

UNIVERSAL
REGISTRATION
DOCUMENT 2020
INCLUDING THE ANNUAL FINANCIAL REPORT

AIRFRANCE**KLM**
GROUP

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER	2
SELECTED FINANCIAL INFORMATION	4
HIGHLIGHTS OF THE 2020 FINANCIAL YEAR 	6
HIGHLIGHTS OF THE BEGINNING OF THE 2021 FINANCIAL YEAR	9

1 PRESENTATION OF THE AIR FRANCE-KLM GROUP 	13
1.1 Market and environment	14
1.2 Strategic outlook	18
1.3 Activities in 2020	23
1.4 The Air France-KLM Group fleet	42

2 CORPORATE GOVERNANCE REPORT 	47
2.1 Composition of the Board of Directors	48
2.2 Organization and functioning of the Board of Directors	72
2.3 Activities and functioning of the Board of Directors and its Committees	81
2.4 Summary table of the AFEP-MEDEF Code's comply or explain recommendations not applied	92
2.5 Compensation of the company officers	93
2.6 CEO Committee	115
2.7 Group Executive Committee	116
2.8 Share capital and shareholder structure	117


3 RISKS AND RISK MANAGEMENT 	131
3.1 Risk factors	132
3.2 Enterprise risk management	151
3.3 Organization and functioning of internal control	153

4 CORPORATE SOCIAL RESPONSIBILITY – EXTRA-FINANCIAL PERFORMANCE STATEMENT	161
4.1 Creating long-term value for all our stakeholders 	162
4.2 Human resources	170
4.3 Environmental impact	189
4.4 Customer trust	212
4.5 Ethics and compliance	218
4.6 Societal value	222
4.7 Report by one of the Statutory Auditors, appointed as Independent Third Party, on the consolidated non-financial statement	231

5 FINANCIAL REPORT 	235
5.1 Investments and financing	236
5.2 Comments on the financial statements	238
5.3 Key financial indicators	242
5.4 Subsequent events and outlook for 2021	245
5.5 Consolidated financial statements	246
5.6 Notes to the consolidated financial statements	253
5.7 Statutory auditors' report on the consolidated financial statements	340
5.8 Statutory financial statements	347
5.9 Five-year results summary	361
5.10 Statutory Auditors' report on the financial statements	362
5.11 Statutory Auditors' Special Report on Related-Party Agreements	367

6 OTHER INFORMATION	371
6.1 History	372
6.2 General information	374
6.3 Information on the agreements concluded in connection with the business combination between Air France and KLM	375
6.4 Legislative and regulatory environment for the air transport industry	377
6.5 Information and control 	380

GLOSSARIES AND TABLES OF CONCORDANCE	383
Air transport glossary	384
Financial glossary	387
Table of concordance for the Universal Registration Document	388
Information included by reference	391
Table of concordance for the Annual Financial Report	392

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

UNIVERSAL REGISTRATION DOCUMENT 2020

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 7, 2021, 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 7, 2021.

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 23, 2021 – Cf. p.114

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

2020 was undoubtedly a difficult year for all of us, on both a professional and a personal level. The Covid-19 pandemic continues to disrupt our lives. In its long history, this is the most severe crisis ever experienced by Air France-KLM and by the airline industry as a whole. Our 2020 financial results confirmed this.

As the crisis developed, Air France, KLM, Transavia, HOP! and KLM Cityhopper demonstrated their strategic national and European importance, which has been our true strength since our creation. We repatriated our fellow French, Dutch and European citizens, reuniting them with friends and family. Our Cargo teams continue to transport medical equipment and vaccines to combat the epidemic. We have maintained vital links for people, trade and economies.

From the beginning of the crisis, we worked closely with our two main shareholders, the French and Dutch governments, to obtain their financial support to help us weather the effects of an extraordinary crisis. With this support comes a major responsibility: that of achieving a successful transformation to return to an adequate level of profitability while accelerating our transition towards a sustainable aviation model.

We have defined a clear strategy for the Air France-KLM Group to adapt to a changed world, with one sole objective: return to our path towards leadership. Right from the start, we implemented the decisive actions vital to our survival from this crisis: very strict cost control, a reduction in CAPEX, the early phase-out of the Boeing 747s at KLM and the Airbus A340s and A380s at Air France, the implementation of wages support programs at both Air France and KLM, together with Voluntary Departure Plans for the two companies. In total, more than 200 transformation and operational efficiency projects were launched within the Group and the airlines in 2020.

“ IN A SECTOR THAT HAS BEEN LEFT REELING,
IT IS THE AIR FRANCE-KLM GROUP OF TOMORROW
THAT WE MUST BUILD AS OF TODAY.”

AIR FRANCE-KLM IN 2020

The Air France-KLM Group has unique and undeniable assets to help traverse this crisis: our people with proven professionalism and expertise, the dual strategic and powerful hubs of Paris-Roissy Charles de Gaulle and Amsterdam-Schiphol, three historic and highly-differentiated brands with Air France, KLM and Transavia, and an extensive and diversified network of destinations which contributes to the performance of the Group's airlines.

In a sector that has been left reeling, it is the Air France-KLM Group of tomorrow that we must build as of today. Customer expectations will be different with a greater focus on the environmental and societal responsibility, on the health and safety, which has gradually become part of our everyday practice, and an increased need for commercial flexibility.

Air France-KLM is also committed to playing a pioneering role in sustainable aviation, in both the ground and flight operations. The Group is redoubling its efforts to reduce its environmental footprint and achieve its target of a 50% reduction in CO₂ emissions by 2030. In particular, it is contributing to the establishment of a sustainable biofuel industry for aviation.

Aviation will continue to play a major role in the years to come. I have every confidence in our ability to rise to the challenges of our industry. Air France-KLM's 76,000 employees are fully committed to making our Group a leader in European aviation.



Benjamin Smith

Chief Executive Officer of Air France-KLM

34
MILLION
PASSENGERS

900k
TONS OF CARGO

546
AIRCRAFT

300
DESTINATIONS

116
COUNTRIES SERVED

2,800
AIRCRAFT MAINTAINED FOR
200 AIRLINE CUSTOMERS

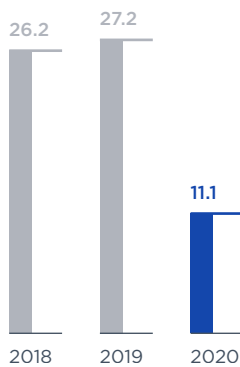
SELECTED FINANCIAL INFORMATION

Pursuant to Article of Regulation (EC) No. 2017/1129, 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, 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 Universal Registration Document;
- the consolidated financial statements of the Air France–KLM Group relating to the financial year ended December 31, 2018 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 2018 Registration Document.

Revenues

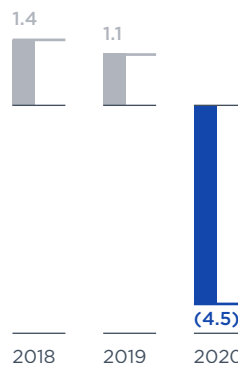
(in € billion)



Revenues stood at €11.1 billion, down by 59% versus 2019, due to the impact of the Covid-19 crisis.

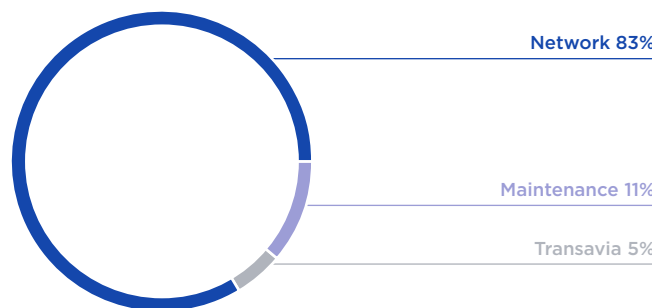
Income/(loss) from current operations

(in € billion)



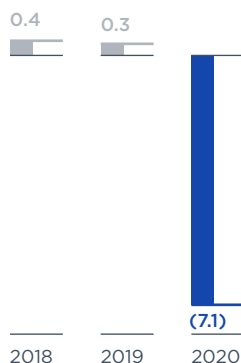
The result from current operations stood at €(4.5) billion, down by €5.7 billion versus 2019, due to the impact of the Covid-19 crisis.

Revenue breakdown



Net result, Group part

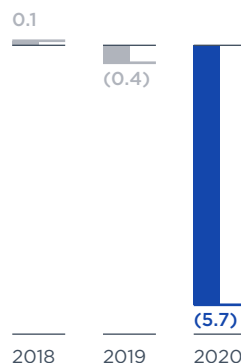
(in € billion)



The net result, Group part stood at €(7.1) billion, down by €7.4 billion versus 2019..

Adjusted operating free cash-flow

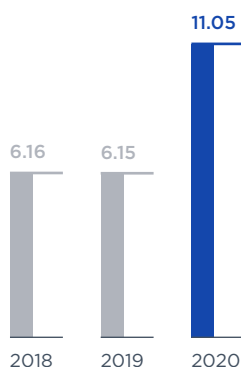
(in € billion)



In 2020, Group generated operating free cash-flow of €(5.7) billion, down by €5.3 billion versus the previous year. This decline is mainly explained by a decrease in net cash-flow from operating activities.

Net debt

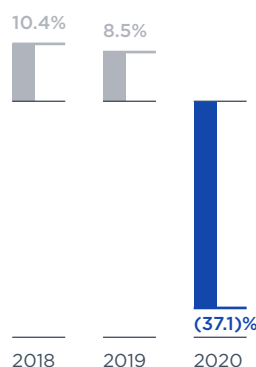
(in € billion)



Net debt stood at €11.05 billion at December 31, 2020, up by €4.9 billion versus the previous year.

Return on Capital Employed (ROCE) ⁽¹⁾

(at December 31)

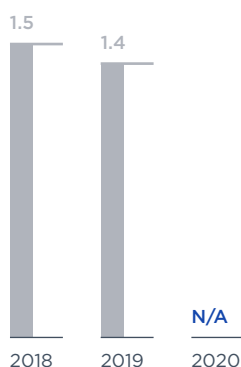


The return on capital employed (ROCE) stood at (37.1)% in 2020 due to the significant fall in the operating result for the financial year.

(1) The ROCE definition has been revised to take into account the activity's seasonal effects.

Debt ratio

(at December 31)



The net debt/EBITDA ratio was not applicable at December 31, 2020 due to the Group's negative EBITDA in 2020.

HIGHLIGHTS OF THE 2020 FINANCIAL YEAR

Coronavirus public health crisis

The current Covid-19 pandemic had a significantly negative impact on the Group's operational activities, financial position and results during the 2020 financial year and is expected to continue to adversely impact the Group in the near future.

Since February 2020, the Group's activities have been strongly affected by the Covid-19 coronavirus epidemic. Qualified as a pandemic by the WHO on March 11, 2020, the Covid-19 outbreak has resulted in the implementation of numerous restrictive measures to limit its spread. The measures put in place by the public authorities in many countries have notably led to the temporary suspension of airline operations and the significant reduction or suspension of travel, particularly bound for or near destinations where the virus is circulating, thereby having a material and negative impact on the Group's activity in the countries where it operates. Intercontinental and business travel has been particularly badly affected by these regulatory restrictions and by the cost-saving plans of the Group's corporate customers. For the financial year ended December 31, 2020, the Group's passenger traffic (measured in thousands of passengers) thus fell by more than 66% compared to the previous year.

In view of these travel restrictions and the collapse in passenger traffic and sales, since March 2020 the Group has been forced significantly to reduce its capacity and, notably, drastically curtail its flight operations.

During the 2020 financial year, the Group's capacity (in millions of ASK) was thus reduced by 54% relative to the previous year.

This health crisis had a very strong impact on the Group's activity and results in the financial year ended December 31, 2020, with an operating result of €(4.5) billion (versus €1.1 billion in 2019).

The Air France-KLM Group has also implemented significant cost-saving measures, in terms of staff reductions and the curtailment of non-essential investment and expenditure, whose implementation could damage the Group's reputation owing to negative reactions from the public authorities or unfavorable media coverage, or even lead to labor disputes with a negative impact on the Group's activity. Within this context, at the end of 2020, the reduction represented more than 7,000 Full Time Equivalents (FTE) and more departures are expected through to the end of 2022 within the framework of the restructuring.

The Group also implemented various measures to reinforce its cash and liquidity position and, notably, at Air France, a loan guaranteed by the French State (*Prêt Garanti par l'État*

Français - PGE) in the total amount of €4 billion granted by a syndicate of nine banks and a €3 billion loan from the French State: these two loans were fully drawn down at December 31, 2020. At KLM, the measures mainly involved a revolving credit facility in the amount of €2.4 billion guaranteed by the Dutch State (of which €665 million was drawn down at December 31, 2020) and a direct loan of €1 billion (of which €277 million was drawn down at December 31, 2020). The Group also implemented budget measures in recent months to preserve its cash position, including a €1.5 billion downwards revision in the 2020 capex plan, a reduction in operational and payroll costs, the suspension of all projects not linked to safety or critical operations and a significant reduction in the use of outside consultants and staff.

At December 31, 2020, the Group's net debt stood at €11 billion.

On January 6, 2020, the Air France-KLM Group launched a Tender Offer to repurchase three series of existing notes subject to the success of a new issue of senior fixed rate "Benchmark" notes with a five-year maturity.

The three series of notes comprised, firstly, a €600 million principal amount of senior notes maturing on June 18, 2021 and bearing a fixed coupon of 3.875% (ISIN: FRO011965177), secondly €400 million in senior notes maturing on October 12, 2022 and bearing a fixed coupon of 3.750% (ISIN: FRO013212958) and, lastly, a €600 million initial principal amount of Undated Deeply Subordinated Fixed Rate Resettable Notes bearing a fixed coupon of 6.250%, of which €403.3 million was outstanding (ISIN: FRO012650281).

On January 10, 2020, after two days of investor road shows, Air France-KLM successfully placed the new issue of senior notes (ISIN: FRO013477254) 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 were used partly for Air France-KLM's general corporate purposes and partly to fund the repurchase of the notes subscribed to the cash Tender Offer, which closed on January 13, 2020 and whose results were announced on January 14, 2020, as follows:

Existing Notes for a total principal amount of €677.7 million (representing 48.3% of the outstanding Existing Notes) were tendered to the Tender Offer, of which €350 million were accepted, composed of €311.2 million of 2021 Notes; and €38.8 million in 2022 Notes. No subordinated perpetual notes were repurchased by Air France-KLM.

As a result, the principal amount of outstanding Existing Notes after completion 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 subordinated perpetual notes. The settlement and delivery of the Tender Offer combined with the net proceeds on the new bonds issued took place on January 16, 2020.

This transaction was part of the Company's ongoing dynamic management of the Group's debt maturity profile while contributing to reducing its overall cost.

Sale of Amadeus shares

On January 9, 2020, Air France-KLM sold its remaining shares in the Spanish company Amadeus IT Holding SA ("Amadeus") for €356 million. At December 31, 2019, the fair value of the shares had amounted to €360 million. Since the whole of the 1.11% shareholding in Amadeus was hedged, the transaction had no impact on the 2020 income statement. The proceeds on the sale are included in the line "Proceeds on shares of subsidiaries, of shares in non-controlled companies" in the consolidated statement of cash flows.

Launch of a major international partnership between Air France, KLM, Delta Air Lines and Virgin Atlantic: the expanded joint-venture enables customers to benefit from more destinations and ways to earn and spend frequent flyer Miles

On February 3, 2020, Air France, KLM, Delta Air Lines and Virgin Atlantic launched their expanded joint-venture offering a wider choice of routes and loyalty options on travel between Europe, the United Kingdom and North America.

This new partnership enables customers to benefit from more convenient flight schedules and a shared goal of ensuring a smooth and consistent travel experience, whichever airline people fly. The new benefits have been accessible from February 13. Loyalty program customers can earn and use miles or enjoy elite benefits for flights on any of the four airlines' worldwide operations, including transatlantic trips, intra-European hops or domestic US journey, offering more opportunities to quickly move up through the loyalty tiers and reach a higher status. Eligible elite loyalty program members can enjoy priority boarding and access to more than 100 airport lounges when traveling internationally.

Air France signs a majority agreement with the SNPL (main pilots' union) for the development of Transavia France on the domestic network

On August 12, 2020, the Air France-KLM Group took an important step in its development, with the signature of an amendment to the Group's "Air France-Transavia pilot agreement", allowing Transavia France to operate domestic routes within France.

This agreement was signed between Air France, Transavia France and the SNPL Air France-Transavia, the union representing a majority of Air France pilots, following a referendum submitted to its members. The turnout rate and vote in favor of the proposal at a respective 82.63% and 90.37% reflect the responsibility the pilots are taking during this crucial juncture and the overall desire of the stakeholders to provide Air France with the means to weather the Covid-19 crisis and emerge stronger by transforming its domestic network. This network has been loss-making for several years despite continuous restructuring since the 2000s and is facing intense competitive pressure within the framework of the relentless growth of the low-cost airlines and the TGV high-speed train network.

This amendment to the Group agreement permits Transavia to operate routes within France and adjusts the guarantees of the medium-haul activity in line with the levels of activity expected on the domestic network in the coming years. In September 2019, a first agreement had already been signed lifting restrictions on the growth of the Transavia France fleet.

Launched in 2006, Transavia France is the low-cost airline of the Air France Group (composed of Air France, its regional subsidiary HOP! and its low-cost subsidiary Transavia. The Air France Group is a subsidiary of the Air France-KLM Group). It constitutes a major strategic asset for the Group in that it enables Air France to take advantage of the buoyancy of the leisure market in France and to respond to competition from international low-cost operators in an efficient and appropriate way.

The growth of Transavia France on the French domestic market is a key step in the Air France Group's strategic plan to improve its financial performance. With this new offer, the Air France Group gains the resources to be competitive in each market segment in which it operates, with the right tools and a model and product adapted to each of them.

The planned reorganization of the short-haul operations is also part of the Air France-KLM Group's drive to step up its sustainability efforts, which are already among the most ambitious in the industry. Domestic routes between Paris-Orly and the French regions will be closed when there is a train alternative in less than 2h30 and the fleet will be renewed at a sustained pace with the arrival of the first Airbus A220-300s starting in September 2021. These next-generation aircraft are one of the main levers used by Air France to reduce its carbon footprint and will reduce CO₂ emissions by 20% compared to the Airbus A318s and A319s they will replace. Air France will also continue to proactively offset all its customers' CO₂ emissions on domestic flights.

Air France-KLM and Amadeus sign an agreement enabling modern retailing via NDC

Since September 10, 2020, travel agents have had access to Air France-KLM's NDC services via the Amadeus Travel platform.

As the travel industry continues to navigate this turbulent period, modern retailing *via* NDC is more than ever a strategic priority for Air France–KLM and Amadeus. On September 10, the Air France–KLM Group and Amadeus announced an innovative NDC distribution deal. The agreement means that Air France–KLM NDC offers can be made available to travel agents through the Amadeus Travel platform and its NDC-enabled solutions. To access Air France–KLM content distributed *via* NDC, agents will need to sign bilateral agreements with Air France–KLM and Amadeus.

Over the last few years, Air France–KLM has been working with Amadeus to connect its NDC services to the Amadeus Travel platform. The prime booking flow of shop, order, pay has already been integrated, meaning pilot travel agents will be able to book *via* NDC through the platform by the end of the year. The full integration with servicing capabilities is expected to complete in the first half of 2021.

Meeting of the Air France–KLM Group Board of Directors on December 4, 2020

On December 4, 2020, the Air France–KLM Group’s Board of Directors unanimously resolved to submit to the 2021 Shareholders’ Meeting a resolution increasing the age limit for the Chair of the Board of Directors from 70 to 72 years, when

the functions of Chair of the Board and Chief Executive Officer are separate, as applied by a number of French listed companies.

The role and missions of the Chair would be unchanged, pursuant to the provisions of Air France–KLM’s Articles of Incorporation and the Internal Rules of the Air France–KLM Board of Directors.

On this scenario, the Board also decided that Ms. Anne-Marie Couderc would be able to fulfil her duties as Chair until the Shareholders’ Meeting convened to approve the financial statements for the 2022 financial year.

Within the context of the unprecedented 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.

Air France–KLM Martinair Cargo launches the world’s first SAF program for the air freight industry

On December 8, 2020, Air France–KLM Martinair Cargo launched the world’s first sustainable aviation fuel (SAF) program for the air freight industry, enabling freight forwarders and shippers to participate in reducing the CO₂ emissions of the aviation sector.

HIGHLIGHTS OF THE BEGINNING OF THE 2021 FINANCIAL YEAR

Covid-19 - Impact post February 2021

In early 2021, the public health crisis continues to significantly impact the Group's activity.

In view of the pandemic's progressive spread and the unfolding developments, the current and future measures implemented by governments in numerous countries could continue to disrupt the Group's activity for an indeterminate period. Within this context, several countries in which the Group operates, including France and the Netherlands, again implemented lockdowns and other health measures at the end of 2020 in response to the growing spread of the pandemic. Given the uncertainties inherent in any health crisis, the Group does not expect this situation to stabilize in the short term: the Group's baseline scenario is a return to the pre-crisis level of capacity in 2024.

After positive Christmas traffic in Domestic France and to the Caribbean and Indian Ocean, travel restrictions were tightened in France, the Netherlands and worldwide, having a negative impact on the Group's traffic in the first quarter of 2021.

Due to the lockdowns and travel restrictions still in force, the Group anticipates a challenging first quarter 2021, with an EBITDA lower than in the fourth quarter of 2020.

Visibility on the demand recovery curve remains limited as customer booking behavior is much more short-term oriented and also highly dependent on the imposed travel restrictions, on both the long-haul and medium-haul networks.

In this context, due to the negative environment, the Group expects capacity in Available Seat-Kilometers at circa index 40 for Air France-KLM in the first quarter 2021 compared to the first quarter 2019 for the Passenger Network business.

The Group will progressively ramp up capacity towards summer 2021 and expects traffic to recover in the second and third quarters of 2021 thanks to vaccine deployment.

Air France-KLM launches its "Sustainable Aviation Fuel" program dedicated to corporate customers

On January 26, 2021, Air France-KLM launched an innovative program enabling companies to play an active role in the future of sustainable travel.

After an estimate of the CO₂ emissions associated with their travel, Air France and KLM corporate customers will be able to determine an annual contribution they wish to devote to the Corporate SAF (Sustainable Aviation Fuel) program. The Air France-KLM Group will invest all of these funds in the sourcing and consumption of SAF. This will support the creation of a sustainable aviation fuel industry that guarantees increasingly eco-responsible air transportation.

By investing in this Corporate program, companies are taking concrete action to reduce CO₂ emissions and are contributing to the ecological transition of air transportation by accompanying and supporting innovative solutions.

For many years, Air France and KLM have been involved in research and development programs in the field of alternative fuels. In 2011, the two airlines were among the first to operate commercial flights, demonstrating a possible alternative to fossil fuels.

Sustainable aviation fuels can currently be made from waste oils, waste products and forest residues. They can be incorporated into jet fuel without any engine modifications. Their use can reduce emissions by more than 85% compared to conventional fuel. Today's main challenge is the development of a sustainable industry to which Air France and KLM's corporate customers will be able to make a very concrete contribution.

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

The Paris region, Choose Paris Region, the ADP Group, Air France-KLM and Airbus launch a ground-breaking call for expressions of interest on hydrogen in Paris airports

On February 11, 2021, the Paris region, Choose Paris Region, the ADP Group, Air France-KLM and Airbus launched a ground-breaking call for expressions of interest to explore the opportunities offered by hydrogen in Paris airports, aimed at decarbonizing air transportation activities.

This worldwide call for expressions of interest complies with the French Government's energy transition strategy and is supported by the European Commission, which is striving for zero-emission aircraft by 2035. Aware that the advent of hydrogen will revolutionize the way in which airport infrastructure is designed and operated, the partners want to anticipate and support developments that should help transform the Paris airports into true "hydrogen hubs". The international call for expressions of interest - launched with the support of the Choose Paris Region agency, in charge of the international promotion and attractiveness of the Paris Region - aims to build a unique airport ecosystem federated around hydrogen, major corporations, SMEs, start-ups, laboratories and universities.

This open innovation initiative is a key step in initiating this technological breakthrough across the entire hydrogen value chain within the airport city. The five partners share a common

ambition: to identify and qualify advances in research and technologies, and then to test the economically-viable solutions that will meet the needs of hydrogen at an airport, to prepare in the medium-term the challenges of its supplies and uses in a larger scale, particularly with a view to operate a future hydrogen-powered aircraft.

This unprecedented call for expressions of interest focuses on three main themes:

- storage, transport and distribution of hydrogen (gaseous and liquid) in an airport environment (storage systems, micro-liquefaction, aircraft fuelling, etc).
- diversification of hydrogen use in airports and in aeronautics (ground handling vehicles and equipment, rail transport at airports, energy supply for buildings or aircraft during ground operations, etc).

- circular economy around hydrogen (recovery of hydrogen dissipated during liquid hydrogen fuelling, recovery of a by-product from a reaction to produce decarbonated hydrogen, etc).

Applications will be open from February 11 to March 19, 2021, via the h2hubairport.com website and the selected projects will be announced at the end of April.

Extension to the loan guaranteed by the French State (Prêt Garanti par l'État Français – PGE)

On February 16, 2021, Air France – KLM exercised the extension option provided in the contract. The loan guaranteed by the French State (PGE) was thus extended for an additional two-year period, i.e. until May 6, 2023 (see Note 30.3 “Financial support by the French and Dutch States” in section 5.6).

As of April 6, 2021, as we finalize this Universal Registration Document, the Group has announced a plan of capital-strengthening measures. The press release is reproduced in full below:

Roissy, April 6, 2021

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

- 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;
- additional measures to further strengthen the Group’s capital are currently under consideration, with several steps to be taken before the 2022 Annual General Meeting.

On April 5 the Air France – KLM Group’s Board of Directors approved a plan to start the restoration of the Group’s negative equity and further reinforce its cash position:

Capital increase with priority subscription period for shareholders:

- the Group intends to launch a capital increase subject to market conditions and the approval on the prospectus by the AMF;
- this capital increase will be launched without preferential subscription rights but with a priority period for the shareholders, within the limits of the nineteenth resolution approved at the Annual General Meeting on May 26, 2020, allowing existing shareholders to not be diluted, by subscribing shares during the priority period up to their stake in Air France – KLM’s share capital. The offering will be composed of a private placement to institutional investors, a public offering and a priority period allowing all shareholders to support this transaction;
- the French State commits to participate in the capital increase while keeping its stake strictly below 30% of the share capital and voting rights;
- China Eastern Airlines intends to participate while keeping its stake strictly below 10% of share capital, as part of further reinforcement of strategic cooperation with the Group;
- the Dutch State which holds 14.0% of the share capital, has informed the Group that it will not subscribe to this capital increase;
- Delta Airlines which holds 8.8% of the share capital, has informed the Group that it will not subscribe to this capital

increase due to the current framework of the CARES act in place in the United States;

- this operation will improve the Group's equity by up to €1 billion under IFRS and French GAAP accounting standards, and bring the same amount of new money to the Group for the benefit of Air France.

Simultaneously, the fully drawn conversion of €3 billion French State loan into perpetual hybrid bonds instrument ("Super Subordinated Notes"):

- the €3 billion direct loan provided by the French State to Air France *via* Air France-KLM late in May 2020 will be converted into Super-Subordinated Notes of the same nominal amount to Air France *via* Air France-KLM, allowing the Group to restore part of its equity under IFRS accounting standards;
- this operation will improve the Group's equity by €3 billion under IFRS accounting standards with no cash impact, while increasing the Group's flexibility in its mandatory debt redemption profile spread over time (with Non call period ranging from 4 to 6 years).

The Dutch State approved this set of actions and indicated that it was continuing discussions with the European Commission on potential capital-strengthening measures for KLM.

Together with the expected recovery in EBITDA, this first step of capital-strengthening measures will progressively help the Group to reduce the Net Debt/EBITDA ratio below 3.0x by 2023.

Additional measures to further strengthen the balance sheet are currently under consideration with several steps to be taken before the 2022 Annual General Meeting, as the Group's net equity will remain negative after this first step.

These measures could include the issuances of appropriate amounts of new equity as well as proportionate quasi-equity instruments, subject to market conditions. The hybrid perpetual bond instruments fully subscribed by the French State and resulting from this first step recapitalization could be used to compensate in part, by way of netting, to future equity and or quasi-equity raisings by the Group.

The objective of such additional measures will be to further reinforce the Group's equity situation and reduce its Net Debt/EBITDA ratio circa 2.0x by 2023. In order to achieve this, specific delegations would be then required and submitted at the Group's next General Meeting, scheduled on May 26.

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 (*Stratégie Nationale Bas Carbone* "SNBC").

"Today's announcement demonstrates both the strong commitment of the French State and the renewed support of the Dutch State to help the Group weather this pandemic and this crisis," said **Anne-Marie Couderc, Chair of Air France-KLM Board of Directors**. "The commitment of our long-standing partner China Eastern Airlines to participate in the forthcoming capital increase also highlights a resolute confidence in the strengths and prospects of the Air France-KLM Group."

"These first recapitalization measures are an important milestone for our Group in this exceptionally challenging period," said **Air France-KLM Group CEO, Benjamin Smith**. "They will provide Air France-KLM with greater stability to move forward when recovery starts, as large-scale vaccination progresses around the world and borders reopen. Ensuring Air France-KLM maintains a sustainable financial trajectory is paramount to realizing our strategic plan, continuing the execution of our transformation plans at the Group and at our airlines. I would like to thank our employees for their engagement and their responsibility throughout this crisis. We will continue to work together to drive new efficiencies as we seek to lower unit costs and emerge stronger when the industry rebounds with the ambition to achieve European leadership".

Outlook for Q1

As expected, the Air France-KLM Group continued to be negatively impacted by the Covid-19 crisis during the first quarter of 2021, notably by the surge of a third wave of the pandemic in several European countries and by the continuation of air travel restrictions taken by a significant number of countries.

Based on the accounting results of January and February and on the reforecast made at the end of each month, the Group expects the operating result for the first quarter of 2021 to be around EUR -1.3 billion, and EBITDA to be around EUR -750 million, below Q4 2020 EBITDA as indicated at full year 2020 results presentation. It should be noted that in the first two months of 2021, operating result and EBITDA were significantly better than the Group's budgeted assumptions, and capital expenditure was also 10% below budget over that period, reflecting the effective control introduced by management on CAPEX, allowing the Group to have a solid 8.8 billion euros of liquidity and credit lines at disposal at February 28, 2021.

Over the coming months, and in particular at the beginning of the summer, the Group still expects a significant recovery in demand, assuming the positive effects of the accelerated vaccination campaigns in several countries could trigger less stringent restrictions on passenger travel across those countries.

Disclaimer

This press release is for information purposes only and does not constitute an offer to sell or a solicitation to purchase any securities in any jurisdiction. This press release is not an offer for sale within the United States of any security of Air France-KLM or any of its affiliates. Securities of Air France-KLM or any of its affiliates may not be offered or sold in the United States absent registration under the U.S. Securities Act of 1933, as amended, or unless exempt from such registration. Release, publication or distribution of this press release is forbidden in any jurisdiction where such release, publication or distribution would violate applicable laws or regulations.

Certain information included in this press release are not historical facts but are forward-looking statements. These forward-looking statements are based on current beliefs, expectations and assumptions, including, without limitation, assumptions regarding present and future strategy and

the environment in which the Group operates, and involve known and unknown risks, uncertainties and other factors, in particular in the current context of the Covid-19 crisis, which may cause actual results, performance or achievements, or industry results or other events, to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include those set out and detailed in chapter 3 "Risk Factors" of the 2019 Universal Registration Document of Air France-KLM filed with the *Autorité des Marchés Financiers* on April 17, 2020 under number D.20-0313 and available on Air France-KLM's website at www.airfranceklm.com, as will be updated (in particular to take into account the latest developments of the Covid-19 crisis and its impact on the Group's activities and financial position) in the 2020 Universal Registration Document of Air France-KLM which will be filed with the *Autorité des Marchés Financiers* and will be available on Air France-KLM's website on or about the date of this press release.

Forward-looking statements speak only as of the date of this press release and Air France-KLM expressly disclaims any obligation or undertaking to release any update or revisions to any forward-looking statements included in this press release to reflect any change in expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Forward-looking information and statements are not guarantees of future performances and are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Air France-KLM. Actual results could differ materially from those expressed in, or implied or projected by, forward-looking information and statements.

Estimated financial information for the quarter ended March 31, 2021 included in this press release have been reviewed by the Board of Directors of Air France-KLM held on April 5, 2021 and have not been audited by Air France-KLM's auditors. The consolidated non audited financial statements established in accordance with IFRS for the quarter ended March 31, 2021 will be made available, pursuant to the financial agenda of Air France-KLM, on May 6, 2021. The accounting principles which have been applied for preparing the estimated financial information included in this press release comply with the IFRS rules and interpretations as in force in the European Union on March 31, 2021 and are consistent with those applied for preparing the consolidated financial statements of Air France-KLM for the quarter ended March 31, 2020.

PRESENTATION OF THE AIR FRANCE - KLM GROUP

1.1	Market and environment	14
1.1.1	The economic environment	14
1.1.2	The industry context and competition	15
1.2	Strategic outlook	18
1.2.1	The Air France - KLM Group's ambition	18
1.2.2	Air France - KLM: core assets and unique competitive advantages	18
1.2.3	Value creation model	20
1.2.4	Strategic orientations	20
1.3	Activities in 2020	23
1.3.1	Network business (passenger and cargo): 2020 significantly impacted by the Covid-19 crisis	23
1.3.2	Low-cost business (Transavia)	35
1.3.3	Maintenance business	38
1.4	The Air France - KLM Group fleet	42
1.4.1	The Air France Group fleet	45
1.4.2	The KLM Group fleet	46

1.1 MARKET AND ENVIRONMENT

1.1.1 The economic environment

Real GDP growth (%)	2019	2020
World	2.5	-4.2
European Union	1.5	-6.7
Of which United Kingdom	1.26	-11.34
Euro zone	1.3	-7.3
Of which France	1.5	-9.3
Of which Netherlands	1.6	-4.1
North America (USMCA countries)	2.0	-4.0
Of which United States	2.1	-3.6
Asia-Pacific	4.3	-1.5
Of which China	6.1	2.0
Of which Japan	0.7	-5.4
Middle East	0	-7.06
Of which Iran	0	-7.06
Sub-Saharan Africa	2.5	-4.4
Latin America (excl. Mexico and Venezuela)	0.97	-6.8
Of which Brazil	1.1	-4.7
Of which Argentina	-2.0	-11.1

Source (1)

2020 was profoundly marked by the Covid-19 pandemic which led to a devastating economic depression considered to be new in nature as it resulted from massive lockdowns on a global scale. The Covid-19 crisis was primarily characterized by a dual shock to offer and demand. The offer shock manifested itself following the total shutdown of Chinese production during Q1 when China imposed a national lockdown to contain the pandemic, disrupting global logistics⁽²⁾. As the virus spread, almost every developed economy enforced nation-wide lockdowns, which led to a demand shock. Government-imposed lockdowns and border closures paralyzed economic activity, resulting in unemployment for millions of workers around the world and an oil oversupply crisis known as “Black April” during which US oil prices plunged below zero for the first time in their history. Nationwide lockdowns were accompanied by strict travel restrictions, both locally and globally, to contain the spread of the pandemic, with disastrous repercussions for the transportation and tourism industries. In an attempt to revive the sector, as of July a number of European Union governments reopened their internal borders to members of the Union, and their external borders to a handful of countries, with no real substantive reboot for tourism owing to the loss of confidence and the health safety concerns of travelers.

The global economy entered a modest recession during the first quarter (-1.65%)⁽¹⁾ before hitting a floor at -9% during the second quarter. The first signs of recovery appeared during the third quarter, especially in retail. A renewed wave of infections in September and October, followed by a second wave of lockdowns hit Europe in November and, despite measures to preserve economic activity, the repercussions led to recession in the fourth quarter.

Throughout the year, governments around the world responded to the economic downturn *via* fiscal stimulus for households (stimulus cheques in the United States) and companies (payroll support in most developed economies). The total government support worldwide reached more than \$12 trillion, increasing global public debt to an all-time record of almost 100% of GDP⁽³⁾. The first to be affected but also the first to recover, the Chinese economy recorded +3.1% GDP growth as of the second quarter, and beat recession to post +2% GDP growth in 2020. The recovery in the global economy to pre-crisis levels is forecast for the end of 2021, with marked differences between regions. According to forecasts, the Euro zone and Japan are expected to be the last regions to recover, in around 2022⁽¹⁾.

Several vaccine candidates emerged in November and have since received approval for distribution. Optimism prompted by the roll-out of vaccines may well translate into stronger consumption and governments could envisage the reopening of borders to

relaunch tourism. However, it is likely to take months, or even years, before the vaccination campaigns succeed in stabilizing the pandemic.

Oil price

Brent (US\$/bbl)	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Average price for the period	63.2	68.9	61.9	63.41	50.44	29.3	42.9	44.3

Source (1)

Oil prices began to fall as of the first quarter 2020 within the context of a demand shock and oversupply especially in US shale oil. The OPEC+ agreement on a long-term production cut only came into force from May 2020⁽⁴⁾. Following several months

of oil cuts and while demand seems to be slowly restarting, especially in emerging markets, OPEC+ has agreed to gradually restart increasing production from January 2021⁽⁵⁾.

Currency exchange rates

For one Euro (average)	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
USD	1.14	1.12	1.11	1.11	1.1	1.1	1.17	1.19
GBP	0.87	0.88	0.90	0.86	0.86	0.88	0.90	0.90
CHF	1.13	1.13	1.10	1.10	1.07	1.06	1.08	1.08
BRL	4.28	4.41	4.42	4.56	4.93	5.92	6.29	6.22
ARS	44.2	49.2	55.2	65.7	67.7	74.5	85.7	94.6
CNY	7.66	7.66	7.80	7.80	7.69	7.80	8.08	7.94
JPY	125	123	119	120	120	118	124	124

Source (1)

The US dollar (USD) experienced some instability due to the inability of the US Congress to vote through a new stimulus plan and the election of Joe Biden as the next President of the United States, which should see an improvement in US trade policy, notably with regard to China and Europe.

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 0.90 EUR/GBP.

The Chinese Yuan (CNY) depreciated in the first quarter before again strengthening over the rest of the year; it is expected to continue to appreciate in 2021, potentially compromising its competitiveness⁽⁶⁾.

1.1.2 The industry context and competition

2020 was unprecedented in the past 20 years of the worldwide economy, the Covid-19 pandemic having caused the most severe crisis and recession since the Second World War. Uncoordinated protective measures imposed on a global scale by governments and local authorities had a considerable impact on the airline industry⁽⁷⁾. Air transportation was affected in both passenger and cargo traffic; worldwide capacity measured in Available Seat-Kilometers collapsed to 20% in April 2020, with only 5%

for long-haul and c.15% for short and medium-haul (at the low, domestic flights represented double those of international traffic) and the overall number of flights in the European sky dropped by 90% in April⁽⁸⁾.

In July 2020, after the first round of lockdowns and some improvement at individual country level, some restrictions were lifted, prompting a relative rebound in economic activity and a first wave of recovery for travel and transportation, during which worldwide ASK capacity averaged 35% of the previous year's level:

- China-World 9% of ASKs, Intra-China 99%;
- Europe-World 17% of ASKs, Intra-Europe 42%;
- US-World 18% of ASKs, Intra-US 54%⁽⁹⁾.

Later in 2020, the world was hit by a second wave of the pandemic, resulting in new restrictive measures and lockdowns implemented at local and national levels, calling into question the forecasts of an early-2021 recovery, with a significant impact on worldwide capacity. This phase depressed growth and looked more like stagnation: 43% of capacity during the peak season in August 2020, stability at average levels, to close the year with worldwide capacity at around 44% in December 2020 (with some differences depending on the market).

Governmental support, financial aid and regulations

The Covid-19 crisis proved to be particularly devastating for the airline industry which was seriously affected by the traffic restrictions imposed worldwide, notably the closure of the Schengen borders and the various lockdown measures mentioned above. In addition, the actual duration of the crisis is not yet known, with a long and uncertain recovery in prospect for air transportation.

Governments worldwide have kept airlines on life support with US\$173 billion of financial aid (relief measures up to November 13). The regional variation in this aid is huge, with a near-total lack of aid for the African and Latin America carriers, resulting in bankruptcy for the three leading Latin America airlines, LATAM, Aeromexico and Avianca. Furthermore, US\$96 billion of this aid will need to be repaid, sometimes with high interest rates.

After the crisis, the airline industry will be penalized by significant leverage, having taken on at least US\$220 billion of additional debt between late 2019 and November 2020, reaching a record figure of €651 billion⁽¹⁰⁾.

Government relief measures have often been accompanied by conditions in terms of competitiveness and profitability, mostly to secure loans. Additional climate commitment conditions have been applied, as in the case of Austrian, wherein airlines have pledged to promote rail travel for short journeys, increase jet fuel efficiency and reduce their overall CO₂ footprint.

Governments in countries where subsidiaries of airline groups are located have often demanded the maintenance of the relative weight of the subsidiaries versus the other airlines in the Group, as is the case for Swiss, Austrian and Brussels Airways.

European-based companies were subject to supplementary constraints to obtain European Commission approval. For example, Lufthansa's recapitalization by the German government was approved only under certain conditions: a ban on the acquisition of competitors until 75% of the State recapitalization has been repaid and the sale to competitors of up to 24 slots per day to enable them to base of up to four aircraft at both Frankfurt and Munich airports⁽¹¹⁾.

The South Korean government has announced that it will participate in the acquisition of Asiana by Korean Air (increasing the latter from world number 18 to number 10 by size of fleet), through an additional \$730 million investment from the State-owned Korean Development Bank.

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, which was initially granted for the Summer 2020 Season, was subsequently prolonged to Winter 2020 and the Worldwide Airport Slot Board (WASB) is recommending its extension, subject to some conditions, to the Summer 2021 Season.

Trend in European competitive market conditions

Bankruptcies in early 2020 of airlines in difficulty before the Covid-19 pandemic

The first repercussions of the Covid-19 public health crisis in 2020 and their consequences for the travel and airline industries accelerated the stagnation, then the bankruptcy, of airlines that had already been struggling financially and operationally:

- less than two years after launching its first flight, Air Italy was one of the first to collapse. The airline reportedly lost €164 million in 2018 and €200 million in 2019. It had 20 Boeing 737 Max aircraft (grounded since March 2019), forcing the airline to reconfigure its flight schedule and lease A330 aircraft from Qatar (one of Air Italy's main shareholders);
- after a long period of financial difficulty (flights suspended for a month in December 2019), AtlasGlobal, a Turkish airline, declared bankruptcy and terminated its operations in February 2020;
- Flybe, the British carrier which had, historically, been one of Europe's largest regional airlines, filed for bankruptcy in early March 2020;
- CityJet, the Irish operator, grounded its fleet in March 2020, prompting the cancellation of its wet lease contracts (Brussels Airlines, Aer Lingus). The High Court approved a survival scheme allowing CityJet to exit Examinership, on condition it reduces headcount at its Dublin base from 400 to 140 positions.

2020 bankruptcies caused by the Covid-19 public health crisis

In Austria, LEVEL Europe, the IAG Group's low-cost subsidiary, was the first European airline to cease operations during the crisis, having filed for bankruptcy in June 2020. LEVEL France also ceased operations in early 2020. Of the LEVEL brand, there remains only the long-haul low-cost flights, operated out of Barcelona.

SunExpress Deutschland, a German subsidiary of SunExpress, an airline jointly owned by Lufthansa and Turkish Airlines, was the second European airline to fold during the crisis. The subsidiary, based in Frankfurt, was closed down as part of a restructuring, and its short-haul fleet of 14 Boeing 737-800s was transferred to the SunExpress AOC while its seven A330s were sold to Lufthansa.

The airlines take survival measures to weather the Covid-19 crisis

The measures taken by Lufthansa included a fleet downsizing (at least 100 fewer aircraft in 2023 versus the 760-strong fleet in 2019) and a further reduction in headcount (targeting the preservation of at least 100,000 of the 138,000 jobs as of the end of 2019). It also announced the regrouping of the leisure operations at the German hubs of Frankfurt and Munich in a new leisure entity code-named Ocean, with a new AOC from end 2021, to replace the current long-haul leisure flights from Germany operated by Lufthansa subsidiaries Cityline, Brussels Airlines and SunExpress Germany; Ocean will operate seven A330s in Summer 2021, with the potential addition of eight A320s, sourced from Eurowings Europe.

The restructuring of British Airways and Aer Lingus accelerated with the departure of over 9,000 people as of late September 2020. This plan should enable British Airways to reduce annual payroll costs by at least 30% in 2021 compared to 2019. Aer Lingus will also make significant savings of up to 50% compared to 2019, including government support. Iberia and Vueling are already benefiting from Spain's furlough programme, ERTE (at least until January 2021), saving them over 35% of employee costs, in addition to a number of senior management changes already implemented within IAG. The Group has decided to relocate some Aer Lingus resources to open a new long-haul base in Manchester as of Summer 2021.

Norwegian entered the crisis in a weak financial position with an unsustainable level of debt. The airline began 2020 with a fleet of 127 Boeing 737s and 41 Boeing 787 aircraft⁽¹²⁾. Despite restructuring and State aid, the worsening crisis has not allowed the airline to resurface in a stable and healthy financial situation. In November 2020, Norwegian Air International filed for examinership and, in January 2021, Norwegian announced that the long-haul operations will no longer fly even after the pandemic. The airline will retrench around a small, short-haul European and domestic Norwegian network, with 50 narrowbody aircraft (17 Boeing 737 aircraft in service as of January 2021: four Norwegian and 13 Norwegian Air Sweden)⁽¹³⁾.

Cargo

In 2020, the reduction in passenger flights throughout the year created a shortage of belly capacity in the passenger fleet, putting significant pressure on full-freighter capacity, leading to an advantageous position for full-freighter operators and helping them survive the crisis. Air freight traffic, measured in revenue ton-kilometers (RTK), collapsed as of the beginning of the year, with April 2020 posting the biggest fall (-25%) relative to the same period in 2019, before recovering to -8% in September 2020 ahead of the second wave of the pandemic, then stabilizing at around -6% (versus 2019) through to the end of the year.

Markets reacted differently to the pandemic (2020 versus 2019):

- Latin America was the most impacted in terms of RTK, seeing -41% in April 2020, before returning to -19% by November 2020.

- North America and Africa were the least impacted in terms of RTK, starting with declines of -14% and -19% in April 2020 respectively, and building up to highs of +1.5% and +10% respectively in September 2020.
- Europe saw a substantial decline of -33% in April 2020 to reach -11% in October 2020.
- Asia Pacific was down by -25% in April 2020 before recovering to a high of -10% in November.
- The Middle East saw the sharpest decline at -36% in April 2020 before recovering to -1.1% in October 2020.

The current shortage of cargo belly capacity, combined with steady demand, in particular for e-commerce, pharmaceutical products and perishable goods, saw unprecedented growth in air freight unit revenues during 2020 to a high of around \$3.6 per kilo (versus \$2.1 in 2019) and boosted industry-wide load factors to a peak of 60% (versus 50% in 2019). Air freight posted a high level of revenue in 2020, as both demand and unit revenues rose steadily over the course of the year. In terms of route, the most profitable was Asia-North America, mainly driven by e-commerce.

Note that, in 2020, the extraordinary conditions created by the public health crisis forced companies to make critical decisions, e.g. converting the cabins in their passenger aircraft for cargo transportation to increase capacity, by removing seats or transporting merchandise on seats.

Maintenance

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, collapsed from an expected US\$91 billion in 2020 to US\$50 billion⁽¹⁴⁾.

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.

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.

Sources

(1) Database Oxford Economics 14 12 2020 – (2) <https://asia.nikkei.com/Spotlight/Datawatch/China-dominates-world-export-markets-despite-US-trade-war> – (3) IMF, October 14 - Fiscal Policy for an unprecedented crisis – (4) Source: <https://www.bakermckenzie.com/en/insight/publications/2020/06/opec-decision-to-maintain-oil-production-cuts> – (5) Source: <https://www.cnbc.com/2020/12/03/opec-meeting-talks-resume-over-oil-production-cuts-amid-covid-crisis.html> – (6) <https://www.scmp.com/economy/china-economy/article/3113905/chinas-yuan-continue-rise-against-us-dollar-short-term> – (7) IATA Air Passenger Monthly Analysis: <https://www.IATA.org/en/publications/economics> – (8) <https://www.eurocontrol.int/covid19> – (9) OAG Monthly Capacity Data: <http://analytics.oag.com> – (10) Economic Performance of the Airline Industry IATA November 2020 – (11) <https://www.lw.com/thoughtLeadership/Covid-19-EU-state-aid-aviation-sector>, https://investor-relations.lufthansagroup.com/fileadmin/downloads/en/more/200605_Presentation_Financial_Stabilization_Package.pdf – (12) https://www.norwegian.com/globalassets/ip/documents/about-us/company/investor-relations/reports-and-presentations/investor-presentations/norwegian-air-shuttle-asa_presentation-to-bondholders_27-april-2020.pdf – (13) Cirium database – (14) Source: Oliver Wyman MRO Forecast, July 2020.

1.2 STRATEGIC OUTLOOK

1.2.1 The Air France – KLM Group’s ambition

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: 76,000 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 2020, it served 300 destinations in 116 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 2020, 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 34 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.

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.

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 76,000 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

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 digitized 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.

1.2.4 Strategic orientations

Response to the Covid-19 crisis

The public health crisis caused by the Covid-19 pandemic considerably challenged the airline industry throughout 2020. Sanitary measures of quarantines, 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 the airlines' business operations. For weeks, Air France and KLM were operating under 10% of their regular scheduled capacity while Transavia and Hop! were forced to ground all flights.

At the end of September, the Group was operating only 46% of its capacity compared to last year. The situation hadn't improved by the end of the year with additional worldwide governmental restrictions, in response to a second wave of the pandemic; by the end of December 2020, the Group was operating under 40% of its capacity.

Air France – KLM's immediate response to the crisis has been centered around two key principles: safety and social responsibility. Capacity has been reduced in line with the drop in demand and travel bans while cooperating with the French and Dutch States. The safety of employees and customers has been ensured through immediate actions:

- 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 has 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. Over one hundred million pieces of protective medical equipment have been shipped through air bridges using cargo and converted passenger aircraft.

The Air France – KLM Group also took 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 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.

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 quick the Group is in engaging and mobilizing when necessary.

Due to the new reality, the Air France – KLM Group is adapting and accelerating its transformation plans

The Go-Forward plan for the next five years was presented in November 2019, including an ambitious transformation plan.

The Group’s strategic orientations started to deliver results in 2019 and in early 2020. The Covid-19 crisis, which commenced in Europe at the end of February 2020, has had an unprecedented impact on the industry. In this context, the Group will look continuously to adapt its activity to the development of demand for travel and will be adapting its capacity and commercial approach to adjust to the new reality. The Group expects a return to the pre-crisis levels of global demand to take several years and the previously-expected short-term recovery was delayed by the resurgence of a second wave of Covid-19 at the end of August 2020.

Notwithstanding the current crisis situation, the principles of Air France – KLM’s Go Forward plan remain unchanged, aiming to reinforce the Group’s competitive positioning by leveraging its strengths. The Group’s sustainability commitments are also reasserted; Air France – KLM has set specifically for the environment a commitment to reducing its CO₂ emissions per passenger by 50% in 2030 compared to 2005. This will be achieved by a multi-facet strategic solution with real reductions of CO₂ due to a modern fleet, optimization of fuel consumption, scale up of sustainable aviation fuel and compensation *via* market-based measures including CO₂ schemes and voluntary offsetting by the Air France and KLM customer programs.

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 investments with the long-term focus on achieving increased competitiveness and 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) will 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 prioritising mobility options and voluntary departure programs in order to avoid involuntary layoffs, while also utilising notably the *Rupture Convention Collective* (RCC) to permit voluntary departures beyond those that would normally be entitled under French labor laws.

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 2020/21/22 and the freezing of general and individual increases (excluding promotion and seniority).

As a condition of the loan package, the French government has required Air France to achieve cost reductions on a par with European peers (Lufthansa, IAG) and to commit to ambitious environmental objectives:

- discontinuing the sale of routes with a train journey alternative in under 2.5 hours, except for the flights serving Roissy-CDG;
- reducing CO₂ consumption per ASK by 50% in 2030 relative to the 2005 baseline;
- increasing the share of Sustainable Aviation Fuel used for the flights.

In the Netherlands, KLM’s restructuring plan submitted to the Dutch Ministry of Finance contains a significant reduction of FTEs compared to pre-Covid-19. 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 duration of the loan period.

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 restructuring of the French domestic network, including shifting some domestic operations to the lower cost Transavia platform.

Fleet

Air France – KLM's future competitive position, focus on sustainability and Capex investments are largely linked to decisions made with regards to 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 (for example through densification or other improvements to the LOPA – interior seating configuration);
- introduce committed new aircraft, in line with our existing fleet plan.

Continuing to invest in new aircraft will support the Group's sustainability commitments and cement its future competitive position.

In the short term, linked to delays in production at Airbus and Boeing in response to the crisis situation at hand, a few A350-900 deliveries at Air France, and some committed and uncommitted B787-10 deliveries at KLM, have been postponed.

In addition, Air France and KLM plan to continue to retire aircraft with the highest costs, fuel consumption and CO₂ emissions, and to introduce new generation aircraft in order to:

- firstly, improve economics through lower costs pertaining to fuel. The introduction of new-generation aircraft is making a major contribution to this reduction in fuel costs. The Boeing 787s and A350-900s combine economic efficiency and environmental performance, with fuel consumption reduced by 20 to 25% compared to previous generation aircraft.
- secondly, obtain economies of scale *via*, for example, maintenance facilities and employee training;
- and thirdly, reduce our environmental footprint. A new generation aircraft will typically produce 20% to 25% lower CO₂ emissions versus the previous generation aircraft it replaces.

Mid- and long-term fleet investments drive the exit from the current crisis and are essential to achieve increased competitiveness and sustainability targets.

The Group therefore intends to keep the committed fleet delivery schedule for 2021-25 intact as much as possible and is carefully considering financing options. At the same time, it is maintaining the highest level of flexibility in fleet development in view of current uncertainty on the recovery trajectory.

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 "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.

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 scrutinise all controllable external expenses, and has frozen 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.

1.3 ACTIVITIES IN 2020

1.3.1 Network business (passenger and cargo): 2020 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 83% of the Group’s revenues.

Due to the Covid-2019 public health crisis, 2020 was to see a significant reduction in our capacity across all the networks, short, medium and long-haul. Total capacity in the Air France network was down by 59% versus 2019. Given that the pandemic situation was unfolding month by month and governmental measures by region were also constantly changing over the course of the year, the Scheduling teams reacted with agility and proactiveness to adjust capacity throughout 2020. The different quarters saw contrasting situations: a relatively limited impact during the first quarter with, for Air France, capacity down by 11% relative to 2019, a second quarter at a virtual standstill with capacity down by -92% versus 2019, a pick-up during the third quarter despite a -65% reduction in our capacity and, lastly, a maintained low level of activity during the fourth quarter at -63%.

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 acceleration in the Domestic transformation plan

Faced with the major impact of the Covid-19 crisis, the short and medium-haul network is accelerating its restructuring

On the French short-haul network, activity was down by -53% relative to 2019. After a fairly stable start to the year in January and February, the announcement of the first lockdown in France during March 2020 had a major impact on the second quarter, which was down by -92%. Furthermore, given the ban on domestic travel and the closure of Orly airport, our flight operations were reduced to the minimum in April and May. As of the end of June, the re-opening of Orly airport and the progressive pick-up in leisure and Friends and Family-related demand

enabled capacity to recover to -40% in the third quarter. The weak pick-up in Business travel in September-October, followed by the resurgence of the epidemic and the implementation of the second lockdown in France in November, again negatively impacted the short-haul operations during the fourth quarter, with capacity down by -60%.

Faced with the magnitude of this crisis, Air France decided to accelerate and amplify its restructuring plan launched in previous years in short-haul. To contend with the increased competition from the low-cost carriers, the TGV high-speed rail service and the Oui Go offering in the domestic market, the Group thus confirmed the deployment of Transavia in short-haul as of the Winter 2020 Season on the Orly-Biarritz, Nantes-Marseilles, Nantes-Toulouse, Nantes-Nice and Nantes-Montpellier routes. Air France also restructured its network by closing structurally loss-making routes as of the Summer 2020 Season. 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-Lyon). Lastly, the restructuring of the short-haul network will see the repositioning of Hop at CDG and the Lyon hub.

The medium-haul network also saw a substantial reduction in activity over 2020. On average, for the whole year, capacity was down by -60% on its 2019 level, the quarterly trends being similar to those in short-haul: a first quarter modestly down at -15%, a second quarter at a virtual standstill owing to the lockdown in France and in many European countries with capacity at -94.2%, a recovery in the third quarter with capacity at -53% mainly driven by demand on leisure and Friends and Family destinations; lastly, due to new governmental measures in Europe, a stronger capacity reduction in medium-haul during the fourth quarter at -74%.

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, impacting connecting traffic. However, in Summer 2020, Air France maintained all the seasonal destinations in its initial schedule, like Bari, Calvi, Olbia and Palermo in Italy, Heraklion, Mykonos, Santorini and Thessalonica in Greece, Faro and Ibiza in the Iberian Peninsula and Djerba in North Africa.

Within an 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.

OUR STRATEGY: BECOMING A EUROPEAN CHAMPION

OUR RESOURCES

OUR BUSINESS MODEL



PEOPLE

76,000 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

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

SHOWCASING
THE BEST OF
FRANCE AROUND
THE WORLD

KLM

STRONG
INNOVATIVE
GLOBAL
BRAND

transavia

MAKING
LOW COST
FEEL
GOOD

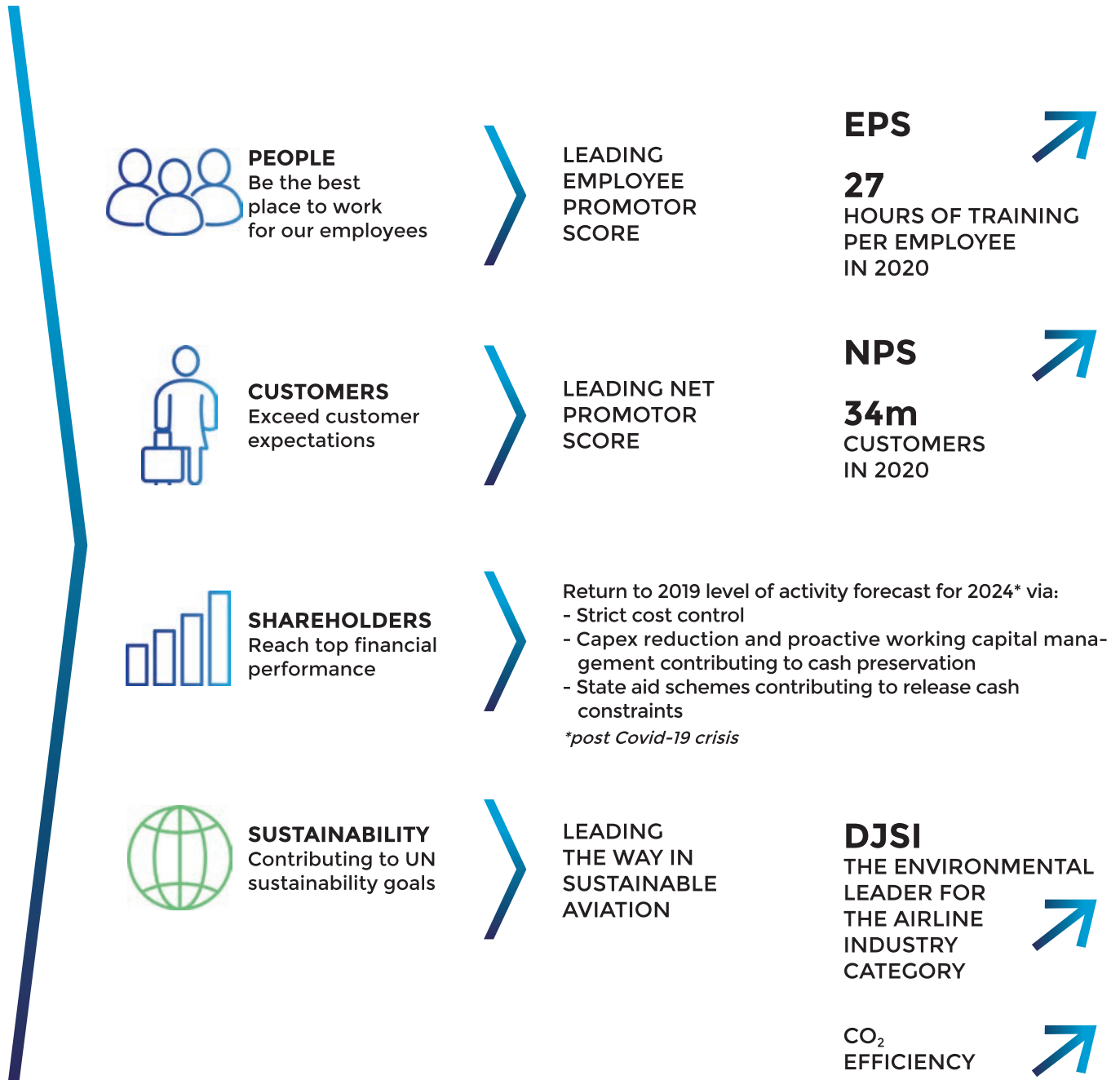
- Focus on business recovery
- Secure customer trust and preference
- Optimize our operating model
- Develop customer data, Flying Blue, cargo & E&M
- Commit to global sustainability

CONTRIBUTING TO THE UN SDGs



OUR VALUE CREATION

2020 PERFORMANCE



1.3.1.2 Long-haul operations: a historically balanced network which was able to mitigate the effects of the Covid-19 crisis

The KLM network saw a significant reduction in capacity, down by around 50% versus 2019.

Like for most European carriers, as of March, in the space of three weeks, the KLM network had to be reduced and production was cut to 10% of its capacity relative to more normal years. In May, on the slowing of the first Covid-19 wave in Europe, KLM increased its production to 20% of its usual capacity.

The KLM Summer schedule resumed with a skeleton network of 32 European and 25 long-haul destinations, compared with the 171 destinations served in Summer 2019. Flight frequencies were reduced and adjusted to the availability of Cargo. Over the summer, KLM was able to progressively reinstate the network, even if the load factors were still far from satisfactory. In September, a second wave of Covid-19 hit Europe, impacting the Winter schedule which began at the end of October. KLM reduced its operations by 40% to 20% of its normal capacity, by using KLM Citihopper Embraers which are smaller and more cost-efficient.

KLM maximized the number of destinations, even at reduced frequencies, to maintain the global network. It was thus easy to take advantage of opportunities and adapt to the new travel restrictions. KLM succeeded in adding new destinations, like Zanzibar (Tanzania) and Riyadh (Saudi Arabia). The Winter schedule, which ran from October 2020 to March 2021, was built around different scenarios, giving KLM the flexibility to adapt to the unfolding changes and opportunities.

Air France long-haul operations also saw a substantial downwards 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 -59% relative to its 2019 level. At the height of the crisis, in April and May, capacity was down by -94%. The level of capacity subsequently recovered to -69% during the third quarter and -61% in the fourth quarter.

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 which were the least impacted by the health crisis. The cargo contribution to the passenger aircraft was also a key element in maintaining long-haul operations.

After the April and May lockdown during which virtually all capacity was withdrawn, the second half trend in capacity by region reflected this adaptation. While overall long-haul capacity was down by -69%, the breakdown by region was as follows:

Caribbean/Indian Ocean -48%: This was the region where operations were the most preserved, in particular to the French West Indies where demand held up. Air France thus increased its capacity to Pointe à Pitre, Fort de France and Reunion Island at the year end, in response to Christmas holiday demand.

India/Middle East -52%: 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.

Africa -56%: Air France was able to benefit from its historic presence on niche markets like West Africa to progressively relaunch operations on the exit from lockdown. Leisure and friends and family-style flows proved more resilient than Business traffic. Despite the crisis, Air France was able to open a new destination, Monrovia in Liberia, which notably benefited from numerous flows towards North America.

North America -71%: While operations were not totally prohibited, passenger demand collapsed owing to the travel restrictions imposed by governments, which were particularly stringent for travel between Europe and the USA and Canada. The network was thus refocused on routes with, firstly, substantial cargo demand and, secondly, significant demand for flows to/from Africa and the Middle East.

Central/South America -78%: Operations had to be significantly scaled back to adapt to the travel constraints in the different countries of the region. The maintained operations were strongly supported by the cargo business whose revenues covered a substantial proportion of the operating costs.

Asia -86%: The Asian network was to see the most significant adjustments to operations, owing to several factors:

- limitation of traffic rights: in countries like China, during the second half, Air France was only able to operate a maximum of three 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 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.

Fleet & product

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 and insurance cover linked to the pandemic. 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.

Air France Protect, the promise of a safe trip

— Health measures guaranteeing the highest level of safety at every step of the journey

For passengers aged 11 years or more, the wearing of 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 plexiglas protective screens.

The check-in counters and self-service kiosks are regularly disinfected.

Hand sanitizer dispensers are available throughout the customer journey.

Body temperature checks may be implemented on the departure of some Air France flights.

In November 2020, Paris Aéroport 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 journey, the wearing of surgical masks remains mandatory. A disinfectant wipe is offered to customers on boarding the aircraft. Since January 5, 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.

Travel with KLM for peace of mind

KLM did everything in its power to ensure a safe travel experience for passengers. Preventive measures were taken at every step of the customer journey, on the ground and on board. The products and services were adjusted to minimize contact moments and maximize distance. Passengers clearly expressed the need for reassurance in the areas of hygiene and sanitation, physical and social distancing, health screening, and transparent information in real time.

The introduction of QR codes on boarding passes reduced the need for physical contact. This enabled passengers to prove their identities and supported increased self-service activities at the airport. KLM digitized the health declaration and connected it to the boarding Pass, and introduced virtual queuing in the lounge and at transfer desks, thereby reducing the need for physical lines. Working together with other SkyTeam members, KLM set standards for hygiene, distancing, screening, preparation and pre-testing.

KLM developed software enabling the creation of a cabin seating plan that maximizes distance between passengers and launched the Willingness to Fly program, which bundles information about flight restrictions and conditions. In line with its ambition to be a leading European network carrier in terms of customer centricity, KLM kept the Crown Lounge at Schiphol open to ensure passengers could benefit from rest and comfort. This made KLM the only major European airline to keep its lounge at the hub open from the beginning of March through to the end of the year. Initially the food and beverage services were limited but, from July, the lounge was cautiously expanded to the full-service offering.

— Flexible commercial measures with 100% changeable or refundable tickets until December 31, 2021

To enable customers to plan their travel with peace of mind and facilitate their journeys in the event of service disruption, Air France has adapted its commercial measures to enable the highest possible level of flexibility. Whatever their reason, customers may change their booking, obtain a voucher if they no longer wish to travel or be refunded if their flight has been cancelled.

With the closure of the network having led to a wave of more than two million cancellations, KLM had to contend with huge pressure on its customer care processes, leading to waiting times. KLM took the decision to offer vouchers in the event of cancellation and compensated passengers by increasing the value of the voucher by 15 per cent, relaxing the conditions of the Flying Blue program and offering flexible booking terms. KLM mobilized extra staff and expertise, and developed a suite of digital tools allowing passengers to obtain refunds and rebook their flights.

– Insurance to cover the health risk

In partnership with Allianz Travel, Air France 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.

Customer perception

Since June 2020, Air France has evaluated customer satisfaction on the hygiene protocols deployed and on their travel experience. Amongst other feedback, some 70% of the customers polled give an excellent or very good score to the measures implemented against the Covid-19 epidemic.

In April 2020, Air France figured amongst the Top 5 brands, banners or services the French had missed the most during lockdown (Brands&You survey by the CSA Institute).

In November 2020, Air France was ranked the leading airline in Europe for the health and safety of its passengers, having scored 4.1 out of 5 in the Safe Travel barometer.

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 has been limited to a glass of water. 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".

– The Air France lounges

Due to the health guidelines, some Air France and third-party lounges have had to close.

With its focus on improving the customer experience, Air France has been able to progressively re-open some lounges while guaranteeing the same health protocols: hand sanitizer dispensers, the mandatory wearing of surgical masks and respect for social distancing. The catering proposition and certain services have also been adapted: the snack offer in packaged, individual portions has been maintained and drinks remain self-service. At the buffets, the hot and cold products are now served on a plate by a waiter. The bar and Childrens' space remain closed as do the Clarins beauty spaces with the exception of the one in Terminal 2E, Hall K at Paris-Charles de Gaulle.

Ahead of the renovation work on the *La Première* lounge planned for the end of March 2021, *La Première* customers are being hosted in the mezzanine space in the Air France lounge at Terminal 2E, Hall K at Paris-Charles de Gaulle. The Alain Ducasse Paris catering teams provide the fine-dining proposition.

– Despite the crisis, Air France and KLM are maintaining investment for their customers

Despite having cancelled or postponed projects and investments, and renegotiated contracts, KLM decided to introduce Premium Economy, a class in its own right between Economy and Business Class. It will feature more space and multimedia screens for inflight entertainment, a dedicated service and an upgraded catering proposition. Furthermore, KLM will invest in a direct aisle business class on all its Boeing 777-300 aircraft, which can already be found on the Boeing 787.

– The 15 Airbus A330s in the Air France fleet completely refurbished for an investment of €140 million

The refurbishment of its Airbus A330s launched in 2019 is an integral part of Air France's product modernization strategy. During 2020, the 15 aircraft were refurbished to welcome customers in totally-redesigned cabins: new seats, toilets and galley fittings, integrated moodlighting and more modern and elegant bars. Equipped with 36 full flat seats in the Business cabin, 21 seats in Premium Economy and 167 seats in Economy, the A330 offers an optimal level of comfort and well-being.

Furthermore, Air France is investing an additional €500 million over five years (2020-24) in ongoing cabin refurbishment, the roll-out of on board connectivity, the renovation of some lounges and an innovative new lounge in Terminal 2F.

– Refurbishment of the cabins in 12 Air France B777-300s

In January 2020, Air France unveiled the new travel cabins on board its Boeing 777-300s currently serving destinations in Guadeloupe, Martinique and Reunion Island. At the end of 2020, six refurbished aircraft were brought into revenue service, to be followed by the remaining six in 2021. 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.

– Ongoing roll-out of "Air France CONNECT" across the AF fleet and the KLM WiFi offer

KLM continued to install Wi-Fi connectivity on the intercontinental 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.

At the end of 2020, 73% of the Air France fleet was connected: 70 long-haul and 87 medium-haul aircraft. Three types of aircraft are already 100% connected: Boeing 787: Panasonic, A330: Gogo, A350: Inmarsat.

Lounge update

In January 2020, Air France inaugurated its new lounge in Paris-Orly 3. Dedicated to long-haul flights on departure from Orly and spanning 720m² of calm, elegance and refinement designed exclusively for the pleasure and well-being of guests, the lounge mainly welcomes customers traveling to the Caribbean and Indian Ocean.

In September 2020, Air France reopened its new lounge at Geneva airport. Spanning 228m², the different spaces have been refurbished to enable customers to relax, enjoy a drink or snack, or work in an ambiance blending comfort, well-being and aesthetics.

As announced in early 2020, Air France's future medium-haul lounge at Paris-Charles de Gaulle with a floor area of 3,500m² over two levels, will be located in the middle of the two Terminal 2F peninsulas. It will welcome customers on departure or connecting to a short or medium-haul flight as of the summer of 2021.

— Another Customer Relations award for Air France

On April 9, 2020, for the fifth year running, Air France won first prize for Customer Relations in the Transport sector. In this sixteenth edition of the Customer Relations awards organised by BearingPoint and Kantar, in partnership with Salesforce, the airline also shot up the general ranking, from 42nd to 14th place across all categories. Air France is making progress on most of the excellence criteria in the Customer Relations Awards.

1.3.1.3 Accelerated digital reset for the present and future

Air France – KLM Digital hit hard by the Covid-19 crisis

As an airline group and a player in the travel industry, we have been very hard hit by the Covid-19 pandemic. As a consequence of this crisis and government restrictions, digital channels have become our first point of contact with customers. Our strong digital presence has become all the more evident and the crisis has opened up new opportunities for digital.

Actions of Air France – KLM Digital in response to the Covid-19 pandemic

Adjusted sales approach: offering commercial flexibility on all touchpoints to adapt to the continuously changing context, as international governments impose various “overnight” travel restrictions, based on local or foreign Covid-19 infections.

A “self-service powerhouse”

Provide our customers with self-service tools to manage their bookings and refunds, giving them control and ease of use, and gaining scalability.

In a record time, new self-service tools were developed on digital touchpoints (desktop and mobile):

- information chatbots dedicated to information on the Covid-19 situation;
- special booking bots;
- self-service rebooking tools;
- self-service vouchers and refunds;
- self-service health statements (8% of sales);
- self-service real-time special entry conditions by country: Traveledoc.

The booking path was also adapted to the new health and commercial conditions:

- social distancing on online cabin seatmaps;
- book with Confidence policy: implementation of flexible conditions on all tickets;
- option to use a voucher as a method of payment;
- integration of a 15% bonus at the payment step;
- updates on flight information;
- health form during the check-in process.

Expertise in social media at the height of the crisis

As of the onset of the crisis, large social media and customer contact volunteer teams were put in place. In addition, our hybrid model of agent servicing, supported by tooling and bots, proved its essential role in our social media service organization. In response to the Covid-19 pandemic, we launched additional bots to handle the high service volumes (automated and partly automated), which increased by 500%.

Digital strategy

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).

Data-driven approach

We are able to gain key insights into customer expectations and respond by adapting our responses.

Website-centric data (searches on the website, most viewed pages and queries) and marketing data (social media listening in real time, Google queries) have been key to adapting our messages and FAQ on a user-centric basis.

Results: 4/5 score for satisfaction on all our email and content pages dedicated to Covid-19 special information.

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 the social media

Air France and KLM maintain their role as pioneers. They are 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 ten 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 (the volume increased by 500% at the height of the crisis in March 2020).

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

- over 300,000 social media mentions every week, of which 50,000 cases;
- questions 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, LINE and Messages in ten languages (Dutch, English, German, Spanish, Portuguese, French, Italian, Japanese, Simplified Chinese and Korean);

- over 50% of all social media replies are supported by artificial intelligence (the agents use suggested answers or fully-automated replies);

- more than two 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, being the first travel brand to position itself on social commerce.

Consolidation of a joint digital platform

Air France and KLM have combined their production resources to create a joint digital platform for their Air France and KLM commercial websites. Based on Agile methods of production, this platform is continuously being improved to provide a state-of-the-art digital experience to customers. Basic principles: personalization, an advanced UX design (Material Design), based on APIs: a consistent experience and an efficient deployment of all our solutions on all digital channels (mobile, desktop, kiosk, social media, etc.), "Mobile first" approach (more than 65% of traffic), an optimized answering time.

Supporting the sustainability ambitions of the Group

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 onboard, 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.

Some 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.

Air France – KLM Digital Marketing focus: campaigns, emails and the social media (2020)

- 600 cross-channel campaigns executed worldwide⁽¹⁾;
- 42 million customer lifecycle emails sent;
- 56% customer lifecycle email open rate (unsubscribe rate of 0.12%);
- 33 million fans and followers worldwide on the various social media platforms.

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

Awards received in 2020

In 2020, Air France and KLM both won two major awards, including “Best campaign Search and Data” for Air France, and Tripadvisor Best Business Class, Tripadvisor Best Regional Business Class, Tripadvisor Travellers Choice Major Airline KLM – Europe for KLM.

Digital mission statement

Empower customers to do business with us at every stage of their journey, ensuring a consistent and compliant digital experience. We do this by providing a highly scalable digital ecosystem to steer our customers towards the most efficient direct channel. To achieve our companies’ ambition within the scope of the “selfsales & self-service”: revenue, customer satisfaction, (cost)-efficiency.

Key figures: digital for the Group in 2020

- 241 million visits on AF.com and KLM.com, of which 55% on mobile devices;
- 45% of all tickets sold direct online;
- 65% online check-ins;
- 1.7 million active users every month on mobile applications.

1.3.1.4 Cargo

During the 2020 financial year, the Group carried 880 million kilograms, down by 20.8%, of which 78% in the bellies of passenger aircraft and 22% 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 2020, the Group’s cargo capacity was down by 30.7%, primarily driven by the reduced belly capacity in passenger aircraft partly offset by the increase in full freighter capacity and mini-cargo flights (passenger aircraft for which only the belly capacity is marketed). The yield and load factor were strongly higher, resulting in a unit revenue increase of 76.8% 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 are down due to the Covid-19 pandemic but are expected to recover steadily in line with trade growth and increased industrial production. The supply-demand gap in recent months is foreseen to narrow once the industry capacity supply increases which will depend on the recovery in passenger traffic. Air France – KLM is ready to transport vaccines worldwide and has already successfully delivered them to several destinations. The volume of vaccines is expected to progressively increase during the first half of 2021.

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

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 partnerships 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 does 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, Mexico and Europe through integrated cooperation and all the flights between North America and Mexico to and from the Mediterranean basin, Africa, the Gulf countries 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.

Partnerships in China – a consolidated presence in the Chinese market

Air France and KLM benefit from a historic presence in China, bolstered by strong partnerships with two of the three largest Chinese carriers, through joint-venture agreements concluded during the past two decades.

In 2006, KLM was the first to sign a joint-venture agreement with China Southern, thereby benefiting from its partner's vast domestic network operated on departure from the Guangzhou and Beijing hubs. This agreement was expanded to Xiamen Airlines, a subsidiary of China Southern, in 2015. For its part, in 2010, Air France signed a joint-venture agreement with China Southern, regrouping the Paris-Guangzhou operations of the two partners and developing their respective cooperation beyond their main hubs. In July 2018, Air France – KLM on one side, and China Southern and Xiamen Airlines on the other, committed to a new period of joint-venture cooperation by forming a single joint-venture which remains in force despite China Southern's decision to leave the SkyTeam alliance, effective January 1, 2019.

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.

Thanks to these partnerships, Air France – KLM can offer its customers access to a total of some fifty destinations in China, completing its own network with eight destinations in Greater China.

In total, the revenues from routes operated between Europe and China by airlines participating in joint-venture agreements represented more than €1 billion 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 led to a significant increase (approaching 25%) in the percentage of Air France and KLM passengers 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.

Alitalia

Since January 1, 2020, Alitalia has no longer been a member of the transatlantic joint-venture between Air France – KLM, Delta Air Lines and Virgin Atlantic. However, the US authorities prolonged the anti-trust Immunity until May 20, 2020, enabling Air France – KLM, Delta and Alitalia to continue their commercial cooperation until that date; discussions are ongoing with the new Alitalia to explore different avenues for future cooperation.

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.⁽¹⁾

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 codesharing, 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.).

(1) Due to the Covid-19 situation of public health crisis, the 2019 figures are indicated since they are more representative.

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.

1.3.1.7 Key figures

Network business

In this very challenging 2020, Air France and KLM activity managed their capacity with most of the flights incrementally cash positive thanks to the Cargo activity.

Network	Year		
	2020	Change	Change at constant currency
Total revenues (in €m)	9,206	-60.4%	-60.3%
Scheduled revenues (in €m)	8,571	-61.5%	-61.3%
Income/(loss) from current operations (in €m)	(3,722)	-4,471	-4,477

Full year 2020 revenues decreased by 60.3% at constant currency to €9.2 billion. The operating result amounted to €(3.7) billion euros, a €4.5 billion decline at constant currency compared to last year. Measures were strengthened to preserve cash,

including a reduction in investment, cost-savings measures, negotiations with suppliers on payment terms, staff reduction and wage support measures.

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

Passenger network	Fourth quarter			Year		
	2020	Change	Change at constant currency	2020	Change	Change at constant currency
Number of passengers (in thousands)	5,211	-75.6%		28,883	-67.0%	
Capacity (in ASK million)	34,900	-53.3%		138,168	-53.9%	
Traffic (in RPK million)	14,351	-77.9%		81,212	-69.2%	
Load factor	41.1%	-45.8 pt		58.8%	-29.2 pt	
Total passenger revenues (in €m)	1,126	-78.3%	-78.0%	6,638	-68.6%	-68.4%
Scheduled passenger revenues (in €m)	1,054	-79.0%	-78.6%	6,325	-69.0%	-68.8%
Unit revenue per ASK (in € cents)	3.02	-55.0%	-54.1%	4.58	-32.8%	-32.4%

As anticipated, passenger network activity in the fourth quarter was sharply reduced at 46% of the previous year's level. The tightening of travel restrictions, border closures and absence of corporate travel delayed the expected traffic recovery. October and November were weak in terms of traffic compared to a stronger December, thanks to the increased Christmas traffic in Domestic France and to the Caribbean and Indian Ocean.

2020 was an unprecedented year for the airline industry and Air France – KLM with: a good start in January and February; a worldwide lockdown with repatriation flights during the second quarter followed by hopes of a resumption of traffic during the summer and a last quarter marked by tighter travel restrictions and increased traffic over the Christmas period.

Full year 2020 capacity was severely impacted by the Covid-19 crisis, at 46% of the previous year's level, while traffic decreased by 69%, mainly due to the travel restrictions in place.

The Group engaged in agile capacity management and was able to ramp-up capacity during the Summer and Christmas periods with a resilient performance on routes with fewer border restrictions (French Domestic, Caribbean & Indian Ocean and Africa & Middle East). The balanced network of Air France and KLM spread over the different regions of the world was a strong

asset during the Covid-19 crisis, partially explaining why the Group operated more capacity than its competitors.

During 2020, the Group accelerated the phase-out of different aircraft fleets to cope with the lower demand expected in the coming years (A380, A340, Boeing 747, Canadair Jet and EMB145).

The Air France – KLM Group continues to implement the highest safety standards for its customers and employees to counter virus transmission risks. Both Air France and KLM achieved 4 stars in the Skytrax "Covid-19 Airline Safety Rating", one of the highest scores.

Cargo: Strong steering of unit revenue in a context of industry undercapacity

Cargo	Fourth quarter			Year		
	2020	Change	Change at constant currency	2020	Change	Change at constant currency
Tonnage transported (<i>in thousands</i>)	268	-6.8%		880	-20.8%	
Capacity (<i>in millions of ATK</i>)	2,812	-24.3%		10,120	-30.7%	
Traffic (<i>in millions of RTK</i>)	2,082	-5.7%		6,829	-19.4%	
Load factor	74.0%	+14.6 pt		67.5%	+9.5 pt	
Total cargo revenues (<i>in €m</i>)	860	+53.9%	+58.2%	2,568	+19.3%	+19.9%
Scheduled cargo revenues (<i>in €m</i>)	764	+59.4%	+63.6%	2,246	+21.9%	+22.5%
Unit revenue per ATK (<i>in € cents</i>)	27.18	+110.5%	+116.1%	22.20	+75.9%	+76.8%

Global air cargo capacity was approximately 20% lower at the end of the fourth quarter 2020 versus 2019. The tightening of supply and demand levels has increased yields significantly in recent months.

December was the eighth consecutive month of a gradual air cargo market improvement and Air France – KLM's Cargo activity continued to perform strongly with a unit revenue at constant currency up 116.1% in the fourth quarter 2020.

The Group's 2020 Cargo capacity was down by 30.7%, primarily driven by the reduction in the belly capacity in passenger aircraft, partly offset by the increase in full freighter capacity and mini cargo flights (passenger aircraft with only belly capacity marketed). Yields and load factors were strongly up, resulting

in a unit revenue increase of 76.8% 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 are down due to the Covid-19 crisis but are expected to recover in line with trade growth and industrial production. The supply-demand gap of the past months is foreseen to narrow once the industry capacity supply increases, something which will depend on the recovery in passenger traffic. Air France – KLM is ready to transport Covid-19 vaccines worldwide and has already delivered them to several destinations successfully. Volumes will gradually increase during the first half of 2021.

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 costs 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.

Adapting to the Covid-19 crisis

At the start of the year, Transavia was heading for another record year. Transavia France was planning to launch some 40 new routes and open a new base in Montpellier while Transavia Netherlands was set to start operations on departure from Brussels airport.

The emergence of the Covid-19 crisis, however, forced Transavia to shut down its entire operation for eleven weeks in the Netherlands and for thirteen weeks in France, and to cancel more than 30,000 flights. Full year 2020 activity was close to 40% of its 2019 level, with unit revenues down by 17.4% compared to 2019. The load factor at 73.8% was impacted by the imposition of travel restrictions.

During 2020, Transavia operated more than 150 repatriation flights on departure from Europe and North Africa, enabling 28,000 passengers to return home before temporarily immobilizing its entire fleet.

Transavia focused on strict cash control and froze all spending and investments. The measures implemented by the company include partial activity in France enabled by the French government, a freeze on all unnecessary expenditure, the deferral of tax payments and the renegotiation of contracts with suppliers.

Millions of passengers requested refunds and Transavia moved fast to ramp up customer support and develop a chat bot to speed up the process of customer care. From May, the reimbursement of all cancelled reservations and flexibility was offered to customers.

In June, Transavia progressively resumed flight operations by constantly adapting its operations to the health protocols, enabling many travelers to enjoy leisure destinations during the summer. The new base in Montpellier was inaugurated on June 26 with some ten destinations offered during the summer. Transavia Netherlands postponed the opening of operations on departure from Brussels, but did start some five new routes on departure from its existing bases.

Spain and Greece, which represent more than half of production, imposed new travel restrictions in August, resulting in another setback for the company. Winter production hovered at around 20% to 30% and the load factor averaged only 45% for Transavia Netherlands. Countries where restrictions were lifted showed an immediate uptick in bookings, indicating that consumers were still eager to fly. At the end of the year, after the restrictions were lifted by the French government, Transavia France operated 70% of its capacity compared to December 2019, i.e. 80% of the destinations, and was the number one low-cost airline in France in terms of capacity.

Transavia signed a number of collective labor agreements in the Netherlands and France on working conditions and the restructuring measures. Transavia France launched operations in domestic France during the 2020 fourth quarter on departure from Paris Orly and regional airports.

Launch of the first domestic flights for Transavia France

The public health crisis has accelerated the reorganization of the Group's domestic network and an agreement was signed in August with the pilots (SNPL) to enable Transavia to fly domestic routes. Transavia France announced the opening of five new routes on the French domestic network in September; one service from Orly airport to Biarritz and four on departure from Nantes to Marseilles, Nice, Toulouse, and Montpellier. Ten additional seasonal transversal domestic routes were opened for the Christmas period, enabling friends and families to be reunited for the festive season.

Continued innovation

Only asset-light investments providing direct added-value for customers were authorized and, despite the crisis, Transavia was able to launch customer experience innovations. These included the launch of Transavia Holidays and Transavia Dichtbij, which supports Transavia's sustainability ambitions by focusing on travel within a 750km radius. An ancillary product called "Flex" was introduced to offer certainty and flexibility, features that have become increasingly important for passengers. Transavia partnered with Takeaway.com to offer "in-flight delivery", which reduces waste as well as weight on flights. In the area of digitalization and documentation, Transavia France launched a new solution with Vistair, enabling the consultation of airline documentation. Other product and service improvements include cooperation with the Mona system at Lyon airport (contactless check-in and boarding with facial recognition), Smooss (an automated solution for rebooking passengers) and the new cabin luggage policy offering more clarity for passengers and allowing an additional carry-on accessory in the cabin. In September, the new mobile application was launched, enabling easier booking and baggage check-in for customers. With a score of 4.6 in the App store, this new application is a success.

Customer experience

In the area of customer experience, the Net Promotor Score (NPS) improved and reached an average of 44 for the full year for Transavia France, i.e. 20 points higher than for the previous year. The NPS of Transavia Netherlands was up by more than six points, increasing from 37 points in 2019 to 43 points in 2020, and even reaching 49 in December. Transavia France was also voted *Service Client de l'Année*, a dedicated award reflecting the excellence of its customer service and the engagement of its teams. For the fourth year in a row, Transavia was also awarded the *Meilleure Enseigne, Qualité de Service* label by Capital magazine, recognizing the brand's quality of service.

Operations and maintenance were adapted at all stages of the crisis enabling a maintained reliable service. Transavia Netherlands was able to realize an on-time performance score of 91%, and Transavia France had a punctuality rate of 84.2%.

Sustainability initiatives

Transavia is now part of the Sustainability Leads Group and the Fuel Efficiency Group. In January 2020, the company partnered with KLM within the framework of the CO2ZERO flight compensation service for passengers and participation is stable at around 4% of passengers. Transavia France is also aligned with the Air France engagement to compensate the CO₂ emissions on all its domestic flights through the EcoAct program, which has been in place since November 2020.

More waste- and weight-reduction initiatives were worked on with external partners like the Amsterdam University of Applied Sciences and the Product for Product program. One example is the circular approach for coffee cups introduced in December at Transavia Netherlands. All coffee cups on board and in the hangars are now recycled in the form of toilet paper. In future, office cups will also be included. At Transavia France, a test flight was organized in January to check the possibilities of recycling and all single-use-plastic items have now been replaced by sustainable alternatives.

Cooperation with start-ups to reduce fuel consumption and CO₂ emissions continued with the launch of Optidirect, a new solution developed by Safety Line enabling pilots to choose direct routes. Transavia 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.

Recovery plan

Transavia's ambition is to remain the number one low-cost carrier in the Netherlands. Transavia Netherlands has defined a phased recovery plan for the coming three years: reset (2021), relaunch (2022) and regain (2023). The strategic focus will be on three themes: the customer, the proposition and distribution, integral airline planning, and purpose, people and organization. Continued fleet renewal will contribute to meeting passenger expectations, reducing costs, future growth and Transavia's sustainability targets.

2020 was a challenging year but the company was able to adapt quickly and in an agile way. In 2021, Transavia France will continue to adapt its schedule and operations to the health situation and to customer demand, while preparing for the post-crisis era. The company's plans include the opening of new routes on the domestic and international network, and the entry of new aircraft to the fleet. Attention to customer care, innovation and sustainability will be key and the objective of being the preferred low-cost carrier in France remains the top priority. The key word for 2021 will be agility.

Key figures

Transavia	Year	
	2020	Change
Number of passengers <i>(in thousands)</i>	5,182	-68.7%
Capacity <i>(in ASK million)</i>	13,312	-59.5%
Traffic <i>(in RPK million)</i>	9,828	-67.6%
Load factor	73.8%	-18.4 pt
Total passenger revenues <i>(in €m)</i>	606	-65.2%
Unit revenue per ASK <i>(in € cents)</i>	4.41	-17.4%
Unit cost per ASK <i>(in € cents)</i>	6.65	+34.7%
Income/(loss) from current operations <i>(in €m)</i>	(299)	-430

The fourth quarter operating result ended €65 million lower compared to last year at an operational loss of €(93) million, as a result of the Covid-19 crisis and the tightening of border restrictions in Europe and North Africa.

Full year 2020 activity levels were close to 40% of the previous year's level, with unit revenues down by 17.4% compared to 2019.

Load factors at 73.8% were impacted by the travel restrictions imposed.

The Transavia growth plan remains valid. The company is well positioned to capture the leisure recovery in leisure traffic foreseen in the coming months and represents a major opportunity for the Group to gain competitiveness.

1.3.3 Maintenance business

Aircraft maintenance is the Air France – KLM Group's third business with third-party revenues of €1.2 billion. These revenues generated with external clients represent 43.7% of the total revenues in this business. In 2020, owing to the Covid-19 pandemic and its worldwide impact on the airline industry, the AFI KLM E&M order book decreased by US\$2.4 billion, to a total of US\$9.1 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 MRO 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 from an expected US\$91 billion to US\$50 billion in 2020 (source: Oliver Wyman MRO Forecast, July 2020). For 2021, the MRO market should return to a level of US\$73 billion (source: Oliver Wyman MRO Forecast, July 2020).

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, phase out older generation aircraft and replace them by next generation aircraft. The MRO operators are suffering from weaker and more volatile demand on older and current-generation aircraft.

Finally, the aftermath of the Covid-19 crisis on airline bankruptcies 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.

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 the last two years, AFI KLM E&M has strengthened its global position on new-generation aircraft, with strong growth for the A350, 787, 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, notably by supporting the development of the Group's fleet with the A220 and the E2.

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.

AFI KLM E&M has pursued the deployment of its Safety Management System (SMS), enabling the implementation of processes relating to Flight Safety in a systematic, cross-functional manner. This is done through regular meetings devoted to event analysis, and the establishment and monitoring of action plans. The SMS is also based on a system of feedback encouraged by the deployment of a "safety mind-set" and supported by a network of local Flight Safety Officers.

AFI KLM E&M has also realized a volunteer-driven oversight evaluation known as MLOSA (Maintenance Line Operations Safety Assessment) in its Paris plants. Consisting of a frontline campaign by a network of observers, this procedure enables the identification and reporting of situations which could present a high risk to Flight Safety. Given the success of this operation in the Airframe, Engines and Components division, the approach has been extended to the Engineering functions.

Airframe 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 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 mid-2015, AFI KLM E&M saw the renewal of the Maintenance Contract for the four AWACS belonging to the French Air Force for a ten-year period. In addition, AFI KLM E&M is also designing and executing the Cockpit Avionic Renovation for the same fleet.

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 growth opportunities for this product are located in far-flung markets. AFI KLM E&M's customers are evolving towards service integration, requiring access to a spares pool. The Group is also deploying appropriate support services worldwide, with local logistics facilities and asset management programs.

The success of these offerings is reflected in the loyalty of AFI KLM E&M's customers. For example, in 2019, Virgin Atlantic demonstrated its continued confidence in AFI KLM E&M by signing a long-term contract for its A350-1000s, on top of the longer-running Boeing 787 and A330/A340 contracts. Also in 2020, despite one of the worst crises in aviation history, AFI KLM E&M's offer on latest-generation aircraft attracted the attention of several airlines such as Air Premia and Bamboo Airways who selected AFI KLM E&M to support their Boeing 787 fleets.

Engines: continued product development with the LEAP engines equipping the A320neo and the 737MAX

In 2020, AFI KLM E&M pursued the further roll-out of its LEAP product range. The LEAP is the engine equipping the A320neo and Boeing 737 MAX aircraft, and will be one of the main engines for the fast-growing narrow-body fleets.

The Group offers 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. In 2020, the phase-out from the fleet of the Group's Boeing 747-400 aircraft gave AFI KLM E&M access to recycled spare parts and enables the

remaining potential of these engines to be used to support its customers' CF6-80C2 fleets;

- **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 2020, 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 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 operating airlines, and may include activities like: power plant build-up, borescope inspection, and line replaceable unit (LRU) replacement services, amongst many others. 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). Furthermore, AFI KLM E&M is also authorized to offer a large array of engine support services in our Engine workshops to support customers that operate Boeing 737 MAX fleets (LEAP-1B).

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 and Bonus Tech), 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. Its positioning on next-generation products has enabled CRMA to pursue the strong growth in its third-party customer activity.

Following the Apollo project to grow its production capacity, CRMA was able to respond to its expanding activities and growing customer demand *via* the creation of an additional 2,500m² and investment in new, state-of-the-art, engineering equipment. The capacity expansion thus enabled CRMA to optimize its flows by improving its Turn Around Times and the quality of its operations.

Airfoils Advanced Solutions is jointly owned by Safran Aircraft Engines (51%) and Air France – KLM (49%) who are investing over €20 million in the new company. This new 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 450 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.

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

Located in India (Mumbai), Max MRO Services Pvt. Ltd is a 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 the A380 and 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.

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 at Paris-Orly airport.

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

As a major contributor to the Group's Sustainable Development goals, AFI KLM E&M has made Corporate Social Responsibility (CSR) an integral part of its management systems. Every process and project is thus enriched by listening to stakeholders, technological and other forms of innovation, an ergonomic work station program and a circular economy approach aimed at reducing the business's environmental footprint and gaining economic efficiency. AFI KLM E&M thus leverages this sustainable performance lever to the benefit of its customers and other stakeholders.

The MRO Lab® ensuring the effectiveness of the offer

Within the framework of The MRO Lab® program, AFI KLM E&M is developing the tools required to become a key player in industry innovation: relationships with start-up incubators, partnerships with universities, participative innovation, etc. With its Participatory Innovation (DPI) and FAB LAB programs supported by the creativity of its employees, AFI KLM E&M generates significant savings.

The circular economy contributing to high standards of environmental and financial performance

Since 2013, as a member of the French Aviation Industry's Strategic Committee on the Circular Economy, Air France Industries has contributed to the establishment of the industry roadmap which was submitted to the French government in May 2015.

AFI KLM E&M is constantly seeking to factor the circular economy into its practices, for example within the framework of the REVERSE project devoted to cost optimization *via* the reuse of materials, recovery by tear down and the recycling of waste materials.

A material recycling procedure has been developed and, since 2016, has been permanently applicable in the Engines and Materials & Services businesses. The materials recovered will thus have five possible destinations: reuse, disassembly, sale in the surplus parts market, dismantling and reprocessing for sale within the framework of an Air France product line (non-aeronautic) and the reprocessing of waste from reject materials not recovered by one of the previous measures.

This process has thus been applied for the handling of Economy, Business and *La Première* seats at the end of their useful lives. It enriches the Scrap program on the repair of aircraft and engine parts and has a significant environmental impact by, for example, reducing mineral extraction (titanium, nickel, etc.) for component manufacturing. It also generates savings by up-cycling products and offering them a second life.

Key figures

	Year		
	2020	Change	Change at constant currency
Maintenance			
Total revenues (<i>in €m</i>)	2,858	-38.1%	
Third-party revenues (<i>in €m</i>)	1,248	-41.6%	-41.4%
Income/(loss) from current operations (<i>in €m</i>)	(543)	-803	-798
Operating margin (%)	(19.0) %	-24.6 pt	-24.5 pt

During 2020, external revenues declined by 41.6% and the decrease in activity for the Air France – KLM Group airlines impacted the total revenues. Operating costs were reduced with the lower level of maintenance activity, staff reductions, governmental wage support measures for employees and other cost-savings measures.

Covid-19 generated around €320 million of exceptional items, of which €120 million of doubtful receivables, €110 million of provisions on asset value and €90 million on contract reviews.

Apprenticeship to ensure the perpetuation of know-how

Within the framework of its apprenticeship policy, Air France Industries offers diverse paths to apprentices in accordance with their aspirations and training needs.

By passing on their know-how, the apprentice masters enable young people to acquire valuable experience that can increase their employability.

As part of its Corporate Social Responsibility approach, Air France Industries also welcomes “School of the Second Chance” (*École de la deuxième chance*) interns who have dropped out of formal education with no qualifications and are seeking a professional direction.

The Maintenance order book was evaluated at US\$9.1 billion at December 31, 2020, a decrease of US\$2.4 billion compared to December 31, 2019, explained by the Covid-19 crisis. The Maintenance business is carefully managing agreements with clients on payment terms.

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

1.4 THE AIR FRANCE – KLM GROUP FLEET

At December 31, 2020, the Air France – KLM Group fleet was composed of 546 aircraft, of which 513 in operation, versus a respective 554 and 546 aircraft at December 31, 2019.

The main operational fleet consisted of 409 aircraft (428 aircraft at December 31, 2019), of which 157 were long-haul aircraft (176 at December 31, 2019), six were cargo aircraft (six aircraft at December 31, 2019) and 246 were medium-haul aircraft (246 at December 31, 2019) including 79 aircraft in the Transavia Group fleet (80 aircraft at December 31, 2019).

The regional fleet in operation was composed of 104 aircraft (118 at December 31, 2019).

At December 31, 2020, the average age of the aircraft in the operational fleet was 12.1 years, 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. This compared with 11.6 years at December 31, 2019, of which 11.9 years for the long-haul fleet, 12.3 years for the medium-haul fleet, 16.8 years for the cargo fleet and 9.6 years for the regional fleet.

At December 31, 2020, 39.2% of the total Group fleet was owned (40.4% at December 31, 2019), 13.7% was under finance lease (15.2% at December 31, 2019) and 47.1% under operating lease (44.4% at December 31, 2019).

Excluding operating leases, there were firm orders outstanding for 102 aircraft at December 31, 2020 after the delivery of six aircraft-owned by the Group. Options stood at 58 aircraft (58 at December 31, 2019).

Change in the Air France – KLM Group order book ⁽¹⁾	December 31, 2019	Deliveries during the period ⁽²⁾	New orders	Option conversion	December 31, 2020
Main fleet	108	6	-	-	102
Regional fleet	-	-	-	-	-
Total	108	6	-	-	102

(1) Excluding operating leases.

(2) Transfers between the Group's airlines are excluded.

Change in the Air France – KLM Group's option portfolio ⁽¹⁾	December 31, 2019	Exercise during the period	Options cancelled or expired	New options	December 31, 2020
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 2020, the Air France Group:

- in long-haul, withdrew the A380s and A340s from the operational fleet, and took delivery of three new A350-900s and one new Boeing 787-9;
- in HOP!, definitively retired the ATR42s, ATR72s and EMB145s from the operational fleet, and took delivery of two new EMB190s;
- in Transavia France, took delivery of two 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 (32 A350s and 60 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 Boeing 787-10s into its fleet and retired all the Boeing 747-400s (passenger and combo) from its operational fleet.

Over the longer term, fleet modernization will be reflected in the growth of the B787 fleet at KLM and that of the A350-900s within Air France. The introduction of the A220-300 for Air France, which remains scheduled for 2021, and the EMB195 E2 for KLM will also enable the modernization of the Group's short and medium-haul fleet. Transavia (France and the 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 A330s and Boeing 777s, 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.

Air France - KLM Group fleet at December 31, 2020

	AF (incl. HOP!)	KL (incl. KLC & Martinair)	Transavia France	Transavia NL	Fully owned	Finance lease	Operating lease	Total
Long-haul	109	63	0	0	71	32	69	172
Boeing 747-400	0	2	0	0	2	0	0	2
Boeing 777-300	43	14	0	0	18	17	22	57
Boeing 777-200	25	15	0	0	26	0	14	40
A350	6	0	0	0	1	5	0	6
Boeing 787-10	0	6	0	0	4	2	0	6
Boeing 787-9	10	13	0	0	6	5	12	23
A380-800	9	0	0	0	2	3	4	9
A340-300	1	0	0	0	1	0	0	1
A330-300	0	5	0	0	0	0	5	5
A330-200	15	8	0	0	11	0	12	23
Medium-haul	115	52	40	40	73	19	155	247
Boeing 737-900	0	5	0	0	5	0	0	5
Boeing 737-800	0	31	40	35	29	10	67	106
Boeing 737-700	0	16	0	5	2	5	14	21
A321	20	0	0	0	11	0	9	20
A320	44	0	0	0	4	4	36	44
A319	33	0	0	0	14	0	19	33
A318	18	0	0	0	8	0	10	18
Regional	72	49	0	0	64	24	33	121
ATR72-600	0	0	0	0	0	0	0	0
ATR72-500	0	0	0	0	0	0	0	0
CRJ1000	14	0	0	0	14	0	0	14
CRJ700	11	0	0	0	11	0	0	11
EMB190	17	32	0	0	11	10	28	49
EMB175	0	17	0	0	3	14	0	17
EMB170	15	0	0	0	10	0	5	15
EMB145	15	0	0	0	15	0	0	15
Cargo	2	4	0	0	6	0	0	6
Boeing 747-400BCF	0	1	0	0	1	0	0	1
Boeing 747-400ERF	0	3	0	0	3	0	0	3
Boeing 777-F	2	0	0	0	2	0	0	2
Total AF-KLM	298	168	40	40	214	75	257	546

1.4.1 The Air France Group fleet

At December 31, 2020, the Air France Group fleet had a total of 338 aircraft, of which 266 aircraft in the main fleet and 72 in the regional fleet. The average age of the aircraft in the operational fleet was 13.2 years (12.7 years at December 31, 2019), Firm orders stood at 102 aircraft.

Air France Group fleet	Fleet at December 31, 2019	Aircraft entering ⁽¹⁾ the fleet over the period	Aircraft withdrawn ⁽¹⁾ over the period	Fleet at December 31, 2020
Long-haul fleet	109	4	4	109
Medium-haul fleet (including Transavia France)	153	2	-	155
Cargo	2	-	-	2
Regional fleet	76	2	6	72
Total	340	8	10	338

(1) Owned or leased.

The Air France fleet

The Air France fleet was composed of 226 aircraft at December 31, 2020, with 216 in operation (226 and 225 respectively at December 31, 2019). The fleet numbered 109 long-haul aircraft, 115 medium-haul aircraft and two freighters.

At December 31, 2020, the average age of the operational fleet was 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. At December 31, 2019, the average age of the fleet had been 13.7 years, with 13.0 years for the long-haul fleet, 14.5 years for the medium-haul fleet and 10.9 years for the cargo fleet.

Within the fleet, 84 aircraft are owned (37.2%), 25 are under finance lease (11.1%) and 117 are under operating lease (51.8%).

During the 2020 financial year, the company took delivery of three A350-900s and one Boeing 787-9. All of the Air France A380s and A340s were definitively retired from the operational fleet.

The regional fleet, Air France HOP!

At December 31, 2020, the regional fleet was composed of 72 aircraft, of which 55 in operation, with a maximum seat capacity of 100.

The average age of the fleet in operation is 11.0 years. Seventy-five per cent of the fleet is owned, there are no aircraft under finance lease and 25.0% of the fleet is under operating lease.

In 2020, two EMB190 aircraft joined the fleet while four ATRs and two EMB145s were retired, thus pursuing the modernization and rationalization strategy for the regional fleet.

The Transavia France fleet

The Transavia France fleet is composed of 40 Boeing 737-800s (38 aircraft at December 31, 2019). The average age of the aircraft in the fleet is 8.7 years. Of this fleet, 22.5% is owned, 10.0% is under finance lease and 67.5% under operating lease.

During 2020, two Boeing 737-800s joined the Transavia France fleet.

1.4.2 The KLM Group fleet

The KLM Group fleet totaled 208 aircraft at December 31, 2020, of which 159 in the main fleet and 49 in the regional fleet.

The average age of the aircraft in the operational fleet is 10.3 years (10.0 years at December 31, 2019).

Firm orders stand at 36 aircraft.

	Fleet at December 31, 2019	Aircraft entering ⁽¹⁾ the fleet over the period	Aircraft withdrawn ⁽¹⁾ over the period	Fleet at December 31, 2020
Long-haul fleet	67	2	6	63
Medium-haul fleet (including Transavia Netherlands)	94	-	2	92
Cargo (including Martinair)	4	-	-	4
Regional fleet	49	-	-	49
Total	214	2	8	208

(1) Owned or leased.

At December 31, 2020, the KLM fleet comprised 115 aircraft (119 at December 31, 2019), of which 63 long-haul aircraft and 52 medium-haul aircraft. Of this fleet, 42 aircraft were owned (36.5%), 18 aircraft were under finance lease (15.7%) and 55 were under operating lease (47.8%). Of this fleet, 110 aircraft are in operation.

At December 31, 2020, the average age of the aircraft in revenue service was 11.2 years, with 9.3 years for the long-haul fleet and 13.3 years for the medium-haul fleet. At December 31, 2019, the average age of the aircraft in the fleet had been 11.1 years, with 10.3 years for the long-haul fleet and 12.3 years for the medium-haul fleet.

During the 2020 financial year, the long-haul fleet was modernized with the arrival of two Boeing 787-10s while four Boeing 747-400s and two Boeing 747-400CBis aircraft were retired.

The regional fleet, KLM Cityhopper

The KLM Cityhopper fleet was composed of 49 aircraft, all in operation at December 31, 2020. The aircraft in this regional fleet have an average age of 7.2 years. In this fleet, 20.4% of the aircraft are fully owned, 49.0% are under finance lease and 30.6% are under operating lease.

The Transavia Netherlands fleet

The Transavia Netherlands fleet consists of 40 aircraft, of which five are Boeing 737-700s and 35 are Boeing 737-800s.

In this fleet, 10.0% of the aircraft are under finance lease, 62.5% are under operating lease and 27.5% are owned. The average age of the aircraft in the fleet is 10.8 years.

The Martinair fleet

Martinair has a fleet of four fully-owned freighters, all of which are in operation. The average age of the aircraft in this fleet is 20.7 years.

2

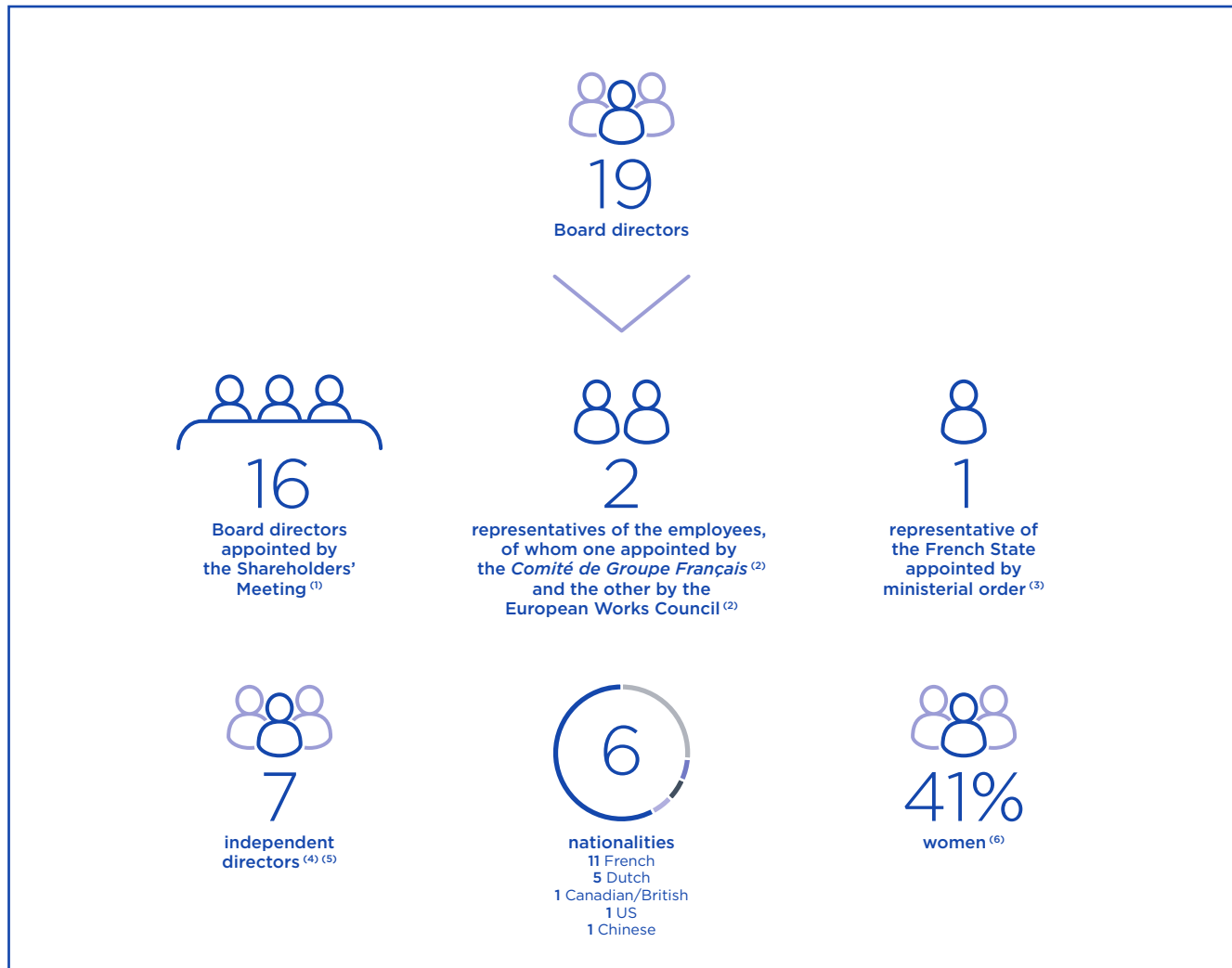
CORPORATE GOVERNANCE REPORT

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.

2.1	Composition of the Board of Directors	48
2.1.1	Composition of the Board of Directors at December 31, 2020	48
2.1.2	Presentation of the Board directors at December 31, 2020	52
2.2	Organization and functioning of the Board of Directors	72
2.2.1	Functioning of the Board of Directors	72
2.2.2	Separation of the functions of Chair of the Board of Directors and Chief Executive Officer	72
2.2.3	Rules applicable to the appointment and replacement of members of the Board of Directors	74
2.2.4	Independence of the Board directors	78
2.2.5	Other rules applicable to Board directors	80
2.3	Activities and functioning of the Board of Directors and its Committees	81
2.3.1	Activities and functioning of the Board of Directors	81
2.3.2	Activities and functioning of the Committees	87
2.4	Summary table of the AFEP-MEDEF Code's comply or explain recommendations not applied	92
2.5	Compensation of the company officers	93
2.5.1	General principles	93
2.5.2	Compensation of the company officers in 2020	93
2.5.3	Compensation policy for the company officers in respect of 2021	106
2.6	CEO Committee	115
2.7	Group Executive Committee	116
2.8	Share capital and shareholder structure	117
2.8.1	Share capital	117
2.8.2	Securities conferring entitlement to shares	120
2.8.3	Authorization to buy back Air France-KLM's own shares	121
2.8.4	Reinforcement of the Air France-KLM Group's strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines	121
2.8.5	Air France-KLM shareholder structure	124
2.8.6	A regular dialogue with individual shareholders and investors	126
2.8.7	Legal and statutory investment thresholds	126
2.8.8	Identification of shareholders and statutory provisions concerning shareholders	127
2.8.9	Information on trading in the stock	128

2.1 COMPOSITION OF THE BOARD OF DIRECTORS

2.1.1 Composition of the Board of Directors at December 31, 2020



- (1) Of whom 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, 2020, 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 2020 financial year

	Departure	Appointment	Re-appointment	Ratification of the co-optation
Board of Directors	Jaap de Hoop Scheffer May 26, 2020	Dirk Jan van den Berg ⁽¹⁾ May 26, 2020	Anne-Marie Couderc ⁽²⁾ May 26, 2020 Alexander Wynaendts ⁽³⁾ May 26, 2020	Jian Wang ⁽⁴⁾ May 26, 2020
Audit Committee	n/a	n/a	n/a	n/a
Appointments and Governance Committee	n/a	n/a	Anne-Marie Couderc Chair May 26, 2020 Alexander Wynaendts May 26, 2020	n/a
Remuneration Committee	Jaap de Hoop Scheffer May 26, 2020	n/a	n/a	n/a
Sustainable Development and Compliance Committee	n/a	n/a	n/a	Jian Wang May 26, 2020

- (1) As proposed by the Dutch State and pursuant to the agreements concluded on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM, Mr. Dirk Jan van den Berg was appointed by the Air France-KLM Shareholders' Meeting of May 26, 2020, for a four-year term of office.
- (2) The mandate of Ms. Anne-Marie Couderc, Chair of the Board of Directors and independent Board director, was renewed by the Air France-KLM Shareholders' Meeting of May 26, 2020, 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, 2023.
- (3) The mandate of Mr. Alexander Wynaendts, independent Board director, was renewed by the Air France-KLM Shareholders' Meeting of May 26, 2020, 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, 2023.
- (4) Following the resignation of Mr. Bing Tang, Mr. Jian Wang, whose appointment was proposed by China Eastern Airlines, was co-opted as a Board director by the Air France-KLM Board of Directors at its meeting of July 30, 2019, with effect from that same day, for his predecessor's remaining 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, 2020. On May 26, 2020, the Air France-KLM Shareholders' Meeting ratified this co-optation.

It is also stipulated that, as of February 16, 2021, Mr. Alain Bellemare replaced Mr. George Mattson in the capacity of permanent representative of Delta Air Lines, Inc.

Composition of the Board of Directors at December 31, 2020

Personal information				
Board directors	Gender	Nationality	Age	Number of shares held
Board directors appointed by the Shareholders' Meeting				
Anne-Marie Couderc	Female	French	70	1,000
Benjamin Smith	Male	Canadian/UK	49	100,000
Maryse Aulagnon	Female	French	71	1,500
Léni M.T. Boeren	Female	Dutch	57	2,000
Isabelle Bouillot	Female	French	71	230
Delta Air Lines, Inc. (represented by George Mattson) ⁽¹⁾		US		37,527,410
Cees 't Hart	Male	Dutch	62	3,500
Dirk Jan van den Berg	Male	Dutch	67	1,000
Anne-Marie Idrac	Female	French	69	1,000
Isabelle Parize	Female	French	63	300
Jian Wang	Male	Chinese	47	2,000
Alexander R. Wynaendts	Male	Dutch	60	1,000
Board directors elected by the Shareholders' Meeting as proposed by the French State				
Jean-Dominique Comolli	Male	French	72	0
Astrid Panosyan	Female	French	49	0
Board directors representing the employee shareholders elected by the Shareholders' Meeting				
François Robardet	Male	French	63	757
Paul Farges	Male	French	49	816
Board director representing the State appointed by ministerial order				
Martin Vial	Male	French	66	0
Board director representing the employees appointed by the <i>Comité de Groupe Français</i>				
Karim Belabbas	Male	French	47	0
Board director representing the employees appointed by the European Works Council				
Mathi Bouts	Male	Dutch	61	0

(1) Mr. Alain Bellemare replaced Mr. George Mattson as permanent representative of Delta Air Lines, Inc., as of February 16, 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	19/5/2016	2024 AGM	5 years			▲ (Chair)	
1	5/12/2018	2023 AGM	2 years				
2	8/7/2010	2021 AGM	11 years	▲ (Chair)	▲		
1	16/5/2017	2021 AGM	3 years	▲			▲
1	16/5/2013	2021 AGM	8 years	▲	▲ (Chair)		
3	3/10/2017	2021 AGM	4 years	▲	▲		
2	28/5/2019	2023 AGM	1 year				
1	26/5/2020	2024 AGM	n/a				
4	2/11/2017	2021 AGM	4 years				▲ (Chair)
3	27/3/2014	2022 AGM	7 years	▲	▲		
1	30/7/2019	2021 AGM	1 year				▲
3	19/5/2016	2024 AGM	5 years			▲	
1	14/12/2010	2023 AGM	11 years		▲	▲	
2	28/5/2019	2023 AGM	1 year				▲
1	6/12/2016	2022 AGM	5 years	▲	▲		
1	15/5/2018	2022 AGM	3 years	▲			
3	31/5/2019	2023	1 year	▲			
1	1/6/2017	2021 AGM	4 years				▲
1	10/10/2017	2021 AGM	4 years				▲

2.1.2 Presentation of the Board directors at December 31, 2020

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: 70 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 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: 49 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
Pelterie, 75007 Paris

Other directorships and offices

French companies

- 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.

Others

- 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.



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: 71 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).

Others

- 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%).



Léni 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, Léni 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 has been 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 April 2020).

Nationality: Dutch

Age: 57 years

First appointed as a Board director:
May 16, 2017

Expiry of current term of office: 2021 Shareholders' Meeting

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

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

Other directorships and offices

Non-French companies

- Chair of the Supervisory Board of Ohpen Expeditions B.V., the 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., the Netherlands, since 2014.

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

Non-French companies

- Chief Executive Officer of Kempen Capital Management N.V., Netherlands, until 2020;
- Member of the Executive Board of Van Lanschot Kempen N.V.⁽²⁾, Netherlands, until 2020;
- Chair of the Management Board of Kempen & Co N.V., Netherlands, until 2020;
- Member of the Board of Directors of FCLTGlobal, USA, 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 Remuneration Committee and member of the Audit 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: 71 years

First appointed as a Board director:
May 16, 2013

Expiry of current term of office: 2021 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 companies

- 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;
- Board director of Umicore, Belgium, until May 2015.

(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 Remuneration Committee and of the Audit 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: 2021 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



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 Bld. 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: 53 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 companies

- Chair of Wilbanks Energy Logistics LLC, USA, until October 2015;
- Board director of Instant Channel Inc., USA, until 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: 69 years

First appointed as a Board director:

November 2, 2017

Expiry of current term of office: 2021 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 Bouygues⁽¹⁾;
- Board director of Saint-Gobain⁽¹⁾;
- Board director of Total⁽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;
- President of the France Logistics Association;
- 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 company

- Member of the Supervisory Board of Vallourec⁽¹⁾ until 2015;
- 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 Betclic (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.

In November 2018, Ms. Parize became CEO of Delsey. She is a member of several Boards of Directors.

Nationality: French

Age: 63 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

French companies

- Chair of DHI SAS since November 2018;
- Chair of Delsey SAS since January 2019.

Non-French companies

- Associate of Odys SPRL, Belgium;
- Board director of DUSH Inc., Delsey Luggage Inc., Delsey Asia Limited; Delsey Hong Kong Ltd; Delsey Dongguan Luggage Company Ltd.(CN) since the end of 2018;
- Board director of Pandora⁽¹⁾ since January 2019;
- Board director of Coty⁽¹⁾ since March 2020;

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

French companies

- 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 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: 62 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

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: 67 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 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 Governing Board of the European Institute of Innovation and Technology;
- Vice-Chair of the Supervisory Board of FMO 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

- 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;
- Chair of the inter-ministerial working Group on the governance of the Dutch Customs Services (in 2015);
- Member of the International Advisory Council of the City of Wuhan (China), until 2015;
- Member of the Committee on Technology of the Dutch employer's association, until 2015;
- President of the 3TU Federation, until 2015



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: 47 years

First appointed as a Board director:
July 30, 2019

Expiry of current term of office: 2021 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 companies

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

(1) Listed company.



Alexander R. Wynaendts⁽¹⁾

Independent Board director

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.

Nationality: Dutch

Age: 60 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-
Pelterrie, 75007 Paris

Other directorships and offices

Non-French companies

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

Others

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

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

Others

- 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.

(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: 72 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: 49 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 Tayninh;
- Member of the Supervisory Board of AP-HP International;
- Member of the Strategy Committee of Fabernovel Group.

Non-French companies

- 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.

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.

In December 2000, he became Chair of the La Poste Group. 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.

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;
- Chair of Sicav Libertés et Solidarité until 2015.

(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 2% 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: 49 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

- Within the SNPL pilots' union:
 - Vice-President of the Air France section and Head of International Affairs until October 2017,
 - Elected member of the *Comité d'Etablissement* until March 2015.



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: 63 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 Aeropelican employee shareholder FCPE;
- Titular member (elected) of the Supervisory Board of the Horizon Epargne Actions diversified savings fund;
- Manager of SCI Arcole 3.

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

N/A

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* on May 10, 2019.

- On October 10, 2017, Air France-KLM's European Works Council appointed Mr. Mathi Bouts, a Senior Purser on KLM long-haul flights, as a second Board director representing the employees following the realization, on October 3, 2017, of the capital increases reserved to China Eastern Airlines and Delta Air Lines, Inc. His mandate was renewed by the European Works Council on April 17, 2019.

Mr. Belabbas and Mr. Bouts were both appointed for two-year terms of office, expiring at the end of the Air France-KLM Annual General Shareholders' Meeting held during the year in which their terms of offices expire, i.e. at the end of the 2021 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: 47 years

First appointed as a Board director:
June 1, 2017

Expiry of current term of office: 2021 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



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: 61 years

First appointed as a Board director:
October 10, 2017

Expiry of current term of office: 2021 Shareholders' Meeting

Professional address:
KLM, AMS/AF,
PO Box 7700,1117
ZL Schiphol Airport,
Netherlands

Other directorships and offices

Non-French company

- 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.

Board director whose mandate expired during the 2020 financial year



Jaap de Hoop Scheffer

Board director⁽¹⁾

Member of the Remuneration Committee

Expertise and professional experience

Born April 3, 1948. Jaap de Hoop Scheffer, a Dutch national, is a law graduate of Leiden University.

Mr. de Hoop Scheffer started his diplomatic career in 1976, subsequently becoming Private Secretary to the Dutch Minister of Foreign Affairs (1980-1986). He then became a member of the Dutch Parliament (1986-2002), leader of the Christian Democratic Alliance (CDA) (1997-2001), Dutch Minister of Foreign Affairs (2002-2003) and Secretary General of NATO (2004-2009).

Since 2012, Mr. de Hoop Scheffer has taught international politics and diplomacy in the Governance and International Affairs Faculty of Leiden University (Netherlands). Mr. de Hoop Scheffer is a Minister of State.

Nationality: Dutch

Age: 72 years

First appointed as a

Board director:

July 7, 2011

Expiry of current term of

office: 2023 Shareholders' Meeting

Number of shares held in the Company's stock:

1,025 shares

Professional address:

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

Other directorships and offices

- Non-French companies
- Member of the Board of the Center for European Policy Studies based in Brussels, Belgium;
- Member of the Advisory Board of the Dutch employers' association VNO-NCW, Netherlands;
- Member of the Board of the Trustees of Friends of Europe group based in Brussels, Belgium;
- Co-President of the Security & Defense Agenda, Brussels, Belgium;
- Member of the European Council on Foreign Affairs, based in London, United Kingdom;
- President of the Advisory Council on Foreign Affairs, Netherlands;
- President of the Netherlands Civil Honors Advisory Committee, Netherlands;
- Member of the Trilateral Commission.

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

- Non-French companies
- Chair of the Supervisory Board of the Rijksmuseum, Netherlands, until October 2017;
- Member of the International Advisory Board of Royal Ten Cate N.V. Netherlands, until October 2016;
- Vice-Chair of the Franco-Dutch Cooperation Council until 2015.

(1) In view of the acquisition by the Dutch State of a shareholding in Air France-KLM on February 26, 2019 and on the basis of the report of the Appointments and Governance Committee, during its meeting of March 25, 2019 the Board of Directors considered that Mr. de Hoop Scheffer, a Board director appointed as proposed by the Dutch State, could no longer qualify as an independent Board director as of that date (see section 2.2.4 "Independence of the Board directors").

New permanent representative of Delta Air Lines, Inc. as of February 16, 2021



Alain Bellemare

Permanent representative of Delta Air Lines, Inc. since February 16, 2021

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 Blvd. 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

Others

- 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 companies

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

(1) Listed company.

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 December 4, 2020, the Board of Directors unanimously decided to submit to the 2021 Shareholders’ Meeting a resolution setting the age limit for the Chair of the Board of Directors at 72 years (70 years currently), 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 Articles of Incorporation and the Internal Rules of the Board of Directors of Air France – KLM, the role and attributions of the Chair remain unchanged. The Board of Directors also decided that, in this eventuality, 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").

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.

(1) Article 1.2 of the Internal Rules of the Board of Directors.

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.

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

(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 convened to approve the financial statements for the financial year ending December 31, 2021, will be launched in January 2022.

(6) On May 10, 2019, 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 April 17, 2019, the mandate of Mr. Mathi Bouts, a Senior Purser on KLM long-haul flights, was renewed by Air France – KLM's European Works Council as a second Board director representing the employees.

General Shareholders' Meeting taking place during the year in which their mandates expire⁽¹⁾.

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⁽²⁾ 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⁽³⁾ must own at least ten shares for the duration of their term of office (Article 19 of the Air France-KLM Articles of Incorporation).

Diversity policy applicable to the members of the Board of Directors

Upon recommendation of the Appointments and Governance Committee, in its meeting of February 17, 2021 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 gives preference to the following selection criteria:

- openness to the world, professional experience abroad and diversity of nationalities. Air France-KLM was created through the merger of two companies of different nationalities with global reach and numerous international challenges;
- General Management experience acquired within major French or foreign international companies; the Group numbers around 76,000 employees working in three main businesses: the Network business (Passenger and Cargo transportation), the Maintenance business and the passenger transportation on low-cost flights business, operating in 116 countries;
- knowledge and experience of the transport and airline sector as well as of tourism, since 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 areas is represented on 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;
- favor the independence of spirit of the Directors;
- promote adherence to the Group's fundamental values;
- ensure the availability of Board directors.

In connection with this policy, the following changes to the composition of the Board of Directors took place in 2020:

Consolidation of air transport industry expertise

The Board of Directors welcomed Mr. Dirk Jan van den Berg as a new Board director appointed by the Shareholders' Meeting as proposed by the Dutch State. Mr. van den Berg replaces Mr. Jaap de Hoop Scheffer who stepped down as a member of the Air France-KLM Board of Directors with effect as of the end of the Shareholders' Meeting of May 26, 2020. He brings to the Board his expertise in the fields of economics and public affairs. Ms. Couderc and Mr. Wynaendts were also re-appointed as independent Board directors. They continue to bring to the Board their expertise in governance, public affairs and General Management. Lastly, Mr. Wang, representing China Eastern Airlines, an airline company and shareholder of the Group, saw his mandate as a Board director confirmed by the Shareholders' Meeting following his co-optation by the Board of Directors.

Balance of nationalities and international openness

The arrival in the Board of Directors of Mr. van den Berg, appointed on the proposal of the Dutch State to replace Mr. de Hoop Scheffer, and the re-appointment of Mr. Wynaendts, an independent Board director, both of Dutch nationality, and the ratification of the co-optation of Mr. Wang, a Board director appointed as proposed by China Eastern Airlines and of Chinese nationality, enables the Board to consolidate the diversity of its nationalities.

Five Board directors, Ms. Boeren and Messrs Bouts, 't Hart, Wynaendts and van den Berg are of Dutch nationality within the Board of Directors. Lastly, Mr. Smith, Chief Executive Officer and a Board director of the Company, holds dual Canadian and British citizenship and Mr. Mattson⁽⁴⁾, permanent representative of Delta Air Lines, Inc., is of US nationality.

The Board thus numbers six different nationalities and eight non-French Board directors, 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, based on criteria like gender representation, professional qualifications and experience, and nationality, the Board of Directors ensures that there is a balance favorable to the performance of each Committee's duties.

(1) The mandates of Mr. Karim Belabbas and Mr. Mathi Bouts will expire at the end of the May 2021 Shareholders' Meeting convened to approve the financial statements for the financial year ended December 31, 2020.

(2) 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.

(3) 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).

(4) Mr. Alain Bellemare, holding dual US and Canadian citizenship, replaced Mr. George Mattson as permanent representative of Delta Air Lines Inc. from February 16, 2021.

Balance of competencies within the Board of Directors at December 31, 2020

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, 2020

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 director	✓		
Benjamin Smith	Chief Executive Officer of Air France-KLM	✓	✓	✓
Maryse Aulagnon	Chair and CEO of Mab-Finances SAS	✓		
Léni M.T. Boeren	Member of the Executive Board of Van Lanschot Kempen N.V. and President of the Executive Board of Kempen & Co N.V. (Netherlands)	✓		
Isabelle Bouillot	President of China Equity Links	✓	✓	
Delta Air Lines, Inc. (represented by George Mattson)	Airline company	✓		✓
Cees 't Hart	CEO of Carlsberg Group (Denmark) Chair of the KLM Supervisory Board (Netherlands)	✓		
Dirk Jan van den Berg	President of the Association of Health Insurance Companies in the Netherlands (ZN, Zorgverzekeraars Nederland)	✓		
Anne-Marie Idrac	Company director	✓	✓	✓
Isabelle Parize	Corporate counsel and company director	✓		
Jian Wang	Corporate Secretary and Chair of Eastern Airlines Industry Investment Co., Ltd. (Luxembourg)			✓
Alexander R. Wynaendts	Chair and CEO of Aegon N.V. (Netherlands)	✓		
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			✓
Mathi Bouts	Senior Purser, KLM long-haul flights			✓
Total number of Board directors		14	3	9

(1) Global Industry Classification Standard (GICS), code levels 2 and 3. Nine Board directors have air transport industry competencies.

	Governance	International	Public Affairs	Finance	HR	CSR	Digital
	✓		✓		✓		
	✓	✓			✓		
	✓		✓	✓			
	✓	✓	✓	✓		✓	✓
	✓	✓	✓	✓			
		✓		✓			
	✓	✓			✓		
	✓	✓	✓	✓	✓		✓
	✓	✓	✓		✓	✓	
	✓	✓	✓	✓			✓
		✓		✓			
	✓	✓	✓	✓			
	✓	✓		✓			
	✓	✓	✓	✓			
	✓	✓	✓		✓		
				✓	✓		
					✓		
					✓		
	16	10	9	10	13	4	3

2.2.4 Independence of the Board directors

Having examined the situation of each Board director as at December 31, 2020 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 February 17, 2021, the Board of Directors adopted the following position:

- seven Board directors (Ms. Aulagnon, 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 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 each 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 appointment 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. Mattson⁽⁴⁾; and
 - a Board director appointed by the Shareholders' Meeting as proposed by China Eastern Airlines: Mr. Wang⁽⁵⁾,
 - representatives of the employee shareholders: Mr. Farges and Mr. Robardet,
 - representatives of the employees: Mr. Belabbas and Mr. Bouts; and

- executive officers of Air France-KLM, Air France and KLM: 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 Boards of Directors and Committees (§9.3 and 15.1 of the AFEP-MEDEF Code), the percentages of independent directors as of December 31, 2020 are:

- 47% in the Board of Directors;
- 67% in the Audit Committee (chaired by an independent director);
- 67% in the Appointment and Governance Committee (chaired by an independent director);
- 60% in the Remuneration Committee (chaired by an independent director);
- 50% in the Sustainability and Compliance Committee (chaired by an independent director).

The proportion of independent directors at December 31, 2020 is therefore 47%, i.e. below the 50% threshold recommended by the AFEP-MEDEF Code for non-controlled companies.

This gap 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 to be put in place in principle in the near future may, if necessary, also 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 signed, *inter alia*, between Delta Air Lines Inc. and Air France-KLM on July 27, 2017.

(4) Mr. Mattson was permanent representative of Delta Air Lines, Inc. until February 16, 2021. Mr. Alain Bellemare was appointed permanent representative of Delta Air Lines, Inc. as of February 16, 2021.

(5) Pursuant to the provisions of the Marketing Agreement signed between China Eastern Airlines and Air France-KLM on July 27, 2017.

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
Maryse Aulagnon	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Karim Belabbas	X	✓	✓	✓	✓	✓	✓	✓	No
Léni M.T. Boeren	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Isabelle Bouillot	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Mathi Bouts	X	✓	✓	✓	✓	✓	✓	✓	No
Jean-Dominic 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 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 February 19, 2020, the Board of Directors decided to terminate 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 – Appointment and re-appointment 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" – Appointment and re-appointment of members of the Board of Directors).

As of December 31, 2020, 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.

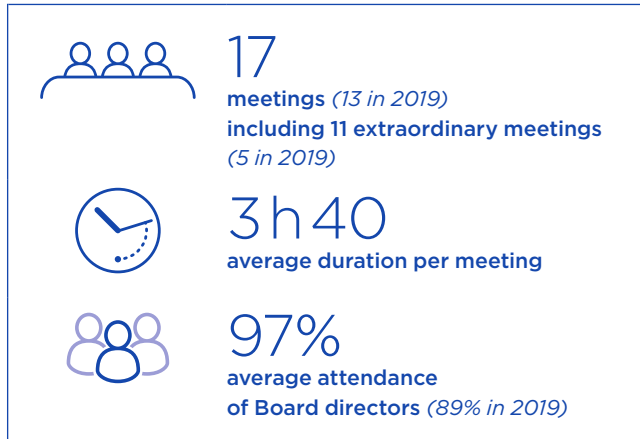
In the past five years, to the Company's knowledge, no Board director has been the subject of a fraud conviction or official public sanction by the statutory or regulatory authorities, associated with a bankruptcy, sequestration of goods or a placing of a company under administrative receivership nor 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 2020 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 meetings are conducted in French; 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 and financial situation;
- budget including the capex plan;
- financing plan;
- financial transactions and, in particular, the financial support schemes granted by the French and Dutch States and the resulting financial, social and environmental commitments;
- presentation on 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;
- information on the alliances;
- discussions concerning potential acquisitions;
- implementation of the partnerships with Delta Air Lines, Inc. and China Eastern Airlines;
- governance of the Group, in particular: change in the Group's governance following the acquisition by the Dutch State of a shareholding in Air France - KLM, independence of the Board directors, evaluation of the Board of Directors, appointment and training of the new Board directors, compensation of the top executives and the succession plan for the company officers.

In July 2020, 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 2020 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 Chair of the Audit Committee	88%
Karim Belabbas	100%
Léni M.T. Boeren	94%
Isabelle Bouillot Interim Chair of the Remuneration Committee	94%
Mathi Bouts	100%
Jean-Dominique Comolli	94%
Dirk Jan van den Berg ⁽¹⁾	100%
Cees 't Hart	100%
Jaap de Hoop Scheffer ⁽²⁾	100%
Delta Air Lines, Inc. (represented by George Mattson) ⁽³⁾	100%
Paul Farges	100%
Anne-Marie Idrac Chair of the Sustainable Development and Compliance Committee	100%
Astrid Panosyan	100%
Isabelle Parize	82%
François Robardet	100%
Benjamin Smith	100%
Martin Vial	95%
Jian Wang	94%
Alexander R. Wynaendts	100%
Average attendance	97%

(1) Board director since May 26, 2020.

(2) Board director until May 26, 2020.

(3) Permanent representative of Delta Air Lines, Inc. until February 16, 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 2020, 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

Finalization of a loan guaranteed by the French State and a shareholder loan

On May 6, 2020, Air France-KLM entered into the following two agreements involving, directly or indirectly, the French State, holding 14.3% of the Company's share capital:

- 1) a loan in the amount of €4 billion, granted by a consortium of banks and up to 90% guaranteed by the French State within the framework of the mechanism established by Act No.2020-280 of March 23, 2020. This loan has a maturity of one year, renewable once for a period of one or two years; and
- 2) a shareholder loan in the amount of €3 billion, granted by the French State. This loan was granted for a four-year period, with two consecutive one-year extension options and may be paid to the Company in several tranches.

In that the French State holds 14.3% of the Air France-KLM share capital, 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 and appointed by ministerial order, were deemed to be indirectly concerned by the signature of the shareholder loan and the loan guaranteed by the French State.

Pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Board of Directors authorized the signature of the afore-mentioned loan contracts during its meeting of April 24, 2020. Ms. Astrid Panosyan, Mr. Jean-Dominique Comolli and Mr. Martin Vial did not take part in the deliberations or in the voting relating to the authorization of the loan contracts.

The loan contracts were signed with a view to enabling the Company to satisfy its urgent need for cash following the crisis linked to the Covid-19 pandemic. In that this crisis had considerably impacted the Company's activity, in the current state of affairs, its financial situation would not have enabled a sustained recovery in activity. The signature of these agreements thus appeared necessary for the Company's long-term future. By covering, notably, the Company's general financial needs, these agreements will enable a viable recovery in activity.

Based on the simultaneous draw down of all the funds made available in respect of each of the two loan agreements, the interest costs incurred by the Company over the first twelve-month period are expected to amount to:

- around €50 million in respect of the loan guaranteed by the French State; and
- around €210 million in respect of the shareholder loan.

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 weather 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 Mssrs. Cees 't Hart and Benjamin Smith, both being Board directors in Air France-KLM and KLM, were deemed to be indirectly concerned 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 is 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” of this Universal Registration Document.

Agreements and commitments authorized and signed in previous financial years

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” in this Universal Registration Document.

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 2020”.

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, 2020, was made to the Audit Committee on February 16, 2021 and to the Board of Directors on February 17, 2021.

Evaluation of the functioning of the Board of Directors and its Committees

At least once a year, the Board of Directors conducts an evaluation of its functioning and organization, pursuant to Article 10 of the AFEP-MEDEF Code and Article 2 of the Internal Rules of the Board of Directors. To inform this debate, a formalized evaluation is conducted annually *via* a questionnaire. This evaluation is steered by the Appointments and Governance Committee. It may also be entrusted to an independent external consultant.

Concerning 2020, with the help of a specialized external consultant, the Board of Directors realized an evaluation in the form of a questionnaire submitted to each Board director accompanied by individual interviews. The following topics were addressed through the evaluation questionnaire:

- composition, organization, functioning and dynamic of the Board of Directors and its Committees;
- relationship between the Board of Directors and the Senior Management;
- effectiveness of the Board of Directors and its Committees;
- articulation of the work of the Board of Directors with those of the subsidiaries of Air France-KLM;
- the individual contributions of the Board directors to the Board's work and the areas of expertise to be developed within the Board;
- 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 debate during the Board of Directors meeting of February 17, 2021.

During 2020, the functioning and activity of the Board of Directors and its Committees were impacted by the crisis linked to the Covid-19 pandemic. In the 2020 financial year, the Board of Directors was heavily involved in managing this crisis and a new organization of remote meetings was put in place to enable all the Board directors to participate, under good conditions and in an effective manner, in Board of Directors and Committee meetings. The crisis linked to the Covid-19 pandemic has favored the bringing together of the Board directors who have shown themselves to be very committed despite the context.

As a general rule, the Board directors considered that the functioning of the Board of Directors had improved during 2020 since the previous evaluation. The evaluation revealed the following positive points:

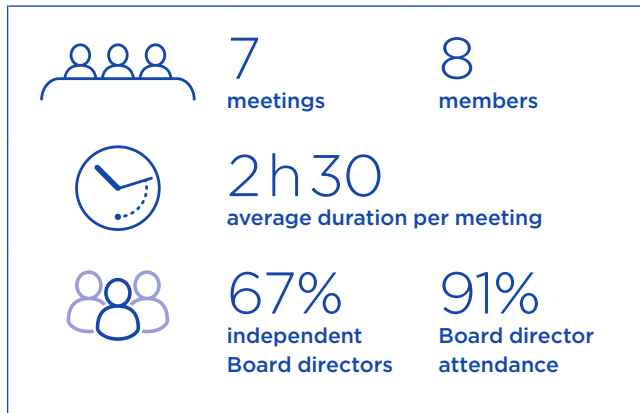
- strong mobilization of the Board directors and internal teams to ensure good management of the crisis linked to the Covid-19 pandemic;
- the separation of powers between the Chair of the Board of Directors and the Chief Executive Officer, adapted to the size and functioning of the Board;
- marked improvement in the quality of the information made available to the Board directors;
- improvement in the quality of the exchanges with the main shareholders;
- satisfactory complementarity of the expertise within the Board.

The results of the 2020 evaluation enabled the identification of a number of areas for improvement to be monitored during 2021 and, notably:

- improve the sharing of information on the work of the Board's advisory Committees amongst all the Board directors;
- increase the participation of the Group's key executives in meetings of the Board of Directors, to further explore the strategic options and engage in more in-depth discussions on the Group's operating model;
- improve the management of speeches and questions asked during Board meetings to avoid redundancy and fluidify exchanges;
- reestablish moments of conviviality between the Board directors to enable improved cultural integration and communication;
- formalize 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, 2020, the Audit Committee was composed of the following eight members: Maryse Aulagnon (Chair of the Committee), Léni M.T. Boeren, François Robardet, Paul Farges, Isabelle Parize, Martin Vial, Isabelle Bouillot and Delta Air Lines, Inc. represented by George Mattson.

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 finance and accounting skills in the person of Ms. Aulagnon. It deemed that Ms. Aulagnon's educational background and professional experience fulfill this requirement for specific financial competence, and that she has no relationships with the company, its Group or management that are such as to color her judgment. The seven 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 played in this process.

Activity

Board director	Audit Committee attendance
Maryse Aulagnon <i>Chair of the Audit Committee</i>	100%
Léni M.T. Boeren	100%
Isabelle Bouillot	100%
Delta Air Lines, Inc. (represented by Mr. George Mattson) ⁽¹⁾	57%
Paul Farges	86%
Isabelle Parize	100%
François Robardet	100%
Martin Vial	86%
Average attendance	91%

(1) Permanent representative of Delta Air Lines, Inc. until February 16, 2021.

During the 2020 financial year, the Audit Committee met seven times (versus five in 2019) with an attendance record for its members of 91% (89% 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 2020 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 2020, particular attention was paid to the impact of the Covid-19 pandemic, a bond issue, the tender offer to redeem three existing series of notes and the financial support packages granted by the French and Dutch States.

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 2021 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).

— 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.

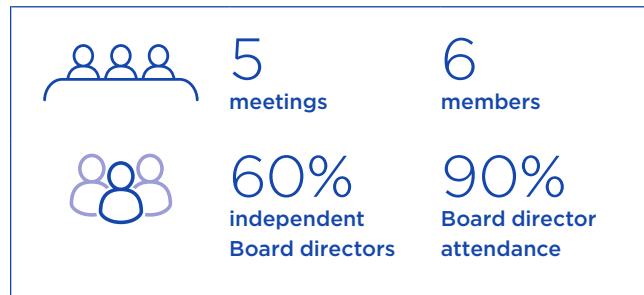
As foreseen by its annual work schedule, the Audit Committee also reviewed the following matters in 2020:

- 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;
- fraud detection and prevention;
- monitoring of activity in the Group's subsidiaries;
- review of the management report;

- monitoring of changes in the KLM pension funds' assets and liabilities.
- **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, 2020, the Remuneration Committee was composed of the following six members: Isabelle Bouillot (interim Chair of the Committee), Jean-Dominique Comolli, Isabelle Parize, François Robardet. Maryse Aulagnon and Delta Air Lines, Inc. represented by George Mattson.

Isabelle Bouillot, an independent Board director, has exercised the functions of Chair of the Remuneration Committee since October 30, 2019.

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 five times during the 2020 financial year (as in 2019) and the attendance rate for members was 90% (94% in 2019).

Board director	Remuneration Committee attendance
Isabelle Bouillot <i>Chair of the Remuneration Committee</i>	100%
Maryse Aulagnon	60%
Jean-Dominique Comolli	100%
Delta Air Lines, Inc. (represented by Mr. George Mattson ⁽¹⁾)	80%
Jaap de Hoop Scheffer ⁽²⁾	100%
Isabelle Parize	100%
François Robardet	100%
Average attendance	90%

(1) Permanent representative of Delta Air Lines, Inc. until February 16, 2021.

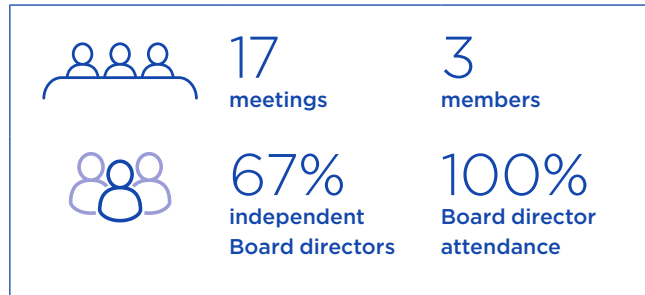
(2) Board director until May 26, 2020.

During the 2020 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 March 31, 2020, the modalities for the allocation of Board directors' fees;
- during its meetings of February 18, 2020, March 18, 2020 and March 31, 2020, the 2019 compensation and the 2020 compensation policy for the Chief Executive Officer of Air France - KLM, the Chief Executive Officer of Air France and the President & Chief Executive Officer of KLM;
- during its meetings of February 18, 2020 and March 18, 2020, the compensation for the Chair of the Air France - KLM Board of Directors.

The Committee was also consulted on the 2020 compensation for the Group's Chief Financial Officer. Furthermore, in his capacity as Chief Executive Officer, the Committee formulated recommendations for Mr. Smith concerning the compensation of the members of the KLM Management Board, 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, 2020, 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

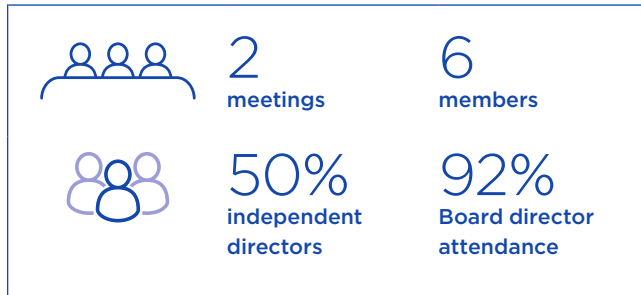
During the 2020 financial year, the Appointments and Governance Committee met seventeen times (thirteen in 2019) with an attendance record for members of 100% (as in 2019).

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 2020 financial year, the Appointments and Governance Committee notably addressed the following matters:

- consequences of the acquisition by the Dutch State of a shareholding on February 26, 2019, within the framework of a working group established between the French and Dutch States as announced on March 1, 2019 aimed, notably, at improving the governance within the Group;
- proposals relating to changes in the composition of the Board of Directors submitted to the Shareholders' Meeting of May 26, 2020;
- composition of the advisory Committees;
- review and regular updating of the succession plan for the Group's principal executives;
- recommendations on the appointment and re-appointment of members of the Air France Board of Directors and the KLM Supervisory Board;
- independence of the members of the Air France - KLM Board of Directors;
- diversity and non-discrimination policy within the Group's management bodies;
- training for employee Board directors;
- Setting of diversity targets within the Group's management bodies;
- age limit for the Chair of the Board of Directors;
- 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 2020 and January 2021 with the help of an external consultant (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, Mathi Bouts, Astrid Panosyan 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 2020 financial year, the Sustainable Development and Compliance Committee met twice (as in 2019), with an attendance record for members of 92% (as in 2019).

	Sustainable Development and Compliance Committee attendance
Board director	
Anne-Marie Idrac <i>Chair of the Sustainable Development and Compliance Committee</i>	100%
Karim Belabbas	100%
Léni Boeren	100%
Mathi Bouts	100%
Jian Wang	100%
Astrid Panosyan	50%
Average attendance	92%

The Sustainable Development and Compliance Committee notably addressed the following subjects:

- Air France - KLM's extra-financial performance statement;
- sustainable development strategy of the Group and the impact of the Covid-19 public health crisis;
- review of the Group's compliance program;
- anti-corruption plan for the Group;
- review procedure for the extra-financial risks;
- 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
<p>Meeting of the non-executive directors outside the presence of the executive or in-house officers</p> <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>
<p>Proportion of independent directors within the Board of Directors</p> <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, 2020, 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 and replacing Mr. de Hoop Scheffer whose mandate was expiring, Mr. Dirk Jan van den Berg was appointed as a Board director of Air France - KLM by the Shareholders' Meeting. 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 having 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 to be put in place in principle 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>

2.5 COMPENSATION OF THE COMPANY OFFICERS

2.5.1 General principles

Pursuant to the provisions of Article L. 22-10-8 of the French Code of Commerce (*Code de 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*), linked to 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 proposed 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 in respect of the mandate during the previous financial year or granted in respect of the mandate for the same financial year to all company officers and, secondly, on the total compensation and benefits in kind paid during the previous financial year or granted for the same financial year to each executive officer.

The Shareholders' Meeting of May 26, 2021 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 2020";
- the fixed and variable elements composing the total compensation and benefits of any kind paid during the 2020 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 during the 2020 financial year or granted to the executive officers in respect of this financial year and submitted for approval by the Shareholders' Meeting of May 26, 2021"; and

- the compensation policy for the company officers in respect of 2021, 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 2021".

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 26, 2021 does not approve the proposed 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 2021 financial year would be suspended until approval of the revised compensation policy.

Lastly, the elements of variable or extraordinary compensation granted to the Chair of the Board of Directors and the Chief Executive Officer in respect of the 2020 financial year may only be paid after approval, by the Shareholders' Meeting of May 26, 2021, of the elements of compensation for the relevant individual under the conditions provided for in the first paragraph of Article L. 22-10-34, II of the *Code de Commerce*.

2.5.2 Compensation of the company officers in 2020

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 2020 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 26, 2021, pursuant to Article L. 22-10-34 of the *Code de Commerce*, are detailed hereinafter and concern:

- the Company's Board directors (section 2.5.2.1);
- the Chair of the Company's Board of Directors, Ms. Anne-Marie Couderc (section 2.5.2.2 a.); and
- the Company's Chief Executive Officer, Mr. Benjamin Smith (section 2.5.2.2 b.).

2.5.2.1 Elements of compensation paid during the 2020 financial year or granted to the Board directors in respect of this financial year and submitted for approval by the Shareholders' Meeting of May 26, 2021

The elements of compensation paid during the 2020 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, 2020. These elements of compensation, which will be submitted for approval by shareholders at the Shareholders' Meeting of May 26, 2021 pursuant to Article L. 22-10-34 of the *Code de Commerce*, are detailed hereinafter.

It is specified that, 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 until December 31, 2020.

	Attendance rate at Board and Committee meetings and at the Shareholders' Meeting (2020 financial year) ⁽¹⁾	Amounts granted in respect of the 2020 financial year and paid during this financial year or accounting value (in €)	Amounts granted in respect of the 2019 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
Maryse Aulagnon	84%	43,943	55,214
Karim Belabbas ⁽³⁾	100%	36,103	43,214
Léni M.T. Boeren	97%	46,317	57,214
Isabelle Bouillot	97%	43,966	49,929
Mathi Bouts ⁽⁴⁾	100%	41,765	50,500
Jean-Dominique Comolli	97%	40,665	50,000
George Mattson (Permanent representative of Delta Air Lines Inc.)	84%	46,624	55,214
Paul Farges ⁽³⁾	95%	38,121	48,000
Anne-Marie Idrac	100%	37,978	45,000
Isabelle Parize	91%	45,516	57,214
Alexander R. Wynaendts	100%	42,077	46,643
François Robardet ⁽³⁾	100%	42,889	53,000
Astrid Panosyan ⁽⁵⁾	83%	36,103	12,500
Cees 't Hart ⁽⁵⁾	100%	38,105	21,286
Dirk Jan van den Berg ⁽⁶⁾	100%	16,917	N/A
Martin Vial	95%	37,990	15,886
Jian Wang	96%	40,743	14,857

Former members of the Board of Directors during the 2019 and 2020 financial years no longer acting in the capacity of Board director as of the date of this Universal Registration Document

Jaap de Hoop Scheffer ⁽⁷⁾	100%	30,401	21,286
Solenne Lepage ⁽⁸⁾	N/A	N/A	14,100
Patrick Vieu ⁽⁹⁾	N/A	N/A	25,643
Hans Smits ⁽⁹⁾	N/A	N/A	23,414
Bing Tang ⁽¹⁰⁾	N/A	N/A	39,786
Total		706,133	826,417

(1) On April 3, 2020, the members of the Air France-KLM Board of Directors decided to reduce by 25% their compensation paid in respect of the 2020 financial year, *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.

(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 receives compensation in respect of his employment contract with KLM, unrelated to his corporate mandate within Air France-KLM.

(5) Board director since May 28, 2019.

(6) Board director appointed as proposed by the Dutch State since May 26, 2020.

(7) Board director appointed as proposed by the Dutch State until May 26, 2020.

(8) Board director until April 1, 2019.

(9) Board director until May 28, 2019.

(10) Board director until July 30, 2019.

In respect of the 2020 financial year, the Board directors were granted and paid a total compensation of €706,133, including the 25% reduction in their compensation *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 until December 31, 2020, following the decision taken by the Board directors (within the framework of the €950,000 annual budget voted by the Shareholders' Meeting of May 15, 2018).

Following the Board of Directors decision of December 11, 2019, the compensation for Board directors is composed of fixed and variable portions, linked to the attendance rate of the Board directors, whose allocation and granting modalities 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 2020 financial year and the attendance rate of each Board director at the aforementioned meetings is set forth in section 2.3.

The allocation rules, unchanged since the Board of Directors' resolution of February 19, 2014, are set forth in section 2.5.3.1.

It is specified that, during its meeting of December 11, 2019, the Board of Directors decided to introduce a variable element of compensation based on their attendance record, granted to the Board directors in respect of their duties within the Committees:

Audit Committee:

- the Chair receives a fixed portion of €4,500 and a variable portion of €7,500 based on attendance at Committee meetings; and
- the members receive a fixed portion of €3,000 and a variable portion of €5,000 based on attendance at Committee meetings.

Other Committees:

- the Chair receives a fixed portion of €3,000 and a variable portion of €4,500 based on attendance at Committee meetings; and
- the members receive a fixed portion of €2,000 and a variable portion of €3,000 based on attendance at Committee meetings.

2.5.2.2 Elements of compensation paid during the 2020 financial year or granted to the executive officers in respect of this financial year and submitted for approval by the Shareholders' Meeting of May 26, 2021

a) Compensation of Ms. Anne-Marie Couderc, Chair of the Board of Directors, for the period from January 1 to December 31, 2020

Presentation of the 2020 compensation structure for Ms. Couderc, Chair of the Board of Directors

Pursuant to the Board of Directors' resolutions of February 19, 2020, the compensation of the Chair of the Board of Directors comprised a fixed portion of €220,000. This annual gross fixed compensation was increased by 10% compared to 2019. However, note that, on March 19, 2020, the Chair informed the Board of Directors that she intended to waive the application, during the 2020 financial year, of her new annual fixed compensation set by the Board of Directors during its meeting of February 19, 2020. Her annual gross fixed compensation was thus €200,000 in respect of her duties for 2020.

There were no Board directors' fees nor variable compensation in addition to this compensation.

The 2020 compensation policy for the Chair of the Board of Directors was approved by the Shareholders' Meeting of May 26, 2020.

For more details on the compensation policy for the Chair in respect of the 2020 financial year, see section 2.5.2.2 of the 2019 Universal Registration Document.

Elements of compensation paid during or granted in respect of the 2020 financial year

The elements of compensation paid during the 2020 financial year or granted in respect of this financial year to Ms. Anne-Marie Couderc, Chair of the Board of Directors, for the period from January 1 to December 31, 2020, 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, 2020. These elements of compensation, which will be submitted for approval by shareholders during the Shareholders' Meeting of May 26, 2021 pursuant to Article L. 22-10-34 of the *Code de Commerce*, are detailed as follows:

Elements of compensation submitted for approval	Amounts paid during the 2020 financial year	Amounts granted in respect of the 2020 financial year	Presentation
Fixed compensation	€174,851	€174,851	<p>In her capacity as Chair of the Board of Directors, Ms. Anne-Marie Couderc's annual gross fixed compensation in respect of the 2020 financial year was set at €220,000 by the Board of Directors during its meeting of February 19, 2020.</p> <p>This annual gross fixed compensation increased by 10% compared to 2019.</p> <p>However, note that, on March 19, 2020, the Chair informed the Board of the following decisions:</p> <ul style="list-style-type: none"> — for the 2020 financial year, the Chair waived the application of her new fixed annual compensation set by the Board of Directors during its meeting of February 19, 2020. Thus, her annual gross fixed compensation was €200,000 in respect of her functions for 2020; — the Chair submitted her annual fixed compensation paid in 2020 to the same modalities as those applied to all Air France and Air France-KLM SA employees (notably to reduce its payment <i>pro rata temporis</i> for the periods of partial activity applied to all the employees). <p>As a result, the fixed compensation granted in respect of the 2020 financial year and paid to the Chair during this financial year was €174,851.</p>
Annual variable compensation	N/A	N/A	Ms. Anne-Marie Couderc does not benefit from any annual variable compensation.
Multi-year variable compensation	N/A	N/A	Ms. Anne-Marie Couderc does not benefit from any multi-year variable compensation.
Extraordinary compensation	N/A	N/A	Ms. Anne-Marie Couderc does not benefit from any 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. Ms. Anne-Marie Couderc does not benefit from any elements of long-term compensation.
Compensation in respect of a Board director mandate	N/A	N/A	Ms. Anne-Marie Couderc does not receive any compensation in respect of her Board director mandate.
Benefits of any kind	€15,984	€15,984	Ms. Anne-Marie Couderc benefits from a chauffeur-driven company car.
Severance payment	N/A	N/A	Ms. Anne-Marie Couderc does not benefit from a severance payment.
Non-compete indemnity	N/A	N/A	Ms. Anne-Marie Couderc does not benefit from a non-compete indemnity.
Supplementary pension scheme	N/A	N/A	Ms. Anne-Marie Couderc does not benefit from a supplementary pension scheme.

b) Compensation of Mr. Benjamin Smith, Chief Executive Officer, for the period from January 1 to December 31, 2020

Presentation of the 2020 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. The 2020 compensation policy for the Chief Executive Officer, set pursuant to the decisions of the Board of Directors at its meetings of February 19, March 19 and April 3, 2020, is composed of the following three elements:

- 1) a fixed compensation;
- 2) an annual variable compensation related to the performance during the previous financial year; and
- 3) a variable long-term compensation.

The 2020 compensation policy for the Chief Executive Officer was approved by the Shareholders' Meeting of May 26, 2020.

For more details on the compensation policy for the Chief Executive Officer in respect of the 2020 financial year, taking into account the exceptional context related to the Covid-19 public health crisis, see section 2.5.2.2 of the 2019 Universal Registration Document.

Elements of compensation paid during or granted in respect of the 2020 financial year

The elements of compensation paid during the 2020 financial year or granted in respect of this financial year to Mr. Benjamin Smith, Chief Executive Officer, for the period from January 1 to December 31, 2020, 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, 2020. These elements of compensation, which will be submitted for approval by shareholders during the Shareholders' Meeting of May 26, 2021 pursuant to Article L. 22-10-34 of the *Code de Commerce*, are detailed as follows:

Elements of compensation submitted to approval	Amounts paid during the 2020 financial year	Amounts granted in respect of the 2020 financial year	Presentation
Fixed compensation	€744,511	€744,511	<p>In his capacity as Chief Executive Officer, Mr. Benjamin Smith's annual gross fixed compensation was set at €900,000 by the Board of Directors during its meeting of February 19, 2020.</p> <p>This annual gross fixed compensation has been unchanged since 2019.</p> <p>However, it is specified that, on March 19, 2020 the Chief Executive Officer informed the Board of Directors of his decision to submit his fixed compensation, paid during 2020, to the same modalities as those applied to all Air France and Air France – KLM SA employees (notably to reduce its payment <i>pro rata temporis</i> for the periods of partial activity applied to all the employees). In practice, his annual fixed compensation was reduced by 25% between March 23 and December 31, 2020.</p> <p>As a result, the fixed compensation granted to the Chief Executive Officer in respect of the 2020 financial year and paid during the 2020 financial year was €744,511.</p> <p>The ratio between the fixed and variable compensation granted to Mr. Benjamin Smith in respect of the 2020 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 269%.</p>

Elements of compensation submitted to approval	Amounts paid during the 2020 financial year	Amounts granted in respect of the 2020 financial year	Presentation
Annual variable compensation	€768,456	€0	<p data-bbox="822 348 1199 370">In respect of the 2019 financial year</p> <p data-bbox="822 395 1466 623">Note that, as recommended by the Remuneration Committee, in his capacity as Chief Executive Officer for 2019, Mr. Smith's annual gross variable compensation was set at €768,456 by the Board of Directors during its meeting of February 19, 2020. Following approval by the Shareholders' Meeting of May 26, 2020 (thirteenth resolution), this annual gross variable compensation was paid during the 2020 financial year in respect of the 2019 financial year.</p> <p data-bbox="822 644 1466 757">The details concerning Mr. Benjamin Smith's annual variable compensation in respect of 2019 in his capacity as Chief Executive Officer are outlined in section 2.5.2.2 b. of the 2019 Universal Registration Document.</p> <p data-bbox="822 778 1207 800">In respect of the 2020 financial year</p> <p data-bbox="822 821 1466 934">Note that, on April 23, 2020, in the context of the very difficult period 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.</p> <p data-bbox="822 955 1466 1215">During its meeting of February 17, 2021, while noting that Mr. Benjamin Smith had waived his annual variable compensation in respect of the 2020 financial year, the Board of Directors wished to proceed with an evaluation of Mr. Benjamin Smith's performance for 2020 but without setting a precise level of attainment of the performance criteria. During its meeting of February 17, 2021 and following consultation with the Remuneration Committee, the Board recognized the performance of Mr. Smith and notably referred:</p> <p data-bbox="822 1236 1232 1257">Concerning the financial criteria, to the:</p> <ul data-bbox="822 1264 1466 1523" style="list-style-type: none"> <li data-bbox="822 1264 1466 1376">— Deployment of effective cash preservation measures, in particular the reduction in capex, the decrease in payroll costs and the implementation of the partial activity/NOW mechanism while preserving the social climate; <li data-bbox="822 1383 1466 1464">— A satisfactory level of reactivity in the definition of a cash preservation plan upon the emergence of the Covid-19 public health crisis in March 2020; <li data-bbox="822 1470 1466 1523">— The reliability of the forecasts and regular updates at Board level on the implementation of this plan. <p data-bbox="822 1544 1281 1566">Concerning the non-financial criteria, to the:</p> <ul data-bbox="822 1572 1466 1949" style="list-style-type: none"> <li data-bbox="822 1572 1466 1653">— Key role played by Mr. Smith in the discussions with the French and Dutch States for the implementation of the State loans aimed at ensuring cohesion within the Group; <li data-bbox="822 1659 1466 1713">— Drive in determining and implementing the transformation measures for the Air France – KLM Group; <li data-bbox="822 1719 1466 1800">— Management of the short-term actions and the identification of the medium-term challenges while maintaining a positive employee dialogue and internal trust; <li data-bbox="822 1806 1466 1949">— Management as an airline specialist, during the 2020 financial year, of the short-term actions and medium-term challenges while maintaining a positive employee dialogue and internal trust. Mr. Smith also reaffirmed his long-term vision of the Group.

Elements of compensation submitted to approval	Amounts paid during the 2020 financial year	Amounts granted in respect of the 2020 financial year	Presentation
Long-term variable compensation	N/A	<p>200,400 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, 2020.</p> <p>200,400 performance units payable in Air France-KLM shares, valued at €1,000,000 and calculated with reference to the Air France-KLM opening share price on April 1, 2020.</p>	<p>The compensation of Mr. Benjamin Smith, in his capacity as Chief Executive Officer, includes a long-term variable portion composed of performance units payable in cash and in Air France-KLM shares.</p> <p>As proposed by the Remuneration Committee, during its meeting of March 19, 2020, the Board of Directors decided to grant Mr. Benjamin Smith, in his capacity as Chief Executive Officer, performance units within the framework of two long-term plans:</p> <ul style="list-style-type: none"> – <i>Long-term Incentive Plan</i> (“Phantom shares”): grant of 200,400 performance units, payable in cash in 2023 subject to a three-year presence condition and to the attainment of performance conditions. The amount to be paid in 2023, subject to the attainment of performance conditions and a three-year presence condition, will be calculated with reference to the share price after the results announcement for the 2022 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); – <i>Specific Long-term Incentive Plan</i>: grant of 200,400 performance units, payable in Air France-KLM shares (one performance unit conferring the right to one share) in 2023 subject to the attainment of performance conditions and a three-year presence condition. <p>It is specified that Mr. Smith 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 2019 Universal Registration Document.</p>
Multi-year variable compensation	N/A	N/A	Mr. Benjamin Smith does not benefit from any multi-year variable compensation.
Extraordinary variable compensation	N/A	N/A	Mr. Benjamin Smith does not benefit from any 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	Mr. Benjamin Smith does not receive any compensation in respect of his Board director’s mandate.
Benefits of any kind	€295,287	€295,287	Mr. Benjamin Smith 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.

Elements of compensation submitted to approval	Amounts paid during the 2020 financial year	Amounts granted in respect of the 2020 financial year	Presentation
Severance payment	N/A	N/A	<p>Pursuant to the 2020 compensation policy approved by the Shareholders' Meeting of May 26, 2020 (sixteenth resolution), Mr. Benjamin Smith continues to benefit from the 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 (other than in relation to a gross misconduct).</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	Mr. Benjamin Smith does not benefit from a non-compete indemnity.
Supplementary pension scheme	N/A	N/A	Mr. Benjamin Smith 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 and 2019 financial years, as recommended by the Remuneration Committee, the Board of Directors granted Mr. Benjamin Smith, in his capacity as Chief Executive Officer, performance units within the framework of two long-term incentive plans:

- *Long-term Incentive Plan ("phantom shares"):*
 - 36,714 performance units valued at €333,000 granted in respect of the 2018 financial year, payable in cash in 2021 subject to the attainment of a three-year presence condition, excepting exercise by Mr. Benjamin Smith of his right to defer payment for a maximum of three years;
 - 110,253 performance units valued at €1,000,000 granted in respect of the 2019 financial year, payable in cash in 2022 subject to the attainment of performance conditions and a three-year presence condition, excepting exercise by Mr. Benjamin Smith of his right to defer payment for a maximum of three years;
- *Long-term Specific Incentive Plan:*
 - 110,253 performance units valued at €1,000,000 granted in respect of the 2019 financial year, payable in shares in 2022 subject to the attainment of performance conditions and a three-year presence condition.

These grants were submitted for approval by the Shareholders' Meetings of May 28, 2019 concerning the grants in respect of the 2018 financial year (fifteenth resolution) and May 26, 2020 concerning the grants in respect of the 2019 financial year (thirteenth resolution), pursuant to the former Article L.225-100 of the *Code de Commerce*.

It is specified that, in 2021, concerning the 36,714 performance units granted in 2018 in respect of the long-term incentive plan ("phantom shares"), Mr. Benjamin Smith 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 year in which the payment will take place.

2.5.2.3 Ratios on the multiples of compensation paid to the executive officers in 2020

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 January 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 SA 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.

	2016 Financial Year	2017 Financial Year	2018 Financial Year
Chair and CEO			
Ratio with average employee compensation in the relevant scope	17.74	13.99	16.97
Ratio with median employee compensation in the relevant scope	22.55	18.00	22.00

Detail on the elements used to calculate the ratios presented above:

- 2016 Financial Year:
 the compensation of the Chair and Chief Executive Officer for the 2016 financial year is composed of:
 - Mr. Alexandre de Juniac’s compensation in his capacity as Chair and Chief Executive Officer for the period from January 1 to July 4, 2016 (see 2016 Registration Document, page 40); and

- Mr. Jean-Marc Janaillac’s compensation in his capacity as Chair and Chief Executive Officer for the period from July 4 to December 31, 2016 (see 2016 Registration Document, page 41);
- 2018 Financial Year:
 - the compensation of the Chair and Chief Executive Officer has been annualized based on Mr. Jean-Marc Janaillac’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
Chair of the Board of Directors			
Ratio with average employee compensation in the relevant scope	3.09	3.39	3.22
Ratio with median employee compensation in the relevant scope	4.00	4.42	4.18
Chief Executive Officer			
Ratio with average employee compensation in the relevant scope	13.89	38.78	30.61
Ratio with median employee compensation in the relevant scope	18.00	50.57	39.63

(1) As the average and median compensation of employees in the relevant scope taken into account for the 2019 financial year corresponds to an amount budgeted in the 2019 Universal Registration Document, the amounts for 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 of the Board of Directors 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 of the Board of Directors 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-KLMSA 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.

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 pursuant to the AFEP guidelines updated in January 2021. It shows the annual change in compensation, the performances of the company Air France-KLM SA, the average remuneration on a full-time equivalent basis for employees of the company Air France-KLM SA other than the directors and the ratios referred to in section 2.5.2.3, for the last five financial years:

	2016 Financial Year	2017 Financial Year	2018 Financial Year	2019 Financial Year ⁽¹⁾	2020 Financial Year
Annual compensation					
Chair and Chief Executive Officer⁽²⁾					
Compensation	€1,065,334	€852,167	€1,100,000	N/A	N/A
Change/N-1	+65.17%	-20%	+29.08%		
Ratio with average compensation	17.74	13.99	16.97	N/A	N/A
Change/N-1	+6.77	-3.84	+2.98		
Ratio with median compensation	22.55	18.00	22.00	N/A	N/A
Change/N-1	+8.00	-4.55	+4.00		
Chair of the Board of Directors⁽²⁾					
Compensation	N/A	N/A	€200,000	€215,985	€190,835 ⁽³⁾
Change/N-1				+7.99%	-11.64%
Ratio with average compensation	N/A	N/A	3.09	3.39	3.22
Change/N-1				+0.30	-0.17
Ratio with median compensation	N/A	N/A	4.00	4.42	4.18
Change/N-1				+0.42	-0.24
Chief Executive Officer⁽²⁾					
Compensation	N/A	N/A	€900,000 ⁽⁴⁾	€2,470,345	€1,808,253 ⁽⁵⁾
Change/N-1				+174.47%	-26.80%
Ratio with average compensation	N/A	N/A	13.89	38.78	30.51
Change/N-1				+24.89	-8.27
Ratio with median compensation	N/A	N/A	18.00	50.57	39.63
Change/N-1				+32.57	-10.93
Board directors⁽⁶⁾					
Compensation (formerly directors' fees)	€670,615	€720,695	€907,505 ⁽⁷⁾	€826,417	€706,133 ⁽⁸⁾
Change/N-1	+7.13%	+7.47%	+25.92%	-8.93%	-14.55%
Employees in Air France-KLM SA relevant scope⁽⁹⁾					
Average compensation	€60,040	€60,914	€64,814	€63,696	€59,261
Change/N-1	+2.1%	+1.5%	+6.4%	-1.72%	-6.96%

	2016 Financial Year	2017 Financial Year	2018 Financial Year	2019 Financial Year ⁽¹⁾	2020 Financial Year
Performances of the Company based on the reported figures					
Results (in € million)	792	-247	419	290	-7,078
Change/N-1 (in € million)	+665	-1,066	+694	-129	-7,368
Current Operating Income (COI) (in € million)	1,049	1,488	1,332	1,141	-4,548
Change/N-1 (in € million)	+233	+439	-83	-264	-5,689
Net debt/EBITDA ratio	2.9x	2.1x	1.4x	1.5x	-6.5x
Change/N-1	-0.4	-0.8	-0.7	+0.1	-8

- (1) As the average and median compensation of the employees in the relevant scope taken into account for the 2019 financial year corresponds to an amount budgeted 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) It is specified 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) It is specified 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) It is specified 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.
- (7) 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.
- (8) 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.
- (9) 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.

2.5.2.5 Additional information concerning the compensation paid or granted to all the company officers in 2020

In the 2020 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 2020 financial year, no divergences nor exemptions were applied relative to the implementation procedure for the compensation policy.

2.5.2.6 Elements of compensation for the executive officers pursuant to AMF Recommendation No.2009-16, as amended on April 13, 2015

Summary table of the compensation, options and shares granted to each executive officer

(in €)	2020 Financial Year	2019 Financial Year
Ms. Anne-Marie Couderc, Chair of the Board of Directors		
Compensation due in respect of the financial year	174,851 ⁽¹⁾	200,000
Valuation of long-term 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 performance shares granted during the financial year	N/A	N/A
Total	174,851	200,000

(1) 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 of 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).

(in €)	2020 Financial Year	2019 Financial Year
Mr. Benjamin Smith, Chief Executive Officer		
Compensation due in respect of the financial year	744,511	1,668,456
Valuation of long-term variable compensation granted during the financial year	2,000,000 ⁽¹⁾	2,000,000 ⁽²⁾
Valuation of stock options granted during the financial year	N/A	N/A
Valuation of performance shares granted during the financial year	N/A	N/A
Total	2,744,511	3,668,456

(1) 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, concerning the Phantom Share-type long-term incentive plans, 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.

(2) 220,506 performance units valued at €2,000,000 and calculated with reference to the Air France-KLM opening share price on August 17, 2018, payable in 2022 (excepting, concerning the Phantom Share-type long-term incentive plans, 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.

Summary table of the compensation of each executive officer

	2020 Financial Year		2019 Financial Year	
	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Ms. Anne-Marie Couderc, Chair of the Board of Directors				
Fixed compensation	174,851 ⁽¹⁾	174,851 ⁽¹⁾	200,000	200,000
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 ⁽²⁾	15,984 ⁽²⁾	15,985 ⁽²⁾	15,985 ⁽²⁾
Total	190,835	190,835	215,985	215,985

(1) 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 subjected 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 employees (notably its reduction *pro rata temporis* for the periods of partial activity applied to all the employees).

(2) Ms. Anne-Marie Couderc benefits from a chauffeur-driven company car.

	2020 Financial Year		2019 Financial Year	
	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Mr. Benjamin Smith, Chief Executive Officer				
Fixed compensation	744,511 ⁽¹⁾	744,511 ⁽¹⁾	900,000	900,000
Variable compensation	0 ⁽²⁾	768,456	768,456	366,667 ⁽³⁾
Long-term variable compensation	2,000,000 ⁽⁴⁾	N/A	2,000,000 ⁽⁵⁾	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	295,287 ⁽⁶⁾	295,287 ⁽⁶⁾	313,201 ⁽⁶⁾	313,201 ⁽⁶⁾
Total	3,039,798	1,808,253	3,981,657	1,579,868

- (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 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).
- (2) The Chief Executive Officer waived payment of his annual variable compensation in respect of the 2020 financial year.
- (3) For the period from September 17 to December 31, 2018.
- (4) 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, concerning the Phantom Share-type long-term incentive plans, 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.
- (5) 220,506 performance units valued at €2,000,000 and calculated with reference to the Air France-KLM opening share price on August 17, 2018, payable in 2022 (excepting, concerning the Phantom Share-type long-term incentive plans, 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) Mr. Benjamin Smith 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.

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-competence clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive officers								
Ms. Anne-Marie Couderc <i>Chair of the Board of Directors</i> Start date of mandate: May 15, 2018 Expiry date of mandate: 2023 Ordinary Shareholders' Meeting ⁽¹⁾		✓		✓			✓	✓
Mr. Benjamin Smith <i>Chief Executive Officer</i> 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.
- (2) Mr. Benjamin Smith was also appointed a Board director of the company Air France-KLM SA 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 2023 Ordinary Shareholders' Meeting.
- (3) For more details on the severance payment to the benefit of Mr. Benjamin Smith, 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 a performance share scheme to the benefit of the Air France-KLM company officers during the financial year, nor during the preceding financial years.

2.5.3 Compensation policy for the company officers in respect of 2021

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 2021.

As recommended by the Remuneration Committee, the Board of Directors has taken into account the vote of the Shareholders' Meeting of May 26, 2020 on the compensation for the executive officers in respect of the 2019 financial year to determine the 2021 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 in respect of 2021 for the company officers of Air France-KLM:

- 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 Rules 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 2021 compensation policy for the company officers outlines all the components of the fixed and 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 2021 compensation policy for the company officers will be the subject of a proposed resolution submitted for approval by the Shareholders' Meeting of May 26, 2021 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 2021

Subject to approval of the 2021 compensation policy for the company officers by the Shareholders' Meeting of May 26, 2021, 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 fixed and variable portions linked to the attendance of the Board directors, 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 for the fixed portion;
- €25,000 for the predominantly variable portion, based on attendance 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 also resolved to introduce to the compensation allocated to the Board directors for their duties within the Committees a variable element of compensation based on attendance:

- For the Audit Committee:
 - the Chair will receive €4,500 as a fixed portion and €7,500 as a variable portion based on attendance at Committee meetings; and
 - the members will receive €3,000 as a fixed portion and €5,000 as a variable portion based on attendance at Committee meetings.
- For the other Committees:
 - the Chair will receive €3,000 as a fixed portion and €4,500 as a variable portion based on attendance at Committee meetings; and
 - the members will receive €2,000 as a fixed portion and €3,000 as a variable portion based on attendance at Committee meetings.

It is specified that, relative to the allocation policy voted in 2014, the introduction of the variable portion for duties 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 variable portion 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 rates of the individual Board directors at these extraordinary meetings.

The Board directors (non-executive 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 on the proposal of 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 on the proposal of 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 17, 2021, in view of the context of the Covid-19 public health crisis, the members of the Air France-KLM Board of Directors resolved to reduce by 25% their compensation paid in respect of the 2021 financial year until the Group's Current Operating Income (COI) returns to a positive amount.

2.5.3.2 Compensation of the executive officers in respect of 2021

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 Rules 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.

On an annual basis, the Remuneration Committee formulates and reviews these compensation policies, in relation to the

performance targets. The annual variable portion of the compensation for the Group's three Chief Executive Officers (Air France-KLM, Air France and KLM) is thus subject to the achievement of performance criteria:

- quantitative financial criteria;
- qualitative non-financial criteria relating to the improved performance of the company and the implementation of its strategy;
- taking into account of the performance relative to the principal competitors.

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) 2021 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, to be submitted for approval by the shareholders during the Shareholders' Meeting of May 26, 2021. 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 17, 2021, 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 2021 financial year.

— Annual compensation (fixed and variable)

Description of the annual fixed and variable elements

During its meeting of February 17, 2021, as recommended by the Remuneration Committee and after reiteration by the Chair of her undertaking to waive 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, the Board of Directors decided to set the annual gross fixed compensation of the Chair at €200,000 in respect of her duties. The Chair of the Board of Directors will not benefit from any variable or multi-year compensation.

— Annual extraordinary compensation

The Chair of the Board of Directors will not benefit from any 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 any 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) 2021 compensation policy for the Chief Executive Officer

Mr. Benjamin Smith was appointed Chief Executive Officer from 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 from 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 airline groups.

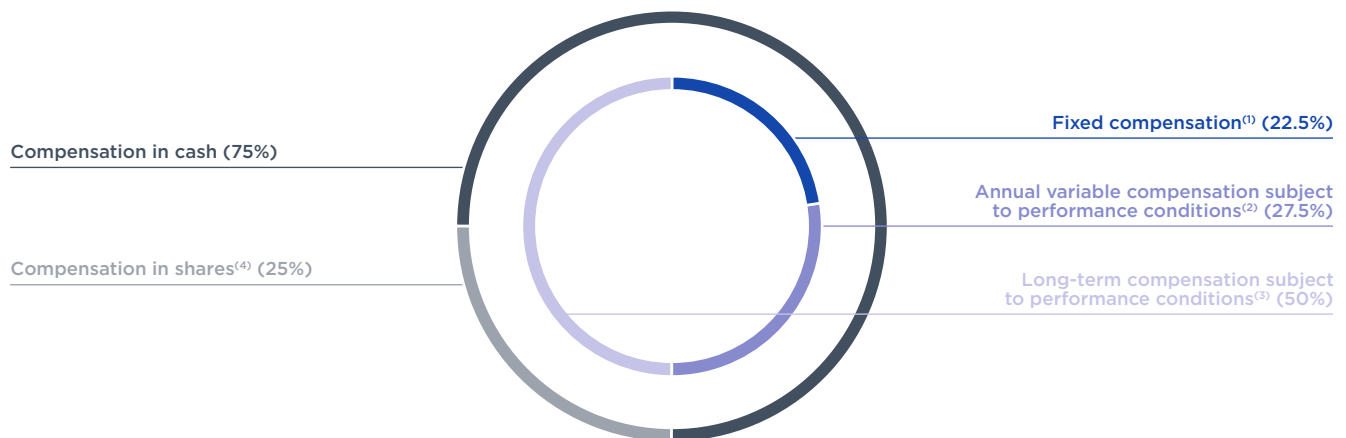
The structure of the compensation set by the Board of Directors in August 2018 remained unchanged for the 2019 and 2020 financial years. It is also within this framework that the compensation policy has been set for 2021.

During its meeting of February 17, 2021, as proposed by the Remuneration Committee, the Board of Directors defined the compensation structure composed of the fixed, variable and long-term elements, and the benefits of any kind, for the Chief Executive Officer of Air France-KLM in respect of the 2021 financial year.

The performance criteria linked to the variable and long-term compensation within the framework of the 2021 compensation were set pursuant to the Board resolutions of February 17, 2021.

In view of the context of crisis linked to the Covid-19 pandemic, 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 amount and payment of the variable compensation for the Chief Executive Office consistent with (i) the performance achieved by the Group and the Group's financial situation at the end of the financial year, (ii) the compensation policy applied to the Group's employees, (iii) the protection of the Group's interests and those of its shareholders and/or (iv) any decision taken by the European Commission approving a State support measure in the form of a recapitalization, based on the provisions of the European Union's communication of March 20, 2020 relating to the Temporary Framework.

Structure of the compensation for the Air France-KLM Chief Executive Officer in respect of the 2021 financial year



(1) Amount of €900,000.
 (2) 122% of the fixed compensation on achievement of the targets potentially rising to 150% should the targets be exceeded.
 (3) Two long-term incentive plans conferring the right to the granting of performance units, each in the amount of €1 million.
 (4) The specific long-term incentive plan will be paid in Air France-KLM shares.

— 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 reaching between 0% and 122% of the annual gross fixed compensation on partial or full achievement of the targets (calculated on a linear basis), potentially rising to 122% of the annual gross fixed compensation on achievement

of the targets, and potentially reaching a maximum of 150% should the targets be exceeded (calculated on a linear basis). It is specified that the structure of the annual compensation has remained unchanged since 2019.

The performance criteria for the annual variable compensation, which were set by the Board of Directors during its meeting of February 17, 2021, are 60% based on quantitative criteria linked to the Group's financial performance and targets, and 40% on qualitative criteria linked to the non-financial targets.

Breakdown of the variable component

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 Luftansa Group in 2021	18%	22.5%
Transformation plan impact on cost saving and cash management <i>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</i>	37%	45%
Capital market equity strengthening <i>Realization and amount of the equity or quasi-equity contributions (excluding transformation of the shareholder loan into a hybrid convertible)</i>	18%	22.5%
Qualitative non-financial performance		
Societal & Environmental Responsibility (CSR) and Human Capital	12%	15%
Customers	12%	15%
Individual & Leadership	24%	30%

– Evaluation of the 2021 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 treasury management, Reinforcement of equity in the capital markets) will be evaluated on the basis of the following rules:

Air France–KLM comparative COI	Performance	% attainment of the criterion
Reduction of the gap between Air France–KLM’s performance and those of IAG and Lufthansa Group in 2021	Performance of Air France–KLM > than those of Lufthansa and IAG	Max (100%)
	Reduction in the performance gap relative to Lufthansa and IAG	100% to 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 saving and cash management

% realization of the structural savings relative to the budget	% attainment of the criterion
Level 1. < 80% relative to the budget	0%
Level 2. 80% to 90%	80% to 100% Proportionate
Level 3. 90% to 100%	100%
Level 4. 100% to 120%	100% to 120% Proportionate
Level 5. > 120% of the amount set in the budget	Maximum 120%

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

	% attainment of the criterion	Targets in % of the target value
Level 1. Below the target value	0%	<100%
Level 2. Target value	80%	100%
Level 3. Target	80% to 120% proportionate	100% to 200%
Level 5. >120% of the amount set in the budget	Maximum 120%	>200%

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) and Human Capital

The evaluation will cover the actions and results of the Societal & Environmental Responsibility and Human Capital commitment, notably in the light of the following priorities:

- Engage in the initiatives appropriate to remaining on the trajectory of the 2030 environmental road map;
- Maintain social cohesion within the Group within a context of restructuring: number of meetings of the European Works Councils and agreements signed;
- 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: reinforcement of the “Coaching Femme de Talent”, “Talent to the Top” and “Women for Tomorrow (WoTo)” initiatives.

Customers

The evaluation will review the actions and results on customer engagement, notably in the light of the following fundamental priorities:

- Improvement in the NPS vs 2019 + positive trend for 2021;
- Realization of the flight schedule + reliability and punctuality;
- Health measures (responses to questionnaires);
- Commercial initiatives (responses to questionnaires).

Individual & Leadership

The evaluation will review the actions and results, notably in the light of the following fundamental priorities:

- 1) crisis management leadership: execution of the transformation plan while maintaining the trust and commitment of all the stakeholders (employees, customers, Works Council, shareholders, government);
- 2) post-crisis management leadership: anticipation of the key business initiatives to remodel the offer and plan the post-crisis orientations.

Societal & Environmental Responsibility and Human Capital

Performance	Percentage granted
Significantly below target	0%
Target attained	100%
Significantly above target	150%

Customers

Performance	Percentage granted
Significantly below target	0%
Target attained	100%
Significantly above target	150%

Individual & Leadership

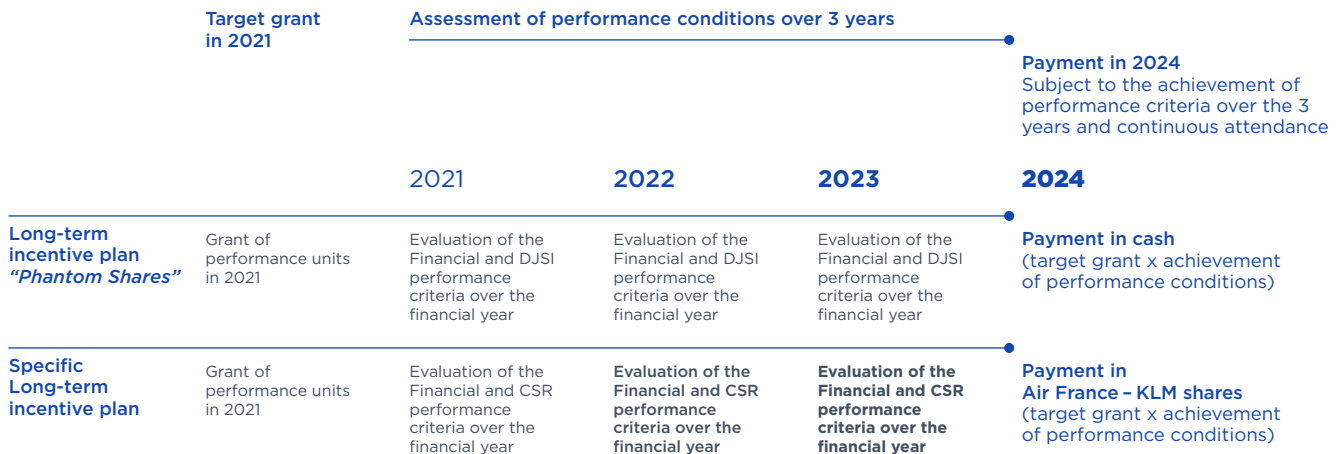
Performance	Percentage granted
Significantly below target	0%
Target attained	100%
Significantly above target	150%

— Long-term compensation

The compensation policy for the Chief Executive Officer is primarily composed of elements of long-term variable compensation so as to align this compensation with the Group's performance on the basis of a long-term perspective, thereby contributing to the Company's strategy and sustainability.

These elements of compensation correspond to two long-term incentive plans subject to the attainment of demanding performance conditions evaluated over a period of three years and covering the interests of the Group, its employees and its shareholders. It is specified that the vesting and payment of these elements of compensation will only take place at the end of this three-year period.

Long-term compensation scheme for Air France – KLM



c) Long-term incentive plan

On an annual basis, the Chief Executive Officer is granted performance units equivalent to an amount of €1 million, payable in cash at the end of a three-year period following the grant, subject to the achievement of performance conditions, evaluated over the whole of this period. The payment of the performance units will be 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).

Demanding performance conditions evaluated over a three-year period were set by the Board of Directors during its meeting of February 17, 2021:

KPI	Performance	Vesting of % of the grant
1. Net debt/EBITDA ratio relative to the budget at the end of a 3-year period (2023) (35%)	Level 3. Significantly above target >120%	120% Maximum
	Level 2. Target 80% to 120%	80% to 120% Proportionate
	Level 1. Significantly below target <80%	0%
2. EBITDA relative to the sector (35%) Reduction in the gap in Air France-KLM's performance relative to those of IAG and Lufthansa Group over 3 years (2021, 2022, 2023)	Performance of Air France-KLM > 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. Dow Jones Sustainability Index for airline companies (30%) ⁽¹⁾	Position 1	120%
	Position 2	100%
	Position 3	80%
	Position 4 and lower	0%

(1) The results of the Dow Jones Sustainability Index ("DJSI") are published annually in September.

The number of performance units granted in 2021 will be calculated with reference to the Air France-KLM opening share price on April 1, 2021. The payment of the performance units will take place in 2024 (subject to the attainment of the performance and presence conditions over three years) and its amount will be calculated with reference to the share price following the announcement of the results for the 2023 financial year. The Chief Executive Officer will however have the option to defer payment for 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 in which the payment will take place.

d) Specific long-term incentive plan

The Group intends to launch targeted strategic actions aimed at improving the medium and long-term operational performance, into line with the best international airlines, while taking into account the environmental and societal issues linked to its growth. Accordingly, the specific 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 August 16, 2018 and March 12, 2019.

This plan provides for the Chief Executive Officer to be granted, annually in 2019, 2020 and 2021, performance units equivalent to an amount of €1 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. The payment of the performance units will also be 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 performance conditions that were set by the Board of Directors during its meeting of February 17, 2021 are as follows:

	Performance	Vesting of % of the grant
1. AF-KLM relative COI (70%) Reduction in the gap with IAG and Lufthansa Group over 3 years (2021, 2022, 2023)	Performance of Air France-KLM > that of Lufthansa and IAG	(100%) Maximum
	Reduction in the gap with Lufthansa and IAG	100% à 50% Proportionate
	Reduction in the gap with Lufthansa or IAG	50% à 0% Proportionate
	Increase in the gap with Lufthansa and IAG	0%
2. CSR performance targets (30%) ⁽¹⁾		See the evaluation rules below

(1) Updated on April 23, 2021 as approved by the Board of Directors on February 17, 2021.

The CSR performance criteria within the framework of the specific long-term incentive plan are as follows:

	Indicators	Targets
Environment	1 Reduce CO ₂ emissions (gCO ₂ /passenger/km, including the market-based measures)	Long-term target of a -50% reduction over the 2005-2030 period: to be evaluated annually and reported in the CSR report/verify yearly if on track to reach this target
Social	2 Reinforce diversity	Increase the percentage of women managers
Societal	3 Increase sustainable management of the supply chain	Track the risk management indicators for suppliers in compliance with the due diligence law (Human Rights and fundamental liberties, Health, Environment)

These criteria are evaluated in the following manner:

Criterion	Performance	Vesting as a % of grant
KPIs with the same weight	Significantly above target	Max (100%)
	Target achieved	50%
	Significantly below target	0%

The number of performance units granted in 2021 will be calculated relative to the Air France-KLM opening share price on April 1, 2021. 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 specified that Mr. Smith has given a formal undertaking that he has not used/will not use risk hedging transactions within the framework of this plan until the payment of the performance units.

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 will be responsible for evaluating the achievement of these performance criteria.

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. Frédéric Gagey, Chief Financial Officer of Air France-KLM.

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.

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.

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.

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 thirteen 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, 2020	Age at December 31, 2020	Relevant professional experience	
		Sector	Experience
Benjamin Smith <i>Chief Executive Officer, Air France-KLM</i>	49 years	Air Transport	30 years
Pieter Elbers <i>President and Chief Executive Officer, KLM</i>	50 years	Air Transport	28 years
Anne Rigail <i>Chief Executive Officer, Air France</i>	51 years	Air Transport	29 years
Frédéric Gagey <i>Chief Financial Officer, Air France-KLM</i>	64 years	Public service Air Transport	7 years 27 years
Henri de Peyrelongue <i>Executive Vice-President Commercial Sales, Air France-KLM</i>	55 years	Air Transport	30 years
Pieter Bootsma <i>Chief Revenue Officer, Air France-KLM</i>	51 years	Air Transport	25 years
Anne Brachet <i>Executive Vice-President, Engineering & Maintenance, Air France-KLM</i>	57 years	Air Transport	25 years
Oltion Carkaxhija <i>Executive Vice-President Transformation, Air France-KLM</i>	44 years	Air Transport	13 years
Angus Clarke <i>Executive Vice-President Strategy, Air France-KLM</i>	46 years	Air Transport	19 years
Janet Dekker <i>Executive Vice-President Human Resources, Air France-KLM</i>	61 years	Human Resources	31 years
Adriaan den Heijer <i>Executive Vice-President Cargo, Air France-KLM</i>	50 years	Air Transport	25 years
Jean-Christophe Lalanne <i>Executive Vice-President Information Technology, Air France-KLM</i>	59 years	Industry, IT Services Air Transport	23 years 16 years
Anne-Sophie Le Lay <i>Corporate Secretary of Air France-KLM and Air France</i>	49 years	Attorney Law/Governance, Automotive Industry Air Transport	6 years 18 years 3 years

(1) Ms. Janet Dekker stepped down as Air France-KLM's Executive Vice-President Human Resources in January 2021.

Secretarial services to the 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. This information is detailed in section 4.2.4 "Diversity and equality".

2.8 SHARE CAPITAL AND SHAREHOLDER STRUCTURE

2.8.1 Share capital

At December 31, 2020, the Air France-KLM share capital comprised 428,634,035 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	Total capital (in €)	Number of shares
December 31, 2018	428,634,035	428,634,035
December 31, 2019	428,634,035	428,634,035
December 31, 2020	428,634,035	428,634,035

(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.

The authorizations currently in force are summarized in the following table.

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2020
Authorizations granted by the Combined Ordinary and Extraordinary Shareholders Meeting of May 26, 2020			
Outside the context of a public tender offer			
No.18	Capital increase (outside the context of a public tender offer) maintaining preferential subscription rights for shareholders	€214 million in nominal (i.e. c.50% of the current share capital)	€214 million in nominal (i.e. c.50% of the current share capital)
No.19	Capital increase (outside the context of a public tender offer) without preferential subscription rights for shareholders but with a mandatory priority subscription period	€214 million in nominal (i.e. c.50% of the current share capital)	€214 million in nominal (i.e. c.50% of the current share capital)
No.20	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)	€86 million in nominal (i.e. c.20% of the current share capital)	€86 million in nominal (i.e. c.20% of the current share capital)
No.21	Capital increase (outside the context of a public tender offer) through private placement with qualified investors/restricted group of investors	€86 million in nominal (i.e. c.20% of the current share capital)	€86 million in nominal (i.e. c.20% of the current share capital)
No.22	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 18, 19, 20 and 21)	15% of the initial issue (not to exceed the cap amounts set under resolutions 18, 19, 20 and 21)
No.23	Capital increase (outside the context of a public tender offer) to compensate contributions in kind granted to the Company	€42,863,403 in nominal (i.e. c.10% of the current share capital)	€42,863,403 in nominal (i.e. c.10% of the current share capital)
No.24	Capital increase (outside the context of a public tender offer) by capitalization of reserves, profits, issuance premiums, or other amounts eligible for capitalization	€214 million in nominal (i.e. c.50% of the current share capital)[charged against the cap amount of the 18 th resolution, usable outside the context of a public tender offer]	€214 million in nominal (i.e. c.50% of the current share capital)[charged against the cap amount of the 18 th resolution, usable outside the context of a public tender offer]
Within the context of a public tender offer			
No.25	Capital increase (within the context of a public tender offer) maintaining preferential subscription rights for shareholders	€107 million in nominal (i.e. c.25% of the current share capital)[charged against the cap amount of the 18 th resolution, usable outside the context of a public tender offer]	€107 million in nominal (i.e. c.25% of the current share capital)[charged against the cap amount of the 18 th resolution, usable outside the context of a public tender offer]

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2020
No.26	Capital increase (within the context of a public tender offer) without preferential subscription rights for shareholders but with a mandatory priority subscription period	€107 million in nominal (i.e. c.25% of the current share capital)[charged against the cap amount of the 18 th resolution, usable outside the context of a public tender offer]	€107 million in nominal (i.e. c.25% of the current share capital)[charged against the cap amount of the 18 th resolution, usable outside the context of a public tender offer]
No. 27	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)	€43 million in nominal (i.e. c.10% of the current share capital) [charged against the cap amount of the 18 th and 20 th resolutions, usable outside the context of a public tender offer]	€43 million in nominal (i.e. c.10% of the current share capital) [charged against the cap amount of the 18 th and 20 th resolutions, usable outside the context of a public tender offer]
No. 28	Capital increase (within the context of a public tender offer) through private placement with qualified investors/restricted group of investors	€43 million (i.e. c.10% of the current share capital) [charged against the cap amount of the 18 th and 20 th resolutions, usable outside the context of a public tender offer]	€43 million (i.e. c.10% of the current share capital) [charged against the cap amount of the 18 th and 20 th resolutions, usable outside the context of a public tender offer]
No.29	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 25, 26, 27 and 28)	15% of the initial issuance (not to exceed the cap amounts indicated under resolutions 25, 26, 27 and 28)
No. 30	Capital increase (within the context of a public tender offer) to compensate contributions in kind granted to the Company	€21 million in nominal (i.e. c.5% of the current share capital)[charged against the cap amount of the 18 th and 23 rd resolutions, usable outside the context of a public tender offer]	€21 million in nominal (i.e. c.5% of the current share capital)[charged against the cap amount of the 18 th and 23 rd resolutions, usable outside the context of a public tender offer]
No 31	Capital increase (within the context of a public tender offer) by capitalization of reserves, profits, issuance premiums, or other amounts eligible for capitalization	€107 million in nominal (i.e. c.25% of the current share capital) [charged against the cap amount of the 18 th and 24 th resolutions, usable outside the context of a public tender offer]	€107 million in nominal (i.e. c.25% of the current share capital) [charged against the cap amount of the 18 th and 24 th resolutions, usable outside the context of a public tender offer]

Other authorizations in respect of the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2020

No. 32	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 19, 20, 21, 26, 27 and 28)	10% of the share capital (not to exceed the cap amounts set under resolutions 19, 20, 21, 26, 27 and 28)
--------	--	--	--

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2020
No. 33	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 18, 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 18, usable outside the context of a public tender offer]

A common sub-cap of €86 million applies to resolutions 20 to 23 and 27 to 30 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2020. A common sub-cap of €43 million applies to resolutions 27 to 30 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2020. A common sub-cap of €107 million applies to resolutions 25 to 31 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2020.

The maximum amount of all the aforementioned capital increases is not autonomous and is charged against the cap amount of €214 million set in resolution 18 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2020.

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: FR0011965177) (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: FR0013212958) (the "2022 Notes"); and
- Undated Deeply Subordinated Fixed Rate Resettable Notes in the initial principal amount of €600 million bearing a

coupon of 6.25% (whose amount in circulation prior to the repurchase stood at €403.3 million), (ISIN: FR0012650281) (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 is €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. 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.

Redemption of the €600 million of Undated Deeply Subordinated Notes (of which €403.3 million were outstanding) issued in 2015

On September 1, 2020, Air France-KLM decided to proceed with the redemption of all the outstanding perpetual subordinated notes issued in 2015 (ISIN Code FR0012650281 - "the Notes") representing a total nominal amount of €403.3 million, in accordance with the provisions of paragraph 5(b) (Optional Redemption) of the terms and conditions of the Notes.

The early redemption took place 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 (inclusive).

This early redemption was part of the Group's policy to reduce its interest costs.

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 2020 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, 2020, Air France-KLM held 1,208,005 of its own shares, i.e. 0.3% 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 €5.7 million at December 31, 2020.

2.8.4 Reinforcement of the Air France-KLM Group's strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines

During the 2020 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” – Agreements referred to in Article L. 225-38 of the *Code de Commerce*) 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 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.

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, 2020 relative to December 31, 2019 and 2018.

	% of the share capital			% des droits de votes exerçables ⁽¹⁾			% of the theoretical voting rights ⁽²⁾		
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Number of shares or voting rights	428,634,035	428,634,035	428,634,035	550,004,411	550,280,634	501,591,608	586,705,740	586,975,522	503,909,602
French State	14.3%	14.3%	14.3%	22.3%	22.3%	22.7%	20.9%	20.9%	22.6%
Dutch State	14.0%	14.0%	0.0%	10.9%	10.9%	0.0%	10.2%	10.2%	0.0%
Delta Air Lines, Inc.	8.8%	8.8%	8.8%	10.5%	10.5%	7.5%	12.8%	12.8%	7.4%
China Eastern Airlines ⁽³⁾	8.8%	8.8%	8.8%	10.5%	10.5%	7.5%	12.8%	12.8%	7.4%
Employees (FCPE)	3.7%	3.8%	3.9%	5.8%	5.9%	6.7%	5.4%	5.5%	6.7%
Treasury stock	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	0.4%	0.4%	0.5%
Others	50.1%	50.0%	64.0%	40.0%	40.0%	55.6%	37.5%	37.4%	55.4%

(1) The exercizable voting rights do not take into account the voting rights attached to treasury shares or 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 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, 2020 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, 2020, Air France-KLM is more than 50% 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, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
French State	61,241,325	61,241,325	61,241,325	14.3%	14.3%	14.3%
Dutch State	60,000,000	60,000,000	0	14.0%	14.0%	0.0%
Delta Air Lines, Inc.	37,527,410	37,527,410	37,527,410	8.8%	8.8%	8.8%
China Eastern Airlines ⁽¹⁾	37,527,410	37,527,410	37,527,410	8.8%	8.8%	8.8%
Employees (FCPE)	16,037,988	16,103,590	16,758,690	3.7%	3.8%	3.9%
Treasury stock	1,208,005	1,201,571	1,201,571	0.3%	0.3%	0.3%
Other European shareholders ⁽²⁾	168,860,198	117,770,414	170,387,302	39.4%	27.5%	39.8%
Other non-European shareholders	46,231,699	97,262,315	103,990,327	10.7%	22.5%	24.1%
Total number of shares	428,634,035	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 the line Other non-European shareholders.

At December 31, 2020, Air France-KLM was 72% owned by European residents, excluding investors 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 €)	Dividend paid (in €)
2018	0.92	-
2019	0.64	-
2020	(16.56)	-

The stipulations of the loan guaranteed by the French State and the loan granted by the French State concluded in May 2020 notably prohibit dividend payments by the Company until the loans concerned have been repaid. 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 reimbursement of the financial support granted.

2.8.6 A regular dialogue with individual shareholders and investors

On the basis of the TPI shareholder analysis of December 31, 2020, Air France-KLM is more than 50% 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 French *Code de Commerce*, 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* - AMF) 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 General Regulation of the *Autorité des Marchés Financiers* (AMF) are assimilated in the share capital and voting rights.

In the event of failure to comply with these 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).

The aforementioned obligations under the Articles of Incorporation do not replace the legal obligation to inform Air France-KLM and the AMF no later than four stock market trading days after the capital and voting right thresholds stipulated by law are exceeded.

Furthermore, 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 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 2020 financial year and at the beginning of the 2021 financial year:

Shareholders	Declaration date	Number of shares ⁽¹⁾	% of the share capital ⁽²⁾	Increase or reduction
Delta Air Lines, Inc. ⁽³⁾	January 29, 2020	37,527,410	8.76	I
Causeway Capital Management LLC. ⁽⁴⁾	March 3, 2020	21,506,317	5.02	I
Causeway Capital Management LLC. ⁽⁵⁾	March 10, 2020	29,706,816	6.93	I
Donald Smith & Co., Inc.	March 26, 2020	24,493,406	5.71	I
Causeway Capital Management LLC ⁽⁶⁾	April 24, 2020	28,950,088	6.75	R
Donald Smith & Co., Inc	May 20, 2020	21,332,593	4.98	R
Causeway Capital Management LLC ⁽⁷⁾	June 25, 2020	21,250,637	4.96	R
Bank of America Corporation ⁽⁸⁾	February 8, 2021	30,812,412	7.19	I
Dutch State ⁽⁹⁾	March 10, 2021	60,000,000	14.00	I

(1) "Number of shares" represents the total number of shares held by the declaring shareholder following the declaration.

(2) "% of the share capital" represents the percentage of the share capital held by the declaring shareholder following the declaration.

(3) 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.

(4) Acting as "investment adviser" on behalf of funds and clients for which it has no discretionary power to exercise the voting rights attached to the shares held. Furthermore, the company Causeway Capital Management L.L.C. also manages 12,793,110 Air France-KLM shares but does not exercise the voting rights attached to these shares (these voting rights remaining exercised by its clients).

(5) Acting as "investment adviser" on behalf of funds and clients for which it has no discretionary power to exercise the voting rights attached to the shares held. Furthermore, the company Causeway Capital Management L.L.C. also manages 16,939,192 Air France-KLM shares but does not exercise the voting rights attached to these shares (these voting rights remaining exercised by its clients).

(6) Acting as "investment adviser" on behalf of funds and clients for which it has no discretionary power to exercise the voting rights attached to the shares held. Furthermore, the company Causeway Capital Management L.L.C. also manages 11,924,985 Air France-KLM shares but does not exercise the voting rights attached to these shares (these voting rights remaining exercised by its clients). Elements post management report.

(7) Acting as "investment adviser" on behalf of funds and clients for which it has no discretionary power to exercise the voting rights attached to the shares held. Furthermore, the company Causeway Capital Management L.L.C. also manages 10,203,035 Air France-KLM shares but does not exercise the voting rights attached to these shares (these voting rights remaining exercised by its clients).

(8) The 7.19% of the share capital declared by Bank of America Corporation corresponds to the consolidation of shares that are physically held but also, and for the most part, to 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).

(9) 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, representing 120,000,000 voting rights, i.e. 14.00% of the capital and 18.56% 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 *Code des Transports* (French Transport Code), 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 Depositary 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 2020 financial year, the Air France-KLM share price decreased by 48%.

	January-December 2020	January-December 2019
Share price high (in €)	10.27	12.73
Share price low (in €)	2.61	7.46
Number of shares in circulation	428,634,035	428,634,035
Market capitalization at December 31 (in €bn)	2.2	4.3

2.8.9.3 Transactions in Air France-KLM shares in the last 12 months

Air France-KLM shares

Euronext volumes	Trading days	Trading range			Volumes	Amount (in € million)
		Average price (in €)	High (in €)	Low (in €)		
2020						
January	22	9.30	10.27	8.26	81,420,612	748.7
February	20	8.87	10.0	6.80	104,269,065	886.5
March	22	5.07	7.19	3.81	227,843,934	1,160.33
April	20	4.79	5.57	4.30	57,014,375	272.1
May	20	4.03	4.54	3.50	82,619,135	332.9
June	22	4.67	6.48	3.91	187,372,284	920.1
July	23	4.02	4.49	3.39	82,158,173	328.4
August	21	3.82	4.25	3.26	89,496,837	342.1
September	22	3.49	3.93	2.78	98,084,688	333.7
October	22	3.07	3.39	2.61	113,020,814	345.5
November	21	4.13	5.54	2.62	219,324,933	924.6
December	22	5.17	5.20	4.94	645,348	590.39

Transactions in the Company's shares realized by the company officers

To the Company's knowledge, no transactions referred to in Article L. 621-18-2 of the French Monetary and Financial Code (*Code Monétaire et Financier*) were executed during the 2020 financial year.

3

RISKS AND RISK MANAGEMENT

3.1	Risk factors	132
3.1.1	Geopolitical and macro-economic risks	132
3.1.2	Risks relating to the air transportation activity	136
3.1.3	Risks related to the Group's processes	141
3.1.4	Legal risks	145
3.1.5	Financial market risks	145
3.2	Enterprise risk management	151
3.2.1	Risk management process: players and overall organization	151
3.2.2	Identification and evaluation of the risks	152
3.3	Organization and functioning of internal control	153
3.3.1	Internal Control organization and tools	153
3.3.2	Fundamental components of internal control established within the Group	156
3.3.3	Internal control relating to the establishment and processing of financial and accounting information	158

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 it does not consider 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) 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. The elements included as we finalize this 2020 Universal Registration Document, on April 7, 2021, appear in *bold, blue and italic*.

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 current Covid-19 coronavirus outbreak had a significant adverse impact on the Group's operational activity, financial position and results during the 2020 financial year and is expected to continue to negatively 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 on March 11, 2020, 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 States have notably led to the temporary suspension of airline operations and a significant reduction or suspension of travel, in particular bound for or near the many countries where the virus is circulating, 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. For the financial year ended December 31, 2020, the Group's passenger traffic (measured in thousands of passengers) thus fell by 67.3% compared to the previous year.

Given these travel restrictions and the collapse in passenger traffic and sales, since March 2020, the Group has been obliged to significantly reduce its capacity and, notably, drastically curtail its flight activity.

For full year 2020, the Group's capacity (in millions of ASK) was thus reduced by 54% compared to the previous year.

This health crisis had a very strong impact on the Group's activities and results for the financial year ended December 31, 2020, with an operating loss of €(4.5) billion (versus €1.1 billion in 2019).

The Air France–KLM Group has also implemented substantial cost-saving measures, in terms of 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. In this context, at the end of 2020, the reduction represented more than 7,000 Full Time Equivalents (FTE) and additional departures within the framework of restructuring are expected until the end of 2022.

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, 2020, the Group's net debt amounted to €11 billion.

Furthermore, on April 6, 2021, the Group announced a major recapitalization plan enabling it to reinforce its financial position and weather the current crisis (see section 5.4 "Subsequent events"). Should the implementation of this plan not be possible, this would have a material negative impact on its financial position and outlook.

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 and several other health measures at the end of 2020, in light of the proliferation of the pandemic. Given the uncertainties inherent in any health crisis, the Group does not expect this situation to stabilize in the short term. In particular, the stabilization in the health situation notably depends on the ability of States effectively and rapidly to implement their vaccine strategies, whose deployment is currently encountering logistical difficulties in some countries. The Group's baseline scenario is a return to the pre-crisis level of capacity in 2024.

Were this scenario not to materialize or materialize only partially, the recapitalization plan announced on April 6, 2021 (which will include the future implementation of additional recapitalization measures, as outlined in section 5.4 “Subsequent events”) would not provide the Group with the liquidity and equity required beyond twelve months to contend with a further and prolonged deterioration in the situation. These elements could, in the current state of visibility and analysis, and depending on their persistence, have a significant negative impact on the Group’s operating results, financial performance and liquidity, despite the measures taken, and on those of some of its partners.

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 notably being supported by a dedicated coordination structure. The Group has also 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 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 including, with regard to Air France, 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, 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) and a direct loan of €1 billion (of which €277 million drawn down at December 31, 2020) (for a description of the main characteristics of these financing packages, see Note 30.3 to the Group’s consolidated financial statements for the financial year ended December 31, 2020). The amounts borrowed were allocated to the general needs of the business.

Furthermore, on April 6, 2021, the Group announced a major recapitalization plan to reinforce its financial position and enable it to weather the current crisis (see section 5.4 “Subsequent events”).

The Group has also adopted budgetary measures in order to save cash:

- downwards revision in the capex plan;
- cut in operating costs;
- labor cost reductions thanks to the partial activity in France and recourse to the employment support program from the Dutch government in response to Covid-19 (NOW);
- halt of 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 2020, a security adaptation plan to the Covid-19 crisis was implemented and a restart plan was carried out to ensure the operability of the entire security system.

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.

3.1.1.3 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, the Group is a major global air transport player; in 2020, the Group carried 34 million (104 million in 2019) passengers 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. Since the liberalization of the European market and the different Open Skies agreements signed, increased competition between carriers has led to a reduction in fares. 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.

In short and medium-haul, the Group competes with other airlines and, in particular, the low-cost carriers which have seen very rapid growth over the last fifteen years. It also competes with alternative means of transportation like the high-speed train network. An extension to the high-speed rail networks in Europe is liable to have a negative impact on the air transport industry's activity and financial results.

In addition, self-connect platforms like Kiwi.com or easyJet Worldwide enable 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, particularly on the routes between Europe and Asia, due to the development of rapidly-growing players like the Gulf State airlines, or on the transatlantic owing to the growth of low-cost, long-haul carriers. Meanwhile, manufacturers are selling narrowbody aircraft with extended range, which may open the way to competition from low-cost carriers 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, cost reduction and fleet plan evolution, the product move up-market 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 sections 1.2 "Strategic outlook" and 1.3 "Activities in 2020").

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 and their transatlantic partners.

3.1.1.4 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 supply 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 are also bearing significant additional costs due to the health measures whose implementation is required by governments which may lead to increased airport charges, affecting the profitability of the Group.

If the economic crisis were to continue or worsen, 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 might have a lasting effect on Business demand. Weaker Business demand would have an impact on yield and network structure.

According to International Monetary Fund projections, world gross domestic product is expected to contract by 4.2% in 2020, affected in particular by the consequences of the Covid-19 pandemic (source: International Monetary Fund, World Economic Outlook Update, October 2020).

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.

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 charges, the Group is engaged in ongoing discussions with airports on lowering airport charges or improving the value for money and extending incentives.

3.1.1.5 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 (as an illustration, average annual oil prices increased by more than 40% between 2016 and 2018). 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, 2020, the fuel bill amounted to €2,392 million (including the cost of the related hedging but excluding the cost of the over-hedging booked in other financial income and expenses), down by 57% compared to the previous year due, in particular, to the significant drop in activity owing to the impact of the health crisis. This also led to the derivative positions implemented by the Group prior to the crisis exceeding the actual exposure, thus resulting in an over-hedging situation with a non-optimal remaining position.

Mitigating principles and actions

In addition to permanent efforts to reduce fuel consumption, the Group has implemented a policy of systematically hedging the fuel price risk. This strategy is however under review in the light of the Covid-19 public health crisis (see section 3.1.5.3 "Risks relating to the fuel price").

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 revenue side of the maintenance business (which represented 11% of the Group's revenues for the financial year ended December 31, 2020 versus 8% in 2019) 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 (E-jet, A350, Boeing 787, 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 may lead 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 such 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 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 conducts weekly monitoring of receivables and risks of non-payment, and adapts the services proposed to customers during the period according to their demand and financial capabilities. For airlines under financial administration, the Group continues its services with a commitment to payment by the administrators and the freezing of previous receivables, with for some companies, recourse to COFACE.

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 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 governs 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);
- 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 the beginning of 2021, enabling the certifications.

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 risks of the variability 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 the operation. To assure the safety of their 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.

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, 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 step up 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 impacts 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, from 2020, airline tickets issued by all airlines now attract a tax on all flights departing from France (but not on flights arriving), 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.

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 36 of the draft Climate Bill, currently in its first reading in the French Parliament, would also introduce a ban on operating airline services on domestic routes in the French territory whenever an alternative form of public transportation exists in under 2h30 and generating a lower level of CO₂ emissions). 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.

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 to reducing CO₂ emissions by 50% in 2050 relative to their 2005 level.

Air France – KLM is a member of the representative associations for the airline industry (IATA, ATAG, A4E, FNAME) 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, but also to ensure that the measures which are put in place do not lead to any distortion in competition between the air transportation players. For example, Air France – KLM has always supported the implementation of a market-based mechanism for carbon emissions considering that, provided it is equitable, such a system is more effective from an environmental standpoint than a simple tax.

The imposition of an “eco-contribution” tax on the air transportation industry in France and the possible imposition of an environmental tax on airline passengers in the Netherlands as of 2021 are leading to additional costs for the Group and reduce its ability to invest in energy-efficient aircraft. Furthermore, the Air France – KLM Group considers it regrettable that none of the proceeds of the Eco Tax applicable in France have been allocated to the airline industry’s energy transition, and notably to research into sustainable solutions like cleaner aircraft or the development of biofuels.

In 2020, the Group's airlines 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. During the public health crisis and within the framework of the Group's environmental strategy, a number of initiatives were announced to customers and the public at large (introduction of a high-energy-performance fleet, and accelerated phase-out of the most-polluting aircraft which are the least adapted to our environmental route map, launch of the Cargo Sustainable Aviation Fuel Program, enabling customers to invest in the development and use of SAF, 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.).

In addition, to addressing all the matters relating to the effects of air transportation activity around airports, regular discussion meetings take place with residents' associations, local elected representatives and the public authorities.

Climate change

Description of the risk

To meet the requirements relating to the carbon budget and low-carbon strategy stipulated in 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 also 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, reducing the mass embarked on board aircraft and optimizing operational procedures.

The use of sustainable aviation fuel is a promising 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 the Ground Operations activities in 2030.

Air France-KLM engages in lobbying directed at the French, Dutch and international authorities – both directly and through representative bodies – to ensure that they take into account the efforts already made by the industry to reduce its emissions and to deliver on its commitments for 2050.

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, 2020, as a result of the Covid-19 crisis, the Group's CO₂ emissions were significantly reduced to 14 million tons, of which 2.8 million tons fell under the EU-ETS requirement. Taking into account free allowances received, the Group purchased emission allowances in the

amount 111,000 tons of CO₂ to offset its emissions, complying with the EU-ETS.

As of 2021, the Group will be 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 are not simultaneously 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 taking a decision 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 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 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 have been implemented for the Summer 2021 season.

Any loss of flight slots or lack of access to flight slots due to airport 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 revision of the current European Regulation takes 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.

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 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. At December 31, 2020, this line included €699 million of tickets (fare and additional fee) whose date of transportation has passed and potentially giving rise to refunding, and €739 million of vouchers to be used on future flights (or giving rise to a possible refund). 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 has implemented several actions including an intense cooperation with all the relevant Group departments to secure swift decision-taking so as 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 transatlantic joint-venture (Air France-KLM, Delta Air Lines, Inc., Alitalia).

In light of the final undertakings offered by the transatlantic joint-venture, the Commission authorized this agreement for a ten-year period as from the date of its adoption.

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 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 to reinforce the Group's liquidity, outlined above in section 3.1.2.3 (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 the prior approval of the European Commission in accordance with State Aid regulations (decisions of May 4, 2020 and July 13, 2020 respectively).

3.1.3 Risks related 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 information exchanged with customers and third parties is proliferating while aircraft are

On April 6, 2021, the Group announced the first part of its overall recapitalization plan outlined in section 5.4 "Subsequent events". Two of the measures in this plan contain State Aid. The French authorities thus notified the European Commission of these two measures, the latter subsequently approving them in its decision of April 6, 2021 pursuant to the rules pertaining to State Aid. This decision foresees a number of 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 its competitors at Orly airport but also other more general undertakings within the framework of the European Commission's Temporary Framework for State Aid (in particular, a limitation on acquisitions, share buybacks and dividend payments) ensuring respect of the competition rules (see also section 5.4 "Subsequent events") which could have an impact on the Group's activities.

In addition, the aforementioned decision of July 13, 2020 relating to KLM is being contested before the European Court of Justice which has yet to issue a ruling.

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 approaches the Commission to discuss the need to maintain these commitments adopted more than sixteen years ago.

b) State Aid

The Group has ensured that the commitments made within the framework of the State Aid packages do not call into question its growth plan. Regular monitoring of these commitments will be organized within the Group.

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 refers 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 Cybercrime 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.

In 2018, the Group 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 connexions in the Microsoft O365 cloud, and all user passwords and system passwords were reset as a mitigation measure. A special notification on how to protect and safeguard passwords was sent to all the 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.

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, external auditors and Internal Audit all 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 (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 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, external auditors, 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 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 and in the passenger sector (see Note 29.2 to the Group's consolidated financial statements for the financial year ended December 31, 2020).

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 personal training, 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.

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, further to the anti-bribery campaign at the end of 2017, 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.

For more detail see section 4.5.3 "Business ethics".

3.1.3.3 Operational performance and customer risks

Description of the risk

For customers, 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 are open for limited hours and are experiencing runway closures 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. This can also affect the restart of re-dimensioned operations and 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), and crew and other critical resources. The goal is to reduce the number of distortions, reduce the impact on customers, improve customer satisfaction and reduce the costs of sub-optimal performance. In 2019, there was a significant fall in the number of service disruptions while customer satisfaction saw a considerable increase (regularity, punctuality, baggage handling, etc.).

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 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 plans, and 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 owing to, *inter alia*: uncertainty about the future of the Group and their own employment or worries about the economic situation; remote working and "*activité partielle*" resulting in less 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 was swiftly adapted to the new situation with staff connecting remotely in terms of both frequency and resources, and with new interactive ways to share 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. 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. The Group is also paying a great deal of attention to the design of departure plans, communication and workloads, and is seeking to minimize the impact on employees physically present at the Group's premises. The Group has also implemented a specific and detailed health protocol to ensure the mitigation of contamination risk, in close cooperation with the health and safety committees.

3.1.3.5 Pension plans

Description of the risk

As of December 31, 2020, the Group's main commitment in terms of defined benefit schemes was the pension plan for Ground Staff based in the Netherlands.

Under IAS 19, the Air France – KLM Group is exposed to changes in external financial parameters (e.g. discount rates, future inflation rate) which could lead to annual fluctuations in its income statement and equity with no impact on cash. The changes in the pension obligations together with the level of plan assets related to changes in actuarial assumptions are recognized in equity and are not taken against profit and loss. The potential volatility is explained in Note 3 "Accounting policies – Employee benefits" and in Note 3 "Other provisions" in the Notes to the consolidated financial statements for the financial year ended December 31, 2020.

In particular, the KLM Ground Staff pension plan may create accounting volatility for the Group's equity.

Note 28.2 to the consolidated financial statements for the year ended December 31, 2020 presents the sensitivity of the defined benefit cost recognized in profit and loss and the defined benefit obligation to changes in the discount rate, and the level of increases to salaries and pensions.

Mitigating principles and actions

The cash risk linked to the recovery premiums for the Ground Staff pension plan is limited based on the funding agreement between the pension fund and KLM. The regular premium level is fixed.

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, 2020, the Group's total provisions for litigation amounted to €423 million (see Note 29 in section 5.6).

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 29.1 and 29.2 in section 5.6, there are no other administrative, legal or

The current calculations led to the KLM Ground Staff pension plan figuring as an asset in the balance sheet at December 31, 2020, the assets in the funds being higher than the value of the defined benefit obligations.

Next to the cash risk, there is a balance sheet volatility risk.

In order to mitigate these risks KLM reached agreement with the Ground Staff unions on a change the defined benefit scheme to a (collective) defined contribution scheme in 2021. After a new funding agreement between the pension fund for Ground Staff and KLM has been formalized and implemented, the pension plan risk for Ground Staff based in the Netherlands will disappear.

arbitration proceedings (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 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, as described in paragraph 3.1.1 of this 2020 Universal Registration Document.

3.1.5 Financial market risks

3.1.5.1 Liquidity risks*

Description of the risk

Within the context of the public health crisis linked to the Covid-19 pandemic which has severely impacted the Group's activities, the latter has implemented diverse measures to reinforce its liquidity with, notably, at Air France, a loan guaranteed by the French State (*Prêt Garanti par l'État Français* - PGE) in the total amount of €4 billion (fully drawn down at July 31, 2020) and a direct loan from the French State in the amount of €3 billion, (fully drawn down at December 31, 2020). With regard to KLM,

the measures mainly involve a revolving credit facility in the amount of €2.4 billion guaranteed by the Dutch State (of which €665 million was drawn down at December 31, 2020) and a direct loan of €1 billion (of which €277 million was drawn down at December 31, 2020). As a result, the Group's net debt stood at €11 billion at December 31, 2020. The significant level of the Group's debt could notably require it to devote a substantial proportion of its cash flows from its operational activities to interest and repayments on its debt, thereby reducing the Group's ability to use its free cash flows to finance its organic growth and investment, and for the other general business needs.

In return for the support measures from the French State, the Group made a number of commitments including the implementation of a transformation plan (outlined in chapter 1 “Strategic outlook and Activities”) aimed at increasing its long-term competitiveness and achieving its sustainability targets. As a condition of the loan package, the French government notably required Air France to achieve cost reductions on a par with its European peers and to commit to ambitious environmental objectives, like discontinuing the sale of routes where there is a rail alternative in under two and a half hours, a 50% reduction in CO₂ consumption per ASK in 2030 relative to the 2005 baseline and increasing the share of Sustainable Aviation Fuel used to power its flights. In the Netherlands, KLM’s restructuring plan submitted to the Dutch Ministry of Finance on October 1, 2020 contains a significant reduction in FTEs relative to the pre-Covid-19 situation and restrictions on remuneration. These measures should enable an improvement in the Group’s long-term competitiveness. In the short term, they may however require significant adaptations to the organization of the Group’s activities or cause social conflict, with a negative impact on the Group’s activity. These loans also include various banking covenants. A significant reduction in EBITDA could lead to a breach of the banking covenants. In this case, KLM will need to negotiate a waiver with a majority of the revolving credit facility banks and with the Dutch State (see also Notes 2.1 and 30.3 in section 5.6). Furthermore, the stipulations of the loan guaranteed by the French State and the loan granted by the French State notably prohibit the Company from distributing dividends and the mandatory partial early repayment of 75% of any net new money raised by any member of the Group from financial institutions or through debt capital markets, subject to some exceptions (and notably the refinancing of the Group’s bond series maturing between 2020 and 2023), which may significantly constrain the Group’s financing strategy.

As the public health crisis continues, particularly within the framework of the “third wave”, the conditions for a recovery remain very uncertain, both for the Group’s air operations and more generally on the timeline for the recovery in the economy and demand. Furthermore, within a context of significant market volatility and in view of the situation of the Air France–KLM Group, the external financing conditions for the Group could be significantly more difficult than those it has experienced in the past. ***Within this context, on April 6, 2021, the Group announced a recapitalization plan (see section 5.4 “Subsequent events”). The realization of these operations (including the future recapitalization measures, as outlined in the aforementioned section) is vital to the Group’s continuing activities: were they not to be realized, this could have a material negative impact on the Group’s financial position and its ability to pursue its***

activities beyond twelve months. Furthermore, in the event of a deterioration in the health situation and/or the economic environment, the capital increase and the bond issues foreseen by the recapitalization plan may not prove sufficient, and the Group could thus be obliged to proceed with new issues of securities/debt to further reinforce its financial structure.

Mitigating principles and actions

The Air France–KLM Group, Air France and KLM are engaged in in-depth discussions with their respective governments and financial institutions to dispose of the resources that will enable them to secure and sustain adequate levels of liquidity by all means, notably within the framework of the European Commission’s Temporary Framework on State Aid published on March 19, 2020, as amended. The banking covenants on KLM’s revolving credit facility are the subject of permanent tracking, in cooperation with the banks responsible for the revolving credit facility and/or the Dutch State.

That being said, given the various options currently envisaged and the quality of the discussions with the two States and the financial partners, the Air France–KLM Group is confident that it will be able to obtain the financing required to meet all its future financial obligations beyond twelve months, and enable it to ensure the recovery of its activity beyond the current crisis.

3.1.5.2 Financing risks*

Financing strategy

Air France

To finance its investments, Air France prioritizes long-term resources by raising conventional bank debt secured by its assets (in the form of mortgage debt or finance leases) and, when available, by using export credit.

KLM

To finance its aircraft, KLM uses a number of different structures including traditional bank debt, finance leases and 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.

Air France–KLM

Air France–KLM has realized several bond issues. The series in circulation as of the date of this document are as follows:

- an issue of plain vanilla bonds with a seven-year maturity raising €600 million in June 2014, of which €288.8 million remaining in circulation following the partial redemption realized by the Company on January 16, 2020;
- an issue of plain vanilla bonds with a six-year maturity in the amount of €400 million in October 2016, of which €361.2 million remaining in circulation following the partial redemption realized by the Company on January 16, 2020;
- an issue of plain vanilla bonds with a ten-year maturity in the amount of US\$145 million via a private placement in December 2016;
- an issue of convertible bonds maturing in 2026, in the amount of c.€500 million in March 2019;
- an issue of plain vanilla bonds with a five-year maturity in the amount of €750 million in January 2020.

On September 1, 2020, within the framework of its policy to reduce interest expenses, the Group announced the redemption of all the outstanding subordinated perpetual notes issued in 2015, i.e. a total nominal amount of €403.3 million. The redemption of the bonds was realized in full on October 1, 2020.

Financing 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 and financial position, on April 6, 2021 the Group announced a major recapitalization plan (see section 5.4 "Subsequent events").

3.1.5.3 Risks relating to the fuel price**Description of the risk**

At December 31, 2020, the Air France-KLM Group's fuel exposure, based on futures prices at December 31, 2020 (\$51.2 a barrel for 2021 and \$50 a barrel for 2022), was as follows:

(in US\$ million)	2020	2021	2022
Gross expenditure before hedging	2,220	2,987	4,042
Hedge percentage	n/a	59%	1%
Gain/(loss) on hedging	482	182	4
Net expenditure after hedging	2,702	3,169	4,046

Based on the forward curve at December 31, 2020, an increase of US\$10 per barrel over 2021 would give an average price of US\$61.2 per barrel and would lead to a US\$303 million increase in the fuel bill after hedging, i.e. a total fuel bill of US\$3,496 million for the Air France-KLM Group in 2021.

Symmetrically, a fall of US\$10 per barrel over 2021 would give an average price of US\$41.2 per barrel and would lead to a US\$203 million reduction in the fuel bill after hedging, i.e. a total expense of US\$2,990 million in 2021.

The success of this plan (including the future recapitalization measures, as outlined in the aforementioned section) is vital to reinforcing the Group's financial position and to the pursuit of its activities. In addition, in the event of a further deterioration in the health situation and/or the economic environment, this plan could prove insufficient, potentially requiring the Group to again 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 economic 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 SA.

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 Companies thus intend to finance 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;
- diversification of the asset-financing structures by the Air France–KLM subsidiaries;
- diversification of the banking and/or financial counterparties.

its future fuel consumption would be lower than the volumes of fuel hedged forward, the excess hedges were classified as over-hedging. On their classification as over-hedging, the fair value of the derivatives booked in Other financial income and expenses was recycled in the income statement, under the financial result. The impact on cash takes place on the unwinding date of the hedge with the counterparty. At December 31, 2020, the impact of the over-hedging stood at €595 million, of which €589 million has already been paid and €6 million relates to the January 2021-March 2021 period.

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.

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.

Operational exposure (“Transaction risk”)

(in millions of currencies at December 31, 2020)

	US Dollar	Sterling	Yen
Net position before hedging	(3,057)	283	39,242
Currency hedge	1,028	(156)	(11,650)
Net position after hedging	(2,029)	127	27,592

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 financial result. Faced with this situation, and the uncertainty which continues to weigh on capacity growth in 2021 and 2022, together with the tightening of the credit facilities granted by the financial partners, the Risk Management Committee (RMC) recently presented a new hedging policy to the Board which subsequently 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 new policy, approved by the Board of Directors on February 17, 2021, is now implemented by the Air France and KLM fuel departments.

3.1.5.4 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.

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

The net investments in US dollars figuring in the table below reflect the contractual commitments as of December 31, 2020.

(in US\$ million)	2021	2022	2023	2024	2025	2026
Investments	1,737	1,684	1,629	1,132	834	240
Currency hedge	1,813	1,203	825	398	21	0
Hedge ratio	104%	71%	51%	35%	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.

3.1.5.6 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.

As December 31, 2020, the exchange rate risk on debt, other than coming from operating leases, denominated in currencies other than the euro mostly concerns the yen (5%), the US dollar (3.3%) and the Swiss franc (2.2%).

Mitigating principles and actions

The exchange rate risk on non-operating lease debt (non-IFRS 16) is limited. At December 31, 2020, 89.5% 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.

relatively more hedged than the following four. The RMC sets hedging targets for the US dollar, sterling and the yen on a quarterly basis.

3.1.5.5 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.

3.1.5.7 Counterparty risk exposure

Description of the risk

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.

3.1.5.8 Interest rate risk

Description of the risk

A portion of the overall debt is linked to floating rates and is thus exposed to volatility risk.

After swaps, the exposure to floating rates of the Air France-KLM Group's consolidated debt exposure represents 56% of the total debt. The interest rate on the Group's gross debt after swaps stood at 2.55% at December 31, 2020 (versus 2.54% at December 31, 2019).

Mitigating principles and actions

The exposure to interest rates increased over the course of the financial year owing to the fact that the loans granted 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.

3.1.5.9 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 in debt securities and term deposits with highly-rated banks.

Mitigating principles and actions

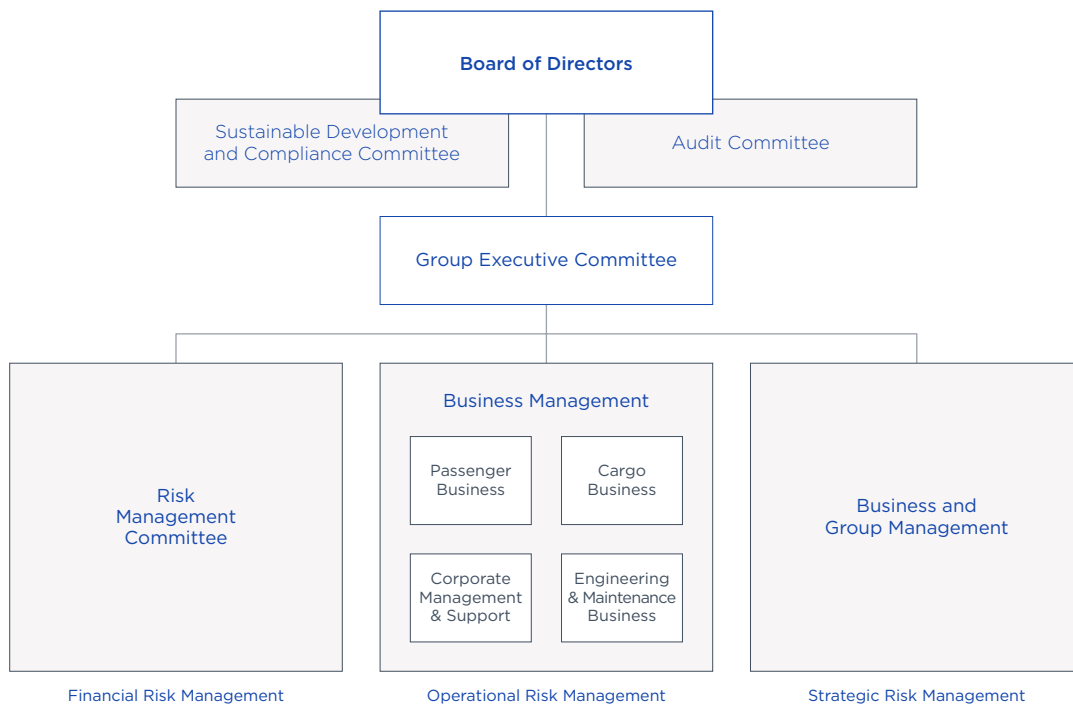
To reduce the currency risk on the debt, a portion of KLM's liquid assets is invested in foreign-currency AAA and AA+ rated bonds.

3.2 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 sub-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. Due to Covid-19, the 2020 first half report specifically reported on emerging risks related to the pandemic.

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.

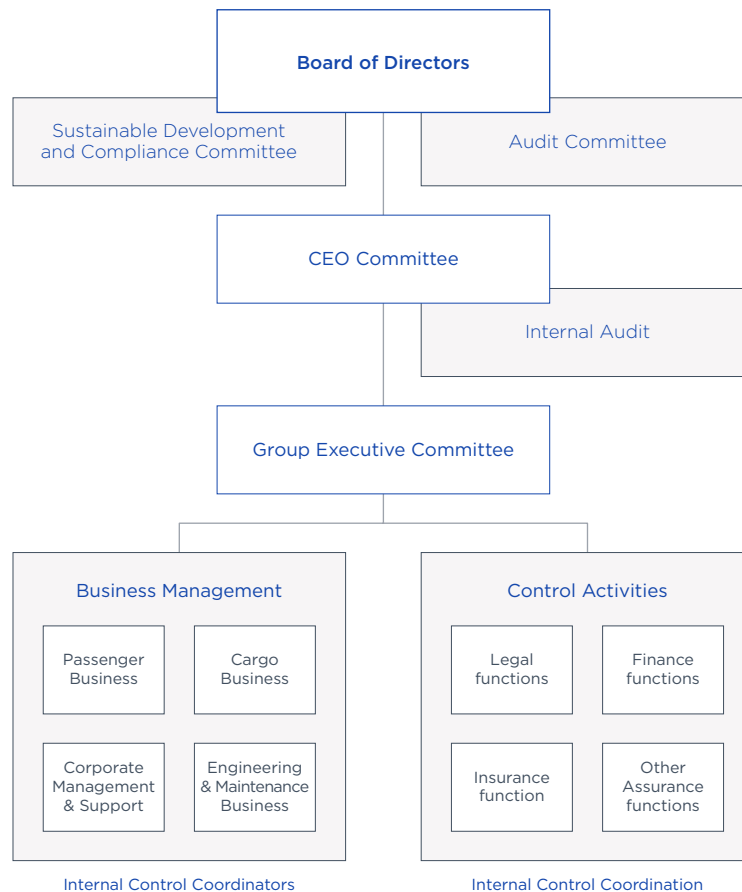
To be able to complete the Extra-financial performance statement (see chapter 4), the main environmental, social and societal risks, linked to the Group's activities across the entire value chain, are reviewed and assessed annually. The most material extra-financial risks are an integral part of the Group's operational risk sheet and are presented 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 chapter 2 above, Conditions for preparing and organizing the work 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 2020, the GEC was composed of thirteen members (the Air France-KLM CEO, the CEOs of Air France and KLM, and the ten 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 pursue and monitor the implementation of the compliance framework components within the Groups. Within Air France and KLM, Data Privacy Officers are tasked with strengthening privacy

compliance while 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 Control 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 22.5 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.

The Air France-KLM Group's Internal Audit division has been awarded professional certification by the IFACI (*Institut Français de l'Audit et du Contrôle Interne*). This body has certified that, for the Group Internal Audit activities, all the procedures required to comply with the 2012 version of the Internal Audit Professional Practices Framework (PPF) and thus respect the international standards for Internal Audit have been implemented. This certification, which was renewed in 2018, is valid until July 2021.

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 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 also implemented 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.

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 4.5.1 "Group reference texts".

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 2019.

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.

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 Integrated 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.

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 Integrated Safety Management System/Manual outline all the 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 for a seventh time in the autumn of 2018;
- Air France global IMS certification based on the ISO 14001/Environment, ISO 22000 certification for food health and OHSAS 18001/Vocational Health & Safety (renewed in autumn 2017);
- ISO 9001/Quality certification for a growing number of entities.

For KLM:

- the ISO 14001/Environment certification was renewed in 2018;
- IOSA certification (IATA Operational Safety Audit): The audit was performed in the autumn of 2018 and the renewal of the certificate took place in March 2019.

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 has been headed since its inception 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 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 2020.

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 Group has identified the most important companies and, within these entities, the processes that make a predominant contribution to the establishment of the financial statements.

For each of these significant processes, process documentation detailing the controls and separation of tasks has been established, followed by the implementation of existence and effectiveness testing.

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. This COSO reference framework positions Internal Control in the light of the following three categories of objectives (operations/financial information/compliance) and defines the latter relative to five components:

- control environment;
- risk assessment;
- control activities;
- information and communication;
- monitoring activities.

The COBIT identifies five processes:

- evaluate, direct and monitor;
- align, plan, and organize;
- build, acquire and implement;
- deliver, service and support;
- monitor, evaluate and assess.

Transactional level controls (process) are realized *via* design effectiveness testing, followed by operational effectiveness testing.

Similarly, the IT general controls are the subject of a formalized annual evaluation, followed by monitoring of the ensuing action and remedial plans.

The Group's major divisions and subsidiaries had thus evaluated the effectiveness of their Internal Control relating to financial information as at December 31, 2020.

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 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 reviewed by the Statutory Auditors prior to their formal closure.

The parent company's financial statements are closed annually, reviewed by the Statutory Auditors and presented to the Management and the Audit Committee.

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, a monthly report on the main financial KPIs is circulated to the members of the Air France-KLM Board of Directors.

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.

4

CORPORATE SOCIAL RESPONSIBILITY — EXTRA-FINANCIAL PERFORMANCE STATEMENT

4.1	Creating long-term value for all our stakeholders	162
4.1.1	The Group's business model	162
4.1.2	Identification of the key priorities for building long-term relationships	162
4.1.3	Business responsibility at the heart of the strategy	168
4.2	Human resources	170
4.2.1	Working conditions and employee engagement	170
4.2.2	Resource adaptation and employee dialogue	172
4.2.3	Development of human capital and talent management	173
4.2.4	Diversity and equality	176
4.2.5	Health, Safety and Quality of Life in the Workplace	178
4.2.6	Social indicators for the Group	182
4.3	Environmental impact	189
4.3.1	Carbon emissions	189
4.3.2	Noise and air quality	196
4.3.3	Waste and the circular economy	197
4.3.4	Biodiversity	199
4.3.5	Environmental indicators	202
4.4	Customer trust	212
4.4.1	Operational safety for stakeholders	212
4.4.2	Confidentiality and data protection	216
4.4.3	Accessibility of products and services	217
4.5	Ethics and compliance	218
4.5.1	Group reference texts	218
4.5.2	Respect of Human Rights	219
4.5.3	Business ethics	219
4.6	Societal value	222
4.6.1	Local development	222
4.6.2	Sustainable procurement	225
4.6.3	Monitoring of Act No. 2017-399 known as the Duty of Vigilance Law	228
4.7	Report by one of the Statutory Auditors, appointed as Independent Third Party, on the consolidated non-financial statement	231

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 is traversing a major public health crisis. The global fight against Covid-19 is underway and our economies and societies are being severely impacted. 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 time and time again 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 will accelerate.

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. In 2019, nearly 130,000 stakeholders were invited to participate in this survey with a response rate of approaching 7%: corporate clients, national and international individual customers, the Group's employees and managers, shareholders, investors, suppliers, NGOs, governmental organizations, politicians, local representatives from the Paris and Schiphol regions, CSR experts (extra-financial rating agencies, certification bodies, etc.), sustainability managers from leading companies and representatives of the airline sector and the Group's peers. For each topic, the respondents ranked the level of priority to be

accorded by Air France–KLM and their perception of the Group’s current level of performance.

This materiality analysis showed that the priorities deemed to be the most important for the Group back in 2017 remained so in 2019 including, notably, Customer Satisfaction, Operational Safety and Security, and Financial Performance. The materiality analysis also shows the emergence, alongside safety and customer satisfaction, of Fleet Development and CO₂ Emissions within the most material issues. 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, with the acceptability of the environmental impacts of aviation, the use of sustainable alternative fuels and transparency on CO₂ emissions all heading the list.

Between the every-two-year materiality analysis campaigns, the Group commissioned an external study on the environmental responsibility of the airline industry among a representative sample of the population which was carried out in 2020. The results obtained were similar to the strategic priorities highlighted in the materiality analysis carried out in 2019.

In 2020, BlueLink, the Group’s largest non-aviation subsidiary, developed its first materiality analysis, aimed at evaluating the BlueLink Group’s challenges and identifying proprietary material issues linked to its customer relations activity. The materiality matrix will be realized in early 2021.

At Group level, a new materiality analysis will be carried out in 2021, to put into perspective the issues deemed to be the most important for the Group within the post-crisis world.

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.



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 operations 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 "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.
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>	Frequency and gravity rates for accidents in the workplace.

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Diversity and equality 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 and equality"</i></p>	<p>% of women in managerial functions</p>
Environment			
CO₂ emissions and adaptation to climate change* SDG 13, 7, 9	<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 an 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 "CO₂ emissions"</i></p>	<p>CO₂ efficiency per passenger kilometer</p> <p>CO₂ emissions from the ground operations</p>
Noise disturbance and air quality* SDG 9	<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 an earlier retirement of older and more polluting aircraft types.</p> <p><i>See section 4.3.2 "Noise disturbance and air quality"</i></p>	<p>Noise footprint</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>	Non-recycled waste
Biodiversity	<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)
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><i>See section 3.1.3 "Risks relating to the Group's processes"</i></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><i>See section 4.4.2 "Confidentiality and data protection"</i></p>	

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
<p>Adaptation to climate change (operational impacts)* SDG 13</p>	<p>Risks: Operational disruption due to more frequent extreme climate events (storms, high winds, flooding, snow, droughts, etc.). Deterioration in customer service.</p> <p>Potential operational and financial impacts linked to flight cancellations, delays and re-routing. Additional costs linked to maintenance and preservation of assets, passenger compensation.</p> <p><i>See section 3.1.2.2 “Climate change”</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>	
<p>Accessibility of the products and services SDG 12</p>	<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><i>See section 4.4.3 “Accessibility of the products and services”</i></p>	
Ethics			
<p>Respect of Human Rights</p>	<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) 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><i>See section 4.5.2 “Respect of Human Rights”</i></p>	
<p>Business ethics</p>	<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), on the Group’s reputation.</p> <p><i>See section 3.1.3 “Risks relating to the Group’s processes”</i></p>	<p>Implement a compliance program and process to ensure the compliance of all the businesses, and measures to prevent unethical practices by employees, <i>via</i> risk mapping, policies and relevant information, training and awareness-raising initiatives.</p> <p>Opportunities: Image and reputation as a responsible business.</p> <p><i>See section 4.5.3 “Business ethics”</i></p>	<p>Realization rate of e-learning program on the prevention of corruption.</p>

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	<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 "Responsible procurement"</i></p>	<p>% of suppliers having signed the Sustainable Development Charter.</p> <p>Number of suppliers evaluated by Ecovadis.</p>

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 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 and 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;
- Air France's Environment and Sustainable Development Department and KLM's Sustainability Office are tasked with proposing and implementing the sustainable development strategy.

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 and Chief Executive Officer of KLM.

Commitments

The Group 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. Its 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 UN Sustainable Development Goals within its scope of influence.

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 the expectations of its stakeholders, and on the regulatory requirements.

Extra-financial ratings

Air France-KLM’s extra-financial performance is assessed annually, in particular by the RobecoSAM, CDP, Vigeo Eiris, Sustainalytics and ISS-ESG rating agencies.

In 2020, for the sixteenth year running, the Group figured in the Dow Jones Sustainability Indexes (DJSI World and DJSI Europe). The European leader, the Air France-KLM Group, was also ranked the world air transport number one for the environmental dimension.

The Ecovadis sustainability rating agency awarded Air France-KLM Group the Platinum Medal, the highest recognition – Top 1% highest label, in 2020. The CDP awarded the Group a score of B- (Management level) for the Climate Change Rating questionnaire.

The rating agency ISS-ESG granted Air France-KLM “Prime” status: the Group is the only airline company to figure in the annual ISS ESG ranking of the large global companies deemed to be achieving the highest standards of ESG performance.

Thanks to its performances, the Group has maintained its ranking in the FTSE4Good Index Series and the Euronext Vigeo Eiris indexes (Europe 120 and Eurozone 120).

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 linked to the air transportation activity
	3.2.2 Identification and evaluation of the risks linked to the business
	3.1.3 Risks related 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

4.2 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 closely steering its performance via 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, 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	2019 results	2020 results	Targets
Employee Promoter Score (EPS)	Annual change in the EPS measured with Air France and KLM employees between 2019 and 2020	+15%	+1.6%	
Percentage of women in managerial functions	Executive Committee members	33.3%	30.8%	33% by 2030
	Top 10% management level for ground staff	33%	34%	40% by 2030
	Flight deck crew managerial functions	5.2%	5.7%	
	Cabin crew managerial functions	65.5%	65.7%	
Number of hours of training per employee	Number of hours of training per employee consolidated at Group level	40.4 hours	27.2 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 2020. Border closures, health measures to respect for travel and a climate of international alarm all devastated the aviation industry.

Air France–KLM has done 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 have maintained a very high level of engagement.

The relations 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, despite the significant time pressure. In recognition of the loans guaranteed by the French and Dutch States, and recognizing the urgency, the entire social structure mobilized with agility around contributing 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 its employees, by guaranteeing the working conditions enabling them effectively to fulfil their

professional functions, in support of the Group’s levels of performance.

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 a Flight Plan at the level of every division of the airlines and the Group, including notably an ongoing commitment to staff development, support for initiatives, the promotion of team spirit and reinforcing levels of motivation which is key to weathering 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 group 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 increased by 1.6% between 2019 and 2020.

Working conditions during the public health crisis

As of the onset of the public health crisis, in March 2020, Air France–KLM implemented the company public health protocol stipulated by the French, Dutch and foreign governments, and sought to adapt this protocol to its various staff categories during the different phases of the pandemic (lockdowns, curfew, etc.).

These health measures were communicated *via* the different digital communication channels in support of line managers and *via* a proactive Health and Safety in the Workplace network during the different phases of the crisis: protective measures, the availability of health kits, limitation on the number of days spent in the workplace, closure of the workplace canteens, remote working, certification of professional travel, etc. Meetings of the Health, Safety and Working Conditions Commissions (CCSSCT) were convened at every key stage to agree with the employee representatives the measures to be put in place.

To guarantee optimal working conditions for their employees, KLM, Transavia and Air France 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, 44% of ground staff were able to work from home during the lockdown periods, having been equipped with computers and high-performance Web conferencing tools developed within the Group. A feedback exercise was carried out over the summer with the 12,200 employees who worked from home during 2020. The results were very positive with 88% saying that they were satisfied with the resources put at their disposal. The company also took care to prevent the risk of isolation for employees working remotely by asking managers to maintain close links with their teams throughout the crisis and encouraging employees to return to their places of work one to three days a week between the two lockdowns.

At KLM, in line with government advice, working from home as far as possible has resulted in new insights and plans to further develop and implement a corporate policy for hybrid working (a balance between working from home and at the office) within KLM.

For frontline staff in contact with customers or aircraft who were not eligible for remote working, the Air France–KLM Group very rapidly communicated the protection measures to be respected and equipped them with health protection kits.

Employee commitment despite the difficulties

2020 was marked by a very significant level of commitment from the employees of the Group. Within this unprecedented context, employees mobilized around the transportation of medical equipment and the repatriation of fellow European compatriots stranded abroad. In 2020, the Air France EPS

increased by 12 points, after the introduction of the EPS tool in July 2019. The KLM Employee Promoter Score increased by nine points in the first quarter 2020 versus 2019. However, due to the Covid-19 crisis and its consequences for resource adaptation, the EPS then declined for April to November. The KLM EPS decreased by 17.9 points in 2020.

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.

A few examples:

- WhatsApp is a tool that facilitates dialogue within teams and helps determine the actions to improve the Employee Experience (empowerment);
- employee events across the Group and in the divisions to create memorable individual experiences;
- digital HR information sessions;
- simplified processes to facilitate employees' daily lives;
- selfroster pilot: as a result of the co-creation process between KLM's management and the unions, a Selfroster pilot has been rolled out within Passenger Services.

In 2020, after several years of organising employee events on KLM premises, it was time for a change. KLM is keenly aware of the important role it plays in society and the environment. KLM thus completely transformed the annual employee event, renaming it the KLM Blue Heart Event, consisting of two parts: the KLM Blue Heart Days and the KLM Blue Heart Broadcast.

During the Blue Heart Days, held in February, KLM employees could volunteer to take part in a sustainability project for a half-day during working hours. The choice of projects was broad, ranging from removing plastic waste from canals to helping manage the North Holland dune reserve. The Event ended with the KLM Blue Heart live broadcast, in which the company looked back at 2019 and forward to the rest of 2020 and beyond. The focus was on sustainability and the leading role played by KLM in pursuing innovation and improvements directed at reducing its ecological footprint and increasing its societal role and thus employee engagement.

Due to the Covid-19 pandemic, almost all the Winning Way of Working (WWoW) projects have been temporarily put on hold. Only one project has continued involving the development of a new crew center to be opened in 2021. In KLM the focus has also shifted toward Covid-19-related actions. For example, a Protocol with all the Covid-19 social distancing and hygiene measures for the KLM offices has been developed and implemented in all the office locations.

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 proposed a number of different actions to enable a return to financial breakeven, notably by reducing their labor costs, while prioritising voluntary departures as far as possible. The Dutch and French governments have supported the Group's efforts, each within the framework of their own country's social social systems.

This resource adaptation is accompanied by reorganization 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 been 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 the lockdown periods.

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. In 2020, there were three meetings of the European Works Council.

During 2020, 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* webconferences 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, the company was able to extend the Partial activity scheme implemented as of March 23 until December 31, 2020, with the benefit of the preferential regime. This support mechanism enabled a substantial saving on staff costs in 2020 and the mitigation of the effects of the crisis on the Air France–KLM Group's cash. Furthermore, negotiations took place at the year end with the three staff categories (Hostesses/Stewards, Ground Staff and Pilots) to enable the company to benefit from the Long-Term Partial Working regime as of 2021, for a maximum of two years.

In April, 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 Transavia Netherlands 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 covers the period from March 2020 until June 2021. This support mechanism has prevented forced redundancies as much as possible in the short term.

Signature of major agreements in times of crisis

In parallel, an efficiency agreement was signed with the Air France Cabin Crew unions enabling the number of cabin crew on board the aircraft to be adapted as a function of load factors and the achievement of substantial cost savings during the Covid-19 crisis.

The Dutch government also facilitated a loan package to help mitigate the impact of this 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. In October, after intensive negotiations, KLM and the unions reached an agreement on the terms for this mandatory income reduction.

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 forced lay-offs as far as possible like 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 on one-off payments in the event of dismissal, outplacement and assistance in finding new employment.

For Transavia Netherlands, a salary freeze is now in place while supplementary compensation has been reduced or temporarily suspended.

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 reached agreement on a Defined Contribution Scheme (CDC-scheme), followed by the successful negotiation of an agreement with Ground Staff, again on a Defined Contribution basis. The Pension Fund has been asked to approve and implement this scheme. This is expected in 2021.

In 2018, KLM had reached an agreement with the Ground Staff unions on the replacement of the current two outdated salary scales for administrative and technical employees by a single new salary scale. The new salary scale is based on a commonly-used job evaluation and grading method. The new scale was implemented for more than 9,000 employees as of October 2020.

KLM has signed collective labor agreements for Pilots which apply until January 1, 2023 and for Cabin Crew and Ground Staff as from June 2019 until March 2022.

Resource adaptation via a number of measures

As of March, the Group implemented emergency measures via a recruitment freeze, meaning that initial plans for more than 1,100 hires on permanent contracts and 1,000 internships at Air France had to be put on hold, while recourse to external staff also ceased. KLM implemented a hiring freeze while temporary contracts were not renewed.

Over the summer, a number of schemes were proposed to Air France employees to respond to the reduction in the company's staffing requirement and to employee needs, and to generate payroll savings while prioritizing voluntary departures wherever possible.

Collective contractual terminations (*Ruptures Conventionnelles Collectives* – RCC), which can be put in place rapidly from a legal and practical standpoint, were proposed as of June for flight crews, enabling 368 pilots and 1,063 cabin crew employees to volunteer to leave the company as of the summer of 2020.

A Job Protection and Voluntary Departure Plan (*Plan de Sauvegarde de l'Emploi* – PDV-PSE) was implemented for ground staff, enabling support for employees on career planning or for those nearing retirement. This Plan for ground staff is calibrated at 3,655 departures and is composed of two successive phases,

the first involving voluntary departures and open to 90% of ground staff. The second phase involves a limited number of redundancies amongst short-haul staff given the need to finalize the reorganization of the domestic network. The first ground staff departures will take place at the end of January 2021 and will be staggered throughout the year (with a few departures not taking place until the summer of 2022). This Job Protection and Voluntary Departure Plan was the subject of negotiations and an information-consultation procedure with the unions which took place between July and November 2020. It was approved by the French Employment Ministry in December.

To support the redeployment of resources within the framework of the transformation projects associated with this Plan and, notably, the mobility of employees in the outstations and agencies in the French provinces, specific internal mobility steering processes (during the voluntary departure and reclassification phases) were deployed within the Group. Several external companies in Air France's regional employment catchment areas were also approached to enable short-haul staff in the French Market and HOP! to be offered job opportunities outside Air France.

In total, during the 2020 financial year, Air France convened 20 Social and Economic Committee (*Comité Social et Économique* – CSE) meetings, of which nine were ordinary and 11 extraordinary, and four meetings of the *Comité de Groupe Français*, testifying to the intensive employee dialogue required to respond to an unprecedented crisis.

Conscious of the need to adapt to reality to ensure their long-term viability, KLM and Transavia Netherlands announced a restructuring plan involving changes in the business operations and a reduction in headcount. At KLM, headcount was reduced by around 5,000 FTEs in 2020. In the last quarter of 2020, the Works Council approved the requests for advice on the restructuring of the company.

During the Covid-19 crisis, KLM created the *Loket Blauwe Inzet* to help find temporary outplacements for employees in departments where posts are available. In 2020, over 1,500 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 outplacements 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.

Measures and performance

Despite this challenging context, the Group pursued its policy of prioritizing training: the number of training hours per employee stood at 27.2 hours in 2020.

In 2020, 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 grid 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 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 three years even if some provisions have been improved within the framework of the Job Protection and Voluntary Departure Plan and the FNE (*Fonds National pour l'Emploi*), while others are no longer relevant in view of the current crisis.

A skills development plan adapted to the context of crisis

Despite the crisis, the training initiatives went ahead, with the emphasis on regulatory and essential training (in particular, a supplementary training module for Air France pilots over the summer to enable the safe resumption of flights post lockdown) and remote training for all employees (notably via the new Learning Management System rolled out last March),

Air France encouraged its employees to benefit from training to maintain and develop their employability through various programs advertised on this new joint Learning Management System:

- personal Training Account;
- validation of Previous Experience;
- FNE training: Air France raised nearly 7,000 individual dossiers giving employees access to training thanks to FNE financing, i.e. around 140,000 hours of training in different areas like Languages, Sustainable Development, Big Data, management and professional effectiveness.
- in-house digital training modules: Massive Online Open Courses, webinars, videos, career paths, etc.

Managers played an important role in realizing Career Development interviews and proposing these different types of training to their teams on their days of partial activity.

In the first quarter of 2020, Air France won the best Blended Learning program award and KLM won the best learning tech project in a commercial organization and the most innovative Blended Learning program award within the framework of the Brandon Hall Group Excellence Awards. These awards recognized the expertise of the Air France and KLM training teams in the creation of multimodal training programs, blending classroom-based training and digital modules.

KLM renewed its MyLearning learning environment, a modern and user-friendly digital learning platform for its entire organization. This cutting-edge talent management system provides training, management and collaboration solutions as well as personalized learning solutions and has a state-of-the-art search function. The system behind the new MyLearning environment was developed with the supplier Cornerstone.

As of March 2020 and the onset of the Covid-19 crisis, KLM realized it needed to raise its game to contend with the rapidly-changing situation. The result was the design of the SharePoint website whose goal is to help employees find the right 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 KLM's 2020 Flight Plan, the need for a vision and long-term ambitions on People Sustainability become more urgent. With a cross-section of company employees and under the supervision of the topic-owners, a vision on People Sustainability was defined and agreement reached on the main topics. This resulted in the establishment of a set of 2030 goals on Staff Engagement & Development, Diversity & Inclusion, Engagement in the Communities where the Group operates and Human Rights (including the supply chain). People Sustainability puts the emphasis on human wellbeing. Our own people, our supply chain and the local and global community within which we operate are all key to People Sustainability. The foundations of a ten-year roadmap were also laid.

In 2021, Air France-KLM will work on establishing quantifiable indicators so as to be able to monitor the progress made towards these goals.

Reinforced steering of mobility

In 2020, the Air France-KLM Group reaffirmed its commitment to promoting skills-based mobility within the context of restructuring and voluntary departures. In December, a steering process for transverse mobility between the different Group companies was deployed to enable the more effective matching of requirements and resources, and to foster the development of human capital.

During 2020, KLM adjusted rapidly to the numerous internal and external labor market changes. In March 2020, due to Covid-19, the entire labor market experienced significant change. Ground staff recruitment procedures and advertised vacancies (internal and external) were immediately put on hold and only the most pressing hires were advertised internally. Hopefully, within the next few months, the airline sector will slowly recover but, until then, only the most essential posts will be advertised and to KLM staff alone. The KLM Management Traineeships were adapted to the changing conditions due to Covid-19. Despite the current situation young top talents are finding their way within KLM and are using their skills to help create a more innovative, sustainable, people-orientated and efficient organization.

Despite this exceptional situation, KLM has continued to build a strong employer brand with the focus having shifted from external to internal. To offer its employees the same experience as customers, 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.

Developing leadership and performance management

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. In September 2020, in view of the crisis and partial activity, Air France asked its managers to conduct at least one annual interview with every member of their teams to address their 2020 performance and their potential development in 2021.

KLM works with KLM Compass, which links the company's purpose to a set of values. In early 2020, sessions were held with a cross-section of company employees aimed at adjusting the KLM Compass with Sustainability as it had become clear that Sustainability is a spearhead in the KLM strategy. Sustainability has been added to the ambition (to be a leading European network carrier in customer centricity, efficiency and sustainability) and to the HOW? (We care for our customers, our people and our planet. We are KLM for you!).

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, joint financial programs with the HEC business school for future managers and Focus on the Future programs to project talents into the company's future.

Internal coaching and mentoring continue to be offered at the different levels of the company

In the shift from performance management towards performance development, KLM created a new format and process for performance appraisals in a forward-looking and appreciative approach with a focus on Talent, Performance and Development. In these individual conversations, KLM puts 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 discover employees' talents and their individual growth potential, and thus maximize everyone's contribution to the company's results.

Based on KLM's People Strategy, the transition to an inclusive Talent and Performance Development process was initiated. 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. This 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.

In response to the Covid-19 crisis, KLM adjusted the content of its leadership development program, with classroom-based training being replaced by free online learning, such as webinars as well as other online options, curated and offered through a Sharepoint site for leadership development: The Optimal Leadership hub. The baseline of leadership development – building on the Optimal Leadership framework – remains in place in 2021. Transavia continued to pursue its leadership program of the last three years, while responding to the Covid-19 crisis.

A presentation on the strategy for retaining talented people and establishing succession plans was made to the Executive Committee in the autumn of 2020. People reviews are regularly organized to encourage transverse mobility and offer talented individuals attractive career opportunities. The Next Gen program, aimed at young executives, has been adapted to respond to the retention needs created by the crisis.

In 2020, Air France moved up nine places in the Glassdoor ranking of the best French employers.

As seen in prior years, KLM remains an employer of choice. The 2020 Intermediar Employer of Choice study showed that KLM is the number two employer of choice in the Netherlands, compared to its number one position in the previous year. The Randstad study, however, showed some decline in KLM's appeal, the airline being ranked the fourth most attractive employer in the Netherlands for 2020 compared with its top ranking in 2019.

In January 2020, Human Resources signed a three-year partnership agreement with the People Management Center (PMC) connected to the University of Tilburg. This offers a gateway to scientific knowledge on HR themes and the opportunity to invite a Masters student to work on a specific HR assignment. Another important network is the HR *Bedrijvennetwerk*. Members

of this business network have the opportunity to exchange relevant knowledge and best practices.

In 2020, Transavia Netherlands introduced a pilot “POWER” (*Persoonlijke Ontwikkeling Waarderen in Eigen Regie*) project, a scheme aimed at personal development.

4.2.4 Diversity and equality

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, equality between men and women, LGBTI networks, the vocational integration of young people, the transmission of knowledge and skills, and the maintained employment and recruitment of persons with disabilities.

Within the context of the Covid-19 public health crisis, as with all of the Group’s activities, the CSR diversity actions have been significantly impacted. However, the goal remains to maintain an ambitious diversity policy by carrying out actions adapted to the context.

Measures and performance

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 a management commitment to and investment in D&I. The Group now needs to embrace inclusion and make optimal use of the diversity within Air France-KLM.

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 2020, 30.8% of the members of the Group Executive Committee were women.

In 2020, the proportion of women in managerial positions increased for all categories of staff: ground staff (34% of the 10%

highest levels of management were women compared to 33% in 2019), pilots (5.7% of Flight Captains were women compared to 5.2% in 2019), cabin crew (65.7% of Purseres compared to 65.5% in 2019).

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 are 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 women and men is a major business priority and an area in which the company would like to make progress in terms of human resources management. This undertaking was reflected in the signature with the unions of a fifth agreement on Professional Gender Equality.

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, despite the unfolding 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 this year.

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. More than 60 female mentors belong to this network. In 2020, Air France won the Jury’s Favorite award for its entry to the Equality Trophies, showcasing action to promote diversity.

In the 2020 financial year, Air France continued its awareness-raising and actions to prevent sexism and sexual harassment, notably in November 2020 with the deployment of an e-learning module for all staff realized in partnership with several other large French companies having signed up for the #*StOpEauSexisme* initiative.

Diversity & Inclusion has been identified as an enabler that will drive employee engagement during the recovery and restructuring. Staff engagement is an integral part of the restructuring agenda (formerly transformation agenda) and thus a strategic topic for the KLM Board of Directors.

In early 2020, KLM participated in the annual Talent to the Top monitor and, thanks to the efforts made in 2019, the monitor showed an improvement in four of the 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.

In 2020, the D&I circle continued with four workstreams led by Executive Vice-Presidents. The focus remained on gender diversity since research has shown that this is the entry point to driving an improvement in other diversity topics. 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.

The 2030 People Sustainability Goals have been defined, including the ambitions for Diversity & Inclusion: by 2030, the target is for 100% of KLM employees to experience a diverse and inclusive working environment within the company.

During the 2020 financial year, KLM carried out numerous actions in favor of diversity and inclusion:

- commitment sessions with the divisional management teams; the aim is to create awareness, encourage buy-in and come up with concrete measures within the divisions and a company-wide policy to enhance a diverse and inclusive culture. In 2020, owing to Covid-19, some of the workshops could not take place, including the workshop that was to have been attended by the Executive Committee;
- KLM organized a high-impact workshop for HR professionals (bias test, awareness, etc.) to identify concrete measures to improve D&I in its HR processes and approach (e.g. to foster diversity in recruitment);
- KLM launched a Female Leadership training program with 14 participants at top management level. Due to Covid-19, the first group went ahead on a virtual basis. The female leaders developed a D&I survey to measure the importance and experience of D&I among their own informal network within KLM (around 450 participants), thus collecting insightful information;
- dashboards based on HR data are used and updated to monitor the number of promotions, and the inflow and outflow of men and women. In 2020, HR implemented a data collation process (including survey and exit interviews) to gain insights into the reasons why people choose to leave KLM and, in particular, the most talented;
- the Women on Board and the LGBTI Over the Rainbow networks continue to work closely with the D&I Circle. The focus of Over the Rainbow has been on increasing awareness and enhancing discussion. The Women on Board network organizes inspirational events giving women opportunities to connect and learn from each other. Despite the crisis, these internal networks, supporting the importance of Diversity & Inclusion for Women and LGBTI colleagues, were able to proceed with the organization of a number of events.

Equal opportunities within the Group

The 2020 financial year was marked by the negotiation of the 2020-23 agreement on Disability, signed in January 2021. Through this eleventh agreement and despite the crisis, Air France reaffirmed its commitment to the ongoing recruitment of persons with disabilities by pursuing its actions on maintained employment, training and professional support *via*, in particular, coaching and co-development.

To maintain links with employees with disabilities within the context of the public health crisis, two questionnaires were sent to them in 2020 to gain feedback on their support needs and expectations. Awareness-raising initiatives went ahead as planned, notably during European Disability Employment Week. For the second year running, Air France also 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.

In 2020, owing to the Covid-19 public health crisis, the success rate in finding alternative employment for people who were unable to return to their original jobs due to disability was not as high as in 2019. Finding alternative employment means not only suitable positions within KLM but also the redeployment of employees outside the airline. These measures are part of the dedicated support provided by the Reintegration Officers. To find alternative employment opportunities outside KLM, the company works with various service providers to ensure a better match on the external labor market.

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 can the employer 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.

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. Furthermore, Air France also renewed its partnership with the *Personnelles* LGBT and Gay Friendly employee association, which takes part in the Paris Gay Pride.

Due to the Covid-19 pandemic, plans for Coming Out Day and Amsterdam Pride went ahead but in modified form with KLM hoisting the rainbow flag for several days. For Coming Out Day, an online session was organized to boost dialogue and inspire others with personal stories and experiences. The stories are used as inspiration for other leaders to amplify the importance of an inclusive climate and leadership. 2020 saw KLM participate for the third time in the Work Place Pride Global benchmark, whose report showed an increase in the commitment and representation of the LGBTI community within the airline. Potential areas for improvement will be aligned with the D&I strategy and actions for 2021.

An adapted welcome for young people, both physical and remote

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 2020, 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 as of June. 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 partnership with Paris CDG Alliance by taking part in labs under the leadership of the *Pôle Emploi* French government agency, around the question of the orientation and showcasing of internship as a center of excellence but also by supporting the launch of the *Cité des Métiers* and *Envol Pro* initiatives enabling young French people to benefit from linguistic immersion to improve their English.

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*) delivered by the DGAC. The training will be carried out remotely and for free, by pilot cadets whose training has been slowed by the Covid-19 public health crisis.

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 working environment that guarantees their health and safety, and 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).

Air France's policy on Health and Safety and Quality of Life in the Workplace (formalized in 2012) was revised in 2018. It focuses on five priority themes:

- prevent serious accidents;
- reinforce compliance and respect of regulations;
- develop ergonomic approaches;
- improve the quality of life in the workplace and the prevention of psychosocial risks;
- structure and organize prevention measures around a steering system deployed in a cross-cutting manner.

The steering and coordination of the health, safety and quality of life in the workplace networks by the Health, Safety and Quality of Life in the Workplace division within HR, which numbers representatives in all the entities, ensures the coordinated deployment of the policy and its actions and targets, and promotes the sharing of best practices, priority actions and investment. Accidentology analysis enables the adjustment

of the policy and actions designed to safeguard human health and safety. The monitoring of indicators ensures the ongoing adaptation of the initiatives.

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 Organisation (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 the first two months of 2020, 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 the KLM’s Occupational Safety and Health policies and mitigation of the occupational safety and health risks.

As of March 2020, the Covid-19 pandemic and the worldwide response from governments and aviation industry organizations saw KLM’s efforts refocused on re-engineering the airline’s procedures and working methodologies to ensure safe and secure operations for both employees and customers on a global basis.

Permanent adaptation and application of the health measures

As of March, the 2020 focus turned to managing the impacts and consequences of the Covid-19 pandemic while adjusting and pursuing the risk prevention measures for the Group’s activities.

The first of 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 vocational medical teams, a statistical focus on the declarations and the permanent availability of medical experts to approve the prevention measures.

Reinforced prevention of psycho-social risks

To provide the best-possible support for staff confronting personal or professional difficulties, the network of social assistants rapidly mobilized. As of March, the social assistants established telephone hot lines functioning five days a week to listen to and assist callers, and provide 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.

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.

Support for remote workers during the lockdowns

In addition and to support the implementation of imposed remote working, a number of different measures were deployed to facilitate the realization of remote activities as of March 2020 (equipment for employees, ergonomic advice on working from home, communications enabling the sharing of best remote working practice and prioritizing the maintenance of dialogue within the teams and with the line management).

As of June, on the gradual emergence from lockdown, a survey was realized with 12,200 employees having experienced remote working within this highly unusual context, to enable the company to improve the conditions for remote working in 2021. In this internal survey, 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 reinforced effectiveness of their teams during the remote working period of the first lockdown.

Lastly, to ensure the optimum level of flight safety, the company took into account the risks linked to part-time working by putting in place protocols negotiated with the Pilot unions for the resumption of flights and the entry into commercial service of new aircraft.

The company also regularly communicated with managers on the importance of maintaining links with their teams, adapting work loads and optimizing the organization of team working by taking into account the activity levels so as to avoid the risk of overload and, inversely, isolation.

At KLM, most of the 5,000 knowledge-based staff were able to work from home. Digital support was quickly increased and employees were allowed to take office equipment home. A feedback survey about the working conditions at home was conducted and 64% of the respondents indicated that their workplace was adequate. At the end of 2020, KLM conducted a survey to ascertain the level of well-being of its employees; the results of this survey are expected early next year.

Since the Covid-19 public health crisis, KLM has adapted the content, look and feel of the KLM Health Portal for the different target employee groups; Office, Operations, Flight Operations and Inflight Services.

A new format with the following three themes has been implemented:

- How can I stay physically healthy?
- How can I stay mentally healthy?
- How can I work healthily from home?

The content on the MyHealth portal relating to these three main themes has been regularly updated, to ensure sufficient relevant information is available for returning visitors. Almost all KLM employees have visited the renewed MyHealth portal at least once.

Webinars, organized by theme and target group, have also been very well received. As in the previous year, in November 2020, the KLM focus was on the *Week van de Werkstress*, or Stress in the Workplace Week, whose theme this year was 'Stay in balance!' The content was updated on MyHealth and a Digital Detox webinar was organized. KLM employees were supported with information, inspiration and concrete advice on how to maintain a balance during this challenging time. In early December, KLM organized the KLM *Thuiswerk-Weken* with a range of webinars relating to various aspects of working from home. All this information is available on MyHealth, which also offers appropriate interventions to help colleagues work from home in a healthy, adapted and productive manner.



4.2.6 Social indicators for the Group

4.2.6.1 Consolidated social data for the Air France-KLM Group

	Air France-KLM Group		
	2019	2020	20/19 in %
Total staff (Full Time Equivalent) at 12/31	83,097	75,861	-8.7%
Scope of Social reporting	97%	98%	+1 pt
Total staff (headcount, permanent and fixed-term contracts)⁽¹⁾	90,386	82,132	-9.1%
Ground staff	54,342	49,680	-8.6%
Cabin crew	26,684	23,702	-11.2%
Flight deck crew	9,360	8,750	-6.5%
Staff under permanent contract	85,442	79,770	-6.6%
Recruitment under permanent contract at 12/31 ⁽²⁾	4,384	1,199	-72.6%
Recruitment under fixed-term contract at 12/31	5,858	1,570	-73.2%
Departures at 12/31	8,842	11,950	+35.2%
of which redundancies (incl. economic)	476	311	-34.7%
Percentage of women at 12/31 ⁽³⁾	45.1%	44.6%	-0.5 pt
Percentage of part-time employees at 12/31	29.9%	27.7%	-1.2 pt
Breakdown of staff by age at 12/31			
≤29 years	10,275	7,535	-26.7%
Between 30 and 39 years inclusive	15,585	14,191	-8.9%
Between 40 and 49 years inclusive	31,003	29,215	-5.8%
50 years and above	33,523	31,191	-7.0%
Breakdown of staff by geographical area at 12/31			
Europe (except France and the Netherlands)	3,116	2,885	-7.4%
North & South America	1,848	1,528	-17.3%
Caribbean/Indian Ocean (including French overseas territories) ⁽⁴⁾	695	656	-5.6%
Asia/Pacific	1,654	1,412	-14.6%
Africa/Middle East	1,061	959	-9.6%
The Netherlands	31,609	27,869	-11.8%
Continental France	50,403	46,823	-7.1%
Training			
Number of training hours by employee ⁽⁵⁾	40.4	27.2	-13.2

(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.

NA*: Not Available.

	Air France Group ^(a)				KLM Group ^(b)			
	Air France Group		of which Air France		KLM Group		of which KLM	
	2019	2020	2019	2020	2019	2020	2019	2020
	52,512	48,571	45,850	42,601	30,568	27,290	23,597	21,032
	99%	99%	97%	100%		97%		100%
	55,292	51,219	48,791	44,961	35,094	30,913	29,157	25,668
	34,413	32,277	30,427	28,565	19,929	17,403	16,309	14,277
	15,461	13,952	14,147	12,642	11,223	9,750	9,583	8,269
	5,418	4,990	4,217	3,754	3,942	3,760	3,265	3,122
	52,951	50,228	46,734	44,177	32,491	29,542	27,741	24,921
	3,077	886	2,410	416	1,307	313	940	119
	4,341	893	3,460	435	1,517	677	1,075	234
	6,971	6,699	5,131	5,540	1,871	5,251	1,186	3,883
	393	169	179	50	83	142	44	46
	45.2%	44.7%	45.9%	45.5%	45.0%	44.4%	43.9%	43.4%
	21.2%	17.9%	22.6%	19.1%	43.5%	44.0%	44.2%	44.6%
	5,990	4,256	4,833	3,276	4,285	3,279	2,598	1,903
	8,723	7,828	6,986	6,144	6,862	6,363	5,477	5,061
	21,726	20,769	19,637	18,765	9,277	8,446	8,097	7,355
	18,853	18,366	17,335	16,776	14,670	12,825	12,985	11,349
	1,802	1,684	991	955	1,314	1 201	883	814
	1,416	1,169	975	831	432	359	431	358
	649	615	648	615	46	41	46	41
	411	390	411	390	1,243	1 022	700	609
	618	542	618	542	443	417	443	417
	46	37	46	37	31,563	27 832	26,601	23,388
	50,350	46,782	45,102	41,591	53	41	53	41
	42.4	26.1	41.5	23.7	37.2	29.0	39.3	30.5



4.2.6.2 Other social data for the Air France Group (according to local legislation)

Air France (100% of the staff headcount, registered and paid at the end of the calendar year) ^(a)

	2019	2020	20/19
Absenteeism ⁽¹⁾			
Due to illness	3.56	2.42	-32.0%
Due to work accidents	0.67	0.48	-28.3%
Health and safety			
Total workplace accidents ⁽²⁾	2,214	771	-65.2%
Number of fatal workplace accidents	5	2	-60.0%
Frequency rate of workplace accidents ⁽³⁾	30.34	19.51	-10.83
Severity rate of workplace accidents ⁽³⁾	0.89	0.77	-0.12
Disabled staff ⁽⁴⁾			
Total staff with disabilities	1,950	1,937	-0.7%
Total staff with disabilities recruited during year	40	7	-82.5%
Yearly spending in the sheltered sector in €m	20	7	-35.0%
Signed collective agreements	48	47	-2.1%

(a) Data in italics concerns only Air France in Continental France and the French overseas territories.

Air France subsidiaries

	2019	2020	20/19
Scope of reporting for Air France subsidiaries	90%	92%	+2 pts
Health and safety			
Total workplace accidents ⁽²⁾	391	160	-59.1%
Number of fatal workplace accidents	0	0	0%
Frequency rate of workplace accidents ⁽³⁾	39.5	21.8	-17.7
Severity rate of workplace accidents ⁽³⁾	1.2	1.3	+0.1
Disabled staff ⁽⁴⁾			
Total staff with disabilities	128	130	+1.6%
Total staff with disabilities recruited during the year	1	2	+50%
Signed collective agreements	24	20	-16.7%

(1) (2) (3) (4): See Note on the Methodology.

4.2.6.3 Other data for the KLM Group (according to local legislation)

KLM (100% of the staff headcount, registered and paid at the end of the calendar year) ^(a)

	2019	2020	20/19
Absenteeism⁽¹⁾			
Due to illness	6.23%	5.17%	-1.06 pt
Due to workplace accidents	0.11%	0.05%	-0.06 pt
Health and safety			
Total workplace accidents ⁽²⁾	155	103	-33.6%
Number of fatal workplace accidents	0	0	0%
Frequency rate for workplace accidents ⁽³⁾	3.36	2.28	-1.08
Severity rate of workplace accidents ⁽³⁾	0.19	0.11	-0.08
Disabled staff⁽⁴⁾			
Total staff with disabilities	799	650	-18.6%
Signed collective agreements	2	4	+50%

(a) KLM: data concerns KLM without international staff.

KLM Subsidiaries

	2019	2020	20/19
Scope of reporting for KLM subsidiaries	87%	88%	+1 pt
Health and safety			
Total workplace accidents ⁽²⁾	50	18	-64%
Number of fatal workplace accidents	0	0	0%
Frequency rate for workplace accidents ⁽³⁾	4.4	2.2	-2.2
Severity rate of workplace accidents ⁽³⁾	0.22	0.15	-0.07
Disabled staff⁽⁴⁾			
Total staff with disabilities	62	37	-40.0%
Signed collective agreements	5	6	+20%

(1) (2) (3) (4): See Note on the Methodology.

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 Économiques*, 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 2020 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 2020 financial year, the Air France consolidated subsidiaries are: Barfield Inc., BlueConnect, BlueLink, BlueLink International CZ, CRMA, HOP, Sodexi and Transavia France, representing 87% of the employees of the subsidiaries in the Air France Group;
- for the 2020 financial year, the KLM consolidated subsidiaries are: Cygnific, KLM UK Engineering, KLM Cityhopper, Transavia C.V., KLM Catering Services and Int. Airline Services, representing 88% of the employees in the subsidiaries of the KLM Group.

In 2019, Barfield Inc. was included in the reporting scope for the Air France subsidiaries.

The KLM reporting scope did not change relative to 2019, 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 2020, 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 reporting has been carried out using the MS Excel tool. Consistency tests have been incorporated within the 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 a general 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 7.

Comments on changes in the social indicators

This year, due to the exceptional Covid-19 situation, we note a significant change in the figure for staff departures, owing to the launch of departure plans in both Air France and KLM, together with a hiring freeze. Note also the massive implementation of remote working. These action plans had a significant impact on the changes in many of the indicators.

All of this has led to substantial changes in the year-on-year variation for many of the indicators.

“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 under 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.

This year, it was not possible to include the Transavia Netherlands data on this topic in the Group’s social indicators.

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 2020, the Air France Group employees in the French Overseas Departments and Territories, i.e. 596 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. For the first year in the social indicators, this indicator is presented at Air France-KLM Group consolidated level. The Air France-KLM Campus, which is responsible for training ground staff, changed its e-learning tool. This change led to a loss of information which was not considered material. The implementation of a new tool guarantees the exhaustiveness of the e-learning data for 2021.

– Air France and Air France subsidiaries

For the first time this year, the “Number of training hours by employee” indicator includes the number of hours of training at Blueink International CZ (this data not having been available in the preceding years).

– KLM and 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.

“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 (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.

– Air France

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

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)

– 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 21 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 are 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, 2020, for whom a valid certificate, pursuant to national legislation, is available.

4.3 ENVIRONMENTAL IMPACT

There is growing international concern about climate change. Attitudes towards the acceptability of air transportation growth are changing both at political level and in terms of wider society, while we are witnessing the occurrence of increasingly-extreme climate events. Both France and the Netherlands have implemented policies to ensure the transition to a zero-carbon society by 2050. Air France-KLM's development will depend on its ability significantly to reduce its environmental footprint.

Within a context in which, unlike other modes of transportation, commercial aviation currently has no viable alternative to fossil fuels and no disruptive technologies are expected to emerge in the short term, Air France-KLM is determined to accelerate its efforts in this area to the benefit of all its stakeholders.

See also section 3.1.2 "Risks relating to the air transportation activity".

Key Performance Indicator	Definition	2019 results	2020 results	2030 targets
CO ₂ efficiency per passenger kilometer	Specific CO ₂ footprint for passenger transportation	79g. CO ₂ /passenger/km	102g. CO ₂ /passenger/km	
	Percentage change in CO ₂ efficiency (g.CO ₂ /passenger/km) between 2005 and 2020 (operational measures only) ✓		+2.4%	
	Percentage change in CO ₂ efficiency (g.CO ₂ /passenger/km) between 2005 and 2020 (operational measures and market-based measures)		-5.6%	50% reduction compared to 2005
CO ₂ emissions from the ground operations	Percentage change in absolute CO ₂ emissions from the ground operations between 2019 and 2020		-17%	Carbon neutrality
Non-recycled waste	Percentage change in non-recycled waste between 2011 and 2020.		-56%	50% reduction compared to 2011
Noise footprint	Percentage of variation of global noise energy per movement (Global Noise Energy calculated in kJ divided by the total number of movements between 2000 and 2020.		-39%	

See Note on the methodology for the reporting of the environmental indicators, section 4.3.5.4.
✓ Figures verified by KPMG for 2020 (reasonable level of assurance).

4.3.1 Carbon emissions

Context and strategy

Aviation is responsible for an estimated 2% to 3% of man-made greenhouse gas emissions. Despite the Covid-19 public health crisis and if no action is taken, the forecasts for global air traffic growth in the coming years could, however, see this proportion increase.

The aviation industry is the first economic sector to have set ambitious long-term reduction targets and to have adopted a worldwide carbon offsetting system within the framework of the International Civil Aviation Organisation (ICAO) to guarantee carbon-neutral growth for global air transportation as of 2020.

In 2009, the International Air Transport Association (IATA) thus set ambitious worldwide targets for reducing the CO₂ emissions from air transportation:

- 1.5% average annual fuel efficiency improvement until 2020;

- carbon neutral growth from 2020 onwards;
- a 50% reduction in net aviation CO₂ emissions in 2050 relative to the 2005 level.

While international aviation is not included in the Paris Climate Agreement, the industry's efforts respond to the latter's target of limiting the global temperature increase to below 2°C. In its Energy Technology Perspectives 2017, the International Energy Agency considers that the airline industry's target for 2050 is more ambitious than what would be required for a 2°C scenario (2°C Scenario - 2DS) and close to a scenario of beyond 2°C (Beyond 2°C Scenario - B2DS) without taking into account the effects of carbon offsetting.

Air France-KLM endorses the IATA's targets and has set itself proprietary intermediate targets aimed at reducing its CO₂ emissions by 2020, 2030 and 2050.

The Group's target had been to reduce its CO₂ emissions by 20% per passenger km in 2020 compared to 2011 (including market-based measures) but this objective was achieved in 2018 with a reduction of 21.6%.

In 2019, Air France-KLM set itself a target of reducing its CO₂ emissions by 50% in 2030 compared to the 2005 baseline (in g. of CO₂/passenger/km including market-based measures). In 2020, the Covid-19 public health crisis had a very material impact on Air France-KLM's activity and results. Border closures, health measures to be respected for travel and a climate of international alarm devastated the air transport industry. Thus, all the published indicators have been impacted and do not reflect Air France-KLM's long-term commitments or its environmental performance in recent years.

While kerosene consumption and carbon emissions may have been reduced by nearly 50% in 2020 (as with NO_x, LTO and noise hindrance), the carbon footprint (in grams of CO₂ per passenger kilometer) deteriorated given the redeployment of the network and a collapse in the load factor (from 87% in 2019 to 65% in 2020).

Within this context the Group reduced its CO₂ emissions by 5.6% in 2020 relative to 2005 (operational and market-based measures).

To attain these targets and reduce its carbon footprint by activating all the available levers, the Group has established a Climate Action Plan. This Plan is composed of six main mitigating priorities, for which targets have been identified and action plans implemented:

- fleet modernization and contributing to aeronautical research;
- sustainable aviation fuel and participating in research into renewable energies;
- operational measures;
- supporting the implementation of the global climate agreement (CORSIA) with a fair contribution for aviation;
- regulatory and proactive offsetting;
- supporting environmental programs;
- carbon offsetting programs for customers.

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 European aviation players are thus committed to maintaining their efforts to reduce their negative environmental impacts, both locally and globally. The latter implies, in particular, all stakeholders and all policy-makers working together to achieve net zero CO₂ emissions from all flights within and departing from the EU 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, passenger road travel to and from airports, and employee commuting. Air France and KLM implement measures to reduce scope 3 emissions. For the air operations, scope 3 emissions account for around 16% of total emissions (scopes 1, 2 and 3).

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 (according to internal estimates, these emissions represent approximately half of the total scope 3 emissions). 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 4.3.6).

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 involved in the Fuel Plan, to improve the Group's energy efficiency and reduce its carbon footprint.

Fleet modernization

The most impactful way to reduce the carbon footprint is to invest in a more fuel-efficient fleet. The Group focuses on simplification and rationalization to make the fleet more competitive while its transformation is being pursued 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 most-polluting aircraft which are the least adapted to the environmental route map; A340 and A380 for Air France and Boeing 747 for KLM. In 2020, the average age of the aircraft in the Group's fleet was 12.1 years. For more information on the Group's fleet see section 1.4.

Sustainable aviation fuel

The use of Sustainable Aviation Fuel (SAF) is one of the most impactful measures for reducing the CO₂ emissions from aviation. They enable an 80% to 100% reduction over the entire life cycle for the most innovative technologies. 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 conduct 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 by incentive mechanisms, is however required to ensure the economic viability of such biofuels, in terms of both their more widescale deployment and the creation of production facilities for producers and operators alike.

The Air France – KLM Group is very exacting as regards the sustainability criteria of the Sustainable Aviation Fuel it uses requiring, for example, a substantial reduction in CO₂ emissions, a minimal impact on biodiversity, no competition with food production or access to food resources, 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 founder 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:

- Air France has 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 2020, KLM continued to purchase 15,642 liters of SAF for its Växjö (Sweden) flights, i.e. 5% of the total fuel use on all flights to/from this destination. Together with Södra and the City of Växjö, KLM and SkyNRG are investigating the feasibility of producing SAF locally;
- in 2017, Air France signed an Engagement for Green Growth (*Engagement pour la Croissance Verte* – ECV) with the French Ministry for the Ecological and Inclusive Transition, the French Ministry of Transport and the French Ministry of the Economy and Finance, along with four other major French industrial companies (Airbus, Safran, Suez and Total). This Engagement for Green Growth aims to promote the emergence of sustainable aviation biofuel industries, in economically viable conditions that fully integrate circular economy principles. Its conclusions were published in January 2020, together

with a French governmental roadmap to set, on the basis of the ECV recommendations, the principles and ambition for Sustainable Aviation Fuel incorporation.

- since July 2020, within the framework of calls for Expression of Interest, Air France has supported several new Sustainable Aviation Fuel production programs in France and elsewhere in Europe. By actively seeking industrial and logistics partners to combine forces in consortia, the Group is supporting all the innovative technologies, with alternative fuels originating from the circular economy (e.g. used cooking oils, wood residues, household waste, etc.) and, in future, synthetic fuels whose design is based on green electricity and carbon capture.

Air France – KLM forms part of the Clean Skies for Tomorrow (CST) coalition, which was established within the Global Economic Forum to ensure adequate supplies of SAF so as to be able to fly CO₂-neutral by the middle of this century. In cooperation with McKinsey & Company, the coalition compiled the Sustainable Aviation Fuels as a Pathway to Net-Zero Aviation Report, which focuses on themes such as feedstock availability and sustainability, production capacity and the technical possibilities of the most promising SAF production pathways. The coalition has also launched a joint policy proposal to accelerate the deployment of Sustainable Aviation Fuels (SAF) in Europe. This involves aligning on a proposed policy package to be submitted to the European Commission to inform a clearly-defined European strategy to increase the adoption of SAF.

Supporting regulatory incentives in France and the Netherlands, and at international level

Air France and KLM are actively involved in the European Advanced Biofuels Flightpath initiative. They are also members of the ART Fuels Forum.

Furthermore, Air France is participating in the Ini-FCA French Future Alternative Fuels Initiative, spearheaded by the French Civil Aviation Authority (DGAC). With the Council for Civil Aeronautical Research (CORAC), the company is actively participating in formulating a sustainable biofuels strategy involving coordinated actions to further technological research and innovation towards the attainment of ecological transition objectives within a global context.

KLM is actively involved in the BioPort Holland, 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, the worldwide market leader for Sustainable Aviation Fuel. Since 2016, all KLM flights from Los Angeles airport have been operated with SAF produced by the local World Energy (former AltAir Fuels) refinery and supplied by SkyNRG. Additionally, KLM has purchased SAF for flights out of Amsterdam Airport Schiphol. 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. KLM is 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 2022, is a concrete step towards fulfilling KLM's sustainability ambitions.

Involving customers and partners

As part of its WWF-Netherlands partnership and Green Deal commitment, in 2012 KLM launched the KLM Corporate BioFuel program, a first for aviation. In 2020, the program was also extended to Air France and regrouped the following partners: ABN Amro, Accenture, Arcadis B.V., Arcadis N.V., Loyens & Loeff, Air Traffic Control The Netherlands (LVNL), Microsoft, the Ministry of Infrastructure and the Environment, Neste, the Royal Netherlands Aerospace Centre (NLR), PGGM, Schiphol Group, SHV Energy, Södra, the University of Delft, Lavazza, Finco Fuel, Hans Grohe SE and IMS Gear.

In addition to the programme for corporate travellers, in 2020 Air France-KLM Martinair (AFKLMP) Cargo launched the Cargo SAF Programme, enabling freight forwarders and shippers to also reduce the carbon footprint of their shipments.

Air France-KLM is currently making a substantial investment in innovation alongside scientists and participating in research projects, notably on hydrogen-based synthetic fuels, to support the future of aviation.

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: pilots apply, when possible, 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 startups. For example, Transavia is partnering OpenAirlines, a start-up having 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. Lastly, with the deployment of the Optidirect tool, which proposes alternative flight routes enabling a reduction in fuel consumption, the Air France-KLM Group airline benefits from high-performance and innovative tools enabling a reduction in its inflight CO₂ emissions.

In 2020, KLM took advantage of the decline in activity linked to the Covid-19 public health crisis to appoint an energy efficiency team composed of pilots with more free time. This team conducted research into other fuel efficiency initiatives and established a plan to involve the pilot community. KLM data scientists also participated in a sustainable development hackathon focused on energy efficiency.

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 2020 figures, see section 4.3.6 "Environmental indicators table").

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. Air France, KLM and the other IATA airline members are preparing for the implementation of this new system on January 1, 2021.

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 will begin with a first phase from 2021 to 2026, based on the 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 the 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 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 2020, the number of journeys booked including a CO₂ compensation request declined owing to the reduction in activity and represented the purchase of 44,000 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, 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.

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 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 2020, the Group reduced its CO₂ emissions by 17% compared to their 2019 level.

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 in 2020, 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 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.

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. To comply with the energy efficiency directive that replaces this agreement from January 1, 2021, KLM has begun the process to obtain ISO5001 certification for its energy management system.

To reduce fuel consumption, all the ramp equipment transporting baggage has been replaced by electrically-powered alternatives, thereby increasing the proportion of electrically-powered ground assistance equipment to 64% at Roissy-CDG airport. 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 2021 offers a promising path towards reducing direct emissions at the airport.

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

Air France and KLM's Environmental Management Systems (EMS) have been ISO 14001 certified, respectively, since 2008 and 1999, for all air and ground operations in France (metropolitan and Saint-Denis de La Réunion and Papeete outstations) and the Netherlands. This certification was renewed for a three-year period in 2017 for Air France and in 2018 for KLM. Internal and external audits verify the effective implementation of the Environmental Management System.

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, in both design, aeronautical and engines 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 are calling 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) on 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.

At the end of 2019, Air France invited partners, experts, high-profile individuals, innovation players and business leaders to participate in a round table on the theme Acting Together For Responsible Travel (*Agir Ensemble Pour un Voyage Responsable*). In a series of figures and using concrete examples, this meeting was aimed at outlining the airline's commitments to reducing the impact of its activity on the environment and to mobilizing the players around responsible travel.

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.

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

TCFD Principles		Sections in the 2020 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 Noise and air quality

Noise

Context and strategy

Airlines accommodate 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. All of the aircraft in the Air France–KLM fleet meet the criteria established by the ICAO Chapter 4 Noise Standard, the most exacting standard covering the acoustic quality of civil aircraft. Fleet renewal enabled a 67% reduction in the Air France–KLM Group's noise footprint between 2000 and 2020, whereas the number of aircraft movements increased by 46% over the same period.

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

Thanks to the actions implemented for several years, the Air France – KLM Group reduced overall noise energy per movement (take-off and landing) by 39% between 2000 and 2020.

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's 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 Boeing 747s. Air France reaffirmed this commitment with the announcement of the phase-out from the fleet of the Airbus 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 2020, 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 €770 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 €754 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.

At Air France, an increased budget in 2019 enabled investment in runway equipment meeting the new environmental standards in force and the development of electrical power. For ground vehicles, hybrid petrol and electric engines are prioritized when renewing the fleet.

The replacement of the diesel engines on twelve conveyor belt vehicles with electric motors powered by a new type of lithium-ion batteries from recycled car batteries has enabled CO₂ emissions to be reduced by 3 tons per year and per conveyor belt. The company has set itself a target of 90% of its ramp vehicles and equipment to be electrically-powered by 2025.

Similarly, Air France is accelerating the use of electric power converters (ACUs) for the air conditioning of aircraft on the ground. This enables a reduction in emissions due to the use of thermal ACUs, APUs and GPUs.

KLM increased the proportion of full-electric ground support equipment to 62% in 2020, thereby reducing CO₂ and local emissions. For progress on the electrification strategy, see section 4.3.1 "Ground energy consumption". 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.

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 2020, the Air France Mobility Plans were based on the same actions as in 2019. However, these actions were pursued at a slower pace in view of the health situation. Remote working, which became mandatory to contend with the unfolding health emergency, was the main focus. The statistics for the results of this action are exceptional and are not representative: 13,175 employees worked remotely in France during 2020, i.e. a 131% increase versus 2019. The related unrealized home-workplace commuting represented close to 26 million kilometers and the avoidance of 6,912 tons of CO₂.

The initiatives under way include the:

- promotion of public transport;
- implementation of charging terminals for electric vehicles in car parks;
- participation in the development of the car share platform available free of charge to employees of Air France and those of sixteen other companies. In the French provinces, car sharing is also encouraged and supported;
- raising employee awareness of the link between air quality and methods of commuting to/from work;
- making temporary offices available;
- implementing collective initiatives with the other companies located at each work site to maximize the effectiveness of the measures.

Other avenues are also being studied like carpooling and the development of environmentally-friendly transportation methods like cycling.

In addition, a questionnaire was sent to all Ile de France employees in the last quarter of the year, aimed at understanding travel habits and envisaging adapted solutions for the post-crisis world. Analysis of this questionnaire will begin in early 2021.

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 that is recycled or reprocessed.

In 2019, Air France and KLM set themselves a target of halving residual waste (non-recycled waste from the cabin and ground activities) by 2030 compared to 2011. In 2020, while the public health crisis caused operating disruption meaning that this result does not directly reflect its strategy, the Group reduced non-recycled waste by 56% compared to the 2011 baseline.

Air France had set itself a target of recycling or reprocessing 100% of non-hazardous waste and 60% of hazardous waste by

2020. KLM achieved its 2020 target of reprocessing or recycling 100% of non-hazardous waste.

Air France and KLM base their actions on the four principles of the circular economy: rethink, reduce, reuse and recycle.

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. For example, a significant proportion of reusable obsolete equipment, like trays, drawers, blankets and trolleys, is recycled.

Since October 1, 2019, Air France has been selectively sorting its on-board waste. This sorting, realized on all the short, medium and long-haul flights bound for Paris, concerns plastic bottles, cardboard juice cartons and aluminium cans. 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. Every year, some seven million bottles, three million juice cartons and six million cans are used on the company's flights. The possibility of expanding the initiative to flights on departure from Paris is being studied based on regulatory and process analyses at each destination.

At KLM, the use of less product packaging and overall product design 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 for 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, aluminium 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 if 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 set itself a target of replacing 80% of single-use plastic items with sustainable alternatives between now and 2025, while respecting the airline regulations and health requirements. At the end of 2019, Air France progressively eliminated 210 million single-use plastic items, i.e. 1,300 tons (100 million plastic cups replaced by cardboard versions, 85 million plastic cutlery items replaced by versions manufactured and packaged using bio-based materials, 25 million plastic stirrers replaced by wood versions).

In 2019, Transavia 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 arising and reduces both production and transportation costs, and overall wastage. This also reduces the onboard weight, resulting in lower CO₂ emissions.

However, due to the impact of the Covid-19 public health crisis causing disruption to flight schedules and resulting in unpredictable load factors, these measures have been temporarily suspended. New measures have been established and will be implemented as soon as there is return to a higher volume of flight operations.

Thanks to technological developments, the pre-selection of the hot meal in the Business cabin has been available since early 2020. These adaptations help to limit the amount of food and disposable cutlery waste, and to reduce the mass embarked on board.

Rethinking some offers also contributes to a reduction in food waste. In 2019, the kit containing a stirrer and sachets of sugar and creamer was revisited. It was decided to leave out the creamer and offer this to passengers on request, thereby avoiding the embarkation and wastage of around 30 tons of products per year.

During the public health crisis, the sudden and significant reduction in the number of flights led to the non-consumption of many food products. Thousands of articles were thus donated to charitable associations like the *L'Agence du Don en Nature*, *Les Restaurants du Cœur*, *Le Samu Social*, *Les Œuvres de la Mie de Pain*, the Food Bank and a number of hospitals across France. The inventory management policy has also been revised in cooperation with the catering suppliers to optimise the ordering and storage of perishable products.

A key indicator is in place to track the waste avoided thanks to the policy governing the loading of food services on board and is calculated every quarter. Meetings of the steering bodies are held annually during which a summary presentation is made on the donations along with updates on combating waste and the tracking indicator, with a view to a continuous improvement.

Air France – KLM Martinair Cargo is 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 a procedure 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

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 the hangers and implemented an awareness-raising campaign to involve all employees in attaining the waste reduction target for 2030.

Promoting 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. Uniforms are collected (30.2 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.).

To avoid the destruction of products and promote their reuse, in January 2017 Air France signed a framework agreement with the *Agence du Don en Nature* (ADN). By donating new, re-modeled and recycled products like crockery and blankets, Air France supports the work of the ADN association which collects and redistributes new non-food everyday products to combat exclusion in France. In 2019, during the upgrade to Air France's cabin decor, more than 25,000 blankets in Business were donated to ADN. In addition, on termination of the Joon operations, more than 6,500 items of Joon uniforms were recycled *via* a donation to the SAMU Social organization.

KLM sorts over 14 types of waste, with wood, plastic and metal being its main residual forms. In cooperation with its partners, KLM for example 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.

The investment in other projects, aimed at advancing knowledge and preserving biodiversity, also contributes to a better understanding of the issues associated with ecosystem services like sustainable biofuel production. Although certain types of biofuel for road transportation can have a negative impact on biodiversity, Air France – KLM is committed to guaranteeing the use of Sustainable Aviation Fuels with the lowest possible impact on the food chain and biodiversity, and a positive impact on local communities.

Measures and performance

Supporting tree-projects through customer donations

Alongside the French Civil Aviation Authority (*Direction Générale de l'Aviation Civile* – DGAC), Air France is a founder 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 became an integral part of the online ticket sales process in 2019. On purchase of a flight ticket, customers have the opportunity to make a donation in the amount of their choice to reduce their environmental footprint and contribute to a reforestation project in France and across the world. Having been selected by a committee of recognized and independent experts, these projects also include a citizenship dimension with the creation of jobs in these countries.

At the end of 2020, more than 38,000 donors had contributed to the comprehensive financing of 25 projects across four continents, i.e. more than 200,000 trees planted.

Supporting projects *via* the offsetting of domestic flights

Since January 1, 2020, Air France customers have been able to undertake carbon-neutral travel in mainland France thanks to a proactive scheme to compensate 100% of the CO₂ emissions on the airline's 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.

Eight first projects across four continents (France, Brazil, Peru, Cambodia, India and Kenya) were selected and launched with EcoAct, a pioneer in carbon offsetting in France.

For the ninth project, Air France offered its customers the opportunity to become players in this scheme by voting on line for their preferred project. Three projects were proposed (a forestry preservation project in Brazil, a photovoltaic program in Senegal and a bio-gas from waste production program in Vietnam). The forestry preservation program in Brazil received the largest number of the 27,000 votes cast and now figures in Air France's portfolio of carbon offsetting projects.

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.

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, thereby 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 (ex-*HOP! Biodiversité*) 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.

The work takes place within a methodological framework scientifically approved by the French Natural History Museum, a member of the association. They involve local employees thanks to the protocols of the participatory sciences. 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 (mowing management, elimination of crop protection products, etc.).

At the end of 2020, the association brought together three airline members (Air France, Air Corsica, Air Saint-Pierre) and 18 active airports (including five ADP Group sites). All of them have included this project in their sustainable development policies while the in-field engagement was recognized in respect of the French National Biodiversity Strategy (*Stratégie Nationale pour la Biodiversité* – SNB) in 2016-17.

Since 2013, more than 2,900 plant and animal species have been recorded on the land of partners in France, including 252 species of birds. As active members, Air France and the ADP Group ensure the continuity of the work and contribute to its promotion to employees and the general public through awareness-raising forums, citizenship days and participative observation exercises with employees, school children and the general public (more than 900 people reached in 2019 through the initiatives carried out with the association).

Contributing to combating the traffic in protected species

Air France and KLM are 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, its 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).

In 2020, Air France pursued its awareness-raising 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 is also behind a working Group set up at the end of 2017, bringing together Paris Aéroport, 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 while, in 2020, other companies expressed their interest in taking part.

4.3.5 Environmental indicators

4.3.5.1 Carbon Emissions

		Air France-KLM Group			
		Unit	2019	2020	20/19
Greenhouse gas emissions (Scope 1 GHG protocol)⁽³⁾	Conventional Aviation Fuel √	ktons CO ₂	28,228	13,999	-50%
	CO ₂ savings from Sustainable Aviation Fuel	ktons CO ₂	n.a.	0.5	n.a.
	Ground Operations	ktons CO ₂	60.7	49.0	-19%
Greenhouse gas emissions (Scope 2 GHG protocol)	Electricity	ktons CO ₂	7.6	6.8	-11%
Greenhouse gas emissions (Scope 3 GHG protocol)	Upstream emissions from fuel production	ktons CO ₂	5,917	3,034	-49%
Total carbon Emissions		ktons CO ₂	34,203	17,088	-50%
Offsetting	Mandatory carbon offsets	ktons CO ₂ credits	3,253	111	-97%
	Voluntary carbon offsets	ktons CO ₂ credits	24	623	n.a.
	Customers' carbon offsets	ktons CO ₂ credits	98	51	n.a.

√ Figures verified by KPMG for 2020 (reasonable level of assurance).

(1) Air France Group scope: all flights under AF and A5 code operated by Air France and HOP!, all flights under TO code operated by Transavia France.

(2) KLM Group scope: all flights operated by KLM, KLM Cityhopper, Martinair and Transavia.

	Air France Group ⁽¹⁾			KLM Group ⁽²⁾		
	2019	2020	20/19	2019	2020	20/19
	16,195	7,319	-55%	12,033	6,680	-43%
	n.a.	0	n.a.	n.a.	0.5	n.a.
	21.3	17.7	-17%	39.4	31.3	-21%
	7.6	6.8	-11%	0	0	0%
	3,394	1,586	-53%	2,523	1,448	-43%
	19,613	8,930	-54%	14,590	8,159	-44%
	1,643	0	-100%	1,610	111	-93%
	0	608	n.a.	24	15	n.a.
	0	n.a.	n.a.	98	51	n.a.

4.3.5.2 Flight Operations

		Air France-KLM Group			
		Unit	2019	2020	20/19
Consumption of raw materials	Conventional Aviation Fuel [√]	ktons	8,961	4,430	-50%
	Sustainable Aviation Fuel	ktons	6.9	0.2	n.a.
Fuel efficiency	Specific CO ₂ footprint for passenger transport	g.CO ₂ /pax km	79	102	+29%
	Specific CO ₂ footprint for cargo transport	g.CO ₂ /100kg cargo km	44.5	57	+28%
Non-carbon emissions	NO _x low altitude (<3,000 ft)	ktons	9.5	4.8	-49%
	SO ₂ low altitude (<3,000 ft)	ktons	0.8	0.3	-63%
Noise impact	Global noise energy indicator	10 ¹² kJ	1.69	0.82	-51%

[√] Data verified by KPMG for 2020 (reasonable level of assurance).

(1) Air France Group scope: Flights under the AF and A5 codes, operated by Air France and HOP!, flights under the TO code operated by Transavia France.

(2) KLM Group scope: Flights operated by KLM, KLM Cityhopper, Martinair and Transavia.

Air France Group ⁽¹⁾			KLM Group ⁽²⁾		
2019	2020	20/19	2019	2020	20/19
5,141	2,316	-55%	3,820	2,114	-44%
0	0	n.a.	6.9	0.2	-97%
82	102	+24%	75	101	+35%
46.6	60	+29%	42.8	56	+31%
6.3	3.0	-52%	3.2	1.8	-44%
0.5	0.2	-60%	0.3	0.1	-67%
1.00	0.46	-54%	0.69	0.36	-48%

4.3.5.3 Ground Operations

			Air France-KLM Group		
			2019	2020	20/19
		Unit			
Consumption					
Electricity	Total consumption	MWh	267,564	236,614	-12%
	of which renewable	MWh	102,359	92,906	-9%
Other energies	Fuels	MWh	159,671	123,598	-23%
	Natural Gas	MWh	111,088	95,797	-14%
	Steam/other heating/cooling	MWh	80,146	66,046	-18%
	of which renewable	MWh	24,848	16,109	n.a.
Water	Water consumption	m ³	481,609	464,465	-4%
Non-carbon emissions					
	NO _x	ktons	0.445	0.322	-28%
Waste					
Non-hazardous industrial waste	Total quantity	tons	20,456	13,482	-34%
	Percentage recycled	%	38%	39%	+1 pt
Hazardous industrial waste	Total quantity	tons	4,305	3,811	-11.5%
	Percentage recovered	%	54%	58%	+4 pts

(1) Air France and its subsidiaries (HOP!, Sodexi, CRMA, BlueLink and Transavia France).

(2) 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.

(3) Renewable electricity certificates are purchased based on an annual estimation of electricity consumption and therefore may vary from actual consumption.

Air France Group ⁽¹⁾			KLM Group ⁽²⁾		
2019	2020	20/19	2019	2020	20/19
192,193	167,039	-13%	75,371	69,575	-8%
26,249	23,331	n.a.	76,110 ⁽³⁾	69,575	n.a.
61,463	51,865	-16%	98,208	71,733	-27%
31,989	23,235	-27%	79,098	72,561	-8%
80,146	66,046	-18%	n.a.	n.a.	n.a.
24,848	16,109	n.a.	n.a.	n.a.	n.a.
321,622	328,183	+2%	159,986	136,282	-15%
0.276	0.207	-25%	0.169	0.115	-32%
5,073	3,875	-24%	15,382	9,608	-38%
65%	50%	-15 pts	29%	35%	+6 pts
2,592	2,148	-17.1%	1,713	1,663	-2.9%
45%	49%	+4 pts	68%	70%	+2 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 Économiques*, 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 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 "Fuel consumption" and "CO₂ emissions" 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 and A5 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 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).

- The Air France consolidated subsidiaries: HOP!, CRMA, Sodexi, Blue Link and Transavia France.

Furthermore, 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.

- The 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).

Reporting tools

The environmental indicators are assembled at local level via different reporting tools: Osyris (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 & Compliance 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 annually.

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 N-1 until September 30 N.

Definition of the key performance indicators

Comments on changes in the indicators

In 2020, the Covid-19 public health crisis had a very material impact on Air France–KLM's activity and results. Border closures, health measures to be respected for travel and a climate of international alarm devastated the air transport industry. Thus, all the published indicators have been impacted and do not reflect Air France–KLM's long-term commitments and its environmental performance in recent years.

While kerosene consumption and carbon emissions may have been reduced by nearly 50% in 2020 (as with NO_x, LTO and noise hindrance), the carbon footprint (in grams of CO₂ per passenger kilometer) deteriorated given the redeployment of the network and a collapse in the load factor (from 87% in 2019 to 65% in 2020). This indicator returned to its 2005 level. Note also that, in 2020, passenger traffic collapsed by more than 70% and the outlook looks similar for 2021. To a lesser extent, the indicators for the ground operations were also impacted by this major crisis.

CO₂ efficiency per passenger kilometer

The 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 6% 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 ground operations

The CO₂ emissions from the ground operations include all scope 1 and 2 emissions at locations in France and the Netherlands.

Non-recycled waste

The total non-recycled waste is defined as the total waste disposed (Eural D code) plus incinerated waste (Eural R1 code).

Noise footprint

The trend in noise energy and traffic is determined by comparing the total noise energy calculated for the reporting period with the value for the year 2000. The number of movements and the noise energy per aircraft are the main parameters of this indicator.

Comments on changes in the environmental indicators

Carbon emissions

The direct and indirect CO₂ emissions are reported in line with the greenhouse gas 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 the greenhouse gasses.

Scope 1 – Aviation fuel

The 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 emissions= 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. 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 fuel production

These emissions are generated during the production, transportation and distribution of kerosene. The emission factor for scope 3 calculations is the ICAO full life cycle GHG emissions factor (89gCO₂e/MJ for jet fuel A1).

Offsetting – Mandatory carbon offsets

The volume of reported mandatory carbon offsets is based on the annual reporting of the EU ETS and, in future, of CORSIA. Free allowances and the trading costs are excluded.

Offsetting – Voluntary carbon offsets

The volume of voluntary carbon offsets is calculated based on the calendar year. Voluntary CO₂ compensation paid by customers is not included. The reported offsets are purchased and paid by Air France and KLM (for example for duty trips and 100% of CO₂ emissions from domestic flights at Air France as of January 2020) and are Gold Standard 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 raw materials – Conventional Aviation Fuel

This is the actual conventional aviation fuel consumption for each flight. It includes the fuel consumption for the use of the APU.

Consumption of raw materials – Sustainable Aviation Fuel

This is the quantity of Sustainable Aviation Fuel (SAF) purchased during the reporting period.

Fuel efficiency – CO₂ emissions for passenger transportation

The 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 and adjusted by the Flight Plan distance/ground circle distance ratio. The CO₂ emissions for passengers are based on fuel use, from which are deducted the CO₂ savings from SAF use.

Fuel efficiency – CO₂ emissions for cargo transportation

The 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 are deducted the CO₂ savings from the use of SAF.

Non-carbon emissions – NO_x low altitude

The methodology used for the calculation of 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 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.

Noise impact – Global noise energy indicator

The total noise energy indicator is calculated according to the methodology defined by the DGAC (*Direction Générale d’Aviation Civile* or French Civil Aviation Authority). The flights concerned are those which are operated, franchised and chartered under the AF or KLM codes, with the exception of code shares.

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: Fuels

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.

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 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 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.

Non-carbon emissions – SO₂

The calculation of the SO₂ emissions is based on the average sulfur content of kerosene used in engine testing and the fuel used to power the ground vehicles and runway equipment. The change in SO₂ emissions is mainly explained by the variations in sulfur content from one year to the next.

Waste – Non-hazardous industrial waste and percentage recycled

Non-hazardous waste is monitored and reported by specialized waste management suppliers. The KLM scope includes KLM Catering Services and thus includes catering waste, unlike the Air France scope. The reported percentage of recycled non-hazardous waste covers all waste that is collected separately for recycling purposes. The recycling percentage does not cover the waste that is incinerated with energy recovery (EURAL R1 code).

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) and 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 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	20/19 variation	2020 target
Net Promoter Scores (NPS)	Change in the NPS (expressed as an annual average) of Air France, KLM, Transavia (France and the Netherlands) between 2019 and 2020 Achievement of the 2020 target	Air France	+13 pts	Yes
		KLM	+12 pt	Yes
		Transavia France	+20 pt	Yes
		Transavia Netherlands	+6 pt	Yes

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”). 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 and KLM’s IOSA certifications were last renewed in 2019; the renewal audit for KLM was successfully executed in 2020 and the renewal of the certification is scheduled for 2021.

See also section 3.1.2 in chapter 3 “Risks and risk management”.

Measures and action plan

To achieve the highest attainable standard of Flight Safety, each company 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.

More broadly, Air France develops 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 thereby 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.

KLM's Safety Culture program, which includes promotion, communication, training and learning interventions, is embedded throughout the company 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 the partner airlines.

Governance

Corporate 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 also held four times 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 2020, KLM continued its focus on Occupational Safety hazards by renewing the main Occupational Safety Policy to provide structure for the required mitigating action. However, the main focus in 2020 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 and are 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, results and 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.

KLM is 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 is targeting the development of an ever-stronger safety-first culture since this is an area in which it must make continuous progress by accepting no compromise. Hence the launch of the Safety Attitude program at the end of 2018, aimed at further reinforcing this culture and promoting industry best practices. The Safety Attitude program began with a comparative study of five benchmark companies, supplemented by a diagnostic phase carried out by an independent body. 22,500 employees from all the Air France business lines replied to a questionnaire and more than 600 people were interviewed. This in-depth diagnostic enabled the identification of areas for work that will federate all employees around a shared Safety-first Culture embedded in operations, based on transparency and trust. In 2020, the implementation process continued with the involvement of staff and the various divisions to maintain a culture of transparency, respect of the procedures, evaluation of non-technical skills and inter-business-line exchanges.

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

No accidents or serious incidents took place during 2020. The drafting of reports rate on Flight Safety events by employees was in line with the objective set, thus contributing to the effective 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 born 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 analyse the signals coming from the Safety Management System and to take the appropriate action. The current Flight Safety indicators show no deterioration in the level of flight safety.

Health security and commercial measures

Context and strategy

In 2020, 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.

Furthermore, unprecedented commercial measures were put in place by the Group's airlines to enable their customers to plan their travel with peace of mind.

Measures and action plan

KLM, Transavia and Air France under its new label *Air France Protect* have implemented specific measures at each stage of the

customer journey guaranteeing the strictest health conditions. Since June 1, 2020, the wearing of an FFP1, 2 or 3 surgical mask has thus been mandatory as of arrival at the airport and on board the aircraft for the whole duration of the flight. For their protection and that of customers, all employees are also equipped with masks.

At the airport, posters, announcements and floor signage remind people of the physical distancing measures. All the sales, check-in and boarding counters are equipped with plexiglas protective screens. The check-in counters and self-service kiosks are regularly disinfected. Hydroalcoholic gel dispensers are available throughout the customer journey. Body temperature checks may be implemented on the departure of certain flights.

All the health measures are also implemented in the lounges: hydroalcoholic 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. Furthermore, the 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.

During the lockdown phases in Europe, the inflight service was adapted to minimize contact. The teams received detailed instructions and new procedures to be able to work in safety and guarantee respect of the new standards. Lastly, the press and magazine offer and inflight sales was suspended.

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 the booking of 100% flexible tickets, postponement and reimbursement solutions, and special commercial measures to enable a maximum amount of flexibility.

Results and performance

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 and approaching 60% reply that they felt comfortable during their journeys; around 23% say 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 companies 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 plan

The management system is based on four processes, steered by a centralized unit within Air France. 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, etc. 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, etc. 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 Air France's catering suppliers has been maintained while adapting the model. Food safety audits have continued for some catering suppliers. In-house microbiological checks, water analyses and temperature checks have been maintained proportional to the Air France flight schedule.

At KLM, risk control relating to food safety is managed in several different ways. Firstly, all KLM 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 conducted to verify the exhaustiveness and effectiveness of the traceability within all KLM 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 KLM's in-house ISO 17025-accredited laboratory.

Results and performance

Back in 2006, Air France became the first airline in the world to attain 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 2020, 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 November 2020. 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.

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 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 2019, the Group was ranked amongst the leading large companies. 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 has developed four major cybersecurity programs in recent years:

- a program directed at more effective cybersecurity techniques, to adapt to the evolving cyber threats;
- an awareness-raising program for all staff;
- a program to ensure regulatory compliance;
- a program to support the digital transformation to offer a simplified 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 Flight Safety. 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 in chapter 3 "Risks and risk management".

Data privacy

Context and strategy

In force since May 25, 2018, the European General Data Protection Regulation (GDPR) to protect personal data firstly extended the rights of data subjects and, secondly, strengthened the accountability and obligations for data controllers, requiring proof of compliance on personal data protection.

To respond to the GDPR requirements, in 2018 Air France and KLM deployed a broad-ranging program to reinforce their cybersecurity policies and define a strengthened personal data management framework to ensure compliance with privacy by design and by default principles.

Measures and action plans

In 2020, based on a Customer Digital audit, several key points were identified which can also be applied more generally to data privacy governance:

- several steps forward were achieved on improving progress monitoring within a sole governance framework with, notably, the implementation of improved meeting structures and a dashboard;
- the register of processing activities was finalized and aligned between Air France and KLM;
- the roll-out of a privacy tool, suspended in March 2020 owing to the public health crisis, resumed in November 2020;
- the data breach procedure was also reinforced in 2020.

Results and performance

The overall effectiveness of the privacy compliance framework is assessed on a regular basis thanks to a dedicated Internal Audit program. This framework was improved and reinforced in 2019 and 2020. An *ex post* audit will be carried out to ensure the adequacy of the improvements made.

The risks associated with the protection of privacy and data are becoming increasingly material, meaning that privacy and data

protection compliance remains an absolute imperative for the Air France-KLM Group.

See also paragraph 3.1.3 in chapter 3 “Risks and risk management”.

4.4.3 Accessibility of 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.

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* business partner, Accéo.

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 assisting 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.

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, more than 78% of whom were looked after at Roissy-CDG.

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, in terms 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, onboard 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 legislation. This includes, in particular, respect for Human Rights and the fight against corruption, tax fraud and tax evasion.

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.

Key Performance Indicator	Definition	2019 results	2020 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, 2020 divided by the total number of employees invited to undertake this training	86%	85%

Definition

Scope: Target group of Air France–KLM Group employees.

For the target group of employees, the training is mandatory. 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, 2020 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%.

4.5.1 Group reference texts

The Air France–KLM Principles

In 2020, Air France–KLM updated its Social Rights and Ethics Charter and renamed this document The Air France–KLM Principles. Its aim is to reaffirm to all employees the Group's commitment to fostering a climate of mutual trust, respect, transparency and confidentiality in a work environment where health, safety and the quality of life is a major priority on which there may be no compromise. The Principles apply above all to every employee in the Air France–KLM Group, including those on part-time and temporary contracts. They serve as a shared foundation for all the companies within the Group and support new initiatives, procedures, rules, and Codes of Conduct. This "The Air France–KLM Principles" document was developed in cooperation with the European Works Council.

For the most part, these Principles apply to all Air France–KLM stakeholders irrespective of their form and the Group encourages all its customers, shareholders, business partners and local communities to respect them.

Further 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.

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 have 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 been supplemented by a Supplier Code of Conduct which specifies the commitments on Human Rights, health and safety, the environment and ethics.

4.5.2 Respect of Human Rights

Air France–KLM supports the protection of Human Rights, combats corruption and opposes all forms of child and forced labor.

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.

Through The Air France–KLM Principles, the Group affirms its commitment to fostering a climate of mutual trust, respect, transparency and confidentiality.

These values and 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 Sustainable Development Charter 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 must 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 were initiated in 2019 will continue in 2021.

4.5.3 Business ethics

Fair business practice

Context and strategy

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.

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 in 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 with regard to the anti-corruption legislation.

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 were both updated and supplemented in 2020. 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 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.

Measures and action plans

Compliance program and governance bodies: 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.

Compliance functions: 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 correspondants 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 correspondants facilitate compliance with specific legislation and the roll-out of the relevant elements of the compliance program.

Training and awareness: 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.

Whistle-blower procedure: 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 relating to the duty of vigilance (Human Rights, fundamental freedoms, health and safety, environment), pursuant to the regulation in force.

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.

Results and performance

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 2020, the realization rate for this training reached 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.

Reports under the Whistleblowing procedures are investigated and the appropriate corrective actions are taken and implemented.

See also section 3.1.2 "Risks relating to the air transportation activity".

Tax strategy

Group tax policy

The foundations of the tax policy implemented by Air France–KLM are based on three key principles: Compliance, Transparency and Risk Management.

Compliance

Air France–KLM recognises the important role fiscal compliance plays in its strategy and undertakes to act with integrity and transparency in all tax matters.

The Group's tax policy aims to act at all times in accordance with the applicable local and international laws (bilateral tax treaties, OECD and UN guidelines), and to prevent tax evasion. 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. Air France–KLM complies with the letter and spirit of the tax law and regulations wherever the Group has a taxable presence.

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 appropriately 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 are filed in a timely and accurate manner that meets the fiscal obligations of Air France–KLM to the tax authorities and taxes due are paid on time.

Transparency

Tax is an integral part of the Finance function within Air France and KLM and supports Air France–KLM's corporate strategy. Tax affairs are managed in a way which takes into account the Group's corporate values. 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.

On March 14, 2019, a fiscal partnership was signed between the French tax authorities and Air France–KLM, the consolidating entity of the French tax group. This partnership is aimed at improving the relationship with the French tax authorities within the framework of the day-to-day operations and ongoing tax audits.

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 which might be deemed improper at the fiscal level.

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 Law on October 23, 2018 (Act No. 2018-898).

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). To take the Covid-19 pandemic into account, the deadlines for filing the first reports were postponed by the French and Dutch tax authorities until the end of January 2021. Both Air France and KLM's tax departments have reviewed the compliance reporting obligations that the businesses are potentially facing under the

new Mandatory Disclosure Rules (MDR) in relation to certain cross border arrangements.

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 some 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	2019 results	2020 results	2021 targets
Percentage of suppliers having signed the Sustainable Development Charter	Number of Air France and KLM suppliers under contract having signed Air France–KLM's Sustainable Development Charter divided by the total number of Air France and KLM suppliers under contract.	68%	53%	75%
Number of suppliers evaluated by EcoVadis	Number of suppliers under contract with Air France and KLM evaluated by the CSR rating agency EcoVadis or an equivalent body.	414	262	100 additional suppliers

Definitions

Percentage of suppliers having signed the Sustainable Development Charter.

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 Sustainable Development Charter.

The indicator measured is the number of Air France and KLM suppliers under contract (monitored via ARIBA) having signed the Charter divided by the number of suppliers concerned (under contract followed under ARIBA) (end December of the reference year).

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).

4.6.1 Local development

Context and strategy

The Group's direct and indirect activities contribute to economic development at 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 in 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. With more than three-quarters of the jobs linked to sub-contracting located in Europe, 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 43 French airports (in mainland France and overseas), reinforces the appeal of the regions and contributes to the growth in local activity (more than €710 million of contractual procurement).

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 part 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 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, 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*, *Article 1* 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, Schiphol Aviation College, the Amsterdam University of Applied Sciences and the JINC foundation. The KLM Maintenance division offers internships to students training for the aeronautical mechanics professions: around 75 students from MBO College Airport and 25 students from higher professional or university education benefited from internships at KLM in 2020. KLM is also pursuing its partnership with Schiphol Aviation College.

Air France and KLM continue to support workers with disabilities by using companies in the sheltered and adapted sector for multiple projects (e.g. upkeep of green spaces at some sites, shipment of packages of uniforms, packaging of headphones used on board), and by entrusting them with highly-critical services

(four sheltered sector suppliers work with the Air France–KLM IT department).

Both Air France and KLM support employee citizenship initiatives. In 2020, the third Air France Citizenship Day took place involving 2,000 employees who volunteered to assist 66 associations in 12 French regions around six areas for action: supporting children in need, education-training-employment, disability and health, combating insecurity, the environment and intergenerational solidarity. Despite the public health crisis, one third of the actions went ahead as planned.

Social partnerships

Air France provides practical support to development projects through five long-standing partnerships: the Air France Corporate Foundation, the Air France Humanitarian Aid Department, Acting for Life, *Aviation Sans Frontières* and *Gawad Kalinga*.

In 2020, the Air France Foundation 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 this particularly challenging year, the Air France Foundation also supported six projects directly linked to the social and health crisis while offering Air France employees the opportunity to get involved. In 2020, the Air France Foundation was active in 36 projects and 18 countries with 110,000 beneficiaries. The Friends of the Air France Foundation network mobilises more than 4,800 employees around different volunteer working, skills-sharing and donation-based initiatives.

The Air France Humanitarian Aid Department supported 27 NGOs helping children in need of medical care. In response to the 2020 health situation linked to Covid-19, 157 tickets were issued for the transportation of medical teams and the repatriation of sick children. Furthermore, within this same context, free carriage of excess baggage was also offered to more than 19 NGOs for the transportation of medical and emergency equipment.

In 2020, Acting for Life, which Air France has partnered for more than forty years, ran 26 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 400 sick children on the airline's flights and shipped nearly 4,500 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 notably 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. This year, as of the onset of the public health crisis, many of

them mobilized alongside *Aviation Sans Frontières* to provide additional support for the medical and logistics teams in public health institutions, notably the AP-HP (Public Assistance-Paris Hospitals) and nursing homes.

Twenty-three 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 several years, Transavia has supported 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 2020, due to the public health crisis, this journey was not possible. However, Transavia donated Christmas gifts to children in the Villejuif and Bicêtre hospitals.

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 October 2020, Transavia operated a special flight in the colors of the *Les Hôtesse de l’Air Contre le Cancer* association while, in November 2020, this operation was repeated for the *Les Hommes de l’Air* association, the aim of these initiatives also being to raise customer awareness.

Since 2019, Transavia has fostered diversity by supporting *Personn’Ailes*, Air France’s LGBT and gay-friendly association. On December 2, 2020, Transavia organized a special flight to raise awareness of the fight against AIDS.

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. During 2020, ECPAT and Air France had to release additional resources to provide support for local centers treating children sick with Covid-19.

In the event of natural disasters, Transavia, Air France and KLM Cargo participate in the shipment of emergency equipment. Thus, in solidarity with Lebanon which suffered substantial damage from two explosions, more than 15 tons of donations collected by staff volunteers were carried and delivered to the

Air France–KLM delegation in Beirut, which redistributed them to local associations.

KLM works in partnership with Wings of Support and six other organizations: WWF, the Ocean Cleanup, Close the Gap, the Red Cross, UNICEF and Giro555. In 2019, the Wings of Support Foundation was the main charity to be backed by KLM, with KLM flight crews and ground staff having been actively involved in the Foundation’s projects. In 2020, Wings of Support assisted more than 100 projects in 17 countries worldwide.

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. In 2020, 119 million Miles were donated to NGOs. Furthermore, in a one-off campaign for medical staff realized during June 2020, 130 million Miles were donated to the *Fédération Hospitalière de France* (FHF), i.e. 2,463 beneficiaries, and 128 million Miles to *Verpleegkundigen & Verzorgenden Nederland* (V&VN), i.e. 2,000 beneficiaries.

Solidarity chain linked to the public health crisis

The global public health crisis caused by Covid-19 led to the largest repatriation operation ever seen worldwide: Air France, KLM and Transavia operated more than 5,200 flights enabling the repatriation of more than 500,000 fellow European compatriots. The Air France–KLM Group mobilized and worked in close cooperation with the competent government departments to identify and prioritize the needs in the different countries, in liaison with the embassies and Air France–KLM representations across the world.

The Group also actively participated in the air bridge between China and Europe for the transportation of masks and medical equipment with, for example, the operation of seven flights a week in Air France’s Boeing 777 and Boeing 777 cargo aircraft.

As of the onset of the crisis, across all the divisions and professions, and at all levels of the business, multiple personal and collective solidarity initiatives have taken place in support of medical staff and/or individuals affected by the virus and its economic consequences. Several thousand comfort and well-being articles initially intended for customers were donated in over twenty hospitals across France: in total, more than 17,000 amenity bags and thousands of sleeping masks and ear plugs were donated to intensive care patients and nursing staff, along with 20,000 kits containing basic items and audit headsets originally intended for inflight entertainment. Numerous food items normally offered to customers and unused given the collapse in activity were donated to charitable associations like *L’Agence du Don en Nature*, *Les Restaurants du Cœur*, *Le Samu Social*, *Les Œuvres de la Mie de Pain* and the Food Bank. Six thousand five hundred meal boxes for customers in the event of service disruption (substantial delay, cancellation, etc.) were distributed to *Restos du Cœur*, thus avoiding food wastage.

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 2020, KLM was one of the five largest private sector employers in the Netherlands. The KLM Group accounted for more than 28,000 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.

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 €13 billion per year although this figure was down in 2020 owing to the Covid-19 public health crisis and air transport operations twice coming to a virtually total standstill. 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.

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 has invested €22 million in supply contracts, on-site operations, subcontracting and services in favor of the protected and adapted sector. This corresponds to a 5% increase within a context of relentless optimization of the company’s costs. Air France maintains long-term partnership relations, thus enabling these companies to develop in a sustainable context.

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 companies in the adapted and protected sector (STPA) for multiple projects (e.g. maintenance of green spaces at certain sites, shipment of uniform packages) and 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 2020, Air France–KLM allocated €3.3 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.

Measures and action plan

Pursuing a responsible procurement policy throughout the whole process

Air France–KLM pursues a responsible procurement policy throughout the process:

- during the supplier referencing process, the Group send suppliers a supplier questionnaire, addressing a number of themes such as safety, environmental management, HR policy, etc;
- 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;

- supplier contracts include an ethical and environmental clause based on the relevant products and services.

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.

Following their evaluation, suppliers having failed to reach an acceptable level will need to put in place corrective measures to meet the Procurement Department’s requirements. At Air France–KLM, these cases are discussed during quarterly Steering Committee meetings, overseen by the Procurement and CSR Departments.

Air France is pursuing its ambitious Purchase Plan launched in 2018, aimed at capturing more innovation with its suppliers and, in particular, with small and medium-sized companies and start-ups. Purchasing from the sheltered and adapted sector reaffirms Air France’s values and thus underscores its commitment to Societal and Environmental Responsibility. In 2019, Air France organized four Purchasing meetings aimed at increasing procurement with SMEs, the sheltered sector and innovative companies.

Since March 2020, through a risk manager, the Procurement Department 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, SME and ESAT purchasing mindset was a focus of concern this year.

The KLM Fuel Procurement Department 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 2023, 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 bioLPG, 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 be followed 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 Procurement Sustainable Development Charter 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).

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.

The Procurement Action Plan sets out the CSR undertakings as a strategic lever; this Plan has been distributed to the team and forms part of the induction 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.

Mobilizing and innovating with suppliers

The Supplier Relations Management Program (SRM) is based on building long-term relationships between Air France–KLM and its strategic suppliers. This program enables issues like Corporate Social Responsibility to be central to discussions and to move forward together on these issues.

In November 2020, an Air France–KLM Supplier Summit took place during which one of the subjects was CSR. The aim was to ensure that the Group’s suppliers understand that CSR is a strategic priority for Air France–KLM and for them. Thus, 67.7% of the Group’s suppliers have CSR as one of their Top 3 strategic goals for 2020, while research and development, CSR compliance, a reduction in CO₂ emissions and local procurement are all part of their mindset.

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.

Air France thus entrusts a significant proportion of its procurement to SMEs. Through a formalized action plan, the Procurement function promotes the development of SMEs and start-ups through initiatives such as the creation of an innovation counter and participation in incubators and on specific themes. Procurement is committed to building high-quality relationships with SMEs. To promote and protect this ecosystem, Air France is a member of the SME Pact and establishes an action plan on an annual basis within the context of its relationships with SMEs (midcaps, start-ups and VSBs). These actions include a reduction in payment terms thanks to the extension of Tradeshift (cloud-based business network and platform for supply chain payments) and also the strengthening and deployment of innovation *via* a “Start-up Kit”, enabling the company to work more nimbly with start-ups and promote POC (“Proof of Concept”).

Air France cooperates with associations and companies in the sheltered sector on multiple projects which represented approximately €21 million of the Group’s purchasing in 2020 (e.g. upkeep of green spaces at some sites, shipment of packages of uniforms, packaging of headphones, etc.).

KLM Procurement is working 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 will be 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. For Air France, the accident record for sub-contractors is tracked 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-ecoresponsible onboard product. Air France is thus working on the development of responsible catering, in terms of both the food services and the tableware used.

For catering procurement, in partnership with its different caterers and suppliers, whenever possible Air France prioritizes local products which are responsible and seasonal. Certified protected origin products (*produits d’appellation d’origine contrôlée et protégée* – AOC/AOP), particularly cheese, are part of a broad range of products. Organic food products are also offered, particularly in the meal trays for children. Seafood originating from sustainable fishing is an integral part of the catering proposition.

For on-board tableware, multiple criteria are taken into consideration: 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 also 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.

A key performance indicator enables the quantity of single-use plastic eliminated on a change in product to be evaluated. Aimed at reducing its usage by 80% by 2025, the potential for eliminating single-use plastic on board is also monitored. Lastly, during 2020, collaboration between the Solar Impulse Foundation and Air France enabled the launch of an innovation challenge to find a viable alternative to replace the current champagne glass in Economy class.

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” egg, chicken and veal, and UTZ-certified coffee, tea and chocolate.

Results and performance

Through its website (www.af-KLM.com/procurement), Air France–KLM 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 Sustainable Development Charter.

In 2020, 53% of suppliers signed the Sustainable Development Charter and, in 2021, the goal is to increase this figure to 75%.

In 2020, the number of companies evaluated by EcoVadis or an equivalent body stood at 262. As part of a continuous-improvement process, Air France – KLM aims to evaluate 100 additional suppliers in 2021.

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 new Act. 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. In 2020, Air France – KLM pursued these actions and focused on measuring their effectiveness within the Group and its subsidiaries. This will also be the case in 2021.

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.

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 towards the formalization of principles fostering the respect of Human Rights. This new document, intended for both internal and external use, entitled The Air France – KLM Principles, was published in 2020.

These 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 put in place 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. They 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 has been 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. Risk is also evaluated by country.

For all new contracts or contract renewals, the signature of the Sustainable Development Charter 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 2020, at the Group’s request, 262 suppliers had their sustainability performance evaluated.

See section 4.6 “Societal value”.

Listening to stakeholders and whistle blower mechanism

In 2019, 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 2017 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 Whistleblowing 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.

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the “entity”) appointed as Independent Third Party, and accredited by the French Accreditation Committee (*Comité Français d'Accréditation* or COFRAC) under number 3-1049⁽¹⁾, we hereby report to you on the consolidated non-financial statement for the year ended 31 December 2020 (hereinafter the “Statement”), included in the entity’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*).

Responsibility of the entity

The Management Board’s is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity’s procedures (hereinafter the “Guidelines”), the main elements of which are presented in the Statement and available upon request at the entity’s head office.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de Déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Responsibility of the Statutory Auditors 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;
- the fairness of the information provided in accordance with article R. 225-105 I, 3° and II of the French Commercial Code,

i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the “Information”).

Our responsibility is also to provide a report expressing, at the request of the entity and outside of the scope of accreditation, a reasonable assurance conclusion that information selected by the entity, presented in Appendix and identified with the symbol √ in chapter 4 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 French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Article A.225-1 *et seq.* of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* or CNCC) applicable to such engagements and with ISAE 3000⁽²⁾:

- 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 set out in article L. 22-10-36, paragraph 2;
- 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

(1) Accreditation COFRAC Inspection, number 3-1049, scope available at www.COFRAC.fr

(2) ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information

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 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,
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix. Concerning certain risk⁽¹⁾, 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⁽²⁾.
- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code, within the limitations set out in the Statement;
- we obtained an understanding of 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 presented in Appendix, 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 entities⁴ and covers between 36% 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.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of eight people between November 2020 and February 2021 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 ten interviews with the people responsible for preparing the Statement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial 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.

Paris-La Défense, on 18 February 2021

KPMG S.A.

Fanny Houlliot
Partner
Sustainability Services

Éric Dupré
Partner

(1) 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.

(2) 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 air operations.

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 Appendix and identified with the symbol √ in chapter 4, we conducted the same procedures as those described in the paragraph “Nature and scope of our work” (for the most important non-financial information). However, these procedures were more in-depth, particularly regarding the number of tests.

Consequently, the selected sample represents between 96% of the information identified with the symbol √.

We believe that these procedures enable us to express reasonable assurance regarding the information selected by the entity and identified with the symbol √.

Conclusion

In our opinion, the information selected by the entity and identified with the symbol √ in chapter 4 has been prepared, in all material respects, in accordance with the Guidelines.

Appendix

Qualitative information (actions and results) considered most important

Measures in favour of teleworking and flexible working

Measures and agreements to manage the impact of Covid-19 crisis on employment

Actions in favour of gender equality and diversity

Targets and measures to reduce the carbon footprint of air transport

Actions to reduce the carbon footprint of ground-based infrastructure

Measures to reduce noise pollution in air transport

Measures regarding waste recycling and end-of-life management

Training and other measures to fight corruption and promote fair competition

Group tax policy

Sustainable Development Charter in favour of social responsibility in the supply chain

Procedures and systems for the safety and quality of operations

Measures to promote the accessibility of products and services

Customer satisfaction monitoring

Donations, partnerships and patronage

Key performance indicators and other quantitative results considered most important		Level of assurance
Human resources	Total staff at 31/12 and breakdown by age and gender	Limited
	Number of recruitments and Number of departures	Limited
	Percentage of women at 31/12	Limited
	Frequency rate of workplace accidents with lost time	Limited
	Severity rate of workplace accidents	Limited
	Number of training hours by employee	Limited
	Total staff with disabilities	Limited
	Number of collective agreements signed	Limited
	Percentage of women in the Executive Committee	Limited
	Percentage of women in managerial positions (Executive Committee, PS, PNT and PNC)	Limited
	Evolution of the Employee Promoter Score (EPS)	Limited
Environment - Air operations	Fuel consumption	Reasonable
	CO ₂ emissions of fuel consumption	Reasonable
	CO ₂ emissions for passenger transport	Reasonable
	Evolution of carbon efficiency between 2005 and 2020 (operational measures)	Reasonable
	CO ₂ emissions for freight transport	Limited
	Low altitude NO _x emissions	Limited
	Low altitude SO ₂ emissions	Limited
	Global noise energy indicator	Limited
Evolution of the overall noise energy per movement between 2000 and 2020	Limited	
Environment - Ground operations	CO ₂ emissions (Scope 1)	Limited
	Evolution of CO ₂ emissions between 2018 and 2020	Limited
	SO ₂ emissions	Limited
	NO _x emissions	Limited
	Quantity of hazardous and non-hazardous industrial waste	Limited
	Evolution of non-recycled waste between 2011 and 2020	Limited
	Percentage of hazardous industrial waste recovered	Limited
Societal	Completion rate of e-learning course on corruption prevention	Limited
	Number of suppliers evaluated by Ecovadis	Limited
	Percentage of suppliers who have signed the Sustainable Development Charter	Limited

5

FINANCIAL REPORT

5.1	Investments and financing	236
5.1.1	Investments	236
5.1.2	Financing	236
5.1.3	Structure of the financial debt and reimbursement profile	237
5.2	Comments on the financial statements	238
5.2.1	Consolidated results at December 31, 2020	238
5.2.2	Investments and financing of the Group	241
5.2.3	Consolidated equity at December 31, 2020	241
5.2.4	Air France - KLM parent company results	241
5.3	Key financial indicators	242
5.4	Subsequent events and outlook for 2021	245
5.4.1	Subsequent events	245
5.4.2	Outlook for 2021	245
5.5	Consolidated financial statements	246
5.5.1	Consolidated income statement	246
5.5.2	Consolidated statement of recognized income and expenses	247
5.5.3	Consolidated balance sheet	248
5.5.4	Consolidated statement of changes in stockholders' equity	250
5.5.5	Consolidated statement of cash flows	251
5.6	Notes to the consolidated financial statements	253
5.7	Statutory auditors' report on the consolidated financial statements	340
5.8	Statutory financial statements	347
5.8.1	Income statement	347
5.8.2	Balance sheet	348
5.8.3	Notes	349
5.9	Five-year results summary	361
5.10	Statutory Auditors' report on the financial statements	362
5.11	Statutory Auditors' Special Report on Related-Party Agreements	367

5.1 INVESTMENTS AND FINANCING

During the 2020 financial year, the Air France-KLM Group's capital expenditure on tangible and intangible assets amounted to €2,099 million and proceeds on disposals to €204 million. With net cash-flow from operating activities amounting to a negative €2,826 million, the Group generated negative operating free cash-flow of €4,721 million.

At December 31, 2020, the Group's net liquidity position amounted to €7.36 billion, including €193 million of investments

with maturities of above three months, €309 million of cash pledges and €518 million of AAA bonds. In addition, the Group had credit facilities of €2.46 billion available at December 31, 2020 (see also section 3.1.5.1 "Liquidity risk").

Net debt stood at €11.05 billion (€6.15 billion at December 31, 2019). The detailed net debt calculation can be found in Note 32 in the Notes to the financial statements).

5.1.1 Investments

(in € million)	2020	2019
Acquisition of intangible assets	(198)	(328)
Investment in flight equipment	(1,745)	(2,746)
Other property, plant and equipment	(156)	(298)
Acquisitions of subsidiaries, of shares in non-controlled entities	(1)	(1)
Loss of control over subsidiaries, disposal of shares in non-controlled entities	357	13
Proceeds on disposal of property, plant and equipment and intangible assets	204	100
Dividends received	-	14
Net decrease (increase) in Investments between 3 months and 1 year	(44)	(72)
Net cash-flow used in investing activities	(1,583)	(3,318)

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)	2020	2019
Capital increase due to new convertible bonds	-	54
Issuance of debt	11,437	1,617
Repayment of debt	(3,389)	(1,156)
Payments on lease debts	(940)	(1,008)
New loans	(282)	(89)
Repayment on loans	321	161
Dividends and coupons paid on perpetual	-	(26)
Net cash-flow from financing activities	7,147	(447)

5.1.3 Structure of the financial debt and reimbursement profile

Structure of the financial debt

The Group's gross debt stood at €15.5 billion at December 31, 2020, of which €4.59 billion is guaranteed by pledged or mortgaged assets amounting to €5.23 billion, representing 34% of the net book value of the relevant assets (see also Note 38.1 in the Notes to the consolidated financial statements). After hedging, 44% of the gross debt (excluding lease debt) is at fixed rates and 89% (excluding lease debt) is denominated in euros. The average cost of the debt is 2.55% (see also section 3.1.5 "Financial market risks").

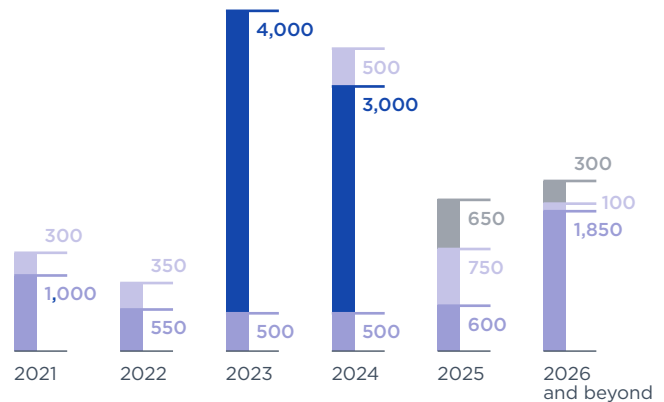
At December 31, 2020, the structure of the debt was as follows:

- market financing (bonds and perpetual subordinated loan stock): €2.5 billion;
- capital lease commitments: €3.5 billion;
- loans guaranteed by States: €4.7 billion;
- loans from States: €3.3 billion;
- other borrowings including bank debt and accrued interest: €1.5 billion.

Reimbursement profile for debt and subordinated securities, excluding lease debt and KLM perpetuals

The debt reimbursement maturities are progressive over time.

Reimbursement profile⁽¹⁾



Air France - KLM bonds
 June 2021: AFKL 3.875% (€300m)
 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)

Other long-term debt issued by Air France and KLM
 Mainly asset-backed

French State aid package
 Air France has drawn down in full the €7bn State aid package.

Dutch State aid package
 KLM has drawn down €0.9bn of the €3.4bn State aid package.

New bond issue with a five-year maturity for €750 million, paying an annual coupon of 1.875% and public tender offer for the June 2021 and October 2022 bond series amounting to a total of €350 million, realized in January 2020.

(1) Excluding operating lease debt payments and KLM perpetual debt.

5.2 COMMENTS ON THE FINANCIAL STATEMENTS

5.2.1 Consolidated results at December 31, 2020

Scope at December 31, 2020

At December 31, 2020, the consolidation scope was composed of 77 fully consolidated companies, 18 companies consolidated using the equity method and one joint-venture. Air France – KLM and its two main subsidiaries, Air France and KLM, represent 92% 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)	2020	2019	Change
Revenues	11,088	27,189	(16,101)
EBITDA	(1,689)	4,128	(5,816)
Income/(loss) from current operations	(4,548)	1,141	(5,689)
Income/(loss) from operating activities	(6,000)	1,010	(7,010)
Net income/(loss) from continuing operations	(7,083)	293	(7,377)
Net income/(loss), Group part	(7,078)	290	(7,368)
Basic earnings/(loss) per share, Group (in €)	(16.56)	0.64	(17.20)

Revenues

Consolidated revenues for the period amounted to €11.1 billion, a decrease of 59.2% and 59.1% on a constant currency basis. The 2020 financial year was characterized by a 15.8% decrease in unit revenues on a constant currency basis, due to the combined performances of the passenger (-32.4%) and cargo (+76.8%) transportation activities, both these activities being included in the Network business, and the performance of Transavia (-17.4%). In addition, Air France – KLM reduced its overall capacity by 54.4% (ASK). Air France and KLM reduced their passenger capacity by 53.9% (ASK), and their Cargo capacity by 30.7% (ATK). Transavia's capacity decline stood at 59.5% (ASK).

Revenues from the Network business decreased by 60.4% while third-party maintenance revenues decreased by 41.6%. Transavia revenues fell by 65.2%.

Operating expenses

Operating expenses declined by 40% to €15.6 billion.

External expenses decreased by 49.8% to €7.98 billion versus €15.89 billion over the previous twelve months. Excluding fuel, external expenses were down by 46.2% relative to the previous twelve months.

The breakdown of external expenses was as follows:

(in € million)	2020	2019	% ch.	% ch. at constant currency
Aircraft fuel	2,392	5,511	(56.6)	(56.3)
Chartering costs	253	525	(51.8)	(51.6)
Landing fees and en route charges	969	1,933	(49.8)	(49.6)
Catering	294	822	(64.2)	(64.1)
Handling charges and other operating costs	833	1,715	(51.4)	(51.0)
Aircraft maintenance costs	1,618	2,628	(38.4)	(38.4)
Commercial and distribution costs	346	1,029	(66.4)	(66.2)
Other external expenses	1,274	1,730	(26.4)	(26.1)
Total	7,980	15,893	(49.8)	(49.5)

The main changes were as follows:

- **aircraft fuel:** fuel expense for the year decreased by 56.3% (constant currency), mainly due to reduced capacity. The fuel bill before hedge decreased by €3,582 million, partially offset by the €463 million change in fuel hedge effects;
- **chartering costs:** the costs incurred in leasing aircraft capacity from other airlines. Their decrease in 2020 is mainly explained by lower 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 decrease in these costs is explained by the reduction in capacity;
- **aircraft maintenance costs:** they include maintenance procurement and consumption for the Group’s aircraft and for the third-party activity; their decrease is mostly due to the decline in activity;

— **commercial and distribution costs;**

- **other external expenses** principally comprise rental charges, telecommunications costs, insurance and fees.

Salaries and related costs were down by 34.9% to €5.3 billion versus €8.1 billion in 2019 mostly due to State allowances, restructuring and reduced activity.

Taxes other than income taxes stood at €137 million in 2020 versus €154 million in 2019, down by 11.0%.

Other current income and expenses stood at net income of €640 million in 2020 versus net income of €1,125 million at December 31, 2019. They included:

- capitalized production amounting to €610 million in 2020 against €1,122 million in 2019;
- a result from joint-ventures of €(7) million in 2020 against €(49) million in 2019;
- €79 million from currency hedges in 2020 versus €64 million at December 31, 2019;
- a €(32) million expense booked in respect of CO₂ quotas versus €(54) million in the previous financial year.

EBITDA

EBITDA amounted to €(1,689) million (versus €4,128 million at December 31, 2019).

The contributions to EBITDA by business segment were as follows:

(in € million)	2020	2019	% ch.
Network	(1,678)	3,130	(153.6)
Maintenance	26	606	(95.7)
Transavia	(77)	362	(121.3)
Others	40	30	33.3
Total	(1,689)	4,128	(140.9)

Amortization, depreciation and provisions

Amortization, depreciation and provisions totalled €2.86 billion in 2020 versus €2.99 billion in 2019.

Income/(loss) from current operations

The result from current operations was negative to the tune of €(4,548) million (versus a positive €1,141 million at December 31, 2019).

The contributions to revenues and income/(loss) from current operations by business segment were as follows:

(in € million)	2020		2019	
	Revenues	Income/(loss) from current operations	Revenues	Income/(loss) from current operations
Network	9,206	(3,722)	23,272	749
Maintenance	1,248	(543)	2,138	260
Transavia	606	(299)	1,744	131
Others	28	16	34	1
Total	11,088	(4,548)	27,188	1,141

The nominal unit cost per ASK (available seat-kilometer) rose by 31.6%. In addition, there was a 0.7% decrease on currency variation and a fuel price decrease of 4.6%. Together this amounted to a unit cost ex currency ex fuel price effect of +36.9%.

Income/(loss) from operating activities

The result from operating activities amounted to €(6,000) million (€1,010 million in 2019).

Over the 2020 financial year, the result from operating activities included, notably:

- the impact of the A380, A340, Boeing 747 and CRJ700 phase-outs amounting to €(672) million;
- restructuring charges for Air France, KLM and HOP! of €(822) million.

Over the 2019 financial year, the result from operating activities had included, notably:

- the impact of the A380 phase-out amounting to €(126) million;
- restructuring charges of €(36) million.

These operations are detailed in Note 10 in the Notes to the financial statements.

Net cost of financial debt

The net cost of financial debt increased to €477 million versus a net cost of €393 million during the previous financial year. This is explained by a:

- €54 million increase in interest on financial debt;
- €30 million decrease in interest on financial assets.

Other financial income and expenses

Other net financial income and expenses amounted to €(451) million in 2020 versus €(271) million in 2019. The breakdown was as follows:

- a foreign exchange gain of €300 million versus €(80) million in 2019. At December 31, 2020, the foreign exchange result 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 on the debt in US dollars (€28 million) and Japanese yen (€29 million). At December 31, 2019, the foreign exchange result had mainly included a €82 million unrealized foreign exchange loss, composed of a loss of €42 million on return obligation liabilities and provisions on aircraft leased in US dollars, and a €36 million foreign exchange loss on the debt in US dollars (€15 million) and Japanese yen (€26 million).

- a €(561) million impact from the change in fair value of financial and equity instruments in 2020 (versus €33 million in 2019). In 2020, due to the significant reduction in fuel consumption for 2020 and expected for the beginning of 2021, the Group was over-hedged. An amount of €(595) million was recycled to the income statement. As of December 31, 2020, an amount of €(589) million of these derivatives had been settled and €(6) million relates to the period January-March 2021.
- an accretion effect on long-term return obligation liabilities on aircraft: €(165) million in 2020 versus €(212) million in 2019, the variation being linked to a decrease in the discount rate from 6.0% in 2019 to 4.5% in 2020.

Net result – Group part

Income taxes stood at a charge of €(97) million in 2020 versus €(76) million in 2019. The effective tax rate as of December 31, 2020 was (1.4)%. The 2020 tax losses have not been recognized in deferred tax assets.

Share of profits/(losses) from associates contributed a loss of €(58) million in 2020 versus a €23 million profit 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 €(7,078) million in 2020 versus €290 million income in 2019.

The contributions to the net result by quarter were, respectively, €(1,801) million at March 31, 2020, €(2,612) million at June 30, 2020, €(1,665) million at September 30, 2020 and €(1,000) million at December 31, 2020.

Basic earnings per share, Group part amounted to €(16.56) at December 31, 2020 versus €0.64 at December 31, 2019.

5.2.2 Investments and financing of the Group

Operating cash-flow was negative to the tune of €(2.8) billion (€3.9 billion at December 31, 2019).

Capital expenditure on tangible and intangible assets amounted to €2.1 billion over the financial year (€3.37 billion in 2019), of which €964 million of investment in the fleet, €399 million in maintenance, €229 million in spare parts, €131 million in cabin refurbishment and €377 million in the ground operations and intangible assets. Proceeds on disposals of tangible and intangible assets amounted to €204 million versus €100 million at December 31, 2019.

After taking into account net capital expenditure on tangible and intangible assets, operating free cash-flow stood at €(4.72) billion (€0.62 billion in 2019). After the reimbursement of lease debt, adjusted operating free cash-flow was €(5.66) billion in 2020 (€(0.39) billion in 2019).

At December 31, 2020, the Group had €7.36 billion of net cash, of which €6.42 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 €11.05 billion at December 31, 2020 (€6.15 billion at December 31, 2019).

5.2.3 Consolidated equity at December 31, 2020

Equity attributable to equity holders of Air France-KLM amounted to €(5,427) million at December 31, 2020 against €2,284 million as of December 31, 2019. The €7.71 billion decrease is mainly explained by the following:

- a negative net result of €(7.08) billion;
- a €(209) million 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, 2020.

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, 2020, the operating result amounted to income of €2 million (compared with a loss of €(7) million in 2019).

The net result was a €(66) 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 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, 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.

At December 31, 2019, accounts payable stood at €15 million of which €11 million outside the Group, mostly not yet due within 45 days as of the end of the month.

5.3 KEY FINANCIAL INDICATORS

Restated net result

The restated net result corresponds to the net result adjusted for exceptional or non-recurring items.

	Year	
(in € million)	2020	2019
Net income/(loss), Group part	(7,078)	290
Unrealized foreign exchange gains and losses, net	(290)	82
Change in fair value of financial assets and liabilities (derivatives)	27	(29)
Non-current income and expenses	1,452	131
Tax impact on gross adjustments net result	(323)	(52)
Restated net income/(loss), Group part	(6,266)	422
Coupons on perpetual	-	(17)
Restated net income/(loss), Group part including coupons on perpetual (used to calculate earnings per share)	(6,266)	405
Restated net income/(loss) per share (in €)	(14.66)	0.95

Financial cover ratios

Net debt/EBITDA ratio

	2020	2019
Net debt (in €m)	11,049	6,147
EBITDA (in €m)	(1,689)	4,128
Net debt/EBITDA	N/A	1.49

EBITDA/net cost of financial debt ratio

	2020	2019
EBITDA (in €m)	(1,689)	4,128
Net cost of financial debt (in €m)	477	393
EBITDA/net cost of financial debt	N/A	10.50

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.

(in € million)	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
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		(4,548)		
Dividends received		-		
Share of profits/(losses) of associates		(58)		
Normative income tax		1,394		
Adjusted result from current operations after tax (B)		(3,212)		
ROCE (B/A)		N/A		

(in € million)	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Goodwill and intangible assets	1,522	1,481	1,465	1,485
Flight equipment	11,334	11,829	10,747	10,456
Other property, plant and equipment	1,580	1,554	1,530	1,504
Right-of-use assets	5,173	5,300	5,470	5,453
Investments in equity associates	307	310	305	306
Other financial assets excluding shares available for sale, marketable securities and financial deposits	140	131	125	127
Provisions excluding pension, cargo litigation and restructuring	(4,058)	(4,101)	(3,888)	(3,907)
WCR, excluding market value of derivatives	(6,310)	(6,285)	(6,957)	(6,938)
Capital employed	9,688	9,219	8,797	8,486
Average capital employed (A)		9,048		
Adjusted result from current operations		1,141		
Dividends received		(2)		
Share of profits/(losses) of associates		23		
Normative income tax		(318)		
Adjusted result from current operations after tax (B)		844		
ROCE (B/A)		9.3%		

Cost of capital

	2020	2019
Cost of stockholders' equity	14.3%	9.9%
Marginal cost of debt, post tax	2.2%	2.2%
Percentage of stockholders' equity/target debt		
Stockholders' equity	33%	48%
Debt	67%	52%
Weighted average cost of capital after taxation	6.3%	5.9%

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).

	2020	2019
Revenues (<i>in €m</i>)	11,088	27,189
Income/(loss) from current operations (<i>in €m</i>)	(4,548)	1,141
Total operating expense (<i>in €m</i>)	(15,637)	(26,048)
Network business – other network revenues (<i>in €m</i>)	635	1,021
Third-party revenues in maintenance (<i>in €m</i>)	1,248	2,138
Transavia – other revenues (<i>in €m</i>)	20	(10)
Other businesses (<i>in €m</i>)	28	34
Net cost (<i>in €m</i>)	13,706	22,864
Capacity produced, reported in ASK	151,480	332,473
Net cost, per ASK (<i>in € cents</i>)	9.05	6.88
Gross change		+31.6%
Currency effect on net costs (<i>in €m</i>)		+121
Change at constant currencies		+32.3%
Fuel price effect (<i>in €m</i>) ⁽¹⁾		+771
Change on a constant currency and fuel price basis		+36.9%
Net cost per ASK on a constant currency and fuel price basis	9.05	6.61

(1) Adjusted for 2019 capacity.

5.4 SUBSEQUENT EVENTS AND OUTLOOK FOR 2021

5.4.1 Subsequent events

See page 9, “Highlights of the beginning of the 2021 financial year”: “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.”

5.4.2 Outlook for 2021

See page 9, “Highlights of the beginning of the 2021 financial year”: “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.”

5.5 CONSOLIDATED FINANCIAL STATEMENTS

5.5.1 Consolidated income statement

Period from January 1 to December 31 (in € millions)	Notes	2020	2019
Sales	5.1	11,088	27,188
Other revenues		-	1
Revenues		11,088	27,189
External expenses	6	(7,980)	(15,893)
Salaries and related costs	7	(5,300)	(8,139)
Taxes other than income taxes		(137)	(154)
Other income and expenses	9	640	1,125
EBITDA		(1,689)	4,128
Amortization, depreciation and provisions	8	(2,859)	(2,987)
Income from current operations		(4,548)	1,141
Sales of aircraft equipment		41	22
Other non-current income and expenses	10	(1,493)	(153)
Income from operating activities		(6,000)	1,010
Cost of financial debt	11	(496)	(442)
Income from cash and cash equivalents		19	49
Net cost of financial debt	11	(477)	(393)
Other financial income and expenses	11	(451)	(271)
Income before tax		(6,928)	346
Income taxes	12.1	(97)	(76)
Net income of consolidated companies		(7,025)	270
Share of profits (losses) of associates	20	(58)	23
Net income for the period		(7,083)	293
Non-controlling interests		(5)	3
<i>Net income - Group part</i>		<i>(7,078)</i>	<i>290</i>
Earnings per share - Equity holders of Air France-KLM (in euros)			
- basic	13	(16.56)	0.64
- diluted		(16.56)	0.61

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	2020	2019
Net income for the period		(7,083)	293
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		(946)	435
Change in fair value and cost of hedging transferred to profit or loss		969	(46)
Currency translation adjustment		(4)	-
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	12.2	(10)	(115)
Total of other comprehensive income that will be reclassified to profit or loss		9	274
Remeasurements of defined benefit pension plans		(282)	1
Fair value of equity instruments revalued through OCI		(21)	(14)
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	12.2	79	(68)
Total of other comprehensive income that will not be reclassified to profit or loss		(224)	(81)
Total of other comprehensive income, after tax		(215)	193
Recognized income and expenses		(7,298)	486
— equity holders of Air France-KLM		(7,292)	483
— non-controlling interests		(6)	3

The accompanying notes are an integral part of these consolidated financial statements.

5.5.3 Consolidated balance sheet

Assets (in € millions)	Notes	December 31, 2020	December 31, 2019
Goodwill	14.2	215	217
Intangible assets	15	1,230	1,305
Flight equipment	17	11,031	11,334
Other property, plant and equipment	17	1,548	1,580
Right-of-use assets	19	4,678	5,173
Investments in equity associates	20	230	307
Pension assets	21	211	420
Other financial assets	22	795	1,096
Derivatives	36	92	238
Deferred tax assets	12.4	282	523
Other non-current assets	25	4	3
Total non-current assets		20,316	22,196
Other short-term financial assets	22	607	800
Derivatives	36	160	258
Inventories	23	543	737
Trade receivables	24	1,248	2,164
Other current assets	25	914	865
Cash and cash equivalents	26	6,423	3,715
Total current assets		9,895	8,539
Total assets		30,211	30,735

The accompanying notes are an integral part of these consolidated financial statements.

Liabilities and equity (in € millions)	Notes	December 31, 2020	December 31, 2019
Issued capital	27.1	429	429
Additional paid-in capital	27.2	4,139	4,139
Treasury shares	27.3	(25)	(67)
Perpetual	27.4	-	403
Reserves and retained earnings	27.5	(9,970)	(2,620)
Equity attributable to equity holders of Air France-KLM		(5,427)	2,284
Non-controlling interests		9	15
Total equity		(5,418)	2,299
Pension provisions	28	2,147	2,253
Return obligation liability and other provisions	29	3,670	3,750
Financial debt	30	14,171	6,271
Lease debt	31	2,425	3,149
Derivatives	36	122	107
Deferred tax liabilities	12.4	22	142
Other non-current liabilities	35	1,294	115
Total non-current liabilities		23,851	15,787
Return obligation liability and other provisions	29	1,337	714
Current portion of financial debt	30	1,318	842
Lease debt	31	839	971
Derivatives	36	363	154
Trade payables		1,435	2,379
Deferred revenue on ticket sales	33	2,394	3,289
Frequent flyer programs	34	916	848
Other current liabilities	35	3,175	3,448
Bank overdrafts	26	1	4
Total current liabilities		11,778	12,649
Total liabilities		35,629	28,436
Total equity and liabilities		30,211	30,735

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, 2018	428,634,035	429	4,139	(67)	403	(3,118)	1,786	12	1,798
Other comprehensive income	-	-	-	-	-	193	193	-	193
Net result for the period	-	-	-	-	-	290	290	3	293
Total of income and expenses recognized	-	-	-	-	-	483	483	3	486
OCEANE	-	-	-	-	-	35	35	-	35
Coupons on perpetual	-	-	-	-	-	(17)	(17)	-	(17)
Other	-	-	-	-	-	(3)	(3)	-	(3)
December 31, 2019	428,634,035	429	4,139	(67)	403	(2,620)	2,284	15	2,299
Other comprehensive income	-	-	-	-	-	(214)	(214)	(1)	(215)
Net result for the period	-	-	-	-	-	(7,078)	(7,078)	(5)	(7,083)
Total of income and expenses recognized	-	-	-	-	-	(7,292)	(7,292)	(6)	(7,298)
Perpetual bonds	-	-	-	-	(403)	-	(403)	-	(403)
Coupons on perpetual	-	-	-	-	-	(17)	(17)	-	(17)
Other	-	-	-	42	-	(41)	1	-	1
December 31, 2020	428,634,035	429	4,139	(25)	-	(9,970)	(5,427)	9	(5,418)

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	2020	2019
Net income from continuing operations		(7,083)	293
Amortization, depreciation and operating provisions	8	2,859	2,987
Financial provisions	11	183	217
Loss (gain) on disposals of tangible and intangible assets		(50)	(43)
Loss (gain) on disposals of subsidiaries and associates		1	-
Derivatives - non monetary result		(27)	30
Unrealized foreign exchange gains and losses, net		(290)	82
Share of (profits) losses of associates	20	58	(23)
Deferred taxes	12	167	(21)
Impairment	40.1	680	-
Other non-monetary items	40.1	511	238
Financial capacity		(2,991)	3,760
(Increase)/decrease in inventories		138	(93)
(Increase)/decrease in trade receivables		760	61
Increase/(decrease) in trade payables		(898)	(133)
Increase/(decrease) in advanced ticket sales		(837)	160
Change in other receivables and payables		1,002	140
Change in working capital requirement		165	135
Net cash-flow from operating activities [A]		(2,826)	3,895
Acquisition of subsidiaries, of shares in non-controlled entities		(1)	(1)
Purchase of property plant and equipment and intangible assets [B]	18	(2,099)	(3,372)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	2.2	357	13
Proceeds on disposal of property plant and equipment and intangible assets [C]		204	100
Dividends received		-	14
Decrease (increase) in net investments, more than 3 months		(44)	(72)
Net cash-flow used in investing activities		(1,583)	(3,318)

Period from January 1 to December 31 (in € millions)	Notes	2020	2019
Convertible bonds (OCEANE)		-	54
Issuance of debt	30	11,437	1,617
Repayment on debt	30	(3,389)	(1,156)
Payments on lease debts [D]	31	(940)	(1,008)
New loans		(282)	(89)
Repayment on loans		321	161
Dividends and coupons on perpetual paid		-	(26)
Net cash-flow from financing activities		7,147	(447)
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		(27)	1
Change in cash and cash equivalents and bank overdrafts		2,711	131
Cash and cash equivalents and bank overdrafts at beginning of period	26	3,711	3,580
Cash and cash equivalents and bank overdrafts at end of period	26	6,422	3,711
Income tax (paid)/reimbursed (flow included in operating activities)		(15)	(6)
Interest paid (flow included in operating activities)		(399)	(436)
Interest received (flow included in operating activities)		(1)	25

The accompanying notes are an integral part of these consolidated financial statements.

Operating free cash-flow

Period from January 1 to December 31 (in € millions)	Notes	2020	2019
Net cash-flow from operating activities	[A]	(2,826)	3,895
Purchase of property plant and equipment and intangible assets	[B]	(2,099)	(3,372)
Proceeds on disposal of property plant and equipment and intangible assets	[C]	204	100
Operating free cash-flow	32	(4,721)	623
Payments on lease debts	[D]	(940)	(1,008)
Operating free cash-flow adjusted		(5,661)	(385)

The accompanying notes are an integral part of these consolidated financial statements.

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1	Business description	254	Note 22	Other financial assets	293
Note 2	Significant events	254	Note 23	Inventories	295
Note 3	Accounting policies	258	Note 24	Trade accounts receivables	295
Note 4	Change in the consolidation scope	272	Note 25	Other assets	296
Note 5	Information by activity and geographical AREA	272	Note 26	Cash, cash equivalents and bank overdrafts	296
Note 6	External expenses	276	Note 27	Equity attributable to equity holders of Air France - KLM SA	297
Note 7	Salaries and number of employees	277	Note 28	Retirement benefits	299
Note 8	Amortization, depreciation and provisions	278	Note 29	Return obligation liability and provision for leased aircraft and other provisions	305
Note 9	Other income and expenses	278	Note 30	Financial debt	308
Note 10	Other non-current income and expenses	279	Note 31	Lease debt	313
Note 11	Net cost of financial debt and other financial income and expenses	280	Note 32	Net debt	315
Note 12	Income taxes	281	Note 33	Deferred revenue on ticket sales	316
Note 13	Earnings per share	284	Note 34	Loyalty program	316
Note 14	Goodwill	286	Note 35	Other liabilities	316
Note 15	Intangible assets	287	Note 36	Financial instruments	317
Note 16	Impairment	288	Note 37	Flight equipment orders	330
Note 17	Tangible assets	289	Note 38	Other commitments	331
Note 18	Capital expenditures	290	Note 39	Related parties	332
Note 19	Right-of-use assets	290	Note 40	Consolidated statement of cash flow	334
Note 20	Equity affiliates	291	Note 41	Statutory Auditors' fees	335
Note 21	Pension assets	292	Note 42	Consolidation scope	336

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,

“low-cost” 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 SIGNIFICANT EVENTS

2.1 Covid-19 and going concern

The worldwide spread of Covid-19 since the beginning of 2020 has had and continues to have a major impact on air traffic around the world. After the drastic reduction in traffic during the second quarter following very stringent constraints on worldwide travel, the recovery expected in the second semester was delayed with the resurgence of Covid-19 at the end of the summer. Further measures were implemented by the French and Dutch governments to slow the spread of the virus in the final quarter of 2020 (lockdowns, curfew). Since early January 2021, the restrictions on travel have been reinforced at global level following the emergence of new variants of the virus.

The Group has already taken a number of strong measures to mitigate the effect of Covid-19 on its business and continues to closely monitor and evaluate further developments. These actions include, amongst others, a substantial reduction in network capacity, structural changes to the fleet, cash preservation and salary measures.

Reduction in capacity and costs

Available seat-kilometers for the Passenger network and Transavia were down by 54.4% for full year 2020 compared to last year. As a consequence, the Group’s revenues amounted to €11,088 million, a decrease of 59.2% compared to last year, with network revenues decreasing by 60.4%, Maintenance revenues down by 41.6% and Transavia down by 65.3%.

In parallel, the reduction in capacity linked to Covid-19 and the specific cost-saving initiatives led to a decline in the Group’s external expenses excluding fuel to €5,588 million, i.e. a 46.2% reduction compared to 2019.

Within external expenses, fuel costs fell by 56.6% versus 2019, in line with the reduction in capacity. However, following the drastic reduction in fuel consumption over the April-December 2020 period and the 2021 first quarter, the Group has been in a position of over-hedging. In this regard, an expense of €595 million has been booked under “Other financial income and expenses” at December 31, 2020 (see Note 11 “Net cost of financial debt and other financial income and expenses”).

Salaries and related costs stood to €5,300 million, down by 34.9% compared to 2019.

As of March 23, 2020, Air France and its French subsidiaries implemented partial activity measures (“*Activité Partielle*”) and KLM received support from the Dutch government thanks to “Temporary Emergency Bridging Measures for Sustained Employment” (*NOW*), applicable from March 1, 2020.

These measures had a positive impact of around €2,050 million for the year 2020. The impact has been booked under Salaries and related costs (see Note 7 “Salaries and number of employees”).

The Air France – KLM Group also announced and implemented restructuring and staff reduction plans (see Note 2.2 “Events occurring during the period”).

The fleet was rescaled to adapt to the lower demand. It was thus decided to accelerate the phase-out from the fleet of the A380, A340, Boeing 747, CRJ and ERJ145 aircraft (see Note 10 “Other non-current income and expenses”). The rationalization in the number of aircraft types in operation will progressively generate cost savings and efficiency gains.

Asset valuation

In the current context, the Group also paid particular attention to the recoverability and the valuation of its deferred tax assets (see Note 12 “Income taxes”), its segment assets (see Note 16 “Impairment”), its trade receivables, inventories and margin rates on long-term contracts.

Liquidity position

Within the framework of the financial support packages from the French and Dutch States, the Air France – KLM Group signed the legal documentation relating to the four financing mechanisms, approved by the European Commission on May 4, 2020 (Air France Group) and on July 13, 2020 (KLM Group), in the total amount of €10.4 billion (see Note 30.3 “Financial support by the French and the Dutch states”). These financing packages thus enabled an improvement in the Group’s liquidity position.

In addition, the Group decided to defer non-essential capital expenditures and internal projects, defer payment of the employee profit-sharing scheme and variable compensation, and defer payment of the wage tax, social contributions and aeronautical charges.

Lastly, the Air France-KLM Group offered customers whose flights had been cancelled the option of exchanging their tickets for vouchers, with a 15% uplift in their value.

At December 31, 2020, the Group's liquidity position consisted of total cash of €9.82 billion, of which €7.36 billion in liquidity (see Note 32 "Net debt") and €2.46 billion in undrawn credit lines (see Note 30 "Financial debt").

Despite these measures and a gradual resumption of activity, Air France-KLM's financial performance for the coming period will continue to be affected by a significant fall in revenue, lost ticket sales and substantially negative cash flows in a proportion and for a duration that currently remain uncertain.

Going concern

In determining the appropriate basis for preparing the financial statements for the year ended December 31, 2020, 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.

As indicated above, the Group had total cash of €9.82 billion at December 31, 2020.

The 2021 budget, as modelled by the management and approved by the Board of Directors, assumes a gradual ramp-up in passenger demand with a stronger recovery in traffic in the second part of year thanks to the vaccination roll-out.

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 2021, including the €2.46 billion Revolving Credit Facility at the level of KLM (see Note 30 "Financial Debt"), are met.

In addition, the Group is working on financing projects, pursuant to the European Regulation, which would increase the stockholders'

equity, 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.

As the timing for the resumption of flights is uncertain, the Management has also modelled a more pessimistic, but plausible, scenario assuming a further 10% decline in activity during 2021 relative to the aforementioned budget, to assess the liquidity position over a period of at least 12 months from the date of the year end closing.

On this scenario, thanks to the high level of variable costs and the measures supporting payroll costs, the Group would have enough cash to continue its activities over this 12-month period.

Were this scenario to transpire, the Management has considered additional mitigating actions, including:

- further optimization and reduction of the network and capacity;
- asset disposals;
- further staff restructuring;
- other cost-saving measures; and
- the deferral of capital expenditure and charges.

Within a context of significant uncertainty linked to the Covid-19 public health crisis, the Board of Directors nonetheless considers that there are pessimistic scenarios which could cast significant doubt upon the Group's ability to continue as a going concern, in particular were the pandemic, including the uncontrolled spread of new variants and the maintenance or even reinforcement of the related health measures, to call into question the gradual recovery in demand, especially in the 2021 second semester.

Furthermore, the non-realization of financing projects, the inadequacy of the aforementioned mitigation measures, the possibility that the banking covenants might, in certain situations, not be respected, the lack of alternative sources of finance like the sale and leaseback of aircraft, the impact of a possible forced reduction in slots and a potentially negative change in some behavior relating to air travel also constitute, to various degrees, factors of additional uncertainty in the short and medium term.

In the event that these factors of uncertainty were to materialize, the Group might not be able to realize its assets and repay its debts within the normal framework of its activity while the application of the IFRS accounting rules and principles in a normal context of a going concern, concerning notably the assessment of the assets and liabilities, could prove inappropriate. This situation creates a situation of significant uncertainty with regard to operating as a going concern.

Notwithstanding, the Board of Directors does not consider those pessimistic scenarios to be likely or that they are likely to have an impact sufficient to call into question the business as a going concern. It thus considers it appropriate to prepare the financial statements on the basis of going concern principle.

2.2 Events occurring during the period

Sales of Amadeus shares

On January 9, 2020, Air France-KLM sold its remaining shares in the Spanish company Amadeus IT Holding SA (“Amadeus”), for an amount of €356 million. The fair value of the shares stood at €360 million as of December 31, 2019. Since the entire 1.11 per cent Amadeus shareholding was covered by a hedge contract, the result of the transaction is nil in the income statement in 2020. The cash proceeds of €356 million are included in “Proceeds on disposal of subsidiaries, of shares in non-controlled entities” in the cash-flow statement.

Issue of notes and tender offer on series of existing notes

On January 10, 2020, Air France-KLM issued a €750 million senior notes with a 5- year maturity and bearing coupon at an annual rate of 1.875%.

Part of the net proceeds of this issuance were used to fund, in whole or in part, the tender offer on existing notes launched by the Company on January 6, 2020 and finalized on January 14, 2020. On the existing notes brought to the tender offer, €350 million were accepted of which €311.2 million of notes with a maturity date in 2021 and €38.8 million of notes with maturity date on 2022.

Phase-out of A380, A340, CRJ and Boeing 747 aircraft from Air France-KLM Group’s fleet

Following the drastic reduction in air traffic in relation with Covid-19, it has been decided to speed up the phase-out from the fleet of the A380, A340, Boeing 747 and CRJ. The related impact of €(670) million has been accounted for in “other non-current income and expenses”.

Drawn down of revolving credit facility during the first quarter 2020

On March 13, 2020, Air France-KLM drawn down its revolving credit facility for a total amount of €1,1 billion divided into two tranches of €550 million each. On May 7, 2020, following the financial support package backed by the French State for Air France Group, Air France-KLM reimbursed the €1.1 billion credit facility and terminated the revolving credit facility.

Furthermore, on March 19, 2020, KLM drawn down its revolving credit facility concluded on May 23, 2018 for the full amount of €665 million. On August 26, 2020, following the financial support package backed by the Dutch State, KLM reimbursed the €665 million credit facility and terminated the revolving credit facility.

Financial support package of €7.0 billion backed by the French State

On 6 May 2020, 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 24 April 2020 and approved by the European Commission on 4 May 2020. This financing intends to support the liquidity needs of Air France and its subsidiaries and includes two loans:

- a loan of €4 billion, 90% guaranteed by the French State, provided by a syndicate of nine banks, with an initial 12-month maturity and a one-year or two-year extension option exercisable by Air France-KLM (see Note 30.3 “Financial support by the French and the Dutch states”);
- 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 (see Note 30.3 “Financial support by the French and the Dutch states”).

As of December 31, 2020, Air France-KLM has withdrawn the €4 billion of the loan guaranteed by the French State and the €3 billion of shareholders loan.

Financial support package of €3.4 billion backed by the Dutch State

On June 25, 2020, following discussions with the Dutch State and several international banking institutions, the Air France-KLM Group and KLM were able to finalize the various components of a financial support package.

It includes two sections for KLM and its subsidiaries:

- a revolving credit facility of €2.4 billion, 90% guaranteed by the Dutch State and a maturity of 5 years (see Note 30.3 “Financial support by the French and the Dutch states”);
- a direct loan of €1 billion, granted by the Dutch State to KLM, with a maturity of 5.5 years (see Note 30.3 “Financial support by the French and the Dutch states”).

Main conditions associated with the direct state loan are linked to the airline becoming more sustainable, cut cost effectively, as well as the restored performance and competitiveness of KLM, including a comprehensive restructuring plan and contributions made by employees.

On October 1, 2020, KLM submitted its restructuring plan to the Netherlands Ministry of Finance. The presentation of this restructuring plan was a key condition in obtaining the aforementioned government loan and guarantees to the value of €3.4 billion. The plan outlines how KLM intends to fulfil the conditions imposed by the Netherlands government. The presentation of the plan is a very important milestone. Substantively, the plan includes elements such as the reassessment of strategy, cost-cutting initiatives, financial considerations and how KLM staff will contribute by way of reduced employment conditions. On November 3, 2020, the ministry has approved the plan. Consequently, KLM has the possibility to draw additional amounts under the financial support package.

As of December 31, 2020, KLM has withdrawn €942 million of the financial support package (€665 million from the revolving credit facility and €277 million from the direct loan).

Restructuring plan for Air France–KLM Group

To face the Covid-19 crisis and forecasts expecting a return at the same level of activity of 2019 in 2024, Air France–KLM must accelerate its transformation to regain its competitiveness and strengthen its leading position in terms of sustainable development. In this context, Air France Group and KLM Group announced the restructuring of the company and a reduction of staff.

KLM Voluntary Resignation Scheme

The Covid-19 has had a major impact on KLM and, to the contend with the reduction of workload expected until 2024, the option to leave the company on a voluntary basis with financial compensation was opened for KLM employees for a period starting June 1, 2020 and ending July 12, 2020. The 2020 Voluntary Resignation Scheme offers a financial incentive, the level of which depends on the number of years in service.

The option to leave the company on a voluntary basis with similar financial compensation was reopened, for specific divisions and departments in order to minimize involuntary dismissals, for a period starting October 19, 2020 and ending November 9, 2020 (December 2020 for cockpit crew).

The impact of €(175) million, net of KLM ground staff pensions curtailment, has been accounted for in “Other non-current income and expenses”

In addition, a restructuring plan has been announced in the last quarter 2020 for ground staff. The impact of this decision is estimated at (16) M€ and has been accounted for in “Other non-current income and expenses”.

Air France Group

In July, 2020, Air France and HOP! announced their strategic orientations and planned to adapt their workforce in the coming months. Within the framework of these strategic orientations, the negotiations have been conducted by Air France and HOP! with their representatives of pilots, cabin crew, and ground staff.

During the meeting of the Social Economic Establishment Committee (“CSEE”) Flight Operations of June 26, 2020, the management of Air France presented the mutual agreement on termination of contract (“RCC”) for its pilots.

On July 6, 2020, during the meeting of the Social Economic Establishment Committee (“CSEE”), Flight Operations, the management of Air France presented the project of mutually agreement on termination of contract (“RCC”) for flight attendants.

On July 24, 2020, during the meeting of the Social Economic Central Committee (“CSEC”), the management of Air France presented the project of Voluntary Departure Plan for ground staff.

As of December 31, 2020, the Hop! Departure Plan (“PDV-PSE”) for ground staff, pilots and flight attendants, presented in August 2020, has been submitted to the Central Committee (“CSE”). Hop! is waiting for the approval of the plan by the French Labour Ministry.

The impact of these decisions of €(584) million, net of pensions curtailment, has been accounted for in “Other non-current income and expenses” as of December 31, 2020.

Air France–KLM International Commercial staff

In July 2020, the management of Air France–KLM presented the project of reorganization of international sales force. The impact of this decision is estimated at €(33) million and has been accounted for in “other non-current income and expenses” as of December 31, 2020.

Redemption of the EUR 600 million undated deeply subordinated notes (of which EUR 403.3 million are outstanding) issued in 2015

Air France–KLM has decided to redeem all the outstanding perpetual subordinated notes issued in 2015 representing a total nominal amount of €403.3 million.

Redemption has been made on 1st October 2020 at par, i.e. €100,000 per note, plus interest accrued since the last date on which interest were paid under the notes (i.e. 1st October 2019) until the early redemption date (included).

2.3 Subsequent events

Long-term partial activity agreement

At the end of January 2021, Air France has finalized the agreements with representative trade unions allowing the use of the Long Term Partial Activity (LTPA) applicable from January 1, 2021 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 "Events occurring during the period") which was pending approval at year-end. On February 16,

2021, HOP! received a request from the French Labour Ministry (DIRECCTE) to amend some measures of the plan concerning flight crew. This request does not call into question either the company's transformation plan or the appropriateness of the provision accounted for in the financial statements as of December 31, 2020.

Additional restructuring KLM

An additional restructuring plan has been announced on January 21, 2021 for 1 000 employees.

NOTE 3 ACCOUNTING POLICIES

3.1 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, 2020 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 17, 2021.

Change in accounting principles

IFRS standards which are applicable on a mandatory basis to the 2020 financial statements

Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"

These amendments, which define the term "materiality", give guidance on the information to be disclosed in the financial statements, based on its importance.

Amendments to IFRS 9 "Financial instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial instruments: Disclosures"

Since January 1, 2020, the Group has applied "Phase 1" amendments to IFRS 9, IAS 39 and IFRS 7 released by the IASB in September 2019 as part of the interest-rate benchmarks reform (IBORs). These amendments allow the Group not to consider the

uncertainties over the future of the interest-rate benchmarks in the assessment of hedging relationships and/or in the appraisal of the highly probable hedged flows, enabling to maintain the existing and future hedging relationships until the effective set up of these new interest-rate benchmarks.

The application of this amendment has no impact on the Group's financial statements and allows to continue with the hedge accounting of instruments indexed notably to Euribor and Libor US.

Amendments to IFRS 3 "Business Combinations"

The amendment provides changes in the definitions of the separate components of a business. Hence, an acquired set of activities must be substantive and, like the operating staff, able to create outputs.

IFRS IC interpretations of the lease term (IFRS 16) and useful life of leasehold improvements (IAS 16)

This interpretation gives some clarification concerning the enforceable duration of indefinite lease contracts cancellable by either party, subject to prior notice, or concluded for an initial contractual term, and renewable by tacit agreement, unless terminated by either party.

This interpretation also gives clarification on the link between the enforceable lease term and useful life of leasehold improvements.

Amendments to IFRS 16 "Leases"

This amendment permits to lessees not to assess whether a rent concession occurring as a direct consequence of the Covid-19 pandemic is a lease modification.

This practical expedient allows the lessee to account for those rent concessions related to the Covid-19 pandemic as if they were not lease modifications and to recognize the impact of the rent concession in the result of the period. This practical expedient applies to rent concessions related to Covid-19 fulfilling the following conditions:

- the modification leads to a revision of the lease debt that is substantially the same or inferior to the initial lease debt immediately prior to the modification;
- the rents are initially owed by June 30, 2021 latest;
- there is no other substantial modification in the contract.

These amendments and this interpretation had no significant impact on the Group's financial statements as of December 31, 2020.

Other texts potentially applicable to the Group, published by the IASB but not yet adopted by the European Union

Amendments to IFRS 9 “Financial instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial instruments: Disclosures” and IFRS 16 “Leases” (Effective for accounting periods as of January 1, 2021)

These amendments relate to the “Phase 2” of the interest rate benchmark reform (IBORs) and are applicable retrospectively.

They mainly address issues regarding the accounting treatment to apply if the basis for determining the contractual cash flows of financial assets or financial liabilities changes and the effects of these changes on the hedging relationships included in the scope of the IBORs reform. They also indicate the financial information to disclose relating to this reform and its accounting impacts as well as the accounting treatment of these changes applicable to the standards different from those, which are specific to financial instruments such as the standard for leases. Amendments to IFRS 9 and IAS 39 mainly suggest to:

- manage changes linked to the IBOR reform by modifying the effective interest rate of the concerned financial assets and liabilities on a prospective basis, without impact on the net result;
- introduce some flexibilities in terms of the eligibility criteria for the fair value hedge or the cash-flow hedge accounting in order to be able to maintain the relations in the scope of this reform.

These amendments apply to financial assets and liabilities for which contractual changes are a direct consequence of the interest rate reform, and insofar as the new basis for determining the contractual cash flows is economically similar to the previous one.

Amendments to IAS 1 “Presentation of financial statements” (Effective for the accounting periods as of January 1, 2022)

These amendments clarify the classification of current or non-current liabilities and aim to promote a consistent approach to this classification.

Amendments to IAS 16 “Property, Plant and Equipment” (Effective for accounting periods as of January 1, 2022)

These amendments aim at standardizing the accounting method for the proceeds and costs while an item of property, plant or equipment is in the testing phase.

Amendments to IFRS 3 “Business combinations” (Effective for accounting periods as of January 1, 2022)

These amendments update the standard IFRS 3 following the publication of the new Conceptual Framework in March 2018.

This new conceptual framework effectively modified the definition of assets and liabilities which could have led to the derecognition of some types of liabilities immediately after an acquisition.

Reference to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or IFRIC 21 “Levies” must be made to identify the liabilities assumed in a business combination for transactions or other events falling within the scope of these texts.

The contingent assets acquired in a business combination shall not be accounted for.

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.

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 per cent 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 the 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.

3.2 Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and use assumptions 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:

- 3.6 Revenue recognition related to deferred revenue on ticket sales;
- 3.7 Flying Blue frequent flyer program;
- 3.11 Financial instruments;
- 3.13 Intangible assets;
- 3.14 Tangible assets;
- 3.15 Lease contracts;
- 3.19 Employee benefits;

- 3.20 Return obligation liability and provision for leased aircraft;
- 3.21 Other provisions;
- 3.24 Current and deferred tax.

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 upon the most-recently available, reliable information.

The actual results could differ from these estimates depending on changes in the assumptions used or different conditions.

3.3 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 per cent 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.

3.4 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.

3.5 Business combinations

Business combinations completed on or after April 1, 2010

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.

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.

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 3.11 "Financial instruments".

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.

Business combinations carried out before April 1, 2010

Business combinations carried out before April 1, 2010 were accounted for using the purchase method in accordance with

IFRS 3 (2004) "Business combinations". In accordance with this standard, all assets, liabilities assumed and contingent liabilities were measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill did not exceed 12 months from the date of acquisition.

The goodwill that arose from the difference between the acquisition cost (including any equity instruments issued by the Group to gain control over the acquired entity and other costs potentially dedicated to the business combination) and the Group's interest in the fair value of the identifiable assets and liabilities acquired, were subject to annual impairment tests or more frequently if events or changes in circumstances indicated that goodwill might be impaired.

When the fair value of identifiable assets acquired and liabilities assumed exceeded the cost of acquisition, the resulting negative goodwill was recognized immediately in the income statement.

3.6 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 a statistical rate on tickets issued and unused. This rate is regularly updated.

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 and paid to the airport authorities. 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.

The revenue is recognized: (i) if the level of completion can reliably be measured; and (ii) if the costs incurred and costs to achieve the contract can reliably be measured.

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 year-end. Inversely, any revenue that has been recognized but not yet invoiced is recorded under assets on the balance sheet at the 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.

3.7 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.

3.8 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. 2013-03 from the France’s accounting standards authority.

They consist of a unique performance obligation. The revenue is recognized as costs are incurred.

Third-party procurement

The Group also purchases equipment on behalf of third-parties. In this situation, the revenue recognition method is as follows:

- 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;
- when the Group puts in place Sale & Lease back agreements, the Group recognizes the proceeds on disposal as well as a net book value.

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.

Such elements are as follows:

- sales of aircraft equipment and 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 goodwill in the income statement, the recording of an impairment loss on goodwill and significant provisions for litigation.

3.9 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.

Operating free cash-flow: this corresponds to the net cash-flow from operating activities net of 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.

Operating free cash-flow adjusted: this corresponds to operating free cash-flow net of the payment of lease debts.

3.10 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.

3.11 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 Passenger and Cargo businesses 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 and 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 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 relationship 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 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 debt

Financial debt is recognized initially at fair value. Subsequent to the initial measurement, financial debt is recorded at its net book value for bonds, based on amortized cost calculated using the effective interest rate for the other financial debt.

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 36.4) 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.

3.12 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 3.16, 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.

3.13 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 3.16 is recorded.

Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) market regulations as described in Note 3.22 and the “Risks on carbon credit” paragraph in Note 36.2.4. 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.

3.14 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 adequate useful life.

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

3.15 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 (aeronauticals 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 debt under IFRS 9 and the asset, as an asset, 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 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 3.20. 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 contracts 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 3.20.

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 building 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 debt. 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.

3.16 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.

3.17 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

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).

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.

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.

3.18 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.

3.19 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 the other comprehensive income will be reclassified in the 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 are recognized 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").

3.20 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).

3.21 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.

3.22 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.

3.23 Capital increase costs

Capital increase costs are deducted from paid-in capital.

3.24 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 3.16).

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 a case, 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”.

3.25 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 4 CHANGE IN THE CONSOLIDATION SCOPE

Year ended December 31, 2020

No significant acquisitions or disposals took place during 2020.

Year ended December 31, 2019

No significant acquisitions or disposals took place during 2019.

NOTE 5 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 from this segment, which are composed of Passenger network and Cargo operating revenues 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-sharing agreements. They also include commissions paid by SkyTeam alliance partners, code-sharing revenues, revenues from excess baggage and airport services supplied by the Group to third-party airlines and services linked to IT systems.

The revenues also including income from freight transport on flights under the companies’ codes, including flights operated by other partner airlines under code-sharing agreements. Other cargo revenues are derived principally from sales of cargo

capacity to third parties and transportation of shipments on behalf of the Group by other airlines.

Maintenance: Third-party maintenance revenues are generated through maintenance services provided to other airlines and customers worldwide.

Transavia: The revenues from this segment come from the “low-cost” 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

Only segment revenue is allocated by geographical sales area.

Activity by origin of sales area

Group activities by origin of sale are broken down into eight geographical areas :

- Metropolitan France;
- Benelux;
- Europe (excluding France and Benelux);
- Africa;
- Middle East, Gulf, India (MEGI);
- Asia-Pacific;
- North America;
- Caribbean, West Indies, French Guyana, Indian Ocean, South America (CILA).

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.

5.1 Information by business segment

Year ended December 31, 2020
(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)	40	-	(1,689)
Income from current operations	(3,722)	(543)	(299)	16	-	(4,548)
Income from operating activities	(5,043)	(678)	(303)	24	-	(6,000)
Share of profits (losses) of associates	-	-	-	(58)	-	(58)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(928)	(928)
Income taxes	-	-	-	-	(97)	(97)
Net income from continuing operations	(5,043)	(678)	(303)	(34)	(1,025)	(7,083)
Depreciation and amortization for the period	(2,087)	(408)	(219)	(22)	-	(2,736)
Other non-monetary items	558	126	5	(163)	(15)	511
Total assets	15,641	3,963	1,615	202	8,790	30,211
Segment liabilities	7,988	1,984	918	28	5,957	16,875
Financial debts, lease debts, bank overdrafts and equity	-	-	-	-	13,336	13,336
Total liabilities	7,988	1,984	918	28	19,293	30,211
Purchase of property, plant and equipment and intangible assets	1,826	224	57	(7)	-	2,099

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 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, other provisions for €0.8 billion and derivatives of €0.5 billion.

Financial debts, lease debts, bank overdrafts and equity are not allocated.

Year ended December 31, 2019 (in € millions)	Network	Maintenance	Transavia	Other	Non-allocated	Total
Total sales	23,315	4,616	1,747	251	-	29,929
Intersegment sales	(43)	(2,478)	(3)	(217)	-	(2,741)
External sales	23,272	2,138	1,744	34	-	27,188
EBITDA	3,130	606	362	30	-	4,128
Income from current operations	749	260	131	1	-	1,141
Income from operating activities	655	220	130	5	-	1,010
Share of profits (losses) of associates	-	3	-	20	-	23
Net cost of financial debt and other financial income and expenses	-	-	-	-	(664)	(664)
Income taxes	-	-	-	-	(76)	(76)
Net income from continuing operations	655	223	130	25	(740)	293
Depreciation and amortization for the period	(2,359)	(326)	(230)	(26)	-	(2,941)
Other non-monetary items	179	43	10	18	(12)	238
Total assets	16,679	3,936	1,661	1,996	6,463	30,735
Segment liabilities	10,106	1,857	1,061	209	3,965	17,198
Financial debts, lease debts, bank overdrafts and equity	-	-	-	-	13,537	13,537
Total liabilities	10,106	1,857	1,061	209	17,502	30,735
Purchase of property, plant and equipment and intangible assets (continuing operations)	2,761	432	177	2	-	3,372

The non-allocated assets, amounting to €6.5 billion, comprise cash and cash equivalents of €3.7 billion, pension assets of €0.4 billion, financial assets of €1.1 billion, deferred tax of €0.5 billion, income taxes of €0.2 billion and derivatives of €0.5 billion.

The non-allocated segment liabilities, amounting to €4.0 billion, mainly comprise pension provisions for €2.3 billion, a portion of other provisions for €0.2 billion, tax and employee-related liabilities of €1.2 billion and derivatives of €0.3 billion.

Financial debts, lease debts, bank overdrafts and equity are not allocated.

5.2 Information by geographical area

External sales by geographical area

Year ended December 31, 2020 (in € millions)	Metropolitan France	Benelux	Europe (excl. France and Benelux)	Africa	Middle- Eastern Gulf India (MEGI)	Asia Pacific	North America	West Indies Caribbean Guyana Indian Ocean South America (CILA)	Total
Transportation	2,381	983	2,010	538	305	810	989	554	8,570
Other sales	184	60	147	45	23	86	50	41	636
Total network	2,565	1,043	2,157	583	328	896	1,039	595	9,206
Transportation	165	363	50	3	1	1	2	1	586
Other sales	(1)	(1)	1	-	-	3	5	13	20
Total Transavia	164	362	51	3	1	4	7	14	606
Maintenance	605	562	24	-	-	3	54	-	1,248
Others	7	21	-	-	-	-	-	-	28
Total	3,341	1,988	2,232	586	329	903	1,100	609	11,088

Year ended December 31, 2019 (in € millions)	Metropolitan France	Benelux	Europe (excl. France and Benelux)	Africa	Middle- Eastern Gulf India (MEGI)	Asia Pacific	North America	West Indies Caribbean Guyana Indian Ocean South America (CILA)	Total
Transportation	6,407	2,516	4,751	1,111	567	2,134	3,417	1,348	22,251
Other sales	389	152	169	65	20	128	52	46	1,021
Total network	6,796	2,668	4,920	1,176	587	2,262	3,469	1,394	23,272
Transportation	511	1,020	187	13	5	5	9	4	1,754
Other sales	(12)	(10)	(3)	-	-	-	8	7	(10)
Total Transavia	499	1,010	184	13	5	5	17	11	1,744
Maintenance	1,214	796	24	-	-	3	101	-	2,138
Others	8	26	-	-	-	-	-	-	34
Total	8,517	4,500	5,128	1,189	592	2,270	3,587	1,405	27,188

Traffic sales by geographical area of destination

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

Year ended December 31, 2019 (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	1,700	4,963	1,668	2,900	4,859	2,182	3,979	22,251
Transavia	23	1,602	-	129	-	-	-	1,754
Total Transportation	1,723	6,565	1,668	3,029	4,859	2,182	3,979	24,005

NOTE 6 EXTERNAL EXPENSES

Period from January 1 to December 31
(in € millions)

	2020	2019
Aircraft fuel	2,392	5,511
Chartering costs	253	525
Landing fees and air route charges	969	1,933
Catering	294	822
Handling charges and other operating costs	833	1,715
Aircraft maintenance costs	1,618	2,628
Commercial and distribution costs	346	1,029
Other external expenses	1,275	1,730
Total	7,980	15,893
Excluding aircraft fuel	5,588	10,382

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 9.

NOTE 7 SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

Period from January 1 to December 31
(in € millions)

	2020	2019
Wages and salaries	4,660	5,585
Social contributions	846	1,118
Pension costs on defined contribution plans	547	707
Pension costs of defined benefit plans	301	281
Cost of temporary employees	83	253
Profit sharing and payment linked with shares	(8)	131
Temporary Emergency Bridging Measure for Sustained Employment	(1,049)	-
Other expenses	(80)	64
Total	5,300	8,139

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, starting from March 23, 2020 Air France and its main subsidiaries implemented part-time activity, facilitated by the French State, for its employees. The impact of this measure amounts to €999 million, including €924 million allocated to the lines

“Wages and salaries” and “Social contributions” and €75 million allocated in the line “Other” corresponding to the aid in relation with part-time activity for the month of December 2020 which has not been processed by the payroll and therefore not yet allocated to the line “Salaries”.

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 March 1 until December 31, 2020. This compensation amounts to 1,049 million euros.

Average number of employees

Period from January 1 to December 31	2020	2019
Flight deck crew	8,641	8,512
Cabin crew	21,871	22,465
Ground staff	50,714	52,119
Temporary employees	941	3,042
Total⁽¹⁾	82,167	86,138

(1) Excluding partial activity effect for 2020.

NOTE 8 AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to December 31 (in € millions)	2020	2019
Amortization		
Intangible assets	187	151
Flight equipment	1,167	1,238
Other property, plant and equipment	197	199
Right-of-use assets	1,185	1,353
Sub-total	2,736	2,941
Depreciation and provisions		
Inventories	27	18
Trade receivables	118	16
Risks and contingencies	(22)	12
Sub-total	123	46
Total	2,859	2,987

The amortization variations for intangible and tangible assets are presented in notes 15 and 17 and for right-of-use assets in Note 19.

The variations relating to inventories and trade receivables are presented in notes 23, 24 and 25.

The movements in provisions for risks and charges are detailed in Note 29.

NOTE 9 OTHER INCOME AND EXPENSES

Period from January 1 to December 31 (in € millions)	2020	2019
Capitalized production	610	1,122
Joint operation of routes	(7)	(49)
Operations-related currency hedges	79	64
European carbon emission allowances (ETS)	(32)	(54)
Other	(10)	42
Other income and expenses	640	1,125

NOTE 10 OTHER NON-CURRENT INCOME AND EXPENSES

Period from January 1 to December 31
(in € millions)

	2020	2019
Restructuring costs	(822)	(36)
Impairment of fleet	(672)	(126)
Impairment of intangible assets	(8)	-
Modification of pensions plans	-	(11)
Disposals of other assets	11	6
Other	(2)	14
Other non-current income and expenses	(1,493)	(153)

Year ended December 31, 2020

Restructuring costs

As of December 31, 2020, this line mainly includes (see Note 2.2 “Events that occurred in the period” and Note 29 “Return obligation liability and provision for leased aircraft and other provisions”)

- 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 and restructuring plans, amounting to €(14) million;
- a net cost related to the project of 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;
- Air France-KLM Voluntary Departure Plan for the international sales force for €(33) million.

The impacts on pension provisions relating to its restructuring are detailed in Note 28 “Retirement Benefits”.

Impairment of fleet

As of December 31, 2020, this line relates to the impact of the phase-out from the fleet of the A380, A340, Boeing 747 and CRJ fleet by Air France-KLM Group, following the drastic reduction in air traffic in relation with Covid-19 (see Note 2.2 “Events that occurred in the period”).

Phase-out of the Air France A380 aircraft

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, has been brought forward to 2020. The related impact amounts to € (553) million as of December 31, 2020

At the end of December 2020, five A380 aircraft are still owned and four are leased.

Phase-out of KLM’s Boeing 747 aircraft

A €19 million impairment has been recorded to revalue the eight KLM Boeing 747s at their estimated market value.

Phase-out of Air France’s A340 aircraft

A €72 million impairment has been recorded to revalue the four Air France A340 aircraft at their estimated market value following the phase-out decision on May 6, 2020.

At the end of December 2020, one A340 aircraft is still owned.

Phase-out of HOP! CRJ aircraft

This line includes the impact of the early phase-out of the 25 CRJ aircraft from the HOP! fleet for €(26) million. Depreciation slopes have been revised so that the net book value as of the date of the aircraft’s phase-out expected in 2022 converges with the estimated realizable value.

Year ended December 31, 2019

Restructuring costs

At December 31, 2019, this mainly includes the new provision relating to a Voluntary Departure Plan for Air France ground staff.

Impairment of fleet

This line corresponds to the impact of the early phase-out of the A380 aircraft from the Air France fleet for €126 million in 2019. This significant non-recurring operation is considered by the Group to be a disposal of assets and a restructuring of the business activities. It includes:

- the difference between the initial depreciation plan, i.e. an expected 20-year operational life for this type of aircraft and the accelerated depreciation following the early phase-out, amounting to €52 million. Depreciation slopes have been revised so that the net book value as of the date of the aircraft’s phase-out converges with the estimated realizable value;

- impairment of fleet related assets for €74 million (including notably cabin retrofit projects, penalties on contracts and spare parts).

Modification of pension plans

On February 22, 2019, an agreement was signed amending the retirement indemnities for Air France pilots retiring at 60 years or above, if providing an advanced notice of at least 12 months, increasing the benefit obligation by €11 million.

NOTE 11 NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

Period from January 1 to December 31 (in € millions)	2020	2019
Income from marketable securities	(7)	2
Other financial income	26	47
Financial income	19	49
Interest on financial debt	(186)	(132)
Interest on lease debt	(252)	(276)
Capitalized interests	23	23
Other non-monetary items	(73)	(43)
Other financial expenses	(8)	(14)
Gross cost of financial debt	(496)	(442)
Net cost of financial debt	(477)	(393)
Foreign exchange gains (losses), net	300	(80)
Financial instruments and change in fair value of hedged shares	(561)	33
Net (charge)/release to provisions	(17)	(5)
Undiscounting of provision	(165)	(212)
Other	(6)	(7)
Other financial income and expenses	(451)	(271)
Total	(928)	(664)

Net cost of financial debt

Financial income mainly consists of interest income on financial assets recognized at the effective interest rate.

Foreign exchange gains (losses)

As of December 31, 2020, the foreign exchange losses mainly include 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).

As of December 31, 2019, the foreign exchange losses mainly include a currency loss of €82 million of which a loss of €42 million on return obligation liabilities and provisions on aircraft in US dollars and an unrealized €36 million currency loss mainly on debt in US Dollar (€15 million) and in Japanese Yen (€26 million).

Financial instruments and change in fair value of hedged shares

Due to the significant reduction in fuel consumption for 2020 and expected for the beginning of 2021, this line includes the impact of over-hedging, amounting to € (595) million of which Air France Group € (357) millions and 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 relates to the period January-March 2021.

As of December 31, 2019, this line mainly includes a gain on the hedged Amadeus shares of €42 million and a gain on the non-aligned time value of dissymmetrical options with barriers for an amount of €4 million.

Undiscounting of provision

The rate used to undiscount the long term return obligation liability and provision for leased aircraft and other provisions is 4.5% in 2020 against 6.0% in 2019 (see Note 3.20 "Return obligation liability and provision for leased aircraft").

Other

As of December 31, 2020, this line mainly includes premiums paid on early reimbursement on part of the bonds with maturity dates in 2021 and 2022. The total premium is €22 million (see Note 2).

NOTE 12 INCOME TAXES

12.1 Income tax charge

Current income tax expenses and deferred income tax are detailed as follows:

Period from January 1 to December 31 (in € millions)	2020	2019
Current tax (expense)/income	70	(97)
Change in temporary differences	233	(44)
CAVE impact	3	3
(Use/de-recognition)/recognition of tax loss carry forwards	(403)	62
Deferred tax income/(expense) from continuing operations	(167)	21
Total	(97)	(76)

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 tax rate is 32.02 per cent and the French Finance Act 2018 provides for a gradual reduction in the French corporate tax rate to 25.83 per cent in 2022. Tax losses can be carried forward for an unlimited period. However, there is a limitation on the amount of fiscal loss recoverable each year to 50 per cent of the profit for the period beyond the first million euros. The recoverability of the deferred tax losses went from seven to five years as of December 31, 2020 and consistent with the Group's visibility.

Following the current Covid-19 crisis, the prospects of recoverability within the five-year horizon have been revised downwards leading to a write-off of €408 million of deferred tax assets for tax losses compared to the opening position of the fiscal year. Moreover, €1.375 million of deferred tax assets on fiscal losses have not been recognized for the yearly period ended December 31, 2020.

Dutch fiscal group

In The Netherlands, the tax rate is 25 per cent in 2020 and would have been lowered to 21.7 per cent in 2021. Following the current Covid-19 crisis the Dutch Government announced that the tax rate remains 25 per cent going forward. 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 is likely to become indefinite for tax losses. However, the amount of fiscal loss recoverable each year is limited to 50 per cent of the profit for the period beyond the first million euros. The Dutch Parliament has not formalized these changes in the Dutch tax law yet.

As of December 31, 2020, the Dutch fiscal group has deferred taxes assets on fiscal losses amounting to €10 million, relating to an interest deduction allowance which can be carried forward indefinitely. The deferred tax assets on fiscal loss excluding interest for 2020 amounted to €352 million. KLM has used the carry back facility from 2019, amounting to €82 million. The remaining €270 million of deferred tax assets have not been recognized.

12.2 Deferred tax recorded in equity (equity holders of Air France - KLM)

Period from January 1 to December 31 (in € millions)	2020	2019
Coupons on Perpetual	8	8
OCEANE	-	(19)
Other comprehensive income that will be reclassified to profit and loss	(10)	(115)
Other comprehensive income that will not be reclassified to profit and loss	79	(68)
Equity instruments	6	3
Pensions	73	(71)
Total	77	(194)

12.3 Effective tax rate

The difference between the standard and effective tax rate applied in France is detailed as follows:

Period from January 1 to December 31 (in € millions)	2020	2019
Income before tax	(6,928)	346
Standard tax rate in France	32.02%	34.43%
Theoretical tax calculated based on the standard tax rate in France	2,218	(119)
Differences in French/foreign tax rates	(137)	57
Non-deductible expenses or non-taxable income	(40)	(10)
Variation in unrecognized deferred tax assets	(2,133)	(3)
Impact of change in income-tax rate	-	6
CAVE impact	(10)	(9)
Other	5	2
Income tax expenses	(97)	(76)
Effective tax rate	-1.4%	22.0%

In 2020, the applicable tax rate for the French fiscal group is 32.02 per cent.

Deferred tax have been calculated with a tax rate gradually decreasing to 25.83 per cent in 2022 and in accordance with the timeline of repayment and the tax rate applicable to each period.

The current tax rate applicable in The Netherlands is 25 per cent.

12.4 Variation in deferred tax recorded during the period

(in € millions)	January 1, 2020	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassification and other	December 31, 2020
Flight equipment	(1,091)	215	-	-	(72)	(948)
Right-of-use assets	(883)	165	-	-	(85)	(803)
Pension assets	(92)	(66)	66	-	92	-
Financial debt	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	318	87	7	-	127	539
Others	(103)	117	(26)	-	(210)	(222)
Deferred tax corresponding to fiscal losses	702	(403)	-	-	8	307
Deferred tax asset/(liability) net	381	(167)	69	8	(31)	260

(in € millions)	January 1, 2019	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassification and other	December 31, 2019
Flight equipment	(1,208)	119	-	-	(2)	(1,091)
Right-of-use assets	(1,028)	145	-	-	-	(883)
Pension assets	(41)	(50)	(61)	-	60	(92)
Financial debt	727	(94)	3	(11)	2	627
Lease debt	855	(102)	4	-	-	757
Deferred revenue on ticket sales	171	(11)	-	-	-	160
Debtors and creditors	135	8	(123)	-	(34)	(14)
Provisions	406	(105)	(4)	-	21	318
Others	(226)	100	(2)	-	25	(103)
Deferred tax corresponding to fiscal losses	764	11	-	-	(73)	702
Deferred tax asset/(liability) net	555	21	(183)	(11)	(1)	381

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, 2020. As of December 31, 2019, the amount was €693 million. The decrease in deferred tax assets in respect of tax losses carry forward is mainly due to lower forecasts of future tax profits and a shorter recovery horizon for deferred tax assets on tax losses (five years as of December 31, 2020 compared to seven years as of December 31, 2019).

The total deferred-tax position of the French fiscal group stands at a net asset of €272 million.

Dutch fiscal group

The Dutch fiscal group recognized €10 million deferred taxes on fiscal losses with a basis of € 40 million as of December 31, 2020 versus no deferred taxes as of December 31, 2019.

The total deferred-tax position of the Dutch fiscal group stands at a net liability of €17 million.

12.5 Unrecognized deferred tax assets

(in € millions)	December 31, 2020		December 31, 2019	
	Basis	Tax	Basis	Tax
Temporary differences	1,359	386	1,022	264
Tax losses	11,312	3,203	4,947	1,277
Total	12,671	3,589	5,969	1,541

French fiscal group

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 €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).

As of December 31, 2019, the cumulative effect of the limitation of deferred tax assets resulted in the non-recognition of a deferred tax asset amounting to €1,532 million (corresponding to a basis of €5,915 million), of which €1,272 million relating to tax losses and €260 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuring provisions and pensions).

Dutch fiscal group

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.

As of December 31, 2019, the Dutch fiscal group had no non-recognized deferred tax assets.

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 13 EARNINGS PER SHARE**13.1 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)	2020	2019
Net income for the period – Equity holders of Air France – KLM	(7,078)	290
Coupons on perpetual (net of tax)	-	(17)
Basic net income for the period – Equity holders of Air France – KLM	(7,078)	273

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.

Results used for the calculation of diluted earnings per share

As of December 31
(in € millions)

	2020	2019
Basic net income for the period – Equity holders of Air France-KLM	(7,078)	273
Consequence of potential ordinary shares on net income: interests paid on convertible bonds and amortization of equity component (after tax)	-	6
Net income for the period – Equity holders of Air France-KLM (taken for calculation of diluted earnings per share)	(7,078)	279

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.

Since the perpetual subordinated loan is considered to be preferred shares, the coupons are included in the basic earnings per share.

Reconciliation of the number of shares used to calculate earnings per share

Period from January 1 to December 31	2020	2019
Weighted average number of:		
– ordinary shares issued	428,634,035	428,634,035
– treasury stock held regarding stock option plan	(1,116,420)	(1,116,420)
– other treasury stock	(91,585)	(85,151)
Number of shares used to calculate basic earnings per share	427,426,030	427,432,464
OCEANE conversion	-	27,901,785
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	427,426,030	455,334,249

For the year 2020, the potential conversion of OCEANE, representing 27 901 785 shares, and its impacts on net income, have not been taken into account. The ordinary shares potentially

created would indeed have not decreased the earning per share or increased the loss per share.

The change in the number of ordinary shares issued is disclosed in Note 27.1 “Issued capital”.

13.2 Non-dilutive instruments

The Air France-KLM Group held no non-dilutive instruments as of December 31, 2020.

13.3 Instruments issued after the closing date

No instruments were issued subsequent to the closing date.

NOTE 14 GOODWILL

14.1 Detail of consolidated goodwill

As of December 31 (in € millions)	2020			2019		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Network	197	-	197	197	-	197
Maintenance	22	(4)	18	24	(4)	20
Total	219	(4)	215	221	(4)	217

14.2 Movement in net book value of goodwill

As of December 31 (in € millions)	2020	2019
Opening balance	217	217
Currency translation adjustment	(2)	-
Closing balance	215	217

NOTE 15 INTANGIBLE ASSETS

(in € millions)	Trademarks and slots	Other intangible assets	Total
Gross value			
Amount as of December 31, 2018	280	1,825	2,105
Additions	-	328	328
Disposals	-	(319)	(319)
Reclassification	-	(23)	(23)
Amount as of December 31, 2019	280	1,811	2,091
Additions	-	198	198
Disposals	-	(102)	(102)
Reclassification	-	1	1
Amount as of December 31, 2020	280	1,908	2,188
Depreciation			
Amount as of December 31, 2018	(6)	(905)	(911)
Charge to depreciation	-	(151)	(151)
Releases on disposals	-	253	253
Reclassification	-	23	23
Amount as of December 31, 2019	(6)	(780)	(786)
Charge to depreciation	(4)	(195)	(199)
Releases on disposals		27	27
Amount as of December 31, 2020	(10)	(948)	(958)
Net value			
As of December 31, 2019	274	1,031	1,305
As of December 31, 2020	270	960	1,230
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;

- software and capitalized IT costs.

NOTE 16 IMPAIRMENT

Year ended December 31, 2020

Concerning the methodology followed for the impairment test, 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 "Accounting Policies").

The recoverable value of the CGUs assets has been determined by reference to their value in use as of September 30, 2020. The tests were realized for all the CGUs on the basis of a five-year Group plan, presented by the management to the Board early December 2020.

Revenues (network, leisure and maintenance), costs and investments forecasts are based on reasonable hypothesis and are the management's best estimates. They are subject to the uncertainties related to the current situation. They forecasts a return to the level of 2019 activity in 2024 and lie on savings related to pursuance of reorganization/restructuring plans set up by the Group.

The discount rate used for the test corresponds to the Group's weighted average cost of capital (WACC). This stood at 6.3 per cent as at December 31, 2020 versus 5.9 per cent as at December 31, 2019. Growth rate for revenues varies between 2 and 5 per cent depending on the CGUs over the intermediary period (2026-2032). Long term growth rate for the calculation of the terminal value is 1 per cent.

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, 2019

As of December 31, 2019, no impairment was recognized on the Group's CGUs.

NOTE 17 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, 2019	16,185	1,034	2,199	19,418	2,676	1,308	187	980	5,151	24,569
Acquisitions	407	1,970	376	2,753	27	47	179	40	293	3,046
Disposals	(825)	(24)	(238)	(1,087)	(88)	(206)	1	(58)	(351)	(1,438)
Fair value	-	(39)	-	(39)	-	-	-	-	-	(39)
Reclassification	1,346	(1,704)	167	(191)	86	19	(162)	31	(26)	(217)
Currency translation	-	-	-	-	-	-	-	-	-	-
Others	79	26	(79)	26	7	1	-	-	8	34
December 31, 2019	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
Depreciation										
January 1, 2019	(8,297)	-	(813)	(9,110)	(1,846)	(1,012)	-	(790)	(3,648)	(12,758)
Charge to depreciation	(1,112)	-	(128)	(1,240)	(91)	(62)	-	(46)	(199)	(1,439)
Releases on disposal	787	-	177	964	87	204	-	58	349	1,313
Reclassification	(117)	-	(18)	(135)	(1)	9	-	(4)	4	(131)
Currency translation	-	-	-	-	-	-	-	-	-	-
Others	55	-	(80)	(25)	-	(1)	-	-	(1)	(26)
December 31, 2019	(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
Currency translation	-	-	-	-	-	-	-	-	-	-
Others	(65)	-	(41)	(106)	-	1	-	-	1	(105)
December 31, 2020	(9,105)	-	(1,046)	(10,151)	(1,893)	(822)	-	(858)	(3,573)	(13,724)
Net value										
December 31, 2019	8,508	1,263	1,563	11,334	857	307	205	211	1,580	12,914
December 31, 2020	8,053	1,506	1,472	11,031	865	248	191	244	1,548	12,579

Aeronautical assets under construction mainly comprise advance payments, engine maintenance work in progress and aircraft modifications.

Note 38 details the amount of pledged tangible assets.

The line “Charge to depreciation” of 2020 includes the accelerated depreciation, amounting to €(514) million, following the decision of phasing-out the A380, A340, Boeing 747 and CRJ aircraft.

Commitments to property purchases are detailed in notes 37 and 38 to these financial statements.

NOTE 18 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)	2020	2019
Acquisition of flight equipment	1,745	2,746
Acquisition of tangible assets	170	293
Acquisition of other intangible assets	198	328
Accounts payable on acquisitions	(14)	5
Total	2,099	3,372

NOTE 19 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, 2019	3,137	1,682	585	260	5,664
New contracts	165	120	53	34	372
Change in contracts	287	(185)	48	9	159
Disposals	-	-	(19)	(5)	(24)
Reclassification	(8)	354	4	20	370
Amortization	(779)	(396)	(113)	(68)	(1,356)
Others	(4)	-	-	(8)	(12)
As of December 31, 2019	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

Information related to lease debt is available in Note 31.

The line “Amortization” of 2020 includes the accelerated amortization relating to the early phase-out of A380 including leased amounting to €(88) million.

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)	2020	2019
Variable rents	35	19
Short term rents	80	153
Low value rents	19	22
Total	134	194

NOTE 20 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, 2018	59	231	21	311
Share in net income of equity affiliates	3	7	13	23
Distributions	-	(2)	(10)	(12)
Other variations	(4)	-	1	(3)
Capital decrease	-	-	(10)	-
Currency translation adjustment	1	-	(1)	-
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
Capital decrease	-	-	-	-
Carrying value of share in investment as of December 31, 2020	37	174	19	230

Maintenance

As of December 31, 2020 and 2019, 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 42.2, 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 set of services grouped around three core businesses: inflight and collective catering, airport services and additional services like engineering and the integration of services.

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. As a consequence, the Servair group has been consolidated according to the equity method since December 31, 2016.

According to IFRS 10, the Servair shares were revalued at their fair value, the latter having been determined on the basis of the transaction value and amounts to €243 million as at December 31, 2020.

Net result of catering is mainly impacted by the operating loss of Servair. However, the total fair value of the Group's 49.9 per cent share interest in Servair Group, includes the put option recorded in the balance sheet in the line other derivatives, remains unchanged (see Note 38 "Other Commitments").

Other

As of December 31, 2020 and 2019, 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 percentages of interest in these partnerships are presented in Note 42.2.

NOTE 21 PENSION ASSETS

As of December 31
(in € millions)

	2020	2019
Opening balance	420	331
Net periodic pension (cost)/income	(175)	(138)
Payments of benefits and contributions to the funds	119	101
Reclassification	(28)	-
Fair value revaluation	(125)	126
Closing balance	211	420

The analysis of these pension assets is presented in Note 28.

NOTE 22 OTHER FINANCIAL ASSETS

As of December 31 (in € millions)	2020		2019	
	Current	Non-current	Current	Non-current
Equity instruments				
Equity instruments at fair value through OCI	-	51	-	73
Equity instruments at fair value in P&L	-	-	360	-
Assets – Debt instruments at fair value in P&L				
Marketable securities	105	88	73	38
Cash secured	309	-	300	-
Financial asset – at amortized cost				
AAA Bonds	180	338	50	535
Deposit on lease contracts	5	75	1	90
Deposit on lease with bargain option	-	101	2	225
Other loans and deposits	8	171	14	159
Gross value	607	824	800	1,120
Impairment at opening date	-	(24)	-	(25)
New impairment charge	-	(6)	-	(11)
Reversal	-	1	-	1
Other	-	(2)	-	11
Impairment at closing date	-	(29)	-	(24)
Total	607	795	800	1,096

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, 2020							
GOL Linhas Aéreas ⁽¹⁾	17	1.19%	NA ⁽²⁾	NA ⁽²⁾	OCI	24.9 BRL	December 2020
Kenya Airways ⁽²⁾	12	7.76%	NA ⁽²⁾	NA ⁽²⁾	OCI	-	December 2020
Other	22	-	-	-	-	-	-
Total	51						
As of December 31, 2019							
Amadeus ⁽¹⁾	360	1.11%	NA ⁽²⁾	NA ⁽²⁾	Income statement	€72.80	December 2019
GOL Linhas Aéreas ⁽¹⁾	35	1.19%	NA ⁽²⁾	NA ⁽²⁾	OCI	36,8 BRL	December 2019
Kenya Airways ⁽¹⁾	8	7.76%	NA ⁽²⁾	NA ⁽²⁾	OCI	€0.02	December 2019
Other	30	-	-	-	-	-	-
Total	433						

(1) Listed company.

(2) Not-available.

Year ended December 31, 2020

The Group sold Amadeus shares on January 9, 2020 for € 356 million.

The capital interest in Kenya Airways is considered as a business investment and the change in the fair value has been recognized through Other Comprehensive Income.

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 per cent 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, 2020, the amount of transferred receivables stood at €94 million (versus €98 million as of December 31, 2019). The associated loan stood at €76 million as of December 31, 2020 (versus €78 million as of December 31, 2019).

NOTE 23 INVENTORIES

As of December 31 (in € millions)	2020	2019
Aeronautical spare parts	663	772
Other supplies	106	143
Production work in progress	14	24
Gross value	783	939
Opening valuation allowance	(202)	(162)
Charge to allowance	(49)	(48)
Use of allowance	10	7
Reclassification	1	1
Closing valuation allowance	(240)	(202)
Net value of inventory	543	737

NOTE 24 TRADE ACCOUNTS RECEIVABLES

As of December 31 (in € millions)	2020	2019
Airlines	329	553
Other clients:		
— Network	660	862
— Maintenance	512	804
— Other	49	118
Gross value	1,550	2,337
Opening valuation allowance	(173)	(155)
Charge to allowance	(136)	(39)
Use of allowance	4	18
Currency translation adjustment	3	-
Reclassification	1	3
Closing valuation allowance	(302)	(173)
Net value	1,248	2,164

The charge to allowance mainly relates to maintenance receivables.

NOTE 25 OTHER ASSETS

As of December 31 (in € millions)	2020		2019 ⁽¹⁾	
	Current	Non-current	Current	Non-current
Suppliers with debit balances	86	-	99	-
State receivables (including tax credit)	188	-	224	-
Prepaid expenses	134	-	221	-
Other debtors	510	4	322	3
Gross value	918	4	866	3
Opening valuation allowance	(1)	-	(1)	-
Charge to allowance	(3)	-	-	-
Closing valuation allowance	(4)	-	(1)	-
Total	914	4	865	3

(1) The restatement with the published figures is explained by the fact that derivatives instruments are reported on a specific line in the balance sheet.

NOTE 26 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

As of December 31 (in € millions)	2020	2019
Liquidity funds (SICAV) (assets - debt instruments)	4,267	1,268
Bank deposits and term accounts (assets - debt instruments)	654	1,599
Cash in hand	1,502	848
Total cash and cash equivalents	6,423	3,715
Bank overdrafts	(1)	(4)
Cash, cash equivalents and bank overdrafts	6,422	3,711

NOTE 27 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE - KLM SA

27.1 Issued capital

As of December 31, 2020, the issued capital of Air France - KLM comprised 428,634,035 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.

The number of issued shares held is as follows:

As of December 31 (In number of shares)	2020	2019
At the beginning of the period	428,634,035	428,634,035
French State	61,241,325	61,241,325
Dutch State	60,000,000	60,000,000
Delta Air Lines	37,527,410	37,527,410
China Eastern Airlines	37,527,410	37,527,410
Employees and former employees	16,037,988	16,103,590
Treasury shares	1,208,005	1,201,571
Others	215,091,897	215,032,729
At the end of the period	428,634,035	428,634,035
Of which: - number of shares issued and paid up	428,634,035	428,634,035

Authorized stock

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2020 authorized the Board of Directors, for a period

of 26 months from the date of the Meeting of May 26, 2020 (i.e. until July 26, 2022), to issue shares and/or other securities conferring immediate or future rights to Air France - KLM's capital, limited to a total maximum nominal amount of €214 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	
	2020	2019	2020	2019
French State	14.3	14.3	20.9	20.9
Dutch State	14.0	14.0	10.2	10.2
Delta Air Lines	8.8	8.8	12.8	12.8
China Eastern Airlines	8.8	8.8	12.8	12.8
Employees and former employees	3.7	3.8	5.4	5.5
Treasury shares	0.3	0.3	0.4	0.4
Other	50.1	50.0	37.5	37.4
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)*”.

Other securities giving access to common stock

OCEANE

For more information please refer to Note 30.2.2 “OCEANE”.

27.2 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.

27.3 Treasury shares

As of December 31, 2020, Air France-KLM Group owns 1 208 005 treasury shares for €25 million. All of these treasury shares are classified as a reduction of equity.

27.4 Perpetual subordinated bond

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 per cent, had a first repayment option in October 2020, at the issuer's discretion.

Air France-KLM has decided to redeem of all 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 1st October 2020 at par, i.e. €100,000 per note, plus interest accrued since the last date on which interest were paid under the notes (i.e. 1st October 2019) until the early redemption date (included).

27.5 Reserves and retained earnings

(in € millions)	December 31, 2020	December 31, 2019
Legal reserve	70	70
Pension defined benefit reserves ⁽¹⁾	(1,701)	(1,590)
Derivatives reserves ⁽¹⁾	2	(15)
Equity instruments reserves ⁽¹⁾	(52)	(37)
Other reserves	(1,211)	(1,338)
Net income (loss) - Group share	(7,078)	290
Total	(9,970)	(2,620)

(1) Net of tax.

As of December 31, 2020, the legal reserve of €70 million represents 16 per cent of Air France-KLM's issued capital. French company law requires a limited company (*société anonyme*) to allocate five per cent of its unconsolidated statutory net income each year to this legal reserve until it reaches ten per cent 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.

Hedging reserves are composed as follows (before the effect of deferred tax):

(in € millions)	December 31, 2019	Variation of fair value	Recycling in income statement	December 31, 2020	Recycling allocated by rubric
Fuel	(33)	(1,133)	429	(148)	External expenses
			589		Other financial expenses
Interest rate	(33)	(9)	7	(35)	Cost of financial debt
Currency exchange	155	5	(79)	81	Other income and expenses
Change on revenues	(134)	172	7	61	Sales
			16		Other financial expenses
European carbon emission allowances (ETS)	12	19		31	
Total	(33)	(946)	969	(10)	

NOTE 28 RETIREMENT BENEFITS

(in € millions)

	Retirement benefits
Amount as of December 31, 2018	2,098
<i>Of which: Non-current</i>	<i>2,098</i>
New provision	143
Reversal of provision	(124)
Fair value revaluation	125
Currency translation adjustment	11
Amount as of December 31, 2019	2,253
<i>Of which: Non-current</i>	<i>2,253</i>
New provision	115
Reversal of provision	(373)
Fair value revaluation	158
Currency translation adjustment	(8)
Reclassification	2
Amount as of December 31, 2020	2,147
<i>Of which: Non-current</i>	<i>2,147</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 2020 and 2019 are presented in Note 28.3.

28.1 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 (benefit formulas,

funding policies and types of assets held) of the plans vary according to the regulations and laws in the particular countries in which the employees are located.

Pension plan related to KLM Ground Staff – The Netherlands

In December 2020, KLM Group and KLM ground unions agreed on a protocol to arrive at a future proof pension agreement. This pension agreement is expected to have the characteristics of a collective defined contribution scheme. It will require before implementation, amongst others, the approval of the Board of the KLM Ground pension fund and should qualify as a defined contribution scheme under IFRS. It is expected that in the course of 2021 these conditions will be met and subsequent derecognition of the related pension asset.

As per December 31, 2020, the pension plan for Ground Staff in the KLM entity is a defined benefit plan based on average salary with reversion to the spouse on the beneficiary's death. The retirement age as foreseen by the plan is 68 years.

Since September 1, 2018, the Board of the pension fund has been composed of members appointed by the employer, employees and an external expert. The Board is fully responsible for the execution of the plan. KLM can only control the financing agreement between KLM and the pension fund.

To satisfy the requirements of Dutch regulations and the rules set between the employer and the Board of the pension fund, the plan imposes a mandatory funding level of approximately 125 per cent of the projected long-term obligation. The projection of these commitments is calculated according to local funding rules. The mandatory funding ratio is based on the new Financial Assessment Framework (nFTK) in force since January 1, 2015. One impact of the nFTK is a requirement for higher minimum solvency levels. On the other hand, pension funds have more time to recover from immediate and material shortfalls through a rolling ten-year recovery plan that also includes the projected future return on investment.

Based on the criteria under Dutch Pension Law, as set by the Dutch Central Bank, the funding ratio of the Ground Staff pension fund is 97.9 per cent as of December 31, 2020 versus 108.2 per cent as of December 31, 2019.

If the coverage ratio is under the funding ratio detailed above, the pension funds are required to implement a recovery plan that aims for compliance with the 125 per cent threshold within ten years and includes projected future returns on investment. As a consequence, the recovery plan for the Ground Staff plan was updated as of April 1, 2020. If the threshold is not reached within ten years, additional contributions are payable by the company and the employee (transitional period of 12 years as of 2015).

The amount of regular and additional employer contributions is not limited. Any additional employee contributions are limited to two per cent of the pensionable contribution basis.

A reduction in contributions is possible if the pension indexation is fully funded. Furthermore, according to Dutch Pension Law, this reduction is not limited and can be realized either by a reimbursement in contributions, or a reduction in future contributions. Since 2015, the new Dutch fiscal rules have foreseen a maximum pensionable salary of € 110,111 as of January 1, 2020, and a lower future accrual rate for pensions.

The return on plan assets, the discount rate used to value the obligations and the longevity and characteristics of the active population are the main factors potentially impacting both the coverage ratio and the level of the regular contribution for future pension accrual. The regular contribution for the yearly pension accrual is limited to 22 per cent of the pension base.

The funds, fully dedicated to the KLM Group companies, are mainly invested in bonds, equities and real estate. The management of most of the assets is outsourced to a private institution, under a service contract.

The required funding of this pension plan also includes a buffer against the following risks: interest rate risks, equity risks, currency risks, credit risks, actuarial risks and real estate risks. For example, to reduce the sensitivity to a decline in interest rates, a substantial part of the sensitivity to an interest rate shock on all maturities is covered by an interest hedge.

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 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 per cent 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 per cent of the benefits payments for this plan without future revaluations. If the value of the funds falls below 50 per cent of the total obligations calculated for funding purposes, Air France is required to make an additional payment to achieve a minimum 50 per cent coverage rate.

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.

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, 2020, the KLM Ground Staff pension plan and the two French plans presented above represented a respective 74 per cent and 16 per cent of the Group’s defined benefit obligation and 89 per cent and 5 per cent of the Group’s pension plan assets.

28.2 Description of the actuarial assumptions and related sensitivities

Actuarial valuations of the Group’s benefit obligation were made as of December 31, 2020 and 2019.

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	2020	2019
Euro zone – Duration 10 to 15 years	1.25%	1.30%
Euro zone – Duration 15 years and beyond	1.35%	1.40%

- 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	2020	2019
Euro zone – Duration 10 to 15 years	0.45%	0.70 to 0.75%
Euro zone – Duration 15 years and beyond	0.75%	1.15%

The duration of between 10 and 15 years mainly concerns the plans located in France while the duration of 15 years and beyond mainly concerns the KLM Ground Staff plan located in The Netherlands.

- 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 10 to 15bps 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 (excluding inflation) is 1.57 per cent for the Group as of December 31, 2020 against 1.63 per cent as of December 31, 2019.

The rate of pension increase (excluding inflation) is 0.88 per cent for the Group as of December 31, 2020 against 0.85 per cent of December 31, 2019.

- 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, 2020	Sensitivity of the assumptions for the year ended December 31, 2019
25 bp increase in the inflation rate	284	277
25 bp decrease in the inflation rate	(271)	(266)

Sensitivity to changes in the discount rate

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2020	Sensitivity of the assumptions for the year ended December 31, 2019
100 bp increase in the discount rate	(2,253)	(2,120)
100 bp decrease in the discount rate	2,987	2,803

Sensitivity to changes in salary increase (excluding inflation)

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2020	Sensitivity of the assumptions for the year ended December 31, 2019
25 bp increase in the salary increase rate	84	80
25 bp decrease in the salary increase rate	(76)	(74)

Sensitivity to changes in pension increase

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2020	Sensitivity of the assumptions for the year ended December 31, 2019
25 bp increase in the pension increase rate	571	536
25 bp decrease in the pension increase rate	(532)	(534)

28.3 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, 2020 and December 31, 2019.

(in € millions)	As of December 31, 2020			As of December 31, 2019		
	Netherlands	France	Others	Netherlands	France	Others
Benefit obligation at beginning of year	9,570	2,404	956	8,364	2,234	833
Service cost	207	80	9	154	71	14
Interest cost	107	16	18	152	31	24
Employees' contribution	21	-	-	32	-	1
Plan amendments, curtailments and settlements	(16)	(245)	-	2	4	(3)
Benefits paid	(201)	(105)	(33)	(192)	(115)	(39)
Transfers of assets/liability through balance sheet	-	-	-	-	-	18
Actuarial loss/(gain) demographic assumptions	(174)	60	29	(1)	(47)	(12)
Actuarial loss/(gain) financial assumptions	672	54	63	1,013	187	98
Actuarial loss/(gain) experience gap	70	1	11	46	39	(19)
Change in currency exchange rates	-	-	(58)	-	-	41
Benefit obligation at end of year	10,256	2,265	995	9,570	2,404	956
<i>Including benefit obligation resulting from schemes totally or partly funded</i>	<i>10,037</i>	<i>2,187</i>	<i>940</i>	<i>9,339</i>	<i>2,301</i>	<i>896</i>
<i>Including unfunded benefit obligation</i>	<i>219</i>	<i>78</i>	<i>55</i>	<i>231</i>	<i>103</i>	<i>60</i>
Fair value of plan assets at beginning of year	9,755	621	721	8,483	589	592
Actual return on plan assets	565	4	66	1,319	58	95
Employers' contributions	118	33	17	76	33	16
Employees' contributions	21	-	-	32	-	1
Benefits paid	(190)	(54)	(29)	(157)	(57)	(32)
Transfers of assets/liability through balance sheet	-	-	-	-	-	18
Change in currency exchange rates and others	(24)	-	(44)	2	(2)	31
Fair value of plan assets at end of year	10,245	604	731	9,755	621	721
Amounts recorded in the balance sheet⁽¹⁾						
Pension asset	211	-	-	418	-	2
Provision for retirement benefits	(222)	(1,661)	(264)	(233)	(1,783)	(237)
Net amount recognized	(11)	(1,661)	(264)	185	(1,783)	(235)
Net periodic cost:						
Service cost	207	80	9	154	71	14
Net interest cost/(income)	(5)	12	4	(5)	23	6
Plan amendments, curtailment and settlement	(16)	(245)	-	2	4	(3)
Actuarial losses/(gain) recognized in income statement	(6)	-	-	14	2	(1)
Net periodic cost	180	(153)	13	165	100	16

(1) All the obligations are recorded as non-current liabilities, except for the pension plans for which the balance is a net asset and therefore fully recorded as a non-current asset.

Amendments, curtailment and settlement of pension plans

— As of December 31, 2020

A curtailment of the pension plan at Air France and its regional subsidiaries has been accounted for, amounting to a €250 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 - The Netherlands has been made, amounting to a profit of €16 million, within the framework of the 2020 voluntary leave plan for ground staff.

— As of December 31, 2019

ICS benefits have been increased for the Air France cockpit crew as part of a retirement at the minimum age of 60, if providing an advanced notice of at least 12 months.

In this case, the cockpit crew member is entitled to the determined ICS compensation. In this respect, an exceptional expense of €11 million has been recorded.

A curtailment of the ICS pension plan at Air France is made, amounting to a profit of €7 million, within the framework of the Voluntary Departure Plan for ground staff.

28.4 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, 2020		Funds invested as of December 31, 2019	
	France	The Netherlands	France	The Netherlands
Equities	25	40	26	40
Bonds	51	47	51	50
Real estate	-	9	-	10
Others	24	4	23	-
Total	100	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.

28.5 Expected cash-out flows and risks linked to the pension obligations

The employer contributions relating to the defined benefit pension plans amount to € 188 million for the year ended December 31, 2021. The weighted average duration of the obligation is 18.9 years.

The funding, capitalization and matching strategies implemented by the Group are presented in Note 28.1.

As indicated above, the fiscal rules for accruing pensions and the new Financial Assessment Framework, as part of the Dutch pension law, in The Netherlands changed as of January 1, 2015. Amongst other things, this resulted in a requirement for higher

minimum solvency levels. For the Group, the risk could be that, in the event of a long term shortfall of KLM ground staff, based on existing or future financing agreements, KLM could be required to make additional cash payments (the actual funding ratios are presented in Note 28.1).

For 2021, this additional payment risk concerning the KLM Ground Staff pension plan is mitigated by the solvency levels and the rolling ten year recovery plan noted since December 31, 2020.

NOTE 29 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, 2019	3,188	434	48	393	99	4,162
<i>Of which: non-current</i>	<i>3,119</i>	<i>425</i>	<i>-</i>	<i>47</i>	<i>65</i>	<i>3,657</i>
<i>current</i>	<i>69</i>	<i>8</i>	<i>48</i>	<i>346</i>	<i>34</i>	<i>505</i>
New provision	-	15	49	32	61	157
Use of provision	(5)	(10)	(30)	(9)	(41)	(95)
Reversal of unnecessary provisions	-	-	(4)	(5)	-	(9)
New lease contract/Change in lease contract	(121)	19	-	-	-	(102)
Currency translation adjustment	48	(6)	-	-	-	42
Accretion impact	186	24	-	-	2	212
Reclassification	80	-	-	1	6	97
Amount as of December 31, 2019	3,376	486	63	412	127	4,464
<i>Of which: non-current</i>	<i>3,209</i>	<i>410</i>	<i>-</i>	<i>59</i>	<i>72</i>	<i>3,750</i>
<i>current</i>	<i>167</i>	<i>76</i>	<i>63</i>	<i>353</i>	<i>55</i>	<i>714</i>
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
Reclassification	(63)	(55)	-	-	32	(86)
Amount as of December 31, 2020	3,266	421	741	423	156	5,007
<i>Of which: non-current</i>	<i>2,860</i>	<i>300</i>	<i>-</i>	<i>402</i>	<i>108</i>	<i>3,670</i>
<i>current</i>	<i>406</i>	<i>121</i>	<i>741</i>	<i>21</i>	<i>48</i>	<i>1,337</i>

The movements in provisions for litigation and other risks and charges with an impact on the income statement are charged to the lines of the income statement corresponding to the nature of the expenses.

29.1 Provisions

29.1.1 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 accretion and foreign exchange translation of return obligation liabilities and provisions recorded in local currencies are recognized in "Other financial income and expenses" (see Note 11).

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 3.4 per cent as of December 31, 2020 versus 4.5 per cent as of December 31, 2019.

29.1.2 Restructuring provisions

The movements in restructuring provisions with a significant impact on the income statement are charged to "Other non-current income and expenses" (see Note 10).

As of December 31 2020, and 2019, the restructuring provisions mainly concern the Voluntary Departure Plans at Air France and its regional subsidiaries, and at KLM and subsidiaries. KLM also recorded a provision for an involuntary departure plan for € 16 million.

29.1.3 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.

reasonably challenge a tax position adopted by the Group or one of its subsidiaries.

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

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.

29.1.4 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.

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.

As of December 31, 2020, most of these investigations had 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 Switzerland, Air France and KLM are challenging a decision imposing a €4 million fine before the relevant court. The Group has provisioned the totality of this fine.

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

As of December 31, 2020, the total amount of provisions in connection with proceedings which have yet to give rise to definitive decisions amounts to €346 million.

29.1.5 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.

29.2 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 would be incurred in connection with these disputes.

29.2.1 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.

29.2.2 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.

29.2.3 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 favour 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 case has been referred to the investigating chamber of the Paris Court of Appeals and a hearing will be held on March 4, 2021. Air France has taken note of the position of the Public Prosecutor's Office, which is requesting the referral of Air France and Airbus to the criminal court. Air France, which contests having committed a fault that caused the accident, intends to seek confirmation of the dismissal order issued by the investigating judges. It will now be up to the Investigating Chamber to rule on the matter.

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.

Case brought against KLM by (former) Martinair Cargo pilots

In 2015, a case was brought against KLM by 152 (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 the Martinair seniority. The lower Court in 2016 and the Court of appeal in 2018 rejected all claims made against KLM. The Martinair airline pilots appealed the 2018 judgment. In November 2019, the Supreme Court ruled that the judgement of the court of appeal lacked sufficient motivation and referred the case to another Court of appeal. Proceedings at this court, that will have to reconsider certain arguments that were brought forward by the airline pilots, are pending.

Except for the matters specified under the paragraphs 29.1 and 29.2, 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 30 FINANCIAL DEBT

As of December 31 (in € millions)	Note	2020			2019		
		Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan in Yen	30.1.1	158	-	158	164	-	164
Perpetual subordinated loan in Swiss francs	30.1.2	347	-	347	345	-	345
OCEANE (convertible bonds)	30.2.2	465	-	465	454	-	454
Bonds	30.2	1,229	289	1,518	1,128	-	1,128
Debt on financial leases with bargain option		2,908	604	3,512	2,938	547	3,485
Loans guaranteed by the French and the Dutch states	30.3	4,685	-	4,685	-	-	-
State loans	30.3	3,278	-	3,278	-	-	-
Other debt		1,101	335	1,436	1,242	252	1,494
Accrued interest		-	90	90	-	43	43
Total - Financial debt		14,171	1,318	15,489	6,271	842	7,113

Change in financial debt (in € millions)	December 31, 2019	New financial debt ⁽¹⁾	Non- monetary change	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2020
Perpetual loan in Japanese yen and Swiss franc	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 the Dutch states	-	4,685	-	-	-	-	4,685
State loans	-	3,278	-	-	-	-	3,278
Other long-term debt	1,494	1,969	36	(2,052)	(11)	-	1,436
Accrued interest	43	-	24	-	-	23	90
Total	7,113	11,452	95	(3,389)	(73)	291	15,489

(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.

Change in financial debt (in € millions)	December 31, 2018	New financial debt	Non- monetary change	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2019
Perpetual loan in Japanese yen and Swiss franc	572	-	-	(83)	20	-	509
OCEANE	-	446	8	-	-	-	454
Bonds	1,131	-	(1)	-	(2)	-	1,128
Debt on financial lease with bargain option	3,547	566	6	(619)	25	(40)	3,485
Other long-term debt	1,263	629	3	(454)	2	51	1,494
Accrued interest	46	-	13	-	-	(16)	43
Total	6,559	1,641	29	(1,156)	45	(5)	7,113

30.1 Perpetual subordinated debt

30.1.1 KLM Perpetual subordinated debt in Japanese Yen

The perpetual subordinated loan in Japanese Yen was provided to KLM in 1999 for a principal amount of JPY 30 billion.

As per August 28, 2019 KLM has partially redeemed JPY 10 billion, leaving the residual outstanding principal amount to JPY 20 billion, i.e. €158 million as of December 31, 2020. As from this date, the fixed JPY interest was reset to 4% per annum applicable on residual notional amount.

This perpetual loan can be redeemed at KLM's discretion on each fifth anniversary of the first interest payment date, August 28, 1999. The next repayment option date at Par is therefore set on August 28, 2024. Note that an indemnity is due if the JPY loan is redeemed in another currency than JPY.

This loan debt is subordinated to all other existing and future debt at KLM.

30.1.2 KLM Perpetual subordinated debt in Swiss francs

The perpetual subordinated bond debt in Swiss francs 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 several partial buy back transactions to partially redeem debt.

The total amount now outstanding is CHF 375 million, i.e. €347 million as of December 31, 2020.

Concerning the perpetual bond debt 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 not Called, the next coupon reset date is set on February 12, 2025. The current outstanding coupon is 0.75% per annum.

Concerning the perpetual bond debt issued in 1986, KLM is entitled to early redeem at Par the outstanding residual amount on each fifth anniversary of the interest payment date. The next "call date" is May 15, 2021. The call price amount in 2001 was 101.75 per cent of the notional face value, and thereafter with a premium declining by 0.25 per cent on each fifth anniversary of the interest payment date. Therefore from May 15, 2036, the call price amount will be set at Par. The fixed interest coupon is 5.75% per annum.

The bond debt is subordinated to all other existing and future KLM debts.

The two CHF perpetual bond debts are ranked "pari passu" with the JPY perpetual loan debt.

30.2 Bonds

30.2.1 Perpetual subordinated notes

Air France-KLM has decided to proceed with the redemption of all the outstanding perpetual subordinated notes issued in

2015 representing a total nominal amount of €403.3 million (see Note 27.4 “Perpetual subordinated bond”).

30.2.2 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 per cent. 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 per cent 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 €465 million.

30.2.3 Other bonds

Bond	Issuing date	Amount issued (in millions)	Maturity date	Reimbursement date	Coupon
Bond issued in 2014	4 June 2014	€ 289	18 June 2021	-	3.875%
€ Bond issued in 2016	5 Oct. 2016	€ 361	12 Oct. 2022	-	3.75%
\$ Bond issued in 2016 ⁽¹⁾	9 Dec. 2016	\$ 145	15 Dec. 2026	-	4.35%
€ Bond issued in 2020	10 Jan. 2020	€ 750	16 Jan. 2025	-	1,875%

(1) Bonds issued to Asian institutional investors via an unlisted private placement.

30.3 Financial support by the French and the Dutch states

Financial support package of €7.0 billion backed by the French State

On May 6, 2020, Air France-KLM Group signed the legal documentation relating to the financing for a total amount of 7 billion euros. This financing includes 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 option 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 to 0.5% of the total amount of the loan and which 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;

- 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 and 7.75% for the sixth.

This rate will be increased by 5.5% step up in case (i) the general assembly 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 general assembly would approve, without the approval from the French State, a capital increase which would not enable the incorporation of all or part 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 French State guaranteed bank loan 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 has approved the French State aid on May 4, 2020.

As of December 31, 2020, Air France-KLM has drawn down the whole €4 billion of the bank loan guaranteed by the French State and the whole subordinated shareholder loan of €3 billion.

They have been recorded at amortized cost based on a 3 year drawn down assumption and an Effective Interest Rate of 2.66 per cent for the loan guaranteed and based on a 4 year drawn down assumption and Effective Interest Rate of 7.00 per cent for the shareholder loan.

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 the 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, for 90% guaranteed by the Dutch State and with a maturity of 5 years. This revolving credit facility has an interest of EURIBOR (floored at zero) plus a margin of 1.35%. The cost of the associated Dutch State guarantee equals to 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 an interest of 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 drawing under the new revolving credit facility amounts to €665 million, which was drawn on 26 August 2020. It has replaced the existing revolving credit facility drawn on 19 March 2020 (see Note 21.5 "Credit facilities"). KLM first drawing under the Dutch State loan is €277 million, which was drawn also on 26 August 2020.

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 has approved both the Dutch state aid on July 13, 2020. On November 3, 2020, approval has been obtained from the Netherlands Ministry of Finance for the restructuring plan. Following this, KLM has the possibility to draw additional amounts under the financial support package.

As of December 31, 2020, 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 year drawn down assumptions with the Effective Interest Rate method (3.95 per cent for the revolving credit facility and 7.05 per cent for the direct state loan).

Both the revolving credit facility and the State loan are presented as non-current liabilities based on IAS1 (presentation of financial statements). The revolving credit facility has a contractual maturity of 5 years and the State loan has a contractual maturity of 5.5 years. With that, the loans are not due for settlement in the coming 12 months after balance sheet date. Furthermore, covenant testing is not required per balance sheet date, and therefore it is not relevant to the assessment.

The classification of loans as current or non-current as described in IAS1 is amended, with an effective date in 2022. Future conditions need to be incorporated in a hypothetical test at reporting date. For the revolving credit facility and the State loan this would entail a covenant test per balance sheet date, while the covenant test is contractually only required as of September 2021. In the hypothetical test per balance sheet date, KLM is meeting the covenant requirements in September 2021 for both the revolving credit facility and the 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 State loan would also required to be classified as non-current if the amended version of IAS 1 would have been applied.

30.4 Other debt

Other debt breaks down as follows:

As of December 31 (in € millions)	2020	2019
Reservation of ownership clause and mortgage debt	1,057	1,072
Other debt	379	422
Total	1,436	1,494

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 the mortgagee 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 €(32) million related to issuance expenses on financial debt.

30.5 Maturity analysis

The financial debt maturities break down as follows:

As of December 31 (in € millions)	2020	2019
Maturities in		
Y+1	2,099	970
Y+2	1,439	1,456
Y+3	4,928	1,071
Y+4	4,307	570
Y+5	2,094	964
Over 5 years	2,993	2,870
Total	17,860	7,901
Including: Principal	15,489	7,113
Interest	2,371	788

As of December 31, 2020, the expected financial costs amount to €781 million for the 2021 financial year, €1,307 million for the 2022 to 2025 financial years, and €283 million thereafter.

As of December 31, 2020, the KLM perpetual subordinated loan are included over 5 years.

The bonds issued in 2014, 2016 and 2020 will be reimbursed on their contractual maturity date (see Note 30.2).

30.6 Currency analysis

The breakdown of financial debt by currency after impact of derivative instruments is as follows:

As of December 31 (in € millions)	2020	2019
Euro	13,639	5,247
US Dollar	680	691
Swiss franc	357	355
Yen	813	820
Total	15,489	7,113

30.7 Credit lines

As of December 31, 2019, the Group held undrawn credit lines amounting to €1,765 million. The two undrawn revolving credit lines facilities amount for respectively €1,1 billion for Air France – KLM holding company and Air France, and €665 million for KLM standalone.

On March 13, 2020, Air France – KLM drew down its revolving credit facility concluded for a 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 the credit facility.

On March 19, 2020, KLM has drawn 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% guarantee supported by the Dutch State (see Note 30.3 "Financial support by the French and the Dutch state"), has replaced this credit line on August 26, 2020. As of December 31, 2020, KLM draw €665 million of its credit facility and holds an undrawn amount of €1.735 million.

NOTE 31 LEASE DEBT

As of December 31 (in € millions)	2020			2019		
	Non-current	Current	Total	Non-current	Current	Total
Lease debt – aircraft	1,687	675	2,362	2,338	789	3,127
Lease debt – real estate	595	105	700	618	107	725
Lease debt – other	143	42	185	193	56	249
Accrued interest	-	17	17	-	19	19
Total – Lease debt	2,425	839	3,264	3,149	971	4,120

Change in lease debt (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
Interests	19	-	-	-	(2)	17
Total	4,120	336	(940)	(256)	4	3,264

Change in lease debt (in € millions)	December 31, 2018	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31 2019
Lease debt - Aircraft	3,478	435	(807)	24	(3)	3,127
Lease debt - Real estate	773	88	(141)	-	5	725
Lease debt - Others	264	66	(60)	2	(23)	249
Interests	20	-	-	-	(1)	19
Total	4,535	589	(1,008)	26	(22)	4,120

The lease debt maturity breaks down as follows:

(in € millions)	As of December 31, 2020	As of December 31, 2019
Y+1	1,034	1,231
Y+2	856	1,058
Y+3	662	868
Y+4	451	631
Y+5	301	391
Over 5 years	860	1,025
Total	4,164	5,204
Including: Principal	3,264	4,120
Interest	900	1,084

NOTE 32 NET DEBT

As of December 31 (in € millions)	Note	2020	2019
Current and non-current financial debt	30	15,489	7,113
Repo triple A bond		(84)	-
Current and non-current lease debt	31	3,264	4,120
Accrued interest	30 and 31	(107)	(62)
Deposits related to financial debt	22	(101)	(227)
Deposits related to lease debt	22	(80)	(91)
Derivatives impact on debt		27	4
Gross financial debt (I)		18,408	10,857
Cash and cash equivalents	26	6,423	3,715
Marketable securities	22	193	111
Cash secured	22	309	300
Triple A bonds	22	518	585
Repo triple A bond		(84)	-
Other		1	3
Bank overdrafts	26	(1)	(4)
Net cash (II)		7,359	4,710
Net debt (I-II)		11,049	6,147

As of December 31 (in € millions)	Note	2020	2019
Opening net debt		6,147	6,164
Operating free cash, cash-flow excluding discontinued activities		4,721	(623)
Perpetual reclassified from Equity	30.2.1	403	-
Coupons on perpetual reclassified from Equity	30.2.1	26	26
Disposal of subsidiaries, of shares in non-controlled entities		(357)	(13)
Acquisition of subsidiaries, of shares in non-controlled entities		1	1
New lease debts (new and renewed contracts)	31	336	589
Unrealized exchange gains and losses on lease financial debts through OCI		(215)	13
Non monetary variation of the debt		27	4
Currency translation adjustment		(15)	48
Capital increase	30.2.2	-	(54)
Amortization of OCEANE optional part		11	8
Reclassification		-	(5)
Change in scope		(50)	-
Other		14	(11)
Closing net debt		11,049	6,147

NOTE 33 DEFERRED REVENUE ON TICKET SALES

This line corresponds to the unused air tickets which will be recognized in revenues at the date of transportation. The Covid-19 crisis and the lockdown of borders cause the Group to reduce the capacity and cancel an important number of flights. In that case, customers can either ask for the refund of the ticket or

the issuance of a voucher. As of December 31, 2020, this line includes €699 million of air tickets (fare and carrier imposed charges) for which the date of transportation has passed and which are eligible to refund and €739 million of vouchers that can be used for future flights (or which can be refunded).

NOTE 34 LOYALTY PROGRAM

Within Air-France-KLM, there are two loyalty programs: Flying Blue and BlueBiz.

As of December 31, 2020, the deferred revenues relating to the outstanding miles of the Flying Blue customer loyalty program

amounts €832 million. This will be recognized as revenue once the miles are redeemed. The Group expects that 53 per cent of the miles will be recognized as revenue over the next five years.

The breakdown of the Flying Blue program is as follows:

Flying Bue - Deferred revenues (in € millions)	2020	2019
As of January 1	774	763
Accumulation	130	319
Redemption	(72)	(308)
As of December 31	832	774

NOTE 35 OTHER LIABILITIES

As of December 31 (in € millions)	2020		2019⁽¹⁾	
	Current	Non-current	Current	Non-current
Tax liabilities	565	625	892	-
Employee-related liabilities	1,134	545	1,033	-
Non-current asset payables	96	-	96	-
Deferred income	836	36	739	17
Prepayments received	342	-	469	1
Other	203	88	220	98
Total	3,175	1,294	3,448	115

(1) Derivatives instruments are reported on a specific line in the balance sheet.

Non-current deferred income mainly relates to long-term contracts in the maintenance business.

NOTE 36 FINANCIAL INSTRUMENTS

36.1 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 and Senior Vice-President 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 of the risks relating to fuel price, main currencies and interest rates and counterparties. RMC decides on the hedging policies to be implemented, targets for hedging ratios and periods and instrument types. Formalized RMC decisions are then implemented by the respective Treasury Management departments within each company, in compliance with the procedures governing the delegation of powers.

Each company centralizes the management of the market risks of its subsidiaries.

Regular meetings are organized between the Treasury Management departments.

In order to implement the strategy most appropriate to each circumstance, any type of instrument may be used provided it qualifies as hedging within IFRS unless explicitly approved by the Risk Management Committee. As a rule, no trading or speculation is allowed.

The treasury management departments of each company 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 the end of the month to the Group's General Management.

Every month, a detailed report including, amongst other information, 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 hedging strategy on fuel and emission permits is fully under the responsibility of the Treasury Management departments. The General Managements receive a weekly fuel report, mainly covering the transactions carried out during the week, the valuation of 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 rolling 24 months. Furthermore, a weekly Air France–KLM Group report (known as the Fuel Hedge report) consolidates the figures from the two companies 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.

The hedging strategy, approved by the Board of Directors, sets the time span of the hedges at two years (a rolling 24 months) and the target hedging ratio at 60 per cent. Furthermore, the hedging is based on the use of simple futures or option-based instruments. These hedging instruments must also be compatible with IFRS 9.

With the application of IFRS 9 as of January 1, 2018, the hedging strategy of the Group has evolved and involves now component on non-financial item (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 hedge strategy

Hedge horizon: two years rolling

Minimum hedge percentage, to reach at the end of the current quarter:

- quarter underway: 60% of the volumes consumed;
- quarter 1 to quarter 3: 60% of the volumes consumed;
- quarter 4: 50% of the volumes consumed;
- quarter 5: 40% of the volumes consumed;
- quarter 6: 30% of the volumes consumed;
- quarter 7: 20% of the volumes consumed;
- quarter 8: 10% of the volumes consumed.

Increment of coverage ratios: 10% 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 a 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 companies is centralized by each company. 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, the Group is a net buyer of US dollars. As the result, any significant appreciation in the dollar against the euro could result in a negative impact on the Group's activity and financial results.

Inversely 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 on the basis of the forecast 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 24-month period, the first four quarters having more hedging than the following four. The RMC sets the hedging targets for the dollar, sterling 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.

Aircraft are purchased in US dollars, meaning that the Group is exposed to an appreciation in the dollar relative to the euro in terms of its investment in flight equipment.

The hedging strategy provides for the implementation of a graduated level of hedging between the date aircraft are ordered and their delivery.

The exchange rate risk on the Group's financial debt is limited. At December 31, 2020, 89% 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 5%, the US dollar 4% and the Swiss franc 2%.

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 USD 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 debt 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 swaps, the Air France–KLM Group's debt contracted at fixed rates represents 44 per cent of the overall total. The interest rate on the Group's gross debt after swaps stood at 2.55 per cent at December 31, 2020 versus 2.54 per cent at December 31, 2019.

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 forwards contracts meaning that the 2021 requirement and a portion of the 2022 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 deposits, money market mutual funds and certificates mainly rated A1/P1, the other lines being rated A2/P2.

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 companies. 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 companies. 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 not to be significant. The Group’s counterparty-risk reporting is circulated each month to the executive managements, 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.

- The counterparty risk linked to derivative instruments is taken into account in the valuation of their market value as described in Note 3.11. 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 comprising the trade receivables portfolio.

The Group has identified the following exposure to counterparty risk:

LT Rating (Standard & Poors)	Total exposure (in € millions)	
	As of December 31, 2020	As of December 31, 2019
AAA	257	242
AA	66	393
A	898	2,280
BBB	-	16
Total	1,221	2,931

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 30.7.

36.2 Derivative instruments

As of December 31, 2020, 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	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)

As of December 31, 2019, 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	75	55	20	-	-	-	-
	Liability	(100)	(86)	(14)	-	-	-	-
Interest rate derivative instruments	Asset	16	-	9	-	5	-	2
	Liability	(49)	(12)	(8)	(5)	(4)	(5)	(15)
Currency exchange derivative instruments	Asset	386	186	96	64	26	13	-
	Liability	(102)	(51)	(35)	(3)	(1)	(1)	(12)
Amadeus shares derivative instrument	Asset	-	-	-	-	-	-	-
	Liability	(4)	(4)	-	-	-	-	-
Carbon credit derivative instruments	Asset	17	17	-	-	-	-	-
	Liability	(4)	(1)	(3)	-	-	-	-
Total	Asset	494	258	125	64	31	13	2
	Liability	(259)	(154)	(60)	(8)	(5)	(6)	(27)

36.2.1 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, 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	
Commodity risk (cash-flow hedging operating flows)								
Swap	356	356	-	-	-	-	-	(43)
Options	1,031	992	39	-	-	-	-	(103)
Sub-total	1,387	1,348	39	-	-	-	-	(146)
Commodity risk (trading)								
Swap	65	65	-	-	-	-	-	(31)
Sub-total	65	65	-	-	-	-	-	(31)
Receivables/payables on fuel hedges								(49)
Total	1,452	1,413	39	-	-	-	-	(226)
Price after hedge USD/Metric Tons		542	532	-	-	-	-	-

No inefficiencies on fuel hedging have been recognized because of the hedging by component.

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 reflects the payout of the hedging strategy based on the forward curve as of December 31, 2020. The hedge results include realized over-effectiveness, option premiums, results of unwound structures and exclude time value.

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	
Commodity risk (cash-flow hedging operating flows)								
Swap	1,111	909	203	-	-	-	-	(10)
Options	3,405	2,239	1,166	-	-	-	-	(16)
Total	4,516	3,148	1,369	-	-	-	-	(26)
Price after hedge USD/Metric Tons		697	667	-	-	-	-	-

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 a +/- USD 10 variation in the price of a barrel of Brent is as follows:

As of December 31 (in € millions)	2020		2019	
	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	252	(263)	577	(584)

36.2.2 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, 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 debt	299	86	192	124	255	977	(30)
Options	150	Financial debt	-	-	-	-	-	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)
As of December 31, 2019 (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	1,742		8	254	52	189	144	1,095	(41)
Rate swaps	1,592	Interests flow of financial debt	8	254	52	189	144	945	(41)
Options	150	Interests flow of financial debt	-	-	-	-	-	150	-
Operations qualified as fair value through profit and loss	325		-	209	-	24	-	92	8
Rate swaps	125	N/A	-	9	-	24	-	92	9
Options	200	N/A	-	200	-	-	-	-	(1)
Total	2,067		8	463	52	213	144	1,187	(33)

In 2020, given the perfect economic relationship between hedging instruments and hedged items, no ineffectiveness has been recognized on 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)	2020				2019			
	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	1,291	1.3%	1,291	1.3%	2,393	1.2%	2,393	1.2%
Fixed-rate financial liabilities	8,175	4.0%	9,665	3.8%	8,203	4.5%	9,101	3.8%
Floating-rate financial assets and liabilities								
Floating-rate financial assets	4,495	0.2%	4,494	0.2%	1,352	0.4%	1,352	0.4%
Floating-rate financial liabilities	10,696	1.7%	9,206	1.8%	3,078	1.4%	2,195	1.5%
Without-rate financial assets	2,031	-	2,032	-	1,758	-	1,531	-

As of December 31, 2020, without-rate financial assets mainly include cash and as of December 31, 2019 cash and the revaluation of Amadeus shares at their fair value.

Interest rate sensitivity

The Group is exposed to the risk of interest rate variation. A 100-basis point variation (increase or decrease) in interest rates would have an impact of €52 million on the financial income for the year ended December 31, 2020 versus €22 million for the year ended December 31, 2019.

36.2.3 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, 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	
Exchange risk (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
Exchange risk (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
Exchange risk (cash-flow hedges on debts)	180		43	-	-	-	-	137	(21)
Forward purchases	43	Financial debt	-	-	-	-	-	-	(2)
Others	137	Financial debt	-	-	-	-	-	137	(19)
Exchange risk (Fair value hedges on debt)	232		66	66	57	43	-	-	-
Forward purchases	232	Lease debt	66	66	57	43	-	-	-
Exchange risk (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)

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	
Exchange risk (cash-flow hedging of operating flows)	3,871		2,233	1,501	7	-	-	129	59
Exchange rate options	2,115	N/A	1,259	856	-	-	-	-	22
Forward purchases	994	N/A	577	413	4	-	-	-	69
Forward sales	633	N/A	397	232	3	-	-	-	(20)
Debt	129	Financial debt	-	-	-	-	-	129	(12)
Exchange risk (fair value hedging of flight equipment acquisition)	4,435		1,626	1,326	1,020	268	196	-	211
Exchange rate options	159	Other commitments		14	107	38	-	-	28
Forward purchases	3,198	Other commitments	1,289	955	630	190	134	-	234
Forward sales	1,078	Other commitments	337	357	283	40	62	-	(51)
Exchange risk (cash-flow hedges on debts)	180		43	-	-	-	-	137	(12)
Forward purchases	43	Financial debt	43						
Others	137	Financial debt	-	-	-	-	-	137	(12)
Exchange risk (Fair value hedges on debt)	186		61	51	48	26	-	-	12
Forward purchases	186	Lease debt	61	51	48	26	-	-	12
Exchange risk (trading)	153		109	44	-	-	-	-	15
Forward purchases	153	N/A	109	44	-	-	-	-	15
Total	8,825		4,072	2,922	1,075	294	196	266	285

Unaligned time value of options with-barrier is booked under other financial income and expenses in the income statement

for a loss of €9 million as of December 31, 2020 and a loss of €4 million as of December 31, 2019.

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	
	2020	2019	2020	2019
US dollar	997	1,231	3,396	4,035
Pound sterling	14	67	14	34
Yen	45	17	832	805
Swiss francs	19	13	353	354
Others	13	239	14	104

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 per cent appreciation in foreign currencies relative to the euro is presented below:

As of December 31 (in € millions)	US dollar		Pound sterling		Yen	
	2020	2019	2020	2019	2020	2019
Income before tax	(121)	(134)	(9)	(37)	(79)	(91)
Gains/(losses) taken to equity	131	240	(11)	(49)	(3)	(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 per cent depreciation in foreign currencies relative to the euro is presented below:

As of December 31 (in € millions)	US dollar		Pound sterling		Yen	
	2020	2019	2020	2019	2020	2019
Income before tax	63	91	-	1	77	78
Gains/(losses) taken to equity	(63)	(100)	14	50	7	11

36.2.4 Carbon credit risk

As of December 31, 2020, the Group has hedged its future purchases of CO₂ quotas as follow:

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

As of December 31, 2019 (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	151	88	63	-	-	-	-	13
Forwards	151	88	63	-	-	-	-	13
Total	151	88	63	-	-	-	-	13

These contracts mostly expire within three years.

36.3 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, 2020 and December 31, 2019.
- the estimated amounts as of December 31, 2020 and December 31, 2019 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 debts and loans:

The market value of fixed and floating-rate loans and financial debts 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, 2020 and December 31, 2019, 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)	2020		2019	
	Net book value	Estimated market value	Net book value	Estimated market value
Financial assets				
Loans	636	518	694	694
Financial liabilities				
Bonds	1,983	1,831	1,586	1,659
<i>OCEANE 2019</i>	465	370	454	464
Bond 2014	289	289	604	631
Bond € 2016	361	361	400	430
Bond \$ 2016	118	138	128	134
Bond € 2020	750	673	-	-
Perpetual subordinated loans	537	489	541	489
Other borrowings and financial debt	2,278	2,530	1,955	2,002

36.4 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 3.11):

As of December 31 (in € millions)	Level 1		Level 2		Level 3		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Financial asset equity instruments	51	432		1	-	-	51	433
Asset debt instruments								
Marketable securities and cash secured	46	19	456	392	-	-	502	411
Cash equivalents liquidity funds (JV/P&L)	4,269	1,260	652	1,607	-	-	4,921	2,867
Derivative instruments assets								
Interest rate derivatives	-	-	3	16	-	-	3	16
Currency exchange derivatives	-	-	142	386	-	-	142	386
Commodity derivatives	-	-	3	74	-	-	3	74
ETS derivatives	-	-	33	17	-	-	33	17
Others	-	-	71	3	-	-	71	3
Derivative instruments liabilities								
Interest rate derivatives	-	-	(60)	(49)	-	-	(60)	(49)
Currency exchange derivatives	-	-	(195)	(103)	-	-	(195)	(103)
Commodity derivatives	-	-	(229)	(100)	-	-	(229)	(100)
ETS derivatives	-	-	-	(4)	-	-	-	(4)
Others	-	-	(1)	(3)	-	-	(1)	(3)

NOTE 37 FLIGHT EQUIPMENT ORDERS

Due dates for commitments to firm orders with a view to the purchase of flight equipment are as follows:

As of December 31 (in € millions)	2020	2019
Y+1	1,444	1,469
Y+2	1,386	1,203
Y+3	1,347	1,266
Y+4	923	1,153
Y+5	678	768
> Year Y+5	196	1,210
Total	5,974	7,069

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, 2020 decreased by 6 units compared with December 31, 2019 and stood at 102 aircraft.

This change is explained by the delivery of 6 aircraft.

Long-haul fleet (passenger)

The Group took delivery of three Boeing 787s and three Airbus A350s.

Medium-haul fleet

The Group did not take delivery of an aircraft.

Regional fleet

The Group did not take delivery of an aircraft.

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, 2020	7	7	8	4	4	2	32
	As of December 31, 2019	6	7	5	7	4	6	35
Boeing 787	As of December 31, 2020	5	1	-	2	-	-	8
	As of December 31, 2019	5	3	3	-	-	-	11
Boeing 777	As of December 31, 2020	2	-	-	-	-	-	2
	As of December 31, 2019	2	-	-	-	-	-	2
Medium-haul fleet								
A220	As of December 31, 2020	6	15	15	12	12	-	60
	As of December 31, 2019	-	6	15	15	12	12	60
Total	As of December 31, 2020	20	23	23	18	16	2	102
	As of December 31, 2019	13	16	23	22	16	18	108

NOTE 38 OTHER COMMITMENTS

38.1 Commitments made

As of December 31 (in € millions)	2020	2019
Order on leased aircraft, not yet in operation	525	490
Call on investment securities	146	142
Warranties, sureties and guarantees	339	364
Secured debts	4,586	4,431
Other purchase commitments	124	140

The restrictions and pledges as of December 31, 2020 are as follows:

(in € millions)	Amount pledged	NBV of balance sheet entry concerned	Corresponding %
Intangible assets	-	1,230	-
Tangible assets	4,659	12,579	36.5%
Other financial assets	573	1,402	33%
Total	5,232	15,211	

38.2 Commitments received

As of December 31 (in € millions)	2020	2019
Warranties, sureties and guarantees	97	274
Put option on shares ⁽¹⁾	243	240

(1) Estimation based on the price for the disposal of 30% of Servair forecasted during the first semester of 2021.

The warranties, sureties and guarantees principally comprise letters of credit from financial institutions.

The Group has the following put options on Servair shares:

- on March 15 and June 21, 2021, the Group must sell in two even parts 30% of Servair in order to reduce its stake to 20%, for a total amount of €146 million;
- as of each first quarter between 2023 and 2025 included: put options on 20% of Servair's remaining share capital in

full or in part for a total of €97 million (based on an expected disposal in 2021; minimum before indexation).

If the Group does not exercise all its put options in the first quarter of 2025, Gategroup will be entitled to exercise its call option on the remaining balance of the 20%.

38.3 Order book

Long term contracts of maintenance business

On December 31, 2020, the future revenues from long-term contracts in the maintenance business amount to €7,723 million. The Group expects 60% of the order book will be recognized as revenue over the next five years.

The table below present 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)	2020
Order book according accounting definition	7,723
Contracts with no clients' obligation	533
Collection not recognized in revenues	(818)
Published order of URD ⁽¹⁾	7,438

(1) See section 1.1.3.

Passenger and freight transportation

As indicated in Note 3.6, the Group applies the exemption provided by IFRS 15.

Loyalty program

The redemption of the liability on the loyalty program is presented in Note 34.

NOTE 39 RELATED PARTIES

39.1 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)	2020	2019
Short-term employee benefits	5.0	8.5
Post-employment benefits	0.3	0.4
Termination benefits	0.7	-
Share-based payment	0.7	1.5
Total	6.7	10.4

The compensation of the non-executive Chairman of the Board amounts to €0.19 million.

Directors fees booked in expenses amount to €0.7 million as of December 31, 2020, versus €0.8 million as of December 31, 2019.

39.2 Transactions with the other related parties

The total amounts of transactions with related parties are as follows:

As of December 31 (in € millions)	2020	2019
Assets		
Net trade accounts receivable	202	181
Other current assets	5	18
Other non-current assets	8	9
Total	215	208
Liabilities		
Trade accounts payable	114	196
Other current liabilities	263	164
Other long-term liabilities	3 278	1
Total	3 655	361
As of December 31 (in € millions)		
	2020	2019
Net sales	167	192
Landing fees and other rents	(216)	(339)
Other selling expenses	(16)	(22)
Passenger service	(161)	(414)
Other	(39)	(87)
Total	(265)	(670)

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

€233 million and €325 million for the periods ended December 31, 2020 and December 31, 2019.

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 €53 million for the periods ended December 31, 2020.

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 €51 million for the year ended December 31, 2020 versus €37 million as of December 31, 2019.

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 €49 million as of December 31, 2020 versus €92 million for the year ended December 31, 2019.

China Eastern Airlines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to a respective €6 million and €20 million for the periods ended December 31, 2020 and December 31, 2019.

Delta Air Lines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to a respective €26 million and €58 million for the periods ended December 31, 2020 and December 31, 2019.

Dutch and French states

Other long-term liabilities as of December 31, 2020 include shareholders loans granted by the Dutch and the French states (see Note 30.3 "Financial support by the French and the Dutch states").

NOTE 40 CONSOLIDATED STATEMENT OF CASH FLOW**40.1 Other non-monetary items and impairment**

Other non-monetary items and impairment can be analyzed as follows:

As of December 31 (in € millions)	Notes	2020	2019
Variation of provisions relating to restructuring plan	29	432	10
Variation of provisions relating to pension	21 & 28	60	85
Impairment on fleet		680	126
European carbon emission allowances (ETS)		22	53
Change in fair value of hedged shares		-	(59)
Other		(3)	23
Total		1,191	238

NOTE 41 STATUTORY AUDITORS' FEES

KPMG:	2020				2019			
	Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
(in € millions) As of December 31								
Statutory audit, certification, review of stand-alone and consolidated accounts	1.8	93%	1.3	84%	2.0	95%	0.9	90%
— Air France-KLM SA	0.5		-		0.5		-	
— Consolidated subsidiaries	1.3		1.3		1.5		0.9	
Other services	0.1	7%	0.2	16%	0.1	5%	0.1	10%
— Air France-KLM SA	-		-		0.1		-	
— Consolidated subsidiaries	0.1		0.2		-		0.1	
Total Air France-KLM	1.9		1.6		2.1		1.0	

Deloitte & Associés:	2020				2019			
	Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
(in € millions) As of December 31								
Statutory audit, certification, review of stand-alone and consolidated accounts	1.8	100%	1.3	100%	1.9	100%	0.8	89%
— Air France-KLM SA	0.5		-		0.5		-	
— Consolidated subsidiaries	1.3		1.3		1.4		0.8	
Other services	-	0%	-	0%	-	0%	0.1	11%
— Air France-KLM SA	-		-		-		-	
— Consolidated subsidiaries	-		-		-		0.1	
Total Air France-KLM	1.8		1.3		1.9		0.9	

NOTE 42 CONSOLIDATION SCOPE

As of December 31, 2020, the scope includes 77 fully consolidated entities, 18 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.

42.1 Consolidated entities

Entity	Country	Segment	% interest	% control
AIR FRANCE SA	France	Multisegment	100	100
KONINKLIJKE LUCHTVAART MAATSCHAPPIJ N.V.	Netherlands	Multisegment	100	49
AIR ANTWERP B.V.	Belgium	Passenger	100	49
BLUE CONNECT	Mauritius	Passenger	70	70
BLUELINK	France	Passenger	100	100
BLUELINK INTERNATIONAL	France	Passenger	100	100
BLUELINK INTERNATIONAL AUSTRALIA	Australia	Passenger	100	100
BLUELINK INTERNATIONAL CHILE	Chile	Passenger	100	100
BLUELINK INTERNATIONAL CZ S.R.O.	Czech Rep.	Passenger	100	100
BLUELINK INTERNATIONAL MAURITIUS	Mauritius	Passenger	100	100
BLUELINK INTERNATIONAL STRASBOURG	France	Passenger	100	100
CONSTELLATION FINANCE LIMITED	Ireland	Passenger	100	100
CYGNIFIC B.V.	Netherlands	Passenger	100	49
HOP!	France	Passenger	100	100
HOP! TRAINING	France	Passenger	100	100
IASA INCORPORATED	Philippines	Passenger	100	49
INTERNATIONAL AIRLINE SERVICES EUROPE LIMITED	United Kingdom	Passenger	100	49
INTERNATIONAL AIRLINE SERVICES LIMITED	United Kingdom	Passenger	100	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED	United Kingdom	Passenger	100	49
KLM CITYHOPPER B.V.	Netherlands	Passenger	100	49
KLM CITYHOPPER UK LTD	United Kingdom	Passenger	100	49
KLM EQUIPMENT SERVICES B.V.	Netherlands	Passenger	100	49
KLM FLIGHT ACADEMY BV	Netherlands	Passenger	100	49
SNC CAPUCINE BAIL	France	Passenger	100	100
SNC OTTER BAIL	France	Passenger	100	100
STICHTING STUDENTENHUISVESTINGVLIEGVELD EELDE	Netherlands	Passenger	100	49
BLUE CROWN B.V.	Netherlands	Cargo	100	49
MARTINAIR HOLLAND N.V.	Netherlands	Cargo	100	49
MEXICO CARGO HANDLING	Mexico	Cargo	100	100

Entity	Country	Segment	% interest	% control
SODEXI	France	Cargo	65	65
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. KANTOORGEBOUWEN	Netherlands	Maintenance	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
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 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
BIGBLANK	France	Other	100	100
BLUE TEAM V SAS	France	Other	100	100
BLUE YONDER XIV B.V.	Netherlands	Other	100	49
BV KANTOORGEBOUW MARTINAIR	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

Entity	Country	Segment	% interest	% control
KLM INTERNATIONAL CHARTER B.V.	Netherlands	Other	100	49
KLM OLIEMAATSCHAPPIJ B.V.	Netherlands	Other	100	49
MARTINAIR VLIEGSCHOOOL VliegVeld LELYSTAD BV	Netherlands	Other	100	49
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
WEBLOCK B.V.	Netherlands	Other	100	49

42.2 Equity affiliates

Entity	Country	Segment	% interest	% control
ADM BLUE	Madagascar	Passenger	40	40
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
IGO SOLUTIONS SAS	France	Maintenance	40	40
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
INTERNATIONAL AEROSPACE MANAGEMENT COMPANY S.C.R.L.	Italy	Other	25	25
MAINPORT INNOVATION FUND	Netherlands	Other	25	25
SCHIPHOL LOGISTICS PARK CV	Netherlands	Other	53	45
SERVAIR	France	Other	50	50
SKYNRG	Netherlands	Other	20	20
TERMINAL ONE GROUPE ASSOCIATION	United States	Other	25	25

42.3 Joint operations

Entity	Country	Segment	% interest	% control
AIRFOILS ADVANCED 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, 2020

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, 2020.

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, 2020 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, 2020 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 "Covid-19 and going concern" to the consolidated financial statements which describes the material uncertainty resulting from events or conditions that

may cast significant doubt on the Company's ability to continue as a going concern. 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 (*Code de Commerce*) relating to the justification of our assessments, and in addition to the matter described in the "Material Uncertainty Related to Going Concern" section, 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, approved in the conditions mentioned above, and in forming our opinion

thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment test for non-current assets and impairment of flight equipment assets (notes 3.16, 14 and 16 of consolidated financial statements)

Risk identified

Flight equipment assets amounted to €11,031 million as of December 31, 2020 (2019: €11,334 million). The resizing of the network activity in 2020 led to the early phase out of certain fleets (A380, A340, Boeing 747, CRJ) leading to the recognition of an impairment loss of €670 million under non-recurring items.

As of December 31, 2020, the carrying amount of intangible assets with an indefinite useful life amounted to €215 million (2019: €217 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.

We considered the valuation of those 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 indicators 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 in the design process of the asset impairment test.

Our work includes:

- 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 CGU with the accounting balances and the corresponding analyses;
- verifying (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;
- assessing discount rate calculation assumptions such as risk-free rate, industry gearing, financing spread and specific risk premium;
- assessing the sensitivity scenarios retained by Management by verifying arithmetic accuracy and re-performing sensitivity calculations based on WACC, 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 and analyzing the impacts of impairment recorded under non-recurring items following the early phase out of the A380, A340, Boeing 747 and CRJ fleets;
- assessing the appropriateness of the disclosures provided in notes 3.16, 14 and 16 to the consolidated financial statements.

Restructuring provisions (notes 2.2, 3.21, 10, 28.3 and 29 of consolidated financial statements)

Risk identified

In financial year 2020, in light of the Covid-19 pandemic and forecasts of a return to 2019 activity levels in 2024, Air France and KLM announced restructuring and downsizing plans.

During the financial year, the Group set up Voluntary Departure Plans ("PDV"), job restructuring plans ("PSE") and collective mutual termination agreements ("RCC").

The restructuring provision amounted to €741 million in Air France-KLM Group's consolidated financial statements. The impacts for financial year 2020 have been recorded, net of the reversal of retirement obligations, in the income statement under non-recurring expenses and amounted to €822 million. Pilots, cabin crew and ground staff accounted for €584 million for Air France and Hop! and €205 million for KLM. Air France and KLM international commercial staff accounted for €33 million.

We considered the restructuring provision to be a key audit matter due to the significant judgments and estimates made by the Group for the assumptions used to determine the recognized amounts.

Our response

We examined the events relating to the implementation of the restructuring plans and assessed the judgments, estimates and assumptions made by the Group to determine the need to recognize a provision and, where applicable, its amount.

Our work included:

- conducting interviews with Management and the Human Resources departments to obtain an understanding of the restructuring plans and the estimates underlying the recorded provisions;
- verifying the design and implementation of controls set up by Management to assess the amount of liabilities;
- obtaining the required approvals and authorizations from the respective French and Dutch administrations to ensure that the terms and conditions of the plans are correctly reflected in the provisions;
- analyzing the assumptions used by Management in establishing the provision with regard to the eligibility conditions for departure plans, and data from the payroll system;
- reconciling the Group's calculation of provisions with recognized amounts;
- assessing the appropriateness of the disclosures provided in notes 2.2, 3.21, 10, 28.3 and 29 to the consolidated financial statements.

Recognition of deferred tax assets of the French tax group (notes 3.24 and 12 of 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, 2020, a net amount of €260 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 12.4 to the consolidated financial statements. These deferred tax assets are recognized based on their likelihood of recovery pursuant to budgets and medium-term plans prepared by the Group. As presented in Note 12.4 to the consolidated financial statements, the recovery horizon for these deferred tax assets of the French tax consolidation group was reduced to five years as of December 31, 2020 compared with seven years as of December 31, 2019. Unrecognized deferred tax assets relating to the tax losses of the French tax consolidation group amounted to €3,265 million as presented in Note 12.4 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 last taxable income forecasts used as a basis for estimates;
- comparing income forecasts for prior years with actual results;
- comparing the assumptions used by Management to prepare taxable income forecasts with the ones adopted for non-current asset impairment tests.

We assessed the appropriateness of the disclosures provided in notes 3.24 and 12 to the consolidated financial statements.

Provisions for litigations and contingent liabilities (notes 3.21, 29.1 and 29.2 of 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 29.1 and 29.2 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 litigation provisions to be a key audit matter due to the uncertainty surrounding the outcome of current procedures, the high degree of Group estimates and judgment and the potentially material nature of the impact of provision amounts on consolidated net income and equity should these estimates change.

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

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

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

We also assessed the appropriateness of the disclosures in notes 3.21 and 29 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 (*Code de Commerce*) is included in 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 N° 2019/815 of 17 December 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. Company 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, 2020, Deloitte & Associés was in the 23rd year of total uninterrupted engagement and KPMG Audit, department of KPMG S.A. was in the 19th year of total uninterrupted engagement, which are the 22nd year and 19th 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 (*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 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) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code

of Ethics (*Code de Déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La-Défense, February 18, 2021

The Statutory Auditors

KPMG Audit

Department of KPMG S.A.

Deloitte & Associés

French original signed by

Valérie Besson
Partner

Éric Dupré
Partner

Guillaume Crunelle
Partner

Pascal Colin
Partner

5.8 STATUTORY FINANCIAL STATEMENTS

5.8.1 Income statement

Year ending December 31, (in € millions)	Notes	2020	2019
Operating income	3	55	52
external expenses	4	(46)	(50)
Salaries and related costs	5	(6)	(8)
Other expenses		(1)	(1)
Total operating expenses		(53)	(59)
Income from current operations		2	(7)
Financial income		87	59
Financial expenses		(153)	(80)
Net financial income	6	(66)	(21)
Earnings before tax and non-recurring items		(64)	(28)
Non-recurring income		-	-
Non-recurring expenses		-	-
Non-recurring income/- (loss)	7	-	-
Income tax	8	(2)	17
Net income/(loss)		(66)	(11)

5.8.2 Balance sheet

Assets		December 31,	December 31,
(in € millions)	Notes	2019	2019
Long-term investments	9.2	4,661	4,678
Loans & receivables related to long-term investment	9.3	7,051	468
Fixed assets		11,712	5,146
Trade receivables	13	32	14
Other receivables	13	195	206
Marketable securities	10	1,146	1,820
Cash and cash equivalent		623	307
Prepaid expenses		1	2
Current assets		1,997	2,349
Issue costs		16	9
Bond redemption premium		4	1
Total Assets		13,729	7,505
Liabilities & equity		December 31,	December 31,
(in € millions)	Notes	2020	2019
Capital	11.1	429	429
Additional paid-in capital	11.2	4,139	4,139
Legal reserve		70	70
Reserves		(63)	(52)
Income for the year	11.2	(66)	(11)
Shareholder's equity	11.2	4,509	4,575
Other equity	12	0	403
Provision for risks & liabilities	12 – 17	0	1
Financial debts	12	9,069	1,652
Trade payables and related accounts	13	14	15
Tax and social debts	13	4	4
Other liabilities	13	113	847
Liabilities	13	9,200	2,518
Unrealized foreign exchange gain		20	8
Total Liabilities & Equity		13,729	7,505

5.8.3 Notes

The following information constitutes the notes to the financial statements for the year ended December 31, 2020.

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.

Covid-19 and going concern

As the holding company of a group made up of the three airlines Air France, KLM and Transavia, the company is concerned by the worldwide spread of Covid-19 since the beginning of 2020 has had and continues to have a major impact on air traffic around the world. After the drastic reduction in traffic during the second quarter following very stringent constraints on worldwide travel, the recovery expected in the second semester was delayed with the resurgence of Covid-19 at the end of the summer. Further measures were implemented by the French and Dutch governments to slow the spread of the virus in the final quarter of 2020 (lockdowns, curfew). Since early January 2021, the restrictions on travel have been reinforced at global level following the emergence of new variants of the virus.

The Group, made up with its two main subsidiaries, Air France and KLM, has already taken a number of strong measures to mitigate the effect of Covid-19 on its business and continues to closely monitor and evaluate further developments. These actions include, amongst others, a substantial reduction in network capacity, structural changes to the fleet, cash preservation and salary measures.

Liquidity position

Within the framework of the financial support packages from the French and Dutch States, the Air France-KLM Group signed the legal documentation relating to the four financing mechanisms, approved by the European Commission on May 4, 2020 for Air France Group (see Note 12.3 “Loans and Debts”) and on July 13, 2020 for KLM Group, in the total amount of €10.4 billion.

These financing packages thus enabled an improvement in the Group’s liquidity position.

In addition, the Group decided to defer non-essential capital expenditures and internal projects, defer payment of the employee profit-sharing scheme and variable compensation, and defer payment of the wage tax, social contributions and aeronautical charges.

Lastly, the Air France-KLM Group offered customers whose flights had been cancelled the option of exchanging their tickets for vouchers, with a 15% uplift in their value.

At December 31, 2020, the Group’s liquidity position consisted of total cash of €9.82 billion, of which €7.36 billion in liquidity and €2.46 billion in undrawn credit lines.

Despite these measures and a gradual resumption of activity, Air France-KLM’s financial performance for the coming period will continue to be affected by a significant fall in revenue, lost ticket sales and substantially negative cash flows in a proportion and for a duration that currently remain uncertain.

Going concern

In determining the appropriate basis for preparing the financial statements for the year ended December 31, 2020, 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:

As indicated above, the Group had total cash of €9.82 billion at December 31, 2020.

The 2021 budget, as modelled by the management and approved by the Board of Directors, assumes a gradual ramp-up in passenger demand with a stronger recovery in traffic in the second part of year thanks to the vaccination roll-out.

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 2021, 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, 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.

As the timing for the resumption of flights is uncertain, the Management has also modelled a more pessimistic, but plausible, scenario assuming a further 10% decline in activity during 2021 relative to the aforementioned budget, to assess the liquidity position over a period of at least 12 months from the date of the year end closing.

On this scenario, thanks to the high level of variable costs and the subsidies supporting payroll costs, the Group would have enough cash to continue its activities over this 12-month period.

Were this scenario to transpire, the Management has considered additional mitigating actions, including:

- further optimization and reduction of the network and capacity;
- asset disposals;
- further staff restructuring;
- other cost-saving measures; and
- the deferral of capital expenditure and charges.

Within a context of significant uncertainty linked to the Covid-19 public health crisis, the Board of Directors nonetheless considers that there are pessimistic scenarios which could cast significant doubt upon the Group's ability to continue as a going concern, in particular were the pandemic, including the uncontrolled spread of new variants and the maintenance or even reinforcement of the related health measures, to call into question the gradual recovery in demand, especially in the 2021 second semester.

Furthermore, the non-realization of financing projects, the inadequacy of the aforementioned mitigation measures, the possibility that the banking covenants might, in certain situations, not be respected, the lack of alternative sources of finance like the sale and leaseback of aircraft, the impact of a possible forced reduction in slots and a potentially negative change in some behavior relating to air travel also constitute, to various degrees, factors of additional uncertainty in the short and medium term.

In the event that these factors of uncertainty were to materialize, the Group might not be able to realize its assets and repay its debts within the normal framework of its activity while the application of the IFRS accounting rules and principles in a normal context of a going concern, concerning notably the assessment of the assets and liabilities, could prove inappropriate. This situation creates a situation of significant uncertainty with regard to operating as a going concern.

Notwithstanding, the Board of Directors does not consider those pessimistic scenarios to be likely or that they are likely to have an impact sufficient to call into question the business as a going concern. It 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 January 10, 2020, Air France-KLM successfully issued a new 5-year bond of €750 million to refinance part of its existing debt through the purchase of all or part of the notes and for general corporate financing purposes.

Since the beginning of 2020, Air France-KLM, like all other air transport players, has been confronted with the Covid-19 crisis.

On May 6, 2020, the Air France-KLM group signed the legal documentation relating to the financing for a total amount of €7 billion, announced in its press release of April 24, 2020 and approved by the European Commission on May 4, 2020. This financing includes two loans to finance the liquidity needs of Air France and its subsidiaries. A loan guaranteed by the French State granted by a syndicate of 9 banks (€4 billion) and a subordinated shareholder loan granted by the French State to Air France-KLM (€3 billion).

As of December 31, 2020, these loans had been received in full by Air France-KLM and were immediately transferred to Air France at each issue.

3. Other income

(in € million)	2020	2019
Management fees	34	32
Of which Air France	20	18
Of which KLM	14	14
Royalties	20	20
Of which Air France	12	12
Of which KLM	8	8
Total	54	52

4. External expenses

(in € million)	2020	2019
Fees and surveys	23	19
Insurance	1	1
Sub-Contracting and rent re-invoiced by Air France and KLM	18	25
Financial communication	1	1
Other	3	4
Total	46	50

During the financial year 2020, the teams assigned to Air France-KLM holding company represent 88 Full Time Equivalent seconded from Air France and 26 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 2020, amounts to €1.26 million compared to €2.62 million in 2019.

The remuneration of the non-executive Chairman of the Board of Directors amounts to €0.19 million.

6. Net financial Income

This section regroupes interest paid or received, currency losses and gains, and allocations and reversal of financial provisions. The break-down is as follows.

(in € million)	Notes	2020	2019
Interest on loans and other financial expenses		(136)	(75)
Of which related companies commission on the guarantees granted by Air France and KLM & interests on current account		-	(1)
Of which interest on OCEANE	12.2	(1)	-
Of which interest on bonds	12.2	(40)	(38)
Of which interest on perpetual subordinated loan	12.1	(19)	(25)
Of which premium included in tender price of perpetual subordinated loan		-	-
Of which PGE and ACCs	12.3	(38)	-
Of which others		(38)	(12)
Interest on loans		66	25
Of which related companies		66	25
Other financial income		21	24
Of which related companies		20	2
Of which investment in mutual funds and certificates of deposit		1	4
Allocation to provisions		(17)	5
Of which provision for risks & liabilities		(1)	(4)
Of which Air France-KLM Finance shares		(16)	9
Total		(66)	(21)

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.

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 € 867 million. The Group's cumulative tax losses, which can be carried forward indefinitely, amount to € 11 343 million.

The subsidiaries recording a net earning, generated a tax consolidation corrective adjustment of €2 million in 2020 following a correction on the 2019 bonus, compared to a bonus of €17 million in 2019.

9. Long-Term Investments

9.1 1. Net book value

(in € million)	Notes	Beginning of year	Allocation	Reversal	End of Year
Equity investments	9.2	4,678		(16)	4,661
Loans & receivables related to long term investment	9.4	469	7,066	(483)	7,051
Gross amount	-	5,146	7,066	(499)	11,712

9.2 Equity investments

(in € million)	Notes	December 31, 2020	December 31, 2019
Gross value			
Air France		3,821	3,821
KLM		824	824
Air France-KLM Finance		31	31
Transavia Company		4	4
Air France-KLM Mobility		-	-
Big Blank		-	-
Total gross		4,680	4,680
Impairment			
Air France		-	-
KLM		-	-
Air France-KLM Finance		(19)	(2)
Transavia Company		-	-
Air France-KLM Mobility		-	-
Big Blank		-	-
Total impairment		(19)	(2)
Net			
Air France		3,821	3,821
KLM		824	824
Air France-KLM Finance		12	29
Transavia Company		4	4
Air France-KLM Mobility		-	-
Big Blank		-	-
Total Net	9.1	4,661	4,678

Following the impact of the health crisis (Covid-19) and the resulting border closures, all airlines were forced to reduce capacity and cancel a significant number of flights; in this

respect, the Air France-KLM Finance holding company saw its valuation reduced following the fair value adjustment of its shares in GOL Linhas Aéreas.

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		397	7 065	(430)	7 030
KLM		-	-	-	-
Air France-KLM Finance		72	1	(53)	21
Bigblank		4	-	-	4
Total gross		473	7 066	(483)	7 055
Impairment (in € million)		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 (in € million)		Net value beginning of year	Allocation	Reversal	Net value end of year
Air France		397	7 065	(430)	7 030
KLM		-	-	-	-
Air France-KLM Finance		72	1	(53)	21
Bigblank		-	-	-	-
Total Net	9.1	469	7 066	(483)	7 051

Air France-KLM has entered into two loan agreements with its subsidiary Air France in order to retrocede to it the funds received under the State-guaranteed loan ("PGE") and the

subordinated shareholder loan ("ACC") for a total amount of EUR 7 billion (see Note 12.3).

10. Marketable securities

(in € million)	December 31, 2020	December 31, 2019
Gross Value		
Mutual funds, certificates of deposit & marketable term notes	1 146	1 820
Securities Compagnia Aerea Italiana	355	355
Total Gross value	1 501	2 175
Depreciation		
Securities Compagnia Aerea Italiana	(355)	(355)
Total Depreciation	(355)	(355)
Total	1 146	1 820

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 428,634,035 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 586,705,740 as at December 31, 2020. Distribution is as follows:

(in € million)	% of capital		% of voting rights	
	December 31 2020	December 31 2020	December 31 2020	December 31 2019
French State	14.3%	14.3%	20.9%	20.9%
Dutch State	14.0%	14.0%	10.2%	10.2%
Delta Airlines	8.8%	8.8%	12.8%	12.8%
China Eastern Airlines	8.8%	8.8%	12.8%	12.8%
Employees and former employees ⁽¹⁾	3,7%	3.8%	5.4%	5.5%
Treasury shares	0,3%	0.3%	0.4%	0.4%
Other	50,1%	50.0%	37.5%	37.4%
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, 2018	429	4,139	56	(38)	4,586
Allocation of earnings	-	-	(38)	38	-
Earnings for the period	-	-	-	(11)	(11)
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

12. Financial debt and other equity

(in € million)	Notes	December 31, 2020	December 31, 2019
Other equity			
Perpetual subordinated loan	12.1	-	403
Total Other equity		-	403
Non-current financial debt			
Bonds	12.2	1,729	1,630
Miscellaneous loans & debts	12.3	7,000	-
Total non-current debt		8,729	1,630
Current Financial Debt			
Bonds	12.2	289	-
Accrued interest		51	22
Total current debt		340	22
Total financial debt		9,069	1,652

12.1 Perpetual subordinated loan

Between April 1 and April 17, 2015, Air France-KLM issued a €600 million perpetual subordinated loan, presented as other equity. These securities, which have no maturity date, have a

first repayment option in October 2020 at Air France-KLM discretion. They carry an annual coupon of 6.25%.

On September 14, 2018, a partial repurchased reduced the debt by €196.7 million. On October 1, 2020, Air France-KLM exercised the repayment option for €403 million, thus balancing this debt.

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	3.75%
\$ Bond issued in 2016 ⁽¹⁾	12 Dec. 2016	\$145	15 Dec. 2026	4.35%
€ Bond in 2019	25 Mar 2019	€500	25 Mar 2026	0.125%
€ Bond in 2020	16 Jan 2020	€750	16 Jan 2025	1.875%

(1) Issuance of bonds with Asian institutional investors by way of unlisted private placement.

On June 4, 2014, Air France-KLM issued €600 million of bonds with a seven-year maturity, bearing 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 brought the balance of the loan to €289 million. The financial coverage hedge of this loan has been also closed on the same date.

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 brought the balance of the loan to €361 million.

On December 12, 2016, Air France-KLM issued fully hedged-USD 145 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 €750 million of 5-year bonds. 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.

12.3 Miscellaneous loans & debts

Miscellaneous loans & debts	Issuing date	Amount issued (in millions)	Maturity date	Coupon
€ PGE in 2020	12 May 2020	€4,000	12 May 2023	1.25%
€ ACC in 2020	30 Nov. 2020	€3,000	30 Nov. 2026	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, 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.

- 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 €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.

13. Maturity of receivables and debt

As of December 31, 2020
(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)	7,051	51	7,000	7,051
Current assets				
Trade receivables and related accounts	32	32	-	32
Other receivables (including tax receivables) ⁽¹⁾	195	191	4	65
Total	7,278	274	7,004	7,148

As of December 31, 2020
(in € millions)

Debt	Gross amount	Up to one year	More than one year	Related companies
Financial debt (Note 12)	9,069	51	9,018	-
Trade payables and related accounts	14	14	-	4
Tax and social debts	4	4	-	-
Other liabilities ⁽¹⁾	113	113	-	113
Total	9,200	182	9,018	117

(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 € million)	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%	3,821	3,821	7,040	19	6,015	(4,793)	-
KLM (Netherlands) ⁽¹⁾	99.7%	824	824	-	41	4,811	(1,560)	19
Air France-KLM Finance ⁽¹⁾	100%	31	13	20	-	-	(4)	-

(1) Statutory financial statements at December 31, 2020.

15. Items concerning related companies

As of December 31, 2020

(in € million)

			Amount
Trade receivables & related accounts related to long term investment	Of which	Air France	7,030
		KLM	-
		Air France-KLM Finance	21
Trade receivables & related accounts	Of which	Air France	20
		KLM	12
		Air France-KLM Finance	-
Other receivables	Of which	Air France	40
		KLM	20
		Air France-KLM Finance	2
Trade payable and related accounts	Of Which	Air France	3
		KLM	1
Other payables	Of Which	Air France- tax consolidation current account	105
		Other members of the tax group	8

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-KM 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 €600 million bond dated June 18, 2014, was hedged for a nominal value of € 200 million converting fix rate to a floating rate through a swap connected to a floor-isolated open position. As of January 16, 2020, the position was closed following the partial early repayment of this loan.

The \$145 million bond is fully hedged by a cross currency swap. As of December 31, 2020, the fair value of this derivative instrument is €(19) 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 US\$50 million.

Air France-KLM guarantees the payment by Transavia Holland to a lessor, of outstanding operational leases until 2024 for an amount of US\$52 million at December 31, 2020.

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 airline 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

Year ended December 31	2020	2019	2018	2017	2016
	12 months	12 months	12 months	12 months	12 months
1. Share capital at year end					
Share capital (in €)	428,634 035	428,634,035	428,634,035	428,634,035	300,219,278
Number of ordinary shares outstanding	428,634 035	428,634,035	428,634,035	428,634,035	300,219,278
Number of shares with a priority dividend	-	-	-	-	-
Maximum number of shares that may be created:					
— by bond conversion	27,901,785	27,901,785	-	-	53,386,532
— by exercise of subscription rights	-	-	-	-	-
2. Transactions and results for the year (in € thousand)					
Net revenues	-	-	-	-	-
Net income/(loss) before income tax, employee profit-sharing, net depreciation, amortization and provisions	(47,243)	(32,516)	(56,742)	(73,163)	(204,605)
Income tax	1,636	(17,173)	(12,182)	(35,980)	(11,343)
Employee profit-sharing for the year					
Net income/(loss) after income tax, employee profit-sharing, net depreciation, amortization and provisions	(65,851)	(11,051)	(38,406)	(29,668)	(160,569)
Distributed net income				-	-
3. Per share data (in €)					
Net income/(loss) after income tax and employee profit-sharing but before net depreciation, amortization and provisions	(0.11)	(0.04)	(0.10)	(0.09)	(0.64)
Net income/(loss) after income tax, employee profit-sharing, net depreciation, amortization and provisions	(0.15)	(0.03)	(0.09)	(0.07)	(0.53)
Dividend per share	-	-	-	-	-
4. Employees					
Average number of employees during the year	8.5	3.9	-	-	-
Total payroll costs (in € thousand)	3,518	1,831	-	-	-
Employee welfare contributions and similar charges (Social Security, employee organizations, etc.) (in € thousand)	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, 2020

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying financial statements of Air France – KLM S.A. for the year ended December 31, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of

the Company as at December 31, 2020 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, 2020 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty resulting from events or conditions that may cast significant doubt on the Company's

ability to continue as a going concern. 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 (*Code de Commerce*) relating to the justification of our assessments, and in addition to the matter described in the *Material Uncertainty Related to Going Concern* section, 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 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.

**Long-term investments
(notes 1 (long-term investments), 9, 14 to the statutory financial statements)**

Risk identified

As at December 31, 2020, long-term investments amounted to a net value of €4,661 million of total assets of €13,729 million. They are recorded at their acquisition cost net of any impairment, based on their fair value taking into account their share of shareholders' equity, profitability outlook and reference stock market values.

The fair value estimate of these long-term investments requires management to exercise judgment in its choice of items considered according to the nature of the investments concerned. Such items may correspond, to historical items (for certain entities shareholders' equity, and for others average stock market price over the last month), or forecast items (profitability outlook and the economic environment in the countries considered).

We considered the determination of the fair value of long-term investments to be a key audit matter because of i) uncertainties inherent to certain assumptions and particularly the achievement of forecasts, and ii) the potential importance of a reversal or recognition of impairment of long-term investments in the Company's accounts.

Our response

To assess the reasonableness of estimated fair value of long term investments, based on the information communicated to us, our procedures mainly consisted in verifying that the estimate of the values determined by management were based on an appropriate justification of the valuation method and figures used, and according to the investments concerned:

For valuations based on historical items:

- verifying that the shareholders' equity used is consistent with the financial statements of the entities audited or subjected to analytical procedures and that any equity adjustments have been appropriately documented.

For valuations based on forecast items:

- obtaining the profitability outlook for the entities concerned;
- assessing the consistency of the assumptions adopted with the economic environment on the reporting dates;
- comparing the forecasts adopted for prior periods with actual outcomes in order to assess the extent of achievement of past objectives;
- verifying that the value resulting from cash flow forecasts was adjusted for the debt of the entity considered;
- verifying the arithmetical accuracy of the computed fair values.

In addition to assessing the fair values of long-term investments, our work also consisted in assessing the collectibility of associated receivables based on our analysis of the long-term investments.

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 litigation provisions to be a key audit matter due to the uncertainty surrounding the outcome of current procedures, 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

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

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

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

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

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 laws and regulations.

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

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

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

Information relating to corporate governance

We attest that the section related to the governance of the management report of the Board of Directors' contains the information required by Articles L. 225-37-4, L22-10-10 and L. 22-10-9 of the French Commercial Code (*Code de Commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*Code de Commerce*) relating to remunerations and benefits received by the Directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies included in the scope of the consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

Concerning the information relating to the items that your Company considered likely to have an impact in the event of a public takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*Code de Commerce*), we have agreed this information to the underlying documents which have been 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.

Report on Other Legal and Regulatory Requirements

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 the Director, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 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 – KLM by the Shareholders' Meeting of September 25, 1998 for Deloitte & Associés and September 25, 2002 for KPMG Audit, Department of KPMG S.A.

As of December 31, 2020, Deloitte & Associés and KPMG Audit, Department of KPMG S.A. were in the 23rd year and 19th year of total uninterrupted engagement, which are the 22nd year and 19th 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 risks management systems and where applicable, its Internal Audit, regarding the accounting and financial reporting procedures.

The financial statements were 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 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 financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de Commerce*) and in the French Code of Ethics (*Code de Déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La-Défense, February 18, 2021

The Statutory Auditors

KPMG Audit

Department de KPMG S.A.

Deloitte & Associés

French original signed by

Valérie Besson
Partner

Éric Dupré
Partner

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, 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.

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.

State-backed loan and shareholder loan

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 24, 2020 previously authorized the conclusion of the following two agreements, signed on May 6, 2020 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, fully drawn, is granted for a one-year period, renewable once for an additional one-year or two-year period;

The cost of this guarantee takes the form of an annual commission equal to 0.5% of the total amount of the State-backed loan, payable at the end of the first year (the "Initial Maturity Date") and may be increased by an additional annual commission of 1% of the amount outstanding in principal on the Initial Maturity Date, for each of the second year and the third year, being specified that this additional commission would be payable by the Company according to the terms provided to the contract if it were to exercise its right of extension of maturity.

- 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 and fully drawn as at December 31, 2020.

The above mentioned margin is likely to increase as follows:

- 550 basis points, in the case of:
 - (i) a capital increase (y) proposed but not voted by the General Meeting of Shareholders and planning to include into the Company's capital all or part of the amount of the shareholder Loan for a minimum amount equal to a proportionate share of this capital increase corresponding to the percentage of the capital held by the French State or (z) implemented, without the agreement of the French State, without this incorporation into the capital being planned;
 - (ii) crossing by a third party not acting alongside with the French State, alone or alongside, of the threshold of 20% of the Company's capital;
- 50 basis points in the event of the first extension of the deadline; and
- 25 basis points in the event of a second extension of the deadline,

being specified that these margin increases are cumulative.

In addition, the Company is committed not to pay any dividends to its shareholders until the full repayment of the shareholder Loan.

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:

Your Board of Directors considered that contracting these loans 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:

- 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.

Benefits for the Company:

Your Board of Directors considered the conclusion of the Framework Agreement inherent part of the Dutch State's financial support plan for KLM totaling 3.4 billion euros, aiming to help KLM, a subsidiary of the Company, meet its urgent liquidity requirements as a result of the Covid-19 outbreak.

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

Given the impact of the current Covid-19 crisis on the implementation of the Air France-KLM Group's existing joint ventures, your Board of Directors meeting on December 4, 2020, authorized, following the review of financial conditions of the agreements by the various partners, the temporary adjustments of the provisions relating to the financial "settlement" mechanisms provided for in the Group's partnerships concluded with, on the one hand, Delta Air Lines Inc. ("Delta") and Virgin Atlantic Airways Ltd. ("Virgin") and, on the other hand, China Eastern Airlines Co Ltd. ("China Eastern") (together, the "Partnership Agreements").

The other stipulations of the Partnership Contracts remain unchanged.

Benefits for the Company:

Your Board of Directors considered that due to the constantly evolving health measures and regulations related to the Covid-19 crisis and a very uncertain environment, it was in the best interests of the Company and therefore decided to suspend the relative financial provisions of "settlement" considered under the two Partnership Agreements, mentioned above during the period of health crisis, the parties wishing to avoid an uncontrolled financial exposure within the framework of these partnerships.

a) Adjustment of the Blue Skies transatlantic partnership concluded with Delta and Virgin

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:

On December 18, 2020, was signed the "waiver" between the Company, Delta and Virgin relative to 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. It may be extended in 2021 by mutual agreement of the parties based on the duration of the effects of the Covid-19 epidemic on the joint-venture.

b) 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:

- 1) On January 15, 2021, 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 Covid-19 epidemic on the joint-venture.

Agreements already approved at 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.

Modification of the Blue Skies transatlantic partnership with Delta Air Lines and Virgin Atlantic

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 transatlantic partnership (the "Partnership"), as well as confirmation that the Company will not acquire the 31% stake in Virgin. This last decision, authorized by your Board of Directors meeting on October 30, 2020, resulted in the modification of the agreements relating to the Partnership which had been concluded on May 15, 2018 and authorized by your Board of Directors at its meetings on March 14 and May 15, 2018, without impacting the Company's position in the commercial joint-venture between Delta, Virgin and the Company.

The ongoing Partnership agreements in 2020 are as follows:

- 1) Joint Venture Agreement between Delta, Virgin, the Company, KLM and Air France, aimed at setting up a commercial joint-venture between these companies, concluded on January 30, 2020 with effect from January 1, 2020. This agreement was the subject of a "waiver" concerning the adjustment of the financial arrangements relating to the "settlement", as mentioned in the first part of this report;
- 2) 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 January 9, 2020 with effect from January 1, 2020;
- 3) Agreement between the Company, Delta and Virgin Group, concluded and entered into force on January 30, 2020, conferring on the Company, subject to certain specific conditions, a right to acquire shares of Virgin Atlantic Limited in the event of sale by Virgin Group shares of Virgin Atlantic Limited to a third party. This agreement was not implemented in fiscal year 2020.

Paris-La-Défense, March 24, 2021

The Statutory Auditors

KPMG Audit

Department of KPMG S.A.

Deloitte & Associés

French original signed by

Valérie Besson
Partner

Éric Dupré
Partner

Pascal Colin
Partner

Guillaume Crunelle
Partner

6

OTHER INFORMATION

6.1	History	372
6.2	General information	374
6.3	Information on the agreements concluded in connection with the business combination between Air France and KLM	375
6.3.1	Agreements relating to the KLM shareholding structure	375
6.3.2	Agreements with the Dutch State	376
6.3.3	Assurances given to KLM	377
6.4	Legislative and regulatory environment for the air transport industry	377
6.4.1	Freedoms of the air and international conventions	377
6.4.2	European legislation	378
6.4.3	Other legal aspects of Air France – KLM's activities	379
6.5	Information and control	380
6.5.1	Person responsible for the Universal Registration Document and for the Annual Financial Report	380
6.5.2	Certification by the person responsible for the 2020 Universal Registration Document	380
6.5.3	Statutory Auditors	381
6.5.4	Head of Investor Relations	381
6.5.5	Documents available to the public	381

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.

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 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 and Transport 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.

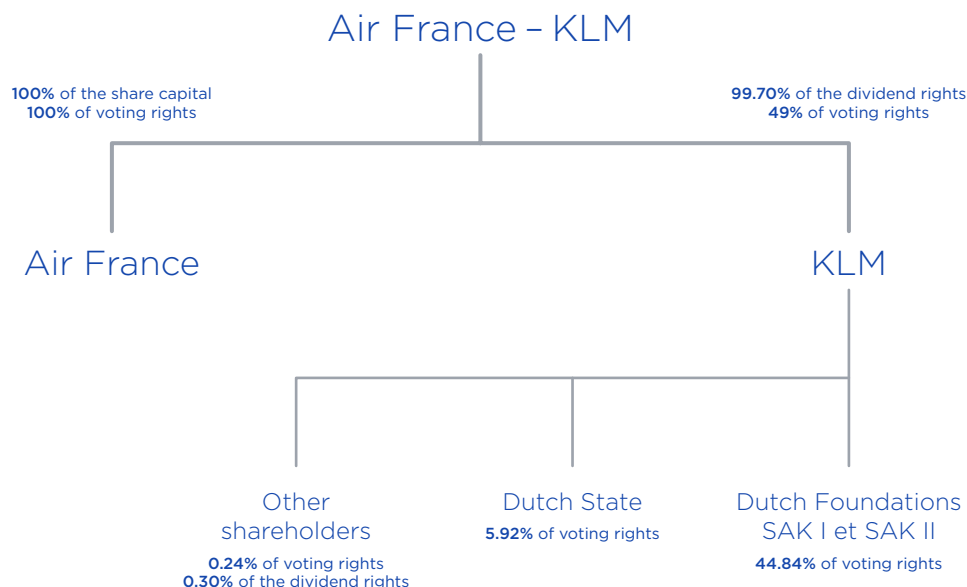
Pursuant to this system which is still in force, Air France-KLM held, as at December 31, 2020, 93.84% of KLM's economic rights, 99.70% of KLM's dividend rights and 49% of KLM's voting rights, while the two Dutch foundations held, together, 44.84% of KLM's voting rights.

Furthermore, as at December 31, 2020, 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, 2020, 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

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.

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.

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.

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.

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.

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 subsidised air carriers from third-party countries.

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.

(1) The passenger compensation rules are detailed in section 3.1.2 “Risks relating to the air transportation activity”.

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 is expected to be adopted by the end of February 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 support 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 September 30, 2021. 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.

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 2020 Universal Registration Document

April 7, 2021,

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 12, 13 to 43, 47 to 129, 131 to 160, 161 to 180, 182 to 234 and 361 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.

KPMG Audit

A division of KPMG SA
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

Olivier Gall

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 2020 Universal Registration Document;
- 2020 first-half financial report;
- the 2019 Universal Registration Document and the 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.

GLOSSARIES AND TABLES OF CONCORDANCE

Air transport glossary	384
Financial glossary	387
Table of concordance for the Universal Registration Document	388
Information included by reference	391
Table of concordance for the Annual Financial Report	392

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	380
1.2	Information from a third party, from experts' reports and declarations of interest	Not applicable
2	Statutory Auditors	381
3	Risk factors	132 to 150
4	Information about the issuer	374
5	Business overview	
5.1	Principal activities	23 to 42
5.2	Principal markets	23 to 42
5.3	Important events in the development of the issuer's business	6 to 12
5.4	Strategy and objectives	18 to 22
5.5	Dependence on patents, licenses, contracts or manufacturing processes	18 and 19, 31 to 33, 121 to 123, 333 and 334
5.6	Competitive position	15 to 18
5.7	Principal investments	42 and 46, 189 to 211, 236 and 237, 289 to 292
6	Organizational structure	
6.1	Brief description of the Group	24 and 25, 153 to 160, 238, 375 to 377
6.2	List of significant subsidiaries	238, 336 to 338 and 358
7	Review of the financial situation and results	
7.1	Financial situation	4 and 5, 236 and 237, 238 to 244
7.2	Operating result	4
8	Capital resources	
8.1	Information on the Group's capital resources	117 to 129, 297 to 299 and 355
8.2	Sources and amounts of cash flows	145 to 150, 236 to 237, 251 to 252 and 334
8.3	Information on borrowing requirements and funding structure	145 to 150, 236, 239 and 241, 242 to 244, 309 to 316, 322 to 328 and 355
8.4	Restrictions on the use of capital resources having materially affected or potentially materially affecting the Group's activities	145 to 150, 298, 309 to 313
8.5	Anticipated sources of funding	10 to 12, 145 to 150

No	Information based on Annex 1 of the Regulation	Pages
9	Regulatory environment	377 to 380
10	Information on trends	9 to 12
	Update on recent events linked to Covid-19	10 to 12 and 245
11	Profit forecasts or estimates	sans objet
12	Administrative, management and supervisory bodies, and the Senior Management	48 to 71, 115 to 116
12.1	Information relating to members of the Board and the Senior Management	48 to 71, 115 to 116
12.2	Conflicts of interest affecting members of the Board of Directors and the Senior Management	80 and 81
13	Compensation and benefits	
13.1	Compensation and benefits in kind	93 to 115
13.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	115 and 332
14	Functioning of the administrative and management bodies	72 and 73
14.1	Mandates of the members of the Board of Directors	48 to 71
14.2	Service contracts binding the members of the management bodies	808
14.3	Information on the Audit Committee and the Remuneration Committee	87 to 90
14.4	Statement of compliance with a Corporate Governance regime	72 and 92
14.5	Potential material impacts on Corporate Governance	92
15	Employees	170 to 188
15.1	Number of employees and breakdown of persons employed	182 to 183 and 277
15.2	Shareholdings and stock options held by members of the Board of Directors and the Senior Management	50 to 71, 104 and 105, 120 to 125, 297 to 299
15.3	Employee shareholding in the issuer's share capital	Not applicable
16	Major shareholders	
16.1	Identification of the main shareholders	120 to 128
16.2	Existence of specific voting rights	117
16.3	Control of the issuer	Not applicable
16.4	Agreements known to Air France - KLM which could lead to a change in control	125
17	Related party transactions	332 to 334
18	Financial information concerning the issuer's assets and liabilities, financial position and results	
18.1	Historical financial information	4 and 5, 246 to 339, 340 and 346, 347 to 360
18.2	Interim and other financial information	Not applicable
18.3	Auditing of historical annual financial information	340 to 346, 362 to 366
18.4	Pro forma financial information	Not applicable
18.5	Dividend policy	125
18.6	Legal and arbitration proceedings	145, 305 to 307
18.7	Significant change in the issuer's financial position	6 to 12

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	
19.1	Share capital	117 to 120, 297 to 299 and 361
19.2	Memorandum and Articles of Incorporation	117 to 120, 126 to 128 and 374
20	Material contracts	121 to 123
21	Documents available to the public	72 and 381

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:

2019 Financial Year

The Universal 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 **329** 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 page **340** to **343**. The selected financial information is presented on pages 4 and 5 of the Universal Registration Document. The management report figures on pages 6 to 8, pages **33** to **413**, pages **118** to **128**, pages **129** to **154**, pages **155** to **229** 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.

2018 Financial Year

The Registration Document for the 2018 financial year was filed with the *Autorité des Marchés Financiers* on April 8, 2019 under the registration number D. 19-0285. The consolidated financial statements are presented on pages **200** to **301** and the related Statutory Auditors' report on pages **302** to **307**. The full statutory financial statements can be found on pages **308** to **320** and the related Statutory Auditors' certification on page **321** to **324**. The selected financial information is presented on pages 4 and 5 of the Registration Document. The management report figures on pages 6 to 8, pages **10** to **42**, pages **43** to **111**, pages **30** to **32**, pages **39** to **42**, pages **125** to **146**, pages **126** to **148**, pages **148** to **166**, pages **167** to **176**, pages **204** to **219**, and pages **118** to **121**.

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	347 to 360
The Group's consolidated financial statements	246 to 339
Corporate governance report	47 to 130
Management report	6 to 12, 13 to 43, 47 to 129, 131 to 160, 161 to 180, 182 to 234 and 361 The elements included as we finalize this 2020 Universal Registration Document as of April 7, 2021, appear in <i>bold italic blue</i> .
Certification by the person responsible for the Annual Financial Report	380
Statutory Auditors' report on the statutory financial statements	362 to 367
Statutory Auditors' report on the consolidated financial statements	340 to 346
Statutory Auditors' fees	335

This document was printed by an ecologically responsible printing company on 100% recyclable and biodegradable paper, made from bleached ECF (Element Chlorine Free) pulp in a European factory certified to ISO 9001 (for quality management) and ISO 14001 (for environmental management), PEFC (for the use of paper from sustainably managed forests) and EMAS accredited (for environmental performance).

Design and production: Agence Marc Praquin

airfranceklm.com

AIRFRANCEKLM
GROUP