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Air France-KLM S.A.

*Statutory Auditors' Special Report on Related-
Party Agreements and Commitments*

General Meeting of Shareholders held to approve the financial
statements for the year ended December 31, 2020

Air France-KLM S.A.

2, rue Robert Esnault-Pelterie – 75007 Paris

This report contains 7 pages



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Air France-KLM S.A.

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

Statutory Auditors' Special Report on Related-Party Agreements and Commitments

General Meeting of Shareholders held to approve the financial statements for the year ended December 31, 2020.

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 and commitments.

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 and commitments 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 and commitments 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 and commitments 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 and commitments 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 AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE GENERAL MEETING OF SHAREHOLDERS

Agreements and Commitments authorized and/or concluded during the year

In accordance with the provisions of article L. 225-38 of the French Commercial Code (*Code de commerce*), we have been informed of the following agreements and commitments which have been subject to prior authorization by your Board of Directors.

State-backed loan and shareholder loan

Directors concerned:

Ms. Astrid Panosyan and Mr. Jean-Dominique Comolli, directors appointed at the General Meeting of Shareholders upon the proposal of the French State.

Mr. Martin Vial, director representing the French State appointed by ministerial decree.

Nature, purpose, terms and conditions:

On May 6, 2020, the Company entered into the two following agreements involving, directly or indirectly, the French State, which is a shareholder currently holding 14.3% of the Company's share capital:

1. a loan of €4 billion, granted by a consortium of banks and guaranteed up to 90% by the French State in accordance with the regime introduced in Law No. 2020- 280 of March 23, 2020. The State-backed loan is granted for a one-year period, renewable once for an additional one-year or two-year period; and
2. a shareholder loan of €3 billion, granted by the French State for a four-year period, extendable for an additional one-year period, renewable once. It may be drawn by the Company in several tranches.

The financial expenses borne by the Company over the first twelve (12) months, assuming a simultaneous drawdown of all the funds made available under the loan agreements, would amount to:

- approximately €50 million for the State-backed loan; and
- approximately €210 million for the shareholder loan.

Benefits for the Company:

The loan agreements were entered into to meet the Company's urgent liquidity requirements as a result of the Covid-19 outbreak. As the pandemic has significantly impacted the Company's

business activity, its current financial situation would not enable a sustainable return to business. Consequently, entering into the loan agreements appeared necessary for the sustainability of the Company. By covering the Company's general financial needs, the loan agreements will enable it to resume operations efficiently.

Conclusion of a Framework Agreement between Air France-KLM, KLM and the Dutch State

Directors concerned:

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:

On August 7, 2020, the Company entered into a framework agreement with KLM, a subsidiary of the Company, and the Dutch State, a shareholder of the Company holding 14% of its share capital, as part of the financial support package granted by the Dutch State to KLM.

On June 25, 2020, the Company's Board of Directors approved a financial support package for KLM of 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.

Benefits for the Company:

The purpose of the financing is to enable KLM to weather the current Covid-19 crisis and prepare for the future.

The Framework Agreement was entered into as part of the financial support package granted by the Dutch State to KLM, which aims to help KLM, a subsidiary of the Company, meet its urgent liquidity requirements as a result of the Covid-19 outbreak. As the pandemic has significantly impacted KLM's business activity, its current financial situation would not enable a sustainable return to business. Consequently, the financing and Framework Agreement appeared necessary for the sustainability of KLM. By covering KLM's general financial needs

and providing for various economic, social and environmental measures, they will enable KLM to resume operations efficiently.

The Framework Agreement is an inherent part of the financial support package of an aggregate €3.4 billion granted by the Dutch State to KLM.

Adjustment to the financial conditions of the joint ventures entered into with (i) Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd., and (ii) China Eastern Airlines Co. Ltd in the context of the Covid-19 crisis

Directors concerned:

Delta Air Lines, Inc., member of the Board of Directors of Air France-KLM;
Mr. Jian Wang, director appointed at the General Meeting of Shareholders upon the proposal of China Eastern Airlines Co. Ltd.

Nature, purpose, terms and conditions:

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

1. the execution of a waiver of the financial settlements (financial mechanism to share revenues and costs generated by the joint venture) as agreed upon in the Blue Skies joint venture agreement entered into on May 15, 2018 and amended in October 2019, for the calendar year 2020. Each party waives all rights with respect to the amounts due to it under the joint venture agreement for the calendar year 2020, and agrees to waive them permanently. The waiver will avoid uncertain and potentially material financial exposure for the parties as a result of the health crisis. It may be extended in 2021 by mutual agreement of the parties based on the duration of the effects of the coronavirus epidemic on the joint venture; and
2. the execution of a waiver of the financial settlements (financial mechanism to share revenues generated by the joint venture) as agreed upon in the joint venture agreement entered into with China Eastern Airlines on November 26, 2018. Henceforth, the parties 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 coronavirus epidemic on the joint venture. The waiver will avoid uncertain and potentially material financial exposure for the parties as a result of the health crisis.

The other provisions of the joint venture agreements remain unchanged.

Benefits for the Company:

Due to the ever-changing sanitary measures and regulations related to the Covid-19 pandemic and a very uncertain environment, the parties wish to avoid uncontrolled financial exposure

within the framework of the existing joint ventures and have therefore decided to waive the financial settlements provided for under the two joint venture agreements during the crisis period.

As the agreement of the parties concerned the suspension of the financial provisions relating to the settlement of the joint venture agreements, it was not necessary to calculate the impact that application of these provisions would have had.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED AT THE GENERAL MEETING OF SHAREHOLDERS

Agreements and commitments 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.

Modification of the transatlantic partnership between Air France-KLM, Delta Air Lines and Virgin Atlantic

Directors concerned:

Delta Airlines Inc.: member of the Board of Directors of Air France-KLM, represented by Mr. George N. Mattson, and Virgin Atlantic

Nature, purpose, terms and conditions:

On October 30, 2019, the Board of Directors mandated the Company's Management to finalize discussions and negotiate modifications to the agreements authorized during the Board of Directors meetings held on March 14 and May 15, 2018 in order to not proceed with the acquisition of a 31% equity interest in Virgin Atlantic Limited. This decision resulted in the modification of the following agreements:

1. Termination of the Share Purchase Agreement (“SPA”) between Air France-KLM Finance SAS and Virgin Investments Limited, allowing the Company, through its fully-owned subsidiary, Air France-KLM Finance SAS, to acquire a 31% stake in VAL, and termination of other agreements ancillary to the SPA.
2. Amendment and updating of the Joint Venture Agreement between Delta Air Lines Inc., Virgin Atlantic Airways Limited, AF-KLM, KLM and Société Air France (signed on January 30, 2020 and effective as of January 1, 2020), in order 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



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Investments Limited, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Sir Richard Branson (signed on January 9, 2020 and effective as of January 1, 2020), in order to reflect the termination of the SPA.

4. Signing of an agreement between Air France-KLM, Delta and Virgin Group (signed and effective as of 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.

Paris La Défense, March 15, 2021

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

Deloitte & Associés

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.