As part of the Group's recapitalization plan announced on April 6, 2021, the Company entered into an agreement with China Eastern Airlines on June 23, 2021 to accelerate their efforts to deepen and broaden their 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, the Company, Société Air France and Koninklijke Luchtvaart Maatschappij N.V. ("KLM"). 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 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 within the SkyTeam alliance and IATA.

***French State-backed loan entered into on May 6, 2020, as amended on December 10, 2021***

**Persons concerned**

- The French State, a shareholder owning more than 10% of the voting rights;
- Astrid Panosyan, until her resignation on June 21, 2022, and Jean-Dominique Comolli, both members of the Board of Directors of the Company, appointed by the Annual General Shareholders' Meeting as proposed by the French State;
- Pascal Bouchiat co-opted as a director on October 3, 2022, as proposed by the French State, to replace Astrid Panosyan; and
- Stéphanie Besnier, director representing the French State appointed by ministerial order.

**Nature, purpose and conditions**

To address the impacts of the Covid-19 crisis on the Group's cash position, on May 6, 2020, the Company entered into a €4 billion loan agreement, granted by a consortium of banks and 90% guaranteed by the French State under the scheme set up by Law No. 2020-280 of March 23, 2020 (the "French State-backed loan"). The French State held 14.3% of the Company's share capital when the agreement was entered into.

In order to smooth the repayment profile of the French State-backed loan beyond its 2023 maturity date and thus balance the Group's consolidated debt maturity schedule, the Board of Directors, at its meeting on October 11, 2021, authorized the signing, on December 10, 2021, of an amendment to the French State-backed loan (the "Amendment") with the consortium of banks and the French State, following the approval of the European Commission.

The maturity of the French State-backed loan, initially set at one year, with an option for the borrower to renew once for a period of one or two years, was contractually set at May 7, 2023, after the exercise by the Company of the two-year extension option in February 2021.

The Amendment modified the following provisions of the French State-backed loan:

- the final maturity date of the French State-backed loan was extended by a further two years and therefore set at May 6, 2025;
- repayment of the French State-backed loan in instalments according to the following schedule:
  - €500 million at the date of signature of the Amendment. The funds to make this early repayment came from the proceeds of the June 24, 2021 bond issues,
  - €800 million as at May 6, 2023,
  - €1,350 billion as at May 6, 2024, and
  - €1,350 billion as at May 6, 2025;

- Interest rate of the French State-backed loan: 3-month Euribor (with a floor at zero) with an annual margin of between 0.75% and 2.75%, it being specified that this margin will now apply according to the following schedule 1.50% from May 6, 2021 (inclusive) to May 6, 2022 (exclusive) and 2.75% from May 6, 2022;
- guarantee commission to be applied according to the following schedule: 1.0% from May 6, 2021 (inclusive) to May 6, 2023 (exclusive) and 2.0% from May 6, 2023. Until May 6, 2023 (exclusive), it will be calculated on the basis of the initial amount of €4 billion. Thereafter, the calculation basis will be reduced by the above-mentioned repayments.

Mandatory repayment clauses ("Mandatory Prepayments") are provided for in the agreement, in particular in the case of debt issues resulting from capital market transactions 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 bonds existing on the date of signature of the Amendment and whose maturity falls during the term of the French State-backed loan as extended.

It should be specified that, following the prepayment of €1 billion on November 7, 2022, the total outstanding amount of the French State-backed loan was reduced to €2.5 billion, with the following repayment profile:

- May 2024: partial repayment of €1.15 billion, leaving an outstanding amount of €1.35 billion,
- May 2025: final repayment of €1.35 billion (there will be no outstanding debt after this date).

The investment expenses incurred by the Company in respect of the French State-backed loan amounted to €125 million in 2022.

### ***Framework Agreement between the Company, KLM and the Dutch State***

#### **Persons concerned**

- The Dutch State, shareholder owning more than 10% of the voting rights;
- Dirk van den Berg, director appointed by the Annual General Shareholders' Meeting as proposed by the Dutch State; and
- Cees't Hart and Benjamin Smith, directors of both the Company and KLM.

#### **Nature, purpose and conditions**

On August 7, 2020, the Company entered into a framework agreement with KLM and the Dutch State, which holds 14% of the Company's share capital, within the framework of the financial support plan granted by the Dutch State to KLM, a subsidiary of the Company, in order to enable KLM to meet its emergency liquidity need following the Covid-19 pandemic crisis and to prepare for the future.

This financing, previously authorized on June 25, 2020 by the Company's Board of Directors, for a total amount of €3.4 billion, was structured as follows:

- a €2.4 billion revolving credit facility, granted to KLM by 11 banks and 90% guaranteed by the Dutch State; and
- a €1.0 billion direct loan from the Dutch State to KLM, subordinated to the revolving credit facility.

The loans were granted subject to a number of conditions, including the fulfilment of the Company's sustainability commitments, the restoration of KLM's performance and competitiveness, including a comprehensive restructuring plan, and the contribution of its employees. KLM also undertook to suspend the payment of dividends to its shareholders until the two loans had been repaid in full.

During the first half of 2022, KLM repaid the amounts made available under the revolving credit facility (€665 million) and the subordinated loan (€277 million), but the framework agreement was not terminated.

***Amendment to the financial settlement terms for the joint-ventures entered into with (i) Delta Air Lines Inc. and Virgin Atlantic Airways Ltd. and (ii) China Eastern Airlines Co. Ltd. (the "Joint-Venture Agreements") within the context of the Covid-19 crisis***

**Persons concerned**

- Delta Air Lines Inc. ("Delta"), a shareholder with 4% of the voting rights and a director of the Company, represented by Alain Bellemare;
- China Eastern Airlines Co Ltd. ("China Eastern Airlines"), a shareholder with 5.7% of the voting rights; and
- Jian Wang, director appointed by the Annual General Shareholders' Meeting, as proposed by China Eastern Airlines.

**Nature, purpose and conditions**

On December 4, 2020, the Board of Directors of the Company authorized, in accordance with the provisions of Article L. 225-38 of the French Commercial Code:

1. the amendment of the financial conditions relating to the settlement (a financial mechanism to allocate the revenues and costs generated by the joint venture) provided for in the Blue Skies joint-venture agreement (entered into on May 15, 2018 and amended in October 2019), for 2020. In this respect, each party waives and agrees to permanently waive any rights it may have with respect to amounts due to it under the joint-venture agreement for 2020. The term of this waiver was extended to 2021 and 2022 by mutual agreement between the parties, due to the duration of the impacts of the Covid-19 pandemic on the joint venture's operations; and
2. the suspension of the financial conditions relating to the settlement (a financial mechanism to allocate the revenues generated by the joint venture) provided for in the joint-venture agreement entered into with China Eastern Airlines Co. Ltd. on November 26, 2018.

In this context, each party agrees to waive all payments under the joint-venture agreement, as of February 1, 2020 and 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 was decided in order to avoid uncertain and potentially significant financial exposure for all partners, given the context of the health crisis. It continued to be implemented in 2022.

Given the amendment of the financial conditions relating to the settlement in the joint-venture agreements, it was not necessary to calculate the impact that would have resulted from the application of these conditions.

***Transatlantic partnership between the Company, Delta Air Lines Inc. and Virgin Atlantic Airways Ltd.***

**Persons concerned**

- Delta Air Lines Inc. ("Delta"), a shareholder with 4% of the voting rights and a director of the Company, represented by Alain Bellemare.

**Nature, purpose and conditions**

On October 30, 2019, the Board of Directors mandated the Company's management to finalize discussions and negotiate amendments to the agreements authorized at the Board meetings of March 14 and May 15, 2018, in order not to proceed with the Company's planned investment of 31% of the share capital of Virgin Atlantic Limited. This decision resulted in the amendment of the following agreements:

- termination of the Share Purchase Agreement ("SpA") between Air France-KLM Finance SAS and Virgin Investments Limited, enabling the Company, through its wholly-owned subsidiary, Air



France-KLM Finance SAS, to acquire 31% of the share capital of Virgin Atlantic, and termination of agreements ancillary to the SpA;

- amendment and update to the Joint Venture Agreement between Delta Air Lines Inc, Virgin Atlantic Airways Limited, the Company, KLM and Air France to establish a commercial joint-venture between the Company, Delta Air Lines, Inc, Virgin Atlantic Airways Limited, Air France and KLM (entered into on January 30, 2020 with effect from January 1, 2020), in order to reflect the termination of the SpA;
- amendment and update to the Implementation Agreement between the Company, Air France-KLM Finance SAS, Air France, KLM, Delta Air Lines, Inc, Virgin Investments Limited, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Sir Richard Branson (entered into on January 9, 2020 with effect from January 1, 2020), to reflect *inter alia* the termination of the SpA;
- signature of the agreement between the Company, Delta and Virgin Group (entered into and effective as of January 30, 2020) giving the Company, subject to specific conditions, a right to acquire shares in Virgin Atlantic Limited in the event of the disposal by Virgin Group of shares in Virgin Atlantic Limited to a third party.

The Blues Skies joint-venture was further amended in 2020: see previous paragraph above "*Amendment to the financial settlement terms for the joint-ventures (...)*".

### **Commitments relating to severance pay for Benjamin Smith, Chief Executive Officer of the Company**

#### **Persons concerned**

- Benjamin Smith, Chief Executive Officer of the Company

#### **Nature, purpose and conditions**

On August 16, 2018, the Company's Board of Directors authorized, in accordance with the provisions of the previous Article L. 225-42-1 of the French Commercial Code (repealed by Order no. 2019-12 34 of November 27, 2019), the granting of a severance payment to Benjamin Smith, the Company's Chief Executive Officer, which would apply in certain cases of departure, in particular in the event of removal from office, non-renewal of his term of office as Chief Executive Officer or forced departure linked to a change in control.

It should be specified that the cases of forced departure enabling the implementation of this severance payment do include any serious misconduct by 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 fixed and variable annual compensation (according to specific calculation methods referring, depending on the case, to the target variable compensation in the event of departure during the first 24 months).

A coefficient (between 0% and 100%) will be applied to the basis of the severance payment, depending on the performance of the Chief Executive Officer, according to the achievement rate of the performance criteria for the annual variable component of his compensation during the last two financial years of his term of office (or since his appointment, in the event of a departure during the first two years). It is the responsibility of the Board of Directors to record the achievement of these performance criteria.



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The Statutory Auditors

Paris La Défense, March 23, 2023

KPMG S.A.

Neuilly-sur-Seine, March 23, 2023

PricewaterhouseCoopers Audit

Valérie Besson

*Partner*

Eric Dupré

*Partner*

Philippe Vincent

*Partner*

Amélie Jeudi de Grissac

*Partner*