

AIR FRANCE-KLM GROUP

INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

January 1st, 2023 - September 30, 2023

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

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Consolidated financial statements

Consolidated income statement

Period from January 1 to September 30 (in € million)	Notes	2023	2022 restated ⁽¹⁾
Revenues from ordinary activities		22,612	19,264
External expenses	5	(13,371)	(11,874)
Salaries and related costs	6	(6,311)	(5,239)
Taxes other than income taxes		(133)	(118)
Other current operating income and expenses	7	810	796
EBITDA		3,607	2,829
Amortization, depreciation and provisions	8	(1,838)	(1,769)
Income from current operations		1,769	1,060
Sales of aircraft equipment	9	33	44
Other non-current income and expenses	9	11	(44)
Income from operating activities		1,813	1,060
Cost of financial debt	10	(443)	(416)
Income from cash and cash equivalents	10	176	9
Net cost of financial debt	10	(267)	(407)
Other financial income and expenses	10	(156)	(621)
Income before tax		1,390	32
Income taxes	11.1	(176)	208
Net income of consolidated companies		1,214	240
Share of profits (losses) of associates		7	–
Net income for the period		1,221	240
Non-controlling interests		31	8
Net income - Group part		1,190	232
Earnings per share - Equity holders of Air France-KLM (in euros)			
- basic	12	0.45	0.08
- diluted	12	0.45	0.07

⁽¹⁾ See Note 1 in Notes to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of recognized income and expenses

Period from January 1 to September 30	Notes	2023	2022
<i>(in € million)</i>			
Net income for the period		1,221	240
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		258	696
Change in fair value and cost of hedging transferred to profit or loss		(24)	(878)
Exchange difference resulting from the translation		3	14
Deferred tax on items of comprehensive income that will be reclassified to profit or loss		(59)	43
Total of other comprehensive income that will be reclassified to profit or loss		178	(125)
Remeasurements of defined benefit pension plans		72	605
Fair value of equity instruments revalued through OCI		(3)	(3)
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss		(8)	(30)
Total of other comprehensive income that will not be reclassified to profit or loss		61	572
Total of other comprehensive income, after tax		239	447
Recognized income and expenses		1,460	687
— Equity holders of Air France - KLM		1,429	679
— Non-controlling interests		31	8

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

Assets	Notes	September 30, 2023	December 31, 2022
(in € million)			
			restated ⁽¹⁾
Goodwill		225	225
Intangible assets		1,106	1,127
Flight equipment		11,296	10,614
Other property, plant and equipment		1,379	1,375
Right-of-use assets		5,596	5,428
Investments in equity associates		127	120
Pension assets		71	39
Other non-current financial assets		1,392	1,184
Non-current derivative financial assets		222	262
Deferred tax assets	11	578	714
Other non-current assets		76	78
Total non-current assets		22,068	21,166
Other current financial assets		494	620
Current derivative financial assets		529	327
Inventories		799	723
Trade receivables		2,333	1,785
Other current assets		1,062	979
Cash and cash equivalents		6,481	6,626
Assets held for sale		82	79
Total current assets		11,780	11,139
Total assets		33,848	32,305

⁽¹⁾ See Note 1 in Notes to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheet (continuation)

Liabilities and equity	Notes	September 30, 2023	December 31, 2022
<i>(in € million)</i>			
Issued capital	13.1	257	2,571
Additional paid-in capital		7,531	5,217
Treasury shares		(25)	(25)
Perpetual	13.2	1,062	933
Reserves and retained earnings		(10,414)	(11,700)
Equity attributable to equity holders of Air France-KLM		(1,589)	(3,004)
Perpetual	13.2	1,006	510
Reserves and retained earnings	13.3	19	14
Equity attributable to Non-controlling interests		1,025	524
Total equity		(564)	(2,480)
Pension provisions		1,647	1,634
Non-current return obligation liabilities and provisions for leased aircrafts and other provisions		4,089	4,149
Non-current financial liabilities	14	7,572	9,657
Non-current lease debt		3,339	3,318
Non-current derivative financial liabilities		11	21
Deferred tax liabilities	11	8	1
Other non-current liabilities	16	1,581	2,343
Total non-current liabilities		18,247	21,123
Current return obligation liabilities and provisions for leased aircrafts and other provisions		853	740
Current financial liabilities	14	1,490	896
Current lease debt		850	834
Current derivative financial liabilities		34	83
Trade payables		2,815	2,424
Deferred revenue on ticket sales		4,324	3,725
Frequent flyer programs		908	900
Other current liabilities	16	4,890	4,057
Bank overdrafts		1	3
Total current liabilities		16,165	13,662
Total liabilities		34,412	34,785
Total equity and liabilities		33,848	32,305

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in stockholders' equity

(in € million)	Attributable to equity holders of Air France-KLM						Non-controlling interests			Total	
	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual bonds	Reserves and retained earnings	Equity	Perpetual bonds	Reserves and retained earnings	Equity	Equity
December 31, 2021	642,634,034	643	4,949	(25)	3,151	(12,542)	(3,824)	-	8	8	(3,816)
Other comprehensive income		-	-	-	-	447	447	-	-	-	447
Net result for the period		-	-	-	-	232	232	-	8	8	240
Total of income and expenses recognized		-	-	-	-	679	679	-	8	8	687
Capital increase	1,927,902,102	1,928	268	-	-	-	2,196	-	-	-	2,196
Capital increase paid by non controlling interests		-	-	-	-	-	-	-	3	3	3
Perpetual		-	-	-	(2,118)	-	(2,118)	497	-	497	(1,621)
Coupons on perpetual		-	-	-	(121)	(125)	(246)	5	(5)	-	(246)
September 30, 2022	2,570,536,136	2,571	5,217	(25)	912	(11,988)	(3,313)	502	14	516	(2,797)
December 31, 2022	2,570,536,136	2,571	5,217	(25)	933	(11,700)	(3,004)	510	14	524	(2,480)
Other comprehensive income		-	-	-	-	239	239	-	-	-	239
Net result for the period		-	-	-	-	1,190	1,190	-	31	31	1,221
Total of income and expenses recognized		-	-	-	-	1,429	1,429	-	31	31	1,460
Purchase of Treasury Shares		-	-	(1)	-	-	(1)	-	-	-	(1)
Share based payments		-	-	1	-	(1)	-	-	-	-	-
Reverse share split and share capital reduction	(2,313,482,523)	(2,314)	2,314	-	-	-	-	-	-	-	-
Capital increase paid by non controlling interests		-	-	-	-	-	-	-	2	2	2
Perpetual bonds		-	-	-	133	-	133	498	-	498	631
Coupons on perpetual		-	-	-	(4)	(53)	(57)	(2)	(28)	(30)	(87)
Dividends paid ⁽¹⁾		-	-	-	-	(90)	(90)	-	-	-	(90)
Other		-	-	-	-	1	1	-	-	-	1
September 30, 2023	257,053,613	257	7,531	(25)	1,062	(10,414)	(1,589)	1,006	19	1,025	(564)

⁽¹⁾ As of September 30, 2023 and in the context of the exit of the French Recapitalization State Aid under the EU Covid-19 Temporary Framework, the Group paid a €90 million compensation to the French State required for the shares subscribed in April 2021. This payment was considered as a dividend payment and was therefore recognized in equity accordingly to IFRS principles.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Period from January 1 to September 30 (in € million)	Notes	2023	2022 restated ⁽¹⁾
Net income		1,221	240
Amortization, depreciation and operating provisions	8	1,839	1,770
Financial provisions	10	157	105
Loss (gain) on disposals of tangible and intangible assets		(54)	(45)
Derivatives - non monetary result		(6)	(28)
Unrealized foreign exchange gains and losses, net		24	523
Share of (profits) losses of associates		(7)	-
Deferred taxes	11	78	(234)
Impairment		2	19
Other non-monetary items		(166)	(147)
Financial capacity		3,088	2,203
(Increase) / decrease in inventories		(81)	(119)
(Increase) / decrease in trade receivables		(491)	(431)
Increase / (decrease) in trade payables		324	786
Increase / (decrease) in advanced ticket sales		608	1,489
Change in other assets and liabilities		(13)	548
Change in working capital requirement		347	2,273
Net cash flow from operating activities		3,435	4,476
Acquisition of subsidiaries, of shares in non-controlled entities		(2)	(1)
Acquisition of warrants		(12)	-
Purchase of property plant and equipment and intangible assets		(2,280)	(2,048)
Proceeds on disposal of property plant and equipment and intangible assets	9	276	678
Dividends received		3	1
Decrease (increase) in net investments, more than 3 months		112	(240)
Net cash flow used in investing activities		(1,903)	(1,610)
Increase of equity	13.1	-	1,551
Capital increase paid by non controlling interests		2	3
Payments to acquire treasury shares		(1)	-
Issuance of perpetual	13.2	1,226	497
Repayment on perpetual	13.2	(595)	(1,480)
Coupons on perpetual	13.2	(87)	(238)
Issuance of debt	14	1,798	769
Repayment on debt	14	(3,116)	(1,600)
Payments on lease debts		(625)	(653)
New loans		(298)	(177)
Repayment on loans		127	16
Dividends paid		(90)	-
Net cash flow from financing activities		(1,659)	(1,312)
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		(16)	53
Change in cash and cash equivalents and bank overdrafts		(143)	1,607
Cash and cash equivalents and bank overdrafts at beginning of period		6,623	6,654
Cash and cash equivalents and bank overdrafts at end of period		6,480	8,261
Income tax (paid) / reimbursed (flow included in operating activities)		(90)	47
Interest paid (flow included in operating activities)		(583)	(671)
Interest received (flow included in operating activities)		151	(5)

⁽¹⁾ See Note 1 in Notes to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Operating free cash flow

Period from January 1 to September 30 (in € million)	Notes	2023	2022 restated ⁽¹⁾
Net cash flow from operating activities		3,435	4,476
Purchase of property plant and equipment and intangible assets		(2,280)	(2,048)
Proceeds on disposal of property plant and equipment and intangible assets		276	678
Operating free cash flow	15	1,431	3,106
Payments on lease debts		(625)	(653)
Operating free cash flow adjusted		806	2,453

⁽¹⁾ See Note 1 in Notes to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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NOTE 1 RESTATEMENT OF THE 2022 FINANCIAL STATEMENTS

Since January 1, 2012, airlines have been subject to the Emission Trading Scheme (ETS) regulations for all flights to or from the European Economic Area.

Additionally, since January 1, 2020, Air France has been compensating all the CO₂ emissions of its customers on the French domestic routes.

Until December 31, 2022 and as described in Note 4.23 "Emission Trading Scheme" of the notes to the 2022 consolidated financial statements, the Group recognized for the CO₂ emissions compensation scheme:

- on the assets side, free CO₂ quotas allocated by the State and the ones purchased on the market to compensate emissions as unamortized intangible assets. Their acquisition was disclosed in the investing activities of the consolidated cash flow statement;
- in the income statement, an expense to cover its obligation to surrender rights corresponding to its emissions of the period within the "Other current operating income and expenses" of the consolidated income statement. This non-monetary expense was restated under within the "other non-monetary items" in the cash flow statement without impacting operating cash flows;
- on the liabilities side, a provision to cover the cost of quotas to be surrendered in respect of emissions made at the closing date.

As from January 1, 2023 and in the absence of IFRS standards or interpretations governing ETS accounting and considering CO₂ quotas as an operating expense linked to fuel expenses, the Group considers that the operating cash flow is the most representative of this outflow. The Group therefore decided to adjust its accounting treatment as described below:

- free CO₂ quotas allocated by the State and the ones purchased on the market recognized as intangible assets will now be disclosed in the line "other assets" of the consolidated balance sheet and as an operating cash flow in the consolidated cash flow statement;
- the expense corresponding to the obligation to surrender quotas of the period will be integrated in the "external expenses" of the consolidated income statement;
- the obligation to surrender rights valued at acquisition cost for acquired rights - including free quotas - and at market price for rights not yet acquired remains a provision on the liability side.

This change has been applied retrospectively to the financial information disclosed in the prior periods in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The impacts on the comparative periods for the impacted items of the primary financial statements are presented below:

Impact on the consolidated income statement

Period from January 1 to September 30, 2022 (in € million)	Published accounts	Change in accounting treatment	Restated accounts
External expenses	(11,815)	(59)	(11,874)
Other current operating income and expenses	737	59	796

Impact on the consolidated statement of cash flows

Period from January 1 to September 30, 2022 (in € million)	Published accounts	Change in accounting treatment	Restated accounts
Other non-monetary items	(88)	(59)	(147)
Change in other assets and liabilities	523	25	548
Net cash flow from operating activities	4,510	(34)	4,476
Purchase of property plant and equipment and intangible assets	(2,082)	34	(2,048)
Net cash flow used in investing activities	(1,644)	34	(1,610)

Impact on the consolidated balance sheet

Balance sheet as of December 31, 2022 (in € million)	Published accounts	Change in accounting treatment	Restated accounts
Intangible assets	1,337	(210)	1,127
Other non current assets	-	78	78
Other current assets	847	132	979

NOTE 2 SIGNIFICANT EVENTS

2.1 Significant events occurring during the period

Sustainability-linked bonds, for a total amount of €1 billion

On January 9, 2023, Air France-KLM has placed its first sustainability-linked bonds, for a nominal amount of €1 billion. This financing is linked to the Company's target to reduce its jet fuel greenhouse gas (GHG) emissions per revenue tonne kilometer (RTK) by 10% by 2025, compared to a 2019 baseline, as part of its 2030 SBTi approved objective.

The emission is composed of two tranches:

- a €500 million with a maturity as of May 31, 2026 and a coupon of 7.250% and
- a €500 million with a maturity as of May 31, 2028 and a coupon of 8.125%.

It has been accounted for in non-current financial liabilities in balance sheet as of September 30, 2023.

Early repayment of €2.5 billion of the bank loan guaranteed by the French State ("PGE")

On March 15, 2023, Air France-KLM has fully repaid the remaining €2.5 billion from its initial €4 billion Bank loan guaranteed by the French State, granted during the Covid-19 crisis.

To do so, the Group used the proceeds of €1 billion from Sustainability-linked bonds issued and €1.5 billion available cash.

Evolution of perpetual subordinated bonds owned by the French State

Respectively, on March 17, 2023 and April 19, 2023, Air France-KLM has repaid the full amount of the outstanding French State perpetual bonds, under the terms of temporary framework related to Covid-19 aid, for €320 million and €317 million (including accrued coupons).

The Group has also paid the required compensation of the French State for the shares subscribed in April 2021, for an amount of €90 million.

Concurrently, the Group has refinanced €320 million on March 17, 2023 and €407 million on April 19, 2023 through the issuances of new French State perpetual hybrid

bonds as an approved compensation aid to Air France for damages incurred as a result of Covid-19 between March 17 and June 30, 2020. These new perpetual bonds with no "bans" attached contain similar financial conditions as the ones repaid at the same date, with non-call date and interest rate step-up postponed by an additional two years (March 2029).

Perpetual hybrid bonds are accounted for in equity as of September 30, 2023.

Flight AF447 Rio-Paris

Air France was indicted on March 28, 2011, the day after Airbus was indicted, for involuntary manslaughter in the context of the crash of AF447 Rio-Paris of June 1, 2009.

An order of dismissal in favor of Air France and Airbus was issued on September 4, 2019 by the investigating judges of the Paris "Tribunal de Grande Instance".

The Public Prosecutor's Office and most of the civil parties have appealed this decision and the investigation chamber of the Court of Appeal ruled on May 12, 2021, sending Airbus and Air France back before the Correctional Division of the Paris Judicial Court.

A criminal trial took place from October 10 to December 8, 2022 before the Paris Correctional Court. After the Public Prosecutor's Office requested the acquittal, the Court issued an acquittal judgement on April 17, 2023 based on the absence of causal link between the alleged faults and the accident. On April 27, 2023, the General Prosecutor's Office appealed this decision, and Airbus and Air France in turn appealed the decision to contest the respective faults with which they were charged.

The appeal hearings should take place within 12 to 18 months.

Signature of two Revolving Credit Facilities ("RCF") linked to ESG KPIs for a total amount of €2.2 billion

On April 18, 2023, Air France-KLM, Air France and KLM have signed two ESG ("Environmental, Social and Governance") KPI-Linked Revolving Credit Facilities ("RCF") with a pool of international financial institutions, for a total amount of €2.2 billion.

For each facility, a set of ESG linked Key Performance Indicators are embedded in the financing cost.

These indicators are in line with Air France-KLM and the two airlines' commitment to sustainable development and a gradual decarbonization of activities. The two RCFs include a financing cost margin adjustment mechanism (upward or downward) conditional to the independent achievement of these dedicated Indicators (reduction of the unit CO₂ emission, increase of the share of Sustainable Aviation Fuel, among others).

Air France-KLM and Air France

Air France-KLM and Air France as combined borrower signed a €1.2 billion Sustainability-Linked RCF.

This new facility has an initial 2026 maturity, includes two one-year extension options and provides for a €100 million accordion clause at the lenders' discretion during one year following the signing date.

KLM

KLM signed a ESG KPI-linked Revolving Credit Facility for an amount of €1 billion.

This new facility has an initial 2027 maturity, includes two one-year extension options and provides a €200 million accordion clause at the lenders' discretion.

This facility replaces both the remaining direct loan granted to KLM by the Dutch State and the existing credit facility guaranteed by the Dutch State, both which were cancelled by KLM.

Agreement between Air France-KLM and Apollo Global Management related to a financing of €500 million

As of July 14, 2023, Air France-KLM and Apollo Global Management have signed a definitive agreement for Apollo-managed funds and entities to raise a €500 million financing into an operating affiliate of Air France that owns a pool of components dedicated to Air France's Engineering and Maintenance activities.

The accounting treatment of the operation is described in Note 13.3 "Non-controlling interests".

Air France-KLM reverse share split and share capital reduction

As of August 31, 2023, Air France-KLM completed the reverse share split of all outstanding shares of the Company and the capital reduction by reduction of the nominal value of each share, as decided by the Board of Directors at its meeting on 4 July 2023 and in accordance with the 36th and 37th extraordinary resolutions of the Combined General Meeting of 7 June 2023.

These transactions resulted in two steps, without equity impact:

Reverse share split

The reverse share split resulted in the allocation of 1 new ordinary share with a par value of €10 for 10 existing ordinary shares with a par value of €1, and in a division by 10 of the number of outstanding shares. The reverse share split transactions took place on July 31, 2023, with an exchange period open from that date until August 30, 2023 included.

Share capital reduction

On August 31, 2023, the par value of each share in the Company was reduced from €10 to €1, i.e. a reduction of €9 per share. The amount of this share capital reduction has been allocated to the "share premium" account. After the share capital reduction, the new shares' par value is identical to the par value of shares (before the reverse share split).

After the transaction, the Company's share capital is standing at €257,053,613 divided into 257,053,613 shares with a par value of €1 each.

Order for 50 Airbus A350 family aircraft with purchase rights for 40 additional aircraft

As of September 25, 2023, the Air France-KLM Group announced that it plans to place a landmark aircraft order to pursue the renewal and rationalization of its long-haul fleet.

This Group order will cover 50 Airbus A350-900 and A350-1000 aircraft - with purchase rights for 40 additional aircraft - with first deliveries expected in 2026 through to 2030. This will be an evolutionary order, providing the Group with flexibility to allocate aircraft within its portfolio of airlines, according to market dynamics and local regulatory conditions.

2.2 Subsequent events

Air France-KLM to team up with SAS AB through equity and commercial cooperation

As of October 3, 2023, Air France-KLM has been selected by SAS AB's Board of Directors as the winning bidder in SAS's exit financing solicitation process, collectively with a consortium.

Air France-KLM could take up to a maximum 19.9% non-controlling stake in the share capital of the reorganized SAS AB.

The Consortium's investment proposal remains to be finalized and is subject to certain conditions and regulatory approvals including, but not limited to, approval by the European Commission, the US court overseeing the Chapter 11 reorganization and, in respect of SAS AB, the Swedish court.

Should this transaction be approved and all the other conditions (including regulatory clearances and cancellation of all existing shares of stock of SAS AB) be satisfied, the Consortium, together with the Danish State, would invest USD 1.175 billion of which USD 475 million in common shares and USD 700 million in the form of secured convertible bonds.

Air France-KLM's investment would represent a total of USD 144.5 million, of which USD 109.5 million would be invested in common shares and USD 35 million would be provided in the form of secured convertible bonds.

At this stage, as of September 30, 2023, Air France KLM has paid a deposit amounting to €13 million, included in the net cash flow used in investing activities.

Air France-KLM is launching a global employee share purchase plan

Within the framework of the 34th and 35th resolutions of the Annual General Meeting of June 7, 2023, on October 23, 2023, the Air France-KLM Group launch "Partners for the future", an employee share purchase plan offered to around 75.000 eligible employees in around 20 countries.

Eligible employees will be able to subscribe at a 30% discounted price with the benefit of a matching contribution from the Air France-KLM group.

The proposed shares may not exceed 3% of Air France-KLM's share capital.

This operation will be accounted for in the last quarter of 2023.

Air France's domestic offer from Paris adaptation plan by 2026

On October 18th, 2023, Air France Group has presented to the employees representative committee an adaptation plan on domestic flights from Paris by summer 2026.

Air France will operate all domestic and international flights from Paris-Charles de Gaulle hub. Only the public service delegation on Air France's flights to/from Corsica, subject to application from 2024, would operate from Paris-Orly.

Transavia would be the Air France Group's leading airline departing from Paris-Orly airport.

The expected impact on employment is limited :

- a) On stations, considering the redirection of part of the existing flights from Paris-Orly to Paris-Charles de Gaulle.
- b) For employees located at Paris-Orly, considering the resource requirements of Charles de Gaulle hub.

Therefore, at that time and on the basis of forementioned elements, Air France-KLM group is not expecting any significant impact on financial statements including asset depreciation periods and restructuring costs.

Air France-KLM and Apollo Global Management sign a definitive agreement for a €1.3 billion financing with a potential upside to €1.5 billion

On October 26th, 2023, Air France-KLM and Apollo Global Management signed a definitive agreement between Apollo-managed funds and entities and a dedicated operating affiliate of Air France-KLM regarding a €1.3 billion financing with the option for Apollo to increase the nominal amount up to €1.5 billion in total, prior to closing.

This dedicated operating affiliate of Air France-KLM will hold the trademark and most of the commercial partners contracts related to Air France and KLM's joint loyalty program (Flying Blue). The affiliate will become the exclusive issuer of miles for the airlines of the Group and partners.

Under the agreement, Apollo-managed funds will subscribe to perpetual bonds issued by this dedicated operating affiliate. The financing will be non-dilutive to shareholders. The structure is similar to two previous financings raised by Air France on its pool of spare engines in July 2022 and its maintenance activity components in July 2023.

The perpetual bonds will bear a coupon of 6.4% for the first four years, with the ability to redeem with an overall financing cost of 6.75% on the first call date.

The perpetual bonds will be accounted in equity.

NOTE 3 ACCOUNTING POLICIES

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, 2022 were established in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union on the date these consolidated financial statements were established and which were mandatory at that date.

The interim consolidated financial information as of September 30, 2023 must be read in connection with the annual consolidated financial statements for the year ended on December 31, 2022. They have been established in accordance with the accounting principles used by the Group for the consolidated financial statements 2022, except for standards and interpretations adopted by the European Union applicable as from January 1, 2023.

The amendments applicable to the Group from January 1, 2023 are as follows:

- amendment to IAS 1 concerning the presentation of significant accounting policies in the financial statements,
- amendment to IAS 8 regarding the definition of accounting standards,
- amendment to IAS 12 concerning deferred tax on assets and liabilities resulting from the same transaction.

These amendments have no significant impact for the Group.

The expected impact of legislative changes on retirement age in France is not significant for the Group.

Finally, the Group is concerned by the application of Pillar 2 and has undertaken work to assess the impact.

The condensed interim consolidated financial statements as of September 30, 2023 were reviewed by the Board of Directors on October 26, 2023.

NOTE 4 INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments (note 4.1)

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-share agreements. They also include code-share 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-share agreements. Other cargo revenues are derived principally from the sale 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 the EBITDA, current operating income and to the income from operating activities. Other elements of the income statement are presented in the "non-allocated" column.

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

Geographical segments (note 4.2)

Activity by origin of sales area (note 4.2.1)

Group external sales 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.

Activity by destination (note 4.2.2)

Group Traffic sales by destination are broken down into seven geographical areas:

- Metropolitan France;
- Europe (excluding France) and North Africa;
- Caribbean, West Indies, French Guyana and Indian Ocean;
- Africa (excluding North Africa), Middle East;
- North America, Mexico;
- South America (excluding Mexico);
- Asia and New Caledonia.

4.1 Information by business segment

Period ended September 30, 2023	Network	Maintenance	Transavia	Other	Non-allocated	Total
<i>(in € million)</i>						
Total sales	19,314	3,034	2,104	193	–	24,645
Intersegment sales	(21)	(1,844)	(1)	(168)	–	(2,034)
External sales	19,293	1,190	2,103	25	–	22,611
Other revenues	–	–	–	1	–	1
Revenues from ordinary activities	19,293	1,190	2,103	26	–	22,612
EBITDA	3,079	311	206	11	–	3,607
Income from current operations	1,634	125	16	(6)	–	1,769
Income from operating activities	1,668	124	18	3	–	1,813
Share of profits (losses) of associates	1	3	–	3	–	7
Net cost of financial debt and other financial income and expenses	–	–	–	–	(423)	(423)
Income taxes	–	–	–	–	(176)	(176)
Net income	1,669	127	18	6	(599)	1,221

Period ended September 30, 2022	Network	Maintenance	Transavia	Other	Non-allocated	Total
<i>(in € million)</i>						
Total sales	16,588	2,568	1,705	164	–	21,025
Intersegment sales	(34)	(1,584)	–	(143)	–	(1,761)
External sales	16,554	984	1,705	21	–	19,264
Revenues from ordinary activities	16,554	984	1,705	21	–	19,264
EBITDA	2,319	326	194	(10)	–	2,829
Income from current operations	894	147	13	6	–	1,060
Income from operating activities	902	148	13	(3)	–	1,060
Share of profits (losses) of associates	1	4	–	(5)	–	–
Net cost of financial debt and other financial income and expenses	–	–	–	–	(1,028)	(1,028)
Income taxes	–	–	–	–	208	208
Net income	903	152	13	(8)	(820)	240

4.2 Information by geographical area

4.2.1 Activity by origin of sales area

External sales by geographical area

Period ended September 30, 2023	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (excl. France and Benelux)	Rest of the world	Total
<i>(in € million)</i>					
Transportation	5,091	2,072	3,822	7,523	18,508
Other sales ⁽¹⁾	369	185	102	129	785
Total Network	5,460	2,257	3,924	7,652	19,293
Transportation	808	1,124	170	43	2,145
Other sales ⁽¹⁾	(8)	(31)	(2)	(1)	(42)
Total Transavia	800	1,093	168	42	2,103
Maintenance	585	496	22	87	1,190
Others	7	16	2	-	25
Total	6,852	3,862	4,116	7,781	22,611

⁽¹⁾ This line includes compensation paid to clients in accordance with EU261

Period ended September 30, 2022	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (excl. France and Benelux)	Rest of the world	Total
<i>(in € million)</i>					
Transportation	4,690	1,803	3,532	5,877	15,902
Other sales ⁽¹⁾	247	128	120	157	652
Total Network	4,937	1,931	3,652	6,034	16,554
Transportation	630	947	145	30	1,752
Other sales ⁽¹⁾	(21)	(22)	(3)	(1)	(47)
Total Transavia	609	925	142	29	1,705
Maintenance	504	384	16	80	984
Others	5	15	1	-	21
Total	6,055	3,255	3,811	6,143	19,264

⁽¹⁾ This line includes compensation paid to clients in accordance with EU261

4.2.2 Activity by destination

Traffic sales by geographical area of destination

Period ended September 30, 2023	Metropolit an France	Europe (excl. France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
(in € million)								
Network	1,050	4,387	1,418	2,448	4,640	2,060	2,505	18,508
Transavia	111	1,878	-	156	-	-	-	2,145
Total Transportation	1,161	6,265	1,418	2,604	4,640	2,060	2,505	20,653

Period ended September 30, 2022	Metropolit an France	Europe (excl. France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
(in € million)								
Network	968	3,757	1,394	2,196	4,165	1,804	1,618	15,902
Transavia	98	1,548	-	106	-	-	-	1,752
Total Transportation	1,066	5,305	1,394	2,302	4,165	1,804	1,618	17,654

NOTE 5 EXTERNAL EXPENSES

Period from January 1 to September 30	2023	2022
(in € million)		
Aircraft fuel (including sustainable aviation fuel)	5,360	5,184
CO ₂ quotas	139	59
Chartering costs	410	285
Landing fees and air route charges	1,458	1,271
Catering	618	525
Handling charges and other operating costs	1,393	1,189
Aircraft maintenance costs	1,831	1,643
Commercial and distribution costs	785	641
Other external expenses	1,377	1,077
Total	13,371	11,874

⁽¹⁾ See Note 1 in Notes to the consolidated financial statements.

A portion of external expenses, mainly aircraft fuel and maintenance, is sensitive to fluctuations in the US dollar exchange rate.

The hedges covering this currency exposure are presented in Note 7 "Other current operating income and expenses".

NOTE 6 SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

Period from January 1 to September 30	2023	2022
(in € million)		
Wages and salaries	4,382	3,810
Social contributions	830	705
Pension costs on defined contribution plans	645	582
Pension costs of defined benefit plans	109	96
Cost of temporary employees	174	123
Profit sharing	122	1
Temporary Emergency Bridging Measure for Sustained Employment (NOW)	–	(138)
Other expenses	49	60
Total	6,311	5,239

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

Following the impact of the Covid-19 public health crisis, as of March 23, 2020 Air France and its main French subsidiaries implemented part-time activity for their employees. As of September 30, 2022, the impact of these measures amounted to €135 million.

These measures came to an end at the end of 2022.

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 amounted to €(138) million for the period from January 1 until September 30, 2022.

Average number of employees

Period from January 1 to September 30	2023	2022 ⁽¹⁾
Flight deck crew	8,497	8,132
Cabin crew	21,849	20,627
Ground staff	44,844	43,680
Temporary employees	2,250	1,868
Total	77,440	74,307

⁽¹⁾ Excluding partial activity effect.

NOTE 7 OTHER CURRENT OPERATING INCOME AND EXPENSES

Period from January 1 to September 30 (in € million)	2023	2022 restated ⁽¹⁾
Capitalized production	758	741
Joint operation of routes	(30)	(4)
Operations-related currency hedges	59	92
Other	23	(33)
Total	810	796

⁽¹⁾ See Note 1 in Notes to the consolidated financial statements.

NOTE 8 AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to September 30 (in € million)	2023	2022
Amortization		
Intangible assets	121	136
Flight equipment	803	840
Other property, plant and equipment	134	132
Right-of-use assets	893	878
Sub-Total	1,951	1,986
Depreciation and provisions		
Inventories	5	(9)
Trade receivables	(13)	(84)
Risks and contingencies	(105)	(124)
Sub-Total	(113)	(217)
Total	1,838	1,769

Without calling into question the objective of reaching 64% of new-generation aircraft in the fleet by 2028, the Group has decided to extend the amortization period for its Boeing B777-300 fleet from 20 to 25 years, generating a reduction in amortization expense of €61 million over the period ended September 30, 2023.

NOTE 9 SALES OF AIRCRAFT EQUIPMENT AND OTHER NON-CURRENT INCOME AND EXPENSES

Period from January 1 to September 30	2023	2022
(in € million)		
Sales and leaseback	7	42
Other aeronautical sales	26	2
Sales of aeronautical assets	33	44
Restructuring costs	(6)	(4)
Impairment of fleet	(2)	(37)
Disposals of other assets	22	1
Other	(3)	(4)
Other non-current income and expenses	11	(44)

Nine-month period ended September 30, 2023

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in a profit of €7 million in the income statement and a result on disposal of €202 million in the cash flow statement as of September 30, 2023.

Other aeronautical sales

The impact of other aeronautical sales mainly corresponds to a B777 refinancing for KLM and has led to a gain of €20 million as of September 30, 2023.

Disposals of other assets

This line included the profit resulting from disposal of Heathrow slots to Virgin Atlantic for KLM for €11 million, and the sale of a data center for KLM for an amount of €10 million.

Nine-month period ended September 30, 2022

Sales of aircraft equipment

The impact of aircraft sales and leasebacks sales had led to a gain of €42 million and a result on disposal of €624

million in the cash flow statement as of September 30, 2022.

Impairment of fleet

This line included mainly:

- 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 €(11) 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 September 30, 2022, 7 CRJ were still in the Group's fleet. (3 CRJ still on the fleet as of September 30, 2023).
- An additional allocation for an amount of €(18) million to bring the residual value of the Air France A380 fleet to its market value.

Restructuring costs

This line included mainly a provision for an amount of €(11) million related to the voluntary departure plan for French employees at Air France Short-haul stations.

NOTE 10 NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

Period from January 1 to September 30 (in € million)	2023	2022
Income from marketable securities	95	(15)
Other financial income	81	24
Income from cash and cash equivalents	176	9
Interest on financial liabilities	(367)	(228)
Interest on lease debt	(195)	(194)
Capitalized interests	30	22
Other non-monetary items	78	(9)
Other financial expenses	11	(7)
Gross cost of financial debt	(443)	(416)
Net cost of financial debt	(267)	(407)
Foreign exchange gains (losses), net	10	(533)
Financial instruments	6	29
Net (charge)/release to provisions	(5)	(6)
Undiscounting of provision	(152)	(99)
Other	(15)	(12)
Other financial income and expenses	(156)	(621)
Total	(423)	(1,028)

Net cost of financial debt

Income from cash and cash equivalents mainly comprises interest income from marketable securities and other financial assets, as well as net income on disposals of marketable securities.

As of September 30, 2023, the bank loan guaranteed by the French State ("PGE") was repaid in full (see Note 2.1 "Significant events occurring during the period"), generating a net positive impact of €10 million in financial income, consisting of an expense of €(96) million related to the guarantee contractually due, recognized in the line "Interest on financial liabilities" and an income of €106 million, related to the application of the amortized cost at the effective interest rate methodology, recognized in the line "Other non-monetary items".

Foreign exchange gains (losses)

As of September 30, 2023, the foreign exchange gain includes an unrealized currency loss of €24 million composed of:

- a loss of €22 million on return obligation

liabilities and provisions on aircraft in US dollars;

- a unrealized gain of €44 million on the net debt, mainly composed of a loss of €14 million on US Dollar and a gain of €70 million on Japanese Yen;
- a loss of 46 million on other assets and liabilities mainly due to US dollars on the working capital.

As of September 30, 2022, the foreign exchange losses mainly included an unrealized currency loss of €570 million composed of:

- a loss of €512 million on return obligation liabilities and provisions on aircraft in US dollars;
- a loss of €40 million on debt, mainly composed of a loss of €106 million on debt in US dollars and a gain of €54 million on debt in Japanese yen.

Undiscounting of provision

The rate used to undiscount the long term return obligation liability and provision for leased aircraft non current is 5.5% in 2023 against 3.6% in 2022.

NOTE 11 INCOME TAXES

11.1 Income tax charge

Current income tax expenses and deferred income tax are detailed as follows:

Period from January 1 to September 30 (in € million)	2023	2022
Current tax (expense) / income and other taxes	(98)	(27)
Change in temporary differences	4	(46)
(Use / de-recognition) / recognition of tax loss carry forwards	(82)	281
Deferred tax income / (expense)	(78)	235
Total	(176)	208

The current income tax charge relates to the amounts paid or payable to the tax authorities in the short term for the period, in accordance with the regulations prevailing in various countries and any applicable treaties.

French fiscal group

In France, the corporate tax rate, including additional contribution, is 25.83% for 2023. Tax losses can be carried forward for an unlimited period. However, the amount of fiscal loss recoverable each year is limited to 50% 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 French tax group's deferred tax position for tax losses remained stable at €346 million compared with December 31, 2022.

Dutch fiscal group

In the Netherlands, the tax rate is 25.80% in 2023. Tax losses can be carried forward for an unlimited period. However, the amount of fiscal loss recoverable each year is limited to 50% of the profit for the period beyond the first million euros.

The deferred tax position for tax losses of the Dutch tax group amounts to €323 million at September 30, 2023 (from €403 million at December 31, 2022) following the use of tax losses.

11.2 Effective tax rate

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

Period from January 1 to September 30 (in € million)	2023	2022
Income before tax	1,390	32
Standard tax rate in France	25.83 %	25.83 %
Theoretical tax calculated based on the standard tax rate in France	(359)	(8)
Differences in French / foreign tax rates	2	(1)
Non-deductible expenses or non-taxable income	(2)	20
Variation in unrecognized deferred tax assets	180	200
CAVE impact	(1)	(4)
Other	4	1
Income tax	(176)	208
Effective tax rate	12.7 %	n.m

The effective tax rate in France for 2023 is 25.83%. The effective tax rate in the Netherlands at maturity 2023 is 25.80%.

Deferred tax has been calculated on these bases for the French and Dutch tax groups.

NOTE 12 EARNINGS PER SHARE

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.

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

Results used for the calculation of basic earnings per share

Period from January 1 to September 30 (in € million)	2023	2022
Net income for the period - Equity holders of Air France - KLM	1,190	232
Coupons on perpetual	(53)	(125)
Dividend paid ⁽¹⁾	(90)	–
Basic net income for the period - Equity holders of Air France - KLM	1,047	107

(1) As of September 30, 2023 and in the context of the exit of the French Recapitalization State Aid under the EU Covid-19 Temporary Framework, the Group paid a €90 million compensation to the French State required for the shares subscribed in April 2021. This payment was considered as a dividend payment and was therefore recognized in equity accordingly to IFRS principles and has been taken into consideration as a deduction from the net income to calculate the earnings per share.

Period from January 1 to September 30 (in € million)	2023	2022
Basic net income for the period - Equity holders of Air France-KLM	1,047	107
Consequence of potential ordinary shares on net income: amortization of equity component	–	8
Net income for the period - Equity holders of Air France-KLM (taken for calculation of diluted earnings per share)	1,047	115

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

Period from January 1 to September 30	2023	2022
Weighted average number of:		
— Ordinary shares issued	2,315,372,622	1,398,258,667
— Treasury stock held regarding stock option plan and other treasury shares	(1,166,629)	(1,208,205)
Number of shares used to calculate basic earnings per share	2,314,205,993	1,397,050,662
Number of potentially dilutive shares	–	49,748,883
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	2,314,205,993	1,446,799,545

As of September 30, 2023, the weighted average number used to calculate basic earnings per share takes into account the reverse share split of all outstanding shares of the Company and the simultaneous acknowledgment of the capital reduction (refer to Note 2.1 "Significant events occurring during the period").

By decision of the Chief Executive Officer, the conversion ratio for both last-rank indefinite subordinated bond

instruments issued by the Group.

In accordance with IAS 33, the calculation of earnings per share and diluted earnings per share also takes into consideration as a deduction from the net income the compensation due to holders of perpetual subordinated notes.

convertible into new shares and/or into existing shares and OCEANEs has been adjusted. Following this operation, they represent respectively 19 996 070 and 4 966 518 actions.

As of September 30, 2023, potential conversion and the impacts of those two instruments on net income have not been taken into consideration to determine the diluted earnings per share.

The ordinary shares potentially created would indeed have not decreased the earning per share.

As of September 30, 2023, taking into account the above

items, the basic earnings per share amounts to €0.45 and the diluted earnings per share amounts to €0.45.

NOTE 13 EQUITY

13.1 Issued capital

As of August 31, 2023, Air France-KLM completed the reverse share split of all outstanding shares of the Company and the simultaneous acknowledgment of the capital reduction (refer to Note 2.1 "Significant events occurring during the period").

Thus and as of September 30, 2023, the issued capital of Air France - KLM comprised 257,053,613 fully paid-up shares. Each share with a nominal value of one euro is entitled to one vote. However, since April 3, 2016, shareholders who have owned their shares for at least two years have benefited from double voting rights.

If, on the reverse share split date, the previously-existing shares consolidated into the new shares held double voting rights, the new shares issued in replacement will immediately have double voting rights, subject to their being held in registered form. In the event of a reverse split of old shares that were registered on different dates, the period used for the assessment of the double voting right of the new shares shall be deemed to begin on the most recent date on which the old shares were registered.

13.2 Perpetual

(in € million)		Notes	December 31, 2022	Monetary decrease - Nominal	Monetary increase - Nominal	Monetary change - Coupons	Non-monetary change	September 30, 2023
2021 perpetual super-subordinated bonds ⁽¹⁾	Nominal	2.1	595	(595)	-	-	-	-
	Coupons		31	-	-	(42)	11	-
2023 perpetual super-subordinated bonds ⁽²⁾	Nominal	2.1	-	-	728	-	-	728
	Coupons		-	-	-	-	27	27
Last-rank indefinite subordinated bond convertible into new shares and/or existing shares	Nominal		305	-	-	-	-	305
	Coupons		2	-	-	(15)	15	2
Total Perpetual - attributable to equity holders of Air France-KLM			933	(595)	728	(57)	53	1,062
2022 Perpetual	Nominal		497	-	-	-	-	497
	Coupons		13	-	-	(30)	22	5
2023 Perpetual ⁽³⁾	Nominal	2.1 & 13.3	-	-	498	-	-	498
	Coupons		-	-	-	-	6	6
Total Perpetual - Non-controlling interests			510	-	498	(30)	28	1,006
Total cash flows				(595)	1,226	(87)		

(1) On March 17, 2023 and April 19, 2023, Air France-KLM has repaid the full amount of the outstanding French State perpetual bonds (refer to Note 2.1 "Significant events occurring during the period").

(2) In parallel, the Group had refinanced €728 million through the issuance of new French State perpetual hybrid bonds with no bans attached (refer to Note 2.1 "Significant events occurring during the period").

(3) Refer to Note 13.3 "Non-controlling interests".

13.3 Non-controlling interests

On July 14, 2023, a €500 million investment agreement was signed between Air France - KLM Group and Apollo. Apollo subscribed to:

- a capital increase in the Air France operating subsidiary for an amount of €2 million;
- perpetual bonds issued by the Air France operating subsidiary for an amount of €498 million.

The perpetual bonds, which meet the criteria for equity under IFRS, bear interest at 6.9 percent for the first three years, after which gradual step ups and a cap will apply. The Group has the option to redeem the notes at any time after the third year.

The amount of the accrued coupon as of September 30, 2023 amounts to €6 million.

NOTE 14 FINANCIAL LIABILITIES

(in € million)	As of September 30, 2023			As of December 31, 2022		
	Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan in Yen	127	-	127	142	-	142
Perpetual subordinated loan in Swiss francs	387	-	387	381	-	381
OCEANE (convertible bonds)	-	495	495	487	-	487
Sustainability-linked bonds	1,000	-	1,000	-	-	-
Plain vanilla Bonds	1,387	300	1,687	1,686	-	1,686
Debt on financial leases with bargain option	3,329	429	3,758	3,163	496	3,659
Loan guaranteed by the French state	-	-	-	2,606	-	2,606
Other financial liabilities	1,341	187	1,528	1,191	293	1,484
Accrued interest	1	79	80	1	107	108
Total - Financial liabilities	7,572	1,490	9,062	9,657	896	10,553

Change in financial liability

(in € million)	As of December 31, 2022	New financial debt	Reimbursement of financial debt	Currency translation adjustment	Other	As of September 30, 2023
Perpetual loan in Japanese Yen and Swiss Francs	523	-	-	(9)	-	514
OCEANE (convertible bonds)	487	-	-	-	8	495
Sustainability-linked bonds ⁽¹⁾	-	1,000	-	-	-	1,000
Plain vanilla Bonds	1,686	-	-	1	-	1,687
Debt on financial leases with bargain option	3,659	535	(393)	(57)	14	3,758
Loan guaranteed by the French state ⁽²⁾	2,606	-	(2,500)	-	(106)	-
Other financial liabilities	1,484	263	(223)	(1)	5	1,528
Accrued interest	108	-	-	(1)	(27)	80
Total	10,553	1,798	(3,116)	(67)	(106)	9,062

(1) In January 2023, Air France-KLM Group placed a €1 billion sustainability-linked bonds (refer to Note 2.1 "Significant events occurring during the period").

(2) In March 2023, Air France-KLM has early fully repaid the remaining €2.5 billion from its initial €4 billion bank loan guaranteed by the French State (refer to Note 2.1 "Significant events occurring during the period"). The €106 million income recognized in the financial result following the initial recognition of this liability at amortized cost using the effective interest rate methodology is included in the column "Other" of the change in financial liability (refer to Note 10 "Net cost of financial debt and other financial income and expenses").

Maturity analysis

The financial liabilities maturities break down as follows:

(in € million)	As of September 30, 2023	As of December 31, 2022
Maturities in		
End of Year N	249	–
Y+1	1,568	896
Y+2	1,531	2,697
Y+3	1,740	2,851
Y+4	550	1,191
Over 4 years	3,424	2,918
Total	9,062	10,553

As of September 30, 2023, the KLM perpetual subordinated notes are included in the line “Over 4 years”.

The bonds issued in 2016, 2020, 2021 and 2023 will be reimbursed on their contractual maturity dates.

Credit lines

On April 18, 2023, Air France-KLM, Air France and KLM have signed two ESG (“Environmental, Social and Governance”) KPI-Linked Revolving Credit Facilities (“RCF”) with a pool of international financial institutions, for a total amount of €2.2 billion (refer to Note 2.1 “Significant events occurring during the period”). This facility signed by KLM replaces both the remaining direct loan granted to KLM by the Dutch State and the existing credit facility guaranteed by the Dutch State, both which were cancelled by KLM.

With two other credit lines available for KLM, the undrawn portion as of September 30, 2023 amounts to €2.3 billion.

NOTE 15 NET DEBT

(in € million)	Notes	As of September 30, 2023	As of December 31, 2022
Current and non-current financial liabilities	14	9,062	10,553
Current and non-current lease debt		4,189	4,152
Accrued interest		(98)	(127)
Deposits related to financial liabilities		(106)	(101)
Deposits related to lease debt		(100)	(99)
Derivatives impact on debt		(34)	(35)
Gross financial liabilities (I)		12,913	14,343
Cash and cash equivalents		6,481	6,626
Marketable securities > 3 months		447	572
Bonds		984	811
Bank overdrafts		(1)	(3)
Net cash (II)		7,911	8,006
Net debt (I-II)		5,002	6,337

As of September 30, 2023, net cash includes €420 million pledged or secured (€425 million as of December 31, 2022).

(in € million)	Notes	As of September 30, 2023
Opening net debt		6,337
Operating free cash flow		(1,431)
Compensation paid to the French State		+90
Paid coupon on perpetual and on subordinated bonds convertible into new share and/or exchangeable for existing shares	13.2	+87
Issuance of new French state perpetual hybrid bonds	13.2	(728)
Perpetual repayment to the French State	13.2	+595
New perpetual from non-controlling interests	13.2	(498)
Capital increase from non-controlling interests		(2)
Acquisition of warrants		+12
Deposits SAS AB	2.1	+13
New lease debts (new and renewed contracts)		+660
Unrealized exchange gains and losses on lease financial debts through OCI		(6)
Impact of derivatives on net debt		+2
Impact of Effective Interest Rate methodology on French State loans	14	(106)
Currency translation adjustment in the income statement		(45)
Amortization of OCEANE optional part		+8
Other variations of the net debt		+14
Closing net debt		5,002

NOTE 16 OTHER LIABILITIES

(in € million)	As of September 30, 2023		As of December 31, 2022	
	Current	Non-current	Current	Non-current
Tax liabilities	1,312	692	1,231	854
Employee-related liabilities	1,912	720	1,175	1,335
Liabilities on fixed assets	26	21	55	-
Deferred income	940	32	877	34
Prepayments received	447	-	412	-
Other	253	116	307	120
Total	4,890	1,581	4,057	2,343

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