

AIR FRANCE-KLM GROUP

INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

January 1st, 2023 – March 31, 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 March 31 (in € million)	Notes	2023	2022 restated ⁽¹⁾
Revenues from ordinary activities		6,329	4,445
External expenses	5	(4,289)	(2,920)
Salaries and related costs	6	(2,009)	(1,522)
Taxes other than income taxes		(55)	(47)
Other current operating income and expenses	7	310	265
EBITDA		286	221
Amortization, depreciation and provisions	8	(592)	(571)
Income from current operations		(306)	(350)
Sales of aircraft equipment	9	5	–
Other non-current income and expenses	9	(3)	(6)
Income from operating activities		(304)	(356)
Cost of financial debt	10	(158)	(141)
Income from cash and cash equivalents	10	49	(2)
Net cost of financial debt	10	(109)	(143)
Other financial income and expenses	10	35	(47)
Income before tax		(378)	(546)
Income taxes	11	41	(4)
Net income of consolidated companies		(337)	(550)
Share of profits (losses) of associates		–	(2)
Net income for the period		(337)	(552)
Non-controlling interests		7	–
Net income - Group part		(344)	(552)
Earnings per share - Equity holders of Air France-KLM (in euros)			
- basic		(0.14)	(0.94)
- diluted		(0.14)	(0.94)

⁽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 March 31 (in € million)	Notes	2023	2022
Net income for the period		(337)	(552)
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		(94)	423
Change in fair value and cost of hedging transferred to profit or loss		(3)	(238)
Exchange difference resulting from the translation		(1)	4
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	11	25	(49)
Total of other comprehensive income that will be reclassified to profit or loss		(73)	140
Remeasurements of defined benefit pension plans		(1)	19
Fair value of equity instruments revalued through OCI		(1)	3
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	11	(1)	(10)
Total of other comprehensive income that will not be reclassified to profit or loss		(3)	12
Total of other comprehensive income, after tax		(76)	152
Recognized income and expenses		(413)	(400)
— Equity holders of Air France - KLM		(420)	(400)
— Non-controlling interests		7	—

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

Consolidated balance sheet

Assets	Notes	March 31, 2023	December 31, 2022
(in € million)			restated ⁽¹⁾
Goodwill		225	225
Intangible assets		1,126	1,127
Flight equipment		10,954	10,614
Other property, plant and equipment		1,372	1,375
Right-of-use assets		5,304	5,428
Investments in equity associates		122	120
Pension assets		41	39
Other non-current financial assets		1,202	1,184
Non-current derivative financial assets		184	262
Deferred tax assets	11	777	714
Total non-current assets		21,307	21,088
Other current financial assets		572	620
Current derivative financial assets		238	327
Inventories		750	723
Trade receivables		2,112	1,785
Other current assets		1,158	1,057
Cash and cash equivalents		5,823	6,626
Assets held for sale		81	79
Total current assets		10,734	11,217
Total assets		32,041	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	March 31, 2023	December 31, 2022
<i>(in € million)</i>			
Issued capital		2,571	2,571
Additional paid-in capital		5,217	5,217
Treasury shares		(25)	(25)
Perpetual	12	945	933
Reserves and retained earnings		(12,136)	(11,700)
Equity attributable to equity holders of Air France-KLM		(3,428)	(3,004)
Non-controlling interests		531	524
Total equity		(2,897)	(2,480)
Pension provisions		1,653	1,634
Non-current return obligation liabilities and provisions for leased aircrafts and other provisions		4,103	4,149
Non-current financial liabilities	13	8,179	9,657
Non-current lease debt		3,226	3,318
Non-current derivative financial liabilities		38	21
Deferred tax liabilities	11	1	1
Other non-current liabilities	15	1,834	2,343
Total non-current liabilities		19,034	21,123
Current return obligation liabilities and provisions for leased aircrafts and other provisions		663	740
Current financial liabilities	13	758	896
Current lease debt		817	834
Current derivative financial liabilities		161	83
Trade payables		2,581	2,424
Deferred revenue on ticket sales		5,221	3,725
Frequent flyer programs		882	900
Other current liabilities	15	4,815	4,057
Bank overdrafts		6	3
Total current liabilities		15,904	13,662
Total liabilities		34,938	34,785
Total equity and liabilities		32,041	32,305

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

Consolidated statement of changes in stockholders' equity

(in € million)	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual bonds	Reserves and retained earnings	Equity attributable to holders of Air France - KLM	Non-controlling interests	Total equity
January 1, 2022	642,634,034	643	4,949	(25)	3,151	(12,542)	(3,824)	8	(3,816)
Other comprehensive income		-	-	-	-	152	152	-	152
Net result for the period		-	-	-	-	(552)	(552)	-	(552)
Total of income and expenses recognized		-	-	-	-	(400)	(400)	-	(400)
Coupons on perpetual		-	-	-	54	(54)	-	-	-
March 31, 2022	642,634,034	643	4,949	(25)	3,205	(12,996)	(4,224)	8	(4,216)
January 1, 2023	2,570,536,136	2,571	5,217	(25)	933	(11,700)	(3,004)	524	(2,480)
Other comprehensive income		-	-	-	-	(76)	(76)	-	(76)
Net result for the period		-	-	-	-	(344)	(344)	7	(337)
Total of income and expenses recognized		-	-	-	-	(420)	(420)	7	(413)
Perpetual bonds		-	-	-	20	-	20	-	20
Coupons on perpetual		-	-	-	(8)	(16)	(24)	-	(24)
March 31, 2023	2,570,536,136	2,571	5,217	(25)	945	(12,136)	(3,428)	531	(2,897)

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

Consolidated statement of cash flows

Period from January 1 to March 31 (in € million)	Notes	2023	2022 restated ⁽¹⁾
Net income		(337)	(552)
Amortization, depreciation and operating provisions	8	592	571
Financial provisions	10	51	35
Loss (gain) on disposals of tangible and intangible assets		(4)	-
Derivatives - non monetary result		-	(5)
Unrealized foreign exchange gains and losses, net		(48)	31
Share of (profits) losses of associates		-	2
Deferred taxes	11	(39)	1
Impairment		1	5
Other non-monetary items		(136)	(43)
Self-financing capacity		80	45
(Increase) / decrease in inventories		(28)	(48)
(Increase) / decrease in trade receivables		(319)	(411)
Increase / (decrease) in trade payables		141	492
Increase / (decrease) in advanced ticket sales		1,477	1,245
Change in other assets and liabilities		199	26
Change in working capital requirement		1,470	1,304
Net cash flow from operating activities		1,550	1,349
Acquisition of subsidiaries, of shares in non-controlled entities		(2)	-
Purchase of property plant and equipment and intangible assets		(779)	(672)
Proceeds on disposal of property plant and equipment and intangible assets	9	131	171
Decrease (increase) in net investments, more than 3 months		56	5
Net cash flow used in investing activities		(594)	(496)
Perpetual	12	20	-
Coupons on perpetual	12	(25)	-
Issuance of debt	13	1,323	291
Repayment on debt	13	(2,790)	(304)
Payments on lease debts		(219)	(218)
New loans		(43)	(87)
Repayment on loans		3	22
Net cash flow from financing activities		(1,731)	(296)
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		(31)	5
Change in cash and cash equivalents and bank overdrafts		(806)	562
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		5,817	7,216

⁽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 March 31 (in € million)	Notes	2023	2022 restated ⁽¹⁾
Net cash flow from operating activities		1,550	1,349
Purchase of property plant and equipment and intangible assets		(779)	(672)
Proceeds on disposal of property plant and equipment and intangible assets		131	171
Operating free cash flow	14	902	848
Payments on lease debts		(219)	(218)
Operating free cash flow adjusted		683	630

⁽¹⁾ See Note 1 in notes to the 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 March 31, 2022 (in € million)	Published accounts	Change in accounting treatment	Restated accounts
External expenses	(2,909)	(11)	(2,920)
Other current operating income and expenses	254	11	265

Impact on the consolidated statement of cash flows

Period from January 1 to March 31, 2022 (in € million)	Published accounts	Change in accounting treatment	Restated accounts
Other non-monetary items	(32)	(11)	(43)
Change in other assets and liabilities	47	(21)	26
Net cash flow from operating activities	1,381	(32)	1,349
Purchase of property plant and equipment and intangible assets	(704)	32	(672)
Net cash flow used in investing activities	(528)	32	(496)

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 current assets	847	210	1,057

NOTE 2 SIGNIFICANT EVENTS

2.1 Significant events occurring during the period

Sustainability-linked bonds, for a total aggregate 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, 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%.

Sustainability-linked bonds is accounted for in non-current financial liabilities in balance sheet statement as of March 31, 2023.

Full repayment of its bank loan guaranteed by the French State ("PGE")

On the 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

On the March 17, 2023, Air France-KLM has repaid €300 million of the outstanding French State perpetual bonds, under the terms of temporary framework related to Covid-19 aid, plus €20 million accrued coupon.

The Group had refinanced €320 million through the issuance 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 one 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 March 31, 2023.

2.2 Subsequent events

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 to the Paris Correctional 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 increase option 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 increase option 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.

Evolution of perpetual subordinated bonds owned by the French State

On April 19, 2023, Air France-KLM has fully repaid the €317 million remaining French State hybrid perpetual bonds,

part of the temporary Covid framework, including accrued coupon.

The Group has also paid the required compensation of the French State for the shares subscribed in April 2021, without change regarding the capital ownership, for an amount of €90 million.

The Group has therefore refinanced €407 million with a new issuance of perpetual subordinated bonds with the French State, with no "bans" attached. They contain similar financial conditions as the one repaid at the same date and are assimilated to €320 million perpetual subordinated bonds issued on the March 17, 2023, with non-call date and interest rate step-up postponed by an additional two years (March 2029) - see note 2.1 "Significant events occurring during the period".

Perpetual hybrid bonds will be accounted for 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 March 31, 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 interim consolidated financial information as of March 31, 2023 were reviewed by the Board of Directors on May 4, 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

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.
 - 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.
- 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;

4.1 Information by business segment

Period ended March 31, 2023 (in € million)	Network	Maintenance	Transavia	Other	Non-allocated	Total
Total sales	5,582	926	378	58	–	6,944
Intersegment sales	(7)	(556)	–	(52)	–	(615)
External sales	5,575	370	378	6	–	6,329
Other revenues	–	–	–	–	–	–
Revenues from ordinary activities	5,575	370	378	6	–	6,329
EBITDA	329	82	(130)	5	–	286
Income from current operations	(149)	15	(172)	–	–	(306)
Income from operating activities	(148)	16	(170)	(2)	–	(304)
Share of profits (losses) of associates	–	1	–	(1)	–	–
Net cost of financial debt and other financial income and expenses	–	–	–	–	(74)	(74)
Income taxes	–	–	–	–	41	41
Net income	(148)	17	(170)	(3)	(33)	(337)

Year ended March 31, 2022 (in € million)	Network	Maintenance	Transavia	Other	Non-allocated	Total
Total sales	3,900	831	249	47	–	5,027
Intersegment sales	(6)	(534)	–	(42)	–	(582)
Revenues from ordinary activities	3,894	297	249	5	–	4,445
EBITDA	150	93	(35)	13	–	221
Income from current operations	(309)	43	(92)	8	–	(350)
Income from operating activities	(315)	43	(92)	8	–	(356)
Share of profits (losses) of associates	–	1	–	(3)	–	(2)
Net cost of financial debt and other financial income and expenses	–	–	–	–	(190)	(190)
Income taxes	–	–	–	–	(4)	(4)
Net income	(315)	44	(92)	5	(194)	(552)

4.2 Information by geographical area

4.2.1 Activity by origin of sales area

External sales by geographical area

Period ended March 31, 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	1,567	643	1,244	1,875	5,329
Other sales ⁽¹⁾	90	61	42	53	246
Total Network	1,657	704	1,286	1,928	5,575
Transportation	140	195	36	10	381
Other sales ⁽¹⁾	(1)	(2)	-	-	(3)
Total Transavia	139	193	36	10	378
Maintenance	180	154	7	29	370
Others	2	4	-	-	6
Total	1,978	1,055	1,329	1,967	6,329

(1) This line includes compensation paid to customers in accordance with EU261 (see Note 4.6 of the notes to the consolidated financial statements at December 31, 2022)

Year ended March 31, 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	1,145	446	913	1,171	3,675
Other sales ⁽¹⁾	65	47	47	60	219
Total Network	1,210	493	960	1,231	3,894
Transportation	79	146	22	4	251
Other sales ⁽¹⁾	(3)	1	-	-	(2)
Total Transavia	76	147	22	4	249
Maintenance	138	132	5	22	297
Others	1	4	-	-	5
Total	1,425	776	987	1,257	4,445

(1) This line includes compensation paid to customers in accordance with EU261 (see Note 4.6 of the notes to the consolidated financial statements at December 31, 2022)

4.2.2 Activity by destination

Traffic sales by geographical area of destination

Period ended March 31, 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	321	1,125	537	808	1,133	683	722	5,329
Transavia	19	320	–	42	–	–	–	381
Total Transportation	340	1,445	537	850	1,133	683	722	5,710

Year ended March 31, 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	194	646	454	603	859	512	407	3,675
Transavia	14	218	–	19	–	–	–	251
Total Transportation	208	864	454	622	859	512	407	3,926

NOTE 5 EXTERNAL EXPENSES

Period from January 1 to March 31	2023	2022
(in € million)		restated ⁽¹⁾
Aircraft fuel	(1,780)	(996)
CO ₂ quotas	(32)	(11)
Chartering costs	(90)	(101)
Landing fees and air route charges	(413)	(348)
Catering	(186)	(142)
Handling charges and other operating costs	(426)	(320)
Aircraft maintenance costs	(648)	(515)
Commercial and distribution costs	(257)	(154)
Other external expenses	(457)	(333)
Total	(4,289)	(2,920)
Excluding aircraft fuel & CO ₂ quotas	(2,477)	(1,913)

⁽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 March 31 (in € million)	2023	2022
Wages and salaries	(1,384)	(1,177)
Social contributions	(254)	(214)
Pension costs on defined contribution plans	(200)	(179)
Pension costs of defined benefit plans	(33)	(34)
Cost of temporary employees	(54)	(34)
Profit sharing	(57)	–
Temporary Emergency Bridging Measure for Sustained Employment (NOW)	–	140
Other expenses	(27)	(24)
Total	(2,009)	(1,522)

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 March 31, 2022, the impact of these measures amounted to €71 million.

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 €140 million for the period from January 1 until March 31, 2022.

Average number of employees

Period from January 1 to March 31	2023	2022 ⁽¹⁾
Flight deck crew	8,367	8,068
Cabin crew	21,087	19,813
Ground staff	44,232	43,408
Temporary employees	2,096	1,585
Total	75,782	72,874

(1) Excluding partial activity effect

NOTE 7 OTHER CURRENT OPERATING INCOME AND EXPENSES

Period from January 1 to March 31 (in € million)	2023	2022 restated ⁽¹⁾
Capitalized production	281	229
Joint operation of routes	(4)	-
Operations-related currency hedges	25	9
Other	8	27
Total	310	265

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

NOTE 8 AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to March 31 (in € million)	2023	2022
Amortization		
Intangible assets	(40)	(46)
Flight equipment	(269)	(263)
Other property, plant and equipment	(44)	(44)
Right-of-use assets	(297)	(285)
Sub-total Amortization	(650)	(638)
Depreciation and provisions		
Inventories	-	11
Trade receivables	3	9
Risks and contingencies	55	47
Sub-total Depreciation and provisions	58	67
Total	(592)	(571)

The changes in provisions are mainly due to reversals related to the return of aircraft.

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

Period from January 1 to March 31 (in € million)	2023	2022
Sales and leaseback	4	(5)
Other aeronautical sales	1	5
Sales of aeronautical assets	5	-
Restructuring costs	-	1
Impairment of fleet	(1)	(5)
Disposals of other assets	(1)	-
Other	(1)	(2)
Other non-current income and expenses	(3)	(6)

Year ended March 31, 2023**Sales of aircraft equipment**

The impact of aircraft sales and leasebacks resulted in a profit of €4 million in the income statement and a result on disposal of €119 million in the cash flow statement as of March 31, 2023.

Year ended March 31, 2022**Sales of aircraft equipment**

The impact of aircraft sales and leasebacks resulted in an expense of €(5) million in the income statement and a result on disposal of €157 million in the cash flow statement as of March 31, 2022.

Impairment of fleet

This line included the impact of the early phase-out of the twenty-five CRJ aircrafts from the HOP! fleet for €(5) million. Depreciation slopes were revised so that the net book value as of the date of the aircrafts' phase-out, which was expected by 2022, converges with the estimated market value. As of March 31, 2022, 14 CRJs remained under ownership.

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

Period from January 1 to March 31 (in € million)	2023	2022
Income from marketable securities	27	(6)
Other financial income	22	4
Income from cash and cash equivalents	49	(2)
Interest on financial liabilities	(195)	(76)
Interest on lease debt	(69)	(65)
Capitalized interests	10	7
Other non-monetary items	95	(4)
Other financial expenses	1	(3)
Gross cost of financial debt	(158)	(141)
Net cost of financial debt	(109)	(143)
Gain (loss) on exchange differences	87	(17)
Financial instruments	-	5
Net (charge)/release to provisions	(4)	(2)
Undiscounting of provision	(48)	(32)
Other	-	(1)
Other financial income and expenses	35	(47)
Total	(74)	(190)

Net cost of financial debt

Financial income mainly consists of interest income on other financial assets recognized at the effective interest rate.

As of March 31, 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 March 31, 2023, the foreign exchange losses mainly include an unrealized currency gain of €48 million of which, mainly:

- a gain of €64 million on return obligation liabilities and provisions on aircraft in US dollars;

- an unrealized €(5) million currency loss on the net debt, mainly composed of a loss of €(22) million on US dollars and a gain of €20 million on Japanese Yen.

As of March 31, 2022, the foreign exchange losses mainly include an unrealized currency loss of €(40) million of which, mainly:

- a loss of €(61) million on return obligation liabilities and provisions on aircraft in US dollars;

- an unrealized €17 million currency gain on the net debt, mainly composed of a loss of €(9) million on US dollars and a gain of €25 million on Japanese Yen.

Undiscounting of provision

The rate used to undiscount the long term return obligation liability and provision for leased aircraft and other provisions 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 March 31	2023	2022
(in € million)		
Current tax (expense) / income and other taxes	2	(4)
Change in temporary differences	7	–
(Use / de-recognition) / recognition of tax loss carry forwards	32	–
Deferred tax income / (expense)	39	–
Total	41	(4)

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 per cent 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 deferred tax assets position for tax losses remains stable at €346 million versus December 31, 2022.

Dutch fiscal group

In the Netherlands, the tax rate is 25.80 per cent 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 per cent of the profit for the period beyond the first million euros.

The deferred tax assets position for tax losses increased to €437 million as of March 31, 2023 (versus €403 million as of December 31, 2022).

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 March 31 (in € million)	2023	2022
Income before tax	(378)	(546)
Standard tax rate in France	25.83 %	25.83 %
Theoretical tax calculated based on the standard tax rate in France	98	141
Differences in French / foreign tax rates	(2)	(2)
Non-deductible expenses or non-taxable income	(26)	(42)
Variation in unrecognized deferred tax assets	(34)	(103)
CAVE impact	(1)	(2)
Other	6	4
Income tax	41	(4)
Effective tax rate	10.8 %	(0.7)%

The effective tax rate in France for 2023 is 25.83 per cent. The effective tax rate in the Netherlands for 2023 is 25.80 per cent.

Deferred tax has been calculated on these basis for both French and Dutch fiscal groups.

NOTE 12 PERPETUAL

(in € million)		December 31, 2022	Monetary change - Nominal	Monetary change - Coupons	Non- monetary change	March 31, 2023
2021 perpetual subordinated bonds	Nominal	595	(300)	-	-	295
	Coupons	31	-	(20)	11	22
2023 perpetual subordinated bonds	Nominal	-	320	-	-	320
	Coupons	-	-	-	1	1
Last-rank indefinite subordinated bond convertible into new shares and/or existing shares	Nominal	305	-	-	-	305
	Coupons	2	-	(5)	5	2
Total Perpetual - attributable to equity holders of Air France-KLM		933	20	(25)	17	945
2022 perpetual subordinated bonds	Nominal	497	-	-	-	497
	Coupons	13	-	-	7	20
Total Perpetual - Non-controlling interests		510	-	-	7	517
Total cash flows			20	(25)		

NOTE 13 FINANCIAL LIABILITIES

(in € million)	As of March 31, 2023			As of December 31, 2022		
	Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan in Yen	138	-	138	142	-	142
Perpetual subordinated loan in Swiss francs	376	-	376	381	-	381
OCEANE (convertible bonds)	489	-	489	487	-	487
Sustainability-linked bonds	1,000	-	1,000	-	-	-
Plain vanilla Bonds	1,683	-	1,683	1,686	-	1,686
Debt on financial leases with bargain option	3,281	499	3,780	3,163	496	3,659
Loan guaranteed by the French state	-	-	-	2,606	-	2,606
Other financial liabilities	1,211	171	1,382	1,191	293	1,484
Accrued interest	1	88	89	1	107	108
Total - Financial liabilities	8,179	758	8,937	9,657	896	10,553

Change in financial liability

(in € million)	December 31, 2022	New financial debt	Reimbursement of financial debt	Currency translation adjustment	Other	March 31, 2023
Perpetual loan in Japanese Yen and Swiss Francs	523	-	-	(9)	-	514
OCEANE (convertible bonds)	487	-	-	-	2	489
Sustainability-linked bonds ⁽¹⁾	-	1,000	-	-	-	1,000
Plain vanilla Bonds	1,686	-	-	(3)	-	1,683
Debt on financial leases with bargain option	3,659	266	(132)	(24)	11	3,780
Loan guaranteed by the French state ⁽²⁾	2,606	-	(2,500)	-	(106)	-
Other financial liabilities	1,484	57	(158)	(2)	1	1,382
Accrued interest	108	-	-	-	(19)	89
Total	10,553	1,323	(2,790)	(38)	(111)	8,937

(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 March 31, 2023	As of December 31, 2022
Maturities in		
End of Year N	621	–
Y+1	1,472	896
Y+2	1,499	2,697
Y+3	1,713	2,851
Y+4	512	1,191
Over 4 years	3,120	2,918
Total	8,937	10,553

The KLM perpetual subordinated loans in Swiss francs and Japanese yens are included in the line “Over 4 years”.

NOTE 14 NET DEBT

(in € million)	Notes	As of March 31, 2023	As of December 31, 2022
Non-current and current financial liabilities	13	8,937	10,553
Non-current and current lease debt		4,043	4,152
Accrued interest	13	(108)	(127)
Deposits related to financial liabilities		(104)	(101)
Deposits related to lease debt		(99)	(99)
Derivatives impact on debt (currency)		(21)	(35)
Gross financial liabilities (I)		12,648	14,343
Cash and cash equivalents		5,823	6,626
Marketable securities > 3 months		517	572
Bonds		836	811
Bank overdrafts		(6)	(3)
Net cash (II)		7,170	8,006
Net debt (I-II)		5,478	6,337

(in € million)	Notes	As of March 31, 2023 (3 months)
Opening net debt		6,337
Operating free cash flow		(902)
Emission of perpetual	12	(320)
Repayment on perpetual subordinated bonds held by the French State	12	300
Coupon paid on perpetual	12	25
Impact of Effective Interest Rate methodology on French State loan		(106)
New lease debts (new and renewed contracts)		181
Unrealized exchange gains and losses on lease financial debts through OCI		(56)
Impact of derivatives on net debt		18
Currency translation adjustment		(7)
Amortization of OCEANE optional part		3
Other non-monetary variations of the net debt		5
Closing net debt		5,478

NOTE 15 OTHER LIABILITIES

(in € million)	As of March 31, 2023		As of December 31, 2022	
	Current	Non-current	Current	Non-current
Tax liabilities (including corporate tax)	1,380	800	1,231	854
Employee-related liabilities	1,754	849	1,175	1,335
Liabilities on fixed assets	36	38	55	-
Deferred income	913	34	877	34
Prepayments received	455	-	412	-
Other	277	113	307	120
Total	4,815	1,834	4,057	2,343

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