

Half year report 2023

AIRFRANCEKLM
GROUP

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FIRST HALF YEAR ACTIVITY REPORT

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1.1 ACTIVITY

1.1.1 Strategy

Economic environment:

Real GDP growth (%)	2022	2023
World	3.4	2.8
Euro Area	3.5	0.8
Of which France	2.6	0.7
Of which Netherlands	4.5	1.0
Latin America and Caribbean	4.0	1.6
United States	2.1	1.6
China	3.0	5.2
Japan	1.1	1.3
Sub-Saharan Africa	3.9	3.6

Source¹

From early 2023, the World economic growth projection was updated upwards, reflecting on ongoing economic resilience. Inflation is still being high, while expected to fall back later during the year, due to weaker commodity prices, less dynamic growth, and easing supply chain issues, with speed and pace depending on the country. Spillovers of war in Ukraine stay moderate at this stage, with tensions and sanctions between West and Russia to persist long after any ceasefire. Energy prices are expected to stay moderate, while rationing of energy in Europe is not expected to happen.

Eurozone is forecasted to have some significant divergence across region. Southern European economies outperformed the eurozone average, while Germany fell

into recession during the winter. Recent developments also show a tighter financial condition and a weaker demand. US is showing more resilient economy, with notable strengthening of labor market and positive signals from consumer spending. China is expected to continue economic growth, with a sharp rebound after a late-2022 boarders reopening, leading to an increased consumer spending and service output, and a recovery in consumer confidence. The mechanical effect of COVID-19 rebound, and its related growth, is expected to ease-in late-2023².

Oil price

Brent (US\$/bbl)	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2
Average Brent price	100.3	113.5	100.7	88.6	81.2	78.3
Average Jet fuel price	120.8	167	141.1	136.8	126.2	95.2

Source³

During 2022 energy and oil prices had been on a rise and reached a record level in Q2 2022 (highly impacted by the Russian invasion of Ukraine). Since its all-time highs, energy prices have been on a steady decrease, attaining normalization early-2023. Energy inflation in OECD countries is expected to further fall down⁴.

¹ World Economic Outlook, IMF, April 2023

² Oxford Economics Global: US strength prompts upgrade to 2023 world GDP growth

³ EIA. Brent and Jet fuel prices. June 2023

⁴ <https://www.oecd.org/newsroom/consumer-prices-oecd-updated-6-june-2023.htm>

Currency exchange rates

For one Euro (average)	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2
USD	1.12	1.06	1.01	1.02	1.07	1.09
GBP	0.84	0.85	0.86	0.87	0.88	0.87
CHF	1.04	1.03	0.97	0.98	0.99	0.98
JPY	130.5	138.2	139.3	144.3	142	150

Source⁵

After an important depreciation of Euro against US dollar in 2022, led by different macroeconomic outlooks for the Eurozone compared to United States (a higher growth forecast for US, political uncertainty in several large EU economies and some level of precaution about the impact of the war in Ukraine), Euro stabilized end-of-2022 and further strengthened early-2023.

Eurozone inflation remains high, but has already peaked,

and is currently being on a disinflationary path, with deflationary energy prices, and decreasing inflation in food prices. Both non-energy industrial goods and services inflation have declined, resulting in 0.3pt in core inflation. The inflation is expected to continue to gradually decrease, resulting in 5.3% for a full year of 2023.

Industrial context:

Worldwide capacity

Worldwide capacity has reached an average of 77% in 2022 (all figures in ASK's vs. same period of 2019) and continues its recovery throughout 2023.

- European capacity further reached 93% in June 2023, with most of the regions to recover above 90% and only Europe-Asia flows (mostly affected by China) to lag at 79% in June 2023;
- US capacity further reached 97% in June 2023 with the number of the regions to recover above pre-covid levels (Africa, CSA, Caribbean and Indian Ocean, Middle East, Intra-regional), while Asia still significantly lag behind at 67%;
- China capacity, after late-2022 full release of COVID-19 restrictions and a following borders reopening, experienced a sharp increase in international flows, recovering to 41% in June 2023 (from 6% average throughout 2022). China domestic capacity is stable around 120%, and currently boosting the full China capacity, that reached 86% in June 2023.

Russian invasion of Ukraine has a limited impact on worldwide capacity development (with Ukrainian airspace being fully closed, and Belarusian and Russian airspaces closed to European airlines). It is mainly affecting Europe-Asia routes (as airlines are obliged to lengthen routes distance to avoid closed space), creating a competitive disadvantage for European airlines, specifically for those geographically located in North of Europe (e.g. Finnair).

Transport. After a series of staff reductions during COVID-19 period, staff shortages in aviation persist, as, most of the time, there is a significant delay from the need identification, towards hiring and a proper training of qualified personnel. This issue further challenges and oftentimes delays the capacity recovery for some business areas (e.g. MRO).

Airlines are still being impacted by supply chain issues and reliability constraints on some new-generation engines. The situation is also worsened by the lack of spare parts (in particular for the GTF of Pratt & Whitney, as of April 2023: 10,000 days on the ground for 38,000 days flying) and elongated deliveries by aircraft manufacturers (e.g. less than 80 B787 deliveries by Boeing in 2023). Therefore, supplies are not at the level expected for the peak season and the lease market becoming tense.

On operations side, European airports had been highly affected by disruptions throughout 2022, mainly due to higher recovery pace and, on the other hand, lack of resources for a quick scale up of operations. The issue was resolved in most airports by the end of 2022.

Early-2023 was further challenged by ATC strikes in Europe, mostly in France (and to a lesser extent in Germany), potentially affecting 237K flights (~30% of daily European flights are estimated to be impacted during 34 days of industrial action in France). This also disturbs an arrival punctuality in Europe, that has decreased by 9pts on average during the strikes period (71% vs. 80% on a normal activity day).

Industry disruptions

COVID-19 pandemic is not anymore an impediment to Air

⁵ Boursorama currency exchanges. 29/06/2023

1.1.2 Business review

Network: Operating result more than doubled

Network	Current quarter			Year to date		
	2023	change	change constant currency	2023	change	change constant currency
Traffic revenues (€m)	6,257	+13.1%	+13.6%	11,585	+25.8%	+25.6%
Total revenues (€m)	6,520	+13.3%	+13.8%	12,095	+25.4%	+25.2%
Operating result (€m)	692	+340	+342	542	+499	+519
Operating margin (%)	10.6%	4.5 pt		4.5%	4.0 pt	

Compared to the second quarter 2022, total revenues increased by +13.3% to €6,520 million. The operating result improved by €340 million and amounted to €692 million. The increase in revenues was driven by the network passenger business while the Cargo revenues declined compared to a strong second quarter last year and a further softening of the market.

Robust growth in unit revenue

Passenger network	Current quarter			Year to date		
	2023	change	change constant currency	2023	change	change constant currency
Passengers (thousands)	18,743	+6.8%		34,530	+17.1%	
Capacity (ASK m)	66,714	+8.1%		128,690	+12.6%	
Traffic (RPK m)	58,319	+11.1%		111,284	+21.8%	
Load factor	87.4%	2.4pt		86.5%	6.5pt	
Total passenger revenues (€m)	5,913	+22.3%	+22.6%	10,816	+38.3%	+38.0%
Traffic passenger revenues (€m)	5,770	+21.9%	+22.3%	10,522	+38.3%	+37.9%
Unit revenue per ASK (€ cts)	8.65	+12.8%	+13.1%	8.18	+22.8%	+22.4%

Second quarter 2023 capacity in Available Seat Kilometers (ASK) was 8.1% higher than last year and at 88% of 2019 level, which is in line with the Group's guidance provided during the first quarter 2023 results presentation (c.90% versus 2019).

Unit revenue per ASK increased by 13.1% at a constant currency thanks to strong demand which resulted in an increase in load factor of 2.4 points and a yield increase of 10% compared to last year at constant currency.

During the second quarter we observed per area the following trends:

North Atlantic Demand recovery continued to be driven by Point of Origin North America. Yield increased by 13% at a slightly higher capacity of 2% while the load factor increased 4 points compared to last year.

Latin America Very strong yield performance, 12% up

compared to 2022, mainly driven by strong yields close in.

Asia & Middle East Capacity in the second quarter has significantly increased vs 2022 by 56%, mainly driven by China's reopening. Nevertheless, this is still -34% below 2019 levels. Yields are stable compared to 2022 which is lower than the other areas, but this is mainly driven by the exceptional yields in 2022 due to the low capacity.

Caribbean & Indian Ocean The second quarter showed significant capacity reductions compared to 2022 (-16%) due to redeployment of fleet to other long haul areas. The reduction in capacity resulted in very good performance on yield, 22% up versus 2022.

Africa Strong traffic dynamics with load factor up 3 points compared to 2022. Robust yield at 6% above 2022.

Short and Medium-haul In April the domestic network

was impacted by ATC strikes. Yield improved by 10% compared to last year while capacity grew 4%. Load

factor slightly up by 1 point.

Cargo: demand continued to soften resulting in pressure on unit revenues

Cargo business	Current quarter			Year to date		
	2023	change	change constant currency	2023	change	change constant currency
Tons (thousands)	213	-10.0%		421	-10.8%	
Capacity (ATK m)	3,557	+6.5%		6,845	+8.4%	
Traffic (RTK m)	1,585	-8.5%		3,143	-10.2%	
Load factor	44.6%	-7.3pt		45.9%	-9.5pt	
Total Cargo revenues (€m)	606	-33.9%	-33.0%	1,279	-30.0%	-29.7%
Traffic Cargo revenues (€m)	487	-39.1%	-38.4%	1,063	-33.4%	-33.1%
Unit revenue per ATK (€ cts)	13.70	-42.8%	-42.1%	15.53	-38.6%	-38.3%

Total revenues dropped by -33.9% compared to last year. The resumption of the passenger travel resulted in an increase in Available Ton Kilometers of 6.5% versus the second quarter of 2022. Last year, the second quarter still showed a strong demand and therefore the traffic decreased year over year by -8.5%. As global economic growth is slowing down, container prices for sea freight

declined and therefore demand for air cargo softened. The load factor was 7.3 points below 2022 and due to the increased belly capacity, the yield declined as well resulting in a decrease in unit revenue per Available Ton Kilometer of -42.1% against a constant currency.

Transavia: Encouraging unit revenue development resulting in a break-even result

Transavia	Current quarter		Year to date	
	2023	change	2023	change
Passengers (thousands)	5,921	+12.8%	9,785	+25.0%
Capacity (ASK m)	11,429	+9.6%	19,037	+19.5%
Traffic (RPK m)	10,179	+14.5%	17,134	+30.3%
Load factor	89.1%	+3.9pt	90.0%	+7.4pt
Total Passenger revenues (€m)	712	+18.4%	1,089	+28.2%
Unit revenue per ASK (€ cts)	6.38	+8.8%	5.83	+7.6%
Unit cost per ASK (€ cts)	6.38	+5.6%	6.73	+10.2%
Operating result (€m)	0	+18	-172	-62

Compared to the second quarter 2022, the demand in leisure traffic continued to grow, despite operational disruptions due to ATC strikes in France and fleet issues in the Netherlands. The capacity increased by 9.6%, traffic increased by 14.5%, and the number of passengers increased by 12.8% resulting in a load factor 3.9 points above 2022. Transavia is still expanding its network, with

a capacity growth in available seat kilometers of +20% compared to 2019 and the routes are yet to mature further. Transavia was able to improve further in the second quarter to a break-even operating result, which is promising for the Q3 peak season for which strong bookings are already visible.

Maintenance business: continued growth on third party revenues despite supply chain

Maintenance	Current quarter			Year to date		
	2023	change	change constant currency	2023	change	change constant currency
Total revenues (€m)	1,055	+15.8%		1,981	+13.7%	
Third party revenues (€m)	384	+11.3%	+12.0%	753	+17.3%	+14.2%
Operating result (€m)	46	-11	-10	62	-39	-42
Operating margin (%)	4.4%	-1.9pt	-1.8pt	3.1%	-2.7pt	-2.8pt

Total revenues increased by 15.8% compared with the same quarter last year while third party revenues increased by 12.0% at constant currency, showing a robust recovery. Due to the tight labour market and supply chain disruptions, the average time for

maintenance increased, resulting in less growth opportunities for third party revenues impacting the profitability. The operating margin in the second quarter stood at 4.4%, which is 1.9 points lower than in 2022.

1.1.3 The Fleet

At June 30, 2023, the Air France-KLM Group fleet comprised 540 aircraft, of which 521 were in revenue service compared with, respectively, 522 and 505 aircraft at December 31, 2022.

The main operational fleet consisted of 426 aircraft (412 aircraft at December 31, 2022), of which 171 were long-haul aircraft (168 at December 31, 2022), 6 were cargo aircraft (6 aircraft at December 31, 2022) and 249 were medium-haul aircraft (238 at December 31, 2022) including 108 aircraft in the Transavia Group fleet (98 aircraft at December 31, 2022).

The regional fleet in operation comprised 95 aircraft (93 at December 31, 2022).

At June 30, 2023, the average age of the aircraft in the operational fleet was 12,2 years, of which 12,5 years for the long-haul fleet, 12,9 years for the medium-haul fleet, 20,3 years for the cargo fleet and 9,2 years for the

regional fleet compared with 12,1 years at December 31, 2022, of which 12,2 for the long-haul fleet, 13,2 for the medium-haul fleet, 19,8 for the cargo fleet and 8,9 for the regional fleet.

At June 30, 2023, 36,9% of the total Group fleet was fully owned (37,0% at December 31, 2022), 12,6% was under finance lease (13,0% at December 31, 2022), and 50,6% under operating lease (50,0% at December 31, 2022).

There were firm orders outstanding for 166 aircraft at June 30, 2023, operational lease excluded, after deliveries of 12 owned aircraft. Options stood at 57 aircraft (57 at December 31, 2022).

The operational fleet comprise 94 new generation aircraft, 18,0% of its fleet.

Change in the Air France - KLM Group's order book ⁽¹⁾	December 31, 2022	Deliveries during the period	New orders	Option conversions	June 30, 2023
Main fleet	178	12	-	-	166
Regional fleet	-	-	-	-	-
Total	178	12	-	-	166

(1) Excluding operating leases.

Change in the Air France - KLM Group's option portfolio ⁽¹⁾	December 31, 2022	Exercise during the period	Options cancelled or expired	New options	June 30, 2023
Main fleet	57	-	-	-	57
Regional fleet	-	-	-	-	-
Total	57	-	-	-	57

(1) Excluding operating leases.

Fleet management

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

During the first half of 2023, the Air France Group thus:

- in Medium-haul, took delivery of nine new A220-300s. Six Airbus A320 family aircraft were sold or returned to their owners.
- HOP! sold two CRJ 1000s
- Transavia France took delivery of eleven Boeing

737-800s and retired a 737-800.

KLM added three new 787-10, Cityhopper, welcomed two new Embraer 195 E2 into its fleet and Transavia Netherlands five 737-800. KLM has exited three 737-700 of its fleet.

The modernization of the fleet will be expressed by the continued growth of the A350-900 fleet within Air France and that of the B787-10s at KLM. The continued growth of the fleets, for Air France of the A220-300s and for KLM of the E195-E2, also contributes to this major effort to modernize the fleet and reduce emissions, as well as the upcoming arrival of the Airbus A320 Neo and A321 Neo in the group's medium-haul fleet.

The Air France - KLM fleet at June 30, 2023:

	AF (incl. HOP!)	KL (incl. KLC & Martinair)	Transavia France	Transavia NL	Fully owned	Finance lease	Operating lease	Total
Long-haul	110	65	-	-	70	39	66	175
B777-300	43	16	-	-	20	15	24	59
B777-200	18	15	-	-	28	1	4	33
A350	20	-	-	-	3	7	10	20
B787-10	-	10	-	-	2	8	-	10
B787-9	10	13	-	-	4	7	12	23
A380-800	4	-	-	-	2	1	1	4
A330-300	-	5	-	-	-	-	5	5
A330-200	15	6	-	-	11	-	10	21
Medium-haul	104	42	70	44	91	11	158	260
B737-900	-	5	-	-	5	-	-	5
B737-800	-	31	70	40	34	8	99	141
B737-700	-	6	-	4	7	-	3	10
A321	16	-	-	-	9	-	7	16
A320	39	-	-	-	4	3	32	39
A319	15	-	-	-	10	-	5	15
A318	9	-	-	-	5	-	4	9
A220-300	25	-	-	-	17	-	8	25
Regional	36	63	-	-	34	18	47	99
Canadair Jet 1000	4	-	-	-	4	-	-	4
Embraer 190	19	30	-	-	17	4	28	49
Embraer 175	-	17	-	-	3	14	-	17
Embraer 170	13	-	-	-	10	-	3	13
Embraer 195 E2	-	16	-	-	-	-	16	16
Cargo	2	4	-	-	4	-	2	6
B747-400BCF	-	1	-	-	1	-	-	1
B747-400ERF	-	3	-	-	3	-	-	3
B777-F	2	-	-	-	-	-	2	2
Total AF-KLM	252	174	70	44	199	68	273	540

1.1.4 Highlights

Highlights since the release of the 2022 Universal registration Document

On May 04, 2023, Air France-KLM enters into exclusive discussions with Apollo Global Management for a €500 million financing into an affiliate owning Engineering and Maintenance (MRO) assets

On the occasion of its Full Year 2022 results presentation, Air France-KLM announced its intention to pursue further balance sheet strengthening measures. The Group announces today that it has entered into exclusive discussions with Apollo Global Management regarding the potential financing of €500 million of a dedicated operating affiliate of Air France, owning a pool of assets of Air France dedicated to its Engineering and Maintenance Activity (spare components). The proceeds of the transaction would be allocated to General Corporate Purposes.

This financing would be non-dilutive, structured through a quasi-equity financing instrument, similarly to the one raised by Air France on a pool of spare engines in July 2022.

The contemplated structure related to this financing would involve no change on operational and social aspects. Therefore, there would be no change in the way to use the spare components, and no impact on Air France or Air France-KLM employees contracts.

The instrument would be qualified as equity under IFRS, hence strengthening Air France-KLM's and Air France's balance sheet (please also refer on this subject to the section "Outlook and subsequent events" below).

On June 16, 2023 - Air France-KLM: key decisions approved by the Shareholders' Meeting of June 7, 2023

The Air France-KLM Annual General Shareholders' Meeting was held on Wednesday June 7, 2023 at 14h30 at the Hilton Paris Charles de Gaulle Hotel, 8 rue de Rome, 93290 Tremblay-en-France. It was broadcast live via webcast on the Air France-KLM website. It is also possible to watch it at any time on replay via the following link: <https://www.yuca.tv/en/air-france-klm/ag-2023-air-france-klm>.

During this Combined Ordinary and Extraordinary Shareholders' Meeting, where more than 7,924 shareholders were present or represented, all of the proposed resolutions were adopted. In addition to approving the financial statements for the year ended December 31, 2022 and allocating the net result, the Shareholders' Meeting adopted the following resolutions:

Appointments/Re-appointments:

a) Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM was re-appointed as a Board director for a four-year term of office (resolution 6) ;

b) As proposed by the French state and after ratification, Mr. Pascal Bouchiat was reappointed as a Board director for a four-year term of office (resolutions 7 and 8);

c) CMA CGM, whose permanent representative is Mr. Ramon Fernandez, has been confirmed as a Board director (ratification of the cooptation), for the remainder of its predecessor's term of office, Mr. Rodolphe Saadé, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2025 (resolution 9);

d) M. Cees 'T Hart was re-appointed as a Board director for a one-year term of office (resolution 10);

e) As proposed by the French state, Mr. Yann Leriche was appointed as a Board director for a four-year term of office (resolution 11).

Approval of related party agreements relating to:

a) The partial redemption of the Undated Deeply Subordinated Notes subscribed by the French State (resolution 4);

b) The conclusion of a commercial cooperation agreement between the Company, Air France and KLM, on the one hand, and CMA CGM Air Cargo and CMA CGM, on the other hand (resolution 5).

Compensation:

a) Approval of the information on the compensation of each of the corporate officers required by Article L. 22-10-9 I of the French commercial Code (resolution 12);

b) Approval of the elements of compensation paid in the financial year 2022 or granted in respect of that financial year to the Chair of the Board of directors and the Chief Executive Officer (resolutions 13 and 14);

c) Approval of the 2023 compensation policy of the non-executive corporate officers, the Chair of the Board of Directors and the Chief Executive Officer (resolutions 15 to 17).

Financial authorizations/delegations:

a) Authorization granted to the Board of Directors to carry out transactions involving the Company's shares (resolution 18);

b) All of the financial delegations were approved. These resolutions are detailed on page 31 and following of the convening notice (resolutions 19 to 32);

c) Approval of the delegation of capital increase limited to 10% of the share capital allowing greater flexibility in pricing (resolution 33);

d) Approval of resolutions authorizing capital increase reserved for employees limited to 3% of the share capital (resolutions 34 and 35);

e) Approval of resolutions authorizing a reverse share split and a capital reduction (resolutions 36 and 37).

Amendments of the Articles of Incorporation:

a) Amendment of Article 18 of the Articles of Incorporation on the term of office of Board directors in order to provide for the possibility of a term of office of less than four years to ensure the staggered renewal of Board director mandates (resolution 38);

b) Amendment of Article 26 of the Articles of Incorporation relating to the age limit for Company officers to specify that, in the event that the duties of the Chief Executive Officer and the Chair of the Board of Directors are separated, when the age limit of 72 years for the Chair of the Board of Directors is reached during his or her term of office, the latter will continue to perform his or her duties as Chair of the Board of Directors until the end of his or her term of office as a Board director (resolution 39).

The detailed results of the voting and all the documentation relating to the Shareholders' Meeting are available on the Air France-KLM website (<https://www.airfranceklm.com/en/finance/shareholders/shareholders-meeting>).

On June 19, 2023 - Description of the share buy-back program authorized by the Shareholders' meeting on June 7, 2023

Pursuant to Article 241-2 of the General Regulations of the Autorité des Marchés Financiers (AMF), the purpose of this description is to present the objectives and terms of the share buyback program authorized by the Shareholders' meeting of June 7, 2023.

- Securities concerned: ordinary shares issued by AIR FRANCE - KLM.

- Maximum amount of the share capital that may be acquired by the Company: 5 %.

- Maximum number of shares that may be acquired by the Company, based on the number of shares

composing the share capital as of May 31, 2023: 128,526,806, but considering the 29,956 treasury shares, only 128,496,850 shares may be purchased.

- Allocation of the treasury shares as of May 31, 2023: the 29,956 treasury shares as of May 31, 2023

will be allocated to meet obligations arising from share allotment plans in respect of the remuneration of corporate officers.

- Maximum purchase price per share: €4 (excluding fees) or, in the event of the implementation of a

reverse share split referred under the terms of 36th resolution, €40 (excluding fees).

- Objectives :

The objectives of the share buyback program under the terms of 18th resolution of the Shareholders' meeting of June 7, 2023 are as follow:

a. to allow an investment firm to coordinate stock liquidity within the framework of a liquidity contract in compliance with the Compliance Charter recognized by the AMF,

b. to allocate shares upon exercise of the rights to shares attached to securities issued by the Company or by companies in which it holds, either directly or indirectly, more than half of the share capital and that grant the right to the allocation of Company shares via conversion, exercise, repayment, exchange, presentation of a warrant or any other means,

c. to carry out any allocation or sale of shares to employees and/or corporate officers of the Company and companies, located in France or internationally, related to it under the conditions set forth in Article L. 225-180 of French Commercial Code, any allocation of free shares, any employee shareholding scheme, any Company compensation scheme, within the context of, in particular, the relevant provisions set forth under the French Commercial Code and/or French Labor Code, or French or foreign legal and regulatory provisions and the execution of any hedging transaction associated with these related party transactions and commitments of the Company, under the conditions provided for by the market authorities and at the times at which the Board of Directors or the person acting pursuant to a delegation of power granted by the Board of Directors takes action,

d. to hold or remit shares in order to use them as payment or in an exchange offer within the framework of external growth transactions, e. and, more generally, to engage in any market practice that may be admissible by law or by the AMF and to execute any transaction in compliance with the applicable regulations, it being specified that, in such a case, the Company would inform its shareholders by means of a press release.

- Duration of the program: 18 months as of the Shareholders' meeting of June 7, 2023.

June 19, 2023 - Acquisition of AIR FRANCE - KLM shares in the payment of long-term compensation plans

Air France-KLM (the "Company") will buy back shares for hedging purposes [specific long-term 2019-2021 and 2020-2022 plans benefiting managers and/or employees of the Group.

The acquisition relates to a maximum number of [760,000] shares, representing approximately [0.03%] of the share capital.

This operation falls within the framework of the authorization given by the Combined General Meeting of Shareholders of May 7, 2023 in its 18th resolution and will be carried out in accordance with the authorization of the Board of Directors and the provisions of Regulation (EU) 596/2014 on market abuse and Commission Delegated Regulation (EU) 2016/1052.

On June 22, 2023 - EDF, Holcim, IFPEN and Axens join forces to participate together in the creation of the French e-fuels air transport industry, with the "Take Kair" project, supported by Air France-KLM

The objective of this cooperation is to take advantage of the complementary expertise of the signatories in order to contribute to the decarbonization of air transport and to support the emergence of the French e-SAF (Sustainable Aviation Fuel) industry, thanks to an industrial pilot project called "Take Kair", in Pays de la

Loire, France. The Air France-KLM Group supports the project.

Holcim, IFPEN (IFP Energies nouvelles), Axens and EDF announce that they have signed Memorandum of Understanding to develop "Take Kair", an innovative industrial e-kerosene pilot in Pays de la Loire, which will meet the needs of the new French e-SAF industry. The Air France-KLM Group would be the main off-taker of the e-kerosene produced by this new industrial facility. The production of hydrogen and synthetic fuels would take place in Loire-Atlantique, France, with commercial openings, either local, regional or national.

This cooperation will contribute to the development of the French SAF production industry, a priority raised by the French President of the Republic during his speech on 16 June 2023. The production of e-kerosene will contribute to the decarbonization of air transport and this project anticipates the future European regulation "ReFuel Aviation".

The success of this project relies on the commitment of the partners to explore opportunities for industrial cooperation, based on their respective expertise:

- a) For the Holcim group, the capture of biogenic CO₂ of its cement plant located in Saint-Pierre-La-Cour in Mayenne, France, in line with its plan to decarbonize its production sites, integrating programs to capture and recover CO₂ emissions to allow the production of green e-fuels for aviation.
- b) For IFPEN and Axens, the development and integration of low-carbon fuel synthesis processes and their experience in SAF production technologies.
- c) For the EDF Group, the development of its CO₂-

neutral electricity production facilities and the know-how developed both by its subsidiary Hynamics, specialized in the production of low-carbon and renewable hydrogen by water electrolysis, and by its engineering department allowing the security of its major industrial projects.

The "Take Kair" project, one of the first industrial e-SAF production projects in France, will avoid the emission of more than one hundred kilotons of CO₂ per year. It is therefore in line with the French government's objectives in terms of decarbonizing air transport and it will be a candidate for public financial support for the emergence of a French e-fuel industry, which is why it was presented at the beginning of 2023 to The French Agency for Ecological Transition ADEME and to the French Ministries in charge of Energy Transition, of Industry and of Transport. Provided the necessary financing is obtained, the objective is to start the construction of the industrial pilot in 2026 for a first phase of production in 2028.

A pioneer in the experimentation and use of SAF, the Air France-KLM Group is a partner in the project. As the world's largest buyer of SAF in 2022, the Group aims to incorporate at least 10% SAF into its global flights by 2030, beyond French and European regulatory obligations. The use of e-kerosene from the "Take Kair" project will contribute to the achievement of this objective and the more global objective of a 30% reduction in CO₂ emissions per passenger. Press release Date: June 22, 2023 kilometer by 2030 compared to 2019. By joining the "Take Kair" project, Air France-KLM gives it the opportunity to access the emerging SAF market in Europe as well as the visibility and bankability that will be necessary for its financing.

1.1.5 Outlook and subsequent events

Outlook

Capacity

The Group expects the capacity in Available Seat Kilometers for Air France-KLM Group including Transavia at an index of:

- Circa 95% for the third quarter of 2023
- Above 95% for the fourth quarter of 2023
- Circa 95% for the Full Year 2023

All indices compared to the respective period of 2019.

Unit cost⁶

Due to the inflationary pressure, mainly driven by CLA

Medium term outlook⁷

The Group continues its swift transformation initiatives

increases, profit sharing, load factor impact and a decrease in the forecasted capacity, the Group expects from now on for 2023 a low single digit increase of the unit cost increase compared to 2022.

Capex

Full year 2023 net capex is estimated at 3.0 billion euros.

and confirms its medium-term financial ambition with the long-term focus of achieving increased

⁶ Against a constant fuel price, constant currency and excluding furlough contribution

⁷ Refers to 2024-2026 period

competitiveness. To do this, the Group remains agile in optimizing fleet, workforce, network, costs and continues its sustainability efforts. The Group expects capacity in Available Seat Kilometers back to 2019 levels as from 2024.

The transformation efforts of the Group, including FTE reduction, fleet renewal and spend optimization, will compensate the inflationary pressure on cost. Therefore, the Group expects to decrease its unit cost in the period 2024-2026 year over year against a constant fuel price, constant currency and excluding Emission Trading Scheme costs (ETS).

Subsequent events

On July 12, 2023 - Air France - KLM reverse share split and share capital reduction

Air France - KLM (the "Company") today announces the implementation of (a) the reverse share split of all outstanding shares of the Company and (b) the share capital reduction by way of a reduction in the nominal value of the shares decided by the Board of Directors at its meeting on 4 July 2023 in accordance with the thirty-sixth and thirty-seventh extraordinary resolutions of the Combined General Meeting of 7 June 2023 (the "General Meeting").

a) Reverse share split of the Company's shares

The reverse share split will result in the allocation of 1 new ordinary share with a par value of 10 euros for 10 existing ordinary shares with a par value of 1 euro, and in a division by 10 of the number of outstanding shares.

The reverse share split is a purely technical exchange with no direct impact on the total value of the Company's shares held by each shareholder.

The reverse share split transactions will begin on 31 July 2023, with an exchange period open from that date until 30 August 2023 (inclusive) to enable shareholders who do not hold a number of shares that is a multiple of 10 to buy or sell their fractional shares in order to obtain a number of shares that is a multiple of 10. The reverse share split will occur on 31 August 2023.

A notice of reverse share split is published today in the Bulletin des Annonces Légales Obligatoires (BALO). Details of the reverse share split will be set out in a press release to be published no later than the start date of the reverse share split operation.

The Adjusted Operating Free Cash Flow excluding exceptionals is expected to remain positive. Exceptionals include the payment of the air-freight litigation and the deferrals of social charges, pensions and wage taxes accumulated during the Covid 19 period.

The Net Debt/EBITDA target ratio is expected to remain between 1.5x and 2.0x.

The Group's medium-term financial ambition is to reach an Operating Margin of 7% to 8%.

a) Share capital reduction through decrease of the Company's shares par value and allocation of the amount of the reduction to the "share premium" account

At its meeting on 4 July, the Board of Directors decided to implement the share capital reduction in accordance with the terms of the authorisation granted by the General Meeting.

The par value of each share in the Company will be reduced from 10 euros to 1 euro, i.e. a reduction of 9 euros per share. The amount of this share capital reduction will be allocated to the "share premium" account.

After the share capital reduction, the new shares' par value will be identical to the par value of today's shares (before the reverse share split).

The reduction in par value and allocation to the "share premium" account is purely technical, with no impact on the market value of the Company's shares or on the number of outstanding shares.

Until 26 July 2023, old shares of Air France-KLM (FR0000031122) will remain eligible for the DSS (Deferred Settlement Service) and may therefore continue to be subject to deferred settlement.

From 26 July 2023, they will no longer be eligible for the DSS and shall be subject to immediate settlement until their last trading date, i.e., 30 August 2023.

From 31 August 2023, the date of their admission to trading, the new shares of Air France-KLM (FR001400J770) will be eligible for the DSS.

Calendar:

12 July 2023	Publication of the notice of reverse share split at the BALO
20 July 2023	Suspension of exercise of securities giving access to the capital.
26 July 2023	Suspension of the deferred settlement service (DSS) of the old shares
31 July 2023	Start of the reverse share split transactions
31 July until 30 August 2023 (inclusive)	Possibility for the shareholders to buy and sell shares to obtain a number of shares without odd lots.
31 August 2023	Effective date of reverse share split and capital reduction
31 August until 2 October 2023	Compensation of shareholders with fractional shares by their financial intermediary.

On July 14, 2023 - Air France-KLM and Apollo Global Management sign a definitive agreement for a €500 million quasi-equity financing for Air France's Engineering and Maintenance (MRO) components activity

Air France-KLM and Apollo Global Management (NYSE: APO) today announced that they have signed a definitive agreement for Apollo-managed funds and entities ("Apollo") to raise a €500 million financing into an operating affiliate of Air France that will own a pool of components dedicated to Air France's Engineering and Maintenance activities.

Under this agreement and subject to customary closing conditions, Apollo will subscribe to perpetual bonds issued by this ad hoc operating affiliate and this financing will be accounted as equity under IFRS. The financing's proceeds will be allocated to general corporate purposes

and support future components expenditures related to the maintenance activity.

The perpetual bonds will bear an interest rate of 6.9% for the first 3 years and gradual step ups and caps will be applied thereafter. Air France will have the ability to redeem them at any time after 3 years.

This transaction will incur no change of ownership, operational and social aspects of Air France Engineering and Maintenance activity. There will be no change in the way Air France uses the components and executes the maintenance contracts, and no impact on Air France or Air France-KLM employees' contracts.

The transaction is part of the Group's overall IFRS equity restoration plan, as announced in February 2023 during the Full Year 2022 financial results.

1.1.6 Risk factors

The risk factors to which the Air France-KLM Group is exposed are those outlined in the 2022 Universal Registration Document filed with the AMF on April 24, 2023 under the number D.23-0329 (Chapter 3 "Risk factors"). Except for what is following, the nature of these risks did not change significantly during the first half of 2023.

3.1.2.3 Loss of flight slots or lack of access to flight slots

Description of the risk

Given their saturation, serving major European airports is subject to obtaining slots which are allocated under the conditions defined by EU Regulation No. 95/93. In application of this text and by virtue of a historical precedence, the series of slots held by an aircraft

operator is reserved for it from one season to the next if the latter operates at least 80% of the slots over the period in question. Below this threshold, unused slots are lost by the carrier and placed in a pool. Each year, the coordinator in charge of slot management is assigned the task of allocating the released slots to operators who request them. In addition to the potential loss of slots due to a poorly anticipated market development, there is also the risk of a major crisis making it impossible to use the allocated rights. This was notably the case during the Covid-19 crisis, when air carriers had to drastically reduce their frequencies.

It should be noted that on June 24, 2022, the Dutch government announced its intention to reduce the maximum capacity of Schiphol airport to 440,000 flight movements per year, i.e. a reduction of 12% compared to the current 500,000. This measure was supposed to enter a transition period from November 1st, 2023, and final implementation as of November 1st, 2024.

Impact

The loss of slots or no access to slots due to volume limitations or saturation could have an impact on companies' results or their development. As a slot lost to a competitor is inherently difficult to recover, a lack of anticipation and adaptation could lead to a reduction in market share over time.

The potential impact and the measures to be taken by KLM following the Dutch government's announcement are currently being investigated (in this respect, please also view section "Highlights of the 2023 Financial Year" above).

Mitigation plan

The Group is carefully implementing the provisions of the European Regulation on the allocation of slots, which guarantees that a carrier will be able to retain the use of these slots from one season to the next once they have been used 80% of the time, except in exceptional circumstances (see below for the specific case of post Covid-19 recovery). To this end, a particular effort is made to monitor changes in demand and to anticipate new customer expectations. The group is thus able to adapt its offer flexibly to the variables specific to each airport, thanks to the diversity of the brands in its portfolio. In addition, all the airlines are working with their national authorities to ensure that the capacity they need for growth is regularly available at their main hubs.

In view of this clearly identified risk regarding the announcement of the Dutch government to reduce the number of movements at Schiphol airport, the whole group is trying to protect itself and is implementing the necessary means of preservation. Together with IATA, Delta Air Lines, A4A, BARIN, Corendon, TuiFly and easyJet, KLM has appealed at the Supreme Court against the court judgment of 7 July 2023. This court judgement indicated that the Minister could apply an experimental regulation (with 460 000 flights movements) which is considered not to be prohibited in the Aviation Act and not against European law.

3.1.2.6. Commitment vis-à-vis the European Commission

Description of the risk

a) Merger regulation and cooperation agreements

In 2004, for the European Commission to authorize the business combination between Air France and KLM, the latter two companies made a number of commitments, notably with regard to the possibility of making landing and takeoff slots available to competitors at certain airports. Other remedies were introduced following the May 2015 decision on the transatlantic joint-venture.

b) State Aid

In 2020, the implementation of the measures to reinforce the Group's liquidity (a loan guaranteed by the French State (PGE) in the amount of €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 State aid rules (decisions of May 4, 2020 and July 13, 2020, the latter having been 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 defect).

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

Like most of decisions with respect to airlines receiving State support in the context of the Covid-19 crisis, the European Commission's decisions granting support measures to Air France and KLM have been subject to annulment proceedings brought by Ryanair. Three cases concerning the Group (which, together with Air France and KLM, is intervening in support of the European Commission, as are the French and Dutch governments) gave rise to oral hearings which were held before the General Court of the European Union on May 22, 2023 and July 7, 2023. These cases are under deliberation. The judgments of the General Court is likely to be delivered in late 2023 or early 2024.

Impact

a) Merger regulation and cooperation agreements

Failure to comply with merger control or antitrust commitments entails financial, reputational, and structural risk for the Group.

b) State Aid

The commitments made in connection with the European Commission's approval of the State aid have been fully complied with and have come to an end (the provision of slots at Orly is still being implemented in accordance with the Commission's decision). The risks associated with a possible failure to comply with these commitments have disappeared as of the date of this report, provided that this latest provision remains compliant as it stands.

The Group cannot rule the possible risk of annulment of the above-mentioned approval decisions following the judgments of the General Court. In this case, as the aid granted has already been repaid in full compliance with

the related constraints (commitments, behavioral measures, payment of interest), any risk resulting from a possible annulment remains limited.

Mitigation plan

a) Merger regulation and cooperation agreements

The Air France - KLM Group has ascertained that the eventual consequences of slot availability under the 2004 and 2015 remedies remain admissible and do not affect the economics of the lines in question. Air France - KLM also regularly contacts the Commission to discuss the need to maintain these commitments adopted more than sixteen years ago. In this respect, the European Commission lifted on 24 February 2023 the commitments taken by Air France and KLM in 2004 on the Paris-Amsterdam route.

b) State Aid

The Group has implemented its growth plan in the respect and in a manner which is fully compatible with the commitments made within the framework of the State aid packages. Pursuant to the European Commission's decision of April 5, 2021, the Monitoring Trustee appointed to monitor the respect of the commitments undertaken by the French State and the Group has completed its mission with the full repayment of the recapitalisation aid described below. Nevertheless, it remains responsible for the continued implementation of the abovementioned provision of slots at Orly. A State Agent has also been appointed by the Dutch State, responsible for verifying the application of the measures set forth into the agreement concerning State Aid entered into with the Dutch State. On April 17, 2023, KLM concluded a new revolving credit facility linked to ESG KPIs with a pool of international financial institutions, for

an amount of €1 billion. This facility replaced both the remaining direct loan granted to KLM by the Dutch State and the credit facility guaranteed by the Dutch State, both of which were cancelled by KLM. Pursuant to this cancellation, conditions attached to this aid no longer apply and, consequently the mission of the State Agent ended.

It should also be noted that in the course of 2022 and 2023, the Group repaid part of the loans guaranteed by the French State (PGE) made available to it in order to strengthen its cash and liquidity position. During the same period, the Group has already partially repaid the Covid-19 recapitalisation aid granted in the form of quasi-equity in April 2021 following the conversion of the French State's direct loan of €3 billion.

Finally, on March 17, 2023 and again on April 19, 2023, the Group repaid and refinanced, through the use, approved by the European Commission on February 16, 2023, of part of the €1.4 billion compensation aid for the Covid-19 damage suffered from March to June 2020, the full balance of the April 2021 Covid-19 recapitalisation aid that was subject to the aforementioned commitments and constraints. In addition, under the terms of the Covid-19 Temporary Framework, the French State was able to retain the shares subscribed in April 2021, the latter Covid-19 recapitalisation aid being deemed to have been repaid after two years had elapsed since it was granted and the payment of its specific remuneration. As a result, Air France-KLM holding and Air France are no longer liable for any Covid-19 recapitalisation aid and are therefore fully released from the aforementioned undertakings and constraints which were linked to this Covid-19 recapitalisation aid, thus lifting the aforementioned restrictions imposed by the European Commission.

1.1.7 Related parties

The information concerning related parties can be found in Note 26 to the consolidated financial statements.

1.2 CORPORATE GOVERNANCE

1.2.1 The Board of Directors

At June 30, 2023, the Board of Directors was composed of nineteen members, of whom:

- Sixteen Board directors appointed by the General Shareholders' Meeting⁸;
- One representative of the French State appointed by ministerial decree⁹ and
- Two representatives of the employees, one of whom appointed by the Comité de Groupe Français and the other appointed by the European Works Council¹⁰.

During the first half of 2023, the composition of the Board of Directors saw a number of changes, as shown in the following table:

Departure	Appointment	Re-appointment
Karim Belabbas (1) Resignation	Didier Dague (6) The Comité de Groupe Français	Pascal Bouchiat (10) Shareholders' Meeting of June 7, 2023
Stéphanie Besnier (2) Resignation	May Gicquel (7) Ministerial Decree of March, 15 2023	May Gicquel (7) Ministerial decree of March 15, 2023
Rodolphe Saadé (3) Resignation	CMA CGM (8) Shareholders' Meeting of June 7, 2023	Cees' T Hart (11) Shareholders' Meeting of June 7, 2023
Jean-Dominique Comolli (4) AGM of June 7, 2023	Yann Leriche (9) Shareholders' Meeting of June 7, 2023	Terence Tilgenkamp (12) The European Work Council of Air France-KLM
Isabelle Parize (5) Resignation		Benjamin Smith (13) Shareholders' Meeting of June 7, 2023

(1) Mr. Karim Belabbas, director representing employees, resigned from his mandate on March 11, 2023.

(2) Ms. Stéphanie Besnier resigned from her mandate on March 1, 2023.

(3) Mr. Rodolphe Saadé resigned from his mandate on April 19, 2023.

(4) Mr. Jean-Dominique Comolli's mandate as Director expired at the end of the Shareholders' Meeting of June 7, 2023.

(5) Ms. Isabelle Parize, an independent director, resigned from her mandate on June 30, 2023.

(6) On April 7, 2023, the Comité de Groupe Français appointed Didier Dague as director representing Air France - KLM employees (i) to replace Karim Belabbas for the duration of his term of office (i.e. until the end of the Shareholders' Meeting on June 7, 2023), and (ii) from the end of the Shareholders' Meeting on June 7, 2023 until the end of the Shareholders' Meeting in 2025 convened to approve the financial statements for the year ending December 31, 2024.

(7) Mrs. May Gicquel was appointed on March 15, 2023 by ministerial decree as director representing the French State, replacing Mrs. Stéphanie Besnier. A ministerial order was issued on June 14, 2023, to renew her term of office for a period of four years.

(8) On April 19, 2023, the Board of Directors co-opted CMA CGM as a director to replace Mr. Saadé, for the unexpired term of his predecessor. The Shareholders' Meeting of June 7, 2023 ratified the co-option of CMA CGM, represented by Mr. Ramon Fernandez, as director for the unexpired term of his predecessor, i.e. until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025.

(9) Mr. Yann Leriche was appointed Director by the Air France-KLM Shareholders' Meeting on June 7, 2023 for a 4-year period.

(10) On October 3, 2022, the Board of Directors co-opted Pascal Bouchiat to replace Astrid Panosyan, on the recommendation of the French State. The Shareholders' Meeting of June 7, 2023 ratified the said cooptation and re-elected Pascal Bouchiat as director for a four-year term, until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2026.

⁸ Of which, on Board director appointed as proposed by the French State, one Board director appointed as proposed by the Dutch State, one Board director appointed as proposed by Delta Air Lines Inc., one Board director appointed as proposed by China Eastern Airlines and two Board directors representing the employee shareholders

⁹ In application of the provisions of Article 4 of Ordinance No. 2014-948 of August 20, 2014 on the governance and capital transactions of publicly-held companies

¹⁰ In application of the provisions of Articles L. 22-10-7 and L. 225-27-1 of the Code de Commerce and Article 17-3 of the Articles of Incorporation.

(11) The Shareholders' Meeting of June 7, 2023 decided to reappoint Mr. Cees 'T Hart as Director for a one-year term, until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2023, in accordance with Article 18 of the Company's bylaws as amended by authorization of the Shareholders' Meeting of June 7, 2023.

(12) Mr Terence Tilgenkamp's term of office as director representing employees was reappointed by the Air France - KLM European Works Council on April 4, 2023, to run from the end of the Shareholders' Meeting of June 7, 2023 until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2024.

(13) The Shareholders' Meeting of June 7, 2023 reappointed Mr. Benjamin Smith as a Director for a four-year term, until the end of the Shareholders' Meeting to be called to approve the financial statements for the year ending December 31, 2026.

Composition of the Board of Directors at June 30, 2023

Board directors	Personal information			
	Gender	Nationality	Age	Number of shares held
Board directors appointed by the Shareholders' Meeting				
Anne-Marie Couderc	Female	French	73	4,000
Benjamin Smith	Male	Canadian	51	433,607
Gwenaëlle Avicé-Huet	Female	French	43	3,501
Leni M.T. Boeren	Female	Dutch	59	16,000
Isabelle Bouillot	Female	French	74	1,020
Delta Air Lines, Inc. (Represented by Alain Bellemare ⁽¹⁾)		US		73,401,182
Cees't Hart	Male	Dutch	64	3,500
Dirk van den Berg	Male	Dutch	69	4,000
Anne-Marie Idrac	Female	French	71	1,000
CMA CGM (Represented by Ramon Fernandez)		French		231,348,252
Jian Wang	Male	Chinese	49	8,000
Alexander R. Wynaendts	Male	Dutch	62	1,000
Board directors appointed by the Shareholders' Meeting as proposed by the State				
Yann Leriche	Male	French	50	0
Pascal Bouchiat	Male	French	63	0
Board directors elected by the Shareholders' Meeting representing the employee shareholders				
François Robardet	Male	French	65	2,148
Michel Delli-zotti	Male	French	59	777
Board director representing the State appointed by ministerial decree				
May Gicquel	Female	French	37	0
Board director representing the employees appointed by the Comité de Groupe Français				
Didier Dague	Male	French	64	334
Board director representing the employees appointed by the European Works Council				
Terence Tilgenkamp	Male	Dutch	40	0

Experience	Position within the Board			Participation in Committees				
	Directorships in listed companies	Date appointed	Expiry of term of office	Board experience	Audit Committee	Remuneration Committee	Appointments & Governance Committee	Sustainable Development & Compliance Committee
2	19/05/2016	2024 AGM	7 years				p (Chair)	
1	05/12/2018	2027 AGM	4 year					
2	26/05/2021	2025 AGM	2 years		p			
2	16/05/2017	2025 AGM	6 year		p			p
1	16/05/2013	2025 AGM	10 year		p (Chair)	p		
1	03/10/2017	2025 AGM	5 year			p		
2	28/05/2019	2023 AGM	4 year					
1	26/05/2020	2024 AGM	3 year					p
3	02/11/2017	2025 AGM	5 year					p (Chair)
0	19/04/2023	2026 AGM	2 months					
1	30/07/2019	2025 AGM	3 year					p
4	19/05/2016	2024 AGM	7 year			p (Chair)	p	
1	07/06/2023	2027 AGM	1 month					
1	03/10/2022	2027 AGM	8 months					p
1	06/12/2016	2026 AGM	6 year		p	p		
1	24/05/2022	2026 AGM	1 year		p			
1	15/03/2023	2027 AGM	3 months		p			p
0	07/04/2023	2025 AGM	2 months					
1	01/12/2021	2025 AGM	1 year					p

[1] Of which, one Board director appointed upon proposal of the French State, one Board director appointed upon proposal of the Dutch State, one Board director appointed upon proposal of Delta Air Lines Inc., one Board director appointed upon proposal of China Eastern Airlines and two Board directors representing the employee shareholders.

[2] In application of the provisions of Article 4 of Ordinance No. 2014-948 of August 20, 2014 on the governance and capital transactions of publicly-held companies.

[3] In application of the provisions of Articles L. 22-10-7 and L. 225-27-1 of the French Code de Commerce and Article 17-3 of the Articles of Incorporation.

1.2.2 The CEO Committee

The CEO Committee is chaired by Mr. Benjamin Smith⁽¹⁾, Chief Executive Officer of Air France-KLM, and has three other members reporting directly to Mr. Smith:

- Ms. Anne Rigail, Chief Executive Officer of Air France;
- Ms. Marjan Rintel, Chairman of the KLM management Board & Chief Executive Officer of

KLM, and

- Mr. Steven Zaat, Chief Financial Officer of Air France-KLM.

The CEO Committee is responsible for defining the strategic direction of all of the Group's airlines and operational entities.

1.2.3 The Group Executive Committee

Chaired by the Chief Executive Officer of Air France-KLM, the Group Executive Committee is composed of thirteen members and a secretary.

Composition of the Group Executive Committee as of June 30, 2023:

Members at June 30, 2023	Age at June 30, 2023	Relevant professional experience	
		Sector	Experience
Benjamin Smith Chief Executive Officer, Air France - KLM	51 years	Air Transport	32 years
Marjan Rintel Chairman of the management board and Chief Executive	56 years	Air Transport	23 years
Anne Rigail Chief Executive Officer, Air France	54 years	Air Transport	31 years
Steven Zaat Chief Financial Officer, Air France - KLM	53 years	Air Transport	21 years
Pieter Bootsma Chief Strategic Officer, Air France - KL	53 years	Air Transport	27 years
Alexandre Boissy Corporate Secretary of Air France - KLM and Air France	46 years	Air Transport	23 years
Anne Brachet Executive Vice-President, Engineering & Maintenance, Air France - KLM	59 years	Air Transport	27 years
Oltion Carkaxhija Executive Vice-President Transformation, Air France - KLM	47 years	Air Transport	16 years
Angus Clarke Chief Commercial Officer, Air France - KLM	48 years	Air Transport	21 years
Adriaan den Heijer Executive Vice-President Cargo, Air France - KLM	53 years	Air Transport	28 years
Pierre-Olivier Bandet ⁽¹⁾ Executive Vice-President Information Technology, Air France - KLM	55 years	Strategic consulting, Air Transport	4 years 26 years
Henri de Peyrelongue Executive Vice-President Commercial Sales, Air France - KLM	57 years	Air Transport	32 years
Constance Thio EVP Human Ressources Air France - KLM	53 years	Sustainability Human Resources Air Transport	3 years 8 years 25 years

(1) Mr. Pierre-Olivier Bandet has held office since January 1, 2023 in place of Jean-Christophe Lalanne.

Secretarial services to the Group Executive Committee are provided by the Air France-KLM Chief Executive Officer's Chief of Staff.

1.2.4 Stock market and shareholder structure

Share capital

The shares are fully paid up and shareholders can opt to hold them in either registered or bearer form. Since April 3, 2016, pursuant to law, shareholders holding their shares in registered form for at least two years benefit from a double voting right. There are no other specific rights attached to the shares. Furthermore, there are no securities not representing the share capital.

At June 30, 2023, the Air France-KLM share capital was composed of 2,570,536,136 shares with a nominal value of one euro:

Period ending on	Amount of capital (in €)	Number of shares	Number of theoretical voting rights	Number of exercizable voting rights
June 30, 2022	2,570,536,136	2,570,536,136	2,792,564,813	2,790,240,378
June 30, 2023	2,570,536,136	2,570,536,136	2,845,310,481	2,842,696,341

Shareholder structure

The following table shows the changes in the Company's shareholder structure at June 30, 2023 relative to December 31, 2022:

	% of the capital		% of exercizable voting rights ⁽¹⁾		% of theoretical voting rights ⁽²⁾	
	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022
Number of shares or voting rights	2,570,536,136	2,570,536,136	2,842,696,341	2,790,242,836	2,845,310,481	2,792,628,890
French State	28.6 %	28.6 %	29.0 %	28.5 %	29.0 %	28.5 %
Dutch State	9.3 %	9.3 %	10.6 %	10.8 %	10.5 %	10.7 %
CMA CGM	9.0 %	9.0 %	8.1 %	8.3 %	8.1 %	8.3 %
China Eastern Airlines ⁽³⁾	4.7 %	4.7 %	6.4 %	5.7 %	6.4 %	5.6 %
Delta Air Lines, Inc. ⁽⁴⁾	2.9 %	2.9 %	3.9 %	4.0 %	3.9 %	4.0 %
Employees (FCPE)	1.2 %	1.2 %	1.5 %	1.6 %	1.5 %	1.6 %
Treasury stock ⁽⁵⁾	0.1 %	0.1 %	– %	0,0%	0.1 %	0.1 %
Other	44.2 %	44.3 %	40.5 %	41.1 %	40.5 %	41.2 %

- (1) The exercisable voting rights do not include the voting rights on treasury shares or shares that have been stripped of their voting rights given, notably, late notification of the crossing of a threshold.
- (2) The theoretical voting rights calculation takes into account all of the voting rights including the double voting rights.
- (3) Through Eastern Airlines Industry Investment (Luxembourg) Company Limited.
- (4) Acting in the capacity of general partner of the partnership under Dutch law, DAL Foreign Holdings C.V. The company Delta Air Lines, Inc. controls DAL Foreign Holdings C.V. and, as general partner of DAL Foreign Holdings C.V. is the legal owner of the Air France-KLM shares.
- (5) Including 258,042 treasury shares held by Air France-KLM at 30 June 2023.

Stock market performance

Air France-KLM shares are listed for trading on the Paris and Amsterdam Stock Markets (Euronext Paris and Amsterdam) under the ISIN code FR0000031122.

The stock is a component of the SBF 120. Since February 2008, Air France-KLM's ADR program (American Depositary Receipt) has been traded on the OTC Pink Marketplace under the ticker AFLYY. The Reuters code for the stock is AIRF.PA or AIRF.AS and the Bloomberg code AF FP.

Pursuant to Article 222-1 of the Autorité des Marchés Financiers (AMF) General Regulation, since the registered office for Air France-KLM is located in France, its Home Member State, within the meaning of Directive 2004/109/EC of December 15, 2004, as amended (the Transparency Directive), is France. The AMF is consequently its competent market authority as regards ensuring compliance with its regulated information obligations.

Over the first half 2023, the Air France-KLM stock price increased by 38%:

	January-June 2023	January-June 2022
Share price high (in euros)	1.85	2.27
Share price low (in euros)	1.25	1.12
Number of shares in circulation	2,570,536,136	2,570,536,136
Market capitalization at the end of the period (in billions of euros)	4.4	2.9

2

FINANCIAL REPORT

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2.1 COMMENTS ON THE FINANCIAL SITUATION (UNAUDITED)

2.1.1 Consolidated results for the first half ended June 30, 2023

Scope at June 30, 2023

At June 30, 2023, the consolidation scope was composed of 85 fully consolidated companies, 21 companies consolidated using the equity method and one joint-venture. Air France - KLM and its two main subsidiaries,

Air France and KLM, represent 91% of revenues and 65% of the balance sheet. The other subsidiaries are principally involved in air transportation (Hop!, KLM Cityhopper), maintenance and low-cost transportation (Transavia).

(in € million)	June 30, 2023	June 30, 2022	Change
Sales	13,953	11,152	2,801
EBITDA	1,614	1,152	462
Income from current operations	426	36	390
Income from operating activities	469	60	409
Net income for the period	275	(226)	501
Net income/(loss), Group part	260	(228)	488
Basic earnings/(loss) per share, Group (in €)	0.05	(0.42)	0.47

Revenues

Consolidated revenues for the period amounted to €14.0 billion, an increase of 25.1% and 24.8% on a constant currency basis compared to first semester 2022. Air France-KLM increased its overall capacity by 13.5% (ASK - available seat-kilometer). The 2023 first half was characterized by a 10.9% increase in unit revenues on a constant currency basis, due to the combined performances of the passenger (22.4%) and cargo (-38.3%) transportation activities, both these activities being included in the Network business, and the performance of Transavia (7.6%). In addition, Air France-KLM increased its passenger capacity by 12.6% (ASK) and its cargo capacity by 8.4% (ATK). Transavia's capacity increase stood at 19.5% (ASK). Revenues from the Network business increased by 25.3%. Maintenance revenues increased by 13.7%, while third-party maintenance revenues increased by 17.4% (14.3% on a constant currency basis). Transavia revenues increased by 28.2%.

Operating expenses

Operating expenses increased by 21.7% to €13.5 billion, while capacity (ASK) increased by 13.5% compared to first semester 2022.

External expenses increased by 21.7% to €8.6 billion versus €7.1 billion over the previous half.

Excluding fuel, external expenses were up by 21.4% relative to first semester 2022.

The breakdown of external expenses was as follows:

(in € million)	June 30, 2023	June 30, 2022 restated (*)	% ch.	% ch. at constant currency
Aircraft fuel	3,523	2,885	22.1 %	20.2 %
Chartering costs	243	193	25.9 %	25.0 %
Landing fees and air route charges	919	784	17.2 %	17.5 %
Catering	393	319	23.2 %	23.0 %
Handling charges and other operating costs	894	722	23.8 %	24.1 %
Aircraft maintenance costs	1,245	1,118	11.4 %	9.1 %
Commercial and distribution costs	516	384	34.4 %	33.9 %
Other external expenses	916	702	30.5 %	30.5 %
Total	8,649	7,107	21.7 %	20.5 %

* Restated figures include the change in accounting principles for CO₂ quotas, please refer to Note 2 of the notes to the consolidated financial statements.

The main changes were as follows:

— aircraft fuel (including CO₂ quotas): the fuel expense for the first half year increased by 22.1%, mainly due to higher capacity (ASK 13.5%), dollar appreciation and change in fuel hedge results compared to last year that had a negative effect of €712 million;

— chartering costs: the costs incurred in leasing aircraft capacity from other airlines. Their increase in 2023 (+25.9%) resulted in a higher increase than the Group's overall capacity increase;

— landing fees and en-route charges: these costs are incurred for air navigation services and the use of airports and their increase relative to last year (+17.2%) was slightly above the capacity growth (ASK 13.5%) following increases in airport and air navigation tariffs;

— catering costs: these costs comprise the services supplied on board the Air France - KLM Group's own aircraft. They increased by 23.2% compared to last year, when in-flight catering on board had been considerably reduced due to the Covid-19 health measures and also due to higher capacity and food inflation;

— handling charges and other operating costs: principally cover aircraft handling on the ground and the cost of passenger care for the Group and, to a lesser extent, third-party customers. The increase in these costs (+23.8%) is mainly explained by the increase in capacity and by inflationary pressures;

— aircraft maintenance costs: they include maintenance procurement and consumption for the Group's aircraft and for the third-party activity; their increase is linked to the increase in internal and third-party activities;

— commercial and distribution costs: these costs increased by 34.4%, significantly more than capacity due to a base effect as marketing costs had been extremely limited in 2022 within the context of the Covid-19;

— other external expenses principally comprise rental charges, telecommunications costs, insurance and fees. Their level, increased by more than capacity thanks to inflationary pressures.

Salaries and related costs were up by 24.6% to €4.2 billion versus €3.3 billion in 2022. This was largely explained by the decrease in Long-Term Partial Activity ("APLD") in France and the end of the NOW program in the Netherlands in the first quarter of 2022, whose total contribution was reduced from €254 million in H1 2022 to no more furlough received in H1 2023. In addition, salary costs increased due to higher activity and the new collective labor agreements negotiated in the context of high inflation.

Taxes other than income taxes stood at €93 million in the first half of 2023 versus €80 million in 2022, up by 16.3%.

Other current income and expenses stood at net income of €567 million in the first half of 2023 versus a net income of €530 million in 2022. They included:

— capitalized production amounting to €534 million in 2023 versus €500 million in 2022;

— a result from joint-ventures of €(21) million in 2023 versus an income of €1 million in 2022;

— €45 million income from currency hedges in 2023 versus €37 million in 2022.

EBITDA

EBITDA amounted to €1,614 million (versus €1,152 million at June 30, 2022).

The contributions to EBITDA by business segment were as follows:

(in € million)	June 30, 2023	June 30, 2022	% ch.
Network	1,482	943	57.2 %
Maintenance	188	196	(4.1)%
Transavia	(61)	1	na
Other	5	12	(58.3)%
Total	1,614	1,152	40.1 %

Amortization, depreciation and provisions

Amortization, depreciation and provisions totaled €1,188 million in 2023 versus €1,116 million in 2022.

Without calling into question the objective of reaching 64% of new-generation aircraft in the fleet by 2028, 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 €41 million over the period ended June 30, 2023.

Income/(loss) from current operations

The result from current operations was positive to the tune of €426 million (versus €36 million at June 30, 2022).

The contributions to revenues and income/(loss) from current operations by business segment were as follows:

(in € million)	June 30, 2023		June 30, 2022	
	External sales	Income from current operations	External sales	Income from current operations
Network	12,095	542	9,647	43
Maintenance	753	62	642	101
Transavia	1,089	(172)	850	(110)
Other	16	(6)	13	2
Total	13,953	426	11,152	36

The nominal unit cost per ASK increased by 7.8%. In addition, there was a 0.5% increase on currency variation and a fuel price increase of 1.4%. Together this amounted to an unit cost at constant currency and constant fuel price of 5.9%.

Income/(loss) from operating activities

The result from operating activities amounted to €469 million in the first half of 2023 versus €60 million in 2022.

Over the first half of 2023, the result from operating activities included, notably:

- the impact of aircraft sales and leasebacks for €6 million;
- a €20 million gain resulting from a refinancing of a B777 (KLM);
- a €11 million gain resulting from the disposal of Heathrow slots to Virgin Atlantic;
- a €10 million gain resulting from the disposal of a Data Center by KLM.

In the first half of 2022, the result from operating activities had included, notably:

- a €39 million gain on the sale of aircraft equipment;
- a €(17) million loss linked to impairments on fleet and other assets.

These operations are detailed in Note 11 "Sales of aircraft equipment and other non-current income and expenses" in the Notes to the consolidated financial statements.

Net cost of financial debt

The net cost of financial debt decreased to €(188) million versus a net cost of €(277) in the previous half. As of June 30, 2023 and in the context of the full repayment of the state guaranteed loan, it includes a €10 million income consisting of an expense of €(96) million related to the guarantee contractually due and an income of €106 million, related to the application of the amortized cost at the effective interest rate methodology.

Other financial income and expenses

Other net financial income and expenses amounted to €14 million in 2023 versus €(286) million in 2022 and corresponded mainly to foreign exchange gain of €112 million in 2023 versus a €(236) million loss in 2022. In addition, it includes as well the impact of the rate used to discount the long term return obligation liability and provision for leased aircraft.

Net result - Group part

Income taxes stood at income of €(21) million in 2023 versus €278 million in 2022 mainly due to the recognition of deferred tax assets for the Dutch tax group in the first half of 2022.

Share of profits/(losses) from associates contributed a gain of €1 million in 2023 versus a €(1) million loss in the previous half. This was principally the result from the Servair Group and from partnerships in the maintenance business.

The net result, Group part stood at income of €260 million as of June 30, 2023 versus a €(228) million loss as of June 30, 2022

The contributions to the net result by quarter were, respectively, €(344) million at March 31, 2023, €604 million at June 30, 2023.

Basic earnings per share, Group part amounted to €0.05 at June 30, 2023 versus €(0.42) at June 30, 2022.

2.1.2 Investments

(in € million)	June 30, 2023	June 30, 2022 restated (*)
Acquisition of intangible assets	(76)	(72)
Investment in flight equipment	(1,215)	(1,326)
Acquisition of other tangible assets	(88)	(51)
Change in accounts payable on acquisitions	(17)	(8)
Acquisition of subsidiaries, of shares in non-controlled entities	(2)	–
Proceeds on disposal of property plant and equipment and intangible assets	211	476
Dividends received	2	1
Decrease (increase) in net investments, more than 3 months	(52)	6
Net cash flow used in investing activities	(1,237)	(974)

* Restated figures include the change in accounting principles for CO2 quotas, please refer to Note 2 of the notes to the consolidated financial statements.

Investment in flight equipment included advance payments and balances on the delivery of aircraft purchases, capitalized aircraft modifications, spare parts procurement and maintenance costs eligible for capitalization. Investment in intangible assets related to the purchase of software and capitalized IT development. Other investments in tangible assets mostly included the acquisition of industrial equipment for the flight operations, maintenance and IT.

During the 2023 first half, the Air France - KLM Group's capital expenditure on tangible and intangible assets amounted to €(1,396) million and proceeds on disposals to €211 million.

2.1.3 Financing

(in € million)	June 30, 2023	June 30, 2022
Increase of equity	–	1,551
Payments to acquire treasury shares	(1)	–
Issuance of perpetual	728	–
Repayment on perpetual	(595)	(993)
Coupons on perpetual	(52)	(229)
Issuance of debt	1,558	552
Repayment on debt	(2,969)	(1,415)
Payments on lease debts	(421)	(442)
New loans	(306)	(175)
Repayment on loans	104	16
Dividends paid	(90)	–
Net cash flow from financing activities	(2,044)	(1,135)

Evolution of perpetual subordinated bonds owned by the French State

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).

In parallel, 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).

In this context, 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 accordingly to IFRS principles.

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, 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.

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.

At June 30, 2023, the Group’s net liquidity position amounted to €7.8 billion, including €624 million of investments with maturities of above three months and €987 million of bonds. In addition, the Group had credit facilities of €2.3 billion available at June 30, 2023.

Net debt stood at €4.9 billion (€6.3 billion as of December 31, 2022). The detailed net debt calculation can be found in Note 23 in the Notes to the consolidated financial statements).

2.1.4 Structure and profile of reimbursement of the financial debt

Structure of the financial debt

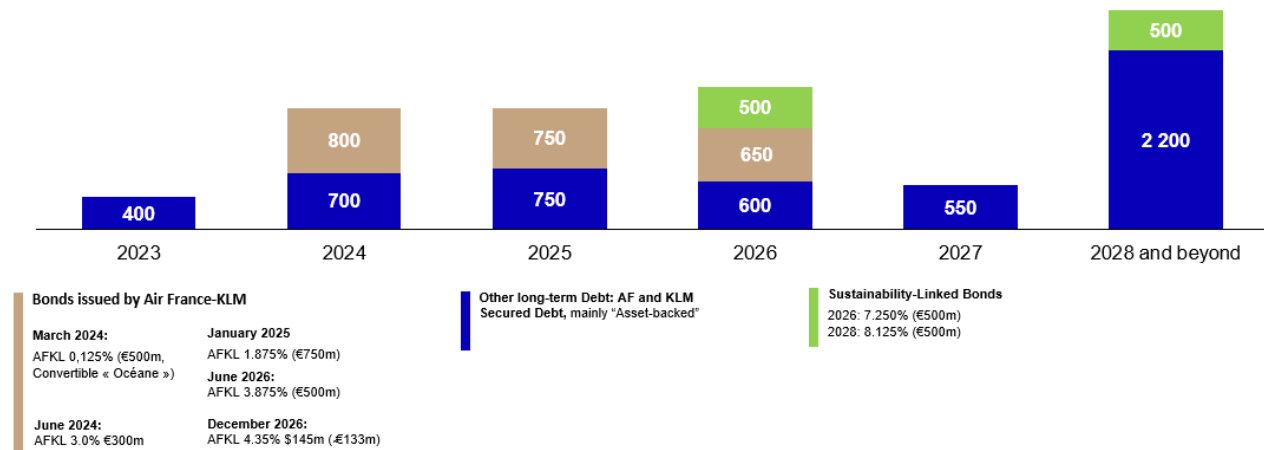
The Group's gross debt stood at €8.9 billion at June 30, 2023. The structure of the debt is as follows:

- market financing (bonds and perpetual subordinated loan stock): €2.7 billion;
- financial lease debt with bargain option: €3.7 billion;
- sustainability-linked bonds: €1.0 billion;
- other borrowings including bank debt and accrued interest: €1.5 billion.

Reimbursement profile for debt and subordinated securities, excluding lease debt and KLM perpetuals

Debt reimbursement profile⁽¹⁾

In €m



(1) Excluding operating lease debt payments, KLM perpetual debt, and Air France perpetual quasi-equity.

2.1.5 Main financial ratios of the Group

Financial cover ratios

Net debt/EBITDA ratio	June 30, 2023	December 31, 2022
Net debt	4,900	6,337
EBITDA	4,077	3,615
Net debt/EBITDA*	1.20	1.75

*Trailing 12 months EBITDA

EBITDA/net cost of financial debt ratio	June 30, 2023	December 31, 2022
EBITDA	1,614	3,615
Net cost of financial debt	188	528
EBITDA/net cost of financial debt	8.59	6.85

Return on Capital Employed (ROCE)

Return on capital employed measures the return on invested capital by expressing a result after tax as a percentage of capital employed. The calculation methodology is as follows:

- the calculation of the capital employed is based on an additive method by identifying the relevant balance sheet items. The capital employed for the year is obtained by taking the average of the capital employed on every quarterly balance sheet;

- the adjusted result after tax corresponds to the sum of the operating result adjusted for dividends received and the share of profits/(losses) of associates.

(in € million)	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
			restated (*)	restated (*)
Goodwill and intangible assets	1,339	1,351	1,352	1,350
Flight equipment	10,957	10,954	10,614	10,298
Other property, plant and equipment	1,389	1,372	1,375	1,349
Right-of-use assets	5,480	5,304	5,428	5,536
Investments in equity associates	121	122	120	111
Other financial assets excluding shares available for sale, marketable securities and financial deposits	190	169	169	164
Provisions excluding pension, cargo litigation and restructuring	(4,248)	(4,255)	(4,347)	(4,792)
Working capital	(11,467)	(11,313)	(9,882)	(10,359)
Capital employed	3,761	3,704	4,829	3,657
Average capital employed (A)		3,988		
Income (losses) from current operations		1,584		
Dividends received		(2)		
Share of profits/(losses) of associates		15		
Normative income tax		(412)		
Adjusted result from current operations after tax (B)		1,185		
ROCE (B/A)		29.7%		

* Restated figures include the change in accounting principles for CO2 quotas, please refer to Note 2 of the notes to the consolidated financial statements.

(in € million)	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
	restated (*)	restated (*)	restated (*)	restated (*)
Goodwill and intangible assets	1 361	1 363	1 380	1 384
Flight equipment	10 521	10 537	10 466	10 478
Other property, plant and equipment	1 358	1 378	1 402	1 418
Right-of-use assets	5 439	5 205	5 148	5 061
Investments in equity associates	108	107	109	172
Other financial assets excluding shares available for sale, marketable securities and financial deposits	162	158	157	147
Provisions excluding pension, cargo litigation and restructuring	(4 473)	(4 240)	(4 180)	(4 180)
WCR	(11 080)	(9 480)	(8 185)	(7 923)
Capital employed	3 396	5 028	6 297	6 557
Average capital employed (A)		5,320		
Adjusted result from current operations		344		
Dividends received		-		
Share of profits/(losses) of associates		(12)		
Normative income tax		(80)		
Adjusted result from current operations after tax (B)		252		
ROCE (B/A)		4,7%		

* Restated figures include the change in accounting principles for CO2 quotas, please refer to Note 2 of the notes to the consolidated financial statements.

Net cost per ASK

To analyze the cost performance of each transportation activity, the Group divides the net cost of this activity by the capacity produced, expressed in ASK for the passenger business and Transavia, and in ATK for the cargo business. To analyze the company's overall cost performance, the Group uses the net cost per ASK. This net cost is obtained by dividing the total net cost by the capacity produced expressed in available seat-kilometers (ASK).

The net cost is calculated by subtracting the revenues other than those generated by the three transportation activities (passenger, cargo and Transavia) from total operating expenses. The capacity produced by the two passenger transportation activities is combined by adding the capacity of the passenger business (in ASK) to that of Transavia (in ASK).

		June 30, 2023	June 30, 2022
Revenues (in €m)	A	13,953	11,152
Income/(loss) from current operations (in €m)	B	426	36
Total operating expense (in €m)	C=A-B	13,527	11,116
Network business - other network revenues (in €m)	D	510	439
Third-party revenues in maintenance (in €m)	E	753	642
Transavia - other revenues (in €m)	F	(21)	(12)
Other businesses (in €m)	G	15	13
Net costs (in €m)	H=C-D-E-F-G	12,270	10,034
Capacity produced, reported in ASK		147,727	130,192
Net cost per ASK (in € cents)		8.31	7.71
Gross change			7,8%
Currency effect on net costs (in €m)			43
Change at constant currencies			7,3%
Fuel price effect (in €m)			134
Change on a constant currency and fuel price basis			5,9%
Net cost per ASK on a constant currency and fuel price basis (in € cents)		8.31	7.84

2.1.6 Consolidated equity at June 30, 2023

Consolidated Equity amounted to €(2,231) million as of June 30, 2023 versus €(2,480) million as of December 31, 2022. The €0.2 billion increase is mainly explained by the net result of the period.

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.

In parallel, 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.

Consequently, those operation had no impact on the total consolidated equity as of June 30, 2023.

2.1.7 Air France-KLM parent company results

As a holding company, Air France - KLM has no operating activity. Its revenues comprise royalties paid by the two operating subsidiaries for use of the Air France - KLM logo and the supply of services invoiced to Air France and KLM. Its expenses mostly comprise financial communication expenses, Statutory Auditors' fees, the expenses linked to the compensation of the company officers and the staff made available by Air France and KLM.

At June 30, 2023, the operating result amounted to a loss of €(7) million (versus a loss of €(6) million in 2022).

The net result was a €4 million income, mainly due to financial income on marketable securities, unrealized foreign exchange gains and tax income.

2.2 CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 Consolidated income statement

Period from January 1 to June 30 (in € million)	Notes	2023	2022 restated ⁽¹⁾
Revenues from ordinary activities		13,953	11,152
External expenses	7	(8,649)	(7,107)
Salaries and related costs	8	(4,164)	(3,343)
Taxes other than income taxes		(93)	(80)
Other current operating income and expenses	9	567	530
EBITDA		1,614	1,152
Amortization, depreciation and provisions	10	(1,188)	(1,116)
Income from current operations		426	36
Sales of aircraft equipment	11	28	39
Other non-current income and expenses	11	15	(15)
Income from operating activities		469	60
Cost of financial debt	12	(296)	(277)
Income from cash and cash equivalents	12	108	–
Net cost of financial debt	12	(188)	(277)
Other financial income and expenses	12	14	(286)
Income before tax		295	(503)
Income taxes	13.1	(21)	278
Net income of consolidated companies		274	(225)
Share of profits (losses) of associates		1	(1)
Net income for the period		275	(226)
Non-controlling interests		15	2
Net income - Group part		260	(228)
Earnings per share - Equity holders of Air France-KLM (in euros)			
- basic	14	0.05	(0.42)
- diluted	14	0.05	(0.42)

⁽¹⁾ See Note 2 in Notes to the consolidated financial statements.

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

2.2.2 Consolidated statement of recognized income and expenses

Period from January 1 to June 30	Notes	2023	2022
<i>(in € million)</i>			
Net income for the period		275	(226)
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		(118)	823
Change in fair value and cost of hedging transferred to profit or loss		37	(647)
Exchange difference resulting from the translation		1	8
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	13.2	21	(48)
Total of other comprehensive income that will be reclassified to profit or loss		(59)	136
Remeasurements of defined benefit pension plans	20	51	415
Fair value of equity instruments revalued through OCI		3	(4)
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	13.2	(11)	(21)
Total of other comprehensive income that will not be reclassified to profit or loss		43	390
Total of other comprehensive income, after tax		(16)	526
Recognized income and expenses		259	300
— Equity holders of Air France - KLM		244	298
— Non-controlling interests		15	2

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

2.2.3 Consolidated balance sheet

Assets	Notes	June 30, 2023	December 31, 2022
(in € million)			restated ⁽¹⁾
Goodwill		225	225
Intangible assets		1,114	1,127
Flight equipment	15	10,957	10,614
Other property, plant and equipment	15	1,389	1,375
Right-of-use assets	17	5,480	5,428
Investments in equity associates		121	120
Pension assets	20	83	39
Other non-current financial assets		1,443	1,184
Non-current derivative financial assets		159	262
Deferred tax assets	13	714	714
Other non-current assets		76	78
Total non-current assets		21,761	21,166
Other current financial assets		621	620
Current derivative financial assets		214	327
Inventories		754	723
Trade receivables		1,983	1,785
Other current assets		1,132	979
Cash and cash equivalents	18	6,169	6,626
Assets held for sale		82	79
Total current assets		10,955	11,139
Total assets		32,716	32,305

⁽¹⁾ See Note 2 in Notes to the consolidated financial statements.

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

Consolidated balance sheet (continuation)

Liabilities and equity	Notes	June 30, 2023	December 31, 2022
<i>(in € million)</i>			
Issued capital	19.1	2,571	2,571
Additional paid-in capital		5,217	5,217
Treasury shares		(25)	(25)
Perpetual	19.2	1,048	933
Reserves and retained earnings		(11,582)	(11,700)
Equity attributable to equity holders of Air France-KLM		(2,771)	(3,004)
Perpetual	19.2	524	510
Reserves and retained earnings		16	14
Equity attributable Non-controlling interests		540	524
Total equity		(2,231)	(2,480)
Pension provisions	20	1,661	1,634
Non-current return obligation liabilities and provisions for leased aircrafts and other provisions	21	3,885	4,149
Non-current financial liabilities	22	8,225	9,657
Non-current lease debt	17	3,227	3,318
Non-current derivative financial liabilities		39	21
Deferred tax liabilities	13	9	1
Other non-current liabilities	24	1,696	2,343
Total non-current liabilities		18,742	21,123
Current return obligation liabilities and provisions for leased aircrafts and other provisions	21	847	740
Current financial liabilities	22	675	896
Current lease debt	17	819	834
Current derivative financial liabilities		143	83
Trade payables		2,576	2,424
Deferred revenue on ticket sales		5,500	3,725
Frequent flyer programs		884	900
Other current liabilities	24	4,755	4,057
Bank overdrafts	18	6	3
Total current liabilities		16,205	13,662
Total liabilities		34,947	34,785
Total equity and liabilities		32,716	32,305

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

2.2.4 Consolidated statement of changes in stockholders' equity

(in € million)	Attributable to equity holders of Air France-KLM						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	Equity
December 31, 2021	642,634,034	643	4,949	(25)	3,151	(12,542)	(3,824)	-	8	8	(3,816)
Other comprehensive income		-	-	-	-	526	526	-	-	-	526
Net result for the period		-	-	-	-	(228)	(228)	-	2	2	(226)
Total of income and expenses recognized		-	-	-	-	298	298	-	2	2	300
Capital increase	1,927,902,102	1,928	268	-	-	-	2,196	-	-	-	2,196
Perpetual		-	-	-	(1,631)	-	(1,631)	-	-	-	(1,631)
Coupons on perpetual		-	-	-	(131)	(105)	(236)	-	-	-	(236)
June 30, 2022	2,570,536,136	2,571	5,217	(25)	1,389	(12,349)	(3,197)	-	10	10	(3,187)
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		-	-	-	-	(16)	(16)	-	-	-	(16)
Net result for the period		-	-	-	-	260	260	-	15	15	275
Total of income and expenses recognized		-	-	-	-	244	244	-	15	15	259
Purchase of Treasury Shares		-	-	(1)	-	-	(1)	-	-	-	(1)
Share based payments		-	-	1	-	(1)	-	-	-	-	-
Perpetual bonds		-	-	-	133	-	133	-	-	-	133
Coupons on perpetual		-	-	-	(18)	(34)	(52)	14	(14)	-	(52)
Dividends paid ⁽¹⁾		-	-	-	-	(90)	(90)	-	-	-	(90)
Other		-	-	-	-	(1)	(1)	-	1	1	-
June 30, 2023	2,570,536,136	2,571	5,217	(25)	1,048	(11,582)	(2,771)	524	16	540	(2,231)

⁽¹⁾ During the first half of 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.

2.2.5 Consolidated statement of cash flows

Period from January 1 to June 30 (in € million)	Notes	2023	2022 restated ⁽¹⁾
Net income		275	(226)
Amortization, depreciation and operating provisions	10	1,188	1,116
Financial provisions	12	100	69
Loss (gain) on disposals of tangible and intangible assets		(49)	(40)
Derivatives - non monetary result		(5)	(20)
Unrealized foreign exchange gains and losses, net		(73)	240
Share of (profits) losses of associates		(1)	1
Deferred taxes	13	19	(282)
Impairment		2	17
Other non-monetary items		(152)	(117)
Financial capacity		1,304	758
(Increase) / decrease in inventories		(33)	(79)
(Increase) / decrease in trade receivables		(167)	(437)
Increase / (decrease) in trade payables		115	971
Increase / (decrease) in advanced ticket sales		1,757	2,276
Change in other assets and liabilities		(130)	97
Change in working capital requirement		1,542	2,828
Net cash flow from operating activities		2,846	3,586
Acquisition of subsidiaries, of shares in non-controlled entities		(2)	-
Purchase of property plant and equipment and intangible assets	16	(1,396)	(1,457)
Proceeds on disposal of property plant and equipment and intangible assets	11	211	476
Dividends received		2	1
Decrease (increase) in net investments, more than 3 months		(52)	6
Net cash flow used in investing activities		(1,237)	(974)
Increase of equity	19.1	-	1,551
Payments to acquire treasury shares		(1)	-
Issuance of perpetual	19.2	728	-
Repayment on perpetual	19.2	(595)	(993)
Coupons on perpetual	19.2	(52)	(229)
Issuance of debt	22	1,558	552
Repayment on debt	22	(2,969)	(1,415)
Payments on lease debts		(421)	(442)
New loans		(306)	(175)
Repayment on loans		104	16
Dividends paid		(90)	-
Net cash flow from financing activities		(2,044)	(1,135)
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		(25)	40
Change in cash and cash equivalents and bank overdrafts		(460)	1,517
Cash and cash equivalents and bank overdrafts at beginning of period	18	6,623	6,654
Cash and cash equivalents and bank overdrafts at end of period	18	6,163	8,171
Income tax (paid) / reimbursed (flow included in operating activities)		(61)	50
Interest paid (flow included in operating activities)		(475)	(291)
Interest received (flow included in operating activities)		91	(8)

⁽¹⁾ See Note 2 in Notes to the consolidated financial statements.

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

2.2.6 Operating free cash flow

Period from January 1 to June 30 (in € million)	Notes	2023	2022 restated ⁽¹⁾
Net cash flow from operating activities		2,846	3,586
Purchase of property plant and equipment and intangible assets	16	(1,396)	(1,457)
Proceeds on disposal of property plant and equipment and intangible assets		211	476
Operating free cash flow	23	1,661	2,605
Payments on lease debts		(421)	(442)
Operating free cash flow adjusted		1,240	2,163

⁽¹⁾ See Note 2 in Notes to the consolidated financial statements.

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

2.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 BUSINESS DESCRIPTION

As used herein, the term “Air France-KLM” refers to Air France-KLM SA, a limited liability company organized under French law. The term “Group” is represented by the economic definition of Air France-KLM and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world.

The Group’s core business is network activities which includes passenger transportation on scheduled flights and cargo activities. The Group’s activities also include aeronautics maintenance, leisure passenger

transportation (Transavia) and other air-transport-related activities.

The limited company Air France-KLM, domiciled at 7, rue du cirque 75008 Paris - France, is the parent company of the Air France-KLM Group. Air France-KLM is listed for trading in Paris (Euronext) and Amsterdam (Euronext).

The presentation currency used in the Group’s financial statements is the Euro, which is also Air France-KLM’s functional currency.

NOTE 2 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 income statement

Period from January 1 to June 30, 2022 (in € million)	Published accounts	Change in accounting treatment	Restated accounts
External expenses	(7,080)	(27)	(7,107)
Other current operating income and expenses	503	27	530

Impact on the consolidated statement of cash flows

Period from January 1 to June 30, 2022 (in € million)	Published accounts	Change in accounting treatment	Restated accounts
Other non-monetary items	(90)	(27)	(117)
Change in other assets and liabilities	104	(7)	97
Net cash flow from operating activities	3,620	(34)	3,586
Purchase of property plant and equipment and intangible assets	(1,491)	34	(1,457)
Net cash flow used in investing activities	(1,008)	34	(974)

Impact on the consolidated balance sheet

Balance sheet as of December 31, 2022 (in € million)	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

Depending on the date of surrender of CO₂ quotas, these are recognized within "other non current assets" and "other current assets" in accordance with IAS 1. The restated 2022 consolidated balance sheet was adjusted during the second quarter of 2023 and no longer

corresponds to the figures of the unaudited interim consolidated financial statements as of March 31, 2023 in order to reflect this accounting classification for the comparative period of December 2022.

NOTE 3 SIGNIFICANT EVENTS

3.1 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, 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 June 30, 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

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.

In parallel, 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 June 30, 2023.

Flight AF447 Rio-Paris

Air France was indicted on March 28, 2011, the day after Airbus was indicted, for involuntary manslaughter in the context of the crash of AF447 Rio-Paris of June 1, 2009.

An order of dismissal in favor of Air France and Airbus was issued on September 4, 2019 by the investigating judges of the Paris "Tribunal de Grande Instance".

The Public Prosecutor's Office and most of the civil parties have appealed this decision and the investigation chamber of the Court of Appeal ruled on May 12, 2021, sending Airbus and Air France back before the Correctional Division of the Paris Judicial Court.

A criminal trial took place from October 10 to December 8, 2022 before the Paris Correctional Court. After the Public Prosecutor's Office requested the acquittal, the Court issued an acquittal judgement on April 17, 2023 based on the absence of causal link between the alleged faults and the accident. On April 27, 2023, the General Prosecutor's Office appealed this decision, and Airbus and Air France in turn appealed the decision to contest the respective faults with which they were charged.

The appeal hearings should take place within 12 to 18 months.

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 the two airlines' commitment to sustainable development and a gradual decarbonization of activities. The two RCFs include a financing cost margin adjustment mechanism (upward or downward) conditional to the independent achievement of these dedicated Indicators (reduction of the unit 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 and provides for a €100 million accordion clause at the lenders' discretion during one year following the signing date.

KLM

KLM signed a 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 and provides a €200 million accordion clause at the lenders' discretion.

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 which were cancelled by KLM.

3.2 Subsequent events

Air France-KLM reverse share split and share capital reduction

As of July 12, 2023, the Air France-KLM Group has announced the implementation of the reverse share split of all outstanding shares of the Company and the share capital reduction by way of a reduction in the nominal value of the shares decided by the Board of Directors at its meeting on July 4, 2023 in accordance with the thirty-sixth and thirty-seventh extraordinary resolutions of the Combined General Meeting of June 7, 2023.

Reverse share split

The reverse share split will result in the allocation of 1 new ordinary share with a par value of 10 euros for 10 existing ordinary shares with a par value of 1 euro, and in a division by 10 of the number of outstanding shares. The reverse share split transactions will begin on July 31, 2023, with an exchange period open from that date until August 30, 2023 included.

Share capital reduction

From August 31, 2023, the par value of each share in the Company will be reduced from 10 euros to 1 euro, i.e. a reduction of 9 euros per share. The amount of this share capital reduction will be allocated to the "share premium" account.

After the share capital reduction, the new shares' par value will be identical to the par value of today's shares (before the reverse share split).

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 ("Apollo") to raise a €500 million financing into an operating affiliate of Air France that will own a pool of components dedicated to Air France's Engineering and Maintenance activities.

Under this agreement, Apollo will subscribe to perpetual bonds issued by this ad hoc operating affiliate and this financing will be accounted as equity according IFRS principles.

The perpetual bonds will bear an interest rate of 6.9% for the first 3 years and gradual step ups and caps will be applied thereafter. Air France will have the ability to redeem them at any time after 3 years.

NOTE 4 ACCOUNTING POLICIES

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, 2022 were established in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union on the date these consolidated financial statements were established and which were mandatory at that date.

The condensed interim consolidated financial statements as of June 30, 2023 have been prepared in accordance with IAS 34 "Interim financial reporting".

The accounting policies applied for the condensed interim consolidated financial statements as at June 30, 2023 are consistent with those applied for the financial statements as at December 31, 2022, with the exception the of standards and interpretations adopted by the European Union that are applicable as of January 1, 2023.

The amendments applicable to the Group from January 1, 2023 are as follows:

- amendment to IAS 1 concerning the

presentation of significant accounting policies in the financial statements,

- amendment to IAS 8 regarding the definition of accounting standards,
- amendment to IAS 12 concerning deferred tax on assets and liabilities resulting from the same transaction.

These amendments have no significant impact for the Group.

A study of the impact of legislative changes on retirement age in France is currently underway. The expected impact is not significant for the Group.

Finally, the Group is concerned by the application of Pilar 2 and has undertaken work to assess the impact.

The condensed interim consolidated financial statements as of June 30, 2023 were approved by the Board of Directors on July 27, 2023.

NOTE 5 CHANGE IN THE CONSOLIDATION SCOPE

No significant acquisitions or disposals took place during the period ended June 30, 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 & Surinam;
- Europe (excluding France and Benelux);
- Rest of the world.

Activity by destination (note 6.2.2)

Group Traffic sales by destination are broken down into seven geographical areas:

- Metropolitan France;
- Europe (excluding France) and North Africa;
- Caribbean, West Indies, French Guyana and Indian Ocean;
- Africa (excluding North Africa), Middle East;
- North America, Mexico;
- South America (excluding Mexico);
- Asia and New Caledonia.

6.1 Information by business segment

Period ended June 30, 2023	Network	Maintenance	Transavia	Other	Non-allocated	Total
(in € million)						
Total sales	12,108	1,981	1,089	125	–	15,303
Intersegment sales	(13)	(1,228)	–	(110)	–	(1,351)
External sales	12,095	753	1,089	15	–	13,952
Other revenues	–	–	–	1	–	1
Revenues from ordinary activities	12,095	753	1,089	16	–	13,953
EBITDA	1,482	188	(61)	5	–	1,614
Income from current operations	542	62	(172)	(6)	–	426
Income from operating activities	575	61	(170)	3	–	469
Share of profits (losses) of associates	1	3	–	(3)	–	1
Net cost of financial debt and other financial income and expenses	–	–	–	–	(174)	(174)
Income taxes	–	–	–	–	(21)	(21)
Net income	576	64	(170)	–	(195)	275

Period ended June 30, 2022	Network	Maintenance	Transavia	Other	Non-allocated	Total
(in € million)						
Total sales	9,665	1,742	850	105	–	12,362
Intersegment sales	(18)	(1,100)	–	(92)	–	(1,210)
Revenues from ordinary activities	9,647	642	850	13	–	11,152
EBITDA	943	196	1	12	–	1,152
Income from current operations	43	101	(110)	2	–	36
Income from operating activities	75	100	(110)	(5)	–	60
Share of profits (losses) of associates	–	2	–	(3)	–	(1)
Net cost of financial debt and other financial income and expenses	–	–	–	–	(563)	(563)
Income taxes	–	–	–	–	278	278
Net income	75	102	(110)	(8)	(285)	(226)

6.2 Information by geographical area

6.2.1 Activity by origin of sales area

External sales by geographical area

Period ended June 30, 2023	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (excl. France and Benelux)	Rest of the world	Total
<i>(in € million)</i>					
Transportation	3,249	1,328	2,510	4,498	11,585
Other sales ⁽¹⁾	194	102	89	125	510
Total Network	3,443	1,430	2,599	4,623	12,095
Transportation	414	573	98	25	1,110
Other sales ⁽¹⁾	(6)	(14)	(1)	-	(21)
Total Transavia	408	559	97	25	1,089
Maintenance	353	327	17	56	753
Others	3	10	2	-	15
Total	4,207	2,326	2,715	4,704	13,952

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

Period ended June 30, 2022	France, including French overseas departments	Benelux, including Dutch Caribbean & Surinam	Europe (excl. France and Benelux)	Rest of the world	Total
<i>(in € million)</i>					
Transportation	2,662	1,152	2,179	3,214	9,207
Other sales ⁽¹⁾	146	109	73	112	440
Total Network	2,808	1,261	2,252	3,326	9,647
Transportation	290	485	73	15	863
Other sales ⁽¹⁾	(4)	(8)	(1)	-	(13)
Total Transavia	286	477	72	15	850
Maintenance	315	262	12	53	642
Others	3	9	1	-	13
Total	3,412	2,009	2,337	3,394	11,152

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

6.2.2 Activity by destination

Traffic sales by geographical area of destination

Period ended June 30, 2023	Metropolit an 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 € million)								
Network	692	2,712	934	1,548	2,818	1,335	1,547	11,585
Transavia	66	954	-	89	-	-	-	1,110
Total Transportation	758	3,666	934	1,637	2,818	1,335	1,547	12,695

Period ended June 30, 2022	Metropolit an 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 € million)								
Network	580	2,089	856	1,291	2,338	1,092	961	9,207
Transavia	56	757	-	50	-	-	-	863
Total Transportation	636	2,846	856	1,341	2,338	1,092	961	10,070

NOTE 7 EXTERNAL EXPENSES

Period from January 1 to June 30	2023	2022
(in € million)		
Aircraft fuel (including sustainable aviation fuel)	3,442	2,858
CO ₂ quotas	81	27
Chartering costs	243	193
Landing fees and air route charges	919	784
Catering	393	319
Handling charges and other operating costs	894	722
Aircraft maintenance costs	1,245	1,118
Commercial and distribution costs	516	384
Other external expenses	916	702
Total	8,649	7,107

⁽¹⁾ See Note 2 in Notes to the consolidated 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

Salaries and related costs

Period from January 1 to June 30 (in € million)	2023	2022
Wages and salaries	2,880	2,441
Social contributions	525	447
Pension costs on defined contribution plans	428	383
Pension costs of defined benefit plans	71	68
Cost of temporary employees	110	76
Profit sharing	81	–
Temporary Emergency Bridging Measure for Sustained Employment (NOW)	–	(138)
Other expenses	69	66
Total	4,164	3,343

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). Since this multi-employer plan is assimilated with a French State plan, it is accounted for as a defined contribution plan in “pension costs linked to defined contribution plans”.

Following the impact of the Covid-19 public health crisis, as of March 23, 2020 Air France and its main French subsidiaries implemented part-time activity for their employees. As of June 30, 2022, the impact of these measures amounted to €116 million.

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

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 €(138) million for the period from January 1 until June 30, 2022.

Average number of employees

Period from January 1 to June 30	2023	2022 ⁽¹⁾
Flight deck crew	8,436	8,112
Cabin crew	21,542	20,262
Ground staff	44,602	43,610
Temporary employees	2,193	1,735
Total	76,773	73,719

⁽¹⁾ Excluding partial activity effect.

NOTE 9 OTHER CURRENT OPERATING INCOME AND EXPENSES

Period from January 1 to June 30 (in € million)	2023	2022 restated ⁽¹⁾
Capitalized production	534	500
Joint operation of routes	(21)	1
Operations-related currency hedges	45	37
Other	9	(8)
Total	567	530

⁽¹⁾ See Note 2 in Notes to the consolidated financial statements.

NOTE 10 AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to June 30 (in € million)	2023	2022
Amortization		
Intangible assets	81	91
Flight equipment	539	551
Other property, plant and equipment	88	89
Right-of-use assets	590	580
Sub-Total	1,298	1,311
Depreciation and provisions		
Inventories	-	(12)
Trade receivables	(9)	(55)
Risks and contingencies	(101)	(128)
Sub-Total	(110)	(195)
Total	1,188	1,116

Without calling into question the objective of reaching 64% of new-generation aircraft in the fleet by 2028, 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 €41 million over the period ended June 30, 2023.

The balance sheet movements in provisions for risks and charges are detailed in Note 21.

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

Period from January 1 to June 30	2023	2022
(in € million)		
Sales and leaseback	6	38
Other aeronautical sales	22	1
Sales of aeronautical assets	28	39
Restructuring costs	(2)	5
Impairment of fleet	(2)	(17)
Disposals of other assets	21	1
Other	(2)	(4)
Other non-current income and expenses	15	(15)

Six-month period ended June 30, 2023

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in a profit of €6 million in the income statement and a result on disposal of €150 million in the cash flow statement as of June 30, 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 June 30, 2023.

Result on the disposal of subsidiaries and affiliates

This line included the profit resulting from disposal of Heathrow slots to Virgin Atlantic for KLM for €11 million, and the sale of a data center for KLM for an amount of €10 million.

Six-month period ended June 30, 2022

Sales of aircraft equipment

The impact of aircraft sales and leasebacks sales had led to a gain of €38 million and a result on disposal of €438 million in the cash flow statement as of June 30, 2022

Impairment of fleet

This line included mainly 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 €(8) 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 June 30, 2022, 9 CRJ were still in the Group's fleet. (4 CRJ still on the fleet as of June 30, 2023).

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

Period from January 1 to June 30 (in € million)	2023	2022
Income from marketable securities	60	(11)
Other financial income	48	11
Income from cash and cash equivalents	108	–
Interest on financial liabilities	(275)	(150)
Interest on lease debt	(132)	(128)
Capitalized interests	20	14
Other non-monetary items	86	(8)
Other financial expenses	5	(5)
Gross cost of financial debt	(296)	(277)
Net cost of financial debt	(188)	(277)
Foreign exchange gains (losses), net	112	(236)
Financial instruments	5	20
Net (charge)/release to provisions	(3)	(4)
Undiscounting of provision	(96)	(66)
Other	(4)	–
Other financial income and expenses	14	(286)
Total	(174)	(563)

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 June 30, 2023, the bank loan guaranteed by the French State ("PGE") was repaid in full (see Note 3.1 "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 June 30, 2023, the foreign exchange gain mainly include an unrealized currency gain of €73 million mainly

composed of:

- a gain of €61 million on return obligation liabilities and provisions on aircraft in US dollars;
- a unrealized gain of €27 million on the net debt, mainly composed of a loss of €(26) million on US Dollar and a gain of €67 million on Japanese Yen.

As of June 30, 2022, the foreign exchange losses mainly include an unrealized currency loss of €(267) million of which, mainly, a loss of €(281) million on return obligation liabilities and provisions on aircraft in US dollars.

Undiscounting of provision

The rate used to undiscount the long term return obligation liability and provision for leased aircraft non current is 5.5% in 2023 against 3.6% in 2022 (see Note 21.1.1 "Return obligation liability and provision on leased aircraft").

NOTE 13 INCOME TAXES

13.1 Income tax charge

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

Period from January 1 to June 30 (in € million)	2023	2022
Current tax (expense) / income and other taxes	(2)	(4)
Change in temporary differences	5	(12)
(Use / de-recognition) / recognition of tax loss carry forwards	(24)	294
Deferred tax income / (expense)	(19)	282
Total	(21)	278

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.

The French tax group's deferred tax position for tax losses remained stable at €346 million compared with December 31, 2022.

Dutch fiscal group

In the Netherlands, the tax rate is 25.80% 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 deferred tax position for tax losses of the Dutch tax group has been increased to €380 million at June 30, 2023 (from €403 million at December 31, 2022) following the use of tax losses.

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

Period from January 1 to June 30 (in € million)	2023	2022
Other comprehensive income that will be reclassified to profit and loss	21	(48)
Other comprehensive income that will not be reclassified to profit and loss	(11)	(21)
Equity instruments	(1)	1
Pensions	(10)	(22)
Total	10	(69)

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 June 30 (in € million)	2023	2022
Income before tax	295	(503)
Standard tax rate in France	25.83 %	25.83 %
Theoretical tax calculated based on the standard tax rate in France	(76)	130
Differences in French / foreign tax rates	(1)	(2)
Non-deductible expenses or non-taxable income	(2)	(13)
Variation in unrecognized deferred tax assets	52	168
CAVE impact	-	(2)
Other	6	(3)
Income tax	(21)	278
Effective tax rate	7.1 %	55.3 %

The effective tax rate in France for 2023 is 25.83%. The effective tax rate in the Netherlands at maturity 2023 is 25.80%.

Deferred tax has been calculated on these bases for the French and Dutch tax groups.

NOTE 14 EARNINGS PER SHARE

The earnings per share before dilution (basic earnings per share) corresponds to the net result divided by the weighted average number of shares in circulation during the financial year, excluding the weighted average number of treasury shares.

For the calculation of the diluted earnings per share, the weighted average number of shares in circulation is adjusted for the potential dilutive effect of all equity

Results used for the calculation of basic earnings per share

Period from January 1 to June 30 (in € million)	2023	2022
Net income for the period - Equity holders of Air France - KLM	260	(228)
Coupons on perpetual	(34)	(105)
Dividend paid ⁽¹⁾	(90)	-
Basic net income for the period - Equity holders of Air France - KLM	136	(333)

(1) During the first half of 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.

Period from January 1 to June 30 (in € million)	2023	2022
Basic net income for the period – Equity holders of Air France-KLM	136	(333)
Consequence of potential ordinary shares on net income: interests paid on convertible bonds and amortization of equity component	15	–
Net income for the period – Equity holders of Air France-KLM (taken for calculation of diluted earnings per share)	151	(333)

Reconciliation of the number of shares used to calculate earnings per share

Period from January 1 to June 30	2023	2022
Weighted average number of:		
— Ordinary shares issued	2,570,536,136	802,404,926
— Treasury stock held regarding stock option plan	(1,152,732)	(1,116,420)
— Other treasury stock	(91,585)	(91,585)
Number of shares used to calculate basic earnings per share	2,569,291,819	801,196,921
Number of potentially dilutive shares	249,709,585	–
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	2,819,001,404	801,196,921

As of June 30, 2023, the potential conversion of last-rank indefinite subordinated bond convertible into new shares and/or into existing shares representing 199.960.702 shares and the potential conversion of OCEANEs, representing 49.748.883 shares and the impacts of those two instruments on net income have been taken into consideration to determine the diluted earnings per share.

As of June 30, 2022, the potential conversion of

OCEANEs, representing 49.748.883 shares as well and the impacts on net income had not been taken into consideration. The ordinary shares potentially created would not have decreased the earning per share or increased the loss per share.

As of June 30, 2023, taking into account the above items, the basic earnings per share amounts to €0.05 and the diluted earnings per share amounts to €0.05.

NOTE 15 TANGIBLE ASSETS

(in € million)	Flight equipment				Other tangible assets				
	Owned aircraft	Assets in progress	Other	Total	Land and buildings	Equipment and machinery	Assets in progress	Other	Total
Gross value									
December 31, 2022	16,804	1,496	2,528	20,828	2,781	1,078	132	1,033	5,024
June 30, 2023	17,194	1,611	2,647	21,452	2,801	1,077	140	1,054	5,072
Depreciation									
December 31, 2022	(9,216)	–	(998)	(10,214)	(1,970)	(858)	–	(821)	(3,649)
June 30, 2023	(9,462)	–	(1,033)	(10,495)	(1,982)	(866)	–	(835)	(3,683)
Net value									
December 31, 2022	7,588	1,496	1,530	10,614	811	220	132	212	1,375
June 30, 2023	7,732	1,611	1,614	10,957	819	211	140	219	1,389

NOTE 16 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 June 30 (in € million)	2023	2022 restated ⁽¹⁾
Acquisition of flight equipment	1,215	1,326
Acquisition of tangible assets	88	51
Acquisition of other intangible assets	76	72
Change in accounts payable on acquisitions	17	8
Total	1,396	1,457

⁽¹⁾ See Note 2 in Notes to the consolidated financial statements.

NOTE 17 RIGHT-OF-USE ASSETS AND LEASE DEBT

The table below presents the right-of-use assets per category (net value):

(in € million)	Aircraft	Maintenance	Land & Real Estate	Others	Total
Net value					
December 31, 2022	2,751	2,031	599	47	5,428
June 30, 2023	2,757	2,096	572	55	5,480

The table below presents the lease debt per category:

(in € million)	As of June 30, 2023			As of December 31, 2022		
	Non-current	Current	Total	Non-current	Current	Total
Lease debt - Aircraft	2,492	661	3,153	2,566	661	3,227
Lease debt - Real estate	616	93	709	628	101	729
Lease debt - Other	43	9	52	35	18	53
Lease debt - Aircraft spare parts	76	38	114	89	35	124
Accrued interest	-	18	18	-	19	19
Total - Lease debt	3,227	819	4,046	3,318	834	4,152

NOTE 18 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

	As of June 30	As of December 31
(in € million)	2023	2022
Liquidity funds (SICAV) (assets - debt instruments)	2,474	3,118
Bank deposits and term accounts (assets - debt instruments)	1,961	2,120
Cash in hand	1,734	1,388
Cash and cash equivalents	6,169	6,626
Of which pledged or secured amounts	-	-
Bank overdrafts	(6)	(3)
Cash, cash equivalents and bank overdrafts	6,163	6,623

NOTE 19 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE - KLM SA

19.1 Issued capital

As of June 30, 2023, the issued capital of Air France - KLM comprised 2,570,536,136 fully paid-up shares. Each share with a nominal value of one euro is entitled to one vote.

However, since April 3, 2016, shareholders who have owned their shares for at least two years have benefited from double voting rights.

The breakdown of the share capital and voting rights is as follows:

	% of capital		% of voting rights	
	As of June 30, 2023	As of December 31, 2022	As of June 30, 2023	As of December 31, 2022
French State	28.6	28.6	29.0	28.5
Dutch State	9.3	9.3	10.5	10.7
CMA CGM	9.0	9.0	8.1	8.3
China Eastern Airlines	4.7	4.7	6.4	5.6
Delta Air Lines	2.9	2.9	3.9	4.0
Employees and former employees	1.2	1.2	1.5	1.6
Treasury shares	0.1	0.1	0.1	0.1
Other	44.2	44.2	40.5	41.2
Total	100	100	100	100

The line "Employees and former employees" includes the shares held by employees and former employees identified in the "Fonds Communs de Placement d'Entreprise (FCPE)".

Air France-KLM announced on July 12, 2023, the

implementation of the reverse share split of all outstanding shares of the Company and a share capital reduction by way of a reduction in the nominal value of the shares (see Note 3.2 "Subsequent events").

19.2 Perpetual

(in € million)		December 31, 2022	Monetary decrease - Nominal	Monetary increase - Nominal	Monetary change - Coupons	Non-monetary change	June 30, 2023
2021 perpetual super-subordinated bonds ⁽¹⁾	Nominal	595	(595)	-	-	-	-
	Coupons	31	-	-	(42)	11	-
2023 perpetual super-subordinated bonds ⁽²⁾	Nominal	-	-	728	-	-	728
	Coupons	-	-	-	-	13	13
Last-rank indefinite subordinated bond convertible into new shares and/or existing shares	Nominal	305	-	-	-	-	305
	Coupons	2	-	-	(10)	10	2
Total Perpetual - attributable to equity holders of Air France-KLM		933	(595)	728	(52)	34	1,048
Perpetual	Nominal	497	-	-	-	-	497
	Coupons	13	-	-	-	14	27
Total Perpetual - Non-controlling interests		510	-	-	-	14	524
Total cash flows			(595)	728	(52)		

(1) On March 17, 2023 and April 19, 2023, Air France- KLM has repaid the full amount of the outstanding French State perpetual bonds (refer to Note 3.1 "Significant events occurring during the period").

(2) In parallel, the Group had refinanced €728 million through the issuance of new French State perpetual hybrid bonds with no bans attached (refer to Note 3.1 "Significant events occurring during the period").

NOTE 20 RETIREMENT BENEFITS AND PENSION ASSETS

As of June 30, 2023, the discount rates used by the companies to calculate the defined benefit obligations are the following:

	June 30, 2023	December 31, 2022
Euro zone - duration 10 to 15 years	3.81 %	3.80 %
UK - duration 20 years and more	5.25 %	4.80 %

The inflation rates used are the following:

	June 30, 2023	December 31, 2022
Euro zone - duration 10 to 15 years	2.55 %	2.55 %
UK - duration 20 years and more	3.30 %	3.35 %

The 10 to 15 years duration rate mainly concerns the plans located in France.

As of June 30, 2023, the remeasurement of defined benefit pension obligation is composed of:

	June 30, 2023	June 30, 2022
Impact of the change in discount rate	29	671
Impact of the change in inflation rate	2	(63)
Difference between the expected and actual return on assets	20	(193)
Total	51	415

The impact of variations in discount rates on the defined benefit obligation has been calculated using the sensitivity analysis of the defined benefit pension obligation. The sensitivity analysis is outlined in the

note 30.2 to the consolidated financial statements for the year ended December 31, 2022.

NOTE 21 RETURN OBLIGATION LIABILITY AND PROVISION FOR LEASED AIRCRAFT AND OTHER PROVISIONS

(in € million)	Return obligation liability on leased aircraft	Maintenance on leased aircraft	Restructuring	Litigation	Provisions for CO ₂ quotas surrender	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
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
Amount as of June 30, 2023	3,810	169	128	414	91	120	4,732
<i>Of which: Non-current</i>	3,609	149	–	31	–	96	3,885
<i>Current</i>	201	20	128	383	91	24	847

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.

21.1 Provisions

21.1.1 Return obligation liability and provision on leased aircraft

The movements in return obligation liabilities and provisions (revaluation of future costs and change in discount rate) are booked in the components corresponding to the potential and restoration work performed on leased aircraft and recorded in the right-of-use assets. The effects of discounting and foreign exchange translation on return obligation liabilities and provisions recorded in local currencies are recognized in "Other financial income and expenses" (see Note 12 "Net cost of financial debt and other financial income and

expenses").

The discount rate used to calculate these restitution liabilities and provisions relating to leased aircraft, determined on the basis of a short-term risk-free rate increased by a spread on risky debt (used for companies with high financial leverage), is 5.5% as of June 30, 2023 against 3.6% as of December 31, 2022 (see Note 12 "Net cost of financial debt and other financial income and expenses").

21.1.2 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”).

21.1.3 Litigation

An assessment of litigation risks with third parties has been carried out with the Group’s attorneys and provisions have been recorded whenever circumstances require.

Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities, within the

framework of tax audits, could reasonably challenge a tax position adopted by the Group or one of its subsidiaries.

In the normal course of its activities, the Air France-KLM Group, its subsidiaries Air France and KLM (and their subsidiaries) are involved in litigation cases, some of which may be significant.

21.1.4 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 compared to the initial decision owing to a lower fine for Martinair due to technical reasons. On May 29 and 30, 2017, the Group companies filed an appeal against this decision before the General Court of the European Union. The hearings before the General Court took place on June and July 2019.

Decision from the General Court in March 2022 confirmed the fines against Air France-KLM group companies. The Group companies appealed in June 2022 to the European Union Court of Justice, decision expected in 16-24 months. The Group has maintained a provision covering the total amount of these fines.

In Switzerland, the Federal Administrative Court cancelled the decision of the Competition Authority that imposed a €4 million fine for lack of competence. Consequently the €4million provision was cancelled as of December 31, 2022.

As of June 30, 2023, the total amount of provisions in connection with proceedings, which have yet to give rise to definitive decisions amounts to €355 million. It has been reclassified in short-term position as of June 30, 2023.

21.1.5 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 1st, 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 January 20, 2023 the Supreme Court rejected plaintiffs' claim to also transfer the rights regarding seniority accrued at Martinair. The Supreme Court however also ruled that the decision of the Court of Appeal in which

the Court denies the same claim in a situation of redundancy was insufficient motivated. Plaintiffs have not yet started a new case at another Court of Appeal for this last issue.

The pilots also started a second court case about the implementation by KLM of the "transfer of undertaking ». On November 15, 2023 a hearing is set in this court case.

In 2021, KLM had booked a provision for a total amount of €22 million, unchanged in 2022 and 2023.

21.1.6 Other provisions

Other provisions relate principally to provisions for onerous contracts, provisions for the portion of CO₂ emissions not covered by the free allocation of quotas

and provisions for the dismantling of buildings on non-freehold land.

21.2 Contingent liabilities

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

in a position at this stage in these procedures, to give a reliable estimate of the potential loss that could be incurred in connection with these disputes.

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

Following the initiation of various investigations by the competition authorities in 2006 and the European Commission decision in 2010, several collective and individual actions were brought by forwarders and air-freight shippers in the civil courts against Air France, KLM and Martinair, and other cargo operators, in a number of jurisdictions.

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

Although significant amounts have been reported by the media, plaintiffs are mostly claiming for unspecified and/or insufficiently substantiated damages against defendants taken as a whole (and not individually) and the EU decision to which the plaintiffs refer to is still not definitive.

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

21.2.2 Other litigations

Rio-Paris AF447 flight

Air France was indicted on March 28, 2011, the day after Airbus was indicted, for involuntary manslaughter in the context of the crash of AF447 Rio-Paris of June 1, 2009.

An order of dismissal in favor of Air France and Airbus was issued on September 4, 2019 by the investigating judges of the Paris "Tribunal de Grande Instance".

The Public Prosecutor's Office and most of the civil parties have appealed this decision and the investigation chamber of the Court of Appeal ruled on May 12, 2021, sending Airbus and Air France back to the Paris Correctional Court.

A criminal trial took place from October 10 to December 8, 2022 before the Paris Correctional Court.

After the Public Prosecutor's Office requested the acquittal, the Court issued an acquittal judgement on April 17, 2023 based on the absence of causal link between the alleged faults and the accident. On April 27, 2023, the General Prosecutor's Office appealed this decision, and Airbus and Air France in turn appealed

the decision to contest the respective faults with which they were charged.

The appeal hearings should take place within 12 to 18 months.

NOTE 22 FINANCIAL LIABILITIES

(in € million)	As of June 30, 2023			As of December 31, 2022		
	Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan in Yen	127	-	127	142	-	142
Perpetual subordinated loan in Swiss francs	383	-	383	381	-	381
OCEANE (convertible bonds)	492	-	492	487	-	487
Sustainability-linked bonds	1,000	-	1,000	-	-	-
Plain vanilla Bonds	1,683	-	1,683	1,686	-	1,686
Debt on financial leases with bargain option	3,277	459	3,736	3,163	496	3,659
Loan guaranteed by the French state	-	-	-	2,606	-	2,606
Other financial liabilities	1,262	180	1,442	1,191	293	1,484
Accrued interest	1	36	37	1	107	108
Total - Financial liabilities	8,225	675	8,900	9,657	896	10,553

Change in financial liability

(in € million)	As of December 31, 2022	New financial debt	Reimbursement of financial debt	Currency translation adjustment	Other	As of June 30, 2023
Perpetual loan in Japanese Yen and Swiss Francs	523	-	-	(13)	-	510
OCEANE (convertible bonds)	487	-	-	-	5	492
Sustainability-linked bonds ⁽¹⁾	-	1,000	-	-	-	1,000
Plain vanilla Bonds	1,686	-	-	(3)	-	1,683
Debt on financial leases with bargain option	3,659	400	(267)	(47)	(9)	3,736
Loan guaranteed by the French state ⁽²⁾	2,606	-	(2,500)	-	(106)	-
Other financial liabilities	1,484	158	(202)	(2)	4	1,442
Accrued interest	108	-	-	(1)	(70)	37
Total	10,553	1,558	(2,969)	(66)	(176)	8,900

(1) In January 2023, Air France-KLM Group placed a €1 billion sustainability-linked bonds (refer to Note 3.1 "Significant events occurring during the period").

(2) In March 2023, Air France-KLM has early fully repaid the remaining €2.5 billion from its initial €4 billion bank loan guaranteed by the French State (refer to Note 3.1 "Significant events occurring during the period"). The €106 million income recognized in the financial result following the initial recognition of this liability at amortized cost using the effective interest rate methodology is included in the column "Other" of the change in financial liability (refer to Note 12 "Net cost of financial debt and other financial income and expenses").

Maturity analysis

The financial liabilities maturities break down as follows:

(in € million)	As of June 30, 2023	As of December 31, 2022
Maturities in		
End of Year N	380	–
Y+1	1,515	896
Y+2	1,517	2,697
Y+3	1,721	2,851
Y+4	538	1,191
Over 4 years	3,229	2,918
Total	8,900	10,553

As of June 30, 2023, the KLM perpetual subordinated notes are included in the line “Over 4 years”.

The bonds issued in 2016, 2020, 2021 and 2023 will be reimbursed on their contractual maturity dates.

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 billion (refer to Note 3.1 “Significant events occurring during the period”). This facility signed by KLM replaces both 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.

With two other credit lines available for KLM, the undrawn portion as of June 30, 2023 amounts to €2.3 billion.

NOTE 23 NET DEBT

(in € million)	Notes	As of June 30, 2023	As of December 31, 2022
Current and non-current financial liabilities	22	8,900	10,553
Current and non-current lease debt	17	4,046	4,152
Accrued interest	17 & 22	(55)	(127)
Deposits related to financial liabilities		(102)	(101)
Deposits related to lease debt		(100)	(99)
Derivatives impact on debt		(15)	(35)
Gross financial liabilities (I)		12,674	14,343
Cash and cash equivalents	18	6,169	6,626
Marketable securities > 3 months		624	572
Bonds		987	811
Bank overdrafts	18	(6)	(3)
Net cash (II)		7,774	8,006
Net debt (I-II)		4,900	6,337

As of June 30, 2023, net cash includes €427 million pledged or secured (€425 million as of December 31, 2022).

(in € million)	Notes	As of June 30, 2023
Opening net debt		6,337
Operating free cash flow		(1,661)
Compensation paid to the French State		+90
Perpetual repayment to the French State	19.2	+595
Issuance of new French state perpetual hybrid bonds	19.2	(728)
Paid coupons on perpetual and subordinated bonds convertible into new share and/or exchangeable for existing shares	19.2	+52
New lease debts (new and renewed contracts)		+393
Unrealized exchange gains and losses on lease financial debts through OCI		(79)
Impact of derivatives on net debt		+20
Impact of Effective Interest Rate methodology on State loans	22	(106)
Currency translation adjustment in the income statement		(41)
Amortization of OCEANE optional part		+5
Other non-monetary variations of the net debt		+23
Closing net debt		4,900

NOTE 24 OTHER LIABILITIES

(in € million)	As of June 30, 2023		As of December 31, 2022	
	Current	Non-current	Current	Non-current
Tax liabilities	1,314	747	1,231	854
Employee-related liabilities	1,749	789	1,175	1,335
Liabilities on fixed assets	32	3	55	-
Deferred income	932	33	877	34
Prepayments received	430	-	412	-
Other	298	124	307	120
Total	4,755	1,696	4,057	2,343

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

NOTE 25 FLIGHT EQUIPMENT ORDERS

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

(in € million)	As of June 30, 2023	As of December 31, 2022
2nd semester year Y (6 months)	1,250	-
Year Y+1	1,682	1,782
Year Y+2	2,259	2,004
Year Y+3	1,455	1,985
Year Y+4	1,696	1,474
After Year Y+4	751	2,438
Total	9,093	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 June 30, 2023 decreased by 12 units compared with December 31, 2022 and stood at 166 aircrafts.

This change is explained by the delivery of 12 aircrafts.

Long-haul fleet (passenger)

The Group took delivery of 3 Boeing B787s.

Medium-haul fleet

The Group took delivery of 9 Airbus A220s.

Regional fleet

The Group did not take delivery of any aircraft.

Aircraft type	To be delivered in	2nd semester Y (6 months)	Y+1	Y+2	Y+3	Y+4	Beyond Y+4	Total
Long-haul fleet - Passenger								
A350	As of June 30, 2023	7	6	5	-	-	-	18
	As of December 31, 2022	-	7	6	5	-	-	18
B787	As of June 30, 2023	-	4	1	-	-	-	5
	As of December 31, 2022	-	3	4	1	-	-	8
Long-haul fleet - Cargo								
A350F	As of June 30, 2023	-	-	-	2	4	2	8
	As of December 31, 2022	-	-	-	-	2	6	8
Medium-haul fleet								
A220	As of June 30, 2023	7	14	14	-	-	-	35
	As of December 31, 2022	-	16	16	12	-	-	44
A320 Neo	As of June 30, 2023	-	-	7	15	24	13	59
	As of December 31, 2022	-	-	-	7	15	37	59
A321 Neo	As of June 30, 2023	-	9	7	13	9	3	41
	As of December 31, 2022	-	-	9	7	13	12	41
Total	As of June 30, 2023	14	33	34	30	37	18	166
	As of December 31, 2022	-	26	35	32	30	55	178

NOTE 26 RELATED PARTIES

There were no significant changes in the scope or amounts of related party transactions during the period, with the exception of the transactions with the French

and Dutch governments described in note 3.1 "Significant events occurring during the period".

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3.1 Certification by the person responsible

July 28, 2023

I hereby declare that, to the best of my knowledge, the condensed financial statements for the first half of the 2023 financial year have been established in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company, and of all the companies within the consolidation scope, and that the first half activity report presents a true picture of the significant events arising during the first six months of the financial year and of their impact on the first half financial statements, the main related party agreements together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Benjamin Smith

Chief Executive Officer of Air France - KLM

3.2 Statutory Auditors' review report of the 2023 first half

Air France-KLM S.A.

7, rue du Cirque, 75008 Paris

Statutory Auditors' Review Report on the 2023 Half-yearly Financial Information

For the period from January 1 to June 30, 2023

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Air France-KLM S.A., for the period from January 1, 2023 to June 30, 2023,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note 2 to the condensed half-yearly consolidated financial statements entitled "Restatement of the 2022 financial statements", which describes a change in accounting method regarding the accounting treatment of emission trading scheme.

II - Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense and Neuilly sur Seine, July 28, 2023

The Statutory Auditors

KPMG S.A. PricewaterhouseCoopers Audit

Valérie Besson	Eric Dupré	Philippe Vincent	Amélie Jeudi de Grissac
Parter	Parter	Parter	Parter

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