

FIRST HALF FINANCIAL REPORT

JANUARY-JUNE 2022

Société anonyme with share capital of €2,570,536,136

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Free translation into English for convenience only – French version prevails

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1. FIRST HALF ACTIVITY REPORT

1.1 ACTIVITY

1.1.1 Strategy

MARKET AND ENVIRONMENT

✓ Economic environment

	Real GDP growth (%)	2021	Forecast 2022 ¹
World	6.02		3.09
Euro zone	5.61		2.94
Of which France	7.23		2.65
United Kingdom	8.25		3.7
United States	5.81		2.59
China	8.78		3.99
Japan	1.82		1.95

The global economy grew by 6% in 2021 (versus -3.4% in 2020), partly due to some supply disruptions at the year end and, for low-income developing countries, worsening pandemic dynamics. This situation was partially offset by stronger prospects for some commodity-exporting emerging markets and developing economies, the main drivers being vaccine access and early policy support. Global economic growth is expected to be 3.1% in 2022, with some reduction mainly caused by the Russian invasion of Ukraine. The war in Ukraine has seen GDP downgrades for both the Russian and Ukrainian economies, with some limited spill-over to the rest of the world, mainly through higher commodity prices including oil and gas and, in the short-term, some reduction in global supplies of key inputs², adding to the pre-existing bottlenecks due to the Chinese zero-Covid policy.

The Eurozone saw a strong rebound in 2021 with GDP growth of 5.6% (versus -6.5% in 2020) as lockdowns were gradually lifted. Economic activity is projected to continue recovering at a slower pace, with 2.9% GDP growth forecast for 2022.

In France and the United Kingdom, the respective economies posted a significant recovery of 7.2% and 8.3% in 2021, with more moderate growth expected in 2022 at 2.7% and 3.7%.

Chinese economic growth reached 8.8% in 2021, driven by strong exports on the back of the re-opening of overseas economies and robust investment, which stalled in the second half of 2021. Consumption growth is stable, but adverse confidence effects are still acting as a dampener. Robust measures remain in place to control the spread of the virus and sporadic outbreaks are

¹ Oxford Economics Database Snapshot. Week of 20/06/2022

² IMF (file:///C:/Users/M426800/Downloads/ExecSum%20(1).pdf)

being suppressed by strict, localized lockdowns, mass testing and mass isolation measures. China, Korea, Taiwan and Hong-Kong continue to maintain tight controls on foreign arrivals³. The Chinese economy should continue to grow by 4% in 2022, still strongly affected by lockdowns⁴ in major cities.

Oil price⁵

Brent (US\$/bbl)	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Average price for the period	61.26	69.17	73.17	79.72	98.00	111.79

Oil prices are being significantly affected by the Russian invasion of Ukraine, reaching a record level in Q2 2022. Due to this upward revision, global CPI inflation was revised from 7.2% to 7.6%. After peaking in Q2 2022, inflation is expected to slow more gradually in the H2 2022⁶.

Currency exchange rates⁷

For one Euro (average)	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
USD	1.20	1.21	1.18	1.14	1.12	1.06
GBP	0.87	0.86	0.86	0.85	0.84	0.85
CHF	1.09	1.10	1.08	1.06	1.03	1.04
CNY	7.81	7.79	7.63	7.35	7.12	7.04
JPY	128	132	130	130	131	138

The euro has been depreciating since early 2021 and was trading at around US\$1.06 in Q2 2022. This depreciation reflects the different macroeconomic outlooks for the Eurozone compared to the United States: a higher growth forecast for the United States, political uncertainty in several large European economies during 2022, plus some impact of the war in Ukraine. Macroeconomic forecasts for the euro area foresee annual inflation at 6.8% in 2022, before expecting it to decline to 3.5% in 2023 and 2.1% in 2024. This means that headline inflation at the end of the projection horizon is expected to be slightly above the ECB's target. Inflation excluding energy and food is projected to average 3.3% in 2022, 2.8% in 2023 and 2.3% in 2024.⁸

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), trading at around GBP/EUR 0.86-0.85.

³<https://www.thenationalnews.com/travel/covid-19-travel/2022/06/21/covid-19-rules-and-travel-what-uae-passengers-need-to-know-this-eid-and-summer/>

⁴ Oxford Economics: <https://my.oxfordeconomics.com/chapters/8ba6CBBc5d8a4F8f84B1D9/GlobalOverviewGlobal>

⁵Boursorama, Snapshot 29/06/2022

⁶ Oxford Economics: <https://my.oxfordeconomics.com/chapters/8ba6CBBc5d8a4F8f84B1D9/GlobalOverviewGlobal>

⁷Boursorama, Snapshot 29/06/2022

⁸ECB: <https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202204.en.html#toc8>

✓ The industry context and competition

Worldwide capacity

The first half 2022 averaged capacity of 71%, reaching 77% in June 2022. The forecast is for 85% in H2 2022, i.e. 78% for the 2022 Full Year (compared with 2019).

Amongst the largest domestic markets, US domestic capacity almost fully recovered its pre-pandemic level, maintaining 95% in H1 2022, with 102% forecast for H2 2022. i.e. 98% for Full Year 2022. Domestic Chinese capacity continues to fluctuate due to the strict zero-Covid policies imposed by the local authorities, with a drop from 105% at the beginning of the year to 74% in April 2022. H1 2022 Chinese domestic capacity remained relatively “low” at 91% (Chinese domestic capacity was the first to recover in 2020-21, reaching 111% in H1 2021 versus 2019).

Medium-haul and intra-European flows continue to recover, starting the year with 74% and reaching 92% in June 2022. H1 2022 capacity stood at 82% (versus the 2019 level), with an H2 2022 forecast of 92%, i.e. the Full Year 2022 at 89% (on an annual basis).

In June 2022, some airlines suffered from multiple bottlenecks at airports due to the stronger-than-expected recovery. Airlines that were unable to deal with the already-sold program, were forced to adjust their schedules and cancel up to 10% of their scheduled flights.

For international flights, the US continues to grow, having started this year with 66% and reaching 76% in June 2022. Average capacity for H1 2022 was 70%, with 88% forecast for H2 2022, i.e. 79% for the Full Year 2022 (versus the 2019 levels). Chinese international capacity has remained low since 2020, with an average of 6% in H1 2022 (versus the 2019 level, unchanged on the average for 2021) and no concrete signs of a pick-up.

European international capacity continues to recover, starting the 2022 year at 61%, reaching 71% in June 2022 and averaging 65% for H1 2022 (versus the 2019 level, whereas the Full Year 2021 had been at 38%). The forecasts for H2 2022 point to 80%, upping the average for Full Year 2022 to 73% (versus the 2019 level).

Health restrictions, variants and vaccination

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

In the first six months of 2022, countries around the world continued to relax entry restrictions as travel rebounded for the summer season. For example, from June 10, Japan has been open to some foreign tourists, when a travel agency is the receiving organization for the entrants⁹ and the US has removed mandatory pre-boarding PCR tests since 12 June¹⁰. A few countries, including China, Taiwan and Hong-Kong still have mandatory quarantines for all vaccinated travellers¹¹ while other countries, like Greece, accept even non-vaccinated travellers¹².

With the rapid spread of new seemingly-less-lethal but more contagious virus variants that are more difficult to trace, and the

⁹ <https://www.bbc.com/news/business-61702904>

¹⁰ <https://www.euronews.com/travel/2022/06/13/when-is-the-us-dropping-pre-departure-tests-for-vaccinated-travellers>

¹¹ <https://www.morganlewis.com/pubs/2022/06/asia-pacific-business-travel-entry-ban-updates-and-vaccine-quarantine-requirements>

¹² <https://www.dailyrecord.co.uk/lifestyle/travel/32-countries-no-covid-travel-27156372>

disruption of supply chains due to the restrictions, zero-tolerance policies are increasingly being questioned; border controls are more and more costly and unlikely to be an effective way to remain Covid-free in the long run.

By June 21, more than 4.77 billion people worldwide had received a dose of a Covid-19 vaccine, equal to about 67% of the world's population. Most countries are expected to acquire broad access to vaccines by the end of 2022 but some only in 2023¹³.

Infrastructure

Air transport infrastructures saw a revenue shortfall during the Covid-19 crisis and some infrastructure operators are looking to recoup lost revenues by overcharging for their services. Some airports are requiring significant charge increases during the current negotiations, putting the regulator under pressure. For example, Heathrow Airport had been seeking to double its fees in 2022 but the average maximum price per passenger for airline access to London Heathrow has been capped at £30.19 by the CAA which has also reduced this fee to £26.31 in 2026¹⁴.

Sustainable development

IATA has pledged to be net carbon neutral by 2050, in line with the Paris Agreement target to limit global warming to 1.5°C. By 2050, with an expectation of 10 billion passengers per year, IATA forecasts show an annual 1.8 gigatons of carbon to abate.¹⁵ The bulk (65%) should be abated by Sustainable Aviation Fuel, 19% should be covered either by Carbon Capture and Storage or offsets, and a further 13% by new energy sources (batteries/hydrogen).

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

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

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

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

The EU Parliament has voted to extend the ETS system to all flights departing from EU countries, including non-EU destinations as from 2024 plus additional ratio for other non-CO₂ climate change effects. This unilateral move, if confirmed, may hamper the search for collaboration with non-EU countries at ICAO conferences, threatening prospects for major global decarbonization efforts as Europe imposes its solution on third parties compared to the existing CORSIA agreement applied to international aviation. It also leads to serious distortion of competition, weakening the global competitive position of the EU airlines and hubs.

¹³https://www.google.com/search?q=covid+statistics&rlz=1C1GCEB_enFR948FR948&og=covid+statistics&aqs=chrome..69i57j0i512i9.5130j0j15&sourceid=chrome&ie=UTF-8#wptab=s:H4sIAAAAAAAAAAONqVuLVt9c3NMwySk6OL8zJecRowS3w8sc9YSn9SWtOXmPU5OIKzsgvd80rySypFJLmYoQyBKX4uVB18uxsai4sgvSy0qy0wtX8TK7ZxfJ-XWJZZVFoMAMhlyQZIAAAA&colocmid=/m/02j71&coasync=1

¹⁴https://uk.finance.yahoo.com/news/heathrow-airport-passenger-charges-travel-080139510.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAB30r6GUbm10yTqvvb4pPI8f7t6r_tH4cZZXomsfTY76FG_BK8vLpfY0S9fBUv0OoTq9fxJUqtBmIM_SVAM1rVKX1IOyQNef5i0f-p0hq7cN8QGdOchcoNwYPUXORsa-zCDKI_TOqXvTyHwYAFKwzftSU7836ePewa61DSGhk8lx

¹⁵<https://airlines.iata.org/analysis/2050-net-zero-carbon-emissions/>

Cargo

Since 2021, cargo demand has exceeded its 2019 level by 7%, generating record revenues of \$204 billion (+100% versus 2019), with a 24% rise in yields versus 2019¹⁶. For 2022, according to IATA forecasts, demand is expected to exceed its pre-crisis levels by 12% while revenues should rise to \$191 billion (+90% versus 2019) although yields will decline by 10% relative to 2021¹⁷.

The global offer plateaued in the first part of 2022.¹⁸ The main reasons for this slowdown were the Omicron wave spreading in China and the Russo-Ukrainian war both of which are causing supply chain issues and limiting the movements of air cargo. Moreover, exceptionally long supplier delivery times and expensive fares for other transport modes are driving air cargo demand higher.

Air cargo traffic has been rising in the major trade lanes but there have been differences in the pace of recovery. All routes have seen their load factors increase versus 2019 but the change in capacity varies depending on the trade lane. On routes that are highly dependent on belly capacity, such as Asia and Europe-Asia, the absence of international passenger travel has weakened the upward trend in air cargo traffic.

Belly capacity, which represented around 50% of international air cargo capacity prior to the pandemic, is limited by the lack of international travel, particularly for long-haul trips using widebody aircraft and represented less than 30% in February 2022. Airlines are however using passenger aircraft to transport cargo (still 13% of the CTGs flown by freighters) and have increased their dedicated freighter capacity significantly with Passenger to Freighter (P2F) conversions and the de-mothballing of grounded freighters.

Maintenance

The aeronautics maintenance or MRO (Maintenance, Repair and Operations) market is mostly driven by the age, cycles and flight hours of the worldwide fleet. 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.

The market is being redefined by a fleet in transition, in part because of the retirement of more aircraft that are due to enter a period of intensive MRO expenses. According to analysts, MRO demand should recover to pre-Covid levels by 2024, but annual growth in the second half of their 10-year forecast period will be 2.8%. By 2030, MRO demand is expected to reach \$118 billion, 13% below the pre-Covid forecast of \$135 billion.¹⁹

The slower growth projections will not apply everywhere around the world. For instance, the Americas is the region having rebounded the most rapidly, while the Asian market is lagging way behind, mostly impacted by Chinese and North-East Asian travel restrictions, although we can expect high growth and recovery in Asia in the coming years. Another trend that will reshape the MRO landscape is the effect of supply-chain disruptions and labor shortages, combined with a growing focus on sustainability. This will lead to opportunities and adjustments in the worldwide industrial footprint, favoring worldwide leaders with regional capabilities.

¹⁶<https://www.iata.org/en/iata-repository/publications/economic-reports/air-freight-monthly-analysis---april-2022/>

¹⁷<https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance---june-2022---data-tables/>

¹⁸<https://www.iata.org/en/iata-repository/publications/economic-reports/air-freight-monthly-analysis---april-2022/>

¹⁹ Oliver Wyman « Global Fleet and MRO Market Forecast ». https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2022/feb/MRO-2022-Master-file_v5.pdf

STRATEGY

✓ The Air France-KLM Group's ambitions

The Group's business brings people, economies and cultures together, and drives economic growth and social progress. The overarching ambition of the Air France-KLM Group is to become a European aviation champion and one of the most powerful in the world, while acting as an industry pioneer in global environment sustainability. As such, flight safety, whether airline safety or health security, 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.

✓ Air France-KLM: core assets and unique competitive advantages

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

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

People: 71,000²⁰ passionate 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 powerful 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

²⁰ As of 12/31/2021.

around the dual intercontinental hubs of Paris-Charles de Gaulle and Amsterdam-Schiphol, which are two of the four largest connecting platforms in Europe (the other two are London Heathrow and Frankfurt am Main). In 2021, it served 310 destinations in 117 countries, without counting repatriation flights within the exceptional context of the Covid-19 pandemic. The Group diversifies its portfolios by being present in all the large markets with no one market representing more than a third of network revenues.

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

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

On June 14, 2022, Air France-KLM announced the success of its €2.256 billion rights issue. The capital increase had generated strong demand from existing and new investors. The French and Dutch States participated to the full extent of their rights to maintain their shareholdings unchanged, thus reiterating their confidence in Air France-KLM's performance. This operation, which is part of a broader strategy to transform and streamline the Group, will allow it to emerge with a stronger balance sheet and increased strategic flexibility. In a context of strong demand for travel, Air France-KLM will continue to implement its roadmap focused on increased profitability and sustainability, while meeting its customers' expectations, fulfilling its CSR commitments and seizing the opportunities that will arise as the airline industry recovers. CMA CGM is set to become a new strategic reference shareholder with a 9.0% stake in Air France-KLM's share capital.

The net proceeds of the issue were partly allocated to repaying the deeply subordinated bonds issued in April 2021 and held by the French State as well as strengthening the Company's equity. As announced during its full-year results presentation on February 17, 2022, the Company intends to free itself from the conditions set by the European Commission's Covid-19 temporary framework and therefore allocated about €1.7 billion to the repayment of the "Covid-19 recapitalization aid" granted in the form of undated subordinated notes (the "TSS État") issued in April 2021, through offset and repayment. The remainder (about €0.6 billion) will be used to reduce net debt.

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.

✓ Value creation model

The Air France-KLM Group is committed to implementing the recovery and to respecting its corporate purpose. The Group's achievements and current dynamic prove that it has the ability to excel, with the support of its people and shareholders.

People: be the best place to work

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

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 unrivalled 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 digitalized offers and best-in-class operational performance. Thanks to the

professionalism of the Group's frontline staff, the quality of its products and services, and an improved operational performance, Air France, KLM and Transavia maintain a daily focus on customers.

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

Planet and society: be a pioneer in sustainable aviation

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

✓ Strategic orientations

Commercial achievements

Since the beginning of the Covid-19 crisis, Air France has assisted its customers by enabling them to easily verify the health documents required by the authorities of their destination country with real time online updates. During Summer 2021, the airline went one step further with the introduction of the "Ready to Fly" process, offering customers the certainty of knowing that they have all the health documents required for their trip prior to arrival at the airport.

Air France was recognized for its efforts on implementing the strictest health and safety measures through the APEX (Airline Passenger Experience Association) Health Safety Diamond Award, the highest distinction in its category followed by the Covid Airline Excellence Award from Skytrax. Moreover, Air France was named Best Airline in Europe, Western Europe and France at the Skytrax World Airline Awards 2021. It was also recognised as the 10th best airline in the world and only European airline in the top 10, gaining 13 places compared to 2019.

KLM received the 2022 APEX World Class Award, as best airline for passengers along with six other airlines (Singapore Airlines, Japan Airlines, Emirates, Saudia, Qatar Airways and Turkish Airlines). This award represents exceptional recognition of achievements in areas such as safety, well-being and sustainability, which are now important elements in the overall customer experience, as well as the high standards set for service, comfort, catering and performance.

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

- Elected Customer Service of the Year 2022 in the collective passenger transport category;
- The Capital Label "Best Brands 2022" on which it has stood out since 2017;
- The 2022 Qualiweb Award for Best Online Customer Relations, (in duo with BlueLink) for the fourth year running.

Transformation

In the post-Covid-19 world, the Air France-KLM Group needs to balance its medium-term focus on managing liquidity risk and optimizing capex with the long-term focus on achieving increased competitiveness and its sustainability targets. The transformation is accelerating and will help restore competitiveness with €3bn of structural benefits by 2024²¹ through key levers like external spend optimization, labor cost reduction, fleet efficiency, new revenue streams and new initiatives.

Employees

Since 2019, more than 100 agreements have been signed with employees aimed at achieving a significant transformation in a context of industry leading renewed social stability, with two key focuses:

²¹ *Shareholders' Meeting 2022 (yuca.tv)*

- Adapt and respond to the crisis by safeguarding employment and guaranteeing the best sanitary working conditions on board the aircraft and on the ground, and adapting the ways of working
- Accompany the Group's transformation by resizing the organization through voluntary departure plans achieved in social stability and support for the Group's ambitious strategic transformation such as the French Domestic turnaround and the removal of the cap on the Transavia fleet.

Fleet

The Air France-KLM Group's fleet renewal and simplification is well under way. At the end of 2021, Air France had received 13 of the 38 Airbus A350-900s expected by 2026, and now has more than 40% of its widebody fleet made up of new-generation aircraft.

In 2021, the airline also took delivery of six Airbus A220-300s and a further 15 aircraft are scheduled for 2022. The company is continuing its fleet renewal thanks to its firm order for 60 A220-300s, plus an additional mix of 30 options and 30 purchase rights. They will gradually replace the A318s and A319s as well as several A320s by 2025, reaching close to 60% of the Air France medium-haul fleet, alongside the Airbus A320s and A321s. The Airbus A220-300 is a new-generation aircraft, which generates 20% less CO₂ emissions than the aircraft it replaces and has a 34% reduced noise footprint²². The choice of this aircraft, whose operating costs are 10% lower than those of the aircraft it replaces, is a response to the need to improve Air France's profitability in its short and medium-haul business.

In the Netherlands, of the 25 on order, KLM CityHopper added seven Embraer 195-E2s to its fleet in 2021, making KLM's Embraer fleet the biggest in Europe. This new aircraft type is both quieter (-63%) and more economical than its predecessor the Embraer 190. The 195-E2 uses 9% less fuel per flight and therefore emits 31% less CO₂ per passenger in comparison with the E-190, which makes up the bulk of the KLM CityHopper fleet.

On December 16, 2021, the Air France KLM Group announced its decision to place a firm order for 100 Airbus A320neo family aircraft, alongside purchase rights for 60 additional aircraft, to renew the fleets of KLM and Transavia Netherlands, and to renew and expand the fleet of Transavia France. The order covers Airbus A320neo and Airbus A321neo aircraft. Compared to previous generation aircraft, they offer a unit cost reduction of more than 10%, as well as a 15% reduction in fuel consumption and CO₂ emissions. Their noise footprint is also 50% lower²³. Through this order, the Transavia fleet will grow significantly around this single aircraft, as the current fleet of 737s will be progressively phased out.

In April 2022, the Group converted into a firm order the acquisition of four Airbus A350F Full Freighter aircraft with purchase rights for an additional four freighters to increase cargo capacity at Air France. These aircraft will be operated by Air France and be based at Paris-Charles de Gaulle airport, the airline's global hub, equipped with a state-of-art 14,000 square meter cargo terminal. In the context of steady and sustainable growth in demand for air cargo, this order should increase Air France-KLM's cargo capacity. It should also come with full substitution rights to Airbus A350 passenger aircraft, which constitute the new spearhead of the Air France long-haul fleet. Air France-KLM should be amongst the launch operators of the A350F Full Freighter.

Cargo

Monthly year-on-year international air cargo traffic (FTK) showed a strong recovery after the first wave of the Covid-19 pandemic and cargo traffic is now back to its pre-Covid level. March 2022, however, was to show the first year-on-year decline in traffic, i.e. 5.4%. The strong increase in yield since the Covid-19 outbreak has been sustained for all markets with the strongest increases for the Americas and Africa outbound, and Asia Pacific out and inbound. Nevertheless, capacity has outgrown traffic in recent months, leading to a declining trend in the load factor. Cargo capacity is still well below its pre-Covid level, but capacity growth is now outpacing traffic growth. In Q1 2022 for the overall market, the yield was down compared to Q4 2021, but was still far above its level in Q1 2021. Global air cargo showed a very strong year-on-year revenue increase in Q1 2022, driven by a yield increase with overall chargeable weight down by 1% compared to Q1 2021²⁴.

In the first half of 2022 the Group's Cargo capacity was up by 18,9% driven by increased belly capacity in the passenger aircraft, but with the virtual disappearance of mini cargo flights (passenger aircraft with only belly capacity marketed). The yield is still very

²² *Sustainable development strategy - Air France-KLM Group (airfranceklm.com)*

²³ *Sustainable development strategy - Air France-KLM Group (airfranceklm.com)*

²⁴ *Market comments based on the Air Cargo Market Intelligence report*

strong, leading to increased cargo revenues (+3.1% in total cargo revenues compared to 2021 at constant currency) with a lower load factor (-23.1 pts) that is reaching its pre Covid-19 level, leading to lower unit revenue.

The correlation between worldwide GDP growth and year-on-year FTK growth suggests a strongly declining trend for year-on-year FTK growth in 2022. The previous GDP forecast (October 2021) for 2022 had been 4.9% and this has since been reduced to 3.6% ²⁵.

Commercial offer

In the post-Covid recovery period, the Air France-KLM Group has adjusted its commercial offer to the new customer expectations.

- Resilient leisure customers expect increased flexibility and a pleasant travel experience: more than 35 new leisure winter routes proposed in Winter 2022 versus Winter 2021, 50% of leisure travellers in the Business cabin thanks to a commercial push and flexible fares maintained until the end of June 2022;
- Business customers will gradually restart traveling to complement virtual events, expecting a “less frequent but better” experience: a targeted initial focus on SMEs and resilient sectors
- Rising expectations from customers and society for sustainable aviation addressed through the €1-€12 Sustainable Aircraft Fuel Surcharge introduced in January 2022, Sustainability offers embedded in corporate contracts, Net Zero on domestic flights and encouragement of customer voluntary offsetting on all networks.

The Group has also secured its cabin investment to strengthen and reaffirm its optimal positioning on the market through a unique offer steadily reinforcing the emotional connection to its brands. For example, as from 2023 all the 777-300ERs and 777-200s at KLM will equip Business class with full flat beds while all seats will offer direct aisle access and a sliding door for full privacy. As from Winter 2023/24, Air France will equip the La Première cabin with the longest suite in the market with five windows and including three living spaces (seat, bed, sofa), connected with a wireless tablet and two screens.

Group business and synergies

The Air France-KLM Group's diversified network is a core asset for the Group and is supported by strong partnerships. Its global footprint enables the Group to capture the opportunities ahead and is supported by continuously strengthened commercial partnerships. Flying Blue will be further leveraged as a margin generator with the ambition to double its contribution to the Group by 2024 versus 2019. Flying Blue currently numbers more than 16 million members, with one new member enrolling every 20 seconds. It has an extensive and growing network of partners (airlines, banking and consumer firms) and contributes positively to the Group margin through sales of miles, which proved resilient during the crisis.

In May 2022, Air France-KLM and CMA CGM signed a major strategic partnership in global air cargo leveraging their complementary skills, expertise and activities. Air France-KLM and CMA CGM will jointly sell air freight capacity, providing customers with more options for their transportation needs within the framework of a 10-year exclusive commercial partnership:

- Combine a strong belly network with a modern and efficient full freighter fleet,
- Build a player with a recognized know-how in air freight and a strong investment capacity,
- Generate synergies in operations on an ad-hoc basis (e.g., maintenance, ground handling),
- Leverage a global commercial network, innovative solutions and relationship with forwarders.

Acceleration of the environmental transition

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

The letter of commitment, signed in October 2021 with SBTi, positions the Air France-KLM Group and its airlines on the trajectory determined by this Agreement, which aims to limit global warming to well below 2°C. Air France-KLM is one of the first European airline groups to have its decarbonization trajectory validated by SBTi, in addition to its objective of net zero emissions by 2050.

²⁵ IMF Global economic growth forecast

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

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

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

Information about the Air France-KLM Group's fleet can also be found in section 1.1.3.

1.1.2 Business review

Network: significant improvement in operating result

Network	Second quarter			Half year		
	2022	Change	Change constant currency	2022	Change	Change constant currency
Total revenues (€m)	5,753	+143.5%	+137.4%	9,647	+128.6%	+123.6%
Scheduled revenues (€m)	5,532	+153.0%	+145.7%	9,207	+136.1%	+130.2%
Operating result (€m)	352	+1,006	+1,013	43	+1,758	+1,773

Second quarter 2022 revenues increased by 137.4% at constant currency to 5,753 million euros. The operating result amounted to 352 million euros, a 1,013 million euros increase at constant currency compared to last year.

Passenger network: double-digit yield increase on most regions and on both economy and premium cabins

Passenger network	Second quarter			Half year		
	2022	Change	Change constant currency	2022	Change	Change constant currency
Passengers (thousands)	17,556	+199.9%		29,497	+185.8%	
Capacity (ASK m)	61,697	+69.4%		114,268	+63.2%	
Traffic (RPK m)	52,479	+229.4%		91,346	+211.1%	
Load factor	85.1%	+41.3 pt		79.9%	+38.0 pt	
Total passenger revenues (€m)	4,835	+229.3%	+223.4%	7,818	+214.3%	+209.6%
Scheduled passenger revenues (€m)	4,732	+239.9%	+231.3%	7,610	+223.0%	+216.0%
Unit revenue per ASK (€ cts)	7.67	+100.7%	+95.6%	6.66	+97.9%	+93.6%

Second quarter 2022, capacity in Available Seat Kilometers (ASK) was 69.4% higher than last year and at 82% of 2019 Second quarter level which was in the middle of the Group's guidance provided during the First quarter 2022 results presentation.

In response to the rise in fuel prices and other external costs, the Group proceeded to different fare increases during the first half of the year across all long-haul flights. The amount of the increase varies according to destination and class of travel, and applies to flights operated by Air France and KLM. Additionally, the spike in travel demand, the strong performance in Premium cabins, and the solid corporate traffic recovery have all led to a yield above the 2019 level in the second quarter.

The Second quarter result is driven by a strong performance of the entire network:

- North Atlantic: Strong improvement since mid-January driven by the strong traffic recovery, with strong yield due to fare increases and a positive cabin mix. The second quarter showed new bookings outpacing 2019 levels.
- Capacity discipline on South America routes combined with a very resilient demand led to a strong yield. Corporate traffic ramped up quickly in the same time.
- Asia: The strong yield performance is due to limited capacity and the group continues to observe important differences between the regions. South East Asia and India showed positive dynamic in yield and traffic.
- Caribbean & Indian Ocean: The yields improved thanks to successive fare increases and a positive cabin mix effect.
- Africa: A strong corporate recovery was observed in all areas. For KLM, the performance was driven by East and South Africa with strong yield increase linked to positive cabin mix and a positive economy yield evolution. For Air France, performance was driven by West and Central African countries with a good steering strategy.
- Middle-East: The second quarter performance stayed strong thanks to Dubai, especially on premium cabins and an increased traffic on some routes.
- Medium-haul: Strong booking dynamic since March. KLM is impacted by operational challenges and restrictions on flight departures from Amsterdam which led to traffic restriction. The yield is above 2019, especially on leisure routes with network capacity constraints and a positive competition environment.
- Short-haul: The network was able to absorb capacity recovery month over month thanks to business motive dynamism. Yield is above 2019 helped by steering yield initiatives.

During the Second quarter, Air France added three Airbus 350-900 and two Airbus A220-300. One B777-200, one Airbus 320, three Airbus 319, two Embraer 170 and five Canadair Jet 1000 were phased out. KLM phased in three Embraer 195 E2. The Group will continue to introduce new generation aircraft to its fleet in order to improve its economic and environmental performance.

Cargo: Strong yield increase mitigates traffic impact on Asia trade lanes

Cargo business	Second quarter			Half year		
	2022	Change	Change constant currency	2022	Change	Change constant currency
Tons (thousands)	236	-13.4%		472	-12.7%	
Capacity (ATK m)	3,341	+27.4%		6,315	+18.9%	
Traffic (RTK m)	1,732	-17.2%		3,497	-16.1%	
Load factor	51.8%	-27.9 pt		55.4%	-23.1 pt	
Total Cargo revenues (€m)	918	+2.6%	-1.1%	1,828	+5.5%	+2.2%
Scheduled cargo revenues (€m)	801	+0.7%	-2.8%	1,597	+3.5%	+0.4%
Unit revenue per ATK (€ cts)	23.96	-20.9%	-23.7%	25.29	-13.0%	-15.5%

Compared to the Second quarter 2021, cargo capacity strongly increased by 27.4% in Available Ton Kilometers, mainly due to the increase in worldwide belly capacity, except for Asia. This limited belly capacity to Asia affected the overall traffic which resulted in a traffic decrease of 17.2% and contributed to an overall decrease in load factor by 27.9 points. Yields, however, remain at a consistently high level (+17.4% vs. 2021), leading to a total Second quarter revenue performance at last year's level.

When compared to the pre-COVID year 2019, cargo capacity in the Second quarter was still 8% below 2019. However, due to exceptional yield performance – driven by high demand – total revenues in the Second quarter of 2022 were 76% higher than 2019.

In May, Air France-KLM announced its entry into a strategic partnership with CMA-CGM Air Cargo (CCAC). The partnership agreement is currently being worked out and expected to be finalized before the end of 2022.

In June, Air France-KLM Cargo won the Air Cargo Industry Achievement Award for their pioneering work in the development and distribution of sustainable aviation fuel and the fast expansion of its leading SAF program.

Transavia: Capacity above pre-crisis level with a load factor of 85%

Transavia	Second quarter		Half year	
	2022	Change	2022	Change
Passengers (thousands)	5,247	+346.8%	7,828	+412.8%
Capacity (ASK m)	10,430	+221.9%	15,924	+274.6%
Traffic (RPK m)	8,886	+358.2%	13,154	+421.6%
Load factor	85.2%	+25.3 pt	82.6%	+23.3 pt
Total passenger revenues (€m)	601	+378.0%	850	+422.2%
Unit revenue per ASK (€ cts)	5.86	+51.0%	5.41	+41.2%
Unit cost per ASK (€ cts)	6.04	-12.5%	6.11	-31.9%
Operating result (€m)	-18	+80	-110	+108

In the Second quarter of 2022, the demand recovery in leisure traffic in Europe and North Africa continued. Compared to last year, the capacity in the Second quarter increased by 221.9%, traffic increased by 358.2%, and the number of passengers increased by 346.8%. Last year, Second quarter was heavily impacted by travel restrictions in Europe and North Africa.

The Operating result was slightly negative at -18 million euros, although improved by 80 million euros compared to the Second quarter of 2021.

Capacity in the Second quarter was above the level of the Second quarter of 2019 and unit revenue even above the Second quarter 2019 mainly driven by a strong yield improvement.

The fleet of Transavia is approaching 100 aircraft, to further capture the strong demand of leisure traffic in Europe.

Maintenance business: Operating margin above 2019 level

Maintenance	Second quarter			Half year		
	2022	Change	Change constant currency	2022	Change	Change constant currency
Total revenues (€m)	911	+34.1%		1,742	+33.9%	
Third-party revenues (€m)	345	+35.1%	+35.3%	642	+25.0%	+30.0%
Operating result (€m)	57	60	61	101	111	117
Operating margin (%)	6.3%	+6.7 pt	+6.8 pt	5.8%	+6.6 pt	+7.1 pt

The Second quarter operating result stood at 57 million euros, an increase of 61 million euros at constant currency versus the Second quarter 2021 thanks to a higher activity and an operational improvement.

Total revenues increased by 34.1% in the Second quarter while third party revenues increased by 35.1%, showing a strong recovery. The increase in internal revenues is consistent with the activity increase of the Air France-KLM airlines compared to the Second quarter 2021.

The operating margin stood at 6.3%, which is 6.7 points higher than the operating results in the Second quarter 2021. The half year margin amounts to 5.8%, which is at the level of the pre-covid period when excluding the states support.

During the second quarter, Air France-KLM and Apollo Global Management announced the signing of a definitive agreement for Apollo managed funds and entities to make a 500 million euros investment in to an ad hoc operating affiliate of Air France that will own a pool of spare engines dedicated to the airline's Engineering and Maintenance activities.

Air France-KLM Group: second quarter operating margin at 2019 level despite the steep increase of fuel cost

	Second quarter			Half year		
	2022	Change	Change constant currency	2022	Change	Change constant currency
Passengers (thousands)	22,803	+224.5%		37,326	+215.0%	
Capacity (ASK m)	72,127	+81.9%		130,192	+75.3%	
Traffic (RPK m)	61,365	+243.4%		104,499	+227.7%	
Passenger unit revenue per ASK (€ cts)	7.41	+93.6%	+89.1%	6.51	+91.8%	+87.9%
Group unit revenue per ASK (€ cts)	8.52	+46.1%	+42.1%	7.73	+41.4%	+38.0%
Group unit cost per ASK (€ cts) at constant fuel	7.98	+3.2%	-12.7%	7.71	-4.6%	-15.6%
Revenues (€m)	6,707	+143.9%	+138.7%	11,152	+127.1%	+123.8%
EBITDA (€m)	931	1,180	1,186	1,152	2,029	2,050
Operating result (€m)	386	1,139	1,145	36	1,970	1,989
Operating margin (%)	5.8%	+33.1 pt	+32.8 pt	0.3%	+39.7 pt	+39.5 pt
Net income - Group part (€m)	324	+1,813		-228	+2,744	
Adj. operating free cash flow (€m)	1,532	+1,322		2,163	+3,297	
Net debt at end of period (€m) ²⁶				6,036	-2,180	

In the Second quarter 2022, the Air France-KLM Group posted a positive operating result of 386 million euros, up by 1,145 million euros at a constant currency compared to last year, and was driven by an increase of capacity. In parallel, the increase of load factor and yield generated an increase of the unit revenue.

Net income amounted to 324 million euros in the Second quarter 2022, an increase of 1.8 billion euros compared to last year. The recognition of tax assets at KLM group for an amount of around 300 million euros supported the positive net income generation.

Unit cost : in a challenging cost environment, transformation programs contain the unit cost up 2.4% with 15% capacity below 2019.

²⁶ Change versus 31 Dec 2021

The unit cost is up 2.4% at a constant fuel price and constant currency versus the Second quarter 2019, with a capacity down by 15%. The ongoing transformation programs enable Air France-KLM to limit the impact of increasing costs such as airport and ATC charges, and the KLM Collective Labour Agreement (CLA) delayed implementation.

Compared to June 2019, the number of Full Time Equivalent (FTE's) of Air France excluding Transavia reduced by 16% and by 13% for KLM.

Staff costs decreased in the Second quarter by 11% compared to the same quarter in 2019 thanks to FTE reduction and the French government support on wages. Corrected for government support on wages, staff costs decreased by 9%.

Second quarter:

Positive EBITDA and strong ticket sales reinforces the adjusted operating free cash flow and supports net debt reduction by 2.2 billion euros

In € million	Second quarter		Half year	
	2022	Change	2022	Change
Cash flow before change in WCR and Voluntary Departure Plans, continuing operations (€m)	785	+1,237	841	+2,083
Cash out related to Voluntary Departure Plans (€m)	-68	+12	-125	+0
Change in Working Capital Requirement (WCR) (€m)	1,510	+299	2,835	+1,715
Net cash flow from operating activities (€m)	2,239	1,525	3,620	3,787
Net investments* (€m)	-482	-195	-1,015	-481
Operating free cash flow (€m)	1,757	+1,330	2,605	3,306
Repayment of lease debt	-225	-8	-442	-9
Adjusted operating free cash flow**	1,532	+1,322	2,163	+3,297

* Sum of 'Purchase of property, plant and equipment and intangible assets' and 'Proceeds on disposal of property, plant and equipment and intangible assets' as presented in the consolidated cash flow statement.

** The "Adjusted operating free cash flow" is operating free cash flow after deducting the repayment of lease debt.

The Group generated an adjusted operating free cash flow in the Second quarter 2022 of 1,532 million euros, an increase of 1,322 million euros compared to last year, mainly driven by a positive change in working capital of 1,510 million euros. This was the fifth quarter in a row that the adjusted operating free cash flow was positive.

In € million	30 Jun 2022	31 Dec 2021
Net debt	6,036	8,216
EBITDA <i>trailing 12 months</i>	2,773	745
Net debt/EBITDA <i>trailing 12 months</i>	2.2 x	11.0 x

Both airlines able to reach positive operating margin

	Second quarter		Half year	
	2022	Change	2022	Change
Air France Group Operating result (€m)	133	+700	-230	+1,179
<i>Operating margin (%)</i>	3.3%	+37.8 pt	-3.4%	+43.8 pt
KLM Group Operating result (€m)	262	+447	266	+787
<i>Operating margin (%)</i>	9.4%	+24.8 pt	5.7%	+30.1 pt

- Significant improvement in Operating result for both airlines with operating margins close to 2019 levels

1.1.3 The Air France-KLM fleet

At June 30, 2022, the Air France-KLM Group fleet comprised 534 aircraft, of which 515 were in revenue service compared with, respectively, 537 and 505 aircraft at December 31, 2021.

The main operational fleet consisted of 418 aircraft (408 aircraft at December 31, 2021), of which 164 were long-haul aircraft (160 at December 31, 2021), six were cargo aircraft (six aircraft at December 31, 2021) and 248 were medium-haul aircraft (242 at December 31, 2021) including 99 aircraft in the Transavia Group fleet (89 aircraft at December 31, 2021).

The regional fleet in operation comprised 97 aircraft (97 at December 31, 2021).

At June 30, 2022, the average age of the aircraft in the operational fleet was 12.1 years, of which 12.0 years for the long-haul fleet, 13.4 years for the medium-haul fleet, 19.3 years for the cargo fleet and 8.7 years for the regional fleet. This compared with 12.2 years at December 31, 2021, of which 12.2 years for the long-haul fleet, 13.4 years for the medium-haul fleet, 18.8 years for the cargo fleet and 8.9 years for the regional fleet.

At June 30, 2022, 37.3% of the total Group fleet was fully owned (37.8% at December 31, 2021), 12.4% was under finance lease (12.3% at December 31, 2021), and 50.4% under operating lease (49.9% at December 31, 2021).

Excluding operating leases, there were firm orders outstanding for 182 aircraft at June 30, 2022, after the delivery of nine aircraft fully owned by the Group. Options stood at 58 aircraft (58 at December 31, 2021).

Change in the Air France - KLM Group order book ⁽¹⁾	Decembre 31, 2021	Deliveries during the period	New orders	Option conversion	June 30, 2022
Main fleet	87	9	104	-	182
Regional fleet	0	0	-	-	-
Total	87	9	104	-	182

(1) Excluding operating leases

Change in the Air France - KLM Group's option portfolio ⁽¹⁾	Decembre 31, 2021	Exercise during the period	Options cancelled or expired	New options	June 30, 2022
Main fleet	58	-	-	-	58
Regional fleet	-	-	-	-	-
Total	58	-	-	-	58

(1) Excluding operating leases

Fleet management

Air France-KLM is pursuing an active policy of renewing and modernizing its fleet, thus contributing to improving the energy efficiency of its fleet and reducing its environmental footprint.

During the first half of 2022, the Air France Group saw:

- In long-haul, the delivery of five new A350-900s together with four new A220-300s for medium-haul. Two 777-200ERs and ten Airbus A320 family aircraft were sold or returned to their owners.
- In HOP!, the sale of five CRJ 1000s, one CRJ 700 and three Embraer 145s as well as the replacement of two Embraer 170s by one Embraer 190.
- In Transavia France, the delivery of six B737-800s under operating lease.

For its part, KLM Cityhopper welcomed five new Embraer 195 E2s into its fleet and withdrew one Embraer 190.

The modernization of the fleet will be pursued with the continued growth of the A350-900 fleet within Air France and that of the B787-10s in KLM. The continued growth of the fleets, for Air France of the A220-300s and for KLM of the E195-E2s, also contributes to this major effort to modernize the fleet and reduce emissions.

The signature of a purchase agreement for 100 A320/321 Neo firm orders, intended for KLM, Transavia France and Transavia Netherlands as well as four A350Fs for Air France, reflects this desire of the Air France-KLM Group to operate the aircraft offering the best environmental performance over the next few years.

Air France-KLM Group Fleet at June 30, 2022:

	AF (incl. HOP!)	KL (incl. KLC & Martinair)	Transavia France	Transavia NL	Owned	Finance Lease	Operating Lease	Total
Long Haul	113	61	0	0	70	35	69	174
B777-300	43	16	0	0	19	16	24	59
B777-200	19	15	0	0	27	0	7	34
A350	18	0	0	0	3	7	8	18
B787-10	0	6	0	0	2	4	0	6
B787-9	10	13	0	0	4	7	12	23
A380-800	8	0	0	0	4	1	3	8
A330-300	0	5	0	0	0	0	5	5
A330-200	15	6	0	0	11	0	10	21
Medium Haul	107	46	60	39	85	12	155	252
B737-900	0	5	0	0	5	0	0	5
B737-800	0	31	60	35	33	8	85	126
B737-700	0	10	0	4	7	0	7	14
A321	19	0	0	0	11	0	8	19
A320	41	0	0	0	4	4	33	41
A319	25	0	0	0	12	0	13	25
A318	12	0	0	0	6	0	6	12
A220-300	10	0	0	0	7	0	3	10
Regional	43	59	0	0	40	19	43	102
Canadair Jet 1000	9	0	0	0	9	0	0	9
Canadair Jet 700	0	0	0	0	0	0	0	0
Embraer 190	19	30	0	0	16	5	28	49
Embraer 175	0	17	0	0	3	14	0	17
Embraer 170	13	0	0	0	10	0	3	13
Embraer 145	2	0	0	0	2	0	0	2
Embraer 195 E2	0	12	0	0	0	0	12	12
Cargo	2	4	0	0	4	0	2	6
B747-400BCF	0	1	0	0	1	0	0	1
B747-400ERF	0	3	0	0	3	0	0	3
B777-F	2	0	0	0	0	0	2	2
Total AF-KLM	265	170	60	39	199	66	269	534

1.1.4 Highlights

Covid-19 crisis, Ukrainian crisis, refinancing and recapitalization

The Covid-19 crisis had a major impact on the Group's results and financial position during the 2021 financial year and will continue to impact the Group's operations in 2022 within a context where visibility on the recovery in demand is limited, with restrictions on travel still in force in most of the destinations served by the Group. However, the recovery began in the second half of 2021 and continues to do so extensively through the first half of 2022.

In addition, the Ukrainian crisis is having an impact on the Group's business, which has announced that it has suspended services and overflights to Ukraine and Russia in February 2022 until further notice. These routes represented less than 1% of the Group's Network business in terms of revenue. The impact of route extensions to China, Japan and South Korea is also currently limited due to a more limited recovery in traffic in this geographical area. The Group's maintenance activities for Russian airlines have also been suspended, generating a minor impact in terms of operating margin. Finally, although the Ukrainian crisis is pushing oil prices to high levels, the Group's fuel hedging policy as well as the applied tariff surcharge allow to limit the impact on the Group's consolidated financial statements as of June 30, 2022²⁷.

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

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

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

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

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

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

In 2022, the following additional actions were taken:

- On June 14, Air France-KLM announced the success of its €2.256 billion rights issue, of which about €1.7 billion were allocated to the redemption of the French State undated subordinated notes (TSS).
- On May 3, KLM repaid €311 million of its RCF (backed by the Dutch State), and on June 3, KLM repaid another €354 million, redeeming the entire €665 million drawn amount.

²⁷See Note 3.1 to the interim consolidated financial statements

- On June 30, KLM repaid the entire drawn amount (€277 million) of the Dutch State shareholder loan.
- On July 13, Air France-KLM signed with Apollo a definitive agreement for a €500m investment into an ad hoc operating affiliate of Air France owning spare engines. The proceeds of this investment will be allocated to the redemption of the French State undated subordinated notes (TSS).

May 20, 2022 - Air France-KLM enters into exclusive discussions with Apollo for a €500 million euro capital injection into an affiliate owning spare engines

- Reinforcement of the Group's equity
- Financing proceeds allocated to the partial reimbursement of the French State Aid
- Reduction of the Group's cost of debt

Following the announcement of the second step of equity strengthening measures at the Full Year 2021 results presentation, Air France-KLM announces today that it has entered into exclusive discussions with Apollo Global Management regarding the injection of €500 million of capital to an operating affiliate of Air France, owning a pool of spare engines for Air France dedicated to its Engineering and Maintenance Activity.

The proceeds of the transaction would enable Air France-KLM and Air France to partially redeem the French State perpetual bonds, in accordance with the European Commission's "Temporary Framework for State aid measures to support the economy in the current Covid-19 outbreak", as well as facilitate the financing of future spare engine acquisitions under Air France's fleet renewal program.

The structure will incur no change on operational and social aspects. Therefore, there will be no change in the way to use the spare engines, and no impact on Air France or Air France-KLM employee contracts.

The capital injected would be accounted as equity under IFRS, hence strengthening Air France-KLM's and Air France's balance sheet

May 24, 2022 - Air France-KLM launches a €2.256 billion rights issue to be subscribed in cash and/or by offsetting claims

The Company is continuing to strengthen its balance sheet and accelerates the repayment of state aids, increasing its strategic flexibility

Air France-KLM S.A. ("**Air France-KLM**", the "**Company**") announces today the launch of a capital increase with preferential subscription rights (the "**Rights**") to existing shareholders maintained to raise gross proceeds of €2.256 billion (the "**Rights Issue**") through the issuance of 1,928 million new shares in Air France-KLM (the "**New Shares**"), to be subscribed in cash and/or by offsetting claims.

This transaction, which aims to strengthen the company's equity and balance sheet, follows the 2021 capital increase and comes after new recapitalization measures were announced on February 17.

- The net proceeds of the issue will be allocated to repaying the deeply subordinated bonds issued in April 2021 and held by the French State as well as strengthening the Company's equity. As announced at full-year results on February 17th 2022, the Company intends to free itself from the conditions set by the European Commission's temporary framework and will therefore allocate circa 1.7 billion euros to the repayment of the "Covid-19 recapitalization aid" granted in the form of undated subordinated notes (the "**TSS État**") issued in April 2021. The remainder will be allocated to reduce the Company's net indebtedness.
- This operation, together with the other contemplated measures to strengthen the balance sheet and the expected EBITDA recovery, will enable the Company to strengthen its financial trajectory. The Company's sound financial liquidity position (€10.8 billion of cash at hand as of March 31st 2022) in a better oriented operational context for the Company, will enable the Company to further repay the French State Aid over the next quarters. The repayment of the State Aid will also improve the financing costs of the Company.
- The Company confirms its objective to reduce its Net debt / EBITDA ratio, to reach circa 2.0x to 2.5x by 2023.
- The French State, Air France-KLM's largest shareholder (28.6%), has informed the Company of its intention to participate in the Rights Issue, so that its post-transaction shareholding remains unchanged. This subscription, should it occur, would be completed through offsetting claims held by the French State in respect of the deeply subordinated notes (TSS Etat) issued in April 2021 for an amount of circa 645 million euro.

- The Dutch State has informed the Company that it intends to exercise its rights in proportion to its current shareholding in order for its shareholding to remain unchanged post Rights Issue, subject to obtaining the necessary approvals from the Dutch Parliament. In order to receive these necessary approvals in a timely manner, the Dutch State is also dependent on the timetable of the Dutch parliament.
- The transaction will enable CMA CGM to become a new reference shareholder and an exclusive strategic partner for the cargo business, as announced on May 18th. CMA CGM has committed to subscribe to the transaction for a maximum amount of €400 million (including the acquisition of Rights) and in such a way that its total shareholding does not exceed 9% of the Company's resulting share capital.
- China Eastern Airlines and Delta Air Lines have committed to participate in the Rights Issue on a cash neutral basis by subscribing to new shares through the sale of part of their Rights, using the net proceeds from selling Rights to CMA CGM.

Benjamin Smith, CEO of Air France – KLM, has stated that *"The operation we are launching today is the result of the work we have been doing for several months to consolidate our balance sheet, strengthen our financial autonomy and regain strategic and operational flexibility. As the recovery continues and our economic performance recovers, in particular thanks to our ambitious transformation plan and the structural benefits it continues to deliver, we want to be in a position to seize any opportunity in a changing aviation sector and to be able to accelerate our environmental commitments. I would like to thank our main shareholders for their renewed support in this operation, and I am also delighted to welcome CMA CGM to our capital, as a new reference shareholder and industrial partner in our cargo activities."*

Key terms and rationale of the transaction:

- Subscription price: €1.17 per new share
- Subscription parity: 3 new shares per 1 existing share
- Theoretical value of the preferential subscription right: €2.345
- Preferential subscription rights trading period: from 25 May 2022 to 7 June 2022, inclusive
- Subscription period: from 27 May 2022 to 9 June 2022, inclusive
- Subscription commitments: €359,923,919 i.e. 15.96% of the total amount of the transaction (excluding the French State and the Dutch State intentions)

The Rights Issue will be carried out with preservation of shareholders' preferential subscription rights, pursuant to the 20th resolution of the combined general meeting of the Company's shareholders of 26 May 2021, and will result in the issuance of 1,927,902,102 New Shares at a subscription price of €1.17 per share (i.e., a nominal value of €1, plus an issue premium of €0.17), to be fully paid up upon subscription, representing gross proceeds, including the issue premium, of €2,255,645,459.34.

Holders of existing ordinary shares of the Company (the "**Shares**") recorded on their accounts as of the end of the accounting day on 24 May 2022 will be entitled to receive Rights which will be detached from the underlying Shares on 25 May 2022. Existing Shares of the Company will therefore trade ex-right from 25 May, 2022. Each existing Share of the Company will entitle its holder to receive one (1) Right. 1 Right will entitle their holders to subscribe for 3 New Shares on an irreducible basis (*à titre irréductible*), at a subscription price of €1.17 per Share.

Subscriptions on a reducible basis (*à titre réductible*) will be accepted. Any New Shares not subscribed by subscriptions on an irreducible basis (*à titre irréductible*) will be distributed and allocated to the holders of the Rights having submitted additional subscription orders on a reducible basis (*à titre réductible*) subject to reduction in the event of oversubscription.

Based on the closing price of Air France-KLM stock on the regulated market of Euronext in Paris on 20 May 2022, i.e., €4.296, the theoretical value of 1 Right is €2.345 and the theoretical value of the ex-right share is €1.951.

For information purposes, the subscription price for the New Shares of €1.17 per share reflects a discount of 40% compared to the theoretical value of the Company's ex-right share price, calculated on the basis of closing price on 20 May 2022, and a discount of approximately 72.8% to this price.

These values do not presume either the value of the Rights during their trading period or the ex-right value of the Company's shares

as recorded in the market.

The Rights Issue will be open to the public in France only.

Intentions and subscription commitments of the main shareholders and Directors

The French State, Air France-KLM's largest shareholder (which holds 28.6% of the Company's share capital and 28.1% of the voting rights) as of the date of this press release, has informed the board of directors of Air France – KLM of its intention to participate on an irreducible basis up to the totality of its Rights, so that its shareholding after the completion of this Rights Issue remains unchanged. This subscription would be carried out by way of offsetting the deeply subordinated notes (TSS Etat) issued by the Company in April 2021. A part of the TSS Etat will also be reimbursed by a buyback following the completion of the Rights Issue.

The Dutch State (which holds 9.3% of the Company's share capital and 13.8% of the voting rights) has informed the Company that it intends to fully exercise its rights in proportion to its current shareholding in order for its shareholding post Rights Issue to remain unchanged, subject to obtaining the necessary approvals from the Dutch Parliament. In order to receive these necessary approvals in a timely manner, the Dutch State is also dependent on the timetable of the Dutch parliament.

CMA CGM has entered on 22 May 2022 into a rights sale and purchase agreement with Delta Air Lines, China Eastern Airlines and the FCPEs respectively, so as to acquire a total of 70,996,722 Rights, and has committed toward Air France-KLM to (i) exercise these rights and subscribe to the Rights Issue on an irreducible basis for an amount of €249,198,494.22 and to (ii) place a subscription order on a reducible basis for an additional number of up to 18,358,086 New Shares (or by exercising rights acquired in the market or off the market), the total corresponding to a maximum of 9% of the share capital after the Rights Issue. This subscription commitment is subject to the condition that the total sum of the subscription price of the aforementioned New Shares increased by the total price of the Rights acquired by CMA CGM does not exceed 400 million euros and with no prejudice of the reduction rate which will be applied to the reducible orders.

China Eastern Airlines, which holds 9.6% of the capital and 11.4% of voting rights of the Company, and Delta Air Lines, which holds 5.8% of the capital and 8.6% of the voting rights of the Company, have both committed to participate in the Rights Issue on a cash neutral basis through the sale of part of their Rights to the benefit of CMA CGM in a proportion allowing them to finance the exercise of the balance of their Rights by using the net proceeds of this sale (subject to rounding) for an aggregate amount representing €110,725,424.55.

The subscription commitments of CMA CGM (for the irreducible basis), Delta Air Lines and China Eastern Airlines described hereabove are referred to as the "**Subscription Commitments**".

The FCPEs, which hold 2.4% of the capital and 3.6% of the voting rights of the Company, have notified their intention to participate in the Rights Issue on a cash neutral basis through the sale of part of their Rights to the benefit of CMA CGM in a proportion allowing them to partially finance the exercise of the balance of their Rights by using the net proceeds of this sale.

The SPAAK (Stichting Piloten Aandelen Air France - KLM) which holds 1.7% of the capital and 2.5% of the voting rights of the Company, has notified their intention to participate in the Rights Issue on a cash neutral basis through the sale of part of its Rights in a proportion allowing them to finance the exercise of the balance of their Rights by using the net proceeds of this sale.

The Subscription Commitments total approximately €360 million and represent 15.96% of the amount of the Right Issue. The Subscription Commitments will respectively be terminated in the event the underwriting agreement entered into with the Underwriters (as such term is defined below) would itself be terminated. Moreover, the French State and the Dutch State have informed the Company that they intend to subscribe to the rights issue in proportion to their total respective number of Rights, representing an additional 37.94% to the amount of the rights issue.

Lock-up commitments

Air France-KLM has agreed to a lock-up period starting on the date of the signing of the underwriting agreement and expiring 180 calendar days following the settlement and delivery date of the New Shares, subject to certain exceptions.

The French State, the Dutch State, China Eastern Airlines and Delta Airlines have entered into a lock-up agreement from the approval of the Prospectus by the AMF and until the expiration of a period of 90 calendar days following the date of settlement and delivery of the New Shares, subject to certain exceptions.

CMA CGM has agreed with the Company on a lock-up commitment as from the settlement-delivery of the New Shares until the expiry of a three-year period following this date, being specified that CMA CGM may sell a maximum of 50% of the shares acquired in the

context of the Rights Issue during an additional three-year period. This lock-up commitment will be terminated early if a firm and complete cooperation agreement in relation to air cargo is not concluded before December 1st 2022 or if such an agreement is terminated.

In addition, CMA CGM committed to a 10-year period to not acquire or subscribe to any shares issued by the Company, unless such acquisition does not lead to an increase of its stake in the share capital of the Company, subject to certain exceptions. The undertaking specifies that at the end of a period of 5 years from the settlement-delivery of the New Shares, the Board of Directors of the Company may modify this undertaking in order to allow CMA CGM to increase its shareholding in the Company.

Moreover, the major shareholders of Air France-KLM will support a resolution for the appointment of a representative of CMA CGM to the Board of Directors of Air France-KLM at the general shareholders' meeting to be held today.

Dilution

For illustrative purposes only, a shareholder holding 1% of the Company's share capital as of 24 May 2022, and not subscribing to the Rights Issue, would hold 0.25% of the Company's share capital on a non-diluted basis following the Rights Issue.

Underwriting

The Rights Issue was subject to an underwriting agreement (the "**Underwriting Agreement**") entered into on 23 May 2022 between the Company and a syndicate of banks including Deutsche Bank, HSBC, Natixis, Crédit Agricole Corporate and Investment Bank and Société Générale acting as Joint Global Coordinators, Lead Managers and Joint Bookrunners (the "**Joint Global Coordinators**"), ABN AMRO Bank N.V., Banco Santander, S.A., Citigroup and Coöperatieve Rabobank U.A acting as Joint Bookrunners (the "**Joint Bookrunners**"), Crédit Industriel et Commercial S.A., MUFG Securities (Europe) N.V. and SMBC Bank EU AG acting as co-lead managers (the "**Co-Lead Managers**", and together with the Joint Global Coordinators and the Joint Bookrunners, the "**Underwriters**"). Under the terms of this Underwriting Agreement, the Underwriters have undertaken, jointly and without joint and several liability, to subscribe for New Shares not subscribed for at the end of the subscription period, in such a way that the Capital Increase, after taking into account the Subscription Commitments, (on an irreducible basis only), in cash up to a total amount of 359,923,918.77 euros, which represent 15.96% of the proposed issuance, is subscribed for in full. This agreement does not constitute a performance guarantee within the meaning of article L.225-145 of the French Commercial Code. This agreement may be terminated by the Global Coordinators on behalf of the Underwriters up to (and including) the settlement-delivery date, subject to certain conditions and in certain circumstances, in particular in the event of inaccuracy of the representations and warranties, failure by the Company to comply with one of its undertakings, non-fulfilment of the usual conditions precedent, a significant unfavorable change in the situation of the Company and its subsidiaries or the occurrence of national or international events. In the event of termination of the Underwriting Agreement in accordance with its provisions, the Rights Issue will then be cancelled.

Indicative timetable of the Rights Issue

The Rights will be detached on 25 May 2022 and traded on the regulated markets of Euronext in Paris ("**Euronext Paris**") under the ISIN code FR0014008ZE6 from 25 May 2022 until 7 June 2022 inclusive. Unexercised Rights will automatically lapse at the end of the subscription period, i.e., June 9, 2022 at the close of trading. The subscription period for the New Shares will run from 27 May 2022 until the close of trading on 9 June 2022. Results of the rights issue will be announced on 14 June 2022.

Settlement and delivery of the New Shares and commencement of trading on Euronext Paris and Euronext Amsterdam are expected to take place on June 16, 2022. The New Shares will immediately entitle their holders to receive dividends declared by the Company as from the date of issuance. They will be fully fungible with the Company's existing shares of the Company and will be traded on the same trading line under the same ISIN code FR0000031122.

Risk factors

Potential investors are also advised to consider carefully the risk factors described in chapter 3.1 "*Risk factors*" of the 2021 Universal Registration Document and chapter 2 "*Risk factors*" of the Securities Note. Should all or any part of these risk factors materialize, the Company's businesses, financials, results or ability to reach its guidance may be negatively affected and the value of the Company's shares may also be affected.

Availability of the Prospectus

The prospectus (the "**Prospectus**") was approved by the French *Autorité des marchés financiers* (the "**AMF**") under number D.22-0236-A01 on May 23, 2022 and includes (i) the 2021 Universal Registration Document (*document d'enregistrement universel*) of the Company filed with the AMF on April 4, 2022 under number D.22-0236 (the "**2021 Universal Registration Document**"), the

amendment to the 2021 Universal Registration Document filed with the AMF on 23 May 2022 under number D.22-0236-A01, (iii) the securities note (*note d'opération*) dated 23 May 2022 (the "**Securities Note**"), and (iv) the summary of the Prospectus (included in the Securities Note).

The Prospectus is available on the websites of the AMF (www.amf-france.org) and the Company (www.airfranceklm.com). Copies of the Prospectus will be made available free of charge at the Company's headquarters, located at 2, rue Robert Esnault-Pelterie, 75007 Paris, France.

Potential investors are advised to read the Prospectus before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in the securities. The approval of the Prospectus by the AMF should not be understood as an endorsement of the securities offered or admitted to trading on a regulated market.

June 14, 2022 - Air France-KLM announces the success of its €2.256 billion rights issue

- The capital increase generated strong demand from existing and new investors, for a total amount of €2.6 billion
- The French and Dutch states participated to the full extent of their rights, to maintain their shareholdings unchanged, reiterating their confidence in Air France-KLM's performance
- CMA CGM becomes a new strategic reference shareholder with a 9.0% stake in Air France-KLM's share capital
- Net proceeds from the capital increase will be mostly used to accelerate State aid repayment and reduce related financial costs, as well as to reduce Air France-KLM's indebtedness

Air France-KLM (the "**Company**") today announces that it has successfully completed its share capital increase with preferential subscription rights (the "**Rights**") announced on May 24, 2022 (the "**Rights Issue**"). Following the subscription period, which ended on June 9^m 2022, the total demand amounted to approximately 2,240 million shares, for an amount close to €2.6 billion, corresponding to a well oversubscribed transaction with a take-up rate of approximately 116%:

- 1,831,278,510 new shares were subscribed on an irreducible basis (*à titre irréductible*), representing approximately 95% of the new shares to be issued;
- orders submitted on a reducible basis (*à titre réductible*) represented 409,004,428 new shares and will therefore only be partially allocated for a number of 96,623,592 new shares.

The final gross proceeds of the Rights Issue, including the issue premium, amount to approximately €2,256 million (of which €1,611 million in cash) corresponding to the issuance of 1,928 million new shares (the "**New Shares**") with a par value of €1 at a subscription price of €1.17 per share.

Benjamin Smith, CEO of Air France-KLM, stated "*The success of our capital increase is a strong demonstration of the confidence that our existing shareholders and new investors have in the prospects of Air France-KLM. This operation, which is part of a broader strategy to transform and streamline our Group, will allow us to emerge with a stronger balance sheet and increased strategic flexibility. In a context of strong demand for travel, Air France-KLM will continue to implement its roadmap focused on increased profitability and sustainability, while meeting its customers' expectations, fulfilling its CSR commitments and seizing the opportunities that will arise as the airline industry recovers.*"

Allocation of the share capital following the transaction

Following the settlement and delivery of the Rights Issue, Air France-KLM's share capital will amount to 2,570,536,136 shares with a nominal value of €1 each.

Air France-KLM's shareholding structure following the settlement and delivery of the rights Issue would be as per the table below

	% of the capital (post rights Issue)	% voting rights (post rights Issue)	% of the capital (as of April 30, 2022)	% voting rights (as of April 30 2022)
Number of shares / voting rights	2,570,536,136	2,798,982,387	642,634,034	871,080,285
French State	28.6%	28.5%	28.6%	28.1%
Dutch State	9.3%	10.7%	9.3%	13.8%
CMA CGM	9.0%	8.3%	0.0%	0.0%

China Eastern Airlines ²⁸	4.7%	5.6%	9.6%	11.4%
Delta Air Lines, Inc ²⁹	2.9%	4.0%	5.8%	8.6%
Treasury stock	0.05%	0.1%	0.2%	0.3%
Others	45.5%	42.9%	46.5%	37.8%

Rationale for the Rights Issue

As announced on February 17 and detailed in the press release dated May 24, 2022, this transaction implements new recapitalization measures, following the initial capital increase in 2021.

- The net proceeds of the issue will be partly allocated to repaying the deeply subordinated bonds issued in April 2021 and held by the French state as well as strengthening the Company's equity. As announced during its full-year results presentation on February 17, 2022, the Company intends to free itself from the conditions set by the European Commission's Covid-19 temporary framework and will therefore allocate about €1.7 billion to the repayment of the "Covid-19 recapitalization aid" granted in the form of undated subordinated notes (the "TSS État") issued in April 2021, through offset and repayment. The remainder (about €0.6 billion) will come to reduce net debt.
- This operation marks a significant step in the execution of the up to €4 billion equity and quasi-equity issuance program designed to strengthen the balance sheet, as announced on February 17th. In the context of the company's expected performance recovery, with a 7% to 8% operating margin targeted in 2024, the company is confident that no further dilutive measures will be needed. The Company's sound financial liquidity position (€10.8 billion of cash at hand as of March 31, 2022) and promising outlook will allow Air France-KLM to repay additional outstanding state aid, which will further improve the financing costs of the Company.
- The Company confirms its objective to reduce its Net debt / EBITDA ratio to reach 2.0x to 2.5x by 2023.

Main shareholders subscription

The French State, Air France-KLM's largest shareholder (with 28.6% of the Company's share capital and 28.1% of the voting rights), participated on an irreducible basis to the full extent of its Rights, corresponding to a subscription of 551,404,728 New Shares. Its shareholding after the completion of the Rights Issue remains unchanged. This subscription was carried out by way of offsetting a portion of the deeply subordinated notes (TSS Etat) issued in April 2021.

The Dutch State participated on an irreducible basis to the full extent of its Rights, corresponding to a subscription of 180,000,000 New Shares. Its shareholding after the completion of the Rights Issue remains unchanged.

CMA CGM, exclusive strategic partner for the cargo business, becomes a new reference shareholder, with a total shareholding amounting to 231,348,252 New Shares, corresponding to 9.0% of the Company's share capital after the Rights Issue.

China Eastern Airlines and Delta Air Lines participated in the Rights Issue on a cash-neutral basis, for an aggregate amount of approximately €110.7 million by subscribing to 58,763,343 and 35,873,772 New Shares respectively by using the net proceeds from selling part of their Rights to CMA CGM. This brings their respective shareholdings to 4.7% and 2.9% of the Company's share capital after the Rights Issue.

The FCPEs ("*Fond Commun de Placement Entreprise*") participated in the Rights Issue on a cash-neutral basis through the sale of part of their Rights to the benefit of CMA CGM in a proportion allowing them to partially finance the exercise of the balance of their Rights by using the net proceeds of this sale.

The SPAAK (*Stichting Piloten Aandelen Air France-KLM*) participated in the Rights Issue on a cash-neutral basis by subscribing to new shares through the sale of part of their Rights.

Timetable

Settlement and delivery of the New Shares and commencement of trading on Euronext Paris and Euronext Amsterdam are

²⁸Through the intermediary of Eastern Airlines Industry Investment (Luxembourg) Company Limited

²⁹Through the intermediary of DAL Foreign Holdings CV

expected to take place on June 16, 2022. The New Shares will immediately entitle their holders to receive dividends declared by the Company as from the date of issuance. They will be fully fungible with existing shares of the Company and will be traded on the same trading line under the same ISIN code FR0000031122.

Lock-up commitments

Air France-KLM has agreed to a lock-up period starting on the date of the signing of the underwriting agreement and expiring 180 calendar days following the settlement and delivery date of the New Shares, subject to certain exceptions.

The French State, the Dutch State, China Eastern Airlines and Delta Air Lines have entered into a lock-up agreement from the approval of the Prospectus by the French *Autorité des Marchés Financiers* (the “AMF”) and until the expiration of a period of 90 calendar days following the date of settlement and delivery of the New Shares, subject to certain exceptions.

CMA CGM has agreed with the Company on a lock-up commitment as from the settlement-delivery of the New Shares until the expiry of a three-year period following this date, it being specified that CMA CGM may sell a maximum of 50% of the shares acquired in the context of the Rights Issue during an additional three-year period. This lock-up commitment will be terminated early if a firm and complete cooperation agreement in relation to air cargo is not concluded before December 1, 2022 or if such an agreement is terminated.

In addition, CMA CGM committed to a 10-year period to not acquire or subscribe to any shares issued by the Company, unless such acquisition does not lead to an increase of its stake in the share capital of the Company, subject to certain exceptions. The undertaking specifies that at the end of a period of 5 years from the settlement-delivery of the New Shares, the Board of Directors of the Company may modify this undertaking in order to allow CMA CGM to increase its shareholding in the Company.

The appointment of Rodolphe Saadé as a Board Director for a four-year term of office was approved by the General Shareholders' Meeting held on May 24, 2022 and will be effective on July 15, 2022, after all regulatory approvals have been received.

The Rights Issue was conducted by Deutsche Bank, HSBC, Natixis, Crédit Agricole Corporate and Investment Bank and Société Générale acting as Joint Global Coordinators, Lead Managers and Joint Bookrunners, ABN AMRO Bank N.V., Banco Santander, S.A., Citigroup and Coöperatieve Rabobank U.A acting as Joint Bookrunners; and Crédit Industriel et Commercial S.A., MUFG Securities (Europe) N.V. and SMBC Bank EU AG acting as co-lead managers.

Risk factors

Potential investors are also advised to consider carefully the risk factors described in chapter 3.1 “*Risk factors*” of the 2021 Universal Registration Document, chapter 2 “*Risk factors*” of the amendment to the 2021 Universal Registration Document and chapter 2 “*Risk factors*” of the Securities Note. Should all or any part of these risk factors materialize, the Company's businesses, financials, results or ability to reach its guidance may be negatively affected and the value of the Company's shares may also be affected.

Availability of the Prospectus

The prospectus (the “**Prospectus**”) was approved by the AMF under number 22-0172 on May 23, 2022 and includes (i) the 2021 Universal Registration Document (*document d'enregistrement universel*) of the Company filed with the AMF on April 4, 2022 under number D.22-0236 (the “**2021 Universal Registration Document**”), the amendment to the 2021 Universal Registration Document filed with the AMF on May 23, 2022 under number D.22-0236-A01, (iii) the securities note (*note d'opération*) dated May 23, 2022 (the “**Securities Note**”), and (iv) the summary of the Prospectus (included in the Securities Note).

The Prospectus is available on the websites of the AMF (www.amf-france.org) and the Company (www.airfranceklm.com). Copies of the Prospectus will be made available free of charge at the Company's headquarters, located at 2, rue Robert Esnault-Pelterie, 75007 Paris, France.

Potential investors are advised to read the Prospectus before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in the securities. The approval of the Prospectus by the AMF should not be understood as an endorsement of the securities offered or admitted to trading on a regulated market.

June 30, 2022 - KLM repays remainder of loan to the Dutch government

KLM Royal Dutch Airlines will be repaying the final portion of €277 million of the loans secured from the Dutch government and the banks in 2020. KLM borrowed a total of €942 million from the credit facility of €3.4 billion. This repayment means that two years on, KLM will have redeemed all the portions it used of the loan package received to deal with the Covid-19 crisis and to safeguard its future.

Various factors including the departure of 6,000 KLM staff members, a sharp reduction in costs, the removal of travel restrictions and the rising demand for airline tickets made it possible for KLM to make two repayments earlier this year against the total loan amount of €942 million.

In three steps, the total amount has now been redeemed. KLM paid €311 million to the banks on May 3 and another €354 million on June 3, paying off the entire sum in bank loans of €665 million. By now repaying the remaining €277 million, KLM has also redeemed the portion of the loan issued by the Dutch government.

KLM is incredibly grateful to the Dutch government and the banks for their support during the pandemic. By repaying its loans as quickly as possible, KLM shows that it takes its responsibilities seriously and that it keeps its promises to its financial stakeholders, government and society.

Sustainability

June 28, 2022 - Air France-KLM has published its 2021 Sustainability Report

This fully digital report outlines the Group's actions to accelerate its environmental transition and to promote diversity and inclusion in all its businesses. At the same time, Air France-KLM presents "Destination Sustainability", a program bringing together the Group's ambitions on the environment and climate change on the one hand, and the human factor on the other, by bringing the values of respect, equality and tolerance to the fore.

In a context still marked by the aftermath of the pandemic and international tensions, Air France-KLM intends to strengthen its commitment towards sustainable air transport. It is doing so by following a scientific approach based on rigorous criteria, which has been validated by SBTi, an independent reference organization. In addition to achieving zero net CO₂ emissions by 2050, Air France-KLM aims to reduce its emissions per passenger-km by 30% compared to 2019. The Group is also committed to using 10% of Sustainable Aviation Fuel by 2030, well beyond the regulatory mandate envisioned in Refuel EU for flights departing from Europe

To illustrate their strong commitment to more responsible air transport, the Air France-KLM Group airlines are mobilizing for the "Connecting Europe Days", held from 28 to 30 June in Lyon by the European Commission to discuss transport policies and promote sustainable mobility. Five flights operated by Air France, KLM and Transavia will fly to their destinations carrying at least 30% of sustainable aviation fuel.

Social and societal responsibility is the second pillar of the Destination Sustainability strategy. With more than 71,000 employees, Air France-KLM Group is a leading employer, determined to foster an ever more inclusive culture and to fight against all forms of discrimination and inequality at work. For example, a third of the positions on the Group's Executive Committee should be held by women and women should represent 40% of management positions by 2030.

"In 2021, the Air France-KLM Group was able to count on its 71,000 employees and their unfailing commitment. The report we are publishing today is the result of their actions and efforts to place our Group at the forefront of a sector that is reinventing itself. Our Destination Sustainability program embodies our willingness to position ourselves as leaders in sustainable aviation" said Benjamin Smith, CEO of the Air France-KLM Group.

Others**May 24, 2022 - AIR FRANCE IS WORKING ON A NEW LA PREMIÈRE CABIN**

The longest cabin on the market, available on more aircraft, will be launched during the 2023/2024 winter season

After unveiling a new standard of comfort in its long-haul Business cabin, Air France today announces that it is working on the design of a completely new La Première cabin. This confirms the airline's commitment to continue to offer its most exclusive and elegant service, regularly rewarded for its quality and excellence.

Now in the design phase, the new concept will be unveiled during the 2023/2024 winter season. The future cabin will be the longest on the market and will offer up to three modular configurations that can be fully privatized for an even more exceptional journey: a seat, a sofa and a fully flat bed. The new cabin will equip a larger number of aircraft than at present.

"La Première represents the highest level of French excellence and is an intrinsic part of Air France's DNA. Even at the height of the Covid crisis, we could see the attractiveness of such an offer for our customers, particularly on the North Atlantic route, where load factors in the La Première cabin are currently higher than they were back in 2019. We look forward to unveiling this new cabin, which is set to meet the highest global standards," said Benjamin Smith, CEO of Air France-KLM.

This large-scale project is part of Air France's strategy to move upmarket, which also covers fleet renewal, lounge renovation and the development of a more sustainable catering offer, signed by Michelin-starred chefs in the airline's Business and La Première cabins.

Introduced in 2014, Air France's La Première suites are currently available on board select Boeing 777-300s serving top destinations in North America, South America, Africa and the Middle East.

1.1.5 Outlook and subsequent events

Outlook

Context:

Air France and KLM are among the most active airlines to accommodate the travel recovery, with a second quarter capacity for Network passenger activity at an index of 82%. Despite the summer growth anticipation efforts since January, operational difficulties arose in Europe and the United States, mainly due to labour shortages at airports.

Air France and KLM are doing their utmost to mitigate these challenges and has prioritised safeguarding the trust of our customers. For this quarter, it resulted into 70 million euros additional compensation costs.

Capacity

In this recovery context, the Group expects the capacity in Available Seat Kilometers for Air France-KLM Network passenger activity at an index of:

- 80% to 85% in the Third quarter of 2022
- 85% to 90% in the Fourth quarter of 2022
- Circa 80% for the Full Year 2022

All indices compared to the respective period of 2019.

The capacity for Transavia in Available Seat Kilometers is expected at an index above 100 for the full year and in the third and fourth quarter 2022 compared to 2019.

Yield

The yield environment should remain high for the rest of 2022 with a strong summer demand resulting in yield levels above 2019.

Expected operating result

- Significantly positive in the third quarter
- Positive in 2022, for the first time since 2019

Cash

As of June 30 2022, the Group has a strong 11.9 billion euros of liquidity and credit lines at disposal.

Full year 2022 Net Capex spending is estimated at circa 2.5 billion euros, which is 80% fleet & fleet related and 20% IT & Ground related.

Air France-KLM made major steps to pave the financial trajectory

- In February, Air France-KLM announced plans for a set of equity strengthening measures up to 4 billion euros.
- Later in June, the Group successfully completed a 2.3 billion euros rights issue, with CMA-CGM becoming a new strategic shareholder and a reference commercial partner in the cargo activity. Air France-KLM / Air France redeemed 1.6 billion euros of the French State perpetual bonds (including coupon), aiming to redeem at least 75% as soon as possible.
- In the meantime, KLM fully repaid the State backed RCF and direct Dutch State loan amounting for 942 million euros. 2.4 billion euros RCF and State Loan is still available, and KLM expects to strengthen its balance sheet with positive net results and further equity measures are being contemplated.
- Air France-KLM and Apollo have closed on the 28th July an investment of 500 million euros by Apollo Funds to finance an ad hoc affiliate of Air France owning a pool of spare engines, as per the agreement signed on July 13th. In alignment with the requirement of article 77 bis of the European Commission's "Temporary Framework for State aid recapitalization measures", proceeds from the investment will be used to further redeem outstanding French State perpetual bonds issued in late April 2021.
- Later in 2022-2023, the Group will contemplate possible hybrid bond issuances up to 1.2 billion euros subject to market conditions.

The restoration of negative equity will be done through net profit generation and quasi/equity projects.

Subsequent events

July 5, 2022 - Air France-KLM signs an agreement with CFM International for the engine configuration of its future Airbus A320neo family fleet

Air France-KLM announces today the signing of an agreement with CFM International for the acquisition of 200 LEAP-1A engines to power its new fleet of Airbus A320neo and A321neo.

This decision follows the Group's order, last December, of 100 Airbus A320neo family aircraft - with purchase rights for 60 additional aircraft, to renew the fleets of KLM and Transavia Netherlands, and to renew and expand the fleet of Transavia France.

Manufactured by CFM International - a 50/50 joint venture between GE Aviation and Safran Aircraft Engines - the LEAP-1A, contributes as a latest-generation engine to the global performance and efficiency of the Airbus A320neo aircraft family.

CFM International already provides engines for the Group's Boeing 737 NG (CFM56-7B) and Airbus A320ceo (CFM56-5B) fleets.

Benjamin Smith, CEO of Air France-KLM said: "Air France-KLM is dedicated to improving its economic and environmental performance. Latest generation aircraft like our upcoming A320neo and A321neo enable a 10% unit cost reduction, emit 15% less CO₂ and generate 50% less noise, in part thanks to their advanced engines. Through this agreement, Air France-KLM and CFM International are building on their longstanding relationship to make aviation more sustainable."

Gaël Méheust, President and CEO of CFM International said "We are honored to further expand our partnership with one of the largest groups in the industry and to be an integral part of Air France-KLM's sustainability strategy. Air-France-KLM's renewed trust is a valuable recognition of the LEAP engine performances in terms of sustainability and fuel efficiency. We are looking forward to introducing the LEAP into their new fleet and to supporting KLM, Transavia Netherlands and Transavia France operations."

July 13, 2022 - Air France-KLM and Apollo sign a definitive agreement for a EUR 500 million investment into an ad hoc operating affiliate of Air France owning spare engines

Air France-KLM and Apollo Global Management (NYSE: APO) today announced the signing of a definitive agreement for Apollo-managed funds and entities to make a EUR 500 million investment into an ad hoc operating affiliate of Air France that will own a pool of spare engines dedicated to the airline's Engineering and Maintenance activities.

Under this agreement, Apollo affiliated entities will subscribe to perpetual bonds issued by the ad hoc operating affiliate, which will be accounted as equity under IFRS. The proceeds of the transaction will enable Air France-KLM and Air France to further redeem the French State perpetual bonds, in accordance with article 77 bis of the European Commission's "Temporary Framework for State aid measures to support the economy in the current Covid-19 outbreak", hence pursuing the redemption of the French State aid.

As a result of the transaction, Air France-KLM will benefit from lower financing costs. The perpetual bonds will bear an interest rate of 6% for the first 3 years, and gradual step ups and caps will be applied thereafter. Air France will have the ability to redeem the bonds at any time after year 3.

This structure will incur no change of ownership, operational and social aspects of Air France Engineering and Maintenance activity. In the future, it could also help finance the acquisition of additional spare engines to support Air France's fleet renewal program. There will be no change in the way Air France uses the spare engines, and no impact on Air France or Air France-KLM employees' contracts.

The transaction, expected to close later in July, is a part of the recapitalization measures announced on February 17th, 2022.

Deutsche Bank AG and Skadden, Arps, Slate, Meagher & Flom LLP are acting as exclusive financial and legal advisors to Air France-KLM. Apollo Global Management was advised by Milbank LLP and Jeantet as legal advisors.

1.1.6 Risk factors

The risk factors to which the Air France-KLM Group is exposed are those outlined in the 2021 Universal Registration Document filed with the AMF on April 4, 2022, under the number D.22-0260 as amended as of May 24, 2022 (Chapter 3 "Risk factors". Except for what is following, the nature of these risks did not change significantly during the first half of 2022.

However, following the announcement, on June 24, 2022, of the Dutch government's intention to reduce the maximum capacity of flight movements at Schiphol Airport, the risk factor entitled "Loss of flight slots or lack of access to flight slots" (section 3.1.2.3) is updated as follows:

3.1.2.3 Loss of flight slots or lack of access to flight slots

Description of the risk

Due to the saturation of major European airports, air carriers must obtain flight slots which are allocated in accordance with the terms and conditions defined in Regulation No. 95/93 issued by the EC Council of Ministers. Pursuant to this Regulation, at least 80% of the flight slots held by air carriers must be used during the period for which they have been allocated. Unused slots will be lost by this carrier and transferred into a pool. The Regulation does not provide for any exemptions to this rule for situations in which, due to a dramatic drop in traffic caused by exceptional events, air transport companies are required to reduce activity levels substantially and no longer use their flight slots at the required 80% level during the period in question. The European Commission can, however, decide to temporarily suspend Regulation No. 95/93 governing the loss of unused flight slots, as it has done on several occasions.

In the context of the Covid-19 public health crisis, Regulation No. 95/93 was thus amended to enable slots allocated for the period from March 1, 2020 to October 24, 2020 to be considered as having been operated by the air carrier to which they were initially granted. In view of the continuing health crisis and the low demand for air transportation in the coming months, on October 14, 2020 the European Commission decided to extend this exception to cover the entire Winter season, until March 27, 2021. On February 16, 2021, the European Commission adopted a new amendment to the Slot Regulation, potentially enabling maintained temporary relief from the usual slot utilization rules in view of the crisis. These provisions are applicable until the end of the Summer 2022 season. The precise parameters are defined for each IATA season depending on the health situation and specific provisions on slot relief were implemented for the Summer 2021 season. In July 2021, the European Commission further amended the Slot Regulation by extending the slot relief to the Winter 2021 season, setting the slot usage requirement at 50% in order for airlines to qualify for historical precedence. Lastly, in December 2021, the European Commission adopted another extension to the slot relief rules for the Summer 2022 season. Instead of the normal requirement to use at least 80% of a given slot series, airlines now have to use 64% to retain their historic rights to those slots.

Any loss of flight slots or lack of access to flight slots due to a limited number of slots or saturation could have an impact in terms of market share, results and even growth. In this context, note that on June 24, 2022, the Dutch government announced its intention to reduce the maximum capacity at Schiphol airport to 440,000 flight movements per year, a reduction of 12% compared to the current 500,000, effective November 2023.

Mitigating principles and actions

Air France-KLM applies the provisions of the European Regulation on the allocation of flight slots, guaranteeing an air carrier the ongoing use of these slots from one season to another provided they have been used for 80% of the time excluding exceptional circumstances. Air France and KLM also liaise with their national authorities to ensure the regular availability at their principal hubs of the capacity necessary to the Group's growth. They also liaise with the national and European authorities to try to ensure that no revisions of the current European Regulation take place that would limit their accessibility to slots. Lastly, they ensure that specific provision is being made within the framework of the Covid-19 crisis to ensure that they can preserve their slot portfolio worldwide despite not being in a position to operate numerous flights given the health measures introduced by the public authorities.

The potential impact and actions to be taken by KLM following the announcement of the Dutch government of its intention to reduce the maximum capacity at Schiphol airport are currently under investigation.

1.1.7 Related parties

The information concerning related parties can be found in Note 26 to the consolidated financial statements.

1.2 CORPORATE GOVERNANCE

1.2.1 The Board of Directors

At June 30, 2022, the Board of Directors was composed of nineteen members, of whom:

- Sixteen Board directors appointed by the General Shareholders' Meeting ³⁰;
- One representative of the French State appointed by ministerial decree³¹; and
- Two representatives of the employees, one of whom appointed by the *Comité de Groupe Français* and the other appointed by the European Works Council ³²

During the first half of 2022, the composition of the Board of Directors saw a number of changes, as shown in the following table:

Departure	Appointment	Re-appointment
Paul Farges ⁽¹⁾ AGM of May 24, 2022	Michel Delli-Zotti ⁽⁴⁾ Shareholders' Meeting of May 24, 2022	Isabelle Parize ⁽⁷⁾ Shareholders' Meeting of May 24, 2022
Martin Vial ⁽²⁾ Resignation	Rodolphe Saadé ⁽⁵⁾ Shareholders' Meeting of May 24, 2022	François Robardet ⁽⁸⁾ Shareholders' Meeting of May 24, 2022
Astrid Panosyan ⁽³⁾ Resignation	Stéphanie Besnier ⁽⁶⁾ Ministerial decree of June 27, 2022	

- (1) The mandate of Mr. Paul Farges, a Board director representing the employee and former employee shareholders (Flight Deck Crew category of employee and former employee shareholders) expired at the end of the Shareholders' Meeting on May 24, 2022.
- (2) Mr. Martin Vial stepped down as a Board director representing the French State appointed by ministerial decree, effective June 1, 2022.
- (3) Ms. Astrid Panosyan stepped down as a Board director appointed by the Shareholders' Meeting as proposed by the French State, effective June 21, 2022.
- (4) Mr. Michel Delli-Zotti was appointed as a Board director representing the employee and former employee shareholders (Flight Deck Crew category of employee and former employee shareholders) by the Air France-KLM Annual General Shareholders' Meeting of May 24, 2022, 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, 2025.
- (5) Mr. Rodolphe Saadé was appointed as a Board director by the Air France-KLM Annual General Shareholders' Meeting of May 24, 2022 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, 2025, subject to the completion of CMA CGM's investment in Air France-KLM's capital announced on May 18, 2022, within the framework of the major long-term strategic partnership in the air cargo market between Air France-KLM and the company CMA CGM, foreseeing the latter becoming a shareholder in Air France-KLM by acquiring an equity interest of up to 9% of the ex-post share capital. The mandate of Mr. Rodolphe Saadé came into effect on July 15, 2022, as the prior authorizations from the competent authorities had been received.
- (6) Ms. Stéphanie Besnier was appointed on June 27, 2022 by ministerial decree as a Board director representing the French State, replacing Mr. Martin Vial.
- (7) The mandate of Ms. Isabelle Parize, an independent Board director, was renewed by the Air France-KLM Annual General Shareholders' Meeting of May 24, 2022 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, 2025.
- (8) The mandate of Mr. François Robardet, Board director representing the employee and former employee shareholders (Ground staff and Cabin crew category of employee and former employee shareholders), was renewed by the Air France-

³⁰ Of which, on Board director appointed as proposed by the French State, one Board director appointed as proposed by the Dutch State, one Board director appointed as proposed by Delta Air Lines Inc., one Board director appointed as proposed by China Eastern Airlines and two Board directors representing the employee shareholders.

³¹ In application of the provisions of Article 4 of Ordinance No. 2014-948 of August 20, 2014 on the governance and capital transactions of publicly-held companies.

³² In application of the provisions of Articles L. 22-10-7 and L. 225-27-1 of the *Code de Commerce* and Article 17-3 of the Articles of Incorporation.

KLM Annual General Shareholders' Meeting of May 24, 2022 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, 2025.

Composition of the Board of Directors at June 30, 2022

Board directors (age and nationality)	Functions within the Board of Directors	Date appointed to the Board of Directors	Mandate expiry date	Independence
Board directors elected by the Shareholders' Meeting				
Anne-Marie Couderc (72 years) French	Chair of the Air France-KLM Board of Directors Board director Chair of the Appointments and Governance Committee	May 19, 2016	2024 AGM	✓
Benjamin Smith (50 years) British and Canadian	Board director Chief Executive Officer of Air France-KLM	December 5, 2018	2027 AGM ⁽¹⁾	
Gwenaëlle Avice-Huet (42 years) French	Board director Member of the Audit Committee	May 26, 2021	2025 AGM	✓
Leni M.T. Boeren (58 years) Dutch	Board director Member of the Audit Committee and of the Sustainable Development and Compliance Committee	May 16, 2017	2025 AGM	✓
Isabelle Bouillot (73 years) French	Board director Chair of the Audit Committee and member of the Remuneration Committee	May 16, 2013	2025 AGM	✓
Delta Air Lines, Inc. (Represented by Mr. Alain Bellemare) U.S.	Board director Member of the Remuneration Committee	October 3, 2017	2025 AGM	
Anne-Marie Idrac (70 years) French	Board director Chair of the Sustainable Development and Compliance Committee	November 2, 2017	2025 AGM	✓
Isabelle Parize (65 years) French	Board director Member of the Remuneration Committee and of the Audit Committee	March 27, 2014	2026 AGM	✓
Cees 't Hart (63 years) Dutch	Board director	May 28, 2019	2023 AGM	
Rodolphe Saadé (52 years) French	Board director	May 24, 2022 ⁽²⁾	2026 AGM	
Dirk van den Berg (68 years) Dutch	Board director	May 26, 2020	2024 AGM	

	Member of the Sustainable Development and Compliance Committee		
Jian Wang (48 years) Chinese	Board director Member of the Sustainable Development and Compliance Committee	July 30, 2019	2025 AGM
Alexander R. Wynaendts (61 years) Dutch	Board director Chair of the Remuneration Committee and member of the Appointments and Governance Committee	May 19, 2016	2024 AGM
Board director representing the French State, appointed by ministerial decree			
Stéphanie Besnier (45 years) French	Board director representing the State	June 27, 2022	June 2026
Board director elected by the Shareholders' Meeting as proposed by the French State			
Jean-Dominique Comolli (74 years) French	Board director Member of the Remuneration Committee and member of the Appointments and Governance Committee	December 14, 2010	2023 AGM
Board directors representing the employee shareholders elected by the Shareholders' Meeting			
Michel Delli-Zotti (58 years) French	Board director representing the employee and former employee shareholders (Flight Deck Crew category of employee and former employee shareholders)	May 24, 2022	2026 AGM
François Robardet (64 years) French	Board director representing the employee and former employee shareholders (ground staff and cabin crew category of employee and former employee shareholders) Member of the Audit Committee and of the Remuneration Committee	December 6, 2016	2026 AGM
Board director representing the employees appointed by the <i>Comité de Groupe Français</i>			
Karim Belabbas (48 years) French	Board director representing the employees Member of the Sustainable Development and Compliance Committee	June 1, 2017	2023 AGM
Board director representing the employees appointed by the European Works Council			
Terence Tilgenkamp (39 years) Dutch	Board director representing the employees	December 3, 2021	2023 AGM

- (1) On March 30, 2022, the Group's Board of Directors decided on the early renewal of Benjamin Smith's mandate as the Group's Chief Executive Officer, for an additional term of five years, i.e. until the Shareholders' Meeting called to approve the financial statements for the 2026 financial year, expected to take place in May 2027.
- (2) Mr. Rodolphe Saadé was appointed as a Board director by the Air France-KLM Annual General Shareholders' Meeting of May 24, 2022, subject to the completion of CMA CGM's investment in Air France-KLM's capital announced on May 18, 2022, within the framework of the major long-term strategic partnership in the air cargo market between Air France-KLM and the company CMA CGM, foreseeing the latter becoming a shareholder in Air France-KLM by acquiring an equity interest of up

to 9% of the ex-post share capital. The mandate of Mr. Rodolphe Saadé came into effect on July 15, 2022, as the prior authorizations from the competent authorities had been received.

1.2.2 The CEO Committee

The CEO Committee is chaired by Mr. Benjamin Smith⁽¹⁾, 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 & Chief Executive Officer of KLM until June 30, 2022. Mr. Pieter Elbers step down from his position as of July 1, 2022. Ms. Marjan Rintel⁽²⁾, replaced Mr. Pieter Elbers, as President & Chief Executive Officer, effective July 1, 2022; and
- Mr. Steven Zaat, Chief Financial Officer of Air France-KLM.

The CEO Committee is responsible for defining the strategic direction of all of the Group's airlines and operational entities.

- (1) On March 30, 2022, the Board of Directors decided on the early renewal of Benjamin Smith's mandate as the Group's Chief Executive Officer for an additional term of five years, i.e. until the Shareholders' Meeting called to approve the financial statements for fiscal year 2026, expected to take place in May 2027.
- (2) On March 30, 2022, the Air France-KLM Board of Directors approved the proposal of the Supervisory Board of KLM to appoint Marjan Rintel as the new Chief Executive Officer of KLM, replacing Pieter Elbers, effective July 1, 2022.

1.2.3 The Group Executive Committee

Composition of the Group Executive Committee at June 30, 2022

Chaired by the Chief Executive Officer of Air France-KLM, the Group Executive Committee is composed of eleven members and a secretary:

- the CEO Committee, composed of the Chief Executive Officer of Air France-KLM, the Chief Executive Officer of Air France, the President & Chief Executive Officer of KLM⁽¹⁾ and the Chief Financial Officer of Air France-KLM; and
- the seven heads of the Group's functions.

Members at June 30, 2022	Age at June 30, 2022	Sector	Relevant professional experience
Benjamin Smith Chief Executive Officer, Air France-KLM	50 years	Air Transport	31 years
Pieter Elbers ⁽¹⁾ President & Chief Executive Officer, KLM	52 years	Air Transport	29 years
Anne Rigail Chief Executive Officer, Air France	53 years	Air Transport	30 years
Steven Zaat Chief Financial Officer, Air France-KLM	52 years	Air Transport	20 years
Pieter Boostma Chief Revenue Officer, Air France-KLM	52 years	Air Transport	26 years
Anne Brachet Executive Vice-President Engineering & Maintenance, Air France-KLM	58 years	Air Transport	26 years
Oltion Carkaxhija Executive Vice-President Transformation, Air France-KLM	46 years	Air Transport	15 years
Adriaan den Heijer Executive Vice-President Cargo, Air France-KLM	52 years	Air Transport	27 years
Jean-Christophe Lalanne Executive Vice-President Information Technology, Air France-KLM	60 years	Industry, IT Air Transport	23 years 17 years
Anne-Sophie Le Lay Corporate Secretary, Air France-KLM and Air France	51 years	Lawyer Legal/Governance Automotive industry Air Transport	7 years 19 years 4 years
Henry de Peyrelongue Executive Vice-President Commercial Sales, Air France-KLM	56 years	Air Transport	31 years
Constance Thio ⁽²⁾ Executive Vice-President Human Resources, Air France-KLM <i>Guest</i>	52 years	Sustainable Development & Compliance Human Resources Air Transport	3 years 7 years 24 years

(1) Ms Marjan Rintel will replace Mr. Pieter Elbers as Chief Executive Officer of KLM as of July 1, 2022.

(2) Ms. Constance Thio is a permanent guest within the Group Executive Committee.

Secretarial services to the Group Executive Committee are provided by the Air France-KLM Chief Executive Officer's Chief of Staff.

1.2.4 Stock market and shareholder structure

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 is located in France, its Home Member State, within the meaning of Directive 2004/109/EC of December 15, 2004, as amended (the Transparency Directive), is France. The AMF is consequently its competent market authority as regards ensuring compliance with its regulated information obligations.

Stock market performance³³

Over the first half 2022, the Air France-KLM stock price decreased by 45%.

	January-June 2022	January-June 2021 restated
Share price high (In €)	2.27	2.05
Share price low (In €)	1.12	2.84
Number of shares in circulation	2,570,536,136	1,274,188,141
Market capitalization at the end of the period (In € billion)	2.88	2.62

Information relating to the share capital

At June 30, 2022, the Air France-KLM share capital was composed of 2,570,536,136 shares with a nominal value of one euro.

Period ended	June 30, 2022	June 30, 2021
Number of shares in circulation	2,570,536,136	642,634,034
Number of theoretical voting rights	2,792,564,813	860,613,327
Number of exercisable voting rights	2,790,240,378	823,911,998
Share capital (in €)	2,570,536,136	642,634,034

Following the capital increase realized on June 14, 2022, the number of shares increased by 1,927,902,102 to a total of 2,570,536,136 shares.

The shares are fully paid up and shareholders can opt to hold them in either registered or bearer form. Since April 3, 2016, pursuant to law, shareholders holding their shares in registered form for at least two years benefit from a double voting right. There are no other specific rights attached to the shares. Furthermore, there are no securities not representing the share capital.

³³ The Air France-KLM share price was restated further to the capital increase dated June 14, 2022.

Shareholder structure

Period ended	% of the share capital		% of exercizable voting rights		% of theoretical voting rights	
	June 30 2022	December 31 2021	June 30 2022	December 31 2021	June 30 2022	December 31 2021
Number of shares in circulation/voting rights	2,570,536,136	642,634,034	2,790,240,378	848,169,460	2,792,564,813	867,682,342
French State	28.6%	28.6 %	28.5%	28.9 %	28.5%	28.2 %
Dutch State	9.3%	9.3 %	10.8%	14.1 %	10.7%	13.8 %
CMA CGM	9%	N/A	8.3%	N/A	8.3%	N/A
China Eastern Airlines	4.7%	9.6 %	5.7%	11.7 %	5.6%	11.4 %
Delta Air Lines, Inc.	2.9%	5.8 %	4.0%	6.8 %	4.0%	8.7 %
Employees (FCPE)	1.2%	2.5 %	1.6%	3.7 %	1.6%	3.6 %
Treasury stock	0.05%	0.2 %	0.0%	0.0 %	0.1%	0.3 %
Others	44.3%	44%	41.2%	34.8%	41.2%	34%

As of June 30, 2022, 78% of Air France-KLM's share capital was owned by European interests – European Union Member States and States party to the Economic Area Agreement.

The shares held by United Kingdom nationals have not been included in European shareholders.

Comments on the financial statements (unaudited)

Consolidated results for the first half ended June 30, 2022

Compared with December 31, 2021, the Air France-KLM Group's consolidation scope at June 30, 2022 showed no significant change (see Note 5 in the Notes to the interim consolidated financial statements).

Since January 1, 2021, the Air France-KLM Group has applied the IFRIC decision relating to IAS19 "Employee benefits", described in Note 2 of the Notes to the interim consolidated financial statements). The comparatives figures have been restated.

In € million	June 30, 2022	June 30, 2021 restated	Change (In %)
Revenues	11,152	4,909	127
EBITDA	1,152	(877)	-231
Income/(loss) from current operations	36	(1,934)	-102
Income/(loss) from operating activities	60	(2,801)	-102
Net income/(loss) - Equity holders of Air France-KLM	(228)	(2,972)	-92
Basic earnings/(loss) per share - Equity holders of Air France-KLM (In €)	(0.42)	(5.87)	5,45

Revenues

In the first half 2022, in view of the recovery from Covid-19, revenues stood at €11.2 billion versus €4.9 billion in 2021, up by 127% reported and by 124% at constant currency.

Operating expenses

Operating expenses stood at €11.1 billion, i.e. up by 62% compared to the previous year. For capacity measured in ASK up by 75%, the unit cost per ASK (available seat-kilometer) decreased by 15.6% on a constant currency and fuel price basis (see page 46 for the detailed unit cost calculation).

At €7.1 billion, **external expenses** were up by 97% (€3.6 billion in the previous year), due in particular to capacity and fuel price increases compared to last year (see below).

The breakdown in operating expenses was as follows:

In € million	June 30, 2022	June 30, 2021	Change (in %)	Change at constant currency (in %)
Aircraft fuel	2,858	982	+191	+222
Chartering costs	193	147	+31	+39
Landing fees and air route charges	784	460	+70	+75
Catering	319	126	+153	+158
Handling charges and other operating costs	722	402	+80	+84
Aircraft maintenance costs	1,118	792	+41	+41
Commercial and distribution costs	384	131	+193	+203
Other external expenses	702	552	+27	+24
Total	7,080	3,592	+97	+104

The main changes were as follows:

- **Aircraft fuel:** The fuel bill increased by 222% (at constant currency). This is explained mainly by a €811 million increase caused by the volume effect and a €1,692 million increase in the price excluding hedges, partly compensated by a fuel efficiency effect (-€183 million) and a fuel hedge impact of -€543 million.
- **Chartering costs:** chartering costs represent the costs incurred through leasing aircraft capacity from other airlines.
- **Landing fees and air route charges:** landing fees and air route charges for the use of airspace and airports increased at current currency in line with the increase in capacity.
- **Catering costs** relating to services supplied on board the Air France-KLM Group's aircraft for its own account. The increase at constant currency was in line with the rise in the number of passengers carried.
- **Handling charges and other operating costs** principally cover aircraft handling on the ground and the cost of passenger care for the Group and, for a small portion, third-party customers.
- **Aircraft maintenance costs** include the maintenance of the Group's aircraft and procurement for the third-party activity.
- **Other external expenses** principally comprise telecommunication costs, insurance, fees and general and IT sub-contracting costs.

Salaries and related costs stood at €3.34 billion versus €2.41 billion at June 30, 2021, i.e. up by 39% in nominal. Their increase is due to the increase in activity, reduced government support policies in France and the termination of government support in the Netherlands at the end of the 2022 first quarter. There was also a 5% CLA increase at KLM as of March 2022.

Taxes other than income taxes amounted to €80 million versus €69 million at June 30, 2021.

Other income and expenses (+€503 million at June 30, 2022 versus +€280 million at June 30, 2021) were composed of:

- Capitalized maintenance and IT development costs amounting to €500 million as of June 30, 2022 against €290 million as of June 30, 2021.
- Currency hedges for €37 million at June 30, 2022 versus €3 million at June 30, 2021,
- A €31 million expense booked concerning CO₂ emission quotas (€15 million in the previous year).

See Note 10 in the Notes to the interim consolidated financial statements

EBITDA

EBITDA amounted to €1,152 million versus €(877) million at June 30, 2021.

The contributions to EBITDA by business segment were as follows:

In € million	First half 2022	First half 2021 restated	% Change
Network	943	(896)	+205
Maintenance	196	121	+62
Transavia	1	(122)	+101
Others	12	20	-41
Total	1,152	(877)	+231

Amortization, depreciation and provisions

Amortization, depreciation and provisions totaled €1,116 million versus €1,057 million at June 30, 2021.

Income/(loss) from current operations

The **result from current operations** amounted to €36 million (€(1,934) million at June 30, 2021).

The contributions to revenues and income/(loss) from current operations by business segment were as follows:

In € million	June 30, 2022		June 30, 2021	
	Revenues	Income/(loss) from current operations	Revenues	Income/(loss) from current operations restated
Network	9,647	43	4,221	(1,715)
Maintenance	642	101	514	(10)
Transavia	850	(110)	163	(218)
Others	13	2	12	9
Total	11,152	36	4,909	(1,934)

Income/(loss) from operating activities

The **result from operating activities** stood at €60 million versus €(2,801) million at June 30, 2021. Non-current items which amounted to €24 million at June 30, 2022 and were mainly composed of:

- A €39 million gain on the sale of aircraft equipment,
- A €(17) million loss linked to impairments on fleet and other assets

See Note 11 in the Notes to the interim consolidated financial statements

Net cost of financial debt

The net cost of financial debt amounted to €(277) million versus €(336) million at June 30, 2021. The decrease is due to the conversion of the loan from the French State into perpetual bonds in April 2021. The interest payments on the perpetuals are not recorded in the P&L but as a decrease in equity at their payment date.

Other financial income and expenses

Other net financial income and expenses amounted to €(286) million versus €(85) million at June 30, 2021, with the breakdown as follows:

- A €(236) million foreign exchange result (against €(41) million at June 30, 2021), mainly due to the USD/EUR rate on provisions and liabilities for leased aircraft restitution.
- A €20 million gain relating to the fair value of derivative instruments, against a €22 million gain at June 30, 2021.
- The impact of accretion on provisions and liabilities for leased aircraft restitution amounting to €(66) million versus €(56) million as of June 30, 2021).

Net income/(loss) - Equity holders of Air France-KLM

Income tax amounted to €278 million versus €263 million at June 30, 2021. A €294 million of deferred tax assets on tax losses under the Dutch tax scope were recognized during the first half 2022 to take into account the recovery of future tax loss carry-forwards. In 2021, the tax result related to the deferred tax on the change in the KLM Ground Staff pension plan.

The **share of profits/(losses) of associates** amounted to €(1) million at June 30, 2022 against €(16) million at June 30, 2021.

Net income/(loss) - Equity holders of Air France-KLM stood at €(228) million at June 30, 2022 versus €(2,972) million at June 30, 2021.

The contributions to the net result by quarter were, respectively, €(552) million for the first quarter 2022 and €326 million for the second quarter 2022.

Basic earnings/(loss) per share – equity holders of Air France-KLM - stood at €(0.42) at June 30, 2022 versus €(5.87) at June 30, 2021.

Investments and financing of the Group

The Air France-KLM Group's net capital expenditure on tangible and intangible assets amounted to €1,015 million during the first half 2022 versus €534 million at June 30, 2021. Investments in aeronautical assets amounted to €1,326 million, ground investment to €51 million and investment in intangible assets to €106 million. See Note 16 in the Notes to the interim consolidated financial statements. Proceeds on disposals of property plant and equipment and intangible assets stood at €476 million at June 30, 2022.

Net cash flow from operating activities stood at €3,620 million versus €(167) million at June 30, 2021, the change being explained by:

- An improvement in financial capacity which stood at €785 million at June 30, 2022 versus €(1,287) million at June 30, 2021.
- The change in working capital which moved from €1,120 million at June 30, 2021 to €2,835 million at June 30, 2022.

At June 30, 2022, net debt stood at €6.04 billion versus €8.21 billion at December 31, 2021.

As of June 30, 2022, the Group's liquidity position consisted of total cash of €11.9 billion, of which €9.42 billion in liquidity, net of undrawn credit lines (see Note 23 "Net debt") and €2.46 billion in undrawn credit lines and State loan (see Note 21.3 "Financial support from the French and Dutch states").

At June 30, 2022, stockholders' equity, Group part, was negative at €(3.2) billion, up by €0.6 billion during the first half year thanks to the capital increase (see Note 3.2 "Events that occurred in the period").

Air France-KLM parent company results

As a holding company, Air France-KLM has no operating activity. Its revenues are composed of royalties paid by the two operating subsidiaries for use of the Air France-KLM logo and services invoiced to Air France and KLM. Its expenses mostly comprise financial communication costs, Statutory Auditors' fees, the expenses linked to the compensation of company officers and the staff made available by Air France and KLM. The operating result stood at a loss of €(4) million.

The net result amounted to a €(22) million loss, mainly due to financial expenses on the bonds and other borrowings.

No dividends were paid in respect of 2022 or 2021.

Key financial indicators

Operating margin

In € million	June 30, 2022	June 30, 2021 restated
Income/(loss) from current operations	36	(1,934)
Revenues	11,152	4,909
Operating margin	0.3%	NA

Financial cover ratios

► Net debt/EBITDA

	June 30, 2022	December 31, 2021
Net debt (<i>in €m</i>)	6,036	8,216
EBITDA Trailing 12 months (<i>in €m</i>)	2,773	745
Net debt/EBITDA	2.18	11.03

► EBITDA/net cost of financial debt

	June 30, 2022 Trailing 12 months	December 31, 2021
EBITDA (<i>in €m</i>)	2,773	745
Net cost of financial debt (<i>in €m</i>)	670	728
EBITDA/net cost of financial debt	4.14	1.02

Return on Capital Employed (ROCE)

The return on capital employed is a profitability indicator that measures the return on invested capital by expressing a result after tax as a percentage of capital employed. The calculation methodology, in line with market practices, is the following:

- The calculation of capital employed is based on an additive method by identifying the balance sheet items corresponding to capital employed. The capital employed for the year is obtained by taking the average of the capital employed on the four last quarterly balance sheets;
- 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. Income tax is calculated on a normative basis using the tax rate in force in France and the Netherlands, weighted as a function of the contribution of each sub-group to the adjusted result before tax.

<i>(In € million)</i>	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021 restated
Goodwill and intangible assets	1,437	1,473	1,457	1,456
Flight equipment	10,521	10,537	10,466	10,478
Other property, plant and equipment	1,358	1,378	1,402	1,418
Right-of-use assets	5,393	5,205	5,148	5,061
Investments in equity associates	108	107	109	172
Other financial assets excluding shares available for sale, marketable securities and financial deposits	162	158	157	147
Restitution liabilities and other provisions excluding pension, cargo litigation and restructuring	(4,471)	(4,239)	(4,173)	(4,180)
WCR, excluding market value of derivatives	(11,156)	(9,589)	(8,262)	(7,995)
Capital employed on the balance sheet	3,352	5,030	6,304	6,557
Average capital employed (A)			5,311	
Operating result			344	
Dividends received			-	
Share of profits/(losses) of associates			(12)	
Normative income tax			(80)	
Adjusted result from current operations after tax (B)			252	
ROCE (B/A)			4.7%	

<i>(In € million)</i>	June 30, 2021 restated	March 31, 2021 restated	December 31, 2020 restated	September 30, 2020 restated
Goodwill and intangible assets	1,464	1,479	1,445	1,470
Flight equipment	10,645	10,800	11,031	11,009
Other property, plant and equipment	1,453	1,476	1,548	1,535
Right-of-use assets	5,033	4,795	4,678	4,789
Investments in equity associates	166	223	230	224
Other financial assets excluding shares available for sale, marketable securities and financial deposits	147	146	146	135

Restitution liabilities and other provisions excluding pension, cargo litigation and restructuring	(4,033)	(4,083)	(3,922)	(4,002)
WCR, excluding market value of derivatives	(7,745)	(6,410)	(6,505)	(6,894)
Capital employed on the balance sheet	7,130	8,426	8,651	8,267
Average capital employed (A)			8,118	
Operating result			(4,119)	
Dividends received			-	
Share of profits/(losses) of associates			(45)	
Normative income tax			1,211	
Adjusted result from current operations after tax (B)			(2,953)	
ROCE (B/A)			NA	

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 network” business and Transavia, and in ATK for the cargo activity.

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 from total operating expenses the revenues other than those generated by the three transportation activities (passenger, cargo, Transavia). The capacity produced by the transportation activities is combined by adding the capacity of the Passenger network (in ASK) to that of Transavia (in ASK).

	First half 2022	First half 2021 restated
Revenues (in €m)	11,152	4,910
Income/(loss) from current operations (in €m)	36	(1,934)
Total operating expense (in €m)	11,116	6,844
Passenger network business – other revenues (in €m)	(208)	(131)
Cargo network business – other revenues (in €m)	(231)	(190)
Third-party revenues in the maintenance business (in €m)	(642)	(514)
Transavia – other revenues (in €m)	12	0
Third-party revenues of other businesses (in €m)	(13)	(13)
Net cost (in €m)	10,034	5,997
Capacity produced, reported in ASK	130,192	74,254
Net cost per ASK (in € cents per ASK)	7.71	8.08
Gross change		-4.6%
Currency effect on net costs (in €m)		-118
Change at constant currency		-6.4%
Fuel price effect adjusted for 2021 capacity (in €m)		668
Net cost per ASK on a constant currency and fuel price (in € cents per ASK)	7.71	9.14
Change on a constant currency and fuel price basis		-15.6%

* The capacity produced by the passenger business is calculated by adding the passenger network capacity (in ASK) to that of Transavia (ASK)

2. UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Commission for use in the European Union

January 1, 2022 – June 30, 2022

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CONSOLIDATED INCOME STATEMENT (unaudited)

In € millions

Period from January 1 to June 30	Notes	2022	2021 restated ⁽¹⁾
Revenues		11,152	4,910
External expenses	7	(7,080)	(3,592)
Salaries and related costs	8	(3,343)	(2,406)
Taxes other than income taxes		(80)	(69)
Other current operating income and expenses	10	503	280
EBITDA		1,152	(877)
Amortization, depreciation and provisions	9	(1,116)	(1,057)
Income from current operations		36	(1,934)
Sales of aircraft equipment	11	39	(14)
Other non-current income and expenses	11	(15)	(853)
Income from operating activities		60	(2,801)
Cost of financial debt	12	(277)	(339)
Income from cash and cash equivalents	12	-	3
Net cost of financial debt		(277)	(336)
Other financial income and expenses	12	(286)	(85)
Income before tax		(503)	(3,222)
Income taxes	13	278	263
Net income of consolidated companies		(225)	(2,959)
Share of profits (losses) of associates		(1)	(16)
Net income for the period		(226)	(2,975)
<i>Non-controlling interests</i>		2	(3)
<i>Net income - Group part</i>		(228)	(2,972)
Earnings per share – Equity holders of Air France-KLM (in euros)			
- basic	14	(0.42)	(5.87)
- diluted		(0.42)	(5.87)

The accompanying notes are an integral part of this interim consolidated financial information.

⁽¹⁾ See note 2 in notes to the consolidated financial statements.

Period from January 1 to June 30	Notes	2022	2021 restated ⁽¹⁾
Net income for the period		(226)	(2,975)
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		823	389
Change in fair value and cost of hedging transferred to profit or loss		(647)	(53)
Exchange difference resulting from the translation		8	-
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	13.2	(48)	(91)
Total of other comprehensive income that will be reclassified to profit or loss		136	245
Remeasurements of defined benefit pension plans	18	415	693
Fair value of equity instruments revalued through OCI		(4)	1
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	13.2	(21)	(170)
Total of other comprehensive income that will not be reclassified to profit or loss		390	524
Total of other comprehensive income, after tax		526	769
Recognized income and expenses		300	(2,206)
- Equity holders of Air France-KLM		298	(2,205)
- Non-controlling interests		2	(1)

The accompanying notes are an integral part of this interim consolidated financial information.

(1) See note 2 in notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET (unaudited)

Assets		June 30,	December 31,
<i>In € millions</i>	<i>Notes</i>	2022	2021
Goodwill		223	222
Intangible assets		1,213	1,235
Flight equipment	15	10,521	10,466
Other property, plant and equipment	15	1,358	1,402
Right-of-use assets	15	5,439	5,148
Investments in equity associates		108	109
Other non-current financial assets		1,064	951
Non-current derivatives financial assets		304	143
Deferred tax assets	13	494	278
Total non-current assets		20,724	19,954
Assets held for sale		78	74
Other current financial assets		589	484
Current derivatives financial assets		954	469
Inventories		654	567
Trade receivables		2,045	1,511
Other current assets		1,133	966
Cash and cash equivalents	17	8,173	6,658
Total current assets		13,626	10,729
Total assets		34,350	30,683

The accompanying notes are an integral part of this interim consolidated financial information.

CONSOLIDATED BALANCE SHEET (unaudited) (continued)

Liabilities and equity		June 30,	December 31,
<i>In € millions</i>	Notes	2022	2021
Issued capital	19.1	2,571	643
Additional paid-in capital	19.1	5,217	4,949
Treasury shares		(25)	(25)
Perpetual	19.3	1,389	3,151
Reserves and retained earnings	19.4	(12,349)	(12,542)
Equity attributable to equity holders of Air France-KLM		(3,197)	(3,824)
Non-controlling interests		10	8
Total equity		(3,187)	(3,816)
Pension provisions	18	1,558	1,939
Non-current return obligation liability and other provisions	20	4,272	4,055
Non-current financial liabilities	21	10,568	11,274
Non-current lease debt	22	3,335	2,924
Non-current derivatives financial liabilities		1	25
Deferred tax liabilities	13	3	1
Other non-current liabilities	24	2,465	2,555
Total non-current liabilities		22,202	22,773
Current return obligation liability and other provisions	20	838	885
Current financial liabilities	21	1,079	1,215
Current lease debt	22	851	825
Current derivatives financial liabilities		42	46
Trade payables		2,821	1,850
Deferred revenue on ticket sales		4,938	2,644
Frequent flyer programs		868	888
Other current liabilities	24	3,896	3,369
Bank overdrafts	17	2	4

Total current liabilities	15,335	11,726
Total liabilities	37,537	34,499
Total equity and liabilities	34,350	30,683

The accompanying notes are an integral part of this interim consolidated financial information

**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS'
EQUITY (unaudited)**

<i>In € millions</i>	Notes	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual	Reserves and retained earnings	Equity attributable to holders of Air France- KLM	Non- controlling interests	Total equity
December 31, 2020		428,634,035	429	4,139	(25)	-	(9,970)	(5,427)	9	(5,418)
Change in accounting policy			-	-	-	-	76	76	-	76
January 1, 2021 - restated ⁽¹⁾		428,634,035	429	4,139	(25)	-	(9,894)	(5,351)	9	(5,342)
Other comprehensive income			-	-	-	-	767	767	2	769
Net result for the period			-	-	-	-	(2,972)	(2,972)	(3)	(2,975)
Total of income and expenses recognized			-	-	-	-	(2,205)	(2,205)	(1)	(2,206)
Capital increase		213,999,999	214	810	-	-	-	1,024	-	1,024
Perpetual			-	-	-	3,000	(4)	2,996	-	2,996
Coupons on perpetual			-	-	-	42	(42)	-	-	-
Other			-	-	-	-	(2)	(2)	-	(2)
June 30, 2021 - restated ⁽¹⁾		642,634,034	643	4,949	(25)	3,042	(12,147)	(3,538)	8	(3,530)
December 31, 2021		642,634,034	643	4,949	(25)	3,151	(12,542)	(3,824)	8	(3,816)
Other comprehensive income			-	-	-	-	526	526	-	526
Net result for the period			-	-	-	-	(228)	(228)	2	(226)
Total of income and expenses recognized			-	-	-	-	298	298	2	300
Capital increase	3.2	1,927,902,10 2	1,928	268	-	-	-	2,196	-	2,196
Perpetual bonds	3.2		-	-	-	(1,631)	-	(1,631)	-	(1,631)
Coupons on perpetual	3.2		-	-	-	(131)	(105)	(236)	-	(236)
June 30, 2022		2,570,536,13 6	2,571	5,217	(25)	1,389	(12,349)	(3,197)	10	(3,187)

The accompanying notes are an integral part of this interim consolidated financial information.

⁽¹⁾ See note 2 in notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Period from January 1 to June 30	Notes	2022	2021
<i>In € millions</i>			restated ⁽¹⁾
Net income		(226)	(2,975)
Amortization, depreciation and operating provisions	9	1,116	1,057
Financial provisions	12	69	58
Loss (gain) on disposals of tangible and intangible assets		(40)	14
Loss (gain) on disposals of subsidiaries and associates	11	-	(26)
Derivatives – non monetary result		(20)	(29)
Unrealized foreign exchange gains and losses, net		240	86
Impairment		17	15
Other non-monetary items		(90)	762
Share of (profits) losses of associates		1	16
Deferred taxes	13	(282)	(265)
Financing capacity		785	(1,287)
(Increase) / decrease in inventories		(79)	12
(Increase) / decrease in trade receivables		(437)	(268)
Increase / (decrease) in trade payables		971	138
Increase / (decrease) in advanced ticket sales		2,276	489
Change in other assets and liabilities		104	749
Change in working capital requirement		2,835	1,120
Net cash flow from operating activities (A)		3,620	(167)
Acquisition of subsidiaries, of shares in non-controlled entities		-	2
Purchase of property plant and equipment and intangible assets (B)	16	(1,491)	(1,099)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities		-	71
Proceeds on disposal of property plant and equipment and intangible assets (C)	11	476	565
Decrease (increase) in net investments, more than 3 months		6	85
Dividends received		1	-
Net cash flow used in investing activities		(1,008)	(376)
Increase of equity	3.2	1,551	1,024
Perpetual	3.2	(993)	-
Coupons on perpetual	3.2	(229)	-
Issuance of debt	21	552	690

Repayment on debt	21	(1,415)	(1,135)
Payments on lease debts (D)	22	(442)	(433)
New loans		(175)	(37)
Repayment on loans		16	44
Net cash flow from financing activities		(1,135)	153
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		40	1
Change in cash and cash equivalents and bank overdrafts		1,517	(389)
Cash and cash equivalents and bank overdrafts at beginning of period	17	6,654	6,422
Cash and cash equivalents and bank overdrafts at end of period	17	8,171	6,033
Income tax (paid) / reimbursed (flow included in operating activities)		50	57
Interest paid (flow included in operating activities)		(291)	(320)
Interest received (flow included in operating activities)		(8)	(5)

The accompanying notes are an integral part of this interim consolidated financial information.

⁽¹⁾ See note 2 in notes to the consolidated financial statements.

OPERATING FREE CASH-FLOW (UNAUDITED)

Period from January 1 to June 30	Notes	2022	2021
<i>in € millions</i>			
Net cash flow from operating activities	A	3,620	(167)
Purchase of property plant and equipment and intangible assets	B	(1,491)	(1,099)
Proceeds on disposal of property plant and equipment and intangible assets	C	476	565
Operating free cash flow	23	2,605	(701)
Payments on lease debts	D	(442)	(433)
Operating free cash flow adjusted		2,163	(1,134)

The accompanying notes are an integral part of this interim consolidated financial information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

As used herein, the term "Air France–KLM" refers to Air France-KLM SA, a limited liability company organized under French law. The term "Group" is represented by the economic definition of Air France-KLM and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world. The Group's core business is network activities which includes passenger transportation on scheduled flights and cargo activities. The Group's activities also include aeronautics maintenance, leisure passenger transportation (Transavia) and other air-transport-related activities.

The limited company Air France-KLM, domiciled at 7, rue du Cirque 75008 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.

2. RESTATEMENT OF ACCOUNTS 2021

Since January 1, 2021, the Air France-KLM Group has applied the IFRIC decision relating to IAS 19 "Employee benefits", described in note 5.1 Accounting policies of the notes to the consolidated financial statements of December 31, 2021.

This change has been applied retrospectively to the financial information presented in the prior periods in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The impacts on the comparative periods are presented below.

Only the items impacted by the changes in accounting policies are presented.

Impact on the consolidated income statement

In € millions	Published accounts	IFRIC IAS 19	Restated accounts
Period from January 1 to June 30, 2021			
Salaries and related costs	(2,403)	(3)	(2,406)
EBITDA	(874)	(3)	(877)
Income from current operations	(1,931)	(3)	(1,934)
Income from operating activities	(2,798)	(3)	(2,801)
Income before tax of consolidated companies	(3,219)	(3)	(3,222)
Income taxes	262	1	263
Net income of consolidated companies	(2,957)	(2)	(2,959)
Net income	(2,973)	(2)	(2,975)
Earnings per share (basic)	(5.86)	(0.01)	(5.87)
Earnings per share (diluted)	(5.86)	(0.01)	(5.87)

Impact on the consolidated statement of recognized income and expenses

In € millions	Published accounts	IFRIC IAS 19	Restated accounts
Period from January 1 to June 30, 2021			
Net income for the period	(2,973)	(2)	(2,975)
Recognized income and expenses	(2,204)	(2)	(2,206)
• Equity holders of Air France-KLM	(2,203)	(2)	(2,205)
• Non-controlling interests	(1)	-	(1)

Impact on the consolidated balance sheet

In € millions	Published accounts	IFRIC IAS 19	Restated accounts
Balance sheet as of June 30, 2021			
<u>Asset</u>	30,010	(29)	29,981
Deferred tax assets	269	(29)	240
<u>Equity and liabilities</u>	30,010	(29)	29,981
Pension provisions	2,119	(103)	2,016
Reserves and retained earnings	(12,221)	74	(12,147)
Equity	(3,604)	74	(3,530)
• Holders of Air France-KLM	(3,612)	74	(3,538)
• Non-controlling interests	8	-	8

Impact on the consolidated statement of cash flows

In € millions	Published accounts	IFRIC IAS 19	Restated accounts
Period from January 1 to June 30, 2021			
Net income	(2,973)	(2)	(2,975)
Other non-monetary items	759	3	762
Deferred taxes	(264)	(1)	(265)
Financing capacity	(1,287)	-	(1,287)

3. SIGNIFICANT EVENTS

3.1. Going concern

Since the beginning of 2020, the worldwide spread of COVID-19 has had a major impact on air traffic around the world. The very stringent conditions on global travel adopted by many countries as of March 2020 resulted in a drastic reduction in air traffic. The recovery began in the second half of 2021 and continues to do so extensively through the first half of 2022.

In addition, the Ukrainian crisis is having an impact on the Group's business, which has announced that it has suspended services and overflights to Ukraine and Russia in February 2022 until further notice. These routes represented less than 1% of the Group's Network business in terms of revenue. The impact of route extensions to China, Japan and South Korea is also currently limited due to a more limited recovery in traffic in this geographical area. The Group's maintenance activities for Russian airlines have also been suspended, generating a minor impact in terms of operating margin. Finally, although the Ukrainian crisis is pushing oil prices to high levels, the Group's fuel hedging policy as well as the applied tariff surcharge allow to limit the impact on the Group's consolidated financial statements as of June 30, 2022.

The recovery is reflected in different elements:

- Available seat-kilometers for the Passenger network and Transavia were 75 percent higher in the first half of the year compared to the first half of the year of 2021 in response to the resumption of demand, and has reached 79 percent of the first half year of 2019 level for Passenger network and a slightly higher capacity vs. 2019 for Transavia.
- Revenue per passenger-kilometers jumped by 228 percent in the first half year of 2022 compared to the first half year of 2021. The cargo business continued to benefit from a buoyant environment with available ton-kilometers up 19 per cent compared to the first half year of 2021. As a result, total revenues increased by 127 percent compared to last year and amounted to €11.152 million.
- Passenger capacity for the third quarter of 2022 is expected to be between 80% and 85% of the capacity of the third quarter of 2019, between 85 and 90% for the fourth quarter of 2022 (vs. fourth quarter of 2019) and Transavia capacity is expected to be higher than in 2019.

In parallel, external expenses amount to €(7,080) million, an increase of 97 percent compared to 2021, mainly because of fuel costs. Fuel costs amount to €(2,858) million as of June 30, 2022 against €(982) million as of June 30, 2021, an increase of 191 percent due to changes in capacity and higher fuel prices. Excluding fuel, external expenses increased only by 62 percent vs.2021.

Due to the resumption of activity, the Dutch government has terminated the "Temporary Emergency Bridging Measures for Sustained Employment" (NOW) program in the Netherlands as of March 31, 2022. The impact of this measure represents €138 million euro at June 30, 2022, compared to €570 million at June 30, 2021. At the same time, partial activity in France, implemented as from March 23, 2020, amount to €116 million as of June 30, 2022 compared to €456 million as of June 30, 2021.

Liquidity position

As of June 30, 2022, the Group's total liquidity amounted to €11.9 billion, of which €9.4 billion in net cash excluding undrawn credit lines (see note 23. Net debt) and €2.5 billion in undrawn credit lines (see note 21.6 Credit Lines).

The Dutch State aid has been repaid in full during the first half of 2022 for a total amount of €942 million. The Air France-KLM capital increase of June 16, 2022 for a total amount of €2,256 million (see note 3.2. Significant events during the period below) enabled the partial redemption of the subordinated notes held by the French State for a nominal amount of 1,631 million euros. These transactions contributed to strengthening the Group's balance sheet and equity.

At the same time, the Group is continuing to work on various additional options to restore Air France's company equity to the legally required level.

Going concern

In determining the appropriate basis for preparing the interim consolidated financial statements for the period ended June 30, 2022, the going concern has been assessed by evaluating the financial forecasts over a time horizon of at least one year and by analyzing, in particular, the commercial position of the Group within the context of the Covid-19 pandemic and the Ukrainian crisis.

As mentioned above, the Group had total cash at hand of €11.9 billion as of June 30, 2022 (see the "Liquidity position" paragraph), an improvement of €1.7 billion compared to December 31, 2021.

Furthermore, despite the uncertainties related to the current context, the improvement of the sanitary situation since the end of 2021 as well as of the cash position, the partial reimbursement of states financial supports, the continuing recovery of activity and the limited impact of the Ukrainian crisis on the consolidated financial statements as of June 30, 2022 have led to the preparation of the consolidated financial statements as of June 30, 2022 on a going-concern basis, in accordance with the approach taken for the consolidated financial statements as of December 31, 2021. (see note 4.1 related to consolidated financial statement as of December 31, 2021).

3.2. Events that occurred in the period

Air France-KLM Group capital increase

On the May 24, 2022, Air France-KLM group announced the launch of a capital increase with preferential subscription rights for an amount of €2.256 million, to be subscribed in cash and/or by offsetting claims.

The gross proceeds of the capital increase amounted to €2,256 million (of which €1,611 million subscribed in cash), including issue premium, corresponding to the issue of 1,928 million new shares (the "New Shares") at a subscription price of €1.17 per share. Net of issuance fees, the proceeds amounted to €2,196 million (of which €1,551 million subscribed in cash). Following settlement and delivery of the Rights Issue of the capital increase on June 16, 2022, the share capital of Air France-KLM was increased to 2,570,536,136 shares with a nominal value of €1 each.

The French state, participated on an irreducible basis to the full extent of its Rights, corresponding to a subscription of 551,404,728 New Shares. Its shareholding remains unchanged. This subscription was carried out by way of offsetting a portion of the subordinated notes issued in April 2021.

The Dutch state participated on an irreducible basis to the full extent of its Rights, corresponding to a subscription of 180,000,000 New Shares. Its shareholding remains unchanged.

CMA CGM became a new shareholder with a subscription of 231,348,252 New Shares on an irreducible basis (via the exercise of the preferential subscription rights acquired from China Eastern Airlines, Delta Airlines, FCPEs and the market), corresponding to 9.0% of the Company's capital following the capital increase.

China Eastern Airlines and Delta Air Lines participated in the Rights Issue on a cash-neutral basis, subscribing to 58,763,343 and 35,873,772 New Shares respectively by using the net proceeds from selling part of their Rights to CMA CGM. This brings their respective shareholdings to 4.7% and 2.9% of the Company's share capital.

Following this capital increase, in order to ensure that the rights of the OCEANE bondholders are maintained in accordance with the applicable legal and regulatory provisions and the terms and conditions of the OCEANE bonds, the conversion/exchange ratio has been adjusted as from June 16, 2022 from a parity of 1 Air France-KLM share per OCEANE bond to a parity of 1.783 Air France-KLM share per OCEANE bond.

Evolution on perpetual owned by the French State

As of April 20, 2022, the Group paid the accrued interest on perpetual bonds held by the French State for a total amount of €218 million.

In addition, part of the net proceeds of the June 16, 2022 capital increase was used to the redemption of the perpetual bonds in two parts:

- The French State has subscribed by way of set-off against a part of the claim held in connection with the perpetual bonds for a nominal amount of €638 million plus accrued coupon of €7 million;
- An amount of €993 million in nominal value plus the accrued coupon on 2022 for an amount of €11 million was repaid with the proceeds of the capital increase subscribed in cash.

Repayment of the guaranteed credit line and the loan granted by the Dutch State to KLM

Respectively, on May 3 and June 3, 2022, KLM repaid €311 million and €354 million under its credit line guaranteed by the Dutch State (see note 33.3 Financial support from the French and Dutch States to the consolidated financial statements at December 31, 2021). Upon completion of the transaction, the full credit line has been repaid.

On June 30, 2022, KLM repaid in full the loan guaranteed by the Dutch State for €277 million.

Following these transactions, KLM retains a credit line of €2.4 billion (€723 million from the direct loan and €1,735 million the credit line from the banks, guaranteed by the Dutch State) at its disposal.

Signature of purchase contracts of A320neo

End of February 2022, purchases contracts of 100 Airbus A320neo Family aircraft were signed between Airbus and KLM N.V., Transavia Netherlands and Transavia France. This signature has been followed, early July 2022, by the signing of an agreement with CFM International for the engine configuration of this future fleet of aircraft.

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

On March 30, 2022, Air France – KLM has taken note of the EU General Court's judgement on the appeal filed against the decision of the European Commission of March 17, 2017 for practices considered to be anti-competitive in the air cargo sector.

The practices in question date back more than twenty years ago and had already been condemned in a decision of the European Commission in 2010 but annulled by the General Court of the European Union in 2015 due to a contradiction between the grounds and the operative part of the decision. As of June 8, 2022 the Group has appealed to the European Union Court of Justice (see note 20.1.4 Litigation concerning antitrust laws in the airfreight industry).

Provisions of €354 million including interest accounted for in the financial statements as of June 30, 2022 are in accordance with these fines.

3.3. Subsequent events

Definitive agreement with Apollo for a EUR 500 million investment into an ad hoc operating affiliate of Air France owning spare engines

On July 13 2022, Air France-KLM and Apollo Global Management signed a definitive agreement for Apollo-managed funds and entities to make a €500 million investment into an ad hoc operating affiliate of Air France that will own a pool of spare engines dedicated to the airline's Engineering and Maintenance activities.

Apollo affiliated entities will subscribe to perpetual bonds issued by the ad hoc operating affiliate, which will be accounted for as equity. The perpetual bonds will bear an interest rate of 6% for the first 3 years, and gradual step ups and caps will be applied thereafter. Air France will have the ability to redeem the bonds at any time after the third year. The transaction, expected to close end of July 2022 will be recorded over the third quarter of 2022.

4. ACCOUNTING PRINCIPLES

Pursuant to the European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM Group as of December 31, 2021 were established in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Commission on the date these consolidated financial statements were established.

The condensed interim consolidated financial statements as of June 30, 2022 have been prepared in accordance with IAS 34 "Interim financial reporting".

The accounting policies applied for the condensed interim consolidated financial statements as at June 30, 2022 are consistent with those applied for the financial statements as at December 31, 2021, with the exception of the standards and interpretations adopted by the European Union that are applicable as of January 1, 2022.

The impact of the application of the Agenda Decision on "Accounting for customisation and/or configuration costs in SaaS contracts" is currently being assessed. Any changes resulting from the application of this IFRS IC decision will be accounted for retrospectively in accordance with IAS 8 on changes in accounting policies.

Regarding the implementation of the amendments to IAS 37 relating to the treatment of onerous contracts, no contract has been identified as being in the scope of this amendment. These amendments aim to standardize practices in terms of identifying and measuring provisions for onerous contracts, in particular with regard to losses on completion of contracts with customers recognized in accordance with IFRS 15. These amendments specify that the costs to be taken into account in estimating the "cost of performance of the contract" are those directly related to the contract. A study carried out within the Group on the implementation of these amendments concludes that there are no impact on the Group's financial statements at 30 June 2022.

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires Group's management to make estimates and assumptions that affect the amounts recognised in the primary financial statements and accompanying notes at the reporting date.

The main areas of estimates relate to the:

- revenue recognition linked to deferred revenue on ticket sales;
- Flying Blue frequent flyer program;
- financial instruments;
- intangible and tangible assets;
- lease contracts;
- employee benefits;
- return obligation liability and provision for leased aircraft;
- other provisions; and
- 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 that constitute the basis for these assumptions. The condensed interim consolidated financial statements for the period have thus been established taking into consideration the current context and on the basis of financial parameters available at the closing date.

The condensed interim consolidated financial statements as of June 30, 2022 were approved by the Board of Directors on July 28, 2022.

5. CHANGE IN THE CONSOLIDATION SCOPE

• Six-month period ended June 30, 2022

No significant change in scope took place during the six-month period ended June 30, 2022.

• Six-month period ended June 30, 2021

No significant change in scope took place during the six-month period ended June 30, 2021.

6. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments

The segment information is prepared on the basis of internal management data communicated to the Executive Committee, the Group's principal operational decision-making body.

The Group is organized around the following segments:

Network: The revenues for this segment, which includes the Passenger and Cargo network primarily come from passenger transportation services on scheduled flights with the Group's airline code (excluding Transavia), including flights operated by other airlines under code-sharing agreements. They also include code-sharing revenues, revenues from excess baggage and airport services supplied by the Group to third-party airlines and services linked to IT systems.

Network revenues also include freight carried on flights operated under the codes of the airlines within the Group and flights operated by other partner airlines under code-sharing agreements. Other cargo revenues are derived principally from the sales of cargo capacity to third parties and the transportation of shipments on behalf of the Group by other airlines.

Maintenance: Maintenance operating revenues are generated through maintenance services provided to other airlines and customers worldwide.

Transavia: The revenues from this segment come from the "leisure" activity realized by Transavia.

Other: The revenues from this segment come from various services provided by the Group and not covered by the three 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 EBITDA, current operating income and income from operating activities. Other elements of the income statement are presented in the "non-allocated" column.

Inter-segment transactions are evaluated based on normal market conditions.

Geographical segments

• Activity by origin of sales area

Group activities by origin of sale are broken down into four geographical areas:

- France, including French overseas departments
- Benelux, including Dutch Caribbean & Surinam

- Europe (excluding France and Benelux)
- Rest of the world

The format for presenting activities by zone of origin of sales has been revised to take into account the Group's new commercial organization.

Only segment revenue is allocated by geographical sales area.

• **Activity by destination**

The Group's activities by destination are broken down into seven geographical segments:

- 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

6.1. Information by business segment

• **Six-month period ended June 30, 2022**

<i>In € millions</i>	Network	Maintenance	Transavia	Other	Non allocated	Total
Total sales	9,665	1,742	850	105	-	12,362
Intersegment sales	(18)	(1,100)	-	(92)	-	(1,210)
External sales	9,647	642	850	13	-	11,152
EBITDA	943	196	1	12	-	1,152
Income from current operations	43	101	(110)	2	-	36
Income from operating activities	75	100	(110)	(5)	-	60
Share of profits (losses) of associates	-	2	-	(3)	-	(1)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(563)	(563)
Income taxes	-	-	-	-	278	278
Net income	75	102	(110)	(8)	(285)	(226)

• Six-month period ended June 30, 2021 restated ⁽¹⁾

<i>In € millions</i>	Network	Maintenance	Transavia	Other	Non allocated	Total
Total sales	4,232	1,302	163	72	-	5,769
Intersegment sales	(11)	(788)	-	(60)	-	(859)
External sales	4,221	514	163	12	-	4,910
EBITDA	(896)	121	(122)	20	-	(877)
Income from current operations	(1,715)	(10)	(218)	9	-	(1,934)
Income from operating activities	(2,338)	(278)	(218)	33	-	(2,801)
Share of profits (losses) of associates	-	3	-	(19)	-	(16)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(421)	(421)
Income taxes	-	-	-	-	263	263
Net income	(2,338)	(275)	(218)	14	(158)	(2,975)

⁽¹⁾ See note 2 in notes to the consolidated financial statements.

6.2. Information by geographical area

External sales by geographical area

• Six-month period ended June 30, 2022

<i>In € millions</i>	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (except France and Benelux)	Rest of the world	Total
Transportation	2,662	1,152	2,179	3,214	9,207
Other sales	146	109	73	112	440
Total network	2,808	1,261	2,252	3,326	9,647
Transportation	290	485	73	15	863
Other sales	(4)	(8)	(1)	-	(13)
Total Transavia	286	477	72	15	850
Maintenance	315	262	12	53	642
Others	3	9	1	-	13
Total	3,412	2,009	2,337	3,394	11,152

- Six-month period ended June 30, 2021 restated ⁽¹⁾

<i>In € millions</i>	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (except France and Benelux)	Rest of the world	Total
Transportation	1,090	413	978	1,418	3,899
Other sales	131	49	70	72	322
Total network	1,221	462	1,048	1,490	4,221
Transportation	61	88	13	1	163
Other sales	-	-	-	-	-
Total Transavia	61	88	13	1	163
Maintenance	294	171	14	35	514
Others	3	10	(1)	-	12
Total	1,579	731	1,074	1,526	4,910

⁽¹⁾The format for the presenting activities by zone of origin of sales has been revised to take into account the Group's new commercial organization.

Traffic sales by geographical area of destination

- Six-month period ended June 30, 2022

<i>In € millions</i>	Metropolitan France	Europe (except France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (except North Africa) Middle East	North America, Mexico	South America, except Mexico	Asia, New Caledonia	Total
Network	580	2,089	856	1,291	2,338	1,092	961	9,207
Transavia	56	757	-	50	-	-	-	863
Total	636	2,846	856	1,341	2,338	1,092	961	10,070

- Six-month period ended June 30, 2021

<i>In € millions</i>	Metropolitan France	Europe (except France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (except North Africa) Middle East	North America, Mexico	South America, except Mexico	Asia, New Caledonia	Total
Network	300	551	384	772	800	480	612	3,899
Transavia	17	142	-	4	-	-	-	163
Total	317	693	384	776	800	480	612	4,062

7. EXTERNAL EXPENSES

<i>In € millions</i>	2022	2021
Period from January 1 to June 30		
Aircraft fuel	2,858	982
Chartering costs	193	147
Landing fees and air route charges	784	460
Catering	319	126
Handling charges and other operating costs	722	402
Aircraft maintenance costs	1,118	792
Commercial and distribution costs	384	131
Other external expenses	702	552
Total	7,080	3,592
<i>Excluding aircraft fuel</i>	<i>4,222</i>	<i>2,610</i>

A portion of external expenses (notably aircraft fuel costs, purchases and aircraft maintenance costs) is subject to fluctuation in the US dollar.

8. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

<i>In € millions</i>	2022	2021
Period from January 1 to June 30		restated ⁽¹⁾
Wages and salaries	2,441	2,131
Social contributions	447	404
Pensions costs on defined contribution plans	383	264
Pensions costs of defined benefit plan	68	136
Cost of temporary employees	76	27
Profit sharing and payment linked with shares	-	(25)
Temporary Emergency Bridging Measure for Sustained Employment (NOW)	(138)	(570)
Other	66	39
Total	3,343	2,406

⁽¹⁾ See note 2 in notes to the consolidated financial statements.

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). Since this multi-employer plan is assimilated with a French State plan, it is accounted for as a defined contribution plan in "Pension costs on defined contribution plans".

Following the impact of the Covid-19 public health crisis, as of March 23, 2020 Air France and its main French subsidiaries implemented part-time activity for their employees.

In the first half of 2021, Air France and some of its affiliates finalized agreements with the representative trade unions allowing the use of the long-term partial activity ("APLD") scheme for a maximum of 24 months.

As of June 30, 2022, the impact of these measures amounts to €116 million (€456 million as of June 30, 2021).

The line "Temporary Emergency Bridging Measure for Sustained Employment (NOW)" includes the compensation received from the Dutch State for the KLM Group's labor expenses during the period from January 1 until March 31, 2022. Due to the recovery of activity, the Dutch government has terminated this program as of March 31, 2022. This compensation in 2022 amounts to €138 million (versus €570 million for the period from January 1 until June 30, 2021).

Average number of full time equivalents

Period from January 1 to June 30	2022	2021
Flight deck crew	8,112	8,223
Cabin crew	20,262	19,980
Ground staff	43,610	46,972
Temporary staff	1,735	625
Total*	73,719	75,800

**Excluding partial activity effect*

The decrease is mainly due to the completion of the restructuring plans implemented in the years 2020 and 2021 (see note 12. Other non-current income and expenses of the notes to the consolidated financial statements as of December 31, 2021).

9. AMORTIZATION, DEPRECIATION AND PROVISIONS

<i>In € millions</i>	2022	2021
Period from January 1 to June 30		
Amortization		
Intangible assets	91	96
Flight equipment	551	480
Other property, plant and equipment	89	91
Right-of-Use assets	580	524
	1,311	1,191
Depreciation and provisions		
Inventories	(12)	12
Trade receivables	(55)	13
Risks and contingencies	(128)	(159)
	(195)	(134)
Total	1,116	1,057

The changes in provisions are mainly due to reversals related to aircraft restitutions.

10. OTHER CURRENT OPERATING INCOME AND EXPENSES

<i>In € millions</i>	2022	2021
Period from January 1 to June 30		
Capitalized production	500	290
Joint operation of routes	1	(2)
Operations-related currency hedges	37	3
Emission trade schemes (ETS)	(31)	(15)
Other	(4)	4
Other income and expenses	503	280

11. SALES OF AERONAUTICAL ASSETS AND OTHER NON-CURRENT INCOME AND EXPENSES

<i>In € millions</i>	2022	2021
Period from January 1 to June 30		
Sales and leaseback	38	(18)
Other aeronautical assets	1	4
Sales of aeronautical assets	39	(14)
Restructuring costs	5	86
Impairment of fleet and other assets	(17)	(15)
Modification on pensions plans	-	(938)
Disposals of subsidiaries and affiliates	-	26
Disposals of other assets	1	-
Others	(4)	(12)
Other non-current income and expenses	(15)	(853)

- **Six-month period ended June 30, 2022**

Sales and leaseback

The impact of aircraft sales and leasebacks sales has led to a gain of €38 million and a result on disposal of €438 million in the cash flow statement as of June 30, 2022.

Impairment of fleet

This line includes the difference between the initial depreciation plan and the accelerated depreciation following the early phase-out of the CRJ aircraft from the Hop! fleet for €(8) 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 market value. As of June 30, 2022, 9 CRJ are still in the Group's fleet.

- **Six-month period ended June 30, 2021**

Sales and leaseback

The impact of aircraft sales and leasebacks sales has led to an expense of €(18) million as of June 30, 2021 and a result on disposal of €533 million in the cash flow statement.

Restructuring costs

This line mainly includes a reversal of the voluntary departure plan provision for Air France ground staff, amounting to €86 million following an adjustment based on a nominal roll and departure allowances.

Impairment of fleet

This line includes the difference between the initial depreciation plan and the accelerated depreciation following the early phase-out of the CRJ aircraft from the Hop! fleet for €(13) 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 market value. As of June 30, 2021, 20 CRJ were still in the Group's fleet.

Modifications to pension plans

Following the modification of KLM's Ground Staff pension plan, the total impact of the de-recognition of the pension assets together with the additional contributions has been booked in "Other non-current income and expenses" and amounts to a charge of €938 million.

Result on the disposal of subsidiaries and affiliates

This line corresponds to the capital gain on the disposal of a 15% shareholding in Servair on May 31, 2021.

12. NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

<i>In € millions</i>	2022	2021
Period from January 1 to June 30		
Income from marketable securities	(11)	(9)
Other financial income	11	12
Financial income	-	3
Interest on financial liabilities	(150)	(177)
Interest on lease debt	(128)	(120)
Capitalized interests	14	13
Other non-monetary items	(8)	(49)
Other financial expenses	(5)	(6)
Gross cost of financial debt	(277)	(339)
Net cost of financial debt	(277)	(336)
Foreign exchange gains (losses), net	(236)	(41)
Financial instruments and change in fair value of hedged shares	20	22
Net (charge)/release to provisions	(4)	(2)
Undiscounting of provisions	(66)	(56)
Other	-	(8)
Other financial income and expenses	(286)	(85)
Total	(563)	(421)

Financial income

Financial income mainly consists in interest income on financial assets accounted at the effective interest rate.

Foreign exchange gain (losses)

As of June 30, 2022, the foreign exchange result includes an unrealized currency loss of €(267) million, mainly composed of a €(281) million loss on return obligation liabilities and provisions on leased aircraft in US dollars.

As of June 30, 2021, the foreign exchange losses mainly include an unrealized currency loss of €(97) million of which an €(96) million loss on return obligation liabilities and provisions on leased aircraft in US dollars.

Undiscounting of provision

The rate used to undiscount the long-term return obligation liability and provision for leased aircraft and other provisions is 3.6% in 2022 against 3.4% in 2021.

13. INCOME TAXES

13.1. Income tax charge

<i>In € millions</i>	2022	2021
Period from January 1 to June 30		restated ⁽¹⁾
Current tax (expense) / income and other taxes	(4)	(2)
Change in temporary differences	(12)	265
(Use / de-recognition) / recognition of tax loss carry forwards	294	-
Deferred tax income / (expense)	282	265
Total	278	263

⁽¹⁾ See note 2 in notes to the consolidated financial statements.

The current income tax charge relates to the amounts paid or payable in the short term to the tax authorities 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 25.83 per cent for 2022 (versus 28.41 per cent for 2021). Tax losses can be carried forward for an unlimited period. 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 Group limits its recoverability horizon on the deferred tax losses of the French fiscal group to a period of five years, consistent with its strategic plan.

The deferred tax assets position on tax losses remains stable versus December 31, 2021 at €285 million, the underlying assumptions having not changed.

Subsequently, an amount of €155 million of deferred tax assets related to tax losses and temporary differences has not been recognized for the six-month period ended June 30, 2022 (including €126 million through income statement).

- **Dutch fiscal group**

In the Netherlands, the tax rate is 25.8 per cent in 2022 (versus 25 per cent in 2021). Under income tax law in the Netherlands, the maximum future period for utilising tax losses carried forward is indefinite as from January 1, 2022.

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.

In view of the recovery in activity and the medium and long-term outlook, the Group has recognized deferred tax assets for an amount of €294 million as of June 30, 2022. The deferred tax assets position for tax losses and deductible financial interests was therefore increased to €351 million (versus €57 million as of December 31, 2021).

13.2. Deferred tax recorded in equity (equity holders of Air France-KLM)

<i>In € millions</i>	2022	2021
Period from January 1 to June 30		
Other comprehensive income that will be reclassified to profit and loss	(48)	(91)
Gain and loss on cash flow hedge	(48)	(91)
Other comprehensive income that will not be reclassified to profit and loss	(21)	(170)
Equity instruments	1	-
Pensions	(22)	(170)
Total	(69)	(261)

13.3. Effective tax rate

The difference between the standard and effective tax rate applied in France is detailed as follows:

<i>In € millions</i>	2022	2021
Period from January 1 to June 30		restated ⁽¹⁾
Income before tax	(503)	(3,222)
Standard tax rate in France	25.83%	28.41%
Theoretical tax calculated based on the standard tax rate in France	130	915
Differences in French / foreign tax rates	(2)	(61)
Non-deductible expenses or non-taxable income	(13)	(47)
Change in recognized/(unrecognized) deferred tax	168	(526)
CVAE impact	(2)	-
Other	(3)	(18)
Income tax	278	263
Effective tax rate	55.3%	8.2%

⁽¹⁾ See note 2 in notes to the consolidated financial statements.

14. EARNINGS PER SHARE

14.1 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:

<i>In € millions</i>	2022	2021
As of June 30		restated ⁽¹⁾
Net income for the period – Equity holders of Air France-KLM	(228)	(2,972)
Coupons on perpetual	(105)	(42)
Basic net income for the period – Equity holders of Air France-KLM	(333)	(3,014)

⁽¹⁾ See note 2 in notes to the consolidated financial statements.

The earnings per share before dilution (basic earnings per share) corresponds to the net result divided by the weighted average number of shares in circulation during the financial year, excluding the weighted average number of treasury shares.

Since the perpetual subordinated loan is considered to be preferred shares, the coupons are included in the basic earnings per share.

- **Results used for the calculation of diluted earnings per share:**

<i>In € millions</i>	2022	2021
As of June 30		restated ⁽¹⁾
Basic net income for the period – Equity holders of Air France-KLM	(333)	(3,014)
Net income for the period – Equity holders of Air France-KLM (taken for calculation of diluted earnings per share)	(333)	(3,014)

⁽¹⁾ See note 2 in notes to the consolidated financial statements.

For the calculation of the diluted earnings per share, the weighted average number of shares in circulation is adjusted for the potential dilutive effect of all equity instruments issued by the Group, in particular stock option plans and performance shares. The dilution resulting from the exercise of stock option plans and performance shares is based on the IAS 33 methodology.

Reconciliation of the number of shares used to calculate earnings per share

As of June 30	2022	2021
Weighted average number of:		
- Ordinary shares issued	802,404,926	514,712,247
- Treasury stock held regarding stock option plan	(1,116,420)	(1,116,420)
- Other treasury stock	(91,585)	(91,585)
Number of shares used to calculate basic earnings per share	801,196,921	513,504,242
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	801,196,921	513,504,242

On June 16, 2022, following the realization of the capital increase of Air France-KLM group, the exercise parity of securities giving access to the Group capital has been adjusted (see note 21.1 OCEANE). The potential conversion of OCEANES, now representing 49,748,883 shares (compared to 27,901,785 shares as of June 30, 2021), and its impacts on net income, have not been taken into account. The ordinary shares potentially created would indeed not have decreased the earning per share or increased the loss per share.

The change in the number of ordinary shares issued is explained by a capital increase detailed in note 19.1 Capital increase and impact on additional paid-in capital. A proration has been applied to take into account the date of the operation (June 16, 2022).

As of June 30, 2022, taking into account the above items, the basic earnings per share amounts to €(0.42) and the diluted earnings per share amounts to €(0.42).

14.2 Non-dilutive instruments

The Air France-KLM Group held no non-dilutive instruments as of June 30, 2022.

14.3 Instruments issued after the closing date

No instruments were issued subsequent to the closing date.

15. TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

<i>In € millions</i>	As of June 30, 2022			As of December 31, 2021		
	Gross value	Depreciation	Net Value	Gross value	Depreciation	Net Value
Owned aircraft	17,020	(9,305)	7,715	16,785	(9,068)	7,717
Assets in progress	1,283	-	1,283	1,243	-	1,243
Other	2,551	(1,028)	1,523	2,547	(1,041)	1,506
Flight equipment	20,854	(10,333)	10,521	20,574	(10,109)	10,466
Land and buildings	2,755	(1,947)	808	2,739	(1,912)	827
Equipment and machinery	1,075	(854)	221	1,059	(829)	230
Assets in progress	128	-	128	129	-	129
Other	1,049	(848)	201	1,077	(861)	216
Other tangible assets	5,007	(3,649)	1,358	5,004	(3,602)	1,402
Total	25,861	(13,982)	11,879	25,578	(13,711)	11,868
Aircraft			2,718			2,476
Maintenance			2,081			1,898
Land and real estate			592			608
Other			48			166
Total right-of-use assets			5,439			5,148

16. CAPITAL EXPENDITURES

The detail of capital expenditures on tangible and intangible assets presented in the consolidated cash flow statements is as follows:

<i>In € millions</i>	2022	2021
As of June 30,		
Acquisition of flight equipment	1,326	871
Acquisition of other tangible assets	51	50
Acquisition of other intangible assets	106	133
Change in accounts payable on acquisitions	8	45
Total	1,491	1,099

17. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

<i>In € millions</i>	As of June 30, 2022	As of December 31, 2021
Liquidity funds (SICAV) (assets - debt instruments)	4,929	3,688
Bank deposits and term accounts (assets - debt instruments)	1,275	1,113
Cash in hand	1,969	1,857
Total cash and cash equivalents	8,173	6,658
Bank overdrafts	(2)	(4)
Cash, cash equivalents and bank overdrafts	8,171	6,654

18. PENSION PROVISIONS

As of June 30, 2022, the discount rates used by the companies to calculate the defined benefit obligations are the following:

	June 30, 2022	December 31, 2021
Euro zone – duration 10 to 15 years	3.08%	0.90%
UK – duration 20 years and more	3.69%	1.85%

The inflation rates used are the following:

	June 30, 2022	December 31, 2021
Euro zone – duration 10 to 15 years	2.45%	2.15%
UK – duration 20 years and more	3.40%	3.55%

The 10 to 15 years duration rate mainly concerns the plans located in France.

As of June 30 2022, the remeasurement of defined benefit pension obligation is composed of:

	June 30, 2022	June 30, 2021
Derecognition of the KLM Ground Staff	-	671
Impact of the change in discount rate	671	119
Impact of the change in inflation rate	(63)	(137)
Difference between the expected and actual return on assets	(193)	40
Total	415	693

(Increase in the net Defined Benefit Obligation) / Decrease of the net Defined Benefit Obligation.

The impact of variations in discount rates on the defined benefit obligation has been calculated using the sensitivity analysis of the defined benefit pension obligation. The sensitivity analysis is outlined in note 28.2 of the financial statements for the financial year ended December 31, 2021.

As of June 30, 2021, following the change of the KLM Ground staff pension plan to a defined contribution plan (see note 4.2 Events that occurred in the period of the financial statements for the financial year ended December 31, 2021), pension assets, based on the actuarial assumptions as of May 31, 2021, amounted to €875 million (before tax) including an increase of €671 million since December 31, 2020, related to the increase in discount rates and a return on funds exceeding expectations. This asset has been derecognized in “Other non-current income and expenses” in the consolidated income statement.

19. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA

19.1 Capital increase and impact on additional paid-in capital

Following the realization of the capital increase on June 16, 2022, the Company's share capital has increased to €2,570,536,136 divided into 2,570,536,136 shares, each with a nominal value of €1 (see 3.2. Events that occurred in the period).

As of June 30, 2022, the additional paid-in capital amounts to €5,217 million, an increase of €268 million following the capital increase.

19.2 Breakdown of stock and voting rights

As of June 30, 2022, the issued capital of Air France-KLM is thus composed of 2,570,536,136 fully paid-up shares with a nominal value of €1. Each share is entitled to one vote. However since April 3, 2016, shareholders who have held their shares in registered form for at least two years benefit from double voting rights.

The breakdown of stock and voting rights is as follows:

<i>In percentage(%)</i>	June 30, 2022		December 31, 2021	
	Capital	Voting rights	Capital	Voting rights
French State	28.6	28.5	28.6	28.2
Dutch State	9.3	10.7	9.3	13.8
CMA CGM	9.0	8.3	-	-
China Eastern Airlines	4.7	5.6	9.6	11.4
Delta Airlines	2.9	4.0	5.8	8.7
Employees and former employees	1.2	1.6	2.5	3.6
Treasury shares	-	0.1	0.2	0.3
Other	44.3	41.2	44.0	34.0
Total	100.0	100.0	100.0	100.0

The item "Employees and former employees" includes the shares held by employees and former employees identified in company mutual funds (FCPE).

19.3 Perpetual

On April 20, 2021, the Group issued €3 billion of perpetual super-subordinated bonds subscribed by the French State, to offset its direct loan of the same nominal amount (see note 4.2 Events occurring during the period of the consolidated financial statements as of December 31, 2021).

This non-monetary transaction has been accounted in the Group's consolidated balance sheet as a reclassification to equity of €3 billion from the line "financial liabilities".

On April 20, 2022, the Group paid the accrued coupon on the perpetual subordinated notes held by the French State for a total amount of €218 million (see note 3.2. Events that occurred in the period), of which €151 million for the accrued coupon as of December 31, 2021 and €67 million for the accrued coupon at the payment date.

On June 16, 2022, following the realization of the capital increase of Air France KLM Group, the perpetual subordinated notes held by the French State have been partially redeemed, for a total amount of €1,649 million, of which €1,631 million in nominal value and €18 million in accrued coupons (see note 3.2. Events that occurred in the period).

As of June 30, 2022, the accrued coupon on the perpetual subordinated amounts to €20 million.

19.4 Reserves and retained earnings

<i>In € millions</i>	June 30, 2022	December 31, 2021
Legal reserve	70	70
Defined pension benefit reserves ⁽¹⁾	(507)	(899)
Derivatives reserves ⁽¹⁾	327	199
Equity instruments reserves ⁽¹⁾	(56)	(54)
Other reserves	(11,955)	(8,566)
Net income (loss) – Group share	(228)	(3,292)
Total	(12,349)	(12,542)

⁽¹⁾ Net of the impact of deferred tax.

20. RETURN OBLIGATION LIABILITY AND PROVISION FOR LEASED AIRCRAFT AND OTHER PROVISIONS

<i>In € millions</i>	June 30, 2022			December 31, 2021		
	Non current	Current	Total	Non current	Current	Total
Return obligation liability on leased aircraft	3,637	451	4,088	3,433	376	3,809
Maintenance on leased aircraft	133	30	163	128	24	152
Restructuring	-	286	286	-	416	416
Litigation	402	18	420	405	19	424
Others	100	53	153	89	50	139
Total	4,272	838	5,110	4,055	885	4,940

20.1. Provisions

20.1.1. 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 12. Net cost of financial debt and other financial income and expenses).

The discount rate used to calculate these restitution liabilities and provisions relating to leased aircraft, determined on the basis of a short-term risk-free rate increased by a spread on risky debt (used for companies with high financial leverage), is 3.6 per cent as of June 30, 2022 as December 31, 2021.

20.1.2. Restructuring provisions

The movements in restructuring provisions with a significant impact on the income statement are accounted for in "Other non-current income and expenses" (see note 11. Other non-current income and expenses).

20.1.3. Litigation

An assessment of litigation risks with third parties has been carried out with the Group's attorneys and provisions have been recorded whenever circumstances require.

Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities, within the framework of tax audits, could reasonably challenge a tax position adopted by the Group or one of its subsidiaries.

In the normal course of its activities, the Air France-KLM Group, its subsidiaries Air France and KLM and their subsidiaries are involved in litigation cases, some of which may be significant.

20.1.4. Litigation concerning antitrust laws in the airfreight industry

Air France, KLM and Martinair, a wholly-owned subsidiary of KLM since January 1, 2009, have been involved, since February 2006, with up to twenty-five other airlines in investigations initiated by the antitrust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air freight industry.

As of December 31, 2021, most of these investigations had been terminated following the entry into plea agreements between the three companies of the Group and the appropriate competition authorities, providing for the payment of settlement amounts or fines, with the exception of the proceedings initiated by the European Commission, and by the Swiss antitrust authority, which are still pending.

In Europe, the decision of the European Commission of 2010 against eleven air cargo carriers, including the companies of the Group, Air France, KLM and Martinair, was annulled by the General Court of the European Union on December 16, 2015 because it contained a contradiction regarding the exact scope of the practices sanctioned. On March 17, 2017, the European Commission issued a new decision against the aforementioned cargo carriers, including Air France, KLM and Martinair. The total amount of fines imposed in respect of this decision at the Air France-KLM Group level was €339 million. This amount was slightly reduced by €15.4 million as compared to the initial decision owing to a lower fine for Martinair due to technical reasons. On May 29 and 30, 2017, the Group companies filed an appeal against this decision before the General Court of the European Union. The hearings before the General Court took place on June and July 2019.

Decision from the General Court in March 2022 confirmed the fines against Air France-KLM group companies. The Group companies appealed in June 2022 to the European Union Court of Justice, decision expected in 16-24 months. The Group has maintained a provision covering the total amount of these fines.

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.

As of June 30, 2022, the total amount of provisions in connection with proceedings, which have yet to give rise to definitive decisions amounts to €354 million.

20.1.5. Case brought against KLM by (former) Martinair Cargo pilots

In 2015, a case was brought against KLM by 152 (former) Martinair airline pilots, hereafter called "Vrachtvliegers". In 2016 and 2018, the District Court and Court of Appeal ruled in favor of KLM and rejected all claims of plaintiffs. In November 2019, however, the Supreme Court ruled against KLM on the basis of lack of sufficient motivation and referred the case to another Court of appeal. On June 8, 2021, this Court of appeal rendered its judgment in favor of the plaintiffs, the former Martinair pilots, ruling that the transfer of the cargo department qualifies as a transfer of undertaking.

According to the ruling the rights and obligations under the employment contracts of 116 Martinair pilots automatically transfer to KLM as per 1 January 2014. The Court of Appeal rejected the plaintiffs' claim to also transfer the rights regarding seniority accrued at Martinair.

Vrachtvliegers filed complaints on August 8, 2021 at the Supreme Court claiming that the rights regarding seniority accrued at Martinair should transfer to KLM. On June 24, 2022, the Attorney General has given the advice to the Supreme Court that the complaints should be rejected.

In 2021, KLM has booked a provision for a total amount of €22 million, unchanged in 2022.

20.1.6. Other provisions

Other provisions relate principally to provisions for onerous contracts, provisions for the portion of CO2 emissions not covered by the free allocation of quotas and provisions for the dismantling of buildings.

20.2 Contingent liabilities

The Group is involved in several governmental, judicial and arbitration procedures for which in most cases provisions have not been recorded in the financial statements in accordance with the applicable accounting rules. Indeed, with respect to most cases the Group is not in a position at this stage in these procedures, to give a reliable estimate of the potential loss that could be incurred in connection with these disputes.

20.2.1. Litigations concerning antitrust laws in the airfreight 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.

20.2.2. Litigations concerning antitrust 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. After the courts dismissed that case in the US, the plaintiffs have not taken any steps to move the case forward here since 2013. Based upon external counsel advice, this file is considered as closed now.

20.2.3. 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 Paris Court of Appeals ruled on May 12, 2021, referring Airbus and Air France to the Criminal Court. Following the rejection by the Court of Cassation on August 26, 2021 of the appeal filed by Air France and Airbus, the case is now under the jurisdiction of the Criminal Court.

US Department of Justice investigation related to United States Postal Service

In March 2016, the US Department of Justice (DOJ) informed Air France and KLM of a civil inquiry regarding contracts with the United States Postal Service for the international transportation of mail by air. In September 2016, a Civil Information Demand from the DOJ has been received seeking certain information relating to these contracts. The DOJ has indicated it is investigating potential violations of the False Claims Act. Air France and KLM have settled the case with DoJ in July 2022 for an aggregate amount of \$3.9 million (€3.6 million).

Except for the matters specified under the paragraphs 20.1 and 20.2, 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.

21. FINANCIAL LIABILITIES

<i>In € millions</i>	As of June 30, 2022				As of December 31, 2021		
	Notes	Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan in Yen		141	-	141	153	-	153
Perpetual subordinated loan in Swiss francs		377	-	377	363	-	363
OCEANE (convertible bonds)	21.1	481	-	481	476	-	476
Bonds	21.2	1,690	361	2,051	1,678	361	2,039
Debt on financial leases with bargain option		3,113	449	3,562	2,901	404	3,305
Loans guaranteed by the French and the Dutch States	21.3	3,619	-	3,619	4,310	-	4,310
State loans	21.3	-	-	-	278	-	278
Other financial liabilities	21.4	1,146	164	1,310	1,114	340	1,454
Accrued interest		1	105	106	1	110	111
Total - Financial liabilities		10,568	1,079	11,647	11,274	1,215	12,489

Change in financial liability

<i>In € millions</i>	December 31, 2021	New financial liabilities	Non monetary change	Reimburse- ment of financial liabilities	Currency translation adjustment	Other	June 30 2022
Perpetual subordinated loan in Japanese yens and Swiss francs	516	-	-	-	1	1	518
OCEANE	476	-	5	-	-	-	481
Bonds	2,039	-	-	-	12	-	2,051
Debt on financial leases with bargain option	3,305	476	10	(228)	(1)	1	3,563
Loans guaranteed by the French and the Dutch states	4,310	-	(27)	(665)	-	1	3,619
States loans	278	-	-	(277)	-	(1)	-
Other financial liabilities	1,454	76	17	(245)	8	(1)	1,309
Accrued interest	111	-	231	-	-	(236)	106
Total	12,489	552	236	(1,415)	20	(235)	11,647

21.1 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.

Following the realization of the capital increase of Air France KLM Group on June 16, 2022, to ensure that the rights of the OCEANE bond holders are maintained in accordance with the applicable legal and regulatory provisions and the terms and conditions of the OCEANE bonds, the conversion/exchange ratio has been adjusted as from June 16, 2022 from a parity of 1 Air France KLM share per OCEANE bond to a parity of 1.783 Air France KLM share per OCEANE bond (see note 3.2. Events that occurred in the period). This operation had no impact on the value recorded under financial liabilities.

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 June 30 2022, the debt value amount to €481 million.

21.2 Bonds

Bond	Issuing date	Amount issued (in millions)	Maturity date	Reimbursement date	Coupon
€ Bond issued in 2016	Oct 5, 2016	€ 361	Oct 12, 2022	-	3.75%
\$ Bond issued in 2016 ⁽¹⁾	Dec 9, 2016	\$ 145	Dec 15, 2026	-	4.35%
€ Bond issued in 2020	Jan, 10 2020	€ 750	Jan 16, 2025	-	1,875%
€ Bond issued in 2021	July 1, 2021	€ 300	July 1, 2024	-	3,00%
€ Bond issued in 2021	July 1, 20210	€ 500	July 1, 2026	-	3,875%

⁽¹⁾ Bonds issued to Asian institutional investors via an unlisted private placement.

21.3 Financial support from the French and Dutch states

As of June 30 2022, KLM has fully repaid the amounts drawn under the credit line and the guaranteed loan of the financial assistance provided by the Dutch State in 2020 (see note 33.3 Financial support from the French and Dutch States in the notes to the financial statements as of 31 December 2021) for a total amount of 942 million euros.

21.4 Other debt

Other debt breaks down as follows:

<i>In € millions</i>	As of June 30, 2022	As of December 31, 2021
Reservation of ownership clause and mortgage debt	836	1,038
Other debt	474	416
Total	1,310	1,454

21.5 Maturity analysis

The financial liabilities maturities breaks down as follows:

In € millions	As of June 30, 2022	As of December 31, 2021
Maturities in		
year Y (6 months)	768	-
Y+1	1,514	1,215
Y+2	2,785	1,401
Y+3	2,815	2,767
Y+4	1,159	3,470
Over 4 years	2,606	3,636
Total	11,647	12,489

As of June 30, 2022, the KLM perpetual subordinated loan in Swiss francs and Japanese yens are included in the line "Over 4 years".

The bonds issued in 2016, 2020 and 2021 will be reimbursed on their contractual maturity dates (see note 21.2 Bonds).

21.6 Credit lines

As of June 30 2022, having repaid €277 million of the credit lines as part of the aid provided by the Dutch State (see note 21.3 Financial support from the French and Dutch states), KLM still retains a credit line of €2.4 billion (of which €723 million for the direct loan and €1.735 million from the banks).

No new credit lines have been subscribed for the first semester of 2022.

22. LEASE DEBT

The lease debt breaks down as follows:

<i>In € millions</i>	As of June 30, 2022			As of December 31, 2021		
	Non current	Current	Total	Non current	Current	Total
Lease debt - aircraft	2,608	699	3,307	2,166	653	2,819
Lease debt - aeronautical spare parts	71	28	99	72	38	110
Lease debt - real estate	620	106	726	634	107	741
Lease debt - other	36	2	38	52	10	62
Accrued interest	-	16	16	-	17	17
Total - Lease debt	3,335	851	4,186	2,924	825	3,749

23. NET DEBT

<i>In € millions</i>	June 30, 2022	December 31, 2021
Current and non-current financial liabilities	11,647	12,489
Current and non-current lease debt	4,186	3,749
Accrued interest	(122)	(128)
Deposits related to financial liabilities	(96)	(99)
Deposits related to lease debt	(96)	(85)
Derivatives impact on debt	(60)	(14)
Gross financial liabilities (I)	15,459	15,912
Cash and cash equivalents	8,173	6,658
Marketable securities ⁽¹⁾	85	189
Cash secured ⁽¹⁾	424	324
Triple A bonds ⁽¹⁾	743	529
Bank overdrafts	(2)	(4)
Net cash (II)	9,423	7,696
Net debt (I-II)	6,036	8,216

⁽¹⁾ Included in "Others financial assets"

<i>In € millions</i>	June 30, 2022 6 months	December 31, 2021 12 months
Opening net debt	8,216	11,049
Operating free cash flow	(2,605)	(231)
Capital increase	(1,551)	(1,024)
Coupons on perpetual reclassified from equity	229	-
Perpetual reclassified from financial liabilities	-	(2,997)
Perpetual repayment	993	-
Disposal of subsidiaries, of shares in non-controlled entities	-	(75)
Acquisition of subsidiaries, of shares in non-controlled entities	-	2
Lease debts (new and renewed contracts)	637	1,150
Unrealised exchange gains and losses on lease financial debts through OCI	186	159
Impact of derivatives on net debt	(36)	(22)
Impact of Effective Interest Rate methodology on State loan	(5)	126
Currency translation adjustment	(19)	42
Amortization of OCEANE optional part	5	11
Other non-monetary variations of the net debt	(14)	26
Closing net debt	6,036	8,216

24. OTHER LIABILITIES

<i>In € millions</i>	As of June 30,		As of December 31,	
	2022		2021	
	Current	Non-current	Current	Non-current
Tax liabilities	1,224	948	794	1,060
Employee-related liabilities	1,043	1,365	960	1,355
Non-current asset payables	63	-	70	-
Deferred income	806	42	873	43
Prepayments received	393	-	390	-
Other	367	110	282	97
Total	3,896	2,465	3,369	2,555

Non-current deferred income mainly relates to long-term contracts in the maintenance business.

25. FLIGHT EQUIPMENT ORDERS

Due dates of firm orders commitments to the purchase of aircraft equipment are as follows:

<i>In € millions</i>	June 30, 2022	December 31, 2021
2 nd semester year Y (6 months)	1,197	-
Year Y+1	1,755	1,653
Year Y+2	1,804	1,253
Year Y+3	1,686	1,165
Year Y+4	1,177	822
> Year Y+4	2,402	212
Total	10,021	5,105

These commitments 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 June 30, 2022 increased by 95 units compared with December 31, 2021 and stood at 182 aircraft. This change are explained by the delivery of 9 aircraft over the period and a 104 aircraft on order.

The Group has indeed announced a firm order of 100 aircraft of Airbus A320neo family for its subsidiaries KLM and Transavia (see note 3.2 Events that occurred in the period), and 4 aircraft Airbus A350F Cargo for Air France.

Long-haul fleet (passenger)

The Group took delivery of five Airbus A350-900s.

Medium-haul fleet

The Group took delivery of four Airbus A220-300s.

The Group's commitments concern the following aircraft:

Aircraft type	To be delivered in	2 nd semester Y (6 months)	Y+1	Y+2	Y+3	Y+4	Beyond Y+4	Total
<u>Long-haul fleet – passenger</u>								
A350	As of June 30, 2022	2	7	6	5	-	-	20
	As of December 31, 2021	-	7	5	6	5	2	25
B787	As of June 30, 2022	4	2	2	-	-	-	8
	As of December 31, 2021	-	4	2	2	-	-	8
<u>Long-haul fleet – cargo</u>								
A350F	As of June 30, 2022	-	-	-	-	-	4	4
	As of December 31, 2021	-	-	-	-	-	-	-
<u>Medium-haul fleet</u>								
A320neo	As of June 30, 2022	-	-	-	7	15	37	59
	As of December 31, 2021	-	-	-	-	-	-	-
A321neo	As of June 30, 2022	-	-	9	7	13	12	41
	As of December 31, 2021	-	-	-	-	-	-	-
A220	As of June 30, 2022	11	15	12	12	-	-	50
	As of December 31, 2021	-	15	15	12	12	-	54
Total	As of June 30, 2022	17	24	29	31	28	53	182
	As of December 31, 2021	-	26	22	20	17	2	87

26. RELATED PARTIES

The main significant changes in the related parties in the first half of 2022 are as follows:

CMA-CGM

CMA-CGM company, following its acquisition of a stake in the Air France KLM Group at the time of the Group's capital increase on June 16, 2022, appointed Mr. Rodolphe Saadé as its representative in the Group's Board of Directors. Mr. Rodolphe Saadé's term of office as director took effect on July 15, 2022, following the obtaining of authorizations from the competent authorities. The business flows existing as of June 30, 2022 between Air France KLM and CMA-CGM are carried out under normal and current conditions, and their amounts are not significant.

French and Dutch States

The payment of coupons and the partial redemption of the perpetual subordinated notes held by the French State resulted in a decrease in the amount presented in note 42.2 of the notes to the consolidated financial statements at December 31, 2021 on the line "Perpetual" by an overall amount of €1,762 million.

In addition, on June 30, 2022, KLM fully repaid the loan granted by the Dutch State, reducing the amount presented in note 42.2 of the notes to the consolidated financial statements as of December 31, 2021, on the line "Other non-current financial liabilities" to zero.

3. INFORMATION AND CONTROL

Attestation by the person responsible for the first half financial report to June 30, 2022

I hereby declare that, to the best of my knowledge, the condensed financial statements for the first half of the 2022 financial year have been established 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 of all the companies within the consolidation scope, and that the first half activity report presents a true picture of the significant events arising during the first six months of the financial year and of their impact on the first half financial statements, the main related party agreements together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Benjamin Smith
Chief Executive Officer

7 rue du Cirque - 75008 Paris

Air France – KLM, société anonyme au capital de 2 570 536 136 euros

RCS Paris 552 043 002

Siège social : 7 rue du Cirque - 75008 Paris

STATUTORY AUDITORS REVIEW REPORT OF THE FIRST HALF FINANCIAL INFORMATION

Air France-KLM S.A.

Headquarters: 7, rue du cirque - 75008 Paris

Capital: € 2 570 536 136

Statutory auditors' review report on the 2022 half-yearly financial information

For the period from January 1, 2022 to June 30, 2022

This is a free translation into English of the statutory auditors' review report half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Air France – KLM SA, for the period from January 1, 2022 to June 30, 2022;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34- standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense and Neuilly sur Seine, July 29, 2022,

The Statutory Auditors

KPMG Audit

PricewaterhouseCoopers Audit

Département de KPMG S.A.

Valérie Besson

Associée

Éric Dupré

Associé

Philippe Vincent

Associé

Amélie Jeudi de Grissac

Associée