

AIR FRANCE-KLM GROUP

**CONSOLIDATED
FINANCIAL
STATEMENTS**

January 1st, 2023 – December 31, 2023

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

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5.2 CONSOLIDATED FINANCIAL STATEMENTS

5.2.1 Consolidated income statement

Period from January 1 to 31 December

<i>(in € millions)</i>	Notes	2023	2022 restated ⁽¹⁾
Revenues from ordinary activities		30,019	26,393
External expenses	7	(18,139)	(16,438)
Salaries and related costs	8	(8,650)	(7,289)
Taxes other than income taxes		(164)	(156)
Other current operating income and expenses	9	1,142	1,105
EBITDA		4,208	3,615
Amortization, depreciation and provisions	10	(2,496)	(2,422)
Income from current operations		1,712	1,193
Sales of aircraft equipment	11	32	66
Other non-current income and expenses	11	(67)	(65)
Income from operating activities		1,677	1,194
Interests expenses	12	(600)	(569)
Income from cash and cash equivalents	12	253	41
Net cost of financial debt	12	(347)	(528)
Other financial income and expenses	12	(183)	(324)
Income before tax of consolidated companies		1,147	342
Income taxes	13.1	(164)	390
Net income of consolidated companies		983	732
Share of profits (losses) of associates	20	7	12
Net income for the period		990	744
Net income - Non-controlling interests		56	16
Net income - Group part		934	728
Earnings per share – Equity holders of Air France-KLM (in euros)			
■ basic	14	0.43	0.35
■ diluted		0.41	0.31

(1) See Note 3 of the notes to the financial statements.

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

(in € millions)

	Notes	2023	2022
Net income		990	744
Cash flow hedges and cost of hedging			
Effective portion of changes in fair value hedge and cost of hedging recognized directly in other comprehensive income	28.5	(44)	857
Change in fair value and cost of hedging transferred to profit or loss	28.5	(68)	(1,002)
Exchange difference resulting from the translation		(3)	4
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	13.2	30	34
Total of other comprehensive income that will be reclassified to profit or loss		(85)	(107)
Remeasurements of defined benefit pension plans		4	410
Fair value of equity instruments revalued through OCI		–	(6)
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	13.2	(2)	(41)
Total of other comprehensive income that will not be reclassified to profit or loss		2	363
Total of other comprehensive income, after tax		(83)	256
RECOGNIZED INCOME AND EXPENSES		907	1,000
■ Equity holders of Air France–KLM		851	984
■ Non-controlling interests		56	16

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

5.2.3 Consolidated balance sheet

ASSETS <i>(in € millions)</i>	Notes	December 31, 2023	December 31, 2022 restated ⁽¹⁾
Goodwill	15	224	225
Intangible assets	16	1,128	1,127
Flight equipment	17	11,501	10,614
Other property, plant and equipment	17	1,431	1,375
Right-of-use assets	19	5,956	5,428
Investments in equity associates	20	129	120
Pension assets	29	45	39
Other non-current financial assets	22	1,262	1,184
Non-current derivative financial assets	35	148	262
Deferred tax assets	13.4	698	714
Other non-current assets	25	153	78
Total non-current assets		22,675	21,166
Other current financial assets	22	1,292	620
Current derivative financial assets	35	122	327
Inventories	23	853	723
Trade receivables	24	2,152	1,785
Other current assets	25	1,120	979
Cash and cash equivalents	26	6,194	6,626
Assets held for sale	27	82	79
Total current assets		11,815	11,139
TOTAL ASSETS		34,490	32,305

(1) See Note 3 of the notes to the financial statements.

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

Consolidated balance sheet (continuation)

LIABILITIES AND EQUITY

<i>(in € millions)</i>	Notes	December 31, 2023	December 31, 2022
Issued capital	28.1	263	2,571
Additional paid-in capital	28.2	7,560	5,217
Treasury shares	28.2	(25)	(25)
Perpetual	28.3	1,076	933
Reserves and retained earnings	28.4	(10,925)	(11,700)
Equity attributable to equity holders of Air France-KLM		(2,051)	(3,004)
Perpetual	28.3	2,524	510
Reserves and retained earnings	28.4	27	14
Equity attributable to non-controlling interests	28.6	2,551	524
Total equity		500	(2,480)
Pension provisions	29	1,685	1,634
Non-current return obligation liabilities and provisions for leased aircrafts and other provisions	30	3,805	4,149
Non-current financial liabilities	31	7,538	9,657
Non-current lease debt	19	3,581	3,318
Non-current derivative financial liabilities	35	56	21
Deferred tax liabilities	13.4	–	1
Other non-current liabilities	34	1,376	2,343
Total non-current liabilities		18,041	21,123
Current return obligation liabilities and provisions for leased aircrafts and other provisions	30	1,079	740
Current financial liabilities	31	1,664	896
Current lease debt	19	848	834
Current derivative financial liabilities	35	139	83
Trade payables		2,447	2,424
Deferred revenue on ticket sales		3,858	3,725
Frequent flyer programs	33	899	900
Other current liabilities	34	5,002	4,057
Bank overdrafts	26	13	3
Total current liabilities		15,949	13,662
Total liabilities		33,990	34,785
TOTAL EQUITY AND LIABILITIES		34,490	32,305

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

5.2.4 Consolidated statement of changes in stockholders' equity

	Equity attributable to equity holders of Air France-KLM						Equity attributable to non-controlling interests			Total	
	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual bonds	Reserves and retained earnings	Equity	Perpetual bonds	Reserves and retained earnings		Equity
<i>(in € millions)</i>											
December 31, 2021	642,634,034	643	4,949	(25)	3,151	(12,542)	(3,824)	-	8	8	(3,816)
Other comprehensive income	-	-	-	-	-	256	256	-	-	-	256
Net result for the period	-	-	-	-	-	728	728	-	16	16	744
Total of income and expenses recognized	-	-	-	-	-	984	984	-	16	16	1,000
Capital increase	1,927,902,102	1,928	268	-	-	-	2,196	-	-	-	2,196
Capital increase subscribed by non-controlling interests	-	-	-	-	-	-	-	-	3	3	3
Perpetual	-	-	-	-	(2,100)	(4)	(2,104)	497	-	497	(1,607)
Coupons on perpetual	-	-	-	-	(118)	(139)	(257)	13	(13)	-	(257)
Other	-	-	-	-	-	1	1	-	-	-	1
December 31, 2022	2,570,536,136	2,571	5,217	(25)	933	(11,700)	(3,004)	510	14	524	(2,480)

	Equity attributable to equity holders of Air France-KLM						Equity attributable to non-controlling interests			Total	
	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual bonds	Reserves and retained earnings	Equity	Perpetual bonds	Reserves and retained earnings		Equity
<i>(in € millions)</i>											
December 31, 2022	2,570,536,136	2,571	5,217	(25)	933	(11,700)	(3,004)	510	14	524	(2,480)
Other comprehensive income		-	-	-	-	(83)	(83)	-	-	-	(83)
Net result for the period		-	-	-	-	934	934	-	56	56	990
Total of income and expenses recognized		-	-	-	-	851	851	-	56	56	907
Purchase of treasury shares		-	-	(1)	-	-	(1)	-	-	-	(1)
Share-based payment		-	-	1	-	30	31	-	-	-	31
Reverse share split and share capital reduction	(2,313,482,523)	(2,314)	2,314	-	-	-	-	-	-	-	-
Increase of capital reserved to employees	5,716,256	6	29	-	-	-	35	-	-	-	35
Capital increase subscribed by non-controlling interests		-	-	-	-	-	-	-	9	9	9
Dividend paid ⁽¹⁾		-	-	-	-	(90)	(90)	-	-	-	(90)
Perpetual		-	-	-	133	-	133	1,991	-	1,991	2,124
Coupons on perpetual		-	-	-	10	(72)	(62)	23	(53)	(30)	(92)
Tax on coupons on perpetual		-	-	-	-	56	56	-	-	-	56
Other		-	-	-	-	-	-	-	1	1	1
December 31, 2023	262,769,869	263	7,560	(25)	1,076	(10,925)	(2,051)	2,524	27	2,551	500

(1) As of December 31, 2023 and in the context of the exit of the French Recapitalization State Aid under the EU Covid-19 Temporary Framework, the Group paid a €90 million compensation to the French State required for the shares subscribed in April 2021. This payment was considered as a dividend payment and was therefore recognized in equity accordingly to IFRS principles.

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

5.2.5 Consolidated statement of cash flows

Period from January 1 to December 31 <i>(in € millions)</i>	Notes	2023	2022 restated ⁽¹⁾
Net income		990	744
Amortization, depreciation and operating provisions	10	2,496	2,422
Financial provisions	12	216	145
Loss (gain) on disposals of tangible and intangible assets		(63)	(92)
Loss (gain) on disposals of subsidiaries and associates	11	–	1
Derivatives – non monetary result		(2)	(4)
Unrealized foreign exchange gains and losses		(92)	151
Share of (profits) losses of associates	20	(7)	(12)
Deferred taxes	13	106	(436)
Impairment	37.2	1	32
Other non-monetary items	37.2	(71)	(204)
Financial capacity		3,574	2,747
(Increase) / decrease in inventories		(135)	(155)
(Increase) / decrease in trade receivables		(330)	(146)
Increase / (decrease) in trade payables		(23)	570
Increase / (decrease) in advanced ticket sales		128	1,092
Change in other assets and liabilities		(89)	574
Change in working capital requirement		(449)	1,935
Net cash flow from operating activities		3,125	4,682
Acquisition of subsidiaries, of shares in non-controlled entities		(7)	(3)
Acquisitions of warrants		(12)	–
Purchase of property plant and equipment and intangible assets	18	(3,551)	(2,798)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities		–	(1)
Proceeds on disposal of property plant and equipment and intangible assets	11	867	880
Dividends received		3	2
Decrease (increase) in net investments, more than 3 months		(540)	(59)
NET CASH-FLOW USED IN INVESTING ACTIVITIES		(3,240)	(1,979)

Period from January 1 to December 31		2023	2022
<i>(in € millions)</i>	Notes		restated ⁽¹⁾
Increase of equity	28.1	35	1,551
Capital increase subscribed by non controlling interests	28.6	9	3
Payments to acquire treasury shares		(1)	–
Issuance of perpetual	28.3	2,718	798
Repayment of perpetual	28.3	(595)	(1,767)
Coupons on perpetual	28.3	(92)	(252)
Issuance of debt	31	2,094	1,110
Repayment on debt	31	(3,324)	(3,078)
Payments on lease debts	19	(833)	(861)
New loans		(335)	(305)
Repayment on loans		129	45
Dividends paid		(90)	–
NET CASH-FLOW FROM FINANCING ACTIVITIES		(285)	(2,756)
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		(42)	22
Change in cash and cash equivalents and bank overdrafts		(442)	(31)
Cash and cash equivalents and bank overdrafts at beginning of period	26	6,623	6,654
Cash and cash equivalents and bank overdrafts at end of period	26	6,181	6,623
Income tax (paid) / reimbursed (flow included in operating activities)		(114)	41
Interest paid (flow included in operating activities)		(704)	(586)
Interest received (flow included in operating activities)		223	19

(1) See Note 3 of the notes to the financial statements.

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

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NOTE 1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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.

1.1 Accounting principles

Accounting principles and policies 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, 2023 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.

The consolidated financial statements were approved by the Board of Directors on February 28, 2024 and submitted to the Annual General Meeting for its approval on 5 June 2024.

Change in accounting principles

IFRS standards which are applicable on a mandatory basis to the 2023 financial statements

Amendments to IAS1 “Presentation of Financial Statements”

These amendments “Disclosure of Material Accounting Policy Information” aim to identify the useful information that need to be provided to users regarding the accounting principles. The main change is to disclose the material accounting policy information instead of the “significant” accounting policies.

Information on the accounting policies are material if, when you consider it in conjunction with other information in the financial statements of the entity, we can reasonably expect it will influence the decisions the main users of general purpose of the financial statements will take based on these financial statements.

The Group carried out a review of the financial statements and the notes to make sure that the material accounting policies are correctly presented.

Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

These amendments “Definition of Accounting Estimates” 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”.

The main material judgements and accounting estimates are described in note 1.2 “Material judgements and accounting estimates”.

OECD Pillar Two model rules

The Air France-KLM group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in France, the jurisdiction in which Air France-KLM is incorporated, and has come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendment to IAS 12 issued in May 2023.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted legislation is not yet reasonably estimable. Although the effective tax rate is below 15% in certain jurisdictions, the group might not be exposed to paying Pillar Two income taxes due to adjustments asked in the legislation (such as ignoring recognition or derecognition of deferred tax assets) which give rise to different effective tax rates compared to those calculated in accordance with IAS 12.

The Group is currently evaluating how the legislation will apply to its operations and expects OECD guidelines specific to the international air transport industry. In this regard, the group expects that almost all the Group jurisdictions will benefit from the transitional safe harbor provisions in the coming years and beyond the transition period, the Group doesn't expect to be significantly exposed to top-up tax expenses.

Other amendments or IFRS standards

The mandatory amendments or IFRS standards for the financial statements 2023, which are not mentioned in this paragraph are considered as non applicable or without significant impact on the Air France-KLM Group financial statements.

IFRS standards applicable in the future

The impact of the application of standards and applications respectively published by IASB (International Accounting Standards Board) and IFRS IC (International Financial Reporting Standards Interpretations Committee) not yet effective as of December 31, 2023 is expected to be non significant.

1.2 Material 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.

- The valuation of revenue, related to passenger tickets and freight airwaybills issued and not used (see Note 6 "Information by activity and geographical area")
- Hypothesis used for impairment testing of non financial assets - including assumptions about on climate issues - (See Note 21 "Impairment")
- Useful life of the fleet (See Note 17 "Tangible assets")
- Calculation of implicit interest rate and incremental borrowing rate for the recognition of lease contracts (See Note 19 Right-of-use assets and lease debt).
- Calculation of the discount rate for the valuation of the return obligation liabilities and provision for leased aircrafts (See Note 30 "Return obligation liability and provision for leased aircraft and other provisions")
- Determination of the deferred tax assets recoverability (See Note 13 "Income taxes")

These principles must be reviewed at the same time with the notes to the financial statements to which it refers in each paragraphs

1.3 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 other comprehensive income 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 of net investment.

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 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.

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 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 a 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 35 "Financial risk management".

1.4 Alternative performance measures

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 37.1 "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 37.1 "Operating free cash flow").

Distinction between income from current operation 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.

Net debt : this corresponds to the amount of the Group's financial liabilities less net cash (see Note 32 "Net debt").

Financial liabilities include:

- current and non-current financial liabilities (excluding accrued interests);
- current and non-current lease debt (excluding accrued interests)
- deposits related to financial liabilities and lease debt;
- derivatives impact on debt.

Net cash include:

- Cash and cash equivalents;
- Marketable securities over 3 months;
- Bonds investments;
- Bank overdraft.

NOTE 2 SUSTAINABLE DEVELOPMENT AND CLIMATE

Climate change is a major concern for the air transport industry, and for the Air France-KLM Group in particular. Attitudes towards the acceptability of air transport are evolving both at the political level and in society at large. France and the Netherlands have implemented policies aimed at ensuring the transition to a carbon-neutral society by 2050, in line with the European Union's strategy in this domain, reflected in the commitments made by Air France as part of France's Stratégie Nationale Bas Carbone (SNBC) and by KLM to the Dutch government.

The Air France-KLM Group and its airlines intend to be key players in the sustainable transformation of their activities, and aim to take a leading role and influence in the decarbonization of air transport.

Air France-KLM plays an active role in advancing the ambition of Net Zero emissions by 2050 as an industry, and is committed to science-based targets in line with the SBTi criteria approved in November 2022. The Group's environmental efforts are summarized in a Climate Action Plan, with the objective of reducing CO₂ 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 CO₂.

Air France-KLM assesses its extra-financial performance on a regular basis. In 2023, the Group is included in the Dow Jones Sustainability Indexes (DJSI Europe), and the Ecovadis rating agency awarded Air France-KLM a Gold medal, while the CDP awarded the Group a B rating (C rating in 2022) for the Climate Change questionnaire.

Furthermore, to objectify its ESG performance and improve its strategy and practices, Air France-KLM proactively sought an independent ESG rating from Standard and Poor's, becoming the first airline group to be evaluated through an ESG rating on request, and remains the only airline group to publish its ESG rating. In 2023, Standard & Poor's (S&P) Global Ratings awarded Air France-KLM an ESG rating of 65/100. This rating places the Group in a good position among players in the air transport industry for managing its significant exposure to environmental challenges. In conclusion, S&P considers that the Air France-KLM Group is well prepared to manage the ESG risks airlines are facing 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 and commitments

The impact of climate change has been taken into account in preparing the Group's financial statements for the year ending December 31, 2023. In order to identify the physical and transitional climate-related risks to which the Group is exposed, a climate scenario analysis was carried out. However, the physical risks identified in this way were not considered likely to have a significant impact on operational continuity, given the Group's balanced network between the different continents and the flexibility of its fleet, which minimizes the economic consequences of extreme weather events.

The impacts of expected or probable regulatory changes are included in the Air France-KLM group's five-year plan, notably:

- the rising cost of carbon credits and CO₂ offsetting under European (EU-ETS) and international (CORSIA) mechanisms;
- the increasing trajectory of sustainable aviation fuel ("SAF") incorporation;
- the Group's ability to pass on additional costs in ticket prices;
- the acceptability of air transport and its effect on demand reflected in the long term growth rate of its activity;
- the investments and depreciation linked to the fleet renewal plan, in line with the CO₂ emission reduction targets validated by SBTi.

These elements are consequently taken into account in the assumptions used to test the recoverable value of assets (see Note 21 "Impairment").

In 2023, the environmental impacts have not led to the recognition of any impairment or accelerated depreciation of the Group's assets.

2.2 Sustainable investments and financings

2.2.1 Fleet modernization

The Air France-KLM group has committed to reduce its CO₂ 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 phase in of more modern, high-performance aircraft with a significantly lower environmental impact and a reduced noise footprint.

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 CO₂ emissions, and generate less noise, resulted in capital expenditures on aircraft equipment amounting to €1,738 million as of December 31, 2023 (€1,332 million as of December 31, 2022) (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 80% of its fleet composed of new generation aircraft by 2030 (see Note 38 "Flight equipment orders").

2.2.2 Other investments

The decarbonization of the Group's activities is also reflected in investments in materials and equipment designed to reduce its environmental footprint

In order to adapt its business to climate change and in particular to achieve the objective of net zero emission for ground operations by 2030, the Air France-KLM 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 €134 million as of December 31, 2023 (€52 million as of December 31, 2022).

2.2.3 Sustainable financings

To support its investments, the Air France-KLM Group has entered into secured financing agreements integrating sustainable development issues, through which the Group and its airlines benefit from more advantageous financing conditions if it achieves targets related to the reduction of its greenhouse gas emissions, fleet renewal and the incorporation of sustainable aviation fuels ("SAF").

On January 9, 2023, Air France-KLM issued sustainability-linked bonds for a total amount of €1 billion (see Note 31.2.2 "Sustainability-linked bonds").

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 billions (see Note 31.7 "Credit lines").

To support their investments in new-generation aircraft, Air France and KLM have also entered into financing contracts with specific clauses linked to compliance with environmental criteria. These financings amount for €640 million as of December 31, 2023, booked in the line "Other debt" in the Group's balance sheet (see Note 31.4 "Other debt").

2.3 Sustainable aviation fuel (SAF) – Greenhouse gas emission rights and CO₂ compensation

2.3.1 Sustainable aviation fuel (SAF)

As part of its decarbonization objectives, the Air France-KLM group has developed a progressive and proactive sustainable aviation fuel (SAF) purchasing policy, aiming to incorporate at least 10% SAF by 2030, above and beyond its regulatory obligations.

SAF expenses amounted for €172 million as of December 31, 2023 (€57 million as of December 31, 2022) (see Note 7 "External expenses").

To cover the additional costs incurred by SAF purchases, the Air France-KLM group introduced a specific surcharge on tickets departing from France and the Netherlands on January 1, 2022. In addition, voluntary contribution mechanisms enable the Group's customers to contribute financially to the supply and use of SAF beyond the regulatory incorporation. As of December 31, 2023, the total amount collected in respect of the surcharge and voluntary contributions represented €134 million (€48 million as of December 31, 2022).

In order to secure its future purchases of sustainable aviation fuel (SAF), Air France-KLM signed several contracts with the suppliers Nesté, DG Fuels and SkyNRG for the supply of 2.35 million tons of SAF between 2024 and 2036 (see Note 39.1 "Commitments made").

On November 10, 2023, Air France-KLM invested €4 million in DG Fuels to support the construction of DG Fuels' first U.S.-based plant specializing in sustainable aviation fuel (SAF), offering the Group an option to purchase up to 75,000 tonnes of SAF per year over a period of several years starting in 2029, in addition to the long-term purchase agreement entered into by Air France-KLM and DG Fuels in 2022.

2.3.2 Greenhouse gas emission rights and CO₂ compensation

Since January 1, 2012, airlines have been subject to the Emission Trading Scheme (EU-ETS) regulations for all flights to or from the European Economic Area, as described in Note 25 "Other assets" and Note 35.4 "Carbon credit risk". As such, the Group must purchase CO₂ allowances, in addition to the free allowances, to offset its emissions.

Since January 1, 2020, Air France has also been offsetting all its customers' CO₂ emissions on French domestic routes, in line with French regulations, by purchasing credits representing carbon offsetting from approved partners.

The Group accounts for these CO₂ quotas in the line "other assets" of its balance sheet (see Note 25 "Other assets"). As of December 31, 2023, the value of the CO₂ quotas related to the EU-ETS program and to the offsetting of emissions on French domestic flights in the Group's balance sheet amounted to €395 million d'euros (€214 million as of December 31, 2022).

To meet its obligation to surrender the allowances corresponding to its emissions, the Group recorded a net expense of €203 million as of December 31, 2023 (€141 million as of December 31, 2022) corresponding to the best estimates of its emissions for the year 2023 (see Note 3 "Restatement of the 2022 financial statements" and Note 7 "External expenses").

The obligation to surrender allowances, valued at acquisition cost for rights acquired (including free allowances) and at market value for rights yet to be acquired, is recorded as provisions in the Group's balance sheet. These "provisions for CO₂ quota surrenders" amounted for €213 million as of December 31, 2023 (€142 million as of December 31, 2022) (see Note 30 "Return obligation liability and provision for leased aircraft and other provisions").

Finally, the Group has hedging instruments for its future purchases of CO₂ quotas for a nominal amount of €12 million as of December 31, 2023 (€106 million as of December 31, 2022) (see Note 35.4 "Carbon credit risk" and Note 28.5 "Derivatives instruments reserves").

2.4 Management compensation

The performance criteria taken into account for the calculation of both annual and long-term variable management compensation (see Note 40.1 "Transactions with the principal executives") include non-financial indicators linked related to sustainable development, notably the compliance with the decarbonization roadmap and the reduction of CO₂ emission.

NOTE 3 RESTATEMENT OF THE 2022 FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

IMPACT ON THE CONSOLIDATED STATEMENT

Period from January 1 to December 31, 2022 <i>(in € million)</i>	Published accounts	Change in accounting treatment	Restated accounts
External expenses	(16,297)	(141)	(16,438)
Other current operating income and expenses	964	141	1,105

IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Period from January 1 to December 31, 2022 <i>(in € million)</i>	Published accounts	Change in accounting treatment	Restated accounts
Other non-monetary items	(63)	(141)	(204)
Change in other assets and liabilities	607	(33)	574
Net cash flow from operating activities	4,856	(174)	4,682
Purchase of property plant and equipment and intangible assets	(2,972)	174	(2,798)
Net cash flow used in investing activities	(2,153)	174	(1,979)

IMPACT ON THE CONSOLIDATED BALANCE SHEET

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

NOTE 4 SIGNIFICANT EVENTS

4.1 Significant events occurring during the period

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

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

The emission is composed of two tranches:

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

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

Evolution of perpetual subordinated bonds owned by the French State and end of the French State aid scheme

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

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

Concurrently, the Group has refinanced €320 million on March 17, 2023 and €407 million on April 19, 2023 through the issuances of new French State perpetual hybrid bonds as an approved compensation aid to Air France for damages incurred as a result of Covid-19 between March 17 and June 30, 2020. These new perpetual bonds with no "bans" attached contain similar financial conditions as the ones repaid at the same date, with non-call date and interest rate step-up postponed by an additional two years (March 2029).

Perpetual hybrid bonds are accounted for in equity as of as of December 31, 2023.

This transaction has enabled Air France and Air France-KLM S.A to exit the French State aid scheme.

Flight AF447 Rio-Paris

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 favor 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. The criminal trial took place from October 10 to December 8, 2022 at the Paris Criminal Court. After an acquittal by the Public Prosecutor's Office, the Court issued a judgment of acquittal on April 17, 2023, based on the absence of a causal link between the faults found and the accident. On April 27, 2023, the Public Prosecutor's Office appeals against the acquittal of Airbus and Air France.

The appeal should take place in 12 to 18 months starting from the appeal date.

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.

KLM

KLM signed a ESG (Environmental, Social and Governance) KPI-linked Revolving Credit Facility for an amount of €1 billion.

This new facility, with an initial 2027 maturity, includes two one-year extension options.

This facility replaces the remaining direct loan granted to KLM by the Dutch State and the existing credit facility guaranteed by the Dutch State, both which were cancelled by KLM. This transaction has enabled KLM to exit the Dutch State aid scheme definitively.

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

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

This perpetual bond has been accounted for in equity. The accounting scheme is detailed in the Note 28.6 "Non-controlling interests".

The accrued interests as of December 31, 2023 amount to €15 million.

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.

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

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

This Group order was confirmed in January 2024 and will involve 33 A350-900 and 11 A350-1000 in addition to the 6 A350-900 already confirmed in July 2023.

The first deliveries are expected as from 2026 and will continue until 2030. It is a scalable order as it offers to the Group the flexibility to allocate the aircrafts to its different airlines according to the market trends and to the local regulatory framework.

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

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

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

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

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

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

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

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. In addition, in accordance with IFRS2, an expense of 31 million euros (excluding social security charges) was recognized in salaries and related costs, with a counterpart in shareholders equity.

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

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

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

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

Even if the reduction in the number of employees is limited to domestic stations (given the redeployment of part of the flights currently operated from Paris-Orly to Paris-Charles de Gaulle), all Orly-based employees affected by the project will be offered a position at Roissy (given the resource requirements of the Hub in Roissy) and, as far as possible, at Orly. The management has proposed a restructuring scheme "Rupture Conventiennelle Collective" integrating an end-of-career scheme, so that each employee, on a voluntary basis, can benefit from a choice for the future. This agreement was signed by majority vote by the employee representative bodies on February 9, 2024. According to the agreement's calendar, employees' choices will be collected as from the fourth quarter of 2024; consequently the number and the individual situation of the candidates are not yet known at the moment.

Negotiations concerning the reallocation of premises will take place in 2024 and 2025.

On the basis mentioned above, no restructuring costs or revised amortization period have been recognized in the financial statements as of December 31, 2023.

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 (See paragraph "Agreement between Air France-KLM and Apollo Global Management related to a financing of €500 million").

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.

The perpetual bonds are accounted in equity as of December 31, 2023.

The accounting scheme is detailed in the Note 28.6 "Non-controlling interests".

The accrued interest as of December 31, 2023 amount to €8 million.

4.2 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.

Sales of KLM Equipment Service B.V.

On February, 1 2024, KLM sold its 100% subsidiary KLM Equipment Services B.V. to a third party, TCR international N.V., Belgium (TCR). Under the agreement, KLM will become a TCR customer for the maintenance and lease of ground operations equipment at Schiphol, while TCR will be responsible for investments in ground operations equipment. The sale has no material impact on the Group's revenue and balance sheet.

NOTE 5 CHANGE IN THE CONSOLIDATION SCOPE

No significant acquisitions or disposals took place during 2023 and 2022.

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 three segments mentioned above.

The results of the business segments are those that are either directly attributable or that can be allocated on a

reasonable basis to these business segments. Amounts allocated to business segments mainly correspond to the EBITDA, current operating income and to the income from operating activities. Other elements of the income statement are presented in the "non-allocated" column.

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

Geographical segments (note 6.2)

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 & Suriname;
- 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.



ACCOUNTING PRINCIPLES

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.

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.

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 on the Balance Sheet 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 (invoice to be issued) 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.

6.1 Information by business segment

Year ended December 31, 2023

<i>(in € millions)</i>	Network	Maintenance	Transavia	Other	Non-allocated	Total
Total sales	25,661	4,242	2,640	263	–	32,806
Intersegment sales	(25)	(2,530)	(2)	(232)	–	(2,789)
External sales	25,636	1,712	2,638	31	–	30,017
Other revenues	–	–	–	–	2	2
Revenues from ordinary activities	25,636	1,712	2,638	31	2	30,019
EBITDA	3,659	405	152	(8)	–	4,208
Income from current operations	1,693	150	(97)	(34)	–	1,712
Income from operating activities	1,681	150	(96)	(58)	–	1,677
Share of profits (losses) of associates	2	3	–	2	–	7
Net cost of financial debt and other financial income and expenses	–	–	–	–	(530)	(530)
Income taxes	–	–	–	–	(164)	(164)
Net income	1,683	153	(96)	(56)	(694)	990
Total Assets	16,572	4,806	2,069	1,121	9,922	34,490
Segment liabilities	10,629	1,789	1,700	3	6,224	20,345
Financial liabilities, lease debts, bank overdrafts and equity	–	–	–	–	14,145	14,145
Total Liabilities	10,629	1,789	1,700	3	20,369	34,490
Purchase of property, plant and equipment and intangible assets	2,534	811	203	3	–	3,551
Depreciation and amortization for the period	(2,029)	(294)	(283)	(25)	–	(2,631)
Other non-monetary items	70	(6)	(2)	(104)	(29)	(71)

The non-allocated assets, amounting to €9.9 billion, comprise cash and cash equivalents of €6.2 billion (see Note 26), other financial assets of €2.6 billion (see Note 22), deferred tax of €0.7 billion (see Note 13.4), income taxes of €0.1 billion (see Note 25) and derivatives financial assets of €0.3 billion (see Note 35).

The non-allocated segment liabilities, amounting to €6.2 billion, mainly comprise pension provisions for

€1.7 billion (see Note 29), tax and employee-related liabilities of €3.6 billion (see Note 34), other provisions litigation, restructuring and others for €0.7 billion (see Note 30) and derivatives financial liabilities of €0.2 billion (see Note 35).

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

Year ended 31 December, 2022 restated ⁽¹⁾

<i>(in € millions)</i>	Network	Maintenance	Transavia	Other	Non-allocated	Total
Total sales	22,801	3,586	2,219	221	–	28,827
Intersegment sales	(43)	(2,197)	(1)	(195)	–	(2,436)
External sales	22,758	1,389	2,218	26	–	26,391
Other revenues	–	–	–	–	2	2
Revenues from ordinary activities	22,758	1,389	2,218	26	2	26,393
EBITDA	3,039	442	144	(10)	–	3,615
Income from current operations	1,131	163	(100)	(1)	–	1,193
Income from operating activities	1,141	164	(104)	(7)	–	1,194
Share of profits (losses) of associates	1	17	–	(6)	–	12
Net cost of financial debt and other financial income and expenses	–	–	–	–	(852)	(852)
Income taxes	–	–	–	–	390	390
Net income	1,142	181	(104)	(13)	462	744
Total Assets	16,391	4,300	1,796	103	9,715	32,305
Segment liabilities	10,895	1,910	1,494	10	5,766	20,075
Financial liabilities, lease debts, bank overdrafts and equity	–	–	–	–	12,230	12,230
Total Liabilities	10,895	1,910	1,494	10	17,996	32,305
Purchase of property, plant and equipment and intangible assets	1,755	890	150	3	–	2,798
Depreciation and amortization for the period	(2,083)	(320)	(270)	(23)	–	(2,696)
Other non-monetary items	5	(26)	4	(141)	(46)	(204)

(1) See Note 3 of the financial statements.

The non-allocated assets, amounting to €9.7 billion, comprise cash and cash equivalents of €6.6 billion (see Note 26), other financial assets of €1.6 billion (see Note 22), deferred tax of €0.8 billion (see Note 13.4), income taxes of €0.1 billion (see Note 25) and derivatives financial assets of €0.6 billion (see Note 35).

The non-allocated segment liabilities, amounting to €5.8 billion, mainly comprise pension provisions for

€1.6 billion (see Note 29), tax and employee-related liabilities of €3.8 billion (see Note 34), other provisions litigation, restructuring and others for €0.2 billion (see Note 30), income taxes of €0.1 billion (see Note 25) and derivatives financial liabilities of €0.1 billion (see Note 35).

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, 2023

<i>(in € millions)</i>	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (excl. France and Benelux)	Rest of the world	Total
Transportation	6,729	2,806	5,169	9,856	24,560
Other sales ⁽¹⁾	426	233	143	274	1,076
Total Network	7,155	3,039	5,312	10,130	25,636
Transportation	1,001	1,414	217	57	2,689
Other sales ⁽¹⁾	(21)	(27)	(2)	(1)	(51)
Total Transavia	980	1,387	215	56	2,638
Maintenance	868	701	27	116	1,712
Others	10	19	2	–	31
TOTAL	9,013	5,146	5,556	10,302	30,017

(1) This line includes compensation paid to clients in accordance with EU261 (see Accounting Principles).

Year ended December 31, 2022

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

(1) This line includes compensation paid to clients in accordance with EU261 (see Accounting Principles).

6.2.2 Activity by destination

TRAFFIC SALES BY GEOGRAPHICAL AREA OF DESTINATION

Year ended December 31, 2023

(in € millions)	Metropolitan France	Europe (excl. France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
Network	1,395	5,736	1,903	3,284	6,041	2,742	3,459	24,560
Transavia	140	2,352	–	197	–	–	–	2,689
TOTAL TRANSPORTATION	1,535	8,088	1,903	3,481	6,041	2,742	3,459	27,249

Year ended December 31, 2022

(in € millions)	Metropolitan France	Europe (excl. France) North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
Network	1,333	5,079	1,919	3,080	5,566	2,529	2,338	21,844
Transavia	129	1,968	–	166	–	–	–	2,263
TOTAL TRANSPORTATION	1,462	7,047	1,919	3,246	5,566	2,529	2,338	24,107

NOTE 7 EXTERNAL EXPENSES

Period from January 1 to December 31

(in € millions)	2023	2022 restated ⁽¹⁾
Aircraft fuel	7,133	7,184
Sustainable aviation fuel	172	57
CO ₂ quotas	203	141
Chartering costs	551	387
Landing fees and air route charges	1,908	1,710
Catering	829	720
Handling charges	1,856	1,608
Aircraft maintenance costs	2,549	2,256
Commercial and distribution costs	1,029	887
Other external expenses	1,909	1,488
TOTAL	18,139	16,438

(1) See Note 3 of the financial statements.

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

exposure are presented in Note 9 “Other current operating income and expenses”.

NOTE 8 SALARIES AND NUMBER OF EMPLOYEES

ACCOUNTING PRINCIPLES

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 accounting policies applied by the Group to recognize its defined obligations in accordance with IAS 19 (revised) are detailed in Note 29 “Pension assets and retirement benefits”.

SALARIES AND RELATED COSTS

Period from January 1 to December 31

<i>(in € millions)</i>	2023	2022
Wages and salaries	5,948	5,238
Social contributions	1,108	957
Pension costs on defined contribution plans	896	813
Pension costs of defined benefit plans	152	122
Cost of temporary employees	240	172
Profit sharing	192	45
Payment linked with shares	35	–
Temporary emergency bridging measure for sustained employment (NOW)	–	(134)
Other expenses	79	76
TOTAL	8,650	7,289

Pension costs on defined contribution plans

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 on defined contribution plans”.

Payment linked with shares

The payment linked with shares amounts to €35 million including social charges. It mainly relates to the employee share ownership plan offered to all Air France-KLM group employees (see Note 4.1 Significant events occurring during the period).

Wages and salaries, and social contributions

Following the impact of the Covid-19 public health crisis, starting from March 23, 2020 Air France and its main subsidiaries implemented part-time activity for its employees. As of December 31, 2022, the impact of these measures amounted to €135 million.

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

Temporary emergency bridging measure for sustained employment (NOW)

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 in 2022.

AVERAGE NUMBER OF EMPLOYEES

Period from January 1 to December 31	2023	2022 ⁽¹⁾
Flight deck crew	8,560	8,176
Cabin crew	21,844	20,715
Ground staff	45,088	43,795
Temporary employees	2,314	1,916
TOTAL	77,806	74,602

(1) Excluding partial activity effect.

NOTE 9 OTHER CURRENT OPERATING INCOME AND EXPENSES

Period from January 1 to December 31 <i>(in € millions)</i>	2023	2022 restated ⁽¹⁾
Capitalized production	1,066	991
Joint operation of routes	(32)	9
Operations-related currency hedges	71	152
Other	37	(47)
TOTAL	1,142	1,105

(1) See Note 3 of the financial statements.

NOTE 10 AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to December 31 <i>(in € millions)</i>	2023	2022
AMORTIZATION		
Intangible assets	160	183
Flight equipment	1,084	1,150
Other property, plant and equipment	178	181
Right-of-use assets	1,208	1,182
Sub-Total	2,630	2,696
DEPRECIATION AND PROVISIONS		
Inventories	3	(9)
Trade receivables	(18)	(76)
Risks and contingencies	(119)	(190)
Sub-Total	(134)	(274)
TOTAL	2,496	2,422

Without calling into question the objective of 80% of new-generation aircrafts in the fleet by 2030, the Group has decided to extend the amortization period for its Boeing B777-300 fleet from 20 to 25 years, generating a reduction in amortization expense of €81 million over the period ended 31 décembre 2023.

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 23, 24 and 25.

The balance sheet movements in provisions for risks and charges are detailed in Note 30.

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

Period from January 1 to December 31

<i>(in € millions)</i>	2023	2022
Sales and leaseback	4	38
Other aeronautical sales	28	28
Sales of aeronautical assets	32	66
Other non-current income and expenses	(67)	(65)

Year ended December 31, 2023

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in a profit of €4 million in the income statement and a result on disposal of €772 million in the cash flow statement as of December 31, 2023.

Other aeronautical sales

The impact of other aeronautical sales mainly corresponds to a B777 refinancing for KLM and has led to a gain of €20 million as of December 31, 2023.

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.

NOTE 12 NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

Period from January 1 to December 31

<i>(in € millions)</i>	2023	2022
Income from marketable securities	131	1
Other financial income	122	40
Income from cash and cash equivalents	253	41
Interest on financial liabilities	(466)	(311)
Interest on lease debt	(259)	(265)
Capitalized interests	40	29
Other non-monetary items	70	(16)
Other financial expenses	15	(6)
Interests charges	(600)	(569)
Net cost of financial debt	(347)	(528)
Foreign exchange gains (losses), net	127	(173)
Financial instruments	2	5
Net (charge)/release to provisions	(11)	(8)
Undiscounting of provision	(205)	(138)
Other	(96)	(10)
Other financial income and expenses	(183)	(324)
TOTAL	(530)	(852)

Net cost of financial debt

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

As of December 31, 2023, the bank loan guaranteed by the French State ("PGE") was fully repaid (see Note 4.1 "Significant events occurring during the period") generating a net positive impact of €10 million in financial income, consisting of an expense of €(96) million related to the guarantee contractually due, recognized in the line "Interest on financial liabilities" and an income of €106 million, related to the application of the amortized cost at the effective interest rate methodology, recognized in the line "Other non-monetary items".

Foreign exchange gains (losses)

As of December 31, 2023, the foreign exchange gain includes an unrealized currency gain of €92 million composed of:

- an unrealized gain of €118 million on return obligation liabilities and provisions on aircraft in US dollars;

- an unrealized gain of €9 million on the net debt, mainly composed of a loss of €(11) million on US Dollar, a gain of €62 million on Japanese Yen and a loss of €(24) million on Swiss Franc;
- a loss of €(35) million on other assets and liabilities mainly due to US dollars on the working capital.

As of December 31, 2022, the foreign exchange loss included mainly an unrealized currency loss of €(158) million composed of:

- a loss of €(182) million on return obligation liabilities and provisions on aircraft in US dollars;
- a gain of €5 million on the financial liabilities, mainly composed of a loss of €(41) million on US Dollar and a gain of €53 million on Japanese Yen.

Undiscounting of provision

The rate used to undiscount the long term return obligation liability and provision for leased aircraft and other provisions non current is 5.5% in 2023 against 3.6% in 2022 (see Note 30.1.1 "Return obligation liability and provision on leased aircraft").

NOTE 13 INCOME TAXES



ACCOUNTING PRINCIPLES

The current tax expense (or income) is the estimated amount of tax due in respect of taxable income for the period.

Deferred taxes are recognized on temporary differences between the net booked value and the fiscal value of assets and liabilities recorded on the balance sheet, as well as on tax losses. They are recognized only to the extent that it is probable that a sufficiently precise future taxable profit will be generated at the level of the taxable entity. Deferred tax assets relating to tax losses are capitalized on the basis of the prospects of recoverability arising from the budget and mid-term plans prepared by the Group. The assumptions used are the same that the ones used for the impairment test.

The tax expense reported in the income statement comprises the current tax expense (or income) and the deferred tax expense (or income).

The tax rates used to measure deferred taxes are the ones enacted or substantively enacted at the balance sheet 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 equity. In such cases, they are recorded directly in equity.

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".

13.1 Income tax charge

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

Period from January 1 to December 31

(in € millions)

	2023	2022
Current tax (expense)/income and other taxes	(58)	(46)
Change in temporary differences	(354)	30
(Use/de-recognition)/recognition of tax loss carry forwards	248	406
Deferred tax income/(expense)	(106)	436
TOTAL	(164)	390

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

French fiscal group

In France, the corporate tax rate, including additional contribution, is 25.83% for 2023. Tax losses can be carried forward for an unlimited period. However, the amount of fiscal loss recoverable each year is limited to 50% of the profit for the period beyond the first million euros. The Group limits its recoverability horizon on the deferred tax losses of the French fiscal group to a period of five years, consistent with its strategic plan.

In view of the medium and long-term outlook, the fiscal group has recognized deferred tax assets for an amount

of €361 million as of December 31, 2023. The deferred tax assets position for tax losses was therefore increased to €707 million (versus €346 million as of December 31, 2022), including 56 million in equity (see Note 13.2)

Dutch fiscal group

In the Netherlands, the tax rate is 25.8% in 2023. Tax losses can be carried forward for an unlimited period. However, the amount of fiscal loss recoverable each year is limited to 50% of the profit for the period beyond the first million euros.

The results of the period allowed the use of deferred tax losses and deductible financial interests. The deferred tax asset position for tax losses and deductible financial interests was therefore increased to €332 million (versus €403 million as of December 31, 2022).

13.2 Deferred tax recorded in equity (equity holders of Air France-KLM)

Period from January 1 to December 31

(in € millions)

	2023	2022
Coupons on perpetual	56	3
Other comprehensive income that will be reclassified to profit and loss	30	34
Other comprehensive income that will not be reclassified to profit and loss	(2)	(41)
<i>Equity instruments</i>	-	2
<i>Pensions</i>	(2)	(43)
TOTAL	84	(7)

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

<i>(in € millions)</i>	2023	2022
Income before tax	1,147	342
Standard tax rate in France	25.83 %	25.83 %
Theoretical tax calculated based on the standard tax rate in France	(296)	(88)
Differences in French / foreign tax rates	7	(1)
Non-deductible expenses or non-taxable income	(2)	(14)
Variation in unrecognized deferred tax assets	135	512
CAVE impact	(1)	(7)
Other	(7)	(12)
INCOME TAX	(164)	390
Effective tax rate	14.3 %	(114.0)%

Deferred tax has been calculated on this basis of the 25,83% corporate income tax rate for the French tax group and the 25,80% corporate income tax rate for the Dutch tax group, applicable in 2023.

13.4 Variation in deferred tax recorded during the period

<i>(in € millions)</i>	December 31, 2022	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassification and other	December 31, 2023
Flight equipment	(733)	(257)	–	–	–	(990)
Right-of-use assets	(929)	(94)	–	–	–	(1,023)
Pension assets	26	1	–	–	–	27
Financial liabilities	515	(22)	1	–	–	494
Lease debt	758	82	(23)	–	–	817
Deferred revenue on ticket sales	137	1	–	–	–	138
Other debtors and creditors	(55)	29	52	–	–	26
Provisions	342	(35)	(2)	–	–	305
Deductible financial interests	53	(10)	–	–	–	43
Others	(145)	(49)	–	–	7	(187)
Deferred tax corresponding to fiscal losses	744	248	–	56	–	1,048
DEFERRED TAX ASSET/ (LIABILITY) NET	713	(106)	28	56	7	698

<i>(in € millions)</i>	December 31, 2021	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassification and other	December 31, 2022
Flight equipment	(695)	(38)	–	–	–	(733)
Right-of-use assets	(874)	(56)	–	–	1	(929)
Pension assets	45	3	(20)	–	(2)	26
Financial liabilities	497	19	(5)	3	1	515
Lease debt	673	73	13	–	(1)	758
Deferred revenue on ticket sales	129	8	–	–	–	137
Other debtors and creditors	(87)	8	24	–	–	(55)
Provisions	458	(95)	(21)	–	–	342
Others	(221)	112	2	–	–	(107)
Deferred tax corresponding to fiscal losses	352	402	–	–	5	759
DEFERRED TAX ASSET/ (LIABILITY) NET	277	436	(7)	3	4	713

French fiscal group

The deferred taxes recognized on fiscal losses for the French fiscal group amounts to €707 million with a basis of €2,737 million as of December 31, 2023. As of December 31, 2022, it amounted to € 346 million with a basis of €1,340 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 €465 million (€323 million as of December 31, 2022).

Dutch fiscal group

The Dutch fiscal group recognized €332 million deferred taxes on fiscal losses with a basis of €1,287million as of December 31, 2023. As of December 31, 2022, it amounted to €403 million with a basis of €1,562 million. This reduction is due to the consumption over the period of deferred taxes on tax losses and deductible interest.

The total deferred tax position of the Dutch fiscal group stands at a net asset of €216 million (versus a €373 million net liability as of December 31, 2022).

13.5 Unrecognized deferred tax assets

(in € millions)	December 31, 2023		December 31, 2022	
	Basis	Tax	Basis	Tax
Temporary differences	1,568	405	708	183
Tax losses	11,685	3,018	13,040	3,368
TOTAL	13,253	3,423	13,748	3,551

French fiscal group

As of December 31, 2023, the cumulative effect of the limitation of deferred tax assets results in the non-recognition of a deferred tax asset amounting to €3,349 million (corresponding to a basis of €12,966 million), of which €2,944 million relating to tax losses and €405 million relating to temporary differences.

As of December 31, 2022, the cumulative effect of the limitation of deferred tax assets resulted 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.

Others

Other unrecognized tax assets mainly correspond to tax losses of Air France group subsidiaries prior to tax consolidation.

NOTE 14 EARNINGS PER SHARE

ACCOUNTING PRINCIPLES

Earnings per share are calculated by dividing the net income attributable to the equity holders of Air France-KLM by the average number of shares outstanding during the period.

The average number of shares outstanding does not include treasury shares.

Diluted earnings per share are calculated by dividing the net income attributable to the equity holders of Air France-KLM, adjusted for the effects of dilutive instrument exercise, by the average number of shares outstanding during the period, adjusted for the effect of all potentially-dilutive ordinary shares.

Accordingly to IAS 33, the perpetual subordinated loan is considered to be preferred shares, the coupons are included in the basic earnings per share and diluted earning per share.

RESULTS USED FOR THE CALCULATION OF BASIC EARNINGS PER SHARE

As of December 31

(in € millions)	2023	2022
Net income for the period – Equity holders of Air France-KLM	934	728
Coupons on perpetual	(72)	(137)
Dividend paid ⁽¹⁾	(90)	–
Basic net income for the period – Equity holders of Air France-KLM	772	591

(1) As of December 31, 2023 and in the context of the exit of the French Recapitalization State Aid under the EU Covid-19 Temporary Framework, the Group paid a €90 million compensation to the French State required for the shares subscribed in April 2021. This payment was considered as a dividend payment and was therefore recognized in equity accordingly to IFRS principles and has been taken into consideration as a deduction from the net income to calculate the earnings per share.

RESULTS USED FOR THE CALCULATION OF DILUTED EARNINGS PER SHARE

As of December 31

(in € millions)	2023	2022
Basic net income for the period – Equity holders of Air France-KLM	772	591
Consequence of potential ordinary shares on net income: interests paid on convertible bonds and amortization of equity component (after tax)	31	9
Net income for the period – Equity holders of Air France-KLM (taken for calculation of diluted earnings per share)	803	600

RECONCILIATION OF THE NUMBER OF SHARES USED TO CALCULATE EARNINGS PER SHARE

Period from January 1 to December 31	2023	2022
Weighted average number of:		
■ common shares issued	1,795,295,188	1,693,736,824
■ Treasury stock held regarding stock option plan and other treasury stock	(908,063)	(1,208,005)
Number of shares used to calculate basic earnings per share	1,794,387,125	1,692,528,819
Number of potentially dilutive shares	174,382,295	249,709,585
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	1,968,769,420	1,942,238,404

As of December 31, 2023, the weighted average number of shares used to calculate basic earnings per share takes into account the consolidation of all outstanding shares of the Company and the simultaneous recognition of a capital reduction, as well as the capital increase following the completion as of December 21, 2023 of the employee share plan "Partners for the future" (see Note 4.1 "Significant events occurring during the period").

Furthermore, following the share consolidation and by decision of the CEO, the conversion ratios of the subordinated perpetual convertible bonds, convertible into new shares and/or exchangeable into existing shares, and of the OCEANE have been adjusted.

As a result of this operation, these two instruments represent 19,996,070 and 4,966,518 shares respectively as of December 31, 2023, and 174,382,295 shares on average over the period. The potential conversion and earnings impact of these two instruments have been taken into account to determine diluted earnings per share.

As of December 31, 2023, taking into account the above items, the basic earnings per share amounts to €0.43 and the diluted earnings per share amounts to €0.41.

NOTE 15 GOODWILL**ACCOUNTING PRINCIPLES**

Goodwill corresponding, at the acquisition date, to the aggregate of the consideration transferred and the amount of any non-controlling interest of the acquired business minus the net amounts (usually at fair value) of the identifiable assets acquired and the liabilities assumed from the acquired entity.

Goodwill is measured in the functional currency of the acquired entity. It is recognized as an asset on the balance sheet.

It is not amortized and is tested for impairment test on a annual basis or whenever there is an indication that it may be impaired. As described in Note 21, the impairment loss can't be subsequently reversed.

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.

When a subsidiary or associate is sold, the amount of goodwill attributable to the sold company is included in the calculation of the gain or loss on disposal.

15.1 Detail of consolidated goodwill

As of December 31 <i>(in € millions)</i>	2023			2022		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Network	199	–	199	199	–	199
Maintenance	20	–	20	25	(4)	21
Other	5	–	5	5	–	5
TOTAL	224	–	224	229	(4)	225

15.2 Movement in net book value of goodwill

As of December 31

(in € millions)

	2023	2022
Opening balance	225	222
Change in scope	—	2
Currency translation adjustment	(1)	1
CLOSING BALANCE	224	225

NOTE 16 INTANGIBLE ASSETS



ACCOUNTING PRINCIPLES

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 21 "Impairment is recorded.

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 ⁽¹⁾

(1) With certain exceptions, IT developments are amortized over the same useful life as the underlying software.

(in € millions)

	Trademarks and slots	Software and capitalized IT costs	Total restated ⁽¹⁾
GROSS VALUE			
Amount as of December 31, 2021	280	2,010	2,290
Additions	1	157	158
Disposals	(4)	(9)	(13)
Reclassification	–	(2)	(2)
Amount as of December 31, 2022	277	2,156	2,433
Additions	–	176	176
Disposals	(11)	(22)	(33)
Reclassification	(1)	(20)	(21)
Amount as of December 31, 2023	265	2,290	2,555
DEPRECIATION			
Amount as of December 31, 2021	(10)	(1,122)	(1,132)
Charge to depreciation	(2)	(181)	(183)
Releases on disposals	–	5	5
Reclassification	–	4	4
Amount as of December 31, 2022	(12)	(1,294)	(1,306)
Charge to depreciation	(1)	(159)	(160)
Releases on disposals	–	20	20
Reclassification	1	18	19
Amount as of December 31, 2023	(12)	(1,415)	(1,427)
NET VALUE			
As of December 31, 2022	265	862	1,127
As of December 31, 2023	253	875	1,128

(1) See Note 3 of the financial statements.

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;
- software and capitalized IT costs.

NOTE 17 TANGIBLE ASSETS



ACCOUNTING PRINCIPLES

Property, plant and equipment are recorded on the balance sheet at their acquisition or manufacturing cost, less accumulated depreciation and any accumulated impairment losses.

The cost includes financial expenses incurred, when directly attributable to the acquisition or production of a qualifying asset, until the asset is in service.

As prepayment on investments are not financed by specific borrowings, the capitalization of borrowing costs is based on the average borrowing rate for the period.

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 or the number of flight cycles for engines over the period between the date of acquisition and the next major overhaul.

The other maintenance costs which do not extend the useful life or do not increase the value of the asset are recorded as expenses when it occurs.

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

(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	
GROSS VALUE										
January 1, 2022	16,784	1,242	2,549	20,575	2,739	1,059	129	1,077	5,004	25,579
Acquisitions	897	1,333	248	2,478	18	26	98	36	178	2,656
Disposals	(1,574)	2	(369)	(1,941)	(40)	(23)	–	(77)	(140)	(2,081)
Change in scope	–	–	–	–	–	(3)	–	(18)	(21)	(21)
Currency hedge	–	(28)	–	(28)	–	–	–	–	–	(28)
Reclassification	784	(1,148)	100	(264)	64	18	(95)	15	2	(262)
Currency translation	–	–	–	–	–	1	–	–	1	1
Others	(87)	106	–	19	–	–	–	–	–	19
Impairment	–	(11)	–	(11)	–	–	–	–	–	(11)
December 31, 2022	16,804	1,496	2,528	20,828	2,781	1,078	132	1,033	5,024	25,852
Acquisitions	1,128	1,659	323	3,110	15	42	160	41	258	3,368
Disposals	(1,190)	–	(519)	(1,709)	(68)	(76)	–	(17)	(161)	(1,870)
Currency hedge	–	94	–	94	–	–	–	–	–	94
Reclassification	1,073	(1,587)	178	(336)	68	1	(98)	32	3	(333)
Currency translation	–	–	–	–	–	(1)	–	–	(1)	(1)
Others	(73)	70	–	(3)	3	–	(3)	–	–	(3)
Impairment	–	(1)	–	(1)	–	–	–	–	–	(1)
December 31, 2023	17,742	1,731	2,510	21,983	2,799	1,044	191	1,089	5,123	27,106
DEPRECIATION										
January 1, 2022	(9,068)	–	(1,041)	(10,109)	(1,912)	(829)	–	(861)	(3,602)	(13,711)
Charge to depreciation	(1,001)	–	(109)	(1,110)	(94)	(42)	–	(48)	(184)	(1,294)
Releases on disposal	876	–	312	1,188	37	22	–	73	132	1,320
Change in scope	–	–	–	–	–	3	–	15	18	18
Reclassification	(23)	–	(160)	(183)	–	(12)	–	–	(12)	(195)
Others	–	–	–	–	(1)	–	–	–	(1)	(1)
December 31, 2022	(9,216)	–	(998)	(10,214)	(1,970)	(858)	–	(821)	(3,649)	(13,863)
Charge to depreciation	(964)	–	(69)	(1,033)	(87)	(42)	–	(49)	(178)	(1,211)
Releases on disposal	441	–	466	907	56	66	–	15	137	1,044
Reclassification	34	–	(176)	(142)	(5)	7	–	(2)	–	(142)
Currency translation	–	–	–	–	–	1	–	–	1	1
Others	–	–	–	–	(1)	–	–	(2)	(3)	(3)
December 31, 2023	(9,705)	–	(777)	(10,482)	(2,007)	(826)	–	(859)	(3,692)	(14,174)
NET VALUE										
December 31, 2022	7,588	1,496	1,530	10,614	811	220	132	212	1,375	11,989
December 31, 2023	8,037	1,731	1,733	11,501	792	218	191	230	1,431	12,932

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

Details of fixed assets given in guarantee are provided in the Note 39.

Commitments to assets purchases are detailed in Notes 38 and 39.

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)	2023	2022 restated ⁽¹⁾
Acquisition of flight equipment	3,114	2,458
Acquisition of other tangible assets	258	176
Acquisition of intangible assets	176	158
Change in fixed assets liabilities	3	6
TOTAL	3,551	2,798

(1) See Note 3 of the financial statements.

The line "Acquisition of flight equipment" includes investments linked to the renewal of the fleet for new generation aircraft, for an amount of €1,738 million as of December 31, 2023 (€1,332 million as of December 31, 2022).

NOTE 19 RIGHT-OF-USE ASSETS AND LEASE DEBT



ACCOUNTING PRINCIPLES

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 31 "Financial liabilities" - Debt on financial leases with bargain option and Note 31.4 "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 in accordance with IFRIC 1. 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 contractually agreed through a return obligation liability or provision as described in Note 30. 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.

The Group uses the implicit interest rate to determine the present value of the future payments and thus the lease debt for each aircraft. The "real estate" and "other assets" lease debt is measured using the debt marginal rate at the commencement date of the contract.

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 30.

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. The results of the leaseback transactions are presented in Note 11 "Sales of aircraft equipment and other non-current income and expenses".

Transactions deemed to be a sale

If the sale by the vendor-lessee is qualified as a sale according to IFRS 15, the vendor-lessee must: (i) de-recognize the underlying asset, (ii) recognize a right-of-use asset equal to the retained portion of the net carrying amount of the asset sold.

Transaction not deemed to be a sale

If the sale by the vendor-lessee is not qualified as a sale according to IFRS 15, the vendor-lessee maintains the goods transferred on its balance sheet and recognizes a financial liability equal to the disposal price (received from the buyer-lessor).

The table below presents the right-of-use assets per category:

<i>(in € millions)</i>	Aircraft	Maintenance	Land & Real Estate	Others	Total
NET VALUE					
January 1, 2022	2,476	1,898	608	166	5,148
New contracts	742	299	71	13	1,125
Change in contracts	155	(114)	41	–	82
Disposals	–	(2)	–	–	(2)
Reclassification	(6)	526	–	(117)	403
Currency translation	–	–	(1)	–	(1)
Amortization	(616)	(431)	(120)	(15)	(1,182)
Others	–	(145)	–	–	(145)
December 31, 2022	2,751	2,031	599	47	5,428
New contracts	834	401	86	26	1,347
Change in contracts	183	(168)	36	5	56
Disposals	–	(1)	–	–	(1)
Reclassification	(3)	471	–	–	468
Amortization	(627)	(435)	(130)	(16)	(1,208)
Others	–	(134)	–	–	(134)
December 31, 2023	3,138	2,165	591	62	5,956

The line "Others" includes mainly movements of the return obligation liability following aircrafts restitution (see Note 30).

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)

	2023	2022
Variable rents	32	9
Short term rents	175	100
Low value rents	17	16
TOTAL	224	125

The table below presents the lease debt per category:

As of December 31

(in € millions)

	2023			2022		
	Non- current	Current	Total	Non- current	Current	Total
Lease debt - Aircraft	2,796	682	3,478	2,566	661	3,227
Lease debt - Aircraft spare parts	79	49	128	89	35	124
Lease debt - Real estate	655	80	735	628	101	729
Lease debt - Other	50	18	68	35	18	53
Accrued interest	1	19	20	-	19	19
TOTAL - LEASE DEBT	3,581	848	4,429	3,318	834	4,152

The tables below present the change in lease debt:

(in € millions)	December 31, 2022	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31, 2023
Lease debt - Aircraft	3,227	1,059	(657)	(154)	3	3,478
Lease debt - Aircraft spare parts	124	50	(44)	(3)	1	128
Lease debt - Real estate	729	125	(118)	-	(1)	735
Lease debt - Others	53	31	(14)	-	(2)	68
Accrued interest	19	-	-	-	1	20
TOTAL	4,152	1,265	(833)	(157)	2	4,429

(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 - Spare parts aircraft	109	45	(32)	2	-	124
Lease debt - Real estate	741	113	(124)	-	(1)	729
Lease debt - Others	63	13	(18)	(4)	(1)	53
Accrued interest	17	-	-	-	2	19
TOTAL	3,749	1,148	(861)	119	(3)	4,152

The lease debt maturities break down as follows:

<i>(in € millions)</i>	As of December 31, 2023	As of December 31, 2022
Y+1	1,096	1,084
Y+2	898	874
Y+3	721	685
Y+4	609	542
Y+5	466	444
Over 5 years	2,028	1,740
TOTAL	5,818	5,369
<i>Including:</i>		
■ <i>Principal</i>	4,429	4,152
■ <i>Interest</i>	1,389	1,217

NOTE 20 EQUITY AFFILIATES



ACCOUNTING PRINCIPLES

The accounting policies applied by the Group to recognize the equity affiliates is detailed in the Note 1.3 "Consolidation principles".

Movements over the period

The table below presents the movement in investments in associates and joint ventures:

<i>(in € millions)</i>	Network	Maintenance	Catering	Other	Total
December 31, 2022	–	28	62	19	109
Share in net income of equity affiliates	1	17	(6)	–	12
Distributions	(1)	–	–	–	(1)
Change in consolidation scope	–	(1)	–	–	(1)
Other variations	1	(1)	–	–	–
Currency translation adjustment	–	1	–	–	1
December 31, 2023	1	44	56	19	120
Share in net income of equity affiliates	1	3	(2)	5	7
Distributions	(1)	(1)	–	–	(2)
Other variations	1	1	4	(1)	5
Currency translation adjustment	–	(1)	–	–	(1)
December 31, 2023	2	46	58	23	129

Maintenance

As of December 31, 2023 and 2022, 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 42.2 have been concluded either with airlines or with independent players in the maintenance market.

Servair Group (Catering)

The Servair Group is a french company in aviation 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.

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. The second tranche of 15% is classified in assets held for sale (see Note 27 "Assets held for sale"), pending payment over several years. The remaining 20% were revalued accordingly to the IFRS 10 standard at their fair value based on the transaction value in the line "equity affiliates".

As of December 31, 2023, 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.

Other

As of December 31, 2023 and 2022, 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 42.2.

NOTE 21 IMPAIRMENT



ACCOUNTING PRINCIPLES

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.

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.

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.

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.

No indication of impairment has been identified. Given the existence of goodwill and intangible assets with indefinite useful lives, an 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 <i>(in € millions)</i>	Network		Maintenance		Transavia		Other/Non allocated	
	2023	2022	2023	2022	2023	2022	2023	2022
Segment assets	16,912	16,440	4,986	4,249	2,095	1,831	9,855	12,043
Segment liabilities	(11,835)	(11,983)	(1,989)	(1,985)	(1,787)	(1,574)	(18,237)	(19,021)
NET SEGMENT ASSETS (LIABILITIES)	5,077	4,457	2,997	2,264	308	257	(8,382)	(6,978)

The recoverable amount of the net assets of the CGUs has been determined by reference to their value in use as of September 30, 2023, based on a five-year target plan presented by Management to the Board of Directors early December 2023. 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:

- savings linked to the continuation of the reorganization/restructuring plans implemented by the Group which will help to mitigate the inflation pressure and geopolitical troubles;
- the increase in the price of CO₂ emission allowances, the implementation of the international system for offsetting and reducing emissions (CORSIA) from 2026 and the gradual disappearance of free allowances until 2026 in the European Union Emissions Trading Scheme (ETS) as detailed in the assumptions below;

- a growing trajectory for the use of Sustainable Aviation Fuel (SAF), which should reach 10% by 2030, and the Group's ability to pass on the additional costs to passengers in the price of air tickets;
- a plan to invest in new generation aircraft that are up to 25% more efficient in terms of fuel consumption and therefore CO₂ emissions, and generate less noise, as presented in Note 38 "Flight equipment orders". The new generation aircraft will represent 80% of the fleet in 2030.

The last two elements mentioned above, combined with eco-piloting, contribute significantly to the Group's objective of reducing its CO₂ emissions per passenger/km by 30% in 2030 compared to 2019, and are consistent with the trajectory validated by SBTi in November 2022.

CO₂ quotas prices and sustainable aviation fuel prices (network and Transavia) are as follows:

As of December 31	2024	2025	2026	2027	2028
CO ₂ quotas price (EUR/ton)	90	94	97	101	105
Sustainable aviation fuel price (USD/metric tons)	2,164	2,762	2,686	2,593	2,529

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).

Cost of capital

	2023	2022
Cost of stockholders' equity	12 %	13 %
Marginal cost of debt, post tax	3.9 %	4.0 %
PERCENTAGE OF STOCKHOLDERS' EQUITY/TARGET DEBT		
Stockholders' equity	42 %	40 %
Debt	58 %	60 %
WEIGHTED AVERAGE COST OF CAPITAL AFTER TAXATION	7.4 %	7.7 %

As of December 31	Network		Maintenance		Transavia	
	2023	2022	2023	2022	2023	2022
Operating margin rates	7.4 %	7.4 %	6.0 %	6.0 %	8.2 %	8.2 %
Long-term growth rates	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
Discount rate (after tax)	7.4 %	7.7 %	7.4 %	7.7 %	7.4 %	7.7 %
Fuel price (USD/metric tons)	740-890	772-867	n.a	n.a	740-890	772-867

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, 2022). The results are identical for the sensitivity tests performed:

- with a WACC 50 bps higher associated with a 50 bps decrease in the long-term growth rate;
- with a 50 bps increase in WACC associated with a 50 bps decrease in target current operating margins.

NOTE 22 OTHER FINANCIAL ASSETS



ACCOUNTING PRINCIPLES

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.

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 SICAV, FCP, 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.

As of December 31	2023			2022		
	Current	Non-current	Of which: pledged or secured	Current	Non-current	Of which: pledged or secured
<i>(in € millions)</i>						
Equity instruments ⁽¹⁾						
Equity instruments at fair value through OCI	–	52	–	–	45	–
Financial assets at fair value through P&L ⁽¹⁾						
Marketable securities	1,097	–	207	492	80	250
Bonds	150	816	155	114	697	175
Financial assets - at amortized cost						
Deposits on lease contracts	7	93	–	4	95	–
Deposits on financial liabilities	1	106	–	1	101	–
Other loans and deposits	37	224	–	9	192	–
Gross value	1,292	1,291	362	620	1,210	425
Impairment at opening date	–	(26)	–	–	(22)	–
New impairment charge	–	(5)	–	–	(5)	–
Use/Reversal	–	2	–	–	1	–
Other	–	–	–	–	–	–
Impairment at closing date	–	(29)	–	–	(26)	–
TOTAL	1,292	1,262	362	620	1,184	425

(1) See Note 36 "Valuation methods for financial assets and liabilities at their fair value" for the fair value valuation method.

EQUITY INSTRUMENTS

	Fair Value (in € millions)	% interest	Stockholder's equity (in billions of currency)	Net income (in billions of currency)	Classification methodology	Stock price	Closing date
As of December 31, 2023							
GOL Linhas Aéreas ⁽¹⁾	7	1%	NA ⁽²⁾	NA ⁽²⁾	OCI	9 BRL	December 2023
Kenya Airways	10	7,8%	NA ⁽²⁾	NA ⁽²⁾	OCI	NA ⁽²⁾	December 2023
Other	35	–	–	–	–	–	–
TOTAL	52						
As of December 31, 2022							
GOL Linhas Aéreas ⁽¹⁾	6	1%	NA ⁽²⁾	NA ⁽²⁾	OCI	7,34 BRL	December 2022
Kenya Airways	13	7,8%	NA ⁽²⁾	NA ⁽²⁾	OCI	NA ⁽²⁾	December 2022
Other	26	–	–	–	–	–	–
TOTAL	45						

(1) Listed company.

(2) Not-available.

Transfer of non-deconsolidating financial assets

Receivables delagation agreement

The Group entered into a loan agreement secured by Air France's 1% housing loans. For each of the CILs (*Comités Interprofessionnels du Logement*), Air France and the bank concluded, in July 2012, a tripartite receivables delagation 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, 2023, the amount of transferred receivables stood at €80 million (versus €85 million as of December 31, 2022) and is included in the line "deposits on financial liabilities". The associated loan stood at €68 million as of December 31, 2023 (versus €71 million as of December 31, 2022).

NOTE 23 INVENTORIES



ACCOUNTING PRINCIPLES

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.

As of December 31

(in € millions)

	2023	2022
Aeronautical spare parts	889	801
Other supplies	192	151
Work in progress	27	23
Gross value	1,108	975
Opening valuation allowance	(252)	(262)
Charge to allowance	(16)	(27)
Use of allowance	13	36
Currency translation adjustment	–	(1)
Reclassification	–	2
Closing valuation allowance	(255)	(252)
NET VALUE	853	723

NOTE 24 TRADE ACCOUNTS RECEIVABLES



ACCOUNTING PRINCIPLES

Trade receivables 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.

As of December 31

<i>(in € millions)</i>	2023	2022
Airlines	231	283
Other clients:		
■ Network	1,032	961
■ Maintenance	964	675
■ Leisure	82	63
■ Other	51	34
Gross value	2,360	2,016
Opening valuation allowance	(231)	(319)
Charge to allowance	(10)	(28)
Use/Reversal of allowance	27	115
Currency translation adjustment	6	1
Closing valuation allowance	(208)	(231)
NET VALUE	2,152	1,785

NOTE 25 OTHER ASSETS



ACCOUNTING PRINCIPLES

CO₂ quotas

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

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

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

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

When the quotas corresponding to the actual emissions are returned to the State, the provision is cleared in exchange of the returned assets.

As of December 31 <i>(in € millions)</i>	2023		2022 restated ⁽¹⁾	
	Current	Non-current	Current	Non-current
Suppliers with debit balances	223	–	97	–
State receivables (including tax credit)	162	–	115	–
CO ₂ quotas	242	153	136	78
Prepaid expenses	262	–	229	–
Other debtors	236	–	407	–
Gross value	1,125	153	984	78
Opening valuation allowance	(5)	–	(8)	–
Use of allowance	–	–	3	–
Closing valuation allowance	(5)	–	(5)	–
TOTAL	1,120	153	979	78

(1) See Note 3 of the financial statements.

NOTE 26 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

ACCOUNTING PRINCIPLES

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.

As of December 31	2023		2022	
	Total	Of which: pledged or secured	Total	Of which: pledged or secured
<i>(in € millions)</i>				
Liquidity funds (SICAV) (assets - debt instruments)	2,450	7	3,118	–
Bank deposits (assets - debt instruments) and term accounts	1,887	50	2,120	–
Cash in hand	1,857	–	1,388	–
Cash and cash equivalents	6,194	57	6,626	–
Bank overdrafts	(13)	–	(3)	–
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS	6,181	57	6,623	–

NOTE 27 ASSETS HELD FOR SALE

The line “Assets held for sale” includes the Group’s 15% equity interest in Servair shares and intended to be sold (see Note 20 “Equity affiliates”).

NOTE 28 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA

28.1 Issued capital & additional paid-in capital

ACCOUNTING PRINCIPLES

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.

Capital increase costs are deducted from paid-in capital if any.

On 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 remained 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 remained 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 brought 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.

As of August 31, 2023, Air France-KLM carried out a reverse stock-split of all the Company's outstanding shares, with the concomitant recognition of a capital reduction impacting share capital by €(2,314) million and additional paid-in capital by €2,314 million (see Note 4.1 "Significant events occurring during the period").

On December 21, 2023, Air France-KLM carried out a capital increase reserved for employees of 5,716,256 fully paid-up shares, with a par value of €1, increasing capital by €6 million and additional paid-in capital by €29 million.

Thus as of December 31, 2023, the issued capital of Air France-KLM comprised 262,769,869 fully paid-up shares with a par value of €1 and the share capital of the Air France-KLM group amounts to €263 million.

Taking into account these transactions, at December 31, 2023, additional paid-in capital stands at €7,560 million.

Each share 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.

The new shares are immediately entitled to double voting rights, provided they have been held in registered form, if at the date of the reverse stock-split each of the old shares from which they were issued was entitled to double voting rights. In the event of a reverse split of existing shares that have been held in registered form since different dates, the period used to determine the double voting rights of the new shares is deemed to begin on the most recent date on which the existing shares were held in registered form.

Authorized stock

The Combined General Meeting of June 7, 2023 authorized the Board of Directors, for a period of 26 months from the date of the Meeting of June 7, 2023 (i.e. until August 7, 2025), to issue shares and/or other securities giving immediate or future access to the capital of Air France-KLM and/or to carry out capital increases by offering to qualified investors or a restricted circle of investors.

As of December 31, 2023, the available balance of these authorizations is approximately €128,5 million, following 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	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

(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)".

As of December 31, 2023, all securities have been issued and paid up.

28.2 Treasury shares

ACCOUNTING PRINCIPLES

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.

As of December 31, 2023, Air France-KLM group holds 143,608 treasury shares valued at €25 million.

All of these treasury shares are classified as a reduction of equity.

28.3 Perpetual

ACCOUNTING PRINCIPLES

A financial instrument is considered as an equity instrument if it does not include a contractual obligation :

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

<i>(in € millions)</i>		Notes	December 31, 2022	Repayment – Nominal	Issuance – Nominal	Monetary change – Coupons	Non-monetary change	December 31, 2023
2021 perpetual super-subordinated bonds	Nominal	28.3.1	595	(595)		–	–	–
	Coupons		31	–		(42)	11	–
2023 perpetual super-subordinated bonds	Nominal	28.3.2	–	–	727	–	–	727
	Coupons		–	–	–	–	42	42
Last-rank indefinite subordinated bond convertible into new shares and/or existing shares	Nominal	28.3.3	305	–	–	–	–	305
	Coupons		2	–		(20)	20	2
TOTAL PERPETUAL - ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM			933	(595)	727	(62)	73	1,076
2022 perpetual super-subordinated bonds	Nominal	28.6.1	497	–	–	–	–	497
	Coupons		13	–	–	(30)	30	13
July 2023 perpetual super-subordinated bonds	Nominal	28.6.2	–	–	498	–	–	498
	Coupons		–	–	–	–	15	15
November 2023 perpetual super-subordinated bonds	Nominal	28.6.3	–	–	1,493	–	–	1,493
	Coupons		–	–	–	–	8	8
TOTAL PERPETUAL - NON-CONTROLLING INTERESTS			510	–	1,991	(30)	53	2,524
Total cash flows		5.2.5		(595)	2,718	(92)		

28.3.1 2021 perpetual super-subordinated bonds

On April 20, 2021, the Group issued 3 billion super-subordinated notes, subscribed by the French government to offset its direct loan of the same nominal amount. The issue consisted of three perpetual tranches, each with a nominal value of €1 billion, a coupon of 7%, 7.25% and 7.5%, and a call option at 4, 5 and 6 years respectively.

This transaction resulted in the reclassification of 3 billion euros from "financial liabilities" to shareholders' equity.

On April 20, 2022, the Group paid accrued interest on the perpetual subordinated notes held by the French government for a total of €218 million, including €151 million in respect of accrued interest to December 31, 2021 and €67 million in respect of accrued interest at the date of payment.

On June 16, 2022, following the completion of the Air France-KLM group's capital increase, the subordinated perpetual notes held by the French State were partially redeemed for a total of €1,649 million, including €1,631 million in par value and €18 million in accrued coupons.

On July 29, 2022, the proceeds of Apollo's investment were used to redeem €487 million in par value, plus €10 million in accrued interest to that date.

On December 9, 2022, a nominal amount of €287 million plus accrued interest to that date of €14 million was repaid with the proceeds of the subordinated bond issue.

Finally, on March 17 and April 19, 2023 respectively, Air France-KLM redeemed the balance of the subordinated notes held by the French State under the temporary framework linked to Covid-19, for an amount of €320 million and €317 million (including accrued coupons). The Group also paid the French State the compensation required for the shares subscribed in April 2021, in the amount of €90 million.

This transaction enables Air France and Air France-KLM S.A. to exit the French state aid scheme.

28.3.2 2023 perpetual super-subordinated bonds

Concurrently with the redemption of the super-subordinated notes (refer to Note 28.3.1 "2021 perpetual super-subordinated bonds"), the Group refinanced €320 million on March 17, 2023 and €407 million on April 19, 2023 by issuing new perpetual subordinated notes with the French State qualified as compensatory aid, for

Air France, for the damage suffered as a result of Covid-19 between March 17 and June 30, 2020.

These new unconstrained subordinated notes carry similar financial conditions to those redeemed on the same day, with a deferred call date and interest rate increase of a further two years (i.e. March 2029).

At December 31, 2023, the balance of accrued interest on subordinated notes totaled €42 million.

28.3.3 Last-rank indefinite subordinated bond convertible into new shares and/or existing shares

On November 16, 2022, Air France-KLM group issued last-rank indefinite subordinated bonds, convertible into new shares and/or existing shares, for a nominal amount of €301 million, net of issuance costs.

The bonds had been issued at par with a nominal value per bond of €100,000 and with a conversion/exchange premium of 22.5% over the reference Air France-KLM share price.

From the issue date until November 23, 2025, the bonds bear interest at a nominal rate of 6.5% per annum, payable quarterly in arrears. From November 23, 2025, the bonds will bear interest at a rate equal to 1,300 basis points above the applicable 3-year Euro Mid-Swap rate as reference rate, subject to review 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, redeem all the bonds early 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 was initially 65,496.4632 Air France-KLM shares per bond at December 31, 2022.

However, following the reverse stock-split and by decision of the Chief Executive Officer, the conversion ratio of the last-ranking perpetual subordinated bonds, convertible into new shares and/or exchangeable for existing shares, has been adjusted and amounts to 6 549,6463 Air France-KLM shares per bond.

Lastly, the coupon paid during the year amounted to €20 million, and at December 31, 2023, the balance of accrued coupon totaled €2 million.

For details of deeply subordinated notes included in "Non-controlling interests", see Note 28.6.

28.4 Reserves and retained earnings

As of December 31

(in € millions)

	Notes	2023	2022
Legal reserve		70	70
Defined pension benefit reserves ⁽¹⁾		(529)	(532)
Derivatives reserves ⁽¹⁾	28.6	6	88
Equity instrument reserves ⁽¹⁾		(58)	(58)
Other reserves		(11,348)	(11,996)
Net income (loss) – Group share		934	728
TOTAL		(10,925)	(11,700)

(1) After deferred tax.

As of December 31, 2023, the legal reserve of €70 million represents 27 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.

28.5 Derivatives instruments reserves

Derivatives instruments reserves are composed as follows (before the effect of deferred tax):

(in € millions)	December 31, 2022	Variation of fair value	Recycling in income statement	December 31, 2023	Recycling allocated by heading
Fuel	(68)	(47)	15	(100)	External expenses
Interest rate	215	(33)	(45)	137	Cost of financial debt
Currency exchange - Operating	89	(31)	(70)	(12)	Other income and expenses
Currency exchange - Financial liabilities	2	(1)	–	1	Other financial expenses
Currency exchange - Capital expenditures	40	(10)	–	30	
Revenues	(176)	93	32	(51)	Revenues
European carbon emission allowances (ETS)	12	(15)	–	(3)	
Deferred tax	(26)	–	30	4	Income tax
TOTAL	88	(44)	(38)	6	

28.6 Non-controlling interests

28.6.1 2022 perpetual super subordinated bonds

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, Air France Spare Engines Management, 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 coupon paid during the year amounted to €30 million and as of December 31, 2023 the balance of accrued coupon totaled €13 million.

28.6.2 July 2023 perpetual super subordinated bonds

On July 14, 2023, following the 500 million euro investment agreement between the Air France-KLM group and Apollo, the latter subscribed to:

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

The perpetual bonds, which qualify as equity under IFRS, bear interest at 6.9% for the first three years, after which gradual increases and a cap will be applied. The Group has the option of redeeming the securities at any time after the third year.

There were no coupon payments during the year; at December 31, 2023, the balance of accrued coupon totaled to €15 million.

28.6.3 November 2023 perpetual super subordinated bonds

On November 30, 2023, Air France-KLM and Apollo Global Management finalized the investment transaction for an amount of €1,500 million, the latter subscribed to:

- a capital increase in the Air France operating subsidiary, Flying Blue Miles, for an amount of €7 million;
- perpetual bonds issued by the Air France operating subsidiary for an amount of €1,493 million.

The perpetual bonds carry a coupon of 6.4% for the first four years, with the option of repayment at an overall cost of financing of 6.75% up to this first call date.

There were no coupon payments during the year; at December 31, 2023, the balance of accrued coupon totaled to €8 million.

NOTE 29 PENSION ASSETS AND RETIREMENT BENEFITS



ACCOUNTING PRINCIPLES

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 all its pension costs (defined contribution and defined benefit) in recurring operating income under "personnel costs". Changes in plans with a material impact are reported under "Other non current income and expenses". Plan curtailments, when linked to restructuring, are also presented under "Other non current income and expenses".

The Group recognizes in other comprehensive income all actuarial gains and losses on post employment plans, the difference between actual and expected return on pension assets, and the impact of any asset ceiling.

When a defined-benefit pension plan is converted to a defined-contribution pension plan or closed, the amounts recognized in other comprehensive income are reclassified to other reserves.

Actuarial gains and losses long term benefit plans (mainly long services awards) are recognized in the income statement.

Pension Assets

As of December 31, 2023, 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 €45 million (€39 million as of December 31, 2022).

Given the plan settlement, the agreement with the trustees and the application of IFRIC14, this surplus is fully recognised in the balance sheet. The variation is as follows:

As of December 31

(In € millions)

	2023	2022
Opening balance	39	-
Net periodic pension (cost)/income	(1)	-
Payments of benefits and contributions to the funds	10	-
Reclassification	-	20
Fair value revaluation	(3)	19
CLOSING BALANCE	45	39

Retirement benefits

(in € millions)

	Retirement benefits
As of December 31, 2021	1,939
<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
As of December 31, 2022	1,634
<i>Of which: Non-current</i>	<i>1,634</i>
New provision	154
Reversal of provision	(91)
Fair value revaluation	(7)
Currency translation adjustment	(4)
Reclassification	(1)
As of December 31, 2023	1,685
<i>Of which: Non-current</i>	<i>1,685</i>

29.1 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.

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, 2023, the coverage of liabilities by reserves is 61 per cent in 2023 (59 per cent in 2022).

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, 2023, the two French plans presented above represented a respective 67 per cent (67 in 2022 as well) of the Group's defined benefit obligation and 46 per cent (45 per cent in 2022) of the Group's pension plan assets.

29.2 Description of the actuarial assumptions and related sensitivities

Actuarial valuations of the Group's benefit obligation were made as of December 31, 2023 and 2022.

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	2023	2022
Euro zone – Duration 10 to 15 years	2.20 %	2.55 %
United Kingdom - Duration 20 years	3.15 %	3.35 %

- 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 and in the United Kingdom, where the discount rates used are as follows:

As of December 31	2023	2022
Euro zone – Duration 10 to 15 years	3.20 %	3.80 %
United Kingdom - Duration 20 years	4.60 %	4.80 %

The duration rates presented concern mainly plans located in France and the United Kingdom:

- 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, 2023, in the euro zone and in the United Kingdom, the discount rates used to calculate the service cost is equal to the rates used to discount the liabilities;
- on average, the main assumptions used to value the liabilities are summarized below;
 - the rate of salary increase is 3.79% for the Group as of December 31, 2023 against 4.04% as of December 31, 2022,
 - the rate of pension increase is 2.53% for the Group as of December 31, 2023 against 2.74% as of December 31, 2022;

The sensitivity of the pension obligations to a change in assumptions, based on actuarial calculations, is as follows:

OBLIGATION SENSITIVITY TO THE INFLATION RATE

<i>(in € millions)</i>	Sensitivity of the assumptions for the year ended December 31, 2023	Sensitivity of the assumptions for the year ended December 31, 2022
25 bp increase in the inflation rate	54	53
25 bp decrease in the inflation rate	(52)	(51)

OBLIGATION SENSITIVITY TO THE DISCOUNT RATE

<i>(in € millions)</i>	Sensitivity of the assumptions for the year ended December 31, 2023	Sensitivity of the assumptions for the year ended December 31, 2022
100 bp increase in the discount rate	(239)	(235)
100 bp decrease in the discount rate	279	275

OBLIGATION SENSITIVITY TO SALARY INCREASE (EXCLUDING INFLATION)

<i>(in € millions)</i>	Sensitivity of the assumptions for the year ended December 31, 2023	Sensitivity of the assumptions for the year ended December 31, 2022
25 bp increase in the salary increase rate	41	40
25 bp decrease in the salary increase rate	(38)	(37)

OBLIGATION SENSITIVITY TO PENSION INCREASE

<i>(in € millions)</i>	Sensitivity of the assumptions for the year ended December 31, 2023	Sensitivity of the assumptions for the year ended December 31, 2022
25 bp increase in the pension increase rate	19	19
25 bp decrease in the pension increase rate	(18)	(18)

29.3 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, 2023 and December 31, 2022.

<i>(in € millions)</i>	As of December 31, 2023					As of December 31, 2022				
	Nethe rlands	France	UK	Others	Total	Nethe rlands	France	UK	Others	Total
Benefit obligation at beginning of year	206	1,872	503	131	2,712	232	2,117	850	149	3,348
Service and administrative costs	6	76	3	3	88	13	82	3	7	105
Interest cost	7	69	24	6	106	2	19	15	5	41
Plan amendments, curtailments and settlements	–	(2)	–	–	(2)	–	47	–	–	47
Settlements	–	–	–	(14)	(14)	–	–	–	–	–
Benefits paid	(19)	(82)	(28)	(9)	(138)	(15)	(80)	(28)	(10)	(133)
Actuarial loss / (gain) demographic assumptions	(6)	(27)	(3)	–	(36)	–	8	(5)	–	3
Actuarial loss / (gain) financial assumptions	3	41	9	(8)	45	(43)	(424)	(307)	(25)	(799)
Actuarial loss / (gain) experience gap	15	–	10	2	27	17	105	6	2	130
Change in currency exchange rates	(1)	–	13	(4)	8	–	(2)	(32)	3	(31)
Benefit obligation at end of year	211	1,947	531	107	2,796	206	1,872	503	131	2,712
Including benefit obligation resulting from schemes totally or partly funded	–	1,881	531	74	2,486	–	1,811	503	90	2,404
Including unfunded benefit obligation	211	66	–	33	310	206	61	–	41	308
Fair value of plan assets at beginning of year	–	509	544	64	1,117	–	596	741	72	1,409
Actual return on plan assets	–	41	38	2	81	–	(66)	(155)	(14)	(235)
Employers' contributions	–	33	11	–	44	–	33	17	8	58
Settlements	–	–	–	(14)	(14)	–	–	–	–	–
Benefits paid	–	(52)	(28)	(6)	(86)	–	(54)	(28)	(6)	(88)
Change in currency exchange rates and others	–	1	11	2	14	–	–	(31)	4	(27)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	–	532	576	48	1,156	–	509	544	64	1,117
Pension asset	–	–	45	–	45	–	–	41	(2)	39
Provision for retirement benefits	(211)	(1,415)	–	(59)	(1,685)	(206)	(1,363)	–	(65)	(1,634)
Net amount recognized	(211)	(1,415)	45	(59)	(1,640)	(206)	(1,363)	41	(67)	(1,595)
Service and administrative costs	6	76	3	3	88	13	82	3	7	105
Net interest cost/(income)	6	50	(3)	1	54	2	14	2	1	19
Plan amendments, curtailment and settlement	–	(2)	–	–	(2)	–	47	–	–	47
Actuarial losses/ (gain) recognized in income statement	10	–	–	–	10	1	(3)	–	–	(2)
Net periodic cost	22	124	–	4	150	16	140	5	8	169

Amendments, curtailment and settlement of pension plans

As of December 31, 2023

As of December 31, 2023, the change in the retirement age in France had no significant impact in the consolidated financial statements of the Group.

In addition, two transactions were carried out in 2023 for Air France Group plans:

- a buy-out for the Canadian plan (which remains a defined-benefit plan accounted for as of December 31, 2023);
- a partial buy-in for the pension fund in Great Britain (which remains a defined-benefit plan accounted for as of December 31, 2023).

These two transactions also had no significant impact on the Group's consolidated financial statements.

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).

29.4 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, 2023		Funds invested as of December 31, 2022	
	France	Other	France	Other
Equities	22	16	20	42
Bonds	51	29	52	21
Real estate	–	4	–	–
Others	27	51	28	37
TOTAL	100	100	100	100

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.

29.5 Expected cash outflows and risks linked to the pension obligations

The employer contributions relating to the defined benefit pension plans amount to €44 million for the year ended December 31, 2024. The weighted average duration of the obligation is 9.37 years.

The funding, capitalization and matching strategies implemented by the Group are presented in Note 29.1.

NOTE 30 RETURN OBLIGATION LIABILITY AND PROVISION FOR LEASED AIRCRAFT AND OTHER PROVISIONS



ACCOUNTING PRINCIPLES

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.

Restitutions liabilities and provisions for leased aircrafts are revalued each year to take account of changes in the discount rate. This discount rate is determined using free interest rate assumptions, plus a spread on risky debt.

The effect of undiscounting and translation of foreign currency denominated restitution liabilities and provisions are recognized in "other financial income and expenses" (see Note 12 "Cost of financial debt and other financial income and expenses").

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 in accordance with IFRIC1. 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)

In accordance with IFRIC1, 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).

Provisions for CO₂ quota surrenders

Please refer to the accounting principles in Note 25 "Other assets".

Others 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.

<i>(in € millions)</i>	Return obligation liability on leased aircraft	Maintenance on leased aircraft	Restructuring	Litigation	Provisions for CO ₂ quota surrenders	Others	Total
Amount as of January 1, 2022	3,809	152	416	424	36	103	4,940
<i>Of which: Non-current</i>	3,433	128	–	405	–	89	4,055
<i>Current</i>	376	24	416	19	36	14	885
New provision	–	15	40	29	145	24	253
Use of provision	(213)	(15)	(253)	(18)	(39)	(3)	(541)
Reversal of unnecessary provisions	–	–	(12)	(9)	–	–	(21)
New lease contract/Change in lease contract	109	5	–	–	–	3	117
Currency translation adjustment	180	2	–	–	–	1	183
Accretion impact	135	2	–	–	–	2	139
Others	(184)	–	1	–	–	2	(181)
Amount as of December 31, 2022	3,836	161	192	426	142	132	4,889
<i>Of which: Non-current</i>	3,496	147	–	397	–	109	4,149
<i>Current</i>	340	14	192	29	142	23	740
New provision	(1)	10	14	113	205	8	349
Use of provision	(93)	(15)	(114)	(12)	(134)	(23)	(391)
Reversal of unnecessary provisions	–	–	(11)	(11)	–	(6)	(28)
New lease contract/Change in lease contract	113	5	–	–	–	(4)	114
Currency translation adjustment	(117)	(1)	–	–	–	–	(118)
Accretion impact	197	5	–	–	–	3	205
Others	(133)	(4)	1	–	–	–	(136)
Amount as of December 31, 2023	3,802	161	82	516	213	110	4,884
<i>Of which: Non-current</i>	3,532	148	–	36	–	89	3,805
<i>Current</i>	270	13	82	480	213	21	1,079

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.

30.1 Provisions

30.1.1 Return obligation liability and provision on leased aircraft

The discount rate used to calculate these restitution liabilities and provisions is 7.3% as of December 31, 2023 against 5.5% as of December 31, 2022 (see Note 12 "Net cost of financial debt and other financial income and expenses").

30.1.2 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").

30.1.3 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.

The provisions for disputes also include provisions for tax contingencies that are not covered by IAS 12. Such provisions are created when the Group estimates, in the context of tax audits, that the tax authorities may challenge a tax position taken 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.

30.1.4 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 proceeding initiated by the European Commission which is 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.

The 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 and are still waiting for hearing dates. As of December 31, 2023, the Group has maintained a provision of €361 million covering the total amount of these fines (and including interests).

30.1.5 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 January 1, 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 General Attorney has given the advice to the Supreme Court that the complaints should be rejected. On January 20, 2023, the Supreme Court ruled that this claim is denied, except for one part of the verdict. The Supreme Court ruled that the motivations was not conclusive on the item that seniority does not transfer in case of redundancy.

The pilots also started a new court case about the implementation by KLM of the "transfer of undertaking". The hearing took place on November 15, 2023. The Court rendered a decision on January 11, 2024, in which all claims have been declined except that seniority built up within Martinair should be respected in case of dismissal (which is in line with current law).

In 2022, KLM had booked a provision for a total amount of €22 million, unchanged in 2023.

30.1.6 Other provisions

Other provisions relate principally to provisions for onerous contracts and provisions for the dismantling of buildings on non-freehold land.

30.2 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, at this stage in these procedures, the Group is not in a position to give a reliable financial 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 legal position procedures.

30.2.1 Litigations concerning anti-trust laws in the air-freight industry

Following the initiation of various investigations by the competition authorities in February 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.

30.2.2 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 favor 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. The criminal trial took place from October 10 to December 8, 2022 at Paris Criminal Court. After an acquittal by the Public Prosecutor's Office, the Court issued a judgment of acquittal on April 17, 2023, based on the absence of a causal link between the faults found and the accident. On April 27, 2023, the Public Prosecutor's Office appeals against the acquittal of Airbus and Air France.

The appeal should take place in 12 to 18 months starting from the appeal date.

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 of 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. 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 Air France-KLM 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.

NOTE 31 FINANCIAL LIABILITIES



ACCOUNTING PRINCIPLES

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 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.

As of December 31	Notes	2023			2022		
		Non current	Current	Total	Non current	Current	Total
<i>(in € millions)</i>							
Perpetual subordinated loan in Yen	31.1.1	128	–	128	142	–	142
Perpetual subordinated loan in Swiss francs	31.1.2	405	–	405	381	–	381
OCEANE (convertible bonds)	31.2.1	–	498	498	487	–	487
Sustainability-linked bonds	31.2.2	1,000	–	1,000	–	–	–
Plain vanilla Bonds	31.2.3	1,381	300	1,681	1,686	–	1,686
Debt on leases with bargain option		3,475	418	3,893	3,163	496	3,659
Loan guaranteed by the French state	31.3	–	–	–	2,606	–	2,606
Other financial liabilities	31.4	1,148	330	1,478	1,191	293	1,484
Accrued interest		1	118	119	1	107	108
TOTAL - FINANCIAL LIABILITIES		7,538	1,664	9,202	9,657	896	10,553

CHANGE IN FINANCIAL LIABILITY

<i>(in € millions)</i>	Notes	December 31, 2022	New financial debt	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2023
Perpetual loan in Japanese Yen and Swiss Francs	31.1.1 & 31.1.2	523	–	–	10	–	533
OCEANE (convertible bonds)	31.2.1	487	–	–	–	11	498
Sustainability-linked bonds	31.2.2	–	1,000	–	–	–	1,000
Plain vanilla Bonds	31.2.3	1,686	–	–	(5)	–	1,681
Debt on leases with bargain option		3,659	811	(530)	(68)	21	3,893
Loan guaranteed by the French state	31.3	2,606	–	(2,500)	–	(106)	–
State loans	31.3	–	–	–	–	–	–
Other financial liabilities	31.4	1,484	283	(294)	(4)	9	1,478
Accrued interest		108	–	–	–	11	119
TOTAL		10,553	2,094	(3,324)	(67)	(54)	9,202

<i>(in € millions)</i>	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	31.1.1 & 31.1.2	516	–	–	7	–	523
OCEANE (convertible bonds)	31.2.1	476	–	–	–	11	487
Plain vanilla Bonds	31.2.3	2,039	–	(361)	8	–	1,686
Debt on leases with bargain option		3,305	770	(440)	(10)	34	3,659
Loan guaranteed by the French and Dutch states	31.3	4,310	–	(1,665)	–	(39)	2,606
State loans	31.3	278	–	(278)	–	–	–
Other financial liabilities	31.4	1,454	340	(334)	5	19	1,484
Accrued interest		111	–	–	(1)	(2)	108
TOTAL		12,489	1,110	(3,078)	9	23	10,553

31.1 Perpetual subordinated debt**31.1.1 KLM Perpetual subordinated debt in Japanese Yen**

In 1999, the KLM Group issued perpetual subordinated bonds 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. €128 million as of December 31, 2023. 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 bonds 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.

31.1.2 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. €405 million as of December 31, 2023.

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.

31.2 Bonds

31.2.1 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 4.1 "Significant events occurring during the period"). This operation had no impact on the value recorded under financial liabilities.

As of December 31, 2023, the debt value amount to €498 million.

31.2.2 Sustainability-linked bonds

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

The emission is composed of two tranches :

- a €500 million with a maturity as of May 31, 2026 and a coupon of 7,250%; and
- a €500 million with a maturity as of May 31, 2028 and a coupon of 8,125%.

It has been accounted for in non current financial liabilities in the balance sheet as of December 31, 2023.

The following conditions apply in the event of non achievement by the Group of the target of decreasing by 10% its jet fuel greenhouse gas emission by 2025 :

- Tranch 1, a 0,75% step up on the coupon to be paid at the maturity date
- Tranch 2, a 0,375% step up on the coupon to be paid each year from May 31, 2026 to the maturity date

31.2.3 Plain vanilla bonds

Bond	Issuing date	Amount issued (in millions)	Maturity date	Reimbursement date	Coupon
€ 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	Jul. 1, 2021	€300	Jul. 1, 2024	-	3.00 %
€ Bond issued in 2021	Jul. 1, 2021	€500	Jul. 1, 2026	-	3.875 %

(1) Bonds issued to Asian institutional investors via an unlisted private placement.

31.3 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 for two announced financings for a total of 7 billion euros including :

- a loan of €4 billion, provided by nine French and foreign financial institutions, 90% guaranteed by the French State, ("PGE") with an initial 12-month maturity and a one-year or two-year extension option exercisable at its sole discretion, by Air France-KLM.

As of November 7, 2022, the Air France-KLM group early repaid €1 billion of the State guaranteed loan.

On March 15, 2023, Air France-KLM fully repaid the remaining €2.5 billion outstanding. This repayment generated a net positive impact of €10 million in financial income. It comprises an expense of €(96) million in respect of the guarantee contractually due, recognized in the "Interest on financial liabilities" line, and income of €106 million, linked to the application of the amortized cost methodology at the effective interest rate, recognized in the "Other non-cash items" line (see Note 12 "Cost of financial debt and other financial income and expenses").

- A €3 billion shareholder loan granted by the French State to Air France KLM, with a four year maturity and two consecutive one year extension options exercisable by Air France KLM.

The company has undertaken not to pay any dividends until these loans have been fully repaid.

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 bonds 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 was 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.

Movements in deeply subordinated notes are described in Note 28.3 "Perpetual".

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 included 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.
- a direct loan of €1 billion, granted by the Dutch State to KLM, with a maturity of 5.5 years. This loan is subordinated to the new revolving credit facility.

Both the revolving credit facility and the direct loan were drawn down simultaneously on a pro rata basis.

The main conditions associated with the direct State loan were 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 had undertaken to suspend dividend payments to its shareholders until these two loans had been repaid in full.

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.

31.4 Other debt

Other debt breaks down as follows:

As of December 31

(in € millions)

	2023	2022
Reservation of ownership clause and mortgage debt	1,265	1,228
Other debt	213	256
TOTAL	1,478	1,484

Sales with retention of title clause (ROT) and mortgage debt are debts secured by aircrafts. 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 €(13) million related to issuance expenses on financial debt.

Besides, to support their investments in new-generation aircraft, Air France and KLM have also entered into financing contracts with specific clauses linked to compliance with environmental criteria, notably the incorporation of SAF and the share of new generation aircraft in the fleet. These financings amount for €640 million as of December 31, 2023.

31.5 Maturity analysis

The financial liabilities maturities break down as follows:

As of December 31

(in € millions)

	2023	2022
Maturities in		
Y+1	2,089	1,247
Y+2	1,866	2,941
Y+3	2,013	3,009
Y+4	755	1,323
Y+5	1,082	563
Over 5 years	3,263	2,833
TOTAL	11,068	11,916
Including:		
■ Principal	9,202	10,553
■ Interests	1,866	1,363

As of December 31, 2023, the expected financial costs amount to €426 million for the 2024 financial year, €924 million for the 2025 to 2028 financial years, and €516 million thereafter.

As of December 31, 2023, the KLM perpetual subordinated notes are included in the line "Over 5 years".

The bonds issued in 2016, 2020 and 2021 will be reimbursed on their contractual maturity dates (see Note 31.2 "Bonds").

31.6 Currency analysis

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

As of December 31

(in € millions)	2023	2022
Euro	7,513	8,828
US Dollar	574	653
Swiss franc	416	391
Yen	699	681
TOTAL	9,202	10,553

31.7 Credit lines

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

For each facility, a set of ESG linked Key Performance Indicators are embedded in the financing cost. These indicators are in line with Air France-KLM and the two airlines' commitment to sustainable development and a gradual decarbonization of activities. The two RCF's 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 borrowers, signed a €1.2 billion Sustainability-Linked RCF.

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

KLM

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

This new facility has an initial 2027 maturity, includes two one-year extension options.

This facility replaces both the remaining direct loan granted to KLM by the Dutch State and the existing credit facility guaranteed by the Dutch State, both were cancelled by KLM. This transaction has enabled KLM to exit the Dutch State aid scheme definitively.

With another credit line available for KLM, the undrawn portion as of December 31, 2023 amounts to €2.3 billion for the Group.

31.8 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, 2023 and December 31, 2022;
- by discounting future flows at market interest rates for instruments with similar characteristics.

However the estimated amounts as of December 31, 2023 and December 31, 2022 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	2023		2022	
	Net book value	Estimated market value	Net book value	Estimated market value
(in € millions)				
Perpetual subordinated loans	533	444	523	414
OCEANE (convertible bonds)	498	492	487	442
Sustainability-linked bonds	1,000	1,104	-	-
Plain vanilla Bonds	1,681	1,654	1,686	1,549
Debt on financial leases with bargain option	3,893	4,694	3,659	4,290
Other loans	1,475	1,470	4,090	4,082
Other financial liabilities	122	122	108	108
TOTAL - FINANCIAL LIABILITIES	9,202	9,980	10,553	10,885

NOTE 32 NET DEBT**As of December 31**

<i>(in € millions)</i>	Notes	2023	2022
Current and non-current financial liabilities	31	9,202	10,553
Current and non-current lease debt	19	4,429	4,152
Accrued interest	31 & 19	(138)	(127)
Deposits related to financial liabilities	22	(107)	(101)
Deposits related to lease debt	22	(100)	(99)
Derivatives impact on debt		(1)	(35)
Gross financial liabilities (I)		13,285	14,343
Cash and cash equivalents	26	6,194	6,626
Marketable securities > 3 months	22	1,097	572
Bonds	22	966	811
Bank overdrafts	26	(13)	(3)
Net cash (II)		8,244	8,006
NET DEBT (I-II)		5,041	6,337

As of December 31

<i>(in € millions)</i>	Notes	2023	2022
Opening net debt		6,337	8,216
Operating free cash flow	37.1	(441)	(2,764)
Subordinated undated bonds convertible into new shares and/or exchangeable for existing shares	28.3.3	–	(301)
Compensation paid to the French State	28.3.1	90	–
Paid coupon on perpetual and on subordinated bonds convertible into new share and/or exchangeable for existing shares	28.3	92	252
Issuance of new French state perpetual hybrid bonds	28.3.2	(727)	–
Perpetual repayment to the French State	28.3	595	1,767
Perpetual from non-controlling interests (Apollo)	28.6	(1,991)	(497)
Capital increase from non-controlling interests (Apollo)	28.6	(9)	(3)
Capital increase reserved for employees	28.1	(35)	–
Capital increase	28.1	–	(1,551)
New lease debts (new and renewed contracts)	19	1,265	1,148
Unrealized exchange gains and losses on lease financial debts through OCI		(124)	80
Impact of derivatives on net debt		23	(15)
Impact of Effective Interest Rate methodology on French State loans		(106)	(18)
Currency translation adjustment in the income statement		(34)	(7)
Amortization of OCEANE optional part		11	11
Other non-monetary variations of the net debt		94	19
CLOSING NET DEBT		5,041	6,337

NOTE 33 LOYALTY PROGRAM



ACCOUNTING PRINCIPLES

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.

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:

<i>In € millions</i>	2023	2022
Flying Blue	802	792
BlueBiz	97	108
TOTAL	899	900

As of December 31, 2023 the deferred revenues relating to Flying Blue miles loyalty program expected to be used amount to €802 million, after taking into account a redemption rate.

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

<i>In € millions</i>	2023	2022
As of January 1	792	794
Accumulation	419	337
Redemption	(409)	(339)
As of December 31	802	792

NOTE 34 OTHER LIABILITIES

As of December 31 <i>(in € millions)</i>	2023		2022	
	Current	Non-current	Current	Non-current
Tax liabilities	412	637	451	854
Airlines taxes	908	–	780	–
Employee-related liabilities	1,991	597	1,175	1,335
Liabilities on fixed assets	56	7	55	–
Deferred income	919	32	877	34
Prepayments received	464	–	412	–
Other	252	103	307	120
TOTAL	5,002	1,376	4,057	2,343

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

NOTE 35 FINANCIAL RISK MANAGEMENT



ACCOUNTING PRINCIPLES

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risks incurred on shares, exchange rates, changes of interest rates or fuel prices and 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.**

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.

Non-current derivative financial assets

The Group considers that the change in credit risk on the non-current derivative 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.

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 most appropriate strategy 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, 2023, the fair value of the Group's derivative financial assets and liabilities and their expected maturities are as follows:

<i>(in € millions)</i>	Notes	Total	Y+1	Y+2	Y+3	Y+4	Y+5	> Y+5
Fuel - derivative instruments	35.1 Asset	26	26	-	-	-	-	-
	Liability	(91)	(89)	(2)	-	-	-	-
Interest rate - derivative instruments	35.2 Asset	96	11	15	9	2	-	59
	Liability	(14)	-	-	-	(3)	-	(11)
Currency exchange - debt derivative instruments	35.3 Asset	10	7	3	-	-	-	-
	Liability	(14)	(2)	(2)	(9)	(1)	-	-
Currency exchange - operating derivative instruments	35.3 Asset	20	19	1	-	-	-	-
	Liability	(44)	(28)	(16)	-	-	-	-
Currency exchange - Capex	35.3 Asset	58	57	1	-	-	-	-
	Liability	(26)	(14)	(11)	(1)	-	-	-
Carbon credit - derivative instruments	35.4 Asset	3	3	-	-	-	-	-
	Liability	(6)	(6)	-	-	-	-	-
Other - derivative instruments	Asset	57	-	-	16	16	16	9
	Liability	-	-	-	-	-	-	-
TOTAL	ASSET	270	123	20	25	18	16	68
	LIABILITY	(195)	(139)	(31)	(10)	(4)	-	(11)

See note 36 "Valuation methods for financial assets and liabilities at their fair value" for the fair value valuation method.

As of December 31, 2022, the fair value of the Group's derivative financial assets and liabilities and their expected maturities were as follows:

<i>(in € millions)</i>	Notes	Total	Y+1	Y+2	Y+3	Y+4	Y+5	> Y+5
Fuel derivative instruments	35.1 Asset	42	42	-	-	-	-	-
	Liability	(59)	(59)	-	-	-	-	-
Interest rate derivative instruments	35.2 Asset	207	41	22	25	16	5	98
	Liability	(1)	-	-	-	-	-	(1)
Currency exchange derivative instruments	35.3 Asset	27	12	8	4	3	-	-
	Liability	(2)	(2)	-	-	-	-	-
Currency exchange - operating derivative instruments	35.3 Asset	104	84	20	-	-	-	-
	Liability	(25)	(9)	(15)	(1)	-	-	-
Currency exchange-Capex	35.3 Asset	150	89	60	1	-	-	-
	Liability	(15)	(11)	(2)	(2)	-	-	-
Carbon credit derivative instruments	35.4 Asset	15	15	-	-	-	-	-
	Liability	(2)	(2)	-	-	-	-	-
Other derivative instruments	Asset	44	44	-	-	-	-	-
	Liability	-	-	-	-	-	-	-
TOTAL	ASSET	589	327	110	30	19	5	98
	LIABILITY	(104)	(83)	(17)	(3)	-	-	(1)

See Note 36 "Valuation methods for financial assets and liabilities at their fair value" for the fair value valuation method.

35.1 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 since 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).

The fuel hedging policy, prevailing since February 2021, has been updated and became effective during the first quarter of 2024. From a rolling 12-month period, it has been extended to cover 18 months. The hedging portfolio will represent 68% of annual consumption.

The Group's commitments on Brent, Gas Oil and Jet CIF are presented below, at their nominal value:

As of December 31, 2023	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
(in € millions)			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
CASH FLOW HEDGING OPERATING FLOWS								
Forward purchases	261	251	10	–	–	–	–	(4)
Options	2,320	2,274	46	–	–	–	–	(59)
Sub-total	2,581	2,525	56	–	–	–	–	(63)
Receivables/payables on fuel hedges	–	–	–	–	–	–	–	(2)
TOTAL	2,581	2,525	56	–	–	–	–	(65)
Price after hedge USD/Metric Tons	–	964	–	–	–	–	–	–

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, 2023.

As of December 31, 2022	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
(in € millions)			1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
CASH FLOW HEDGING OPERATING FLOWS								
Swap	141	141	–	–	–	–	–	(13)
Options	2,478	2,478	–	–	–	–	–	(14)
Sub-total	2,619	2,619	–	–	–	–	–	(27)
Receivables/payables on fuel hedges	–	–	–	–	–	–	–	10
TOTAL	2,619	2,619	–	–	–	–	–	(17)
Price after hedge USD/Metric Tons	–	975	–	–	–	–	–	–

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)	2023		2022	
	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	220	(228)	144	(141)

35.2 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, 2023 (In € millions)	Nominal	Balance sheet item of underlying items	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	
Operations qualified as cash flow hedging	2,863		581	483	280	162	11	1,346	81
Rate swaps	2,437	Financial liabilities	581	483	180	112	11	1,070	83
Options	426	Financial liabilities	-	-	100	50	-	276	(2)
Operations qualified as fair value hedging	45		12	21	12	-	-	-	1
Rate swaps	45	N/A	12	21	12	-	-	-	1
TOTAL	2,908		593	504	292	162	11	1,346	82

As of December 31, 2022 (In € millions)	Nominal	Balance sheet item of underlying items	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	
Operations qualified as cash flow hedging	2,832		666	353	340	257	159	1,057	202
Rate swaps	2,691	Financial liabilities	666	353	340	163	112	1,057	200
Options	141	Financial liabilities	-	-	-	94	47	-	2
Operations qualified as fair value through profit and loss	56		11	12	21	12	-	-	4
Rate swaps	56	N/A	11	12	21	12	-	-	4
TOTAL	2,888		677	365	361	269	159	1,057	206

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 <i>(in € million)</i>	2023		2022	
	Before hedge	After hedge	Before hedge	After hedge
Financial liabilities at fixed rate	9,862	11,518	8,656	10,605
Financial liabilities at variable rate	3,665	2,009	5,955	4,006
Financial liabilities without rate	(242)	(242)	(268)	(268)
Total Financial liabilities	13,285	13,285	14,343	14,343
Net liquidity at fixed rate	2,560	2,560	2,645	2,645
Net liquidity at variable rate	4,430	4,430	3,977	3,977
Net liquidity without rate	1,254	1,254	1,384	1,384
Total Net liquidity	8,244	8,244	8,006	8,006
Net debt at fixed rate	7,302	8,958	6,011	7,960
Net debt at floating rate	(765)	(2,421)	1,978	29
Net debt without rate	(1,496)	(1,496)	(1,652)	(1,652)
TOTAL NET DEBT	5,041	5,041	6,337	6,337

Net debt items are detailed in Note 32 "Net debt".

As of December 31, 2023, without-rate financial assets mainly include cash as in December 31, 2022.

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 €20 million on the financial income for the year ended December 31, 2023 versus €40 million for the year ended December 31, 2022.

35.3 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 on 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 the gradual implementation of hedging between the aircrafts order date and their delivery.

The exchange rate risk on the Group's financial debt is limited. As of December 31, 2023, 82% 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 8%, the US dollar for 6% and the Swiss franc for 4% (see note 31.6)

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, 2023 <i>(in € millions)</i>	Hedged item		Maturity below 1 year	Maturities between 1 and 5 years					Fair value
	Nominal	Balance sheet Item		1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Cash flow hedging of operating flows	3,085		2,006	1,079	-	-	-	-	(24)
Exchange rate options	1,196	N/A	826	370	-	-	-	-	1
Forward purchases	1,460	N/A	914	546	-	-	-	-	(22)
Forward sales	429	N/A	266	163	-	-	-	-	(3)
Fair value hedging of flight equipment acquisition	3,284		2,338	894	39	13	-	-	33
Forward purchases	2,629	Other commitments	1,683	894	39	13	-	-	27
Forward sales	655	Other commitments	655	-	-	-	-	-	6
Cash flow hedges on debt	165		34	-	-	131	-	-	(6)
Forward purchases	34	N/A	34	-	-	-	-	-	(1)
Others	131	Financial liabilities	-	-	-	131	-	-	(5)
Fair value hedges on debt	451		110	124	121	96	-	-	2
Forward purchases	451	Lease debt	110	124	121	96	-	-	2
Operations on debt qualified in fair value through P&L	118		82	36	-	-	-	-	-
Forward purchases	118	N/A	82	36	-	-	-	-	-
TOTAL	7,103		4,570	2,133	160	240	-	-	5

As of December 31, 2022 <i>(in € millions)</i>	Hedged item		Maturity below 1 year	Maturities between 1 and 5 years					Fair value
	Nominal	Balance sheet Item		1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Cash flow hedging of operating flows	3,379		2,177	1,092	110	-	-	-	79
Exchange rate options	1,467	N/A	994	473	-	-	-	-	21
Forward purchases	1,668	N/A	964	594	110	-	-	-	51
Forward sales	244	N/A	219	25	-	-	-	-	7
Fair value hedging of flight equipment acquisition	2,614		1,446	1,099	69	-	-	-	135
Exchange rate options	38	Other commitments	38	-	-	-	-	-	8
Forward purchases	2,241	Other commitments	1,264	908	69	-	-	-	125
Forward sales	335	Other commitments	144	191	-	-	-	-	2
Cash flow hedges on debts	173		37	-	-	136	-	-	2
Forward purchases	37	N/A	37	-	-	-	-	-	(1)
Others	136	Financial liabilities	-	-	-	136	-	-	3
Fair value hedges on debt	441		111	117	113	100	-	-	20
Forward purchases	441	Lease debt	111	117	113	100	-	-	20
Operations on debt qualified in fair value through P&L	141		122	19	-	-	-	-	3
Forward purchases	141	N/A	122	19	-	-	-	-	3
TOTAL	6,748		3,893	2,327	292	236	-	-	239

Currency hedge sensitivity

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

As of December 31 <i>(in € millions)</i>	Monetary assets		Monetary liabilities	
	2023	2022	2023	2022
US dollar	1,161	967	4,995	4,952
Pound sterling	86	24	20	3
Yen	19	14	723	735
Swiss francs	11	17	425	403
Others	21	15	10	12

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 <i>(in € millions)</i>	US dollar		Pound sterling		Yen	
	2023	2022	2023	2022	2023	2022
Income before tax	(148)	(207)	(28)	(6)	(68)	(71)
Gains/(losses) taken to equity	559	649	(42)	(26)	(8)	-

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 <i>(In € millions)</i>	US dollar		Pound sterling		Yen	
	2023	2022	2023	2022	2023	2022
Income before tax	85	209	(6)	(3)	74	72
Gains/(losses) taken to equity	(441)	(513)	50	27	14	3

35.4 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 25). 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, 2023, the Group has hedged its future purchases of CO₂ quotas as follows:

As of December 31, 2023 <i>(In € millions)</i>	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	12	12	-	-	-	-	-	(3)
Forwards	12	12	-	-	-	-	-	(3)
TOTAL	12	12	-	-	-	-	-	(3)

As of December 31, 2022 <i>(In € millions)</i>	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
TOTAL	106	106	-	-	-	-	-	13

35.5 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 financial position.

In order to assess financial position of its counterparties, the Group relies on their financial data, as well as on any public information providing analysis on those. Regarding mutual funds (OPCVM) the risk is considered as negligible thanks to large diversification and regulatory provisions applicable to these supports. 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.

GOL, an important partner of Air France-KLM group, registered at Chapter 11. Consequently, the Group monitors the situation. However, given that GOL is still in operation, risk assessments show that this is likely to have a minor impact.

NOTE 36 VALUATION METHODS FOR FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUE

ACCOUNTING PRINCIPLES

Fair value hierarchy of the financial assets and liabilities

The table presenting a breakdown of financial assets and liabilities categorized by 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 partly on non observable data such as market prices from an inactive market or valuation based on multiples for non listed stocks.

The Group’s financial assets and liabilities are broken down into the three classification levels as follows :

As of December 31 <i>(In € millions)</i>	Notes	Level 1 - quoted prices and cash		Level 2 - internal modeling using observable factors		Level 3 - internal modeling using non-observable factors		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
Equity instruments	22	33	38	19	7	–	–	52	45
Debt instruments	22	1,002	981	1,061	402	–	–	2,063	1,383
Derivative instruments assets	35	–	–	270	589	–	–	270	589
Cash equivalents	26	–	–	4,337	5,238	–	–	4,337	5,238
Cash in hand	26	1,857	1,388	–	–	–	–	1,857	1,388
TOTAL ASSETS		2,892	5,225	5,687	3,418	–	–	8,579	8,643
Derivative instruments liabilities	35	–	–	(195)	(104)	–	–	(195)	(104)
Bank overdrafts	26	(13)	(3)	–	–	–	–	(13)	(3)
TOTAL LIABILITIES		(13)	(3)	(195)	(104)	–	–	(208)	(107)

NOTE 37 CONSOLIDATED STATEMENT OF CASH FLOW AND OPERATING FREE CASH FLOW

37.1 Operating free cash flow

Period from January 1 to December 31

(in € millions)	Notes	2023	2022 restated ⁽¹⁾
Net cash flow from operating activities		3,125	4,682
Purchase of property plant and equipment and intangible assets	18	(3,551)	(2,798)
Proceeds on disposal of property plant and equipment and intangible assets		867	880
Operating free cash flow	32	441	2,764
Payments on lease debts		(833)	(861)
Operating free cash flow adjusted		(392)	1,903

(1) See Note 3 of the financial statements.

37.2 Other non-monetary items and impairment

Other non-monetary items and impairment can be analyzed as follows:

As of December 31

(in € millions)	Notes	2023	2022 restated ⁽¹⁾
Variation of provisions relating to restructuring plan		(109)	(227)
Variation of provisions relating to pension		55	25
Variation of other provisions		77	(24)
Changes to the pension plans	29.3	(2)	53
Share-based payment		33	–
Impact of effective interest rate on states loans	31.3	(106)	(18)
Amortization of equity component of convertible bonds (OCEANE)		11	11
Other		(30)	(24)
TOTAL OTHER NON MONETARY ITEMS		(71)	(204)
Impairment		–	8
Impairment on fleet		1	24
TOTAL - IMPAIRMENT		1	32

(1) See Note 3 of the financial statements.

NOTE 38 FLIGHT EQUIPMENT ORDERS

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

As of December 31

(in € millions)	2023	2022
Y+1	1,496	1,782
Y+2	2,853	2,004
Y+3	2,706	1,985
Y+4	3,743	1,474
Y+5	2,612	1,688
> Year Y+5	1,825	750
TOTAL	15,235	9,683

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, 2023 increased by 32 units compared with December 31, 2022 and stood at 210 aircrafts.

This change is explained by the delivery of 26 aircrafts, the new order of 50 A350 aircrafts (see Note 4.1).

Delivery calendar as of December 31, 2023

Aircraft type	To be delivered in						Beyond Y+5	Total
	Y+1	Y+2	Y+3	Y+4	Y+5			
LONG-HAUL FLEET - PASSENGER								
A350	5	8	7	13	20	8	61	
B787	2	3	-	-	-	-	5	
LONG-HAUL FLEET - CARGO								
A350F	-	-	2	2	2	2	8	
MEDIUM-HAUL FLEET								
A220	9	13	8	6	-	-	36	
A320 Neo	-	3	12	25	18	1	59	
A321 Neo	3	13	13	9	3	-	41	
TOTAL	19	40	42	55	43	11	210	

NOTE 39 OTHER COMMITMENTS

39.1 Commitments made

As of December 31

(in € millions)

	2023	2022
Commitments to purchase / subscription of shares	11	-
Commitments to leased aircraft, not yet in operation	1,421	846
Put option on Servair shares	97	97
Warranties, sureties and guarantees	389	309
Secured financial liabilities	5,215	4,938
Other purchase commitments	248	178

As part of its decarbonization strategy, the Air France-KLM group has entered into sustainable aviation fuel (SAF) supply contracts providing for deliveries from 2024, with the following partners:

- Neste : the contract covers 1 million tons of SAF over the period 2024 to 2030;

- DG Fuels : the contract covers 0.6 million tons of SAF over the period 2027 to 2036.
- SkyNRG : the contract covers 0,75 million tons of SAF over the period 2027 to 2037.

The restrictions and pledges as of December 31, 2023 are as follows:

(in € millions)	Amount pledged	NBV of balance sheet entry concerned	Corresponding %
Intangible assets	-	1,128	- %
Tangible assets	5,344	12,932	41.3 %
Other financial assets	629	2,554	24.6 %
TOTAL	5,973	16,614	36.0 %

39.2 Commitments received

As of December 31

(in € millions)	2023	2022
Warranties, sureties and guarantees	97	152
Call option of Servair shares	97	97

In 2022 and 2023, warranties, sureties and guarantees mainly correspond to the credit line granted by Export Development Canada for the financing of A220 aircrafts.

39.3 Order book

Long term contracts of the maintenance business

On December 31, 2023, the future revenues from long-term contracts in the maintenance business amount to €7,874 million. The Group expects around 56% 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)	2023
Maintenance order book according to accounting definition	7,068
Contracts with no client' obligations	1,132
Cash received not recognized in revenues ⁽¹⁾	(326)
PUBLISHED ORDER BOOK IN THE URD ⁽²⁾	7,874

(1) Included in the deferred income (Note 34 "Other liabilities").

(2) Representing \$ 8 701 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 33 "Loyalty program".

NOTE 40 RELATED PARTIES

40.1 Transactions with the principal executives

The total compensation recorded as costs for the members of the Group Executive Committee in respect of their functions within the Group breaks down as follows:

Period from January 1 to December 31

(in € millions)	2023	2022
Short-term employee benefits	10.3	10.3
Post-employment benefits	0.4	0.4
Termination benefits	-	0.9
Share-based payment	1.8	1.8
TOTAL	12.5	13.4

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, 2023, versus €0,8 million as of December 31, 2022.

40.2 Transactions with the other related parties

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

As of December 31

(in € millions)

	2023	2022
ASSETS		
Trade receivables	309	315
Other current assets	17	5
Other non-current assets	3	3
TOTAL	329	323
LIABILITIES AND EQUITY		
Perpetual	1,033	933
Trade payables	185	129
Other current liabilities	276	244
Other non-current liabilities	6	282
TOTAL	1,500	1,588

As of December 31

(in € millions)

	2023	2022
Sales	322	186
Landing fees and air route charges	(408)	(342)
Other external expenses	(22)	(20)
Passenger service	(343)	(317)
Other	(235)	(187)
TOTAL	(686)	(680)

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 €335 million and €333 million for the periods ended December 31, 2023 and December 31, 2022.

- 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 €176 million for the period ended December 31, 2023 versus €108 million as of December 31, 2022.

- French Defense Ministry

Air France-KLM has entered into contracts with the French Defense Ministry concerning the maintenance of aircraft of the French Air Force. The net revenue derived from this activity amounts to €82 million for the year ended December 31, 2023 versus €72 million as of December 31, 2022.

- 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 €81 million as of December 31, 2023 versus €91 million for the year ended December 31, 2022.

- CMA-CGM

As part of the Air France-KLM capital increase carried out on June 16, 2022, CMA-CGM became a new shareholder of the Group. The commercial partnership between CMA-CGM and the Group relating to the Cargo business has started in 2023. As of December 31, 2023, transactions with this CMA-CGM amount to €(20) million.

- China Eastern Airlines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to €8 million for the periods ended December 31, 2023 compared to €4 million as of December 31, 2022.

- Delta Air Lines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to a respective €179 million and €188 million for the periods ended December 31, 2023 and December 31, 2022.

- French States

As of December 31, 2023 the line "Perpetual" corresponds to the perpetual granted by the French

State (see Note 28.3.2 "2023 perpetual super-subordinated bonds").

- Westjet

The revenue with Westjet is not significant for the period ended December 31, 2023.

NOTE 41 STATUTORY AUDITORS' FEES

KPMG As of December 31 <i>(in € millions)</i>	2023				2022			
	Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
Statutory audit, certification, review of stand-alone and consolidated accounts	2.1	81 %	1.7	89 %	2.1	84 %	3.0	97 %
■ Air France-KLM S.A.	0.6		–		0.5		–	
■ Consolidated subsidiaries	1.5		1.7		1.6		3.0	
Other ancillary services and audit services ⁽¹⁾	0.5	19 %	0.2	11 %	0.4	16 %	0.1	3 %
■ Air France-KLM S.A.	0.2		–		0.2		–	
■ Consolidated subsidiaries	0.3		0.2		0.2		0.1	
TOTAL - AIR FRANCE-KLM	2.6		1.9		2.5		3.1	

PricewaterhouseCoopers As of December 31 <i>(in € millions)</i>	2023				2022			
	Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
Statutory audit, certification, review of stand-alone and consolidated accounts	1.8	95 %	1.5	100 %	1.6	100 %	1.0	100 %
■ Air France-KLM S.A.	0.6		–		0.5		–	
■ Consolidated subsidiaries	1.2		1.5		1.1		1.0	
Other ancillary services and audit services ⁽¹⁾	0.1	5 %	–	– %	–	– %	–	– %
■ Air France-KLM S.A.	0.1		–		–		–	
■ Consolidated subsidiaries	–		–		–		–	
TOTAL - AIR FRANCE-KLM	1.9		1.5		1.6		1.0	

(1) Other ancillary services and audit services mainly relate to issuance of attestations and report on extra financial performance statement.

NOTE 42 CONSOLIDATION SCOPE

As of December 31, 2023, 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.

42.1 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
CYGNIFIC B.V.	Netherlands	Network	100	49
FLYINGBLUE MILES SAS	France	Network	98	98
HABADO SAS	France	Network	100	100
HADABA BV	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
AFI SPARE ENGINE MANAGEMENT	France	Maintenance	98	98
AIR FRANCE COMPONENT ASSET MANAGEMENT	France	Maintenance	98	98

Entity	Country	Segment	% interest	% control
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	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 V SAS	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 YONDER XIV B.V.	Netherlands	Other	100	49
CELL KI6 INSURANCE COMPANY	Guernsey	Other	100	0
EXECUTIVE HEALTH MANAGEMENT B.V.	Netherlands	Other	100	49
INTERNATIONALE FINANCIERING EN MANAGEMENT	Netherlands	Other	100	49
KLM AIR CHARTER B.V.	Netherlands	Other	100	49
KLM CATERING SERVICES SCHIPHOL B.V.	Netherlands	Other	100	49
KLM HEALTH SERVICES B.V.	Netherlands	Other	100	49
KLM INTERNATIONAL CHARTER B.V.	Netherlands	Other	100	49
KLM OLIEMAATSCHAPPIJ B.V.	Netherlands	Other	100	49
MARTINAIR VLIEGSCHOOL VLIEGVELD LELYSTAD BV	Netherlands	Other	100	49
ORION-STAETE B.V.	Netherlands	Other	100	49
PELICAN	Luxemburg	Other	100	100
PYRHELIO-STAETE B.V.	Netherlands	Other	100	49
RIGEL-STAETE B.V.	Netherlands	Other	100	49
STICHTING GARANTIEFONDS KLM LUCHTVAARTSCHOOL	Netherlands	Other	100	49
TRAVEL INDUSTRY SYSTEMS B.V.	Netherlands	Other	100	49
TREASURY SERVICES KLM B.V.	Netherlands	Other	100	49
WEBLOCK B.V.	Netherlands	Other	100	49

42.2 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 Emirates	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	Netherlands	Other	20	20
TERMINAL ONE GROUPE ASSOCIATION	United States	Other	25	25

42.3 Joint operations

Entity	Country	Segment	% interest	% control
AIRFOILS ADVANCES SOLUTIONS SAS	France	Maintenance	49	49