

# AIR FRANCE-KLM GROUP CONSOLIDATED FINANCIAL STATEMENTS

January 1<sup>st</sup>, 2022 - December 31, 2022

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

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## 5.2 CONSOLIDATED FINANCIAL STATEMENTS

### 5.2.1 Consolidated income statement

Period from January 1 to 31 December (in € millions)	Notes	2022	2021
<b>Revenues from ordinary activities</b>		<b>26,393</b>	<b>14,315</b>
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
<b>EBITDA</b>		<b>3,615</b>	<b>745</b>
Amortization, depreciation and provisions	10	(2,422)	(2,371)
<b>Income from current operations</b>		<b>1,193</b>	<b>(1,626)</b>
Sales of aircraft equipment	11	66	(19)
Other non-current income and expenses	11	(65)	(887)
<b>Income from operating activities</b>		<b>1,194</b>	<b>(2,532)</b>
Cost of financial debt	12	(569)	(730)
Income from cash and cash equivalents	12	41	2
<b>Net cost of financial debt</b>	12	<b>(528)</b>	<b>(728)</b>
Other financial income and expenses	12	(324)	(289)
<b>Income before tax</b>		<b>342</b>	<b>(3,549)</b>
Income taxes	13.1	390	282
<b>Net income of consolidated companies</b>		<b>732</b>	<b>(3,267)</b>
Share of profits (losses) of associates	20	12	(27)
<b>Net income for the period</b>		<b>744</b>	<b>(3,294)</b>
Non-controlling interests		16	(2)
Net income - Group part		728	(3,292)
<b>Earnings per share - Equity holders of Air France-KLM (in euros)</b>			
- basic	14	0.35	(5.95)
- diluted		0.31	(5.95)

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

## 5.2.2 Consolidated statement of recognized income and expenses

Period from January 1 to December 31	Notes	2022	2021
<b>(in € millions)</b>			
<b>Net income for the period</b>		<b>744</b>	<b>(3,294)</b>
<b>Cash flow hedges and cost of hedging</b>			
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)
<b>Total of other comprehensive income that will be reclassified to profit or loss</b>		<b>(107)</b>	<b>200</b>
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)
<b>Total of other comprehensive income that will not be reclassified to profit or loss</b>		<b>363</b>	<b>599</b>
<b>Total of other comprehensive income, after tax</b>		<b>256</b>	<b>799</b>
<b>Recognized income and expenses</b>		<b>1,000</b>	<b>(2,495)</b>
— Equity holders of Air France - KLM		984	(2,495)
— Non-controlling interests		16	—

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

### 5.2.3 Consolidated balance sheet

Assets	Notes	December 31, 2022	December 31, 2021
<i>(in € millions)</i>			
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
<b>Total non-current assets</b>		<b>21,298</b>	<b>19,954</b>
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
<b>Total current assets</b>		<b>11,007</b>	<b>10,729</b>
<b>Total assets</b>		<b>32,305</b>	<b>30,683</b>

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

## 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)
<b>Equity attributable to equity holders of Air France-KLM</b>		<b>(3,004)</b>	<b>(3,824)</b>
Non-controlling interests	29.7	524	8
<b>Total equity</b>		<b>(2,480)</b>	<b>(3,816)</b>
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
<b>Total non-current liabilities</b>		<b>21,123</b>	<b>22,773</b>
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
<b>Total current liabilities</b>		<b>13,662</b>	<b>11,726</b>
<b>Total liabilities</b>		<b>34,785</b>	<b>34,499</b>
<b>Total equity and liabilities</b>		<b>32,305</b>	<b>30,683</b>

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

## 5.2.4 Consolidated statement of changes in stockholders' equity

(in € millions)	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual bonds	Reserves and retained earnings	Equity attributable to holders of Air France - KLM	Non-controlling interests	Total equity
<b>December 31, 2020 - published <sup>(1)</sup></b>	<b>428,634,035</b>	<b>429</b>	<b>4,139</b>	<b>(25)</b>	<b>-</b>	<b>(9,970)</b>	<b>(5,427)</b>	<b>9</b>	<b>(5,418)</b>
Change in accounting policy <sup>(1)</sup>		-	-	-	-	76	76	-	76
<b>January 1, 2021 - restated <sup>(1)</sup></b>	<b>428,634,035</b>	<b>429</b>	<b>4,139</b>	<b>(25)</b>	<b>-</b>	<b>(9,894)</b>	<b>(5,351)</b>	<b>9</b>	<b>(5,342)</b>
Other comprehensive income		-	-	-	-	797	797	2	799
Net result for the period		-	-	-	-	(3,292)	(3,292)	(2)	(3,294)
<b>Total of income and expenses recognized</b>		-	-	-	-	<b>(2,495)</b>	<b>(2,495)</b>	-	<b>(2,495)</b>
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
<b>December 31, 2021</b>	<b>642,634,034</b>	<b>643</b>	<b>4,949</b>	<b>(25)</b>	<b>3,151</b>	<b>(12,542)</b>	<b>(3,824)</b>	<b>8</b>	<b>(3,816)</b>
Other comprehensive income		-	-	-	-	256	256	-	256
Net result for the period		-	-	-	-	728	728	16	744
<b>Total of income and expenses recognized</b>		-	-	-	-	<b>984</b>	<b>984</b>	<b>16</b>	<b>1,000</b>
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
<b>December 31, 2022</b>	<b>2,570,536,136</b>	<b>2,571</b>	<b>5,217</b>	<b>(25)</b>	<b>933</b>	<b>(11,700)</b>	<b>(3,004)</b>	<b>524</b>	<b>(2,480)</b>

(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.

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

## 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
<b>Financial capacity</b>		<b>2,888</b>	<b>(76)</b>
(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
<b>Change in working capital requirement</b>		<b>1,968</b>	<b>1,610</b>
<b>Net cash flow from operating activities</b>		<b>4,856</b>	<b>1,534</b>
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)
<b>Net cash flow used in investing activities</b>		<b>(2,153)</b>	<b>(1,239)</b>
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
Dividends paid		-	(1)
<b>Net cash flow from financing activities</b>		<b>(2,756)</b>	<b>(77)</b>
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		22	14
<b>Change in cash and cash equivalents and bank overdrafts</b>		<b>(31)</b>	<b>232</b>
Cash and cash equivalents and bank overdrafts at beginning of period	27	6,654	6,422
Cash and cash equivalents and bank overdrafts at end of period	27	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)

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



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## 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<sub>2</sub> 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<sub>2</sub>.

Air France-KLM assesses its extra-financial performance on a regular basis, 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<sub>2</sub> 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<sub>2</sub> emission

reduction targets validated by SBTi, are included in the Group’s 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.

## 2.2 Sustainable investments and financings

The Air France-KLM Group has committed to reduce its CO<sub>2</sub> 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, 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<sub>2</sub> emissions, and generate less noise, resulted in capital expenditures on aircraft equipment amounting to €1,332 million as of December 31, 2022 (€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 - CO<sub>2</sub> 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<sub>2</sub> allowances to offset its emissions. The Group accounts for the CO<sub>2</sub> quotas as intangible assets. These assets are not subject to amortization.

As of December 31, 2022, the value of the CO<sub>2</sub> 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<sub>2</sub> 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 CO<sub>2</sub> 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 €2 million as of December 31, 2022 (€2 million as of December 31, 2021) (see Note 16 "Intangible assets") and are subject to a provision for an amount of €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<sub>2</sub> emissions (measured in gCO<sub>2</sub>/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 €(16,297) million, an increase of 85% compared to 2021, mainly driven by fuel costs. After hedging, these will amount to €(7,241) million in 2022 compared with €(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 €10.6 billion, comprising €8.0 billion of net cash (see Note 34 “Net debt”) and €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 €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 €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 €2,256 million (of which €1,611 million subscribed in cash), including issue premium, corresponding to the issue of 1,928 million new shares (the “New Shares”) at a subscription price of €1.17 per share. Net of issuance fees, the proceeds amounted to €2,196 million (of which €1,551 million subscribed in cash). Following settlement and delivery of the Rights Issue of the capital increase on June 16, 2022, the share capital of Air France-KLM was increased to 2,570,536,136 shares with a nominal value of €1 each.

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

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

CMA CGM became a new shareholder with a subscription of 231,348,252 New Shares on an irreducible basis (via the

exercise of the preferential subscription rights acquired from China Eastern Airlines, Delta Airlines, FCPEs and the market), corresponding to 9.0 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 €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 €638 million plus accrued coupon of €7 million;
- An amount of €993 million in nominal value plus the accrued coupon on 2022 for an amount of €11 million was repaid with the proceeds of the capital increase subscribed in cash.

On July 29, 2022, an amount of €487 million in nominal plus the accrued coupon on 2022 of €10 million was repaid thanks to the proceeds of the Apollo investment described above.

On December 9, 2022, an amount of €287 million in nominal plus the accrued coupon on 2022 of €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 €311 million and €354 million under its credit line guaranteed by the Dutch State (see Note 33.3 "Financial support from the French and Dutch States" to the consolidated

financial statements at December 31, 2021). Upon completion of the transaction, the full credit line has been repaid.

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

Following these transactions, KLM retains a credit line of €2.5 billion (€723 million from the direct loan and €1,735 million the credit line from the banks, guaranteed by the Dutch State) at its disposal.

### 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 €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.

### 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.

## 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 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 IFRS 10 “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.

#### 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.

## 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.

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

## 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 expected 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.

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.

### 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<sup>2</sup> quotas to offset its emissions. The Group records the CO<sup>2</sup> 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:

Software	1 to 5 years
Licenses	Duration of contract
Information Technology developments	Up to 20 years <sup>(1)</sup>

(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.

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

## 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;
- 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 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 (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) derecognize 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.

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”).

## 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 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".

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.

## 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.

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 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)
<b>External sales</b>	<b>22,758</b>	<b>1,389</b>	<b>2,218</b>	<b>26</b>	<b>–</b>	<b>26,391</b>
Other revenues	–	–	–	–	2	2
<b>Revenues from ordinary activities</b>	<b>22,758</b>	<b>1,389</b>	<b>2,218</b>	<b>26</b>	<b>2</b>	<b>26,393</b>
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
<b>Net income</b>	<b>1,142</b>	<b>181</b>	<b>(104)</b>	<b>(13)</b>	<b>(462)</b>	<b>744</b>
Depreciation and amortization for the period	(2,083)	(320)	(270)	(23)	–	(2,696)
Other non-monetary items	116	(28)	31	(136)	(46)	(63)
<b>Total assets</b>	<b>16,391</b>	<b>4,300</b>	<b>1,796</b>	<b>103</b>	<b>9,715</b>	<b>32,305</b>
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
<b>Total liabilities</b>	<b>10,895</b>	<b>1,910</b>	<b>1,494</b>	<b>10</b>	<b>17,996</b>	<b>32,305</b>
<b>Purchase of property, plant and equipment and intangible assets</b>	<b>1,910</b>	<b>890</b>	<b>169</b>	<b>3</b>	<b>–</b>	<b>2,972</b>

The non-allocated assets, amounting to €9.7 billion, comprise cash and cash equivalents of €6.6 billion, other financial assets of €1.6 billion, deferred tax of €0.8 billion, income taxes of €0.1 billion and derivatives financial assets of €0.6 billion.

The non-allocated segment liabilities, amounting to €5.8 billion, mainly comprise pension provisions for €1.6 billion, tax and employee-related liabilities of €3.8 billion, other provisions for €0.2 billion, income taxes of €0.1 billion and derivatives financial liabilities of €0.1 billion.

Financial liabilities, lease debts, bank overdrafts and equity are not allocated.

Year ended December 31, 2021	Network	Maintenance	Transavia	Other	Non-allocated	Total
(in € millions)						
Total sales	12,279	2,801	1,012	167	–	16,259
Intersegment sales	(26)	(1,778)	–	(140)	–	(1,944)
<b>External sales</b>	<b>12,253</b>	<b>1,023</b>	<b>1,012</b>	<b>27</b>	<b>–</b>	<b>14,315</b>
<b>Revenues from ordinary activities</b>	<b>12,253</b>	<b>1,023</b>	<b>1,012</b>	<b>27</b>	<b>–</b>	<b>14,315</b>
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
<b>Net income</b>	<b>(2,236)</b>	<b>(195)</b>	<b>(149)</b>	<b>21</b>	<b>(735)</b>	<b>(3,294)</b>
Depreciation and amortization for the period	(1,996)	(268)	(225)	(24)	–	(2,513)
Other non-monetary items	639	253	2	(129)	(26)	739
<b>Total assets</b>	<b>15,928</b>	<b>3,934</b>	<b>1,693</b>	<b>166</b>	<b>8,962</b>	<b>30,683</b>
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
<b>Total liabilities</b>	<b>9,213</b>	<b>1,837</b>	<b>1,155</b>	<b>15</b>	<b>18,463</b>	<b>30,683</b>
<b>Purchase of property, plant and equipment and intangible assets</b>	<b>1,957</b>	<b>174</b>	<b>68</b>	<b>3</b>	<b>–</b>	<b>2,202</b>

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	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (excl. France and Benelux)	Rest of the world	Total
<i>(in € millions)</i>					
Transportation	6,410	2,490	4,844	8,100	21,844
Other sales <sup>(1)</sup>	330	206	167	211	914
<b>Total Network</b>	<b>6,740</b>	<b>2,696</b>	<b>5,011</b>	<b>8,311</b>	<b>22,758</b>
Transportation	820	1,210	189	44	2,263
Other sales <sup>(1)</sup>	(18)	(24)	(2)	(1)	(45)
<b>Total Transavia</b>	<b>802</b>	<b>1,186</b>	<b>187</b>	<b>43</b>	<b>2,218</b>
Maintenance	716	532	24	117	1,389
Others	6	19	1	-	26
<b>Total</b>	<b>8,264</b>	<b>4,433</b>	<b>5,223</b>	<b>8,471</b>	<b>26,391</b>

(1) This line includes compensation paid to clients in accordance with EU261 (see Note 4.6)

Year ended December 31, 2021	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (excl. France and Benelux)	Rest of the world	Total
<i>(in € millions)</i>					
Transportation	3,286	1,197	2,695	4,342	11,520
Other sales <sup>(1)</sup>	175	132	153	273	733
<b>Total Network</b>	<b>3,461</b>	<b>1,329</b>	<b>2,848</b>	<b>4,615</b>	<b>12,253</b>
Transportation	347	587	71	12	1,017
Other sales <sup>(1)</sup>	(1)	(4)	-	-	(5)
<b>Total Transavia</b>	<b>346</b>	<b>583</b>	<b>71</b>	<b>12</b>	<b>1,012</b>
Maintenance	582	338	26	77	1,023
Others	5	22	-	-	27
<b>Total</b>	<b>4,394</b>	<b>2,272</b>	<b>2,945</b>	<b>4,704</b>	<b>14,315</b>

(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	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
(in € millions)								
Network	1,333	5,079	1,919	3,080	5,566	2,529	2,338	21,844
Transavia	129	1,968	–	166	–	–	–	2,263
<b>Total Transportation</b>	<b>1,462</b>	<b>7,047</b>	<b>1,919</b>	<b>3,246</b>	<b>5,566</b>	<b>2,529</b>	<b>2,338</b>	<b>24,107</b>

Year ended December 31, 2021	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
(in € millions)								
Network	809	2,171	1,189	2,027	2,582	1,300	1,442	11,520
Transavia	63	923	–	31	–	–	–	1,017
<b>Total Transportation</b>	<b>872</b>	<b>3,094</b>	<b>1,189</b>	<b>2,058</b>	<b>2,582</b>	<b>1,300</b>	<b>1,442</b>	<b>12,537</b>

## NOTE 7 EXTERNAL EXPENSES

Period from January 1 to December 31	2022	2021
(in € millions)		
Aircraft fuel	7,241	2,748
Chartering costs	387	325
Landing fees and air route charges	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
<b>Total</b>	<b>16,297</b>	<b>8,829</b>
Excluding aircraft fuel	9,056	6,081

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

The hedges covering this currency exposure are presented in Note 9 "Other current operating income and expenses".

## 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
<b>Total</b>	<b>7,289</b>	<b>5,340</b>

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 €135 million (€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 €134 million (versus €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
<b>Total <sup>(1)</sup></b>	<b>74,602</b>	<b>74,721</b>

(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)
<b>Total</b>	<b>964</b>	<b>715</b>

## NOTE 10 AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to December 31 (in € millions)	2022	2021
<b>Amortization</b>		
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
<b>Sub-Total</b>	<b>2,696</b>	<b>2,513</b>
<b>Depreciation and provisions</b>		
Inventories	(9)	22
Trade receivables	(76)	25
Risks and contingencies	(189)	(189)
<b>Sub-Total</b>	<b>(274)</b>	<b>(142)</b>
<b>Total</b>	<b>2,422</b>	<b>2,371</b>

The amortization variations for intangible and tangible assets are presented in Notes 16 and 17, and for right-of-use assets in Note 19.

The variations relating to inventories and trade

receivables are presented in Notes 24, 25 and 26.

The balance sheet movements in provisions for risks and charges are detailed in Note 31.

## NOTE 11 SALES OF AIRCRAFT EQUIPMENT AND OTHER NON-CURRENT INCOME AND EXPENSES

Period from January 1 to December 31	2022	2021
(in € millions)		
Sales and leaseback	38	(29)
Other aeronautical sales	28	10
<b>Sales of aeronautical assets</b>	<b>66</b>	<b>(19)</b>
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)
<b>Other non-current income and expenses</b>	<b>(65)</b>	<b>(887)</b>

### Year ended December 31, 2022

#### Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in a profit of €38 million in the income statement and a result on disposal of €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 €(29) million in the income statement and a result on disposal of €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 €(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 €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

Period from January 1 to December 31 (in € millions)	2022	2021
Income from marketable securities	1	(21)
Other financial income	40	23
<b>Income from cash and cash equivalents</b>	<b>41</b>	<b>2</b>
Interest on financial liabilities	(311)	(325)
Interest on lease debt	(265)	(241)
Capitalized interests	29	25
Other non-monetary items	(16)	(178)
Other financial expenses	(6)	(11)
<b>Gross cost of financial debt</b>	<b>(569)</b>	<b>(730)</b>
<b>Net cost of financial debt</b>	<b>(528)</b>	<b>(728)</b>
Foreign exchange gains (losses), net	(173)	(197)
Financial instruments	5	31
Net (charge)/release to provisions	(8)	1
Undiscounting of provision	(138)	(116)
Other	(10)	(8)
<b>Other financial income and expenses</b>	<b>(324)</b>	<b>(289)</b>
<b>Total</b>	<b>(852)</b>	<b>(1,017)</b>

### 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 €500 million on December 10, 2021, the actual value of future payments has been reviewed. This had led to a one-off expense of €(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 €(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 €(158) million of which, mainly, a loss of €(182) million on return obligation liabilities and provisions on aircraft in US dollars, and an unrealized €5 million currency gain on financial liabilities, mainly composed of a loss on debt in US dollars (€(41) million) and a gain on debt in Japanese Yen (€53 million).

As of December 31, 2021, the foreign exchange losses mainly include an unrealized currency loss of €(289) million of which, mainly, a loss of €(236) million on return obligation liabilities and provisions on aircraft in US dollars, and an unrealized €(45) million currency loss on financial liabilities, mainly composed of a loss on debt in US dollars (€(66) million) and a gain on debt in Japanese Yen (€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	2022	2021
(in € millions)		
<b>Current tax (expense) / income and other taxes</b>	<b>(46)</b>	<b>(2)</b>
Change in temporary differences	30	237
(Use / de-recognition) / recognition of tax loss carry forwards	406	47
<b>Deferred tax income / (expense)</b>	<b>436</b>	<b>284</b>
<b>Total</b>	<b>390</b>	<b>282</b>

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 €346 million as of December 31, 2022. The deferred tax assets position for tax losses and deductible financial interests was therefore increased to €403 million (versus €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	2022	2021
(in € millions)		
<b>Coupons on Perpetual</b>	<b>3</b>	<b>-</b>
<b>Other comprehensive income that will be reclassified to profit and loss</b>	<b>34</b>	<b>(72)</b>
<b>Other comprehensive income that will not be reclassified to profit and loss</b>	<b>(41)</b>	<b>(171)</b>
Equity instruments	2	1
Pensions	(43)	(172)
<b>Total</b>	<b>(7)</b>	<b>(243)</b>

### 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
<b>Income tax</b>	<b>390</b>	<b>282</b>
<b>Effective tax rate</b>	<b>(114.0)%</b>	<b>8.0 %</b>

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.

### 13.4 Variation in deferred tax recorded during the period

(in € millions)	December 31, 2021	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassificatio n 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
<b>Deferred tax asset/(liability) net</b>	<b>277</b>	<b>436</b>	<b>(7)</b>	<b>3</b>	<b>4</b>	<b>713</b>

(in € millions)	December 31, 2020	Amounts recorded in income statement	Amounts recorded in OCI	Reclassificatio n and other	December 31, 2021
Flight equipment	(948)	253	–	–	(695)
Right-of-use assets	(803)	(68)	–	(3)	(874)
Pension assets	–	170	(167)	42	45
Financial liabilities	606	(89)	(1)	(19)	497
Lease debt	597	47	30	(1)	673
Deferred revenue on ticket sales	143	(14)	–	–	129
Debtors and creditors	41	50	(129)	(49)	(87)
Provisions	509	(48)	(3)	–	458
Others	(222)	(64)	27	38	(221)
Deferred tax corresponding to fiscal losses	307	47	–	(2)	352
<b>Deferred tax asset/(liability) net</b>	<b>230</b>	<b>284</b>	<b>(243)</b>	<b>6</b>	<b>277</b>

### French fiscal group

The deferred taxes recognized on fiscal losses for the French fiscal group amounts to €346 million with a basis of €1,340 million as of December 31, 2022. As of December 31, 2021, amount was €285 million with a basis of €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 €323 million (€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 €1,562 million as of December 31, 2022. As of December 31, 2021, amount was €57 million with a basis of €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 €373 million (versus a €27 million net liability as of December 31, 2021).

## 13.5 Unrecognized deferred tax assets

(in € millions)	December 31, 2022		December 31, 2021	
	Basis	Tax	Basis	Tax
Temporary differences	708	183	1,320	341
Tax losses	12,753	3,294	13,934	3,599
<b>Total</b>	<b>13,461</b>	<b>3,477</b>	<b>15,254</b>	<b>3,940</b>

### 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 €3,477 million (corresponding to a basis of €13,461 million), of which €3,294 million relating to tax losses and €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 €3,514 million (corresponding to a basis of €13,604 million), of which €3,173 million relating to tax losses and €341 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuring provisions and pensions).



## Dutch fiscal group

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 of €1,650 million), entirely constituted of tax losses.

## Other

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.

## 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
<b>Weighted average number of:</b>		
— Ordinary shares issued	1,693,736,824	579,899,788
— Treasury stock held regarding stock option plan	(1,116,420)	(1,116,420)
— Other treasury stock	(91,585)	(91,585)
<b>Number of shares used to calculate basic earnings per share</b>	<b>1,692,528,819</b>	<b>578,691,783</b>
<b>Number of potentially dilutive shares</b>	<b>249,709,585</b>	<b>—</b>
<b>Number of ordinary and potential ordinary shares used to calculate diluted earnings per share</b>	<b>1,942,238,404</b>	<b>578,691,783</b>

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 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 €0.35 and the diluted earnings per share amounts to €0.31.

## NOTE 15 GOODWILL

### 15.1 Detail of consolidated goodwill

As of December 31 (in € millions)	2022			2021		
	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
<b>Total</b>	<b>229</b>	<b>(4)</b>	<b>225</b>	<b>226</b>	<b>(4)</b>	<b>222</b>

### 15.2 Movement in net book value of goodwill

As of December 31 (in € millions)	2022	2021
<b>Opening balance</b>	<b>222</b>	215
Change in scope	2	5
Currency translation adjustment	1	2
<b>Closing balance</b>	<b>225</b>	<b>222</b>

## NOTE 16 INTANGIBLE ASSETS

(in € millions)	Trademarks and slots	CO2 Quotas and other carbon credit	Other intangible assets	Total
<b>Gross value</b>				
<b>Amount as of December 31, 2020</b>	<b>280</b>	<b>27</b>	<b>1,876</b>	<b>2,183</b>
Additions	-	84	138	222
Disposals	-	(31)	(15)	(46)
Reclassification	-	-	5	5
Change in scope	-	-	7	7
<b>Amount as of December 31, 2021</b>	<b>280</b>	<b>80</b>	<b>2,011</b>	<b>2,371</b>
Additions	1	175	157	333
Disposals	(4)	(41)	(3)	(48)
Reclassification	-	-	(8)	(8)
Change in scope	-	-	(2)	(2)
Other	-	-	2	2
<b>Amount as of December 31, 2022</b>	<b>277</b>	<b>214</b>	<b>2,157</b>	<b>2,648</b>
<b>Depreciation</b>				
<b>Amount as of December 31, 2020</b>	<b>(10)</b>	<b>(4)</b>	<b>(939)</b>	<b>(953)</b>
Charge to depreciation	-	-	(193)	(193)
Releases on disposals	-	-	14	14
Change in scope	-	-	(4)	(4)
<b>Amount as of December 31, 2021</b>	<b>(10)</b>	<b>(4)</b>	<b>(1,122)</b>	<b>(1,136)</b>
Charge to depreciation	(2)	-	(182)	(184)
Releases on disposals	-	-	5	5
Reclassification	-	-	3	3
Change in scope	-	-	2	2
<b>Amount as of December 31, 2022</b>	<b>(12)</b>	<b>(4)</b>	<b>(1,295)</b>	<b>(1,311)</b>
<b>Net value</b>				
As of December 31, 2021	270	76	889	1,235
<b>As of December 31, 2022</b>	<b>265</b>	<b>210</b>	<b>862</b>	<b>1,337</b>
<b>Including:</b>				
— Network	255			
— Transavia	8			
— Maintenance	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 equipment					Other tangible assets				Total
	Owned aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total	
<b>Gross value</b>										
<b>January 1, 2021</b>	<b>17,158</b>	<b>1,505</b>	<b>2,518</b>	<b>21,181</b>	<b>2,758</b>	<b>1,070</b>	<b>191</b>	<b>1,102</b>	<b>5,121</b>	<b>26,302</b>
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
<b>December 31, 2021</b>	<b>16,784</b>	<b>1,242</b>	<b>2,549</b>	<b>20,575</b>	<b>2,739</b>	<b>1,059</b>	<b>129</b>	<b>1,077</b>	<b>5,004</b>	<b>25,579</b>
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	1
Others	(9)	168	(177)	(18)	–	–	–	–	–	(18)
Impairment	–	(11)	–	(11)	–	–	–	–	–	(11)
<b>December 31, 2022</b>	<b>16,804</b>	<b>1,496</b>	<b>2,528</b>	<b>20,828</b>	<b>2,781</b>	<b>1,078</b>	<b>132</b>	<b>1,033</b>	<b>5,024</b>	<b>25,852</b>
<b>Depreciation</b>										
<b>January 1, 2021</b>	<b>(9,105)</b>	<b>–</b>	<b>(1,046)</b>	<b>(10,151)</b>	<b>(1,893)</b>	<b>(822)</b>	<b>–</b>	<b>(858)</b>	<b>(3,573)</b>	<b>(13,724)</b>
Charge to depreciation	(906)	–	(84)	(990)	(89)	(43)	–	(54)	(186)	(1,176)
Releases on disposal	985	–	119	1,104	53	37	–	51	141	1,245
Reclassification	(72)	–	–	(72)	18	–	–	–	18	(54)
Others	30	–	(30)	–	(1)	(1)	–	–	(2)	(2)
<b>December 31, 2021</b>	<b>(9,068)</b>	<b>–</b>	<b>(1,041)</b>	<b>(10,109)</b>	<b>(1,912)</b>	<b>(829)</b>	<b>–</b>	<b>(861)</b>	<b>(3,602)</b>	<b>(13,711)</b>
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)
<b>December 31, 2022</b>	<b>(9,216)</b>	<b>–</b>	<b>(998)</b>	<b>(10,214)</b>	<b>(1,970)</b>	<b>(858)</b>	<b>–</b>	<b>(821)</b>	<b>(3,649)</b>	<b>(13,863)</b>
<b>Net value</b>										
December 31, 2021	7,716	1,242	1,508	10,466	827	230	129	216	1,402	11,868
<b>December 31, 2022</b>	<b>7,588</b>	<b>1,496</b>	<b>1,530</b>	<b>10,614</b>	<b>811</b>	<b>220</b>	<b>132</b>	<b>212</b>	<b>1,375</b>	<b>11,989</b>

Aeronautical assets under construction mainly comprise advance payments, engine maintenance work in progress and aircraft modifications.

Commitments to assets purchases are detailed in Notes 39 and 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
<b>Total</b>	<b>2,972</b>	<b>2,202</b>

The line "Acquisition of flight equipment" includes investments linked to the renewal of the fleet for new generation aircraft, for an amount of €1,332 million as of December 31, 2022 (€1,047 million as of December 31, 2021).

## 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
<b>Net value</b>					
<b>January 1, 2021</b>	<b>2,191</b>	<b>1,739</b>	<b>541</b>	<b>207</b>	<b>4,678</b>
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)
<b>December 31, 2021</b>	<b>2,476</b>	<b>1,898</b>	<b>608</b>	<b>166</b>	<b>5,148</b>
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)
<b>December 31, 2022</b>	<b>2,751</b>	<b>2,031</b>	<b>599</b>	<b>47</b>	<b>5,428</b>

Information related to lease debt is available in Note 33.

The line "Others" includes mainly movements of the return obligation liability following aircrafts restitution.

The amount recognized in the income statement in respect of lease contracts not subject to IFRS 16 amounts to:

As of December 31 (in € millions)	2022	2021
Variable rents	9	(3)
Short term rents	100	52
Low value rents	16	16
<b>Total</b>	<b>125</b>	<b>65</b>

## 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
<b>December 31, 2020</b>	-	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
<b>December 31, 2021</b>	-	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
<b>December 31, 2022</b>	<b>1</b>	<b>44</b>	<b>56</b>	<b>19</b>	<b>120</b>

### 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 €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 €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	2022	2021
(In € millions)		
<b>Opening balance</b>	-	211
Net periodic pension (cost)/income	-	(77)
Payments of benefits and contributions to the funds	-	(833)
Reclassification	20	28
Fair value revaluation	19	671
<b>Closing balance</b>	<b>39</b>	-

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 IAS19 for an amount of €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	Network		Maintenance		Transavia		Other / Non allocated	
(in € millions)	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)
<b>Net segment assets (liabilities)</b>	<b>4,457</b>	<b>7,112</b>	<b>2,264</b>	<b>2,056</b>	<b>257</b>	<b>496</b>	<b>(6,978)</b>	<b>(9,664)</b>

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 CO<sub>2</sub> 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 CO<sub>2</sub> 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<sub>2</sub> 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		
	Current	Non-current	Of which pledged or secured	Current	Non-current	Of which pledged or secured
<b>Equity instruments <sup>(1)</sup></b>						
Equity instruments at fair value through OCI	-	45	-	-	49	-
<b>Financial assets at fair value through P&amp;L <sup>(1)</sup></b>						
Marketable securities	492	80	250	439	74	324
Bonds	114	697	175	32	497	-
<b>Financial asset - at amortized cost</b>						
Deposit on lease contracts	4	95	-	7	78	-
Financial liabilities deposit	1	101	-	-	99	-
Other loans and deposits	9	192	-	6	176	-
<b>Gross value</b>	<b>620</b>	<b>1,210</b>	<b>425</b>	<b>484</b>	<b>973</b>	<b>324</b>
Impairment at opening date	-	(22)	-	-	(28)	-
New impairment charge	-	(5)	-	-	-	-
Use/Reversal	-	1	-	-	2	-
Other	-	-	-	-	4	-
<b>Impairment at closing date</b>	<b>-</b>	<b>(26)</b>	<b>-</b>	<b>-</b>	<b>(22)</b>	<b>-</b>
<b>Total</b>	<b>620</b>	<b>1,184</b>	<b>425</b>	<b>484</b>	<b>951</b>	<b>324</b>

(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)	Classifi- cation metho- dology	Stock price	Closing date
<b>As of December 31, 2022</b>							
GOL Linhas Aéreas <sup>(1)</sup>	6	0.28%	NA <sup>(2)</sup>	NA <sup>(2)</sup>	OCI	7.34 BRL	December 2022
Kenya Airways	13	7.76%	NA <sup>(2)</sup>	NA <sup>(2)</sup>	OCI	NA <sup>(2)</sup>	December 2022
Other	26	-	-	-	-	-	-
<b>Total</b>	<b>45</b>						
<b>As of December 31, 2021</b>							
GOL Linhas Aéreas <sup>(1)</sup>	12	1.19%	NA <sup>(2)</sup>	NA (2)	OCI	17 BRL	December 2021
Kenya Airways	13	7.76%	NA <sup>(2)</sup>	NA (2)	OCI	NA <sup>(2)</sup>	December 2021
Other	24	-	-	-	-	-	-
<b>Total</b>	<b>49</b>						

(1) Listed company.

(2) 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 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).

## NOTE 24 INVENTORIES

As of December 31	2022	2021
(in € millions)		
Aeronautical spare parts	801	653
Other supplies	151	160
Production work in progress	23	16
<b>Gross value</b>	<b>975</b>	<b>829</b>
<b>Opening valuation allowance</b>	<b>(262)</b>	<b>(240)</b>
Charge to allowance	(27)	(32)
Use of allowance	36	9
Currency translation adjustment	(1)	–
Reclassification	2	1
<b>Closing valuation allowance</b>	<b>(252)</b>	<b>(262)</b>
<b>Net value</b>	<b>723</b>	<b>567</b>

## NOTE 25 TRADE ACCOUNTS RECEIVABLES

As of December 31	2022	2021
(in € millions)		
Airlines	283	356
Other clients:		
— Network	961	889
— Maintenance	675	524
— Other	97	61
<b>Gross value</b>	<b>2,016</b>	<b>1,830</b>
Opening valuation allowance	(319)	(302)
Charge to allowance	(28)	(38)
Use/Reversal of allowance	115	20
Currency translation adjustment	1	(2)
Reclassification	-	3
<b>Closing valuation allowance</b>	<b>(231)</b>	<b>(319)</b>
<b>Net value</b>	<b>1,785</b>	<b>1,511</b>

## NOTE 26 OTHER ASSETS

As of December 31	2022		2021	
	Current	Non-current	Current	Non-current
(in € millions)				
Suppliers with debit balances	97	-	124	-
State receivables (including tax credit)	115	-	138	-
Prepaid expenses	229	-	169	-
Other debtors	407	-	539	-
<b>Gross value</b>	<b>848</b>	<b>-</b>	<b>970</b>	<b>-</b>
Opening valuation allowance	(4)	-	(4)	-
Use of allowance	3	-	-	-
<b>Closing valuation allowance</b>	<b>(1)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>
<b>Total</b>	<b>847</b>	<b>-</b>	<b>966</b>	<b>-</b>

## NOTE 27 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

As of December 31	2022	2021
(in € millions)		
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
<b>Cash and cash equivalents</b>	<b>6,626</b>	<b>6,658</b>
Of which pledged or secured amounts	-	-
Bank overdrafts	(3)	(4)
<b>Cash, cash equivalents and bank overdrafts</b>	<b>6,623</b>	<b>6,654</b>

## 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 €2,571 million, an increase of €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
<b>At the beginning of the period</b>	<b>642,634,034</b>	<b>428,634,035</b>
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
<b>At the end of the period</b>	<b>2,570,536,136</b>	<b>642,634,034</b>
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
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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 €5,217 million, an increase of €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 super-subordinated bonds	Nominal	29.4.1	3,000	(1,767)	-	(638)	595
	Coupons		151	-	(252)	132	31
Last-rank indefinite subordinated bond convertible into new shares and/or existing shares	Nominal	29.4.2	-	301	-	4	305
	Coupons		-	-	-	2	2
<b>Total Perpetual - attributable to equity holders of Air France-KLM</b>			<b>3,151</b>	<b>(1,466)</b>	<b>(252)</b>	<b>(500)</b>	<b>933</b>
Perpetual	Nominal	29.7	-	497	-	-	497
	Coupons		-	-	-	13	13
<b>Total Perpetual - Non-controlling interests</b>			<b>-</b>	<b>497</b>	<b>-</b>	<b>13</b>	<b>510</b>
Total cash flows		5.2.5		(969)	(252)		

### 29.4.1 2021 perpetual super-subordinated bonds

On April 20, 2021, the Group issued €3 billion of perpetual super-subordinated bonds subscribed by the French State, to offset its direct loan of the same nominal amount. The issue was composed of three tranches with perpetual maturities and each in a nominal amount of €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 €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 €218 million (see Note 3.2 "Significant events occurring during the period"), including €151 million for the coupon accrued to December 31, 2021 and €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 €487 million in nominal plus the coupon accrued to that date for an amount of €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 €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 €301 million, net of issuance fees.

The bonds were issued at par with a nominal value per

bond of €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 €2 million.

## 29.5 Reserves and retained earnings

As of December 31 (in € millions)	2022	2021
Legal reserve	70	70
Defined pension benefit reserves <sup>(1)</sup>	(532)	(899)
Derivatives reserves <sup>(1)</sup>	88	199
Equity instrument reserves <sup>(1)</sup>	(58)	(54)
Other reserves	(11,996)	(8,566)
Net income (loss) - Group share	728	(3,292)
<b>Total</b>	<b>(11,700)</b>	<b>(12,542)</b>

(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)	<b>(68)</b>	External expenses
Interest rate	1	210	4	<b>215</b>	Cost of financial debt
Currency exchange - Operating	55	186	(152)	<b>89</b>	Other income and expenses
Currency exchange - Financial liabilities	-	2	-	<b>2</b>	Other financial expenses
Currency exchange - Capital expenditures	52	(12)	-	<b>40</b>	
Change on revenues	(95)	(130)	49	<b>(176)</b>	Sales
European carbon emission allowances (ETS)	142	(130)	-	<b>12</b>	
Deferred tax	(60)	-	34	<b>(26)</b>	
<b>Total</b>	<b>199</b>	<b>857</b>	<b>(968)</b>	<b>88</b>	

## 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 €13 million.



## NOTE 30 RETIREMENT BENEFITS

(in € millions)	Retirement benefits
<b>As of December 31, 2020</b>	<b>2,041</b>
<i>Of which: Non-current</i>	<i>2,041</i>
New provision	128
Reversal of provision	(142)
Fair value revaluation	(100)
Currency translation adjustment	12
<b>As of December 31, 2021</b>	<b>1,939</b>
<i>Of which: Non-current</i>	<i>1,939</i>
New provision	174
Reversal of provision	(102)
Fair value revaluation	(392)
Currency translation adjustment	(4)
Reclassification	19
<b>As of December 31, 2022</b>	<b>1,634</b>
<i>Of which: Non-current</i>	<i>1,634</i>

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 transform it 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 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:

#### Sensitivity to changes in the inflation 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
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 December 31, 2022				As of December 31, 2021			
	Netherlands	France	Others	Total	Netherlands	France	Others	Total
<b>Benefit obligation at beginning of year</b>	<b>232</b>	<b>2,117</b>	<b>999</b>	<b>3,348</b>	<b>10,256</b>	<b>2,159</b>	<b>995</b>	<b>13,410</b>
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
<b>Benefit obligation at end of year</b>	<b>206</b>	<b>1,872</b>	<b>634</b>	<b>2,712</b>	<b>232</b>	<b>2,117</b>	<b>999</b>	<b>3,348</b>
Including benefit obligation resulting from schemes totally or partly funded	–	1,817	593	2,404	–	2,041	949	2,990
Including unfunded benefit obligation	206	67	41	308	232	76	50	358
<b>Fair value of plan assets at beginning of year</b>	<b>–</b>	<b>596</b>	<b>813</b>	<b>1,409</b>	<b>10,245</b>	<b>604</b>	<b>731</b>	<b>11,580</b>
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
<b>Fair value of plan assets at end of year</b>	<b>–</b>	<b>509</b>	<b>608</b>	<b>1,117</b>	<b>–</b>	<b>596</b>	<b>813</b>	<b>1,409</b>
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)
<b>Net amount recognized</b>	<b>(206)</b>	<b>(1,363)</b>	<b>(26)</b>	<b>(1,595)</b>	<b>(232)</b>	<b>(1,521)</b>	<b>(186)</b>	<b>(1,939)</b>
<b>Net periodic cost</b>								
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
<b>Net periodic cost</b>	<b>16</b>	<b>140</b>	<b>13</b>	<b>169</b>	<b>1,036</b>	<b>50</b>	<b>15</b>	<b>1,101</b>

## 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 €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 €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 €938 million (€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 %)	Funds invested as of December 31, 2022		Funds invested as of December 31, 2021	
	France	Other	France	Other
Equities	20	42	23	40
Bonds	52	21	54	20
Others	28	37	23	40
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

The equity portion is mainly invested in active markets in Europe, the United States and emerging countries.

The bonds primarily comprise government bonds, rated at least BBB, and invested in Europe, the United States and emerging countries.

The Group’s pension assets do not include assets occupied or used by the Group.

## 30.5 Expected cash outflows and risks linked to the pension obligations

The employer contributions relating to the defined benefit pension plans amount to €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 CO2 quota surrenders	Others	Total
<b>Amount as of January 1, 2021</b>	<b>3,266</b>	<b>421</b>	<b>741</b>	<b>423</b>	<b>32</b>	<b>124</b>	<b>5,007</b>
<i>Of which: Non-current</i>	2,860	300	–	402	–	108	<b>3,670</b>
<i>Current</i>	406	121	741	21	32	16	<b>1,337</b>
New provision	6	12	38	43	36	5	<b>140</b>
Use of provision	(180)	(12)	(291)	(23)	(32)	(9)	<b>(547)</b>
Reversal of unnecessary provisions	–	–	(72)	(16)	–	(16)	<b>(104)</b>
New lease contract/Change in lease contract	243	4	–	–	–	(3)	<b>244</b>
Currency translation adjustment	233	3	–	–	–	2	<b>238</b>
Accretion impact	113	2	–	–	–	1	<b>116</b>
Others	128	(278)	–	(3)	–	(1)	<b>(154)</b>
<b>Amount as of December 31, 2021</b>	<b>3,809</b>	<b>152</b>	<b>416</b>	<b>424</b>	<b>36</b>	<b>103</b>	<b>4,940</b>
<i>Of which: Non-current</i>	3,433	128	–	405	–	89	<b>4,055</b>
<i>Current</i>	376	24	416	19	36	14	<b>885</b>
New provision	–	15	40	29	145	24	<b>253</b>
Use of provision	(213)	(15)	(253)	(18)	(39)	(3)	<b>(541)</b>
Reversal of unnecessary provisions	–	–	(12)	(9)	–	–	<b>(21)</b>
New lease contract/Change in lease contract	109	5	–	–	–	3	<b>117</b>
Currency translation adjustment	180	2	–	–	–	1	<b>183</b>
Accretion impact	135	2	–	–	–	2	<b>139</b>
Others	(184)	–	1	–	–	2	<b>(181)</b>
<b>Amount as of December 31, 2022</b>	<b>3,836</b>	<b>161</b>	<b>192</b>	<b>426</b>	<b>142</b>	<b>132</b>	<b>4,889</b>
<i>Of which: Non-current</i>	3,496	147	–	397	–	109	<b>4,149</b>
<i>Current</i>	340	14	192	29	142	23	<b>740</b>

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 €4million 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 €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 grant 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 CO2 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 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.

### 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.

#### 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		2022			2021		
(in € millions)	Notes	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
<b>Total - Financial liabilities</b>		<b>9,657</b>	<b>896</b>	<b>10,553</b>	<b>11,274</b>	<b>1,215</b>	<b>12,489</b>

### 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 and Swiss Francs	32.1.1 & 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
<b>Total</b>		<b>12,489</b>	<b>1,110</b>	<b>(3,078)</b>	<b>9</b>	<b>23</b>	<b>10,553</b>

(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 and Swiss Francs	32.1.1 & 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
<b>Total</b>		<b>15,489</b>	<b>1,724</b>	<b>(1,993)</b>	<b>50</b>	<b>(2,782)</b>	<b>12,489</b>

## 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. €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. €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 exercised, 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 €500 million. Each bond has a nominal value of €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 1 Air France KLM share per OCEANE bond to a parity of 1.783 Air France KLM share per OCEANE bond (see Note 3.2 "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 €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 €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 €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 €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 €3.4 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 EURIBOR 12 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 loan, 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 €(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 €277 million.

Following these transactions, KLM retains a credit line of €2.5 billion (€723 million from the direct loan and €1,735 million the credit line from the banks, guaranteed by the Dutch State) at its disposal.

## 32.4 Other debt

Other debt breaks down as follows:

<b>As of December 31</b>		
(in € millions)	2022	2021
Reservation of ownership clause and mortgage debt	1,228	1,038
Other debt	256	416
<b>Total</b>	<b>1,484</b>	<b>1,454</b>

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:

<b>As of December 31</b>		
(in € millions)	<b>2022</b>	<b>2021</b>
<b>Maturities in</b>		
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
<b>Total</b>	<b>11,916</b>	<b>14,100</b>
Including: - Principal	10,553	12,489
- Interest	1,363	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.

The bonds issued in 2016, 2020 and 2021 will be reimbursed on their contractual maturity dates (see Note 32.2 “Bonds”).

As of December 31, 2022, the KLM perpetual subordinated notes are included in the line “Over 5 years”.

## 32.6 Currency analysis

The breakdown of financial liabilities by currency after the impact of derivative instruments is as follows:

<b>As of December 31</b>		
(in € millions)	<b>2022</b>	<b>2021</b>
Euro	8,828	10,792
US Dollar	653	605
Swiss franc	391	373
Yen	681	719
<b>Total</b>	<b>10,553</b>	<b>12,489</b>

## 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 €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
<b>Total Financial liabilities</b>	<b>10,553</b>	<b>10,885</b>	<b>12,489</b>	<b>12,810</b>

## 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
<b>Total - Lease debt</b>	<b>3,318</b>	<b>834</b>	<b>4,152</b>	<b>2,924</b>	<b>825</b>	<b>3,749</b>

### 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
<b>Total</b>	<b>3,749</b>	<b>1,148</b>	<b>(861)</b>	<b>119</b>	<b>(3)</b>	<b>4,152</b>



(in € millions)	December 31, 2020	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31, 2021
Lease debt - Aircraft <sup>(1)</sup>	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
<b>Total</b>	<b>3,264</b>	<b>1,150</b>	<b>(862)</b>	<b>207</b>	<b>(10)</b>	<b>3,749</b>

(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
<b>Total</b>	<b>5,369</b>	<b>4,725</b>
Including: - Principal	4,152	3,749
- Interest	1,217	976

## NOTE 34 NET DEBT

As of December 31		2022	2021
(in € millions)	Notes		
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)
<b>Gross financial liabilities (I)</b>		<b>14,343</b>	<b>15,912</b>
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)
<b>Net cash (II)</b>		<b>8,006</b>	<b>7,696</b>
<b>Net debt (I-II)</b>		<b>6,337</b>	<b>8,216</b>

As of December 31		2022	2021
(in € millions)	Notes		
<b>Opening net debt</b>		<b>8,216</b>	11,049
Operating free cash flow	42.1	<b>(2,764)</b>	(231)
Subordinated undated bonds convertible into new shares and/or exchangeable for existing shares	29.4	<b>(301)</b>	-
Perpetual repayment to the French State	29.4	<b>1,767</b>	-
New perpetual from non-controlling interests	29.4	<b>(497)</b>	-
Capital increase from non-controlling interests		<b>(3)</b>	-
Perpetual reclassified from financial liabilities		-	(2,997)
Capital increase	29.1 & 29.2	<b>(1,551)</b>	(1,024)
Paid coupons on perpetual		<b>252</b>	-
Disposal of subsidiaries, of shares in non-controlled entities		<b>(1)</b>	(75)
Acquisition of subsidiaries, of shares in non-controlled entities		-	2
New lease debts (new and renewed contracts)	33	<b>1,148</b>	1,150
Unrealized exchange gains and losses on lease financial debts through OCI		<b>80</b>	159
Impact of derivatives on net debt		<b>(15)</b>	(22)
Impact of Effective Interest Rate methodology on State loans		<b>(18)</b>	126
Currency translation adjustment in the income statement		<b>(7)</b>	42
Amortization of OCEANE optional part		<b>11</b>	11
Other non-monetary variations of the net debt		<b>20</b>	26
<b>Closing net debt</b>		<b>6,337</b>	<b>8,216</b>

## 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	<b>792</b>	794
BlueBiz	<b>108</b>	94
<b>Total</b>	<b>900</b>	<b>888</b>

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 €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	2022	2021
In € millions		
<b>As of January 1</b>	<b>794</b>	<b>832</b>
Accumulation	<b>337</b>	127
Redemption	<b>(339)</b>	(165)
<b>As of December 31</b>	<b>792</b>	<b>794</b>

## NOTE 36 OTHER LIABILITIES

As of December 31 (in € millions)	2022		2021	
	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
<b>Total</b>	<b>4,057</b>	<b>2,343</b>	<b>3,369</b>	<b>2,555</b>

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 instruments	37.1	Asset	42	42	-	-	-	-	-
		Liability	(59)	(59)	-	-	-	-	-
Interest rate derivative instruments	37.2	Asset	207	41	22	25	16	5	98
		Liability	(1)	-	-	-	-	-	(1)
Currency exchange-debt derivative instruments	37.3	Asset	27	12	8	4	3	-	-
		Liability	(2)	(2)	-	-	-	-	-
Currency exchange - operating derivative instruments	37.3	Asset	104	84	20	-	-	-	-
		Liability	(25)	(9)	(15)	(1)	-	-	-
Currency exchange-Capex	37.3	Asset	150	89	60	1	-	-	-
		Liability	(15)	(11)	(2)	(2)	-	-	-
Carbon credit derivative instruments	37.4	Asset	15	15	-	-	-	-	-
		Liability	(2)	(2)	-	-	-	-	-
Other derivative instruments		Asset	44	44	-	-	-	-	-
		Liability	-	-	-	-	-	-	-
<b>Total</b>		<b>Asset</b>	<b>589</b>	<b>327</b>	<b>110</b>	<b>30</b>	<b>19</b>	<b>5</b>	<b>98</b>
		<b>Liability</b>	<b>(104)</b>	<b>(83)</b>	<b>(17)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>

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:

(in € millions)	Notes		Total	Y+1	Y+2	Y+3	Y+4	Y+5	> Y+5
Fuel derivative instruments	37.1	Asset	166	166	-	-	-	-	-
		Liability	(16)	(16)	-	-	-	-	-
Interest rate derivative instruments	37.2	Asset	23	3	4	3	4	1	8
		Liability	(22)	(8)	(2)	(3)	(3)	(3)	(3)
Currency exchange derivative instruments	37.3	Asset	242	159	63	20	-	-	-
		Liability	(33)	(22)	(2)	-	(1)	(8)	-
Carbon credit derivative instruments	37.4	Asset	143	141	2	-	-	-	-
		Liability	-	-	-	-	-	-	-
Other derivative instruments		Asset	38	-	38	-	-	-	-
		Liability	-	-	-	-	-	-	-
<b>Total</b>		<b>Asset</b>	<b>612</b>	<b>469</b>	<b>107</b>	<b>23</b>	<b>4</b>	<b>1</b>	<b>8</b>
		<b>Liability</b>	<b>(71)</b>	<b>(46)</b>	<b>(4)</b>	<b>(3)</b>	<b>(4)</b>	<b>(11)</b>	<b>(3)</b>

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 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
<b>Cash flow hedging operating flows</b>								
Forward purchases	141	141	-	-	-	-	-	(13)
Options	2,478	2,478	-	-	-	-	-	(14)
<b>Sub-total</b>	<b>2,619</b>	<b>2,619</b>	-	-	-	-	-	<b>(27)</b>
Receivables/payables on fuel hedges								10
<b>Total</b>	<b>2,619</b>	<b>2,619</b>	-	-	-	-	-	<b>(17)</b>
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 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
<b>Cash flow hedging operating flows</b>								
Swap	283	283	-	-	-	-	-	1
Options	2,157	2,157	-	-	-	-	-	119
<b>Sub-total</b>	<b>2,440</b>	<b>2,440</b>	-	-	-	-	-	<b>120</b>
Receivables/payables on fuel hedges	-	-	-	-	-	-	-	30
<b>Total</b>	<b>2,440</b>	<b>2,440</b>	-	-	-	-	-	<b>150</b>
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		Balance sheet item of underlying items	Maturities between 1 and 5 years						Fair value
(In € millions)	Nominal		Maturity below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
<b>Operations qualified as cash flow hedging</b>	<b>2,832</b>		<b>666</b>	<b>353</b>	<b>340</b>	<b>257</b>	<b>159</b>	<b>1,057</b>	<b>202</b>
Rate swaps	2,691	Financial liabilities	666	353	340	163	112	1,057	200
Options	141	Financial liabilities	-	-	-	94	47	-	2
<b>Operations qualified as fair value through profit and loss</b>	<b>56</b>		<b>11</b>	<b>12</b>	<b>21</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>4</b>
Rate swaps	56	N/A	11	12	21	12	-	-	4
<b>Total</b>	<b>2,888</b>		<b>677</b>	<b>365</b>	<b>361</b>	<b>269</b>	<b>159</b>	<b>1,057</b>	<b>206</b>

As of December 31, 2021		Balance sheet item of underlying items	Maturities between 1 and 5 years						Fair value
(In € millions)	Nominal		Maturity below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
<b>Operations qualified as cash flow hedging</b>	<b>2,409</b>		<b>511</b>	<b>357</b>	<b>324</b>	<b>198</b>	<b>224</b>	<b>795</b>	<b>(1)</b>
Rate swaps	2,259	Financial liabilities	511	357	324	198	124	745	(2)
Options	150	Financial liabilities	-	-	-	-	100	50	1
<b>Operations qualified as fair value through profit and loss</b>	<b>70</b>		<b>16</b>	<b>11</b>	<b>11</b>	<b>21</b>	<b>12</b>	<b>-</b>	<b>2</b>
Rate swaps	70	N/A	16	11	11	21	12	-	2
<b>Total</b>	<b>2,480</b>		<b>527</b>	<b>368</b>	<b>335</b>	<b>219</b>	<b>236</b>	<b>795</b>	<b>1</b>

Due to hedging, interest rate exposure based on net debt items is 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)
<b>Total Financial liabilities</b>	<b>14,343</b>	<b>14,343</b>	<b>15,912</b>	<b>15,912</b>
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
<b>Total Net liquidity</b>	<b>8,006</b>	<b>8,006</b>	<b>7,696</b>	<b>7,696</b>
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)
<b>Total Net debt</b>	<b>6,337</b>	<b>6,337</b>	<b>8,216</b>	<b>8,216</b>

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 €40 million on the financial income for the year ended December 31, 2022 versus €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		Hedged item		Maturities between 1 and 5 years					Fair value
In € millions	Nominal	Balance sheet Item	Maturity below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
<b>Cash flow hedging of operating flows</b>	<b>3,379</b>		<b>2,177</b>	<b>1,092</b>	<b>110</b>	–	–	–	<b>79</b>
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
<b>Fair value hedging of flight equipment acquisition</b>	<b>2,614</b>		<b>1,446</b>	<b>1,099</b>	<b>69</b>	–	–	–	<b>135</b>
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
<b>Cash flow hedges on debt</b>	<b>173</b>		<b>37</b>	–	–	<b>136</b>	–	–	<b>2</b>
Forward purchases	37	N/A	37						(1)
Others	136	Financial liabilities	–	–	–	136		–	3
<b>Fair value hedges on debt</b>	<b>441</b>		<b>111</b>	<b>117</b>	<b>113</b>	<b>100</b>	–	–	<b>20</b>
Forward purchases	441		111	117	113	100	–	–	20
<b>Operations on debt qualified in fair value through P&amp;L</b>	<b>141</b>		<b>122</b>	<b>19</b>	–	–	–	–	<b>3</b>
Forward purchases	141	N/A	122	19					3
<b>Total</b>	<b>6,748</b>		<b>3,893</b>	<b>2,327</b>	<b>292</b>	<b>236</b>	–	–	<b>239</b>

As of December 31, 2021	Hedged item			Maturities between 1 and 5 years					Fair value
	Nominal	Balance sheet Item	Maturity below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
In € millions									
<b>Cash flow hedging of operating flows</b>	<b>2,773</b>		<b>1,827</b>	<b>945</b>	-	-	-	-	<b>42</b>
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)
<b>Fair value hedging of flight equipment acquisition</b>	<b>3,642</b>		<b>2,430</b>	<b>670</b>	<b>542</b>	-	-	-	<b>158</b>
Exchange rate options	145	Other commitments	107	38	-	-	-	-	30
Forward purchases	2,942	Other commitments	1,768	632	542	-	-	-	140
Forward sales	555	Other commitments	555	-	-	-	-	-	(12)
<b>Cash flow hedges on debts</b>	<b>167</b>		<b>39</b>	-	-	-	<b>128</b>	-	<b>(8)</b>
Forward purchases	39	N/A	39	-	-	-	-	-	-
Others	128	Financial liabilities	-	-	-	-	128	-	(8)
<b>Fair value hedges on debt</b>	<b>229</b>		<b>66</b>	<b>56</b>	<b>43</b>	<b>63</b>	-	-	<b>12</b>
Forward purchases	229		66	56	43	63	-	-	12
<b>Operations on debt qualified in fair value through P&amp;L</b>	<b>128</b>		<b>122</b>	<b>6</b>	-	-	-	-	<b>5</b>
Forward purchases	128	N/A	122	6	-	-	-	-	-
<b>Total</b>	<b>6,939</b>		<b>4,484</b>	<b>1,677</b>	<b>585</b>	<b>63</b>	<b>128</b>	-	<b>209</b>

### Currency hedge sensitivity

The value in euros of the monetary assets and liabilities is presented below:

As of December 31 (in € millions)	Monetary assets		Monetary liabilities	
	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 (in € millions)	US dollar		Pound sterling		Yen	
	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		Pound 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 CO<sub>2</sub> quotas as follows:

As of December 31, 2022 (In € millions)	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			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
<b>Total</b>	<b>106</b>	<b>106</b>	-	-	-	-	-	<b>13</b>

As of December 31, 2021 (In € millions)	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			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
<b>Total</b>	<b>261</b>	<b>253</b>	<b>8</b>	-	-	-	-	<b>143</b>

## 37.5 Counterparty 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:

LT Rating (Standard & Poors)	Total exposure	
	As of December 31, 2022	As of December 31, 2021
AAA	378	246
AA	266	322
A	3,082	1,893
BBB	23	140
<b>Total</b>	<b>3,749</b>	<b>2,601</b>

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	Level 1 - quoted prices and cash		Level 2 - internal modeling using observable factors		Level 3 - internal modeling using non-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
<b>Total assets</b>		<b>5,225</b>	<b>6,088</b>	<b>3,418</b>	<b>2,273</b>	-	-	<b>8,643</b>	<b>8,361</b>
Derivative instruments liabilities	37	-	-	(104)	(71)	-	-	(104)	(71)
Bank overdrafts	27	(3)	(4)	-	-	-	-	(3)	(4)
<b>Total liabilities</b>		<b>(3)</b>	<b>(4)</b>	<b>(104)</b>	<b>(71)</b>	-	-	<b>(107)</b>	<b>(75)</b>

## NOTE 39 FLIGHT EQUIPMENT ORDERS

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

<b>As of December 31</b>	<b>2022</b>	<b>2021</b>
(in € millions)		
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	-
<b>Total</b>	<b>7,742</b>	<b>5,105</b>

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
<b>Long-haul fleet – Passenger</b>								
<b>A350</b>	<b>As of December 31, 2022</b>	7	6	5	–	–	–	<b>18</b>
	As of December 31, 2021	7	5	6	5	2	–	<b>25</b>
<b>B787</b>	<b>As of December 31, 2022</b>	3	4	1	–	–	–	<b>8</b>
	As of December 31, 2021	4	2	2	–	–	–	<b>8</b>
<b>Long-haul fleet – Cargo</b>								
<b>A350F</b>	<b>As of December 31, 2022</b>	–	–	–	2	4	2	<b>8</b>
	As of December 31, 2021	–	–	–	–	–	–	<b>–</b>
<b>Medium-haul fleet</b>								
<b>A220</b>	<b>As of December 31, 2022</b>	16	16	12	–	–	–	<b>44</b>
	As of December 31, 2021	15	15	12	12	–	–	<b>54</b>
<b>A320 Neo</b>	<b>As of December 31, 2022</b>	–	–	7	15	22	15	<b>59</b>
	As of December 31, 2021	–	–	–	–	–	–	<b>–</b>
<b>A321 Neo</b>	<b>As of December 31, 2022</b>	–	9	7	13	9	3	<b>41</b>
	As of December 31, 2021	–	–	–	–	–	–	<b>–</b>
<b>Total</b>	<b>As of December 31, 2022</b>	<b>26</b>	<b>35</b>	<b>32</b>	<b>30</b>	<b>35</b>	<b>20</b>	<b>178</b>
	As of December 31, 2021	26	22	20	17	2	–	<b>87</b>

## NOTE 40 OTHER COMMITMENTS

### 40.1 Commitments made

As of December 31	2022	2021
(in € millions)		
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 %
<b>Total</b>	<b>5,523</b>	<b>15,130</b>	<b>36.5 %</b>

## 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
<b>Maintenance order book according to accounting definition</b>	<b>6,665</b>
Contracts with no client' obligations	1,647
Cash received not recognized in revenues <sup>(1)</sup>	271
Published order book in the URD <sup>(2)</sup>	<b>8,583</b>

(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 <sup>(1)</sup> <sup>(2)</sup>	2.6	-
Variable compensation for 2022 <sup>(1)</sup>	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 <sup>(2)</sup>	1.8	-
<b>Total</b>	<b>13.4</b>	<b>7.0</b>

(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 amounts to €0.2 million.

Directors' fees booked in expenses amount to €0.8 million as of December 31, 2022, versus €0.7 million as of December 31, 2021.

### 41.2 Transactions with the other related parties

The total amounts of transactions with related parties are as follows:

As of December 31 (in € millions)	2022	2021
<b>Assets</b>		
Trade receivables	315	259
Other current assets	5	3
Other non-current assets	3	9
<b>Total</b>	<b>323</b>	<b>271</b>
<b>Liabilities and equity</b>		
Perpetual	933	3,151
Trade payables	129	96
Other current liabilities	244	286
Other non-current liabilities	282	278
<b>Total</b>	<b>1,588</b>	<b>3,811</b>



As of December 31	2022	2021
(in € millions)		
Sales	186	181
Landing fees and air route charges	(342)	(259)
Other external expenses	(20)	(17)
Passenger service	(317)	(221)
Other	(39)	(43)
<b>Total</b>	<b>(532)</b>	<b>(359)</b>

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 €333 million and €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 €71 million for the period ended December 31, 2022 versus €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 €91 million as of December 31, 2022 versus €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 €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 €70 million and €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
<b>Operating free cash flow</b>	34	<b>2,764</b>	<b>231</b>
<b>Payments on lease debts</b>		<b>(861)</b>	<b>(862)</b>
<b>Operating free cash flow adjusted</b>		<b>1,903</b>	<b>(631)</b>

### 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
<b>Total Other non monetary items</b>		<b>(63)</b>	<b>739</b>
Impairment		8	-
Impairment on fleet	11	24	40
<b>Total Impairment</b>		<b>32</b>	<b>40</b>

## NOTE 43 STATUTORY AUDITORS' FEES

KPMG	2022				2021			
	Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>As of December 31</b>								
(in € millions)								
<b>Statutory audit, certification, review of stand-alone and consolidated accounts</b>	2.1	84 %	3.0	97 %	1.8	82 %	2.2	96 %
— Air France-KLM S.A.	0.5		-		0.5		-	
— Consolidated subsidiaries	1.6		3.0		1.3		2.2	
<b>Other ancillary services and audit services <sup>(1)</sup></b>	0.4	16 %	0.1	3 %	0.4	18 %	0.1	4 %
— Air France-KLM S.A.	0.2		-		0.3		-	
— Consolidated subsidiaries	0.2		0.1		0.1		0.1	
<b>Total Air France-KLM</b>	<b>2.5</b>		<b>3.1</b>		<b>2.2</b>		<b>2.3</b>	
<b>PricewaterhouseCoopers</b>	2022				2021			
<b>As of December 31</b>	Statutory auditor		Network		Statutory auditor		Network	
(in € millions)	Amount	%	Amount	%	Amount	%	Amount	%
<b>Statutory audit, certification, review of stand-alone and consolidated accounts</b>	1.6	100 %	1.0	100 %	-	- %	-	- %
— Air France-KLM S.A.	0.5		-		-		-	
— Consolidated subsidiaries	1.1		1.0		-		-	
<b>Other ancillary services and audit services <sup>(1)</sup></b>	-	- %	-	- %	-	- %	-	- %
— Air France-KLM S.A.	-		-		-		-	
— Consolidated subsidiaries	-		-		-		-	
<b>Total Air France-KLM</b>	<b>1.6</b>		<b>1.0</b>		<b>-</b>		<b>-</b>	
<b>Deloitte &amp; Associés</b>	2022				2021			
<b>As of December 31</b>	Statutory auditor		Network		Statutory auditor		Network	
(in € millions)	Amount	%	Amount	%	Amount	%	Amount	%
<b>Statutory audit, certification, review of stand-alone and consolidated accounts</b>	-	- %	-	- %	1.8	90 %	1.0	77 %
— Air France-KLM S.A.	-		-		0.5		-	
— Consolidated subsidiaries	-		-		1.3		1.0	
<b>Other ancillary services and audit services <sup>(1)</sup></b>	-	- %	-	- %	0.2	10 %	0.3	23 %
— Air France-KLM S.A.	-		-		0.2		-	
— Consolidated subsidiaries	-		-		-		0.3	
<b>Total Air France-KLM</b>	<b>-</b>		<b>-</b>		<b>2.0</b>		<b>1.3</b>	

(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
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

Entity	Country	Segment	% interest	% control
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
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

Entity	Country	Segment	% interest	% control
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

