

AIRFRANCEKLM GROUP

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER	2
SELECTED FINANCIAL AND EXTRA-FINANCIAL INFORMATION	4
HIGHLIGHTS OF THE 2022 FINANCIAL YEAR AFR	7
HIGHLIGHTS OF THE BEGINNING OF THE 2023 FINANCIAL YEAR	21

PRESENTATION OF THE AIR FRANCE-KLM GROUP AFR

1.1	Market and environment	28
1.2	Strategy	31
1.3	Activities in 2022	38
1.4	Fleet	53
1.5	Customer experience division	58

27

169

197

198

216

CORPORATE

GC	VERNANCE REPORT AFR	65
2.1	Composition of the Board of Directors	66
2.2	Organization and functioning	
	of the Board of Directors	92
2.3	Activities and functioning of the	
	Board of Directors and its Committees	103
2.4	Summary table of the AFEP-	
	MEDEF Code's comply or explain	
	recommendations not applied	117
2.5	Compensation of the Company officers	118
2.6	Group management bodies: Group	
	Executive Committee and CEO Committee	150
2.7	Share capital and shareholder structure	151

Z RISKS AND RISK

MANAGEMENT AFR

3.1	Risk factors	170
3.2	Enterprise risk management	187
3.3	Organization and functioning	
	of internal control	189

CORPORATE SOCIAL RESPONSIBILITY -EXTRA-FINANCIAL PERFORMANCE STATEMENT AFR 4.1 Creating long-term value for all our stakeholders 4.2 Human resources 4.3 Addressing the impact on the environment

4.3	Addressing the impact on the environment	240
4.4	Customer trust	268
4.5	Ethics and compliance	275
4.6	Societal value	280
4.7	Report by the Independent Third Party,	
	on the verification of the consolidated	
	non-financial statement	290

FINANCIAL REPORT AFR / 295 5.1 Comments on the financial situation 296 5.2 Consolidated financial statements 305 5.3 Notes to the consolidated financial statements 312 5.4 Statutory Auditors' report on the consolidated financial statements 402 5.5 Statutory financial statements 409 5.6 Five-year results summary 424 5.7 Statutory Auditors' report on the financial statements 425 5.8 Statutory Auditors' special report on related-party agreements 430 **OTHER INFORMATION** 437

6.1 History 438 6.2 General information 6.3 Information on the agreements concluded in connection with the business combination between Air France and KLM 6.4 Legislative and regulatory environment for the air transport industry 6.5 Information and control AFR / 447

GLOSSARIES AND TABLES OF CONCORDANCE 449

Air transport glossary	450
Financial glossary	453
Table of concordance for the universal	
registration document	454
Information included by reference	457
Table of concordance for the annual	
financial report	458

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

UNIVERSAL REGISTRATION DOCUMENT 2022 INCLUDING THE ANNUAL FINANCIAL REPORT AIR FRANCE – KLM

GROUP PROFILE

In its principal businesses of passenger and cargo transportation, low-cost operations and aircraft maintenance, Air France-KLM is a leading global player.



The Document d'enregistrement universel was filed with the Autorité des Marchés Financiers (AMF) on April 24, 2023, as competent authority under Regulation (EU) 2017-1129, without prior approval pursuant to Article 9 of the said regulation.

The *Document d'enregistrement universel* may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if completed by a securities Note and, if applicable, a summary and any amendments to the Document d'enregistrement universel. The resulting whole is approved by the AMF in accordance with Regulation (EU) 2017-1129.

The *Document d'enregistrement universel* including the Rapport financier annuel is a reproduction of the official version of the Document d'enregistrement universel including the Rapport financier annuel which was established in xHTML and filed with the *Autorité des Marchés Financiers* on April 24, 2023.

This Universal Registration Document is an unofficial translation of the Document d'enregistrement universel.

In the event of any ambiguity or discrepancy between this unofficial translation and the *Document d'enregistrement universel*, the French version shall prevail.

1

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER





Let's take a moment to recall that 2022 began with the war in Ukraine, its tragic consequences for the local population and the resulting repercussions for the economy, energy market and our air carrier activities. In addition, the Covid-19 crisis remained very present.

Our ambitious strategy enabled us to adapt to these simultaneous crises and prepare for recovery. To that end, the Air France-KLM Group deployed a major capacity increase for its customers. As a result, in 2022, more than 83 million passengers chose Air France, KLM or Transavia for their travel needs. In parallel, the Air France-KLM Group accelerated its major transformation efforts, demonstrating our solidity, agility and resilience. The Group's recapitalization plan moved ahead successfully, notably with the Apollo agreement worth over 500 million euros. To strengthen our cargo activities, we signed a major strategic air freight partnership with CMA CGM and placed orders for four Airbus A350F Cargo aircraft in April 2022, followed by another four in January 2023.

AIR FRANCE-KLM IN 2022



Meanwhile, we deployed several operations in record time in order to definitively exit the constraints of our State Aid packages. These measures were essential to successfully weather the crisis, but it was just as necessary to emerge from them as quickly as possible.

Going forward, we will be able make new strategic choices as freely as possible. Thanks to the confidence of our investors and the Group's strengths, we have been able to convince the markets. In 2022, the Air France - KLM Group succeeded in producing a positive net result of 738 million euros. We also increased our operating margin, strengthened competitiveness and improved profitability. These important and positive steps are all essential to meet the challenges ahead and achieve our strategic ambitions. As you know, our Group is deeply committed to furthering its position as an industry leader in sustainable aviation. Our trajectory is ambitious, with a target of reducing greenhouse gas (GHG) emissions intensity per RTK ⁽¹⁾ by 30% by 2030, relative to 2019. To that end, we have accelerated the renewal of our fleet (including an order for 100 Airbus A320neo family aircraft in December of 2021) and aim to achieve at least 10% integration of sustainable aviation fuels by 2030. To meet these targets, we have signed contracts and memorandums of understanding with several partners (Neste, DG Fuels and TotalEnergies) over the next ten years. We will play an active role in decarbonization, not just for our own operations, but for the entire aviation industry.

By way of example, the Group has financed an A350-900 in an unprecedented way: with a long-term loan indexed to Air France's environmental performance. This is the only way forward. Our vision will become a reality thanks to your invaluable support, the loyalty of our customers and the shared commitment of our employees. The unity of the Air France – KLM Group is an incredible strength that will enable us to be the leader we all strive to be.

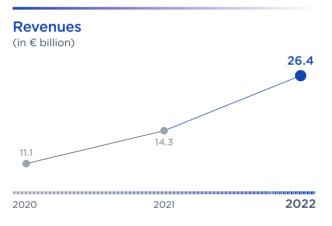
Benjamin Smith Chief Executive Officer of Air France-KLM

"Our vision will become a reality thanks to our shareholders' invaluable support, the loyalty of our customers, and the shared commitment of our employees. The unity of the Air France-KLM Group is an incredible strength that will enable us to be the leader we all strive to be."

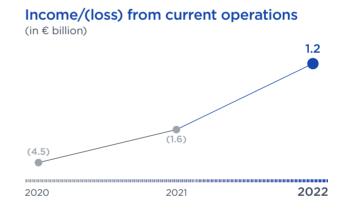
SELECTED FINANCIAL AND EXTRA-FINANCIAL INFORMATION

Pursuant to Article 28 of Regulation (EC) No. 809/2004 of April 29, 2004, the following information is incorporated by reference in this Universal Registration Document (see also section 5.3 "Financial indicators"):

- > the consolidated financial statements of the Air France-KLM Group relating to the financial year ended December 31, 2021 and the relevant Statutory Auditors' Report, as published in sections 5.5 to 5.7 in chapter 5 of the Air France-KLM Group's 2021 Universal Registration Document;
- the consolidated financial statements of the Air France-KLM Group relating to the financial year ended December 31, 2020 and the relevant Statutory Auditors' Report, as published in sections 5.5 to 5.7 in chapter 5 of the Air France-KLM Group's 2020 Registration Document.

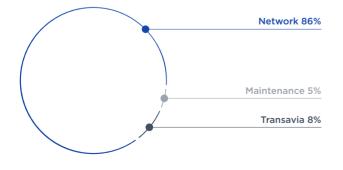


Revenues stood at €26.4 billion in 2022, up by 84% relative to 2021.



The operating result of ≤ 1.2 billion in 2022 was up by ≤ 2.8 billion relative to 2021.

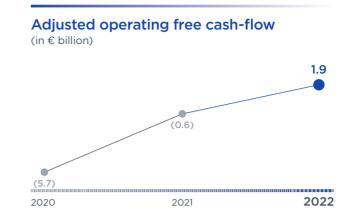
Revenue breakdown



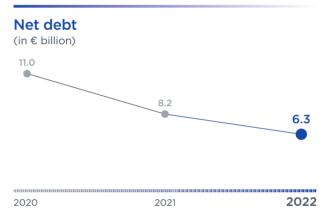
4

Net result, Group part (in € billion) 0.7 (3.3) (7.1) 2020 2021 **2022**

The net result, Group part stood at €0.7 billion in 2022, up by €4 billion relative to 2021.



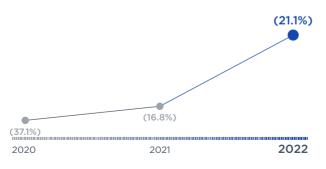
In 2022, the Group generated operating free cash-flow of \notin 1.9 billion, up by \notin 2.5 billion relative to 2021. This increase is mainly explained by higher net cash-flow from operations.



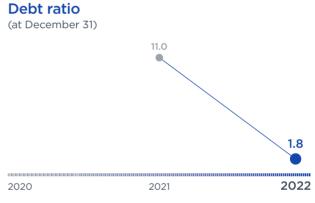
At December 31, 2022, net debt stood at \in 6.3 billion, down by \in 1.9 billion relative to 2021 thanks to the positive adjusted operating free cash-flow and new capital strengthening measures.



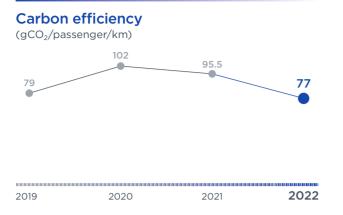
(at December 31)



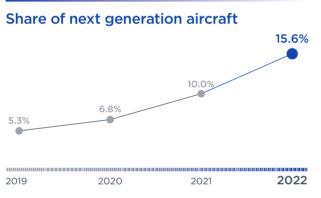
The return on capital employed (ROCE) stood at 21.1%% in 2022 due to the impact of strong desire to travel again on the operating result and improvement of working capital.



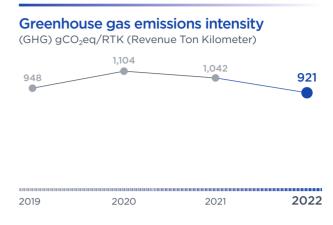
The net debt/EBITDA ratio stood at 1.8x in 2022.



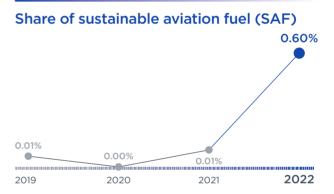
In 2022, the Group's carbon efficiency improved compared to 2021, as well as 2019, despite a load factor that, while improving over 2021, remains below 2019 levels.



Acceleration of fleet renewal in 2022. The Group has planned a renewal of 40% of its fleet by 2025 and 64% by 2028.

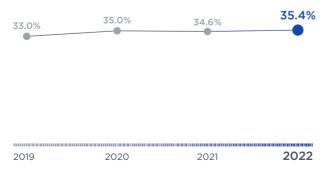


In 2022, the Group overcame the challenges of the Covid and improved its carbon intensity compared to 2019. The target is to reduce carbon intensity by 30% in 2030 compared to 2019 RTK = Revenue Ton Kilometer



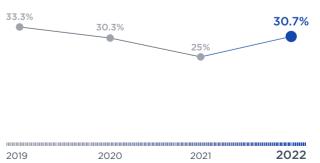
Sustainable Aviation Fuel is a key element of Air France-KLM's decarbonization trajectory. 2022 is the starting point of a progressive phase aimed at achieving the goal of minimum 10% sustainable aviation fuel by 2030.





The share of women in the top 10% of managerial positions continues to rise, with a 0.8% increase in 2022.





Share of women in the GEC has returned to the 2020 level. Figures are impacted by the relatively small number of GEC members.

HIGHLIGHTS OF THE 2022 FINANCIAL YEAR

On January 13, 2022 - Non-renewal of Pieter Elbers' mandate

The Air France-KLM Board of Directors has approved that the Supervisory Board of KLM, after close consultation with CEO Pieter Elbers, has established that Pieter Elbers will not enter into a third term as CEO & President of KLM.

This enables the Supervisory Board of KLM to start a thorough process for a successor in a timely manner.

On January 14, 2022 – Air France – KLM and Société Générale announce the financing of an Air France A350-900 aircraft

On December 3, 2021, Air France took delivery of its twelfth A350-900, a latest-generation aircraft offering outstanding environmental performances.

The financing of this Air France aircraft has been arranged and provided by Société Générale in the form of a sustainability-linked debt facility. The financing transaction is the first sustainability-linked aircraft-secured term loan provided to an airline.

Aircraft financing conditions are linked to the achievement by AirFrance of Sustainability Performance Targets (SPTs) in respect of sustainability-linked key performance indicators. The SPTs selected for the transaction are focusing on the proportion of new-generation and fuel-efficient aircraft in Air France's fleet and the future usage of Sustainable Aviation Fuel (SAF) as part of Air France's daily operations.

The transaction is supported by a Balthazar non-payment insurance policy provided by a consortium of leading private insurance companies through insurance broker Marsh France.

By arranging this landmark aircraft financing transaction, Société Générale supports Air France's fleet renewal efforts, which are central to the airline's sustainability trajectory.

By 2050, Air France and Air France – KLM aim to reach net zero emissions by using all levers, notably fleet renewal with the introduction of Airbus A220s and A350s at Air France, respectively offering a 20 and 25% reduction in CO_2 emissions compared to previous generation aircraft, and the use of Sustainable Aviation Fuels (SAF), which have the potential to reduce CO_2 emissions by up to 80% over the entire life cycle. Air France-KLM's ambitious environmental framework and targets have been recognized by the recent ESG Evaluation performed by S&P, rating Air France-KLM as leader within the airline industry, and supporting the Group's overall strategy.

On February 4, 2022 – Airbus, Air France – KLM, ATR, Dassault Aviation, Groupe ADP, Safran and Thales welcome the Declaration of Toulouse on future sustainability and decarbonisation of aviation alongside European institutions

Airbus, Air France-KLM, ATR, Dassault Aviation, ADP Group, Safran and Thales are supporting the Toulouse Declaration on sustainable development and decarbonization of aviation alongside the European institutions.

- > With this historic declaration, Europe becomes the first region in the world to have reached an agreement between public authorities and private stakeholders on a broad platform for decarbonizing aviation.
- > Airbus, Air France-KLM, ATR, Dassault Aviation, ADP Group, Safran and Thales confirm their commitment to a collective approach to meet the challenges of the transition to sustainable aviation.

On March 30, 2022 – Appeal against the European Commission's decision in the air cargo sector rejected

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

The practices in question date back more than twenty years ago and had already been condemned in a decision of the European Commission in 2010 but annulled by the General Court of the European Union in 2015 due to a contradiction between the grounds and the operative part of the decision.

The Group will immediately analyse this decision in view of an appeal before the Court of Justice.

Provisions of EUR 350.6 million including interest have been made in respect of these fines in the accounts on 31 December 2021.

The Group Air France – KLM confirms its commitment to comply strictly with competition rules while constantly ensuring the effectiveness of the prevention system that it implements within Group divisions in the framework of its general compliance policy.

On March 30, 2022 - Benjamin Smith's mandate as CEO to be renewed in anticipation for an additional term of five years and Marjan Rintel to become new CEO of KLM, effective July 1st 2022

Air France – KLM announces that the Group's Board of Directors has decided an anticipated renewal of Benjamin Smith's mandate as Group's Chief Executive Officer, for an additional term of five years, i.e. until the General Meeting called to approve the financial statements for the year 2026, expected to take place in May 2027.

Air France-KLM's Board of Directors also approved the proposal of the Supervisory Board of KLM to appoint Marjan Rintel as new CEO of KLM, replacing Pieter Elbers. The Works Council of KLM has been asked for its advice on the above proposal.

Marjan Rintel is currently CEO of NS, the leading passenger railway operator in the Netherlands. Before joining NS in 2014, she held various managerial, operational and commercial positions at KLM and Air France-KLM, such as hub Operations at KLM and Senior Vice-President Strategic Marketing at Air France-KLM. Her extensive experience in the airline industry, her intimate knowledge of the Group, and her leadership qualities, convinced the Board that she is the right person to continue the work started by Pieter Elbers to transform KLM into one of the European's leading airlines and a powerhouse for the Air France-KLM Group as a whole. Marjan Rintel will take office on July 1st 2022.

May 20, 2022 - Air France-KLM enters into exclusive discussions with Apollo with a view to injecting 500 million euros into the capital of one of its subsidiaries that owns spare engines

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

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

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

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

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

May 24, 2022 – Air France is working on a new "La Premiere" cabin

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

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

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

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

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

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

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

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

Air France-KLM S.A. ("Air France-KLM", the "Company") announces today the launch of a capital increase with preferential subscription rights (the "**Rights**") to existing shareholders maintained to raise gross proceeds of €2.256 billion (the "**Rights** Issue") through the issuance of 1,928 million new shares in Air France-KLM (the "**New Shares**"), to be subscribed in cash and/or by offsetting claims. This transaction, which aims to strengthen the Company's equity and balance sheet, follows the 2021 capital increase and comes after new recapitalization measures were announced on February 17.

- a) The net proceeds of the issue will be allocated to repaying the deeply subordinated bonds issued in April 2021 and held by the French State as well as strengthening the Company's equity. As announced at full-year results on February 17th 2022, the Company intends to free itself from the conditions set by the European Commission's temporary framework and will therefore allocate circa 1.7 billion euros to the repayment of the "Covid-19 recapitalization aid" granted in the form of undated subordinated notes (the "TSS État") issued in April 2021. The remainder will be allocated to reduce the Company's net indebtedness.
- b) This operation, together with the other contemplated measures to strengthen the balance sheet and the expected EBITDA recovery, will enable the Company to strengthen its financial trajectory. The Company's sound financial liquidity position (€10.8 billion of cash at hand as of March 31st 2022) in a better oriented operational context for the Company, will enable the Company to further repay the French State Aid over the next quarters. The repayment of the State Aid will also improve the financing costs of the Company.
- c) the Company confirms its objective to reduce its Net debt/ EBITDA ratio, to reach circa 2.0x to 2.5x by 2023.
- d) The French State, Air France-KLM's largest shareholder (28.6%), has informed the Company of its intention to participate in the Rights Issue, so that its post-transaction shareholding remains unchanged. This subscription, should it occur, would be completed through offsetting claims held by the French State in respect of the deeply subordinated notes (TSS État) issued in April 2021 for an amount of circa 645 million euro.
- e) The Dutch State has informed the Company that it intends to exercise its rights in proportion to its current shareholding in order for its shareholding to remain unchanged post Rights Issue, subject to obtaining the necessary approvals from the Dutch Parliament. In order to receive these necessary approvals in a timely manner, the Dutch State is also dependent on the timetable of the Dutch Parliament.
- f) The transaction will enable CMA CGM to become a new reference shareholder and an exclusive strategic partner for the cargo business, as announced on May 18th. CMA CGM has committed to subscribe to the transaction for a maximum amount of €400 million (including the acquisition of Rights) and in such a way that its total shareholding does not exceed 9% of the Company's resulting share capital.
- g) China Eastern Airlines and Delta Air Lines have committed to participate in the Rights Issue on a cash neutral basis by subscribing to new shares through the sale of part of their Rights, using the net proceeds from selling Rights to CMA CGM.

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

Key terms and rationale of the transaction

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

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

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

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

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

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

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

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

Intentions and subscription commitments of the main shareholders and Directors

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

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

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

China Eastern Airlines, which holds 9.6% of the capital and 11.4% of voting rights of the Company, and Delta Air Lines, which holds 5.8% of the capital and 8.6% of the voting rights of the Company, have both committed to participate in the Rights Issue

on a cash neutral basis through the sale of part of their Rights to the benefit of CMA CGM in a proportion allowing them to finance the exercise of the balance of their Rights by using the net proceeds of this sale (subject to rounding) for an aggregate amount representing €110,725,424.55.

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

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

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

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

Lock-up commitments

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

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

CMA CGM has agreed with the Company on a lock-up commitment as from the settlement-delivery of the New Shares until the expiry of a three-year period following this date, being specified that CMA CGM may sell a maximum of 50% of the shares acquired in the context of the Rights Issue during an additional three-year period. This lock-up commitment will be terminated early if a firm and complete cooperation agreement in relation to air cargo is not concluded before December 1st 2022 or if such an agreement is terminated. In addition, CMA CGM committed to a 10-year period to not acquire or subscribe to any shares issued by the Company, unless such acquisition does not lead to an increase of its stake in the share capital of the Company, subject to certain exceptions. The undertaking specifies that at the end of a period of 5 years from the settlement-delivery of the New Shares, the Board of Directors of the Company may modify this undertaking in order to allow CMA CGM to increase its shareholding in the Company.

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

Dilution

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

Underwriting

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

Indicative timetable of the Rights Issue

The Rights will be detached on 25 May 2022 and traded on the regulated markets of Euronext in Paris ("**Euronext Paris**")

under the ISIN code FR0014008ZE6 from 25 May 2022 until 7 June 2022 inclusive. Unexercised Rights will automatically lapse at the end of the subscription period, i.e., June 9, 2022 at the close of trading. The subscription period for the New Shares will run from 27 May 2022 until the close of trading on 9 June 2022. Results of the rights issue will be announced on 14 June 2022.

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

Risk factors

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

Availability of the Prospectus

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

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

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

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

- a) The capital increase generated strong demand from existing and new investors, for a total amount of €2.6 billion.
- **b)** The French and Dutch states participated to the full extent of their rights, to maintain their shareholdings unchanged, reiterating their confidence in Air France-KLM's performance.

- c) CMA CGM becomes a new strategic reference shareholder with a 9.0% stake in Air France-KLM's share capital.
- d) Net proceeds from the capital increase will be mostly used to accelerate State Aid repayment and reduce related financial costs, as well as to reduce Air France KLM's indebtedness.

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

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

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

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

Allocation of the share capital following the transaction

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

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

% of the capital (post rights Issue)	% voting rights (post rights Issue)	% of the capital (as of April 30, 2022)	% voting rights (as of April 30, 2022)
2,570,536,136	2,798,982,387	642,634,034	871,080,285
28.6%	28.5%	28.6%	28.1%
9.3%	10.7%	9.3%	13.8%
9%	8.3%	0%	0%
4.7%	5.6%	9.6%	11.4%
2.9%	4%	5.8%	8.6%
0.05%	0.1%	0.2%	0.3%
45.5%	42.9%	46.5%	37.8%
	(post rights Issue) 2,570,536,136 28.6% 9.3% 9.3% 9% 4.7% 2.9% 0.05%	(post rights Issue) (post rights Issue) 2,570,536,136 2,798,982,387 28.6% 28.5% 9.3% 10.7% 9.3% 10.7% 9.3% 5.6% 2.9% 4% 0.05% 0.1%	(post rights Issue) (post rights Issue) (as of April 30, 2022) 2,570,536,136 2,798,982,387 642,634,034 28.6% 28.5% 28.6% 9.3% 10.7% 9.3% 9% 8.3% 0% 4.7% 5.6% 9.6% 2.9% 44% 5.8%

Rationale for the Rights Issue

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

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

b) This operation marks a significant step in the execution of the up to €4 billion equity and quasi-equity issuance program designed to strengthen the balance sheet, as announced on February 17th. In the context of the Company's expected performance recovery, with a 7% to 8% operating margin targeted in 2024, the Company is confident that no further dilutive measures will be needed. The Company's sound financial liquidity position (€10.8 billion of cash at hand as of March 31, 2022) and promising outlook will allow Air France-KLM to repay additional outstanding State Aid, which will further improve the financing costs of the Company.

c) the Company confirms its objective to reduce its Net debt/ EBITDA ratio to reach 2.0x to 2.5x by 2023.

Main shareholders subscription

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

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

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

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

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

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

Timetable

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

Lock-up commitments

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

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

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

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

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

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

Risk factors

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

Availability of the Prospectus

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

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

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

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

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

In a context still marked by the aftermath of the pandemic and international tensions, Air France-KLM intends to strengthen its commitment towards sustainable air transport. It is doing so by following a scientific approach based on rigorous criteria, which has been validated by SBTi, an independent reference organization. In addition to achieving zero net CO_2 emissions by 2050, Air France-KLM aims to reduce its emissions per passenger-km by 30% compared to 2019. The Group is also committed to using 10% of Sustainable Aviation Fuel by 2030, well beyond the regulatory mandate envisioned in Refuel EU for flights departing from Europe.

To illustrate their strong commitment to more responsible air transport, the Air France – KLM Group airlines are mobilizing for the "Connecting Europe Days", held from 28 to 30 June in Lyon by the European Commission to discuss transport policies and promote sustainable mobility. Five flights operated by Air France, KLM and Transavia will fly to their destinations carrying at least 30% of sustainable aviation fuel. Social and societal responsibility is the second pillar of the Destination Sustainability strategy. With more than 71,000 employees, Air France-KLM Group is a leading employer, determined to foster an ever more inclusive culture and to fight against all forms of discrimination and inequality at work. For example, a third of the positions on the Group's Executive Committee should be held by women and women should represent 40% of management positions by 2030.

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

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

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

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

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

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

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

Air France – KLM announces today the signing of an agreement with CFM International for the acquisition of 200 LEAP-1A engines to power its new fleet of Airbus A320neo and A321neo. This decision follows the Group's order, last December, of 100 Airbus A320neo family aircraft – with purchase rights for 60 additional aircraft, to renew the fleets of KLM and Transavia Netherlands, and to renew and expand the fleet of Transavia France.

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

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

Benjamin Smith, CEO of Air France-KLM said: "Air France-KLM is dedicated to improving its economic and environmental performance. Latest generation aircraft like our upcoming A320neo and A321neo enable a 10% unit cost reduction, emit 15% less CO_2 and generate 50% less noise, in part thanks to their advanced engines. Through this agreement, Air France-KLM and CFM International are building on their longstanding relationship to make aviation more sustainable."

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

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

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

Under this agreement, Apollo affiliated entities will subscribe to perpetual bonds issued by the ad hoc operating affiliate, which will be accounted as equity under IFRS. The proceeds of the transaction will enable Air France-KLM and Air France to further redeem the French State perpetual bonds, in accordance with article 77 bis of the European Commission's "Temporary Framework for State Aid measures to support the economy in the current Covid-19 outbreak", hence pursuing the redemption of the French State Aid. As a result of the transaction, Air France-KLM will benefit from lower financing costs. The perpetual bonds will bear an interest rate of 6% for the first 3 years, and gradual step ups and caps will be applied thereafter. Air France will have the ability to redeem the bonds at any time after year 3.

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

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

On August, 31 2022 – Pieter Bootsma appointed Executive Vice-President and Chief Strategy Officer and Angus Clarke appointed Executive Vice-President and Chief Commercial Officer

Pieter Bootsma, currently Executive Vice-President and Chief Revenue Officer, is appointed Executive Vice-President and Chief Strategy Officer.

Pieter Bootsma will be responsible for defining and implementing Air France-KLM's long-term strategy, in coordination with all the Group's stakeholders, as well as business development opportunities in its different entities.

Angus Clarke is appointed Executive Vice-President and Chief Commercial Officer. He will chair the Commercial Committee which oversees the direction of all commercial activities at the Air France-KLM Group.

Pieter Bootsma and Angus Clarke will join the Group Executive Committee and report to Benjamin Smith, Chief Executive Officer of the Air France-KLM Group. Their nomination will be effective as of September 1, 2022.

"Pieter with his 30 years of industry experience at our group will now lead our Strategy team tasked with building the master plan to evolve Air France-KLM Group into the leading aviation group of the future. Driving the overall strategy of the Group and building an enhanced and innovative business model to adapt to our ambitious environmental targets will be Pieter's priorities." said Benjamin Smith Air France-KLM Group Chief Executive Officer, adding "I am extremely pleased to welcome Angus back to the Air France-KLM Group taking over Pieter's current scope in addition to group fleet management. Angus brings a deep expertise of the airline industry and he will now lead the commercial teams focused on improving revenue production and optimization." said Benjamin Smith Air France-KLM Group Chief Executive Officer.

On October 25,2022, Air France-KLM pushes its sustainability targets forward with major multi-year Sustainable Aviation Fuel (SAF) purchase agreements

- a) Air France KLM has signed two binding multi-year contracts with SAF providers Neste and DG Fuels for a total volume of 1.6 million tons.
- b) These contracts represent a first step by the Group towards achieving its 10% SAF incorporation targets by 2030 and will cover approximately 3 of those 10%.
- c) First deliveries are expected in 2023.

As a leader in the use of Sustainable Aviation Fuel (SAF), the Air France-KLM Group is reaffirming its commitment in making the aviation sector more sustainable, and is taking a decisive step forward by signing the first set of long-term supply agreements to cover the SAF needs of its airlines for the coming years.

The agreements cover the supply of a total volume of 1.6 million tons of sustainable aviation fuel between 2023 and 2036, which will avoid 4.7 million tons emissions of CO_2 on full lifecycle basis compared to fossil fuels.

First Air France-KLM partners are:

- a) Neste: supplying 1 million tons over the period 2023 to 2030.
- **b)** DG Fuels: supplying 600.000 tons over the period 2027 to 2036.

Partnership discussions are currently underway to add additional suppliers with the aim of gradually establishing a diversified network capable of meeting the supply needs worldwide.

Fully committed to reducing its environmental impact, the Air France-KLM Group aims to reduce its CO_2 emissions per passenger/km by 30% by 2030 compared to 2019 – a target which has been submitted to SBTi. Its decarbonisation trajectory factors in the incorporation of 10% SAF by 2030, alongside fleet renewal and eco-piloting. These contracts represent a first step by the Group towards achieving its 10% SAF incorporation targets by 2030 and will cover approximately 3 of the 10% SAF requirements.

By committing to long-term fuel purchases now, Air France-KLM supports the development of the SAF production industry, which is still in its infancy worldwide (in 2021, SAF production represented 0.01% of the jet fuel consumed worldwide), resulting in prices 3 to 4 times higher compared to conventional kerosene. By increasing use and demand, Air France-KLM aims to play its part in increasing the scale of commercial SAF production for wider adoption by 2030.

These significant off-take agreements made by Air France-KLM are key to the Group's decarbonisation commitments. The efforts will be reinforced by additional environmental commitments in the coming years (new SAF contracts, R&D on e-fuels or hydrogens, Direct Air Carbon Capture and Storage (DACCS), etc.). However, the global objective of zero net emissions by 2050 can only be achieved if all public and private parties work together to make this transition a success. This could involve incentive mechanisms, such as those already in place in the United States and notably in the state of California.

"Decarbonisation is the biggest challenge the aviation industry has ever faced. Air France – KLM is activating all available levers to reduce its environmental impact: fleet renewal, eco-piloting, and the increased use of certified Sustainable Aviation Fuels", said Benjamin Smith, CEO of Air France – KLM. "The contracts we have signed embody our long-term commitment to the development of SAF production capabilities around the world, to the benefit of the industry as a whole. We look forward to working with Neste and DG Fuels, with whom we have established solid partnerships which will pave the way to the creation of a global network of providers capable of meeting our future needs."

Sustainable aviation fuel, an essential lever to reduce the environmental impact of the airline industry

Sustainable aviation fuels are one of the most promising ways of reducing CO_2 emissions in the aviation industry, next to reducing fuel use. SAF can reduce CO_2 emissions by an average of 80% compared to conventional fuel on a life cycle basis and does not require any engine modifications. The current generation of SAF can be made from used cooking oil, waste, and agricultural and forestry residues. In the future, synthetic sustainable aviation fuels will also become available, made from hydrogen and captured carbon.

Air France-KLM has established a strict sourcing policy under which it commits itself only to purchase SAF that does not compete with human food or animal feed supply, that are RSB or ISCC+ certified for their sustainability, and that are not derived from palm oil.

Air France – KLM is also incorporating up to 1% SAF on a one-year overall for its flights from France and the Netherlands, in order for instance to comply with the French legislation in force since January 2022.

Air France-KLM, a leader in the use of sustainable aviation fuel

The Air France-KLM Group has been investing in the testing and use of sustainable aviation fuel for more than 15 years. In 2011, KLM conducted the world's first commercial flight partially fuelled with SAF, while Air France launched the 'Lab Line for the Future' in 2014, a two-year experiment during which 78 flights between Paris-Orly and Toulouse and between Paris-Orly and Nice were partially fuelled with sustainable aviation fuel.

Air France – KLM also supports the development of a production chain in France and the Netherlands. In 2020, Air France worked together with Airbus, Safran, Suez and Total to promote the growth of the SAF production chain in France. The following year, Air France operated its first long-haul flight fuelled by SAF produced entirely in France, while KLM operated the world's first commercial flight with synthetic fuel produced in the Netherlands. In June this year, several SAF-powered flights were operated by all of the Group's airlines as part of the 'Connecting Europe Days' organized by the European Commission.

On October 27, 2022, Alexandre Boissy appointed Executive Vice-President and Corporate Secretary, and Constance Thio appointed Executive Vice-President, Human Resources and Sustainability – Air France-KLM

Following Anne-Sophie Le Lay's decision to step down from her position as EVP Air France-KLM Corporate Secretary to pursue her professional career outside the Group, Alexandre Boissy is appointed EVP Air France-KLM Corporate Secretary, in charge of Group legal and public affairs, compliance, and communication and Constance Thio is appointed EVP Human Resources and Sustainability.

These appointments are effective as of December 21, 2022. As of this date, Alexandre Boissy and Constance Thio will join the Group's Executive Committee. They will both report to Benjamin Smith, Chief Executive Officer – Air France–KLM.

"I would like to thank Anne-Sophie Le Lay for her dedication to the Air France-KLM Group," said Benjamin Smith, CEO Air France-KLM. "Among many other projects, she worked hard to build and implement our sustainability roadmap since joining the Group in February 2018. We all wish her the best for her future endeavours. Her talent and dedication to the Group will be missed."

About Alexandre Boissy

A graduate of the *École Nationale des Ponts et Chaussées*, Alexandre Boissy joined Air France in 1999. He held the positions of consultant, manager and Air France Operations Research Director until 2014. He was Air France-KLM Operations Research Director from 2014 to 2016. In 2016, he was appointed Chief of Staff to the Air France-KLM CEO and Secretary of the Group Executive Committee. Since September 2018, he has been Deputy General Secretary, SVP Communication, and Chief of Staff to the Air France-KLM Chair of the Board.

About Constance Thio

A graduate of the Technical University of Delft and the Gerrit Rietveld Academie in Amsterdam, Constance Thio started her career at KLM in 1994 as a cabin crew member. In the years following, she has held various positions in Commercial and Marketing domains at KLM and Transavia, before joining the Air France-KLM Group in 2010 as Director, Air France-KLM Liaison Office, then as Director, Human Resources Strategy, and then as VP Sustainability & Compliance. She has been Senior Vice-President, Human Resources of the Air France-KLM Group since February 2021. With more than 25 years of aviation experience, Constance has dedicated the last several years of her career to people and sustainability. Her main priorities now are to accelerate the pace of the Group's environmental and HR transformation, and, together with the Air France-KLM leadership team, to define the Group's key priorities to strengthen its ESG commitments.

On October 27, 2022 Pierre-Olivier Bandet appointed EVP Information Systems – Air France-KLM

Air France-KLM today announced the appointment of Pierre-Olivier Bandet as Executive Vice-President – Information Systems effective January 1, 2023.

On that date he will join the Group's Executive Committee, under the leadership of Benjamin Smith, Chief Executive Officer – Air France-KLM.

After a transition period due to begin in the coming weeks, Pierre-Olivier Bandet will take over from Jean-Christophe Lalanne. A member of the Group's Executive Committee since 2012, Lalanne will take up other functions within the Group, with the Transformation team, as from January 1, 2023.

Since July 1, 2019, Pierre-Olivier Bandet has been the Chairman and Chief Executive Officer of HOP!, He was a member of the Air France Executive Committee since 2014.

"Our Information Systems are an asset for our Group and I would like to warmly thank Jean-Christophe Lalanne for his work over the last ten years and for his total commitment to the Air France-KLM Group," said Benjamin Smith, Chief Executive Officer of the Air France-KLM Group, adding "As we continue our transformation, we continue to invest and innovate in high-performance Information Systems. Data, artificial intelligence and cyber risk prevention are all areas in which the Air France-KLM Group has developed recognized expertise over the years. I have every confidence in Pierre-Olivier Bandet's ability to strengthen the Group's leadership in its IT activities."

About Pierre-Olivier Bandet:

A graduate of X-Ensae-Sciences Po, Pierre-Olivier Bandet has held various positions within Air France and Air France-KLM, notably in the network, Marketing, Crew Planning and Cargo Departments. In 2013 he was appointed Chief of Staff to the Chairman and CEO of Air France, and in 2014 Executive Vice-President, Public Affairs. He then took the position of Executive Vice-President, Fleet scheduling before being appointed Chairman and CEO of Hop! on July 1, 2019.

On November 7, 2022 - Air France-KLM today announced the early repayment of €1 billion of the €3.5 billion outstanding on its French State-backed loan ("PGE")

The solid improvement in Operating Performance over the first nine months of the year have allowed the Group to accelerate the repayment of financing received during the Covid-19 crisis.

This early repayment will improve the Group's debt profile by reducing financial costs and limiting exposure to floating rates.

Continuing the positive trend observed in the first half of 2022, Air France-KLM published its third-quarter financial results on Oct. 27th that confirmed the strong improvement of its revenues, operating result and adjusted operating free cash-flow, allowing the Group's net cash position to approach €9.8 billion. In this favorable context, Air France-KLM has reached an agreement with the French State and the syndicate of nine banks participating in the PGE to proceed with the early redemption of \leq 1 billion out of the \leq 3.5 billion outstanding. This amount includes \leq 800 million for settlement of the tranche maturing on May 6th, 2023, and \leq 200 million of the tranche maturing on May 6th, 2024.

In December 2021, Air France–KLM had made an early repayment of €500 million out of the initial outstanding €4 billion. With this additional early repayment of €1 billion, the total outstanding amount of the PGE is reduced to €2.5 billion euros, with the following repayment profile:

- a) May 2024: partial redemption of €1.15 billion, leaving an outstanding amount of €1.35 billion;
- b) May 2025: final repayment of €1.35 billion (no further outstanding amount thereafter).

On November 16, 2022 - Air France-KLM launches an offering of deeply subordinated undated bonds convertible into new shares and/or exchangeable for existing shares for a nominal amount of approximately EUR 305.3m

Air France-KLM S.A. (the "Company") today announced the launch of an offering of undated deeply subordinated unsecured bonds convertible into new shares and/or exchangeable for existing shares (the "Bonds"), for a nominal amount of approximately EUR 300 million within the limits of a maximum number of 200 million underlying shares by way of a placement to qualified investors only (the "Offering").

The net proceeds of the Offering will be fully allocated to the repayment of the perpetual bonds held by the French State, issued in April 2021.

Main terms of the Bonds

The Bonds will be issued at par and will have a nominal value of $\leq 100,000$ (the "Principal Amount") and will be convertible and/or exchangeable into new and/or existing shares of Air France-KLM (the "Shares").

Interests

From the issue date until 23 November 2025 (exclusive), the Bonds will bear interest at a nominal annual rate comprised between 5.75% and 6.50% payable quarterly in arrear on 23 November, 23 February, 23 May and 23 August of each year (or the next working day if any of those dates are a non-working day) (each, an "Interest Payment Date"), and on the first time on 23 February 2023, subject to any interest payment suspension by the Company (in accordance with the Bonds' terms and conditions).

From 23 November 2025 (inclusive), the Bonds will bear interest at a rate equal to 1,300 basis points above the applicable 3 year-Mid-swap Rate in Euro as a reference rate. The reference rate will be subject to a reset every three years thereafter. Interest will be payable quarterly in arrear on each Interest Payment Date and, as the case may be, for the first time on 23 February 2026, subject to any interest payment suspension.

In the event of a change of control, the annual rate for the fixed coupon or the reset reference rate coupon, as the case may be, will be increased by 500 basis points. On any Interest Payment Date, the Company may decide, subject to certain conditions, to suspend payment of interest in respect of the Bonds for the relevant interest period, subject to having notified Bondholders at least 15 business days prior to the relevant Interest Payment Date. All interest in respect of the Bonds that is not paid at an Optional Interest Payment Date will constitute "Deferred Interest". Any amount of Deferred Interest will bear interest (to the full extent permitted by law) from the interest payment suspension date for any period exceeding 12 months at the interest rate applicable to the Bonds at the relevant period.

The amount of accrued interest (the "Additional Interest") in respect of Deferred Interest will become due and payable in the same manner as Deferred Interest. Deferred Interest (as well as the corresponding amount of Additional Interest) may be paid in full or in part at any time at the Company's option, but all Deferred Interest (as well as the corresponding amount of Additional Interest) in respect of all the Bonds will become payable in full in specific cases, including if the Company decides the payment of a dividend or of an interim dividend or repurchase of any equity security or upon redemption of all outstanding Bonds.

Redemption of the Bonds

The Bonds are undated, subject to cases of early redemption at the Company's option and will only be repayable in the event of the liquidation of the Company or upon the expiry of the term indicated in the Company's by-laws (unless extended in accordance with applicable legislation).

the Company may, at its option proceed with early redemption of all, but not some, of the Bonds at par plus accrued interest, Deferred Interest and, as the case may be, Additional Interest (the "Early Redemption Price") in accordance with the provisions of Dividend and Capital Stopper:

- for the first time on 23 November 2025, and then on each Interest Payment Date;
- > in case of a change of control;
- > from 14 December 2024 until 23 November 2025 (excluded), if the arithmetic average, calculated over any period of 10 trading days falling within any period of 20 consecutive trading days preceding the publication of the early redemption notice of the daily products of the Company's closing trading share price on Euronext Paris and the conversion/exchange ratio in effect on each trading day during such period exceeds 130% of the principal amount of the Bonds;

 and if the total number of the Bonds outstanding is less than 15% of the number of Bonds originally issued.

Conversion/Exchange rights

Bondholders may exercise their conversion/exchange right at any time 40 days after the issue date (inclusive) until the 10th business day (exclusive) preceding the earlier of the two following dates: 23 November 2025, or, as the case may be, the date set for any early redemption. The conversion/exchange ratio is set at the Principal Amount divided by the prevailing initial conversion/ exchange price, subject to subsequent adjustments (as set out in the terms and conditions of the Bonds).

Dilution

For illustrative purpose, when considering an offering of Bonds for a maximum amount of approximately \leq 300 million, a nominal value of \leq 100,000 per Bond and a conversion/exchange price calculated on the basis of a reference share price corresponding to a \leq 1.4035 closing share price on 15 November 2022, and a 22.5% conversion premium corresponding to the issue premium mid-range, dilution would represent approximately 6.8% of the outstanding share capital, if the Company decided to exclusively deliver new shares upon conversion.

Subscription intention from existing shareholders

CMA CGM who holds 9.0% of Air France-KLM as of the date of this press release, has expressed the intention to participate to the placement pro-rata to its current shareholding. The Company is not aware of any subscription intention from its other main shareholders.

Public information

The offering of the Bonds is not subject to a prospectus approved by the French Financial Market Authority (Autorité des marchés financiers) (the "AMF"). This press release does not constitute or form part of any offer or solicitation to purchase or subscribe for or to sell securities.

Detailed information on Air France – KLM, including its business, results, prospects and related risk factors are described in the Company's universal registration document filed with the AMF on April 4th, 2022 under number D. 22-0236 (the "URD") as supplemented by an amendment to the URD filed with the AMF on May 23rd, 2022, which are available together with all the press releases of the Company, the half-year financial report of the Company for the six-month period ended 30 June 2022, and the press release for the three-month period ended 30 September 2022, on the Company's website (www. airfranceklm.com).

On December 1st, 2022 – Air France–KLM CO₂ emissions reduction targets for 2030 approved by the *Science Based Targets* initiative (SBTi)

Air France – KLM commits to a 30% reduction per revenue tonne kilometre of its well-to-wake jet fuel greenhouse gas emissions by 2030 compared to 2019, the benchmark year.

The SBTi has agreed that Air France-KLM 2030 emissions reduction targets are in line with the "well-below 2°C" objective, consistent with the Paris agreement.

The decision marks an important milestone in Air France-KLM Group's sustainability roadmap, defined with clear and actionable levers to reach its 2030 CO_2 reduction targets.

The Air France-KLM Group and its airlines are committed to reducing their environmental footprint as part of a transparent and responsible approach to sustainability, including a commitment by Air France-KLM to reduce its well-to-wake scope 1 and 3 jet fuel greenhouse gas protocol emissions by 30% per revenue tonne kilometer (RTK) by 2030 compared to 2019. In that context, the Air France-KLM Group, Air France Group and KLM have submitted their CO₂ emissions reduction targets, and they have recently been approved by the SBTi's Target Validation Team. The SBTi has approved the Group's scope 1 and scope 3 emissions reduction targets and has confirmed that they are in line with a well-below 2°C objective, as determined by the Paris Agreement signed in 2015.

"The Group designed a consistent approach, developed within its Destination Sustainability strategy, with the goal of CO₂ emissions reduction based on three main pillars: fleet renewal, sustainable aviation fuel and operational measures," said Benjamin Smith, CEO of the Air France – KLM Group. "The SBTi targets approval is a key element for the Group to ensure that Air France – KLM's decarbonization strategy is consistent with scientific objectives."

"Faced with the climate emergency, alongside all airlines in the Air France-KLM Group, Air France is taking responsibility and is fully committed to reducing its carbon footprint," said Anne Rigail, CEO of Air France. "This year, we created a tailor-made strategy called Air France ACT, based on four pillars: the accelerated renewal of our fleet, the progressive utilization of SAF beyond French and European mandates, the development of eco-responsible piloting and the deployment of intermodality through our reinforced cooperation with train operators. The approval of our 2030 CO_2 emissions reduction by the SBTi confirms the robustness of our decarbonization roadmap, and we will continue to transparently share our actions and results with our customers and the general public."

"Together with Air France – KLM and Air France, KLM has strong ambitions when it comes to making aviation more sustainable and balancing the development of our network with the environment," said Marjan Rintel, CEO KLM. "This requires fundamental decisions regarding our fleet, our operations, and our fuel use. The *Science Based Targets* and the associated CO₂ reduction direction provides clarity and, at the same time, entails major challenges. To make them feasible, we work closely with each other and with our sector partners to develop technical solutions and innovations that support the energy transition in aviation."

Destination Sustainability, the Air France-KLM Group's sustainability program

The Air France - KLM Group is committed to reducing the environmental impact of its activities. To do so, the Group has established a decarbonization objective based on three main levers aggregated within the 'Destination Sustainability' program.

These levers are as follows:

- > an ambitious plan to modernize and renew the fleets of Group airlines with latest-generation aircraft, emitting 20-25% less CO₂ compared to their predecessors. With the objective of having 64% of new generation aircraft in the Group's fleet by 2028, the Group is currently investing over €2 billion annually for the acquisition of Airbus A220s, Airbus A320neos and A321neos, Airbus A350s, Boeing 787s and Embraer 195-E2s, which are amongst the most efficient aircraft in their respective categories;
- > the use of Sustainable Aviation Fuels (SAF). These non-fossil fuels can be produced from industrial or domestic waste in a circular economy, and the SAF sourced by Air France-KLM does not compete with the human food chain or with animal feed. Air France and KLM have been pioneers in the use of these alternative fuels, which will play a key role in the decarbonization of air transport, as they can reduce CO₂ emissions by up to 80% over their life cycle. In that respect, two off-take agreements were signed in November 2022 enabling the Group to secure 3% out of the 10% 2030 SAF incorporation objective;
- the improvement of operational efficiency, by favouring more direct objectives and applying procedures that limit fuel consumption (single-engine taxi, continuous descent, etc.).

In addition, Air France - KLM is working with the broader aviation sector to accelerate the development of innovative solutions for aircraft design and maintenance, engines, and synthetic fuels, which are required to reach net zero emissions in aviation.

SBTi, a scientific approach in line with the Paris agreement

The *Science Based Targets* initiative (SBTi) is a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science.

The initiative is a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi independently assesses and validates companies' CO_2 emissions targets based on a scientific approach and criteria.

On December 5, 2022 – Air France–KLM and TotalEnergies sign Memorandum of Understanding to supply sustainable aviation fuel for 10 years

Air France-KLM and TotalEnergies have signed a Memorandum of Understanding (MoU) that will see TotalEnergies deliver more than one million cubic metres or 800,000 tonnes of Sustainable Aviation Fuel (SAF) to Air France-KLM Group airlines over a 10-year period, starting in 2023.

This SAF will be produced by TotalEnergies at its biorefineries and will be made available to the Air France-KLM Group's airlines, mainly for flights departing from France (in accordance with French legislation) and the Netherlands.

SAF fuels reduce CO_2 emissions by an average of at least 80% over their entire lifecycle, compared to their fossil equivalent.

Air France-KLM has implemented a strict sourcing policy and is committed to procuring only SAF fuels that do not compete with human food or animal feed, that are RSB or ISCC certified for sustainability, and that are not derived from palm oil.

With the signing of this MoU, Air France-KLM and TotalEnergies confirm their collaboration and their goal of furthering the development of a more responsible aviation sector.

A long-standing partnership in support of the aviation sector's decarbonization

The Air France - KLM Group and TotalEnergies have been collaborating on the use of sustainable aviation fuel for nearly 10 years. Their partnership began in 2014 with "Lab Line for the Future," a two-year experiment during which 78 Air France flights between Paris-Orly and Toulouse, and between Paris-Orly and Nice were fuelled with 10% SAF supplied by TotalEnergies.

In January 2020, Air France and TotalEnergies participated, alongside Safran and Suez, in the call for Expression of Interest initiated by the French government with the aim of developing sustainable aviation fuel production in France.

Over the last two years, TotalEnergies has also supplied SAF for a number of Air France-KLM Group's commercial flights:

- a) in May 2021, the first Air France long-haul flight, between Paris and Montreal, powered with a blend that included 16% SAF produced in France;
- b) in October 2021, an Air France flight between Paris and Nice was powered with 30% SAF;
- c) in May 2022, an Air France flight operated as part of the SkyTeam Sustainable Flight Challenge, between Paris and Montreal, with 16% SAF;
- d) in June 2022, several flights, planned by all of the Air France-KLM Group's airlines as part of the Connecting Europe Days, were powered with 30% SAF.

"Air France - KLM is fully committed to advancing SAF production in Europe and around the world. This Memorandum of Understanding with TotalEnergies is another building block to further the development of a French SAF industry that can meet the airlines' needs. This therefore marks a fundamental milestone in the successful decarbonization of our business. We are continuing to step up our efforts to reduce the impact of our operations as quickly as possible," said Benjamin Smith, Chief Executive Officer of Air France-KLM.

"Biofuel development is one of our Company's strategic priorities. This new partnership with Air France-KLM exemplifies the excellence of industry and French aerospace in committing to a more sustainable aviation sector. By directly reducing the carbon intensity of the energy products used by our air transport customers, we are actively working with them to achieve net-zero emissions by 2050, together with society," said Patrick Pouyanné, Chairman and CEO of TotalEnergies.

On December 8, 2022 – Air France–KLM Group Board of Directors of December 8th, 2022 as decided to submit a resolution at the 2023 Annual General Meeting to amend article 26 of Air France–KLM's bylaws

Following its meeting today, the Air France-KLM Board of Directors has decided to submit a resolution at the 2023 Annual

General Meeting to amend article 26 of Air France-KLM's bylaws in order to specify that when the age limit of the Chair of the Board of Directors is reached during his or her term of office, he or she will continue to perform his or her duties as Chair of the Board of Directors until the end of his or her term of office as director. The role and responsibilities of the Chair would remain unchanged and in compliance with the provisions of Air France-KLM's articles of association and internal regulations.

The Board of Directors also resolved that the functions of Mrs. Anne-Marie Couderc as Chair of the Board of Directors of Air France-KLM would thus be extended until the term of her mandate as director, i.e. until the date of the 2024 Shareholders' Meeting called to approve the 2023 financial statements, subject to the amendment of article 26 of the bylaws, by the next General Meeting of Shareholders.

The Board of Directors stressed that this amendment ensures for the future consistency within the Board by aligning the term of office of the Chairman of the Board with the term of office of its mandate as director.

The Nomination and Governance Committee of the Board of Directors has started a thorough the process of identifying a successor to the Chair.

HIGHLIGHTS OF THE BEGINNING OF THE 2023 FINANCIAL YEAR

On January 4, 2023, appointments at Air France-KLM

Air France-KLM today announced the appointment of:

- Nathalie Stubler, currently Chief Executive Officer Transavia (France), as Special Advisor to the Group's decarbonization strategy;
- Olivier Mazzucchelli, currently Chief Executive Officer
 HOP!, Air France's regional airline, as Chief Executive Officer Transavia (France);
- Hervé Boury, currently Chief Operations Officer Transavia (France), as Chief Executive Officer – HOP!.

These appointments will be effective as of January 16, 2023.

Nathalie Stubler will report to Benjamin Smith, Chief Executive Officer – Air France – KLM. She will work closely with the Group's CSR teams, to whom she will bring her first-hand experience and expertise. Olivier Mazzucchelli and Hervé Boury will report to Anne Rigail, Chief Executive Officer – Air France. They will both be members of Air France's Executive Committee.

"Decarbonization and our ability to drive our business in a more sustainable way are among the most strategic challenges our Group has to tackle" said Air France – KLM CEO Benjamin Smith. "I would like to thank Nathalie Stubler for the remarkable and tireless work she has carried out together with her teams at Transavia (France) over the past 7 years. I warmly welcome Olivier Mazzucchelli, as the new CEO of Transavia (France) at a turning point for the Company, as the airline prepares for the entry into service of the Airbus A320NEO family of aircraft in 2023. I also would like to congratulate Hervé Boury, who will build on the work of his predecessors to ensure the long-term future of HOP!."

About Nathalie Stubler:

A graduate of the *École Polytechnique* and the *École Nationale des Ponts et Chaussées*, Nathalie Stubler held various management positions, first at Air Inter, then at Air France, between 1992 to 2012 – notably at the network, Commercial, Corporate Social Responsibility, revenue management and Pricing divisions. In 2013, she took an executive position at Air France, as head of revenue management and network, before joining the Air France-KLM Group as SVP network Strategy. In September 2014 she became Chief of Staff to the Group's Chairman, and Secretary of the Air France-KLM Group's Executive Committee. She joined Transavia (France) as CEO in January 2016.

About Olivier Mazzucchelli:

Olivier Mazzucchelli is a graduate of the École Nationale des Arts et Métiers (ENSAM Paris) and holds a specialist postgraduate diploma in finance from HEC Paris. He joined the Air France Group in 2000 as Assistant Project Manager (AMO) for the optimisation of flight crew rosters. He then held several positions in the field of maintenance, including CEO of Spairliners (a joint-venture between Air France Industries and Lufthansa Technik based in Hamburg), before becoming Air France Station Manager in Marseille in 2015 and Chief Operations Officer at HOP! in 2017. He was appointed CEO of HOP! in September 2022.

About Hervé Boury:

A graduate of ENAC (the French National School of Civil Aviation), Hervé Boury has spent his entire career in operations. He joined Air Inter in 1989, where he held various positions in maintenance, including that of Engineering Manager for the A320 fleet. In 1997, he transferred to the International Stations division of Air France, and successively acted as Regional Station Manager in New York City, Martinique and Guadeloupe. He then returned to Paris and became Head of the Aircraft Department in 2008, before being appointed Director of the G1XL Freight Center in 2010. Hervé Boury joined Transavia (France) in 2013, acting as Deputy Managing Director Operations and Accountable Manager.

On January 9, 2023 – Air France-KLM announces the successful issuance of its inaugural sustainability-linked bonds, for a total aggregate amount of €1.0bn

The offer attracted strong investor interest, with an orderbook around €2.6bn, covering c. 2.6x the size of the bonds.

Bonds' coupons will be indexed on Air France-KLM Group's target to reduce its well-to wake scope 1 and 3 jet fuel greenhouse gas (GHG) emissions by 10% per revenue tonne kilometer (RTK) by 2025 compared to 2019, as part of its wider decarbonization roadmap.

The proceeds of the bonds will be allocated to partially redeem the outstanding bank loan guaranteed by the French State issued in May 2020.

This transaction will contribute to improving Air France-KLM Group's financial flexibility through debt reprofiling and will provide additional support to its decarbonization trajectory.

Air France-KLM (the "Company") has successfully placed its first sustainability-linked bonds today, for a nominal amount of

€1.0bn, linked to the Company's target to reduce its well-to-wake scope 1 and 3 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 offering is composed of two tranches:

- > a €500 million with a 3.3-year maturity and a coupon of 7.250%; and
- > a €500 million with a 5.3-year maturity and a coupon of 8.125%.

Strong investor demand, with an orderbook around €2.6bn that covered c.2.6x the size of the bonds, is a testament to investors' confidence in Air France – KLM's measures taken to restore the Company's creditworthiness following the Covid-19 crisis.

The transaction will smoothen Air France-KLM's debt redemption profile over the coming years and provide additional leeway for the Company to deliver on its sustainable transformation plan, including the renewal of its fleet.

The proceeds will be used to pursue further partial redemption of the outstanding bank loan guaranteed by the French State ("PGE"', issued in May 2020 during the Covid-19 crisis). This transaction is aligned with the Company's determination to actively pursue the redemption of the French State support package and the granted liquidity measures, in combination with its recovery path and sustainability ambition.

This transaction issuance is framed into the newly set Air France-KLM's Sustainability-Linked Financing Framework, aligned with the Sustainability-Linked Bond Principles ("SLBP") published by the ICMA in June 2020, and received a Second Party Opinion from Moody's Investors Services with a qualification of "Significant contribution to Sustainability".

This inaugural transaction links the Company's financial strategy with its environmental objectives and represents an additional milestone in Air France – KLM's ambition to achieve its decarbonization targets, as a leader for a more sustainable aviation industry. As such, it represents the first public sustainability-linked bond issuance in EUR in the airline sector.

The Air France – KLM Group and its airlines are fully committed to reducing their environmental footprint as part of a transparent and responsible approach to sustainability, with the objective to diminish its well-to-wake scope 1 and 3 jet fuel greenhouse gas protocol emissions by 30% per revenue tonne kilometer (RTK) by 2030 compared to 2019. In that context, the SBTi's Target.

Validation Team approved in December 2022 the Group's scope 1 and scope 3 emissions reduction targets and has confirmed that they are in line with a well-below 2°C objective, as determined by the Paris Agreement signed in 2015.

The Sustainability-Linked Financing Framework and the Second-Party Opinion are available at:

https://www.airfranceklm.com/en/finance/ investors-and-analysts/debt

An application will be made for the bonds to be admitted to trading on Euronext Paris.

On January 27, 2023 – Air France-KLM continues to renew its fleet and places firm order for 4 Airbus A350F full freighter aircraft for Martinair (part of the KLM Group), and 3 A350-900 passenger aircraft for Air France

Air France – KLM's fleet renewal continues in an ongoing effort to improve the Group's economic and environmental performance.

In this context, the Group announced today that the Air France-KLM Board of Directors has approved:

a) a firm order for 4 Airbus A350F full freighter aircraft, to be operated by Martinair on behalf of KLM Cargo.

These Airbus A350Fs will replace the fleet of 4 Boeing 747Fs currently operated by KLM Cargo and Martinair. They will be based at Amsterdam Schiphol Airport.

In December 2021, Air France – KLM had placed an order for 4 Airbus A350F full freighter aircraft for Air France.

Deliveries to Martinair and Air France are expected as of the second half of 2026, meaning both airlines will be among the launch operators of the A350F full freighter.

Benefiting from the latest technological innovations and powered by Rolls-Royce Trent XWB-97 engines, the Airbus A350F delivers significantly improved environmental performance with an over 40% reduction in CO_2 emissions compared to the Boeing 747F. Its noise footprint is also 50% lower.

b) a firm order for 3 additional A350-900 passenger aircraft for Air France, bringing the total number of A350-900 expected by Air France to 41.

These Airbus A350s will replace previous-generation aircraft and be based at Paris-Charles de Gaulle Airport.

They will feature a three-class configuration (Business, Premium Economy, Economy).

Deliveries are expected in 2024.

Fleet renewal is the key driver to cutting CO_2 emissions, with immediate effect. Alongside the use of Sustainable Aviation Fuels (SAF) and eco-piloting, it is one of the pillars of the Group's decarbonization trajectory, which aims for a 30% reduction of CO_2 emissions per passenger/km by 2030 compared to 2019. These targets have recently been approved by the Science-Based Targets initiative (SBTi).

"Investing in the renewal of our fleet means investing in the future of our Group," said Benjamin Smith, CEO of Air France-KLM. "I am delighted to announce that KLM and Air France's cargo divisions will soon operate the quietest and most advanced full freighter aircraft available on the market, the Airbus A350F. This investment is evidence of our confidence in the sustainable growth of the cargo market in the coming years, as well as our commitment to reducing our environmental footprint. I am also very happy to announce that Air France will continue to accelerate the renewal of its fleet with the addition of 3 A350 passenger aircraft. Since its entry into service at Air France, the A350-900 has proved to be a reliable and efficient aircraft, as well as a game changer in terms of reduction of CO_2 and noise emissions. We will continue our efforts to renew our fleet as quickly as possible to provide our customers with the best customer experience possible and to meet our ambitious decarbonization targets."

As of December 31, 2022, Air France-KLM operated a fleet of 506 aircraft, including 6 full freighters.

On March 15, 2023 - Air France-KLM announces the full repayment of its bank loan guaranteed by the French State ("PGE"), making a final step towards the full repayment of States support liquidity measures

- a) 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.
- b) The Group's solid cash position combined with the €1 billion proceeds of the Sustainability-Linked Bond issued in January 2023, has enabled to accelerate and close the repayment in full of the outstanding "PGE".
- c) This full repayment will contribute to smoothing the Group's debt profile, reduce financial costs and limit residual exposure to floating rates.

In 2022, Air France-KLM recorded a strong rebound of its revenues, an improved operating result and a positive net income resulting in a strong cash position of ≤ 10.6 billion by the end of 2022. On the back of this robust operational performance, the Group successfully issued in January 2023 an inaugural Sustainability-Linked Bond for a total aggregate amount of ≤ 1.0 billion.

Given this context, Air France – KLM has now reached an agreement with the French State and the syndicate of nine banks participating in the "PGE" to proceed with the full repayment of the outstanding €2.5 billion, as announced during the FY 2022 results presentation on February 17th, 2023. To do so, the Group used the €1.0 billion proceeds of the Sustainability-Linked Bond and €1.5 billion of its available cash. This full repayment will contribute to smoothing the Group's debt profile, reduce financial costs and limit residual exposure to floating rates, and marks a final step towards the full repayment of the current French State liquidity support measures.

On March 17, 2023 - Air France-KLM announces the repayment of €300 million of the outstanding €600 million perpetual hybrid bonds held by the French State, reaching the 75% threshold of Covid-19 recapitalization State Aid redemption. Air France-KLM also announces the refinancing of €320 million via the issuance of new French State perpetual hybrid bonds

- a) Air France-KLM has repaid €300 million of outstanding French State perpetual bonds, exceeding the 75% Covid-19 recapitalization aid redemption threshold.
- b) The Group will refinance €320 million through a new issuance of perpetual hybrid bonds with the French State, without any "bans" attached.

In April 2021, Air France-KLM and the French State agreed to convert the direct French State loan of €3 billion, granted by the French State to Air France-KLM in late May 2020, into perpetual hybrid bonds as a Covid-19 recapitalization aid to Air France and Air France-KLM approved by the European Commission on 5 April 2021 (subject to several "bans").

In 2022 the Group repaid €2.4 billion of the aforementioned €3 billion, leaving €600 million remaining. As announced at the Group's FY2022 results presentation, Air France-KLM and Air France intend to fully exit the current Covid-19 recapitalization aid and its related "bans" as from April 19th, 2023.

Following the European Commission's approval on February 16th, 2023, of a French State compensation aid granted to Air France without any bans attached, the Group today takes the first step of repaying and exiting the Covid-19 recapitalization State Aid. This step enables the Group to exceed the 75% redemption threshold of the Covid-19 recapitalization aid.

Additionally, the Group will refinance €320 million through the issuance of new French State perpetual hybrid bonds as an approved compensation aid to Air France. These new perpetual bonds with no "bans" attached contain similar financial conditions as the one repaid, with non-call date and interest rate step-up postponed by an additional two years (March 2029).

On April 17, 2023, Air France takes note of the acquittal judgment rendered today by the Paris Criminal Court

On March 28, 2011, Air France and Airbus were indicted for manslaughter of the 228 victims who died in the crash of the AF447 Rio-Paris flight on June 1, 2009. The investigating judges of the Court of First Instance ruled in favour of Air France and Airbus by issuing an order dismissing the case on September 4, 2019. The Public Prosecutor's Office and most of the civil parties (including the Pilots' associations and unions) appealed this decision. The Paris Court of Appeals ruled on May 12, 2021, referring Airbus and Air France to the Criminal Court. Following the rejection by the Court of Cassation on August 26, 2021 of the appeal a criminal trial took place from October 10th to December 8th 2022 at Criminal Court. The Court issued a judgment of acquittal on April 17, 2023, only the Public Prosecutor's Office has 10 calendar days to appeal the criminal decision.

18 April 2023, Air France-KLM, Air France and KLM signed two Revolving Credit Facilities linked to ESG KPIs for a total amount of €2.2 billion

- a) Strong show of confidence from international financial institutions in support of Air France-KLM and its airlines' financial ESG trajectory.
- **b)** ESG-linked RCFs to align Groups' financial tools to decarbonization trajectory.
- c) KLM cancelled both the remaining direct loan and the existing credit facility guaranteed by the Dutch State.

Following the intention expressed during the presentation of the Group's Full Year 2022 results on February 17, 2023, Air France-KLM, Air France and KLM have signed two ESG KPI-Linked Revolving Credit Facilities ("RCF") with a large 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 CO_2 emission, increase of the share of Sustainable Aviation Fuel, among others).

This set of agreements is the second successful sustainability-linked transaction undertaken by Air France-KLM combined with Air France and KLM after its inaugural Sustainability-Linked Bond issued in January 2023.

Air France-KLM and Air France

Air France-KLM and Air France as combined borrower signed a €1.2bn 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.

This RCF was coordinated by Crédit Agricole Corporate and Investment Bank (CACIB) and Natixis, jointly acting as Global Coordinators, ESG Coordinators and Documentation Agents, and concluded with a syndicate of 15 international banks.

KLM

KLM signed a €1.0bn RCF including ESG Key Performance Indicators.

This new RCF has an initial 2027 maturity and includes two one-year extension options and provides for a \leq 200 million accordion increase option at the lenders' discretion.

The RCF was coordinated by ABN AMRO, ING and Rabobank, with Crédit Agricole Corporate and Investment Bank (CACIB) acting as coordinator for the ESG targets. It was concluded with a syndicate of 14 international banks.

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

Pursuant to this cancellation, conditions attached to this aid no longer apply.

The new Facility has an initial maturity in 2027 and includes two one-year extension options at the lenders' discretion, as well as a $\leq 200,000,000$ accordion increase option.

ABN AMRO BANK N.V., ING BANK N.V., and Coöperatieve Rabobank acted as Global Coordinators and ESG Co-ESG coordinators. Crédit Agricole Corporate and Investment Bank acted as Lead ESG Coordinator. A total of [number] international banks participated in the syndicate.

19 April 2023, Air France-KLM and Air France announce today the full exit of the French Recapitalization State Aid under the EU Covid-19 Temporary Framework

- a) Air France KLM has fully repaid, the €300 million remaining French State hybrid perpetual bonds and paid the required compensation of the French State for the shares subscribed in April 2021 without change required of the capital ownership.
- b) the Group has therefore refinanced €407 million with a new issuance of hybrid perpetual bonds with the French State, without any restrictions attached.

Following the intention expressed during the presentation of the Group's Full Year 2022 results on February 17, 2023, Air France-KLM today announces the final repayment of the outstanding perpetual hybrid bonds held by the French State, as well as the required compensation of the French State for the shares subscribed in April 2021 as per the EU Covid-19 Temporary Framework. This transaction allows the Group to fully exit the Covid-19 recapitalization State Aid as well as its related restrictions and without any change of the capital ownership.

The Grouphas now refinanced these repayment and compensation, for a total of €407 million through the issuance of new French State hybrid perpetual bonds, in compliance with the European Commission decision on February 16, 2023⁽¹⁾. These new hybrid perpetual bonds with no restriction attached contain similar financial conditions as the one repaid and will be assimilated to the €320 million hybrid perpetual bonds issued on 17 March 2023, with non-call date and interest rate step-up postponed by an additional two years (March 2029).

Mr. Benjamin Smith, Group CEO, stated: "Today marks an important milestone for Air France-KLM. I am pleased that we have now fully repaid all State Aid, which releases us from the associated conditions. I want to thank the French and Dutch States again for their invaluable support during this unprecedented Covid-19 crisis, and I also wish to express my gratitude to our staff around the world for their unwavering commitment in these difficult times. I am confident that we will be able to continue the successful turnaround we have begun thanks to our continued and accelerated transformation, and that we will emerge stronger out of this trying period, as a leader with a strong sustainability focus".

⁽¹⁾ As a reminder, this decision approved a compensation aid of up to €1,4 billion to Air France making good the Covid-19 damage between 17 March and 30 June 2020.

PRESENTATION OF THE AIR FRANCE-KLM GROUP

1.1	Market and environment	28
1.1.1	Economic environment	28
1.1.2	The industry context and competition	29
1.2	Strategy	31
1.2.1	The Air France-KLM Group's ambitions	31
1.2.2	Air France-KLM: core assets and unique competitive advantages	31
1.2.3	Value creation model	33
1.2.4	Strategic orientations	33
1.2.5	Commitments made in order to comply with the European Commission's "Temporary Framework for State Aid measures to support the economy	
	in the current Covid-19 outbreak" (TF)	35
1.3	Activities in 2022	38
1.3.1	Network business (passenger and cargo)	38
1.3.2	Low-cost business (Transavia)	46
1.3.3	Maintenance business	48
1.4	Fleet	53
1.4.1	The Air France Group fleet	56
1.4.2	The KLM Group fleet	57
1.5	Customer experience division	58
1.5.1	Air France is maintaining its investment for its customers	58
1.5.2	Air France pursues its ambition and relaunches its activity	60
1.5.3	Air France Act, participate in more responsible travel	62
1.5.4	Air France recognized and rewarded	63
1.5.5	Air France Protect, the promise of a safe trip	64

MARKET AND ENVIRONMENT 11

Economic environment 1.1.1

Real GDP growth (%)	2021	2022
World	6	3
Euro zone	6	3
Of which France	7	3
Of which Netherlands	5	4
Latin America and Caribbean	7	3
United States	6	2
China	9	3
Japan	2	2
Sub-Saharan Africa	5	4

Source⁽¹⁾

In 2022, world GDP grew by 3% (compared to 6.1% in 2021). This slowdown in growth was explained by the fact that 2021 saw a pick-up in activity. However, the growth of the world economy only returned to its pre-Covid growth rate (2.6% in 2019). Many factors impacted the global economy this year: the invasion of Ukraine by Russia, inflationary pressures, the effects of Covid and the supply chains disruption.

The war in Ukraine is weakening the Ukrainian and Russian economies, with spill-over effects on the rest of the world such as higher oil and gas prices and, in the short term, a decrease in the global supply of key materials, adding to the existing bottlenecks due to China's zero-Covid policy. The increase in energy costs has significantly reduced household incomes and increased business' costs. In 2022, the Eurozone saw the same GDP growth trend with 3.2% (compared to 5.5% in 2021).

Forecasts show the growth in economic activity continuing to slow before turning negative in 2023, with a decline of -0.12%.

France also experienced slower GDP growth in 2022, at 2.5% GDP (compared to 7.2% in 2021). As with the global economy, this was mainly due to a return to a pre-Covid level (1.9% in 2019). Over the same period, the GDP growth in the Netherlands was 4.3%, close to its 2021 level of 5%, and well above the 2019 level of 1.9%. The forecasts for 2023 foresee respective growth of 0.1% and 0.4% for France and the Netherlands.⁽²⁾

China's economic growth was 3.1% in 2022 (compared to 8.8% in 2021), mainly due to the zero-Covid policy in addition to numerous successive lockdowns confinements, robust measures were implemented to control the spread of the virus, and sporadic outbreaks were suppressed by strict, localized lockdowns, mass testing and mass isolation measures. the 2022 growth was mainly driven by household consumption.⁽³⁾

Oil price

Brent (US\$/bbl)	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Average Brent price	73.5	79.6	100.3	113.5	100.7	88.5
Average Jet fuel price	79.9	92.3	120.8	167	141.1	136.8

Source⁽⁴⁾⁽⁵⁾

(1) Oxford Economics Database Snapshot, Week of 06/01/2023 IME 06/01/2023

Oxford Economics Database Snapshot. Week of 05/12/2022

 ⁽³⁾ Oxford Economics Article, "China: Growth recovery will be slow and bumpy in 2023", 14/12/2022
 (4) EIA, snapshot 06/01/2023; US Energy Information Administration, snapshot 06/01/2023

⁽⁵⁾ US Energy Information Administration, snapshot 06/01/2023

In 2022, the oil price was significantly affected by the Russian invasion of Ukraine, reaching a record level in the 2022 second quarter. Since then, the price of oil has declined and returned to its pre-war levels. Energy price inflation, at 40.5%, remained the main driver of overall inflation, with major contribution from

gas and electricity prices. The increase in the price of jet fuel had a significant impact on the Company's operating costs, the price of a barrel having doubled in less than a year to reach its peak in Q2 2022 at US\$167/barrel.

Currency exchange rates

For one Euro (average)	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
USD	118	114	112	106	101	102
GBP	86	85	84	85	85	87
CHF	108	105	104	103	97	98
CNY	763	735	712	704	690	726
JPY	129.8	130	130.5	138.2	139.2	144.2

Source⁽¹⁾

The euro had depreciated against the US dollar since early 2021 and was trading at around \$1.01 in the third quarter (Q3) of 2022. The depreciation of the euro has added to the build-up of inflationary pressures.⁽²⁾ This depreciation reflects the different macroeconomic outlooks for the Eurozone compared to the United States: a higher growth forecast for the United States, political uncertainty in several large European economies during 2022 and the impact of the war in Ukraine.

Annual inflation in the Euro zone is expected to have been 10.0% in November 2022, down from 10.6% in October. This is leading

1.1.2 The industry context and competition

Worldwide capacity

In 2022, worldwide capacity reached an average of 77% (all figures are relative to the same period of 2019), marking a significant progress from 68% in January 2022 to 84% in December 2022⁽³⁾.

In 2022 airlines suffered from multiple bottlenecks at airports due to the stronger-than-expected recovery. Airlines that were unable to deal with the already-sold program were forced to adjust their schedules and cancel up to 10% of their scheduled flights.⁽⁴⁾ Due to the Russian invasion of Ukraine, the world also experienced geopolitical tensions, resulting in economic and operational impacts.

Domestic and intra-regional flights continue to lead the recovery. Amongst the largest domestic markets, US internal capacity almost fully recovered its pre-pandemic level, maintaining 96% on average throughout 2022 (vs. 83% in 2021). to further increases in all component prices: energy is expected to have posted the highest annual price inscrease in November (34.9%, compared with 41.5% in October), followed by food, alcohol and tobacco (13.6%, compared with 13.1% in October), non-energy industrial goods (6.1%, stable compared with October) and services (4.2%, compared with 4.3% in October).

Despite the considerable uncertainty regarding the post-Brexit relationship between the United Kingdom and the European Union, Pound-Sterling (GBP) held up well versus the Euro (EUR), trading at around GBP/EUR 0.86-0.85.

Chinese domestic capacity fluctuated greatly over the course of 2022 due to the strict zero-Covid policies imposed by the local authorities, dropping from 105% at the beginning of the year to a low of 74% in April, before returning to 91% at the year end. Capacity maintained a 92% average for the full year 2022 (versus 107% in 2021; note that Chinese domestic capacity was the first to recover having already reached 100% in the second half of 2020).

Despite some operational challenges, intra-European flows continued their steady recovery in 2022, starting the year with 72% in January and reaching a high of 94% in October, before finishing the year at 89% in December. Intra-European capacity averaged 87% for the 2022 full year (versus 54% in 2021).

(3) OAG, Snapshot 02/01/2023

⁽¹⁾ Banque de France, snapshot 06/01/2023

⁽²⁾ https://publications.banque-france.fr/bulletin-economique-de-la-bce-ndeg72022

⁽⁴⁾ https://www.theguardian.com/business/live/2022/jun/20/markets-global-recession-fears-easyjet-cuts-flights-bank-of-england-travel-rail-strikes-business-live

For international flights, the US continued to add capacity (US-World), having started the year with 67% and reaching 87% in December, taking the average for the 2022 full year to 76% (versus 45% in 2021).

There were some divergences in performance by flow, with Sub-Saharan Africa and the Middle East outperforming the average growth, at a respective 111% and 105%, closely followed by Central and South America (CSA) and the Caribbean & Indian Ocean (CIO region) with 98%.

European flows recovered to 83% with Asian flows lagging behind at 43% (versus the 2019 financial year).

Chinese international capacity has remained very low since 2020, averaging 6% over the full year 2022 (versus 6% in 2021), and with only slight variations in November and December, which reached a maximum of 8% and 9%.

European international capacity continued to recover, starting the year at 61% before reaching 83% at the year end, with an average of 73% for the full year (versus 41% in 2021).

Sub-Saharan Africa, CSA, CIO and North America all delivered performances of around 80%-90% for the full year 2022 (at 86%, 86%, 83% and 79% respectively); the Middle East saw a pick-up (at 76%) with Asia a laggard (at 49% versus the 2019 financial year⁽¹⁾.

Health restrictions, variants and vaccination

Numerous countries relaxed their entry restrictions ahead of the Summer 2022 peak period, even if some still required vaccination (e.g. the US removed the mandatory pre-boarding test on June 12, but still require vaccination for foreigners).⁽²⁾ China is now moving from a "zero-Covid" to a "live with the Covid" policy.⁽³⁾ A large number of countries no longer require compliance with Covid formalities (e.g. France as of August 2022, Canada as of October 2022⁽⁴⁾, Australia as of July 2022⁽⁵⁾). On December 27, China has announced the scrapping of guarantine from January 8, 2023.⁽⁶⁾

Only a few countries still require a PCR test for vaccinated travelers (e.g. Angola).⁽⁷⁾

Infrastructure

The faster-than-expected recovery and the increase in monthly air transportation activity resulted in significant operational difficulties and strains. Some elements of the air transportation value chain were unable to cope with the surge in traffic, resulting in temporary flight limitations at the large European airports like London-Heathrow⁽⁸⁾ and Amsterdam⁽⁹⁾ and a decline in the quality of service in Summer 2022.⁽¹⁰⁾

The Covid crisis postponed (e.g. Luton airport)⁽¹¹⁾ or even cancelled some significant infrastructure projects (e.g. Leeds airport)⁽¹²⁾, which are currently under pressure and are being heavily contested due to their environmental impact.

Sustainable development

In 2022, the ICAO (International Civil Aviation Organization) organized multiple events to advance the development of sustainable aviation, including a High-Level Meeting on the feasibility of a long-term aspirational goal (HLM-LTAG) for international aviation CO₂ emission reduction and the 41st ICAO Assembly. The Member States agreed on a collective LTAG for international aviation of Net-Zero Carbon Emissions by 2050, in support of the Paris Agreement on the Temperature Goals.⁽¹³⁾ The decision was supported by the ICAO's technical work published in March 2022 in the LTAG report, ⁽¹⁴⁾ underlining aircraft technology, operations and fuels as potential levers towards more sustainable aviation.

COP 27 (27th Conference of the Parties on Climate), held in November 2022, reaffirmed the commitment to limiting the global temperature rise to 1.5°C, requiring governments to revisit and strengthening the 2030 targets in their national climate plans by the end of 2023 (countries are expected to come up with stronger and more ambitious plans). COP 15 (15th Conference of the Parties on Biodiversity) resulted in four goals and 23 targets to achieve by 2030, including among others: protect 30% of Earth lands, Oceans, Coastal Areas and Inland Waters; reduce by \$500 billion annual harmful subsidies and cut food waste in half.

⁽¹⁾ OAG, Snapshot 02/01/2023

Snapshot: https://www.usa.gov/covid-passports-and-travel

⁽³⁾ https://www.bbc.com/news/world-asia-china-63855508

⁽⁴⁾ https://www.canada.ca/en/public-health/news/2022/09/government-of-canada-to-remove-covid-19-border-and-travel-measures-effective-october-1.html

⁽⁵⁾ https://www.homeaffairs.gov.au/covid19/entering-and-leaving-australia

⁽⁶⁾ https://www.bbc.com/news/world-asia-china-64097497

Screenshot France diplomatie (7)

https://www.forbes.com/sites/madelinehalpert/2022/10/03/heathrow-airport-will-end-daily-passenger-limits-after-flight-disruption-filled-summer/?sh=289a4c141740

 ⁽⁹⁾ https://simpleflying.com/amsterdam-schiphol-passenger-caps-6-more-months
 (10) https://www.euronews.com/travel/2022/05/06/delays-inevitable-at-two-thirds-of-european-airports-this-summer-top-industry-body-warns

https://www.constructionnews.co.uk/civils/luton-airports-1-5bn-expansion-delayed-09-11-2022

 ⁽¹²⁾ https://www.itv.com/news/calendar/2022-03-10/150m-leeds-bradford-airport-expansion-plans-scrapped-after-years-of-controversy
 (13) https://www.icao.int/environmental-protection/Documents/ICAO%20side%20event%20COP27%20Draft%20Programme_9_11_22_.pdf

⁽¹⁴⁾ https://www.icao.int/environmental-protection/LTAG/Documents/REPORT%200N%20THE%20FEASIBILITY%200F%20A%20LONG-TERM%20ASPIRATIONAL%20GOAL_en.pdf

Cargo

As of the 2022 second quarter, air cargo demand fell to below its 2021 levels, the latter year having been exceptional in terms of performance, and subsequently remained slightly below its 2019 levels (October 2022: -6% versus 2019). Air cargo capacity, measured in available cargo ton-kilometers (ACTKs), also experienced a remarkable rebound after the pandemic shock but nevertheless remained below its pre-crisis level, with the load factor still slightly above its level in 2019.⁽¹⁾

Prior to the pandemic, the transportation of air cargo had been evenly divided between passenger aircraft bellies and dedicated freighters. However, comparing July 2019 with July 2022, the share of international CTKs transported by dedicated freighters increased by 12 ppts from 49.6% to 61.7%.⁽²⁾

At the height of the Covid-19 pandemic, airlines were temporarily allowed by civil aviation authorities to use cabin space for cargo transportation in passenger aircraft, known as "preighter flights". The share of international CTKs transported by "preighters" became quite significant, but was to disappear with the return to service of passenger aircraft and the ending of the fire-exemptions by the aviation authorities. $^{\rm (3)}$

Maintenance

The aeronautics maintenance or MRO (Maintenance, Repair and Operations) market is mostly driven by the age, cycles and flight hours of the worldwide fleet. The trends in this business closely follow those of the commercial airline fleets globally and their utilization.

In October 2022, MRO spending was estimated to amount to just under \$74 billion for the 2022 financial year down from \$79 billion in early 2022 (versus \$89bn for the 2019 financial year), the recovery having been negatively impacted by the Russian invasion of Ukraine and the slowdown of activity in China with the reimposition of lockdowns.

As MRO recovery and growth rates usually closely follow fleet growth rates, they are expected to be slower for areas where fleet growth is more moderate (Africa, Latin America, Western Europe and, recently, Eastern Europe), with more rapid growth for the Indian and Chinese zones.

1.2 STRATEGY

1.2.1 The Air France - KLM Group's ambitions

Air France-KLM's purpose is: "At the forefront of a more responsible European aviation, we unite people for the world of tomorrow."

The Group's business brings people, economies and cultures together, and drives economic growth and social progress. The

overarching ambition of the Air France-KLM Group is to become a European aviation champion and one of the most powerful in the world, while acting as an industry pioneer in global environment sustainability. As such, flight safety, whether airline safety or health security, is both an absolute imperative that the Group owes to its customers and staff, and a daily commitment.

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

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

The Group takes action to reconcile growth with environmental protection, social value and local development at its hubs and destinations. By developing state-of-the-art technologies, investing in R&D and innovation, and partnering with stakeholders, the Group strives to optimize the use of its different forms of

capital and resources. This approach gives Air France-KLM a strong position in the aviation industry's competitive landscape.

People: 73,000 engaged and professional employees, and a diverse culture

Air France-KLM is committed to the value of its workforce worldwide. Through our employees' collective dedication, professionalism and accomplishments, Air France-KLM is able to provide premium services and a caring journey, fostering lasting relationships with customers while operating in an efficient and safe manner.

⁽¹⁾ https://www.iata.org/en/iata-repository/publications/economic-reports/air-cargo-market-analysis---october-2022/

⁽²⁾ Page 10: https://www.iata.org/en/iata-repository/publications/economic-reports/global-outlook-for-air-transport---december-2022/

⁽³⁾ Page 10 : https://www.iata.org/en/iata-repository/publications/economic-reports/global-outlook-for-air-transport---december-2022/

Brands: a portfolio of attractive, strong brands and a common frequent flyer program

Air France-KLM has a portfolio of strong brands, positioned in complementary markets with their own specific operating models, aligned with customer expectations. The common frequent flyer program, "Flying Blue" contributes to reinforcing the attractiveness of the brands.

Flying Blue will be further leveraged as a margin generator with the ambition to double its contribution to the Group by 2024 versus 2019, Flying Blue currently numbers 17 million members, with one new member enrolling every 20 seconds). It has an extensive and growing network of partners (airlines, banking and consumer firms) and contributes positively to the Group margin through sales of miles, which proved resilient during the crisis.

Partnership: a solid network of suppliers and partners

Air France – KLM is pursuing its commercial integration strategy with its principal partners worldwide, like Delta Air Lines, Inc. and China Eastern Airlines, and through the SkyTeam alliance, to offer value-added services and innovations, whilst reinforcing its network and building mutual trust. A recent strategic partnership with CMA CGM will leverage both Groups' complementary skills, expertise and activities, within the framework of a 10-year exclusive commercial partnership.

Engaging with stakeholders through sound and regular dialogue is also key for Air France-KLM in terms of identifying emerging issues, tackling upcoming challenges and better understanding their expectations. Air France-KLM sees this as an opportunity to continue strengthening its sustainable and local footprint, creating the basis for trust and long-term acceptance, and developing its activities.

An extensive network operated with an optimized fleet

The Air France-KLM Group currently operates one of the largest networks between Europe and the rest of the world, organized around the dual intercontinental hubs of Paris-Charles de Gaulle and Amsterdam-Schiphol, which are two of the four largest connecting platforms in Western Europe (the other two being London Heathrow and Frankfurt am Main). In 2022, it served more than 300 destinations in 120 countries.

Air France-KLM confirmed its commitment and ambition of maintaining a leading position in terms of traffic and capacity with over 83 million passengers carried in 2022 (versus 45 million in 2021) between Europe and the rest of the world, as well as intra-European and domestic routes on departure from the Group's natural markets.

The Group diversifies its portfolios by being present in all the large markets with no one market representing more than a third of network revenues. Its global footprint, together with optimized fleet, enables the Group to capture the opportunities ahead, while persuading its long-term goals.

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

In June 2022, Air France-KLM increased its capital for a total amount of \in 2,256 million, enabling the partial redemption of the subordinated notes held by the French State for a nominal amount of \in 1,631 million. The French and Dutch State shareholdings remained unchanged at 28.6% and 9.3% respectively, while CMA CGM became a new shareholder with 9% of the Company's share capital, and China Eastern Airlines and Delta Air Lines, Inc holding respectively4.7% and 2.9%.

In early 2023, Air France-KLM successfully placed its first sustainability-linked bonds, for a nominal amount of €1.0 billion. The offering was composed of two tranches:

- > €500 million with a 3.3-year maturity and a coupon of 7.250%;
- > €500 million with a 5.3-year maturity and a coupon of 8.125%⁽¹⁾.

These operations, which are a part of a broader strategy to transform and streamline the Group, will allow it to emerge with a stronger balance sheet and increased strategic flexibility. In a context of strong demand for travel, Air France-KLM will continue to implement its roadmap focused on increased profitability and sustainability, while meeting its customers' expectations, fulfilling its CSR commitments and seizing the opportunities that will arise as the airline industry recovers.

Environment: an experienced and knowledgeable industry player committed to contributing to positive change

The Group is endlessly innovating so as to be a reference in sustainability. Its ground and flight operations have an impact on the environment, including climate change, noise, air pollution and waste, however the Group strives to continuously improve all aspects of its activities to reduce its environmental footprint.

Air France-KLM has a strong commitment towards sustainability, including reaching Net Zero carbon emissions in 2050 by activating, among others, levers on operations, fleet renewal and Sustainable Aviation Fuel.

⁽¹⁾ https://www.airfranceklm.com/sites/default/files/2023-01/2023%2001%2009-%20AFKLM%20inaugural%20sustainability%20linked%20bond.pdf

1.2.3 Value creation model

The Air France-KLM value creation model addresses all of the Group's stakeholders, namely employees, shareholders, customers, suppliers, authorities, institutional and non-governmental organizations, and other local partners. As part of its day-to-day activities, the Group interacts with diverse stakeholders, while its business and operations have multiple impacts (qualitative and quantitative) on society. The value creation model shows the impact areas where the Air France-KLM Group adds value and which, thanks to its fundamental strengths and unique competitive advantages, enables a response to the societal and sustainability challenges.

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

People: be the best place to work

Air France – KLM wants to position itself as an employer of choice and is targeting a leading Employee Promoter Score. Our 73,000 people are our primary asset as they are the face of our company to our customers and represent our brands across the world. The Group thus invests in training to ensure their skills are top notch, and further empower them through the use of digital tools, enabling them to surpass our customers' expectations.

The relationship linking the Group to its employees is based on the underlying values of trust, respect, transparency and confidentiality.

1.2.4 Strategic orientations

The Air France-KLM Group's activity continues to recover and materializes in a strong performance and profitability

In the challenging environment of 2022, the Air France-KLM Group was able to make the most of the rising demand for air transportation, and furthermore maintain its recovery trajectory. An agile approach to capacity deployment maintained strong load factors throughout 2022, improved operating margins and resulted in profitable operations (starting from Q3 2022) for the first time since the beginning of the Covid-19 crisis.

In 2022, the Air France-KLM Group's performance was also recognized by the industry with commercial awards:

 Air France received the Health Safety Diamond Award by APEX (Airline Passenger Experience Association), followed by the Covid Airline Excellence Award from Skytrax. Moreover,

Customers: exceed customer expectations

Air France-KLM wants to ensure an unrivalled end-to-end customer experience, which exceeds customer expectations at all touchpoints, and on products, services and health safety. The Group is targeting a leading Net Promoter Score by improving the customer experience through personalized and digitalized offers and best-in-class operational performance. Thanks to the professionalism of the Group's frontline staff, the quality of its products and services, and an improved operational performance, Air France, KLM and Transavia maintain a daily focus on customers.

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

Planet and society: be an industry pioneer in sustainable aviation

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

Air France was named Best Airline in Western Europe and France at the Skytrax World Airline Awards 2022. It was also recognized as the 8th Best Airline in the World, continuously improving its position as a worldwide leader versus the previous years;

- KLM received the 2023 APEX World Class Award, as best airline for passengers along with seven other airlines (Singapore Airlines, Japan Airlines, Emirates, Saudia, Qatar Airways, Xiamen Airlines and Turkish Airlines);
- Transavia won awards for the Elected Customer Service of the Year 2022 in the collective passenger transport category, as well as The Capital Label "Best Brands 2022" on which it has stood out since 2017, and the 2022 Qualiweb Award for Best Online Customer Relations, (in duo with BlueLink) for the fourth year running.

The Air France-KLM Group is on the right path to improve its financial trajectory

Strong air travel demand in line with a capacity recovery resulted in a healthy yield environment in the second half of 2022 and a promising operating result for full year 2022, setting the Group on a strong financial trajectory. Full year Capex spending was €2.3 billion with 80% being fleet and fleet related and 20% IT and Ground related expenditure.

During the first half of 2022, the Dutch State Aid was repaid in full, for a total amount of \notin 942 million, while the capital increase in June 2022 enabled the partial redemption of the subordinated notes held by the French State for a nominal amount of \notin 1,631 million. These transactions contributed to strengthening the Group's balance sheet and equity.

In addition, the agreement between Air France – KLM and Apollo made it possible to partially reimburse the subordinated notes held by the French State for a nominal amount of €487 million.⁽¹⁾

Early 2023, Air France-KLM has successfully placed its first sustainability-linked bonds, for a nominal amount of €1.0bn.

At the same time, the Group is continuing to work on various additional options to restore its equity, with current Group's total liquidity amounted to €12.3 billion.

The Air France-KLM Group is set to accelerate the transformation and deliver on our decarbonization roadmap

Since 2019, more than 100 agreements have been signed with employees aimed at achieving a significant transformation and maintaining social stability: adapting ways of working during the crisis, supporting the strategic transformation such as the French Domestic turnaround and the removal of the cap on the Transavia fleet.

In the post-Covid-19 world, the Air France-KLM Group needs to balance its medium-term focus on managing liquidity risk and optimizing capex with the long-term focus on achieving increased competitiveness and its sustainability targets. The transformation is accelerating and will help restore competitiveness with €3bn of structural benefits by 2024 through key levers like external spend optimization, labor cost reduction, fleet efficiency, new revenue streams and new initiatives.

The Air France-KLM Group and its airlines are continuing their efforts directed at reducing their environmental footprint as a part of a transparent and responsible approach to the challenges

surrounding global warming. This includes a commitment by Air France-KLM to reducing its well-to-wake scope 1 and 3 jet fuel greenhouse gas protocol emissions by 30% per revenue ton-kilometer (RTK) by 2030 compared to 2019. In that context, the Air France-KLM Group, Air France and KLM submitted their CO₂ emissions reduction targets to SBTi which have been approved in November 2022 by SBTi's Target Validation Team confirming that they are in line with a well-below 2°C objective, as determined by the Paris Agreement signed in 2015.⁽²⁾

The Air France-KLM Group's levers are as follows:

- > an ambitious plan to modernize and renew the fleets of the Group's airlines with latest-generation aircraft, emitting 20%-25% less CO₂ compared to their predecessors. With the objective of having 64% of new generation aircraft in the Group's fleet by 2028, the Group is currently investing over €2 billion annually in the acquisition of Airbus A220s, Airbus A320neos and A321neos, Airbus A350s, Boeing 787s and Embraer 195-E2s, which are amongst the most efficient aircraft in their respective categories;
- > the use of Sustainable Aviation Fuels (SAF). These non-fossil fuels can be produced from industrial or domestic waste in a circular economy. The SAF projects selected directly by Air France-KLM do not compete with the human food chain or with animal feed. Air France and KLM have been pioneers in the use of these alternative fuels, which will play a key role in the decarbonization of air transportation, as they can reduce CO₂ emissions by up to 80% over their life cycle. In that respect, two off-take agreements were signed in November 2022 enabling the Group to secure 3% of the 10% 2030 SAF incorporation objective;
- > the improvement of operational efficiency, by favoring more direct objectives and applying procedures that limit fuel consumption (single-engine taxi, continuous descent, etc.).

This commitment is also backed by a Memorandum of Understanding to supply SAF for 10 years, signed by Air France-KLM Group and TotalEnergies in addition to their long-standing partnership.⁽³⁾

In addition, Air France – KLM is working with the broader aviation sector to accelerate the development of innovative solutions for aircraft design and maintenance, engines, and synthetic fuels, which are required to reach Net Zero carbon emissions in aviation.

Detailed Information about the Air France-KLM Group's fleet can be found in section 1.4.

⁽¹⁾ https://www.apollo.com/media/press-releases/2022/07-29-2022-130048487

⁽²⁾ https://www.airfranceklm.com/en/newsroom/air-france-klm-co2-emissions-reduction-targets-2030-approved-science-based-targets

⁽³⁾ https://www.airfranceklm.com/en/newsroom/air-france-klm-and-totalenergies-sign-memorandum-understanding-supply-sustainable-aviation

1.2.5 Commitments made in order to comply with the European Commission's "Temporary Framework for State Aid measures to support the economy in the current Covid-19 outbreak" (TF)

In 2022, Air France-KLM remained subject to the commitments made by the French government in order to comply with the European Commission's "Temporary Framework for State Aid measures to support the economy in the current Covid-19 outbreak" (TF) linked to phase one of the Group's recapitalization realized in April 2021.

These commitments, specifically paragraphs 60-61 and 71-78 of the "Temporary Framework", included Air France's release of up to 18 take-off and landing rights (slots) at Paris-Orly airport to a competing carrier in order to create or develop an existing base at that airport, provided that the competing carrier obtaining Air France's slots bases its aircraft and crews at Paris-Orly airport, in compliance with national and EU labor laws. Other general commitments were made under the TF, including restrictions on acquisitions, share buy-backs, dividend distributions and executive management compensation. These commitments are applicable to the entire Group with the exception of KLM and its subsidiaries.

Finally, the Group has reiterated the economic, financial and environmental commitments made within the framework of the State loan and reflected in its transformation plan. The Group therefore maintains an ambitious environmental roadmap to accelerate the Group's sustainable transition, in line with the objectives of the National Low Carbon Strategy (*Stratégie Nationale Bas Carbone*, "SNBC").

Please also see "highlights of the beginning of the 2023 Financial year".

OUR STRATEGY: BECOMING A EUROPEAN CHAMPION

OUR RESOURCES

OUR BUSINESS MODEL



PEOPLE 73,000 engaged

and professional employees and a diverse culture



BRANDS Portfolio of attractive, strong brands and a common frequent flyer program "Flying Blue"



PARTNERSHIP A powerful network of suppliers and partnerships



FLEET & NETWORK An extensive network operated with an optimized fleet



FINANCIAL A stable shareholding structure with the French and Dutch States, CMA CGM,

China Eastern Airlines and Delta Air Lines



ENVIRONMENTAL An experienced and knowledgeable player in the

player in the industry committed to contributing to a positive change With a European base and a global network of more than 300 destinations, the Air France-KLM Group is a global aviation player in the **passenger, cargo** and **maintenance** businesses, represented by 3 strong brands, committed to leading the way in **sustainable aviation**.

AIRFRANCEKLM GROUP



TAKING

ELEGANCE TO

NEW HEIGHTS



JOURNEYS OF INSPIRATION 🔁 transavia

WE MAKE LOW COST FEEL GOOD

t



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



OUR VALUE CREATION

2022 PERFORMANCE



 Exceptionals include the payment of the air-freight litigation and the deferrals of social charges and wage taxes accumulated during the Covid 19 period.

1.3 ACTIVITIES IN 2022

1.3.1 Network business (passenger and cargo)

A year of recovery even if Covid-19 and the Russo Ukraine war significantly impacted our activity

The Network business corresponds to passenger and cargo transportation services on the scheduled flights of the network airlines, Air France and KLM. The Network business is Air France-KLM's principal activity, contributing slightly above 86% of the Group's revenues.

For Air France, 2022 proved to be a year of recovery relative to 2020 and 2021 although activity remained below its level in 2019 owing to the ongoing Covid-19 pandemic, particularly in the first guarter with the Omicron strain but also throughout the year with the maintained closure of most Asian countries. The outbreak of the Russo-Ukraine war in February 2022 also had a significant impact on 2022 activity, in both medium- and long-haul. The total capacity in the Air France network was down by 17% relative to 2019 but saw a net overall increase of 30 points relative to 2021. The Scheduling teams continued to react with agility and proactiveness to adjust capacity throughout 2022 to respond to developments on a month-by-month basis. The first quarter was the most impacted due to the Omicron strain, with capacity down by 25% relative to 2019 for Air France. Capacity then progressively increased as the year unfolded to reach a level of 82% in ASK relative to 2019.

1.3.1.1 Short and medium-haul operations

Continuous adjustments due to Covid-19 and the Russo Ukraine war; finalization of the domestic restructuring plan

Faced with the Covid-19 crisis and more particularly the Omicron impact in 2022, then despite the Russo-Ukraine war, the short and medium-haul network maintained its agility in terms of capacity adjustments. At the end of the Winter 2022 season, the restructuring of the short-haul network was 90% finalized. The Short and medium-haul network is also pursuing its fleet renewal with the ongoing deliveries of the A220 aircraft across the network.

On the French short-haul network, activity was down by 48% relative to 2019. The first and second quarters of 2022 were characterized by a very weak level of short-haul activity (-54%), mainly due to the Omicron strain. Faced with the growth in demand and changes in the flight slot regulation (end of the moratorium), short-haul activity rebounded to average of 43% in the second half of 2022 relative to 2019.

Initiated in 2020 to contend with the magnitude of the Covid crisis but also the growing competition from the low-cost carriers, high speed rail and the Ouigo offer dating back several years, in 2022 the Group continued to restructure its short-haul network. After the closure of 27 routes in this network during 2020 followed by seven in 2021, Air France pursued its restructuring by closing another 13 routes in 2022 including Orly-Perpignan, Orly-Pau and Lille-Marseille, with the slots being transferred to Transavia. Air France has also undertaken to reduce the CO₂ emissions on its domestic network by 50% by 2024 and confirmed the closure, as of Summer 2020, of routes for which there is a rail alternative in under two and a half hours from Paris (Orly-Bordeaux, Orly-Nantes, Orly-Lyons). Lastly, to adapt our capacity to leisure destinations during the Summer season, 73 routes were launched in 2022, of which 15 international routes on departure from Orly and the French provinces.

The medium-haul network also saw its capacity progressively increased over the course of 2022. On average, for the whole year, capacity was down by 15% relative to 2019; the first quarter was more impacted by the Omicron strain with capacity averaging -30% relative to 2019. Capacity then gradually increased over the year to reach a maximum level of 94% in Q3 of 82% in ASK compared to 2019, supported by leisure and Friends and Family demand during the Summer season and by the reopening of Algeria. The main impact of the Russo-Ukraine war was the closure of all our services to these two countries for the whole of the year.

Built around the Paris-CDG and Amsterdam-Schiphol hubs, the medium-haul network was also supported by the recovery in the long-haul network. The strong leisure demand during the Summer season enabled us to maintain numerous seasonal routes over the summer and there have also been seven structural openings since 2019: Krakow, Seville, Helsinki, Tangiers, Las Palmas and Tenerife.

Within a still-extremely-volatile public health context, the Group thus showed its ability very rapidly to adapt to the changes in the geopolitical and health situation. Agility and reactivity have become the principles for the construction of the commercial proposition, in terms of adapting both capacity and the destinations to respond to the more leisure-oriented demand.

In medium-haul, KLM was still very much affected on the demand side by the Omicron strain in the first quarter of the year. Demand was strong and rapidly ramped up as the other quarters unfolded. From an operational perspective, KLM had to deal with a shortage of manpower in KLM ground services and SPL security during the last three quarters. This strongly affected operational reliability and the ability to operate the desired production volumes. Furthermore, there was also a significant impact on the passenger demand side in terms of connectivity and reliability with an impact on revenues and costs.

In 2022, compared to 2019, KLM's European network was at the index of 84% in ASK and the long-haul network at the index of 80%. The trends are fairly comparable on the long-haul.

On KLM's medium-haul network, the capacity index per quarter was:

13 Q4	Q3	Q2	Q1
% 80%	86%	86%	83%

1.3.1.2 Long-haul operations

KLM long-haul operations

In long-haul, KLM's average 2022 capacity stood at 80% with differences between the quarters, respectively at 75%, 79%, 84% and 81% for the first to the fourth quarter. Although the Cargo performance was not as strong as in 2021, it was still markedly higher than in 2019 and made a substantial contribution to the 2022 long-haul results.

To maintain the global network, KLM maximized the number of destinations, albeit at reduced frequencies. KLM succeeded in adding new destinations, like Austin (USA), Aarhus (Denmark), Katowice (Poland) and Rovaniemi (Finland).

Air France long-haul operations

For Air France, 2022 was marked by a significant recovery in activity compared with its level in 2020 and 2021. This recovery was however more moderate during the first quarter in view of the Omicron wave. The long-haul ASK capacity index thus stood at 85% of its 2019 level during 2022, with the following breakdown by quarter:

Q1	Q2	Q3	Q4
77%	84%	87%	93%

Capacity was progressively introduced in line with the recovery in demand and was based on the re-opening of borders. There were, however, considerable variations between regions.

Africa: an index of 98% versus 2019. This region proved resilient during the Covid public health crisis and returned to a level of capacity similar to that of 2019. The main developments included the continuation of the Zanzibar service launched in 2021 throughout the year, the relaunch of Cape Town and increased frequencies on all the historic points of the network.

Asia: an index of 32% versus 2019. Asia was the region whose capacity remained the lowest relative to 2019. This was linked to the travel constraints that remained tighter than in the other regions. Note however that Japan saw its capacity increase *via* the re-opening of Tokyo Haneda in September and that the CDG-Singapore service also saw strong growth with the move to nine flights a week as of the Winter 2022 season. Lastly, routes like Seoul, Ho Chi Minh Ville and Bangkok also saw considerable

capacity growth over the year given the gradual re-opening of borders and the return of demand. Note that North East Asia was strongly impacted by the inability to overfly Russian air space as of February 2022, with an impact on the flight times to the relevant destinations.

North America: an index of 102% versus 2019: After a 2021 during which capacity had stood at around half its pre-crisis level, there was a considerable recovery on North America which ended 2022 with capacity slightly up on its 2019 level. The main developments included the reinforcement of the New York service with up to six daily flights between CDG and JFK, scheduled like a shuttle-type product, and the launch of CDG-Newark. Air France also pursued its growth in Canada with the opening of a new service to Quebec in Summer 2022 while the Dallas service was reintroduced having been suspended since the beginning of the Covid-19 public health crisis. Lastly, all the "core network" routes saw their frequencies significantly increased in 2022 relative to 2021.

Caribbean/Indian Ocean: an index of 111% versus 2019: Capacity to the French West Indies was maintained at a high level in 2022, in line with what was done in 2021. It was on the "international" routes that capacity saw particular growth in 2022 with the recovery in activity on routes like CDG-Mauritius, Antananarivo, Havana and the growth on Punta Cana/Santo Domingo over the summer. The Caribbean regional network also continued its growth with the relaunch of Pointe à Pitre-Montreal in Summer 2022.

Central/South America: an index of 75% versus 2019: While capacity in this region remained lower than its 2019 level, there was a real recovery relative to 2021 (Index 39). Substantial capacity was progressively reintroduced on the core network over the course of the year. The last quarter thus ended with a capacity index of 88% versus 2019 and even 95% without counting Caracas and Quito which remained suspended.

India/Middle East: an index of 103% versus 2019: The ending of capacity restrictions on India was a very strong contributor to the recovery in this network, with a daily flight operated to Delhi, Bombay and Bangalore as of the end of 2022 and three flights a week to Chennai. Dubai maintained capacity at above its 2019 level with two daily flights over the Winter, and a second CDG-Tel Aviv flight was introduced as of Summer 2022.

Air France Protect, the promise of a safe trip

Air France has implemented health measures guaranteeing the highest level of safety at every step of the journey: at the airport; on board; on arrival.

In the context of a global health crisis, Air France made the health and safety of its customers and staff its top priority. As of the emergence of the Covid-19 virus, Air France introduced exceptional measures, regrouped under the Air France Protect label, to ensure a serene journey: the strictest health conditions at every stage, tickets that are 100% changeable and refundable tickets, pandemic-related insurance coverage and a dedicated website to verify travel conditions. The Air France teams are monitoring developments in the health situation and remain more than ever mobilized to continue welcoming customers on board its flights in complete safety.

1.3.1.3 An accelerated digital reset for the present and future

Accelerated digital reset for now and the future.

Air France-KLM Digital's crucial capability to adjust in dynamic circumstances

As an airline group and a player in the travel industry, the Group was hit very hard by the Covid-19 pandemic. Structural changes were witnessed in customer behavior for both B2C and B2B, driven by an increased focus on health and sustainability, as well as the adoption of technology as an enabler to connect with colleagues, friends and family from home.

Within Air France-KLM, the Covid-19 crisis also emphasized the need to further embrace the opportunities of digitization and automation, to remain adaptive and resilient in all disciplines and enhance cost efficiency for the sales and distribution of our offer. Furthermore, the digital channels are now often our first point of contact with customers. In this renewed perspective on the digital channels, sales and servicing go hand-in-hand to optimize the experience of our customers.

In 2022, passengers returned to the skies en masse. Thanks to our agility and ability to adapt swiftly to our customers' needs, last year was characterized by rapidly growing sales following the recovery in demand.

Digital mission statement and key figures in 2022

The aim of Air France-KLM Digital channel is to be th channel of choice for travellers by providing spot-on offers and services at every step of the journey.

- a) 22 visits per second (681 million in total) to AF.com and KLM. com Period: January-December 2022, index 136 versus 2019, source: Google Analytics.
- b) 47% of all tickets sold direct online Period: January-December 2022, +10 pts versus 2019 source: IPortal.
- c) 79% Direct Online Interaction Share⁽¹⁾ versus 72% in 2019 Period: January-December 2022. Source: Opera.
- d) A total of €7.3 billion online sales, 1 ticket sold every 2 seconds Period: January-December 2022, source: BIPortal.
- e) 69% self-perceived success rate of self-service Period: January-December 2022, source: Qualtrics.

Air France Digital Marketing focus: campaigns, emails and social media (2022)

- > +500 cross-channel campaigns executed worldwide
- > 7 million commercial lifecycle emails sent
- > 6.1% click rate
- > 11 million fans and followers worldwide on the various social media platforms
- > Launch of the Air France TikTok account in April 2022

KLM Digital Marketing focus: campaigns, emails and social media (2022)

- > +900 cross-channel campaigns executed worldwide
- > 19 million customer lifecycle emails sent
- > 10.6% click rate
- > 21 million fans and followers worldwide on the various social media platforms
- Launch of the KLM TikTok account with a first post on the airline anniversary

Supporting our Customers in self service

2022 saw improvements to many initiatives launched in 2021 as to facilitate their appropriation by our customers and respond to the increasing service requests and the difficult situation at airports. Amongst these initiatives,

the focus was put on expanding self-service rebooking and enabling self-service refunds.

The emphasis was also put on facilitating customer preparation ahead of their departure with the introduction of the "Where can I Fly?" pages and continued efforts directed at Off-Airport automation. Efforts in this particular area include the expansion of Upload@Home/Ready2Fly and the introduction of the broader Clearance Preparation hub concept, enabling customers to check regulatory travel requirement and pre fill their document details.

Still in 2022, our hybrid model of agent servicing, supported by tooling and bots, proved that it played essential role by leveraging the best of humans and bots to assist our customers. the Digital teams adapted the existing bots and expanded the available communication channels (WhatsApp for Air France) so as to able to handle the high servicing volumes, in a context of complex travel conditions for our customers.

In a nutshell, we supported our operational staff in contact centers and at the airport, while offering customers an overall smoother experience.

⁽¹⁾ Share of customers that at one point during their ticket purchase interacted with the digital channel (through Check In, Ancillary, Booking, Check In & Ancillary, Booking & Ancillary, Booking & Ancillary & Check In).

Digital supporting the Group's sustainability ambitions

Sustainability is an important topic and still new. We have thus invested time and resources in customer research to better understand their views and make sure we are developing the most appropriate offers from both a sustainability perspective and aligned with customer expectations.

To support the Group's ambition to become the sustainability leader in the aviation industry, Digital has expanded the availability and reach of the SAF offer. Customers on the website and App are able to opt for SAF at various steps of their online journey. Flying Blue customers also have the possibility to pay for SAF in miles and earn Experience Points ("XP").

In addition, a new AirRail product between Brussels and Amsterdam has been launched, meaning that our customers can combine their KLM flights departing from or arriving at Schiphol with a Thalys train ticket to or from Brussels. In the event of of rebooking or voluntary changes of the train or flight, the total itinerary will be adapted. This facilitates the journey for our customers and, at the same time, contributes to our sustainability ambitions.

Innovation to offer a personalized digital experience

Personalization as a key driver in our commercial strategy

Air France and KLM have launched numerous initiatives to personalize their offers in response to customer needs; the goal is to develop the offer's personalization at every stage of the customer journey.

Numerous options such as the choice of seat and meals or lounge access are offered with a discount to our customers through the most relevant touchpoint (email, application, etc.) and at the best time when they are planning their travel.

This is also the case for the marketing campaigns. Thanks to data and algorithms, we are able to propose to our customers only the destinations and products which really interest them. Our "Next Best Action" dedicated algorithm is able to make suggestions based on historical bookings and the customer profile.

For Air France, we have managed to personalize 80% of our email campaigns in the French market, meaning that our customers received tailor-made emails focused on their perceived needs and preferences.

A pioneer on the social media

Air France and KLM maintain their role as pioneers. They were the first airline brands to propose direct conversations with customers and the sending of travel documents on five social messaging platforms, 24/24 and 7/7, in ten languages. And we have evolved our capabilities since then.

Customers can choose to receive their travel documents and notifications directly on their preferred social media.

The strategy of combining artificial intelligence (bots) and 500 advisors around the world at the service of our customers has enabled the successful management of more than 58,000 cases a week.

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

- over 500 advisors (based in ten call centers worldwide) answer questions, making this the largest dedicated social media team in the world;
- > 24/24 and 7/7 service on WhatsApp, Facebook, Messenger, Twitter, WeChat and KakaoTalk;
- messages in ten languages (French, Dutch, English, German, Spanish, Portuguese, Italian, Japanese, Simplified Chinese and Korean);
- over 50% of agent replies on social media are supported by artificial intelligence (the agents use suggested answers or fully-automated replies);
- over 50% of incoming Air France KLM customers conversations are assisted by a chatbot and around 15% for Air France and 20% for KLM are fully handled by chatbots;
- speed of reply (KLM): On average almost 70% of the high priority cases within 30 minutes and 35% of the low priority cases within 2 hours;
- Furthermore, Air France launched TikTok, Douyin and WhatsApp accounts in its key markets in 2022. WhatsApp has already grown to be the #1 social contact point in Italy and Brazil and #2 in France, the United States and Canada.

Consolidation of a joint digital platform

Dating back several years, Air France and KLM combined their digital development resources and expertise to create a joint digital ecosystem for the Air France and the KLM brand. Based on agile methods of working, a continuous effort is dedicated to providing a state-of-the-art digital experience for our customers. At the base of this ecosystem is a joint API framework, covering the entire journey. In 2022, we have completed this journey and were able to phase out the legacy systems. For the website but also for the mobile applications a uniform and common architecture and technology set-up is applied for the Air France and KLM digital channels. Furthermore, we have implemented several new features that will make booking with us more attractive to our customers. These includes our new credit card payment page that is live on all markets, the option to book commercial tickets with the Flying Blue Cash and Miles program and allowing last minute upgrades to KLM's newly-introduced Premium Comfort cabin.

1.3.1.4 Cargo

Cargo business		Fourth Quarter				Full Year	
	2022	Change	Change constant currency	2022	Change	Change constant currency	
Tons (thousands)	236	-10.8%		931	-11.6%		
Capacity (ATK m)	3,403	+9,6%		13,256	+15,6%		
Traffic (<i>RTK m</i>)	1,756	-12.3%		6,888	-14.5%		
Load factor	51.6%	-12.9%		52%	-18.3%		
Total Cargo revenues (€ m)	844	-17.2%	-20.2%	3,502	-2.4%	-5.9%	
Scheduled Cargo revenues (€ m)	732	-18.2%	-20.9%	3,049	-3.7%	-7%	
Unit revenue per ATK (€ cts)	21.51	-25.3%	-27.8%	23.00	-16.7%	-19.5%	

Global air cargo capacity was approximately 6% lower in the fourth quarter 2022 versus 2019. Yields remained strong during 2022 although the gap between industry capacity and demand narrowed further. The global demand for air cargo volumes declined in 2022, owing to a slowdown in global trade due to the geopolitical situation and increased inflation.

The Group's cargo business continued to perform strongly. The growth in activity and the yield partly offset the drop in traffic resulting in cargo revenues coming in close to their level of the previous year and well above their pre Covid-19 level. During the 2022 financial year, the Group carried 931 million kilograms, down by 26.9%, of which 79% in the bellies of passenger aircraft and 21% in the full freighter fleet.

Compared to 2021, capacity increased by 15.6%, mainly due to the increase in belly capacity, while traffic decreased by 14.5% resulting in a decline in the load factor. This reduction in load factor was partly compensated by the increased yield and led to a unit revenue decrease of 19.5% at constant currency.

Cargo capacity in 2022 was still 9.3% below its 2019 level while demand remained high, resulting in total revenues that were 62.7% higher than in 2019. This increase in revenues was driven by a higher yield while the load factor was below its 2019 level.

In 2022, Air France-KLM Cargo announced the conclusion of a strategic partnership with CMA CGM and a close working relationship has started with CMA CGM teams.

Air France-KLM Cargo won the ACW Achievement Award for its sustainability efforts and several new contracts were signed in 2022 with our forwarders on sustainable aviation fuel.

Lastly, the Group ordered eight Airbus 350 full freighters to strengthen its presence on the cargo market and reduce its carbon footprint.

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

Air transport demand is global and, to respond to this demand, Air France-KLM is pursuing an ambitious strategy aimed at expanding its commercial presence in every region of the world.

Airline alliances and partnerships are an integral part of this strategy. They contribute to meeting customer expectations and thus creating value for both the Group and its customers. They reinforce the Group's market positioning thanks to an expanded and more diversified network, which supplements the Group's own offer. They may also enable the generation of operational synergies.

Strategic partnerships

In July 2017, Air France-KLM announced a further major step in the reinforcement of its strategic partnerships with, on one hand, the creation of a single global joint-venture between Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic and, on the other hand, the intensification of its partnership with China Eastern Airlines. These two commercial alliances were consolidated by equity links with Delta Air Lines, Inc. and China Eastern Airlines each then acquiring an 8.8% equity interest in Air France-KLM within the framework of reserved capital increases carried out during 2017, for a total of €751 million.

The strategic, commercial and capitalistic reinforcement of these partnership positions Air France-KLM as the European pillar of the leading global airline network.

Transatlantic joint-venture with Delta Air Lines and Virgin Atlantic

On January 1, 2020, following approval by the US authorities on November 21, 2019, the Group launched a new transatlantic joint-venture with Delta and Virgin Atlantic. As a result, as of December 31, 2019, a decade after its creation, the Group ended the existing joint-venture between Air France-KLM, Delta and Alitalia. As with most joint-ventures in the industry, it did not lead to the creation of a common company but rather the signature of a contract defining both the mechanism of a common income statement, and governance and organizations to manage all aspects of the partnership. The existence of an internal common income statement ensures that the partners implement all the actions contributing to an improved operating result for the activity, to their mutual benefit. Each company member of the joint-venture recognizes the revenues and costs relating to the joint-venture scope in their respective income statements. If necessary, a settlement mechanism between joint-venture members will compensate the imbalances in value creation based on a mechanism agreed between the parties. This mechanism contributes to "metal neutrality", enabling the different members to jointly manage capacity and look for overall optimization rather than the individual interests of each airline, ultimately increasing value for both the partners and customers.

The governance bodies comprise a CEO Committee, a monthly JV Leadership Team meeting and Working Groups.

The scope of this joint-venture is very wide, covering all the flights between North America (including Canada and Mexico) and Europe through integrated cooperation and all the flights between North America to and from Africa, the Middle East and India together with the flights from Europe to and from Central America, Colombia, Venezuela, Peru and Ecuador through close coordination.

Prior to the public health crisis this new joint-venture had revenues exceeding US\$13 billion and a market share of 23%, making it a major player on the transatlantic, the leading market for international air transportation. More than 340 daily flights linked the nine principal hubs: Paris, Amsterdam, London, Atlanta, New York, Detroit, Minneapolis, Cincinnati and Salt Lake City. Pricing and revenue management are centralized within a 60-strong team based in Amsterdam. The coordination of the network is reflected in the strengthening of the hub-to-hub services, the optimization of aircraft types assigned to each route and an increase in the number of destinations served by non-stop flights on both sides of the Atlantic and the English Channel. The sales forces have been regrouped in each region.

This extended scope marks the expansion and strengthening of one of the most advanced partnership models in the airline industry.

Partnership in China – a consolidated presence in the Chinese market

Air France and KLM benefit from a historic presence in China, bolstered by a strong partnership with one of the three largest Chinese carriers, through a joint-venture agreement concluded ten years ago.

In 2012, Air France signed a joint-venture agreement involving the Paris and Shanghai routes with China Eastern Airlines, a major player in Chinese air transportation, operating a vast domestic network and internationally mainly out of its base in Shanghai, China's economic lung. This agreement was extended to KLM in 2016, when China Eastern Airlines inaugurated the Shanghai-Amsterdam service. The partnership was further reinforced in 2017 when China Eastern Airlines acquired an 8.8% equity interest in Air France-KLM via a reserved capital increase. In November 2018, Air France - KLM and China Eastern Airlines signed an agreement extending their joint-venture to two additional routes, Paris-Wuhan and Paris-Kunming, as of January 1, 2019, thereby offering their respective customers new routes under code share and new connecting opportunities between Europe and China. In April 2021, China Eastern Airlines participated in the Air France-KLM share capital increase; within this context, both airline groups decided to extend the scope of their partnership through an intensified commercial cooperation and an increased footprint on the Beijing market, with the Paris-Beijing and Amsterdam-Beijing routes joining the current existing Joint Venture between Air France-KLM and China Eastern Airlines once the conditions had been satisfied. In May 2022, China Eastern Airlines participated, through a neutral operation, in the Rights Issue launched by Air France-KLM, taking its equity interest to 4.7% of the Company's share capital after the Rights Issue.

Thanks to this partnership, Air France-KLM can offer its customers access to a total of some forty destinations in China.

In total, the revenues from routes operated between Europe and China by airlines participating in the joint-venture agreement represented more than €600 million in 2019.

Strategic partnership with GOL

In 2014, Air France-KLM and GOL Linhas Aéreas Inteligentes signed an exclusive five-year strategic partnership, reinforcing their commercial cooperation between Brazil and Europe. The partnership notably foresees the optimization of synergies between the two groups and, in particular, connecting opportunities in the major Brazilian cities served by the Group. The partnership proved to be a great success, with almost 25% of Air France passengers, flying to Brazil, transferring to GOL flights. Since April 2015, GOL has used its code on Air France-KLM flights between Europe

and Brazil, and on European destinations beyond Paris and Amsterdam. The two partners cooperate on promoting sales in their home markets and, since November 2017, Air France has been GOL's GSA for the French market. This GSA agreement is currently being deployed across the European market.

On October 30, 2019, Air France-KLM and GOL renewed this strategic partnership agreement for a five-year period, thereby reinforcing this cooperation. Air France-KLM remains GOL's exclusive European partner and reciprocally, with some exceptions granted.

Other joint-ventures and code shares

Air France – KLM implements various forms of partnership agreements, the choice depending on the balance between value creation for its customers and the Group, and the necessary level of interaction between the offers of the partners, together with the regulatory requirements framing the scope of the agreement.

The first levels of interline cooperation are Traffic and Special Prorate Agreements (SPA) between the partner airlines, enabling the combination of their networks while maintaining their respective IATA codes and setting their own fares.

Cooperating further within the framework of a code-sharing agreement, two partner airlines sell tickets on the same flight, each under their own code and setting their own fares. The operating carrier has operational control over the aircraft while the marketing partner, for sales purposes, uses its own flight number on its partner's flights. Any such agreement must comply with the safety and regulatory requirements set forth by the competent authorities.

There are two types of code sharing. In the first, under a block seat agreement, the marketing partner purchases a fixed amount of capacity from the operating carrier. The marketing partner has inventory control over the seat block. In the second, known as free flow, no division of capacity is set, the two partners potentially selling all the seats on the relevant flights although inventory control remains the prerogative of the operating carrier. Access to capacity on the relevant flights is through negotiated fares for each booking class.

Joint-ventures are the next level in alliances and participate in the trend towards consolidation when the partners are seeking a higher level of joint optimization on a sub-scope of their network without, however, considering a merger.

A joint-venture enables value creation for customers in the markets where it is implemented and, as a result for the partners who organize coordination of the commercial activities:

- for customers, they enable access to an expanded offer of flights and improved connectivity, loyalty program benefits across a wider perimeter, a harmonized travel experience and integrated commercial propositions;
- the partners thus improve their market positioning, serving a higher number of customers and enabling them to capture market growth.

The partners define the governance principles and financial sharing mechanisms, enabling decision-making and execution across the whole value chain, thus responding to the commercial objectives of the joint-venture.

The final stages in cooperation consolidation and integration are mergers or equity interests, anchoring the development of a common strategy over the long term.

Joint-ventures, equity interests and mergers must be approved in the light of the regulations in force in the jurisdictions covering the scopes of the agreements, particularly with respect to the competition rules (e.g. Anti-trust Immunity).

1.3.1.6 SkyTeam alliance

The three large alliances, SkyTeam (to which Air France and KLM belong), Star Alliance and oneworld, represent some 55% of worldwide traffic. Around two thirds of the top 50 airline carriers in the world belong to a global alliance.

Since the inception of the global alliances, their capacity in terms of the available seats offered by member airlines has grown by more than the industry average, with SkyTeam now being the second largest global alliance, behind Star Alliance and ahead of oneworld.

SkyTeam: a global alliance

SkyTeam, created in 2000, is a global alliance which numbered 19 airline members at December 31, 2022: Aeroflot (suspended), Aerolineas Argentinas, Aeromexico, Air Europa, Air France, China Airlines, China Eastern Airlines, Czech Airlines, Delta Air Lines, Garuda Indonesia, ITA Airways, Kenya Airways, KLM, Korean Air, Middle East Airlines, Saudi Arabian Airlines, Tarom, Vietnam Airlines and XiamenAir.

Belonging to SkyTeam enables its members to strengthen their brand awareness and extend their offer around the globe, thereby bolstering their commercial presence. As members of the SkyTeam alliance, Air France and KLM thus have access to a global network of some 10,062 daily flights to 1,062 destinations in more than 170 countries in 2022.

In 2022, its 341 million passengers benefited from a seamless travel experience on the flights of member airlines and had access to more than 750 airport lounges around the world. The passengers who are members of frequent flyer programs can earn and burn air miles on all SkyTeam partner flights. To become an alliance member, airlines need to fulfil a series of specific membership requirements, relating to operations, technologies and products. Members must be linked by bilateral agreements covering code sharing, their loyalty programs and access to airport lounges.

While retaining their separate identities and brands, the airlines combine their networks to offer their customers a more extensive range of travel solutions and the related global services, more rapid earning of miles, access to numerous airport lounges but also a more seamless customer service during the different stages of their journeys thanks to the SkyPriority and SkyTransfer programs.

SkyTeam also provides an environment and tools enabling members to generate operational cost synergies (e.g. co-located facilities, better use of airport lounges and notably the seven SkyTeam lounges, a joint IT platform, etc.).

Airlines must also be able to offer the products and services exclusive to the alliance. SkyTeam has notably developed proprietary products such as Passes enabling travel at competitive fares, global contracts reserved for large companies or

1.3.1.7 Key figures

Network business

international events, and a product dedicated to Marine and Offshore personnel.

SkyTeam's main governance body is the Alliance Board, composed of the Chairs and Chief Executive Officers of the 19 member airlines. The Alliance Board meets twice a year to define the strategic orientations of the Alliance such as the introduction of new members, the definition of the customer experience and the positioning of the SkyTeam brand along with its related investment and operational budget.

The Executive Board, consisting of senior executives with direct commercial and operational roles, is appointed by the Alliance Board and translates the approved strategic orientations into action plans in a wide range of disciplines ranging from marketing, airport synergies, the interface between information systems, the transfer product between member airlines, cargo and advertising of the brand.

In parallel with their proprietary development projects, the member airlines commit to implementing the SkyTeam action plans by earmarking the required internal resources and respecting the timelines set.

Networks			Year
	2022	Change	Change at constant currency
Total revenues (in €m)	22,758	85.7%	80.5%
Scheduled revenues (in €m)	21,844	89.6%	83.6%
Income/(loss) from current operations <i>(in €m)</i>	1,131	2,713	2,732

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

Passenger network	ork Fourth quarter		ourth quarter				
	2022	Change	Change at constant currency	2022	Change	Change at constant currency	
Number of passengers (in thousands)	16,490	28.4%		64,968	81.2%		
Capacity (in ASK million)	63,282	18.3%		245,457	39.4%		
Traffic (in RPK million)	54,439	44.4%		205,733	103.5%		
Load factor	86.0%	15.5%		83.8%	26.4%		
Total passenger revenues (in €m)	5,359	66.3%	61.7%	19,254	122.2%	116.7%	
Scheduled passenger revenues (in €m)	5,210	66.4%	60.9%	18,794	125.0%	118.1%	
Unit revenue per ASK <i>(in € cents)</i>	8.23	40.6%	36.0%	7.66	61.3%	56.4%	

1.3.2 Low-cost business (Transavia)

Transavia France and Transavia Netherlands (collectively "Transavia"), the Air France-KLM Group's low-cost business, operate point-to-point flights to/from the Netherlands and France. Transavia's cost structure is strictly aligned with the low-cost business model: optimizing the utilization of aircraft, simple products and fares, a strong focus on ancillary revenues, a light organizational structure and the outsourcing of a significant portion of the activities.

In 2022, Transavia France celebrated its 15th anniversary. It is now the leading low-cost carrier on departure from Orly and the number two on departure from Paris (CDG, Orly and Beauvais).

Transavia Netherlands is the leading low-cost carrier in the Netherlands, operating from its bases in Amsterdam, Rotterdam and Eindhoven.

Growth trajectory

Transavia Netherlands made a strong recovery from the pandemic, retaining its position as the leading low-cost carrier in the Netherlands and achieving load factors above pre-Covid-19 levels during the peak Summer season. Spain was the strongest market, with more than 40 per cent of capacity. Transavia Netherlands enjoyed high yields and revenues per available seat, while bookings with Transavia Holidays, through which Transavia Netherlands offers complete holiday packages, rose as well. Like other airlines, Transavia Netherlands had to contend with a tight labor market, supply chain issues with components and severe operational constraints at Schiphol airport, necessitating a considerable reduction in the number of scheduled flights impacting the operational performance in the peak months. Employee engagement returned to the 2019 level. Costs rose on the back of high inflation, the war in Ukraine and non-performance costs related to delays and flight cancellations, while Transavia Netherlands continued to invest in its employees.

In 2022, Transavia France accelerated its growth within the framework of the Air France-KLM transformation plan. After two years marked by the Covid-19 pandemic and with customers again keen to travel, Transavia pursued its growth in its flagship markets with a substantial increase in its fleet from 50 aircraft at the beginning of the year to 61 in Summer 2022.

Once again, the Company needed to demonstrate significant agility to permanently adapt its ASK capacity to the public health situation. Thanks to the progressive re-opening of Morocco and Algeria, two key markets for the airline, Transavia France operated an ambitious flight schedule. To respond to the demand and satisfy customer expectations, capacity was added in these main markets in the Mediterranean basin. In total, the Company launched 50 new routes in 2022 to various destinations in Europe and beyond: Egypt, Turkey, Armenia, etc.

During the summer of 2022, the airline passed the threshold of 100 destinations on departure from Paris-Orly and developed its offering of flights on departure from its bases in Nantes, Lyons and Montpellier to reach 200 routes across its whole network. It was a record summer in terms of activity for Transavia France which operated up to 279 flights a day during some weekends. With 2.4 million passengers carried, Transavia France exceeded its pre-crisis level (+45% relative to 2019), with a load factor of 86% in August.

In 2022, Transavia Netherlands operated to 97 destinations including flying from Brussels Airport to four destinations, these flights having exceeded expectations in terms of performance. In total, 7.8 million passengers were carried, a number which remained below the 2019 result. It also introduced flights to new destinations like Bastia and Milan/Bergamo from Rotterdam The Hague Airport and Riga from Schiphol airport. To make flying more sustainable and optimize its available seats in the slot constrained Dutch market, Transavia is pursuing an up-gauging strategy with the introduction of the A320neo aircraft family. This enables Transavia Netherlands to serve its customers and retain the number one low-cost airline in the Netherlands.

Renewal of the fleet

In December 2021, KLM and the two Transavia business units signed a Memorandum of Understanding with Airbus for the delivery of new medium-haul aircraft starting in 2023, involving a combination of Airbus A321neo and A320neo aircraft.

For Transavia France, fleet renewal is a totally unique event and a major challenge. The first aircraft for Transavia France, an A320neo, will arrive in the fourth quarter of 2023. The teams are already working on the planning of this transition and the reception of the new aircraft. The Airbus A320neo will be the driver of its growth and of its economic and environmental competitiveness. It will give the Company the ability to attain the ambitious targets that have been set for it.

The first aircraft for Transavia Netherlands, an A321neo, will also arrive in the fourth quarter of 2023. The entry into service program is fully embedded in the organization and working towards the milestone for the first flight of the new Airbus A321neo aircraft. The A321 family will be the driver of growth by virtue of its increased gauge size and will enable Transavia Netherlands to achieve its sustainability goals.

Adaptation of the domestic network

The domestic network represents around 12% of the Transavia France flight schedule. The airline is confident in its ability to succeed in this market as the product is aligned with customer expectations. Transavia France is focusing on high-potential routes (Orly-Toulon, Orly-Biarritz, Nantes-Marseilles, etc.) and opened two new routes in 2022 (Orly-Pau and Orly-Perpignan).

In 2022, Transavia France operated a total of 22 domestic routes linking different airports in France. The Company permanently monitors the performance of its routes. Its agility enables the continuous adaptation of its flight capacity to demand.

Customer experience

In 2022, Transavia France became the first low-cost carrier to offer free cabin baggage to its passengers. This is a major advantage for the Air France-KLM group subsidiary within a context of intense competition.

With some 2,300 employees, Transavia France puts the quality of its services, the proximity of its crews and innovation at the center of its commitments. This stance has led to the Company regularly winning awards. For the third time, Transavia France was voted "Customer Service of the Year 2023" in the Collective Passenger Transport (ESCDA) category and obtained, for the sixth consecutive year, the Capital label "Best Brand Quality of Service" in the Transport category, awarded by Capital magazine. The Company was also awarded the Qualiweb 2022 trophy for the quality of its online service in the Tourism and Transport category.

Lastly, Transavia France joined bluebiz, the frequent flyer program aimed at small and medium-sized companies. French members of the program can now earn blue credits for every flight with the airline and exchange them for free tickets, subscription cards and services linked to flights. Transavia France is thus responding to the needs of its growing business customer base.

Transavia Netherlands maintained its position as the low-cost carrier of choice for customers in the Netherlands, despite the challenging Covid-19 situation and forthcoming capacity challenges. In the low-cost and leisure market, we witnessed late booking behavior throughout the year, leading to a higher yield and RASK. Transavia Holidays (offering complete holiday packages) was further expanded, and bookings increased.

Transavia Netherlands also initiated a collaboration with Luggo to improve the customer experience and reduce check-in queues. Luggo is a door-to-door luggage service and was introduced at the perfect time in view of the longer queues due to the operational challenges at the Dutch airports. It started as a pilot in Amsterdam but due to its success, it has been expanded to Rotterdam and Eindhoven. Transavia is therefore continuously improving its onboard experience. One of the best examples is the success of a new food service proposition offering customers a broad range of fresh food in collaboration with Takeaway.com.

Staff, a move to a new head office and flex office

To accompany its strong growth, in November 2022 Transavia France moved into its new head office located at Cœur d'Orly, right next door to its operations. The Company took advantage of this move to adapt its offices to its workplace organization. Having introduced up to 100 days per year of remote working, the Company then opted for the flex office and numerous collaborative spaces, enabling everyone to work in the best-possible conditions.

In terms of staffing, to support the early-summer growth in activity, Transavia France recruited 500 cabin crew members (hostesses and stewards, of whom 97 pursers) and 203 pilots (including flight captains and co-pilots). For the ground staff, 2022 was to see 122 new recruits, i.e. a 60% increase relative to the recruitment during the previous year.

Sustainable development and CSR

As a subsidiary of the Air France-KLM Group, Transavia France has been committed to reducing its carbon footprint for several years. It is now looking to accelerate its environmental transition by activating all the levers at its disposal and fostering the emergence of innovative solutions.

In the shorter term, the Air France-KLM Group including Transavia has committed to a 30% reduction in its CO_2 eg emissions per revenue ton-kilometer (RTK) by 2030 relative to the 2019 baseline.

In June, on the occasion of the Connecting Europe Days, Transavia France operated its first flight powered by a 30% blend of sustainable aviation fuel (SAF). These fuels enable an average 80% reduction in CO_2 emissions over the entire life cycle and are destined to play a key role in the decarbonization of air transportation. In 2022, the French regulation made it mandatory for fuel suppliers to incorporate 1% SAF in their sales of kerosene.

Transavia Netherlands realized a SAF blending on 1% of its outbound flights in 2022. In doing so, Transavia testified its commitment to meeting industry sustainability targets ahead of the legal obligations. This makes it a front-runner in the low-cost market. Transavia Netherlands took responsibility for reducing it footprint by stopping economic tankering. In its procurement processes, it initiated an Ecovadis certification trajectory where Transavia aligns with KLM to audit suppliers on their sustainability targets.

Transavia France is a pioneer in the implementation of eco-pilot programs, which is another level to reduce its environmental footprint. The pursuit of its partnerships with start-ups Safety Line (SITA) and OpenAirlines has enabled a 3% to 5% reduction in CO_2 emissions per flight.

The three OptiFlight solutions (combined) of its partner Safety Line can save more than 80 tons of fuel per aircraft per year, i.e. the equivalent of one aircraft flying neutrally in the Transavia France fleet. Additionally, this year Transavia France again reinforced its commitment to associations like *Magie à Bord, Personn'ailes, Les Hommes de l'Air* and the Carlesimo association, with awareness-raising initiatives for passengers and ground staff.

Transavia Ventures, which funds innovative entrepreneurs, has invested in Dutch start-up FlyWithLucy, which aims to take a five-seater electric airplane to the skies by 2025, and MuTech, which develops noise-reduction technology for aircraft.

Transavia France has replaced single use plastics with renewable materials, introduced sustainable uniforms for crew and begun to recycle waste. KLM and Transavia Netherlands also initiated a process of procurement certification, which will hold suppliers to higher sustainability standards.

Together with KLM, Transavia Netherlands have signed an IATA declaration calling for smarter regulation of international catering waste. While waste from within the EU is efficiently

1.3.3 Maintenance business

Aircraft maintenance is the Air France-KLM Group's third business with third-party revenues of €1.4 billion. These revenues generated with external clients represent 38.7% of the total revenues in this business. In 2022, despite lingering uncertainties over the Covid-19 crisis (especially in Asia), a turbulent geopolitical climate with the war in Ukraine, and the destabilization of global logistics chains, the AFI KLM E&M order book remained at a high level with a total value of US\$9.2 billion.

In the aircraft maintenance or MRO (Maintenance, Repair and Overhaul) market, Air France Industries KLM Engineering & Maintenance (AFIKLME&M) ranks number two globally amongst the multi-product players. AFI KLM E&M's mission is to supply competitive support for the Group's fleet, while consolidating its position as a leader in the MRO market.

The Group operates in three major maintenance segments: airframe maintenance, engine maintenance and component support (electronic, mechanical, pneumatic, hydraulic, etc.).

Airframe maintenance covers three sub-segments: line operations support which aims to verify the proper day-to-day functioning of systems and the integrity of the aircraft structure, heavy maintenance for in-depth checks involving the disassembly of cabins, equipment and some structural elements, and the realization of modification programs, particularly the retrofitting of cabins. processed, recycled and reused, waste generated on flights coming from outside the EU has to be incinerated or buried to meet EU regulations. While these regulations intend to prevent the outbreak of animal diseases, research commissioned by IATA shows there is no evidence catering waste increases this risk.

In 2022, Transavia Netherlands took further steps to promote Diversity and Inclusion (D&I) within the organization. A new D&I team was set up and a company-wide survey was sent out to gauge feedback. One key element of this strategy is to empower colleagues to make greater social impact, for example through the internal crowd sourcing platform WeCare, through which several social NGOs receive financial support, and the Peter J. Legro Award, which earmarks financial support for a good cause. Fleet renewal constitutes another pillar in the trajectory to achieve the Group's targets. The Airbus A320neo emits 15% less CO_2 than the current Boeing 737-800.

1.3.3.1 Business environment

An attractive market despite the growing constraints

The aeronautics maintenance or MRO (Maintenance, Repair, Overhaul) market is mostly driven by the age, cycles and flight hours of the worldwide fleet. According to estimates, the global MRO market, which comprises the maintenance and modification spending by aircraft operators either directly or through sub-contractors, first collapsed in 2020 before recovering further in 2021 and 2022. For 2022, the MRO market is forecast to amount to \$73.8 billion (83% versus 2019), rising to \$91.8 billion in 2023 (source: Oliver Wyman, June 2021).

The trends in this business closely follow those of the commercial airline fleets globally and their utilization. First of all, the public health crisis and a strong emphasis on sustainability have accelerated fleet adjustment decisions for airlines worldwide. to gain efficiency and reduce CO₂ emissions. this implies that the maintenance of next generation aircraft represents a significant part of the market. This benefits MRO providers like AFI KLM E&M which are well positioned on the next-generation segments. Another trend strongly apparent in the MRO business is the digitalization of engineering and support services, which are expected to be increasingly used by airlines in an effort to optimize their ground time and operations. lastly, high inflation combined with disrupted and heavily pressurized supply chains imply that the availability and cost of spare parts are being scrutinized. This is challenging performance levels world-wide and putting upwards pressure on maintenance costs.

Competitive landscape

Competition in the MRO market is fierce, with several players competing over business with airlines who are becoming ever-more demanding. Ensuring fair competition in the after-sales market thus means helping airline operators to secure their budgets and performance over the long term.

The ability to sustain balanced competitive conditions is a priority objective for AFI KLM E&M's commercial activity, but also to contain Air France's and KLM's maintenance costs.

At the same time, this business is experiencing a technological change which is influencing the products, processes, methods and competencies within the maintenance activities. This is notably the case with next-generation aircraft whose avionics dimension is playing an increasingly important role relative to the mechanical systems: digital tools, composite structures, connectivity, etc. Innovation is an integral part of all the business processes.

1.3.3.2 AFI KLM E&M's position as a world leader

On the strength of its solid position as the number two global multi-product MRO by total revenue, AFI KLM E&M is pursuing its targeted development strategy based on its own specific features and the Group's objectives.

This strategy has two pillars: firstly, cutting costs and maintaining high standards of quality and performance and, secondly, growing the customer portfolio in high value-added products and services.

In the past decade, this ambition has been reflected in substantial investment in modernizing AFI KLM E&M's IT system and industrial infrastructure at its principal maintenance sites: Toulouse, Amsterdam, Villeneuve-Le-Roi, Roissy and Orly. It has also significantly expanded its worldwide footprint with a growing customer portfolio which is well-balanced across the globe, as well as with a growing network of businesses, which are either fully-owned or trough joint-ventures.

A maintained ambition

During the past two years AFI KLM E&M has managed to adapt its services for the Air France-KLM Group airlines and for its worldwide customer portfolio despite huge changes in customer expectations and heavy supply chain constraints.

As part of its continuous improvement efforts, AFI KLM E&M affirms its ambition of making AFI KLM E&M a benchmark brand in its market as an airline MRO supported by a powerful global network.

In 2022, AFI KLM E&M continued to strengthen its global position on new-generation aircraft, with strong growth for the A350, Boeing 787, A220, A320neo and Boeing 737MAX products. While it has been impacted by the crisis, the current order book status indicates that AFI KLM E&M is able to maintain and even reinforce its market position with the new aircraft generations.

This market success is supported by The MRO Lab^{*} innovation program which focuses on strategic areas of the MRO sector, ranging from technician mobility and customer experience to the Internet of Things, Big Data applications, predictive maintenance, digitalization, additive manufacturing and artificial intelligence.

In the digital field, PROGNOS^{*} constitutes a major building block. Launched in 2016, it regroups a range of predictive maintenance solutions based on exploiting the data from aircraft systems with a view to improving maintenance models and processes. The PROGNOS^{*} range of solutions now includes PROGNOS^{*} for Aircraft, PROGNOS^{*} for APU, PROGNOS^{*} for Inventory and PROGNOS^{*} for Engines. AFI KLM E&M is capitalizing on the vast amount of data generated by the Air France and KLM fleets to develop its PROGNOS^{*} solutions and verify their operational relevance and performance before sharing such innovations with its customers.

AFI KLM E&M has developed several cost-saving projects, along with transformation and restructuring plans to enhance its competitiveness and adapt its organization to the market environment.

In aircraft maintenance, the implementation of adaptation projects has also continued to reinforce AFI KLM E&M's competitiveness. Cost-saving initiatives have been implemented to optimize activity on a site-by-site basis, strengthen external partnerships and deploy more efficient work organizations. All this has been accompanied by efforts to match resources to the level of business activity and build new career paths.

In the Engines and Components segments, AFI KLM E&M has managed to strengthen its positioning on products and services aligned with market cycles and expectations, and secure its global MRO network.

Contributing to the Flight Safety and Operational Efficiency programs

AFI KLM E&M's primary task is to guarantee the airworthiness of the Group's fleet and ensure regulatory compliance. To this end, AFI KLM E&M manages technical data, implements the maintenance policies, and ensures the permanent availability of the required skilled staff and technical resources.

Aircraft maintenance at the service of airlines

Line Operations support

AFI KLM E&M continues to market its services to customers in the line maintenance segment and to develop its business in its main bases as well as internationally.

Light Maintenance operations

Within the framework of AFIKLM E&M's continuous improvement efforts, the Light Maintenance operations, which are mostly executed in Amsterdam, Paris-CDG and Paris-Orly, have continued to implement new processes to further reduce Turn Around Times and increase aircraft utilization, to the benefit of Air France and KLM.

At the same time, AFI KLM E&M continues its iGO Solutions joint-venture operations by delivering high-performance support to its customers; Transavia for its 737 fleet and Air Caraïbes/ French Blue for their A330 and A350 fleets.

Heavy Aircraft Maintenance

Heavy maintenance continues to undergo structural change in a market where prices remain low. A maintenance master plan has thus been implemented, designed to rationalize the aircraft maintenance operations by optimizing activity on a site-by-site basis (Paris-CDG, Amsterdam-Schiphol, Paris-Orly, Toulouse-Blagnac). The Group's new fleet plans will enable this optimization to be continued in the coming years.

AFI KLM E&M has continued its use of external partners to cut maintenance costs for the Group's fleets and obtain, in return, additional work in the high-growth Engine and Components segments.

From engineering to maintenance, AFI KLM E&M provides continuous support for the Group's airlines, as well as for an ever-growing number of customers, by defining and deploying new cabin products in both short and medium-haul, and across the long-haul offering.

In 2022, AFI KLM E&M was selected to perform 120 C-Checks after a comprehensive bidding process that demonstrated the relevance and high quality of its airframe maintenance services. The visits will be performed by Aerotechnics Industries, a specialized joint-venture operating within AFI KLM E&M's global MRO network.

Military Product

In recent years, AFI KLM E&M has been able to secure the operational maintenance of the French AWACS fleet for which it is responsible. In 2022, AFI KLM E&M signed a new component support contract with IAMCO for NATO'S AWACS fleet.

Component Support: managing a global supply chain

Component Support covers the repair of a broad technological spectrum of aircraft parts, the management of technical and reliability standards and the management of component shipments to/from customers' operating bases. The top request expressed by the airlines is to gain flexibility and help in managing the uncertainty hanging over the market as best they can. In the short term, this has led to the offer of a large number of made-to-measure solutions, but also to working with operators to think about the post-crisis period and how to get back to the more stable contractual frameworks which are essential in terms of industrializing maintenance operations and achieving optimum performance levels. In 2021, AFI KLM E&M unveiled a new MRO service offering for the Airbus A220 and signed a contract with Air Austral for the support of its fleet.

In 2022, AFI KLM E&M's offer on latest-generation aircraft continued to attract the attention of several airlines, like Virgin Atlantic for the A330neo and Caribbean Airlines for the 737 MAX component supports. Meanwhile, existing customers are regularly renewing their confidence in AFI KLM E&M, recognizing its overall added-value and attractivity.

Providing component support on over 3,000 aircraft across the globe, AFI KLM E&M is a leader in all the next-generation aircraft segments.

Engines: managing the soaring demand

Schedules for fleet renewal have been somewhat disrupted by the effects of the public health crisis. They are now being accelerated for certain older models such as the Boeing 747, A340 and A380. The latest generation of aircraft such as the A350, 787 or A320neo are equipped with new efficient engines, burning less fuel and emitting significantly less CO₂. For the engine products (much like other MRO products), the recovery remains difficult to predict. In 2022, AFI KLM E&M joined the Pratt & Whitney GTF[™] engine network providing support for new-generation engines designed for A220 fleets. AFI KLM E&M also signed a CFM Branded Service Agreement (CBSA) for the LEAP-1A and LEAP-1B engines. Under the terms of this CBSA, AFI KLM E&M will provide the full scope of LEAP Maintenance, Repair & Overhaul (MRO) services for operators worldwide.

The Group provides engine support on the following engines:

- CFM56: the Group's workshops support one of the world's largest fleets of CFM56 engines, handling some 400 engines operated by various airlines. AFI KLM E&M is using its Amsterdam engine shop to position itself on the growing need for CFM56-7B support and the Orly engine shop for the CFM56-5 support requirements;
- > CF6-80: by offering full-service maintenance at its Amsterdam engine shop, AFI KLM E&M is well positioned to support the CF6-80E1 equipping the A330s and the final phase in the life of the CF6-80C2. AFI KLM E&M's long maintenance track record with these engines means that it currently offers the most suitable maintenance solutions. In 2020, the withdrawal of the B747-400s from the Group's fleet gave AFI KLM E&M access to spare parts and the opportunity to use the remaining potential of these engines to provide support on the CF6-80C2 engines for its customers;
- GE90: on the strength of its state-of-the-art infrastructure, AFI KLM E&M offers the main alternative to the engine manufacturer for overhauls to this engine. Since 2012, AFI KLM E&M has had a new engine test cell at Paris-CDG. This test facility can test 300 engines per year, reducing processing time and offering a more cost-effective service for customers. This test facility, combined with AFI KLM E&M's significant expertise and proven experience, has attracted the interest of a growing number of airlines. In 2022, in addition to its infrastructure, AFI KLM E&M continued to build its know-how and can offer customers the benefit of its GE90 operating

experience with, for example, On-Site/On-Wing Support enabling remedial as well as preventive actions anywhere in the world. This support can be accompanied by GE90 Engine Monitoring, designed to detect technical problems upstream thereby limiting potential engine damage;

- GEnx: At the launch in 2015, AFI KLM E&M was the first non-OEM supplier to carry out Quick Turn checks on this engine. Since 2017, the AFI KLM E&M Zephyr test cell has successfully passed the GEnx correlation test, enabling AFI KLM E&M to also perform engine test runs for its ten GEnx airline customers;
- > LEAP: In 2022, AFI KLM E&M signed a CFM Branded Service Agreement (CBSA) for the LEAP-1A and LEAP-1B engines. Under the terms of the CBSA, AFI KLM E&M will provide the full scope of LEAP Maintenance, Repair & Overhaul (MRO) services for operators worldwide.

Given the commercial success the LEAP engine has enjoyed, demand for LEAP MRO services will grow rapidly in the coming years. In offering LEAP MRO services, AFI KLM E&M capitalizes on its capabilities and expertise in both the operation and maintenance of its extensive portfolio of engines. As the world's largest independent engine MRO service provider, AFI KLM E&M will industrialize the LEAP engine at both of its state-of-the-art MRO facilities in Paris and Amsterdam, giving it both the capacity and the flexibility to answer the needs of this rapidly growing, competitive market. As an airline-MRO, AFI KLM E&M provides MRO solutions that, in addition to optimizing maintenance cost, also drive sustainability and maximize operator value.

Through the EASA/FAA approvals, AFI KLM E&M is also able to assist LEAP operators worldwide during the entry into operational service phase. AFI KLM E&M can meet the needs of its customers in carrying out the on-wing/ on-site work on LEAP-1A and LEAP-1B engines. The scope of these interventions is tailored to the requirements of airline operators, and may include activities like: power plant build-up, borescope inspection, and line replaceable unit (LRU) replacement services, amongst many others. Thanks to its CAAC approval, AFI KLM E&M can also carry out an extensive set of activities for all customers in China (airlines and MROs);

> Pratt & Whitney: AFIKLM E&M has joined the Pratt & Whitney GTF[™] engine network providing support for new-generation engines designed for A220 fleets. In 2022, AFIKLM E&M and Pratt & Whitney announced the conclusion of an agreement regarding the maintenance and repair of the PW1500G engines used to power Airbus A220 aircraft. This collaboration sees AFI KLM E&M join the North American-based engine manufacturer's global support network for GTF engines and positions itself as a key player in the PW1500G aftermarket, with the ability to perform full overhauls for this type of engine, from dismantling/assembly operations to certain parts repair and testing;

Rolls-Royce: AFIKLM E&Mand Rolls-Royce have announced the conclusion of an incremental agreement for the maintenance and repair of Trent XWB engines powering A350 aircraft. This new agreement reinforces the position of AFI KLM E&M as a key player in the British engine manufacturer's global support network, as well as the Trent XWB after-sales market. Based on its airline-MRO DNA, AFI KLM E&M is setting up full maintenance capabilities for the engine type covering its entire life cycle. This partnership follows an initial agreement signed between the two groups in 2014, authorizing AFIKLM E&M to provide maintenance on engines powering A350 aircraft, as part of the Air France-KLM Group's acquisition of the aircraft type.

AFI KLM E&M: an international network tailored to local requirements

AFI KLM E&M is pursuing its growth strategy on profitable markets and segments by deploying its network of subsidiaries (EPCOR, CRMA, KLM UK Engineering, Barfield, AFI KLM E&M Components China) and partnerships (ATI, Spairliners, Max MRO Services, iGO Solutions, Airfoils Advanced Solutions, Singapore Component Solutions, AMES, Bonus Tech and xCelle Americas), and leveraging the power of its global logistics network. The development of this MRO network guarantees AFI KLM E&M customers local access to the Group's full array of services, tailored solutions and local spare parts inventories.

AFI KLM E&M subsidiaries and joint-ventures

Engines

Located in the Greater Paris area, CRMA specializes in repairs to engine parts and, in particular; combustion chambers for which it has second-to-none expertise and technology. Its positioning on next-generation products has enabled CRMA to pursue the strong growth in its third-party customer activity.

Airfoils Advanced Solutions is jointly owned by Safran Aircraft Engines and the Air France-KLM Group. This joint-venture helps the two parent companies bolster their competitiveness, and also reflects the major role they play in the global aircraft maintenance market, and in supporting job creation and industrial development in their home bases.

AFI KLM E&M is optimizing and developing its US engine tear-down unit Bonus Tech. Since 2013, this joint-venture has operated as part of the MRO global network. Based in Miami, the partnership combines the know-how and the skills of Bonus Tech, a major player in the global engine tear-down market, with the industrial assets of AFI KLM E&M in the United States: equipment, tooling and support.

Components

Barfield is a 100% subsidiary of AFI KLM E&M based in Miami, Phoenix, Louisville and Atlanta. With its cutting-edge facilities, Barfield can satisfy the needs of customers operating commercial or regional fleets in North, Central and South America. From MRO Services to Distribution and Ground Support Test Equipment (GSTE), Barfield provides complete adaptive support for the aircraft in the A320 family, 737, Bombardier, Dash 8, ATR42 and 72, and the EMB170 and 190 aircraft.

Since 2021, Barfield has been introducing cutting-edge, competitive UAS, UAV and Drones to the American continents as well as maintenance support adapted to these new technologies.

Shanghai-based AFIKLM E&M Components China is a 100%-owned subsidiary initially specializing in A320 and 737 avionics systems dedicated to offering solutions to Chinese operators.

EPCOR, based at Amsterdam-Schiphol, provides MRO support for the APUs and pneumatic systems of a wide range of commercial aircraft. EPCOR maintains the APUs on the Boeing 737NG/ MAX, 777 and 787, Airbus A220, A320neo/family, A330neo, A340 and EMB170/190 aircraft. EPCOR is a licensed and OEM warranty-approved Honeywell and Pratt & Whitney Canada (former HSPS) Auxiliary Power Unit (APU) repair center. Besides the APU capability, EPCOR also maintains and overhauls air cycle machines on the 737, 777, 787 and Emb170/190, 787 Cabin Air Compressor (CAC), environmental control systems, starters, leading-edge flap drive units and many other pneumatic and nitrogen components installed on large commercial aircraft.

Located in a high growth aviation hub in Mumbai, India, Max MRO Services Pvt. Ltd. is a leader in the component MRO business for customers operating commercial aircraft fleets in India and the neighboring regions. Max MRO Services Pvt. Ltd. is able to provide a wide range of adaptive component solutions for the A320ceo/neo, 737NG/MAX and ATR aircraft.

Singapore Component Solutions is a joint-venture between Air France Industries KLM Engineering & Maintenance and Sabena Technics. Ideally located in Singapore and approved by 10 authorities in Europe, the USA and the Asia-Pacific region, the Company combines the skills and expertise of two leading aircraft maintenance specialists that already support customers in the region. Singapore Component solutions bring its comprehensive portfolio of customizable, mix & match reliable solutions for A320, A330, 737 & ATR aircraft operators.

Hamburg-based Spairliners is a joint-venture set up by Air France and Lufthansa Technik to provide end-to-end component support for airlines operating Embraer E-Jets. A joint-venture set up by Air France Industries KLM Engineering & Maintenance and Safran Nacelles in 2010, AMES is a key player in the MRO market, specializing in overhaul and repair services for nacelles, radomes, engine fan stator modules, as well as all metallic and composite parts of an aircraft. Located in Dubai, at the operational crossroads of key Middle East airlines and close to operators on the Indian sub-continent, AMES offers the MRO expertise of a leading OEM, delivering highly effective, rapid-response aircraft maintenance and repair solutions for nacelles, aerostructures and composite parts.

xCelle Americas is a joint-venture between Air France Industries KLM Engineering & Maintenance and Triumph Group, dedicated to servicing new generation aircraft nacelles in the Americas. Solving logistics issues for parts and providing fully licensed repair, xCelle Americas is a unique maintenance, repair and overhaul (MRO) solutions provider, combining the expertise of an airline with that f a third-party MRO.

xCelle Americas provides complete adaptive support for the 787, 737MAX, A320neo and A350 aircraft.

Airframe maintenance

In Morocco, Aerotechnic Industries (ATI) is a joint-venture between Royal Air Maroc (RAM) and Air France. Based at Casablanca airport, ATI operates three bays for heavy maintenance on the A320 and Boeing 737 aircraft.

Based at Norwich International Airport in the United Kingdom, KLM UK Engineering Limited is a leading regional aircraft and narrow body MRO, wholly owned by KLM and a member of the AFIKLM E&M network. Its services include base maintenance, UK line maintenance, technical training and the component repair center for the Boeing 737's, Fokker 70/100, BAe146/Avro RJ and Embraer E170/190. KLM UK Engineering has been based at Norwich Airport for over 40 years and employs an experienced and skilled work force, delivering a superior service and high quality product at a competitive price.

The iGO Solutions joint-venture provides light maintenance services for AFI KLM E&M customers (including Transavia France) at Paris-Orly airport.

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

The Air France-KLM Group's ambition is to reach Net Zero carbon emissions in 2050. As an airline-MRO, AFI KLM E&M is contributing to the achievement of this target and continue to support the Group in its role as a leader of sustainability within the aviation industry. AFI KLM E&M has been implementing this strategy for many years in order to reduce the environmental impact of its activities and thus those of its customers.

AFI KLM E&M analyzes and implements technologies to reduce this environmental impact wherever possible. This ranges from the eco-responsible design of infrastructures to the energy savings that this generates for the circular economy such as the recycling of plastics to feed 3D printing. The constant adjustment of these processes is part of AFI KLM E&M's DNA. For a very long time AFI KLM E&M has been repairing and maintaining aircraft components, including engine parts, in order to extend their life cycle.

Innovation, such as PROGNOS, the AFI KLM E&M predictive maintenance suite which has been awarded the Solar Impulse label, also have a positive impact in this area. This predictive analysis program is based on harnessing big data technologies to offer an effective and innovative aeronautics maintenance service. The environmental benefits of PROGNOS stem from reducing flight cancellations leading to extra flights to recover grounded passengers, as well as reducing the number of Quick Return Flights (return of the aircraft to its departure airport) following technical alerts, which require fuel tanks to be emptied prior to landing. It also optimizes overall aircraft fuel consumption by monitoring the status of equipment more precisely.

Key figures

Maintenance			Year
	2022	Change	Change at constant currency
Total revenues (in €m)	3,586	+28,0%	
Third-party revenues (<i>in</i> € <i>m</i>)	1,389	+35,8%	+23,5%
Income/(loss) from current operations <i>(in €m)</i>	163	+85,2%	+27,3%
Operating margin (%)	4.6%	+1.5 pt	+0.2 pt

During 2022, external revenues strongly increased by 35.8% with the beginning of a recovery for customers following Covid-19. The State Aid for payroll costs (NOW in the Netherlands and APLD in France) was at a low level compared to 2021. The pick-up in activity enabled to return to a 4.6% margin, with practically no State Aid. The maintenance order book was evaluated at US\$9.2 billion at December 31, 2022, an increase of US\$0.5 billion compared to December 31, 2021, which was still impacted by the Covid-19 crisis.

The Air France - KLM Group's maintenance activity is well positioned on new-generation aircraft maintenance and foresees solid opportunities in the future.

1.4 FLEET

At December 31, 2022, the Air France-KLM Group fleet comprised 522 aircraft, of which 505 were in revenue service compared with, respectively, 537 and 505 aircraft at December 31, 2021.

The main operational fleet consisted of 412 aircraft (408 aircraft at December 31, 2021), of which 168 were long-haul aircraft (160 at December 31, 2021), 6 were cargo aircraft (6 aircraft at December 31, 2021) and 238 were medium-haul aircraft (242 at December 31, 2021) including 98 aircraft in the Transavia Group fleet (89 aircraft at December 31, 2021).

The regional fleet in operation comprised 93 aircraft (97 at December 31, 2021).

At December 31, 2022, the average age of the aircraft in the operational fleet was 12.1 years, of which 12.2 years for the long-haul fleet, 13.2 years for the medium-haul fleet, 19.8 years for the

cargo fleet and 8.9 years for the regional fleet compared with 12.2 years at December 31, 2021, of which 12.2 for the long-haul fleet, 13.4 for the medium-haul fleet, 18.8 for the cargo fleet and 8,9 for the regional fleet.

At December 31, 2022, 37.0% of the total Group fleet was fully owned (37.8% at December 31, 2021), 13.0% was under finance lease (12.3% at December 31, 2021), and 50.0% under operating lease (49.9% at December 31, 2021).

There were firm orders outstanding for 178 aircraft at December 31, 2022, operational leases excluded, after deliveries of 18 owned aircraft. Options stood at 57 aircraft (58 at December 31, 2021).

The operational fleet comprised 79 new generation aircraft, 15.6% of the fleet.

Change in the Air France–KLM Group's order $book^{(i)}$	December 31, 2021	Deliveries during the period	New orders	Option conversions	December 31, 2022
Main fleet	87	18	108	1	178
Regional fleet	0	0	0	0	0
Total	87	18	108	1	178

(1) Excluding operating leases.

Change in the Air France-KLM Group's option portfolio ⁽¹⁾	December 31, 2021	Exercize during the period	Options cancelled or expired	New options	December 31, 2022
Main fleet	58	1	0	0	57
Regional fleet	0	0	0	0	0
Total	58	1	0	0	57

(1) Excluding operating leases.

Fleet management

Air France-KLM is pursuing an active policy of renewal and modernization of its fleet, thus contributing to the improvement of its energy efficiency and the reduction of its environmental footprint.

Over the course of 2022, the Air France Group thus:

- in long-haul, retired from the fleet three 777-200s, and took delivery of seven new A350-900s;
- in medium-haul, retired twenty-two aircraft in the A320 family and took delivery of the ten new A220-300s;
- in HOP!, definitively withdrawn from operations its CRJ1000s and sold its remaining EMB145s and CRJ700s, and took delivery of an EMB190;
- Transavia France took delivery of seven Boeing 737-800s and retired a 737-800;
- KLM, for its part, welcomed an additional new 787-10 into its fleet and withdrew one B737-700 from its fleet, while KLM Cityhopper withdrew an E190 from its fleet and took delivery of seven new E195-E2s.

Over the longer term, the modernization of the fleet will be expressed by the continued growth of the B787 and E195-E2 fleet at KLM and those of the A350-900 and A220-300 within Air France. For its part, Transavia (France and the Netherlands) will see its fleet renewed with A320neso and A321neos to adapt to the growing market in the leisure sector.

The Group will continue to invest substantial sums in the renewal of its cabins, as is currently for its B777-300ERs and the introduction of the Premium Economy class for KLM's long-haul fleet, as well as the on-board satellite connectivity, to offer a WiFi connection to its customers during flights.

In 2022, the Air France-KLM Group finalized the firm order for one hundred A320/A321neos, together with an additional purchase right for sixty aircraft to modernize the medium-haul fleet of Transavia and KLM. The Air France-KLM Group has also placed an order for eight A350Fs for its cargo operations. These very large orders are an integral part of the Group's ambitious commitment to modernizing its fleet so as to reduce its environmental footprint by operating the most efficient aircraft in terms of CO_2 emissions and noise footprint.

AF (incl. HOP!) KL (incl. KLC & Transavia Transavia NL Fully Finance Operating Total France owned lease lease Martinair) Long-haul B777-300 B777-200 A350 B787-10 B787-9 A380-800 A330-300 A330-200 Medium-haul B737-900 B737-800 B737-700 A321 A320 A319 A318 A220-300 Regional CRJ1000 CRJ700 EMB190 EMB175 EMB170 EMB145 Embraer 195 E2 Cargo B747-400BCF B747-400ERF B777-F **Total AF-KLM**

The Air France-KLM fleet at December 31, 2022

1.4.1 The Air France Group fleet

The Air France Group fleet totaled 311 aircraft at December 31, 2022, of which 273 aircraft in the main fleet and 38 in the regional fleet. The average age of the aircraft in the operational fleet is

12.7 years (13.1 years at December 31, 2021) and includes 45 new generation aircraft, i.e. 15.2% of its fleet. Firm orders amounted to 124 aircraft.

Air France Group fleet	Fleet at December 31, 2021	Aircraft ⁽¹⁾ entering the fleet over the period	Aircraft ⁽¹⁾ withdrawn over the period	Fleet at December 31, 20221
Long-haul fleet	110	7	7	110
Medium-haul fleet (including Transavia France)	167	17	23	161
Cargo	2	0	0	2
Regional fleet	53	1	16	38
Total	332	25	46	311

(1) Owned or leased.

The Air France fleet

The Air France fleet comprised 213 aircraft at December 31, 2022 with 206 in operation (225 and 210 respectively at December 31, 2021). The fleet numbers 110 long-haul aircraft, 101 medium-haul aircraft and two freighters.

At December 31, 2022, the average age of the fleet was 13.7 years, with 13.2 years for the long-haul fleet, 14.2 years for the medium-haul fleet and 13.9 years for the cargo fleet. At December 31, 2021, the average age of the fleet was 14.4 years, with 13.5 years for the long-haul fleet, 15.3 years for the medium-haul fleet and 12.9 years for the cargo fleet.

Within the fleet, 88 aircraft are fully owned (41.3%), 22 are under finance lease (10.3%) and 103 under operating lease (48.4%).

In 2022, the Company took delivery of seven A350-900s and ten A220-300s and retired twenty-two A320 family aircraft as well as three 777-200ERs.

The regional fleet, Air France HOP!

At December 31, 2022, the regional fleet comprised 38 aircraft with a seat capacity of up to 100, of which 32 in operation.

The average age of the fleet was 12.1 years. Within the fleet, 52.6% of the aircraft are fully-owned and 47.4% are under operating lease.

During the 2022 financial year, one EMB190 entered the fleet while all the CRJ1000s were retired from the Company's operational fleet, allowing HOP to streamline its operations around a single family of aircraft composed of E190s and E170s.

The Transavia France fleet

The Transavia France fleet comprises 60 Boeing 737-800s, of which 59 in operation. (54 aircraft at December 31, 2021). The average age of this fleet is 9.6 years. Within the fleet, 15,0% of the aircraft are fully owned, 6.7% under finance lease and 78.3% under operating lease.

During the 2022 financial year, seven 737-800s entered the Transavia France fleet and one was withdrawn.

1.4.2 The KLM Group fleet

The KLM Group fleet totaled 211 aircraft at December 31, 2022 of which 150 in the main fleet and 61 in the regional fleet. The average age of the aircraft in the operational fleet was 11.4 years (10.9 years at December 31, 2021). Firm orders stood at 91 aircraft.

The operational fleet includes 34 new generation aircraft, i.e. 16.3% of the fleet.

KLM Group fleet	Fleet at December 31, 2021	Aircraft entering the fleet ⁽¹⁾ during the period	Aircraft withdrawn from the fleet ⁽¹⁾ during the period	Fleet at December 31, 2022
Long-haul fleet	61	1	0	62
Medium-haul fleet (including Transavia Netherlands)	85	0	1	84
Cargo (including Martinair)	4	0	0	4
Regional fleet	55	7	1	61
Total	205	8	2	211

(1) Owned or leased

The KLM fleet

At December 31, 2022, the KLM fleet comprised 107 aircraft (107 at December 31, 2021), of which 62 long-haul aircraft and 45 medium-haul aircraft. 42 aircraft are fully owned (39.3%), 22 aircraft are under finance lease (20.6%) 43 under operating lease (40.2%). In this fleet, 104 aircraft are operational.

At December 31, 2022, the aircraft in the fleet had an average age of 12.9 years, with 10.7 years for the long-haul fleet and 16,1 years for the medium-haul fleet. At December 31, 2021, the aircraft in the fleet had an average age of 12.1 years, with 10.0 years for the long-haul fleet and 14.7 years for the medium-haul fleet.

During the 2022 financial year, the long-haul fleet was modernized by the entry of a 787-10 while a 737-700 was withdrawn from the fleet.

The regional fleet, KLM Cityhopper

The KLM Cityhopper fleet comprises 61 aircraft, all of which were operational at December 31, 2022. The average age of the aircraft in operation in this regional fleet was 7.2 years. 26.2% of the aircraft are fully owned, 29.5% are under finance lease and 44.3% are under operating lease.

In 2022, seven E195-E2s entered the fleet while one E190 was withdrawn.

The Transavia Netherlands fleet

The Transavia Netherlands fleet comprises 39 aircraft, of which four 737-700s and 35 Boeing 737-800s.

Of the aircraft in this fleet, 5.1% are fully owned, 59.0% are under finance lease and 35.9% under operating lease. The average age of the aircraft in the fleet is 12.8 years.

The Martinair fleet

The Martinair fleet has four full freighters, all of which were operational at December 31, 2022. Of these aircraft, 100% are fully owned. The average age of the aircraft in operation in this fleet is 22.7 years.

1.5 CUSTOMER EXPERIENCE DIVISION

After a Covid-19 public health crisis lasting many long months, 2022 was marked by a recovery in activity for the airline industry although it remained clearly fragilized. The return of our customers and the progressive reinforcement of our flight schedule were the significant markers of the year.

Despite a difficult economic situation, Air France and KLM maintained their major investment program which is key to rebuilding the pre-crisis fundamentals and pursued their move upmarket to prepare for the future and offer their customers an unparalleled travel experience.

1.5.1 Air France is maintaining its investment for its customers

Air France continued the move up market for its products and services, With cabin renovation, the deployment of in-flight connectivity and the refurbishment of its lounges, the Company is pursuing its premiumization strategy and is committed to more responsible travel.

By 2030, the Airbus A220 and A350 latest-generation aircraft, which are more fuel-efficient and respectful of the environment, will compose 70% of the Air France fleet thanks to an ambitious investment plan amounting to an annual \leq 1 billion.

15 Airbus A220-300s in the Air France fleet

In 2022, Air France numbered 15 A220-300 aircraft in its fleet. Back in September 2021, Air France took delivery of its first Airbus A220-300, the jewel of its short and medium-haul network. The airline continues to renew its fleet and, by the end of 2025, will receive the 60 A220-300s ordered in 2019 to progressively replace its A318s and A319s, as well as several A320s. A very high-performance aircraft at both financial and environmental level, the Airbus A220-300 is perfectly suited to Air France's short and medium-haul network. It offers a 10% per seat cost saving compared with the A318s and A319s and stands out for its energy efficiency. It consumes 20% less fuel than the aircraft it replaces while its CO₂ emissions are also reduced by 20%. its noise footprint is also 34% lower. These characteristics will play a decisive role in reducing Air France's environmental footprint and the achievement of its sustainable development objectives. The Air France Airbus A220-300 offers the highest level of in-flight comfort. It has 148 seats in a 3-2 seat configuration (i.e. five seats per row) offering 80% of customers a window or aisle seat. It proposes two travel cabins, Business and Economy, and access to Air France Connect, the airline's inflight Wi-Fi service. The seat is the widest on the market (48 cm), reclines to 118 degrees and has an adjustable headrest, leather upholstery and an ergonomic seat cushion for enhanced comfort. The seat back features a symmetrical stitching pattern accentuated in the center with grey embroidery thread, creating an upholstered effect for optimum comfort. The accent, the Company's brand symbol, adorns the front and rear cabin walls of the aircraft. It is embroidered on each seat, highlighting the Company's identity. The cabin, which is the brightest and most spacious in its category, is decorated in the Air France signature colors. It features shades of blue, a strong presence of white providing light and contrast, and a hint of red to symbolize the airline's excellence and know-how. The carpet revisits the traditional ornamental herringbone pattern, symbolizing the emblematic Haussmann-inspired world of Parisian apartments. It also plays an important role in the cabin signage, welcoming customers and giving them an overall perspective. Large panoramic windows provide natural light throughout the flight. From boarding to landing, eight specially-adapted cabin mood lighting settings create bright, dynamic lighting for the welcome and disembarkation phases and softer lighting for a more relaxed, serene atmosphere during the flight. The spacious baggage racks are easy to access, and the central aisle is particularly wide, facilitating movement around the cabin.

20 Airbus A350s in the Air France fleet

On November 25, 2022, Air France took delivery of its twentieth A350 of the 38 on order. As a next-generation aircraft, the A350 is the new spearhead for Air France long-haul. With a 25% reduction in CO₂ emissions compared with previous-generation aircraft, it is a major lever in reducing the airline's environmental footprint. Its noise footprint is also reduced by 40%. Its 324 seats are divided between three travel cabins - 34 in Business, 24 in Premium Economy and 266 in Economy cabin - where customers discover a spacious and guiet cabin, windows some 30% larger, an optimized air pressure system providing a more comfortable cabin atmosphere with regularly-renewed cabin air and ambient lighting adapted to the different flight phases. In the Business cabin, the seat turns into a real two-meter-long lie-flat bed, guaranteeing restful sleep. In Premium Economy, the new "Recliner"-style seat is 48cm wide and reclines to 124°. In Economy, the seat has been redesigned for even more comfort, with a reinforced ergonomic seat cushion, a 118° seat recline and 79-cm of leg room. Every cabin offers large individual High-Definition touch screens. Between now and 2025, Air France will receive 38 Airbus A350s, thus modernizing its long-haul fleet.

Cabin renovation for Air France's 12 B777-300s

After the retrofitting of the new cabins on board the 12 Boeing 777-300 COIs offering customers the highest levels of comfort, Air France continues to progressively renovate its 12 other Boeing 777-300s, with those equipped with 42 seats in Business moving to a 48-seat configuration. In the Business cabin, customers find a new seat which transforms into a fully-flat two-meter-long bed. A sliding door allows passengers to create a totally private space, out of sight from the other passengers in the cabin. Additionnaly, for two passengers travelling together, these seats are now equipped with a central panel that can be lowered by pressing it down, thus creating a convivial space and, for a quieter space, there is the "do not disturb" functionality. Every seat has a 17.3-inch 4K Bluetooth high-definition anti-glare screen. Thanks to this new major phase in the move up-market, all Air France Business seats will benefit from fully-flat beds by the autumn of 2023 compared with 90% currently. In Premium Economy customers benefit from an exclusive cabin at the front of the aircraft with the number of seats limited to 48. These seats recline to 124 degrees with a wider back for more privacy. The seat foams have been revisited and the navy-blue herringbone fabric provides more softness.

In Economy, the cabin is equipped with 273 next-generation seats manufactured in Europe. These seats, which are amongst the most comfortable on the market, recline to 119 degrees and have an ergonomic seat back for better lateral support. Each seat is equipped with a 13.3-inch 4K screen.

New baggage racks on the A320 EURO

On its medium-haul aircraft, Air France continues to improve its customers' travel experience by offering them more space to stow their cabin baggage. On board the A320 euros, new ECOS shelf bins – Efficient Cabin Open Space – are being retrofitted. They offer up to 60% more storage capacity than the current baggage racks and have a lower shelf height to facilitate loading and content visibility. Boarding is thus more fluid and passenger satisfaction is improved. Air France is the first airline in the world to have chosen the new ECOS baggage stowage system from Safran Cabin to equip its medium-haul Airbus A320s. At the end of 2022, ten A320 euros of the 24 in revenue service had been equipped, with the end of the deployment scheduled by late 2023.

La Première from Air France

A bespoke travel experience and an exceptional journey

With La Première, Air France offers a unique and bespoke travel experience for customers attentive to the smallest details. On their arrival at Paris-Charles de Gaulle, La Première customers are welcomed to an exclusive lounge. Designed by the architect Didier Lefort, as of late February this lounge benefited from a Sisley treatment space, a real moment of well-being celebrating the art of travel with a French touch. On board 19 Boeing 777-300s, each of the four La Première private suites offers a spacious seat which transforms into a full-flat bed more than 2 meters long. Menus devised by Michelin-starred chefs like Anne-Sophie Pic, Régis Marcon, Michel Roth and Arnaud Lallement, a rigorously-selected list of wines and champagnes, a wide choice of entertainment on high-definition screens, attentive service: every journey in absolute comfort. In 2022, on departure from Paris-Charles de Gaulle, Air France La Première flew to New York-JFK, San Francisco, Los Angeles, Miami, Washington-DC (United States), Mexico (Mexico), Abidjan (Ivory Coast), Johannesburg (South Africa), Dubai (United Arab Emirates), Sao Paulo (Brazil) and Singapore.

The future La Première suite, taking excellence to new heights

In May 2022, Air France announced that it was working on the design of a completely new *La Première* travel cabin. The airline thus confirmed its commitment to continuing to offer its most exclusive and elegant service, which regularly wins awards for its quality and excellence. Having entered the design phase in 2022, this new concept will be unveiled in 2024. The future cabin will be the longest on the market and will offer up to three modular configurations that can be fully privatized for an even more exceptional journey: a seat, a sofa and a fully flat bed. The cabin will equip a larger number of aircraft than at present. This large-scale project is part of Air France's strategy to move up-market, with the ambition of offering in *La Première* the highest level of French excellence.

Update on the Air France lounges

The Air France lounges above all express the brand identity but are also places where customers can relax and rest, and enjoy a moment of comfort during their journeys, combining the values of Air France: Excellence, Elegance, Pleasure, Respect.

New culinary signatures in the Air France lounges at Paris-Charles de Gaulle.

In June 2022, Air France launched a new catering proposition to be sampled in its lounges at Paris-Charles de Gaulle airport. In the short and medium-haul lounge at Terminal 2F, Air France has teamed up with Servair Corporate Chef François Adamski, an undisputed emblematic name in French cuisine (winner of the Bocuse d'Or and Meilleur Ouvrier de France) the young and talented chef Chloé Charles, who is at the forefront of responsible catering. Through this alliance, Air France is both illustrating its determination to take inspiration from the very roots of French haute cuisine, which it has supported since the Company's origins, and its ambition to promote the promising young talent behind today's inventive cuisine with a view to sharing and passing on know-how. The two chefs are thus presenting new hot dishes, including a vegetarian offer, which will be unveiled progressively over the coming months for lunch or dinner. In the long-haul lounges at Paris-Charles de Gaulle located in Terminal 2E, halls K, L and M, customers can now enjoy the new "Burgal" signed by Ducasse Paris, a fully veggie and healthy alternative to the traditional hamburger made from locally-produced French cereals and vegetables. Prior to their flights or while in transit, Air France welcomes its Business and Elite Plus Flying Blue customers in spacious and quiet lounges where they can relax and rest, eat and drink, or work in peace. In these exclusive spaces, gastronomy is in the spotlight with a rich and varied catering offer, showcasing French cuisine. The culinary offer in the lounges changes throughout the day. In the spirit of French bistros, a wide range of hot and cold dishes is available at all times. Special culinary events are regularly organized. A wine and champagne list signed by Paolo Basso, the world's best sommelier in 2013, is also available.

- La Première lounge at Paris-Charles de Gaulle

At the heart of its *La Première* lounge in Paris-Charles de Gaulle, Air France offers its customers a new space with beauty treatments by Sisley, the French pioneer in botanical cosmetology. A moment of well-being celebrating the art of travel with a French touch. Since the end of 2021, before a flight during the day, at night or between connections, this "Sisley *La Première* space" offers Air France *La Première* customers all the Sisley expertise thanks to an offer of treatments which is adapted to the time they have available in the lounge, in a 40 square meter treatment booth giving an immediate feeling of serenity which is ideal for a moment of pampering and relaxation.

- Terminal 2G lounge at Paris-Charles de Gaulle

The Terminal 2G lounge at Paris-Charles de Gaulle, which had been closed since March 2020, reopened on April 14, 2022 and welcomes the whole of the Air France regional fleet. With a provisional Summer schedule at its 2019 level, it was vital to recover all of the airport infrastructure at Paris-Charles de Gaulle. The lounge has been refurbished and this reopening enables the desaturation of the medium-haul Terminal 2F to give a better service to customers and ensure more robust operations.

JFK lounge in New York

On November 2, 2022, Air France inaugurated a new spa with its French cosmetics partner Clarins in the lounge at New York-JFK. This new space spanning 30 square meters is reserved for *La Première*, Business and Flying Blue Elite Plus customers who wish to relax before their flight or during transit. Clarins professionals transport passengers into a world of intense well-being by providing expert care combined with high-end products rich in plant extracts.

Lounge in Munich

On December 12, 2022, Air France unveiled its brand new lounge in Terminal 1 at Munich-Franz Josef Strauss international airport (Germany). The Company is thus pursuing the move up-market for its products and services by offering its customers a revisited airport space, celebrating the art of travel with a French touch. An ideal haven of peace in which to recharge your batteries, work or relax prior to travel. Exclusively for Air France Business and Flying Blue Elite Plus customers, and customers of KLM and SkyTeam partner airlines, this lounge is open every day from 5h15 until 20h30. It spans 227 square meters and has seating for 75.

1.5.2 Air France pursues its ambition and relaunches its activity

Air France unveils its new brand video

To accompany is premiumization strategy, in May 2022 Air France unveiled its new brand video embodying its ambition: to offer its customers the best of France and take elegance to new heights. This video tells the story of an ascent; that of a bubbly, strong-willed woman in an elegant incarnation of the airline. Wearing a red dress with an interminable train, she slowly climbs the Eiffel Tower, the iconic symbol of France the world over. With this new brand video, the Company once again breaks free from the codes traditionally used in the airline industry. The video evokes the French art de vivre that its customers around the world can enjoy day after day. A certain "je ne sais quoi" that the world associates with France is illustrated in Air France's expertise and art of travel. These precious values take elegance and refinement to new heights. With menus created by renowned French chefs, lounges conceived by world-renowned designers and architects, uniforms created by exceptional couturiers and complimentary Champagne in all the cabins, Air France is raising the profile of French-style excellence around the world. For the airline, in addition to the expertise it offers, it also constantly strives to provide its customers with the most environmentally responsible travel experience possible. Created by Aura by Omnicom, this video will mainly be broadcast digitally in two formats lasting 30 and 60 seconds in six markets (France, Italy, Germany, the USA, Canada and Brazil) besides being broadcast on television in Italy and shown in cinemas in Canada. In France the video will be broadcast in a fully-digital format. The campaign also features video clips promoting Paris as a destination, the Company's commitments to more responsible air travel, French fine dining, its Skytrax awards, its Flying Blue frequent flyer program and its La Première service.

Premium Economy, a new main meal service

Since May 3, 2022, long-haul customers in Premium Economy class have benefited from a new catering offer for the main meal service on departure from Paris-Charles de Gaulle and all the outstations. This new offer is consistent with the airline's commitment to taking the Premium Economy class up market. Customers thus benefit from a "Bistro-revisited"-style meal with its own identity. The starter, main course and dessert are exclusive to Premium Economy. This proposition goes hand in hand with the systematic complimentary offer of Champagne and embodies the three key values of Air France catering: Frenchness, a love of good food, generosity, sustainability. Since May 2022, customers have been sampling recipes created in the spirit of the French bistro. On departure from Paris, the dishes are composed of meat, dairy products and eggs of 100% French origin, and fish from sustainable fisheries. On flights lasting more than seven hours, breakfast or a snack is served prior to arrival. For a more delicious moment, this service will be revisited in 2023

New light meal offer in Business

Since February 1, our Business customers have been able to sample a completely new light meal offer on flights lasting more than seven hours. This new offer responds to their expectation of a more qualitative and diversified in-flight catering proposition, and guarantees them the same level of satisfaction throughout their journey. In a spirit of pleasure and a love of good food, where Frenchness, freshness and simplicity are our major strengths, the second food service in its turn reflects the move up-market for the Business cabin. It is available in three four-month cycles. The main meal service offers fine dining with a choice of four hot dishes signed by Michelin-starred chefs on the flights on departure from Paris, like Mathieu Viannay, Régis Marcon, Anne-Sophie Pic and Michel Roth.

Ongoing deployment of the Air France CONNECT WiFi offer

At the end of 2022, 97% of the Air France fleet had been equipped with on board WiFi, with the final 12 B777s in the equipment process to reach 100%. To go online from a smartphone, tablet or lap, top three passes are available:

- the "Message" Pass enables passengers to send and receive text messages for free throughout the flight (WhatsApp, iMessage, WeChat, etc.);
- > the "Surf" Pass to surf the internet, and consult emails for an hour or for the duration of the flight; and
- > the "Stream" Pass to benefit from a faster broadband connection and watch your favourite films and series.

Air France is equipping its fleet with four suppliers:

- long-haul fleet: B787: Panasonic/B777: Intelsat/Airbus 330: Intelsat/Airbus 350: Inmarsat;
- short and medium-haul fleet: A320 family (Airbus 318, 319, 320, 321) with Orange/Anuvu/Airbus A220: Intelsat.

Air France Play, a fully-digital press offering

At the end of 2021, Air France decided to stop distributing the printed press to its customers in its airport lounges, at boarding gates and on board. The entire offer is now available in digital form *via* the Air France Play application, from which customers can download for free their favorite newspapers and magazines up to 30 hours prior to the departure of their flights by identifying themselves with their booking references or Flying Blue membership number. Available in eleven languages, Air France Play offers access to more than 100 French (newspapers and magazines) and 60 international titles (newspapers and magazines). Once downloaded, the publications are available at any time: before, during and after the flight and including off line. Nearly 4.5 titles were downloaded in 2022.

In-flight entertainment

From films to TV series, musical cartoons and games, a wide range of in-flight entertainment is offered for everyone's enjoyment. There are some 1,500 hours of entertainment to discover: 344 films, 153 TV programs (series, documentaries and news), relationship programs and more than 700 hours of audio content. New generation interfaces with functionalities like destination guides and interactive maps, etc. are available on HD screens.

Air France Shopping

On April 13, 2022, after being closed for three months, Air France Shopping, the online website for Air France products, was again accessible. More intuitive, more ergonomic and more fluid, Air France Shopping now has an enriched offer. Models, Delsey luggage, the Icône et Riviera ranges and the "Legend" items which shaped the history of Air France (posters, postcards, magnets, keyrings, etc.), from practical essentials for chic and practical travel to aircraft models and collector's pieces, this unique interface offers the entire Air France universe.

Air France TikTok, more than 150,000 subscribers

On May 10, Air France published its first post on TikTok to coincide with the launch of the brand video. A new initiative which is an integral part of the strategy to search for new younger, more international audiences. Air France on TikTok is a global account in English which addresses French and international targets with exclusive content and trends. TikTok is the thirteenth social media on which Air France is present with Facebook, Instagram, Twitter, LinkedIn. YouTube and Pinterest but also Line, WeChat, Weibo, Youku, Kakaotalk and VKontakt.

EnVols, the Air France editorial offer

In February 2022, Air France announced the creation of EnVols, its new travel-related media platform and unveiled its digital version. Both a source of inspiration and a practical guide, it features a wide range of lifestyle and travel-related content (articles, photos, videos, podcasts) encompassing culture, fashion and gastronomy. Travel guides for more than 100 destinations include the editorial team's top picks. There is also be a special focus on the latest company news and its vast heritage. New content is added daily to the EnVols website, which welcomes contributions from renowned French and international authors, photographers and artists wishing to share their travel destination stories. All the content is available in French and English. EnVols was rolled out progressively over the course of the year as part of a comprehensive ecosystem. To be sure of not missing out on any news, a newsletter was launched in parallel with the digital platform. In May 2022, EnVols unveiled a print magazine version, with original texts and a vision of the world, a cross between travel diaries and photo stories. EnVols also has its own social media presence. The first bi-monthly edition, dated June-July, came out on May 25, in a print run of 150,000 copies in French and English. Every number explores a different theme. The varied content is interwoven and adapted to create a fully immersive experience for the reader. To develop EnVols, Air France drew on the expertise of Reworld Media, notably in terms of technological innovation, digital, magazine and brand developments and the marketing of advertising space. Sold in press kiosks, it is also available in the Air France boarding pontoons and lounges at Orly and Paris-CDG. And, of course, on board where it can be found free of charge on Air France Play. This enables a reduction in the weight embarked on board our aircraft and contributes to reducing CO₂ emissions, in keeping with Air France's overall approach to reducing its overall environmental footprint.

Air France a member of the Brand Union and FAIRe its responsible communication program

In view of its commitment to responsible travel, in February 2021 Air France became a member of the Brand Union's FAIRe program to continue to factor environmental and societal issues into its communication. As a member of the program, Air France adheres to a progress-based approach covering 15 commitments and now includes three elements of self-regulation in its advertising with regard to content, the diffusion environment and limiting the environmental impact of its advertising. As of 2021, Air France rolled out a number of actions on the responsible drafting of messaging (eliminate gender, sexual and ethnical stereotyping, communicate on Air +Train transport inter-modality, avoid behavior pushing people to travel, etc.) and the eco-socio-design of communication materials (apply recycled paper certifications - FSC or PEFC, Ecovadis Gold -, contain carbon emissions reduced crews, limited duration - during the filming and shooting of Air France communication, undertake to recycle elements of the décor and/or donate the design to associations and select digital partners who are themselves committed to increasing their environmental responsibility, etc.). A first evaluation of the 15 criteria was published in February 2022. Beyond this, Air France envisages a powerful advertising initiative to include awareness-raising for all its advertising spokespersons. Its aim is to make clear information available to consumers to guide their choices and actions at the environmental level. Air France is looking into the possibility of applying a statement in all its advertising guaranteeing its eco-responsible commitment in addition to the systematic integration of all these initiatives for ever-more responsible communication.

1.5.3 Air France Act, participate in more responsible travel

After flight safety and reassurance on health, the number three expectation of our customers covers the commitments to sustainability. Air France's environmental footprint is mainly linked to the CO_2 emissions generated by our flight operations. Our priority is to reduce these emissions as rapidly as possible through fleet renewal, eco-piloting and the use of more sustainable aviation fuels. These are the three founding principles of our Air France Act program.

We are also working on building a more responsible catering experience based on three pillars: more responsible catering, combating waste, and reducing the utilization of single-use plastics.

On all our flights on departure from Paris, with Servair, we propose meat, poultry, dairy products and eggs of 100% French origin, and all our fish are from sustainable fisheries, in all our travel cabins and Paris airport lounges. A vegetarian option is also systematically offered to our customers in all travel classes. The infant and baby menus available on board our long-haul flights are 100% organic.

a) To combat waste

In order to finetune consumption and thus reduce food waste, since last summer customers in our long-haul Business cabins have been able to pre-select their hot dishes up to 24 hours prior to departure and, of course. This initiative also guarantees the availability of their choice on board.

b) Elimination of single-use plastics

By the end of March 2023, we will have eliminated 90% of the single-use plastics on board our flights. After the introduction of wooden cutlery and cardboard cups, we are deploying containers in bio-sourced materials, like wood cellulose trays

and small baking dishes made of bagasse. Sustainable catering is part of the Air France route map for a more responsible journey.

The Company is deploying its initiative under the Air France Act label. Learn more about these actions at airfranceact, airfrance. com.

c) The development of inter-modality so as to propose low-carbon travel alternatives for short journeys

Air France and SNCF are reinforcing their partnership and expanding the Train+Air product, a service deployed across all journeys: a digitalized pathway which now enables train e-tickets to be downloaded, representing significant progress for customers. Since November 16, 2022, customers on combined "Train+Air" trips have been able to use a train e-ticket for a fully-digitalized journey. As of 30 hours before the departure of their Air France flight (or 24 hours for the USA), in addition to the boarding card for their flights, passengers can now print and/or download to their smartphone their train e-tickets on the Air France App or at the Air France website and board their train directly. This partnership with the SNCF thus enables Air France to propose 18 TGV high-speed train stations in France via CDG and 16 via Orly. Customers purchase an Air France ticket, combining a domestic journey by train and an international flight, to Europe or the French territories and dominions, on departure or arrival from/at CDG and/or Orly. The "Train+Air" product offers customers numerous advantages: a single booking and one fare for their whole journey, a guaranteed seat at no extra charge on the next available flight or train service in the event of a delay to the train or aircraft, Flying Blue Miles also earned on the rail journey, first-class travel on the TGV if the flight is in the Air France La Première or Business cabin and a complimentary taxi transfer offered by Air France between the Massy TGV station and Paris-Orly airport.

1.5.4 Air France recognized and rewarded

The airline affirms the importance of the attentive relationship between its staff and each of its customers.

Air France recognized at the Skytrax World Airline Awards 2022

On September 23, 2022, at the Skytrax World Airline Awards 2022 ceremony held in London, Air France was voted Best Airline in Western Europe for the second year running. Air France thus moved up two places to eighth position in the Skytrax global ranking. With new-generation fuel-efficient aircraft, renovated and more comfortable travel cabins, new airport lounges, refined French gastronomy and more, all this investment has been preserved to support the airline's move up-market. These different distinctions reward the efforts and commitment of the Air France teams who work hard every day to provide our customers with the best possible travel experience.

Air France named Europe's leading airline for its Economy cabin at the World Travel Awards

On October 1, 2022, at the 29th World Travel Awards ceremony in Majorca, Air France received the Europe's Leading Airline award for its long-haul Economy cabin. Air France also came second in the "European Airline 2022", "*La Première*" and "Business" categories. Air France's new long-haul Economy cabin, which is gradually being rolled out on 12 Boeing 777-300s, offers a seat with the highest standards of comfort on the market. On board, every passenger has a 43 cm wide seat, a 119-degree seat recline and 79 cm of legroom. The seat back is ergonomically designed and offers enhanced lateral support. A 13.3-inch 4K High Definition screen equipped with Bluetooth provides over 1,500 hours of on-demand entertainment, including a vast selection for young travellers.

Air France wins the "Best Entertainment in Europe" award at the APEX Passenger Choice Awards 2022

On June 8, 2022, at the 2022 APEX Passenger Choice Awards ceremony, Air France won the "Best Entertainment in Europe" award. This award recognizes the quality and diversity of the entertainment offer on board its long-haul flights. In all its long-haul cabins, Air France offers some 1,500 hours of entertainment. The airline is gradually rolling out a new touch-sensitive graphic interface, accessible in 12 languages, allowing passengers to choose their programs easily.

Air France awarded 5 stars in the APEX airline ratings

On October 26, 2022, at the APEX/IFSA Awards ceremony in Los Angeles, Air France was certified for the first time as a "5-star airline" in the official 2023 APEX airline ratings. For Air France, this first place on the rating scale recognizes the comfort of its seats, the excellence of its cabin service, the quality of its catering offer, the wealth of in-flight entertainment and its connectivity service. At the ceremony, Air France was also a finalist in the "IFSA Best Inflight Food and Beverage" category for its sustainable onboard experience.

Air France wins Best Comfort Kit for Children and Babies in the "Kits Amenities" category

On June 14, 2022, during the 2022 OnBoard Hospitality Awards at the Aircraft Interiors Expoin Hamburg, Air France received the award for the Best Comfort Kit for Children and Babies and the Bronze Award for the Best Travel Cabin Concept for the design of its Airbus A220 interior. Since February 2022, in all Air France long-haul cabins, young travellers aged three to eleven have been receiving an attractive "sorter" flight pouch. In keeping with Air France's eco-friendly approach, this pouch has been designed in FSC (sustainably managed forests) cardboard and comes unwrapped. In addition, to ensure optimum well-being for families travelling with a baby (aged 0 to two years), Air France also offers a box in recyclable cardboard in the long-haul La Première, Business and Premium Economy cabins, containing a rabbit cuddly toy, Castéra-certified organic thermal water and a honeycomb cotton pouch. Economy cabin customers also receive a recyclable cardboard box containing this rabbit cuddly toy.

Air France wins gold at the *Grand Prix Stratégies du Design* 2022

On September 21, 2022, at the 36th edition of the Grand Prix Stratégies du Design 2022, Air France won gold in the "product design/transport design" category, for the aesthetics and comfort of the travel cabin on board its new Airbus A220. This award recognizes the work of the Air France teams who, in collaboration with the agency SGK Brandimage, designed a luminous cabin in the Air France colors. The Air France Airbus A220, a new-generation aircraft dedicated to the airline's short and medium-haul network, has 148 seats. It features a reclining seat with an adjustable headrest, leather upholstery and an ergonomic seat cushion for enhanced comfort. The seat back features a symmetrical stitching pattern accentuated in the center with grey embroidery thread, creating an upholstered effect for optimum comfort. The accent, the Company's brand symbol, adorns the front and rear cabin walls of the aircraft. It is also embroidered on each seat, highlighting the Company's identity throughout the cabin. The cabin, the most spacious and brightest in its category, is decorated in the Air France signature colors - shades of blue, a strong presence of white providing light and contrast, and a hint of red symbolizing the airline's excellence and know-how. The carpet revisits the traditional ornamental herringbone pattern, invoking the emblematic Haussmann-inspired world of Parisian apartments. It also plays an important signage role, by welcoming customers and giving them an overall perspective. Large panoramic windows provide natural light for the duration of the trip. From boarding to landing, eight specially-adapted cabin mood lighting settings create bright, dynamic lighting for the welcome and disembarkation phases and softer lighting for a more relaxed, serene atmosphere during the flight.

Air France still No.1 for customer relations in 2022

On March 8, 2022, Air France was awarded first prize at the Customer Relations Awards^{*} in the Transport category for the 7th year running. Organized by BearingPoint and Kantar, this ranking⁽¹⁾ truly reflects the voice of French customers. For each company, the customers surveyed are invited to give their opinion on 15 criteria that structure customer relations. These criteria are examined from thee angles – execution, connection and emotion. In a context that remains disrupted by the health crisis, the Company continues to make a difference and to stand out mainly from the emotional and connection point of view, notably concerning the following criteria: the ability to foster customer loyalty, the ability to pleasantly surprise the customer, the ability to provide a memorable experience and the ability to make the customer feel unique. This year, customers responded to additional questions concerning their intention to choose

Air France for a future trip and their perception of the exemplary way in which staff serve customers:

- a) 93% of customers intend to choose Air France for a future trip, eight points higher than the average score in the Transport category and six points higher than the average score for all sectors combined;
- b) 88% of customers consider Air France to be exemplary in the way staff serve customers, 14 points higher than the average score in the Transport category and seven points higher than the average score for all sectors combined;
- c) 89% of customers consider that staff take pleasure in serving customers, 13 points higher than the average score in the Transport category and eight points higher than the average score for all sectors combined.

1.5.5 Air France Protect, the promise of a safe trip

Since the onset of the Covid-19 public health crisis, Air France has closely monitored the evolving health situation, deployed the necessary measures and adapted in this context of recovery to ensure the well-being and safety of its customers and staff. In 2022, Air France redoubled its efforts to contend with this unprecedented situation by simplifying the processes linked to travel, and by reassuring and maintaining contact with its customers.

Air France Protect, the Air France health promise has become the new framework for the airline's sanitary measures. For our customers, the measures linked to Covid represent their number two concern, along with the cleanliness of the aircraft. The standard remains very high and this recognized framework enables us to offer our customers reassurance, flexibility and fluidity. In this context of recovery, Air France continues to place the safety and security of its customers and staff at the heart of its priorities. More than ever the teams remain mobilized to continue to welcome customers on board our aircraft in complete safety.

The Ready to Fly service, enabling customers to confirm that they have all the health documents and proof required for their journeys provides the all-important reassurance for our customers and a guarantee of peace of mind. Since the end of July it has been deployed on all flights in the Air France network. It is also a way to support the operational performance.

Automated reimbursement has been developed, after an unprecedented period of difficulty for our customers. With 28% of all reimbursements having been automated to date, this automatic process significantly improves customer satisfaction.

A health protocol positively perceived by customers

On December 27, 2022 (cumulative since January 1, 2022), 89% of customers having travelled on board our aircraft (Air France + Hop!) gave an excellent, very good or good score to the health measures implemented by the airline. Over the same period, 44% of customers said that they felt confident on board our aircraft and/or 27% were enthusiastic or happy. Inversely, 15% of the customers polled were unhappy, and/or stressed or anxious. Since 2020, customers have been consulted on the Air France Protect measures to evaluate their satisfaction regarding the health measures in place and how they felt during their journeys.

Air France wins the "Diamond Award" in the APEX Health Safety Airlines for the second year and its lounges for the first year

In 2022, Air France also won the highest possible distinction for the second year running – the Diamond Award – at the APEX Health Safety powered by Simplifying. This ranking rewards airlines for their efforts on implementing the strictest health and safety measures on board. The Company was also recognized for the health measures in its lounges at Paris-Charles de Gaulle airport. Following comprehensive audits of the Air France Protect program, regrouping all the airline's health measures on the ground and in the air, APEX thus recognized the commitment of Air France which places the health and safety of its customers and staff at the heart of its priorities.

⁽¹⁾ Survey conducted by BearingPoint and Kantar in December 2021 among customers and users of companies/administrations, based on a sample of 4,000 people.



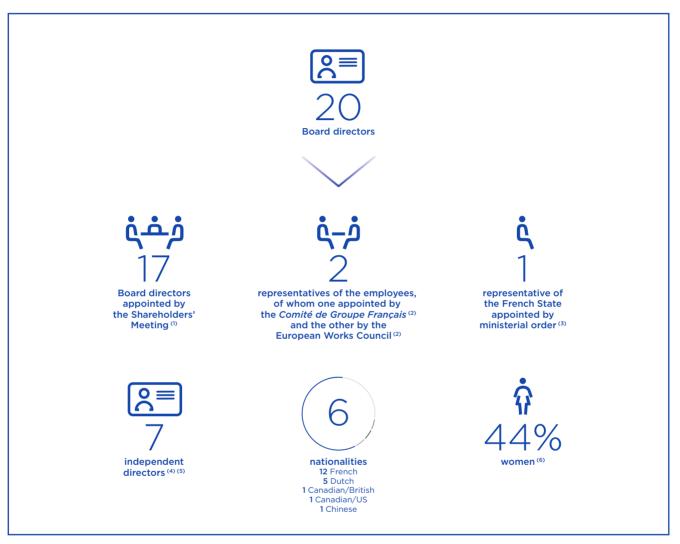
CORPORATE GOVERNANCE REPORT

This section constitutes the corporate governance report foreseen in the final paragraph of Article L.225-37 of the French Code of Commerce (*Code de Commerce*) and includes the information referred to in Articles L. 22-10-8 to L. 22-10-11 of the *Code de Commerce*. Pursuant to the provisions of Article L. 225-37 of the *Code de Commerce*, a presentation on this report will be made to shareholders during the forthcoming Annual General Shareholders' Meeting on June 7, 2023.

2.1 2.1.1 2.1.2	Composition of the Board of Directors Composition of the Board of Directors at December 31, 2022 Presentation of the Board directors at December 31, 2022	66 66 70
2.2 2.2.1 2.2.2	Organization and functioning of the Board of Directors Functioning of the Board of Directors Separation of the functions of Chair of the Board of Directors and	92 92
	Chief Executive Officer	92
2.2.3	Rules applicable to the appointment and replacement of the Board Directors	94
2.2.4 2.2.5	Independence of the Board directors Other rules applicable to Board directors	100 102
2.3	Activities and functioning of the Board of Directors and its Committees	103
2.3.1 2.3.2	Activities and functioning of the Board of Directors Activities and functioning of the Committees	103 111
2.4	Summary table of the AFEP-MEDEF Code's comply or explain recommendations not applied	117
2.5	Compensation of the Company officers	118
2.5.1	General principles	118
2.5.2	Compensation of the Company officers in 2022	119
2.5.3	Compensation policy for the Company officers in respect of 2023	141
2.6	Group management bodies: Group Executive Committee and CEO Committee	150
2.6.1	Group Executive Committee	150
2.6.2	CEO Committee	151
2.7	Share capital and shareholder structure	151
2.7.1	Share capital	151
2.7.2	Securities conferring entitlement to shares	158
2.7.3 2.7.4	Authorization to buy back Air France-KLM's own shares Strategic partnerships with Delta Air Lines, Inc. and China Eastern	159
2.7.4	Airlines and conclusion of a new partnership with CMA CGM	159
2.7.5	Air France – KLM shareholder structure	163
2.7.6	A regular dialogue with individual shareholders and investors	165
2.7.7	Legal and statutory investment thresholds	165
2.7.8	Identification of shareholders and statutory provisions concerning shareholders	166
2.7.9	Information on trading in the stock	167

COMPOSITION OF THE BOARD OF DIRECTORS 2.1

2.1.1 Composition of the Board of Directors at December 31, 2022



(1) Including two Board directors appointed as proposed by the French State and two Board directors representing the employee shareholders In application of the provisions of Articles L. 225-27-1 and L. 22-10-7 of the Code de Commerce (French Code of Commerce) and Article 17.3 of the Articles of

(2) Incorporation

 (3) Pursuant to Article 4 of Ordinance No.2014-948 of August 20, 2014 relating to governance and to transactions involving the share capital of State-owned companies.
 (4) Pursuant to the provisions of Article 10.3 of the AFEP-MEDEF Code, the Board directors representing the employee shareholders and the Board directors representing the employees are not taken into account for the calculation of this percentage.

At December 31, 2022, the percentage of independent directors stood at 43.75%. This exceptional situation is linked to the composition of the shareholder base following the latest transactions in the share capital. (see section 2.2.4 "Independence of the Board directors"). The Board directors representing the employees and the Board directors representing the employee shareholders', appointed pursuant to Articles L. 225-23 and (5)

(6) L. 225-27-1 of the Code de Commerce, are not taken into account for the gender parity calculation in accordance with the provisions of the aforementioned Articles.

Changes in the composition of the Board of Directors during the 2022 financial year

	Departure	Appointment	Re-appointment	Ratification of co-optation(s)
Board of Directors	Astrid Panosyan June 21, 2022	Pascal Bouchiat October 3, 2022 ⁽¹⁾	Isabelle Parize May, 24 2022 ⁽⁵⁾	N/A
	Martin Vial June 1, 2022	Stéphanie Besnier June 27, 2022 ⁽²⁾	François Robardet May, 24 2022 ⁽⁶⁾	
	Paul Farges May 24, 2022	Michel Delli-Zotti May 24, 2022 ⁽³⁾		
		Rodolphe Saadé July 15, 2022 ⁽⁴⁾		
Audit Committee	Martin Vial June 1,2022	Stéphanie Besnier July 28, 2022	N/A	
	Paul Farges May 24, 2022	Michel Delli-Zotti July 28, 2022		
Appointments & Governance Committee	N/A	N/A	 N/A	N/A
Remuneration Committee	N/A	N/A	N/A	N/A
Sustainable Development	Astrid Panosyan June 21, 2022	Pascal Bouchiat December 8, 2022	N/A	N/A
& Compliance Committee		Terence Tilgenkamp July 28, 2022		

(1) Following Ms. Astrid Panosyan stepping down as an Air France-KLM Board director as of June 21, 2022, on October 3, 2022 the Air France-KLM Board of Directors decided to co-opt Mr. Pascal Bouchiat in the capacity of a Board director appointed proposed by the French State, for his predecessor's remaining term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ended December 31, 2022. This appointment by co-optation will however be subject to ratification by the shareholders during the Shareholders' Meeting of June 7, 2023.

(2) Ms. Stéphanie Besnier was appointed as a Board director representing the French State by ministerial order on June 27, 2022, replacing Mr. Martin Vial who stepped down on June 1, 2022, for her predecessor's remaining term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ended December 31, 2022.

(3) Mr. Michel Delli-Zotti was appointed as a Board director representing the employee and former employee shareholders by the Air France-KLM Shareholders' Meeting of May 24, 2022, for a term of four years, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2025.

(4) Mr. Rodolphe Saadé was appointed as a Board director by the Air France-KLM Shareholders' Meeting of May 24, 2022, for a term of four years, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2025, subject to the realization of the investment by CMA-CGM in the Air France-KLM share capital announced on May 18, 2022 within the framework of the major long-term strategic partnership in air cargo between Air France-KLM and the Company CMA CGM. Mr. Rodolphe Saadé's mandate came into force on July 15, 2022, once all the prior authorizations of the competent authorities had been obtained.

(5) Ms. Isabelle Parize, an independent Board director, was re-appointed by the Air France-KLM Shareholders' Meeting of May 24, 2022, for a term of four years, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2025.
(6) Mr. François Robardet, a Board director representing the employee and former employee shareholders, was re-appointed by the Air France-KLM Shareholders' Meeting by the Air France-KLM Shareholders' Meeting Convened to approve the financial statements for the financial year ending December 31, 2025.
(6) Mr. François Robardet, a Board director representing the employee and former employee shareholders, was re-appointed by the Air France-KLM Shareholders' Meeting Convened to approve the financial statements for the financial year ending December 31, 2025.

(6) Mr. François Robardet, a Board director representing the employee and former employee shareholders, was re-appointed by the Air France-KLM Shareholders' Meeting of May 24, 2022, for a term of four years, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2025.

Composition of the Board of Directors at December 31, 2022

	tion		
Gender	Nationality	Age	Number of shares held
Fomalo	French	70	1000
Female		12	1,000
Male	and British	51	100,000
Female	French	43	3,501
Female	Dutch	59	16,000
			1.000
Female		/3	1,020
			73,401,182
	Dutch	64	3,500
Male	Dutch	69	4,000
Female	Francaise	71	1,000
Female	· .	65	11,240
Male	Française	52	1,000
Male	Chinese	49	8,000
Male	Dutch	62	1,000
oposed by the St	ate		
Male	French	74	0
Male	French	62	0
nting the employ	ee shareholders		
Male	French	65	2,148
Male	French	59	777
l decree			
Female	French	45	0
Comité de Group	e Français		
Male	French	49	0
European Works	Council		
Male	Dutch	39	0
	Female Male Female Female Male Male Male Male Male Male Male M	Female French Male Canadian Male and British Female French Female Dutch Female Dutch Male Dutch Male Dutch Male Dutch Female Française Male Française Male Française Male Dutch Male Chinese Male Dutch Male French Male Française Male French Male Dutch Male French Male French	FemaleFrench72MaleCanadian and British51FemaleFrench43FemaleDutch59FemaleDutch64MaleDutch64MaleDutch69FemaleFrançaise71FemaleFrançaise71FemaleFrançaise65MaleDutch69FemaleFrançaise52MaleChinese49MaleDutch62oposed by the State62MaleFrench62MaleFrench65MaleFrench </td

Mr. Pascal Bouchiat replaced Ms. Astrid Panosyan as a Board director appointed as proposed by the French State as of October 3, 2022. This appointment, through co-optation, will however be subject to ratification by the shareholders during the next Shareholders' Meeting.
 Ms. Stéphanie Besnier replaced Mr. Martin Vial as a Board director representing the French State as of June 27, 2022.

Independent Board directors

Experience Directorships in listed companies	Position within the Board			Participation in Committees				
	Date appointed	Expiry of term of office	Board experience	Comité d'audit	Audit Committee	Appointments & Governance Committee	Sustainable Development & Compliance Committee	
	2	19/05/2016	2024 AGM	7 years			(Chair)	
	1	05/12/2018	2023 AGM	4 years				
	2	26/05/2021	2025 AGM	2 years				
	2	16/05/2017	2025 AGM	5 years				
	1	16/05/2013	2025 AGM	10 years	(Chair)			
	1	03/10/2017	2025 AGM	5 years				
	2	28/05/2019	2023 AGM	3 years				
	1	26/05/2020	2024 AGM	2 years				
	3	02/11/2017	2025 AGM	5 years				(Chair)
	3	27/03/2014	2026 AGM	9 years				
	1	15/07/2022	2026 AGM	5 months				
	1	30/07/2019	2025 AGM	3 years				
	3	19/05/2016	2024 AGM	7 years		(Chair)		
	1	14/12/2010	2023 AGM	13 years				
	1	03/10/2022	2023 AGM	3 months				
	1	06/12/2016	2026 AGM	7 years				
	1	24/05/2022	2026 AGM	7 months				
	1	27/06/2022	2023 AGM	6 months				
	1	01/06/2017	2023 AGM	6 years				A
	1	01/12/2021	2023 AGM	1 year				

2.1.2 Presentation of the Board directors at December 31, 2022

Board directors appointed by the Shareholders' Meeting



Nationality: French

Age: 72 years

First appointed as a Board director: May 19, 2016

Expiry of current term of office: 2024 Shareholders' Meeting

Number of shares held in the Company's stock: 1,000 shares

Professional address: Air France-KLM, 7 rue du Cirque, 75008 Paris

Anne-Marie Couderc

Chair of the Board of Directors Independent Board director Chair of the Appointments and Governance Committee

Expertise and professional experience

Born February 13, 1950, Anne-Marie Couderc is a graduate in private law and holds a French Professional Lawyer's Certificate (*Certificat d'Aptitude à la Profession d'Avocat*).

Ms. Couderc began her career in 1972 as a lawyer with the Paris Bar. She then became Chief Legal Officer in Hachette's industrial division between 1979 and 1982, before fulfilling different management functions within the Lagardère Group from 1982 to 1995.

In parallel, Anne-Marie Couderc has pursued a political career: having been elected to the Paris Council in 1983, until 2001 she successively served as Advisor then Deputy to the Mayor of Paris between 1989 and 2001. Having been elected as a Member of Parliament in 1993, she subsequently joined the government in 1995 where she was appointed Secretary of State to the Prime Minister, responsible for Employment, then Minister for Employment and Social Affairs, responsible for Employment, until 1997.

At the end of 1997, she was named Chief Executive Officer of Hachette Filipacchi Associés followed, from 2006 to 2010, by Secretary-General of Lagardère Active (press and audiovisual). From 2011 to 2017, she was Chair of Presstalis Group (press distribution), Since June 30, 2017, Ms. Couderc has been a company director.

She has been Chair of the Air France-KLM Board of Directors since May 15, 2018.

Other directorships and offices

French companies

- Chair of the Société Air France^(G) Board of Directors since 2018;
- Board director, Chair of the Remuneration Committee and member of the Audit Committee of Ramsay Générale de Santé since 2014;
- Board director of Transdev since 2012 and member of the Audit Committee of Transdev since 2017;
- Board director and Chair of the Remuneration and Nomination Committees of Plastic Omnium⁽¹⁾ since 2010;
- Board director of the Veolia Foundation;
- Member of the ESEC Council since November 2015.

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

French companies

- Member of the AYMING Supervisory Board until 2021;
- Member of the MEDEF Executive Committee until 2018;
- Board director and Chair of the Board of Directors of Presstalis until 2017.

(1) Listed company.

⁽G) Company in the Air France-KLM Group



Nationalities: British and Canadian

Age: 51 years

First appointed as a Board director: December 5, 2018

Expiry of current term of office: 2023 Shareholders' Meeting

Number of shares held in the Company's stock: 100,000 shares

Professional address:

Air France-KLM, 7 rue du Cirque, 75008 Paris

Benjamin Smith

Chief Executive Officer Board director

Expertise and professional experience

Born August 27, 1971, Benjamin Smith is a reputed senior airline industry executive at international level, having spent twenty years at Air Canada where he was President Airlines and Chief Operating Officer. In 1990, in parallel with his studies, he started out as a customer service agent at Air Ontario before taking an entrepreneurial path in 1992 when he set up his own retail corporate travel agency, which he ran successfully for eight years. In 1999, he also simultaneously took on a consultancy role for Air Canada before finally joining the Group in 2002.

As of his 2002 arrival, Benjamin Smith fulfilled a number of high-ranking positions at Air Canada including Head of network Planning before joining the executive management team as Executive Vice-President and Chief Commercial Officer in 2007.

In 2014, he was appointed President Airlines (Air Canada, Rouge, Express, Cargo) and Chief Operating Officer of Air Canada with overall responsibility for commercial affairs, operations and customer relations for the Group. He was also responsible for Air Canada's commercial growth strategy.

On August 16, 2018, Benjamin Smith was appointed Chief Executive Officer of Air France-KLM. On December 5, 2018, he was appointed as a member of the Air France-KLM Board of Directors.

On April 20, 2022, the Air France-KLM Group announced the early renewal of Mr. Benjamin Smith's mandate as Chief Executive Officer, for a term of five years.

Other directorships and offices

French company

- Board director of Société Air France^(G) since December 12, 2018.

Non-French company

- Member of the Supervisory Board of KLM^(G) since April 2019.

Other

- Member of the International Air Transport Association's (IATA) Board of Governors since 2018.

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

- Chair of the Airlines for Europe Association (A4E) until March 2020.

(G) Company in the Air France-KLM Group.



Age: 43 years

First appointed as a Board director: May 26, 2021

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock: 3,501 shares

Professional address:

Air France-KLM, 7 rue du Cirque, 75008 Paris

Gwenaëlle Avice-Huet

Independent Board Director Member of the Audit Committee

Expertise and professional experience

Born on November 16, 1979, Ms. Avice-Huet is a graduate of the École Normale Supérieure de Cachan (agrégation in physics and chemistry), an engineer of the Corps des Ponts et Chaussées and a graduate of the *École Polytechnique* (DEA in molecular chemistry).

She began her career in 2006 with the Saint-Gobain Group in the United States, as a project manager in the energy field, before working as an analyst at the World Bank in Washington D.C., where she co-published a book dedicated to urban infrastructure.

From 2007 to 2010, she started working in the administration, first at the General Secretariat for European Affairs (Prime Minister's department) and then as an advisor in various Ministerial cabinets where she notably took part in international climate negotiations.

In 2010, she joined the Engie Group (formerly GDF-Suez), where she was to hold the position of Director of European and Regulatory Affairs and advised the Group's General Management until 2015. In 2016, she was appointed CEO of Engie France Renouvelables and contributed to the industrial transformation that was to position Engie as the leader in wind and solar energy in France.

As of 2019, she held the positions of Deputy Chief Executive Officer of the Engie Group in charge of renewable energies and CEO of Engie North America (Houston, USA). She is a member of the Engie Group Executive Committee.

In March 2021, she joined the Schneider Electric Group (Boston, USA), where she heads up the global corporate strategy for the Group. Since April 1, 2022, she has been Chief Strategy & Sustainability Officer of Schneider Electric⁽¹⁾ and a member of the Executive Committee.

Gwenaëlle Avice-Huet is a Young Global Leader of the World Economic Forum and a Knight of the National Order of Merit.

Other directorships and offices

French companies

- Advisory Board Member of Petale Group since July 6, 2022;
- Chief Strategy & Sustainability Officer of Schneider Electric⁽¹⁾ since April 1, 2022.

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

French companies

- SVP Schneider Electric until April 2022;
- Deputy CEO of Engie until March 2021;
- CEO of Engie North America until March 2021;
- CEO of Engie France Renouvelables until January 2021;
- Member of the Board of Directors of Hydrogen Council until March 2021;
- Member of the Board of Directors of WindEurope until March 2021;
- Member of the Board of Directors of the Franco-American Chamber of Commerce of Houston until March 2021.

(1) Listed company.



Member of the Audit Committee and of the Sustainable Development and Compliance Committee

Expertise and professional experience

Leni M.T. Boeren⁽¹⁾ Independent Board director

Born December 23, 1963, Leni M.T. Boeren holds a Masters degree in Business Management from Erasmus University in Rotterdam (the Netherlands).

Ms. Boeren started her career in the financial sector at Paribas in 1983. She went on to work for Rabobank, where she held various positions through to 1992. She then moved to Robeco as head of the marketing and product management department from 1992 to 1997. She subsequently became a member of the Board of Directors of Amsterdam Exchanges followed, in 2000 to 2005, by her appointment as a member of the Executive Committee of Euronext N.V.⁽²⁾ the result of the merger of the Paris (ParisBourse), Brussels (Brussels Exchanges) and Amsterdam (Amsterdam Exchanges) stock exchanges.

In 2005 she joined the Robeco Group, an international asset management firm, where she was successively a member, Vice-Chair and Chair of the Management Board. She was also responsible for Robeco Group's subsidiaries and held several Board positions until December 2016. She also served as a member and Chair of the Board of DUFAS, the Dutch Fund and Asset Management Association (2009-2016) and as a member of the Board of FCLTGlobal (2019-2020).

Ms. Boeren served as Chair and CEO of the Management Board of Kempen Capital Management N.V. and a member of the Executive Board of Van Lanschot Kempen N.V.⁽²⁾ (from February 2018 to March 2020).

Other directorships and offices

Non-French companies

- Member of the AFM Capital Markets Committee (Dutch Financial Markets Authority, Netherlands) since January 2022;
- Member of the Supervisory Board, of the Audit Committee and of the Appointments and Remuneration Committee of NIBC Holding N.V. and of NIBC Bank N.V. (Netherlands) since October 2021;
- Member of the Advisory Board of Keyser & Mackay (Netherlands) since September 2021;
- Chair of the Supervisory Board of Ohpen Expeditions B.V. (Netherlands) since March 2021;
- Member of the Board of Directors of Stichting Administratiekantoor Koninklijke Brill (Netherlands) since 2020;
- Member of the Supervisory Board of Tata Steel Nederland B.V. (Netherlands) since 2014.

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

Non-French companies

- Board director of FCLT Global, USA, until 2020;
- Chair of the Management Board of Kempen & Co N.V. (Netherlands), until 2020;
- Chair of the Board of Directors and CEO of Kempen Capital Management N.V. (Netherlands), until 2020;
- Member of the Management Board of Van Lanschot, Kempen N.V.⁽²⁾ (Netherlands) until 2020;
- Chair of the Supervisory Board of Transtrend BV, Netherlands, until 2019.

(2) Listed company.

Nationality: Dutch

First appointed as a

Expiry of current term of

office: 2025 Shareholders'

Number of shares held in the Company's stock:

Professional address:

Age: 59 years

Board director:

May 16, 2017

16,000 shares

Air France-KLM,

7 rue du Cirque.

75008 Paris

Meeting

⁽¹⁾ Ms. Boeren was appointed by the Shareholders' Meeting as proposed by the KLM Supervisory Board pursuant to the agreements concluded on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM (see section 2.2.3 "Rules applicable to the appointment and replacement of members of the Board of Directors").



Age: 73 years

First appointed as a Board director: May 16, 2013

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock: 1,020 shares

Professional address: China Equity Links, 27 avenue de l'Opéra, 75001 Paris

Isabelle Bouillot

Independent Board director

Chair of the Audit Committee and member of the Remuneration Committee

Expertise and professional experience

Born May 5, 1949, Isabelle Bouillot holds an advanced degree in Public Law and is a graduate of the Institut des *Etudes Politiques de Paris* and of the *École Nationale d'Administration*.

Having occupied various positions in the French Public Administration, including Economic Advisor to the President of the Republic between 1989 and 1991 and Budget Director at the Ministry of Economy and Finance between 1991 and 1995, Ms. Bouillot was Deputy Chief Executive Officer in charge of the financial and banking activities at the *Caisse des Dépôts et Consignations* between 1995 and 2000, then Chair of the Management Board of the Investment Bank of the CDC IXIS Group from 2000 to 2003. Since 2006, Ms. Bouillot has been President of China Equity Links (SAS).

Other directorships and offices

French companies

- President of China Equity Links since 2006;
- President of IB Finance;
- Member of the Supervisory Board of Gimar & Cie.

Non-French companies

- Board director of Saint Gobain China;
- President of CELPartners Ltd, Hong Kong;
- Board director of Yafei Dendistry Limited⁽¹⁾.

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

N/A

(1) Unlisted company registered outside France in which China Equity Links holds or held an equity interest.



Nationality: US

First appointed as a Board director: October 3, 2017

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock: 73,401,182 shares

Professional address: 1030 Delta Boulevard, Atlanta, GA, USA 30354

Delta Air Lines, Inc.

Board director

Member of the Remuneration Committee

Corporation formed under the laws of the State of Delaware (USA) with its registered office at Delta Bld, Atlanta, GA, USA 30354.

N/A

\checkmark Directorships and offices held during the last five years and having expired

N/A



Nationalities: US and Canadian

Age: 61 years

Professional address: 1030 Delta Boulevard, Atlanta, GA, USA 30354

Alain Bellemare

Permanent representative of Delta Air Lines, Inc. Member of the Remuneration Committee

Expertise and professional experience

Born June 14, 1961, Alain Bellemare is the permanent representative on Air France-KLM's Board of Directors of Delta Air Lines, Inc.^{(1),} a corporation formed under the laws of the State of Delaware having its registered office at 1030 Delta Bld. Atlanta. GA USA 30354.

Alain Bellemare is a transformative business leader and board member with extensive experience in strategy, business development and operational roles. He has served as Executive Vice-President and President-International at Delta Air Lines, Inc.⁽¹⁾ since January 2021.

In 2020, Mr. Bellemare was an Operating Executive with The Carlyle Group, focused on the aerospace, defense and government services sectors. Prior to joining The Carlyle Group, he served as President, Chief Executive Officer and Board member of Bombardier Inc.⁽¹⁾ from 2015 to 2020.

Before joining Bombardier, Mr. Bellemare spent 18 years with United Technologies Corporation, serving as President and Chief Executive Officer of UTC Propulsion & Aerospace Systems from 2011 to 2015. Since January 2021, Mr. Bellemare has occupied the functions of Executive Vice-President and President-International of Delta Air Lines, Inc.⁽¹⁾

Other directorships and offices

Other

- Executive Vice-President and President-International of Delta Air Lines, Inc.(1) since January 2021;
- Member of the International Advisory Board of McGill University's Desautles Faculty of Management;
- Member of the Wings Club Foundation.

\smile Directorships and offices held during the last five years and having expired

Non-French company

- Operating Executive of The Carlyle Group until January 2021;
- President, CEO and Board director of Bombardier Inc.^{(1),} until March 2020.



Age: 71 years

First appointed as a Board director: November 2, 2017

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock: 1,000 shares

Professional address: Air France-KLM, 7 rue du Cirque, 75008 Paris

Anne-Marie Idrac

Independent Board director

Chair of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born July 27, 1951. Anne-Marie Idrac is a graduate of the Institut d'Etudes Politiques, the *École Nationale d'Administration* and the Institut des Hautes Etudes de Défense Nationale. Ms. Idrac has spent most of her career in the fields of the environment, housing, urban development and transport.

She was Chief Executive Officer at the Public Development Agency of Cergy-Pontoise, Director of Land Transportation at the Ministry of Equipment and Transport and subsequently Secretary of State for Transport. She occupied the positions of Chair and CEO of the RATP (Paris Public Transport Authority) from 2002 to 2006, and Chair and CEO of the SNCF (French State Railways) from 2006 to 2008. She was a Member of Parliament from 1997 to 2002 and Secretary of State for Foreign Trade from 2008 to 2010. Anne-Marie Idrac is a company director and consultant.

Other directorships and offices

French companies

- Board director of TotalEnergies since June 2021⁽¹⁾;
- Board director of Saint-Gobain since May 2011⁽¹⁾;
- Board director of SANEF.

Other

- Board director of the Fondation Robert Schuman;
- High representative of the French government for the development of autonomous vehicles since October 2017;
- President of the France Logistics Association since January 2020;
- President of the Alliance for International Medical Action (ALIMA Foundation) since 2020.

\odot Directorships and offices held during the last five years and having expired

French company

- Member of the Supervisory Board of Bouygues until May 2021(1);
- President of the Aéroport de Toulouse-Blagnac Supervisory Board until May 2018.

(1) Listed company.



Age: 65 years

First appointed as a Board director: March 27, 2014

Expiry of current term of office: 2026 Shareholders' Meeting

Number of shares held in the Company's stock: 11,240 shares

Professional address: Odys SPRL 31 rue des Aduatiques, 1040 Etterbeek Belgium

Isabelle Parize

Independent Board director

Member of the Remuneration Committee and of the Audit Committee

Expertise and professional experience

Born June 16, 1957, Isabelle Parize is a graduate of the *École Supérieure de Commerce de Paris*. Having occupied various positions within Procter & Gamble between 1980 and 1993 including notably that of Marketing Manager, Health and Beauty Care, Ms. Parize joined Henkel Group in 1994. She was Managing Director of Schwarzkopf, Henkel France, from 1994 to 1998, and then Senior Vice-President in charge of Europe, the Middle East and Africa (based in Germany) from 1998 to 2001. She subsequently became President of Canal+ Distribution and Chair and CEO of Canal Satellite in 2001. She then became President of the Fragrance division at Quest International (2005-07) and Managing Director then Vice-Chair of the Company Betclic (2007-11) before joining Nocibé as President of the Managing Board (2011-16). She was Chair and Chief Executive Officer of Douglas Holding AG until October 2017. From November 2018 until August 2021, she was CEO of Delsey and of the DHI Holding company. Ms. Parize is currently Chief of the Supervisory Board of DHI and a member of several other Boards of Directors.

Non-French companies

- Director of Odys SPRL, Belgium;
- Board director and member of the Audit Committee of Pandora⁽¹⁾ since January 2019;
- Board director and member of the Audit Committee of Coty⁽¹⁾ since March 2020;
- Board director of FLO Health, Inc. since December 2020.

${igsiremath{\,\overline{}}}$ Directorships and offices held in the last five years and having expired

French companies

- Within DELSEY Group until July 2021:
 - Chair of DHI SAS,
 - Chair of Delsay SAS;
- Within Nocibé/Douglas Group until January 2016:
 - Chair and Chair of the Managing Board of Al Perfume France,
 - CEO and Chair of the Managing Board of Parfumerie Douglas France,
 - Chair and CEO of Douglas Expansion,
 - Chair of Douglas Passion Beauté Achats DPB Achats;
- Board director of Auchan Retail International until October 2018;
- Board director of Robardet⁽¹⁾ until June 2020.

Non-French companies

- Within DELSEY Group:
 - Board director of Delsey Luggage Inc. and Delsey DUSH between late 2018 and August 2021,
 - Board director of Delsey Asia Limited, Delsey Hong Kong Ltd, and Delsey Dongguan between late 2018 and September 2021;
- Within Nocibé/Douglas Group until October 2017:
 - Chair and Chief Executive Officer of Douglas Holding AG,
 - Member of the Supervisory Board of Douglas Holding AG, Germany,
 - Member of the Managing Board of Douglas GmbH, Parfümerie Douglas GmbH, Douglas Cosmetics GmbH, Kirk Beauty One GmbH, Kirk Beauty Two GmbH, Germany, Parfumerie Douglas Nederland B.V., Douglas Investment B.V., Netherlands, Parfümerie Douglas Ges mbH, Austria, Douglas Polska Sp.z.o.o, Poland, Douglas Spain SA and Parfumerie Iberia Holding SL. Spain, Parfümerie Douglas Portugal LDA. Portugal;
- Member of the Supervisory Board of Beiersdorf AG⁽¹⁾, Germany, until February 2016;
- Within the Nocibé/Douglas Group until January 2016:
 - Chief Executive Officer of Parfumeria Douglas Portugal SA, Portugal,
 - CEO of Parfümerie Douglas GmbH and Douglas Cosmetics GmbH, Germany,
 - Managing Director of Douglas Monaco, Monaco.



Age: 52 years

First appointed as a Board director: July 15, 2022

Expiry of current term of office: 2026 Shareholders' Meeting

Number of shares held in the Company's stock: 1,000 shares

Professional address: Boulevard Jacques Saadé, 4 Quai d'Arenc, 13235 Marseille

Rodolphe Saadé

Board director appointed as proposed by CMA CGM

Expertise and professional experience

Born in Beirut on March 3, 1970, Rodophe Saadé is a graduate in business and marketing from Concordia University in Montreal. At the end of his studies, he founded a water cooler company in Lebanon before joining the CMA CGM Group headed by his father Jacques Saadé in 1994.

He first held positions in New York and Hong Kong before returning to the head office in Marseille where he managed several shipping lines before head of the transatlantic and transpacific services. In 2004 he became General Manager in charge of developing the regular lines of the North-South Axis and the expansion of the Delmas lines in Africa and the Indian Ocean. Having been appointed Vice-President and a member of the CMA CGM Board of Directors in 2010, he oversaw the Group's financial restructuring. In 2015, under Rodolphe Saadé's leadership, CMA CGM acquired Neptune Orient Lines and, that same year, he led the discussions resulting in the signature of Ocean Alliance, a long-term operational agreement with Asian companies.

On November 24, 2017, Rodophe Saadé was named Chair of the Board of Directors and Chief Executive Officer of CMA CGM S.A. Under his leadership, the CMA CGM Group was to become a global leader in transportation and logistics.

In April 2019, following the takeover of CEVA Logistics by the CMA CGM Group, Rodolphe Saadé was appointed Chair of the CEVA Logistics Board of Directors. In 2021, he launched the CMA CGA Air Cargo division, dedicated to air freight. He also spearheaded the acquisitions of Ingram CLS to reinforce the Group's position in e-commerce logistics, of GEFCO to become the world leader in automobile logistics and Colis Privé to offer customers last mile solutions. In 2022, he launched Tangram, the Group's innovation and training center, tasked with creating the transportation and sustainable logistics of tomorrow. In October 2022, he announced the acquisition of all the shares in the La Provence press group.

French companies

- Chair of the Board of Directors and CEO of CMA CGA since November 2017;
- Chair of the Board of Directors of CEVA Logistics since April 2019;
- Chair of the Board of Directors of GEFCO since October 2022;
- Permanent representative of VTP5 Investments S.A. which is a Board director of CIC Lyonnaise de Banque.

N/A



Nationality: Dutch

Age: 64 years

First appointed as a Board director: May 28, 2019

Expiry of current term of office: 2023 Shareholders' Meeting

Number of shares held in the Company's stock: 3,500 shares

Professional address:

J.C. Jacobsens, Gade 1, DK-1799 Copenhagen V, Denmark

(G) Company in the Air France-KLM Group.

(1) Listed company.

Cees 't Hart

Board director

Expertise and professional experience

Born in 1958, Mr. 't Hart holds an MA in Social Science from Leiden University (Netherlands). He worked for 24 years with Unilever, starting his career as a management trainee before holding a range of international management positions in the Netherlands, Hungary, Singapore, Poland and Italy. His last position in Unilever was as a member of the Unilever Europe Board as SVP Marketing Operations. He joined Carlsberg Group as Chief Executive Officer in 2015 after seven years as Chief Executive Officer of the Dutch dairy cooperative Royal Friesland Campina. He has also been a member of the Supervisory

Other directorships and offices

Non-French companies

Board of KLM since 2014.

- CEO of Carlsberg Group⁽¹⁾ since June 2015;

President of the Supervisory Board of KLM ^(G).

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

N/A



Nationality: Dutch

Age: 69 years

First appointed as a Board director: May 26, 2020

Expiry of current term of office: 2024 Shareholders' Meeting

Number of shares held in the Company's stock: 4,000 shares

Professional address:

Zorgverzekeraars Nederland, Sparrenheuvel 16, 3708 JE Zeist, The Netherlands

Dirk Jan van den Berg

Board director appointed by the Shareholders' Meeting as proposed by the Dutch State Member of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born December 18, 1953. Dirk Jan van den Berg is a graduate of Groningen State University (Netherlands), the École Nationale d'Administration (Paris) and the Academie voor Bank en Verzekeringen (Amsterdam). He began his career as a Research Assistant in the Faculty of Economics (Groningen State University). He joined the Ministry of Economic Affairs (Netherlands) in 1980 where he was appointed Policy Advisor on macroeconomics before becoming the Head of the Medium Term Bureau of the Macro Economic Policy Directorate and Director Industrial Policy in the Directorate General for Industry at the Ministry of Economic Affairs from 1987 to 1989. During those two years, he was also Director of the "BOFEB" (Netherlands), a one-year professional training program for young economists, aspiring for government jobs. In 1989 he was appointed as Deputy Director General for Foreign Economic Relations at the Ministry of Economic Affairs (Netherlands), In 1992 he was appointed Deputy Director General for Industry at the Ministry of Economic Affairs and, from 1992 to 2001, he was appointed Secretary General of the Ministry of Foreign Affairs. From 2001 until 2005, he was the Permanent Representative of the Netherlands to the United Nations in New York. From 2005 to 2008, he was Ambassador of the Kingdom of the Netherlands to the People's Republic of China and Mongolia, before becoming President of the Executive Board of Delft University of Technology (Netherlands) in 2008. From 2015 until 2020, he was Chairman of the Executive Board of Sanquin Blood Supply. Since 2020, Mr. van den Berg has been President of the Association of Health Insurance Companies in the Netherlands (ZN, Zorgverzekeraars Nederland).

Non-French companies

- Chair of the Dutch Association of Insurers (Zorgverzekeraars Nederland) since 2020;
- Chair of the Supervisory Board of the National Science Organisation in the Netherlands (NWO);
- Member of the General Governance Council of the Employer's Organisation in the Netherlands (VNO-NCW);
- Chair (non-executive) of the Board of Tradesparent B.V.;
- Chair of the Supervisory Board of the Dutch Entrepreneurial Development Bank;
- Vice-Chair of the Supervisory Board of Nederlandse Gasunie N.V.;
- President of the Atlantic Committee of the Netherlands;
- Member of the Academic Council for Technology and Innovation in the Netherlands (AcTI).

Non-French companies

- Chair of the Governing Board of the European Institute of Innovation and Technology until 2020;
- Member of the Centrale Plancommissie (CPC), until 2019;
- Member of the Advisory Committee on International Affairs to the Minister of Foreign Affairs, working Group on European Affairs, until 2019;
- Member of the International Advisory Board of PolyU Hong Kong, until 2017;
- Chair of the IHE Foundation Board, until 2017;
- Chair of the inter-ministerial working Group on improvement of the operational readiness of the Dutch Armed Forces (in 2016);
- Member of the International Advisory Board of the Moscow Institute of Physics and Technology, until 2016.



Nationality: Chinese

Age: 49 years

First appointed as a Board director: July 30, 2019

Expiry of current term of office: 2025 Shareholders' Meeting

Number of shares held in the Company's stock: 8,000 shares

Professional address:

China Eastern Airlines, 2550 Hongqiao International Airport Shanghai 200335 P.R. China

Jian Wang

Board director appointed as proposed by China Eastern Airlines Member of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born August 18, 1973, Jian Wang graduated from Shanghai Jiao Tong University with a Bachelor degree in Engineering. He also holds two MBAs from *East China University of Science and Technology* and *Tsinghua University*.

Jian Wang began his career in the aviation industry in 1995 and has extensive experience of corporate governance, strategic investment, capital operations and management. He has designed and facilitated a number of strategic projects within China Eastern.

In April 2012, Jian Wang was appointed Corporate Secretary of China Eastern Airlines⁽¹⁾, a subsidiary of China Eastern Air Holding Company Limited. Between November 2016 and February 2019, he was a Board member and President of Eastern Airlines Industry Investment Company Limited, a wholly owned subsidiary of China Eastern Air Holding Company Limited. Since June 2017, Mr. Wang has also been Board member of Eastern Air Logistics Corporation Limited.

Jian Wang is currently Corporate Secretary of China Eastern Airlines Corporation Limited and Chair of the Board of Directors of Eastern Air Industry Investment Company Limited.

Other directorships and offices

Non-French companies

- Corporate secretary of China Eastern Airlines Corporation Limited;
- Board director, Office of Board Affairs, of China Eastern Air Holding Company Limited;
- Chairman of Eastern Airlines Industry Investment Company Limited;
- Board director of Eastern Air Logistics Corporation Limited.

${igsiremath{\,\overline{}}}$ Directorships and offices held in the last five years and having expired

Non-French company

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

(1) Listed company.



Nationality: Dutch

Age: 62 years

First appointed as a Board director: May 19, 2016

Expiry of current term of office: 2024 Shareholders' Meeting

Number of shares held in the Company's stock: 1,000 shares

Professional address: Air France-KLM,

7 rue du Cirque, 75008 Paris

Alexander R. Wynaendts⁽¹⁾

Independent Board director

Chair of the Remuneration Committee and member of the Appointments and Governance Committee

Expertise and professional experience

Born August 1, 1960. Alexander Wynaendts holds an electrical engineering degree from the École Supérieure d'Electricité (1984) and an economics degree from the *Université Paris-Sorbonne* (1983). He has more than thirty years' experience of insurance and international finance.

Mr. Wynaendts began his career in banking with ABN AMRO in 1984, where he was responsible for commercial and investment banking operations in Amsterdam and London. Between 1992 and 1997, he held various positions with ABN AMRO in London. In 1997 he joined Aegon within the Group Business Development division. He joined Aegon's Executive Board in 2003 and was appointed Aegon's Chief Operating Officer in 2007.

Mr. Wynaendts was then Chair and Chief Executive Officer of Aegon N.V.⁽²⁾ from April 2008 until May 2020.

Other directorships and offices

Non-French companies

- Chair of the Supervisory Board of Deutsche Bank AG since May 2022;
- Board director of Uber Inc.⁽²⁾ (United States) since, 2021;
- Member of the Salesforce⁽²⁾ Advisory Board in Europe, the Middle East and Africa since 2020;
- Chair of the Supervisory Board of Puissance B.V., Netherlands, since 2017.

Other

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

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

Non-French companies

- Board director of Citigroup Inc.⁽²⁾, United States, until 2022;
- Chair and CEO of Aegon N.V.⁽²⁾ (Netherlands) until 2020.

Other

- Chair of the Supervisory Board of the Mauritshuis Museum in The Hague, Netherlands, until 2018;
- Vice-Chair of the PEIF (Pan-European Insurance Forum) until 2018;
- Board director of the Geneva Association, Switzerland.
- Mr. Wynaendts was appointed by the Shareholders' Meeting as proposed by the KLM Supervisory Board pursuant to the agreements concluded on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM (see section 2.2.3 "Rules applicable to the appointment and replacement of Board directors").

(2) Listed company.

Board directors appointed by the Shareholders' Meeting as proposed by the French State

Pursuant to Article 6 of French Ordinance No. 2014-948 of August 20, 2014 concerning governance and transactions involving the share capital of public sector companies, and in that the French State has a direct holding of between 10% and 50% in the Air France-KLM share capital, one or several seats are reserved within the Board of Directors for members potentially proposed by the French State.



Nationality: French

Age: 74 years

First appointed as a Board director: December 14, 2010

Expiry of current term of office: 2023 Shareholders' Meeting

Professional address: Air France-KLM, 7 rue du Cirque, 75008 Paris

Jean-Dominique Comolli

Board director appointed by the Shareholders' Meeting as proposed by the French State Member of the Appointments and Governance Committee and of the Remuneration Committee

Expertise and professional experience

Born April 25, 1948, Jean-Dominique Comolli is a graduate of the Institut d'*Etudes Politiques de Paris* and of the *École Nationale d'Administration* and holds a Masters degree in Economic Sciences.

Mr. Comolli began his career in 1977 as a civil administrator before becoming a technical advisor at the Ministry of Budget under Laurent Fabius, then a member of Prime Minister Pierre Mauroy's and Laurent Fabius' staff. He then became Chief of Staff at the Budget Ministry under Michel Charasse, before being appointed Director of Customs in 1989. Between 1993 and 2010, he was Chair and Chief Executive Officer of Seita, Vice-Chair of Altadis until 2005 and Chair of the Board of Altadis between 2005 and 2010. In September 2010, Mr. Comolli was appointed Commissioner for State Holdings, a position he was to occupy until October 2012.

He is currently an Honorary Civil Service Administrator.

N/A

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

French companies and public institutions

- Board director of France Télévisions representing the State.



Age: 62 years

First appointed as a Board director: October 3, 2022⁽²⁾

Expiry of current term of office: 2023 Shareholders' Meeting

Professional address:

Thales, Place des Corolles, Tour Carpe Diem Esplanade Nord, 92400 Courbevoie

Pascal Bouchiat

Board director appointed by the Shareholders' Meeting as proposed by the French State⁽²⁾ Member of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born May 30, 1960, Pascal Bouchiat is a graduate of the École Supérieure de Chimie Industrielle de Lyon (1983), holds an MBA from EM Lyon (1985) and an Executive MBA Trium from NYU Stern School of Business, the London School of Economics and HEC Paris (2004).

Pascal Bouchiat began his career in 1985 with Rhône-Poulenc as a research and development engineer, then as an industrial supervisor before being named Head of Management Control of the Specialty Chemicals Sector.

From 1998 to 2012, he worked for the Rhodia Group, which was to become Solvay. He occupied various functions in the finance divisions between 1998 and 2005 before being appointed Group Financial Controller in charge of Finance and Information Systems, and supervisor of the Acetow and Eco Services from 2005 to 2011. From 2011 to 2012, he was Head of Integration for the Rhodia and Solvay Groups.

Since April 2012, he has been Senior Executive Vice-President, Chief Financial Officer at Thales Group⁽¹⁾ where he is General Director of Finance and Information Systems. In this role he is in charge of management control, international financing, tax, risk and insurance, investor relations, treasury and information systems.

\bigcirc Other directorships and offices

French companies

- Member of the Executive Committee of the Thales Group⁽¹⁾;
- Mandates in the companies belonging to the Thales Group:
 - Board director of Thales Corporate Ventures SAS since July 2017,
 - Member of the Supervisory Board of Thales Alenia Space since June 2016;
- Board director of Naval Group since February 2002.

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

N/A

(1) Listed company.

(2) Appointed by the Board of Directors by co-optation subject to ratification by the next Shareholders' Meeting.

Board director representing the French State appointed by ministerial order

Pursuant to Article 4 of Ordinance No.2014-948 of August 20, 2014 concerning governance and transactions involving the share capital of public sector companies and Article 2 of the decree-law No.2014-949 of August 20, 2014 applying Ordinance No.2014-948, in that the French State holds more than 10% of

Air France-KLM's share capital, a seat may be reserved for the State within the Board of Directors. Stéphanie Besnier was appointed as a Board director representing the French State by a ministerial order dated June 27, 2022, replacing Mr. Martin Vial.



Nationality: French

Age: 46 years

First appointed as a Board director: June 27, 2022

Expiry of current term of office: 2023 Shareholders' Meeting

Professional address: Agence des Participations de l'État, Ministère de l'Économie, des Finances et de la Relance, 139 rue de Bercy, 75572 Paris Cedex 12

Stéphanie Besnier

Board director appointed by the French State Member of the Audit Committee

Expertise and professional experience

Born March 10, 1977, Stéphanie Besnier is a graduate of the *École Polytechnique* (1997) and of the *École Nationale des Ponts et Chaussées* (2002), and holds a post-graduate diploma (DEA) in analysis and political economics. She has been IFA certified since 2015.

She started her career in 2001 as an analyst at BNP Paribas London then, in 2003, moved to the Treasury Department (Ministry of Economy and Finance) followed by the French State Shareholding Agency (Agence des Participations de l'État – APE).

In 2007, she joined the investment firm Wendel as a business development manager within the investment team. In 2018, she was appointed Associate Director, co-head investment for Europe and in charge of developing Wendel Lab.

In April 2021, she was appointed Deputy CEO of the Agence des Participations de l'État (APE).

Other directorships and offices

French companies

- Representative of the French State on the Safran⁽¹⁾ Board of Directors, member of the Audit & Risks Committee and of the Appointments & Remuneration Committee of Safran since May 2021;
- Representative of the French State in the Orange⁽¹⁾ Board of Directors and member of the Audit Committee of Orange since May 2021;
- Representative of the French State on the Engie⁽¹⁾ Board of Directors and member of the Audit Committee, the Strategy, Investments & Technologies Committee and of the Appointments, Remuneration & Governance Committee of Engie since May 2021.

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

French company

Board director of Bureau Veritas until April 2021.

Non-French company

- Board director of IHS Towers (USA) until May 2021.

(1) Listed companies.

Board directors representing the employee shareholders

Pursuant to Articles L. 22-10-5 of the French Code of Commerce (*Code de Commerce*), L. 6411-9 of the French Transport Code (*Code des Transports*) and 17-2 of the Air France-KLM Articles of Incorporation, in that the employees of Air France-KLM subsidiaries hold more than 3% of Air France-KLM's share capital, there are two representatives of the employee shareholders within the Board of Directors:

- one representative belonging to the Flight Deck Crew category of staff; and
- one representative belonging to the Other Employee category of staff.

These Board directors representing the employee shareholders are elected by the Shareholders' Meeting having been proposed by the shareholders referred to in Article L. 225-102 of the *Code de Commerce*. The employee and former employee shareholders are invited to choose their candidates for each of the two colleges (Flight Deck Crew and Other Employees), the appointment taking place based on a majority vote in two rounds of balloting. The candidate having obtained the absolute majority of the votes cast in each college, in either the first or second round, is then proposed to the Shareholders' Meeting.



Nationality: French

Age: 59 years

First appointed as a Board director: May 24, 2022

Expiry of current term of office: 2026 Shareholders' Meeting

Number of shares held in the Company's stock: 777 shares

Professional address: Air France, 45 rue de Paris, 95747 Roissy Charles-de-Gaulle Cedex

Michel Delli-Zotti

Board director representing the Flight Deck Crew employee and former employee shareholders Member of the Audit Committee

Expertise and professional experience

Born August 30, 1963, Michel Delli-Zotti graduated as a professional pilot in 1987. After a period in business aviation and then in regional transportation, he joined Air France in 1989 as an Airline Pilot Officer. He initially flew B727s before moving to the B747-400. Promoted to Flight Captain on the A320 in 2003, he has been operating long-haul flights on the B777 since 2007.

Other directorships and offices

- Chair of the Supervisory Board of the Concorde employee shareholding FCPE;
- Chair of the Supervisory Board of the Majoraction employee shareholding FCPE.

- Full member (elected) of the Air Operations Social & Economic Committee until 2022;
- Deputy Treasurer (elected) of the Air Operations Social & Economic Committee until May 2022;
- Full member (elected) of the Central Social & Economic Committee until May 2022.



Age: 65 years

First appointed as a Board director: December 6, 2016

Expiry of current term of office: 2026 Shareholders' Meeting

Number of shares held in the Company's stock: 2,148 shares

Professional address: Air France, 5 avenue Maxwell, 31109 Toulouse Cedex

François Robardet

Board director representing the current and former Ground Staff and Cabin Crew employee shareholders Member of the Audit Committee and of the Remuneration Committee

Expertise and professional experience

Born November 9, 1957, François Robardet is a graduate of the *École Nationale Supérieure des Arts et Métiers*.

Mr. Robardet began his career in 1983 as a consulting engineer on management information systems within *Compagnie Générale d'Informatique*.

In 1993 he joined Air Inter as an IT project manager before moving to Air France in 1997.

Other directorships and offices

French entities

Full member (elected) of the Supervisory Board of the Aeroactions employee shareholder FCPE;

- Manager of SCI Arcole 3.

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

- Full member (elected) of the Supervisory Board of the Aeropelican employee shareholder FCPE;
- Full member (elected) of the Supervisory Board of the Horizon Epargne Actions diversified savings fund.

Board directors representing the employees

Pursuant to Article 17-3 of the Air France-KLM Articles of Incorporation and Article L. 22-10-7 of the French Code of Commerce (*Code de Commerce*), there are two Board directors representing the employees within the Air France-KLM Board of Directors:

- > on June 1, 2017, as stipulated in Article L. 2331-1 of the French Employment Code (*Code du Travail*), the *Comité de Groupe Français* appointed Mr. Karim Belabbas, a Support Technician Weight and Balance CDG hub Ground Operations, as a Board director representing the employees. His mandate was renewed by the *Comité de Groupe Français* respectively on May 10, 2019 then on May 19, 2021;
- on October 5, 2021, Air France KLM's European Works Council appointed Mr. Terence Tilgenkamp, a Chief Purser KLM Flight Operations, as a second Board director representing the employees, replacing Mr. Mathi Bouts whose mandate expired on December 2, 2021 on his retirement. Mr. Tilgenkamp replaced Mr. Bouts as a Board director representing the employees effective December 3, 2021, for his predecessor's remaining term of office, i.e. until the end of the 2023 Shareholders' Meeting.

The Board directors representing the employees are appointed for a two-year term of office expiring at the end of the Air France-KLM Annual Shareholders' Meeting taking place during the year in which their mandates expire. The mandates of Mr. Belabbas and Mr. Tilgenkamp will expire at the end of the 2023 Annual Shareholders' Meeting.



Age: 49 years

First appointed as a Board director: June 1, 2017

Expiry of current term of office: 2023 Shareholders' Meeting

Professional address: Air France, 45 rue de Paris, 95747 Roissy Charles-de-Gaulle Cedex

Nationality: Dutch

Age: 39 years

First appointed as a Board director: December 3, 2021

Expiry of current term of office: 2023 Shareholders' Meeting

Professional address: KLM, AMS/AF, PO Box

7700, 1117 ZL Schiphol Airport, Netherlands

Karim Belabbas

Board director representing the employees

Member of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born July 28, 1973, Karim Belabbas is a graduate of the École Supérieure des Métiers de l'Aéronautique in Montpellier (1998) Operations/Traffic Agent. He holds a university degree in aeronautics from Saint-Denis University (2001).

Having been an air Traffic operations coordinator with Aéroport de Paris, Mr. Belabbas joined Air France in November 1999 as an Aircraft Leader. Since 2005 Karim Belabbas has been a support technician weight and balance, CDG hub Ground Operations.

Other directorships and offices

N/A

${\displaystyle \bigodot}$ Directorships and offices held in the last five years and having expired

N/A

Terence Tilgenkamp

Board director representing the employees Member of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born January 30, 1983, Terence Tilgenkamp joined KLM in 2006 as a cabin attendant. He has worked as a Chief Purser on KLM flights since 2018.

He was previously a member of the KLM section of the parliament of the Union of Dutch Cabin Crew, a member of the KLM Works Council which he Chaired from 2019 to 2021, and a non-executive Board director of the KLM Cabin Crew Pension Fund.

Other directorships and offices

N/A

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

Other

- Member of the KLM Works Council until November 2021;

- President of the KLM Works Council until September 2021;
- Non-executive director of the KLM Cabin Crew Pension Fund until October 2019;
- Member of the KLM section of the parliament of the Union of Dutch Cabin Crew until May 2019.

Board directors whose terms of office expired during the 2022 financial year



Nationality: French

Age: 52 years

First appointed as a Board director: May 15, 2018

Expiry of term of office: 2022 Shareholders' Meeting

Number of shares held in the Company's stock: 816 shares

Professional address:

Air France, 45 rue de Paris, 95747 Roissy Charles-de-Gaulle Cedex

Paul Farges

Board director representing the Flight Deck Crew employee and former employee shareholders Member of the Audit Committee

Expertise and professional experience

Born February 9, 1971, Paul Farges holds two qualifications from the *École Nationale d'Aviation Civile* (ENAC): a diploma as an Airline Pilot (EPL) and a degree in Air Traffic Control Engineering (ICNA). He began his career in 1994 as Head of the *Aviation Sans Frontière* (ASF) mission in Angola before becoming an air traffic controller at the *Centre en Route de la Navigation Aérienne* de Paris. In 1999 he joined Air France as a Pilot Officer on the Boeing 737, then on the Boeing 747. Having been

promoted to Flight Captain on the A320 in 2007, he became an airline pilot instructor in 2017. Since 2019, Mr. Farges has been assigned to the Boeing 777.

He also holds a Corporate Directors Certificate (Sciences-Po – IFA) and an ICCF@HEC Certificate in Financial Analysis.

N/A

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

N/A



Age: 68 years

First appointed as a Board director: May 31, 2019

Expiry of term of office: June 1, 2022

Professional address: Agence des Participations de l'État, Ministère de l'Économie, des Finances et de la Relance.

139 rue de Bercy, 75572 Paris Cedex 12

Martin Vial

Board director appointed by the French State Member of the Audit Committee

Expertise and professional experience

Born February 8, 1954. Martin Vial ia a graduate of ESSEC and the École Nationale Supérieure des Postes et Télécommunications.

He began his career as an administrator of Post Offices and Telecommunications in the Financial Office of the French Postal Service (*Direction Générale des Postes*). In 1986 he joined the Treasury Department at the Ministry of the Economy and Finance, where he was responsible for overseeing banking activities and stock flotations.

In 1988 he was appointed technical advisor and later Deputy Director of the Office of the Minister for Post Offices, Telecommunications and Space, where he was notably responsible for the institutional reform of the postal service and France Télécom. From 1991 to 1993, he was successively Deputy Director and then director of the Office of the Minister of Infrastructure, Housing, Transport and Space, before going on to become director of the Office of the Minister for Post Offices and Telecommunications.

In 1993 Martin Vial was appointed Chair and Managing Director of the airline Aéropostale, a joint airline subsidiary of Air France, La Poste and TAT. In 1996 he was elected Chair of the Chambre Syndicale du Transport Aérien (French air transport association) and of the FNAM (National Federation of Commercial Aviation).

At the end of 1997, he became CEO of the La Poste Group before becoming Chair in December 2000. At the same time, he was a member of the Supervisory Board (1998), then Vice Chair (2002) of the National Welfare Fund (CNP). From 1999 to 2004, he was also a member of the Economic and Social Council and a member of the Strategic Council on Information Technologies under the authority of the Prime Minister. In September 2002, Martin Vial joined the *Cour des Comptes* as counsel. From 2003 to 2014, he served as CEO of the Europ Assistance Group, the world leader in care services with 44 subsidiaries in 33 countries, and CEO of Europ Assistance Holding. He also Chairs several Boards of Directors of the Group's companies. In January 2015, he founded Premium Care, a senior assistance company with high-tech content and delivering an end-to-end remote assistance and home services offer.

On August 24, 2015, Martin Vial was appointed a Commissioner of State Shareholdings, Director General of APE, a function he occupied until May 31, 2022.

Other directorships and offices

French companies

- Senior Advisor of Montefiore Investment since June 2022.

- Board director of Bpifrance S.A, in the capacity of French State representative until June 2022;
- Board director of EDF⁽¹⁾ in the capacity of French State representative until June 2022;
- Board director of Renault⁽¹⁾ in the capacity of French State representative until June 2022;
- Board director of Thales⁽¹⁾ in the capacity of French State representative until July 2017.

(1) Listed companies.



Age: 51 years

First appointed as a Board director: May 28, 2019

Expiry of term of office: June 21, 2022

Professional address: Unibail-Rodamco-Westfield, 7 Place du Chancelier Adenauer, 75016 Paris

Astrid Panosyan

Board director appointed by the Shareholders' Meeting as proposed by the French State Member of the Sustainable Development and Compliance Committee

Expertise and professional experience

Born August 13, 1971, Astrid Panosyan is a graduate of the Institut d'Etudes Politiques (IEP) Paris, the École des Hautes Etudes Commerciales (HEC) and of Harvard University (Kennedy School of Government). She began her career in 1994 at AT Kearney before joining AXA's Strategy Department in 1998 before moving to the Department of Business Support & Development for Asia-Pacific region.

In 2002, she joined Groupama where she successively held various management positions in the International Department, the Department of Strategy and the Department of Finance. She became General Secretary of the Group in 2011.

In 2014 Ms. Panosyan joined the cabinet of Emmanuel Macron, French Minister of Economy. Industry and Digital Affairs, where she was in charge of Economic Attractiveness and International Investments.

In 2015 she was appointed Managing Director of the Central Functions of the Unibail-Rodamco-Westfield Group in charge of Human Resources, Organization, Information Systems, Legal Affairs, Risks & Compliance and Security.

On January 8, 2021 she was appointed as a member of the Management Board of the Unibail-Rodamco-Westfield Group⁽¹⁾ (URW).

In June 22, 2022, she was elected Deputy for the 4th district of Paris.

Other directorships and offices

French company

- Member of the Supervisory Board of AP-HP International since January 2017.

Other

- Deputy for the Paris 4th district and a member of the Social Affairs Commission.

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

French companies and public institutions

- Director General of the central functions from September 2015 to December 2021;
- Board directorships in companies belonging to the Unibail Rodamco-Westfield Group; Member of the Management Board of Unibail-Rodamco-Westfield SE⁽¹⁾; Chair of Doria, Unibail Management and Espace Expansion Immobilière, Chair of Unibail-Rodamco Participations, Member of the Supervisory Board of Uni-Expos, Chair of URW Brands, Chair of the Board of Directors and CEO of Tayninh until December 2021;
- Board director of Unibail-Rodamco Participations;
- Member of the Strategy Committee of Fabernovel Group from 2018 to June 2022.

Non-French companies

- Board director of WCL Management PTY Limited⁽²⁾;
- Board director of U&R Management B;
- Board director of Rodamco Europe Beheer B.V.

(1) Listed company.

(2) Unibail-Rodamco-Westfield Group Company.

Events subsequent to the Board of Directors' meeting of February 16, 2023 having approved the management report

Mr. Karim Belabbas stepped down as a Board director of the Company with effect from March 11, 2023. At an extraordinary meeting on April 7, 2023, the Comité de Groupe Français appointed Didier Dague as a board director representing the employees for the remainder of his predecessor's term. Ms. Stéphanie Besnier stepped down as a Board director of the Company with effect from March 1, 2023. Ms. May Gicquel was appointed as a Board director representing the French State, by ministerial order dated March 15, 2023, replacing in replacement of Ms. Stéphanie Besnier. Mr. Rodolphe Saadé stepped down as a Board director of the Company with effect from April 19, 2023. CMA CGM, represented by Mr. Ramon Fernandez, was appointed as a Board director of the Company on April 19, 2023 by the Board of Directors via co-optation, replacing Mr. Rodophe Saadé. The ratification of this co-optation will be submitted to the vote by shareholders during the next Shareholders' Meeting.

2.2 ORGANIZATION AND FUNCTIONING OF THE BOARD OF DIRECTORS

2.2.1 Functioning of the Board of Directors

Corporate Governance Code

The Board of Directors functions according to the corporate governance principles in force in France as set forth in the AFEP-MEDEF Corporate Governance Code (hereinafter the "AFEP-MEDEF Code"), updated on December 20, 2022 and available on the AFEP (www.afep.com) and MEDEF (www.medef.com) websites.

In application of Article L. 22-10-10, of the *Code de Commerce* (French Code of Commerce) and in line with the recommendations of the AFEP-MEDEF Code, this section identifies in a summary table the recommendations of the AFEP-MEDEF Code that have not been adopted and explains the reasons for this choice (see section 2.4 "Summary table of the AFEP-MEDEF's Comply or Explain recommendations not applied").

Internal Rules of the Board of Directors

On June 17, 2004, the Air France–KLM Board of Directors adopted a set of Internal Rules based on the corporate governance principles established by the AFEP-MEDEF Code. In addition to the respective missions and powers of the Board of Directors, the Chair of the Board of Directors and of the Chief Executive Officer, these Internal Rules specify the modalities for the organization and functioning of the Board of Directors, and establish the prerogatives and duties of Board directors as regards the rules on reporting, disclosure, confidentiality and conflicts of interest. They also determine the powers of each of the advisory Committees established within the Board.

The last update to the Internal Rules took place on February 16, 2023. It concerned (i) the adjustment of the evaluation process for the Board of Directors and its Committees, (ii) additional details on the management of conflicts of interests, and (iii) the creation of an Article 15 to include a recommendation concerning the minimum number of Air France-KLM shares to be held by Board directors. Note that the Internal Rules had been amended on July 28, 2022 to provide for modalities concerning the written consultation of the Board directors and to replace the term "directors' fees" by "compensation".

The Internal Rules of the Board of Directors are available on the Air France-KLM website at http://www.airfranceklm.com (Governance section).

2.2.2 Separation of the functions of Chair of the Board of Directors and Chief Executive Officer

During its meeting of May 15, 2018, the Air France-KLM Board of Directors decided to separate the functions of Chair of the Board of Directors and Chief Executive Officer. This decision followed Mr. Jean-Marc Janaillac stepping down as Chair and Chief Executive Officer of Air France-KLM, and the implementation of a transitional governance to, notably, enable the Chair of the Board of Directors, Ms. Anne-Marie Couderc, to focus on the effective functioning of the Board and on the search for candidates for the position of Air France-KLM's Chief Executive Officer.

On August 16, 2018, the Board of Directors confirmed the separation of the functions of Chair of the Board of Directors and Chief Executive Officer within the framework of the implementation of the long-term governance with the appointment of Mr. Benjamin Smith as the new Chief Executive Officer of Air France-KLM. The Board of Directors considered that this was the best governance option for the Company at this stage in its development in that it enables the Company to benefit from a new dynamic with a Chair of the Board of Directors who is dedicated to governance matters and a Chief Executive Officer with recognized.

expertise in the air transport industry, who is focused on the Group's operations. The complementarity of their profiles and roles optimizes the Group's governance and ensures a balanced and respectful division of their respective missions. It also enables

the effective coordination of the Board of Directors thanks to the presence of a Chair of the Board of Directors who is exclusively devoted to its functioning and guarantees a more effective separation between the control and management functions.

On May 26, 2021, the Shareholders' Meeting adopted a resolution setting the age limit for the Chair of the Board of Directors at 72 years (previously 70 years), when the functions of Chair of the Board of Directors and Chief Executive Officer are separate, and as applied by a number of French listed companies.

On December 8, 2022, the Board of Directors decided to submit to the Shareholders' Meeting of June 7, 2023, convened to approve the financial statements for the financial year ended on December 31, 2022, a resolution aimed at amending the Articles of, Incorporation to stipulate that when the age limit for the Chair of the Board of Directors is reached during the course of his or her mandate, the latter will continue to exercise his or her functions as Chair of the Board until the end of the term of his or her Board director mandate. The Board of Directors also decided, subject to approval of the aforementioned resolution by the Shareholders' Meeting of June 7, 2023, that the functions of Ms. Anne-Marie Couderc, in her capacity as Chair of the Air France-KLM Board of Directors, will continue until the end of her Board director mandate, i.e. until the end of the 2024 Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2023. The role and duties of the Chair of the Board would remain unchanged and consistent with the provisions of the Articles of Incorporation and the Internal Rules of the Air France-KLM Board of Directors.

Furthermore, on March 30, 2022, the Board of Directors decided, as recommended by the Appointments and Governance Committee, on the early renewal of the mandate of the Chief Executive Officer, Mr. Benjamin Smith, for a new five-year term effective as of the May 24, 2022 Shareholders' Meeting and expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026.

Powers and missions of the Chair of the Board of Directors

In her capacity as Chair of the Board of Directors, Ms. Anne-Marie Couderc organizes and steers the work of the Board of Directors, and ensures the preservation of the corporate interests and the effective functioning of the corporate bodies (Board of Directors, advisory Committees and Shareholders' Meetings) in the respect of the principles of good governance. She also ensures that the Board of Directors devotes the time required to issues of interest to the Group's future and, in particular, its strategy.

She has no executive responsibility but may represent the Group in its high-level relations, notably with the public authorities, major customers and partners, at both national and international level, in close collaboration with the Chief Executive Officer. She devotes her best efforts to promoting the values and image of the Group in all circumstances. Lastly, the Chief Executive Officer keeps her regularly informed of any significant events and situations relating to the life of the Group and she may ask him for any information relevant to the understanding of the Board and its advisory Committees⁽¹⁾. Ms. Couderc, an independent Board director, also retains her role as Chair of the Appointments and Governance Committee.

Powers and missions of the Chief Executive Officer

In his capacity as Chief Executive Officer of Air France-KLM, Mr. Smith is invested with the broadest powers to act in the Company's name in all circumstances within the limits of the corporate purpose and subject to those expressly attributed by law to the Shareholders' Meeting and the Board of Directors.

Furthermore, without prejudice to the legal provisions relating to the authorizations that must be granted by the Board of Directors (regulated agreements, securities, agreements and guarantees, divestment of equity interests and real estate, etc.), the provisions of the Internal Rules of the Board of Directors require prior approval from the Board for operations by the Company and its Principal Subsidiaries whose amount is equal to or exceeds €150 million as outlined in points (i), (ii) and (iii) of paragraph (d) on the powers and missions of the Board of Directors hereinafter.

The Chief Executive Officer of Air France – KLM also chairs both the CEO Committee and the Group Executive Committee (see section 2.6 "Group management bodies : Group Executive Committee and CEO Committee").

Powers and missions of the Board of Directors

The Board of Directors deliberates on any matters falling within the powers devolved to it by law and those stipulated by the Internal Rules of the Board of Directors or in application of the AFEP-MEDEF Code.

In particular, prior to any decision or deployment by the Company or principal subsidiary (Air France, KLM, and any other subsidiary, as may be decided by the Board of Directors, hereinafter known as the "Principal Subsidiaries" or individually "Principal Subsidiary"), the Board of Directors:

- a) approves the Group's strategic directions and reviews them as a whole at least once a year;
- **b)** approves the budget including the capex plan;
- c) without prejudice to the provisions of paragraph (d) below, approves any significant operations that are liable to affect the Group's strategy or modify its financial structure or scope of activity; the Chief Executive Officer being responsible for determining whether or not an operation is significant in nature;
- d) approves the following operations by the Company and its Principal Subsidiaries when their amount is equal to or in excess of €150 million:
 - (i) operating lease contracts, investments, the acquisition or sale of any assets including, specifically, the fleet, interests in companies formed or to be formed, participation in the formation of all companies, groups or organizations, subscriptions to all issues of shares, units or bonds,

(ii) borrowings, issues of bonds and aircraft financing,

- (iii) granting of all exchanges with or without balancing cash adjustments involving the Company's assets, stocks or securities;
- e) as recommended by the Appointments and Governance Committee (as provided in Article 8 of the Internal Rules of the Board of Directors), approves the appointment of the Chair and Chief Executive Officer or Chief Executive Officer of any of the Principal Subsidiaries; and
- f) as recommended by the Remuneration Committee (as provided in Article 9 of the Internal Rules of the Board of Directors), approves the compensation of the Chair and Chief Executive Officer or Chief Executive Officer of any of the Principal Subsidiaries.

The Board of Directors is informed of the proper running of the Company and its Principal Subsidiaries, and of the main acquisitions or disposals of any equity interests whenever their amount is equal to or inferior to €150 million.

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

2.2.3 Rules applicable to the appointment and replacement of the Board Directors

Appointment and re-appointment of Board Directors

The modalities governing the appointment of Board directors are set forth in Article 17 of the Air France-KLM Articles of Incorporation and in the Internal Rules of the Board of Directors.

The Board of Directors is thus composed of between three and eighteen members, excluding the Board directors representing the employee shareholders and the Board directors representing the employees. The Air France – KLM Board directors are appointed by the Ordinary General Shareholders' Meeting with the exception of the Board director representing the French State (appointed by ministerial order⁽¹⁾) and the two Board directors representing the employees (appointed, depending on the case, by the *Comité de Groupe Français* or the Air France – KLM European Works Council)⁽²⁾.

As proposed by the Appointments and Governance Committee, the Board of Directors submits for approval by the Shareholders' Meeting, the appointment, ratification of the co-optation and re-appointment of Board directors. The proposed appointment, co-optation and re-appointment of Board directors formulated by the Board of Directors comply with the legal and regulatory provisions (including, notably, the rules on parity) and the recommendations formulated by the AFEP-MEDEF Code (including, notably, the rules on the independence of the Board directors)⁽³⁾.

Pursuant to Article 8.2 of the Internal Rules of the Board of Directors referring to the provisions of the agreements signed on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM, the Appointments and Governance Committee submits to the Board of Directors proposals regarding:

- a) the appointment as a Board director of the President of the KLM Supervisory Board;
- b) the appointment or re-appointment as Board directors of two high-profile individuals residing in the Netherlands, chosen after consultation and on the recommendation of the KLM Supervisory Board; and

c) the appointment or re-appointment as a Board director of a high-profile individual residing in the Netherlands, chosen after consultation and on the recommendation of the Dutch State.

In addition, two Board directors are appointed by the Shareholders' Meeting as proposed by the French State, in application of Ordinance No.2014-948 of August 20, 2014.

Pursuant to the stipulations of the two Subscription Agreements signed on July 27, 2017 between, on one hand, Air France–KLM and Delta Air Lines, Inc. and, on the other, between Air France–KLM and China Eastern Airlines, and the investment agreement concluded on May 22,2022 between Air France–KLM and CMA CGM (outlined in section 2.7.4 "Strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines, and conclusion of a new partnership with CMA CGM"), since October 2017 Delta Air Lines, Inc. and China Eastern Airlines have each had one representative on the Company's Board of Directors, and CMA CGM has had one representative on the Company's Board of Directors since July 15,2022⁽⁴⁾.

Furthermore, pursuant to Articles L. 225-23 and L. 22-10-5 of the *Code de Commerce (French Code of Commerce)*, L. 6411-9 of the *Code des Transports (French Code of Transport)* and Article 17-2 of the Air France – KLM Articles of Incorporation, two Board directors representing the employee and former employee shareholders are appointed by the Shareholders' Meeting as proposed by the employee (and former employee) shareholders referred to in Article L. 225-102 of the *Code de Commerce*:

- one representative belonging to the Flight Deck Crew category of staff; and
- one representative belonging to the Other Employee category of staff.

The employee and former employee shareholders are invited to select their candidates for each of the two colleges (Flight Deck Crew and Other Employees), the appointments taking place based on a majority vote in two rounds of balloting. The candidate having obtained the absolute majority of the votes cast in each college, in either the first or second round, is then proposed to the Shareholders' Meeting⁽⁵⁾.

Pursuant to Article 4 of Ordinance No. 2014-948 of August 20, 2014 relating to governance and to transactions involving the share capital of State-owned companies and Article 2 of the decree-law No.2014-949 of August 20, 2014, in application of Ordinance No. 2014-948.

Board directors appointed pursuant to Articles L. 225-27-1 and L. 22-10-7 of the Code de Commerce, in accordance with the modalities foreseen by Article 17-3 of Air France - KLM's Articles of Incorporation.
 Article 10.3 of the AFEP-MEDEF Code notably provides that half the members of the Board of Directors must be independent directors (see section 2.2.4)

 ⁽⁴⁾ Delta Air Lines, Inc. is thus a Board directors of Air France - KLM, Mr. Jian Wang is a Board director appointed by the Shareholders' Meeting as proposed by China

Eastern Airlines and Mr. Rodolphe Saadé is a Board director appointed by the Shareholders' Meeting as proposed by CMA CGM. (5) The Shareholders' Meeting of May 24, 2022 re-appointed Mr. François Robardet as a Board director representing the ground staff and cabin crew shareholders and

⁽⁵⁾ The Shareholders' Meeting of May 24, 2022 re-appointed Mr. François Robardet as a Board director representing the ground staff and cabin crew shareholders and appointed Mr. Michel Delli-Zotti as a Board director representing the Flight Deck Crew employee shareholders.

Lastly, in that the Air France-KLM Board of Directors is composed of more than eight Board directors, there are two directors representing the employees in the Board of Directors, pursuant to Articles L. 225-27-1 and L. 22-10-7 of the *Code de Commerce*⁽¹⁾.

Pursuant to Article 17-3 of the Air France-KLM Articles of Incorporation, the first Board director representing the employees is appointed by the *Comité de Groupe Français* as stipulated in Article L. 2331-1 of the *Code de Travail* (French Employment Code), while the second is appointed by the European Works Council of Air France-KLM. Each Board director representing the employees is appointed for a two-year term of office, expiring at the end of the Annual General Shareholders' Meeting taking place during the year in which their mandates expire⁽²⁾.

Pursuant to the corporate governance principles as stipulated by the AFEP-MEDEF Corporate Governance Code, the duration of Board directors' terms of office is four years⁽³⁾ and the renewal of mandates is done in a staggered manner.

Furthermore, every Board director ⁽⁴⁾ must own at least a thousand shares for the duration of their term of office (Article 15 of the Internal Rules as amended by a decision of the Board of Directors on February 16, 2023).

Diversity policy applicable to the Board directors

As recommended by the Appointments and Governance Committee, at its meeting of March 16, 2022, the Board of Directors reviewed the criteria of the diversity policy applicable to the composition of the Board of Directors. The Board of Director, at its meeting of March 16, 2023, confirmed this policy which remains relevant in view of the results of the evaluation of the Board of Directors as well as the skills matrix of its Board directors (see below).

Selection criteria for Board directors

In the context of the appointment and re-appointment of Board directors, and to preserve the balance of its composition, the Board of Directors gives preference to the following selection criteria:

- openness to the world, international professional experience and the diversity of nationalities: Air France – KLM was created through the merger of two companies of different nationalities with global reach leading to numerous international challenges;
- General Management experience acquired within major French and international companies; the Group numbers around 71,000 employees across three main types of activity: the Network business (Passenger and Cargo transportation), the Maintenance business and the low-cost-flight passenger transportation business, operating in 117 countries;

- > knowledge and experience of the transportation and airline sectors, as well as of tourism; these are the businesses in which the Group is primarily active;
- > the Board of Directors also ensures that expertise related to the Group's strategic priorities is represented within the Board, particularly in the areas of brand strategy, digital and customer relations, human resources, and social and environmental responsibility (CSR).

Implementation of the diversity policy

With the implementation of this diversity policy, the Board has set itself clear objectives:

- maintain the balance between the Company's various stakeholders and the balanced representation of men and women;
- > prioritize the independence of spirit of the Board directors;
- > promote adherence to the Group's fundamental values;
- > ensure the availability of the Board directors.

The changes in the composition of the Board during the financial year ended December 31, 2022 were an integral part of the ongoing implementation of this diversity policy of the Board of Directors, notably by reinforcing the representation of skills in the transportation, airline and CSR and climate domains.

As proposed by the French State, Mr. Pascal Bouchiat was appointed as a Board director replacing Ms. Astrid Panosyan effective October 3, 2022. He reinforces the representation of skills within the Board in particular in the following areas: General Management, Finance, Cybersecurity and CSR.

Ms. Stéphanie Besnier was appointed as a Board director representing the French State by a ministerial order of June 27, 2022, replacing Mr. Martin Vial. She brought to the Board her expertise in various fields and specifically the following: Governance, Public Affairs and Finance⁽⁵⁾.

Mr. Michel Delli-Zotti was appointed as a Board director representing the Flight Deck Crew employee and former employee shareholders by the Air France-KLM Shareholders' Meeting of May 24, 2022. He brings to the Board his expertise in the following domains: Air Transport, Finance, Cybersecurity and Risk Management, Risks linked to Climate Change and Customer Relations.

Mr. Rodolphe Saadé was appointed by the Shareholders' Meeting of May 24, 2022⁽⁶⁾, within the framework of the major long-term strategic partnership in air cargo between Air France – KLM and the Company CMA CGM. He contributes his expertise in various fields and notably the following: General Management, Transport, Air Transport, International and CSR.

⁽¹⁾ On May 19, 2021, the mandate of Mr. Karim Belabbas, a support technician weight and balance, CDG hub Ground Operations, was renewed by the Comité de Groupe Français while, on October 5, 2021 Mr. Terence Tilgenkamp, Chief Purser KLM Flight Operations, was appointed by the European Works Council in the capacity of a second Board director representing the employees. He took up his functions on December 1, 2021.

⁽²⁾ Mr. Karim Belabbas resigned from his Board director mandate with effect on March 11, 2023. The mandate of Mr. Terence Tilgenkamp will expire at the end of the 2023 Annual Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2022.

⁽³⁾ With the exception of the Board directors representing the employees whose term of office is two years pursuant to Article 17-3 of the Air France-KLM Articles of Incorporation.

⁽⁴⁾ With the exception of the Board directors representing the employee shareholders and the Board directors representing the employees (Article L. 225-25 paragraph 3 of the Code de Commerce) and the Board directors appointed by the French State or the Shareholders' Meeting as proposed by the State (Article 5 paragraphs 5 and 6 VI of Ordinance No.2014-948 of August 20, 2014).

⁽⁵⁾ Ms Stéphanie Besnier was replaced as Board director representing the French State by Ms May Gicquel, appointed by a ministerial order dated March 15, 2023.

Ms. Isabelle Parize was re-appointed as an independent Board director by the Air France-KLM Shareholders' Meeting of May 24, 2022 for a four-year term of office. She continues to bring to the Board her expertise in various areas and notably General Management, International, Finance, HR, Brand Strategy and Digital.

Mr. François Robardet was re-appointed in his capacity as a Board director representing the employee and former employee shareholders by the Air France-KLM Shareholders' Meeting of May 24, 2022 for a four-year term of office. He continues to bring to the Board his expertise in the following areas: Air Transport, Digital, Risk Management, Finance, Cybersecurity, HR, CSR and Risks linked to Climate Change.

Balance of nationalities and international openness

Five Board directors, namely Ms. Boeren and Mssrs Tilgenkamp, 't Hart, Wynaendts and van den Berg, are Dutch nationals. Mr. Wang, a Board director appointed as proposed by China Eastern Airlines, is a Chinese national. Lastly, Mr. Smith, Chief Executive Officer and a Board director of the Company, holds dual Canadian and British citizenship while the US company Delta Air Lines, Inc. is represented by Mr. Alain Bellemare who holds dual Canadian and US citizenship.

Six different nationalities are thus represented on the Board of Directors which, in addition to French nationals, numbered eight

non-French Board directors (a Canadian-British Board director, five Dutch Board directors, one Canadian-US Board director and one Chinese Board director) at December 31, 2022, i.e. a proportion of 40%. These Board directors bring to the Board of Directors an in-depth knowledge of their respective markets.

A balance favorable to the exercise of the missions of each Committee

In addition, by applying criteria like the balanced representation of men and women, professional qualifications and experience, and nationality, the Board of Directors ensures that there is a balance conducive to the fulfillment of the individual Committees' duties. Furthermore, three of the four Committees of the Board of Directors are chaired by women.

Balance of competencies within the Board of Directors at December 31, 2022

The following table shows, for each Board director, the areas of expertise that are essential to ensuring the effective functioning of the Board of Directors in relation to the issues it addresses. The review of these areas of expertise was the subject of a specific point during the evaluation of the Board of Directors, as part of the analysis of the contributions of the individual Board directors to the Board's work.

Competencies of the Board of Directors at December 31, 2022

Board director	Current main function	General Management	Transport (GICS 2030) ⁽¹⁾	Air transport (GICS 2030) ⁽¹⁾	Numerical	Brand Strategy	
Anne-Marie Couderc	\checkmark	\checkmark			\checkmark		
Benjamin Smith	Chief Executive Officer of Air France-KLM						
Gwenaëlle Avice-Huet	Schneider Electric Executive Committee Member	\checkmark					
Leni M.T. Boeren	Chair of the Supervisory Board, member of the Supervisory Board and Board director of companies						
Isabelle Bouillot	President of China Equity Links	\checkmark	\checkmark				
Delta Air Lines, Inc. (represented by Alain Bellemare)	sented by			\checkmark			
Cees 't Hart	CEO of Carlsberg Group (Denmark) Chair of the KLM Supervisory Board (Netherlands)	\checkmark				\checkmark	
Dirk Jan van den Berg	k Jan van den Berg Chair of the Association of Health Insurance Companies in the Netherlands (ZN, Zorgverzekeraars Netherlands).				\checkmark		
Anne-Marie Idrac	Company director and consultant						
Rodolphe Saadé	Chair and CEO of CMA CGM	\checkmark					
Isabelle Parize	Corporate counsel, Chair of the Supervisory Board of DHI Company and Board director	\checkmark				\checkmark	
Jian Wang	Corporate Secretary of China Eastern Airlines Corporation and Chair of Eastern Airlines Industry Investment Co., Ltd.		\checkmark	\checkmark			
Alexander R. Wynaendts	Chair of the Supervisory Board, member of the Supervisory Board and Board director of companies				\checkmark		
Stéphanie Besnier	Deputy CEO of the Agence des Participations de l'État (APE)						
Jean-Dominique Comolli	Honorary Civil Service Administrator	\checkmark					
Pascal Bouchiat	Senior Executive Vice-President, Chief Financial Officer at Thales Group	\checkmark			\checkmark		
François Robardet	Air France Executive						
Michel Delli-Zotti	Flight Captain			\checkmark			
Karim Belabbas	Support Technician Weight and Balance, CDG hub Ground Operations						
Terence Tilgenkamp	Chief Purser, KLM Flight Operations						
Total number of Board directors		15	7	10	6	8	

(1) Global Industry Classification Standard (GICS^{*}), code levels 2 and 3.

Digital	Risk management	Governance	International	Public affairs	Finance	Ethics and compliance	Cybersecurity	HR	CSR	Risks linked to climate	Customer relations
	management			dildirs		compliance				change	relations
		\checkmark		\checkmark				\checkmark	\checkmark		\checkmark
		\checkmark									
									\checkmark		
\checkmark		\checkmark		\checkmark		\checkmark		\checkmark			\checkmark
 		\checkmark	\checkmark			\checkmark					
\checkmark		\checkmark	\checkmark		\checkmark	\checkmark		\checkmark	\checkmark	\checkmark	\checkmark
 								\checkmark			
 \checkmark	\checkmark	\checkmark		\checkmark							
 \checkmark		\checkmark	\checkmark					\checkmark			
 							\checkmark				
	\checkmark							\checkmark			
	\checkmark						\checkmark			\checkmark	
								\checkmark			
				\checkmark				\checkmark			
9	14	17	12	11	16	13	5	12	14	11	12

2

Independence of the Board directors 2.2.4

Having examined the situation of each Board director as at December 31, 2022 in the light of the criteria stipulated by the AFEP-MEDEF Code, and as proposed by the Appointments and Governance Committee, at its meeting of February 16, 2023 the Board of Directors adopted the following position:

- seven Board directors (Ms. Avice-Huet, Ms. Boeren, Ms. Bouillot, Ms. Couderc⁽¹⁾, Ms. Idrac, Ms. Parize and Mr. Wynaendts) are independent in that:
 - none of these seven Board directors has directly or indirectly a relationship of any nature, whether with the Company, its Group or its management, that is such as to color their judgement,
 - no significant business relationships exist between the Group and any of these independent board directors, and
 - in her capacity as Chair of the Board of Directors, Ms. Anne-Marie Couderc receives only fixed compensation and no variable compensation in the form of either cash or shares;
- although they were appointed as proposed by the Supervisory Board of KLM in accordance with the 2003 agreements relating to the business combination between Air France and KLM, Ms. Boeren and Mr. Wynaendts are independent with respect to \$10.2 of the AFEP-MEDEF Code insofar as they have no direct or indirect relationship of any kind whatsoever with the Company, its Group or its management that could compromise the exercise of their freedom of judgement. Ms. Boeren and Mr. Wynaendts have no special interest (significant shareholder, employee, other) in the Company or its Group. Ms. Boeren and Mr. Wynaendts have been independent directors of Air France-KLM since, respectively, May 2017 (first appointed as a Board director) and May 2020 (re-appointment date following a first appointment as a Board director in May 2016);
- > the other non-independent Board directors are:
 - a representative of the French State appointed by ministerial order: Ms.Besnier⁽²⁾,
 - Board directors appointed by the Shareholders' Meeting as proposed by the French State: Mr. Comolli and Mr. Bouchiat⁽³⁾.
 - a Board director appointed by the Shareholders' Meeting as proposed by the Dutch State: Mr. Dirk Jan van den Bera⁽⁴⁾.
 - Delta Air Lines, Inc.⁽⁵⁾, whose permanent representative is Mr. Bellemare:

- a Board director appointed by the Shareholders' Meeting as proposed by China Eastern Airlines: Mr. Wang⁽⁶⁾,
- a Board director whose candidature was proposed to the Shareholders' Meeting by the Company CMA CGM⁽⁷⁾: Mr Saadé
- representatives of the employee shareholders: Mr. Delli-Zotti and Mr. Robardet,
- representatives of the employees: Mr. Belabbas⁽⁸⁾ and Mr. Tilgenkamp, and
- executive officers of the Air France-KLM Group: Mr. Smith. Chief Executive Officer of Air France-KLM and a Board director of Air France, and Mr. 't Hart. Chair of the KLM Supervisory Board.

Given the above, and pursuant to the provision of the AFEP-MEDEF Code by which Board directors representing employee shareholders and Board directors representing the employees are not counted in the calculation of the percentages of independent shareholders within the Board of Directors and its Committees (\$10.3 and 16.1 of the AFEP-MEDEF Code), the percentages of independent directors as of December 31, 2022 are:

- 44% in the Board of Directors; >
- 80% in the Audit Committee (chaired by an Independent > director):
- 67% in the Appointments and Governance Committee > (chaired by an Independent director);
- 60% in the Remuneration Committee (chaired by an Independent director); and
- 40% in the Sustainable Development and Compliance > Committee (chaired by an Independent director).

The proportion of independent directors at December 31, 2022 (44%) is thus below the 50% threshold recommended by the AFEP-MEDEF Code for non-controlled companies.

This divergence has emerged following the latest capital transactions.

In effect, on March 25, 2019, the Board of Directors of Air France-KLM considered, based on a report from the Appointments and Governance Committee, that in view of the Dutch State's acquisition of a shareholding in Air France-KLM on February 26, 2019, the Board director appointed as proposed by the Dutch State, could no longer qualify as an Independent director as of that same date.

will be submitted for ratification by the next Shareholders' Meeting.
(4) Pursuant to the agreements of October 16, 2003 concluded between the Dutch State, Air France and KLM.

Pursuant to the provisions of the Memoranda of Understanding concluded, inter alia, between Delta Air Lines Inc. and Air France - KLM on July 27, 2017.

⁽¹⁾ Ms. Anne-Marie Couderc, Chair of the Air France-KLM Board of Directors is also non-executive Chair of the Air France Board of Directors.

Ms Stéphanie Besnier was replaced as a Board director representing the French State by Ms May Gicquel, appointed by a ministerial order dated March 15, 2023. (2)The appointment of Mr. Pascal Bouchiat, co-opted by the Air France - KLM Board of Directors on October 3, 2022 following the resignation of Ms. Astrid Panosyan, (3)

 ⁽⁶⁾ Pursuant to the provisions of the Marketing Agreement concluded between China Eastern Airlines and Air France - KLM on July 27, 2017.
 (7) Pursuant to the long-term strategic partnership in air cargo between CMA CGM and Air France - KLM, entered into on May 18, 2022.

⁽⁸⁾ Mr. Karim Belabbas resigned from his Board director mandate with effect on March 11, 2023

Furthermore, on May 22, 2022, the Company entered into an investment agreement within the framework of the conclusion of a long-term strategic partnership in air cargo wherein Mr. Rodolphe Saadé, Chair and Chief Executive Officer of CMA CGM, was appointed as an Air France-KLM Board director by the Shareholders' Meeting of May 24, 2022. Mr. Saadé is not an Independent director.

This divergence is thus due to the specificity of Air France-KLM's shareholder structure, the latter numbering the French (28.6%) and Dutch States (9.3%) amongst its shareholders, along with three major commercial partners, namely CMA CGM (9%), China Eastern Airlines (4.7%) and Delta Air Lines, Inc. (2.9%). Collectively these shareholders represented 54.5% of Air France-KLM's share capital as of December 31, 2022. The Board directors appointed

as proposed by these shareholders may not be considered to be independent.

In addition, the 28.6% shareholding held by the French State enables the latter, pursuant to the provisions of Ordinance No.2014-948 of August 20, 2014, to benefit from a seat on the Board reserved for a Board director representing the French State, appointed by ministerial order, and to propose two Board directors to the Shareholders' Meeting. Two Board directors have been proposed by the French State. They represent the interests of the French State in its capacity as a shareholder (Article 6 III of the aforementioned Ordinance).

In that it is aware of the interest of having a significant proportion of independent Board directors, Air France-KLM is steadily increasing the proportion of independent directors within its Board of Directors.

Independence of the Board directors

Criteria to be evaluated Criterion Criterion Criterion Criterion Criterion Criterion Criterion Criterion Independent pursuant to paragraphs 10.5 to 1(1) 2(2) 3 (3) 4(4) 5(5) 6(6) 7(7) **Q**(8) director 10.7 of the AFEP-MEDEF Code Gwenaëlle AVICE-HUET $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Yes $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Karim BELABBAS Х No $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Stéphanie **BESNIER** Х No $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Leni M.T. BOEREN $\sqrt{}$ $\sqrt{}$ Yes Pascal BOUCHIAT $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Х No $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Isabelle BOUILLOT $\sqrt{}$ Yes Jean-Dominique COMOLLI $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ 1 $\sqrt{}$ Х No $\sqrt{}$ X (9) Anne-Marie COUDERC $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Yes $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Michel DELLI-ZOTTI Х No Cees 'T HART $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Х No $\sqrt{}$ $\sqrt{}$ Dirk Jan VAN DEN BERG $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Х No $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Delta Air Lines, Inc. $\sqrt{}$ $\sqrt{}$ Х Х No $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Anne-Marie IDRAC Yes Isabelle PARIZE $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Yes François ROBARDET Х $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ No $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Rodolphe SAADÉ Х Х No $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ **Benjamin SMITH** Х $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ No $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Terence TILGENKAMP Х $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ No $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Jian WANG $\sqrt{}$ $\sqrt{}$ Х Х No Alexander R. WYNAENDTS $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ $\sqrt{}$ Yes

(1) Employee or company officer within the past five years.

Cross-directorships.

(3) Significant business relationships.

(4) Family ties.

(5) Statutory Auditors.

(6) Term of office exceeding 12 years.(7) Non-executive officer status

(7) Non-executive officer status.(8) Significant shareholder status

(9) Anne-Marie Couderc, Chair of the Air France-KLM Board of Directors, is also non-executive Chair of the Société Air France Board of Directors.

Training for Board directors

Newly appointed Board directors are encouraged to meet with the Company's principal executives and are offered site visits to increase their understanding of the Group's business environment and activities. On their appointment, they are also sent a dossier including, notably, the Air France-KLM Articles of Incorporation, the Internal Rules of the Board of Directors, the Universal Registration Document, the latest press releases issued by the Company and a reminder of the stock market Compliance Rules.

Pursuant to Article 4 of the Internal Rules of the Board of Directors, on their appointment and during their terms of office, every Board director (including the Board directors representing the employees and the employee shareholders) can benefit from the training that they deem necessary for the exercise of their mandate. This training is proposed and organized by the Company. This training, which is paid for by the Company, is mostly carried out *via* a program designed by a professional body, supplemented by in-house training offered by the Company, and is aimed at gaining a better understanding of the functioning of the Board of Directors and their roles as Board directors. Accounting and financing modules are also proposed to enable them to improve their financial know-how. A portion of this training time is carried out within the Company. Pursuant to the applicable regulation, during its meeting of July 28, 2022, the Board of Directors decided to update the training program in French and English offered to the Board directors representing the employee shareholders and the employees. Specific modules related to climate issues or, in connection with the deployment of the anti-corruption plan, will also be offered to the Board directors in 2023.

2.2.5 Other rules applicable to Board directors

Situation of conflict of interests

Pursuant to the recommendations of the AFEP-MEDEF Code and Article 11 of the Internal Rules of the Board of Directors (as amended by a decision of the Board of Directors of February 16, 2023), Board directors are bound to report to the Board of Directors any situation of a conflict of interests, whether actual or potential, owing to positions they hold in another company, and must abstain from taking part in the deliberation and voting on the related resolution. Every year, the Company sends the Board directors a questionnaire enabling confirmation that there are no conflicts of interest and the Company to be informed of any potential conflicts.

To the Company's knowledge, none of the Board directors are related and there are no conflicts of interest between the duties of the Board directors with regard to the Company and their private interests and other duties.

With the exception of the agreements listed below, there are no arrangements or agreements between the main shareholders, customers, suppliers or other parties, in accordance with which a member of the Board of Directors has been selected:

- (i) the agreements signed on October 16, 2003 between Air France, KLM and the Dutch government pursuant to which four Board directors are appointed to the Board of Directors as proposed by KLM and the Dutch government (see section 2.2.3 "Rules applicable to the appointment and replacement of the Board directors");
- (ii) the agreements signed on July 27, 2017 between, firstly, Air France-KLM and Delta Air Lines, Inc. and, secondly, between Air France-KLM and China Eastern Airlines pursuant to which Delta Air Lines, Inc. and Mr. Wang were appointed to the Board of Directors (see section 2.7.4 "Strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines, and conclusion of a new partnership with CMA CGM"); and

(iii) the investment agreement signed on May 22, 2022 between Air France-KLM and CMA CGM pursuant to which Mr. Saadé was appointed as a Board director and the commercial cooperation agreement in air cargo entered into on December 9, 2022 between, firstly, Air France-KLM, Air France and KLM and, secondly, CMA CGM and CMA CGM Air Cargo (see section 2.7.4 "Strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines, and conclusion of a new partnership with CMA CGM").

Furthermore, pursuant to the provisions of Ordinance No. 2014-948 of August 20, 2014 concerning the governance and transactions involving the share capital of public sector companies and the application decree-law No. 2014-949 of August 20, 2014, a Board director representing the French State is appointed by ministerial order and two Board directors are appointed by the Shareholders' Meeting as proposed by the French State. In addition, pursuant to Articles L. 225-23 and L. 22-10.5 of the Code de Commerce (French Code of Commerce), L. 6411-9 of the Code des Transports (French Transport Code) and 17.2 of the Air France-KLM Articles of Incorporation, as proposed by the employee (and former employee) shareholders referred to in Article L. 225-102 of the Code de Commerce, two Board directors representing the employee and former-employee shareholders are appointed by the Shareholders' Meeting. Lastly, in that the Board of Directors is composed of more than eight directors, two Board directors representing the employees have seats on the Board of Directors pursuant to the provisions of Article L. 22-10-7 of the Code de Commerce and Article 17-3 of the Air France-KLM Articles of Incorporation (see section 2.2.3 "Rules applicable to the appointment and replacement of Board directors").

As of December 31, 2022, there were no service level contracts binding any member of the Board of Directors to Air France-KLM or to one of its subsidiaries and foreseeing the granting of benefits under the terms of the contract.

With the exception of Delta Air Lines, Inc. and CMA CGM (see, respectively, firstly the Subscription Agreement signed on July 27, 2017 and, secondly, the investment agreement signed on May 22, 2022 and the commercial cooperation agreement in air cargo signed on December 9, 2022, detailed in section 2.7.4 "Strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines, and conclusion of a new partnership with CMA CGM"), subject to respect of the rules relating to the prevention of insider trading and the obligation foreseen in the Internal Rules of the Board of Directors (as amended by a decision of the Board of Directors of February 16, 2023) to own at least one thousand shares in the Company for the duration of their terms of office⁽¹⁾, none of the Board directors have accepted restrictions on the sale of their holdings in the share capital of Air France–KLM.

Stock market and ethical compliance

The Compliance Code, adopted by the Board of Directors on March 25, 2004, and as amended on November 17, 2017, remind notably company officers, senior executives of the Company, anyone with close personal ties with the latter and certain employees with access to inside information that, owing to their positions within Air France-KLM, they are required to refrain from trading in the Company's shares for a minimum of (i) thirty calendar days prior to the publication of the full annual and half-year financial statements and (ii) a minimum of fifteen calendar days prior to the publication of the full quarterly financial statements, the day of their publication being included in these periods. The Code also reiterates the specific obligations (particularly relating to access to inside information) applying to senior executives, Board directors and anyone with access to inside information relating to Air France-KLM concerning the use of this information and their trading in the shares of Air France-KLM pursuant to the applicable laws and regulations relating to market abuse.

In the past five years, to the Company's knowledge, no Board director has been the subject of a fraud conviction or official public sanction by the statutory or regulatory authorities, associated with a bankruptcy, sequestration of goods or a placing of a company under administrative receivership nor has, lastly, been prevented by a court from acting as a member of a management or supervisory body of an issuer or from involvement in managing the business of an issuer. This information is confirmed every year *via* a questionnaire sent to the Board directors.

2.3 ACTIVITIES AND FUNCTIONING OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

2.3.1 Activities and functioning of the Board of Directors

Board activity during the 2022 financial year								
ڔ۫ڂ؋	15 meetings (12 in 2021) including 5 extraordinary meetings (5 in 2021) and 2 written consultations	ڔ۫ ؎۪۫	92% average attendance of Board directors (95% in 2021)					
	4h40 average duration per meeting	_						

The minimum number of Board of Directors meetings is set at seven per year. Prior to Board meetings a dossier is circulated containing the agenda for the meeting together with any summaries or, where appropriate, full documentation on any issues requiring special analysis and/or prior consideration. The matters raised in meetings are usually the subject of presentations, followed by discussion.

Board of Directors meetings are conducted in French and English; however, individual directors may speak in French, English or Chinese with simultaneous interpretation.

⁽¹⁾ This obligation to hold at least one thousand shares in the Company for the duration of their terms of office is not applicable to the Board directors representing the employee shareholders, the Board directors elected by the employees and the Board directors representing the employees (Article L. 225-25 paragraph 3 of the Code de Commerce), nor to the Board directors appointed by the State or appointed by the Shareholders' Meeting as proposed by the State (Articles 5 paragraphs 5 and 6 VI of Ordinance No. 2014-948 of August 20, 2014).

During these meetings, the following matters were notably addressed:

- > annual, half-year and quarterly financial statements;
- regular status reports on the Group's activity, financial situation and outlook;
- > budget including the capex plan;
- > financing plan;
- > financial transactions and, in particular, the monitoring and implementation of the Group's recapitalization and refinancing transactions (capital increase, bond issues, update to the EMTN program, partial early repayment of the State Guaranteed Loan (PGE), repurchase of the deeply subordinated notes held by the French State, implementation of an asset recapitalization project through the issuance of hybrid perpetual bonds etc.);
- conclusion of a long-term strategic partnership in air freight with CMA CGM;
- monitoring and implementation of the financial support plans granted by the French and Dutch States, the discussions with the European Commission and the resulting financial, social and environmental commitments;

- presentation of the financial, legal, operational, social and environmental risks;
- report on compliance;
- regular information on the activity and development of Air France and KLM, including on the situation of the Group's employees and social relations within the Group;
- > Air France and KLM transformation plans;
- Air France and KLM fleet plans, and monitoring of the investments;
- flight safety;
- > regular information on the planned alliances and partnerships;
- > the Group's corporate purpose; and
- > governance of the Group and in particular: changes in the Group's governance, independence of the Board directors, evaluation of the Board of Directors, appointment and training of the new Board directors, composition of the Board of Directors and Committees, compensation of the top executives and the succession plan for the executive officer and company officers.

Board director attendance

The attendance records for individual Board directors at meetings of the Board of Directors during 2022 are presented below:

Board director	Board meeting attendance
Anne-Marie Couderc	
Chair of the Board of Directors and of the Appointments and Governance Committee	100%
Gwenaëlle Avice-Huet	93%
Karim Belabbas	100%
Stéphanie Besnier (1)	80%
Leni M.T. Boeren	100%
Pascal Bouchiat ⁽²⁾	100%
Isabelle Bouillot	
Chair of the Audit Committee	87%
Jean-Dominique Comolli	100%
Michel Delli-Zotti ⁽³⁾	100%
Dirk Jan van den Berg	93%
Cees 't Hart	73%
Delta Air Lines, Inc. (represented by Alain Bellemare)	100%
Paul Farges ⁽⁴⁾	89%
Anne-Marie Idrac Chair of the Sustainable Development and Compliance Committee	100%
Astrid Panosyan ⁽⁵⁾	60%
Isabelle Parize	100%
François Robardet	100%
Rodolphe Saadé ⁽⁶⁾	100%
Benjamin Smith	93%
Terence Tilgenkamp	100%
Martin Vial ⁽⁷⁾	100%
Jian Wang	67%
Alexander R. Wynaendts Chair of the Remuneration Committee	80%
Average attendance	92%

Board director since June 27, 2022.
 Board director since October 3, 2022, subject to ratification of his appointment by the next Shareholders' Meeting.
 Board director until May 24, 2022.
 Board director until June 11, 2022.
 Board director until June 1, 2022.
 Board director until June 1, 2022.

Regulated agreements and commitments

Agreements referred to in Articles L. 225-37-4 paragraph 2° and L. 22-10-10 of the *Code de Commerce*

Except for the agreements detailed in the section relating to the regulated agreements referred to in Article L. 225-38 of the *Code de Commerce* below and agreements covering current operations and entered into under normal terms and conditions, no agreements were entered into in 2022, either directly or through an intermediary, between, on one side, a Board director or shareholder of Air France – KLM holding a fraction of the voting rights greater than 10% (French and Dutch States) and, on the other, a corporate shareholder in which more than half the share capital is held, directly or indirectly, by Air France – KLM.

Agreements referred to in Article L. 225-38 of the *Code de Commerce*

Agreements and commitments authorized and signed during the financial year

Repurchase of a portion of the Undated Deeply Subordinated Notes from the French State

As part of the Group's recapitalization plan announced on April 6, 2021, on April 20, 2021 Air France-KLM entered into a Subscription Agreement relating to the issuance by the Company and the subscription by the French Republic of undated deeply subordinated notes in the total amount of \in 3 billion divided into three \in 1 billion tranches, with respective redemption options in April 2025 (the "NR4 Deeply Subordinated Notes"), April 2026 (the "NR5 Deeply Subordinated Notes") and April 2027 (the "NR6 Deeply Subordinated Notes") (together the "Deeply Subordinated Notes").⁽¹⁾

On June 16, 2022, the Company proceeded with a redemption for an amount of €645,075,390.15 representing the principal amount of 6,381 NR4 Deeply Subordinated Notes plus the corresponding interest so as to allow the subscription by the French State to the capital increase with a maintained subscription right (DPS) realized by the Company on June 16, 2022 (the "Capital Increase with DPS").

As part of the redemption of these Undated Deeply Subordinated Notes, the Company entered into the following agreements with the French State, a shareholder in the Company holding 28.6% of its share capital on the signature date of these agreements (together the "Repurchases"):

> on June 16, 2022, a repurchase by the Company of (i) the balance of the NR4 Deeply Subordinated Notes plus the corresponding interest, i.e. 3,619 notes, for an amount of €365,856,109.85 and (ii) 6,308 NR5 Deeply Subordinated Notes plus the corresponding interest for an amount of €637,941,854.52;

- > on July 29, 2022, a repurchase by the Company of (i) the balance of the NR5 Deeply Subordinated Notes plus the corresponding interest, i.e. 3,692 notes, for an amount of €376,533,419.60 and (ii) 1,179 NR6 Deeply Subordinated Notes plus the corresponding interest for an amount of €120,322,497.41; and
- > on December 9, 2022, a repurchase by the Company of 2,871NR6 Deeply Subordinated Notes plus the corresponding interest for an amount of €300,845,400.57.

Ms. Astrid Panosyan⁽²⁾ and Mr. Pascal Bouchiat⁽³⁾ following her resignation, and Mr. Jean-Dominique Comolli, Board directors appointed by the Shareholders Meeting as proposed by the French State, and Ms. Stéphanie Besnier⁽⁴⁾, Board director representing the French State appointed by ministerial order, were considered to be indirectly interested in the conclusion of the agreements relating to the Repurchases owing to the fact that the French State held 28.6% of the Company's share capital at the date of conclusion of the Repurchases.

Pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Board of Directors of the Company authorized the conclusion of the Repurchase offers at its meetings on June 15⁽⁵⁾, July 28⁽⁶⁾ and December 8, 2022⁽⁷⁾. Ms. Astrid Panosyan then Mr. Pascal Bouchiat following her resignation, Mr. Jean-Dominique Comolli and Ms. Stéphanie Besnier did not take part in the deliberations or vote on the Repurchases.

The Repurchases were entered into to allow the Company to partially redeem the Deeply Subordinated Notes issued by the Company on April 20, 2021, for a total amount of \in 3 billion and fully subscribed by the French State by way of set-off on claims held by the French State pursuant to the shareholder's loan agreement of May 6, 2020, concluded between the French State and the Company.

The principal amount of the Undated Deeply Subordinated Notes remaining to be redeemed now amounts to €595,000,000 and corresponds to 5,950 NR6 Deeply Subordinated Notes.

In agreement with the French State Shareholdings Agency (Agence des Participations de l'État – APE), it was decided to fix the repurchase price of the notes as the sum of the nominal value and the value of the coupons accrued at the dates of the Repurchases. This corresponds to:

- > an additional cost relative to the nominal value of €7 million for the 6,381 NR4 Deeply Subordinated Notes used by the APE to subscribe to the Capital Increase with DPS;
- > an additional cost relative to the nominal value of €4 million for the 3,619 NR4 Deeply Subordinated Notes and €7.1 million for the 6,308 NR5 Deeply Subordinated Notes, repurchased following the receipt of funds from the Capital Increase with DPS;

⁽¹⁾ The issue of Undated Deeply Subordinated Notes is outlined in section 2.7.2 "Securities conferring entitlement to shares"

⁽²⁾ Ms. Astrid Panosyan stepped down from her Board director functions on June 21, 2022 and was only considered to be indirectly interested in the conclusion of the Repurchase of June 16, 2022.

⁽³⁾ Mr. Pascal Bouchiat was appointed as a Board director on October 3, 2022 and was considered to be indirectly interested in the conclusion of the Repurchases of July 29 and December 9, 2022.

⁽⁴⁾ Ms. Stéphanie Besnier was appointed as a Board director on June 27, 2022 and was considered to be indirectly interested in the conclusion of the Repurchases of July 29 and December 9, 2022.

⁽⁵⁾ The Repurchase of June 16, 2022 was authorized by the Air France - KLM Board of Directors on June 15, 2022.
(6) The Repurchase of July 29, 2022 was authorized by the Air France - KLM Board of Directors on July 28, 2022.

⁽⁷⁾ The Repurchase of December 9, 2022 was authorized by the Air France - KLM Board of Directors on December 8, 2022.

- > an additional cost relative to the nominal value of €7.3 million for the 3,692 NR5 Deeply Subordinated Notes and €2.4 million for the 1,179 NR6 Deeply Subordinated Notes, repurchased following the subscription by Apollo of securities issued by AFI Spare Engine Management SAS;
- > an additional cost relative to the nominal value of €13.7 million for the 2,871 NR6 Deeply Subordinated Notes repurchased following the issue by the Company of 3,053 undated deeply subordinated bonds convertible into new shares and/or exchangeable for existing shares whose settlement-delivery took place on November 23, 2022.

Conclusion of a commercial Cooperation Agreement between Air France-KLM, Air France, KLM, CMA CGM Air Cargo and CMA CGM

On December 9, 2022, the Company entered into a commercial cooperation agreement in air cargo (the "**Cooperation Agreement**") with Air France, KLM, CMA CGM Air Cargo and CMA CGM, a shareholder in the Company with 9% of its share capital.

On May 17, 2022, the Company's Board of Directors approved the main terms and conditions of the Cooperation Agreement, together with the investment by CMA CGM in the share capital of the Company through a capital increase realized by the Company on June 14, 2022 (the "**Investment**").

The Cooperation Agreement covers cargo capacities in the air freight sector and will allow the Air France-KLM and CMA CGM groups to pool their cargo networks, all-cargo capacity and dedicated services, and to jointly market their air cargo capacities.

The Cooperation Agreement is established for an initial term of ten years from its entry into force on fulfillment of the customary conditions precedent for this type of operation. The aim of the parties is to be able to initiate the commercial cooperation in the 2023 second quarter, subject to obtaining the required authorizations from the competent legal and regulatory authorities.

Mr. Rodolphe Saadé, a Board director appointed by the Shareholders' Meeting of May 24, 2022 as proposed by CMA CGM, could be considered to be directly interested in the conclusion of the Cooperation Agreement, due in particular to (i) his position as a Board director of the Company, (ii) his position as Chair and Chief Executive Officer of CMA CGM, and (iii) in his capacity as a shareholder of CMA CGM.

Pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Board of Directors of the Company authorized the conclusion of the Cooperation Agreement during its meeting of December 8, 2022. Mr. Rodolphe Saadé did not take part in the deliberation and the vote with respect to the Cooperation Agreement.

The Cooperation Agreement is expected to generate revenue synergies for the Company, notably through the joint design of the all-cargo networks and enhanced transportation products and services opportunities.

The Cooperation Agreement will build on the strength of the Air France-KLM brand, experience and capabilities in air

freight, supported by its global cargo network. CMA CGM will mobilize its extensive commercial network and global logistics platform, and complement this offer with innovative logistics and multimodal solutions.

The Cooperation Agreement is a commercial agreement whose costs and benefits for the Company are not quantifiable at this stage.

Agreements and commitments authorized and signed in previous financial years whose execution remained in force in 2022

Agreements entered into with the French State in April 2021

As mentioned above, on April 20, 2021 as part of the Group's recapitalization plan announced on April 6, 2021, Air France-KLM entered into a Subscription Agreement with the French State relating to the issuance by the Company and the subscription by the French Republic to undated deeply subordinated notes (accounted as equity under IFRS in the Company's consolidated financial statements) in the total amount of €3 billion. This agreement remained in force during the 2022 financial year and gave rise to the partial Repurchases outlined in the agreements and commitments authorized and signed during the financial year section above.

Expansion of the cooperation agreement entered into between Air France-KLM, Air France, KLM and China Eastern Airlines

In the context of the Group's recapitalization plan announced on April 6, 2021, on June 23, 2021 Air France-KLM entered into an agreement with China Eastern Airlines to accelerate their efforts to deepen and broaden the existing and future cooperation, and further strengthen their partnership for transportation services between China and Europe (the "CEA Commercial Agreement").

The CEA Commercial Agreement sets out the ambitions for the expansion of the cooperation between China Eastern Airlines, Air France – KLM, Société Air France and KLM. The parties intend to intensify their commercial cooperation (exclusive joint-venture partnership from January 1, 2022 for passenger air transportation between Europe and China (improved code share offer, closer alignment of fares and sales policy, etc.) and extend cooperation.

In particular, the parties in the CEA Commercial Agreement undertook to:

- a) add the Paris-Beijing and Amsterdam-Beijing routes to the CEA Commercial Agreement, upon satisfaction of the agreed conditions;
- **b)** accelerate their efforts to deepen the existing cooperation on business, operational, marketing and innovation policies, including through staff exchanges;
- explore new opportunities for cooperation in the area of passenger transportation in particular in the domains of competition rules, alliances and technologies;
- d) explore synergies in areas such as ground services, catering, maintenance and non-aviation-related areas such as tourism, hotels and car rental; and

e) strengthen the strategic coordination between the parties within the SkyTeam alliance and IATA.

For more information concerning the agreements concluded between Air France-KLM and China Eastern Airlines, see section 2.7.4 "Strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines, and conclusion of a new partnership with CMA CGM".

State Guaranteed Loan (Prêt Garanti par l'État – PGE) as modified by the amendment of December 10, 2021

To address the impacts of the crisis linked to the Covid-19 pandemic on the cash level of the Air France-KLM Group, on May 6, 2020 Air France-KLM secured a \leq 4 billion loan from a consortium of banks, up to 90% guaranteed by the French State ("the State Guaranteed Loan"), which held 14.3% of the Company's share capital at the time of the conclusion of the agreement.

To smooth the State Guaranteed Loan's redemption profile beyond its 2023 maturity and thus balance the Group's consolidated debt maturity schedule, on December 10, 2021, the Company agreed with the bank consortium and the French State an amendment to the State Guaranteed Loan (the "Amendment").

The State Guaranteed Loan, subject to the decree of May 7, 2020 and in application of Article 6 of the Finance Amendment Act No. 2020-289 of March 23, 2020, granted a guarantee from the French State to the banks for 90% of the State Guaranteed Loan. The maturity of the loan, initially scheduled at one year and renewable once for a period of one or two years at the borrower's option, is now contractually set for May 7, 2023 after the exercise of the two-year extension option by the Company in February 2021. the State Guaranteed Loan as follows:

- the final maturity date of the State Guaranteed Loan was extended by two additional years and is therefore set at May 6, 2025;
- > the State Guaranteed Loan will now be repaid by amortization based on the following schedule:
 - €500 million on the signature date of the Amendment. The funds required for this early repayment came from the proceeds of the bond issues of June 24, 2021,
 - €800 million on May 6, 2023,
 - €1.35 billion on May 6, 2024,
 - €1.35 billion on May 6, 2025;
- the State Guaranteed Loan bears interest at the rate of: 3-month Euribor (with a floor at zero) with an annual margin of between 0.75% and 2.75%, it being specified that this margin henceforth applies to the following schedule: 1.50% from May 6, 2021 (inclusive) until May 6, 2022 (exclusive) and 2.75% from May 6, 2022;

> the guarantee fee will apply according to the following schedule: 1.0% from May 6, 2021 (inclusive) until May 6, 2023 (exclusive) and 2.0% from May 6, 2023. Until May 6, 2023 (exclusive) it will be calculated based on the initial amount of €4 billion. Thereafter, the calculation basis will be reduced by the scheduled repayments mentioned above.

Mandatory prepayment clauses ("Mandatory Prepayments") are foreseen in the contract, in particular in the event of debt issues resulting from capital market transactions in the bond market, up to a limit of 75% of the amounts raised, excluding hybrid instruments, convertible bonds or quasi-equity repayments to be made under bonds and convertible lines existing on the signature date of the Amendment and with maturity dates falling during the term of the extended State Guaranteed Loan.

It is however stipulated that, within the framework of the early repayment realized on November 7, 2022 in the amount of €1billion, the total outstanding amount of the State Guaranteed Loan was thus reduced to €2.5 billion with the following redemption schedule:

- May 2024: partial redemption of €1.15 billion, i.e. an outstanding amount of €1.35 billion;
- > May 2025: final redemption of €1.35 billion (no outstanding amount remaining due after this date).

The financial costs incurred by Air France-KLM in 2022 in respect of the State Guaranteed Loan amounted to around €125 million.

Finalization of a Framework Agreement between Air France-KLM, KLM and the Dutch State

On August 7, 2020, within the framework of the financial support package granted by the Dutch State to KLM, a subsidiary of Air France-KLM, Air France-KLM entered into a Framework Agreement with KLM and the Dutch State, a shareholder in the Company with 14% of its share capital, to enable KLM to meet its urgent need for liquidity following the crisis linked to the Covid-19 pandemic and prepare for the future.

This financial support package, approved on June 25, 2020 by the Company's Board of Directors in the total amount of \notin 3.4 billion, was structured as follows:

- a revolving credit facility in the amount of €2.4 billion, granted to KLM by eleven banks and up to 90% guaranteed by the Dutch State; and
- > a direct loan in the amount of €1 billion, granted by the Dutch State to KLM, with subordination to the revolving credit facility.

A number of conditions were associated with the granting of these loans, including respect by the Company of the commitments on sustainability and the restored performance and competitiveness of KLM, including a comprehensive restructuring plan and a contribution made by employees. KLM also undertook to suspend dividend payments to its shareholders until such time as these two loans have been repaid in full. During the 2022 first half, KLM repaid amounts made available with the framework of the revolving credit line (€665 million) and the subordinated loan (€277 million), without however terminating the Framework Agreement.

Amendment to the financial settlement mechanism for the joint-ventures entered into with (i) Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd., and (ii) China Eastern Airlines (the "joint-venture Agreements") within the context of the Covid-19 public health crisis

On December 4, 2020, pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Air France-KLM Board of Directors authorized:

- 1) the amendment of the provisions relating to the financial settlement mechanism (to share the revenues and costs generated by the joint-venture) in the Blue Skies joint-venture agreement (entered into with Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd. on May 15, 2018 and amended in October 2019), for the calendar year 2020. In this respect, each party waives all rights it may have with respect to the amounts due to it under the joint-venture agreement for the calendar year 2020, and agrees to waive them permanently. This waiver will be able to be extended to the to 2021 and 2022 financial years given the duration of the impacts of the Covid-19 pandemic on the joint-venture operations; and
- 2) the suspension of the provisions relating to the financial settlement mechanism (to share the revenues generated by the joint-venture) in the joint-venture agreement entered into with China Eastern Airlines on November 26, 2018. In this respect, each party agrees to waive all payments under the joint-venture agreement as of February 1, 2020 for a period to be mutually agreed between the parties depending on the duration of the effects of the Covid-19 pandemic on the joint-venture.

This waiver was decided to avoid uncertain and potentially material financial exposure for each party given the context linked to the public health crisis. It was maintained during the 2022 financial year.

Given the amendment to the financial settlement mechanism foreseen in the joint-venture agreements, there has been no need to calculate the impact that would have resulted from the application of these provisions.

For more information concerning the agreements between, firstly, Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic and, secondly, between Air France-KLM and China Eastern Airlines, see section 2.7.4 "Strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines, and conclusion of a new partnership with CMA CGM",

Transatlantic partnership between Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic

On October 30, 2019, the Board of Directors mandated the Air France-KLM management to finalize the discussions and negotiate amendments to the agreements authorized during the Board meetings of March 14 and May 15, 2018 (see section 2.7.4 "Strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines, and conclusion of a new partnership with

CMA CGM"), so as not to proceed with the planned acquisition by Air France-KLM of a 31% equity interest in Virgin Atlantic Limited. This decision resulted in the amendment of the following agreements:

- termination of the Share Purchase Agreement ("SPA") between Air France-KLM Finance SAS and Virgin Investments Limited, enabling Air France-KLM, through its 100%-owned subsidiary Air France-KLM Finance SAS, to acquire a 31% equity interest in Virgin Atlantic, and termination of agreements ancillary to the SPA;
- 2) amendment and updating of the Joint Venture Agreement between Delta Air Lines, Inc., Virgin Atlantic Airways Limited, Air France-KLM, KLM and Société Air France, aimed at the implementation of a commercial joint-venture between Air France-KLM, Delta Air Lines, Inc., Virgin Atlantic Airways Limited, Air France and KLM (signed on January 30, 2020 and effective as per January 1, 2020) to reflect the termination of the SPA;
- 3) amendment and updating of the Implementation Agreement between Air France-KLM, Air France-KLM Finance SAS, Société Air France, KLM, Delta Air Lines, Inc., Virgin Investments Limited, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Sir Richard Branson (signed on January 9, 2020 and effective as per January 1, 2020) to reflect, notably, the termination of the SPA;
- 4) signature of an agreement between Air France-KLM, Delta Air Lines, Inc. and Virgin Group (signed and effective as per January 30, 2020) granting Air France-KLM, subject to specific conditions, a right to acquire shares in Virgin Atlantic Limited in the event of a sale by Virgin Group of shares in Virgin Atlantic Limited to a third party.

For more information on the July 2017 agreements between Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic, see section 2.7.4 "Strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines, and conclusion of a new partnership with CMA CGM".

Commitments relating to the severance payment to the benefit of Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM

On August 16, 2018, pursuant to the provisions of the former Article L. 225-42-1 of the *Code de Commerce* (repealed by Ordinance No.2019-1234 of November 27, 2019), the Air France–KLM Board of Directors authorized the granting of a severance payment to the benefit of Mr. Benjamin Smith, Chief Executive Officer of Air France–KLM, in some instances of forced termination and, namely, dismissal, non-renewal of his mandate as Chief Executive Officer or forced resignation linked to a change of control.

It is stipulated that the instances of forced termination enabling the implementation of this severance payment exclude any situation of serious misconduct on the part of the Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the basis of the severance payment is equivalent to two years of his annual fixed and variable compensation (according to specific calculation modalities based, as applicable, on the target variable compensation in the event of a termination during the first 24 months).

A coefficient (between 0 and 100% inclusive) will be applied to the basis of the severance payment based on the achieved performance criteria relating to the annual variable component of his compensation over the two last financial years of his mandate. The Board will assess the achievement of these performance criteria.

For more information, see section 2.5.2 "Compensation of the Company officers in 2022".

There were no agreements or commitments authorized and signed over the course of previous financial years whose execution continued during the last financial year.

Procedure for the qualification and regular evaluation of the current agreements signed in normal conditions

During its meeting of December 11, 2019, as recommended by the Audit Committee, the Board of Directors established a procedure enabling the qualification and regular evaluation of the agreements relating to current operations entered into under normal terms and conditions pursuant to the provisions of Article L. 22-10-12 of the *Code de Commerce*. The current and normal nature of an agreement is evaluated on a case-by-case basis during the signature, renewal or amendment of the said agreement, on the basis of objective criteria defined in the procedure.

Within the framework of this annual evaluation procedure, the Company:

- compiles an inventory of all the agreements referred to in Article L. 22-10-12 of the Code de Commerce;
- reviews all the elements and documents having enabled the qualification of the agreements; and
- as necessary, reviews the qualification of any agreements with interested parties (regulated agreement or free agreement, depending on the case).

Persons with an interest in one of these agreements, entered into either directly or through an intermediary, do not participate in their evaluation.

A presentation on the result of the inventory of the agreements referred to in Article L. 22-10-12 of the *Code de Commerce*, in respect of the financial year ended December 31, 2022, was made to the Audit Committee on February 15, 2023 and was reviewed by the Board of Directors within the framework of the corporate governance report.

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

At least once a year, pursuant to the provisions of Article 11 of the AFEP-MEDEF Code and Article 2 of the Internal Rules of the Board of Directors, the Board of Directors discusses its functioning and organization. To inform this discussion, a formalized evaluation is conducted *via* a questionnaire. This evaluation is steered by the Appointments and Governance Committee. Furthermore, a formal evaluation with the help of an external consultant is realized every three years, in accordance with the provisions

of the internal rules as amended by a decision of the Board of Directors on February 16, 2023.

In respect of the 2022 financial year, the Board of Directors realized an evaluation in the form of a questionnaire submitted to each Board director. The following topics were addressed through the evaluation questionnaire:

- the composition, organization, functioning and dynamic of the Board of Directors and its Committees;
- the relationship between the Board of Directors and the General Management;
- > the effectiveness of the Board of Directors and its Committees;
- the articulation of the work of the Board of Directors with that of the Group's two main subsidiaries: Air France and KLM;
- > the individual contributions of the Board directors to the work of the Board of Directors and the areas of expertise to be developed within the Board;
- > the main changes and areas requiring improvement.

The results of the evaluation were handled under the seal of anonymity and gave rise to a presentation and discussion during the Board of Directors meeting of March 16, 2023.

In 2022, the Board of Directors was again very active (number of meetings: 8 ordinary, 5 extraordinary and 2 written consultations). It focused on managing the exit from the crisis linked to the Covid-19 pandemic and working on the resulting recapitalization and financing measures. The Board of Directors also had to deal with issues related to the war in Ukraine, the inflationary situation and the operational disruption at major international airports occurring over the summer.

As a general rule, the Board directors considered that the functioning of the Board of Directors had improved over the course of 2022 since the previous evaluation. The evaluation revealed the following positive points:

- good performance of the Board in terms of its functioning and organization, promoting quality exchanges between the Board directors;
- effective role played by the Board in defining and monitoring the Group's strategy;
- > the composition of the Board and its committees meets the needs of the Board, with a good complementarity in terms of the experience and skill profiles of the Board directors;
- clear division of roles between the Board and the Committees, allowing for the effective handling of the issues discussed; and
- > the information sent to the Board directors is adapted to the effective execution of the Board's work.

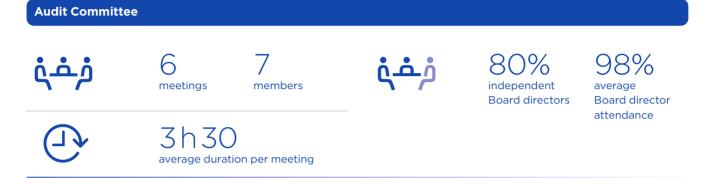
The results of the 2022 evaluation enabled the identification of a number of areas for improvement to be monitored during 2023, notably:

- summarize more the documents sent to the Board and reduce the average length of meetings;
- continue to open up the Board to younger and/or independent Board directors;

2

- expand the Board's portfolio of skills in the areas of digital and digital technologies (cybersecurity, blockchain, artificial intelligence, etc.), as well as change management; and
- allocate more time to the development of the strategy related to sustainable development and the Group's non-financial key performance indicators, and develop joint work between the Audit Committee and the Sustainable Development Committee.

2.3.2 Activities and functioning of the Committees



[™]Õ[™] Composition

At December 31, 2022, the Audit Committee was composed of the following seven members: Ms. Isabelle Bouillot (Chair of the Committee), Ms. Gwenaëlle Avice-Huet, Ms. Leni M.T. Boeren, Mr. Michel Delli-Zotti, Ms. Isabelle Parize, Mr. François Robardet and Ms. Stéphanie Besnier.

The members of the Audit Committee benefit from financial and accounting competencies enabling them to exercise their functions.

At its meeting of November 9, 2011, the Board of Directors adopted the position whereby, pursuant to the provisions of Article L. 823-19 of the *Code de Commerce*, the Company's Audit Committee includes at least one independent member with specific financing and accounting skills. On July 1, 2021, the Board of Directors decided to appoint Ms. Bouillot as Chair of the Audit Committee, in that she has the academic background and professional experience to fulfill this requirement for specific financial competence, and she has no relationships with the Company, its Group or management that are such as to color her judgment. The six other Committee members also have financial and/or accounting skills.

The principal executives responsible for accounting, legal affairs, finance, internal control and Internal Audit of Air France-KLM also attend meetings in an advisory capacity.

The Statutory Auditors attended all the meetings of the Audit Committee. At the request of the Chair of the Committee and pursuant to Article 17.3 of the AFEP-MEDEF Code, they were able to consult with Committee members outside the presence of the Group's senior executives on the occasion of the review of the annual financial statements.

Missions

The Audit Committee's principal missions are to review the interim and annual consolidated financial statements to inform the Board of Directors of their content, ensure that they are reliable and exhaustive, and that the information they contain, including the forward-looking information provided to shareholders and the market, meets high standards of quality. The Committee also oversees the auditing of the annual financial statements. In particular, the Audit Committee reviews the:

- consolidation scope;
- relevance and consistency of the accounting methods used to draw up the financial statements;
- principal estimates made by the General Management of Air France-KLM;
- principal financial risks with the General Management of Air France-KLM and the material off-balance-sheet commitments;
- comments and recommendations made by the Statutory Auditors and, if applicable, any significant adjustments resulting from audits.

As necessary, the Audit Committee formulates recommendations to guarantee the integrity of the process to establish the financial information.

The Audit Committee monitors the effectiveness of the Internal Control and risk management procedures and, as necessary, Internal Audit, in terms of the processes relating to the establishment and treatment of the accounting and financial information, with no compromise to its independence. In this capacity, it reviews in particular the program and results of Internal Audit to ensure, notably, that, in the event of any malfunctioning, the appropriate action plans and follow-up monitoring have been implemented. The Committee discusses with the Statutory Auditors and reviews their conclusions on the half-year and annual financial statements. It also pays particular attention to the audit points identified by the Statutory Auditors and ensures compliance with the legal and regulatory requirements for financial and accounting information.

The Audit Committee is responsible for steering the procedure to select the Statutory Auditors. It submits a recommendation to the Board of Directors when their appointment or re-appointment by the Shareholders' Meeting is envisaged pursuant to Article L. 823-3-1 of the Code de Commerce. It proposes the selection procedure to the Board of Directors and, in particular, whether a call to tender is appropriate. It verifies the independence and quality of the Statutory Auditors' work, examines issues relating to their amount of fees for the execution of statutory audit assignments, reviews and approves the fees submitted by each of the Statutory Auditors on an annual basis and ascertains that the joint system of Statutory Auditors is effective.

The Committee also follows the realization by the Statutory Auditors of their assignment and notes the comments and conclusions of the Audit Office Control Board (Haut Conseil du Commissariat aux Comptes) following the verification carried out pursuant to Articles L. 821-9 and following of the Code de Commerce

The Committee approves the supply of services other than the certification of the financial statements pursuant to the applicable regulation. It rules on this point having first analyzed the risks of any compromise to the independence of the Statutory Auditors and the safeguarding measures applied by the latter.

The Committee is also responsible for reviewing the Group's overall financial, accounting and fiscal policy and its implementation. It issues an opinion on the Group's significant financial operations.

The Audit Committee has access to the resources required to fulfill its mission and may, notably, be assisted by persons from outside the Company. Lastly, the Committee regularly reports to the Board of Directors on the execution of its missions. It also reports back on events subsequent to the certification of the financial statements, on the manner in which this certification process contributed to the integrity of the financial information and on the role it has played in this process.

Board director	Audit Committee attendance
Isabelle Bouillot <i>Chair of the Audit Committee</i>	100%
Gwenaëlle Avice-Huet	100%
Stéphanie Besnier ⁽¹⁾	50%
Leni M.T. Boeren	100%
Michel Delli-Zotti	100%
Paul Farges ⁽²⁾	100%
Isabelle Parize	100%
François Robardet	100%
Martin Vial ⁽³⁾	100%
Average attendance	98%

Member of the Audit Committee since July 28, 2022

Member of the Audit Committee until May 24, 2022. (2)Member of the Audit Committee until June 1, 2022.

During the 2022 financial year, the Audit Committee met six times (versus seven in 2021) with an attendance record for its members of 98% (as in 2021). The duration of the meetings averaged three hours and thirty minutes.

The following matters were notably reviewed by the Audit Committee during the 2022 financial year:

Review of the financial statements

The Committee reviewed the quarterly, half-year and annual financial statements, and the budget, prior to their presentation to the Board of Directors. It conducted a detailed examination of the Statutory Auditors' summary reports on the half-year and annual financial statements as well as the significant points. noted in audits. The main accounting options adopted were the subject of a special presentation every quarter.

The review of the financial statements by the Audit Committee usually takes place the day before their review by the Board of Directors.

- Review and monitoring of the budget

The Audit Committee reviewed the budget prior to its presentation to the Board of Directors and oversaw its tracking on a quarterly basis. This year the Audit Committee examined the major points in the 2022 budget prior to the review of the detailed budget.

Internal control, risk management and Internal Audit

During the Audit Committee meetings, Internal Audit gave a presentation on its half-year activity report.

The Company applies high standards of financial disclosure and corporate governance, and maintains a rigorous level of internal control across the Group.

The Audit Committee reviewed the summary sheet of the main operational and/or strategic risks on a half-yearly basis. The Audit Committee also reviewed the financial risks (fuel, currency exchange rates, financing, transformation plan). The ESG certified extra-financial risks were submitted by Internal Audit to the Sustainable Development and Compliance Committee, and to the Audit Committee for review.

Statutory Auditors

The Audit Committee approved the budget for the Statutory Auditors' fees prior to the opening of the financial year together with their final amount as of the closing date. The Audit Committee also addressed the matter of the appointment or re-appointment of the Statutory Auditors within the framework of the term of their mandates and in application of the requirement to organize a call to tender on the appointment of a new Statutory Auditor (Article 16 of Regulation (EU) No.537/2014 of April 16, 2014).

Approval of non-audit services

To execute this mission, the Audit Committee relies on an internal procedure deployed within the Group in 2004 and updated in 2016, pursuant to the provisions of Ordinance No. 2016-315 of

March 17, 2016 relating to Statutory Auditors, which came into force on June 17, 2016.

As foreseen by its annual work schedule, the Audit Committee also reviewed the following matters in 2022:

- > tracking of the cash and financing situation;
- > review of the financing and capex plan;
- > review of the principal litigation, fiscal risks and financial risks;
- > financial transactions, recapitalization and financing operations including, notably, a capital increase, the bond issues, the updating of the EMTN program, the partial early redemption of the State Guaranteed Loan (PGE) and the repurchases of the deeply subordinated notes held by the French State;
- > fraud detection and prevention;
- monitoring of activity in the Group's subsidiaries;
- > monitoring of the commitments made within the framework of the State Aid granted by the Dutch State;
- > review of the financing strategy; and
- > review of matters linked to the fleet (operating leases, engines).

The Committee is also responsible for reviewing the Group's overall financing, accounting and fiscal strategy, and its implementation. It comments on the Group's material financial transactions.

Remuneration Committee



/ meetings





60% independent Board directors 98% average Board director attendance

រល្មី Composition

At December 31, 2022, the Remuneration Committee was composed of the following six members: Mr. Alexander R. Wynaendts (Chair of the Committee), Ms. Isabelle Bouillot, Mr. Jean-Dominique Comolli, Ms. Isabelle Parize, Mr. François Robardet and Delta Air Lines, Inc. represented by Mr. Alain Bellemare.

Mr. Alexander Wynaendts, an independent Board director, has exercised the functions of Chair of the Remuneration Committee since July 1, 2021.

Mr. Cees 't Hart is invited to attend meetings of the Remuneration Committee.

Missions

The Remuneration Committee is primarily responsible for formulating recommendations to the Board of Directors on the level of/changes to the compensation of the executive officers. It may also be asked to comment on the compensation of the Group's senior executives who are members of the Executive Committee and on the level of remuneration granted to individuals recruited for fixed terms, when the level of this remuneration is exceptionally high. The Remuneration Committee reviews and expresses an opinion on the policy governing any stock subscription and share purchase option schemes or any other long-term incentive programs.

Activity

The Remuneration Committee met seven times during the 2022 financial year (six in 2021) and the attendance rate for members was 98% (100% in 2021).

Board director	Remuneration Committee attendance
Alexander R. Wynaendts	
Chair of the Remuneration Committee	100%
Isabelle Bouillot	100%
Jean-Dominique Comolli	100%
Delta Air Lines, Inc.	
(represented by Alain Bellemare)	86%
Isabelle Parize	100%
François Robardet	100%
Average attendance	98%

During the 2022 financial year, the Remuneration Committee formulated a number of recommendations for the Board of Directors concerning:

- > Board director compensation;
- the 2021 compensation and the 2022 compensation policy for the Chief Executive Officer of Air France-KLM;
- the 2021 compensation and the 2022 compensation policy for the Chief Executive Officer of Air France and the President & Chief Executive Officer of KLM;
- the 2022 compensation for the Chair of the Air France-KLM Board of Directors; and
- > the compensation for KLM's Chief Financial Officer in respect of the 2022 financial year.

The recommendations of the Remuneration Committee during the 2022 financial year were made taking into account the European Commission's restrictions on compensation pursuant to the European Commission's decision of April 5, 2021 on case No.SA59915.

Appointments and Governance Committee



3 members



6/% independent Board directors average Board director attendance

រល្មី Composition

At December 31, 2022, the Appointments and Governance Committee was composed of the following three members: Ms. Anne-Marie Couderc (Chair of the Committee), Mr. Jean-Dominique Comolli and Mr. Alexander R. Wynaendts.

Missions

The Appointments and Governance Committee is responsible for proposing candidates to the Board of Directors for the appointment and replacement of the Chair of the Board of Directors, the other Board directors and the executive officers of Air France – KLM, and for the succession plans for the executive officers, particularly in the event of unforeseen vacancies. Having initiated, when necessary, the relevant searches, the Committee may submit any proposals it deems fit to the Board of Directors regarding the latter's composition. The Appointments and Governance Committee also formulates recommendations for the Board of Directors on the appointment of the Chief Executive Officers (CEOs) of the Principal Subsidiaries. Furthermore, it is consulted by Air France-KLM's Chief Executive Officer on the appointment of the other executive officers (Executive Vice-Presidents and members of the Management Board) and members of the Boards of Directors and Supervisory Boards of the Principal Subsidiaries. It establishes the succession plan for the executive officers and also formulates proposals to the Board of Directors concerning the diversity and appointment policy for Board directors.

The Appointments and Governance Committee makes recommendations regarding the governance principles for the Air France-KLM Group and reviews the consistency of the governance between the Company and its Principal Subsidiaries.

The Appointments and Governance Committee steers the annual evaluation of the functioning of the Board of Directors.

Lastly, prior to review by the Board of Directors, the Appointments and Governance Committee formulates proposals on the independence of the Board directors in the light of the criteria in the AFEP-MEDEF Code.

Activity

During the 2022 financial year, the Appointments and Governance Committee met eleven times (thirteen in 2021) with an attendance record for members of 100% (as in 2021).

Board director	Appointments and Governance Committee attendance
Anne-Marie Couderc Chair of the Appointments and Governance Committee	10.0%
Jean-Dominique Comolli	100%
Alexander R. Wynaendts	100%
Average attendance	100%

During the 2022 financial year, the Appointments and Governance Committee notably addressed the following matters:

- proposals relating to changes in the composition of the Board of Directors submitted to the Shareholders' Meeting of May 24, 2022;
- > composition of the advisory Committees;
- review and updating of the succession plan for the Group's principal executive officers;
- recommendations on the appointment and re-appointment of members of the Air France Board of Directors and the KLM Supervisory Board;
- > independence of the Air France-KLM Board directors;
- diversity and non-discrimination policy within the Group's management bodies;
- setting of diversity targets within the Group's management bodies;
- > age limit for the Chair of the Board of Directors;
- > monitoring of the work on the Group's corporate purpose; and
- > evaluation of the functioning of the Board of Directors and its Committees, carried out between December 2022 and January 2023 (for more details, see section 2.3.1 "Activities and functioning of the Board of Directors").

Sustainable Development and Compliance Committee



4 meetings





40% independent Board directors



រល្មិ៍ Composition

At December 31, 2022, the Sustainable Development and Compliance Committee was composed of the following seven members: Ms. Anne-Marie Idrac (Chair of the Committee), Mr. Karim Belabbas, Ms. Leni Boeren, Mr. Pascal Bouchiat, Mr. Terence Tilgenkamp, Mr. Dirk Jan van den Berg and Mr. Jian Wang.

Missions

The Sustainable Development and Compliance Committee assists the Board of Directors in reviewing the Group's policies on compliance and sustainable development. It ensures that the Group promotes long-term value creation and takes the social and environmental issues involved in its activities into account in the establishment of the Group's strategy by submitting recommendations to the Board of Directors. The Sustainable Development and Compliance Committee's mission is thus to:

- > review the Group's CSR policy and its implementation;
- examine the extra-financial risks and specifically those relating to environmental, social and societal matters;
- review the Extra-financial performance statement foreseen in Articles L. 225-102-1 and L. 22-10-36 of the Code de Commerce including, in particular, the extra-financial performance criteria; and
- > review the Group's compliance program and monitor its implementation pursuant to the AFEP-MEDEF Code.

The Sustainable Development and Compliance Committee may also deal with any matters deemed appropriate by the Board of Directors.

Activity

During the 2022 financial year, the Sustainable Development and Compliance Committee met four times with an attendance record for members of 91%.

Board director	Sustainable Development and Compliance Committee attendance
Anne-Marie Idrac Chair of the Sustainable Development and Compliance Committee	100%
Karim Belabbas	75%
Leni M.T. Boeren	100%
Pascal Bouchiat ⁽¹⁾	N/A
Jian Wang	75%
Astrid Panosyan ⁽²⁾	100%
Terence Tilgenkamp ⁽³⁾	100%
Dirk Jan van den Berg	100%
Average attendance	91%

 Member of the Sustainable Development and Compliance Committee since December 8, 2022.

(2) Member of the Sustainable Development and Compliance Committee until June 21, 2022.

(3) Member of the Sustainable Development and Compliance Committee since July 28, 2022. The Sustainable Development and Compliance Committee notably addressed the following subjects during the 2022 financial year:

- > Air France KLM's Extra-financial performance statement;
- the Group's sustainable development strategy in compliance with the Science-Based Target initiative (SBTi), sustainable aviation fuel program, development of the diversity program;
- monitoring of the Group's environmental commitments within the framework of the financial support measures from the French and Dutch States;
- review of the Group's compliance program (in particular, the Group's anti-corruption plan);
- > review of the ESG certified extra-financial risks;
- > definition of the KPIs for the sustainability-linked bond issue;
- monitoring of new draft regulations (notably the Corporate Sustainability reporting Directive – CSRD); and
- > the environmental, social and societal ambitions of the Group.

2.4 SUMMARY TABLE OF THE AFEP-MEDEF CODE'S COMPLY OR EXPLAIN RECOMMENDATIONS NOT APPLIED

The following table shows the recommendations of the AFEP-MEDEF Code which have not been applied and the reasons for this:

Provisions of the AFEP-MEDEF Reasons Code not applied

Meeting of the non-executive directors outside the presence of the executive or in-house officers

"It is recommended that a meeting not attended by the Executive Officers be organised each year" The current practice is that the main matters concerning the executive officers (such as his appointment, performance and compensation) are discussed by the Board of Directors outside the presence of the interested parties, after consulting the opinion of, as required, the Appointments and Governance Committee or the Remuneration Committee.

(paragraph 12.3 of the AFEP-MEDEF Code)

Proportion of independent directors within the Board of Directors

"The independent directors At December 31, 2022, the percentage of independent directors stood at 43.75%, i.e. below the should account for half the 50% threshold recommended by the AFEP-MEDEF Code for non-controlled listed companies. members of the Board in This divergence emerged following the latest transactions involving the share capital. Following widely held corporations the report from the Appointments and Governance Committee, on March 25, 2019 the without controlling Air France-KLM Board of Directors considered that, in view of the Dutch State's acquisition shareholders." of a shareholding in Air France-KLM on February 26, 2019, the Board director appointed as (paragraph 10.3 of the AFEPproposed by the Dutch State, could no longer be considered an independent Board director MEDEF Code) as of that same date. Furthermore, on May 22, 2022, the Company entered into an investment agreement within the framework of the conclusion of a long-term strategic partnership in air cargo wherein, Mr. Rodolphe Saadé, Chair and Chief Executive Officer of CMA CGM was appointed an Air France-KLM Board director by the Shareholders' Meeting of May 24, 2022. Mr. Rodolphe Saadé is not an independent Board director. This divergence is thus due to the specificity of Air France-KLM's shareholder structure, the latter numbering the French (28.6%) and Dutch States (9.3%) amongst its shareholders, along with three major commercial partners, namely CMA CGM (9%), China Eastern Airlines (4.7%) and Delta Air Lines, Inc. (2.9%). Collectively these shareholders represented 54.5% of Air France-KLM's share capital at December 31, 2022. The Board directors appointed as proposed by these shareholders may not be considered to be independent. In addition, the 28.6% shareholding held by the French State enables the latter, pursuant to the provisions of Ordinance No.2014-948 of August 20, 2014, to benefit from a seat on the Board reserved for a Board director representing the French State, appointed by ministerial order, and to propose two Board directors to the Shareholders' Meeting. These two Board directors have been proposed by the French State and represent the interests of the French State in its capacity as a shareholder (Article 6 III of the aforementioned Ordinance). In that it is aware of the interest of having a significant proportion of independent Board directors, Air France-KLM is steadily increasing the proportion of independent members within its Board of Directors.

Provisions of the AFEP-MEDEF Code not applied

Presence of an employee director within the Remuneration Committee

Reasons

"It (the Remuneration Committee) must not include any executive officer and must be composed of a majority of independent directors. It is recommended that the Chairman of the committee be independent and that an employee director be a member."

(paragraph 19.1 of the AFEP-MEDEF Code) A Board director representing the employee shareholders was appointed as a member of the Remuneration Committee as of March 2014 in application of good governance practices. Mr. François Robardet, a Board director representing the employee shareholders has thus been a member of the Remuneration Committee since December 2016. It is contemplated to appoint a Board director representing the employees as a member of the Remuneration Committee on expiry of François Robardet's current term of office, i.e. at the end of the 2026 Shareholders' Meeting.

2.5 COMPENSATION OF THE COMPANY OFFICERS

2.5.1 General principles

Pursuant to the provisions of Article L. 22-10-8 of the Code de Commerce (French Code of Commerce), the compensation of Air France-KLM's company officers is set by the Board of Directors, as recommended by the Remuneration Committee, in line with the provisions of the AFEP-MEDEF Code. The Company's Board of Directors thus establishes a compensation policy which complies with the Company's corporate interest (intérêt social), is aligned with its commercial strategy, and which contributes to its long-term sustainability. It outlines all the components of the fixed and variable compensation for the Company officers, and explains the decision-making process followed for its establishment, revision and implementation. This compensation policy is the subject of a draft resolution submitted for approval by the Shareholders' Meeting, under the conditions provided for in Article L. 22-10-32 of the Code de Commerce, on an annual basis and on any significant amendment to the compensation policy.

Pursuant to the provisions of Articles L. 22-10-9 and L. 22-10-34 of the *Code de Commerce*, the Shareholders' Meeting must also approve on an annual basis, firstly, the information referred to in Article L. 22-10-9 of the *Code de Commerce*, including notably the total compensation and benefits of any kind paid to all the Company officers in respect of their mandates during the previous financial year or granted in respect of their mandates for the same financial year and, secondly, the total compensation and benefits of any kind paid during the previous financial year or granted for the same financial year to each executive officer.

The Shareholders' Meeting of June 7, 2023 is thus convened to approve:

> the information relating to the compensation for each of the Company officers, pursuant to Articles L. 22-10-9 and L. 22-10-34 of the *Code de Commerce*. This information is presented hereinafter in section 2.5.2 ("Compensation of the Company officers in 2022");

- > the fixed and variable elements composing the total compensation and benefits of any kind paid during the 2022 financial year or granted in respect of this financial year to Ms. Anne-Marie Couderc, Chair of the Board of Directors and to Mr. Benjamin Smith, Chief Executive Officer, pursuant to Article L. 22-10-34 of the Code de Commerce. This information is presented hereinafter in section 2.5.2.2 ("Elements of compensation paid or granted during the 2022 financial year to the executive officers and submitted for approval by the Shareholders' Meeting of June 7, 2023"); and
- > the compensation policy for the Company officers in respect of 2023, i.e. the Board Directors, the Chair of the Board of Directors and the Chief Executive Officer of the Company, as established by the Board of Directors, pursuant to Article L. 22-10-8 of the Code de Commerce. This policy is set forth hereinafter in section 2.5.3 ("Compensation policy for the Company officers in respect of 2023").

It is specified that, pursuant to the provisions of Article L. 22-10-8 of the *Code de Commerce*, to avoid becoming null and void, no element of compensation, of any kind whatsoever, may be established, granted or paid by the Company, nor any commitment made corresponding to elements of compensation, indemnities or benefits due or potentially due on taking up, stepping down or by reason of a change in their duties or following their exercise, unless it complies with the approved compensation policy or, in its absence, with past compensation or practices. Furthermore, if the Shareholders' Meeting of June 7, 2023 does not approve the draft resolution referred to in Article L. 22-10-34, I of the *Code de Commerce*, the Board of Directors must submit a revised compensation policy, taking into account the shareholders' vote, for approval by the next Shareholders' Meeting. In such a situation, the payment of the sum allocated to the Board directors for the 2023 financial year shall be suspended until approval of the revised compensation policy. Once reinstated, it shall include the arrears incurred since the Shareholders' Meeting of June 7, 2023.

In addition, the elements of variable or extraordinary compensation granted to the Chief Executive Officer in respect of the 2022 financial year will only be able to be paid after approval, by the Shareholders' Meeting of June 7, 2023, of these elements of compensation under the conditions provided for in the first paragraph of Article L. 22-10-34, II of the *Code de Commerce*.

Lastly, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, until such time as at least 75% of the State Aid has been repaid, the compensation of the Chair of the Board of Directors, the Chief Executive Officer and the members of the Air France-KLM Board of Directors may not exceed the fixed portion of their respective compensation at December 31, 2019 (it being stipulated that, if an individual has become or becomes Chair of the Board of Directors, Chief Executive Officer or a member of the Air France-KLM Board of Directors after the recapitalization, the applicable compensation is capped at the level of the fixed compensation received by the individual fulfilling the same level of responsibility at December 31, 2019) and no bonuses or other elements of variable or comparable compensation may be paid. It is specified that, on February 16, 2023 Air France-KLM announced that the repayment of at least 75% of the State Aid should take place in March 2023.

Events subsequent to the Board of Directors' meeting of February 16, 2023 having approved the management report

The repayment of 75% of the State Aid took place on March 17, 2023. As a result, the restrictions in respect of the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM concerning the elements of compensation for the Chair of the Board of Directors, the Chief Executive Officer and the members of the Air France-KLM Board of Directors no longer apply. In particular, the variable compensation granted and acquired by the Chief Executive Officer of Air France-KLM may again be paid. Similarly, the condition precedent of the repayment of 75% of the State Aid foreseen for the granting of variable compensation to the Chief Executive Officer of Air France-KLM in respect of the 2022 financial year has been met.

2.5.2 Compensation of the Company officers in 2022

The information referred to in Article L. 22-10-9 of the *Code de Commerce* and the elements of compensation and benefits of any kind paid during the 2022 financial year or granted in respect of this financial year to the different company officers of Air France-KLM, to be submitted for to the shareholder vote at the Shareholders' Meeting of June 7, 2023, pursuant to Article

L. 22-10-4 of the *Code de Commerce*, is detailed hereinafter and concerns:

- > the Company's Board directors (section 2.5.2.1);
- > the Chair of the Company's Board of Directors (section 2.5.2.2 a.); and
- > the Company's Chief Executive Officer (section 2.5.2.2 b.).

2.5.2.1 Elements of compensation paid or granted to the Board directors during the 2022 financial year and submitted for approval by the Shareholders' Meeting of June 7, 2023

The elements of compensation paid during the 2022 financial year or granted in respect of this financial year to the Board directors of Air France-KLM are in accordance with the compensation policy set by the Board of Directors following consultation with the Remuneration Committee, and approved by the Shareholders' Meeting of May 24, 2022. These elements of compensation, which will be submitted to the shareholder vote at the Shareholders' Meeting of June 7, 2023 pursuant to Article L. 22-10-34 of the *Code de Commerce*, are detailed hereinafter.

It is stipulated that, in view of the context of crisis linked to the Covid-19 pandemic, on February 16, 2022 the Air France–KLM Board directors decided to maintain the principle of the 25% reduction in their compensation paid in respect of the 2022 financial year until such time as the Group's Current Operating Income (COI) has returned to a positive figure. It is reiterated that, in application of the Board of Directors' resolution of February 17, 2021, the compensation paid to the Board directors in respect of the 2021 financial year had included the 25% reduction in their compensation in that the Group's Current Operating Income had not returned to a positive figure for the 2021 financial year. Having noted that, since June 30, 2022, the results projections had been indicating that the Group's annual Current Operating Income (COI) would be positive at December 31, 2022, at its meeting of December 8, 2022 the Board of Directors decided, as recommended by the Remuneration Committee to remove the 25% reduction applied to the compensation of the Board directors paid in respect of the 2022 financial year.

	Attendance record at Board and Committee meetings and at the Shareholders' Meeting (2022 financial year)	Amounts granted in respect of the 2022 financial year and paid during this financial year or accounting value (in euros)	Amounts granted in respect of the 2021 financial year and paid during this financial year or accounting value (in euros) ⁽¹⁾
Members of the Board of Directors in function as	of the date of this Univers	al Registration Document	
Anne-Marie Couderc	100%	N/A	N/A
Benjamin Smith ⁽²⁾	94%	N/A	N/A
Gwenaëlle Avice-Huet	95%	53,438	19,154
Karim Belabbas ⁽³⁾	95%	44,250	33,750
Stéphanie Besnier ⁽⁴⁾	71%	12,771	N/A
Leni M.T. Boeren	100%	60,000	45,000
Pascal Bouchiat ⁽⁵⁾	100%	7,500	N/A
Isabelle Bouillot	93%	53,875	41,335
Jean-Dominique Comolli	100%	50,000	37,708
Michel Delli-Zotti ⁽³⁾⁽⁶⁾	100%	17,667	N/A
Delta Air Lines, Inc. (permanent representative Mr. Alain Bellemare)	96%	51,571	35,704
Anne-Marie Idrac	100%	47,500	35,625
Isabelle Parize	100%	60,000	43,766
François Robardet ⁽³⁾	100%	53,000	38,516
Rodolphe Saadé ⁽⁷⁾	100%	10,000	N/A
Cees 't Hart	69%	39,188	32,365
Terence Tilgenkamp ⁽⁸⁾	100%	49,500	9,865
Dirk Jan van den Berg	95%	50,438	36,500
Jian Wang	70%	43,438	35,365

Attendance record at

Amounts granted in

Amounts granted in

Former members of the Board of Directors during the 2021 and 2022 financial years no longer acting in the capacity of Board director as of the date of this Universal Registration Document

91%

54,813

41,188

Paul Farges ⁽³⁾⁽⁹⁾	92%	27,438	35,531
Astrid Panosyan ⁽¹⁰⁾	58%	20,938	29,423
Martin Vial ⁽¹⁾	100%	29,000	36,000
Maryse Aulagnon	N/A	N/A	17,221
Mathi Bouts	N/A	N/A	34,385
Total	92%	836,321	637,772

(1) On February 17, 2021, in view of the context of crisis linked to the Covid-19 pandemic, the Air France - KLM Board directors decided to reduce by 25% their compensation paid in respect of the 2021 financial year, until such time as the Group's current operating income has returned to a positive figure. Mr. Benjamin Smith, Chief Executive Officer of Air France–KLM receives no compensation in respect of his Board director duties. The Board directors representing the employee shareholders and the Board director representing the French employees appointed by the *Comité de Groupe Français* receive

(2)

(3) compensation in respect of their employment contracts with Air France, unrelated to their corporate mandates within Air France-KLM. Furthermore, their compensation relating to their Board director mandates is paid to their unions, with the exception of Mr. François Robardet whose compensation has been remitted to his personal account since May 24, 2022.

(4) Board director since June 27, 2022.

(5) Board director since October 3, 2022(6) Board director since May 24, 2022.

Board director since July 15, 2022 (7)

Alexander R. Wynaendts

(8) Mr. Terence Tilgenkamp receives compensation in respect of his employment contract with KLM, with no link to his Board director mandate within Air France-KLM.

Board director until May 24, 2022 (9)

(10) Board director until June 21, 2022

(11) Board director until June 1, 2022.

In respect of the 2022 financial year, the Board directors were granted and paid during this financial year, total compensation of &36,321 (within the framework of the &950,000 annual budget voted by the Shareholders' Meeting of May 15, 2018).

Pursuant to the Board of Directors decision of December 11, 2019, the compensation for Board directors is composed of a flat-rate amount with an additional amount of compensation based on their individual attendance records. The allocation and granting modalities for this additional compensation are set by the Board of Directors, as proposed by the Remuneration Committee. An additional amount of compensation is also granted to non-resident Board directors. The information on the number of meetings of the Board of Directors and its advisory Committees held during the 2022 financial year and the attendance record for each Board director at the aforementioned meetings is set forth in section 2.3.

The allocation rules are outlined in section 2.5.3.1.

Audit Committee:

- > the Chair receives a flat-rate amount of compensation of €4,500, with additional compensation amounting to a maximum of €7,500 based on attendance at Committee meetings; and
- > the members each receive a flat-rate amount of compensation of €3,000, with additional compensation for the individual Committee members amounting to a maximum of €5,000 based on their attendance records at Committee meetings.

Other Committees:

- > the Chair receives a flat-rate amount of compensation of €3,000, with additional compensation amounting to a maximum of €4,500 based on their attendance at Committee meetings; and
- > the members each receive a flat-rate amount of compensation of €2,000, with additional compensation for the individual Committee members amounting to a maximum of €3,000 based on their attendance records at Committee meetings.

2.5.2.2 Elements of compensation paid or granted during the 2022 financial year to the executive officers and submitted for approval by the Shareholders' Meeting of June 7, 2023

a) Compensation of the Chair of the Board of Directors, for the period from January 1 to December 31, 2022

Presentation of the 2022 compensation structure for the Chair of the Board of Directors

Pursuant to the Board of Directors' resolution of February 16, 2022, in application of the European Commission's decision of April 5, 2021 on case No. SA. 59913 relating to the recapitalization of Air France and Air France-KLM which stipulates that the compensation of the Chair of the Board of Directors may not exceed the fixed portion of their compensation at December 31, 2019, the compensation of the Chair of the Board of Directors is composed of a fixed portion of €200,000. This annual fixed compensation has thus remained unchanged since 2019. The annual fixed compensation for the Chair of the Board of Directors was thus €200,000 in respect of the 2022 financial year. Note that, on March 19, 2020, given the context of crisis linked to the Covid-19 pandemic, the Chair of the Board of Directors had informed the Board of Directors of her intention to waive the application, during the 2020 financial year, of her new annual fixed compensation of €220,000 set by the Board of Directors during its meeting of February 19, 2020. The Chair of the Board

of Directors reiterated this commitment for the 2021 financial year during the Board of Directors meeting of February 17, 2021.

This compensation includes neither compensation in respect of her Board director mandate (formerly directors' fees) nor variable compensation.

The 2022 compensation policy for the Chair of the Board of Directors was approved by the Shareholders' Meeting of May 24, 2022.

For more details on the compensation policy for the Chair of the Board of Directors in respect of the 2022 financial year, see section 2.5.3.2 of the 2022 Universal Registration Document.

Elements of compensation paid during or granted in respect of the 2022 financial year

The elements of compensation paid during the 2022 financial year or granted in respect of this financial year to the Chair of the Board of Directors, for the period from January 1 to December 31, 2022, comply with the compensation policy set by the Board of Directors following consultation with the Remuneration Committee, and approved by the Shareholders' Meeting of May 24, 2022. These elements of compensation are detailed as follows:

Elements of compensation submitted to the vote	Amounts paid during the 2022 financial year	Amounts granted in respect of the 2022 financial year	Presentation
Fixed compensation	€200,000	€200,000	Pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France – KLM which stipulates that the compensation of the Chair of the Board of Directors may not exceed the fixed portion of her compensation at December 31, 2019, the annual gross fixed compensation of the Chair of the Board of Directors in respect of the 2022 financial year was set at €200,000 by the Board of Directors during its meeting of February 16, 2022.
			As a result, the fixed compensation granted in respect of the 2022 financial year and paid to the Chair during this financial year was €200,000.
			This annual fixed compensation has remained unchanged since 2019.
Annual variable compensation	N/A	N/A	The Chair does not benefit from annual variable compensation.
Multi-year variable compensation	N/A	N/A	The Chair does not benefit from multi-year variable compensation.
Extraordinary compensation	N/A	N/A	The Chair does not benefit from extraordinary compensation.
Stock options, performance shares or other long-term benefit (equity warrants, etc.)	N/A	N/A	No awards of this type were made during the 2022 financial year. The Chair does not benefit from any elements of long-term compensation.
Compensation in respect of a Board director mandate	N/A	N/A	The Chair does not receive compensation in respect of her Board director mandate.
Benefits of any kind	€15,984	€15,984	The Chair benefits from a chauffeur-driven company car.
Severance payment	N/A	N/A	The Chair does not benefit from a severance payment.
Non-compete indemnity	N/A	N/A	The Chair does not benefit from a non-compete indemnity.
Supplementary pension scheme	N/A	N/A	The Chair does not benefit from a supplementary pension scheme.

b) Compensation of the Chief Executive Officer for the period from January 1 to December 31, 2022

Presentation of the 2022 compensation structure for the Chief Executive Officer

As proposed by the Remuneration Committee, the framework of the compensation policy for the Chief Executive Officer was set by the Board of Directors during its meeting of August 16, 2018. It stipulates that the compensation of the Chief Executive Officer shall be composed of the following three elements:

- 1) a fixed amount of annual compensation;
- 2) an annual variable amount of compensation linked to the performance during the previous financial year potentially reaching 122% of the fixed compensation at targets achieved and up to 150% in the event that the targets are exceeded; and
- 3) a variable amount of long-term compensation.

This compensation structure has remained unchanged since 2018 as regards both the amount of fixed compensation and the amounts of annual and long-term compensation at targets achieved and the maximum amounts in the event that these targets are exceeded. Within the framework of this policy, the Chief Executive Officer receives benefits in kind whose scope has remained unchanged since 2018.

The compensation policy for the Chief Executive Officer in respect of the 2022 financial year was set pursuant to the framework for the policy set in 2018. Within the context of crisis linked to the Covid-19 pandemic being traversed by the Air France-KLM Group, it stipulates, in particular, that the Board of Directors, following the recommendation from the Remuneration Committee, may use its judgement in determining any variable compensation for the Chief Executive Officer. As a result, the Board of Directors may determine the modalities for the variable compensation of the Chief Executive Officer (i) in accordance with (a) the performance of the Group and its financial situation at the end of the financial year (b) the compensation policy applied to the Group's employees and (c) the preservation of the Group's interests and those of its shareholders and (ii) pursuant to the restrictions on compensation for company officers as stipulated in the European Commission's decision of April 5, 2021 on case No.SA59913 relating to the recapitalization of Air France and Air France-KLM. Pursuant to this decision, no variable compensation will be able to be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid. Lastly, by way of reminder, on April 23, 2020, Mr. Benjamin Smith announced that he was waiving his annual variable compensation in respect of the 2020 financial year. As a result, no variable compensation has been paid to Mr. Benjamin Smith since 2021.

The 2022 compensation policy for the Chief Executive Officer was approved by the Shareholders' Meeting of May 24, 2022.

For more details on the compensation policy for the Chief Executive Officer in respect of the 2022 financial year, see section 2.5.3.2 of the 2021 Universal Registration Document.

A summary of the compensation elements of the Chief Executive Officer since 2018 is presented in section 2.5.2.6 of the 2022 Universal Registration Document.

Elements of compensation paid during or granted in respect of the 2022 financial year

The elements of compensation paid during the 2022 financial year or granted in respect of this financial year to the Chief Executive Officer were set by the Board of Directors at its meeting on February 16, 2023 as recommended by the Remuneration Committee. In particular, during its meeting of February 16, 2023, having noted that the repayment of 75% of the State Aid should take place in March 2023 and subject to the condition precedent of this repayment, the Board of Directors decided, as proposed by the Remuneration Committee, to grant annual variable compensation and long-term variable compensation to the Chief Executive Officer in respect of the 2022 financial year, set on the basis of the level of attainment of the performance criteria defined by the Board of Directors during its meeting of February 16, 2022. All of these elements of compensation, for the period from January 1 to December 31, 2022, comply with the compensation policy set by the Board of Directors following consultation with the Remuneration Committee, and approved by the Shareholders' Meeting of May 24, 2022. These elements of compensation are detailed as follows:

Elements of compensation submitted to the vote	Amounts paid during the 2022 financial year	Amounts granted in respect of the 2022 financial year	Presentation
Fixed compensation	€900,000	€900,000	The annual gross fixed compensation for the Chief Executive Officer was set at €900,000 by the Board of Directors during its meeting of February 16, 2022.
			This fixed compensation has been unchanged since 2019.
			As a result, the fixed compensation granted to the Chief Executive Officer in respect of the 2022 financial year and paid during the 2022 financial year was €900,000.
			The ratio between the fixed and variable compensation granted to Mr. Benjamin Smith in respect of the 2022 financial year, as required pursuant to the provisions of Article L. 22-10-9, I, paragraph 2 of the <i>Code de Commerce</i> is 339.97%.
Annual variable	€0	€1,059,769	In respect of the 2022 financial year
compensation		(subject to the condition precedent of the repayment of at least 75% of the State Aid)	Note that pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France – KLM, no variable compensation will be able to be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid.

Elements of compensation submitted to the vote

Amounts paid during the 2022 financial year respect of the 2022 financial

Presentation

Amounts

vear

granted in

During its meeting of February 16, 2023, having noted that the repayment of 75% of the State Aid should take place in March 2023 and subject to the condition precedent of this repayment, the Board of Directors decided, as proposed by the Remuneration Committee, to grant in respect of the 2022 financial year, in accordance with the 2022 compensation policy set by the Board of Directors on February 16, 2022 and approved by the Shareholders' Meeting of May 24, 2022, annual variable compensation to the Chief Executive Officer. This variable compensation can vary from 0% to 122% of the annual fixed compensation at targets partially achieved, and from 122% to 150% of the annual fixed compensation in the event that the targets are exceeded (calculated on a linear basis).

As proposed by the Remuneration Committee, the amount of the Chief Executive Officer's annual variable compensation was set at 117.8% of the annual fixed compensation, i.e. €1,059,769 by the Board of Directors during its meeting of February 16, 2023. This amount is composed of:

- quantitative criteria linked to the Group's financial targets: > 101.72% (i.e. 74.6% of his annual gross fixed compensation):
 - 18.3% (on a target at 18.3% and a maximum at 22.5%) of the fixed compensation in respect of the current operating income (COI) of Air France-KLM, i.e. an achievement rate of 100%. This percentage takes into account the level of COI reached by the Group and the COI relative to competitors IAG and Lufthansa Group.
 - 36.7% (on a target at 36.7% and a maximum at 45%) of the fixed compensation in respect of the result of the transformation plan and cash management, i.e. an achievement rate of 100%,
 - 19.6% (on a target at 18.3% and a maximum at 22.5%) of the fixed compensation in respect of the capital market equity strengthening (excluding the transformation of the direct loan from the French State into undated deeply subordinated notes), i.e. an achievement rate of 106.7%. It is stipulated that this level of achievement is determined on a proportionate basis between the target level and the maximum on this criterion;
- qualitative criteria linked to the Group's non-financial targets: > 88.3% (i.e. 43.2% of his annual gross fixed compensation)
 - 15.0% (on a target at 12.2% and a maximum at 15.0%) of the fixed compensation in respect of the actions realized and the results obtained on Societal and Environmental Responsibility, i.e. an achievement rate of 122.7%. This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2021 Universal Registration Document.

Elements of compensation submitted to the vote	Amounts paid during the 2022 financial year	Amounts granted in respect of the 2022 financial year	Presentation
			In its evaluation, the Board of Directors took into account notably the introduction of sustainable aviation fuels for the flights on departure from France and the Netherlands (above the French mandate) as of January 2022, the renewa of the fleet and its impact on reducing CO ₂ emissions, and the securing of a part of the SAF needs for the coming years
			8.1% (on a target at 12.2% and a maximum at 15.0%) of the fixed compensation in respect of the actions realized and the results obtained in terms of Human Capital, i.e. an achievement rate of 66.7%. This percentage takes into account the mair priorities defined in section 2.5.3.2 b) of the 2021 Universa Registration Document.
			In its evaluation, the Board of Directors took into account the attractivity of the Group and the acceleration of the action plan on engagement, diversity and inclusion;
			5.0% (on a target at 12.2% and a maximum at 15.0%) of the fixed compensation in respect of the actions realized and the results obtained in terms of Customer Relations management i.e. an achievement rate of 41.0%. This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2021 Universal Registration Document.
			In its evaluation, the Board of Directors took into accoun the results of the Net Promoter Score, and of the regularity and punctuality of Air France and KLM flights;
			> 15.0% (on a target at 12.2% and a maximum of 15.0%) o the fixed compensation in respect of the individual and leadership performance, i.e. an achievement rate of 122.7% This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2021 Universal Registration Document.
			In its evaluation, the Board of Directors took into accoun the anticipated post-crisis recovery in air transport activity The Board also evaluated the projects deployed linked to the recapitalization but also the implementation of the transformation plan and the development of synergies within the Group, while maintaining the social stability and commitment of all the internal and external stakeholders.
			In application of Article L. 22-10-34 of the <i>Code de Commerce</i> the payment of the amount of €1,059,769 is subject to prio approval by the Shareholders' Meeting of June 7, 2023.
			In the event of a positive vote by shareholders during the Shareholders' Meeting of June 7, 2023, authorizing the payment of the variable compensation to Mr. Benjamin Smith, the Company will not be able to request its return.

2

Elements of compensation submitted to the vote	Amounts paid during the 2022 financial year	Amounts granted in respect of the 2022 financial year	Presentation
			In respect of the 2021 financial year
			Note that the amount of annual variable compensation for the Chief Executive Officer in respect of the 2021 financial year was set at 121.11% of the annual fixed compensation, i.e. €1,089,984, by the Board of Directors at its meeting of February 16, 2022. This amount will be able to be paid to the Chief Executive Officer once at least 75% of the recapitalization measures has been repaid (for more detail, see section 2.5.2.2 of the 2021 Universal Registration Document).
Long-term variable	€0	1,225,490	In respect of the 2022 financial year
compensation		performance units (after the application of the coefficient of 2.5 pursuant to the Board of Directors'	Note that pursuant to the European Commission's decision of April 5, 2021 on case No. SA. 59913 relating to the recapitalization of Air France and Air France – KLM, no variable compensation will be able to be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid.
		of Directors resolution of October 27, 2022) payable in shares, valued at €2,000,000 and calculated	During its meeting of February 16, 2023, having noted that the repayment of 75% of the State Aid should take place in March 2023 and subject to the condition precedent of this repayment, the Board of Directors decided, as proposed by the Remuneration Committee, to grant the Chief Executive Officer, pursuant to the 2022 compensation policy set by the Board of Directors on February 16, 2022 and approved by the Shareholders' Meeting of May 24, 2022, long-term variable compensation composed
	1	with reference to the Air France-KLM opening share price on April 1, 2022. (subject	of 490,196 performance units (before the application of the Board of Directors' resolution of October 27, 2022 as outlined below) payable in Air France-KLM shares (one performance unit conferring entitlement to one share) in 2025 subject to the realization of financial and extra-financial performance conditions and a presence condition over three years.
		o the condition precedent of the repayment of at least 75% of the State Aid).	In accordance with the terms and conditions of the long-term incentive plans regulations, to take into account the dilutive effect of the capital increase with maintained preferential subscription rights for shareholders in the Company realized on June 16, 2022, the Board of Directors of October 27, 2022, decided, as proposed by the Remuneration Committee, to adjust the following long-term incentive plans: the 2018-20/2019-21/2020-22/2021-23 Long- Term Phantom Share Plans, the 2019-21/2020-22/2021-23 Specific Long-Term Incentive Plans and the 2022-24 Long-Term Performance Shares Plan following the capital increase and, as a result, to multiply by 2.5 the number of performance units granted or to be granted under these plans. In application of this decision, on February 16, 2023 the Board of Directors granted 1,225,490 performance units to the Chief Executive Officer

under the 2022-24 Long-Term Plan.

Elements of compensation submitted to the vote	Amounts paid during the 2022 financial year	Amounts granted in respect of the 2022 financial year	Presentation
			It is also specified that the Chief Executive Officer has given a formal undertaking that he has not used and will not use risk hedging transactions in connection with this plan until the payment of the performance units.
			The main terms and conditions of this long-term incentive plan are detailed in section 2.5.3.2 c) of the 2021 Universal Registration Document.
Multi-year variable compensation	N/A	N/A	The Chief Executive Officer does not benefit from multi-year variable compensation.
Extraordinary variable compensation	N/A	N/A	The Chief Executive Officer does not benefit from extraordinary compensation.
Stock options, performance shares or other long-term benefit (equity warrants, etc.)	N/A	N/A	No awards of this type were made during the 2022 financial year.
Compensation in respect of a Board director mandate	N/A	N/A	The Chief Executive Officer does not receive compensation in respect of his Board director's mandate.
Benefits of any kind	€275,380	€275,380	The Chief Executive Officer benefits from a chauffeur-driven company car and a supplementary health and disability scheme. Given his relocation to France, he also benefits from an accommodation allowance, free airline tickets, school fees and advisory fees.
Severance payment	N/A	N/A	Pursuant to the 2022 compensation policy approved by the Shareholders' Meeting of May 24, 2022, the Chief Executive Officer continues to benefit from a severance payment granted to him by the Board of Directors during its meeting of August 16, 2018 in the event of forced termination, including dismissal, non-renewal of his mandate as Chief Executive Officer or resignation following a change of control (excluding any situation of gross misconduct on the part of the Chief Executive Officer).
			Pursuant to the recommendations of the AFEP-MEDEF Code, the basis of this severance payment is equivalent to two years of his annual fixed and variable compensation (based on specific calculation modalities referring, as necessary, to the target variable in the event of termination in the first 24 months).
			A coefficient (between 0% and 100%) will be applied to this amount on the basis of the performance of the interested party, measured with reference to the attainment of the performance criteria for the annual variable component of his compensation over the preceding two financial years of his mandate (or since his appointment, in the event of termination during the first two years). The Air France-KLM Board of Directors is responsible for evaluating the achievement of these performance criteria.
Non-compete indemnity	N/A	N/A	The Chief Executive Officer does not benefit from a non-compete indemnity.
Supplementary pension scheme	N/A	N/A	The Chief Executive Officer does not benefit from a collective supplementary pension scheme.

Elements of long-term variable compensation granted in respect of preceding financial years

Note that, in respect of the 2018 financial year, as recommended by the Remuneration Committee, the Board of Directors granted the Chief Executive Officer performance units within the framework of a Long-Term Incentive Plan ("Phantom Shares") payable in cash, and in respect of the 2019, 2020 and 2021 financial years, as recommended by the Remuneration Committee, the Board of Directors granted the Chief Executive Officer performance units within the framework of two long-term plans: a Long-Term Incentive Plan ("Phantom Shares") payable in cash and a Specific Long-Term Incentive Plan payable in shares.

It is stipulated that, during its meeting of October 27, 2022, the Board of Directors decided, as proposed by the Remuneration Committee, to adjust these long-term compensation plans following the capital increase with maintained preferential subscription rights for shareholders realized on June 16, 2022 and, as a result, to multiply by 2.5 the number of performance units granted in respect of these plans.

The coefficient of 2.5 was derived by applying to the number of performance units initially granted (or to be granted in respect of the 2022-24 Long-Term Incentive Plan) the ratio between the value of the share price prior to the detachment of the preferential subscription right and the value of the share price after the detachment of the preferential subscription right (ex-rights value) pursuant to the provisions of Articles L. 228-99 and R. 228-91 of the *Code de Commerce* and market practice.

The value of the share price retained before the detachment of the preferential subscription right corresponds to the closing share price on May 20, 2022 (the last stock market trading day prior to the Board of Directors' resolution of May 22, 2022), i.e. \leq 4.296. The value of the share price retained after the detachment of the preferential subscription right corresponds to the value of the share price calculated by Euronext on May 24, 2022, the day the launch of the capital increase was announced, i.e. \leq 1.740. As a result, the coefficient to be applied for the adjustment of the long-term incentive plans is 2.5 (4.296/1.740 = 2.5).

It is also stipulated that:

> Concerning the Long-Term Incentive Plan ("phantom shares"), in respect of the 2020 financial year, 200,400 performance units were granted to the Chief Executive Officer valued at €1,000,000, payable in cash in 2023 subject to the realization of the performance conditions and a three-year presence condition, excepting exercise by the Chief Executive Officer of his right to defer payment for a maximum of three years.

It is stipulated that, in application of the Board of Directors' resolution of October 27, 2022, the number of performance units granted in 2020 has been multiplied by 2.5. As a result, the number of performance units acquired in respect of the 2020 financial year is: 501,000.

At its meeting of February 16, 2023, the Board of Directors decided, as proposed by the Remuneration Committee, to set the level of achievement of the performance conditions

of the plan at an overall 59.3%, this overall figure including the achievement at:

- 57.66% of the condition linked to the Total shareholder Return (TSR) of the Air France – KLM share price compared with the weighted TSR of the companies in the sector,
- 80.0% of the condition linked to the Air France-KLM ROCE index realized relative to the budget, and
- 33.33% of the condition linked to the Dow Jones Sustainability Index for airlines.

As a result, as proposed by the Remuneration Committee, the Board of Directors set the number of performance units acquired by the Chief Executive Officer in respect of this plan for the 2020 financial year at 297,093.

Pursuant to Article L. 22-10-34 of the *Code de Commerce*, the payment of these 297,093 performance units is subject to the prior approval of the Shareholders' Meeting.

It is specified that, in 2023, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price following the announcement of the results for the financial year preceding the year in which the payment must in principle take place in application of the applicable plan.

> Concerning the Specific Long-Term Incentive Plan: in respect of the 2020 financial year: 200,400 performance units were granted to the Chief Executive Officer valued at €1,000,000, payable in shares in 2023 subject to the attainment of the performance conditions and a three-year presence condition.

It is stipulated that, in application of the Board of Directors' resolution of October 27, 2022, the number of performance units granted in 2020 has been multiplied by 2.5. As a result, the number of performance units acquired in respect of the 2020 financial year is: 501,000.

As proposed by the Remuneration Committee, during its meeting of February 16, 2023 the Board of Directors noted the level of achievement of the performance conditions of the plan which stood at an overall 86,67% this overall figure including the achievement at:

- 100.00% of the condition linked to the relative COI of Air France - KLM, and
- 33.33% of the condition linked to the CSR targets.

As a result, as proposed by the Remuneration Committee, the Board of Directors set the number of performance units payable in shares to the Chief Executive Officer at 434.216.

Pursuant to Article L. 22-10-34 of the *Code de Commerce*, the payment of these 434.216 performance units is subject to prior approval by the Shareholders' Meeting.

The following table summarizes the characteristics of the elements of long-term variable compensation granted to the Chief Executive Officer in respect of the 2018, 2019, 2020 and 2021 financial years.

Characteristics of the plan		Long-Term Inc	centive Plan (Ph	antom Shares) ayable in cash)	Sp	ecific Long-Term	Incentive Plan
	2018	2019	2020	2021	2019	2020	2021
Date of the Board of Directors meeting having granted the performance units	March 14, 2018	March 12, 2019	March 19, 2020	March 17, 2021	March 12, 2019	March 19, 2020	March 17, 2021
Date of the Shareholders' Meetings having approved these grants	May 28, 2019 (15 th reso- lution)	May 26, 2020 (13 th reso- lution)	May 26, 2021 (16 th reso- lution)	May 24, 2022 (14 th reso- lution)	May 26, 2020 (13 th reso- lution)	May 26, 2021 (16 th reso- lution)	May 24, 2022 (14 th reso- lution)
Number of performance units granted	36,714	110,253	200,400	195,313	110,253	200,400	195,313
Valuation on the grant date	€333,000	€1,000,000	€1,000,000	€1,000,000	€1,000,000	€1,000,000	€1,000,000
Year from which the payment can take place ⁽²⁾	2021(3)	2022(4)	2023(5)	2024	2022(6)	2023	2024
Presence conditions	3 years						
Number of performance units granted after the application of the coefficient of 2.5 linked to the neutralization of the recapitalization effect	91,785	275,632	501,000	488,282	275,632	501,000	488,282
Overall performance for the plan	100%	77.3%	59.3%	N/A	70.0%	86.7%	N/A
Number of performance units vested	91,785	213,063	297,093	N/A	192,942	434,216	N/A

(1) During its meeting of February 16. 2022, the Board of Directors decided, on the expiry of the Specific Long-Term Incentive Plan at the end of 2021, to replace the two long-term incentive plans (one payable in cash and one payable in shares) with a single long-term incentive plan (payable in shares), without changing the overall amount of long-term compensation for the Chief Executive Officer. This change aims to simplify the long-term compensation policy and add consistency, in accordance with market practices, as well as to further align the interests of the beneficiary with those of the shareholders. This change enables the reinforcement of the Air France-KLM Group (for more detail, see section 2.5.3.2 b) of the 2021 Universal Registration Document.

It is stipulated that pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation will be able to be paid until such time as at least 75% of the recapitalization measures has been repaid. Any payments in respect of the Long-Term Incentive Plan ("phantom shares") and the Specific Long-Term Incentive Plan will thus be deferred until the after the repayment of 75% of the recapitalization measures.
 In 2021, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect

of these performance units will be calculated with reference to the share price after the announcement of the results for the financial year preceding the one in which the payment must in principle take place pursuant to the applicable plan.

(4) In 2022, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price after the announcement of the results for the financial year preceding the one in which the payment must in principle take place pursuant to the applicable plan.

(5) In 2023, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price after the announcement of the results for the financial year preceding the one in which the payment must in principle take place pursuant to the applicable plan.

(6) It is stipulated that, pursuant to the amendment to the 2019 Specific Long-Term Incentive Plan detailed in section 2.5.3.2 b) of the 2021 Universal Registration Document, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years.

2.5.2.3 Ratios on the multiples of compensation paid to the executive officers in 2022

This section has been established pursuant to the provisions of Article L. 22-10-9, I, paragraph 6 of the *Code de Commerce* and to the AFEP guidelines updated in February 2021. It sets forth, for the Company's last five financial years, the ratios between the level of compensation for the executive officers and, firstly, the average compensation on a full-time equivalent base for employees of the Company other than the Company officers and, secondly, the median compensation on a full-time equivalent base for employees of the Company other than the Company officers. The following ratios have been calculated based on the annualized fixed and variable compensation paid during the relevant financial years.

Since the Company Air France-KLM does not include a representative number of employees during the relevant period (fewer than 20% of the staff in France), a broader scope has been used ("relevant scope") consisting of Air France employees on permanent contracts (except expatriate and seconded staff) in France, present and paid throughout the year on a full-time basis, representing more than 80% of the headcount in France.

2018 Financial Year
16.97
22.00

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

- > 2018 Financial Year:
 - the compensation of the Chair and Chief Executive Officer has been annualized based on Mr. Jean-Marc Janaillac's compensation in his capacity as Chair and Chief Executive Officer for the period from January 1 to May 15, 2018.

	2018 Financial	2019 Financial	2020 Financial	2021 Financial	2022 Financial
	Year	Year ⁽¹⁾	Year	Year	Year
Chair of the Board of Directors (Anne-Marie Couderc)					
Ratio with average employee compensation in the relevant scope	3.09	3.39	3.22	3.68	3.36
Ratio with median employee compensation in	0.00	0.00	5.22	5.00	5.50
the relevant scope	4.00	4.42	4.18	4.72	4.35
Chief Executive Officer (Benjamin Smith)					
Ratio with average employee compensation in					
the relevant scope	13.89	38.78	30.61	20.24	18.31
Ratio with median employee compensation in					
the relevant scope	18.00	50.57	39.63	25.96	23.69

 As the average and median compensation of employees in the relevant scope taken into account for the 2019 financial year corresponds to a budgeted amount in the 2019 Universal Registration Document, the amounts for the 2019 financial year presented here have been corrected.

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

- > 2018 Financial Year:
 - the compensation of the Chair of the Board of Directors has been annualized based on Ms. Anne-Marie Couderc's compensation in her capacity as Chair for the period from May 15 to December 31, 2018,
 - the compensation of the Chief Executive Officer has been annualized based on Mr. Benjamin Smith's compensation in his capacity as Chief Executive Officer from September 17 to December 31, 2018 (the compensation of Mr. Gagey, interim Chief Executive Officer from May 15 to September 17, 2018 has not been included in this calculation since it was established on the basis of his compensation as Chief Financial Officer and not on that of the compensation for the Chief Executive Officer);
- > 2019 Financial Year:
 - the annual variable compensation of the Chief Executive Officer paid in 2019 in respect of 2018 has been annualized based on Mr. Benjamin Smith's compensation in his capacity as Chief Executive Officer for the period from September 17 to December 31, 2018;

> 2020 Financial Year:

- note that, on March 19, 2020, the Chair of the Board of Directors waived the application in the 2020 financial year of her new annual fixed compensation set by the Board of Directors on February 19, 2020. Her annual gross fixed compensation was thus €200,000 in respect of her functions for 2020. Furthermore, the Chair submitted her fixed compensation paid during the 2020 financial year to the same wage modalities as those applied to all the Air France and Air France-KLM SA employees (notably its reduction *pro rata temporis* for the periods of partial activity applied to all the employees),
- note that, on March 19, 2020, the Chief Executive Officer informed the Board of Directors of his decision to submit his fixed compensation, paid during the 2020 financial year, to the same wage modalities as those applied to all the Air France and Air France-KLM SA employees (notably the reduction of the payment *pro rata temporis* for the periods of partial activity applied to all the employees for 2020). In practice, his annual fixed compensation was reduced by 25% between March 23 and December 31, 2020;

- > 2021 Financial Year:
 - note that, on February 17, 2021, the Chair of the Board of Directors reiterated her commitment to waiving the application of her new annual fixed compensation defined by the Board of Directors on February 19, 2020. Her annual fixed gross compensation, in respect of her functions for 2021, decided by the Board of Directors on February 17, 2021, was thus €200,000,
 - note that, on April 23, 2020, within the context of the crisis linked to the Covid-19 pandemic being traversed by the Air France-KLM Group, the Chief Executive Officer announced that he was waiving his annual variable compensation in respect of the 2020 financial year;

- > 2022 Financial Year
 - note that, on February 16, 2022, pursuant to the European Commission's decision of April 5, 2021 on case No.59913 relating to the recapitalization of Air France and Air France-KLM, which stipulates that the compensation for the Chair of the Board of Directors may not exceed the fixed portion of her compensation at December 31, 2019, the annual gross fixed compensation for the Chair of the Board of Directors was set at €200,000,
 - note that, pursuant to the European Commission's decision of April 5, 2021 on case No.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation will be able to be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid.

2.5.2.4 Change in the compensation policy

This section has been established pursuant to the provisions of Article L. 22-10-9, I, paragraph 7 of the *Code de Commerce* and to the AFEP guidelines updated in February 2021. It shows the annual change in compensation, the performances of the Company. Air France-KLM, the average remuneration on a full-time equivalent basis for employees of the Company Air France-KLM other than the Directors and the ratios referred to in section 2.5.2.3, for the last five financial years:

	2018 Financial Year	2019 Financial Year ⁽¹⁾	2020 Financial Year	2021 Financial Year	2022 Financial Year
Annual compensation					
Chair and Chief Executive Officer (Jean-Marc Janaillac) ⁽²⁾					
Compensation	€1,100,000	N/A	N/A	N/A	N/A
Change/N-1	+29.08%				
Ratio with average compensation	16.97	N/A	N/A	N/A	N/A
Change/N-1	+2.98				
Ratio with median compensation	22.00	N/A	N/A	N/A	N/A
Change/N-1	+4.00				
Chair of the Board of Directors (Anne-Marie Couderc) ⁽²⁾					
Compensation	€200,000	€215,985	€190,835(3)	€215,984	€215,984
Change/N-1	N/A	+7.99%	-11.64%	+13.18%	+0%
Ratio with average compensation	3.09	3.39	3.22	3.68	3.36
Change/N-1	N/A	+0.30	-0.17	+0.46	-0.32
Ratio with median compensation	4.00	4.42	4.18	4.72	4.35
Change/N-1	N/A	+0.42	-0.24	-0.54	-0.37
Chief Executive Officer (Benjamin Smith) ⁽²⁾					
Compensation	€900,000(4)	€2,470,345	€1,808,253(5)	€1,187,113(6)	€1,175,380(7)
Change/N-1	N/A	+174.47%	-26.80%	-52.32%	-1.00%
Ratio with average compensation	13.89	38.78	30.51	20.24	18.31
Change/N-1	N/A	+24.89	-8.27	-10.27	-1.93
Ratio with median compensation	18.00	50.57	39.63	25.96	23.69
Change/N-1	N/A	+32.57	-10.93	-13.68	-2.27
Board directors ⁽⁸⁾					
Compensation (formerly directors' fees)	€907,505(9)	€826,417	€706,133(10)	€637,772(11)	€836,321(12)
Change/N-1	+25.92%	-8.93%	-14.55%	-9.68%	+31.13%
Employees in the relevant scope ⁽¹³⁾					
Average compensation	€64,814	€63,696	€59,261	€58,656	€64,206
Change/N-1	+6.4%	-1.72%	-6.96%	-1.02%	+9.46(14)

Compensation of the Company officers

	2018 Financial Year	2019 Financial Year ⁽¹⁾	2020 Financial Year	2021 Financial Year	2022 Financial Year
Performance of the Company based on the reported	l figures				
Net Results (in € million)	419	290	-7,100 ⁽¹⁵⁾	-3,292	728
Change/N-1 (in € million)	+694	-129	-7,390	+3.808	+4,020
Current Operating Income (COI) (in € million)	1,332	1,141	-4,554(15)	-1,626	1,193
Change/N-1 (in € million)	-83	-264	-5,695	+2,928	+2,819
Net debt/EBITDA ratio	1.4x	1.5x	-6.5x	11.0x	1.75x
Change/N-1	-0.7	+0.1	-8	+17.5	-9.3x

As the average and median compensation of the employees in the relevant scope taken into account for the 2019 financial year corresponds to a budgeted amount (1)in the 2019 Universal Registration Document, the amounts for the 2019 financial year presented here have been corrected

The compensation for the Chair and Chief Executive Officer, the Chair of the Board of Directors and the Chief Executive Officer shown above have been calculated on the basis of the fixed and variable compensation paid during the relevant financial years. These elements have been annualized for the purposes of comparison. (2) Note that the Chair of the Board of Directors submitted her fixed compensation of €200,000 paid during the 2020 financial year to the same modalities as those (3)

applied to all the Air France and Air France-KLM SA employees (notably its reduction pro rata temporis for the period of partial activity applied to all the employees). The compensation of the Chief Executive Officer for the 2018 financial year only includes the Chief Executive Officer's annualized fixed compensation. The variable (4)

portion of the Chief Executive Officer's compensation granted in respect of the 2018 financial year was paid at the end of the Shareholders' Meeting of May 28, 2019. Note that the Chief Executive Officer informed the Board of Directors of his decision to submit his fixed compensation, paid during the 2020 financial year, to the same modalities as those applied to all the Air France and Air France-KLM employees (notably its reduction pro rata temporis for the periods of partial activity (5)applied to all the employees)

(6) Note that, on April 23, 2020, in view of the crisis linked to the Covid-19 pandemic being traversed by the Air France-KLM Group, the Chief Executive Officer announced that he was waiving his annual variable compensation in respect of the 2020 financial year.

The amount of annual variable compensation for the Chief Executive Officer in respect of the 2021 financial year was set at 121.11% of the annual fixed compensation, i.e. €1,098,984, by the Board of Directors during its meeting of February 16, 2022. This amount will be able to be paid to the Chief Executive Officer once 75% of the recapitalization measures has been repaid.

Note that, during its meeting of December 11, 2019, the Board of Directors decided to introduce a variable portion of compensation based on attendance, allocated (8) to the Board directors in respect of their functions within the advisory Committees

Audit Committee: - the Chair now receives a fixed portion of €4,500 and a variable portion of €7,500 based on attendance at Committee meetings; and the members now receive a fixed portion of $\pounds 3.000$ and a variable portion of $\pounds 5.000$ based on attendance at Committee meetings.

Other Committees

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

In view of the very high number of extraordinary meetings of the Board of Directors taking place during the 2018 financial year within the framework of the transitional governance period and the investment made by the different Board directors in attending these meetings, during its meeting of October 29, 2018, the Board of Directors granted an exceptional additional element of compensation (within the framework of the budget approved by the Shareholders' Meeting) to each Board director. These elements are set forth in section 2.5.2.1.

(10) On April 3, 2020, the Air France-KLM Board directors decided to reduce by 25% their compensation paid in 2020 pro rata temporis for the periods of partial activity applied to all the employees of Air France and Air France-KLM SA, i.e. from April 1 to December 31, 2020.

(11) On February 17, 2021, in view of the context of crisis linked to the Covid-19 pandemic, the Air France-KLM directors decided to reduce by 25% their compensation paid in 2021 until such time as the Group's current operating income (COI) has returned to a positive figure. (12) Following the deliberation of the Board of Directors of December 8, 2022, having noted that the first half financial statements at June 30, 2022 and the third quarter

financial statements had indicated that the Group's Current Operating Income would be positive at December 31, 2022, it was decided to remove the 25% reduction in the compensation for Board directors paid in respect of the 2022 financial year.

(13) Since the Company Air France-KLM SA does not include a representative number of employees during the relevant period (less than 20% of the employees in France), a broader scope has been used ("relevant scope") consisting of Air France employees on permanent contracts (except expatriate and seconded staff) in France, present and paid throughout the year on a full-time basis, representing more than 80% of the headcount in France.

(14) The increase in the compensation of employees within the relevant scope is explained by the recovery in activity at Société Air France with notably the reduction in partial activity. (15) The restated figures include the change in accounting principles for pensions (interpretation of IAS 19).

2.5.2.5 Additional information concerning the compensation paid or granted to all the Company officers in 2022

In the 2022 financial year, the total amount of compensation paid to the Board directors did not exceed the maximum budget of €950,000 approved by the shareholders during the Shareholders' Meeting of May 15, 2018.

Pursuant to Article L. 22-10-9, I, paragraph 10 of the de *Commerce Code*, it is specified that, during the 2022 financial year, no divergences or exemptions were applied relative to the implementation procedure for the compensation policy.

Elements of compensation for the executive officers pursuant to the AMF Position-Recommendation DOC-2021-02:

Summary table of the compensation of each executive officer (Table 2 – AMF Position-Recommendation – DOC-2021-02 (Appendix 2))

(in euros)	2022 Financial Year		2021	Financial Year
Ms. Anne-Marie Couderc, Chair of the Board of Directors	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Fixed compensation	200,000(1)	200,000(1)	200,000(2)	200,000(2)
Annual variable compensation	N/A	N/A	N/A	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Compensation granted in respect of a Board director's mandate	N/A	N/A	N/A	N/A
Benefits in kind	15,984 (3)	15,984 ⁽³⁾	15,984(3)	15,984(3)
Total	215,984	215,984	215,984	215,984

(1) Pursuant to the European Commission's decision of April 5, 2021 on case No.59913 relating to the recapitalization of Air France and Air France - KLM, which stipulates that the compensation for the Chair of the Board of Directors may not exceed the fixed portion of her compensation at December 31, 2019, the annual gross fixed compensation for the Chair of the Board of Directors in respect of the 2022 financial year was set at €200,000 by the Board of Directors during its meeting of February 16, 2022. Her annual fixed compensation was thus €200,00 in respect of her duties in 2022.

(2) The Chair of the Board of Directors waived the application in respect of the 2021 financial year of her new annual fixed compensation set by the Board of Directors in its meeting of February 19, 2020.

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

(in euros)	s) 2022 Financial Year		2021 F	inancial Year
Mr. Benjamin Smith, Chief Executive Officer	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Fixed compensation	900,000	900,000	900,000	900,000
Annual variable compensation	1,059, 769 ⁽¹⁾	0(2)	1,089,984(3)	0(2)
Long-term variable compensation	2,000,000(4)	N/A	2,000,000(5)	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Compensation granted in respect of a Board director's mandate	N/A	N/A	N/A	N/A
Benefits in kind	275,380 ⁽⁶⁾	275,380 ⁽⁶⁾	287,113(6)	287,113(6)
Total	4,235,149 ⁽²⁾	1,175,380	4,277,097 ⁽²⁾	1,187,113

(1) Subject to the condition precedent of the repayment of at least 75% of the State Aid, the criteria in application based on which this amount has been calculated are detailed in section 2.5.2.2 above.

(2) It is stipulated that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, no long-term variable compensation will be able to be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid.

(3) The details concerning the annual variable compensation of the Chief Executive Officer for 2021 are outlined in action 2.5.5.2.b of the 2021 Universal Registration Document.
 (4) Amount grant corresponding to 1,225,490 performance units (after application of the coefficient of 2.5 pursuant to the Board of Directors' resolution of October 27, 2022) calculated with reference to the Air France -KLM opening share price on April 1, 2022, granted subject to the condition precedent of the repayment of at least 75% of the State Aid, and payable in 2025 (excepting the exercise by the beneficiary of his right to defer payment for a maximum of three years). The number of performance units to be definitively vested is subject to a presence condition and performance conditions, evaluated over three years, and presented section 2.3.3.2 b of the Universal Registration DOcument 2021.

(5) Amount grant corresponding to 976,564 performance units (after application of the coefficient of 2.5 pursuant to the Board of Directors' resolution of October 27, 2022) calculated with reference to the Air France - KLM opening share price on April 1, 2021, payable in 2024 (excepting the exercise by the beneficiary of his right to defer payment for a maximum of three years). The number of performance units to be definitely vested is subject to a presence condition and performance conditions, evaluated over three years, and presented section 2.3.3.2 b of the Universal Registration Document 2020.

(6) The Chief Executive Officer benefits from a chauffeur-driven company car and a supplementary health and disability scheme. Given his relocation to France, he also benefits from an accommodation allowance, free airline tickets, school fees and advisory.

Summary table of the compensation, options and shares granted to each executive officer (Table 1 – AMF Position-Recommendation – DOC-2021-02 (Appendix 2))

(in euros)	2022 Financial Year	2021 Financial Year
Ms. Anne-Marie Couderc, Chair of the Board of Directors		
Compensation granted in respect of the financial year	215,984 (1)	215,984 (2)
Valuation of multi-year variable compensation granted during the financial year	N/A	N/A
Valuation of stock options granted during the financial year	N/A	N/A
Valuation of free shares granted during the financial year	N/A	N/A
Valuation of other long-term compensation plans	N/A	N/A
Total	215,984	215,984

(1) Pursuant to the European Commission's decision of April 5, 2021 on case No.59913 relating to the recapitalization of Air France and Air France - KLM which stipulates that the compensation for the Chair of the Board of Directors may not exceed the fixed portion of her compensation at December 31, 2019, the annual gross fixed compensation for the Chair of the Board of Directors in respect of the 2022 financial year was set at €200,000 by the Board of Directors during its meeting of February 16, 2022.

(2) The Chair of the Board of Directors waived the application in respect of the 2021 financial year of her new annual fixed compensation set by the Board of Directors meeting of February 19, 2020. Her annual gross fixed compensation was thus €200,000 in respect of her duties for 2021.

(in euros)	2022 Financial Year	2021 Financial Year
Mr. Benjamin Smith, Chief Executive Officer		
Compensation granted in respect of the financial year	4,235,149 ⁽¹⁾	4,277,097
Valuation of multi-year variable compensation granted during the financial year	N/A	N/A ⁽²⁾
Valuation of stock options granted during the financial year	N/A	N/A
Valuation of free shares granted during the financial year	N/A	N/A
Valuation of other long-term compensation plans	N/A	N/A
Total	4,235,149 ⁽³⁾	4,277,097

(1) This amount is detailed in the table above summarizing the compensation of the Chief Executive Officer.

(2) In the 2021 Universal Registration Document, an amount of €2,000,000 had been indicated on this line by mistake. This amount corresponded to the elements of long-term compensation figuring in the table summarizing the compensation for the Chief Executive Officer (Table 2 - AMF Position-Recommendation - DOC 2021-02 (Appendix 2)).

(3) It is stipulated that pursuant to the European Commission's decision of April 5, 2021 on case No. SA59913 relating to the recapitalization of Air France and Air France-KLM, no long-term variable compensation will be able to be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures has been repaid.

Summary table of the situation of the executive officers (Table 10 - AFEP-MEDEF Code)

Executive officers		oyment ontract	Supplem pension s (see		benefits potentially d cessation or	ue on a	Indemnity to a non-c	
	Yes	No	Yes	No	Yes	No	Yes	No
Ms. Anne-Marie Couderc Chair of the Board of Directors Start date of mandate: May 15, 2018 Expiry date of mandate: 2023 Ordinary Shareholders' Meeting ⁽¹⁾						\checkmark		
Mr. Benjamin Smith Chief Executive Officer Start date of mandate: September 17, 2018 Expiry date of mandate: 2027 Ordinary Shareholders' Meeting ⁽²⁾					√(3)			

Ms. Anne-Marie Couderc was appointed Chair of the Board of Directors from May 15, 2018 until the end of the 2023 Ordinary Shareholders' Meeting. Her mandate as Chair of the Board of Directors was renewed for an additional year by a decision of the Board of Directors on December 8, 2022, subject to the amendment of Article 26 of the Company's Articles of Incorporation increasing the age limit for exercising the functions of the Board of Directors, submitted to the shareholders' Meeting of June 7, 2023.
 The Chief Executive Officer has also been a Board director of Société Air France-KLM since December 5, 2018. His Board director mandate was submitted for

(2) The Chief Executive Officer has also been a Board director of Société Air France-KLM since December 5, 2018. His Board director mandate was submitted for ratification by the shareholders during the Shareholders' Meeting of May 28, 2019 then renewed during this same Shareholders' Meeting for a four-year term of office, i.e. until the end of the 2023 Ordinary Shareholders' Meeting. The renewal of the Chief Executive Officer's Board director mandate for a four-year term will be submitted to the vote by shareholders at the Shareholders' Meeting of June 7, 2023. Mr. Benjamin Smith's mandate as Chief Executive Officer was renewed early on March 30, 2022 for a further five-year term, effective as of the Shareholders' Meeting of May 24, 2022 and expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026.

(3) For more details on the severance payment to the benefit of the Chief Executive Officer, see section 2.5.2.2.

Loans and guarantees granted to the Company officers

None.

Stock options granted to the Company officers of Air France-KLM

Air France-KLM did not put in place any stock option schemes to the benefit of its company officers during the financial year, nor during the preceding financial years.

Stock option schemes granted to the Company officers of Air France-KLM and to the employees of the Air France-KLM Group by the subsidiaries

Air France and KLM have not recently put in place any stock option schemes to the benefit of their employees and no stock option schemes are currently in force.

Information on stock option schemes granted to the employees of the Air France-KLM Group and exercised by them during the financial year

None.

Performance shares granted to the Company officers of Air France - KLM

Air France-KLM and its subsidiaries did not put in place any stock option schemes to the benefit of its company officers during the financial year, nor during the preceding financial years.

2.5.2.6 Summary of the elements of compensation for the Chief Executive Officer

This section is not included in the management report approved by the Board of Directors on February 16, 2023.

The compensation elements of the Chief Executive Officer since 2018 are summarized below.

As a reminder, as proposed by the Remuneration Committee, the framework of the compensation policy for the Chief Executive Officer was set by the Board of Directors during its meeting of August 16, 2018. It stipulates that the compensation of the Chief Executive Officer shall be composed of the following three elements:

- 1) an annual fixed amount of compensation;
- 2) an annual variable amount of compensation linked to the performance during the previous financial year potentially reaching 122% of the fixed compensation at targets achieved and up to 150% in the event that the targets are exceeded; and
- 3) an amount of long-term variable compensation.

This compensation structure has remained unchanged since the Board of Directors' decisions of August 16, 2018 in terms of both the amount of fixed compensation and the amounts of annual and long-term compensation at targets achieved and the maximum amounts in the event that these targets are exceeded. Within the framework of this policy, the Chief Executive Officer receives benefits in kind whose scope has remained unchanged since 2018. Note that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France-KLM and Air France, no variable compensation was paid to the Chief Executive Officer during the 2021 and 2022 financial years.

The tables below summarize the elements of compensation for the Chief Executive Officer since 2018:

			2018(1)
Elements of compensation	Compensation granted for the fiscal year 2018	Compensation paid during the fiscal year 2018	Comments
Fixed compensation	262,500	262,500	Fixed compensation unchanged since 2018
Annual variable compensation subject to performance conditions	366,667	0	
Long-term variable compensation subject to presence condition	333,000	0	The amount allocated to long-term variable compensation (corresponding to 36,714 performance units granted in respect of the 2018-20 "Phantom Shares" Long-Term Incentive Plan calculated with reference to the Air France - KLM opening share price on August 17,2018) was subject to a three-year presence condition. In 2021, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. Based on the Air France - KLM opening share price of April 3, 2023, the value of the long-term compensation having vested is €155,759, corresponding to 91,785 performance units acquired (after application of the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022) in respect of the 2018-20 "Phantom Shares" Long-Term Incentive Plan. A summary of the information relating to the long- term compensation plans can be found in section 2.5.2.2 of the 2022 Universal Registration Document.
Benefits in kind		-	-
Total	962,167	262,500	

(1) Mr. Benjamin Smith was appointed Chief Executive Officer on September 17, 2018.

			2019
Elements of compensation	Compensation granted for the fiscal year 2019	Compensation paid during the fiscal year 2019	Comments
Fixed compensation	900,000	900,000	Fixed compensation unchanged since 2018
Annual variable compensation subject to performance conditions	768,456	366,667	The amount of €366,667 corresponds to the annua variable compensation acquired in respect of the 2018 financial year.
Long-term variable compensation subject to presence and performance conditions	2,000,000	0	The amount allocated to long-term variable compensation (corresponding to 110,253 performance units granted in respect of the 2019-21 "Phantom Shares" Long-Term Incentive Plan and 110,253 performance units granted in respect of the 2019-21 Specific Long- Term Incentive Plan, calculated with reference to the Air France–KLM opening share price on April 1, 2019, was subject to presence and performance conditions In 2022, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. Based on the Air France–KLM opening share price of April 3, 2023, the value of the long-term compensation having vested is €688,990, corresponding to 213,063 performance units acquired (after application of the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022) in respect of the 2019-21 Specific Long-Term Incentive Plan and to 192,942 performance units acquired (after application of the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022) in respect of the 2019-21 Specific Long-Term Incentive Plan. A summary of the information relating to the long-term compensation plans can be found in section 2.5.2.2 of the 2022 Universal Registration Document.
Benefits in kind	313,201	313,201	
Total	3,981,657	1,579,868	

2	0	2	0

2

			2020	
Elements of compensation	Compensation granted for the fiscal year 2020	Compensation paid during the fiscal year 2020	Comments	
Fixed compensation	744,511	744,511	The Chief Executive Officer decided to reduce by 25% his fixed compensation paid during the 2020 financial year as of the onset of the crisis linked to the Covid-19 pandemic until the end of the year.	
Annual variable compensation subject to performance conditions	0	768,456	The Chief Executive Officer waived the payment of his annual variable compensation in respect of the 2020 financial year.	
			The amount of €768,456 corresponds to the annual variable compensation received in respect of the 2019 financial year.	
Long-term variable compensation subject to presence and performance conditions	2,000,000	0	The amount allocated to the long-term variable compensation (corresponding to 200,400 performance units granted in respect of the 2020-22 "Phantom Shares" Long-Term Incentive Plan and to 200,400 performance units granted in respect of the 2020-22 Specific Long-Term Incentive Plan, calculated with reference to the Air France-KLM opening share price on April 1, 2020) was subject to presence and performance conditions.	
			In 2023, the Chief Executive Officer exercised his right to defer payment of the performance units granted in respect of the 2020-22 "Phantom Shares" Long- Term Incentive Plan for a maximum of three years.	
			Based on the Air France-KLM opening share price of April 3, 2023, the value of the long-term variable compensation vested is €1,241,031, corresponding to 297,093 performance units acquired (after application of the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022) in respect of the 2020-22 "Phantom Shares" Long-Term Incentive Plan and 434,216 performance units acquired (after application of the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022) in respect of the 2020-22 Specific Long-Term Incentive Plan. A summary of the information relating to the long-term compensation plans can be found in section 2.5.2.2 of the 2022 Universal Registration Document.	
Benefits in kind	295,287	295,287		
Total	3,039,798	1,808,254		

			2021	
Elements of compensation	Compensation granted for the fiscal year 2021	Compensation paid during the fiscal year 2021	Comments	
Fixed compensation	900,000	900,000	Fixed compensation unchanged since 2018	
Annual variable compensation subject to performance conditions	1,089,984	0	The Chief Executive Officer waived the payment of his annual variable compensation in respect of the 2020 financial year.	
Long-term variable compensation subject to presence and performance conditions	2,000,000	0	The amount allocated to the long-term variable compensation (corresponding to 488,282 performance units granted in respect of the 2021-23 "Phantom Shares" Long-Term Incentive Plan and to 488,282 performance units granted in respect of the 2021-23 Specific Long- Term Incentive Plan, calculated with reference to the Air France – KLM opening share price on April 1, 2021) is subject to presence and performance conditions. This long-term variable compensation is payable at the end of a three-year period in 2024. A summary of the information relating to the long-term compensation plans can be found in section 2.5.2.2, of the 2022 Universal Registration Document.	
Benefits in kind	287,113	287,113		
Total	4,277,097	1,187,113		

2022

Elements of compensation				
	Compensation granted for the fiscal year 2022	Compensation paid during the fiscal year 2022	Comments	
Fixed compensation	900,000	900,000	Fixed compensation unchanged since 2018	
Annual variable compensation subject to performance conditions	1,059,769	0	No variable compensation has been able to be paid to the Chief Executive Officer until such time is at least 75% of the State Aid has been repaid.	
Long-term variable compensation subject to presence and performance conditions	2,000,000	0	The amount allocated to the long-term variable compensation (corresponding to 1,225,490 performance units after application of the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022) granted in respect of the 2022-24 "Phantom Shares" Long-Term Incentive Plan, calculated with reference to the Air France–KLM opening share price on April 1, 2022 (subject to the condition precedent of the repayment of at least 75% of the State Aid)) is subject to presence and performance conditions. This long-term variable compensation is payable at the end of a three-year period in 2025. A summary of the information relating to the long-term compensation plans can be found in section 2.5.2.2 of the 2022 Universal Registration Document.	
Benefits in kind	275,380	275,380		
Total	4,235,149	1,175,380		

140

2.5.3 Compensation policy for the Company officers in respect of 2023

This section has been established pursuant to Articles L. 22-10-8 and R. 22-10-14 of the *Code de Commerce* and outlines the elements composing the compensation policy for the Company officers in respect of 2023.

As recommended by the Remuneration Committee, the Board of Directors has taken into account the vote of the Shareholders' Meeting of May 24, 2022 on the compensation for the executive officers in respect of the 2022 financial year to determine the 2023 compensation policy for the Company officers.

Established by the Board of Directors, as recommended by the Remuneration Committee and consistent with the provisions of the AFEP-MEDEF Code, the compensation policy for the Company officers of Air France-KLM in respect of the 2023 financial year:

- > complies with the Company's corporate interests (*intérêt social*) in that it enables qualified company officers to be attracted and retained while being adapted to the responsibilities of the beneficiary and consistent with the practices in comparable companies;
- is aligned with its commercial strategy in that it is composed, of a long-term variable portion giving the executive directors an interest in the Company's results and adapted as a function of the strategic priorities; and
- > contributes to the Company's long-term sustainability in that it is always aligned with the interests of shareholders.

This policy is subject to an annual review by the Remuneration Committee. The work of the Remuneration Committee takes into account the examination of benchmarking studies carried out with the help of external consultants to compare this policy with the practices in comparable companies. The Committee also ensures that the compensation policy is aligned with the Company's strategy. On the basis of this work, the Committee formulates recommendations for the Board which then sets the compensation policy on an annual basis. The Remuneration Committee also formulates recommendations for the Board regarding its implementation.

As recommended by the Remuneration Committee, during the establishment of the compensation policy for company officers, the Board of Directors takes into account the remuneration and employment conditions of Air France-KLM's employees. As for all the employees of Air France-KLM, the Board of Directors ensures the implementation of a simple, understandable and consistent compensation policy in a fair manner. The Board of Directors takes particular care that, at their individual level, all the employees and company officers have the material resources required for the fulfilment of their respective duties.

The Internal Rules of the Board of Directors, as amended by the Board of Directors resolution of February 16, 2023, stipulate that any Board director in a situation of conflict of interests, even potential, must inform the Board of Directors and abstain from attending the debate or participating in the vote for the corresponding deliberation. The executive officers are not present during the discussions of the Board of Directors and the Remuneration Committee regarding their own compensation. Should a new Chair of the Board of Directors or a new Chief Executive Officer be appointed, the elements of compensation foreseen in the compensation policy for company officers would also apply to them. As recommended by the Remuneration Committee, the Board of Directors will then determine, while adapting them to the situation of the interested parties, the targets, levels of performance, parameters, structure and maximum percentages relative to their annual fixed compensation which may not be higher than those approved by the Shareholders' Meeting.

The 2023 compensation policy for the Company officers outlines all the components of the fixed and, as necessary, variable compensation for Board directors (section 2.5.3.1 hereinafter); the Chair of the Board of Directors (section 2.5.3.2 a. hereinafter); and the Chief Executive Officer (section 2.5.3.2 b. hereinafter), and explains the decision-making process for its establishment, review and implementation.

This 2023 compensation policy for the Company officers will be the subject of a draft resolution submitted for approval by the Shareholders' Meeting of June 7, 2023 under the conditions provided for in Article L. 22-10-8 of the *Code de Commerce* and on any material amendment to the compensation policy.

2.5.3.1 Compensation for the Board directors in respect of 2023

Subject to approval of the 2023 compensation policy for the Company officers by the Shareholders' Meeting of June 7, 2023, the Board directors of Air France-KLM will receive, in respect of their Board directors' mandates, compensation (formerly directors' fees) amounting to a maximum amount which was set at €950,000 for the entire Board of Directors.

The compensation for Board directors shall be composed of a flat-rate amount of compensation, with an additional portion calculated as a function of their respective attendance records, whose modalities for distribution and granting are set by the Board of Directors, as proposed by the Remuneration Committee.

These allocation rules have been unchanged since the Board of Directors' resolution of February 19, 2014, and are as follows:

- > €15,000 in flat-rate compensation;
- > €25,000 of compensation based on their individual attendance records at meetings of the Board of Directors and at Shareholders' Meetings; and
- > a sum of additional compensation is also granted to non-resident Board directors (€7,000).

As its meeting of December 11, 2019, the Board of Directors also decided that a portion of the compensation for Board directors in respect of their functions within the Committees would be based on their attendance records:

- > for the Audit Committee:
 - the Chair will receive flat-rate compensation of €4,500 plus a maximum of €7,500 based on their attendance record at Committee meetings, and

- the members will each receive flat-rate compensation of €3,000 plus a maximum of €5,000 as a variable portion based on their respective attendance records at Committee meetings;
- > for the other Committees:
 - the Chair will receive flat-rate compensation of €3,000 plus a maximum of €4,500 based on their individual attendance records at Committee meetings, and
 - the members will receive flat-rate compensation of €2,000 plus a maximum of €3,000 based on their individual attendance records at Committee meetings.

It is specified that, relative to the allocation policy voted in 2014, the introduction of an amount of compensation based on attendance in respect of the functions exercised within the Committees (i) does not change the total budget granted for the duties exercised within the Committees as either member or Chair, and (ii) has been set based on the same proportions as the attendance-record-based compensation defined for meetings of the Board of Directors.

For Board directors leaving or joining the Board during the financial year, the amount of compensation is calculated *pro rata temporis* based on the number of Board of Directors, Committee and Shareholders' Meetings held during the period the Board director was in function.

In respect of the aforementioned allocation, all the Board directors, with the exception of the Chair of the Board of Directors and the Chief Executive Officer, will receive an amount of compensation in line with the allocation modalities set by the Board of Directors.

It is also specified that, in the event of a high number of extraordinary meetings of the Board of Directors, the Board of Directors will be able to decide on an exceptional and additional allocation, within the limits of the budget allocated by the Shareholders' Meeting. The additional amount will be calculated *pro rata temporis* based on the attendance records of the individual Board directors at these extraordinary meetings.

The Board directors (non-executive company officers) will not be able to benefit from:

- > a long-term incentive plan or specific long-term incentive plan;
- > benefits in kind which are not linked to their duties;
- > an employment contract;
- > a non-compete indemnity;
- > an award of stock-options or free shares.

Modalities for the granting and payment of the compensation (formerly directors' fees) to representatives of the State and Board directors appointed as proposed by the French State

The allocation rules for compensation paid to the Board directors outlined above are applicable to the State representatives and to the Board directors appointed as proposed by the French State.

Pursuant to Ordinance No. 2014-948 of August 20, 2014 and Article 1 of the ministerial order of December 18, 2014, as amended by the ministerial order of January 5, 2018, the following rules apply:

- > for Board directors appointed directly by the French State, 100% of the compensation is paid to the French State (Article 5 of the Ordinance);
- for Board directors appointed by the Shareholders' Meeting as proposed by the French State (Article 6 of the Ordinance), there are two separate cases:
 - for public officials of the French State, 100% of the compensation is paid to the State,
 - for those not acting in the capacity of public officials, the payment of the compensation is shared as follows:
 - 15% paid to the State, and
 - 85% paid directly to the relevant Board director (with the application of the social and tax charges).

2.5.3.2 Compensation of the executive officers in respect of 2023

Based on the recommendation of the Remuneration Committee, the compensation packages of the Chair of the Board of Directors and of the Chief Executive Officer are set by the Board of Directors, pursuant to the provisions of the AFEP-MEDEF Code.

Pursuant to the Internal Rules, as recommended by the Remuneration Committee, the Board of Directors also approves the compensation of the Chief Executive Officers of the principal subsidiaries (Air France and KLM). Furthermore, the Remuneration Committee makes recommendations to the Chief Executive Officer regarding the compensation of the Group's Chief Financial Officer and reviews the compensation of the members of the KLM Managing Board.

These compensation policies establish the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of any kind awarded, firstly, to the Chair of the Board of Directors and, secondly, to the Chief Executive Officer, as well as their relative scale. All of these elements are detailed in this section in point a) relating to the mandate of the Chair of the Board of Directors and b) relating to the mandate of the Chief Executive Officer, pursuant to the provisions of Articles L. 22-10-8 and R. 22-10-14 of the *Code de Commerce*.

a) 2023 compensation policy for the Chair of the Board of Directors

Ms. Anne-Marie Couderchasbeen a member of the Air France-KLM Board of Directors since May 19, 2016. Her Board director mandate was renewed during the Shareholders' Meeting of May 26, 2020 for a four year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2023. Ms. Anne-Marie Couderc was appointed Chair of the Board of Directors from May 15, 2018 and until June 7, 2023. Her mandate as Chair of the Board of Directors was renewed for one additional year by a resolution adopted by the Board of Directors during its meeting of December 8. 2022. subject to approval by the shareholders during the Shareholders' Meeting of June 7, 2023 of the amendment to Article 26 of the Company's Articles of Incorporation stipulating that, when the age limit for the Chair of the Board of Directors is reached during the course of his or her Board director mandate, the latter will continue to exercise his or her duties as Chair of the Board of Directors until the end of his or her Board director mandate. The Chair of the Board of Directors may be dismissed at any time by the Board of Directors. Ms. Anne-Marie Couderc has no employment contract binding her to the Company or another company within the Group.

During its meeting of February 16, 2023, the Board of Directors defined, as proposed by the Remuneration Committee, the structure of the compensation to be granted to the Chair of the Air France-KLM Board of Directors in respect of the 2023 financial year.

Annual compensation (fixed and variable)

Description of the annual fixed and variable elements

During its meeting of February 16, 2023, the Board of Directors decided, as recommended by the Remuneration Committee and at the request of the Chair of the Board of Directors, to set the annual gross fixed compensation for the Chair of the Board of Directors at €200,000 in respect of her duties. Note that a revised amount of annual fixed compensation for the Chair of the Board of Directors had been set at €220.000 by the Board of Directors on February 19, 2020 but the Chair of the Board of Directors had waived this increase in respect of the 2020 and 2021 financial years and this increase was not applied in respect of the 2022 financial year in compliance with the European Commission's decision of April 5, 2021 on case No. SA59913 relating to the recapitalization of Air France and Air-France-KLM which stipulates that the compensation of the Chair of the Board of Directors may not exceed the fixed portion of her compensation at December 31, 2019. The Chair of the Board of Directors will not benefit from variable or multi-year compensation.

Annual extraordinary compensation

The Chair of the Board of Directors will not benefit from annual extraordinary compensation.

Long-term incentive plan or specific long-term incentive plan

The Chair of the Board of Directors will not benefit from a long-term incentive plan or a specific long-term incentive plan.

- Compensation in the capacity of Board director

The Chair of the Board of Directors will not receive compensation in respect of her Board director duties.

Severance payment

The Chair of the Board of Directors will not benefit from a severance payment.

Benefits in kind

The Chair of the Board of Directors will dispose of material resources (chauffeur-driven company car) that cannot, in practice, be separated from the performance of her duties.

Others

The Chair of the Board of Directors will not benefit from an employment contract, nor from a top-up pension plan, non-compete indemnity, stock options or free shares.

b) 2023 compensation policy for the Chief Executive Officer

Mr. Benjamin Smith was appointed Chief Executive Officer as of September 17, 2018 and a Board director as of December 5, 2018. His Board director mandate was submitted for ratification by the shareholders during the Shareholders' Meeting of May 28, 2019 then renewed during this same Shareholders' Meeting for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2022. The renewal of his Board director mandate for a term of four years, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026, will be submitted to the vote by shareholders at the Shareholders' Meeting on June 7, 2023. The term of his mandate as Chief Executive Officer is five years. It was renewed early on March 30, 2022, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026. The Chief Executive Officer may, however, be dismissed at any time by the Board of Directors. Mr. Benjamin Smith has no employment contract with the Company or any other company within the Group.

Note that, given the adoption of the Group's new governance during 2018, and in view of the profile and international experience of Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM as of September 17, 2018, the Air France-KLM Board of Directors considered it necessary to modify the framework for the compensation of the Group's Chief Executive Officer which had been approved by the Shareholders' Meeting of May 15, 2018 and which had de facto become inapplicable.

Within this context, the Board of Directors had reviewed the compensation practices for similar functions at competitor airline companies internationally and taken into account the compensation paid to Mr. Benjamin Smith in respect of his duties at Air Canada, as well as his residency of Canada which required him to relocate to France.

It is specified that, to determine the elements of compensation for the Chief Executive Officer, the Air France-KLM Board of Directors referred to a sample of compensation in place in comparable international groups. The compensation structure set by the Board of Directors in August 2018 remained unchanged for the 2019 to 2022 financial years. It is also within this framework that the compensation policy has been set for the 2023 financial year. It is however stipulated that, in 2022, the two long-term incentive plans (one payable in cash and the other payable in shares) were replaced by a single long-term incentive plan (payable in shares) without changing the overall amount of the long-term compensation for the Chief Executive Officer. This adaptation was aimed at simplifying the plans in place and making them consistent with the market practices and reinforcing the link with shareholders' interests based on the Group's strategic goals.

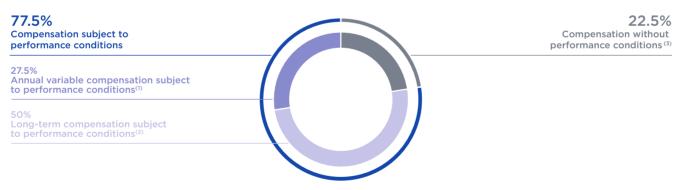
During the Shareholders' Meeting of May 24, 2022, the resolution on the fixed, variable and extraordinary elements of the total compensation and the benefits in kind of any nature paid during the 2021 financial year to the Chief Executive Officer (14th resolution) was 75.06% approved while the 2022 compensation policy for the Chief Executive Officer was approved at 74.71% (17th resolution). These approval levels are explained, firstly, by the governance rules applicable to certain reference shareholders and, secondly, by the influence of some consulting firms over votes cast at the 2022 Shareholders' Meeting, their disapproval notably concerning the replacement of the two long-term incentive plans (one payable in cash and the other in shares) by a sole long-term incentive plan (payable in shares).

During its meeting of February 16, 2023, as proposed by the Remuneration Committee, the Board of Directors set the compensation structure for the Chief Executive Officer of Air France – KLM in respect of the 2023 financial year. This compensation structure is composed of an amount of fixed compensation representing 22.5% of Mr. Benjamin Smith's total compensation, annual variable compensation representing 27.5% of his total compensation and long-term variable compensation representing 50% of his total compensation. More than 75% of Mr. Benjamin Smith's total annual compensation thus depends on the achievement of demanding performance conditions.

The performance criteria linked to the variable compensation within the framework of the 2023 compensation were set pursuant to the Board resolutions of February 16, 2023. During its meeting of March 16, 2023, the Board of Directors specified the levels of performance and the achievement percentages for these criteria.

It is specified that, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, an amount of variable compensation will be granted to the Chief Executive Officer of Air France-KLM in respect of the 2023 financial year subject to the repayment of at least 75% of the recapitalization measures. In this regard, on February 16, 2023, Air France-KLM announced that the repayment of at least 75% of the State Aid should take place in March, 2023.

Structure of the compensation for the Chief Executive Officer of Air France-KLM in respect of the 2023 financial year



(1) 122% of the fixed compensation on achievement of the targets potentially rising to 150% should the targets be exceeded.

(2) A long-term incentive plan conferring the right to the granting of performance units corresponding to an amount of €2 million.

(3) Amount of €900,000.

Annual compensation (fixed and variable)

Description of the annual fixed and variable elements

The Chief Executive Officer will continue to benefit from annual gross fixed compensation of €900,000 and annual gross variable compensation potentially varying between 0% and 122% of the annual gross fixed compensation at targets partially achieved (calculated on a linear basis), and potentially reaching a maximum of 150% in the event the targets are exceeded (calculated on a linear basis). It is stipulated that the structure of the annual fixed and variable compensation has been unchanged since 2019.

The performance criteria which were set by the Board of Directors during its meeting of February 16, 2023, are 60% quantitative

criteria linked to the Group's financial performance and targets, and 40% qualitative criteria linked to non-financial targets (but measurable, with the exception of the "Individual & Leadership Performance" criterion which is subject to qualitative evaluation). The Board of Directors has set ambitious levels of performance and achievement percentages for the 2023 financial year.

The quantitative criteria linked to performance and the Group's financial targets set by the Board of Directors during its meeting of March 16, 2023 were established in a context of the Group's exit from the crisis linked to the Covid-19 pandemic and are an integral part of an ambitious business redevelopment strategy for the Group.

	Breakdown of the variable portion	
	Target: 122% of the fixed compensation	Maximum: 150% of the fixed compensation
Quantitative financial performance		
Absolute Current Operating Income (COI) Air France-KLM COI at December 31, 2023 compared to the COI figuring in the 2023 budget	24.4%	30.0%
Air France-KLM unit costs Comparison between the unit costs of Air France-KLM during the 2023 financial year with those of the 2022 financial year (constant fuel price, currency and furlough programs)	24.4%	30.0%
Strengthening of Air France-KLM's equity under IFRS Realization of measures strengthening Air France-KLM's equity under IFRS	24.4%	30.0%
Qualitative non-financial performance		
Societal & Environmental Responsibility (CSR)	12.2%	15.0%
People	12.2%	15.0%
Customer	12.2%	15.0%
Individual & Leadership	12.2%	15.0%

- Evaluation of the 2023 performance criteria

Quantitative financial performance:

The quantitative performance relative to the financial criteria (Absolute Current Operating Income, Air France-KLM unit costs, strengthening of Air France-KLM's equity under IFRS) will be evaluated on the basis of the following rules:

Absolute Air France-KLM COI	Performance	% attainment of the criterion
Air France - KLM COI at December 31, 2023 compared with the COI figuring in the 2023 budget	Level 1.<70% of the target	0%
	Level 2. Between 70%	From 0% to the target
	and 100% of the target	Proportionate
	Level 3. Target	100%
	Level 4. Above the target	100% to Maximum
	and below 130%	Proportionate
	Level 5. > 130% of the target	Maximum

2023 unit costs (constant fuel price, currency and furlough programs (Now/partial activity) compared with 2022

Comparison between the unit costs of Air France-KLM during the 2023 financial year and the unit costs of Air France-KLM during the 2022 financial year	% attainment of the criterion	
Level 1. Significantly below the target	0%	
Level 2. Below the target	From 0% to the target Proportionate	
Level 3. Target	100%	
Level 4. Above the target and below the maximum	100% to Maximum Proportionate	
Level 5. Significantly above the target	Maximum	

Air France-KLM IFRS equity restoration

Realization of the measures strengthening the IFRS equity vs the target	% achievement of the criterion
Level 1. Significantly below the target	0%
Level 2. Below the target	From 0% to the target Proportionate
Level 3. Target	100%
Level 4. Above the target and below the maximum	100% to Maximum Proportionate
Level 5. Significantly above the target	Maximum

Qualitative non-financial performance

The qualitative performance relative to the non-financial criteria (CSR, People, Customer, Individual & Leadership) will be evaluated on the basis of the following rules:

Societal & Environmental Responsibility (CSR)	 The evaluation will cover the actions and results on Societal & Environmental Responsibility, notably in the light of the following priority: engage in the appropriate initiatives to stay on track for the 2030 environmental road map, notably by (i) continuing to secure a substantial proportion of the SAF requirement and (ii) continuing to modernize the fleet and its impact on CO₂ reduction.
People	 The evaluation will cover the actions and results on Human Capital, notably in the light of the following priorities: improvement in the staff engagement score versus 2022; Diversity of the 10% of managers at the highest level of responsibility
Customer	 The evaluation will review the actions and results on customer engagement, notably in the light of the following fundamental priorities: improvement in the NPS versus 2022; realization of the flight schedule evaluated with regard to punctuality.
Individual & Leadership Performance	 The evaluation will review the actions and results, notably in the light of the following fundamental priorities: 1) Maintained social stability; 2) Strategic view on the market; 3) Transformation disruption; 4) Increase involvement towards the support functions.

Societal & Environmental Responsibility

Performance	Percentage granted
Below the target	0%
Target attained	100%
Significantly above target	Maximum

Human Capital

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

Percentage granted

0% to Maximum

2

Customer Relations

Performance	Percentage granted
Significantly below the target	O%
Target attained	100%
Significantly above the target	Maximum

Individual & Leadership

Performance

Subject to the evaluation of the Board of Directors

As necessary and in any case, this annual variable compensation would be subject to approval by the Shareholders' Meeting in the year during which the Board of Directors may decide to grant any such compensation, in application of Article L. 22-10-8 of the *Code de Commerce* (ex-ante vote), and the year of its payment, in application of Article L. 22-10.34 of the *Code de Commerce* (ex-post vote).

Long-term compensation

The compensation policy for the Chief Executive Officer is predominantly composed of long-term variable elements to

Long-term compensation scheme for Air France-KLM

align the compensation with the Group's performance on a long-term perspective, thereby contributing to the Company's strategy and long-term sustainability.

These elements of compensation correspond to a Long-Term Incentive Plan subject to the achievement of demanding performance conditions evaluated over a three-year period and covering the interests of the Group, its employees and its shareholders. Note that the vesting and payment of these elements of compensation will only take place at the end of this three-year period.

	Target grant in 2023	Assessment of per	formance conditions (over 3 years	Payment in 2026 Subject to the achievement of performance criteria over the 3 years and continuous attendance
		2023	2024	2025	2026
Long-term incentive plan	Target grant in 2023	Evaluation of the Financial and CSR performance criteria over the financial year	Evaluation of the Financial and CSR performance criteria over the financial year	Evaluation of the Financial and CSR performance criteria over the financial year	Payment in Air France – KLM shares (target grant x achievement of performance conditions)

c) Long-term incentive plan

The Group plans to launch targeted strategic actions aimed at improving the medium and long-term operational performance, into line with the best international airline standards, while taking into account the environmental and societal issues linked to its growth. Accordingly, a new long-term incentive plan applicable to the Chief Executive Officer and to a number of the Group's other managers and employees has been established pursuant to the resolutions of the Board of Directors of February 16, 2022. During its meeting of February 16, 2023, the Board of Directors decided to establish a long-term incentive plan appliable to the Chief Executive Officer with the same characteristics as the long-term incentive plan established in 2022. This decision is aimed at the stability of the conditions applicable to the compensation of the Chief Executive Officer and consistency with market practices. In respect of this plan, the Chief Executive Officer is thus granted performance units on an annual basis corresponding to an amount of €2 million, payable in shares at the end of a three-year vesting period following the grant, subject to the attainment of specific performance conditions, evaluated over the whole of this period, and with a maximum of 100% over three years. The payment of the performance units is also subject to a three-year presence condition, except in the event of death or disability (without performance conditions), or retirement departure or in some cases of forced termination (the performance conditions remaining applicable). It is specified that one performance unit will confer the right to one Air France-KLM share. The number of performance units granted each year is calculated with reference to the Air France-KLM opening share price on April 1 of the grant year. The payment of these performance units (subject to performance and presence conditions) is made in Air France-KLM shares (one performance unit conferring the right to one share). The Board of Directors reserves the option, instead of the granting of units, to grant an equivalent number of performance shares with the same performance and presence conditions. At its meeting of February 16, 2023, the Board of Directors thus set demanding performance conditions for the evaluation, as necessary, of the Chief Executive Officer's long-term performance for the eventual granting of this long-term variable compensation as described below. It is stipulated that the levels of performance and the achievement percentages of these criteria were set by the Board of Directors during its meeting of March 16, 2023.

	Performance	Vesting of a % of the grant with a maximum of 100% over 3 years
1. Net debt/EBITDA (25%)	Level 3. 130%	130%
Comparison of the net debt/EBITDA ratio with the budget at the end of the 2023-25 period	Level 2. 70% to 130%	0 to 130% Proportionate
	Level 1. < 70%	0%
2. Relative AF-KL COI margin evolution (25%) Reduction in the gap in Air France–KLM's performance	Reduction in the gap relative to Lufthansa and IAG	100% Maximum
relative to those of IAG and Lufthansa Group over 3 years (2023, 2024, 2025)	Reduction in the gap relative to Lufthansa or IAG	0% to 100% Proportionate
	Increase in the gap relative to Lufthansa and IAG	0%
3. Relative TSR position (20%)	Position 1	130%
TSR position relative to IAG and Lufthansa (2023, 2024, 2025)	Position 2	70%
	Position 3	0%
4. CSR performance targets (30%)		See the evaluation rules below

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

	Indicators Targets	
Environment	Reduce the well-to-wake jet fuel scope 1 and 3 greenhouse gas (GHG) emissions (in tons of CO ₂ equivalent per Revenue-Ton Kilometer (RTK)	025 relative to the 2019 baseline
Employees		lative to 2022 and achievement of a 025 relative to 2022 amongst the 10% evel of responsibility
Customers	. Reinforce customer satisfaction Improve the 2025 NPS score rel	lative to 2022.

These criteria are evaluated in the following manner:

Criteria	Performance	Percentage grant
Identical evaluation of each criterion	Significantly above target	Max (100%)
	Target achieved	50%
	Significantly below target	0%

The number of performance units granted in 2023 will be calculated with reference to the Air France-KLM opening share price on April 1, 2023. Payment of these performance units, subject to performance and presence conditions, will be made in Air France-KLM shares (one performance unit conferring the right to one share).

It is stipulated that the Chief Executive Officer has not used and has given a formal undertaking not to use risk hedging transactions within the framework of this plan until payment of the performance units.

d) 2018, 2019, 2020, 2021 and 2022 long-term incentive plans

In 2023, the Chief Executive Officer will continue to benefit from the long-term incentive plans granted in 2018, 2019, 2020, 2021 and 2022 (granted subject to the condition precedent of the repayment of at least 75% of the State Aid) with the option to defer payment of these performance units for a maximum of three years (already exercised for the 2018 plan, the 2019 plans and the 2020 "phantom shares" plan).

For more details on the long-term incentive plans, see section 2.5.2.2 b of the 2022 Universal Registration Document.

e) Severance payment and benefits in kind

The Chief Executive Officer will continue to benefit from the severance payment granted by the Board of Directors in its meeting of August 16, 2018, as approved by the Shareholders' Meeting of May 28, 2019.

During its meeting of August 16, 2018, the Board of Directors authorized the granting to the Chief Executive Officer of a severance payment in some instances of forced termination, including dismissal, non-renewal of his mandate as Chief Executive Officer or resignation following a change of control (other than in relation to a gross misconduct). It is specified that the instance of forced termination enabling the implementation of this severance pay excludes any situation of serious misconduct on the part of the Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the basis of the severance payment is equivalent to two years of his annual fixed and variable compensation (based on specific calculation methods referring, as applicable, to the target variable in the event of a termination during the first 24 months).

A coefficient (between 0 and 100% inclusive) will be applied to the basis of the severance payment based on the performance of the interested party with reference to the level of the achievement of the performance criteria relating to the annual variable component of his compensation over the two last financial years of his mandate (or since his appointment, in the event of termination during the first 24 months). The Board of Air France-KLM will be responsible for evaluating the achievement of these performance criteria.

The Chief Executive Officer will also benefit from the usual benefits in kind (chauffeur-driven company car, supplementary pension scheme benefiting all Group employees, supplementary health insurance and disability coverage, provision of free airline tickets, Group CEO civil liability insurance – D&O) and benefits consistent with the policy applied within the Group for senior executive expatriation and mobility.

f) Others

The Chief Executive Officer will not benefit from an employment contract, nor from a top-up pension scheme, non-compete indemnity, stock options or free shares.

2.6 **GROUP MANAGEMENT BODIES: GROUP** EXECUTIVE COMMITTEE AND CEO COMMITTEE

2.6.1 Group Executive Committee

Chaired by the Chief Executive Officer of Air France-KLM, the Group Executive Committee is composed of thirteen (13) members and a secretary of the Executive Committee:

Members at December 31, 2022	Age at December 31, 2022 —	Relevant professional experience		
	December 31, 2022 -	Sector	Experience	
Benjamin Smith Chief Executive Officer, Air France-KLM	51 years	Air Transport	32 years	
Marjan Rintel ⁽¹⁾ President & Chief Executive Officer, KLM	56 years	Air Transport	23 years	
Anne Rigail Chief Executive Officer, Air France	53 years	Air Transport	31 years	
Steven Zaat Chief Financial Officer, Air France-KLM	53 years	Air Transport	20 years	
Alexandre Boissy ⁽²⁾ Corporate Secretary of Air France-KLM	46 years	Air Transport	23 years	
Pieter Bootsma ⁽³⁾ Executive Vice-President Chief Strategy Officer	53 years	Air Transport	27 years	
Anne Brachet Executive Vice-President, Engineering & Maintenance, Air France-KLM	59 years	Air Transport	27 years	
Oltion Carkaxhija Executive Vice-President Transformation, Air France-KLM	46 years	Air Transport	15 years	
Angus Clarke ⁽⁴⁾ Executive Vice-President & Chief Commercial Officer, Air France-KLM	48 years	Air Transport	21 years	
Adriaan den Heijer Executive Vice-President Cargo, Air France-KLM	52 years	Air Transport	27 years	
Jean-Christophe Lalanne Executive Vice-President Information Technology, Air France-KLM	61 years 1	Industry, IT Services, Air Transport	25 years 18 years	
Henri de Peyrelongue Executive Vice-President Commercial Sales, Air France-KLM	57 years	Air Transport	32 years	
Constance Thio ⁽⁵⁾ Executive Vice-President Human Resources and Sustainability Air France-KLM	52 years	Sustainability, Human Resources, Air Transport	2 years 6 years 24 years	

(1) Ms. Marjan Rintel has occupied the functions of President of the Management Board and Chief Executive Officer of KLM since July 1, 2022, replacing Mr. Pieter Elbers.

(2) Mr. Alexandre Boissy has occupied the functions of Corporate Secretary of Air France and Air France-KLM since December 22, 2022, replacing Ms. Anne-Sophie Le Lay. (3) Mr. Pieter Bootsma has occupied the functions of Executive Vice-President Chief Strategy Officer since August 31, 2022.
 (4) Mr. Angus Clarke has occupied the functions of Executive Vice-President Chief Commercial Officer since August 31, 2022.

(5) Ms. Constance Thio has occupied the functions of Executive Vice-President Human Resources and Sustainability since December 21, 2022.

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

At its meeting of February 16, 2023, the Board of Directors set targets for diversity within the management bodies and an action plan on the way in which the Company is seeking to achieve a balanced representation between men and women.

Within this framework, Air France-KLM has set itself a long-term target of reaching parity between men and women within the Group Executive Committee and the top 10% of the positions with the highest level of responsibility. Furthermore, medium-term targets of a minimum of 40% women within the Group Executive Committee by 2030 and 40% women within the top 10% of the positions with the highest level of responsibility (ground staff, representing at Air France the Non-Management (NHC),

2.6.2 CEO Committee

The CEO Committee is chaired by Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM, and has three other members:Ms. Anne Rigail (Chief Executive Officer of Air France), Ms. Marjan Rintel (President & Chief Executive Officer of KLM) and Mr. Steven Zaat, Chief Financial Officer of Air France-KLM. N3, N2 and N1.2 populations and the equivalent positions within KLM) also by 2030 have been set by the Board of Directors, it being understood that the Group's French entities will attain their diversity targets in the respect of the time limits set by French legislation.

Concretely, in the event of the recruitment and/or appointment of new members, and candidates with equal skills, expertise and management qualities, preference is given to female candidates. An action plan has been deployed to accelerate the taking into account of female profiles at all levels of management. During its meeting of February 16, 2023, the Board of Directors was informed of the results achieved during the 2022 financial year. This information is detailed in section 4.2.4 "Diversity, equity and inclusion".

The CEO Committee defines the strategic direction of all of the Group's airlines and operational entities.

2.7 SHARE CAPITAL AND SHAREHOLDER STRUCTURE

2.7.1 Share capital

At December 31, 2022, the Air France – KLM share capital comprised 2,570,536,136 fully paid-up shares with a nominal value of one euro, held in registered or bearer form according to shareholder preference. Until April 2, 2016, each share had one voting right attached. In application of the Florange Act⁽¹⁾ as from April 3, 2016, in the absence of a provision to the

contrary in the Air France-KLM Articles of Incorporation, all fully paid-up shares held in registered form in the name of the same shareholder for at least two years automatically benefit from a double voting right. There are no other specific rights attached to the shares.

Changes in the share capital over the last three financial years

The change in the share capital over the last three financial years is as follows:

Financial year ended	Amount of capital (in euros)	Number of shares
December 31, 2020	428,634,035	428,634,035
December 31, 2021	642,634,034	642,634,034
December 31, 2022	2,570,536,136 ⁽²⁾	2,570,536,136

Capital increase during the financial year ended December 31, 2021

On April 6, 2021, the Air France-KLM Group announced a series of capital-strengthening measures, in the amount of &4 billion, composed of (i) a capital increase without preferential

subscription rights for shareholders by way of a public offering and with a priority subscription period for shareholders and (ii) an issue of deeply subordinated notes in several tranches, fully subscribed by way of debt compensation by the French State.

Furthermore, there are no securities not representing the share capital. Article 7 of Act No.2014-384 of March 29, 2014 for the Reconquest of the Real Economy.
 Issue of 1,928 million new shares within the framework of the capital increase announced by Air France – KLM on June 14, 2022.

These measures were authorized by the European Commission on April 5, 2021, as State Aid.

In this context, on April13, 2021, Air France–KLM announced the launch of a capital increase without shareholders' preferential subscription rights by way of a public offering and with a priority subscription period for shareholders, for a gross amount (including issue premium) of €900,660,867.04 which could, in the event of the exercise in full of the increase option, be increased to a maximum gross amount (including issue premium) of €1,035,759,995.16. The capital increase, decided in accordance with the nineteenth resolution of the Company's Shareholders' Meeting of May 26, 2020, was the subject of a prospectus approved by the *Autorité des Marchés* Financiers on April 13, 2021 under number 21-0270. The subscription period for the capital increase closed on April 16, 2021.

On April 19, 2021, Air France – KLM announced the final results of the capital increase, namely 213,999,999 new shares issued at a unit price of \leq 4.84, i.e. a total of around \leq 1,036 million (after the exercise in full of the increase option). The settlement-delivery of the newly-issued shares took place on April 22, 2021.

Capital increase during the financial year ended December 31, 2022

Subsequently, on May 24, 2022, Air France-KLM announced the launch of a capital increase with maintained preferential subscriptionrights ("DFS") toraise a gross amount of €2.256 billion through the issuance of 1,928 million new Air France-KLM shares. This transaction, aimed at reinforcing the Company's equity and balance sheet, followed the announcement of new recapitalization measures on February 17, 2022. The capital increase, decided pursuant to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021 was the subject of a prospectus filed with the AMF under number D. 22-0236-A01 on May 23, 2022. The trading period for the preferential subscription rights (DFS) was between May 25, 2022 and June 7, 2022 and the subscription period for the capital increase closed on June 9, 2022.

On June 14, 2022, Air France-KLM announced the final results of the capital increase, namely 1,928 million new shares at a unit subscription price of \notin 1,17, representing \notin 2.256 billion. The capital increase attracted strong demand from both the existing shareholders and new investors.

On June 9, 2022 at the end of the subscription period, the total demand stood at approaching ≤ 2.240 million shares, i.e. close to ≤ 2.261 billion. The transaction was thus oversubscribed with a subscription rate of around 116%:

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

The gross proceeds of the capital increase, including the issue premium, amounted to $\leq 2,256$ million (of which $\leq 1,611$ million subscribed in cash) corresponding to the issuance of 1,928 million new shares (the "New Shares") at a unit subscription price of ≤ 1.17 per share.

Impact of the capital increase on the breakdown of the share capital

Following the settlement and delivery for the capital increase, Air France-KLM's share capital amounts to 2,570,536,136 shares, each with a nominal value of one euro.

Rationale for the capital increase

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

- > The net proceeds of the issue were used to redeem the deeply subordinated bonds issued in April 2021 and held by the French State, as well as to strengthen the Company's equity. As announced during its full-year results presentation on February 17, 2022, the Company wishes to free itself from the conditions set by the European Commission's Covid-19 temporary framework and thus allocated around €1.7 billion to the repayment of the "Covid-19 recapitalization aid" granted in the form of undated deeply subordinated notes (the "TSS État") issued in April 2021, through offset and repayment. The remainder (about €0.6 billion) enabled a reduction in net debt.
- > This operation marks a significant step in the execution of the equity and quasi-equity issuance program for a maximum of €4 billion destined to strengthen the balance sheet, as announced on February 17, 2022. In the context of the Company's expected performance recovery, with a 7% to 8% operating margin targeted by 2024, the Company is confident that no further dilutive measures will be necessary. The Company's sound financial liquidity position and promising outlook will allow Air France-KLM to repay additional outstanding State Aid, which will also contribute to further improving the financing costs of the Company.

Subscription by the main shareholders and partners

The French State, Air France-KLM's largest shareholder (with 28.6% of the Company's share capital and 28.2% of the theoretical voting rights), participated on an irreducible basis to the full extent of its DPS rights, corresponding to a subscription to 551,404,728 New Shares. Its shareholding after the completion of the capital increase remains unchanged. This subscription was carried out by way of offsetting a portion of the deeply subordinated notes (TSS État) issued in April 2021.

The Dutch State participated on an irreducible basis to the full extent of its DPS rights, corresponding to a subscription to 180,000,000 New Shares. Its shareholding after the completion of the capital increase remains unchanged. CMA CGM, the exclusive strategic partner in the cargo business, became a new reference shareholder, with a total shareholding amounting to 231,348,252 New Shares, subscribed on an irreducible basis (*via* the exercise of the preferential subscription rights acquired from China Eastern Airlines, Delta Air Lines, Inc. and the FCPE employee mutual funds as well as in the market) corresponding to 9.0% of the Company's share capital after the rights Issue.

China Eastern Airlines⁽¹⁾ and Delta Air Lines participated in the capital increase on a cash-neutral basis, for an aggregate amount of approximately €110.7 million by subscribing to a respective 58,763,343 and 35,873,772 New Shares by using the net proceeds from selling a portion of their preferential subscription rights to CMA CGM. Their respective shareholdings thus stood at 4.7% and 2.9% of the Company's share capital after the capital increase.

The FCPEs ("Fond Commun de Placement Entreprise") participated in the capital increase on a cash-neutral basis through the sale of a portion of their preferential subscription rights to the benefit of CMA CGM, in a proportion allowing them to partially finance the exercise of the balance of their DPS rights by using the net proceeds of this sale.

The SPAAK (*Stichting Piloten Aandelen Air* France – KLM) participated in the capital increase on a cash-neutral basis by subscribing to new shares through the sale of a portion of its DPS rights.

Lock-up commitments

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

The French State, the Dutch State, China Eastern Airlines and Delta Air Lines⁽²⁾ entered into a lock-up agreement as of the approval of the Prospectus by the French Financial Market Authority (*Autorité des Marches Financiers* – "AMF") and until the expiry of a period of 90 calendar days following the date of settlement-delivery of the New Shares, subject to certain exceptions.

CMA CGM agreed with the Company a lock-up commitment as from the settlement-delivery of the New Shares until the expiry of a three-year period following this date, it being specified that CMA CGM may sell a maximum of 50% of the shares acquired within the context of the capital increase during an additional three-year period. This lock-up commitment will automatically end in the event that the commercial cooperation agreement is terminated.

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

Authorizations granted to the Board of Directors to increase the share capital

To give the Air France-KLM Group the flexibility and agility required to implement additional capital-strengthening measures, which are essential for the continuation of the Group's activities in the current context of public health crisis, while taking into account the diversity of interests and expectations of Air France-KLM's shareholders, whose shareholdings could be significantly diluted if they do not subscribe to the additional measures envisaged, a number of financial resolutions were adopted by the Annual Shareholders' Meeting of May 26, 2021 (resolutions 20 to 35).

Furthermore, during the Shareholders' Meeting of May 24, 2022 (resolution 19), the nominal cap of €129 million, provided for in the 23rd resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021, was increased to €200 million, without being charged to the nominal cap for the capital increase indicated in the 22nd resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021.

At December 31, 2022, the Company had used (i) the authorization for a capital increase (outside the context of a public tender offer) with maintained preferential subscription rights for shareholders within the limit of a nominal amount of €1,930 million, authorized in respect of the 20th resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021 and (ii) the authorization (outside the context of a public tender offer) to issue securities conferring access to the capital *via* an offering to qualified investors, within the limit of a nominal amount of €200 million, authorized in respect of the 23rd resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021 as amended by the 19th resolution of the Shareholders' Meeting of May 24, 2022, in the proportions detailed hereinafter. The other authorizations had not been used.

These authorizations enable the Board of Directors, in compliance with the legal and regulatory provisions and under certain conditions, to increase the capital of Air France-KLM by various means (issuance of shares and/or securities conferring access to the capital and/or giving the right to the allocation of debt securities, with or without shareholders' preferential subscription rights, as the case may be, with or without a priority subscription period, as the case may be, during or outside the period of a public offering with specific caps) and depending on the market opportunities at the time of the issue and the financing needs of the Air France-KLM Group, in particular with regard to the additional measures envisaged to strengthen the equity capital. The authorizations currently in force are summarized in the following table.

⁽¹⁾ Through Eastern Airlines Industry Investment (Luxembourg) Company Limited.

⁽²⁾ Through DAL Foreign Holdings C.V.

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2022	Term of validity
Authorizatic	ons granted by the Combined Ordinary and	Extraordinary Sharehol	ders' Meeting of May 26,	2021
Outside the	context of a public tender offer			
No.20	Capital increase (outside the context of a public tender offer) maintaining preferential subscription rights	€1,930 million in nominal (i.e. c.75% of the current share capital)	€2,097,898 in nominal following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102	26 months (i.e. until July 26, 2023)
No.21	Capital increase (outside the context of a public tender offer) without preferential subscription rights but with a mandatory priority subscription period	€643 million in nominal (i.e. c.25% of the current share capital)	€643 million in nominal (i.e. c.25% of the current share capital)	26 months (i.e. until July 26, 2023)
No.22	Capital increase (outside the context of a public tender offer) without preferential subscription rights but with an optional priority subscription period (authorization also enabling the issuance by the Company's subsidiaries of securities conferring access to the Company's share capital)	€129 million in nominal (i.e. c.5% of the current share capital)	€2,097,898 in nominal following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102	26 months (i.e. until July 26, 2023)
No.23	Capital increase (outside the context of a public tender offer) through a private placement with qualified investors/limited circle of investors	Cap modified by the 19 th resolution of the Shareholders' Meeting of May 24, 2022 (increased to €200 million in nominal)	Delegation used in full for the issue of undated subordinated unsecured bonds convertible into new shares and/ or exchangeable into existing shares, placed with qualified investors on November 16, 2022	26 months (i.e. until July 26, 2023)
No.24	Increase in the number of securities to be issued in the event of a capital increase (outside the context of a public tender offer) with or without preferential subscription rights ("greenshoe")	15% of the initial issue (not to exceed the cap amounts set under resolutions 20, 21, 22, and 23)	€2,097,898 (following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102	26 months (i.e. until July 26, 2023)

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2022	Term of validity
No.25	Capital increase (outside the context of a public tender offer) to compensate contributions in kind granted to the Company	€64.2 million (i.e. c.2.5% of the current share capital)	€2,097,898 in nominal following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102	26 months (i.e. until July 26, 2023)
No.26	Capital increase (outside the context of a public tender offer) by capitalization of reserves, profits, issuance premiums, or other amounts eligible for capitalization	€322 million in nominal (i.e. c.12.5% of the current share capital)	€2,097,898 in nominal following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102	26 months (i.e. until July 26, 2023
Within the c	ontext of a public tender offer			
No.27	Capital increase (within the context of a public tender offer) maintaining preferential subscription rights for shareholders	€161 million in nominal (i.e. c.6.3% of the current share capital)[charged against the cap amount of the 20 th resolution, usable outside the context of a public tender offer]	€2,097,898 in nominal (following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102)	26 months (i.e. until July 26, 2023)
No.28	Capital increase (within the context of a public tender offer) without preferential subscription rights for shareholders but with a mandatory priority subscription period	€161 million in nominal (i.e. c.6.3% of the current share capital) [charged against the cap amount of the 20 th and 27 th resolutions, usable outside the context of a public tender offer]	€2,097,898 (following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102)	26 months (i.e. until July 26, 2023)
No. 29	Capital increase (within the context of a public tender offer) without preferential subscription rights for shareholders but with an optional priority subscription period (authorization also enabling the issuance by the Company's subsidiaries of securities conferring access to the Company's share capital)	€65 million in nominal (i.e. c.2.5% of the current share capital) [charged against the cap amount of the 20 th , 22 nd and 28 th resolutions, usable outside the context of a public tender offer]	€2,097,898 (following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102)	26 months (i.e. until July 26, 2023)

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2022	Term of validity
No. 30	Capital increase (within the context of a public tender offer) through a private placement with qualified investors/ restricted group of investors	€65 million in nominal (i.e. c.2.5% of the current share capital)[charged against the cap amount of the 20 th , 22 nd , 27 th and 29 th resolutions, usable outside the context of a public tender offer]	€2,097,898 (following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102)	26 months (i.e. until July 26 2023)
No.31	Increase in the number of securities to be issued in the event of a capital increase (within the context of a public tender offer) with or without preferential subscription rights ("greenshoe")	15% of the initial issuance (not to exceed the cap amounts indicated under resolutions 20, 27, 28, 29 and 30)	€2,097,898 (following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102)	26 months (i.e. until July 26 2023)
No. 32	Capital increase (within the context of a public tender offer) to compensate contributions in kind granted to the Company	€33 million in nominal (i.e. c.1.3% of the current share capital)[charged against the cap amount of the 20 th , 22 nd , 27 th and 29 th resolutions, usable outside the context of a public tender offer]	€2,097,898 (following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102)	26 months (i.e. until July 26 2023)
No. 33	Capital increase (within the context of a public tender offer) by capitalization of reserves, profits, issuance premiums, or other amounts eligible for capitalization	€161 million in nominal (i.e. c.6.3% of the current share capital) [charged against the cap amount of the 20 th , 27 th and 28 th resolutions, usable outside the context of a public tender offer]	€2,097,898 (following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102)	26 months (i.e. until July 26 2023)
Other autho	rizations in respect of the Ordinary and Ext	traordinary Shareholders	' Meeting of May 26, 202	1
No. 34	Delegation of authority granted to the Board of Directors, for the purpose of determining the issue price, within a limit not to exceed 10% of the share capital per year in the event of a capital increase without shareholders' pre-emptive subscription rights	10% of the share capital (not to exceed the cap amounts set under resolutions 21, 22, 23, 28, 29 and 30)	10% of the share capital (not to exceed the cap amounts set under resolutions 21, 22, 23, 28, 29 and 30)	26 months (i.e. until July 26 2023

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2022	Term of validity
No. 35	Capital increases reserved for members of a company or Group savings scheme	2% of the share capital at the time of each issuance [charged against the cap amount indicated under resolution 20, usable outside the context of a public tender offer]	€2,097,898 (following the capital increase realized with maintained preferential subscription rights on June 14, 2022 for a nominal amount of €1,927,902,102)	26 months (i.e. until July 26 2023

Outside the context of a public tender offer

No.19

Increase in the total nominal cap of the capital increases provided for in the 23rd resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021, delegating authority to the Board of Directors to increase the capital *via* an offering to a qualified/a limited circle of investors €200 million (i.e. c.7.8% of the current share capital) Used in full for the issue of undated subordinated unsecured bonds convertible into new shares and/ lor exchangeable into existing shares, placed with qualified investors on November 16, 2022 2

Until the end of the validity of resolution 23 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021 (i.e. until July 26, 2023)

A common cap of €1,930 million applies to resolutions 20, 22 and 24 to 26 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021. Note that the amount of capital increases that may be realized under resolution 21 has an autonomous cap of €643 million in nominal which had not been used on the date of this Universal Registration Document (i.e. around 75% of the current share capital).

A common sub-cap of ≤ 129 million applies to resolutions 22, 24 and 25 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021. A common cap of ≤ 161 million applies to resolutions 27 to 33 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021. A common sub-cap of ≤ 65 million applies to resolutions 29 to 32 of the Combined Ordinary and Extraordinary and Extraordinary Shareholders' Meeting of May 26, 2021.

Lastly, it is stipulated that resolution 23 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021 has an autonomous cap of €200 million, the latter having been amended within the framework of resolution 19 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2022, which was used in full for the issue of undated subordinated unsecured bonds convertible and/or exchangeable into new or existing shares, placed with qualified investors on November 16, 2022.

Amendment to Air France-KLM's Articles of Incorporation

The Extraordinary Shareholders' Meeting, deliberating with a majority of two-thirds of the votes held by the shareholders present or represented, is the only entity authorized to amend the Articles of Incorporation in all their provisions pursuant to Article L. 22-10-31 of the *Code de Commerce*.

The Air France-KLM Articles of Incorporation can be found on the website at http://www.airfrancekIm.com (Finance/ Publications/Articles of Incorporation).

Modalities for shareholders wishing to participate in the Shareholders' Meeting

The modalities for shareholders wishing to participate in Shareholders' Meetings are those stipulated by the regulation in force. They are set out in Article 30 of the Air France-KLM Articles of Incorporation and the detailed conditions can be found in the documentation made available to shareholders ahead of the Shareholders' Meeting.

2.7.2 Securities conferring entitlement to shares

Bonds convertible and/or exchangeable into new or existing shares (OCEANEs) maturing in 2026

In March 2019. Air France - KLM issued bonds convertible and/or exchangeable into new or existing shares (OCEANEs), maturing in 2026, for an amount of €500 million, initially representing 27,901,785 underlying shares. The initial conversion ratio was one share for one OCEANE. However, pursuant to the legal and regulatory provisions, the conversion ratio was adjusted following the realization of the capital increase with maintained preferential subscription rights of June 14, 2022 (see edition No.72 of the *Bulletin des Annonces Légales Obligatoires* dated June 17, 2022) such that, since June 16, 2022 the new parity has been 1.783 Air France - KLM shares for one OCEANE.

The nominal unit value of the bonds is \in 17.92. The bonds bear a coupon of 0.125%, payable annually in arrears on March 25 of each year.

The conversation period runs from May 4, 2019 until the seventh business day preceding the early redemption date or the maturity date.

Redemption at par, plus the corresponding accrued interest may be requested by the bond holders as of March 25, 2024.

The bonds may be the subject of early redemption at the Company's discretion, subject to certain conditions, and at the discretion of the bond holders, in particular in the event of a change of control for the Company (as this expression is defined in the terms and conditions for the bonds).

Air France-KLM has had the option to impose the early redemption in cash of these securities since April 15, 2022 if the arithmetic average, calculated over any period of ten consecutive trading days chosen by the Company falling within the 20 day period preceding the publication of the early redemption notice, of the daily products of the average weighted Air France-KLM share prices recorded on Euronext Paris on each trading day and the conversion/exchange ratio in effect on this same day exceeds 130% of the nominal value of the bonds.

Issue of undated deeply subordinated unsecured bonds convertible into new shares and/or exchangeable for existing shares in the nominal amount of €305.3 million

On November 16, 2022, the Company issued undated deeply subordinated unsecured bonds convertible into new shares and/ or exchangeable for existing shares (the "Hybrid Convertible Bonds"), for a nominal amount of €305.3 million representing around 200 million underlying shares by way of a placement limited to qualified investors (the "Offering").

The net proceeds of the Offering were allocated in full to the redemption of the deeply subordinated bonds held by the French State (see above), issued in April 2021. The Hybrid Convertible Bonds will be accounted as quasi-equity under IFRS.

The Hybrid Convertible Bonds were issued at par and have a nominal value per Hybrid Convertible Bond of $\leq 100,000$ with a conversion/exchange premium of 22.5% over the Company's reference share price, i.e. ≤ 1.2464 (corresponding to the Company's average volume-weighted share price on the Euronext Paris regulated market ("Euronext Paris") on November 16, 2022).

From the issue date until November 23, 2025 (exclusive), the Hybrid Convertible Bonds will bear interest at a nominal annual rate of 6.5% payable quarterly in arrears on November 23, February 23, May 23 and August 23 of each year (or the next business day if any of these dates are not business days) (each, an "Interest Payment Date"), and for the first time on February 23, 2023, subject to any interest payment suspension by the Company.

From November 23, 2025, the Hybrid Convertible Bonds will bear interest at a rate equal to 1,300 basis points above the applicable 3 year-Mid-swap Rate in Euro as a reference rate. The reference rate will be subject to a reset every three years thereafter. Interest will be payable quarterly in arrears on each Interest Payment Date and, as the case may be, for the first time on February 23, 2026, subject to any interest payment suspension.

In the event of a change of control, the annual rate for the fixed coupon or the reset reference rate coupon, as the case may be, will be increased by 500 basis points.

On each Interest Payment Date, the Company may decide, subject to certain conditions, to suspend payment of interest in respect of the Hybrid Convertible Bonds for the relevant interest period, subject to having notified the holders of the Hybrid Convertible Bonds at least 15 business days prior to the relevant Interest Payment Date. All interest in respect of the Hybrid Convertible Bonds that is not paid at an optional Interest Payment Date will constitute "Deferred Interest". Any amount of Deferred Interest will bear interest (to the full extent permitted by law) from the interest payment suspension date for any period exceeding 12 months at the interest rate applicable to the Hybrid Convertible Bonds over the relevant period. The amount of accrued interest (the "Additional Interest") in respect of Deferred Interest will become due and payable in the same manner as Deferred Interest. Deferred Interest (as well as the corresponding amount of Additional Interest) may be paid in full or in part at any time at the Company's discretion, but all Deferred Interest (as well as the corresponding amount of Additional Interest) in respect of all the Hybrid Convertible Bonds will become payable in full in specific cases, including if the Company decides to pay a dividend or an interim dividend or on the repurchase of any equity securities or upon redemption of all the outstanding Bonds.

The Hybrid Convertible Bonds are undated, subject to cases of early redemption at the Company's option and will only be repayable in the event of the liquidation of the Company or upon the expiry of the term indicated in the Company's Articles of Incorporation (unless extended in accordance with the applicable legislation).

The Company may, at its discretion, proceed with early redemption of all, but not a portion, of the Hybrid Convertible Bonds at par plus accrued interest, Deferred Interest and, as the case may be, Additional Interest (the "Early Redemption Price":

- a) for the first time on November 23, 2025, then on each Interest Payment Date;
- **b)** in the event of a change of control;
- c) from December 14, 2024 until November 23, 2025 (exclusive), if the arithmetic average, calculated over any period of ten consecutive trading days falling within any period of 20 consecutive trading days preceding the publication of the early redemption notice, of the daily products of the Company's closing share price on Euronext Paris and the

conversion/exchange ratio in effect on each trading day during such period exceeds 130% of the principal amount of the Bonds; and

 d) if the total number of the Hybrid Convertible Bonds outstanding is less than 15% of the number of Bonds originally issued.

Conversion/Exchange rights

Holders of the Hybrid Convertible Bonds may exercise their conversion/exchange rights at any time from 40 calendar days after the issue date (inclusive) until the 10th business day (exclusive) preceding the earlier of the two following dates: November 23, 2025, or, as the case may be, the date set for any early redemption.

The conversion/exchange ratio is set at the principal amount divided by the prevailing initial conversion/exchange price, i.e. 65,496.4632 Shares per Hybrid Convertible Bond, subject to subsequent adjustments.

2.7.3 Authorization to buy back Air France – KLM's own shares

Every year, the Air France-KLM Board of Directors asks the Shareholders' Meeting for the authorization to buy back the Company's own shares in the stock market, subject to a number of conditions, except in 2021 and 2022, in view of the prohibitions imposed under the European Commission's Temporary Framework on State Aid (see section 3.1.2.6 "Commitments vis-à-vis the European Commission"). *This authorization will be proposed again at the 2023 annual Shareholders' Meeting, following the full exit of the Covid-19 recapitalization state aid as well as its related restrictions on April 19, 2023.*

During the 2022 financial year, the Group neither purchased nor sold Air France-KLM shares within the framework of these authorizations. Within the framework of the collective labor agreement reached in August 2015 between KLM and the VNV pilots' union, Air France - KLM and KLM signed an agreement on December 8, 2016 with the VNV and an independent foundation established by the VNV for KLM pilots. Under this agreement, and in consideration for the gains resulting from the August 2015 agreement, on December 12, 2016 KLM financed the acquisition by the foundation of 3 million Air France - KLM treasury shares at the market price.

At December 31, 2022, Air France-KLM held 1,208,005 of its own shares, i.e. 0.05% of the share capital, of which 1,116,420 shares held by KLM in respect of its various stock option plans. The valuation of the portfolio stood at \leq 1.5 million at December 31, 2022.

2.7.4 Strategic partnerships with Delta Air Lines, Inc. and China Eastern Airlines and conclusion of a new partnership with CMA CGM

Strategic partnerships with Delta Air Lines, Inc. and China Eastern

During the 2022 financial year, Air France-KLM continued to execute its strategic partnerships entered into in 2017 with Delta Air Lines, Inc. (Delta) and China Eastern Airlines (CEA).

On July 27, 2017, Air France-KLM had announced, firstly, the planned creation of a joint-venture between Air France-KLM, Delta and Virgin Atlantic and, secondly, the intensification of its partnership with CEA. These two commercial alliances were consolidated, in 2017, by equity links: on October 3, 2017, Delta Air Lines, Inc. and China Eastern each acquired equity interests in Air France-KLM within the framework of reserved capital increases authorized by the Combined Ordinary and Extraordinary Shareholders' Meeting of September 4, 2017 for a total of €751 million. In addition, Air France-KLM announced its intention to acquire a 31% equity interest in Virgin Atlantic, in which Delta has a 49% stake, for around £220 million.

Within this framework, on July 27, 2017, Air France-KLM and CEA on one hand, and Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic on the other, signed partnership agreements aimed at defining the principles of their closer cooperation:

on July 27, 2017, Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic signed Memoranda of Understanding laying the foundations for a future integration of the existing joint-ventures between Air France-KLM, Delta Air Lines, Inc. and Alitalia, and between Delta Air Lines, Inc. and Virgin Atlantic, within a single joint-venture. Within this framework, Air France-KLM was expected to acquire a 31% equity interest in Virgin Atlantic, Delta Air Lines, Inc. having held 49% of the latter since 2013, with the historic shareholder Sir Richard Branson retaining 20%. These agreements foresaw specific conditions intended to protect the interests of Air France-KLM in the event of any deterioration in the joint-venture's operating conditions linked to the United Kingdom's exit from the European Union (Brexit);

> Air France – KLM and CEA also stepped up their commercial cooperation and reinforced their partnership within the framework of the existing joint-venture, through the signature on July 27, 2017, of a Marketing Agreement aimed at defining the principles of their closer cooperation.

Furthermore, to proceed with the capital increases reserved to CEA and Delta Air Lines, Inc., on July 27, 2017 China Eastern Airlines and Delta Air Lines, Inc. signed two Subscription Agreements with Air France-KLM, wherein both investors agreed to subscribe to the reserved capital increases and containing the following commitments:

- Iock-ups on the stakes wherein China Eastern Airlines and Delta Air Lines, Inc. both undertake, during a five-year period as of the settlement-delivery date (i.e. October 3, 2017), not to offer, sell, pledge or otherwise transfer or dispose of a number of 37,527 shares in Air France – KLM (as this number shall be adjusted for any share split or share consolidation of the Company) without the prior written consent of Air France – KLM, and subject to certain exceptions as set out in the Securities Note for the transaction authorized under No.17-441 dated August 17, 2017, section E.5;
- a standstill commitment wherein China Eastern Airlines > and Delta Air Lines. Inc. both undertake. during a five-year period as of the settlement-delivery date (i.e. October 3, 2017), not to acquire or subscribe to any additional shares in Air France - KLM or other equity securities conferring access to the Air France-KLM share capital, directly or indirectly, which would have the effect of increasing the CEA and Delta stakes to above 10% of the Air France-KLM share capital. without the prior written consent of Air France-KLM, except in the case of (a) any person announcing their intention to launch a public offer (in cash. shares or a combination of both) for Air France-KLM shares, (b) the announcement by Air France-KLM or any competent authority of an upcoming change of control for Air France-KLM, it being specified that "control" shall be defined in accordance with Article L. 233-3 of the Code de Commerce or (c) the replacement of at least the majority of the Board directors, in the event this replacement is not recommended by the Board of Directors;
- an approval clause wherein, for the duration of this Subscription Agreement, China Eastern Airlines and Delta Air Lines, Inc. undertake to obtain the formal approval of the Company's Board of Directors if they wish to sell their Air France-KLM shares to another airline company. In addition, following the expiry of the above-mentioned five-year lock-up undertaking, in the event of a trade sale of Air France-KLM shares to a third party *via* an over-the-counter transaction, both CEA and Delta have undertaken to first give Air France-KLM the option of purchasing these shares, at the same pricing conditions.

On October 3, 2017, Eastern Airlines Industry Investment (Luxembourg) Company Limited, a wholly-owned subsidiary of CEA Global Holdings (Hong Kong) Limited, and Delta Air Lines, Inc. both subscribed in cash to capital increases without shareholders' preferential subscription rights, each for a total (including issue premium) of €375,274,100, at a subscription price of €10 per share (including issue premium). The acquisition of these shareholdings was accompanied by the appointment of two Board directors to the Air France-KLM Board of Directors designated, firstly, by China Eastern Airlines and, secondly, by Delta Air Lines, Inc.

Lastly, on March 14 and May 15, 2018, within the framework of the implementation of the future single joint-venture between Air France – KLM, Delta and Virgin Atlantic, and following authorization by the Air France – KLM Board of Directors (see section 2.3.1 "Activities and functioning of the Board of Directors") the following agreements were signed:

- > a Share Purchase Agreement (the "SPA") between Air France-KLM Finance SAS and Virgin Investments Limited, allowing Air France-KLM, through its 100%-owned subsidiary Air France-KLM Finance SAS, to purchase a 31% equity interest in Virgin Atlantic for £220.1 million. Within this framework, a Disclosure Letter relating to the SPA and compensation from Virgin Investments to Air France-KLM linked to tax liabilities relating to the Virgin Atlantic Group (the Tax Deed) were also agreed between the parties;
- a Shareholders' Agreement) between Air France-KLM Finance, Delta, Virgin Investments Limited, Virgin Atlantic Limited and Sir Richard Branson organizing the shareholding in Virgin Atlantic;
- a Put and call Option Deed between Air France KLM Finance, Virgin Investments and Delta relating to 31% of the Virgin Atlantic share capital;
- > a joint-venture Agreement aimed at the implementation of a commercial joint-venture between Air France-KLM, Delta, Virgin Atlantic Airways Limited, Air France and KLM together with the related bilateral Transition Agreement signed with Delta; and
- > an Implementation Agreement between Air France-KLM, Air France-KLM Finance SAS, Société Air France, KLM, Delta, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Sir Richard Branson, concerning the realization of the transaction.

On November 21, 2019, the US Department of Transportation granted Antitrust Immunity (ATI) within the framework of the extension of the transatlantic joint-venture. This regulatory step enabled the airlines to move forward with their transatlantic partnership.

In parallel, the partners finalized the expanded joint-venture's governance, agreeing on simplified decision-making processes enabling the joint-venture to deliver its full synergy potential. Air France – KLM and Virgin thus finally considered that Air France – KLM's acquisition of an equity interest in Virgin Atlantic was no longer necessary and negotiated an agreement whereby Air France – KLM would not acquire an equity interest in Virgin Atlantic with no impact on Air France – KLM's position

in the commercial joint-venture between Delta Air Lines, Inc., Virgin Atlantic and Air France-KLM. The Virgin Group was to retain its 51% majority shareholding in the capital of Virgin Atlantic while Delta was to retain the remaining 49%. This partnership is considered to be key to reinforcing the Group's leadership position between Europe and North America, and will offer customers a seamless travel experience across the Atlantic.

As a result, on October 30, 2019, the Board of Directors mandated the Air France-KLM management to finalize the discussions and negotiate amendments to the relevant agreements so as to no longer proceed with the planned investment in a 31% equity interest in Virgin Atlantic. This decision led to the following amendments to the agreements, whose signature had been authorized by the Board meetings of March 14 and May 15, 2018:

- > termination of the Share Purchase Agreement ("SPA") for the acquisition of a 31% equity interest in Virgin Atlantic, and termination of agreements ancillary to the SPA;
- amendment and updating of the joint-venture Agreement to reflect the termination of the SPA. This agreement was signed on January 30, 2020, effective as from January 1, 2020;
- > amendment (reflecting the termination of the SPA) and the updating of the Implementation Agreement. This agreement was signed on January 9, 2020 effective as from January 1, 2020;
- > signature of the agreement between Air France-KLM, Delta and Virgin Group (signed and effective as from January 30, 2020) giving Air France-KLM, subject to certain conditions, the right to acquire Virgin Atlantic Limited shares in the event of sale by Virgin Group of Virgin Atlantic Limited shares to a third party.

The overall joint-venture between Air France, KLM, Delta and Virgin Atlantic was launched in early February 2020, offering customers a wider choice of routes and loyalty options for travel between Europe, the United Kingdom and North America.

Within the context of the Covid-19 pandemic, restrictive border regulations and constantly-changing health measures led to a drastic reduction in airline capacity and created a highly uncertain environment regarding the management of networks by joint-venture partners. In view of the impact on the implementation of the Air France-KLM Group's existing joint-ventures, in December 2020, the partners reviewed the financial conditions of their agreements and amended the provisions relating to the financial "settlement" mechanisms provided in the Group's joint-venture agreements signed, on one hand, with Delta and Virgin Atlantic Airways Limited and, on the other, with CEA.

On December 4, 2020, pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Air France-KLM Board of Directors thus authorized the amendment of the provisions concerning the financial settlement mechanism (to share the revenues and costs generated by the joint-venture) in the Blue Skies joint-venture agreement (entered into on May 15, 2018 and amended in October 2019) for the calendar year 2020. In this respect, the parties waive all rights they may have with respect to

the amounts due to them under the joint-venture agreement for the calendar year 2020, and agree to waive them permanently. This waiver avoids uncertain and potentially material financial exposure for all the partners given the context linked to the public health crisis. The duration of this waiver will be able to be extended in 2021 by mutual agreement of the parties based on the duration of the impacts on the joint-venture operations of the Covid-19 pandemic. The other provisions of the joint-venture agreement remain unchanged.

On December 4, 2020, the Air France-KLM Board of Directors also authorized the suspension of the provisions concerning the financial settlement mechanism (to share the revenues generated by the joint-venture) in the joint-venture agreement entered into with CEA on November 26, 2018. In this respect, the parties agree to waive all payments under the joint-venture agreement as of February 1, 2020 for a period to be mutually agreed between the parties depending on the duration of the effects of the Covid-19 pandemic on the joint-venture. This waiver avoids uncertain and potentially material financial exposure for either party given the context linked to the public health crisis. The other provisions of the joint-venture agreement remain unchanged.

Lastly, within the framework of the Group's recapitalization plan announced on April 6, 2021, on June 23, 2021, Air France-KLM entered into an agreement with China Eastern Airlines aimed at accelerating their efforts to deepen and expand the existing and future cooperation, and further reinforce their partnership for air transport services between China and Europe. This agreement enables the Group to reinforce its commercial cooperation with China Eastern Airlines and its position in the Chinese market (see section 2.3.1 "Activities and functioning of the Board of Directors"; "Agreements referred to in Article L. 225-38 of the *Code de Commerce*"). China Eastern Airlines also subscribed to the Company's capital increase realized on April 19, 2021 and, following this participation, held 9.6% of the Company's share capital.

China Eastern Airlines and Delta Air Lines, Inc. also participated in the capital increase with maintained preferential subscription rights realized on June 14, 2022 on a cash-neutral basis, for an aggregate amount of approximately €110.7 million, by subscribing to a respective 58,763,343 and 35,873,772 new shares by using the net proceeds from selling part of their DPS Rights to CMA CGM (see hereinafter). This took their respective shareholdings to 4.7% and 2.9% of the Company's share capital.

Conclusion of a major long-term strategic partnership in air cargo with CMA CGM on May 18, 2022

In a press release dated May 18, 2022, the Air France-KLM and CMA CGM Groups announced the signature of a long-term strategic partnership in the air cargo sector. This exclusive partnership will enable the two groups to pool their cargo networks, all-cargo aircraft capacities and dedicated services, to build an ever-more competitive offer thanks to the unparalleled expertise and global presence of Air France-KLM and CMA CGM. CMA CGM and Air France-KLM share a strong ambition to invest and grow sustainably in the air freight business.

The agreement was established for an initial duration of ten years and Air France-KLM and CMA CGM will combine and exclusively operate the full freighter capacity of their respective companies, i.e. 10 full-freighter aircraft in revenue service and 12 more aircraft on order by the two groups:

- four full freighters at CMA CGM Air Cargo (with outstanding orders for eight more aircraft of which two may be operated by Air France - KLM in future);
- > six full freighters at Air France-KLM based at Paris-Charles de Gaulle airport and Amsterdam Airport Schiphol (with outstanding orders for an additional four aircraft).

This commercial partnership also covers the belly capacity in Air France-KLM's passenger aircraft, including over 160 long-haul aircraft. The partnership will leverage both partners' respective global sales teams, presenting one voice to the customer.

This strategic commercial partnership should generate significant revenue synergies, notably through the joint design of all-cargo aircraft networks and opportunities offered by the extension of the range of products and transport services proposed. It will help meet customers' ever-increasing need for more-integrated and resilient supply chains, and will leverage the strength of Air France-KLM's brand, experience and capabilities in air freight, backed by its global cargo network. CMA CGM will mobilize its extensive commercial network and its global logistics platform, and complement this offer with innovative logistics and multimodal solutions, particularly in sea and land transportation.

At the Shareholders' Meeting of May 24, 2022, Mr. Rodolphe Saadé was appointed as a member of the Board of Directors for a term of four years, subject to the realization of the investment by the Company CMA CGM in the share capital of Air France-KLM, foreseeing the acquisition by the former of 9% of the ex-post share capital of Air France-KLM. Mr. Rodolphe Saadé's Board director mandate became effective as of July 15, 2022, all the authorizations required for the realization of CMA CGM's investment having been obtained from the competent authorities.

Within the framework of this exclusive long-term partnership, CMA CGM reinforced its commitment to the air freight sector by becoming a new reference shareholder in Air France-KLM with a holding of 231,348,252 new shares on an irreducible basis (*via* the exercise of preferential subscription rights acquired from China Eastern Airlines, Delta Air Lines, Inc. (see above) and the FCPEs, and also in the market) corresponding to 9.0% of the Company's share capital following the capital increase with maintained preferential subscription rights realized on June 14, 2022.

Furthermore, within the framework of the issue of undated subordinated unsecured bonds convertible into new and/or exchangeable into existing shares realized on November 16, 2022 by the Company for the nominal amount of €305.3 million through a placing limited to qualified investors (representing around 200 million underlying shares), CMA CGM, which holds 9.0% of Air France-KLM, subscribed in proportion to its holding in the Company's share capital, corresponding to a nominal amount of around €27 million.

On December 9, 2022, the Company entered into a business cooperation agreement in air cargo on the basis of the principal terms set in May 2022 with Air France, KLM, CMA CGM Air Cargo and CMA CGM. The aim of the parties is to be able to launch business cooperation in the 2023 second quarter, subject to obtention of the required authorizations from the competent legal and regulatory authorities.

2.7.5 Air France - KLM shareholder structure

Changes in the shareholder structure

The following table shows the changes in the Company's shareholder structure at December 31, 2022 relative to December 31, 2021 and December 31, 2020.

		% o	f the capital	% of exercizable voting rights (1)			% of theoretical voting rights ⁽²⁾		
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020
Number of shares or									
voting rights	2,570,536,136	642,634,034	428,634,035	2,790,242,836	848,169,460	550, 004,411	2,792,628,890	867,682,342	586,705,740
French State	28.6%	28.6%	14.3%	28.5%	28.9%	22.3%	28.5%	28.2%	20.9%
Dutch State	9.3%	9.3%	14.0%	10.8%	14.1%	10.9%	10.7%	13.8%	10.2%
CMA CGM	9.0%	-	_	8.3%	_	_	8.3%	-	_
Delta Air Lines, Inc. ⁽³⁾	2.9%	5.8%	8.8%	4.0%	6.8%	10.5%	4.0%	8.7%	12.8%
China Eastern Airlines ⁽⁴⁾	4.7%	9.6%	8.8%	5.7%	11.7%	10.5%	5.6%	11.4%	12.8%
Employees (FCPE)	1.2%	2.5%	3.7%	1.6%	3.7%	5.9%	1.6%	3.6%	5.4%
Treasury stock	0.05%	0.20%	0.30%	0.0%	0.0%	0.0%	0.08%	0.30%	0.4%
Other	44.25%	44.00%	50.00%	41.10%	34.80%	40.00%	41.22%	34.0%	37.5%

(1) The exercisable voting rights do not include the voting rights on treasury shares or shares that have been stripped of their voting rights given, notably, late notification of the crossing of a threshold.

(3) Acting in the capacity of general partner of the partnership under Dutch law, DAL Foreign Holdings C.V. The Company Delta Air Lines, Inc. controls DAL Foreign Holdings C.V. and, as general partner of DAL Foreign Holdings C.V. is the legal owner of the Air France-KLM shares.

(4) Through Eastern Airlines Industry Investment (Luxembourg) Company Limited.

Since April 3, 2016, in application of French law, shareholders holding their shares in registered form for more than two years have benefited from a double voting right.

Shareholder analysis

Pursuant to the obligation for air transport companies to monitor and control their shareholders, Air France-KLM has implemented a procedure for their identification on a quarterly basis. The analysis of TPI (identifiable bearer shares) was carried out on December 31, 2022. Based on the responses obtained under the SRD II regime, as of December 31, 2022, Air France-KLM is more than 80.6% owned by nationals of Member States of the European Union or of States party to the Agreement on the European Economic Area.

		N	umber of shares		% of the s	hare capital
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020
French State	735,206,304	183,801,576	61,241,325	28.6%	28.6%	14.3%
Dutch State	240,000,000	60,000,000	60,000,000	9.3%	9.3%	14.0%
CMA CGM	231,348,252	-	-	9.0%	-	-
Delta Air Lines, Inc. ⁽¹⁾	73,401,182	37,527,410	37,527,410	2.9%	5.8%	8.8%
China Eastern Airlines ⁽²⁾	120,235,442	61,472,099	37,527,410	4.7%	9.6%	8.8%
Employees (FCPE)	30,024,610	15,872,812	16,037,988	1.2%	2.5%	3.7%
Treasury stock	1,208,005	1,208,005	1,208,005	0.05%	0.2%	0.3%
Other European shareholders ⁽³⁾	834,374,024	231,121,128	168,860,198	32.4%	36.0%	39.4%
Other non-European shareholders	304,738,317	51,631,004	46,231,699	11.85%	8.0%	10.7%
Total number of shares	2,570,536,136	642,634,034	428,634,035	100.00%	100.00%	100.00%

(1) Acting in the capacity of general partner of the partnership under Dutch law, DAL Foreign Holdings C.V. The Company Delta Air Lines, Inc. controls DAL Foreign Holdings C.V. and, as general partner of DAL Foreign Holdings C.V. is the legal owner of the Air France-KLM shares.

(2) Held through Eastern Airlines Industry Investment (Luxembourg) Company Limited.

(3) The shares held by United Kingdom nationals have been included in Other European shareholders.

Shareholder pacts

Air France-KLM is not aware of the existence of any shareholder pacts or agreements whose implementation could lead to a change of control.

Dividend policy

In the past three financial years. Air France-KLM distributed no dividends.

Financial year	Earnings per share (in euros)	Dividend paid (in euros)
2020	(16.61) (1)	_
2021	(5.95)	_
2022	0.35	_

(1) The restated figures include the change in accounting principles for pensions (interpretation of IAS 19).

The stipulations of the loan guaranteed by the French State and the loan granted by the French State, implemented in May 2020 and whose maturity was extended for a further two-year period in December 2021 (the "PGE"), notably prohibit dividend payments by the Company until the repayment of the relevant loans. Furthermore, the undertakings made by the Group vis-à-vis the European Commission within the framework of the prior approval of the Group's recapitalization measures notably prohibit any dividend payments until the aid granted has been repaid. *However, this prohibition was lifted following (i) the full reimbursement of the PGE on March 15, 2023 and (ii) the full exit of the Covid-19 recapitalization state aid as well as its related restrictions on April 19, 2023.*

2.7.6 A regular dialogue with individual shareholders and investors

On the basis of the TPI shareholder analysis of December 31, 2022, Air France-KLM is more than 80.6% owned by citizens of the European Union Member States and States party to the European Economic Area Agreement. The Air France-KLM Group keeps the market informed on its activity through monthly traffic figures and quarterly updates on the trend in its results and strategic orientations. All its regulated information is available on the www.airfrancekIm.com website in French and English. As a global player in the airline industry, the Group assumes its role as a pioneer in sustainable aviation. Its commitment and performance in terms of Corporate Social Responsibility have been recognized by the extra-financial rating agencies for many years.

Relations with investors

The Investor Relations department maintains a dialogue with financial analysts and institutional investors. In addition to conference calls and information meetings scheduled to coincide with results announcements, the Group's management regularly meets with financial analysts and institutional investors during road-shows and conferences in Europe, the United States and Asia.

Relations with individual shareholders

The Individual Shareholder Relations Department has a pro-active policy on engaging with individual shareholders. The website dedicated to the Shareholders' Club was redesigned in January 2023 and the shareholders' newsletter, with updates on the Group's business activity and objectives, is circulated by email and is available on the website in French and English.

The Shareholder Relations Department, ready to listen to shareholders, can be reached by e-mail at the address mail. actionnairer@airfranceklm.com.

Lastly, since 2000, the Individual Shareholders' Consultative Committee, has constituted a forum for work, discussion and suggestions on Air France-KLM's communication aimed at individual shareholders. Composed of twelve members, the Committee meets several times a year including one meeting devoted to planning the Shareholders' Meeting. It also participates in major company events. Its members were renewed in March 2023.

2.7.7 Legal and statutory investment thresholds

Pursuant to the option provided in Article L. 233-7 of the *Code de Commerce* (French Code of Commerce), Article 13 of the Air France-KLM Articles of Incorporation stipulates that any private individual or corporate body, acting alone or in concert, acquiring directly or indirectly at least 0.5% of Air France-KLM's capital or voting rights or any multiple thereof, must notify Air France-KLM by registered mail with acknowledgement of receipt no later than four stock market trading days as of the date on which this threshold is crossed. The declaration must include all the information required to be submitted to the French Financial Market Authority (*Autorité des Marchés Financiers*) in the event of the crossing of a legal threshold, as well the information referred to in Article 10 of the Air France-KLM Articles of Incorporation.

Notice must again be given under the same conditions each time a further 0.5% of the capital or voting rights threshold is crossed, up to 50%.

These declarations are made in the event of the crossing of the thresholds mentioned above, involving either an increase or a reduction in the shareholding.

To determine these thresholds, the shares and voting rights defined by the provisions of Article L. 233-9 of the *Code de Commerce* and those of the relevant AMF General Regulation are assimilated in the share capital and voting rights.

In the event of failure to comply with this notification obligation and at the request of one or more shareholders holding at least 0.5% of the Air France-KLM capital or voting rights, the shares exceeding the reporting thresholds will be stripped of their voting rights at all Shareholders' Meetings for a period of two years following compliance with the notification procedures.

Furthermore, any shareholder, whether acting alone or in concert, acquiring more than 5% of Air France-KLM's share capital or voting rights is required to transfer these securities to registered form within the legal limit of no more than four stock market trading days as of the date on which the threshold is crossed (Article 9.2 of the Articles of Incorporation).

The above requirements under the Articles of Incorporation do not prejudice the legal obligation to inform Air France-KLM and the AMF within four stock market trading days following the crossing of the legal thresholds of 5%, 10%, 15%, 20%, 25%, $33^{1/3}$ %, 50%, $66^{2/3}$ %, 90% and 95% of the share capital or voting rights.

Furthermore, if the 10%, 15%, 20% and 25% thresholds of the share capital or voting rights are exceeded by a person, the shareholder must notify Air France-KLM and the AMF within five stock market trading days of the crossing of the capital and voting right thresholds of their intentions for the next six months. Any failure to comply with this declaration requirement will incur the sanctions set forth in Article L. 233-14 of the *Code de Commerce*.

Summary of the legal thresholds crossed during the 2022 financial year and at the beginning of the 2023 financial year:

Shareholders	Declaration date	Number of shares ⁽¹⁾	% of the capital ⁽²⁾	Number of voting rights	% of theoretical voting rights	Increase or Reduction
China Eastern Airlines ⁽³⁾	June 16, 2022	120,235,442	4.68%	157,762,852	5.64%	R
Delta Air Lines, Inc. ⁽⁴⁾ and ⁽⁵⁾	June 17, 2022	73,401,182	2.86%	110,928,592	3.96%	R
CMA CGM ⁽⁶⁾	June 21, 2022	231,348,252	9.00%	231,348,252	8.27%	1

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

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

(3) In a letter received on June 16, 2022, Eastern Airlines Industry Limited (Luxembourg), a company under Luxembourg law controlled by China Eastern Air Holding Company Limited gave notification that, as of June 14, 2024 its equity interest had fallen below the thresholds of 10% of the voting rights and 5% of the share capital in the Company and that it holds 120,235,442 shares representing 157,762,852 voting rights, i.e. 4.68% of the share capital and 5.64% of the voting rights in the Company.

(4) Acting in the capacity of general partner of the partnership under Dutch law DAL Foreign Holdings, C.V. The Company Delta Air Lines, Inc. controls DAL Foreign Holdings, C.V. and, in the capacity of general partner of DAL Foreign Holdings, C.V., is the legal owner of the Air France-KLM shares.

(5) In a letter received on June 16, 2022, supplemented by a letter received on June 17, 2022, the Company Delta Air Lines, Inc. gave notification that, as of June 14, 2022, its shareholding had fallen below the 5% threshold in the Company's share capital and voting rights, and that it holds 73,401,182 shares representing 110,928,592 voting rights, i.e. 2.86% of the share capital and 3.96% of the voting rights in the Company.

(6) In a letter received on June 20, 2022, the public limited company CMA CGM gave notification that, as of June 14, 2022, it had exceeded the 5% threshold in Air France-KLM's share capital and voting rights, and that it holds 231,348, 252 shares representing around the same number of voting rights, i.e. 9.00% of the share capital and 8.27% of the voting rights in the Company.

2.7.8 Identification of shareholders and statutory provisions concerning shareholders

Identification of holders of bearer shares

Pursuant to Articles L. 6411-2 to L6411-5 and L. 6411-8 of the Code des Transports (French Transport Code), as amended by the French Act No.2004-734 of July 26, 2004, listed French air transport companies are authorized to include a provision in their Articles of Incorporation allowing them to monitor and control their shareholders and to require certain shareholders to sell all or part of their interests in the event of a risk relating to their nationality. This is because, over time, changes in the shareholder structure of an air transport company whose shares are listed for trading on a regulated market could jeopardize its operating license as an EU air transport carrier, the retention thereof being conditional on EU interests holding a majority of the shares and maintaining effective control, or the traffic rights held by the Company as a French air transport company, pursuant to bilateral international agreements concluded between France and other States outside the European Union.

Identification and monitoring of shareholders

Articles 9 and following of the Air France-KLM Articles of Incorporation set the conditions under which the Board of Directors can or must decide either to reduce the 5% threshold above which shares must be held in registered form to 10,000 shares, or to require all shares in Air France-KLM to be held in registered form. Thus, when the 40% share capital or voting right threshold has been passed by non-French shareholders, the Board of Directors can decide to reduce this 5% threshold to 10,000 shares.

Air France – KLM publishes a notice informing the shareholders and the public that non-French shareholders as defined by Article 14 of the Articles of Incorporation own, directly or indirectly, 45% of Air France – KLM's share capital or voting rights. If it appears that non-French shareholders as defined by Article 14 of the Articles of Incorporation represent, directly or indirectly, more than 45% of Air France – KLM's capital or voting rights on a long-term basis, the Board of Directors must decide to make it mandatory for all Air France – KLM shares to be held in registered form. Following an amendment to the Articles of Incorporation in 2014, within the meaning of Article 14 of Air France – KLM's Articles of Incorporation, citizens of the European Union Member States and States party to the European Economic Area Agreement are considered to be French nationals.

Article 10 of the Air France – KLM Articles of Incorporation specifies the information that must be provided to Air France – KLM by shareholders, whether they are private individuals or corporate bodies, subject to the obligation to hold their shares in registered form. This information includes the nationality of the shareholder. Article 11 of the Articles of Incorporation specifies the conditions under which the Board of Directors may exercise its right to approve new shareholders.

Formal notice to sell and mandatory sale of shares

Article 14 of the Air France-KLM Articles of Incorporation stipulates the information that Air France-KLM must publish and circulate to inform the public that over 45% of the capital or voting rights is held by shareholders who are not of French nationality. Based on this threshold, Air France-KLM will be entitled to launch procedures requiring the sale of shares in order to safeguard its nationality. Articles 15 and 16 of the Articles of Incorporation, respectively, concern formal notices to sell and the mandatory sale of shares held in breach of regulations pursuant to the *Code de l'Aviation Civile* (French Civil Aviation Code) and the *Code des Transports* (French Transport Code). The terms for setting the sale price (market price) are foreseen by the *Code des Transports*.

2.7.9 Information on trading in the stock

2.7.9.1 Air France-KLM in the stock market

Air France-KLM shares are listed for trading on the Paris and Amsterdam Stock Markets (Euronext Paris and Amsterdam) under the ISIN code FR0000031122. The stock is a component of the SBF 120.

Since February 2008, Air France – KLM's ADR program (American Depositary Receipt) has been traded on the OTC Pink Marketplace under the ticker AFLYY.

The Reuters code for the stock is AIRF.PA or AIRF.AS and the Bloomberg code AF FP.

Pursuant to Article 222-1 of the *Autorité des Marchés Financiers* (AMF) General Regulation, since the registered office for Air France-KLM SA is located in France, its Home Member State, as defined by Directive 2004/109/EC of December 15, 2004, as amended (Transparency Directive), is France. The AMF is consequently its competent market authority as regards ensuring compliance with its regulated information obligations.

2.7.9.2 Stock market performance

Over the 2022 financial year to December 31, 2022, the Air France-KLM share price declined by 39.9% (based on the share price of \leq 2.0477 on January 3, 2022, adjusted for the settlement of the preferential subscription rights realized on May 25, 2022 within the framework of the capital increase with maintained preferential subscription rights realized on June 14, 2022. The figures presented below are adjusted for the effects of the capital increase realized on June 14, 2022:

	January-December 2022	January-December 2021
Share price high (in euros)	2.27	5.63
Share price low (in euros)	1.09	3.68
Number of shares in circulation	2,570,536,136	642,634,034
Market capitalization at December 31 (in billions of euros)	3.20	2.50

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

Air France-KLM shares

The figures presented below are adjusted for the effects of the capital increase realized on June 14, 2022:

Euronext volumes	Trading days	Average share prices and trading ranges			Volumes	Amount (in euros million)	
		Average price (in euros)	High (in euros)	Low (in euros)		minorij	
2022							
January	21	2.08	2.24	1.93	199,484,434	416.92	
February	20	2.10	2.28	1.87	230,214,934	482.04	
March	23	1.94	2.15	1.52	224,955,713	426.85	
April	19	2.04	2.17	1.95	94,388,016	192.74	
Мау	22	1.95	2.24	1.64	301,072,115	564.07	
June	22	1.42	1.81	1.09	455,449,577	633.52	
July	21	1.20	1.38	1.07	275,370,269	331.93	
August	23	1.50	1.62	1.38	253,981,327	381.21	
September	22	1.40	1.56	1.24	220,339,030	307.23	
October	21	1.40	1.60	1.18	282,770,571	392.99	
November	22	1.30	1.42	1.20	372,434,155	479.30	
December	21	1.26	1.32	1.21	281,464,836	354.22	

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

Summary of the transactions referred to in Article L. 621-18-2 of the *Code Monétaire et Financier* (French Monetary and Financial Code) executed during the 2022 financial year.

Function	Date of the transaction	Nature of the transaction	Number of securities	Unit price (in euros)
Board director	May 25, 2022	Sale of preferential subscription rights	25,569,486	1.6415
Board director	May 25, 2022	Subscription to shares	10	1.7985
Board director	June 7, 2022	Subscription to shares	551,404,728	1.17
Board director	June 16, 2022	Subscription to shares	35,873,772	1.17
CEO	June 16, 2022	Subscription to shares	66,000	1.17
Board director	June 16, 2022	Subscription to shares	930	1.17
Person linked to	November 16, 2022	Subscription to	27,400,000	100,000
	Board director Board director Board director Board director CEO Board director	transactionBoard directorMay 25, 2022Board directorMay 25, 2022Board directorJune 7, 2022Board directorJune 16, 2022CEOJune 16, 2022Board directorJune 16, 2022	transactiontransactionBoard directorMay 25, 2022Sale of preferential subscription rightsBoard directorMay 25, 2022Subscription to sharesBoard directorJune 7, 2022Subscription to sharesBoard directorJune 16, 2022Subscription to sharesBoard directorJune 16, 2022Subscription to sharesBoard directorJune 16, 2022Subscription to sharesCEOJune 16, 2022Subscription to sharesBoard directorJune 16, 2022Subscription to shares	transactiontransactionsecuritiesBoard directorMay 25, 2022Sale of preferential subscription rights25,569,486Board directorMay 25, 2022Subscription to shares10Board directorJune 7, 2022Subscription to shares551,404,728Board directorJune 16, 2022Subscription to shares35,873,772CEOJune 16, 2022Subscription to shares66,000 sharesBoard directorJune 16, 2022Subscription to shares930 shares



RISKS AND RISK MANAGEMENT

3.1	Risk factors	170
3.1.1	Geopolitical and macro-economic risks	172
3.1.2	Risks relating to the air transportation activity	175
3.1.3	Risks relating to the Group's processes	180
3.1.4	Legal risks related to litigation	183
3.1.5	Financial market risks	184
3.2	Enterprise risk management	187
3.2.1	Risk management process: players and overall organization	187
3.2.2	Identification and evaluation of the risks	188
3.3	Organization and functioning of internal control	189
3.3.1	Internal Control organization and tools	189
3.3.2 3.3.3	Fundamental components of internal control established within the Group Internal control relating to the establishment and processing of financial	192
	and accounting information	195

3.1 **RISK FACTORS**

This section outlines the main risks to which Air France-KLM considers itself exposed – macroeconomic and geopolitical risks, risks linked to the air transportation activity, risks linked to the Group's processes, legal and market risks – together with the management procedures implemented to mitigate these risks. Other risks of which the Group is currently not aware, or risks that as of the date of this document are not considered to be amongst the most material, could also negatively affect its activities.

This section includes the main risks which, as of the date of this document, could potentially impact the Group's activity, financial situation, reputation, results and outlook, as notably identified within the framework of the establishment of the Group's risk mapping, which evaluates their criticality, i.e. their gravity and probability of occurrence, as well as the mitigation plans in place. In accordance with the provisions of Article 16 of Regulation (EU) No. 2017-1129 of the European Parliament and the European Council, within each of the risk categories mentioned below, the risk factors considered to be the most significant (indicated by an asterisk) are presented first.

Description of the risk	Most significant risks	Section
🛞 Geopolitical and macro-economic risks		3.1.1
Economic Uncertainty	*	3.1.1.1
International tensions: closed borders, wars, terroris attacks, political and social unrest, health crises	*	3.1.1.2
Risks relations to oil and fuel price evolution	*	3.1.1.3
Competition and trends in the aeronautics maintenance market	*	3.1.1.4
Evolution of Competition in air travel business		3.1.1.5
Risks relating to the air transportation activity Risks related to airline safety	*	3.1.2 3.1.2.1
Risks related to the environment		3.1.2.2
Climate change and other environmental risks	*	
Carbon credit risk		
Loss of flight slots or lack of access to flight slots	*	3.1.2.3
Reinforcement of passenger compensation rights		3.1.2.4
Regulatory authorities' inquiry into the commercial cooperation agreements between carriers		3.1.2.5

Description of the risk	Most significant risks	Section
Risks relating to the Group's processes		3.1.3
Operational performance and customer risks	*	3.1.3.1
Failure of a critical IT system, IT risks and cyber criminality		3.1.3.2
Cybercriminality	*	
Data security		
Business continuity and regulatory compliance		
Non-compliance with regulations, including competition, data protection and anti-bribery laws		3.1.3.3
Working conditions and human capital development		3.1.3.4
Social stability and employee engagement		
Key competencies and attractivity		
🖧 Legal risks related to litigation		3.1.4
Legal risks related to litigation		3.1.4
🛗 Financial market risks		3.1.5

Financial structure	*	3.1.5.1
Currency risks		3.1.5.2
Tangible assets investment currency exposure		3.1.5.3
Exposure on indebtness		3.1.5.4
Interest rate risk		3.1.5.5
Liquidity investment risk		3.1.5.6
Counterparty risk exposure		3.1.5.7

3.1.1 Geopolitical and macro-economic risks

3.1.1.1 Economic Uncertainty*

Description of the risk

Global economic activity is experiencing a sharper-than-expected slowdown. Several factors weigh on the outlook: monetary policy tightening inflation rate, increase and volatility compounded by different market dynamics in the key economic regions (North America, Europe, Asia) and international tensions described in the following risks.

Growth forecasts are highly variable and could impact the airline industry.

This risk could reduce international trade with a high probability of lower disposable income for airline industry customers.

Impact

One direct impact will be rising prices of basic goods and services, leading to lower purchasing power, putting external pressure on budgets and reducing demand for air transportation (both leisure and business purposes) and for air freight. Internal procurement could be faced with increasing pressure from external stakeholders and suppliers, ending up in contracts and rates renegotiation.

These factors could lead to higher operational and infrastructure costs, coupled with lower revenue and profitability.

Mitigation plan

Agility to adapt our capacity, fleet, network and resources allocation; reviewing our prices and marketing offer; strengthening procurement policies.

3.1.1.2 International tensions: closed borders, wars, terroris attacks, political and social unrest, health crises...*

Description of the risk

Multiple geopolitical factors can affect airspace access/closure and borders control: wars, including trade wars; crisis responses including to public health; protectionism and nationalism on the part of local authorities; terrorist attacks and regional instability.

In addition, a flagship carrier (its employees and stakeholders) representing nation, can also experience specific tensions with worldwide and local communities and authorities.

Impact

Airspaces/borders closures could have a direct impact on airlines operations and networks. Operations may need to be stopped or modified, as a function of rapidly changing rules and conditions. That could create additional complexity for operations and processes to ensure safe operations leading to higher operating costs, a reduction in purchasing power and demand for travel, a risk on the overall perception and brand image.

Mitigation plan

Capacity and network adjustments; internal coordination working group; crisis management; resources reallocation; lobbying for international (industry-wide) policies, standards and regulations; securing minimum service levels; securing internal processes and procedures for cash management (capex, costs: internal and external) in response to liquidity issues; internal tools and procedures, informing, securing and protecting employees in the event of an emergency. The Group has no coverage in place for air transportation operating losses but Air France and KLM are insured for the consequences of an attack on one of their aircrafts and have subscribed to war and assimilated risks insurance.

3.1.1.3 Risks relations to oil and fuel price evolution*

Description of the risk

The fuel bill is one of the largest cost items for airlines, making oil price volatility a risk for the air transportation industry:

- a sharp increase in the oil price can have a very material negative impact on the profitability of airlines, particularly if the economic environment does not enable them to adjust their pricing strategies;
- similarly, a sharp decline in fuel prices is generally favorable for airline profitability. However, the way in which airlines pass on a sharp fall in the fuel price in their fares is a factor of significant uncertainty.

Following the outbreak of the Russo-Ukrainian war, fuel prices increased significantly, reaching a peak in early March 2022. Prices have remained highly volatile throughout the year, fluctuating in response to the announcements of various international sanctions. Fuel prices are still being supported by potential additional demand from China following the abandonment of the zero-Covid policy in place since the onset of the pandemic. However, the significant increase in infections as a result of these measures and the possibility of a recession are limiting the upward trend in prices.

The adoption of Sustainable Aviation Fuel (SAF) is a key solution in the aviation sector's decarbonization road map and SAF mandates are gradually being introduced throughout Europe. SAF availability will become a critical risk in the coming years as it affects the ability to reduce carbon emissions and meet sustainability goals.

Impact

For the financial year ended December 31, 2022, the fuel bill amounted to \notin 7,241 million, up by 133.1% at constant currency compared to the previous year due, in particular to:

- the increase in activity in 2022 compared to 2021 following the ongoing traffic recovery;
- > the significant increase in fuel prices, supported by a strong demand and a shortage of supply due to the Russo-Ukrainian crisis.

The Air France-KLM Group has hedged its exposure to fuel price risk. As of March 24, 2023, the 2023 Air France-KLM Group's fuel price exposure was of US\$7,165 million, based on futures prices at March 24, 2023 (US\$76 a barrel for 2023).

Based on the forward curve at March 24, 2023:

- > an increase of US\$10 per barrel over 2023 would give an average price of US\$83 per barrel and would lead to a US\$458 million increase in the fuel bill after hedging, i.e. a total fuel bill of US\$7,844 million for the Air France-KLM Group in 2023;
- > symmetrically, a fall of US\$10 per barrel over 2023 would give an average price of US\$68 per barrel and would lead to a US\$414 million reduction in the fuel bill after hedging, i.e. a total expense of US\$6,972 million in 2023.

A potential lack of widespread SAF production and distribution from 2025 and 2030 and competition with other sectors working on their energy transition, could result in higher costs. In addition, a shortage of SAF can impact an airline's reputation and undermine customer confidence in its commitment to sustainability. The availability of SAF is therefore essential to support the growth of the aviation industry while reducing its impact on the environment.

Mitigation plan

Insofar as possible, the Group seeks to protect itself from any further increases in oil prices, whilst remaining protected against downwards risks, and adapts its fares when necessary to reduce the impact of rising fuel prices. In addition to fare adjustments and permanent efforts to reduce fuel consumption, the Group has implemented a policy of systematically hedging the fuel price risk defined by the Risk Management Committee (the "RMC"), presented to the Audit Committee and the Board of Directors of the Company.

The hedging strategy:

- > sets the time span of the hedges;
- sets the target hedging ratios to be reached for the coming quarters;
- defines the instruments (swap, forwards or option based), eligible for hedging pursuant to the accounting standards in force.

In respect of the application of IFRS 9, hedging by component has been applied since January 1, 2018. Since the Group's fuel procurement is strongly correlated to the Jet Kerosene Cargoes CIF NWE Index, components specific to this fuel risk are used (Brent ICE, Gasoil ICE, Jet CIF NWE) to align the fuel hedging accounting and the Group's risk management policy more effectively. Within the framework of a dynamic risk monitoring approach, the Group tracks the following indicators:

- > maximum loss: capping the potential maximum loss; and
- maximum gain: value of the portfolio prompting its restructuring;
- value at Risk: enabling the measurement and monitoring of extreme risk scenarios. The level of this indicator is calculated and regularly analyzed, and may also trigger a restructuring of the portfolio.

In a context of high volatility and tension in the commodity market due to the geopolitical events of 2022, the Air France-KLM Group has incorporated new hedging instruments on crack spreads so as to better cover the risk associated with the decoupling between indices reflecting the price of crude oil (Brent ICE) and indices reflecting the price of refined products (Gasoil ICE and Jet CIF NWE).

The revised fuel hedging policy, approved by the Board of Directors on February 17, 2021, remains in effect. It is characterized by a rolling 12-month coverage representing 50% of annual consumption.

(in US\$ million)	2022	2023	2024
Gross expenditure before hedging	8,486	8,060	7,654
Hedge percentage	73%	51%	4%
Gain/(loss) on hedging	969	(54)	(1)
Net expenditure after hedging	7,517	8,114	7,655

To address the risk of difficulty in accessing a SAF supply, Air France-KLM began to collaborate with potential suppliers at a very early stage, signing its first contract (not related to a test flight) in 2015. In 2022, Air France-KLM incorporated 0.6% of SAF into its fuel mix compared to a 0.01% global production. The Group manages a portfolio of consortia, projects and initiatives, leading to long-term offtake agreements with various optional conditions to secure the volumes of SAF to meet its 2030 ambition for a minimum of 10% of SAF, while contending with the uncertainties that still prevail in this domain.

Air France – KLM works with governments and industry organizations to increase the availability and stability of SAF supply chains. It was a founding member of ACT Aviation Climate Taskforce, which aims to accelerate the development of synthetic fuel, and at the European level, Air France – KLM has joined the RLCF alliance, bringing together the aviation and sea transportation sectors to jointly boost the production and supply of renewable and low-carbon fuels.

Finally, the Group support the development of industry-wide standards and certification processes for SAF to increase confidence and reduce uncertainty to help this new industry to emerge. To ensure that the SAF projects selected directly have a minimal impact on the environment, Air France-KLM maintain a strict due diligence on the sustainability of SAF sources, and this SAF is RSB or ISCC certified.

3.1.1.4 Competition and trends in the aeronautics maintenance market*

Description of the risk

Competition and trends in the aeronautics maintenance market (Maintenance, Repair, overhaul also MRO):

- airframers, engine manufacturers and aircraft component manufacturers (OEMs) are rapidly expanding their after-sales services based on a long-term strategy, leveraging intellectual property and licensing mechanisms;
- > more aggressive competition and pressure on the revenues of the maintenance business.

On the cost side:

- > OEMs are leading an aggressive price escalation policy;
- > the maintenance industry is facing labor scarcity, leading to the risk of a labor shortage and wages inflation;
- > the Supply-chain is under significant pressure due to the lack of raw materials, piece parts and poor performance of OEMs.

This trend is accelerating, especially with the arrival of new aircraft (A220, A350, B787, E2-195 etc.). Ultimately, if it were to

result in reduced competition in the aeronautics maintenance market, this trend could have a material adverse impact on airline maintenance costs.

Impact

Revenues in the maintenance business represented 5% of the Group's revenues for the financial year ended December 31, 2022 versus 7% in 2021.

The margin in the maintenance business was 4.6% for the financial year ended December 31, 2022 versus 3.1% in 2021.

Despite the consequences of Covid-19 pandemic and the Ukraine war, Air France-KLM maintenance business has been able to maintain its market shares and profitability. Currently:

- > The MRO market is showing healthy growth, forecast at an annual 2.8%^{(1)*} over the next decade;
- > amongst the rapidly-growing markets, Asia is the main one with annual growth forecast at 3.8%. This market is a keypart of AFI KLM E&M's positioning thanks to a global portfolio and its regional industrial footprint;
- > several airlines which are also customers of the Group for engineering and maintenance services have incurred losses due to the crisis or are under embargo. Although the risk of bankruptcy and the associated loss of business is now mostly behind us, the Group is still exposed to the risk of delayed payment of its receivables.

Mitigation plan

Air France-KLM is working on a number of initiatives to limit the impacts inherent to this risk:

- close coordination through fleet renewal campaigns: procurement of licenses and the securing of industrial cooperation with OEMs as well as Original Aircraft Manufacturers;
- a partnership strategy leveraging on AFI KLM E&M's current strong market position and technology;
- repair solutions and the use of Used Serviceable Materials, thereby reducing the dependence on certain OEMs;
- supply-chain optimization leveraging on digital initiatives, worldwide industrial footprint and alternative sourcing;
- structural and anticipatory management of recruitment and labor availability;
- strict Receivables management. For airlines under financial administration, the Group continues its services subject to a payment commitment from the administrators and a payment plan of previous receivables.

^{(1) 2023} Commercial Aviation Fleet & MRO Forecast, Aviation Week network

3.1.1.5 Evolution of Competition in air travel business

Description of the risk

Changes in the players of the environment: intense competition linked on changes in air transportation businesses (consolidation in the Passenger and Cargo segments), changing offer of product and services (long-haul LCC, narrow-body long-haul, autonomous vehicles, new means of mobility and propulsion), as well as disruptive innovation in digital services (externalization and platformization of customer touch points; predictive analytics in logistics) and products (practicality of digital tool reducing the need for a travel).

Impact

The direct impact could include shifts in customer demand, needs and behavior (changes in travel, buying and transportation habits), and the Company's inability to respond to changing market needs. This, together with large scale consolidation, could cause a shift in the capacity/demand ratio. A brand and its product could also become outdated and commoditized, leading to a loss of business value, decrease in market share and the marginalization of a company.

Mitigation plan

Support for R&D and innovation initiatives; commercial and competitive partnerships; industry-wide consortiums; market screening; participating in governmental policies and industry standards.

3.1.2 Risks relating to the air transportation activity

3.1.2.1 Risks related to airline safety*

Description of the risk

Accident risk, with the possibility of damage to people and property, is inherent to air transportation which is why airline activities – passenger and cargo transportation, aircraft maintenance – are regulated by a series of European regulatory provisions directly applicable or for some of them transposed into French and Dutch law. Compliance with these regulations is governed by whether an airline is awarded the AOC (Air Operator Certificate).

The national Civil Aviation Authority carries out a series of checks on the proper application of these rules covering notably the:

- designation of a senior executive and managers responsible for the principal operational functions;
- appropriate organization of the flight, ground, cargo and maintenance operations;
- > deployment of a Safety Management System (SMS); and
- > implementation of a quality assurance system.

Impact

The materialization of this risk could have a significant negative impact on the Group's reputation and legal or financial consequences.

Mitigation plan

For the Air France-KLM Group, Flight Safety is the absolute priority. Safety is fundamental to maintaining the confidence of customers and staff and is a day-to-day imperative which determines the Group's activity and the long-term future of the air transportation industry.

All of the Group's businesses are subject to numerous checks and certifications, and meet extremely strict standards and the highest level of regulations in the industry, both at European level with the European Aviation Safety Agency (EASA), and globally with the International Air Transport Association (IATA), whose IOSA Operational Safety Audit is a benchmark within the industry and leads to certification which must be renewed every two years.

The IOSA audits were carried out between November and December 2022. The Air France and KLM IOSA certifications will be renewed in early 2023 following the on-site audit.

To reach the highest possible level of Flight Safety, each airline updates and reinforces its SMS which defines in concrete terms the conditions for the implementation of its risk management system. The SMS, which is an integral part of the organization, procedures and corporate culture, is supported by a commitment made at the highest level of management, and by training and awareness-raising programs for all staff (see section 4.4.1 "Operational safety for stakeholders").

This risk is covered by the aviation insurance policies.

Following the lifting of Covid-19 restrictions, the Group's airlines had to manage the traffic growth in 2022. All the anticipatory measures taken enabled the individual airlines to maintain their safety levels by adding some margin in particular for the summer period.

3.1.2.2 Risks related to the environment

Climate change and other environmental risks*

Risk description

The Group's activities are exposed to physical and transitional risks linked to climate change and these are a major concern for Air France-KLM. If the Group does not sufficiently anticipate these impacts and does not engage in a voluntary process of adaptation to climate change and other environmental risks, its financial performance and reputation could be affected.

Impact

- > Physical: climate change is expected to continue with ramifications, like rising sea levels (already affecting some coastal and island destinations) and the increased occurrence and intensity of adverse weather events such as storms, heat waves, fires and droughts. This is leading to an increase in operational disruption, such as flight cancellations or delays and diversions. Such events may have significant operational and financial repercussions for the Group's activity.
- Reputational: Air transportation has to contend with ever-increasing public pressure at both local and global level, focussing on the industry's impacts on the environment. It could affect Air France-KLM's reputation among its customers and policy makers and could then directly influence the Group's ability to manage and develop its activities ("license to grow") in all regions of the world and over the long-term.
- Current and emerging regulation: The air transportation > industry is subject to a significant level of environmental legislation governing areas such as the exposure of people to aircraft noise and local emissions, air quality, the treatment of waste product and regulations to ensure a reduction in the climate impact, including greenhouse gas emissions. Air France-KLM is subject to the European Union emission quota system (EU-ETS or European Union Emission Trading Scheme) as well as CORSIA, the global market-based measure applying to CO₂ emissions from international aviation (please see "carbon credit risk" for more information). A 1% SAF mandate was introduced in France in 2022, increasing to 1.5% in 2024, while the EU intend to introduce progressive SAF mandates from 2025 as part of its "Fit for 55" package. An increasing number of countries are introducing ticket taxes, including France and The Netherlands. In France, under the Climate and Resilience Act, airline services are now banned on domestic routes under 2h30 (under certain conditions). In The Netherlands, a reduction of the number of flight movements at Schiphol Airport for noise reasons is currently under consideration. All such legislation could have a significant negative impact on the Group's operations and growth as a substantial increase in cost, especially when applied solely to a specific geographical area, could lead to competitive distortions between airlines. In future, the regulation might also take into account the "non-CO2 climate impact of aviation", such as condensation trails and nitrogen oxide emissions, as well as introduce new biodiversity targets, which could affect aviation activities.

Market: Changes in consumer habits and behavior could include the use of videoconferencing, thereby reducing air travel in terms of frequency or distance, combining business and leisure travel, or preferences for services with a reduced carbon footprint, such as travel by train on shorter distances. Climate degradation at the local level will have repercussions for travel demand patterns and over time, tourists from temperate countries, who currently dominate international travel may adapt their travel plans to take advantage of new climate conditions closer to home.

Mitigation plan

The Air France-KLM Group and its airlines are continuing their efforts to reduce their environmental footprint as part of a transparent and responsible approach to the challenges of global warming. The Group chose to have its 2030 CO₂eq emission reduction target validated by the independent reference organization SBTi, with an ambition in line with the Paris Agreement's "well below 2°C scenario".

The Group's decarbonization strategy has the objective of net zero emissions by 2050. It stipulates the Group's priorities in terms of reducing its environmental impacts and means to achieve it like fleet modernization which contributes to reduce both fuel consumption and noise hindrance, improved fuel management and optimizing operational procedures such as eco-piloting, the accelerated introduction of sustainable aviation fuels and improving the use of combined modes of transport such as trains (also known as "intermodality"). While implementing these measures, Air France-KLM aims not to compromise the accessibility of air travel.

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

Air France – KLM also plays a front-runner role in the airline industry, mobilizing the sector to accelerate its decarbonization commitments. At the 77th IATA Annual General Meeting in 2021, IATA member airlines passed a resolution committing them to achieving Net Zero carbon emissions from their operations by 2050. In 2022, ICAO Member States adopted the same long-term aspirational goal (LTAG) of Net Zero carbon emissions by 2050 during its 41st ICAO Assembly.

To adapt to the already-visible consequences of climate change such as more frequent extreme weather events, Air France-KLM has a policy in place to ensure safe operational and passenger handling conditions, and regularly conducts comprehensive risk analyses to optimize these arrangements. The operation of a network balanced between the different continents and the flexibility related to the composition of the fleet enable the financial consequences of these impacts to be minimized. Finally, Air France – KLM constantly analyses changing attitudes to travel and responds through regular adjustments of its network, services and offers. In the event of climatic events, the Group's various partnerships enable the rapid deployment of commercial measures so that passengers can postpone their journey or change their destination if they so wish.

Carbon credit risk

Description of the risk

As an air transport operator, the Air France-KLM Group emits carbon dioxide. As such, it fully complies with regulatory measures to reduce carbon emissions (see section $4.3.1 - CO_2$ emissions). These include the EU Emissions Trading Scheme (EU ETS), which has been in force at European level since 2012 for aviation. In December 2022, the European institutions defined the modalities for the reform of the EU-ETS through the revision of Directive 2003/87/EC.

They have confirmed the intra-European scope of the EU-ETS, thus reinforcing CORSIA's future role in defining compensation solutions for international flights. They have also programmed the progressive ending of allowances allocated free of charge to air operators. From 2026 onwards, this new measure will require the Air France-KLM Group to purchase emission rights (credits) for all its flights to and from the European Union (intra-European flights). The clarification of the reduction trajectory for the allocation of free allowances nevertheless makes it possible to anticipate and control the risk associated with this regulatory change. The regulatory changes and expectation of changes in terms of ambition are leading to significant volatility and an overall increase in ETS prices.

Impact

The cost of emissions allowances and the potential for price volatility could increase operating costs. For the year ending December 31, 2022, the Air France–KLM Group's CO_2 emissions reached 22.9 million tons (13.7 million tons for Air France and 9.2 million tons for KLM), of which 5 million tons were subject to the EU ETS requirement. In the light of the European arbitration in December 2023 (end of free allowances in 2026), the scenario adopted by the Air France group foresees the acquisition of 3.8 million additional carbon credits on the market between 2023 and 2027.

Mitigation plan

To minimize the consequences of the necessary strengthening of the European carbon market and the gradual increase in the price of credits, Air France-KLM has taken two types of measures.

 on the one hand, the Group is responding through a proactive financial policy based on the purchase of forward credits. This carbon risk hedging measure is subject to regular review and validation by the *Risk Management Committee;* on the other hand, the Group is looking for every opportunity to reduce its fuel consumption and carbon emissions on its own initiative within the framework of its decarbonization strategy or in conjunction with the authorities (SESAR project, Single European Sky, air traffic control optimization).

In addition, the Group uses an internal carbon price (price range) in its investment and project decision-making to factor the carbon risk in its decision-making scenarios (see section 4.3 "Environmental impacts"). In view of these developments, the Group would also like to draw attention to the need to design a mechanism to adjust carbon emissions at the European Union's borders.

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

Description of the risk

Given their saturation, serving major European airports is subject to obtaining slots which are allocated under the conditions defined by EU Regulation No. 95/93. In application of this text and by virtue of a historical precedence, the series of slots held by an aircraft operator is reserved for it from one season to the next if the latter operates at least 80% of the slots over the period in question. Below this threshold, unused slots are lost by the carrier and placed in a pool. Each year, the coordinator in charge of slot management is assigned the task of allocating the released slots to operators who request them. In addition to the potential loss of slots due to a poorly anticipated market development, there is also the risk of a major crisis making it impossible to use the allocated rights. This was notably the case during the Covid-19 crisis, when air carriers had to drastically reduce their frequencies.

Impact

The loss of slots or no access to slots due to volume limitations or saturation could have an impact on companies' results or their development. As a slot lost to a competitor is inherently difficult to recover, a lack of anticipation and adaptation could lead to a reduction in market share over time. In this context, it should be noted that on June 24, 2022, the Dutch government announced its intention to reduce the maximum capacity of Schiphol airport to 440,000 flight movements per year, i.e. a reduction of 12% compared to the current 500,000. This measure will enter a transition period from November 1st, 2023, and final implementation as of November 1st, 2024. The potential impact and the measures to be taken by KLM following the Dutch government's announcement are currently being investigated (in this respect, please also view section "Highlights of the 2023 Financial Year"). In view of this clearly identified risk, the whole group is trying to protect itself and is implementing the necessary means of preservation.

Mitigation plan

The Group is carefully implementing the provisions of the European Regulation on the allocation of slots, which guarantees that a carrier will be able to retain the use of these slots from one season to the next once they have been used 80% of the time, except in exceptional circumstances (see below for the specific case of post Covid-19 recovery). To this end, a particular effort is made to monitor changes in demand and to anticipate new customer expectations. The Group is thus able to adapt its offer flexibly to the variables specific to each airport, thanks to the diversity of the brands in its portfolio. In addition, all the airlines are working with their national authorities to ensure that the capacity they need for growth is regularly available at their main hubs.

Specific case of major crises: the case of post Covid-19 recovery:

As they were not in a position to operate many flights during the Covid-19 crisis due to the health measures taken by the authorities, the Group's airlines worked to ensure that specific provisions were made to preserve their slot portfolios. For example, from February 2021 to October 2022, an exceptional measure taken by the European Commission allowed the slot utilization threshold to be lowered to 60% without involving the redistribution of unused slots. While the Group welcomed this pragmatic measure, it was also in favor of a gradual increase in the utilization threshold (see section 6.4.2) proportional to the recovery in traffic. Vigilance remains necessary with regard to a potential new wave of the pandemic.

3.1.2.4 Reinforcement of passenger compensation rights

Description of the risk

Many states have adopted legislation on passenger rights to determine rules for compensation and assistance in the event of irregularities (cancellation, delay, denied boarding, downgrading). The European Union has a Community regulation (RE261/2004) which applies to all flights departing from an airport located on its territory, regardless of the nationality of the airline operating the flight. It also applies to flights arriving on its territory, only when they are operated by an airline from one of its member states.

Numerous rulings by the European Court of Justice have reduced the possibilities for air carriers to invoke "extraordinary circumstances" to exempt themselves from paying the compensation provided for in Regulation 261/2004. Where geographic specificities apply, as is the case in the United States following the adoption of the Passenger Protection Improvement Act, the Group's airlines operating from these territories comply with the relevant obligations.

Impact

Passenger rights requirements help shape the Group's operational and commercial policy. Increasing the number of assistance rules could have a significant impact on its financial balance. The increase in costs will then add to the already existing distortions of competition with companies from third countries, most of whose activities are not subject to the same obligations. In addition, the use of specialized companies to collect passenger compensation has become almost systematic, making the processing of claims more complex and time-consuming. The 2022 financial year was marked by the still perceptible consequences of Covid-19 and the imponderables linked to the Ukrainian conflict. Despite a net recovery in traffic, the Group was forced to cancel a significant number of flights, resulting in ticket refunds and the issue of vouchers.

Mitigation plan

The Group has adapted its organization and procedures to improve its ability to handle passenger complaints. The aim is to prevent disputes and to be able to comply with regulatory deadlines in all circumstances, including in the event of major disruptions. At organizational level, Air France–KLM has adopted several measures to strengthen cooperation between all the departments involved. This overhaul of operational processes has ensured optimized decision-making. From the point of view of customers and partners, this has resulted in extended communication and priority processing of requests. In terms of regulations, the Group has opted for a pro-active approach to the collection and use of information. Access to databases updated by the IATA trade association enables the Group to take into account the constant changes in regulations worldwide and to adopt measures it deems necessary to ensure compliance.

Specific case of major crises: feedback on the Covid crisis:

The Covid-19 crisis highlighted the fact that the regulations were not adapted to major disturbances. The Group supports the revision of the European Regulation RE261/2004, in particular with regard to defining exonerating circumstances that would make the obligations of airlines more reasonable. In this respect, it participates in the studies regularly carried out by the authorities.

3.1.2.5 Regulatory authorities' inquiry into the commercial cooperation agreements between carriers

Description of the risk

Alliance operations and commercial cooperation are required to comply with the competition laws in force. In certain jurisdictions, the implementation of such agreements is subject to prior review and clearance by the competition authorities. In other jurisdictions, particularly in Europe, airlines are required to ensure that their operations are compliant with the applicable competition rules. At any time, the European Commission has the right to open investigations into any cases of cooperation it considers of interest to the European Community (following a complaint or self-referrals). For example, just like any other major transatlantic cooperation, the joint-venture between Air France, KLM, Delta and Alitalia was the subject of such an investigation (resulting in a positive decision in 2015).

Impact

Investigations could have a negative effect on the Group's results, business, reputation, and financial position and outlook.

Mitigation plan

Alliance and commercial cooperation projects are reviewed by internal competition lawyers to assess their feasibility and the potential remedies required for their implementation.

For example, in May 2015, the Directorate General for Competition (DG COMP) issued a positive decision based on Article 101 of the Treaty on the Functioning of the European Union on the former transatlantic joint-venture (between Air France, KLM, Delta Air Lines, Inc. and Alitalia).

The Commission accepted the final undertakings offered by the Parties and closed the case.

This joint-venture has since been terminated with the launch of the current joint-venture between Air France-KLM, Air France, KLM, Delta Air Lines and Virgin Atlantic.

The US and other worldwide authorities had already published their conclusions, acknowledging the benefits for consumers generated by the cooperation. In this regard, each joint-venture between Air France/KLM, Delta Air Lines and their transatlantic partners has benefited from anti-trust immunity (ATI) on departure from the United States since 2008.

3.1.2.6 Commitments *vis-à-vis* the European Commission

Description of the risk

a) Merger regulation and cooperation agreements

In 2004, for the European Commission to authorize the business combination between Air France and KLM, the latter two companies made a number of commitments, notably with regard to the possibility of making landing and takeoff slots available to competitors at certain airports. Other remedies were introduced following the May 2015 decision on the transatlantic joint-venture.

b) State Aid

In 2020, the implementation of the measures to reinforce the Group's liquidity (a loan guaranteed by the French State (PGE) in the amount of \notin 4 billion and a \notin 3 billion loan from the French State, together with a revolving credit facility of \notin 2.4 billion guaranteed by the Dutch State and a \notin 1 billion loan from the Dutch State), were submitted for prior approval by the European Commission in accordance with State Aid regulations (decisions of May 4, 2020 and July 16, 2021).

On April 6, 2021, the Group announced the first part of its overall recapitalization plan. Certain measures in this plan contained State Aid, which were accordingly notified by the French authorities to the European Commission, the latter approving them in its decision of April 5, 2021 pursuant to the rules pertaining to State Aid. This decision made the approval of the measures subject to a number of commitments undertaken by the French State and leading notably to the allocation by Air France of landing and take-off slots to a designated third-party carrier at Orly airport. Other undertakings by the French State were also imposed to the Group companies (to the exception of KLM and its subsidiaries) within the framework of the European Commission's Temporary Framework for State Aid (such as restrictions on acquisitions, share buybacks and dividend payments) and could have an impact on the Group's activities.

Like for all airlines receiving State support in the context of the Covid-19 crisis, the European Commission's decisions granting support measures to Air France and KLM have been subject to annulment proceedings brought by Ryanair. The written proceedings in the three cases concerning the Group (which, together with Air France and KLM, is intervening in support of the European Commission, as are the French and Dutch governments) are closed and oral hearings are expected to be held before the General Court of the European Union during 2023.

Impact

a) Merger regulation and cooperation agreements

Failure to comply with merger control or antitrust commitments entails financial, reputational, and structural risk for the Group.

b) State Aid

Failure to comply with the commitments made for the approval of State Aid by the European Commission would entail a risk of corrective measures or even the cancellation of the Commission's decision. In the latter case, the State Aid would be considered illegal, resulting in the obligation for Air France-KLM to repay the aid in question. This situation also entails a reputational risk for the Group.

Mitigation plan

a) Merger regulation and cooperation agreements

The Air France-KLM Group has ascertained that the eventual consequences of slot availability under the 2004 and 2015 remedies remain admissible and do not affect the economics of the lines in question. Air France-KLM also regularly contacts the Commission to discuss the need to maintain these commitments adopted more than sixteen years ago. In this respect, the European Commission lifted on 24 February 2023 the commitments taken by Air France and KLM in 2004 on the Paris-Amsterdam route.

b) State Aid

The Group has ensured that its growth plan will be implemented in the respect and in a manner which is fully compatible with the commitments made within the framework of the State Aid packages. Pursuant to the European Commission's decision of April 5, 2021, a Monitoring Trustee responsible for monitoring respect of the commitments undertaken by the French State and the Group has been appointed. A State Agent has also been appointed by the Dutch State, responsible for verifying the application of the measures set forth into the agreement concerning State Aid entered into with the Dutch State.

It should also be noted that in the course of 2022 and 2023, the Group repaid part of the loans guaranteed by the French State (PGE) made available to it in order to strengthen its cash and liquidity position. During the same period, the Group has already partially repaid the Covid-19 recapitalisation aid granted in the form of quasi-equity in April 2021 following the conversion of the French State's direct loan of \notin 3 billion.

Finally, on 17 March 2023 and again on 19 April 2023, the Group repaid and refinanced, through the use, approved by the European Commission on 17 February 2023, of part of the €1.4 billion compensation aid for the Covid-19 damage suffered from March to June 2020, the full balance of the April 2021 Covid-19 recapitalisation aid that was subject to the aforementioned commitments and constraints. In addition, under the terms of the Covid-19 Temporary Framework, the French State was able to retain the shares subscribed in April 2021, the latter Covid-19 recapitalisation aid being deemed to have been repaid after two years had elapsed since it was granted and the payment of its specific remuneration. As a result, Air France - KLM holding and Air France are no longer liable for any Covid-19 recapitalisation aid and are therefore fully released from the aforementioned undertakings and constraints which were linked to this Covid-19 recapitalisation aid, thus lifting the aforementioned restrictions imposed by the European Commission.

3.1.3 Risks relating to the Group's processes

3.1.3.1 Operational performance and customer risks*

Description of the risk

For customers, our operational performance is a cornerstone of the product. Growing congestion in airports, increasingly complex regulations (e.g. security and health measures), potential social unrest or staff shortages within the airline industry, but also externally (air traffic control and ground handler strikes), fleet unavailability (due to e.g. delays in deliveries, technical quality issues) and weather-related disturbance incur a risk of sub-optimal operational performance or a lower standard of customer service.

Impact

This risk could lead to an increase in the operational performance costs and a reduction in levels of customer satisfaction, which could result in a negative impact on the Group's reputation.

Mitigation plan

For both Air France and KLM, the Operations Control Center is at the heart of operations and any disruption is managed in an integrated manner. Numerous action plans are deployed on operational excellence, service disruption management and recovery, security, network agility, fleet management, the compensation procedure (EU 261), crew management and other critical internal and external resources, and coordination with key stakeholders like the authorities and airports. The goal is to reduce the number of service disruptions, reduce the impact on customers, improve customer satisfaction and reduce the costs of sub-optimal performance.

3.1.3.2 Failure of a critical IT system, IT risks and cyber criminality

Cybercriminality*

Description of the risk

As with any business making extensive use of modern communication and IT data processing technologies, including revenue management systems and booking systems (including Altea), the Group is exposed to threats of cyber-criminality.

Their heavy dependence on IT and communication technologies makes airlines vulnerable to cyber-criminality.

Impact

Cyber-criminality and cyber-espionage refer to a wide range of different activities related to the improper use of data and interference with the integrity of the Air France-KLM Information System for personal, financial, psychological and political ends. Should Air France-KLM fail to counter such incidents of cyber-criminality, this could have a negative impact on the Group's activity, reputation, revenues and costs, and thus its results.

Mitigation plan

To protect itself against this risk, the Group deploys substantial resources aimed at ensuring business continuity, data protection, the security of personal information pursuant to law and the safeguarding of at-risk tangible and intangible assets.

Since 2018, the Group has subscribed to a cyber insurance policy to transfer a part of this risk.

In 2022, three independent audits on IT Security were successfully performed to fine tune the Cybercrime program action plan. The IT staff dedicated to security were increased by 20% to adapt our organization to the new threats. New processes and tools were deployed to detect, protect and fix any potential deviations spotted or system vulnerabilities more rapidly. A new cyber awareness training module was approved at Executive Committee level and became mandatory for all staff.

Data security

Description of the risk

As airline companies, Air France and KLM collect personal data from their customers and employees. Management of the Group's assets is supported by rigorous management of the required data, whose consistency and integrity presents a permanent challenge for IT projects, and in the operation of digital services. Frequent changes to both applications and processes call for the ongoing adaptation of IT management tools and methods, in coordination with the businesses to include their regulatory and operational requirements.

Impact

If the Group fails to implement such frequent changes or to protect data of a personal nature pursuant to the relevant laws and regulation, this could have a negative impact on:

- > the Group's activity;
- > reputation;
- revenues and costs;
- > its results.

Mitigation plan

The Group's IT division implements security rules aimed at reducing the risks related to new technologies, particularly mobile data terminals. The access controls to IT applications and to the computer files at each work station together with control over the data exchanged outside the Company all comply with rules pursuant to national, European and international standards. Campaigns to raise the awareness of all staff on the potential threats and encourage best practices are regularly carried out. Specialized companies and Internal Audit regularly evaluate the effectiveness of the solutions in place.

Business continuity and regulatory compliance

Description of the risk

The IT systems, including the revenue management systems and booking systems (including Altea) used by the Group, and the information they contain may be exposed to risks concerning continuity of functioning, data security and regulatory compliance. These risks have diverse origins both inside and outside the Group.

Impact

The materialization of one of these risks could have an impact on the Group's activity, reputation, revenues and costs, and thus its results.

Mitigation plan

Air France-KLM monitors the secure functioning of the IT systems on a permanent basis. Dedicated help centers and redundant networks guarantee the availability and accessibility of data and IT processing in the event of major incidents.

The infrastructures of the back-up operating centers and business continuity plans are tested regularly. The access controls to the IT systems and to the data exchanged within the Company are governed by rules which comply with international laws and standards.

Companies specializing in IT security, Internal Audit and Internal Control all regularly evaluate the relevance and effectiveness of the solutions in place.

The risk of damage to the IT facilities is covered by insurance policies.

3.1.3.3 Non-compliance with regulations, including competition, data protection and anti-bribery laws

Description of the risk

Multiple and increasingly complex regulations are applicable to our operations as the Air France-KLM Group operates worldwide:

- some regulations request specific program to be designed with compulsory measures to be implemented and monitored;
- there is increasing scrutiny by local authorities requiring organizations to comply with these regulations;
- since Air France-KLM is a listed company, it is required to comply with regulations imposing mandatory notifications and registrations to prevent insider trading and market manipulation.

Impact

Non-compliance with such regulations may lead to significant fines, damages, legal proceedings, jail sentence, damage to reputation, the impossibility to participate to public tenders or to get or renew approvals or licenses from the authorities etc.

The Group has been involved in investigations in relation to anti-trust matters in the air-freight industry, initiated before the European Commission in December 2005 and in the passenger sector (see Note 31.1.4 to the Consolidated Financial Statements).

Mitigation plan

The Group:

- > issues policies dedicated to each compliance domain (competition, anti-corruption, securities trading compliance), setting forth the prohibited practices, sanctions, and rules to be followed by employees of the Air France-KLM Group to ensure compliance with the applicable laws. This documentation is regularly reviewed and updated;
- > there are also e-learning campaigns covering each domain of compliance for a wide range of employees and specific training set up for categories of staff with high-risk exposure including in the Top Management on anti-corruption;
- a team of experts is on hand to provide advice and guidance on contracts and projects;
- there are also tools for the screening of contracting partners with respect to (i) ethics, (ii) trade sanctions and (iii) the monitoring of transactions involving sensitive materials (military, dual use);
- > an internal tool compiles insider lists, publishes any ad hoc announcements, and shares information on the relevant policies and projects, and the applicable processes via information letters.

3.1.3.4 Working conditions and human capital development

Social stability and employee engagement

Description of the risk

With the Covid-19 health crisis and its impact on the Group's activities, Air France, KLM and their subsidiaries have been forced to implement measures to reduce labor costs for the various categories of staff and major staff reduction and reorganization plans. The measures taken by the Group have contributed to a decline in employee engagement, motivation and commitment at work, and the new context of high inflation may result in some categories of staff feeling uncertainty about the future of the Group and their own employment or concern about the economic situation.

In the past and potentially in future, the Group's operations could be disrupted by labor disputes such as strikes, walkouts, industrial action or other forms of social unrest.

Impact

The Group recognizes the constraints and risks to which it is exposed: social unrest and action could have a negative impact on the Group's operations, profitability and image.

Mitigation plan

The Group seeks to preserve cohesion by fostering a constructive and transparent workplace dialogue and by pursuing a policy based on respect and responsibility. Regarding the consequences of the measures implemented by the Group within the context of the Covid-19 epidemic and the inflationary context, the Group has maintained its openness and transparency with unions, with negotiations based on relationships of trust.

Given its reduced workforce the Group is focused on optimizing and transforming its ways of working, by reviewing organizational structures and workloads. At Group level, coordination takes place between the different entities, specifically for transverse topics concerning categories of staff across several entities. Significant changes to the HR policies and collective labor agreements are approved at the highest level of management within the airlines and the Group.

Decreasing the distance between management and staff is key to understanding the needs and concerns of staff, tackling any issues in a proactive manner and avoiding any escalation. Specific attention is paid to remote working that may result in reduced contact with colleagues and management.

Key competencies and attractivity

Description of the risk

Employees are at the heart of Air France-KLM strength and within a context of digitalization, the uze of artificial intelligence, adaptation and the acquisition of new and specific skill sets, maintaining internal employability by accelerating talent development and fostering attractivity are major priorities strong stakes for the Group.

Following the Covid-19 crisis, especially amongst the young generation and staff working in the airports, Air France-KLM is witnessing the emergence of new motivations like meaningful work, flexibility at work and work life balance. Given its goal of differentiating itself from the competition and reaching a high level of performance, Air France-KLM is having to contend with tight labor markets and, in some areas, a skills shortage.

Impact

Lack of availability of skills in areas like Engineering and Maintenance or IT could slow down the transformation plans or increase their costs of transformation, while for operational staff, tight labor could create workforce planning-related issues given our ambition to increase the volume of activity.

3.1.4 Legal risks related to litigation

Description of the risk

During their ordinary course of business, the Group's companies may be involved in legal, administrative, criminal, or arbitration proceedings, especially concerning civil liability, competition, compliance (ethics, data privacy, export control), industrial, fiscal, social or intellectual property claims, or claims relating to the environment and discrimination. In some of these proceedings, significant monetary claims have been made or may be made against one or more Group companies. The relevant provisions, if any, that the Group may have to record in its financial statements may not be sufficient, which could have a material adverse effect on its business, financial position, results and outlook. As of December 31, 2022, the Group's total provisions for litigation amounted to €426 million (see Note 31 in section 5.3 "Notes to the consolidated financial statements"). With the exception of the proceedings and litigation outlined in Notes 31.1 and 31.2 in section 5.3 "Notes to the consolidated financial statements", there are no other administrative, legal or arbitration proceedings (including, to the Group's knowledge, any proceedings under way or threats of proceedings) that could have or have recently had a material effect on the Group's financial position or profitability in the past twelve months.

New proceedings, stemming from existing proceedings or otherwise, related to risks already identified by the Group or to new risks, could be initiated against a Group entity.

Mitigation plan

Air France-KLM has developed an ambitious HR policy to reinforce its attractivity and employer brand, while continuing to develop its talents and needed competencies and skills required to meet its strategic and operational needs. To ensure the recruitment and retention of specific profiles, the Group is supported by its employer values including Diversity and Inclusion, while high-level management teams are involved in the reinforced identification of talent and succession planning.

The Group continues to invest in training and employee development thanks to dedicated interviews and individual development plans aiming at supporting and opening up career path opportunities.

The Group's entities have invested in predictive models to support improved workforce planning, specifically for critical categories of staff.

The Air France-KLM Group has reinforced its partnerships with third parties education players and external companies, to be able to support the development of new professions and outsource some services when required.

Impact

Should these proceedings result in an unfavorable outcome, there could be a significant adverse reputational effect on the Group's business, and also on its financial position, results and outlook.

Mitigation plan

Training and guidelines from legal department are provided for the relevant teams to enable them to anticipate any risks of litigation based on experience and change in legislation. the ongoing procedures are regularly monitored and analyzed by the legal department, with the support of external legal counsel where necessary.

If necessary, provisions may be recorded in the Group's financial statements in respect of these disputes. The Group's estimate of its financial exposure to pending proceedings is regularly reassessed in the light of changes in such proceedings, and the amount of the corresponding provisions is adjusted accordingly to the best of the Group's knowledge. These amounts are also reviewed and validated by the Statutory Auditors.

Certain risks relating to these procedures are also covered, under certain conditions, by the insurance policies taken out by the Companies and outlined in section 3.2.1.

Please also see "highlights of the beginning of the 2023 Financial Year".

3.1.5 Financial market risks

3.1.5.1 Financial structure*

Description of the risk

Following two years of serious Covid-19 crisis, generating losses in 2020 and 2021, The Air France-KLM Group has a negative equity of \leq (2,480) million at the end of 2022.

Impact

While there is no direct consequence of this equity position, the potential (however unlikely) impact could be that the Air France-KLM Group loses the trust of its creditors.

Mitigation plan

To strengthen its balance sheet, the Air France-KLM Group has realized a number of equity issues:

- April 2021: a €1,063 million capital increase and a hybrid bond issue raising €3,000 million;
- > June 2022: a €2,256 million capital increase with preferential subscription rights;
- > July 2022: a €497 million hybrid bond issue through a spare engines subsidiary;
- > November 2022: a €305 million hybrid convertible bond issue on the market.

These successive transactions, which all proved successful, testified the confidence of our shareholders and that of the market in the Air France-KLM Group.

In addition to these actions involving the Air France – KLM share capital, the Group also implemented a strong liquidity strategy:

- May 2020: a €4,000 million French State Guaranteed Loan (PGE) and a €3,000 million subordinated Shareholder Loan granted by the French State;
- > June 2021: a €800 million senior unsecured bond issue;
- July 2021: Euro Medium Term Note (EMTN) program to provide more agility when issuing bonds on the market;
- October 2021: an ESG rating solicited from S&P Global Ratings to add transparency to our ESG policies and widen investor interest;
- December 2021: extension of the PGE to May 2025 (along with a €0.5 billion early redemption);

- December 2022: ESG framework within an updated EMTN program to link our ESG and financing strategies and widen our investor base;
- > January 2023: a €1,000 million sustainability-linked bond issue.

All of these elements, along with the continued and solid trust of our aircraft financing institutions, enabled the Air France-KLM Group to report robust liquidity positions throughout the crisis and currently (&8,006 million reported net cash at the end of 2022), together with a net debt/EBITDA leverage reduced to 1.75x at the end of 2022.

To further reinforce its balance sheet, the Air France-KLM Group implemented a significant operational transformation (particularly in the French domestic network) and continues to work on ways to value its assets in the most efficient manners.

Please also see "highlights of the beginning of the 2023 Financial Year".

3.1.5.2 Currency risks

Description of the risk

Most of Air France-KLM's revenues are generated in euros. However, because of its international activities, the Group incurs currency exchange risks.

- > the Group's main exposure relates to the US dollar. Since expenditures on items such as fuel and maintenance exceed the amount of overall revenues in US dollars, the Group is a net buyer of US dollars, representing a residual structural risk.
- > the Group is a net seller of other currencies. The level of its revenues in currencies other than the US dollar exceeds its expenditures in the same currencies. This exposure is, however, much lower than with the US dollar.

Impact

The currency exchange volatility implies volatility on the Group's financial results:

- any significant appreciation in the US dollar against the euro could result in a negative impact on the Group's financial results;
- a significant decline in the other currencies against the euro could also have a negative effect on the Group's financial results.

3

Operational exposure ("Transaction risk")

(in millions of currencies at 31 décembre 2022)	US Dollar	Pound sterling	Yen
Net position before hedging	(3,842)	648	28,523
Currency hedge	1,848	(267)	(5,800)
Net position after hedging	(1,994)	381	22,723

Following the significant increase in the fuel bill, the Ukrainian crisis is increasing the net exposure to the US dollar.

Mitigation plan

The currency risk management for the Group's airline subsidiaries is centralized within each airline company while the currency risks incurred in investments by the Group's holding company are managed at holding company level.

The risk management of the Group's overall currency exposure is carried out on the basis of a forecast net exposure for each currency. Currencies highly correlated to the US dollar are usually aggregated with the US dollar exposure.

For each currency hedged, the time span of the hedging is a rolling 12 to 24-month period, the first four quarters being relatively more hedged than the following four. The RMC sets hedging targets for the US dollar, sterling and the yen on a quarterly basis.

3.1.5.3 Tangible assets investment currency exposure

Description of the risk

Aircraft are generally purchased in US dollars, meaning that the Group is exposed to an appreciation in the US dollar relative to the euro in terms of its investment in aircraft and flight equipment.

Impact

The investment exposure could generate volatility on the Group's capital expenditures in euro.

Mitigation plan

The hedging strategy provides for the implementation of a gradual level of hedging between the order and delivery dates of the aircraft or flight equipment.

The net investments in US dollars figuring in the table below reflect the contractual commitments as of December 31, 2022:

(in US\$ million)	2023	2024	2025	2026	2027
Investments	1,779	1,474	1,133	70	342
Currency hedge	1,579	1,113	209	70	342
Hedge ratio	89%	76%	18%	100%	100%

3.1.5.4 Exposure on indebtness

Description of the risk

The aircraft operating leases denominated mostly in USD are recognized in the Group's debt (since the application of IFRS 16 application as of January 2018).

Impact

The US dollar exchange rate variation could generate volatility on the IFRS 16 debt at revaluation.

Mitigation plan

At the accounting level, this US dollar lease debt is recognized as a natural hedge of a fraction of the Group's US dollar revenues.

For airlines in the Group not generating US dollar revenues, US dollar-denominated assets and currency hedges are in place to mitigate the exchange risk rate.

The foreign exchange risk on non-IFRS 16 debt is limited: at December 31, 2022, the exchange rate risk on the debt, other than coming from operating leases, denominated in currencies other than the euro mostly concerns the yen (6%), the US dollar (6%) and the Swiss franc (3%).

Nota that the natural hedging relationship, which was temporarily suspended due to the Covid-19 crisis, was reinstated during the 2022 financial year.

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

3.1.5.5 Interest rate risk

Description of the risk

A portion of the overall gross debt is raised at floating rates (aircraft financing notably).

Impact

The interest rate variations could generate volatility in financial expenses.

Mitigation plan

The Group uses interest rate swaps or options to convert a portion of this floating-rate debt into fixed rate debt on the different tenors.

After swaps, the exposure to floating rates represents 35% of the Group consolidated debt (excluding lease debt) at December 31,2022.

The interest rate on the Group's gross debt (excluding lease debt) after swaps stood at 2.97% at December 31, 2022 (versus 2.23% at December 31, 2021) excluding guarantee fees (if any).

This risk is treated with a cost of carry approach, netting the financial products earned on cash invested.

3.1.5.6 Liquidity investment risk

Description of the risk

The cash resources of Air France – KLM, Air France and KLM are invested so as to maximize the return for a very low level of risk. They are invested in money market mutual funds, and, secondarily, in debt securities and term deposits with highly-rated banks.

Impact

The investment risk is considered to be low, in that the investments in debt securities and term deposits are managed within the framework of the overall counterparty management (see paragraph 3.1.5.7).

Mitigation plan

Air France-KLM only invest in money market funds which are managed by reputable asset managers, selected according to strict selection criteria. With respect to investments in debt securities or term deposits, the latter have to be issued by highly rated banks. The eligible banks are monitored on a quarterly basis by the Risk Management Committee.

3.1.5.7 Counterparty risk exposure

Description of the risk

Air France – KLM implements the hedging programs to manage the financial risks with derivatives instruments dealt with financial counterparties.

Air France-KLM invests some liquidity directly on financial products proposed by the banks.

Impact

In case of default of a counterparty, Air France – KLM is exposed on the debit position (derivatives portfolio market value in favor of AFKLM when the default occurs).

Cash invested bilaterally is at risk in the event of default of the counterparty.

Mitigation plan

Eligibility requirements: each counterparty must benefit from a rating, and this rating has to be a minimum of BBB+ (S&P), unless an exemption is expressly granted by the Risk Management Committee (RMC).

Monitoring & reporting: a maximum commitment scale is applied by counterparty based on the quality and ranking of their ratings. The total exposure (overall hedging portfolios added to investments consolidated for the whole Air France – KLM Group) must remain below the prescribed limit. The RMC also monitors the percentages each counterparty represents in the portfolios to ensure permanently appropriate balances.

The Group monthly report is established and circulated to the members of the General Management.

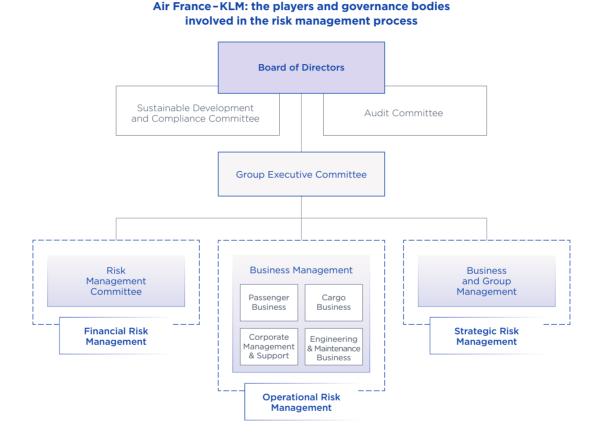
In the event of any real risk of a rating downgrading for counterparties, it is supplemented by real time information.

Note that investments on mutual funds incur risk that is deemed to be negligible thanks to broad diversification and the regulatory provisions applicable to such investments.

3.2 ENTERPRISE RISK MANAGEMENT

The Air France-KLM Group is exposed to the general risks associated with the air transport industry and with airline operations, and has consequently implemented a system to identify, analyze, monitor, manage and control its risks.

3.2.1 Risk management process: players and overall organization



Risk management process

The risk management process aims to determine the events that could potentially impact the Group and prevent it from achieving its objectives, and to implement a risk management and reporting system.

The risk management process enables, on one hand, the different divisions and principal subsidiaries and, on the other hand, the Group Executive Committee, the Audit Committee and the Sustainable Development and Compliance Committee to monitor the principal strategic and operational risks, their evolution over time and the measures in place to manage these risks. It thus aims to create and preserve value, and to safeguard the Group's assets and reputation.

Each Group entity is responsible for managing its risks and for producing regular reports.

The overall risk management process also serves as a basis for the Universal Registration Document and makes a major contribution to establishing the annual audit program.

As a facilitator of risk management, Group Internal Audit regularly evaluates the risk management process. Its conclusions are the subject of presentations to the Group Executive Committee and the Audit Committee, and for extra-financial risks to the Sustainable Development and Compliance Committee. The conclusions of the Sustainable Development and Compliance Committee are taken into account by Group Internal Audit in the risk presentations made to the Audit Committee.

The Risk Management Committee also monitors the management of financial market risks that could have an impact on the financial statements (fuel price, currency exposure, etc.) on a quarterly basis. The risk management process complies with international regulatory standards including the European Union 8th Directive. In addition to the usual insurance policies covering the industrial sites, the real estate assets and the ancillary activities, the Group's subsidiaries subscribe to specific airline insurance policies covering accidental or incidental damage to aircraft and the resulting costs, liability in relation to their passengers and general liability to third parties in connection with their activities.

3.2.2 Identification and evaluation of the risks

Risk mapping and risk universe procedures have been established and are regularly updated by Internal Audit.

The principal risks are ranked by nature and characterized with respect to their probability of occurrence and potential impact. The risk management procedures are outlined for each risk, together with the situation which is likely to result from their implementation.

Risk monitoring and reporting

Internal Audit produces a biannual report for the Group Executive Committee and the Audit Committee on the Group's operational risks. The Audit Committee may decide to bring specific points to the attention of the Board of Directors. Reporting on strategic risks is part of the Strategic process.

The operational risk reporting process follows a bottom-up process starting in the different Air France and KLM divisions and the principal subsidiaries. Every half year the Enterprise Risk Coordinators, who have been designated by the different businesses, entities and subsidiaries, establish the risk sheets and send them to Internal Audit, the latter being responsible for their consolidation at airline and Group level.

The risk sheets indicate and describe the inherent material risks and the action plans implemented for their mitigation or neutralization, together with an evaluation of their probability of occurrence and the resulting impact. The risk owners and those responsible for the procedures to control risks are specifically named. To ensure the reliability of the process, the risk sheets for each entity are systematically reviewed during regular meetings between Internal Audit and the relevant Executive Vice-Presidents.

The Group's operational risk sheets (summarizing the operational risks of the entities), which detail any new risks or those which have been withdrawn, and the main changes, are approved by the Group Executive Committee prior to their presentation and review by the Audit Committee.

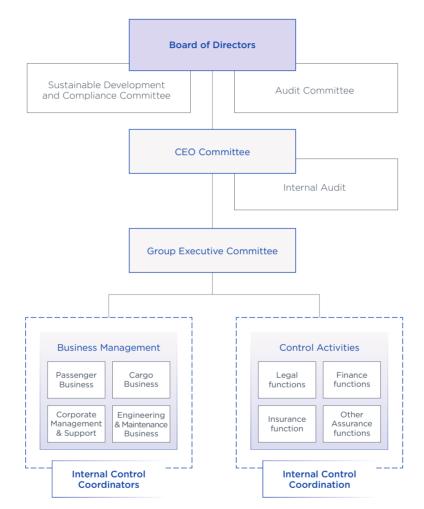
To be able to complete the Extra-financial performance statement (see section 4.1.3 "Business responsibility at the heart of the strategy"), the main environmental, social and societal risks, linked to the Group's activities across the entire value chain, are reviewed and assessed annually. The most material extra-financial risks are an integral part of the Group's operational risk sheet and are submitted to the Sustainable Development and Compliance Committee. The conclusions of this Committee are taken into account in the Group's operational risk sheet presented to the Audit Committee.

Management of risks by the Risks-Insurance departments

Within Air France and KLM, each of the Risks-Insurance departments constitutes an integral part of the Internal Control process. They identify the insurable risks at the level of each company and their subsidiaries, draw up the insurance policies and contribute to the prevention recommendations.

3.3 ORGANIZATION AND FUNCTIONING OF INTERNAL CONTROL

3.3.1 Internal Control organization and tools



Internal Control network

An Air France-KLM Internal Control network has been established, supported by Internal Control Coordinators embedded in the business units.

The organization within the Group, covering its principal businesses, can be summarized as follows: Passenger (passenger transportation), Cargo and Engineering & Maintenance. Due to the interdependence of each of the businesses, this organization involves numerous cross-functional processes (sale of passenger aircraft belly space to the cargo business, Engineering and Maintenance services relating to the both Passenger and Cargo aircraft, IT services, etc.):

 the Board of Directors is the corporate body that determines the direction of the Group's activities. To this end, the Board acts to ensure the successful performance of the Air France-KLM Group, supported by advice from the advisory committees mentioned in section 2.2 "Organization and functioning of the Board of Directors";

> the CEO Committee is composed of the Air France-KLM, Air France and KLM CEOs and the Air France-KLM CFO. It is the primary executive management decision body for the Group and has final management rights (except when the approval of the Air France-KLM Board is required) and accountability on all matters pertaining to both Airline and Group functions and performance. In particular, it is responsible for setting the strategic direction of the Group and for the Airlines, and reviewing the performance of the Airlines and Group functions on an ongoing basis; > the Group Executive Committee (GEC) puts the Group's go forward plan into action, within the framework of the strategy defined by the Board of Directors and the CEO Committee. In December 2022, the GEC was composed of thirteen members (the Air France-KLM CEO, the CEOs of Air France and KLM, and the ten heads of Group functions), plus a secretary to the GEC. The Committee meets every weeks. Its purview covers the following areas: Finance, Passenger, Cargo, Engineering & Maintenance, Transformation, Strategy, Information Technology, HR and Sustainability and Corporate Secretary.

Finance functions

A Group Finance division has been constituted around the Group's Chief Financial Officer, staffed by some thirty people (Financial Communication and Investor Relations, Consolidation & Accounting, Central Management Control and Mergers-Acquisitions & Financial Operations). This division submits to the Group Executive Committee and the Board the Group's overall financial policy and orientations (the latter being applied at the level of the Group's two principal companies, which each have their own financial functions) and tracks the Group's financial performance.

In addition, some operations relating to the Air France-KLM holding company are entrusted to Air France, *via* a management mandate (notably treasury management).

Insurance functions

The insurance functions are responsible for identifying at-risk sectors of the Group that might impact the operations and financial results, so as to reduce their potential impact or transfer them either to insurers through insurance policies, particularly aviation policies, or to third parties under contractual mechanisms.

They also manage the claims and advise the Group's entities on reducing and controlling their risks.

There is an aviation insurance policy in place for AF Group and KL Group to cover civil liability, damage to aircraft and risks of war, which constitute the major financial and legal risks of any airline.

- Legal functions

The legal departments of Air France – KLM, Air France and KLM perform a consulting mission for their management and decentralized organizations, notably in the areas of corporate law, competition law, transportation law, contract law and insurance law. They cooperate to establish the Group's legal policy.

Legal Affairs draws up a systematic inventory of the disputes in process, to be able to assess the risks and constitute the corresponding provisions booked as liabilities.

Compliance functions

The Compliance Officers within Air France – KLM, Air France and KLM design and assist in the implementation and monitoring of the compliance framework and anti-corruption action plan within the Group. They set up and manage a compliance correspondent network within the main domains and entities of the Group to facilitate communication on policies, exchange of good practices, reporting and monitoring.

Within Air France and KLM, Data Privacy Officers are tasked with strengthening privacy compliance.

Trade Compliance Officers and Export Control Managers are responsible for securing compliance with embargos and commercial sanctions and with regulations on the export of goods or technology.

The Compliance Officers report to the relevant governance bodies, like the Sustainable Development and Compliance Committee. In addition, the Air France Compliance Committee and the KLM Compliance Committee monitor the respective compliance programs. Various legal experts also provide advice on compliance with laws and regulations.

At the end of 2018, the Board of Directors decided to create a Sustainable Development & Compliance Committee, whose mission is to assist in reviewing the Group's policies and monitor status of the implementation of the compliance program.

Internal Audit

Air France-KLM's Internal Audit is an independent function intended to improve the Group's various processes. It helps the Group to achieve its stated objectives by providing a systematic and formalized approach with which to evaluate and strengthen the effectiveness of the decision-making, risk management, Internal Control and governance processes. The Internal Audit function objectively reviews the reliability of the overall Internal Control procedures implemented by the Group, as well as the controls in place for the processes specific to each business.

Given the Group's governance rules, each company has retained its own Internal Audit department; the coordination of Internal Audit at Group level has, nevertheless, been effective since the beginning of the 2005-06 financial year. The Group's Head of Internal Audit function, which is fulfilled by a Vice-President from within the airlines' Internal Audit departments, is responsible for overall coordination and has a functional reporting line into the Group's Chief Financial Officer. The Internal Audit departments in the two sub-groups use identical methodologies (Group Charter, Group Audit Manual, etc.), while a common tool was adopted in early 2017 (Nasdaq Bwise).

The Internal Audit function carries out audits at the level of the Group and its subsidiaries (Air France and KLM). Audits are conducted in collaboration with the internal auditors of the two airlines. The number of auditors' positions averages 18,5 in FTE (excluding management).

The Internal Audit division reports on its work to the Group Executive Committee and to Air France-KLM's Audit Committee in a summary report presented twice yearly. Since 2020, Internal Audit has also been reporting on its work on extra-financial risks to Air France-KLM's Sustainable Development and Compliance Committee. The conclusions of the Sustainable Development and Compliance Committee on the review of extra-financial risks are then taken into account by Internal Audit in the risk presentations made to the Group Audit Committee.

To execute its mission, Internal Audit, which operates within the framework of the internal Audit Charter established by the Audit Committee of the Air France – KLM Group, either acts on its own initiative or intervenes at the request of the Group Executive Committee, the Audit Committee, the Sustainable Development and Compliance Committee or the Board of Directors.

An annual program of missions is established and submitted for approval to the Group Executive Committee and to the Group's Audit Committee of Air France-KLM.

The Internal Audit function performs the following actions:

- > assurance Audit;
- operational Audit: to review the effectiveness, efficiency and overall control over the processes;
- information and Communication Technologies or Electronic Data Processing (EDP) Audit: to assess the effectiveness and efficiency of internal controls related to the information and communication systems;
- compliance Audit: to check compliance with laws and regulations and/or standards, procedures and/or policies issued by the Group;
- post audit: to check follow-up on findings in previous assurance audits;
- consulting assignments: advisory services that are performed at the specific request of business management. When performing consulting services, the Internal Auditor must remain objective and not assume management responsibility;
- fraud investigations: to prevent, detect and investigate significant suspected internal or external fraudulent activities;
- enterprise Risk Management: to facilitate and improve the risk management process.

Once completed, the conclusions of the audits are summarized in a report highlighting the findings, the risks and the corresponding recommendations.

The audited entities then establish corrective action plans and a follow-up is conducted in the next few months.

Organization of responsibilities

The organization of the individual companies has been defined to ensure compliance with the principles of secure and effective operations. It specifically takes into account the regulatory requirements governing air transportation, notably with regard to air operations (see section 3.2.2 "Identification and evaluation of the risks"), ground operations and engineering and maintenance, as well as airline catering and security.

The managers of the relevant entities and subsidiaries are required to apply these principles and organization at their level, and ensure that the organizational charts, job descriptions and procedures defined by business process are up to date. They must ensure their consistency and adequacy, verify that they are taken into account in the main information systems and appropriately integrated within the organization.

Internal Control tools

Charters and manuals

Air France, KLM and their respective subsidiaries have a Social Rights and Ethics Charter titled "Air France-KLM Principles" that enshrines their individual commitments to Corporate Social Responsibility by orienting their corporate and ethical policy towards respect for individuals at the professional, social and citizenship levels.

The Air France Group deploys a Charter for the prevention of harassment in the workplace, which complies with French legislation and is part of a contractual approach through agreements signed for the benefit of employees. The legal purpose of this Charter is to set forth the principles of prevention, define the actions, stress everyone's individual legal and human responsibilities, and establish internal prevention procedures.

For its part, the KLM Group has published a Code of Conduct addressing the following principal matters: compliance with laws and regulations, conflicts of interest, confidentiality, the safeguarding of assets, environmental protection, Corporate Social Responsibility and intellectual property.

KLM has a Code of Ethics intended principally for employees in the finance function (see also section 4.5.3 "Business ethics").

Manuals to prevent non-compliance

Staff have access to a series of manuals and policies on the intranet sites. With regard to the prevention of bribery, the anti-corruption Code of Conduct and its associated policies affirms the Air France-KLM Group's commitment to conducting business with loyalty, fairness, transparency, honesty and integrity, and in the strict respect of anti-corruption laws wherever its companies or subsidiaries are registered and exercise their activities. The anti-corruption Code of Conduct establishes the guidelines for preventing corruption, and for identifying and handling at-risk situations in the light of the anti-corruption legislation with examples derived from risk mapping or reported dilemmas. These documents are subject to regular reviews for updates and improvements whenever needed.

The Competition Law Compliance Manual emphasizes the objectives of integrity and transparency, and contains instructions on the prevention of anti-competitive agreements and the abuse of market power. For more detail, see section 4.5.3 "Business ethics".

Internal Audit Charter

In 2021, the Air France – KLM Group's internal Audit Charter was signed by the Chairman and Chief Executive Officer, the Chair of the Audit Committee and the Head of the Group Internal Audit.

The internal Audit Charter defines the mission of the Audit division and guarantees its independence as well as the conditions by which the division functions.

In accordance with the International Institute of Internal Auditors (The IIA) rules, the Charter formalizes the position of audit within the business and defines its sphere of operation.

Internal Control Charter

The Internal Control Charter defines the commitments of the three top executives of Air France-KLM, Air France and KLM, and stipulates the main components of internal control within the Group: governance and the most important tools enabling its exercise, an outline of the overall Internal Control process and the different Internal Control activities (verification of the entity's environment, transactional controls (process) and overall IT control).

Procurement Manual

The organization of the Procurement function common to Air France and KLM is outlined in the Procurement Manual.

The Procurement function regularly updates the Quality reference system. This reference system comprises, notably, the purchasing Code of Ethics for Employees, which stipulates the rules of conduct for Air France-KLM buyers when dealing with suppliers or service providers, and informs all those involved in the process of the limits that must not be exceeded.

Quality reference system

The Air France and KLM quality management systems are based on the following principal external and internal standards:

External standards

Operations: national regulations (based on European regulations) and applicable general laws, international standards (ICAO, IATA, etc.) or those that are specific to aeronautics maintenance (Part 145, etc.).

Passenger service: European and US regulations (Special Care Passengers), European commitments of the Association of European Airlines (AEA), service commitments of those involved in air transportation (airports).

Management, the environment, documentation, food safety, health and safety in the workplace: ISO series 9001, 14001, 15489, 22000 and OHSAS 18001/ISO 45001.

Internal standards

These represent the application of the external standards, adapted to the processes of each company.

Regulatory level: operating, maintenance and safety manuals, etc., and the related general procedures, which are mostly subject to formal approval by the administrative authorities issuing the authorizations (DGAC, IVW-DL, FAA, etc.).

Management systems: the Air France Integrated Management System/IMS Manual and the KLM Safety Management System/ Manual, together with the related general procedures like the Quality-Safety-Environment manuals of the entities, the manual on health and safety in the workplace, Flight Safety management, environmental management, management of the Company's food hygiene, together with the related general procedures.

Passenger service: standards, services signatures, the five attitudes, the PAMs (Passenger Airport Manuals), the general sale and after-sales conditions, together with the other procedures associated with customer service common to Air France and KLM.

3.3.2 Fundamental components of internal control established within the Group

Based on analysis of the potential major risks, taking into account the changes inside and outside its operations, the Group has established and implemented the fundamental components of Internal Control, aimed at preventing and controlling, insofar as possible, risks that are both financial and non-financial in nature, and evaluating its ability to implement the appropriate remedial measures.

Operational procedures and processes

Management of the quality system

Both the Air France (Integrated Management System/IMS Manual) and KLM Safety Management System/Manual outline all the general provisions of the quality assurance system applied in the two companies, i.e. the overall organization, management processes, and the procedures and resources required to implement quality management and meet the expectations of customers and other stakeholders. In each division of the two companies, an ISM/ISMS review takes stock of the operation of the ISM/ISMS management systems and measures the performance of the main steering processes.

In addition to the regulatory approvals enabling each company to carry out its activities, progress is recognized in the achievement of certification from independent bodies, notably, for example:

For Air France:

- IOSA certification (IATA Operational Safety Audit) since September 2005, renewal audit at the end of 2022;
- > Air France global IMS certification based on the ISO 14001 (environment) and ISO 22000 (food safety) renewal audit scheduled for end of March 2023.

For KLM:

- the ISO 14001/Environment and ISO 500001/Energy certifications were renewed in 2021;
- IOSA certification (IATA Operational Safety Audit): The audit was performed in November 2022 and is valid until March 2025.

Quality assurance

Control over the operational processes is based primarily on three monitoring methods:

- a) Internal monitoring is carried out by the quality assurance departments articulated around:
 - an audit and inspection program (covering, in particular, organization and management, flight operations, in-flight service, flight planning, ground handling and freight, hazardous merchandise, engineering and maintenance);
 - regular monitoring of operations with incident analysis and routine use of debriefing;
 - > proactive prevention processes.
- b) External monitoring is carried out by the Civil Aviation Authorities (IVW-DL, DGAC, FAA, etc.) and specialized certification bodies, and takes the form of audits of the operating principles and of the Group's proprietary internal monitoring system. Air France and KLM are also regularly audited by their customers and partners.
- c) Monitoring of partners:

Control over sub-contractors and suppliers is undertaken within the framework of the regulatory monitoring program approved by the Civil Aviation Authorities.

Code share partnerships are subject to an additional requirement to comply with IOSA standards that are recognized by the profession as the ultimate reference in Flight Safety and Security. The general rule is that partners are IOSA certified except in the specific case when, for example, the size of aircraft excludes the airline from the IOSA scope. In this case, the partner airline is not IOSA certified, Air France and KLM implement a special technical monitoring process aimed at providing a reasonable assurance of an equivalent level.

In terms of control over the monitoring process, the supervision of the effective implementation of preventive/remedial actions resulting from this overall monitoring is ensured by the quality assurance departments, coordinated within each airline.

More generally, the sub-contractor control procedure addresses all the areas of risk. It is reflected in the realization of monitoring activities like audits, inspections and checks, sometimes carried out by the sub-contractors themselves. Monitoring is ensured on a quarterly basis. An expanded transverse action plan is in place, taking into consideration the new legislation on the duty of vigilance. More globally an action plan covering the monitoring of sub-contractor activity is deployed in the different Air France – KLM entities and coordinated at the corporate transverse level in dedicated steering committees.

Information systems

The control procedures cover the information and telecommunication systems.

These procedures aim to ensure the:

- > reliability of the IT and telecommunications systems;
- integrity of the data through the appropriate resources, infrastructure and checks;
- continuity of IT services and the availability of data at the production sites through a local contingency strategy, secure architecture and a security system covering external access points;
- confidentiality of information within the framework of national laws and the security of IT infrastructures through the establishment of secure, monitored and effective accesses.

The managements of the Air France Group and the KLM Group ensure that the resources and expertise required by the information systems are developed within the framework of defined strategic objectives.

Project management and software application development tools are also deployed. Air France – KLM has adopted an "Agile" development process based on the SCRUM and DEVOPS methodologies. The main aims are to generate business line added value more rapidly, accelerate "Time to Market", align IT and business line objectives by prioritizing value, avoiding the development of rarely-used functionalities, reducing the risks at the earliest-possible opportunity, streamlining the development and maintenance processes and increasing the effectiveness of the teams.

The work carried out in connection with Internal Control projects and the ongoing project to gradually establish a coordinated and optimized organization is leading to the launch of action plans designed to strengthen Internal Control, particularly with regard to risks like business continuity and personal data protection. The Group's Information Technology division defines the policies establishing the framework for the functioning, security and consistency of the information systems deployed and has published a Security Information Manual (ISM – ISO 27001 standard), establishing a common security policy for information systems.

Procurement

The common Air France-KLM Procurement organization has been operational since September 1, 2008, and is headed by a Group Chief Procurement Officer from KLM, seconded by an Air France Senior Vice-President, Procurement. It is structured around seven procurement teams. These procurement teams act in a transverse and coordinated manner for each of the Air France-KLM Group, Air France and KLM as well as for, when required, a number of the Group's airline subsidiaries.

The activity of the Procurement function aims to supply the entities with suitable products and services at the required time, at the best possible cost of ownership and at the lowest possible risks.

This is achieved by applying a procurement policy focused on the expertise of the buyers, with separate responsibilities (buyer, prescriber and supplier), the establishment of contracts and the use of various (electronic) tools.

The CPO Board, comprising the Group Chief Procurement Officer from KLM and Air France's Senior Vice-President, Procurement, coordinates the Procurement teams through regular meetings and presents the procurement performance and developments to the CFOs on a quarterly basis.

The Heads of Procurement meet on a regular basis in the different structures (e.g. the Quarterly Air France-KLM DPO Meeting, a Quarterly Performance Meeting, direct meetings between Heads, etc.) to develop joint programs and share best practices.

To assess the risks related to sustainability (environmental, ethics, procurement, social) vendors are analyzed and evaluated by EcoVadis, a company mandated by Air France-KLM, with the emphasis on high-risk segments such as production in low-cost countries, and with a minimum score requirement. In addition, all procurement-managed vendors are required to commit to a Code of Conduct, reflecting Air France-KLM's sustainability requirements.

All new vendors are assessed on their level of financial risk on the basis of the Dun & Bradstreet evaluation. Risk reduction strategies are required for vendors with a high level of financial risk.

Additionally, to reduce the risks at Air France-KLM level, all contracts with vendors include clauses on anti-bribery, personal data handling and other relevant risk areas.

Lastly, In 2022, Air France – KLM Procurement Strategy & Services (PSS) has established a holistic Risk Management Framework to describe all the risks related to the procurement activities along with their mitigation processes & supporting tools.

Prevention of ticketing fraud

A fraud prevention unit is responsible for preventing, insofar as possible, the risks relating to the:

- fraudulent use of illegally-purchased tickets (credit cards and other means of payment);
- protection of loyalty programs (individual and corporate clients) in terms of both earn and burn;
- internal fraud.

A fraud prevention activity report was submitted to the Audit Committee in October 2022.

Both Air France and KLM have put in place whistle-blower procedures and an e-learning anti-fraud training module aimed mainly at the sales teams.

Prevention of financial fraud

Due to the proliferation of cases of attempted fraud, the Group has strengthened its internal control processes with detailed instruction notes, e-learning modules and training/information sessions.

Evaluation and monitoring of Internal Control

When establishing its internal control framework and risk management process, Air France-KLM chose the COSO 2013 (Committee Of Sponsoring Organisation of the Treadway Commission) standard and the COBIT 5 (Control Objectives for Information and related Technology) as its starting point.

3.3.3 Internal control relating to the establishment and processing of financial and accounting information

Based on an analysis of the significant entries in the consolidated financial statements and an assessment of the risks, the Airlines have identified the most significant divisions and subsidiaries and, within these divisions, the processes that make a predominant contribution to the establishment of the financial statements.

The Group's major divisions and subsidiaries had thus evaluated the effectiveness of their Internal Control relating to financial information as at December 31, 2022.

Pursuant to Article L. 823-19 of the *Code de Commerce*, the Audit Committee oversees the process to establish the financial information and, when necessary, formulates recommendations to guarantee the integrity of the process to establish the financial information, the effectiveness of the Internal Control and risk management procedures and, as necessary, of Internal Audit, as regards the procedures required to establish and process the accounting and financial information, with no compromise to its independence. It also ensures the realization by the Statutory Auditors of their mission and respect by the Statutory Auditors of the conditions for their independence.

Financial procedures and processes and the accounting year end

Finance process

Investments are managed at the level of each company and the decision-making process is coordinated by the Group Investment Committee (GIC) through decision-making platforms (above €0.5 million) bringing together all the stakeholders (business line and management controllers at company and Group level). This Group Investment Committee is composed of Air France-KLM's Chief Financial Officer and the Chief Financial Officers of Air France and KLM.

All investments of more than €5 million, together with operations relating to the fleet, and shareholding and divestment transactions, are submitted for approval to the Group Executive Committee by the Group's Management Controller and the Group's Chief Financial Officer. In addition, all investments, acquisitions or disposals of assets (in particular the fleet or shareholdings in any company) or the conclusion of operating leases representing a total amount of more than 150 million euros, carried out at the level of Air France–KLM, Air France or KLM, must be authorized in advance by the Board of Directors of Air France–KLM.

The management of Air France – KLM's market risks is overseen by the Risk Management Committee (RMC), which meets at least each quarter to define the risk management strategy of the Group, and, after examining the various Group risk reports, determines the hedges to be set up during the coming quarters, with notably, the hedging ratios to be achieved, the time period to respect these targets and, potentially, the preferred type of hedging instrument. These decisions are then implemented in each company by the respective Treasury Management departments, pursuant to the procedures for the delegation of powers.

Regular meetings are organized between the Treasury Management departments of the two companies, to optimize the coordination of recommendations made to the RMC and subsequent decision implementation (hedging instruments, the strategies planned and counterparties).

The fuel hedges are covered in a weekly report forwarded to the General Managements of the Air France-KLM Group, Air France and KLM. A summary of the cash positions of Air France, KLM and Air France-KLM is communicated weekly to the Air France-KLM Group's General Management.

The Air France-KLM, Air France and KLM cash positions are the subject of monthly reports to the Finance departments. These reports include the interest rate and currency positions, the portfolio of hedging operations, a summary of investments and financing by currency and a tracking statement of the risk exposure by counterparty. The Risk Management Committee sets the minimum thresholds in terms of the financial quality of counterparties, determines the maximum amount to be allocated to a single counterparty and is responsible for monitoring the quarterly positions.

The hedge strategies aim to reduce the exposure of Air France-KLM and therefore to preserve budgeted margins. The instruments used are futures, swaps and options. The internal risk management procedures prohibit instruments characterized as trading instruments unless expressly authorized by the Chief Financial Officer of Air France-KLM. All the instruments used must qualify as hedging instruments pursuant to the IAS/IFRS accounting rules. Generally speaking, no trading or speculation is authorized.

Any substantive change in the hedging strategy is the subject of a systematic presentation to the Group Audit Committee.

Accounting and financial statements process

The consolidated financial statements of the Air France-KLM Group are prepared on the basis of the data provided by the finance departments of the Air France-KLM holding company and its subsidiaries.

The Group is principally composed of the two operational sub-Groups, Air France and KLM, which prepare their own consolidated financial statements prior to their consolidation within the Air France-KLM financial statements.

It is imperative that the accounting information reported by the different companies complies with the Group's accounting rules, methods and standards as defined by the Group, and the presentation of the financial statements must comply with the format circulated by the Group. All the companies within the Group refer to the Accounting Procedures Manual which is based on the International Financial Reporting Standards governing the establishment of the financial statements of European listed companies.

The consolidated financial statements are submitted to the General Management then presented to the Audit Committee every quarter. Furthermore, the half-year and annual financial statements are also audited by the Statutory Auditors prior to their formal closure.

The parent company's financial statements are the subject of a presentation to the General Management and the Audit Committee, are approved by the Board of Directors and are audited by the Statutory Auditors.

Process for reporting passenger and cargo revenues

This process is performed in each of the companies and enables monthly revenue figures to be communicated to management. Furthermore, Air France and KLM have established a procedure known as the "progressive daily revenue" process making it possible to know the estimated amount of passenger revenues for the previous day.

In addition, departments of the Group, Air France and KLM analyze the results by market and by route (unit revenues per revenue passenger-kilometer, per available seat-kilometer, per revenue ton-kilometer etc.) at the level of the passenger and cargo businesses.

A monthly presentation on the level of transportation revenues (passenger and cargo) is also made to the Group Executive Committee by the senior managers of these entities.

The Shared Services Center (SSC) in Toulouse is in charge of commercial Passenger revenues for the companies Air France

and KLM, while the Shared Services Center at Amsterdam-Schiphol is responsible for commercial Cargo revenues for the Group (Air France, KLM and Martinair).

For these two activities, service level agreements have been signed between Air France, KLM and Air France-KLM.

Management Control reporting process

The Group Corporate Control department coordinates the reporting process with the Corporate Controllers in the two sub-groups.

In liaison with the Group's principal divisions and subsidiaries, these three teams of controllers then analyze the past month's financial results and estimate the results for the coming months (forecast adjustment process) through to the end of the current financial year.

Once the accounting result for the month is known, Group Corporate Control produces a monthly document (known as the Group management report) that summarizes the monthly key business, employee-related and financial data, both actual and for the coming months, in order to determine the forecasted outcome for the current financial year for the Group, the two sub-groups and each business line. The same applies to the figures on cash-flow, and the cash and debt positions.

This monthly Group management report is distributed and presented to the Group Executive Committee by the Group Corporate controller.

In addition, management review meetings take place on at least a quarterly basis between the CEOs, CFOs and Executive Vice-Presidents of the Passenger, Cargo, Engineering & Maintenance and Transavia businesses.



CORPORATE SOCIAL RESPONSIBILITY - EXTRA-FINANCIAL PERFORMANCE STATEMENT

4.1	Creating long-term value for all our stakeholders	198
4.1.1	The Group's business model	198
4.1.2	Identification of the key priorities for building long-term relationships	199
4.1.3	Business responsibility at the heart of the strategy	207
4.1.4	Eligibility to the European taxonomy	209
4.2	Human resources	216
4.2.1	Working conditions and employee engagement	216
4.2.2	Resource adaptation and employee dialogue	219
4.2.3	Development of human capital and talent management	221
4.2.4	Diversity, equity and inclusion	226
4.2.5	Health, Safety and Quality of Life in the Workplace	230
4.2.6	Social indicators for the Group	234
4.3	Addressing the impact on the environment	240
4.3.1	Accelerate the environmental transition	241
4.3.2	More Sustainable Operations	248
4.3.3	Impact on Biodiversity	252
4.3.4	National Low-Carbon Strategy (SNBC)	255
4.3.5	Environmental indicators	258
4.4	Customer trust	268
4.4.1	Operational safety for stakeholders	268
4.4.2	Confidentiality and data protection	273
4.4.3	Accessibility of the products and services	274
4.5	Ethics and compliance	275
4.5.1	The Air France-KLM Principles	275
4.5.2	Respect of Human Rights	276
4.5.3	Business ethics	276
4.6	Societal value	280
4.6.1	Local development	281
4.6.2	Sustainable procurement	284
4.6.3	Monitoring of Act No. 2017-399 known as the Duty of Vigilance Law	286
4.7	Report by the Independent Third Party, on the verification of	
	the consolidated non-financial statement	290

290

Introduction

Pursuant to Article L. 225-102-1 of the French Code of Commerce (*Code de Commerce*), the Air France – KLM Group sets forth the main social, societal and environmental issues linked to its activities, and relating to Human Rights and business ethics, across the entire value chain, and stipulates the policies in force to prevent, identify and mitigate the occurrence of these risks.

All of this information is reviewed by one of the Group's Statutory Auditors, as a designated Independent Third Party. The reporting scope covers the Air France – KLM Group. When the information relates to a different scope, the scope of application is specified in the text.

4.1 CREATING LONG-TERM VALUE FOR ALL OUR STAKEHOLDERS

4.1.1 The Group's business model

The Group's business brings together people, economies and cultures, and drives economic growth and social progress. The overarching ambition of the Air France-KLM Group is to become an aviation champion in Europe, while assuming its role as a front-runner in sustainable aviation.

The value creation model (see section 1.2.5) shows the impact areas where the Air France-KLM Group adds value and which, thanks to its fundamental strengths and unique competitive advantages, enables a response to the societal and sustainability challenges. As part of its day-to-day activities, the Group interacts with all its stakeholders (employees, shareholders, customers, suppliers, authorities, local communities and players in civil society like NGOs, etc.), while its activities and operations have multiple impacts on wider society.

The main impacts, both quantitative and qualitative, are summarized in the "reporting of the Group's extra-financial risks" paragraph in section 4.1.2 "Identification of the key priorities for building long-term relationships". The policies implemented are outlined in sections 4.2 to 4.6.

The post Covid-19 crisis world will no longer be the same. Within this context, the fundamentals of our strategy, in particular our commitment to sustainability, remain and are being accelerated.

Principles of the Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) was set up by the G20 in December 2015 during the United Nations COP21 conference to draft recommendations for use by financial and non-financial companies in their public disclosure of the impacts of climate-related risks and opportunities. These recommendations, which are applicable across all sectors and can be included in existing financial reports, aim to increase the transparency between companies and investors, thereby reducing investment risks and reconciling short-term financial decisions with the longer-term consequences of climate change.

In 2019, the Group realized the TCDF Climate Maturity Assessment developed by KPMG, to evaluate the concordance of its environmental reporting with the principles of the TCDF. The actions implemented by the Group are presented in the table below.

As a result, Air France-KLM decided to become an official supporter of the TCFD principles with a commitment to continuing to improve its knowledge and reporting.

Table of concordance with the URD document and TCFD principles

TCFD Principles	Sections in the 2022 Universal Registration Document
1. Governance	
1.1 Describe the Board's oversight of climate-related risks and opportunities	Sections 2.3.2, 3.2.1
1.2 Describe management's role in assessing and managing climate-related risks and opportunities	Section 2.3.2
2. Strategy	
2.1 Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	e Sections 3.1.2, 4.1.2, 4.3.2
2.2 Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Sections 3.1.2, 4.1.2, 4.3.2
2.3 Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a temperature increase of 2°C or lower scenario	Section 4.3.2
3. Risk management	
3.1 Describe the organization's processes for identifying and assessing climate-related risks	Sections 3.1.2, 4.3.2
3.2 Describe the organization's processes for managing climate-related risks	Sections 2.3.2, 3.1.2, 4.3.2
3.3 Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Section 3.2.2
4. Metrics and targets	
4.1 Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Sections 4.3.1, 4.3.2
4.2 Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Sections 4.3.1, 4.3.6
4.3 Describe the targets used by the organization to manage climate-related risks and opportunities, and performance against targets	Sections 4.3.1, 4.3.2

4.1.2 Identification of the key priorities for building long-term relationships

Ongoing dialogue and a mutual understanding of the challenges facing Air France-KLM and its environment are key to building long-term relationships with stakeholders.

Dialogue with stakeholders

The Group pays a great deal of attention to the expectations of its stakeholders, in particular its customers, shareholders, employees, the authorities and national policy makers, its suppliers, associations and local communities, and players in civil society, like NGOs. A number of initiatives enable their perception to be evaluated on a regular basis through, notably:

- internal barometers and meetings to gather employee suggestions;
- > customer perception and satisfaction surveys;
- regular exchanges with individual shareholders, mainstream and Socially Responsible Investment (SRI) investors together with recommendations from extra-financial ratings agencies;

- > dialogue with the authorities and national policy makers;
- > dialogue and evaluation of supplier CSR performance;
- exchange of best practices and working groups within the industry, and with other large companies;
- opinions and remarks gleaned from the dedicated email addresses, websites and the social media;
- feedback channels deployed to enable stakeholders (particularly employees, customers and local residents around airports) to communicate any comments and complaints.

Every two years, the Group carries out materiality analyses, enabling the priorities key to the Group's activity to be re-evaluated and the results to be compared with those from previous materiality analyses. Group stakeholders like corporate and individual customers, employees, shareholders, investors, suppliers, NGOs, governmental organizations, local representatives from the Paris and Schiphol regions, sustainability managers from leading companies and representatives of the airline sector and the Group's peers, are requested to reassess the key priorities of the Group's activity. For each topic, the respondents rank the level of priority to be accorded by Air France-KLM and their perception of the Group's current level of performance.

The materiality analysis carried out in 2021 reaffirmed the priorities deemed to be the most important for the Group in 2019. Customer satisfaction, CO_2 emissions reduction, financial performance and safety, and fleet development remain the top materiality issues raised by stakeholders. The 2021 materiality analysis also shows the growing concern surrounding Sustainable Aviation Fuel, sustainable supply chain management and climate change in the impact of the Group's activity. Innovation is also a concern for our customers. The detailed results highlight that the Group and its stakeholders agree on the perception of the priority nature of these issues.

Within the framework of this analysis, stakeholders also ranked a list of strategic priorities potentially impacting the sector's long-term growth, namely: the acceptability of the environmental impacts of aviation, the use of sustainable alternative fuels, changing customer behavior, control over the carbon reduction trajectory and fair competition between airlines all headed the list.

In 2022, BlueLink, the Group's largest non-aviation subsidiary and, a specialist in customer relations in the airline, luxury, tourism and cultural sectors, started to implement its sustainability strategy which focuses on three main priorities: human capital development, staff engagement and local & environmental impact. By implementing its sustainable development strategy, BlueLink's ambition is to be an environmentally and socially responsible company that develops its talents and creates value through innovative solutions. The different projects implemented include a two-hours e-learning module aimed at raising awareness of the challenges of climate change, with all 2000 BlueLink employees set to complete this e-learning program by the end of 2023. In November 2022, to motivate its staff and work on diversity & inclusion, BlueLink organized a week of events in order to raise awareness among all employees about diversity and engage employees belonging to minorities. On the topic of gender equality, a mentoring program aimed at facilitating mobility and career progression for women has been set up for implementation in early 2023. Additionally, in 2023, BlueLink will carry out a carbon audit of all three scopes related to its activities in all of its business units. An action plan with a focus on digital sobriety will then be designed and implemented so as to reduce BlueLink's carbon footprint.

Analyzing the extra-financial risks

The extra-financial risks are monitored on a permanent basis and are an integral part of the Group's operational risk sheets. They are also an integral part of the Group's Sustainable Development strategy and are the subject of measures, monitoring procedures and action plans.

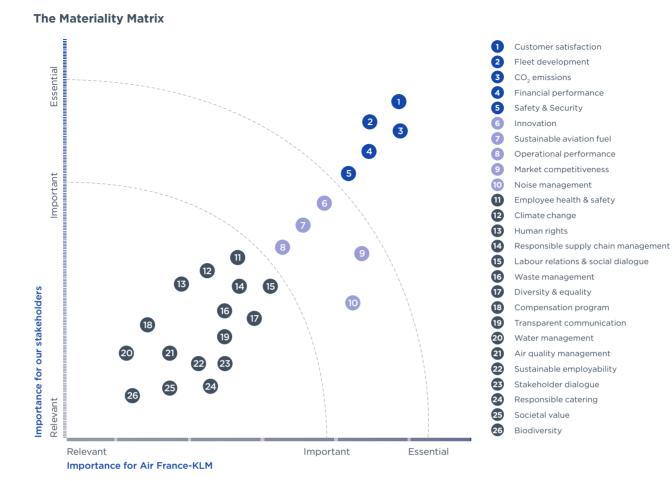
The Group reviews its main extra-financial risks and opportunities on an annual basis. The main environmental, social and societal risks resulting from its activities across the entire value chain are evaluated to establish a matrix of the extra-financial risks. The results are reconciled with those of the materiality matrix which illustrates the differing perceptions of the internal and external stakeholders.

Within the Board of Directors, the main extra-financial risks are discussed and reviewed each year by the Sustainable Development and Compliance Committee, then validated by the Audit Committee. These risks and the policies implemented are outlined in chapter 3 "Risk and risk management" and in sections 4.2 to 4.6.

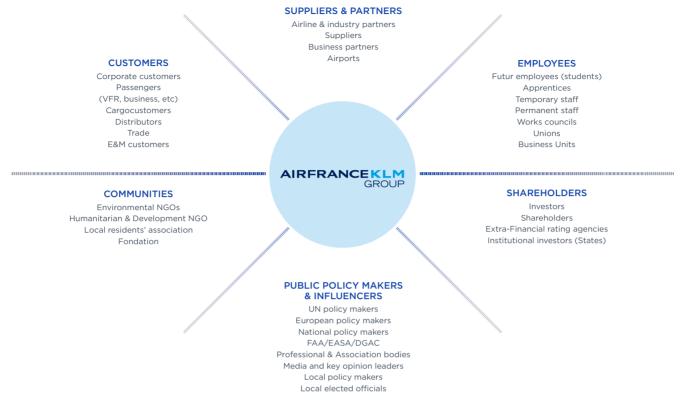
Reporting of the Group's extra-financial risks

In 2020, the extra-financial risks analysis enabled a re-evaluation of the main risks to which the Group must respond and these risks were outlined in its Extra-financial performance statement.

The following table summarizes the Group's priorities, the related risks and the opportunities deemed to be the most material, the policies in force to reduce their impacts, the performance indicators and the Group's contribution to the United Nations Sustainable Development Goals (SDGs). For each topic, the risks are ranked by order of importance. The most material issues are marked with an asterisk. In addition, wherever possible, key performance indicators have been added.







The Group's priorities and the policies in force to reduce its impacts

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Human resources			
Working conditions and social dialogue*	Risks: Conflictual negotiations on workplace agreements, social conflicts, strikes.	Policy: Foster a constructive and transparent dialogue to build mutual trust, pursue a policy based on respect	Employee Promoter Score (EPS)
8 DECENTINGERAND ECONOMIC GROWTH	Potential impact on employee engagement, on customer service	of individuals and responsibility towards customers, in a confidential manner.	
	quality, on operations, on the Group's reputation and its attractiveness	Opportunities: Employee motivation and commitment.	nner.
	as an employer. See section 3.1.3.4 "Working 	See 4.2.1 "Working conditions and employee engagement"	
	conditions and human capital development"	Ø See section 4.2.2 "Resource adaptation and amployee dialogue"	

adaptation and employee dialogue"

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Human capital development*	 Risks: Mismatch between employee skills and the Company's needs, shortage of people with specific qualifications, difficulty in recruiting and/or retaining talent. Potential impact on the ability to grow, capture new market shares and fight the competition, and on the employer brand image. <i>O</i> See section 3.1.3.4 "Working conditions and human capital development" 	 Policy: Offer a training and career development program to every employee, giving them the opportunity to learn and develop their skills. Opportunities: Attract talent, steer skills and qualifications in line with the long-term strategy. <i>Q</i> See section 4.2.3 "Development of human capital and talent management" 	Number of hours of training per employee
Diversity, equity and inclusion	Risks: Inequitable treatment of employees, discrimination in recruitment, compensation and career development for inappropriate reasons (sex, age, nationality, sexual orientation, disability, religion, ethnicity, etc.). Potential financial impacts with the increase in social costs (disputes, absenteeism, resignations), reduced innovative ability due to a lack of diversity, deterioration in the Company's reputation as an employer.	 Policy: Advocate diversity, implement processes ensuring equal opportunity and combat all forms of discrimination. Opportunities: Employee motivation and commitment, diversity and inclusion for a more innovative company and better to reflect society and customers. <i>O</i> See section 4.2.4 "Diversity, equity and inclusion" 	% of women in managerial functions
Health and safety in the workplace	Risks: Unsafe working situations (safety and security), accidents in the workplace (physical and psychosocial), employee health measures in keeping with the working conditions. Potential financial impacts with an increase in social costs (absenteeism, loss of working time, insurance and replacement costs), deterioration in levels of customer service and in the Company's reputation as an employer.	 Policy: Implement a voluntary and proactive approach towards risk prevention and protecting employee health and safety i.e. the airline safety standards in force. Opportunities: Promotion of a safety-first culture and individual vigilance supported by all the employees. Ø See section 4.2.5 "Health, safety and quality of life in the workplace" 	Frequency and gravity rates for accidents in the workplace

Priority and related SDGs Description of the risks

Policy and opportunities

Performance indicator

CO₂

Ton

(RTK)

and per

passenger

kilometer

(gCO₂eq/

emissions

variation

% of fleet

under ICAO

Chapters 4

% change

hazardous

recycled

in non-

non-

waste

& 14

RTK)

 CO_2

efficiency

Kilometer

per Revenue

Environment

CO₂ emissions and adaptation to climate change*



Risks: Questioning of the acceptability of air transportation growth potentially leading to a reduction in operations and more restrictive regulations. Customer expectations and growing pressure from civil society to reduce environmental impacts.

Potential financial impacts with an increase in operational costs (new procedures, etc.) and compensation potentially leading to a distortion in competition between carriers. Decline in customer demand. Deterioration in the Company's reputation and that of the industry as a whole.

O See section 3.1.2.2 "Acceptability of air transportation growth"

Policy: Implement CO₂ emission reduction policies for the air and ground operations, and identify ambitious reduction targets through to 2030. Propose offsetting solutions.

Opportunities: Modernization of the fleet with the arrival of more efficient aircraft (reduction in fuel consumption) and the earlier retirement of older and more polluting aircraft types, energy transition to electric runway equipment. Contribution to the development of low-carbon energies by supporting the development of industrial production for sustainable alternative fuels. Gain market share by responding to the expectations of individual and corporate customers. Partnerships to develop innovative solutions on the ground and in the air.

O See section 4.3.1 "Accelerate the environmental transition"

from the ground operations (scope 1&2)

Acoustic performance and air quality*



Waste and

the circular

economy*

Risks: Questioning of the acceptability of air transportation growth potentially leading to more restrictive regulations and the limitation of operations.

Potential operational and financial impacts with the implementation of new regulations and procedures.

See section 3.1.2.2 "Acceptability of air transportation growth"

Risks: Questioning of the acceptability of air transportation growth potentially leading to more restrictive regulations on resource management and waste.

Potential operational and financial impacts with the implementation of new procedures, impacts on the Group's reputation as a responsible airline operator.

O See section 3.1.2.2 "Acceptability of air transportation growth"

Policy: Pursue a permanent dialogue with the representatives of local-resident associations around airports and implement noise reduction procedures.

Opportunities: Modernization of the fleet with the arrival of more efficient, quieter aircraft and the earlier retirement of older and more polluting aircraft types.

O See section 4.3.2 "More sustainable operations"

Policy: Keep developing and expanding our policies to reduce, recycle and up cycle waste

Opportunities: Respond to the expectations of customers by reducing wastefulness and recycling waste.

See section 4.3.2 "More sustainable operations "

Risks: Impact of air transportation on Policy: Offer customers offsetting biodiversity linked to the effects of solutions and support environmental climate change induced by the CO₂ projects. emissions it generates. **Opportunities:** Partnerships to develop Potential financial impacts with the innovative solutions on the ground and increase in operating costs (new in the air procedures, etc.) and offsetting **O** See section 4.3.3 "Impact on potentially leading to a distortion in biodiversity" competition between carriers. Decline in customer demand. Deterioration in the Company's reputation and that of the industry as a whole. Risks: Loss of customer trust in the

Policy and opportunities

Performance indicator

Policy: Ensure the safety and health of all Net Promoter Scores (NPS)

Opportunities: Customer loyalty based on trust in the Group's activities.

stakeholders (customers, employees and

partners) while improving the customer

experience throughout their journey.

O See section 4.4.1 "Operational safety for stakeholders"

Policy: Further adapting and optimising our policy to secure operations and operational and commercial procedures to quarantee customers service continuity, in the best conditions.

Opportunities: Development of a balanced network. Deployment of a differentiated Recovery policy for customers.

O See section 4.4.1 "Operational safety for stakeholders"

policies and IT systems, and ensure the confidentiality of personal data.

Opportunities: Secure customer loyalty based on their trust in the Group's activities.

O See section 4.4.2 "Confidentiality and data protection"

Customer trust

Biodiversity

Operational safety for stakeholders*

Priority and related SDGs Description of the risks



Adaptation

to climate change

Confidentiality and

data protection*

(operational impacts)*

Group's ability to ensure their safety throughout their journeys (flight safety, food security, health, etc.).

Potential financial impacts linked to the loss of market share and to competition.

O See section 3.1.2 "Risks relating to the air transportation activity"

Risks: Operational disruption due to more frequent extreme climate events (storms, high winds, flooding, snow, droughts, etc.). Deterioration in customer service quality.

Potential operational and financial impacts linked to flight cancellations, delays and re-routing. Additional costs linked to the maintenance and preservation of assets, passenger compensation.

O See section 3.1.2.2 "Climate change and violent natural phenomena"

Risks: Loss of customer trust in the

confidentiality of their personal data.

O See section 3.1.3 "Risks relating to the Group's processes"

Potential financial impacts linked to the

loss of market share and to competition.

Policy: Implement data privacy Group's ability to protect and ensure the

> 205 2022 Universal Registration Document – Air France-KLM

Priority and related SDGs Description of the risks

Accessibility of the products and services



Risks: Loss of customer trust in the Group's ability to ensure access to its products and services, to all of its customers, throughout their journeys.

Potential financial impacts linked to the loss of market share and to competition. Reputational impact on the Group's image as a responsible air operator.

Policy and opportunities

Performance indicator

Policy: Propose assistance services to passengers with disabilities or with reduced mobility.

Opportunities: Gain of market share and customer loyalty based on their trust in the Group's activities. Contribution to a more inclusive society.

See section 4.4.3 "Accessibility of the products and services"

Ethics

Respect of Human Rights

Business ethics

Risks: Non-respect of the fundamental liberties and social regulations in the capacity as an employer and through the supply chain.

Potential financial impacts (substantial fines, legal proceedings), impact on the Group's reputation.

Risks: Non-respect of the applicable

domains (laws on competition, and

regulations in the compliance

Policy: Implement policies aimed at ensuring respect of the fundamental liberties and the compliance of all the Group's activities. Deploy a responsible procurement policy.

Opportunities: Image and reputation as a responsible business.

See section 4.5.2 "Respect of Human Rights"

Policy: Implement a compliance program and process to ensure the compliance of all the businesses, and measures to prevent unethical practices by employees, via risk mapping, policies and relevant information, training and awareness-raising initiatives.

Opportunities: Image and reputation as

a responsible business.

"Business ethics"

O See section 4.5.3

Completion rate of the e-learning program on prevention of corruption

anticorruption, taxation, data and privacy), of commercial sanctions and regulations relating to export control, due to unethical behavior on the part of employees.

Potential financial impacts (substantial fines, legal proceedings), impact on the Group's reputation.

See section 3.1.3 "Risks relating to the Group's processes"

Risks: Questioning of the Group's

Policy: Contribute to local development by creating direct and indirect jobs and activity around the hubs, and in the territories served by the Group.

Opportunities: Promote the acceptability of activity growth.

O See section 4.6.1 "Local development"

Societal value

Local development



regional growth due to more restrictive local and national regulations. Potential financial impacts with the

increase in operating costs potentially leading to a distortion in competition between carriers.

See section 3.1.2 "Risks relating to the air transportation activity"

Priority and related SDGs Description of the risks

Responsible procurement



Risks: Major break-down in the supply chain due to non-respect or serious breach in terms of working conditions (health and safety), Human Rights (forced working, child labor), the environment (pollution) or corruption.

Potential financial impacts (substantial fines, legal proceedings), on the Group's reputation.

See section 3.3.2 "Fundamental components of internal control established within the Group"

Policy and opportunities

Policy: Implement a responsible procurement policy enshrining the principles of societal responsibility in relations with suppliers, by reinforcing the management of ethical, social, environmental and supply chain risks.

Opportunities: Dialogue with suppliers on the sustainable development priorities, implementation of innovative solutions.

O See section 4.6.2 "Sustainable procurement" having signed the Supplier Code of Conduct

% of suppliers

Performance indicator

Number of suppliers evaluated by Ecovadis

 $\sqrt{}$ Data verified by KPMG for 2022 (reasonable level of assurance).

4.1.3 Business responsibility at the heart of the strategy

Air France – KLM's ambition is to achieve high standards of performance over the long term by reconciling profitable growth, environmental protection, social progress and the development of the regions in which it operates.

Governance

Sustainable Development governance is ensured by the management bodies at the highest level of the Group. The Board of Directors and Executive Committees ensure that sustainability topics are given high priority and the sustainability teams report frequently to the most senior levels of management. They make sure that sustainability decisions are taken at the right level within all the relevant entities:

- the Board of Directors approves the strategic orientations and monitors their implementation;
- within the Board of Directors, the Sustainable Development > and Compliance Committee, established in 2018, assists in reviewing the risks and policies, by issuing recommendations and ensuring that issues linked to sustainable development are taken into account when defining the Group's strategy. In particular, twice a year, the Sustainable Development and Compliance Committee reviews the risks linked to climate change and the remedial measures in place. The minutes of the discussions and, as necessary, the recommendations arising from meetings of the Sustainable Development and Compliance Committee are presented to the Board of Directors. Having taken into account the recommendations of the Sustainable Development and Compliance Committee, the Audit Committee approves the review of the main extra-financial risks on an annual basis;
- > the Group Executive Committee determines the sustainable strategy and development policy and ensures that it is an integral part of the Group's strategic planning. It reviews the sustainable development strategy and performance on an annual basis. The Group's Corporate Secretary is responsible for the Compliance department

and the Group Executive Vice President, Human Resources and Sustainability is responsible of Sustainability;

- at Air France, the sustainable development policy is steered by the Vice-President in charge of sustainable development and new mobility, who reports to the CEO of Air France. He is supported by the Air France Sustainable Development Committee, composed of members of the Air France Executive Committee, which guides and ensures the progress of Air France's sustainable development strategy and efforts;
- > at KLM, this role is fulfilled by the Senior Vice President General Counsel & Corporate Center, who is a member of the KLM Executive Committee. He is supported by KLM's Sustainable Development Council, which guides and ensures the advancement of KLM's sustainability strategy and efforts.

The compensation of Benjamin Smith, Chief Executive Officer of the Air France-KLM Group, includes criteria related to non-financial issues and sustainability in both the KPIs for the annual variable compensation and the KPIs for the long-term variable remuneration (see section 2.5.2). The same sustainable development criteria are also included in KPIs for the variable portion of the compensation of Anne Rigail, Chief Executive Officer of Air France and of Marjan Rintel, President & Chief Executive Officer of KLM.

Centralized and transversal responsibility for sustainability

Initiation, coordination and management of the activities related to sustainability

The Group's Sustainability Departments and airline companies are tasked with proposing and implementing the sustainable development strategy. The teams align their actions and propose policies in a weekly meeting known as the "Sustainability Circle". Department Sustainability Leaders act as multipliers in their respective business units. These sustainability champions function as a network in close cooperation with their Sustainability Departments as well as their own EVP/SVPs, to initiate, embed and accelerate sustainability topics within their functions.

In addition, during 2021, an executive level Decarbonization Committee was established as a cross-functional internal management body for the review and strategic advancement of the Air France-KLM Decarbonization Road Map and its execution.

Commitments

Air France-KLM assumes its responsibilities as an employer and economic partner. It places its commitment to responsible and innovative corporate citizenship at the heart of its strategy. The Group's commitments are set forth in its Corporate Social Responsibility Statement, The Air France-KLM Principles and its Destination Sustainability report.

Air France-KLM's Sustainable Development policy enshrines the respect of fundamental rights as defined in the leading international principles: Universal Declaration of Human Rights, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development's (OECD) guiding principles.

Air France-KLM has been a signatory of the United Nations Global Compact since 2003 and is committed to respecting its ten principles in the areas of Human Rights, labor, the environment and anti-corruption, and to promoting this commitment to its partners. By integrating sustainability into its business and operations, the Group strives to contribute significantly to the attainment of the UN Sustainable Development Goals within its scope of influence.

Extra-financial ratings

Air France-KLM evaluates its extra-financial performance on a regular basis through the ratings of Standard and Poor's S&P, DJSI, CDP, Ecovadis, Climate Action 100+ and Sustainalytics.

In 2022, for the eighteenth year running, Air France-KLM figured in the Dow Jones Sustainability Indexes (DJSI World and Europe) and the Ecovadis sustainability rating agency awarded the Air France-KLM Group the Gold Medal (top 3% of the highest level), while the CDP awarded the Group a C score (awareness level) for the Climate Change questionnaire.

S&P Global	S&P: Air France-KLM listed in the DJSI World & Europe Indexes
	Air France-KLM has been listed in the Dow Jones Sustainability Indexes (DJSI World and Europe) for the eighteenth consecutive year.
ecovadis	Ecovadis: Gold medals
	Air France-KLM has been awarded the Gold Medal by Ecovadis making up the Group one of the 3% of companies assessed by Ecovadis in the industry (97 th percentile).
NCDP	CDP: C score
DESCLOSURE INSIGHT ACTION	The Group received a grade of C, corresponding to the level of awareness and commitment.

Furthermore, to obtain an objective evaluation of its ESG performance and improve its strategy and practices, Air France-KLM proactively requested an independent ESG rating from Standard and Poor's, thereby becoming the first airline to group to be evaluated *via* an on-demand ESG rating. In 2022, Air France-KLM remained the only airline group to publish its ESG rating. In 2021, Standard & Poor's (S&P) Global Ratings assigned Air France-KLM an ESG score of 64/100. With this rating, the Group is well positioned among the players in the airline industry with regard to the management of its significant exposure to environmental challenges. In conclusion, S&P underlined that Air France-KLM was well prepared to manage the ESG risks faced by airlines in the short and medium term.

Extra-financial performance statement

In its Extra-financial performance statement, the Group has opted to report on a number of priorities that it considers important in the light of its analysis of the extra-financial risks, its business activity and expectations of its stakeholders and of the regulatory requirements. The following concordance table shows where all the elements presented within the framework of the Extra-financial performance statement (EFPS) can be found:

Elements of the EFPS	Chapter/	/section
Strategy and business model	1.1	Market and environment
	1.2	Strategic outlook
	1.2.3	Air France-KLM's value creation model
Identification and description of the main	3.1.2	Risks relating to the air transportation activity
extra-financial risks	3.2.2	Identification and evaluation of the risks linked to the business
	3.1.3	Risks relating to the Group's processes
	4.1.2	Identification of the key priorities in building long-term relationships
Description of the policies, results and indicators	4.2 to 4.6	Human resources, environmental impacts, customer trust, Performance
		Ethics and compliance, Societal value

4.1.4 Eligibility to the European taxonomy

The EU taxonomy is a classification system, establishing a list of environmentally-sustainable economic activities. It may play an important role in helping the EU scale up sustainable investment and implement the European green deal. The EU taxonomy provides companies, investors and policymakers with appropriate definitions and criteria to be met by economic activities to be considered environmentally sustainable. The Taxonomy Regulation was published in the Official Journal of the European Union on June 22, 2020 and entered into force on July 12, 2020, with a first application in the year ended December 31, 2021.

In 2022, companies subject to this EU regulation had to report the proportion of their total turnover, capital expenditure (capex) and operating expenditure (opex) related to eligible business activities and aligned under the European Taxonomy regulation. An eligible business activity is considered "aligned" with one of the six environmental objectives (*)⁽¹⁾ if:

- it contributes substantially to the achievement of that objective (compliance with specific technical criteria);
- it does not harm any of the other five objectives ("Do No Significant Harm" criteria);
- minimum safeguards (e.g. OECD, United Nations, guidelines, etc.) are otherwise met.

In 2022, as air transport and the maintenance of aircraft were not included in the delegated acts related to the taxonomy, the share of aligned activities in the Group's turnover was nil. Globally, in compliance with the definition provided by the Taxonomy Regulation, 1.1 percent of the Group's capital expenditure and 1.4 percent of its operational expenses, are aligned with the EU taxonomy regulation. These percentages are mainly linked to investments and costs related to energy, waste management and remediation, transport, construction and real estate activities, and professional, scientific and technical activities.

Due to the absence of technologically and economically-feasible low-carbon alternatives in the aviation sector, aimed at reaching Net Zero emission by 2050, aviation's contribution to fighting climate change and reducing emissions will need to be achieved by continuing to use kerosene in more fuel-efficient aircraft, while, progressively switching to sustainable aviation fuels that are increasingly CO_2 neutral. As the current aircraft technology does not support zero or low-emission flying and is unlikely to do so until the next decade, the decarbonization of air transport will have to count on these transition activities. In this respect, the concept of sustainable aviation activity needs to be clarified as well as the key role of certain transition activities essential to achieving our goal of Net Zero emissions by 2050.

⁽¹⁾ The six environmental objectives covered by the Taxonomy Regulation include two climate objectives on climate change mitigation and adaptation. The other four environmental objectives cover the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – AFKLM disclosure covering 2022

Economic activities ⁽¹⁾							Substa	intial contrib	oution criteria	
	Code(s) (2)		Proportion of turnover (4)	Climate change mitigation (5)	change	resources	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	
		€m	%	%	%	%	%	%	%	
A. TAXONOMY-ELIGIBLE ACTIVITIE	S	0.051	0.0%							
A.1. Environmentally sustainable a (Taxonomy-aligned)	activities									
Activity 4 Energy	4.1	0.017	0.0%	100%						
Activity 5 Waste management	5.5	0.034	0.0%	100%						
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.051	0.0%	100%						
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	n/a									
Total (A.1 + A.2)		0.051	0.0%							
B. TAXONOMY-NON-ELIGIBLE ACT	IVITIES									
Turnover of Taxonomy-non-eligible activities (B)		26,391	100%							
Total (A + B)		26,391	100%							

DNSH criteria (Does Not Significantly Harry) Minimum aligned aligned aligned adaptition (11) Category (challing aligned aligned aligned aligned (12) Category (challing aligned proportion (13) Category (challing aligned proportion (13) Category (challing aligned proportion (13) Category (challing aligned proportion (13) Category (challing aligned proportion (13) Category (challing aligned proportion (13) Category (challing aligned proportion (13) Category (challing aligned proportion (13) Category (challing aligned proportion (13) Category (challing aligned (13) V/N Circular (13) Pollution (13) Pollution (13) Pollution (13) Pollution (13) Pollution (13) Pollution (13) Category (challing (13) Category (challing (13) V/N V/N V/N V/N V/N V/N V/N V V V/N V/N V/N V/N V/N V/N V V V V/N V/N V/N V/N V/N V/N V V V V V/N V/N V/N V/N V/N V/N V V V V V/N V/N V/N V/N V/N V/N V V V V V/N V/N V/N V/N V/N V/N <th></th>											
Climate change Climate change Water and Circular Pollution Biddiversity (13) Of turnover, of turnover, of turnover, or (19) (20) activity (21) Y/N Y/N <th>(transi-</th> <th>(enabling</th> <th>aligned</th> <th>aligned</th> <th>safeguards</th> <th>DNSH criteria cantly Harm)</th> <th>Not Signific</th> <th>(Does</th> <th></th> <th></th> <th></th>	(transi-	(enabling	aligned	aligned	safeguards	DNSH criteria cantly Harm)	Not Signific	(Does			
	activity)	Cular omy (15)Biodiversity and ecosystems (16)of turnover, of turnover, of turnover, (20) year N (18)active (20)Y/NY/NY/NY/N%EYYY/N%%EYYY0.0%Image: State of the state	economy	marine resources	adaptation	mitigation					
Y Y Y Y 0.0% 0.0%	Т	E	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
				0.0%	Y	Y	Y	Y	Y	Y	
				0.0%	Y	Y	Y	Y	Y	Y	
				0.0%							
0.0%											
0.0%											
0.0%				• • • •							
				0.0%							

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – AFKLM disclosure covering 2022

conomic activities ()							Substa	intial contril	bution criteria
	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	change	resources	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		€m	%	%	%	%	%	%	%
. TAXONOMY-ELIGIBLE ACTIVITI	ES	85.06	2.9%						
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
Activity 6 transport	6.5	0.73	0.0%	100%					
	6.17	1.29	0.0%	100%					
Activity 7 Construction & real estate activity	7.1	4.4	0.1%	100%					
	7.2	24.74	0.8%	100%					
	7.3	0.92	0.0%	100%					
	7.4	0.37	0.0%	65%					
	7.5	0.16	0.0%	100%					
Activity 9 Professional, Scientific & technicals	0.1	0.25	0.0%	10.0%					
activities	9.1	0.25	0.0%	100%					
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		32.86	1.1%	39%					
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Activity 7 Construction & real estate activity	7.4	0.2	0.0%						
	7.4	52							
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		52.2							
otal (A.1 + A.2)		85.06	2.9%						
TAXONOMY-NON-ELIGIBLE ACT	TIVITIES								
apEx of Taxonomy-non-eligible ctivities (B)		2,887	97%						
otal (A + B)		2,972	100%						

activity)	Category (enabling activity) (20)	Taxonomy aligned proportion	Taxonomy aligned proportion	Minimum safeguards (17)	ONSH criteria cantly Harm)	s Not Signifi				
(21)		of CapEx, year N-1 (19)	of CapEx, year N (18)		Biodiversity and ecosystems (16)	Pollution (15)	Circular economy (14)	Water and marine resources (13)	Climate change adaptation (12)	Climate change mitigation (11)
Т	E	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
Т			0.0%	Y	Y	Y	Y	Y	Y	
	E		0.0%	Y	Y	Y	Y	Y	Y	
			0.1%	Y	Y	Y	Y	Y	Y	
т			0.8%	Y	Y	Y	Y	Y	Y	
	E		0.0%	Y	Y	Y	Y	Y	Y	
	E		0.0%	Y	Y	Y	Y	Y	Y	
	E		0.0%	Y	Y	Υ	Υ	Υ	Y	
	E		0.0%	Y	Y	Y	Y	Y	Y	
			1.1%							
			1.170							

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – AFKLM disclosure covering year 2022

conomic activities (1)				Substantial contribution criteria					
	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	change	resources	Circular economy (8)	Pollution (9)	
		€m	%	%	%	%	%	%	%
A. TAXONOMY-ELIGIBLE ACTIVITI	ES	19.41	1.5%						
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
Activity 4 Energy	4.16	0.00	0.0%	0%					
Activity 5 Waste management	5.5	0.05	0.0%	0%					
Activity 6 transport	6.5	0.50	0.0%	3%					
	6.17	0.62	0.0%	3%					
Activity 7 Construction & real estate activity	7.2	16.50	1.2%	91%					
	7.3	0.00	0.0%	0%					
	7.4	0.03	0.0%	0%					
	7.5	0.27	0.0%	2%					
	7.6	0.01	0.0%	0%					
Activity 8 Information and communication	8.1	0.22	0.0%	1%					
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		18.21	1.4%						
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Activity 5 Waste management	5.1	0.70							
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1.20							
Total (A.1 + A.2)		19.41	1.5%						
B. TAXONOMY-NON-ELIGIBLE ACT	IVITIES								
DpEx of Taxonomy-non-eligible activities (B)		1,316	98.5%						
Total (A + B)		1,335	100%						

marine economy (15) and year N year N-1 (21)								
marine economy resources (13) (15) and ecosystems (16) year N (18) year N-1 (19) (21) Y/N </th <th>ards aligned (17) proportion of OpEx,</th> <th>safeguards</th> <th>antly Harm)</th> <th>Not Signific</th> <th></th> <th>Water and</th> <th>Climate change</th> <th>Climate change</th>	ards aligned (17) proportion of OpEx,	safeguards	antly Harm)	Not Signific		Water and	Climate change	Climate change
Y Y Y 0.0% Y Y Y 0.0% T Y Y Y 0.0% E	year N		and ecosystems	(15)	economy	marine resources	adaptation	mitigation (11)
Y Y Y Y Y 0.0% T Y Y Y Y 0.0% T Y Y Y Y 0.0% E	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
Y Y Y Y 0.0% T Y Y Y Y 0.0% T Y Y Y Y 0.0% T Y Y Y Y 0.0% E								
Y Y Y Y Y 0.0% T Y Y Y Y 0.0% E Y Y Y Y 0.0% E Y Y Y Y 1.2% T Y Y Y Y 0.0% E	0.0%	Y	Y	Y	Y	Y	Y	
Y Y Y Y Y 0.0% E Y Y Y Y 1.2% T Y Y Y Y 0.0% E Y Y Y Y 0.0% E	0.0%	Y	Y	Y	Y	Y	Y	
Y Y Y Y 1.2% T Y Y Y Y 0.0% E Y Y Y 0.0% E Image: Compare 10 minutes of the second se	0.0%	Y	Y	Y	Y	Y	Y	
Y Y Y Y Y 0.0% E Y Y Y 0.0% E Y Y Y 0.0% E	0.0%	Y	Y	Y	Y	Y	Y	
Y Y Y Y O.0% E	1.2%	Y	Y	Y	Y	Y	Y	
Y Y Y Y 0.0% E Y Y Y 0.0% E	0.0%	Y	Y	Y	Y	Y	Y	
Y Y Y Y Y Y Y 0.0% E	0.0%	Y	Y	Y	Y	Y	Y	
	0.0%	Y	Y	Y	Y	Y	Y	
Y Y Y Y Y Y 0.0% T	0.0%	Y	Y	Y	Y	Y	Y	
	0.0%	Y	Y	Y	Y	Y	Y	
							·	

4.2 HUMAN RESOURCES

The Air France-KLM employees, present all over the world, are the Group's main asset; they bring to life the Group's brands and are their face to customers. Thanks to their collective commitment and professionalism, the Group is able to offer its customers high-end services and a caring journey, promoting lasting relationships while operating its activities efficiently and safely. and by monitoring engagement through the Employee Promoter Score (EPS). The Group continues to invest in human capital development, to develop the skills of employees and empower them, to enable them to exceed customer expectations. The relationship that links the Air France-KLM Group to its employees is based on four values: trust, respect, transparency and confidentiality.

Air France-KLM aims to provide one of the best places to work, by creating a safe and motivating environment for employees

Key Performance Indicator	Definition	2021 results	2022 results	Targets
Employee Promoter Score (EPS)	Annual change in the EPS measured with Air France and KLM employees between 2021 and 2022	(38)%	(56)%	
Percentage of women in managerial functions	Executive Committee members	25%	31%	40% by 2030
	Top 10% management level for ground staff Flight Deck Crew managerial functions (Cockpit crew) Cabin crew managerial functions (Pursuer)	34.6% 5.8% 65.8%	35.4% 5.9% 65.1%	40% by 2030
Number of hours of training per employee	Number of hours of training per employee consolidated at Group level	31.3 hours	41.8 hours	

See Note on the methodology for the reporting of the social performance indicators, section 4.2.6.4.

4.2.1 Working conditions and employee engagement

충 Context and strategy

The world has been traversing a major public health crisis that had significant impact on Air France-KLM's activity and results in 2022. Border closures, health measures to respect for travel, a climate of international instability, a challenge of societal acceptability linked to the aviation sector, high inflation and a rapid rebound in activity in a tight labor market had a significant impact on airlines and their workforces throughout the world.

A continuous dialogue between the social partners and the General Management enabled the negotiations on the reconstruction plan to take place in full transparency and in a constructive manner. The reimbursement of the loans guaranteed by the French and the Dutch States is a priority for the Group and the entire social structure is mobilized around making a material contribution to Air France-KLM's long-term future. Thanks to rigorous and effective health protocols, Air France-KLM, Air-France-KLM did its utmost to protect the health and safety of its customers and staff. In this context of crisis, employee engagement was challenged in 2021 but has been recovering since the middle of 2022, the Air France-KLM Group having focused on employee mobility and talent retention.

In the context of rising inflation, limited capacity in some airports and workforce shortages in certain positions, the Group consolidated its resilience and demonstrated great agility to adapt to the changing volume of operations.

Now more than ever, the strategy common to all the Air-France-KLM Group businesses remains to foster employee commitment and motivation, by offering employees working conditions that enable them to fulfil their professional duties effectively and thus, contribute to the Group's performance.

Measures and performance

Within the Air France-KLM Group, the Employee Experience is a key element of its People strategy and a pillar of its Sustainable Development strategy. "Our people deliver our customer experience" and it is through this policy that the Company can outperform its competitors. The roadmap ("Flight Plan") is defined in action plans at the level of every division of the airlines and the Group including, notably, an ongoing commitment to inclusion, staff development, support for initiative, the promotion of team spirit and the reinforcement of motivation which are key to emerging stronger from the Covid-19 public health crisis.

To measure the level of employee engagement. Air France, KLM and Transavia use the Employee Promoter Score (EPS), the in-house equivalent of the Net Promoter Score which measures the level of customer satisfaction. In the two companies, a rotating random selection of employees is regularly polled to ascertain whether they would recommend Air France and KLM as employers to their friends and family. The results are shared with all staff. At Group level the consolidated EPS saw an overall fall between 2020 and 2022 however the negative trend was less marked, in absolute value, in 2022 than in 2021 and has been on a recovery trend since the summer of 2022. The Covid-19 crisis had a significant impact on working conditions, on compensation and other elements related to the difficulties the industry was facing. In 2022 Air France-KLM succeeded in turning the situation around by activating in depth listening to employees, dedicated action plans and exceptional salary measures to protect the workforce from inflation.

A plan was established to give substance to the EPS recovery in the long term:

- Steering: We are all responsible for creating a culture and environment in which everyone feels comfortable and is supported in the right way to make a difference. Employee engagement is steered in all teams and all businesses;
- > Listening: At Air France and KLM, open questions have been added to the survey to gain employee insight. With the help of the various activities that together form the Employee Listening Strategy, KLM collects useful feedback from employees. In September 2022, KLM launched a multi-year study among 9.000 cabin crew colleagues in collaboration with the Erasmus Happiness Economics Research Organization. to identify the common factors that influence their well-being and professional fulfillment. The result of this study is expected in the first half of 2023;
- > Action plan: At Air France, a task force was set up with representatives from all businesses to be responsible for implementing the action plan. A communication plan for employees enabled buy-in to the "Nous sommes Air France" pride in team work initiative, to share important assets of the Company like its history, its products, its brand history and its commitment to be able to contend with the current

environmental and societal issues, and to value the many professional perspectives within the Company. In terms of remuneration, in addition to the general salary increase to support all employees during this period of high inflation, specific actions were implemented to, for example, support the operational teams during the Summer peak in activity and retain specific talents. Managers are strongly encouraged to listen to local specificities and needs, and to work on local working conditions or any other local issues raised by employees. They are provided with resources to come up with solutions and move forward together.

Working conditions during the public health crisis

As of the onset of the public health crisis in March 2020 and throughout 2021 and 2022, Air France-KLM implemented the Company public health protocols stipulated by the French, Dutch and foreign governments, and sought to adapt these protocols to its various staff categories during the different phases of the pandemic (lockdowns, curfew etc.) As we emerge from this crisis, working from home and hybrid working are entering a phase of consolidation based on experience. The Group does its utmost to offer solutions aligned as closely as possible with employee preferences and needs, and to foster efficiency and engagement.

In the Netherlands, the public health measures were slowly relaxed after a hard lockdown and were lifted altogether in April 2022. The "Consider Corona" "national committee" was set-up in March 2022 to prepare for a possible new wave of the epidemic and a gradual return to normality.

In 2022, as during the height of the public health crisis, the health measures were communicated *via* the different digital communication channels in support of line managers and *via* a proactive Health and Safety in the Workplace network: protective measures, availability of health kits, limitation on the number of days spent in the workplace, closure of the workplace canteens, remote working, certification of professional travel, etc.

Health, safety and working conditions commissions were organized at every key stage to agree with the employee representatives the measures to be put in place.

In France, in line with the recommendations of the health authorities the measures implemented to protect employees against the epidemic risks were accompanied by a strengthening of the surveillance and follow-up of cases and contacts by the vocational medicine unit, a statistical focus on declarations, and the permanent availability of medical experts for the validation of the preventive measures. Since April 2022, the Covid commissions have met less frequently, on a quarterly basis. On a regular basis, formal communication campaigns remind staff of the protective measures and behavior (gel, masks, etc.) with the tools still available within the Company. A dedicated General Practitioner covers the Covid topic in the Health and Safety meetings with employee representatives.

In the Netherlands, during the public health crisis, any adjustments to Dutch legislation had been immediately translated into measures within KLM. Continuous company-wide execution of Safety Issue Risk Analyses on the virus and the monitoring/ introduction of new regulations, procedures and methodologies ensured that the appropriate measures and mitigations were in place to maintain safety. Since the second quarter of 2022 when the Covid measures were relaxed in the country, the usual meeting structure has been continued at KLM but all extra meetings have been cancelled.

During the crisis and as we return to normality, Air France has implemented successful health prevention measures thanks the adoption of a multidisciplinary approach.

At the beginning of 2022, within the context of the spread of a less harmful Omicron strain, the governmental guidelines changed to reflect a lighter health protocol: isolation rules were eased for positive Covid cases and their contacts. From mid-March, the mandatory wearing of masks in the workplace ended and all testing and social distancing were removed. The public health protocol was replaced by a guide explaining the issues surrounding vaccination, making recommendations on the management of Covid cases and their contacts, and listing the measures to be implemented to protect employees from contamination risks.

To guarantee optimal working conditions for their employees, KLM, Transavia and Air France have enabled the development of remote working, as already provisioned or by adding this provision to the existing agreements.

In the Netherlands after the reopening of the offices following the lifting of lockdowns in January 2022, KLM provided support for its employees in their transition to the office.

In agreement with managers and team-members and based on their type of activity, employees have the option to work from home. The teams can use both digital and physical channels to collectively conclude work agreements: when and with whom at the office, which activities at home or elsewhere? They can also refer to the "Safe and Healthy Working From Home" e-learning module.

At Transavia France, in November 2021, an innovative and flexible Working-From-Home agreement was signed for all support functions and crew management undertaking office activities. This agreement will be re-discussed in January 2023 to take into account feedback on the experience.

Transavia Netherlands organized a number of "Healthy Talks" and online sessions on themes such as stress and a good work-life balance.

Employee commitment despite the difficulties

2022 was marked by a very significant level of commitment from the Group's employees in a context of a rebound in activity. The departures of many colleagues in previous years, the unstable international context and high inflation led to a feeling of uncertainty and this weighed on the major airlines' Employee Promoter Scores (EPS) which dropped to low levels at the end of 2021. In 2022, the Air France-KLM Group reaffirmed its commitment to social and environmental topics in the regions where it operates.

In partnership with the start-up Vendredi, Air France mobilized its employees around volunteering with the creation of the "*Mon Engagement Citoyen*" initiative. *Via* this network and throughout the year, employees can offer their free time, positive energy and skills to partner associations in six areas of action dear to Air France and the Air France Foundation: Children Education – Training – Employment, Disability-Health, Combating Precarity, Intergenerational Sharing and the Environment. Since its launch, 3,800 Air France employees have registered on the Vendredi platform and nearly five hundred volunteering actions have already been carried out.

KLM's approach to promoting sustainable development at the scale of the organization also drove the establishment of programs aimed at making KLM a more welcoming and inspirational employer offering diverse professional development opportunities. The aim is to stimulate employees and facilitate the activities enabling them to discover and develop their talents so that they can make better choices in a constantly changing environment.

A few examples:

- > in collaboration with Airport College, KLM provides vocational education programs for employees with many years of professional experience. In the last five years, more than five hundred KLM operational employees have graduated with a nationally recognized vocational degree in this "life-long learning" program;
- for newly-hired employees on temporary KLM contracts, the Company strengthened their position on the labor market with a training program leading to a recognized degree. These students were well equipped to find positions with another employer;
- thanks to a collaboration with Airport College and lecturers in schools, which started in 2020, a further improvement in the quality of the steward/stewardess internship training program was achieved, benefiting hundreds of students;
- > during the year, KLM held multiple employee events across the Company and in the divisions to create memorable individual experiences. Managers continued to use WhatsUp, a tool to facilitate dialogue within teams and help determine the actions required to improve the Employee Experience.

Throughout the year the CEOs, Board members and Executive Committee members frequently held webcasts to connect with staff, keep them informed of relevant developments and be available to answer any questions. In addition, the Human Resources departments multiplied their touch points with employees and managers.

4.2.2 Resource adaptation and employee dialogue

충 Context and strategy

Within the unprecedented context of the Covid-19 crisis, the most serious crisis experienced by the Air France-KLM Group since the Second World War, the Group's airlines initiated a number of different actions to enable a return to financial breakeven, notably by reducing their labor costs, while prioritizing voluntary departures as far as possible. The Dutch and French governments supported the Group's efforts, each within the framework of their own country's social systems.

This resource adaptation was accompanied by reorganization and transformation projects aimed at improving the Group's efficiency and restructuring its French domestic network, but also to take into account the new environmental conditions.

In 2022, the business context was radically changed with a steep ramp-up in activity through to the summer. This was a challenging operational context for airports with some players having encountered difficulties with handling workloads in a tight labor market and with inflation at levels that had been unprecedented in the previous decades. In this new context, the calibration of the different plans and support measures continue to be systematically discussed and negotiated with the unions within the framework of the procedures imposed by the country's legislative framework.

Measures and performance

For Air France-KLM, employees are covered by collective bargaining agreements and the coordination of the workplace dialogue takes place in each Group entity and within the Group's European Works Council, bringing together the representatives of staff whose head offices or entities are based in the European Community.

During 2022, Benjamin Smith (Chief Executive Officer of Air France-KLM), Pieter Elbers then Marjan Rintel (KLM's President & Chief Executive Officer) and Anne Rigail (Air France's Chief Executive Officer) held regular meetings with employees in the various sites, to engage in dialogue on current topics. The number of Air France-KLM employees and their skillsets need to be adapted to the transition currently being experienced by the aviation industry. New aviation industry technologies, digitalization and changes in the labor markets are pressurizing the Company to prepare its employees to adapt to these changes.

In total, during 2022, Transavia France convened 12 meetings of the works Councils and four of the health and safety committees, while Air France convened 15 meetings of the Social and Economic Committee (*Comité Social et Économique* – CSE), of which three were extraordinary, and four meetings of the *Comité de Groupe* *Français*, testifying to the intensive employee dialogue required to continue to respond to an unprecedented crisis.

The implementation of emergency measures for all employees

In France, further to the Partial activity (*Activité Partielle*) scheme implemented in 2020, the Company and the unions signed an agreement with the three staff categories (Hostesses/Stewards, Ground Staff and Pilots) to enable the Company to benefit from the Long-Term Partial Activity, from January 1, 2021 and for a two-year period (the maximum allowed by law).

This agreement mitigated the effects of the crisis on the Air France-KLM Group's cash position during 2021 and extended the savings on personnel costs for Air France over this two-year period. It is also a lever for adapting organizations to the level of activity which remains dependent on the public health decisions and travel restrictions linked to border closures worldwide. An amendment to the Partial activity Agreement (APLD) has been signed with the Pilot, Cabin Crew and Ground Staff unions making it possible to again use the scheme in the event of a new crisis in 2023 and 2024.

In April 2020, the Dutch government launched a generic wage support grant for companies in the Netherlands whose revenues had been impacted by the Covid-19 crisis. Both KLM and its subsidiaries applied for this so-called NOW-grant (an emergency bridging measure for employment in the Netherlands) and committed to respecting the conditions linked to this measure. The NOW-grant was applied from March 2020 and continued until the end of the first quarter of 2022. This support mechanism prevented forced redundancies as far as possible in the short term.

Signature of major agreements in times of crisis

The negotiation of agreements in the different airlines of the Air France-KLM Group continued throughout 2022, to respond to the health and financial issues arising from the Covid-19 crisis and those involved on emergence from the crisis following by the summer activity peak against a backdrop of high inflation.

In view of the health context and following the lockdowns in France, the TeleWorking Charter (*Charte du Télétravail*) was introduced in February 2022 allowing employees whose positions are eligible and following agreement from their managers to benefit from remote working, either for a few days per year or on a regular basis, while initiating discussions on hybrid working. In 2022, based on the results of a dedicated survey, an action plan was established to further improve hybrid working, and to ensure the more effective use of the working spaces and collaborative tools. The salary negotiations with Air France Ground Staff, Cabin Crew and Pilots formalized the commitment to no general or individual salary increases during the crisis period of 2021 and 2022, while recording additional cost-saving measures based on the reduction in the number of days of leave and the prioritization of the end-of-year additional remuneration as per the rate of partial activity.

At the end of summer 2022, the Air France management, recognizing the exceptional inflationary situation, opened a consultation process with the unions to discuss remedial measures. The discussions with the unions led to the decision to organize a special purchasing power bonus to the benefit of all employees as well as a salary increase that would gradually be implemented from November 2022 through to the middle of 2023. The next salary negotiations are scheduled to start in the second quarter of 2023.

Having been initiated in 2020, the facilitation of a loan package from the Dutch government to help mitigate the impact of the crisis was terminated in March 2022. There were conditions attached to this loan package including a mandatory reduction in payroll costs. Employees earning a higher-than-median salary (€38,000 on an annual, full-time basis) had to contribute to this *via* a reduction in salary. This reduction depended on the level of salary with up to 20% for employees earning three times the average salary or more.

While a workable Social Plan for Flight Deck Crew had already been part of an existing collective labor agreement, in 2020 KLM and the unions signed two new Social Plan agreements for Cabin Crew and Ground Staff. These agreements apply between October 2020 and December 2024.

These two Social Plans are based on measures aimed at limiting compulsory lay-offs as far as possible *via* recourse to a voluntary severance scheme and new career opportunities outside of KLM (e.g. a move into the healthcare or education sectors). Employees whose jobs are redundant after these measures will be forced to leave KLM.

Agreements have been signed with the unions concerning one-off payments in the event of dismissal, and outplacement and assistance in finding new employment.

In 2022, three collective labor agreements were concluded with Ground Staff, Cabin Crews and Flight Deck Crews in KLM, including a wage increase over the period from March 2022 to March 2023. This wage increase contains a minimum monthly increase, with KLM having set an example in the Dutch market: the lowest operational functions receive a salary increase up to 10% over the period, not far from the inflation rate.

In addition, KLM and the unions further improved work conditions, ratifying agreements that touch aspects of work that are relevant to our employees, such as commuting, compensation for working from home and making a number of regulations more inclusive, such as the staff travel policy.

Through the agreements signed, we are investing in the employment conditions of today and tomorrow.

Resource adaptation via a number of measures

After having implemented emergency measures *via* a hiring freeze for external staff and only limited renewal of temporary contracts in 2020 at the height of the Covid-19 public health crisis, the context was to prove very different in 2022 with a steep ramp-up in air operations activity during a period of high inflation within a tight labor market. Air France-KLM anticipated the strong summer demand by preparing for both seasonal and longer-term recruitment as of the end of 2021 and the airlines did their utmost to plan for the ramp-up and help their employees to contend with the volume of operations.

As of the end of 2021, a transversal task force at Air France was in place to coordinate measures and actions to support its employees in the preparation for the activity ramp-up: recruitment of seasonal workers and those on longer-term contracts in specific areas of expertise, sub-contractor management, preparation of the Paris hub infrastructures to facilitate operations and customer flow fluidity at the borders:

- > more than one thousand pilots, mechanics and aviation technicians, and managers in IT, engineering and ground operations were recruited. Seasonal recruitment covered mainly ground staff and cabin crew. In parallel, there was intense internal mobility consistent with its level of before the Covid-19 crisis. The responsiveness and professionalism of the recruitment and HR teams, who were themselves often new to these roles, were recognized and enabled the Air France group to be well prepared, compared to its competitors, to again contend with a very high level of activity;
- > the departure of many employees within the framework of Voluntary Departure Plans and the reorganization of the Company accelerated internal job transfers; within the airlines, these moves were collectively steered to meet the need for business-specific competencies;
- > the second half of 2021 and 2022 saw renewed recruitment of interns and the restart of the program to attract management trainees.

In the Netherlands many new recruitment initiatives supported the ramp-up in activity:

- attracting new baggage and apron staff was one of the main focuses for the recruitment of ground staff, with several hundred new employees;
- KLM Recruitment Flight Staff attracted and selected a large number of new colleagues, including cabin crew and pilots;

- KLM rebuilt a solid flex pool for ground staff of all levels, with the contracting of two extra flex agencies in 2022. Additionally, in the same year, a pool of flex workers in KLM's ground operations signed contracts for a fixed tenure;
- based on in-depth labor market data, KLM developed and rolled out a three-part strategy in which the sub-brand KLM Tech & Data was created, a new special content platform was launched and a media campaign was rolled out, to be able to launch a large scale recruitment campaign targeting IT talents.

4.2.3 Development of human capital and talent management

충 Context and strategy

Within this context of a shift towards a more sustainable airline industry, internal reorganization and the ramp-up of activity against the backdrop of a tight employment market, the development of human capital and securing the loyalty of talented individuals are imperative to transform the companies within the Group. Our inclusive Talent Development strategy aims to enable employees to make optimal use of their talents, improve their employability and thus add value to the organization.

The 2020-22 campaign on the Forward Planning of Jobs and Skills (GPEC), combined with a strategic vision and a business-focused approach, enabled the identification of the future staffing needs based on a number of different scenarios, while providing solutions on mobility, employability, research and employee loyalty and the management of the effects of the digital transformation.

The Human Resources teams and the Executive Committee very rapidly pinpointed the strategic challenges involved in retaining and developing talent to add to the succession plan for key positions.

In 2021, Human Resources had assessed the current talent management approach for the Group, redefining the requirements of the business, reviewing the tools and processes used by the human resources departments and sharing the needs and expectations of the talents. Priority areas for improvement were defined and implementation continued in 2022. This process covered the definition of leadership expectations common to all the Group entities, the development of transversal leadership training programs for different levels of leadership maturity and a coordinated approach for talent identification and succession planning.

To structure this process, the airlines follow an annual cycle for managers and employees with a specific pathway through which to address Talent and Performance Development topics. At KLM, the outcome of the talent identification session is captured in the HR system (SAP SuccessFactors). In 2022, the recording of the succession planning in SAP SF was designed and it is now ready for implementation.

Air France-KLM is building solid bases to connect people, skills and opportunities, a key factor for agility and in our successful transformation.

Measures and performance

Despite the challenging context of exit from crisis, the Group pursued its policy of investing in formal training: the number of training hours per employee stood at 42 hours in 2022.

The Group considers people development through the three dimensions of on-the-job experience, feedback and formal learning; in 2022, the entities launched and continued actions covering these three dimensions, taking into account the businesses' own specificities and starting points.

Dashboards based on HR data are used and updated to monitor the number of promotions and the inflow and outflow of employees.

In this respect, particular attention is paid to employee turnover and the age pyramid is also considered when we study employee development support options.

Total turnover and voluntary turnover of Air France – KLM Group employees:

	2019	2020	2021	2022
Total turnover rate	6.10%	11%	11.4%	9.5%
Voluntary				
tornover rate	1.50%	1.60%	2.50%	3.40%

Note: Turnover rates are calculated based on headcount under permanent contracts at the end of the latest reporting year.

Total employee turnover (outgoing): proportion of employees who left the Group, expressed as a percentage of the total employees.

Voluntary employee turnover: proportion of employees who voluntarily left the Group, expressed as a percentage of the total employees.

In 2022, within the framework of the data collection process, people leaving the Company were offered exit interviews or the opportunity to complete an exit survey to gain insight into the reasons for their departure. They form the basis for a further improvement in our employee value proposition.

In 2022, Air France and KLM continued the policy launched in 2019, to transition from exclusive (aimed at a targeted group of employees) to inclusive talent management (every employee is a talented individual who must be given the opportunity to develop his or her skills) by using a talent development approach created jointly by the two companies and by implementing joint development strategies and actions.

Formal learning actions to support employee development

The Air France-KLM Group strongly encourages its employees to learn, take responsibility for their individual and professional development, to build personalized career paths and to foster their own employability. The yearly training plan has been designed to support and accompany the strategy of the Group, and to develop individual and collective performance.

In 2022, major efforts were made to further modernize and fluidify the search process for the various learning programs in the modern and user-friendly MyLearning tool.

In addition, KLM identified the need for an excellent service and advisory helpdesk. *Via* the "Intercom" chat function staff can be assisted in exploring and defining their individual and customized development paths, and a dedicated SharePoint website helps employees to find the right learning and development support.

In 2022, KLM further enlarged the scope of the learning content distributed, *via* a link to the "external training portal" which includes a rich and varied training offer with special attention paid to workers. Air France created Learning Channels (LC) to facilitate use of the training offer: LC Management, LC Leadership – based on the leadership model -, LC Quality and Health at the Workplace, LC Diversity, etc. In December 2022, Air France launched its third edition of the Learning Week. Conferences, webinars, online games and workshops were proposed to all employees from all the divisions, aimed at introducing the diverse and numerous possibilities on offer for learning.

Managers play an important role in conducting Career Development discussions and proposing training to their teams.

Linked to the transformation of the Company, Air France has prioritized several areas of development, including:

- > risk management: flight safety, occupational health, and safety;
- fundamentals and hard business skills: digitalization, customer care, cyber security, compliance, sustainable development, fleet development, languages;
- reskilling training programs, dedicated to employees who change jobs and to newly appointed team managers.

Furthermore, training paths for key classical roles such as manager, project manager or expert have been built and rolled out as a reference. At Transavia France, a training module dedicated to managers was launched at the end of 2021 and started at the beginning of 2022, focusing on the development of specific soft and hard skills.

At Transavia Netherlands, a new vision on learning and development has been developed. The airline took the steps required to build its Learning hub, a learning and development ecosystem aiming at centralizing personal behavioral training; it is now built and delivered the first content in 2022.

At KLM, to support hybrid working, the teams and leaders are assisted in the possibilities and choices with a roadmap, a team guide, an e-learning module on safe working from home (for 4,000 office employees) and materials with which to organize webinars, all aimed at creating a safe, welcoming and productive working environment in hybrid working conditions.

Developing performance management

In the shift from performance management to performance development, the Air France - KLM Group's approach to performance appraisal is now oriented towards a forward-looking and appreciative process based on encouraging feedback to contribute to professional maturity, career development and sustainable employability. In these individual conversations, managers are asked to put the emphasis on talent and the development of the expertise and actions needed to enhance an individual's value in both their current and future roles and activities. The aim is to help identify employees' talents and their individual growth potential, and thus maximize everyone's contribution to the Company's results.

At Air France, this program is supported by a tool developed internally and is positioned as a management transformation lever. It is based on two key concepts: continuous performance management and multi-evaluation. Development of the feedback process builds employee skills and, consequently, enhances individual and collective performance. Managers conducts at least one annual interview with every member of their teams to assess their performance for the year and their potential development for the following year. In 2022, Air France reinforced its performance management process with dedicated support for managers in their roles: the Management Lab enabled hundreds of managers to share best practices, advertise learning and development opportunities and connect to each other.

At KLM, a new performance appraisal format was introduced in 2021 and it is now time to evaluate the feedback after the first year of use and the large number of conversations taking place during 2022. The aim is to further improve the adoption and the quality of the conversations.

Developing leadership

In parallel and in addition to addressing leadership development needs transversally within the Group, with Air France-KLM training programs for leaders at both the senior and middle-management levels, several development initiatives were built to enrich the executive and managers succession plan and to anticipate the need for specific competencies in the business units:

- > based on leadership assessments conducted for all executives in 2019 and on structured interviews with top leaders, KLM developed the 3-5-7 model, a strengths-based approach based on 3 tasks, 5 conceptual questions and 7 interpersonal skill elements, to encourage executive mobility and accelerate the appointment of new talented executives;
- > to strengthen the strategic and connecting leadership in the post-pandemic era, 100 executive leaders joined a leadership journey with a variety of sessions on sustainability, technological advances and innovation. Overall, the sessions were evaluated with a average score of eight;
- > for new leaders, a "fundamental leadership program" was launched in 2022 and 11 groups have already started this program. The main focus points are people skills, managing an inclusive working environment, people sustainability, talent development and the set up for success and results;
- > for experienced leaders a "modular leadership program" was developed in 2022 and should be launched in 2023 with the first two groups starting in January. The modules cover self-awareness and development, connection and navigation, inclusive leadership, attract, engage and retain, reflect and optimize and the set up for success and results in a complex and changing environment;
- > since 2019, for shift leaders in the operational divisions, KLM has been running a leadership program which has already benefited 20 groups of employees. The program has now been updated, based on changing circumstances and feedback. The mandatory modules are communication skills, connect, leading teams and supportive leadership;
- > for functional leaders in the operational divisions, KLM started a leadership program in 2022 with a kick-off attended by 40 people from several divisions. The program aims to enable hundreds of functional leaders to improve their people skills, create a safe and sustainable working environment and to lead for results;
- > about 150 employees benefitted from customized development programs like the Senior Leadership development program for Senior Management, the Focus on Your Future leadership development program for middle management, the Reflective Leadership Day and the Development of Leadership Skills Under Pressure focus for top management;

within the Flight Operations division, to dispose of a large enough pool of qualified candidates available for the ancillary positions (next to being a pilot) in future, KLM created the Talent Development Pool, where employees with potential to grow follow a specific learning journey. As part of the 18 to 24-month program, they work on projects within the Company, receive guidance about their personal development (coaching, mentoring, development assessment), and attend in-depth training days and inspiring masterclasses. In 2022, the program was designed and the first candidates were selected.

In 2022, Transavia Netherlands renewed its vision of leadership development and took the first steps in putting this into action with the launch of a Leadership Day in November. Looking at the many new managers, the airline also focused on connection and knowledge exchange with online peer groups of leaders and with wider circles.

In line with the Group's new leadership model, to support the challenges of the business and to accelerate its transformation, Air France updated the cross-functional skills reference framework for executives and managers and rolled it out in 2022. It defines the required soft and hard skills with the levels of proficiency that executives and managers can call on to develop their teams and their own skills. To supplement the manager toolbox, the training and development offer has been enhanced accordingly, with assessment and self-assessment tools to measure skill gaps and better identify the relevant individual plans. For instance:

- > knowledge of self: transversal competencies auto-diagnostic, mirroring ("retour d'image") 360°;
- > individual coaching and mentoring;
- > peer sharing: The Managers Lab program dedicated to managers numbered 450 participants in 2022 and the "Coup de Pouce" co-development initiative has embarked one hundred employees since its creation in June.

KLM and Air France continue to offer talent and leadership programs like the *Femmes de Talent* training and coaching program, aimed at enabling high-potential women to develop their leadership skills within the Group and occupy senior management positions.

Developing skills in various manners

With a lot of newcomers and employees transitioning into different roles within the Company, helping people to be up to their jobs is more important than ever. Air France-KLM has invested via the Human Resources departments, in supporting the whole organization in the analysis of performance gaps, researching development and learning needs, designing learning experiences and developing learning products. Aside from an increase in levels of performance, we expect these activities to have a positive impact on employee engagement within their field of work, on retention and ultimately on employee satisfaction. We recognize our employees for their whole selves and develop their ability to build their careers around their unique talents.

Employees are encouraged to think about what their work means to them now and in the future. With the online platform tool MyTalent on the "TalentBase" platform, KLM feeds and stimulates employee thinking about the use of their interests and talents. Employees can run several scans to explore their skills, motivation and talents, and can match these against vacancies within the Company and in other organizations in the Netherlands. Since December 2022, MyTalent has also been available in English; with this upgrade a wider range of employees can be reached.

NextGen is an inclusive Air France program benefitting young graduate employees with various profiles and skillsets, that respects the employees' pace, development objectives and motivation. Employees are individually supported in their development and integration events; conferences throughout the year, talent manager support (buddy system, industry discovery), Yammer network, a dedicated Learning channel and off-site visits, all energize the Next Gen Program.

The "Spirit for the Future" program aims to meet the need for inspiration and to enhance skills and knowledge, to promote personal growth, to make an impact, to expand the vision of the airline and to build a network outside the employees' immediate work surroundings. It had been built during the crisis with the aim of retaining the talents identified as changemakers, the key players in the transformation. The program is still relevant and, to date, more than a hundred middle managers and specialists have participated in it, with the last four groups successfully launched in 2022.

In 2022. KLM created the skills and competency strategy roadmap, outlining the inter-dependent steps, pilot programs and trials needed to evolve towards a more skills-based organization, whilst maintaining the strengths of working with competencies. With the support of the Steering Committee three pilots were identified as priority and implementation has begun. They cover the building of a skills passport *via* Al using the digital information available within the organization, the development of the skills required for the future and experimentation with the different recruitment methods based on competencies, skills and experience.

In 2021, Transavia Netherlands managed the restructuring of the Transavia ground organization and a dedicated team is making progress towards an inclusive talent management policy, focused on mobilizing everyone's talents. This Talent Management initiative has been formally adopted within the Career Journey team. In 2022 the airline hired a talent expert in the Career Journey team who, together with 70 Transavia Netherlands employees, built a vision and the action plan steps towards realizing this vision, aimed at a roll-out in the next two years.

Air France – KLM numbers a large proportion of senior employees and is developing dedicated initiatives related to skills development and career opportunities. The new 2023-2024 PACTE agreement signed in July 2022 will come into force on January 1, 2023. It includes special arrangements for seniors' employment, learning, skills development, health and retirement planning.

As with many organizations in the Netherlands, KLM has an ageing working population. To better understand and enable this population to remain fit for the future, a multidisciplinary team has used design thinking to research the needs of this target population and has built answers with both low-hanging fruit and longer-term solutions.

Reinforced steering of mobility

In 2022, the Air France-KLM Group reaffirmed its commitment to promoting skills-based mobility. The Group identified the connection of people, skills and opportunities as a key factor in success and a contributor to talent management and sustainable employability.

Throughout 2022, the steering process for transverse mobility between the different Group companies, deployed in December 2020, was activated to enable the more effective matching of requirements and resources, and to foster the development of human capital.

During 2022, KLM adjusted rapidly to the numerous internal and external labor market changes, and continued to build a strong employer brand. The Company further optimized the candidate journey, updated its communication and simplified the application process removing the requirement for a letter of motivation. Due to its agile team structure, KLM was rapidly able to adapt to the sudden change in internal mobility forecasts. As of the end of 2021, KLM was already preparing for the roll-out of a series of external recruitment campaigns that were launched during 2022, specifically in the technical and IT functions.

As a pilot for the E&M population, the initiative "At the helm of your own development" encourages employees to build a match between their experience and ambition, making optimal use of their talents. In May and June 2022, the Company successfully organized workshops for operational staff and managers along with individual career coaching involving approximately 80 employees. This pilot confirmed that operational staff need strong support for mobility, in addition to the online mobility platform; this can be provided by their managers and supplemented with career coaching. Based on this trial, KLM continued to develop and offer workshops for both employees and managers and is expanding its pool of career coaches.

To attract applicants for logistics and limit heavy work to a limited period of time, KLM Ground Services is now offering a new five-year contract with a development program for operational staff. Employees are recruited for a limited period as a member of Team Member Operations (TMO) with a development program which includes a path towards a logistics diploma and career guidance. Employees will switch work location (baggage handling/ platform) after 18 months and, after five years, they will leave the role of TMO. The promotion of the new contract format at company open door events and job fairs has resulted in the arrival of new employees who started in TMO in October 2022, with a training program planned from January 2023.

The Management Traineeships were adapted, enabling young top talents to find their way within the organization and use their skills to contribute to creating a more innovative, sustainable, people-orientated and efficient organization.

Air France established the Mobility Steering Committee to address the challenges of matching needs and resources linked to activity reorganization. The aim was to monitor staffing levels and skill sets, to bring visibility to applications from employees whose positions have been made redundant and to focus on the need for external recruitment to fill the gaps for rare or specific skills. The Mobility Steering Committee also promotes the retention and development of talents, bringing agility to both selection and development.

In 2022, in response to the significant number of new recruits, Air France set up and pro-actively implemented a dedicated onboarding process for new positions.

Internal coaching and mentoring continue to be offered at the different levels of the Company

The Air France-KLM Group promotes all kinds of positive and constructive feedback, seeing this as an important dimension in development and also contributing to a healthy working environment: on-the-spot and timely feedback, individual conversations, 360° and other forms of feedback are all encouraged throughout the Group, supplemented by internal or external coaching and mentoring.

The offer of peer-to-peer co-development sessions for managers has been relaunched within Air France. Specific training aiming at developing managers in using feedback and coaching their teams have been developed and training courses have been rolled out.

Diagnostic tools such as 360° feedback saw a wider roll-out in 2022 and individual mentoring and coaching continued to be deployed. Mentors are matched carefully based on their expertise to the specific learning/mentoring needs of the mentees as expressed in the various programs. In 2022 the design of a Mentor marketplace through our Talent system (SAP SuccessFactors) was completed and should be rolled out in 2023.

In 2022, Transavia Netherlands improved and expanded its team coaching product. With a team of more than a dozen internal coaches based on the roles it supported 40 teams with behavioral coaching and some fifty individuals within these teams with additional individual coaching. The airline also piloted its first team coaching product that combined behavioral and functional coaching (way of working) and a first multi-cultural team coaching workshop.

4.2.4 Diversity, equity and inclusion

충 Context and strategy

As a signatory of the United Nations Global Compact, Air France-KLM is committed to respecting the universal principles relating to the respect of Human Rights.

In the Air France - KLM Principles, the Group affirms its commitment to fostering a climate of trust and mutual respect in a working environment where no form of discrimination, micro-aggression or harassment is tolerated. Various initiatives have been implemented in the airlines to support this commitment.

Air France-KLM strongly believes that a diverse and inclusive workforce has a positive impact on the performance of the organization and thus continues to support all forms of action to encourage equal opportunity, equity between men and women, LGBTIQ+ and under-represented minority networks, the vocational integration of young people, the transmission of knowledge and skills, and the maintained employment and recruitment of persons with disabilities.

The decrease in the intensity of the global pandemic, with its far-reaching societal and economic implications, presents both opportunities for and challenges to promoting Diversity & Inclusion within the workplace. Prior to Covid-19, the business imperatives for Diversity & Inclusion (D&I) had become increasingly clear with, as a consequence, an increased management commitment and efforts directed at reinforcing D&I. As part of its restructuring, Diversity & Inclusion remains a key priority in the transformation of the Group, of the teams, and of every individual.

In September 2021, the Group launched an internal assessment to understand its current D&I departure point and its transversal mindset going forward to emerge stronger from the crisis. The goal was to further improve and encourage an inclusive culture and leadership, improve our approach to combating all forms of discrimination and inequality, make our progress more measurable based on relevant data, insights and good practices, and prioritize decentralized activation based on specific needs, with clear objectives and initiatives. In November 2021, a D&I survey was sent to all employees within the Group and the strong response rate testified to their keen interest in the topic. The objective of the survey was to develop deeper insights into multiple aspects, like representation, inclusion and equity.

The Group's priorities are based on stakeholder needs, improvement points and external good practices, and they mainly touch on the dimensions of leadership, culture and measurement. The results were analyzed in early 2022, providing deep insights into employee perception on D&I; they now form recognized elements for our baseline. To anchor diversity and inclusion in the day-to-day lives of our employees and teams within the Company, we have worked on the raising of awareness around the topic, the sharing of our ambition and the deep understanding of our starting point, as a first step in our multi-year plan.

Measures and performance

Air France-KLM has set itself a long-term objective of reaching parity between men and women within the Group Executive Committee and within the top 10% highest levels of management.

In addition, in parallel with the French entities achieving their diversity targets in accordance with the deadlines set by the French law, medium-term targets of a minimum of 40% women within the Group Executive Committee and 40% of the top 10% management level positions to be held by women by 2030 have also been set by the Board of Directors. Concretely, in the event of the recruitment and/or appointment of new members and candidates with equal skills, expertise and management qualities, preference is given to female candidates. An action plan has been deployed with a stronger focus on the careers and promotion of female profiles at all levels of management. In 2022, 31% of the members of the Group Executive Committee were women.

In 2022, the proportion of women in managerial positions continued to increase for all categories of staff:

Repartition of women/men in managerial positions

Pursers (Cabin crew)		65.1%	34.9%
Flight Captains (Pilots)	5.9%		94.1%
Ground Staff (10% of highest management level)	35.4%		64.6%

More diverse and inclusive organizations are known to attract more talent and be more customer driven, have higher levels of employee engagement, take better decisions and be more innovative and creative. All these factors are key to the shared ambition established by the two airlines in terms of equal opportunity and combating all forms of bias and discrimination.

In 2022, Air-France KLM started work on building its D&I governance, with the appointment of a Group D&I Officer. The Group is supported by a solid structure in the airlines: KLM has a D&I Circle responsible for defining the strategy in the Netherlands and safeguarding overall quality and execution of the roadmap. An independent D&I Ecosystem has been established, with representatives from the different businesses supporting the execution and translating the D&I needs into local goals and actions. Air France is supported by a centralized D&I team which defines the direction, launches actions and interacts closely with all management levels to embody the change and make it tangible in all areas of the Company. Improvement in Diversity & Inclusion is a journey during which we pay constant attention to the way our employees experience this cultural transformation. The evolution of their perception about their own inclusion within their teams will guide us on the path. As a result of our first D&I survey, 76% agreed with the statement "I feel welcome and included within my teams".

Commitment and actions recognized by employees

The Group's commitment and actions are recognized by employees, with Air France having retained a Glassdoor score of 4.1/5 and having being recommended by them for its diversity and inclusion policy, and its culture and values.

KLM has been a member of Workplace Pride for eleven years and obtained "Ambassador" status in the Global Benchmark in 2022: the Company is officially considered to be a frontrunner in LGBTIQ+ diversity and inclusion.

Air France remains very attractive to young people having been ranked third at the Palmares ranking of the best places to work for students and young graduates (source: L'Etudiant magazine).

Raising awareness of Diversity & Inclusion

We have identified knowledge and understanding of our Diversity & Inclusion ambition as a key starting point for our D&I journey. The entities have managed this participation in different ways in accordance with their countries and cultures.

In November 2022, Air France organized the Diversity & Inclusion Month, during which webinars, forums, training courses and challenges reiterated the Company's D&I ambitions and explained its concrete actions. Employees were able to participate in interactive and experiential workshops and the new inclusive manager's guide was distributed and widely advertised.

At KLM, the D&I Learning and Development initiatives support the achievement of inclusive thinking and doing, throughout the organization, touching recruiters (unconscious bias and the ways to remove structural barriers and systematic bias), leaders (organizational sensitivity and micro-aggression, inclusivity and unconscious bias, courageous conversations with (female) leaders), all staff (introduction of personal assessment on inclusive thinking and doing based on a scientific approach by the University of Leiden). All employees are offered a D&I budget for education and development. They are free to choose how they allocate this grant and can opt to be trained *via* the KLM portal MyLearning/Goodhabitz, to buy days off or to pay out the remaining balance.

Promoting gender equality

Improving gender equality is key in the Diversity & Inclusion journey as it helps support a widespread cultural change; this improvement goal is promoted and activated throughout all our entities and at various levels. The "Talent to the Top" Charter, signed by KLM's President & CEO in March 2019, contains guidelines and clear agreements that help KLM to purposefully work towards durable and effective results, with progress monitored around defined criteria and an inter-company Cross-Mentoring program for women.

At the beginning of 2022, the Gender Balance Act came into force in the Netherlands and the Dutch Social Economic Council (SER) now monitors compliance. This Gender Balance Act provides strict guidelines for:

- > a quota of at least one-third male and one-third female members on the Supervisory Boards of Dutch listed companies. This is not applicable to KLM however since the Company had decided to voluntarily comply with the Dutch Corporate Governance Code;
- > a self-determined target and reporting obligation for "large" entities, applicable to KLM. An appropriate and ambitious target to promote gender diversity on KLM's Board of Managing Directors and Supervisory Board as well as for the Executive Team has been set. Each year KLM must report on the implementation and progress to the SER. In addition, this report will also form part of KLM's annual report.

For Air France, professional and wage equality between men and women is a major priority in which the Company would like to make further progress in terms of human resource management. This undertaking was reflected in the signature, in January 2022, of a sixth three-year agreement with the unions on Professional Gender Equality. It aims to accelerate economic and professional equality over the next three years and now includes new measures that represent significant progress for professional equality and the fight against sexism; it contains quantified targets for the proportion of women in management roles and management committees.

To ensure equal treatment between men and women, male-female comparative indicators are tracked annually within each division of the Company (training, careers, vocational safety, remuneration, etc.). Special wage equalization and equitable salary management measures are in place, together with an annual review of male and female comparative remuneration.

To encourage women to access the highest management positions, coaching and mentoring initiatives are in place to promote their career progression. In 2022, 40 participants benefited from the "*Femmes de Talent*" coaching program. The female leaders who completed the Female Leadership Program (FLP) in 2019-2021 now share their learning and experience with other aspiring female employees through a Female Leadership Workshop which has already benefited approximately 80 colleagues.

Promotion of the aeronautics and airline industry professions

The Air France-KLM Group airlines are active in promoting airline vocations for women:

- > Air France is member of the "Elles Bougent" external network, whose female business mentors encourage young girls to join the engineering and technical professions. In 2022, 60 female pupils from middle schools participated in the smart city and industry week organized by "Elles Bougent", thereby benefiting from insights into maintenance, flight operations and IT career choices. In the Netherlands, Engine Services participated in a Girls' Day on April 7 to inspire young girls to choose a technical future. Air France is a partner of "Air Emploi" and supports the "Féminisons les Métiers de l'Aéronautique";
- > on the occasion of the International Women's Rights Day in 2022, Air France organized a 100% female commercial flight to Cayenne, whose crew was 100% women. On arrival, the station team was also 100% women;
- in March 2022, Air France signed a Charter of commitment with other companies in the aviation and aeronautics sector "Féminisons les métiers de l'aéronautique et du spatial". A special competition with female students was organized with the aim of raising awareness of aeronautics and space industry career opportunities and promoting access for young female students.

Prevention of sexism and harassment

The Group has zero tolerance policy with respect to any form of discrimination and inequitable treatment. Bullying, harassment, and any other harmful behavior which stems from discrimination has no place within our Group and our corporate culture. We have zero tolerance for any form of harassment, whether of a sexual, verbal, physical, or psychological nature. We are committed to increasing the awareness of protection and improving our prevention measures. In 2022 we intensified our awareness raising and actions to prevent sexism and sexual harassment.

The "Sexisme, pas notre genre" anti-sexism videohad been launched at the International Day for the Elimination of Violence Against Women in 2017. With the hashtag #Osonsledire, employees could share on the social network the sexist remarks they had witnessed in the workplace. As an extension of this operation, a second initiative dubbed "#Osonslefaire" was launched in the Yammer group. This initiative aims to identify internal solutions to combating sexism in the workplace.

In November 2022, a booklet on "Preventing and Acting against Violence and Sexual and Moral Harassment at Work" was rolled-out after the zero-tolerance principle was reaffirmed by the Air France Executive Committee. Because violence against women in the private sphere also has an impact on professional life (stress, absenteeism, isolation, etc.), Air France is committed to preventing, helping to understand and providing assistance to victims of domestic violence. In 2022, Air France joined the "One in 3 Women" network, the first European network of companies committed to combating violence against women.

During a round-table event focused on "undesirable behavior" – harassment (sexual), intimidation, bullying, discrimination and micro-aggression – awareness is raised and employees are helped to understand what undesirable behavior is, how to stop this happening and where to go for help.

Equal opportunities within the Group: persons with disabilities

Throughout the Covid-19 public health crisis and despite a challenging economic situation, the Air France-KLM Group has reaffirmed its commitment to welcoming persons with disabilities.

The 2021-23 Disability Agreement was signed in January 2021. Through this eleventh agreement, Air France reaffirms its desire to pursue an ambitious policy by maintaining the recruitment of people with disabilities, by pursuing actions on their employability, training and professional support *via*, in particular, coaching and co-development. Changes were also related to adapting workstations at home to encourage home working, suitable career support, the implementation of measures in favor of family carers and, more particularly, employees who are parents of children with disabilities.

For the fourth year running, Air France took part in the DuoDay (30 Duos at Air France) and organized remote internships for school children with disabilities. During the European Week for the Employment of People with Disabilities, many awareness-raising initiatives were organized, for instance mental disability awareness sessions and webinars for employees who are parents of children with disabilities.

In 2022, the hiring of employees with disabilities was maintained, along with dedicated actions towards the retention of people with disabilities. The airline strongly supports suppliers who employ people with disabilities. Thus, about forty external organizations have signed agreements with Air France, to cover activities such as the laundering of blankets or bolting in aircraft maintenance.

At KLM, pursuant to Dutch Law, all employees have equal rights in the workplace. Differentiating between employees on the basis of disability or chronic disease is not permitted. Adjustment of tasks or the work environment to assist a person with a disability to perform the job in question are considered. It is only when people with a disability or health condition are unable to fulfil the tasks necessary to do a job effectively that employers may refuse to hire them, especially if health or safety is a major issue.

Equal opportunities within the Group

The Air France – KLM Group has a long history of proud engagement with the LGBT+ community. In 2019, Air France's Chief Executive Officer, Anne Rigail, signed the association *L'Autre Cercle's* LGBT+ Commitment Charter.

With the signature of Workplace Pride's Declaration of Amsterdam in 2021 KLM committed to developing a working environment where openness and equality are fundamental, and where there is an explicit awareness of diversity, inclusion and the LGBTIQ+ community.

In 2022, KLM organized three all-LGBTIQ+ flights to New York, Barcelona and Paramaribo on the occasion of the International Day Against Homophobia, Biphobia, Intersexism and Transphobia, campaigning for LGBTIQ+ diversity and inclusion across the globe. KLM led a Pride "road show" involving colleagues discussing D&I at different KLM locations and engaging in external societal activities at a local home for the elderly. A transgender policy is now in place and is being enforced.

Our Employee Resources Groups play a key role in providing insight about under-represented population groups, increasing awareness and enhancing discussions. KLM expanded its internal Networks with the network Connecting Colors that was officially launched on March 21, 2022 – the International Day against Racism and Discrimination. The network focuses on contributing to a working environment that is free of racism and discrimination and acts worldwide to connect and share insights for colleagues with a bi-cultural ethnic background.

The Air France-KLM Group takes into consideration the diverse situations of employees in their personal lives. Air France has support initiatives in place to optimize the return to work after maternity or parental leave and to promote a serene resumption of activity combining their private and professional lives for employees who recently become parents (men and women).

Air France-KLM offers flexible working conditions to all employees whose positions enable this, subject to the service requirement. Thus, part-time employment is widespread within our entities (see the social indicators).

Adapted initiatives for young people

Youth diversity is reflected in the diversity of our initiatives, covering a wide spectrum of socio-economic backgrounds and educational levels. As part of a growing commitment to the territories in which they exercise their activities, the airlines have stepped up their support for educational actions in line with the airline industry.

Air France cooperates with the Association for Training in Aviation Professions (AFMAE) and works with local organizations and French job centers (*Pôle Emploi*) to identify profiles who could benefit from educational actions linked to the airline industry.

A collaboration between JEREMY and Air France's Maintenance division, AFMAE and Grand Paris Seine Bièvre has been successful and offers a pre-training program to unemployed young people, enabling them to be prepared for the AFMAE selections and to integrate a two-year or three-year apprenticeship. In 2022, 19 young people benefited from this program and Air France welcomed 12 of them on apprenticeship contracts. In 2022, around 9% of the apprentices in Air France came from disadvantaged socio-economic backgrounds (*Quartiers Prioritaires de la Ville*).

In 2022, Air France partnered with the local associations "Article 1" and "*Nos Quartiers Ont du Talent*" to sponsor secondary school students and young graduates from disadvantaged socio-economic backgrounds and to help them succeed in their studies or in their professional integration. In line with its commitment to helping local young people find employment, Air France has voluntarily signed the governmental PAQTE programs agreement, "La France, Une Chance, Les Entreprise S'ententent" and "1student, 1 solution". In parallel, Air France in partnership with the association *"Tous en Stage"* continues to regularly welcome students in year three of secondary school for an internship lasting a few days.

Air France supports its interns nearing the end of their contracts in partnership with Sodesi. Workshops on job-seeking techniques, building self-confidence and starting a business are thus proposed to interns. A dedicated website enabling them to access numerous job offers, training and internships but also training content is made available to them.

In 2022, KLM worked on developing a new Management Trainee program to be implemented in 2023. KLM's Management Traineeship is the fast lane to KLM leadership, aimed at the rapid development of recent Bachelor and Master graduates into leadership roles. The two-year program is a combination of "on the job" learning in four different assignments each lasting six months and learning from and with each other. Every Friday the trainees are fully dedicated to personal and professional development with topics such as self-reflection, strengths, resilience, D&I and energy management.

4.2.5 Health, Safety and Quality of Life in the Workplace

충 Context and strategy

For the Air France-KLM Group, health, safety and quality of life in the workplace is a major priority on which there may be no compromise. Everyone working for or with the Air France-KLM Group has the right to a healthy and safe working environment that takes into account their physical and mental well-being.

The public health crisis had major human consequences for every one of us and thus for the Group's employees. Remote working, partial activity, and also and especially the Job Protection and Voluntary Departure Plan formalized in 2020, had human repercussions that the Company supported with care.

In 2022, the global inflationary economic environment and the steep ramp-up in activity against the backdrop of a tight labor market put the airline sector's workforce under pressure; Air France-KLM needs to foresee and support its employees in this new context.

Measures and performance

On an annual basis, the Air France-KLM Group measures and reports the indicators related to health and safety at work: absenteeism, number of workplace accidents, frequency rate and severity rate of workplace accidents (see sections 4.2.6.2 and 4.2.6.3).

The Health, Safety and Quality of Life at Work Department within the Human Resources division of Air France is responsible for steering and coordinating the health, safety and quality of life at work networks. This department has representatives in all of the Company's business lines, enabling coordinated deployment of the policy, actions and objectives. Accident analysis is used to adjust the policy and actions designed to protect the health and safety of individuals. The monitoring of indicators ensures that the initiatives are continuously adapted.

Within both Transavia Netherlands and KLM, safety and compliance are achieved *via* a continuous system of processes and procedures known as the Integrated Safety Management System (ISMS). The ISMS guarantees the safety performance of all processes, in all domains, through the effective management of safety risks. Safety and compliance are continuously improved *via* collaboration between the tasks and responsibilities of the Integrated Safety Services Organization (ISSO) and the divisions/business units. The ISMS identifies hazards, threats and safety issues, collects and analyses data, assesses safety risks, implements mitigations and monitors the results. The ISMS supports the mitigation of risks in order to keep accident and incident rates below an "acceptable level" and to further improve the occupational experts continues to support the

line management and their departments in the implementation of KLM's Occupational Safety and Health policies and the mitigation of the occupational safety and health risks. In 2022, we had two fatal accidents respectively due to a heart attack for a remote worker, and a case of malaria for a crew member.

Permanent adaptation and application of the health measures

In line with the previous years, the focus in 2022 remained on managing the consequences and impact of the Covid-19 pandemic, and adapting and continuing the risk prevention measures for the Group's operations.

These measures consisted of implementing procedures to protect employees from the risk of the pandemic in line with the recommendations from the public health authorities and the national protocol in response to the unfolding public health crisis. The deployment of these measures was accompanied by the reinforcement of the intelligence teams and the monitoring of the cases and contacts by the occupational medicine teams, a statistical focus on the declarations and the permanent availability of occupational experts to approve the prevention measures.

During 2022, the focus was on the return to normal operations within the boundaries of safety and compliance with the worldwide Covid-19 regulations. Within the framework of the risk inventory and evaluation, further in-depth studies were conducted in the areas of physical load, work equipment and psychosocial workloads. External authorities and companies such as Baines Simmons IATA and DSS+ performed assessments in both the operational and occupational domains, further strengthening the Safety Culture within the Company.

Reinforced prevention of psycho-social risks

Listening, counselling, supporting

At Air France, a network of committed players made up of doctors, psychiatrists, nurses, social workers, prevention officers and Health, Safety and Quality of Life in the Workplace advisors support employees and care for their well-being and health in the workplace in all entities of the Company including:

- > since 2021, for staff facing personal or professional difficulties, Air France has offered a completely anonymous and confidential psychological support and advice program with a 24/7 number. A digital platform is also available on computer, tablet and cell phone for rapid contact with a psychologist or access to psychological health information;
- the association Amitié Entraide d'Air France (AEAF) helps employees in difficult situations due to addiction (alcohol or other drugs);

> a listening device dedicated to pilots and cabin crew was implemented in 2021: the Critical Incident Response Program facilitates the return to nominal functioning of people who have experienced critical incidents as part of their mission. A dedicated program relying on peer support with specifically-trained employees is available for aircrew experiencing professional fragility.

At KLM, a procedure for complaints about inappropriate behavior is in place with a pool of skilled confidential advisors and a Complaints Committee. They provide employees with independent consultation, advice on how to deal with inappropriate behavior and support in filing reports or complaints.

A range of training options is available, from workshops for team development to interventions when serious issues arise in the teams. The management can also bring in external expertise or request mediation.

Experts in the Corporate Social Work department (Gimd) remain available for all forms of mental support.

Prevention

In addition to the listening and counselling initiatives mentioned above, the Company continually adapts and enriches its preventive actions.

In the Netherlands, as with the D&I survey results, the attention paid to social security in the workplace by the Netherlands Labour Authority and the increased awareness of inappropriate behavior within Dutch society has led to a review of the reporting policy, processes, existing mitigating measures and interventions. A policy, training program and communication on inappropriate behavior have been rolled out and are available for employees and managers.

Continuous company-wide execution of Safety Issue Risk Analyses on the virus and the monitoring/introduction of new regulations, procedures and methodologies have ensured the appropriate measures and mitigations are in place to maintain safety. To guarantee the safety of all employees, the Covid-19 regulations have constantly been adapted and wherever possible improved with more rules added following safety studies and risk analysis.

The mental health of employees working under increased pressure and/or from home is monitored *via* surveys. Initiatives to safeguard social coherence are also carried out throughout the Company:

> psycho-social Risks Observatory: every month a sample of 1,000 employees is polled to assess the level of stress, depression and anxiety of staff. This observatory is managed by occupational medicine and the survey results are shared with the Central Health Committee (CSSCT) and can lead to the implementation of specific action plans;

- a Learning Channel was launched in the summer of 2022, with an extensive library of digital training content which encourages everyone to be a player in Health, Safety and Quality of Life at the Workplace;
- to raise still further the professional standards of the Health, Safety and Quality of Life in the Workplace representatives and Human Resources players, a training module has been made available giving guidance on how to conduct investigations in the domain of discrimination and harassment.

At KLM, tackling inappropriate behavior was a focus in 2022 and is now an integral part of leadership training and team workshops at divisional level:

- > this topic is continuously addressed on various media, through meet and talk events with employees or in the presence of confidential advisors, and via a movie in the briefing rooms of in-flight and flight operations;
- KLM's Code of Conduct and policy for psychosocial occupational safety have both been updated setting the appropriate standards for professional behavior.

Due to the many voluntary and compulsory departures linked to the crisis, followed by a ramp-up of activity within a tight labor market, workload management and stress were important themes in 2022. KLM offered various interventions, webinars and workshops to support its employees in stress management. As in previous years, KLM participated in the *Week van de Werkstress*, or Stress in the Workplace Week, whose theme this year was "Mentally Strong!". A video training module is available on how to prevent too much pressure, at home or at work, leading to stress.

Staying both physically and mentally fit has been particularly important during the pandemic and periods of lockdown or quarantine and remains key to managing workload appropriately. To highlight good practices and encourage employees to take this question seriously, the airlines have deployed various initiatives, such as:

- > on-the-spot physiotherapy;
- physically strong: various interventions to stay/become physically strong such as Urban Trails and Hello Fit (online exercises on the MyHealth portal);
- care and preventive measures with webinars on various topics like sleep, losing weight and menopausal complaints;
- > on the topic of stress, the Center of Expertise Health has hosted a webinar to provide basic information while workshops offer additional information and learning practice on topics like "Master your work-stress!" and the "Early recognition of mental complaints among employees";

- My Vitality Check: Since good health is key to enjoying work and optimal performance, after a series of pilot programs, employees can now participate in a personal vitality survey: "My Vitality Check" gives them insight into their health and vitality, and the factors that influence this. They also have an opportunity without obligation to discuss their results with vitality coaches. KLM collates information at group level (groups of at least 30 people) to be able to work on the most important points so as to be able to improve the employer proposition;
- > a smoke-free workplace: KLM has been totally smoke-free since January 1, 2022. From this date, all the smoking areas have been closed and smoking is no longer allowed in KLM buildings and premises, whether indoors or outdoors. The KLM Works Council (*Ondernemingsraad*) also voted in favor of this new policy. Naturally, KLM supports staff who wish to cease smoking and special guidance, individually or in groups, is available free of charge. Information sessions for smokers were also arranged;
- > to ensure that the hybrid way of working (combining working from home and in the office) is sustainable and positive for all the parties, KLM has developed a digital guide that includes a team chart addressing the relevant team collaboration topics. The mental health of employees working under increased pressure and/or from home is monitored via surveys;
- Transavia Netherlands Ground Staff have been awarded an individual annual budget to spend on a personal health portal and on various interventions to support their health, career and personal development. The portal is currently

being upgraded and there are plans to also give Transavia Netherlands Cabin Crew employees access, with a health budget aligned with that of the Ground Staff.

In 2021 Transavia Netherlands started looking into whether a hybrid way of working could be introduced. Different hybrid working methods were tested during a three-month pilot among 40% of the office-based workforce, enabling the Company to introduce a hybrid working method in early 2022, to which office staff gave a score of eight in the Employee Experience survey.

In 2022, Transavia France introduced the hybrid 2-3-2 working method in the office organization for all colleagues who do not work in operational positions or rosters and who, based on the requirements of their positions, (also) work from home. To ensure the health and safety of its home workers Transavia has developed a number of interventions: employees can take office supplies and furniture such as a desk, chair or keyboard from the office to use at home; a mandatory online course explains how to work from home in a healthy and safe way.

Within the Group, there are many and varied initiatives to promote physical activity and/or sports. In France, the organization and promotion of sports activities and the use of sports facilities and halls are carried out by the CSE (Social and Economic Committees) and are implemented in conjunction with the ASAF (*Amicale Sportive d'Air France*). KLM promotes sports *via* traditional communication channels (e.g. *NewsApp*, My Health) and also organizes sports events for its employees; for example a bootcamp on the King's Day, a soccer tournament for Flight Operations teams or the 5th KLM Urban Trail in Utrecht.

Flexibility at work

Within the Group, we fully support employees by adapting their working hours and schedule to their personal needs, with a diversified and constantly evolving offer of flexible work arrangements:

- > annual leave: In addition to the statutory entitlement, KLM grants employees an extra week of annual leave and Air France between three and five additional days depending on seniority, on a yearly basis. Furthermore, in the Netherlands, employees are provided with a Sustainable Employability budget enabling them to choose to receive a maximum of five extra days of annual leave. Three times a year employees can use their annual bonus to purchase an additional maximum of 20 days in the event that the balance of their annual leave doesn't suffice in that calendar year. In France between five and ten additional days are granted depending on the weekly work duration, and the annual bonus (one month of salary for workers) can be transformed into days of leave;
- > parental leave: Air France and KLM employees benefit from parental leave in accordance with the applicable laws and local regulations. In particular, in France, the father is granted up to 25 days of paternity leave or 32 days in the event of multiple births and Air France pays a salary supplement to

the daily social security allowances over this period. In the event that the parents are two fathers, Air France grants paternity leave despite this not being required by law. Women benefit from paid hours of leave for breastfeeding during the child's first year and crew members can opt for schedule arrangements or temporary ground assignments.

Within Air France, most employees who work part-time are between 30 and 45 years old, probably related to parenthood. At the end of December 2022, the proportion of employees who had chosen to work part-time stood at 18% at Air France and 42% at KLM.

Flexibility; At KLM, employees can request a temporary or structural adjustment to their contractual working hours. Within ten years of their retirement date these adjustments are financially supported so as to allow, for example, employees to reduce their contractual hours to 80% while still accruing a full (100%) pension entitlements. Employees can also opt for an alternative arrangement where in the number of working hours remains unchanged but a reduction or even exemption from night shifts is requested. At Air France, employees can retire one year ahead of their legal retirement date and receive 70% of their gross salary during this year.

Social indicators for the Group 4.2.6

4.2.6.1 Consolidated social data for the Air France-KLM Group

		Air France-KLM Group		
	2021	2022	22/21 (in %)	
Total staff (Full Time Equivalent) at 12/31	71,469	73,303	2.6%	
Scope of Social reporting	98%	98%	stable	
Total staff (headcount, permanent and fixed-term contracts)(1)	76,803	78,950	2.8%	
Ground staff	44,810	45,325	1.1%	
Cabin crew	23,455	24,789	5.7%	
Flight Deck Crew	8,545	8,836	3.4%	
Staff under permanent contract at 31/12	74,664	74,049	-0.8%	
Recruitment under permanent contract at 12/31(2)	1,825	4,140	x 2	
Recruitment under fixed – term contract at 12/31	2,140	6,628	x 3	
Departures at 12/31	10,215	9,689	-5.1%	
of which redundancies (incl. economic)	568	213	-62.5%	
of which voluntary departures	1,872	2,503	33.7%	
Number of interns	n/a	799	n/a	
Number of apprentices	n/a	2,021	n/a	
Number of young people under Young Talent programs	n/a	286	n/a	
Percentage of women at 12/31	45.0%	45.8%	+0,8 pt	
Percentage of part - time employees at 12/31	26.3%	26.3%	stable	
Breakdown of staff by age at 12/31 ≤ 29 years	6,728	8,687	29.1%	
Between 30 and 39 years inclusive	13,201	13,322	0.9%	
Between 40 and 49 years inclusive	27,052	25,194	-6.9%	
50 Years and above	29,822	31,747	6.5%	
Breakdown of staff by geographical area at 12/31 Europe (except France and the Netherlands)	2,241	2,294	2.4%	
North & South America	1,552	1,684	8.5%	
Caribbean/Indian Ocean (including French overseas territories)	971	1,057	8.9%	
Asia/Pacific	1,328	1,354	2.0%	
Africa/Middle East	907	867	-4.4%	
The Netherlands	26,664	28,543	7.0%	
Continental France	43,151	43,151	stable	
Training Number of training hours by employee	31.3	41.8	+10.5 pts	

(a) Air France Group: Air France and Air France subsidiaries. Air France subsidiaries: Barfield, Blue Connect, Bluelink, Bluelink International CZ, CRMA, Hop!, Sodexi and Transavia France.
(b) KLM Group: KLM and KLM subsidiaries. KLM subsidiaries: Cygnific, KLM UK Engineering, KLM Cityhopper B.V., Transavia Pays-Bas, KLM Catering Services Schiphol B.V. and Int. Airline Services.
(1) (2) (3) (4) (5): See Note on the Methodology.

KL Group ^(b)				France Group ^(a)	Air		
of which KLM		KL Group		nich Air France	of w	r France Group	Ai
2022	2021	2022	2021	2022	2021	2022	2021
21,120	19,975	28,202	26,276	38,335	38,918	45,102	45,194
100%	100%	98%	97%	100%	100%	99%	99%
25,789	24,458	31,643	29,611	40,541	40,840	47,307	47,192
13,948	13,531	17,248	16,612	24,248	24,563	28,077	28,198
8,722	7,864	10,643	9,327	12,405	12,565	14,146	14,128
3,119	3,063	3,752	3,679	3,888	3,712	5,084	4,866
23,892	23,977	28,534	28,438	39,579	40,327	45,515	46,226
568	229	1,386	733	1,238	416	2,754	1,092
1,824	194	3,374	528	1,390	363	3,254	1,612
1,107	1,650	2,516	2,581	4,190	5,689	7,173	7,634
29	44	63	82	91	71	150	486
725	550	1,483	1,196	564	341	1,020	676
	n/a	10	n/a	700	n/a	789	n/a
734	n/a	827	n/a	1,099	n/a	1,194	n/a
31	n/a	37	n/a	247	n/a	249	n/a
44.4%	43.3%	46.1%	44.7%	46.1%	46.0%	45.6%	45.2%
41.8%	43.9%	41.0%	44.7%	18.2%	17.4%	16.5%	16.9%
2.261	1.000	4 15 4	2.071	7.055	2640	4 5 7 7	7 707
2,261	4,729	4,154	2,931	3,055	2,640	4,533	3,797 7.150
6,463	6,725	7,489	7,787	15,857	17,240	17,705	19,265
12,058	11,402	13,596	12,842	16,556	17,240	18,151	16,980
12,030	11,402	13,390	12,042	10,550	13,332	10,131	10,500
860	827	1,243	1,216	738	777	1,051	1,025
396	338	397	339	853	801	1,287	1,213
45	40	45	40	581	592	1,012	931
451	460	1,007	967	336	341	347	361
393	393	393	393	448	493	474	514
23,601	22,359	28,515	26,626	21	28	28	38
43	41	43	41	37,564	37,808	43,108	43,110
52.5	39.9	54.0	38.6	31.2	24.2	33.6	26.7

4.2.6.2 Other social data for the Air France Group (according to local legislation)

Air France (100% of the staff headcount, registered at the end of the calendar year

		Air Fran			
	2021	2022	21/22		
Absenteeism ⁽¹⁾					
Absenteeism due to illness	3.20	4.64	45.0%		
Absenteeism due to work accidents	0.38	0.64	68.4%		
Health and safety					
Total workplace accidents ⁽²⁾	1,218	2,237	83.7%		
Number of fatal workplace accidents	1	2	× 2		
Frequency rate for workplace accidents ⁽³⁾	23.46	33.69	+10.23 pts		
Severity rate of workplace accidents ⁽³⁾	0.89	1.00	+0.11 pts		
Disabled staff					
Total staff with disabilities	1,999	1,924	-3.7%		
Total staff with disabilities recruited during year	9	30	x 3		
Yearly spending in the sheltered sector (millions euros)	8	14	68.8%		
Signed collective agreements	102	92	-9.8%		

(1) (2) (3) (4): See Note on the Methodology. n/a: not available.

4.2.6.3 Other data for the KLM Group (according to local legislation)

KLM (100% of the staff headcount, registered at the end of the calendar year

			KLM Group ^(b)
	2021	2022	20-21%
Absenteeism ⁽¹⁾			
Absenteeism due to illness	6.61	9.23	+2.62 pts
Absenteeism due to work accidents	0.12	0.17	+0.05 pts
Health and safety			
Total workplace accidents ⁽²⁾	165	173	4.8%
Number of fatal workplace accidents	_	_	stable
Frequency rate for workplace accidents ⁽³⁾	3.40	3.14	-0.26 pt
Severity rate of workplace accidents ⁽³⁾	0.25	0.30	+0.05 pt
Disabled staff			
Total staff with disabilities	623	608	-2.4%
Total staff with disabilities recruited during year	n/a	n/a	n/a
Yearly spending in the sheltered sector (millions euros)	n/a	n/a	n/a
Signed collective agreements ⁽⁵⁾	3	5	66.7%

(1) (2) (3) (4) (5): See Note on the Methodology. n/a: not available.

4.2.6.4 Note on the methodology for the reporting of the social performance indicators

In 2005-06, under the aegis of the Air France-KLM Disclosure Committee, and validated by the college of Statutory Auditors, the social performance indicators were defined to comply with the requirements of the French New Economic Regulations law (*Les Nouvelles Régulations Economiques*, NRE, May 15, 2001) and the European Prospectus Directive Regulation (EC 809/2004).

Work on optimizing these indicators was undertaken in 2018 to align the Grenelle II reporting with the new requirements linked to the transposition of the Directive on the Extra-financial performance statement.

Since the 2007-08 financial year, the Group has chosen to appoint one of its Statutory Auditors, KPMG Audit, a department of KPMG SA, to be responsible for verifying a selection of its reported social indicators.

Since 2018 and in application of the provisions of Article L. 225-102-1 of the French Code of Commerce (*Code de Commerce*), it has been the responsibility of our Independent Third Party to determine the compliance of the Extra-financial performance statement and the accuracy of the published CSR information.

Reporting scope

The Air France-KLM Group's social reporting consolidation scope is based on the number of employees (expressed as headcount) on the payroll at the end of the calendar year.

The reporting scope covers 98% of the average employees in the Air France-KLM Group at the end of the 2022 calendar year, expressed in full-time equivalent.

The subsidiaries of Air France and KLM over which the Group exercises control at the 50% minimum, whose acquisition dates back at least one full year and which have at least 250 employees, are included in this social reporting scope.

Note that the number of employees for Air France and KLM and its subsidiaries comprises their entire workforce including staff employed internationally:

- > for the 2022 financial year, the Air France consolidated subsidiaries are: Barfield Inc., Blue Connect, BlueLink, BlueLink International CZ, CRMA, HOP, Sodexi and Transavia France, representing 93% of the employees of the subsidiaries in the Air France Group;
- > for the 2022 financial year, the KLM consolidated subsidiaries are: Cygnific, KLM UK Engineering, KLM Cityhopper, Transavia C.V., KLM Catering Services and Int. Airline Services, representing 86% of the employees in the subsidiaries of the KLM Group.

The reporting scope for the AF subsidiaries did not change relative to 2021, with no subsidiaries being either included or withdrawn.

The reporting scope for the KLM subsidiaries did not change relative to 2021, with no subsidiaries being either included or withdrawn.

The reference number of employees to calculate the coverage rate of the social reporting is the average number of employees in Full Time Equivalent during 2022, derived from the Management Control division's BFC tool.

The reporting period for the Group's social information is based on the calendar year to ensure consistency with the social performance indicators of other French companies.

Reporting tools

As last year, the social reporting has been carried out using the ONEmission tool from the editor Enablon implemented for the Air France-KLM Group. Consistency tests have been incorporated within this tool together with precise definitions of each indicator. The data are verified and approved locally at the level of each subsidiary by a manager who is responsible for the HR statistical data.

This tool is supplemented by overall coordination of the process and by a general reporting procedure which defines the process for compiling, calculating and consolidating the indicators, based on an instruction memorandum circulated by the Air France-KLM Group's Finance division.

The consolidation of the Air France-KLM Group's social information is carried out by Air France-KLM's Sustainability & Compliance department.

Details and methodology – Definition of the key performance indicators and comments on changes in the indicators

Definition of the key performance indicators

Employee Promoter Score (EPS)

Scope: Air France and KLM (employees on French or Dutch contracts).

The Employee Promoter Score (or EPS) is the score given to Air France, Transavia France and KLM in their capacity as employers by their employees. This indicator has been measured at Air France and KLM since July 2019, and at Transavia France since end of 2021, on a weekly basis, based on a random group of employees in the form of a question sent by mail: "How likely are you to recommend Air France-KLM as an employer to friends and family?", on a scale of 0 to 10. The EPS corresponds to the difference between the percentage of employee promoters (score of 8 to 10) of the employer brand and the percentage of detractors (scores 0 to 5).

The indicator measured is the annual change in the consolidated EPS for Air France-KLM.

Percentage of women in management functions (ground staff, pilots, cabin crews)

Scope: Air France and KLM employees (expressed as "headcount") on both permanent (CDI) and fixed-term (CDD) contracts, on the payroll as of December 31 of the reference year.

The indicator measured is the percentage of women in the three staff categories:

- > ground staff: percentage of women in the top 10% management level. The percentage of women is calculated by combining all the levels of management, classified in descending hierarchical order, until the threshold of 10% of the total salaried workforce of Air France and KLM is reached. For this last level of management, the entire workforce is taken into account;
- pilots: percentage of women amongst the pilots exercising management functions (Flight Captain);
- > cabin crews: percentage of women amongst the cabin crews exercising management functions (Pursers).

Number of training hours

See "Training" below - Note 5.

Comments on changes in the social indicators

In 2022, Air France-KLM reported three new indicators:

- number of trainees among Air France and KLM employees with a contract starting date in 2022;
- number of apprentices among Air France and KLM employees with a contract starting date in 2022;
- number of young people in the "Jeunes Talents" program: "Next Gen" program for Air France, "Management Trainee" program for KLM, among Air France and KLM employees on the payroll as of December 31.

No changes were made to the social indicators in 2022.

For the other social data dashboard (Absenteeism, Health and Safety, Disabled Staff and Collective Agreements Signed), the data of Air France and its subsidiaries have been aggregated. KLM and its subsidiaries' data have also been aggregated.

"Consolidated social data for the Air France-KLM Group" table

This table presents the indicators relating to the number of employees, hires and departures, the proportion of female employees and the percentage of staff working part time. These indicators are consolidated at the level of the Air France-KLM Group.

The following notes refer to the references in the social indicator tables (section 4.2.1).

Employees

Note 1: The number of people employed by the Group (expressed as headcount) on both permanent (CDI) and fixed-term contracts (CDD) on December 31 of the reference year.

Recruitment on permanent contracts

Note 2: The indicator concerns employees hired on permanent contracts (CDI).

For Air France, the calculation of the number of employees recruited on permanent contracts includes those initially recruited on fixed-term contracts (CDD) transferring to permanent contracts (CDI) during the year.

For KLM, only employees recruited directly on permanent contracts are taken into account.

Percentage of women - Organization of working time

Note 3: These indicators enable the percentage of women to be evaluated relative to the workforce and the proportion of part-time employees on both permanent and fixed-term contracts at December 31 of the reference year.

Employees by geographical zone at December 31

Note 4: In 2022, the Air France Group employees in the French Overseas Departments and Territories, i.e. 581 employees, have been included in the Caribbean-Indian Ocean geographical zone.

Training

Note 5: The "Number of training hours by employee" indicator is calculated based on all the training sessions, divided by the average monthly headcount. This indicator is presented at Air France-KLM Group consolidated level.

For KLM and the KLM subsidiaries, the hours of external training dispensed to KLM Group administrative employees and the hours of training given to employees of the Transavia Netherlands subsidiary (less than 10% of the Air France – KLM Group's headcount) are not included in the "Training Hours" indicator due to there being no information collation process in place. Measures will be taken to progressively expand the reporting scope of the indicator in the coming financial years. The subsidiaries regrouped under KLM International are managed independently locally and KLM Group only has access to e-learning training.

Note: the total number of training hours in 2022 for the KCS subsidiary was estimated on the basis of the total number of training hours reported in 2021. Due to a technical problem, the entity was unable to provide reliable data for the 2022 reporting exercise. For information, the KCS workforce represents 1% of the total workforce of the Air France-KLM Group.

"Other social data" tables

The indicators reported in the "Other social data" tables are subject to different qualification and legal reporting obligations in France and the Netherlands, meaning that they are not comparable and need to be presented separately for Air France and KLM. The subsidiaries concerned in these tables are listed in the reporting scope section above.

Absenteeism - Health and safety in the workplace (Note 1)

A significant portion of the work-related accidents reported by Air France is due to cases of barometric otitis and musculoskeletal disorders which are recognized as work-related accidents in France whereas they are recorded as sick leave by KLM in accordance with Dutch law.

All KLM absences are on a declarative basis due to the local legislation, which unlike in France, requires an evaluation of the employee by KLM Health Services only after six weeks of absence. For work-related absences, only absences following a work-related accident are easily detected.

Air France and Air France subsidiaries (Note 1)

The absenteeism rates are calculated based on the hours of absence expressed as a ratio of the hours theoretically worked (excluding leave). For Air France flight crews, absenteeism is broken down into days then converted into hours by multiplying by five hours.

The absenteeism rate for accidents in the workplace also takes into account travel-related accidents.

KLM and KLM subsidiaries (Note 1)

Since the 2014 financial year, the absenteeism rates due to work-related accidents or illness have been reported separately.

The absenteeism rates are calculated by expressing the number of calendar days of absence as a percentage of the calendar days theoretically worked. Absenteeism is tracked on the basis of figures declared by the KLM entities in the Netherlands.

Health and safety - work-related accidents (Note 2)

There are significant differences in the definition criteria for work-related accidents between France and the Netherlands (see also paragraph on absenteeism).

Air France and Air France subsidiaries together with KLM and KLM subsidiaries

The work-related accidents taken into account are work-related accidents involving time off work (at least one day of absence from work). Travel-related accidents are not included in the indicator but are the subject of specific monitoring and action plans.

Frequency and severity rates (Note 3)

The frequency and severity rates concern 93% of the Air France-KLM Group workforce.

Air France and Air France subsidiaries

The frequency and severity rates are calculated in calendar days:

- > for ground staff, based on the actual paid hours worked;
- > for flight crews, based on the hours of "commitment".

For Air France, the number of days of sick leave recorded for the year corresponds only to the accidents having taken place during the financial year. Part-time working for health reasons is booked as sick leave. The total period of sick leave is booked in the month of the accident. The 15 accidents in the workplace for the Air France International entity (local contracts) have not been included in the calculation of these indicators. The impact of this exclusion is not significant.

KLM and KLM subsidiaries

The frequency and severity rates are calculated for all staff based on the hours theoretically worked.

The days lost for work-related accidents are tracked based on figures declared by the KLM entities in the Netherlands.

Number of disabled employees (Note 4)

Air France and Air France subsidiaries

For Air France, the number of disabled employees refers to those who, based in Continental France and the French Overseas Departments and Territories, were present for at least one day during the year and for whom a valid certificate, pursuant to French law (Article L. 5212-2 of the French Labor Code), is available.

Note that the data for international employees are reported based on local legislation.

The number of disabled employees recruited corresponds to the number of permanent and fixed-term employment contracts signed during the year; an employee recruited on a fixed-term contract who then transfers to a permanent contract during the year will be reported twice.

KLM and KLM subsidiaries

The definition of a disabled person varies according to the local legislation governing the entities in the Netherlands and the United Kingdom.

For KLM and KLM's Dutch subsidiaries, an individual is deemed to be disabled if unable to carry out his or her work or any other work at an equivalent salary level. This requires the employer and the employee to look for another position with a salary as near as possible to the previous level and gives the employee the right to government benefits to compensate for any difference.

For KLM's UK subsidiaries, the reported number of employees with disabilities refers to the employees on the payroll at December 31, 2022, for whom a valid certificate, pursuant to national legislation, is available.

Number of collective agreements signed during the year (Note 5)

The number of agreements signed by the KLM Group in 2021 has been corrected from 20 to 3, to include only collective agreements (and not protocols).

ADDRESSING THE IMPACT ON THE 43 **ENVIRONMENT**

According to the International Energy Agency (IEA)⁽¹⁾, in 2021 air transportation produced a total of 720 million tons of CO_2 . The sector's emissions thus represent more than 2% of total global emissions and 10% of those originating from the transport sector. Approximately 80% of emissions come from flights over more than 1,500 km (medium and long-haul).

The sector's emissions increased by 40% between 2005 and 2019 due to strong traffic growth, despite a steady improvement in the energy efficiency of aircraft, engines and their operation. A significant reduction in emissions from air transportation is thus a matter of urgency. According to the IEA, the aviation sector is one the most challenging sectors of the global economy to decarbonize. The aviation sector's pathway to Net Zero will require substantial investment in efficiency and disruptive technologies to switch fuel sources, in addition to optimized airspace management and a modal shift. IATA recently set a course towards Net Zero emissions by 2050. The Air France-KLM Group, whose emission intensity was reduced by 30% (based on fuel reduction) between 2005 and 2019, is committed to playing a leading role in the sector transition.

See also section 3.1.2 "Risks relating to the air transportation activity"

Climate change is a major concern for the airline industry and for the Air France-KLM Group in particular. Attitudes towards the acceptability of air transportation growth are changing at both a political level and in terms of society. Both France and the Netherlands as well as the European Union have implemented policies to ensure the transition to a carbon neutral and climate neutral society by 2050.

The Air France-KLM Group intends to be a player in the transformation of its sector, and aims to occupy a leading role.

Playing an active role in advancing towards our goal of Net Zero emissions by 2050 at the industry and ICAO levels, and obtaining validation from the SBTi (Science Based Targets Initiative) for our science-based 2030 emission reduction target, were crucial milestones in 2022 and an important marker for the Group, reflecting people's changing perceptions of travel and the call for more responsible aviation (See also section 3.1.2 "Risks relating to the air transportation activity").

Key Performance Indicator	Definition	2021 results	2022 results	2030 targets
CO ₂ efficiency per passenger kilometer	CO_2 footprint for passenger transportation \checkmark	95.5 gCO₂eq/ passenger/km	77.0 gC0₂eq/ passenger/km	
	GHG emissions intensity in metric tons of CO ₂ equivalents per revenue ton-kilometer (gCO ₂ eq/RTK) ⁽¹⁾	1,042 gC0₂eq/RTK	921	30% reduction compared to 2019
	Percentage change in CO_2 efficiency (g CO_2 /pass between 2005 and 2022 (operational measures of		-22.3%	
CO ₂ emissions from ground operations	Percentage change in absolute CO ₂ emissions (so from the ground operations between 2020 and 2		-1.1%	Carbon neutrality
Non recycled waste	Percentage change in non recycled wastes betwo	een 2011 and 2022	-54%	50% reduction compared to 2011
Acoustic impact ⁽²⁾	Number of chapter 4 and 14 ⁽³⁾ certified aircraft o AFKL fleet in operation	ut of the total	75%	

See Note on the methodology for the reporting of the environmental indicators, section 4.3.5.4.

Figures verified by KPMG for 2022 (reasonable level of assurance).

The GHG emissions intensity measure was created in 2022 (see methodological Note 4.3.5.4). The measurement of the acoustic impact changed in 2021. (1)

(2)

(3) Chapters 4 and 14 are the most efficient acoustic levels to date for jet aircraft.

(1) IEA, https://www.iea.org/reports/aviation

4.3.1 Accelerate the environmental transition

Climate goals

Since 2019, the Group has accelerated its environmental transition and has set ambitious sustainability performance targets to highlight its sustainability commitment:

- reduce greenhouse gas (GHG) emissions intensity by 30% by 2030 from the 2019 baseline (gCO₂eq/RTK revenue ton-kilometer). These targets were validated by the *Science Based Targets* initiative (SBTi) in November 2022 for the Air France-KLM Group, as well as for Air France and KLM;
- replace at least 10% of our Conventional Aviation Fossil Fuel with Sustainable Aviation Fuel (SAF) by 2030;
- > achieve carbon neutrality on the ground⁽¹⁾;
- achieve Net Zero emissions by 2050 for the Air France-KLM Group.

The Air France-KLM Group, Air France and KLM submitted their CO_2 emissions reduction targets to the SBTi which have been approved in November 2022 by the SBTi's Target Validation Team confirming that they are in line with a well-below 2°C objective, as determined by the Paris Agreement signed in 2015.

In addition, the Group has instituted internal carbon pricing, placing a monetary value on greenhouse gas emissions, which is factored into investment decisions.

The Air France-KLM Group will reach its ambitious objectives by working with all the players in the aviation industry – aircraft manufacturers, airlines and industrial partners – as well as with the entire transport sector, including rail partners.

Our carbon footprint in 2022

Key 2022 emission milestones:

- > reduction of 140,000 tons of CO₂ due to SAF use in 2022;
- SAF contracts signed for 2.4 Mt in long-term offtake contracts and a pipeline of projects in support of our 2030 SAF target;
- > a 50% CO₂ reduction during two flights (one long-haul and one medium-haul) operated within SkyTeam during the Sustainable Flight Challenge (Scopes 1 + 2 + 3) thanks to the use of a 30% SAF blend and many other actions (weight reduction, air traffic management measures, route optimization, aircraft selection, special catering, etc.);
- > 63% electrification of our ground equipment services vehicles.

The Air France-KLM Decarbonization Strategy

Most of Air France-KLM's greenhouse gas (GHG) emissions are generated by its direct activities (scope 1), and mainly by the flight operations which represent 99.8% of the Group's total direct emissions. The ground operations (testing bench, runway vehicles, etc.) represent 0.2% of emissions. Ground operations, like aircraft maintenance and tertiary activities, also generate indirect greenhouse gas emissions through energy consumption in buildings (electricity and air conditioning) (scope 2).

The indirect greenhouse gas emissions (scope 3) mostly come from the upstream phase (extraction, production, distribution, etc.) of aviation kerosene production and carbon emissions from runway vehicles and equipment. The other main indirect components are the purchasing of goods and services, aircraft manufacturing, business travel, and employee commuting.

Every year, the Air France-KLM Group reports 100% of its scope 1 and 2 CO_2 emissions, and the scope 3 emissions resulting from the upstream phase in aviation kerosene production. These emissions are reported in the form of indicators presented in the environmental indicator tables, accompanied by a definition of the respective scopes (see section 4.3.5 hereinafter).

Non-CO₂ effects

While CO_2 remains the most commonly cited and probably best-understood pollutant from aviation, its contribution to global Effective Radiative Forcing (ERF), i.e. warming, is estimated to be approximately one third of the industry's total impact. Two-thirds of aviation's climate impact is estimated to be caused by other pollutants from jet engines that cause further warming beyond the impact of carbon alone. For example, particulate matter has been linked to the formation of condensation trails (the cloud-like stripes that form behind an aircraft) which are potent but short-lived and may last from a few minutes to a day. NO_x emissions from aircraft engines at altitude contribute to the formation of ozone and the destruction of methane (both greenhouse gases) such that the overall effect is estimated to be warming although this is dependent on background surface air pollution levels.

There is an overall consensus on the existence of these non-CO₂ effects although some major uncertainties remain. We need to be conscious that actions to limit non-CO₂ effects do not result in increased CO₂ emissions. Nonetheless, the Air France-KLM Group is actively working with research facilities and solution providers to deepen the knowledge of non-CO₂ effects and identify the most effective measures for mitigation:

⁽¹⁾ In the CDG, ORY and AMS hubs.

- > Air France was one of the first airlines in Europe to be involved in collaboration to derive specific data on climate, via a partnership with IAGOS (In Service Aircraft for Global Observing System). Air France is reviewing financing to install instrumentation across a larger fleet to collect a representative set of data;
- > to better understand and predict ISSR (Ice Super Saturated Regions), the Air France-KLM Group is working with the Maastricht Upper Area Control Centre (MUAC 2). Through contrails observations, the aim is to determine contrail sensitive times as well as areas to avoid for ISSRs;
- in September 2022, KLM announced the launch of a pilot project with SATAVIA, a British company that has developed software enabling aircraft operators to forecast, prevent and quantify the warming effects caused by contrails, by adjusting flight paths to avoid ice supersaturated regions. The pilot will kick off in the 2023 first quarter and should provide a first insight into the non-CO₂ effects of KLM;
- > Air France KLM participates in research through the "Conseil pour la Recherche Aéronautique Civile" (CORAC) and supports the creation of a Climate Chair focusing on cooperation in research and tackling the challenges non-CO₂ effects have on climate change.

Compliance and participation in carbon offset and reduction schemes

Different mechanisms and obligations governing carbon offsetting and reduction are gradually coming into force at all territorial levels (national, European and international). In order to achieve its objective of Net Zero emissions in 2050, the Air France-KLM Group is investing in all the mechanisms in place, while advocating strict complementarity.

Mandatory offsetting of domestic flights (French national level)

Since January 1, 2022, operators of French aircraft whose emissions exceed the annual threshold of $1,000t/CO_2$ must offset carbon emissions from flights within France (excluding the French overseas departments). However, Air France has voluntarily been committed to offsetting 100% of the emissions of its domestic flights since 2019, in the form of participation in various certified projects with verifiable, measurable, permanent and additional results (see Chapter 4.3.3 Biodiversity). The regulatory threshold of 50% by 2022 has thus been met thanks to anticipation and an ongoing dialogue with the competent authorities.

Integration into the European Union Emissions Trading Scheme – ETS (European level)

Air France - KLM is also preparing for the ramp-up in the European carbon emissions trading scheme (European level). A pillar of the "Fit for 55" legislative package currently being adopted by the EU institutions, the revision of the European carbon market should lead to the gradual elimination of free ETS allowances at European level as a clear market signal against conventional kerosene. The Air France - KLM Group welcomes these orientations adopted by the European institutions while actively participating in the ongoing discussions.

Participation in the international carbon offset and reduction scheme – CORSIA (International level)

The Air France-KLM Group is fully committed to the CORSIA scheme, implemented by the International Civil Aviation Organization (ICAO), under the voluntary commitments of France and the Netherlands. The Group is participating in the first phase of implementation over the 2021-26 period by reporting its emissions and implementing any offsets. Air France-KLM, which supports its representative organization IATA, welcomed this step forward as well as the adoption of the Long-Term Aspirational Goal (LTAG) for the entire industry at global level.

In this context and in view of the possible complementarity of the different systems, Air France-KLM considers that the same CO_2 emissions should not be simultaneously subject to the domestic offset obligations, the European Emissions Trading Scheme and the CORSIA scheme.

Our decarbonization road map

To achieve its objectives and reduce its carbon footprint by activating all the levers at its disposal, the Group is pursuing its Decarbonization Road Map. This road map includes the following key priority areas for which targets have been identified and action plans deployed:

Fleet modernization and technological improvement

Fleet modernization

The renewal of the fleet with more fuel-efficient aircraft is the first lever in the Group's decarbonization trajectory. The Group is continuously investing in fleet renewal with the latest-technology aircraft like the A350, the Airbus A320neo and the Embraer 195-E2, which are up to 25% more efficient in terms of fuel consumption and thus CO_2 emissions, than the aircraft they replace. It is also progressively accelerating the phase-out of aircraft that are the least adapted to its environmental route map.

In line with its fleet renewal policy, the Air France-KLM Group is continuing to take delivery of new generation aircraft like:

- > the A350-900 which consumes 25% less fuel than the previous generation aircraft and is 40% quieter;
- > the Airbus A320neo aircraft family which consumes 15% less fuel than the previous generation aircraft and is 50% quieter;
- the Embraer 195-E2 which consumes 9% less fuel per flight and emits 31% less CO₂ per passenger km compared to the E-190 that it replaces. This new type of aircraft is also 63% quieter than the EMB190.

By 2025, 40% of the Air France-KLM Group's fleet will be composed of next-generation aircraft compared to 10% in 2021.

Air France-KLM fleet renewal plan⁽¹⁾

	2021	2022	2025	2028
			2023	2020
Results	10%	15.60%		
Targets			40%	64%

(1) For more details, see chapter 1.4.

Supporting aeronautical Research and Development

The Group is mobilizing the industry and is committed to research and development into innovative solutions, design, and aeronautical and engine maintenance.

In 2019, TU Delft and KLM announced the start of the design of the Flying-V aircraft, a design for a very-energy-efficient long-haul aircraft with an improved aerodynamic shape and reduced weight of the aircraft. After extensive wind tunnel and ground tests, the first successful test flight with a scale model of the Flying-V took place in 2020. Further flight simulator tests were successfully completed in 2021, making further climate assessments and studying the potential for noise reduction and improvements in flight characteristics and structures. In 2022, KLM continued collaborating on the Flying-V by, for example, researching the implications for the ground procedures.

Operational measures generating fuel savings of up to 5% (CO_2 emissions)

Weight reduction

The lighter the aircraft, the less fuel it consumes. All the divisions of Air France – KLM are thus working to reduce weight on board. This includes, for example, reducing the weight of seats, galley and service equipment, products such as paper documentation for cargo and flight decks, magazines and the loading of drinking water. The weight of the equipment required to transport the payload is also taken into account. The wooden beams to support the cargo are replaced by a lightweight carboard version and we use lightweight cargo containers.

Aircraft performance optimization

- > as part of its fleet renewal program, Air France-KLM is also renewing its engine portfolio aimed at creating significant improvements in fuel efficiency. This includes the LEAP for the A320 neo, the P&W 1500 for the A220 and the GENx for the B787;
- > a dedicated engine wash process enables engines to be washed at the gate instead of in the hangar. This makes it easier to plan a wash in the maintenance program. The number of annual engine washes has increased, resulting in better performance and a reduction the fuel burned;
- > Air France KLM works with different paint suppliers to reduce the amount and weight of paint and coatings. The paint is smoother and less dirt adheres to the hull which improves the streamline. Together with other improvements, this ensures that the aircraft are faster, cleaner and more efficient compared to previous practices;
- > the use of winglets help to reduce fuel consumption. For example, since 2019 Transavia has replaced its winglets with the latest Split Scimitar Winglets in partnership with GKN Fokker Techniek;
- Air France KLM is also involved in studies for more aerodynamic airframes such as the Flying V (for more information, see the Fleet Renewal and Technological Improvement section).

Route and flight path optimization

Improvements in fuel efficiency are achieved through the optimization of routes, flight paths and altitudes, and a reduction in aircraft waiting times:

- Air France KLM is proactively involved in the SESAR program, which contributes to the targets of the Single European Sky (SES) for the better management of air traffic. SESAR aims to contribute to the SES's 10% CO₂ reduction target by reducing fuel burn. In 2022, the Russian and Afghan airspaces were closed, with a major impact on flights to and from Asia. However, the Group was able to reduce the impact of these closures by applying decompression and drift-down procedures, thus enabling shorter routes around these closed airspaces. The creation of these decompression and drift-down procedures has thus made it possible to operate new routes, thereby reducing the impact of airspace closures;
- > whenever possible, pilots apply the most-fuel-efficient procedures: Flight Plan precision, speed adjustments and optimized trajectories, and, on the ground, taxiing with one engine shut down. New efficient tools based on artificial intelligence are being implemented, in partnership with innovative start-ups;

- for example, Air France and Transavia France have joined > forces with OpenAirlines, a start-up which has been awarded the Solar Impulse Efficient Solution label by Bertrand Piccard's Solar Impulse Foundation. Its SkyBreathe tool enables the highly-precise tracking of the application of fuel-efficiency practices for each flight. Transavia was the first airline to deploy this solution in France and is pursuing its efforts on eco-flying. Transavia has thus announced a new partnership with OpenAirlines for the roll-out of SkyBreathe OnBoard, a real-time, eco-flying solution. Air France and Transavia France have also deployed a tool proposed by Safety Line: Optidirect. The application proposes direct alternative routes in flight to reduce fuel consumption. With Optiflight (composed of Opticlimb, Optispeed and Opdirect) Transavia France and Air France benefit thus from efficient tools to reduce their inflight CO₂ emissions;
- lastly, the Group's airlines work closely with French and Dutch Air Traffic Control to make their descents and take-offs more efficient.

Fuel-saving measures

All possible avenues of fuel-savings measures are identified and, when feasible, implemented, subject to strict respect of the rules on Flight Safety. All the airlines within the Air France-KLM Group are included in the Fuel Plan, to improve the Group's energy efficiency and reduce its carbon footprint.

Combining different modes of transportation

For journeys over short distances, there are low-carbon transportation alternatives. Prioritizing these low-carbon alternatives on shorter journeys, and more energy-efficient flights (new generation aircraft, sustainable aviation fuels) on longer journeys, enable the overall carbon footprint of a journey to be minimized. The Air France-KLM Group thus believes that combining train and air travel is an obvious choice. Wherever possible, the Group's airlines offer their customers the possibility of combining different modes of transportation, a solution known as inter-modality. Air France and KLM offer their customers services that allow them to combine train and air travel in the same reservation, with guaranteed connections. These offers called "Train+Air" and "Air/Rail" are, respectively, in partnership with SNCF and Thalys. The "Train+Air" product is used every year by more than 160,000 customers travelling to and from Paris-Charles de Gaulle and Paris-Orly airports.

Sustainable Aviation Fuels (SAF)

Sustainable aviation fuels are one of the most promising ways of reducing CO_2 emissions in the aviation industry. Next to reducing fuel use, they can reduce CO_2 emissions by up to 80% compared to conventional jet fuel on a life cycle basis and require no engine modifications.

In 2022, the Group:

- > committed to incorporating a minimum of 10% SAF by 2030;
- committed to incorporating approximately 0.6% of SAF in its total jet fuel consumption, up from 0.08% last year. The SAF is mainly used for its flights departing from France (in compliance with French legislation) and the Netherlands;
- on October 25, 2022, signed a new series of long-term supply agreements and MoU's (Memorandum of Understanding) to cover the SAF (or Bio fuels) requirements of its airlines in the coming years. The agreements were signed with Neste, for the supply of 1 million tons over the 2023 to 2030 period, and DG Fuels, for the supply of 600,000 tons over the 2027 to 2036 period. These contracts represent a first step by the Group towards achieving its 2030 targets and will cover approximately 3% of the 10% SAF requirement;
- > on December 5,2022 signed a Memorandum of Understanding with Total Energies for the supply of more than one million cubic meters (800,000 metric tons) of Sustainable Aviation Fuel (SAF) to Air France-KLM companies over a 10-year period, starting in 2023.

As of January 2022, the Group's airlines began incorporating up to 1% SAF over one year in total for their flights departing from France (in accordance with French legislation) and 0.5% SAF for flights departing from the Netherlands.

Committing to SAF incorporation

As a leader in the use of SAF, the Air France-KLM Group has reaffirmed its commitment to making the aviation sector more sustainable and has committed to incorporating a minimum of 10% SAF by 2030.

Committing to long-term SAF procurement

By committing to long-term supply agreements, Air France-KLM is supporting the development of the SAF production industry, which is still in its infancy worldwide (in 2021, SAF production represented 0.01% of the jet fuel consumed worldwide), resulting in prices two to four times higher than those of conventional kerosene. By increasing SAF use and demand, Air France-KLM aims to play its part in increasing the scale of commercial SAF production.

Engaging our customers and partners

Air France and KLM were the first carriers to offer their customers a SAF program for both businesses and cargo, thereby raising awareness and knowledge around SAF, and encouraging companies to reduce their scope 3 emissions linked to business travel and the transportation of cargo. The programs currently number 125 participants. Customers can also voluntarily contribute to increasing the use of SAF in their flights when they make a booking or up until check-in. For Flying Blue members, Air France and KLM now offer the option to pay for sustainable aviation fuel with Miles. Since June 2022, as a mark of recognition for Air France and KLM high-value customers, these contributions also count towards earning or maintaining Flying Blue Elite status. Flying Blue is the first loyalty program in the travel industry to structurally introduce such a choice to earn status.

Securing the quality of our SAF supplies

Air France-KLM has established a strict sourcing policy to ensure that SAF projects selected directly have a minimal impact on the environment. The SAF selected should have a minimum 75% CO2 reducttion, not compete with human food or animal feed supplies, not derive from palm oil and be RSB or ISCC certified.

Air France and KLM have been members of RSB since 2008, in their capacity as founding members of the Sustainable Aviation Fuel Users Group (SAFUG). This body takes into account 12 criteria ranging from food security to rural development, the quality of air, soil and water resources, and waste management.

The current generation of SAF can be made from used cooking oil, waste, and agricultural and forestry residues. In the future, sustainable synthetic aviation fuels (e-fuels) made from hydrogen and captured carbon will be available. They will allow a reduction of more than 100% in CO_2 emissions.

Supporting SAF-related Research and Development

The Air France-KLM Group has invested in the testing and use of sustainable aviation fuel for more than 15 years. In 2011, KLM operated the world's first commercial flight partially fueled with SAF while Air France launched the Lab Line for the Future in 2014, a two-year experiment during which 78 flights between Paris-Orly and Toulouse, and between Paris-Orly and Nice, were partially fueled with sustainable aviation fuel. In 2021, Air France operated its first long-haul flight fueled by SAF produced entirely in France, while KLM operated the world's first commercial flight with synthetic fuel.

Air France promoted from an early stage greater knowledge of biofuels for aviation, thus raising public authority awareness of the need to support a French biofuels industry. Air France then joined forces with ATAG (Air Transport Action Group) in the establishment of the French national road map on aviation biofuels managed by the National Alliance for Coordination of Research on Energy (ANCRE), with a final report delivered in 2018. Through the Council for Civil Aviation Research (CORAC), Air France is participating in the definition of a sustainable fuel strategy *via* coherent technological research and innovation actions, aimed at achieving the objectives of the ecological transition in a global context.

Air France-KLM is a founding member of the Aviation Climate Taskforce (ACT), a non-profit organization founded to accelerate breakthroughs in emerging technologies to decarbonize aviation, with a focus on synthetic SAF, hydrogen and direct air capture technologies.

Air France and KLM also participate in consortia which have been awarded funding by the EU as part of the European Green Deal to investigate and speed up the rollout of sustainable technologies in aviation and significantly contribute towards zero-emission and zero-waste airports by 2030, and climate-neutral aviation by 2050. These consortia include:

- **TULIPS**: a consortium of 29 partners, including KLM, led by Royal Schiphol Group. Amsterdam Airport Schiphol will be the proving ground for 17 demonstrator projects originating from the collaboration. The TULIPS project kicked off in January 2022 and will run until December 2025. The first demonstrator projects are planned for 2023;
- > OLGA: led by the Aéroports de Paris (ADP) Group with Paris-Charles de Gaulle Airport as frontrunner, this project regrouping four international airports and 57 partners was launched on October 1, 2021. Air France, as a partner of the OLGA project and a pioneer in the electrification of the ground support equipment fleet at the Paris airports, is a driving force in the clean energy transition and the reduction of local emissions thanks to its work on optimizing electric recharging operations and hydrogen solutions, and the use of sustainable aviation fuel.

Supporting the development of a Sustainable Aviation Fuel (SAF) production chain in Europe

KLM is one of the founders of SkyNRG, a Dutch company specialized in the production and supply of SAF. Since 2016, KLM flights on departure from Los Angeles airport have thus been operated with SAF produced by the local World Energy (former AltAir Fuels) refinery and supplied by SkyNRG. In 2019, KLM made a decade-long commitment to developing and purchasing an annual 75,000 tons of Sustainable Aviation Fuel, making it the first airline in the world to invest in SAF on this scale. SkyNRG will develop Europe's first dedicated plant for the production of SAF. Within the framework of the French State's call for Projects, Air France has supported several new Sustainable Aviation Fuel production programs. By actively seeking industrial and logistics partners to combine forces in consortia, the Group is backing innovative technologies, with alternative fuels originating from the circular economy and, in future, synthetic fuels (e fuels) whose design is based on green electricity and carbon capture.

In 2022, Air France-KLM joined the Renewable and Low-Carbon Fuels Value Chain Industrial Allia (RLCF) Alliance, a new EU initiative bringing together the aviation and waterborne sectors to jointly boost the production and supply of Renewable and Low-Carbon Fuels in Europe.

Reduce Scope 2 emissions

Energy consumption in the ground operations, such as the fuels used by ground support equipment, electricity and gas use in buildings, and electricity used for aircraft maintenance and tertiary activities, generates direct and indirect greenhouse gas emissions (scopes 1 and 2).

Air France-KLM has set a target to reach Net Zero emissions at its Paris-Charles de Gaulle, Paris-Orly and Amsterdam-Schiphol hubs by 2030.

Reduce the energy consumption of the ground facilities and operations

In 2022, within the framework of its Net Zero-emission target for its ground hub operations by 2030, the Group pursued and stepped up its actions to reduce its energy consumption. It upgraded its equipment and included this target in supplier contracts with, notably, an energy-efficiency commitment based on a bonus/malus principle and the implementation of a five-year action plan. In order to comply with the Energy Efficiency Directive, which replaced this agreement as of January 1, 2021, KLM has obtained ISO 50001 certification to manage the realization of energy efficiency improvements.

At Toulouse and Valbonne in the south of France where the bulk of the IT servers are located, 100% of the heating needs of the tertiary buildings are met by recycling the heat generated by the air conditioning system. Photovoltaic energy projects will be deployed in the Group's facilities at the Roissy-CDG head office. Another example is KLM's initiative to install solar panels on the roof of its largest aircraft hangar, finalized in 2021. The 7,000-panel array generated 1.2 million kilowatt hours (kWh) of renewable electricity in 2022.

In 2022, Air France – KLM launched an active program of energy efficiency and sobriety measures targeting reductions in the energy consumption of all office buildings through various concrete actions: switching off lighting after 8 p.m. in all office areas or lighting on presence detection only; automatic switch-off of the Company's electronic devices; thermal insulation work and the installation of heat pumps; adjusting the temperature settings of office buildings to 19 degrees Celsius in winter and 26 degrees Celsius in summer; adjustments to building operational hours to reduce temperature control periods; closure of the Air France head office and several other sites every Friday (made possible by remote working). These measures have enabled Air France to reduce its building energy consumption by 23% since 2011 and the aim is a further 10% reduction by 2024.

Reduce Scope 3 emissions

A sustainable supply chain

The Group's supply chain covers approximately 3,200 suppliers across every category. Working with key partners, including fuel suppliers, Air France-KLM is targeting a net reduction in its Scope 3 emissions by 2030 and 2050 relative to the 2019 baseline.

The Group has appointed EcoVadis, a market-leading provider of business sustainability ratings, to support its understanding of every aspect of sustainability in the supply chain, including the environment, labor and Human Rights, and ethics.

Sustainability is a key part of the Procurement transformation plan. As well as continuing the measures above, the plan includes embedding sustainability KPIs into procurement processes and criteria for awarding new business to suppliers. We are also developing a wider training program for employees, building sustainability awareness and driving higher sustainability performance across the entire organization.

Employee commuting

Air France has participated in the Paris Region Atmosphere Protection Plan since 2008 through its Mobility Plan and, at the outstations in the French provinces, has rolled out proprietary Mobility Plans. Support for employees to promote sustainable mobility was reinforced in 2022 since this action is an integral part of the Air France energy sobriety plan launched in September 2022.

With more than 80% of staff commuting to work by car, the aim of the Mobility Plan is to reduce the pollutant emissions linked to their journeys, something which is an issue for the environment, and for health and safety in the workplace.

In 2022, the action plans launched in the IIe de France region, led by the CCI 95 (R'Pro Mobility) and the CCI94 (Orly'Pro Mobility), were continued within the framework of the Employer Mobility Plans of which Air France is a member, as are 19 companies based at Paris-Charles de Gaulle and Paris-Orly.

In 2022, compared to 2019, the number of Air France employees working from home in France was up by 66% (9,439 remote workers in 2022 in France) and the number of days of remote working was multiplied by 3.8 to reach 612,520 days. The associated home-work trips not made enabled the avoidance of 26 million commute kilometers (or 657 laps of the earth) and 5,736 tons of CO_2 . This finding confirms the embedding of a new sustainable work organization.

Carpooling is also a strong lever for action. The implementation of the Karos carpooling platform in the Paris region in 2021 has enabled a growing number of Air France employees (642 registered at the end of December 2002) to carpool. The number of carpools has increased six-fold, bringing the average number of carpools per carpooler to 33. A total of 6,501 carpools were carried out over the year, 65% of them over an average distance of 44 kilometers.

Among the other actions in progress are:

- monitoring the timetable and progress of the many major infrastructure projects underway in the lle de France region;
- > the deployment plans for charging points in Air France car parks have been revised in order to optimize their adaptation to future needs, while taking into account the capacity of the existing electrical networks and investment decisions. Deployment will resume in 2023;
- feasibility studies on bicycle lanes at Orly and Roissy although their deployment schedules remain uncertain. These studies did however show clear interest on the part of hub employees;
- raising employee awareness of the link between air quality and commuting.

Absorb and store carbon from the atmosphere

Air France-KLM's priority is to reduce greenhouse gas emissions as quickly as possible, primarily those generated directly by its operations, but also upstream and downstream of its activities.

The Group airlines, with the support of customers participating in its environmental programs, are contributing to projects that capture and store carbon from the atmosphere in natural carbon sinks (forests, mangroves).

Air France supports several reforestation and tree planting projects in collaboration with its partner EcoAct, such as: *the International Small Group and Tree Planting* program in India, Kenya, Tanzania and Uganda, helping small groups of farmers to organize themselves to plant trees on their farms; a Gold Standard-certified reforestation program in the Vichada region of Colombia, aimed at planting 76,000 hectares of hardwood while protecting local biodiversity. Since 2017 KLM has supported a reforestation project in Panama. In 2022, KLM added two projects in Uganda and Colombia to its portfolio. The selected projects are all Gold Standard and FSC certified; supporting job creation for the local population, community development; and contributing to the Sustainable Development Goals of the United Nations.

For more information on these programs, see section 4.3.3 "Biodiversity" hereinafter.

Engaging customers and partners

On April 20, 2022, Air France launched its "Air France ACT" program presenting its new CO_2 emission reduction strategy targeting a 30% reduction in CO_2 emissions per passenger/km by 2030 compared to the 2019 baseline. This strategy is based on three priorities:

- reducing the direct emissions generated by Air France's activities as a priority;
- reducing indirect emissions, generated upstream and downstream by the Company's activities;
- > supporting projects that capture CO₂ from the atmosphere.

"Air France ACT" embodies the transparent, realistic and scientific approach adopted by the Company to ensure its environmental transition through concrete and measurable actions. To present Air France's environmental strategy and all its commitments in greater detail, the airline has launched a video campaign and a dedicated website, "Air France ACT", aimed at the general public, available in both French and English.

Based on a KLM idea adopted by the SkyTeam alliance for the first time in 2022, both Air France and KLM participated in the inaugural The Sustainable Flight Challenge. The two airlines operated one medium-haul and one long-haul flight in their existing networks as sustainably as possible, sharing knowledge and experience with the other participating airlines. Through a range of measures, the SkyTeam TSFC flights performed almost 33% better than the industry average.

In addition, in June 2022, the Group's airlines participated, by operating SAF-powered flights, in the Connecting Europe Days organized by the European Commission, showcasing all the possible ways to achieve aviation's sustainability goals and raising awareness of what needs to be done to reach Net Zero emissions at European Union level.

4.3.2 More Sustainable Operations

Beyond the climate road map, Air France-KLM is also committed to positively contributing to environmental sustainability across all its operations.

Environmental management and ISO 14001 certification

The Air France and KLM Environmental Management Systems (EMS) have been ISO 14001 certified, respectively, since 2008 and 1999, for all air and ground operations in France (metropolitan France, Saint-Denis de La Réunion and Papeete outstations) and the Netherlands.

The ISO 14001 certificate (2015 version) has been renewed until 2023 for Air France and KLM. Internal and external audits verify the effective implementation of the EMS.

In addition to compliance with the regulations in force, the Environmental Management System is used to drive an improvement in environmental performance and innovation, both within the Group and at its suppliers.

Air quality

The Air France-KLM Group monitors its atmospheric emissions for both the flight and ground operations, including low altitude emissions which impact the quality of the air around airports. The indicators cover emissions of CO_2 , SO_2 and NO_x .

Most of these gas and particle emissions come from aircraft movements. The remainder is produced by ground operations and maintenance activities, airport logistics and road travel by passengers, employees and suppliers.

Air France-KLM reduces its emissions *via* a number of levers:

- fleet renewal replacing old aircraft with new ones responding to the highest criteria concerning NO_x;
- accelerating the development of SAF, which has been identified as a key lever in minimizing the non-CO₂ effects due to its reduced amounts of non-volatile particulate matter (nvPM);
- using electric or more efficient ground vehicles and runway equipment, powered by cleaner fuels;
- optimizing operational procedures for the ground operations: taxiing time, taxiing using just one engine, the use of ground power units (GPUs) to ensure the functioning of on-board systems, replacing the use of Auxiliary Power Units (APUs).

KLM works with its sector partners on the research and measurement of Ultrafine Particulates (UFP). KLM participates in both the Commission and the Sector Taskforce (set up in the 2022 first quarter). KLM conducts research in cooperation with sector players into a further reduction in the use of Auxiliary Power Units (APUs) and more widespread use of n-1 taxiing. Together with Schiphol airport, KLM is conducting an exploratory study into exposure to UFPs to gain more insight into the personal exposure of employees and the sources of this exposure. The findings will be included in a follow-up study that will be carried out externally.

Electrification of equipment

In 2022, for the Group's airlines, 63% of the ground handling equipment at Paris-Charles de Gaulle, Paris-Orly and Amsterdam-Schiphol airports was electrically powered.

The electrification of ground equipment has the benefit of generating no local emissions. This contributes to cleaner air and better working conditions at and around airports.

Since 2020, Air France has been able to connect 100% of its long-haul flights with electric ACUs at all gates in the Paris-Charles de Gaulle and Paris-Orly terminals.

In 2022, Air France won the "boldest move challenge" with 100% electric ground transportation and the testing of an autonomous baggage tractor. At KLM, all baggage services are now electrically driven, including all-electric towing tractors, platform wagons and ramp equipment transporting baggage.

In 2022, KLM Ground Services introduced a proactive program to reduce the use of diesel Ground Power Units (GPU) following modifications to electric Fixed Power Units (e-FPU) at Schiphol Airport. All members of the GPU pool participated in a trial program using battery-powered electric GPUs. The program was successful in identifying the suitability of e-GPUs for the handling of narrow body aircraft. GPU equipment is responsible for 40% of the CO_2 emissions from ground equipment, meaning that pursuing these trials offers a promising avenue towards reducing direct emissions in airports.

Transavia has been experimenting with the start-up SAS on the use of thermal ACU converters for air conditioning on the ground. This reduces the emissions from the use of APUs. During the first test phase, Transavia was able to save 50,000 liters of fuel, i.e. around 100 tons of CO₂ emissions. In the long term, Transavia is pursuing its road map for the use of electric GPUs and ACUs.

In 2022, in collaboration with other partners like Aéroport de Paris and Amsterdam Airport Schiphol, Air France-KLM continued to conduct sustainable taxiing trials, using special towing vehicles to bring planes to the runway. This so-called "Taxibot" is driven by a combination of electric and diesel engines that use 95% less fuel than airplane engines. This method of taxiing greatly reduces fuel consumption and therefore CO_2 , as well as local emissions including Nitrogen (NO_x) and (ultra) fine particulate emissions.

Move to Gas to Liquid (GTL)

At the end of 2020, Paris-Charles de Gaulle and Paris-Orly adopted Gas-to-Liquid (GTL) a synthetic diesel to replace Non-Road Diesel (GNR). All Air France Ground Service equipment at Paris-Charles de Gaulle is now powered by this fuel, which is 15% to 20% more economical in terms of CO_2 , generates 10% less NO_x , requires 10% less fuel consumption and lowers maintenance costs (less engine clogging). Air France plans to systematically use GTL as a substitute fuel for GNR throughout the electrification phase of its equipment.

Towards renewable fuels for Ground Equipment

In 2022, KLM decided to replace Gas to Liquid (GTL) with HVO100, a synthetic fuel, made of 100% hydrotreated vegetable oil, as of 2023. This fuel offers a transitional solution to significantly reducing CO_2 emissions until such time as all ground vehicles are electric or powered by hydrogen. Ground equipment powered by this fuel emit 98% less CO_2 .

Reducing noise

Airlines are accommodating their customers' increased demand for mobility, while maintaining noise hindrance at an acceptable level for those living near airports.

The Air France-KLM group has formalized its commitment to noise mitigation by making it a requirement enshrined in The Air France-KLM Principles.

Thanks to its proactive fleet renewal policy, by 2022 the Air France-KLM group will have an efficient fleet in terms of noise levels, with 75% of its fleet complying with the certification criteria of ICAO chapters 4 and 14, i.e. the most stringent noise levels for jet aircraft to date.

Fleet modernization and improved operational measures

Since September 2021, Air France has been taking delivery of new Airbus 220s for its fleet. This new medium-haul aircraft is contributing to Air France's strategy and commitments: improved competitiveness and reduced environmental impact with a 34% noise reduction and 20% fewer CO_2 emissions than the aircraft it replaces. As for the long-haul fleet, the A350 is the new spearhead with a 40% reduction in its noise footprint and a 25% reduction in CO_2 emissions.

Specific solutions are also sought to reduce the noise emissions from aircraft. Whenever possible, Air France - KLM thus implements continuous descent or NADP (Noise Abatement Departure Procedure) procedures which significantly reduce noise pollution. The SESAR program also aims to improve the management of noise and its impact through precision-landing procedures using satellite navigation and optimized flight paths, including optimized climb and descent operations. Air France has been actively involved in the Night Flights working group, overseen by the Prefect of the Paris-CDG airport region. This working Group has notably proposed new "dead of night" continuous descent procedures and welcomed the voluntary retirement of noisy aircraft, including Air France's B747s and A340s. Air France and Transavia already implement continuous descent procedures whenever possible, enabling the crew to operate the flight on arrival at an airport by avoiding level flight phases as much as possible and thus reducing the load on the engines, which significantly reduces noise pollution. The Air France Group would like to see this procedure extended to all airports and is committed to supporting the relevant government and DGAC departments in the rapid and widespread implementation of continuous descent.

Stakeholder dialogue

Air France and KLM are committed to ensuring a permanent dialogue with stakeholders in all territories. They meet with the representatives of local communities, the airport authorities and air traffic control to identify measures enabling a reduction in noise hindrance potentially affecting the inhabitants of areas located near airports.

In France, this dialogue is mainly conducted within the context of the CCEs (Environmental Consultative Commissions) and CCARs (Advisory Residents' Assistance Commissions) in which the Air France Group participates at all the French airports where it has operations.

In the Netherlands, KLM participates in the *Het Regioforum* that addresses issues surrounding noise with the local community.

In 2022, KLM took also part in the *Minder Hinder* (less hindrance) program with Schiphol and Air Traffic Control The Netherlands to reduce noise hindrance and improve the quality of the local environment. KLM is committed to this hindrance program and has undertaken to contribute to the government and Schiphol's local emission reduction plans covering ultrafine particles and nitrogen.

In 2022, the Air France Group's (Air France, Air France HOP! and Transavia France) contribution to the Airport Noise Tax (TNSA) paid to the French State amounted to €16.3 million. Its proceeds are allocated to the financing of sound-proofing for homes located around the main airports. Since the introduction of the TSNA, some €770 million have been allocated to soundproofing homes, to which the Air France group has made a significant contribution.

Around Schiphol airport, all the measures to reduce the noise footprint have been implemented. Over the past two decades, KLM has contributed most of the total €750 million in noise taxes, devoted to the sound-proofing and compensation for loss of value in property around Schiphol airport.

In December 2020, the Dutch Cabinet approved the Aviation Policy 2020-2050 (Luchtvaartnota 2020-2050) including a prospective 540,000 aircraft movements. The current coalition agreement stresses the importance of Schiphol's worldwide connectivity for the Dutch economy and underlines the need to improve sustainability. The latest decision by the Dutch Cabinet to reduce aircraft movements to 440,000 will thus undermine the goal of direct connectivity and the sustainability objectives.

Reducing the maximum number of movements puts further pressure on the ability to invest in sustainability: for example, commitments have been made to Airbus to purchase A320/321neos, to EMBRAER to purchase the EMB195-E2s and to Boeing to purchase the Boeing 787-10s.

Water conservation

Air France-KLM achieved a 32% reduction in water consumption between 2019 and 2022.

The UN predicts that there will be a 40% shortfall in freshwater resources by 2030. Air France-KLM launched its first water conservation projects in 2011. Its engineers designed a method to wash aircraft exterior with pads, using 80 times less water than previously: 150 liters to clean a Boeing 777 rather than the 12,000 liters previously used. The water used for the engines water wash (which reduces fuel consumption and lowers CO_2 emissions) is recycled, and AI is used to optimize the loading of drinking water on its flights.

In 2022, the Group decided to end the practice of aircraft water salutes.

Waste management and the circular economy

Air France-KLM handles many forms of waste, mostly arising from flight operations and maintenance, within a context of strict regulatory requirements. Across the entire supply chain, the Group strives to minimize waste and increase the proportion of waste recycled or incinerated with energy recovery where recycling is not possible.

The following performance targets have been set:

- a 50% reduction in residual waste (non-recycled waste from the cabin and ground activities) by 2030 compared to 2011 for all operations in France and the Netherlands;
- > 90% of single-use plastic items to be replaced by 2023 compared to 2018 for Air France.

In 2022, the Group reduced its residual waste from France and the Netherlands by 54% (compared to 2011), representing 6.400 tons of recycled waste.

Actions are based on the four principles of the circular economy: rethink, reduce, reuse and recycle. Risks and mitigation actions are assessed from a life cycle perspective. The airlines run programs aimed at a constant improvement in the overall management of waste: waste prevention, increasing the recycled portion, the eco-design of products and the identification of appropriate reprocessing facilities. The end-of-life management of items is factored into their initial design.

Paradoxically, one of the biggest hurdles when it comes to improving waste management for both Air France and KLM is the the strict European Union legislative framework. For example, the current regulations restrict the recycling of most of the catering waste from intercontinental flights entering the EU. In 2022, Air France, KLM and other European airlines issued a joint statement and launched a campaign to make legislators aware of this issue.

Reduction of single-use plastics

Whether for reasons of hygiene and food safety, or to reduce the weight embarked, the inflight service uses a substantial quantity of Single-Use Plastic products (SUPs). The Air France-KLM Group is committed to reducing the environmental impact of SUPs in its operations. The Group achieves this *via* a number of levers: eliminating SUPs wherever possible; replacing these plastics with other materials whenever more sustainable alternatives are available (based on life cycle assessments or other environmental proof); redesigning SUP items to decrease material use, using recycled plastic and ensuring SUPs are recycled wherever possible.

In 2022, Air France eliminated or replaced with alternative materials 765 tons of single-use plastic used by passengers on board, i.e. nearly 80%. Among the plastic items still in use, 85% are recyclable and 37% contain recycled plastic.

Transavia now uses certified alternatives to single-use plastic (Duty Free bags in Kraft paper and cups, stirrers and cutlery kits of plant origin, etc.). In total, more than seven million single-use plastic items are no longer distributed each year on its scheduled flights, or 41 tons of plastic.

KLM now deploys fully reusable food containers for its new Premium Comfort class. These containers are returned to the supplier after the flight, so that they can be reused as food containers on a forthcoming flight.

In 2022, KLM Inflight Services set a new Responsible Catering ambition and introduced new goals on smart packaging and reducing waste. A Life Cycle Assessment tool was developed and adopted together with Dutch research institute TNO to support decision making regarding more-sustainable packaging and to find alternatives to Single-Use Plastic (SUP) items.

Other Inflight waste

At Air France, the cabin crews carry out selective sorting of plastic bottles, cardboard juice cartons, cans and glass bottles on board all short, medium and long-haul flights to Paris. The items are sorted on board and then picked up by the caterer at Paris-CDG and Paris-Orly, and recycled in France or Europe. In 2022, 550 tons of cabin waste and glass packaging were sorted and recycled, i.e. 148% more than in 2021.

In 2022, Air France continued to work with the international outstations to set up a process for the recycling of packaging sorted on board. Inflight waste is handled in accordance with health regulations and in local facilities. In Paris (Charles de Gaulle and Orly), inflight waste is incinerated with energy recovery, enabling the generation of heat or electricity. This represents 10,510 tons or 85% of Air France's on board waste.

On KLM's European flights, on-board waste is also sorted and the process to collect plastic and cardboard cups has been improved. Crew engagement campaigns make crews aware of their role in this process in order to improve the recycling figures. Glass, cans, aluminum lids, paper, EPS boxes, PET plastic bottles and other forms of plastic are also sorted and recycled by the catering teams. As part of its ambition, KLM has launched the ZerOWaste initiative. This initiative brings together all the employees who are involved in the different phases of the catering process to pinpoint the biggest catering waste bottlenecks and come up with practical solutions. Another goal of the initiative is to improve and increase data collection.

Action to combat food waste and food insecurity

Air France-KLM processes food waste from flight operations with a constant concern for food safety and in a strict regulatory context.

Two main levers make it possible to reduce food waste: the adjustment of on-board services and a rigorous policy for managing merchandise inventories.

The pre-selection of hot meals in the Business cabin thus saw a widespread roll out during 2022. This process has made it possible to avoid 5.3 tons of waste per year. While eliminating any form of food waste is paramount, some food waste is to be expected and therefore actions are taken to handle this properly. As such, in 2022, KLM Catering Services (KCS), which is responsible for handling all inflight catering waste, expanded its bio-treatment of organic waste to include coffee grounds from all European flights.

To combat food insecurity and limit waste, Air France donates food and non-food items to charities such as the *Agence du Don en Nature*, the *Restaurants du Cœur*, the Samu Social, the *Secours Populaire* and the Food Bank. In 2022, approximately 1 million food and other materials were donated.

In collaboration with their service providers and caterers, the Air France crews are working on improving the process for recovering uneaten food. For example, unconsumed items from the gourmet boxes served on long-haul flights are donated to charities. In 2022, more than 10 tons of items from gourmet boxes were donated.

Adjusting perishable product orders and maintaining a rigorous merchandise inventory management policy also helps reduce wastage of unconsumed fresh products.

Air France-KLM and Martinair Cargo are active players in the transportation of perishable goods. The teams are in constant contact with all the stakeholders in the chain (producers, exporters, importers, supermarkets, airport authorities, etc.) in order to promote sustainable development of the agricultural sector and air transportation. Many initiatives are under way: joint communication actions with the phytosanitary control departments of Paris-Charles de Gaulle and export customers, improving the processing capacity for perishable products and control over the cold chain, etc. The Group also contributes to the work of the Cool Chain association, of which it is a member, which aims to reduce food waste. Within this framework, the priority actions to be carried out for the sustainable development of West African mango exports by air were defined in 2019, both technically (combating the fruit fly which degrades the quality of the fruit) and logistically (improving airport infrastructure in Burkina Faso and Senegal in particular, and control procedures at Paris-CDG).

Aircraft end-of-life

Aircraft that are at the end of their service with the Air France-KLM Group and are not returned to their lessors, maintain a high value. These aircraft are sold to another airline or to a company specialized in tear-down services for the recycling and reuse of spare parts. We can also use the components from old aircraft to replace parts in the Group's current operational fleet.

Since 2013, the Group airlines have thus been working with companies with best-in-class environmental standards such as Tarmac Aerosave, a company with which the Group works to dismantle its aircraft. Tarmac Aerosave recycles approximately 90% of the aircraft materials, an additional 8% are fluids such as oils which are reused to produce energy, leaving 2% as disposal.

Aeronautical waste

Engine parts, aircraft seats, cargo pallets and broken suitcases are just some examples of the production waste generated by our Engineering & Maintenance, Cargo and Flight Operations. Although most aeronautical waste is subject to strict regulation, Air France-KLM has implemented many initiatives to reduce non-recycled production waste.

Engineering and Maintenance prevents waste of aeronautical components by developing alternative repairs. Whenever repair is no longer viable, aeronautical components are deemed to be Beyond Economical Repair (BER). These components, as well as other aeronautical waste, are then sent to the in-house salvation and scrap team. This team handles procedures that reuse and recycle spare parts and other waste. Wherever the rules and regulations allow, the cradle-to-cradle principle is applied to reintegrate waste into a new production cycle. Scraps that cannot be integrated within our own production cycles and components that are governed by strict regulations, and thus are not reusable, are collected by external partners and either destroyed or processed into secondary raw materials.

The process foresees procedures to reuse and recycle spare parts. This program has been extended to other types of waste: furniture, equipment, pallets and blankets.

At Air France, the move up-market for the medium and long-haul cabins with the installation of new seats has been accompanied by the implementation of a recycling and dismantling process for the old seats ranging from the reuse and recycling of components to the recovery of foams and metals.

Hazardous waste from the maintenance activities is the subject of a comprehensive tracing system and its management is harmonized in the different maintenance sites.

Applying the principles of the circular economy

Air France-KLM is working on initiatives to up-cycle waste for new uses like, for example, the recycling of used cabin materials (life jackets, seat fabrics, seat belts, etc.) or aircraft parts (AIR ART).

A permanent recycling process is in place for Air France uniforms and work clothing. Staff are invited to adopt good sorting practice by depositing them in secure containers in the Air France premises. The uniforms are collected (72 tons of textiles since September 2018 at the Roissy site) from the various sites by different partners including a Work Assistance Establishment (ESAT for the employment of disabled workers). For safety reasons these textiles must be crushed before being transformed into solid recovered fuels with a high calorific value. These fuels offer a non-fossil alternative to large fuel consumers such as the cement and lime industries.

4.3.3 Impact on Biodiversity

🗞 Context and strategy

Due to human activity, biodiversity is declining more rapidly than at any other time in human history. However, healthy and biologically-diverse ecosystems are essential to produce the ecosystem services required for human survival and development. In order to curb the loss of biodiversity, it is essential to participate in the reconstruction of natural ecosystems and to conserve and restore degraded ecosystems.

Measures and Performance

Commitments of the Air France-KLM Group

The Air France-KLM Group supports several projects and actions aimed at protecting biodiversity, notably diversity within species and between species and the diversity of ecosystems.

To reduce textile waste, three trial programs were implemented in 2022: one has allowed the reuse of 1,391 items of uniforms and work clothing and another has enabled the sorting of white shirts which are then forwarded to a recycling channel (139 kg collected). Lastly to reduce the impact of textile production, cabin crews and pilots have tested a new shirt including mechanical recycled polyester fiber, or rPET, whose manufacturing is less energy-intensive and consumes fewer resources. These three successful trial programs are set for widespread deployment in 2023. In addition, employees have launched the 100% Uniforms initiative to recycle old uniforms into other products such as a new collection of non-aeronautic accessories (pouches, etc.).

In order to avoid the destruction of products and encourage their reuse, Air France signed a Framework Agreement with the *Agence du Don en Nature* (ADN) in January 2017. By donating new, refurbished products such as crockery or blankets, Air France supports the work of the ADN association, which collects and redistributes new, non-food products for everyday use to combat exclusion in France. In 2022, approximately 70,000 food and material items were donated.

At KLM Engineering & Maintenance (E&M) finding and developing new repair opportunities is seen as a key activity. To this end, KLM E&M collaborates with suppliers, local companies and knowledge institutes. For example, in 2022, an alternative repair for folding tray tables was developed together with a local Dutch company. This has enabled the replacement of only the damaged section of the tables and has to date prevented the complete scrapping of 500 tables.

In May 2021, Air France made a commitment to biodiversity by joining the Act4Nature international initiative. Act4Nature is a voluntary initiative aimed at fostering biodiversity that brings together 67 major companies with an international presence and which are committed to fulfilling 10 common as well as specific commitments. These commitments are recognized as SMART (Specific, Measurable, Achievable, Realistic and Time-bound) and are published on the website https://www.act4nature.com/.

KLM has made a commitment to the nature conservation and restoration programs initiated by FORLIANCE (https://forliance. com/about-us). These programs are all Gold Standard certified (the most demanding standard in the voluntary market), which guarantees the effectiveness of these projects in terms of social and environmental benefits.

Assessing the Group's impact on biodiversity

Air France is involved in quantifying the biodiversity footprint of companies along their value chain through its participation in the B4B+ club (https://www.cdc-biodiversite.fr/le-club-b4b/).

Preservation and restoration of the environment

Air France-KLM's commitments in terms of preserving biodiversity are articulated around the main factors in the erosion of biodiversity, ranked according to the magnitude of their impact:

Artificialization of soils

Land artificialization is the main cause of species extinction in the world and air transport contributes very little to this. Contrary to popular belief, airports are in fact enclosed and protected areas. Their meadows are a preserved environment that host a rich and sometimes remarkable biodiversity, helping to develop the local ecosystem. Protected from urban development and human activities, airport grasslands, which are generally untreated and un-ploughed, encourage the reproduction of fauna and flora that are often unknown to the general public. Here a whole ecosystem is preserved and protected. Aviation plays a positive role in the preservation of this natural habitat, even though it is now the most threatened in Western Europe.

Air France supports the "Aérobiodiversité" association, which works to identify, protect and enhance the ordinary biodiversity of airport meadows using participatory science protocols in collaboration with the National Museum of Natural History (MNMH). In France, an average of 73% of the reserved airport areas are made up of green spaces and meadows, i.e. approximately 350 km² for all structures hosting aircraft. The CDG hub, for example, covers approximately 2,140 hectares, including 1,144 hectares of green space. The Orly hub covers about 930 hectares, of which 553 hectares is green space.

Over-exploitation of resources:

The Air France-KLM Group contributes to the preservation of nature and seeks to have a positive impact on biodiversity through reforestation programs and the restoration of degraded land.

In this context, KLM supports projects initiated by FORLIANCE in several countries, all of them being Gold Standard certified.

- in Panama, the "CO₂oL Tropical Mix project" is located in an area of high biological diversity, which has been severely degraded due to unsustainable cattle-breeding practices. The objective is to reforest the land with a mix of agroforestry and protected areas. By using nature-based solutions (NBS) such as agroforestry, the project ensures long-term benefits like the protection and enhancement of biodiversity, the restoration of a valuable ecosystem and fair employment for local communities selling cocoa from certified agroforestry;
- in Colombia, a reforestation project that focuses on the regeneration of native trees. More than 70,000 hectares are certified and protected, and local communities can make a living from the sustainable production of wood;

in Uganda, the project aims to conserve biodiversity and improve the economic situation of the surrounding villages by combining protected areas where biodiversity is restored and production land where wood is produced in a sustainable way.

KLM also offers its customers the opportunity to contribute to these projects and support carbon balancing and biodiversity restoration. More information about these projects can be found at: StoryMap – KLM (forliance.com).

Since January 2020, Transavia has also offered this service to its customers.

Air France supports reforestation and tree-planting projects in partnership with EcoAct to capture and store atmospheric CO_2 in natural sinks (forests, mangroves). For example:

- > Air France supports a research-action program for the conservation and restoration of mangroves in Martinique as part of the French Low Carbon Label in collaboration with the French Ministry for Ecological Transition. Mangroves are tropical coastal forest formations which, in addition to harboring a very rich biodiversity, represent a very efficient sink for carbon capture and sequestration. This project aims to improve knowledge of the ecosystem services provided by these environments and to carry out actions to replant mangroves in the French Overseas Departments and Territories;
- > Air France also supports projects to combat deforestation in Brazil and Cambodia. Thus, the Anourok forestry project in the Cardamom Mountains prevents deforestation of a unique and biodiverse region that is the habitat of many native species. The region is home to the second largest virgin rainforest in Southeast Asia, which is under significant pressure from illegal logging and poaching. The project focuses on the south of this region, with the aim of preserving its unique biodiversity, which provides a habitat for many species including 50 present on the IUCN red list, including the Asian elephant, the brown bear of Asia, the clouded leopard, the Siamese crocodile, etc.

In its relationship with subcontractors and suppliers, the Air France-KLM Group ensures that environmental protection is guaranteed. The Ecovadis assessment and its 360° monitoring system in the Environment category ensures that the supplier being assessed has not had any serious negative results over the last three years. The Ecovadis evaluations allow us to assign a score per category (Environment, Human Rights and Labor Rights, Ethics and Responsible Purchasing), all of which contribute to the overall score assigned to each company evaluated. Biodiversity is one of the nine themes evaluated in the environment field with the impacts of the Company's activities on flora, fauna, protected lands and ecosystems all being taken into account. As a result, the severity and probability of the occurrence of risks (including deforestation) are in fact reduced, and even greatly reduced, especially when the suppliers are themselves committed to fighting deforestation.

Climate change

Climate change has been identified as the third cause of the direct changes in biodiversity worldwide. Climate change is a major challenge for Air France-KLM, and is also an important factor in the preservation of biodiversity. Reducing greenhouse gases (GHGs) is the primary lever for reducing our impact on biodiversity. All actions that make it possible to reduce our CO_2 emissions have an indirect beneficial effect on reducing the loss of biodiversity and the degradation of ecosystems.

Pollution (air, water, noise, waste)

Air France-KLM's actions to improve air quality on the ground (see notably above "Employee commuting") and water quality, to reduce its noise footprint, to reduce the use of single-use plastics and to better manage its waste, are all initiatives that help limit pollution and, consequently, reduce the negative impact on biodiversity.

Contributing to the fight against invasive species

Air France-KLM participates in the fight against the introduction of invasive species by respecting the prohibitions on the transportation of certain animal and plant species as well as the conditions for authorized transportation as set out in the conventions and regulations in force.

Combating the traffic of protected species

To its cost, air transport is particularly concerned by this traffic, which is the fourth largest organized criminal network. To tackle this problem, in 2017 the Air France-KLM Group became a signatory of the Buckingham Palace Declaration, which formalizes its resolute commitment to combating the illegal trade in protected species and its zero-tolerance approach. In addition, through Air France-KLM's membership of IATA, the Group is a member of CITES (Convention on International

Trade in Endangered Species of Wild Fauna and Flora) and fully respects the Convention. Air France is also behind the creation of an inter-professional platform bringing together several corporate partners as well as governmental bodies and NGOs with the aim of making Paris-CDG a "no-fly" zone in respect of these species. Air France-KLM also carries out awareness and communication actions for customers and employees (dedicated intranet site, creation and reminder of procedures).

The Cargo division deploys a wide number of initiatives involving, notably, training for employees and raising customer awareness, and participates in working groups with international organizations and associations such as the World Organization for Animal Health (WOAH), the International Office of Epizootics (OIE), IATA and United for Wildlife. KLM also has a global policy that prohibits the carrying of game and hunting trophies. In the summer of 2022, Air France launched an extensive poster campaign aimed at customers and employees to help them identify and report suspicious behavior or baggage to the relevant authorities. Customers are also informed on the commercial website under the heading "Items forbidden in baggage" and on board long-haul flights through an awareness-raising video on illegal traffic.

Acting locally by engaging employees

In addition to these actions, Air France–KLM raises awareness among its individual and corporate customers about these initiatives to protect biodiversity. Informing and involving our employees and reaching out to as many people as possible are also a priority, through forums, briefings, training, dedicated intranet pages and biodiversity observation days at airports. Since 2021, Air France has been encouraging and facilitating the civic commitment of its employees by providing them with the *Vendredi*platform, which enables employees to get in touch with, for example, environmental and biodiversity protection associations.

4.3.4 National Low-Carbon Strategy (SNBC)

Objectives and scope

The National Low-Carbon Strategy (SNBC) establishes the roadmap for France's national climate change mitigation policy. It provides decarbonization guidelines to implement the transition to an emission-neutral economy by 2050 (i.e. generating zero net emissions in line with the regulatory target reaffirmed in the Climate and Resilience Act of August 2019). Within this framework, a series of greenhouse gas emission reduction targets, based on the allocation of five-year carbon budgets that must not be exceeded, have been established in the short and medium term for each sector of the economy. In line with France's multilateral commitments, these budgets make it possible to identify a target trajectory to be respected and implemented by each player at its own level.

For air transportation, the scope of this trajectory includes emissions related to flights within and between the different national geographical zones, including metropolitan France and the overseas departments (DOM). Emissions associated with air links between foreign countries are therefore excluded. While intra-European flights are governed by the EU ETS, international flights, subject to the ICAO legal framework, are governed by the CORSIA program (see Chapter 4.3.1). This program is based on offsetting CO_2 emissions when they exceed a pre-established reference threshold (set at 85% of the volume of emissions for the year 2019).

The SNBC trajectory and the AMS scenario for air transportation

The emission reduction trajectory as defined by the SNBC is based on the AMS ("with additional measures") reference scenario. This scenario integrates all the public policy measures, in addition to those already in place, that will make it possible to achieve the reduction targets set. Based on the "carbon" budgets allocated to each sector, it allows for the setting of stepwise targets until Net Zero Carbon is achieved.

For the transportation sector as a whole, the AMS scenario foresees a 28% reduction by 2030 before a gradual and complete decarbonization by 2050. Air transportation is fully integrated in this trajectory through a contribution scheme proportional to the emissions attributable to it and based on clearly-identified levers. Thus, the AMS scenario dedicated to air transportation takes into account assumptions on traffic growth, energy efficiency improvements and biofuel incorporation. It leads to the following CO_2 emissions trajectory, for which the "National Air Transport" component is used as an assumption for the Transport part of the SNBC.

AMS scenario projections

MtCO ₂ e	2015	2025	2030	2050
Domestic air				
transport	4.7	4.8	4.9	2.3

In order to comply with the reduction rate set for national air transportation within the framework of the SNBC, Air France has defined its own trajectory, basing its calculations on a series of assumptions. Some of these assumptions can be commonly used to build the SNBC trajectory and the decarbonization trajectory of the Group across the scope of its worldwide operations, while others are specific to the perimeter covered by the SNBC.

Assumptions common to the worldwide trajectory of the Air France group

- Emission factor: 1 ton of kerosene burned generates the emission of 3.16 tons of CO₂ (reference SBTi).
- Percentage of incorporation of Sustainable Aviation Fuel (SAF): minimum incorporation target of 10% in 2030 to reach 63% in 2050.
- Gains related to the optimization of flight operations: 4% by 2050 compared to 2019.

Assumptions specific to the scope of activities covered by the SNBC (Air France group)

- > the activity program (expressed in Available Seat Kilometers) for all subsidiaries combined (Air France, HOP! and Transavia): this factor corresponds to the growth forecasts for flight programs within the scope of the SNBC, i.e., the long-haul program to the French Overseas Departments, radial routes (Paris/Regions) and the domestic transversal routes.
- > aircraft load data based on a return to pre-Covid levels in 2024.
- > the fleet plan expressed in the number of aircraft per type and per year.

The establishment of numerical assumptions for each of these factors and the consolidation of the results allows the projection of the trend in CO_2 emissions from the baseline year in 2019 to 2050. The method of calculation, the forecast data used and the reduction targets defined as a result are in line with the Science Based Target initiative methodology, whose role is to enable businesses to set ambitious emissions reduction targets consistent with the latest climate science.

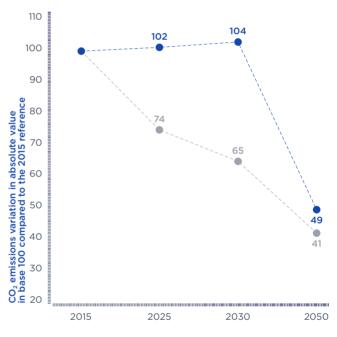
The Air France group's strategy to meet the trajectory

The Air France Group's CO_2 emission trajectory on the SNBC scope is supported by its ambitious overall decarbonization targets:

- in the short term (2024), the Air France Group aims to reduce its CO₂ emissions over the domestic point-to-point perimeter (based at Orly) by 50% compared to the 2019 baseline;
- in the medium term (by 2030), the Air France group aims to reduce its carbon intensity (expressed in CO₂ emissions per Revenue Ton Kilometer) by 30% compared to the 2019 baseline;
- In the long term (by 2050), a reduction of CO₂ emissions of at least -50% compared to 2019.

A Sustainable Aviation Fuel incorporation target of at least 10% in 2030 and 63% by 2050:

Greenhouse gas emissions forecast trajectory Comparison of the AMS scenario (SNBC) and the Air France trajectory (Base 100 in 2025)



These targets translated into the SNBC geographical scope enable the tracing of an emissions forecasting trajectory which, as shown by the graph above, complies with the AMS scenario. Although in some respects uncertain as concerns a time horizon as far away as 2050, the forecasts for fleet renewal, the use of Sustainable Aviation Fuel and improved operational efficiency due to optimized flight procedures are the key factors underlying this trajectory.

Some elements of analysis

Incorporation of SAF

The Air France Group is doing everything possible to mobilize the players working on the development of a SAF production chain in France and Europe. This has led to the signature of some major contracts with the main suppliers in the sector:

- > on October 25, 2022, Air France KLM signed two contracts with Neste and DG Fuels for the supply of 1.6 million tons of sustainable aviation fuel. These contracts are an important first step towards achieving one of the Group's objectives: incorporating 10% SAF by 2030. These contracts will represent approximately 3% of this 10%;
- on December 5, 2022, Air France-KLM and Total Energies signed a Memorandum of Understanding for the supply

of more than one million cubic meters (800,000 metric tons) of sustainable aviation fuel (SAF) to Air France-KLM companies over a 10-year period, starting in 2023.

Fleet renewal

The specificities of Air France's decarbonization trajectory aligned with the SBTi methodology are based on several key elements linked to fleet renewal. The replacement of the B777-300ER aircraft on the long-haul network to the French Overseas Departments is not planned before 2028. From that date, the arrival of the A350-900 will accelerate the reduction in CO₂ emissions. For Air France short-haul operations departing from the Paris airports, the entry into service of the A220 aircraft family to replace the current A320s by 2025 will be an effective lever. Transavia's fleet will also be renewed in the short term, as the new generation A320neo aircraft will replace the B737-800s.

4.3.5 **Environmental indicators**

4.3.5.1 Carbon emission indicators

				Air France	-KLM Group	
		Unit	2021	2022	22/21	
Greenhouse gas emissions (Scope 1 GHG protocol) ⁽¹⁾	Conventional Aviation Fossil Fuel √	ktons CO ₂ eq	16,279	22,442	38%	
	Sustainable Aviation Fuel	ktons CO ₂ eq	13.3	132.5	x10	
	Ground Operations	ktons CO ₂ eq	46.3	45.1	-3%	
Greenhouse gas emissions	Location Based	ktons CO ₂ eq	50.3	50.7	1%	
(Scope 2 GHG protocol) ⁽²⁾	Market Based	ktons CO ₂ eq	17.8	18.3	3%	
Greenhouse gas emissions (Scope 3 GHG protocol)	Upstream emissions from fuel production	ktons CO ₂ eq	4,143	5,712	38%	
	Upstream emissions from Sustainable Aviation Fuel	ktons CO ₂ eq	3.4	34	x10	
Subtotal carbon emissions (Scope 1, 2 & 3 GHG protocol)		ktons CO ₂ eq	20,502	28,384	38%	
CO₂eq reduction from SAF (Scope 1 & 3 GHG protocol) ⁽³⁾		ktons CO ₂ eq	9.9	151	x15	
Total Carbon emissions (Scope 1, 2 & 3 GHG protocol)		ktons CO ₂ eq	20,493	28,233	38%	
Carbon emissions regulation ⁽⁴⁾	ETS	emission allowances	808	2,486	x3	
Carbon credits ⁽⁵⁾	Mandatory	ktons CO ₂ credits	n/a	445	n/a	
	Voluntary	ktons CO ₂ credits	662	10	n/a	
	Customers	ktons CO ₂ credits	102	98	-4%	

Data verified by KPMG for 2022 (reasonable level of assurance).
 (a) Air France Group scope: all flights under AF code operated by Air France and HOP, all flights under TO code operated by Transavia France.
 (b) KLM Group scope: all flights operated by KLM, KLM Cityhopper, Martinair and Transavia Netherland.
 n/a: not applicable.
 (1) (2) (3) (4) (5): See Note on the Methodology.

		Air France Group (a)		
2022	2021	22/21	2022	2021
8,993	7,357	51%	13,449	8,922
76.6	13.3	n/a	55.9	0
30.1	30.5	-5%	15.0	15.8
30.7	31.2	4%	20.0	19.1
0.0	0.0	3%	18.3	17.8
2 222	1 0 7 0	F10 /	7 407	0.071
2,289	1,872	51%	5,425	2,271
19	3.4	x14	14	0.0
11,408	9,276	51%	16,976	11,226
87	9.83	x64	64	0.02
11,322	9,266	51%	16,911	11,226
1,269	558	x5	1,217	250
0	n/a	n/a	445	n/a
10	12	n/a	0	650
10		- 1/ d	0	050
98	102	n/a	0	0
	8,993 76.6 30.1 30.7 0.0 2,289 19 11,408 87 11,322 1,269 0 0	7,357 8,993 13.3 76.6 30.5 30.1 31.2 30.7 0.0 0.0 1,872 2,289 3.4 19 9,276 11,408 9,266 11,322 558 1,269 n/a 0 12 10	22/21 2021 2022 51% 7,357 8,993 n/a 13.3 76.6 -5% 30.5 30.1 4% 31.2 30.7 3% 0.0 0.0 51% 1,872 2,289 51% 1,872 2,289 51% 9,276 11,408 51% 9,276 11,408 51% 9,266 11,322 x64 9.83 87 51% 9,266 11,322 n/a n/a 0 n/a n/a 0 n/a 12 10	2022 22/21 2021 2022 13,449 51% 7,357 8,993 55.9 n/a 13.3 76.6 15.0 -5% 30.5 30.1 20.0 4% 31.2 30.7 18.3 3% 0.0 0.0 3,423 51% 1,872 2,289 14 x14 3.4 19 16,976 51% 9,276 11,408 64 x64 9.83 87 16,911 51% 9,266 11,322 1,217 x5 558 1,269 445 n/a 12 10

4.3.5.2 Flight operation indicators

	Unit	-		Air France-	KLM Group	
		Unit	2021	2022	22/21	
Consumption of raw materials	Conventional Aviation Fuel √	ktons	5,151	7,102	38%	
	Sustainable Aviation Fuel	ktons	4.2	42	x10	
Fuel efficiency	CO₂ footprint for passengers transport √	grCO ₂ eq/ passengers/ km	95.5	77.0	-19%	
	CO ₂ footprint for Cargo transport	grCO₂eq /100kg cargo/km	52.9	44.7	-15%	
	GHG emissions intensity (SBTi) ⁽¹⁾	grCO ₂ eq/ RTK	1,042	921	-12%	
Non-carbon emissions	NO _x low altitude (< 3,000 ft)	ktons	6.0	8.3	38%	
	SO ₂ low altitude (< 3,000 ft)	ktons	0.4	0.6	55%	
Noise impact	Acoustic performance	% fleet under chap 4&14	70%	75%		

Data verified by KPMG for 2022 (reasonable level of assurance).
 (a) Air France Group scope: all flights under AF code operated by Air France and HOP, all flights under TO code operated by Transavia France.
 (b) KLM Group scope: all flights operated by KLM, KLM Cityhopper, Martinair and Transavia Netherland.
 (1) See Note on the Methodology.
 n/a: not applicable.

KLM Group ^(b)			Air France Group ^(a)		
22/21	2022	2021	22/21	2022	2021
22%	2,846	2,328	51%	4,256	2,823
x6	24	4.2	x18	18	0.01
-22%	75.0	96	-18%	78.4	95.2
-16%	44.9	53.3	-15%	44.6	52.5
-12%	873	995	-11%	957	1,076
25%	2.9	2.3	46%	5.45	3.74
23%	0.16	0.13	64%	0.46	0.28
70/		C004	00/	0.000	700/
-3%	60%	62%	8%	86%	79%

4.3.5.3 Ground operations indicators

			Air France-KLM Group			
					ce-KLM Group	
		Unit	2021	2022	22/21	
Consumptions						
Electricity	Total consumption	MWh	231,903	231,542	0%	
	of which renewable	MWh	99,357	103,456	4%	
Other energies						
	Fuel	MWh	93,509	96,496	3%	
	Natural Gas	MWh	113,297	103,809	-8%	
	Steam/other heating/cooling	MWh	79,482	84,792	7%	
	of which renewable	MWh	24,855	8,665	-1	
Water	Water consumption	m³	314,200	327,666	4%	
Non-carbon emissions						
	NO _x	ktons	0.090	0.188	x 2	
Waste						
Non-hazardous industrial waste	Total quantity	tons	9,735	14,487	49%	
	Percentage recycled	%	44%	44%	stable	
Hazardous industrial waste	Total quantity	tons	3,570	3,697	4%	
	Percentage recovered	%	60%	58%	-2 pts	

V Data verified by KPMG for 2022 (reasonable level of assurance).
 (a) Air France and its subsidiaries (HOP, Sodexi, CRMA, BlueLink and Transavia France).
 (b) KLM and its subsidiaries: KLM Cityhopper BV (KLC), KLM Equipment Services (KES), KLM Catering Services (KCS), KLM Health Services (KHS), Cygnific BV, Transavia NL and Martinair.

KLM Group ^(b)			France Group ^(a)	Air	
22/21	2022	2021	22/21	2022	2021
1%	67,622	67,264	0%	163,920	164,639
1%	67,622	67,264	12%	35,834	32,093
11%	61,317	55,250	-8%	35,179	38,259
-12%	71,121	80,726	0%	32,688	32,571
n/a	n/a	n/a	7%	84,792	79,482
n/a	n/a	n/a	-65%	8,665	24,855
17%	121,729	104,267	-2%	205,937	209,933
x 10	0.11	0.01	stable	0.08	0.08
30%	8,838	6,814	93%	5,649	2,921
-13 pts	31%	44%	+20 pts	63%	43%
-6%	1,248	1,334	10%	2,449	2,236
+2 pts	75%	73%	-3 pts	50%	53%

4.3.5.4 Note on the methodology for the reporting of the environmental indicators

In 2005-06, under the aegis of the Air France-KLM Disclosure Committee, and validated by the college of Statutory Auditors, the Group's environmental indicators were defined to comply with the requirements of the French New Economic Regulations law (Les Nouvelles Régulations Economiques, NRE, May 15, 2001) and the European Prospectus Directive Regulation (EC 809/2004). Work on optimizing these indicators was undertaken in 2018 to align the Grenelle II reporting with the new requirements linked to the transposition of the Directive in the Extra-financial performance statement.

Since 2018 and in application of the provisions of Article L. 225-102-1 of the French Code of Commerce (*Code de Commerce*), it has been the responsibility of our Independent Third Party to determine the compliance of the Extra-financial performance statement and the accuracy of the published CSR information.

Furthermore, the data relating to the "Conventional kerosene consumption" and "CO₂eq emissions associated with conventional kerosene consumption" indicators linked to the Flight Operations have been verified with the highest level of assurance, reasonable assurance (indicated by the symbol $\sqrt{}$), since 2007-08.

Scope covered and scope N-1

For the flight operations, the environmental consolidation scope covers:

- all the commercial flights under the AF codes operated by Air France and HOP!, and the TO codes operated by Transavia France;
- > all the commercial flights under the KLM code operated by KLM and its subsidiaries KLM Cityhopper B.V. (KLC), Martinair and Transavia Netherlands.

For the ground operations, the environmental consolidation scope covers:

- Air France consolidated subsidiaries: HOP!, CRMA, Sodexi, BlueLink and Transavia France;
- KLM consolidated subsidiaries: KLC (KLM Cityhopper), KES (KLM Equipment Services), KCS (KLM Catering Services), KHS (KLM Health Services), Transavia Netherlands, Martinair and EPCOR (for a portion of the indicators).

For the ground activities, the consolidation scope for the environmental reporting covers nearly 100% of the sites in France and the Netherlands (some very small subsidiaries being excluded). The international stations are not taken into account (partially for the French Overseas Departments and Territories).

For Air France, the indicators in the French stations are not reported when there is no detail available on the charges invoiced by airports. The contribution from the relevant stations is, however, marginal compared with the reported data.

Reporting tools

The environmental indicators are assembled at local level *via* different reporting tools: ONEmission (Enablon software), Tennaxia for waste, SAP Finance (invoicing) for Air France and CaeSaR for KLM.

The reliability of the reporting process is supported by definitions of each indicator and tool user guides made available to the contributors. Consistency tests have also been implemented.

The consolidation of the Air France-KLM Group's environmental data is carried out by the Air France-KLM Sustainability department.

Details and methodology – Definition of the key performance indicators and comments on changes in the indicators

At Air France-KLM Group level, the regulatory requirements and the reporting and consolidation principles are outlined in a joint document which is updated annually. Within the framework of an improvement-based approach, methodological details are provided on some indicators, and particularly on their definitions. When these changes have a significant impact on the data, comparison with the figures for previous years is not meaningful.

When the data is not available, the figure reported for the year (N) is estimated based on the value reported for the previous year (N-1).

The reporting period for the Group's environmental data is based on a rolling twelve-month period from October 1 until September 30 for ground data and January 1 to December 31 for flight.

Definition of the key performance indicators

Comments on changes in the indicators

For Air France-KLM, 2022 was to be a year of recovery compared with 2020 and 2021, although activity remained at a lower level than in 2019 due to the ongoing Covid-19 pandemic, particularly in the first quarter with the Omicron strain, but also throughout the year with the continued closure of most Asian countries. The war between Russia and Ukraine, which began in February 2022, also had a significant impact on overall activity in 2022.

While the Group increased its capacity by around 44% in 2022 compared to 2021 in terms of seats, its level of activity, albeit is close, did not return to its 2019 level (15% difference). However, the overall energy efficiency of the Air France-KLM Group has improved in 2022, as fuel consumption and carbon emissions have increased to a lesser proportion (+40%) than the Group's activity (+44%).

Energy efficiency per passenger (CO₂eq/passenger/km) improved significantly in 2022 (by 19% relative to 2021), after a sharp deterioration in 2020 (29%) followed by a slight improvement (6%) in 2021, thanks in particular to the increase in the load factor, which was significantly higher in 2022 (+25 points) than in 2021. Energy efficiency per passenger nonetheless remained below the 2019 level (72 gCO₂eq/passenger/km in 2019 versus 77 gCO₂eq/passenger/km in 2022).

Carbon efficiency - CO₂eq emissions per passenger kilometer

Operational CO₂ efficiency is expressed as grams of CO₂eq per passenger kilometer. It is calculated using the actual jet fuel consumed and the number of passengers flown over the actual flight distance planned. For international flights, the fuel burned is divided between passengers and cargo based on mass. The distance used is the flight distance planned which is on average around 7% longer than the great circle distance due to various restrictions (no fly zones, local air traffic control, weather conditions, etc.). The standard mass for a passenger plus luggage amounts to 100 kg (ICAO-standard).

From 2022 onwards, the fuel efficiency with the market-based measures that compares the efficiency of the current year with the value in 2005, is no longer tracked and is replaced by the greenhouse gas Emissions Intensity (GHG) indicator (see Note 1).

Carbon efficiency – CO_2eq emissions for freight transportation

Fuel efficiency is expressed both in liters of kerosene per 100 kg of freight – 100 kilometers and in grams of CO_2 per 100 kg of freight. The calculation is based on a split of fuel between passengers and freight. The fuel consumption for freight is divided by 0.1TK and corrected by the ratio between the planned flight distance and the shortest distance. Freight CO_2 eq emissions are calculated based on the fuel consumption from which the of CO_2 eq emissions linked to the use of sustainable alternative fuels are deducted.

Greenhouse gas (GHG) emissions intensity (Note 1)

In 2022, the Air France-KLM group committed to the SBTi program and has set itself the target of reducing its greenhouse gas (GHG) emissions intensity by 30% by 2030 compared to the reference year 2019 (in gCO₂eq/RKT). This target was validated in November 2022 for Air France-KLM Group, as well as for Air France and KLM.

The GHG emissions intensity is expressed in Tons of CO_2 equivalent per Revenue Ton-Kilometer (g CO_2 eq/RKT). This indicator covers in absolute terms the CO_2 eq Scope 1 (emissions from the Group's direct activities) and Scope 3 (upstream emissions from the fuel production of the Group's activities) emissions, divided by the sum of RKT (Revenue ton-kilometer) and RPK (Revenue passenger-kilometer), representing all the industry segments in which the Air France-KLM Group operates. The scope of activities taken into account for its evaluation is the same as that used for the URD. Carbon offsetting and avoided emissions are not included in the calculation of the indicator to comply with the SBTi methodology and framework.

The baseline for the indicator in 2019 is 948 gCO_2eq/RTK .

CO₂eq emissions from the ground operations (Note 3)

The CO_2eq emissions from the ground operations include all scope 1 and 2 emissions at the sites in France and the Netherlands.

Non-recycled non-hazardous industrial waste

Non-recycled non-hazardous industrial waste is defined as waste disposed of (Eural Code D). Waste incinerated with energy recovery (Eural Code R1) and R12 or R13 waste, for which it is not possible to know whether this waste has been recycled or incinerated with energy recovery, is categorized as Non-Recycled Waste as a conservative position.

Comments on changes in the environmental indicators

Carbon emissions (Note 4)

Direct and indirect CO_2 eq emissions are reported in accordance with the GreenHouseGas Protocol. Since 2017, the scope 3 emissions from flight operations (upstream emissions from Jet fuel) have been reported. According to ADEME, the CO_2 eq emissions correspond to 98% of all greenhouse gases.

Scope 1 - Aviation fuel

Scope 1 emissions generated by the combustion of aviation fuel are reported for all the kerosene used in Air France-KLM's flight operations. The emission factor used of 3.16 kgCO₂eq per kg kerosene is in line with the emission factor from the ICAO (CORSIA – Carbon Offsetting and Reduction Scheme for International Aviation). Since the combustion of kerosene does not emit CH_4 or N_2O , we consider in this situation that the CO_2 emitted is similar to the equivalent CO_2 .

Note that there are differences between the scope of the CO_2 eq emissions published in the Extra Financial Performance Statement and the scope of the EU ETS for greenhouse gas emission allowance, so the comparison is not meaningful.

Scope 1 - Ground operations

The direct emissions from the ground operations are based on the consumption of energy coming from different sources and their corresponding emission factors. The factors are based on national standards or are delivered by the energy suppliers.

In 2022, the Air France-KLM Group updated all its emission factors to express its direct emissions in CO_2eq .

 CO_2eq (or carbon dioxide equivalent) is the unit of measurement used to compare the global warming impacts of different greenhouse gases. CO_2eq is calculated by measuring all the greenhouse gases (nitrogen, methane, carbon dioxide etc.) emitted at all stages of the ground activities. To simplify the analysis of their footprint, we convert these greenhouse gases into CO_2 equivalent.

Scope 2 – Electricity, steam, other heating and cooling (Note 2)

The emissions from electricity, steam, other heating and cooling are based on the consumption volume and the corresponding emission factors.

In order to further comply with the GHG protocol standards, in 2022, Air France-KLM adapted its reporting methodology.

The calculation of scope 2 emissions is now carried out according to the two methods described by the GHG protocol: one based on the market and the other based on geographical location:

- Iocation-based method: this method takes into account the average emissions related to the production of electricity in the area where it is consumed. The emission factors used are taken from the ADEME database for Air France and the CO₂emissiefactoren database for KLM;
- > market-based method: this method takes into account the contractual agreements under which the organization sources electricity from specific sources, such as renewable energy. It is becoming mandatory to provide Certificates of Origin guaranteeing that the electricity has been produced from a renewable energy source and fed into the electricity grid. The CO_2 emissions reduction resulting from the purchase of these certificates for renewable energy rates are communicated by the suppliers. Note that, the electricity supply is 100% renewable for KLM.

To facilitate comparison with the 2022 results, the 2021 data (based on electricity consumption only) has been recalculated by integrating heating and cooling consumption.

Scope 3 - Upstream emissions from kerosene production

These emissions are generated during the production, transportation and distribution of kerosene.

In 2022, the Air France-KLM Group updated the greenhouse gas emission factor used to calculate Scope 3 emissions to align with the SBTi methodology. It is 0.80422 (former factor = 0.6448) kgCO₂eq per kg of fuel, determined from the emission factor defined by the ICAO (89 gCO₂e/MJ) for the entire life cycle of kerosene and the heating value of kerosene (44.5 MJ/kg).

To facilitate the comparison with the 2022 results, the Scope 3 values for 2021 have been recalculated for the Air France, KLM and Air France-KLM groups on the basis of this new emission factor.

Scope 1 & 3 – CO_2 eq emission reduction from the use of Sustainable Aviation Fuel (Note 3)

The CO_2 eq reductions from the use of Sustainable Aviation Fuel (SAF) are calculated based on the specific percentage CO_2 eq reduction for the particular SAF batch and the total volume purchased.

Emissions regulation – ETS (Emissions Trading System) (Note 4)

The volume of reported mandatory carbon credits is based on the annual reporting of the ETS and CORSIA. Free allowances and the trading costs are excluded.

The number of ETS emission allowances reported by the Air France group in 2021 has been corrected from 336 to 250, to include the CH-ETS and Transavia France allowances.

Carbon credits (Note 5)

- Mandatory: Pursuant to Article 147 of the French Climate and Resilience Law, the Air France group is required to compensate 50% of its 2022 domestic emissions. This mandatory compensation scheme for the Air France Group applies to the domestic emissions emitted since January 1, 2022. As a result, in 2022, the Air France group changed its policy, moving from a voluntary to a mandatory basis. The scope of mandatory compensations will gradually increase starting from 50% of domestic emissions in 2022, to 70% in 2023 and 100% in 2024.
- Voluntary: The volume of voluntary carbon credits is calculated over the calendar year. Voluntary carbon offsetting of CO₂ paid by customers is not included. The carbon credits are purchased by Air France and KLM. These carbon credits are Gold Standard or VERRA certified.
- Customer: The volume of voluntary carbon credits is calculated based on the calendar year. This concerns the voluntary CO₂ compensation paid by customers via the Air France and KLM programs.

Flight operations

Consumption of conventional aviation fuel

This is the actual conventional aviation fuel consumption for each flight. It includes the fuel consumption for the use of APUs (Auxiliary Power Unit).

Consumption of Sustainable Aviation Fuel

This is the quantity of Sustainable Aviation Fuel (SAF) purchased during the reporting period.

Non-carbon emissions - NO_x low altitude

The methodology used to calculate low-altitude emissions (i.e. below 3,000 feet) is common to Air France and KLM. It is based on the LTO (Landing-Take Off) cycle and on engine data communicated by the ICAO (International Civil Aviation Organization). The taxiing time taken into account is the actual taxiing time, which is more precise than the standard values recommended by the ICAO methodology. Note that, since the actual taxiing time is not available for Transavia France, the standard ICAO values have been used for this subsidiary.

Non-carbon emissions - SO₂ low altitude

Note: the "low altitude" and "LTO" for Landing-Take Off cycle denominations are equivalent. The calculation of the SO₂ emissions from flight operations is based on the average sulfur content (level provided by the SMCA company for Air France and AFS for KLM, in charge of Jet Fuel logistics at CDG and AMS) of the fuel loaded, respectively, on the Amsterdam and Paris platforms which is applied, respectively, to all fuel used during the year by KLM and its subsidiaries, and by Air France and its subsidiaries.

Acoustic impact

The measurement of the acoustic impact of the Air France-KLM Group changed in 2021 and is now closer to those commonly used by other air transport operators. It is measured according to the classification of its fleet in operation according to the ICAO noise chapters. The indicator evaluates the percentage of aircraft certified under chapters 4 and 14 (which are the most efficient noise levels for jet aircraft to date) out of the total fleet in operation. Thanks to its ongoing efforts to renew its fleet, the Group has achieved good results, with 75% of its fleet certified at very high noise standards (chapters 4 and 14). The flights concerned are under the commercial codes AF, KL, TO, HV and MP, operated, franchised and chartered, code-share excepted.

Ground operations

Consumption - Electricity (of which renewable)

This is the total volume of electricity use in MWh. For KLM the volume of renewable electricity is based on the purchase of EU Certificates of Origin coming from wind energy.

Consumption - Other energies: Fuel

The total volume of fuel use for the ground operations includes:

- > kerosene (Jet fuel A1) for testing engines;
- non-road diesel fuel for a portion of the Air France runway equipment;
- gasoline, diesel and GTL for the Ground Support Equipment (GSE).

Consumption - Other energies: Natural gas

The total quantity of natural gas is mainly used for heating buildings, maintenance hangars and cargo warehouses. The conversion factor for the quantity of gas used is based on the characteristics of the gas specific to France and the Netherlands.

Consumption – Other energies: Steam/other heating/ cooling (of which renewable)

This includes superheated and iced water for climate comfort. For Air France, superheated and iced water is supplied by ADP (Aéroports de Paris) at the Orly and Roissy sites. The KLM facilities do not consume this type of energy.

Consumption - Other: Water consumption

The consumption of water is taken into account for all the ground activities. The water used on board the aircraft is not included.

Non-carbon emissions - NO_x

The NO_x emissions related to engine testing are calculated based on a methodology similar to the one used for the Flight Operations, which reflects the actual testing conditions. Other sources of NO_x include combustion of the fuel used by ground support vehicles and runway equipment. For Air France, the calculation is based on the European standards EURO 1 to 6 for light and heavy vehicles, and Stage I to IV for diesel engines (European Directive 97/68/EC for non-road mobile machinery), setting the emission limits based on engine power. For KLM, the NO_x emissions from gas installations and vehicles are determined by direct measurements, from manufacturer data or external databases.

Waste - Non-hazardous industrial waste and percentage recycled

Non-hazardous waste is monitored and reported by specialized waste management providers. KLM's scope includes KLM Catering Services (a KLM subsidiary) and therefore Catering waste, unlike Air France which subtracts this activity. The percentage of non-hazardous waste recycled covers all waste sorted separately for recycling. The percentage of recycling does not cover waste incinerated with energy recovery (EURAL code R1).

Transavia France waste (services included in the rent) is not included in the waste data. However, it represents an insignificant volume (less than 1% of the total tonnage).

Waste - Hazardous industrial waste and percentage recycled

Hazardous industrial waste is monitored and reported by specialized waste management service providers. When the quantity of hazardous waste has not been communicated by the service providers at the end of the reporting period, the quantity mentioned on the slip leaving the site is taken into account. However, this quantity is estimated to be marginal. The recovery of hazardous waste complies with European regulations. The percentage of recovery is the ratio of hazardous industrial waste incinerated with energy recovery and recycled (codes R1 to R13) to total hazardous industrial waste.

4.4 CUSTOMER TRUST

For Air France-KLM, customer satisfaction is a key priority and the Group is developing numerous initiatives to improve the customer's end-to-end travel experience. Customer satisfaction is notably measured through the Net Promoter Score (NPS), the reference indicator driving customer recommendations. Performance indicators and tools have been developed to track the results on a daily basis. Customer satisfaction is above all based on their trust in the Group's airline activities. As a responsible airline Group, Air France – KLM must ensure the safety and health of its customers, employees and partners. This commitment covers flight safety, health security, the safety of the food services offered on board and in the lounges, the protection of personal data and also occupational health and safety (see section 4.2.3). The Group is also committed to facilitating access to its products and services, particularly for passengers with disabilities or those with reduced mobility.

Key Performance	Definition	Companies	22/21	2022
Indicator			variation	target
Net Promoter Scores (NPS)	Change in the NPS (expressed as an annual average) of Air France, KLM, Transavia (France	Air France	-9 pts	No
	and the Netherlands) between 2021 and 2022 Achievement of the 2022 target	KLM	-12 pts	No
		Transavia France	-9 pts	No
		Transavia Netherlands	+3 pts	Yes

Scope: Air France, KLM, Transavia France and Transavia Netherlands.

The Net Promoter Score (or NPS) is a recommendation indicator given by customers to the products and services of Air France, KLM and Transavia (France and the Netherlands) in their capacity as airlines, ranging from 0 to 10 (0 corresponding to "I will definitely not recommend" and 10 to "I will definitively recommend". It corresponds to the difference between the percentage of promoter customers (scores 9 and 10) and the percentage of customers critical of the brand (scores 0 to 6). This concerns the response to the first question asked in Air France-KLM's e-Score online customer satisfaction questionnaire: "Based on your opinion and experience, how likely are you to recommend Air France/KLM/Transavia to your friends/colleagues?". For each brand, the indicator measured is the annual change in the NPS (calculated as an annual average). Note that, since they are reported *via* two different measurement tools, the Net Promoter Scores for Transavia France and Transavia Netherlands cannot be consolidated.

For each brand, whether or not the annual target has been achieved is also indicated.

The operational crisis experienced over the summer of 2022, linked to a strong recovery in activity (shortage of airport staff, baggage crisis) generated numerous irregularities that weighed customer satisfaction and the achievement of the Group's targets.

4.4.1 Operational safety for stakeholders

Flight safety

Context and strategy

Flight Safety is paramount for Air France-KLM. It is key to retaining the trust of both customers and staff, and imperative for the long-term viability of its operations and of air transportation as a whole.

Within a context of crisis and a changing environment, the Group does whatever it takes to maintain the highest level of Flight Safety thanks to its Safety Management System and by supporting its Flight Safety players through specific measures.

All of the Group's activities are subject to numerous checks and certifications; in particular, *via* the supervisory actions carried

out by the Civil Aviation Authorities in each country and *via* the International Air Transport Association (IATA), whose IOSA Operational Safety Audit is a benchmark within the industry. Air France's and KLM's IOSA certifications are continuously renewed following on-site audits and Air France carried out its most recent renewal audit in November 2022.

See also section 3.1.2 in chapter 3 "Risks relating to the air transportation activity".

Measures and action plan

To achieve the highest possible standard of Flight Safety, each airline updates and reinforces its Safety Management System (SMS), which concretely defines the modalities in place to manage aviation risks.

🙆 Management of Flight Safety risks

Air France and KLM use the evaluation method for operational risks recommended by the European Aviation Safety Agency. They have deployed this method in all the operational entities and at all levels of the business. The management of Flight Safety risks, notably through systems compiling flight parameters and situation reports, enables threats to be identified, risks to be evaluated, the implementation of remedial measures and the monitoring of the results obtained. It enables proactive management of the risks to maintain them below the level that is deemed acceptable to the responsible management. The management of flight safety risks is monitored by the Corporate Safety Department. An internal quality assurance procedure continuously evaluates the proper functioning of Flight Safety Risk Management. To this end, Air France has decided to invest in new software tools for the management of its safety data.

Air France is developing synergies between an array of progress-oriented and risk management approaches – Flight Safety, Health & Safety in the Workplace, Customer Service Quality, Operational Performance, Environmental & Sustainable Development, Food Safety & Hygiene. This quality-based approach is the vector for the steering and management of the businesses, aimed at a continuous improvement in results.

KLM deploys a similar approach. The Company is building on the best safety and security practices through an Integrated Safety Management System (ISMS), a working environment of continuous learning and improvement, and independent oversight of the four safety domains: operational, occupational, environmental safety and operational security. KLM thus continuously aims to improve its industry-leading, risk and performance-based Safety Management System in which risk-based decisions can be taken by the responsible management at all levels within KLM. The ISMS is outlined in KLM's Integrated Safety Management Manual (ISMM) and has been approved by the Dutch Civil Aviation Authorities as part of the Air Operator Certificate.

Air France and KLM's Safety Culture programs, which include promotion, communication, training and learning interventions, are embedded in the companies to enhance safety awareness and the relevant safe attitude and behavior at all levels.

In 2022, following the Covid-19 public health crisis, activity returned to close to its 2019 level. This led Air France and KLM to implement specific measures to support the development of safety. The Group has realized safety studies aimed at identifying the risks generated by the situation and defining risk mitigation measures enabling the level of safety to be maintained. These actions form part of the international cooperation framework *via*, notably, participation in the work of the International Air Transport Association (IATA) and the Flight Safety Foundation. This cooperation enables synergies to be generated, within the SkyTeam alliance and the sharing of information between partner airlines.

Governance

Flight Safety Committees, chaired by the Executive Vice-Presidents responsible for the operational entities (Safety Action Groups), meet every quarter within Air France. Their task is to approve the action plans established to apply the orientations set by the companies, the outcomes of inquiries and the results of supervisory acts.

These committees are also tasked with sharing information on the emergence of new Flight Safety issues originating from feedback or risk analysis, by ensuring that the resources and action plans in place are adapted to the issues.

Flight Safety Committee meetings are held twice a year at the level of each company, to evaluate the effectiveness of the existing action plans.

At KLM, the Corporate Safety Committee within the KLM Board of Directors meets every guarter to analyze the Safety Indicators. In 2022, KLM maintained its focus on Occupational Safety hazards by updating the overall Occupational Safety Policy to provide structure for the required mitigating action. Occupational risk analyses were performed on the transmission of the virus followed by the implementation of mitigating measures. All working environments, whether these be aircraft, offices or operational work spaces, have been set up to facilitate a safe working and living environment. Safety Action Groups (SAGs), chaired by the Nominated Persons and/or Heads of Divisions are in place across the Company with, at the highest level, the Corporate Safety Action Group chaired by the COO and Accountable Manager. The SAGs decide on the safety action plans during meetings held either weekly or fortnightly. In cooperation with the aviation industry stakeholders at Schiphol Airport, like the airport authorities and Dutch Air Traffic Control, KLM has carried out a number of joint safety risk assessments and conducted mitigating actions to improve safety around the airport. These activities were carried out within the common sector Integrated Safety Management System, a unique collaboration between the aviation players at the airport which was established in 2018.

Furthermore, since Flight Safety is an absolute priority for Air France-KLM, the Board of Directors conducts an annual review of the Flight Safety indicators (KPIs) and results, and the measures in place to mitigate the impact of the risks.

Developing a safety culture

Building a company-wide culture of the prerequisite for a safety awareness across all the operations is a gradual yet ongoing approach aimed at raising the ambition of the airlines in the Air France-KLM Group. Vocational training is a cornerstone of this culture and thus primarily takes into account the skills and expertise to be acquired in matters of safety: safety training for pilots and cabin crews, and training for the maintenance professions and ground operations.

The quintessential idea that concerns all employees is a comprehensive safety awareness and a safe working environment, both physical and mental/social. Everyone working in the Air France-KLM Group should feel safe and free to report mistakes and incidents, even those for which they themselves are responsible. By embracing a "Just Culture" we learn, develop and improve on a permanent basis.

Air France and KLM are further embedding safety in the attitude of every employee and the execution of every function by making safety awareness an integral part of every onboarding and to cross-boarding program.

Air France has set itself the objective of developing its safety culture through the Safety Attitude program, launched at the end of 2018. The ambition of Safety Attitude is to always be strengthening the Company's safety performance and promote industry best practices.

The Safety Attitude program began with a benchmarking study of five companies, completed by a diagnostic phase, conducted by an independent organization. 22,500 employees from all the Air France professions responded to a questionnaire and over 600 people were interviewed. This in-depth diagnosis enabled the identification of the areas of work that will enable the federation of all employees around a common safety Culture as close to operations as possible, based on transparency and trust. In 2020, despite the crisis, the Executive Committee reaffirmed its determination to pursue the project by implementing the first concrete actions, in particular the introduction of field visits for the entire line management. The action plan has been developed with contributions from all the departments to maintain a culture of transparency, simplification and respect for procedures, the evaluation of non-technical skills and inter-business exchanges.

In 2021, Safety Leadership training courses were deployed from the Executive Committee down to the middle management level, addressing important subjects such as the just culture and arbitration.

In 2022, other major actions were launched, such as the definition of rescue procedures and "safety moments" during all briefings and meetings. To this end, a three-year program of concrete actions adapted to each business line has been structured: mobilization of the line management, a culture of transparency, respect of the procedures, evaluation of non-technical competencies and exchange between the professions.

네 Results and performance

During 2022, based on the IATA and ICAO definition, we experienced three non-major ground safety accidents and one serious incident, respectively damage to an aircraft on the ground from a collision with another aircraft passing behind, injury to a cabin crew member due to severe turbulence, a passenger injured by the ignition of his electronic cigarette and an un-stabilized approach.

The rate of reporting of Flight Safety events by staff is above target, contributing to the proper functioning of the Safety Management System.

The measures taken to accompany the ramp-up in flight operations have borne fruit. The Flight Safety network teams are mobilized to analyze the signals coming from the Safety Management System and to take the appropriate action, in addition to the measures already in force.

Health security and commercial measures

Context and strategy

Since 2020, the world has had to contend with one of the gravest public health emergencies in its history, affecting all populations across all continents. As of the emergence of the Covid-19 virus, the Air France-KLM Group implemented unprecedented measures to guarantee the health and safety of its customers and staff, including:

- exceptional commercial measures have been maintained and constantly adjusted by the airlines within the Group to enable their customers to plan their travel with peace of mind;
- in view of the health situation, some countries continue to require a health pass, a negative Covid-19 test and/or quarantine or specific travel documents. Since 2021, customers have had access to the TravelDoc website, enabling them to check the latest entry requirements before travelling;
- in addition, Air France's Ready to Fly and KLM's Upload@ Home digital services, free of charge and optional, enable customers to verify that they have all the necessary health documentation before starting their journeys.

Measures and action plans

In 2022, the Air France-KLM Group implemented the strictest health measures both on the ground and on board, as well as a fully-flexible commercial policy and offered a travel insurance policy in partnership with Allianz Travel for epidemic-related risks.

These measures included the:

- mandatory wearing of surgical masks by both customers and staff;
- at the airport, posters, announcements and floor signage reminding people of the physical distancing measures;
- sales, check-in and boarding counters equipped with Plexiglass protective screens;
- regular disinfectection of the check-in counters and self-service kiosks, hydro alcoholic gel dispensers mad are available throughout the customer journey;
- possible body temperature checks on the departure of certain flights;
- > all the health measures were also implemented in the lounges: hydro alcoholic gel dispenser at the entrance, mandatory wearing of masks, organized physical distancing and cleaning of all surfaces. The buffet, bar, beauty treatment and children's spaces were adapted or closed;

- on board, prior to every departure, all the aircraft were thoroughly cleaned: vacuuming of carpets, seats and headrests. All contact surfaces (tablets, armrests, entertainment screens, remote controls, baggage racks, windows and toilets) are cleaned and disinfected;
- > the aircraft were equipped with air recycling systems consisting of HEPA (High Efficiency Particulate Air) filters, identical to those used in operating theaters, which trap 99.9% of particles. The air is thus renewed every three minutes;
- the return to a normal in-flight and airport catering offer has begun, but individually wrapped products and products served under a bell are still prioritized;
- the teams received detailed instructions and new procedures to be able to work in safety and guarantee respect of the new standards;
- > the press and magazine offer and inflight sales were suspended;
- > Air France launched its health commitment to customers under the name Air France Protect and, in 2022, this questionnaire continued to be sent to them.

Since the onset of the public health crisis, the Air France-KLM Group has adapted its communication to support customers and help them plan their travel. To facilitate customers in the event of unforeseen developments, the Group's airlines adapted their commercial policies. With 100% changeable and refundable tickets, trips could be postponed for any reason, a refundable credit issued if the customer no longer wished to travel or a refund given if their flight was cancelled.

KLM has introduced an interactive "Where can I fly to?" map showing the current travel requirements for every country in the KLM network. The map displays the travel requirements based on the customer's country of departure and vaccination status, so they can choose their next destination at a glance.

····· Results and performance

In 2022, KLM was named a five-star airline by APEX with the status of World Class Airline for the second year running. Customers award this distinction in respect of themes including safety, customer well-being and sustainability.

The Air France-KLM Group was certified by Skytrax for its Covid-19 measures, safety measures and the improvement in its hygiene processes to help reduce the spread of the coronavirus.

Witthin this framework, Air France was certified as a five-star airline and KLM was named a four-star airline. For the second year running, the Air France – KLM Group won the APEX (Airline Passenger Experience Association) Diamond Award Health Safety award, the highest distinction in its category. This award recognizes the best measures put in place by the airlines in terms of health and health safety, showing that the airlines take the right measures at the highest level to offer customers the safest possible journey.

The Air France-KLM Group was certified as a four-star airline for the quality of its airport and onboard product and staff service. This product rating includes the seats, amenities, food and beverages, IFE (Inflight Entertainment Equipment), cleanliness, and the service delivered by cabin crews and ground staff.

Following the implementation of Air France Protect, customers were rapidly consulted to evaluate their level of satisfaction with the hygiene measures deployed throughout the customer journey and their in-flight experiences. Since June 2020, they have thus been invited to complete a questionnaire. Nearly 89% of Air France customers say they are satisfied or very satisfied with the measures in place, approaching 44% reply that they feel comfortable during their journeys and some 27% say that they are enthusiastic/happy; feelings of aggravation, anxiety or stress are reported by 15% of the customers polled.

Operational measures to take into account the impact of climate change

Context and strategy

For air transportation, the impacts of climate change could have consequences for the routes and destinations served. In particular, the more frequent occurrence of extreme climate events could affect the safety of flight operations and service continuity (re-routing, flight cancellations and delays, etc.) causing disruption for customers.

Measures and performance

Since they are present across all continents, the Group's airlines already operate safely in all weather conditions. They have thus already deployed the procedures and resources to ensure operations in extreme climate conditions. Air France, KLM and Transavia have developed special training programs for employees on the management of emergency situations.

The airlines also work in cooperation with airports to ensure safe operational and passenger handling conditions and, in such circumstances, deploy commercial measures to enable passengers to defer their travel should they so wish, or change their destinations.

Lastly, the size of the Air France-KLM network, with services balanced between the different continents and the flexibility linked to fleet composition, are all valuable assets when it comes to minimizing the economic and commercial consequences of these impacts, and adapting flight schedules to market requirements.

Food safety

Context and strategy

The Air France-KLM Group is committed to guaranteeing food services that are safe for its customers and flight crews.

As the years go by the relevant regulations are becoming increasingly exacting. This is why food safety is a key priority for the Group. Air France and KLM both deploy quality-control procedures to fulfil these requirements. Since September 1, 2022, Air France Food Safety has been taken into account by the Corporate Multi-Risk Management department in order to benefit from synergies with Flight Safety.

Measures and action plans

The management system is based on four processes, steered by a centralized unit within the Group:

- > the first process is cross-cutting and applies to the whole risk area: regulatory intelligence, risk analysis and definition of the measures to mitigate these risks, staff training, establishment and updating of the reference standards, monitoring of the action plans;
- > the three other processes are operational and are detailed based on the activity: on board services, water loaded on board and services offered in the lounges.

The management measures are deployed by a Food Safety specialist in each relevant entity: procurement, flight operations, in-flight services, maintenance, operations, international stations, logistics and flight product, etc. They are the guarantors that the measures have been applied within their business lines and report back on functioning together with the associated action plans. The management measures are regularly monitored through indicators and decision-making committees ensuring the effectiveness of the provisions in place relating to Food Safety.

Despite the significant reduction in the number of flights owing to the public health crisis, the monitoring of catering suppliers has been maintained while adapting the model. Within the framework of the monitoring process, food safety audits are realized on departure from Paris and Amsterdam, and in the international outstations. To adapt to the public health crisis, remote audits have been set up. Microbiological checks, water analyses and temperature checks have been maintained in proportion to the flight schedule.

Risk control relating to food safety is managed in the following ways:

- > for airline catering, the caterers are audited at least once a year by an external company specialized in food safety. These on-site hygiene audits are un-announced and are carried out by specially-trained auditors. The audits verify compliance with the IQS (Safety and Quality Standards) for the transformation of foods based on the HACCP principles (Hazard Analysis and Critical Control Point);
- e-audits are also conducted to verify the exhaustiveness and effectiveness of the traceability within all caterers;
- in addition, all food product suppliers are referenced based on very strict specifications and are the subject of close microbiological monitoring by an internal laboratory for KLM and an external laboratory for Air France, both of which are ISO 17025 certified.

네 Results and performance

In addition to compliance with the HACCP Principles & Application Guidelines, Air France is the first airline in the world to have attained ISO 22000 certification. An annual audit carried out by an external body verifies that the management system complies with the standard and with the regulatory requirements. In response to the standard's new requirements, Air France made some changes to its management system which were approved by an external audit in March 2021. Internal audits are also realized based on a three-year plan across all the relevant business lines.

A series of key indicators, one per operational process, form part of a monthly dashboard presented to the Executive Committee. Any malfunctioning flagged, notably, by flight crews or customers, is also studied to be able to implement remedial and/or preventive measures. Throughout the year, several meetings of in-house steering bodies are held, enabling the monitoring of current events in this area and the tracking of performance *via* indicators and action plans, with a view to ensuring a continuous improvement.

4.4.2 Confidentiality and data protection

Protection of data and IT systems

🗞 Context and strategy

be it passenger bookings, flight schedule management, baggage check-in, the calculation of ticket prices, aircraft maintenance and crew information, IT is at the heart of all of Air France-KLM's activities.

Cyber security and data protection constitute one of the top priorities for the Group, on which its operational and economic performance depends, and the trust of its customers.

Measures and action plans

The Air France-KLM Group manages its cybersecurity strategy and practices under the leadership of the CIO, who is a member of the Group Executive Committee (GEC) and the CISO at Group level. The CISO (Vice-President, Cybersecurity) is responsible for liaising with the national security authorities (France, Netherlands). The Group cooperates on a monthly basis with a network of relevant aviation sector players (airports, OEMs) to ensure a state-of-the-art cyber security framework. Our IT infrastructure is organized with multi-segmented networks and multi redundant datacenters.

A 24/7 Security Operation center, PDIS certified by the authorities, monitors all security events. Air France–KLM's cyber security level is assessed permanently on line and annually on-site by several independent audits, including a "red team", which participates in the continuous improvement of the cyber security strategy. The cyber Business Continuity Plan (BCP) is tested annually and improved with long-term action to maintain the highest cyber security level in the industry, including all affiliates and suppliers.

The Air France-KLM Group also takes part in the cybersecurity working groups of the main professional airline associations (IATA, A4E, etc.) and contributes to work with associations specialized in cybersecurity (CLUSIF, CESIN, CIGREF, Aviation ISAC, CSIRT).

The Air France-KLM group conducts regular assessments of its cybersecurity, with several specialized companies including Bitsight. Continuous benchmarking and the use of an independent cybersecurity rating agency, enable the Air France-KLM Group to be compared with other companies in the air transport sector.

The Air France-KLM Group leverages the expertise of leading consultants in the cybersecurity market and actively cooperates with a wide range of IT partners.

To offer the best level of protection on the ground and in the air, the Air France-KLM Group is increasing the number of staff dedicated to cyber security and the cyber security plans which includes:

- a plan directed at delivering the best effective cybersecurity solutions and infrastructures to adapt permanently to the evolving cyber threats. This includes a cyber insurance policy;
- a mandatory awareness program for all staff including a mandatory Cyber training module;
- a plan to ensure compliance and adapt our IT products and services to new regulations;
- > a plan to support the digital transformation to offer a simplified and secure user experience.

III Results and performance

A quarterly presentation on the results of these plans is made to the Group Executive Committee and annually to the Audit Committee and the Board of Directors, guaranteeing sponsorship by all GEC members. Among the realizations, the Group benefit from:

- a technological state-of-the-art cybersecurity infrastructure and services, with a robust organization coordinated around the SOC (Security Operations Center), including its affiliates and partners;
- an up-to-date cybersecurity regulatory framework for the ground IT and onboard systems, with a cybersecurity policy based on the ISO 27000 and NIST standards, and other strict regulations applying to the Air France-KLM Group's activities;
- an annual monitoring plan of the risks associated with digital technologies, involving audits and threat hunting. The results are presented to the three management committees with complementary perspectives. The Group's IT Executive Committee notably evaluates the coherence between the cyber risks and investment in IT. The Cyber Plane Committee, chaired by the Accountable Manager, decides on the orientations to be adopted to reduce the potential cyber risks for the different businesses. Lastly, the Safety Performance Committee, chaired by the Head of Safety, evaluates the effective mitigation of cybersecurity risks;
- a special cybersecurity review take place in the newly-created Air France-KLM Group cybersecurity community. It ends up with an improved cyber score at the top of the ranking.

See also section 3.1.3 "Risks relating to the Group's processes".

Data privacy

Context and strategy

In force since May 25, 2018, the European General Data Protection Regulation (GDPR) aimed at protecting personal data, has firstly extended the rights of data subjects and, secondly, strengthened the accountability and obligations of data controllers, requiring documentation and proof of their compliance. To meet the requirements of the GDPR, Air France and KLM have deployed, since 2018, under the responsibility of their Data Protection Officers, a broad-ranging program to strengthen their Data Protection management systems in line with their cybersecurity programs and designed a personal data management framework to ensure compliance with all GDPR principles, in particular Privacy by design and by default.

In addition to standard security controls, the Information Security Manual (ISM) incorporates the GDPR controls that Air France and KLM must implement to guarantee the highest level of security and protection of personal data, in particular articulated around the following topics: data lifecycle, retention period and purge mechanism, protection of sensitive data, logical access security controls, data flows, personal data extractions, protection of mobile devices, third-party management, etc.

Measures and action plans

In 2022, in addition to strengthening the existing systems in terms of Data Protection governance, the management of data breaches and training as part of the annual compliance program, the main focus was on the compliance of transfers of personal data outside the European Economic Area, after the invalidation by the Court of Justice of the European Union of the Privacy Shield in the "Schrems IT" case. As a consequence, the European Data Protection Board (EDPB) recommended, for these transfers, the performance of Data Transfer Impact Assessments (DTIA) and the use of new models of standard contractual clauses.

· 네 Results and performance

The overall effectiveness of the Data Protection management system is assessed through the steering of an internal network of business privacy correspondents (first level controls), the internal control systems implemented (second level controls) and a dedicated Internal Audit program (third level control). This framework is subject to a continuous improvement process.

Risks related to Data Protection are periodically assessed within the various business activities of the Air France – KLM Group and integrated into the overall risk management and control system.

Insofar as these risks, combined with cybersecurity threats, are becoming more and more significant, the protection of personal data, and, more generally. data privacy, is an absolute imperative for the Air France-KLM Group.

See also section 3.1.3 "Risks relating to the Group's processes".

4.4.3 Accessibility of the products and services

🗞 Context and strategy

The Group offers all its customers the best-possible travel experience and undertakes to provide comfortable, attentive and reliable air travel. Passengers with disabilities or reduced mobility (PDRM) are welcome, providing that air travel is not undertaken against medical advice.

This calls for the appropriate assistance involving a degree of complexity owing, notably, to the differences between EU and US regulations. In the United States, the responsibility falls solely to the airline and there are no reporting requirements for US citizens and passengers on flights to/from the US. In the European Union, however, the airport authority is responsible for the end-to-end assistance of PDRMs during their journeys through airports and customers are invited to transmit this information to the airline 48 hours before departure, the airline then being responsible for forwarding this information to the airport authority 36 hours prior to departure. At Paris-CDG, Paris Aéroport (ADP Group) oversees special assistance for Air France passengers *via*its *Passerelle CDG* and Samsic service providers. At Amsterdam-Schiphol Airport, PDRM assistance is supplied by Axxicom Airport Caddy.

For disabled and reduced mobility (PDRM) customers, within the context of the public health crisis, the airlines have reinforced their protocols to guarantee their health and well-being (wheelchairs disinfected daily and after every use, the wearing of masks and gloves by airport assistance personnel, etc.). Lastly, the

communication channels are kept updated to help customers comply with all the travel conditions (entry documents, tests, etc.).

Measures and action plan

The Air France dedicated assistance service for passengers with reduced mobility, known as Saphir (Service d'Assistance aux Personnes Handicapées pour les Informations et la Réservation), offers an array of services adapted to their needs, such as facilitated booking procedures, airport assistance, baggage assistance and special equipment on board (raisable armrests). With around 30 dedicated advisors. Saphir fielded around 71,000 calls between January and October 2022 (65,000 in 2021): telephone and online services enable ticket bookings and the provision of the appropriate assistance. A telephone assistance service dedicated to hearing-impaired customers is also offered. Saphir is specifically aimed at people "whose mobility is reduced, when using transport, due to any physical disability (sensory or motor, permanent or temporary) or any handicap or intellectual deficiency, or any other cause of disability, or age, and whose situation requires appropriate attention and adaptation to their particular needs of the service made available to all passengers" (definition of the Regulation of the European Parliament and of the Council of July 5, 2006). It is available from mainland France, the French overseas departments (Cayenne, Fort-de-France, Pointe-à-Pitre, Reunion), and 19 other countries. Each member of the Saphir team has been trained by a doctor specializing in disability.

Air France has also long partnered multiple associations dedicated to disability and has forged strong links with national and European bodies in this field, to cooperate on the design and development of service improvements.

KLM Cares facilitates the organization and booking of flights for people with disabilities or problems with mobility. At the airport and on board, KLM offers specially-adapted facilities and equipment to ensure a journey that is as comfortable and enjoyable as possible.

Air France and KLM cabin crews are trained in the particular assistance needs of the customers concerned and received specific instructions to deal with the public health crisis. Eight hundred of them have obtained the status of "Disabled Persons Referents" after undergoing in-depth training. They are the vectors of a change in outlook and attitude towards this clientele, and the guarantee of appropriate treatment on board. In addition, some staff members (123 cabin crew members in 2022) speak French sign language (LSF). Commercial agents and LSF-qualified crew members wear a pin so that they can be easily identified.

····· Results and performance

There are more people with disabilities or reduced mobility traveling on the Group's flights every year. Despite the Covid-19 crisis, the number of assistance requests for 2022 was close to the level of before the crisis, i.e. 580,000, including 127,000 passengers with reduced mobility at KLM.

Meetings with disabled employees have been organized by Air France. Their feedback has made it possible to improve certain services, in particular better information before and during the trip for customers, but also for staff in the field, in the prism of a caring relationship. Several other initiatives have been implemented, such as the redesign of the pages of the Air France and KLM websites devoted to disabled people, facilitating the search for all the information required for their journeys or even the sending of information adapted to each passenger according to his or her type of disability⁽¹⁾.

For personnel in contact with customers, in flight and on the ground, awareness workshops on the right words and gestures to adopt with disabled customers as well as computer tools to facilitate care have been created.

4.5 ETHICS AND COMPLIANCE

As an international Group with operations all over the world and employing a large number of staff, the Air France-KLM Group is committed to respecting both ethical values and the applicable legislation in the regulatory compliance domains. This includes the protection of Human Rights and combating all forms of child and forced labor and the fight against corruption, tax fraud and tax evasion.

The Air France - KLM Group recognizes and applies the international standards applicable to legal entities in terms of ethics and compliance, including notably the United Nations

Global Compact and the OCDE Guidelines for Multinational Enterprises, the fundamental conventions of the International Labor Organization (ILO) and UNICEF's Rights of the Child and Business Principles.

As a signatory of the United Nations Global Compact since 2003, the Air France-KLM Group has undertaken to respect the ten principles of the Global Compact. It has incorporated these ten principles into its strategy, policies and procedures and actively promote them with its partners and suppliers. The last communication on progress was published on 30 May 2022⁽²⁾.

4.5.1 The Air France - KLM Principles

In 2020, Air France-KLM improved its Social Rights and Ethics Charter which became The Air France-KLM Principles.

The Air France-KLM Principles reaffirm to all employees the Air France-KLM Group's commitment to fostering a climate of mutual trust, respect, transparency and confidentiality, and to promoting a work environment where health, safety and quality of life are a major priority without compromise.

The Air France-KLM Principles apply to all employees in the Air France-KLM Group, including those on part-time and

temporary contracts. They serve as a shared foundation for all companies within the Air France - KLM Group and support new initiatives, procedures, rules, and Codes of Conduct.

The Air France-KLM Principles were developed in cooperation with the European Works Council and staff representatives. They are subject to regular review to check for any relevant updates. These Air France-KLM Principles also apply to all Air France-KLM stakeholders, irrespective of their nature, and the Air France-KLM Group encourages all its customers, shareholders, business partners and local communities to respect them⁽³⁾.

^{(1) (}https://wwws.airfrance.fr/en/information/passagers/acheter-billet-avion-pmr-autres-handicaps).

^{(2) (}see: https://www.unglobalcompact.org/participation/report/cop/create-and-submit/advanced/468391).

⁽³⁾ The full text of The Air France - KLM Principles is available at the following link: https://www.airfranceklm.com/sites/default/files/afklm_principles_2021_en.pdf

4.5.2 Respect of Human Rights

Human Rights are the foundation for social, economic and cultural cohesion within each company and across the Air France-KLM Group. Every employee of Air France-KLM has the right to working conditions that protect their health, safety and dignity, and guarantee a social dialogue.

Within the framework of its activities, the Air France-KLM Group has identified the risk factors relating to Human Rights. The measures put in place to mitigate these risks fall into a number of different categories: health and safety of individuals, equal opportunity, achieving a better work/life balance and data protection procedures to protect the personal data of customers and employees (see sections 4.2, 4.4 and 4.6.3).

In the course of its relationships with suppliers, the Air France-KLM Group is committed to ensuring that the fundamental principles and social rights are properly respected, everywhere in the world. Suppliers are requested to accept and comply with a Supplier

4.5.3 Business ethics

General guidance on business conduct

The importance of respecting ethical principles in day-to-day business activities is reiterated in a number of documents.

Some of these documents apply to all employees irrespective of their positions, locations and activities, such as the Air France-KLM Principles and the anti-corruption Code of Conduct. This documentation gives rise to regular communication, awareness campaigns and training programs.

In addition to, and without prejudice to, some provisions of the above mentioned above documents, apply in particular to:

- > specific legal entities such as the KLM Code of Conduct or the Internal Rules (Règlement Intérieur) for Air France and the French entities. The Code of Conduct for the KLM Group stipulates all the rules governing the activities exercised by the KLM Group and covers safety, business integrity, social responsibility areas and reporting violations;
- specific functions (such as the Charter for the Procurement domain at Air France or the Code of Ethics for the Finance Function for the KLM Group).

The Procurement division has contributed to the regular reviewing and updating of a Supplier Sustainability Code of Conduct. As the application of ethical, social and environmental principles constitutes an important criterion when selecting suppliers and service providers, the latter must confirm their adherence to and compliance with these principles stated in the Supplier Sustainibility Code of Conduct or their own code if acceptable for the Air France-KLM Group. This Code of Conduct specifies the commitments on Human Rights, health and safety, the environment and ethics. It is regularly reviewed and updated to Sustainable Code of Conduct based on the ten Principles of the United Nations Global Compact or to comply with their own Code of Conduct provided that its terms and conditions are as stringent as the ones in the Air France-KLM Supplier Sustainability Code of Conduct (see sections 4.6.2 and 4.6.3).

Air France carries out awareness-raising actions for its employees on human trafficking, to help them to identify at-risk situations and take action against this form of international organized crime, comparable with modern-day slavery. Whether it is trafficking for the purpose of forced labor or crime, sexual exploitation, illegal adoption or forced marriage, child soldiers, organ trafficking or other forms of human exploitation, the ground staff and flight crews should be able to recognize behavior that may seem abnormal or concerning and, in the event of suspected human trafficking, report the event as soon as possible and in accordance with the internal instructions. These actions, which were initiated in 2019, continued in 2022.

ensure its alignment with the applicable regulations, notably the French Sapin 2 Act and the French law on the Duty of Vigilance which sets forth a monitoring obligation concerning the probity of contracting partners respectively with respect to probity and integrity and vigilance with regard to human and social rights, the environment and sustainability within the supply chain.

Governance and strategy

The Compliance activities are based on compliance programs, executed within the context of a formalized framework. New legislation or requirements relating, for example, to anti-corruption or protection of personal data are taken into account when establishing the compliance programs and their increased appropriation is ensured *via*, amongst other initiatives, awareness-raising campaigns, and dedicated processes or projects which are organized to ensure compliance.

The Air France-KLM Group has deployed an organization dedicated to compliance. The Compliance Officers within Air France-KLM, Air France and KLM are tasked with overseeing the implementation of the Compliance programs within the Group. They are supported by a network of compliance coordinators appointed in the activities or departments and subsidiaries. Depending on the type of business transaction envisaged and the complexity of the activities exercised within the departments and entities, compliance experts and coordinators facilitate compliance with specific legislation and the roll-out of the relevant elements of the compliance program. In 2022, Air France-KLM, Air France and KLM worked on rationalizing and strengthening their respective compliance coordinator networks so that they could help to accelerate the deployment of the compliance programs.

In October 2022, the Air France-KLM Group selected a service provider to implement a compliance steering digital tool which will also facilitate the deployment and monitoring of the anti-corruption program within the Group.

Risk mapping and Internal Audit reports also contribute to verifying the adequacy and effectiveness of the compliance program, and when necessary, its improvement.

The compliance program is mainly based on training and awareness-raising. These campaigns are supplemented by dedicated training which is made available to individual employees. Employees can also raise questions or concerns with the Compliance Officers and legal experts.

Prevention of corruption

The Air France-KLM Group is committed to conducting business with loyalty, fairness, transparency, honesty and integrity in the strict respect of the anti-corruption laws in all the countries where its entities are registered and operate.

This commitment guides its social and ethical policy and is embedded in its Corporate Purpose, as the prevention of and fight against corruption is the basis for responsible and sustainable business around the world.

To this end, the Air France-KLM Group has implemented internal rules consistent with the requirements of the various anti-corruption laws, including the French Sapin 2 Act, the UK Bribery Act and the US Foreign Corrupt Practices Act. The Air France-KLM Group regularly reviews and updates its internal documentation to take into account changes in legislation and, recent case law, but also the result of risk mapping and any reported incidents.

Following publication of the latest Recommendations from the French Anti-corruption Agency ("AFA"), the Air France-KLM Group updated its anti-corruption manual which has since become the anti-corruption Code of Conduct. Six policies were added to this code covering the topics of gifts and hospitality, conflicts of interest, facilitation payments, lobbying, sponsoring and patronage and third parties. A policy for compliance concerning M&A transactions is currently being drafted.

These documents were approved by the Air France-KLM, Air France and KLM Executive Committees in October 2022 and a presentation was made to the Air France Works Council (*Comité de Groupe Français*) on November 24, 2022.

An anti-corruption e-learning campaign was also approved by the Air France – KLM, Air France and KLM Executive Committees in October 2022. The e-learning module was produced in both French and English. The content is based on examples of cases arising from alerts, cases encountered in practice and the results of bribery risk mapping. The aim is to explain the applicable legal framework, the associated sanctions and the rules stipulated in the updated anti-corruption documentation with a quiz to check that the internal rules have been properly understood. This e-learning module was launched on December 14, 2022.

In addition to this e-learning module, a comprehensive training campaign was drawn up with the support of an external service provider to (i) build a dedicated training program for the Top Management and (ii) plan a training program for employees with the highest risk of exposure involving three hours of classroom-based sessions based on a "train the trainers" principles with the participation of the compliance and legal teams to be rolled out in 2023.

Ahead of the roll out of this new campaign, an anti-bribery e-learning module had been deployed to maintain and reinforce the anti-bribery awareness and knowledge of staff. At the end of 2022, the realization rate for this training was 85%. Awareness is also reinforced through, for example, information meetings and discussions, improved access to compliance documents and regular communication by the Group's General Management.

See also section 3.2.1 "Risks relating to their air transportation activity" $% \left({{{\rm{T}}_{{\rm{T}}}}} \right)$

Key Performance Indicators	Definition	2021 results	2022 results
Completion rate of the e-learning program on prevention of corruption	Number of employees having completed the entire training program as of December 31, 2022 divided by the total number of employees invited to undertake this training	85%	85%

Scope: Target group of Air France-KLM Group employees.

Training is mandatory for the target group of employees. The latter is selected based on functional level (i.e. executives or managers) or exposure to bribery risk according to the results of the bribery risk mapping performed within the organization (i.e. the Sales and Procurement teams).

The indicator measured is the number of employees having completed the entire training program as of December 31, divided by the total number of employees invited to undertake this training. The training is considered to have been completed if the individual passes the test with a score of at least 70%.

Before entering into any undertakings and during commercial relationships with customers, suppliers and intermediaries ("Third Parties"), the Air France-KLM Group ensures that the compliance and fair business conduct rules are duly respected through a third party evaluation process in accordance with Air France-KLM policy on third party selection and management.

Speak up policy and whistle-blower procedures

All employees in the entities of the Air France-KLM Group are encouraged to discuss any compliance concerns with their line managers. They can also contact a Compliance Officer directly. Employees also have the option to flag an incident *via* the whistle blower procedure. Both KLM and Air France have reviewed and updated their speak up policies and procedures to collect and manage internal alerts so as to comply with the latest regulations in force.

These whistle blower procedures also include the option to report any corruption issues or serious incidents linked to the duty of vigilance (Human Rights, fundamental freedoms, health and safety, environment) in all areas of activity, pursuant to the regulation in force *via* secured channels which ensure the strict confidentiality of the alert and identity of the relevant employees. The associated procedure gives guidance on how to proceed and guarantees that no sanctions will be taken against employees reporting any such incidents in good faith, as provided under the applicable law.

Incidents reported by employees according to the above-mentioned procedures are investigated and the appropriate corrective actions are implemented.

Prevention of anti-competitive practices

The prevention of anti-competitive behavior is an important factor in honest and fair business practice. It is crucial to prevent unfair practices since unethical or inappropriate behavior can have significant detrimental consequences, both financial and in terms of reputational damage.

In terms of anti-competitive practices, the Air France-KLM Group is developing its policy aimed at the prevention of anti-competitive acts by circulating to staff a Competition Law Compliance Manual which was updated in 2020. This manual is regularly reviewed and updated.

A competition law e-learning module was developed in-house and rolled out between December 14, 2021 to March 15, 2022 to a significant number of Air France-KLM Group employees, to remind them of the competition law principles and the risks incurred.

In addition to this e-learning module, the competition law team carries out dedicated training sessions with certain categories of staff, as was the case for the Cargo activity in 2022.

See also section 3.1.2 "Risks relating to the air transportation activity".

Compliance with embargoes, trade sanctions and export controls legislation

The Air France and KLM Trade Compliance departments are responsible for defining the program to ensure full compliance with commercial sanctions and export control legislation applicable to the Group's activities. They monitor changes in the applicable regulations, liaise with the relevant administrations and authorities in charge of control, participate in third-party screening with regard to trade sanctions and follow up on the measures applied in the business activities. They review the need for the request and renewal of export licenses by products category, partner and country (dual use goods, military goods, explosives and ozone depleting products, etc.) and complete or review compliance questionnaires issued by the Air France-KLM Group stakeholders (banks, insurers, etc.).

The Trade Compliance Officers ensure the monitoring the existing export control framework.

Customers of the Air France and KLM joint businesses in cargo and maintenance are monitored thanks the screening tool implemented by KLM. The same tool is used for the screening of suppliers and service providers by the Air France's Treasury and Trade Compliance.

In February 2022, an Air France Industries (AFI) Export Control Project, known as the "International Trade Compliance Roadmap" was approved by the Air France Industries Executive Vice-President for deployment over the next twelve months to respond to the recommendations of both an Internal Audit and an administrative audit.

Training and awareness-raising is a major priority for the Air France-KLM Group. Joint awareness training initiatives led by the Air France and KLM Trade Compliance teams were scheduled for the last quarter of 2022.

Tax strategy

Tax is an integral part of the Finance function within Air France and KLM and supports Air France – KLM's corporate strategy. As such the tax strategy is aligned with the business strategy, ambitions and values of the Group. We seek to act fairly, transparently and with integrity towards all our stakeholders. Our tax strategy aims to demonstrate our commitment to compliance with legislation and to explaining Air France–KLM's approach to tax.

Main principles

Air France-KLM bases its approach to tax on a set of three key principles: Compliance, Transparency and Risk Management.

Compliance

Air France-KLM recognizes the important role fiscal compliance plays in its strategy and undertakes to act with integrity and transparency in all tax matters, and to combat tax evasion. The Company is committed to compliance with the letter, intention and spirit of the tax legislation, local and international legislation (including bilateral tax treaties, OECD and UN guidelines) of the countries in which it operates and to pay the right amount of tax at the right time. Air France-KLM complies with the OECD's Base Erosion and Profit Shifting Action Plan and files all the required transfer pricing documents, including a Country-by-Country Report. Pursuant to the specific guidelines relating to the taxation of international air transportation services, wherein operational income is taxed in the country of domicile, Air France-KLM consequently reports most of its airline income in France and the Netherlands. Specific local taxation rules require the Group to also report a relatively small portion in foreign jurisdictions where the Group operates. The tax declarations are duly monitored, based on solid evidence and full transparency. All the information is recorded and reported in a fair, timely, and accurate manner pursuant to good business practices, and in compliance with the applicable accounting standards and local tax laws.

The Air France-KLM tax departments are fully involved in sustainable development issues in order to secure the Group's different projects (Trip and Tree, SAF Corporate and SAF Cargo) and to comply with the French and EU obligations in this respect (Fitfor55).

Transparency

Mutual respect, transparency and trust drive the Air France–KLM's relationships with the tax authorities and the other relevant external stakeholders all around the world. Air France–KLM seeks to establish and maintain an open and constructive dialogue with the tax authorities and other government bodies. The Group participates in the development of tax policies by contributing constructive inputs to public consultations. The aim is to proactively deal with disputed taxation matters and avoid unnecessary challenges and disputes to achieve certainty wherever possible. To this end, the Group has reinforced its relationship with both tax administrations *via* the following initiatives:

- on March 14, 2019, a fiscal partnership was signed between the French tax authorities and Air France-KLM, the consolidating entity of the French tax group. This partnership is aimed at improving the relationship with the French tax authorities within the framework of the day-to-day operations and ongoing tax audits. While the Covid period did not allow Air France to submit enough elements to the partnership, the 2022 financial year was the opportunity for a real exchange and discussions on certain tax positions of the French Tax group;
- KLM has a long-term relationship with the Dutch tax authorities and is one of the top 100 companies in the Netherlands to have entered into an individual tax monitoring plan (ITP). Following this ITP approach, the tax authorities test the level of monitoring measures (tax control framework) KLM implements to recognize and manage its key tax risks. Ultimately this approach enables the tax authorities to adapt their control measures for KLM more efficiently.
- in 2022, in an important step towards further transparency, KLM actively embraced the Dutch tax governance code as developed by The Confederation of Netherlands Industry

and Employers (known as the VNO NCW). Published in May 2022, the tax governance code not only includes the relevant tax codes and principles but is also more ambitious with regard to:

- the view that tax is not only a cost factor but also a contribution to society and that tax rules must be interpreted in accordance with the spirit of the law,
- a reluctance to use tax havens, and
- transparency, especially on taxes paid and collected.

Risk management

The Group's aim is to take sustainable tax positions which are long-term in nature, in support of the business operations. It only uses business structures that are driven by commercial considerations, are aligned with its business activity and have genuine substance. It does not look at schemes that might be deemed improper at the fiscal level or are intended to avoid paying taxes.

Air France-KLM conducts its operations with a minimum level of risk with respect to tax matters and as such applies the anti-tax-avoidance rules within the framework of the European Directive (EU) 2016-1164 transposed into French and Dutch tax legislation.

The European mandatory disclosure regime for potentially aggressive international tax arrangements has been in force since July 1, 2020 (DAC6 Directive, EU 2018/822 of May 25, 2018). Both Air France and KLM's tax departments have reviewed the compliance reporting obligations the businesses are potentially facing under the new Mandatory Disclosure Rules (MDR) in relation to certain cross border arrangements. No such arrangements have been identified.

The Tax Affairs departments in France and the Netherlands seek to anticipate and reduce the tax risks to their lowest-possible level. They ensure that reasonable care applies in relation to all the Group's processes that could materially affect compliance with the tax obligations and are particularly vigilant in the application of the rules combating fraud and tax evasion.

The global challenges of the public health crisis for tax

The impact of the Covid-19 pandemic on the Group has led to unprecedented challenges for all the businesses and for tax affairs globally, in terms of supporting the operations aimed at preserving and improving the Group's liquidity position. In 2022, one element of the Group's fiscal strategy consisted of repaying a portion of its State Aid and worldwide tax deferrals, mainly concerning taxes on tickets, wage taxes and social security contributions.

The possibility of obtaining government support in the form of employment subsidies and financial plans was also the subject of rigorous verification on the part of the French and Dutch Governments. During the whole of this period, the new tax laws, tax relief measures and the tax deferrals granted in some countries, together with restructuring programs and automation projects, were an integral part of the tax strategies developed at local level.

4.6 SOCIETAL VALUE

Air France-KLM strives to add economic and social value in the areas where it operates, around its hubs and destinations. By working together with local partners, the Group creates new business opportunities and supports projects that contribute to the future generations and local communities.

As a major purchaser of a wide range of products and services, the Group integrates ethical and sustainability criteria into its supply chain, by sourcing products and services that minimize its environmental footprint and create societal value.

Key Performance Indicators	Definition	2021 results	2022 results	2022 targets
Percentage of suppliers having signed the Supplier Code of Conduct ⁽¹⁾	Number of Air France and KLM suppliers under contract having signed Air France–KLM's Supplier Code of Conduct divided by the total number of Air France and KLM suppliers under contract.	52%	53%	70%
Number of suppliers evaluated by EcoVadis ⁽²⁾	Number of suppliers under contract with Air France and KLM evaluated by the CSR rating agency EcoVadis or an equivalent body.	291	302	90 additional suppliers
Percentage of suppliers that belong to the high sustainability risk categories ⁽³⁾ and assessed by Ecovadis	Number of Air France and KLM sustainability high-risk suppliers under contract having been assessed by EcoVadis divided by the total number of Air France and KLM sustainability high-risk suppliers under contract.	N/A (4)	N/A (4)	75%

Definitions

(1) Percentage of suppliers having signed the Supplier Code of Conduct.

Scope: suppliers under contract with Air France and KLM, monitored under ARIBA. As of the initiation of the procurement process, suppliers are invited to sign the Air France-KLM Supplier Code of Conduct. The indicator measured is the number of Air France and KLM suppliers under contract (monitored *via* ARIBA) having signed the Code of Conduct divided by the number of suppliers concerned (under contract followed under ARIBA) (end December of the reference year).

(2) Number of suppliers evaluated by Ecovadis. Scope: suppliers under contract with Air France and KLM, monitored under ARIBA, and scored by the CSR rating agency EcoVadis or an equivalent body. Within the framework of its supplier risk policy, Air France-KLM has its suppliers evaluated and takes into account their sustainable development performance. In the event of an elevated or severe risk, suppliers must be assessed by the CSR rating agency EcoVadis or an equivalent body on the following four themes: environmental, social, ethical and responsible purchasing. All other suppliers are invited to carry out this evaluation on a voluntary basis. The indicator measured is the number of suppliers evaluated by EcoVadis or an equivalent body (end December of the reference year). Suppliers considered compliant are those with a score equal to or greater than 35 over the last 3 years.

(3) Sustainability High-Risk Suppliers.

Scope: suppliers under contract with Air France-KLM, monitored under ARIBA, that belong to a sustainability high-risk category, based on a risk mapping that links procurement categories, industries, business types and countries of operation to sustainability risk levels and having been assessed by EcoVadis.

(4) This KPI has been changed relative to last year. Previously, the target had been to have all sustainability high-risk suppliers assessed as an ultimate long-term goal. However, no realistic Year-on-Year target had been set in combination with a target year.

4.6.1 Local development

충 Context and strategy

Directly and indirectly, the Group's activities contribute to economic development and value at their hubs around Amsterdam and Paris, and at national level in France and the Netherlands. These hubs offer multiple connecting opportunities in Europe and with the rest of the world, and are part of an extensive, high-quality network that generates an attractive business environment. According to an Opinionway survey of international investors carried out in 2019, the presence of a hub offering direct and frequent international connections is the second most important criterion when choosing a location. As Air France and KLM serve 300 destinations worldwide, in 120 countries, there is also an (economic) impact beyond its hubs.

With 91% of the Group's employees based in France and the Netherlands, Air France-KLM is a significant contributor to direct job creation in the regions around its two main hubs. The Group's activities also generate numerous indirect and induced jobs: assistance and catering in the outstations, cleaning and sub-contracted services required for the operation of an aircraft.

The hubs create highly-attractive business environments while airport proximity leads to the development of other activities (hotels, conferences, company show-rooms, commercial and marketing functions, business services and activities linked to innovation).

As the number one air operator carrying international tourists visiting France, Air France-KLM makes a significant contribution towards promoting France and the Netherlands as destinations, and to the development of tourism.

KLM's extensive network has contributed to making the Netherlands an attractive location for both Dutch and international companies. The Air France Group, with operations at 30 French airports in 2022 (in mainland France and overseas), reinforces the appeal of the regions and contributes to the growth in local activity.

Historically, the Group has also played an active role in promoting international development, particularly through its support of NGOs and projects sponsored by its own employees.

Measures and action plans

Contributing to national and local development

For many years, Air France-KLM has supported the development of small and medium-sized companies to which it entrusts a significant proportion of its procurement. The Group also promotes innovation and working with start-ups *via* its involvement in initiatives such as the creation of an innovation counter, and participation in special business incubators.

At local level, Air France and KLM are involved in various initiatives and local bodies to promote sustainable development, and build human capital and the attractiveness of the territories around their hubs. Air France is working in cooperation with local officials and companies as a member of the Board of the "Club des Acteurs du Grand Roissy". This association aims to foster harmonious and balanced development of the *Grand Roissy* area, in synergy with the airport platform, and to promote public transport, housing and infrastructure projects that are vital to the development of this region.

Between 2020 and 2022, the Air France-KLM Group was significantly impacted by the consequences of the Covid-19 public health crisis. It nonetheless maintained an intensive dialogue with stakeholders at both local and national level to adapt and optimize its schedule, operations and network to take into account, as far as possible, the expectations and connectivity needs of the regions. During the various lockdown phases, particularly in France and the Netherlands, Air France, KLM and Transavia thus maintained a minimum schedule enabling the repatriation of fellow French and Dutch compatriots, and ensuring the basic needs for regional access and connectivity. Furthermore, the Air France Group maintained territorial continuity between France and the overseas departments and territories, while the whole Group mobilized around operating the air bridge for the transportation of masks and medical equipment.

Creating social impact

Air France and KLM support initiatives enabling the development of skills, the vocational integration of young people and the social inclusion of vulnerable individuals. This also includes promoting access to training leading to professions in the airline industry, through numerous associations and educational programs for young people.

Air France is a founder member and partner of four associations involved in information and training programs on aviation careers (*AirEmploi*, Jeremy, AFMAé, and Engineers for Schools). The Company is also a partner of two associations, "*Nos Quartiers ont du Talent*" and "Article 1", to which Air France employees volonteers offer mentoring for socially disadvantaged young people. Air France is also a founder member of "Tous en Stage", an association that organizes multi-company internships for secondary school students in the areas where the Company operates (mainland France, French overseas departments or young people with disabilities).

The KLM Group contributes to various educational programs to attract and develop future talent, through collaboration with ROC education centers, Luchtvaart College Schiphol, Amsterdam University of Applied Sciences and the JINC Foundation. KLM's Maintenance Department offers internships to students training as aeronautical mechanics: some 75 students from "MBO College Airport" and 25 graduate and university students were welcomed to KLM in 2020. KLM is continuing its partnership with the Luchtvaart College Schiphol (Schiphol Aviation School).

Air France and KLM continue to support workers with disabilities by using companies in the sheltered and adapted sector for multiple projects (e.g. the upkeep of green spaces at some sites, shipment of packages of uniforms, packaging of headphones used on board, laundering of on-board linen) and by entrusting them with highly-critical services (four sheltered sector suppliers work with the Air France-KLM IT department). In partnership with the start-up Vendredi, Air France mobilized its employees around volunteering with the creation of the "*Mon Engagement Citoyen*" initiative. The Company thus reaffirms its commitment to addressing social and environmental issues in the territories where it operates. Via this network and throughout the year, employees can donate their free time, positive energy and skills to partner associations in six areas of action dear to Air France and the Air France Foundation: Children, Education – Training – Employment, Disability-Health, Combating Precarity, Intergenerational Sharing and the Environment.

Since its launch, 3,800 Air France employees have registered on the "Mon engagement Citoyen" platform and nearly 494 volunteering actions have already been carried out this year. The 1,281 visits to the platform in 2022 also testified to the interest aroused. In total, more than 530 employees have taken up at least one challenge or carried out a volunteer action, of which around a quarter in 2022.

Social partnerships

The Air France-KLM Group partners with local and global Non-Governmental Organizations to increase its reach and widescale positive impact.

Air France provides practical support to development projects through three long-standing partnerships; the Air France Foundation, Acting for Life and *Aviation Sans Frontières*.

The Air France Foundation has adapted its projects while pursuing its primary objective: supporting children and youth, as well as humanitarian sponsorship. Long-term projects on the themes of education and integration for sick, disabled and vulnerable children are being pursued and which now include environmental awareness issues. The Foundation finances educational projects contributing to fostering new kinds of behavior and increased understanding of climate issues, together with training and awareness-raising projects on sustainable practices respecting natural resources.

In 2022, the Air France Foundation supported 45 projects (13 projects for environmental education, 24 projects for children in difficulty, 4 projects for sick or disabled children and 4 projects to support the social and health crisis support projects) in 25 countries with 70,000 beneficiaries. Among these projects, 12 concern France, with 30,000 beneficiaries across the national territory. The Friends of the Air France Foundation network mobilizes more than 4,800 employees around different volunteering, skills-sharing and donation-based initiatives.

The Humanitarian Patronage Service supports 18 medical NGOs working with children. In 2022, following the health situation related to Covid-19, 520 tickets were issued for medical teams and the repatriation of sick children. In addition, free excess baggage fees were donated to more than 26 NGOs for the transportation of medical and emergency aid equipment within the context of the health crisis, i.e. 143 pieces of baggage.

In 2022, Acting for Life, of which Air France has been a partner for more than 40 years, was involved in 12 projects in Africa and Latin America. Acting for Life works to promote sustainable territorial economic and social development.

Thanks to the financial support and transportation facilities donated by Air France, the emergency aid organization Aviation Sans Frontières accompanied more than 950 sick children on the airline's flights and shipped nearly 7,500 packages of medicines and minor medical supplies to 26 destinations. In addition, the Air France – KLM Flying Blue loyalty program enables Aviation Sans Frontières to benefit from numerous miles, thereby reducing the transportation costs incurred in accompanying sick children. There are many active and retired Air France employees amongst the Aviation Sans Frontières teams of volunteers.

For many years, Air France has been involved in promoting sustainable and responsible tourism within the travel profession ecosystem, and particularly the most proactive like *Agir pour un Tourisme Responsable* (ATR). Air France also acts as an information conduit on the devastation caused by child sex tourism, by financing ECPAT International's prevention campaign and handing out literature on the airline's long-haul flights.

Twenty-four years ago, Transavia created the Peter Pan Holiday Club. This initiative, supported by Transavia employees, organizes holidays for young people between the ages of 13 and 20 years who are unable to enjoy a "normal" holiday due to illness or difficult circumstances. Transavia also works closely with JINC, an organization that arranges activities for children from economically-disadvantaged backgrounds.

Transavia employees are invited and encouraged to actively participate in these initiatives during which children notably visit companies to gain valuable insight into the working world and its functioning, and become familiar with the concept of networking. These initiatives illustrate the Transavia conviction that "Everybody deserves to be seen" and contribute to a more inclusive society.

For over a decade, Transavia France has been supporting the *Louis Carlesimo* association, enabling sick children to travel on its flights. Every year, between 50 and 80 children have the opportunity to travel to Lapland and meet Father Christmas on the outbound flight as part of a magical and unforgettable moment with the airline. In 2022, once again, the magic worked and 80 children, accompanied by 11 employees, were able to explore Lapland and visit Santa Claus.

Transavia also supports men combating diseases *via* its commitment to associations like *Les Hommes de l'Air.* In 2022, special flights were organized to raise customer awareness and highlight the association. In Partnership with *Les Hommes de l'Air* limited edition key rings were sold on board the aircraft as well as to employees. All proceeds were donated to the association.

Since 2019, Transavia has fostered diversity by supporting *Personn'Ailes*, an LGBT association. Each year, special flights are organized in the colors of rainbow to share a common vision of diversity and inclusion. On May 17, 2022, Transavia organized special flights to raise awareness of homophobia, transphobia and biphobia.

KLM works together with selected partners to protect the environment and preserve cultural heritage. In addition, KLM supports a number of large institutions that assist people in need. One of these is Wings of Support, which was founded by KLM and Martinair staff, and runs projects that provide shelter, education and medical care for children in need worldwide. In 2021, the partnership with Wings of Support was extended for a further three years. KLM is also engaged in several partnerships that aim to preserve cultural heritage and, more generally, offer support to arts and cultural initiatives. Examples include the Royal Concertgebouw in Amsterdam, the Royal Concertgebouw Orchestra and leading museums and theaters in the Netherlands.

Lastly, Air France-KLM customers who are members of the Flying Blue loyalty program are offered the opportunity to donate their miles to 18 NGOs selected by Air France and KLM, including WWF, the Ocean Cleanup, Close the Gap, the Red Cross, UNICEF, Wings of Support and Giro555. In 2022, more than 31 million miles were donated to NGOs.

\bigotimes A solidarity chain linked to the public health crisis

In 2021, the Group also actively participated in the transportation of vaccines, notably on its cargo flights.

Results and performance

National and regional economic impact

Economic impact in France, according to an EM Strasbourg Management School research report published in early 2020 on the basis of 2019 figures (pre-Covid-19):

 €40 billion positive economic impact attributable to the Air France-KLM Group's activity, representing 1.6% of the national French GDP;

- 475,000 FTE (Full Time Equivalent) jobs depend on the Group's activity;
- for every job created by the Group, 8.7 jobs are created in the French economy;
- for every euro invested, the Group generates two euros in the national economy;
- the Air France-KLM Group's activity directly generates
 €3.6 billion (including the taxes and social contributions paid by the Group and its employees);
- > Air France is a leading private sector employer in the Île-de-France.

In the Netherlands:

> At the end of 2022, the KLM Group was one of the five largest private sector employers in the Netherlands. The KLM Group accounted for more than 31,000 jobs.

See section 4.2.2 "Resource adaptation and employee dialogue" for the impact of the Covid-19 public health crisis on the number of employees.

Contribution to the sheltered and adapted sector

In 2020, Air France renegotiated its eleventh three-year agreement on jobs and the maintained employment of persons with disabilities. Within the framework of this agreement, one of the commitments concerns reaffirmed support for the sheltered and adapted sector.

Air France also cooperates with associations and companies in the sheltered sector on multiple projects representing, in 2022, approximately €13.5 million of the Group's procurement (e.g. supplies of carrier bags and hygiene and amenity products for our passengers, laundry, maintenance of printers and scanners, maintenance of industrial equipment). Air France maintains long-term partnership relations, thus enabling these companies to develop in a sustainable context.

Since the 2000s, Air France has been developing one of the most important support initiatives in the national territory for workers with disabilities by using the STPA (Secteur du Travail Protégé et Adapté) for multiple projects.

Contribution to community projects

In 2021, Air France-KLM had allocated €5.7 million to supporting NGOs and other social and environmental initiatives. In 2022, KLM allocated €550,000 to supporting various NGOs and other social and environmental initiatives.

4.6.2 Sustainable procurement

충 Context and strategy

As an airline company with activities spanning the globe, Air France-KLM purchases a wide variety of goods, products and services worldwide. The Group's procurement brings together many different industries. Procurement has a significant impact on the sustainability performance of its supplier base. Procurement must support the Group's sustainability strategy with a sourcing process aimed at selecting more sustainable products, and services and business partners that fit its Environmental, Social and Governance ambitions (ESG).

Procurement is responsible for an annual spend of around €14.5 billion. Fuel purchasing accounts for the bulk of this figure at around €7 billion or roughly 50%. In view of its industrial profile, Air France-KLM has a sharp focus on this procurement category in which investment in Sustainable Aviation Fuel (or SAF) plays a major role. However, this does not mean that other possibilities to drive sustainability through responsible purchasing are left untouched. These range from the purchase of aircraft maintenance and components to airport handling, cargo trucking, on-board products, etc.

The Procurement department has a risk-based approach, wherein it targets suppliers in sustainability high-risk categories first, in order to mitigate or avoid risk. It does so by understanding the broad umbrella of sustainability to include not only environmental but also societal and ethical factors. At a compliance level, high-sustainability-risk suppliers are required to carry out assessments on their ESG (Environment, Social, Governance) performance. On top of addressing the high-risk categories, Procurement invites any supplier to commit to such an assessment in an effort to move beyond (legal) compliance and promote supply-chain transparency.

Since it considers sustainable procurement to be more than a mere box-ticking exercise, Air France-KLM Procurement actively seeks to engage with suppliers as sustainable business partners. In this way, the groups will want to cooperate, innovate and develop in order to accelerate sustainability in the aviation industry.

Measures and action plan

Factoring internal CO₂ pricing into our investment decisions

Scope1and2emissions are a major concern for the Air France-KLM Group and, for this reason, the Group has decided to apply internal CO_2 pricing. Investment decisions with a potential impact on the Company's direct CO_2 emissions, i.e., affecting its fuel or energy consumption, will take into account the costs associated with these CO_2 emissions.

Putting a price on CO₂ thus encourages more sustainable decisions and will support our emission reduction pathway. The primary focus is on the fleet and fleet-related investment decision-making.

Pursuing a responsible procurement policy throughout the process

Air France-KLM integrates a responsible procurement policy in its sourcing process:

- during the supplier referencing process, the Group sends suppliers a questionnaire, addressing a number of themes such as safety, environmental management and Human Resources policy;
- suppliers are invited to sign the Air France-KLM Supplier Sustainability Code of Conduct. This revised Code of Conduct was introduced in 2020 to replace the existing Code of Conduct and the Sustainable Development Charter. In addition, Air France-KLM accepts endorsement of the UN Global Compact from signatory suppliers as an alternative;
- > the tender documents include criteria enabling the evaluation of the environmental impact of the product or service, which is taken into account during the evaluation of the different supplier proposals. This is an integral part of the assessment of the total cost of ownership and the life cycle analysis.

To manage and verify the sustainability quality of its supplier base, Air France-KLM uses the services of EcoVadis. EcoVadis operates an evidence-based online platform, providing supplier sustainability ratings that allows Procurement to assess the ESG performance of its global suppliers.

The focus is on suppliers with high sustainability risks. A compliance threshold in terms of an assessment score applies to qualify as a sustainable business partner. Sustainability risk levels are determined by using a risk mapping process. Air France-KLM Procurement is exploring the possibility of joining forces with industry partners to boost sustainability standards with its suppliers. Air France-KLM Procurement is convinced that this can make a positive contribution to the envisioned shift to sustainable aviation. As such, the average score of participating suppliers is increasing year after year.

The sustainability risk mapping process, which takes place at the beginning of the procurement process, takes into account the different procurement categories as well as the countries in which the suppliers are based to determine the associated potential sustainability risks of dealing with a supplier:

 buyers must systematically verify the positioning of each supplier in the risk mapping. There are six levels of risk;

- in the event of an elevated or severe level of risk, suppliers are contacted so that they can be evaluated by EcoVadis or an equivalent organization on the following four themes: environment, social, ethics and sustainable procurement (as defined in the EcoVadis system);
- > if the risk category of the supplier is lower than "elevated or severe", the buyers are advised to encourage their supplier to be evaluated in order to improve their weak points. The suppliers can then share their scores with other companies, which may prove to be a competitive advantage in terms of winning bids and contracts.

Since March 2020, the Procurement department has been monitoring suppliers with the support of two risk managers to ensure the financial health of its partners. The Covid-19 public health crisis has required the Group to safeguard its supply chain and to take into account the specific issues being faced by its suppliers, in particular the smallest. Local purchasing, SMEs and the protected sector are a central concern.

Taking responsibility

Air France Procurement assumed its social responsibility during the European Week for the Employment of People with Disabilities (EWPD) by organizing and hosting an event at the Air France head office in support of the sheltered sector. Air France is a major contributor to this sector with an annual spend of €13.5 million in 2022.

As a leader in the use of sustainable aviation fuel (SAF), The Air France-KLM Group has reaffirmed its commitment to making the aviation sector more sustainable. Air France-KLM has signed two long-term contracts with Neste and DG Fuels for a total volume of 1.6 million tons. These agreements are a first step for the Group on the road to its 10% SAF incorporation target by 2030. The purchase of 1.6 million tons of sustainable aviation fuel between 2023 and 2036 will avoid 4.7 million tons of CO₂ emissions on a full lifecycle basis, compared to fossil fuels. This decision not only supports the Group's own decarbonization commitments but also the further development of the SAF production industry, which is still in its infancy. Air France-KLM recognizes the importance of this development in view of its realization that decarbonization is the biggest challenge the industry has ever faced.

Empowering the buyers

The Air France-KLM buyers are committed to respecting the Group's Corporate Social Responsibility commitments. On their first day in the office, they sign a Code of Ethics outlining the ethical rules they must follow when dealing with suppliers. In the light of the Anti-Bribery legislation, the business requesters receive a reminder of the Code of Ethics. The Supplier Sustainability Code of Conduct and the Code of Ethics are available on the Air France-KLM Procurement website.

To standardize the processes and align the buyers' skillsets, Procurement continues to develop its Procurement Academy. This online training platform, launched at the end of 2021, offers numerous training courses for buyers and other procurement staff. These courses can be on stand-alone topics or part of training modules focusing on a specific topic such as sustainability. The aim is to factor sustainability further into sourcing since sustainability is regarded as a strategic priority.

All Procurement staff have completed an anti-corruption e-learning module. All new buyers receive training on the Group's CSR commitments and the resulting procurement responsibilities. This includes the duty of vigilance law in France and the anti-bribery processes. Training is also provided on the use of the supplier ESG performance management tool EcoVadis, in support of supplier selection and engagement. The relevant documentation is available for all Procurement staff in the section on "Procurement and Sustainability" on the Air France-KLM Procurement SharePoint website.

Sustainability news and specific news about sustainability in procurement is shared in a monthly Air France-KLM newsletter, entitled Newsfeed. In this online publication, developments such as the launch of new processes and tools, and regulatory changes are shared.

Further alignment of the processes, policies and the execution thereof, is ensured through bi-monthly meetings of the combined Dutch-French procurement teams.

Mobilizing and innovating with suppliers

Building long-term relationships with strategic suppliers is the basis for Air France-KLM's Supplier Relations Management (SRM). The SRM process enables issues like Corporate Social Responsibility to be central to discussions. It can be a starting point to move forward with suppliers on these issues.

The Procurement function seeks to work with suppliers as sustainable business partners based on mutual trust. Together with these partners, Air France-KLM seeks to explore and develop innovative solutions to limit the environmental impact of the products and services purchased. The aim is to reach a next level in responsible procurement that moves beyond simple compliance.

One such example is the focus on a life cycle analysis (LCA) for on-board products. When drawing up product specifications, the business requester and buyer work together to identify the characteristics and the environmental and societal impacts of the goods and services. This approach encourages suppliers to consider their overall impact on sustainability and increases their commitment.

In 2022, along the same lines, the Air France-KLM IT vendor management department took the initiative to engage with its 15 key IT suppliers on sustainability. The aim was to team up with vendors to see how both parties could benefit from each other's best practices and investigate options to reduce the environmental footprint under the existing contracts. Air France-KLM Procurement is either participating in or leading a number of projects that directly relate to a reduction in the environmental footprint of the Group's daily business operations:

- > the Procurement and Sustainability teams realized an estimate of scope 3 emissions based on procurement spending and, in 2023, launched a project to detail the scope 3 emissions linked to these purchases of goods and services by activity Domain;
- Cargo Procurement has entered into an agreement with one of its key air cargo trucking partners for the use of Long Heavy Vehicles (LHV) powered by Hydrotreated Vegetable Oil 100 (HVO100). In addition, the division is experimenting with recyclable and lightweight cargo beams for on board cargo stowage;
- > Air France KLM Procurement recognizes sustainability as a strategic priority and considers the further integration of sustainability into its sourcing activities to be key. In 2022, Procurement focused on further training of its staff as well as the revision of some of its processes. In addition, there have been a number of initiatives, some of which remain in progress for implementation in 2023.

On board catering

Air France-KLM Procurement pays special attention to the catering products and the related materials loaded on board the aircraft, like trays, cutlery, trolleys and meals. These on-board products have a multi-faceted sustainability impact. Apart from the environmental footprint of a product or the social implications of the production process, weight is a specific issue in aviation. Additional weight leads to additional emissions during flight. Sometimes, seemingly straightforward sustainability considerations on the ground may not apply in the air.

The Life Cycle Analysis approach deployed by KLM Inflight Services Procurement aims to capture these factors and help make well-founded sourcing decisions. This follows a trend within the Group towards purchasing increasingly eco-responsible products on board and favoring locally sourced and seasonal products.

For on-board meals, the Group is committed to offering its customers a more-environmentally-friendly service, while guaranteeing the choice and origin of the food. On departure from its hubs, the Air France-KLM Group offers its customers, meat, dairy products and eggs of 100% French and Dutch origin and fish from sustainable fisheries. In addition to an eventual third-party supplier assessment, the Group select products with internationally recognized labels such as the controlled and protected designation of origin (AOC/PDO) and organic farming (AB) labels. As a member of the Responsible Soy (RTRS) and Sustainable Palm Oil (RSPO) Round Table, KLM offers certified products such as MSC and ASC certified fish, "better life" eggs, chicken and veal, and UTZ-certified coffee, tea and chocolate. Furthermore, to guarantee customers a balanced meal, all hot dishes served in the Economy and Premium Economy classes have an A or B Nutri-Score. Lastly, the dishes for babies and children are composed exclusively of organically-grown food.

For on-board equipment, multiple criteria are considered: weight of the articles, the materials used, place of manufacturing, mode of transportation and management of the material's end of life. Environmental labels and certifications like FSC or PEFC are prioritized and the selection of new articles is made in cooperation with the suppliers to include products with the lowest-possible environmental impact from a long-term perspective. The reduction of single-use plastic (SUP) is a major objective for the Group. the Air France target is to eliminate 90% of this material by 2023. In 2022, Air France eliminated or replaced with alternative materials 765 tons of single-use plastic used by passengers on board, i.e. nearly 80%.

Results and performance

Through its "Air France – KLM Procurement" website, the Group maintains an ongoing dialogue with suppliers, informing them, amongst other things, of its policy and commitment to sustainable development. At the beginning of the procurement or sourcing process, Procurement makes their (potential) suppliers aware of the sustainable procurement policy and the suppliers' involvement. As a point of departure, Air France – KLM requires its suppliers to sign the Air France – KLM Supplier Sustainability Code of Conduct or provide an acceptable alternative.

In 2022, 53% of suppliers signed the Supplier Sustainability Code of Conduct.

In 2022, the total number of companies evaluated and actively assessed by EcoVadis or an equivalent body stood at 302. The suppliers considered are those with a score of 35 or higher over the last three years. As part of a continuous-improvement process, Air France-KLM aims to evaluate 90 additional suppliers in 2023.

4.6.3 Monitoring of Act No. 2017-399 known as the Duty of Vigilance Law

The Air France-KLM Group is subject to the obligations introduced by the Act of March 27, 2017 relating to the duty of vigilance for parent companies and ordering companies.

Since 2018, in response to the regulatory requirements, the Air France-KLM Group has implemented a vigilance plan, it being understood that the Air France-KLM Group already had processes in place enabling it to comply directly or indirectly with the requirements of the 2017 Duty of Vigilance Act.

In particular, having established verification processes in the areas required to be covered by the vigilance plan, the Group has ensured that it is in a position to benefit, as effectively as possible, from the contributions of its various divisions/entities through the completion of a questionnaire by the aforementioned entities. As required by the Act, in 2021, the Air France-KLM Group also focused on its commercial partners by updating the template of the questionnaire to be sent to suppliersand service providers with the support of an external law firm (this process is still ongoing between Procurement (Center of Expertise) and the Ethical Compliance team) and reviewing (i) the procedure for screening suppliers and service providers notably through

the use of the Accuity screening tool (Compliance OnLine) and (ii) the Supplier Sustainability Code of Conduct.

Identification and regular risk evaluation procedures

The identification and evaluation of the various risks relating to the duty of vigilance are part of the overall risk management process established within the Air France-KLM Group. As a facilitator of risk management, the Group Internal Audit regularly evaluates the risk management process and its conclusions are the subject of presentations to the Air France-KLM Group Executive Committee and the Audit Committee.

The Air France - KLM Group's overall sub-contracting management system applies to all risk areas. It is based on contract reviews, compliance monitoring and supervisory acts such as audits, inspections and checks, carried out internally by the sub-contractors themselves where appropriate or with external providers (as part of the EcoVadis screening on social rights, the environment and sustainable procurement).

Every year, the Group conducts a review of the non-financial risks generated by its activities. This analysis verifies the relevance and comprehensiveness of the measures and action plans aimed at the effective prevention, control and mitigation of the non-financial risks deemed to be the most material.

See also Chapter 3 "Risks and risk management" and section 4.1.2 "Identification of the key priorities in building long-term relationships".

Measures deployed to prevent and mitigate the risks and monitoring mechanisms

Air France-KLM's policy enshrines the respect of fundamental rights as established in the leading international principles: Universal Declaration of Human Rights, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development's (OECD) guiding principles.

Air France-KLM has been a signatory of the United Nations Global Compact since 2003 and is committed to respecting and promoting its ten Principles in the areas of Human Rights, labor, the environment and anti-corruption. This undertaking is reaffirmed each year by the Air France-KLM Group's top management bodies.

The duty of vigilance is a multi-risk approach. The management of risks is at the heart of the steering of the Air France-KLM Group's business activities, based on a rational of prevention and homogeneous management *via* common methods and tools.

Human Rights and fundamental liberties

In 2019, the Social Rights and Ethics Charter was reviewed by a working group bringing together the relevant Group entities and the European Works Council, to develop its content and formalize of a set of principles fostering the respect of Human Rights. This new document, intended for both internal and external use, and entitled The Air France-KLM Principles, was published in 2020. The Air France-KLM Principles are subject to regular review to verify any need for its updating.

The Air France-KLM Principles affirm the Group's commitment to fostering a climate of mutual trust and respect amongst staff, and ensuring a safe working environment. The Group undertakes to apply the labor legislation of the European Union and its Member States and all national collective agreements, and to respect the exercise of trade union rights in all the relevant countries. The Group also undertakes to scrupulously respect Human Rights, oppose child and forced labor, apply laws and ask its service providers and suppliers to uphold these principles.

In view of its organization, the Group delegates to its subsidiaries the responsibility of respecting and promoting the content of these commitments locally, in the respect of the national provisions and legislation specific to each country.

For more information, see also sctions 4.2 "Human Resources" and 4.5.2 "Respect of Human Rights".

Health and safety

For Air France-KLM, the health and safety of both customers and staff is an absolute priority.

Flight Safety is paramount for the Group. It is key to retaining the trust of customers and imperative for the long-term viability of its operations. All the Group's operations are the subject of multiple checks and certifications, and comply with extremely strict norms and the highest standards in the industry.

Each Group airline deploys a Safety Management System, which is integral to their business organizations, processes and corporate cultures.

For more information, see Chapter 3 "Risks and risk management" and section 4.4 "Customer trust".

Safeguarding health and safety in the work place is a human priority to which the Group responds by preventing vocational risks and improving the quality of life in the workplace.

For more information, see section 4.2 "Human resources".

The Group must guarantee its customers and flight crew safe catering services and, to this end, has implemented a Food Hygiene and Safety process to respond to the regulatory requirements linked to the preparation and supply of meals.

For more information, see section 4.4 "Customer trust".

Environment

Air France-KLM's Climate Action Plan sets forth the Group's strategy and the main priorities in terms of reducing its impact on climate change. In November 2019, the Group unveiled its global strategy through to 2025, based on environmental sustainability.

The Air France and KLM Environmental Management Systems (EMS) aim to prevent and mitigate the environmental impacts of their operations. These Environmental Management Systems have ISO 14001 certification and internal and external audits enable the verification of their effective deployment.

In 2019, the Group adopted the format recommended by the Task Force on Climate-related Financial Disclosures (TCFD) for the management of financial risks linked to climate change (TCFD concordance table, section 4.3.2).

For more information, see section 4.3 "Environment".

Supply chain

In its relations with sub-contractors and suppliers, Air France-KLM ensures that the fundamental social rights and principles, and environmental protection provisions, are properly respected everywhere in the world.

A supplier selection process has been implemented to respond to the duty of vigilance requirements. To this end, Air France–KLM's Procurement function provides awareness-raising training on these risks. A compliance training program for new members of the Procurement teams of Air France and KLM was carried out in 2022.

A risk-mapping process is in place with, for each segment and procurement domain, an evaluation of the environmental, social and ethical risks. Risks are also evaluated by country.

For all new contracts or contract renewals, the signature of the Supplier Sustainability Code of Conduct or an equivalent commitment covering the four areas (environment, social, ethical and supply chain) is mandatory and is included in the contract's appendix. In case of deviation, the legal department or the Compliance Officer may be called on to provide guidance. In the segments most exposed to risks, suppliers are asked to submit an evaluation of their sustainability performance, carried out by a specialized organization or the equivalent. It is mandatory for this evaluation to address four areas: environment, social, ethics, supply chain. The "Supplier supply chain" section provides visibility for tier 2 suppliers.

Suppliers failing to reach an acceptable level are required to put in place a remedial action plan. Independent in-situ audits may also be triggered.

Independently of the level of risk, all suppliers are encouraged to have their CSR performance evaluated.

In 2022, at the Group's request, 302 suppliers had their sustainability performance evaluated.

Listening to stakeholders and whistle blower mechanism

In 2021, Air France-KLM realized a new materiality analysis by questioning a representative panel of internal and external stakeholders. The comparison of these results with those of the analysis carried out in 2019 enabled confirmation of the relevance of Air France-KLM's strategic choices in the light of the issues deemed to be priorities for its activities and the expectations of its stakeholders.

Several processes enable the Group to regularly evaluate the perception of its stakeholders and to understand the related risks. The Group also has a number of feedback channels in place enabling stakeholders (particularly employees, customers and local residents around airports) to communicate any complaints.

For more information, see section 4.1.2 "Identification of the key priorities in building long-term relationships".

The Air France-KLM Group has updated the scope of its speak-up policies, internal whistle-blower procedures and mechanisms to enable employees to report any situations arising within the scope of the applicable legislation, including the Act of March 27, 2017 relating to the duty of vigilance of parent companies and ordering companies.

For more information, see also section 4.5.3 "Business ethics".

Table of concordance for the social, societal and environmental information

DPEF		GRI Standard Indicators	Advanced level Global Compact criteria
4.1	Creating long-term value for all our stakeholders		
4.1.1	The Group's business model	Х	Criteria 1; 15
4.1.2	Identification of the key priorities for building long-term relationships	102-21; 102-42; 102-43; 102-47	Criteria 1; 15
4.1.3	Business responsibility at the heart of the strategy	102-18; 102-20; 102-22; 102-26; 102-56	Criteria 1; 15
4.2	Human resources		
4.2.1	Working conditions and social dialogue	102-21; 402-1; 407-1	Criteria 6-8
4.2.2	Resource adaptation and employee dialogue	404-1; 404-2; 404-3	Criteria 6-8
4.2.3	Development of human capital and talent management	102-21; 402-1; 404-1; 404-2; 404-3; 407.1	Criteria 6-8
4.2.4	Diversity and equality	405-1; 406-1	Criteria 6-8
4.2.5	Health, safety and quality of life in the workplace	403-1; 403-2; 403-3; 403-4; 403-5; 403-6	Criteria 6-8
4.2.6	Social indicators for the Group	103-1; 102-8; 403-2; 403-3; 401-1	Criteria 6-8
4.3	Environmental impact		
4.3.1	Carbon emissions	302-4; 302-5; 305-1; 305-5	Criteria 9-11
4.3.2	Noise and local pollution	102-21; 305-5; 305-7; 413-1; 413-2	Criteria 9-11
4.3.3	Waste and circular economy	306-2	Criteria 9-11
4.3.4	Biodiversity	304-1; 304-3	Criteria 9-11
4.3.5	Environmental indicators	302-1; 303-1; 305-1; 305-2; 305-4; 305-5; 305-7; 306-3; 306-4	Criteria 9-11
4.4	Customer trust		
4.4.1	Operational safety for stakeholders	416-1	Criteria 21
4.4.2	Data and IT systems protection	418-1	Criteria 21
4.4.3	Accessibility of products and services	406-1	Criteria 3-5
4.5	Ethics and compliance		
4.5.1	Group reference texts	412-3	Criteria 3-5; 12-14
4.5.2	Respect of Human Rights	408-1; 409-1; 412-2; 412-3	Criteria 3-5
4.5.3	Business ethics	205-2	Criteria 12-14
4.6	Societal Value		
4.6.1	Local development	102-21; 413-1; 203-1	Criteria 16; 18
4.6.2	Sustainable procurement	414-1; 414-2	Criteria 2
4.6.3	Monitoring the Duty of Vigilance Law		
4.7	Report by one of the Statutory Auditors	102-56	

4.7 REPORT BY THE INDEPENDENT THIRD PARTY, ON THE VERIFICATION OF THE CONSOLIDATED NON-FINANCIAL STATEMENT

This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2022

To the Shareholders,

In our capacity as Independent Third Party of your company (hereinafter the "entity"), and accredited by the French Accreditation Committee (COFRAC) under number 3-1884⁽¹⁾ and, as a member firm of the KPMG International network, one of your Statutory Auditors, we have undertaken a limited assurance engagement on the historical financial information (observed or extrapolated) in the consolidated non-financial statement, prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), for the year ended... (hereinafter, the "Information" and the "Statement" respectively), presented in the Group's management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R.225-105-10f the French Commercial Code (*Code de commerce*).

At the request of the entity, we conducted works designed to express a reasonable assurance conclusion on the information selected by the entity and identified by the sign $\sqrt{}$.

Limited assurance conclusion

Based on the procedures we have performed, as described under the "Nature and scope of procedures" and the evidence we have obtained, nothing has come to our attention that cause us to believe that the consolidated non-financial statement is not prepared in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Reasonable assurance conclusion on a selection of non-financial information

Based on the procedures performed, as set out in the "Nature and scope of our work" and "Nature and scope of additional work on the information selected by the entity and identified by the sign " $\sqrt{}$ " sections of this report, and the evidence collected, the information selected by the entity and identified with the symbol $\sqrt{}$ in the Statement has been prepared, in all material respects, in accordance with the Guidelines.

Preparation of the non-financial performance Statement

The absence of a commonly used generally accepted reporting framework or a significant body of established practices on which to draw to evaluate and measure the Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Information needs to be read and understood together with the Guidelines, summarized in the Statement and available on the Entity's website or on request from its headquarters.

Inherent limitations in preparing the Information

The Information may be subject to uncertainty inherent to the state of scientific and economic knowledge and the quality of external data used. Some information is sensitive to the choice of methodology and the assumptions or estimates used for its preparation and presented in the Statement.

Responsibility of the entity

Management of the Entity is responsible for:

- selecting or establishing suitable criteria for preparing the Information;
- > preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators, and the information set out in Article 8 of Regulation (EU) 2020/852 (Green Taxonomy);
- preparing the Statement by applying the Entity's "Guidelines" as referred above; and
- > designing, implementing and maintaining internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared by the Management Board.

(1) Accreditation COFRAC Inspection, number 3-1884, scope available at www.cofrac.fr.

Responsibility of the Statutory Auditor, appointed as Independent Third Party

Based on our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- > the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e., the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information".

As we are engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

At the request of the entity and outside of the scope of certification, we may express reasonable assurance that the information selected by the entity, presented in the appendices, and identified by the symbol $\sqrt{}$ has been prepared, in all material respects, in accordance with the Guidelines.

It is not our responsibility to report on:

- > the entity's compliance with other applicable legal and regulatory provisions (particularly with regard to the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy), the French Duty of care law, and provisions against corruption and tax evasion);
- the fairness of information set-out in Article 8 of Regulation (EU) 2020/852 (GreenTaxonomy);
- > the compliance of products and services with the applicable regulations.

Applicable regulatory provisions and professional guidance

We performed the work described below in accordance with Articles A. 225-1 et seq. of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to such engagement, in particular the professional guidance issued by the *Compagnie Nationale des Commissaires aux Comptes*, "Intervention du commissaire aux comptes – Intervention de l'OTI – Déclaration de performance extra-financière", acting as the verification program, and with the International Standard on Assurance Engagements 3000 (revised)⁽¹⁾.

Our independence and quality control

Our independence is defined by the provisions of Article L. 822-11 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory requirements, ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement.

Means and resources

Our work engaged the skills of nine people between November 2022 and February 2023 and took a total of eleven weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted twenty interviews with the people responsible for preparing the Statement.

Nature and scope of procedures

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Information is likely to arise.

The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement on the Information:

- we obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, taking into account, where appropriate, best practices within the sector;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III, as well as information regarding compliance with Human Rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the main risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- > we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- > we referred to documentary sources and conducted interviews to:
 - assess the process used to identify and confirm the main risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the main risks and the policies presented,
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important

(1) ISAE 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

presented in the Appendix. Concerning certain risks⁽¹⁾, our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities⁽²⁾.

- > we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code, within the limitations set out in the Statement;
- we obtained an understanding of internal control and risk management procedures the Entity has implemented and assessed the data collection process aimed at ensuring the completeness and fairness of the Information;
- > for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
 - tests of details, using sampling techniques, in order to verify the proper application of definitions and procedures and reconcile the data with supporting documents. This work was carried out on a selection of contributing entities⁽²⁾ and covers between 29% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;

> we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

The procedures performed in a limited assurance review are less in extent than for a reasonable assurance opinion in accordance with the professional guidance of the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*); a higher level of assurance would have required us to carry out more extensive procedures.

Nature and extent of additional work on the information selected by the entity and identified by the sign \checkmark

With regard to the information selected by the entity, presented in the appendix and identified by the symbol $\sqrt{}$ in the Statement, we conducted the same work as described in the paragraph "Nature and scope of our work" above for the Information considered to be the most important, but in a more in-depth manner, in particular with regard to the number of tests.

The selected sample accounts for 74% of the information identified by the symbol \surd

We believe that our work is sufficient to provide a basis for our reasonable assurance opinion on the information selected by the entity and identified by the symbol $\sqrt{}$.

Paris-La Défense, on 21st February 2023

KPMG S.A.

Éric Dupré Partner Fanny Houlliot ESG Expert ESG Center of Excellence

 Biodiversity; Business ethics; Operational safety for stakeholders; Adaptation to climate change (operational impacts); Respect of Human Rights; Responsible procurement; Confidentiality and data protection; Accessibility of the products and services; Local development.

(2) Social indicators: Air France; BlueLink International CZ; KLM; Cygnific BV. Environmental indicators - Air Operations: Air France; HOP!; KLM; KLC. Environmental indicators - Ground Operations: Air France in France; KLM Schipol.

Qualitative information (actions and results) considered most important

Study conducted on the factors influencing employees' well-being and happiness at work

Telework Charter

New PACTE agreement

Commitment Charter for the feminization of the aeronautics and space professions

Providing employees with digital training content related to health, safety and quality of life at work

Commitment to the Minder Hinder program to reduce noise pollution and improve the quality of the local environment

Measures to promote responsible aviation catering

Support for the preservation of biodiversity

Implementation of a steering and monitoring tool for the Group's anti-corruption program

IOSA Certification

Recognition obtained in terms of cybersecurity

Accompanying measures for people with disabilities

Skills sponsorship actions in favor of local development

Arrangements relating to the replacement of fossil kerosene by SAF and associated impacts on CO₂ emissions

Key performance indicator	rs and other quantitative outcomes considered to be the most important	Level of assurance
luman resources	Total staff at 31/12 and breakdown by age	Limited
	Number of recruitments and Number of departures	Limited
	Percentage of women in the Executive Committee	Limited
	% of women in managerial functions	Limited
	Frequency rate for accidents in the workplace	Limited
	Gravity rate for accidents in the workplace	Limited
	Number of hours of training per employee	Limited
	Total staff with disabilities	Limited
	Number of collective agreements signed	Limited
	Change in Employee Promoter Score (EPS)	Limited
Environment – Air	Fuel consumption	Reasonable
perations	CO ₂ emissions of fuel consumption	Reasonable
	Carbon efficiency for passenger transportation	Reasonable
	GHG emissions intensity in metric tons of CO_2 equivalents per Revenue Ton Kilometer	Reasonable
	Carbon efficiency for cargo transportation	Limited
	Low altitude NO _x emissions	Limited
	Low altitude SO ₂ emissions	Limited
	Percentage of ICAO Chapter 4 and 14 certified aircrafts	Limited
Environment – Ground	CO ₂ emissions from ground operations (scope 1)	Limited
operations	Percentage change in absolute CO ₂ emissions from ground operations between 2021 and 2022 (scopes 1 and 2)	Limited
	NO _x emissions from ground operations	Limited
	Quantity of hazardous and non-hazardous industrial waste	Limited
	Percentage change in non-recycled wastes between 2011 and 2022	Limited
	Percentage of recovered hazardous industrial waste	Limited
iocietal value	Number of suppliers evaluated by Ecovadis	Limited
	% of suppliers having signed the Sustainable Development Charter	Limited

FINANCIAL REPORT

5.1	Comments on the financial situation	296
5.1.1	Consolidated results at December 31, 2022	296
5.1.2	Investments	299
5.1.3	Financing	300
5.1.4	Structure and profile of reimbursement of the financial debt	301
5.1.5	Main financial ratios of the Group	301
5.1.6	Consolidated equity at December 31, 2022	304
5.1.7	Air France-KLM parent company results	304
5.2	Consolidated financial statements	305
5.2.1	Consolidated income statement	305
5.2.2	Consolidated statement of recognized income and expenses	306
5.2.3	Consolidated balance sheet	307
5.2.4	Consolidated statement of changes in stockholders' equity	309
5.2.5	Consolidated statement of cash flows	310
5.3	Notes to the consolidated financial statements	312
5.4	Statutory Auditors' report on the consolidated financial statements	402
5.5	Statutory financial statements	409
5.5.1	Income statement	409
5.5.2	Balance sheet	410
5.5.3	Notes	411
5.6	Five-year results summary	424
5.7	Statutory Auditors' report on the financial statements	425
5.8	Statutory Auditors' special report on related-party agreements	430

5.1 COMMENTS ON THE FINANCIAL SITUATION

5.1.1 Consolidated results at December 31, 2022

Scope at December 31, 2022

At December 31, 2022, the consolidation scope was composed of 85 fully consolidated companies, 21 companies consolidated using the equity method and one joint-venture. Air France – KLM and its two main subsidiaries, Air France and KLM, represent 90% of revenues and 61% of the balance sheet. The other subsidiaries are principally involved in air transportation (Hop!, KLM Cityhopper), maintenance and low-cost transportation (Transavia).

As far as possible, the changes in the like-for-like figures have been estimated on a constant currency basis.

(in € million)	2022	2021	Change
Sales	26,393	14,315	12,078
EBITDA	3,615	745	2,870
Income from current operations	1,193	(1,626)	2,819
Income from operating activities	1,194	(2,532)	3,726
Net income for the period	744	(3,294)	4,038
Net income/(loss), Group part	728	(3,292)	4,020
Basic earnings/(loss) per share, Group (<i>in</i> €)	0.35	(5.95)	6.30

Revenues

Consolidated revenues for the period amounted to €26.4 billion, an increase of 84.4% and 79.7% on a constant currency basis. Air France-KLM increased its overall capacity by 44.2% (ASK). The 2022 financial year was characterized by a 29.5% increase in unit revenues on a constant currency basis, due to the combined performances of the passenger (56.4%) and cargo ((19.5)%) transportation activities, both these activities being included in the Network business, and the performance of Transavia (19.9%). In addition, Air France-KLM increased its passenger capacity by 39.4% (ASK) and its cargo capacity by 15.6% (ATK). Transavia's capacity increase stood at 85.9% (ASK). Revenues from the Network business increased by 85.7%. Maintenance revenues increased by 28.0%, while third-party maintenance revenues increased by 35.8% (33.7% on a constant currency basis). Transavia revenues increased by 119.3%.

Operating expenses

Operating expenses increased by 58.1% to \leq 25.2 billion, while capacity (ASK) increased by 44.2%.

External expenses increased by 84.6% to \leq 16.3 billion versus \leq 8.8 billion over the previous twelve months.

Excluding fuel, external expenses were up by 48.9% relative to the previous twelve months.

The breakdown of external expenses was as follows:

(in € million)	2022	2021	% ch.	% ch. at constant currency
Aircraft fuel	7,241	2,748	163.5%	133.1%
Chartering costs	387	325	19.1%	11.1%
Landing fees and air route charges	1,710	1,185	44.3%	40.3%
Catering	720	382	88.5%	83.9%
Handling charges and other operating costs	1,608	1,027	56.6%	52.8%
Aircraft maintenance costs	2,256	1,625	38.8%	34.9%
Commercial and distribution costs	887	385	130.4%	119.5%
Other external expenses	1,488	1,152	29.2%	30.0%
Total	16,297	8,829	84.6%	74.5%

The main changes were as follows:

- > aircraft fuel: the fuel expense for the year increased by 163.5%, mainly due to higher fuel prices due to an increase in global oil demand, supply constraints and political tensions, but also to higher capacity (ASK 44.2%) and dollar appreciation. The fuel bill before hedging increased by €5,134 million compared to the previous year, partially offset by the €641 million change in fuel hedge effects and by the higher fuel efficiency of the new aircraft;
- chartering costs: the costs incurred in leasing aircraft capacity from other airlines. Their increase in 2022 (+19.1%) remained lower than the Group's overall capacity increase;
- landing fees and en-route charges: these costs are incurred for air navigation services and the use of airports and their increase relative to last year (+44.3%) was in line with the capacity growth (ASK 44.2%);
- catering costs: these costs comprise the services supplied on board the Air France-KLM Group's own aircraft. They increased by 88.5% compared to last year, when in-flight catering on board had been considerably reduced due to the Covid-19 health measures;
- handling charges and other operating costs: principally cover aircraft handling on the ground and the cost of passenger care for the Group and, to a lesser extent, third-party customers. The increase in these costs (+56.6%) is mainly explained by the increase in capacity and by inflationary pressures;
- aircraft maintenance costs: they include maintenance procurement and consumption for the Group's aircraft and for the third-party activity; their increase is linked to the increase in internal and third-party activities;

- commercial and distribution costs: these costs increased by 130.4%, significantly more than capacity due to a base effect as marketing costs had been extremely limited in 2021 within the context of the Covid-19;
- other external expenses principally comprise rental charges, telecommunications costs, insurance and fees. Their level, increased by considerably less than capacity thanks to cost saving initiatives.

Salaries and related costs were up by 36.5% to €7.3 billion versus €5.3 billion in 2021. This was largely explained by the decrease in Long-Term Partial Activity ("APLD") in France and the end of the NOW program in the Netherlands in the first quarter of 2022, whose total contribution was reduced from €1,428 million in 2021 to €269 million in 2022. In addition, salary costs increased due to higher activity and the new collective labor agreements negotiated in the context of high inflation.

Taxes other than income taxes stood at €156 million in 2022 versus €116 million in 2021, up by 34.5%.

Other current income and expenses stood at net income of €964 million in 2022 versus net income of €715 million in 2021. They included:

- capitalized production amounting to €991 million in 2022 versus €728 million in 2021;
- > a result from joint-ventures of €9 million in 2022 versus
 €8 million in 2021;
- > €152 million from currency hedges in 2022 versus €16 million in 2021;
- a €(141) million expense booked in respect of CO₂ quotas versus €(32) million in 2021.

EBITDA

EBITDA amounted to €3,615 million (versus €745 million at December 31, 2021).

The contributions to EBITDA by business segment were as follows:

(in € million)	2022	2021	% ch.
Network	3,039	262	n/a
Maintenance	442	374	18.2%
Transavia	144	68	111.8%
Other	(10)	41	(124.4)%
Total	3,615	745	385.2%

Amortization, depreciation and provisions

Income/(loss) from current operations

Amortization, depreciation and provisions totaled 2,422 million in 2022 versus 2,371 million in 2021.

The result from current operations was positive to the tune of \notin 1,193 million (versus \notin (1,626) million at December 31, 2021).

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

(in € million)	2022			2021
	External sales	Income from current operations	External sales	Income from current operations
Network	22,758	1,131	12,253	(1,582)
Maintenance	1,389	163	1,023	88
Transavia	2,218	(100)	1,012	(150)
Other	26	(1)	27	18
Total	26,391	1,193	14,315	(1,626)

The nominal unit cost per ASK (available seat-kilometer) increased by 12.2%. In addition, there was a 3.1% increase on currency variation and a fuel price increase of 13.6%. Together this amounted to a unit cost ex currency and ex fuel price effect of (4.5)%.

Income/(loss) from operating activities

The result from operating activities amounted to \leq 1,194 million versus \leq (2,532) million in 2021.

Over the 2022 financial year, the result from operating activities included, notably:

- > the impact of aircraft sales and leasebacks for €38 million;
- the impact of the modification to pensions plans for Air France cabin crew for €(53) million;
- a €(18) million impairment on the Airbus A380s fleet following the review of the market value of the aircraft;
- > a €27 million gain resulting from the disposal of Heathrow slots to Virgin Atlantic.

Over the 2021 financial year, the result from operating activities had included, notably:

- the change in the KLM Ground Staff pension scheme from a Defined Benefit to a Defined Contribution plan for €(938) million;
- > an impairment of the fleet for €(39) million, mainly for Hop!;
- > the release of unused restructuring provisions amounting to €86 million at Air France.

These operations are detailed in Note 11 "Sales of aircraft equipment and other non-current income and expenses" in the Notes to the consolidated financial statements.

Net cost of financial debt

The net cost of financial debt decreased to \in (528) million versus a net cost of \in (728) million during the previous financial year mainly due to one-off expenses accounted for in the net cost of financial debt in 2021 following the review of the discounted value of future payments on the debt in the context of the maturity extension and early repayment of the French "PGE" as well as the change on the Dutch State guaranteed revolving credit facility "RCF".

Other financial income and expenses

Other net financial income and expenses amounted to \notin (324) million in 2022 versus \notin (289) million in 2021 and corresponded mainly to foreign exchange loss of \notin (173) million in 2022 versus a \notin (197) million loss in 2021 as well as the impact of the rate used to discount the long term return obligation liability and provision for leased aircraft.

Net result - Group part

Income taxes stood at income of \notin 390 million in 2022 versus \notin 282 million in 2021 mainly due to the recognition of deferred tax assets for the Dutch and French tax groups.

5.1.2 Investments

Share of profits/(losses) from associates contributed a gain of \notin 12 million in 2022 versus a \notin (27) million loss in the previous year. This was principally the result from the Servair Group and from partnerships in the maintenance business.

The net result, Group part stood at income of \notin 728 million in 2022 versus a \notin (3,292) million loss in 2021.

The contributions to the net result by quarter were, respectively, \notin (552) million at March 31, 2022, \notin 324 million at June 30, 2022, \notin 460 million at September 30, 2022 and \notin 496 million at December 31, 2022.

Basic earnings per share, Group part amounted to 0.35 at December 31, 2022 versus (5.95) at December 31, 2021.

(in € million)	2022	2021
Acquisition of intangible assets	(332)	(222)
Investment in flight equipment	(2,458)	(1,856)
Acquisition of other tangible assets	(176)	(105)
Accounts payable on acquisitions	(6)	(19)
Acquisition of subsidiaries, of shares in non-controlled entities	(3)	(4)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	(1)	75
Proceeds on disposal of property plant and equipment and intangible assets	880	899
Dividends received	2	2
Decrease (increase) in net investments, more than 3 months	(59)	(9)
Net cash-flow used in investing activities	(2,153)	(1,239)

Investment in flight equipment included advance payments and balances on the delivery of aircraft purchases, capitalized aircraft modifications, spare parts procurement and maintenance costs eligible for capitalization. Investment in intangible assets related to the purchase of software and capitalized IT development. Other investments in tangible assets mostly included the acquisition of industrial equipment for the flight operations, maintenance and IT. During the 2022 financial year, the Air France-KLM Group's capital expenditure on tangible and intangible assets amounted to \notin (2,972) million and proceeds on disposals to \notin 880 million. With the net cash-flow from operating activities amounting to \notin 4,856 million, the Group generated positive operating free cash-flow of \notin 2,764 million.

5.1.3 Financing

(in € million)	2022	2021
Increase of equity	1,551	1,024
Capital increase paid by non controlling interests	3	_
Perpetual	(969)	_
Coupons on perpetual	(252)	_
Issuance of debt	1,110	1,724
Repayment on debt	(3,078)	(1,993)
Payments on lease debts	(861)	(862)
New loans	(305)	(188)
Repayment on loans	45	219
Dividends paid	-	(1)
Net cash-flow from financing activities	(2,756)	(77)

At December 31, 2022, the Group's net liquidity position amounted to &8.0 billion, including &572 million of investments with maturities of above three months and &811 million of bonds. In addition, the Group had credit facilities of &2.6 billion available at December 31, 2022 (see also section 3.1.5.1 "Financial Structure").

Net debt stood at \in 6.3 billion (\in 8.2 billion at December 31, 2021). The detailed net debt calculation can be found in Note 34 in the Notes to the consolidated financial statements).

5.1.4 Structure and profile of reimbursement of the financial debt

Structure of the financial debt

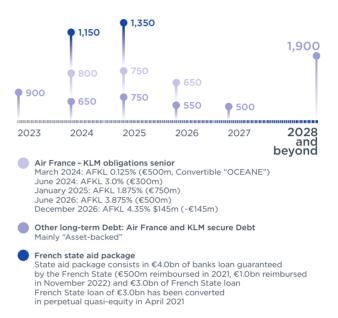
The Group's gross debt stood at ≤ 10.6 billion at December 31, 2022. ≤ 4.9 billion is guaranteed by pledged or mortgaged assets with a net book value amounting to ≤ 5.5 billion (see Note 40.1 "Commitments made" in the notes to the consolidated financial statements). After hedging, 65% of the gross debt (excluding lease debt) is at fixed rates and 84% (excluding lease debt) is denominated in euros. The interest rate on the Group's gross debt (excluding lease debt) after swaps stood at 2.97% as of December 31, 2022 (versus 2.23% as of December 31, 2021).

At December 31, 2022, the structure of the debt was as follows:

- market financing (bonds and perpetual subordinated loan stock): €2.7 billion;
- > financial lease debt with bargain option: €3.7 billion;
- > loans from/guaranteed by States: €2.6 billion;
- > other borrowings including bank debt and accrued interest: €1.6 billion.

Reimbursement profile for debt and subordinated securities, excluding lease debt and KLM perpetuals

The debt reimbursement maturities are progressive over time.



(1) Excluding operating lease debt payments, KLM perpetual debt, and Air France perpetual quasi-equity.

5.1.5 Main financial ratios of the Group

Financial cover ratios

	2022	2021
Net debt/EBITDA ratio		
Net debt	6,337	8,216
EBITDA	3,615	745
Net debt/EBITDA	1.75	11.03

EBITDA/net cost of financial debt ratio	2022	2021
EBITDA	3,615	745
Net cost of financial debt	528	728
EBITDA/net cost of financial debt	6.85	1.02

Return on Capital Employed (ROCE)

Return on capital employed measures the return on invested capital by expressing a result after tax as a percentage of capital employed. The calculation methodology is as follows:

capital employed for the year is obtained by taking the average of the capital employed on every quarterly balance sheet;

- the adjusted result after tax corresponds to the sum of the operating result adjusted for dividends received and the share of profits/(losses) of associates.
- > the calculation of the capital employed is based on an additive method by identifying the relevant balance sheet items. The

(in € million)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Goodwill and intangible assets	1,562	1,425	1,437	1,473
Flight equipment	10,614	10,298	10,521	10,537
Other property, plant and equipment	1,375	1,349	1,358	1,378
Right-of-use assets	5,428	5,536	5,439	5,205
Investments in equity associates	120	111	108	107
Other financial assets excluding shares available for sale, marketable securities and financial deposits	169	164	162	158
Provisions excluding pension, cargo litigation and restructuring	(4,345)	(4,792)	(4,473)	(4,240)
Working capital	(10,092)	(10,434)	(11,156)	(9,589)
Capital employed	4,831	3,657	3,396	5,029
Average capital employed (A)		4,228		
Income (losses) from current operations		1,193		
Dividends received		(1)		
Share of profits/(losses) of associates		12		
Normative income tax		(311)		
Adjusted result from current operations after tax (B)		893		
ROCE (B/A)		21.1%		

(in € million)	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Goodwill and intangible assets	1,457	1,456	1,464	1,479
Flight equipment	10,466	10,478	10,645	10,800
Other property, plant and equipment	1,402	1,418	1,453	1,476
Right-of-use assets	5,148	5,061	5,033	4,795
Investments in equity associates	109	172	166	223
Other financial assets excluding shares available for sale, marketable securities and financial deposits	157	147	147	146
Provisions excluding pension, cargo litigation and restructuring	(4,173)	(4,180)	(4,033)	(4,083)
WCR	(8,262)	(7,995)	(7,745)	(6,410)
Capital employed	6,304	6,557	7,130	8,426
Average capital employed (A)		7,104	·	
Adjusted result from current operations		(1,626)		
Dividends received		_		
Share of profits/(losses) of associates		(27)		
Normative income tax		462		
Adjusted result from current operations after tax (B)		(1,191)		
ROCE (B/A)		N/A		

Cost of capital

	2022	2021
Cost of stockholders' equity	13.2%	17,7%
Marginal cost of debt. post tax	4.0%	2.9%
Percentage of stockholders' equity/target debt		
Stockholders' equity	40%	26%
Debt	60%	74%
Weighted average cost of capital after taxation	7.7%	6.7%

Net cost per ASK

To analyze the cost performance of each transportation activity, the Group divides the net cost of this activity by the capacity produced, expressed in ASK for the passenger business and Transavia, and in ATK for the cargo business. To analyze the Company's overall cost performance, the Group uses the net cost per ASK. This net cost is obtained by dividing the total net cost by the capacity produced expressed in available seat-kilometers (ASK). The net cost is calculated by subtracting the revenues other than those generated by the three transportation activities (passenger, cargo and Transavia) from total operating expenses. The capacity produced by the two passenger transportation activities is combined by adding the capacity of the passenger business (in ASK) to that of Transavia (in ASK).

		2022	2021
Revenues (in €m)	A	26,393	14,315
Income/(loss) from current operations (<i>in</i> €m)	В	1,193	(1,626)
Total operating expense (in €m)	C=A-B	25,200	15,941
Network business – other network revenues <i>(in €m)</i>	D	914	734
Third-party revenues in maintenance <i>(in €m)</i>	E	1,389	1,023
Transavia – other revenues (in €m)	F	(45)	(3)
Other businesses (in €m)	G	26	27
Net cost (in €m)	H=C-D-E-F-G	22,916	14,161
Capacity produced, reported in ASK		282,826	196,116
Net cost, per ASK (in € cents)		8.10	7.22
Gross change			12,2%
Currency effect on net costs (in €m)			(397)
Change at constant currencies			9.1%
Fuel price effect (in €m)			2,078
Change on a constant currency and fuel price basis			-4.5%
Net cost per ASK on a constant currency and fuel price basis		8.10	8.48

5.1.6 Consolidated equity at December 31, 2022

Equity attributable to equity holders of Air France-KLM amounted to \leq (3,004) million as of December 31, 2022 versus \leq (3,824) million as of December 31, 2021. The \leq 0.8 billion increase is mainly explained by the following:

> a positive net result of €0.7 billion;

- > the redemption of €(2.4) billion of perpetual supersubordinated Notes held by the French State;
- > a €2.2 billion capital increase;
- > a €0.3 billion impact of other comprehensive income (mainly due to the remeasurements of defined benefit pension plans and the change in fair value of the hedging instruments).

5.1.7 Air France - KLM parent company results

The Air France-KLM parent company results were closed on December 31, 2022.

As a holding company, Air France-KLM has no operating activity. Its revenues comprise royalties paid by the two operating subsidiaries for use of the Air France-KLM logo and the supply of services invoiced to Air France and KLM. Its expenses mostly comprise financial communication expenses, Statutory Auditors' fees, the expenses linked to the compensation of the Company officers and the staff made available by Air France and KLM. At December 31, 2022, the operating result amounted to a loss of $\pounds(6)$ million (versus a loss of $\pounds(3)$ million in 2021).

The net result was a \in (13) million loss, mainly due to the financial costs on the bonds, the loan guaranteed by the State (*Prêt Garanti par l'État – PGE*), the State Current Account Advance and the Deeply Subordinated Undated Notes and other loans.

Pursuant to the provisions of Article 39-5 and Article 223 quinquies of the French Tax Code relating to expenses in the statement of general expenses excluded from non-tax-deductible expenses, note that no amount was recognized during the financial year.

Pursuant to the provisions of Article 39-4 and Article 223 quater of the French tax Code no excess amortization was recognized.

Information on the maturity of accounts payable for the Company Air France-KLM:

At December 31, 2022, accounts payable stood at \notin 9 million of which \notin 7 million outside the Group, mostly not yet due within 45 days as of the end of the month.

At December 31, 2021, accounts payable stood at \leq 18 million of which \leq 13 million outside the Group, mostly not yet due within 45 days as of the end of the month.

5.2 CONSOLIDATED FINANCIAL STATEMENTS

5.2.1 Consolidated income statement

Period from January 1 to 31 December (in € millions)	Notes	2022	2021
Revenues from ordinary activities		26,393	14,315
External expenses	7	(16,297)	(8,829)
Salaries and related costs	8	(7,289)	(5,340)
Taxes other than income taxes		(156)	(116)
Other current operating income and expenses	9	964	715
EBITDA		3,615	745
Amortization, depreciation and provisions	10	(2,422)	(2,371)
Income from current operations		1,193	(1,626)
Sales of aircraft equipment	11	66	(19)
Other non-current income and expenses	11	(65)	(887)
Income from operating activities		1,194	(2,532)
Cost of financial debt	12	(569)	(730)
Income from cash and cash equivalents	12	41	2
Net cost of financial debt	12	(528)	(728)
Other financial income and expenses	12	(324)	(289)
Income before tax		342	(3,549)
Income taxes	13.1	390	282
Net income of consolidated companies		732	(3,267)
Share of profits (losses) of associates	20	12	(27)
Net income for the period		744	(3,294)
Non-controlling interests		16	(2)
Net income – Group part		728	(3,292)
Earnings per share - Equity holders of Air France-KLM (in euros)			
– basic – diluted	14	0.35 0.31	(5.95) (5.95)

5.2.2 Consolidated statement of recognized income and expenses

Period from January 1 to December 31 (in € millions)	Notes	2022	2021
Net income for the period		744	(3,294)
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	29.6	857	541
Change in fair value and cost of hedging transferred to profit or loss	29.6	(1,002)	(272)
Exchange difference resulting from the translation		4	3
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	13.2	34	(72)
Total of other comprehensive income that will be reclassified to profit or loss		(107)	200
Remeasurements of defined benefit pension plans		410	772
Fair value of equity instruments revalued through OCI		(6)	(2)
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	13.2	(41)	(171)
Total of other comprehensive income that will not be reclassified to profit or loss		363	599
Total of other comprehensive income, after tax		256	799
Recognized income and expenses		1,000	(2,495)
 Equity holders of Air France-KLM Non-controlling interests 		984 16	(2,495) -

5.2.3 Consolidated balance sheet

Assets (in € millions)	Notes	December 31, 2022	December 31, 2021
Goodwill	15	225	222
Intangible assets	16	1,337	1,235
Flight equipment	17	10,614	10,466
Other property, plant and equipment	17	1,375	1,402
Right-of-use assets	19	5,428	5,148
Investments in equity associates	20	120	109
Pension assets	21	39	_
Other non-current financial assets	23	1,184	951
Non-current derivative financial assets	37	262	143
Deferred tax assets	13.4	714	278
Total non-current assets		21,298	19,954
Other current financial assets	23	620	484
Current derivative financial assets	37	327	469
Inventories	24	723	567
Trade receivables	25	1,785	1,511
Other current assets	26	847	966
Cash and cash equivalents	27	6,626	6,658
Assets held for sale	28	79	74
Total current assets		11,007	10,729
Total assets		32,305	30,683

Consolidated balance sheet (continuation)

Liabilities and equity (in € millions)	Notes	December 31, 2022	December 31, 2021
Issued capital	29.1	2,571	643
Additional paid-in capital	29.2	5,217	4,949
Treasury shares	29.3	(25)	(25)
Perpetual	29.4	933	3,151
Reserves and retained earnings	29.5	(11,700)	(12,542)
Equity attributable to equity holders of Air France-KLM		(3,004)	(3,824)
Non-controlling interests	29.7	524	8
Total equity		(2,480)	(3,816)
Pension provisions	30	1,634	1,939
Non-current return obligation liabilities and provisions for leased aircrafts and other provisions	31	4,149	4,055
Non-current financial liabilities	32	9,657	11,274
Non-current lease debt	33	3,318	2,924
Non-current derivative financial liabilities	37	21	25
Deferred tax liabilities	13.4	1	1
Other non-current liabilities	36	2,343	2,555
Total non-current liabilities		21,123	22,773
Current return obligation liabilities and provisions for leased aircrafts and other provisions	31	740	885
Current financial liabilities	32	896	1,215
Current lease debt	33	834	825
Current derivative financial liabilities	37	83	46
Trade payables		2,424	1,850
Deferred revenue on ticket sales		3,725	2,644
Frequent flyer programs	35	900	888
Other current liabilities	36	4,057	3,369
Bank overdrafts	27	3	4
Total current liabilities		13,662	11,726
Total liabilities		34,785	34,499
Total equity and liabilities		32,305	30,683

5.2.4 Consolidated statement of changes in stockholders' equity

(in € millions)	Number of shares	Issued capital	Additional paid-in capital	Treasury F shares	Perpetual bonds	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Non- controlling interests	Total equity
December 31, 2020 – published (1)	428,634,035	429	4,139	(25)	-	(9,970)	(5,427)	9	(5,418)
Change in accounting policy ⁽¹⁾		_	_	_	_	76	76	_	76
January 1, 2021 – restated (1)	428,634,035	429	4,139	(25)	-	(9,894)	(5,351)	9	(5,342)
Other comprehensive income		-	-	_	-	797	797	2	799
Net result for the period		-	-	-	-	(3,292)	(3,292)	(2)	(3,294)
Total of income and expenses recognized		-	-	-	-	(2,495)	(2,495)	-	(2,495)
Capital increase	213,999,999	214	810	_	-	_	1,024	-	1,024
Perpetual		_	-	-	3,000	(3)	2,997	-	2,997
Coupons on perpetual		-	-	_	151	(151)	-	-	_
Dividends paid		-	-	_	-	_	-	(1)	(1)
Other		-	_	_	-	1	1	-	1
December 31, 2021	642,634,034	643	4,949	(25)	3,151	(12,542)	(3,824)	8	(3,816)
Other comprehensive income		_	_	_	_	256	256	-	256
Net result for the period		_	_	-	_	728	728	16	744
Total of income and expenses recognized		-	-	-	-	984	984	16	1,000
Capital increase	1,927,902,102	1,928	268	_	-	-	2,196	-	2,196
Capital increase paid by non controlling interests		_	_	_	_	_	-	3	3
Perpetual bonds		_	-	-	(2,100)	(4)	(2,104)	497	(1,607)
Coupons on perpetual		_	-	-	(118)	(139)	(257)	-	(257)
Other		-	-	-	-	1	1	-	1
December 31, 2022	2,570,536,136	2,571	5,217	(25)	933	(11,700)	(3,004)	524	(2,480)

(1) Since January 1, 2021, the Air France-KLM Group has applied the IFRIC decision relating to IAS 19 "Employee benefits", described in Note 5.1 Accounting principles for the consolidated financial statements as of December 31, 2021. This change has been applied retrospectively and the impact on the Group's equity as of January 1, 2021 amounts to €76 million.

5.2.5 Consolidated statement of cash flows

Period from January 1 to December 31 (in € millions)	Notes	2022	2021
Net income		744	(3,294)
Amortization, depreciation and operating provisions	10	2,422	2,371
Financial provisions	12	145	115
Loss (gain) on disposals of tangible and intangible assets		(92)	18
Loss (gain) on disposals of subsidiaries and associates	11	1	(26)
Derivatives – non monetary result		(4)	(39)
Unrealized foreign exchange gains and losses, net		151	257
Share of (profits) losses of associates	20	(12)	27
Deferred taxes	13	(436)	(284)
Impairment	42.2	32	40
Other non-monetary items	42.2	(63)	739
Financial capacity		2,888	(76)
(Increase)/decrease in inventories		(155)	(41)
(Increase)/decrease in trade receivables	_	(146)	(239)
Increase/(decrease) in trade payables		570	395
Increase/(decrease) in advanced ticket sales		1,092	227
Change in other assets and liabilities		607	1,268
Change in working capital requirement		1,968	1,610
Net cash-flow from operating activities		4,856	1,534
Acquisition of subsidiaries, of shares in non-controlled entities		(3)	(4)
Purchase of property plant and equipment and intangible assets	18	(2,972)	(2,202)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities		(1)	75
Proceeds on disposal of property plant and equipment and intangible assets	11	880	899
Dividends received		2	2
Decrease (increase) in net investments, more than 3 months		(59)	(9)
Net cash-flow used in investing activities		(2,153)	(1,239)
Increase of equity	29.1	1,551	1,024
Capital increase paid by non controlling interests	29.7	3	-
Perpetual	29.4	(969)	-
Coupons on perpetual	29.4	(252)	-
Issuance of debt	32	1,110	1,724
Repayment on debt	32	(3,078)	(1,993)
Payments on lease debts	33	(861)	(862)
New loans		(305)	(188)
Repayment on loans		45	219

Period from January 1 to December 31Note(in € millions)Note	2022	2021
Dividends paid	-	(1)
Net cash-flow from financing activities	(2,756)	(77)
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)	22	14
Change in cash and cash equivalents and bank overdrafts	(31)	232
Cash and cash equivalents and bank overdrafts at beginning of period	7 6,654	6,422
Cash and cash equivalents and bank overdrafts at end of period	7 6,623	6,654
Income tax (paid)/reimbursed (flow included in operating activities)	41	55
Interest paid (flow included in operating activities)	(586)	(563)
Interest received (flow included in operating activities)	19	(12)

5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1	Business description	313
Note 2	Sustainable development and climate	313
Note 3	Significant events	315
Note 4	Accounting policies	318
Note 5	Change in the consolidation scope	332
Note 6	Information by activity and geographical area	332
Note 7	External expenses	336
Note 8	Salaries and number of employees	337
Note 9	Other current operating income and expenses	338
Note 10	Amortization, depreciation and provisions	338
Note 11	Sales of aircraft equipment and other non-current income and expenses	339
Note 12	Net cost of financial debt and other financial income and expenses	340
Note 12 Note 13		340 341
	income and expenses	0.0
Note 13	income and expenses Income taxes	341
Note 13 Note 14	income and expenses Income taxes Earnings per share	341 344
Note 13 Note 14 Note 15	income and expenses Income taxes Earnings per share Goodwill	341 344 346
Note 13 Note 14 Note 15 Note 16	income and expenses Income taxes Earnings per share Goodwill Intangible assets	341344346347
Note 13 Note 14 Note 15 Note 16 Note 17	income and expenses Income taxes Earnings per share Goodwill Intangible assets Tangible assets	341 344 346 347 348
Note 13 Note 14 Note 15 Note 16 Note 17 Note 18	income and expenses Income taxes Earnings per share Goodwill Intangible assets Tangible assets Capital expenditures	 341 344 346 347 348 349
Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19	income and expenses Income taxes Earnings per share Goodwill Intangible assets Tangible assets Capital expenditures Right-of-use assets	 341 344 346 347 348 349 350
Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19 Note 20	income and expenses Income taxes Earnings per share Goodwill Intangible assets Tangible assets Capital expenditures Right-of-use assets Equity affiliates	 341 344 346 347 348 349 350 351

Note 24	Inventories	355
Note 25	Trade accounts receivables	356
Note 26	Other assets	356
Note 27	Cash, cash equivalents and bank overdrafts	357
Note 28	Assets held for sale	357
Note 29	Equity attributable to equity holders of Air France-KLM SA	357
Note 30	Retirement benefits	362
Note 31	Return obligation liability and provision for leased aircraft and other provisions	367
Note 32	Financial liabilities	371
Note 33	Lease debt	377
Note 34	Net debt	379
Note 35	Loyalty program	380
Note 36	Other liabilities	380
Note 37	Financial risk management	381
Note 38	Valuation methods for financial assets and liabilities at their fair value	390
Note 39	Flight equipment orders	390
Note 40	Other commitments	391
Note 41	Related parties	393
Note 42	Consolidated statement of cash flow and operating free cash flow	395
Note 43	Statutory Auditors' fees	396
Note 44	Consolidation scope	398

NOTE 1 BUSINESS DESCRIPTION

As used herein, the term "Air France – KLM" refers to Air France – KLM SA, a limited liability company organized under French law. The term "Group" is represented by the economic definition of Air France – KLM and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world.

The Group's core business is network activities which includes passenger transportation on scheduled flights and cargo activities. The Group's activities also include aeronautics maintenance, leisure passenger transportation (Transavia) and other air-transport-related activities.

The limited company Air France-KLM, domiciled at 7, rue du cirque 75008 Paris – France, is the parent company of the Air France-KLM Group. Air France-KLM is listed for trading in Paris (Euronext) and Amsterdam (Euronext).

The presentation currency used in the Group's financial statements is the Euro, which is also Air France - KLM's functional currency.

NOTE 2 SUSTAINABLE DEVELOPMENT AND CLIMATE

Climate change is a major concern for the airline industry and for the Air France-KLM Group in particular. Attitudes towards the acceptability of air transportation growth are changing at both political level and in terms of wider society. Both France and the Netherlands have implemented policies to ensure the transition to a Net Zero Carbon society by 2050.

The Air France-KLM Group intends to be a key player in the transformation of its sector of activity, and aims to take a leading role and influence.

Playing an active role in advancing the ambition of Net Zero emissions by 2050 as an industry, and committing to science-based targets in line with the SBTi criteria approved in November 2022, is a strong marker for the Group, reflecting people's changing perception of travel and calls for a more responsible use of aviation. The Group's environmental efforts are summarized in a Climate Action Plan, with the objective of reducing CO_2 emissions by 30% in 2030 compared to 2019, in particular by progressively incorporating sustainable aviation fuel (SAF) and investing in the renewal of the Group's fleet for new generation aircraft emitting up to 25% less CO_2 .

Air France-KLM assesses its extra-financial performance on a regular basis, through through Standard and Poor's (S&P), DJSI, CDP, Ecovadis, Climate Action 100+ and Sustainalytics ratings.

In 2022, for the eighteenth consecutive year, Air France-KLM was included in the Dow Jones Sustainability Indexes (DJSI World and Europe), the Ecovadis rating agency awarded Air France-KLM a gold medal (ranking in the top 3%), while the CDP gave the Group a C-rating (awareness level) for the climate change questionnaire.

Furthermore, to objectify its ESG performance and improve its strategy and practices, Air France-KLM proactively requested an independent ESG rating from Standard and Poor's, becoming the first airline group to be evaluated through a requested ESG rating. In 2021, Standard & Poor's (S&P) Global Ratings thus assigned to Air France-KLM an ESG rating of 64/100. With this rating, the Group is well positioned among the players in the airline industry with regard to the management of its significant exposure to environmental challenges. S&P underlined that the Group was well prepared to manage the ESG risks faced by airlines in the short and medium term.

The Group's financial statements integrate climate change and sustainability issues in various items as described below.

2.1 Valuation of assets and consideration of environmental risks

The impact of climate change in the short to medium term has been taken into account in preparing the Group's financial statements for the year ending December 31, 2022. However, the physical risks identified have not been considered material to the Group's operational continuity, given the operation of a balanced network across the different continents and the flexibility of the fleet, which minimizes the economic consequences of extreme weather events that may occur. The impacts of expected or probable changes (increase in carbon credit prices, CO_2 compensation and development of sustainable aviation fuel – "SAF"), the Group's ability to pass on additional costs in ticket prices, as well as investments and depreciations linked to the fleet renewal plan, in line with the CO_2 emission reduction targets validated by SBTi, are included in the Group's

2.2 Sustainable investments and financings

The Air France-KLM Group has committed to reduce its CO_2 emissions per passenger/km by 30% by 2030 compared to 2019. Currently, one of the most impactful ways to reduce the carbon footprint is to invest in a more fuel-efficient fleet. The Group is focusing on simplifying and rationalizing its fleet to make it more competitive. The Group's transformation is therefore continuing with the arrival of more modern, high-performance aircraft with a significantly lower environmental impact and a reduced noise footprint.

To support its investments, the Group has entered into secured financing agreements integrating sustainable development issues,

five-year plan and consequently in the tested recoverable value of assets (see Note 22 "Impairment").

In 2022, the Group's environmental objectives have not led to the recognition of any impairment or accelerated depreciation of assets.

through which the Group benefits from more advantageous financing conditions if it achieves targets related to fleet renewal and the incorporation of sustainable aviation fuels ("SAF").

In addition, on January 9, 2023, Air France – KLM issued sustainability-linked bonds for a total amount of €1 billion (see Note 3.3 "Subsequent events"). The coupons of the bonds will be indexed to the Group's objective of reducing its kerosene-related greenhouse gas emissions (scope 1 and 3) by 10% per revenue/ton/kilometer (RTK) by 2025 compared to 2019, as part of its global decarbonization roadmap.

2.2.1 Fleet modernization

The renewal of the Group's airline fleet for new generation aircraft, that are up to 25% more efficient in terms of fuel consumption and therefore CO_2 emissions, and generate less noise, resulted in capital expenditures on aircraft equipment amounting to \notin 1,332 million as of December 31, 2022 (\notin 1,047 million as of December 31, 2021) (see Note 18 "Capital expenditures").

Pursuing its fleet renewal plan, the Group will continue to receive new generation aircraft over the next few years, with the aim of having more than two-thirds of its fleet composed of new generation aircraft by 2028 (see Note 39 "Flight equipment orders").

2.2.2 Other investments

In order to adapt its business to climate change and in particular to achieve the objective of carbon neutrality of ground operations by 2030, the Group is pursuing a sustainable investment policy and is notably investing in fully electric ramp equipment (vehicles, tractors and loading equipment) and the energy renovation of its buildings.

These investments represented €52 million as of December 31, 2022 (€40 million as of December 31, 2021).

2.3 Greenhouse gas emission rights – CO₂ compensation and SAF supply

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, as described in Note 4.23 "Emission Trading Scheme". and Note 37.4 "Carbon credit risk". As such, the Group must purchase CO_2 allowances to offset its emissions. The Group accounts for the CO_2 quotas as intangible assets. These assets are not subject to amortization. As of December 31, 2022, the value of the CO₂ quotas related to ETS program in the Group's balance sheet represented €208 million (€74 million euros as of December 31, 2021) (see Note 16 "Intangible assets"). To meet its obligation to surrender the allowances corresponding to its emissions, the Group recorded a net expense of €137 million as of December 31, 2022 (€32 million as of December 31, 2021) corresponding to the best estimates of its emissions for the year 2022 (see Note 9 "Other current operating income and expenses"). Finally, the Group has hedging instruments for CO_2 quotas for an amount of ≤ 12 million as of December 31, 2022 (≤ 142 million as of December 31, 2021) (see Note 29.6 "Derivatives instruments reserves").

Additionally, since January 1, 2020, Air France has compensated the CO₂ emissions of its customers on the French domestic routes. The purchase of credits representing the carbon compensation, notably from the partner Ecoact, are booked as intangible assets, for an amount of \notin 2 million as of December 31, 2022 (\notin 2 million as of December 31, 2021) (see Note 16 "Intangible assets") and are subject to a provision for an amount of \notin 5 million as of December 31, 2022 (unfunded amount as of December 31, 2021), corresponding to the best estimates of its emissions for the year 2022 (see Note 9 "Other current operating income and expenses"). In order to secure its purchases of sustainable aviation fuel (SAF) and thus achieve the Group's decarbonization objectives, in particular through the incorporation of at least 10% SAF by 2030, Air France-KLM signed two contracts in October 2022 with the suppliers Nesté and DG Fuels for the supply of 1.6 million tons of SAF between 2023 and 2036 (see Note 40.1 "Commitments made"). In December 2022, Air France-KLM also signed a Memorandum of Understanding with TotalEnergies for the supply of 0.8 million tons of SAF to the Group's airlines over a 10-year period, starting in 2023.

Since January 1, 2022, in order to meet the additional costs linked to the mandatory purchase of SAF, the Air France-KLM Group has introduced a specific surcharge on tickets departing from France and the Netherlands. As of December 31, 2022, the total amount of the surcharge collected represents €48 million, entirely allocated to the purchase of SAF.

2.4 Other expenses and commitments

The performance criteria taken into account for the calculation of both annual and long-term variable management compensation (see Note 41.1 "Transactions with the principal executives") include non-financial indicators linked related to sustainable development, respectively the compliance with the 2030 environmental roadmap trajectory and the 50% reduction target for CO_2 emissions (measured in g CO_2 /passenger/km, including market measures) over the period 2005-2030.

In addition, KLM has made sustainability commitments as part of the conditions associated with the direct loan granted by the Dutch State (see Note 32.3 "Financial support from the French and Dutch States"), as well as Air France within the framework of the loan guaranteed by the French State and the National Low-Carbon Strategy in France.

NOTE 3 SIGNIFICANT EVENTS

3.1 Going concern

The global spread of Covid-19 since early 2020 has had a major impact on air traffic worldwide. The very strict conditions on global travel adopted by many countries beginning in March 2020 resulted in a contraction of air traffic. Recovery began in the second half of 2021 and has continued amply through 2022.

The strong measures taken by the Group to limit the effects of Covid-19 on business since the beginning of the pandemic have been adapted throughout 2022 to the changing situation. They include, among other things, adapting the capacity offered in line with demand, securing cash-flow, systematically refinancing new aircraft deliveries, and salary measures.

In addition, the Ukrainian crisis has had repercussions on the Group's activity, which has suspended services and overflights to Ukraine and Russia since February 2022 and until further notice. The routes to the two countries represented less than 1% of the Group's network activity in terms of revenues. The impact of the extension of routes to China, Japan and South Korea is however limited. In compliance with the sanctions imposed on Russia by Western countries, the Group's maintenance activities

for Russian airlines have been suspended without generating any significant impact. Finally, although the Ukrainian crisis is driving oil prices to high levels with wide variations, the Group's fuel hedging policy has mitigated the impact on the Group's consolidated financial statements at December 31, 2022.

Adapting available capacity and reducing costs

Available seat-kilometer capacity for the passenger business and Transavia was 44% higher in 2022 than in 2021, in response to the recovery in demand, and reached 82% of the 2019 level for the passenger business and 14% more capacity than in 2019 for Transavia.

Revenue per passenger kilometer for the passenger business and Transavia jumped 105% in 2022 compared to 2021. The cargo business continued to benefit from a buoyant environment with available ton-kilometers up 16% compared to 2021. As a result, total revenues increased by 84% compared to last year and amount to €26,393 million, which is 97% of the 2019 amount and an increase of 84% compared to 2021. In 2023, the passenger business capacity is forecast to be between 90% and 95% of 2019 capacity and Transavia capacity is forecast to be 35% higher than in 2019. Overall, the Group's capacity for 2023 is expected to be between 95 and 100% of the 2019 level.

At the same time, external expenses amount to \in (16,297) million, an increase of 85% compared to 2021, mainly driven by fuel costs. After hedging, these will amount to \in (7,241) million in 2022 compared with \in (2,748) million in 2021, an increase of 164% due to the change in capacity and the rise in fuel prices. Excluding fuel, external expenses will increase by only 49%.

Due to the recovery in activity, the Dutch government has terminated the "Emergency Measures for Sustainable Employment" (NOW) program in the Netherlands as of March 31, 2022. The impact of this measure represents a compensation of €134 million in 2022 compared to €771 million in 2021. At the same time, the impact of partial activity in France, implemented as of March 23, 2020, represents a reduction in labor costs of €135 million in 2022, compared with €657 million in 2021.

Liquidity and financing

At December 31, 2022, the Group's total liquidity amounted to \notin 10.6 billion, comprising \notin 8.0 billion of net cash (see Note 34 "Net debt") and \notin 2.6 billion of undrawn credit lines (see Notes 32.3 "Financial support from the French and Dutch States" and 32.7 "Credit lines"). Net cash increased by \notin 0.3 billion compared to December 31, 2021 due to an adjusted free cash-flow from operations of 1.9 billion compared to a negative cash-flow of \notin 0.6 billion in 2021 (see Note 42.1 "Operating free cash-flow") and to the various financing and aid repayment operations of the French and Dutch governments detailed below.

> the Air France-KLM capital increase of June 16, 2022, subscribed in cash for €1,611 million (see Note "3.2 Significant events occurring during the period") enabled the partial repayment in cash of the subordinated notes held by the French State for a nominal amount of €993 million. In July 2022, Apollo's investment in the Air France-KLM group (see Note "3.2 Significant events occurring during the period") enabled another partial repayment of the subordinated notes held by the French State for a nominal amount of €487 million;

- > in November 2022, the Group also repaid a €1 billion loan guaranteed by the French State and issued €305 million of convertible subordinated bonds allocated to a further repayment of subordinated securities held by the French State for a nominal amount of €287 million (see Note 3.2 "Significant events occurring during the period");
- > the Dutch government grants were repaid in full in the first half of 2022 for a total amount of €942 million;
- these transactions contributed to strengthening the Group's balance sheet and equity.

Finally, in January 2023, the Group raised €1 billion in sustainability bonds and decided to make a further repayment of €2.5 billion in loans guaranteed by the French State during the first quarter of 2023 (see Note "3.3 Subsequent events").

Going concern

In order to determine an appropriate basis for preparing the consolidated financial information for the year ended December 31, 2022, the going concern assumption was assessed by evaluating the financial forecasts over a horizon of at least one year and by analyzing in particular the Group's business activity in the context of the decline in the Covid-19 pandemic and the Ukrainian crisis.

During 2022, the Group has returned to positive free cash-flow from operations, has repaid a large part of the aid received from the French and Dutch governments to deal with the Covid pandemic, and has maintained a high level of available cash to face the future.

Thus, after taking into account the uncertainties related to the current context and in particular the evolution of the price of oil impacted by the sanctions imposed on Russia, as well as the level of indebtedness of the Group, the Board of Directors has approved the financial statements for the year ending December 31, 2022 on a going concern basis, taking into account the improvement in the health situation since the end of 2021 the recovery in activity with capacity forecast in 2023 very close to be at 2019 levels, a dynamic pricing policy, the cash position at the end of December 2022 and the Group's ability to refinance.

3.2 Significant events occurring during the period

€2,256 million capital increase

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

The gross proceeds of the capital increase amounted to \pounds 2,256 million (of which \pounds 1,611 million subscribed in cash),

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

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

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

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

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

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

Air France-KLM and Apollo agreement

On July 13, 2022, Air France-KLM and Apollo finalized an agreement to invest €500 million investment into an ad hoc operating affiliate of Air France owning spare engines.

The accounting treatment of the perpetual bonds issued is detailed in Note 29.7 "Non-controlling interests".

Evolution on perpetual owned by the French State

As of April 20, 2022, the Group paid the accrued interest on perpetual bonds held by the French State for a total amount of \notin 218 million. This amount has been reclassified from equity to financial liabilities and paid.

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

 the French State has subscribed by way of set-off against a part of the claim held in connection with the perpetual bonds for a nominal amount of \in 638 million plus accrued coupon of \in 7 million;

> an amount of €993 million in nominal value plus the accrued coupon on 2022 for an amount of €11 million was repaid with the proceeds of the capital increase subscribed in cash.

On July 29, 2022, an amount of \leq 487 million in nominal plus the accrued coupon on 2022 of \leq 10 million was repaid thanks to the proceeds of the Apollo investment described above.

On December 9, 2022, an amount of \notin 287 million in nominal plus the accrued coupon on 2022 of \notin 14 million was repaid thanks to the proceeds of the subordinated bond issue described below.

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

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

On June 30, 2022, KLM repaid in full the loan guaranteed by the Dutch State for ${\leqslant}277$ million.

Following these transactions, KLM retains a credit line of $\pounds 2.5$ billion ($\pounds 723$ million from the direct loan and $\pounds 1,735$ million the credit line from the banks, guaranteed by the Dutch State) at its disposal.

Early repayment of €1 billion of the loan guaranteed by the French State

As of November 7, 2022, the Air France – KLM Group early repaid €1 billion of the State guaranteed loan. Following this operation, the redemption profile of the outstanding balance (€2.5 billion as of December 31, 2022) breaks down as follows:

- > May 2024: repayment of €1.15 billion;
- > May 2025: final repayment of €1.35 billion.

Issuance of a last-rank indefinite subordinated bond convertible into new shares and/or into existing shares for a nominal amount of €305 million

On November 16, 2022, the Group realized a €305 million bond placement with a coupon of 6.5% per year during three years then 13% above the applicable 3 year-Mid-swap rate (see Note 29.4.2 "Last-rank indefinite subordinated bond convertible into new shares and/or existing shares").

3.3 Subsequent events

Issuance of sustainability-linked bonds for a total amount of €1 billion

On January 16, 2023, the Group placed sustainability-linked bonds for an amount of \notin 1 billion. The issue is composed of two tranches:

- > €500 million with a maturity of 3.3 years and a coupon of 7.250%; and
- > €500 million euros with a maturity of 5.3 years and a coupon of 8.125%.

Bond coupons are indexed to the Air France-KLM Group's objective of reducing its kerosene-related greenhouse gas emissions by 10% (scope 1 and 3) per revenue/ton/kilometer (RTK) compared to 2019, as part of its overall decarbonization roadmap.

NOTE 4 ACCOUNTING POLICIES

4.1 Accounting principles

Accounting principles used for the consolidated financial statements

Pursuant to the European Regulation 1606-2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM Group as of December 31, 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.

IFRS, as adopted by the European Union, differ in certain respects from IFRS as published by the International Accounting Standards Board ("IASB"). The Group has, however, determined that the financial information for the periods presented would not differ substantially if the Group had applied IFRS as published by the IASB.

The consolidated financial statements were approved by the Board of Directors on February 16, 2023.

Change in accounting principles

IFRS standards which are applicable on a mandatory basis to the 2022 financial statements

Amendments to IAS 16 "Property, Plant and Equipment"

These amendments aim to standardize the accounting method for the proceeds and costs while an item of property, plant or equipment is in the testing phase.

Amendments to IFRS 3 "Business Combinations"

These amendments update the conceptual framework that changed the definition of assets and liabilities, which could have

Early repayment of the loan guaranteed by the French State

On February 16, 2023, the Board of Directors of the Air France–KLM group approved the early repayment of the loan guaranteed by the French State for an amount of 2.5 billion in the first quarter of 2023.

Following this operation, the loan guaranteed by the French State will be fully repaid.

Firm order of 3 Airbus A350

As part of the renewal of the Air France-KLM fleet, the Group announced on January 27, 2023 firm orders for 3 additional Airbus A350s for Air France. These aircraft will be financed through operational leases.

resulted in the derecognition of some liabilities immediately after an acquisition. The amendments also clarify that contingent assets acquired in a business combination should not be recognised.

Amendments to IAS 37 "Provisions, Contingent liabilities and Contingent Assets"

These amendments standardize the identification and assessment practices related to the provisions for onerous contracts, especially regarding losses upon termination arising from contracts concluded with customers within the scope of IFRS 15 "Revenue from Contracts with Customers".

A study carried out within the Group on the implementation of these amendments concludes that there will be no impact on the Group's financial statements at December 31, 2022.

Amendments to IFRS 9 "Financial instruments"

The amendment to IFRS 9 is included in the annual improvements to IFRS standards 2018-2020.

The amendment indicates that the fees included in the 10% test for assessing whether a financial liability must be derecognized are only the costs paid or fees received between the borrower and the lender, including those which are paid or received on behalf of the other party.

The Group has performed the 10% test on the government guaranteed loan. The result is that the Group has to keep the debt in the financial liabilities.

IFRS standards which are applicable on a mandatory basis to the 2023 financial statements

Amendments to IAS 1 "Presentation of financial statements"

These amendments aim to identify the disclosures about accounting policies that are useful to users of financial statements. The main change is to provide information about "significant" accounting policies rather than "major" accounting policies.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

These amendments aim to facilitate the distinction between accounting policies and accounting estimates. However, they focus exclusively on accounting estimates, now defined as "monetary amounts in the financial statements that are subject to measurement uncertainty".

Other texts potentially applicable to the Group, published by the IASB but not yet adopted by the European Union

Amendments to IAS 1 "Presentation of financial statements" (Effective for accounting periods as of January 1, 2024)

These amendments clarify the classification of current or non-current liabilities and aim to promote a consistent approach to this classification.

4.2 Main judgements and accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates based on judgements and assumptions that affect the information presented in the consolidated financial statements and their notes.

The Group's management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable.

The consolidated financial statements for the financial year have thus been established on the basis of the financial parameters available at the closing date.

These accounting estimates are based on the most-recently available, reliable information.

The actual results could differ from these estimates depending on changes in the assumptions used or different conditions.

The main estimates, assumptions and judgements made in the preparation of the consolidated financial statements and notes are described below. They should be reviewed in conjunction with the related notes referred to in each paragraph.

Deferred tax

Deferred tax assets relating to temporary differences and tax losses carried forward are recognized only to the extent it is probable that a future taxable profit will be available against which the asset can be utilized at the tax entity level.

Deferred tax assets corresponding to fiscal losses are recognized as assets given the prospects of recoverability resulting from the budgets and medium-term plans prepared by the Group. The assumptions used are the same as those used for the impairment tests on assets (see Note 4.16 "Impairment test").

A deferred tax liability is also recognized for the undistributed reserves of the equity affiliates.

(See Note 13 "Income taxes").

Impairment testing of assets

Tangible fixed assets, intangible assets, right-of-use assets and goodwill are tested for depreciation if there is an indication of impairment, and those with an indefinite useful life are tested at least once a year on September 30.

For this test, the Group deems the recoverable value of the asset to be the higher of the market value less cost of disposal and its value in use. The latter is determined according to the discounted future cash-flow method, estimated based on budgetary assumptions approved by management, using an actuarial rate which corresponds to the weighted average cost of the Group's capital and a growth rate which reflects the market hypotheses for the appropriate activity.

Revenues (network, leisure and maintenance), costs and investments forecasts are based on reasonable hypotheses and are the management's best estimates. They are subject to the uncertainties prevailing at the time the test is performed.

(See Note 22 "Impairment")

Useful life of the fleet

The Group expects to operate its aircraft for between 20 and 25 years, regardless of aircraft type, except in exceptional cases. The fleet is amortized over this useful life on a straight-line basis.

Leases

The discount rate is a key assumption in determining the accounting impacts of applying IFRS 16 "Leases". It is used to measure the lease liability. The Group refers to the implicit interest rate to determine the lease liability for each aircraft. The lease liability for real estate and other assets is measured using the incremental borrowing rate at the inception of the lease.

(See Note 33 "Lease debt")

Pension obligations

The valuation of pension and other long-term benefit obligations is based on actuarial calculations performed by independent actuaries. These calculations follow the projected unit credit methodology and incorporate the following main assumptions:

- discount and inflation rates according to the duration of the plans;
- > salary revaluation rates;
- > mortality tables; and
- > staff turnover rates.

(See Note 30 "Retirement benefits")

Return obligation liabilities and provision for leased aircraft

Return obligation liabilities and provision for leased aircraft are remeasured each year to take into account the change in the discount rate. The discount rate is determined using risk-free rate assumptions plus a spread on risky debt.

(See Note 31 "Return obligation liability and provision for leased aircraft and other provisions")

Sales

The valuation of revenue, related to passenger tickets and freight airwaybills issued and not used ("ticket breakage"), is based on a calculation using statistical rates, updated regularly and adjusted for non-recurring and specific events that may impact passenger behaviour.

4.3 Consolidation principles

Subsidiaries

In conformity with IFRS10 "Consolidated Financial Statements", the Group's consolidated financial statements comprise the financial figures for all the entities that are controlled directly or indirectly by the Group, irrespective of its level of participation in the equity of these entities. The companies over which the Group exercises control are fully consolidated. An entity is controlled when the Group has power over it, is exposed or has rights to variable returns from its involvement in this entity, and has the ability to use its power to influence the amounts of these returns. The determination of control takes into account the existence of potential voting rights if they are substantive, meaning they can be exercised in time when decisions about the relevant activities of the entity need to be taken.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control begins until the date this control ceases.

Non-controlling interests are presented within equity and on the income statement separately from Group stockholders' equity and the Group's net income, under the line "non-controlling interests".

The effects of a buyout of non-controlling interests in a subsidiary already controlled by the Group and divestment of a percentage interest without loss of control are recognized in equity.

In a partial disposal resulting in loss of control, the retained equity interest is re-measured at fair value at the date of loss of control. The gain or loss on the disposal will include the effect of this re-measurement and the gain or loss on the sale of the equity interest, including all the items initially recognized in equity and reclassified to profit and loss.

Interest in associates and joint ventures

In accordance with IFRS 11 "Joint Arrangements", the Group applies the equity method to partnerships over which it exercises control jointly with one or more partners. Control is considered to be joint when decisions about the relevant activities of the partnership require the unanimous consent of the Group and the other parties with whom control is shared.

In cases of a joint activity, the Group recognizes assets and liabilities in proportion to its rights and obligations regarding the entity.

In accordance with IAS 28 "Investments in Associates and Joint Ventures", companies in which the Group has the ability to exercise significant influence over financial and operating policy decisions are also accounted for using the equity method. The ability to exercise significant influence is presumed to exist when the Group holds more than 20% of the voting rights.

The consolidated financial statements include the Group's share in the net result of associates and joint ventures from the date the ability to exercise significant influence begins until the date it ceases, adjusted for any impairment loss.

The Group's share of losses of an associate exceeding the value of the Group's interest and net investment (long-term receivables for which no reimbursement is scheduled or likely) in this entity are not accounted for, unless the Group has:

- > incurred contractual obligations to recover losses; or
- > made payments on behalf of the associate.

Any surplus in investment cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate company on the date of acquisition is accounted for as goodwill and included in the book value of the investment accounted for using the equity method. Investments in which the Group has ceased to exercise significant influence or joint control are no longer accounted for by the equity method and are accounted at their fair value as other financial assets on the date of loss of significant influence or joint control.

Intra-Group operations

All intra-Group balances and transactions, including income, expenses and dividends, are fully eliminated. Profits and losses resulting from intra-Group transactions are also eliminated.

Gains and losses realized on internal sales with associates and jointly-controlled entities are eliminated, to the extent of the Group's interest in the entity, providing there is no impairment.

4.4 Translation of foreign companies' financial statements and transactions in foreign currencies

Translation of foreign companies' financial statements

The financial statements of foreign subsidiaries are translated into euros on the following basis:

- except for the equity for which historical prices are applied, balance sheet items are converted on the basis of the foreign currency exchange rates in effect at the closing date;
- the income statement and the statement of cash flows are converted on the basis of the average foreign currency exchange rates for the period;
- the resulting foreign currency exchange adjustment is recorded in the "Translation adjustments" item within equity;
- goodwill is expressed in the functional currency of the entity acquired and is converted into euros using the foreign exchange rate in effect at the closing date.

Translation of foreign currency transactions

Foreign currency transactions are translated using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate in effect at the closing date.

Non-monetary assets and liabilities denominated in foreign currencies assessed on an historical cost basis are translated using the rate in effect at the transaction date or the hedging rate, when applicable.

The corresponding exchange rate differences are recorded in the income statement. Changes in fair value of the hedging instruments are recorded using the accounting treatment described in Note 4.11 "Financial instruments".

4.5 Business combinations

Business combinations completed on or after April 1, 2010 are accounted for using the purchase method in accordance with IFRS 3 "Business Combinations". In accordance with this standard, for a first consolidation, all assets and liabilities are measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition (except for non-current assets classified as assets held for sale which are measured at fair value less costs to sell).

Goodwill corresponding, at the acquisition date, to the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable assets acquired and the liabilities assumed at the acquisition date, is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The previously held equity interest in the acquiree at fair value at the date of acquisition is also revalued and any gain or loss is recognized in profit or loss.

Costs other than those related to the issuance of debt or equity securities are recognized immediately as an expense when incurred.

For individual acquisitions, the Group has the option of using the "full" goodwill method, where goodwill is calculated by taking into account the fair value of non-controlling interests at the acquisition date rather than their proportionate interest in the fair value of the assets and liabilities of the acquiree.

If the fair values of the identifiable assets acquired and liabilities assumed exceed the consideration transferred, the resulting negative goodwill is recognized immediately in the income statement.

Contingent considerations or earn-outs are recorded in equity if the contingent payment is settled by delivery of a fixed number of the acquirer's equity instruments (according to IAS 32). In all other cases, they are recognized in liabilities related to business combinations. Contingent payments or earn-outs are measured at fair value at the acquisition date. This initial measurement is subsequently adjusted through goodwill only when additional information is obtained after the acquisition date about facts and circumstances existing on that date. Such adjustments are made only during the 12-month measurement period that follows the acquisition date and insofar as the initial measurement had still been presented as provisional. Any other subsequent adjustments which do not meet these criteria are recorded as receivables or payables through the income statement. In a step acquisition, the previously-held equity interest in the acquiree is remeasured at its acquisition-date fair value. The difference between the fair value and the net book value must be accounted in profit or loss as well as elements previously recognized in other comprehensive income.

4.6 Sales

Passenger and freight transportation

Sales related to air transportation operations, which consist of passenger and freight transportation, are recognized as revenue when the transportation service is provided, net of any discounts granted. The transportation service is also the trigger for the recognition as external expenses of the commissions paid to agents (e.g. credit card companies and travel agencies) and the booking fees.

Both passenger tickets and freight airway bills are consequently recorded as "Deferred revenue upon issuance date". The recognition of the revenue known as "ticket breakage" is deferred until the transportation date initially foreseen.

The Group applies the exemption provided by IFRS 15 which allows the balance of the outstanding transactions to remain unspecified as well as their planned recognition date for the performance obligations related to contracts with an initial term set at one year or less. If the tickets are not used, the performance obligations related to passenger and freight transportation effectively expire within one year.

Pursuant to the European Union's Regulation EC 261, the Group compensates passengers in the event of denied boarding and for flight cancellations or long delays. This compensation is booked as contra revenue. The Group recognizes a corresponding amount in liabilities for future refunds to passengers. The determination of this liability for future refunds relies on a statistical approach.

Passenger ticket taxes calculated on ticket sales are collected by the Group to be paid to the airport authorities. Therefore, they do not correspond to revenue. Taxes are recorded as a liability until such time as they are paid to the relevant airport authority as a function of the chargeability conditions (on ticket issuance or transportation).

The Group considers that the Company that issues the airway bill acts as principal since the latter has control over the achievement of the performance obligation. When the Group issues freight airway bills for its goods carried by another carrier (airline company or road carrier), the Group acts as principal. Therefore, at the time of transportation the Group recognizes as revenue the amount invoiced to the customer in its entirety as well as the chartering costs invoiced by the other carrier for the service provision.

Maintenance

The main types of contracts with customers identified within the Group are mainly:

Sales of maintenance and support contracts – Power by the hour contracts

Some maintenance and support contracts cover the airworthiness of engines, equipment or airframes, an airframe being an aircraft without engines and equipment. The invoicing of these contracts is based on the number of flight hours or landings of the goods concerned by these contracts.

The different services included within each of these contracts consist of a unique performance obligation due to the existing interdependence between the services within the execution of these contracts.

Revenue from maintenance and support services is recognized on a percentage of completion basis, based on the costs incurred, if they can be reliably measured, plus the expected margin.

The transfer of the control of these services is performed continuously, As long as the margin on the contract cannot be measured in a reliable manner, the revenue will only be recognized at the level of the costs incurred.

Forecast margins on the contracts are assessed through the forecast future cash flows that take into account the obligations and factors inherent to the contracts as well as other internal parameters to the contract selected using historical and/or forecast data.

These forecast margins are regularly reviewed. If necessary, provisions are recorded as soon as any losses on completion of contracts are identified.

Amounts invoiced to customers, and therefore mostly collected, which are not yet recognized as revenue, are recorded as liabilities on contracts (deferred revenue) at the accounting year end. Inversely, any revenue that has been recognized but not yet invoiced is recorded under assets on the balance sheet at the accounting year end.

Sales of spare parts repair and labor – Time & Material contracts

These services which relate to engines, equipment or airframes, an airframe being an aircraft without engines and equipment, are generally short term.

They consist of a unique performance obligation. The revenue is recognized as costs are incurred.

4.7 Loyalty programs

The airlines of the Group have a common frequent flyer program "Flying Blue". This program enables members to acquire Miles as they fly with Air France, KLM and airline partners and from transactions with non-airline partners (credit card companies, hotels, car rental agencies). These Miles entitle members to a range of benefits such as free flights with Air France, KLM and their airline partners or other free services with non-airline partners.

Miles are considered as separate elements of a sale of a ticket with multiple elements and one part of the price of the initial sale of the ticket is allocated to these Miles and deferred until the Group's commitments relating to these Miles have been met.

Third-party procurement

When the Group serves as a broker between its suppliers and end customers, the Group acts as an agent and hence, recognizes the margin that results from this operation as revenue.

The deferred amount due in relation to the acquisition of Miles by members is estimated:

- according to the fair value of the Miles, defined as the amount for which the benefits could be sold separately;
- after taking into account the redemption rate, corresponding to the probability that the Miles will be used by members, using a statistical method.

With regard to the re-invoicing of Miles between the partners in the program, the margins realized on sales of these Miles are recorded immediately in the income statement.

4.8 Distinction between income from current operations and income from operating activities

The Group considers it relevant to the understanding of its financial performance to present in the income statement a subtotal within the "income from operating activities". This subtotal, entitled "Income from current operations", excludes unusual elements that do not have predictive value due to their nature, frequency and/or materiality, as defined in recommendation No. 2020-01 from the France's accounting standards authority.

Such elements are as follows:

 sales of aircraft equipment and significant disposals of other assets;

- > accelerated aircraft phase-out;
- > income from the disposal of subsidiaries and affiliates;
- > restructuring costs when they are significant;
- modification of pension plans;
- significant and infrequent elements such as the recognition of badwill in the income statement, the recording of an impairment loss on goodwill and significant provisions for litigation.

4.9 Aggregates used within the framework of financial communication

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): by excluding the main line of the income statement which does not involve cash disbursement ("Amortization, depreciation and provision") from income from current operations, EBITDA provides a simple indicator of the cash generated by the Group's current operational activities. It is thus commonly used for the calculation of the financial coverage and enterprise value ratios (see "Consolidated income statement"). **Operating free cash flow**: this corresponds to the net cash flow from operating activities net of the purchases of property, plant and equipment and intangible assets, plus the proceeds on the disposal of property, plant and equipment and intangible assets. It does not include the other cash flows linked to investment operations, particularly investments in subsidiaries and other financial assets and net cash flow from the operating activities of discontinued operations (see Note 42.1 "Operating free cash flow"). **Operating free cash flow adjusted**: this corresponds to operating free cash-flow net of the payment of lease debts (see Note 42.1 "Operating free cash flow").

4.10 Earnings per share

Earnings per share are calculated by dividing the net income attributable to the equity holders of Air France-KLM by the average number of shares outstanding during the period. The average number of shares outstanding does not include treasury shares. Diluted earnings per share are calculated by dividing the net income attributable to the equity holders of Air France-KLM, adjusted for the effects of dilutive instrument exercise, by the average number of shares outstanding during the period, adjusted for the effect of all potentially-dilutive ordinary shares.

4.11 Financial instruments

Valuation of trade receivables and non-current financial assets

Trade receivables, loans and other non-current financial assets are considered to be assets issued by the Group and are initially recorded at fair value. They are subsequently valued using the amortized cost method. In addition, they are written off based on the expected loss.

Regarding the impairment of trade receivables, the Group has chosen the simplified method approach in that the automated customer invoicing and settlement processes for the Network business significantly limit the credit risk. The Group also uses credit insurance to reduce the risk of potential default regarding trade receivables concerning the clients of the Maintenance activity.

The Group considers that the change in credit risk on the non-current financial assets since their initial recognition is limited due to the current selection criteria (e.g. type of instrument, counterparty rating, maturity). The impairment recorded by the Group consists of the expect credit loss over the 12 months following the closing date.

Purchases and sales of financial assets are booked as of the transaction date.

Investments in equity instruments

Investments in equity securities qualifying as equity instruments are recorded at fair value in the Group's balance sheet. For publicly-traded securities, the fair value is considered to be the market price at the closing date. For non-quoted securities, the valuation is made on the basis of the financial statements of the entity.

The valuation of equity instruments is either in fair value through the income statement or in fair value through other comprehensive income:

> when the instrument is deemed to be a cash investment, i.e. it is held for the purposes of monetary transactions, its revaluations are recorded in "Other financial income and expenses"; > when the instrument is deemed to be a business investment, i.e. it is held for strategic reasons (as it mainly consists of investments in companies whose activity is very close to that of the Group), its revaluations are recorded in "Other comprehensive income" non-recyclable. Dividends are recorded in the income statement.

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risks incurred on shares, exchange rates, changes in interest rates or fuel prices and the ETS (Emission Trading Scheme).

Forward currency contracts and options are used to hedge exposure to exchange rates.

The Group also uses interest rate swaps to manage its exposure to interest rate risk. Most of the swaps traded convert floating-rate debt to fixed-rate debt.

The exposure to fuel risk is hedged by swaps or options on jet fuel, diesel or Brent.

Finally, the risk related to the ETS is hedged by forwards.

Most of these derivatives are classified as hedging instruments if the derivative is eligible as a hedging instrument and if the hedging relationships are documented as required by IFRS 9 "Financial Instruments".

These derivative instruments are recorded on the Group's consolidated balance sheet at their fair value adjusted for the market value of the Group's credit risk (DVA) and the credit risk of the counterparty (CVA). The method of accounting for changes in fair value depends on the classification of the derivative instruments.

There are three classifications:

Derivatives classified as fair value hedge

Changes in the fair value of the derivative are recorded through the income statement and offset within the limit of its effective portion against the changes in the fair value of the underlying item (asset, liability or firm commitment), which are also recognized through the income statement.

Derivatives classified as cash-flow hedge

The changes in fair value of the derivative are recorded in other comprehensive income for the effective portion and are reclassified as income when the hedged element affects earnings. The ineffective portion is recorded as financial income or losses until the termination of the derivative. When the termination occurs, the residual ineffective portion is recycled on the hedged item.

Derivatives classified as trading

Changes in the fair value of the derivative are recorded as financial income or losses.

For options, only the intrinsic risk can be hedged. The time value is excluded as it is considered as a cost of hedging. The change in fair value of the option time value is recognized in other comprehensive income in so far as it relates to the hedged item. When the latter occurs (if the hedged item is transaction related), the change in fair value is then recycled and impacts the hedged item or is amortized over the hedging period (if the hedged item is time-related).

The difference in time value between non-aligned structured options and the related "vanilla" ("aligned") options is recognized in the profit and loss account.

Regarding forward contracts, only the spot component is considered as a hedging instrument, since the forward element is considered as a hedging cost and accounted for similarly to the option time value.

The currency swap basis spread is also excluded from the hedging instrument and considered to be a hedging cost.

Convertible bonds

Convertible bonds are deemed to be financial instruments comprising two components: a bond component recorded as debt and a stock component recorded in equity. The bond component is equal to the discounted value of all the coupons due on the bond at the rate of a simple bond that would have been issued at the same time as the convertible bond. The value of the stock component recorded in the Group's equity is calculated by the difference between this value and the bond's nominal value at issuance.

The difference between the financial expense recorded and the amounts effectively paid out is added, at each closing date, to the amount of the debt component so that, at maturity, the amount to be repaid if there is no conversion equals the redemption price.

Financial assets, cash and cash equivalents

Financial assets at fair value through profit and loss

Financial assets include financial assets at fair value through profit and loss (French mutual funds such as SICAVs and FCPs, certificates, etc.) that the Group intends to sell in the near term to realize a capital gain, or that are part of a portfolio of identified financial instruments managed collectively and for which there is evidence of a practice of short-term profit taking. They are classified in the balance sheet as other current financial assets.

Cash and cash equivalents

Cash and cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Financial liabilities

Borrowings and financial liabilities are recognized initially at fair value. Subsequent to the initial measurement, they are recorded:

- > at their net book value for bonds;
- based on amortized cost calculated using the effective interest rate for the other financial liabilities. Under this principle, any redemption and issue premiums, as well as issue costs, are recorded as debt in the balance sheet and amortized as financial income or expense over the life of the loans using the effective interest method.

Fair value hierarchy of the financial assets and liabilities

The table presenting a breakdown of financial assets and liabilities categorized by value (see Note 38 "Valuation methods for financial assets and liabilities at their fair value") meets the amended requirements of IFRS 7 "Financial Instruments: Disclosures". The fair values are classified using a scale which reflects the nature of the market data used to make the valuations.

This scale has three levels of fair value:

Level 1: Fair value calculated from the exchange rate/price quoted on an active market for identical instruments,

Level 2: Fair value calculated from valuation methods based on observable data such as the prices of similar assets and liabilities or scopes quoted on an active market,

Level 3: Fair value calculated from valuation methods which rely completely or in part on non-observable data such as prices on an inactive market or multiple-based valuation for non-quoted securities.

4.12 Goodwill

Goodwill corresponds, at the acquisition date, to the aggregation of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable amounts acquired and the liabilities assumed at the acquisition date.

For acquisitions prior to April 1, 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under French GAAP. The classification and accounting treatment of business combinations taking place prior to April 1, 2004 were not modified at the time international standards were adopted, on April 1, 2004, in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards".

Goodwill is valued in the functional currency of the entity acquired. It is recorded as an asset in the balance sheet.

It is not amortized and is tested for impairment annually and at any point during the year when an indicator of impairment exists. As described in Note 4.16, once recorded the impairment may not subsequently be reversed.

When the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired exceeds the consideration transferred, there is negative goodwill which is recognized and immediately reversed in the Group's income statement.

At the time of the sale of a subsidiary or an equity affiliate, the amount of the goodwill attributable to the entity sold is included in the calculation of the income from the sale.

4.13 Intangible assets

Intangible assets are recorded at initial cost less accumulated amortization and any accumulated impairment losses.

IT development costs are capitalized and amortized over their useful lives. The Group has the tools required to enable the tracking by project of all the stages of development, and, in particular, the internal and external costs directly related to each project during its development phase.

Identifiable intangible assets acquired with a finite useful life are amortized over their useful lives from the date they are available for use.

The KLM and Transavia brands and slots (takeoff and landing rights) acquired by the Group as part of the acquisition of KLM are identifiable intangible assets with an indefinite useful life. They are not amortized but tested annually for impairment or whenever there is an indication that the intangible asset may be impaired. If necessary, impairment as described in Note 4.16 is recorded.

Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) market regulations as described in Note 4.23 and the "Risks on carbon credit" paragraph in Note 37.4. As such, the Group is required to purchase CO_2 quotas to offset its emissions. The Group records the CO_2 quotas as intangible assets. These assets are not depreciable.

Intangible assets with a definite useful life are amortized on a straight-line basis over the following periods:

1 to 5 years
Duration of contract
Up to 20 years ⁽¹⁾

 IT developments are amortized over the same useful life as the underlying software. In some cases, they can be amortized over a longer period. This duration must be documented.

4.14 Property, plant and equipment

Principles applicable

Property, plant and equipment are recorded at their acquisition or manufacturing cost, less accumulated depreciation and any accumulated impairment losses.

Pursuant to IAS 23, the financial interest attributed to advance payments made on account of investments in aircraft and other significant assets under construction is capitalized and added to the cost of the asset concerned (see Note 12 "Net cost of financial debt and other financial income and expenses"). As prepayments on investments are not financed by specific loans, the Group uses the average interest rate on the current unallocated loans of the period. Maintenance costs are recorded as expenses during the period when incurred, with the exception of programs that extend the useful life of the asset or increase its value, which are then capitalized (e.g. maintenance on aircraft airframes and engines including parts with limited useful lives).

Flight equipment

The purchase price of aircraft equipment is denominated in foreign currencies. It is translated at the exchange rate at the date of the transaction or, if applicable, at the hedging price assigned to it. Manufacturers' discounts, if any, are deducted from the value of the related asset. Aircraft are depreciated using the straight-line method over their average estimated useful life which is between 20 and 25 years for all types of aircraft except in specific cases.

During the operating cycle, and when establishing fleet replacement plans, the Group reviews whether the amortizable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognized and the useful life adapted.

Any major aircraft airframe and engine overhaul including parts with limited useful lives are treated as a separate asset component with the cost capitalized and are amortized on the basis of production units which can be the number of flight hours for airframe potentials over the period between the date of acquisition and the next major overhaul.

4.15 Lease contracts

Lease contracts, as defined by IFRS 16 "Leases", are recorded in the balance sheet and lead to the recognition of:

- > an asset representing a right of use of the asset leased during the lease term of the contract; and
- > a liability related to the lease debt.

Assets (aeronautical and buildings) which are not eligible for an accounting treatment according to IFRS 16 are those:

- which were acquired by the airline or for which the airline took a major share in the acquisition process from the OEMs (Original Equipment Manufacturers);
- > and which, in view of the contractual conditions, will almost certainly be purchased at the end of the lease term.

Since these financing arrangements are "in substance purchases" and not leases, the related liability is considered as a financial liability under IFRS 9 and the asset, as property, plant and equipment, according to IAS 16 (see Note 32 "Financial liabilities" – Debt on financial leases with bargain option and Note 32.4 "Other debt").

Measurement of the right-of use asset

At the commencement date, the right-of-use asset is measured at cost and comprises:

- > the amount of the initial measurement of the lease debt, to which is added, if applicable, any lease payments made at or before the commencement date, less any lease incentives received;
- > where relevant, any initial direct costs incurred by the lessee for the conclusion of the contract. These are incremental costs which would not have been incurred if the contract had not been concluded;

Aircraft spare parts (maintenance business) which enable the use of the fleet are recorded as fixed assets and are amortized on a straight-line basis over the estimated residual lifetime of the aircraft/engine type on the world market. The useful life is limited to a maximum of 30 years.

Other property, plant and equipment

Other property, plant and equipment are depreciated using the straight-line method over their useful lives as follows:

Buildings	20 to 50 years
Fixtures and fittings	8 to 20 years
Flight simulators	10 to 20 years
Equipment and tooling	3 to 15 years

estimated costs for the restoration and dismantling of the leased asset according to the terms of the contract. At the date of the initial recognition of the right-of-use asset, the lessee adds to these costs, the discounted amount of the restoration and dismantling costs through a return obligation liability or provision as described in Note 5.20. These costs also include maintenance obligations with regard to the engines and airframes.

Following the initial recognition, the right-of-use asset must be depreciated over the useful life of the underlying assets (lease term for the rental component, flight hours for the component relating to engine maintenance or on a straight-line basis for the component relating to the airframe until the date of the next major overhaul).

Measurement of the lease debt

At the commencement date, the lease debt is recognized for an amount equal to the present value of the lease payments over the lease term.

Amounts involved in the measurement of the lease debt are:

- fixed payments (including in-substance fixed payments; meaning that even if they are variable in form, they are in-substance unavoidable);
- variable lease payments that depend on an index or a rate, initially measured using the index or the rate in force at the lease commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease debt is subsequently measured based on a process similar to the amortized cost method using the discount rate:

- the lease debt is increased by the accrued interests resulting from the discounting of the lease debt, at the beginning of the lease period;
- > less payments made.

The interest cost for the period as well as variable payments, not taken into account in the initial measurement of the lease debt and incurred over the relevant period, are recognized as costs.

In addition, the lease debt may be remeasured in the following situations:

- > change in the lease term;
- modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option;
- > remeasurement linked to the residual value guarantees;
- > adjustment to the rates and indices according to which the rents are calculated when rent adjustments occur.

Types of capitalized lease contracts

"Aircraft" lease contracts

For the aircraft lease contracts fulfilling the capitalization criteria defined by IFRS 16, the lease term corresponds to the non-terminable period of each contract except in cases where the Group is reasonably certain of exercising the renewal options contractually foreseen. For example, this may be the case if substantial cabin customization has taken place whereas the residual lease term is significantly shorter than the useful life of the cabins. The accounting treatment of the maintenance obligations related to leased aircraft is outlined in Note 4.21.

Aircraft lease contracts concluded by the Group do not include guaranteed value clauses for leased assets.

The discount rate used to calculate the lease debt corresponds, for each aircraft, to the implicit interest rate induced by the contractual elements and residual market values. This rate is easy to calculate due to the availability of current and future data concerning the value of aircraft. It is recalculated on each contract renewal (prolongation). The implied rate of the contract is the discount rate that gives the aggregated present value of the minimum lease payments and the unguaranteed residual value. This present value should be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

Since most of the aircraft lease contracts are denominated in US dollars, starting from January 1, 2018 the Group put in place a cash-flow hedge for its US dollar revenues *via* the lease debt in US dollars. Consequently, the revaluation of the Group's debt at the closing rate is accounted for in "Other comprehensive income".

"Real-estate" lease contracts

Based on its analysis, the Group has identified lease contracts according to the standard concerning surface areas rented in its hubs, lease contracts on buildings dedicated to the maintenance business, customized lounges in airports other than hubs and lease contracts on office buildings. The lease term corresponds to the non-terminable period, with most of the contracts not including renewal options.

The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate at the signature date. The incremental borrowing rate is the rate that the lessee would pay to borrow the required funds to purchase the asset over a similar term, with a similar security and in a similar economic environment. This rate is achieved by the addition of the interest rate on government bonds and the credit spread. The coupon on government bonds is specific to the location, currency, period and maturity. The definition of the spread curve is based upon reference points, each point consisting of asset financing on assets other than aircraft.

"Other-assets" lease contracts

The main lease contracts identified correspond to company cars, pools of spare parts and engines. The lease term corresponds to the non-terminable period. Most of the contracts do not provide renewal options. The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate at the signature debt. The incremental borrowing rate is the rate that the lessee would pay to borrow the required funds to purchase the asset over a similar term, with a similar security and in a similar economic environment (for the method used to determine the incremental borrowing rate, see the "Real estate lease contracts" paragraph above).

Types of non-capitalized lease contracts

The Group uses the two exemptions foreseen by IFRS 16 allowing for non-recognition in the balance sheet: short-term lease contracts and lease contracts for which the underlying assets have a low value.

Short duration lease contracts

These are contracts whose duration is equal to or less than 12 months. Within the Group, they mainly relate to leases of:

- surface areas in our hubs with a reciprocal notice-period equal to or less than 12 months;
- accommodations for expatriates with a notice period equal to or less than 12 months;
- > spare engines for a duration equal to or less than 12 months.

Low value lease contracts

Low-value lease contracts concern assets with a value equal to or less than US\$5,000. Within the Group, these include, notably, lease contracts on printers, tablets, laptops and mobile phones.

Sale and leaseback transactions

The Group qualifies as sale and leaseback transactions, operations which lead to a sale according to IFRS 15. More specifically, a sale is considered as such if there is no repurchase option on the goods at the end of the lease term.

Transactions deemed to be a sale

If the sale by the vendor-lessee is qualified as a sale according to IFRS 15, the vendor-lessee must: (i) de-recognize the underlying asset, (ii) recognize a right-of-use asset equal to the retained portion of the net carrying amount of the asset sold.

Transaction not deemed to be a sale

If the sale by the vendor-lessee is not qualified as a sale according to IFRS 15, the vendor-lessee maintains the goods transferred on its balance sheet and recognizes a financial liability equal to the disposal price (received from the buyer-lessor).

4.16 Impairment test

In accordance with IAS 36 "Impairment of Assets", tangible fixed assets, intangible assets, right-of-use assets and goodwill are tested for depreciation if there is an indication of impairment, and those with an indefinite useful life are tested at least once a year on September 30.

The depreciation tests are carried out individually for each asset, except for those assets to which it is not possible to attach independent cash flows. In this case, these assets are regrouped within the CGU to which they belong and it is this which is tested. The CGUs correspond to the Group's business segments: network, maintenance, leisure and others which are homogeneous asset groups whose use generates identifiable cash inflows.

When the recoverable value of an asset or CGU is inferior to its net book value, an impairment is recognized. The impairment of a CGU is charged in the first instance to goodwill, the remainder being charged to the other assets which comprise the CGU, prorated to their net book value.

4.17 Inventories

Inventories are measured at the lower of their cost and net realizable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition and location. These costs include the direct and indirect production costs incurred under normal operating conditions. Inventories are valued on a weighted average basis.

The net realizable value of the inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

4.18 Treasury shares

Air-France-KLM shares held by the Group are recorded as a deduction from the Group's consolidated equity at the acquisition

cost. Subsequent sales are recorded directly in equity. No gains or losses are recognized in the Group's income statement.

4.19 Post-employment benefits

The Group's obligations in respect of defined benefit pension plans, including termination indemnities, are calculated in accordance with IAS 19 Revised "Employee Benefits", using the projected units of credit method based on actuarial assumptions and considering the specific economic conditions in each country concerned. The commitments are covered either by insurance or pension funds or by provisions recorded on the balance sheet as and when rights are acquired by employees.

The Group recognizes in "other comprehensive income" all the actuarial gains or losses relating to post-employment plans, the differential between the actual return and the expected return on the pension assets, and the impact of any asset ceiling.

When a defined benefit pension plan is converted into a defined contribution pension plan or closed, the amounts recorded in other comprehensive income will be reclassified in other reserves.

The actuarial gains or losses relating to termination benefits (mainly jubilees) are recognized in the income statement.

4.20 Share-based payments

IFRS 2 "Share-based payment" requires share-based payment services to be recognised as an employee expense. These services are measured at the fair value of the instruments granted.

The fair value of free share plans is estimated based on the share price at the grant date. The expense is spread over the vesting period with a corresponding entry to equity.

The Group recognizes all the costs linked to pensions (defined contribution pension plans and defined benefit pension plans) in the income from current operations (salaries and related costs).

Specific information related to the recognition of some pension plan assets

Pension plans in The Netherlands are generally subject to minimum funding requirements ("MFR") that can involve the recognition of pension surpluses.

These pension surpluses constituted by the KLM sub group were recognized until June 2021 (see Note 11 "Sales of aircraft equipment and other non-current income and expenses") in the balance sheet according to the IFRIC 14 interpretation (IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction").

The number of equity instruments granted may be reviewed during the vesting period depending on the level of performance of the so-called "off-market conditions" or on the turnover rate of the beneficiaries.

4.21 Return obligation liability and provision on leased aircraft

The Group recognizes return obligation liabilities and provisions in respect of the required maintenance obligations within the framework of the leasing of aircraft from lessors. The constitution of these return obligation liabilities and provisions depends on the type of maintenance obligations to fulfill before returning these aircraft to the lessors: overhaul and restoration work, airframe and engine potential reconstitution as well as the replacement of limited life parts.

Overhaul and restoration works (not depending on aircraft utilization)

Costs resulting from work required to be performed just before returning aircraft to the lessors, such as painting of the shell or aircraft overhaul ("C Check") are recognized as provisions as of the inception of the contract. The counterpart of these provisions is booked as a complement through the initial book value of the aircraft right-of-use assets. This complement to the right-of-use asset is depreciated over the lease term.

Airframe and engine potentials reconstitution (depending on the utilization of the aircraft and its engines)

The airframe and the engine potentials as well as the limited life parts are recognized as a complement to the right-of-use assets since they are considered as fully-fledged components, as distinct from the physical components which are the engine and the airframe. These components are the counterparts of the return obligation liability, recognized in its totality at the inception of the contract. When maintenance events aimed at reconstituting these potentials or replacing the limited life parts take place, the costs incurred are capitalized. These potentials and the limited life parts are depreciated over the period of use of the underlying assets (flight hours for the engine potentials component, straight-line for the airframe potentials component and cycles for the limited life parts).

4.22 Other provisions

The Group recognizes a provision in the balance sheet when it has an existing legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amounts recorded as provisions are discounted when the effect of the passage of time is material. The effect of the time value of money is presented as a component of "Other financial income and expenses".

4.23 Emission Trading Scheme

Since January 1, 2012, European airlines have been included in the scope of companies subject to the Emission Trading Scheme (ETS). In the absence of IFRS standards or interpretations governing ETS accounting, the Group has adopted the accounting treatment known as the "netting approach".

According to this approach, the quotas are recognized as intangible assets in the following way:

- > free quotas allocated by the State are valued at nil; and
- quotas purchased on the market are accounted at their acquisition cost.

A provision for onerous contracts is recognised when the unavoidable costs of meeting the contractual obligations exceed the expected economic benefits. Within the Group, the issue of onerous contracts is limited to the Maintenance business.

Restructuring provisions are recognized once the Group has established a detailed and formalized restructuring plan which has been announced to the parties concerned.

These intangible assets are not amortized.

If the allocated quotas are insufficient to cover the actual emissions then the Group recognizes a provision (see Note 31 "Return obligation liability and provision for leased aircraft and other provisions"). This provision is assessed at the acquisition cost for the acquired rights and, for the non-hedged portion, with reference to the market price as of each closing date.

At the date of the restitution to the State of the quotas corresponding to actual emissions, the provision is written-off in exchange for the intangible assets returned.

4.24 Capital increase costs

Capital increase costs are deducted from paid-in capital.

4.25 Current and deferred taxes

The Group records deferred taxes using the balance sheet liability method, providing for any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the exceptions described in IAS 12 "Income Taxes".

The tax rates used are those enacted or substantively enacted at the closing date.

Net deferred tax balances are determined on the basis of each entity's tax position.

Taxes payable and/or deferred are recognized in the income statement for the period, unless they are generated by a transaction or event recorded directly in other comprehensive income. In such cases, they are recorded directly in other comprehensive income.

Impact of the Contribution on Added Value of Enterprises

The CAVE (Contribution on Added Value of Enterprises/Cotisation sur la Valeur Ajoutée des Entreprises – CVAE) is calculated by the application of a tax rate to the added value generated by the Company during the year. As the added value is a net amount of income and expenses, the CAVE meets the definition of a tax on profits as set out in IAS 12.2. Consequently, the expense relating to the CAVE is presented under the line "Income taxes".

4.26 Assets held for sale and discontinued operations

Assets or groups of assets held for sale meet the criteria for this classification if their carrying amount is recovered principally through a sale rather than through their continuing use. This condition is considered to be met when the sale is highly probable and the asset (or group of assets intended for sale) is available for immediate sale in its present condition. Management must be committed to a plan to sell, with the expectation that the sale will be realized within a period of twelve months from the date on which the asset or group of assets were classified as assets held for sale.

The Group determines on each closing date whether any assets or groups of assets meet the above criteria and presents such assets, if any, as "assets held for sale".

Any liabilities related to these assets are also presented on a separate line in liabilities on the balance sheet.

Assets and groups of assets held for sale are valued at the lower of their book value or their fair value minus exit costs. As of the date of such a classification, the asset is no longer depreciated.

The results from discontinued operations are presented separately from the results from continuing operations in the income statement.

NOTE 5 CHANGE IN THE CONSOLIDATION SCOPE

No significant acquisitions or disposals took place during 2022 and 2021.

NOTE 6 INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments (Note 6.1)

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 four segments mentioned above.

The results of the business segments are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond to the EBITDA, current operating income and to the income from operating activities. Other elements of the income statement are presented in the "non-allocated" column.

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

Geographical segments

Activity by origin of sales area (Note 6.2.1)

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 6.2.2)

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.

6.1 Information by business segment

Year ended December 31, 2022 (in € millions)	Network	Maintenance	Transavia	Other	Non- allocated	Total
Total sales	22,801	3,586	2,219	221	-	28,827
Intersegment sales	(43)	(2,197)	(1)	(195)	-	(2,436)
External sales	22,758	1,389	2,218	26	-	26,391
Other revenues	-	-	_	_	2	2
Revenues from ordinary activities	22,758	1,389	2,218	26	2	26,393
EBITDA	3,039	442	144	(10)	-	3,615
Income from current operations	1,131	163	(100)	(1)	-	1,193
Income from operating activities	1,141	164	(104)	(7)	-	1,194
Share of profits (losses) of associates	1	17	-	(6)	-	12
Net cost of financial debt and other financial income and expenses	_	_	-	_	(852)	(852)
Income taxes	-	-	_	_	390	390
Net income	1,142	181	(104)	(13)	(462)	744
Depreciation and amortization for the period	(2,083)	(320)	(270)	(23)	_	(2,696)
Other non-monetary items	116	(28)	31	(136)	(46)	(63)
Total assets	16,391	4,300	1,796	103	9,715	32,305
Segment liabilities	10,895	1,910	1,494	10	5,766	20,075
Financial liabilities, lease debts, bank overdrafts and equity	_	_	_	_	12,230	12,230
Total liabilities	10,895	1,910	1,494	10	17,996	32,305
Purchase of property, plant and equipment and intangible assets	1,910	890	169	3	-	2,972

The non-allocated assets, amounting to \notin 9.7 billion, comprise cash and cash equivalents of \notin 6.6 billion, other financial assets of \notin 1.6 billion, deferred tax of \notin 0.8 billion, income taxes of \notin 0.1 billion and derivatives financial assets of \notin 0.6 billion.

The non-allocated segment liabilities, amounting to \notin 5.8 billion, mainly comprise pension provisions for \notin 1.6 billion, tax and employee-related liabilities of \notin 3.8 billion, other provisions for \notin 0.2 billion, income taxes of \notin 0.1 billion and derivatives financial liabilities of \notin 0.1 billion.

Financial liabilities, lease debts, bank overdrafts and equity are not allocated.

Year ended December 31, 2021 (in € millions)	Network	Maintenance	Transavia	Other	Non- allocated	Total
Total sales	12,279	2,801	1,012	167	-	16,259
Intersegment sales	(26)	(1,778)	_	(140)	_	(1,944)
External sales	12,253	1,023	1,012	27	-	14,315
Revenues from ordinary activities	12,253	1,023	1,012	27	-	14,315
EBITDA	262	374	68	41	_	745
Income from current operations	(1,582)	88	(150)	18	_	(1,626)
Income from operating activities	(2,237)	(184)	(149)	38	-	(2,532)
Share of profits (losses) of associates	1	(11)	_	(17)	-	(27)
Net cost of financial debt and other financial income and expenses	_	_	_	_	(1,017)	(1,017)
Income taxes	_	_	-	-	282	282
Net income	(2,236)	(195)	(149)	21	(735)	(3,294)
Depreciation and amortization for the period	(1,996)	(268)	(225)	(24)	_	(2,513)
Other non-monetary items	639	253	2	(129)	(26)	739
Total assets	15,928	3,934	1,693	166	8,962	30,683
Segment liabilities	9,213	1,837	1,155	15	6,037	18,257
Financial liabilities, lease debts, bank overdrafts and equity	_	_	_	_	12,426	12,426
Total liabilities	9,213	1,837	1,155	15	18,463	30,683
Purchase of property, plant and equipment and intangible assets	1,957	174	68	3	-	2,202

The non-allocated assets, amounting to €9 billion, comprise cash and cash equivalents of €6.7 billion, other financial assets of €1.3 billion, deferred tax of €0.3 billion, income taxes of €0.1 billion and derivatives financial assets of €0.6 billion.

The non-allocated segment liabilities, amounting to ≤ 6 billion, mainly comprise pension provisions for ≤ 1.9 billion, tax and employee-related liabilities of ≤ 3.6 billion, other provisions for ≤ 0.4 billion and derivatives financial liabilities of ≤ 0.1 billion.

Financial liabilities, lease debts, bank overdrafts and equity are not allocated.

6.2 Information by geographical area

6.2.1 Activity by origin of sales area

External sales by geographical area

Year ended December 31, 2022 (in € millions)	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (excl. France and Benelux)	Rest of the world	Total
Transportation	6,410	2,490	4,844	8,100	21,844
Other sales ⁽¹⁾	330	206	167	211	914
Total Network	6,740	2,696	5,011	8,311	22,758
Transportation	820	1,210	189	44	2,263
Other sales ⁽¹⁾	(18)	(24)	(2)	(1)	(45)
Total Transavia	802	1,186	187	43	2,218
Maintenance	716	532	24	117	1,389
Others	6	19	1	_	26
Total	8,264	4,433	5,223	8,471	26,391

(1) This line includes compensation paid to clients in accordance with EU261 (see Note 4.6).

Year ended December 31, 2021 (in € millions)	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (excl. France and Benelux)	Rest of the world	Total
Transportation	3,286	1,197	2,695	4,342	11,520
Other sales ⁽¹⁾	175	132	153	273	733
Total Network	3,461	1,329	2,848	4,615	12,253
Transportation	347	587	71	12	1,017
Other sales ⁽¹⁾	(1)	(4)	-	-	(5)
Total Transavia	346	583	71	12	1,012
Maintenance	582	338	26	77	1,023
Others	5	22	-	-	27
Total	4,394	2,272	2,945	4,704	14,315

(1) This line includes compensation paid to clients in accordance with EU261 (see Note 4.6).

6.2.2 Activity by destination

Traffic sales by geographical area of destination

Year ended December 31, 2022 (in € millions)	Metropolitan France	Europe (excl. France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
Network	1,333	5,079	1,919	3,080	5,566	2,529	2,338	21,844
Transavia	129	1,968	-	166	_	-	_	2,263
Total Transportation	1,462	7,047	1,919	3,246	5,566	2,529	2,338	24,107

Year ended December 31, 2021 (in € millions)	Metropolitan France	Europe (excl. France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
Network	809	2,171	1,189	2,027	2,582	1,300	1,442	11,520
Transavia	63	923	-	31	_	-	-	1,017
Total Transportation	872	3,094	1,189	2,058	2,582	1,300	1,442	12,537

NOTE 7 EXTERNAL EXPENSES

Period from January 1 to December 31 (in € millions) Aircraft fuel Chartering costs Landing fees and air route charges	2022 7,241	2021 2,748
Chartering costs		2,748
	707	
Landing fees and air route charges	387	325
	1,710	1,185
Catering	720	382
Handling charges and other operating costs	1,608	1,027
Aircraft maintenance costs	2,256	1,625
Commercial and distribution costs	887	385
Other external expenses	1,488	1,152
Total	16,297	8,829
Excluding aircraft fuel	9,056	6,081

maintenance, is sensitive to fluctuations in the US dollar Note 9 "Other current operating income and expenses". exchange rate.

A portion of external expenses, mainly aircraft fuel and The hedges covering this currency exposure are presented in

NOTE 8 SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

Period from January 1 to December 31 (in € millions)	2022	2021
Wages and salaries	5,238	4,410
Social contributions	957	811
Pension costs on defined contribution plans	813	634
Pension costs of defined benefit plans	122	206
Cost of temporary employees	172	86
Profit sharing	45	(69)
Temporary Emergency Bridging Measure for Sustained Employment (NOW)	(134)	(771)
Other expenses	76	33
Total	7,289	5,340

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 December 31, 2022, the impact of these measures amounts to \notin 135 million (\notin 657 million as of December 31, 2021).

The line "Temporary Emergency Bridging Measure for Sustained Employment (NOW)" includes the compensation received from the Dutch State for the KLM Group's labor expenses during the period from January 1 until March 31, 2022. Due to the recovery of activity, the Dutch government has terminated this program as of March 31, 2022. This compensation amounted to \notin 134 million (versus \notin 771 million for the period from January 1 until December 31, 2021).

Average number of employees

Period from January 1 to December 31	2022	2021
Flight Deck Crew	8,176	8,170
Cabin crew	20,715	20,002
Ground staff	43,795	45,572
Temporary employees	1,916	977
Total®	74,602	74,721

(1) Excluding partial activity effect.

NOTE 9 OTHER CURRENT OPERATING INCOME AND EXPENSES

Period from January 1 to December 31 (in € millions)	2022	2021
Capitalized production	991	728
Joint operation of routes	9	8
Operations-related currency hedges	152	16
European carbon emission allowances (ETS)	(141)	(32)
Other	(47)	(5)
Total	964	715

NOTE 10 AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to December 31 (in € millions)	2022	2021
Amortization		
Intangible assets	183	192
Flight equipment	1,150	1,027
Other property, plant and equipment	181	184
Right-of-use assets	1,182	1,110
Sub-Total	2,696	2,513
Depreciation and provisions		
Inventories	(9)	22
Trade receivables	(76)	25
Risks and contingencies	(189)	(189)
Sub-Total	(274)	(142)
Total	2,422	2,371

The amortization variations for intangible and tangible assets The balance sheet movements in provisions for risks and charges are presented in Notes 16 and 17, and for right-of-use assets in are detailed in Note 31. Note 19.

The variations relating to inventories and trade receivables are presented in Notes 24, 25 and 26.

NOTE 11 SALES OF AIRCRAFT EQUIPMENT AND OTHER NON-CURRENT INCOME AND EXPENSES

Period from January 1 to December 31 (in € millions)	2022	2021
Sales and leaseback	38	(29)
Other aeronautical sales	28	10
Sales of aeronautical assets	66	(19)
Restructuring costs	(6)	56
Impairment of fleet	(24)	(40)
Impairment of intangible assets	(8)	-
Modification of pensions plans	(53)	(922)
Disposals of subsidiaries and affiliates	(1)	26
Disposals of other assets	27	-
Other	-	(7)
Other non-current income and expenses	(65)	(887)

Year ended December 31, 2022

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in a profit of \notin 38 million in the income statement and a result on disposal of \notin 767 million in the cash-flow statement as of December 31, 2022.

Impairment of fleet

As of December 31, 2022 this line mainly included a depreciation for €(18) million following the review of Airbus A380s fleet market value.

Modifications to pension plans

On December 20, 2022, an agreement was signed with the trade unions of Air France cabin crew, including a change in the entitlement to termination benefits which has led to a revision of their retirement entitlement. This agreement represents an increase in the commitment for Air France of €53 million as of December 31, 2022 (see Note 30.3 "Evolution of commitments").

Result on the disposal of subsidiaries and affiliates

This line included the profit resulting from disposal of Heathrow slots to Virgin Atlantic for €27 million.

Year ended December 31, 2021

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in an expense of \notin (29) million in the income statement and a result on disposal of \notin 830 million in the cash-flow statement as of December 31, 2021.

Restructuring costs

This line mainly included a reversal of the Voluntary Departure Plan provision for Air France ground staff, amounting to &86 million and an additional provision related to the Voluntary Departure Plan for HOP! amounting to &(28) million, both following an adjustment based on the definitive list of individuals and departure indemnities.

Impairment of fleet

This line included the impact of the early phase-out of the twenty-five CRJ aircrafts from the HOP! fleet for \in (39) 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 December 31, 2021, 15 CRJs remained under ownership.

Modifications to pension plans

Following the modification of KLM's Ground Staff pension plan, the total impact of the de-recognition of the pension assets together with the additional contributions was booked in "Other non-current income and expenses" and amounts to an expense of €(938) million (see Note 30.3 "Evolution of commitments"). In addition, the thresholds for the payment of small capital annuities were raised, leading to a decrease in liabilities towards the active and deferred members of the CRAF scheme in the amount of $\in 16$ million (see Note 30.3 "Evolution of commitments").

Result on the disposal of subsidiaries and affiliates

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

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

	(852)	(1,017)
Other financial income and expenses	(324)	(289)
Other	(10)	(8)
Undiscounting of provision	(138)	(116)
Net (charge)/release to provisions	(8)	1
Financial instruments	5	31
Foreign exchange gains (losses), net	(173)	(197)
Net cost of financial debt	(528)	(728)
Gross cost of financial debt	(569)	(730)
Other financial expenses	(6)	(11)
Other non-monetary items	(16)	(178)
Capitalized interests	29	25
Interest on lease debt	(265)	(241)
Interest on financial liabilities	(311)	(325)
Income from cash and cash equivalents	41	2
Other financial income	40	23
Income from marketable securities	1	(21)
Period from January 1 to December 31 (in € millions)	2022	2021

Net cost of financial debt

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

As of December 31, 2022, following the early repayment of €1 billion of the bank loan guaranteed by the French State ("PGE") (see Note 3.2 "Significant events occurring during the period"), the review of the actual value of future payments had no impact on the net cost of financial debt.

As of December 31, 2021, following the maturity extension of the bank loan guaranteed by the French State ("PGE") and the early repayment of \notin 500 million on December 10, 2021, the actual value of future payments has been reviewed. This had led to a one-off expense of \notin (84) million was accounted for in the line "Other non-cash items".

As of December 31, 2021, following the update of the cash-flow projections on the Dutch State guaranteed revolving credit facility ("RCF"), an expense of \notin (20) million in the carrying amount was accounted for in the line "Other non-cash items".

Foreign exchange gains (losses)

As of December 31, 2022, the foreign exchange losses mainly include an unrealized currency loss of \in (158) million of which, mainly, a loss of \in (182) million on return obligation liabilities and provisions on aircraft in US dollars, and an unrealized \in 5 million currency gain on financial liabilities, mainly composed of a loss on debt in US dollars (\in (41) million) and a gain on debt in Japanese Yen (\in 53 million).

As of December 31, 2021, the foreign exchange losses mainly include an unrealized currency loss of \in (289) million of which, mainly, a loss of \in (236) million on return obligation liabilities and provisions on aircraft in US dollars, and an unrealized \in (45) million currency loss on financial liabilities, mainly composed of a loss on debt in US dollars (\in (66) million) and a gain on debt in Japanese Yen (\in 24 million).

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 3.6% in 2022 against 3.4% in 2021 (see Note 31.1.1 "Return obligation liability and provision on leased aircraft").

NOTE 13 INCOME TAXES

13.1 Income tax charge

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

Period from January 1 to December 31 (in € millions)	2022	2021
Current tax (expense)/income and other taxes	(46)	(2)
Change in temporary differences	30	237
(Use/de-recognition)/recognition of tax loss carry forwards	406	47
Deferred tax income/(expense)	436	284
Total	390	282

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 2022. 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.

In view of the recovery in activity and the medium and long-term outlook, the fiscal group has recognized deferred tax assets for an amount of €61 million as of December 31, 2022. The deferred

tax assets position for tax losses was therefore increased to €346 million (versus €285 million as of December 31, 2021).

Dutch fiscal group

In the Netherlands, the tax rate is 25.8% in 2022. 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.

In view of the recovery in activity and the medium and long-term outlook, the Group has recognized deferred tax assets for an amount of \notin 346 million as of December 31, 2022. The deferred tax assets position for tax losses and deductible financial interests was therefore increased to \notin 403 million (versus \notin 57 million as of December 31, 2021).

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

Period from January 1 to December 31 (in € millions)	2022	2021
Coupons on Perpetual	3	-
Other comprehensive income that will be reclassified to profit and loss	34	(72)
Other comprehensive income that will not be reclassified to profit and loss	(41)	(171)
Equity instruments	2	1
Pensions	(43)	(172)
Total	(7)	(243)

13.3 Effective tax rate

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

Period from January 1 to December 31 (in € millions)	2022	2021
Income before tax	342	(3,549)
Standard tax rate in France	25.83%	28.41%
Theoretical tax calculated based on the standard tax rate in France	(88)	1,008
Differences in French/foreign tax rates	(1)	(59)
Non-deductible expenses or non-taxable income	(14)	(72)
Variation in unrecognized deferred tax assets	512	(603)
CAVE impact	(7)	(4)
Other	(12)	12
Income tax	390	282
Effective tax rate	(114.0)%	8.0%

The effective tax rate in France for 2022 is 25.83%.The effective tax rate in France for 2022 is 25.83%.The effective tax rate in the Netherlands until 2021 is 25.80%.

Deferred tax has been calculated with a tax rate gradually decreasing to 25.83% for the French tax group and an increase in the tax rate to 25.80% for the Dutch tax group, applicable in 2023.

(in € millions)	December 31, 2021	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassification and other	December 31, 2022
Flight equipment	(695)	(38)	-	-	-	(733)
Right-of-use assets	(874)	(56)	-	-	1	(929)
Pension assets	45	3	(20)	-	(2)	26
Financial liabilities	497	19	(5)	3	1	515
Lease debt	673	73	13	-	(1)	758
Deferred revenue on ticket sales	129	8	-	-	-	137
Debtors and creditors	(87)	8	24	-	-	(55)
Provisions	458	(95)	(21)	-	-	342
Others	(221)	112	2	-	-	(107)
Deferred tax corresponding to fiscal losses	352	402	_	_	5	759
Deferred tax asset/(liability) net	277	436	(7)	3	4	713

13.4 Variation in deferred tax recorded during the period

December 31, 2020	Amounts recorded in income statement	Amounts recorded in OCI	Reclassification and other	December 31, 2021
(948)	253	-	-	(695)
(803)	(68)	-	(3)	(874)
-	170	(167)	42	45
606	(89)	(1)	(19)	497
597	47	30	(1)	673
143	(14)	-	-	129
41	50	(129)	(49)	(87)
509	(48)	(3)	-	458
(222)	(64)	27	38	(221)
307	47	-	(2)	352
230	284	(243)	6	277
	2020 (948) (803) - 606 597 143 41 509 (222) 307	2020 recorded in income statement (948) 253 (803) (68) (- 170 606 (89) 597 47 143 (14) 41 50 509 (48) (222) (64) 307 47	2020 recorded in income statement recorded in OCI (948) 253 - (803) (68) - (803) (68) - (803) (68) - (803) (68) - (803) (68) - (803) (68) - (803) (68) - (803) (68) - 10 10 (167) 597 47 30 143 (14) - 41 50 (129) 509 (48) (3) (222) (64) 27 307 47 -	2020 recorded in income statement recorded in OCI and other (948) 253 - - (803) (68) - (3) (803) (68) - (3) - 170 (167) 42 606 (89) (1) (19) 597 47 30 (1) 143 (14) - - 41 50 (129) (49) 509 (48) (3) - (222) (64) 27 38 307 47 - (2)

French fiscal group

The deferred taxes recognized on fiscal losses for the French fiscal group amounts to \in 346 million with a basis of \in 1,340 million as of December 31, 2022. As of December 31, 2021, amount was \notin 285 million with a basis of \notin 1,104 million. The deferred taxes

increase on fiscal losses is explained by forecasts of future tax profits.

The total deferred-tax position of the French fiscal group stands at a net asset of \notin 323 million (\notin 216 million as of December 31, 2021).

Dutch fiscal group

The Dutch fiscal group recognized ≤ 403 million deferred taxes on fiscal losses with a basis of $\leq 1,562$ million as of December 31, 2022. As of December 31, 2021, amount was ≤ 57 million with a basis of \in 221 million. The deferred taxes increase on fiscal losses is explained by forecasts of future tax profits.

The total deferred tax position of the Dutch fiscal group stands at a net asset of \notin 373 million (versus a \notin 27 million net liability as of December 31, 2021).

As of December 31, 2021, the cumulative effect of the limitation

of deferred tax assets results in the non-recognition of a deferred

tax asset amounting to €426 million (corresponding to a basis

Other unrecognized deferred tax assets mainly correspond to a

portion of the tax loss carry forwards of the Air France and KLM

subsidiaries not belonging to the fiscal groups, in particular in

the United States of America and the United Kingdom.

of €1,650 million), entirely constituted of tax losses.

13.5 Unrecognized deferred tax assets

(in € millions)	Decen	nber 31, 2022	Decem	ber 31, 2021
	Basis	Тах	Basis	Тах
Temporary differences	708	183	1,320	341
Tax losses	12,753	3,294	13,934	3,599
Total	13,461	3,477	15,254	3,940

Dutch fiscal group

Other

French fiscal group

As of December 31, 2022, the cumulative effect of the limitation of deferred tax assets results in the non-recognition of a deferred tax asset amounting to \in 3,477 million (corresponding to a basis of \in 13,461 million), of which \in 3,294 million relating to tax losses and \in 183 million relating to temporary differences (non-recognition of deferred tax assets relating mainly to pension provisions).

As of December 31, 2021, the cumulative effect of the limitation of deferred tax assets resulted in the non-recognition of a deferred tax asset amounting to \notin 3,514 million (corresponding to a basis of \notin 13,604 million), of which \notin 3,173 million relating to tax losses and \notin 341 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuring provisions and pensions).

NOTE 14 EARNINGS PER SHARE

Reconciliation of income used to calculate earnings per share

The results used to calculate earnings per share are as follows:

Results used for the calculation of basic earnings per share

As of December 31 (in € millions)	2022	2021
Net income for the period – Equity holders of Air France–KLM	728	(3,292)
Coupons on perpetual	(137)	(151)
Basic net income for the period – Equity holders of Air France–KLM	591	(3,443)

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

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

Results used for the calculation of diluted earnings per share

As of December 31 (in € millions)	2022	2021
Basic net income for the period - Equity holders of Air France-KLM	591	(3,443)
Net income for the period – Equity holders of Air France–KLM (taken for calculation of diluted earnings per share)	600	(3,443)

For the calculation of the diluted earnings per share, the weighted average number of shares in circulation is adjusted for the potential dilutive effect of all equity instruments issued by the Group.

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

Period from January 1 to December 31	2022	2021
Weighted average number of:		
 ordinary shares issued treasury stock held regarding stock option plan other treasury stock 	1,693,736,824 (1,116,420) (91,585)	579,899,788 (1,116,420) (91,585)
Number of shares used to calculate basic earnings per share	1,692,528,819	578,691,783
Number of potentially dilutive shares	249,709,585	-
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	1,942,238,404	578,691,783

For the year 2022, the potential conversion of last-rank indefinite subordinated bond convertible into new shares and/or into existing shares representing 199,960,702 shares (see Note 29.4.2 "Last-rank indefinite subordinated bond convertible into new shares and/or existing shares") and the potential conversion of OCEANEs, representing 49,748,883 shares and the impacts of those two instruments on net income have been taken into consideration to determine the diluted earnings per share.

For the year 2021, the potential conversion of OCEANEs, representing 27,901,785 shares, and the impacts on net income,

had not been taken into account. The ordinary shares potentially created would not have have not decreased the earning per share or increased the loss per share.

The change in the number of ordinary shares issued is disclosed in Note 29.1 "Issued capital".

As of December 31, 2022, taking into account the above items, the basic earnings per share amounts to \pounds 0.35 and the diluted earnings per share amounts to \pounds 0.31.

NOTE 15 GOODWILL

15.1 Detail of consolidated goodwill

As of December 31			2022				
(in € millions)	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
Network	199	-	199	197	-	197	
Maintenance	25	(4)	21	24	(4)	20	
Other	5	-	5	5	-	5	
Total	229	(4)	225	226	(4)	222	

15.2 Movement in net book value of goodwill

As of December 31 (in € millions)	2022	2021
Opening balance	222	215
Change in scope	2	5
Currency translation adjustment	1	2
Closing balance	225	222

NOTE 16 INTANGIBLE ASSETS

(in € millions)	Trademarks and slots	CO ₂ Quotas and other carbon credit	Other intangible assets	Total
Gross value				
Amount as of December 31, 2020	280	27	1,876	2,183
Additions	-	84	138	222
Disposals	-	(31)	(15)	(46)
Reclassification	-	-	5	5
Change in scope	-	-	7	7
Amount as of December 31, 2021	280	80	2,011	2,371
Additions	1	175	157	333
Disposals	(4)	(41)	(3)	(48)
Reclassification	-	-	(8)	(8)
Change in scope	-	-	(2)	(2)
Other	-	-	2	2
Amount as of December 31, 2022	277	214	2,157	2,648
Depreciation Amount as of December 31, 2020	(10)	(4)	(939)	(953)
Charge to depreciation	_	_	(193)	(193)
Releases on disposals	_	_	14	14
Change in scope	_	-	(4)	(4)
Amount as of December 31, 2021	(10)	(4)	(1,122)	(1,136)
Charge to depreciation	(2)	-	(182)	(184)
Releases on disposals	-	-	5	5
Reclassification	-	-	3	3
Change in scope	-	-	2	2
Amount as of December 31, 2022	(12)	(4)	(1,295)	(1,311)
Net value				
As of December 31, 2021	270	76	889	1,235
As of December 31, 2022	265	210	862	1,337
Including:				
– network	255			
TransaviaMaintenance	8 2			

The intangible assets mainly comprise:

the KLM and Transavia brands and slots (takeoff and landing) acquired by the Group as part of the acquisition of KLM.

These intangible assets have an indefinite useful life as the nature of the assets means that they have no time limit;

CO₂ quotas and EcoAct;

> software and capitalized IT costs.

NOTE 17 TANGIBLE ASSETS

(in € millions)			Flight ec	quipment			Oth	er tangib	le assets	
	Owned aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total	Tota
Gross value January 1, 2021	17,158	1,505	2,518	21,181	2,758	1,070	191	1,102	5,121	26,302
Acquisitions	690	1,064	122	1,876	15	15	71	5	106	1,982
Disposals	(1,844)	-	(159)	(2,003)	(60)	(39)	_	(54)	(153)	(2,156)
Fair value	-	(192)	_	(192)	-	_	_	-	_	(192
Reclassification	744	(1,150)	115	(291)	24	11	(127)	22	(70)	(361
Others	36	15	(47)	4	2	2	(6)	2	_	4
December 31, 2021	16,784	1,242	2,549	20,575	2,739	1,059	129	1,077	5,004	25,579
Acquisitions	897	1,333	248	2,478	18	26	98	36	178	2,656
Disposals	(1,574)	2	(369)	(1,941)	(40)	(23)	-	(77)	(140)	(2,081
Change in scope	-	-	-	_	-	(3)	-	(18)	(21)	(21
Fair value	-	(28)	-	(28)	-	-	-	-	-	(28
Reclassification	706	(1,210)	277	(227)	64	18	(95)	15	2	(225
Currency translation	-	-	-	_	-	1	-	-	1	
Others	(9)	168	(177)	(18)	-	-	-	-	_	(18
Impairment	-	(11)	-	(11)	-	-	_	-	_	(11
December 31, 2022	16,804	1,496	2,528	20,828	2,781	1,078	132	1,033	5,024	25,852
Depreciation January 1, 2021	(9,105)	-	(1,046)	(10,151)	(1,893)	(822)	-	(858)	(3,573)	(13,724
Charge to depreciation	(906)	_	(84)	(990)	(89)	(43)	_	(54)	(186)	(1,176)
Releases on disposal	985	-	119	1,104	53	37	_	51	141	1,24
Reclassification	(72)	-	_	(72)	18	-	-	-	18	(54
Others	30	-	(30)	_	(1)	(1)	_	-	(2)	(2
December 31, 2021	(9,068)	-	(1,041)	(10,109)	(1,912)	(829)	-	(861)	(3,602)	(13,711
Charge to depreciation	(1,001)	_	(109)	(1,110)	(94)	(42)	_	(48)	(184)	(1,294
Releases on disposal	876	-	312	1,188	37	22	_	73	132	1,320
Change in scope	-	-	-	-	_	3	_	15	18	18
Reclassification	(105)	-	(46)	(151)	-	(12)	_	-	(12)	(163
Others	82	-	(114)	(32)	(1)	-	-	-	(1)	(33
December 31, 2022	(9,216)	-	(998)	(10,214)	(1,970)	(858)	-	(821)	(3,649)	(13,863
Net value										
December 31, 2021	7,716	1,242	1,508	10,466	827	230	129	216	1,402	11,86
December 31, 2022	7,588	1,496	1,530	10,614	811	220	132	212	1,375	11,989

Aeronautical assets under construction mainly comprise Commitments to assets purchases are detailed in Notes 39 and advance payments, engine maintenance work in progress and aircraft modifications.

40 to these financial statements.

Note 40 details the amount of pledged tangible assets.

NOTE 18 CAPITAL EXPENDITURES

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

Period from January 1 to December 31 (in € millions)	2022	2021
Acquisition of flight equipment	2,458	1,856
Acquisition of tangible assets	176	105
Acquisition of other intangible assets	332	222
Accounts payable on acquisitions	6	19
Total	2,972	2,202

linked to the renewal of the fleet for new generation aircraft, for an as of December 31, 2021).

The line "Acquisition of flight equipment" includes investments amount of €1,332 million as of December 31, 2022 (€1,047 million

NOTE 19 RIGHT-OF-USE ASSETS

The table below presents the right-of-use assets per category:

(in € millions)	Aircraft	Maintenance	Land & Real Estate	Others	Total
Net value					
January 1, 2021	2,191	1,739	541	207	4,678
New contracts	786	281	83	-	1,150
Change in contracts	134	10	77	9	230
Disposals	12	(16)	-	-	(4)
Reclassification	(1)	283	24	23	329
Currency translation	-	-	1	-	1
Amortization	(646)	(297)	(118)	(50)	(1,111)
Others	-	(102)	-	(23)	(125)
December 31, 2021	2,476	1,898	608	166	5,148
New contracts	742	368	71	13	1,194
Change in contracts	155	(114)	41	-	82
Disposals	-	(2)	-	-	(2)
Reclassification	(6)	457	-	(117)	334
Currency translation	-	-	(1)	-	(1)
Amortization	(616)	(431)	(120)	(15)	(1,182)
Others	-	(145)	-	-	(145)
December 31, 2022	2,751	2,031	599	47	5,428

Information related to lease debt is available in Note 33.

The amount recognized in the income statement in respect of lease contracts not subject to IFRS 16 amounts to:

The line "Others" includes mainly movements of the return obligation liability following aircrafts restitution.

As of December 31 (in € millions)	2022	2021
Variable rents	9	(3)
Short term rents	100	52
Low value rents	16	16
Total	125	65

NOTE 20 EQUITY AFFILIATES

Movements over the period

The table below presents the movement in investments in associates and joint ventures:

(in € millions)	Network	Maintenance	Catering	Other	Total
December 31, 2020	-	37	174	19	230
Share in net income of equity affiliates	-	(11)	(19)	3	(27)
Distributions	-	(2)	-	-	(2)
Other variations	-	2	(93)	-	(91)
Capital increase	-	1	_	-	1
Capital decrease	-	-	_	(3)	(3)
Currency translation adjustment	-	1	_	-	1
December 31, 2021	-	28	62	19	109
Share in net income of equity affiliates	1	17	(6)	-	12
Distributions	(1)	-	_	-	(1)
Change in consolidation scope	-	(1)	_	-	(1)
Other variations	1	(1)	_	-	-
Currency translation adjustment	-	1	-	-	1
December 31, 2022	1	44	56	19	120

Maintenance

As of December 31, 2022 and 2021, the equity affiliates in the maintenance business mainly comprise joint-venture partnerships entered into by the Group to develop its maintenance activities worldwide. These partnerships, whose country localizations and percentages of interest are presented in Note 44.2 have been concluded either with airlines or with independent players in the maintenance market.

Servair Group (Catering)

The Servair Group is the French number one in aviation catering. With about 36 establishments in 19 countries and approximately 10,500 employees, Servair has a leading position in Paris and Africa. Servair numbers more than a hundred air carrier customers worldwide and proposes a series of services regrouped around three core businesses: On-Board Services, Airports Services and Out-of-Home Catering.

Following the acquisition of gategroup by HNA on December 22, 2016, Air France and gategroup finalized the agreement for the sale to gategroup of 49.99% of the Servair share capital. On conclusion of this transaction, the operational control of Servair

was transferred to gategroup in application of the governance planned in the agreements between Air France and gategroup.

In early 2021, the terms under which Air France could sell a 30% shareholding in Servair to Gategroup were re-negotiated. This resulted in the sale by Air France Finance, on May 31, 2021, of 15% of Servair shares for \in 71 million. A second installment for a further 15% shareholding should be paid. These 15% are classified in assets held for sale (see Note 28 "Assets held for sale") and the remaining 20% were revalued accordingly to the IFRS 10 standard at their fair value based on the transaction value for an amount of \in 55 million in the line "equity affiliates".

As of December 31, 2022, the Servair group remains consolidated according to the equity method, as it has been the case since December 31, 2016.

The net result from airline catering is mainly impacted by the Servair operating loss. However, the total fair value of the Group's 34.9% equity interest in the Servair Group, including the put option recorded in the balance sheet in the lines other derivatives and assets held for sale, remains unchanged (see Note 40 "Other commitments").

Other

As of December 31, 2022 and 2021, the equity affiliates linked to the Group's other businesses are mainly joint-venture

partnerships entered into by the Group in the airport business. The localizations of the activities and the interest percentages in these partnerships are presented in Note 44.2.

NOTE 21 PENSION ASSETS

As of December 31 (In € millions)	2022	2021
Opening balance	-	211
Net periodic pension (cost)/income	-	(77)
Payments of benefits and contributions to the funds	-	(833)
Reclassification	20	28
Fair value revaluation	19	671
Closing balance	39	-

As of December 31, 2022, taking into account the financial conditions, the pension plan in the United Kingdom is in a surplus situation according to IAS 19 for an amount of \in 39 million. Given the plan settlement, the agreement with the trustees and the application of IFRIC14, this surplus is fully recognised

in the balance sheet (see Note 30 "Retirement benefits" for more details).

As of December 31, 2021, the analysis of these pension assets including the impacts related to the modification of the KLM Ground staff pension plan is presented in Note 30 (see Note 30.1 "Characteristics of the main defined benefit plans").

NOTE 22 IMPAIRMENT

No indication of impairment has been identified. Given the existence of goodwill and intangible assets with indefinite useful lives, an impairment test (see Note 4.16 "Impairment test") has been carried out, in accordance with IAS 36, in order to verify that the net assets of the cash-generating units (CGUs) do not exceed their recoverable amount. The test is performed based

on the values as of September 30 for the annual closing. The Group monitors any significant changes that could affect this calculation in the last quarter. The Group's CGUs correspond to the Group's business segments (see Note 6.1 "Information by business segment"). Their carrying amounts break down as follows:

As of September, 30 (in € millions)	Network		Maintenance		Transavia		Other/Non allocated	
	2022	2021	2022	2021	2022	2021	2022	2021
Segment assets	16,440	15,937	4,249	3,987	1,831	1,718	12,043	9,348
Segment liabilities	(11,983)	(8,825)	(1,985)	(1,931)	(1,574)	(1,222)	(19,021)	(19,012)
Net segment assets (liabilities)	4,457	7,112	2,264	2,056	257	496	(6,978)	(9,664)

The recoverable amount of the net assets of the CGUs has been determined by reference to their value in use as of September 30, 2022, based on a five-year target plan presented by Management to the Board of Directors early December 2022. Subject to the uncertainties associated with the current situation, this plan is based on revenue, cost and investment projections that are based on reasonable assumptions and correspond to Management's best estimates, including:

- > a return to the 2019 level of activity expected in 2024;
- savings linked to the continuation of the reorganization/ restructuring plans implemented by the Group;
- > the increase in the price of CO₂ emission allowances, the implementation of the international system for offsetting and reducing emissions (CORSIA) from 2026 and the gradual disappearance of free allowances until 2026 in the European Union Emissions Trading Scheme (ETS);

- a growing trajectory for the use of Sustainable Aviation Fuel (SAF), which should reach 10% by 2030, and the Group's ability to Pass on the additional costs to passengers in the price of air tickets;
- a plan to invest in new generation aircraft that are up to 25% more efficient in terms of fuel consumption and therefore CO₂ emissions, and generate less noise, as presented in Note 39 "Flight equipment orders".

The last two elements mentioned above, combined with eco-piloting, contribute significantly to the Group's objective of reducing its CO_2 emissions per passenger/km by 30% in 2030 compared to 2019, and are consistent with the trajectory validated by SBTi in November 2022.

Beyond this period, the Group uses the long-term growth and current operating margin assumptions shown in the table below. In addition, the discount rate used for the test is the weighted average cost of capital (WACC).

As of December 31		Network		Maintenance		Transavia
	2022	2021	2022	2021	2022	2021
Operating margin rates	7.4%	7.4%	6.0%	6.0%	8.2%	7.4%
Long-term growth rates	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Discount rate (after tax)	7.7%	6.7%	7.7%	6.7%	7.7%	6.7%
Fuel price (USD/metric tons)	772-867	598-664	n/a	n/a	772-867	598-664

The long-term growth rate and the current operating margin rates used by the Group for the realization of the test, which are relatively conservative, make it possible to take account of the uncertainties that apply to the Group's three segments, in particular the acceptability of air transport.

On the other hand, the Group has not taken into account technological advances not available at the closing date, nor potential future changes in law or regulations not yet voted (kerosene taxes, limitation of the number of slots, etc.). As a result of the test, no impairment was recognized on the Group's CGUs (as was the case for the year ended December 31, 2021). The results are identical for the sensitivity tests performed:

- with a WACC 100 bps higher associated with a 100 bps decrease in the long-term growth rate;
- > with a 100 bps increase in WACC associated with a 100 bps decrease in target current operating margins.

NOTE 23 OTHER FINANCIAL ASSETS

As of December 31 (in € millions)			2022	2021			
(n € minions)	Current	Non- current	Of which pledged or secured	Current	Non- current	Of which pledged or secured	
Equity instruments (1)							
Equity instruments at fair value through OCI	-	45	-	_	49	_	
Financial assets at fair value through P&L ⁽¹⁾							
Marketable securities	492	80	250	439	74	324	
Bonds	114	697	175	32	497	_	
Financial asset - at amortized cost							
Deposit on lease contracts	4	95	-	7	78	_	
Financial liabilities deposit	1	101	-	_	99	_	
Other loans and deposits	9	192	-	6	176	_	
Gross value	620	1,210	425	484	973	324	
Impairment at opening date	-	(22)	-	_	(28)	_	
New impairment charge	-	(5)	-	_	_	_	
Use/Reversal	-	1	-	_	2	_	
Other	-	-	-	_	4	-	
Impairment at closing date	-	(26)	-	-	(22)	-	
Total	620	1,184	425	484	951	324	

(1) See Note 38 "Valuation methods for financial assets and liabilities at their fair value" for the fair value valuation method.

Equity instruments

	Fair Value (in € millions)	% interest	Stockholder's equity (in billions of currency)	Net income (in billions of currency)	Classification methodology	Stock price	Closing date
As of December 31, 2022							
GOL Linhas Aéreas ⁽¹⁾	6	0.28%	n/a ⁽²⁾	n/a ⁽²⁾	OCI	7.34 BRL	December 2022
Kenya Airways	13	7.76%	n/a ⁽²⁾	n/a ⁽²⁾	OCI	n/a ⁽²⁾	December 2022
Other	26	-	-	_	-	-	_
Total	45						
As of December 31, 2021							
GOL Linhas Aéreas ⁽¹⁾	12	1.19%	n/a ⁽²⁾	n/a ⁽²⁾	OCI	17 BRL	December 2021
Kenya Airways	13	7.76%	n/a ⁽²⁾	n/a ⁽²⁾	OCI	n/a ⁽²⁾	December 2021
Other	24	_	-	-	-	-	-
Total	49						

Listed company.
 Not-available.

Transfer of financial assets that are not derecognized in their entirety

Transfer of receivables agreement

The Group entered into a loan agreement secured by Air France's one % housing loans. For each of the CILs (Comités Interprofessionnels du Logement), Air France and the bank concluded, in July 2012, a tripartite receivables delegation agreement with reference to the loan agreement. Through this agreement, the CILs commit to repaying the bank directly on

NOTE 24 INVENTORIES

each payment date. These are imperfect delegations: in the event of non-repayment by the CILs, Air France remains liable to the bank for repayments of the loan and interest.

As of December 31, 2022, the amount of transferred receivables stood at €85 million (versus €90 million as of December 31, 2021) and is included in the line "financial liabilities deposits". The associated loan stood at €71 million as of December 31, 2022 (versus €74 million as of December 31, 2021).

As of December 31 (in € millions)	2022	2021
Aeronautical spare parts	801	653
Other supplies	151	160
Production work in progress	23	16
Gross value	975	829
Opening valuation allowance	(262)	(240)
Charge to allowance	(27)	(32)
Use of allowance	36	9
Currency translation adjustment	(1)	-
Reclassification	2	1
Closing valuation allowance	(252)	(262)
Net value	723	567

NOTE 25 TRADE ACCOUNTS RECEIVABLES

As of December 31 (in € millions)	2022	2021
Airlines	283	356
Other clients:		
– Network	961	889
- Maintenance	675	524
- Other	97	6
Gross value	2,016	1,830
Opening valuation allowance	(319)	(302)
Charge to allowance	(28)	(38)
Use/Reversal of allowance	115	20
Currency translation adjustment	1	(2)
Reclassification	-	3
Closing valuation allowance	(231)	(319)
Net value	1,785	1,511

NOTE 26 OTHER ASSETS

As of December 31 (in € millions)		2022		202	
(In a minoris)	Current	Non-current	Current	Non-current	
Suppliers with debit balances	97	-	124	-	
State receivables (including tax credit)	115	-	138	-	
Prepaid expenses	229	-	169	-	
Other debtors	407	-	539	_	
Gross value	848	-	970	-	
Opening valuation allowance	(4)	-	(4)	-	
Use of allowance	3	-	-	-	
Closing valuation allowance	(1)	-	(4)	-	
Total	847	-	966	-	

NOTE 27 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

As of December 31 (in € millions)	2022	2021
Liquidity funds (SICAV) (assets - debt instruments)	3,118	3,688
Bank deposits and term accounts (assets – debt instruments)	2,120	1,113
Cash in hand	1,388	1,857
Cash and cash equivalents	6,626	6,658
Of which pledged or secured amounts	-	-
Bank overdrafts	(3)	(4)
Cash, cash equivalents and bank overdrafts	6,623	6,654

NOTE 28 ASSETS HELD FOR SALE

The line "Assets held for sale" includes the Group's 15% equity interest in shares and intended to be sold (see Note 20 "Equity affiliates").

NOTE 29 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA

29.1 Issued capital

As of December 31, 2022, the issued capital of Air France-KLM comprised 2,570,536,136 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.

As of December 31, 2022, the issued capital of Air France-KLM Group amounts to \leq 2,571 million, an increase of \leq 1,928 million following the capital increase realized on June 16, 2022 and detailed in Note 3.2 "Significant events occurring during the period".

The number of issued shares held is as follows:

As of December 31 (in number of shares)	2022	2021
At the beginning of the period	642,634,034	428,634,035
French State	735,206,304	183,801,576
Dutch State	240,000,000	60,000,000
CMA CGM	231,348,252	_
China Eastern Airlines	120,235,442	61,472,099
Delta Air Lines	73,401,182	37,527,410
Employees and former employees	30,024,610	15,872,812
Treasury shares	1,208,005	1,208,005
Others	1,139,112,341	282,752,132
At the end of the period	2,570,536,136	642,634,034
Of which: - number of shares issued and paid up	2,570,536,136	642,634,034

Authorized stock

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021 authorized the Board of Directors, for a period of 26 months from the date of the Meeting of May 26, 2021 (i.e. until July 26, 2023), to issue shares and/or other securities conferring immediate or future rights to Air France-KLM's share capital and/or to carry out capital increase by means of an offer to qualified investors or to a limited circle of investors.

As of December 31, 2022, the available balance of these authorizations is approximately ≤ 2.1 million following the capital transactions carried out during the year.

Breakdown of the share capital and voting rights

The breakdown of the share capital and voting rights is as follows:

As of December 31	% of capital		% of voting rights	
	2022	2021	2022	2021
French State	28.6	28.6	28.5	28.2
Dutch State	9.3	9.3	10.7	13.8
CMA CGM	9.0	-	8.3	_
China Eastern Airlines	4.7	9.6	5.6	11.4
Delta Air Lines	2.9	5.8	4.0	8.7
Employees and former employees	1.2	2.5	1.6	3.6
Treasury shares	0.1	0.2	0.1	0.3
Other	44.2	44.0	41.2	34.0
Total	100	100	100	100

The line "Employees and former employees" includes the shares held by employees and former employees identified in the "Fonds Communs de Placement d'Entreprise (FCPE)".

29.2 Additional paid-in capital

Additional paid-in capital represents the difference between the nominal value of the equity securities issued and the value of contributions in cash or in kind received by Air France-KLM. As of December 31, 2022, the additional paid-in capital amounts to \notin 5,217 million, an increase of \notin 268 million following the capital increase realized on June 16, 2022 and detailed in Note 3.2 "Significant events occurring during the period".

29.3 Treasury shares

As of December 31, 2022, Air France-KLM Group holds 1,208,005 treasury shares valued at €25 million. All of these treasury shares are classified as a reduction of equity.

29.4 Perpetual

(in € millions)		Notes	December 31, 2021	Monetary change – Nominal	Monetary change – Coupons	Non- monetary change	December 31, 2022
2021 perpetual	Nominal	29.4.1	3,000	(1,767)	-	(638)	595
	Coupons		151	-	(252)	132	31
Last-rank indefinite	Nominal	29.4.2	-	301	-	4	305
subordinated bond							
	Coupons		-	-	-	2	2
Total Perpetual – attributable to equity holders of							
Air France-KLM			3,151	(1,466)	(252)	(500)	933
Perpetual	Nominal	29.7	-	497	-	-	497
	Coupons		-	-	-	13	13
Total Perpetual -							
Non-controlling interests			-	497	-	13	510
Total cash flows		5.2.5		(969)	(252)		

29.4.1 2021 perpetual super-subordinated bonds

On April 20, 2021, the Group issued \in 3 billion of perpetual super-subordinated bonds subscribed by the French State, to offset its direct loan of the same nominal amount. The issue was composed of three tranches with perpetual maturities and each in a nominal amount of \in 1 billion, respectively bearing a coupon of 7 per cent, 7.25 per cent and 7.5 per cent, and with first redemption options (call) at 4, 5 and 6 years respectively.

This non-monetary transaction was recorded in the Group's consolidated balance sheet as a reclassification to equity of $\notin 3$ billion from the line "Financial liabilities".

On April 20, 2022, the Group paid the accrued coupon on the perpetual super-subordinated bonds held by the French State, for a total amount of \leq 218 million (see Note 3.2 "Significant events occurring during the period"), including \leq 151 million for the coupon accrued to December 31, 2021 and \leq 67 million for the coupon accrued to the payment date.

On June 16, 2022, following the completion of the capital increase of the Air France-KLM Group, the partial repayment of the perpetual super-subordinated bonds held by the French

State was carried out, for a total amount of €1,649 million, including 1,631 million euros in nominal value and €18 million in accrued coupons (see Note 3.2 "Significant events occurring during the period").

On July 29, 2022, the proceeds of Apollo's investment (see Note 3.2 "Significant events occurring during the period" and 29.7 "Non-controlling interests") were allocated to the reimbursement of an amount of \leq 487 million in nominal plus the coupon accrued to that date for an amount of \leq 10 million.

Finally, on December 9, 2022, an amount of €287 million in nominal plus the coupon accrued until that date for an amount of €14 million was repaid thanks to the proceeds of the issue of the subordinated convertible bonds described in Note 29.4.2 "Last-rank indefinite subordinated bond convertible into new shares and/or existing shares" below.

The amount of the accrued coupon on the 2021 perpetual super-subordinated bonds as of December 31, 2022 amounts to ${\rm \leqslant}$ 31 million.

29.4.2 Last-rank indefinite subordinated bond convertible into new shares and/or existing shares

On November 16, 2022, the Air France-KLM Group issued perpetual last-ranking subordinated bonds, convertible into new shares and/or exchangeable into existing shares, for a nominal amount of \notin 301 million, net of issuance fees.

The bonds were issued at par with a nominal value per bond of $\leq 100,000$ and with a conversion/exchange premium of 22.5 percent compared to the reference price of the Air France-KLM share.

From the date of issue and until November 23, 2025, the bonds will bear interest at an annual nominal rate of 6.5 percent payable quarterly in arrears. From November 23, 2025, the bonds will bear interest at a rate equal to 1,300 basis points above the Mid-Swap rate applicable to 3 years in Euro as reference rate, which will be subject to revision every three years thereafter. Interest is payable quarterly in arrears.

The bonds are for an indefinite period, and the Air France-KLM Group may, at its option, proceed with the early redemption of all the bonds at par plus interest, for the first time on November 23, 2025, or over the period from December 14, 2024 to November 23, 2025 if certain conditions linked to the Air France-KLM share price are met.

Bondholders may exercise their conversion/exchange right at any time until November 10, 2025. The conversion/exchange ratio is 65,496.4632 Air France-KLM shares per bond, subject to subsequent adjustments.

The net proceeds of the issue were fully allocated to the repayment of perpetual super-subordinated bonds held by the French State, issued in April 2021 (see Note 29.4.1 "2021 perpetual super-subordinated bonds" above).

The amount of the accrued coupon on the convertible bonds as of December 31, 2022 amounts to \notin 2 million.

29.5 Reserves and retained earnings

As of December 31 (in € millions)	2022	2021
Legal reserve	70	70
Defined pension benefit reserves ⁽¹⁾	(532)	(899)
Derivatives reserves ⁽¹⁾	88	199
Equity instrument reserves ⁽¹⁾	(58)	(54)
Other reserves	(11,996)	(8,566)
Net income (loss) - Group share	728	(3,292)
Total	(11,700)	(12,542)

(1) After deferred tax.

As of December 31, 2022, the legal reserve of €70 million represents 3 percent of Air France-KLM's issued capital. French company law requires a limited company (*société anonyme*) to allocate 5 percent of its unconsolidated statutory net income each year to this legal reserve until it reaches 10 percent of the

Group's issued capital. The amount allocated to this legal reserve is deducted from the distributable income for the current year.

The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the Company.

29.6 Derivatives instruments reserves

Derivatives instruments reserves are composed as follows (before the effect of deferred tax):

(in € millions)	December 31, 2021	Variation of fair value	Recycling in income statement	December 31, 2022	Recycling allocated by heading
Fuel	104	731	(903)	(68)	External expenses
Interest rate	1	210	4	215	Cost of financial debt
Currency exchange - Operating	55	186	(152)	89	Other income and expenses
Currency exchange – Financial liabilities	-	2	-	2	Other financial expenses
Currency exchange - Capital expenditures	52	(12)	-	40	
Change on revenues	(95)	(130)	49	(176)	Sales
European carbon emission allowances (ETS)	142	(130)	_	12	
Deferred tax	(60)	-	34	(26)	
Total	199	857	(968)	88	

29.7 Non-controlling interests

On July 13, 2022, following the €500 million investment agreement between Air France-KLM Group and Apollo, the latter subscribed to:

- a capital increase in the Air France operating subsidiary for an amount of €3 million;
- > perpetual bonds issued by the Air France operating subsidiary for an amount of €497 million.

The perpetual bonds, which meet the criteria for equity under IFRS, bear interest at 6 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 December 31, 2022 amounts to \in 13 million.

NOTE 30 RETIREMENT BENEFITS

(in € millions)	Retirement benefits
As of December 31, 2020	2,041
Of which: Non-current	2,041
New provision	128
Reversal of provision	(142)
Fair value revaluation	(100)
Currency translation adjustment	12
As of December 31, 2021	1,939
Of which: Non-current	1,939
New provision	174
Reversal of provision	(102)
Fair value revaluation	(392)
Currency translation adjustment	(4)
Reclassification	19
As of December 31, 2022	1,634
Of which: non-current	1,634

Pension costs are recorded in the line "salary costs", except for plan amendments and curtailments with a significant impact, which are recorded under "other non-current income and expense".

Curtailments of pension plans due to restructuring are also recorded under "other non-current income and expense".

The plan amendments, curtailments and settlements in 2022 and 2021 are presented in Note 30.3.

30.1 Characteristics of the main defined benefit plans

The Group has a large number of retirement and other long-term benefit plans for its employees, several of which are defined benefit plans. The specific characteristics of the plans (benefit formulas, funding policies and types of assets held) vary according to the regulations and laws in the particular countries in which the employees are located.

Pension plan related to KLM Ground Staff – The Netherlands

On June 14, 2021, KLM and the five Dutch Ground Staff unions signed an agreement enabling a change in the Ground Staff pension plan effective from January 2021. As provided for by this agreement, the KLM Ground Staff pension fund now qualifies as a defined contribution plan under IFRS rules. The pension assets, based on the actuarial assumptions as of May 31, 2021, amounted to €875 million (before tax). Under this agreement, KLM has paid an additional pension premium covering the period January-May 2021, as well as a one-off contribution representing the savings realized since 2014 following changes in the Dutch law. These contributions amount to €63 million.

The total impact of the de-recognition of the pension assets together with the additional contributions has been booked in "Other non-current income and expenses" in the consolidated statement of income for an amount of &938 million (&704 million net of tax).

Air France pension plan (CRAF) - France

The employees covered by this plan are the Air France Ground Staff affiliated to the CRAF until December 31, 1992.

The participants receive, or will receive on retirement, an additional pension paid monthly or a lump sum based on the monthly annuity and definitively calculated based on the data known as of December 31, 1992 and expressed in the form of points. The value of each point is adjusted every year based on the weighted increases seen in the CNAV and AGIRC-ARRCO schemes over the last twelve months.

Until 2009, the CRAF had the legal form of a supplementary pension institution (pursuant to the "*Code de Sécurité Sociale*"). With this status, the CRAF was responsible, on behalf of the Air France ground staff employed in France, for managing the

pension plan resulting from the merging of the Air France ground staff plan with the mandatory pension plan for the private sector.

Following the 2003 law on pension reform foreseeing the disappearance of supplementary pension institutions as of December 31, 2009, the CRAF's Board of Directors opted to transformit into an institution managing supplementary pensions. The CRAF is now responsible for the administrative functions linked to the plan. The pension rights were not amended by this reform. Air France is directly responsible for the pension obligations.

As of December 31,2009, all the funds managed by the CRAF had been transferred to two insurance companies. On December 31, 2012, one of the insurance contracts was terminated and its funds were transferred to the other, which thus became the only insurer.

This guarantees a capital of 17 per cent equal to the amount of capital invested in units of account in its collective fund, this percentage being automatically set to increase over time. The annual payments made by Air France to the insurance company are governed by the agreement signed with the employee representative bodies on December 14, 2009. The minimum annual payment defined by this agreement amounts to €32.5 million as long as the life annuity guaranteed by the insurer does not reach 85 per cent of the benefits payments for this plan without future revaluations. If the value of the funds falls below 50 per cent of the total obligations calculated for funding purposes, Air France is required to make an additional payment to achieve a minimum 50 per cent coverage rate.

As of December 31, 2022, the coverage of liabilities by reserves is 59 per cent against 53 per cent in 2021..

The funds are invested in bonds, equities and general assets of the insurance company. Studies of assets/liabilities allocation are carried out regularly, to verify the relevance of the investment strategy.

Air France end of service benefit plan (ICS) - France

Pursuant to French regulations and the Company agreements, every employee receives an end of service indemnity on retirement.

In France, this indemnity depends on the number of years of service, the professional category of the employee (Flight Deck Crew, cabin crew, ground staff, agent, technician and executive) and, in some cases, on the age of the employee at retirement. There is no mandatory minimum funding requirement for this scheme.

On retirement, employees consequently receive an end of service indemnity based on their final salaries over the last twelve-months and on their seniority. The indemnity is only payable to employees on their retirement date.

Air France has nevertheless signed contracts with three insurance companies to partly pre-finance the plan. Air France has sole responsibility for payment of the indemnities, but remains free to make payments to these insurance companies.

The relevant outsourced funds are invested in bonds and equities.

As of December 31, 2022, the two French plans presented above represented a respective 67 per cent (61 per cent in 2021) of the Group's defined benefit obligation and 45 per cent (42 per cent in 2021) of the Group's pension plan assets.

30.2 Description of the actuarial assumptions and related sensitivities

Actuarial valuations of the Group's benefit obligation were made as of December 31, 2022 and 2021.

These calculations include:

- assumptions on staff turnover and the life expectancy of the plan beneficiaries;
- > assumptions on salary and pension increases;
- assumptions on retirement ages varying from 50 to 68 years depending on the localization and applicable laws;
- inflation rates determined with reference to the inflation swaps applied to the Group's cash flows and based on the duration of the schemes:

As of December 31	2022	2021
Euro zone – Duration 10 to 15 years	2.55%	2.15%

 discount rates used to determine the actuarial present value of the projected benefit obligations.

The discount rates for the different geographical areas are thus determined based on the duration of each plan, taking into account the average trend in interest rates on investment grade bonds, observed on the main available indices. In some countries, where the market in this type of bond is not sufficiently broad, the discount rate is determined with reference to government bonds. Most of the Group's benefit obligations are located in the Euro zone, where the discount rates used are as follows:

As of December 31	2022	2021
Euro zone – Duration 10 to 15 years	3.80%	0.90%

The duration of between 10 and 15 years mainly concerns the plans located in France.

> discount rates used to determine the actuarial present value of the service cost. Since January 1, 2017, by using adequate flows, the Group has refined its calculations on the discount rate used for the service-cost calculation. As of December 31, 2022, in the Euro zone, the discount rate

Sensitivity to changes in the inflation rate

used to calculate the service cost is equal to the rate used to discount the liability.

- > on average, the main assumptions used to value the liabilities are summarized below:
 - the rate of salary increase is 4.04% for the Group as of December 31, 2022 against 3.23% as of December 31, 2021,
 - the rate of pension increase is 2.74% for the Group as of December 31, 2022 against 2.68% as of December 31, 2021,
 - the sensitivity of the pension obligations to a change in assumptions, based on actuarial calculations, is as follows:

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2022	Sensitivity of the assumptions for the year ended December 31, 2021
25 bp increase in the inflation rate	53	79
25 bp decrease in the inflation rate	(51)	(78)

As of December 31, 2022, pension obligations change by €219 million assuming a 100bp increase in the inflation rate and by €(197) million assuming a 100bp decrease in the inflation rate.

Sensitivity to changes in the discount rate

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2022	Sensitivity of the assumptions for the year ended December 31, 2021
100 bp increase in the discount rate	(235)	(369)
100 bp decrease in the discount rate	275	448

Sensitivity to changes in salary increase (excluding inflation)

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2022	Sensitivity of the assumptions for the year ended December 31, 2021
25 bp increase in the salary increase rate	40	49
25 bp decrease in the salary increase rate	(37)	(45)

Sensitivity to changes in pension increase

(in € millions)	Sensitivity of the assumptions for the year ended December 31, 2022	Sensitivity of the assumptions for the year ended December 31, 2021
25 bp increase in the pension increase rate	19	38
25 bp decrease in the pension increase rate	(18)	(38)

30.3 Evolution of commitments

The following table details the reconciliation between the benefits obligation and the plan assets of the Group and the amounts recorded in the financial statements for the years ended December 31, 2022 and December 31, 2021.

(in € millions)		As of	Decembe	er 31, 2022		As of	Decembe	r 31, 2021
	Netherlands	France	Others	Total	Netherlands	France	Others	Total
Benefit obligation at beginning of year	232	2,117	999	3,348	10,256	2,159	995	13,410
Service and administrative costs	13	82	10	105	91	85	11	187
Interest cost	2	19	20	41	32	9	16	57
Employees' contribution	-	-	-	-	16	-	-	16
Plan amendments, curtailments and settlements	-	47	-	47	(9,671)	(43)	_	(9,714)
Benefits paid	(15)	(80)	(38)	(133)	(99)	(86)	(44)	(229)
Actuarial loss/(gain) demographic assumptions	-	8	(5)	3	_	3	(13)	(10)
Actuarial loss/(gain) financial assumptions	(43)	(424)	(332)	(799)	(396)	23	(29)	(402)
Actuarial loss/(gain) experience gap	17	105	8	130	3	(33)	(1)	(31)
Change in currency exchange rates	-	(2)	(28)	(30)	-	-	64	64
Benefit obligation at end of year	206	1,872	634	2,712	232	2,117	999	3,348
Including benefit obligation resulting from schemes totally or partly funded	_	1,811	593	2,404	_	2,041	949	2,990
Including unfunded benefit obligation	206	61	41	308	232	76	50	358
Fair value of plan assets at beginning of year	-	596	813	1,409	10,245	604	731	11,580
Actual return on plan assets	-	(66)	(169)	(235)	294	29	46	369
Employers' contributions	-	33	25	58	133	31	17	181
Employees' contributions	-	-	-	-	16	-	-	16
Settlements	-	-	-	-	(10,609)	-	-	(10,609)
Benefits paid	-	(54)	(34)	(88)	(79)	(68)	(33)	(180)
Change in currency exchange rates and others	-	-	(27)	(27)	-	_	52	52
Fair value of plan assets at end of year	-	509	608	1,117	-	596	813	1,409
Amounts recorded in the balance sheet								
Pension asset	-	-	39	39	-	-	-	-
Provision for retirement benefits	(206)	(1,363)	(65)	(1,634)	(232)	(1,521)	(186)	(1,939)
Net amount recognized	(206)	(1,363)	(26)	(1,595)	(232)	(1,521)	(186)	(1,939)
Net periodic cost								
Service and administrative costs	13	82	10	105	91	85	11	187
Net interest cost/(income)	2	14	3	19	-	7	4	11
Plan amendments, curtailment and settlement	-	47	-	47	938	(43)	_	895
Actuarial losses/(gain) recognized in income statement	1	(3)	-	(2)	7	1	-	8

Amendments, curtailment and settlement of pension plans

- As of December 31, 2022

As of December 31, 2022, the provision relating to the ICS commitments (termination benefits) of Air France flight crews was increased by 53 million euros, following the signing of an agreement with the trade unions on December 20, 2022. This change consists of moving, as from January 1, 2023 and for the entire population concerned by this agreement, from a scale favoring retirement at 55 years of age to a more progressive scale, allowing departures up to 60 years of age to be linearized.

The counterpart of this increase has been recognized on the line Other non-current income and expenses in the income statement (see Note 11).

As of December 31, 2021

As of December 31, 2021, an adjustment to the 2020 plan reduction was made based on the final list of individuals for the Air France departure plan in the amount of \pounds 27 million (see Note 11 "Sales of aircraft equipment and other non-current income and expenses") and the thresholds for the payment of small capital annuities were increased, leading to a decrease in the liabilities to active and deferred members of the CRAF plan for an amount of \pounds 16 million.

In addition, on June 14, 2021, KLM and the five Dutch unions for the KLM Ground Staff signed an agreement allowing for the modification of the Ground Staff pension scheme as of January 2021. As a result of this agreement, the KLM Ground Staff pension fund is now classified as a defined contribution plan under IFRS rules. The overall impact of the de-recognition of the the pension asset as well as these additional payments has been recognized in "other non-current income and expenses" in the consolidated income statement for an amount of \notin 938 million (\notin 704 million net of tax) (see Note 30.1 "Characteristics of the main defined benefit plans").

30.4 Asset allocation

The weighted average allocation of the funds invested in the Group's pension and other long-term benefit plans is as follows:

(in %)		ested as of er 31, 2022		vested as of ber 31, 2021
	France	Other	France	Other
Equities	20	42	23	40
Bonds	52	21	54	20
Others	28	37	23	40
Total	100	100	100	100

The equity portion is mainly invested in active markets in Europe, the United States and emerging countries.

The Group's pension assets do not include assets occupied or used by the Group.

The bonds primarily comprise government bonds, rated at least BBB, and invested in Europe, the United States and emerging countries.

30.5 Expected cash outflows and risks linked to the pension obligations

The employer contributions relating to the defined benefit pension plans amount to \in 36 million for the year ended December 31, 2023. The weighted average duration of the obligation is 9.55 years. The funding, capitalization and matching strategies implemented by the Group are presented in Note 30.1.

NOTE 31 RETURN OBLIGATION LIABILITY AND PROVISION FOR LEASED AIRCRAFT AND OTHER PROVISIONS

(in € millions)	Return obligation liability on leased aircraft	Maintenance on leased aircraft	Restructuring	Litigation	Provisions for the CO ₂ quota surrenders	Others	Total
Amount as of January 1, 2021	3,266	421	741	423	32	124	5,007
Of which: Non-current	2,860	300	_	402	_	108	3,670
Current	406	121	741	21	32	16	1,337
New provision	6	12	38	43	36	5	140
Use of provision	(180)	(12)	(291)	(23)	(32)	(9)	(547)
Reversal of unnecessary provisions	-	-	(72)	(16)	-	(16)	(104)
New lease contract/Change in lease contract	243	4	_	_	_	(3)	244
Currency translation adjustment	233	3	_	_	_	2	238
Accretion impact	113	2	-	-	_	1	116
Others	128	(278)	-	(3)	-	(1)	(154)
Amount as of December 31, 2021	3,809	152	416	424	36	103	4,940
Of which: Non-current Current	<i>3,433</i> <i>37</i> 6	128 24	- 416	405 19	- 36	89 14	4,055 885
New provision	-	15	40	29	145	24	253
Use of provision	(213)	(15)	(253)	(18)	(39)	(3)	(541)
Reversal of unnecessary provisions	-	-	(12)	(9)	_	_	(21)
New lease contract/ Change in lease contract	109	5	_	_	-	3	117
Currency translation adjustment	180	2	-	-	_	1	183
Accretion impact	135	2	-	-	-	2	139
Others	(184)	-	1	-	-	2	(181)
Amount as of December 31, 2022	3,836	161	192	426	142	132	4,889
Of which: Non-current Current	3,496 340	147 14	- 192	397 29	- 142	109 23	4,149 740

The movements in provisions for litigation and other risks and charges with an impact on the income statement are booked in the lines of the income statement corresponding to the nature of the expenses. The line "Others" mainly corresponds to reclassification with the right of use for leased aircrafts following the restitution of aircraft.

31.1 Provisions

31.1.1 Return obligation liability and provision on leased aircraft

The movements in return obligation liabilities and provisions (revaluation of future costs and change in discount rate) are booked in the components corresponding to the potential and restoration work performed on leased aircraft and recorded in the right-of-use assets. The effects of discounting and foreign exchange translation on return obligation liabilities and provisions recorded in local currencies are recognized in "Other financial income and expenses" (see Note 12 "Net cost of financial debt and other financial income and expenses"). The discount rate used to calculate these restitution liabilities and provisions relating to leased aircraft, determined on the basis of a short-term risk-free rate increased by a spread on risky debt (used for companies with high financial leverage), is 5.5% as of December 31, 2022 against 3.6% as of December 31, 2021 (see Note 12 "Net cost of financial debt and other financial income and expenses" and accounting policies in Note 4.2 "Main judgements and accounting estimates").

31.1.2 Restructuring provisions

The movements in restructuring provisions with a significant impact on the income statement are booked in "Other non-current income and expenses" (see Note 11 "Sales of aircraft equipment and other non-current income and expenses").

31.1.3 Litigation

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

Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities, within the framework of tax audits, could

reasonably challenge a tax position adopted by the Group or one of its subsidiaries.

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

31.1.4 Litigation concerning anti-trust laws in the air-freight industry

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

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

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

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

In Switzerland, the Federal Administrative Court cancelled the decision of the Competition Authority that imposed a ≤ 4 million fine for lack of competence. Consequently the ≤ 4 million provision was cancelled as of December 31, 2022.

As of December 31, 2022, the total amount of provisions in connection with proceedings, which have yet to give rise to definitive decisions amounts to \notin 352 million.

31.1.5 Case brought against KLM by (former) Martinair pilots

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

According to the ruling the rights and obligations under the employment contracts of 116 Martinair pilots automatically transfer to KLM as per 1 January 2014. The Court of Appeal rejected the plaintiffs' claim to also transfer the rights regarding seniority accrued at Martinair. Vrachtvliegers filed complaints on August 8, 2021 at the Supreme Court claiming that the rights regarding seniority accrued at Martinair should transfer to KLM. On June 24, 2022, the Attorney General has given the advice to the Supreme Court that the complaints should be rejected. The pilots started a new court case at the supreme court, because the court of appeal did not grand their Martinair seniority. On January 20, 2023, the supreme court ruled that this claim is denied.

The pilots also started a new court case about the implementation by KLM of the "transfer of undertaking".

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

31.1.6 Other provisions

Other provisions relate principally to provisions for onerous contracts, provisions for the portion of CO_2 emissions not covered by the free allocation of quotas and provisions for the dismantling of buildings on non-freehold land.

31.2 Contingent liabilities

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

31.2.1 Litigations concerning anti-trust laws in the air-freight industry

Following the initiation of various investigations by the competition authorities in 2006 and the European Commission decision in 2010, several collective and individual actions were brought by forwarders and air-freight shippers in the civil courts against Air France, KLM and Martinair, and other cargo operators, in a number of jurisdictions.

Under these civil lawsuits, shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to alleged competition law infringement. Although significant amounts have been reported by the media, plaintiffs are mostly claiming for unspecified and/or insufficiently substantiated damages against defendants taken as a whole (and not individually) and the EU decision to which the plaintiffs refer to is still not definitive.

The Group companies and the other airlines involved in these lawsuits continue to vigorously oppose all such civil claims. For Air France, KLM and Martinair the main civil claims still pending are those in the Netherlands and in Norway.

31.2.2 Litigations concerning anti-trust laws in the passenger sector

Canada

A civil class action was reinitiated in 2013 by claimants in Ontario against seven airlines including Air France and KLM. The plaintiffs allege that the defendants participated in a conspiracy in the passenger air transport service from Canada on the cross

31.2.3 Other litigations

Rio-Paris AF447 flight

On March 28, 2011, Air France and Airbus were indicted for manslaughter of the 228 victims who died in the crash of the AF447 Rio-Paris flight on June 1, 2009.

The investigating judges of the Court of First Instance ruled in favour of Air France and Airbus by issuing an order dismissing the case on September 4, 2019.

The Public Prosecutor's Office and most of the civil parties (including the Pilots' associations and unions) appealed this decision. The Paris Court of Appeals ruled on May 12, 2021, referring Airbus and Air France to the Criminal Court. Following the rejection by the Court of Cassation on August 26, 2021 of the appeal a criminal trial took place from October 10th to December 8th 2022 at Criminal Court. Court decision is fixed for April 17th 2023.

Atlantic routes, for which they are claiming damages. Air France and KLM strongly deny any participation in such a conspiracy.

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

US Department of Justice investigation related to United States Postal Service

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

NOTE 32 FINANCIAL LIABILITIES

As of December 31 (in € millions)	Notes			2022			2021
		Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan in Yen	32.1.1	142	-	142	153	-	153
Perpetual subordinated loan in Swiss francs	32.1.2	381	-	381	363	-	363
OCEANE (convertible bonds)	32.2.1	487	-	487	476	-	476
Plain vanilla Bonds	32.2.2	1,686	-	1,686	1,678	361	2,039
Debt on financial leases with bargain option		3,163	496	3,659	2,901	404	3,305
Loans guaranteed by the French and the Dutch states	32.3	2,606	-	2,606	4,310	_	4,310
State loans	32.3	-	-	-	278	-	278
Other financial liabilities	32.4	1,191	293	1,484	1,114	340	1,454
Accrued interest		1	107	108	1	110	111
Total – Financial liabilities		9,657	896	10,553	11,274	1,215	12,489

Change in financial liability

(in € millions)	Notes	December 31, 2021	New financial debt	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2022
Perpetual loan in Japanese Yen	32.1.1 &						
and Swiss Francs	32.1.2	516	-	-	7	-	523
OCEANE (convertible bonds)	32.2.1	476	-	-	-	11	487
Plain vanilla Bonds	32.2.2	2,039	-	(361)	8	-	1,686
Debt on financial leases							
with bargain option		3,305	770	(440)	(10)	34	3,659
Loans guaranteed by the							
French and the Dutch states	32.3	4,310	-	(1,665)	-	(39)	2,606
State loans	32.3	278	-	(278)	-	-	-
Other financial liabilities	32.4	1,454	340	(334)	5	19	1,484
Accrued interest		111	_	-	(1)	(2)	108
Total		12,489	1,110	(3,078)	9	23	10,553

(in € millions)	Notes	December 31, 2020	New financial debt	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2021
Perpetual loan in Japanese Yen	32.1.1 &						
and Swiss Francs	32.1.2	505	-	-	11	-	516
OCEANE (convertible bonds)	32.2.1	465	-	-	-	11	476
Plain vanilla Bonds	32.2.2	1,518	792	(289)	10	8	2,039
Debt on financial leases							
with bargain option		3,512	358	(630)	16	49	3,305
Loans guaranteed by the							
French and the Dutch states	32.3	4,685	-	(500)	-	125	4,310
State loans	32.3	3,278	-	-	-	(3,000)	278
Other financial liabilities	32.4	1,436	574	(574)	13	4	1,454
Accrued interest		90	-	-	-	21	111
Total		15,489	1,724	(1,993)	50	(2,782)	12,489

32.1 Perpetual subordinated debt

32.1.1 KLM Perpetual subordinated debt in Japanese Yen

In 1999, the KLM Group issued perpetual subordinated notes in Japanese Yen (JPY) for a principal amount of JPY 30 billion.

Since August 28, 2019, KLM has partially redeemed an amount of JPY 10 billion, leaving the residual outstanding principal amount at JPY 20 billion, i.e. \in 142 million as of December 31, 2022. Since this date, the interests rate applicable on the residual nominal amount has been reset at a fixed rate of 4% per annum.

The residual nominal amount of these perpetual notes can be redeemed at KLM's discretion on each fifth anniversary of the first interest payment date, August 28, 1999. The next option date for redemption at Par is thus August 28, 2024. Note that an indemnity is due if the JPY loan is redeemed in a currency other than the JPY.

This debt is subordinated to all other existing and future debt at KLM.

32.1.2 KLM perpetual subordinated debt in Swiss Francs

The perpetual subordinated bond debt in Swiss Francs (CHF) was issued by KLM in two tranches, one in 1985 and one in 1986. The initial nominal amount for these two perpetual bonds combined was CHF 500 million.

Over the years, KLM has proceeded with several partial buy back transactions to partially redeem the debt. As a result, the total amount now outstanding is CHF 375 million, i.e. \in 381 million as of December 31, 2022.

Concerning the tranche issued in 1985, KLM is entitled to early redeem at Par the then-prevailing outstanding residual amount on each tenth anniversary of the interest payment date. The next "call date" is February 12, 2025. The coupon reset date is fully aligned with the above mentioned frequency. If the call option is not exercized, the next coupon reset date is February 12, 2025. The current outstanding coupon is 0.75% per annum.

Concerning the tranche issued in 1986, the KLM Group is entitled to early redeem the outstanding residual nominal amount at Par on each fifth anniversary of the interest payment date. The next "call date" is May 15, 2026. The call price amount in 2001 was 101.75% of the notional face value, and thereafter with a premium declining by 0.25% on each fifth anniversary of the interest payment date. From May 15, 2036, the amount of early redemption will thus be set at 100% of the residual Par. The debt is subject to the payment of a coupon of 5.75% per annum.

The two CHF perpetual bond debts are ranked "pari passu" with the JPY perpetual loan debt and are subordinated to all other existing and future debt at KLM.

32.2 Bonds

32.2.1 OCEANE

On March 20, 2019, Air France-KLM issued 27,901,785 bonds convertible and/or exchangeable for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at March 25, 2026 for a total nominal amount of \notin 500 million. Each bond has a nominal value of \notin 17.92. The annual coupon amounts to 0.125%. The conversion period of these bonds runs from May 4, 2019 to the seventh working day preceding the normal or early reimbursement date. The conversion ratio is one share for one bond.

Repayment at par, plus accrued interest, will be possible on March 25, 2024 at the request of the bond holders. Air France-KLM can enforce the cash reimbursement of these bonds by exercising a call option running from April 15, 2022 if the share price exceeds 130% of the nominal, i.e. &23.29, encouraging OCEANE bond holders to convert their bonds into Air France-KLM shares.

Upon issue of these convertible bonds, Air France-KLM recorded a debt of €446 million, corresponding to the present value of

future payments of interest and nominal discounted at the rate of a similar bond without a conversion option. The option value, calculated by deducting this debt value from the total nominal amount of the issue (i.e. €500 million), was recorded in equity.

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

As of December 31, 2022, the debt value amount to €487 million.

32.2.2 Plain vanilla bonds

Bond	Issuing date	Amount issued (in millions)	Maturity date	Reimbursement date	Coupon
€ Bond issued in 2014	June 4, 2014	€289	June 18, 2021	June 18, 2021	3.875%
€ Bond issued in 2016	Oct. 5, 2016	€361	Oct. 12, 2022	Oct. 12, 2022	3.75%
\$ Bond issued in 2016 ⁽¹⁾	Dec. 9, 2016	\$145	Dec. 15, 2026	-	4.35%
€ Bond issued in 2020	Jan. 10, 2020	€750	Jan. 16, 2025	-	1.875%
€ Bond issued in 2021	July 1, 2021	€300	July 1, 2024	-	3.00%
€ Bond issued in 2021	July 1, 2021	€500	July 1, 2026	-	3.875%

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

32.3 Financial support from the French and Dutch States

Financial support package of €7.0 billion backed from the French State

On May 6, 2020, the Air France-KLM Group signed the legal documentation relating to the financing for a total amount of \notin 7 billion including two loans:

> a loan of €4 billion, provided by nine French and foreign financial institutions, 90% guaranteed by the French State, with an initial 12-month maturity and a one-year or two-year extension option exercisable at its sole discretion, by Air France-KLM. The loan had a coupon at an annual rate equal to EURIBOR (floored at zero) plus a margin of 0.75% in the first year, 1.50% in the second year and 2.75% in the third year. The cost of the French State guarantee initially equals 0.5% of the total amount of the loan and will step up to 1% for each of the second and third years.

The loan includes a mandatory partial early repayment of 75% of any net new money raised by Air France-KLM or Air France from financial institutions or through debt capital markets, subject to some exceptions and a mandatory total early repayment notably in case of change of control of Air France-KLM or Air France.

Of this €4 billion, the Air France – KLM group repaid €500 million on December 10, 2021. Following this operation, the redemption profile of the outstanding balance (€3.5 billion as of December 31, 2021) breaks down as follows:

- May 2023: repayment of €800 million,
- May 2024: repayment of €1.35 billion,
- May 2025: final repayment of €1.35 billion.

As of November 7, 2022, the Air France-KLM Group early repaid €1 billion of the State guaranteed loan. Following this operation, the redemption profile of the outstanding balance (€2.5 billion as of December 31, 2022) breaks down as follows:

- May 2024: repayment of €1.15 billion,
- May 2025: final repayment of €1.35 billion.

The loan has been recognized using the amortized cost method with an effective interest rate of 5.73% as of December 31, 2022 and 2.66% as of December 31, 2021 reflecting the changes in the interest rate market and over the redemption profile described above. The change of the effective interest rate had no significant impact in the net cost of financial debt as of December 31, 2022;

> a subordinated shareholder loan of €3 billion, granted by the French State to Air France-KLM, with a maturity of four years, with two consecutive one-year extension options exercisable by Air France-KLM. This loan has a coupon payable annually or capitalizable at the discretion of Air France-KLM at a rate equal to EURIBOR 12 months (floored at zero) plus a margin of 7% for the first four years, 7.5% for the fifth year and 7.75% for the sixth year. The rate for this Shareholder Loan should have increased by a 5.5% step up in case (i) the Shareholders' Meeting would not approve a capital increase proposed by the Board of Directors that would enable incorporation in the Company's shareholder equity of all or part of the outstanding Shareholder Loan, (ii) the Shareholders' Meeting would approve, without the approval from the French State, a capital increase which would not enable the incorporation of all or part the outstanding Shareholder Loan in the Company's shareholder equity or (iii) a third party, not acting in concert with the French State, would exceed, alone or in concert, the threshold of 20% of the capital of Air France–KLM.

This loan is subordinated to the bank loan guaranteed by the French State and, in the event of receivership or liquidation, to all the Air France-KLM senior bond and bank debt, without prejudice of an incorporation of all or part of the outstanding Shareholder Loan in the Company's shareholder equity.

The Company has undertaken not to pay dividends until these two loans have been repaid in full.

The European Commission approved the French State's aid mechanism on May 4, 2020.

On April 20, 2021, the \notin 3 billion direct loan granted by the French State to Air France *via* Air France-KLM at the end of May 2020, was converted into super subordinated notes of the same nominal amount, allowing the Group to improve its equity by \notin 3 billion without impacting cash flow, while increasing the flexibility of its debt repayment profile. This issue is made up of three tranches with perpetual maturities of a nominal amount of \notin 1 billion each, each with a first redemption option (call) at 4, 5 and 6 years respectively.

Financial support package of €3.4 billion backed by the Dutch State

On June 25, 2020, the Dutch State, the Air France-KLM Group and KLM have finalized an agreement on a financial support mechanism supported by the Dutch State for an amount of $\gtrless3.4$ billion. This financial support package includes two loans for KLM and its subsidiaries:

- > a revolving credit facility of €2.4 billion, 90% guaranteed by the Dutch State and with a maturity of 5 years. This revolving credit facility incurring interest at EURIBOR (floored at zero) plus a margin of 1.35%. The cost of the associated Dutch State guarantee equals 0.50% in year 1, 1.00% in year 2 and 3 and 2.00% after year 3;
- > a direct loan of €1 billion, granted by the Dutch State to KLM, with a maturity of 5.5 years and incurring interest at EURIBOR12 months (floored at zero) plus a margin of 6.25% for year 1, 6.75% for year 2 and 3, and 7.75% for year 4 and 5. This loan is subordinated to the new revolving credit facility.

Both the revolving credit facility and the direct loan are drawn simultaneously on a pro rata basis.

KLM's first drawdown under the new revolving credit facility amounted to ≤ 665 million, drawn on August 26, 2020. It replaced the existing revolving credit facility drawn on March 19, 2020. KLM's first drawdown under the Dutch State Ioan, amounting to ≤ 277 million, was made on the same day.

The main conditions associated with the direct State loan are linked to manageable cost improvements, the airline becoming more sustainable and the restored performance and competitiveness of KLM, including a comprehensive restructuring plan and contributions made by employees.

KLM has undertaken to suspend dividend payments to its shareholders until these two loans have been repaid in full.

The European Commission approved the Dutch State Aid on July 13, 2020. On November 3, 2020, approval was obtained from the Dutch Ministry of Finance for the restructuring plan. Following this, KLM has the possibility to draw additional amounts under the financial support package.

As of December 31, 2021, KLM has drawn down €942 million of the financial support package (€665 million of the revolving credit facility and €277 million of the direct State loan). The

loans have been recorded at amortized cost based on a 5 and 5.5 years drawn down assumptions with the Effective Interest Rate method (3.95% for the revolving credit facility and 7.05% for the direct State loan).

The review of future cash flow projections on the credit line guaranteed by the Dutch government generated an adjustment of \notin (20) million recognized in net cost of financial debt (see Note 12 "Net cost of financial debt and other financial income and expenses").

As of December 31, 2021, KLM was meeting the covenant requirements that were applicable for both revolving credit facility and the direct state loan.

Respectively, on May 3 and June 3, 2022, KLM repaid €311 million and €354 million under its credit line guaranteed by the Dutch State. Upon completion of the transaction, the full credit line has been repaid.

On June 30, 2022, KLM repaid in full the loan guaranteed by the Dutch State for ${\leqslant}277$ million.

Following these transactions, KLM retains a credit line of $\pounds 2.5$ billion ($\pounds 723$ million from the direct loan and $\pounds 1,735$ million the credit line from the banks, guaranteed by the Dutch State) at its disposal.

32.4 Other debt

Other debt breaks down as follows:

As of December 31 (in € millions)	2022	2021
Reservation of ownership clause and mortgage debt	1,228	1,038
Other debt	256	416
Total	1,484	1,454

Mortgage debt is a debt secured by a mortgage on an aircraft. The mortgage is filed with the national Civil Aviation Authority (the DGAC in France) in order to be publicly available to third parties. A mortgage grants to its beneficiary a right to enforce the security (by order of a judge), the sale of the asset and a priority claim on the sale proceeds in line with the amount of the loan, the balance reverting to the other creditors.

Other debt mainly corresponds to bank borrowings. This also includes €(14) million related to issuance expenses on financial debt.

32.5 Maturity analysis

The financial liabilities maturities break down as follows:

As of December 31 (in € millions)	2022	2021
Maturities in		
Y+1	1,247	1,671
Y+2	2,941	1,675
Y+3	3,009	3,051
Y+4	1,323	3,598
Y+5	563	1,528
Over 5 years	2,833	2,577
Total	11,916	14,100
Including: – Principal – Interest	10,553 1,363	12,489 1,611

As of December 31, 2022, the expected financial costs amount to €365 million for the 2023 financial year, €599 million for the 2024 to 2027 financial years, and €399 million thereafter.

As of December 31, 2022, the KLM perpetual subordinated notes are included in the line "Over 5 years".

The bonds issued in 2016, 2020 and 2021 will be reimbursed on their contractual maturity dates (see Note 32.2 " Bonds").

32.6 Currency analysis

The breakdown of financial liabilities by currency after the impact of derivative instruments is as follows:

As of December 31 (in € millions)	2022	2021
Euro	8,828	10,792
US Dollar	653	605
Swiss franc	391	373
Yen	681	719
Total	10,553	12,489

32.7 Credit lines

A €2.5 billion revolving credit facility, 90% guaranteed by the Dutch State was implemented on June 25, 2020 in the context of the financial support package of €3.4 billion backed by the Dutch State. This credit line was drawn on August 26, 2020 for

€665 million and fully repaid in 2022 (see Note 32.3 " Financial support from the French and Dutch States").

With two other credit lines available for KLM, the undrawn portion as of December 31, 2022 amounts to \pounds 2.6 billion.

32.8 Market value of financial liabilities

Market values are estimated for most of the Group's financial liabilities using a variety of methods that are theoretical in nature:

- based on market prices as of December 31, 2022 and December 31, 2021;
- by discounting future flows at market interest rates for instruments with similar characteristics.

However the estimated amounts as of December 31, 2022 and December 31, 2021 are not representative of the gains or losses that would be recorded at maturity.

The application of different methods and assumptions could therefore have a significant impact on the estimated market value.

The table below indicates the estimated market value and net book value of the financial liabilities:

As of December 31 (in € millions)		2022		2021
	Net book value	Estimated market value	Net book value	Estimated market value
Perpetual subordinated loans	523	414	516	466
OCEANE (convertible bonds)	487	442	476	448
Plain vanilla Bonds	1,686	1,549	2,039	1,980
Debt on financial leases with bargain option	3,659	4,290	3,305	3,767
Other loans	4,090	4,082	6,042	6,038
Other financial liabilities	108	108	111	111
Total Financial liabilities	10,553	10,885	12,489	12,810

NOTE 33 LEASE DEBT

As of December 31 (in € millions)			2022			2021
	Non- current	Current	Total	Non- current	Current	Total
Lease debt – Aircraft	2,566	661	3,227	2,166	653	2,819
Lease debt - Real estate	628	101	729	634	107	741
Lease debt – Other	35	18	53	40	23	63
Lease debt - Aircraft spare parts	89	35	124	84	25	109
Accrued interest	-	19	19	_	17	17
Total – Lease debt	3,318	834	4,152	2,924	825	3,749

Change in lease debt

(in € millions)	December 31, 2021	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31, 2022
Lease debt - Aircraft	2,819	977	(687)	121	(3)	3,227
Lease debt - Real estate	741	113	(124)	-	(1)	729
Lease debt - Others	63	13	(18)	(4)	(1)	53
Lease debt - Aircraft spare parts	109	45	(32)	2	-	124
Interest	17	-	-	-	2	19
Total	3,749	1,148	(861)	119	(3)	4,152

(in € millions)	December 31, 2020	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31, 2021
Lease debt - Aircraft ⁽¹⁾	2,362	969	(704)	195	(3)	2,819
Lease debt - Real estate	700	163	(122)	2	(2)	741
Lease debt - Others	185	18	(36)	10	(5)	172
Interest	17	-	-	_	-	17
Total	3,264	1,150	(862)	207	(10)	3,749

(1) Including aircraft spare parts.

The lease debt maturities break down as follows:

(in € millions)	As of December 31, 2022	As of December 31, 2021
Y+1	1,084	1,028
Y+2	874	813
Y+3	685	646
Y+4	542	493
Y+5	444	388
Over 5 years	1,740	1,357
Total	5,369	4,725
Including: - Principal	4,152	3,749
– Interest	1,217	976

NOTE 34 NET DEBT

As of December 31 (in € millions)	Notes	2022	2021
Current and non-current financial liabilities	32	10,553	12,489
Current and non-current lease debt	33	4,152	3,749
Accrued interest	32 & 33	(127)	(128)
Deposits related to financial liabilities	23	(101)	(99)
Deposits related to lease debt	23	(99)	(85)
Derivatives impact on debt		(35)	(14)
Gross financial liabilities (I)		14,343	15,912
Cash and cash equivalents	27	6,626	6,658
Marketable securities > 3 months	23	572	513
Bonds	23	811	529
Bank overdrafts	27	(3)	(4)
Net cash (II)		8,006	7,696
Net debt (I-II)		6,337	8,216
As of December 31 (in € millions)	Notes	2022	2021
Opening net debt		8,216	11,049
Operating free cash-flow	42.1	(2,764)	(231)
Subordinated undated bonds convertible into new shares and/or exchangeable for existing shares	29.4	(301)	_
Perpetual repayment to the French State	29.4	1,767	
New perpetual from non-controlling interests	29.4	(497)	
Capital increase from non-controlling interests		(3)	
Perpetual reclassified from financial liabilities		-	(2,997)
Capital increase	29.1 & 29.2	(1,551)	(1,024)
Paid coupons on perpetual		252	_
Disposal of subsidiaries, of shares in non-controlled entities		(1)	(75)
Acquisition of subsidiaries, of shares in non-controlled entities		-	2
New lease debts (new and renewed contracts)	33	1,148	1,150
Unrealized exchange gains and losses on lease financial debts through OCI		80	159
Impact of derivatives on net debt		(15)	(22)
Impact of Effective Interest Rate methodology on State loans		(18)	126
Currency translation adjustment in the income statement		(7)	42
Amortization of OCEANE optional part		11	11
Other non-monetary variations of the net debt		20	26
Closing net debt		6,337	8,216

NOTE 35 LOYALTY PROGRAM

Within Air-France-KLM, there are two loyalty programs: Flying Blue and BlueBiz. For those two programs, the amount recognized in liabilities is as follows:

(in € millions)	2022	2021
Flying Blue	792	794
BlueBiz	108	94
Total	900	888

As of December 31, 2022 the deferred revenues relating to the expected to be used miles of the Flying Blue customer loyalty program amount to \notin 792 million, after taking into account a redemption rate as described in Note 4.7.

The redemption of this debt, without taking into account future accruals, is estimated over a 5-year horizon.

The breakdown of the Flying Blue program is the following:

Flying Blue - Deferred revenues (in € millions)	2022	2021
As of January 1	794	832
Accumulation	337	127
Redemption	(339)	(165)
As of December 31	792	794

NOTE 36 OTHER LIABILITIES

As of December 31 (in € millions)		2022	2021			
(In a minoris)	Current	Non-current	Current	Non-current		
Tax liabilities	1,231	854	794	1,060		
Employee-related liabilities	1,175	1,335	960	1,355		
Non-current asset payables	55	-	70	_		
Deferred income	877	34	873	43		
Prepayments received	412	-	390	-		
Other	307	120	282	97		
Total	4,057	2,343	3,369	2,555		

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

NOTE 37 FINANCIAL RISK MANAGEMENT

The aim of the Air France-KLM Group's risk management strategy is to reduce its exposure to such risks. Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which is composed of the Chief Financial Officer of Air France-KLM, and the Deputy Chief Financial Officer, head of Financial Operations of Air France-KLM, and the Chief Financial Officers of Air France and of KLM. The RMC decides on the derivative instruments to be implemented, the targets for hedging ratios and the periods and instrument types.

To implement the strategy most appropriate to each circumstance, any type of instrument may be used provided it qualifies as hedging within IFRS. As a general rule, no trading or speculation is allowed. Any exception to this rule must be approved by the Risk Management Committee.

As of December 31, 2022, the fair value of the Group's derivative financial assets and liabilities and their expected maturities are as follows:

(in € millions)	Notes		Total	Y+ 1	Y+ 2	Y+ 3	Y+ 4	Y+ 5	> Y+ 5
Fuel derivative	37.1	Asset	42	42	_	-	-	-	-
instruments		Liability	(59)	(59)	_	-	-	_	_
Interest rate derivative	37.2	Asset	207	41	22	25	16	5	98
instruments		Liability	(1)	-	_	_	_	_	(1)
Currency exchange-debt	37.3	Asset	27	12	8	4	3	_	-
derivative instruments		Liability	(2)	(2)	_	-	_	_	-
Currency exchange	37.3	Asset	104	84	20	_	_	_	-
-operating derivative instruments Currency		Liability	(25)	(9)	(15)	(1)	-	-	-
	37.3	Asset	150	89	60	1	-	-	-
exchange-Capex		Liability	(15)	(11)	(2)	(2)	_	_	-
Carbon credit derivative	37.4	Asset	15	15	_	_	_	_	_
instruments		Liability	(2)	(2)	_	_	_	_	_
Other derivative		Asset	44	44	_	_	_	_	_
instruments		Liability	-	_	_	_	_	_	_
		Asset	589	327	110	30	19	5	98
Total		Liability	(104)	(83)	(17)	(3)	-	-	(1)

See Note 38 "Valuation methods for financial assets and liabilities at their fair value" for the fair value valuation method.

As of December 31, 2021, the fair value of the Group's derivative financial assets and liabilities and their expected maturities were as follows:

Total		Liability	(71)	(46)	(4)	(3)	(4)	(11)	(3)
		Asset	612	469	107	23	4	1	8
instruments		Liability	-	-	_	-	-	-	-
Other derivative		Asset	38	-	38	-	-	-	-
derivative instruments		Liability	-	-	_	_	_	_	-
Carbon credit	37.4	Asset	143	141	2	-	-	-	_
Currency exchange		Liability	(33)	(22)	(2)	-	(1)	(8)	-
	37.3	Asset	242	159	63	20	-	-	-
Interest rate derivative		Liability	(22)	(8)	(2)	(3)	(3)	(3)	(3)
	37.2	Asset	23	3	4	3	4	1	8
instruments		Liability	(16)	(16)	-	-	-	-	-
Fuel derivative	37.1	Asset	166	166	-	-	-	-	-
(in € millions)	Notes		Total	Y+ 1	Y+ 2	Y+ 3	Y+ 4	Y+ 5	> Y+ 5

See Note 38 "Valuation methods for financial assets and liabilities at their fair value" for the fair value valuation method.

37.1 Risk linked to fuel prices

The fuel bill is one of the largest cost items for airlines, making oil price volatility a risk for the air transport industry. A sharp increase in the oil price can have a very material negative impact on the profitability of airlines, particularly if the economic environment does not enable them to adjust their pricing strategies. Similarly, a sharp decline in fuel prices is favorable for airline profitability. However, the way in which airlines pass on a sharp fall in the fuel price in their fares is a factor of significant uncertainty.

In addition to fare adjustments and permanent efforts to reduce fuel consumption, the Group has implemented a policy of systematically hedging the fuel price risk.

The hedging strategy:

- > sets the time span of the hedges;
- sets the target hedging ratios to be reached for the coming quarters;
- > the hedging uses simple futures or option-based instruments, eligible for hedging pursuant to the accounting standards in force.

In respect of the application of IFRS 9, hedging by component is applied. Since the Group's fuel procurement is strongly correlated to the Jet Kerosene Cargoes CIF NWE Index, components specific to this fuel risk are used (Brent ICE, Gasoil ICE, Jet CIF NWE) to align the fuel hedging accounting and the Group's risk management policy more effectively.

In a context of high volatility and tension in the commodity market due to the geopolitical events of 2022, the Air France-KLM group has incorporated new hedging instruments on crack spreads in order to better cover the risk associated with the decoupling between indices reflecting the price of crude oil (Brent ice) and indices reflecting the price of refined products (Gasoil ICE and Jet CIF NEW).

Hedging strategy, remains on a rolling 12 months time span for 50% of the annual volume consumed.

The Group's commitments on Brent, Gas Oil and Jet CIF are presented below, at their nominal value:

As of December 31, 2022 (in € millions)	Nominal	Maturity below -		5 years	Fair value			
		1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	Value
Cash flow hedging operating flows								
Forward purchases	141	141	_	_	-	-	_	(13)
Options	2,478	2,478	-	_	-	_	-	(14)
Sub-total	2,619	2,619	-	-	-	-	-	(27)
Receivables/payables on fuel hedges								10
Total	2,619	2,619	-	-	-	-	-	(17)
Price after hedge USD/Metric Tons		975		_	-	_	_	_

The price after hedge of the total fuel expenses is equal to the market price, to which unitary into-plane costs and hedge results have been added. The hedge results reflect the payout of the hedging strategy based on the forward curve as of December 31, 2022. Time value of options derivatives is not included in the hedge results.

As of December 31, 2021 (in € millions)	Nominal	Maturity below		5 years	Fair value			
		1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	Value
Cash flow hedging operating flows								
Swap	283	283	-	-	-	-	-	1
Options	2,157	2,157	-	-	-	-	-	119
Sub-total	2,440	2,440	-	-	-	-	-	120
Receivables/payables on fuel hedges		_	-	-	-	_	-	30
Total	2,440	2,440	-	-	-	-	-	150
Price after hedge USD/Metric Tons	-	730	-	-	-	_	-	-

Fuel hedge sensitivity

At closing date a +/-10 USD variation in the price of a barrel of Brent generates a variation of fair value of derivatives which has the following impact on income before tax and on "gains/(losses) taken to equity":

As of December 31 (in € millions)		2022	2021				
	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent			
Gains/(losses) taken to equity	144	(141)	167	(161)			

37.2 Interest rate risk

A portion of the financial liabilities (including lease debt) is contracted at floating rates. However, to limit its volatility, Air France-KLM has used option and swap strategies involving the use of derivatives to convert a significant proportion of its floating-rate debt into fixed rates. To manage the interest rate risk on its short and long-term borrowings, the Group uses instruments with the following nominal values:

As of December 31, 2022 (In € millions)	Nominal	Balance	Maturity below		Maturi	ties betw	een 1 and	5 years	Fair value
		item of underlying items	1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash-flow hedging	2,832		666	353	340	257	159	1,057	202
Rate swaps	2,691	Financial liabilities	666	353	340	163	112	1,057	200
Options	141	Financial liabilities	_	_	_	94	47	_	2
Operations qualified as fair value through profit and loss	56		11	12	21	12	_	_	4
Rate swaps	56	N/A	11	12	21	12		_	4
Total	2,888		677	365	361	269	159	1,057	206

As of December 31, 2021 (In € millions)	Nominal	Balance	Maturity below		Maturi	ities betw	een 1 and	5 years	Fair value
		item of underlying items	1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash-flow hedging	2,409		511	357	324	198	224	795	(1)
	2,409				J24	150	224		(1)
		Financial							
Rate swaps	2,259	liabilities	511	357	324	198	124	745	(2)
		Financial							
Options	150	liabilities	-	-	-	-	100	50	1
Operations gualified as fair value									
through profit and loss	70		16	11	11	21	12	-	2
Rate swaps	70		16	11	11	21	12		2
Total	2,480		527	368	335	219	236	795	1

Due to hedging, interest rate exposure based on net debt items is be shown below. This table breaks down net book value before and after hedging, according to fixed rate, floating rate and without rate.

As of December 31 (in € million)		2022		2021
	Before hedge	After hedge	Before hedge	After hedge
Financial liabilities at fixed rate	8,656	10,605	8,863	10,570
Financial liabilities at variable rate	5,955	4,006	7,344	5,637
Financial liabilities without rate	(268)	(268)	(295)	(295)
Total Financial liabilities	14,343	14,343	15,912	15,912
Net liquidity at fixed rate	2,645	2,645	1,585	1,585
Net liquidity at variable rate	3,977	3,977	4,022	4,022
Net liquidity without rate	1,384	1,384	2,089	2,089
Total Net liquidity	8,006	8,006	7,696	7,696
Net debt at fixed rate	6,011	7,960	7,278	8,985
Net debt at floating rate	1,978	29	3,322	1,615
Net debt without rate	(1,652)	(1,652)	(2,384)	(2,384)
Total Net debt	6,337	6,337	8,216	8,216

Net debt items are detailed in Note 34 "Net debt".

As of December 31, 2022, without-rate financial assets mainly include cash as well as at December 31, 2021.

Interest rate sensitivity

The Group is exposed to the risk of interest rate variations. A 100 basis point variation (increase or decrease) in interest rates would have an impact of \leq 40 million on the financial income for the year ended December 31, 2022 versus \leq 40 million for the year ended December 31, 2021.

37.3 Exchange rate risk

Most of the Air France-KLM Group's revenues are generated in euros. However, because of its international activities, the Group incurs a foreign exchange risk. The principal exposure relates to the US dollar. Since the expenditure on items such as fuel and components exceeds the amount of revenues in dollars, the Group is a net buyer of US dollars. As a result, any significant appreciation in the dollar against the euro could result in a negative impact on the Group's financial results.

On the other hand, Air France-KLM Group is a net seller of other currencies, the level of revenues in these currencies exceeding its expenditure. This exposure is far less significant than with the US dollar. As a result, any significant decline in these currencies against the euro would have a negative effect on the Group's financial results.

The management of the Group's exchange rate risk is carried out based on the forecasted net exposure for each currency. Currencies which are highly correlated to the US dollar are aggregated with the US dollar exposure.

For each currency hedged, the time span of the hedging is a rolling 12 to 24-month period, the first four quarters having more hedging than the following four.

Aircrafts are mostly paid for in US dollars, meaning that the Group is exposed to an appreciation in the dollar relative to the euro in terms of its investments in flight equipment. The hedging strategy provides for the implementation of a graduated level of hedging between the date aircrafts are ordered and their delivery.

The exchange rate risk on the Group's financial debt is limited. At December 31, 2022, 84% of the Group's financial debt, after taking into account derivative instruments, was euro-denominated, thereby significantly reducing the risk of currency fluctuation on the debt. The exchange rate risk on debt denominated in other currencies mostly concerns the Yen for 6%, the US dollar for 6% and the Swiss franc for 4% (see Note 32.6).

Since the application of IFRS 16 by the Group as of January 1, 2018, the aircraft operating leases, which are mostly denominated in US dollars, have been recognized in the Group's debt. This debt is recognized as hedge of future operating revenues in USD. For airlines not generating US dollar revenues, US dollar-denominated assets and currency hedges are in place to mitigate this exchange rate risk.

The nominal amounts of forwards and options linked to exchange rates are detailed below given the nature of the hedging operations:

As of December 31, 2022 (in € millions)		Hedged item	Maturity below		Maturit	ies betwe	en 1 and	5 years	Fair value
	Nominal	Balance sheet Item	1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Cash flow hedging of operating flows	3,379		2,177	1,092	110				79
					110	-			
Exchange rate options	1,467	N/A	994	473	-	-	-		21
Forward purchases	1,668	N/A	964	594	110	-	-	-	51
Forward sales	244	N/A	219	25	-	-	-	-	7
Fair value hedging of flight equipment acquisition	2,614		1,446	1,099	69	_	_	_	135
Exchange rate options	38	Other commitments	38	_	_	_	_	_	8
Forward purchases	2,241	Other commitments	1,264	908	69	_	_	-	125
Forward sales	335	Other commitments	144	191	_	_	_	_	2
Cash flow hedges on debts	173		37	-	-	136	-	-	2
Forward purchases	37	N/A	37						(1)
Others	136	Financial liabilities	_	_	_	136		_	3
Fair value hedges on debt	441		111	117	113	100	-	-	20
Forward purchases	441		111	117	113	100	_	_	20
Operations on debt qualified in fair value through P&L	141		122	19	_	_	_	_	3
Forward purchases	141	N/A	122	19					3
Total	6,748		3,893	2,327	292	236	-	_	239

As of December 31, 2021 (in € millions)		Hedged item	Maturity below		Maturi	ties betw	een 1 and	5 years	Fair value
(in e minions)	Nominal	Balance sheet Item	1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	value
Cash flow hedging									
of operating flows	2,773		1,827	945	-	-	-		42
Exchange rate options	1,396	N/A	930	465	-	-	-		12
Forward purchases	1,130	N/A	682	448	-	-	-	-	37
Forward sales	247	N/A	215	32	-	-	-	-	(7)
Fair value hedging of flight equipment acquisition	3,642		2,430	670	542	_	_	_	158
Exchange rate options	145	Other	107	38					30
	145		107	30	-		_		
Forward purchases	2,942	Other commitments	1,768	632	542	-	-	_	140
		Other							
Forward sales	555	commitments	555	-	-	-	-	_	(12)
Cash flow hedges on debts	167		39	-	-	-	128		(8)
Forward purchases	39	N/A	39	-	-	-	-	-	-
Others	128	Financial liabilities	_	_	_	_	128	_	(8)
Fair value hedges on debt	229		66	56	43	63	-	-	12
Forward purchases	229		66	56	43	63	_		12
Operations on debt qualified in fair value through P&L	128		122	6	-	-	-	-	5
Forward purchases	128	N/A	122	6	-	_	_		-
Total	6,939		4,484	1,677	585	63	128	_	209

Currency hedge sensitivity

The value in euros of the monetary assets and liabilities is presented below:

As of December 31	N	lonetary assets	Monetary liabilities		
(in € millions)	2022	2021	2022	2021	
US dollar	967	1,333	4,952	4,389	
Pound sterling	24	23	3	5	
Yen	14	34	735	773	
Swiss francs	17	13	403	373	
Others	15	13	12	8	

The amounts of monetary assets and liabilities disclosed above do not include the effect of the revaluation of assets and liabilities documented in fair value hedge.

The impact on "income before tax" and on "gains/(losses) taken to equity" of a 10% appreciation in foreign currencies relative to the euro is presented below:

As of December 31		US dollar	Po	ound sterling	Yen		
(in € millions)	2022	2021	2022	2021	2022	2021	
Income before tax	(207)	(191)	(6)	(3)	(71)	(73)	
Gains/(losses) taken to equity	649	590	(26)	(19)	-	_	

The impact of the change in fair value of currency derivatives on "income before tax" and on "gains/(losses) taken to equity" of a 10% depreciation in foreign currencies relative to the euro is presented below:

As of December 31 (in € millions)		US dollar	Po	und sterling	Yen		
	2022	2021	2022	2021	2022	2021	
Income before tax	209	132	(3)	(2)	72	73	
Gains/(losses) taken to equity	(513)	(438)	27	18	3	_	

37.4 Carbon credit risk

As an air transport operator, the Air France-KLM Group emits carbon dioxide. As such, it fully complies with regulatory measures to reduce carbon emissions (see Note 4.23). These include the EU Emissions Trading Scheme (EU ETS), which has been in force at European level since 2012 for aviation. The European institutions have confirmed the intra-European scope of the EU-ETS, thus reinforcing CORSIA's future role in defining clearing solutions for international flights. They have also programmed the gradual end of allowances allocated free of charge to air operators. From 2026 onwards, this new measure will require the Air France-KLM Group to purchase emission rights (credits) for all its flights to and from the European Union (intra-European flights).

To minimize the consequences of the necessary strengthening of the European carbon market and the gradual increase in the price of credits, Air France-KLM is responding through a proactive financial policy based on the purchase of forward credits. As of December 31, 2022, the Group has hedged its future purchases of CO₂ quotas as follows:

As of December 31, 2022 (In € millions)	Nominal	Maturity below		5 years	Fair value			
		1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operating flows as cash-flow hedging	106	106	-	-	-	-	-	13
Forwards	106	106	-	-	-	-	_	13
Total	106	106	-	-	-	-	-	13

As of December 31, 2021 (In € millions)	Nominal	Maturity below		Fair value				
(1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operating flows as cash-flow hedging	261	253	8	-	-	-	-	143
Forwards	261	253	8	-	-	-	_	143
Total	261	253	8	-	-	-	-	143

37.5 Counterpart risk

The transactions involving potential counterparty risk are as follows:

- > financial investments measured at fair market value;
- > derivative instruments measured at fair value;
- > trade receivables: risk limited due to the large number and geographical diversity of the customers.

Counterparty risk linked to financial investments and derivative instruments is managed by the Risk Management Committee which establishes limits by counterparty based on the quality of their rating.

Except in the event of express dispensation from the RMC, counterparties must benefit from a minimum rating of BBB+

(S&P) with the exception of mutual funds (OPCVM) where the risk is considered negligible thanks to large diversification and regulatory provisions applicable to these support. A maximum commitment scale is applied by counterparty based on the quality and ranking of their ratings. The RMC also monitors the trend in the respective proportion each counterparty represents of the overall hedging portfolio (fuel, currency and interest rate) and investments. The positions of both Air France and KLM, together with those of the Air France – KLM parent company, are taken into account in the assessment of the overall exposure.

Any exceeding of a limit immediately results in the implementation of corrective measures.

The Group has identified the following exposure to counterparty risk:

As of December 31 (In € millions)		Total exposure
LT Rating (Standard & Poors)	As of December 31, 2022	As of December 31, 2021
AAA	378	246
AA	266	322
A	3,082	1,893
BBB	23	140
Total	3,749	2,601

This presentation does not include money market funds (OPCVM) and current accounts.

NOTE 38 VALUATION METHODS FOR FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUE

The breakdown of the Group's financial assets and liabilities is as follows based on the three classification levels (see Note 4.11):

As of December 31 (In € millions)	Notes			mode	2 – internal eling using ble factors	mode	3 - internal eling using observable factors	Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Equity instruments	23	38	49	7	-	-	-	45	49
Debt instruments	23	981	577	402	465	-	_	1,383	1,042
Derivative instruments assets	37	-	_	589	612	-	_	589	612
Cash equivalents	27	2,818	3,605	2,420	1,196	-	_	5,238	4,801
Cash in hand	27	1,388	1,857	-	_	-	_	1,388	1,857
Total assets		5,225	6,088	3,418	2,273	-	-	8,643	8,361
Derivative instruments liabilities	37	-	_	(104)	(71)	-	_	(104)	(71)
Bank overdrafts	27	(3)	(4)	-	_	-	_	(3)	(4)
Total liabilities		(3)	(4)	(104)	(71)	-	-	(107)	(75)

NOTE 39 FLIGHT EQUIPMENT ORDERS

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

As of December 31 (in € millions)	2022	2021
Y+1	1,729	1,653
Y+2	1,904	1,253
Y+3	1,618	1,165
Y+4	884	822
Y+5	1,130	212
> Year Y+5	477	-
Total	7,742	5,105

These commitments mainly relate to amounts in US dollars, converted into euros at the closing date exchange rate. All these amounts are hedged.

The number of aircraft under firm order as of December 31, 2022 increased by 91 units compared with December 31, 2021 and stood at 178 aircrafts.

This change is explained by the delivery of 18 aircrafts, the new order of 108 aircrafts and the transfer of one aircraft.

The Group has indeed announced a firm order of 100 aircraft of Airbus A320neo family for its subsidiaries KLM and Transavia and 8 aircraft Airbus A350Fs for its cargo activities.

Long-haul fleet (passenger)

The Group took delivery of 1 Boeing B787 and 7 Airbus A350s. The Group transferred one Boeing B787 from options to firm orders.

Long-haul fleet (cargo)

The Group made a new order of 8 Airbus A350Fs.

Medium-haul fleet

The Group took delivery of 10 Airbus A220s.

Regional fleet

The Group did not take delivery of any aircraft.

Aircraft type	To be delivered in	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet	- Passenger							
A350	As of December 31, 2022	7	6	5	-	-	-	18
	As of December 31, 2021	7	5	6	5	2	-	25
B787	As of December 31, 2022	3	4	1	-	-	-	8
	As of December 31, 2021	4	2	2	-	-	-	8
Long-haul fleet	t – Cargo							
A350F	As of December 31, 2022	-	-	-	2	4	2	8
	As of December 31, 2021	_	_	_	_	-	-	-
Medium-haul fl	eet							
A220	As of December 31, 2022	16	16	12	-	-	-	44
	As of December 31, 2021	15	15	12	12	_	-	54
A320 Neo	As of December 31, 2022	-	_	7	15	22	15	59
	As of December 31, 2021	-	_	_	-	_	-	-
A321 Neo	As of December 31, 2022	-	9	7	13	9	3	41
	As of December 31, 2021	_	_	-	_	-	-	-
Total	As of December 31, 2022	26	35	32	30	35	20	178
	As of December 31, 2021	26	22	20	17	2	-	87

NOTE 40 OTHER COMMITMENTS

40.1 Commitments made

As of December 31 (in € millions)	2022	2021
Commitments to leased aircraft, not yet in operation	846	580
Put option on 15% of Servair shares	75	75
Warranties, sureties and guarantees	309	257
Secured financial liabilities	4,938	4,362
Other purchase commitments	178	168

As part of its decarbonization strategy, the Air France-KLM Group has entered into sustainable aviation fuel (SAF) supply contracts providing for deliveries from 2023, with the following partners:

- Neste: the contract covers 1 million tons of SAF over the period 2023 to 2030;
- DG Fuels: the contract covers 0.6 million tons of SAF over the period 2027 to 2036.

The restrictions and pledges as of December 31, 2022 are as follows:

(in € millions)	Amount pledged	NBV of balance sheet entry concerned	Corresponding %
Intangible assets	-	1,337	- %
Tangible assets	4,891	11,989	40.8%
Other financial assets	632	1,804	35.0%
Total	5,523	15,130	36.5%

40.2 Commitments received

As of December 31 (in € millions)	2022	2021
Warranties, sureties and guarantees	152	353
Call option on 34.9% of Servair shares	170	170

In 2022, warranties, sureties and guarantees mainly correspond to credit letters granted by financial institutions and the credit line granted by Export Development Canada for the financing of A220 aircrafts.

40.3 Order book

Long term contracts of the maintenance business

On December 31, 2022, the future revenues from long-term contracts in the maintenance business amount to €6,665 million. The Group expects around 55% of the order book to be recognized as revenue over the next four years.

The table below presents the reconciliation between the order book according to accounting principles and the order book as described in Chapter 1 of the Universal Registration Document:

As of December 31 (in € millions)	2022
Maintenance order book according to accounting definition	6,665
Contracts with no client' obligations	1,647
Cash received not recognized in revenues ⁽¹⁾	271
Published order book in the URD ⁽²⁾	8,583

(1) Including in the deferred income (Note 36 "Other liabilities").

(2) Representing \$9,154 million (see section 1.3.3 "Maintenance business").

Passenger and freight transportation

As indicated in Note 4.6 "Sales", the Group applies the exemption provided by IFRS 15.

Loyalty program

Information on the loyalty program is presented in Note 35 "Loyalty program".

NOTE 41 RELATED PARTIES

41.1 Transactions with the principal executives

Adjusted for the deferral effects of the restrictions imposed by the European Commission in the context of State aids, the compensation of the members of the Group Executive Committee, in respect of their functions within the Group, is stable from one year to the next and can be analyzed in the accounts as follows:

Period from January 1 to December 31 (in € millions)	2022	2021
Fixed compensation	4.8	5.0
Variable compensation for 2021 ^{(1) (2)}	2.6	-
Variable compensation for 2022 ⁽¹⁾	2.5	-
Other short term employee benefits	0.4	0.4
Post-employment benefits	0.4	0.7
Termination benefits	0.9	0.8
Share based payment ⁽²⁾	1.8	-
Total	13.4	7.0

(1) No variable compensation was paid in 2021 or 2022 due to restrictions imposed by the European Commission in the context of State Aid. Payments may only be made once the restrictions have been lifted.

(2) The provision for variable compensation and long-term incentive plan for 2021 has been recorded in the 2022 financial statements, as the European Commission authorized the provision of variable compensation for 2021 on February 23, 2022, i.e. after the 2021 financial statements were closed.

The compensation of the non-executive Chair of the Board Directors' fees booked in expenses amount to €0.8 million as of amounts to €0.2 million.

December 31, 2022, versus €0.7 million as of December 31, 2021.

Transactions with the other related parties 41.2

The total amounts of transactions with related parties are as follows:

As of December 31 (in € millions)	2022	2021
Assets		
Trade receivables	315	259
Other current assets	5	3
Other non-current assets	3	9
Total	323	271
Liabilities and equity		
Perpetual	933	3,151
Trade payables	129	96
Other current liabilities	244	286
Other non-current liabilities	282	278
Total	1,588	3,811

As of December 31 (in € millions)	2022	2021
Sales	186	181
Landing fees and air route charges	(342)	(259)
Other external expenses	(20)	(17)
Passenger service	(317)	(221)
Other	(39)	(43)
Total	(532)	(359)

As a part of its normal business, the Group enters into transactions with related parties including transactions with State-owned and governmental entities such as the French Defense Ministry, the Paris Airport Authority ("Aéroports de Paris", or "ADP"), Amsterdam Airport Schiphol, the Dutch and French States and the French civil aviation regulator ("DGAC"). Air France-KLM considers that such transactions are concluded on terms equivalent to those on transactions with third parties. The most significant transactions are described below:

Aéroports de Paris (ADP)

- > land and property rental agreements;
- > airport and passenger-related fee arrangements.

In addition, ADP collects airport landing fees on behalf of the French State.

Total expenses incurred by the Group in connection with the afore-mentioned arrangements amounted to a respective \notin 333 million and \notin 283 million for the periods ended December 31, 2022 and December 31, 2021.

Amsterdam Airport Schiphol (AAS)

- > land and property rental agreements;
- > airport and passenger-related fee arrangements.

In addition, AAS collects airport fees on behalf of the Dutch State.

Total expenses incurred by the Group in connection with the afore-mentioned arrangements amounted to \notin 71 million for the period ended December 31, 2022 versus \notin 76 million as of December 31, 2021.

French Defense Ministry

Air France-KLM has entered into contracts with the French Defense Ministry concerning the maintenance of aircraft in the French Air Force. The net revenue derived from this activity amounts to €72 million for the year ended December 31, 2022 versus €60 million as of December 31, 2021.

Direction Générale de l'Aviation Civile (DGAC)

This civil aviation regulator is under the authority of the French Ministry of Transport, which manages security and safety in the French air space and at airports. As a result, the DGAC charges fees to Air France-KLM for the use of installations and services which amounts to \notin 91 million as of December 31, 2022 versus \notin 46 million for the year ended December 31, 2021.

CMA-CGM

As part of the Air France-KLM capital increase carried out on June 16, 2022 (see Note 3.2 "Significant events occurring during the period"), CMA-CGM became a new shareholder of the Group. The commercial partnership between CMA-CGM and the Group relating to the cargo business starting only in 2023. net revenue as of December 31, 2022 with this company is not significant.

China Eastern Airlines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to \leq 4 million for the periods ended December 31, 2022 and December 31, 2021.

Delta Air Lines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to a respective \notin 70 million and \notin 31 million for the periods ended December 31, 2022 and December 31, 2021.

Dutch and French States

Other long-term liabilities as of December 31, 2022 include shareholder loans granted by the Dutch and French States (see Note 32.3 "Financial support from the French and Dutch States") and the line "Perpetual" includes the hybrid following the conversion of the direct loan granted by the French State.

NOTE 42 CONSOLIDATED STATEMENT OF CASH FLOW AND OPERATING FREE CASH FLOW

42.1 Operating free cash flow

Period from January 1 to December 31 (in € millions)	Notes	2022	2021
Net cash flow from operating activities		4,856	1,534
Purchase of property plant and equipment and intangible assets	18	(2,972)	(2,202)
Proceeds on disposal of property plant and equipment and intangible assets		880	899
Operating free cash flow	34	2,764	231
Payments on lease debts		(861)	(862)
Operating free cash flow adjusted		1,903	(631)

42.2 Other non-monetary items and impairment

Other non-monetary items and impairment can be analyzed as follows:

As of December 31 (in € millions)	Notes	2022	2021
Variation of provisions relating to restructuring plan		(227)	(352)
Variation of provisions relating to pension		25	66
Variation of other provisions		(24)	(7)
Changes to the pension plans	30.3	53	859
European carbon emission allowances (ETS)		141	31
Impact of effective interest rate on states loans	32.3	(18)	126
Amortization of equity component of convertible bonds (OCEANE)		11	11
Other		(24)	5
Total Other non monetary items		(63)	739
Impairment		8	_
Impairment on fleet	11	24	40
Total Impairment		32	40

NOTE 43 STATUTORY AUDITORS' FEES

КРМС		2022 20.			2021				
As of December 31 (in € millions)		Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%	
Statutory audit, certification, review of stand-alone and consolidated accounts	2.1	84%	3.0	97%	1.8	82%	2.2	96%	
Air France-KLM S.A.Consolidated subsidiaries	0.5 1.6		- 3.0		0.5 1.3		- 2.2		
Other ancillary services and audit services ⁽¹⁾	0.4	16%	0.1	3%	0.4	18%	0.1	4%	
Air France-KLM S.A.Consolidated subsidiaries	0.2 0.2		- 0.1		0.3 0.1		- 0.1		
Total Air France-KLM	2.5		3.1		2.2		2.3		

PricewaterhouseCoopers				2022				2021
As of December 31 (in € millions)	Si	Statutory Network Statutory auditor						
	Amount	%	Amount	%	Amount	%	Amount	%
Statutory audit, certification, review of stand-alone and consolidated accounts	1.6	100%	1.0	100%	-	- %	-	- %
Air France-KLM S.A.Consolidated subsidiaries	0.5 1.1		- 1.0		-		-	
Other ancillary services and audit services ⁽¹⁾	-	- %	-	- %	-	- %	-	- %
Air France-KLM S.A.Consolidated subsidiaries	-		-		-		-	
Total Air France-KLM	1.6		1.0		-		-	

Deloitte & Associés		2022 2021						
As of December 31 (in € millions)		Statutory auditor		Network		atutory auditor	Network	
	Amount	%	Amount	%	Amount	%	Amount	%
Statutory audit, certification, review of stand-alone and consolidated accounts	-	- %	-	- %	1.8	90%	1.0	77%
Air France-KLM S.A.Consolidated subsidiaries	-		-		0.5 1.3		- 1.0	
Other ancillary services and audit services	-	- %	-	- %	0.2	10%	0.3	23%
Air France-KLM S.A.Consolidated subsidiaries	-		-		0.2		- 0.3	
Total Air France-KLM	-		-		2.0		1.3	

(1) Other ancillary services and audit services mainly relate to issuance of attestations.

NOTE 44 CONSOLIDATION SCOPE

As of December 31, 2022, the scope includes 85 fully consolidated entities, 21 equity affiliates and 1 joint operation.

Based on the Air France – KLM ownership in terms of both voting rights and equity interest, and on the functioning mode of the Group's Executive Committee,

Air France-KLM has the power to manage the KLM Group's financial and operational strategies and controls KLM. As a result, KLM is fully consolidated in Air France-KLM's consolidated financial statements.

The interest percentage in KLM is calculated based on the ordinary shares.

44.1 Consolidated entities

Entity	Country	Segment	% interest	% control
AIR FRANCE SA	France	Multisegment	100	100
KONINKLIJKE LUCHTVAART MAATSCHAPPIJ N.V.	Netherlands	Multisegment	100	49
AIRTRADE HOLDINGS B.V.	Netherlands	Network	85	42
AIRTRADE HOLLAND B.V.	Netherlands	Network	85	42
BLUE CONNECT	Mauritius	Network	70	70
BLUE CROWN B.V.	Netherlands	Network	100	49
BLUELINK	France	Network	100	100
BLUELINK INTERNATIONAL	France	Network	100	100
BLUELINK INTERNATIONAL AUSTRALIA	Australia	Network	100	100
BLUELINK INTERNATIONAL CHILE	Chile	Network	100	100
BLUELINK INTERNATIONAL CZ S.R.O.	Czech Rep.	Network	100	100
BLUELINK INTERNATIONAL MAURITIUS	Mauritius	Network	100	100
BLUELINK INTERNATIONAL STRASBOURG	France	Network	100	100
CONSTELLATION FINANCE LIMITED	Ireland	Network	100	100
CYGNIFIC B.V.	Netherlands	Network	100	49
HOP!	France	Network	100	100
IASA INCORPORATED	Philippines	Network	100	49
INTERNATIONAL AIRLINE SERVICES EUROPE LIMITED	United Kingdom	Network	100	49
INTERNATIONAL AIRLINE SERVICES LIMITED	United Kingdom	Network	100	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED	United Kingdom	Network	100	49
KLM CITYHOPPER B.V.	Netherlands	Network	100	49
KLM CITYHOPPER UK LTD	United Kingdom	Network	100	49
KLM EQUIPMENT SERVICES B.V.	Netherlands	Network	100	49
KLM LUCHTVAARTSCHOOL B.V.	Netherlands	Network	100	49
MARTINAIR HOLLAND N.V.	Netherlands	Network	100	49
MEXICO CARGO HANDLING	Mexico	Network	100	100
SNC CAPUCINE BAIL	France	Network	100	100
SNC OTTER BAIL	France	Network	100	100

		Segment	% interest	% control
SODEXI	France	Network	65	65
STICHTING STUDENTENHUISVESTINGVLIEGVELD EELDE	Netherlands	Network	100	49
AFI KLM E&M (BEIJING) LINE MAINTENANCE CO LTD	China	Maintenance	100	100
AFI KLM E&M TEARDOWN MANAGEMENT SAS	France	Maintenance	100	100
AFI SPARE ENGINE MANAGEMENT	France	Maintenance	98	98
AIR FRANCE INDUSTRIE US	United States	Maintenance	100	100
AIR FRANCE KLM COMPONENT SERVICES CO LTD	China	Maintenance	100	100
AIR ORIENT SERVICES	France	Maintenance	100	100
BARFIELD INC	United States	Maintenance	100	100
CRMA	France	Maintenance	100	100
EUROPEAN PNEUMATIC COMPONENT OVERHAUL AND REPAIR (EPCOR) B.V.	Netherlands	Maintenance	100	49
KLM E&M MALAYSIA SDN BHD	Malaysia	Maintenance	100	49
KLM LINE MAINTENANCE NIGERIA LTD.	Nigeria	Maintenance	100	49
KLM UK ENGINEERING LIMITED	United Kingdom	Maintenance	100	49
REGIONAL JET CENTER B.V.	Netherlands	Maintenance	100	49
TRANSAVIA AIRLINES B.V.	Netherlands	Transavia	100	49
TRANSAVIA AIRLINES C.V.	Netherlands	Transavia	100	49
TRANSAVIA COMPANY SAS	France	Transavia	100	100
TRANSAVIA France SAS	France	Transavia	100	100
TRANSAVIA VENTURES B.V.	Netherlands	Transavia	100	49
AIR FRANCE FINANCE SAS	France	Other	100	100
AIR FRANCE KLM E&M PARTICIPATIONS SAS	France	Other	100	100
AIR FRANCE KLM FINANCE SAS	France	Other	100	100
AIRCRAFT CAPITAL Leasing A LTD	United Kingdom	Other	100	49
AIRCRAFT CAPITAL LTD	United Kingdom	Other	100	49
AIRPORT MEDICAL SERVICES B.V.	Netherlands	Other	80	39
AIRPORT MEDICAL SERVICES C.V.	Netherlands	Other	80	39
AMSTERDAM SCHIPHOL PIJPLEIDING C.V.	Netherlands	Other	76	49
ASP BEHEER B.V.	Netherlands	Other	60	49
B.V. KANTOORGEBOUW MARTINAIR	Netherlands	Other	100	49
BIGBLANK	France	Other	100	100
BLUE TEAM IX	France	Other	100	100
BLUE TEAM V SAS	France	Other	100	100
BLUE TEAM VII	France	Other	100	100
BLUE TEAM VIII	France	Other	100	100
BLUE TEAM X	France	Other	100	100
BLUE TEAM XI	France	Other	100	100
BLUE TEAM XII	France	Other	100	100

Entity	Country	Segment	% interest	% control
BLUE TEAM XIII	France	Other	100	100
BLUE YONDER XIV B.V.	Netherlands	Other	100	49
CELL K16 INSURANCE COMPANY	Guernsey	Other	100	0
EXECUTIVE HEALTH MANAGEMENT B.V.	Netherlands	Other	100	49
INTERNATIONALE FINANCIERING EN MANAGEMENT MAATSCHAPPIJ B.V.	Netherlands	Other	100	49
KLM AIR CHARTER B.V.	Netherlands	Other	100	49
KLM CATERING SERVICES SCHIPHOL B.V.	Netherlands	Other	100	49
KLM HEALTH SERVICES B.V.	Netherlands	Other	100	49
KLM INTERNATIONAL CHARTER B.V.	Netherlands	Other	100	49
KLM OLIEMAATSCHAPPIJ B.V.	Netherlands	Other	100	49
MARTINAIR VLIEGSCHOOL VLIEGVELD LELYSTAD BV	Netherlands	Other	100	49
ORION-STAETE B.V.	Netherlands	Other	100	49
PELICAN	Luxemburg	Other	100	100
PYRHELIO-STAETE B.V.	Netherlands	Other	100	49
RIGEL-STAETE B.V.	Netherlands	Other	100	49
STICHTING GARANTIEFONDS KLM LUCHTVAARTSCHOOL	Netherlands	Other	100	49
TRAVEL INDUSTRY SYSTEMS B.V.	Netherlands	Other	100	49
TREASURY SERVICES KLM B.V.	Netherlands	Other	100	49
WEBLOCK B.V.	Netherlands	Other	100	49

44.2 Equity affiliates

Entity	Country	Segment	% interest	% control
ADM BLUE	Madagascar	Network	40	40
AAF SPARES	Ireland	Maintenance	50	50
AEROSTRUCTURES MIDDLE EAST SERVICES	United Arab	Maintenance	50	50
AEROTECHNIC INDUSTRIES	Morocco	Maintenance	50	50
BONUS AERO	United States	Maintenance	50	50
BONUS TECH	United States	Maintenance	50	50
IGO SOLUTIONS SAS	France	Maintenance	33	33
MAX MRO SERVICE	India	Maintenance	26	26
SHS TECHNICS	Senegal	Maintenance	49	50
SINGAPOUR COMPONENT SOLUTIONS PTE	Singapore	Maintenance	50	50
SPAIRLINERS	Germany	Maintenance	50	50
TURBINE SUPPORT INTERNATIONAL LLC	United States	Maintenance	50	50
XCELLE AMERICAS LLC	United States	Maintenance	50	50
INTERNATIONAL AEROSPACE MANAGEMENT COMPANY S.C.R.L.	Italy	Other	25	25
INTERNATIONAL PATIENT CENTER B.V.	Netherlands	Other	33	33
MAINPORT INNOVATION FUND BV	Netherlands	Other	25	25
MAINPORT INNOVATION FUND BV II	Netherlands	Other	24	24
SCHIPHOL LOGISTICS PARK CV	Netherlands	Other	53	45
SERVAIR	France	Other	35	35
SKYNRG B.V.	Netherlands	Other	20	20
TERMINAL ONE GROUP ASSOCIATION	United States	Other	25	25

44.3 Joint operations

Entity	Country	Segment	% interest	% control
AIRFOILS ADVANCES SOLUTIONS SAS	France	Maintenance	49	49

5.4 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required by European Regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2022

To the Annual General Meeting of Air France-KLM S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Air France-KLM S.A. for the year ended December 31, 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

European Union.

to the Audit Committee.

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for Statutory Auditors for the period from January 1, 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014.

position of the Group as at December 31, 2022 and of the results

of its operations for the year then ended in accordance with

International Financial Reporting Standards as adopted by the

The audit opinion expressed above is consistent with our report

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Going concern (Note 3.1 to the consolidated financial statements)

Risk identified

After a drastic reduction of air traffic around the globe starting in mid-March 2020 following the Covid-19 pandemic which kept having a strong impact on the flight industry in 2021, recovery began in the second half of 2021 and has continued amply through 2022.

In addition, the Ukrainian crisis and the sanctions imposed on Russia by the Western countries, has had no significant impact on network considering the routes to the two countries represented less than 1% and as the extension of routes to China, Japan and South Korea is limited. Finally, the Group's fuel hedging policy has mitigated the high level with wide variations of oil prices.

As shown in Note 3.2 to the consolidated financial statements, several recapitalization, refinancing and aid repayment operations were set up in the 2022 financial year.

As of 31 December 2022, the Group's total liquidity amounted to €10.6 billion.

As shown in Note 3.1 to the consolidated financial statements, the Board of Directors approved the financial statements on the assumption of going concern.

The assumption is based on the recovery in activity with capacity forecast to be very close to 2019 levels in 2023, a dynamic pricing policy, the cash position at the end of December 2022 and the Group's ability to refinance.

We considered the assessment of going concern to be a key audit matter since it is based on management assumptions and judgments and presents an inherent risk from the determination of future cash flows, which are uncertain by nature, notably considering the current context of the Ukrainian crisis.

Our response

We considered the risk of liquidity and going concern resulting from the Covid-19 pandemic and the Ukrainian crisis when planning and performing our audit.

Our work included notably:

- a) analyzing Management's risk assessment with regard to the Group's operations and financial resources as compared to our own understanding of the risks associated with the Covid-19 crisis and macro-economic situation;
- b) understanding the procedures used to prepare the cash-flow forecasts;
- c) performing a critical analysis of the main assumptions used in the preparation of the 12-month cash-flow forecasts derived from operations, investments and financing, based on our knowledge of the business, the macro-economic situation, the Group and of Management's intentions;
- d) assessing the consistency of the business plan used to evaluate going concern with that used for impairment tests;
- conducting interviews with Management about the status of the additional recapitalization and financing project designed to improve equity;
- f) inquiring management on any other events or circumstances subsequent to December 31, 2022 that could call into question its forecasts;
- **g)** assessing the appropriateness of the liquidity and going concern disclosures in Note 3.1 of the consolidated financial statements.

Recoverability of flight equipment assets (Notes 2, 4.14, 4.15, 4.16, 17, 19 and 22 to the consolidated financial statements)

Risk identified

Flight equipment and aircraft right of use assets amounted to \notin 10.6 billion and \notin 4.8 billion respectively as of December 31, 2022.

As indicated in the Note 4.14 to the consolidated financial statements, during the operating cycle, and when establishing fleet replacement plans, the Group reviews whether the amortizable base or the useful life of the assets should be adjusted and, if necessary, determines whether a residual value should be recognized and the useful life adapted.

Moreover, in accordance with IAS 36 "Impairment of Assets" and as specified in Note 4.16 to the consolidated financial statements, property, plant and equipment, intangible assets, right-of-use assets and goodwill are tested for impairment if there is an indication of impairment, and at least once a year for goodwill and intangible assets with an indefinite useful life. Assets that cannot be directly linked to independent cash flows are grouped together into Cash Generating Units (CGU) to perform the impairment test. The Group concluded that the CGUs correspond to the Group's business segments – the network, Maintenance and Transavia activities.

Their value in use is determined based on particularly sensitive forward-looking assumptions, given the current context which is following the crisis related to the Covid-19 pandemic and which has uncertainty due to the Ukrainian crisis and the increasing impact of ESG considerations. These assumptions include the discounted cash flows derived from the 5-year budget figures prepared by Management and validated by the Board of Directors, the discount rate corresponding to the weighted average cost of capital, and the growth rates reflecting assumptions relating to mid- and long-term business development. Such cash flows reflect the Group's environmental objectives as well as the impacts related to expected or probable regulatory changes in terms of environment (modernization of the fleet, increase in the cost of carbon credits, CO_2 compensation, development of sustainable aviation fuel "SAF").

As indicated in Note 2.1 to the consolidated financial statements, the Group's environmental objectives have not led to the recognition of any impairment or acceleration of depreciation on its assets.

We considered the valuation of those assets to be a key audit matter in light of their significant amount and of the high degree of judgment and estimates required by Management to determine their recoverable value.

Our response

We assessed the procedures and controls implemented by the Group to determine and review the useful lives of flight equipment assets and assessing their consistency with the Group's environmental objectives. Also, we assessed the procedures and controls implemented to identify indicators of impairment, and for the purpose of the impairment test, calculate the book value of non-current assets by CGU and determine their recoverable amount. We tested the key controls used by the Group in the design process of the assets' impairment test.

Our work also included:

- a) assessing whether the methodology used by Management complies with current accounting standards (IAS 36), including validating the CGU independence and consistency criteria as well as the frequency of impairment tests;
- b) reconciling the book value of the non-current assets of each CGU with the accounting balances and the corresponding allocation.
- c) verifying (i) the cash-flow projections with the Management-approved 5-year plan, (ii) the intermediate period and perpetual growth rates, as well as (iii) profit margin rates used;
- assessing the consistency of discount rate calculation assumptions such as risk-free rate, industry gearing, financing spread and specific risk premium;
- e) assessing the consistency of the assumptions with the Group's environmental objectives and the impacts related to expected or probable regulatory changes in terms of environment;
- f) assessing the sensitivity scenarios retained by Management by verifying arithmetic accuracy of sensitivity calculations based on WACC, perpetual growth rate and long-term profitability;
- g) reviewing the calculation of the enterprise value performed by Management from Air France - KLM's market capitalization to corroborate the impairment test based on value in use;

We also assessed the appropriateness of the disclosures provided in Notes 2, 4.14, 4.15, 4.16, 17, 19 and 22 to the consolidated financial statements.

Recognition of deferred tax assets of the French tax group (Notes 4.25 and 13 to the consolidated financial statements)

Risk identified

Deferred tax assets relating to tax loss carryforwards are only recognized if their recovery is probable.

As of December 31, 2022, a net deferred taxes amount of 714 M \in is recognized in the consolidated balance sheet for the global scope. The amount comprises 346 M \in of deferred tax assets relating to tax loss carryforwards for the French tax consolidation group as presented in Note 13.4 to the consolidated financial statements. These deferred tax assets are recognized based on their likelihood of recovery pursuant to the medium-term budgets and plans prepared by the Group. As presented in Note 13.1 to the consolidated financial statements, the recovery period for these deferred tax assets of the French tax consolidation group is five years.

As of December 31, 2022, unrecognized deferred tax assets relating to tax loss carryforwards of the French tax consolidation group amounts to 3.3 billion \in as presented in Note 13.5 to the consolidated financial statements.

We identified deferred tax assets related to French tax loss carryforwards as a key audit matter given their significant amount and the high degree of judgments and estimates made by the Group to assess the validity of the related deferred tax assets recognized.

Our response

Our procedures consisted in assessing the compliance of the Group's methodology with IAS 12 and assessing the likelihood of the Group making future use of the tax loss carryforwards generated to date by the French tax consolidation group, particularly with regards to:

- a) deferred tax liabilities in the same tax jurisdiction, against which deferred tax assets related to tax loss carryforwards could be offset and.
- b) the French tax consolidation group's ability to generate future taxable profits in order to use prior-year tax losses recognized as deferred tax assets.

We assessed the appropriateness of the methodology adopted by the Group to identify existing tax loss carryforwards that will be utilized, either through deferred tax liabilities or future taxable profits.

To determine future taxable profits, we assessed the forecasting process by:

- a) examining the procedure for preparing the latest taxable income forecasts used as a basis for estimates;
- b) verifying tax regulations application.
- c) comparing income forecasts for prior years with actual results;
- d) verifying the consistency of the assumptions used by Management to prepare taxable income forecasts with those adopted for non-current assets impairment tests.

We also assessed the appropriateness of the disclosures provided in Notes 4.25 and 13 to the consolidated financial statements.

Revenue recognition (Notes 4.6, 6.1 and 6.2 to the consolidated financial statements)

Risk identified

As of December 31, 2022, network revenue amounts to \notin 22.8 billion and essentially corresponds to passenger transport services, and to a lesser extent to cargo.

As shown in Note 4.6 on the consolidated financial statements the revenue related to passenger transportation is recognized when the transportation service is provided and, consequently, passenger tickets recorded when issued as "Deferred revenue on ticket sales" for a liability amounting to &3.7 billion as at December 31, 2022.

However, a portion of these sales, relating to tickets that have been issued but which will never be used, is recognized as revenue at the theoretical date of the transport, based on a statistical rate regularly updated. These rates are determined by the Air France-KLM Group based on historical data taken from the information systems and adjusted for non – recurring and specific events that could impact passenger behavior.

We considered the recognition of deferred revenue on ticket sales to be a key audit matter due to the importance of the Group judgement in determining the recognition assumptions.

Our response

We assessed the procedures and controls implemented by the Group to determine the statistical rates of "Deferred revenue on ticket sales".

Our procedures primarily consisted in:

- a) assessing the appropriateness of the methodology adopted by the Group.
- b) corroborating the historical database with the databases used.
- c) verifying the statistical rate calculation.
- evaluating and analyzing the impact of the adjustments made for non-recurring and specific events related to the health crisis.
- e) analyzing the age of deferred revenue on ticket sales presented in liabilities on the consolidated balance sheet to assess the appropriateness of the revenue recognized in the period.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

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

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*), is included in the Group's information given in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported by an Independent Third Party.

Report on Other Legal and Regulatory Requirements

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation N° 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent in the macro-tagging of the consolidated financial statements in accordance with the European single electronic format, it is possible that the content of certain tags in the notes to the financial statements may not be rendered identically to the consolidated financial statements attached to this report.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in

the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Air France-KLMS.A. by the Annual General Meetings held on September 25, 2002 for

KPMG S.A. and on May 22, 2022 for PricewaterhouseCoopers Audit.

As at December 31, 2022, KPMG S.A. was in the 21^{st} year of total uninterrupted engagement and PricewaterhouseCoopers Audit was in the 1^{st} year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a

going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its Internal Audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

 a) identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- b) obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- d) assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- e) evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

> Paris-La Défense, February 21, 2023 **KPMG S.A.** The Statutory Auditors French original signed by. Valérie Besson Partner Partner Partner

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, February 21, 2023 PricewaterhouseCoopers Audit

Philippe Vincent Partner Amélie Jeudi de Grissac Partner

5.5 STATUTORY FINANCIAL STATEMENTS

5.5.1 Income statement

Year ending December 31,	Notes	2022	2021
(in € millions)			
Operating income	3	84	53
External expenses	4	(43)	(46)
Salaries and related costs	5	(15)	(8)
Other operating expenses	7	(32)	(2)
Total operating expenses		(90)	(56)
Income from current operations		(6)	(3)
Financial income		313	323
Financial expenses		(343)	(363)
Net financial income	6	(30)	(40)
Earnings before tax and non-recurring items		(36)	(43)
Non-recurring income		-	-
Non-recurring expenses		-	_
Non-recurring income/-(loss)		-	-
Income tax	8	23	39
Net income/(loss)		(13)	(4)

5.5.2 Balance sheet

Assets (in € millions)	Notes	December 31, 2022	December 31, 2021
Tangibles fixed assets		2	-
Equity investments	9.2	7,331	5,684
Loans & receivables related to long-term investment	9.3	4,009	7,210
Other financial long-term investments		1	_
Fixed assets		11,343	12,894
Trade receivables	13	30	20
Other receivables	13	71	134
Marketable securities	10	1,518	1,111
Cash and cash equivalent		470	690
Prepaid expenses		1	1
Current assets		2,090	1,956
Issue costs		10	20
Bond redemption premium		4	6
Total Assets		13,447	14,876

Liabilities & equity (in € millions)	Notes	December 31, 2022	December 31, 2021
Capital	11.1	2,570	643
Additional paid-in capital	11.2	5,217	4,949
Legal reserve		70	70
Reserves		(133)	(129)
Income for the year	11.2	(13)	(4)
Shareholder's equity	11.2	7,711	5,529
Other equity	12	934	3,151
Provision for risks & liabilities	17	-	-
Financial debts	12	4,757	6,106
Trade payables and related accounts	13	11	18
Tax and social debts	13	14	7
Other liabilities	13	19	56
Liabilities	13	4,801	6,187
Unrealized foreign exchange gain		1	9
Total Liabilities & Equity		13,447	14,876

5.5.3 Notes

The following information constitutes the notes to the financial statements for the year ended December 31, 2022.

It is an integral part of the financial statements.

Air France-KLMSA, a public limited company (*société anonyme*) with registered office at 7, rue du Cirque, 75008 Paris, is the parent company of the Air France-KLM Group. It is listed for trading in Paris (Euronext) and Amsterdam (Euronext).

1. Accounting policies and procedures

Generally accepted accounting policies have been applied, consistent with the prudence principle and in accordance with the legal and regulatory provisions applicable in France and to the base assumptions whose aim is to provide a true and faithful representation of the Company:

- > going concern;
- > consistent accounting methods from year to year;
- independence of financial periods;

and in accordance with the general rules for establishing and presenting annual financial statements.

The basic method used to value items recorded in the financial statements is the historical cost method.

Going concern

In order to determine an appropriate basis for preparing the consolidated financial information for the year ended December 31, 2022, the going concern assumption was assessed by evaluating the financial forecasts over a horizon of at least one year and by analyzing in particular the Group's business activity in the context of the decline in the Covid-19 pandemic and the Ukrainian crisis.

During 2022, the Group has returned to positive free cash-flow from operations, has repaid a large part of the aid received from the French and Dutch governments to deal with the Covid pandemic, and has maintained a high level of available cash to face the future.

Thus, after taking into account the uncertainties related to the current context and in particular the evolution of the price of oil impacted by the sanctions imposed on Russia, as well as the level of indebtedness of the Group, the Board of Directors has approved the financial statements for the year ending December 31, 2022 on a going concern basis, taking into account the improvement in the health situation since the end of 2021 the recovery in activity with capacity forecast in 2023 very close to be at 2019 levels, a dynamic pricing policy, the cash position at the end of December 2022 and the Group's ability to refinance.

Value in use of its equity investments

In the current context, the Company has paid particular attention to the value in use of its equity investments.

The main accounting methods used are the following:

Long-term investments

Investments in equity securities are presented on the balance sheet at their acquisition cost net of impairment, if any. A provision for impairment is recorded as soon as the fair value, which corresponds to the value in use, falls below the acquisition value. The fair value of securities is determined by taking into account the share of shareholders' equity, the outlook for profitability and the stock market values that can be used as a reference.

Transfer taxes, fees or commissions and legal fees related to the acquisition of securities are expensed, according to the option offered by the regulations.

Treasury shares not allocated to employees or to a capital decrease are booked in long-term investments. They are shown at the lower of their acquisition cost or fair value. The fair value is determined based on the average market price for the last month of the financial year. Impairment tests on future cash flows have been performed, based on assumptions that are identical to those of the consolidated financial statements.

Trade receivables

Trade receivables are valued at their nominal value. They are valued on a case-by-case basis and a provision is set up as required based on the assessed risks.

Provisions

The Company recognizes a provision when there is a legal or constructive obligation to a third party that will result in an outflow of resources and can be reliably estimated. The amounts recognized as provisions take into account the timing of disbursements and are discounted where appropriate. The effect of the passage of time is recognized in financial income or expense.

Marketable securities

Marketable securities are shown on the balance sheet at the lower of their acquisition cost and their market value. In the case of listed shares, this market value is determined based on the market price at the end of the financial year.

Treasury shares invested as part of a liquidity agreement are valued at the lower of their acquisition price and fair value. The fair value is determined based on the last month average market price at the end of the financial year.

Negotiable debt securities (certificates of deposits, and bills issued by financial companies) are booked at their acquisition cost. Interest is booked as financial income, on *a-prorata temporis* basis.

Foreign currency transactions

Operating expense and income transactions in foreign currencies are recognized at the average exchange rate for each relevant month by approximating the rate on the day of the transaction.

Trade payable and receivable in foreign currencies are valued at the exchange rate in effect at end year closing.

Unrealized losses and gains are recognized as assets and liabilities on the balance sheet. Provisions are established for unrealized losses, except for the following cases:

- transactions where the currency and the term contribute to an overall positive currency position and;
- currency hedging contracts concerning the payment of future investment deliveries.

Debts

Debts are valued at their nominal amount. The debt in foreign currency is valued at the closing rate Euro/Dollar.

Financial instruments

Financial derivative instruments are used to reduce exposure to interest rates risk and to foreign exchange. They are over the counter instruments with first class counterpart. Group management policy bans subscription of trading instruments.

Dividends received

Dividends are recognized as income – when they are approved by the competent bodies in the companies (i.e.: the Board of Directors or the General Shareholders' Meeting depending on the local regulations) – or according to the terms of the bylaws.

2. Significant events of the period

On June 16, 2022, Air France – KLM carried out a capital increase with preferential subscription rights for shareholders in order to raise a gross amount of 2,256 million euros through the issue of 1,928 million New Shares.

On June 16, 2022, Air France-KLM carried out the partial early redemption of its undated deeply subordinated notes for an amount of 1,630.8 million euros.

On June 23, 2022, the Air France-KLM subscribed to a capital increase by offsetting its undated deeply subordinated notes of Air France company for a nominal amount of 1,651.1 million euros.

On July 29, 2022, Air France - KLM partially redeemed its undated deeply subordinated notes in the amount of 487.1 million euros.

On October 12, 2022, Air France-KLM redeemed the bond issued in 2016 which had reached maturity for 361.2 million euros.

On November 7, 2022, Air France company partially repaid the outstanding amount of the loan made available under the State Guaranteed Loan Agreement (PGE), for an amount of 1 billion euros.

On November 7, 2022, Air France – KLM partially repaid the State Guaranteed Loan to French State. The State Guaranteed Loan will be repaid by amortization according to the following schedule:

- > €1.150 billion on May 6, 2024;
- > €1.350 billion on May 6, 2025.

On November 23, 2022, the Air France-KLM issued a hybrid convertible bond for an amount of 305.3 million euros.

On December 9, 2022, Air France-KLM partially redeemed its undated deeply subordinated notes for an amount of 287.1 million euros.

OnDecember 9, 2022, Air France company issued a hybrid undated deeply subordinated bond for an amount of 305.3 million euros subscribed by Air France-KLM. On the same day, Air France company partially redeemed its undated deeply subordinated notes with the Air France-KLM for an amount of 287.1 million euros.

3. Operating income

Period	2022	2021
Management fees (in € million)	32	33
Of which Air France	19	21
Of which KLM	13	12
Royalties (in € million)	20	20
Of which Air France	12	12
Of which KLM	8	8
Reversal of operating provisions and others (in € million)	32	-
Total	84	53

Reversal of operating provision and others include a reversal of a provision for uncollectible debts in the amount of 30 million euro on Alitalia company.

4. External expenses

Period	2022	2021
Fees and surveys	19	20
Insurance	3	2
Sub-Contracting and rent re-invoiced by Air France and KLM	17	21
Financial communication	1	1
Other	4	3
Total	43	46

During the financial year 2022, the teams assigned to Air France-KLM holding company represent 81,0 Full Time Equivalent seconded from Air France and 20,9 full-time equivalent seconded from KLM.

5. Compensation of company's corporate officers

The fixed remuneration recorded as period expenses for the Chief Executive Officer amounts to \notin **0.90** million in 2022 and 2021.

No variable compensation was paid in 2021 or 2022 due to restrictions imposed by the European Commission in the context of State Aid. However, a provision for variable compensation for 2021 (€1.09 million) and 2022 (€1.10 million) has been recognized in the 2022 financial statements, as the European Commission

authorized the provisioning of variable compensation for 2021 on February 23, 2022, i.e. after the closing of the 2021 financial statements. Payments may only be made once the restrictions have been lifted.

The compensation of the non-executive Chairman of the Board of Directors amounts to ${\rm {\sc e}0.20}$ million.

6. Net financial Income

This section regroups interest paid or received, currency losses and gains, and allocations and reversal of financial provisions. The break-down is as follows.

Period	Notes	2022	2021
Interest on loans and other financial expenses		(337)	(363)
Of which interest on OCEANE	12.2	(1)	(1)
Of which interest on bonds	12.2	(61)	(53)
Of which interest on perpetual subordinated loan	12.1	(141)	(152)
Of which interest on PGE and ACC	12.3	(125)	(149)
Of which others		(9)	(8)
Interest on loans		307	320
Of which related companies		307	320
Other financial income		6	2
Of which related companies		1	2
Of which investment in mutual funds and certificates of deposit		5	_
Allocation to provisions		(6)	1
Of which provision for risks & liabilities		(2)	(1)
Of which Air France-KLM Finance shares		(4)	2
Total		(30)	(40)

7. Other operating expenses

Other operating expenses include an uncollectible debt loss of 30 million euro on Alitalia company.

8. Income tax

Air France – KLM has benefited from the tax consolidation scheme since April 1, 2002. The consolidation scope, for which Air France – KLM is the parent company, mainly includes Air France, HOP! and Transavia France Companies.

The tax consolidation agreement is based on the so-called neutrality method and puts each member company of the tax group in the situation in which it would have been in without consolidation. Air France-KLM has a tax losses carried forward of \leq 1 018 million. The Group's cumulative tax losses, which can be carried forward indefinitely, amount to \leq 14 110 million.

The subsidiaries recording a net earning, generated a bonus of 23 million euros in 2022, compared to a bonus of 39 million euros in 2021.

9. Long-Term Investments

9.1 Net book value

(in € million)	Notes	Beginning of year	Allocation	Reversal	End of Year
Equity investments	9.2	5 684	1647		7 330
Loans & receivables related to long term investment	9.3	7 210		3 201	4 009
Other financial long-term investments		-	2	-	2
Gross amount		12 894	1649	3 201	11 341

9.2 Equity investments

(in € million) Notes	December 31, 2022	December 31, 2021
Gross value		
Air France	6,492	4,841
KLM	824	824
Air France-KLM Finance	31	31
Transavia Company	4	4
Total gross	7,351	5,700
Impairment		
Air France-KLM Finance	(20)	(16)
Total impairment	(20)	(16)
Net		
Air France	6,492	4,841
KLM	824	824
Air France-KLM Finance	11	15
Transavia Company	4	4
Total Net 9.1	7,331	5,684

9.3 Loans & receivables related to long-term investment

Gross value Notes (in € million)	Notes	Beginning of year	Allocation	Reversal	End of year
Air France		7,190	305	(3,506)	3,989
KLM		_	-	_	_
Air France-KLM Finance		20	-	-	20
Bigblank		4	-	-	4
Total gross		7,214	305	(3,506)	4,013

Impairment	Impairment beginning of year	Allocation	Reversal	Impairment end of year
Air France	-	-	-	-
KLM	-	_	_	_
Air France-KLM Finance	-	_	_	_
Bigblank	(4)	_	_	(4)
Total impairment	(4)	-	-	(4)

Net		Net value beginning of year	Allocation	Reversal	Net value end of year
Air France		7,190	305	(3,506)	3,989
KLM		-	-	-	-
Air France-KLM Finance		20		-	20
Bigblank		-	-	_	-
Total Net	9.1	7,210	305	(3,506)	4,009

10. Marketable securities

(in € million)	December 31, 2022	December 31, 2021
Gross Value		
Mutual funds, certificates of deposit & marketable term notes ⁽¹⁾	1,518	1,111
Securities Compagnia Aerea Italiana	355	355
Total Gross value	1,873	1,467
Depreciation		
Securities Compagnia Aerea Italiana	(355)	(355)
Total Depreciation	(355)	(355)
Total	1,518	1,111

(1) Of which \leq 1,512 million of marketable securities at less than 3 months for 2022.

The net carrying amount for the marketable securities, mutual funds and certificates of deposit is the market value.

11. Shareholders' equity

11.1 Distribution of share capital and voting rights

The issued capital comprises 2,570,536,136 fully paid-up shares with a nominal value of one euro. Each share is entitled to one voting right. However, since April 3, 2016, any shareholder who has been owning registered shares for more than two years is entitled to double voting rights, raising the number of voting rights to 2 790 242 836 as at December 31, 2022:

As of December 31		% of capital	% of voting rights		
	2022	2021	2022	2021	
French State	28.6	28.6	28.5	28.2	
Dutch State	9.3	9.3	10.7	13.8	
CMA CGM	9.0	-	8.3	-	
China Eastern Airlines	4.7	9.6	5.6	11.4	
Delta Air Lines	2.9	5.8	4.0	8.7	
Employees and former employees	1.2	2.5	1.6	3.6	
Treasury shares	0.1	0.2	0.1	0.3	
Other	44.2	44.0	41.2	34.0	
Total	100	100	100	100	

The line "Employees and former employees" includes the shares held by employees and former employees identified in the "Fonds Communs de Placement d'Entreprise (FCPE)".

11.2 Statement of changes in shareholders' equity

(in € million)	Capital	Additional paid-in capital	Reserves	Earnings for the year	Shareholders' equity
As of December 31, 2020	429	4,139	7	(66)	4,509
Increase in Capital	214	810			1,024
Allocation of earnings			(66)	66	-
Earnings for the period	-	-	-	(4)	(4)
As of December 31, 2021	643	4,949	(59)	(4)	5,529
Increase in Capital	1,927	268			2,195
Allocation of earnings	-	-	(4)	4	_
Earnings for the period	-	-	_	(13)	(13)
As of December 31, 2022	2,570	5,217	(63)	(13)	7,711

12. Financial debt and other equity

(in € million)	Notes	December 31, 2022	December 31, 2021
Other equity			
Perpetual subordinated loan	12.1	900	3,000
Interest on Perpetual subordinated Ioan	12.1	33	151
Total Other equity		934	3,151
Non-current financial debt			
Bonds	12.2	2,186	2,178
Miscellaneous loans & debts	12.3	2,500	3,500
Total non-current debt		4,686	5,678
Current Financial Debt			
Bonds	12.2	-	361
Accrued interest		71	67
Total current debt		71	428
Total financial debt		4,757	6,106
Total financial debt and Other equity		5,691	9,257

12.1 Perpetual subordinated loan

The €3 billion direct loan granted by the French State to Air France via Air France – KLM at the end of May 2020, converted on April 20, 2021 into a Perpetual subordinated notes of the same nominal amount, consisting of three perpetual tranches with a nominal amount of €1 billion each, has been partially repaid.

The tranches with a first call option at 4 and 5 years were redeemed in full. The tranche with a first redemption option at 6 years has been repaid in the amount of \leq 405 million. The financial operations from the beginning were as follows:

The subordinated Shareholder Loan ("ACC"), initially granted by the French State to Air France-KLM, had the following main characteristics:

A total amount of €3 billion; a four-year term, with two consecutive one-year extension options exercisable by Air France-KLM; a coupon payable annually or capitalizable at Air France-KLM's option at a rate equal to 12-month EURIBOR (zero rate) plus a margin of 7% for the first four years, 7.5% for the fifth and 7.75% for the sixth.

On April 20, 2021, the French State issued $\in 3$ billion of Subordinated Notes by way of set-off against the Shareholder Loan Receivable ("ACC") (see Note 12.1).

On June 16, 2022, the TSS was partially repaid in the amount of 1.630 billion euros following a capital increase;

On July 29, 2022, the TSS was partially repaid for an amount of 487 million euros following a refinancing of the maintenance spare parts inventory.

Finally, on December 9, 2022, the TSS was partially repaid in the amount of 287 million euros following the issue of hybrid convertible bonds ("HCB"). At the closing, the outstanding amount of the TSS was €595 million.

On November 23, 2022, Air France-KLM launches an offering of deeply subordinated undated bonds convertible into new shares and/or exchangeable for existing shares for a nominal amount of €305 million within the limits of a maximum number of 200 million underlying shares.

The offering has been conducted by way of a placement to qualified investors only. Net Proceeds of the offering were fully allocated to the repayment of the perpetual bonds held by the French State, issued in April 2021.

12.2 Bonds

Bond	Issuing date	Amount issued (in millions)	Closing outstanding (in millions)	Maturity date	Coupon
€ Bond issued in 2016	5 Oct 2016	€400	€-	12 Oct 2022	3,750%
\$ Bond issued in 2016 ⁽¹⁾	09 Dec 2016	\$145	\$136	15 Dec 2026	4,350%
€ OCEANE Bond in 2019	25 Mar 2019	€500	€500	25 Mar 2026	0,125%
€ Bond in 2020	10 Jan 2020	€750	€750	10 Jan 2025	1,875%
€ Bond in 2021	01 Jul 2021	€300	€300	01 Jul 2024	3,000%
€ Bond in 2021	01 Jul 2021	€500	€500	01 Jul 2026	3,875%

(1) Issuance bonds with Asian institutional investors by way of unlisted private placement.

On October 5, 2016, Air France-KLM issued €400 million of bonds with a 6 years maturity. The annual coupon arises 3.75%. As of January 16, 2020, a partial repayment of 39 million euros brought the balance of the loan to 361 million euros. On October 12, 2022, Air France-KLM repaid the balance of this loan, i.e. 361 million euros.

On December 12, 2016, Air France-KLM issued -fully hedged-USD145 million senior notes by way of unlisted private placement to Asian institutional investors. Maturity is December 15, 2026 and annual coupon arises 4.35%. This loan is the object of a complete cover. (see Note 16).

On March 25, 2019, Air France-KLM issued a bond in the form of a bonds convertible into and/or exchangeable for new or existing shares (OCEANE) of €500 million with a 7-year maturity. The coupon rate is 0.125%.

On January 16, 2020, Air France-KLM issued a 5-year, 750 million euros bond. The coupon is 1.875%.

On July 01, 2021, Air France – KLM issued an 800 million euros bond in two tranches, the first of 300 million euros with a 3-year maturity and a coupon of 3%, and the second of 500 million euros with a 5-year maturity and a coupon of 3.875%.

12.3 Miscellaneous loans & debts

Miscellaneous loans & debts	Issuing date	Amount issued (in millions)	Closing outstanding (in millions)	Maturity date	End date	Coupon
						Euribor
€ PGE in 2020	12 May 2020	€4,000	€2,500	12 May 2023	-	+ 3,75%

On May 6, 2020, the Air France-KLM group signed the legal documentation relating to the financing for a total amount of €7 billion, announced in its press release of April 24, 2020 and approved by the European Commission on May 4, 2020. This financing includes two loans intended to finance the liquidity needs of Air France and its subsidiaries:

> a loan guaranteed by the French State ("PGE") granted by a syndicate of 9 banks: Crédit Agricole CIB, HSBC France, Natixis, Deutsche Bank Luxembourg SA, Société Générale, Banco Santander Paris Branch, BNP Paribas, Crédit Industriel et Commercial, Crédit Lyonnais (LCL).

The main characteristics are as follows:

€4 billion; a 90% guarantee granted by the French State; an initial maturity of 12 months, with a one-year or two-year extension option exercisable by Air France-KLM; a coupon excluding the cost of the French State guarantee at an annual rate equal to EURIBOR (zero rate) plus a margin of 0.75% in the first year, 1.50% in the second year and 2.75% in the third year; a cost of the guarantee granted by the French State initially equal to 0.5% of

the total amount of the loan, which will increase to an additional guarantee fee of 1% in each of the second and third years.

On December 10, 2021, in order to smooth the repayment profile of the State Guaranteed Loan beyond its maturity date of 2023, Air France-KLM entered into an amendment to the State Guaranteed Loan with the consortium of banks and the French State and after approval by the European Commission. The amendment modifies the following stipulations of the State Guaranteed Loan:

- the final maturity date of the State Guaranteed Loan has been extended by two additional years and is therefore set at 6 May 2025;
- > the State Guaranteed Loan is subject to repayment by amortisation according to the following schedule:
 - €500 million on the date of signature of the amendment,
 - €800 million on May 6, 2023,
 - €1.350 billion on May 6, 2024,
 - €1.350 billion on May 6, 2025;

- > the State Guaranteed Loan bore interest at the rate of: Euribor 3 months (with a floor at zero) with an annual margin of between 0.75% and 2.75%, it was specified that this margin was henceforth applied according to the following schedule: 1.50% from 6 May 2021 (inclusive) until 6 May 2022 (exclusive) and 2.75% from 6 May 2022;
- the guarantee fee has been applied according to the following schedule: 1.0% from 6 May 2021 (inclusive) until 6 May 2023 (exclusive) and 2.0% from 6 May 2023. Until 6 May 2023 (excluded), it has been calculated on the basis of the initial

amount of $\in 4$ billion. Thereafter, the calculation basis has been reduced by the scheduled repayments mentioned above;

- > on November 7, 2022, the State Guaranteed Loan was subject to an early repayment of €1 billion. The remaining amount will be amortized as follows:
 - €1.150 billion on May 6, 2024,
 - €1.350 billion on May 6, 2025;
- > a subordinated Shareholder Loan ("ACC") granted by the French State to Air France - KLM, the main features of which are describe in Note 12.1.

13. Maturity of receivables and debt

December 31, 2022 (in € millions)	Gross amount	Up to one year	More than one year	Related companies
Receivables				
Non-current assets				
Loans and receivables related to long-term investment (Note 9.3)	4,009	109	3,900	4,009
Current assets				
Trade receivables and related accounts	30	30	-	30
Other receivables (including tax receivables)	71	71	-	45
Total	4,110	210	3,900	4,084

December 31, 2022 (in € millions)	Gross amount	Up to one year	More than one year	Related companies
Debt				
Financial debt (Note 12)	4,757	71	4,686	-
Trade payables and related accounts	11	11	-	2
Tax and social debts	14	14	-	-
Other liabilities ⁽¹⁾	19	19	-	17
Total	4,801	115	4,686	19

(1) Other liabilities comprise, mainly, the tax consolidation accounts of subsidiaries in the Air France-KLM integration tax group.

14. List of subsidiaries and equity investments

Companies or Groups of companiesca(in € millions)	Share of capital held	Carrying of sha	amount ires held	Loans & advances	Amount of security	Revenues (excl. tax)	Net profit or loss for	Dividends booked during financial year
		Gross	Net	granted and not reimbursed	and guarantees given	for financial year	financial year	
Detailed information about	individual investr	nent who	se gross '	value exceec	ls €15 million.			
1. Subsidiaries (held at more	e than 50%)							
Société Air France (France)	(1) 100%	6,492	6,492	3,989	19	15,105	(433)	-
KLM (Netherlands) ⁽¹⁾	99.7%	824	824	-	-	9,731	743	-
				20		_		

15. Items concerning related companies

As of December 31, 2022 (in € millions)			Amount
Trade receivables & related accounts related	Of Which	Air France	3,989
to long term investment		KLM	-
		Air France-KLM Finance	20
Trade receivables & related accounts	Of Which	Air France	14
		KLM	15
		Air France-KLM Finance	-
Other receivables	Of Which	Air France	1
		KLM	22
		Air France-KLM Finance	1
		Blue Link International	1
		ASEM	20
Trade payable and related accounts	Of Which	Air France	1
		KLM	1
Other payables	Of Which	Air France- tax consolidation current account	17
		Other members of the tax group	1

16. Commitments

KLM shares

During the business combination of the Air France and KLM groups, the Dutch government undertook to reduce its stake in KLM proportionally to any reduction by the French government of its stake in Air France-KLM's capital. To this end, the Dutch government had to sell its cumulative preferred shares to Air France-KLM or to a Dutch foundation in the name of and on behalf of Air France-KLM, if the transfer had occurred during the first three years following the business combination.

In the latter case, the foundation would have issue, to the benefit of Air France-KLM, share certificates corresponding to the cumulative A preferred shares transferred to the foundation. These share certificates would have conferred to Air France-KLM all of the economic rights attached to the said shares, the voting rights attached to the said shares being exercised by the foundation until Air France exchanges the share certificates against the said shares.

At the end of the initial three-year period, Air France-KM had the option to exchange the share certificates against the cumulative A preferred shares, which it could hold directly. As Air France-KLM decided in 2007 to maintain SAK I and SAK II foundations, Air France-KLM did not carry out this exchange. Furthermore, Air France-KLM can decide to dissolute the foundations at any time and at its sole discretion.

Moreover, the Dutch government has the right to sell to Air France-KLM at any time as many cumulative A preferred shares as it wants.

After the sale of 5,103,885 shares to Air France-KLM in April 2005 for \notin 11.6 million, the acquisition price of the 3,708,615 cumulative A preferred shares still held by the Dutch government amounts to \notin 8.4 million (i.e. a unit price of \notin 2.27 per cumulative A preferred share, which has to be paid pro rata during any sale or transfer under the conditions above).

Hedges

The December 18, 2016, \$145 million bond is fully hedged by a cross currency swap. As of December 31, 2022, the fair value of this derivative instrument is \notin 3 million (see Note 12.2).

Other

Since January 2009, Air France-KLM has acted as a guarantor for Air France Company within the framework of its commitments to Aéroport de Paris in respect of civil leases. This guarantee has been renewed in July 2014 and more recently on 23 September 2019 for a period of 5 years. The guarantee is now expressly limited to €19 million (and, cumulatively, at a maximum of 3 months' rent per contract). Air France-KLM guarantees the payment by Transavia Holland to a lessor, of outstanding operational leases until 2024 for an amount of \$104 million at December 31, 2022.

17. Litigation

Litigation concerning anti-trust laws in the air-freight industry

Air France-KLM, as parent company of Air France, KLM and Martinair, is involved, since February 2006, with up to twenty-five other airlines in investigations initiated by the antitrust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air freight industry.

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

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

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

In Switzerland, the Federal Administrative Court cancelled the decision of the Competition Authority that imposed a ≤ 4 million fine for lack of competence. Consequently the ≤ 4 million provision was cancelled as of December 31, 2022.

As of December 31, 2022, the total amount of provisions in connection with proceedings, which have yet to give rise to definitive decisions amounts to \notin 352 million.

Those provisions are booked by each airlines and do not have any impact in the financial statements of Air France-KLM.

18. Contingent liabilities

Following the initiation of various investigations by the competition authorities in 2006 and the European Commission decision in 2010, several collective and individual actions were brought by forwarders and air-freight shippers in the civil courts against Air France, KLM and Martinair, and other cargo operators, in a number of jurisdictions.

Under these civil lawsuits, shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to alleged competition law infringement.

Although significant amounts have been reported by the media, plaintiffs are mostly claiming for unspecified and/or insufficiently substantiated damages against defendants taken as a whole (and not individually) and the EU decision to which the plaintiffs refer to is still not definitive.

The Group companies and the other airlines involved in these lawsuits continue to vigorously oppose all such civil claims. For Air France, KLM and Martinair the main civil claims still pending are those in the Netherlands and in Norway.

Except for the matters specified under the paragraphs 17 and 18, the Company is not aware of any governmental, judicial and arbitration dispute or proceedings (including any proceedings of which the issuer is aware, or that are pending or threatened against it) that could have a significant impact on the Company's financial position, earnings, assets, liabilities or profitability, for a period covering at least the past twelve months.

19. Subsequent events

On January 16, 2023, Air France – KLM has issued its first sustainability-linked bonds, for a nominal amount of €1.0bn, linked to the Company's target to reduce its well-to-wake scope 1 and 3 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 offering is composed of two tranches: – a €500 million with a 3.3-year maturity and a coupon of 7.250%; and – a €500 million with a 5.3-year maturity and a coupon of 8.125%.

In the first quarter of 2023, Air France–KLM made the funds from the hybrid convertible sustainability-linked bonds (SLB), for a nominal amount of €1.0bn available to Air France by means of an Intra-Group Loan.

In the first quarter of 2023, Air France fully repaid the outstanding amount of the Loan made available to Air France under the State Guaranteed Loan Agreement (PGE), for an amount of 2.5 billion euros by offsetting it against a drawdown of an amount of €1 billion under the Intra-Group SLB Loan Agreement and 1.5 billion euros repayment.

On the same date, Air France – KLM fully repaid the outstanding amount of the State Guaranteed Loan Agreement (PGE), for an amount of 2.5 billion euros by a 2.5 billion euros repayment.

5.6 FIVE-YEAR RESULTS SUMMARY

Year ended December, 31	2022	2021	2020	2019	2018
	12 months	12 months	12 months	12 months	12 months
1. Share capital at year end					
Share capital (in €)	2,570,536,136	642,634,034	428,634,035	428,634,035	428,634,035
Number of ordinary shares outstanding	2,570,536,136	642,634,034	428,634,035	428,634,035	428,634,035
Number of shares with a priority dividend	-	-	-	-	-
Maximum number of shares that may be created: — by bond conversion — by exercise of subscription rights	249,709,585 -	27,901,785 -	27,901,785	27,901,785	-
2. Transactions and results for the year (in \in thousand)					
Net revenues	2,255	890	-	-	-
Net income/(loss) before income tax, employee profit- sharing, net depreciation, amortization and provisions	(60,167)	(43,801)	(47,243)	(32,516)	(56,742)
Income tax	(23,113)	(39,155)	1,636	(17,173)	(12,182)
Employee profit-sharing for the year Net income/(loss) after income tax,					
employee profit- sharing, net depreciation, amortization and provisions	(13,243)	(4,152)	(65,851)	(11,051)	(38,406)
Distributed net income					
3. Per share data (in €) Net income/(loss) after income tax and employee profit- sharing but before net depreciation, amortization and provisions	(0.02)	(0.01)	(0.11)	(0.04)	(0.10)
Net income/(loss) after income tax, employee profit- sharing, net depreciation, amortization and provisions	(0.01)	(0.01)	(0.15)	(0.03)	(0.09)
Dividend per share	-	-	-	-	_
4. Employees Average number of employees					
during the year	12.0	10.3	8.5	3.9	
Total payroll costs (in € thousand)	3,820	4,060	3,518	1,831	_
Employee welfare contributions and similar charges (Social Security, employee organizations, etc.) (in \in thousand)	2,004	1,990	1,207	636	_

5.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This Statutory Auditors' report includes information required by European Regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2022

To the Annual General Meeting of Air France-KLM S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Air France – KLM S.A. for the year ended December 31, 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

accounting principles.

to the Audit Committee.

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for Statutory Auditors for the period from January 1, 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014.

the Company as at December 31, 2022 and of the results of its

operations for the year then ended in accordance with French

The audit opinion expressed above is consistent with our report

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Going concern (Note 1 to the financial statements)

Risk identified

After a drastic reduction of air traffic around the globe starting in mid-March 2020 following the Covid-19 pandemic which kept having a strong impact on the flight industry in 2021, recovery began in the second half of 2021 and has continued amply through 2022 despite the Ukrainian crisis and the sanctions imposed on Russia.

In addition, several recapitalization, refinancing and aid repayment operations were implemented during the financial year 2022.

As shown in Note 1 to the financial statements, the Board of Directors approved the financial statements on the assumption of going concern. The assumption is based on the improvement of the sanitary situation in 2022, the recovery in activity with capacity forecast to be very close to 2019 levels in 2023, a dynamic pricing policy, the cash position at the end of December 2022 and the Group's ability to refinance.

We considered the assessment of going concern to be a key audit matter since it is based on management assumptions and judgments and presents an inherent risk from the determination of future cash flows, which are uncertain by nature, particularly in the current context of the Ukrainian crisis.

Our response

We considered the risk of liquidity and going concern resulting from the Covid-19 pandemic and the Ukrainian crisis when planning and performing our audit.

Our work included notably:

- a) analyzing Management's risk assessment with regard to the Group's operations and financial resources as compared to our own understanding of the risks associated with the Covid-19 crisis and macro-economic situation.
- b) understanding the procedures used to prepare the cash-flow forecasts;
- c) performing a critical analysis of the main assumptions used in the preparation of the 12-month cash-flow forecasts derived from operations, investments and financing, based on our knowledge of the business, the macro-economic situation, the Group and of Management's intentions;
- d) assessing the consistency of the business plan used to evaluate going concern with that used for impairment tests;
- e) inquiring management on any other events or circumstances subsequent to December 31, 2022 that could call into question its forecasts;
- f) assessing the appropriateness of the liquidity and going concern disclosures in Note 1 to the financial statements.

Valuation of long-term investments and related receivables (Notes 1, 9 and 14 to the financial statements)

Risk identified

As of December 31, 2022, equity investment and related receivables amounts to a net value of $11.3 \text{ B} \in$ out of total assets of $13.4 \text{ B} \in$. Equity investments are recorded at their acquisition cost net of any impairment, based on their fair value taking into account their share of shareholders' equity, profitability outlook and reference stock market values.

The fair value estimate of these investments in subsidiaries requires Management to exercise judgment in its choice of items considered according to the nature of the investments concerned. Such items may correspond to historical items (shareholders' equity) or forecast items (profitability outlook and the economic environment in the countries considered).

We considered the determination of the fair value of equity investments and related receivables to be a key audit matter because of i) uncertainties inherent to certain assumptions and particularly the achievement of forecasts in the context of the Ukrainian crisis, and ii) the potential importance of a reversal or recognition of impairment of long-term investments in the Company's accounts.

Our response

To assess the reasonableness of estimated fair values of equity investments, based on the information communicated to us, our procedures mainly consisted in verifying that the estimate of the values determined by Management were based on an appropriate justification of the valuation method and figures used, and according to the investments concerned:

- a) For valuations based on historical items:
 - verifying that the shareholders' equity used is consistent with the financial statements of the entities audited or subjected to analytical procedures and that any equity adjustments have been appropriately documented;
- b) For valuations based on forecast items:
 - obtaining the profitability outlook for the entities concerned,
 - assessing the consistency of the assumptions adopted with the economic environment on the reporting dates,
 - comparing the forecasts adopted for prior periods with actual outcomes in order to assess the extent of achievement of past objectives,
 - verifying that the value resulting from cash flow forecasts was adjusted for the debt of the entity considered,
 - verifying the arithmetical accuracy of the computed fair values.

In addition to assessing the realizable value of equity securities, our work also consisted in assessing the recoverability of the related receivables based on analyses of the equity investments.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code (*Code de commerce*).

Information relating to corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-4, L22-10-10 and L. 22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*code de commerce*) relating to remunerations and benefits received by or awarded to the Directors and any other commitments made in their favor, we have verified the consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlled companies included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Format of presentation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Air France-KLMS.A. by the Annual General Meetings held on September 25, 2002 for KPMG S.A. and on May 25, 2022 for PricewaterhouseCoopers Audit.

As at December 31, 2022, KPMG S.A. was in the 21st year of total uninterrupted engagement and PricewaterhouseCoopers Audit was in the 1st year.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its Internal Audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- a) identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- c) evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit

Paris-La Défense, February 21, 2023 **KPMG S.A.** The statutory auditors French original signed by Valérie Besson Partner Partner Partner evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

e) evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, February 21, 2023 PricewaterhouseCoopers Audit

Philippe Vincent Partner Amélie Jeudi de Grissac Partner

5.8 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

This is a free translation into English of the Statutory Auditors' special report on related party agreements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Annual General Shareholders' Meeting for the approval of the financial statements for the year ended December 31, 2022

In our capacity as Statutory Auditors of Air France-KLM S.A. (hereinafter the "Company"), we hereby report to you on related party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R.225-31 of the French Commercial Code (*Code de commerce*),

it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R.225-31of the French Commercial Code in relation to the implementation during the year of agreements already approved by the Annual General Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements to be submitted for the approval of the Annual General Shareholders' Meeting

Agreements authorized and entered into during the year

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following agreements entered into during the year or since the year-end, and authorized in advance by the Board of Directors during the year.

Redemption of part of the undated deeply subordinated notes

Persons concerned

- the French State, a shareholder owning more than 10% of voting rights;
- > Astrid Panosyan, until her resignation on June 21, 2022, and Jean-Dominique Comolli, both members of the Board of Directors of the Company, appointed by the Annual General Shareholders' Meeting as proposed by the French State;
- Pascal Bouchiat co-opted as a director on October 3, 2022, as proposed by the French State, to replace Astrid Panosyan; and
- > Stéphanie Besnier, director representing the French State appointed by ministerial order.

Nature, purpose and conditions

Within the framework of the planned recapitalization of Air France-KLM (the "Group") announced on April 6, 2021, the Company entered into a Subscription Agreement on April 20, 2021 relating to the issue by the Company and subscribed by the French Republic of undated deeply subordinated notes for a total amount of €3 billion, divided into three tranches of €1 billion each, redeemable in April 2025 (the "NR4 Deeply Subordinated Notes"), April 2026 (the "NR5 Deeply Subordinated Notes") and April 2027 (the "NR6 Deeply Subordinated Notes") (together, the "Undated Deeply Subordinated Notes"). On June 16, 2022, the Company redeemed a total of €645,075,390.15, corresponding to the principal amount of 6,381 NR4 Deeply Subordinated Notes plus interest in order to allow the French State to subscribe to the capital increase with preferential subscription rights carried out by the Company on June 16,2022 (the "Capital Increase with Preferential Subscription Rights"). The Board of Directors, meeting on June 15, July 28 and December 8, 2022, previously authorized the conclusion of the following three agreements involving, directly or indirectly, the French State, which held 28.6% of the Company's share capital on the date the agreements were entered into:

- > on June 16, 2022, redemption by the Company of (i) the remaining NR4 Deeply Subordinated Notes and the related interest, i.e. 3,619 securities, for an amount of €365,856,109.85 and (ii) 6,308 NR5 Deeply Subordinated Notes and the related interest for an amount of €637,941,854.52;
- > on July 29, 2022, redemption by the Company of (i) the remaining NR5 Deeply Subordinated Notes and the related interest, i.e. 3,692 securities, for an amount of €376,533,419.60 and (ii) 1,179 NR6 Deeply Subordinated Notes and the related interest for an amount of €120,322,497.41; and
- > on December 9, 2022, redemption by the Company of 2,871NR6 Deeply Subordinated Notes and the related interest for an amount of €300,845,400.57 (the "Redemption").

It was decided, in agreement with the French State Shareholdings Agency (Agence des Participations de l'État) (the "APE"), to set the redemption price of the securities as the sum of the nominal amount and the value of the coupons accrued at the Redemption dates. This corresponds to:

- > an additional cost compared to the aggregate nominal amount of €7.0 million for the 6,381NR4 Deeply Subordinated Notes used by the APE to subscribe to the capital increase with preferential subscription rights;
- > an additional cost compared to the aggregate nominal amount of €4.0 million for the 3,619 NR4 Super-Subordinated Notes, and an aggregate €7.1 million for the 6,308 NR5 Super-Subordinated Notes, redeemed following receipt of the funds from the capital increase with preferential subscription rights;
- > an additional cost compared to the aggregate nominal amount of €7.3 million for the 3,692 NR5;
- > Deeply Subordinated Notes and an aggregate €2.4 million for the 1,179 NR6 Deeply Subordinated Notes, redeemed following Apollo's subscription to the securities issued by AFI Spare Engine Management SAS, a subsidiary of the Company;
- > an additional cost compared to the aggregate nominal amount of €13.7 million of the 2,871 NR6 Super-subordinated Notes redeemed following a bond issue in November 2022.

Reasons why the agreement is beneficial for the Company

The Board of Directors considered that the redemptions were carried out in order to allow the Company to partially redeem the Undated Deeply Subordinated Notes issued by the Company on April 20, 2021 for a total amount of €3 billion and fully subscribed by the French State, by way of setting of receivables that it held against the Company under the shareholder's current account agreement of May 6, 2020, between the French State and the Company. The outstanding principal amount of Undated Deeply Subordinated Notes to be redeemed now amounts to €595,000,000 and corresponds to 5,950 NR6 Deeply Subordinated Notes.

Commercial cooperation agreement between Air France-KLM, Air France, KLM, CMA CGM Air Cargo and CMA CGM

Persons concerned

- CMA CGM, a shareholder of the Company with 8.3% of the voting rights; and
- Rodolphe Saadé, director appointed by the Annual General Shareholders' Meeting of the Company on May 24, 2022 as proposed by CMA CGM.

Nature, purpose and conditions

On December 9, 2022, the Company entered into a commercial cooperation agreement for air cargo with Air France, KLM, CMA CGM Air Cargo and CMA CGM, which holds 9% of the Company's share capital (the "Cooperation Agreement"). The Board of Directors of the Company authorized the Cooperation Agreement in advance at its meeting on December 8, 2022.

The main terms and conditions of the Cooperation Agreement, as well as those of CMA CGM's investment in the Company's capital through a capital increase carried out by the Company on June 16, 2022 (the "Investment"), were approved on May 17, 2022 by the Company's Board of Directors.

The Cooperation Agreement covers cargo capacity in the air freight sector, and will enable the Air France-KLM and CMA CGM groups to pool their cargo networks, their all-cargo aircraft capacity and their services dedicated to this sector, and to jointly market their air freight capacity.

The Cooperation Agreement was entered into for an initial period of ten years from its entry into force once the usual conditions for this type of transaction have been met.

The parties' objective is to be able to begin commercial cooperation in the second quarter of 2023, subject to the approval of the relevant legal and regulatory authorities.

In this context, the Company and CMA CGM agreed on November 28, 2022, by way of an amendment to the Investment Agreement dated May 22, 2022, to extend from December 1, 2022 to December 9, 2022 the early expiration period of CMA CGM's undertaking to retain the shares of the Company made at the time of the Investment. In view of the signature of the Cooperation Agreement on December 9, 2022, this lock-up undertaking will remain in force, in accordance with its terms.

Reasons why the agreement is beneficial for the Company

The Cooperation Agreement is expected to generate revenue synergies for the Company, particularly through the joint definition of all-cargo aircraft networks and opportunities offered by the extension of the range of transport products and services offered. The Cooperation Agreement will build on the strength of the Air France-KLM brand, its experience and capacities in air cargo, supported by its global cargo network. CMA CGM will mobilize its extensive sales network and capacities and complement this offering with innovative logistics and multimodal solutions.

The Cooperation Agreement is a commercial agreement, the costs and benefits of which for the Company are not quantifiable at this stage. It had no impact on the financial statements for the financial year 2022.

Agreements already approved by the Annual General Shareholders' Meeting

Agreements approved in previous years that continued to be implemented during the year

In accordance with Article R. 225-30 of the French Commercial Code, we were informed of the following agreements,

approved by the Annual General Shareholders' Meeting in previous years, which continued to be implemented during the year.

Subscription Agreement for the issue of Undated Deeply Subordinated Notes entered into on April 20, 2021

Persons concerned

- the French State, a shareholder owning more than 10% of voting rights;
- > Astrid Panosyan, until her resignation on June 21, 2022, and Jean-Dominique Comolli, both members of the Board of Directors of the Company, appointed by the Annual General Shareholders' Meeting as proposed by the French State;
- Pascal Bouchiat co-opted as a director on October 3, 2022, as proposed by the French State, to replace Astrid Panosyan; and
- > Stéphanie Besnier, director representing the French State appointed by ministerial order.

Nature, purpose and conditions

As indicated in the "Redemption of part of the Undated Deeply Subordinated Notes" agreement above, within the framework of the Group's recapitalization plan announced on April 6, 2021, the Company entered into a Subscription Agreement on April 20, 2021 relating to the issue by the Company and the subscription by the French State of Undated Deeply Subordinated Notes for a total amount of \notin 3 billion.

This agreement remained in effect in 2022 and gave rise to partial redemptions, described in the above section regarding the agreement authorized and entered into during the year.

Extension of the cooperation agreement between the Company, Air France, KLM and China Eastern Airlines

Persons concerned

- > China Eastern Airlines Co Ltd. ("China Eastern Airlines"), a shareholder with 5.7% of the voting rights; and
- Jian Wang, director appointed by the Annual General Shareholders' Meeting, as proposed by China Eastern Airlines.

Nature, purpose and conditions

As part of the Group's recapitalization plan announced on April 6, 2021, the Company entered into an agreement with China Eastern Airlines on June 23, 2021 to accelerate their efforts to deepen and broaden their existing and future cooperation, and further strengthen their partnership for transportation services between China and Europe (the "CEA Commercial Agreement").

The CEA Commercial Agreement sets out the ambitions for the expansion of the cooperation between China Eastern Airlines, the Company, Société Air France and Koninklijke Luchtvaart Maatschappij N.V. ("KLM"). The parties intend to intensify their commercial cooperation (exclusive joint-venture partnership from January 1, 2022 for passenger air transportation between Europe and China, improved code-share offer, closer alignment of fares and sales policy, etc.) and extend cooperation.

In particular, the parties undertake to:

- add the Paris Beijing and Amsterdam Beijing routes to the CEA Commercial Agreement, upon satisfaction of the agreed conditions;
- accelerate their efforts to deepen the existing cooperation on business, operational, marketing and innovation policies, including through staff exchanges;
- explore new opportunities for cooperation in passenger transport in particular in the domains of competition rules, alliances and technologies;
- explore synergies in areas such as ground services, catering, maintenance and non-aviation-related areas such as tourism, hotels and car rental; and
- strengthen the strategic coordination within the SkyTeam alliance and IATA.

French State-backed loan entered into on May 6, 2020, as amended on December 10, 2021

Persons concerned

- the French State, a shareholder owning more than 10% of the voting rights;
- > Astrid Panosyan, until her resignation on June 21, 2022, and Jean-Dominique Comolli, both members of the Board of Directors of the Company, appointed by the Annual General Shareholders' Meeting as proposed by the French State;
- Pascal Bouchiat co-opted as a director on October 3, 2022, as proposed by the French State, to replace Astrid Panosyan; and
- > Stéphanie Besnier, director representing the French State appointed by ministerial order.

Nature, purpose and conditions

To address the impacts of the Covid-19 crisis on the Group's cash position, on May 6, 2020, the Company entered into a \notin 4 billion loan agreement, granted by a consortium of banks and 90% guaranteed by the French State under the scheme set up by Law No. 2020-280 of March 23, 2020 (the "French State-backed loan"). The French State held 14.3% of the Company's share capital when the agreement was entered into.

In order to smooth the repayment profile of the French State-backed loan beyond its 2023 maturity date and thus balance the Group's consolidated debt maturity schedule, the Board of Directors, at its meeting on October 11, 2021, authorized the signing, on December 10, 2021, of an amendment to the French State-backed loan (the "Amendment") with the consortium of banks and the French State, following the approval of the European Commission.

The maturity of the French State-backed loan, initially set at one year, with an option for the borrower to renew once for a period of one or two years, was contractually set at May 7, 2023, after the exercise by the Company of the two-year extension option in February 2021.

The Amendment modified the following provisions of the French State-backed loan:

- the final maturity date of the French State-backed loan was extended by a further two years and therefore set at May 6, 2025;
- > repayment of the French State-backed loan in instalments according to the following schedule:
 - €500 million at the date of signature of the Amendment. The funds to make this early repayment came from the proceeds of the June 24, 2021 bond issues,
 - €800 million as at May 6, 2023,
 - €1.35 billion as at May 6, 2024, and
 - €1.35 billion as at May 6, 2025;

- interest rate of the French State-backed loan: 3-month Euribor (with a floor at zero) with an annual margin of between 0.75% and 2.75%, it being specified that this margin will now apply according to the following schedule 1.50% from May 6, 2021 (inclusive) to May 6, 2022 (exclusive) and 2.75% from May 6, 2022;
- > guarantee commission to be applied according to the following schedule: 1.0% from May 6, 2021 (inclusive) to May 6, 2023 (exclusive) and 2.0% from May 6, 2023. Until May 6, 2023 (exclusive), it will be calculated on the basis of the initial amount of €4 billion. Thereafter, the calculation basis will be reduced by the above-mentioned repayments.

Mandatory repayment clauses ("Mandatory Prepayments") are provided for in the agreement, in particular in the case of debt issues resulting from capital market transactions on the bond market, up to a limit of 75% of the amounts raised, excluding hybrid instruments, convertible bonds or quasi-equity repayments to be made under bond and convertible bonds existing on the date of signature of the Amendment and whose maturity falls during the term of the French State-backed loan as extended.

It should be specified that, following the prepayment of \leq 1 billion on November 7, 2022, the total outstanding amount of the French State-backed loan was reduced to \leq 2.5 billion, with the following repayment profile:

- May 2024: partial repayment of €1.15 billion, leaving an outstanding amount of €1.35 billion;
- > May 2025: final repayment of €1.35 billion (there will be no outstanding debt after this date).

The investment expenses incurred by the Company in respect of the French State-backed loan amounted to €125 million in 2022.

Framework Agreement between the Company, KLM and the Dutch State

Persons concerned

- the Dutch State, shareholder owning more than 10% of the voting rights;
- > Dirk van den Berg, director appointed by the Annual General Shareholders' Meeting as proposed by the Dutch State; and
- Cees't Hart and Benjamin Smith, directors of both the Company and KLM.

Nature, purpose and conditions

On August 7, 2020, the Company entered into a Framework Agreement with KLM and the Dutch State, which holds 14% of the Company's share capital, within the framework of the financial support plan granted by the Dutch State to KLM, a subsidiary of the Company, in order to enable KLM to meet its emergency liquidity need following the Covid-19 pandemic crisis and to prepare for the future.

This financing, previously authorized on June 25, 2020 by the Company's Board of Directors, for a total amount of \in 3.4 billion, was structured as follows:

 a €2.4 billion revolving credit facility, granted to KLM by 11 banks and 90% guaranteed by the Dutch State; and > a €1.0 billion direct loan from the Dutch State to KLM, subordinated to the revolving credit facility.

The loans were granted subject to a number of conditions, including the fulfilment of the Company's sustainability commitments, the restoration of KLM's performance and competitiveness, including a comprehensive restructuring plan, and the contribution of its employees. KLM also undertook to suspend the payment of dividends to its shareholders until the two loans had been repaid in full.

During the first half of 2022, KLM repaid the amounts made available under the revolving credit facility (€665 million) and the subordinated loan (€277 million), but the Framework Agreement was not terminated.

Amendment to the financial settlement terms for the joint-ventures entered into with (i) Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd. and (ii) China Eastern Airlines Co. Ltd. (the "joint-venture Agreements") within the context of the Covid-19 crisis

Persons concerned

- Delta Air Lines Inc. ("Delta"), a shareholder with 4% of the voting rights and a director of the Company, represented by Alain Bellemare;
- China Eastern Airlines Co Ltd. ("China Eastern Airlines"), a shareholder with 5.7% of the voting rights; and
- > Jian Wang, director appointed by the Annual General Shareholders' Meeting, as proposed by China Eastern Airlines.

Nature, purpose and conditions

On December 4, 2020, the Board of Directors of the Company authorized, in accordance with the provisions of Article L. 225-38 of the French Commercial Code:

- 1) the amendment of the financial conditions relating to the settlement (a financial mechanism to allocate the revenues and costs generated by the joint-venture) provided for in the Blue Skies joint-venture agreement (entered into on May 15, 2018 and amended in October 2019), for 2020. In this respect, each party waives and agrees to permanently waive any rights it may have with respect to amounts due to it under the joint-venture agreement for 2020. The term of this waiver was extended to 2021 and 2022 by mutual agreement between the parties, due to the duration of the impacts of the Covid-19 pandemic on the joint-venture's operations; and
- 2) the suspension of the financial conditions relating to the settlement (a financial mechanism to allocate the revenues generated by the joint-venture) provided for in the joint-venture agreement entered into with China Eastern Airlines Co. Ltd. on November 26, 2018.

In this context, each party agrees to waive all payments under the joint-venture agreement, as of February 1, 2020 and for a period to be mutually agreed between the parties depending on the duration of the effects of the Covid-19 pandemic on the joint-venture.

This waiver was decided in order to avoid uncertain and potentially significant financial exposure for all partners, given the context of the health crisis. It continued to be implemented in 2022.

Given the amendment of the financial conditions relating to the settlement in the joint-venture agreements, it was not necessary to calculate the impact that would have resulted from the application of these conditions.

Transatlantic partnership between the Company, Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd.

Persons concerned

> Delta Air Lines Inc. ("Delta"), a shareholder with 4% of the voting rights and a director of the Company, represented by Alain Bellemare.

Nature, purpose and conditions

On October 30, 2019, the Board of Directors mandated the Company's management to finalize discussions and negotiate amendments to the agreements authorized at the Board meetings of March 14 and May 15, 2018, in order not to proceed with the Company's planned investment of 31% of the share capital of Virgin Atlantic Limited. This decision resulted in the amendment of the following agreements:

- > termination of the Share Purchase Agreement ("SpA") between Air France-KLM Finance SAS and Virgin Investments Limited, enabling the Company, through its wholly-owned subsidiary, Air France-KLM Finance SAS, to acquire 31% of the share capital of Virgin Atlantic, and termination of agreements ancillary to the SpA;
- > amendment and update to the Joint Venture Agreement between Delta Air Lines Inc, Virgin Atlantic Airways Limited, the Company, KLM and Air France to establish a commercial joint-venture between the Company, Delta Air Lines, Inc, Virgin Atlantic Airways Limited, Air France and KLM (entered. into on January 30, 2020 with effect from January 1, 2020), in order to reflect the termination of the SpA;
- amendment and update to the Implementation Agreement between the Company, Air France-KLM Finance SAS, Air France, KLM, Delta Air Lines, Inc, Virgin Investments Limited, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Sir Richard Branson (entered into on January 9, 2020 with effect from January 1, 2020), to reflect *inter alia* the termination of the SpA;
- > signature of the agreement between the Company, Delta and Virgin Group (entered into and effective as of January 30, 2020) giving the Company, subject to specific conditions, a right to acquire shares in Virgin Atlantic Limited in the event of the disposal by Virgin Group of shares in Virgin Atlantic Limited to a third party.

The Blues Skies joint-venture was further amended in 2020: see previous paragraph above "Amendment to the financial settlement terms for the joint-ventures (...)".

Commitments relating to severance pay for Benjamin Smith, Chief Executive Officer of the Company

Persons concerned

> Benjamin Smith, Chief Executive Officer of the Company.

Nature, purpose and conditions

On August 16, 2018, the Company's Board of Directors authorized, in accordance with the provisions of the previous Article L. 225-42-1 of the French Commercial Code (repealed by Order no. 2019-12 34 of November 27, 2019), the granting of a severance payment to Benjamin Smith, the Company's Chief Executive Officer, which would apply in certain cases of departure, in particular in the event of removal from office, non-renewal of his term of office as Chief Executive Officer or forced departure linked to a change in control.

> Paris-La Défense, March 23, 2023 **KPMG S.A.** Valérie Besson Éric Dupré Partner Partner

It should be specified that the cases of forced departure enabling the implementation of this severance payment do not include any serious misconduct by the Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the basis of the severance payment is equivalent to two years of his fixed and variable annual compensation (according to specific calculation methods referring, depending on the case, to the target variable compensation in the event of departure during the first 24 months).

A coefficient (between 0% and 100%) will be applied to the basis of the severance payment, depending on the performance of the Chief Executive Officer, according to the achievement rate of the performance criteria for the annual variable component of his compensation during the last two financial years of his term of office (or since his appointment, in the event of a departure during the first two years). It is the responsibility of the Board of Directors to record the achievement of these performance criteria.

Neuilly-sur-Seine, March 23, 2023 **PricewaterhouseCoopers Audit** Philippe Vincent Amélie Jeudi de Grissac Partner Partner 5



OTHER INFORMATION

6.1	History	438
6.2	General information	440
6.3	Information on the agreements concluded in connection with	
	the business combination between Air France and KLM	441
6.3.1	Agreements relating to the KLM shareholding structure	441
6.3.2	Agreements with the Dutch State	441
6.3.3	Assurances given to KLM	442
6.4	Legislative and regulatory environment for the air transport industry	443
6.4.1	Freedoms of the air and international conventions	443
6.4.2	European legislation	444
6.4.3	Other legal aspects of Air France-KLM's activities	446
6.5	Information and control	447
6.5.1	Person responsible for the Universal Registration Document	
	and for the Annual financial report	447
6.5.2	Certification by the person responsible	447
6.5.3	Statutory Auditors	447
6.5.4	Head of Investor Relations	448
6.5.5	Documents available to the public	448

6.1 HISTORY

Two companies born on the same day

ి₋ి- October 7, 1919

KLM, Koninklijke Luchtvaartmaatschappij, is founded, Royal Dutch Airline for the Netherlands and its colonies.

ి_{-న}ి- October 7, 1933

Air France is born from the combination of five French airlines (Air Union, Air Orient, Société Générale de Transport Aérien (SGTA), CIDNA and Aéropostale).

Air France and KLM jointly operate the Amsterdam-Rotterdam-Paris route within the framework of a commercial agreement.

్ని 1934

First KLM transatlantic flight from Amsterdam to Curaçao in a Fokker F-XVIII Snip.

Air transportation and the two companies take off

¹-ని- 1945-46

Air France is nationalized.

KLM flights, interrupted by the war, resume service.

Introduction of scheduled flights to New York in DC-4s, from Paris with Air France and from Amsterdam with KLM. At this time, the flight takes nearly 24 hours.

Air France and KLM are equipped with Constellations and engage in mutual assistance.

్ని 1958

Air France and KLM inaugurate the polar route, flying from Paris and Amsterdam to Tokyo *via* the North Pole.

^{_1}్న^{_1} 1959-1960

Arrival of the jet era: Air France brings the first Caravelles and B707s into service, reducing the duration of the Paris-New York flight to eight hours. KLM brings its first DC-8 aircraft into service.

_ఎ్. 1961

Air France bases its operations and maintenance at Orly Sud.

^{_1}్న^{_1} 1967

First KLM flight takes off from the new Schiphol airport.

^{_1}్న¹ 1970-71

The Boeing 747 is first used on long-haul routes by Air France in 1970 and by KLM in 1971.

^{_1}్న^{_1} 1974-1982

Air France operations move, in 1974, to the new Terminal 1 at Paris-Charles de Gaulle, then to CDG 2 in 1982.

్ని 1976

The supersonic airplane, Concorde, is brought into service, first on the Paris-Rio, Paris-Caracas and Paris-Washington routes then, in 1977, on Paris-New York, connecting the two cities in three hours 45 minutes.

Development of the two majors

^{ച്}ച്ച് 1989

Conclusion of an alliance, the first in the history of air transportation, between KLM and the US company Northwest Airlines.

్సి 1990

Air France acquires UTA (*Union des Transports Aériens*), founded in 1963.

^{_1}్చ^{_1} 1991

KLM founds a regional company, KLM Cityhopper, by merging NLM Cityhopper and NetherLines, and reinforces its shareholding in Transavia from 40% to 80%.

^{_1}-ని 1992

Air France and UTA merge, giving Air France a 72% stake in Air Inter after combining its own shareholding in that company with that of UTA.

KLM establishes the first European medium-haul/long-haul transfer platform at Schiphol airport.

First Open Skies agreement between the Netherlands and the United States.

^{_1}్న¹ 1993

All KLM and Northwest Airlines flights between Europe and the United States are operated within a joint-venture.

^{_1}్న¹ 1996

Air Inter becomes Air France Europe.

Establishment of Air France's medium-haul/long-haul transfer platform at Paris-CDG.

¹-ని 1997

Air France Europe is merged with Air France.

^{_1}్న¹ 1999

Air France is listed for trading on the Monthly Settlement Market of the Paris Stock Exchange for the first time on February 22, 1999.

్ని 2000

Air France, Aeromexico, Delta Air Lines, Inc. and Korean Air found the SkyTeam and SkyTeam Cargo alliances.

Creation of the Air France regional division following the acquisition of Régional Airlines, Flandre Air, Proteus, Brit Air and CityJet.

్ని 2001

Open Sky agreement signed between France and the United States

Alitalia and CSA Czech Airlines join SkyTeam.

Creation of Air France-KLM, the leading European air transport group

September 30: Air France and KLM announce their intention to merge through a public exchange offer.

May: Air France-KLM shares are listed for trading on the Euronext Paris and Amsterdam markets as well as on the New York Stock Exchange. Privatization of Air France with the transfer of the majority of its shares to the private sector involving the dilution of the French State's shareholding.

September: Finalization of the Group's organizational structure with the creation of the Air France-KLM holding company, regrouping the two airline subsidiaries, Air France and KLM. KLM and its US partners Northwest Airlines and Continental join the SkyTeam alliance.

December: The French State reduces its shareholding from 44% to 23% by selling shares in the market.

్ని 2005-06

The French State reduces its shareholding in Air France-KLM from 23% to 18.6% by selling shares within the framework of the share offer (ORS) reserved to Air France employees.

్ని 2006-07

Signature of the Open Skies agreement between Europe and the United States to come into force in March 2008.

్ని 2008-09

The US Department of Transportation grants Air France, KLM, Delta Air Lines. Inc. and Northwest anti-trust immunity with the obligation to establish a single transatlantic joint-venture between these four airlines before the end of 2009

Air France-KLM acquires a 25% equity interest in Alitalia.

_ఎ్. 2009-10

In April, Air France - KLM and Delta Air Lines, Inc. implement the joint-venture on the North Atlantic joined, in July 2010, by Alitalia.

్ని 2012

Launch of the "Transform 2015" plan targeting a €2 billion reduction in net debt, the restoration of the Group's competitiveness and a turnaround in the short and medium-haul network.

్ని 2014

In early September, the Group unveils its new strategic plan, "Perform 2020", foreseeing an ongoing improvement in competitiveness and an increase in the Group's exposure to growth markets.

ິງ 2**015** The B787 enters the KLM fleet.

Air France-KLM returns to the offensive with the launch of the new "Trust Together" strategic project.

_ఎ్. 2017

Air France - KLM takes a further major step in the reinforcement of its strategic partnerships when China Eastern Airlines and Delta Air Lines, Inc. become shareholders.

പ്പ് 2018

Anne-Marie Couderc is appointed Chair of the Air France-KLM Board of Directors. Benjamin Smith is appointed Chief Executive Officer.

¹-ని 2019

The longest-standing commercial airline in the world still to be flying under its original name, on October 7, 2019 KLM celebrates its centenary.

The Dutch State acquires 14% of the Air France-KLM share capital.

Faced with the Covid-19 crisis, the Group undergoes a transformation

చి్చి- 2020

The public health crisis linked to the Covid-19 pandemic has a major impact on the airline industry and Air France-KLM's activity throughout 2020. Air France-KLM implements a number of strong measures to reduce its costs and preserve cash. The Group also benefits from financial support packages from the French and Dutch States.

్ని 2021

The Covid-19 crisis had a significant impact on the Group's results and financial position in the 2021 financial year and will continue to do so, in a context where visibility on the recovery of demand is limited, with travel restrictions still in place in most destinations served by the Group.

In 2021, in order to strengthen its cash position, the Group puts in place various measures which are approved by the European Commission as part of its decision to authorize an intervention by the French State of up to €4 billion to recapitalize Air France and its holding company.

్ని 2022

In 2022, in a challenging economic and geopolitical context, the Air France-KLM Group records a strong performance, with a positive net result of €738 million.

Successfully capturing the strong demand for travel, Air France and KLM repays more than €4 billion of State Aid from the French and Dutch governments and, at the same time, invest in the renewal of their fleet and sustainable aviation fuel (SAF).

6.2 GENERAL INFORMATION

Corporate name

Air France-KLM

Trade name Air France-KLM Group

Registered office

7 rue du Cirque, 75008 Paris Tel.: +33 (0)1 43 17 20 20

Mailing address

7 rue du Cirque, 75008 Paris

Website

www.airfranceklm.com

The Company information figuring on the website is not an integral part of this Universal Registration Document, excepting incorporation by reference.

Legal status

French public company (*société anonyme*) with a Board of Directors

Legislation

French law

Air France – KLM is governed by the French Code of Commerce (*Code de Commerce*) and the provisions of the Civil Aviation (*Code de l'Aviation Civile*) and Transport (*Code des transports*) Codes relating to air transport companies and notably to Air France. The Transport Code (*Code des Transports*) contains a provision designed to safeguard the nationality of air transport companies whose shares are listed for trading on a regulated market.

Incorporation and expiry dates

Incorporated on: April 23, 1947 Due to expire on: July 3, 2045 barring early liquidation or extension

Corporate purpose (Article 2 of the Articles of Incorporation)

The primary purpose of Air France-KLM is to hold direct or indirect interests in the capital of air transport companies and, more generally, in any companies in France or elsewhere whose purpose is related to the air transport business.

Trade register

Paris Trade and Company Register: 552,043,002 APE Code: 6420Z

Legal Entity Identifier

969500 AQW31GYO8JZD66 (LEI Code)

Consultation of legal documents

The legal and corporate documents relating to Air France-KLM may be consulted at 7, rue du Cirque, 75008 Paris.

Financial year

The financial year begins on January 1 and ends on December 31.

Appropriation of income

After approving the financial statements and taking due Note of the income available for distribution, the shareholders vote in the Shareholders' Meeting on the total or partial distribution of such income (with, in the latter case, the appropriation of the undistributed balance to one or more reserve accounts), or the appropriation of all distributable income to one or more reserve accounts.

Relations between Air France-KLM and its subsidiaries

Air France-KLM and its subsidiaries Air France and KLM have signed agreements whose aim is to define the conditions under which Air France and KLM, at the request of Air France-KLM, provide technical and administrative support services to Air France-KLM (intra-group accounting, administrative, legal, financial and IT services).

6.3 INFORMATION ON THE AGREEMENTS CONCLUDED IN CONNECTION WITH THE BUSINESS COMBINATION BETWEEN AIR FRANCE AND KLM

In connection with the business combination taking place in 2004 between Air France and KLM for the creation of the Air France-KLM holding company, agreements were entered into

with various stakeholders, some of whose provisions continue to apply as of the date of this Universal Registration Document.

6.3.1 Agreements relating to the KLM shareholding structure

Holding of shareholder voting rights by two Dutch foundations

In order to continue to comply with specific regulatory requirements relating to KLM air transport operations, a system to separate the rights attached to KLM shares and the exercise of the voting rights attached to these shares by two Dutch foundations (SAK I and SAK II) was put in place in 2004.

Pursuant to this system which is still in force, Air France-KLM held, as at December 31, 2022, 93.84% of KLM's economic rights, 99.70% of KLM's dividend rights and 49% of KLM's voting rights, while the two Dutch foundations held, together, 44.84% of KLM's voting rights.

Furthermore, as at December 31, 2022, the Dutch State held 5.92% of KLM's voting rights and the remaining minority shareholders held 0.24% of KLM's voting rights and 0.30% of its dividend rights.

In KLM Shareholders' Meetings, the two Dutch foundations, SAK I and SAK II, exercise the voting rights they hold in accordance with decisions taken unanimously by the three Board directors constituting their respective Boards of Directors, it being specified that these Board directors must act in accordance with the corporate governance principles defined in the agreements relating to the business combination between KLM and Air France, and in the best interests of KLM, Air France-KLM and its shareholders. If a unanimous decision cannot be reached by the three Board directors in the Board of Directors for each of the Dutch Foundations, no resolution may be passed by the Board of the relevant Foundation, which consequently cannot then vote on the relevant resolutions in the KLM Shareholders' Meeting.

Amongst the three Board directors for each of the foundations, one member is appointed by Air France-KLM, one by KLM and the third, acting in the capacity of Chair of the Foundation, is appointed by the first two directors, it being specified that the majority of the members of the Boards of Directors of each Foundation, including the Chair, must be Dutch residents.

Unilateral termination option for Air France-KLM at any time

Initially incorporated in 2004 for a three-year period, the two SAK I and SAK II foundations were however extended for an unlimited period by a 2007 agreement. Nevertheless, this agreement provides that Air France-KLM may, at any time as of May 6, 2007 and at its sole discretion, terminate this administered shareholding structure for KLM shares through SAK I and SAK II and proceed to regroup the economic and voting rights attached to the KLM shares, thereby holding 93.84% of KLM's voting rights.

6.3.2 Agreements with the Dutch State

To enable the completion of the business combination and safeguard KLM's traffic rights, airline status and the scale of its network and operations at Schiphol, Air France and KLM entered into the following agreements with the Dutch State.

Agreement for the acquisition of cumulative preference A shares held by the Dutch State

On October 16, 2003, Air France, KLM and the Dutch State signed an agreement pursuant to which the Dutch State agreed to decrease its interest in KLM proportionately to any reduction by the French State of its stake in Air France-KLM. To this end, the Dutch State will sell its cumulative preferential A shares to Air France-KLM or to SAK I on behalf of Air France-KLM as long as this foundation is maintained. In such case, SAK I will issue share certificates to the benefit of Air France-KLM corresponding to the cumulative preferential A shares transferred to SAK I. These share certificates confer to Air France-KLM the economic right attached to the transferred cumulative preferential A shares, i.e. a right to a dividend, the corresponding voting rights being exercised by SAK I until the share certificates have been exchanged by Air France-KLM against the said shares.

In March 2005, pursuant to the agreement, 5,103,885 cumulative preference A shares were transferred by the Dutch State to SAK I on behalf of Air France-KLM, which received, in return, SAK I share certificates.

At the end of the initial three-year period (2004 to 2007), Air France-KLM had the option to exchange the share certificates against cumulative preferential A shares, and to directly hold the cumulative preferential A shares. Having decided, in 2007, to maintain the SAK I and SAK II foundations, Air France-KLM did not proceed with this exchange but could still do so at any time, in whole or in part. In addition, Air France-KLM is free to decide to dissolve the foundations at any time and at its sole discretion.

Furthermore, the Dutch State benefits from the right to transfer, at any time, as many cumulative preferential A shares as it wishes to Air France-KLM.

These agreements relating to the cumulative preferential A shares remain in force.

Option for the Dutch State to subscribe for preferential KLM B shares

This option granted to the Dutch State lapsed in May 2010.

Assurances given to the Dutch State

Nature and duration of the assurance

- Unilateral termination option

Within the framework of the 2004 business combination, Air France and KLM granted the Dutch State, for an initial eight-year period starting from the completion of the business combination (i.e. expiring in 2012), various assurances as to KLM's airline status, its air services and the scale of its passenger and cargo operations at Schiphol airport with a view to maintaining the quality of KLM's network at Schiphol which, according to the Dutch State, is of public interest, while at the same time taking into account the interests of the Air France-KLM Group and its shareholders (the "Assurances").

In return for these Assurances, the Dutch State undertook to take the importance of KLM's activities at Schiphol into consideration when defining its civil aviation policy. Furthermore, the Dutch State agreed to:

- maintain the existing portfolio of traffic rights granted to KLM, other than those that have not been used by KLM over a cumulative period of twelve months;
- continue to review any future request submitted by KLM for the allocation of new traffic rights on a fair and non-discriminatory basis.

Pursuant to an agreement entered into on May 25, 2010, the Dutch State, Air France-KLM and KLM agreed to extend the Assurances given to the Dutch State, with the exclusion, however, of an assurance foreseeing that the combined growth should not negatively impact KLM's operations in the passenger and cargo segment, beyond May 5, 2012 for an indefinite period, subject to Air France-KLM's right to terminate these Assurances, at its sole discretion, with prior notice of nine months. This agreement was confirmed by a meeting between, *inter alia*, the Minister for Transportation of the Netherlands, the Chairman and Chief Executive Officer of Air France-KLM and the President of the Management Board of KLM which took place on March 12, 2015.

Mechanism to ensure compliance with the Assurances

Air France and KLM set up a Dutch foundation, known as the KLM Assurances Foundation (*Stichting Assurances KLM* - duration extended in 2010) to facilitate the provision of binding advice (*bindend advise*) on the interpretation of the Assurances granted to the Dutch State (the "Advice"). These advices are issued by a KLM Assurances Foundation Committee in the event that a decision taken by the KLM Supervisory Board, KLM Management Board or Air France-KLM Board of Directors is considered to be in conflict with the Assurances given to the Dutch State.

When giving its Advice, the KLM Assurances Foundation must act in the best interests of KLM, the Air France-KLM Group and its shareholders.

The Committee is composed of three members:

- > one member appointed by Air France-KLM;
- > one member appointed by the Dutch State; and
- one member jointly appointed by the first two members as well as by a Board member of the KLM Assurances Foundation appointed by KLM who is not a Committee member; it being specified that the member appointed by Air France-KLM has a double voting right for the appointment of the third Committee member.

The filing of a case with the Foundation's Committee relating to a decision taken by the KLM Supervisory Board, the KLM Management Board or the Air France-KLM Board of Directors can be made by the Dutch State only in relation to the Assurances given to it.

If the KLM Assurances Foundation Committee issues an Advice indicating that the decision submitted to it contravenes the Assurances given to the Dutch State, the KLM Supervisory Board, the KLM Management Board or the Air France-KLM Board of Directors will be required to cancel or amend its decision as soon as possible and nullify the effects of any measure taken in connection with the said decision, in accordance with the issued Advice. The Committee's decisions are adopted by majority vote of its members.

As at December 31, 2022, no Advice had been rendered by the KLM Assurances Foundation Committee.

6.3.3 Assurances given to KLM

The assurances granted to KLM have been null and void since May 6, 2009.

6.4 LEGISLATIVE AND REGULATORY ENVIRONMENT FOR THE AIR TRANSPORT INDUSTRY

Commercial air transport is governed by eight freedoms, national and supranational legislation, and various international conventions that each State undertakes to apply in its air space after their ratification.

6.4.1 Freedoms of the air and international conventions

In addition to the eight freedoms of the air established by the Chicago Agreements relating to transit and transport (1944), three main treaties establish the legal and regulatory framework for commercial aviation: the Chicago Convention (1944), the Montreal Convention (1999) and the Tokyo Convention (1963). A fourth treaty, the Rome Convention (1952), covers damage caused to third parties on the ground.

Freedoms of the air

Under a bilateral treaty, an air carrier has freedoms that allow it to operate in the air space and the territory of a State other than its State of origin. These eight freedoms are as follows:

- 1st freedom A carrier that leaves from its State of origin has the right to overfly the air space of a foreign State;
- > 2nd freedom A carrier that leaves from its State of origin has the right to make a technical layover without unloading or loading passengers in a foreign State. This freedom is the "transit right";
- 3rd freedom A carrier that leaves from its State of origin has the right to unload passengers from its State of origin in a foreign State;
- 4th freedom A carrier that leaves from a foreign State has the right to load passengers in this foreign State and unload them in its State of origin;
- 5th freedom A carrier that leaves from its State of origin has the right to unload and load passengers in two successive foreign States;
- 6th freedom A carrier that leaves from a foreign State has the right to load passengers in that State and unload them in its State of origin, then in another foreign State;
- 7th freedom A carrier that leaves from a foreign State has the right to load passengers in that State to unload them in another foreign State, without going through its State of origin;
- Sth freedom A carrier that leaves from its State of origin has the right to load passengers in a foreign State, to unload them in another city in this same foreign State.

The Chicago Convention (1944)

The Convention relating to international civil aviation, known as the Chicago Convention, sets out the legal, regulatory and technical rules governing commercial aviation and its Member State signatories are required to implement a common legal framework governing their domestic air space and their relations with one another.

Signed on December 7, 1944, the Chicago Convention established the International Civil Aviation Organization (ICAO) as the instrument of cooperation between the 193 signatory States in all areas of civil aviation.

The Montreal Convention (1999)

The Montreal Convention of May 1999, ratified to date by 136 States, aims to provide better protection for passengers suffering damages. This convention entered into force on June 28, 2004. It is based on several fundamental provisions, notably the principle of the unlimited liability of air transport companies in the event of physical injury with the implementation of a two-tier system:

- a first tier that sets an objective liability for the air transport company of up to 128,821 Special Drawing Rights (SDR);
- > a second tier, based on a presumption of fault for the air transport company, for which the airline may be exempt if it proves that it or its agents or officials have not been negligent in any way or that the damages result exclusively from the acts of a third party.

The Rome Convention (1952)

The Rome Convention, signed in 1952, covers damages caused to third parties on the ground by foreign aircraft. This convention has not been ratified by France, the Netherlands or the United States. The ICAO's legal commission is currently involved in a major initiative to redraft the wording which would facilitate its ratification by making a distinction between everyday risk and terrorist risk.

The Convention intended to replace the Rome Convention, relating to compensation for damage caused to third parties following acts of unlawful interference with aircraft, signed in Montreal on May 2, 2009 by thirteen States, for the most part African, is still not applicable. It has only been ratified by three of the 35 States required for its entry into force.

The Tokyo Convention (1963)

The Tokyo Convention, in force since December 4, 1969, sets out the principles and establishes the procedures for handling offences against penal law (except those of a political nature and based on racial or religious discrimination) and acts endangering the safety of the aircraft or that of the persons and property on board.

One of the specific characteristics of this Tokyo Convention is that it recognizes certain powers and immunities of aircraft commanders, exonerating them, under certain conditions, from responsibility for any harm potentially caused to individuals committing such unlawful acts.

The Tokyo Convention (ratified by France in 1970) is currently the subject of a revision process within the ICAO.

6.4.2 European legislation

Single European air space

Within the European Union, these eight freedoms have been supplemented, since April 1, 1997, by common legislation that creates a homogeneous regulatory situation for all European carriers. All European airlines may freely operate and, in particular, perform cabotage operations within a single European air space. Furthermore, any resident of an EU Member State may hold a stake in the shares of any EU-registered airline, without limit, provided that the shareholder is not acting as a front for a beneficial owner who is not a citizen of an EU Member State. The existence of this legislation eliminates the need for bilateral agreements between EU Member States and does not prevent them from participating in the ICAO, nor does it conflict with the principles and regulations of the Chicago Convention.

Open Skies agreements between Europe and third-party countries

Based on mandates issued by the Council of Ministers, the European Union and its Member States have signed air transport agreements with the following third-party countries:

- > United States: the agreement signed in April 2007 was amended by a protocol of June 2010 enabling, notably, European airlines to operate an unlimited number of flights, aircraft and routes to the United States from any European airport with the freedom to set prices, and to operate their services within the framework of cooperation agreements with partners of their choice. This agreement does not change the US rules on ownership and control and, similarly, cabotage remains forbidden;
- Canada: the agreement signed in December 2009 offers EC carriers similar opportunities to those figuring in the agreement with the United States and also includes the same restrictions;

A Protocol to amend the Tokyo Convention was adopted in Montreal on April 4, 2014. It gathered the minimum of 22 ratifications required for its entry into force and is thus applicable in the States having ratified it. It was ratified by France at the beginning of 2021.

The Montreal Protocol expands the jurisdiction by recognizing, under certain conditions, the jurisdiction of the State of Landing and the State of the Operator over offences and acts committed on board aircraft. The establishment of such jurisdiction over offences is mandatory if the criteria stipulated in the Protocol are respected. Furthermore, the Protocol grants legal recognition and some protections to in-flight security officers. It also contains provisions covering matters such as intra-State coordination, due process of law and fair treatment.

- European Union neighboring countries: the agreement signed with Morocco in December 2006 was the first in a series of agreements signed with European Union neighboring countries: Georgia and Jordan in December 2010, Moldavia in June 2012 and Israel in June 2013. These agreements foresee the liberalization of bilateral air relations subject to the relevant countries adopting the EU aviation-related acquis;
- Balkan States (Albania, Bosnia, Macedonia, UNMIK, Montenegro, Serbia): the agreement signed in June 2006 aims to create a common air space. At the end of transition periods that vary by country, the Balkan airlines will benefit in Europe from the same traffic rights as EC airlines. At this stage, only the 3rd and 4th freedom rights have been liberalized;
- Qatar: the agreement signed in November 2021 aims, by 2024 and at the end of transition periods that vary by country, to liberalize access to the EC market for Qatari carriers, in return for provisions aimed at guaranteeing the financial transparency of the relevant air carriers and establishing a fair competition framework. At this stage only the 3rd and 4th freedom rights have been liberalized;
- > ASEAN (Association of Southeast Asian Nations): the agreement signed in October 2022 is the world's first block-to-block agreement to allow ASEAN and EU airlines to operate an unlimited number of flights between the two regions. In addition, airlines from each country in one block will be allowed to offer up to seven weekly passenger services and an unlimited number of cargo services to each country in the other block under fifth freedom traffic rights, *via* any third country or to any third country beyond. Note that Malaysia has a derogatory regime postponing the application of the agreement as far as it is concerned.

In April 2002, the European Union also signed an air transport agreement with Switzerland giving Swiss carriers, which are assimilated with EU carriers, access to all the intra-Community rights with the exception of cabotage.

Access to the market between France and States other than those mentioned above for which there are existing agreements at European Community level remains governed by bilateral aviation agreements signed between France and these third-party States.

Community air transport policy

The regulation applicable to air transportation within the European Union is primarily of European Community origin. The aims as outlined in the work programs of the European Commission are to reinforce the competitiveness of European Community airlines while insisting on the need to reduce the air transport industry's environmental impact and offer a high degree of passenger protection⁽¹⁾. The principal positive measures consist of establishing a legal framework favoring fairer competition between EU and third-party carriers, the effective implementation of the Single European Sky and a commitment to developing biofuels. The European Commission also proposed a series of measures known as the "Better Airports" package, aimed at reducing the cost of infrastructure use within the European Union. The latter initiatives have only come to very partial fruition due to persistent disagreements within the European institutions. A new European Commission Aviation Strategy was published on December 7, 2015 but the concrete consequences of the proposed measures remain to be evaluated. This strategy should notably be reflected in the adoption of a new EC commercial defense instrument aimed at protecting European airlines against competition from subsidized air carriers from third-party countries.

Management of airport time slots within the context of the pandemic

The regulation concerning the allocation of time slots at European Union airports sets the minimum threshold for slot use at 80%, failing which the airline loses the historic right to utilize these slots. Within the framework of the emergence of Covid-19, the European Commission obtained, by means of a delegated act by Member States, the option to define extraordinary thresholds. For the Summer 2021 Season, the threshold had been set at 50% and was maintained at this level for the 2021/22 Winter season.

For the 2022 Winter season, the EU Parliament and Council had opted for a gradual return to higher thresholds. Thus, on October 17, 2022, it was agreed that the minimum slot utilization rate would be set at 75% for the Winter 2022-2023 season. A return to 80% is planned for the summer 2023 season, unless the Commission adopts a delegated act in the event that a new crisis causes further disruption to air traffic.

European Green Deal and "Fit For 55" legislative package

On July 14, 2021, the European Commission presented a package of 15 draft legislative proposals aimed at reducing net greenhouse gas emissions by 55% by 2030. These draft proposals include four which directly impact the aviation sector:

- REFUELEU aims to set a mandatory minimum percentage of sustainable aviation fuel for flights on departure from all EU airports;
- > The revised EU-ETS Directive is targeting the phasing out of free quotas for airlines in the EU Carbon Market;
- The Energy Tax Directive aims to implement a tax on fuel, and the removal of the current exemption for aviation;
- > The Carbon Border Adjustment Mechanism is targeting the introduction of a Carbon Tariff on imported goods and services, and envisages its extension to airline operations over the medium term.

All these legislative proposals will continue to be debated at the European level during 2023.

(1) The passenger compensation rules are detailed in section 3.1.2 "Risks relating to the air transportation activity".

6.4.3 Other legal aspects of Air France - KLM's activities

Access to the main international airports is subject to the prior allocation of time slots. A European Regulation covers access to most so-called coordinated European airports (London, Paris, Frankfurt, Milan, Madrid, Amsterdam, etc.). Elsewhere in the world, the allocation of slots is generally done on the basis of recommendations issued by IATA in a Worldwide Slot Guidelines reference document. Countries nonetheless retain sovereignty for defining the modalities of slot allocation and may apply rules that differ slightly from the IATA recommendations (e.g. China, Japan, United States, Dubai, etc.).

For airports within the European Union, each Member State with coordinated airports under its responsibility, after consulting the airlines that regularly use the airports concerned, their representative organizations and the airport authorities, must designate a coordinator or an entity to be responsible for the allocation of slots and the monitoring of their use. Such individuals or entities must have specialized knowledge of coordinating aircraft routes for air transport companies.

Slots are allotted twice a year by the designated airport coordinator, at the same time as the airline flight schedules for the relevant IATA season.

The allocation procedure is as follows:

- airlines file their slot applications with the coordinator five months prior to the beginning of each season;
- the coordinator first allocates slots to airlines that already had slots the previous season (known as grandfather rights) for past operations;
- > a pool is then created that regroups, for each coordination period, all the available slots, whether they are newly created, unused, abandoned by a carrier or have become available for any other reason;
- > finally, the coordinator allocates half of the pooled slots to newcomers and the other half to the other operators.

Since slots are first allocated to existing long-standing operators, and given the expansion plans of all the airlines, requests for new slots are rarely satisfied at saturated airports.

At the end of this preliminary allocation (pre-coordination) process, a conference attended by virtually all airport coordinators and airlines is organized in order to enable the airlines to:

 simultaneously coordinate the slots they are allocated on different airports so that when they operate flights between two coordinated airports they are granted compatible slots by each of them; and

 exchange slots among themselves in the event that the slots originally allocated by the airport coordinators are unsatisfactory.

Within the framework of the public health crisis linked to Covid-19, Regulation No.95/93 was amended for the period from March 1, 2020 to October 24, 2020 to enable slots allocated for this period to be considered as having been operated by the air carrier to which they were initially granted. On October 14, 2020, in view of the continuing public health crisis and the weak demand for air transportation in the coming months, the European Commission decided to extend this exception from the requirement to the whole Winter scheduling season, i.e. until March 27, 2021. A further amendment to the Regulation enabling the easing of the conditions relating to the operation of slots and covering a period extending until the IATA Summer 2022 Season was adopted on February 16, 2021 (see also paragraph 3.1.2.3 "Loss of flight slots or lack of access to flight slots").

Reinforcement of passenger compensation rights

See section 3.1.2.4.

Framework for State Aid within the context of the public health crisis

In March 2020, the European Commission adopted a Temporary Framework to enable Member States to use the full flexibility foreseen under State Aid rules to support the economy and companies facing the consequences of the public health crisis. Recapitalization measures for companies by Member States were authorized within this framework until June 30, 2022. The implementation of measures to reinforce the Air France-KLM Group's liquidity (consisting of the guarantee by the State of a €4 billion bank loan (PGE) and a €3 billion loan from the French State, together with the guarantee by the Dutch State of a €2.4 billion revolving credit facility and a €1 billion loan from the Dutch State) was submitted for prior approval to the European Commission pursuant to the rules on State Aid, applying the aforementioned Temporary Framework. Similarly, the capital-strengthening measures in which the French State participated during 2021 (€593 million of shares subscribed during the capital increase and subscription to €3 billion of Deeply Subordinated Notes) were the subject of prior approval by the European Commission on April 4, 2021.

6.5 INFORMATION AND CONTROL

6.5.1 Person responsible for the Universal Registration Document and for the Annual financial report

Benjamin Smith, Chief Executive Officer of Air France-KLM.

6.5.2 Certification by the person responsible

April 24, 2023

I hereby declare that, to the best of my knowledge, the information contained in this Universal Registration Document reflects reality and that nothing has been omitted that would be likely to change the significance thereof.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and all the companies within the consolidation scope, and that the information contained in the management report, the cross-reference table of which appears on page 458 of this Universal Registration Document, provides a true and fair view of the changes in the business, results and financial position of the Company and all the companies within the consolidation scope, and that it outlines the main risks and uncertainties that they face.

Benjamin Smith

Chief Executive Officer of Air France-KLM

6.5.3 Statutory Auditors

Incumbent Statutory Auditors

PricewaterhouseCoopers Audit

63 rue de Villiers, 92208 Neuilly-sur-Seine Cedex **Represented by Philippe Vincent and Amélie Jeudi de Grissac** Starting date of first mandate: May 24, 2022 Mandated for a six-year period by the Shareholders' Meeting of May 24, 2022

KPMG Audit

A department of KPMG S.A. Tour EQHO, 2 avenue Gambetta CS60006, 92066 Paris-La Défense Cedex **Represented by Valérie Besson and Éric Dupré** Starting date of first mandate: September 25, 2002 Renewed for a six-year period by the Shareholders' Meeting of May 26, 2020

Deputy Statutory Auditors

Expiry of the mandate of the firm BEAS, the latter having been neither reappointed nor replaced

Expiry of Salustro Reydel's term of office, the latter having been neither reappointed nor replaced

6.5.4 Head of Investor Relations

Michiel Klinkers

Mailing address: Air France-KLM/AFKL.FI.IR, 7 rue du Cirque, 75008 Paris

Documents available to the public 6.5.5

Amongst the documents available on the Company's website (www.airfranceklm.com) figure, notably:

- > the 2021 Universal Registration Document;
- > the 2022 first-half financial report;
- the 2020 Universal Registration Document and the 2019, > the offering memoranda; > 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 Registration > the financial presentations; Documents filed with the Autorité des Marchés Financiers; > the Company's Articles of Incorporation.
- > the financial press releases (traffic, quarterly, half-year and annual results);

GLOSSARIES AND TABLES OF CONCORDANCE

Air transport glossary	450
Financial glossary	453
Table of concordance for the universal registration document	454
Information included by reference	457
Table of concordance for the annual financial report	458

AIR TRANSPORT GLOSSARY

D A4E

Airlines for Europe. On January 20, 2016, at the European Aviation Summit, the five largest European airline groups – Air France – KLM, easyJet, International Airlines Group, Lufthansa Group and Ryanair – announced the creation of the new association.

The five groups, which carry more than 50% of passengers in Europe, chose to join forces with the aim of influencing European aviation policy.

A4E aims to replace the AEA in lobbying the European Commission effectively on at least three major measures:

- > reducing European airport charges;
- ensuring a safe and efficient air space by reducing the cost of air traffic control (ATC);
- > stimulating increased economic activity and employment by creating an appropriate regulatory framework.

D AEA

Association of European Airlines. Created in 1952, notably by Air France and KLM, the AEA represents the interests of its members within the European Union institutions, the European Civil Aviation Conference and other organizations and associations.

O Available seat-kilometers (ASK)

Total number of seats available for the transportation of passengers multiplied by the number of kilometers traveled.

O Available ton-kilometers (ATK)

Total number of tons available for the transportation of cargo, multiplied by the number of kilometers traveled.

O Biometry

Technique enabling the identity of an individual to be verified, while crossing a national border for example, through the automatic recognition of certain pre-recorded physical characteristics.

O Coordinated airport

Airport where a coordinator has been appointed to allocate landing and take-off slots according to rules established in advance. All large European Union airports are coordinated.

O Cabotage

Airline cabotage is the carriage of air traffic that originates and terminates within the boundaries of a given country by an air carrier of another country.

O Capacity

Capacity is measured in available seat-kilometers.

O Catering

In-flight catering involves the planning and preparation of meals and the assembly of meal trays destined to be served on board an aircraft.

O Codeshare

In accordance with a codeshare agreement, two partner airlines offer services on the same aircraft, each under their own brand, their own IATA code and their own flight number. Codesharing may take two forms. In the first case, the two airlines purchase and sell seats to and from each other at an agreed price. The airline which has purchased the seats then markets them under its brand and at its fares. In the second case, under the system known as free flow, the two airlines are allowed to sell all the seats on the flights involved. Each airline retains the revenues generated on the flight it operates and remunerates the other airline for the number of seats the latter has sold on its aircraft.

O Combi

Aircraft whose main deck is equipped for the transportation of both passengers and cargo. The freight is stored at the back of the aircraft and is accessed by a specially-fitted cargo door.

O Connecting traffic

Traffic between two destinations which are not linked by a direct flight.

D DGAC

Direction Générale de l'Aviation Civile. Under the authority of the French Ministry of Transport, the DGAC is in charge of the security of air transport and of air space in France.

D DGTL

Directoraat-Generaal Transport en Luchtvaart. Under the authority of the Dutch Ministry of Traffic and Public Works, the DGTL is in charge of the security of air transport and of air space in the Netherlands.

D E-services

Range of ground services offered by Air France and KLM to their passengers, based on the new information technologies. E-services notably enable passengers to check in using self-service kiosks or *via* the airlines' websites as well as the use of electronic tickets.

D EASA

European Aviation Safety Agency. EASA develops safety and environmental protection expertise in civil aviation in order to assist the European institutions to establish legislation and implement measures regarding aircraft security, organizations and associated staff.

O Electronic ticket

All the journey information for one or several passengers which, instead of being printed, is recorded in an airline's IT database, once the reservation has been made and paid for. An electronic or e-ticket replaces a traditional paper ticket.

P FAA

Federal Aviation Administration. Body responsible for civil aviation security in the United States.

O Handling

Preparation of the aircraft, involving loading and unloading, as well as the associated logistics such as management and storage of hotel products.

D Hub

Term used for a transfer platform where departures and arrivals are scheduled to minimize transit times. Air France – KLM disposes of two of the four major European hubs: Paris-CDG and Amsterdam-Schiphol. The Air France and KLM hubs are organized into successive waves for arrivals and departures each day in order to increase the transfer opportunities for customers.

D IATA

International Air Transport Association. Created in 1945, IATA establishes regulations for the air transport industry and provides its members with a framework for the coordination and proper implementation of tariffs, together with various commercial and financial support services.

O ICAO

The International Civil Aviation Organisation, a UN Specialized Agency, promotes the safe, secure and sustainable development of civil aviation worldwide. It establishes the standards and regulations required to ensure the safety, security, efficiency and continuity of aviation operations as well as the protection of the environment.

O Joint-venture

Joint company with two partners, often held equally with 50% each. This type of shareholder structure notably allows the implementation of technological or industrial alliances in order to undertake specific projects common to both partner companies.

D Load factor

Revenue passenger-kilometers (RPK) divided by available seat-kilometers (ASK). In the cargo activity this is revenue ton-kilometers (RTK) divided by available ton-kilometers (ATK).

O Multi-hub

System linking several hubs, allowing customers to access the networks developed from each hub, thus multiplying the round-trip offer to and from worldwide destinations.

O Premium

Fare classes corresponding to business or first class.

O Over-reservation or over-booking

Over-reservation or over-booking consists of accepting more bookings than seats available. Practiced by all airline companies and permitted by European legislation, over-booking enables management of the fact that some passengers cancel their trips but not their reservations. It thus allows many passengers to find a seat on board flights that could have departed with available seats. Airlines usually have a passenger compensation policy.

O Point-to-point traffic

Traffic between two airports, excluding passengers prolonging their trip with a connecting flight.

O Revenue management

Technique designed to optimize revenue on flights, by constantly seeking a better balance between the load factor and the fares offered.

O Revenue passenger-kilometer (RPK)

Total number of paying passengers carried multiplied by the number of kilometers traveled.

O Revenue ton-kilometer (RTK)

Total number of tons of paid cargo multiplied by the number of kilometers that this cargo is carried.

O Safety and security

Airline safety includes all the measures implemented by air transport professionals aimed at ensuring the reliable operation and maintenance of aircraft.

Airline security involves all the measures taken by air transport professionals to prevent any illicit or malicious act. Air transport is particularly exposed to terrorist acts due to the considerable media impact offered by such activity. Airline security notably includes baggage screening, and the screening and questioning of passengers.

O Self-service check-in kiosk

Self-service check-in kiosks, available in airport departure halls, allow passengers to check in and print their own boarding cards, without having to go to a check-in counter.

O Segment

Section of a flight between two destinations. The number of passengers is calculated by segment carried.

O Slot

A slot represents clearance given for a carrier to land at or take off from an airport at a specified time and date.

O Sub-fleet

All the aircraft of the same type, with identical technical and commercial characteristics (engines, cabin configuration, etc.).

O Summer season

Defined by IATA as the period running from the last Saturday in March to the last Saturday in October. The summer season corresponds to a schedule of summer flights over a period of seven months.

O Traffic

Traffic is measured in revenue passenger-kilometers (RPK).

O Unit revenue

In the passenger business, corresponds to the revenue for one available seat or for one paying passenger transported over one kilometer. In the cargo business, corresponds to the revenue for one available ton or one ton transported over one kilometer.

O Winter season

Defined by IATA as the period running from the first Sunday following the last Saturday in October to the Friday before the last Saturday in March. The winter season corresponds to a schedule of winter flights over five months.

FINANCIAL GLOSSARY

O Adjusted net interest charges

The net financial charges are adjusted for the portion of operating leases (34%) deemed to be interest charges.

D ADR

American Depositary Receipt. ADRs are negotiable certificates representing a specific number of shares with a nominal value in dollars. The Air France-KLM level 1 ADR program is traded on the OTC Pink Open Marketplace.

O Earnings per share

Net income divided by the average number of shares for the period.

O EBITDA

Earnings before interest, taxation, depreciation and amortization.

D Fuel hedging

Financial mechanism aimed at protecting Air France-KLM from the risk of a rise in the fuel price. Involves purchasing financial instruments, mostly in the form of options, whose value fluctuates as a function of the jet fuel price and the related oil products (oil, diesel). The hedging strategy is detailed in Note 36.1.

D IFRS

International Financial Reporting Standards. International accounting standards used by European Union listed companies to establish their consolidated financial statements. Adopted on January 1, 2005, they allow investors to compare European companies more easily.

D ISIN

International Securities Identification Number. Attributed to securities listed for trading on the Euronext market.

O Market capitalization

The market capitalization corresponds to the share price multiplied by the number of shares comprising the Company's capital.

O Net result, Group part

Corresponds to the net result, minus the share reverting to the minority shareholders in fully consolidated subsidiaries.

O Result from current operations

The result from current operations corresponds to the difference between revenues and the operating expenses incurred (external expenses, salaries and related costs, and amortization, depreciation and provisions). It represents what the Company earns from its main activity before the impact of financial and exceptional items.

O Return on Capital Employed (ROCE)

A measure of the returns that a company is making on the capital employed to ensure its business activity. The calculation method is detailed in section 5.3.

O Revenues

Revenues correspond to the total sales generated by the Air France-KLM Group in its three core businesses (passenger, cargo, maintenance) and in its ancillary activities. The revenues from airline operations are recognized on realization of the transportation, net of any potential discounts granted. Consequently, when passenger and cargo tickets are issued, they are recorded in balance sheet liabilities under deferred revenue on ticket sales (see Note 33).

O SBTI

Science Based Targets Initiative, reference framework for reducing greenhouse gas (GHG) emissions.

O Share capital

Corresponds to the total contributions either financial or in kind made by the shareholders either at the time the Company is created or during capital increases. It is equal to the number of shares multiplied by the nominal value of the share.

O Stockholders' equity

Stockholders' equity represents accounting value of the capital contributed by the shareholders to establish the Company or subsequently, or left at the disposal of the Company as income not distributed in the form of dividends. Corresponds to total balance sheet assets, net of total debt.

D TPI

Titre au Porteur Identifiable or identifiable bearer shares. TPI analysis enables a company to identify its shareholders holding stock in bearer form.

TABLE OF CONCORDANCE FOR THE UNIVERSAL REGISTRATION DOCUMENT

This concordance table is based on the main headings required by the Delegated Regulation (EU) 2019/980 of March 14, 2019 ("the Regulation"), supplementing the provisions of Regulation

(EU) 2017-1129 of June 14, 2017, and provides the page numbers in this Universal Registration Document on which the relevant information for each of this headings can be found.

No	Information based on Annex 1 of the Regulation	Pages
1	Persons responsible, information from a third party, from experts' reports and approval by the competent authority	
1.1	Persons responsible	447
1.2	Information from a third party, from experts' reports and declarations of interest	Not applicable
2	Statutory Auditors	447
3	Risk factors	169 to 186
4	Information about the issuer	440
5	Business overview	
5.1	Principal activities	38 to 53
5.2	Principal markets	38 to 53
5.3	Important events in the development of the issuer's business	7 to 25
5.4	Strategy and objectives	31 to 37
5.5	Dependence on patents, licenses, contracts or manufacturing processes	31, 42 to 45, 159 to 162 and 392
5.6	Competitive position	29 to 31
5.7	Principal investments	53 to 57, 240 to 267, 299, 348 to 352 and 390 to 391
6	Organizational structure	
6.1	Brief description of the Group	189 to 194, 441 and 442
6.2	List of significant subsidiaries	398 to 401 and 421
7	Review of the financial situation and results	
7.1	Financial situation	4 and 5 and 296 to 305
7.2	Operating result	4
8	Capital resources	
8.1	Information on the Group's capital resources	151 to 159, 163 to 166, 357 to 361 and 417
8.2	Sources and amounts of cash flows	184 to 186, 300 to 301, 310 and 311 and 395
8.3	Information on borrowing requirements and funding structure	184 to 186, 300 to 301, 371 to 379, 384 to 389 and 418 to 420
8.4	Restrictions on the use of capital resources having materially affected or potentially materially affecting the Group's activities	354, 360 and 374 to 375
8.5	Anticipated sources of funding	22 to 25 and 184 to 186
9	Regulatory environment	443 to 446
	Anticipated sources of funding	

10	Information on trends Update on recent events linked to Covid-19	33 to 34
	Undate on recent events linked to Covid-19	
	opulie of recent events linked to covid 15	7 to 25
11	Profit forecasts or estimates	Not applicable
12	Administrative, management and supervisory bodies, and the Senior Management	66 to 96, 111 to 116, 150 and 151
12.1	Information relating to members of the Board and the Senior Management	67 to 91, 98 to 101, 105, 150 and 151
12.2	Conflicts of interest affecting members of the Board of Directors and the Senior Management	102 to 103
13	Compensation and benefits	
13.1	Compensation and benefits in kind	118 to 149
13.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	149 and 393
14	Functioning of the administrative and management bodies	99 to 101
14.1	Mandates of the members of the Board of Directors	66 to 91
14.2	Service contracts binding the members of the management bodies	102 and 103, 106 to 110 and 159 to 162
14.3	Information on the Audit Committee and the Remuneration Committee	111 to 115
14.4	Statement of compliance with a Corporate Governance regime	92 and 117 and 118
14.5	Potential material impacts on Corporate Governance	117 and 118
15	Employees	216 to 239
15.1	Number of employees and breakdown of persons employed	234 and 235, 337
15.2	Shareholdings and stock options held by members of the Board of Directors and the Senior Management	68 to 91, 135 and 136, 164 and 357 to 359
15.3	Employee shareholding in the issuer's share capital	163 to 164 and 357
16	Major shareholders	
16.1	Identification of the main shareholders	163 to 166 and 357
16.2	Existence of specific voting rights	151 and 163
16.3	Control of the issuer	Not applicable
16.4	Agreements known to Air France-KLM which could lead to a change in control	Not applicable
17	Related party transactions	393 and 394
18	Financial information concerning the issuer's assets and liabilities, financial position and results	
18.1	Historical financial information	4 and 5, 305 to 401 and 409 to 424
18.2	Interim and other financial information	Not applicable
18.3	Auditing of historical annual financial information	402 to 408 and 425 to 429
18.4	Pro forma financial information	Not applicable
18.5	Dividend policy	164
18.6	Legal and arbitration proceedings	183 and 367 to 370
18.7	Significant change in the issuer's financial position	7 to 25

No	Information based on Annex 1 of the Regulation	Pages
19	Additional information	
19.1	Share capital	151 to 157, 357 to 358, 417 and 424
19.2	Memorandum and Articles of Incorporation	440
20	Material contracts	15 to 17, 20 to 21, 24 to 25, 59 to 162 and 392
21	Documents available to the public	448

INFORMATION INCLUDED BY REFERENCE

Pursuant to Article 19 of Regulation (EU) 2017-1129 of the European Parliament and of the Council of June 14, 2017, the following information is included by reference in this Universal Registration Document:

2021 Financial Year

The Universal Registration Document for the 2021 financial year was filed with the *Autorité des Marchés Financiers* on April 4, 2022 under the registration number D. 22-0236. The consolidated financial statements are presented on pages 265 to 361 and the related Statutory Auditors' report on pages 362 to 368. The full statutory financial statements can be found on pages 369 to 383 and the related Statutory Auditors' certification on pages 384 to 389. The selected financial information is presented on pages 4 and 5 of the Universal Registration Document. The management report figures on pages 6 to 13, 15 to 57, 59 to 144, 145 to 174, 175 to 252, 253 to 394. The elements shown in blue in the document report to, notably, take into account the crisis in Ukraine.

2020 Financial Year

The Universal Registration Document for the 2019 financial year was filed with the *Autorité des Marchés Financiers* on April 7, 2021 under the registration number D.21-0270. The consolidated financial statements are presented on pages 246 to 339 and the related Statutory Auditors' report on pages 340 to 346. The full statutory financial statements can be found on pages 347 to 360 and the related Statutory Auditors' certification on pages 362 to 366. The selected financial information is presented on pages 4 and 5 of the Universal Registration Document. The management report figures on pages 6 to 12, 13 to 43, 47 to 129, 131 to 160, 161 to 180, 182 to 234 and page 361. The elements shown in blue in the document report to, notably, take into account the crisis in Ukraine.

TABLE OF CONCORDANCE FOR THE ANNUAL FINANCIAL REPORT

This Universal Registration Document contains all the elements of the financial report as referred to in Article L. 451-1-2 of the French Monetary and Financial Code (*Code Monétaire et Financier*) and required by Article 222-3 of the AMF's General Regulation. The table below resumes the elements of the financial report.

Elements required	Pages of the Universal Registration Document
The annual statutory financial statements	409 to 423
The Group's consolidated financial statements	305 to 401
Corporate governance report	65 to 136 and 141 to 168
Management report	7 to 23, 27 to 134 and 141 to 305
	The elements included as we finalize this 2022 Universal Registration Document as of April 24, 2023, appear in <i>bold italic blue</i> .
Certification by the person responsible for the Annual financial report	447
Statutory Auditors' report on the statutory financial statements	425 to 429
Statutory Auditors' report on the consolidated financial statements	402 to 408
Statutory Auditors' fees	396



This document was printed by an Imprim'Vert labeled printer on a PEFC certified paper, made from sustainably managed forests and controlled sources.

Design and production: Agence Marc Praquin

airfranceklm.com

