

Roissy, June 11, 2021

New pension scheme agreement reached for ground staff KLM, KLM Ground pension fund now also a Defined Contribution Scheme

Following the earlier conversion of KLM pension schemes into collective defined contribution schemes for Cockpit and Cabin staff in 2017, now also an agreement has been reached for the KLM Ground staff fund. This implies that all major KLM pension funds now (finally) have a collective defined contribution scheme. This will lead to more predictable annual contributions and less volatility on the Balance Sheet. A shift fully in line with the general trend in The Netherlands.

KLM and the five Dutch ground unions in KLM reached an agreement allowing the modification of the ground's pension scheme as per January 2021. This formal agreement between KLM and the Board of the KLM Ground pension fund has been reached. In summary:

- This agreement will eliminate the risk for deficit payments and thus will avoid significant variances in the equity position.
- The amended pension scheme will qualify as a collective defined contribution scheme under IFRS.
- KLM agreed to a modest increase of the yearly pension premiums as from January 2021.
- Following changes in Dutch pension regulation since 2014, lower pension premiums were paid by KLM to the KLM Ground pension fund. As agreed with the unions, the savings since 2014 were set aside by KLM and amount to 49 million euros. This amount will now be paid as a one-off contribution to the Ground pension fund in June 2021.

According to IAS 19, the de-risking of the Ground pension fund will lead to the derecognition of the so-called "Pension Asset" on Air France KLM's balance sheet. The pension asset amounted to 211 million euros on the Balance Sheet of 31 December 2020. It increased by 340 million euros during Q1 2021 as a result of the higher discount rate and positive return on asset under management. As per 31 March 2021, the pension asset amounted to 551 million euros (414 million euros net of tax). The impact of the derecognition of the pension asset (non-cash), the one-off contribution to be paid in June 2021 and the additional pension premiums from January through May 2021 will be taken in the P&L as a non-current expense. The actual amounts will be calculated and recorded in Q2 2021.

With this agreement, KLM has finalized the de-risking of the three main Dutch KLM pension schemes, thus contributing to reduce significantly the volatility of the annual pension contributions and the Group's balance sheet. In addition, the Group balance sheet will not show a "Pension asset" anymore as from June 2021.

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