

5.5 STATUTORY FINANCIAL STATEMENTS

5.5.1 Income statement

Year ending December 31, (in € millions)	Notes	2023	2022
Operating income	3	69	84
External expenses	4	(75)	(43)
Salaries and related costs	5	(20)	(15)
Other operating expenses	6	(3)	(32)
Total operating expenses		(98)	(90)
Income from current operations		(29)	(6)
Financial income		370	313
Financial expenses		(329)	(343)
Net financial income	7	41	(30)
Earnings before tax and non-recurring items		12	(36)
Non-recurring income		90	-
Non-recurring expenses		(112)	-
Non-recurring income/- (loss)	8	(22)	-
Income tax	9	140	23
NET INCOME/(LOSS)		130	(13)

5.5.2 Balance sheet

Assets <i>(in € millions)</i>	Notes	December 31, 2023	December 31, 2022
Tangibles fixed assets		2	2
Equity investments	10.2	7,684	7,331
Loans & receivables related to long-term investment	10.3	2,148	4,009
Other financial long-term investments		15	1
Fixed assets		9,849	11,343
Trade receivables	14	38	30
Other receivables	14	152	71
Marketable securities	11	1,658	1,518
Cash and cash equivalent		566	470
Prepaid expenses		3	1
Current assets		2,417	2,090
Issue costs		6	10
Bond redemption premium		5	4
TOTAL ASSETS		12,277	13,447
Liabilities & equity <i>(in € millions)</i>	Notes	December 31, 2023	December 31, 2022
Capital	12.1	263	2,570
Additional paid-in capital	12.2	7,560	5,217
Legal reserve		70	70
Reserves		(147)	(133)
Income for the year	12.2	130	(13)
Shareholder's equity	12.2	7,876	7,711
Other equity	13	1,076	934
Provision for risks & liabilities	18	-	-
Financial debts	13	3,255	4,757
Trade payables and related accounts	14	25	11
Tax and social debts	14	14	14
Other liabilities	14	25	19
Liabilities	14	3,319	4,801
Unrealized foreign exchange gain		6	1
TOTAL LIABILITIES & EQUITY		12,277	13,447

5.5.3 Notes

The following information constitutes the notes to the financial statements for the year ended December 31, 2023. It is an integral part of the financial statements.

Air France-KLM SA, a public limited company (société anonyme) with registered office at 7, rue du Cirque, 75008 Paris, is the parent company of the Air France-KLM group. It is listed for trading in Paris (Euronext) and Amsterdam (Euronext).

1. Accounting policies and procedures

Generally accepted accounting policies have been applied, consistent with the prudence principle and in accordance with the legal and regulatory provisions applicable in France and to the base assumptions whose aim is to provide a true and faithful representation of the company:

- going concern;
- consistent accounting methods from year to year;
- independence of financial periods;
- and in accordance with the general rules for establishing and presenting annual financial statements.

The basic method used to value items recorded in the financial statements is the historical cost method.

Value in use of its equity investments

In the current context, the company has paid particular attention to the value in use of its equity investments.

The main accounting methods used are the following:

■ Long-term investments

Investments in equity securities are presented on the balance sheet at their acquisition cost net of impairment, if any. A provision for impairment is recorded as soon as the fair value, which corresponds to the value in use, falls below the acquisition value. The fair value of securities is determined by taking into account the share of shareholders' equity, the outlook for profitability and the stock market values that can be used as a reference.

Transfer taxes, fees or commissions and legal fees related to the acquisition of securities are expensed, according to the option offered by the regulations.

Treasury shares not allocated to employees or to a capital decrease are booked in long-term investments. They are shown at the lower of their acquisition cost or fair value. The fair value is determined based on the average market price for the last month of the financial year. Impairment tests on future cash flows have been performed, based on assumptions that are identical to those of the consolidated financial statements;

■ Trade receivables

Trade receivables are valued at their nominal value. They are valued on a case-by-case basis and a provision is set up as required based on the assessed risks;

■ Provisions

The company recognizes a provision when there is a legal or constructive obligation to a third party that will result in an outflow of resources and can be reliably estimated. The amounts recognized as provisions take into account the timing of disbursements and are discounted where appropriate. The effect of the passage of time is recognized in financial income or expense;

■ Marketable securities

Marketable securities are shown on the balance sheet at the lower of their acquisition cost and their market value. In the case of listed shares, this market value is determined based on the market price at the end of the financial year.

Treasury shares invested as part of a liquidity agreement are valued at the lower of their acquisition price and fair value. The fair value is determined based on the last month average market price at the end of the financial year.

Negotiable debt securities (certificates of deposits, and bills issued by financial companies) are booked at their acquisition cost. Interest is booked as financial income, on a-prorata *temporis basis*;

■ Foreign currency transactions

Operating expense and income transactions in foreign currencies are recognized at the average exchange rate for each relevant month by approximating the rate on the day of the transaction.

Trade payable and receivable in foreign currencies are valued at the exchange rate in effect at end year closing.

Unrealized losses and gains are recognized as assets and liabilities on the balance sheet. Provisions are established for unrealized losses, except for the following cases:

- transactions where the currency and the term contribute to an overall positive currency position and,
- currency hedging contracts concerning the payment of future investment deliveries;

■ Debts

Debts are valued at their nominal amount. The debt in foreign currency is valued at the closing rate Euro/Dollar;

■ Financial instruments

Financial derivative instruments are used to reduce exposure to interest rates risk and to foreign exchange. They are over the counter instruments with first class counterpart. Group management policy bans subscription of trading instruments;

■ Dividends received

Dividends are recognized as income – when they are approved by the competent bodies in the companies (i.e.: the Board of Directors or the General Shareholders' Meeting depending on the local regulations) – or according to the terms of the bylaws.

2. Significant events of the period

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

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

The emission is composed of two tranches:

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

It has been accounted for in financial debts in balance sheet as of December 31, 2023.

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

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

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

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

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

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

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

Air France-KLM and Air France

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

This new facility has an initial 2026 maturity, includes two one-year extension options.

Air France-KLM reverse share split and share capital reduction

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

These transactions resulted in two steps, without equity impact:

Reverse share split

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

Share capital reduction

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

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

Global employee share purchase plan

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

Eligible employees were able to subscribe at a 30% discounted price with the benefit of a matching contribution from the Air France-KLM group. The proposed shares could not exceed 3% of Air France-KLM's share capital.

On December 21, 2023, following this operation, 5,716,256 new shares with a value of one euro each were issued, increasing the share capital from 257,053,613 euros to 262,769,869 euros.

The capital increase breaks down into into €6 million in share capital and €29 million in additional paid in capital.

Agreement between Air France-KLM and Apollo Global Management related to a financing of €1.5 billion financing

On November 30, 2023, Air France-KLM and Apollo Global Management have finalized, based on a financing agreement signed on October 26, 2023, the following transaction for a total amount of €1.5 billion.

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

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

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

Air France-KLM has subscribed to this dedicated operating affiliate capital increase for €355.5 million.

3. Operating income

Period	2023	2022
Management fees (in € million)	44	32
Of which: Air France	28	19
Of which: KLM	16	13
Royalties (in € million)	21	20
Of which: Air France	13	12
Of which: KLM	8	8
Reversal of operating provisions and others (in € million)	4	32
TOTAL	69	84

Reversal of operating provision and others include a reversal of a provision for uncollectible debts in the amount of 30 million euro on Alitalia company in 2022.

4. External expenses

Period	2023	2022
Fees and surveys	45	19
Insurance	3	3
Sub-Contracting and rent re-invoiced by Air France and KLM	22	17
Financial communication	1	1
Other	4	4
TOTAL	75	43

During the financial year 2023, the teams assigned to Air France-KLM holding company represent 76.8 Full Time Equivalent seconded from Air France and 26.2 full-time equivalent seconded from KLM.

5. Compensation of company's corporate officers

The remuneration recorded as period expenses for the Chief Executive Officer amounts to €3.23 million in 2023 compared to €3.52 million in 2022.

The compensation of the non-executive Chairman of the Board of Directors amounts to €0.20 million.

6. Other operating expenses

Other operating expenses include in 2022 an uncollectible debt loss of 30 million euro on Alitalia company.

7. Net financial income

The Net financial Income section regroups interest paid or received, currency losses and gains, and allocations and reversal of financial provisions. The break-down is as follows.

Period	Notes	2023	2022
Interest on loans and other financial expenses		(324)	(337)
<i>Of which: interest on OCEANE</i>	12.2	(1)	(1)
<i>Of which: interest on bonds</i>	12.2	(123)	(61)
<i>Of which: interest on perpetual subordinated loan</i>	12.1	(72)	(141)
<i>Of which: interest on PGE and ACC</i>	12.3	(122)	(125)
<i>Of which: others</i>		(6)	(9)
Interest on loans		281	307
<i>Of which: related companies</i>		281	307
Other financial income		89	6
<i>Of which: related companies</i>		–	1
<i>Of which: investment in mutual funds and certificates of deposit</i>		89	5
Allocation to provisions		(5)	(6)
<i>Of which: other provision</i>		(2)	(2)
<i>Of which: Air France-KLM Finance shares</i>		(3)	(4)
TOTAL		41	(30)

Investment in mutual funds and certificates of deposit benefited from the rise in variable rates.

8. Non-recurring income (loss)

During the first half of 2023 and in the context of the Group's exit from the temporary framework linked to Covid-19, the Group paid compensation to the French State, required in respect of the shares subscribed in April 2021. Air France-KLM S.A. made the payment, for an amount of 90 million euros, in a mirror transaction with Air France S.A.

As part of the global and final settlement of all amounts owed by AFKL to CMA CGM in connection with the global cooperation agreements and of all amounts owed by the CMA group to the AFKL group in connection with the global cooperation agreements, AFKL Holding paid a final global amount of twenty million euros to CMA CGM, which was recognised as an exceptional expense.

9. Income tax

Air France-KLM has benefited from the tax consolidation scheme since April 1, 2002. The consolidation scope, for which Air France-KLM is the parent company, mainly includes Air France, HOP! and Transavia France Companies.

The tax consolidation agreement is based on the so-called neutrality method and puts each member company of the tax group in the situation in which it would have been in without consolidation.

Air France-KLM has a tax losses carried forward of €1 026 million. The Group's cumulative tax losses, which can be carried forward indefinitely, amount to €14 133 million.

The subsidiaries recording a net earning, generated a bonus of 140 million euros in 2023, compared to a bonus of 23 million euros in 2022.

10. Long-Term Investments

10.1 Net book value

<i>(in € million)</i>	Notes	Beginning of year	Allocation	Reversal	End of Year
Equity investments	9.2	7,331	356	3	7,684
Loans & receivables related to long term investment	9.3	4,009	1,743	3,604	2,148
Other financial long-term investments		1	14	—	15
GROSS AMOUNT		11,341	2,113	3,607	9,847

10.2 Equity investments

<i>(in € million)</i>	Notes	December 31, 2023	December 31, 2022
Gross value			
Air France		6,492	6,492
KLM		824	824
Air France-KLM Finance		31	31
Transavia Company		4	4
Flying Blue Miles		356	—
Total gross		7,707	7,351
Impairment			
Air France-KLM Finance		(23)	(20)
Total impairment		(23)	(20)
Net			
Air France		6,492	6,492
KLM		824	824
Air France-KLM Finance		8	11
Transavia Company		4	4
Flying Blue Miles		356	—
TOTAL NET	9.1	7,684	7,331

10.3 Loans & receivables related to long-term investment

Gross value Notes (in € million)	Notes	Beginning of year	Allocation	Reversal	End of year
Air France	2	3,989	1,728	(3,604)	2,113
Air France-KLM Finance		20	15	–	35
Bigblank		4	–	–	4
TOTAL GROSS		4,013	1,743	(3,604)	2,152

Impairment		Impairment beginning of year	Allocation	Reversal	Impairment end of year
Air France		–	–	–	–
Air France-KLM Finance		–	–	–	–
Bigblank		(4)	–	–	(4)
TOTAL IMPAIRMENT		(4)	–	–	(4)

Net		Net value beginning of year	Allocation	Reversal	Net value end of year
Air France	2	3,989	1,728	(3,604)	2,113
Air France-KLM Finance		20	15	–	35
Bigblank		–	–	–	–
TOTAL NET	9.1	4,009	1,743	(3,604)	2,148

11. Marketable securities

(in € million)	December 31, 2023	December 31, 2022
GROSS VALUE		
Mutual funds, certificates of deposit & marketable term notes ⁽¹⁾	1,658	1,518
Securities Compagnia Aerea Italiana	355	355
Total Gross value	2,013	1,873
DEPRECIATION		
Securities Compagnia Aerea Italiana	(355)	(355)
Total Depreciation	(355)	(355)
TOTAL	1,658	1,518

(1) Of which €1,499 million of marketable securities at less than 3 months for 2023.

The net carrying amount for the marketable securities, mutual funds and certificates of deposit is the market value at closing date.

12. Shareholders' equity

12.1 Distribution of share capital and voting rights

The issued capital comprises 262,769,869 fully paid-up shares with a nominal value of one euro. Each share is entitled to one voting right. However, since April 3, 2016, any shareholder who has been owning registered shares for more than two years is entitled to double voting rights, raising the number of voting rights to 289,980,447 as at December 31, 2023:

As of December 31	Number of shares		% of capital		% of voting rights	
	2023	2022	2023	2022	2023	2022
French State	73,520,630	735,206,304	28.0	28.6	28.4	28.5
Dutch State	24,000,000	240,000,000	9.1	9.3	10.3	10.7
CMA CGM	23,134,825	231,348,252	8.8	9.0	8.0	8.3
China Eastern Airlines	12,023,544	120,235,442	4.6	4.7	6.3	5.6
Employees and former employees	8,461,524	30,024,610	3.2	1.2	3.4	1.6
Delta Air Lines	7,340,118	73,401,182	2.8	2.9	3.8	4.0
SPAAK ⁽¹⁾	2,241,065	22,410,656	0.8	0.9	1.0	1.0
Treasury shares	143,608	1,208,005	0.1	0.1	–	0.1
Other	111,904,555	1,116,701,685	42.6	43.3	38.8	40.2
TOTAL	262,769,869	2,570,536,136	100	100	100	100
<i>Of which: number of shares issued and paid up</i>	<i>262,769,869</i>	<i>2,570,536,136</i>				

(1) Stichting Piloten Aandelen Air France-KLM.

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)" (see note 2).

12.2 Statement of changes in shareholders' equity

(in € million)	Capital	Additional paid-in capital	Reserves	Earnings for the year	Shareholders' equity
As of December 31, 2021	643	4,949	(59)	(4)	5,529
Increase in Capital	1,927	268			2,195
Allocation of earnings	–	–	(4)	4	–
Earnings for the period	–	–	–	(13)	(13)
As of December 31, 2022	2,570	5,217	(63)	(13)	7,711
Capital decrease ⁽¹⁾	(2,314)	2,314	–	–	–
Capital increase ⁽²⁾	6	29	–	–	35
Allocation of earnings	–	–	(13)	13	–
Earnings for the period	–	–	–	130	130
As of December 31, 2023	263	7,560	(76)	130	7,876

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

(2) Within the framework of the 34th and 35th resolutions of the Annual General Meeting of June 7, 2023, on October 23, 2023, the Air France-KLM group launched "Partners for the future", an employee share purchase plan offered to around 75,000 eligible employees in around 20 countries.

Eligible employees were able to subscribe at a 30% discounted price with the benefit of a matching contribution from the Air France-KLM group. The proposed shares could not exceed 3% of Air France-KLM's share capital.

On December 21, 2023, following this operation, 5,716,256 new shares with a value of one euro each were issued, increasing the share capital from 257,053,613 euros to 262,769,869 euros.

13. Financial debt and other equity

<i>(in € million)</i>	Notes	December 31, 2023	December 31, 2022
OTHER EQUITY			
Perpetual subordinated loan	12.1	1,033	900
Interest on Perpetual subordinated loan	12.1	43	34
Total Other equity		1,076	934
NON-CURRENT FINANCIAL DEBT			
Bonds	12.2	2,381	2,186
Miscellaneous loans & debts	12.3	–	2,500
Total non-current debt		2,381	4,686
CURRENT FINANCIAL DEBT			
Bonds	12.2	800	–
Accrued interest		74	71
Total current debt		874	71
Total financial debt		3,255	4,757
TOTAL FINANCIAL DEBT AND OTHER EQUITY		4,331	5,691

13.1 Perpetual subordinated loan

The €3 billion direct loan granted by the French State to Air France via Air France-KLM at the end of May 2020, converted on April 20, 2021 into a Perpetual subordinated notes of the same nominal amount, consisting of three perpetual tranches with a nominal amount of €1 billion each, has been totally repaid. The tranches with a first call option at 4 and 5 years were redeemed in full. The tranche with a first redemption option at 6 years has been partially repaid in the amount of €405 million in 2022 and fully repaid in the amount of €595 million in 2023. The financial operations from the beginning were as follows:

The subordinated shareholder loan ("ACC"), initially granted by the French State to Air France-KLM, had the following main characteristics:

A total amount of €3 billion; a four-year term, with two consecutive one-year extension options exercisable by Air France-KLM; a coupon payable annually or capitalizable at Air France-KLM's option at a rate equal to 12-month EURIBOR (zero rate) plus a margin of 7% for the first four years, 7.5% for the fifth and 7.75% for the sixth.

On April 20, 2021, the French State issued €3 billion of Subordinated Notes by way of set-off against the shareholder Loan Receivable ("ACC") (see Note 12.1).

On June 16, 2022, the TSS was partially repaid in the amount of 1.630 billion euros following a capital increase.

On July 29, 2022, the TSS was partially repaid for an amount of 487 million euros following a refinancing of the maintenance spare parts inventory.

On November 23, 2022, Air France-KLM launches an offering of deeply subordinated undated bonds convertible into new shares and/or exchangeable for existing shares for a nominal amount of €305 million (HCB) within the limits of a maximum number of 200 million underlying shares. The offering has been conducted by way of a placement to qualified investors only. Net Proceeds of the offering were fully allocated to the repayment of the perpetual bonds held by the French State, issued in April 2021. At the closing 2023, the outstanding amount of the HCB was €305 million.

On December 9, 2022, the TSS was partially repaid in the amount of 287 million euros following the issue of hybrid convertible bonds ("HCB"). At the closing 2022, the outstanding amount of the TSS was €595 million.

On March 17, 2023, the TSS was partially repaid in the amount of 300 million euros following the issue of a first tranche of a new Subordinated Notes (TSS 29) issued for an amount of €320 million.

On April 19, 2023, the TSS was fully repaid in the amount of €295 million following the issue of the second tranche of the new Subordinated Notes (TSS 29) issued for an amount of €407 million. At the closing 2023, the outstanding amount of the TSS 29 was €728 million.

13.2 Bonds

Bond	Issuing date	Amount issued (in millions)	Closing outstanding (in millions)	Maturity date	Coupon
\$ Bond issued in 2016 ⁽¹⁾	09 Dec 2016	\$145	\$145	15 Dec 2026	4.350%
€ OCEANE Bond in 2019	25 Mar 2019	€500	€500	25 Mar 2026	0.125%
€ Bond in 2020	10 Jan 2020	€750	€750	10 Jan 2025	1.875%
€ Bond in 2021	01 Jul 2021	€300	€300	01 Jul 2024	3.000%
€ Bond in 2021	01 Jul 2021	€500	€500	01 Jul 2026	3.875%
€ Bond in 2023	16 Jan 2023	€500	€500	31 May 2026	7.250%
€ Bond in 2023	16 Jan 2023	€500	€500	31 May 2028	8.125%

(1) Issuance bonds with Asian institutional investors by way of unlisted private placement.

On December 12, 2016, Air France-KLM issued -fully hedged- USD145 million senior notes by way of unlisted private placement to Asian institutional investors. Maturity is December 15, 2026 and annual coupon arises 4.35%. This loan is the object of a complete cover. (see Note 16).

On March 25, 2019, Air France-KLM issued a bond in the form of a bonds convertible into and/or exchangeable for new or existing shares (OCEANE) of €500 million with a 7-year maturity. The coupon rate is 0.125%. 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.

On January 16, 2020, Air France-KLM issued a 5-year, 750 million euros bond. The coupon is 1.875%.

On July 01, 2021, Air France-KLM issued an 800 million euros bond in two tranches, the first of 300 million euros with a 3-year maturity and a coupon of 3%, and the second of 500 million euros with a 5-year maturity and a coupon of 3.875%.

On January 16, 2023, Air France-KLM issued an 1 billion euros bond in two tranches, the first of 500 million euros with a 3.5-year maturity and a coupon of 7.25%, and the second of 500 million euros with a 5.5-year maturity and a coupon of 8.125%.

13.3 Miscellaneous loans & debts

Miscellaneous loans & debts	Issuing date	Amount issued (in millions)	Closing outstanding (in millions)	Maturity date	End date	Coupon
€ PGE in 2020	12 May 2020	€4,000	€-	06 May 2023	15 Mar. 2023	Euribor +3,75%

On May 6, 2020, the Air France-KLM group signed the legal documentation relating to the financing for a total amount of €7 billion, announced in its press release of April 24, 2020 and approved by the European Commission on May 4, 2020. This financing includes two loans intended to finance the liquidity needs of Air France and its subsidiaries:

- a loan guaranteed by the French State ("PGE") granted by a syndicate of 9 banks: Crédit Agricole CIB, HSBC France, Natixis, Deutsche Bank Luxembourg SA, Société Générale, Banco Santander Paris Branch, BNP Paribas, Crédit Industriel et Commercial, Crédit Lyonnais (LCL).

The main characteristics are as follows:

€4 billion; a 90% guarantee granted by the French State; an initial maturity of 12 months, with a one-year or two-year extension option exercisable by Air France-KLM; a coupon excluding the cost of the French State guarantee at an annual rate equal to EURIBOR (zero rate) plus a margin of 0.75% in the first year, 1.50% in the second year and 2.75% in the third year; a cost of the guarantee granted by the French State initially equal to 0.5% of the total amount of the loan, which will increase to an

additional guarantee fee of 1% in each of the second and third years.

On December 10, 2021, in order to smooth the repayment profile of the State Guaranteed Loan beyond its maturity date of 2023, Air France-KLM entered into an amendment to the State Guaranteed Loan with the consortium of banks and the French State and after approval by the European Commission. The amendment has modified the following stipulations of the State Guaranteed Loan:

- the final maturity date of the State Guaranteed Loan has been extended by two additional years and is therefore set at 6 May 2025;
- the State Guaranteed Loan was subject to repayment by amortisation according to the following schedule:
 - €500 million on the date of signature of the amendment,
 - €800 million on May 6, 2023,
 - €1.350 billion on May 6, 2024,
 - €1.350 billion on May 6, 2025;

- the State Guaranteed Loan bore interest at the rate of: Euribor 3 months (with a floor at zero) with an annual margin of between 0.75% and 2.75%, it was specified that this margin was henceforth applied according to the following schedule: 1.50% from 6 May 2021 (inclusive) until 6 May 2022 (exclusive) and 2.75% from 6 May 2022;
- the guarantee fee has been applied according to the following schedule: 1.0% from 6 May 2021 (inclusive) until 6 May 2023 (exclusive) and 2.0% from 6 May 2023. Until 6 May 2023 (excluded), it has been calculated on the basis of the initial amount of €4 billion. Thereafter, the calculation basis has been reduced by the scheduled repayments mentioned above;

On November 7, 2022, the State Guaranteed Loan was subject to an early repayment of €1 billion. The remaining amount was to be amortized as follows:

- €1.150 billion on May 6, 2024,
- €1.350 billion on May 6, 2025;
- a subordinated shareholder loan ("ACC") granted by the French State to Air France-KLM, the main features of which are describe in Note 12.1.

On March 15, 2023, the State Guaranteed Loan was subject to a full early repayment of €2.5 billion.

14. Maturity of receivables and debt

December 31, 2023

(in € millions)

Receivables	Gross amount	Up to one year	More than one year	Related companies
NON-CURRENT ASSETS				
Loans and receivables related to long-term investment (Note 9.3)	2,148	115	2,033	2,148
CURRENT ASSETS				
Trade receivables and related accounts	38	38	–	38
Other receivables (including tax receivables)	152	152	–	126
TOTAL	2,338	305	2,033	2,312

December 31, 2023

(in € millions)

Debt	Gross amount	Up to one year	More than one year	Related companies
Financial debt (Note 12)	3,255	73	3,182	–
Trade payables and related accounts	25	25	–	9
Tax and social debts	14	14	–	–
Other liabilities ⁽¹⁾	25	25	–	1
TOTAL	3,319	137	3,182	10

(1) Other liabilities comprise, mainly, the tax consolidation accounts of subsidiaries in the Air France-KLM integration tax group.

15. List of subsidiaries and equity investments

Companies or Groups of companies (in € millions)	Share of capital held	Carrying amount of shares held		Loans & advances granted and not reimbursed	Amount of security and guarantees given	Revenues (excl. tax) for financial year	Net profit or loss for financial year	Dividends booked during financial year
		Gross	Net					
Detailed information about individual investment whose gross value exceeds €15 million								
SUBSIDIARIES (HELD AT MORE THAN 50%)								
Société Air France (France) ⁽¹⁾	1	6,492	6,492	2,113	19	17,237	1,499	–
KLM (Netherlands) ⁽¹⁾	0.997	824	824	–	–	10,894	713	–
Flying Blue Miles ⁽¹⁾	98%	356	356	–	–	58	(50)	–
Air France-KLM Finance ⁽¹⁾	1	31	8	35	–	–	(2)	–

(1) Statutory financial statements at December 31, 2023.

16. Items concerning related companies

As of December 31, 2023

(in € millions)

		Amount
Trade receivables & related accounts related to long term investment	Of which: Air France	2,113
	Air France-KLM Finance	35
Trade receivables & related accounts	Of which: Air France	19
	KLM	18
Other receivables	Of which: Air France	123
	Blue Link International	2
	ACAM	2
Trade payable and related accounts	Of which: Air France	5
	KLM	3
Other payables	Of which: Air France- tax consolidation current account	–
	Other members of the tax group	1

17. Commitments

KLM shares

During the business combination of the Air France and KLM groups, the Dutch government undertook to reduce its stake in KLM proportionally to any reduction by the French government of its stake in Air France-KLM's capital. To this end, the Dutch government had to sell its cumulative preferred shares to Air France-KLM or to a Dutch foundation in the name of and on behalf of Air France-KLM, if the transfer had occurred during the first three years following the business combination.

In the latter case, the foundation would have issue, to the benefit of Air France-KLM, share certificates corresponding to the cumulative A preferred shares transferred to the foundation. These share certificates would have conferred to Air France-KLM all of the economic rights attached to the said shares, the voting rights attached to the said shares being exercised by the foundation until Air France exchanges the share certificates against the said shares.

At the end of the initial three-year period, Air France-KM had the option to exchange the share certificates against the cumulative A preferred shares, which it could hold directly. As Air France-KLM decided in 2007 to maintain SAK I and SAK II foundations, Air France-KLM did not carry out this exchange. Furthermore, Air France-KLM can decide to dissolve the foundations at any time and at its sole discretion.

Moreover, the Dutch government has the right to sell to Air France-KLM at any time as many cumulative A preferred shares as it wants.

After the sale of 5,103,885 shares to Air France-KLM in April 2005 for €11.6 million, the acquisition price of the 3,708,615 cumulative A preferred shares still held by the Dutch government amounts to €8.4 million (i.e. a unit price of €2.27 per cumulative A preferred share, which has to be paid pro rata during any sale or transfer under the conditions above).

Hedges

The December 18, 2016, \$145 million bond is fully hedged by a cross currency swap. As of December 31, 2023, the fair value of this derivative instrument is €(5) million (see Note 12.2).

Other

Since January 2009, Air France-KLM has acted as a guarantor for Air France Company within the framework of its commitments to Aéroport de Paris in respect of civil leases. This guarantee has been renewed in July 2014 and more recently on 23 September 2019 for a period of 5 years. The guarantee is now expressly limited to €19 million (and, cumulatively, at a maximum of 3 months' rent per contract).

Air France-KLM guarantees the payment by Transavia Holland to a lessor, of outstanding operational leases until 2028 for an amount of \$104 million at December 31, 2023.

18. Litigation

Litigation concerning anti-trust laws in the air-freight industry

Air France-KLM, as parent company of Air France, KLM and Martinair, is involved, since February 2006, with up to twenty-five other airlines in investigations initiated by the antitrust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air freight industry.

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

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

Decision from the General Court in March 2022 confirmed the fines against Air France-KLM group companies. The Group companies appealed in June 2022 to the European Union Court of Justice. Hearings are planned in Q2 2024 for Air France, KLM and Martinair. The Group has maintained a provision covering the total amount of these fines.

As of December 31, 2023, the total amount of provisions in connection with proceedings, which have yet to give rise to definitive decisions amounts to €361 million.

Those provisions are booked by each airlines and do not have any impact in the financial statements of Air France-KLM.

19. Contingent liabilities

The Group is involved in governmental, judicial and arbitration procedures for which in some cases provisions have not been recorded in the financial statements in accordance with the applicable accounting rules.

Indeed, with respect to some 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.

Moreover, the group believes that any additional disclosed information could be harmful to our legal position procedures.

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 civil jurisdictions.

Under these civil lawsuits, shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to alleged competition law infringement.

For Air France, KLM and Martinair, certain civil claims are still pending in the Netherlands and in Norway. The Group companies and the other airlines involved in these lawsuits continue to vigorously oppose these civil claims.

Litigations on State Aid

In 2020, the implementation of the measures to reinforce the Group's liquidity (a loan guaranteed by the French State (PGE) in the amount of €4 billion and a €3 billion loan from the French State, together with a revolving credit facility of €2.4 billion guaranteed by the Dutch State and a €1 billion loan from the Dutch State), were approved by the European Commission under the State Aid rules (decisions of May 4, 2020, annulled on December 20, 2023 by the General Court the European Union, and July 13, 2020 annulled on May 19, 2021 by the General Court of the European Union for failure to state reasons and replaced by another positive Commission decision of July 16, 2021 correcting this failure also annulled on February 7, 2024).

On April 6, 2021, the Group announced the first part of its overall recapitalization plan. Certain measures in this plan contained State Aid (so-called "Covid-19 recapitalization" program) which were accordingly notified by the French authorities to the European Commission, the latter approving them in its decision of April 5, 2021 (annulled on December 20, 2023 by the General Court of the European Union). This decision made the approval of the measures subject to a number of commitments undertaken by the French State and leading notably to the allocation by Air France of landing and take-off slots to a designated third-party carrier at Orly airport. Other undertakings by the French State were also imposed to the Group companies (to the exception of KLM and its subsidiaries) within the framework of the European Commission's Temporary Framework for State Aid (such as restrictions on acquisitions, share buybacks and dividend payments) and could have an impact on the Group's activities. All these constraints have disappeared since the full repayment of this recapitalization aid on April 19, 2023 (see "Mitigation plan" below). Only the provision concerning slots at Orly is still being implemented in accordance with the Commission's decision.

Like most of the decisions with respect to airlines receiving State Aid in the context of the Covid-19 crisis, the European Commission's decisions granting support measures to Air France and KLM have been subject to annulment proceedings brought by Ryanair. On December 20, 2023 and February 7, 2024, the General Court of the European Union annulled the decisions of the European Commission which had approved the above mentioned support measures, respectively for (i) €7 billion euros of liquidity measures granted by the French State to Air France in May 2020 and €3.6 billion of recapitalization measures granted by the French State to Air France and Air France-KLM S.A. in 2021, and (ii) €0.9 billion in liquidity measures granted to KLM by the Dutch State in 2020.

Until a final decision or judgment is obtained, there is still uncertainty as to the legal and financial consequences of the annulment of decisions to grant state aid. However, all the aid granted has already been repaid in full compliance with the constraints linked (commitments, behavioral measures, application of interest) to the applicable legal framework.

The potential indirect consequences of the cancellation of the above mentioned State aids could include in particular, the demand for illegality interest.

In order to protect its interests, the Group intends to lodge an appeal against the judgments of the General Court annulling the above mentioned decisions. At the date of this report, the European Commission is expected to lodge an appeal. However, as it has been done in similar cases, the European Commission may also decide, if necessary, to initiate a formal examination procedure, during which the Group will defend its interests to the best of its ability.

With the exception of the points set out in paragraphs 30.1 and 30.2, the company is not aware of any litigation, governmental, legal or arbitration proceedings (including any proceedings of which the issuer is aware, which are pending or which it is threatened with) which may have or have recently had a material effect on the company's financial position, results of operations, assets or profitability, for a period covering at least the last twelve months.

20. Subsequent events

Evolution in the commercial cooperation in air cargo between Air France-KLM and CMA CGM

Air France-KLM and CMA CGM have decided to terminate the agreements signed in May 2022 with effect from March 31, 2024 as the tight regulatory environment in certain important markets has prevented the cooperation from working in an optimal way.

Air France-KLM and CMA CGM have begun discussions on new terms and conditions of a commercial relation to operate independently from March 31, 2024 onwards.

CMA CGM remains a core shareholder in Air France-KLM. The parties have agreed to amend the existing lockup on CMA CGM shares in Air France-KLM's capital, which will now be effective until February 28, 2025. The parties have agreed that CMA CGM will step down from the Air France-KLM Board of Directors on March 31, 2024.