

UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

January 1, 2022 - September 30, 2022

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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period from January 1 to September 30	Notes	2022	2021
(in € millions)			Restated ⁽¹⁾
Revenues from ordinary activities		19,264	9,477
External expenses	5.	(11,815)	(6,113)
Salaries and related costs	6.	(5,239)	(3,813)
Taxes other than income taxes		(118)	(100)
Other current operating income and expenses	8.	737	467
EBITDA		2,829	(82)
Amortization, depreciation and provisions	7.	(1,769)	(1,722)
Income from current operations		1,060	(1,804)
Sales of aircraft equipment	9.	44	(20)
Other non-current income and expenses	9.	(44)	(906)
Income from operating activities		1,060	(2,730)
Cost of financial debt	10.	(416)	(483)
Income from cash and cash equivalents	10.	9	2
Net cost of financial debt	10.	(407)	(481)
Other financial income and expenses	10.	(621)	(199)
Income before tax		32	(3,410)
Income taxes	11.1	208	256
Net income of consolidated companies		240	(3,154)
Share of profits (losses) of associates		-	(13)
Net income for the period		240	(3,167)
Non-controlling interests		8	(3)
Net income - Group part		232	(3,164)
Earnings per share - Equity holders of Air France-KLM (in euros)			
- basic		0.08	(5.86)
- diluted		0.07	(5.86)

The accompanying notes are an integral part of this interim consolidated financial information.

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES (UNAUDITED)

Period from January 1 to September 30 (in € millions)	2022	2021 Restated ⁽¹⁾
Net income for the period	240	(3,167)
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	696	490
Change in fair value and cost of hedging transferred to profit or loss	(878)	(138)
Exchange difference resulting from the translation	14	1
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	43	(94)
Total of other comprehensive income that will be reclassified to profit or loss	(125)	259
Remeasurements of defined benefit pension plans	605	664
Fair value of equity instruments revalued through OCI	(3)	(2)
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	(30)	(171)
Total of other comprehensive income that will not be reclassified to profit or loss	572	491
Total of other comprehensive income, after tax	447	750
Recognized income and expenses	687	(2,417)
— Equity holders of Air France - KLM	679	(2,416)
— Non-controlling interests	8	(1)

The accompanying notes are an integral part of this interim consolidated financial information.

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

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Assets	September 30, 2022	December 31, 2021
<i>(in € millions)</i>		
Goodwill	225	222
Intangible assets	1,201	1,235
Flight equipment	10,298	10,466
Other property, plant and equipment	1,349	1,402
Right-of-use assets	5,536	5,148
Investments in equity associates	111	109
Other non-current financial assets	1,126	951
Non-current derivative financial assets	525	143
Deferred tax assets	527	278
Total non-current assets	20,898	19,954
Assets held for sale	78	74
Other current financial assets	832	484
Current derivative financial assets	676	469
Inventories	693	567
Trade receivables	2,133	1,511
Other current assets	989	966
Cash and cash equivalents	8,264	6,658
Total current assets	13,665	10,729
Total assets	34,563	30,683

The accompanying notes are an integral part of this interim consolidated financial information.

CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

Liabilities and equity	Notes	September 30, 2022	December 31, 2021
<i>(in € millions)</i>			
Issued capital		2,571	643
Additional paid-in capital		5,217	4,949
Treasury shares		(25)	(25)
Perpetual		912	3,151
Reserves and retained earnings		(11,988)	(12,542)
Equity attributable to equity holders of Air France-KLM		(3,313)	(3,824)
Non-controlling interests		516	8
Total equity		(2,797)	(3,816)
Pension provisions		1,381	1,939
Non-current return obligation liability and other provisions		4,715	4,055
Non-current financial liabilities	13.	10,695	11,274
Non-current lease debt		3,554	2,924
Non-current derivative financial liabilities		3	25
Deferred tax liabilities		1	1
Other non-current liabilities	14.	2,426	2,555
Total non-current liabilities		22,775	22,773
Current return obligation liability and other provisions		677	885
Current financial liabilities	13.	1,074	1,215
Current lease debt		878	825
Current derivative financial liabilities		128	46
Trade payables		2,714	1,850
Deferred revenue on ticket sales		4,132	2,644
Frequent flyer programs		886	888
Other current liabilities	14.	4,093	3,369
Bank overdrafts		3	4
Total current liabilities		14,585	11,726
Total liabilities		37,360	34,499
Total equity and liabilities		34,563	30,683

The accompanying notes are an integral part of this interim consolidated financial information.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(in € millions)	Notes	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual bonds	Reserves and retained earnings	Equity attributable to holders of Air France - KLM	Non-controlling interests	Total equity
As of December 31, 2020 - published ⁽¹⁾		428,634,035	429	4,139	(25)	-	(9,970)	(5,427)	9	(5,418)
Change in accounting policy ⁽¹⁾			-	-	-	-	76	76	-	76
As of December 31, 2020 - restated ⁽¹⁾		428,634,035	429	4,139	(25)	-	(9,894)	(5,351)	9	(5,342)
<i>Other comprehensive income</i>			-	-	-	-	748	748	2	750
Net result for the period			-	-	-	-	(3,164)	(3,164)	(3)	(3,167)
Total of income and expenses recognized			-	-	-	-	(2,416)	(2,416)	(1)	(2,417)
Capital increase		213,999,999	214	810	-	-	-	1,024	-	1,024
Perpetual			-	-	-	3,000	(4)	2,996	-	2,996
Coupons on perpetual			-	-	-	97	(97)	-	-	-
Other			-	-	-	-	1	1	-	1
As of September 30, 2021 - restated ⁽¹⁾		642,634,034	643	4,949	(25)	3,097	(12,410)	(3,746)	8	(3,738)
As of December 31, 2021		642,634,034	643	4,949	(25)	3,151	(12,542)	(3,824)	8	(3,816)
<i>Other comprehensive income</i>			-	-	-	-	447	447	-	447
Net result for the period			-	-	-	-	232	232	8	240
Total of income and expenses recognized			-	-	-	-	679	679	8	687
Capital increase		1,927,902,102	1,928	268	-	-	-	2,196	-	2,196
Capital increase paid by non controlling interests			-	-	-	-	-	-	3	3
Perpetual	2.		-	-	-	(2,118)	-	(2,118)	497	(1,621)
Coupons on perpetual	2.		-	-	-	(121)	(125)	(246)	-	(246)
As of September 30, 2022		2,570,536,136	2,571	5,217	(25)	912	(11,988)	(3,313)	516	(2,797)

The accompanying notes are an integral part of this interim consolidated financial information.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period from January 1 to September 30 (in € millions)	Notes	2022	2021 Restated ⁽¹⁾
Net income		240	(3,167)
Amortization, depreciation and operating provisions		1,770	1,722
Financial provisions		105	89
Loss (gain) on disposals of tangible and intangible assets		(45)	18
Loss (gain) on disposals of subsidiaries and associates		-	(25)
Derivatives - non monetary result		(28)	(33)
Unrealized foreign exchange gains and losses, net		523	172
Share of (profits) losses of associates		-	13
Deferred taxes		(234)	(262)
Impairment		19	37
Other non-monetary items		(88)	727
Financial capacity		2,262	(709)
(Increase) / decrease in inventories		(119)	(47)
(Increase) / decrease in trade receivables		(431)	(365)
Increase / (decrease) in trade payables		786	415
Increase / (decrease) in advanced ticket sales		1,489	142
Change in other assets and liabilities		523	1,216
Change in working capital requirement		2,248	1,361
Net cash flow from operating activities [A]		4,510	652
Acquisition of subsidiaries, of shares in non-controlled entities		(1)	(2)
Purchase of property plant and equipment and intangible assets [B]		(2,082)	(1,543)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities		-	71
Proceeds on disposal of property plant and equipment and intangible assets [C]		678	689
Dividends received		1	2
Decrease (increase) in net investments, more than 3 months		(240)	37
Net cash flow used in investing activities		(1,644)	(746)
Increase of equity		1,551	1,026
Capital increase paid by non controlling interests		3	-
Perpetual		(983)	-
Coupons on perpetual		(238)	-
Issuance of debt	12.	769	1,546
Repayment on debt	12.	(1,600)	(1,323)
Payments on lease debts [D]		(653)	(654)
New loans		(177)	(35)
Repayment on loans		16	93
Net cash flow from financing activities		(1,312)	653
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		53	9
Change in cash and cash equivalents and bank overdrafts		1,607	568
Cash and cash equivalents and bank overdrafts at beginning of period		6,654	6,422
Cash and cash equivalents and bank overdrafts at end of period		8,261	6,990

The accompanying notes are an integral part of this interim consolidated financial information.

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

OPERATING FREE CASH-FLOW (UNAUDITED)

Period from January 1 to September 30	Notes	2022	2021
(in € millions)			
Net cash flow from operating activities	[A]	4,510	652
Purchase of property plant and equipment and intangible assets	[B]	(2,082)	(1,543)
Proceeds on disposal of property plant and equipment and intangible assets	[C]	678	689
Operating free cash flow		3,106	(202)
Payments on lease debts	[D]	(653)	(654)
Operating free cash flow adjusted		2,453	(856)

The accompanying notes are an integral part of this interim consolidated financial information.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. RESTATEMENT OF ACCOUNTS 2021

Since January 1, 2021, the Air France-KLM Group has applied the IFRIC decision relating to IAS 19 "Employee benefits", described in note 5.1 Accounting policies of the notes to the consolidated financial statements of December 31, 2021.

This change has been applied retrospectively to the financial information presented in the prior periods in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The impacts on the comparative periods are presented below.

Only the items impacted by the changes in accounting policies are presented.

Impact on the consolidated income statement

Period from January 1 to September 30, 2021 (in € million)	Published accounts	IFRIC IAS 19	Restated accounts
Salaries and related costs	(3,809)	(4)	(3,813)
EBITDA	(78)	(4)	(82)
Income from current operations	(1,800)	(4)	(1,804)
Income from operating activities	(2,726)	(4)	(2,730)
Income before tax	(3,406)	(4)	(3,410)
Income taxes	255	1	256
Net income of consolidated companies	(3,151)	(3)	(3,154)
Net income	(3,164)	(3)	(3,167)
Earnings per share (basic)	(5.85)	(0.01)	(5.86)
Earnings per share (diluted)	(5.85)	(0.01)	(5.86)

Impact on the consolidated statement of recognized income and expenses

Period from January 1 to September 30, 2021 (in € million)	Published accounts	IFRIC IAS 19	Restated accounts
Net income for the period	(3,164)	(3)	(3,167)
Recognized income and expenses	(2,414)	(3)	(2,417)
— Equity holders of Air France - KLM	(2,413)	(3)	(2,416)
— Non-controlling interests	(1)	-	(1)

Impact on the consolidated statement of cash flows

Only the cash flow statement items impacted by the changes in accounting principles are presented hereafter:

Period from January 1 to September 30, 2021 (in € million)	Published accounts	IFRIC IAS 19	Restated accounts
Net income	(3164)	(3)	(3167)
Deferred tax	(261)	(1)	(262)
Other non monetary items	723	4	727
Financial capacity	(709)	-	(709)

2. SIGNIFICANT EVENTS

2.1 Going concern

Since the beginning of 2020, the worldwide spread of Covid-19 has had a major impact on air traffic around the world. The very stringent conditions on global travel adopted by many countries as of March 2020 resulted in a drastic reduction in air traffic. Recovery began in the second half of 2021 and continues to go on through the first nine months of 2022.

In addition, the Ukrainian crisis is having an impact on the Group's business, which has announced that it has suspended services and overflights to Ukraine and Russia in February 2022 until further notice. These routes represented less than 1 percent of the Group's Network business in terms of revenue. The impact of route extensions to China, Japan and South Korea is also currently limited. The Group's maintenance activities for Russian airlines have also been suspended, generating a minor impact. Finally, although the Ukrainian crisis is pushing oil prices to high levels, the Group's fuel hedging policy is limiting the impact on the Group's consolidated financial statements as of September 30, 2022.

At the same time, the strong measures taken by the Group to mitigate the effect of Covid-19 on its business since the beginning of the pandemic are continuing and are adapted to the evolution of the situation that the Group is following closely. These actions include, amongst others, adapting capacity to the demand trends, cash preservation, systematic refinancing of new aircraft delivered and salary measures.

Capacity adaptation and costs reduction

Available seat-kilometers for the Passenger network and Transavia were 54 percent higher in the first nine months of 2022 compared to the first nine months of 2021, in response to the resumption of demand, and has reached 84 percent of the first nine months of 2019 level for Passenger network and a slightly higher capacity vs. 2019 for Transavia.

Revenue per passenger-kilometers jumped by 139 percent in the first nine months of 2022 compared to the first nine months of 2021. The cargo business continued to benefit from a buoyant environment with available ton-kilometers up 18 per cent compared to the first nine months of 2021. As a result, total revenues increased by 103 percent compared to last year and amounted to €19,264 million.

Passenger capacity for the last quarter of 2022 is expected to be around 85 percent of the capacity of the last quarter of 2019 and Transavia capacity is expected to be significantly higher than in 2019.

In parallel, external expenses amount to €(11,815) million, an increase of 93 percent compared to 2021, mainly because of fuel costs. Fuel costs amount to €(5,184) million as of September 30, 2022 against €(1,811) million as of September 30, 2021, an increase of 186 percent due to changes in capacity and higher fuel prices. Excluding fuel, external expenses increased only by 54 percent.

Due to the resumption of activity, the Dutch government has terminated the "Temporary Emergency Bridging Measures for Sustained Employment" (NOW) program in the Netherlands as of March 31, 2022. The impact of this measure represents €138 million euro at September 30, 2022, compared to €716 million at September 30, 2021. At the same time, partial activity in France, implemented as from March 23, 2020, amount to €135 million as of September 30, 2022 compared to €557 million as of September 30, 2021.

Liquidity position

As of September 30, 2022, the Group's total liquidity amounted to €12.3 billion, of which €9.8 billion in net cash excluding undrawn credit lines (see note 13 Net debt) and €2.5 billion in undrawn credit lines (see note 33.3 Financial support from the French and Dutch States and 33.7 Credit lines from the notes to financial statements as of December 31, 2021).

The Dutch State aid has been repaid in full during the first half of 2022 for a total amount of €942 million. The Air France-KLM capital increase of June 16, 2022 for a total amount of €2 256 million (see note 2.2 Events that occurred in the period below) enabled the partial redemption of the subordinated notes held by the French State for a nominal amount of 1,631 million euros. These transactions contributed to strengthening the Group's balance sheet and equity.

The agreement between Air France-KLM and Apollo (see note 2.2 Events that occurred in the period below) made it possible to partially reimburse the subordinated notes held by the French State for a nominal amount of 487 million euros.

At the same time, the Group is continuing to work on various additional options to restore Air France's company equity to the legally required level.

Going concern

In determining the appropriate basis for preparing the interim consolidated financial statements for the period ended September 30, 2022, the going concern has been assessed by evaluating the financial forecasts over a time horizon of at least one year and by analyzing, in particular, the commercial position of the Group within the context of the current Covid-19 pandemic and the Ukrainian crisis.

As mentioned above, the Group had total cash at hand of €12.3 billion as of September 30, 2022 (see the "Liquidity position" paragraph), an improvement of €2.1 billion compared to December 31, 2021.

Furthermore, despite the uncertainties related to the current context, the improvement of the sanitary situation since the end of 2021 as well as of the cash position, the continuing recovery of activity and the limited impact of the Ukrainian crisis on the consolidated financial statements as of September 30, 2022 have led to the preparation of the interim consolidated financial information as of September 30, 2022 on a going-concern basis, in accordance with approach taken for the consolidated financial statements as of December 31, 2021. (see note 4.1 related to consolidated financial statement as of December 31, 2021).

2.2 Events that occurred in the period

Air France-KLM Group capital increase

On the May 24, 2022, Air France-KLM group announced the launch of a capital increase with preferential subscription rights for an amount of €2.256 billion, to be subscribed in cash and/or by offsetting claims.

The gross proceeds of the capital increase amounted to €2,256 million (of which €1,611 million subscribed in cash), including issue premium, corresponding to the issue of 1,928 million new shares (the "New Shares") at a subscription price of €1.17 per share. Net of issuance fees, the proceeds amounted to €2,196 million (of which €1,551 million subscribed in cash). Following settlement and delivery of the Rights Issue of the capital increase on June 16, 2022, the share capital of Air France-KLM was increased to 2,570,536,136 shares with a nominal value of €1 each.

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

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

CMA CGM became a new shareholder with a subscription of 231,348,252 New Shares on an irreducible basis (via the exercise of the preferential subscription rights acquired from China Eastern Airlines, Delta Airlines, FCPEs and the market), corresponding to 9.0 percent of the Company's capital following the capital increase.

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

Following this capital increase, in order to ensure that the rights of the OCEANE bondholders are maintained in accordance with the applicable legal and regulatory provisions and the terms and conditions of the OCEANE bonds, the conversion/exchange ratio has been adjusted as from June 16, 2022 from a parity of 1 Air France-KLM share per OCEANE bond to a parity of 1.783 Air France-KLM share per OCEANE bond.

Air France-KLM and Apollo agreement

On July 13, 2022, Air France-KLM and Apollo finalized an agreement to invest €500 million investment into an ad hoc operating affiliate of Air France owning spare engines.

Apollo subscribed to perpetual bonds issued by the ad hoc operating affiliate, which meet equity criteria under IFRS.

As a result of the transaction, the Group will benefit from lower financing costs. The perpetual bonds bear an interest rate of 6 percent for the first 3 years, and gradual step ups and caps will be applied thereafter. The Group will have the ability to redeem the bonds at any time after year 3.

This structure incurs no change of ownership, operational and social aspects of Air France Engineering and Maintenance activity. In the future, it could also help finance the acquisition of additional spare engines to support Air France's fleet renewal program.

Evolution on perpetual owned by the French State

As of April 20, 2022, the Group paid the accrued interest on perpetual bonds held by the French State for a total amount of €218 million.

In addition, the June 16, 2022:

- The French State subscribed to the capital increase described above by way of compensation with part of the perpetual for a nominal amount of €638 million plus accrued coupon until that date of €7 million;
- An amount of €993 million in nominal value plus the accrued coupon until that date for an amount of €11 million was repaid with the proceeds of the capital increase subscribed in cash.

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

Repayment of the guaranteed credit line and the loan granted by the Dutch State to KLM

Respectively, on May 3 and June 3, 2022, KLM repaid €311 million and €354 million under its credit line guaranteed by the Dutch State (see note 33.3 Financial support from the French and Dutch States to the consolidated financial statements at December 31, 2021). Upon completion of the transaction, the full credit line has been repaid.

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

Following these transactions, KLM retains a credit line of €2.4 billion (€723 million from the direct loan and €1,735 million the credit line from the banks, guaranteed by the Dutch State) at its disposal.

Signature of purchase contracts of A320neo

End of February 2022, purchases contracts of 100 Airbus A320neo Family aircraft were signed between Airbus and KLM, Transavia Netherlands and Transavia France. This signature has been followed, early July 2022, by the signing of an agreement with CFM International for the engine configuration of this future fleet of aircraft.

Appeal against the European Commission's decision in the air cargo sector rejected

On March 30, 2022, Air France - KLM has taken note of the EU General Court's judgement on the appeal filed against the decision of the European Commission of March 17, 2017 for practices considered to be anti-competitive in the air cargo sector.

The practices in question date back more than twenty years ago and had already been condemned in a decision of the European Commission in 2010 but annulled by the General Court of the European Union in 2015 due to a contradiction between the grounds and the operative part of the decision. As of June 8, 2022 the Group has appealed to the European Union Court of Justice.

Provisions of €354 million including interest accounted for in the financial statements as of September 30, 2022 are in accordance with these fines.

2.3 Subsequent events

No significant event after the September 30, 2022 closing took place.

3. ACCOUNTING PRINCIPLES

Pursuant to the European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM Group as of December 31, 2021 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 interim consolidated financial information as of September 30, 2022 must be read in connection with the annual consolidated financial statements for the year ended on December 31, 2021. They have been established in accordance with the accounting principles used by the Group for the consolidated financial statements 2021, except for standards and interpretations adopted by the European Union applicable as from January 1, 2022.

The impact of the application of the Agenda Decision on "Accounting for customisation and/or configuration costs in SaaS contracts" is currently being assessed. Any changes resulting from the application of this IFRS IC decision will be accounted for retrospectively in accordance with IAS 8 on changes in accounting policies.

Regarding the implementation of the amendments to IAS 37 relating to the treatment of onerous contracts, no contract has been identified as being in the scope of this amendment. These amendments aim to standardize practices in terms of identifying and measuring provisions for onerous contracts, in particular with regard to losses on completion of contracts with customers recognized in accordance with IFRS 15. These amendments specify that the costs to be taken into account in estimating the "cost of performance of the contract" are those directly related to the contract. A study carried out within the Group on the implementation of these amendments concludes that there will be no impact on the Group's financial statements at September 30, 2022.

The preparation of the interim consolidated financial information, in accordance with IFRS, requires Management to make estimates and use assumptions that affect the amounts recognized in the primary financial statements and accompanying notes at the closing date.

The main areas of estimates relate to the:

- revenue recognition linked to deferred revenue on ticket sales;
- Flying Blue frequent flyer program;
- financial instruments;
- intangible and tangible assets;
- lease contracts;
- employee benefits;
- return obligation liability and provision for leased aircraft;
- other provisions; and
- current and deferred tax.

The Management of the Group management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable that constitute the basis for these assumptions. The interim consolidated financial information for the period have thus been established taking into consideration the current context of public health and geopolitical crisis and on the basis of financial parameters available at the closing date.

The interim consolidated financial information as of September 30, 2022 were reviewed by the Board of Directors on October 27, 2022.

4. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments

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 sales 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" transport 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 EBITDA, current operating income and income from operating activities. Other elements of the income statement are presented in the “non-allocated” column.

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

Geographical segments

Activity by origin of sales area

Group activities by origin of sale are broken down into four geographical areas:

- Metropolitan France
- Benelux
- Europe (excluding France and Benelux)
- Rest of the world

The format for presenting activities by zone of origin of sales has been revised to take into account the Group's new commercial organization.

Only segment revenue is allocated by geographical sales area.

Activity by destination

The Group's activities by destination are broken down into seven geographical segments:

- 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

4.1 Information by business segment

Period ended September 30, 2022	Network	Maintenance	Transavia	Other	Non-allocated	Total
(in € millions)						
Total sales	16,588	2,568	1,705	164	-	21,025
Intersegment sales	(34)	(1,584)	-	(143)	-	(1,761)
External sales	16,554	984	1,705	21	-	19,264
EBITDA	2,319	326	194	(10)	-	2,829
Income from current operations	894	147	13	6	-	1,060
Income from operating activities	902	148	13	(3)	-	1,060
Share of profits (losses) of associates	1	4	-	(5)	-	-
Net cost of financial debt and other financial income and expenses	-	-	-	-	(1,028)	(1,028)
Income taxes	-	-	-	-	208	208
Net income for the period	903	152	13	(8)	(820)	240

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Period ended September 30, 2021 - restated ⁽¹⁾	Network	Maintenance	Transavia	Other	Non-allocated	Total
(in € millions)						
Total sales	8,030	2,005	685	118	-	10,838
Intersegment sales	(19)	(1,244)	-	(98)	-	(1,361)
External sales	8,011	761	685	20	-	9,477
EBITDA	(401)	233	47	39	-	(82)
Income from current operations	(1,732)	19	(113)	22	-	(1,804)
Income from operating activities	(2,413)	(251)	(112)	46	-	(2,730)
Share of profits (losses) of associates	1	4	-	(18)	-	(13)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(680)	(680)
Income taxes	-	-	-	-	256	256
Net income for the period	(2,412)	(247)	(112)	28	(424)	(3,167)

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

4.2 Information by geographical area

External sales by geographical area

Period ended September 30, 2022	Metropolitan France	Benelux	Europe (excl. France and Benelux)	Rest of the world	Total
(in € millions)					
Transportation	4,690	1,803	3,532	5,877	15,902
Other sales	247	128	120	157	652
Total Network	4,937	1,931	3,652	6,034	16,554
Transportation	630	947	145	30	1,752
Other sales	(21)	(22)	(3)	(1)	(47)
Total Transavia	609	925	142	29	1,705
Maintenance	504	384	16	80	984
Others	5	15	1	-	21
Total	6,055	3,255	3,811	6,143	19,264

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Period ended September 30, 2021	Metropo- litan France	Benelux	Europe (excl. France and Benelux)	Rest of the world	Total
(in € millions)					
Transportation	2,235	789	1,724	2,747	7,495
Other sales	263	92	123	38	516
Total Network	2,498	881	1,847	2,785	8,011
Transportation	242	399	41	7	689
Other sales	(2)	(2)	-	-	(4)
Total Transavia	240	397	41	7	685
Maintenance	440	245	17	59	761
Others	4	16	-	-	20
Total	3,182	1,539	1,905	2,851	9,477

Traffic sales by geographical area of destination

Period ended September 30, 2022	Metropo- litan France	Europe (excl. France) North Africa	Caribbean , French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
(in € millions)								
Network	968	3,757	1,394	2,196	4,165	1,804	1,618	15,902
Transavia	98	1,548	-	106	-	-	-	1,752
Total Transportation	1,066	5,305	1,394	2,302	4,165	1,804	1,618	17,654

Period ended September 30, 2021	Metropo- litan France	Europe (excl. France) North Africa	Caribbean , French Guyana, Indian Ocean	Africa (excl. North Africa) Middle East	North America, Mexico	South America, excl. Mexico	Asia, New Caledonia	Total
(in € millions)								
Network	823	1,710	675	1,253	1,294	754	986	7,495
Transavia	43	629	-	17	-	-	-	689
Total Transportation	866	2,339	675	1,270	1,294	754	986	8,184

5. EXTERNAL EXPENSES

Period from January 1 to September 30 (in € millions)	2022	2021
Aircraft fuel	5,184	1,811
Chartering costs	285	232
Landing fees and air route charges	1,271	835
Catering	525	250
Handling charges and other operating costs	1,189	710
Aircraft maintenance costs	1,643	1,181
Commercial and distribution costs	641	255
Other external expenses	1,077	839
Total	11,815	6,113
<i>Excluding aircraft fuel</i>	6,631	4,302

A portion of external expenses (notably aircraft fuel costs, purchases and aircraft maintenance costs) is subject to fluctuation in the US dollar.

6. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

Period from January 1 to September 30 (in € millions)	2022	2021 Restated ⁽¹⁾
Wages and salaries	3,810	3,278
Social contributions	705	620
Pension costs on defined contribution plans	582	440
Pension costs of defined benefit plans	96	168
Cost of temporary employees	123	53
Profit sharing and payment linked with shares	1	(52)
Temporary Emergency Bridging Measure for Sustained Employment (NOW)	(138)	(716)
Other expenses	60	22
Total	5,239	3,813

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

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".

Following the impact of the Covid-19 public health crisis, as of March 23, 2020 Air France and its main French subsidiaries implemented part-time activity for their employees.

In the first half of 2021, Air France and some of its affiliates finalized agreements with the representative trade unions allowing the use of the long-term partial activity ("APLD") scheme for a maximum of 24 months.

As of September 30, 2022, the impact of these measures amounts to €135 million (€557 million as of September 30, 2021).

The line "Temporary Emergency Bridging Measure for Sustained Employment (NOW)" includes the compensation received from the Dutch State for the KLM Group's labor expenses during the period from January 1 until September 30, 2022. This compensation amounts to €138 million (versus €716 million for the period from January 1 until September 30, 2021).

Average number of employees

Period from January 1 to September 30	2022	2021
Flight deck crew	8,132	8,195
Cabin crew	20,627	20,075
Ground staff	43,680	46,145
Temporary employees	1,868	806
Total ⁽¹⁾	74,307	75,221

⁽¹⁾ Excluding partial activity effect

The decrease in average headcount is mainly due to the completion of the restructuring plans implemented in the years 2020 and 2021 (see note 12. Other non-current income and expenses of the notes to the consolidated financial statements as of December 31, 2021).

7. AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to September 30	2022	2021
(in € millions)		
Amortization		
Intangible assets	136	143
Flight equipment	840	752
Other property, plant and equipment	132	139
Right-of-Use assets	878	820
	1,986	1,854
Depreciation and provisions		
Inventories	(9)	12
Trade receivables	(84)	26
Risks and contingencies	(124)	(170)
	(217)	(132)
Total	1,769	1,722

8. OTHER CURRENT OPERATING INCOME AND EXPENSES

Period from January 1 to September 30 (in € millions)	2022	2021
Capitalized production	741	486
Joint operation of routes	(4)	(4)
Operations-related currency hedges	92	11
EU Emission trade schemes (ETS)	(64)	(27)
Other	(28)	1
Other income and expenses	737	467

9. SALES OF AERONAUTICAL ASSETS AND OTHER NON-CURRENT INCOME AND EXPENSES

Period from January 1 to September 30 (in € millions)	2022	2021
Sales and leaseback	42	(26)
Other aeronautical sales	2	6
Sales of aeronautical assets	44	(20)
Restructuring costs	(4)	55
Impairment of fleet	(37)	(37)
Modification of pensions plans	-	(956)
Disposals of subsidiaries and affiliates	-	25
Disposals of other assets	1	2
Other	(4)	5
Other non-current income and expenses	(44)	(906)

Period ended September 30, 2022

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in an income of €42 million in the income statement and a result on disposal of €624 million in the cash flow statement as of September 30, 2022.

Restructuring costs

This line includes a provision for an amount of €(11) million related to the voluntary departure plan for French employees at Air France Short-haul stations.

Impairment of fleet

This line mainly includes:

- the difference between the initial depreciation plan and the accelerated depreciation following the early phase-out of the CRJ aircraft from the HOP! fleet for €(11) million. Depreciation slopes have been revised so that the net book value as of the date of the aircraft's phase-out expected in 2022 converges with the estimated market value. As of September 30, 2022, 7 CRJ are still in the Group's fleet.
- An additional allocation for an amount of €(18) million to bring the residual value of the Air France A380 fleet to its market value.

Period ended September 30, 2021

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in an expense of €(26) million in the income statement and a result on disposal of €458 million in the cash flow statement as of September 30, 2021.

Restructuring costs

This line mainly includes a reversal of the voluntary departure plan provision for Air France ground staff, amounting to €86 million following an adjustment based on the definitive nominal roll and departure allowances, and an additional provision related to the voluntary departure plan for HOP! amounting to €(28) million.

Impairment of fleet

This line includes the difference between the initial depreciation plan and the accelerated depreciation following the early phase-out of the CRJ aircraft from the HOP! fleet for €(37) million.

Modifications to pensions plan

Following the modification of KLM's Ground Staff pension plan, the total impact of the de-recognition of the pension assets together with the additional contributions has been booked in "Other non-current income and expenses" and amounts to a charge of €(938) million.

Result on the disposal of subsidiaries and affiliates

This line corresponds to the capital gain on the disposal of a 15 percent shareholding in Servair on May 31, 2021.

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

Period from January 1 to September 30	2022	2021
(in € millions)		
Income from marketable securities	(15)	(15)
Other financial income	24	17
Income from cash and cash equivalents	9	2
Interest on financial liabilities	(228)	(251)
Interest on lease debt	(194)	(180)
Capitalized interests	22	19
Other non-monetary items	(9)	(62)
Other financial expenses	(7)	(9)
Gross cost of financial debt	(416)	(483)
Net cost of financial debt	(407)	(481)
Foreign exchange gains (losses), net	(533)	(127)
Financial instruments and change in fair value of hedged shares	29	26
Net (charge)/release to provisions	(6)	(3)
Undiscounting of provision	(99)	(85)
Other	(12)	(10)
Other financial income and expenses	(621)	(199)
Total	(1,028)	(680)

Financial income

Financial income mainly consists in interest income on financial assets accounted at the effective interest rate.

Foreign exchange gain (losses)

As of September 30, 2022, the foreign exchange result mainly includes an unrealized currency loss of €(570) million, composed of a €(512) million loss on return obligation liabilities and provisions for the restitution of leased aircraft in US dollars, and a loss of €(40) million on debt, mainly composed of a loss of €(106) million on debt in US dollars and a gain of €54 million on debt in Japanese yen.

As of September 30, 2021, the foreign exchange losses mainly include an unrealized currency loss of €(198) million composed of a €(183) million loss on return obligation liabilities and provisions on aircraft in US dollars.

Undiscounting of provision

The rate used to undiscount the return obligation liability and provision for leased aircraft and other long term provisions is 3.6 percent in 2022 against 3.4 percent in 2021.

11. INCOME TAXES**11.1 Income tax charge**

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

Period from January 1 to September 30 (in € millions)	2022	2021 Restated ⁽¹⁾
Current tax (expense) / income and other taxes	(27)	(6)
Change in temporary differences	(46)	262
(Use / de-recognition) / recognition of tax loss carry forwards	281	-
Deferred tax income / (expense)	235	262
Total	208	256

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

The current income tax charge relates to the amounts paid or payable in the short term to the tax authorities 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 is 25.83 percent for 2022 (versus 28.41 percent for 2021). Tax losses can be carried forward for an unlimited period. However, the amount of fiscal loss recoverable each year is limited to 50 percent of the profit for the period beyond the first million euros. The Group limits its recoverability horizon on the deferred tax losses of the French fiscal group to a period of five years, consistent with its strategic plan.

The deferred tax assets position on tax losses remains stable versus December 31, 2021 at €285 million resulting from the medium and long-term uncertainty of the pace of recovery in activity leading the Group to keep its deferred tax asset recognition policy unchanged.

Subsequently, an amount of €112 million of deferred tax assets related to tax losses and temporary differences has not been recognized for the period ended September 30, 2022 (including €81 million through income statement).

Dutch fiscal group

In the Netherlands, the tax rate is 25.8 percent in 2022 (versus 25 percent in 2021). Under income tax law in the Netherlands, the maximum future period for utilising tax losses carried forward is indefinite as from January 1, 2022.

However, the amount of fiscal loss recoverable each year is limited to 50 percent of the profit for the period beyond the first million euros.

In view of the recovery in activity and the medium and long-term outlook, the Group has recognized deferred tax assets for an amount of €281 million as of September 30, 2022. The deferred tax assets position for tax losses and deductible financial interests was therefore increased to €338 million (versus €57 million as of December 31, 2021).

11.2 Effective tax rate

The difference between the standard and effective tax rates applied in France is detailed as follows:

Period from January 1 to September 30 (in € millions)	2022	2021 Restated ⁽¹⁾
Income before tax	32	(3,410)
Standard tax rate in France	25.83 %	28.41 %
Theoretical tax calculated based on the standard tax rate in France	(8)	969
Differences in French / foreign tax rates	(1)	(60)
Non-deductible expenses or non-taxable income	20	(68)
Variation in unrecognized deferred tax assets	200	(584)
CVAE impact	(4)	-
Other	1	(1)
Income tax	208	256
Effective tax rate	n.m.	7.5 %

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

12. FINANCIAL LIABILITIES

(in € millions)	As of September 30, 2022			As of December 31, 2021		
	Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan in Yen	142	-	142	153	-	153
Perpetual subordinated loan in Swiss francs	392	-	392	363	-	363
OCEANE (convertible bonds)	484	-	484	476	-	476
Bonds	1,699	361	2,060	1,678	361	2,039
Debt on financial leases with bargain option	3,193	465	3,658	2,901	404	3,305
Loans guaranteed by the French and the Dutch states	3,598	-	3,598	4,310	-	4,310
State loans	-	-	-	278	-	278
Other financial liabilities	1,187	137	1,324	1,114	340	1,454
Accrued interest	-	111	111	1	110	111
Total - Financial liabilities	10,695	1,074	11,769	11,274	1,215	12,489

Change in financial liability

(in € millions)	December 31, 2021	New financial debt	Non-monetary change	Reimbursement of financial debt	Currency translation adjustment	Other	September 30, 2022
Perpetual loan in Japanese Yen and Swiss Francs	516	-	-	-	18	-	534
OCEANE (convertible bonds)	476	-	8	-	-	-	484
Bonds	2,039	-	-	-	21	-	2,060
Debt on financial leases with bargain option	3,305	639	31	(353)	35	1	3,658
Loans guaranteed by the French and the Dutch states	4,310	-	(48)	(664)	-	-	3,598
State loans	278	-	-	(278)	-	-	-
Other financial liabilities	1,454	130	31	(305)	14	-	1,324
Accrued interest	111	-	3	-	-	(3)	111
Total	12,489	769	25	(1,600)	88	(2)	11,769

The financial liabilities maturities break down as follows:

(in € millions)	September 30, 2022	December 31, 2021
Maturities in		
year Y	629	-
Y+1	1,499	1,215
Y+2	2,813	1,401
Y+3	2,845	2,767
Y+4	1,234	3,470
Over 4 years	2,749	3,636
Total	11,769	12,489

The perpetual subordinated loan in Swiss francs and Japanese yens are included in the line "Over 4 years".

13. NET DEBT

(in € millions)	Notes	September 30, 2022	December 31, 2021
Current and non-current financial liabilities	13	11,769	12,489
Current and non-current lease debt		4,432	3,749
Accrued interest		(128)	(128)
Deposits related to financial liabilities		(101)	(99)
Deposits related to lease debt		(107)	(85)
Derivatives impact on debt		(101)	(14)
Gross financial liabilities (I)		15,764	15,912
Cash and cash equivalents		8,264	6,658
Marketable securities		204	189
Cash secured		552	324
Current and long term loans Gross Value (incl. rated bonds)		782	529
Bank overdrafts		(3)	(4)
Net cash (II)		9,799	7,696
Net debt (I-II)		5,965	8,216

(in € millions)	September 30, 2022
Net debt at the beginning of the period	8,216
Operating free cash flow excluding discontinued activities	(3,106)
Capital increase	(1,551)
Perpetual repayment to the French State	1,480
New perpetual from non-controlling interests	(497)
Capital increase from non-controlling interests	(3)
New lease debts (new and renewed contracts)	894
Unrealized exchange gains and losses on lease financial debts through OCI	333
Impact on derivatives on net debt	(74)
Impact of Effective Interest Rate methodology on State loans	(25)
Currency translation adjustment	40
Amortization of OCEANE optionnal part	8
Other non-monetary variations of the net debt	12
Net debt at the closing of the period	5,965

14. OTHER LIABILITIES

As of September 30 (in € millions)	2022		2021	
	Current	Non-current	Current	Non-current
Tax liabilities	1,194	896	794	1,060
Employee-related liabilities	1,166	1,360	960	1,355
Non-current asset payables	52	-	70	-
Deferred income	809	42	873	43
Prepayments received	438	-	390	-
Other	434	128	282	97
Total	4,093	2,426	3,369	2,555

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