

2023

UNIVERSAL
REGISTRATION
DOCUMENT



INCLUDING THE ANNUAL
FINANCIAL REPORT



AIRFRANCE **KLM**
GROUP

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UNIVERSAL REGISTRATION DOCUMENT 2023 AIR FRANCE-KLM

INCLUDING THE ANNUAL
FINANCIAL REPORT

In its principal businesses of passenger and cargo transportation, low-cost operations and aircraft maintenance, Air France-KLM is a leading global player.



The Document d'Enregistrement Universel was filed with the Autorité des Marchés Financiers (AMF) on April 26, 2024, as competent authority under Regulation (EU) 2017-1129, without prior approval pursuant to Article 9 of the said regulation. The Document d'Enregistrement Universel may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Document d'Enregistrement Universel. The resulting whole is approved by the AMF in accordance with Regulation (EU) 2017-1129.

This Document d'enregistrement universel including the Rapport financier annuel is a reproduction of the official version of the Document d'enregistrement universel including the Rapport financier annuel which was established in xHTML and filed with the Autorité des Marchés Financiers on April 26, 2024.

This Universal Registration Document is an unofficial translation of the Document d'enregistrement universel. In the event of any ambiguity or discrepancy between this unofficial translation and the Document d'enregistrement universel, the French version shall prevail.



MESSAGES FROM THE MANAGEMENT

2024, a year of gradual transition



ANNE-MARIE COUDERC

Chair of the Air France-KLM
Board of Directors

Dear Sir or Madam, Dear Shareholder,

After a period of unprecedented crisis, and in a particularly unstable global environment, 2023 will be remembered as a pivotal year for the Air France-KLM group.

We remained on course, reimbursed our State aid, pursued our strategy and, in the end, succeeded in capturing the return of travel demand.

While the last few years have been difficult, they have also reminded us of the importance and crucial role played by aviation. Whether it's bringing cultures together, reuniting families or transporting essential supplies, our sector embodies human progress and is an integral part of our societies' need for mobility.

This role also compels us to think about the air travel of tomorrow. Alongside all the players in our industry, we have a shared responsibility to reduce our environmental impact and leave behind a positive legacy for future generations.

This means implementing in-depth transformations and engaging in major investment, a process to which the Air France-KLM group is fully committed. As the results for 2023 show, our ambitious roadmap is bearing fruit, not only economically, but also at the social and environmental levels.

We can be proud of this, and confident about what lies ahead.

Together, let's continue to set an example by building this new path for air travel.

What do you consider to be the highlights of 2023 for Air France-KLM?

- **B.S.:** Looking back at 2023, I think first and foremost of the promises our Group has kept. We achieved solid operational and financial performance, while accentuating our position as an industry leader in sustainable development.

In 2023, around 94 million passengers chose to travel aboard our aircraft. This is an enormous collective success, and I would like to take this opportunity to thank all the Air France-KLM teams who work on behalf of our customers day in and day out.

Exiting the aid from the French and Dutch governments was also a turning point. It enabled us to regain our full strategic autonomy, strengthen our balance sheet and continue to invest in our future. These investments – including a historic order for 50 Airbus A350s – are essential to ensuring our competitiveness and meeting our environmental objectives.

Lastly, in 2023, I am particularly proud to have been able to involve employees even more closely in our company's success. Our Group's first-ever worldwide employee shareholding plan attracted 17,000 participants in 19 countries, for a total subscription of over 46 million euros.

Thanks to these strategic operations, the commitment of our employees and the confidence of our customers and shareholders, the Air France-KLM Group generated a positive net income of 934 million euros in 2023.

What's at stake in the years to come?

- **B.S.:** To succeed in a highly competitive sector, the Group must first and foremost continue to strengthen its balance sheet.

The year 2023 showed good results, with an operating margin of 5.7%. However, we still have some way to go to achieve an operating margin of 8% or more for the 2026-2028 period.

At a time when travel demand is returning to normal levels (with the notable exception of domestic point-to-point travel, which continues to structurally decrease under the combined effect of the rise of videoconferencing and the growing shift towards rail), Air France-KLM is well positioned to gain market share. That's why, in the years ahead, we will also continue to evaluate opportunities for cooperation – even consolidation – in the European air travel industry. This is the logic we are pursuing with our planned cooperation with SAS Scandinavian Airlines, aimed at enhancing the Group's position in the Nordics and improving connectivity in this region.

The results for 2023 confirm that our strategy is the right one. By staying the course, Air France-KLM will continue to stand out as an essential leader in tomorrow's aviation sector.



BENJAMIN SMITH

Chief Executive Officer, Air France-KLM

Sustainable development is one of the Group's top priorities. What progress has been made?

- **B.S.:** As you know, the Group has set itself ambitious objectives in terms of sustainable development, focusing on three pillars: fleet renewal, incorporation of Sustainable Aviation Fuel (SAF) and operational measures.

In 2023, the Group pursued actions to further secure its future SAF supply through agreements with suppliers and direct investment in production facilities. The results are tangible: over the course of the year, the Group's airlines incorporated some 87,000 metric tons of SAF. Air France-KLM Group aims to remain one of the world's largest users of SAF.

In terms of fleet renewal, the Group has reinforced its investments and now aims to reach up to 80% new-generation aircraft in its fleet by 2030. By way of example, the new Airbus A350s ordered produce less CO₂, 40% less noise emissions and save 25% fuel per passenger/km compared with previous-generation aircraft.

Operational measures such as eco-piloting, weight reduction and route optimization are also helping the Group to reduce fuel consumption, as does the electrification of our ground operations.



KEY FIGURES

Air France-KLM, an industry leader in sustainable aviation



551
aircrafts



875k
tons of cargo



94M
passengers



3,000
aircraft maintained
for 200 airline
customers



100
countries served



320
destinations

REVENUE BREAKDOWN



Network 85%

Maintenance 6%

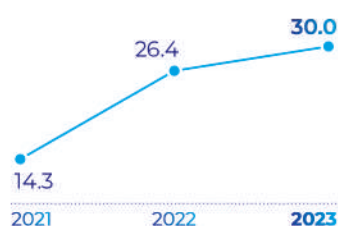
Transavia 9%



→ Financial figures

→ REVENUES

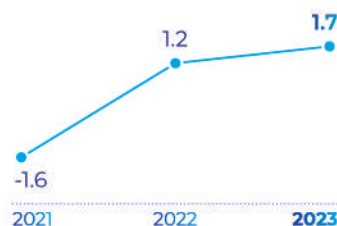
(in € billion)



Revenues stood at €30 billion in 2023, up by 14% relative to 2022.

→ OPERATING RESULT

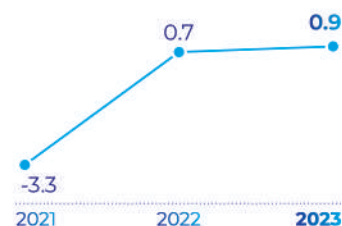
(in € billion)



The operating result of €1.7 billion in 2023 was up by €0.5 billion relative to 2022.

→ NET RESULT, GROUP PART

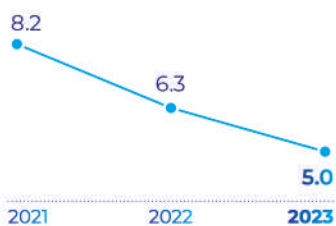
(in € billion)



The net result, Group part stood at €0.9 billion in 2023, up by €0.2 billion relative to 2022.

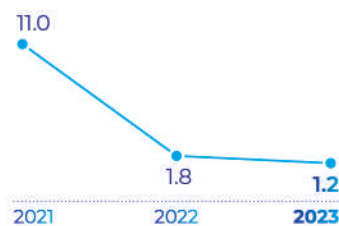
→ NET DEBT

(in € billion)



At December 31, 2023, net debt stood at €5.0 billion, down by €1.3 billion relative to 2022 thanks to the new capital strengthening measures related to the Group's MRO and Flying Blue businesses.

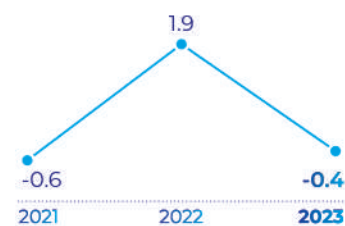
→ DEBT RATIO



The net debt/EBITDA ratio stood at 1.2x in 2023.

→ ADJUSTED OPERATING FREE CASH-FLOW

(in € billion)



In 2023, the adjusted operating free cash flow amounted to €-0.4 billion, a reduction of €2.3 billion relative to 2022. Last year, the adjusted operating free cash flow had been supported by a significant capacity increase while, this year, the capacity growth was much more limited. It was also impacted by the reimbursement of wage taxes and social charges accumulated during the Covid-19 crisis (for a total of €350 million).

→ Social Indicators



76,000
employees



Strong employer brand appeal⁽¹⁾

#1 on the transport sector
#3 all sectors combined



33.3%

women in the GEC⁽²⁾ in 2023

The objectives of the Rixain law (30% women in executive bodies by 2026) have been achieved **4 years ahead of schedule**

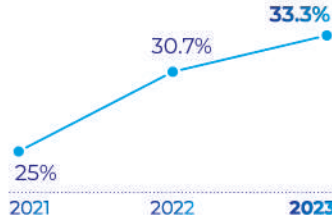


36.2%

of women in the top 10% of managerial positions for ground staff

→ **PERCENTAGE OF WOMEN IN THE GROUP EXECUTIVE COMMITTEE**

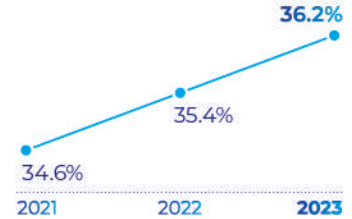
→ 2030 Target: **40%**



The percentage of women in the GEC⁽²⁾ has returned to the 2019 level (33.3%). The figures are impacted by the relatively small number of GEC members.

→ **PERCENTAGE OF WOMEN in top 10% managerial positions for ground staff**

→ 2030 Target: **40%**



The percentage of women in the top 10% of managerial positions continued to rise by 0.8% in 2023.



(1) 2022-23 ranking of preferred companies by L'Étudiant.

(2) Group Executive Committee.

→ Environmental indicators

-30%

CO₂eq per revenue ton-kilometer (RTK) by 2030 compared with 2019

10%

minimum use of Sustainable Aviation Fuel (SAF) by 2030

UP TO 80%

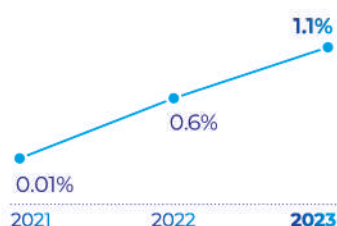
new-generation aircraft in the fleet by 2030

64%

in 2023, electrification of ground equipment (at CDG/ORY/SPL)

→ **SHARE OF SUSTAINABLE AVIATION FUEL**

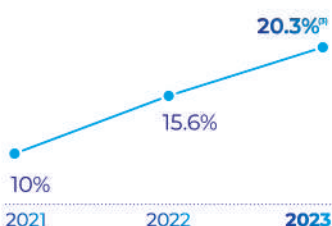
→ 2030 Target: **10%**



Air France-KLM has identified Sustainable Aviation Fuel as a crucial component of its decarbonization plan, and has initiated a gradual process to attain a minimum of 10% Sustainable Aviation Fuel by 2030. As of 2023, the company had successfully integrated 87,000 metric tons of SAF, effectively doubling the amount compared to 2022.

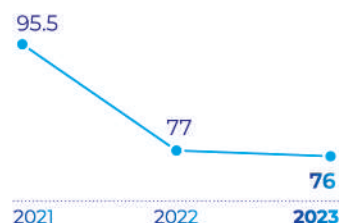
→ **SHARE OF NEW GENERATION AIRCRAFT**

→ 2025: up to **37%**
→ 2028: up to **64%**
→ 2030: up to **80%**



Acceleration of its fleet renewal in 2023. The Group projects the renewal of up to 37% of its fleet by 2025, up to 64% by 2028 and up to 80% by 2030.

→ **CARBON EFFICIENCY**
(gCO₂eq/passenger/km)

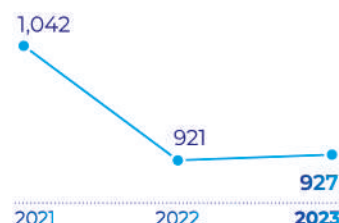


In 2023, the Group's carbon efficiency⁽⁴⁾ improved (-3.8% compared to 2019) in the context of an ASK activity decrease of 11% and the impact of fly-arounds of Russia and the Middle East.

→ **GREENHOUSE GAS EMISSIONS INTENSITY**

(GHG) gCO₂eq/RTK
(Revenue ton-kilometer)

→ 2030 Target: **-30%**



In 2023, carbon intensity improved (-2.3%) compared to 2019 in the context of an ASK activity decrease of 11%, a lower cargo load factor of -11.5 pts plus the impact of fly-arounds of Russia and the Middle East. This is also the first year with a positive effect from the SAF uplift. The Group's target is to reduce carbon intensity by 30% in 2030 compared to 2019 per RTK⁽⁵⁾ (target SBTi).



(3) 20.3% of the fleet is based on all operational new-generation aircraft. Two new-generation aircraft were delivered in December 2023 but were operational only at the beginning of 2024. If these two new-generation aircraft were included, Air France-KLM would reach a 21% proportion of the fleet.

(4) 2023 compared to 2019, the reference year.

(5) RTK: Revenue ton-kilometer.



DESTINATION SUSTAINABILITY

At the forefront of a more responsible European aviation, we unite people for the world of tomorrow

Through its commitment to the Sustainable Development Goals, the Group is making a significant commitment to the following objectives:

.3 HEALTH AND WELL-BEING

Support emergency action and aid associations by transporting medical equipment, medicines and vaccines around the world.

.5 GENDER EQUALITY

Work to further professional equality between men and women, foster diversity and inclusion in the workplace, and in our value chain. Support initiatives aimed at informing young girls about job opportunities in the technical and digital fields.

.7 RENEWABLE ENERGY

Reduce the energy consumption of our ground operations, improve our energy efficiency and increase the proportion of renewable energy used to power our buildings. The procurement of SAF enables us to reduce the use of fossil fuels.

.8 DECENT WORK

Offer skilled, high-value-added jobs, and promote the employability and personal development of our employees through training. Stimulate indirect employment and activity throughout our supply chain.

.9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Make the aviation industry more sustainable and resource-efficient, by supporting research and innovation projects and actively mobilizing the sector to develop an international market for Sustainable Aviation Fuels (see the Air France-KLM Corporate SAF Program).



.10 TACKLING INEQUALITY

Implement processes ensuring equal opportunity, pay special attention to the needs of disadvantaged and marginalized communities and combat all forms of discrimination.

.12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Guarantee responsible modes of consumption and production through our waste reduction and responsible catering strategies and objectives, by working closely with our suppliers around the world. Apply the principles of the circular economy by reducing, repurposing and recycling waste.

.13 COMBATING CLIMATE CHANGE

Our decarbonization strategy to reduce our impact on climate change is based on 3 priorities for which we have defined targets and implemented actions to limit our carbon footprint.

.17 PARTNERSHIPS TO ATTAIN OUR GOALS

We notably offer customers solutions to reduce their carbon footprints and support environmental projects to develop innovative solutions. We also implement a responsible procurement policy that incorporates the principles of corporate social responsibility into relations with suppliers.

We contribute more indirectly to other Sustainable Development Goals like SDG 1 "No poverty" and SDG 2 "Zero hunger" through our support for emergency initiatives and self-help associations, and also to SDG 4 "Quality education" through our education-focused partnerships.



Reduce the environmental impact of the Group's activities with the implementation of a decarbonization trajectory based on three main levers aggregated within the environmental pillar of the Destination Sustainability strategy

1.

ACCELERATING FLEET RENEWAL WITH MORE ENERGY-EFFICIENT AIRCRAFT

Modernization and renewal of the Group's airline fleets with new-generation aircraft emitting up to 25% less CO₂ per passenger/km than the aircraft replaced. With a target of up to 80% new-generation aircraft in the fleet by 2030, the Group is investing more than €2 billion a year in the acquisition of Airbus A220s, A320neos, A321neos and A350s, Boeing B787s and Embraer 195-E2s, which are amongst the most efficient aircraft in their respective categories.

Up to 80%
new-generation aircraft by 2030

A220, A320neo, A321neo and A350, B787 and E195-E2

Up to 25%
less CO₂ per passenger/km than their predecessors

2.

A PIONEER IN SUSTAINABLE AVIATION FUELS

Sustainable Aviation Fuels (SAF) are produced from biomass or from renewables energy. The SAFs sourced by Air France-KLM use biomass that do not compete with the human food chain or with animal feed. Air France and KLM have pioneered the use of these fuels, which will play a key role in the decarbonization of air transportation, as they can reduce CO₂ emissions by up to 80% over their whole life cycle.

In 2023, Air France-KLM announced that it would build on its long-term SAF deals with Neste and DG Fuels, covering a total of 1.6 million tons from 2023 to 2036. In addition, Air France-KLM will invest US\$4.7 million in DG Fuels to support the development of a new production facility. These actions support the Group's commitment to reducing its carbon footprint and promoting sustainable aviation.

1.1%
share of Sustainable Aviation Fuel (SAF)

10%
minimum use of Sustainable Aviation Fuel (SAF) by 2030

3.

OPTIMIZING GROUND PROCEDURES AND ONGOING OPERATIONAL MEASURES

The Group is working towards a continuous improvement in:

- operational efficiency, by favoring more direct trajectories and applying procedures that limit fuel consumption, e.g. continuous descent, single engine taxiing, reduced taxiing time and the use of auxiliary power units (GPUs) to ensure the operation of on-board systems;
- weight reduction by reducing the weight of seats, galleys and service equipment;
- other fuel savings measures like mobile engine water wash to clean aircraft engines more regularly, saving fuel and reducing CO₂ emissions.



OUR STRATEGY

becoming a European champion



OUR RESOURCES



PEOPLE

76,000 engaged and professional employees and a diverse culture



BRANDS

Portfolio of attractive, strong brands and a common loyalty program "Flying Blue"



PARTNERSHIPS

A powerful network of suppliers and partnerships



FLEET AND NETWORK

An extensive network operated with an optimized fleet



FINANCE

A stable shareholding structure with the French and Dutch States, China Eastern Airlines and Delta Air Lines



ENVIRONMENTAL

An experienced and knowledgeable player in the industry committed to contributing to a positive change



OUR BUSINESS MODEL

AIRFRANCE KLM GROUP

With a European base and a global network of over 320 destinations, the Air France-KLM group is a global aviation player in the **passenger**, **cargo** and **maintenance** businesses, represented by 3 strong brands, committed to leading the way in **sustainable aviation**.

AIRFRANCE

TAKING ELEGANCE
TO NEW HEIGHTS



JOURNEYS
OF INSPIRATION

transavia

WE MAKE LOW COST
FEEL GOOD

- Secure customer trust and preference
- Optimize our operating model
- Develop customer data, Flying Blue, Cargo and E&M
- Committed to global sustainability

CONTRIBUTING TO THE UN SDGs



→ OUR VALUE CREATION



→ **PEOPLE**
Be the best place to work for our employees



→ **CUSTOMERS**
Exceed customer expectations



→ **SHAREHOLDERS**
Reach top financial performance



→ **SUSTAINABILITY**
Contributing to the UN Sustainability Goals

→ 2023 PERFORMANCE

EMPLOYEE PROMOTER SCORE

EPS

39 hours of training per employee

NET PROMOTOR SCORE

NPS

94m customers

For the 2026-28 period, the Group expects:

- Further unit cost⁽¹⁾ reduction, thanks in particular to the acceleration of the transformation program
- A continued improvement in cash generation, to deliver a significantly positive adjusted operating free cash-flow
- A continued optimization of the Group's financial profile, with the long-term credit ratings at investment grade level
- A further profitability increase, with an operating margin above 8%

LEADING THE WAY IN SUSTAINABLE AVIATION

DJSI

member of DJSI Europe index

ECOVADIS

Gold Medal 98th Percentile

CDP

Score B (Improvement from C to B)

CARBON EFFICIENCY

Improvement from 77 gCO₂eq/pax/km

to **76** gCO₂eq/pax/km

(1) At constant fuel price including SAF, constant currency and excluding Emission Trading Scheme cost (ETS).

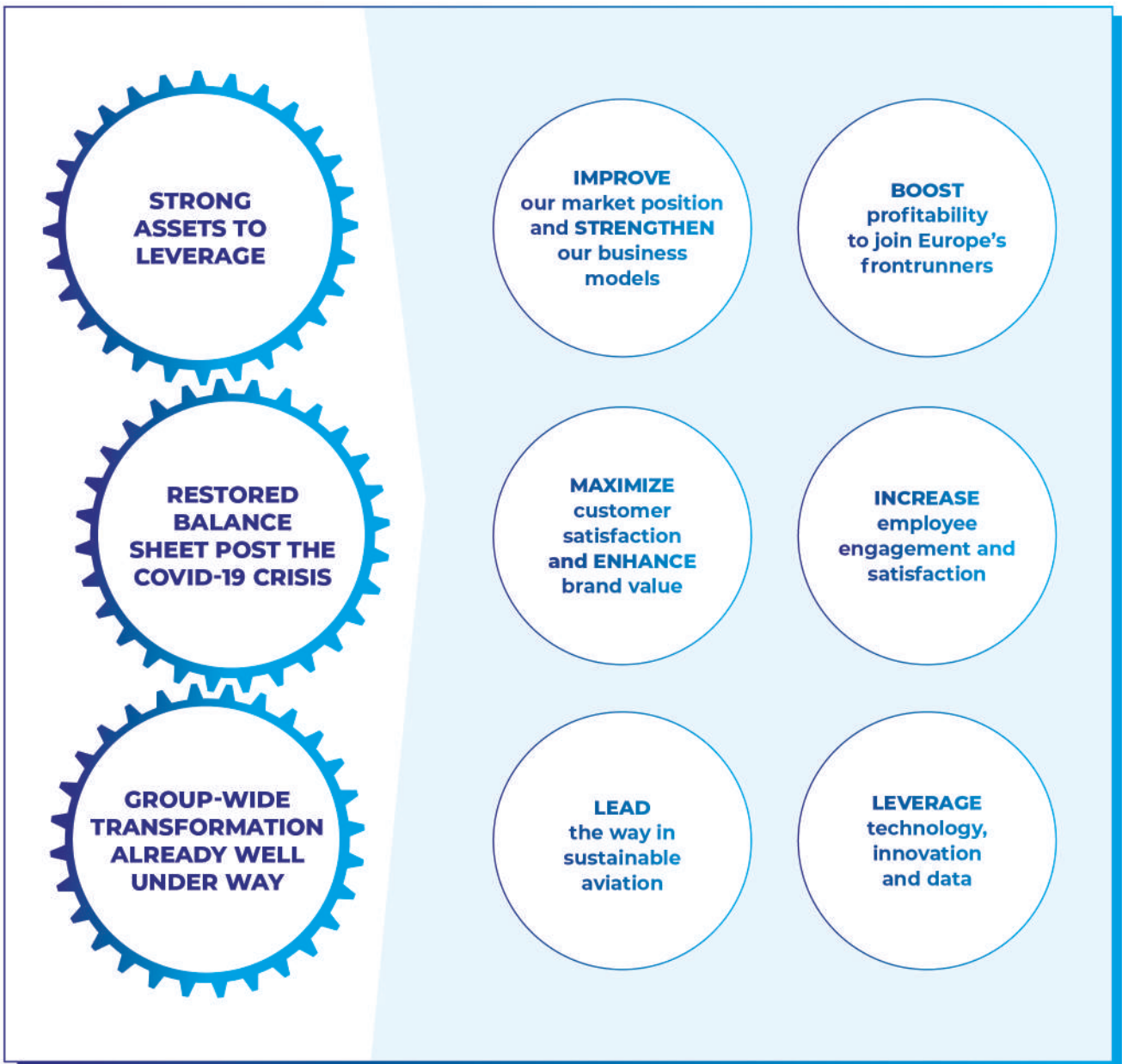
→ STRATEGIC LEVERS

At the forefront of a more responsible European aviation, we unite people for the world of tomorrow

The Air France-KLM group's ambition is to become a European aviation champion and one of the most powerful in the world, while acting as an industry pioneer in global environmental sustainability

→ Our foundations

→ Our Strategic Roadmap





IMPROVE OUR MARKET POSITION AND STRENGTHEN OUR BUSINESS MODELS

With a clearer positioning of its brands and changes to its network, the Air France-KLM group is strengthening its business model. Air France plans to concentrate its Paris operations at Roissy-Charles de Gaulle Airport by 2026⁽¹⁾, thereby solidifying its role as a network airline. By gradually replacing its Boeing medium-haul fleet, KLM is reducing its noise and environmental footprint at its global hub in Amsterdam. Transavia complements Air France-KLM's offer with a low-cost carrier serving the medium-haul leisure passenger.



BOOST PROFITABILITY TO JOIN EUROPE'S FRONTRUNNERS

Air France-KLM group has an ambitious transformation roadmap across all businesses to deliver sustained results. Over 700 transformation initiatives have been initiated to simplify processes, achieve synergies, reduce costs and generate more revenue. The Group is targeting an operating margin of above 8% for the 2026-28 period.



MAXIMIZE CUSTOMER SATISFACTION AND ENHANCE BRAND VALUE

With a new *La Première* suite, to be unveiled at the end of 2024, Air France confirms its commitment to continuing to offer its most exclusive and elegant unique travel experience, which regularly wins awards for its quality and excellence. KLM is strengthening its offer with a new Premium Comfort class on its long-haul fleet⁽²⁾. Also on the ground, the Air France-KLM group continues to invest in a better product for the customer, for example by upgrading lounges. Transavia's new A320neo aircraft family is equipped with in-seat USB power sockets.



INCREASE EMPLOYEE ENGAGEMENT AND SATISFACTION

The Air France-KLM group aims to provide one of the best places to work, by creating a safe and motivating environment for employees. The Group continues to invest in human capital development by developing the skills of employees and empowering them, enabling them to exceed customer expectations. The Air France-KLM group's "Partners for the Future" shareholding plan is a solid step in aligning all the teams toward improved performance and long-term value creation.



LEAD THE WAY IN SUSTAINABLE AVIATION

The Air France-KLM group aims to lead the way in the incorporation of Sustainable Aviation Fuel (SAF) and to support the development of SAF production capabilities around the world. The Group's ambition to reduce CO₂ emissions per revenue ton-kilometer (gCO₂eq/RTK) by 30% by 2030 compared to 2019 is in line with a well-below 2°C objective, as determined by the Paris Agreement signed in 2015⁽³⁾. The Group plans to achieve this reduction via three main levers: the renewal of its fleet, the use of SAF and the continuous improvement of its operational measures.



LEVERAGE TECHNOLOGY, INNOVATION AND DATA

Air France-KLM fosters innovation and embraces new technologies as long as these add (future) value, such as artificial intelligence (AI). Leveraging vast datasets, AI enhances the customer journey by offering relevant services and delivering timely and personalized suggestions. AI will also be one of the levers to reduce the Group's CO₂ emissions, e.g. by optimizing stages of flight or the amount of drinking water on board.

(1) Air France will continue to operate services to/from Corsica from Paris-Orly. As such, Air France will honor its commitments. Air France has won a joint bid with Air Corsica for the renewal of its Public Service Obligation (PSO) operating contract from 2024, demonstrating its commitment to a long-term service to Corsica.

(2) Only on the Boeing wide-body fleet, completion of the retrofit expected by December 2024.

(3) Air France and KLM submitted their CO₂ emissions reduction targets to SBTi which were approved in November 2022 by SBTi's Target Validation Team confirming that they are in line with a well-below 2°C objective, as determined by the Paris Agreement.



SUSTAINABLE GOVERNANCE

(As at December 31, 2023)



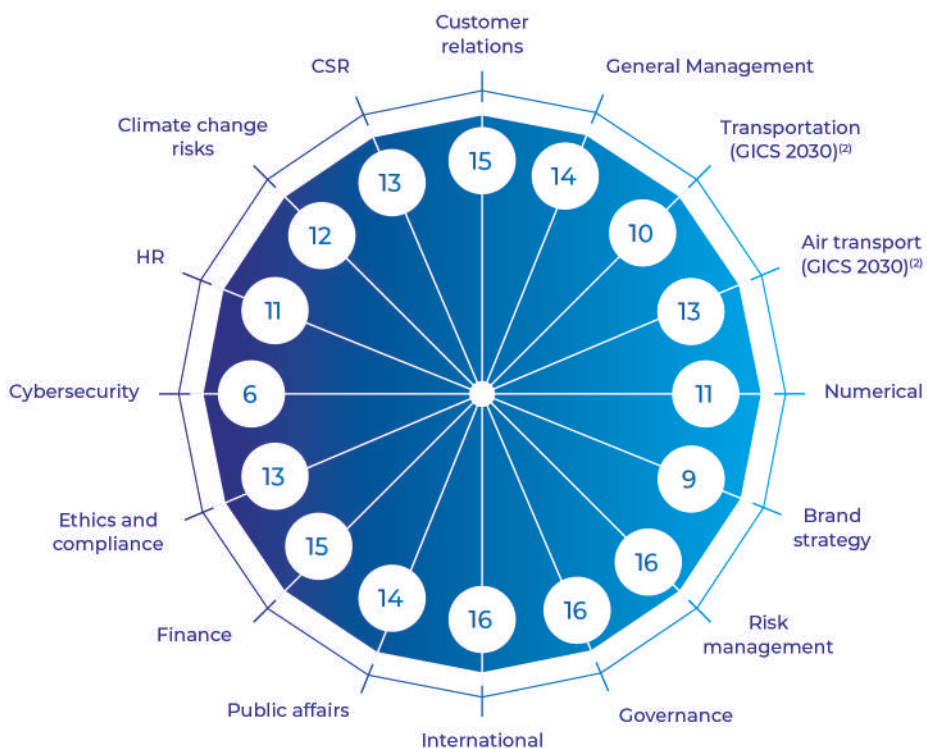
Balanced nationalities and international openness



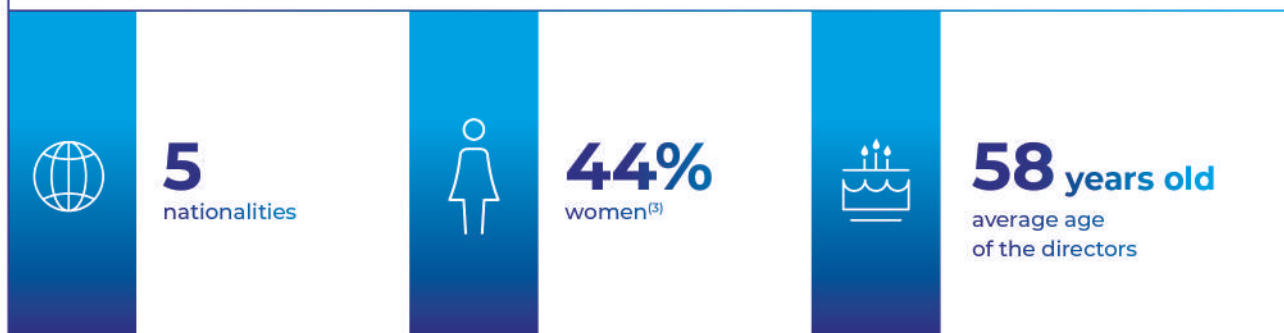
(1) As of December 31, 2023, the percentage of independent Board directors is 44%. This exceptional situation is linked to the composition of the shareholder base following the latest capital transactions (see section 2.2.4 "Independence of the Board directors" and section 2.4 "Summary table of the AFEP-MEDEF Code's Comply or Explain Recommendations not applied"). In accordance with Article 10.3 of the AFEP-MEDEF Code, the Board directors representing the employee shareholders and the Board directors representing the employees are not included in the calculation of this percentage.

▼ For more information, see pages 116 and following of the URD. ⓘ

→ 16 areas of expertise and skills contributed by the 20 Board directors



→ Diversity to support the work of the different Committees



(2) Global Industry Classification Standard (GICS®), code levels 2 and 3.

(3) The Board directors representing the employees and the employee shareholders, appointed in accordance with Articles L. 225-23 and L. 225-27-1 of the French Code of Commerce, are not taken into account when calculating the parity pursuant to the provisions of the aforementioned Articles.



HIGHLIGHTS OF THE 2023 FINANCIAL YEAR

On January 4, 2023

Appointments at Air France-KLM.

Air France-KLM today announced the appointment of:

- Nathalie Stubler, currently Chief Executive Officer – Transavia (France), as Special Advisor to the Group's decarbonization strategy;
- Olivier Mazzucchelli, currently Chief Executive Officer – HOP!, Air France's regional airline, as Chief Executive Officer – Transavia (France);
- Hervé Boury, currently Chief Operations Officer – Transavia (France), as Chief Executive Officer – HOP!.

These appointments will be effective as of January 16, 2023.

Nathalie Stubler will report to Benjamin Smith, Chief Executive Officer – Air France-KLM. She will work closely with the Group's CSR teams, to whom she will bring her first-hand experience and expertise.

Olivier Mazzucchelli and Hervé Boury will report to Anne Rigail, Chief Executive Officer – Air France. They will both be members of Air France's Executive Committee.

"Decarbonization and our ability to drive our business in a more sustainable way are among the most strategic challenges our Group has to tackle" said Air France-KLM CEO Benjamin Smith. "I would like to thank Nathalie Stubler for the remarkable and tireless work she has carried out together with her teams at Transavia (France) over the past 7 years. I warmly welcome Olivier Mazzucchelli, as the new CEO of Transavia (France) at a turning point for the company, as the airline prepares for the entry into service of the Airbus A320NEO family of aircraft in 2023. I also would like to congratulate Hervé Boury, who will build on the work of his predecessors to ensure the long-term future of HOP!"

About Nathalie Stubler

A graduate of the École Polytechnique and the École Nationale des Ponts et Chaussées, Nathalie Stubler held various management positions, first at Air Inter, then at Air France, between 1992 to 2012 – notably at the Network, Commercial, Corporate Social Responsibility, Revenue Management and Pricing divisions. In 2013, she took an executive position at Air France, as head of Revenue Management and Network, before joining the Air France-KLM Group as SVP Network Strategy. In September 2014 she became Chief of Staff to the Group's Chairman, and Secretary of the Air France-KLM Group's Executive Committee. She joined Transavia (France) as CEO in January 2016.

About Olivier Mazzucchelli

Olivier Mazzucchelli is a graduate of the École Nationale des Arts et Métiers (ENSAM Paris) and holds a specialist postgraduate diploma in finance from HEC Paris. He joined the Air France Group in 2000 as Assistant Project Manager (AMO) for the optimization of flight crew rosters. He then held several positions in the field of maintenance, including CEO of Spairliners (a joint venture between Air France Industries and Lufthansa Technik based in Hamburg), before becoming Air France Station Manager in Marseille in 2015 and Chief Operations Officer at HOP! in 2017. He was appointed CEO of HOP! in September 2022.

About Hervé Boury

A graduate of ENAC (the French National School of Civil Aviation), Hervé Boury has spent his entire career in operations. He joined Air Inter in 1989, where he held various positions in maintenance, including that of Engineering Manager for the A320 fleet. In 1997, he transferred to the International Stations division of Air France, and successively acted as Regional Station Manager in New York City, Martinique and Guadeloupe. He then returned to Paris and became Head of the Aircraft Department in 2008, before being appointed Director of the GIXL Freight Center in 2010. Hervé Boury joined Transavia (France) in 2013, acting as Deputy Managing Director Operations and Accountable Manager.

On January 9, 2023

Air France-KLM announces the successful issuance of its inaugural sustainability-linked bonds, for a total aggregate amount of €1.0 billion.

The offer attracted strong investor interest, with an order book around €2.6bn, covering c. 2.6x the size of the bonds.

Bonds' coupons will be indexed on Air France-KLM Group's target to reduce its well-to-wake scope 1 and 3 jet fuel greenhouse gas (GHG) emissions by 10% per revenue tonne kilometer (RTK) by 2025 compared to 2019, as part of its wider decarbonization roadmap.

The proceeds of the bonds will be allocated to partially redeem the outstanding bank loan guaranteed by the French State issued in May 2020.

This transaction will contribute to improving Air France-KLM Group's financial flexibility through debt reprofiling and will provide additional support to its decarbonization trajectory.

Air France-KLM (the "Company") has successfully placed its first sustainability-linked bonds today, for a nominal amount of €1.0bn, linked to the Company's target to reduce its well-to-wake scope 1 and 3 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 offering is composed of two tranches:

- a €500 million with a 3.3-year maturity and a coupon of 7.250%; and
- a €500 million with a 5.3-year maturity and a coupon of 8.125%.

Strong investor demand, with an orderbook around €2.6bn that covered c. 2.6x the size of the bonds, is a testament to investors' confidence in Air France-KLM's measures taken to restore the Company's creditworthiness following the Covid-19 crisis.

The transaction will smoothen Air France-KLM's debt redemption profile over the coming years and provide additional leeway for the Company to deliver on its sustainable transformation plan, including the renewal of its fleet.

The proceeds will be used to pursue further partial redemption of the outstanding bank loan guaranteed by the French State ("PGE", issued in May 2020 during the Covid-19 crisis). This transaction is aligned with the Company's determination to actively pursue the redemption of the French State support package and the granted liquidity measures, in combination with its recovery path and sustainability ambition.

This transaction issuance is framed into the newly set Air France-KLM's Sustainability-Linked Financing Framework, aligned with the Sustainability-Linked Bond Principles ("SLBP") published by the ICMA in June 2020, and received a Second Party Opinion from Moody's Investors Services with a qualification of "Significant contribution to Sustainability".

This inaugural transaction links the Company's financial strategy with its environmental objectives and represents an additional milestone in Air France-KLM's ambition to achieve its decarbonization targets, as a leader for a more sustainable aviation industry. As such, it represents the first public sustainability-linked bond issuance in EUR in the airline sector.

The Air France-KLM Group and its airlines are fully committed to reducing their environmental footprint as part of a transparent and responsible approach to sustainability, with the objective to diminish its well-to-wake scope 1 and 3 jet fuel greenhouse gas protocol emissions by 30% per revenue tonne kilometer (RTK) by 2030 compared to 2019. In that context, the SBTi's Target Validation Team approved in December 2022 the Group's scope 1 and scope 3 emissions reduction targets and has confirmed that they are in line with a well-below 2°C objective, as determined by the Paris Agreement signed in 2015.

The Sustainability-Linked Financing Framework and the Second-Party Opinion are available at:

<https://www.airfranceklm.com/en/finance/investors-and-analysts/debt>

An application will be made for the bonds to be admitted to trading on Euronext Paris.

On January 27, 2023

Air France-KLM continues to renew its fleet and places firm order for 4 Airbus A350F full freighter aircraft for Martinair (part of the KLM Group), and 3 A350-900 passenger aircraft for Air France.

Air France-KLM's fleet renewal continues in an ongoing effort to improve the Group's economic and environmental performance.

In this context, the Group announced today that the Air France-KLM Board of Directors has approved:

a) A firm order for 4 Airbus A350F full freighter aircraft, to be operated by Martinair on behalf of KLM Cargo.

These Airbus A350Fs will replace the fleet of 4 Boeing 747Fs currently operated by KLM Cargo and Martinair. They will be based at Amsterdam Schiphol Airport.

In December 2021, Air France-KLM had placed an order for 4 Airbus A350F full freighter aircraft for Air France.

Deliveries to Martinair and Air France are expected as of the second half of 2026, meaning both airlines will be among the launch operators of the A350F full freighter.

Benefiting from the latest technological innovations and powered by Rolls-Royce Trent XWB-97 engines, the Airbus A350F delivers significantly improved environmental performance with an over 40% reduction in CO₂ emissions compared to the Boeing 747F. Its noise footprint is also 50% lower;

b) A firm order for 3 additional Airbus A350-900 passenger aircraft for Air France, bringing the total number of A350-900 expected by Air France to 41.

These Airbus A350s will replace previous-generation aircraft and be based at Paris-Charles de Gaulle Airport.

They will feature a three-class configuration (Business, Premium Economy, Economy).

Deliveries are expected in 2024. Fleet renewal is the key driver to cutting CO₂ emissions, with immediate effect. Alongside the use of Sustainable Aviation Fuels (SAF) and eco-piloting, it is one of the pillars of the Group's decarbonization trajectory, which aims for a 30% reduction of CO₂ emissions per passenger km by 2030 compared to 2019. These targets have recently been approved by the Science-Based Targets initiative (SBTi).

"Investing in the renewal of our fleet means investing in the future of our Group," said Benjamin Smith, CEO of Air France-KLM. "I am delighted to announce that KLM and Air France's cargo divisions will soon operate the quietest and most advanced full freighter aircraft available on the market, the Airbus A350F. This investment is evidence of our confidence in the sustainable growth of the cargo market in the coming years, as well as our commitment to reducing our environmental footprint. I am also very happy to announce that Air France will continue to accelerate the renewal of its fleet with the addition of 3 A350 passenger aircraft. Since its entry into service at Air France, the A350-900 has proved to be a reliable and efficient aircraft, as well as a game changer in terms of reduction of CO₂ per passenger km and noise emissions. We will continue our efforts to renew our fleet as quickly as possible to provide our customers with the best customer experience possible and to meet our ambitious decarbonization targets".

As of December 31, 2022, Air France-KLM operated a fleet of 506 aircraft, including 6 full freighters.

On March 15, 2023

Air France-KLM announces the full repayment of its bank loan guaranteed by the French State ("PGE"), making a final step towards the full repayment of States support liquidity measures.

- 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;
- The Group's solid cash position combined with the €1 billion proceeds of the Sustainability-Linked Bond issued in January 2023, has enabled to accelerate and close the repayment in full of the outstanding "PGE";
- This full repayment will contribute to smoothing the Group's debt profile, reduce financial costs and limit residual exposure to floating rates.

In 2022, Air France-KLM recorded a strong rebound of its revenues, an improved operating result and a positive net income resulting in a strong cash position of €10.6 billion by the end of 2022. On the back of this robust operational performance, the Group successfully issued in January 2023 an inaugural Sustainability-Linked Bond for a total aggregate amount of €1.0 billion.

Given this context, Air France-KLM has now reached an agreement with the French State and the syndicate of nine banks participating in the "PGE" to proceed with the full repayment of the outstanding €2.5 billion, as announced during the FY 2022 results presentation on February 17th, 2023. To do so, the Group used the

€1.0 billion proceeds of the Sustainability-Linked Bond and €1.5 billion of its available cash. This full repayment will contribute to smoothing the Group's debt profile, reduce financial costs and limit residual exposure to floating rates, and marks a final step towards the full repayment of the current French State liquidity support measures.

On March 17, 2023

Air France-KLM announces the repayment of €300 million of the outstanding €600 million perpetual hybrid bonds held by the French State, reaching the 75% threshold of Covid-19 recapitalization State aid redemption. Air France-KLM also announces the refinancing of €320 million via the issuance of new French state perpetual hybrid bonds.

- Air France-KLM has repaid €300 million of outstanding French State perpetual bonds, exceeding the 75% Covid-19 recapitalization aid redemption threshold;
- The Group will refinance €320 million through a new issuance of perpetual hybrid bonds with the French State, without any "bans" attached.

In April 2021, Air France-KLM and the French State agreed to convert the direct French State loan of €3 billion, granted by the French State to Air France-KLM in late May 2020, into perpetual hybrid bonds as a Covid-19 recapitalization aid to Air France and Air France-KLM approved by the European Commission on 5 April 2021.

In 2022 the Group repaid €2.4 billion of the aforementioned €3 billion, leaving €600 million remaining. As announced at the Group's FY2022 results presentation, Air France-KLM and Air France intend to fully exit the current Covid-19 recapitalization aid and its related "bans" as from April 19th, 2023.

Following the European Commission's approval on February 16th, 2023, of a French State compensation aid granted to Air France without any bans attached, the Group today takes the first step of repaying and exiting the Covid-19 recapitalization State aid. This step enables the Group to exceed the 75% redemption threshold of the Covid-19 recapitalization aid.

Additionally, the Group will refinance €320 million through the issuance of new French State perpetual hybrid bonds as an approved compensation aid to Air France. These new perpetual bonds with no "bans" attached contain similar financial conditions as the one repaid, with non-call date and interest rate step-up postponed by an additional two years (March 2029).

On April 17, 2023**Air France takes note of the acquittal judgment rendered today by the Paris Criminal Court.**

On March 28, 2011, Air France and Airbus were indicted for manslaughter of the 228 victims who died in the crash of the AF447 Rio-Paris flight on June 1, 2009. The investigating judges of the Court of First Instance ruled in favor of Air France and Airbus by issuing an order dismissing the case on September 4, 2019. The Public Prosecutor's Office and most of the civil parties (including the Pilots' associations and unions) appealed this decision. The Paris Court of Appeals ruled on May 12, 2021, referring Airbus and Air France to the Criminal Court. Following the rejection by the Court of Cassation on August 26, 2021 of the appeal a criminal trial took place from October 10th to December 8th 2022 at Criminal Court. The Court issued a judgment of acquittal on April 17, 2023, only the Public Prosecutor's Office has 10 calendar days to appeal the criminal decision.

On April 18, 2023**Air France-KLM, Air France and KLM signed two Revolving Credit Facilities linked to ESG KPIs for a total amount of €2.2 billion.**

- a) Strong show of confidence from international financial institutions in support of Air France-KLM and its airlines' financial ESG trajectory;
- b) ESG-linked RCFs to align Groups' financial tools to decarbonization trajectory;
- c) KLM cancelled both the remaining direct loan and the existing credit facility guaranteed by the Dutch State.

Following the intention expressed during the presentation of the Group's Full Year 2022 results on February 17, 2023, Air France-KLM, Air France and KLM have signed two ESG KPI-Linked Revolving Credit Facilities ("RCF") with a large 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).

This set of agreements is the second successful sustainability-linked transaction undertaken by Air France-KLM combined with Air France and KLM after its inaugural Sustainability-Linked Bond issued in January 2023.

Air France-KLM and Air France

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

This new facility has an initial 2026 maturity, includes two one-year extension options and provides for a €100 million accordion increase option at the lenders' discretion during one year following the signing date.

This RCF was coordinated by Crédit Agricole Corporate and Investment Bank (CACIB) and Natixis, jointly acting as Global Coordinators, ESG Coordinators and Documentation Agents, and concluded with a syndicate of 15 international banks.

KLM

KLM signed a €1.0bn RCF including ESG Key Performance Indicators.

This new RCF has an initial 2027 maturity and includes two one-year extension options and provides for a €200 million accordion increase option at the lenders' discretion.

The RCF was coordinated by ABN AMRO, ING and Rabobank, with Crédit Agricole Corporate and Investment Bank (CACIB) acting as coordinator for the ESG targets. It was concluded with a syndicate of 14 international banks.

This facility replaces 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.

On April 19, 2023**Air France-KLM and Air France announce today the full exit of the French Recapitalization State Aid under the EU Covid-19 Temporary Framework.**

- a) Air France-KLM has fully repaid, the €300 million remaining French State hybrid perpetual bonds and paid the required compensation of the French State for the shares subscribed in April 2021 without change required of the capital ownership;
- b) The Group has therefore refinanced €407 million with a new issuance of hybrid perpetual bonds with the French State, without any restrictions attached.

Following the intention expressed during the presentation of the Group's Full Year 2022 results on February 17, 2023, Air France-KLM today announces the final repayment of the outstanding perpetual hybrid bonds held by the French State, as well as the required compensation of the French State for the shares subscribed in April 2021 as per the EU Covid-19 Temporary Framework. This transaction allows the Group to fully exit the Covid-19 recapitalization State aid as well as its related restrictions and without any change of the capital ownership.

The Group has now refinanced these repayment and compensation, for a total of €407 million through the issuance of new French State hybrid perpetual bonds, in compliance with the European Commission decision on February 16, 2023⁽¹⁾. These new hybrid perpetual bonds with no restriction attached contain similar financial conditions as the one repaid and will be assimilated to the €320 million hybrid perpetual bonds issued on 17 March 2023, with non-call date and interest rate step-up postponed by an additional two years (March 2029).

Mr. Benjamin Smith, Group CEO, stated: *"Today marks an important milestone for Air France-KLM. I am pleased that we have now fully repaid all State aid, which releases us from the associated conditions. I want to thank the French and Dutch States again for their invaluable support during this unprecedented Covid-19 crisis, and I also wish to express my gratitude to our staff around the world for their unwavering commitment in these difficult times. I am confident that we will be able to continue the successful turnaround we have begun thanks to our continued and accelerated transformation, and that we will emerge stronger out of this trying period, as a leader with a strong sustainability focus".*

On May 4, 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) Mr. 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).

⁽¹⁾ As a reminder, this decision approved a compensation aid of up to €1,4 billion to Air France making good the Covid-19 damage between 17 March and 30 June 2020.

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, 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.

On 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.

On September 4, 2023

Air France-KLM and Airbus enter into exclusive negotiations for the creation of a joint venture dedicated to Airbus A350 component support.

This partnership between Air France Industries KLM Engineering & Maintenance and Airbus would entail an optimized commercial offering for customers, as well as the creation of a worldwide pool of aircraft components.

Air France-KLM and Airbus today announced that Air France SA ("Air France") and Airbus SAS ("Airbus") have entered into exclusive negotiations to establish a joint venture for the provision on a worldwide basis of Airbus A350 component maintenance services (supply chain management, repairs, and creation of a worldwide pool of aircraft components).

The envisaged cooperation would take the form of a 50-50 joint venture between Air France and Airbus and involve the transfer of aircraft components assets belonging to both partners into the joint venture's pool.

This joint venture, combining the expertise of Air France Industries KLM Engineering & Maintenance and Airbus, would entail an optimized commercial offering, aimed at better meeting the growing long-term maintenance needs of the Airbus A350 worldwide fleet (more than 1,000 aircraft on order and 550 currently in service worldwide) through enhanced capacity, an expanded global footprint, and the development of innovative solutions to the benefit of the customers.

The objective is for the joint venture to be operational by the first half of 2024 in line with all compliance requirements and subject to approval by all relevant authorities.

Anne Brachet, Executive Vice President Air France-KLM Engineering & Maintenance, stated: *"This project aims to bring customers the best expertise of our two companies on a product as high-tech as the A350. We will be able to better respond to the needs of the market, and to guarantee the satisfaction of our customers over the long term, with support solutions that are always responsive, of high quality and at the right price"*.

Cristina Aguilar, Senior Vice President Customer Services at Airbus, added: *"We're in the business of offering the very best service to our customers, and as the world's A350 fleet grows, so does the necessary support. Air France-KLM Engineering & Maintenance and Airbus have a long-standing relationship and pooling our complementary A350 component skills and capabilities will deliver an enhanced service"*.

On September 7, 2023

Air France-KLM and Etihad Airways expand partnership to enhance commercial and operational collaboration.

Air France-KLM Group and Etihad Airways, the national airline of the United Arab Emirates, today signed a Memorandum of Understanding (MoU) aiming at enhancing their collaboration across passenger operations, loyalty programmes, talent development, and maintenance.

The signing ceremony took place at the Air France-KLM Group's headquarters in Paris, France in the presence of Angus Clarke, Chief Commercial Officer, Air France-KLM, and Arik De, Chief Revenue Officer, Etihad Airways.

Through this partnership, and subject to any necessary regulatory approvals, Air France-KLM and Etihad contemplate expanding their codeshare and interline agreements initiated in 2012. **As a first step, more than 40 new routes covering destinations across Europe, the Middle East, Asia Pacific and Australia have been made available for booking as of today, for travel as early as the winter 2023 season.**

The MoU also proposes the ability for frequent flyers of both Flying Blue and Etihad Guest to earn and redeem miles with Air France, KLM, and Etihad. The airlines will also explore terminal co-location, reciprocal lounge access and ground handling, among other initiatives.

Etihad currently operates daily flights to both Paris-Charles de Gaulle airport and Amsterdam Schiphol airport from Abu Dhabi international airport.

Air France will start operating daily flights between Paris-Charles de Gaulle airport and Abu Dhabi International Airport from October 29, 2023.

Angus Clarke, Executive Vice President and Chief Commercial Officer, Air France-KLM, stated: *"I'm delighted to further develop our partnership with Etihad Airways. This 11-year collaboration is now expanding even further, as we aim to explore opportunities in maintenance and loyalty, in addition to enhancing our route network for the benefit of our customers from all around the world. The attractiveness of Abu Dhabi as a destination and a hub, powered by Etihad's large footprint spanning South and Southeast Asia, as well as Australia, brings significant richness to this partnership. This moment marks our shared commitment to providing seamless, premium, customer-centric travel experiences to our shared global customer base"*.

Arik De, Chief Revenue Officer at Etihad, continued: *"We are excited to expand our collaboration with Air France-KLM, with this MoU serving as a testament to our shared vision of creating premium journeys for our guests. This MoU builds on our existing partnership by exploring deeper network enhancements as we offer improved connectivity between Abu Dhabi and Paris, and leveraging the extensive AF-KLM network to Europe and beyond. It reaffirms Etihad's intent to bolster Abu Dhabi's cultural and economic growth as we look forward to welcoming more guests to our home enjoying better travel benefits and enhanced customer experiences along the way".*

Earlier this year, Air France-KLM announced it had signed a MoU with Abu Dhabi's Department of Culture and Tourism with the aim of reinforcing connectivity between Europe and Abu Dhabi.

On September 25, 2023

The Air France-KLM Group will place an order for 50 Airbus A350 family aircraft – with purchase rights for 40 additional aircraft – to accelerate the renewal of its long-haul fleet – Air France-KLM to become the world's largest operator of the Airbus A350 family aircraft.

The Air France-KLM Group today announced that it plans to place a landmark aircraft order to pursue the renewal and rationalization of its long-haul fleet, to the benefit of the Group's environmental and economic performance.

This Group order will cover 50 Airbus A350-900 and A350-1000 aircraft – with purchase rights for 40 additional aircraft – with first deliveries expected in 2026 through to 2030. This will be an evolutionary order, providing the Group with flexibility to allocate aircraft within its portfolio of airlines, according to market dynamics and local regulatory conditions.

Air France-KLM CEO **Benjamin Smith** stated: "This new order will be a major step in the renewal of the Group's fleet. The Airbus A350 is a state-of-the-art aircraft with an excellent track record at Air France, where it has rapidly become a favorite among passengers and crew since its entry into service in 2019. It is the perfect fit for the

network needs of the Group and boasts outstanding performances: it is a quieter, more fuel efficient and more cost-effective aircraft compared to previous generations. It will be instrumental in helping the Group reach our ambitious sustainability targets, including -30% CO₂ emissions per passenger kilometer by 2030⁽²⁾".

These aircraft will replace previous-generation aircraft, namely Airbus A330 and older Boeing 777 aircraft.

This new order will come in addition to an existing Air France-KLM order for 41 Airbus A350-900s for Air France, of which 22 have been delivered to date.

Air France-KLM will also be among the launch customers of the Airbus A350 Full Freighter version of the aircraft, having ordered 8 aircraft to renew and expand its cargo fleet.

With these combined orders, covering up to 99 aircraft, Air France-KLM would become the world's largest A350 family aircraft operator.

The Airbus A350 symbolizes the transition to a more sustainable air transport industry. The aircraft consumes 25% less fuel per passenger km than an equivalent-sized, previous-generation aircraft, thanks to the use of lighter materials: 53% composites and 14% titanium. Its noise footprint is also reduced by 40%.

Fleet renewal is the Group's primary lever to immediately cut CO₂ and noise emissions. Alongside the use of sustainable aviation fuel and eco-piloting techniques, it is one of the pillars of the Group's decarbonization trajectory, which aims for -30% CO₂ emissions per passenger km by 2030 compared to 2019. Since the 2000s, Air France-KLM has reduced its noise footprint by 40% and the Group continues to work with all its stakeholders to adapt its operations.

By 2028, the share of new generation aircraft in the Air France-KLM fleet will reach 64%, compared to 5% in 2019. As of September 25, 2023, Air France-KLM operated a fleet of 533 aircraft to over 300 destinations worldwide. Once this order is placed, the Group will have over 220 aircraft on order, including 100 Airbus A320neo family aircraft, with first deliveries expected by the end of 2023.

This order remains subject to standard company approvals.

⁽²⁾ Compared to 2019.

On October 3, 2023

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

- a) Air France-KLM to take up to a maximum 19.9% non-controlling stake in the share capital of the reorganized SAS AB, subject to approvals and conditions.
- b) Air France-KLM ambitions to enhance the Group's footprint in Scandinavian markets through a commercial cooperation between its airlines and SAS AB.

Air France-KLM welcomes today's announcement by SAS AB's Board of Directors that the Air France-KLM Group, Castlake, L.P., on behalf of certain funds or affiliates, and Lind Invest ApS (collectively, the "Consortium") have, together, been selected as the winning bidder in SAS's exit financing solicitation process.

Benjamin Smith, CEO of Air France-KLM stated: *"This is an important day for SAS and for Air France-KLM. We are pleased to be part of the winning bidding consortium selected by the board of SAS. Air France-KLM looks forward to establishing strong commercial ties with SAS. With its well-established position in Scandinavia and strong brand, SAS offers tremendous potential to Air France-KLM. This cooperation will allow Air France-KLM to enhance its position in the Nordics and improve connectivity for Scandinavian and European travelers. We look forward to being a part of this new chapter in SAS' history and thank the board of SAS for their trust".*

As previously expressed, Air France-KLM is determined to play an active role in the consolidation of European aviation. The envisaged cooperation with SAS is one of the components of the Group's strategic roadmap.

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

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

Air France-KLM's investment would represent a total of USD 144.5 million, of which USD 109.5 million would be invested in common shares and USD 35 million would be provided in the form of secured convertible bonds. Upon completion of the transaction, Air France-KLM would own up to a maximum 19.9% non-controlling stake in the share capital of the reorganized SAS AB.

Air France-KLM's investment described herein will not have any impact on the Group's medium-term outlook.

In parallel to the transaction, and subject to the satisfaction of certain conditions including SAS AB's exit from Star Alliance, Air France-KLM will seek to establish a commercial cooperation between its airlines and SAS AB. In doing so Air France-KLM will strengthen its footprint in Scandinavian markets, where the SAS brand and loyalty program are well-established. Such commercial cooperation would benefit Scandinavian customers through extended connectivity and broader access to the worldwide network of Air France-KLM.

Air France-KLM would like to thank SAS AB's Board of Directors for its consideration throughout the competitive bidding process.

Details of the contemplated transaction

The net proceeds of this investment would be used, among other things, to repay post-petition debtor-in-possession (DIP) financing. General unsecured creditors would receive USD 325 million of value in the form of cash and common shares.

Definitive agreements between the members of the Consortium would include specific provisions whereby Air France-KLM's stake may be increased such that Air France-KLM may become a controlling shareholder, after a minimum of two years, subject to among other things, certain regulatory conditions and financial performance.

As noted above, the investment by the Consortium (which may come to include additional investment partners) is subject to approval by the US court and consummation of a Chapter 11 plan of reorganization of SAS AB and certain of its subsidiaries. Such approval will come only after the Chapter 11 plan is submitted to creditors for a vote. SAS AB and those subsidiaries intend to undertake the process necessary to obtain such approval by the US court in short order. SAS AB may thereafter apply for a Swedish in-court reorganization aimed at implementing a Swedish reorganization plan for SAS AB that results in cancellation of all existing shares of stock of SAS AB pursuant to Swedish law. Following that, the investment may be consummated as part of implementing the Chapter 11 plan of reorganization.

On October 19, 2023

Air France-KLM and Sabre sign NDC distribution agreement.

Extended agreement includes enriched NDC-sourced content alongside traditional EDIFACT content, fostering modern travel retailing in Europe and across the globe.

Air France-KLM and Sabre Corporation (NASDAQ: SABR), a leading software and technology provider that powers the global travel industry, today announced completion of a strategic multi-year NDC distribution agreement as well as the renewal of their existing EDIFACT agreement. Collaboration between the partners has been extended with New Distribution Capability (NDC) enriched offers, which will be marketed and sold alongside EDIFACT content, through Sabre's global distribution system (GDS). The Air France-KLM NDC offers will be rolled out to Sabre-connected travel agencies in a phased approach next year.

The agreement demonstrates Sabre's continued commitment to driving value and serving the diverse interests of the various stakeholders participating in the global travel marketplace. It helps agencies to efficiently shop and compare increasingly sophisticated offers, while their travelers will benefit from an enhanced experience with more choice and transparency. It also enables Air France and KLM to distribute their customized NDC offers, thanks to continuous pricing and tailor-made bundles, to the global network of Sabre-connected agencies.

"Choosing the right travel technology partners with which to collaborate is essential. Hence, we are pleased to extend our cooperation with Sabre. This will support our travel agent partners to provide the Air France-KLM enriched and attractive NDC offer, giving the travelers a wider range of options to enhance their journey, from start to finish." said **Angus Clarke**, Chief Commercial Officer, Air France-KLM.

"Our partnership with Air France-KLM reflects our commitment to modern travel retailing and a big step forward for our presence in Europe," added **Roshan Mendis**, Chief Commercial Officer, Sabre Travel Solutions. *"From the beginning, Sabre has been committed to go beyond NDC to help build a new travel ecosystem that is more efficient and personalized, meeting the dynamic needs of today's travelers. We are delighted to bring our customers EDIFACT and enhanced NDC content as we transition to a new world of Offers and Orders."*

On October 24, 2023

Pieter Bootsma, Executive Vice President and Chief Strategy Officer, Air France-KLM, to leave the Group effective January 1st, 2024.

Air France-KLM today announces that Pieter Bootsma, Executive Vice President and Chief Strategy Officer, Air France-KLM, has decided to leave his position effective January 1st, 2024. He will pursue his career in the Netherlands, outside of the airline industry.

"I sincerely thank Pieter Bootsma for his invaluable and extraordinary contribution to KLM and to the Group over the past 30 years." said **Benjamin Smith**, CEO of Air France-KLM. *"Pieter played a central role in the creation of our Group and the establishment of some of our most strategic pillars. A strong team player with extraordinary business acumen and in-depth knowledge of our industry, he will be sorely missed but we wish him all the best in his future endeavors"*.

An alumnus of both the Technical University of Twente (Netherlands) and Columbia University (USA), Pieter Bootsma initially joined KLM in 1993. Throughout his career, he held various high profile positions in the field of network planning and alliances, and led the full integration of Air France-KLM's Pricing and Revenue Management divisions from 2008 onwards. He joined the Group's Executive Committee in 2013 after being appointed Executive Vice President – Commercial. In that position, he was responsible for Network, Pricing and Revenue Management, Digital, Distribution, Flying Blue and Commercial Systems. In 2019, he became the Group's Chief Revenue Officer and was last appointed Executive Vice President and Chief Strategy Officer in August 2022.

On October 26, 2023

Air France-KLM and Apollo Global Management sign a definitive agreement for a quasi-equity financing of €1.3 billion, with a potential upside to €1.5 billion.

Air France-KLM and Apollo Global Management (NYSE: APO) today announced to have signed a definitive agreement between Apollo-managed funds and entities and a dedicated operating affiliate of Air France-KLM regarding a €1.3 billion financing, accounted as quasi-equity under IFRS, with the option for Apollo to increase the nominal amount up to €1.5 billion in total, prior to closing.

This dedicated operating affiliate of Air France-KLM will hold the trademark and most of the commercial partners contracts related to Air France and KLM's joint loyalty program (Flying Blue). The affiliate will become the exclusive issuer of miles for the airlines of the Group and partners, enabling Flying Blue's scalability and enhancing its growth prospects.

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

This transaction will allow Air France-KLM to make an additional step towards its commitment to restore its IFRS equity and strengthen its balance sheet, in addition to net profit generation.

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

Air France-KLM will continue to manage and operate its loyalty program Flying Blue, and Air France and KLM will keep full ownership rights of their customer database.

The agreed structure will incur no changes for Flying Blue members. It will not affect social aspects for Air France, KLM or Air France-KLM employees' contracts.

The closing of the transaction remains subject to customary condition precedents, and is expected to take place by year end.

Deutsche Bank AG and Skadden, Arps, Slate, Meagher & Flom LLP are acting as exclusive financial and legal advisors to Air France-KLM. Apollo Global Management was advised by Barclays PLC as financial advisor, and Milbank LLP, Latham & Watkins LLP and NautaDutilh as legal advisors. Apollo Capital Solutions provided structuring and syndication services in connection with the transaction.

On October 26, 2023

Air France-KLM and GOL sign agreement to extend and enhance their commercial partnership.

- a) Commercial partnership initiated in 2014 to be extended for 10 years, with reciprocal exclusivity on traffic flows between Europe and Brazil.
- b) Increased commercial cooperation providing improved connectivity, with 125+ destinations covered in Europe and Brazil, covering 99% of demand between the two areas.
- c) Partnership also covers increased maintenance cooperation, with Air France Industries KLM E&M expanding its support to GOL's CFM56 and LEAP engines.

Air France-KLM and GOL Linhas Aéreas Inteligentes today announced that they have signed an agreement to extend and enhance their commercial partnership for the

next 10 years. Under the terms of this agreement, both parties will grant each other exclusivity on routes between Europe and Brazil and enhance their commercial cooperation. This will result in better connectivity, improved customer experience and more benefits for their respective customers.

Initially introduced in 2014 for a period of 5 years, the commercial partnership between Air France-KLM and GOL had already been renewed in 2019. It covers over 99% of the demand between Brazil and Europe and today one out of every five passengers traveling to Brazil with Air France and KLM connects to a GOL flight. In total, over two million passengers have benefited from the partnership since its introduction.

As part of this renewed partnership, Air France, KLM and GOL will continue investing to further improve their customers' experience and create an even more seamless product. Customers will benefit from an optimized network between Europe and Brazil, spanning over 80 European destinations, 45 destinations in Brazil, and in the future, new destinations across Latin America. The agreement additionally includes expanded code-sharing, enhanced joint sales activities, and more benefits for customers via Air France-KLM's Flying Blue and GOL's SMILES frequent flyer programs.

The enhanced collaboration includes an ambitious expansion of the existing maintenance support by Air France Industries KLM Engineering & Maintenance (AFI KLM E&M) to GOL's CFM56 and LEAP engines.

Benjamin Smith, CEO Air France-KLM, stated: *"South America, and particularly Brazil, is one of the most strategic markets for Air France-KLM. The historical partnership between Air France-KLM and GOL has been instrumental in allowing us to provide our customers with a comprehensive and broad value proposition in the region. Building on what we've already achieved, we are very pleased to extend and deepen this exclusive partnership for 10 more years. This new agreement will allow us to implement the necessary structural enhancements to ensure Air France-KLM and GOL's leadership position between Brazil and Europe".*

Celso Ferrer, GOL CEO: *"Our partnership with Air France-KLM has provided countless enhancements and benefits for all of our customers and is based on reciprocal trust and admiration of both companies. We are proud to celebrate another decade of partnership, and I believe it crowns a long and successful history by including key elements such as the credit line for engine overhauls. I reinforce that GOL is deeply committed to support and help to strengthen the Brazil-Europe corridor, and we have no doubt Air France-KLM is the best partner to achieve that".*

Optimized connections beyond Air France-KLM and GOL's respective hubs in Europe and Brazil

Air France and KLM passengers can connect on GOL flights beyond São Paulo (GRU), Rio de Janeiro (GIG) and Fortaleza (FOR). GOL passengers also have access to Air France and KLM's worldwide networks beyond their Paris-Charles de Gaulle airport and Amsterdam Schiphol airport hubs.

During the winter 23 season, Air France operates 24 weekly flights to Brazil (14 x São Paulo, 7 x Rio de Janeiro and 3 x Fortaleza) while KLM operates 14 weekly flights to Brazil (7 x São Paulo, 7 x Rio de Janeiro).

On November 10, 2023

Air France-KLM confirms its strategic cooperation with SAF producer DG Fuels by investing in their SAF production facility in the United States.

- a) Air France-KLM has made an investment in DG Fuels to support the completion of the developmental work necessary to reach the Final Investment Decision on DG Fuels' initial Louisiana-based sustainable aviation fuel (SAF) plant.
- b) Air France-KLM acquired an option to purchase up to 25 million gallons / 75 000 tons of SAF annually over a multi-year period beginning in 2029. This option comes in addition to the long-term offtake contract announced by Air France-KLM and DG Fuels last year.
- c) The investment and offtake option represent a further major step by the Group towards achieving its 10% SAF incorporation target by 2030.

The Air France-KLM Group is fully committed to reducing its carbon footprint and aims to be a frontrunner in sustainable aviation. In 2022, the Group was the world's largest user of SAF, representing 17% of the world's total production. By comparison, the Group only accounts for 3% of the world's consumption of conventional kerosene.

In October 2022, Air France-KLM announced an offtake agreement for 600,000 tons of SAF from DG Fuels, to be delivered between 2027 and 2036.

Today, the Group announces a step forward in its cooperation with DG Fuels, with Air France investing USD 4.7 million in the SAF producer. This investment – a first for Air France-KLM – represents a key development in the strengthening of the partnership between the Air France-KLM Group and DG Fuels. It will support the completion of the development work necessary to reach

the Final Investment Decision (FID) on DG Fuels' first sustainable aviation fuel plant, which will be located in Louisiana. This investment confirms the Group's ambition to participate in the financing of project studies that enable the development of SAF production capabilities worldwide, with the aim of gradually establishing a diversified network able to meet worldwide demand.

In addition to this investment, Air France-KLM has acquired a new option to purchase up to 75,000 tons of SAF per year from DG Fuels, with deliveries planned to start as early as 2029.

Fully committed to reducing its environmental impact, the Air France-KLM Group aims to reduce its CO₂ emissions per passenger km by 30% by 2030 compared to 2019. Its decarbonisation trajectory factors in the incorporation of a minimum of 10% SAF by 2030, alongside fleet renewal and eco-piloting.

"Air France-KLM welcomes this expanded cooperation with DG Fuels. Supporting the scale-up of advanced waste-to-aviation fuel technology is a crucial step to growing the SAF industry. This is the first time Air France-KLM has made a financial investment in a SAF producer and we look forward to further reinforcing our long-term partnership with DG Fuels.", said Constance Thio, EVP Human Resources and Sustainability, Air France-KLM.

"We are very pleased to broaden our strategic relationship with Air France-KLM. This expansion of our existing relationship is very important to both DG Fuels and to the aviation industry as we build momentum to successfully implementing our first SAF facility and make major scale up plans thereafter. We look forward to working with Air France-KLM as we deploy our SAF technology at additional locations in the United States, Europe and Asia.", said Christopher Chaput, President & CFO of DG Fuels.

DG Fuels, SAF provider with an efficient, low-cost production process

As a result of its high efficiency carbon conversion process, DG Fuels maximizes the amount of SAF produced from a fixed amount of biomass. This efficiency, combined with reasonable scale results in attractively low unit production costs, allowing DG Fuels to achieve sustained profitability while still offering airline and other SAF customers prices that are competitive with conventional jet fuel. SAF produced by DG Fuels does not compete with global food supplies in any way. As a testament to its commitment to using renewable power, DG Fuels is a major supporter of wind, solar and other forms of zero carbon power.

Destination Sustainability: Air France-KLM's sustainability trajectory

Air France-KLM has been committed to environmental and social issues for many years, with all of the Group's commitments falling under its overall "Destination Sustainability" strategy. This strategy is founded on two major pillars: "people & culture" and "environment".

With regard to the "people & culture" pillar, the Air France-KLM Group is a socially responsible company that cares for people and cultures by investing in noise pollution reduction, creating a safe and inclusive workplace, and supporting local communities.

Concerning the "environment" pillar, Air France-KLM has developed a decarbonization strategy that aims to reduce its emissions per passenger/kilometer by 30% by 2030 – compared to 2019 levels, the reference year. To reach this target, Air France-KLM is activating all the decarbonization levers at its disposal:

Fleet renewal with new-generation aircraft: Airbus A220s, Airbus A350s, Boeing 787s – are more fuel-efficient, producing up to 25% less CO₂ emissions per passenger km and with a noise level reduction of 33% on average. By 2028, these aircraft will account for 64% of the Air France-KLM Group fleet, thanks to an annual investment of two billion euros.

Increased use of sustainable aviation fuel (SAF), which reduces CO₂ emissions by at least 75% on average over the fuel's life cycle and does not compete with the food chain. By 2030, the Group aims to incorporate at least 10% SAF on all its flights, and 63% by 2050.

Operational measures: Ground operations, eco-piloting measures and other initiatives made possible by the actions of Air France-KLM crews and ground staff trained in these practices enable an average reduction of 4 to 5% in CO₂ emissions.

To find out more:

<https://sustainabilityreport.airfranceklm.com/>

On November 27, 2023

Air France-KLM and Etihad Airways announce frequent flyer partnership.

- a) Flying Blue and Etihad Guest members flying on Air France, KLM or Etihad Airways can now earn and redeem Miles on the loyalty program of their choice.
- b) As part of the expanded partnership announced in September 2023, Air France-KLM and Etihad Airways customers now have access to more than 60 new routes beyond Abu Dhabi, Paris and Amsterdam.

Air France-KLM Group and Etihad Airways, the national airline of the United Arab Emirates, today announced a new partnership between their respective loyalty programmes following the Memorandum of

Understanding (MoU) signed between the two airline Groups in September 2023.

As part of this new partnership, members of Flying Blue, Air France and KLM's loyalty programme, and members of Etihad Guest, the loyalty programme of Etihad Airways, will now be able to earn and redeem Miles on either loyalty programme when flying on Air France, KLM or Etihad. Reciprocal benefits for elite members will be announced soon.

Following the MoU signed earlier this year, Air France-KLM and Etihad Airways customers now have the opportunity to connect – and therefore to earn and redeem miles – to more than 60 new routes covering destinations worldwide.

The partnership will go live today, on the heels of Air France's inaugural flight from Paris Charles-de-Gaulle to Abu Dhabi International Airport this past October 29th.

Flying Blue Miles can be redeemed to enjoy a vast range of benefits from flights, worldwide hotel stays, car rentals, or products from the Flying Blue Store. Etihad Guest Miles can be spent on flights, worldwide hotel stays and vacations, or products from the Etihad Guest Reward Shop.

Air France currently operates daily flights between Paris – Charles de Gaulle and Abu Dhabi International Airport while Etihad currently operates daily flights to both Paris-Charles de Gaulle and Amsterdam Schiphol from Abu Dhabi International Airport.

Angus Clarke, Executive Vice President and Chief Commercial Officer Air France-KLM, said: *"I'm very happy to further develop our partnership with Etihad Airways. This 11-year collaboration is now expanding even further, as we aim to explore opportunities in loyalty, in addition to enhancing our route network for the benefit of our customers from all around the world. The attractiveness of Abu Dhabi as a destination and a hub, powered by Etihad's large footprint spanning South and Southeast Asia, as well as Australia, brings significant richness to this partnership. This moment marks our shared commitment to providing seamless, premium, customer-centric travel experiences to our shared global customer base and our 20 million loyal Flying Blue members"*.

Arik De, Chief Revenue Officer at Etihad, said: *"Following our expanded partnership with Air France-KLM signed in September, we're pleased to bring to market this collaboration to benefit both of our airlines loyal guests. Our 9 million Etihad Guest Members will now have access to earn and redeem Etihad Guest Miles when flying with Air France-KLM giving even greater opportunities to enjoy the benefits of the programme. We look forward to welcoming Flying Blue members on to the expanding Etihad network to earn Flying Blue Miles as they choose to fly with Etihad"*.

On November 30, 2023**Air France-KLM and Apollo Global Management announce the upsizing and the completion of a quasi-equity financing of €1.5 billion.**

Following the signing on October 26, 2023, of a definitive agreement between Air France-KLM and Apollo (NYSE: APO) regarding the financing of a dedicated operating affiliate of Air France-KLM, the companies today announce that they have completed the transaction for an upsized total amount of €1.5 billion.

The financing by Apollo-managed and third-party investment vehicles supports a dedicated operating affiliate of Air France-KLM that holds the trademark and most of the commercial partners contracts related to Air France and KLM's joint loyalty program ("Flying Blue") as well as the exclusive right to issue "Miles" for the airlines and their partners. The financing is accounted for as equity under IFRS. As announced by Air France-KLM during its Q3 2023 results, this outcome materializes the steps implemented by the Group to restore its IFRS equity to positive by year end.

The transaction upsize to €1.5 billion reflects strong investor confidence and the quality of Air France-KLM Flying Blue Miles issuance activity. The transaction terms disclosed in late October 26, 2023, remain unchanged, with a fixed coupon of 6.4% p.a. for the first four years, with the right for Air France-KLM to redeem with at overall financing fixed cost of 6.75% at the first call date.

Steven Zaat, Air France-KLM Chief Financial Officer, stated: *"We are delighted to confirm today the upsize and closing of this quasi-equity financing which represents a significant step further to strengthen Air France-KLM's balance sheet at attractive funding terms. This also represents a strategic milestone and clear recognition of our successful Flying Blue program miles activity as well as its potential scalability"*.

Apollo Partner **Jamshid Ehsani** said: *"We are very pleased to be part of this inaugural European mileage capital investment with Air France-KLM. The transaction was well received by our investors, both those within the broad Apollo platform as well as select third-party investors, including sovereign wealth funds and multinational insurance companies"*.

The agreed structure will incur no material changes for Flying Blue members. Air France-KLM will continue managing and operating the Flying Blue loyalty program, and Air France and KLM will each keep full control on the Flying Blue customer database. In addition, the financing structure will not affect social aspects for Air France, KLM nor Air France-KLM employees' contracts.

On December 7, 2023**Appointment to the Air France-KLM Board of Directors.**

Following the proposal of the Appointments and Governance Committee, the Board of Directors of Air France-KLM decided, during its meeting on December 7, 2023, to coopt Florence Parly as Director, replacing Isabelle Parize. This cooptation will be submitted for ratification at the next Air France-KLM Shareholders' Meeting.

This nomination is in line with the upcoming succession of Anne-Marie Couderc as Chair of the Board of Directors, which will take place – at the latest – following the 2025 Shareholders' Meeting convened to approve the financial statements for the 2024 financial year.

To that end, an amendment to the articles of incorporation of Air France-KLM will be submitted to the 2024 Shareholders' Meeting in order to allow for a one-year extension of Anne-Marie Couderc's term of office.

On December 11, 2023**Oltion Carkaxhija appointed EVP Strategy and Transformation, Air France-KLM.**

Oltion Carkaxhija is appointed Executive Vice President Strategy and Transformation, Air France-KLM, effective January 1, 2024. This is an expansion of his current position as EVP Transformation, which he has held since October 2020.

In addition to his current role of improving the Group's unit costs and competitiveness, he will be responsible for implementing the Group's strategy and driving innovation. Working in close cooperation with the CFO, he will also oversee operations to leverage the Group's assets.

Mr. Carkaxhija is already a member of the Air France-KLM Group Executive Committee, and will continue to report directly to Benjamin Smith, CEO Air France-KLM.

"Oltion continues to make a tremendous contribution to the Group and has played a central role in our recovery", stated Benjamin Smith, CEO of Air France-KLM. "His in-depth knowledge of our industry and his results-oriented approach have enabled us to successfully implement hundreds of transformation initiatives across all our businesses. Oltion has worked tirelessly to ensure the Group continues to progress. I have full confidence in his ability to continue on this path and help us strengthen our position as an industry leader. Join me in wishing him every success in his expanded role."

About Oltion Carkaxhija

Oltion Carkaxhija holds an MBA from Loyola College Maryland (United States). After 11 years at Air Canada in the finance and network planning departments, he initially joined the Air France-KLM Group in 2018 as VP Corporate Planning, working on industrial relations. He subsequently became SVP Transformation and was last appointed Executive Vice President Transformation in October 2020, tasked with further strengthening the Group's competitiveness.

On December 13, 2023

Air France-KLM reaffirms its commitment to the decarbonization of aviation through the use of Sustainable Aviation Fuel (SAF).

Already the world's first SAF user, the Group continues to secure the volumes needed to meet its 2030 incorporation targets.

- a) In 2023, the Air France-KLM Group's airlines will have incorporated around 80,000 metric tons of SAF – nearly double the amount in 2022 – making the Group the world's largest SAF user for the second year in a row.
- b) Throughout the year, the Group continued to secure future SAF supplies to meet its target of a minimum of 10% incorporation of SAF by 2030 by signing offtake agreements and MoUs with SAF producers around the world, and by investing directly in SAF production capabilities.
- c) These long-term, strategic investments confirm the Group's commitment to supporting the emergence of a scalable network of SAF production capabilities in Europe and worldwide.

Fully committed to the reduction of its environmental impact, Air France-KLM aims to lead the way in the incorporation of Sustainable Aviation Fuel and to support the development of SAF production capabilities around the world. The Group has set itself ambitious targets that exceed regulatory requirements, namely a reduction of CO₂ emissions per passenger km by 30% by 2030 compared to 2019, and the incorporation of a minimum of 10% of SAF by the same date. The Group plans to achieve these targets via three main levers: fleet renewal, the use of Sustainable Aviation Fuel and operational measures.

In 2022, Air France-KLM was the world's largest SAF user, accounting for 17% of the world's SAF production, while it consumed only 3% of global kerosene production. In October 2022, Air France-KLM announced having secured one third of its 2030 needs thanks to landmark offtake agreements with Neste and DG Fuels, covering a total of 1.6 million tons of SAF.

In 2023, the Group maintained this dynamic by:

- a) increasing the volume of SAF incorporated, making Air France-KLM once again the world's largest SAF user;
- b) securing future SAF supplies through offtake agreements and MoUs;
- c) signing strategic partnerships and investing in SAF production capabilities;
- d) raising awareness around the potential but also the challenges associated with SAF;
- e) engaging its customers – individual and corporate – through dedicated SAF programs.

1) Increasing the volume of SAF incorporated

In 2023, the Air France-KLM Group's airlines incorporated around 80,000 metric tons of SAF, almost doubling from 2022 levels. This represents a 1% incorporation rate (compared to 0.6% in 2022). With this amount, and based on the data available to this day, Air France-KLM expects to be once again the world's largest SAF user, accounting for around 16% of world's SAF production.

2) Securing future SAF supplies through offtake agreements and MoUs

In 2023, Air France-KLM signed several memorandums of understanding (MoUs) with SAF producers around the world to secure the future SAF volumes required to meet its 2030 targets. By partnering with suppliers working on different SAF technologies (HEFA, advanced aviation biofuels and e-fuels) and based in different geographical regions, Air France-KLM aims to build a worldwide network of SAF production capable of meeting its own needs and those of the industry in the long-term. The Group's sourcing initiatives are in line with the goal of keeping flexibility in volumes to match actual demand levels.

MoUs were notably signed with Engie (KerEauzen project, France), EDF (Take Kair project, France), Elyse Energy (BioTfuel project, France), TotalEnergies (France), OMV (Austria), Raven (USA) and Groupe International SAF + (Canada), as well as with other SAF producers and energy providers based in Europe, North and South America.

These MoUs concern production projects and facilities at different stages of maturity. They stimulate the SAF industry by providing producers with visibility and outlets for their future production, helping them secure financing. The Group is particularly attentive to the development of SAF production capacities in its home markets, an essential means of addressing one of the main challenges associated with SAF: availability.

3) Signing strategic partnerships and investing in SAF production capabilities

Since its first SAF-powered flight back in 2011, Air France-KLM has established strong partnerships with energy providers, and has even made direct financial investments. KLM notably partnered with SAF producer SkyNRG, effectively supporting the establishment in 2019 of a first production plant in Delfzijl (The Netherlands) through a €6m investment.

In November 2023, Air France-KLM reinforced its cooperation with DG Fuels through a \$4.7m investment made by Air France into the SAF producer. Along with this investment, the Group acquired an option to purchase an additional 75,000 tons of SAF from DG Fuels over a multi-year period beginning in 2029.

4) Raising awareness around the potential but also the challenges associated with SAF

In April 2023, KLM successfully conducted tests that confirm that it is safe to run aircraft engines on 100% SAF. The engine tests were carried out in partnership with engine manufacturer CFM International and fuel producer Neste.

In June 2023, Air France-KLM held a first SAF Masterclass, gathering experts and professionals from the SAF industry in an event aimed at media and investors. On that occasion, the various speakers reaffirmed the need to raise awareness among the general public about the challenges tied to SAF as well as the opportunities it brings in terms of job and value creation as well as energy independence. The full content presented on that day can be consulted [here](#).

In a context of legitimate concern over the environmental impact of aviation, it is essential that all audiences be aware that while SAF is already a reality, the path to a functioning and fully operational industry will require joint efforts from all stakeholders across the aviation value chain – including government bodies.

Engaging customers – individual and corporate – through dedicated SAF programs

Air France-KLM aims to provide all its customers with options to contribute to the decarbonization of aviation. The Group developed several industry-leading programs and initiatives which come on top of the SAF contribution already integrated in each ticket sold since January 2022.

a) Individual customers can opt for the “environmental option”, when booking tickets, which allows them to purchase volumes of SAF based on the fuel consumption of their journey.

b) Corporate customers can participate in the Corporate SAF Program. Based on the CO₂ emissions generated by their staff's travels, companies can determine an annual contribution which is then invested in the purchase and use of SAF. In 2023, 116 Corporate SAF contracts were signed worldwide, resulting in the purchase of 11,000 tons of SAF. 188 SME/SMIs members of Air France-KLM's BlueBiz program also joined the initiative. Air France KLM Martinair Cargo, the Group's cargo division, runs a similar program that was joined by 29 freight forwarders and customers in 2023.

c) Since 2022, all members of Flying Blue, Air France-KLM's frequent-flyer program have the option to purchase SAF using their Miles. These contributions also count towards earning or maintaining Flying Blue's Elite status. Flying Blue was the first loyalty program in the travel industry to structurally introduce such a choice to earn status.

Factbox:

a) In 2023, worldwide SAF production has reached over 0.5Mt, double the 0.25 Mt produced in 2022.

b) SAF accounted for 3% of all renewable fuels produced, with 97% of renewable fuel production going to other sectors.

c) In 2024 SAF production is expected to reach 1.5Mt⁽³⁾.

About Air France-KLM's SAF sourcing policy:

Sustainable aviation fuel is currently made from used cooking oils, waste or agricultural and forestry residues. In the future, sustainable synthetic aviation fuel will also be available, made from hydrogen and carbon captured from the atmosphere.

Air France-KLM adheres to a strict sourcing policy, committing to purchasing second generation SAF that does not compete with food or feed, are RSB or ISCC+ certified for their sustainability, and is not produced from palm oil. Compared to conventional fuel, Air France-KLM's SAF achieve a CO₂ emissions reduction of up to 75% over the entire fuel lifecycle.

⁽³⁾ Source: IATA estimates, 2023.

On December 14, 2023

Air France-KLM 2023 Investor Day.

Air France-KLM to reinforce its European leadership by building on a strong business profile, to offer best in class products, accelerate transformation and deliver sustainable growth & commitments combined with profitable results.

- a) Operating margin outlook revised upwards: above 8% over the 2026-2028 period.
- b) Inaugural credit ratings: Investment Grade "BBB-" by Fitch; "BB+" by S&P Global Ratings with both Stable Outlook.

Air France-KLM is hosting today at 2pm CET its 2023 Investor Day. On this occasion, Benjamin Smith, Chief Executive Officer of Air France-KLM, joined by members of the Executive Committee, will present the strategic ambitions and financial trajectory for the next five years.

Benjamin Smith, CEO of Air France-KLM, said: *"The transformation we have embarked on since 2019 at Air France-KLM has produced solid results, enabling us to rejoin the top tier of European leaders in the airline industry. We have delivered on our commitments, and I am particularly proud of the hard work carried out by all our teams to achieve these results, in a context marked by powerful headwinds. We are now well positioned to accelerate further and capture the full potential of our Group's assets to deliver sustained and more profitable growth, while achieving the ambitious targets we have set ourselves for reducing our environmental impact."*

Air France-KLM's Investor Day agenda covers the following key priorities:

- a) improve market positions and increase revenue initiatives while continuing cost savings and simplification across all businesses;
- b) lead the way in sustainable aviation by reaffirming its 2030 targets and supporting the development of SAF production capabilities around the world, through offtake agreements and direct investments;
- c) focus further on Transavia's growth and unit cost reduction to secure its number one position as LCC in the Netherlands and in Paris and capture the full potential of Paris-Orly network;
- d) maximise customer satisfaction and loyalty through superior service and enhanced operational excellence;
- e) expand the revenue contribution of Flying Blue, through growth prospect and higher value proposition to customers with airline partners and targeted enlargement of the non-airline partnerships;

- f) consolidate the Engineering & Maintenance market position as a world-leading multi-product profitable provider;
- g) position the Cargo business as leader in sustainable airfreight, while delivering best-in-class customer experiences;
- h) strengthen and develop the Group's alliances and partners' network and explore new growth opportunities through strategic consolidation.

Through disciplined capital allocation and a focused capital expenditures program, Air France-KLM will continue to invest in fleet renewal and maintenance to improve its economic performance and reduce its CO₂ emissions and noise pollution. For such, the Group estimates net capital expenditures of €3.0 to 3.5 billion per year between 2024 and 2026, and €3.5 to 3.8 billion per year in 2027 and 2028.

Based on a further acceleration of its transformation program and an enhanced cost effectiveness, the Group's operating result is expected to improve by €2.0 billion over the next five years across all businesses.

The Group confirms its 2024-2026 outlook and sets the following targets for the 2026-2028 period:

- a) a further profitability increase, with an operating margin above 8%;
- b) a further unit cost reduction, thanks in particular to the acceleration of the transformation program;
- c) a continued improvement on cash generation, to deliver a significantly positive adjusted operating free cash-flow;
- d) a continued optimization of the Group's financial profile, with long-term credit ratings at investment grade level.

Air France-KLM today announces two inaugural long-term issuer credit ratings:

- a) Investment Grade "BBB-" with Outlook Stable by Fitch;
- b) "BB+" with Outlook Stable by S&P Global Ratings.

Air France-KLM is now rated Investment Grade with a "BBB-" with a Stable Outlook by Fitch and with a "BB+" with a Stable Outlook by S&P Global Ratings. This solid outcome is the testimony of the Group's robust operational performance, a notably improved financial structure with a solid liquidity and strong recovery following the Covid-19 pandemic.

Both agencies have highlighted that Air France-KLM is one of the largest global airline groups with leading positions at major hubs, benefitting from one of the world's largest and most diversified network as well as a full service offering with MRO and Cargo businesses combined.

On December 19, 2023**Air France-KLM introduces the A320neo aircraft family into its fleet with the delivery of a first A321neo to Transavia.**

In line with its commitment to improving its economic and environmental performance, Air France-KLM continues the renewal of its fleet.

On December 19, 2023, the Group took delivery of a first A321neo aircraft, to be operated by Transavia Netherlands. Fitted with 232 seats in a single-class configuration, the aircraft will operate its first commercial flight out of Amsterdam Schiphol airport on January 5, 2024.

"This is the beginning of a new chapter for Transavia and for the Group", stated Benjamin Smith, CEO of Air France-KLM. "By introducing the Airbus A320neo family into our fleet, we are bringing quieter, less polluting and more fuel-efficient aircraft, capable of transporting more passengers. This long-term massive investment into our fleet confirms our commitment to reducing our environmental footprint, as frontrunners of a more sustainable aviation, while improving our customers' experience".

This inaugural delivery follows the evolutionary order placed by Air France-KLM in 2021 for 100 Airbus A320neo family aircraft – with purchase rights for an additional 60 aircraft – to renew the fleets of KLM and Transavia Netherlands, and to renew and expand the fleet of Transavia France.

Transavia France and KLM are expected to take delivery of their first A320neo family aircraft in early January and by mid-year 2024 respectively.

Benefiting from the latest technological innovations, the A320neo family aircraft offer the best performance in their category for the network needs of the Group's airlines. Compared to previous generation aircraft, they offer a 50% noise reduction as well as a 15% reduction in fuel consumption and CO₂ emissions per passenger km. They also enable to a unit cost reduction of more than 10%.

Fleet renewal is the first lever to cut CO₂ and noise emissions, with immediate effect. Alongside the use of sustainable aviation fuels and operational measures such as eco-piloting, it is one of the pillars of the Group's decarbonization trajectory, which aims for a 30% reduction of its CO₂ emissions per passenger km by 2030 compared to 2019.

By 2030, the share of new generation aircraft in the Group's fleet is expected to reach 81%, against 21% in 2023.

Since the year 2000s, Air France-KLM already reduced its noise footprint by 40%.

On December 21, 2023**Air France-KLM and Air France take note of the two judgements of the General Court of the European Union.**

Air France-KLM and Air France take note of the two judgments of the General Court of the European Union rendered on December 20, 2023, annulling a 2020 Commission decision and a 2021 Commission decision which approved various French State aid measures during the Covid 19 crisis.

Air France-KLM and Air France will carefully study these judgments and assess their implications. They will consider whether to lodge an appeal on points of law before the Court of Justice of the European Union. In parallel, they will contribute to any exchange between the French State and the European Commission with a view to the adoption of possible new approval decisions.

Air France-KLM reminds that Air France-KLM and Air France have complied with and fulfilled all exit requirements of all State aid granted under the EU State Aid Temporary Framework on April 19, 2023.

On December 21, 2023**Success of Air France-KLM Group's global employee shareholding plan.**

Air France-KLM has successfully finalized its "Partners for the future" employee shareholding offer, a capital increase reserved for approximately 75,000 eligible employees of the Group, launched in November 2023.

For this Group's first worldwide operation, approximately 17,000 employees located in 19 countries, representing approximately 22% of the total workforce of the Group, have subscribed to the "Partners for the future" offer, enabling them to invest in Air France-KLM shares on preferential terms.

The total subscription amounts to nearly 46,073,029 euros, corresponding to the issue of 5,716,256 new shares with a par value of one euro each. As a result, the Company's share capital was increased by 5,716,256 euros, from 257,053,613 euros to 262,769,869 euros.

Following this issuance, the employee shareholders in Air France-KLM's share capital, within the meaning of Article L. 225-102 of the French Commercial Code, is just over 3% of the share capital.

Benjamin Smith, CEO of Air France-KLM, stated: *"Providing our employees with the opportunity to become Air France-KLM shareholders is a solid step in aligning all teams toward improved performance and long-term value creation. Our employees' strong level of participation demonstrates their confidence and commitment, as well as their desire to contribute to our future success. This is an encouraging sign that reinforces our determination to successfully implement our overall strategy".*



HIGHLIGHTS OF THE BEGINNING OF THE 2024 FINANCIAL YEAR

On January 10, 2024

Air France-KLM takes delivery of its first Airbus A320neo, to be operated by Transavia France.

Following the delivery of a first Airbus A321neo to Transavia Netherlands on December 19, 2023, Air France-KLM continues the introduction of the A320neo aircraft family into its fleet.

On January 10, 2024, the Group took delivery of a first Airbus A320neo aircraft (registration number F-GNEO), to be operated by Transavia France. Powered by CFM International LEAP-1A engines and fitted with 186 seats in a single-class configuration, the aircraft will be based at Paris-Orly airport, Transavia France's main base.

The aircraft's first commercial flight is scheduled on January 15, 2024, with service to Porto Airport (Portugal), Transavia France's inaugural destination when the airline began operations in 2007. Going forward, the A320neo will serve the airline's entire network, covering over 200 routes to 120 destinations.

"The delivery of this first Airbus A320neo is a key step in the history of Transavia France. It marks the transition to all-Airbus fleet at Transavia and embodies our commitment to further developing the operations of our low-cost brand. It is part of our large, long-term fleet investments, designed to improve our Group's economic and environmental performance," stated Benjamin Smith, CEO of Air France-KLM. "We have strong ambitions for Transavia France, which is already the leading low-cost carrier on departure from Paris area airports. The growth of its fleet is one of the cornerstones of our strategy, hence our decision to bring these quieter, less polluting and more fuel-efficient aircraft, perfectly suited to our network needs. Our customers can also look forward to a new and improved on-board experience, in line with our commitment to 'making low cost feel good'."

This delivery follows the evolutionary order placed by Air France-KLM in 2021 for 100 Airbus A320neo family aircraft – with purchase rights for an additional 60 aircraft – to renew the fleets of KLM and Transavia Netherlands, and to renew and expand the fleet of Transavia France.

By the end of 2024, Transavia France expects to operate 13 Airbus A320neo aircraft, alongside its fleet of close to 70 Boeing 737-800.

Benefiting from the latest technological innovations, the A320neo family aircraft offer the best performance in their category for the network needs of the Group's airlines. Compared to previous generation aircraft, they offer a 50% noise reduction as well as a 15% reduction in fuel

consumption and CO₂ emissions per passenger km. They also enable to a unit cost reduction of more than 10%.

Fleet renewal is the first lever to reduce CO₂ and noise emissions, with immediate effect. Alongside the use of sustainable aviation fuel and operational measures such as eco-piloting, it is one of the pillars of the Group's decarbonization trajectory, which aims for a 30% reduction of its CO₂ emissions per passenger km by 2030 compared to 2019. Since the 2000s, Air France-KLM has already reduced its noise footprint by 40%.

By 2030, the share of new generation aircraft in the Group's fleet is expected to reach 81%, compared to 21% in 2023.

On January 16, 2024

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

In May 2022, Air France-KLM and CMA CGM announced their intention to enter into a cargo commercial cooperation, which became effective in April 2023.

The tight regulatory environment in certain important markets has prevented the cooperation from working in an optimal way.

As a consequence, Air France-KLM and CMA CGM today announce their decision to withdraw from their existing agreements from March 31, 2024. Air France-KLM and CMA CGM have begun discussions on new terms and conditions of a commercial relation to operate independently from March 31, 2024 onwards.

Both groups remain committed to work collaboratively, to ensure cargo customers can continue to benefit from their respective networks.

CMA CGM remains a core shareholder in Air France-KLM. The parties have agreed to amend the existing lockup on CMA CGM shares in Air France-KLM's capital, which will now be effective until February 28, 2025⁽¹⁾. The parties have agreed that CMA CGM will step down from the Air France-KLM Board of Directors on March 31, 2024.

On March 13, 2024

Air France-KLM and Air France confirm having lodged two appeals before the Court of Justice of the European Union of two judgments of the General Court of the European Union rendered in December 2023, annulling a 2020 European Commission decision and a 2021 European Commission decision which approved various French State aid measures during the Covid 19 crisis.

⁽¹⁾ The initial lock-up undertaking of CMA CGM (initial lock-up on all the Company's shares subscribed by CMA CGM in the rights issues announced on May 24, 2022 expiring on June 15, 2025, and subsequent lock-up period on 50% of such shares expiring on June 15, 2028) is modified to provide that the initial lock-up period ends on February 28, 2025, without any subsequent lock-up period.

Air France-KLM reminds that Air France-KLM and Air France have fully refunded all State aid received, in accordance with the applicable legal framework.

On March 25, 2024

Air France-KLM repaid €452 million of OCEANE 2026 bonds.

Today Air France-KLM announces that it has repaid, at the request of the bondholders, c. €452 million of the outstanding €500 million of the bonds convertible into new shares and/or exchangeable for existing shares due March 25, 2026 (the "**OCEANE 2026**", ISIN FR0013410628). This amount is equivalent of c. 25 million of bonds. This early redemption option on March 25, 2024 was part of the terms and conditions of the bonds.

Under definitive terms and conditions prevailing, unless previously exchanged, redeemed, or purchased and cancelled, the remaining outstanding bonds will be redeemed at par on March 25, 2026, or they may also be redeemed prior to maturity at the discretion of the Company under certain conditions.

The number of potential dilutive shares linked to the outstanding OCEANE 2026 has therefore been decreased from 4,966,518 shares to 472,580 shares.

On April 8, 2024

Air France-KLM (the "**Company**") hereby informs OCEANE 2026 holders that, following the exercise of the put option by bondholders in accordance with the provisions of the OCEANE 2026's Terms and Conditions (the "**Terms and Conditions**"), the total number of outstanding OCEANE 2026 represents, to date, less than 15% of the initially issued OCEANE 2026.

Consequently, the Company informs the holders of the outstanding OCEANE 2026 that it will proceed with the early redemption of the said OCEANE 2026 under the conditions set out in Article 1.9.1.3, § 2 "Early redemption at the Company's option" of the Terms and Conditions, for cancellation in accordance with the applicable law.

The early redemption date for the OCEANE 2026 has been set at May 10, 2024 (the "**Early Redemption Date**"), at a price per OCEANE 2026 equal to par value (i.e., 17.92 euros) with accrued interest of 0.00282 euros (the "**Redemption Price**").

OCEANE 2026 holders are reminded that they may exercise their right to convert their bonds into new and/or existing shares of the Company until the 7th business day prior to the Early Redemption Date, i.e., April 26, 2024, pursuant to the provisions of Article 2.3 of the Terms and Conditions. In accordance with and subject to the provisions of the Terms and Conditions, in order to exercise their right to conversion, OCEANE 2026 holders must submit a request to their financial intermediaries,

which shall then instruct the centralizing agent, Société Générale Securities Services.

OCEANE 2026 holders who have not validly exercised their right to conversion prior to the Early Redemption Date will be redeemed as per the above-mentioned conditions.

It is also specified that, in accordance with Article 2.6 of the Terms and Conditions, the conversion/exchange ratio of the OCEANE 2026 has been adjusted following several transactions relating to the Company's share capital. As a result, one OCEANE 2026 currently entitles its holder to 0.178 ordinary share in the Company (ISIN FR001400J770).

On April 17, 2024

Air France-KLM, Air France and KLM have executed the first one-year extension option of their Revolving Credit Facilities linked to ESG KPIs.

Last year April, Air France-KLM, Air France and KLM executed two Revolving Credit Facilities ("RCF") linked to ESG KPIs with a large pool of international financial institutions, for a total amount of €2.2 billion.

Air France-KLM and Air France executed the accordion option in the facility to increase the RCF with an amount of €90 million bringing the amount of the two RCFs to approximately €2.3 billion.

Air France-KLM and Air France

Air France-KLM and Air France, combined borrower signed last year April a €1.2 billion Sustainability-Linked RCF. This facility had an initial 2026 maturity, included two one-year extension options and an accordion increase option. Today Air France-KLM and Air France announced having executed the extension option for one year, extending to a 2027 maturity and the accordion increase option of €90 million, bringing the total size to approximately €1.3 billion.

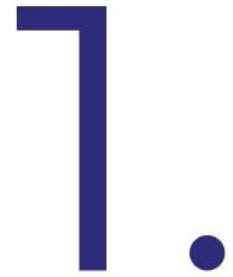
Crédit Agricole Corporate and Investment Bank (CACIB) and Natixis were jointly acting as Global Coordinators, ESG Coordinators and Documentation Agents for RCFs concluded with a syndicate of now 16 international banks.

KLM

Last year April, KLM signed a €1.0 billion RCF including ESG Key Performance Indicators.

This RCF had an initial 2027 maturity and included two one-year extension options and an accordion option. Today KLM announced having executed the extension option for one year, extending to a 2028 maturity.

ABN AMRO, ING and Rabobank (document agent) were the RCF coordinators, with Crédit Agricole Corporate and Investment Bank (CACIB) acting as coordinator for the ESG targets. KLM's RCF was concluded with a syndicate of 14 international banks.



Presentation of the Air France-KLM group

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1.1 MARKET AND ENVIRONMENT

1.1.1 Economic environment

ECONOMIC GROWTH

Real GDP growth (%)	2022	2023
World	3.5	3.0
Euro zone	3.3	0.7
Of which France	2.5	1.0
Of which Netherlands	4.3	0.6
Latin America and Caribbean	4.1	2.3
United States	2.1	2.1
China	3.0	5.0
Japan	1.0	2.0
Sub-Saharan Africa	4.0	3.3

Source⁽¹⁾

In 2023, the world's GDP continued to grow although the pace moderated after a strong initial rebound from the Covid-19 crisis ("Covid") in 2022. Having peaked in 2022, global inflation showed signs of slowing as supply chain disruptions eased and commodity prices declined, with different ongoing patterns per country. The effects of the wars in Ukraine and Gaza on the global economy remained moderate in 2023.

The Eurozone showed some significant divergences across the region. The southern European economies

outperformed the eurozone average, while Germany recorded a slight economic contraction. Recent developments also show tighter financial conditions and weaker demand. The U.S. economy benefited from a strengthening labor market and positive signals on consumer spending. China benefited from only a brief Covid reopening surge in early 2023 before facing growing headwinds from weakening consumer confidence due to the real estate crisis and labor market uncertainty⁽²⁾.

OIL PRICE

Brent (US\$/bbl)	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Average Brent price	100.7	88.6	81.2	78.3	86.7	83.7
Average Jet fuel price	141.1	136.8	126.2	95.2	120.4	112.0

Source⁽³⁾

During the first half of 2023, oil prices remained on their downward trend initiated in Q3 2022 and were comparable to their pre-Covid level in the middle of 2023. However, in Q3 2023, oil prices reversed direction and started to rise, peaking in September. In Q4 2023, oil prices once again declined to just under US\$80 per barrel of Brent at the end of the year.

The crack spread, i.e. the difference between the price of jet fuel and that of crude oil, declined to reach its pre-Covid level during the first half of 2023. In the second half of the year, it then moved higher in a pattern similar to that of crude oil⁽⁴⁾.

⁽¹⁾ Source: World Economic Outlook, IMF, October 2023.

⁽²⁾ Source: World Economic Outlook, IMF, October 2023.

⁽³⁾ Source: Brent and jet fuel prices, EIA, 5 December 2023.

⁽⁴⁾ Source: IATA Jet Fuel Price Monitor, IATA, January 2024 (<https://www.iata.org/en/publications/economics/fuel-monitor/>).

CURRENCY EXCHANGE RATES**For one Euro**

(average)	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
USD	1.01	1.02	1.07	1.09	1.09	1.08
GBP	0.86	0.87	0.88	0.87	0.86	0.87
CHF	0.97	0.98	0.99	0.98	0.96	0.95
CNY	6.90	7.26	7.34	7.64	7.89	7.77
JPY	139.2	144.2	142.0	149.7	157.3	159.1

Source⁽⁵⁾

After several euro/U.S. dollar parity swaps in the second half of 2022, the euro was on a strengthening trend until February 2023. The euro/U.S. dollar exchange rate saw some modest fluctuations over the remainder of the year.

Compared to 2022 and based on average annual exchange rates, the euro weakened versus the Swiss franc, and strengthened versus the U.S. dollar, the British pound, the Chinese yuan and the Japanese yen⁽⁶⁾.

1.1.2 The industry context and competition**Worldwide capacity**

In 2023, worldwide capacity measured in available seat-kilometers ("ASK") reached 95% of its 2019 level, recovering to a high of 99% in December 2023 compared to the same month in 2019⁽⁷⁾.

- On departure from Europe⁽⁸⁾ capacity reached 93% of its 2019 level in 2023 (99% in December 2023), with most of the capacity flows⁽⁹⁾ recovering to above 90% or even 100%, and only the Europe-Asia flows (mostly impacted by capacity on China) still lagging at 77% for 2023 (88% in December 2023).
- On departure from the U.S. capacity further recovered to reach 98% of its 2019 level in 2023 (102% in December 2023) with most capacity flows⁽¹⁰⁾ close to or above their pre-Covid levels, while Asia continued to significantly lag at 70% in 2023 (81% in December 2023).
- After the slow complete lifting of Covid-19 restrictions late in 2022 and the reopening of borders in early 2023, capacity on departure from China experienced a sharp increase with international capacity recovering to 40% of its 2019 level in 2023 (62% in December 2023) (from 6% on average during 2022). Chinese domestic capacity was stable at around 119% in 2023 (114% in December 2023), boosting total Chinese capacity to approaching 84% of its 2019 level in 2023 (91% in December 2023).

The Russian invasion of Ukraine has had a limited impact on worldwide capacity growth. However, as those countries' airspaces are tightly controlled or even completely closed to European airlines, numerous flights are having to be re-routed, which adds to their distance and flight times. Furthermore, the closure of the Russian and Belarusian airspace to only the European airlines creates a competitive disadvantage for the latter, particularly for those with a high number of flights to Asia and geographically located in northern Europe.

Update on the industry disruption

The significant reduction in headcount during the Covid-19 period led to enduring staff shortages in the aviation industry. In particular, skilled employees were hard to come by, especially in the eurozone where the unemployment rate was the lowest since the beginning of this millennium⁽¹¹⁾.

Airlines are still being impacted by supply chain issues, and the current poor reliability of some latest generation aircraft engines. This situation is also being exacerbated by:

- the lack of spare parts, e.g. for Pratt & Whitney's GTF engines. In April 2023, aircraft fitted with this engine spent 10,000 days on the ground compared to 38,000 days flying⁽¹²⁾.

⁽⁵⁾ Source: ECB Data Portal, ECB, January 2024.

⁽⁶⁾ Source: ECB Data Portal, ECB, January 2024.

⁽⁷⁾ Source: OAG, January 2024.

⁽⁸⁾ ASK capacity to/from/within EU1 and EU2 regions as defined by OAG.

⁽⁹⁾ Regional breakdown: intra-Europe, Europe – Africa, Europe – North America, Europe – Central/South America, Europe – Middle East, Europe – Asia/Pacific and Europe – Caribbean/Indian Ocean.

⁽¹⁰⁾ Regional breakdown: U.S. domestic, U.S. – North America (international), U.S. – Europe, U.S. – Africa, U.S. – Central/South America, U.S. – Middle East, U.S. – Asia/Pacific and U.S. – Caribbean/Indian Ocean.

⁽¹¹⁾ Source: IMF Datamapper, IMF, January 2024 (<https://www.imf.org/external/datamapper/LUR@WEO/OEMDC/WEOWORLD/EURO>).

⁽¹²⁾ Source: "Explaining Pratt & Whitney's Durability Problem", Aviation Week, 11 May 2023 (<https://aviationweek.com/podcasts/check-6/podcast-explaining-pratt-whitneys-durability-problem>).

- delivery periods being extended by aircraft manufacturers, e.g. for the Boeing 787 with the airframer having delivered fewer than 80 in 2023⁽¹³⁾.

Hence, capacity did not return to the level expected by the airlines, tightening the conditions in the lease market⁽¹⁴⁾.

The rapid ramp-up of air traffic in the wake of the Covid-19 crisis was accompanied by significant disruption at the European airports in 2022. Thanks to the action undertaken to improve staffing levels and operational resilience, disruption at airports occurred less frequently and was less severe in 2023.

Early 2023 was marked by air traffic control (ATC) strikes in Europe, mostly in France and, to a lesser extent, in Germany⁽¹⁵⁾. ATC strikes were more limited in the second half of 2023.

Sustainable development

On October 4th, 2021, the IATA 77th Annual General Meeting approved a resolution for the global air transport industry to achieve net-zero carbon emissions by 2050⁽¹⁶⁾. To this end, in June 2023, IATA released a series of strategic roadmaps⁽¹⁷⁾. The roadmaps⁽¹⁸⁾ provide step-by-step detailing of the critical actions and conditions for aviation to achieve this goal, by addressing the required aircraft technology, energy infrastructure, operations, finance and policy considerations.

At the 41st Assembly of the International Civil Aviation Organization (ICAO) in October 2022, the Member States had adopted the Long-Term Aspirational Goal (LTAG) of net zero carbon emissions for international aviation by 2050. Success will require the coordinated combined efforts of the entire industry (airlines, airports, air navigation service providers and manufacturers) and significant government support⁽¹⁹⁾.

In November 2023, an interim ambition was set during the third meeting of the ICAO Conference on Aviation and Alternative Fuels in Dubai, where the ICAO and its Member States agreed to strive to achieve a collective global aspirational vision to reduce CO₂ emissions from global aviation by 5% by 2030 compared with a benchmark without the use of cleaner energy sources, like sustainable aviation fuel (SAF)⁽²⁰⁾.

The key elements of the emissions reduction strategy are the use of Sustainable Aviation Fuel (SAF), investment in new aircraft technologies, a continued improvement of infrastructure, operational efficiency and the use of real offsets.

Furthermore, a harmonized regulation is required to ensure a level playing field. However, different approaches are being adopted on SAF:

- in September 2023, as part of the ReFuelEU Aviation Fit for 55 package, the European Union adopted new legislation establishing SAF mandates for fuel suppliers serving flights within and departing from the EU between 2025 and 2050. These mandates will progressively increase from 2% SAF in 2025 to 6% in 2030 and 70% by 2050⁽²¹⁾;
- the United States is focusing on incentives, as part of the SAF Grand Challenge;
- the United Arab Emirates have announced their National Sustainable Aviation Fuel Roadmap, declaring their goal of developing enough domestic SAF production capacity to supply 700 million liters of SAF on an annual basis by 2030⁽²²⁾;
- the Civil Aviation Administration of China has set a goal to raise SAF consumption to over 20,000 tons in 2025 and cumulatively to 50,000 tons between 2021 and 2025⁽²³⁾.

⁽¹³⁾ Source: "Boeing 787 Dreamliners Face Delivery Delays", *Flying*, 7 June 2023.

⁽¹⁴⁾ Source: "Pricing Power across the aviation sector", *Cirium*, 22 May 2023.

⁽¹⁵⁾ Source: EUROCONTROL Aviation Trends, EUROCONTROL, 18 April 2023 (https://www.eurocontrol.int/archive_download/all/node/14216).

⁽¹⁶⁾ Source: IATA press release, 4 October 2021, Net-Zero Carbon Emissions by 2050: <https://www.iata.org/en/pressroom/pressroom-archive/2021-releases/2021-10-04-03/>.

⁽¹⁷⁾ Source: "IATA Releases Strategic Roadmaps to Showcase Critical Steps to Reach Net Zero by 2050", IATA, 4 June 2023 (<https://www.iata.org/en/pressroom/2023-releases/2023-06-04-03/>).

⁽¹⁸⁾ IATA's Net Zero Roadmaps can be found via <https://www.iata.org/en/programs/environment/roadmaps/>

⁽¹⁹⁾ Source: "Long term global aspirational goal (LTAG) for international aviation", ICAO (<https://www.icao.int/environmental-protection/Pages/LTAG.aspx>).

⁽²⁰⁾ Source: "ICAO Conference delivers strong global framework to implement a clean energy transition for international aviation", ICAO, 20 November 2023 (<https://www.icao.int/Newsroom/Pages/ICAO-Conference-delivers-strong-global-framework-to-implement-a-clean-energy-transition-for-international-aviation.aspx>).

⁽²¹⁾ Source: "RefuelEU aviation initiative: Council adopts new law to decarbonise the aviation sector", EU Council, 9 October 2023 (<https://www.consilium.europa.eu/en/press/press-releases/2023/10/09/refueleu-aviation-initiative-council-adopts-new-law-to-decarbonise-the-aviation-sector/>).

⁽²²⁾ Source: National Sustainable Aviation Fuel Roadmap of the United Arab Emirates 2022-2050, United Arab Emirates Ministry of Energy & Infrastructure and General Civil Aviation Authority (https://www.moei.gov.ae/assets/download/6a51d1c2/UAE_National_SAF_Roadmap.pdf.aspx).

⁽²³⁾ Source: "Sustainable Aviation Fuels (SAF) in China – Checking for Take-off", Deloitte, September 2023 (<https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/energy-resources/deloitte-cn-saf-en-230922.pdf>).

To mitigate aviation-generated CO₂ emissions, two major carbon offsetting schemes have been put in place:

- CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) is a cooperative approach established by the ICAO. Currently, 126 states have announced their intention to participate in CORSIA's voluntary first phase, which started in January 2024 and will last three years. For the first phase, the calculation to determine an aircraft operator's offsetting requirements is based on its emissions in a given year (i.e. 2024, 2025 and 2026);
- the European Union set up the EU ETS (Emission Trading System) in 2005. The EU ETS is now a major carbon market and is currently in its fourth phase (2021-30), with higher ambitions than CORSIA: the European Union's total greenhouse gas (GHG) emissions must be cut by at least 55%⁽²⁴⁾ by 2030 compared to 1990 and the EU Member States must become net climate neutral by 2050. In terms of aviation, the scope of the EU ETS concerns flights within the European Economic Area and flights departing to Switzerland and the United Kingdom⁽²⁵⁾.

Cargo

The air cargo business continued its post-Covid normalization path. Having experienced declines for most months in 2022, global air cargo ton-kilometers (measured in CTK) saw a steady increase as of January 2023, narrowing the gap with the 2019 level by the end of the year.

Air cargo capacity in 2023, measured by Available Cargo Ton-Kilometers (ACTKs), surpassed both the 2019 and 2022 levels, which was largely attributable to the return to service of air passenger belly capacity, while the global international cargo capacity in full freighters remained at about the same level compared to 2022⁽²⁶⁾.

Maintenance

The aeronautics maintenance or MRO (Maintenance, Repair and Overhaul) market is mostly driven by the age, flight cycles and flight hours of the global fleet. Trends in this business closely follow those of the commercial airline fleets globally and their utilization.

MRO revenue growth will be close to 3% per year worldwide between 2023 and 2033, with high volumes in Europe, North America and Asia. This growth will be particularly strong in markets such as India, China and the Middle East, with growth rates close to, or even well above, 5% per year over the same period⁽²⁷⁾.

The MRO market, which is forecast to grow by **31%** in 2023 versus 2022, is currently facing multiple challenges, most notably labor shortages and supply chain disruption. As a result, the MRO industry is having to contend with production delays that can sometimes exceed one year, and with suppliers who are unable to fulfill orders and provide products or services in a timely manner⁽²⁸⁾.

⁽²⁴⁾ International or extra-EU emissions are not counted in the 55% target.

⁽²⁵⁾ Outermost regions of the European Union (Azores, Canary Islands, French Guiana, Guadeloupe, Madeira, Martinique, Mayotte, Réunion and Saint-Martin) are not in the scope of EU ETS.

⁽²⁶⁾ Source: Air Cargo Market Analysis, IATA, October 2023 (<https://www.iata.org/en/iata-repository/publications/economic-reports/air-cargo-market-analysis--november-2023/>).

⁽²⁷⁾ Source: "Global Fleet and MRO Forecast 2023-2033" Oliver Wyman, February 2023 (<https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2023/feb/Fleet-and-MRO-Forecast-2023-2033.pdf>).

⁽²⁸⁾ Source: "MRO Levels Off – Post-Pandemic Supply Chain and Talent Challenges" Oliver Wyman, April 2023 (<https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2023/apr/MRO-Survey-2023-MRO-Levels-Off.pdf>).

1.2 STRATEGY

1.2.1 The Air France-KLM group's ambitions

Air France-KLM's purpose is: **“At the forefront of a more responsible European aviation, we unite people for the world of tomorrow”.**

The Group's business brings people, economies and cultures together, and drives economic growth and social progress. The overarching ambition of the Air France-KLM

group is to become a European aviation champion and one of the most powerful in the world, while acting as an industry leader in sustainable aviation. As such, flight safety is an absolute imperative that the Group owes to its customers and staff, and a daily commitment.

1.2.2 Air France-KLM: core assets and unique competitive advantages

As one of the European leaders for intercontinental traffic on departure from Europe, Air France-KLM is a major global air transport player. Its main businesses are passenger and cargo transportation through its network activities, low-cost transportation and aeronautical maintenance.

The Group takes action to reconcile growth with environmental responsibility, social value and local development at its hubs and destinations. By leveraging state-of-the-art technologies, investing in R&D and innovation, and partnering with diverse stakeholders, the Group strives to optimize the use of its different forms of capital and resources. This approach gives Air France-KLM a strong position in the aviation industry's competitive landscape.

People: 76,000 engaged and professional employees, and a diverse culture

Air France-KLM is committed to the value of its workforce worldwide. Driven by our employees' collective dedication, professionalism and accomplishments, Air France-KLM is able to provide premium services and caring airline experiences, fostering lasting relationships with customers while maintaining the highest standards of safety and efficiency.

Brands: a portfolio of attractive, strong brands and a common loyalty program

Air France-KLM has a portfolio of strong brands, positioned in complementary markets with their own specific operating models, aligned with customer expectations. The common loyalty program, “Flying Blue” contributes to reinforcing the attractiveness of the brands.

On top of the quasi-equity financing secured by some of its assets, Flying Blue will be further leveraged as a margin generator. The program currently numbers 23 million⁽¹⁾ members. It has an extensive and growing network of partners (airlines, financial institutions and consumer

businesses) and contributes positively to the Group's margin through the sale of Miles, whose revenues prove resilient even during crises.

An extensive network operated with an optimized fleet

The Air France-KLM group currently operates one of the most diversified networks between Europe and the rest of the world, organized around its dual hubs of Paris-Charles de Gaulle and Amsterdam-Schiphol, which are two of the four largest connecting platforms in Western Europe (the other two being London Heathrow and Frankfurt am Main)⁽²⁾. In 2023, it served more than 320 routes in over 100 countries.

In 2023, Transavia complemented Air France-KLM's full service offer with its network of two low-cost carriers, Transavia France and Transavia Netherlands, serving over 130 destinations in 34 countries.

Air France-KLM confirmed its commitment and ambition of maintaining a leading position in terms of traffic and capacity with more than 93 million passengers carried in 2023 (versus 83 million in 2022) between Europe and the rest of the world, as well as on intra-European and domestic routes.

The Air France-KLM group has confirmed its strategy of continuing to modernize its fleet. It has ordered new-generation narrow-body and wide-body aircraft that will deliver a strong contribution to the Group's environmental roadmap and generate substantial financial benefits. By 2025, up to 37% of the Group's fleet should be composed of new-generation aircraft and up to 80% of the fleet should be new-generation aircraft by 2030.

For its part, Air France has announced plans to operate all its flights on departure from Paris out of Paris-Charles de Gaulle (CDG) airport, with Transavia taking charge of Air France-KLM's activities at Paris-Orly (ORY) airport as from 2026.

⁽¹⁾ As per December 2023.

⁽²⁾ Source: Direct Data Solutions, January 2024.

Partnership: a solid network of partners

Air France-KLM is pursuing its commercial integration strategy with its principal partners worldwide, like Delta Air Lines, Inc. and China Eastern Airlines, and through the SkyTeam alliance, to offer value-added services and innovation, whilst reinforcing its network and building mutual trust.

Lastly, in October 2023, SAS AB selected a consortium including Air France-KLM to invest in the Scandinavian airline. Air France-KLM intends to take up to a maximum 19.9% minority stake in the share capital of the reorganized SAS AB, subject to the required approvals and conditions. Via this minority stake, the Group's ambition is to enhance its footprint in Scandinavia through a commercial cooperation between its airlines and SAS AB. The completion of the transaction is expected in 2024.

Capital structure: a shareholding structure with the French and Dutch States, CMA CGM, Delta Air Lines and China Eastern

Financial capital not only ensures Air France-KLM's financial sustainability, it also accelerates its ability to transform while enabling value creation. Through the combined use of share capital, cash reserves and debt, the Group is able to fund its infrastructure, optimize its fleet, develop its resources, innovate in digital, enforce its supply chain, improve community relationships and engage in sector consolidation.

In April 2023, Air France-KLM and Air France fully exited the French State Aid package under the EU Covid-19 Temporary Framework. At the same time, KLM ended the credit facility granted by the Dutch State under the same framework. As a result, Air France-KLM, Air France and KLM were released from the conditions associated with State Aid under the EU Covid-19 Temporary Framework.

During the first half of 2023, the CMA CGM group became a new shareholder in Air France-KLM with 9% of the share capital and agreed to a lock-up effective until at least February 28, 2025⁽³⁾.

In December 2023, Air France-KLM issued 5,716,256 new shares as part of its "Partners for the Future" employee shareholding program, under preferential terms. The total subscription amount related to this share issuance was approximately €46 million, i.e. 2.2% of the share capital. At the end of 2023, employee shareholding plans accounted for 3.2% of Air France-KLM's share capital.

At the end of 2023, given the issuance of these new shares in December 2023, the shareholdings of the French and Dutch States had slightly decreased to a respective 28.0% and 9.1%, and the shareholdings of China Eastern Airlines and Delta Air Lines, Inc. were respectively 4.6% and 2.8%.

The Group's equity position was reinforced by:

- in July 2023, the creation of an ad hoc affiliate of Air France owning a pool of components dedicated to the airline's Engineering and Maintenance activities, in which funds and entities managed by Apollo Global Management invested €500 million. Apollo subscribed to perpetual bonds issued by the ad hoc operating affiliate, which will be accounted as equity under IFRS;
- in November 2023, the establishment of a dedicated operating affiliate of Air France-KLM holding the trademark and most of the commercial partners contracts linked to Air France and KLM's joint loyalty program ("Flying Blue"), as well as the exclusive right to issue "Miles" for the airlines and their partners. The €1.5 billion financing by Apollo-managed and third-party investment vehicles that support this affiliate is accounted for as equity under IFRS.

In addition, in early 2023, Air France-KLM successfully placed its first sustainability-linked bonds ("SLB"), raising a nominal amount of €1.0 billion. The offering was composed of two tranches:

- €500 million with a 3.3-year maturity and a coupon of 7.250%;
- €500 million with a 5.3-year maturity and a coupon of 8.125%.

These operations, which are a part of a broader strategy to transform and streamline the Group, will allow it to rebound with a stronger balance sheet and increased strategic flexibility.

In a context of strong demand for travel, Air France-KLM will continue to implement its roadmap focused on increased profitability and sustainability, while meeting its customers' expectations and fulfilling its CSR commitments.

Environment: an experienced and knowledgeable industry leader, dedicated to positive change

The Group continuously innovates so as to be a reference in sustainability. As its ground and flight operations have an impact on the environment, and in particular climate change, noise, air pollution and waste, the Group permanently strives to optimize all aspects of its activities to reduce its environmental footprint.

Air France-KLM has made a strong commitment towards sustainability, including the ambition to achieve net zero carbon emissions in 2050 by activating, among others, levers on operations, fleet renewal and the use of Sustainable Aviation Fuel (SAF).

⁽³⁾ CMA CGM's initial lock-up undertaking (initial lock-up on all the Company's shares subscribed by CMA CGM in the rights issue announced on 24 May, 2022 and expiring on 15 June 2025, and a subsequent lock-up period on 50% of these shares expiring on June 15, 2028) was modified in January 2024, reducing the initial lock-up period which now ends on February 28, 2025, with no subsequent lock-up period.

1.2.3 Value creation model

The Air France-KLM value creation model addresses all of the Group's stakeholders, namely employees, shareholders, customers, suppliers, authorities, institutional and non-governmental organizations, and other local partners. As part of its day-to-day activities, the Group interacts with diverse stakeholders, while its business and operations have multiple impacts (qualitative and quantitative) on society. The value creation model shows the impact areas where the Air France-KLM group adds value and which, thanks to its fundamental strengths and unique competitive advantages, enables a response to the societal and sustainability challenges.

The Air France-KLM group is committed to implementing its recovery and to respecting its corporate purpose. The Group's achievements and current dynamic prove that it has the ability to excel, with the support of its people and shareholders.

People: be the best place to work

Air France-KLM wants to position itself as an employer of choice and is targeting a leading Employee Promoter Score ("EPS"). The Group's 76,000 people are its primary asset as they are the face of the company to its customers and represent its brands across the world. The Group invests in training to ensure their skills are top notch, and further empowers them through the use of digital tools, enabling them to surpass customer expectations.

In 2023, Air France-KLM offered its employees the opportunity to become shareholders, which was a solid step in aligning staff toward improved performance and long-term value creation.

The relationship linking the companies in the Group to their employees is based on the underlying values of trust, respect, transparency and confidentiality.

Customers: exceed customer expectations

Air France-KLM wants to ensure an unrivalled end-to-end customer experience, which exceeds customer expectations at all touchpoints, and on its products and services. The Group is targeting a leading Net Promoter Score ("NPS") by improving the customer experience through personalized and digitalized offers and best-in-class operational performance. Thanks to the professionalism of their frontline staff, the quality of their products and services, and improved operational performance, Air France, KLM and Transavia maintain a daily focus on customers.

Beyond the satisfaction of customers on the quality of the service the Air France-KLM airlines promise to them, the financial impact of customer satisfaction is huge. It is a key driver of Air France-KLM market share gains and revenue growth, and enables greater customer loyalty.

Planet and society: be an industry leader in sustainable aviation

Through the initiatives of its airlines, Air France-KLM wishes to lead the way in terms of sustainable aviation at both flight and ground operations level. The Group aims to continue its efforts to reduce its environmental footprint by improving its operations and processes, partnering and innovating in the supply chain, and mobilizing its staff and the industry.

1.2.4 Strategic orientations

The Air France-KLM group's activity continues to recover and materialize in strong performance and profitability

2023 saw the post-Covid recovery gain momentum, with the Group's total revenue reaching €30 billion for the first time in its history. An agile approach to capacity deployment enabled strong load factors to be maintained throughout the year and improved the operating margin, the latter being higher than in both 2022 and 2019.

In 2023, the Air France-KLM group's performance was also recognized by the industry with the following awards:

- Air France was named Best Airline in Western Europe and France at the Skytrax World Airline Awards 2023. It was also recognized as the 7th Best Airline in the World, continuously improving its position as a worldwide leader versus the previous years. Air France *La Première* won three first prizes: for its airline lounges, lounge dining and catering⁽¹⁾.
- KLM received the 2023 APEX World Class Award, as best airline for passengers along with seven other airlines (Singapore Airlines, Japan Airlines, Emirates, Saudia, Qatar Airways, Xiamen Airlines and Turkish Airlines)⁽²⁾.
- Transavia was recognized as the 2nd Best Low-Cost Airline in Europe in 2023 by SkyTrax⁽³⁾ and Best Short Haul Carrier by the Dutch travel trade⁽⁴⁾. For its customer service, Transavia won an award from ESCDA⁽⁵⁾ and, for online customer relations, it received the Qualiweb award.

The Air France-KLM group recovers strong financial metrics

In 2023, Air France-KLM continued to grow its capacity and increased the number of Available Seat Kilometers (ASK) by almost 10% compared to the previous year.

Thanks to strong passenger demand, the load factor rose by 3.3 points to 87.3% in 2023 while the passenger yield compensated the normalization of the Cargo yield, resulting in a Group unit revenue per ASK increase of 4.5% at constant currency. The Group's net result amounted to €934 million driving a return to positive equity of €0.5 billion. Net debt decreased by €1.3 billion compared

to the end of 2022 and resulted in a Net Debt/EBITDA ratio of 1.2x while the cash at hand remained stable at €10.5 billion.

During 2023, the Group actively managed the reinforcement of its balance sheet by the following transactions:

- in January 2023, Air France-KLM issued sustainability-linked bonds for a total aggregate amount of €1.0 billion;
- in March 2023, the Group fully redeemed the outstanding €2.5 billion bank loan guaranteed by the French State (PGE) by using the proceeds of the sustainability-linked bonds and €1.5 billion of liquidity;
- in March and April 2023, Air France-KLM fully repaid the remaining €595 million in hybrid perpetual bonds held by the French State, plus a mandatory compensation for the support measures granted in April 2021. These transactions were refinanced with €727 million in newly-issued hybrid perpetual bonds held by the French State, with no restrictions attached;
- in April 2023, Air France-KLM, Air France and KLM implemented two new sustainability-linked Revolving Credit Facilities (RCFs) for a total amount of €2.2 billion. For KLM, this new RCF replaced the remaining direct loan granted to KLM by the Dutch State and the credit facility guaranteed by the Dutch State which were cancelled by KLM;
- in July 2023, an ad hoc affiliate of Air France that owns a pool of components issued €500 million in perpetual bonds;
- in November 2023, an operating affiliate of Air France-KLM that holds the trademark of and most of the contracts related to Air France and KLM's joint loyalty program "Flying Blue" issued €1.5 billion of perpetual bonds.

In December 2023, strong financial metrics enabled the Air France-KLM group to publish inaugural credit ratings which are BBB-/Stable Outlook ("Investment Grade") at Fitch Ratings and BB+/Stable Outlook at S&P Global. These ratings reflect the full recognition and the strong confidence from the credit agencies in Air France-KLM's credit profile.

⁽¹⁾ Source: World Airline Awards 2023, Skytrax, 2023 (<https://www.worldairlineawards.com/a-z-airline-awards-winners-2023/>).

⁽²⁾ Source: "The World Class 2023 – 8 Airlines recognized, Apex World Class, 26 October 2022.

⁽³⁾ Source: World Airline Awards 2023, Skytrax, 2023 (<https://www.worldairlineawards.com/worlds-best-low-cost-airlines-2023/>).

⁽⁴⁾ Source: "Vakantie Awards 2023: dit zijn de winnaars", TravMagazine, 29 January 2023 (<https://www.travmagazine.nl/vakantie-awards-2023-dit-zijn-de-winnaars/>).

⁽⁵⁾ Source: Élection du Service Client de l'Année (<https://www.escda.fr/palmes/>).

The Air France-KLM group is accelerating its transformation and decarbonization roadmap

Since 2019, more than 100 agreements have been signed with employees aimed at achieving a significant transformation and maintaining social stability: adapting ways of working during the crisis, supporting the strategic transformation such as the French domestic restructuring and the removal of the cap on the Transavia fleet.

In the post-Covid-19 world, the Air France-KLM group needs to balance its medium-term focus on managing liquidity risk and optimizing capex with a long-term focus on achieving increased competitiveness and its sustainability targets. The transformation is accelerating and will help restore competitiveness with a cumulative €3bn of structural benefits by 2024 compared to 2019 through key levers like external spend optimization, labor cost reduction, fleet efficiency, new revenue streams and new initiatives.

The Air France-KLM group and its airlines are continuing their efforts directed at reducing their environmental footprint as a part of a transparent and responsible approach to the challenges surrounding global warming. This includes a commitment by Air France-KLM to reducing its well-to-wake scope 1 and 3 jet fuel greenhouse gas protocol emissions by 30% per revenue ton-kilometer (RTK) by 2030 compared to 2019. In that context, the Air France-KLM group, Air France and KLM submitted their CO₂ emission reduction targets to SBTi which were approved in November 2022 by SBTi's Target Validation Team confirming that they are in line with a well-below 2°C objective, as determined by the Paris Agreement signed in 2015⁽⁶⁾. In 2023, SBTi released a new technical report outlining an interim 1.5°C pathway for aviation companies⁽⁷⁾, which the Group is following, alongside the Well Below 2.0°C trajectory, during the 2023-30 period.

The Air France-KLM group's levers are as follows:

- an ambitious plan to modernize and renew the fleets of the Group's airlines with new-generation aircraft, emitting up to 25% less CO₂ compared to their predecessors. With the objective of having up to 80% of new-generation aircraft in the Group's fleet by 2030, the Group is currently investing on average over €2 billion per year in the acquisition of Airbus A220s, Airbus A320neos and A321neos, Airbus A350s, Boeing B787s and Embraer 195-E2s, which are amongst the most efficient aircraft in their respective categories;
- the use of Sustainable Aviation Fuels (SAF), produced from industrial or domestic waste in a circular economy. The SAF projects selected directly by Air France-KLM do not compete with the human food chain or with animal feed. Air France and KLM have been pioneers in the use of these alternative fuels, which will play a key role in the decarbonization of air transportation, as they can reduce CO₂ emissions by up to 80% over their life cycle. Throughout 2023, the Group continued to secure future SAF supplies to meet its target of a minimum of 10% incorporation of SAF by 2030 by signing offtake agreements and MoUs with SAF producers around the world, and by investing directly in SAF production capabilities;
- the improvement of operational efficiency, by favoring clear objectives and applying procedures that limit fuel consumption, such as single-engine taxiing and continuous descent.

In addition, Air France-KLM is working with the broader aviation sector to accelerate the development of innovative solutions for aircraft design and maintenance, engines and synthetic fuels, which will be required to achieve net zero carbon emissions in aviation.

⁽⁶⁾ Source: <https://www.airfranceklm.com/en/newsroom/air-france-klm-co2-emissions-reduction-targets-2030-approved-science-based-targets>.

⁽⁷⁾ Source: "The SBTi's New Interim 1.5°C Aviation Pathway", SBTi, 2 February 2023 (<https://sciencebasedtargets.org/news/the-sbtis-new-interim-1-5-c-aviation-pathway>).

1.3 ACTIVITIES IN 2023

1.3.1 Network business (passenger and cargo)

2023: a year of recovery in demand

The Network business corresponds to passenger and cargo transportation services on the scheduled flights of the network airlines, Air France and KLM. It is the Group's principal activity, contributing more than 85% of Air France-KLM's revenues.

For Air France, 2023 was marked by a strong recovery in demand and, unlike in previous years, the year saw no impact from the Covid-19 pandemic. However, numerous conflicts and geopolitical tensions weighed on the Group's activity: the ongoing war between Russia and Ukraine, tensions in the Sahel over the summer, then in the Middle East in autumn 2023. The total capacity of the Air France network thus increased by +8pts in 2023 relative to 2022 and stood at an index of 91% relative to 2019. The Scheduling teams continued to react with agility and pro-activeness to adjust capacity throughout 2023 to respond to developments on a month-by-month basis. Marked by the impacts of strikes in France (in particular, air traffic controllers), Air France capacity stood at 90% of its 2019 level in the first quarter before increasing to 93% in the last quarter.

1.3.1.1 Short and medium-haul operations

Ongoing fleet renewal and announcement of the exit from Orly by Summer 2026, with the exception of routes to Corsica that will remain operated from Orly by Air France and Air Corsica, given the public service contract (Délégation de Service Public – DSP) granted to Air France on March 2024 further to a tender process.

The first quarter was marked by a number of air traffic control strikes that impacted short and medium-haul capacity. Demand was particular high during the second and third quarters.

The short and medium-haul fleet also continued to be renewed with the steady arrival of A220 aircraft in this network.

On the French short-haul network, activity remained significantly lower relative to 2019 owing to the implementation of the restructuring plan for the domestic network which was launched in Summer 2020 to contend with the magnitude of the Covid-19 crisis but also the growing competition from low-cost carriers, high speed rail and the Ouigo offer (dating back several years). Point-to-point network activity was thus down by 67% relative to 2019. The initial short-haul restructuring plan was completed by the summer of 2023 with, notably, the last route closures (Orly-Aurillac, Orly-Castres and Lyon-Lille, Lyon-Pau). However, due to the stronger structural impact of remote working, the growth in video-

conferencing and intense competition from the rail network given its priority on short journeys for environmental reasons, traffic on the domestic network remained sharply lower. Faced with this new structural situation, in October 2023, Air France announced its decision to concentrate all of its short and medium-haul operations on departure from CDG airport as of the summer of 2026, **with the exception of routes to Corsica, which will remain served from Orly airport under the public service contract awarded to Air France and Air Corsica in March 2024 further to a tender offer.** Until the summer of 2026, the three *La Navette* shuttle routes (Orly-Nice, Orly-Marseille and Orly-Toulouse) will continue to be operated at Orly for each season.

In 2023, Air France's medium-haul network saw capacity remain slightly lower than its 2019 level with an average annual capacity index of 91% but regained its historic seasonal trend with demand and capacity higher in the second and third quarters to reach a capacity index of 94% compared with 2019. Although still marked by the closure of the routes to Russia and Ukraine, summer demand remained robust on the seasonal leisure destinations and business traffic was up in 2023 on the structural network. Compared with 2022, the main growth regions in medium-haul were the Nordic countries, North Africa, Benelux, Italy and Germany.

Built around the Paris-CDG and Amsterdam-Schiphol hubs, the medium-haul network was also supported by the recovery in the long-haul network.

In KLM's medium-haul network, overall passenger demand recovered. However, the demand linked to business traffic was yet to recover to its pre-Covid level with an impact on the financial results on certain destinations. From an operational perspective, KLM also had to deal with a shortage of manpower in various operational units like ground services, flight deck crew and maintenance. Also shortages of security personnel had a significant impact on KLM's operations, especially in the summer months. This strongly affected operational reliability and the ability to operate the desired production volumes. Furthermore, there was also a significant impact on the passenger demand side in terms of connectivity and reliability, with an impact on revenues and costs.

In 2023, compared to 2019, KLM's European network was at an index of 93% in ASK and the long-haul network at an index of 85%, with the following breakdown by quarter:

Q1	Q2	Q3	Q4
85%	90%	98%	99%

1.3.1.2 Long-haul operations

KLM long-haul operations

In long-haul, KLM's average 2023 capacity stood at 85% with differences between the quarters, respectively at 87%, 87%, 84% and 84% for the first to the fourth quarter. Over the course of the year, the Cargo performance significantly deteriorated versus 2022, although it was still higher than in 2019 and this business made a substantial contribution to the 2023 Long-haul results.

Q1	Q2	Q3	Q4
87%	87%	84%	84%

Air France long-haul operations

As in 2022, during 2023 Air France pursued its strategy of reintroducing capacity on exit from the Covid crisis. Long-haul ASK capacity thus stood at 95% of its 2019 level during 2023, with the following breakdown by quarter:

Q1	Q2	Q3	Q4
96%	94%	96%	99%

Different dynamics were however observed depending on the zone.

Africa: a capacity index of 102% versus 2019. This zone was impacted by the geopolitical situation in the Sahel and Air France was forced to suspend its flights to Bamako, Niamey and Ouagadougou over the summer of 2023. Air France developed its network in East Africa with the launch of a service to Dar Es Salaam in Tanzania, in continuation from Zanzibar. The Nairobi service was also reinforced with a daily direct flight having been introduced as of the summer. Lastly, Air France improved its product on Dakar and Johannesburg with the allocation of new Boeing 777-300 cabins.

Asia: a capacity index of 60% versus 2019. Asia was the region that continued to see the lowest capacity in 2023 relative to 2019 but was nonetheless significantly higher than in 2022 (during which capacity had been 30% of its 2019 level). The highlight of the Asian region was the reopening of China as of the summer of 2023. Air France increased its offering to Beijing and Shanghai with a daily non-stop flight on each of these destinations. Hong Kong was also operated with a daily flight. Lastly, the service to Japan was reinforced with +80% growth in the number of seats compared with 2022 (two daily flights to Tokyo-Haneda and five flights per week on Osaka).

North America: a capacity index of 111% versus 2019. North America was the region with the highest growth relative to 2019. Amongst the highlights were the opening of Ottawa in Canada, Raleigh Durham in North Carolina (route transferred by Delta Airlines) and the ongoing Newark service (following its opening in December 2022). Numerous destinations also saw their number of frequencies increased (in particular Atlanta, Houston, Dallas, Chicago and Toronto).

Caribbean/Indian Ocean: a capacity index of 94% versus 2019: Capacity to the Caribbean/Indian Ocean region was down by 15% relative to 2022 due to the reopening of other long-haul regions. Thus the service to the Dominican Republic was suspended and the capacity to the French West Indies was adjusted on departure from Orly.

Central/South America: a capacity index of 93% versus 2019. Most of the destinations returned to their level of frequencies of 2019. The capacity differential relative to 2019 was mainly explained by the suspension of Quito and Caracas.

India/Middle East: a capacity index of 112% versus 2019. The highlight of the region was the opening of Abu Dhabi in the United Arab Emirates as of Winter 2023. This opening was accompanied by a partnership with Etihad which enables Air France to sell its itineraries beyond Abu Dhabi. Flights to Male/Colombo were suspended at the end of the 2023 first quarter. The region was also impacted by the crisis in the Middle East and flights to Tel Aviv were suspended as of October 2023 before being reinstated in late January 2024.

1.3.1.3 Navigating the digital skies – A seamless journey from booking to boarding

The travel business has undergone numerous changes in recent years, with eCommerce and digital technology shaping the future of the industry. Further accelerated by the Covid-19 pandemic, there is a now unprecedented reliance on digital solutions, driving innovation, enhancing the customer experience and reshaping the operational landscape. Customers are increasingly turning to digital channels to interact with airlines, make their bookings and arrange their trips.

Air France-KLM is at the forefront of this digital transformation, with a strong focus on improving the customer journey through seamless digital solutions. From the online booking platform to in-flight connectivity, the aim is to create a unified, frictionless and personalized travel experience. What were once considered nice-to-have add-ons are now becoming the norm.

Leveraging the opportunities of digital technology allows Air France-KLM to stay adaptable and resilient in all areas and enhance cost efficiency for the sales and distribution of its offer. In 2023, almost half the tickets were thus sold via the websites and the mobile apps. Moreover, digital channels are often the first point of contact with customers. In this new perspective on the digital channels, sales and service work together to optimize the customer experience. It is also key to utilize the potential of Artificial Intelligence to personalize and improve service efficiency.

Digital mission statement and key figures in 2023

The aim of Air France-KLM Digital is to be the channel of choice for travelers by providing spot-on offers and services at every step of the journey. Some key figures for the January to December 2023 period:

- a) 17 engaged sessions per second (530 million in total) to digital touchpoints (Air France and KLM websites and apps, source: Google Analytics);
- b) 47% of all tickets sold direct online, stable versus 2022 (source: BiPortal);
- c) 83% Direct Online Interaction Share⁽¹⁾, i.e. +1 pt versus 2022 (source: Opera);
- d) 67% self-perceived success rate of self-service (source: Qualtrics).

Focus of Air France Digital Marketing in 2023 (campaigns, emails and social media)

- More than 600 cross-channel campaigns executed worldwide.
- 270 million commercial emails sent and 10 million commercial notifications sent.
- 12.6 million fans and followers worldwide on various social media platforms.
- TikTok account in December 2023: 435,000 followers.
- Launch of Threads in June 2023: 130,000 followers in December.

Focus of KLM Digital Marketing in 2023 (campaigns, emails and social media)

- More than 500 cross-channel campaigns executed worldwide.
- 292 million commercial emails and 22 million commercial notifications sent.
- 19.2 million fans and subscribers worldwide on various social media platforms.
- TikTok launched in 2023 with more than 300,000 followers at the year end.
- Launch of Threads in December 2023; 130,000 followers at the year end.
- 19 million commercial subscriptions in the database.
- 26 million automated commercial e-mails.
- On average 30% open rate commercial e-mail messaging.
- 4.3% click rate.
- 22 million commercial "push" mobile notifications.

Harnessing the power of big data and analytics to effectively serve customer needs

The digital channels are used for many actions and tasks and, to serve customers effectively, we need to know what interests them. Recognizing and understanding customers is therefore becoming the cornerstone for

both commercial strategies and service excellence. Air France-KLM is gaining insight into customer preferences, behaviors and travel patterns, which serves as a basis for targeted marketing initiatives. This ensures that the Group's efforts are not only relevant but also resonate with the intended audience. In short, the Group wants to offer the right products to the right customer, at the right time and in the right way.

Artificial Intelligence (AI) is further improving the recommendation engines, enabling the analysis of vast datasets and the prediction of customer preferences. From suggesting personalized travel packages to recommending ancillary services, AI enhances the customer journey by delivering relevant and timely suggestions.

Empowering customers through self-service options

Central to the Group's efforts in 2023 was the enhancement of self-service functionalities. The Group is committed to ensuring a streamlined journey for its customers, while enhancing operational efficiencies, and supporting employees in their daily activities.

Following the implementation of the "Ready to Fly" service, which supported customers with the required health documentation enabling them to travel, the "Clearance Checklist" was introduced in 2023. This service helps customers to submit, in advance, all the mandatory documents and information required to obtain a boarding pass. This checklist ensures that customers arrive at the airport well-prepared, thereby reducing stress and enhancing the overall ease of travel. Additionally, it helps to optimize operational processes for airport staff, reducing the potential for bottlenecks and delays during the check-in and boarding processes.

Within the context of operational challenges, Air France-KLM also offers its customers the possibility to request a refund for tickets and ancillary services via the direct online channel, and has improved the tracking of the refund status for customers. 79% of these requests are now processed automatically, leading to a cost saving of €4.8 million. Lastly, the self-service rebooking options were also further enriched in 2023, easing the possibilities and guidance for customers in the event of disruption. In 2023, the group thus improved how it connects chatbots to customers. WhatsApp has become a major communication channel for Air France-KLM with 86% of global chatbot users using it. Air France-KLM also introduced Apple Business Chat as a new way to interact with its chatbots and extended this chatbot access to Messenger Flying Blue accounts, adding a self-service function. The Group reviewed its Baggage and Claim flows to improve performance based on customer feedback, and explored Generative AI capabilities to obtain more dynamic and relevant interactions. Our key performance indicators show that our bots are handling almost 70% of conversations across different social media platforms, with 37% being assisted and 30% fully managed by our bots.

⁽¹⁾ Share of customers that at one point during their ticket purchase interacted with the digital channel (through Check In, Ancillary, Booking, Check In & Ancillary, Booking & Ancillary, Booking & Check In, Booking & Ancillary & Check In).

Digital solutions to enhance the travel experience

In 2023, the Group's commitment to enhancing the travel experience was extended to the day of travel with the global roll-out of new airport kiosks. Focused on accessibility, these kiosks feature text-to-speech functionality and keypad navigation, catering to the needs of visually-impaired customers. Additionally, some kiosks are designed with reduced height, ensuring accessibility for customers in wheelchairs.

Moreover, the Air France and KLM mobile apps now feature updated airport maps, which help customers to find their way through the two main hubs. This digital enhancement simplifies navigation, contributing to a stress-free journey and improving the transfer experience.

To support customers with a transfer at Schiphol, KLM also launched the "Short Connection Pass". This digital pass allows customers with a short connection time to skip security lines, to minimize the risk of missing their flights. So-called "digital queue management" facilities are now available at all service and transfer centers at Schiphol, making the waiting time of customers more comfortable by standing in a virtual queue instead of a physical one. This also allows us to highlight the self-service options that are specifically tailored to customers' needs.

Connecting the skies: onboard connectivity

Air France-KLM is further enhancing its in-flight entertainment options by providing WiFi onboard. All of the aircraft in the Air France fleet and KLM's intercontinental fleet are now fully WiFi equipped, and the KLM medium-haul fleet is in progress. The Group thus

offers its customers a robust platform for streaming, real-time communication and even remote working. Through satellite connections from various data suppliers and enabled by its in-house-built connectivity platform and onboard portal, the Group can establish a data connection and give customers a consistent experience and a smooth transition to the rest of the digital portfolio for self-service, information and commercial offers.

Air France-KLM thus offers three different WiFi packages on its flights: a Messaging Pass (free of charge), a Surf Pass and a Stream Pass. Additionally, for Air France *La Premiere* customers, WiFi is unlimited and free of charge.

The digital frontier of sustainability

Aimed at a more sustainable aviation industry, digital technology and eCommerce platforms have emerged as essential drivers for change. 2023 witnessed a profound shift towards sustainable practices, with Air France-KLM leveraging digital solutions to engage customers on sustainable products and services, not only to reduce the environmental footprint but also to empower customers wishing to make an active contribution to an eco-friendlier future. One concrete example is the seamless handover from airport kiosks to the mobile apps, enabling customers to download a digital boarding pass instead of a printed version.

In 2023 the Group also expanded the pre-order meal proposition, allowing Business class customers to select their preferred dining options by website and app, thereby enabling a reduction in catering waste. Additionally, for Flying Blue customers, their contribution to Sustainable Aviation Fuel is now rewarded with XP points.

1.3.1.4 Cargo

Cargo Business	Fourth Quarter			Full Year		
	2023	Change	Change at constant currency	2023	Change	Change at constant currency
Tons (thousands)	235	(0.3%)		875	(6.1%)	
Capacity (ATK m)	3,577	5.0%		14,076	6.2%	
Traffic (RTK m)	1,772	0.9%		6,550	(4.9%)	
Load factor	49.5%	(2.0)pt		46.5 %	(5.4)pt	
TOTAL CARGO REVENUES (€ m)	651	(22.9%)	—%	2,488	(29.0%)	—%
Scheduled Cargo revenues (€ m)	510	(30.4%)	—%	2,012	(34.0%)	—%
Unit revenue per RTK (€ cts)	14.23	(33.8%)	(31.8%)	14.29	(37.9%)	(36.8%)

Global air cargo demand declined month over month in the first three quarters of 2023, while global air cargo capacity increased. Against this backdrop, scheduled air cargo revenues decreased by 34.0% at constant currency compared to last year. The Group's cargo capacity increased by 6.2% as a result of the increased belly capacity in the passenger fleet.

The demand for air cargo softened in 2023 due to the slower global economic growth as a result of the

geopolitical situation, increased inflation and the decrease in container prices for sea freight. 2023 thus ended with traffic down (-4.9%) compared to the previous year and a decrease in unit revenues (-36.8%) at constant currency. In 2023, the Group's Cargo business carried 875 million kilograms, a figure which was 6.1% lower than in 2022, of which 81% in the bellies of passenger aircraft and 19% in the full freighter fleet.

In 2023, the Group's cargo capacity was still 3.6% below its 2019 level. Total scheduled cargo revenues were 9.2% higher than in 2019 due to higher yields, while the load factor remained below its 2019 level. In the fourth quarter, the decrease in global air cargo demand looked to have bottomed out with demand then slowly ramping up although this quarter was still relatively weak given the economic environment and the geopolitical situation.

In 2023, Air France-KLM Cargo renewed its strategy with a 2030 vision, aiming to "become a leader in sustainable airfreight, while passionately delivering best-in-class customer experiences". Customers thus benefited from new digital services and allocation functionalities on the myCargo platform, resulting in almost 80% of initial bookings taking place online and the Group improved the Cargo product offering with the introduction of a new PLUS service level, specifically intended for cargo shipments requiring higher priority.

Air France-KLM Cargo launched its cooperation with the Smart Freight Centre (SFC), which enables air cargo players to work together to define a clear framework for CO₂ emissions. The Group also added several new contracts with customers on sustainable aviation fuel.

Thus, at Chicago O'Hare International Airport, the Group opened its newly-configured, renovated warehouse, the largest international cargo airport in North America.

In April 2023, Air France-KLM Cargo also launched a commercial partnership with CMA CGM, meeting customers' needs with unique seamless services across the globe. However, due to, amongst other things, the tight regulatory environment in certain large cargo markets, in January 2024, Air France-KLM Cargo and CMA CGM announced that they would withdraw from their existing agreements as of March 31, 2024. Air France-KLM and CMA CGM are currently in discussions on the new terms and conditions of a business relationship in which they would operate independently from March 31, 2024 onwards.

1.3.1.5 Airline partnerships and alliances: expanding the Group's commercial presence to respond to global air transport demand

Air transport demand is global and, to respond to this demand, Air France-KLM is pursuing an ambitious strategy aimed at expanding its commercial presence in every region of the world.

Airline alliances and partnerships are an integral part of this strategy. They contribute to meeting customer expectations and thus creating value for both the Group and its customers. They reinforce the Group's market positioning thanks to an expanded and more diversified network, which supplements the Group's own offer. They may also enable the generation of operational synergies.

2023 was marked by a resurgence in joint-ventures (particularly financial settlement agreements) and partnership activity in general.

Strategic partnerships

In July 2017, Air France-KLM had announced a further major step in the reinforcement of its strategic partnerships with, on one hand, the creation of a single global joint-venture between Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic and, on the other hand, the intensification of its partnership with China Eastern Airlines. These two commercial alliances were consolidated by equity links with Delta Air Lines, Inc. and China Eastern Airlines each then acquiring an 8.8% equity interest in Air France-KLM within the framework of reserved capital increases carried out during 2017, for a total of €751 million.

The strategic, commercial and capitalistic reinforcement of these partnerships positions Air France-KLM as the European pillar of the leading global airline network.

Transatlantic joint-venture with Delta Air Lines and Virgin Atlantic

On January 1, 2020, following approval by the US authorities on November 21, 2019, the Group launched a new transatlantic joint-venture with Delta and Virgin Atlantic. As a result, as of December 31, 2019, a decade after its creation, the Group ended the existing joint-venture between Air France-KLM, Delta and Alitalia. As with most joint-ventures in the industry, it did not lead to the creation of a common company but rather the signature of a contract defining both the mechanism of a common income statement, and governance and organizations to manage all aspects of the partnership. The existence of an internal common income statement ensures that the partners implement all the actions contributing to an improved operating result for the activity, to their mutual benefit. Each company member of the joint-venture recognizes the revenues and costs relating to the joint-venture scope in their respective income statements. If necessary, a settlement mechanism between joint-venture members will compensate the imbalances in value creation based on a mechanism agreed between the parties. This mechanism contributes to "metal neutrality", enabling the different members to jointly manage capacity and look for an overall benefit rather than the individual interests of each airline, ultimately increasing value for both the partners and customers.

The governance bodies comprise a CEO Committee, a monthly JV Leadership Team meeting and multiple working groups.

The scope of this joint-venture is very wide, covering all the flights between North America (including Canada and Mexico) and Europe through integrated cooperation and all the flights between North America to and from Africa, the Middle East and India together with the flights from Europe to and from Central America, Colombia, Venezuela, Peru and Ecuador through close coordination.

This joint-venture is a major player on the transatlantic network, the leading market for international air transportation. Prior to the public health crisis it had revenues exceeding US\$13 billion, a market share of 23% and more than 340 daily flights linking the partners' hubs. Pricing and revenue management are centralized within a 60-strong team based in Amsterdam.

The coordination of the network is reflected in the strengthening of the Hub-to-Hub services, the optimization of aircraft types assigned to each route and an increase in the number of destinations served by non-stop flights on both sides of the Atlantic and the English Channel. The sales forces have been regrouped in each region.

This extended scope marks the expansion and strengthening of one of the most advanced partnership models in the airline industry.

Partnership in China – a consolidated presence in the Chinese market

Air France and KLM benefit from a historic presence in China, bolstered by a strong partnership with one of the three largest Chinese carriers, through a joint-venture agreement concluded ten years ago. In 2012, Air France had signed a joint-venture agreement involving the Paris and Shanghai routes with China Eastern Airlines, a major player in Chinese air transportation, which operates a vast domestic and international network mainly out of its base in Shanghai, China's economic lung. This agreement was extended to KLM in 2016, when China Eastern Airlines inaugurated the Shanghai-Amsterdam service. The partnership was further reinforced in 2017 when China Eastern Airlines acquired an 8.8% equity interest in Air France-KLM via a reserved capital increase. In November 2018, Air France-KLM and China Eastern Airlines signed an agreement extending their joint-venture to two additional routes, Paris-Wuhan and Paris-Kunming, as of January 1, 2019, thereby offering their respective customers new routes under code share and new connecting opportunities between Europe and China. In April 2021, China Eastern Airlines participated in the Air France-KLM share capital increase. Within this context, both airline groups decided to extend the scope of their partnership through an intensified commercial cooperation and an increased footprint on the Beijing market, with the Paris-Beijing and Amsterdam-Beijing routes joining the existing Joint-Venture between Air France-KLM and China Eastern Airlines once the conditions had been satisfied. In addition, in May 2022, China Eastern Airlines participated, through a neutral operation, in the rights issue launched by Air France-KLM, taking its equity interest to 4.6% of the Air France-KLM share capital. Lastly, in July 2023, Air France-KLM and China Eastern Airlines reactivated their joint-venture agreement which had been suspended during the Covid pandemic.

Thanks to this partnership, Air France-KLM can offer its customers access to more than thirty destinations in China.

In total, the revenues from the routes operated between Europe and China by airlines participating in this joint-

venture agreement represented more than €600 million in 2019 (the last full year available given the suspension linked to the Covid crisis).

Strategic partnership with GOL

In 2014, Air France-KLM and GOL Linhas Aéreas Inteligentes signed an exclusive five-year strategic partnership, reinforcing their commercial cooperation between Brazil and Europe. This partnership notably foresees the optimization of synergies between the two groups and, in particular, connecting opportunities in the major Brazilian cities served by the Group. This partnership has proven to be a great success, with almost 20% of Air France passengers flying to Brazil transferring to GOL flights. Since April 2015, GOL has used its code on Air France-KLM flights between Europe and Brazil, and on European destinations beyond Paris and Amsterdam. The two partners cooperate on promoting sales in their home markets and, since November 2017, Air France has been GOL's GSA for the French market.

In October 2019, Air France-KLM and GOL had renewed this strategic partnership agreement for a five-year period. In October 2023, Air France-KLM and GOL again renewed this strategic partnership for an additional ten years. Air France-KLM and GOL remain exclusive partners on the Europe-Brazil corridor, with some exceptions granted⁽²⁾.

Other joint-ventures and code shares

Air France-KLM implements various forms of partnership agreements, the choice depending on the balance between value creation for its customers and the Group, and the necessary level of interaction between the offers of the partners, together with the regulatory requirements framing the scope of each agreement.

The first levels of interline cooperation are Traffic and Special Prorate Agreements (SPA) between the partner airlines, enabling the combination of their networks while maintaining their respective IATA codes and setting their own fares.

Cooperating further within the framework of a code-sharing agreement, two partner airlines sell tickets on the same flight, each under their own code and setting their own fares. The operating carrier has operational control over the aircraft while the marketing partner, for sales purposes, uses its own flight number on its partner's flights. Any such agreement must comply with the safety and regulatory requirements set forth by the competent authorities.

There are two types of code sharing. In the first, under a block seat agreement, the marketing partner purchases a fixed amount of capacity from the operating carrier. The marketing partner has inventory control over the seat block. In the second, known as free flow, no division of capacity is set, the two partners potentially selling all the seats on the relevant flights although inventory control remains the prerogative of the operating carrier. Access to capacity on the relevant flights is through negotiated fares for each booking class.

⁽²⁾ In January 2024, GOL filed for Chapter 11 bankruptcy protection in the United States. Under Chapter 11, GOL continues its operations and the strategic partnership with Air France-KLM remains in effect.

Joint-ventures are the next level in alliances and participate in the trend towards consolidation when the partners are seeking a higher level of joint optimization on a sub-scope of their network without, however, considering a merger.

A joint-venture enables value creation for customers in the markets where it is implemented and, as a result for the partners who organize coordination of the commercial activities:

- for customers, they enable access to an expanded offer of flights and improved connectivity, loyalty program benefits across a wider perimeter, a harmonized travel experience and integrated commercial propositions;
- the partners thus improve their market positioning, serving a higher number of customers and enabling them to capture market growth.

The partners define the governance principles and financial sharing mechanisms, enabling decision-making and execution across the whole value chain, thus responding to the commercial objectives of the joint-venture.

The final stages in cooperation – consolidation and integration – are mergers or equity interests, anchoring the development of a common strategy over the long term.

Joint-ventures, equity interests and mergers must be approved in the light of the regulations in force in the jurisdictions covering the scopes of the agreements, particularly with respect to the competition rules (e.g. Anti-trust Immunity).

1.3.1.6 SkyTeam alliance

The three large alliances, SkyTeam (to which Air France and KLM belong), Star Alliance and oneworld, represent some 55% of worldwide airline traffic. Around two-thirds of the top 50 airline carriers in the world belong to a global alliance.

Since the inception of the global alliances, their capacity in terms of the available seats offered by member airlines has grown by more than the industry average, with SkyTeam now being the second largest global alliance, behind Star Alliance and ahead of oneworld.

SkyTeam: a global alliance

SkyTeam, created in 2000, is a global alliance which numbered 20 airline members as of December 31, 2023: Aeroflot (suspended), Aerolineas Argentinas, Aeromexico, Air Europa, Air France, China Airlines, China Eastern Airlines, Czech Airlines, Delta Air Lines, Garuda Indonesia, ITA Airways, Kenya Airways, KLM, Korean Air, Middle East Airlines, Saudi Arabian Airlines, TAROM, Vietnam Airlines, Virgin Atlantic (which joined the alliance in 2023) and XiamenAir.

Belonging to SkyTeam enables its members to strengthen their brand awareness and extend their offer around the globe, thereby bolstering their commercial presence. As members of the SkyTeam alliance, Air France and KLM thus have access to a global network of more than 10,770 daily flights to 1,050 destinations in more than 166 countries.

In 2023, its 437 million passengers benefited from a seamless travel experience on the flights of member airlines and had access to more than 750 airport lounges around the world. The passengers who are members of frequent flyer programs can earn and burn air miles on all SkyTeam partner flights.

To become a SkyTeam alliance member, airlines need to fulfil a series of specific membership requirements, relating to operations, technologies and products. Members must be linked by bilateral agreements covering code sharing, their loyalty programs and access to airport lounges.

While retaining their separate identities and brands, the airlines combine their networks to offer their customers a more extensive range of travel solutions and the related global services, more rapid earning of miles, access to numerous airport lounges but also a more seamless customer service during the different stages of their journeys thanks to the SkyPriority and SkyTransfer programs.

SkyTeam also provides an environment and tools enabling members to generate operational cost synergies (e.g. co-located facilities, better use of airport lounges and notably the seven SkyTeam lounges, a joint IT platform, etc.).

Airlines must also be able to offer the products and services exclusive to the SkyTeam alliance. SkyTeam has notably developed proprietary products such as Passes enabling travel at competitive fares, global contracts reserved for large companies or international events, and a product dedicated to Marine and Offshore personnel.

SkyTeam's main governance body is the Alliance Board, composed of the Chairs and Chief Executive Officers of the 20 member airlines. The Alliance Board meets twice a year to define the strategic orientations of the Alliance such as the introduction of new members, the definition of the customer experience and the positioning of the SkyTeam brand along with its related investment and operational budget.

The Executive Board, consisting of senior executives with direct commercial and operational roles, is appointed by the Alliance Board and translates the approved strategic orientations into action plans in a wide range of disciplines ranging from marketing, airport synergies, the interface between information systems, the transfer product between the member airlines, cargo and advertising of the brand.

In parallel with their proprietary development projects, the member airlines commit to implementing the SkyTeam action plans by earmarking the required internal resources and respecting the timelines set.

1.3.1.7 Key figures

NETWORK

Networks	Year		
	2023	Change	Change at constant currency
TOTAL REVENUES (in €m)	25,636	12.6%	14.0%
Scheduled revenues (in €m)	24,560	12.4%	13.9%
Income/(loss) from current operations (in €m)	1,693	562	574

Passenger network	Year		
	2023	Change	Change at constant currency
Number of passengers (in thousands)	72,101	11.0%	
Capacity (in ASK million)	267,061	8.8%	
Traffic (in RPK million)	232,334	13.0%	
Load factor	87.0%	3.2pt	
TOTAL PASSENGER REVENUES (in €m)	23,148	20.2%	21.5%
Scheduled passenger revenues (in €m)	22,548	20.0%	21.4%
Unit revenue per ASK (in € cents)	8.44	10.2%	11.6%

1.3.2 Low-cost business (Transavia)

Transavia France and Transavia Netherlands (collectively "Transavia"), the Air France-KLM group's low-cost business, operate point-to-point flights to/from The Netherlands and France. Transavia's cost structure is strictly aligned with the low-cost business model: optimizing the utilization of aircraft, simple products and fares, a strong focus on ancillary revenues, light organizational structures and the outsourcing of a significant portion of the activities.

In 2022, Transavia France had celebrated its 15th anniversary. It is now the leading low-cost carrier on departure from Paris (CDG, Orly and Beauvais). Transavia Netherlands is the leading low-cost carrier in the Netherlands, operating from its bases in Amsterdam, Rotterdam and Eindhoven, and from Brussels.

Growth trajectory

In 2023, Transavia Netherlands surpassed the milestone of €1 billion in revenues for the first time in its history, while the yield level on tickets increased by 3%. Spain was the strongest market, with more than 40% of overall capacity. Transavia enjoyed high yields and revenues per available seat, while bookings with Transavia Holidays, through

which Transavia Netherlands offers complete holiday packages, also rose.

The challenging start to the year was due to restrictions imposed by Schiphol on the number of daily passengers, the inability of lessors to deliver aircraft and supply chain issues leading to a shortage of spare parts for the fleet. This resulted in up to 10 aircraft being grounded during the second quarter, forcing Transavia to cancel flights and rebook passengers. While these measures impacted the results, the operation was stabilized by the end of May and the remainder of the year enabled operating income to come in above its 2022 and 2019 levels. Transavia realized an overall load factor of 91%. Despite the challenges, Transavia was able to make progress on its strategic priorities, including fleet renewal, sustainability initiatives and various digital innovations.

In 2023, Transavia France accelerated its growth within the framework of the Air France-KLM transformation plan. The airline pursued its growth in its flagship markets with a substantial increase in its fleet from 61 aircraft in Summer 2022 to 71 in Summer 2023. The company will have 81 aircraft by the end of 2024.

To respond to the demand and satisfy customer expectations, capacity was added in Transavia's main markets in the Mediterranean basin. In total, Transavia France launched 35 new routes in 2023 to various destinations in Europe and beyond, on departure from several French airports (Orly, Nantes, Lyon, Marseille, Montpellier, Rennes, Brest, Bordeaux) to Senegal, Armenia, Morocco, Dubai, etc.

During Summer 2023, the airline operated more than 100 destinations on departure from Paris-Orly and 120 from its whole network, totaling some 200 routes. It proved to be a record summer in terms of activity for Transavia France which operated up to 300 flights a day over some weekends. With 3 million passengers carried during the summer peak (July and August), Transavia France achieved a load factor of 90%.

Back in 2022, Transavia Netherlands had started operating three daily flights on departure from Brussels. With load factors exceeding their 2022 level, in line with those for The Netherlands, and 80% of passengers being Belgian, the company's operations were expanded to five daily flights to 11 destinations in 2023. In The Netherlands, two new destinations were added (Tromsø and Bordeaux), increasing the network to a total of 110 destinations and 159 routes. Meanwhile, preparations were made to start operating flights to Tirana, Oslo and Tbilissi in 2024. Due to the geopolitical situation in the Middle East, Transavia Netherlands cancelled all its flights to Tel Aviv and Beirut. Transavia Holidays, through which the airline offers package deals that include hotels and car rental, saw growth on the back of the surge in demand for holidays in The Netherlands.

During 2023, Transavia worked closely with its partners in the Air France-KLM group. Together with Transavia France, the product portfolio, IT systems and passenger propositions were further developed. Transavia is exploring a shift towards a new revenue management system in 2024 and has joined an Air France-KLM group tender for a new crew management system.

ASK INCREASE OVER THE 2023 YEAR

	Q1	Q2	Q3	Q4	FY
Transavia	38%	10%	14%	3%	14%
Transavia France	47%	12%	12%	(1%)	14%
Transavia Netherlands	28%	6%	16%	9%	13%

Renewal of the fleet

After flying Boeing aircraft for 58 years, at the end of 2022 the decision was made to replace the Boeing 737s with the Airbus 320neo family, an aircraft type more suited to the changing playing field. The Airbus 320/321 will allow Transavia to offer a better product with less CO₂ emissions per passenger per kilometer and less noise emissions per aircraft, increase its capacity and operate more cost efficiently. A pivotal part of the airline's sustainability

strategy, the new aircraft aims to reduce CO₂ emissions by more than 15%, lower nitrogen emissions and halve the noise footprint.

Transavia Netherlands thus took delivery of its first Airbus A321 at the end of the year, and plans to phase-in seven more in 2024.

For Transavia France, fleet renewal is a totally unique event and a major challenge. The first A320neo for Transavia France arrived in early 2024 and the airline will receive a total of 13 Airbus aircraft by the end of 2024.

The Airbus A320neo will be the driver of Transavia's growth and of its economic (10% reduction in unit costs) and environmental competitiveness (15% reduction in CO₂ emissions per passenger km and a 50% reduction in the noise footprint). It will give the company the ability to attain the ambitious targets that have been set for it.

Adaptation of the domestic network

The domestic network represents around 10% of the Transavia France flight schedule. The airline is confident in its ability to succeed in this market as the product is aligned with customer expectations. Transavia France is focusing on high-potential routes (Orly-Toulon, Orly-Biarritz, Nantes-Marseille, etc.).

The company permanently monitors the performance of its routes. Its agility enables the continuous adaptation of its flight capacity to demand.

Customer experience

With some 4,791 employees, 2,531 of whom work for Transavia France and 2,260 for Transavia Netherlands, service quality, the proximity of crews and innovation are the center of Transavia's commitments. This stance has led to the company regularly winning awards. For the fourth time, Transavia France was thus voted "Customer Service of the Year 2024" in the Collective Passenger Transport (ESFDA) category. In the Skytrax - Best Low Cost Airline 2023 ranking, Transavia France was named the 2nd Best European low-cost airline, and number six at global level. The company was also awarded the Qualiweb 2023 trophy for the quality of its online service in the Tourism and Transport category.

Transavia Netherlands was awarded with the Dutch Holiday Award for "Best Short Haul Airline".

During the year, Transavia invested in digital services and innovation. It began to simplify its IT system portfolio in order to facilitate the introduction of new offers and cross-selling between channels. It also improved the airlines' ability to personalize the offerings per passenger, use dynamic pricing and provide passengers with recognition on board. A pilot was thus run in partnership with cinema operator Pathé to offer passengers flying out of Rotterdam-The Hague Airport the ability to watch movies on their own devices as part of the Pathé Thuis streaming service offering.

Staff: a move to a new head office and flex office, people and talent management

To accompany its strong growth, Transavia France is recruiting and offers a wide range of opportunities in various fields: airline operations, engineering & maintenance, sales, information technology, finance, human resources, etc. The workforce should grow to 3,000 in 2024.

In 2023, Transavia France hired new staff to contend with the increase in production, although it was challenging to recruit technical staff in a tight labor market. The airline also concluded new collective labor agreements with pilots, cabin crew and ground staff. Employee engagement rose from 66% in 2022 to just under 70% this year. The Net Promoter Score ended the year at 32, only slightly below target.

Sustainable development and CSR

As a subsidiary of the Air France-KLM group, Transavia France has been committed to reducing its carbon footprint for several years. It is now looking to accelerate its environmental transition by activating all the levers at its disposal and fostering the emergence of innovative solutions.

In the shorter term, the Air France-KLM group including Transavia has committed to a 30% reduction in its CO₂eq emissions per revenue ton-kilometer (RTK) by 2030 relative to the 2019 baseline.

In January 2024, on the occasion of the delivery of its first A320neo, Transavia France operated its *La Navette* shuttle service from Toulouse to Orly powered by a 30% blend of sustainable aviation fuel (SAF). These fuels enable an average 80% reduction in CO₂ emissions over the entire life cycle and are destined to play a key role in the decarbonization of air transportation.

As part of the KLM group, Transavia Netherlands acknowledges that it can play an important role in making aviation more sustainable. Transavia Netherlands has increased its SAF proportion to 1.8%, i.e. above the legal requirement, on all its flights departing from Amsterdam, Rotterdam, Eindhoven and Brussels, and has launched a SAF program for travel agents, which allows them to satisfy the market demand for more sustainable

travel. Transavia Netherlands is calling for governmental support to scale SAF production upwards through the redeployment of the ticket tax in the Netherlands.

Transavia Netherlands no longer uses non-recyclable plastic on board, with the exception of products that fall under the EU-CATI waste regulation which legally cannot be recycled. Furthermore, Transavia Netherlands has invested in a Dutch start-up, Fly with Lucy, which aims to be the first electric airline in the Netherlands.

Transavia France is a pioneer in the implementation of eco-pilot programs, which is another avenue to reducing its environmental footprint. The pursuit of its partnerships with start-ups Safety Line (SITA) and OpenAirlines has enabled a 3% to 5% reduction in CO₂ emissions per flight.

The three OptiFlight solutions (combined) of its partner Safety Line can save more than 80 tons of fuel per aircraft per year, i.e. the equivalent of one aircraft flying neutrally in the Transavia France fleet.

Additionally, this year Transavia France again reinforced its commitment to associations like *Magie à Bord*, *Personn'ailes*, *Les Hommes de l'Air* and the Carlesimo association, with awareness-raising initiatives for passengers and ground staff.

Transavia France has replaced single use plastics with renewable materials, introduced sustainable uniforms for crew and begun to recycle waste. KLM and Transavia Netherlands have also initiated a process of procurement certification, which will hold suppliers to higher sustainability standards.

In 2022, Transavia Netherlands took further steps to promote Diversity and Inclusion (D&I) within the organization. The new D&I team was set up and a company-wide survey was sent out to gauge feedback. One key element of this strategy is to empower colleagues to make a greater social impact, for example through the internal crowd sourcing platform WeCare, through which several social NGOs receive financial support, and the Peter J. Legro Award, which earmarks financial support for a good cause.

Lastly, fleet renewal constitutes another pillar in the trajectory to achieve the Group's targets. The Airbus A320neo emits 15% less CO₂ per passenger km than the current Boeing 737-800. It also reduces the noise footprint by 50%.

1.3.3 Maintenance business

Aircraft maintenance is the Air France-KLM group's third business with third-party revenues of €1.7 billion. These revenues generated with external clients thus represented 40.4% of the total revenues in this business. In 2023, despite a turbulent geopolitical climate and significant supply chain challenges in the industry, the AFI KLM E&M order book remained at a high level with a total value of US\$8.7 billion.

In the aircraft maintenance or MRO (Maintenance, Repair and Overhaul) market, Air France Industries KLM Engineering & Maintenance (AFI KLM E&M) ranks number two globally amongst the multi-product players. AFI KLM E&M's mission is to supply competitive support for the Group's fleet, while consolidating its position as a leader in the MRO market.

The Group operates in three major maintenance segments: airframe maintenance, engine maintenance and component support (electronic, mechanical, pneumatic, hydraulic, etc.).

Airframe maintenance covers three sub-segments: line operations support which aims to verify the proper day-to-day functioning of systems and the integrity of the aircraft structure, heavy maintenance for in-depth checks involving the disassembly of cabins, equipment and some structural elements, and the realization of modification programs, particularly the retro-fitting of cabins.

1.3.3.1 Business environment

An attractive market despite the growing constraints

The aeronautics maintenance or MRO (Maintenance, Repair, Overhaul) market is mostly driven by the age, cycles and flight hours of the worldwide fleet. According to estimates, the global MRO market, which comprises the maintenance and modification spending by aircraft operators either directly or through sub-contractors, first collapsed in 2020 before recovering in 2021 and 2022.

For 2023, the MRO market is forecast to amount to \$93.9 billion, rising to \$125.3 billion in 2033⁽¹⁾.

The trends in this business closely follow those of the commercial airline fleets globally and their utilization. Firstly the recovery following the public health crisis and an increased emphasis on sustainability have accelerated fleet adjustment decisions for airlines worldwide, to gain efficiency and reduce CO₂ emissions. This explains why the maintenance of new-generation aircraft represents an increasingly significant part of the market. This benefits MRO providers like AFI KLM E&M which are well positioned on the new-generation segments. Another trend strongly apparent in the MRO business is the digitalization of engineering and support services, which are expected to be increasingly used by airlines in an effort to optimize their ground time and operations. Lastly, high inflation combined with disrupted and heavily

pressurized supply chains mean that the availability and cost of spare parts are being scrutinized. This is challenging performance levels world-wide and putting upwards pressure on maintenance costs.

Competitive landscape

Competition in the MRO market is fierce, with several players competing over business with airlines who are becoming ever-more demanding. Ensuring fair competition in the after-sales market thus means helping airline operators to secure their budgets and performance over the long term.

The ability to sustain balanced competitive conditions is a priority objective for AFI KLM E&M's commercial activity, but also to contain Air France's and KLM's maintenance costs.

At the same time, this business is experiencing a technological change which is influencing the products, processes, methods and competencies within the maintenance activities. This is notably the case with new-generation aircraft whose avionics dimension is playing an increasingly important role relative to the mechanical systems (digital tools, composite structures, connectivity, etc.). Innovation is an integral part of all the business processes.

Difficulties linked to the supply chain

One of the main challenges for AFI KLM E&M consists of the effective and efficient management of the supply chain, within a complex and dynamic market environment. The MRO supply chain is composed of numerous stakeholders, in particular aircraft manufacturers, Original Equipment Manufacturers, tier two suppliers, customers, regulatory authorities, etc. Furthermore, the supply chain is subject to a number of uncertainties (demand fluctuations, interruptions, quality control issues, delivery periods, etc.) which are currently having a considerable impact on availability, reliability and the cost of services.

To contend with these difficulties, AFI KLM E&M relies on a combination of strategies like:

- developing strategic partnerships with OEMs and suppliers, to guarantee access to spare parts, technical support and innovation;
- adopting a flexible and agile approach to meet the changing needs of customers and the market conditions;
- the use of digital technologies (like Big Data, artificial intelligence, blockchain, etc.) to optimize inventory management, forecasting, planning and the decision-making process;
- implementing continuous improvement initiatives to increase the quality, efficiency and sustainability of the processes linked to the supply chain.

⁽¹⁾ Source: Oliver Wyman, June 2023.

1.3.3.2 AFI KLM E&M's position as a world leader

On the strength of its solid position as the number two global multi-product MRO by total revenue, AFI KLM E&M is pursuing its targeted development strategy based on its own specific features and the Group's objectives.

This strategy has two pillars: firstly, cutting costs and maintaining high standards of quality and performance and, secondly, growing the customer portfolio in high value-added products and services.

In the past decade, this ambition has been reflected in substantial investment in modernizing AFI KLM E&M's IT system and industrial infrastructure at its principal maintenance sites: Toulouse, Amsterdam, Villeneuve-Le-Roi, Roissy and Orly. The company has also significantly expanded its worldwide footprint with a growing customer portfolio which is well-balanced across the globe, as well as with a growing network of businesses, which are either fully-owned (or through joint-ventures).

A maintained ambition

In the past two years, despite the huge changes in customer expectations and the heavy supply chain constraints, AFI KLM E&M has successfully adapted its services for the Air France-KLM group airlines and for its worldwide customer portfolio.

As part of its continuous improvement efforts, AFI KLM E&M affirms its ambition of making AFI KLM E&M a benchmark brand in its market as an airline MRO supported by a powerful global network.

In 2023, AFI KLM E&M continued to strengthen its global position on new-generation aircraft, with strong growth for the A350, Boeing B787, A220, A320neo and Boeing B737MAX products.

This market success is supported by The MRO Lab[®] innovation program which focuses on strategic areas of the MRO sector, ranging from technician mobility and the customer experience to the Internet of Things, Big Data applications, predictive maintenance, digitalization, additive manufacturing and artificial intelligence.

In the digital field, PROGNO[®]s constitutes a major building block. Launched in 2016, it regroups a range of predictive maintenance solutions based on exploiting the data from aircraft systems with a view to improving maintenance models and processes. The PROGNO[®]s range of solutions now includes PROGNO[®]s for Aircraft, PROGNO[®]s for APU, PROGNO[®]s for Inventory and PROGNO[®]s for Engines. AFI KLM E&M is capitalizing on the vast amount of data generated by the Air France and KLM fleets to develop its PROGNO[®]s solutions and verify their operational relevance and performance before sharing such innovations with its customers.

AFI KLM E&M has also developed several cost-saving projects, along with transformation and restructuring plans to enhance its competitiveness and adapt its organization to the market environment.

In aircraft maintenance, the implementation of adaptation projects has also continued to reinforce AFI KLM E&M's competitiveness. Cost-saving initiatives have been implemented to optimize activity on a site-by-site basis, strengthen external partnerships and deploy more efficient work organizations. All this has been accompanied by efforts to match resources to the level of business activity and build new career paths.

In the Engines and Components segments, AFI KLM E&M has managed to strengthen its positioning on products and services aligned with market cycles and expectations, and secure its global MRO network.

Contributing to the flight safety and operational efficiency programs

AFI KLM E&M's primary task is to guarantee the airworthiness of the Group's fleet and ensure regulatory compliance. To this end, AFI KLM E&M manages technical data, implements the maintenance policies and ensures the permanent availability of the required skilled staff and technical resources.

Aircraft maintenance at the service of airlines

Line Operations support

AFI KLM E&M continues to market its services to customers in the line maintenance segment and to develop its business in its main bases as well as internationally.

Light Maintenance operations

Within the framework of AFI KLM E&M's continuous improvement efforts, the Light Maintenance operations, which are mostly executed in Amsterdam, Paris-CDG and Paris-Orly, have continued to implement new processes to further reduce Turn Around Times and increase aircraft utilization, to the benefit of Air France and KLM.

At the same time, AFI KLM E&M continues its iGO Solutions joint-venture operations by delivering high-performance support to its customers, like Transavia for its Boeing B737/A320 fleets and Air Caraïbes/French Blue for their A330 and A350 fleets.

Heavy Aircraft Maintenance

In 2023, a maintenance master plan was implemented, designed to rationalize the aircraft maintenance operations by optimizing activity on a site-by-site basis (Paris-CDG, Amsterdam-Schiphol, Paris-Orly, Toulouse-Blagnac). The Group's new fleet plans will enable this optimization to be continued in the coming years.

From engineering to maintenance, AFI KLM E&M provides continuous support for the Group's airlines, as well as for an ever-growing number of customers, by designing and deploying new cabin products in both short and medium-haul, and across the long-haul offering.

In 2023, AFI KLM E&M continued to work with external partners to cut maintenance costs for the Group's fleets and obtain, in return, additional work in the high-growth Engine and Components segments.

Military Product

In recent years, AFI KLM E&M has been responsible for the operational maintenance of the French AWACS fleet. AFI KLM E&M has also signed a new component support contract with IAMCO for NATO's AWACS fleet and, in June 2023, Airbus Defence and Space (ADS) selected AFI KLM E&M to provide Component support for the NATO MMF fleet (Multinational MRTT Fleet), providing a fully customized operational support package for the ten A330MRTT aircraft in the fleet.

Component support: managing a global supply chain

Component support covers the repair of a broad technological spectrum of aircraft parts, the management of technical and reliability standards and the management of component shipments to/from customers' operating bases. The number one request expressed by airlines is to gain flexibility and assistance in managing the uncertainty overhanging the market as best they can. In the short term, this has led to the offer of a wide range of made-to-measure solutions, but also to working with operators to think about the post-crisis period and how to get back to the more stable contractual frameworks which are essential in terms of industrializing maintenance operations and achieving optimum performance levels.

In 2023, AFI KLM E&M continued to develop its new-generation customer base by signing, for example, a contract with Alaska Airlines to support its B737 Max aircraft and with JetBlue for its A220s. At the same time, existing clients are regularly renewing their confidence in AFI KLM E&M, recognizing its global added value and attractiveness. Providing component support on over 3,000 aircraft across the world, AFI KLM E&M is a leader in all the new-generation aircraft segments.

Engines: managing the soaring demand

The latest generations of aircraft like the A350, B787 and A320neo are equipped with new efficient engines, burning less fuel and emitting significantly less CO₂ per passenger km. In 2022, AFI KLM E&M joined the Pratt & Whitney GTF™ engine network providing support for new-generation engines designed for A220 fleets. AFI

KLM E&M also signed a CFM Branded Service Agreement (CBSA) for the LEAP-1A and LEAP-1B engines. Under the terms of this CBSA, AFI KLM E&M will provide the full scope of LEAP MRO services for operators worldwide.

To reinforce its industrial capacity, increase its efficiency and offer an even-better service to airlines benefiting from AFI KLM E&M technical support, a new engine shop was opened at Orly in September 2023.

The Group thus provides engine support on the following engines:

- **CFM56:** the Group's workshops support one of the world's largest fleets of CFM56 engines, handling some 400 engines operated by various airlines. AFI KLM E&M is using its Amsterdam engine shop to position itself on the growing need for CFM56-7B support and the Orly engine shop for the CFM56-5 support requirements;
- **CF6-80:** by offering full-service maintenance at its Amsterdam engine shop, AFI KLM E&M is well positioned to support the CF6-80E1 equipping the A330s and the final phase in the life of the CF6-80C2s. AFI KLM E&M's long maintenance track record with these engines means that it currently offers the most suitable maintenance solutions;
- **GE90:** on the strength of its state-of-the-art infrastructure, AFI KLM E&M offers the main alternative to the engine manufacturer for overhauls to this engine. Since 2012, AFI KLM E&M has had a new engine test cell at Paris-CDG. This test facility can test 300 engines per year, reducing processing time and offering a more cost-effective service for customers. This test facility, combined with AFI KLM E&M's extensive expertise and proven experience, has attracted the interest of a growing number of airlines. In 2023, in addition to its infrastructure, AFI KLM E&M continued to build its know-how and can offer customers the benefit of its GE90 operating experience with, for example, On-Site/On-Wing Support enabling remedial as well as preventive actions anywhere in the world. This support can be accompanied by GE90 Engine Monitoring, designed to detect technical problems upstream thereby limiting potential engine damage;
- **GENx:** at the launch in 2015, AFI KLM E&M was the first non-OEM supplier to carry out Quick Turn checks on this engine. Since 2017, the AFI KLM E&M Zephyr test cell has successfully passed the GENx correlation test, enabling AFI KLM E&M to also perform engine test runs for its ten GENx airline customers;
- **LEAP:** in 2022, AFI KLM E&M signed a CFM Branded Service Agreement (CBSA) for the LEAP-1A and LEAP-1B engines. Under the terms of this CBSA, AFI KLM E&M will provide the full scope of LEAP MRO services for operators worldwide.

Given the commercial success the LEAP engine has enjoyed, demand for LEAP MRO services will grow rapidly in the coming years. In offering LEAP MRO services, AFI KLM E&M capitalizes on its capabilities and expertise in both the operation and maintenance of its extensive portfolio of engines. As the world's largest independent engine MRO service provider, AFI KLM E&M will industrialize the LEAP engine at both of its state-of-the-art MRO facilities in Paris and Amsterdam, giving it both the capacity and the flexibility to answer the needs of this rapidly-growing, competitive market. As an airline-MRO, AFI KLM E&M provides MRO solutions that, in addition to optimizing maintenance costs, also drive sustainability and maximize operator value.

Thanks to the EASA/FAA approvals, AFI KLM E&M is also able to assist LEAP operators worldwide during the entry into operational service phase. AFI KLM E&M can meet the needs of its customers in carrying out the on-wing/on-site work on LEAP-1A and LEAP-1B engines. The scope of these interventions is tailored to the requirements of airline operators, and may include, for example, activities like power plant build-up, borescope inspection, and line replaceable unit (LRU) replacement services. Thanks to its CAAC approval, AFI KLM E&M can also carry out an extensive set of activities for all its customers in China (airlines and MROs).

- **Pratt & Whitney:** AFI KLM E&M has joined the Pratt & Whitney GTF™ engine network providing support for new-generation engines designed for A220 fleets. In 2022, AFI KLM E&M and Pratt & Whitney announced the conclusion of an agreement regarding the maintenance and repair of the PW1500G engines used to power Airbus A220 aircraft. This collaboration saw AFI KLM E&M join the North American-based engine manufacturer's global support network for GTF engines and position itself as a key player in the PW1500G aftermarket, with the ability to perform full overhauls for this type of engine, from dismantling/assembly operations to the repair and testing of certain parts.
- **Rolls-Royce:** AFI KLM E&M and Rolls-Royce have announced the conclusion of an incremental agreement for the maintenance and repair of Trent XWB engines powering A350 aircraft. This new agreement reinforces the position of AFI KLM E&M as a key player in the British engine manufacturer's global support network, as well as the Trent XWB after-sales market. Based on its airline-MRO DNA, AFI KLM E&M is setting up full maintenance capabilities for the engine type covering its entire life cycle. This partnership follows an initial agreement signed between the two groups in 2014, authorizing AFI KLM E&M to provide maintenance on engines powering A350 aircraft, as part of the Air France-KLM group's acquisition of the aircraft type.

AFI KLM E&M: an international network tailored to local requirements

AFI KLM E&M is pursuing its growth strategy on profitable markets and segments by deploying its network of subsidiaries (EPCOR, CRMA, KLM UK Engineering, Barfield, AFI KLM E&M Components China) and partnerships (ATI, Spairliners, Max MRO Services, iGO Solutions, Airfoils Advanced Solutions, Singapore Component Solutions, AMES, Bonus Tech and xCelle Americas), and leveraging the power of its global logistics network. The development of this MRO network guarantees AFI KLM E&M customers local access to the Group's full array of services, tailored solutions and local spare parts inventories.

AFI KLM E&M subsidiaries and joint-ventures

Engines

Located in the Greater Paris area, CRMA specializes in repairs to engine parts and, in particular, combustion chambers for which it has second-to-none expertise and technology. Its positioning on next-generation products has enabled CRMA to pursue the strong growth in its third-party customer activity.

Airfoils Advanced Solutions is jointly owned by Safran Aircraft Engines and the Air France-KLM group. This joint-venture helps the two parent companies bolster their competitiveness, and also reflects the major role they play in the global aircraft maintenance market. It also supports job creation and industrial development in the joint-venture partners' home bases.

AFI KLM E&M is optimizing and developing its US engine tear-down unit Bonus Tech. Since 2013, this joint-venture has operated as part of the MRO global network. Based in Miami, the partnership combines the know-how and the skills of Bonus Tech, a major player in the global engine tear-down market, with the industrial assets of AFI KLM E&M in the United States (equipment, tooling and support).

Components

Barfield is a 100% subsidiary of AFI KLM E&M based in Miami, Phoenix, Louisville and Atlanta. With its cutting-edge facilities, Barfield can satisfy the needs of customers operating commercial or regional fleets in North, Central and South America. From MRO Services to distribution and ground support test equipment (GSTE), Barfield provides complete adaptive support for the aircraft in the A320, B737, Bombardier, Dash 8, ATR42 and 72 families, and the Embraer 170 and 190 aircraft. Since 2021, Barfield has been introducing cutting-edge, competitive UAS, UAV and Drones to the American continent as well as maintenance support adapted to these new technologies.

Shanghai-based AFI KLM E&M Components China is a 100%-owned subsidiary initially specializing in A320 and Boeing B737 avionics systems dedicated to offering solutions to Chinese operators.

EPCOR, based at Amsterdam-Schiphol, provides MRO support for the APUs and pneumatic systems of a wide range of commercial aircraft. EPCOR maintains the APUs on the Boeing B737NG/MAX, B777 and B787, A220, A320neo/family, A330neo, A340 and Embraer 170/190 aircraft. EPCOR is a licensed and OEM warranty-approved Honeywell and Pratt & Whitney Canada (former HSPS) Auxiliary Power Unit (APU) repair center. Besides the APU capability, EPCOR also maintains and overhauls air cycle machines on the Boeing B737, B777, B787 and Emb170/190, the B787 Cabin Air Compressor (CAC), environmental control systems, starters, leading-edge flap drive units and many other pneumatic and nitrogen components installed on large commercial aircraft.

Located in a high growth aviation hub in Mumbai, India, Max MRO Services Pvt. Ltd. is a leader in the component MRO business for customers operating commercial aircraft fleets in India and the neighboring regions. Max MRO Services Pvt. is able to provide a wide range of adaptive component solutions for the A320ceo/neo, Boeing B737NG/MAX and ATR aircraft.

Singapore Component Solutions is a joint venture between AFI KLM E&M and Sabena Technics. Ideally located in Singapore and approved by ten authorities in Europe, the USA and the Asia-Pacific region, the company combines the skills and expertise of two leading aircraft maintenance specialists that already support customers in the region. Singapore Component Solutions brings its comprehensive portfolio of customizable, mix & match reliable solutions for A320, A330, B737 and ATR aircraft operators.

Hamburg-based Spairliners is a joint-venture set up by Air France and Lufthansa Technik to provide end-to-end component support for airlines operating Embraer E-Jets.

A joint-venture set up by AFI KLM E&M and Safran Nacelles in 2010, AMES is a key player in the MRO market, specializing in overhaul and repair services for nacelles, radomes, engine fan stator modules, as well as all the metallic and composite parts of an aircraft. Located in Dubai, at the operational crossroads of the key Middle East airlines and close to operators on the Indian sub-continent, AMES offers the MRO expertise of a leading OEM, delivering highly effective, rapid-response aircraft maintenance and repair solutions for nacelles, aerostructures and composite parts.

xCelle Americas is a joint-venture between AFI KLM E&M and Triumph Group, dedicated to servicing new generation aircraft nacelles in the American continent. Solving logistics issues for components and providing fully licensed repair, xCelle Americas is a unique maintenance, repair and overhaul (MRO) solutions provider, combining the expertise of an airline with that of a third-party MRO. xCelle Americas provides complete adaptive support for the B787, B737MAX, A320neo and A350 aircraft.

In 2023, Air France-KLM and Airbus entered into exclusive negotiations aimed at the creation of a joint-venture dedicated to Airbus A350 component support. The objective is for this joint-venture to be operational by the first half of 2024, in line with all the compliance requirements and subject to approval by the relevant authorities.

Airframe maintenance

In Morocco, Aerotechnic Industries (ATI) is a joint-venture between Royal Air Maroc (RAM) and Air France. Based at Casablanca airport, ATI operates three bays for heavy maintenance on the A320 and Boeing B737 aircraft.

Based at Norwich International Airport in the United Kingdom, KLM UK Engineering Limited is a leading regional aircraft and narrow body MRO, wholly owned by KLM and a member of the AFI KLM E&M Network. Its services include base maintenance, UK line maintenance, technical training and the component repair center for the Boeing B737, Fokker 70/100, BAe146/Avro RJ and Embraer E170/190. KLM UK Engineering has been based at Norwich Airport for over 40 years and employs an experienced and skilled work force, delivering a superior service and high quality product at a competitive price.

The iGO Solutions joint-venture provides light maintenance services for AFI KLM E&M customers (including Transavia France) at Paris-Orly airport.

Corporate Social Responsibility as a lever in achieving sustainable levels of performance

The Air France-KLM group's ambition is to reach net zero carbon emissions in 2050. As an airline-MRO, AFI KLM E&M is contributing to the achievement of this target and will continue to support the Group in its role as a leader of sustainability within the aviation industry. AFI KLM E&M has been implementing this strategy for many years in order to reduce the environmental impact of its activities and thus those of its customers.

AFI KLM E&M analyzes and implements technologies to reduce this environmental impact wherever possible. This ranges from the eco-responsible design of infrastructures to the energy savings that this generates for the circular economy such as the recycling of plastics to feed 3D printing.

The constant adjustment of these processes is part of AFI KLM E&M's DNA in that the company has long been repairing and maintaining aircraft components, including engine parts, in order to extend their life cycle.

1 PRESENTATION OF THE AIR FRANCE-KLM GROUP

Activities in 2023

Innovative products, like PROGNOSE the AFI KLM E&M predictive maintenance suite which has been awarded the Solar Impulse label, also have a positive impact in this area. This predictive analysis program is based on harnessing big data technologies to offer an effective and innovative aeronautics maintenance service. The environmental benefits of PROGNOSE stem from reducing

flight cancellations leading to extra flights to recover grounded passengers, as well as reducing the number of Quick Return Flights (return of the aircraft to its departure airport) following technical alerts, which require fuel tanks to be emptied prior to landing. It also optimizes overall aircraft fuel consumption by monitoring the status of equipment more precisely.

Key figures

Maintenance	Year		
	2023	Change	Change at constant currency
TOTAL REVENUES (in €m)	4,242	18.3%	
Third-party revenues (in €m)	1,712	23.3%	25.6%
Income/(loss) from current operations (in €m)	150	(8.0%)	(3.2%)
Operating margin (%)	3.5%	-1.1 pt	-0.9 pt

During 2023, external revenues strongly increased by 23.3% despite the supply chain disruption which explained the decrease in the operating margin. These supply chain disruptions impacted, in particular, the GE90 engines support among other activities and involved significant additional costs (component costs, engine lease costs,

inventory and pool increase). The maintenance order book was evaluated at US\$8.7 billion at December 31, 2023.

The Air France-KLM Group's maintenance activity is well positioned on new-generation aircraft maintenance and foresees solid opportunities in the future.

1.4 FLEET

At December 31, 2023, the Air France-KLM group fleet comprised 551 aircraft, of which 541 were in revenue service compared with, respectively, 522 and 505 aircraft at December 31, 2022.

The main operational fleet consisted of 443 aircraft (412 aircraft at December 31, 2022), of which 177 were long-haul aircraft (168 at December 31, 2022), 6 were cargo aircraft (6 aircraft at December 31, 2022) and 260 were medium-haul aircraft (238 at December 31, 2022) including 115 aircraft in the Transavia Group fleet (98 aircraft at December 31, 2022).

The regional fleet in operation comprised 98 aircraft (93 at December 31, 2022).

At December 31, 2023, the average age of the aircraft in the operational fleet was 12.2 years, of which 12.6 years for

the long-haul fleet, 12.8 years for the medium-haul fleet, 20.8 years for the cargo fleet and 9.5 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 December 31, 2023, 36.5% of the total Group fleet was fully owned (37.0% at December 31, 2022), 12.7% was under finance lease (13.0% at December 31, 2022), and 50.8% under operating lease (50.0% at December 31, 2022).

There were firm orders outstanding for 210 aircraft at December 31, 2023, operational lease excluded, after deliveries of 26 owned aircraft. Options stood at 34 aircraft (57 at December 31, 2022).

The operational fleet comprise 110 new generation aircraft, 20.3% of the fleet.

Change in the Air France-KLM Group's order book ⁽¹⁾	December 31, 2022	Deliveries during the period	New orders	Option conversions	December 31, 2023
Main fleet	178	26	39	19	210
Regional fleet	0	0	0	0	0
TOTAL	178	26	39	19	210

(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	December 31, 2023
Main fleet	57	19	4	0	34
Regional fleet	0	0	0	0	0
TOTAL	57	19	4	0	34

(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 2023 financial year, the Air France group:

- in long-haul, took delivery of seven new A350-900s;
- in medium-haul, retired fourteen aircraft in the A320 family and took delivery of the sixteen new A220-300s;
- in HOP!, sold four CRJ-1000s and took delivery of two Embraer E190s;

- Transavia France took delivery of its first Airbus A320neo and twelve Boeing B737-800s, and retired a Boeing B737-800.

KLM, for its part, welcomed three additional new Boeing B787-10s into its fleet and retired three B737-700s, while KLM CityHopper received four new Embraer E195-E2s and Transavia Netherlands welcomed its first A321neo as well as five more B737-800s.

During 2023 the two first A320/A321neos joined Transavia's fleets, marking the beginning of the complete renewal of their fleets.

In 2023, an additional order for 50 A350s was also signed to allow Air France and KLM to benefit from new-generation aircraft offering the best environmental standards.

The Air France-KLM fleet at December 31, 2023

	AF (incl. HOP!)	KL (incl. KLC & Martinair)	Transavia France	Transavia Netherlands	Total	Fully owned	Finance lease	Operating lease
Long-haul	117	65	-	-	182	71	41	70
B777-300	43	16	-	-	59	20	15	24
B777-200	18	15	-	-	33	28	1	4
A350-900	27	-	-	-	27	3	10	14
B787-10	-	10	-	-	10	2	8	-
B787-9	10	13	-	-	23	4	7	12
A380-800	4	-	-	-	4	3	-	1
A330-300	-	5	-	-	5	-	-	5
A330-200	15	6	-	-	21	11	-	10
Medium-haul	103	42	72	45	262	94	11	157
B737-900	-	5	-	-	5	5	-	-
B737-800	-	31	71	40	142	35	8	99
B737-700	-	6	-	4	10	7	-	3
A321	15	-	-	-	15	8	-	7
A320	37	-	-	-	37	4	3	30
A319	13	-	-	-	13	9	-	4
A318	6	-	-	-	6	4	-	2
A220-300	32	-	-	-	32	22	-	10
A320neo	-	-	-	1	1	-	-	1
A321neo	-	-	1	-	1	-	-	1
Regional	36	65	-	-	101	32	18	51
Canadair Jet 1000	2	-	-	-	2	2	-	-
Embraer 190	21	30	-	-	51	17	4	30
Embraer 175	-	17	-	-	17	3	14	-
Embraer 170	13	-	-	-	13	10	-	3
Embraer 195 E2	-	18	-	-	18	-	-	18
Cargo	2	4	-	-	6	4	-	2
B747-400BCF	-	1	-	-	1	1	-	-
B747-400ERF	-	3	-	-	3	3	-	-
B777-F	2	-	-	-	2	-	-	2
TOTAL AF-KLM	258	176	72	45	551	201	70	280

1.4.1 The Air France group fleet

The Air France group fleet totaled 330 aircraft at December 31, 2023, of which 294 aircraft in the main fleet and 36 in the regional fleet. The average age of the aircraft in this operational fleet is 12.4 years (12.7 years at December 31, 2022).

Firm orders amounted to 148 aircraft. The operational fleet comprises 68 new generation aircraft, 21.3% of the fleet.

Air France Group fleet	Fleet at December 31, 2022	Aircraft entering the fleet ⁽¹⁾ during the period	Aircraft withdrawn from the fleet ⁽¹⁾ during the period	Fleet at December 31, 2023
Long-haul fleet	110	7	0	117
Medium-haul fleet (including Transavia France)	161	29	15	175
Cargo	2	0	0	2
Regional fleet	38	2	4	36
TOTAL	311	38	19	330

(1) Owned or leased.

The Air France fleet

The Air France fleet comprised 222 aircraft at December 31, 2023 with 217 in operation (213 and 206 respectively at December 31, 2022). The fleet includes 117 long haul aircraft, 103 medium-haul aircraft and two freighters.

At December 31, 2023, the average age of the fleet was 12.9 years, with 13.4 years for the long-haul fleet, 12.3 years for the medium-haul fleet and 14.9 years for the cargo fleet. At December 31, 2022, the average age of the fleet was 13.7 years, with 13.2 years for the long-haul fleet, 14.2 years for the medium-haul fleet and 13.9 years for the cargo fleet.

Within the fleet, 96 aircraft are fully owned (43.2%), 23 are under finance lease (10.4%) and 103 under operating lease (46.4%).

In 2023, the company took delivery of seven A350-900s and sixteen A220-300s and retired fourteen A320-family aircraft.

The regional fleet, Air France HOP!

At December 31, 2023, the regional fleet comprised 36 aircraft with a seat capacity of up to 110, of which 33 in operation.

The average age of the fleet was 12.9 years. Within the fleet, 44.4% of the aircraft are fully owned, there are no aircraft under finance lease and 55.6% are under operating lease. During 2023, two EMB190s entered the fleet while four CRJ1000s were sold.

The Transavia France fleet

The Transavia France fleet comprises 72 aircraft, of which 70 in operation. (60 aircraft at December 31, 2022). The average age of this fleet is 10.6 years. Within the fleet, 12.5% of the aircraft are fully owned, 5.6% are under finance lease with 81.9% under operating lease.

During 2023, twelve B737-800s entered the Transavia France fleet and one was withdrawn. Transavia France also welcomed its first A320neo.

1.4.2 The KLM group fleet

The KLM group fleet totaled 221 aircraft at December 31, 2023, of which 156 in the main fleet and 65 in the regional fleet.

The average age of the aircraft in the operational fleet was 12.0 years (11.4 years at December 31, 2022). Firm orders stood at 110 aircraft.

The operational fleet comprise 42 new generation aircraft, 19.0% of its fleet.

KLM Group fleet	Fleet at December 31, 2022	Aircraft entering the fleet ⁽¹⁾ during the period	Aircraft withdrawn from the fleet ⁽¹⁾ during the period	Fleet at December 31, 2023
Long-haul fleet	62	3	0	65
Medium-haul fleet (including Transavia Netherlands)	84	6	3	87
Cargo (including Martinair)	4	0	0	4
Regional fleet	61	4	0	65
TOTAL	211	13	3	221

(1) Owned or leased.

The KLM fleet

At December 31, 2023, the KLM fleet comprised 107 aircraft (107 at December 31, 2022), of which 65 long-haul aircraft and 42 medium-haul aircraft. 46 of the aircraft are fully owned (43.0%), 23 are under finance lease (21.5%) and 38 are under operating lease (35.5%). In this fleet, 107 aircraft are operational.

At December 31, 2023, the aircraft in the fleet had an average age of 13.5 years, with 11.1 years for the long-haul fleet and 17.1 years for the medium-haul fleet. At December 31, 2022, the aircraft in the fleet had an average age of 12.9 years, with 10.7 years for the long-haul fleet and 16.1 years for the medium-haul fleet.

During the 2023 financial year, the long-haul fleet was modernized with the arrival of three B787-10s while three B737-700s were withdrawn from the fleet.

The regional fleet, KLM Cityhopper

The KLM Cityhopper fleet comprises 65 aircraft, of which 65 were operational at December 31, 2023.

The average age of the aircraft in operation in this regional fleet was 7.7 years. 24.6% of the fleet is fully owned, 27.7% is under finance lease and 47.7% is under operating lease.

In 2023, four E195-E2s entered the fleet.

The Transavia Netherlands fleet

The Transavia Netherlands fleet comprises 45 aircraft, of which 45 are operational.

The average age of the aircraft in operation in this regional fleet was 13.5 years. 4.4% of the aircraft in the fleet are fully owned, 64.4% are under finance lease and 31.1% are under operating lease.

During 2023, five B737-800s entered the fleet as well as the first A321neo.

The Martinair fleet

The Martinair fleet comprises four aircraft of which all were operational at December 31, 2023.

The average age of the aircraft in operation in this fleet was 23.7 years and all the aircraft are fully owned.

1.5 CUSTOMER EXPERIENCE DIVISION

On October 7, 2023, Air France celebrated its 90th anniversary with its customers, its partners, its employees and, more widely, with the general public in France and around the world. After celebrating 90 years of elegance in the heart of Paris, its first destination, Air France continues to celebrate this exceptional event world-wide in 2024, thus promoting France in its international stations.

Air France continues to invest substantial sums in improving the quality and level of its products and services. The company is pursuing its strategy of a move up-market to prepare for the future and offer its customers a unique travel experience – cabin refurbishment with a new standard of on-board comfort on its long-haul flights, new culinary signatures to showcase French gastronomy, renovation of its lounges, the deployment of on-board connectivity – and working

towards more responsible travel. By 2030, the Airbus A220s and A350s, new-generation aircraft which are more fuel-efficient and respectful of the environment, will represent 70% of the Air France fleet thanks to an ambitious investment plan amounting to an annual €1 billion.

KLM continued to create memorable experiences for its customers through, for example, the introduction of a new Premium Comfort class and the re-envisioned World Business class. KLM is committed to investing several billion euros in renewing its fleet and, in 2024, will welcome the new A321neos and A320neos. Furthermore, as of 2026, the Airbus 350 will be introduced in KLM's fleet. KLM is heavily investing in a state-of-the-art fleet, offering its customers more comfort in terms of seats, space, air quality and lighting.

1.5.1 Air France and KLM are maintaining their investment for customers

32 Airbus A220-300s in the Air France fleet

Air France currently numbers 32 Airbus A220-300s in its fleet. In 2023, the company took delivery of 16 A220s of the 60 A220-300 aircraft, ordered in 2019 to progressively replace its A318 and A319 aircraft, as well as several A320s. A high-performance aircraft at the economic and financial level, the Airbus A220-300 is perfectly suited to Air France's short and medium-haul network. It offers a 10% per-seat cost saving compared with the A318s and A319s and stands out for its energy efficiency. It consumes 20% less fuel per passenger km than the aircraft it replaces while its CO₂ emissions are also reduced by 20% per passenger km. Its noise footprint is also 34% lower. These characteristics will play a decisive role in reducing Air France's environmental footprint and the achievement of its sustainable development objectives.

The Air France Airbus A220-300 offers the highest level of in-flight comfort. It has 148 seats in a 3-2 seat configuration (i.e. five seats per row) enabling 80% of customers to benefit from a window or aisle seat. It proposes two travel cabins, Business and Economy, and access to the airline's in-flight WiFi service. The seat is the widest on the market (48 cm), reclines to 118 degrees and has an adjustable headrest, leather upholstery and an ergonomic seat cushion for enhanced comfort. The seat back features a symmetrical stitching pattern accentuated in the center with gray embroidery thread, creating an upholstered effect for optimum comfort. The accent, the company's brand symbol, adorns the front and rear cabin walls of the aircraft. It is also embroidered on each seat, highlighting the company's identity. The cabin, which is the brightest and most spacious in its category, is decorated in the Air France signature colors: shades of blue, a strong presence of white providing light and contrast, and a hint of red to symbolize the airline's excellence and know-how. The carpet revisits the

traditional ornamental herringbone pattern, symbolizing the emblematic Haussmann-inspired world of Parisian apartments. It also plays an important role in the cabin signage, welcoming customers and giving them an overall perspective. Large panoramic windows provide natural light throughout the flight. From boarding to landing, eight specially-adapted cabin mood lighting settings create bright, dynamic lighting for the welcome and disembarkation phases and softer lighting for a more relaxed, serene atmosphere during the flight. The spacious baggage racks are easy to access, and the central aisle is particularly wide, facilitating movement around the cabin.

27 Airbus A350s in the Air France fleet

At the end of 2023, Air France numbered 27 Airbus A350s in its fleet of the 41 on order. The latest-generation A350 is Air France's long-haul flagship. With a 25% reduction in CO₂ emissions per passenger km compared with previous-generation aircraft, it constitutes a major lever in reducing the airline's environmental footprint. Its noise footprint is also reduced by 40%.

On board, in its first version, the 324 seats are divided between three travel cabins – 34 in Business, 24 in Premium Economy and 266 in Economy – where customers discover a spacious and quiet cabin, windows some 30% larger, an optimized air pressure system providing a more comfortable cabin atmosphere with regularly-renewed cabin air and ambient lighting adapted to the different flight phases. In the Business cabin, the seat turns into a real two-meter-long lie-flat bed, guaranteeing restful sleep. In Premium Economy, the new "Recliner"-style seat is 48 cm wide and reclines to 124°. In Economy, the seat has been redesigned for even more comfort, with a reinforced ergonomic seat cushion, a 118° seat recline and 79-cm of leg room. Every cabin offers large individual High-Definition touch screens.

New cabins installed on board the A350s

In July 2023, the twenty-first A350, dubbed the “Aix-en-Provence”, was to inaugurate the new cabin configuration premiered at the Aircraft Interiors Expo 2023 trade show in Hamburg (Germany). The airline is now equipping with this version the new A350s that will join its long-haul fleet by 2025. In its new configuration, the Airbus A350 features new cabins in all the travel classes: 48 Business seats, 32 seats in Premium Economy and 212 in Economy. With this new phase in its move up-market, Air France is continuing to roll out its most advanced travel standards in terms of in-flight comfort which are currently being retrofitted on its 12 Boeing B777-300ERs.

With the highest standards in the industry in terms of comfort and embarked technology, the new Business seat developed exclusively for Air France has a sliding door enabling passengers to create a totally private space and transforms into a near-two-meter-long fully-flat bed. To create a greater sense of privacy for two passengers travelling together, the seats located in the middle of the cabin have a central panel that can be lowered, opening up a vast, convivial space. This Business seat on the Airbus A350 has the same standards as those being deployed on the 12 Boeing B777-300ERs. The 48 seats are based on the “three Fs” concept: Full Flat, meaning that the seat transforms into a real 53-cm-wide bed that is almost 2 meters long; Full Access providing all passengers with direct aisle access; and Full Privacy, ensuring optimal seclusion. A sliding door enables passengers to create a totally enclosed space, out of sight of the rest of the passengers in the cabin. The seats situated in the middle now have a central panel that can be lowered to create a vast, convivial space. The cabin’s large windows are equipped with automatic window blinds, enabling passengers to choose their own lighting ambience. The airline has prioritized high-quality, soft and natural materials to create its seats. The upholstery fabric provides a soft feel for enhanced comfort. Each seat is also embroidered with the company’s trademark red accent. A personal storage unit comes equipped with a noise-cancelling headset, a vanity mirror and space to stow customers’ belongings. A second stowage area located under the seat can accommodate a small travel accessory. The Business cabin’s front row seats also offer additional space in front for increased comfort. For the first time, each front row seat features a personal closet with a vanity mirror and extra storage space. Every seat has a large 20-inch 4K Ultra High-Definition anti-glare screen – the widest in any Business cabin across the entire Air France fleet – allowing customers to enjoy over 1,500 hours of entertainment on a latest-generation graphic interface. A Bluetooth connection allows customers to use their personal headsets. A new touchpad screen also allows passengers to browse the various programs and easily control their entire environment from adjusting the position of their seat to adapting the lighting intensity. A “Do not disturb” feature is also included on this screen to inform the crew that the customer wishes to rest. This fully-connected seat features USB-A and USB-C ports and a wireless induction charger. A new feature allows customers to connect their personal devices directly to the screen and use it as a remote control. Passengers can also browse the in-flight entertainment catalog and view the interactive map while their selected content is displayed on the main screen.

The Premium Economy cabin features 32 seats with a brand-new recliner seat model like those offered on its first Airbus A350s and on the 12 Boeing B777-300ERs that are currently being retrofitted. Each seat offers 94 cm of legroom and a 48 cm wide seat pan. The seat back reclines up to 121 degrees and has been widened to provide greater privacy and comfort. The seat cushions have been redesigned and now extend up to the shoulder level for an even softer experience. The seats are upholstered with a navy-blue herringbone pattern fabric featuring a refined finish. The four-position headrest can be adjusted to suit all preferences. To complete the package, these seats also come with a noise-cancelling audio headset, plenty of storage space, an individual reading light and USB-A and USB-C ports.

In the Economy cabin, the seat features a 46 cm-wide seat pan, a 119 degree recline and 79 cm of legroom. The seat has a backrest that is ergonomically designed with cushions offering reinforced lateral support. The seat introduces two new features: a personal smartphone or tablet holder integrated into the backrest and a USB-C port, in addition to the USB-A port.

The seats in these two cabins are equipped with a wide 13.3-inch 4K Ultra High-Definition anti-glare screen with Bluetooth connection, ideal for enjoying the on-demand in-flight entertainment with personal headphones. A new feature also allows customers to also connect their personal device directly to the in-seat screen and use it as a remote control, or to browse the available programs while the selected content is simultaneously displayed on the main screen.

Air France’s new long-haul cabins take to the skies

On January 20, 2023, the first Boeing B777-300 ER equipped with Air France’s latest long-haul travel cabins took off. In 2023, 10 Boeing B777-300s were equipped with the remaining two to follow in 2024.

The company is pursuing the deployment of its most advanced travel standard in terms of in-flight comfort which is currently being retrofitted on its Boeing B777-300 ERs.

In the Business cabin, customers discover a new seat transforming into a real two-meter long full-flat bed. For two travelers traveling together, the seats are equipped with a sliding panel that can be lowered by pressing it down, enabling passengers to create a totally private space out of sight of the rest of the cabin. There is also a “Do not disturb” functionality. Each seat also features a wide 17.3-inch 4K High-Definition anti-glare screen with a noise-reducing headset. With this new major phase in the move up-market, all Air France Business seats will benefit from full-flat seats by summer 2024. In Premium Economy, customers continue to benefit from an exclusive cabin at the front of the aircraft with only 48 seats. These “Recliner” seat backs recline to 124 degrees and are wider for more privacy. The seat cushions have been redesigned and the navy blue herringbone fabric adds further softness. The Economy cabin has 273 latest-generation seats manufactured in Europe. These seats, with amongst the highest standards of comfort in the market, recline to 119 degrees and have a backrest that has been ergonomically designed, offering reinforced lateral support. Each seat is also equipped with a 13.3-inch 4K screen.

KLM is further improving the customer experience

KLM improved the customer experience by further investing in its product. The roll-out of the Premium Comfort class was continued and new World Business class seats with direct-aisle access were introduced. The lounges in Toronto and Houston, which are key to KLM's strategic transatlantic routes, were refurbished, while the decision was made to renew KLM's Crown Lounge 25 at Schiphol Airport.

Other improvements were also made. KLM offered its customers more choice and control through digital services. The airline started offering light fares in Premium Comfort and World Business class, allowing customers to experience key elements of these premium products at an introductory price. KLM improved the availability of WiFi on board and introduced a new hand luggage policy that guarantees most premium customers space for their hand luggage. Also, KLM created a digital Short Connection Pass, allowing customers to expedite their passage through security lanes in the event of a short connection time at Schiphol Airport.

These improvements contributed towards KLM being awarded the APEX World Class Award for the third year in a row. This award, which is based on professional audits and passenger reviews, recognises performance in areas like safety and customer well-being.

Roll-out of KLM's Premium Comfort class

During the course of 2023, KLM further rolled out the Premium Comfort class, that was first unveiled in 2022. The new Premium Comfort class is an intermediate cabin offering more space, luxury, service options, comfort and privacy than in Economy class but at lower prices than in World Business. The Premium Comfort class allows KLM to more closely meet the needs and wishes of leisure and business travelers.

Premium Comfort offers a new seat type as well as distinctive service and catering concepts. Depending on the aircraft type, the capacity of Premium Comfort class varies from 21 to 28 seats which are wider than standard seats and offer more legroom, a larger screen and a footrest. Premium Comfort seats can also recline further than Economy class seats.

Apart from their elegant design and comfort features, the seats in Premium Comfort class are also lighter than the previous designs. Similar care was taken in selecting the catering materials for Premium Comfort. They are either reusable (special cutlery, bowls and plates made of lightweight polypropylene) and those that are not reusable are made of recycled PEF.

New World Business class

In June 2023, new World Business class seats were introduced on the Boeing B777 fleet. These wider seats have a sliding door ensuring greater comfort and privacy. Thanks to various innovations, the seats and their fittings are 10-15% lighter than other Business class seats in this market segment.

KLM's new World Business class (WBC) seats were designed on the basis of extensive customer research and offer passengers more space and comfort:

- all World Business class passengers will have direct access to the aisle. Every seat has a lightweight sliding door that can be easily opened and closed, enabling the seat to be closed off for more privacy when working, relaxing and/or sleeping;
- more personal adjustment options and user-friendly functionality, including an adjustable lower-back support and a relax setting with a subtle back-massage feature;
- the seat can recline into a fully flat, comfortable, 198 cm-long bed;
- there are multiple charging sockets that are easily accessible and clearly visible, and passengers also have a wireless charging option;
- passengers can stow their belongings in a lockable compartment, which also has a built-in mirror. The seat features a recessed bottle holder enabling passengers to safely leave a water bottle on their tabletop, even during turbulence.

The other World Business class services, including the catering concept and SkyPriority, remain unchanged.

For its new World Business class, KLM opted to install Jamco Venture seats in a 1-2-1 configuration, giving all WBC passengers direct access to the aisle. These Jamco Venture seats were previously installed in the World Business class aboard KLM's Boeing B787 fleet. Following extensive customer research, KLM teamed up with the manufacturer to further improve the seat. The full JAMCO design, conceived in collaboration with KLM, particularly the personal cabin layout, is lighter than the previous setup, without detracting from quality.

KLM's entire Boeing B777-300 and 200 fleet will be fitted with the new World Business class seats. This fleet will also be fitted with the latest Premium Comfort cabin. The full revamp will be completed over the course of the coming year.

New KLM Crown Lounges at Toronto and Houston airports

With the renovation to transform the lounges in Toronto and Houston into KLM Crown Lounges, KLM wants to offer its customers the most attractive lounges in the world, by emphasizing comfort and convenience, all in a recognizable and trusted KLM environment.

Comfortable and stylish

Comfortable, stylish and ergonomic furniture and fixtures made of sustainable elements and circular materials were chosen for the refurbishment of both lounges. The lounges are recognizable thanks to the KLM blue and the use of warm, natural colors. Additionally, as is also the case

in the lounges at Schiphol, KLM's Delftware miniature houses are on display. Several seating areas have been created for customers in the lounges where they can choose to work quietly in a more secluded work area or opt for more activity elsewhere in the lounge. Customers can also enjoy the buffet, with customized options depending on the time of day.

1.5.2 Air France and KLM pursue their move up-market

Air France *La Première*

A bespoke travel experience and an exceptional journey

With *La Première*, Air France offers a unique and bespoke travel experience for customers attentive to the smallest details. On their arrival at Paris-Charles de Gaulle, *La Première* customers are welcomed to an exclusive lounge. In this confidential space, Alain Ducasse, the world's most Michelin-starred chef, and his teams create exceptional dishes and a bespoke wine and champagne list. The menu at this prestigious restaurant includes the chef's famous ham and black truffle *coquillettes*, and the rum or cognac baba as in Monte Carlo. Designed by the architect Didier Lefort, since late February this lounge has benefited from a Sisley treatment space, a real moment of well-being celebrating the art of travel with a French touch. On board 19 Boeing B777-300s, each of the four *La Première* private suites offers a spacious seat which transforms into a full-flat bed more than two-meters long. There are Michelin-starred menus prepared by top chefs like Anne-Sophie Pic, Michel Roth and Régis Marcon, but also "guest" chefs like Emmanuel Renault, Arnaud Lallement and Maura Colagregco, and Angelo Musa for signature pastries. There is also a rigorously-selected list of wines and champagnes, a wide choice of entertainment on high-definition screens, attentive service: every journey in absolute comfort. In 2024, on departure from Paris-Charles de Gaulle, Air France *La Première* flies to New York-JFK, San Francisco, Los Angeles, Miami, Washington-DC (United States), Abidjan (Ivory Coast), Dubai (United Arab Emirates), Sao Paulo (Brazil), Singapore and Tokyo-Haneda (Japan).

The future *La Première* suite, taking excellence to new heights

In May 2022, Air France announced that it was working on the design of a completely-new *La Première* travel cabin. The airline thus confirmed its commitment to continuing to offer its most exclusive and elegant service, which regularly wins awards for its quality and excellence. This new concept will be unveiled in Winter 2024. The future cabin will be the longest on the market and will offer up to three modular configurations that can be fully privatized for an even more exceptional journey: a seat, a sofa and a fully flat bed. The cabin will equip more aircraft than at present. This large-scale project is part of Air France's strategy to move up-market, with the ambition of offering in the *La Première* cabin the highest level of French excellence.

Update on the Air France lounges

Exceptional spaces

The Air France lounges above all express the brand identity but are also places where customers can relax and rest, and enjoy a moment of comfort during their journeys. In the Air France lounges, we cultivate the "*art de vivre à la française*" around the Air France values: Excellence, Elegance, Pleasure, Respect. Before a trip or between connecting flights, Air France offers its Business⁽¹⁾ and Flying Blue Elite Plus customers dedicated spaces at the airports it serves. These bubbles of serenity enable them to relax, rest or work in complete tranquility. The lounges showcase French gastronomy thanks to an offer that changes throughout the day. Savory and sweet dishes, as well as healthy meals and vegetarian options, invite customers to discover the seasonal flavors, accompanied by a range of alcoholic and non-alcoholic beverages. In its lounges at Paris-Charles de Gaulle and Paris-Orly airports, Air France also offers gastronomic delights devised by renowned chefs.

New culinary signatures in the Air France lounges at Paris-Charles de Gaulle

The Ducasse Paris teams also prepare dishes for tasting in the long-haul lounges at Terminal 2E (halls K, L and M). Customers can notably sample the "Burgal" signed by Ducasse Paris, a fully veggie and healthy alternative to the traditional hamburger made from locally-produced French cereals and vegetables. In the short and medium-haul lounge in Terminal 2F, the chef François Adamski has surrounded himself with a succession of talented chefs who come and go throughout the year. In 2023, François Adamski was accompanied by the chefs Chloé Charles, specialized in responsible cooking and Amandine Chaignot, a winner of the Bocuse d'Or who devised the vegetarian offer with revisited hot seasonal dishes served for lunch and dinner. At Paris-Orly, in the international lounge located in Orly 3, the Savoyard chef Guy Martin now signs a regularly renewed seasonal dish as part of the culinary proposition, starting with pork confit served with orange and carrots. In the short-haul lounge at Orly 2, customers, at certain times of the day, customers can enjoy MOF (Meilleur Ouvrier de France) pastry chef Philippe Urraca's famous choux pastry assortments in a wide range of flavors. A wine and champagne list signed by Paolo Basso, Best Sommelier in the World 2013, is also proposed in the CDG and Orly 3 lounges.

⁽¹⁾ With the exception of the Business Light fares.

International lounge in San Francisco

On June 16, 2023, Air France reopened the doors of its completely-refurbished lounge located in the international terminal at San Francisco airport (United States). Now some 90m² larger, this lounge spans a total surface area of 565m², can seat 117 and offers new spaces and more services so customers can recharge their batteries, work or eat prior to their journey or between connecting flights. It is exclusively for *La Première*, Business and Flying Blue Elite Plus customers of Air France, KLM and the Skyteam partner airlines. Having been completely replanned by the Air France teams in collaboration with the SGK Brandimage agency, this lounge celebrates the art of travel with the French touch as of the arrival at the airport. Through the choice of high-quality materials such as wood and leather, and the Air France colors – cameos of blue, luminous whites, touches of red – it offers a clean, chic design. The furniture features creations by French designers such as Little Tulip chairs by Pierre Paulin, Ester bar stools by Patrick Jouin and Softshell chairs by the Bouroullec brothers.

Air France fine dining: 19 partner chefs in 2023

As the ambassador for French gastronomy and know-how around the world, Air France has always been committed to making every moment of a trip varied and rewarding. From its airport lounges to its travel cabins, in 2023 the airline collaborated with 19 talented chefs like Thierry Marx, Mauro Colagreco and Anne-Sophie Pic, sublating French haute cuisine and sharing their region's *terroir*, history and emotions. The company also wants to introduce its customers to the richness and diversity of the French gastronomic heritage. By constantly renewing its offer, Air France also seeks to showcase the best culinary talents who are developing delicious menus exclusively for the airline on departure from Paris and certain international stations. Air France thus proposes varied gourmet menus for all its customers thanks to the expertise of its partner Servair, the world leader in airline catering and its Culinary Studio. With this top-notch offer the company brings the art of French travel to life, for a tasting before boarding or a delicious meal at an altitude of 10,000 meters.

New products for young travelers

Every year, Air France carries some 2.5 million children. In February 2023, the company renewed its family offer and the in-flight service for very young travelers. In all its long-haul cabins, a toy box is offered to all young children during the meal service. It unfolds to create a playful setting, like a bakery, in which the child can move a pretty wooden figurine in the form of a little dog dressed in a sailor suit in the company's colors, with its suitcase. The play set also includes an airplane on wheels, a puzzle take-off runway, an activity book and colored pencils. As part of an eco-responsible approach, this box contains no plastics, each piece being made from FSC wood (sustainably managed forests) or recycled paper and cardboard.

The children's menu is automatically proposed to all children aged from two to six years. It is composed exclusively of products originating from organic farming on departure from Paris. For children over six years of age, parents can reserve this menu free of charge up to 24 hours before departure. Air France also proposes new services for families traveling with a baby (0 to 2 years). In all the long-haul cabins, customers receive a pretty box in brown paper containing a soft toy in the form of a small dog made of soft, recyclable and reusable materials. In the *La Première*, Business and Premium Economy cabins, this kit comes complete with a pretty pouch in the Air France colors, Castéra organic thermal spring water made in France and cotton squares. Subject to booking, until 24h prior to departure, an entirely organic baby menu, composed of sweet and savory pots, a daily product and a biscuit is offered to the youngest travelers. Children can benefit from dedicated entertainment programs on the screens in the long-haul cabins: music, cartoons and meditation initiations. An offer of 16 magazines and comics for children can also be downloaded from the Air France Play application. Air France welcomes children traveling alone between the ages of 4 and 17 years on board its aircraft. With the Kids Solo service, they are accompanied by Air France staff who look after their safety. Thanks to the Air France application, parents can follow every phase of their journey, from handover at the airport until landing and arrival at their destination.

Improvements in Premium Economy

The move up-market for the Premium Economy cabin is under way, focusing on three dimensions: the seat, the cabin identity and the in-flight service. In terms of seats, the switch to the "Recliner" standard, highly appreciated by our customers, offers better sleeping comfort than fixed-shell models (the satisfaction surveys show a 20-point difference between "recline" and "fixed shell").

Ahead of the retrofitting of the Boeing B772s (28 Business class seats) planned for 2024, this seat is available on the A350 and Boeing B773 (48 Business class seats) fleets. On board, the blue horizon dominates (plaids, comfort kit, pillow accent, etc.), creating a genuine visual identity and cabin harmony that stands out from the Economy class. Since November 1, 2023, the focus has been on the catering offer, with a hot main course now signed by a Michelin-starred chef, Frédéric Simonin, on flights departing from Paris. The desserts on departure from Paris and the wines are identical to those served on medium-haul Business flights.

Ongoing roll-out of the WiFi offer

At the end of 2023, 100% of the Air France fleet had been equipped with on board WiFi and the connectivity portal deployed on all our aircraft. To connect from a smartphone, tablet or computer, three passes are available: a Free Message Pass to communicate on instant messaging applications (WhatsApp, iMessage, WeChat, etc.); a Surf Pass to surf the Internet and check e-mails, for one hour or the entire duration of the flight; and a Stream Pass to surf the Internet, watch movies or favorite series while benefiting from higher bandwidth. Air France equips its aircraft with the help of four suppliers.

On the long-haul fleet:

- Boeing B787: Panasonic;
- Boeing B777-A330: Intelsat;
- Airbus A350: Inmarsat.

On the short and medium-haul fleet:

- Airbus A320 family (A318, 319, 320, 321): Orange/Anuvu;
- Airbus A220: Intelsat.

In-flight entertainment

In July 2023, Air France launched a completely redesigned and enriched entertainment proposition on board its long-haul flights with 1,500 hours of programming adapted to everyone's tastes and cultures, accessible in the original version or in numerous languages.

The company offers its customers over 370 films of all genres, from the most classic to the most recent, with a wide selection highlighting French cinematographic creation and a "World Cinema" category. Films that have won awards at the Cannes Film Festival, of which Air France has been a partner for 43 years, and the biggest recent American blockbusters are also available. For the first time on board, there is a selection of Disney titles and its Pixar, Marvel, Star Wars and National Geographic franchises. To facilitate program selection, new thematic categories are offered according to the season, events, etc. (Christmas Holidays, Gastronomy, etc.). In addition to the TFI and France TV titles, the range of series on offer is growing with the arrival of Canal+ and HBO productions. Many seasons of series are now available in their entirety. As a partner of CANNESERIES, Air France also promotes future talent by broadcasting the first two episodes of some of the series presented at the festival.

For child travelers, in addition to the Disney catalog, Air France offers new, richer, edutainment content, including specially-selected cartoons, films, audio books and illustrated stories, with more emphasis on French productions, such as Bayard. Games are making a big comeback and Air France has selected ten of the most popular programs of the moment. An interactive map and an on-board camera allow you to follow the trajectory of your flight, in real time, and enjoy take-off and landing from any seat.

On board the most-recent long-haul Business cabins, every customer has a vast high-definition, anti-glare 4K screen and a Bluetooth connection for their personal headset.

Air France Shopping

2023 was marked by the 90th anniversary of Air France. To mark the occasion, Air France Shopping launched a collection of items sporting the "90 years Air France" logo, and some heritage items were reissued as part of the Legend collection. The company also teamed up with leading French brands such as Vanessa Bruno, Bernardaud, Le Parapluie de Cherbourg and Maison Brun de Vian Tiran. These items, which are on sale at www.airfranceshopping.com, the official Air France branded objects boutique, and at Galeries Lafayette Paris-Haussmann, which hosted the 90 years of Air France

exhibition, have contributed to the reputation of the Air France brand. Other collections have also seen the light of day, with particular attention paid to the company's sustainable development priorities: the "tricolore" collection made in Europe, Delsey shopping bags designed from the material of retired Air France aircraft toboggans, and Air Art objects, with the transition to the industrial mode of this intrapreneurial project which gives a second life to aircraft parts, transforming them into design objects. Finally, the new "Allure" range of suitcases, created in collaboration with Delsey, has proved a great success owing to its elegance and reliability.

Air France signs a partnership with Alltheway to offer a baggage drop-off service in Paris and the Paris region

In June 2023, Air France signed a partnership with Alltheway, an innovative start-up specialized in travel and mobility, to offer a baggage drop off service in Paris and the Paris region. Six Accor hotels located in the city center enable this service: Novotel Tour Eiffel, Mercure Tour Eiffel, Novotel Les Halles, Mercure Montparnasse, Pullman La Défense and Pullman Bercy. The baggage drop-off service is also available at the main exhibition sites for major trade fairs like Paris Expo Porte de Versailles, Parc des Expositions Villepinte and le Palais des Congrès. More baggage drop-off points will shortly be available in Paris. The service enables Air France customers to drop off and check in their baggage prior to their arrival at the airport. Alltheway thus takes responsibility for collecting the baggage from customers and delivering it to the airport. At the end of 2023, this optional service was expanded to the homes of customers in Paris (post codes with the 75 prefix) and the Paris region. Passengers can thus travel light with greater peace of mind without needing to worry about their bags which they collect on arrival at their destination. The baggage undergoes rigorous security checks before being loaded onto the customer's flight. From the Alltheway customer area, customers can track their baggage through to the airport and then on to their destination, using the baggage tracking tool in the Air France application. This service is now available on all Air France-operated flights (except Tel Aviv) departing from Paris-Charles de Gaulle (see conditions). The airline also intends to develop this offer for flights departing from Paris-Orly. It is also working on a delivery service for baggage on arrival, in Paris and the Paris region.

EnVols, the Air France editorial offering

EnVols, the travel-related media platform, is available in print and digital versions. Both inspirational and practical, Air France's editorial offering concentrates a wide variety of content (articles, photographs, videos, podcasts) around the art of living and escapism, including culture, fashion and gastronomy. Travel guides to more than 120 destinations reveal cutting-edge addresses selected by the editorial team. The company's news and vast heritage are also highlighted. EnVols is enriched on a daily basis, with contributions from well-known French and international authors, photographers and artists, in the tradition of the travel writer. All the content is available in French and English.

In 2023, Air France's editorial offering reached its objectives: six numbers and two supplements of the EnVols magazine were edited in 150,000 examples. Sold in press kiosks, this bi-monthly is also available in the Air France boarding piers and lounges at Orly and Paris-CDG. A digital version is also available free of charge on the Air France Play application, enabling a reduction in the weight carried on board the aircraft and contributing to the mitigation of CO₂ emissions in line with Air France's overall commitment to reducing its environmental footprint. On the digital side, the en-vols.com website totaled more than 14 million sessions, 104 million pages viewed and 11 million unique visitors. The newsletter numbered 144,642 subscribers at the end of December and the EnVols social media some 60,000.

To develop EnVols, Air France drew on the expertise of Reworld Media, notably in terms of technological innovation, digital, magazine and brand developments, and the marketing of advertising space, as well as on that of Michelin Editions for its travel and destinations content.

Air France Play, a fully-digital press offering

At the end of 2021, Air France stopped distributing the printed press to its customers in its airport lounges, at boarding gates and on board. The entire offer is now available in digital form via the Air France Play application, from which customers can download for free their favorite newspapers and magazines up to 30 hours prior to the departure of their flights by identifying themselves with their booking references or Flying Blue membership numbers. Available in eleven languages, Air France Play offers access to more than 130 French (newspapers and magazines) and 60 international titles (newspapers and magazines). Once downloaded, the publications are available at any time: before, during and after the flight and including off line. Some 4.5 million titles were downloaded in 2023.

Air France, the only Official Airline Partner for the Olympic and Paralympic Games Paris 2024⁽²⁾

On July 20, 2023, Air France announced that it had signed a partnership agreement with the Olympic and Paralympic Games Paris 2024 Organising Committee (OCOG)⁽²⁾, thereby becoming the official partner of the 33rd Olympics of the modern era. The airline thus

reiterated its support for this global event it has been supporting since becoming the official partner of the Paris 2024 bid in 2016. To mark the occasion no fewer than 10 of the company's aircraft were decorated and, for several years, sported the logo featuring a stylized Eiffel Tower with the number 24.

A dedicated athlete check-in facility will be available in the Olympic Village. It will enable athletes to check in and drop off their luggage and sports equipment directly on site before their return flights. They can then take a dedicated route to the airport.

Over 15 million visitors are expected during this period, and the Air France teams in Paris and around the world are mobilizing to prepare for the arrival of the athletes, supporters and media in France, and to ensure the transportation of the sports equipment needed for the various Olympic and Paralympic disciplines: javelins, poles, kayaks, bicycles, wheelchairs and even surf boards for the events on the Teahupo'o wave in Tahiti. Particular attention will be paid to travelers with reduced mobility and disabilities, who will be able to call on the company's Saphir service for any assistance they may require.

"One day, one chef": Air France at the Taste of Paris festival

Having unveiled all its culinary collaborations at the Bocuses d'Or awards in Lyon in January 2023, Air France partnered the 8th edition of the Taste of Paris festival, held in May at the Grand Palais Éphémère in Paris. The company presented its high-flying catering to festival goers through a special "One day, one chef" event at its stand. Every day, a renowned chef working with Air France offered visitors the chance to discover the dishes they had created exclusively for the menus in the airline's long-haul *La Première* and Business cabins, and in the Air France airport lounges. Amandine Chaignot, François Adamski, Régis Marcon, Thierry Marx, Michel Roth and Angelo Musa, took turns to delight visitors with their dishes. At special sessions at lunch or dinner time, the chefs let participants taste their latest culinary delights specially designed for the airline's customers. They were able to find out all the secrets involved in preparing a dish to be served at 35,000 feet. And to enhance this unique gastronomic experience, the dishes were served in the Air France tableware made by the greatest French designers. For the duration of the festival, festival goers were able to enjoy appetizers created by Servair corporate chef François Adamski.

⁽²⁾ From July 24 to August 11, 2024 for the Olympic Games Paris 2024, and from August 28 to September 8, 2024 for the Paralympic Games Paris 2024.

Air France Official Partner of the Cannes film festival

For the 43th year running, Air France was the partner and official carrier of the Cannes Film Festival, whose 76th edition took place from May 16 to 27, 2023. On this occasion, the company showcased its best product offer to the movie festival crowd in Cannes and offered festival-goers the chance to win air tickets. During the festival, inside the mythical Cannes Hôtel Martinez (France), Air France occupied two suites where it focused the spotlight on the “designer” travel experience that Air France offers its *La Première* guests. In a nod to the *La Première* suites available on board a selection of Boeing B777-300s, these specially designed spaces in Cannes reinterpreted the multiple qualities of the company's exceptional offer. A first suite emphasized comfort and pleasure, with specially-created tasting events around the art of mixology and gastronomy, evoking the refinement of the Michelin-starred menus, and the wine and Champagne list available during the trip. A second adjoining suite was dedicated to beauty, an essential component of the Air France travel experience. In partnership with the Sisley beauty Institute, the French pioneering phyto-cosmetology beauty company, Air France offered a moment of well-being and relaxation to guests in between glimpses of their favorite stars on the red carpet. Our guests received special attentions from the Sisley beauty experts who were on hand to offer beauty treatments and personalized advice, as they do at the Sisley beauty institute available in the *La Première* lounge at Paris-Charles de Gaulle. This year, all festival-goers were also invited to enter an Air France competition to try to win two air tickets in the Business cabin to fly off to Los Angeles. At the heart of the Croisette, the company installed a giant, immersive bubble with all the attributes of its long-haul Business cabin. Everyone was invited to take selfies inside this fun space and answer a few questions to have a chance of flying to Hollywood.

New baggage racks on the Airbus A320 EURO

On its medium-haul network, Air France continues to improve its customers' travel experience by offering them more space to stow their cabin baggage. On board the Airbus A320 EUROS, new ECOS shelf bins – Efficient Cabin Open Space – are being retrofitted. They offer up to 60% more storage capacity than the current baggage racks and have a lower shelf height to facilitate loading and content visibility. Boarding is thus more fluid and passenger satisfaction is improved. Air France is the first airline in the world to have chosen the new ECOS baggage stowage system from Safran Cabin to equip its medium-haul Airbus A320s. In January 2024, 18 Airbus A320 EUROS of the 24 in revenue service had been equipped, with the end of the deployment scheduled by May 2024.

KLM's improvements are highly valued by customers

With demand for flying still high and KLM experiencing operational issues, the NPS score reflected the fact that KLM did not always manage to fully deliver its product as customers expected. This resulted in KLM taking several mitigation steps, of which the most important were interventions in the network. Furthermore, KLM implemented digital tooling that empowers customers to easily rebook flights or quickly process refunds. These are services that are highly valued by customers. In 2024, KLM will improve its digital tooling around lost luggage and missed connections.

KLM's Net Promoter Score

KLM's Net Promoter Score (NPS), a measure of customer appreciation, ended the year at 39, an improvement compared to 2022. Customers who do not perceive a service disruption, however, score an NPS of 70, indicating that they highly appreciate the quality of the KLM product. This reflects the investment KLM has made over the years in its product, as well as the ability of its crews to give customers a memorable experience.

KLM: a front-runner in digitization of the customer journey

KLM has long been a front-runner in the digitization of the customer journey. In close co-operation with Air France and in line with the strategic goal of creating technological advances, outdated e-commerce systems have been replaced with a modern infrastructure. This allows for the rapid development of digital services. In recent years, data have become a focal point, for example to train chatbots and personalize customer offerings.

KLM's approach to digitization is relatively mature compared to the rest of the industry. This year, KLM received two million customer service requests via its digital channels, some 30%-35% of which were handled by bots. Some 84% of KLM customers had some form of digital interaction, including online check-in and booking, and a record number of tickets were sold through direct online channels. It goes without saying that digital interaction does not come at the expense of personal contact with customers. Services that can be provided via the digital platforms allow frontline staff time to tailor their personal contact with passengers to their specific needs.

In 2023, KLM saw an increasing number of sales agents and travel agencies join its New Distribution Channel, which extends KLM's offering beyond its digital channels.

Empowering customers at KLM

During 2023, KLM continued to roll out apps that help customers to take control over their journeys. These include a digital queue at Schiphol Airport's transfer centre, as well as a new service that allows customers to increase their privacy and space by buying an empty seat next to them, and a tool enabling World Business class customers to pre-order their meals online. A new customer clearance checklist is now online to help customers to prepare their travel documents at home.

1.5.3 Air France and KLM participate in more responsible travel

After flight safety and reassurance on health, the number three expectation of our customers covers the commitments to sustainability. Air France's environmental footprint is mainly linked to the CO₂ emissions generated by its flight operations. Our priority is to reduce these emissions as much and as rapidly as possible through fleet renewal, eco-piloting, the use of sustainable aviation fuels and the development of intermodality. These are the four founding principles of the Air France Act program. Air France is also working on building a more responsible travel experience for customers with, notably:

a) more responsible catering

On all our flights on departure from Paris, with Servair, we propose meals prepared in France using meat, poultry, dairy products and eggs of French origin, and all our fish are from sustainable fisheries, in all our travel cabins and Paris airport lounges. A vegetarian option is systematically offered to our customers in all travel classes. The infant and baby menus available on board our long-haul flights are 100% organic;

b) reducing food waste

To fine-tune consumption and thus reduce food waste, customers in the long-haul Business cabins are able to preselect their hot dishes up to 24 hours prior to departure. This initiative also guarantees the availability of their choice on board. In 2023, this service avoided the need to load more than 52,000 hot meals (i.e. 11 tons of food waste avoided);

c) elimination of single-use plastics

In 2023, Air France eliminated 90% of the single-use plastics on board its flights, i.e. 2,233 tons of plastics avoided. After the introduction of wooden cutlery and cardboard cups, the airline is deploying containers in bio-sourced materials, like wood cellulose trays and small baking dishes made of bagasse;

d) sorting and recycling of packaging

The sorting and recycling of packaging is progressively being rolled out on board. In 2023, Air France recycled 30 tons of plastic bottles, cartons and cans (20 tons in 2022) and 585 tons of glass bottles (530 tons in 2022);

e) products and services

The comfort kits in the *La Première*, Business and Premium Economy cabins are made from recycled materials, the contents are bio-sourced and packaging has been eliminated. For babies, soft toys are made from recycled velvet and packaged in a 100% Kraft FSC box. On departure from Paris, water bottles are made of recycled and recyclable PET (*La Première*, Business and Premium Economy). As of December 1, 2023, Air France has been recycling all the paper menus in the *La Première* and Business cabins on all flights bound for Paris.

Air France regularly informs its customers on its action to reduce its environmental footprint and raise their awareness of the ways in which we can act together: easier access to combined rail and air travel, support for our investment in sustainable aviation fuels, lighter on-board baggage, etc.

Air France as a member and player in the "FAIRe" program, a voluntary focus on more responsible communication

In February 2021 Air France became a member of the Brand Union's FAIRe program to continue to factor environmental and societal issues into its communication. As a member of the program, Air France adheres to a progress-based approach covering 15 commitments and now includes three elements of self-regulation in its advertising which relate to content, the diffusion environment and limiting the environmental impact of its advertising. As part of this approach, Air France is constantly implementing actions like:

- a) eliminating gender, sexual and ethnical stereotyping, incentivizing the avoidance of excessive consumption and promoting alternative transportation (Train + Air);
- b) the eco-socio-design of communication materials has enabled the airline to gain certification (e.g. Ecovadis Gold) to mitigate carbon emissions via the management of film projects using smaller crews over shorter durations, recycling elements of the décor and/or donating the design elements to associations and, lastly, selecting digital partners who are themselves committed to environmental responsibility.

A first evaluation of progress on the 15 criteria was published in February 2022 and an audit to measure this progress was carried out at the end of 2023. Air France includes the awareness-raising message "Let's take action for a more responsible journey" into all its communication with customers (all markets) whenever the size of the broadcast media allows. Its aim is to provide consumers with clear, educational information on its commitments (more sustainable aviation fuels, new, less-polluting aircraft, eco-piloting, etc.). All these commitments are available at airfranceact.airfrance.com.

KLM and multi-modalities

KLM promotes air-rail projects. This allows customers to substitute their Amsterdam to Brussels flights by offering a seat on the high-speed Eurostar trains. Behind-the-scenes in 2023, improvements were made to the IT systems. These enable a joint train and aircraft boarding pass and better signage at Schiphol Airport. In the future KLM wishes to expand the Air-Rail network to more European destinations, although it is a crucial prerequisite that the link between train and flight connections at Schiphol Airport first be improved. KLM is also in favor of expanding the North-South metro line to Schiphol Airport, to increase the capacity for international trains.

Buying SAF with Miles

Air France-KLM now accepts payment using Miles and cash, which increases revenues and customer satisfaction, and has also made it possible to pay for extra SAF using Miles, which has increased the average spend of passengers on SAF. In 2024, the Group will be able to indicate the CO₂ impact of each journey and offer a SAF bundle, a variation of the branded fares already offered.

Improvements on board

KLM is constantly working on improvements for the future and small changes can also contribute to achieving this goal.

KLM is thus making small changes to its onboard experience, like reducing the weight of onboard items, making conscious meal choices and recycling as much as possible. The airline is also reducing its emissions by decreasing the weight of seats, trolleys and other items loaded on board.

KLM: becoming a more inclusive airline

KLM believes in the power of diversity and inclusion. Its customers come from all corners of the earth and from diverse cultural backgrounds, giving them different perspectives and requirements. It is very important to KLM that each and every customer feels personally valued and respected.

Digital services also help KLM to become a more inclusive airline. The booking flow is now more easily accessible to people with visual or auditory impairments. Several kiosks at Schiphol Airport have also been lowered for people in wheelchairs and customers can now request assistance at the airport online. In conjunction with Air France, KLM has begun to add gender neutral language to its booking flow, in a bid to be more inclusive for its customers.

1.5.4 Air France celebrates 90 years of elegance

On October 7, 2023, Air France celebrated its 90th anniversary. 90 years of elegance, 90 years of technology, innovation and comfort on board its aircraft. 90 years of travel, fine dining, design, haute couture, art and architecture. Since its creation on October 7, 1933 at Le Bourget airport, the company has been celebrating French excellence, a “*je-ne-sais-quoi*” that the world recognizes in France, thanks to an exceptional travel experience that takes elegance to new heights. Since then, Air France has continued to build its legend around the art of French-style travel across the world, with thousands of men and women in all our professions, who have succeeded one another in building the Air France story. The company celebrated this anniversary everywhere in the world, with customers and the general public alike, through events and exclusive content created for the occasion.

A 360° communication strategy based on an original creative concept, a brand campaign and a communication plan including commercial and events-based operations: historical exhibitions, event flights, vintage fashion shows, customer meetings, creation of a visual identity with the Air France 90th anniversary logo and content promoting the Air France brand, *Les Rendez-vous Air France*, gifts and competitions for customers, production of an anniversary book, etc. Air France, the emblematic airline that has been serving travelers for nine decades, celebrated its anniversary in style, benefiting from international resonance and strong media coverage that had a positive impact on its image. With exhibitions

of its heritage in iconic locations, parades of uniforms from the past to the present, Air France continues to unveil itself from Rome to Delhi, Accra to Washington, and Shanghai to Buenos Aires. The celebrations continue throughout 2024, with stops in Madrid, Montreal, Abidjan and Tokyo.

Air France exhibition at the Galeries Lafayette Paris-Haussmann

In the heart of Paris, Air France showcased its heritage through a powerful, innovative approach, accessible easily and free of charge to all French and international visitors. In September 2023, Air France unveiled a preview of the twelve window displays with its signature at Galeries Lafayette Paris-Haussmann to celebrate 90 years of elegance – from September 28 to October 10, 2023. To embody and bring to life 90 years of elegance, Air France presented a collection of five iconic dresses designed by Xavier Ronze, French designer and head of costume workshops for the Paris Opera ballet. Each dress interprets the airline's different strengths: aircraft and technology; uniforms and fashion; emblematic posters promoting its vast network; gastronomy and tableware; design and architecture. These dresses were surrounded by the finest pieces of Air France heritage and the best of the present-day airline, to highlight 90 years of mythical aircraft, on-board comfort, designer uniforms, on-board gastronomy and design.

90 years of elegance, the video

To celebrate its 90th anniversary with the whole world and showcase its unique expertise, Air France also brought out an anniversary video. The video features models wearing the collection of designer dresses created by Xavier Ronze in a spectacular setting, in behind-the-scenes locations at Air France. From the airline's huge aircraft hangars to the wings of an Airbus A220, the jewel of its medium-haul fleet, the dresses took centre stage amongst the modern-day and vintage Air France heritage items that inspired them. This original video showcases Air France's legendary heritage and the best of its current offer, in a singularly elegant approach. The video was screened from September 28 in the windows of the Galeries Lafayette Paris Haussmann, online and at various Air France locations, and will also be visible to the airline's customers in its airport lounges and on board its aircraft.

A digital showcase

To ensure maximum access to the company's exhibition for everyone, wherever they are in the world, the company created a new immersive website (90ans.airfrance.com), available in French and English, enabling visitors to explore and learn more about the themes of the window displays. A unique opportunity to look back at the history and assets of Air France and its legacy.

A special collectors' edition of EnVols

EnVols, Air France's escape platform, offered its readers a special edition dedicated to Air France's 90th anniversary. This special bilingual issue in French and English offered a new way to explore the airline's history and go behind the scenes of the unique dresses designed by Xavier Ronze. This special supplement could be found at Galeries Lafayette Paris Haussmann and inside the October/November issue of EnVols magazine, in the Air France lounges at Paris-Charles de Gaulle and Paris-Orly, and in the boarding lounges.

The Air France legend

During the Galeries Lafayette Paris Haussmann exhibition, the company opened pop-up stores offering a range of items specially created or reissued for this anniversary: models of old and new aircraft, a special 90th anniversary collection as well as new collaborations with top French brands. Throughout this anniversary period, Air France offered visitors the chance to attend fashion shows in the heart of Paris, retracing 90 years of French elegance, together with Galeries Lafayette. Models dressed in the uniforms of pilots, cabin crew, airport staff and mechanics were on show in a dedicated area of the department store to retrace the company's legendary uniform heritage, past and present.

1.5.5 Air France and KLM recognised and rewarded

Air France still no.1 for customer relations

On March 14, 2023, Air France was awarded first prize at the Customer Relations Awards[®] in the "Transport" category for the 8th year running. Organized by BearingPoint and Kantar, this ranking⁽¹⁾ truly reflects the voice of French customers. Since 2003, the Customer Relations Awards[®] have recognized large brands which, in their day-to-day activities, stand out for customer relations. Eleven business sectors – including transport – are evaluated on common performance criteria. For each company, the customers surveyed are invited to give their opinion on 15 criteria that structure customer relations. These criteria are examined from three angles: execution, connection and emotion. Air France thus continues to make a difference and to stand out mainly from the emotional and connection point of view. Like in 2022, 89% of customers considered that staff take pleasure in serving them, 13 points higher than the average score in the "Transport" category. Furthermore, 88% of customers reported that their travel experience was in line with or even better than their expectation, 11 points above the average score for the sector.

Skytrax World Airline Awards

On June 20, 2023, at the Paris Air Show in Le Bourget in France, the Skytrax World Airline Awards 2023 ceremony saw Air France receive several awards. For the third year running, Air France was voted best airline in Western Europe. Air France also continued its journey upwards in the World Best Airline ranking, gaining one rank relative to 2022 and moving from the 8th to the 7th position this year. The airline also took first place in three categories linked to its *La Première* service: Best First Class Airport Lounge, Best First Class Airline Lounge Catering and Best First Class Onboard Catering.

⁽¹⁾ Survey conducted by BearingPoint and Kantar in December 2022 among customers and users of companies/administrations, based on a sample of 4,000.

World Travel Awards™

A few days after being awarded five stars in the 2024 APEX global airline ranking, Air France was once again honored with three awards at the prestigious World Travel Awards™ 2023 European ceremony held on September 29 in Batumi, Georgia. The company thus received the award for Europe's Leading Airline 2023, Europe's Leading Airline – First Class 2023, and Europe's Leading Airline Brand 2023. The World Travel Awards™ have, since 1993, celebrated excellence across all key sectors of the travel, tourism and hospitality industries. The World Travel Awards™ brand is now recognized globally as the ultimate accolade of excellence in the industry.

APEX

On Wednesday September 20, 2023, at the APEX/IFSA Awards ceremony in Los Angeles, Air France was certified for the second consecutive year as a 5-star airline in the official 2024 APEX airline ratings. Air France once again stood out for the quality of in-flight travel experience, recognizing its cabin comfort, catering, in-flight entertainment, connectivity services and excellent cabin

service. This ranking is based on the independent rating of more than one million flights by passengers from nearly 600 airlines worldwide, with scores ranging from 1 to 5 stars according to even more demanding criteria than in previous years.

KLM wins the APEX World Class Award

For the third year running, KLM again won the APEX World Class Award. This special recognition is awarded by customers and the industry for performance in relation to themes including safety, customer well-being and sustainability. The prestigious award is presented annually by the international Airline Passenger Experience Association (APEX), which evaluates passenger perceptions. Winners are chosen on the basis of worldwide audits and consumer reviews, and are required to be awarded five-star reviews at the very least. In addition to winning the World Class Award, KLM was also recognized as Best-in-Class for Sustainability.

The World Class Award reflects service, guest experiences, safety and sustainability performance. KLM aims to shine in relation to all these aspects, on the ground, in its lounges and, of course, on board.



2.

Corporate governance report

This section constitutes the corporate governance report foreseen in the final paragraph of Article L. 225-37 of the French Code of Commerce (Code de Commerce) and includes the information referred to in Articles L. 22-10-8 to L. 22-10-11 of the Code de Commerce. Pursuant to the provisions of Article L. 225-37 of the Code de Commerce, a presentation on this report will be made to shareholders during the forthcoming Annual General Shareholders' Meeting on June 5, 2024.

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2.1 COMPOSITION OF THE BOARD OF DIRECTORS

2.1.1 Composition of the Board of Directors at December 31, 2023



- (1) At December 31, 2023, the percentage of independent directors stood at 44%. This exceptional situation is linked to the composition of the shareholder base following the latest transactions in the share capital (see section 2.2.4 "Independence of the Board directors" and section 2.4 "Summary table of the AFEP-MEDEF's recommendations not applied"). Pursuant to the provisions of Article 10.3 of the AFEP-MEDEF Code, the Board directors representing the employee shareholders and the Board directors representing the employees are not taken into account for the calculation of this percentage.
- (2) The Board directors representing the employees and the Board directors representing the employee shareholders, appointed pursuant to Articles L. 225-23 and L. 225-27-1 of the French Code de Commerce, are not taken into account for the gender parity calculation in accordance with the provisions of the aforementioned Articles.

The Board of Directors is composed of between three and eighteen members, excluding the Board directors representing the employee shareholders and the Board directors representing the employees. The Air France-KLM Board directors are appointed by the Ordinary General Shareholders' Meeting with the exception of the Board director representing the French State (appointed by ministerial decree⁽¹⁾) and the two Board directors representing the employees (appointed, depending on the case, by the *Comité de Groupe Français* or the Air France-KLM European Works Council)⁽²⁾.

As proposed by the Appointments and Governance Committee, the Board of Directors submits for approval by the Shareholders' Meeting, the appointment, ratification of the co-optation and re-appointment of Board directors. The proposed appointments, co-optations and re-appointments of Board directors formulated by the Board of Directors comply with the legal and regulatory provisions (including, notably, the rules on parity) and the recommendations formulated by the AFEP-MEDEF Code (including, notably, the rules on the independence of the Board directors)⁽³⁾.

Pursuant to Article 8.2 of the Internal Rules of the Board of Directors referring to the provisions of the agreements signed on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM, the Appointments and Governance Committee submits to the Board of Directors proposals regarding:

- the appointment as a Board director of the President of the KLM Supervisory Board;
- the appointment or re-appointment as Board directors of two high-profile individuals residing in the Netherlands, chosen after consultation and on the recommendation of the KLM Supervisory Board; and
- the appointment or re-appointment as a Board director of a high-profile individual residing in the Netherlands, chosen after consultation and on the recommendation of the Dutch State.

⁽¹⁾ Pursuant to Article 4 of Ordinance No. 2014-948 of August 20, 2014 relating to governance and to transactions involving the share capital of State-owned companies and Article 2 of the decree-law No.2014-949 of August 20, 2014, in application of Ordinance No. 2014-948.

⁽²⁾ Board directors appointed pursuant to Articles L. 225-27-1 and L. 22-10-7 of the Code de Commerce, in accordance with the modalities foreseen by Article 17-3 of Air France-KLM's Articles of Incorporation.

⁽³⁾ Article 10.3 of the AFEP-MEDEF Code notably provides that half the members of the Board of Directors must be independent directors (see section 2.2.4 "Independence of the Board directors").

In addition, two Board directors are appointed by the Shareholders' Meeting as proposed by the French State, in application of Ordinance No.2014-948 of August 20, 2014.

Pursuant to the stipulations of the Subscription Agreements (outlined in section 2.7.4 "Partnerships with Air France-KLM") since October 2017 Delta Air Lines, Inc. and China Eastern Airlines have each had one representative on the Company's Board of Directors⁽⁴⁾.

In accordance with the subscription agreement entered into on May 22, 2022 (outlined in Section 2.7.4 "Partnerships with Air France-KLM"), since July 2022 CMA CGM has had one representative within the company's Board of Directors⁽⁵⁾.

Furthermore, pursuant to Articles L. 225-23 and L. 22-10-5 of the *Code de Commerce* (French Code of Commerce), L. 6411-9 of the *Code des Transports* (French Code of Transport) and Article 17-2 of the Air France-KLM Articles of Incorporation, two Board directors representing the employee and former employee shareholders are appointed by the Shareholders' Meeting as proposed by the employee (and former employee) shareholders referred to in Article L. 225-102 of the *Code de Commerce*:

- one representative belonging to the Flight Deck Crew category of staff; and
- one representative belonging to the Other Employee category of staff.

The employee and former employee shareholders are invited to select their candidates for each of the two colleges (Flight Deck Crew and Other Employees), the appointments taking place based on a majority vote in two rounds of balloting. The candidate having obtained the absolute majority of the votes cast in each college, in either the first or second round, is then proposed to the Shareholders' Meeting⁽⁶⁾.

Lastly, in that the Air France-KLM Board of Directors is composed of more than eight Board directors, there are two directors representing the employees in the Board of Directors, pursuant to Articles L. 225-27-1 and L. 22-10-7 of the *Code de Commerce*⁽⁷⁾.

Pursuant to Article 17-3 of the Air France-KLM Articles of Incorporation, the first Board director representing the employees is appointed by the *Comité de Groupe Français* as stipulated in Article L. 2331-1 of the *Code de Travail* (French Employment Code), while the second is appointed by the European Works Council of Air France-KLM. Each Board director representing the employees is appointed for a two-year term of office, expiring at the end of the Annual General Shareholders' Meeting taking place during the year in which their mandates expire⁽⁸⁾.

Pursuant to the corporate governance principles as stipulated by the AFEP-MEDEF Corporate Governance Code and to Article 18 of the Air France-KLM Articles of Incorporation, the duration of Board directors' terms of office is four years⁽⁹⁾ and, exceptionally may be one, two or three years to enable the phased renewal of the mandates.

⁽⁴⁾ Delta Air Lines, Inc. and CMA CGM are thus Board directors of Air France-KLM with, respectively, Mr. Alain Bellemare and Mr. Ramon Fernandez as their permanent representatives. Mr. Jian Wang is a Board director appointed by the Shareholders' Meeting, as proposed by China Eastern Airlines.

⁽⁵⁾ CMA CGM was a member of the Board of Directors of Air France-KLM, with Ramon Fernandez as its permanent representative until March 31, 2024. As part of their decision to terminate the existing agreements, CMA CGM and Air France-KLM have agreed on CMA CGM's resignation as a member of the Board of Directors with effect from that date (see section 2.7.4 "Partnerships with Air France-KLM").

⁽⁶⁾ The Shareholders' Meeting of May 24, 2022 re-appointed Mr. François Robardet as a Board director representing the ground staff and cabin crew shareholders and appointed Mr. Michel Delli-Zotti as a Board director representing the flight deck crew employee shareholders. After Mr. François Robardet stepped down as a Board director representing the employee shareholders effective July 27, 2023, Mr. Nicolas Foretz, deputy to Mr. François Robardet, was appointed as the latter's replacement for the remainder of his predecessor's term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2025.

⁽⁷⁾ On April 7, 2023, Mr. Didier Dague, a negotiator within Air France, was appointed by the *Comité de Groupe Français* as the first Board director representing the employees and also assumed his functions on April 7, 2023. On October 5, 2021, Mr. Terence Tilgenkamp, Chief Purser KLM Flight Operations, was appointed by the European Works Council as the second Board director representing the employees. He took up his functions on December 3, 2021.

⁽⁸⁾ The mandates of Mr. Dague and Mr. Tilgenkamp will expire at the end of the 2025 Annual Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2024.

⁽⁹⁾ With the exception of the Board directors representing the employees whose term of office is two years pursuant to Article 17-3 of the Air France-KLM Articles of Incorporation.

Composition of the Board of Directors at December 31, 2023

Board directors	Personal information			
	Gender	Nationality	Age	Number of shares
BOARD DIRECTORS APPOINTED BY THE SHAREHOLDERS' MEETING				
○ Anne-Marie Couderc	Female	French	73	400
Benjamin Smith	Male	Canadian	52	43,359
○ Gwenaëlle Avice-Huet	Female	French	44	350
○ Leni M.T. Boeren	Female	Dutch	60	1,600
○ Isabelle Bouillot	Female	French	74	102
Delta Air Lines, Inc. (represented by Alain Bellemare)		US		7,340,118
CMA CGM (represented by Ramon Fernandez)⁽¹⁾		French		23,134,825
Cees't Hart	Male	Dutch	65	350
Dirk Jan van den Berg	Male	Dutch	70	400
○ Anne-Marie Idrac	Female	French	72	100
○ Florence Parly ⁽²⁾	Female	French	60	0 ⁽³⁾
Jian Wang	Male	Chinese	50	800
○ Alexander R. Wynaendts	Male	Dutch	62	100
BOARD DIRECTORS APPOINTED BY THE SHAREHOLDERS' MEETING AS PROPOSED BY THE STATE				
Yann Leriche ⁽⁴⁾	Male	French	50	N/A
Pascal Bouchiat ⁽⁵⁾	Male	French	63	N/A
BOARD DIRECTORS ELECTED BY THE SHAREHOLDERS' MEETING REPRESENTING THE EMPLOYEE SHAREHOLDERS				
Nicolas Foretz ⁽⁶⁾	Male	French	44	319
Michel Delli-Zotti	Male	French	60	777
BOARD DIRECTOR REPRESENTING THE STATE APPOINTED BY MINISTERIAL DECREE				
Céline Fornaro ⁽⁷⁾	Female	French	47	N/A
BOARD DIRECTOR REPRESENTING THE EMPLOYEES APPOINTED BY THE COMITÉ DE GROUPE FRANÇAIS				
Didier Dague ⁽⁸⁾	Male	French	64	N/A
BOARD DIRECTOR REPRESENTING THE EMPLOYEES APPOINTED BY THE EUROPEAN WORKS COUNCIL				
Terence Tilgenkamp	Male	Dutch	40	N/A

(1) The company CMA CGM, represented by Mr. Ramon Fernandez, replaced Mr. Rodolphe Saadé as a Board director effective April 19, 2023. This appointment, through co-optation, was ratified by the Air France-KLM Shareholders' Meeting of June 7, 2023.

(2) Ms. Florence Parly replaced Ms. Isabelle Parize as a Board director, effective December 7, 2023. This appointment, through co-optation, will be subject to ratification by the Air France-KLM Shareholders' Meeting of June 5, 2024.

(3) During the first quarter of 2024, Ms. Florence Parly purchased 110 Air France-KLM shares, within the period required by Article 19 of the Articles of Association and in accordance with the recommendation of Article 15 of the Board of Directors' internal rules (as amended by a decision of the Board of Directors on February 28, 2024).

(4) Mr. Yann Leriche replaced Mr. Jean-Dominique Comolli as a Board director as proposed by the French State during the Air France-KLM Shareholders' Meeting of June 7, 2023.

(5) Mr. Pascal Bouchiat replaced Ms. Astrid Panosyan as a Board director appointed as proposed by the French State, effective October 3, 2023. This appointment, through co-optation, was ratified by the Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023.

(6) Mr. Nicolas Foretz replaced Mr. François Robardet as a Board director representing the employee shareholders, effective July 27, 2023.

(7) Ms. Céline Fornaro replaced Ms. May Gicquel as a Board director representing the French State as of October 9, 2023.

(8) Mr. Didier Dague replaced Mr. Karim Belabbas as a Board director representing the employees, effective April 7, 2023, following his election as an alternate member of the Social and Economic Committee in the Air France professional elections.

○ Independent Board directors.

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	
3	19/05/2016	2024 AGM	7 years			▲ (Chair)		
1	05/12/2018	2027 AGM	5 years					
2	26/05/2021	2025 AGM	2 years	▲	▲			
2	16/05/2017	2025 AGM	6 years	▲			▲	
2	16/05/2013	2025 AGM	10 years	▲ (Chair)	▲			
2	03/10/2017	2025 AGM	6 years		▲			
2	19/04/2023	2026 AGM	8 months					
3	28/05/2019	2024 AGM	4 years					
1	26/05/2020	2024 AGM	3 years				▲	
3	02/11/2017	2025 AGM	6 years				▲ (Chair)	
3	07/12/2023	2026 AGM	1 month					
2	30/07/2019	2025 AGM	4 years				▲	
3	19/05/2016	2024 AGM	7 years		▲ (Chair)	▲		
2	07/06/2023	2027 AGM	6 months					
2	03/10/2022	2027 AGM	1 year				▲	
1	27/07/2023	2026 AGM	5 months	▲				
1	24/05/2022	2026 AGM	1 year	▲				
4	09/10/2023	2027 AGM	3 months	▲	▲	▲		
1	07/04/2023	2025 AGM	8 months				▲	
1	03/12/2021	2025 AGM	2 years		▲			

Changes in the composition of the Board of Directors during the 2023 financial year

	Departure	Appointment	Re-appointment	Ratification of co-optation(s)
Board of Directors	Stéphanie Besnier March 15, 2023	May Gicquel⁽¹⁾ March 15, 2023	Benjamin Smith⁽⁸⁾ June 7, 2023	CMA CGM June 7, 2023
	Karim Belabbas March 11, 2023	Didier Dague⁽²⁾ April 7, 2023	Cees 't Hart⁽⁹⁾ June 7, 2023	Pascal Bouchiat June 7, 2023
	Rodolphe Saadé April 19, 2023	CMA CGM⁽³⁾ April 19, 2023	Pascal Bouchiat⁽¹⁰⁾ June 7, 2023	
	Jean-Dominique Comolli June 7, 2023	Yann Leriche⁽⁴⁾ June 7, 2023		
	Isabelle Parize June 30, 2023	Nicolas Foretz⁽⁵⁾ July 27, 2023		
	François Robardet July 27, 2023	Céline Fornaro⁽⁶⁾ October 9, 2023		
	May Gicquel October 9, 2023	Florence Parly⁽⁷⁾ December 7, 2023		
Audit Committee	Stéphanie Besnier March 15, 2023	Nicolas Foretz July 27, 2023		
	Isabelle Parize June 30, 2023	May Gicquel April 19, 2023		
	François Robardet July 27, 2023	Céline Fornaro October 9, 2023		
	May Gicquel October 9, 2023			
Appointments & Governance Committee	Jean-Dominique Comolli June 7, 2023	May Gicquel July 3, 2023		
	May Gicquel October 9, 2023	Céline Fornaro October 9, 2023		
	Isabelle Parize June 30, 2023	May Gicquel July 3, 2023		
Remuneration Committee	Jean-Dominique Comolli June 7, 2023	Gwenaëlle Avice-Huet July 27, 2023		
	François Robardet July 27, 2023	Terence Tilgenkamp July 27, 2023		
	May Gicquel October 9, 2023	Céline Fornaro October 9, 2023		
Sustainable Development & Compliance Committee	Karim Belabbas March 11, 2023	Didier Dague July 27, 2023		
	Terence Tilgenkamp July 27, 2023			

(1) Ms. May Gicquel was appointed as a Board director representing the French State by a ministerial decree of March 15, 2023, replacing Ms. Stéphanie Besnier.

(2) Mr. Didier Dague was appointed as a Board director representing the employees, replacing Mr. Karim Belabbas following his election as an alternate member of the Comité Social et Économique in the Air France professional elections, upon designation by the Comité de Groupe Français on April 7, 2023.

(3) On April 19, 2023, the Board of Directors decided to co-opt the company CMA CGM, represented by Mr. Ramon Fernandez, as a Board director, replacing Mr. Rodolphe Saadé, effective that same day, for the remainder of its predecessor's term of office. This appointment, through co-optation, was ratified by the Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023.

(4) Mr. Yann Leriche was appointed as a Board director, as proposed by the French State, for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026, replacing Mr. Jean-Dominique Comolli whose mandate expired on June 7, 2023.

(5) Mr. Nicolas Foretz was appointed as a Board director representing the employee shareholders, replacing Mr. François Robardet who stepped down as a Board director on July 27, 2023, effective that same day, for the remainder of his predecessor's term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026.

(6) Ms. Céline Fornaro was appointed as a Board director representing the French State by a ministerial decree of October 9, 2023, replacing Ms. May Gicquel, effective that same day, for the remainder of her predecessor's term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026.

(7) After Ms. Isabelle Parize stepped down as a Board director on June 30, 2023, the Board of Directors of Air France-KLM decided, on December 7, 2023, to co-opt Ms. Florence Parly as a Board director, effective that same day, for the remainder of her predecessor's term of office, i.e. until the end of the Combined Ordinary and Extraordinary Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2025.

(8) Mr. Benjamin Smith was re-appointed as a Board director by Air France-KLM's Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023, for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026.

(9) Mr. Cees 't Hart was re-appointed as a Board director by Air France-KLM's Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023, for a one-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2023.

(10) Mr. Pascal Bouchiat was re-appointed as a Board director by Air France-KLM's Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023, for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026.

2.1.2 Presentation of the Board directors at December 31, 2023

Board directors appointed by the Shareholders' Meeting



Anne-Marie Couderc

Chair of the Board of Directors
Independent Board director
Chair of the Appointments and Governance Committee

Age: 73 years

Nationality: French

First appointed as a Board director

May 19, 2016

Expiry of current term of office

2024 Shareholders' Meeting

Number of shares held in the Company's stock

400

Professional address

Air France-KLM
7, rue du Cirque
75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Chair of the Société Air France^(G) Board of Directors since 2018;
- Board director of Ramsay Générale de Santé since 2014, Chair of the Appointments and Remuneration Committee. Member of the Audit Committee and of the Risks Committee;
- Board director of Transdev since 2012 and member of the Audit Committee of Transdev since 2017;
- Board director of Plastic Omnium^(I) since 2010, Chair of the Appointments and Sustainability Committee and member of the Remuneration Committee;
- Board director of the Veolia Foundation;
- Member of the ESEC Council since 2015.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

FRENCH COMPANIES

- Member of the AYMING Supervisory Board until 2021;
- Member of the MEDEF Executive Committee until 2018.

BIOGRAPHY

Expertise and professional experience

Born February 13, 1950, Anne-Marie Couderc is a graduate in private law and holds a French Professional Lawyer's Certificate (Certificat d'Aptitude à la Profession d'Avocat).

Ms. Couderc began her career in 1972 as a lawyer with the Paris Bar. She then became Chief Legal Officer in Hachette's industrial division between 1979 and 1982, before fulfilling different management functions within the Lagardère Group from 1982 to 1995.

In parallel, Anne-Marie Couderc has pursued a political career: having been elected to the Paris Council in 1983, until 2001 she successively served as Advisor then Deputy to the Mayor of Paris between 1989 and 2001. Having been elected as a Member of Parliament in 1993, she subsequently joined the government in 1995 where she was appointed Secretary of State to the Prime Minister, responsible for Employment, then Minister for Employment and Social Affairs, responsible for Employment, until 1997.

At the end of 1997, she was named Chief Executive Officer of Hachette Filipacchi Associés followed, from 2006 to 2010, by Secretary-General of Lagardère Active (press and audiovisual). From 2011 to 2017, she was Chair of Presstalis Group (press distribution), Since June 30, 2017, Ms. Couderc has been a company director.

She has been Chair of the Air France-KLM Board of Directors since May 15, 2018.

(G) Company in the Air France-KLM group.

(I) Listed company.



Benjamin Smith
Chief Executive Officer
Board director

Age: 52 years
Nationality: Canadian
First appointed as a Board director
December 5, 2018
Expiry of current term of office
2027 Shareholders' Meeting

Number of shares held in the Company's stock
43,359

Professional address
Air France-KLM
7, rue du Cirque
75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Board director of Société Air France^(G) since December 12, 2018.

NON-FRENCH COMPANIES

- Member of the Board of Directors of WestJet Airlines Ltd. since October 2021 and non-executive Vice-Chair of the Board of Directors of WestJet Airlines Ltd. since September 2023;
- Member of the Supervisory Board of KLM^(G) since April 2019.

OTHERS

- Member of the International Air Transport Association's (IATA) Board of Governors since 2018.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

NON-FRENCH COMPANIES

- Chair of the Airlines for Europe Association (A4E) until March 2020.

BIOGRAPHY

Expertise and professional experience

Born August 27, 1971, Benjamin Smith is a reputed senior airline industry executive at international level, having spent twenty years at Air Canada where he was President Airlines and Chief Operating Officer.

In 1990, in parallel with his studies, he started out as a customer service agent at Air Ontario before taking an entrepreneurial path in 1992 when he set up his own retail corporate travel agency, which he ran successfully for eight years. In 1999, he also simultaneously took on a consultancy role for Air Canada before finally joining the Group in 2002.

As of his 2002 arrival, Benjamin Smith fulfilled a number of high-ranking positions at Air Canada including Head of Network Planning before joining the executive management team as Executive Vice-President and Chief Commercial Officer in 2007.

In 2014, he was appointed President Airlines (Air Canada, Rouge, Express, Cargo) and Chief Operating Officer of Air Canada with overall responsibility for commercial affairs, operations and customer relations for the Group. He was also responsible for Air Canada's commercial growth strategy.

On August 16, 2018, Benjamin Smith was appointed Chief Executive Officer of Air France-KLM. On December 5, 2018, he was appointed as a member of the Air France-KLM Board of Directors.

On March 31, 2022, the Air France-KLM Group renewed Benjamin Smith's mandate as Chief Executive Officer for a five-year term.

(G) Company in the Air France-KLM group.



Gwenaëlle Avice-Huet

Independent Board Director

Member of the Audit Committee and of the Remuneration Committee

Age: 44 years

Nationality: French

First appointed as a Board director

May 26, 2021

Expiry of current term of office

2025 Shareholders' Meeting

Number of shares held in the Company's stock

350

Professional address

Air France-KLM

7, rue du Cirque

75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Executive Vice-President, Europe Operations, of Schneider Electric⁽¹⁾ since September 4, 2023

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

FRENCH COMPANIES

- Chief Strategy & Sustainability Officer of Schneider Electric⁽¹⁾ until September 2023;
- SVP of Schneider Electric until April 2022;
- Deputy CEO of Engie North America until March 2021;
- CEO of Engie North America until March 2021;
- CEO of Engie France Renouvelables until January 2021;
- Member of the Board of Directors of the Hydrogen Council until March 2021;
- Member of the Board of Directors of the WindEurope association until March 2021;
- Member of the Board of Directors of the Franco-American Chamber of Commerce of Houston until March 2021.

BIOGRAPHY

Expertise and professional experience

Born on November 16, 1979, Ms. Avice-Huet is a graduate of the École Normale Supérieure de Cachan (agrégation in physics and chemistry), an engineer of the Corps des Ponts et Chaussées and a graduate of the École Polytechnique (DEA in molecular chemistry).

She began her career in 2006 with the Saint-Gobain Group in the United States, as a project manager in the energy field, before working as an analyst at the World Bank in Washington D.C., where she co-published a book dedicated to urban infrastructure.

From 2007 to 2010, she started working in the administration, first at the General Secretariat for European Affairs (Prime Minister's department) and then as an advisor in various Ministerial cabinets where she notably took part in international climate negotiations.

In 2010, she joined the Engie Group (formerly GDF-Suez), where she was to hold the position of Director of European and Regulatory Affairs and advised the Group's General Management until 2015. In 2016, she was appointed CEO of Engie France Renouvelables and contributed to the industrial transformation that was to position Engie as the leader in wind and solar energy in France.

As of 2019, she held the positions of Deputy Chief Executive Officer of the Engie Group in charge of renewable energies and CEO of Engie North America (Houston, USA). She is a member of the Engie Group Executive Committee.

In March 2021, she joined the Schneider Electric Group (Boston, USA), where she headed up the global corporate strategy for the Group. On April 1, 2022, she was appointed Chief Strategy & Sustainability Officer of Schneider Electric⁽¹⁾ and a member of the Executive Committee. Since September 4, 2023 she has been Executive Vice-President, Europe Operations (Paris, France) of Schneider Electric⁽¹⁾.

Gwenaëlle Avice-Huet is a Young Global Leader of the World Economic Forum and a Knight of the National Order of Merit.

(1) Listed company.



Leni M.T. Boeren⁽¹⁾

Independent Board director
Member of the Audit Committee and of the Sustainable Development and Compliance Committee

Age: 60 years

Nationality: Dutch

First appointed as a Board director
May 16, 2017

Expiry of current term of office
2025 Shareholders' Meeting

Number of shares held in the Company's stock
1,600

Professional address
Air France-KLM
7, rue du Cirque
75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

NON-FRENCH COMPANIES

- Member of the Supervisory Board of Mollie (Netherlands) since November 2023;
- Board director of Renovaro Biosciences, Inc.⁽²⁾ (USA) since October 2023;
- Member of the AFM Capital Markets Committee (Dutch Financial Markets Authority, Netherlands) since January 2022;
- Member of the Supervisory Board, of the Audit Committee and of the Appointments and Remuneration Committee of NIBC Holding N.V. and of NIBC Bank N.V. (Netherlands) since October 2021;
- Member of the Advisory Board of Keyser & Mackay (Netherlands) since September 2021;
- Chair of the Supervisory Board of Ohpen Expeditions B.V. (Netherlands) since March 2021;
- Board director of Stichting Administratiekantoor Koninklijke Brill (Netherlands) since 2020.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

NON-FRENCH COMPANIES

- Member of the Supervisory Board of Tata Steel Nederland B.V., Netherlands, until October 2023;
- Board director of FCLT Global, USA, until 2020;
- Chair of the Management Board of Kempen & Co N.V. (Netherlands), until 2020;
- Chair of the Board of Directors and CEO of Kempen Capital Management N.V. (Netherlands), until 2020;
- Member of the Management Board of Van Lanschot, Kempen N.V.⁽²⁾ (Netherlands) until 2020;
- Chair of the Supervisory Board of Transtrend B.V., Netherlands, until 2019.

BIOGRAPHY

Expertise and professional experience

Born December 23, 1963, Leni M.T. Boeren holds a Masters degree in Business Management from Erasmus University in Rotterdam (the Netherlands).

Ms. Boeren started her career in the financial sector at Paribas in 1983. She went on to work for Rabobank, where she held various positions through to 1992. She then moved to Robeco as head of the marketing and product management department from 1992 to 1997. She subsequently became a member of the Board of Directors of Amsterdam Exchanges followed, in 2000 to 2005, by her appointment as a member of the Executive Committee of Euronext N.V.⁽²⁾ the result of the merger of the Paris (ParisBourse), Brussels (Brussels Exchanges) and Amsterdam (Amsterdam Exchanges) stock exchanges.

In 2005 she joined the Robeco Group, an international asset management firm, where she was successively a member, Vice-Chair and Chair of the Management Board. She was also responsible for Robeco Group's subsidiaries and held several Board positions until December 2016. She also served as a member and Chair of the Board of DUFAS, the Dutch Fund and Asset Management Association (2009-16) and as a member of the Board of FCLTGlobal (2019-20).

Ms. Boeren served as Chair and CEO of the Management Board of Kempen Capital Management N.V. and a member of the Executive Board of Van Lanschot Kempen N.V.⁽²⁾ (from February 2018 until March 2020).

(1) Ms. Boeren was appointed by the Shareholders' Meeting as proposed by the KLM Supervisory Board pursuant to the agreements concluded on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM (see section 2.1.1 "Composition of the Board of Directors").

(2) Listed company.



Isabelle Bouillot

Independent Board director

Chair of the Audit Committee and member of the Remuneration Committee

Age: 74 years

Nationality: French

First appointed as a Board director

May 16, 2013

Expiry of current term of office

2025 Shareholders' Meeting

Number of shares held in the Company's stock

102

Professional address

China Equity Links
9, avenue de l'Opéra
75001 Paris

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Member of the Supervisory Board of Gimar & Cie. since 2015;
- President of China Equity Links. since 2006;
- President of IB Finance since 2004.

NON-FRENCH COMPANIES

- Board director of Saint Gobain China;
- President of CELPartners Ltd, Hong Kong;
- Board director of Yafei Dendistry Limited⁽¹⁾.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

N/A

BIOGRAPHY

Expertise and professional experience

Born May 5, 1949, Isabelle Bouillot holds an advanced degree in Public Law and is a graduate of the Institut des Etudes Politiques de Paris and of the École Nationale d'Administration.

Having occupied various positions in the French Public Administration, including Economic Advisor to the President of the Republic between 1989 and 1991 and Budget Director at the Ministry of Economy and Finance between 1991 and 1995, Ms. Bouillot was Deputy Chief Executive Officer in charge of the financial and banking activities at the Caisse des Dépôts et Consignations between 1995 and 2000, then Chair of the Management Board of the Investment Bank of the CDC IXIS Group from 2000 to 2003. Since 2006, Ms. Bouillot has been President of China Equity Links (SAS).

(1) Unlisted company registered outside France in which China Equity Links holds or held an equity interest.



Delta Air Lines, Inc.

Board director/Member of the Remuneration Committee

Corporation formed under the laws of the State of Delaware (USA) with its registered office at Delta Bld, Atlanta, GA, USA 30354.

Nationality: US

First appointed as a Board director

October 3, 2017

Expiry of current term of office

2025 Shareholders' Meeting

Number of shares held in the Company's stock

7,340,118

Professional address

1030 Delta Boulevard,
Atlanta, GA, USA 30354



Alain Bellemare

Permanent representative of Delta Air Lines, Inc.

Member of the Remuneration Committee

Age: 62 years

Nationality: US and Canadian

Professional address

1030 Delta Boulevard,
Atlanta, GA, USA 30354

OTHER DIRECTORSHIPS AND OFFICES

OTHER

- Executive Vice-President and President-International of Delta Air Lines, Inc.⁽¹⁾ since January 2021;
- Member of the International Advisory Board of McGill University's Desautels Faculty of Management;
- Member of the Wings Club Foundation.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

NON-FRENCH COMPANIES

- Operating Executive of The Carlyle Group until January 2021;
- President-CEO and Board director of Bombardier Inc.⁽¹⁾ until March 2020.

BIOGRAPHY

Expertise and professional experience

Born June 14, 1961, Alain Bellemare is the permanent representative on Air France-KLM's Board of Directors of Delta Air Lines, Inc.⁽¹⁾, a corporation formed under the laws of the State of Delaware having its registered office at 1030 Delta Bld, Atlanta, GA, USA 30354.

Alain Bellemare is a transformative business leader and board member with extensive experience in strategy, business development and operational roles. He has served as Executive Vice-President and President-International at Delta Air Lines Inc.⁽¹⁾ since January 2021.

In 2020, Mr. Bellemare was an Operating Executive with The Carlyle Group, focused on the aerospace, defense and government services sectors. Prior to joining The Carlyle Group, he served as President-CEO and Board director of Bombardier Inc.⁽¹⁾ from 2015 to 2020.

Before joining Bombardier, Mr. Bellemare spent 18 years with United Technologies Corporation, serving as President and Chief Executive Officer of UTC Propulsion & Aerospace Systems from 2011 to 2015. Since January 2021, Mr. Bellemare has occupied the functions of Executive Vice-President and President-International of Delta Air Lines, Inc.⁽¹⁾.

Alain Bellemare joined Delta Air Lines in 2021 as President-International, responsible for an international equity portfolio and working in close collaboration with the airline's JV and commercial partners to obtain optimum results at the strategic, financial and customer experience level. Backed by extensive international expertise in the management of billion dollar aerospace organizations, Mr. Bellemare's main responsibility is ensuring that the airline and its partners work together as a unified platform to add value for all the Delta Air Lines, Inc. stakeholders.

(1) Listed company.



CMA CGM

Board director
Société anonyme (limited liability company)
with its registered office in France (Marseille 13002)

Nationality: French

First appointed as a Board director

April 19, 2023

Expiry of current term of office

2026 Shareholders' Meeting

Number of shares held in the Company's stock

23,134,825

Professional address

Boulevard Jacques Saadé,
4, quai d'Arenc
13002 Marseille



Ramon Fernandez

Permanent representative of CMA CGM

Age: 56 years

Nationality: French

Professional address

Boulevard Jacques Saadé,
4, quai d'Arenc
13002 Marseille

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Chief Financial Officer of the CMA-CGM Group since April 2023;
- Board director of AXA⁽¹⁾ since April 29, 2021, Chair of the Finance and Risks Committee and member of the Audit Committee of AXA⁽¹⁾;
- Board director of the Fondation Nationale des Sciences Politiques.

DIRECTORSHIPS AND OFFICES HELD IN THE PAST FIVE YEARS AND HAVING EXPIRED

FRENCH COMPANIES

- Executive Vice-President responsible for Finance and Strategic Performance at Orange⁽¹⁾ until March 2023;
- Chair of the Board of Directors of Compagnie Financière d'Orange Bank, Orange Bank and Orange Ventures until March 2023;
- Board director of Orange Middle East and Africa until March 2023;
- Chair of the Board of Directors of BuyIn.

BIOGRAPHY

Expertise and professional experience

Born June 25, 1967, Mr. Fernandez is a graduate of Sciences Po and of the École Nationale d'Administration (Léon Gambetta alumnus). He began his career in 1993 at the French Treasury before joining the International Monetary Fund as an alternate director in 1997. He occupied various functions at the French Treasury like Chief of Staff and Deputy Director for International Financial Affairs and Development, then as Director General. He also served as an Advisor to the French Ministry of Economy and Finance and as Chief of Staff at the French Employment Ministry. From 2009 to 2014 he was Alternate Governor for France at the World Bank and Governor at the African Development Bank.

As of 2014, he joined the Orange Group where he was successively EVP then Deputy CEO in charge of Finance and Strategy.

Since April 2023, he has been CFO of the CMA CGM Group.

He is CMA CGM's permanent representative on the Air France-KLM Board of Directors.

(1) Listed company.

Events subsequent to the Board of Directors' meeting of February 28, 2024 having approved the Management Report:

On January 16, 2024, Air France-KLM and CMA CGM announced the termination of their existing agreements effective March 31, 2024 and the opening of discussions on the terms and conditions of a commercial relationship under which they would each operate independently. The parties having also agreed on CMA CGM's resignation from the Board of Directors (see section 2.7.4. "Partnerships with Air France-KLM"), CMA CGM ceased to have a permanent representative as of March 31, 2024.



Anne-Marie Idrac

Independent Board director
Chair of the Sustainable Development and Compliance Committee

Age: 72 years

Nationality: French

First appointed as a Board director
November 2, 2017

Expiry of current term of office
2025 Shareholders' Meeting

Number of shares held in the Company's stock
100

Professional address

Air France-KLM
7, rue du Cirque
75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Board director of TotalEnergies⁽¹⁾ since June 2012;
- Board director of Saint-Gobain⁽¹⁾ since May 2011;
- Board director of SANEF.

OTHER

- Board director of the Fondation Robert Schuman;
- High representative of the French government for the development of autonomous vehicles since October 2017;
- President of the France Logistics Association since January 2020;
- President of the Alliance for International Medical Action (ALIMA Foundation) since 2020.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

FRENCH COMPANIES

- Board director of Bouygues⁽¹⁾ until May 2021;
- President of the Aéroport de Toulouse-Blagnac Supervisory Board until May 2018.

BIOGRAPHY

Expertise and professional experience

Born July 27, 1951. Anne-Marie Idrac is a graduate of the Institut d'Etudes Politiques, the École Nationale d'Administration and the Institut des Hautes Études de Défense Nationale. Ms. Idrac has spent most of her career in the fields of the environment, housing, urban development and transport.

She was Chief Executive Officer at the Public Development Agency of Cergy-Pontoise, Director of Land Transportation at the Ministry of Equipment and Transport and subsequently Secretary of State for Transport. She occupied the positions of Chair and CEO of the RATP (Paris Public Transport Authority) from 2002 to 2006, and Chair and CEO of the SNCF (French State Railways) from 2006 to 2008. She was a Member of Parliament from 1997 to 2002 and Secretary of State for Foreign Trade from 2008 to 2010.

Anne-Marie Idrac is a company director and consultant.

(1) Listed company.



Florence Parly

Independent Board director

Age: 60 years

Nationality: French

First appointed as a Board director
December 7, 2023⁽¹⁾

Expiry of current term of office
2026 Shareholders' Meeting

Number of shares held in the Company's stock
0⁽²⁾

Professional address

Air France-KLM
7, rue du Cirque
75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Board director of Ipsos⁽³⁾ since May 15, 2023;
- Board director of Eutelsat Communications⁽³⁾ since July 2023;
- Board director of Pierre Fabre S.A. since November 2023;
- Member of the Senior Advisory Committee of Jolt Capital since July 2023.

NON-FRENCH COMPANIES

- Board director of CIC Banque (SA) Switzerland since late November 2023;
- Board director of Newcleo since 2023.

OTHERS

- Chair of the Board of Directors of the Conservatoire National des Arts et Métiers since May 2, 2023;
- Board director and member of the International Institute for Strategic Studies, United Kingdom, since 2023.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

FRENCH COMPANIES

- Member of the Supervisory Board of Caisse des Dépôts until February 28, 2024.

OTHERS

- Minister of the French Armed Forces until May 2022.

BIOGRAPHY

Expertise and professional experience

Born in Paris on May 8, 1963, Florence Parly is a graduate of Sciences Po and ENA (Fernand Braudel alumnus).

In 1997, she joined the Prime Minister's cabinet as advisor on budgetary affairs. In 2000, she was appointed Secretary of State for the Budget, a position she held until 2002.

From 2003 to 2004, Florence Parly was a Project Manager at Agence France Trésor, then Chairman of the Executive Board of the Agence Régionale de Développement de l'Île de France until 2006.

In 2006, she joined the Air France-KLM Group, where she held the positions of Investment Strategy Director (2006-08), Executive Vice-President, Cargo (2008-12) and Executive Vice-President, Short-Haul (2013).

In 2014, Florence Parly joined SNCF as Deputy CEO before becoming CEO of SNCF Voyageurs in 2016.

In June 2017, Florence Parly was appointed Minister of the French Armed Forces, an office she held until May 2022.

(1) Appointed by the Board of Directors by way of cooptation, subject to ratification by the next Annual General Meeting.

(2) During the first quarter of 2024, Mrs Florence Parly purchased 110 Air France-KLM shares, within the timeframe required by Article 19 of the Articles of Association and in accordance with the recommendation of Article 15 of the Board of Directors' internal rules (as amended by a decision of the Board of Directors on February 28, 2024).

(3) Listed company.



Cees 't Hart

Board director

Age: 65 years

Nationality: Dutch

First appointed as a Board director

May 28, 2019

Expiry of current term of office

2024 Shareholders' Meeting

Number of shares held in the Company's stock

350

Professional address

Air France-KLM
7, rue du Cirque
75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

NON-FRENCH COMPANIES

- Board director of Mondelez International⁽¹⁾ since July 2023;
- Member of the Supervisory Board of Randstad⁽¹⁾ since 2023;
- Chair of the Supervisory Board of KLM^(G).

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

- Chief Executive Officer of Carlsberg Group⁽¹⁾ until August 2023.

BIOGRAPHY

Expertise and professional experience

Born on August 8, 1958, Mr. 't Hart holds an MA in Social Science from Leiden University (Netherlands). He worked for 24 years with Unilever, starting his career as a management trainee before holding a range of international management positions in the Netherlands, Hungary, Singapore, Poland and Italy. His last position in Unilever was as a member of the Unilever Europe Board as Senior Vice-President, Marketing Operations.

In 2015, after seven years as Chief Executive Officer of the Dutch dairy cooperative Royal Friesland Campina, he joined the Carlsberg Group as Chief Executive Officer until August 2023.

He has also been a member of the Supervisory Board of KLM since 2014.

(1) Listed company.

(G) Company in the Air France-KLM group.



Dirk Jan van den Berg

Board director appointed by the Shareholders' Meeting as proposed by the Dutch State

Member of the Sustainable Development and Compliance Committee

Age: 70 years

Nationality: Dutch

First appointed as a Board director

May 26, 2020

Expiry of current term of office

2024 Shareholders' Meeting

Number of shares held in the Company's stock

400

Professional address

Zorgverzekeraars Nederland,
Sparrenheuvel 16,
3708 JE Zeist, The Netherlands

OTHER DIRECTORSHIPS AND OFFICES

NON-FRENCH COMPANIES

- Chair of the Dutch Association of Insurers (Zorgverzekeraars Nederland) since 2020;
- Chair of the Supervisory Board of the National Science Organisation in the Netherlands (NWO);
- Member of the General Governance Council of the Employer's Organisation in the Netherlands (VNO-NCW);
- Chair (non-executive) of the Board of Directors of StrasQ B.V.;
- Chair of the Supervisory Board of the Dutch Entrepreneurial Development Bank.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

NON-FRENCH COMPANIES

- Member of the Academic Council for Technology and Innovation in the Netherlands (AcTI) until 2023;
- Vice-Chair of the Supervisory Board of the N.V. Nederlandse Gasunie until 2023;
- President of the Atlantic Committee of the Netherlands until 2023;
- Chair of the Governing Board of the European Institute of Technology and Innovation until 2020;
- Member of the Centrale Plancommissie (CPC) until 2019;
- Member of the Advisory Committee on International Affairs to the Minister of Foreign Affairs, working Group on European Affairs, until 2019.

BIOGRAPHY

Expertise and professional experience

Born December 18, 1953. Dirk Jan van den Berg is a graduate of Groningen State University (Netherlands), the École Nationale d'Administration (Paris) and the Academie voor Bank en Verzekeringen (Amsterdam). He began his career as a Research Assistant in the Faculty of Economics (Groningen State University). He joined the Ministry of Economic Affairs (Netherlands) in 1980 where he was appointed Policy Advisor on macroeconomics before becoming the Head of the Medium Term Bureau of the Macro Economic Policy Directorate and Director Industrial Policy in the Directorate General for Industry at the Ministry of Economic Affairs from 1987 to 1989. During those two years, he was also Director of the "BOFEB" (Netherlands), a one-year professional training program for young economists, aspiring for government jobs. In 1989 he was appointed as Deputy Director General for Foreign Economic Relations at the Ministry of Economic Affairs (Netherlands). In 1992 he was appointed Deputy Director General for Industry at the Ministry of Economic Affairs and, from 1992 to 2001, he was appointed Secretary General of the Ministry of Foreign Affairs. From 2001 until 2005, he was the Permanent Representative of the Netherlands to the United Nations in New York. From 2005 to 2008, he was Ambassador of the Kingdom of the Netherlands to the People's Republic of China and Mongolia, before becoming President of the Executive Board of Delft University of Technology (Netherlands) in 2008. From 2015 until 2020, he was Chairman of the Executive Board of Sanquin Blood Supply. Since 2020, Mr. van den Berg has been President of the Association of Health Insurance Companies in the Netherlands (ZN, Zorgverzekeraars Nederland).



Jian Wang

Board director appointed as proposed by China Eastern Airlines
Member of the Sustainable Development and Compliance Committee

Age: 50 years

Nationality: Chinese

First appointed as a Board director
July 30, 2019

Expiry of current term of office
2025 Shareholders' Meeting

Number of shares held in the Company's stock
800

Professional address
China Eastern Airlines
36 Hongxiangsan Road,
Shanghai, 200335 P.R. China

OTHER DIRECTORSHIPS AND OFFICES

NON-FRENCH COMPANIES

- Corporate secretary of China Eastern Airlines Corporation Limited^{(G)(1)} since April 2012;
- Board director, Office of Board Affairs, of China Eastern Air Holding Company Limited;
- Chair of Eastern Airlines Industry Investment Company Limited^{(G)(2)};
- Board director of Eastern Air Logistics Corporation Limited^(G).

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

NON-FRENCH COMPANIES

- Board director and President of Eastern Airlines Industry Investment Company Limited until February 2019.

BIOGRAPHY

Expertise and professional experience

Born August 18 1973, Jian Wang graduated from Shanghai Jiao Tong University with a Bachelor degree in Engineering. He also holds MBA degree from East China University of Science and Technology and EMBA degree from Tsinghua University.

Jian Wang began his career in the aviation industry in 1995 and has extensive experience of corporate governance, strategic investment, capital operations and management. He has designed and facilitated a number of strategic projects within China Eastern.

In April 2012, Jian Wang was appointed Corporate Secretary of China Eastern Airlines (1), a subsidiary of China Eastern Air Holding Company Limited. Between November 2016 and February 2019, he was a Board director and President of Eastern Airlines Industry Investment Company Limited, a wholly-owned subsidiary of China Eastern Air Holding Company Limited. Since June 2017, Mr. Wang has also been Board director of Eastern Air Logistics Corporation Limited⁽¹⁾.

Jian Wang is currently Corporate Secretary of China Eastern Airlines Corporation Limited and Chair of the Board of Directors of Eastern Air Industry Investment Company Limited.

(1) Listed company.

(2) Mr. Jian Wang's mandate as Chair of Eastern Airlines Industry Investment Company Limited ended in January 2024.

(G) Company in the China Eastern Air Holding Company Limited Group.



Alexander R. Wynaendts⁽¹⁾

Independent Board director
Chair of the Remuneration Committee and member of the Appointments and Governance Committee

Age: 63 years

Nationality: Dutch

First appointed as a Board director

May 19, 2016

Expiry of current term of office

2024 Shareholders' Meeting

Number of shares held in the Company's stock

100

Professional address

Air France-KLM
7, rue du Cirque
75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

NON-FRENCH COMPANIES

- Chair of the Supervisory Board of Deutsche Bank AG since May 2022;
- Board director of Uber Inc.⁽²⁾ (United States) since 2021;
- Chair of the Supervisory Board of Puissance B.V., The Netherlands, since 2017.

OTHERS

- Member of the Supervisory Board of the Het Nationale Park de Hoge Veluwe, Netherlands, since January 2021;
- Chair of the Supervisory Board of the Rijks museum in Amsterdam, The Netherlands.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

NON-FRENCH COMPANIES

- Member of the Salesforce⁽²⁾ Advisory Board in Europe, the Middle East and Africa until May 2023;
- Board director of Citigroup, Inc.⁽²⁾, United States, until 2022;
- Chair and CEO of Aegon N.V.⁽²⁾ (The Netherlands) until 2020.

OTHERS

- Member of the Advisory Board of the Vumc Cancer Center in Amsterdam, The Netherlands, until December 2022;
- Chair of the Supervisory Board of the Mauritshuis Museum in The Hague, The Netherlands, until 2018;
- Vice-Chair of the PEIF (Pan-European Insurance Forum) until 2018;
- Board director of the Geneva Association, Switzerland.

BIOGRAPHY

Expertise and professional experience

Born August 1, 1960. Alexander Wynaendts holds an electrical engineering degree from the École Supérieure d'Électricité (1984) and an economics degree from the Université Paris-Sorbonne (1983). He has more than thirty years' experience of insurance and international finance.

Mr. Wynaendts began his career in banking with ABN AMRO in 1984, where he was responsible for commercial and investment banking operations in Amsterdam and London. Between 1992 and 1997, he held various positions with ABN AMRO in London. In 1997 he joined Aegon within the Group Business Development division. He joined Aegon's Executive Board in 2003 and was appointed Aegon's Chief Operating Officer in 2007.

Mr. Wynaendts was then Chair and Chief Executive Officer of Aegon N.V.⁽²⁾ from April 2008 until May 2020.

Since 2022 he has been Chair of the Supervisory Board of Deutsche Bank Aktiengesellschaft.

(1) Mr. Wynaendts was appointed by the Shareholders' Meeting as proposed by the KLM Supervisory Board pursuant to the agreements concluded on October 16, 2003 (Framework Agreement) within the framework of the business combination between Air France and KLM (see section 2.1.1 "Composition of the Board of Directors").

(2) Listed company.

Board directors appointed by the Shareholders' Meeting as proposed by the French State

Pursuant to Article 6 of French Ordinance No. 2014-948 of August 20, 2014 concerning governance and transactions involving the share capital of public sector companies, and in that the French State has a direct holding of

between 10% and 50% in the Air France-KLM share capital, one or several seats are reserved within the Board of Directors for members potentially proposed by the French State.



Yann Leriche

Board director appointed by the Shareholders' Meeting as proposed by the French State

Age: 50 years
Nationality: French
First appointed as a Board director
June 7, 2023
Expiry of current term of office
2027 Shareholders' Meeting

Professional address
Getlink
39, rue de la Bienfaisance
75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Chief Executive Officer and Board director of Getlink⁽¹⁾ since July 2020;
- Offices in companies belonging to the Getlink Group since 2020: Chair and CEO of France Manche, President of Eurotunnel Holding, President of Get Finances, Director of CTG and ESL.

DIRECTORSHIPS AND OFFICES HELD DURING THE LAST FIVE YEARS AND HAVING EXPIRED

N/A

BIOGRAPHY

Expertise and professional experience

Born on June 18, 1973, Yann Leriche is a graduate of the École Polytechnique and an engineering graduate of the Corps des Ponts et Chaussées. He is also a graduate of the Collège des Ingénieurs and ESCP.

He began his career in 2000 in the public sector as Director of road infrastructure projects, then Director responsible for the construction and operation of public transport networks. He was then appointed Head of the Light Guided Transportation Systems Division at Bombardier Transportation.

In 2008, he joined the Transdev Group and held a number of management positions before becoming Managing Director of Transdev North America in 2017. Since 2020, he has been Chief Executive Officer of Getlink, a group specializing in the transportation of people, goods and energy, which notably holds the Channel Tunnel concession.

(1) Listed company.



Pascal Bouchiat

Board director appointed by the Shareholders' Meeting as proposed by the French State

Member of the Sustainable Development and Compliance Committee

Age: 63 years

Nationality: French

First appointed as a Board director
October 3, 2022

Expiry of current term of office
2027 Shareholders' Meeting

Professional address

Thales, Campus Meudon
4, rue de la Verrerie
92190 Meudon

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Member of the Executive Committee of the Thales Group⁽¹⁾;
- Offices in the companies belonging to the Thales Group:
 - Board director of Thales Corporate Ventures SAS since July 2017,
 - Member of the Supervisory Board of Thales Alenia Space since May 2012;
- Board director of Naval Group since May 2012.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

N/A

BIOGRAPHY

Expertise and professional experience

Born May 30, 1960, Pascal Bouchiat is a graduate of the Ecole Supérieure de Chimie Industrielle de Lyon (1983), holds an MBA from EM Lyon (1985) and an Executive MBA Trium from NYU Stern School of Business, the London School of Economics and HEC Paris (2004).

Pascal Bouchiat began his career in 1985 with Rhône-Poulenc as a research and development engineer, then as an industrial supervisor before being named Head of Management Control of the Specialty Chemicals Sector.

From 1998 to 2012, he worked for the Rhodia Group, which was to become Solvay. He occupied various functions in the finance divisions between 1998 and 2005 before being appointed Group Financial Controller in charge of Finance and Information Systems, and supervisor of the Acetow and Eco Services from 2005 to 2011. From 2011 to 2012, he was Head of Integration for the Rhodia and Solvay Groups.

Since April 2012, he has been Senior Executive Vice President, Chief Financial Officer at Thales Group⁽¹⁾ where he is General Director of Finance and Information Systems. In this role he is in charge of management control, international financing, tax, risk and insurance, investor relations, treasury and information systems.

(1) Listed company.

Board director representing the French State appointed by ministerial decree

Pursuant to Article 4 of Ordinance No.2014-948 of August 20, 2014 concerning governance and transactions involving the share capital of public sector companies and Article 2 of the decree-law No.2014-949 of August 20, 2014 applying Ordinance No.2014-948, in that the French State holds more than 10% of Air France-KLM's share capital, a seat may be

reserved for the State within the Board of Directors. Ms. Céline Fornaro was appointed as a Board director representing the French State by a ministerial decree dated October 9, 2023, replacing Ms. May Gicquel, who was appointed by a ministerial decree of March 15, 2023 and also re-appointed by a ministerial decree dated June 14, 2023.



Céline Fornaro

Board director appointed by the French State
Member of the Audit Committee, of the Appointments and Governance Committee and of the Remuneration Committee

Age: 47 years

Nationality: French

First appointed as a Board director
October 9, 2023

Expiry of current term of office
2027 Shareholders' Meeting

Professional address

Agence des Participations de l'État,
Ministère de l'Économie,
des Finances et de la Relance
139, rue de Bercy
75572 Paris Cedex 12

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Representative of the State in the Safran⁽¹⁾ Board of Directors and member of the Audit and Risks Committee, and of the Appointments and Remuneration Committee of Safran since February 2023;
- Representative of the State in the Orange⁽¹⁾ Board of Directors and member of Orange's Audit Committee since March 2023;
- Representative of the State in the Engie⁽¹⁾ Board of Directors and member of the Audit Committee, of the Strategy, Investment and Technologies Committee and of the Appointments, Remuneration and Governance Committee of Engie since March 2023.

NON-FRENCH COMPANIES AND OTHERS

- Member of Chatham House, The Royal Institute of International Affairs;
- Member of The Royal Aeronautical Society;
- Member of Women on Boards.

DIRECTORSHIPS AND OFFICES HELD DURING THE LAST FIVE YEARS AND HAVING EXPIRED

FRENCH COMPANIES

- Board director representing the State in the EDF Board of Directors;
- Board director representing the State in the RATP Board of Directors.

BIOGRAPHY

Expertise and professional experience

Céline Fornaro holds a Master of Science from the College of Aeronautics at Cranfield University (UK) and is a graduate engineer from the École Nationale de l'Aviation Civile.

Céline Fornaro began her career as a marketing and product manager in aircraft sales at Embraer in 2000. She joined Bank of America Merrill Lynch in 2004, in the equity research team, specializing in strategic and financial analysis of the aerospace, defense and satellite sectors. In 2010, she was promoted to Managing Director of the Aerospace, Defense and Satellite team.

From 2016 to 2022, Céline Fornaro was Head of Equity Market Research for the industrial sector (aerospace, capital goods, renewable energy suppliers and transportation) at UBS.

On June 1, 2022, she joined the Agence des Participations de l'État as head of the Finance division, in charge of strategic and financial operations for the State shareholding portfolio, and dialog with the various debt and equity stakeholders (rating agencies, advisors, investment funds, etc.).

Céline Fornaro was promoted to Deputy Managing Director of the Agence des Participations de l'État on October 1, 2023.

(1) Listed company.

Board directors representing the employee shareholders

Pursuant to Articles L. 22-10-5 of the French Code of Commerce (*Code de Commerce*), L. 6411-9 of the French Transport Code (*Code des Transports*) and 17-2 of the Air France-KLM Articles of Incorporation, in that the employees of Air France-KLM subsidiaries hold more than 3% of Air France-KLM's share capital, there are two representatives of the employee shareholders within the Board of Directors:

- one representative belonging to the Flight Deck Crew category of staff; and
- one representative belonging to the Other Employee category of staff.

These Board directors representing the employee shareholders are elected by the Shareholders' Meeting having been proposed by the shareholders referred to in Article L. 225-102 of the *Code de Commerce*. The employee and former employee shareholders are invited to choose their candidates for each of the two colleges (Flight Deck Crew and Other Employees), the appointment taking place based on a majority vote in two rounds of balloting. The candidate having obtained the absolute majority of the votes cast in each college, in either the first or second round, is then proposed to the Shareholders' Meeting.



Michel Delli-Zotti

Board director representing the Flight Deck Crew employee and former employee shareholders
Member of the Audit Committee

Age: 60 years

Nationality: French

First appointed as a Board director

May 24, 2022

Expiry of current term of office

2026 Shareholders' Meeting

Number of shares held in the Company's stock

777

Professional address

Air France

45, rue de Paris

95747 Roissy Charles-de-Gaulle Cedex

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Chair of the Supervisory Board of the Concorde employee shareholding FCPE;
- Chair of the Supervisory Board of the Majoraction employee shareholding FCPE.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

FRENCH COMPANIES

- Full member (elected) of the Air Operations Social & Economic Committee until 2022;
- Deputy Treasurer (elected) of the Air Operations Social & Economic Committee until May 2022;
- Full member (elected) of the Central Social & Economic Committee until May 2022.

BIOGRAPHY

Expertise and professional experience

Born August 30, 1963, Michel Delli-Zotti graduated as a professional pilot in 1987.

After a period in business aviation and then in regional transportation, he joined Air France in 1989 as an Airline Pilot Officer. He initially flew B727s before moving to the B747 400. Promoted to Flight Captain on the A320 in 2003, he has been operating long-haul flights on the B777 since 2007.



Nicolas Foretz

Board director representing the ground staff and cabin crew employee and former employee shareholders
Member of the Audit Committee

Age: 44 years

Nationality: French

First appointed as a Board director
July 27, 2023

Expiry of current term of office
2026 Shareholders' Meeting

Number of shares held in the Company's stock
319

Professional address
Air France
5, avenue Maxwell
31109 Toulouse Cedex

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Full member (elected) of the Supervisory Board of the HET (Horizon Epargne Taux) employee shareholder FCPE;
- Alternate member of the Supervisory Board of the HET (Horizon Epargne Action) and the HEM ((Horizon Epargne Mixte), employee shareholder FCPEs;
- Elected member to the General Meeting of the MNPAF.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEAR AND HAVING EXPIRED

FRENCH COMPANIES

- Full member (elected) of the Supervisory Board of the Economy, Employment and Training Commission within the Air France CSEC and CSE OA;
- Full member (elected) of the Board of the Central Market Commission for the supervision of the common fund accommodation for Flight Deck Crews;
- Investment representative for the Air France Air Operations CSE.

BIOGRAPHY

Expertise and professional experience

Born on March 21, 1979, Nicolas Foretz began his career in 1999 as a member of the Air Liberté ground staff. In 2004, he joined Régional as a flight attendant, before moving to Air France in 2005.

An Air France staff representative since 2017, he has participated in several commissions, including the central economic, employment and training commission.

Board directors representing the employees

Pursuant to Article 17-3 of the Air France-KLM Articles of Incorporation and Article L. 22-10-7 of the French Code of Commerce (*Code de Commerce*), there are two Board directors representing the employees within the Air France-KLM Board of Directors:

- on April 7, 2023, as stipulated in Article L. 2331-1 of the French Employment Code (*Code du Travail*), the *Comité de Groupe Français* appointed Mr. Didier Dague, a negotiator within Air France, as a Board director representing the employees, replacing Mr. Karim Belabbas whose mandate had expired on March 11, 2023 due to his election as an alternate member of the Social and Economic Committee in the Air France professional elections. Mr. Dague replaced Mr. Belabbas as a Board director representing the employees for his predecessor's remaining term of office, i.e. until the end of the 2023 Shareholders' Meeting on June 7, 2023. He was subsequently appointed by the *Comité de Groupe Français* on April 7, 2023 for a two-year term of office, i.e. until the end of the 2025 Shareholders' Meeting;

■ on October 5, 2021, Air France-KLM's European Works Council appointed Mr. Terence Tilgenkamp, a Chief Purser KLM Flight Operations, as a second Board director representing the employees. He was re-appointed by the European Works Council during its meeting of April 4, 2023, for a two-year term of office, i.e. until the end of the 2025 Shareholders' Meeting.

- on October 5, 2021, Air France-KLM's European Works Council appointed Mr. Terence Tilgenkamp, a Chief Purser KLM Flight Operations, as a second Board director representing the employees. He was re-appointed by the European Works Council during its meeting of April 4, 2023, for a two-year term of office, i.e. until the end of the 2025 Shareholders' Meeting.

The Board directors representing the employees are appointed for a two-year term of office expiring at the end of the Air France-KLM Annual Shareholders' Meeting taking place during the year in which their mandates expire.



Didier Dague

Board director representing the employees

Member of the Sustainable Development and Compliance Committee

Age: 64 years

Nationality: French

First appointed as a Board director
April 7, 2023

Expiry of current term of office
2025 Shareholders' Meeting

Professional address

Air France
45, rue de Paris
95747 Roissy Charles-de-Gaulle Cedex

OTHER DIRECTORSHIPS AND OFFICES

N/A

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

FRENCH COMPANIES

- Board director representing the employees within the Air France Board of Directors until May 2022.

BIOGRAPHY

Expertise and professional experience

Born on May 12, 1959, Didier Dague joined Air France in 1987, as a commercial services agent in Commercial France, now known as Pilotage Économique.

In the mid-1990s, he became involved in trade union activities, holding a number of union positions within his entity and then at head office. He represents his organization at the European Transport Federation. He served three terms as an Air France Board director representing the employees through to May 2022. Since April 2023, having been appointed by the *Comité de Groupe Français*, he has been a Board director representing the employees within the Air France-KLM Board of Directors.



Terence Tilgenkamp

Board director representing the employees
Member of the Remuneration Committee

Age: 40 years

Nationality: Dutch

First appointed as a Board director
December 3, 2021

Expiry of current term of office
2025 Shareholders' Meeting

Professional address

KLM, AMS/AF
PO Box 7700,
1117 ZL Schiphol Airport,
The Netherlands

OTHER DIRECTORSHIPS AND OFFICES

N/A

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

OTHER

- Member of the KLM Works Council until November 2021;
- President of the KLM Works Council until September 2021;
- Non-executive director of the KLM Cabin Crew Pension Fund until October 2019;
- Member of the KLM section of the parliament of the Union of Dutch Cabin Crew until May 2019.

BIOGRAPHY

Expertise and professional experience

Born January 30, 1983, Terence Tilgenkamp joined KLM in 2006 as a cabin attendant. He has worked as a Chief Purser on KLM flights since 2018.

He was previously a member of the KLM section of the parliament of the Union of Dutch Cabin Crew, a member of the KLM Works Council which he Chaired from 2019 to 2021, and a non-executive Board director of the KLM Cabin Crew Pension Fund.

Board director whose mandate ended during the 2023 financial year

**Rodolphe Saadé**

Board director appointed as proposed by CMA CGM

Age: 53 years**Nationality:** French**First appointed as a Board director**

July 15, 2022

Expiry of term of office

2026 Shareholders' Meeting

Mandate end date

April 19, 2023

Number of shares held in the Company's stock

100

Professional addressBoulevard Jacques Saadé,
4, quai d'Arenc
13235 Marseille

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Chair of the Board of Directors and CEO of CMA CGM since November 2017;
- Chair of the Board of Directors of CEVA Logistics since April 2019;
- Member of the Supervisory Board of Métropole Télévision (M6) since February 2023.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

- Chair of the Board of Directors of GEFCO between October 2022 and July 2023;
- Permanent representative of VTP5 Investments S.A. which is a Board director of CIC Lyonnaise de Banque until May 2023.

BIOGRAPHY

Expertise and professional experience

Born in Beirut, Lebanon, in 1970, Rodolphe Saadé is Chairman and Chief Executive Officer of the CMA CGM Group.

Since his appointment as Chairman and CEO in 2017, Rodolphe Saadé has implemented a strategy aimed at accelerating the Group's transformation and diversification.

Under his leadership, CMA CGM has reinforced its transport offering with a fleet of more than 600 vessels and an expanded portfolio of terminals (Nhava Sheva, Beirut, Alexandria, Los Angeles, New York).

In 2021, he launched CMA CGA Air Cargo, a new operational and commercial division specialized in air freight.

At the same time he initiated the diversification of CMA CGM in logistics with the acquisition of CEVA in 2019. He realized targeted acquisitions to reinforce the Group's positioning in key areas: GEFCO in automobile logistics, Ingram CLS for warehouses and Colis Privé for last mile solutions.

The acquisition of the La Provence and La Tribune newspapers led to the creation of a media division for CMA CGM, which includes equity interests in audiovisual (M6) and digital (Brut).

With his long-term vision, Rodolphe Saadé has been committed, since 2021, to achieving net zero by 2050. He has invested more than \$15 billion to make CMA CGM a leader in its industry by decarbonizing its fleet.

In 2018, he created ZEBOX, CMA CGM's start-up accelerator which is present in six different geographies through innovation hubs in Marseille, Guadeloupe in the Caribbean, Abidjan in Ivory Coast, Arlington in the USA, Singapore and Manchester in the United Kingdom.

In 2024, to support these transformations and invent the transport and logistics of the future Rodolphe Saadé launched TANGRAM, the CMA CGM training and innovation center in Marseille.

Board director whose mandate ended during the 2023 financial year

**Isabelle Parize**

Independent Board director

Member of the Remuneration Committee and of the Audit Committee

Age: 66 years**Nationality:** French**First appointed as a Board director**

March 27, 2014

Expiry of term of office

2026 Shareholders' Meeting

Mandate end date

June 30, 2023

Number of shares held in the Company's stock

1,124

Professional address

ODYS SPRL

72, rue des Aduatiques

1040 Etterbeek Belgium

OTHER DIRECTORSHIPS AND OFFICES**FRENCH COMPANIES**

- Board director and Chair of the Audit Committee of Carbios⁽¹⁾ since July 2022.

NON-FRENCH COMPANIES

- Director of ODYS SPRL, Belgium;
- Board director and member of the Audit Committee of Coty⁽¹⁾ since March 2020;
- Board director of FLO Health Inc. since December 2020.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED**FRENCH COMPANIES**

Within Delsey Group until July 2021:

- President of DHI SAS;
- President of Delsey SAS;
- Board director of Auchan Retail International until October 2018;
- Board director of Robertet⁽¹⁾ until June 2020.

NON-FRENCH COMPANIES

- Board director and member of the Audit Committee of Pandora⁽¹⁾ until November 2021;

Within the Delsey Group:

- Board director of Delsey Luggage Inc. and Delsey DUSH from late 2018 until August 2021;
- Board director of Delsey Asia Limited, Delsey Hong Kong Ltd, and Delsey Dongguan from late 2018 until September 2021.

BIOGRAPHY**Expertise and professional experience**

Born June 16, 1957, Isabelle Parize is a graduate of the École Supérieure de Commerce de Paris.

Having occupied various positions within Procter & Gamble between 1980 and 1993 including notably that of Marketing Manager, Health and Beauty Care, Ms. Parize joined Henkel Group in 1994. She was Managing Director of Schwarzkopf, Henkel France, from 1994 to 1998, and then Senior Vice-President in charge of Europe, the Middle East and Africa (based in Germany) from 1998 to 2001. She subsequently became President of Canal+ Distribution and Chair and CEO of Canal Satellite in 2001. She then became President of the Fragrance division at Quest International (2005-07) and Managing Director then Vice-Chair of the company Betclic (2007-11) before joining Nocibé as President of the Managing Board (2011-16). She was Chair and Chief Executive Officer of Douglas Holding AG until October 2017. From November 2018 until August 2021, she was CEO of Delsey and of the DHI Holding company. Ms. Parize is currently Chair of the Supervisory Board of DHI and a member of several Boards of Directors.

(1) Listed company.

Board director whose mandate ended during the 2023 financial year

**Jean-Dominique Comolli**

Board director appointed by the Shareholders' Meeting as proposed by the French State
Member of the Appointments and Governance Committee and of the Remuneration Committee

Age: 75 years

Nationality: French

First appointed as a Board director
December 14, 2010

Expiry of term of office
2023 Shareholders' Meeting

Mandate end date
June 7, 2023

Professional address

Air France-KLM
7, rue du Cirque
75008 Paris

OTHER DIRECTORSHIPS AND OFFICES

N/A

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED**FRENCH COMPANIES AND PUBLIC INSTITUTIONS**

- Board director of France Télévisions representing the State.

BIOGRAPHY**Expertise and professional experience**

Born April 25, 1948, Jean-Dominique Comolli is a graduate of the Institut d'Etudes Politiques de Paris and of the École Nationale d'Administration and holds a Masters degree in Economic Sciences.

Mr. Comolli began his career in 1977 as a civil administrator before becoming a technical advisor at the Ministry of Budget under Laurent Fabius, then a member of Prime Minister Pierre Mauroy's and Laurent Fabius' staff. He then became Chief of Staff at the Budget Ministry under Michel Charasse, before being appointed Director of Customs in 1989. Between 1993 and 2010, he was Chair and Chief Executive Officer of Seita, Vice-Chair of Altadis until 2005 and Chair of the Board of Altadis between 2005 and 2010.

In September 2010, Mr. Comolli was appointed Commissioner for State Holdings, a position he was to occupy until October 2012.

He is currently an Honorary Civil Service Administrator.

Board director whose mandate ended during the 2023 financial year

**François Robardet**

Board director representing the ground staff and cabin crew employee and former employee shareholders
Member of the Audit Committee and of the Remuneration Committee

Age: 66 years

Nationality: French

First appointed as a Board director

December 6, 2016

Expiry of term of office

2026 AGM

Mandate end date

July 27, 2023

Number of shares held in the Company's stock
2,531

Professional address

Air France

5, avenue Maxwell

31109 Toulouse Cedex

OTHER DIRECTORSHIPS AND OFFICES**FRENCH COMPANIES**

- Full member (elected) of the Supervisory Board of the Aeroactions employee shareholder FCPE;
- Manager of SCI Arcole 3.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED**FRENCH COMPANIES**

- Full member (elected) of the Supervisory Board of the Aeropelican employee shareholder FCPE;
- Full member (elected) of the Supervisory Board of the Horizon Epargne Actions diversified savings fund.

BIOGRAPHY**Expertise and professional experience**

Born on November 9, 1957, François Robardet is a graduate of the École Nationale Supérieure des Arts et Métiers.

Mr. Robardet began his career in 1983 as a consulting engineer on management information systems within Compagnie Générale d'Informatique.

In 1993 he joined Air Inter as an IT project manager before moving to Air France in 1997.

Board director whose mandate ended during the 2023 financial year

**Karim Belabbas**

Board director representing the employees

Age: 50 years**Nationality:** French**First appointed as a Board director**

June 1, 2017

Expiry of term of office

2023 Shareholders' Meeting

Mandate end date

March 11, 2023

Professional address

Air France

45, rue de Paris

95747 Roissy Charles-de-Gaulle Cedex

OTHER DIRECTORSHIPS AND OFFICES

N/A

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

N/A

BIOGRAPHY**Expertise and professional experience**

Born July 28, 1973, Karim Belabbas is a graduate of the École Supérieure des Métiers de l'Aéronautique in Montpellier (1998). He holds a university degree in aeronautics from Saint-Denis University (2001). Having been an Air Traffic operations coordinator with Aéroport de Paris, Mr. Belabbas joined Air France in November 1999 as an Aircraft Leader. Since 2005 Karim Belabbas has been a support technician Weight and Balance, CDG Hub Ground Operations.

Board director whose mandate ended during the 2023 financial year



May Gicquel

Board director appointed by the French State
Member of the Audit Committee, of the Remuneration Committee
and of the Appointments and Governance Committee

Age: 38 years

Nationality: French

First appointed as a Board director
March 15, 2023

Expiry of term of office
2027 Shareholders' Meeting

Mandate end date
October 9, 2023

Professional address

Agence des Participations de l'État,
Ministère de l'Économie,
des Finances et de la Relance
139, rue de Bercy
75572 Paris Cedex 12

OTHER DIRECTORSHIPS AND OFFICES

FRENCH COMPANIES

- Board director of the RATP since November 21, 2023 and member of the Audit Committee;
- Board director of Aéroports de Paris (ADP)⁽¹⁾ since November 16, 2022 and member of the Audit and Risks Committee, the Remuneration Committee, the Appointments and Governance Committee and the Investment Strategy Committee;
- Member of the Supervisory Board of La Banque Postale since December 13, 2022 and of the Accounts Committee, the Appointments and Governance Committee, the Remuneration Committee and the Strategy and CSR Committee;
- Member of the Supervisory Board of Haropa Port since December 9, 2022 and member of the Audit Committee.

DIRECTORSHIPS AND OFFICES HELD IN THE LAST FIVE YEARS AND HAVING EXPIRED

FRENCH COMPANIES

- Member of the Board of the International Organization of the Global Environment Facility from September 2015 to August 2018;
- Alternate member of the Board of the Green Climate Fund International Organization until 2018;
- Member of the Trust Fund Committee of the Clean Technology Fund until 2018.

BIOGRAPHY

Expertise and professional experience

May Gicquel is a graduate of École Polytechnique and of the École Nationale des Ponts et Chaussées.

May Gicquel began her career at the French Treasury in July 2010, where she was responsible for the strategic and financial monitoring of the Agence Française de Développement (AFD) group, before being put in charge of eurozone financial stability issues from 2013 to 2015.

She was then appointed Head of the Multilateral Development Finance and Climate Office. There, she was responsible for supervising multilateral development banks and developing French positions on development aid and environmental and climate protection issues. She also represented France in governance bodies and international negotiations linked to these institutions.

From 2018 to 2022, she was head of the New York economic department, responsible for analyzing US economic policy and financial regulation, and developments in the United States.

May Gicquel has been Director of Transport Shareholdings at the Agence des Participations de l'État since November 25, 2022.

(1) Listed company.

Board director whose mandate ended during the 2023 financial year

**Stéphanie Besnier**

Board director appointed by the French State
Member of the Audit Committee

Age: 46 years

Nationality: French

First appointed as a Board director
June 27, 2022

Expiry of term of office
2023 Shareholders' Meeting

Mandate end date
March 15, 2023

Professional address

OVH Groupe
2, rue Kellermann
59100 Roubaix

OTHER DIRECTORSHIPS AND OFFICES**FRENCH COMPANIES**

- Chief Financial Officer of OVHcloud Group since March 2023 and member of the Executive Committee;
- Board director and member of the Audit Committee of Imerys⁽¹⁾ since May 2023.

DIRECTORSHIPS AND OFFICES HELD DURING THE LAST FIVE YEARS AND HAVING EXPIRED**FRENCH COMPANIES**

- Representative of the State on the Board of Directors of Orange⁽¹⁾ and member of Orange's Audit Committee until March 2023;
- Representative of the State on the Board of Directors of Engie⁽¹⁾ and member of the Audit Committee, of the Strategy, Investment and Technologies Committee and of the Appointments, Remuneration and Governance Committee of Engie until March 2023;
- Representative of the State on the Board of Directors of Safran⁽¹⁾ and member of the Audit and Risks Committee and of the Appointments and Remuneration Committee of Safran until February 2023;
- Board director of Bureau Veritas until April 2021.

NON-FRENCH COMPANIES

- Board director of IHS Towers (United States) until May 2021.

BIOGRAPHY**Expertise and professional experience**

Born March 10, 1977, Stéphanie Besnier is a graduate of the École Polytechnique (1997) and of the École Nationale des Ponts et Chaussées (2002), and holds a post-graduate diploma (DEA) in analysis and political economics. She has been IFA certified since 2015.

She started her career in 2001 as an analyst at BNP Paribas London then, in 2003, moved to the Treasury Department (Ministry of Economy and Finance) followed by the Agence des Participations de l'État (APE).

In 2007, she joined the investment firm Wendel as a business development manager within the investment team. In 2018, she was appointed Associate Director, co-head investment for Europe and in charge of developing Wendel Lab.

In April 2021, she was appointed Deputy Director General of the Agence des Participations de l'État.

Since March 2023, Ms. Besnier has been Chief Financial Officer of the OVHcloud Group⁽¹⁾ and a member of its Executive Committee.

(1) Listed company.

2.2 ORGANIZATION AND FUNCTIONING OF THE BOARD OF DIRECTORS

2.2.1 Functioning of the Board of Directors

Corporate Governance Code

The Board of Directors functions according to the corporate governance principles in force in France as set forth in the AFEP-MEDEF Corporate Governance Code (hereinafter the "AFEP-MEDEF Code"), updated on December, 20 2022 and available on the AFEP (www.afep.com) and MEDEF (www.medef.com) websites.

In application of Article L. 22-10-10, of the *Code de Commerce* (French Code of Commerce) and in line with the recommendations of the AFEP-MEDEF Code, this section identifies in a summary table the recommendations of the AFEP-MEDEF Code that have not been adopted and explains the reasons for this choice (see section 2.4 "Summary table of the AFEP-MEDEF's Comply or Explain recommendations not applied").

Internal Rules of the Board of Directors

On June 17, 2004, the Air France-KLM Board of Directors adopted a set of Internal Rules based on the corporate governance principles established by the AFEP-MEDEF Code.

In addition to the respective missions and powers of the Board of Directors, the Chair of the Board of Directors and

of the Chief Executive Officer, these Internal Rules specify the modalities for the organization and functioning of the Board of Directors, and establish the prerogatives and duties of Board directors as regards the rules on reporting, disclosure, confidentiality and conflicts of interest. They also determine the powers of each of the advisory Committees established within the Board.

The last update of the internal regulations took place on February 28, 2024. It concerns (i) aligning the missions of the Board of Directors with the recommendation of the AFEP-MEDEF Code concerning the Board's missions in terms of corporate social and environmental responsibility, (ii) the adjustment of the Audit Committee's missions and operations with regard to sustainability, in accordance with the new legal provisions resulting from the transposition of Directive (EU) 2022/2464 of December 14, 2022 (CSRD), and (iii) the adjustment of the minimum number of Air France-KLM shares that Directors are recommended to hold, following the reverse share split transaction carried out on August 31, 2023.

The Internal Rules of the Board of Directors are available on the Air France-KLM website at <http://www.airfranceklm.com> (Governance section).

2.2.2 Separation of the functions of Chair of the Board of Directors and Chief Executive Officer

During its meeting of May 15, 2018, the Air France-KLM Board of Directors decided to separate the functions of Chair of the Board of Directors and Chief Executive Officer. This decision followed Mr. Jean-Marc Janailiac stepping down as Chair and Chief Executive Officer of Air France-KLM, and the implementation of a transitional governance to, notably, enable the Chair of the Board of Directors, Ms. Anne-Marie Couderc, to focus on the effective functioning of the Board and on the search for candidates for the position of Air France-KLM's Chief Executive Officer.

On August 16, 2018, the Board of Directors confirmed the separation of the functions of Chair of the Board of Directors and Chief Executive Officer within the framework of the implementation of the long-term governance with the appointment of Mr. Benjamin Smith as the new Chief Executive Officer of Air France-KLM. The Board of Directors considered that this was the best governance option for the Company at this stage in its development in that it enables the Company to benefit

from a new dynamic with a Chair of the Board of Directors who is dedicated to governance matters and a Chief Executive Officer with recognized expertise in the air transport industry, who is focused on the Group's operations. The complementarity of their profiles and roles optimizes the Group's governance and ensures a balanced and respectful division of their respective missions. It also enables the effective coordination of the Board of Directors thanks to the presence of a Chair of the Board of Directors who is exclusively devoted to its functioning, and guarantees a more effective separation between the control and management functions.

On March 30, 2022, as recommended by the Appointments and Governance Committee, the Board of Directors decided on the early renewal of Mr. Benjamin Smith's mandate as Chief Executive Officer for a further five-year term of office, effective from the Shareholders' Meeting of May 24, 2022, and expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026.

On December 7, 2023, the Board of Directors decided to submit to the Shareholders' Meeting of June 5, 2024 a resolution aimed at amending the Articles of Incorporation to extend the age limit for the Chair of the Board of Directors to 75 years and to stipulate that, when the age limit for the Chair of the Board of Directors is reached during their term of office, the latter will continue to exercise the functions of Chair of the Board of Directors until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year during which this age limit is reached. The Board of Directors also decided that, subject to the approval of the aforementioned resolution and the renewal of her Board director mandate for a one-year term of office during the Shareholders' Meeting of June 5, 2024, Ms. Anne-Marie Couderc's functions as Chair of the Air France-KLM Board of Directors will continue until the end of her term of office as a Board director, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2024. The role and duties of the Chair of the Board of Directors would remain unchanged and in accordance with the provisions of the Articles of Incorporation and the Internal Rules of the Air France-KLM Board of Directors.

Powers and missions of the Chair of the Board of Directors

In her capacity as Chair of the Board of Directors, Ms. Anne-Marie Couderc organizes and steers the work of the Board of Directors, and ensures the preservation of the corporate interests and the effective functioning of the corporate bodies (Board of Directors, advisory Committees and Shareholders' Meetings) in the respect of the principles of good governance. She also ensures that the Board of Directors devotes the time required to issues of interest to the Group's future and, in particular, its strategy.

She has no executive responsibility but may represent the Group in its high-level relations, notably with the public authorities, major customers and partners, at both national and international level, in close collaboration with the Chief Executive Officer. She devotes her best efforts to promoting the values and image of the Group in all circumstances. Lastly, the Chief Executive Officer keeps her regularly informed of any significant events and situations relating to the life of the Group and she may ask him for any information relevant to the understanding of the Board and its advisory Committees⁽¹⁾. Ms. Couderc, an independent Board director, also retains her role as Chair of the Appointments and Governance Committee.

Powers and missions of the Chief Executive Officer

In his capacity as Chief Executive Officer of Air France-KLM, Mr. Smith is invested with the broadest powers to act in the Company's name in all circumstances within the limits of the corporate purpose and subject to those expressly attributed by law to the Shareholders' Meeting and the Board of Directors.

Furthermore, without prejudice to the legal provisions relating to the authorizations that must be granted by the Board of Directors (regulated agreements, securities, agreements and guarantees, divestment of equity interests and real estate, etc.), the provisions of the

Internal Rules of the Board of Directors require prior approval from the Board for operations by the Company and its Principal Subsidiaries whose amount is equal to or exceeds €150 million as outlined in points (i), (ii) and (iii) of paragraph (d) on the powers and missions of the Board of Directors hereinafter.

The Chief Executive Officer of Air France-KLM also chairs both the CEO Committee and the Group Executive Committee (see section 2.6 "Group management bodies: Group Executive Committee and CEO Committee").

Powers and missions of the Board of Directors

The Board of Directors deliberates on any matters falling within the powers devolved to it by law and those stipulated by the Internal Rules of the Board of Directors or in application of the AFEP-MEDEF Code.

In particular, prior to any decision or deployment by the Company or principal subsidiary (Air France, KLM, and any other subsidiary, as may be decided by the Board of Directors, hereinafter known as the "Principal Subsidiaries" or individually "Principal Subsidiary"), the Board of Directors:

- a) approves the Group's strategic directions, including its social and environmental policies, and reviews them as a whole at least once a year;
- b) approves the budget including the capex plan;
- c) without prejudice to the provisions of paragraph (d) below, approves any significant operations that are liable to affect the Group's strategy or modify its financial structure or scope of activity; the Chief Executive Officer being responsible for determining whether or not an operation is significant in nature;
- d) approves the following operations by the Company and its Principal Subsidiaries when their amount is equal to or exceeds €150 million:
 - (i) operating lease contracts, investments, the acquisition or sale of any assets including, specifically, the fleet, interests in companies formed or to be formed, participation in the formation of all companies, groups or organizations, subscriptions to all issues of shares, units or bonds,
 - (ii) borrowings, issues of bonds and aircraft financing,
 - (iii) granting of all exchanges with or without balancing cash adjustments involving the Company's assets, stocks or securities;
- e) as recommended by the Appointments and Governance Committee (as provided in Article 8 of the Internal Rules of the Board of Directors), approves the appointment of the Chair and Chief Executive Officer or Chief Executive Officer of any of the Principal Subsidiaries; and
- f) as recommended by the Remuneration Committee (as provided in Article 9 of the Internal Rules of the Board of Directors), approves the compensation of the Chair and Chief Executive Officer or Chief Executive Officer of any of the Principal Subsidiaries.

The Board of Directors is informed of the proper running of the company and its Principal Subsidiaries, and of the main acquisitions or disposals of any equity interests when their amount is inferior to €150 million.

⁽¹⁾ Article 1.2 of the Internal Rules of the Board of Directors.

2.2.3 Diversity policy applicable to the Board directors

As recommended by the Appointments and Governance Committee, at its meeting of March 16, 2023 the Board of Directors reviewed the criteria of the diversity policy applicable to the composition of the Board of Directors. The Board of Directors, in early 2024, confirmed this policy which remains relevant in view of the results of the evaluation of the Board of Directors carried out early in 2024 as well as the skills matrix of its Board directors (see below). The Board also stipulated that it is committed to promoting an adapted and diverse representation in terms of the experience, age and nationality of its members.

Selection criteria for Board directors

In the context of the appointment and re-appointment of Board directors, and to preserve the balance of its composition, the Board of Directors gives preference to the following selection criteria:

- openness to the world, international professional experience and the diversity of nationalities: Air France-KLM was created through the merger of two companies of different nationalities with global reach leading to numerous international challenges;
- general management experience acquired within major French and international companies; the Group numbers around 76,000 employees across three main types of activity: the Passenger business, the Cargo business and the Maintenance business operating in 117 countries;
- knowledge and experience of the transportation and airline sectors, as well as of tourism: these are the businesses in which the Group is primarily active; and
- the Board of Directors also ensures that expertise related to the Group's strategic priorities is represented within the Board, particularly in the areas of brand strategy, digital and customer relations, human resources, and social and environmental responsibility (CSR).

Implementation of the diversity policy

With the implementation of this diversity policy, the Board has set itself clear objectives:

- maintain the balance between the Company's various stakeholders and the balanced representation of men and women;

- seek a diverse and appropriate representation in terms of experience, age and nationality;
- prioritize the independence of spirit of the Board directors;
- promote adherence to the Group's fundamental values; and
- ensure the availability of the Board directors.

Changes in the composition of the Board of Directors during the 2023 financial year

The changes in the composition of the Board during the financial year ended December 31, 2023 were an integral part of the ongoing implementation of this diversity policy of the Board of Directors, notably by reinforcing the Board's international outlook, representation of skills in the transportation, airline, digital, customer relations, and CSR and climate-related domains.

Balance of nationalities and international openness

During the 2023 Shareholders' Meeting, the re-appointment of Mr. Benjamin Smith, Chief Executive Officer and a Board director of the Company, who holds Canadian nationality, and the re-appointment of Mr. Cees't Hart, President of the KLM Supervisory Board and a Board director, who holds Dutch citizenship, enabled the Board to maintain the diversity of its nationalities.

Five Board directors, namely Ms. Boeren and Mssrs Tilgenkamp, 't Hart, Wynaendts and Van den Berg, are Dutch nationals. Mr. Wang, a Board director appointed as proposed by China Eastern Airlines, is a Chinese national. Lastly, Mr. Smith, Chief Executive Officer and a Board director of the Company, holds Canadian citizenship while the US company Delta Air Lines, Inc. is represented by Mr. Bellemare who holds dual Canadian and US citizenship.

Five different nationalities are thus represented on the Board of Directors which, in addition to French nationals, numbered eight non-French Board directors (a Canadian Board director, five Dutch Board directors, one Canadian-US Board director and one Chinese Board director) at December 31, 2023. These Board directors bring to the Board of Directors an in-depth knowledge of their respective markets.

An adapted and varied representation in terms of gender parity, age and experience

By applying criteria like the balanced representation of men and women, professional qualifications and experience, age and nationality, the Board of Directors ensures that there is a balance conducive to the fulfillment of the tasks of the Board and of the individual Committees.

At December 31, 2023, the composition of the Board of Directors is balanced in terms of age, the Board directors being between 41 and 74 years of age, with an average age of 58 and only three Board directors aged more than 70 years⁽¹⁾.

The representation of men and women is also balanced at December 31, 2023, with seven of the 16 Board directors⁽²⁾ being women, i.e. a percentage of 44%. Furthermore, three of the four advisory Committees within the Board of Directors are chaired by women.

The appointment of Ms. Florence Parly, Mr. Yann Leriche, the co-optation of Mr. Pascal Bouchiat and the re-appointment as Board directors of Mr. Benjamin Smith and Mr. Cees 't Hart, reinforced the Board in terms of general management experience acquired within large French and international companies.

Balance of competencies within the Board of Directors at December 31, 2023

The following table shows, for each Board director, the areas of expertise that are essential to ensuring the effective functioning of the Board of Directors in relation to the issues it addresses. The review of these areas of expertise was the subject of a specific point during the evaluation of the Board of Directors which was carried out by an independent service provider as part of the analysis of the contributions of the individual Board directors to the work of the Board.

Furthermore, the re-appointment as a Board director of Mr. Benjamin Smith, the appointments of Ms. Florence Parly, Ms. Céline Fornaro, Mr. Yann Leriche, Mr. Didier Dague and Mr. Nicolas Foretz, together with the co-optation of the company CMA-CGM, represented by Mr. Ramon Fernandez, reinforced the Board's knowledge and experience of the transport and airline industries. In addition, the appointments and re-appointments having taken place in 2023 strengthened the representation of skills in terms of social and environmental responsibility and the risks linked to climate change, digital and cybersecurity, and in customer relations.

⁽¹⁾ Pursuant to Article L. 225-19 of the Code de Commerce, the number of Board directors having reached 70 years old may not be more than one third of the Board directors in function.

⁽²⁾ The Board directors representing the employees and the Board directors representing the employee shareholders are not included in this calculation.

Competencies of the Board of Directors at December 31, 2023

Board director	Current main function	General Management	Transport (GICS 2030) ⁽¹⁾	Air transport (GICS 2030) ⁽¹⁾	Digital	Brand Strategy
Anne-Marie Couderc	Chair of the Air France-KLM Board of Directors, and a company Board director	✓	✓	✓	✓	✓
Benjamin Smith	Chief Executive Officer of Air France-KLM	✓	✓	✓		✓
Gwenaëlle Avice-Huet	Schneider Electric Executive Vice-President Europe Operations and Executive Committee Member	✓			✓	
Leni M.T. Boeren	Chair of the Supervisory Board, member of the Supervisory Board and Board director of companies	✓			✓	✓
Isabelle Bouillot	President of China Equity Links	✓	✓	✓		
Delta Air Lines, Inc. (represented by Alain Bellemare)	Airline company	✓	✓	✓	✓	✓
Cees 't Hart	CEO of Carlsberg Group (Denmark) Chair of the KLM Supervisory Board (Netherlands)	✓				✓
Dirk Jan van den Berg	Chair of the Association of Health Insurance Companies in the Netherlands (ZN, Zorgverzekeraars Netherlands)	✓			✓	
Anne-Marie Idrac	Company director and consultant	✓	✓	✓	✓	
CMA CGM (represented by Ramon Fernandez)	International shipping and logistics company		✓	✓	✓	
Florence Parly	Board director of companies	✓	✓	✓		
Jian Wang	Corporate Secretary of China Eastern Airlines Corporation and Chair of Eastern Airlines Industry Investment Co., Ltd.	✓	✓	✓		✓
Alexander R. Wynaendts	Chair of the Supervisory Board, member of the Supervisory Board and Board director of companies	✓			✓	
Céline Fornaro	Deputy CEO of the <i>Agence des Participations de l'État</i> (APE)		✓	✓		
Yann Leriche	Chief Executive Officer of Getlink	✓	✓		✓	✓
Pascal Bouchiat	Senior Executive Vice President, Chief Financial Officer at Thales Group	✓			✓	
Nicolas Foretz	Air France cabin crew			✓		
Michel Delli-Zotti	Flight Captain			✓		
Dider Dague	Group trader			✓		✓
Terence Tilgenkamp	Chief Purser, KLM Flight Operations			✓	✓	✓
TOTAL NUMBER OF BOARD DIRECTORS		14	10	13	11	9

(1) Global Industry Classification Standard (GICS), code levels 2 and 3.

Risk management	Governance	International	Public affairs	Finance	Ethics and compliance	Cybersecurity	HR	CSR	Risks linked to climate change	Customer relations
✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
	✓	✓	✓			✓		✓	✓	✓
✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
✓	✓	✓	✓	✓	✓					
✓		✓	✓	✓	✓		✓	✓	✓	✓
✓	✓	✓		✓	✓		✓	✓	✓	✓
✓	✓	✓	✓		✓		✓			
	✓	✓	✓		✓			✓	✓	
✓	✓	✓	✓	✓						
✓	✓	✓	✓	✓		✓				✓
	✓	✓		✓					✓	✓
✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
	✓		✓	✓				✓		
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
✓	✓	✓		✓	✓	✓		✓		✓
✓				✓	✓		✓	✓	✓	✓
✓		✓					✓	✓	✓	✓
✓	✓		✓		✓		✓	✓		✓
16	16	16	14	15	13	6	11	13	12	15

2.2.4 Independence of the Board directors

Having examined the situation of each Board director as at December 31, 2023 in the light of the criteria stipulated by the AFEP-MEDEF Code, and as proposed by the Appointments and Governance Committee, at its meeting of February 28, 2024 the Board of Directors adopted the following position:

- seven Board directors (Ms. Avice-Huet, Ms. Boeren, Ms. Bouillot, Ms. Couderc⁽¹⁾, Ms. Idrac, Ms. Parly and Mr. Wynaendts) are independent in that:
 - none of these seven Board directors has directly or indirectly a relationship of any nature, whether with the Company, its Group or its management, that is such as to color their judgement,
 - no significant business relationships exist between the Group and any of these independent board directors, and
 - in her capacity as Chair of the Board of Directors, Ms. Anne-Marie Couderc receives only fixed compensation and no variable compensation in the form of either cash or shares;
- although they were appointed as proposed by the Supervisory Board of KLM in accordance with the 2003 agreements relating to the business combination between Air France and KLM, Ms. Boeren and Mr. Wynaendts are independent with respect to §10.2 of the AFEP-MEDEF Code insofar as they have no direct or indirect relationship of any kind whatsoever with the Company, its Group or its management that could compromise the exercise of their freedom of judgement. Ms. Boeren and Mr. Wynaendts have no special interest (significant shareholder, employee, other) in the Company or its Group. Ms. Boeren and Mr. Wynaendts have been independent directors of Air France-KLM since, respectively, May 2017 (first appointed as a Board director) and May 2020 (re-appointment date following a first appointment as a Board director in May 2016);
- the other non-independent Board directors are:
 - a representative of the French State appointed by ministerial decree: Ms. Fornaro,
 - Board directors appointed by the Shareholders' Meeting as proposed by the French State: Mr. Leriche and Mr. Bouchiat,
 - a Board director appointed by the Shareholders' Meeting as proposed by the Dutch State: Mr. Dirk Jan van den Berg⁽²⁾,
 - Delta Air Lines, Inc⁽³⁾, whose permanent representative is Mr. Bellemare,
 - a Board director whose candidature was proposed by China Eastern Airlines: Mr. Wang⁽⁴⁾,

- CMA CGM⁽⁵⁾ whose co-optation was proposed to the Shareholders' Meeting (permanent representative Mr. Fernandez),
- representatives of the employee shareholders: Mr. Delli-Zotti and Mr. Foretz,
- representatives of the employees: Mr. Dague and Mr. Tilgenkamp, and
- executive officers of the Air France-KLM group: Mr. Smith, Chief Executive Officer of Air France-KLM and a Board director of Air France, and Mr. t Hart, Chair of the KLM Supervisory Board.

Given the above, and in application of the provision of the AFEP-MEDEF Code by which Board directors representing employee shareholders and Board directors representing the employees are not counted in the calculation of the percentages of independent shareholders within the Board of Directors and its Committees (§10.3 and 16.1 of the AFEP-MEDEF Code), the percentages of independent directors as of December 31, 2023 are:

- 44% in the Board of Directors;
- 75% in the Audit Committee (chaired by an independent director);
- 67% in the Appointments and Governance Committee (chaired by an independent director);
- 60% in the Remuneration Committee (chaired by an independent director); and
- 40% in the Sustainable Development and Compliance Committee (chaired by an independent director).

The proportion of independent directors at December 31, 2023 (44%) is thus below the 50% threshold recommended by the AFEP-MEDEF Code for non-controlled companies.

This divergence has emerged following the latest capital transactions.

In effect, on March 25, 2019, the Board of Directors of Air France-KLM considered, based on a report from the Appointments and Governance Committee, that in view of the Dutch State's acquisition of a shareholding in Air France-KLM on February 26, 2019, the Board director appointed as proposed by the Dutch State, could no longer qualify as an independent director as of that same date.

Furthermore, on May 22, 2022, the company entered into a subscription agreement within the framework of the conclusion of a long-term strategic partnership in air cargo wherein CMA CGM, whose permanent representative is Mr. Fernandez, was appointed as a Board director of Air France-KLM.

⁽¹⁾ Ms. Anne-Marie Couderc, Chair of the Air France-KLM Board of Directors is also non-executive Chair of the Air France Board of Directors.

⁽²⁾ Pursuant to the agreements of October 16, 2003 concluded between the Dutch State, Air France and KLM.

⁽³⁾ Pursuant to the provisions of the Memoranda of Understanding concluded, inter alia, between Delta Air Lines Inc. and Air France-KLM on July 27, 2017.

⁽⁴⁾ Pursuant to the provisions of the Marketing Agreement concluded between China Eastern Airlines and Air France-KLM on July 27, 2017.

⁽⁵⁾ Pursuant to the long-term strategic partnership in air cargo between CMA CGM and Air France-KLM, entered into on May 22, 2022 and the Amendment to this Subscription Agreement signed on April 19, 2023.

This divergence is thus due to the specificity of Air France-KLM's shareholder structure, the latter numbering the French (28%) and Dutch States (9.1%) amongst its shareholders, along with three major commercial partners, namely CMA CGM (8.8%), China Eastern Airlines (4.6%) and Delta Air Lines, Inc. (2.8%). Collectively these shareholders represent 53.3% of Air France-KLM's share capital as of December 31, 2023. The Board directors appointed as proposed by these shareholders may not be considered to be independent.

Furthermore, the 28% shareholding held by the French State enables the latter, pursuant to the provisions of Ordinance No.2014-948 of August 20, 2014, to benefit from a seat on the Board reserved for a Board director representing the French State and to propose Board directors to the Shareholders' Meeting.

Two Board directors have been proposed by the French State. They represent the interests of the French State in its capacity as a shareholder (Article 6 III of the aforementioned decree).

In that it is aware of the interest of having a significant proportion of independent Board directors, Air France-KLM is steadily increasing the proportion of independent directors within its Board of Directors.

Furthermore, since Air France-KLM and CMA CGM have agreed that CMA CGM would stand down as a Board director of Air France-KLM effective March 31, 2024, the proportion of independent directors within the Board of Directors has risen to 47%.

Independence of the Board directors

Criteria to be evaluated pursuant to paragraphs 10.5 to 10.7 of the AFEF-MEDEF Code	Criterion 1⁽¹⁾	Criterion 2⁽²⁾	Criterion 3⁽³⁾	Criterion 4⁽⁴⁾	Criterion 5⁽⁵⁾	Criterion 6⁽⁶⁾	Criterion 7⁽⁷⁾	Criterion 8⁽⁸⁾	Independent director
Gwenaëlle AVICE-HUET	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Leni M.T. BOEREN	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Pascal BOUCHIAT	✓	✓	✓	✓	✓	✓	✓	X	No
Isabelle BOUILLLOT	✓	✓	✓	✓	✓	✓	✓	✓	Yes
CMA CGM	✓	✓	X	✓	✓	✓	✓	X	No
Anne-Marie COUDERC	X ⁽⁹⁾	✓	✓	✓	✓	✓	✓	✓	Yes
Didier DAGUE	X	✓	✓	✓	✓	✓	✓	✓	No
Michel DELLI-ZOTTI	X	✓	✓	✓	✓	✓	✓	✓	No
Cees 'T HART	X	✓	✓	✓	✓	✓	✓	✓	No
Nicolas FORETZ	X	✓	✓	✓	✓	✓	✓	✓	No
Céline FORNARO	✓	✓	✓	✓	✓	✓	✓	X	No
Dirk Jan VAN DEN BERG	✓	✓	✓	✓	✓	✓	✓	X	No
Delta Air Lines, Inc.	✓	✓	X	✓	✓	✓	✓	X	No
Anne-Marie IDRAC	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Yann LERICHE	✓	✓	✓	✓	✓	✓	✓	X	No
Florence PARLY	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Benjamin SMITH	X	✓	✓	✓	✓	✓	✓	✓	No
Terence TILGENKAMP	X	✓	✓	✓	✓	✓	✓	✓	No
Jian WANG	✓	✓	X	✓	✓	✓	✓	X	No
Alexander R. WYNAENDTS	✓	✓	✓	✓	✓	✓	✓	✓	Yes

(1) Employee, executive officer or Board director of a consolidated company within the past five years.

(2) Cross-directorships.

(3) Significant business relationships.

(4) Family ties.

(5) Statutory Auditors.

(6) Term of office exceeding 12 years.

(7) Non-executive officer status.

(8) Significant shareholder status.

(9) Anne-Marie Couderc, Chair of the Air France-KLM Board of Directors, is also non-executive Chair of the Société Air France Board of Directors.

Training for Board directors

Newly-appointed Board directors are encouraged to meet with the company's principal executives and are offered site visits to increase their understanding of the Group's business environment and activities. For example, visits took place following the appointment of new Board directors in 2023, notably to the Roissy-Charles de Gaulle Hub Control Center, to the operational platform and to the Operations Control Center. On their appointment, they are also sent a dossier including, notably, the Air France-KLM Articles of Incorporation, the Internal Rules of the Board of Directors, the Universal Registration Document, the latest press releases issued by the Company and a reminder of the stock market compliance rules.

Pursuant to Article 4 of the Internal Rules of the Board of Directors, on their appointment and during their terms of office, every Board director (including the Board directors representing the employees and the employee shareholders) can benefit from the training that they deem necessary for the exercise of their mandate. This training is proposed and organized by the Company.

This training, which is paid for by the Company, is mostly carried out via a program designed by a professional body, supplemented by in-house training offered by the Company, and is aimed at gaining a better understanding of the functioning of the Board of Directors and their roles as Board directors. Accounting and financing modules are also proposed to enable them to improve their financial know-how. A portion of this training time is carried out within the Company. Pursuant to the applicable regulation, during its meetings of April 19, 2023 and February 28, 2024, the Board of Directors decided to terminate and update the training program in French and English offered to the Board directors representing the employee shareholders and the employees. Specific modules related to climate issues or, in connection with the deployment of the anti-bribery plan, are also offered to the Board directors.

Furthermore, during the 2024 first half, a workshop dedicated to the impacts of climate change, the principle of double materiality and the implementation of the CSRD within the Group will be organized for the members of the Audit Committee and of the Sustainable Development and Compliance Committee.

2.2.5 Other rules applicable to Board directors

Situation of conflict of interests

Pursuant to the recommendations of the AFEP-MEDEF Code and Article 11 of the Internal Rules of the Board of Directors (as amended by a decision of the Board of directors of February 28, 2024), Board directors are bound to report to the Board of Directors any situation of a conflict of interests, whether actual or potential, owing to positions they hold in another company, and must abstain from taking part in the deliberation and voting on the related resolution. Every year, the Company sends the Board directors a questionnaire enabling confirmation that there are no conflicts of interest and the Company to be informed of any potential conflicts.

With the exception of Ms. Florence Parly who has declared that she is a member of the board of the French international solidarity organization Acting for Life, of which Air France is one of the main financial partners, to the Company's knowledge none of the Board directors are related and there are no conflicts of interest between the duties of the Board directors with regard to the Company and their private interests and other duties.

With the exception of the agreements listed below, there are no arrangements or agreements between the main shareholders, customers, suppliers or other parties, in accordance with which a member of the Board of Directors has been selected:

- (i) the agreements signed on October 16, 2003 between Air France, KLM and the Dutch government pursuant to which four Board directors are appointed to the Board of Directors as proposed by KLM and the Dutch government (see section 2.1 "Composition of the Board of Directors");
- (ii) the agreements signed on July 27, 2017 between, firstly, Air France-KLM and Delta Air Lines, Inc. and, secondly, between Air France-KLM and China Eastern Airlines pursuant to which Delta Air Lines, Inc. and Mr. Wang were appointed to the Board of Directors (see section 2.7.4 "Partnerships with Air France-KLM"); and
- (iii) the subscription agreement entered into on May 22, 2022 between Air France-KLM and CMA CGM pursuant to which CMA CGM was appointed as a Board director and the commercial cooperation agreement in air freight entered into on December 9, 2022 between Air France-KLM, Air France, KLM, CMA CGM and CMA CGM Air Cargo.

On January 16, 2024, Air France-KLM and CMA CGM announced the termination of the existing agreements effective March 31, 2024 and the opening of discussions on the new terms and conditions of a business relationship in which each party would operate independently. As the parties have also agreed on CMA CGM's resignation from the Board of Directors (see section 2.7.4 "Partnerships with Air France-KLM"), CMA CGM ceased to have a permanent representative as of March 31, 2024.

Furthermore, pursuant to the provisions of Ordinance No. 2014-948 of August 20, 2014 concerning the governance and transactions involving the share capital of public sector companies and the application decree-law No. 2014-949 of August 20, 2014, a Board director representing the French State is appointed by ministerial decree and two Board directors are appointed by the Shareholders' Meeting as proposed by the French State. In addition, pursuant to Articles L. 225-23 and L. 22-10.5 of the *Code de Commerce* (French Code of Commerce), L. 6411-9 of the *Code des Transports* (French Transport Code) and 17.2 of the Air France-KLM Articles of Incorporation, as proposed by the employee (and former employee) shareholders referred to in Article L. 225-102 of the *Code de Commerce*, two Board directors representing the employee and former-employee shareholders are appointed by the Shareholders' Meeting. Lastly, in that the Board of Directors is composed of more than eight directors, two Board directors representing the employees have seats on the Board of Directors pursuant to the provisions of Article L. 22-10-7 of the *Code de Commerce* and Article 17-3 of the Air France-KLM Articles of Incorporation (see section 2.2.3 "Rules applicable to the appointment and replacement of Board directors").

As at December 31, 2023, there were no service level contracts binding any member of the Board of Directors to Air France-KLM or to one of its subsidiaries and foreseeing the granting of benefits under the terms of the contract.

As at December 31, 2023, with the exception of Delta Air Lines, Inc. and CMA CGM (see, respectively, firstly the subscription agreement entered into on July 27, 2017 and, secondly, the subscription agreement entered into on May 22, 2022 and the business cooperation agreement in air freight entered into on December 9, 2022), detailed in section 2.7.4 "Partnerships with Air France-KLM"), subject to respect of the rules relating to the prevention of insider trading and the obligation foreseen in the Internal Rules of the Board of Directors (as amended by a decision of the Board of Directors of February 28, 2024), Board directors are required to own at least one hundred shares in the Company for the duration of their terms of office⁽¹⁾; none of the Board directors have accepted restrictions on the sale of their holdings in the share capital of Air France-KLM.

Stock market and ethical compliance

The Compliance Code, adopted by the Board of Directors on March 25, 2004, and as amended on November 17, 2017, notably remains company officers, senior executives of the Company, anyone with close personal ties with the latter and certain employees with access to inside information that, owing to their positions within Air France-KLM, they are required to refrain from trading in the Company's shares for a minimum of (i) thirty calendar days prior to the publication of the full annual and half-year financial statements and (ii) a minimum of fifteen calendar days prior to the publication of the full quarterly financial statements, the day of their publication being included in these periods. The Code also reiterates the specific obligations (particularly relating to access to inside information) applying to senior executives, Board directors and anyone with access to inside information

relating to Air France-KLM concerning the use of this information and their trading in the shares of Air France-KLM pursuant to the applicable laws and regulations relating to market abuse.

In the past five years, to the Company's knowledge, no Board director has been the subject of a fraud conviction or official public sanction by the statutory or regulatory authorities, associated with a bankruptcy, sequestration of goods or a placing of a company under administrative receivership nor has, lastly, been prevented by a court from acting as a member of a management or supervisory body of an issuer or from involvement in managing the business of an issuer. This information is confirmed every year via a questionnaire sent to the Board directors.

Regulated agreements and commitments

Agreements referred to in Articles L. 225-37-4 paragraph 2° and L. 22-10-10 of the Code de Commerce

Except for the agreements detailed in the section relating to the regulated agreements referred to in Article L. 225-38 of the *Code de Commerce* below and agreements covering current operations and entered into under normal terms and conditions, no agreements were entered into in 2023, either directly or through an intermediary, between, on one side, a Board director or shareholder of Air France-KLM holding a fraction of the voting rights greater than 10% (French and Dutch States) and, on the other, a corporate shareholder in which more than half the share capital is held, directly or indirectly, by Air France-KLM.

Agreements referred to in Article L. 225-38 of the Code de Commerce

Agreements and commitments authorized and signed during the 2023 financial year

Repurchases of a fraction of the Undated Deeply Subordinated Notes and subscription to new Undated Deeply Subordinated Notes for a total amount of €727,800,000

As part of the Group's recapitalization plan announced on April 6, 2021, Air France-KLM entered into a subscription agreement on April 20, 2021 relating to the issue by the Company and the subscription by the French Republic of undated deeply subordinated notes in the total amount of €3 billion composed of three €1 billion tranches redeemable, respectively, in April 2025 (the "NR4 Deeply Subordinated Notes"), April 2026 (the "NR5 Deeply Subordinated Notes") and April 2027 (the "NR6 Deeply Subordinated Notes") (together the "Deeply Subordinated Notes"). Following the various repurchases and redemptions realized in 2022, only the NR6 Deeply Subordinated Notes remained outstanding, representing a principal amount of €595,000,000, i.e. 5,950 NR6 Deeply Subordinated Notes whose repurchase was carried out in full on March 17, 2023 and April 19, 2023.

⁽¹⁾ This obligation to hold at least one hundred shares in the company for the duration of their terms of office is not applicable to the Board directors representing the employee shareholders, the Board directors elected by the employees and the Board directors representing the employees (Article L. 225-25 paragraph 3 of the *Code de Commerce*), nor to the Board directors appointed by the State or appointed by the Shareholders' Meeting as proposed by the State (Articles 5 paragraphs 5 and 6 VI of Ordinance No. 2014-948 of August 20, 2014).

The recapitalization aid also included the subscription by the French State, simultaneously with the subscription to the Undated Deeply Subordinated Notes, to €593 million in shares as part of the Company's capital increase of approximately €1.04 billion in April 2021 (the "State Shares 2021" and, with the TSS French State, the "Recapitalization").

As a result of this objective of full repayment of the Recapitalization aid, in two stages on March 17, 2023 and April 19, 2023, the Company repurchased the NR6 Undated Deeply Subordinated Notes remaining in circulation. These repurchases were carried out subject to the subscription by the French State of new Deeply Subordinated Notes in the amount of €320,400,000 on March 17, 2023 (the "Subordinated Notes March 2023") and €407,400,000 on April 19, 2023 ("the "Subordinated Notes April 2023" and, together with the Subordinated Notes March 2023, the "Subordinated Notes 2023") (it being specified that the Subordinated Notes April 2023 will be assimilated to the Subordinated Notes March 2023 from March 17, 2024).

As part of the repurchase of these Undated Deeply Subordinated Notes and the issue of the Subordinated Notes 2023, the Company entered into the following agreements with the French State, which held 28.6% of the Company's share capital at the date of conclusion of these agreements:

- on March 17, 2023, the repurchase offer by the Company for 3,000 NR6 Deeply Subordinated Notes and the corresponding interest for an amount of €320,404,110 and (ii) the subscription agreement for the issue of 3,204 Subordinated Notes March 2023 for an amount of €320,400,000 by the Company and subscribed in full by the French State; and
- on April 19, 2023, (i) the repurchase offer by the Company for 2,950 NR6 Deeply Subordinated Notes and the corresponding interest for an amount of €317,064,377.50, together with the payment of a sum of €90,354,401.01 relating to the application of Article 64ter of the Temporary Framework, as set out below, to remunerate the French Republic following the aid granted within the framework of its purchase of an equity interest during the capital increase of April 2021 (the "Exit Amount") and (ii) the subscription agreement for the issue of 4,074 Subordinated Notes April 2023 in the amount of €407,400,000 by the Company and subscribed in full by the French State (the "Regulated Agreements").

On March 17 and April 19, 2023, the Company committed to repurchasing the balance of the NR6 Deeply Subordinated Notes for an amount of around €727,800,000, subject to the subscription by the French State of the Subordinated Notes 2023 on, respectively, March 17, 2023 and April 19, 2023.

It is specified that the Repurchase carried on April 19, 2023 was realized for a price corresponding to the nominal value and accrued interest, as well as a sum corresponding to the Exit Amount.

With a view to repaying the Recapitalization aid and given that the French State announced to the Air France-KLM Board of Directors that it did not intend to sell the State Shares 2021, the French State gave its consent to benefit from the provisions of point 64ter of the Temporary Framework. Under these provisions, the exit of the French State from the Recapitalization may take the form of the retention by the French State of the shares subscribed as part of the Recapitalization, after the expiry of a two-year

period from the Recapitalization, subject to the granting to the French State of the required remuneration and, where applicable, compensation due for a loss of value of the shares subscribed by the French State, under the conditions set out in point 64bis of the Temporary Framework and agreed with the European Commission. As the aforementioned two-year period expired on April 19, 2023, Air France-KLM intended to implement the mechanism referred to in point 64ter of the Temporary Framework by making a payment to the French State of the exit amount (the "Exit Amount") to enable the complete lifting of the "bans" imposed on Air France-KLM due to the granting of the Recapitalization, as explained in greater detail by the Board of Directors at its meeting of February 16, 2023.

As part of the repurchases, the Company undertook to cancel the repurchased Deeply Subordinated Notes and not to reissue or resell them.

In parallel, the Company issued the Deeply Subordinated Notes 2023 in two stages and subscribed in full by the French State in cash, representing the amount of the balance of the NR6 Deeply Subordinated Notes increased by the Exit Amount. In this context, the Company and the French State entered into two subscription agreements, respectively on March 17, 2023 and April 19, 2023.

Mr. Pascal Bouchiat and Mr. Jean-Dominique Comolli, Board directors appointed by the Shareholders' Meeting as proposed by the French State, could be considered to be indirectly interested in the conclusion of the agreements relating to the subscription and repurchases due to the fact that the French State held 28.6% of the Company's share capital at the date of conclusion of the Repurchases.

Ms. May Gicquel, a Board director representing the French State appointed by a ministerial decree dated March 15, 2023, replacing Ms. Stéphanie Besnier, is considered to be indirectly interested in the conclusion of the agreements relating to the subscription and repurchases due to the fact that the French State held 28.6% of the Company's share capital at the date of conclusion of the Regulated Agreements.

Pursuant to Article L. 225-38 of the *Code de Commerce*, the Company's Board of Directors authorized the conclusion of the subscription and repurchase offers at its meeting of February 16, 2023. Mr. Pascal Bouchiat, Mr. Jean-Dominique Comolli and Ms. Stéphanie Besnier did not take part in the deliberations or vote on the Repurchases.

Within the context of the recovery in airline industry activity, at levels close to those of prior to the Covid crisis, the Company considered that it was now vital to proceed with the effective and full redemption of the Recapitalization aid.

The repurchases were therefore concluded to allow the Company to redeem in full the Undated Deeply Subordinated Notes issued by the Company on April 20, 2021, for a total amount of €3 billion and fully subscribed by the French State by way of set-off on claims held by the French State against the Company pursuant to the shareholder's current account agreement dated May 6, 2020, entered into between the French State and the Company. The repurchase offer concluded on April 19, 2023 was further increased by the Exit Amount due by the Company to the French State in accordance with the rules provided for in the Temporary Framework and the decision to grant Covid aid (Decision SA.59913).

The repurchases were carried out subject to the subscription by the French State to the Super Subordinated Notes 2023 corresponding to the amounts provided for in the repurchase offers, i.e. a total of around €727,800,000. This subscription was carried out following approval by the European Commission, on February 16, 2023, of a compensation aid from the French State without any bans for the benefit of Air France-KLM and Air France.

No Undated Deeply Subordinated Notes have been outstanding since April 19, 2023.

In agreement with the French State Shareholdings Agency (*Agence des Participations de l'État* – APE), it was decided to fix the repurchase price of the notes as the sum of the nominal value and the value of the coupons accrued, plus the Exit Amount, at the dates of the Repurchases. This corresponds to:

- an additional cost in relation to the nominal value of €20.4 million for the 3,000 NR6 Deeply Subordinated Notes; and
- an additional cost in relation to the nominal value of €22 million for the 2,950 NR6 Deeply Subordinated Notes, it being specified that to this amount has been added the payment of a sum of €90,354,419.01 as the Exit Amount.

This cost was offset by the subscription by the French State to the Deeply Subordinated Notes 2023.

Amendment to the subscription agreement entered into on May 22, 2022 between Air France-KLM and CMA CGM

On May 22, 2022, Air France-KLM (the “Company”) entered into a subscription agreement in the context of the conclusion of a long-term strategic partnership in air freight with the company CMA CGM, a shareholder of the Company with 9% of its share capital (the “Subscription Agreement”).

On April 19, 2023, the Company concluded an amendment to the Subscription Agreement.

In effect, in February 2023, Mr. Rodolphe Saadé, a Board director of the Company, had announced his intention to be replaced as a Board director by the company CMA CGM.

As the Subscription Agreement initially stipulated that the person nominated by CMA CGM to be proposed for appointment by the Company’s Board of Directors had to be a natural person, it was decided to amend the Subscription Agreement to allow the nomination of a legal person.

Consequently, on April 19, 2023, the Company’s Board of Directors authorized the signature by the Company of an Amendment to the Subscription Agreement allowing the nomination by CMA CGM of a legal person.

The other provisions of the Subscription Agreement remain unchanged.

Mr. Rodolphe Saadé, a Board director appointed by the Shareholders’ Meeting of May 24, 2022 as proposed by CMA CGM, could be considered to be directly interested in the conclusion of the amendment to the Subscription

Agreement due to, in particular (i) his position as a member of the Company’s Board of Directors and (ii) his position as Chair and Chief Executive Officer of CMA CGM.

Pursuant to Article L. 225-3 of the *Code de Commerce*, the Company’s Board of Directors authorized the conclusion of the amendment to the Subscription Agreement during its meeting of April 19, 2023. Mr. Rodolphe Saadé did not take part in the deliberation or the vote on the amendment to the Subscription Agreement.

The objective of the conclusion of the amendment to the Subscription Agreement was to ensure the continuity of the cooperation between Air France-KLM and CMA CGM by ensuring the possibility for CMA CGM to be represented within the Company’s Board of Directors by a natural or a legal person.

Apart from the impact on the composition of the Company’s Board of Directors, this amendment has no other impact on the Company’s business and the long-term strategic partnership in air freight with the company CMA CGM.

Termination of the financial settlement waiver agreement relating to the joint-venture agreement with China Eastern Airlines Co. Ltd.

On December 4, 2020, the Air France-KLM Board of Directors authorized the suspension of the financial mechanism relating to the “settlement” (financial mechanism designed to distribute the income generated by the joint-venture) set forth in the joint-venture agreement entered into with China Eastern Airlines Co. Ltd. on November 26, 2018 (the “JV Agreement”), effective February 1, 2020.

With the reopening of the Chinese borders in early 2023, the company initiated discussions with China Eastern Airlines Co. Ltd, aimed at reactivating the financial mechanism provided in the initial JV Agreement.

The parties then entered into an agreement providing for the reactivation of the financial settlement mechanism as set forth in the JV Agreement as from July 1, 2023 until December 31, 2023 (inclusive), but with a decrease in the settlement cap of the JV’s total revenues so as to limit the financial risk for the parties given the uncertainty still overhanging the recovery dynamic.

Mr. Jian Wang, Board director appointed as proposed by China Eastern Airlines Co. Ltd, could be considered to be directly interested in the signature of the Agreement due to, in particular (i) his position as a member of the Company’s Board of Directors and (ii) his position as Corporate Secretary of China Eastern Airlines Co. Ltd.

Pursuant to Article L. 225-38 of the *Code de Commerce*, the Board of Directors of the Company authorized the conclusion of the Agreement at its meeting of July 27, 2023. Mr. Jian Wang did not take part in the deliberation or the vote with respect to the Agreement.

The signature of the Agreement will enable the financial mechanism provided for in the initial JV Agreement to again be applied, thereby enabling the renewed coordination and cooperation with China Eastern Airlines Co. Ltd.

Conclusion of an Investment Agreement between Air France-KLM, Air France, KLM, BlueTeam VII, AP Fides Holdings I LLC and AP Fides Holdings II LLC

On October 26, 2023, Air France-KLM entered into an investment agreement (the "Investment Agreement") with Air France, KLM, BlueTeam VII ("Newco"), AP Fides Holdings I LLC (the "Bond Investor") and AP Fides Holdings II LLC (the "Share Investor"), setting forth the terms and conditions of the proposed financing transaction for up to €1.5 billion raised by Newco, to which will be transferred certain assets of the Flying Blue loyalty program relating to the Miles-issuing business on an exclusive basis with the program's third-party partners ("Project Fides" or the "Transaction").

Note that, on July 27, 2023, the Board of Directors authorized the entry into exclusive discussions with Apollo Capital Management, L.P. to negotiate and finalize the transaction documents relating to Project Fides.

The Investment Agreement sets forth the terms and conditions of the Transaction, and notably:

- i. The investment on the date of completion of the Transaction (the "Closing") of €1,492,800,000 by the Bond Investor through the subscription of deeply subordinated notes issued by Newco (the "Bonds"), qualifying as equity under IFRS, thereby reinforcing the Air France-KLM group's balance sheet, it being specified that the Bond Investor's firm commitment will be to subscribe to bonds for €1,292,800,000 and that, in excess of this nominal amount, the Bond Investor will benefit from the right to substitute the Company for the subscription of Bonds up to a maximum amount of €200,000,000;
- ii. The investment on the Closing date of €7,200,000 by the Share Investor through the subscription of preferred shares issued by Newco, representing around 2% of the share capital and voting rights of Newco;
- iii. The subscription by the Company, at the Closing date, in cash to a share capital increase by Newco for an amount of €355,490,000; and
- iv. The conditions precedent to the realization of the Transaction, it being specified that the agreed forms of all the contractual documents to be entered into at the Closing are attached to the Investment Agreement.

Mr. Benjamin Smith, Chief Executive Officer of the Company and Board director of both the Company and KLM, could be considered to be directly interested in the conclusion of the Investment Agreement owing to specifically (i) his position as Chief Executive Officer and a member of the Company's Board of Directors and (ii) his position as a member of the KLM Supervisory Board.

Pursuant to Article L. 225-3 of the *Code de Commerce*, the Company's Board of Directors authorized the conclusion of the Investment Agreement at its meeting of October 26, 2023. Mr. Benjamin Smith did not take part in the deliberation or the vote with respect to the Investment Agreement.

This Transaction is an essential part of the recapitalization measures announced on publication of the Company's 2022 annual results. Subject to the fulfillment of the conditions precedent to the Transaction, the Investment Agreement enables:

- a competitive financing operation with a positive impact on the Company and the Group, contributing to the equity-restoration objectives. This additional tool enables the Company to optimize its sources of liquidity financing; and
- the implementation of a structure to accelerate the development of the Flying Blue business, including the sale of Miles, while remaining compatible with the Company's and the Group's European consolidation strategy.

Conclusion of a Shareholders' Agreement relating to Flying Blue Miles, between Air France-KLM, Air France, KLM, AP Fides Holdings I LLC and AP Fides Holdings II LLC, in the presence of Flying Blue Miles

On November 30 2023, Air France-KLM ("AFKLM") entered into, with Air France, KLM, AP Fides Holdings I LLC (the "Bond Investor") and AP Fides Holdings II LLC (the "Share Investor"), in the presence of Flying Blue Miles S.A.S. (formerly known as BlueTeam VII), a *société par actions simplifiée* (simplified joint stock company) incorporated under French Law, with its registered office located at 45, rue de Paris, 95747 Roissy Charles-de-Gaulle Cedex 93290 Tremblay-en-France, and registered with the Bobigny Trade and Companies Registry under number 921,540,258 ("Flying Blue Miles"), a shareholders' agreement (the "Shareholders' Agreement") in the context of the financing of €1.5 billion raised by Flying Blue Miles, to which have been transferred certain assets of the Flying Blue loyalty program relating to the Miles-issuing business on an exclusive basis with the program's third-party partners (the "Transaction").

It is recalled that (i) on July 27, 2023, the Board of Directors authorized the entry into exclusive discussions with Apollo Capital Management, L.P. to negotiate and finalize the transaction documents relating to the Transaction and (ii) on October 26, 2023, the Board of Directors approved the signature of a definitive agreement on the Transaction and the corresponding contractual documentation, including the signature of the Shareholders' Agreement.

The Shareholders' Agreement defines the terms and conditions, inter alia, of the governance of Flying Blue Miles, the covenants of Air France-KLM as majority shareholder of Flying Blue Miles, certain covenants of Air France and KLM, the rights attached to the preferred shares issued by Flying Blue Miles and subscribed by the Share Investor, the terms and conditions of AFKLM's call option on the preferred shares held by the Share Investor in Flying Blue Miles, and the Share Investor's contractual remedies in the event of a breach by Air France-KLM, Air France and/or KLM of certain material obligations under the agreements (including, in this case, (i) the right of the Share Investor to appoint the President of Flying Blue Miles and of the SPVs, and to terminate the operational agreements relating to the Transaction, and (ii) the right of Flying Blue Miles to claim for liquidated damages for a total amount of €1.5 billion upon such termination).

The Shareholders' Agreement also includes specific provisions whereby:

- i. AFKLM shall be jointly and severally liable with Air France and KLM with respect to the payment of any liquidated damages owed, as the case may be, by them in the event of a breach of their material obligations, to Flying Blue Miles for the total amount of €1.5 billion;
- ii. Air France-KLM shall procure that neither Air France nor KLM shall take any action that would result in a breach of their material covenants in the Shareholders' Agreement; and
- iii. AFKLM shall indemnify Flying Blue Miles for any liability it may incur, if applicable, in respect of the processing of personal data in accordance with the Joint Controller Agreement, an agreement entered into on November 30, 2023 between Air France, KLM and Flying Blue Miles, the purpose of which is to set out the respective rights, obligations and liabilities of Air France, KLM and Flying Blue Miles as joint controllers in respect of the processing of personal data within the framework of Flying Blue.

Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM and Board director of both Air France-KLM and KLM, could be considered to be directly interested in the conclusion of the Shareholders' Agreement due to specifically (i) his position as Chief Executive Officer and a member of Air France-KLM's Board of Directors and (ii) his position as a member of the KLM Supervisory Board.

Pursuant to Article L. 225-3 of the *Code de Commerce*, the Company's Board of Directors authorized the conclusion of the Shareholders' Agreement during its meeting of October 26, 2023. Mr. Benjamin Smith did not take part in the deliberation or the vote with respect to the Shareholders' Agreement.

The Shareholders' Agreement is an essential component of the Transaction. The latter is an essential part of the recapitalization measures announced on publication of Air France-KLM's 2002 annual results and enables:

- a competitive financing operation with a positive impact on Air France-KLM and the Group, contributing to the equity-restoration objectives. This additional tool enables the Company to optimize its sources of financing; and
- the implementation of a structure to accelerate the development of the Flying Blue business, including the sale of Miles, while remaining compatible with Air France-KLM's and the Group's European consolidation strategy.

Agreements and commitments authorized and signed during January 2024

Conclusion of a Term Sheet between Air France-KLM, Air France, KLM, CMA CGM, CMA CGM Air Cargo and CMA CGM Air Cargo 9

On January 15, 2024, the Company entered into a term sheet ("the Term Sheet") with Air France, KLM, CMA CGM, CMA CGM Air Cargo ("CCAC") and CMA CGM Air Cargo 9 ("CCAC 9") and, together with the Company, Air France, KLM, CMA CGM and CCAC (the "Parties"), providing for the terms and conditions of the termination of the commercial cooperation between the entities of the Air France-KLM group and the entities of the CMA CGM

Group concerning their air freight activities, effective March 30, 2024. The Term Sheet provides notably for the termination of the commercial cooperation agreement entered into on December 9, 2022 between the Parties (the "Cooperation Agreement") and the ancillary agreements relating to their cooperation in the air freight sector (the "Ancillary Agreements").

The Term Sheet provides for the terms and conditions of the termination of the Cooperation Agreement and the Ancillary Agreements and notably:

- i. the termination of the Cooperation Agreement, effective March 30, 2024;
- ii. the termination of the dry and wet lease agreements, effective January 16, 2024;
- iii. the termination of the Ancillary Agreements, effective March 30, 2024;
- iv. the payment of the various amounts due by each of the Parties to the other under all the agreements relating to the cooperation in the air freight activities (with the exception of certain operational costs) resulting in a global final payment by the Company to CMA CGM of €20,000,000;
- v. the waiver by the Parties of any recourse against each other in respect of the commercial cooperation in the air freight activities; and
- vi. the terms and conditions of the transition period commencing on January 16, 2024 (inclusive) and ending with the termination of the commercial cooperation, effective March 30, 2024 (inclusive).

Mr. Benjamin Smith, Chief Executive Officer of the Company and Board director of both Air France-KLM and KLM, could be considered to be directly interested in the conclusion of the Term Sheet due to specifically (i) his position as Chief Executive Officer and a member of Air France-KLM's Board of Directors and (ii) his position as a member of the KLM Supervisory Board.

CMA CGM, represented by Mr. Ramon Fernandez in the capacity of Board director, appointed by co-optation on April 19, 2023 by the Company's Board of Directors and whose co-optation was ratified by the Shareholders' Meeting of June 7, 2023, could be considered to be directly interested in the conclusion of the Term Sheet in view of, in particular, (i) his position as a member of the Company's Board of Directors, and his status as a party to the Term Sheet.

Pursuant to Article L. 225-3 of the *Code de Commerce*, the Company's Board of Directors authorized the conclusion of the Term Sheet at its meeting of January 15, 2024. Mr. Benjamin Smith and Mr. Ramon Fernandez in his capacity as permanent representative of CMA CGM did not take part in the deliberation or the vote with respect to the Term Sheet.

The signature of the Term Sheet enables the Company to terminate, by mutual agreement with CMA CGM, their commercial cooperation in the air freight sector, which had been unable to function optimally given the tight regulatory environment in certain important markets, while clarifying the terms and conditions of the transition period commencing on January 16, 2024 (inclusive) and ending with the termination of the commercial cooperation effective March 30, 2024, and the settlement of the various financial flows under this cooperation.

Amendment to the Subscription Agreement entered into on May 22, 2022 between Air France-KLM and CMA CGM

On May 22, 2022, Air France-KLM entered into a subscription agreement in the context of a long-term strategic partnership in air freight with the company CMA CGM, a shareholder of the Company with 9% of its share capital (as modified by the Amendments of November 28, 2022 and April 19, 2023, the "Subscription Agreement").

On January 15, 2024, and as outlined in Section I above, the Company entered into a term sheet with Air France, KLM, CMA CGM, CMA CGM Air Cargo and CMA CGM Air Cargo 9, setting forth the terms and conditions for the termination of the commercial cooperation agreement entered into on December 9, 2022 and the ancillary agreements relating to their air freight activities effective March 30, 2024.

In the context of the termination of the commercial cooperation, on January 15, 2024, the parties also agreed on an Amendment to the Subscription Agreement which henceforth that CMA CGM's lock-up undertaking to retain all the shares in the Company subscribed by CMA CGM in the rights issue by the Company announced on May 24, 2022, initially due to expire upon termination of the commercial cooperation agreement or on June 15, 2025 (in the case of all the Company's shares subscribed by CMA CGM in the rights issue and on June 15, 2028 in the case of 50% of such shares), will be modified and will expire on February 28, 2025, and will no longer be conditional on the existence of the commercial cooperation agreement between the Company and CMA CGM.

Furthermore, the Amendment to the Subscription Agreement provides that CMA CGM will no longer have a representative on the Company's Board of Directors from March 31, 2024 under the Subscription Agreement as amended by the Amendment to the Subscription Agreement.

The Amendment to the Subscription Agreement will however not change the standstill commitment provided for under the Subscription Agreement, which thus continues to apply.

CMA CGM, represented by Mr. Ramon Fernandez in the capacity of Board director, appointed by co-optation on April 19, 2023 by the Company's Board of Directors and whose co-optation was ratified by the Shareholders' Meeting of June 7, 2023, is considered to be directly interested in the conclusion of the Amendment to the Subscription Agreement due, in particular, to its position as a member of the Company's Board of Directors, and its status as a party to the Amendment to the Subscription Agreement.

Pursuant to Article L. 225-3 of the *Code de Commerce*, the Company's Board of Directors authorized the conclusion of the Amendment to the Subscription Agreement at its meeting on January 15, 2024. Mr. Ramon Fernandez did not take part in the deliberation or the vote with respect to the Amendment to the Subscription Agreement.

Apart from the impact on the composition of the Company's Board of Directors, the conclusion of the Amendment to the Subscription Agreement enables the continuity, until February 28, 2025, of CMA CGM's lock-up undertaking on the Company's shares subscribed by CMA CGM in the rights issue announced by the Company on May 24, 2022.

Agreements and commitments concluded and signed in previous financial years which remained in force during 2023

Agreements entered into with the French State in April 2021

As mentioned above, on April 20, 2021 as part of the Group's recapitalization plan announced on April 6, 2021, Air France-KLM entered into a subscription agreement with the French State relating to the issue by the Company and the subscription by the French Republic of/ to undated deeply subordinated notes (qualifying as equity under IFRS in the Company's consolidated financial statements) in the total amount of €3 billion. This agreement remained in force during the 2023 financial year and gave rise to the partial Repurchases outlined in the "Agreements and commitments authorized and signed during the 2023 financial year" section above.

Conclusion of a commercial Cooperation Agreement between Air France-KLM, Air France, KLM, CMA CGM Air Cargo and CMA CGM

On December 9, 2022, the Company entered into a commercial cooperation agreement in air freight (the "Cooperation Agreement") with Air France, KLM, CMA CGM Air Cargo and CMA CGM, a shareholder in the Company with 9% of its share capital.

On May 17, 2022, the Company's Board of Directors approved the main terms and conditions of the Cooperation Agreement, together with the investment of CMA CGM in the share capital of the Company through a capital increase realized by the Company on June 14, 2022 (the "Investment").

The Cooperation Agreement covers cargo capacities in the air freight sector and will allow the Air France-KLM and CMA CGM Groups to pool their cargo networks, all-cargo capacity and dedicated services, and to jointly market their air freight capacities.

The Cooperation Agreement is established for an initial term of ten years from its entry into force on fulfillment of the customary conditions precedent for this type of operation. The aim of the parties is to be able to initiate the commercial cooperation in the 2023 second quarter, subject to obtaining the required authorizations from the relevant legal and regulatory authorities.

The Cooperation Agreement is expected to generate revenue synergies for the Company, notably through the joint design of the all-cargo networks, and enhanced transportation products and services opportunities.

The Cooperation Agreement will build on the strength of the Air France-KLM brand, experience and capabilities in air freight, supported by its global cargo network. CMA CGM will mobilize its extensive commercial network and global logistics platform, and complement this offer with innovative logistics and multimodal solutions.

The Cooperation Agreement is a commercial agreement whose costs and benefits for the Company are not quantifiable at this stage.

It is specified that, as outlined above, on January 15, 2024, the parties entered into an agreement known as the term sheet, setting forth the terms and conditions for the termination of the Cooperation Agreement, effective March 30, 2024, and an Amendment to the Subscription Agreement.

For more information concerning the agreements concluded between Air France-KLM and CMA CGM, see section 2.7.4 "Partnerships with Air France-KLM".

Expansion of the cooperation agreement entered into between Air France-KLM, Air France, KLM and China Eastern Airlines

In the context of the Group's recapitalization plan announced on April 6, 2021, on June 23, 2021 Air France-KLM entered into an agreement with China Eastern Airlines to accelerate their efforts to deepen and broaden the existing and future cooperation, and further strengthen their partnership for transportation services between China and Europe (the "CEA Commercial Agreement").

The CEA Commercial Agreement sets out the ambitions for the expansion of the cooperation between China Eastern Airlines, Air France-KLM, Société Air France and KLM. The parties intend to intensify their commercial cooperation (exclusive joint-venture partnership from January 1, 2022 for passenger air transportation between Europe and China (improved code share offer, closer alignment of fares and sales policy, etc.) and extend cooperation.

In particular, the parties in the CEA Commercial Agreement undertook to:

- a) add the Paris-Beijing and Amsterdam-Beijing routes to the CEA Commercial Agreement, upon satisfaction of the agreed conditions;
- b) accelerate their efforts to deepen the existing cooperation on business, operational, marketing and innovation policies, including through staff exchanges;
- c) explore new opportunities for cooperation in the area of passenger transportation in particular in the domains of competition rules, alliances and technologies;
- d) explore synergies in areas such as ground services, catering, maintenance and non-aviation-related areas such as tourism, hotels and car rental; and
- e) strengthen the strategic coordination between the parties within the SkyTeam alliance and IATA.

For more information concerning the agreements concluded between Air France-KLM and China Eastern Airlines, see section 2.7.4 "Partnerships with Air France-KLM".

State Guaranteed Loan (Prêt Garanti par l'État – PGE) as modified by the amendment of December 10, 2021

To address the impacts of the crisis linked to the Covid-19 pandemic on the cash level of the Air France-KLM group, on May 6, 2020 Air France-KLM secured a €4 billion loan from a consortium of banks, up to 90% guaranteed by the French State (the "State Guaranteed Loan"), which held 14.3% of the Company's share capital at the time of the conclusion of the agreement.

To smooth the State Guaranteed Loan's redemption profile beyond its 2023 maturity and thus balance the Group's consolidated debt maturity schedule, on December 10, 2021, the Company agreed with the bank consortium and the French State an amendment to the State Guaranteed Loan (the "Amendment").

The State Guaranteed Loan, subject to the decree of May 7, 2020 and in application of Article 6 of the Finance Amendment Act No. 2020-289 of March 23, 2020, granted a guarantee from the French State to the banks for 90% of the State Guaranteed Loan.

The Amendment modified the following stipulations of the State Guaranteed Loan as follows:

- the final maturity date of the State Guaranteed Loan was extended by two additional years, i.e. to May 6, 2025;
- the State Guaranteed Loan had to be repaid by amortization based on the following schedule:
 - €500 million on the signature date of the Amendment,
 - €800 million on May 6, 2021,
 - €1.350 billion on May 6, 2024,
 - €1.350 billion on May 6, 2025;
- the rate of interest has been set as follows: 3-month Euribor (with a floor at zero) with an annual margin of between 0.75% and 2.75%, it being specified that this margin had to be applied according to the following schedule: 1.50% from May 6, 2021 (inclusive) until May 6, 2022 (exclusive) and 2.75% from May 6, 2022;
- the guarantee fee had to be applied according to the following schedule: 1.0% from May 6, 2021 (inclusive) until May 6, 2023 (exclusive) and 2.0% from May 6, 2023. Until May 6, 2023 (exclusive), calculated based on the initial amount of €4 billion, the calculation basis being reduced by the scheduled repayments mentioned above.

Mandatory prepayment clauses ("Mandatory Prepayments") were provided for in the contract, in particular in the event of debt issues resulting from capital market transactions in the bond market, up to a limit of 75% of the amounts raised, excluding hybrid instruments, convertible bonds or quasi-equity repayments to be made under bonds and convertible lines existing on the signature date of the Amendment and with maturity dates falling during the term of the extended State Guaranteed Loan.

It is however stipulated that a first early redemption of the PGE occurred on November 7, 2022 for one billion euros, and that the PGE was subsequently fully repaid on March 15, 2023 in the amount of 2.5 billion euros.

Conclusion of a Framework Agreement between Air France-KLM, KLM and the Dutch State

On August 7, 2020, within the framework of the financial support package granted by the Dutch State to KLM, a subsidiary of Air France-KLM, Air France-KLM entered into a Framework Agreement with KLM and the Dutch State, a shareholder in the Company with 14% of its share capital, to enable KLM to meet its urgent need for liquidity following the crisis linked to the Covid-19 pandemic and prepare for the future.

This financial support package, approved on June 25, 2020 by the Company's Board of Directors in the total amount of €3.4 billion, was structured as follows:

- a revolving credit facility in the amount of €2.4 billion, granted to KLM by eleven banks and up to 90% guaranteed by the Dutch State; and
- a direct loan in the amount of €1 billion, granted by the Dutch State to KLM, with subordination to the revolving credit facility.

A number of conditions were associated with the granting of these loans, including respect by the company of the commitments on sustainability and the restored performance and competitiveness of KLM, including a comprehensive restructuring plan and a contribution made by employees. KLM also undertook to suspend dividend payments to its shareholders until such time as these two loans had been repaid in full.

During the 2022 first half, KLM repaid amounts made available under the framework of the revolving credit line (€665 million) and the subordinated loan (€277 million), without however terminating the framework agreement.

KLM also cancelled the revolving credit facility guaranteed by the Dutch State and the direct loan granted by the Dutch State.

Following this cancellation, the conditions attached to this aid were no longer applicable.

The framework agreement remains however applicable mostly as concerns the stipulations relating to the assurances given to the Dutch State which provide, in particular, for the extension from nine months to five years of the notice period to terminate these assurances (see section 6.3.2 "Agreements with the Dutch State").

Adjustment to the financial conditions of the joint-ventures entered into with firstly (i) Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd. (the "Blue Skies" partnership contract, and secondly (ii) China Eastern Airlines Co. Ltd. (the "Air France-China Eastern Airlines Joint-Venture Agreement") (together the "Joint-Venture Agreements) in the context of the Covid-19 crisis

On December 4, 2020, pursuant to Article L. 225-38 of the *Code de Commerce*, the Air France-KLM Board of Directors had authorized the adjustment of the financial provisions relating to the financial settlement mechanism (to share the revenues and costs generated by the joint-venture) in the Blue Skies joint-venture agreement (entered into with Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd. on May 15, 2018 and amended in October 2019), for the calendar year 2020. In this respect, each party waived all rights it may have with respect to the amounts due to it under the Blue Skies joint-venture agreement for the calendar year 2020, and agreed to waive them permanently.

By mutual agreement between the parties, the term of this waiver was extended to the 2021 and 2022 financial

years owing to the duration of the impact of the Covid-19 virus on the operations of the Blue Skies joint-venture.

On December 21, 2023, an agreement was concluded between the parties providing for new settlement caps to be applicable solely in respect of the 2023 calendar year.

On December 4, 2020, in accordance with Article L. 225-38 of the *Code de Commerce*, the Air France-KLM Board of Directors had also authorized the suspension of the settlement mechanism aimed at sharing the revenues generated by the joint-venture provided for in the Air France-KLM-China Eastern Airlines joint-venture agreement. In this context the parties waived all payment in respect of the joint-venture agreement as of February 1, 2020 and for a period to be mutually agreed between the parties depending on the duration of the impacts of the Covid-19 epidemic on the joint-venture.

The parties to the Air France-China Eastern Airlines Joint-Venture entered into an agreement, effective as of July 1, 2023, terminating the waiving by the parties of all payments in respect of the Air France-China Eastern Airlines joint-venture agreement (decided in 2020) and providing for a new transitional settlement cap and applicable solely for the period from July 1, 2023 until December 31, 2023.

In December 2023, the parties extended the term of the Air France-China Eastern Airlines Joint-Venture Agreement, that had been due to expire on December 31, 2023, to enable the parties to pursue their cooperation while actively negotiating the terms of a new joint-venture agreement in 2024.

Given the adjustment to the financial settlement mechanism provided in the joint-venture agreements, there has been no need to calculate the impact that would have resulted from the application of these provisions.

Transatlantic partnership between Air France-KLM, Delta Air Lines, Inc. and Virgin Atlantic

On October 30, 2019, the Board of Directors mandated the Air France-KLM management to finalize the discussions and negotiate amendments to the agreements authorized during the Board meetings of March 14 and May 15, 2018 (see section 2.7.4 "Partnerships with Air France-KLM"), so as not to proceed with the planned acquisition by Air France-KLM of a 31% equity interest in Virgin Atlantic Limited as initially provided in that this impacts the position of Air France-KLM in the commercial joint-venture between Delta, Virgin Atlantic and Air France-KLM.

As a result, the agreements entered into on March 14 and May 15, 2018 were amended and an agreement was signed between Air France-KLM, Delta and Virgin Group (signed and effective as of January 30, 2020) granting Air France-KLM, subject to specific conditions, a right to acquire shares in Virgin Atlantic Limited in the event of a sale by Virgin Group of shares in Virgin Atlantic Limited to a third party.

Commitments relating to the severance payment to the benefit of Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM

On August 16, 2018, pursuant to the provisions of the former Article L. 225-42-1 of the Code de Commerce (repealed by Ordinance No.2019-1234 of November 27, 2019), the Air France-KLM Board of Directors authorized the granting of a severance payment to the benefit of Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM, in some instances of forced termination and, namely, dismissal, non-renewal of his mandate as Chief Executive Officer or forced resignation linked to a change of control.

It is stipulated that the instances of forced termination enabling the implementation of this severance payment exclude any situation of serious misconduct on the part of the Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the basis of the severance payment is equivalent to two years of his annual fixed and variable compensation (according to specific calculation modalities based, as applicable, on the target variable compensation in the event of a termination during the first 24 months).

A coefficient (between 0 and 100% inclusive) will be applied to the basis of the severance payment based on the achieved performance criteria relating to the annual variable component of his compensation over the two last financial years of his mandate. The Board will assess the achievement of these performance criteria.

For more information, see section 2.5.2 "Compensation of the company officers in 2022".

There were no other agreements or commitments authorized and signed over the course of previous financial years whose execution continued during the last financial year.

Procedure for the qualification and regular evaluation of the current agreements signed in normal conditions

During its meeting of December 11, 2019, as recommended by the Audit Committee, the Board of Directors established a procedure enabling the qualification and regular evaluation of the agreements relating to current operations entered into under normal terms and conditions pursuant to the provisions of Article L. 22-10-12 of the *Code de Commerce*. The current and normal nature of an agreement is evaluated on a case-by-case basis during the signature, renewal or amendment of the said agreement, on the basis of objective criteria defined in the procedure.

Within the framework of this annual evaluation procedure, the Company:

- compiles an inventory of all the agreements referred to in Article L. 22-10-12 of the *Code de Commerce*;
- reviews all the elements and documents having enabled the qualification of the agreements; and
- as necessary, reviews the qualification of any agreements with interested parties (regulated agreement or free agreement, depending on the case).

Persons with an interest in one of these agreements, entered into either directly or through an intermediary, do not participate in their evaluation.

A presentation on the result of the inventory of the agreements referred to in Article L. 22-10-12 of the *Code de Commerce*, in respect of the financial year ended December 31, 2023, was made to the Audit Committee on February 27, 2024 and was reviewed by the Board of Directors within the framework of the corporate governance report.

2.3 ACTIVITIES AND FUNCTIONING OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

2.3.1 Activities and functioning of the Board of Directors

Board activity during the 2023 financial year

Board activity during the 2023 financial year



10 MEETINGS

including 2 extraordinary meetings



93%

average attendance of Board directors
(92% in 2022)



5H AVERAGE DURATION PER MEETING

The minimum number of Board of Directors meetings is set at seven per year. Prior to Board meetings a dossier is circulated containing the agenda for the meeting together with any summaries or, where appropriate, full documentation on any issues requiring special analysis and/or prior consideration. The matters raised in meetings are usually the subject of presentations, followed by discussion.

Board of Directors meetings are conducted in French and English; however, individual directors may speak in French, English or Chinese with simultaneous interpretation. During these meetings, the following matters were notably addressed:

- annual, half-year and quarterly results;
- regular status reports on the Group's activity, financial situation and outlook;
- budget including the capex plan and the financial trajectory;
- financing plan;
- strategic projects including, notably, consolidation transactions (notably the acquisition of an equity interest and a commercial cooperation with the company SAS AB.);
- financial transactions and, in particular, the monitoring and implementation of the Group's recapitalization and refinancing transactions (capital increase, bond issues, update to the EMTN program, early repayment of the State Guaranteed Loan (PGE), reimbursement of the State aid, equity strengthening, repurchase of the deeply subordinated notes held by the French State and subscription to new deeply subordinated notes, issuance of hybrid perpetual bonds etc.);
- monitoring and implementation of the financial support plans granted by the French and Dutch States, the discussions with the European Commission and the resulting financial, social and environmental commitments;
- presentation of the financial, legal, operational, social and environmental risks;
- report on compliance;
- regular information on the activity and development of Air France and KLM, including on the situation of the Group's employees and employee relations within the Group;
- the Air France and KLM transformation plans;
- Air France and KLM fleet plans and monitoring of the investments;
- flight safety;
- regular updates on the alliance and partnership projects;
- corporate purpose of the Group; and
- governance of the Group and, in particular: changes in the Group's governance, independence of the Board directors, the diversity policy for the Board of Directors, the diversity targets for the management bodies, the evaluation of the Board of Directors, appointment and training of the new Board directors, composition of the Board of Directors and its Committees, compensation of the top executives and the succession plan for the executive officers and company officers.

Furthermore, every year, a meeting of the Board of Directors taking place over two days, is devoted to Air France-KLM's strategic objectives and a presentation of the plans for its businesses and airlines. In 2023, the strategy meeting of the Board of Directors saw a presentation by the management team of the different pillars of the Group's strategy and the related priorities in the different businesses.

Board director attendance

The attendance records for individual Board directors at meetings of the Board of Directors during 2023 are presented below:

Board director	Board meeting attendance
Anne-Marie Couderc Chair of the Board of Directors and of the Appointments and Governance Committee	100%
Gwenaëlle Avice-Huet	100%
Karim Belabbas⁽¹⁾	100%
Stéphanie Besnier⁽²⁾	100%
Leni M.T. Boeren	100%
Pascal Bouchiat	90%
Isabelle Bouillot Chair of the Audit Committee	100%
CMA CGM⁽³⁾ (represented by Ramon Fernandez)	100%
Jean-Dominique Comolli⁽⁴⁾	100%
Michel Delli-Zotti	100%
Dirk Jan van den Berg	100%
Cees 't Hart	60%
Delta Air Lines, Inc. (represented by Alain Bellemare)	100%
Céline Fornaro⁽⁵⁾	100%
Nicolas Foretz⁽⁶⁾	100%
Anne-Marie Idrac Chair of the Sustainable Development and Compliance Committee	80%
May Gicquel⁽⁷⁾	86%
Yann Leriche⁽⁸⁾	80%
Isabelle Parize⁽⁹⁾	100%
François Robardet	100%
Rodolphe Saadé⁽¹⁰⁾	50%
Benjamin Smith	100%
Terence Tilgenkamp	100%
Didier Dague⁽¹¹⁾	100%
Jian Wang	80%
Alexander R. Wynaendts Chair of the Remuneration Committee	90%
AVERAGE ATTENDANCE	93%

(1) Board director until March 11, 2023.

(2) Board director until March 15, 2023.

(3) Board director since April 19, 2023. As indicated in the press release of January 16, 2024, CMA CGM ceased to have a representative on the Company's Board of Directors as of March 31, 2024 in respect of the Subscription Agreement as amended by the Amendment to the Subscription Agreement signed on January 15, 2024.

(4) Board director until June 7, 2023.

(5) Board director since October 9, 2023.

(6) Board director since July 27, 2023.

(7) Board director from March 15 until October 9, 2023.

(8) Board director since June 7, 2023.

(9) Board director until June 30, 2023.

(10) Board director until April 19, 2023.

(11) Board director since April 7, 2023.

Evaluation of the functioning of the Board of Directors and its Committees

At least once a year, pursuant to the provisions of Article 11 of the AFEP-MEDEF Code and Article 2 of the Internal Rules of the Board of Directors, the Board of Directors discusses its functioning and organization. To inform this discussion, a formalized evaluation is conducted via a questionnaire. This evaluation is steered by the Appointments and Governance Committee. Furthermore, a formal evaluation with the help of an external consultant is realized every three years.

In respect of the 2023 financial year, the evaluation was carried out by an independent external consultant, Eric Salmon, in the form of a questionnaire sent to each Board director, followed by confidential individual interviews. The following topics were addressed through the evaluation questionnaire:

- the composition, organization, functioning and dynamic of the Board of Directors and its Committees;
- the relationship between the Board of Directors and the General Management;
- the effectiveness of the Board of Directors and its Committees;
- the individual contributions of the Board directors to the work of the Board of Directors and the areas of expertise to be developed within the Board;
- the integration of the new Board directors and the proposed training;
- the main changes and areas requiring improvement.

The results of the evaluation were handled under the seal of anonymity and gave rise to a presentation and discussion during the Board of Directors meeting of February 28, 2024.

In 2023, the Board of Directors was again very active (10 meetings of which two were extraordinary). It focused notably on the early repayment of the State Aid, the operations to restore the Group's equity, the strategic goals and the Group's financial trajectory and CSR priorities for the years to come.

As a general rule, the Board directors considered that the functioning of the Board of Directors had improved over the course of 2023 since the last evaluation. The evaluation revealed the following positive points:

- good performance level of the Board in terms of its functioning and organization, fostering quality exchanges between the Board directors;
- the composition of the Board and its committees meets the needs of the Board, with a good complementarity in terms of the skills profiles of the Board directors and the high quality of the new members;
- the directors' skills are recognized, and there is a free and constructive debate enabling the development of positions;
- the quality of the relationship between the Board and the Chair whose involvement is widely recognized, and with the Chief Executive Officer whose actions are widely acclaimed;
- the General Management is open when responding to requests for information and to questions, and the Chair leads discussions in an open manner without trying to influence the Board directors.

The results of the 2023 evaluation enabled the pinpointing of a number of areas for improvement to be monitored during 2024, notably:

- try to reduce the number of meetings by continuing to plan ahead in order to avoid exceptional meetings;
- circulate information earlier so that directors have time to assimilate it, thus allowing only a summary to be presented at the meeting, leaving more time for discussion;
- produce more concise minutes of the meetings of the specialized committees;
- allocate more time to discussing the Group's strategy and the strategy related to sustainable development and risk management; and
- expand the Board's portfolio of competencies in the digital areas as well as its expertise in the customer journey, particularly in the luxury goods sector, and its expertise in air transportation.

2.3.2 Activities and functioning of the Committees

Audit Committee



6 MEETINGS

6 MEMBERS

75%

independent directors, including an independent Chair⁽¹⁾

93%

average Board director attendance



3H30 AVERAGE DURATION PER MEETING

(1) Pursuant to the provisions of Article 10.3 of the AFEP-MEDEF Code, the Board directors representing the employee shareholders and the Board directors representing the employees are not taken into account for the calculation of this percentage.

Composition

At December 31, 2023, the Audit Committee was composed of the following six members: Ms. Isabelle Bouillot (Chair of the Committee), Ms. Gwenaëlle Avice-Huet, Ms. Leni M.T. Boeren, Mr. Michel Delli-Zotti, Mr. Nicolas Foretz and Ms. Céline Fornaro.

The members of the Audit Committee benefit from financial and accounting competencies enabling them to exercise their functions.

At its meeting of November 9, 2011, the Board of Directors adopted the position whereby, pursuant to the provisions of Article L. 823-19 of the *Code de Commerce*, the Company's Audit Committee includes at least one independent member with specific financing and accounting skills. On July 1, 2021, the Board of Directors decided to appoint Ms. Bouillot as Chair of the Audit Committee, in that she has the academic background and professional experience to fulfill this requirement for specific financial competence, and she has no relationships with the company, its Group or management that are such as to color her judgment. The six other Committee members also have financial and/or accounting skills.

The principal executives responsible for accounting, legal affairs, finance, internal control and internal audit of Air France-KLM also attend meetings in an advisory capacity.

The Statutory Auditors attended all the meetings of the Audit Committee. At the request of the Chair of the Committee and pursuant to Article 17.3 of the AFEP-MEDEF Code, they were able to consult with Committee members outside the presence of the Group's senior executives on the occasion of the review of the annual financial statements.

Missions

The Audit Committee's principal missions are to review the interim and annual consolidated financial statements to inform the Board of Directors of their content, ensure that they are reliable and exhaustive, and that the information they contain, including the forward-looking information provided to shareholders and the market, meets high standards of quality. The Committee also oversees the auditing of the annual financial statements. In particular, the Audit Committee review:

- the consolidation scope;
- relevance and consistency of the accounting methods used to draw up the financial statements;
- principal estimates made by the General Management of Air France-KLM;
- principal financial risks with the General Management of Air France-KLM and the material off-balance-sheet commitments;
- comments and recommendations made by the Statutory Auditors and, if applicable, any significant adjustments resulting from audits.

As necessary, the Audit Committee formulates recommendations to guarantee the integrity of the process to establish the financial information.

The Audit Committee monitors the effectiveness of the Internal Control and risk management procedures and, as necessary, Internal Audit, in terms of the processes relating to the establishment and treatment of the accounting and financial information, with no compromise to its independence. In this capacity, it reviews in particular the program and results of Internal Audit to ensure, notably, that, in the event of any malfunctioning, the appropriate action plans and follow-up monitoring have been implemented. The Committee discusses with the Statutory Auditors and reviews their conclusions on the half-year and annual financial statements. It also pays particular attention to the audit points identified by the Statutory Auditors and ensures compliance with the legal and regulatory requirements for financial and accounting information.

The Audit Committee is responsible for steering the procedure to select the Statutory Auditors. It submits a recommendation to the Board of Directors when their appointment or re-appointment by the Shareholders' Meeting is envisaged pursuant to Article L. 823-3-1 of the *Code de Commerce*. It proposes the selection procedure to the Board of Directors and, in particular, whether a call to tender is appropriate. It verifies the independence and quality of the Statutory Auditors' work, examines issues relating to their amount of fees for the execution of statutory audit assignments, reviews and approves the fees submitted by each of the Statutory Auditors on an annual basis and ascertains that the joint system of Statutory Auditors is effective.

The Committee also follows the realization by the Statutory Auditors of their assignment and notes the comments and conclusions of the Audit Office Control Board (*Haut Conseil du Commissariat aux Comptes*) following the verification carried out pursuant to Articles L. 821-9 and following of the *Code de Commerce*.

The Committee approves the supply of services other than the certification of the financial statements pursuant to the applicable regulation. It rules on this point having first analyzed the risks of any compromise to the independence of the Statutory Auditors and the safeguarding measures applied by the latter.

The Committee is also responsible for reviewing the Group's overall financial, accounting and fiscal policy and its implementation. It issues an opinion on the Group's significant financial operations.

The Audit Committee has access to the resources required to fulfill its mission and may, notably, be assisted by persons from outside the Company. Lastly, the Committee regularly reports to the Board of Directors on the execution of its missions. It also reports back on events subsequent to the certification of the financial statements, on the manner in which this certification process contributed to the integrity of the financial information and on the role it has played in this process.

As of the 2024 financial year, the Audit Committee's missions will be extended to the monitoring of issues relating to the preparation, control and publication of extra-financial information and, in particular, to the preparation of the sustainability report, in accordance with the new provisions of the French Commercial Code resulting from the transposition of the CSRD Directive (EU) 2022/2464 into French law. At the Board of Directors' meeting on February 28, 2024, it was decided to amend the Board of Directors' internal rules to extend the Audit Committee's missions accordingly.

Activity

Board director	Audit Committee attendance
Isabelle Bouillot Chair of the Audit Committee	100%
Gwenaëlle Avice-Huet	83%
Stéphanie Besnier ⁽¹⁾	100%
Leni M.T. Boeren	100%
Michel Delli-Zotti ⁽¹⁾	100%
Nicolas Foretz ⁽²⁾	100%
Céline Fornaro ⁽³⁾	100%
May Gicquel ⁽⁴⁾	100%
Isabelle Parize ⁽⁵⁾	50%
François Robardet ⁽⁶⁾	100%
AVERAGE ATTENDANCE	93%

(1) Member of the Audit Committee until March 15, 2023.

(2) Member of the Audit Committee since July 27, 2023.

(3) Member of the Committee since October 9, 2023.

(4) Member of the Audit Committee from April 19 until October 9, 2023.

(5) Member of the Audit Committee until June 30, 2023.

(6) Member of the Audit Committee until July 27, 2023.

During the 2023 financial year, the Audit Committee met six times (like in 2021) with an attendance record for its members of 93% (98% in 2022). The duration of the meetings averaged three hours and thirty minutes.

The following matters were notably reviewed by the Audit Committee during the 2023 financial year:

■ Review of the financial statements

The Committee reviewed the quarterly, half-year and annual financial statements, and the budget, prior to their presentation to the Board of Directors. It conducted a detailed examination of the Statutory Auditors' summary reports on the half-year and annual financial statements as well as the significant points noted in audits. The main accounting options adopted were the subject of a special presentation every quarter.

The review of the financial statements by the Audit Committee usually takes place a day or two before their review by the Board of Directors.

■ Review and monitoring of the budget

The Audit Committee reviewed the budget prior to its presentation to the Board of Directors and oversaw its tracking on a quarterly basis. This year the Audit Committee examined the major points in the 2023 budget prior to the review of the detailed budget.

■ Internal control, risk management and internal audit

During the Audit Committee meetings, Internal Audit gave a presentation on its half-year activity report.

The Company applies high standards of financial disclosure and corporate governance, and maintains a rigorous level of internal control across the Group.

The Audit Committee reviewed the summary sheet of the main operational and/or strategic risks on a half-yearly basis. The Audit Committee also reviewed the financial risks (fuel, currency exchange rates, financing, transformation plan). The ESG certified extra-financial risks were submitted by internal audit to the Sustainable Development and Compliance Committee, and to the Audit Committee for review.

■ Statutory Auditors

The Audit Committee approved the budget for the Statutory Auditors' fees prior to the opening of the financial year together with their final amount as of the closing date.

■ Approval of non-audit services

To execute this mission, the Audit Committee relies on an internal procedure deployed within the Group in 2004 and updated in 2016, pursuant to the provisions of Ordinance No. 2016-315 of March 17, 2016 relating to Statutory Auditors, which came into force on June 17, 2016.

As foreseen by its annual work schedule, the Audit Committee also reviewed the following matters in 2023:

- tracking of the cash and financing situation;
- review of the financing and capex plan;
- review of the principal litigation, fiscal risks and financial risks;

- financial transactions, recapitalization and financing operations including, notably, a capital increase reserved for employees, the bond issues, the conclusion of two new sustainability-linked revolving credit facilities, the partial early repayment of the State Guaranteed Loan (PGE), the obtaining of credit ratings and the repurchases of the deeply subordinated notes held by the French State;
- fraud detection and prevention;
- monitoring of activity in the Group's subsidiaries;

- monitoring of the commitments made within the framework of the State Aid granted by the Dutch State;
- review of the financing strategy; and
- review of matters linked to the fleet (ongoing fleet renewal, operating leases, engines).

The Committee is also responsible for reviewing the Group's overall financing, accounting and fiscal strategy, and its implementation. It comments on the Group's material financial transactions.

Remuneration Committee



6 MEETINGS

6 MEMBERS

60%

independent directors, including an independent Chair⁽¹⁾

95%

average Board director attendance

(1) Pursuant to the provisions of Article 10.3 of the AFEP-MEDEF Code, the Board directors representing the employee shareholders and the Board directors representing the employees are not taken into account for the calculation of this percentage.

Composition

At December 31, 2023, the Remuneration Committee was composed of the following six members: Mr. Alexander R. Wynaendts (Chair of the Committee), Ms. Isabelle Bouillot, Ms. Gwenaëlle Avicé-Huet, Ms. Céline Fornaro, Mr. Terence Tilgenkamp and Delta Air Lines, Inc. represented by Mr. Alain Bellemare.

Mr. Alexander Wynaendts, an independent Board director, has exercised the functions of Chair of the Remuneration Committee since July 1, 2021.

Mr. Cees 't Hart is invited to attend meetings of the Remuneration Committee.

Missions

The Remuneration Committee is primarily responsible for formulating recommendations to the Board of Directors on the level of/changes to the compensation of the Company's executive officers, as well as those of the principal subsidiaries as recommended by the competent body of the relevant principal subsidiary. It may also be asked to comment on the compensation of the Group's senior executives who are members of the Executive Committee and on the level of remuneration granted to individuals recruited for fixed terms, when the level of this remuneration is exceptionally high. The Remuneration Committee reviews and expresses an opinion on the policy governing any stock subscription and share purchase option schemes or any other long-term incentive programs.

Activity

The Remuneration Committee met six times during the 2023 financial year (seven in 2022) and the attendance rate for members was 95% (98% in 2022).

Board director	Remuneration Committee attendance
Alexander R. Wynaendts Chair of the Remuneration Committee	100%
Gwenaëlle Avicé-Huet ⁽¹⁾	100%
Isabelle Bouillot	83%
Jean-Dominique Comolli ⁽²⁾	100%
Delta Air Lines, Inc. (represented by M. Alain Bellemare)	67%
Céline Fornaro ⁽³⁾	100%
May Gicquel ⁽⁴⁾	100%
Isabelle Parize ⁽⁵⁾	100%
François Robardet ⁽⁶⁾	100%
Terence Tilgenkamp ⁽⁷⁾	100%
AVERAGE ATTENDANCE	95%

(1) Member of the Remuneration Committee since July 27, 2023.

(2) Member of the Remuneration Committee until June 7, 2023.

(3) Member of the Remuneration Committee since October 9, 2023.

(4) Member of the Remuneration Committee from July 3 until October 9, 2023.

(5) Member of the Remuneration Committee until June 30, 2023.

(6) Member of the Remuneration Committee until July 27, 2023.

(7) Member of the Remuneration Committee since July 27, 2023.

During the 2023 financial year, the Remuneration Committee formulated a number of recommendations for the Board of Directors concerning:

- Board director compensation;
- the 2022 compensation and the 2023 compensation policy for the Chief Executive Officer of Air France-KLM;
- the 2022 compensation and the 2023 compensation policy for the Chief Executive Officer of Air France and the President & Chief Executive Officer of KLM;

- the 2023 compensation for the Chair of the Air France-KLM Board of Directors; and
- the compensation for KLM's Chief Financial Officer in respect of the 2023 financial year.

The recommendations of the Remuneration Committee during the 2023 financial year were made taking into account the European Commission's restrictions on compensation pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913.

Appointments and Governance Committee



9 MEETINGS

3 MEMBERS

67%

independent directors, including an independent Chair⁽¹⁾

100%

average Board director attendance

(1) Pursuant to the provisions of Article 10.3 of the AFEP-MEDEF Code, the Board directors representing the employee shareholders and the Board directors representing the employees are not taken into account for the calculation of this percentage.

Composition

At December 31, 2023, the Appointments and Governance Committee was composed of the following three members: Ms. Anne-Marie Couderc (Chair of the Committee), Ms. Céline Fornaro and Mr. Alexander R. Wynaendts.

Missions

The Appointments and Governance Committee is responsible for proposing candidates to the Board of Directors for the appointment and replacement of the Chair of the Board of Directors, the other Board directors and the executive officers of Air France-KLM, and for the succession plans for the executive officers, particularly in the event of unforeseen vacancies. Having initiated, when necessary, the relevant searches, the Committee may submit any proposals it deems fit to the Board of Directors regarding the latter's composition. The Appointments and Governance Committee also formulates recommendations for the Board of Directors on the appointment of the Chief Executive Officers (CEOs) of the Principal Subsidiaries. Furthermore, it is consulted by Air France-KLM's Chief Executive Officer on the appointment of the other executive officers (Executive Vice-Presidents and members of the Management Board) and members of the Boards of Directors and Supervisory Boards of the Principal Subsidiaries. It establishes the succession plan for the executive officers and also formulates proposals to the Board of Directors concerning the diversity and appointment policy for Board directors together with the diversity targets within the management bodies.

The Appointments and Governance Committee makes recommendations regarding the governance principles for the Air France-KLM group and reviews the consistency of the governance between the Company and its Principal Subsidiaries.

The Appointments and Governance Committee steers the annual evaluation of the functioning of the Board of Directors.

Lastly, prior to review by the Board of Directors, the Appointments and Governance Committee formulates proposals on the independence of the Board directors in the light of the criteria in the AFEP-MEDEF Code.

The Chief Executive Officer is involved in the work of the Appointments and Governance Committee.

Activity

During the 2023 financial year, the Appointments and Governance Committee met nine times (eleven in 2022) with an attendance record for members of 100% (as in 2022).

Board director	Appointments and Governance Committee attendance
Anne-Marie Couderc Chair of the Appointments and Governance Committee	100%
Jean-Dominique Comolli ⁽¹⁾	100%
Céline Fornaro ⁽²⁾	100%
May Gicquel ⁽³⁾	100%
Alexander R. Wynaendts	100%
AVERAGE ATTENDANCE	100%

(1) Member of the Appointments and Governance Committee until June 7, 2023.

(2) Member of the Appointments and Governance Committee since October 9, 2023.

(3) Member of the Appointments and Governance Committee from July 3 until October 9, 2023.

During the 2023 financial year, the Appointments and Governance Committee notably addressed the following matters:

- proposals relating to changes in the composition of the Board of Directors submitted to the Shareholders' Meeting of June 7, 2023;
- composition of the advisory Committees;
- review and updating of the succession plan for the Group's principal executive officers;
- recommendations on the appointment and re-appointment of members of the Air France Board of Directors and the KLM Supervisory Board;
- independence of the Air France-KLM Board directors;
- diversity and non-discrimination policy within the Group's management bodies;
- setting of diversity targets within the Group's management bodies;
- age limit for the Chair of the Board of Directors;

- evaluation of the functioning of the Board of Directors and its Committees, carried out between December 2023 and January 2024 (for more details, see section 2.3.1 “Activities and functioning of the Board of Directors”); and
- impacts on the Group’s governance of the transposition of the CSRD directive into French law.

Sustainable Development and Compliance Committee



4 MEETINGS

6 MEMBERS

40%

independent directors, including an independent Chair⁽¹⁾

94%

average Board director attendance

(1) Pursuant to the provisions of Article 10.3 of the AFEP-MEDEF Code, the Board directors representing the employee shareholders and the Board directors representing the employees are not taken into account for the calculation of this percentage.

Composition

At December 31, 2023, the Sustainable Development and Compliance Committee was composed of the following six members: Ms. Anne-Marie Idrac (Chair of the Committee), Ms. Leni Boeren, Mr. Pascal Bouchiat, Mr. Didier Dague, Mr. Dirk Jan van den Berg and Mr. Jian Wang.

Missions

The Sustainable Development and Compliance Committee assists the Board of Directors in reviewing the Group’s policies on compliance and sustainable development. It ensures that the Group promotes long-term value creation and takes the social and environmental issues involved in its activities into account in the establishment of the Group’s strategy by submitting recommendations to the Board of Directors.

The Sustainable Development and Compliance Committee’s mission is thus to:

- review the Group’s CSR policy and its implementation;
- examine the extra-financial risks and specifically those relating to environmental, social and societal matters;
- review the extra-financial performance statement foreseen in Articles L. 225-102-1 and L. 22-10-36 of the *Code de Commerce* including, in particular, the extra-financial performance criteria; and
- review the Group’s compliance program and monitor its implementation pursuant to the AFEP-MEDEF Code.

The Sustainable Development and Compliance Committee may also deal with any matters deemed appropriate by the Board of Directors.

Activity

During the 2023 financial year, the Sustainable Development and Compliance Committee met four times with an attendance record for members of 94% (91% in 2022).

Sustainable Development and Compliance Committee attendance

Board director

Anne-Marie Idrac Chair of the Sustainable Development and Compliance Committee	100%
Karim Belabbas ⁽¹⁾	100%
Leni M.T. Boeren	100%
Pascal Bouchiat	75%
Didier Dague ⁽²⁾	100%
Dirk Jan van den Berg	100%
Terence Tilgenkamp ⁽³⁾	100%
Jian Wang	75%
AVERAGE ATTENDANCE	94%

(1) Member of the Sustainable Development and Compliance Committee until March 11, 2023.

(2) Member of the Sustainable Development and Compliance Committee since July 27, 2023.

(3) Member of the Sustainable Development and Compliance Committee until July 27, 2023.

The Sustainable Development and Compliance Committee notably addressed the following subjects during the 2023 financial year:

- Air France-KLM’s Extra-Financial Performance Statement;
- the Group’s sustainable development strategy (targets in compliance with the Science-Based Target initiative (SBTi), sustainable aviation fuel program, development of the diversity program);
- the Group’s corporate, social and environmental ambitions;
- monitoring of the Group’s environmental commitments within the framework of the financial support measures from the French and Dutch States;
- review of the Group’s compliance program (in particular, the Group’s anti-bribery plan);
- review of the ESG certified extra-financial risks;
- definition of the KPIs for the sustainability-linked bond issue; and
- monitoring of new draft regulations (notably the Corporate Sustainability Reporting Directive – CSRD).

2.4 SUMMARY TABLE OF THE AFEP-MEDEF CODE'S COMPLY OR EXPLAIN RECOMMENDATIONS NOT APPLIED

The following table shows the recommendations of the AFEP-MEDEF Code which have not been applied and the reasons for this:

Provisions of the AFEP-MEDEF Code not applied	Reasons
MEETING OF THE NON-EXECUTIVE DIRECTORS OUTSIDE THE PRESENCE OF THE EXECUTIVE OR IN-HOUSE OFFICERS	
<p><i>"It is recommended that a meeting not attended by the Executive Officers be organised each year."</i></p> <p>(paragraph 12.3 of the AFEP-MEDEF Code)</p>	<p>The current practice is that the main matters concerning the executive officers (such as their appointment, performance and compensation) are discussed by the Board of Directors outside the presence of the interested parties, after consulting the opinion of, as required, the Appointments and Governance Committee or the Remuneration Committee.</p>
PROPORTION OF INDEPENDENT DIRECTORS WITHIN THE BOARD OF DIRECTORS	
<p><i>"The independent directors should account for half the members of the Board in widely held corporations without controlling shareholders."</i></p> <p>(paragraph 10.3 of the AFEP-MEDEF Code)</p>	<p>At December 31, 2023, the percentage of independent directors stood at 44%, i.e. below the 50% threshold recommended by the AFEP-MEDEF Code for non-controlled listed companies.</p> <p>This divergence emerged following the latest transactions involving the share capital. Following the report from the Appointments and Governance Committee, on March 25, 2019 the Air France-KLM Board of Directors considered that, in view of the Dutch State's acquisition of a shareholding in Air France-KLM on February 26, 2019, the Board director appointed as proposed by the Dutch State, could no longer be considered an independent Board director as of that same date.</p> <p>Furthermore, on May 22, 2022, the Company entered into a subscription agreement within the framework of the conclusion of a long-term strategic partnership in air freight under which CMA CGM, whose permanent representative is Ramon Fernandez, was appointed as a Board director of Air France-KLM.</p> <p>This divergence is thus due to the specificity of Air France-KLM's shareholder structure, the latter numbering the French (28%) and Dutch States (9.1%) amongst its shareholders, along with three major commercial partners, namely CMA CGM (8.8%), China Eastern Airlines (4.6%) and Delta Air Lines, Inc. (2.8%). Collectively these shareholders represented 53.3% of Air France-KLM's share capital at December 31, 2023. The Board directors appointed as proposed by these shareholders may not be considered to be independent.</p> <p>In addition, the 28% shareholding held by the French State enables the latter, pursuant to the provisions of Ordinance No.2014-948 of August 20, 2014, to benefit from a seat on the Board reserved for a Board director representing the French State, appointed by ministerial decree, and to propose Board directors to the Shareholders' Meeting. Two Board directors have been proposed by the French State and represent the interests of the French State in its capacity as a shareholder (Article 6 III of the aforementioned Ordinance).</p> <p>In that it is aware of the interest of having a significant proportion of independent Board directors, Air France-KLM is steadily increasing the proportion of independent members within its Board of Directors.</p> <p>On January 16, 2024, Air France-KLM and CMA CGM announced that they were terminating their existing agreements effective March 31, 2024 and the opening of discussions on the new terms and conditions of a commercial relationship. The parties also agreed that CMA CGM would step down as a Board director, effective March 31, 2024 (see section 2.7.4 "Partnerships with Air France-KLM"). The proportion of independent directors within the Air France-KLM Board of Directors has thus risen to 47%.</p>

2.5 COMPENSATION OF THE COMPANY OFFICERS

2.5.1 General principles

Pursuant to the provisions of Article L. 22-10-8 of the *Code de Commerce* (French Code of Commerce), the compensation of Air France-KLM's company officers is set by the Board of Directors, as recommended by the Remuneration Committee, in line with the provisions of the AFEP-MEDEF Code. The Company's Board of Directors thus establishes a compensation policy which complies with the Company's corporate interest (*intérêt social*), is aligned with its commercial strategy and which contributes to its long-term sustainability. It outlines all the components of the fixed and variable compensation for the company officers, and explains the decision-making process followed for its establishment, revision and implementation. This compensation policy is the subject of a draft resolution submitted for approval by the Shareholders' Meeting, under the conditions provided for in Article L. 22-10-32 of the *Code de Commerce*, on an annual basis and on any significant amendment to the compensation policy.

Pursuant to the provisions of Articles L. 22-10-9 and L. 22-10-34 of the *Code de Commerce*, the Shareholders' Meeting must also approve on an annual basis, firstly, the information referred to in Article L. 22-10-9 of the *Code de Commerce*, including notably the total compensation and benefits of any kind paid to all the company officers in respect of their mandates during the previous financial year or granted in respect of their mandates for the same financial year and, secondly, the total compensation and benefits of any kind paid during the previous financial year or granted in respect of the same financial year to each executive officer.

The Shareholders' Meeting of June 5, 2024 is thus convened to approve:

- the information relating to the compensation for each of the company officers, pursuant to Articles L. 22-10-9 and L. 22-10-34 of the *Code de Commerce*. This information is presented hereinafter in section 2.5.2 ("Compensation of the company officers in 2023");
- the fixed and variable elements composing the total compensation and benefits of any kind paid during the 2023 financial year or granted in respect of this financial year to Ms. Anne-Marie Couderc, Chair of the Board of Directors and to Mr. Benjamin Smith, Chief Executive Officer, pursuant to Article L. 22-10-34 of the *Code de Commerce*. This information is presented hereinafter in section 2.5.2.2 ("Elements of compensation paid or granted during the 2023 financial year to the executive officers and submitted for approval by the Shareholders' Meeting of June 5, 2024"); and

- the compensation policy for the company officers in respect of 2024, i.e. the Board Directors, the Chair of the Board of Directors and the Chief Executive Officer of the Company, as established by the Board of Directors, pursuant to Article L. 22-10-8 of the *Code de Commerce*. This policy is set forth hereinafter in section 2.5.3 ("Compensation policy for the company officers in respect of 2024").

It is specified that, pursuant to the provisions of Article L. 22-10-8 of the *Code de Commerce*, to avoid becoming null and void, no element of compensation, of any kind whatsoever, may be established, granted or paid by the Company, nor any commitment made corresponding to elements of compensation, indemnities or benefits due or potentially due on taking up, stepping down or by reason of a change in their duties or following their exercise, unless it complies with the approved compensation policy or, in its absence, with past compensation or practices.

Furthermore, if the Shareholders' Meeting of June 5, 2024 does not approve the draft resolution referred to in Article L. 22-10-34, I of the *Code de Commerce*, the Board of Directors must submit a revised compensation policy, taking into account the shareholders' vote, for approval by the next Shareholders' Meeting. In such a situation, the payment of the sum allocated to the Board directors for the 2024 financial year shall be suspended until approval of the revised compensation policy. Once reinstated, it shall include the arrears incurred since the Shareholders' Meeting of June 5, 2024.

In addition, the elements of variable or extraordinary compensation granted to the Chief Executive Officer in respect of the 2024 financial year will only be able to be paid after approval, by the Shareholders' Meeting of June 5, 2024, of these elements of compensation under the conditions provided for in the first paragraph of Article L. 22-10-34, II of the *Code de Commerce*.

Note that the repayment of 75% of the State Aid took place on March 17, 2023. As a result, the restrictions in respect of the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM concerning the elements of compensation for the Chair of the Board of Directors, the Chief Executive Officer and the members of the Air France-KLM Board of Directors no longer apply. In particular, since March 17, 2023, the variable compensation granted and acquired by the Chief Executive Officer of Air France-KLM may again be paid.

2.5.2 Compensation of the Company officers in 2023

The information referred to in Article L. 22-10-9 of the *Code de Commerce* and the elements of compensation and benefits of any kind paid during the 2023 financial year or granted in respect of this financial year to the different company officers of Air France-KLM, to be submitted to the shareholders' vote at the Shareholders' Meeting of June 5, 2024, pursuant to Article L. 22-10-4 of the *Code de Commerce*, is detailed hereinafter and concerns:

- the Company's Board directors (section 2.5.2.1);
- the Chair of the Company's Board of Directors (section 2.5.2.2 a.); and
- the Company's Chief Executive Officer (section 2.5.2.2 b.).

2.5.2.1 Elements of compensation paid or granted to the Board directors during the 2023 financial year and submitted for approval by the Shareholders' Meeting of June 5, 2024

The elements of compensation paid during the 2023 financial year or granted in respect of this financial year to the Board directors of Air France-KLM are in accordance with the compensation policy set by the Board of Directors following consultation with the Remuneration Committee and approved by the Shareholders' Meeting of June 7, 2023. These elements of compensation, which will be submitted to the shareholders' vote at the Shareholders' Meeting of June 5, 2024 pursuant to Article L. 22-10-34 of the *Code de Commerce*, are detailed hereinafter.

	Attendance record at Board and Committee meetings and at the Shareholders' Meeting (2023 financial year)	Remuneration in respect of the 2023 financial year (in €)	Remuneration in respect of the 2022 financial year (in €) ⁽¹⁾
MEMBERS OF THE BOARD OF DIRECTORS IN FUNCTION AS OF THE DATE OF THIS UNIVERSAL REGISTRATION DOCUMENT			
Anne-Marie Couderc ⁽²⁾	100%	N/A	N/A
Benjamin Smith ⁽³⁾	100%	N/A	N/A
Gwenaëlle Avice-Huet	95%	54,758	53,438
Leni M.T. Boeren	100%	60,000	60,000
Pascal Bouchiat	87%	41,977	7,500
Isabelle Bouillot	96%	56,500	53,875
Didier Dague ⁽⁴⁾⁽⁵⁾	100%	35,227	N/A
Michel Delli-Zotti ⁽⁴⁾	100%	48,000	17,667
Delta Air Lines, Inc. (represented by Mr. Alain Bellemare)	88%	51,000	51,571
Nicola Foretz ⁽⁴⁾⁽⁶⁾	100%	14,909	N/A
Céline Fornaro ⁽⁷⁾	100%	9,717	N/A
Anne-Marie Idrac	80%	40,682	47,500
Yann Leriche ⁽⁸⁾	80%	15,909	N/A
Cees 't Hart	55%	35,636	39,188
Terence Tilgenkamp ⁽⁹⁾	100%	52,000	49,500
Dirk Jan van den Berg	100%	52,000	50,438
Jian Wang	80%	46,705	43,438
Alexander R. Wynaendts	96%	57,227	54,813
FORMER MEMBERS OF THE BOARD OF DIRECTORS DURING THE 2022 AND 2023 FINANCIAL YEARS NO LONGER ACTING IN THE CAPACITY OF BOARD DIRECTOR AS OF THE DATE OF THIS UNIVERSAL REGISTRATION DOCUMENT			
Paul Farges ⁽⁴⁾⁽¹⁰⁾	N/A	N/A	27,438
Astrid Panosyan ⁽¹¹⁾	N/A	N/A	20,938
Martin Vial ⁽¹²⁾	N/A	N/A	29,000
Isabelle Parize ⁽¹³⁾	91%	33,152	60,000
May Giquel ⁽¹⁴⁾	93%	32,763	N/A
Karim Belabbas ⁽⁴⁾⁽¹⁵⁾	100%	4,886	44,250
François Robardet ⁽⁴⁾⁽¹⁶⁾	100%	35,591	53,000
Rodolphe Saadé ⁽¹⁷⁾	50%	5,000	10,000
Jean-Dominique Comolli ⁽¹⁸⁾	100%	27,096	50,000
Stéphanie Besnier ⁽¹⁹⁾	100%	4,970	12,771
Mr. Ramon Fernandez ⁽²⁰⁾	100%	32,727	N/A
TOTAL	92%	848,432	836,321

(1) On February 16, 2022, in view of the context of crisis linked to the Covid-19 pandemic, the Air France-KLM Board directors decided to reduce by 25% their compensation paid in respect of the 2022 financial year, as had been the case for the 2021 financial year, until such time as the Group's current operating income had returned to a positive figure.

(2) Mrs Anne-Marie Couderc, Chair of Air France-KLM's Board of Directors, receives no compensation in respect of her Board director duties.

(3) Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM, receives no compensation in respect of his Board director duties.

(4) The Board directors representing the employee shareholders and the Board director representing the French employees appointed by the Comité de Groupe Français receive compensation in respect of their employment contracts with Air France, unrelated to their corporate mandates within Air France-KLM. Their compensation in respect of their Board director functions is also paid to their unions, with the exception of Mr. François Robardet whose compensation has been remitted to his personal account since May 22, 2022.

(5) Board director since April 7, 2023.

(6) Board director since July 27, 2023.

(7) Board director since October 9, 2023.

(8) Board director since June 7, 2023.

(9) Mr. Terence Tilgenkamp receives compensation in respect of his employment contract with KLM, unrelated to his corporate mandate within Air France-KLM.

(10) Board director until May 24, 2022.

(11) Board director until June 21, 2022.

(12) Board director until June 1, 2022.

(13) Board director until June 30, 2023.

(14) Board director until October 9, 2023.

(15) Board director until March 11, 2023.

(16) Board director until July 27, 2023.

(17) Board director until April 19, 2023.

(18) Board director until June 7, 2023.

(19) Board director until March 15, 2023.

(20) Board director since April 19, 2023. As indicated in the press release of January 16, 2024, CMA CGM ceased to have a representative on the Company's Board of Directors as of March 31, 2024 in respect of the Subscription Agreement as amended by the Amendment to the Subscription Agreement signed on January 15, 2024.

In respect of the 2023 financial year, the Board directors were granted and paid during this financial year, total compensation of €848,432 (within the framework of the €950,000 annual budget voted by the Shareholders' Meeting of May 15, 2018).

Pursuant to the Board of Directors decision of December 11, 2019, the compensation for Board directors is composed of a flat-rate amount with an additional amount of compensation based on their individual attendance records. The allocation and granting modalities for this additional compensation are set by the Board of Directors, as proposed by the Remuneration Committee. An additional amount of compensation is also granted to non-resident Board directors. The information on the number of meetings of the Board of Directors and its advisory Committees held during the 2023 financial year and the attendance record for each Board director at the aforementioned meetings is set forth in section 2.3.

The allocation rules are outlined in section 2.5.3.1.

Audit Committee:

- the Chair receives a flat-rate amount of compensation of €4,500, with additional compensation amounting to a maximum of €7,500 based on attendance at Committee meetings; and
- the members each receive a flat-rate amount of compensation of €3,000, with additional compensation for the individual Committee members amounting to a maximum of €5,000 based on their attendance records at Committee meetings.

Other Committees:

- the Chair receives a flat-rate amount of compensation of €3,000, with additional compensation amounting to a maximum of €4,500 based on their attendance at Committee meetings; and
- the members each receive a flat-rate amount of compensation of €2,000, with additional compensation for the individual Committee members amounting to a maximum of €3,000 based on their attendance records at Committee meetings.

2.5.2.2 Elements of compensation paid or granted during the 2023 financial year to the executive officers and submitted for approval by the Shareholders' Meeting of June 5, 2024

a) Compensation of the Chair of the Board of Directors, for the period from January 1 to December 31, 2023

Presentation of the 2023 compensation structure for the Chair of the Board of Directors

Pursuant to the Board of Directors' resolution of February 16, 2023, the fixed compensation of the Chair of the Board of Directors is €200,000. By way of reminder, the amount of this annual fixed compensation for the Chair of the Board of Directors had been increased by the Board of Directors on February 19, 2022 to €220,000 but the Chair of the Board of Directors waived this increase in respect of the 2020 and 2021 financial years, and it was not applied in respect of the 2022 financial year pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM which provided that the compensation of the Chair of the Board of Directors could not exceed the fixed portion of her compensation at December 31, 2019.

For the 2023 financial year, the Board of Directors decided, as requested by the Chair, to maintain her level of compensation at €200,000, without applying the increase decided by the Board of Directors on February 19, 2020. This annual fixed compensation has thus remained unchanged since 2019.

This compensation includes neither compensation in respect of her Board director mandate (formerly directors' fees) nor variable compensation.

The 2023 compensation policy for the Chair of the Board of Directors was approved by the Shareholders' Meeting of June, 7, 2023.

For more details on the compensation policy for the Chair of the Board of Directors in respect of the 2023 financial year, see section 2.5.3.2 of the 2022 Universal Registration Document.

Elements of compensation paid during or granted in respect of the 2023 financial year

The elements of compensation paid during the 2023 financial year or granted in respect of this financial year to the Chair of the Board of Directors, for the period from January 1 to December 31, 2023, comply with the compensation policy set by the Board of Directors following consultation with the Remuneration Committee, and approved by the Shareholders' Meeting of June 7, 2023. These elements of compensation are detailed as follows:

Elements of compensation submitted to the vote	Amounts paid during the 2023 financial year	Amounts granted in respect of the 2023 financial year	Presentation
Fixed compensation	€200,000	€200,000	The annual gross fixed compensation of the Chair of the Board of Directors in respect of the 2023 financial year was set at €200,000 by the Board of Directors during its meeting of February 16, 2023, without applying the increase decided by the Board of Directors on February 19, 2020, as requested by the Chair. This annual fixed compensation has thus remained unchanged since 2019.
Annual variable compensation	N/A	N/A	The Chair does not benefit from annual variable compensation.
Multi-year variable compensation	N/A	N/A	The Chair does not benefit from multi-year variable compensation.
Extraordinary compensation	N/A	N/A	The Chair does not benefit from extraordinary compensation.
Stock options, performance shares or other long-term benefit (equity warrants, etc.)	N/A	N/A	No awards of this type were made during the 2023 financial year. The Chair does not benefit from any elements of long-term compensation.
Compensation in respect of a Board director mandate	N/A	N/A	The Chair does not receive compensation in respect of her Board director mandate.
Benefits of any kind	€15,984	€15,984	The Chair benefits from a chauffeur-driven company car.
Severance payment	N/A	N/A	The Chair does not benefit from a severance payment.
Non-compete indemnity	N/A	N/A	The Chair does not benefit from a non-compete indemnity.
Supplementary pension scheme	N/A	N/A	The Chair does not benefit from a supplementary pension scheme.

b) Compensation of the Chief Executive Officer for the period from January 1 to December 31, 2023

Presentation of the 2023 compensation structure for the Chief Executive Officer

As proposed by the Remuneration Committee, the framework of the compensation policy for the Chief Executive Officer was set by the Board of Directors during its meeting of August 16, 2018. It stipulates that the compensation of the Chief Executive Officer shall be composed of the following three elements:

- 1) a fixed amount of annual compensation;
- 2) an annual variable amount of compensation linked to the performance during the previous financial year potentially reaching 122% of the fixed compensation at targets achieved and up to 150% in the event that the targets are exceeded; and
- 3) a variable amount of long-term compensation.

This compensation structure has remained unchanged since 2018 as regards both the amount of fixed compensation and the amounts of annual and long-term compensation at targets achieved and the maximum amounts in the event that these targets are exceeded. Within the framework of this policy, the Chief Executive Officer receives benefits in kind whose scope has remained unchanged since 2018.

The compensation policy for the Chief Executive Officer in respect of the 2023 financial year was set pursuant to the framework for the policy set in 2018 and was approved by the Shareholders' Meeting of June 7, 2023. Note that the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM provided that no variable compensation could be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures had been repaid. As a result, no variable compensation was paid to Mr. Benjamin Smith between April 2021 and March 2023. The repayment of 75% of the State Aid took place on March 17, 2023.

For more details on the compensation policy for the Chief Executive Officer in respect of the 2023 financial year, see section 2.5.3.2 of the 2023 Universal Registration Document.

A summary of the elements of compensation for the Chief Executive Officer since 2018 is presented in section 2.5.2.6 of the 2022 Universal Registration Document.

Elements of compensation paid during or granted in respect of the 2023 financial year

The elements of compensation paid during the 2023 financial year or granted in respect of this financial year to the Chief Executive Officer were set by the Board of Directors at its meeting on February 16, 2023 as recommended by the Remuneration Committee. In particular, in view of the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, during its meeting of February 16, 2023 the Board stipulated that variable compensation would be granted to the Chief Executive Officer of Air France-KLM in respect of the 2023 financial year subject to the repayment of 75% of the recapitalization measures. Since the repayment of 75% of the State Aid took place on March 17, 2023, the restrictions in respect of the European Commission's decision of April 5, 2021 on case No.SA.59913 are no longer applicable and the condition precedent of the repayment of 75% of the State Aid foreseen for the granting of the variable compensation to the Chief Executive Officer in respect of the 2023 financial year has been satisfied. As a result, the elements of compensation granted in respect of the preceding financial years were able to be paid during the 2023 financial year, namely the 2021 and 2022 annual variable compensation and the 2020-22 Specific Long-Term Incentive Plan.

All of these elements of compensation, for the period from January 1 until December 31, 2023, are in line with the compensation policy set by the Board of Directors following consultation with the Remuneration Committee and approved by the Shareholders' Meeting of June 7, 2023. These elements of compensation are detailed hereinafter:

Elements of compensation submitted to the vote	Amounts paid during the 2023 financial year	Amounts granted in respect of the 2023 financial year	Presentation
Fixed compensation	€900,000	€900,000	<p>The annual gross fixed compensation for the Chief Executive Officer was set at €900,000 by the Board of Directors during its meeting of February 16, 2023.</p> <p>This fixed compensation has been unchanged since 2019.</p> <p>As a result, the fixed compensation granted to the Chief Executive Officer in respect of the 2023 financial year and paid during the 2023 financial year was €900,000.</p> <p>The ratio between the fixed and variable compensation granted to Mr. Benjamin Smith in respect of the 2023 financial year, as required pursuant to the provisions of Article L. 22-10-9, I, paragraph 2 of the <i>Code de Commerce</i>, is 331.76%.</p>
Annual variable compensation	€1,059,769 in respect of 2022 (€1,089,984 deferred payment in respect of 2021 following repayment of the State Aid on March 17, 2023)	€985,880	<p>In respect of the 2023 financial year</p> <p>During its meeting of February 28, 2024, the Board of Directors decided, as proposed by the Remuneration Committee, to grant to the Chief Executive Officer in respect of the 2023 financial year, in accordance with the 2023 compensation policy set by the Board of Directors on February 16, 2023 and approved by the Shareholders' Meeting of June 7, 2023, annual variable compensation which, by way of reminder, can vary from 0% to 122% of the annual fixed compensation at targets partially achieved, and from 122% to 150% of the annual fixed compensation in the event that the targets are exceeded (calculated on a linear basis).</p> <p>As proposed by the Remuneration Committee, the amount of the Chief Executive Officer's annual variable compensation was set at 109.5% of the annual fixed compensation, i.e. €985,880 by the Board of Directors during its meeting of February 28, 2024. This amount is composed of:</p> <ul style="list-style-type: none"> ■ quantitative criteria linked to the Group's financial targets: achievement rate 82% of the target (i.e. 59.8% of his annual gross fixed compensation): <ul style="list-style-type: none"> • 29.8% (on a target at 24.4% and a maximum at 30%) of the fixed compensation in respect of the current operating income (COI) of Air France-KLM in absolute value (Absolute COI), i.e. an achievement rate of 99.4%. This percentage takes into account the level of COI reached by the Group at December 31, 2023 relative to the COI as figuring in the 2023 budget, • 0% (on a target at 24.4% and a maximum at 30%) of the fixed compensation in respect of Air France-KLM's unit costs, i.e. an achievement rate of 0%. This level of achievement, which is below the target in the budget, is linked to the high level of inflation in 2023 and operational constraints, • 30% (on a target at 24.4% and a maximum at 30%) of the fixed compensation in respect of the reinforcement of the IFRS equity of Air France-KLM, i.e. an achievement rate of 100%;

Elements of compensation submitted to the vote	Amounts paid during the 2023 financial year	Amounts granted in respect of the 2023 financial year	Presentation
			<ul style="list-style-type: none"> ■ qualitative criteria linked to the Group's non-financial targets: achievement rate 102% of the target (i.e. 49.7% of his annual gross fixed compensation): <ul style="list-style-type: none"> • 15% (on a target at 12.2% and a maximum at 15.0%) of the fixed compensation in respect of the actions realized and the results obtained on Societal and Environmental Responsibility, i.e. an achievement rate of 100%. This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2022 Universal Registration Document. <p>In its evaluation, the Board of Directors took into account notably the introduction of sustainable aviation fuels for the flights on departure from France and The Netherlands (above the regulatory mandates in France), the fact that Air France-KLM Group was the leading global purchaser in 2023 having procured 17% of world-wide production, the securing of a portion of the SAF requirement for the coming years, and the renewal of the fleet and its impact on reducing CO₂ emissions and noise hindrance;</p> ■ 13.6% (on a target at 12.2% and a maximum at 15.0%) of the fixed compensation in respect of the actions realized and the results obtained in terms of human capital, i.e. an achievement rate of 90.7%. This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2022 Universal Registration Document. <p>In its evaluation, the Board of Directors took into account the acceleration of the action plan on engagement, diversity and inclusion.</p> <ul style="list-style-type: none"> ■ 6.1% (on a target at 12.2% and a maximum at 15.0%) of the fixed compensation in respect of the actions realized and the results obtained in terms of Customer Relations management, i.e. an achievement rate of 40.7%. This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2022 Universal Registration Document. <p>In its evaluation, the Board of Directors took into account the results of the Net Promoter Score and the punctuality of Air France and KLM flights.</p> <ul style="list-style-type: none"> ■ 15% (on a target at 12.2% and a maximum of 15.0%) of the fixed compensation in respect of the individual and leadership performance, i.e. an achievement rate of 100%. This percentage takes into account the main priorities defined in section 2.5.3.2 b) of the 2022 Universal Registration Document. <p>In its evaluation, the Board of Directors took into account the fluidity and effectiveness of relations within the Group and its subsidiaries, the ongoing social stability and the actions realized to federate his management team around strategic and ground-breaking projects for the Air France-KLM Group.</p>

Elements of compensation submitted to the vote	Amounts paid during the 2023 financial year	Amounts granted in respect of the 2023 financial year	Presentation
			<p>In application of Article L. 22-10-34 of the <i>Code de Commerce</i>, the payment of the amount of €985,880 is subject to prior approval by the Shareholders' Meeting of June 5, 2024.</p> <p>In the event of a positive vote by shareholders during the Shareholders' Meeting of June 5, 2024, authorizing the payment of the variable compensation to Mr. Benjamin Smith, the Company will not be able to request its return.</p> <p>In respect of the 2022 financial year</p> <p>Note that the amount of annual variable compensation for the Chief Executive Officer in respect of the 2022 financial year was set at 117.8% of his annual fixed compensation, i.e. i.e. €1,059,769, by the Board of Directors during its meeting of February 16, 2023. This amount was approved by the Shareholders' Meeting of June 7, 2023 and was paid to the Chief Executive Officer during the 2023 financial year (for more detail see section 2.5.2.2 of the 2022 Universal Registration Document).</p> <p>In respect of the 2021 financial year</p> <p>Note that the amount of annual variable compensation for the Chief Executive Officer in respect of the 2021 financial year was set at 121.1% of his annual fixed compensation, i.e. €1,089,984, by the Board of Directors during its meeting of February 16, 2022. This amount was approved by the Shareholders' Meeting of May 24, 2022 and could not be paid to the Chief Executive officer until such time as at least 75% of the recapitalization measures had been repaid (for more detail see section 2.5.2.2 of the 2021 Universal Registration Document). Since the repayment of 75% of the State Aid took place on March 17, 2023, the annual variable compensation for the Chief Executive Officer in respect of the 2021 financial year was paid to the Chief Executive Officer during the 2023 financial year.</p>

Elements of compensation submitted to the vote	Amounts paid during the 2023 financial year	Amounts granted in respect of the 2023 financial year	Presentation
Long-term variable compensation	€434,216 2020-22 Specific LTI units, converted into shares at a share price of €1.67 based on an initial valuation of €1,000,000. (value on conversion into shares of €725,141)	1,178,550 performance units payable in shares, valued at €2,000,000 and calculated with reference to the Air France-KLM opening share price on April 1, 2023.	<p>In respect of the 2023 financial year</p> <p>The Board of Directors decided, as proposed by the Remuneration Committee, to grant to the Chief Executive Officer in respect of the 2023 financial year, pursuant to the 2023 compensation policy set by the Board of Directors on March 16, 2023 and approved by the Shareholders' Meeting of June 7, 2023, long-term variable compensation composed of 1,178,550 performance units payable in Air France-KLM shares at the share price on April 1, 2023 i.e. €1.697 (one performance unit conferring entitlement to one share) in 2026 subject to the realization of financial and extra-financial performance conditions and a presence condition over three years.</p> <p>In accordance with the terms and conditions of the regulations governing the long-term incentive plans, and in application of the Chief Executive Officer's decision of August 31, 2023 to proceed with a reverse split in Air France-KLM shares, the 2018-20/2019-21/ 2020-22/2021-23 "Phantom Shares" Long-Term Incentive Plans, the 2019-21/2021-23 Specific Long-Term Incentive Plans and the 2022-24 and 2023-25 "Performance Shares" Long-Term Plans were adjusted to take into account the reverse share split in the shares composing the share capital on the basis of 10 old shares for one new share, effective since August 31, 2023, by dividing by 10 the number of shares to which the aforementioned plans confer entitlement.</p> <p>It is also specified that the Chief Executive Officer has given a formal undertaking that he has not used and will not use risk hedging transactions in connection with this plan until the payment of the performance units.</p> <p>The main terms and conditions of this long-term incentive plan are detailed in section 2.5.3.2 c) of the 2022 Universal Registration Document.</p> <p>In respect of the 2022 financial year</p> <p>Since the repayment of 75% of the State Aid took place on March 17, 2023, the 2020-22 Specific Long-Term Incentive Plan was exercised in favor of the Chief Executive Officer during the 2023 financial year.</p>

Elements of compensation submitted to the vote	Amounts paid during the 2023 financial year	Amounts granted in respect of the 2023 financial year	Presentation
Multi-year variable compensation	N/A	N/A	The Chief Executive Officer does not benefit from multi-year variable compensation.
Extraordinary variable compensation	N/A	N/A	The Chief Executive Officer does not benefit from extraordinary compensation.
Stock options, performance shares or other long-term benefit (equity warrants, etc.)	N/A	N/A	No awards of this type were made during the 2023 financial year.
Compensation in respect of a Board director mandate	N/A	N/A	The Chief Executive Officer does not receive compensation in respect of his Board director's mandate.
Benefits of any kind	€284,074	€284,074	The Chief Executive Officer benefits from a chauffeur-driven company car and a supplementary health and disability scheme. Given his relocation to France, he also benefits from an accommodation allowance, free airline tickets, school fees and advisory fees.
Severance payment	N/A	N/A	<p>Pursuant to the 2023 compensation policy approved by the Shareholders' Meeting of June 7, 2023, the Chief Executive Officer continues to benefit from a severance payment granted to him by the Board of Directors during its meeting of August 16, 2018 in the event of forced termination, including dismissal, non-renewal of his mandate as Chief Executive Officer or resignation following a change of control (excluding any situation of gross misconduct on the part of the Chief Executive Officer).</p> <p>Pursuant to the recommendations of the AFEP-MEDEF Code, the basis of this severance payment is equivalent to two years of his annual fixed and variable compensation (based on specific calculation modalities referring, as necessary, to the target variable in the event of termination in the first 24 months).</p> <p>A coefficient (between 0% and 100%) will be applied to this amount on the basis of the performance of the interested party, measured with reference to the attainment of the performance criteria for the annual variable component of his compensation over the preceding two financial years of his mandate (or since his appointment, in the event of termination during the first two years). The Air France-KLM Board of Directors is responsible for evaluating the achievement of these performance criteria.</p>
Non-compete indemnity	N/A	N/A	The Chief Executive Officer does not benefit from a non-compete indemnity.
Supplementary pension scheme	N/A	N/A	The Chief Executive Officer does not benefit from a collective supplementary pension scheme.

Elements of long-term variable compensation granted in respect of the preceding financial years

Note that, in respect of the 2018 financial year, as recommended by the Remuneration Committee, the Board of Directors granted the Chief Executive Officer performance units within the framework of a Long-Term Incentive Plan ("Phantom Shares") payable in cash, and that in respect of the 2019, 2020 and 2021 financial years, as recommended by the Remuneration Committee, the Board of Directors granted the Chief Executive Officer performance units within the framework of two long-term plans: a Long-Term Incentive Plan ("Phantom Shares") payable in cash and a Specific Long-Term Incentive Plan payable in shares. In respect of the 2022 and 2023 financial years, performance units were granted to the Chief Executive Officer within the framework of a Specific Long-Term Incentive Plan, payable in shares.

It is stipulated that, during its meeting of October 27, 2022, the Board of Directors decided, as proposed by the Remuneration Committee, to adjust these long-term compensation plans (all the plans granted but not yet exercised on the date of the decision) following the capital increase with maintained preferential subscription rights for shareholders realized on June 16, 2022 and, as a result, to multiply by 2.5 the number of performance units granted in respect of these plans.

In accordance with the terms and conditions of the regulations governing long-term incentive plans and in application of the Chief Executive Officer's decision of August 31, 2023 to proceed with a reverse split in Air France-KLM's shares, the 2018-20/2019-21/2020-22/2021-23 "Phantom Shares" Long-Term Incentive Plans, the 2019-21/2021-23 Specific Long-Term Incentive Plans and the 2022-24 and 2023-25 Performance Shares Long-Term Incentive Plans were adjusted to take into account the reverse share split in the shares composing the share capital on the basis of 10 old shares for one new share, effective since August 31, 2023, by dividing by 10 the number of shares to which the aforementioned plans confer entitlement (NB: the 2020-22 Specific Long-Term Incentive Plan having been converted into shares in June 2023 prior to the reverse share split is not concerned by this decision).

For more detail on the elements of long-term variable compensation in respect of the preceding financial years, see section 2.5.2.2 of the 2022 Universal Registration Document.

It is also stipulated that:

- **concerning the Long-Term Incentive Plan ("phantom shares")**, in respect of the 2021-23 period, 119,313 performance units were granted to the Chief Executive Officer valued at €1,000,000, payable in cash in 2024 subject to the realization of the performance conditions and a three-year presence condition, excepting exercise by the Chief Executive Officer of his right to defer payment for a maximum of three years.

It is stipulated that, in application of the Board of Directors' resolution of October 27, 2022, the number of performance units granted in 2021 was multiplied by 2.5. In application of the Chief Executive Officer's decision of August 31, 2023 to proceed with a reverse split in Air France-KLM shares, the number of performance units granted in 2021 was subsequently divided by 10. As a result, the number of performance

units acquired in respect of the 2021 financial year is: 48,828.

During its meeting of February 28, 2024, the Board of Directors decided, as proposed by the Remuneration Committee, to set the level of achievement of the performance conditions of the plan at an overall 52.8%, this overall figure including the achievement at:

- 116.67% of the condition linked to the Net debt/ EBITDA ratio (35%) compared with the budget at the end of a three-year period (2023),
- 33% of the condition linked to the EBITDA relative to the EBITDA of companies in the sector, and
- 0% of the condition linked to the Dow Jones Sustainability Index for airlines.

As a result, as proposed by the Remuneration Committee, during its meeting on February 28, 2024 the Board of Directors set the number of performance units acquired by the Chief Executive Officer in respect of this plan for the 2021 financial year at 25,795 units.

Pursuant to Article L. 22-10-34 of the *Code de Commerce*, the payment of these 25,795 performance units is subject to the prior approval of the Shareholders' Meeting.

It is specified that, in 2024, the Chief Executive Officer will be able to exercise his right to payment of these performance units within a maximum period of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price following the announcement of the results for the financial year preceding the year in which the payment must in principle take place in application of the applicable plan.

- **concerning the Specific Long-Term Incentive Plan:** in respect of the 2021-23 period: 195,313 performance units were granted to the Chief Executive Officer valued at €1,000,000, payable in shares in 2024 subject to the attainment of the performance conditions and a three-year presence condition.

It is stipulated that, in application of the Board of Directors' resolution of October 27, 2022, the number of performance units granted in 2021 was multiplied by 2.5. In application of the Chief Executive Officer's decision of August 31, 2023 to proceed with a reverse split in Air France-KLM's shares, the number of performance units granted in 2021 was subsequently divided by 10. As a result, the number of performance units acquired in respect of the 2021 financial year is: 48,828.

As proposed by the Remuneration Committee, during its meeting of February 28, 2024 the Board of Directors noted the level of achievement of the performance conditions of the plan which stood at an overall 48% this overall figure including the achievement at:

- 36% of the condition linked to the relative COI of Air France-KLM, and
- 78% of the condition linked to the CSR targets.

As a result, as proposed by the Remuneration Committee, the Board of Directors set the number of performance units payable in shares to the Chief Executive Officer at 23,437 units.

Pursuant to Article L. 22-10-34 of the *Code de Commerce*, the payment of these 23,437 performance units is subject to prior approval by the Shareholders' Meeting.

The following table summarizes the characteristics of the elements of long-term variable compensation granted to the Chief Executive Officer in respect of the 2018, 2019, 2020, 2021, 2022 and 2023 financial years.

	2018	2019	2020	2021	2022	2023			
Summary table of the variable Long-Term Incentive Plans	2018 Phantom shares	2019 Phantom shares	2019 Specific Long Terme	2020 Phantom shares	2020 Specific Long Terme	2021 Phantom shares	2021 Specific Long Terme	2022 Performances shares Plan ⁽¹⁾	2023 Performance share Plan ⁽¹⁾
Characteristics of the plan	Payable in cash	Payable in cash	Payable in shares	Payable in cash	Payable in shares	Payable in cash	Payable in shares	Payable in shares	Payable in shares
Date of the Board of Directors meeting having granted the performance units	March 14, 2018	March 12, 2019	March 12, 2019	March 19, 2020	March 19, 2020	March 17, 2021	March 17, 2021	February 16, 2023	March 16, 2023
Date of the Shareholders' Meetings having approved these grants	May 28, 2019 (15 th resolution)	May 26, 2020 (13 th resolution)	May 26, 2020 (13 th resolution)	May 26, 2021 (16 th resolution)	May 26, 2021 (16 th resolution)	May 24, 2022 (14 th resolution)	May 24, 2022 (14 th resolution)	June 7, 2023 (14 th resolution)	June 7, 2023 (14 th resolution)
Number of performance units granted	36,714	110,253	110,253	200,400	200,400	195,313	195,313	490,196	1,178,550
Valuation on the grant date	€333,000	€1,000,000	€1,000,000	€1,000,000	€1,000,000	€1,000,000	€1,000,000	€2,000,000	€2,000,000
Year from which the payment can take place ⁽²⁾	2021 ⁽³⁾	2022 ⁽⁴⁾	2022 ⁽⁶⁾	2023 ⁽⁵⁾	2023	2024	2024	2025	2026
Presence conditions	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Number of performance units granted after the application of the coefficient of 2.5 linked to the neutralization of the recapitalization effect then divided by 10 following the reverse share split	9,178	27,563	27,563	50,100	50,100	48,828	48,828	122,549	117,855
Overall performance for the plan	100%	77.3%	70.0%	59.3%	86.7%	52.8%	48.0%	N/A	N/A
Number of performance units vested	9,178	21,306	19,294	29,709	43,421 ⁽⁷⁾	25,795	23,437	N/A	N/A
Valuation of the variable long-term compensation based on a share price of €12.078 (closing share price on January 31, 2024)	€110,852	€257,334	€233,033	€358,825	Conversion into shares in June 2023 for a value of €725,141	€311,552	€283,072	Plan in the vesting phase	Plan in the vesting phase

(1) During its meeting of February 16, 2022, the Board of Directors decided, on the expiry of the Specific Long-Term Incentive Plan at the end of 2021, to replace the two long-term incentive plans (one payable in cash and one payable in shares) with a single long-term incentive plan (payable in shares), without changing the overall amount of long-term compensation for the Chief Executive Officer. This change aims to simplify the long-term compensation policy and add consistency, in accordance with market practices, as well as to further align the interests of the beneficiary with those of the shareholders. This change enables the reinforcement of the beneficiaries equity interest in the company. It contributes to the retention of talented individuals and is aligned with the strategy and the transformation of the Air France-KLM group (for more detail, see section 2.5.3.2 b) of the 2021 Universal Registration Document.

(2) It is stipulated that pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation could be paid until such time as at least 75% of the recapitalization measures had been repaid. Any payments in respect of the Long-Term Incentive Plan ("phantom shares") and the Specific Long-Term Incentive Plan had thus been deferred until after the repayment of 75% of the recapitalization measures.

(3) In 2021, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price after the announcement of the results for the financial year preceding the one in which the payment must in principle take place pursuant to the applicable plan.

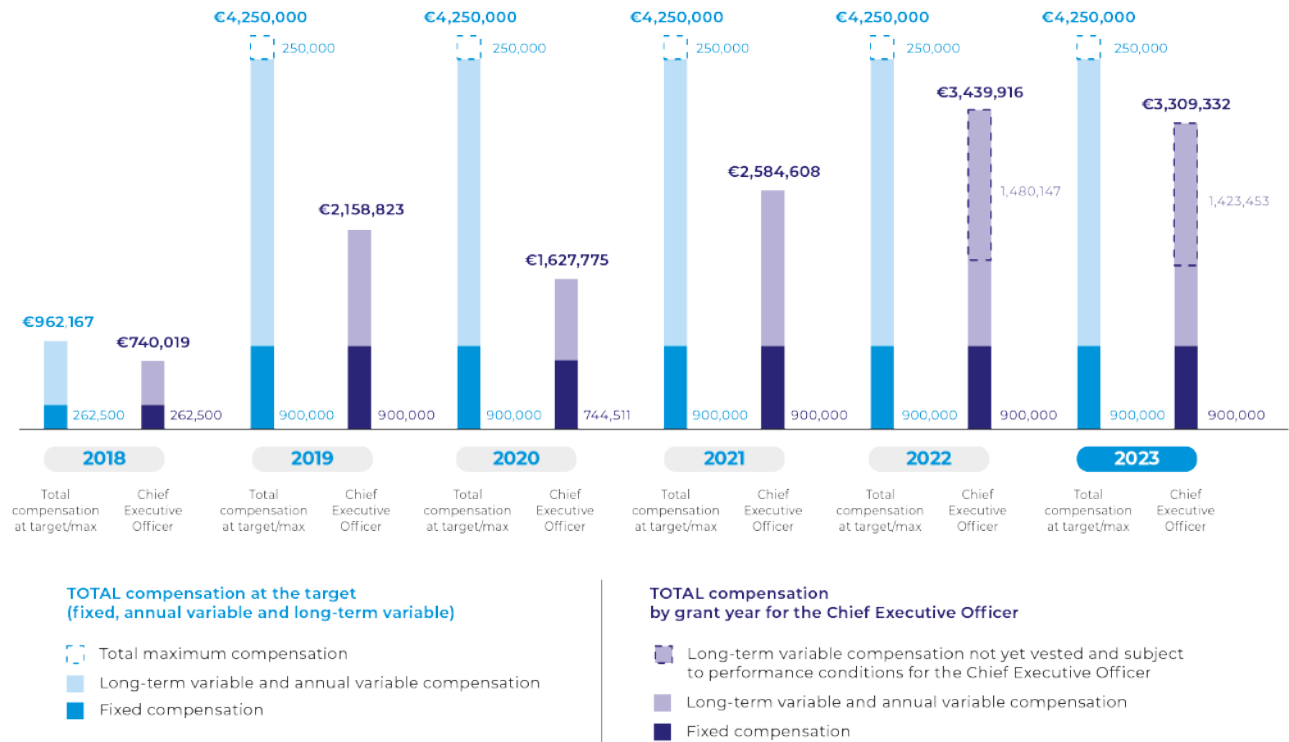
(4) In 2022, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price after the announcement of the results for the financial year preceding the one in which the payment must in principle take place pursuant to the applicable plan.

(5) In 2023, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price after the announcement of the results for the financial year preceding the one in which the payment must in principle take place pursuant to the applicable plan.

(6) It is stipulated that, pursuant to the amendment to the 2019 Specific Long-Term Incentive Plan detailed in section 2.5.3.2 b) of the 2021 Universal Registration Document, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years.

(7) It is stipulated that following the repayment of the State Aid on March 17, 2023, the variable Long-Term Incentive Plan in respect of 2020 (for the Specific Long-Term Incentive Plan) was converted into shares in June 2023.

CHANGE IN THE CHIEF EXECUTIVE OFFICER'S COMPENSATION BETWEEN 2018 AND 2023



Comment 1: the change in compensation is based on the grant years for the different elements composing the compensation for the Chief Executive Officer. An amount of annual variable compensation granted in 2021 is thus allocated to 2021 irrespective of the year of payment (not taking into account deferred payments).

Comment 2: the share price used to value the long-term incentive plans is €12.078 corresponding to the closing share price on January 31, 2024.

Comment 3: the vested plans for which the overall performance for the plan is known are valued based on the same share price retained (including units converted into shares for the 2020-22 Specific Incentive Plan).

Comment 4: for the plans in the vesting phase whose overall performance is not known as of the publication date, the units allocated on the grant date are valued at the share price retained without the application of the performance conditions.

Comment 5: the benefits in kind are not included to ensure a comparable base with the target and maximum compensation.

2.5.2.3 Ratios on the multiples of compensation paid to the executive officers in 2023

This section has been established pursuant to the provisions of Article L. 22-10-9, I, paragraph 6 of the Code de Commerce and to the AFEP guidelines updated in February 2021. It sets forth, for the Company's last five financial years, the ratios between the level of compensation for the executive officers and, firstly, the average compensation on a full-time equivalent base for employees of the Company other than the company officers and, secondly, the median compensation on a full-time equivalent base for employees of the Company other than the company officers.

The following ratios have been calculated based on the annualized fixed and variable compensation paid during the relevant financial years.

Since the Company Air France-KLM does not include a representative number of employees during the relevant period (fewer than 20% of the staff in France), a broader scope has been used ("relevant scope") consisting of Air France employees on permanent contracts (except expatriate and seconded staff) in France, present and paid throughout the year on a full-time basis, representing more than 80% of the headcount in France.

	2019 Financial Year	2020 Financial Year ⁽¹⁾	2021 Financial Year	2022 Financial Year	2023 Financial Year
CHAIR OF THE BOARD OF DIRECTORS (ANNE-MARIE COUDERC)					
Ratio with average employee compensation in the relevant scope	3.39	3.22	3.68	3.36	2.99
Ratio with median employee compensation in the relevant scope	4.42	4.18	4.72	4.35	3.95
CHIEF EXECUTIVE OFFICER (BENJAMIN SMITH) Gross data					
Ratio with average employee compensation in the relevant scope	38.78	30.61	20.24	18.31	56.12
Ratio with median employee compensation in the relevant scope	50.57	39.63	25.96	23.69	74.23
CHIEF EXECUTIVE OFFICER (BENJAMIN SMITH) Data restated for the deferred annual variable compensation in respect of 2021					
Ratio with average employee compensation in the relevant scope	38.78	30.61	20.24	18.31	41.05
Ratio with median employee compensation in the relevant scope	50.57	39.63	25.96	23.69	54.3

(1) As the average and median compensation of the employees in the relevant scope taken into account for the 2019 financial year corresponds to a budgeted amount in the 2019 Universal Registration Document, the amounts for the 2019 financial year presented here have been corrected.

The ratios with the average and median compensation of employees in the relevant scope are significantly higher with respect of the 2023 financial year as the lifting of the restrictions linked to the repayment of State Aid on March 17, 2023 enabled the payment of the compensation granted in respect of the preceding financial years (see section 2.5.2.2 of this Universal Registration Document).

Detail on the elements used to calculate the ratios presented above:

- 2019 Financial Year:
 - the annual variable compensation of the Chief Executive Officer paid in 2019 in respect of 2018 has been annualized based on Mr. Benjamin Smith's compensation in his capacity as Chief Executive Officer for the period from September 17 to December 31, 2018;
- 2020 Financial Year:
 - note that, on March 19, 2020, the Chair of the Board of Directors waived the application in the 2020 financial year of the increase to her annual fixed

compensation set by the Board of Directors on February 19, 2020. Her annual gross fixed compensation was thus €200,000 in respect of her functions for 2020. Furthermore, the Chair submitted her fixed compensation paid during the 2020 financial year to the same wage modalities as those applied to all the Air France and Air France-KLM SA employees (notably its reduction pro rata temporis for the periods of partial activity applied to all the employees),

- note that, on March 19, 2020, the Chief Executive Officer informed the Board of Directors of his decision to submit his fixed compensation, paid during the 2020 financial year, to the same wage modalities as those applied to all the Air France and Air France-KLM SA employees (notably the reduction of the payment pro rata temporis for the periods of partial activity applied to all the employees for 2020). In practice, his annual fixed compensation was reduced by 25% between March 23 and December 31, 2020;

- 2021 Financial Year:
 - note that, on February 17, 2021, the Chair of the Board of Directors reiterated her commitment to waiving the application of the increase in her annual fixed compensation defined by the Board of Directors on February 19, 2020. Her annual fixed gross compensation, in respect of her functions for 2021, decided by the Board of Directors on February 17, 2021, was thus €200,000,
 - note that, on April 23, 2020, within the context of the crisis linked to the Covid-19 pandemic being traversed by the Air France-KLM group, the Chief Executive Officer announced that he was waiving his annual variable compensation in respect of the 2020 financial year;
- 2022 Financial Year:
 - note that, on February 16, 2022, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, which stipulates that the compensation for the Chair of the Board of Directors may not exceed the fixed portion of her compensation at December 31, 2019, the annual gross fixed compensation for the Chair of the Board of Directors was set by the Board of Directors at €200,000,
 - note that, pursuant to the European Commission's decision of April 5, 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation could be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures had been repaid;
- 2023 Financial Year:
 - the annual gross fixed compensation of the Chair of the Board of Directors in respect of the 2023 financial year was set at €200,000 by the Board of Directors during its meeting of February 16, 2023. As requested by the Chair of the Board of Directors, this amount does not take into account the increase in her annual

gross fixed compensation (from €200,000 to €220,000) which had been decided by the Board of Directors on February 16, 2020,

- note that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation could be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures had been repaid. Since 75% of the State Aid was repaid on March 17, 2023, the annual variable compensation for the Chief Executive Officer in respect of the 2021 financial year and the long-term variable compensation in respect of the 2020 financial year for the 2020-22 Specific Long-Term Incentive Plan was paid to the Chief Executive Officer during the 2023 financial year.

2.5.2.4 Change in the compensation policy

This section has been established pursuant to the provisions of Article L. 22-10-9, I, paragraph 7 of the *Code de Commerce* and to the AFEP guidelines updated in February 2021. It shows the annual change in compensation, the performances of the company Air France-KLM, the average remuneration on a full-time equivalent basis for employees of the Company Air France-KLM other than the directors and the ratios referred to in section 2.5.2.3, for the last five financial years.

It is specified that, since the company Air France-KLM does not include a representative number of employees during the relevant period (fewer than 20% of the staff in France), a broader scope has been used ("relevant scope") consisting of Air France employees on permanent contracts (except expatriate and seconded staff) in France, present and paid throughout the year on a full-time basis, representing more than 80% of the headcount in France:

Annual compensation	2019 Financial Year ⁽¹⁾	2020 Financial Year	2021 Financial Year	2022 Financial Year	2023 Financial Year
CHAIR OF THE BOARD OF DIRECTORS (ANNE-MARIE COUDERC)⁽²⁾					
Compensation	€215,985	€190,835 ⁽³⁾	€215,984	€215,984	€215,984
Change/N-1	+7.99%	-11.64%	+13.18%	+0%	+0%
Ratio with average compensation	3.39	3.22	3.68	3.36	2.99
Change/N-1	+0.30	-0.17	+0.46	-0.32	-0.38
Ratio with median compensation	4.42	4.18	4.72	4.35	3.95
Change/N-1	+0.42	-0.24	-0.54	-0.37	-0.4
CHIEF EXECUTIVE OFFICER (BENJAMIN SMITH) GROSS DATA⁽²⁾					
Compensation	€2,470,345	€1,808,253 ⁽⁴⁾	€1,187,113 ⁽⁶⁾	€1,175,380 ⁽⁶⁾	€ 4,058,968 ⁽⁷⁾
Change/N-1	+174.47%	-26.80%	-34.35%	-1.00%	245.33%
Ratio with average compensation	38.78	30.51	20.24	18.31	56.12
Change/N-1	+24.89	-8.27	-10.27	-1.93	37.81
Ratio with median compensation	50.57	39.63	25.96	23.69	74.23
Change/N-1	+32.57	-10.93	-13.68	-2.27	50.54
CHIEF EXECUTIVE OFFICER (BENJAMIN SMITH) DATA RESTATED FOR THE DEFERRED ANNUAL VARIABLE COMPENSATION IN RESPECT OF 2021					
Compensation	€2,470,345	€1,808,253 ⁽⁴⁾	€1,187,113 ⁽⁶⁾	€1,175,380 ⁽⁶⁾	€ 2,968,984 ⁽⁷⁾
Change/N-1	+174.47%	-26.80%	-34.35%	-1.00%	152.60%
Ratio with average compensation	38.78	30.51	20.24	18.31	41,05
Change/N-1	+24.89	-8.27	-10.27	-1.93	22,74
Ratio with median compensation	50.57	39.63	25.96	23.69	54,30
Change/N-1	+32.57	-10.93	-13.68	-2.27	30,61
BOARD DIRECTORS⁽⁸⁾					
Compensation (formerly directors' fees)	€826,417	€706,133 ⁽⁹⁾	€637,772 ⁽¹⁰⁾	€836,321 ⁽¹¹⁾	€848,432
Change/N-1	-8.93%	-14.55%	-9.68%	+31.13%	+1.45%
EMPLOYEES IN THE RELEVANT SCOPE⁽¹³⁾					
Average compensation	€63,696	€59,261	€58,656	€64,206	€ 72,331
Change/N-1	-1.72%	-6.96%	-1.02%	+9.46 ⁽¹¹⁾	+12.65%

	2019 Financial Year ⁽¹⁾	2020 Financial Year ⁽¹⁾	2021 Financial Year	2022 Financial Year	2023 Financial Year
PERFORMANCE OF THE COMPANY BASED ON THE REPORTED FIGURES					
Net Results (in € million)	290	-7,100	-3,292	728	934
Change/N-1 (in € million)	-129	-7,390	3,808	+4,020	+206
Current Operating Income (COI) (in € million)	1,141	-4,554	-1,626	1,193	1,712
Change/N-1 (in € million)	-264	-5,695	2,928	2,819	+519
Net debt/EBITDA ratio	1.5x	-6.5x	11.03x	1.75x	1.20x
Change/N-1	0.1	-8	17.5	-9.28	-0.56

- (1) As the average and median compensation of the employees in the relevant scope taken into account for the 2019 financial year corresponds to a budgeted amount in the 2019 Universal Registration Document, the amounts for the 2019 financial year presented here have been corrected.
- (2) The amounts of compensation for the Chair of the Board of Directors and the Chief Executive Officer shown above have been calculated on the basis of the fixed and variable compensation paid during the relevant financial years. These elements have been annualized for the purposes of comparison.
- (3) Note that the Chair of the Board of Directors submitted her fixed compensation of €200,000 paid during the 2020 financial year to the same modalities as those applied to all the Air France and Air France-KLM SA employees (notably its reduction pro rata temporis for the period of partial activity applied to all the employees).
- (4) Note that the Chief Executive Officer informed the Board of Directors of his decision to submit his fixed compensation, paid during the 2020 financial year, to the same modalities as those applied to all the Air France and Air France-KLM employees (notably its reduction pro rata temporis for the periods of partial activity applied to all the employees).
- (5) Note that, on April 23, 2020, in view of the crisis linked to the Covid-19 pandemic being traversed by the Air France-KLM group, the Chief Executive Officer announced that he was waiving his annual variable compensation in respect of the 2020 financial year.
- (6) The amount of annual variable compensation for the Chief Executive Officer in respect of the 2021 financial year was set at 121.11% of the annual fixed compensation, i.e. €1,098,984, by the Board of Directors during its meeting of February 16, 2022. This amount will be able to be paid to the Chief Executive Officer once 75% of the recapitalization measures has been repaid.
- (7) It is specified that, pursuant to the European Commission's decision of April 21, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, no variable compensation could be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures had been repaid. Since the repayment of 75% of the State Aid took place on March 17, 2023, the annual variable compensation for the Chief Executive Officer in respect of the 2021 financial year and the long-term variable compensation in respect of the 2020 financial year (for the Specific Long-Term Incentive Plan) were paid to the Chief Executive Officer during the 2023 financial year.
- (8) It is specified that, during its meeting of December 11, 2019, the Board of Directors decided to introduce a variable portion of compensation based on attendance, allocated to the Board directors in respect of their functions within the advisory Committees.
- Audit Committee:**
- The Chair now receives a fixed portion of €4,500 and a variable portion of €7,500 based on attendance at Committee meetings; and
 - The members now receive a fixed portion of €3,000 and a variable portion of €5,000 based on attendance at Committee meetings.
- Other Committees:**
- The Chair now receives a fixed portion of €3,000 and a variable portion of €4,500 based on attendance at Committee meetings; and
 - The members now receive a fixed portion of €2,000 and a variable portion of €3,000 based on attendance at Committee meetings.
- (9) On April 3, 2020, the Air France-KLM Board directors decided to reduce by 25% their compensation paid in 2020 pro rata temporis for the periods of partial activity applied to all the employees, i.e. from April 1 to December 31, 2020.
- (10) On February 17, 2021, in view of the context of crisis linked to the Covid-19 pandemic, the Air France-KLM directors decided to reduce by 25% their compensation paid in 2021 until such time as the Group's current operating income (COI) had returned to a positive figure.
- (11) Following the deliberation of the Board of Directors of December 8, 2022, having noted that the first half financial statements at June 30, 2022 and the third quarter financial statements had indicated that the Group's Current Operating Income would be positive at December 31, 2022, it was decided to remove the 25% reduction in the compensation for Board directors paid in respect of the 2022 financial year.
- (12) The increase in the compensation for employees within the relevant scope is explained by the recovery in activity at Société Air France with notably the reduction in partial activity.
- (13) The restated figures include the change in accounting principles for pensions (interpretation of IAS 19).

2.5.2.5 Additional information concerning the compensation paid or granted to all the Company officers in 2023

In the 2023 financial year, the total amount of compensation paid to the Board directors did not exceed the maximum budget of €950,000 approved by the shareholders during the Shareholders' Meeting of May 15, 2018.

Elements of compensation for the executive officers pursuant to the AMF Position-Recommendation DOC-2021-02:

SUMMARY TABLE OF THE COMPENSATION OF EACH EXECUTIVE OFFICER (TABLE 2 – AMF POSITION-RECOMMENDATION – DOC-2021-02 (APPENDIX 2))

	2023 Financial Year		2022 Financial Year	
	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Ms. Anne-Marie Couderc, Chair of the Board of Directors				
Fixed compensation	200,000 ⁽¹⁾	200,000 ⁽¹⁾	200,000 ⁽²⁾	200,000 ⁽²⁾
Annual variable compensation	N/A	N/A	N/A	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Compensation granted in respect of a Board director's mandate	N/A	N/A	N/A	N/A
Benefits in kind	15,984 ⁽³⁾	15,984 ⁽³⁾	15,984 ⁽³⁾	15,984 ⁽³⁾
TOTAL	215,984	215,984	215,984	215,984

(1) The annual gross fixed compensation for the Chair of the Board of Directors in respect of the 2023 financial year was set at €200,000 by the Board of Directors during its meeting of February 16, 2023. At the request of the Chair of the Board of Directors this amount does not take into account the increase in her annual gross fixed compensation (from €200,000 to €220,000) which had been decided by the Board of Directors during its meeting of February 19, 2020.

(2) Pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, providing that the compensation for the Chair of the Board of Directors may not exceed the fixed portion of her compensation at December 31, 2019, the annual gross fixed compensation for the Chair of the Board of Directors in respect of the 2022 financial year was set at €200,000 by the Board of Directors during its meeting of February 16, 2022. Her annual fixed compensation was thus €200,000 in respect of her functions for 2022.

(3) Ms. Anne-Marie Couderc benefits from a chauffeur-driven company car.

Mr. Benjamin Smith, Chief Executive Officer	2023 Financial Year		2022 Financial Year	
	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Fixed compensation	900,000	900,000	900,000	900,000
Annual variable compensation	985 880 ⁽¹⁾	1,059,769 ⁽²⁾ 1,089,984 ⁽¹⁾ in respect of 2021	1,059,769 ⁽³⁾	0 ⁽³⁾
Long-term variable compensation	2,000,000 ⁽⁴⁾	725,141 ⁽¹⁾	2,000,000 ⁽⁵⁾	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Compensation granted in respect of a Board director's mandate	N/A	N/A	N/A	N/A
Benefits in kind	284,074 ⁽⁶⁾	284,074 ⁽⁶⁾	275,380 ⁽⁶⁾	275,380 ⁽⁶⁾
TOTAL	4,169,954	€2,968,984 excluding deferred payment <i>(€4,058,968 including deferred payment of the 2021 variable compensation)</i>	4,235,149	1,175,380

- (1) It is specified that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, no long-term variable compensation could be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures had been repaid. As the repayment of 75% of the State Aid took place on March 17, 2023, the annual variable compensation for the Chief Executive Officer in respect of the 2021 financial year and the long-term variable compensation in respect of 2020 (for the Specific Long-Term Incentive Plan 2020-2022) was paid to the Chief Executive Officer during the 2023 financial year.
- (2) The details concerning the annual variable compensation of the Chief Executive Officer for 2022 are outlined in section 2.5.5.2.b of the 2022 Universal Registration Document.
- (3) It is specified that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, no long-term variable compensation could be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures had been repaid.
- (4) Amount of the grant corresponding to 117,855 performance units (after the division by 10 pursuant to the Chief Executive Officer's decision of August 31, 2023) calculated with reference to the Air France-KLM opening share price on April 1, 2023. The number of performance units to be definitively vested is subject to a presence condition and performance conditions, evaluated over three years, and presented in section 2.3.3.2 b of the 2022 Universal Registration Document.
- (5) Amount of the grant corresponding to 122,549 performance units (after application of the coefficient of 2.5 pursuant to the Board of Directors' resolution of October 27, 2022 and the division by 10 pursuant to the Chief Executive Officer's decision of August 31, 2023) calculated with reference to the Air France-KLM opening share price on April 1, 2022, payable in 2025 (excepting the exercise by the beneficiary of his right to defer payment for a maximum of three years). The number of performance units to be definitively vested is subject to a presence condition and performance conditions, evaluated over three years, and presented in section 2.3.3.2 b of the 2021 Universal Registration Document.
- (6) The Chief Executive Officer benefits from a chauffeur-driven company car and a supplementary health and disability scheme. Given his relocation to France, he also benefits from an accommodation allowance, free airline tickets, school fees and advisory services.

**SUMMARY TABLE OF THE COMPENSATION, OPTIONS AND SHARES GRANTED TO EACH EXECUTIVE OFFICER
(TABLE 1 – AMF POSITION-RECOMMENDATION – DOC-2021-02 (APPENDIX 2))**

<i>(in euros)</i>	2023 Financial Year	2022 Financial Year
MS. ANNE-MARIE COUDERC, CHAIR OF THE BOARD OF DIRECTORS		
Compensation granted in respect of the financial year	215,984 ⁽¹⁾	215,984 ⁽²⁾
Valuation of multi-year variable compensation granted during the financial year	N/A	N/A
Valuation of stock options granted during the financial year	N/A	N/A
Valuation of free shares granted during the financial year	N/A	N/A
Valuation of other long-term compensation plans	N/A	N/A
TOTAL	215,984	215,984

(1) As requested by the Chair of the Board of Directors, the annual gross fixed compensation for the Chair of the Board of Directors in respect of the 2023 financial year was set at €200,000 by the Board of Directors during its meeting of February 16, 2023. This amount does not take into account the increase in her annual gross fixed compensation (from €200,000 to €220,000) which had been decided by the Board of Directors during its meeting of February 19, 2020.

(2) Pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France-KLM, providing that the compensation for the Chair of the Board of Directors may not exceed the fixed portion of her compensation at December 31, 2019, the annual gross fixed compensation for the Chair of the Board of Directors in respect of the 2022 financial year was set at €200,000 by the Board of Directors during its meeting of February 16, 2022. Her annual fixed compensation was thus €200,000 in respect of her functions for 2022.

<i>(in euros)</i>	2023 Financial Year	2022 Financial Year
MR. BENJAMIN SMITH, CHIEF EXECUTIVE OFFICER		
Compensation granted in respect of the financial year	4,169,954 ⁽¹⁾	4,235,149
Valuation of multi-year variable compensation granted during the financial year	N/A	N/A (2)
Valuation of stock options granted during the financial year	N/A	N/A
Valuation of free shares granted during the financial year	N/A	N/A
Valuation of other long-term compensation plans	N/A	N/A
TOTAL	4,169,954	4,235,149

(1) This amount is detailed in the table above summarizing the compensation of the Chief Executive Officer.

(2) For more details on the long-term compensation granted in respect of the preceding financial years see section 2.5.2.2 of this Universal Registration Document.

**SUMMARY TABLE OF THE SITUATION OF THE EXECUTIVE OFFICERS
(TABLE 10 – AFEP-MEDEF CODE)**

	Employment contract		Supplementary pension scheme (see above)		Indemnities or benefits due or potentially due on a cessation or change of function		Indemnity relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive officers								
Ms. Anne-Marie Couderc Chair of the Board of Directors Start date of mandate: May 15, 2018 Expiry date of mandate: 2024 Ordinary Shareholders' Meeting ⁽¹⁾		√		√ ⁽²⁾			√	√
Mr. Benjamin Smith Chief Executive Officer Start date of mandate: September 17, 2018 Expiry date of mandate: 2027 Ordinary Shareholders' Meeting ⁽³⁾		√		√ ⁽⁴⁾	√ ⁽⁵⁾			√

(1) Ms. Anne-Marie Couderc was appointed Chair of the Board of Directors from May 15, 2018 until the end of the 2023 Ordinary Shareholders' Meeting. Her mandate as Chair of the Board of Directors was renewed for an additional year by a decision of the Board of Directors on December 7, 2023, subject to the amendment of Article 26 of the Company's Articles of Incorporation increasing the age limit for exercising the functions of the Chair of the Board of Directors, submitted to the shareholders' vote during the Shareholders' Meeting of June 5, 2024.

(2) During its meeting of February 28, 2024, the Board of Directors decided to establish a supplementary pension scheme to the benefit of the Chair of the Board of Directors. For more details on this supplementary pension scheme for the Chair of the Board of Directors see section 2.5.3.2.

(3) The Chief Executive Officer has also been a Board director of Société Air France-KLM since December 5, 2018. His Board director mandate was renewed for a four-year term of office, i.e. until the end of the 2027 Ordinary Shareholders' Meeting, by a decision taken by the shareholders during the Shareholders' Meeting of June 7, 2023. Mr. Benjamin Smith's mandate as Chief Executive Officer was renewed early on March 30, 2022 for a further five-year term, effective as of the Shareholders' Meeting of May 24, 2022 and expiring at the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026.

(4) During its meeting of February 28, 2024, the Board of Directors decided to establish a supplementary pension scheme to the benefit of the Chief Executive Officer. For more details on this supplementary pension scheme for the Chief Executive Officer see section 2.5.3.2.

(5) For more details on the severance payment to the benefit of the Chief Executive Officer, see section 2.5.2.2.

Loans and guarantees granted to the company officers

None.

Stock options granted to the company officers of Air France-KLM

Air France-KLM did not put in place any stock option schemes to the benefit of its company officers during the financial year, nor during the preceding financial years.

Stock option schemes granted to the company officers of Air France-KLM and to the employees of the Air France-KLM group by the subsidiaries

Air France and KLM have not recently put in place any stock option schemes to the benefit of their employees and no stock option schemes are currently in force.

Information on stock option schemes granted to the employees of the Air France-KLM group and exercised by them during the financial year

None.

Performance shares granted to the company officers of Air France-KLM

Air France-KLM and its subsidiaries did not put in place any stock option schemes to the benefit of its company officers during the financial year, nor during the preceding financial years.

2.5.2.6 Summary of the elements of compensation for the Chief Executive Officer

The compensation elements of the Chief Executive Officer since 2018 are summarized below.

The framework of the compensation policy for the Chief Executive Officer was set by the Board of Directors, as proposed by the Remuneration Committee, during its meeting of August 16, 2018. It stipulates that the compensation of the Chief Executive Officer shall be composed of the following three elements:

- 1) an annual fixed amount of compensation;
- 2) an annual variable amount of compensation linked to the performance during the previous financial year potentially reaching 122% of the fixed compensation at targets achieved and up to 150% in the event that the targets are exceeded; and
- 3) an amount of long-term variable compensation.

This compensation structure has remained unchanged since the Board of Directors' decisions of August 16, 2018 in terms of both the amount of fixed compensation and the amounts of annual and long-term compensation at targets achieved and the maximum amounts in the event that these targets are exceeded. Within the framework of this policy, the Chief Executive Officer receives benefits in kind whose scope has remained unchanged since 2018.

Note that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France-KLM and Air France, no variable compensation was paid to the Chief Executive Officer during the 2021 and 2022 financial years.

The tables below summarize the elements of compensation for the Chief Executive Officer since 2018:

Elements of compensation	2018 ⁽¹⁾		Comments
	Compensation granted for the financial year 2018	Compensation paid during the financial year 2018	
Fixed compensation	262,500	262,500	Fixed compensation unchanged since 2018
Annual variable compensation subject to performance conditions	366,667	0	
Long-term variable compensation subject to presence condition	333,000	0	The amount allocated to long-term variable compensation (corresponding to 36,714 performance units granted in respect of the 2018-20 "Phantom Shares" Long-Term Incentive Plan calculated with reference to the Air France-KLM opening share price on August 17, 2018) was subject to a three-year presence condition. In 2021, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. Based on the Air France-KLM share price of January 31, 2024 (closing price), the value of the long-term compensation having vested is €110,852 corresponding to 9,178 performance units acquired (after application of the performance plan and of the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022, and the application of the decision of the Chief Executive Officer of August 31, 2023 to proceed with the division by 10, the number of performance units granted) in respect of the 2018-20 "Phantom Shares" Long-Term Incentive Plan. A summary of the information relating to the long-term compensation plans can be found in section 2.5.2.2 of the 2022 Universal Registration Document.
Benefits in kind	0	0	
TOTAL	962,167	262,500	

(1) Mr. Benjamin Smith was appointed Chief Executive Officer on September 17, 2018.

2019

Elements of compensation	Compensation granted in respect of the financial year 2019	Compensation paid during the financial year 2019	Comments
Fixed compensation	900,000	900,000	Fixed compensation unchanged since 2018
Annual variable compensation subject to performance conditions	768,456	366,667	The amount of €366,667 corresponds to the annual variable compensation acquired in respect of the 2018 financial year.
Long-term variable compensation subject to presence and performance conditions	2,000,000	0	<p>The amount allocated to long-term variable compensation (corresponding to 110,253 performance units granted in respect of the 2019-21 "Phantom Shares" Long-Term Incentive Plan and 110,253 performance units granted in respect of the 2019-21 Specific Long-Term Incentive Plan, calculated with reference to the Air France-KLM opening share price on April 1, 2019) was subject to presence and performance conditions.</p> <p>In 2022, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years.</p> <p>Based on the Air France-KLM share price of January 31, 2024 (closing price), the value of the long-term compensation having vested is €490,367, corresponding to 21,306 performance units acquired (after application of the performance plan at 77.3% and the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022, and the application of the Chief Executive Officer's decision of August 31, 2023 to proceed with the division by 10, the number of performance units granted) in respect of the 2019-21 Specific Long-Term Incentive Plan and to 19,294 performance units acquired (after application of the performance plan at 70% and the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022, and the application of the Chief Executive Officer's decision of August 31, 2023 to proceed with the division by 10, the number of performance units granted) in respect of the 2019-21 Specific Long-Term Incentive Plan.</p> <p>A summary of the information relating to the long-term compensation plans can be found in section 2.5.2.2 of the 2022 Universal Registration Document.</p>
Benefits in kind	313,201	313,201	
TOTAL	3,981,657	1,579,868	

2020

Elements of compensation	Compensation granted in respect of the 2020 financial year	Compensation paid during the 2020 financial year	Comments
Fixed compensation	744,511	744,511	The Chief Executive Officer decided to reduce by 25% his fixed compensation paid during the 2020 financial year as of the onset of the crisis linked to the Covid-19 pandemic until the end of the year.
Annual variable compensation subject to performance conditions	—	768,456	<p>The Chief Executive Officer waived the payment of his annual variable compensation in respect of the 2020 financial year.</p> <p>The amount of €768,456 corresponds to the annual variable compensation received in respect of the 2019 financial year.</p>
Long-term variable compensation subject to presence and performance conditions	2,000,000	0	<p>The amount allocated to the long-term variable compensation (corresponding to 200,400 performance units granted in respect of the 2020-22 “Phantom Shares” Long-Term Incentive Plan and to 200,400 performance units granted in respect of the 2020-22 Specific Long-Term Incentive Plan, calculated with reference to the Air France-KLM opening share price on April 1, 2020) was subject to presence and performance conditions.</p> <p>In 2023, the Chief Executive Officer exercised his right to defer payment of the performance units granted in respect of the 2020-22 “Phantom Shares” Long-Term Incentive Plan for a maximum of three years.</p> <p>Based on the Air France-KLM share price of January 31, 2024 (closing price), the value of the long-term variable compensation vested is €883,264, corresponding to 29,709 performance units acquired (after application of the performance plan at 59.3% and of the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022, and in application of the Chief Executive Officer's decision of August 31, 2023 to proceed with the division by 10, the number of performance units granted) in respect of the 2020-22 “Phantom Shares” Long-Term Incentive Plan and 43,421 performance units acquired (after application of the performance plan at 86.7% and the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022, and in application of the Chief Executive Officer's decision of August 31, 2023 to proceed with the division by 10, the number of the performance units granted) in respect of the 2020-22 Specific Long-Term Incentive Plan (NB: the latter was converted into shares in June 2023).</p> <p>A summary of the information relating to the long-term compensation plans can be found in section 2.5.2.2 of the 2022 Universal Registration Document.</p>
Benefits in kind	295,287	395,287	
TOTAL	3,039,798	1,808,254	

2021

Elements of compensation	Compensation granted in respect of the financial year 2021	Compensation paid during the financial year 2021	Comments
Fixed compensation	900,000	900,000	Fixed compensation unchanged since 2018
Annual variable compensation subject to performance conditions	1,089,984	0	The Chief Executive Officer waived the payment of his annual variable compensation in respect of the 2020 financial year.
Long-term variable compensation subject to presence and performance conditions	2,000,000	0	<p>The amount allocated to the long-term variable compensation (corresponding to 195,333 performance units granted in respect of the 2021-23 "Phantom Shares" Long-Term Incentive Plan and to 195,313 performance units granted in respect of the 2021-23 Specific Long-Term Incentive Plan calculated with reference to the Air France-KLM opening share price on April 1, 2021) was subject to presence and performance conditions.</p> <p>In 2024, the Chief Executive Officer exercised his right to defer payment of the performance units granted in respect of the 2020-22 "Phantom Shares" Long-Term Incentive Plan for a maximum of three years.</p> <p>Based on the Air France-KLM share price on January 31, 2024 (closing price), the value of the long-term variable compensation vested is €594,624 corresponding to 25,795 performance units acquired (after application of the performance plan at 52.8% and the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022, and the application of the Chief Executive Officer's decision of August 31, 2023 to proceed with the division by 10, the number of performance units granted) in respect of the 2021-23 "Phantom Shares" Long-Term Incentive Plan and to 23,437 performance units (after application of the performance plan at 48% and the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022, and the application of the Chief Executive Officer's decision of August 31, 2023 to proceed with the division by 10, the number of the performance shares granted) in respect of the 2021-23 Specific Long-Term Incentive Plan.</p> <p>A summary of the information relating to the long-term compensation plans can be found in section 2.5.2.2 of the 2022 Universal Registration Document.</p>
Benefits in kind	287,113	287,113	
TOTAL	4,277,097	1,187,113	

2022

Elements of compensation	Compensation granted in respect of the financial year 2022	Compensation paid during the financial year 2022	Comments
Fixed compensation	900,000	900,000	Fixed compensation unchanged since 2018
Annual variable compensation subject to performance conditions	1,059,769	0	No variable compensation was able to be paid to the Chief Executive Officer until such time is at least 75% of the State Aid had been repaid.
Long-term variable compensation subject to presence and performance conditions	2,000,000	0	<p>The amount allocated to the long-term variable compensation (corresponding to 122,549 performance units after application of the coefficient of 2.5 pursuant to the decision of the Board of Directors of October 27, 2022 and the application of the Chief Executive Officer's decision of August 31, 2023 to proceed with the division by 10, the number of performance shares granted) in respect of the 2022-24 "Phantom Shares" Long-Term Incentive Plan, calculated with reference to the Air France-KLM opening share price on April 1, 2022 (subject to the condition precedent of the repayment of at least 75% of the State Aid) is subject to presence and performance conditions. This long-term variable compensation is payable at the end of a three-year period in 2025.</p> <p>A summary of the information relating to the long-term compensation plans can be found in section 2.5.2.2 of the 2022 Universal Registration Document.</p>
Benefits in kind	275,380	275,380	
TOTAL	4,235,149	1,175,380	

(€2,265,364 including deferred payment of the 2021 variable compensation)

2023

Elements of compensation	Compensation granted in respect of the financial year 2023	Compensation paid during the financial year 2023	Comments
Fixed compensation	900,000	900,000	Fixed compensation unchanged since 2018
Annual variable compensation subject to performance conditions	985,880	1,059,769 in respect of 2022 (1,089,984 in respect of 2021, deferred payment following the reimbursement of the State Aid on March 17, 2023)	It is specified that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France-KLM, no variable compensation could be paid to the Chief Executive Officer until such time as at least 75% of the State Aid had been repaid. As the repayment of 75% of the aforementioned State Aid took place on March 17, 2023, the annual variable compensation for the Chief Executive Officer in respect of the 2021 financial year was paid to the Chief Executive Officer during the 2023 financial year.
Long-term variable compensation subject to presence and performance conditions	2,000,000	725,141	The amount of long-term variable compensation granted (corresponding to 117,855 performance units after application of the Chief Executive Officer's decision of August 31, 2023 to proceed with the division by 10, the number of performance units granted) in respect of the 2023-25 "Performance Shares" Long-Term Incentive Plan, calculated with reference to the Air France-KLM opening share price on April 1, 2023 is subject to presence and performance conditions. This long-term variable compensation is payable at the end of a three-year period in 2026. It is specified that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France-KLM, no variable compensation could be paid to the Chief Executive Officer until such time as at least 75% of the recapitalization measures had been repaid. As the repayment of 75% of the State Aid took place on March 17, 2023, the long-term variable compensation in respect of the 2020 financial year (for the Specific Long-Term Incentive Plan) was paid (conversion of the vested units into shares) to the Chief Executive Officer during the 2023 financial year. Thus 434,216 performance units (after application of the coefficient of 2.5 at the share price of €1.67) were converted into shares in 2023.
Benefits in kind	284,074	284,074	
TOTAL	4,169,954	€2,968,984 excluding deferred payment	
			(€4,058,968 including deferred payment of the 2021 variable compensation)

The fixed and variable compensation (annual and long-term) for the Chief Executive Officer has not been increased since the beginning of his mandate in 2018.

2.5.3 Compensation policy for the Company officers in respect of 2024

This section has been established pursuant to Articles L. 22-10-8 and R. 22-10-14 of the *Code de Commerce* and outlines the elements composing the compensation policy for the company officers in respect of 2024.

As recommended by the Remuneration Committee, the Board of Directors has taken into account the vote of the Shareholders' Meeting of June 7, 2023 on the compensation for the executive officers in respect of the 2022 financial year to determine the 2024 compensation policy for the company officers.

Established by the Board of Directors, as recommended by the Remuneration Committee and consistent with the provisions of the AFEP-MEDEF Code, the compensation policy for the company officers of Air France-KLM in respect of the 2024 financial year:

- complies with the Company's corporate interests (*intérêt social*) in that it enables qualified company officers to be attracted and retained while being adapted to the responsibilities of the beneficiary and consistent with the practices in comparable companies;
- is aligned with its commercial strategy in that it is composed of a long-term variable portion giving the executive directors an interest in the Company's results and adapted as a function of the strategic priorities; and
- contributes to the Company's long-term sustainability in that it is always aligned with the interests of shareholders.

This policy is subject to an annual review by the Remuneration Committee. The work of the Remuneration Committee takes into account the examination of benchmarking studies carried out with the help of external consultants to compare this policy with the practices in comparable companies. The Committee also ensures that the compensation policy is aligned with the Company's strategy. On the basis of this work, the Committee formulates recommendations for the Board which then sets the compensation policy on an annual basis.

As recommended by the Remuneration Committee, during the establishment of the compensation policy for company officers, the Board of Directors takes into account the remuneration and employment conditions of Air France-KLM's employees. As for all the employees of Air France-KLM, the Board of Directors ensures the implementation of a simple, understandable and consistent compensation policy in a fair manner for the company officers. The Board of Directors takes particular care that, at their individual level, all the employees and company officers have the material resources required for the fulfillment of their respective duties.

The Internal Rules of the Board of Directors stipulate that any Board director in a situation of conflict of interests, even potential, must inform the Board of Directors and

abstain from attending the debate or participating in the vote for the corresponding deliberation. The executive officers thus are not present during the discussions of the Board of Directors and the Remuneration Committee regarding their own compensation.

Should a new Chair of the Board of Directors or a new Chief Executive Officer be appointed, the elements of compensation foreseen in the compensation policy for company officers would also apply to them. As recommended by the Remuneration Committee, the Board of Directors will then determine, while adapting them to the situation of the interested parties, the targets, levels of performance, parameters, structure and maximum percentages relative to their annual fixed compensation which may not be higher than those approved by the Shareholders' Meeting.

The 2024 compensation policy for the company officers outlines all the components of the fixed and, as necessary, variable compensation for Board directors (section 2.5.3.1 hereinafter); the Chair of the Board of Directors (section 2.5.3.2 a. hereinafter); and the Chief Executive Officer (section 2.5.3.2 b. hereinafter), and explains the decision-making process for its establishment, review and implementation.

This 2024 compensation policy for the company officers will be the subject of a draft resolution submitted for approval by the Shareholders' Meeting of June 5, 2024 under the conditions provided for in Article L. 22-10-8 of the *Code de Commerce* and on any material amendment to the compensation policy.

2.5.3.1 Compensation for the Board directors in respect of 2024

Subject to approval of the 2024 compensation policy for the company officers by the Shareholders' Meeting of June 5, 2024, the Board directors of Air France-KLM will receive, in respect of their Board directors' mandates, compensation (formerly directors' fees) amounting to a maximum amount which was set at €950,000 for the entire Board of Directors.

The compensation for Board directors shall be composed of a flat-rate amount of compensation, with an additional portion calculated as a function of their respective attendance records, whose modalities for distribution and granting are set by the Board of Directors, as proposed by the Remuneration Committee.

These allocation rules are as follows:

- €15,000 in flat-rate compensation;
- €25,000 of compensation based on their individual attendance records at meetings of the Board of Directors and at Shareholders' Meetings; and
- a sum of additional compensation is also granted to non-resident Board directors (€7,000).

As its meeting of December 11, 2019, the Board of Directors also decided that a portion of the compensation for Board directors in respect of their functions within the Committees would be based on their attendance records.

- for the Audit Committee:
 - the Chair will receive flat-rate compensation of €4,500 plus a maximum of €7,500 based on their attendance record at Committee meetings, and
 - the members will each receive flat-rate compensation of €3,000 plus a maximum of €5,000 as a variable portion based on their respective attendance records at Committee meetings;
- for the other Committees:
 - the Chair will receive flat-rate compensation of €3,000 plus a maximum of €4,500 based on their individual attendance records at Committee meetings, and
 - the members will receive flat-rate compensation of €2,000 plus a maximum of €3,000 based on their individual attendance records at Committee meetings.

It is specified that, relative to the allocation policy voted in 2014, the introduction of an amount of compensation based on attendance in respect of the functions exercised within the Committees (i) does not change the total budget granted for the duties exercised within the Committees as either member or Chair, and (ii) has been set based on the same proportions as the attendance-record-based compensation defined for meetings of the Board of Directors.

For Board directors leaving or joining the Board during the financial year, the amount of compensation is calculated pro rata temporis based on the number of Board of Directors, Committee and Shareholders' Meetings held during the period the Board director was in function.

In respect of the aforementioned allocation, all the Board directors, with the exception of the Chair of the Board of Directors and the Chief Executive Officer, will receive an amount of compensation in line with the allocation modalities set by the Board of Directors.

It is also specified that, in the event of a high number of extraordinary meetings of the Board of Directors, the Board of Directors will be able to decide on an exceptional and additional allocation, within the limits of the budget allocated by the Shareholders' Meeting. The additional amount will be calculated pro rata temporis based on the attendance records of the individual Board directors at these extraordinary meetings.

The Board directors (non-executive company officers) will not be able to benefit from:

- a long-term incentive plan or specific long-term incentive plan;
- benefits in kind which are not linked to their duties;
- an employment contract;
- a non-compete indemnity;
- an award of stock-options or free shares.

Modalities for the granting and payment of the compensation (formerly directors' fees) to representatives of the State and Board directors appointed as proposed by the French State

The allocation rules for compensation paid to the Board directors outlined above are applicable to the State representatives and to the Board directors appointed as proposed by the French State.

Pursuant to Ordinance No. 2014-948 of August 20, 2014 and Article 1 of the ministerial decree of December 18, 2014, as amended by the ministerial decree of January 5, 2018, the following rules apply:

- for Board directors appointed directly by the French State, 100% of the compensation is paid to the French State (Article 5 of the Ordinance);
- for Board directors appointed by the Shareholders' Meeting as proposed by the French State (Article 6 of the Ordinance), there are two separate cases:
 - for public officials of the French State, 100% of the compensation is paid to the State,
 - for those not acting in the capacity of public officials, the payment of the compensation is shared as follows:
 - 15% paid to the State, and
 - 85% paid directly to the relevant Board director (with the application of the social and tax charges).

2.5.3.2 Compensation of the executive officers in respect of 2024

Based on the recommendation of the Remuneration Committee, the compensation packages of the Chair of the Board of Directors and of the Chief Executive Officer are set by the Board of Directors, pursuant to the provisions of the AFEP-MEDEF Code.

Pursuant to the Internal Rules, as recommended by the Remuneration Committee, the Board of Directors also approves the compensation of the Chief Executive Officers of the principal subsidiaries (Air France and KLM). Furthermore, the Remuneration Committee makes recommendations to the Chief Executive Officer regarding the compensation of the Group's Chief Financial Officer and reviews the compensation of the members of the KLM Managing Board.

These compensation policies establish the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of the total compensation and benefits of any kind awarded, firstly, to the Chair of the Board of Directors and, secondly, to the Chief Executive Officer, as well as their relative scale. All of these elements are detailed in this section in point a) relating to the mandate of the Chair of the Board of Directors and b) relating to the mandate of the Chief Executive Officer, pursuant to the provisions of Articles L. 22-10-8 and R. 22-10-14 of the *Code de Commerce*.

a) 2024 compensation policy for the Chair of the Board of Directors

Ms. Anne-Marie Couderc has been a member of the Air France-KLM Board of Directors since May 19, 2016. Her Board director mandate was renewed during the Shareholders' Meeting of May 26, 2020 for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2023. The renewal of her Board director mandate for a one-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2024, will be submitted to the shareholder vote at the Shareholders' Meeting of June 5, 2024. Ms. Anne-Marie Couderc was appointed Chair of the Board of Directors from May 15, 2018 and until June 5, 2024. Her mandate as Chair of the Board of Directors was renewed for one additional year by a resolution adopted by the Board of Directors during its meeting of December 7, 2023, subject to approval by the shareholders during the Shareholders' Meeting of June 5, 2024 of the amendment to Article 26 of the Company's Articles of Incorporation stipulating that, when the age limit for the Chair of the Board of Directors is reached during the course of his or her Board director mandate, the latter will continue to exercise his or her duties as Chair of the Board of Directors until the end of his or her Board director mandate. The Chair of the Board of Directors may be dismissed at any time by the Board of Directors. Ms. Anne-Marie Couderc has no employment contract binding her to the Company or another company within the Group.

During its meeting of February 28, 2024, the Board of Directors defined, as proposed by the Remuneration Committee, the structure of the compensation to be granted to the Chair of the Air France-KLM Board of Directors in respect of the 2024 financial year.

Annual compensation (fixed and variable)

Description of the annual fixed and variable elements

Following an analysis of remuneration practices in a panel of comparable CAC 40 and Next 20 companies in which the French State is a minority shareholder, which showed that the current remuneration of the Chair of the Board of Directors is well below market practice, the Board of Directors decided at its meeting on February 28, 2024, on the recommendation of the Remuneration Committee, to increase the gross annual fixed remuneration to €350,000. It should be noted that on March 28, 2024, the Chair of the Board, while acknowledging the need to set this level of remuneration for the position, informed the Board of her position, consisting, for her last year in office, of remaining at the level of fixed remuneration of recent years. Accordingly, her gross fixed annual remuneration will be €200,000 for the year 2024.

Note that a revised amount of annual fixed compensation for the Chair of the Board of Directors had been set at €220,000 by the Board of Directors on February 19, 2020 but the Chair of the Board of Directors had waived this increase in respect of the 2020 and 2021 financial years and this increase was not applied in respect of the 2022 financial year in compliance with the European Commission's decision of April 5, 2021 on case No. SA59913 relating to the recapitalization of Air France and Air-France-KLM which stipulates that the

compensation of the Chair of the Board of Directors may not exceed the fixed portion of her compensation at December 31, 2019. For the 2023 financial year, the Board of Directors decided, as requested by the Chair of the Board of Directors, to set her level of compensation at €200,000 without applying the increase decided by the Board of Directors on February 19, 2020. The Chair of the Board of Directors will not benefit from variable or multi-year compensation.

Annual extraordinary compensation

The Chair of the Board of Directors will not benefit from annual extraordinary compensation.

Long-term incentive plan or specific long-term incentive plan

The Chair of the Board of Directors will not benefit from a long-term incentive plan or a specific long-term incentive plan.

Compensation in the capacity of Board director

The Chair of the Board of Directors will not receive compensation in respect of her Board director duties.

Severance payment

The Chair of the Board of Directors will not benefit from a severance payment.

Benefits in kind

The Chair of the Board of Directors will dispose of material resources (chauffeur-driven company car) that cannot, in practice, be separated from the performance of her duties.

Supplementary pension plan

The Chair of the Board of Directors would benefit from the defined-contribution pension plan (*Plan Épargne Retraite Obligatoire* – PERO) applicable to all managerial-level employees in France but would not benefit from the implementation of the optional defined contribution pension plan (Article 82 of the French General Tax Code). It is specified that, since assuming her duties within the Group in 2016, the Chair has only benefited from a mandatory pension plan paid for by the Group.

Mandatory defined-contribution pension plan (Article 83) known as the Plan d'Épargne Retraite Obligatoire (PERO)

The Chair of the Board of Directors will benefit from the defined-contribution pension plan (PERO) set up as of January 1, 2024 to the benefit of the Group's executive officers and the members of the Group Executive Committee.

The contributions will represent:

- 5% of gross compensation up to a maximum of 8 times the annual social security ceilings, 100% paid by the Company;
- the Chair of the Board will benefit from this plan under the same conditions as the other company officers and members of the Group Executive Committee.

Others

The Chair of the Board of Directors will not benefit from an employment contract, nor from a top-up pension plan, non-compete indemnity, stock options or free shares.

b) 2024 compensation policy for the Chief Executive Officer

Mr. Benjamin Smith was appointed Chief Executive Officer as of September 17, 2018 and a Board director as of December 5, 2018. His Board director mandate was renewed during the Shareholders' Meeting of June 7, 2023 for a four-year term of office, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026. The term of his mandate as Chief Executive Officer is five years. It was renewed early on March 30, 2022, i.e. until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ending December 31, 2026. The Chief Executive Officer may, however, be dismissed at any time by the Board of Directors. Mr. Benjamin Smith has no employment contract with the Company or any other company within the Group.

Note that, given the adoption of the Group's new governance during 2018, and in view of the profile and international experience of Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM as of September 17, 2018, the Air France-KLM Board of Directors had considered it necessary to modify the structure of the compensation of the Group's Chief Executive Officer which had been approved by the Shareholders' Meeting of May 15, 2018 and which had de facto become inapplicable.

It is specified that, to determine the elements of compensation for the Chief Executive Officer, the Air France-KLM Board of Directors referred to a sample of compensation in place in comparable international groups.

The compensation structure set by the Board of Directors in August 2018 remained unchanged for the 2019 to 2023 financial years. It is however stipulated that, in 2022, the two long-term incentive plans (one payable in cash and the other payable in shares) were replaced by a single long-term incentive plan (payable in shares) without changing the overall amount of the long-term compensation for the Chief Executive Officer. This adaptation was aimed at simplifying the plans in place and making them consistent with the market practices, and reinforcing the link with shareholders' interests around the Group's strategic goals.

As recommended by the Remuneration Committee, for the 2024 financial year, the Board of Directors decided to change the structure of the compensation for the Chief Executive Officer. This new compensation structure will apply until the end of the Chief Executive Officer's current mandate.

The Board of Directors took a number of factors into consideration, and in particular:

- **the profile, experience and expertise of Mr. Benjamin Smith:** Mr. Benjamin Smith is an internationally-recognized leader in the air transport industry, having spent 20 years with Air Canada. Since his arrival in 2018, he has put his expertise at the Group's service with the help of his strategic vision of the market and his ability to anticipate the exit from the health crisis.

Mr. Benjamin Smith has also played a key role in maintaining the Group's social stability. Mr. Benjamin Smith has also distinguished himself by placing the deployment of sustainable development at the heart of his strategy;

- **the analysis of the compensation practices in comparable companies:** the study carried out by an independent external consultant (Heidrick & Struggles) on the compensation practices for similar functions in a sample of CAC 40 and Next 20 companies with the French State as a minority shareholder, as well as in Air France-KLM's main European and international competitors, showed that Mr Benjamin Smith's total target and maximum compensation is lower than the market practices and is positioned as follows: compa ratio (Mr. Benjamin Smith's compensation compared with the median compensation of the relevant benchmark) of 56% in total target compensation (fixed, annual variable and long-term variable) and a compa ratio of 49% in total maximum compensation relative to the CEOs of the main European and international competitors (including Lufthansa and IAG). The study also highlighted that the compensation of CAC40 and Next 20 CEOs has increased by an annual average of more than 3% between 2018 and the present day;
- **the change in the Group's profile and its transformation generating operating performance and value creation:** since joining the Group in 2018, Mr. Benjamin Smith has made a major contribution to the Group's transformation based on an ambitious strategy, bringing Air France-KLM's profitability closer into line with that of its competitors.

Despite the global pandemic having had a severe impact for three years running, the Group succeeded in achieving the highest sales figures in its history by 2023. The Group's transformation has also enabled it to position its unit costs below those of the competition while maintaining a similar level of unit revenues despite an inflationary context;

- **average increase of 16% in the compensation (based only on the general increases applied) of Air France Group employees between 2019 and 2024 recorded based on the geographies where Air France operates and the annual negotiations with the unions:** it is specified that the compensation for Air France Group employees increased by 13.5% on average between 2019 and 2023, followed by 2.5% in 2024.

In the light of these various factors, as recommended by the Remuneration Committee, the Board of Directors decided to change certain components of the compensation for the Chief Executive Officer as follows:

- increase the annual fixed compensation to €1,044,000, i.e. an increase of 16%;
- increase the target annual variable compensation from 122% to 150% of the annual fixed compensation;
- increase the maximum annual variable compensation from 150% to 180% of the annual fixed compensation;
- the long-term variable compensation remains unchanged.

This represents an increase in total compensation (fixed, annual variable and long-term variable) of +15.3% at the target and +15.8% at the maximum.

Furthermore, a supplementary pension plan has been put in place composed of a mandatory defined-contribution plan (Article 83 of the French General Tax Code) known as a Plan Épargne Retraite Obligatoire (PERO) and an optional defined-contribution pension plan (Article 82 of the French General Tax Code).

During the Shareholders' Meeting of June 7, 2023, the resolution on the fixed, variable and extraordinary elements composing the total compensation and the benefits in kind of any nature paid during the 2022 financial year to the Chief Executive Officer (14th resolution) was 80.48% approved (compared with 75.06% in the previous year) while the 2023 compensation policy for the Chief Executive Officer (17th resolution) was approved at 83.50% (compared with 74.71% in the previous year).

During its meeting of February 28, 2024, as proposed by the Remuneration Committee, the Board of Directors thus set the compensation structure for the Chief Executive Officer of Air France-KLM in respect of the 2024 financial year. This compensation structure is composed of an amount of fixed compensation representing 22.6% of Mr. Benjamin Smith's total compensation, annual variable compensation representing 34% of his total compensation and long-term variable compensation representing 43.4% of his total compensation. More than 75% of Mr. Benjamin Smith's total annual compensation thus depends on the achievement of demanding performance conditions.

The performance criteria linked to the variable compensation within the framework of the 2024 compensation and the levels of performance and achievement percentages of these criteria were set pursuant to the Board resolutions of February 28, 2024, as recommended by the Remuneration Committee.

STRUCTURE OF THE COMPENSATION FOR THE CHIEF EXECUTIVE OFFICER OF AIR FRANCE-KLM IN RESPECT OF THE 2024 FINANCIAL YEAR



(1) 150% of the fixed compensation on achievement of the targets potentially rising to 180% should the targets be exceeded.

(2) A long-term incentive plan conferring the right to the granting of performance units corresponding to an amount of €2,000,000.

(3) Amount of €1,044,000.

Annual compensation (fixed and variable)

Description of the annual fixed and variable elements

The Chief Executive Officer will benefit from annual gross fixed compensation of €1,044,000, representing a 16% increase relative to his previous level set in 2018 and from annual gross variable compensation varying between 0% and 150% of the annual gross fixed compensation at targets partially achieved (calculated on a linear basis), and potentially reaching a maximum of 180% in the event the targets are exceeded (calculated on a linear basis).

The performance criteria which were set by the Board of Directors during its meeting of February 28, 2024, are 60% linked to performance and the Group's financial targets, and 40% are criteria linked to non-financial targets, of which half are quantitative. The Board of Directors has set ambitious levels of performance and achievement percentages for the 2024 financial year.

The performance criteria for the annual variable compensation were set by the Board of Directors during its meeting of February 28, 2024, aimed at limiting their number, simplifying their structure and establishing quantitative targets for one of the non-financial criteria. It is nevertheless specified that the "Individual & leadership"⁽¹⁾ criterion will be subject to a qualitative evaluation.

	Breakdown of the variable portion	
	Target: 150% of the fixed compensation	Maximum: 180% of the fixed compensation
FINANCIAL PERFORMANCE		
Absolute Current Operating Income (COI)		
Air France-KLM COI at December 31, 2024 compared to the COI figuring in the 2024 budget	60%	72%
Adjusted Free Cash Flow		
Adjusted Free Cash Flow of Air France-KLM at December 31, 2024 compared to the Adjusted Free Cash Flow as figuring in the 2024 budget	30%	36%
NON-FINANCIAL QUANTITATIVE PERFORMANCE		
Decarbonization plan		
Use of SAF, fleet renewal and measures taken at the initiative of the airlines	30%	36%
Individual & Leadership ⁽¹⁾	30%	36%

Evaluation of the 2024 performance criteria

Quantitative financial performance

The quantitative performance relative to the financial criteria (Absolute Current Operating Income, Air France-KLM's free cash flow) will be evaluated on the basis of the following rules:

Absolute Air France-KLM COI	Performance	% attainment of the criterion
Air France-KLM COI at December 31, 2024 compared with the COI figuring in the 2024 budget	Level 1 <€1 billion	0%
	Level 2 Between €1 billion and €2 billion	0% to the target Proportionate
	Level 3 Between €2 billion and €2.4 billion	100%
	Level 4 Between €2.4 billion and €2.6 billion	100% to Maximum Proportionate
	Level 5 > €2.6 billion	Maximum

ADJUSTED FREE CASH FLOW

Adjusted Free Cash Flow of Air France-KLM at December 31, 2024 compared with the Adjusted Free Cash Flow figuring in the 2024 budget	% attainment of the criterion
Level 1. Negative amount	0%
Level 2. Between 0 and €575 million	0% to the target Proportionate
Level 3. Between €575 million and €975 million	100%
Level 4. Between €975 million and €1.175 billion	100% to Maximum Proportionate
Level 5. Above €1.175 billion	Maximum

⁽¹⁾ The Individual & Leadership criterion will be evaluated partly based on a qualitative assessment and partly on a quantitative assessment.

Non-financial quantitative performance

Decarbonization action plan	% attainment of the criterion
Level 1. Significantly below the target	0%
Level 2. Target	0% to Maximum Proportionate
Level 3. Significantly above the target	100%

The performance on this criterion will be evaluated based on the use of SAF, the renewal of the fleet and the measures taken at the initiative of the airlines to contribute to the decarbonization action plan.

Non-financial qualitative performance

Individual & Leadership	<p>The evaluation will examine the actions and results in the light, notably, of the following fundamental priorities:</p> <ol style="list-style-type: none"> 1) Maintained social stability; 2) Strategic vision of the market; 3) Transformation breakthrough; 4) Inspirational external communication; 5) Management of the management teams; 6) Assessment of the Employee Promoter Score (EPS) and of the Net Employer Score (NPS). <p>The performance will be evaluated by the Board of Directors (percentage attainment of between 0 and the maximum).</p>
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In any case, this annual variable compensation would be subject to approval by the Shareholders' Meeting in the year during which the Board of Directors may decide to grant any such compensation, in application of Article L. 22-10-8 of the *Code de Commerce* (ex-ante vote), and the year of its payment, in application of Article L. 22-10.34 of the *Code de Commerce* (ex-post vote).

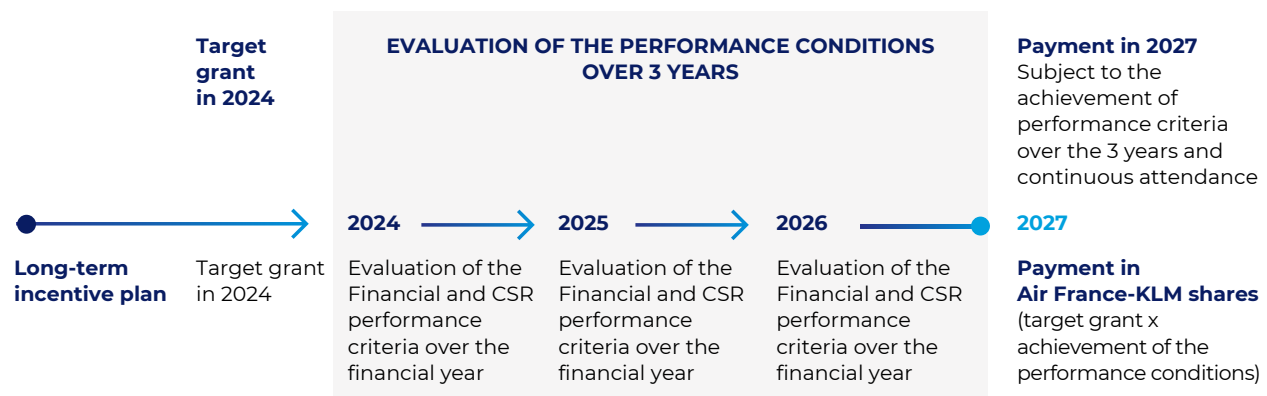
Long-term compensation

The compensation policy for the Chief Executive Officer is predominantly composed of long-term variable elements to align the compensation with the Group's performance

on a long-term perspective, thereby contributing to the Company's strategy and long-term sustainability.

These elements of compensation correspond to a Long-Term Incentive Plan subject to the achievement of demanding performance conditions evaluated over a three-year period and covering the interests of the Group, its employees and its shareholders. Note that the vesting and payment of these elements of compensation will only take place at the end of this three-year period.

LONG-TERM INCENTIVE PLAN FOR AIR FRANCE-KLM



c) Long-term incentive plan

The Group plans to initiate targeted strategic actions aimed at improving the medium and long-term operational performance, into line with the best international airline standards, while taking into account the environmental and societal issues linked to its growth. Accordingly, a new long-term incentive plan applicable to the Chief Executive Officer and to a number of the Group's other executives and employees has been established pursuant to the Board of Directors resolution of February 28, 2024. During its meeting of February 28, 2024, the Board of Directors decided to establish a long-term incentive plan applicable to the Chief Executive Officer with the same main characteristics as the long-term incentive plan established in 2022. This decision is aimed at the stability of the conditions applicable to the compensation of the Chief Executive Officer and consistency with market practices. However, during its meeting of February 28, 2024, the Board of Directors decided to modify and simplify the performance criteria while increasing the proportion of CSR criteria, in particular those relating to climate change, and providing for more quantitative criteria.

In respect of this plan, the Chief Executive Officer is thus granted performance units on an annual basis corresponding to an amount of €2 million, payable in shares at the end of a three-year vesting period following the grant, subject to the attainment of specific

performance conditions, evaluated over the whole of this period, and with a maximum of 100% over three years. The payment of the performance units is also subject to a three-year presence condition, except in the event of death or disability (without performance conditions), or retirement departure or in some cases of forced termination (the performance conditions remaining applicable). It is specified that one performance unit will confer the right to one Air France-KLM share.

The number of performance units granted each year is calculated with reference to the Air France-KLM opening share price on April 1 of the grant year. The payment of these performance units (subject to performance and presence conditions) is made in Air France-KLM shares (one performance unit conferring the right to one share). The Board of Directors reserves the option, instead of the granting of units, to grant an equivalent number of performance shares with the same performance and presence conditions.

At its meeting of February 28, 2024, the Board of Directors thus set demanding performance conditions for the evaluation, as necessary, of the Chief Executive Officer's long-term performance for the eventual granting of this long-term variable compensation as described below, and the levels of performance and the achievement percentages for these criteria.

	Performance	Vesting of a % of the grant with a maximum of 100% over 3 years
1. Net debt/EBITDA (30%) Comparison of the net debt/EBITDA ratio with the budget at the end of the 2024-26 period	Level 1. <2	0%
	Level 2. between 1.5 and 2	0 to 130% Proportionate
	Level 3. <1.5	130%
2. Relative TSR position (30%) TSR (Total Shareholder Return) position relative to IAG, Lufthansa and Easy Jet (2024, 2025, 2026)	Position 4	0%
	Position 3	50%
	Position 2	100%
	Position 1	130%
3. CSR performance targets (20%)		See the evaluation rules below
4. Improvement in the brand image of the airlines (20%) Evaluation realized by independent survey	Level 1. Significant decline	0%
	Level 2. Decline	50% to 100% Proportionate
	Level 3. Stable	100%
	Level 4. Increase	100% to 130% Proportionate

The CSR criteria within the framework of the long-term incentive plan are as follows:

	Indicators	Targets
Environment	1. Reduce the well-to-wake jet fuel scope 1 greenhouse gas (GHG) emissions (in tons of CO ₂ eq/per passenger per kilometer)	Target of a -10% reduction by 2025 relative to 2019
Environment	2. Reduce noise hindrance	50% reduction in noise hindrance (Chapter 14)
Employee	3. Reinforce diversity	Attainment of a +1 point target for Air France-KLM in 2026 relative to the 2023 level for women in the top 10% of managers at the highest level of responsibility
Compliance	4. Train the employees in compliance	Maintain an equivalent percentage as in 2023

These criteria are evaluated as follows:

Criteria	Performance	Percentage grant
Identical evaluation of each criterion	Decline in performance	0%
	Stability or improvement but below the target	50% to 100% Proportionate
	Target achieved	100%
	Significantly above the target	100% to 130% Proportionate

The number of performance units granted in 2024 will be calculated with reference to the Air France-KLM opening share price on April 1, 2024. Payment of these performance units, subject to performance and presence conditions, will be made in Air France-KLM shares (one performance unit conferring the right to one share).

It is stipulated that the Chief Executive Officer has not used and has given a formal undertaking not to use risk hedging transactions within the framework of this plan until payment of the performance units.

d) 2018, 2019, 2020, 2021, 2022 and 2023 long-term incentive plans

In 2024, the Chief Executive Officer will continue to benefit from the long-term incentive plans granted in 2018, 2019, 2020, 2021, 2022 and 2023 (granted subject to the condition precedent of the repayment of at least 75% of the State Aid) and 2023 with the option to defer payment of these performance units for a maximum of three years (already exercised for the 2018 plan, the 2019 plans and the 2020 “phantom shares” plan).

For more details on the long-term incentive plans, see section 2.5.2.2 b of the 2023 Universal Registration Document.

e) Severance payment and benefits in kind

The Chief Executive Officer will continue to benefit from the severance payment granted by the Board of Directors in its meeting of August 16, 2018, as approved by the Shareholders’ Meeting of May 28, 2019.

During its meeting of August 16, 2018, the Board of Directors authorized the granting to the Chief Executive Officer of a severance payment in some instances of forced termination, including dismissal, non-renewal of his mandate as Chief Executive Officer or resignation following a change of control (other than in relation to a gross misconduct). It is specified that the instance of forced termination enabling the implementation of this severance pay excludes any situation of serious misconduct on the part of the Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the basis of the severance payment is equivalent to two years of his annual fixed and variable compensation (based on specific calculation methods referring, as applicable, to the target variable in the event of a termination during the first 24 months).

A coefficient (between 0 and 100% inclusive) will be applied to the basis of the severance payment based on the performance of the interested party with reference to the level of the achievement of the performance criteria relating to the annual variable component of his compensation over the two last financial years of his mandate (or since his appointment, in the event of termination during the first 24 months). The Board of Air France-KLM will be responsible for evaluating the achievement of these performance criteria.

The Chief Executive Officer will also benefit from the usual benefits in kind (chauffeur-driven company car, supplementary pension scheme applicable to all the managerial-level employees in France, a supplementary health insurance and disability scheme, provision of free airline tickets, Group CEO civil liability insurance – D&O) and benefits consistent with the policy applied within the Group for senior executive expatriation and mobility.

f) Supplementary pension plan

The Chief Executive Officer will benefit from a commitment to a supplementary defined-contribution pension plan. It is specified that, since he assumed his functions within the Group in 2018, the Chief Executive Officer has benefited only from a mandatory pension plan.

After analyzing the compensation practices of comparable companies in terms of pension plans, the 2024 compensation policy, approved by the Board of Directors on February 28, 2024, provides that the Chief Executive Officer will benefit from a supplementary pension plan comprising a mandatory defined-contribution pension plan in accordance with Article 83 of the French General Tax Code (*Plan Épargne Retraite Obligatoire* – PERO) and an optional defined-contribution pension plan in accordance with Article 82 of the French General Tax Code, set up as of January 1, 2024.

■ Mandatory defined-contribution pension plan – PERO

The Chief Executive Officer will benefit from the defined-contribution pension plan (Article 83 of the French General Tax Code) set up as of January 1, 2024 to the benefit of the executive officers and the members of the Group Executive Committee.

The components will represent:

- an annual component as outlined hereinafter:
5% of annual gross compensation up to a maximum of 8 times the annual social security ceilings, 100% paid by the Company,
The Chief Executive Officer will benefit from this plan under the same conditions as the other executive officers and members of the Group Executive Committee,
- an extraordinary component to take into account the seniority of the Chief Executive Officer, who has been with the Group since 2018 and has not benefited from a supplementary pension plan to date. The amount of this specific net contribution would be €22,000. It is calculated according to the same rules as those outlined for the annual component of the plan and based on the compensation received by the Chief Executive Officer since he assumed his functions. Since this extraordinary element of compensation constitutes an element of extraordinary compensation, it will only be able to be paid in the event of approval by the Shareholders' Meeting of the elements of compensation granted in respect of the 2024 financial year (ex-post vote) pursuant to Article L. 22-10-34 of the *Code de Commerce*;

■ Optional defined-contribution pension plan

The Chief Executive Officer will benefit from the optional defined-contribution pension plan (Article 82 of the French General Tax Code) set up as of January 1, 2024 to the benefit of the executive officers and the members of the Group Executive Committee.

This plan will provide for the payment by the Company to a third-party body of one third of a contribution equal to 10.5% of the annual gross compensation (fixed and variable) effectively received.

The contributions paid in this regard will not benefit from any preferential social or tax arrangements. For this reason, the Chief Executive Officer will receive a flat-rate allowance equal to the amount of the contribution paid on his behalf to the insurer. This indemnity will be paid at the same time as the contribution to the insurer.

The amounts of the contributions and the flat-rate allowance will depend on the company's performance, insofar as the calculation base will include the variable portion of compensation, which will be linked to the Group's results.

The Chief Executive Officer will benefit from this plan under the same conditions as the other members of the Group Executive Committee with French employment contracts.

g) Adjustment clause in the event of exceptional circumstances

In the event of exceptional circumstances such as a change in accounting standards, a significant change in the consolidation scope, the realization of a transformational transaction, a substantial change in market conditions, or an unforeseen change in the competitive environment with material consequences for the Group that were unforeseeable at the time this compensation policy was approved by the Board of Directors for presentation to the Shareholders' Meeting, the Board of Directors reserves the right to exercise its discretionary power to adjust, either upwards or downwards, one or more of the parameters attached to the performance criteria (weighting, trigger thresholds, objectives, targets, etc.) of the Chief Executive Officer's annual or long-term variable compensation. The purpose of this adjustment clause is to ensure that the results of the application of the aforementioned criteria reflect the performance of both the Chief Executive Officer and the Group.

These adjustments will be decided by the Board of Directors, as recommended by its Remuneration Committee, and will then be made public on the Company's website.

Note that this option differs from the one provided for in Article L22-10-8 III paragraph 2 of the French *Code de Commerce*.

There is no provision for the Board of Directors to depart from the present compensation policy in the event of exceptional events other than those mentioned above.

h) Others

The Chief Executive Officer will not benefit from an employment contract, nor from a top-up pension scheme, non-compete indemnity, stock options or free shares.

2.6 GROUP MANAGEMENT BODIES: GROUP EXECUTIVE COMMITTEE AND CEO COMMITTEE

2.6.1 Group Executive Committee

Chaired by the Chief Executive Officer of Air France-KLM, the Group Executive Committee is composed of twelve (12) members and a secretary of the Executive Committee.

Members at December 31, 2023	Age at	Relevant professional experience	
	December 31, 2023	Sector	Experience
Benjamin Smith <i>Chief Executive Officer, Air France-KLM</i>	52 years	Air Transport	33 years
Marjan Rintel <i>President & Chief Executive Officer, KLM</i>	57 years	Air Transport	24 years
Anne Rigail <i>Chief Executive Officer, Air France</i>	54 years	Air Transport	32 years
Steven Zaat <i>Chief Financial Officer, Air France-KLM</i>	54 years	Air Transport	21 years
Alexandre Boissy <i>Corporate Secretary of Air France-KLM</i>	47 years	Air Transport	24 years
Anne Brachet <i>Executive Vice-President Engineering & Maintenance, Air France-KLM</i>	60 years	Air Transport	28 years
Oltion Carkaxhija⁽¹⁾ <i>Executive Vice-President Strategy & Transformation, Air France-KLM</i>	47 years	Air Transport	16 years
Angus Clarke <i>Executive Vice-President & Chief Commercial Officer, Air France-KLM</i>	49 years	Air Transport	22 years
Adriaan den Heijer <i>Executive Vice-President Cargo, Air France-KLM</i>	53 years	Air Transport	28 years
Pierre-Olivier Bandet⁽²⁾ <i>Executive Vice-President Information Systems, Air France-KLM</i>	55 years	IT Services, Air Transport	5 years 27 years
Henri de Peyrelongue <i>Executive Vice-President Commercial Sales, Air France-KLM</i>	58 years	Air Transport	33 years
Constance Thio <i>Executive Vice-President Human Resources and Sustainability, Air France-KLM</i>	53 years	Sustainability Human Resources Air Transport	3 years 7 years 25 years

(1) After Mr. Pieter Bootsma stepped down as Executive Vice-President Strategy, of Air France-KLM, Mr. Oltion Carkaxhija was appointed Executive Vice-President Strategy & Transformation of Air France-KLM, effective January 1, 2024. This appointment is an expansion of the position of Executive Vice-President Transformation that he had occupied since October 2020. In addition to his original functions, he is responsible for the implementation of the Air France-KLM strategy and for driving innovation.

(2) Mr. Pierre-Olivier Bandet has exercised the functions of Executive Vice-President Information Systems, Air France-KLM, since January 1, 2023, replacing Mr. Jean-Christophe Lalanne.

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

Information on the diversity targets within the management bodies

At its meeting of February 28, 2024, the Board of Directors set targets for diversity within the management bodies and reviewed the action plan on the way in which the Company is seeking to achieve a balanced representation between men and women.

Within this framework, Air France-KLM has set itself a long-term target of reaching parity between men and women within the Group Executive Committee and the top 10% of the positions with the highest level of responsibility. Furthermore, medium-term targets of a minimum of 40% women within the Group Executive Committee and 40% women within the top 10% of the

positions with the highest level of responsibility by 2030 have been set by the Board of Directors, it being understood that the Group's French entities will attain their diversity targets in the respect of the time limits set by French legislation. Concretely, in the event of the recruitment and/or appointment of new members, and candidates with equal skills, expertise and management qualities, preference is given to female candidates. An action plan has been deployed to accelerate the taking into account of female profiles at all levels of management. During its meeting of February 28 2024, the Board of Directors was informed of the results achieved during the 2023 financial year. This information is detailed in section 4.2.4 "Diversity, equity and inclusion".

2.6.2 CEO Committee

The CEO Committee is chaired by Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM, and has three other members: Ms. Anne Rigail (Chief Executive Officer of Air France), Ms. Marjan Rintel (President & Chief Executive Officer of KLM) and Mr. Steven Zaat, Chief Financial Officer of Air France-KLM.

The CEO Committee defines the strategic direction of all of the Group's airlines and operational entities.

2.7 SHARE CAPITAL AND SHAREHOLDER STRUCTURE

2.7.1 Share capital

At December 31, 2023, the Air France-KLM share capital comprised 262,769,869 fully paid-up shares with a nominal value of one euro, held in registered or bearer form according to shareholder preference. Until April 2, 2016, each share had one voting right attached. In application of the Florange Act⁽¹⁾ as from April 3, 2016, in

the absence of a provision to the contrary in the Air France-KLM Articles of Incorporation, all fully paid-up shares held in registered form in the name of the same shareholder for at least two years automatically benefit from a double voting right. There are no other specific rights attached to the shares.

Changes in the share capital over the last three financial years

The change in the share capital over the last three financial years is as follows:

Financial year ended	Amount of capital (in €)	Number of shares
December 31, 2021	642,634,034	642,634,034
December 31, 2022	2,570,536,136 ⁽¹⁾	2,570,536,136
December 31, 2023	262,769,869 ⁽²⁾	262,769,869

(1) Issuance of 1,928 million new shares within the framework of the capital increase announced by Air France-KLM on June 14, 2022.

(2) Following the reverse share split realized by the company on August 31, 2023, the number of shares making up the share capital of Air France-KLM was divided by 10, 10 old shares having been exchanged for one new share. Following the capital increase reserved for employees of the Air France-KLM group realized on December 21, 2023, the company issued 5,716,256 new shares. The number of shares making up the Company's share capital thus increased from 257,053,613 shares to 262,769,869 shares.

Capital increase during the financial year ended December 31, 2021

On April 6, 2021, the Air France-KLM group announced a series of capital-strengthening measures, in the amount of €4 billion, composed of (i) a capital increase without preferential subscription rights for shareholders by way of a public offering and with a priority subscription period for shareholders and (ii) an issue of deeply subordinated notes in several tranches, fully subscribed by way of debt compensation by the French State. These measures were authorized by the European Commission on April 5, 2021, as State Aid.

In this context, on April 13, 2021, Air France-KLM announced the launch of a capital increase without shareholders' preferential subscription rights by way of a public offering and with a priority subscription period for shareholders, for a gross amount (including issue premium) of €900,660,867.04 which could, in the event of the exercise in full of the increase option, be increased to a maximum gross amount (including issue premium) of €1,035,759,995.16. The capital increase, decided in accordance with the nineteenth resolution of the Company's Shareholders' Meeting of May 26, 2020, was the subject of a prospectus approved by the *Autorité des Marchés Financiers* on April 13, 2021 under number 21-0270. The subscription period for the capital increase closed on April 16, 2021.

On April 19, 2021, Air France-KLM announced the final results of the capital increase, namely 213,999,999 new

shares issued at a unit price of €4.84, i.e. a total of around €1,036 million (after the exercise in full of the increase option). The settlement-delivery of the newly-issued shares took place on April 22, 2021.

Capital increase during the financial year ended December 31, 2022

Subsequently, on May 24, 2022, Air France-KLM announced the launch of a capital increase with maintained preferential subscription rights ("DFS") to raise a gross amount of €2.256 billion through the issuance of 1,928 million new Air France-KLM shares. This transaction, aimed at reinforcing the Company's equity and balance sheet, followed the announcement of new recapitalization measures on February 17, 2022. The capital increase, decided pursuant to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021 was the subject of a prospectus filed with the AMF under number D. 22-0236-A01 on May 23, 2022. The trading period for the preferential subscription rights (DFS) was between May 25, 2022 and June 7, 2022 and the subscription period for the capital increase closed on June 9, 2022.

On June 14, 2022, Air France-KLM announced the final results of the capital increase, namely 1,928 million new shares at a unit subscription price of €1.17, representing €2.256 billion. The capital increase attracted strong demand from both the existing shareholders and new investors.

⁽¹⁾ Furthermore, there are no securities not representing the share capital. Article 7 of Act No.2014-384 of March 29, 2014 for the Reconquest of the Real Economy.

On June 9, 2022, at the end of the subscription period, the total demand stood at approaching €2.240 billion shares, i.e. close to €2.261 billion. The transaction was thus oversubscribed with a subscription rate of around 116%:

- 1,831,278,510 new shares were subscribed on an irreducible basis (*à titre irréductible*), representing approximately 95% of the new shares to be issued;
- orders submitted on a reducible basis (*à titre réductible*) represented 409,004,428 new shares and were therefore only partially allocated for a number of 96,623,592 new shares.

The gross proceeds of the capital increase, including the issue premium, amounted to €2,256 million (of which €1,611 million subscribed in cash) corresponding to the issuance of 1,928 million new shares (the "New Shares") at a unit subscription price of €1.17 per share.

Impact of the capital increase on the breakdown of the share capital

Following the settlement and delivery for the capital increase, Air France-KLM's share capital amounted to 2,570,536,136 shares, each with a nominal value of one euro.

Rationale for the capital increase

This transaction concerned the implementation of new recapitalization measures, following the capital increase realized in 2021.

- To free itself from the conditions set by the European Commission's Covid-19 temporary framework, the Company allocated around €1.7 billion from the net proceeds of the issue to the repayment of the "Covid-19 recapitalization aid" granted in the form of undated deeply subordinated notes to the benefit of the French State (the "TSS État") issued in April 2021, through offset and repayment. The remainder (about €0.6 billion) enabled a reduction in net debt.
- This operation marked a significant step in the execution of the equity and quasi-equity issuance program for a maximum of €4 billion destined to strengthen the balance sheet.

Subscription by the main shareholders and partners

The French State, Air France-KLM's largest shareholder, participated on an irreducible basis to the full extent of its DPS rights, corresponding to a subscription to 551,404,728 New Shares. Its shareholding after the completion of the capital increase remained unchanged. This subscription was carried out by way of offsetting a portion of the deeply subordinated notes (TSS État) issued in April 2021.

The Dutch State participated on an irreducible basis to the full extent of its DPS rights, corresponding to a subscription to 180,000,000 New Shares. Its shareholding after the completion of the capital increase remained unchanged.

CMA CGM, had also participated in the context of the implementation of the business cooperation for cargo, with a total shareholding amounting to 231,348,252 New Shares, subscribed on an irreducible basis (via the exercise of the preferential subscription rights acquired from China Eastern Airlines, Delta Air Lines, Inc. and the FCPE employee mutual funds as well as in the market) and corresponding to 9.0% of the Company's share capital after the rights issue.

China Eastern Airlines⁽²⁾ and Delta Air Lines participated in the capital increase on a cash-neutral basis, for an aggregate amount of approximately €110.7 million by subscribing to a respective 58,763,343 and 35,873,772 New Shares by using the net proceeds from selling a portion of their preferential subscription rights to CMA CGM. Their respective shareholdings thus stood at 4.7% and 2.9% of the Company's share capital after the capital increase.

The FCPEs ("*Fond Commun de Placement Entreprise*") participated in the capital increase on a cash-neutral basis through the sale of a portion of their preferential subscription rights to the benefit of CMA CGM, in a proportion allowing them to partially finance the exercise of the balance of their DPS rights by using the net proceeds of this sale.

The SPAAK (*Stichting Piloten Aandelen Air France-KLM*) participated in the capital increase on a cash-neutral basis by subscribing to new shares through the sale of a portion of its DPS rights.

Lock-up commitments

CMA CGM agreed with the Company a lock-up undertaking as from the settlement-delivery of the new shares until the expiry of a three-year period following this date, it being specified that CMA CGM could then sell a maximum of 50% of the shares acquired within the context of the capital increase during an additional three-year period. This lock-up commitment will automatically end in the event that the commercial cooperation agreement is terminated. In January 2024, these undertakings were modified in the context of the change in the commercial partnership with CMA CGM to provide that the initial lock-up period will end on February 28, 2025 with no additional lock-up period.

In addition, CMA CGM committed to a 10-year period during which it will not acquire or subscribe to any shares issued by the Company, unless such an acquisition does not lead to an increase of its equity interest in the share capital of the Company, subject to certain exceptions. The undertaking specifies that, at the end of a period of five years as of the settlement-delivery of the new shares, the Board of Directors of the Company may modify this undertaking in order to allow CMA CGM to increase its shareholding in the Company.

⁽²⁾ Through Eastern Airlines Industry Investment (Luxembourg) Company Limited.

Change in the share capital during the financial year ended December 31, 2023

Reverse share split and simultaneous reduction in the share capital

On August 31, 2023, the Air France-KLM group announced the realization of the reverse split in all the outstanding shares in the Company and the simultaneous capital reduction by decreasing the nominal value of each share, as decided by the Board of Directors at its meeting on July 4, 2023 and pursuant to the extraordinary 36th and 37th resolutions of the Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023. The realization of these operations was reflected in:

- the exchange of 10 ordinary shares in the Company each with a nominal value of one euro for one new share with a nominal value of one euro (taking into account the simultaneous capital reduction reducing the nominal value of each new share from 10 euros to one euro, i.e. a reduction of 9 euros per share allocated to the "share premium" account);
- the Company's new share capital of €257,053,613 divided into 257,053,613 shares (ISIN Code FR001400J770) each with a nominal value of one euro.

Shareholders who did not hold a number of shares making a multiple of ten were compensated for their remaining fractional shares by their financial intermediaries within a maximum 30-day period, i.e. before October 2, 2023.

Following the reverse share split, and as decided by the Chief Executive Officer on August 31, 2023, the conversion ratios (i) for the undated deeply subordinated unsecured bonds convertible into new shares and/or exchangeable for existing shares in a nominal amount of €305.3 million by way of a placement with qualified investors on November 16, 2022 (the "Hybrid Convertible Bonds") and (ii) the bonds convertible into and/or exchangeable for new or existing shares (OCEANEs) issued in the amount of €500 million in March 2019 and maturing in 2026 (the "Océanes 2026"), were adjusted in accordance with the following terms, which were set out in a notice of adjustment published in the *Bulletin des Annonces Légales Obligatoires*:

- adjustment in the conversion ratio for the Hybrid Convertible Bonds: the new conversion ratio is 6,549.6463 new shares per Hybrid Convertible Bond;
- adjustment in the exercise parity for the Océanes 2026: the new ratio is 0.178 new shares for each Océane 2026.

Capital increase reserved to the Group's employees

On December 12, 2023, the Air France-KLM group finalized the "Partners for the Future" share offer, a capital increase reserved to around 75,000 eligible employees of the Group⁽³⁾, launched in November 2023.

Within the framework of this transaction, around 17,000 employees from 19 countries, representing nearly 22% of the relevant employees, subscribed to the "Partners for the Future" offer, enabling them to invest in Air France-KLM shares under preferential conditions.

The total amount subscribed stood at €46,073,029, corresponding to the issuance of 5,716,256 new shares each with a nominal value of one euro. The Company's share capital was thus de facto increased by €5,716,256 from €257,053,613 to €262,769,869.

At the end of this issue, the employee shareholding in the Air France-KLM share capital within the meaning of Article L. 225-102 of the French *Code de Commerce* amounted to 3.22%. Employee shareholding is a strong sign of employee confidence in the Group's future and strategy. By becoming a shareholder, employees benefit from a unique status: they are both contributors and beneficiaries of the Company's value creation.

Authorizations granted to the Board of Directors to increase the share capital

To give the Air France-KLM group the flexibility and agility required for the Group's financial management while taking into account the diversity of interests and expectations of Air France-KLM's shareholders, a number of financial resolutions were adopted by the Annual Shareholders' Meeting of June 7, 2023 (resolutions 19 to 35).

Two other authorizations aimed at restructuring the Air France-KLM share capital through a reverse share split (resolution 36) and a simultaneous reduction in the capital (resolution 37) so as to return to a situation more in line with that of its stock market peers, in terms of the number of shares in circulation and the ratio between the share price in the stock market and the nominal value of the shares, were also adopted by the Shareholders' Meeting of June 7, 2023 and implemented by the Board of Directors. These operations came into effect on August 31, 2023. As a result of the definitive realization of the capital reduction, the nominal cap amounts in resolutions 19 to 22, 25, 26 to 29 and 32 were divided by a factor of 10.

At December 31, 2023, within the framework of its "Partners for the Future" employee shareholder offer which was successfully on December 21, 2023, the Company had used (i) the authorization for a capital increase reserved for members of a company or Group savings scheme (resolution 34) and the authorization for a capital increase reserved to employees not resident in France (resolution 35).

The other authorizations had not been used.

⁽³⁾ Conditions of employee eligibility for this offer (i) all employees benefiting from an employment contract with an Air France-KLM company participating in the offer with at least 3 months' seniority, consecutive or not, between January 1, November 24, 2023 and still present on the last day of the subscription period, November 24, 2023, and (ii) retired Air France Group employees still holding assets in the PEE.

These authorizations enable the Board of Directors, in compliance with the legal and regulatory provisions and under certain conditions, to increase the capital of Air France-KLM by various means (issuance of shares and/or securities conferring access to the capital and/or giving the right to the allocation of debt securities, with or without shareholders' preferential subscription rights, as

the case may be, with or without a priority subscription period, as the case may be, during or outside the period of a public offering with specific caps) and depending on the market opportunities at the time of the issue and the financing needs of the Air France-KLM group. The authorizations currently in force are summarized in the following table.

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2023	Term of validity
AUTHORIZATIONS GRANTED BY THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF JUNE 7, 2023				
Outside the context of a public tender offer				
No. 19	Capital increase (outside the context of a public tender offer) maintaining preferential subscription rights	€128.5 million in nominal (i.e. c.49% of the current share capital)	€122,783,744 in nominal (following the capital increase realized on December 21, 2023 to the benefit of eligible employees within the framework of the "Partners for the Future" offer for a nominal amount of €5,716,256)	26 months (i.e. until August 7, 2025)
No. 20	Capital increase (outside the context of a public tender offer) without preferential subscription rights but with a mandatory priority subscription period	€128.5 million in nominal (i.e. c.49% of the current share capital) [charged against the cap in the 19 th resolution]	€122,783,744 in nominal (following the capital increase realized on December 21, 2023 to the benefit of eligible employees within the framework of the "Partners for the Future" offer for a nominal amount of €5,716,256)	26 months (i.e. until August 7, 2025)
No. 21	Capital increase (outside the context of a public tender offer) without preferential subscription rights but with an optional priority subscription period (authorization also enabling the issuance by the Company's subsidiaries of securities conferring access to the Company's share capital)	€51.4 million in nominal (i.e. c.20% of the current share capital) [charged against the cap in the 19 th resolution]	Available in full	26 months (i.e. until August 7, 2025)
No. 22	Capital increase (outside the context of a public tender offer) through a private placement with qualified investors/limited circle of investors	€51.4 million in nominal (i.e. c.20% of the current share capital) [charged against the cap in the 19 th and 21 st resolutions]	Available in full	26 months (i.e. until August 7, 2025))
No. 23	Increase in the number of securities to be issued in the event of a capital increase (outside the context of a public tender offer) with or without preferential subscription rights ("greenshoe")	15% of the initial issue (not to exceed the cap amounts set under resolutions 19, 20, 21 and 22)	Available in full	26 months (i.e. until August 7, 2025)
No. 24	Capital increase (outside the context of a public tender offer) to compensate contributions in kind granted to the Company	10% of the share capital (i.e. c.€26.2 million based on the current share capital) [charged against the cap of the 19 th and 21 st resolutions]	Available in full	26 months (i.e. until August 7, 2025)

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2023	Term of validity
No. 25	Capital increase (outside the context of a public tender offer) by capitalization of reserves, profits, issuance premiums, or other amounts eligible for capitalization	€128.5 million in nominal (i.e. c.49% of the current share capital) [charged against the cap in the 19 th resolution]	€122,783,744 in nominal (following the capital increase realized on December 21, 2023 to the benefit of eligible employees within the framework of the "Partners for the future" offer for a nominal amount of €5,716,256)	26 months (i.e. until August 7, 2025)
Within the context of a public tender offer				
No. 26	Capital increase (within the context of a public tender offer) maintaining preferential subscription rights for shareholders	€64.3 million in nominal (i.e. c.24,5% of the current share capital) [charged against the cap amount of the 19 th resolution, usable outside the context of a public tender offer]	Available in full	26 months (i.e. until August 7, 2025)
No. 27	Capital increase (within the context of a public tender offer) without preferential subscription rights for shareholders but with a mandatory priority subscription period	€64.3 million in nominal (i.e. c.24,5% of the current share capital) [charged against the cap amount of the 19 th and 26 th resolutions, usable outside the context of a public tender offer]	Available in full	26 months (i.e. until August 7, 2025)
No. 28	Capital increase (within the context of a public tender offer) without preferential subscription rights for shareholders but with an optional priority subscription period (authorization also enabling the issuance by the Company's subsidiaries of securities conferring access to the Company's share capital)	€25.7 million in nominal (i.e. c.9.8% of the current share capital) [charged against the cap amount of the 19 th , 21 st , and 27 th resolutions, usable outside the context of a public tender offer]	Available in full	26 months (i.e. until August 7, 2025))
No. 29	Capital increase (within the context of a public tender offer) through a private placement with qualified investors/restricted group of investors	€25.7 million in nominal (i.e. c.9.8% of the current share capital) [charged against the cap amount of the 19 th , 21 st , 22 nd , 26 th and 28 th resolutions, usable outside the context of a public tender offer]	Available in full	26 months (i.e. until August 7, 2025)
No. 30	Increase in the number of securities to be issued in the event of a capital increase (within the context of a public tender offer) with or without preferential subscription rights ("greenshoe")	15% of the initial issuance (not to exceed the cap amounts indicated under resolutions 19, 26, 27, 28 and 29)	Available in full	26 months (i.e. until August 7, 2025)
No. 31	Capital increase (within the context of a public tender offer) to compensate contributions in kind granted to the Company	5% of the share capital i.e. c.€13.1 million based on the current share capital [charged against the cap amount of the 19 th , 21 st , 24 th , 26 th and 28 th resolutions, usable outside the context of a public tender offer]	Available in full	26 months (i.e. until August 7, 2025)

Resolution	Delegation	Maximum amount of issuance in nominal	Balance available at December 31, 2023	Term of validity
No. 32	Capital increase (within the context of a public tender offer) by capitalization of reserves, profits, issuance premiums, or other amounts eligible for capitalization	€64.3 million in nominal (i.e. c.25% of the current share capital)[charged against the cap amount of the 19 th , 26 th and 27 th resolutions, usable outside the context of a public tender offer]	Available in full	26 months (i.e. until August 7, 2025)
OTHER AUTHORIZATIONS IN RESPECT OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF JUNE 7, 2023				
No. 33	Delegation of authority granted to the Board of Directors, for the purpose of determining the issue price, within a limit not to exceed 10% of the share capital per year in the event of a capital increase without shareholders' pre-emptive subscription rights	10% of the share capital (not to exceed the cap amounts set under resolutions 20, 21, 22, 27, 28 and 29)	Available in full	26 months (i.e. until August 7, 2025)
No. 34	Capital increases reserved for members of a company or Group savings scheme	3% of the share capital at the time of each issuance [charged against the cap amount indicated under resolutions 19 and 35]	€122,783,744 in nominal (following the capital increase realized on December 21, 2023 to the benefit of the eligible employees within the framework of the "Partners for the future" offer for a nominal amount of €5,716,256)	26 months (i.e. until August 7, 2025)
No. 35	Capital increase reserved to employees not resident in France	3% of the share capital at the time of each issue [charged against the cap amount indicated under resolutions 19 and 34]	€122,783,744 in nominal (following the capital increase realized on December 21, 2023 to the benefit of eligible employees within the framework of the "Partners for the Future" offer for a nominal amount of €5,716,256)	18 months (i.e. until December 7, 2024)

A common cap of €128.5 million, of which €122,783,744 is currently available, applies to resolutions 19 to 32, 34 and 35 of the Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023. A common sub-cap of €51.4 million applies to resolutions 21 to 24 of the Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023.

A common sub-cap of €64.3 million applies to resolutions 26 to 32 of the Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023. A common sub-cap of €25.7 million applies to resolutions 28 to 31 of the Combined Ordinary and Extraordinary Shareholders' Meeting of June 7, 2023.

Amendment to Air France-KLM's Articles of Incorporation

The Extraordinary Shareholders' Meeting, deliberating with a majority of two-thirds of the votes held by the shareholders present or represented, is the only entity authorized to amend the Articles of Incorporation in all their provisions pursuant to Article L. 22-10-31 of the *Code de Commerce*.

The Air France-KLM Articles of Incorporation can be found on the website at <http://www.airfranceklm.com> (The Group/governance).

Modalities for shareholders wishing to participate in the Shareholders' Meeting

The modalities for shareholders wishing to participate in Shareholders' Meetings are those stipulated by the regulation in force. They are set out in Article 30 of the Air France-KLM Articles of Incorporation and the detailed conditions can be found in the documentation made available to shareholders ahead of the Shareholders' Meeting.

2.7.2 Securities conferring entitlement to shares

Bonds convertible and/or exchangeable into new or existing shares (OCEANEs) maturing in 2026

In March 2019, Air France-KLM issued bonds convertible and/or exchangeable into new or existing shares (OCEANEs), maturing in 2026, for an amount of €500 million, initially representing 27,901,785 underlying shares. The initial conversion ratio was one share for one OCEANE. However, pursuant to the legal and regulatory provisions, the conversion ratio was adjusted to 1.783 Air France-KLM shares for one OCEANE following the realization of the capital increase with maintained preferential subscription rights of June 14, 2022 (see edition No.72 of the *Bulletin des Annonces Légales Obligatoires* dated June 17, 2022). Following the reverse stock-split on August 31, 2023, the conversion ratio for the OCEANE bonds was also adjusted to 0.178 shares for one OCEANE 2026 as from August 31, 2023 (see the notice published in the *Bulletin des annonces légales obligatoires* no. 107 of September 6, 2023).

The nominal unit value of the bonds is €17.92. The bonds bear a coupon of 0.125%, payable annually on March 25.

The conversation period runs from May 4, 2019 until the seventh business day preceding the early redemption date or the maturity date.

Redemption at par, plus the corresponding accrued interest may be requested by the bond holders on March 25, 2024.

The bonds may be the subject of early redemption at the Company's discretion, subject to certain conditions, and at the discretion of the bond holders, in particular in the event of a change of control for the Company (as this expression is defined in the terms and conditions for the bonds).

Air France-KLM has had the option to impose the early redemption in cash of these securities since April 15, 2022 if the arithmetic average, calculated over any period of ten consecutive trading days chosen by the Company falling within the 20 day period preceding the publication of the early redemption notice, of the daily products of the average weighted Air France-KLM share prices recorded on Euronext Paris on each trading day and the conversion/exchange ratio in effect on this same day exceeds 130% of the nominal value of the bonds.

Issue of undated deeply subordinated unsecured bonds convertible into new shares and/or exchangeable for existing shares in the nominal amount of €305.3 million

On November 16, 2022, the Company issued undated deeply subordinated unsecured bonds convertible into new shares and/or exchangeable for existing shares (the "Hybrid Convertible Bonds"), for a nominal amount of €305.3 million representing around 200 million underlying shares by way of a placement limited to qualified investors (the "Offering").

The net proceeds of the Offering were allocated in full to the redemption of the deeply subordinated bonds held by the French State (see above), issued in April 2021. The Hybrid Convertible Bonds will be accounted as quasi-equity under IFRS.

The Hybrid Convertible Bonds were issued at par and have a nominal value per Hybrid Convertible Bond of €100,000 with a conversion/exchange premium of 22.5% over the Company's reference share price, i.e. €1.2464 (corresponding to the Company's average volume-weighted share price on the Euronext Paris regulated market ("Euronext Paris") on November 16, 2022).

From the issue date until November 23, 2025 (exclusive), the Hybrid Convertible Bonds will bear interest at a nominal annual rate of 6.5% payable quarterly in arrears on November 23, February 23, May 23 and August 23 of each year (or the next business day if any of these dates are not business days) (each, an "Interest Payment Date"), and for the first time on February 23, 2023, subject to any interest payment suspension by the Company.

From November 23, 2025, the Hybrid Convertible Bonds will bear interest at a rate equal to 1,300 basis points above the applicable 3 year-Mid-Swap Rate in Euro as a reference rate. The reference rate will be subject to a reset every three years thereafter. Interest will be payable quarterly in arrears on each Interest Payment Date and, as the case may be, for the first time on February 23, 2026, subject to any interest payment suspension.

In the event of a change of control, the annual rate for the fixed coupon or the reset reference rate coupon, as the case may be, will be increased by 500 basis points.

On each Interest Payment Date, the Company may decide, subject to certain conditions, to suspend payment of interest in respect of the Hybrid Convertible Bonds for the relevant interest period, subject to having notified the holders of the Hybrid Convertible Bonds at least 15 business days prior to the relevant Interest Payment Date. All interest in respect of the Hybrid Convertible Bonds that is not paid at an optional Interest Payment Date will constitute "Deferred Interest". Any amount of Deferred Interest will bear interest (to the full extent permitted by law) from the interest payment suspension date for any period exceeding 12 months at the interest rate applicable to the Hybrid Convertible Bonds over the relevant period. The amount of accrued interest (the "Additional Interest") in respect of Deferred Interest will become due and payable in the same manner as Deferred Interest. Deferred Interest (as well as the corresponding amount of Additional Interest) may be paid in full or in part at any time at the Company's discretion, but all Deferred Interest (as well as the corresponding amount of Additional Interest) in respect of all the Hybrid Convertible Bonds will become payable in full in specific cases, notably if the Company decides to pay a dividend or an interim dividend or on the repurchase of any equity securities or upon redemption of all the outstanding Bonds.

The Hybrid Convertible Bonds are undated, subject to cases of early redemption at the Company's option and will only be repayable in the event of the liquidation of the Company or upon the expiry of the term indicated in the Company's Articles of Incorporation (unless extended in accordance with the applicable legislation).

The Company may, at its discretion, proceed with the early redemption of all, but not a portion, of the Hybrid Convertible Bonds at par plus accrued interest, Deferred Interest and, as the case may be, Additional Interest (the "Early Redemption Price":

- a) for the first time on November 23, 2025, then on each Interest Payment Date;
- b) in the event of a change of control;
- c) from December 14, 2024 until November 23, 2025 (exclusive), if the arithmetic average, calculated over any period of ten consecutive trading days falling within any period of 20 consecutive trading days preceding the publication of the early redemption notice, of the daily products of the Company's closing share price on Euronext Paris and the conversion/exchange ratio in effect on each trading day during such period exceeds 130% of the principal amount of the Bonds; and
- d) if the total number of the Hybrid Convertible Bonds outstanding is less than 15% of the number of Bonds originally issued.

Conversion/Exchange rights

Holders of the Hybrid Convertible Bonds may exercise their conversion/exchange rights at any time from 40 calendar days after the issue date (inclusive) until the 10th business day (exclusive) preceding the earlier of the two following dates: November 23, 2025, or, as the case may be, the date set for any early redemption.

The conversion/exchange ratio was initially set at the principal amount divided by the prevailing initial conversion/exchange price, i.e. 65,496.4632 Shares per Hybrid Convertible Bond, subject to subsequent adjustments. Following the reverse stock-split on August 31, 2023, the conversion and/or exchange ratio has been adjusted to 6,549.6463 shares for one Hybrid Convertible Bond.

2.7.3 Authorization to buy back Air France-KLM's own shares

Every year, the Air France-KLM Board of Directors asks the Shareholders' Meeting for the authorization to buy back the company's own shares in the stock market, subject to a number of conditions, except in 2021 and 2022, in view of the prohibitions imposed under the European Commission's Temporary Framework on State Aid (see section 3.1.2.6 "Commitments vis-à-vis the European Commission"). This authorization was again proposed at the 2023 Shareholders' Meeting, following the full exit from the French government's recapitalization aid granted during the Covid-19 crisis as of April 19, 2023, and the lifting of the constraints associated with this aid.

Accordingly, the Company initiated a share buyback program during the 2023 financial year, making use of the 18th resolution adopted at the Shareholders' Meeting of June 7, 2023.

Pursuant to Article 241-2 of the General Regulations of the *Autorité des Marchés Financiers* (AMF), the description of the Air France-KLM share buyback program, published on June 19, 2023 on the Group's website, presented the objectives as well as the terms and conditions of the share buyback program authorized by the Ordinary Shareholders' Meeting of June 7, 2023, and contained the following information:

- 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 taking into account 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 the obligations arising from share allotment plans in respect of the remuneration of company officers;
- **maximum purchase price per share:** €4 (excluding fees) or, in the event of the implementation of a reverse share split referred to under the terms of 36th resolution, €40 (excluding fees);
- **objective:** The objectives of the share buyback program under the terms of the 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.

The share buybacks were carried out on a single day in 2023, i.e. June 20, 2023:

Issuer	Issuer Identifier code	Transaction date	Financial instrument identifier code	Total daily volume (in number of shares)	Weighted average daily acquisition price of shares	Market
SOCIÉTÉ AIR FRANCE	969500AQW31GYO8JZD66	20 June 2023	FR0000031122	611,116	1.7722	XPAR
SOCIÉTÉ AIR FRANCE	969500AQW31GYO8JZD66	20 June 2023	FR0000031122	99,002	1.7691	DXE
SOCIÉTÉ AIR FRANCE	969500AQW31GYO8JZD66	20 June 2023	FR0000031122	49,882	1.7691	TQE

At December 31, 2023, Air France-KLM held 143,608 of its own shares, i.e. 0.05% of the share capital, of which 111,642 shares held by KLM in respect of its various stock option plans. The valuation of the portfolio stood at €2 million at December 31, 2023.

2.7.4 Partnerships with Air France-KLM

Strategic partnerships with, firstly, Delta Air Lines, Inc. and Virgin Atlantic Airways Limited and, secondly, with China Eastern Airlines Co. Ltd.

During the 2023 financial year, Air France-KLM continued to execute its strategic partnerships entered into in 2017, firstly, Delta Air Lines, Inc. (Delta) and Virgin Atlantic Airways Ltd. (Virgin Atlantic) and, secondly, China Eastern Airlines (CEA).

By way of reminder, on July 27, 2017, Air France-KLM had announced, firstly, the planned creation of a joint-venture between Air France-KLM, Delta and Virgin Atlantic and, secondly, the intensification of its partnership with CEA. These two commercial alliances were consolidated, in 2017, by equity links: on October 3, 2017, Delta and CEA each acquired equity interests in Air France-KLM within the framework of reserved capital increases authorized by the Combined Ordinary and Extraordinary Shareholders' Meeting of September 4, 2017 for a total of €751 million.

Within this framework, on July 27, 2017, Air France-KLM and CEA on one hand, and Air France-KLM, Delta and Virgin Atlantic on the other, signed partnership agreements aimed at defining the principles of their closer cooperation:

- on July 27, 2017, Air France-KLM, Delta and Virgin Atlantic signed Memoranda of Understanding laying the foundations for a future integration of the existing joint-ventures between Air France-KLM, Delta and Alitalia, and between Delta and Virgin Atlantic, within a single joint-venture. These agreements foresaw specific conditions intended to protect the interests of Air France-KLM in the event of any deterioration in the joint-venture's operating conditions linked to the United Kingdom's exit from the European Union);
- Air France-KLM and CEA also stepped up their commercial cooperation and reinforced their partnership within the framework of the existing joint-venture, through the signature on July 27, 2017, of a Marketing Agreement aimed at defining the principles of their closer cooperation. A new joint-venture agreement (the CEA Joint-Venture Agreement) incorporating these principles, was concluded on November 26, 2018 between Air France-KLM and CEA.

Furthermore, to proceed with the reserved capital increases, on July 27, 2017 CEA and Delta signed two Subscription Agreements with Air France-KLM, wherein both investors agreed to subscribe to the reserved capital increases. These subscription agreements include an approval clause under which CEA and Delta undertake,

for the term of the subscription agreement, to obtain the formal approval of the Company's Board of Directors if they wish to sell their Air France-KLM shares to another airline company. These subscription agreements initially included, for CEA and Delta, lock-up undertakings each covering 37,527 Air France-KLM shares (as adjusted for any stock splits or reverse stock splits), as well as standstill commitments, which however expired on October 3, 2022. In the event of the sale of Air France-KLM shares over the counter to a third party, CEA and Delta have undertaken to offer Air France-KLM priority to acquire these shares, at the same price conditions.

On October 3, 2017, Eastern Airlines Industry Investment (Luxembourg) Company Limited, a wholly-owned subsidiary of CEA Global Holdings (Hong Kong) Limited, and Delta subscribed in cash to capital increases without shareholders' preferential subscription rights, each for a total (including issue premium) of €375,274,100, at a subscription price of €10 per share (including issue premium). The acquisition of these shareholdings was accompanied by the appointment of two Board directors to the Air France-KLM Board of Directors designated, firstly, by CEA and, secondly, by Delta.

On March 14 and May 15, 2018, within the framework of the implementation of the future single joint-venture between Air France-KLM, Delta and Virgin Atlantic, and following authorization by the Air France-KLM Board of Directors (see section 2.3.1 "Activities and functioning of the Board of Directors"), several agreements had been signed:

- agreements aimed at enabling Air France-KLM to acquire 31% of Virgin Atlantic);
- a joint-venture agreement (Blue Skies Joint-Venture Agreement) aimed at the implementation of a commercial joint-venture between Air France-KLM, Delta, Virgin, Air France and KLM together with the related bilateral Transition Agreement signed with Delta; and
- an Implementation Agreement between Air France-KLM, Air France-KLM Finance SAS, Air France, KLM, Delta, Virgin Atlantic Limited, Virgin Atlantic and Sir Richard Branson, concerning the realization of the transaction.

On November 21, 2019, the US Department of Transportation granted Antitrust Immunity (ATI) within the framework of the extension of the transatlantic joint-venture between Air France-KLM, Delta and Virgin Atlantic. This regulatory step enabled the airlines to move forward with their transatlantic partnership.

In parallel, the partners finalized the governance of the commercial joint-venture between Air France-KLM, Delta and Virgin Atlantic, agreeing on simplified decision-making processes enabling the joint-venture to deliver its full synergy potential. As a result, Air France-KLM and Virgin Atlantic finally considered that the acquisition of a 31% equity interest in Virgin Atlantic as initially foreseen (Delta already holding 49% since 2013 and the historic shareholder Sir Richard Branson retaining 20%) was no longer necessary and negotiated an agreement wherein Air France-KLM would not acquire an equity interest in Virgin Atlantic with no impact on Air France-KLM's position in the commercial joint-venture between Delta, Virgin Atlantic and Air France-KLM. As a result, the agreements concluded between March 14 and May 15, 2018 were amended and, following the mandate given to the Air France-KLM management by the Board of Directors on October 30, 2019, an agreement was signed between Air France-KLM, Delta and Virgin Group (concluded and entering into force on January 30, 2020), giving Air France-KLM, subject to certain conditions, the right to acquire Virgin Atlantic Limited shares in the event of a sale by Virgin Group of Virgin Atlantic Limited shares to a third party. This partnership is considered key to reinforcing the Group's leadership position between Europe and North America and will offer customers a seamless travel experience across the Atlantic.

The overall joint-venture between Air France, KLM, Delta and Virgin Atlantic was launched in early February 2020, offering customers a wider choice of routes and loyalty options for travel between Europe, the United Kingdom and North America.

Within the context of the Covid-19 pandemic, restrictive border regulations and health measures led to a drastic reduction in airline capacity and created a highly uncertain environment regarding the management of networks by the joint-venture partners. In view of the impact on the implementation of the Air France-KLM group's existing joint-ventures, in December 2020 the partners reviewed the financial conditions of their agreements and amended the provisions relating to the financial "settlement" mechanisms provided in the Group's joint-venture agreements signed, on one hand, with Delta and Virgin Atlantic and, on the other, with CEA.

On December 4, 2020, pursuant to the provisions of Article L. 225-38 of the *Code de Commerce*, the Air France-KLM Board of Directors thus authorized the adjustment of the provisions concerning the financial settlement mechanism (to share the revenues and costs generated by the joint-venture) in the Blue Skies Joint-Venture Agreement for the 2020 calendar year. In this respect, the parties waived all rights they may have had with respect to the amounts due to them under the joint-venture agreement for the 2020 calendar year, and agreed to waive them permanently. This waiver avoided uncertain and potentially material financial exposure for all the partners given the context linked to the public health crisis. The duration of this waiver was extended to

the 2021 and 2022 financial years by mutual agreement of the parties due to the duration of the impacts of the Covid-19 pandemic on the Blue Skies joint-venture operations. On December 31, 2023, an agreement was reached between the parties providing for new "settlement" caps applicable solely in respect of the 2023 calendar year.

On December 4, 2020, the Air France-KLM Board of Directors also authorized the suspension of the provisions concerning the financial settlement mechanism (to share the revenues generated by the joint-venture) foreseen in the CEA Joint-Venture Agreement. In this respect, the parties waived all payments under the CEA Joint-Venture Agreement as of February 1, 2020 for a period that was to be mutually agreed between the parties depending on the duration of the effects of the Covid-19 pandemic on the joint-venture. This waiver avoided uncertain and potentially material financial exposure for both parties linked to the impacts of the public health crisis on the joint-venture. The other provisions of the CEA Joint-Venture Agreement remained unchanged. The parties entered into a new agreement, effective July 1, 2023, terminating the waiving by the parties of all payments in respect of the CEA Joint-Venture (decided in 2020) and providing for a new transitional settlement cap, applicable solely for the period from July 1, 2023 until December 31, 2023. In December 2023, the parties extended the term (initially due to expire on December 31, 2023) of the CEA Joint-Venture Agreement until March 31, to enable the parties to continue their cooperation while actively negotiating the terms of a new joint-venture agreement in 2024.

Lastly, within the framework of the Group's recapitalization plan announced on April 6, 2021, on June 23, 2021, Air France-KLM entered into an agreement with CEA aimed at accelerating their efforts to deepen and expand the existing and future cooperation, and further reinforce their partnership for air transport services between China and Europe. This agreement enables the Group to reinforce its commercial cooperation with CEA and its position in the Chinese market (see section 2.3.1 "Activities and functioning of the Board of Directors"; "Agreements referred to in Article L. 225-38 of the *Code de Commerce*"). CEA also subscribed to the Company's capital increase realized on April 19, 2021 and, following this participation, held 9.6% of the Company's share capital.

CEA and Delta also participated in the capital increase with maintained preferential subscription rights realized on June 14, 2022 on a cash-neutral basis, for an aggregate amount of approximately €110.7 million, by subscribing to a respective 58,763,343 and 35,873,772 new shares by using the net proceeds from selling part of their DPS Rights to CMA CGM (see hereinafter). This took their respective shareholdings to 4.7% and 2.9% of the Company's share capital.

Conclusion of a major long-term strategic partnership in air cargo with CMA CGM on May 18, 2022

As announced in a press release dated May 18, 2022, the Air France-KLM and CMA CGM Groups entered into a long-term strategic partnership in the air freight sector aimed, notably, at pooling their cargo networks, all-cargo aircraft capacities and dedicated services.

The agreement had initially been established for a period of ten years and provided that Air France-KLM and CMA CGM would pool and exclusively operate the full freighter capacity of their respective companies, i.e. 10 full-freighter aircraft in revenue service and 12 more aircraft on order by the two groups.

This commercial agreement also covered the belly capacity in the Air France-KLM passenger aircraft, including more than 160 long-haul aircraft.

Within the framework of this partnership, and in accordance with the subscription agreement entered into on May 22, 2022 between the Company and CMA CGM (the "Subscription Agreement"), CMA CGM acquired an equity interest in Air France-KLM amounting to 231,348,252 new shares on an irreducible basis (via the exercise of preferential subscription rights acquired from China Eastern Airlines, Delta Airlines and the FCPEs, as well as in the market, corresponding to 9.0% of Air France-KLM's share capital following the capital increase with preferential subscription rights carried out on June 14, 2022.

In respect of the Subscription Agreement:

- a) at the Shareholders' Meeting of May 24, 2022, Mr. Rodolphe Saadé had been appointed as a Board director for a four-year term of office, effective July 15, 2022;
- b) CMA CGM had agreed to a lock-up undertaking as of the settlement-delivery of the new shares and until the expiry of a three-year period following that date, it being specified that CMA CGM could sell a maximum of 50% of the shares acquired within the framework of the capital increase during an additional period of three years; and
- c) CMA CGM gave an undertaking, for a ten-year period, not to purchase or sell any shares issued by Air France-KLM except if this acquisition does not lead to an increase of the percentage held in Air France-KLM's share capital, subject to certain exceptions (the "Standstill Commitment"). The Standstill Commitment stipulates that, at the end of a five-year period as of the settlement-delivery of the new shares issued by Air France-KLM, the Air France-KLM Board of Directors can modify this Standstill Commitment to enable CMA CGM to increase its shareholding in Air France-KLM.

Furthermore, within the framework of the issue of undated subordinated unsecured bonds convertible into new and/or exchangeable into existing shares realized on November 16, 2022 by the Company for the nominal amount of €305.3 million through a placing limited to qualified investors (representing around 200 million

underlying shares), CMA CGM, which holds 9.0% of Air France-KLM, subscribed in proportion to its holding in the Company's share capital, corresponding to a nominal amount of around €27 million.

On December 9, 2022, the Company entered into a commercial cooperation agreement in air freight on the basis of the principal terms set in May 2022 with Air France, KLM, CMA CGM Air Cargo and CMA CGM (the "Cooperation Agreement"). The initial aim of the parties was to be able to launch business cooperation in the 2023 second quarter, subject to obtaining the required authorizations from the relevant legal and regulatory authorities.

In February 2023, Mr. Rodolphe Saadé announced his intention to be replaced as a Board director by the company CMA CGM. As the Subscription Agreement signed on March 22, 2022 between the Company and CMA CGM had initially stipulated that the person proposed by CMA CGM for appointment as a Board director of the Company should be a natural person, it was decided to amend the Subscription Agreement to enable the nomination of a legal person. As a result, on April 19, 2023, the Board of Directors authorized the signature by the Company of an amendment to the Subscription Agreement enabling the nomination by CMA CGM of a legal person. The other stipulations of the Subscription Agreement remained unchanged.

However, owing to the tight regulatory environment in certain important markets, the cooperation was unable to function optimally.

As a result, in a press release dated January 16, 2024, Air France-KLM and CMA CGM announced their decision to terminate the existing agreements effective March 31, 2024. Air France-KLM and CMA CGM opened discussions covering the new terms and conditions of a commercial relationship in which each group would operate independently as of March 31, 2024.

Within this framework, on January 16, 2024, the Company entered into a term sheet agreement (the "Term Sheet") with Air France, KLM, CMA CGM, CMA CGM Air Cargo ("CCAC") and CMA CGM Air Cargo 9 ("CCAC 9") and, together with the Company, Air France, KLM, CMA CGM and CCAC (the "Parties"), providing for the terms and conditions of the termination of the commercial cooperation between the entities of the Air France-KLM group and the entities of the CMA CGM Group concerning their air freight activities, effective March 30, 2024. The Term Sheet provides notably for the termination of the commercial cooperation agreement between the parties and the ancillary agreements relating to their cooperation in the air freight sector.

The two Groups remain determined to work together so that air freight customers can continue to benefit from their respective networks.

CMA CGM remains a reference shareholder in Air France-KLM.

In the context of the termination of the Commercial Agreement, on January 15, 2024, the parties also concluded an Amendment to the Subscription Agreement (the "Amendment to the Subscription Agreement") henceforth providing that the period of the lock-up undertaking on all the shares in the Company held by CMA CGM having been subscribed by the latter in the Company's capital increase announced on May 24, 2022, which was initially due to expire on June 15, 2025 (for all the shares in the Company subscribed by CMA CGM and on June 15, 2028 for 50% of these shares), will be reduced and will now expire on February 28, 2025, and will

no longer be conditional on the existence of the commercial relationship between the Company and CMA CGM. The Standstill Commitment has not been changed by this amendment.

Furthermore, the Amendment to the Subscription Agreement stipulates that CMA CGM will no longer have a representative in the Company's Board of Directors as of March 31, 2024 pursuant to the Subscription Agreement as amended by the Amendment to the Subscription Agreement.

2.7.5 Air France-KLM shareholder structure

Changes in the shareholder structure

The following table shows the changes in the Company's shareholder structure at December 31, 2023 relative to December 31, 2022 and December 31, 2021.

	% of the capital			% of exercisable voting rights ⁽¹⁾			% of theoretical voting rights ⁽²⁾		
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
Number of shares or voting rights	262,769,869	2,570,536,136	642,634,034	289,980,447	2,790,242,836	848,169,460	290,241,859	2,792,628,890	867,682,342
French State	28.0%	28,6%	28,6%	28,4%	28,5%	28,9%	28,4%	28,5%	28,2%
Dutch State	9,1%	9,3%	9,3%	10,3%	10,8%	14,1%	10,3%	10,7%	13,8%
CMA CGM	8,8%	9,0%		8,0%	8,3%		8,0%	8,3%	
China Eastern Airlines ⁽⁴⁾	4,6%	4,7%	9,6%	6,3%	5,7%	11,7%	6,26%	5,6%	11,4%
Employees (FCPE)	3,2%	1,2%	2,5%	3,4%	1,6%	3,7%	3,4%	1,6%	3,6%
Delta Air Lines, Inc. ⁽³⁾	2,8%	2,9%	5,8%	3,8%	4,0%	6,8%	3,8%	4,0%	8,7%
Spaak	0,9%	0,9%	0,4%	1,0%	1,0%	2,1%	1,0%	1,0%	2,1%
Treasury stock	0,05%	0,05%	0,2%	0,0%	0,0%	0,0%	0,0%	0,1%	0,3%
Other	42,6%	43,38%	42,3%	38,73%	40,2%	32,7%	38,83%	40,2%	31,9%

(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) 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.

(4) Through Eastern Airlines Industry Investment (Luxembourg) Company Limited.

Since April 3, 2016, in application of French law, shareholders holding their shares in registered form for more than two years have benefited from a double voting right.

Shareholder analysis

Pursuant to the obligation for air transport companies to monitor and control their shareholders, Air France-KLM has implemented a procedure for their identification on a quarterly basis.

The TPI (identifiable bearer shares) analysis was carried out on December 31, 2023. Based on the responses obtained under the SRD II regime, as of December 31, 2023, Air France-KLM is more than 81.7% owned by nationals of Member States of the European Union or of States party to the Agreement on the European Economic Area.

	Number of shares			% of the share capital		
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
French State	73,520,630	735,206,304	183,801,576	28.0%	28.60%	28.6%
Dutch State	24,000,000	240,000,000	60,000,000	9.1%	9.34%	9.3%
CMA CGM	23,134,825	231,348,252	/	8.8%	9.00%	/
China Eastern Airlines ⁽²⁾	12,023,544	120,235,442	61,472,099	4.6%	4.68%	9.6%
Employees (FCPE)	8,461,524	30,024,610	15,872,812	3.2%	1.17%	2.5%
Delta Air Lines, Inc. ⁽¹⁾	7,340,118	73,401,182	37,527,410	2.8%	2.86%	5.8%
Spaak	2,241,065	22,410,656	11,065,261	0.85%	0.87%	1.7%
Treasury stock	143,608	1,208,005	1,208,005	0.05%	0.05%	0.2%
Other European shareholders ⁽³⁾	83,310,655	811,963,368	220,055,867	31.7%	31.59%	34.3%
Other non-European shareholders	28,593,800	304,738,317	51,631,004	10.9%	11.86%	8.0%
TOTAL NUMBER OF SHARES	262,769,769	2,570,536,136	642,634,034	100%	100%	100%

(1) 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.

(2) Held through Eastern Airlines Industry Investment (Luxembourg) Company Limited.

(3) The shares held by United Kingdom nationals have been included in Other European shareholders.

Shareholder pacts

Air France-KLM is not aware of the existence of any shareholder pacts or agreements whose implementation could lead to a change of control.

Dividend policy

In the past three financial years, Air France-KLM distributed no dividends.

Financial year	Earnings per share (in euros)	Dividend paid (in euros)
2021	(5.95)	—
2022	0.35	—
2023	(0.43)	—

The stipulations of the loan guaranteed by the French State and the loan granted by the French State, implemented in May 2020 and whose maturity was extended for a further two-year period in December 2021 (the "PGE"), notably prohibited dividend payments by the Company until the repayment of the relevant loans. Furthermore, the undertakings made by the Group vis-à-vis the European Commission within the framework of

the prior approval of the Group's recapitalization measures notably prohibited any dividend payments until the aid granted has been repaid.

However, this prohibition was lifted following (i) the full reimbursement of the PGE on March 15, 2023 and (ii) the full exit from the Covid-19 recapitalization State Aid as well as its related restrictions on April 19, 2023.

2.7.6 A regular dialogue with individual shareholders and investors

On the basis of the TPI shareholder analysis of December 31, 2023, Air France-KLM is more than 81.7% owned by citizens of the European Union Member States and States party to the European Economic Area Agreement. The Air France-KLM group keeps the market informed on its activity through monthly traffic figures and quarterly updates on the trend in its results and strategic orientations. All its regulated information is available on the www.airfranceklm.com website in French and English. As a global player in the airline industry, the Group assumes its role as a pioneer in sustainable aviation. Its commitment and performance in terms of Corporate Social Responsibility have been recognized by the extra-financial rating agencies for many years.

Relations with investors

The Investor Relations department maintains a dialogue with financial analysts and institutional investors. In addition to conference calls and information meetings scheduled to coincide with results announcements, the Group's management regularly meets with financial analysts and institutional investors during road-shows and conferences in Europe, the United States and Asia.

Relations with individual shareholders

The Individual Shareholder Relations Department has a pro-active policy on engaging with individual shareholders. The website dedicated to the Shareholders' Club was redesigned in January 2023 and the shareholders' newsletter, with updates on the Group's business activity and objectives, is circulated by email and is available on the website in French and English.

The Shareholder Relations department, ready to listen to shareholders, can be reached by e-mail at the address mail.actionnaire@airfranceklm.com.

Lastly, since 2000, the Individual Shareholders' Consultative Committee, has constituted a forum for work, discussion and suggestions on Air France-KLM's communication aimed at individual shareholders. Composed of twelve members, the Committee meets several times a year including one meeting devoted to planning the Shareholders' Meeting. It also participates in major company events. Its members were renewed in March 2023.

2.7.7 Legal and statutory investment thresholds

Pursuant to the option provided in Article L. 233-7 of the *Code de Commerce* (French Code of Commerce), Article 13 of the Air France-KLM Articles of Incorporation stipulates that any private individual or corporate body, acting alone or in concert, acquiring directly or indirectly at least 0.5% of Air France-KLM's capital or voting rights or any multiple thereof, must notify Air France-KLM by registered mail with acknowledgement of receipt no later than four stock market trading days as of the date on which this threshold is crossed. The declaration must include all the information required to be submitted to the French Financial Market Authority (*Autorité des Marchés Financiers*) in the event of the crossing of a legal threshold, as well the information referred to in Article 10 of the Air France-KLM Articles of Incorporation.

Notice must again be given under the same conditions each time a further 0.5% of the capital or voting rights threshold is crossed, up to 50%.

These declarations are made in the event of the crossing of the thresholds mentioned above, involving either an increase or a reduction in the shareholding.

To determine these thresholds, the shares and voting rights defined by the provisions of Article L. 233-9 of the *Code de Commerce* and those of the relevant AMF General Regulation are assimilated in the share capital and voting rights.

In the event of failure to comply with this notification obligation and at the request of one or more shareholders holding at least 0.5% of the Air France-KLM capital or voting rights, the shares exceeding the reporting thresholds will be stripped of their voting rights at all Shareholders' Meetings for a period of two years following compliance with the notification procedures.

Furthermore, any shareholder, whether acting alone or in concert, acquiring more than 5% of Air France-KLM's share capital or voting rights is required to transfer these securities to registered form within the legal limit of no more than four stock market trading days as of the date on which the threshold is crossed (Article 9.2 of the Articles of Incorporation).

The above requirements under the Articles of Incorporation do not prejudice the legal obligation to inform Air France-KLM and the AMF within four stock market trading days following the crossing of the legal thresholds of 5%, 10%, 15%, 20%, 25%, 33^{1/3}%, 50%, 66^{2/3}%, 90% and 95% of the share capital or voting rights.

Furthermore, if the 10%, 15%, 20% and 25% thresholds of the share capital or voting rights are exceeded by a person, the shareholder must notify Air France-KLM and the AMF within five stock market trading days of the crossing of the capital and voting right thresholds of their intentions for the next six months. Any failure to comply with this declaration requirement will incur the sanctions set forth in Article L. 233-14 of the *Code de Commerce*.

SUMMARY OF THE LEGAL THRESHOLDS CROSSED DURING THE 2023 FINANCIAL YEAR AND AT THE BEGINNING OF THE 2024 FINANCIAL YEAR

Shareholders	Declaration date	Number of shares ⁽¹⁾	% of the capital ⁽²⁾	Number of voting rights	% of theoretical voting rights	Increase or Reduction
Morgan Stanley (c/o The Corporation Trust Company (DE)) ⁽³⁾	March 17, 2023	136,462,642	5.31%	136,462,642	4.89%	I
Morgan Stanley (c/o The Corporation Trust Company (DE)) ⁽⁴⁾	March 20, 2023	0	0%	0	0%	R

(1) "Number of shares" represents the total number of shares held by the declaring shareholder following the declaration.

(2) "% of the capital" represents the percentage of the share capital held by the declaring shareholder following the declaration.

(3) In a letter received on March 16, 2023, the company Morgan Stanley (c/o The Corporation Trust Company (DE), Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware DE 19801, United States) gave notification that, as of March 10, 2023, its equity interest, held indirectly via its subsidiaries Morgan Stanley & Co. International plc, Prime Dealer Services Corp., Morgan Stanley Capital Services LLC, Morgan Stanley Europe SE and Morgan Stanley & Co. LLC, had risen above the threshold 5% of the share capital in the Company and that it holds 136,462,642 shares representing the same number of voting rights, i.e. 5.31% of the share capital and 4.89% of the voting rights in the Company.

(4) In a letter received on March 20, 2023, the company Morgan Stanley (c/o The Corporation Trust Company (DE), Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware DE 19801, United States) gave notification that, as of March 14, 2023, its equity interest, held indirectly via its subsidiaries, had fallen below the threshold of 5% of the company Air France-KLM's share capital, following the sale of shares in the Company, and that it no longer holds any shares in the Company.

2.7.8 Identification of shareholders and statutory provisions concerning shareholders

Identification of holders of bearer shares

Pursuant to Articles L. 6411-2 to L6411-5 and L. 6411-8 of the *Code des Transports* (French Transport Code), as amended by the French Act No.2004-734 of July 26, 2004, listed French air transport companies are authorized to include a provision in their Articles of Incorporation allowing them to monitor and control their shareholders and to require certain shareholders to sell all or part of their interests in the event of a risk relating to their nationality. This is because, over time, changes in the shareholder structure of an air transport company whose shares are listed for trading on a regulated market could jeopardize its operating license as an EU air transport carrier, the retention thereof being conditional on EU interests holding a majority of the shares and maintaining effective control, or the traffic rights held by the Company as a French air transport company, pursuant to bilateral international agreements concluded between France and other States outside the European Union.

Identification and monitoring of shareholders

Articles 9 and following of the Air France-KLM Articles of Incorporation set the conditions under which the Board of Directors can or must decide either to reduce the 5% threshold above which shares must be held in registered form to 10,000 shares, or to require all shares in Air France-KLM to be held in registered form. Thus, when the 40% share capital or voting right threshold has been passed by non-French shareholders, the Board of Directors can decide to reduce this 5% threshold to 10,000 shares.

Air France-KLM publishes a notice informing the shareholders and the public that non-French shareholders as defined by Article 14 of the Articles of Incorporation own, directly or indirectly, 45% of Air France-KLM's share capital or voting rights. If it appears that non-French shareholders as defined by Article 14 of the Articles

of Incorporation represent, directly or indirectly, more than 45% of Air France-KLM's capital or voting rights on a long-term basis, the Board of Directors must decide to make it mandatory for all Air France-KLM shares to be held in registered form. Following an amendment to the Articles of Incorporation in 2014, within the meaning of Article 14 of Air France-KLM's Articles of Incorporation, citizens of the European Union Member States and States party to the European Economic Area Agreement are considered to be French nationals.

Article 10 of the Air France-KLM Articles of Incorporation specifies the information that must be provided to Air France-KLM by shareholders, whether they are private individuals or corporate bodies, subject to the obligation to hold their shares in registered form. This information includes the nationality of the shareholder. Article 11 of the Articles of Incorporation specifies the conditions under which the Board of Directors may exercise its right to approve new shareholders.

Formal notice to sell and mandatory sale of shares

Article 14 of the Air France-KLM Articles of Incorporation stipulates the information that Air France-KLM must publish and circulate to inform the public that over 45% of the capital or voting rights is held by shareholders who are not of French nationality. Based on this threshold, Air France-KLM will be entitled to launch procedures requiring the sale of shares in order to safeguard its nationality. Articles 15 and 16 of the Articles of Incorporation, respectively, concern formal notices to sell and the mandatory sale of shares held in breach of regulations pursuant to the *Code de l'Aviation Civile* (French Civil Aviation Code) and the *Code des Transports* (French Transport Code). The terms for setting the sale price (market price) are foreseen by the *Code des Transports*.

2.7.9 Information on trading in the stock

2.7.9.1 Air France-KLM in the stock market

Air France-KLM shares are listed for trading on the Paris and Amsterdam Stock Markets (Euronext Paris and Amsterdam) under the ISIN code FR001400J770. 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 SA is located in France, its Home

Member State, as defined by Directive 2004/109/EC of December 15, 2004, as amended (Transparency Directive), is France. The AMF is consequently its competent market authority as regards ensuring compliance with its regulated information obligations.

2.7.9.2 Stock market performance

Over the 2023 financial year to December 31, 2023, the Air France-KLM share price increased by 8.5% (based on the share price of €12.53 on December 30, 2023). The figures presented below have been adjusted for the effects of the reverse stock split realized on August 31, 2023 as outlined in section 2.7.1 of this 2023 Universal Registration Document.

	January-December 2023	January-December 2022
Share price high (in euros)	18.49	2.27
Share price low (in euros)	10.65	1.09
Number of shares in circulation	262,769,869	2,570,536,136
Market capitalization at December 31 (in billions of euros)	3.6	3.2

2.7.9.3 Transactions in Air France-KLM shares in the last 12 months

Air France-KLM shares

The figures presented below had been adjusted for the effects of the reverse stock split carried out on August 31, 2023:

Euronext volumes 2023	Trading days	Average share prices and trading ranges			Volumes	Amount (in € m)
		Average price (in €)	High (in €)	Low (in €)		
January	22	14.87	16.87	12.38	36,690,383	548
February	20	16.43	18.37	14.94	33,036,062	551
March	23	16.76	18.62	14.96	33,537,822	555
April	18	15.51	17.00	14.47	22,612,973	349
May	22	15.78	17.38	14.03	32,449,515	508
June	22	17.27	18.04	16.24	21,307,830	369
July	21	16.27	17.60	14.87	28,600,928	460
August	23	14.40	15.82	13.56	24,497,707	354
September	21	12.75	14.34	11.27	33,403,593	423
October	22	11.63	12.54	10.17	38,935,240	450
November	22	11.93	12.79	10.59	35,053,552	418
December	19	12.98	13.96	11.70	35,685,446	462

Transactions in the Company's shares realized by the company officers

Summary of the transactions referred to in Article L. 621-18-2 of the *Code Monétaire et Financier* (French Monetary and Financial Code) executed during the 2023 financial year.

Relevant individual	Function	Date of the transaction	Nature of the transaction	Number of securities	Unit price (in €)
Rodolphe Saadé	Board director	January 13, 2023	Subscription to shares	1,000	1.47
Isabelle Bouillot	Board director	March 14, 2023	Subscription to shares	100	1.667
French State Shareholdings Agency	Board director	April 13, 2023	Loan of shares	93,888,755	0
French State Shareholdings Agency	Board director	April 18, 2023	Return of loaned shares	93,888,755	1.17
Benjamin Smith	CEO Air France-KLM	June 26, 2023	Free acquisition of shares ⁽¹⁾	434,216	0
Anne Rigail	CEO Air France	June 26, 2023	Free acquisition of shares ⁽¹⁾	97,698	0
Benjamin Smith	CEO Air France-KLM	June 27, 2023	Sale of shares ⁽³⁾	166,609	1.6702
Anne Rigail	CEO Air France	June 27, 2023	Sale of shares ⁽⁴⁾	43,417	1.6702
Benjamin Smith	CEO Air France-KLM	September 12, 2023	Sale of fractional rights following the reverse share split ⁽⁵⁾	11	1.3542
Anne Rigail	CEO Air France	September 12, 2023	Sale of fractional rights following the reverse share split ⁽⁶⁾	1	1.3542

(1) Shares acquired under the 2020-22 Specific Long-Term Incentive Plan as of June 7, 2023, it being specified that the effective delivery date was June 26, 2023.

(2) Shares acquired under the 2020-22 Specific Long-Term Incentive Plan as of June 7, 2023, it being specified that the effective delivery date was June 26, 2023.

(3) The sale of shares is part of the "sell-to-cover" procedure applied at the time of conversion of vested units into shares for the 2020-22 Specific Long-Term Incentive Plan. The purpose of this sale of shares is to cover the social security charges and taxes relating to the acquisition gain for the beneficiary.

(4) The sale of shares is part of the "sell-to-cover" procedure applied at the time of conversion of vested units into shares for the 2020-22 Specific Long-Term Incentive Plan. The purpose of this sale of shares is to cover the social security charges and taxes relating to the acquisition gain for the beneficiary.

(5) Sale of fractional rights corresponding to one old share in accordance with the provisions of Articles L. 228-6-1 and R. 228-12 of the French Commercial Code. The sale results from the holding of a number of shares that is not a multiple of 10 on the date of completion of the Air France-KLM share consolidation (10 old shares having been consolidated into 1 new share), August 31, 2023. The volume of fractional shares corresponds to 11 old shares under the ISIN code FR0000031122, i.e. 1.1 new shares under the ISIN code FR001400J770.

(6) Sale of fractional rights corresponding to one old share in accordance with the provisions of Articles L. 228-6-1 and R. 228-12 of the French Commercial Code. The sale results from the holding of a number of shares that is not a multiple of 10 on the date of completion of the Air France-KLM share consolidation (10 old shares having been consolidated into 1 new share), August 31, 2023. The volume of fractional shares corresponds to 1 old share under the ISIN code FR0000031122, i.e. 0.1 new shares under the ISIN code FR001400J770.



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3.

Risks and risk management

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3.1 RISK FACTORS

This section outlines the main risks to which Air France-KLM considers itself exposed – macroeconomic and geopolitical risks, risks linked to the air transportation activity, risks linked to the Group's processes, legal and market risks – together with the management procedures implemented to mitigate these risks. Other risks of which the Group is currently not aware, or risks that as of the date of this document are not considered to be amongst the most material, could also negatively affect its activities.

This section includes the main risks which, as of the date of this document, could potentially impact the Group's activity, financial situation, reputation, results and outlook, as notably identified within the framework of the establishment of the Group's risk mapping, which evaluates their criticality, i.e. their gravity and probability of occurrence, as well as the mitigation plans in place. In accordance with the provisions of Article 16 of Regulation (EU) No. 2017-1129 of the European Parliament and the European Council, within each of the risk categories mentioned below, the risk factors considered to be the most significant (indicated by an asterisk) are presented first.

Description of the risk	Most significant risks	Section
🌐 Geopolitical and macro-economic risks 3.1.1		
International tensions: closed borders, wars, terrorist attacks, political and social unrest, health crises, etc.	*	3.1.1.1
Economic uncertainty	*	3.1.1.2
Risks relating to changes in oil and fuel prices	*	3.1.1.3
Competition and trends in the aeronautics maintenance market		3.1.1.4
Changes in the competitive landscape for the air travel business		3.1.1.5
✈️ Risks relating to the air transportation activity 3.1.2		
Risks related to airline safety	*	3.1.2.1
Climate-related risks	*	3.1.2.2
Noise management	*	3.1.2.3
Air pollution	*	3.1.2.4
Loss of flight slots or lack of access to flight slots		3.1.2.5
Carbon credit risk		3.1.2.6
Reinforcement of passenger compensation rights		3.1.2.7
Regulatory authorities' inquiry into the commercial cooperation agreements between carriers		3.1.2.8
Commitments vis-à-vis the European Commission		3.1.2.9

Description of the risk	Most significant risks	Section
⚙️ Risks relating to the Group's processes 3.1.3		
Operational performance and customer risks	*	3.1.3.1
Failure of a critical IT system, IT risks and cyber criminality		3.1.3.2
Cyber criminality	*	
Data security		
Business continuity and regulatory compliance		
Working conditions and human capital development		3.1.3.3
Social stability and employee engagement		
Key competencies and attractiveness		
Non-compliance with regulations, including competition, data protection, trade compliance and export control, anti-corruption and duty of vigilance laws		3.1.3.4
⚖️ Legal risks related to litigation 3.1.4		
Legal risks related to litigation		3.1.4
🏠 Financial market risks 3.1.5		
Balance sheet risk	*	3.1.5.1
Currency risks		3.1.5.2
Liquidity investment risk		3.1.5.3
Foreign exchange risk on debt valuation		3.1.5.4
Interest rate risk		3.1.5.5
Tangible assets investment currency exposure		3.1.5.6
Counterparty risk exposure		3.1.5.7

3.1.1 Geopolitical and macro-economic risks

3.1.1.1 International tensions: closed borders, wars, terrorist attacks, political and social unrest, health crisis, etc.*

Description of the risk

Multiple geopolitical factors can affect airspace access/closure and border controls: wars, including trade wars; crisis responses including those to public health; protectionism and nationalism; terrorist attacks and regional instability.

In addition, a flagship carrier representing a nation can also experience specific tensions with worldwide and local communities and authorities.

Impact

Airspace/border closures could have a direct impact on airline operations and networks. Operations may need to be ceased or modified as a result of rapidly-changing rules and conditions.

In some areas, this risk has materialized: the Russian airspace is closed to carriers from the European Union, forcing them to fly longer routes to Asian destinations. Instability in Africa and the Middle East is also impacting operations.

Such closures and ad hoc changes could create additional complexity for operations and processes so as to ensure safe operations, leading to higher operating costs, a reduction in purchasing power and demand for travel, and a risk concerning the overall perception and brand image.

Mitigation plan

Capacity and network adjustments; internal coordination working group; crisis management; resources reallocation; lobbying for international (industry-wide) policies, standards and regulations; securing minimum service levels; securing internal processes and procedures for cash management (capex, costs: internal and external) in response to liquidity issues; internal tools and procedures, informing, securing and protecting employees in the event of an emergency. The Group has no coverage in place for air transportation operating losses but Air France and KLM are insured for the consequences of an attack on aircraft and have subscribed to war and assimilated risks insurance.

3.1.1.2 Economic uncertainty*

Description of the risk

Several factors are weighing on global economic activity: monetary policy aimed at controlling increased inflation and public debt, volatility compounded by the different market dynamics in the key economic regions (North America, Europe, Asia) and the international tensions described in the preceding risk.

The growth forecasts are highly variable and could impact the airline industry.

This risk could reduce international trade with a high probability of lower disposable income for airline industry customers.

Impact

One direct impact could be lower government spending and higher taxation, putting company profitability and household budgets under pressure and, as a consequence, reducing demand for air transportation, both for leisure and business purposes.

Internal procurement could be faced with increasing pressure from external stakeholders and suppliers, resulting in the renegotiation of contracts and rates.

These factors could lead to higher operational and infrastructure costs, coupled with lower revenue and profitability for air transportation and air freight.

Mitigation plan

The agility to adapt our capacity, fleet, network and resources allocation; reviewing our prices and marketing offer; strengthening procurement policies.

3.1.1.3 Risks relating to changes in oil and fuel prices*

Description of the risk

The fuel bill is one of the largest cost items for airlines, making oil price volatility a significant risk for the air transportation industry:

- a sharp increase in the oil price can have a very material negative impact on the profitability of airlines, particularly if the economic environment does not enable them to adjust their pricing strategies;
- similarly, a sharp decline in fuel prices is generally favorable for airline profitability. However, the ability of airlines to pass on a sharp fall in the fuel price in their fares is a factor of significant uncertainty.

The adoption of Sustainable Aviation Fuel (SAF) is a key solution in the aviation sector’s decarbonization road map and SAF mandates are gradually being introduced throughout Europe. SAF availability will become a critical risk in the coming years as it affects the ability to reduce carbon emissions and meet sustainability goals.

Impact

For the financial year ended December 31, 2023, the fuel bill amounted to €7,133 million, representing a slight decrease of (0.7)% compared to the previous year due, in particular, to:

- the decline in fuel prices throughout 2023, following the significant increase recorded in 2022;
- and despite the growth in traffic observed in 2023.

The Air France-KLM group has hedged its exposure to fuel price risk. As of February 2, 2024, the Air France-KLM group’s fuel price exposure for 2024 amounted to US\$7,517 million, based on futures prices at February 2, 2024 (US\$76 a barrel for 2024).

Based on the forward curve at February 2, 2024:

- an increase of US\$10 per barrel over 2024 would give an average price of US\$85 per barrel and would lead to a US\$553 million increase in the fuel bill after hedging, i.e. a total fuel bill of US\$8,070 million for the Air France-KLM group in 2024;
- symmetrically, a fall of US\$10 per barrel over 2024 would give an average price of US\$67 per barrel and would lead to a US\$544 million reduction in the fuel bill after hedging, i.e. a total expense of US\$6,973 million in 2024.

A potential lack of widespread SAF production and distribution between 2025 and 2030, and competition with other sectors working on their energy transitions, could result in higher costs. In addition, a shortage of SAF can impact an airline’s reputation, undermine customer confidence in its commitment to sustainability and threaten the realization of the sustainability ambitions. The availability of SAF is therefore key to supporting the growth of the aviation industry while reducing its impact on the environment.

Mitigation plan

Insofar as possible, the Group seeks to protect itself from any further increases in oil prices, whilst remaining protected against downwards risks, and adapts its fares when necessary to reduce the impact of rising fuel prices.

In addition to fare adjustments and permanent efforts to reduce fuel consumption, the Group has implemented a policy of systematically hedging the fuel price risk defined by the Risk Management Committee (the “RMC”), presented to the Audit Committee and the Board of Directors of the Company.

The hedging strategy:

- sets the time span of the hedges;
- sets the target hedging ratios to be reached for the coming quarters;
- defines the instruments (swaps, forwards or option based), eligible for hedging pursuant to the accounting standards in force.

In respect of the application of IFRS 9, hedging by component has been applied since January 1, 2018. Since the Group’s fuel procurement is strongly correlated to the Jet Kerosene Cargoes CIF NWE Index, components specific to this fuel risk are used (Brent ICE, Gasoil ICE, Jet CIF NWE) to align the fuel hedging accounting and the Group’s risk management policy more effectively. Within the framework of a dynamic risk monitoring approach, the Group tracks the following indicators:

- maximum loss: capping the potential maximum loss; and
- maximum gain: value of the portfolio prompting its restructuring;
- Value at Risk: enabling the measurement and monitoring of extreme risk scenarios. The level of this indicator is calculated and regularly analyzed, and may also trigger a restructuring of the portfolio.

In order to better cover the risk associated with the decoupling between indices reflecting the price of crude oil (Brent ICE) and indices reflecting the price of refined products (Gasoil ICE and Jet CIF NWE), the Air France-KLM group has incorporated new hedging instruments on crack spreads.

The fuel hedging policy, in force since February 2021, has been updated and became effective during the first quarter of 2024. The hedging strategy, previously based on a rolling 12-month period, has been extended to cover 18 months. The hedging portfolio will represent 68% of annual consumption. This extension in the portfolio’s maturity will give the Air France-KLM group greater visibility on the trend in its fuel bill.

<i>(in US\$ million)</i>	2023	2024	2025
Gross expenditure before hedging	7,695	7,497	7,461
Hedge percentage	71%	55%	7%
Gain/(loss) on hedging	(17)	(20)	(6)
Net expenditure after hedging	7,712	7,517	7,467

To address the risk of difficulty in accessing a SAF supply, Air France-KLM began to collaborate with potential suppliers at a very early stage, signing its first contract (not related to a test flight) in 2015.

In 2023, Air France-KLM incorporated 1.1% of SAF into its fuel mix compared to 0.6% in 2022. The Group manages a portfolio of consortia, projects and initiatives, leading to long-term offtake agreements with various optional conditions to secure the volumes of SAF to meet its 2030 ambition for a minimum of 10% of SAF, while contending with the uncertainties that still prevail in this domain.

Air France-KLM works with governments and industry organizations to increase the availability and stability of the SAF supply chain. It was a founding member of ACT, the Aviation Climate Taskforce, which aims to accelerate the development of synthetic fuel and, at the European level, Air France-KLM has joined the Renewable Low Carbon Fuels Alliance, bringing together the aviation and sea transportation sectors to jointly boost the production and supply of renewable and low-carbon fuels.

Finally, the Group supports the development of industry-wide standards and certification processes for SAF to increase confidence and reduce uncertainty to help this new industry to emerge. To ensure that the SAF projects selected directly have a minimal impact on the environment, Air France-KLM maintains a strict due diligence on the sustainability of SAF sources and that SAF is RSB or ISCC certified.

To manage the accessibility to SAF, in 2023 the Group continued to secure future SAF supplies to work towards meeting its target of a minimum of 10% incorporation of SAF by 2030 by signing offtake agreements and MoUs with SAF producers around the world, and by investing directly in SAF production capabilities. These long-term, strategic investments confirm the Group's commitment to supporting the emergence of a scalable network of SAF production capabilities in Europe and worldwide.

3.1.1.4 Competition and trends in the aeronautics maintenance market

Description of the risk

Competition and trends in the aeronautics maintenance market (Maintenance, Repair, Overhaul also MRO):

- airframers, engine manufacturers and aircraft component manufacturers (OEMs) are rapidly expanding their after-sales services based on a long-term strategy, leveraging intellectual property and licensing mechanisms;

- more aggressive competition and pressure on the revenues of the maintenance business.

On the cost side:

- OEMs are leading an aggressive price escalation policy;
- the maintenance industry is facing a labor scarcity, leading to the risk of a shortage of manpower and wage inflation;
- the supply chain is still, and will remain for the coming period, under significant pressure due to the lack of raw materials, spare parts and the poor performance of OEMs.

This trend is accelerating, especially with the arrival of new aircraft (A220, A350, B787, E2-195 etc.), for which OEMs often require significant license costs to support these platforms. Ultimately, if it were to result in reduced competition in the aeronautics maintenance market, this trend could have a material adverse impact on airline maintenance costs.

Impact

Revenues in the maintenance business represented 6% of the Group's revenues for the financial year ended December 31, 2023 versus 5% in 2022.

The margin in the maintenance business was 3.5% for the financial year ended December 31, 2023 versus 4.6% in 2022.

Currently:

- the MRO market is showing healthy growth, forecast at an annual 2.9%⁽¹⁾ over the next decade;
- India and the Middle East are the fastest-developing markets with annual growth forecast at 10.4% and 6% respectively. AFI KLM E&M has significant activity in these markets with strong customer portfolios and regional industrial footprints;
- several airlines which are also customers of the Air France-KLM group for MRO services have incurred losses due to the crisis or are under embargo. Although the risk of bankruptcy and the associated loss of business is now mostly behind us, the Group is still exposed to the risk of delayed payment of its receivables.

⁽¹⁾ 2023 Commercial Aviation Fleet & MRO Forecast, Aviation Week Network.

Mitigation plan

Air France-KLM is working on a number of initiatives to limit the impacts inherent to these risks:

- close coordination through fleet renewal campaigns; procurement of licenses and the securing of industrial cooperation with OEMs as well as with Original Aircraft Manufacturers;
- a partnership strategy leveraging on AFI KLM E&M's current strong market position and technological expertise;
- repair solutions and the use of Used Serviceable Materials, thereby reducing the dependence on certain OEMs;
- supply chain optimization leveraging on digital initiatives, the worldwide industrial footprint and alternative sourcing;
- structural and anticipatory management of recruitment and labor availability;
- strict receivables management. For airlines under financial administration, the Group continues its services subject to a payment commitment from the administrators and a payment plan for previous receivables.

3.1.1.5 Changes in the competitive landscape for the air travel business

Description of the risk

The competitive landscape for air transportation is and will remain dynamic. For example:

- possible mergers and acquisitions could result in larger airline companies that can optimize networks and achieve economies of scale;

3.1.2 Risks relating to the air transportation activity

3.1.2.1 Risks related to airline safety*

Description of the risk

Accident risk, with the possibility of damage to people and property, is inherent to air transportation which is why airline activities – passenger and cargo transportation, aircraft maintenance – are regulated by a series of European regulatory provisions that are directly applicable or for some of them transposed into French and Dutch law. Compliance with these regulations is governed by whether an airline is awarded the AOC (Air Operator Certificate).

- low-cost long-haul services complement the more prevalent full-service long-haul flights operated with wide-body aircraft;
- technology companies could further establish themselves as intermediaries between airlines and customers;
- the aviation sector may be incentivized in certain countries or subject to different laws and regulations between jurisdictions, causing an uneven playing field;
- air transportation as a whole competes with digital meeting platforms as an alternative to meetings in person.

Impact

The direct impact could include shifts in customer demand, needs and behavior (changes in travel, buying and transportation habits), and the company's inability to respond to changing market needs. A brand and its products could also become outdated and commoditized, leading to a loss of business value, a decrease in market share and the marginalization of a company.

Mitigation plan

Air France-KLM addresses this risk by ensuring that its services continue to correspond to the market needs. Activities in this regard include R&D and innovation initiatives, commercial and competitive partnerships, membership of professional airline organizations and consolidation.

The national Civil Aviation Authority carries out a series of checks on the proper application of these rules covering notably the:

- designation of a senior executive and managers responsible for the principal operational functions;
- appropriate organization of the flight, ground, cargo and maintenance operations;
- deployment of a Safety Management System (SMS); and
- implementation of a quality assurance system.

Impact

The materialization of this risk could have a significant negative impact on the Group's reputation and legal or financial consequences.

Mitigation plan

For the Air France-KLM group, Flight Safety is the absolute priority. Safety is fundamental to maintaining the confidence of customers and staff, and is a day-to-day imperative which determines the Group's activity and the long-term future of the air transportation industry.

All of the Group's businesses are subject to numerous checks and certifications, and meet extremely strict standards and the highest level of regulations in the industry, both at European level with the European Aviation Safety Agency (EASA), and globally with the International Air Transport Association (IATA), whose IOSA Operational Safety Audit is a benchmark within the industry and leads to certification which must be renewed every two years.

The Air France and KLM IOSA audits were carried out between November and December 2022 and the IOSA renewal audits will take place at the end of 2024.

To reach the highest possible level of Flight Safety, each airline updates and reinforces its SMS which defines in concrete terms the conditions for the implementation of its risk management system. Through the SMS the risks related to operations are constantly monitored by learning from occurrences, watching for trends and thorough predictive risk analyses of proposed changes to the operations. The SMS, which is an integral part of the organization, procedures and corporate culture, is supported by a commitment made at the highest level of management, and by training and awareness-raising programs for all staff (see section 4.4.1 "Operational safety for stakeholders").

This risk is covered by the aviation insurance policies.

3.1.2.2 Climate-related risks*

Description of the risk

Air France-KLM is aware of the physical and transitional risks associated with climate change and considers them to be a significant concern. Failure to anticipate and adapt to these risks voluntarily could have negative consequences on the company's financial performance and reputation.

In 2023, the Group conducted a climate scenario analysis to gain a better understanding of the climate risk landscape. The analysis focused on identifying and assessing the physical and climate-transition-related risks facing the company across different timeframes. The physical risk component of this assessment focused on the company's top 50 sites, exploring geographical regions around the world in which it operates that are projected to experience greater impacts. The effects of potential changes in policy, technologies and markets were also examined.

The Group implemented the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and used the IPCC's Representative Concentration Pathways (RCP) scenarios to analyze the physical risks and the IPCC's Shared Socio-Economic Pathway (SSP) to analyze the transition risks.

The Climate Scenarios analyzed included:

Climate Scenario	RCP	SSP
Orderly	RCP 2.6 – 1.5 °C	SSP 1 Sustainability
Disorderly	RCP 4.5 – 2 to 2.5 °C	SSP 2 Middle of the Road
Hot-House World	RCP 8.5 – 3.6 to 4.4 °C	SSP 5 Fossil-Fueled Development

Impact

The scenario analysis led to the establishment of the following risk universe:

PHYSICAL RISKS

ACUTE

- Degradation/destruction of assets (airports, offices, warehouses, aircraft) due to more frequent and severe extreme weather events:
 - **Flooding (tidal, fluvial, pluvial)**
 - **Cyclones**
 - **Wildfires**
- Disruption of activity and increase in delays/ rerouting due to more frequent **storms and turbulences**
- Degradation of working conditions for on-ground operations due to **extreme temperatures and heatwaves**
- Interruption of operations due to **extreme temperatures** causing heat buckling on runways
- Disruption of activity and increase in delays/ rerouting due to **increased snowfall and more frequent snow storms**

CHRONIC

- Degradation of infrastructure (airports, offices, etc.) due to **rising sea levels**
- Restrictions on aircraft take-off weight due to **increasing temperatures**
- Disruption of take-off and landing schedule due to loss of visibility linked with **changing humidity patterns**
- Increased fuel consumption due to changing wind patterns
- Disruption of activity and increase in delays/ rerouting due to more frequent **icing risk**
- Increase in air conditioning usage due to **sustained rise in temperatures**

TRANSITION RISKS

POLICY AND LEGAL

General

- Increased pricing of GHG emissions
- Enhanced emission-reporting obligations
- (EU-ETS, CORSIA)
- Limits on license to operate and ban on short-haul flights

SAF-related

- New carbon taxes or SAF mandates could increase the price of jet fuel
- Insufficient support from governments regarding SAF and synthetic fuel deployment

Aircraft-related

- Delayed regulations could slow the pace of development of new technologies (electric planes)
- Insufficient support regarding investments in fleet renewal

REPUTATIONAL

General

- Increased pressure from stakeholders and investors to achieve sustainability goals in a shorter period of time
- Increased exposure to greenwashing claims
- Increase in passenger injury risk

SAF-related

- Exposure to litigation linked with low credibility of SAF for decarbonization or use of feedstocks causing adverse environmental outcomes

Aircraft-related

- Limited social license to consume renewable energy if not demonstrably additional

MARKET

General

- Lower demand due to modal shifts and sector stigmatization
- Decrease in demand for short haul flights due to increased remote working
- Increased cost of raw materials

SAF-related

- Inability to secure sufficient volumes and/or competitive prices for SAF to meet public targets
- Inability to secure synthetic fuels volumes

Aircraft-related

- Inability to access enough energy due to limited green hydrogen availability
- Inability to secure enough electric planes

TECHNOLOGY

General

- Substitution of existing products and services with lower emissions options
- Unsuccessful investment in new technologies
- Costs to transition to lower emissions technology

SAF-related

- Power-to-Liquid SAF and other SAF technology pathways do not deliver expected emissions reductions
- Synthetic fuels technology pathway does not scale as expected

Aircraft-related

- Network limitations due to lack of required infrastructure
- Limited talent availability for maintenance and operation of next generation aircraft

Mitigation plan

The Air France-KLM group and its airlines are continuing their efforts to reduce their environmental footprints as part of a transparent and responsible approach to the challenges of global warming. The Group has had its CO₂ emission reduction target by 2030 validated by the independent reference organization SBTi, ensuring that it is in line with the Paris Agreement's "Well below 2°C" scenario. This is in addition to its ambition for net zero emissions by 2050. Air France-KLM's Climate Action Plan stipulates the Group's priorities in terms of reducing its environmental impacts, like fleet modernization to reduce fuel consumption, improved fuel management and optimized operational procedures such as eco-piloting, and the accelerated introduction of Sustainable Aviation Fuels (SAF).

Air France-KLM is also playing a front-runner role in the airline industry, mobilizing the sector to accelerate its decarbonization ambition. Air France-KLM supported the adoption of IATA and ICAO's Long Term Aspirational Goal

(LTAG) – which sets an aspiration goal of net-zero carbon emissions by 2050 – and supported the introduction of a fuel decarbonization ambition of 5% by 2030, adopted in 2023 by ICAO at CAAF/3. Additionally, the Group is lobbying the ICAO to increase the ambitions of CORSIA.

The Group is investing in research and development to promote advances in low-carbon technologies, like Sustainable Aviation Fuels (SAF) and electric flying. For more detail, see the sub section on SAF in section 4.3.1 and section 3.1.1.3.

To adapt to the already-visible consequences of climate change, such as more frequent extreme weather events, Air France-KLM has a policy in place to ensure safe operational and passenger handling conditions, and regularly conducts comprehensive risk analyses to optimize these arrangements. The operation of a network balanced between the different continents and the flexibility related to the composition of the fleet enable the financial consequences of these impacts to be minimized.

Lastly, Air France-KLM constantly analyses changing attitudes to travel and responds through regular adjustments to its network, services and offers. In the event of climatic events, the Group's various partnerships enable the rapid deployment of commercial measures so that passengers can postpone their journeys or change their destinations if they so wish.

3.1.2.3 Noise management*

Description of the risk

Noise management has become a regulatory topic in the ESRS standards falling under the CSRD. The ESRS Standard 2 on Pollution now considers noise a pollutant, which can be harmful to human health and the environment.

In Europe, there are calls to implement activity restrictions at airports in response to increasing sensitivity to airport noise nuisance. Campaigns for a cap on the number of flights and regulatory restrictions, including curfews, have been launched by residents' associations at Amsterdam Schiphol airport, as well as at Orly and Roissy CDG airports in the Paris region.

To address these concerns, the Dutch and French governments have launched impact assessment procedures using a balanced approach developed by ICAO. This approach involves a scientific assessment of the noise pollution levels at airports, followed by an analysis of various reduction measures that can be taken, prioritizing the best combination of cost-effective measures before introducing any restrictions on aircraft operations as a last resort. The balanced approach is the only regulatory means of introducing operating restrictions on the grounds of noise pollution.

The Dutch government has also been considering a noise ceiling to restrict flight movements. Such legislation could lead to competitive distortions between airlines, especially if only applied to specific geographic areas.

Impact

Flight limitations present a significant risk to the Group's operations and revenue. Any changes to noise-related LTO (Landing Take-Off) charges could increase operational costs. Additionally, offering fewer flights can negatively impact the relationship with our customers.

Mitigation plan

Air France-KLM actively collaborates with Member States and stakeholders to ensure compliance with the EU's Balanced Approach regulation, which aims to improve the noise environment around EU airports and promote greater compatibility between aviation activities and residential areas.

In June 2023, in The Netherlands, KLM submitted a plan, calculated by the Netherlands Aerospace Centre (NLR), which offers a greater reduction in noise pollution at night (18%) and exceeding the Dutch Minister's target of 15% in 2024. The KLM plan aims to reduce noise pollution by 18% at night and 28% by 2026, while also reducing noise pollution more effectively in the long term. KLM (and the Air France-KLM group) also brought together a broad group of Dutch airlines, knowledge institutes, manufacturing industry, industry associations and trade unions (31 parties in total) and has presented its vision: "Future-proof aviation for the Netherlands" with 10 concrete commitments for the coming years, including commitments on noise.

Thanks to its fleet renewal policy, Air France-KLM is not only reducing CO₂ emissions but also reducing noise pollution. In 2023, 100% of its fleet was eligible for certification under the stringent noise level criteria of ICAO chapters 4 and 14. In terms of noise reduction capacity, new aircraft types are estimated to reduce noise by the following: A350-900: 40% less noisy, Airbus A320neo: 50% less noisy, and Embraer 195-E2: 63% less noisy compared to the aircraft they replace.

The Group's airlines optimize flight routes and implement continuous descent procedures, which significantly reduce noise pollution. The Group is committed to supporting governments and air traffic control organizations in the rapid and widespread implementation of continuous descent procedures at all airports.

The Group contributes to airport noise taxes and levies in France and The Netherlands, which fund soundproofing for homes located around airports and compensation for the loss of property value around the airport.

Noise restrictions apply to Paris-Orly and Paris-Charles de Gaulle airports, with curfews, slot caps at Paris-Orly, and a noise cap on night-time slots at Paris-Charles de Gaulle, managed under the Balanced Approach.

For each of these procedures, the Group's experts are in constant dialogue with residents, airport community representatives and the authorities as part of dedicated working groups. In each case, the Group's approach aims to implement efficient solutions, which are both sustainable for the Group's airlines and satisfactory for residents.

3.1.2.4 Air pollution*

Description of the risk

Air pollution is a growing health and environmental concern, related to the emissions of NO_x, SO_x, and Particulate Matter (PM). In The Netherlands, Schiphol Airport has secured a temporary nitrogen permit until 2025. The Dutch government has set a target of reducing nitrogen emissions by 50% by 2035, while Schiphol is aiming to be an emissions-free airport by 2030, including NO_x.

Impact

Air France-KLM may face increased airport charges based on its nitrogen emissions, not just in The Netherlands, as other airports may follow.

Mitigation plan

The Air France-KLM group monitors its atmospheric emissions for both flight and ground operations, including low-altitude emissions that impact air quality around airports. The indicators cover emissions of SO₂ and NO_x with most of these emissions coming from aircraft movements.

The Group is accelerating the development of SAF, which reduces particulate matter, NO_x and SO_x emissions. For its ground operations, the Group uses electric and more efficient vehicles equipment powered by cleaner fuels and optimize its operational procedures for ground operations, including minimizing taxiing time, taxiing with only one engine and replacing APUs with electrical GPUs. As of 2023, 64% of Air France-KLM ground equipment at CDG, ORY and SPL was electrically-powered.

Moreover, Air France-KLM is actively involved in research on pollutants. Together with Schiphol, KLM is conducting an exploratory study into exposure to Ultrafine Particulates (UFPs) to gain more insight into the exposure of employees, and the sources of this exposure.

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

Description of the risk

The service of major airports, given their saturation, 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 relevant 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.

Impact

The loss of slots or the non-access to slots due to volume limitations or saturation could have an impact on the companies' results or their development. As a slot lost to a competitor is inherently difficult to recover, the lack of anticipation and adaptation could lead to a reduction in market share over time.

Mitigation plan

The Group takes care to implement 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. To this end, a special 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 airlines work with their national authorities to ensure that the capacity they need for growth is regularly available at their main hubs.

3.1.2.6 Carbon credit risk

Description of the risk

As an air transport operator, the Air France-KLM group emits carbon dioxide. As such, it fully complies with the regulatory measures to reduce carbon emissions (see section 4.3.1 – CO₂ emissions). These include the EU Emissions Trading Scheme (EU ETS), which has been in force at European level since 2012 for aviation. In December 2022, the European institutions defined the modalities for the reform of the EU-ETS through the revision of Directive 2003/87/EC. They confirmed the intra-European scope of the EU-ETS, thus reinforcing CORSIA's future role in defining clearing solutions for international flights. They also programmed the gradual end of allowances allocated free of charge to air operators. From 2026 onwards, this new measure will require the Air France-KLM Group to purchase emission rights (credits) for all its flights to and from the European Union (intra-European flights). The clarification of the reduction trajectory for the allocation of free allowances nevertheless makes it possible to anticipate and control the risk associated with this regulatory change.

Impact

For the year ending December 31, 2023, the Air France-KLM group's CO₂ emissions reached 24.8 million tons (14.8 million tons for Air France and 9.9 million tons for KLM), of which 5.53 million tons were subject to the EU ETS requirement (2.83m for Air France and 2.7m for KLM).

Mitigation plan

To minimize the consequences of the necessary strengthening of the European carbon market and to protect itself against a potential increase in the price of credits, Air France-KLM has implemented two types of measures.

On the one hand, the Group is responding through a proactive financial policy based on the purchase of forward credits. This carbon risk hedging measure is subject to regular review and validation by the Risk Management Committee. In this respect and considering the quotas allocated in recent years, Air France acquired EU-ETS credits in 2023 for a volume corresponding to 1.4 million tons of CO₂ (Air France and its subsidiaries only). For its part, in 2023 the KLM Group acquired EU ETS credits for a volume corresponding to 1.6 million tons of CO₂.

On the other hand, the Group takes every opportunity to reduce its fuel consumption and carbon emissions: on its own initiative within the framework of the Climate Plan, or in conjunction with the authorities (SESAR project, Single European Sky, air traffic control optimization).

In addition, the Group uses an internal carbon price (price range) in its investment and project decision-making to consider the carbon risk in its decision-making scenarios (see section 4.3 "Environmental impacts"). In view of these developments, the Group would also like to draw attention to the need to design a mechanism to adjust carbon emissions at the European Union's borders. This essential measure should make it possible to avoid counter-productive phenomena such as "carbon leakage" that neutralize or even aggravate environmental impacts. It would also guarantee the preservation of fair competition rules between the different air transport players.

As of December 31, 2023, the Group had a stock of 10.2 million carbon credits (EU-ETS, CH-ETS, UK-ETS) on its balance-sheet, for a book value of €357.5 million.

3.1.2.7 Reinforcement of passenger compensation rights

Description of the risk

The European Union implements a Community regulation (Regulation 261/2004) on passenger protection in the event of flight cancellations, delays and denied boarding; it applies to all flights departing from an airport located within its territory, regardless of the nationality of the airline operating the flight. It also applies to flights arriving in its territory, only when they are operated by an airline from one of its Member States. At the end of 2023 the European Commission issued a series of proposals aiming at improving the experience of passengers by strengthening their rights. Airlines could thus face rising costs of compliance and additional costs pertaining to passenger rights and accessibility requirements. Numerous rulings by the European Court of Justice have been handed down since 2004, including reducing the possibilities for air carriers to invoke "extraordinary circumstances" to exempt themselves from paying the compensation provided for in Regulation 261/2004.

Impact

Passenger rights requirements help shape the Group's operational and commercial policy. Increasing the number of rules for compensation could have a significant impact on its costs. The increase in costs will then add to the already-existing distortions of competition with companies from third-party countries, most of whose activities are not subject to the same obligations in their markets. In addition, the use of specialized companies to collect passenger compensation has become almost systematic, making the processing of claims more complex and time-consuming, while they take a significant share of the amount paid out by the airline if the claim is justified.

Mitigation plan

The Group has adapted its organization and procedures to improve its ability to handle passenger complaints. The aim is to prevent disputes and be able to comply with the regulatory deadlines in all circumstances, including in the event of major disruption. This overhaul of operational processes has ensured optimized decision-making. This has resulted in more intensive communication and priority processing of requests to the benefit of our customers and partners. In terms of regulations, the Group has opted for a pro-active approach to the collation and use of information. Access to databases updated by IATA enables the Group to take into account the constant changes in regulations worldwide and to adopt the compliance measures it deems necessary.

Specific case of major crises: feedback on the Covid crisis

The Covid-19 crisis highlighted the fact that the regulations were not adapted to major disruption. The Group supports the revision of European regulation 261/2004, in particular with regard to defining the extraordinary circumstances that would make the obligations of airlines more reasonable. In this respect, it participates in the consultations and studies regularly carried out by the authorities.

3.1.2.8 Regulatory authorities' inquiry into the commercial cooperation agreements between carriers

Description of the risk

Alliance operations and commercial cooperation are required to comply with the competition laws in force. In certain jurisdictions, the implementation of such agreements is subject to prior review and clearance by the competition authorities. In other jurisdictions, particularly in Europe, airlines are required to ensure that their operations are compliant with the applicable competition rules. At any time, the European Commission has the right to open investigations into any cases of cooperation it considers of interest to the European Community (following a complaint or self-referrals).

Impact

Any infringement of competition law could have a negative effect on the Group's results, business, reputation, financial position and outlook.

Mitigation plan

Alliance and commercial cooperation projects are reviewed by in-house competition counsels to assess their feasibility and the potential remedies required for their implementation.

For example, in May 2015, the Directorate General for Competition (DG COMP) issued a positive decision based on Article 101 of the Treaty on the Functioning of the European Union on the former transatlantic joint-venture (between Air France, KLM, Delta Air Lines and Alitalia).

The Commission accepted the final undertakings offered by the Parties and closed the case. This joint-venture has since been terminated with the launch of the current joint-venture between Air France-KLM, Air France, KLM, Delta Air Lines and Virgin Atlantic.

The US and other worldwide authorities had already published their conclusions, acknowledging the benefits for consumers generated by the cooperation. In this regard, every joint-venture between Air France, KLM, Delta Air Lines and their transatlantic partners has benefited from anti-trust immunity (ATI) on departure from the United States since 2008.

3.1.2.9 Commitments vis-à-vis the European Commission

Description of the risk

a) Merger regulation and cooperation agreements

In 2004, a number of commitments were made by Air France and KLM to ensure compliance with the European Commission's decision to authorize the merger of Air France and KLM, notably with regard to the possibility of making landing and takeoff slots available to competitors at certain airports.

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 the Covid-19 State Aid rules (decisions of May 4, 2020, annulled on December 20, 2023 by the General Court of the European Union – see below under Impact, and July 13, 2020 annulled on May 19, 2021 by the General Court of the European Union for failure to state reasons and replaced by another positive Commission decision of July 16, 2021 correcting this failure).

On April 6, 2021, the Group announced the first part of its overall recapitalization plan. Certain measures in this plan contained State Aid (so-called "Covid-19 recapitalization" program) which were accordingly notified by the French authorities to the European Commission, the latter approving them in its decision of April 5, 2021 (annulled on December 20, 2023 by the General Court of the European Union – see below under Impact). This decision made the approval of the measures subject to a number of commitments undertaken by the French State (see section 1.2.5 above) 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 on the Group companies (with the exception of KLM and its subsidiaries) within the framework of the European Commission's Temporary Framework for State Aid (such as restrictions on acquisitions, share buybacks and dividend payments) and could have an impact on the Group's activities. All these constraints have disappeared since the full repayment of this recapitalization aid on April 19, 2023 (see "Mitigation plan" below). Only the provision concerning slots at Orly is still being implemented in accordance with the Commission's decision.

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

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

Uncertainty remains as to the legal and financial consequences of cancelling the decisions to grant State Aid until a final decision or judgment is obtained. However, all the aid granted has already been repaid in full compliance with the associated constraints (commitments, behavioral measures, application of interest) to the applicable legal framework.

Potential indirect consequences of the cancellation of the above-mentioned state aid could include the demand for illegality interest.

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 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, on February 24, 2023, the European Commission lifted the commitments made by Air France and KLM in 2004 on the Paris- Amsterdam route.

b) State Aid

The Group has ensured that its growth plan, which is fully compatible with the commitments made within the framework of the State Aid packages, is respected. 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 recapitalization aid as outlined below. Nevertheless, it remains responsible for the continued implementation of the above-mentioned 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, the conditions attached to this aid no longer apply and, consequently, the mission of the State Agent has ended.

Note also that, over the course of 2022 and 2023, the Group repaid the loans guaranteed by the French

State (PGE) made available to strengthen its cash and liquidity position. During the same period, the Group had already partially repaid the Covid-19 recapitalization 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 the full balance of the April 2021 Covid-19 recapitalization aid that was subject to the aforementioned commitments and constraints. As a result, the Air France-KLM holding company and Air France are no longer liable for any Covid-19 recapitalization aid and are therefore fully released from the aforementioned undertakings and constraints which had been linked to this Covid-19 recapitalization aid.

On March 8, 2024, Air France-KLM and Air France lodged two appeals for annulment with the Court of Justice of the European Union against the two judgments of the General Court annulling the above-mentioned decisions handed down in December 2023. The European Commission also lodged two appeals on March 1, 2024 against these two judgments. However, as it has done in similar cases, the European Commission may also decide, if necessary, to initiate a formal examination procedure, during which the Group will defend its interests to the best of its ability.

3.1.3 Risks relating to the Group's processes**3.1.3.1 Operational performance and customer risks*****Description of the risk**

For customers, operational performance is a cornerstone of the product. Growing congestion in airports, increasingly complex regulations (e.g. security and safety), potential social unrest or staff shortages within the airline industry, but also externally (air traffic control and ground handler strikes), fleet unavailability (due to e.g. delays in deliveries, technical quality issues) and weather-related disturbance incur a risk of sub-optimal operational performance or a lower standard of customer service.

Impact

This risk could lead to an increase in the operational performance costs and a reduction in levels of customer satisfaction, which could result in a negative impact on the Group's reputation.

Mitigation plan

For both Air France and KLM, the Operations Control Center is at the heart of operations and any disruption is managed in an integrated manner. Numerous action plans are deployed on operational excellence, service disruption management and recovery, security, network

agility, fleet management, the compensation procedure (EU 261), crew management and other critical internal and external resources, and coordination with key stakeholders like the authorities and airports. The goal is to reduce the number of service disruptions, reduce the impact on customers, improve customer satisfaction and reduce the costs of sub-optimal performance notably with the projects aimed at continuous improvements at the Hubs.

In the case of a major event, a crisis or emergency response organization can also be activated to handle the emergency.

3.1.3.2 Failure of a critical IT system, IT risks and cyber-criminality**Cyber-criminality*****Description of the risk**

As with any business making extensive use of modern communication and IT data processing technologies, including revenue management systems and booking systems, the Group is exposed to threats of cyber-criminality.

Their heavy dependence on IT and communication technologies makes airlines vulnerable to cyber-criminality.

Impact

Cyber-criminality and cyber-espionage refer to a wide range of different activities related to the improper use of data and interference with the integrity of the Air France-KLM Information System for personal, financial, psychological and political ends.

Should Air France-KLM fail to counter such incidents of cyber-criminality, this could have a negative impact on the Group's activity, reputation, revenues and costs, and thus its results.

Mitigation plan

To protect itself against this risk, the Group deploys substantial resources aimed at ensuring business continuity, data protection, the security of personal information pursuant to law and the safeguarding of at-risk tangible and intangible assets.

The Group has subscribed to a cyber insurance policy to transfer a part of this risk.

Independent audits on IT Security were successfully performed to fine tune the action plans. The IT staff dedicated to security were increased by 20% to adapt our organization to the new threats. New processes and tools were deployed to detect, protect and fix any potential deviations spotted or system vulnerabilities more rapidly. The IT staff dedicated to cybersecurity are constantly trained to adapt to the new threats. The Executive Committee monitors the level of cyber awareness of the staff and takes the appropriate measures if needed.

Data security

Description of the risk

As airline companies, Air France and KLM collect personal data from their customers and employees. Management of the Group's assets is supported by rigorous management of the required data, whose consistency and integrity presents a permanent challenge for IT projects, and in the operation of digital services. Frequent changes to both applications and processes call for the ongoing adaptation of IT management tools and methods, in coordination with the businesses and third parties to include our regulatory and operational requirements.

Impact

If the Group fails to implement such frequent changes or to protect data of a personal nature pursuant to the relevant laws and regulation, this could have a negative impact on:

- the Group's activity;
- reputation;
- revenues and costs;
- and thus its results.

Mitigation plan

The Group's IT division implements security rules aimed at reducing the risks related to new technologies, particularly mobile data terminals. The access controls to

IT applications and to the computer files at each work station together with control over the data exchanged outside the Company all comply with rules pursuant to national, European and international standards. Campaigns to raise the awareness of all staff on the potential threats and encourage best practices are regularly carried out. Specialized companies and Internal Audit regularly evaluate the effectiveness of the solutions in place.

Business continuity and regulatory compliance

Description of the risk

The IT systems, including the revenue management systems and booking systems used by the Group, and the information they contain, may be exposed to risks concerning continuity of functioning, data security and regulatory compliance. These risks have diverse origins both inside and outside the Group.

Impact

The materialization of one of these risks could have an impact on the Group's activity, reputation, revenues and costs, and thus its results.

Mitigation plan

Air France-KLM monitors the secure functioning of the IT systems on a permanent basis. Dedicated help centers and redundant networks guarantee the availability and accessibility of data and IT processing in the event of major incidents.

The infrastructures of the back-up operating centers and business continuity plans are tested regularly. The access controls to the IT systems and to the data exchanged within the company are governed by rules which comply with international laws and standards.

Companies specializing in IT security, Internal Audit and Internal Control all regularly evaluate the relevance and effectiveness of the solutions in place.

The risk of damage to the IT facilities is covered by insurance policies.

3.1.3.3 Working conditions and human capital development

Social stability and employee engagement

Description of the risk

The airline industry has seen a surge in air traffic as of mid-2022 and, since then, Air France, KLM and their subsidiaries have had to contend with a high level of activity. Tight labor conditions in operations and the pursuit of the company's transformation plans within an inflationary economic context could challenge employee engagement, motivation and commitment at work, resulting in some categories of staff feeling uncertain about the financial recognition of their efforts.

In the past, and potentially in future, the Group's operations could be disrupted by labor disputes such as strikes, walkouts, industrial action or other forms of social unrest.

Impact

The Group recognizes the constraints and risks to which it is exposed: social unrest and action could have a negative impact on the Group's operations, profitability and image.

Mitigation plan

The Group seeks to preserve cohesion by fostering a constructive and transparent workplace dialogue and by pursuing a policy based on respect and responsibility. Regarding the inflationary context, since 2022 the Group has maintained its openness and transparency with the unions, with negotiations based on relationships of trust.

Given its reduced workforce, the Group is focused on optimizing and transforming its ways of working, by reviewing organizational structures and workloads. At the Group level, coordination takes place between the different entities, specifically for transverse topics concerning categories of staff across several entities. Significant changes to the HR policies and collective labor agreements are approved at the highest level of management within the airlines and the Group.

Narrowing the divide between the management and staff is key to understanding the needs and concerns of staff, tackling any issues in a proactive manner and avoiding any escalation. Specific attention is paid to remote working that can result in reduced contact with colleagues and management.

Key competencies and attractiveness

Description of the risk

Employees are at the heart of Air France-KLM strength and, within a context of digitalization, the use of artificial intelligence, adaptation, the acquisition of new and specific skill sets, maintaining internal employability by accelerating talent development and fostering attractiveness are major priorities for the Group.

Mainly amongst the young generation and staff working in the airports, Air France-KLM is witnessing the emergence of new motivations like meaningful work, flexibility at work and work life balance. Given its goal of differentiating itself from the competition and reaching a high level of performance, Air France-KLM is having to contend with tight labor markets and, in some areas, skills shortages.

Impact

Lack of availability of skills in areas like Engineering and Maintenance or IT could slow down the transformation plans or increase their costs of transformation while, for operational staff, tight labor conditions could create workforce planning-related issues given our plans to increase the volume of activity.

Mitigation plan

Air France-KLM has developed an ambitious HR policy to reinforce its attractiveness and employer brand, while continuing to develop its talents and the competencies and skills required to meet its strategic and operational needs. To ensure the recruitment and retention of specific profiles, the Group is supported by its employer values including Diversity and Inclusion, while high-level management teams are involved in the reinforced identification of talent and succession planning.

The Group continues to invest in training and employee development thanks to dedicated interviews and individual development plans aiming at supporting and opening up career path opportunities.

The Group's entities have invested in predictive models to support improved workforce planning, specifically for critical categories of staff.

The Air France-KLM group has reinforced its partnerships with third-party education players and external companies, to be able to support the development of new professions and outsource some services when required.

3.1.3.4 Non-compliance with regulations, including competition, data protection, trade compliance and export control, anti-corruption and duty of vigilance laws

Description of the risk

Multiple and increasingly-complex laws and regulations are applicable to our operations as the Air France-KLM group operates worldwide.

Some laws require specific programs to be designed with mandatory measures to be implemented and monitored such as the French Duty of Vigilance Act or the French Anti-Corruption Act of December 9, 2016 (so called "Sapin 2 Law"). The existence and efficacy of the anti-corruption programs are subject to monitoring by the regulatory authorities.

At the EU level, the Corporate Sustainability Due Diligence Directive (so called "CSDDD") will soon be adopted since the Parliament and the Council reached political agreement on the text on December 14, 2023.

There is increasing scrutiny by local authorities of the organizations required to comply with these regulations.

Since Air France-KLM is a listed company, it is also required to comply with the rules imposing mandatory notifications and registrations to prevent insider trading and market manipulation.

Impact

Non-compliance with such laws and regulations may lead to significant fines, damages, legal proceedings, jail sentences, reputational damage, the inability to participate in public tenders or to gain or renew approvals or licenses from the authorities to conduct business, etc.

The Air France-KLM group has been involved in investigations in relation to anti-trust matters in the air-freight industry, initiated before the European Commission in December 2005 and in the passenger sector (see Note 31.1.4 to the Consolidated Financial Statements).

Mitigation plan

The Air France-KLM group issues policies dedicated to each compliance domain (competition, anti-corruption, securities trading compliance), setting forth the prohibited practices, sanctions and rules to be followed by all employees to ensure compliance with the applicable laws. This documentation is regularly reviewed and updated.

It also launches e-learning campaigns covering each domain of compliance for a wide range of employees and specific training set up for categories of staff with high-risk exposure.

A team of experts provides advice and guidance on contracts and projects.

The Air France-KLM group has also implemented tools for the screening of contracting partners with respect to (i) ethics, (ii) trade sanctions and (iii) the monitoring of transactions involving sensitive materials (military, dual use).

An internal tool compiles insider lists, publishes any ad hoc announcements relating to privileged information and black-out periods, and shares information on the relevant policies and projects, and the applicable processes, via information letters relating to corporate matters.

3.1.4 Legal risks related to litigation

Description of the risk

During their ordinary course of business, the Group's companies may be involved in legal, administrative, criminal, or arbitration proceedings, especially concerning civil liability, competition, compliance (ethics, data privacy, export control), industrial, fiscal, social or intellectual property claims, or claims relating to the environment and discrimination. In some of these proceedings, significant monetary claims have been made or may be made against one or more Group companies. The relevant provisions, if any, that the Group may have to record in its financial statements may not be sufficient, which could have a material adverse effect on its business, financial position, results and outlook. As of December 31, 2023, the Group's total provisions for litigation amounted to €516 million (see Note 30 in section 5.3 "Notes to the consolidated financial statements"). With the exception of the proceedings and litigation outlined in Notes 30.1 and 30.2 in section 5.3 "Notes to the consolidated financial statements", there are no other administrative, legal or arbitration proceedings (including, to the Group's knowledge, any proceedings under way or threats of proceedings) that could have or have recently had a material effect on the Group's financial position or profitability in the past twelve months.

New proceedings, stemming from existing proceedings or otherwise, related to risks already identified by the Group or to new risks, could be initiated against a Group entity.

Impact

Should these proceedings result in an unfavorable outcome, there could be a significant adverse reputational effect on the Group's business, and also on its financial position, results and outlook.

Mitigation plan

Training and guidelines are provided by the legal department for the relevant teams to enable them to anticipate any risks of litigation based on experience and changes in legislation. The ongoing procedures are regularly monitored and analyzed by the legal department, with the support of external legal counsel where necessary.

If necessary, provisions may be recorded in the Group's financial statements in respect of these disputes. The Group's estimate of its financial exposure to pending proceedings is regularly reassessed in the light of changes in such proceedings, and the amount of the corresponding provisions is adjusted accordingly to the best of the Group's knowledge. These amounts are also reviewed and validated by the Statutory Auditors.

Certain risks relating to these procedures are also covered, under certain conditions, by the insurance policies taken out by the Companies and outlined in section 3.2.1.

See also "Highlights of the beginning of the 2023 financial year".

3.1.5 Financial market risks

3.1.5.1 Balance sheet risk*

Description of the risk

The Air France-KLM group has restored its equity, erasing the losses due to the Covid-19 crisis. However, equity (€500 million at the end of 2023) remains lower than its 2019 level.

Impact

As a consequence, in the context of a potential severe crisis that would incur material losses, Air France-KLM's equity could be negatively impacted, leading to a deterioration in its balance sheet and credit profile, and limiting its access to the capital markets at an optimal financing cost.

Mitigation plan

In recent years and following the Covid crisis, the Air France-KLM group has implemented a major recapitalization plan in several stages, including a capital increase, a rights issue and hybrid issuances to, combined with strong net results, fully restore its equity. The latest equity-building operation was the issue by the Group's new subsidiary, Flying Blue Miles, amounting to €1,500 million of perpetual notes, which qualify as equity.

In addition, the Group reported a robust liquidity position of €10.5 billion of available cash at the end of 2023 (including €2.3 billion of undrawn and unsecured RCFs at Air France-KLM, Air France and KLM), and a net debt/EBITDA ratio reduced to 1.2x at the end of 2023.

In December 2023, these strong financial metrics enabled the Air France-KLM group to publish inaugural credit ratings which are BBB- /Stable Outlook ("Investment Grade") at FitchRatings and BB+/Stable Outlook at S&P Global. These ratings reflect the full recognition and the strong confidence from the credit agencies in Air France-

KLM's credit profile. This tool will also support diversified access to the financial markets.

To further strengthen its balance sheet, the Air France-KLM group is pursuing its operational transformation launched in 2019 to further improve its profitability. This profitability turnaround will enable the Group to see its equity grow significantly in the coming years.

3.1.5.2 Currency risks

Description of the risk

Most of Air France-KLM's revenues are generated in euros. However, owing to its international activities, the Group incurs currency exchange risks:

- the Group's main exposure relates to the US dollar. Since expenditures on items such as fuel and maintenance exceed the amount of overall revenues in US dollars, the Group is a net buyer of US dollars, representing a residual structural risk;
- the Group is a net seller of other currencies. The level of its revenues in currencies other than the US dollar exceeds its expenditures in the same currencies. This exposure is, however, much lower than with the US dollar.

Impact

The currency exchange volatility implies volatility on the Group's financial results:

- any significant appreciation in the US dollar against the euro could result in a negative impact on the Group's financial results;
- a significant decline in the other currencies against the euro could also have a negative effect on the Group's financial results.

Operational exposure ("Transaction risk")

(in millions of currencies at December 31, 2023)

	US Dollar	GB Sterling	Yen
Net position before hedging	(2,403)	753	45,644
Currency hedge	1,570	(349)	(19,000)
Net position after hedging	(833)	404	26,644

Mitigation plan

The currency risk management for the Group's airline subsidiaries is centralized within each airline company while the currency risks incurred in investments by the Group's holding company are managed at the holding company level.

The risk management of the Group's overall currency exposure is carried out on the basis of a forecast net

exposure for each currency. Currencies highly correlated to the US dollar are usually aggregated with the US dollar exposure.

For each currency hedged, the time span of the hedging is a rolling 12 to 24-month period, the first four quarters being relatively more hedged than the following four. The RMC sets hedging targets for the US dollar, UK sterling and the Japanese yen on a quarterly basis.

3.1.5.3 Liquidity investment risk

Description of the risk

The cash resources of Air France-KLM, Air France and KLM are invested so as to maximize the return for a very low level of risk. They are invested mainly in money market mutual funds but also, secondarily, in debt securities and term deposits with highly-rated banks.

Impact

The investment risk is considered to be low in that the investments in debt securities and term deposits are managed within the framework of the overall counterparty management (see paragraph 3.1.5.7).

Mitigation plan

Air France-KLM only invests in money market funds which are managed by reputable asset managers, which have been selected according to strict criteria. With respect to investments in debt securities or term deposits, the latter have to be issued by highly-rated banks. The eligible banks are monitored on a quarterly basis by the RMC.

3.1.5.4 Foreign exchange risk on debt valuation

Description of the risk

A portion of Air France-KLM's debt is denominated in foreign currencies, mainly as a result of the recognition of aircraft operating leases, most of which are denominated in USD, in the Group's debt (IFRS 16 lease debt). The book value of this foreign currency debt is sensitive to changes in exchange rates.

Impact

Significant changes in exchange rates could have material impact on the book value of Air France-KLM's debt.

Mitigation plan

At the accounting level, the US dollar lease debt is recognized as a natural hedge of a fraction of the Group's US dollar revenues.

For airlines in the Group not generating US dollar revenues, US dollar-denominated assets and currency hedges are in place to mitigate the exchange risk rate.

The foreign exchange risk on the debt is limited due to the fact that, at December 31, 2023, aside from the debt relating to the operating leases, the debt denominated in currencies other than the euro mostly concerns the yen (7%), the US dollar (6%) and the Swiss franc (4%).

Note that the natural hedging relationship, which was temporarily suspended due to the Covid-19 crisis, was reinstated during the 2022 financial year.

To reduce the currency risk on the debt, a portion of KLM's liquid assets is invested in bonds in foreign currencies.

3.1.5.5 Interest rate risk

Description of the risk

A portion of the overall gross debt is raised at floating rates (aircraft financing notably).

Impact

Interest rate variations could generate volatility in financial expenses.

Mitigation plan

The Group uses interest rate swaps or options to convert a portion of this floating-rate debt into fixed rate debt on the different tenors.

After hedging, the exposure to floating rates represents 16% of the Group's consolidated debt (excluding lease debt) at December 31, 2023.

The interest rate on the Group's gross debt (excluding lease debt) after swaps stood at 3.63% at December 31, 2023 (versus 2.97% at December 31, 2022) excluding guarantee fees (if any).

This risk is treated with a cost of carry approach, netting the financial products earned on the cash invested.

3.1.5.6 Tangible assets investment currency exposure

Description of the risk

Aircraft are generally purchased in US dollars, meaning that the Group is exposed to an appreciation in the US dollar relative to the euro in terms of its investment in aircraft and flight equipment.

Impact

The investment exposure could generate volatility on the Group's capital expenditures in euro.

Mitigation plan

The hedging strategy provides for the implementation of a gradual level of hedging between the order and delivery dates of the aircraft or flight equipment.

The net investments in US dollars figuring in the table below reflect the contractual commitments as of December 31, 2023:

<i>(in US\$ million)</i>	2024	2025	2026	2027	2028
Investments	1,422	2,567	1,953	2,500	1,636
Currency hedge	1,317	2,010	1,459	1,829	1,367
Hedge ratio	93%	78%	75%	73%	84%

3.1.5.7 Counterparty risk exposure

Description of the risk

Air France-KLM implements hedging programs to manage the financial risks with derivatives instruments dealt with financial counterparties.

Air France-KLM invests some liquidity directly in financial products proposed by the banks.

Impact

In case of default of a counterparty, Air France-KLM is exposed on the debit position (derivatives portfolio market value in favor of Air France-KLM when the default occurs).

Cash invested bilaterally is at risk in the event of default of the counterparty.

Mitigation plan

Eligibility requirements: The counterparty risk related to financial investments and derivatives instruments is monitored by the Risk Management Committee which defines limits per counterparty based on the quality of

their financials. To assess the financial situation of its counterparties, the Group relies on information shared by the counterparties and on any available public information on these counterparties and meaningful to inform the analysis.

Monitoring & Reporting: a maximum commitment scale is applied by counterparty based on the quality of their financial situation. The total exposure (overall hedging portfolios added to investments consolidated for the whole of the Air France-KLM group) must remain below the prescribed limit. The RMC also monitors the percentages each counterparty represents in the portfolios to ensure permanently appropriate balances.

The Group monthly report is established and circulated to the members of the General Management.

In the event of any financial risks incurred relating to counterparties, it is supplemented by real time information.

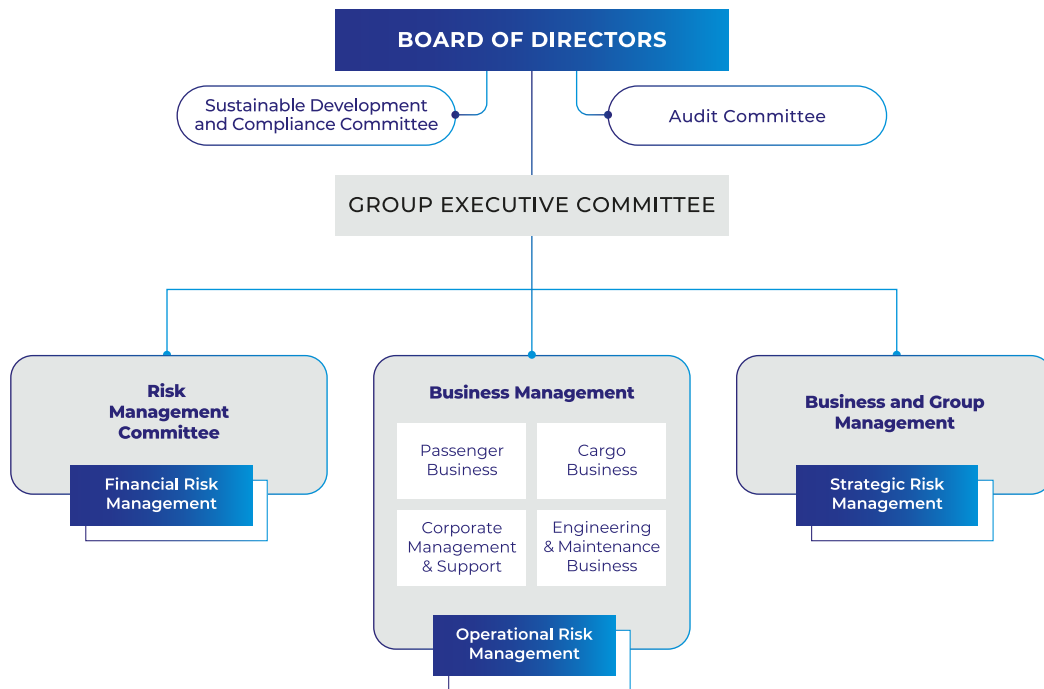
Note that investments in mutual funds incur risk that is deemed to be negligible thanks to their broad diversification and the regulatory provisions applicable to such investments.

3.2 ENTERPRISE RISK MANAGEMENT

The Air France-KLM group is exposed to the general risks associated with the air transport industry and with airline operations, and has consequently implemented a system to identify, analyze, monitor, manage and control its risks.

3.2.1 Risk management process: players and overall organization

AIR FRANCE-KLM: THE PLAYERS AND GOVERNANCE BODIES INVOLVED IN THE RISK MANAGEMENT PROCESS



Risk management process

The risk management process aims to determine the events that could potentially impact the Group and prevent it from achieving its objectives, and to implement a risk management and reporting system.

The risk management process enables, on one hand, the different divisions and principal subsidiaries and, on the other hand, the Group Executive Committee, the Audit Committee and the Sustainable Development and Compliance Committee to monitor the principal strategic and operational risks, their evolution over time and the measures in place to manage these risks. It thus aims to create and preserve value, and to safeguard the Group's assets and reputation.

Each Group entity is responsible for managing its risks and for producing regular reports.

The overall risk management process also serves as a basis for the Universal Registration Document and makes a major contribution to establishing the annual audit program.

As a facilitator of risk management, Group Internal Audit regularly evaluates the risk management process. Its conclusions are the subject of presentations to the Group Executive Committee and the Audit Committee, and for extra-financial risks to the Sustainable Development and Compliance Committee. The conclusions of the Sustainable Development and Compliance Committee are taken into account by Group Internal Audit in the risk presentations made to the Audit Committee.

The Risk Management Committee monitors the management of financial market risks that could have an impact on the financial statements (fuel price, currency exposure, interest rate risks.) on a quarterly basis.

The risk management process complies with international regulatory standards including the European Union 8th Directive.

In addition to the usual insurance policies covering the industrial sites, the real estate assets and the ancillary activities, the Group's subsidiaries subscribe to specific airline insurance policies covering accidental or incidental damage to aircraft and the resulting costs, liability in relation to their passengers and general liability to third parties in connection with their activities.

3.2.2 Identification and evaluation of the risks

Risk mapping and risk universe procedures have been established and are regularly updated by Group Internal Audit.

The principal risks are ranked by nature and characterized with respect to their probability of occurrence and potential impact. The risk management procedures are outlined for each risk, together with the residual risk which is likely to result after taking the implemented internal control measures into account.

Risk monitoring and reporting

Group Internal Audit produces a biannual report for the Group Executive Committee and the Audit Committee on the Group's operational risks. The Audit Committee may decide to draw specific points to the attention of the Board of Directors. Reporting on strategic risks is part of the Strategic process.

The operational risk reporting process follows a bottom-up process starting in the different Air France and KLM divisions and the principal subsidiaries. Every half year the Enterprise Risk Coordinators, who have been designated by the different businesses, entities and subsidiaries, establish the risk sheets and send them to Group Internal Audit, the latter being responsible for their consolidation at airline and Group level.

The risk sheets indicate and describe the inherent material risks and the action plans implemented for their mitigation or neutralization, together with an evaluation of their probability of occurrence and the resulting impact. The risk owners and those responsible for the procedures to control risks are specifically named. To

ensure the reliability of the process, the risk sheets for each entity are systematically reviewed during regular meetings between Group Internal Audit and the relevant Executive Vice-Presidents.

The Group's operational risk sheets (summarizing the operational risks of the entities), which detail any new risks or those which have been withdrawn, and the main changes, are approved by the Group Executive Committee prior to their presentation and review by the Audit Committee.

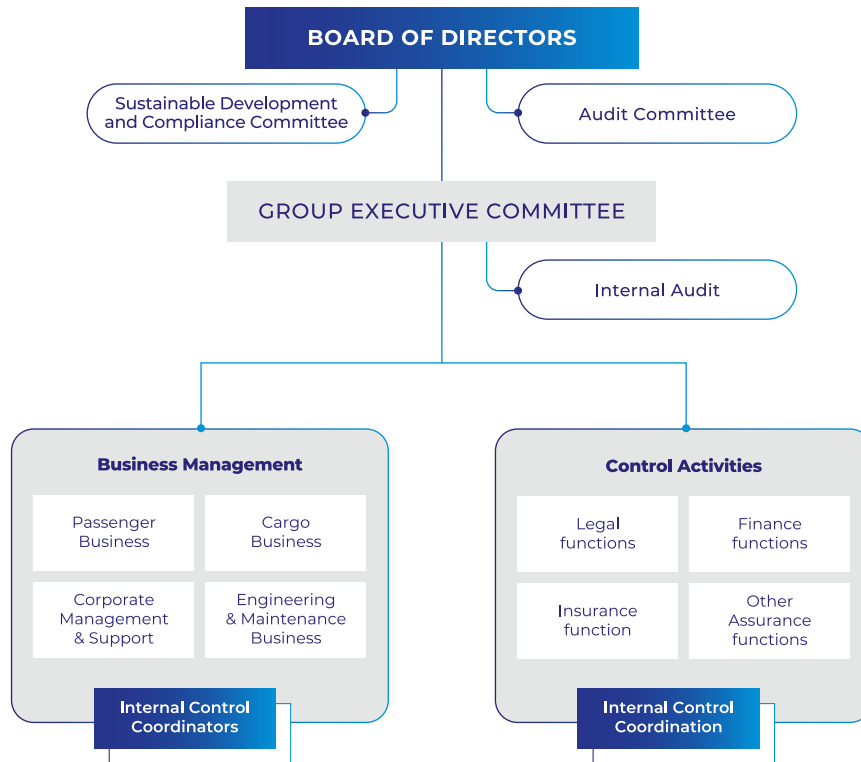
To be able to complete the Extra-Financial Performance Statement (see section 4.1.3 "Business responsibility at the heart of the strategy"), the main environmental, social and societal risks, linked to the Group's activities across the entire value chain, are reviewed and assessed annually. The material extra-financial risks are an integral part of the Group's operational risk sheet and are submitted to the Sustainable Development and Compliance Committee. The conclusions of this Committee are taken into account in the Group's operational risk sheet presented to the Audit Committee.

Management of risks by the Risks – Insurance departments

Within Air France and KLM, each of the Risks-Insurance departments identify the insurable risks at the level of each company and their subsidiaries. They focus on risks which can be transferred to insurance companies or risks which can be managed by reducing both their likelihood and impact. They draw up the insurance policies and contribute to the prevention recommendations.

3.3 ORGANIZATION AND FUNCTIONING OF INTERNAL CONTROL

3.3.1 Internal Control organization and tools



Internal Control network

An Air France-KLM Internal Control network has been established, supported by Internal Control Coordinators embedded in the business units.

The organization within the Group, covering its principal businesses, can be summarized as follows: Passenger, Cargo and Maintenance. Due to the interdependence of each of the businesses, this organization involves numerous cross-functional processes (sale of passenger aircraft belly space to the cargo business, Engineering and Maintenance services relating to the both Passenger and Cargo aircraft, IT services, etc.):

- the Board of Directors is the corporate body that determines the direction of the Group’s activities. To this end, the Board acts to ensure the successful performance of the Air France-KLM group, supported by advice from the advisory committees mentioned in section 2.2 “Organization and functioning of the Board of Directors”;

- the Group Executive Committee (GEC) is Air France-KLM’s primary senior management decision-making platform which sets the strategic direction for the Group and for its airlines within the framework of the strategy defined by the Board of Directors. Except when Air France-KLM Board’s approval is required, it has final management rights and accountability on all strategic decisions pertaining to both the Group and its airlines’ functions and performance. At December 31, 2023, the GEC was composed of twelve members: the Air France-KLM CEO, the Air France CEO, the KLM CEO, the Air France-KLM CFO, the EVP Commercial, the EVP Marketing, the EVP Cargo, the EVP Engineering & Maintenance, the EVP Strategy & Transformation, the EVP HR & Sustainability, the EVP IT and the EVP Corporate Secretary, plus a secretary to the GEC. The Committee meets every week and covers all areas of the Group and its airlines, from the business activities to the support functions.

Finance functions

A Group Finance division has been constituted around the Group's Chief Financial Officer, staffed by some thirty people (Investor Relations, Consolidation & Accounting, Corporate Control, and Mergers-Acquisitions & Financial Operations). This division submits to the Group Executive Committee and the Board the Group's overall financial policy and orientations (the latter being applied at the level of the Group's two principal companies, which each have their own financial functions) and tracks the Group's financial performance.

In addition, some operations relating to the Air France-KLM holding company are entrusted to Air France, via a management mandate (notably treasury management).

Insurance functions

The insurance functions are responsible for identifying at-risk sectors of the Group that might impact the operations and financial results, so as to reduce their potential impact or transfer them either to insurers through insurance policies, particularly aviation policies, or to third parties under contractual mechanisms.

They also manage the claims and advise the Group's entities on reducing and controlling their risks.

There is an aviation insurance policy in place for the Air France Group and the KLM Group to cover civil liability, damage to aircraft and risks of war, which constitute the major financial and legal risks of any airline.

Legal functions

The legal departments of Air France-KLM, Air France and KLM perform a consulting mission for their management and decentralized organizations, notably in the areas of corporate law, competition law, transportation law, contract law and insurance law. They cooperate to establish the Group's legal policy.

Legal Affairs draws up a systematic inventory of the disputes in process, to be able to assess the risks and constitute the corresponding provisions booked as liabilities.

Compliance functions

The Air France-KLM group has deployed an organization dedicated to compliance.

The Air France-KLM Compliance department, which reports to the Air France-KLM Corporate Secretary's office, and is headed by the VP Group Compliance Officer, is in charge of anti-corruption and business ethics, personal data protection and trade compliance. In coordination with the airlines' and subsidiaries' compliance teams, the Air France-KLM Compliance department is notably responsible for defining the compliance programs for the Air France-KLM group, assisting the businesses in deploying them and monitoring their effectiveness as part of a continuous improvement process.

Air France-KLM provides training on the anti-corruption Code of Conduct through e-learning campaigns on a regular basis and annual in-class training sessions on business ethics issues and the operating guidelines for the day-to-day activities.

Air France-KLM conducts risk assessment on human rights/sustainable issues internally, and on its suppliers and service providers as part of its vigilance plan (including evaluation and corrective measures).

All business ethics incidents raised through the reporting lines are investigated by the dedicated teams and corrective actions are then implemented in response.

The compliance teams are supported by a network of compliance coordinators appointed in the activities or departments and subsidiaries. Depending on the type of business transaction envisaged and the complexity of the activities exercised within the departments and entities, compliance experts and coordinators facilitate compliance with specific legislation and ensure the roll-out of the relevant elements of the compliance program.

The VP Group Compliance Officer reports to the relevant governance bodies, like the Sustainable Development and Compliance Committee of Air France-KLM. In addition, the Air France Compliance Committee and the KLM Compliance Committee monitor the respective compliance programs of the airlines. Various legal experts also provide advice on compliance with laws and regulations.

Internal Audit

Air France-KLM's Internal Audit is an independent function whose role is to provide independent and objective assurance and consulting services designed to add business value and improve the organization's operations. It helps the Group to achieve its stated objectives by providing a systematic and disciplined approach to evaluate and improve the effectiveness and efficiency of the risk management, Internal Control and governance processes. The Internal Audit function objectively reviews the reliability of the overall Internal Control procedures implemented by the Group, as well as the controls in place for the processes specific to each business.

Given the Group's governance rules, each company has maintained its own Internal Audit department working in a coordinated mode; the coordination of Internal Audit has nonetheless been in effect since the 2005-06 financial year. The Group's Head of Internal Audit function, which is fulfilled by a Senior Vice-President from within the airlines' Internal Audit departments, is responsible for overall coordination and has a functional reporting line into the Group's Chief Financial Officer. The Internal Audit departments of the two sub-groups work in a coordinated manner, using a common audit plan, methodology, planning and reporting.

The Internal Audit function carries out audits at the level of the Group and its subsidiaries (Air France and KLM). Audits are conducted in collaboration with the internal auditors of the two airlines.

The number of auditors' positions averaged 18 in FTE (excluding management) in 2023.

The Group Internal Audit function reports on its work to the Group Executive Committee and to Air France-KLM's Audit Committee in an activity report presented twice a year. Since 2020, Internal Audit has also been reporting on its work on extra-financial risks to Air France-KLM's Sustainable Development and Compliance Committee. The conclusions of the Sustainable Development and Compliance Committee on the review of the extra-financial risks are then taken into account by Internal Audit in the risk presentations made to the Group Audit Committee.

To execute its mission, Internal Audit, which operates within the framework of the internal Audit Charter established by the Audit Committee of the Air France-KLM group, either acts on its own initiative or intervenes at the request of the Group Executive Committee, the Audit Committee, the Sustainable Development and Compliance Committee or the Board of Directors.

An annual audit program is established and submitted for approval to the Group Executive Committee and to the Audit Committee of Air France-KLM.

The Internal Audit function performs the following activities:

1. assurance engagements:
 - operational Audit: to review the effectiveness, efficiency and general control over processes,
 - information and Communication Technologies or Electronic Data Processing (EDP) Audit: to assess the effectiveness and efficiency of internal controls related to information and communication systems,
 - compliance Audit: to check compliance with laws and regulations and/or standards, procedures and/or policies issued by the Group, and
 - Post audit: to check follow-up on findings in previous assurance engagements;
2. consulting engagements: advisory services performed at the specific request of the business management. When performing advisory services, the Group Internal Audit function must maintain its objectivity and not take management responsibility;
3. other activities:
 - fraud investigations: to prevent, detect and investigate significant suspected internal or external fraudulent activities,
 - Enterprise Risk Management: to facilitate and improve the process of risk management,
 - other activities related to audit work.

Once completed, the conclusions of the assurance engagements are summarized in a report highlighting the findings, the risks and the corresponding recommendations. For consulting engagements or other activities, a report is issued in which the main recommendations and/or observations are included.

The audited entities are required to establish remedial action plans. Internal Audit provides follow-up on the implementation of the action plans by the action holder(s).

In 2023, the Internal Audit department successfully concluded its recertification which was performed by the IFACI Certification Team. This external quality assessment concluded that Air France-KLM's Internal Audit Generally Conformed with all the 10 Core Principles for the Professional Practices of Internal Auditing.

Organization of responsibilities

The organization of the individual companies has been defined to ensure compliance with the principles of secure and effective operations. It specifically takes into account the regulatory requirements governing air transportation, notably with regard to air operations (see section 3.2.2 "Identification and evaluation of the risks"), ground operations and engineering and maintenance, as well as airline catering and security.

The managers of the relevant entities and subsidiaries are required to apply these principles and organization at their level, and to ensure that the organizational charts, job descriptions and procedures defined by business process are up to date. They must ensure their consistency and adequacy, verify that they are taken into account in the main information systems and appropriately integrated within the organization.

Internal Control tools

Charters and manuals

Air France, KLM and their respective subsidiaries have a Social Rights and Ethics Charter entitled the "Air France-KLM Principles" that enshrines their individual commitments to Corporate Social Responsibility by orienting their corporate and ethical policy towards respect for individuals at the professional, social and citizenship levels.

The Air France Group deploys a Charter for the prevention of harassment in the workplace, which complies with French legislation and is part of a contractual approach through agreements signed for the benefit of employees. The legal purpose of this Charter is to set forth the principles of prevention, define the actions, stress everyone's individual legal and human responsibilities, and establish internal prevention procedures.

For its part, the KLM Group has published a Code of Conduct addressing the following principal matters: compliance with laws and regulations, conflicts of interest, confidentiality, the safeguarding of assets, environmental protection, Corporate Social Responsibility and intellectual property.

Air France and KLM have a Code of Ethics intended principally for employees in the finance function (see also section 4.5.3 "Business ethics").

Other activities related to audit work

Once carried out, the conclusions of the assurance missions are summarized in a report highlighting the findings, risks and corresponding recommendations. For consulting missions or other activities, a report is drawn up in which the main recommendations and/or observations are included.

Audited entities are required to establish corrective action plans. Internal Audit monitors the implementation of the action plans by the stakeholder(s).

In 2023, the Internal Audit department successfully concluded its recertification which was carried out by the IFACI certification team. This external quality assessment concluded that Air France-KLM's Internal Audit generally complies with the 10 fundamental principles governing professional internal audit practices.

Manuals to prevent non-compliance

The Air France-KLM group employees have access to a series of manuals and policies on the intranet sites. With regard to the prevention of corruption, the anti-corruption Code of Conduct and its associated policies affirm the Air France-KLM group's commitment to conducting business with loyalty, fairness, transparency, honesty and integrity, and in the strict respect of anti-corruption laws wherever the Group or its subsidiaries are registered and exercise their activities. The anti-corruption Code of Conduct establishes the guidelines for preventing corruption, and for identifying and handling at-risk situations in the light of the anti-corruption legislation with examples derived from risk mapping or reported dilemmas. These documents are subject to regular reviews for updates and improvements whenever needed.

The Competition Law Compliance Manual emphasizes the objectives of integrity and transparency, and contains instructions on the prevention of anti-competitive agreements and the abuse of market power. For more detail, see section 4.5.2 "Organization and key elements of the ethics and compliance programs".

Internal Audit Charter

In 2023, the Air France-KLM group's Internal Audit Charter was signed by the Group's Chief Executive Officer, the Chair of the Group Audit Committee and the Head of the Group Internal Audit function.

The Internal Audit Charter defines the mission of the Group Internal Audit function and guarantees its independence as well as the conditions under which the function operates.

In accordance with the International Professional Practices Framework (IPPF), issued by the Institute of Internal Auditors (IIA), the Charter formalizes the position of audit within the company and defines its mandates.

Internal Control Charter

The Internal Control Charter defines the commitments of the three top executives of Air France-KLM, Air France and KLM, and stipulates the main components of internal control within the Group: governance and the most important tools enabling its exercise, an outline of the

overall Internal Control process and the different Internal Control activities (verification of the entity's environment, transactional controls (process) and overall IT control).

Procurement Manual

The organization of the Procurement function common to Air France and KLM is outlined in the Procurement Manual.

The Procurement function regularly updates the Quality reference system. This reference system comprises, notably, the purchasing Code of Ethics for Employees, which stipulates the rules of conduct for Air France-KLM buyers when dealing with suppliers or service providers, and informs all those involved in the process of the limits that must not be exceeded.

Quality reference system

The Air France and KLM quality management systems are based on the following principal external and internal standards:

■ External standards

Operations: European regulations and the applicable general laws, international standards (ICAO, IATA, etc.) or those that are specific to aeronautics maintenance (Part 145, etc.).

Passenger service: European and US regulations (Special Care Passengers), service commitments of those involved in air transportation (airports).

Management, the environment, documentation, food safety, health and safety in the workplace: ISO series 9001, 14001, 15489, 22000 and ISO 45001.

■ Internal standards

These represent the application of the external standards, adapted to the processes of each company.

Regulatory level: operating, maintenance and safety manuals, etc., and the related general procedures, which are mostly subject to formal approval by the administrative authorities issuing the authorizations (DGAC, IVW-DL, FAA, etc.).

Management systems: the Air France Integrated Management System/IMS Manual and the KLM Safety Management System/Manual, together with the related general procedures like the Quality-Safety-Environment manuals of the entities, the manual on health and safety in the workplace, Flight Safety management, environmental management, management of the Company's food hygiene, together with the related general procedures.

Passenger service: standards, services signatures, the five attitudes, the PAMs (Passenger Airport Manuals), the general sale and after-sales conditions, together with the other procedures associated with customer service common to Air France and KLM.

3.3.2 Fundamental components of internal control established within the Group

Based on analysis of the potential major risks, taking into account the changes inside and outside its operations, the Group has established and implemented the fundamental components of Internal Control, aimed at preventing and controlling, insofar as possible, risks that are both financial and non-financial in nature, and evaluating its ability to implement the appropriate remedial measures.

Operational procedures and processes

Management of the quality system

Both the Air France (Integrated Management System/IMS Manual) and KLM Safety Management System/Manual outline all the general provisions of the quality assurance system applied in the two companies, i.e. the overall organization, management processes, and the procedures and resources required to implement quality management and meet the expectations of customers and other stakeholders.

In each division of the two companies, an ISM/ISMS review takes stock of the operation of the ISM/ISMS management systems and measures the performance of the main steering processes.

In addition to the regulatory approvals enabling each company to carry out its activities, progress is recognized in the achievement of certification from independent bodies, notably, for example:

- for Air France:
 - IOSA certification (IATA Operational Safety Audit) since September 2005, mid-term audit September 2023 and renewal audit scheduled for the end of 2024. The certification is valid until February 4, 2025,
 - Air France global IMS certification based on the ISO 14001 (environment) and ISO 22000 (food safety) renewal audit in April 2023. The certification is valid until September 2026;
- for KLM:
 - the ISO 14001/Environment and ISO 50001/Energy certifications were renewed in 2021,
 - IOSA certification (IATA Operational Safety Audit): The audit was performed in November 2022 and is valid until March 2025; it will be renewed in 2024.

Quality assurance

Control over the operational processes is based primarily on three monitoring methods:

- a) internal monitoring is carried out by the quality assurance departments articulated around:
 - an audit and inspection program (covering, in particular, organization and management, flight operations, in-flight service, flight planning, ground handling and freight, hazardous merchandise, engineering and maintenance),
 - regular monitoring of operations with incident analysis and routine use of debriefing,
 - proactive prevention processes;

- b) external monitoring is carried out by the Civil Aviation Authorities (IVW-DL, DGAC, FAA, etc.) and specialized certification bodies, and takes the form of audits of the operating principles and of the Group's proprietary internal monitoring system. Air France and KLM are also regularly audited by their customers and partners.

Monitoring of partners

Control over sub-contractors and suppliers is undertaken within the framework of the regulatory monitoring program approved by the Civil Aviation Authorities.

Code share partnerships are subject to an additional requirement to comply with IOSA standards that are recognized by the profession as the ultimate reference in Flight Safety and Security. The general rule is that partners are IOSA certified except in the specific case when, for example, the size of aircraft excludes the airline from the IOSA scope. In this case, the partner airline is not IOSA certified, Air France and KLM implement a special technical monitoring process aimed at providing a reasonable assurance of an equivalent level.

In terms of control over the monitoring process, the supervision of the effective implementation of preventive/remedial actions resulting from this overall monitoring is ensured by the quality assurance departments, coordinated within each airline.

More generally, the sub-contractor control procedure addresses all the areas of risk. It is reflected in the realization of monitoring activities like audits, inspections and checks, sometimes carried out by the sub-contractors themselves. Monitoring is ensured on a quarterly basis. An expanded transverse action plan is in place, taking into consideration the new legislation on the duty of vigilance. More globally an action plan covering the monitoring of sub-contractor activity is deployed in the different Air France-KLM entities and coordinated at the corporate transverse level in dedicated steering committees.

Information systems

The control procedures cover the information and telecommunication systems.

These procedures aim to ensure the:

- reliability of the IT and telecommunications systems;
- integrity of the data through the appropriate resources, infrastructure and checks;
- continuity of IT services and the availability of data at the production sites through a local contingency strategy, secure architecture and a security system covering external access points;
- confidentiality of information within the framework of national laws and the security of IT infrastructures through the establishment of secure, monitored and effective accesses.

The managements of the Air France Group and the KLM Group ensure that the resources and expertise required by the information systems are developed within the framework of defined strategic objectives.

Project management and software application development tools are also deployed. Air France-KLM has adopted an “Agile” development process based on the SCRUM and DEVOPS methodologies. The main aims are to generate business line added value more rapidly, accelerate “Time to Market”, align IT and business line objectives by prioritizing value, avoiding the development of rarely-used functionalities, reducing the risks at the earliest-possible opportunity, streamlining the development and maintenance processes and increasing the effectiveness of the teams.

The work carried out in connection with Internal Control projects and the ongoing project to gradually establish a coordinated and optimized organization is leading to the launch of action plans designed to strengthen Internal Control, particularly with regard to risks like business continuity and personal data protection.

The Group’s Information Technology division defines the policies establishing the framework for the functioning, security and consistency of the information systems deployed and has published a Security Information Manual (ISM – ISO 27001 standard), establishing a common security policy for information systems.

Procurement

The common Air France-KLM Procurement organization has been operational since September 1, 2008, and is headed by a Group Chief Procurement Officer from KLM, seconded by an Air France Senior Vice-President, Procurement. It is structured around seven procurement teams. These procurement teams act in a transverse and coordinated manner for each of the Air France-KLM group, Air France and KLM as well as for, when required, a number of the Group’s airline subsidiaries.

The activity of the Procurement function aims to supply the entities with suitable products and services at the required time, at the best possible cost of ownership and at the lowest possible risks.

This is achieved by applying a procurement policy focused on the expertise of the buyers, with separate responsibilities (buyer, prescriber and supplier), the establishment of contracts and the use of various (electronic) tools.

The CPO Board, comprising the Group Chief Procurement Officer from KLM and Air France’s Senior Vice-President, Procurement, coordinates the Procurement teams through regular meetings and presents the procurement performance and developments to the CFOs on a quarterly basis.

The Heads of Procurement meet on a regular basis in the different structures (e.g. the Quarterly Air France-KLM

DPO Meeting, a Quarterly Performance Meeting, direct meetings between Heads, etc.) to develop joint programs and share best practices.

To assess the risks related to sustainability (environmental, ethics, procurement, social) vendors are analyzed and evaluated by EcoVadis, a company mandated by Air France-KLM, with the emphasis on high-risk segments such as production in low-cost countries, and with a minimum score requirement. In addition, all procurement-managed vendors are required to commit to a Code of Conduct, reflecting Air France-KLM’s sustainability requirements. In addition, high-emitting suppliers are required to conduct a CDP (Carbon Disclosure Project) Assessment resulting in a clear insight into the environmental impact of these suppliers.

All new vendors are assessed on their level of financial risk on the basis of the Dun & Bradstreet evaluation. Risk reduction strategies are required for vendors with a high level of financial risk.

New and existing vendors are also screened on any possible trade regulation-related risks through a dedicated application known as “Accuity”.

Aeronautical suppliers in the Engineering & Maintenance area are required to re-register and re-qualify every three years. During the registration and qualification process they are required to share extensive documentation (including certificates as proof of their compliance with external regulations) to secure full qualifications as a vendor for Air France-KLM.

Additionally, to reduce the risks at Air France-KLM level, all contracts with vendors include clauses on anti-bribery, personal data handling and other relevant risk areas.

Lastly, in 2022, Air France-KLM Procurement Strategy & Services (PSS) established a holistic Risk Management Framework to describe all the risks related to the procurement activities along with their mitigation processes & supporting tools.

Prevention of ticketing fraud

A fraud prevention organization is responsible for preventing, insofar as possible, the risks relating to the:

- fraudulent use of illegally-purchased tickets (credit cards and other means of payment);
- protection of loyalty programs (individual and corporate clients) in terms of both earn and burn;
- internal fraud.

A fraud prevention activity report was submitted to the Audit Committee in October 2023.

Both Air France and KLM have put in place whistle-blower procedures and an e-learning anti-fraud training module aimed mainly at the sales teams.

Prevention of financial fraud

Due to the proliferation of cases of attempted fraud, the Group has strengthened its internal control processes with detailed instruction notes, e-learning modules and training/information sessions. Both Air France and KLM carry out an annual Fraud Risk Assessment.

Evaluation and monitoring of Internal Control

When establishing its internal control framework and risk management process, Air France-KLM chose the COSO 2013 (Committee Of Sponsoring Organisation of the Treadway Commission) standard and the COBIT 5 (Control Objectives for Information and related Technology) as its starting point.

3.3.3 Internal control relating to the establishment and processing of financial and accounting information

Based on an analysis of the significant entries in the consolidated financial statements and an assessment of the risks, the airlines have identified the most significant divisions and subsidiaries and, within these divisions, the processes that make a predominant contribution to the establishment of the financial statements.

The Group's major divisions and subsidiaries had thus evaluated the effectiveness of their Internal Control relating to financial information as at December 31, 2023.

Pursuant to Article L. 823-19 of the *Code de Commerce*, the Audit Committee oversees the process to establish the financial information and, when necessary, formulates recommendations to guarantee the integrity of the process to establish the financial information, the effectiveness of the Internal Control and risk management procedures and, as necessary, of Internal Audit, as regards the procedures required to establish and process the accounting and financial information, with no compromise to its independence. It also ensures the realization by the Statutory Auditors of their mission and respect by the Statutory Auditors of the conditions for their independence.

Financial procedures and processes and the accounting year end

Finance process

Investments are managed at the level of each company and the decision-making process is coordinated by the Group Investment Committee (GIC) through decision-making platforms (above €0.5 million) bringing together all the stakeholders (business line and management controllers at company and Group level). This Group Investment Committee is composed of Air France-KLM's Chief Financial Officer and the Chief Financial Officers of Air France and KLM.

All investments of more than €5 million, together with operations relating to the fleet, and shareholding and divestment transactions, are submitted for approval to the Group Executive Committee by the Group's Chief Financial Officer. In addition, all investments, acquisitions or disposals of assets (in particular the fleet or shareholdings in any company) or the conclusion of operating leases representing a total amount of more than €150 million, carried out at the level of Air France-KLM, Air France or KLM, must be authorized in advance by the Board of Directors of Air France-KLM.

The management of Air France-KLM's financial market risks is overseen by the Risk Management Committee (RMC), which meets at least each quarter to define the risk management strategy of the Group and, after examining the various Group risk reports, determines the hedges to be set up during the coming quarters, with notably, the hedging ratios to be achieved, the time period to respect these targets and, potentially, the preferred type of hedging instrument.

These decisions are then implemented in each company by the respective Treasury Management departments, pursuant to the procedures for the delegation of powers.

Regular meetings are organized between the Treasury Management departments of the two companies, to optimize the coordination of recommendations made to the RMC and subsequent decision implementation (hedging instruments, the strategies planned and counterparties).

The fuel hedges are covered in a weekly report forwarded to the General Managements of the Air France-KLM group, Air France and KLM. A summary of the cash positions of Air France, KLM and Air France-KLM is communicated weekly to the Air France-KLM group's General Management.

The Air France-KLM, Air France and KLM cash positions are the subject of monthly reports to the Finance departments. These reports include the interest rate and currency positions, the portfolio of hedging operations, a summary of investments and financing by currency and a tracking statement of the risk exposure by counterparty. The Risk Management Committee sets the minimum thresholds in terms of the financial quality of counterparties, determines the maximum amount to be allocated to a single counterparty and is responsible for monitoring the quarterly positions.

The hedge strategies aim to reduce the exposure of Air France-KLM and therefore to preserve budgeted margins. The instruments used are futures, swaps and options. The internal risk management procedures prohibit instruments characterized as trading instruments unless expressly authorized by the Chief Financial Officer of Air France-KLM. All the instruments used must qualify as hedging instruments pursuant to the IAS/IFRS accounting rules. Generally speaking, no trading or speculation is authorized.

Any substantive change in the hedging strategy is the subject of a systematic presentation to the Group Audit Committee.

Accounting and financial statements process

The consolidated financial statements of the Air France-KLM group are prepared on the basis of the data provided by the finance departments of the Air France-KLM holding company and its subsidiaries.

The Group is principally composed of the two operational sub-Groups, Air France and KLM, which prepare their own consolidated financial statements prior to their consolidation within the Air France-KLM financial statements.

It is imperative that the accounting information reported by the different companies complies with the Group's accounting rules, methods and standards as defined by the Group, and the presentation of the financial statements must comply with the format circulated by the Group.

All the companies within the Group refer to the Accounting Procedures Manual which is based on the International Financial Reporting Standards governing the establishment of the financial statements of European listed companies.

The consolidated financial statements are submitted to the General Management then presented to the Audit Committee every quarter. Furthermore, the half-year and annual financial statements are also audited by the Statutory Auditors prior to their formal closure.

The parent company's financial statements are the subject of a presentation to the General Management and the Audit Committee, are approved by the Board of Directors and are audited by the Statutory Auditors.

Process for reporting passenger and cargo revenues

This process is performed in each of the companies and enables monthly revenue figures to be communicated to the management. Furthermore, Air France and KLM have established a procedure known as the "progressive daily revenue" process making it possible to know the estimated amount of passenger revenues for the previous day.

In addition, departments of the Group, Air France and KLM analyze the results by market and by route (unit revenues per revenue passenger-kilometer, per available seat-kilometer, per revenue ton-kilometer etc.) at the level of the passenger and cargo businesses.

A monthly presentation on the level of transportation revenues (passenger and cargo) is also made to the Group Executive Committee by the senior managers of these entities.

The Shared Services Center (SSC) in Toulouse is in charge of commercial Passenger revenues for the companies Air France and KLM, while the Shared Services Center at Amsterdam-Schiphol is responsible for commercial Cargo revenues for the Group (Air France, KLM and Martinair).

For these two activities, service level agreements have been signed between Air France, KLM and Air France-KLM.

Management Control reporting process

The Group Corporate Control department coordinates the reporting process with the Corporate Controllers of Air France and KLM.

In liaison with the Group's principal divisions and subsidiaries, these three teams of controllers then analyze the past month's financial results and estimate the results for the coming months (forecast adjustment process) through to the end of the current financial year.

Once the accounting result for the month is known, Group Corporate Control produces a monthly document (known as the Group management report) that summarizes the monthly key business, employee-related and financial data, both actual and for the coming months, in order to determine the forecasted outcome for the current financial year for the Group, Air France, KLM and each business line. The same applies to the figures on cash-flow, and the cash and debt positions.

This monthly Group management report is distributed and presented to the Group Executive Committee by the Group Corporate controller.

In addition, management review meetings take place on at least a quarterly basis between the CEOs, CFOs and Executive Vice-Presidents of the Passenger, Cargo, Engineering & Maintenance and Transavia businesses.



4.

Corporate social responsibility: Extra-financial performance statement

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INTRODUCTION

Pursuant to Article L. 225-102-1 of the French Code of Commerce (*Code de Commerce*), the Air France-KLM group sets forth the main social, societal and environmental issues linked to its activities, and relating to human rights and business ethics, across the entire value chain, and stipulates the policies in force to prevent, identify and mitigate the occurrence of these risks.

All of this information is reviewed by one of the Group's Statutory Auditors, as a designated Independent Third Party. The reporting scope covers the Air France-KLM group. When the information relates to a different scope, the scope of application is specified in the text.

4.1 CREATING LONG-TERM VALUE FOR ALL OUR STAKEHOLDERS

4.1.1 The Group's business model

The Group's business brings together people, economies, and cultures, and drives economic growth and social progress. The overarching ambition of the Air France-KLM group is to become an aviation champion in Europe, and aims to be a front-runner in sustainable aviation.

The value creation model (see section 1.2.3) shows the impact areas where the Air France-KLM group adds value and which, thanks to its fundamental strengths and unique competitive advantages, enables a response to societal and environmental challenges. As part of its day-to-day activities, the Group interacts with all its stakeholders (employees, shareholders, customers, suppliers, authorities, local communities, and players in civil society like NGOs, etc.), while its activities and operations have multiple impacts on the wider society.

The main impacts, both quantitative and qualitative, are summarized in the "Reporting of the Group's extra-financial risks" paragraph in section 4.1.2 "Identification of the key priorities for building long-term relationships". The policies implemented are outlined in sections 4.2 to 4.6.

Principles of the Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) was set up by the G20 in December 2015 during the United Nations COP21 conference to draft

recommendations for use by financial and non-financial companies in their public disclosure of the impacts of climate-related risks and opportunities. These recommendations, which are applicable across all sectors and can be included in existing financial reports, aim to increase the transparency between companies and investors, thereby reducing investment risks and reconciling short-term financial decisions with the longer-term consequences of climate change.

In 2019, the Group realized the TCFD Climate Maturity Assessment developed by KPMG, to evaluate the concordance of its environmental reporting with the principles of the TCFD. The actions implemented by the Group are presented in the table below. Air France-KLM acknowledges the update to the recommendations published in 2021 and is currently working on projects internally concerning the recommendations, including a climate risk and opportunities assessment to quantify the financial impacts and create our Group 2050 decarbonization trajectory. Since 2021 we have also worked on setting up internal project working groups for our Scope 3 emissions measurement.

As a result, Air France-KLM decided to actively support the TCFD principles with the ambition of continuing to improve its knowledge and reporting.

TABLE OF CONCORDANCE WITH THE URD DOCUMENT AND TCFD PRINCIPLES

TCFD Principles	Sections in the 2023 Universal Registration Document
1. GOVERNANCE	
1.1. Describe the Board's oversight of climate-related risks and opportunities	Sections 2.3.2, 3.2.1
1.2. Describe management's role in assessing and managing climate-related risks and opportunities	Sections 2.3.2, 3.2.2
2. STRATEGY	
2.1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Sections 3.1.2, 4.1.2, 4.3.1, 4.3.2
2.2. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Sections 3.1.2, 4.1.2, 4.3.1, 4.3.2
2.3. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a temperature increase of 2°C or lower scenario	Sections 4.3.1, 4.3.2
3. RISK MANAGEMENT	
3.1. Describe the organization's processes for identifying and assessing climate-related risks	Section 3.1.2
3.2. Describe the organization's processes for managing climate-related risks	Sections 2.3.2, 3.1.2, 4.3.1, 4.3.2
3.3. Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Section 3.2.2
4. METRICS AND TARGETS	
4.1. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Sections 4.3.1, 4.3.2
4.2. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Section 4.3.1
4.3. Describe the targets used by the organization to manage climate-related risks and opportunities, and performance against targets	Sections 4.3.1, 4.3.2

4.1.2 Identification of the key priorities for building long-term relationships

Ongoing dialogue and a mutual understanding of the challenges facing Air France-KLM and its environment are key to building long-term relationships with stakeholders.

Dialogue with stakeholders

The Group pays great attention to its stakeholders' expectations. Several initiatives enable their perception to be evaluated on a regular basis through, notably:

- internal barometers and meetings to gather employee suggestions;
- customer perception and satisfaction surveys;
- regular exchanges with individual shareholders, mainstream and Socially Responsible Investment (SRI) investors together with recommendations from extra-financial rating agencies;
- dialogue with the authorities and national policy makers;
- dialogue with airports;
- dialogue with NGOs;
- dialogue and evaluation of supplier CSR performance;
- discussion during annual general shareholders' meetings;
- exchange of best practices and working groups within the industry, and with other large companies;
- opinions and remarks gleaned from the dedicated email addresses, websites and social media;
- feedback channels deployed to enable stakeholders (particularly employees, customers and residents around airports) to communicate any comments and complaints.

STAKEHOLDER MAP



Double Materiality Analysis

Every two years, the Group carries out materiality analyses, enabling the priorities key to the Group’s activity to be re-evaluated and the results to be compared with those from previous materiality analyses.

Group stakeholders like corporate and individual customers, employees, shareholders, investors, suppliers, business partners, NGOs, governmental organizations and representatives of the airline sector and the Group’s peers, are asked to reassess the key priorities of the Group’s activity.

In 2023, the Group performed its first Double Materiality Matrix assessment, following a Five-Step process:

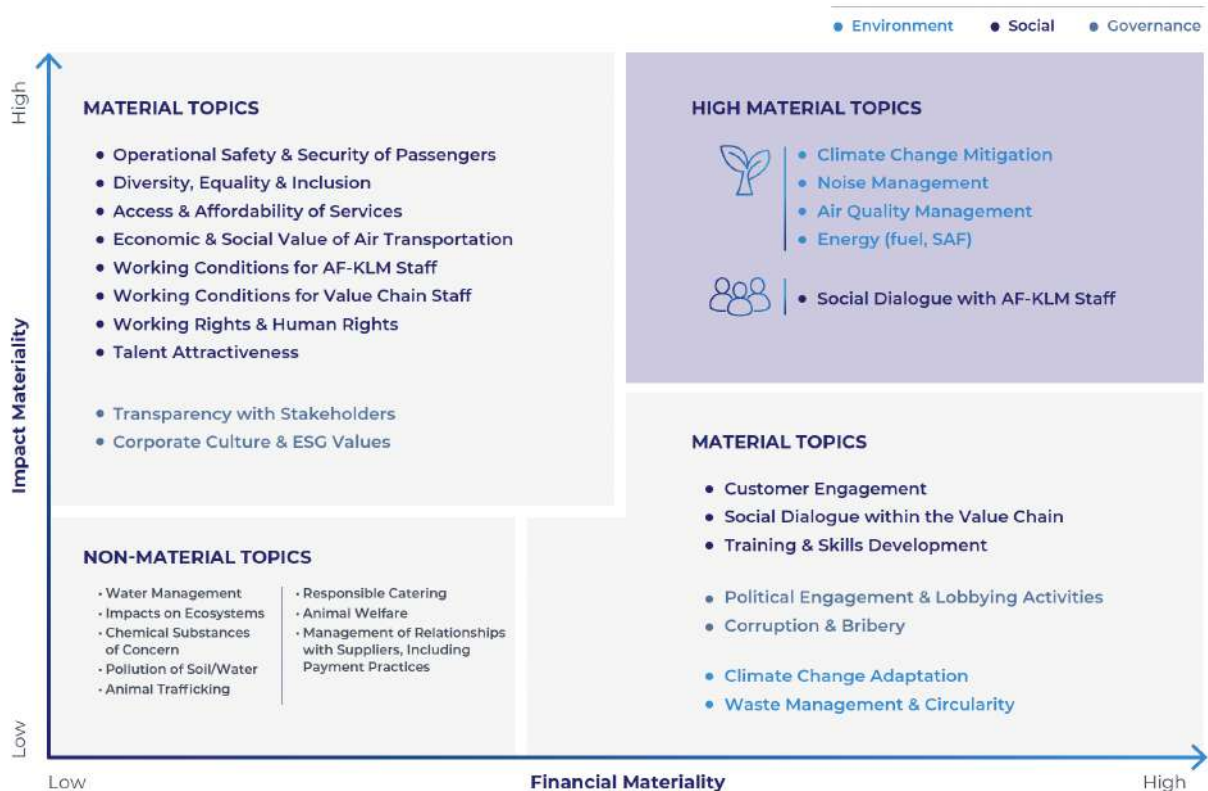
- screening of relevant topics and peer benchmarks;
- pre-assessment of Impact and Financial Materiality by the Sustainability & Risk departments;
- interviews (53 in total) with internal and external stakeholders to challenge the pre-assessment;
- internal experts’ workshops and external customers’ panel surveys to review the final list of material topics and the final matrix;
- review of the double materiality assessment by the Board and validation of the double materiality assessment by the Group Executive Committee.

Air France-KLM’s double materiality analysis identified 22 material issues of relevance to our business and stakeholders, and 9 that are considered non-material.

The analysis revealed that the contribution to climate change mitigation is the most material topic, with a broad consensus on its importance. Climate change may challenge the future of the aviation sector, depending on current and future regulations and SAF costs, and requires a clear focus on the energy transition. Operational safety and passenger safety also have high-impact materiality, while noise management is a specific topic that is expected to continue to grow in the future. Customer engagement is also of significant materiality, and Air France-KLM is committed to providing its customers with an enjoyable travel experience. Additionally, social dialogue and diversity, equality & inclusion are also of significant materiality and are being actively managed. The impacts concerning water and ecosystems (incl. biodiversity) are limited.

Overall, this analysis will allow us to focus Air France-KLM’s efforts on the most material topics and continue to drive sustainable value creation for all stakeholders, including our customers. The following pages summarize the Group’s priorities following the Materiality Matrix determined under the double materiality principles.

DOUBLE-MATERIALITY ASSESSMENT



Analyzing the extra-financial risks

The extra-financial risks are monitored on a permanent basis and are an integral part of the Group's operational risk sheets. In 2023, the operational risks sheet was updated to align it with the topics from the key priorities identified in the Double Materiality Matrix. They are also an integral part of the Group's Sustainable Development strategy and are the subject of measures, monitoring procedures and action plans.




The Group reviews its main extra-financial risks twice a year. The ESG risks are presented annually to the Group Sustainable Development Committee (SDC) (see chapter 4.1.3 "Business responsibility at the heart of the strategy"). The main environmental, social and societal risks resulting from its activities across the entire value chain are evaluated to establish a matrix of the extra-financial risks. The results are reconciled with those of the materiality matrix which illustrates the differing perceptions of the internal and external stakeholders.





Within the Board of Directors, the main extra-financial risks are discussed and reviewed each year by the Sustainable Development and Compliance Committee, then validated by the Audit Committee. These risks and the policies implemented are outlined in chapter 3 "Risks and risk management" and in sections 4.2 to 4.6.

Reporting of the Group's extra-financial risks

The following pages summarize the Group's priorities following the updated Double Materiality Matrix, the related risks and opportunities, the policies in force to reduce their impacts, and the Group's contribution to the United Nations Sustainable Development Goals (SDGs). The priorities are classified by section (environmental, social and governance) and, wherever possible, key performance indicators have been added.






THE GROUP'S PRIORITIES AND THE POLICIES IN FORCE TO REDUCE ITS IMPACTS


Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
ENVIRONMENT			
<p>Climate Change Mitigation</p> 	<p>Risks: The industry is under increasing public pressure at both local and global level to address its environmental impacts.</p> <p>This pressure could affect the reputation of companies such as Air France-KLM among customers and policymakers, potentially influencing the company's ability to manage and develop its activities in all regions of the world over the long-term.</p> <p>See section 3.1.2.2 "Climate-related risks" – p. 204</p>	<p>Policy: Develop and implement CO₂ emission reduction policies for both the air and ground operations, by defining ambitions for 2030 and 2050.</p> <p>Opportunities: Modernization of the fleet with the arrival of more efficient aircraft (reduction in fuel consumption) and the earlier retirement of older and higher-emission aircraft types, energy transition to electric runway equipment.</p> <p>Contribution to the development of lower-carbon energies by supporting the development of industrial production for sustainable alternative fuels. Gain market share by responding to the expectations of individual and corporate customers. Partnerships to develop innovative solutions on the ground and in the air.</p> <p>See section 4.3.1 "Accelerate the environmental transition" – p. 277</p>	<p>CO₂ footprint for passenger transport (grCO₂eq/RPK) √ p. 276</p> <p>GHG emissions intensity (grCO₂eq/RTK) √ p. 276</p> <p>Next generation fleet % target p. 279</p>
<p>Air Quality Management</p> 	<p>Risks: Air pollution from aviation is a growing health and environmental concern, related to the emissions of NO_x, SO_x, and Particulate Matter (PM).</p> <p>Air France-KLM may face increased airport charges based on its nitrogen emissions, not just in The Netherlands, as other airports may follow.</p> <p>See section 3.1.2.4 "Air Pollution" – p. 206</p>	<p>Policy: Close monitoring of the Group's low-altitude emissions for flight and ground operations. The indicators cover NO_x and SO_x.</p> <p>Opportunities: Electrification of ground operation equipment, incorporating more efficient taxiing methods which reduce NO_x and (ultra) fine particle emissions.</p> <p>See section 4.3.2 "More Sustainable Operations" – p. 285</p>	<p>Non-carbon emissions p. 300</p>
<p>Energy (Fuel, SAF)</p> 	<p>Risks: SAF availability will become a critical risk in the coming years as it affects the ability to reduce carbon emissions and meet sustainability goals.</p> <p>Regarding conventional jet fuel, a sharp increase in the oil price can have a very material negative impact on the profitability of airlines.</p> <p>See section 3.1.1.3: "Risks relating to changes in oil and fuel prices" – p. 200</p>	<p>Policy: Group-wide SAF strategy to secure strategic partnerships for MOUs and offtake agreements.</p> <p>Engage in industry research and innovation with SAF and lower-carbon fuels partners to promote technological availability.</p> <p>Opportunities: SAF is estimated to reduce the emissions from traditional jet fuels by up to 80% and is a key lever in the decarbonization ambition for 2050.</p> <p>See section 4.3.1 "Sustainable Aviation Fuels (SAF)" – p. 281</p>	<p>% SAF incorporation rate p. 300</p>

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Noise Management  	<p>Risks: In Europe, there are calls to implement activity restrictions at airports in response to increasing sensitivity to airport noise nuisance.</p> <p>Flight limitations present a significant risk to the Group's operations and revenue. Any changes to noise-related LTO charges could increase operational costs. Additionally, offering fewer flights can negatively impact the relationship with our customers.</p> <p>See section 3.1.2.3 "Noise Management" – p. 206</p>	<p>Policy: Pursue a permanent dialogue with the representatives of local-resident associations around airports, implement noise reduction procedures and participate in home insulation programs.</p> <p>Opportunities: Modernizing the fleet not only leads to more fuel-efficient but also to quieter aircraft.</p> <p>See section 4.3.2 "More Sustainable Operations" – p. 285</p>	% of fleet eligible for ICAO Chapters 4 & 14 p. 300
Climate Change Adaptation 	<p>Risks: Operational disruption due to more frequent extreme climate events:</p> <ul style="list-style-type: none"> ■ acute risks: flooding, cyclones, wildfires, storms and turbulences and extreme temperatures; ■ chronic risks: degradation of infrastructure and disruption of activity. <p>Potential operational and financial impacts linked to flight cancellations, delays, and re-routing. Additional costs linked to the maintenance and preservation of assets, passenger compensation.</p> <p>See section 3.1.2.2 "Climate-related risks" – p. 204</p>	<p>Policy: Further adapting and optimizing our policy to secure operations and operational and commercial procedures to guarantee customers service continuity, in the best conditions.</p> <p>Opportunities: Development of a balanced network. Deployment of a differentiated Recovery policy for customers.</p> <p>See section 4.4.1 "Operational safety for stakeholders" – p. 308</p>	
Waste Management & Circularity 	<p>Risks: Increased operational costs associated with disposal and potential environmental damage.</p> <p>Regulatory sanctions and fines for non-compliance with waste management regulations.</p> <p>Decreased customer satisfaction if we fail to meet expectations to reduce wastefulness and recycle waste.</p>	<p>Policy: Keep developing and expanding our policies to reduce, recycle and up cycle waste.</p> <p>Opportunities: Potential cost savings and revenue opportunities associated with implementing circular economy principles.</p> <p>See section 4.3.2 "More Sustainable Operations" – p. 285</p>	% change in non-hazardous non-recycled waste p. 300

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
SOCIAL			
<p>Working Conditions for AF-KLM Staff and Social Dialogue (incl. health and safety of employees)</p> 	<p>Risks: Conflictual negotiations on workplace agreements, social conflicts or strikes could have a potential impact on employee engagement, on customer service quality, on operations, on the Group's reputation and its attractiveness as an employer.</p> <p>Unsafe working situations (safety and security), and accidents in the workplace (physical and psychosocial) could have potential financial impacts with an increase in social costs and could impact the Company's reputation as an employer.</p> <p>See section 3.1.3.3 "Working conditions and human capital development" – p. 211</p>	<p>Policy: Foster a constructive and transparent dialogue to build mutual trust, pursue a policy based on respect for individuals and responsibility towards customers, in a confidential manner.</p> <p>Implement a voluntary and proactive approach towards risk prevention and protecting employee health and safety i.e. the airline safety standards in force.</p> <p>Opportunities: Employee motivation and commitment. Promotion of a safety-first culture and individual vigilance supported by all the employees.</p> <p>See section: 4.2.1 "Working conditions and employee engagement" – p. 252</p> <p>See section: 4.2.2 "Resource adaptation and employee dialogue" – p. 254</p> <p>See section: 4.2.5 "Health, safety and quality of life in the workplace" – p. 266</p>	<p>Employee Promoter Score (EPS) p. 252</p> <p>Frequency and gravity rates for accidents in the workplace p. 272</p>
<p>Diversity, Equity and Inclusion</p>  	<p>Risks: Inequitable treatment of employees, discrimination in recruitment, compensation, and career development for inappropriate reasons (sex, age, nationality, sexual orientation, disability, religion, ethnicity, etc.) could have financial impacts with an increase in social costs (disputes, absenteeism, resignations), reduced innovative ability due to a lack of diversity, deterioration in the company's reputation as an employer.</p>	<p>Policy: Advocate diversity, implement processes ensuring equal opportunity and combat all forms of discrimination.</p> <p>Opportunities: Employee motivation and commitment, diversity, and inclusion for a more innovative company and better to reflect society and customers.</p> <p>See section 4.2.4 "Diversity, equity and inclusion" – p. 261</p>	<p>% of women in managerial functions p. 252</p>
<p>Operational Safety & Security of Passengers</p>  	<p>Risks: Accident risk, with the possibility of damage to people and property, is inherent to air transportation which is why airline activities – passenger and cargo transportation, aircraft maintenance – are regulated by a series of European regulatory provisions directly applicable or, for some of them, transposed into French and Dutch law.</p> <p>The materialization of this risk could have a significant negative impact on the Group's reputation and legal or financial consequences.</p> <p>See section 3.1.2.1 "Risks related to airline safety" – p. 203</p>	<p>Policy: Ensure the safety and health of all stakeholders (customers, employees, and partners) while improving the customer experience throughout their journey.</p> <p>Opportunities: Customer loyalty based on trust in the Group's activities.</p> <p>See section 4.4.1 "Operational safety for stakeholders" – p. 308</p>	<p>Net Promoter Scores (NPS) p. 307</p>

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Operational Safety & Security (Data Protection) of Passengers  	<p>Risks: If the Group fails to protect data of a personal nature pursuant to the relevant laws and regulation, this could have a negative impact on: the Group's activity, reputation, revenues and costs, and its overall results.</p> <p>🔗 See section 3.1.2.1 "Risks related to airline safety" – p. 203 and 3.1.3.2 "Failure of a critical IT system, IT risks and cyber criminality" sub section "Data security" – p. 210</p>	<p>Policy: Implement data privacy policies and IT systems and ensure the confidentiality of personal data.</p> <p>Opportunities: Secure customer loyalty based on their trust in the Group's activities.</p> <p>🔗 See section 4.4.1 "Operational safety for stakeholders" – p. 308</p>	
Training & Skills Development and Talent Attractiveness 	<p>Risks: A mismatch between employee skills and the company's needs, a shortage of people with specific qualifications, and a difficulty in recruiting and/or retaining talent.</p> <p>Potential impact on the ability to grow, capture new market shares and fight competition, and jeopardize the employer brand image.</p>	<p>Policy: Offer a training and career development program to every employee, giving them the opportunity to learn and develop their skills.</p> <p>Opportunities: Attract talent, steer skills and qualifications in line with the long-term strategy.</p> <p>🔗 See section 4.2.3 "Development of human capital and talent management" – p. 256</p>	Number of hours of training per employee p. 270
Customer Engagement   	<p>Risks: The industry is under increasing pressure at both local and global level to address its environmental impacts. This pressure could affect the reputation of companies such as Air France-KLM among customers, potentially influencing the company's ability to manage and develop its activities in all regions of the world over the long-term.</p> <p>🔗 See section 3.1.2.2 "Climate-related risks" – p. 204</p>	<p>Policy: Continue to develop and expand our transparency efforts by providing customers with information on our carbon footprint, and theirs, and waste management practices. Highlight the social and environmental benefits of flying with our airlines and encourage individual, corporate and Cargo customers to play an active role in decarbonizing the industry. Participate in ESG benchmarks.</p> <p>Opportunities: SAF program for customers. CO₂ calculator on our ticket booking websites. Promote different modes of transportation. Expansion of yearly airline competition (Sustainable Flight Challenge). Participation in certified reforestation projects. Partner with selected foundations. EU working on an eco label for air travel.</p> <p>🔗 See section 4.3.1 "Accelerate the environmental transition" – p. 277, section 4.3.2 "More Sustainable Operations" – p. 285, section 4.6.1 "Local Development" – p. 320</p>	Net Promoter Scores (NPS) p. 307

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
Responsible Supply Chain (Social Dialogue & Working Conditions in the Value Chain)  	Risks: A major breakdown in the supply chain due to non-compliance or serious breaches in terms of working conditions (health and safety), human rights (forced working, child labor), the environment (pollution) or corruption could result in significant financial impacts such as substantial fines and legal proceedings, and damage the Group's reputation.	Policy: Implement responsible procurement policies that enshrine the principles of societal responsibility in relations with suppliers. This includes reinforcing the management of ethical, social, environmental and supply chain risks. Train buyers on these principles and risk management practices. Opportunities: Dialogue with suppliers on sustainable development priorities, implementation of innovative solutions. See section 4.6.2 "Sustainable procurement" – p. 323	% of suppliers having signed the Supplier Sustainability Code of Conduct p. 320 Number of suppliers evaluated by Ecovadis p. 320
Accessibility of Products and Services 	Risks: Inability to ensure access to its products and services, to all customers, throughout their journeys may have an adverse reputational impact on the Group's image as a responsible air operator. See section 3.1.1.5 "Changes in the competitive landscape for the air travel business" – p. 203	Policy: Propose assistance services to passengers with disabilities or with reduced mobility. Opportunities: Gain customer loyalty based on their trust in the Group's activities. Contribution to a more inclusive society. See section 4.4.3 "Accessibility of the products and services" – p. 314	
Economic & Social Value of Air Transportation 	Risks: The aviation industry faces market risks associated with sector stigmatization as well as an increasing exposure to greenwashing claims. See section 3.1.2.2 "Climate-related risks" – p. 204	Policy: Contribute to promoting economic development and regional balance by creating both direct and indirect employment opportunities, and generating economic activity around its hubs, as well as in the territories it serves. The aviation industry is a significant contributor to economic growth and social welfare. Additionally, the quality of the transportation infrastructure, such as air travel, plays a crucial role in companies' investment decisions. Opportunities: Continue to promote the acceptability of business growth. See section 4.6.1 "Local development" – p. 320	
Working Rights and Human Rights 	Risks: Non-respect of fundamental liberties and social regulations in the capacity as an employer and within the supply chain. Potential financial impacts (substantial fines, legal proceedings), impact on the Group's reputation.	Policy: Implement policies aimed at ensuring respect for fundamental liberties and compliance with regulations applicable to all the Group's activities. Deploy a responsible procurement policy. Opportunities: Image and reputation as a responsible business. See section 4.5.2.2 "Respect of human rights" – p. 316	

Priority and related SDGs	Description of the risks	Policy and opportunities	Performance indicator
GOVERNANCE			
Corruption and Bribery 	<p>Risks: Non-respect of the applicable regulations in the compliance domains (laws on competition, anti-corruption, taxation, data and privacy), of commercial sanctions and regulations relating to export control, due to unethical behavior on the part of employees.</p> <p>Potential financial impacts (substantial fines, legal proceedings), impact on the Group's reputation.</p> <p>🔗 See section 3.1.3.4 "Non-compliance with regulations, including competition, data protection, trade compliance and export control, anti-corruption and duty vigilance laws" – p. 211</p>	<p>Policy: Implement a compliance program and process to ensure the compliance of all the businesses, and measures to prevent unethical practices by employees, via risk mapping, policies and relevant information, training and awareness-raising initiatives.</p> <p>Opportunities: Image and reputation as a responsible business.</p> <p>🔗 See section 4.5.2 "Organization and key elements of ethics and compliance programs" – p. 316</p>	<p>Completion rate of the e-learning program on prevention of corruption p. 317</p>

✓ Verified by KPMG for 2023 at a reasonable level of assurance.

There are several themes from this year's double materiality matrix that are new to the matrix, but have not yet been linked with the relevant Group risks. Therefore they have yet to be included in the Group priorities table. They will be assessed in more depth in 2024 and

incorporated into Air France-KLM priorities in 2024. These themes include Affordability of Services, Corporate Culture & ESG Values, Political Engagement & Lobbying Activities, and Transparency with Stakeholders.

4.1.3 Business responsibility at the heart of the strategy

Our global business brings people, economies, and cultures together, and drives economic growth and social progress. We assume our responsibilities and take action to reconcile growth with environmental protection, social value and local development at our hubs and our destinations. Through our operational activities, we aim to create sustainable long-term value for all our stakeholders.

Commitments

Air France-KLM assumes its responsibilities as an employer and economic partner. It places its commitment to responsible and innovative corporate citizenship at the heart of its strategy. The Group's commitments are set forth in its Corporate Social Responsibility Statement, The Air France-KLM Principles, and its Destination Sustainability report.

Air France-KLM's Sustainable Development policy enshrines the respect of fundamental rights as defined in the leading international principles: the Universal Declaration of human rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development's (OECD) guiding principles.

As part of its signature of the UN Global Compact, the Group supports the ten principles in the areas of human rights, labour, the environment, and anti-corruption, and to promoting this commitment to its partners. By integrating sustainability into its business and operations, the Group strives to contribute significantly to the attainment of the UN Sustainable Development Goals within its scope of influence.

Sustainability strategy

Our strategy is built on two pillars that are fundamental to our value creation model and address our most pressing extra-financial issues.

We reduce our environmental impact

- We have the ambition to achieve a net zero carbon footprint by utilizing emerging sustainable aviation innovations and implementing a zero-waste approach.
- We aim to reduce our environmental footprint by improving our operations and processes, partnering, and innovating in the supply chain, and mobilizing our staff and the industry.
- We are taking action to reduce noise pollution by investing in less noisy aircraft, developing and implementing noise abatement operational procedures, and working with airports and air traffic control to reduce noise exposure for communities.

We care for people and cultures

- We aim to create a safe and motivating environment for our employees by leading diversity and inclusion programs and continually developing employee skills to ensure professionalism and employability.
- We strive to add economic and social value in the areas where we operate by working together with local partners and supporting projects that contribute to future generations and local communities through our procurement.

To secure the trust of our customers, employees and partners, we aim to ensure their safety and health in all our operations and conducting our business ethically and responsibly.

Governance

Sustainable Development governance is ensured by the management bodies at the highest level of the Group. The Board of Directors and Executive Committees ensure that sustainability topics are given high priority, and the sustainability teams report frequently to the most senior levels of management. They make sure that sustainability decisions are taken at the right level within all the relevant entities:

- the Board of Directors approves the strategic orientations and monitors their implementation;
- within the Board of Directors, **the Sustainable Development and Compliance Committee**, established in 2018, assists in reviewing the risks and policies, by issuing recommendations and ensuring that issues linked to sustainable development are considered when defining the Group's strategy. Annually, the Sustainable Development and Compliance Committee reviews the risks linked to climate change and the remedial measures in place. The minutes of the discussions and, as necessary, the recommendations arising from meetings of the Sustainable Development and Compliance Committee are presented to the Board of Directors. Having considered the recommendations of the Sustainable Development and Compliance Committee, the Audit Committee approves the review of the main extra-financial risks annually;
- **the Group Executive Committee** determines the sustainable strategy and development policy and ensures that it is an integral part of the Group's strategic plan (setting and monitoring progress towards corporate targets, guiding and monitoring the implementation of the transition plan, reviewing and guiding annual budgets). It reviews the sustainable development strategy and performance annually including innovation R&D priorities;
- **at the Air France-KLM group Level**, the Group Executive Vice President in charge of Human Resources and Sustainability assesses the social and climate-related risks and opportunities, and defines the Group Sustainability Strategy, including target setting and the decarbonization roadmap. The Group Corporate Secretary, responsible for Group Compliance, defines the Compliance Strategy and steers its implementation;
- **an Executive Vice-President** is overseeing the implementation of the Group Sustainability Strategy and the development of specific approaches related to his distinct product/service-market area in the airlines. At Air France, the sustainable development policy is steered by the Executive Vice President in charge of

Transformation and Sustainable Development, who reports to the CEO of Air France. He is supported by the Air France Sustainable Development Committee, composed of members of the Air France Executive Committee, which guides and ensures the progress of Air France's sustainable development strategy and efforts. At KLM, this role is fulfilled by the Senior Vice President Strategy & Sustainability who is a member of the KLM Executive Committee and who reports to the CEO of KLM. The Senior Vice President. Strategy & Sustainability is in charge of strategy, sustainability, transformation and radical innovation, and ensures the advancement of KLM's sustainability efforts.

The compensation of Benjamin Smith, Chief Executive Officer of the Air France-KLM group, includes criteria related to non-financial issues and sustainability in both the KPIs (Key Performance Indicators) for the annual variable compensation and the KPIs for the long-term variable remuneration (see section 2.5.2). Sustainable development criteria are also included in KPIs for the variable portion of the compensation of Anne Rigail, Chief Executive Officer of Air France and of Marjan Rintel, President & Chief Executive Officer of KLM.

Centralized and transversal responsibility for sustainability

Initiation, coordination and management of the activities related to sustainability and ESG reporting

The Group's Sustainability Departments and airline companies are responsible for proposing and implementing the sustainable development strategy. The teams align their actions and propose policies in a weekly meeting known as the "Sustainability Circle". Department Sustainability Leaders act as multipliers in their respective business units and function as a network in close cooperation with their Sustainability Departments and their EVP/SVPs, to initiate, embed and accelerate sustainability topics within their functions.

The Group Decarbonization Committee, an executive-level cross-functional internal management body, prepares decarbonization roadmap updates for decision or review by the Group Executive Committee (GEC), Excoms and CFO committee. It has monthly meetings in which it reviews and advances the Air France-KLM decarbonization strategy and its execution.

In addition, the Group aligns its social strategies, priorities, policies and targets in dedicated Human Resources projects and the monthly executive-level Human Resources Committee.

To enhance its readiness for increased reporting and insights requirements, the Group launched "ESG Reporting & Decision Support" teams in 2023.

Extra-financial ratings

Air France-KLM evaluates its extra-financial performance on a regular basis through the ratings of Standard and Poor's S&P, CSA, CDP and EcoVadis.

In 2023, Air France-KLM was included in the European Dow Jones Sustainability Index (DJSI Europe) and the EcoVadis sustainability rating agency awarded the Air France-KLM group the Gold Medal (top 2% of the highest level), while the CDP awarded the Group a B score for the Climate Change questionnaire.



S&P: European Index Inclusion

Air France-KLM has been listed in the Dow Jones Sustainability Index for Europe.



EcoVadis: Gold medals

Air France-KLM has been rewarded the Gold Medal by EcoVadis, making up the Group one of the top 2% of companies assessed by EcoVadis in the industry (98% percentile).



CDP: Score B

The Group received a grade of B, increasing its score from a grade of C in 2022.

Companies that score a B have addressed the environmental impacts of their business and ensure good environmental management.

Furthermore, to obtain an objective evaluation of its ESG performance and improve its strategy and practices, Air France-KLM proactively requested an independent ESG rating from Standard and Poor's, thereby becoming the first airline group to be evaluated via an on-demand ESG rating. In 2023, Air France-KLM remained the only airline group to publish its ESG rating. In 2023, Standard & Poor's (S&P) Global Ratings assigned Air France-KLM an ESG score of 69/100. With this rating, the Group is well positioned among the players in the airline industry with regards to the management of its significant exposure to environmental challenges. In conclusion, S&P underlined that Air France-KLM was well prepared to manage the ESG risks faced by airlines in the short and medium term. S&P has decided to stop providing this ESG rating to the market with effect from December 31, 2023.

Extra-Financial Performance Statement

In its Extra-Financial Performance Statement, the Group has opted to report on several priorities that it considers important in the light of its analysis of the extra-financial risks, its business activity and the expectations of its stakeholders, and of the regulatory requirements.

The following concordance table shows where all the elements presented within the framework of the Extra-Financial Performance Statement (EFPS) can be found:

Elements of the EFPS	Chapter/section
Strategy and business model	1.1 Market and environment
	1.2 Strategic outlook
	1.2.3 Air France-KLM's value creation model
Identification and description of the main extra-financial risks	3.1.2 Risks relating to the air transportation activity
	3.2.2 Identification and evaluation of the risks linked to the business
	3.1.3 Risks relating to the Group's processes
	4.1.2 Identification of the key priorities in building long-term relationships
Description of the policies, results, and indicators	4.2 to 4.6 Human resources, environmental impacts, customer trust, Performance indicators, Ethics and compliance, Societal value

4.1.4 Eligibility for the European Taxonomy

EU Taxonomy

The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities, as defined by European Union Regulation 2020/852 on taxonomy and the delegated acts adopted for its implementation. It defines criteria for economic activities that are aligned with the European Green Deal objectives and trajectory towards net zero emission by 2050. The EU taxonomy provides companies, investors and policymakers with appropriate definitions and criteria to be met by economic activities in order to be considered environmentally sustainable.

Companies subject to this EU regulation must disclose the extent of their economic activities that are eligible and aligned with the Taxonomy. The reporting includes the eligible and aligned proportion of their total turnover, capital expenditure (CapEx) and operating expenditure (OpEx).

An economic activity is deemed eligible if it is included in the list of activities established by the European Commission's delegated acts under one or several of the following environmental objectives:

- climate change mitigation ("CCM");
- climate change adaptation ("CCA")⁽¹⁾;
- sustainable use and protection of water and marine resources ("WTR");
- transition to a circular economy ("CE");
- pollution prevention and control ("PPC");
- protection and restoration of biodiversity and ecosystems ("BIO").

To be aligned, an activity needs to comply with three cumulative criteria:

- adhere to the minimum technical thresholds for environmental performance (criterion of substantial contribution);
- not cause harm to the five other remaining criteria, known as the "DNSH" criterion (for "Do No Significant Harm");
- the activity must be carried out respecting the minimum safeguards (criterion "Minimum Safeguards" or "MS") regarding human rights, corruption, taxation and competition law.

For 2023, eligibility and alignment are reported for the CCM and CCA objectives, while only eligibility is reported for the remaining four environmental objectives. Alignment will be reported for the four remaining objectives from 2024 onwards. Notably, the gradual

implementation of the Regulation meant that only the climate-related objectives (CCM and CCA) applied for the 2021 and 2022 financial years, under the Climate Delegated Act. The European Commission subsequently published the Environmental Delegated Act over the four other environmental objectives, as well as amendments to the Climate Delegated Act and the Complementary Climate Delegated Act, which were in force for the 2023 financial year. The amendments to the climate delegated acts have been taken into account in this reporting year only for reporting on eligibility.

Assessment of EU Taxonomy eligibility

Core business activities

For 2023, the European Commission further expanded the activities within the Taxonomy scope, to include aviation activities within the EU Taxonomy Regulation. This includes 3.21 Manufacturing of aircraft, 6.19 Passenger and freight air transport and 6.20 Air transport ground handling operations, which directly relate to the Group's core businesses. In this reporting year, we will focus solely on evaluating their eligibility, through leveraging the activity descriptions and NACE codes specified in the delegated acts. Beginning in 2024, reporting on the alignment of these new activities will be mandatory. We are actively evaluating the alignment criteria of these activities against our operations and are awaiting further clarification from the European Commission to finalize our alignment disclosure. This includes additional insights on sustainable aviation fuels, emissions reduction technologies and sustainable airport operations.

Individual measures

In addition to the Group's Core Business activities, the regulation allows for the valuation of expenditures aimed at reducing GHG emissions. Aligned activities were evaluated against the specific Technical Screening Criteria outlined in the EU Taxonomy Regulation, ensuring that these activities contributed substantially to the CCM or CCA objectives, and significant harm to other environmental objectives was avoided. Financial information across the Group was assessed for potential eligibility under the CCM and CCA objectives, whereby all eligible OpEx and CapEx were analyzed against the technical criteria for the substantial contribution and DNSH to determine their alignment.

For more details on the core business activities and individual measures, please refer to the "EU Taxonomy Results Over FY 2023" section.

⁽¹⁾ The FAQ published by the European Commission in December 2022 clarified that an adaptation plan is required for activities to be eligible to the CCA objective.

Minimum safeguards

Compliance with the minimum safeguards has been assessed with respect to the criteria outlined in the EU Taxonomy regulation (EU 2020/852) Article 3 and 18, aligning with international standards such as the UN Global Compact and OECD Guidelines.

As an international Group with operations all over the world and employing a large number of staff, the Air France-KLM group is committed to respecting both ethical values and the applicable legislation in the regulatory compliance domains.

More broadly, the Air France-KLM group recognizes and applies the international standards applicable to legal entities in terms of ethics and compliance, including notably the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises, the fundamental conventions of the International Labor Organization (ILO) and UNICEF's Rights of the Child and Business Principles. We have followed the recommendations outlined in the PSF (Platform on Sustainable Finance) Final Report on Minimum Safeguards on Member State recommendations. This also extends to compliance with the Duty of Vigilance for upholding Human Rights. The Group has not faced any legal condemnations related to Human Rights violations, corruption, competition law breaches, or fiscal misconduct. This includes the protection of Human Rights and combating all forms of child and forced labor, the fight against corruption, tax fraud and tax evasion, which is demonstrated by conducting due diligence on these four themes, as required by the PSF final report mentioned above.

Calculation of key alignment indicators and Methodology

Accounting policy

The EU Taxonomy disclosures of the key indicators turnover, CapEx and OpEx are based on the consolidated financial information of the Group, as outlined in the consolidated financial statements and prepared based on the guidelines outlined in "Note 4: Accounting Policies" in the "notes to the consolidated financial statements". The calculation methodology for turnover, CapEx and OpEx remain consistent with the previous reporting period. However, there has been a notable adjustment made to the scope of eligible activities under the EU Taxonomy to include aviation activities from the FY 2023 reporting period onwards. The addition of activities 3.21 Manufacturing of aircraft, 6.19 Passenger and freight air transport and 6.20 Air transport ground handling operations are particularly relevant to the Group. This expansion has resulted in changes to eligible turnover, CapEx, and OpEx since the prior reporting period.

We determine the KPIs for the turnover, CapEx and OpEx KPIs by mapping the eligible activities per the delegated acts to the financial information of the Group. Each eligible activity was assessed against a materiality threshold for CapEx and OpEx, under which the economic activities were considered to be immaterial for reporting purposes. Thresholds were set based on absolute numbers with a consideration of the average transaction value per economic activity. The CapEx threshold was set at €100,000 which represents 0.003% of the Group's total capital expenditure, while the OpEx threshold was set at €50,000 which represents 0.001% of the Group's total operating costs.

Contextual information and methodology

The definitions of the turnover, CapEx and OpEx KPIs for the purposes of the EU Taxonomy corresponds to the following items as discussed below. Since the three activities (3.21 Manufacturing of aircraft, 6.19 Passenger and freight air transport and 6.20 Air transport ground handling operations) were newly eligible in 2023, the reported turnover, CapEx and OpEx for the Group differs from the 2022 reporting period.

Double counting of activities and KPIs has been avoided through the mapping of the eligible turnover, CapEx and OpEx to only one eligible activity.

Turnover

The denominator is based on the Group's total consolidated revenue, as set out in the consolidated income statement in section 5.2.1 of the URD.

The eligible numerator covers net turnover derived from services associated with Taxonomy-eligible economic activities, which are reported under the following three activities and relate to:

- 3.21 Manufacturing of aircraft: revenues from maintenance contracts;
- 6.19 Passenger and freight air transport: revenues derived from the Group's Network and Leisure businesses, other than revenues that do not comply with the description of the activity, which relate primarily to revenues from fees, credit card surcharge, booking fees, fuel trading, hedging income, and sales of certain airway bills. This also excludes revenues derived from ground handling operations, which are included in activity 6.20 Air transport ground handling operations and hence not double counted;
- 6.20 Air transport ground handling operations: revenues from ground handling operations under the Group's Network business.

CapEx

The denominator covers additions to tangible and intangible assets before depreciation, amortisation and impairments (if any), as well as rights of use assets in accordance with IFRS 16, during the reporting period. This relates to additions to property, plant and equipment and additions to intangible assets, as reported in the consolidated financial statements and the Notes to the consolidated financial statements in “Note 16: Intangible assets”, “Note 17: Tangible assets” and “Note 19: Right-of-use assets”.

The eligible numerator comprises the part of the CapEx included in the denominator associated with Taxonomy-eligible economic activities, and the individual measures as detailed above. The core business activities are those which are newly eligible for the 2023 reporting period, where the eligible CapEx numerator is derived from:

- 3.21 Manufacturing of aircraft: fleet-related and maintenance CapEx;
- 6.19 Passenger and freight air transport: fleet CapEx;
- 6.20 Air transport ground handling operations: CapEx incurred relating to ground handling operations.

The aligned numerator comprises CapEx associated with the aligned individual measures identified across the Group, as detailed in the “EU Taxonomy Results Over FY 2023” section. This has been determined through directly allocating relevant CapEx amounts to economic activities identified as being aligned with the technical criteria.

OpEx

The denominator comprises direct non-capitalized costs incurred by the Group that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and other direct expenses relating to the day-to-day servicing of property, plant and equipment. These expenses are included within the expenses as listed in the notes to the consolidated financial statements, in “Note 7: External expenses”.

The eligible numerator comprises OpEx included in the denominator that is related to Taxonomy-aligned core business activities and individual measures, and follows the same rationale as outlined for CapEx.

The aligned numerator comprises OpEx associated with the aligned individual measures, and follows the same rationale as outlined for CapEx.

EU Taxonomy Results Over FY 2023

Based on our analysis of the current Taxonomy provisions, we conclude that the following economic activities of the Group are Taxonomy eligible, and Taxonomy aligned:

Activity	Objective	Eligible	Alignment
2.1 Collection and transport of hazardous waste	PPC	Yes	Not assessed
2.3 Collection and transport of non-hazardous and hazardous waste	CE	Yes	Not assessed
3.21 Manufacturing of aircraft	CCM	Yes	Not assessed
4.15 District heating/cooling distribution	CCM	Yes	Assessed
5.1 Construction, extension and operation of water collection, treatment and supply systems	CCM	Yes	Assessed
5.5 Collection and transport of non-hazardous waste in source segregated fractions	CCM	Yes	Assessed
6.4 Operation of personal mobility devices, circle logistics	CCM	Yes	Assessed
6.5 Transport by motorbikes, passenger cars, and light commercial vehicles	CCM	Yes	Assessed
6.17 Low carbon airport infrastructure	CCM	Yes	Assessed
6.19 Passenger and freight air transport	CCM	Yes	Not assessed
6.20 Air transport ground handling operations	CCM	Yes	Not assessed
7.1 Construction of new buildings	CCM	Yes	Assessed
7.2 Renovation of existing buildings	CCM	Yes	Assessed
7.3 Installation, maintenance and repair of energy efficiency equipment	CCM	Yes	Assessed
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM	Yes	Assessed
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM	Yes	Assessed
7.6 Installation, maintenance and repair of renewable energy technologies	CCM	Yes	Assessed
7.7 Acquisition and ownership of buildings	CCM	Yes	Assessed
8.1 Data processing, hosting and related activities	CCM	Yes	Assessed
9.3 Professional services related to energy performance of buildings	CCM	Yes	Assessed

See the table below for the results of this assessment and the share of eligible and aligned activities. The full table as prescribed in Annex II of the Commission Delegated Regulation 2021/2178 is presented later in this section.

	Proportion of turnover/Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	97.9%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	1.5%	93.3%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

	Proportion of OpEx/Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	2.2%	95.9%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Future developments

Moving forward, the Group plans to extend its reporting scope to include the alignment assessment of these newly-introduced activities and the additional four environmental objectives (water, circular economy, pollution prevention, biodiversity) from the 2024 financial year onwards.

We recognize the importance of addressing Human Rights concerns within our operations. In line with our commitment to responsible business practices, we are actively working on strengthening our Human Rights risk assessment procedures. This includes the implementation of an adaptation plan that will further enhance our ability to identify, prevent and mitigate any potential adverse human rights impacts associated with our business activities.

The new-generation aircraft fall within the scope of activity 6.19 passenger and freight air transport. For 2023, only the eligibility of these activities has been disclosed, but their alignment to the Taxonomy and environmental objectives will be disclosed in 2024. The new-generation aircraft incorporate technological advances enabling reduced fuel consumption and a reduction in noise. This presents an immediate reduction in carbon emissions

and noise levels, and the inclusion of the new-generation aircraft in our fleet is a move towards meeting our future sustainability goals and the evolving requirements of the EU Taxonomy.

Given the current absence of technologically and economically-feasible lower-carbon alternatives in the aviation sector, the Group will only be able to achieve carbon neutrality subject to technological developments and the implementation of public policies in favour of the energy transition. The Group will continue to reduce our environmental emissions by employing more fuel-efficient aircraft.

As part of our broader plan, the Group aims to progressively transition to sustainable aviation fuels that emit less and less carbon. It is crucial to aim for achieving zero or lower-emission flying. Therefore, the transitional activities play a key role in aligning with our ambition of net-zero emissions by 2050, contributing to the sustainable evolution of aviation practices.

EU Taxonomy reporting forms a part of our CSR strategy to align with environmental objectives. We aim to align with the Corporate Sustainability Reporting Directive (CSRD) and aim to streamline our reporting for enhanced transparency and compliance with evolving regulations.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	2023			Substantial Contribution Criteria					
	Economic Activities ⁽¹⁾	Code ⁽²⁾	Turnover €m ⁽³⁾	Proportion of Turnover, year 2023 ⁽⁴⁾	Climate Change Mitigation ⁽⁵⁾	Climate Change Adaptation ⁽⁶⁾	Water ⁽⁷⁾	Pollution ⁽⁸⁾	Circular Economy ⁽⁹⁾
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
Of which Enabling									
Of which Transitional									
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Activity 3 Manufacturing	CCM 3.21	1,712	5.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Activity 6 Transport	CCM 6.19	27,228	90.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
	CCM 6.20	453	1.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			29,393	97.9%	97.9%	0.0%	0.0%	0.0%	0.0%
A. Turnover of Taxonomy eligible activities (A.1+A.2)			29,393	97.9%	97.9%	0.0%	0.0%	0.0%	0.0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Turnover of Taxonomy-non-eligible activities			624	2.1%					
TOTAL (A. + B.)			30,017	100%					



DNSH criteria ('Does Not Significantly Harm')										
Biodiversity ⁽¹⁰⁾	Climate Change Mitigation ⁽¹¹⁾	Climate Change Adaptation ⁽¹²⁾	Water ⁽¹³⁾	Pollution ⁽¹⁴⁾	Circular Economy ⁽¹⁵⁾	Biodiversity ⁽¹⁶⁾	Minimum safeguards ⁽¹⁷⁾	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022 ⁽¹⁸⁾	Category enabling activity ⁽¹⁹⁾	Category transitional activity ⁽²⁰⁾
									E	
										T
N/EL								0.0%		
N/EL								0.0%		
N/EL								0.0%		
0.0%								0.0%		
0.0%								0.0%		

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		2023		Substantial Contribution Criteria				
Economic Activities ⁽¹⁾	Code ⁽²⁾	CapEx €m ⁽³⁾	Proportion of CapEx, year 2023 ⁽⁴⁾	Climate Change Mitigation ⁽⁵⁾	Climate Change Adaptation ⁽⁶⁾	Water ⁽⁷⁾	Pollution ⁽⁸⁾	Circular Economy ⁽⁹⁾
A. TAXONOMY-ELIGIBLE ACTIVITIES								
A.1. Environmentally sustainable activities (Taxonomy-aligned)								
Activity 5 Waste management	CCM 5.1	3	0.1%	Y	N/EL	N/EL	N/EL	N/EL
Activity 6 Transport	CCM 6.5	3	0.1%	Y	N/EL	N/EL	N/EL	N/EL
	CCM 6.17	8	0.2%	Y	N/EL	N/EL	N/EL	N/EL
Activity 7 Construction and real estate activity	CCM 7.1	7	0.2%	Y	N/EL	N/EL	N/EL	N/EL
	CCM 7.2	19	0.5%	Y	N/EL	N/EL	N/EL	N/EL
	CCM 7.3	10	0.3%	Y	N/EL	N/EL	N/EL	N/EL
	CCM 7.4	2	0.1%	Y	N/EL	N/EL	N/EL	N/EL
	CCM 7.5	2	0.0%	Y	N/EL	N/EL	N/EL	N/EL
	CCM 7.6	1	0.0%	Y	N/EL	N/EL	N/EL	N/EL
	CCM 7.7	0	0.0%	Y	N/EL	N/EL	N/EL	N/EL
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		53	1.5%	1.5%	0.0%	0.0%	0.0%	0.0%
Of which Enabling		21	0.6%	0.6%	0.0%	0.0%	0.0%	0.0%
Of which Transitional		22	0.6%	0.6%				
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)								
Activity 2 Water supply, sewerage, waste management and remediation	PPC 2.1	1	0.0%	N/EL	N/EL	N/EL	EL	N/EL
Activity 3 Manufacturing	CCM 3.4	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL
	CCM 3.21	1,297	36.5%	EL	N/EL	N/EL	N/EL	N/EL
Activity 4 Energy	CCM 4.15	1	0.0%	EL	N/EL	N/EL	N/EL	N/EL
Activity 6 Transport	CCM 6.5	2	0.0%	EL	N/EL	N/EL	N/EL	N/EL
	CCM 6.19	1,828	51.5%	EL	N/EL	N/EL	N/EL	N/EL
	CCM 6.20	12	0.3%	EL	N/EL	N/EL	N/EL	N/EL
Activity 7 Construction and real estate activity	CCM 7.1	10	0.3%	EL	N/EL	N/EL	N/EL	N/EL
	CCM 7.2	19	0.5%	EL	N/EL	N/EL	N/EL	N/EL
	CCM 7.3	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL
	CCM 7.7	77	2.2%	EL	N/EL	N/EL	N/EL	N/EL
Activity 8 Information and communication	CCM 8.1	12	0.3%	EL	N/EL	N/EL	N/EL	N/EL
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		3,259	91.8%	91.8%	0.0%	0.0%	0.0%	0.0%
A. CapEx of Taxonomy eligible activities (A.1+A.2)		3,313	93.3%	93.3%	0.0%	0.0%	0.0%	0.0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES								
CapEx of Taxonomy-non-eligible activities		181	6.7%					
TOTAL (A. + B.)		3,551	100%					

DNSh criteria ('Does Not Significantly Harm')

Biodiversity (10)	DNSH criteria ('Does Not Significantly Harm')							Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022 ⁽¹⁸⁾	Category enabling activity ⁽¹⁹⁾	Category transitional activity ⁽²⁰⁾
	Climate Change Mitigation ⁽¹¹⁾	Climate Change Adaptation ⁽¹²⁾	Water ⁽¹³⁾	Pollution ⁽¹⁴⁾	Circular Economy ⁽¹⁵⁾	Biodiversity ⁽¹⁶⁾	Minimum safeguards ⁽¹⁷⁾			
N/EL		Y	Y	Y	Y	Y	Y			
N/EL		Y	Y	Y	Y	Y	Y	0.0%		T
N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
N/EL		Y	Y	Y	Y	Y	Y	0.1%		
N/EL		Y	Y	Y	Y	Y	Y	0.8%		T
N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
N/EL		Y	Y	Y	Y	Y	Y		E	
N/EL		Y	Y	Y	Y	Y	Y			
0.0%		Y	Y	Y	Y	Y	Y	1.1%		
0.0%		Y	Y	Y	Y	Y	Y	0.1%	E	
		Y	Y	Y	Y	Y	Y	0.9%		T
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
0.0%								1.8%		
0.0%								2.9%		

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	2023			Substantial Contribution Criteria					
	Economic Activities ⁽¹⁾	Code ⁽²⁾	OpEx €m ⁽³⁾	Proportion of OpEx, year 2023 ⁽⁴⁾	Climate Change Mitigation ⁽⁵⁾	Climate Change Adaptation ⁽⁶⁾	Water ⁽⁷⁾	Pollution ⁽⁸⁾	Circular Economy ⁽⁹⁾
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
Activity 5 Waste management	CCM 5.5	1.0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Activity 6 Transport	CCM 6.4	1	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
	CCM 6.5	—	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
	CCM 6.17	2	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Activity 7 Construction and real estate activity	CCM 7.2	6	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
	CCM 7.3	44	1.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
	CCM 7.4	2	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
	CCM 7.5	10	0.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
	CCM 7.6	6	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
	CCM 7.7	0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Activity 8 Information and communication	CCM 8.1	—	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Activity 9 Professional, scientific and technical activities	CCM 9.3	1	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		73	2.2%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Of which Enabling		58	1.8%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Of which Transitional		6	0.2%	0.2%					
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Activity 2 Environmental protection and restoration of activities	CE 2.3	0	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	EL
Activity 3 Manufacturing	CCM 3.21	2,646	79.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Activity 6 Transport	CCM 6.19	433	13.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
	CCM 6.20	37	1.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Activity 7 Construction and real estate activity	CCM 7.2	0,4	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		3,117	93.7%	93.7%	0.0%	0.0%	0.0%	0.0%	0.0%
A. OpEx of Taxonomy eligible activities (A.1+A.2)		3,189	95.9%	95.9%	0.0%	0.0%	0.0%	0.0%	0.0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OpEx of Taxonomy-non-eligible activities		136	4.1%						
TOTAL (A. + B.)		3,325	100%						

Biodiversity ⁽¹⁰⁾	DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards ⁽¹⁷⁾	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022 ⁽¹⁸⁾	Category enabling activity ⁽¹⁹⁾	Category transitional activity ⁽²⁰⁾
	Climate Change Mitigation ⁽¹¹⁾	Climate Change Adaptation ⁽¹²⁾	Water ⁽¹³⁾	Pollution ⁽¹⁴⁾	Circular Economy ⁽¹⁵⁾	Biodiversity ⁽¹⁶⁾				
N/EL		Y	Y	Y	Y	Y	Y	0.0%		
N/EL		Y	Y	Y	Y	Y	Y			
N/EL								0.0%		T
N/EL		Y	Y	Y	Y	Y	Y	0.1%	E	
N/EL		Y	Y	Y	Y	Y	Y	1.2%		T
N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
N/EL		Y	Y	Y	Y	Y	Y			
N/EL								0.0%		T
N/EL		Y	Y	Y	Y	Y	Y		E	
0.0%		Y	Y	Y	Y	Y	Y	1.4%		
0.0%		Y	Y	Y	Y	Y	Y	0.1%	E	
		Y	Y	Y	Y	Y	Y	1.3%		T
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
N/EL										
0.0%								0.1%		
0.0%								1.5%		

4.2 HUMAN RESOURCES

The Air France-KLM employees, present all over the world, are the Group's main asset; they bring to life the Group's brands and are their face to customers. Thanks to their collective commitment and professionalism, the Group is able to offer its customers high-end services and a caring journey, promoting lasting relationships while operating its activities efficiently and safely.

Air France-KLM aims to provide one of the best places to work, by creating a safe and motivating environment for

employees and by monitoring engagement through the Employee Promoter Score (EPS). The Group continues to invest in human capital development, to develop the skills of employees and empower them, to enable them to exceed customer expectations.

The relationship that links the Air France-KLM group to its employees is based on four values: trust, respect, transparency and confidentiality.

Key Performance Indicator	Definition	2022 Results	2023 Results	Targets
Employee Promoter Score (EPS)	Annual change in the EPS measured with Air France and KLM employees between 2022 and 2023	(56%)	71.5%	
Percentage of women in managerial functions	Executive Committee members	31%	33.3%	40% by 2030
	Top 10% management level for ground staff	35.4%	36.2%	
	Flight deck crew managerial functions (Cockpit crew)	5.9%	6.2%	
	Cabin crew managerial functions (Purser)	65.1%	66.1%	40% by 2030
Number of hours of training per employee	Number of hours of training per employee consolidated at Group level	41.8 hours	38.6 hours	

See note on the methodology for the reporting of the social performance indicators, section 4.2.6.4.

4.2.1 Working conditions and employee engagement

Context and strategy

Since the Covid-19 crisis, repaying the loans guaranteed by the French and the Dutch States has been a priority for the Group and Air France-KLM has succeeded in this key factor of success for the long-term future thanks to a continuous dialogue between the social partners and the General Management.

Within the wider context of rising inflation, limited capacity in some airports and workforce shortages in certain positions, the Group consolidated its resilience and demonstrated great agility to adapt to the changing volume of operations.

Now more than ever, the strategy common to all the Air France-KLM group businesses remains to foster employee commitment and motivation, by offering employees working conditions that enable them to fulfil their professional duties effectively and, thus, contribute to the Group's performance.

Measures and performance

Within the Air France-KLM group, the Employee Experience is a key element of its People strategy and a pillar of its Sustainable Development strategy. "Our people deliver our customer experience" and it is through this policy that the company can outperform its competitors. The roadmap ("Flight Plan") aims at motivating employees through defined action plans at

the level of every division of the airlines and the Group including, notably, an ongoing commitment to diversity, inclusion and interpersonal connection, staff development, support for initiative, promotion of team spirit and collaboration.

To measure the level of employee engagement, Air France, KLM and Transavia France use the Employee Promoter Score (EPS), the in-house equivalent of the Net Promoter Score which measures the level of customer satisfaction. In the three companies, a rotating random selection of employees is regularly polled to ascertain whether they would recommend Air France, KLM or Transavia as employers to their friends and family. The method enables (theoretically) all employees to express themselves about twice a year and the results are shared with all staff. At the Group level, the consolidated EPS saw an overall fall between 2020 and mid-2022 and has been on a recovery trend since the summer of 2022, albeit without yet reaching its pre-Covid-19 level.

In 2023, high inflation rates and workforce shortages in certain areas of the company had a significant impact on working conditions, compensation and other elements related to the high activity level the industry was facing. During summer 2022, Air France-KLM succeeded in improving employee engagement by activating in-depth listening to employees, dedicated action plans and exceptional salary measures to protect the workforce from inflation.

A plan was established to give substance to the EPS recovery in the long term:

- steering: We are all responsible for creating a culture and environment in which everyone feels comfortable and is supported in the right way to make a difference. Employee engagement is steered in all the teams and businesses;
- listening: At Air France, open questions have been added to the EPS survey to gain employee insight whereas KLM and Transavia have opted to complement the EPS measurement with a wider questionnaire sent once a year; thus, KLM launched its first Employee Survey in May 2023, to almost all their employees in the Netherlands, consisting of 35 to 45 questions depending on the target group;
- action plan: At Air France, managers are strongly encouraged to listen to local specificities and needs, and to work on local working conditions or any other local issues raised by employees. They are provided with resources to come up with solutions and move forward together. Initiatives include the improvement of working conditions (e.g.: redesign of the work place in cargo and for flight crews), high salary measures in response to the inflationary context, celebration of the 90th anniversary of Air France with many events involving employees, dedicated budgets for managers to act on team building and cohesion.

Started in 2022, a communication plan for employees enabled buy-in to the “*Nous sommes Air France*” pride in teamwork initiative, to share important assets of the company like its history, its products, its brand history and its commitment to be able to contend with the current environmental and societal issues, and to value the many professional perspectives within the company.

At KLM, the results of the Employee Engagement Survey are aggregated KLM-wide and at the divisional and team levels, enabling everyone to do something to improve engagement within their circle of influence. A toolkit has been developed to help managers define their priorities and follow up on the results.

At Transavia, the results of the Employee Experience Index show that, since last year, the level of satisfaction regarding leadership, structure and working conditions has risen significantly. In terms of remuneration, in addition to the general salary increase to support all employees during this period of high inflation, specific actions were implemented to, for example, support the operational teams during the summer peak in activity and retain specific talents.

Employee commitment despite the difficulties

2023 was marked by a very significant level of commitment from the Group's employees in a context of a rebound in activity for the second year in a row. The EPS has not yet returned to the pre-Covid-19 crisis level, a situation probably due to some feeling of uncertainty linked to the departures of many colleagues in the previous years and a high inflation rate. In 2023, the Air France-KLM group reaffirmed its commitment to social and environmental topics in the regions where it operates and the involvement of Air France employees in the “*Mon Engagement Citoyen*” initiative is still going strong (see chapter 4.6).

KLM's approach to promoting sustainable development at the scale of the organization also drove the establishment of programs aimed at making KLM a more welcoming and inspirational employer offering diverse professional development opportunities. Strategic partnerships with esteemed institutions, including ROC education centers and the Amsterdam University of Applied Sciences, aim to stimulate employees and facilitate the discovery and development of their talents so that they can make better choices in a constantly changing environment.

As an example, the alliance with Luchtvaart Community Schiphol (LCS), is used across our various divisions: LCS operates on the three fundamental pillars of labor market expertise, targeted programs and projects, and effective community management; it is steadfast in its commitment to expanding a community of businesses that share its mission. As an integral part of the KLM ecosystem, LCS collaborates with relevant partners, bringing together the government, knowledge institutions and our aviation sector to foster closer collaboration and synergy.

Throughout the year, entities and divisions of the Group held multiple employee events to foster employee engagement. The events were interactive and informative to promote interaction between the employees. The CEOs, Board members and Executive Committee members frequently held webcasts to connect with staff, keep them informed of relevant developments and be available to answer any questions. In addition, the Human Resources departments multiplied their touch points with employees and managers.

4.2.2 Resource adaptation and employee dialogue

Context and strategy

Since the unprecedented context of the Covid-19 crisis, the most serious crisis experienced by the Air France-KLM group since the Second World War, the Group's airlines have initiated a number of different actions to enable a return to financial breakeven, notably by maintaining or reducing their labor costs, while prioritizing voluntary departures as far as possible. The Dutch and French governments supported the Group's efforts, each within the framework of their own country's social systems.

This resource adaptation was accompanied by reorganization and transformation projects aimed at improving the Group's efficiency and restructuring its French domestic network, but also to take into account the new environmental conditions.

In 2022 the business context radically changed with a steep ramp-up in activity through the summer and 2023 saw the level of activity maintained at a very high level. This was a challenging operational context for both airports and airlines in a tight labor market and with inflation at levels that had been unprecedented in the previous decades. In this new context, the calibration of the different plans and support measures continue to be systematically discussed and negotiated with the unions within the framework of the procedures imposed by the country's legislative framework.

Measures and performance

For Air France-KLM, employees are covered by collective bargaining agreements and the coordination of the workplace dialogue takes place in each Group entity and within the Group's European Works Council, bringing together the representatives of staff whose head offices or entities are based in the European Community.

During 2023, Benjamin Smith (Chief Executive Officer of Air France-KLM), Marjan Rintel (KLM's President & Chief Executive Officer) and Anne Rigail (Air France's Chief Executive Officer) held regular meetings with employees in the various sites, to engage in dialogue on current topics. The number of Air France-KLM employees and their skill sets need to be adapted to the transition currently being experienced by the aviation industry. New aviation industry technologies, digitalization and changes in the labor markets are pressurizing the company to prepare its employees to adapt to these changes.

All airline entities of the Group organize regular meetings with their employee representatives and works councils.

Thus in total, during 2023, Transavia Netherlands convened 12 meetings of the works councils and four of the health and safety committees, and Transavia France 13 meetings of the works councils and four of the health and safety committees. KLM convened 10 meetings with the work councils, four consultation meetings with other employee representatives and 10 with the health and safety committees.

In 2023 Air France-KLM started with a renewed protocol and new elected members and convened four meetings with the Group's European Works Council. In France, in line with the country directive and the agreement with the representatives of staff, Air France conducted three meetings with the French Works Council, 19 meetings with the Central Social and Economic Committee (*Comité Social et Économique Central* – CSEC), and various meetings in the diverse establishments. These interactions testify to the intensive employee dialogue required to adapt to the challenges facing our company and the industry.

Signature of major agreements

The negotiation of agreements in the different airlines of the Air France-KLM group continued throughout 2023, to respond to the health, inclusion and financial challenges arising from the need for reactivity and flexibility in a context of high inflation.

In view of the health context and following the lockdowns in France, the TeleWorking Charter (*Charte du Télétravail*) was introduced in February 2022 allowing employees whose positions are eligible and following agreement from their managers to benefit from remote working, either for a few days per year or on a regular basis, while initiating discussions on hybrid working. Since 2022, based on the results of a dedicated survey, actions have been implemented to further improve hybrid working, and to ensure the more effective use of the working spaces and collaborative tools.

The salary negotiations with Air France unions enabled a formal response, in June 2023, to the exceptional inflation situation. Further to the announcement of the re-organisation of the domestic network on departure from Paris, negotiations were initiated with the representative trade union organizations to define support for the relevant employees.

In March 2023, the professional elections at Air France were the subject of a significant number of collective agreements organizing the electoral process and the conditions of social dialogue for the 2023-27 period: pre-electoral agreement, central union rights agreement, local union rights agreement, agreement on the functioning of the Central Social and Economic Committee.

At KLM in 2023, three collective labor agreements were signed with the Ground Staff, Cabin Crews and Flight Deck Crews, including a wage increase over the period from March 2023 to February 2025. Defining a minimum monthly increase, KLM set a high social standard in the Dutch market, enabling the operational functions with the lowest salaries to receive a salary increase of up to 12.5% for 2023, not far from the inflation rate.

In addition, these agreements further improve working conditions, with a revised senior policy, commuting facilities, compensation for working from home and regulations regarding work and rest times.

Transavia Netherlands numbered four collective agreements, three of which were renewed in Summer 2023, for cabin, flight deck and ground staff; Cabin on call staff are subject to another agreement which had been signed in December 2022. These agreements improved wages to face the unprecedentedly high inflation, established retention measures for technical personnel of whom there was a shortage in the market, and took steps towards a sustainable mobility policy and inclusive collective agreement. The senior policy previously agreed for cabin crew was extended.

Through the agreements signed, we are investing in the employment conditions of today and tomorrow.

Resource adaptation via a number of measures

After having implemented emergency measures via a hiring freeze for external staff and the only limited renewal of temporary contracts in 2020 at the height of the Covid-19 public health crisis, the context was to prove very different in summer 2022 with a steep ramp-up to a high level of operational activity. Air France-KLM prepared for both seasonal and longer-term recruitment as of the end of 2021 and in 2022 and 2023. Despite the uncertainties linked to the geopolitical context, the demand for travel was confirmed and required continued hiring in the operational and aeronautical maintenance professions: pilots, mechanics and fixed-term contract cabin crew and airport staff for the summer season.

Despite tight labor market conditions in some areas, the attractiveness of the Air France-KLM group remained strong. Both the quality and volume of applications were satisfactory in 2023 however high demand for mechanics in the market slowed down the recruitment of these profiles.

- Regarding work-study students, Air France returned to its pre-Covid-19 crisis volume: around 1,000 students joined the company in all sectors and levels in 2023.
- Volume and time of seasonal hiring and training of staff were key factors in the success of the operations in the summer season.
- Long-term hires focus on mechanics, pilots, cabin crew and other key (and often scarce) skills linked to activity transformation or the age pyramid. Internal mobility remains the preferred solution whenever possible.

- The matching of needs and resources remains a priority: sectors that may appear overstaffed are monitored through the Forward Planning of Jobs and Skills process (*Gestion Prévisionnelle des Emplois et des Compétences – GPEC*) and a cross-functional Employment Committee.
- Departures took place at the Orly and other French airports through a voluntary departure plan as part of a Collective Conventional Termination agreement at the start of 2023.
- With revitalization actions in the territories, Air France offsets the eradication of jobs linked to workforce reduction. Since 2011, three revitalization agreements have been implemented in Mainland France and the overseas departments, which invested in the creation or maintenance of more than 5,000 jobs. Air France's Sodesi subsidiary is responsible for working with the public territories administrations to implement employment projects. A fourth revitalization agreement launched in 2022 is currently being deployed.

In the Netherlands, many new recruitment initiatives supported the ramp-up in activity:

- attracting new baggage and apron staff was one of the main focuses for the recruitment of ground staff, with several hundred new employees;
- KLM Recruitment Flight Staff attracted and selected a large number of new colleagues, including cabin crew and pilots;
- KLM rebuilt a solid flex pool for ground staff of all levels, with the contracting of two extra flex agencies in 2022. Additionally, in the same year, a pool of flex workers in KLM's ground operations signed contracts for a fixed tenure;
- based on in-depth labor market data, KLM created and launched the sub-brand KLM Tech & Data, enabling a large scale recruitment campaign targeting IT talents.

Along with the pilots' representative unions, KLM adopted a variety of measures to address its temporary shortage of pilots. Thanks to a pilot-competitiveness plan introducing more flexibility and productivity over the 2023-25 period, the company is able to hire and train its pilots faster, mitigating the risk of a shortage of flight deck crew staff in the short- and long-term.

4.2.3 Development of human capital and Talent Management

Context and strategy

Within this context of a shift towards a more sustainable airline industry, internal reorganization and the ramp-up of activity against the backdrop of a tight employment market, the development of human capital and securing the loyalty of talented individuals are imperative to transform the companies within the Group. Our inclusive Talent Development strategy aims to enable employees to make optimal use of their talents, improve their employability and thus add value to the organization.

The 2020-22 campaign on the Forward Planning of Jobs and Skills (GPEC), combined with a strategic vision and a business-focused approach, enabled the identification of the future staffing needs based on a number of different scenarios, while providing solutions on mobility, employability, research and employee loyalty, and the management of the effects of the digital transformation.

The Human Resources teams and the Executive Committee very rapidly pinpointed the strategic challenges involved in retaining and developing talent to add to the succession plan for key positions.

In 2021, Human Resources assessed the current talent management approach for the Group, redefining the requirements of the business, reviewing the tools and processes used by the human resources departments and sharing the needs and expectations of the talents. Priority areas for improvement were defined and implementation continued in 2022 and 2023. This process covered the definition of leadership expectations common to all the Group entities, the development of transversal leadership training programs for the different levels of leadership maturity and a coordinated approach for talent identification and succession planning.

To structure this process, the airlines follow an annual cycle for managers and employees with a specific pathway through which to address Talent and Performance Development topics. At KLM, the outcome of the talent identification session is captured in the HR system (SAP SuccessFactors) and in 2023 the implementation of the recording of the succession planning in SAP SF began.

Air France-KLM is building solid bases to connect people, skills and opportunities, a key factor in our successful transformation.

Measures and performance

Despite the challenging financial context of exit from the crisis, the Group pursued its policy of investing in formal training: the number of training hours per employee stood at 38.6 hours in 2023.

The Group considers people's development through the three dimensions of on-the-job experience, feedback and formal learning. In 2023, the entities launched and continued actions covering these three dimensions, taking into account the businesses' own specificities and starting points.

Related to development through on-the-job experience, dashboards based on HR data are used and updated to monitor the number of promotions and the inflow and outflow of employees.

In this respect, particular attention is paid to employee turnover and the age pyramid is also considered when we study employee development support options.

TOTAL TURNOVER AND VOLUNTARY TURNOVER OF AIR FRANCE-KLM GROUP EMPLOYEES

	2019	2020	2021	2022	2023
Total turnover rate ⁽¹⁾	6.1%	9.9%	9.4%	8.4%	6.9%
Total voluntary turnover rate (retirement included) ⁽¹⁾	1.5%	4.3%	4.8%	5.1%	4.7%

(1) See Note 6 in chapter 4.2.6.4 Turnover Rate section.

Within the framework of the data collection process, people leaving the company are offered exit interviews or the opportunity to complete an exit survey to gain insight into the reasons for their departure. They form the basis for a further improvement in our employee value proposition.

Air France and KLM continued the policy launched in 2019, to transition from exclusive (aimed at a targeted group of employees) to inclusive talent management (every employee is a unique individual who should be given the opportunity to develop their skills). In 2023 the common talent management approach was updated and a common people development strategy and action plan were implemented.

Formal learning actions to support employee development

The Air France-KLM group strongly encourages its employees to learn, take responsibility for their individual and professional development, build personalized career paths and foster their own employability. The yearly training plan has been designed to support and accompany the strategy of the Group and to develop individual and collective performance.

Over the last two years, major efforts were made to further modernize and fluidify the search process for the various learning programs in the modern and user-friendly MyLearning tool, using Artificial Intelligence. In 2023, KLM further enlarged the scope of the learning content distributed, via a link to the "external training portal" which includes a rich and varied training offer with special attention paid to workers. It also enables KLM to suggest specific training courses to its employees and to

allocate a personal development budget, called the Sustainable Employability budget.

Air France created Learning Channels (LC) to facilitate the use of the training offer: LC Management & Leadership – based on the leadership model -, LC Quality and Health in the Workplace, and LC Diversity. This year, the LC Data was introduced supporting the development of data management skills for all. The company also strongly supports its managerial transformation with a multiplication of face-to-face training courses and virtual classrooms led by experts.

To promote its learning culture, Transavia Netherlands launched its learning hub in 2023, a learning and development ecosystem aiming at centralizing personal behavioral training.

Transavia France deployed its new Learning Management System, which proposes e-learning and face-to-face content for all staff. The latest and third edition of the Learning Week at Air France was launched in December 2022, introducing the diverse and numerous possibilities on offer for learning.

A portfolio aligned with the strategy

Linked to the transformation of the company, Air France has prioritized several areas of development:

- risk management: flight safety, occupational health, and safety, compliance (anti-bribery, GDPR);
- fundamentals: customer care, sustainable development, English language, diversity;
- data world: addressing the attraction of jobs around data, onboarding of these jobs, and transforming the potential of our data into a competitive advantage;
- managerial transformation: to enrich the dynamic of training and development of all managers and cadres, the program "Boost Your Performance" was launched in 2023, guiding employees in developing six key competencies such as: Feedback and Manager Coach, Oral communication and impact, Economic and Financial Knowledge, Safety Culture and Multi-Risk, Ecological Transition, Labor law/Labor law in management. This program contains mandatory training modules.

In 2023, KLM focused on education around the following topics:

- occupational risks: raise awareness about dangerous goods, psychosocial labor load, physical load, noise, hybrid working;
- customer-centric culture: to create memorable experiences on the planet we care for, we need to deliver our brand promise to every customer. To engage employees in their role and impact the customer experience, a specific e-learning module was created for internal stations and customer services, under the umbrella of the We Care for our Customers program;
- operational excellence: cargo provided around 700 operational employees with training around role awareness, becoming professionally competent and remaining professionally competent;

- in-flight services: an inspirational day to reflect on the core of what cabin crew do onboard and the meaning of their mission;
- pilot: anticipating a workforce shortage and encouraging those with ambitions to become a KLM pilot, the company now covers the full cost of the flight training;
- new Airbus NEO aircraft: Virtual reality is cost-efficient and easy to incorporate in planning and rostering. To support all crew in obtaining compliance certificates for this aircraft, an Aircraft Visit training module is being designed in-house;
- flight operations: A start has been made on providing insight into learning paths between various secondary functions. This contributes to transparency and the quality of development of secondary staff.

Some initiatives are also conducted jointly in development areas that are essential for both Air France and KLM, such as the "Sales Excellence" program with the renewal of an academy aimed at the specific target of regional directors, sales directors, account managers, and domestic sales, which represents approximately 1,400 people.

Developing performance management

In the shift from performance management to performance development, the Air France-KLM group's approach to performance appraisal is now oriented towards a forward-looking and appreciative process based on constructive feedback to contribute to professional maturity, career development and sustainable employability. In these individual conversations, managers are asked to put the emphasis on talent and the development of the expertise and actions needed to enhance an individual's value in both their current and future roles and activities. The aim is to help identify employees' talents and their individual growth potential, and thus maximize everyone's contribution to the company's results.

At Air France, this program is supported by a tool developed internally and is positioned as a management transformation lever. It is based on two key concepts: continuous performance management and multi-evaluation. Development of the feedback process builds employee skills and, consequently, enhances individual and collective performance. Managers conduct at least one annual interview with every member of their teams to assess their performance for the year and their potential development for the following year.

Since 2022, Air France has reinforced its performance management process with dedicated support for managers in their roles: the Management Lab enables hundreds of managers to share best practices, advertise learning and development opportunities and connect with each other. In 2023, a Lab focused on "managing team performance". Managers could also attend training courses dedicated to goal setting or annual performance evaluation, strongly encouraged by push corporate communications.

At KLM, a new performance appraisal format was introduced in 2021, based on constructive conversations about talent, development and performance. An evaluation of the process is ongoing, via a questionnaire added to the end of the discussion form, encouraging managers and employees to evaluate both the process as well as the impact of the conversation.

Transavia France opened a new performance review campaign at the end of 2023, articulating the two key steps of the annual review of objectives and the professional development discussion. The online tool supports the review, updating and co-building of objectives throughout the year and encourages feedback.

In terms of the content of performance, both the “what” and the “how” of performance are considered in the development discussions and performance assessment.

Developing leadership

In 2022 the Air France-KLM leadership model was defined, and the executive leadership competencies were formulated. In parallel and in addition to addressing leadership development needs transversally within the Group, with Air France-KLM training programs for leaders at both the senior and middle-management levels, several development initiatives were built to enrich the executive and managers succession plan and to anticipate the need for specific competencies in the business units:

- a pilot for 3-5-7, on sustainable employability was proposed to KLM executives. Together they look at their professional future, consciously take a step back to reflect on their contribution after three years in the position, review their ambitions in this position and elaborate long-term goals for their own professional and personal development. The same reflective approach is proposed after five and seven years in the position, with a more outward-bound view. Support and intervention possibilities are offered and used;
- for new leaders, a “fundamental leadership program” was launched in 2022 and 14 groups have already started this program. The main focus points are people skills, managing an inclusive working environment, people sustainability, talent development and the setup for success and results;
- for experienced leaders, a “modular leadership program” was launched with two groups in 2023. The modules cover self-awareness and development, connection and navigation, inclusive leadership, attract, engage and retain, reflect and optimize and the setup for success and results in a complex and changing environment;
- since 2019, for shift leaders in the operational divisions, KLM has been running a leadership program and has already benefited 24 groups of employees. The mandatory modules are communication skills, connect, leading teams and supportive leadership;
- for functional leaders in the operational divisions, KLM started a leadership program in 2022 with a kick-off attended by 40 people from several divisions. In 2023 three more groups experienced the program which aims to enable hundreds of functional leaders to improve their people skills, create a safe and sustainable working environment and lead for results;
- about 320 employees have benefited from customized leadership acceleration development programs like the Senior Leadership development program for Senior Management, the Focus on Your Future leadership development program for middle management, the Reflective Leadership Day and the Development of Leadership Skills Under Pressure focus for top management. Complementing this offer, in 2023 the company launched the Unleash Your Leadership program, based on Art thinking. All these programs focus on business, leadership skills, engagement and personal growth;
- creating a safe and motivating working climate: completing initiatives like more simple procedures and clear reference guides, training and dialogue sessions were built for leaders who face challenging situations and need to practice in dedicated and safe workshops. Three training courses and 10 sessions were run in 2023.

Transavia Netherlands renewed its vision of leadership development and took the first steps in putting this into action with the launch of a Leadership Day in November 2022. Looking at the many new managers, the airline also focused on connection and knowledge exchange with online peer groups of leaders and with wider circles. Several leadership development initiatives were launched in 2023 touching approximately 130 managers.

In line with the Group's new leadership model, to support the challenges of the business and to accelerate its transformation, Air France updated the cross-functional skills reference framework for managers and rolled it out in 2022. It defines the required soft and hard skills with the levels of proficiency that executives and managers can call on to develop their teams and their own skills. To supplement the manager toolbox, the training and development offer has been enhanced accordingly, with assessment and self-assessment tools to measure skill gaps and better identify the relevant individual plans. For instance:

- knowledge of self: transversal competencies auto-diagnostic, mirroring (“*retour d'image*”) 360°;
- individual coaching and mentoring;
- peer sharing: The Lab Program for managers and the Co-development and “Coup de Pouce” program embarked around 1,400 managers in 2023;
- in 2023, Air France launched a new “Develop your potential” program for first-level women managers, to develop their leadership skills with specific attention to the female perspective.

KLM and Air France continue to offer talent and leadership programs like the *Femmes de Talent* training and coaching program, aimed at enabling high-potential women to develop their leadership skills within the Group and occupy senior management positions.

Developing skills in various manners

With the deep transformation of the company towards a more sustainable aviation, helping employees transition into different roles within the company and supporting them to be up to their jobs is more important than ever. Air France-KLM has invested, via the Human Resources departments, in supporting the whole organization in the analysis of performance gaps, researching development, and learning needs, designing learning experiences and developing learning products. Aside from an increase in levels of performance, we expect these activities to have a positive impact on employee engagement within their field of work, on retention and ultimately on employee satisfaction.

We recognize our employees for their whole selves and develop their ability to build their careers around their unique talents.

Employees are encouraged to think about what their work means to them now and in the future. With the online platform tool "MyTalent" on the "TalentBase" platform, KLM feeds and stimulates employee thinking about the use of their interests and talents. Employees can run several scans to explore their skills, motivation and talents, and can match these against vacancies within the company and in other organizations in The Netherlands. Since December 2022, MyTalent has also been available in English; with this upgrade, a wider range of employees can be reached.

Air France-KLM is deliberately shifting towards a more skills-based organisation, aiming at continuously ensuring that the skills needs are covered, for now and in the foreseeable future. The outcome of our Strategic Workforce Planning methodology is now available from a roles and skills perspective, enabling the creation of an appropriate build/buy/borrow strategy of skills, for each area of the organisation.

NextGen is an inclusive Air France program benefiting young graduate employees with various profiles and skill sets, that respects the employees' pace, development objectives and motivation. Employees are individually supported in their development and integration with onboarding days, events, conferences throughout the year, talent manager support (buddy system, industry discovery), a Teams network, meeting points with Executive Committee members, a dedicated Learning channel and off-site visits, all energize the Next Gen Program.

The "Spirit for the Future" program aims to meet the need to be inspired and to enhance skills and knowledge, to promote personal growth, to make an impact, to expand the vision of the airline and to build a network outside the employees' immediate work surroundings. It had been built during the crisis with the aim of retaining the talents

identified as change-makers, the key players in the transformation. The program is still relevant and feedback about it was used to develop two additional talent programs: one for Pilots aspiring to an ancillary function on the ground, launched in 2022, and one for Cabin Attendants/Pursers aspiring to hold ancillary ground functions, launched in 2023.

In 2023 KLM built on the pilots program held in 2022 to further implement its skills and competency strategy roadmap. The first steps were taken towards a specific skills taxonomy using an external AI/Machine Learning solution and the data currently available in the talent and learning systems.

Air France-KLM numbers a large proportion of senior employees and is developing dedicated initiatives related to skills development and career opportunities. The new 2023-24 PACTE agreement signed in July 2022 came into force on January 1, 2023. It includes special arrangements for seniors' employment, learning, skills development, health and retirement planning.

As with many organizations in The Netherlands, KLM has an aging working population. To better understand and enable this population to remain fit for the future, a multidisciplinary team has used design thinking to research the needs of this target population and has built answers with both low-hanging fruit and longer-term solutions. Consequently, a digital skills training program was launched in 2023. Working together with a Knowledge Centre allows KLM to offer not only training but also a refurbished laptop for this target group, so they can, with guidance available up until one year after the training, further practice and use their newly developed skills.

Reinforced steering of mobility

In 2022, the Air France-KLM group reaffirmed its commitment to promoting skills-based mobility. The Group identified the connection of people, skills and opportunities as a key factor in success and a contributor to talent management and sustainable employability.

Promoting mobility

Throughout 2023, the steering process for transverse mobility between the different Group companies, deployed in December 2020, was activated to enable the more effective matching of requirements and resources, and to foster the development of human capital.

The airlines also strongly promote internal mobility. A few Air France initiatives were developed in 2022 and 2023: a dedicated internal e-magazine with testimonies and mobility supporting tools, "I changed position" replays of employees with inspiring career paths, "Career Path Day" to explain mobility steps and meet managers who are recruiting (110 participants in 2022, 185 in 2023), internal recruitment forums (1,450 participants in 2023), webinars aiming at engaging managers to promote internal mobility and welcome newcomers in their teams.

Reinforcing the employer brands

During 2022 and 2023, the entities of the Group adjusted rapidly to the numerous internal and external labor market changes and continued to build a strong employer brand, including optimizing the candidate journey: KLM simplified the application process removing the requirement for a letter of motivation while Air France developed remote interviews and simplified the assessment step.

Due to its agile team structure, KLM was rapidly able to adapt to the sudden change in internal mobility forecasts. As of the end of 2021, KLM was already preparing for the roll-out of a series of external recruitment campaigns, specifically in the technical and IT functions. Air France consolidated its partnerships with schools and public recruitment forums, launched a “Take Off Day” to showcase our job opportunities to undergraduates and students, and actively participated in the planning of a new university diploma dedicated to innovation in social science.

Supporting individualized mobility

However, despite all these efforts, meeting the workforce needs remains a challenge for the coming years, meaning that individualized and skill-based mobility appears to be an attractive solution that the company tested in 2023 via several initiatives; here are a few KLM examples:

- technical leadership program: training from mediator to senior (five employees);
- business & Tech management traineeship (20 participants);
- reverse mentoring: a professional at the beginning of his or her career mentors an experienced professional to inspire him or her with innovative insights and techniques;
- in IT, Operational Development Engineers are trained on Cloud technology to take on a new IT role, from server to the cloud (50 employees);
- re-skill and upskill in Data & Technology, 72 employees followed 130 training courses;
- pioneer exchange program from BlueLabs: internship aimed at acquiring new knowledge and skills in an innovative environment;
- implementation of a Talent Development Cycle for HR Talent managers and business partners.

Supporting mobility of the targeted groups

As a pilot for the E&M population, the initiative “At the helm of your own development” encourages employees to build a match between their experience and ambition, making optimal use of their talents.

In May and June 2022, the company successfully organized workshops for operational staff and managers along with individual career coaching involving approximately 80 employees. This pilot confirmed that

operational staff need strong support for mobility, in addition to the online mobility platform; this can be provided by their managers and supplemented with career coaching. Based on this trial, KLM continued to develop and offer workshops for both employees and managers, and is expanding its pool of career coaches. The “KickStart” program was launched in 2023 to complement the above initiative. It consists of interviews, workshops and coaching sessions, and the first cohort started in October 2023 with 55 employees.

To attract applicants for logistics and limit heavy work to a limited period of time, in 2022 KLM Ground Services started offering a new five-year contract with a development program for operational staff. Employees were recruited for a limited period with a development program which includes a path towards a logistics diploma and career guidance. The promotion of the new contract format resulted in the arrival of around 600 new employees during 2022 and during 2023 the limits of these contracts changed; KLM decided to create steady jobs for these employees, keeping the advantage of their ability to move through different workplaces and even divisions.

Management Traineeships enable young top talents to find their way within the organization and use their skills to contribute to creating a more innovative, sustainable, people-orientated and efficient organization. Four specializations are available: Corporate, Business and Technology, Finance and Engineering and Maintenance, via a recruitment process that uses motivational questions rather than based on a growth mindset. Air France established the Mobility Steering Committee to address the challenges of matching needs and resources linked to activity reorganization. The aim was to monitor staffing levels and skill sets, to bring visibility to applications from employees whose positions have been made redundant and to focus on the need for external recruitment to fill the gaps for rare or specific skills. The Mobility Steering Committee also promotes the retention and development of talents, bringing agility to both selection and development.

2023 saw a high number of internal job moves, supported by internal selection, enabling employees to assess their employability.

Collaboration in ecosystems, with partners such as Schiphol, knowledge institutions, government, defense and the Schiphol Aviation Community, supports key themes such as sustainability innovation and the tightness in the labor market. Knowledge sharing is crucial to face shared social challenges and to learn from each other. One example is the Brightsky project, from which an [Aviation Academy Schiphol](#) will emerge. The format delivered in December 2023 will continue during 2024. Through education, training and multidisciplinary work on assignments in all forms, employees can become more mobile and potentially grow in their careers.

Internal coaching and mentoring continue to be offered at the different levels of the company

The Air France-KLM group promotes all kinds of positive and constructive feedback, seeing this as an important dimension in development and also contributing to a healthy working environment: on-the-spot and timely feedback, individual conversations, 360° and other forms of feedback are all encouraged throughout the Group, supplemented by internal or external coaching and mentoring to which specific attention was paid in 2023 in Air France.

The offer of peer-to-peer co-development sessions for managers has been reinforced within Air France. Diagnostic tools such as 360° feedback saw a wider roll-out from 2022 and individual mentoring and coaching continued to be deployed. In 2023, more than 100 managers benefited from mentoring at Air France, and the use of the Listen Up feedback tool for managers increased as well as the use of 360° and peer feedback.

Transavia Netherlands improved and expanded its team coaching product. With a large team of internal coaches – 15 employees have obtained their certification since 2021 – in 2023 21 teams benefited from behavioral coaching and almost forty individuals within these teams from additional individual coaching.

4.2.4 Diversity, equity and inclusion

Context and strategy

As a signatory of the United Nations Global Compact, Air France-KLM is committed to respecting the universal principles relating to the respect of human rights.

In the Air France-KLM Principles, the Group affirms its commitment to fostering a climate of trust and mutual respect in a working environment where no form of discrimination, micro-aggression or harassment is tolerated. Various initiatives have been implemented in the airlines to support this commitment.

Air France-KLM strongly believes that a diverse and inclusive workforce has a positive impact on the performance of the organization, attracting more talent and being more customer-driven, having higher levels of employee engagement, taking better decisions and being more innovative and creative. Thus, the Group continues to support all forms of action to encourage equal opportunity, equality between men and women, LGBTIQ+ and under-represented minority networks, the vocational integration of young people, the transmission of knowledge and skills, and the maintained employment and recruitment of persons with disabilities.

The far-reaching societal and economic implications present both opportunities for and challenges to promoting Diversity & Inclusion within the workplace. The business imperatives for Diversity & Inclusion (D&I) have become increasingly clear; Diversity & Inclusion remains a key priority in the transformation of the Group, of the teams, and of every individual. For instance, Air France is conscious of its social and societal responsibility as the leading private employer in the Ile-de-France, with two airports located in the heart of the region. The company is mobilized at all levels to fight against all forms of discrimination, and to promote equal opportunities, fairness and inclusion. This D&I statement is also accessible to all visitors to klm.com.

In September 2021, the Group launched an internal assessment to understand its current D&I departure point and its transversal mindset going forward. The goal was to further improve and encourage an inclusive culture and

leadership, consolidate our approach to combating all forms of discrimination and inequality, make our progress more measurable based on relevant data, insights and good practices, and prioritize decentralized activation based on specific needs, with clear objectives and initiatives. In November 2021, a D&I survey was sent to all employees within the Group and the strong response rate testified to their keen interest in the topic. The objective of the survey was to develop deeper insights into multiple aspects, like representation, inclusion and equity.

The Group's priorities are based on stakeholder needs, improvement points and external good practices, and they mainly touch on the dimensions of leadership, culture and measurement. The results were analyzed in early 2022, providing deep insights into employee perception of D&I; they now form recognized elements for our baseline. To anchor diversity and inclusion in the day-to-day lives of our employees and teams within the company, the first step in our multi-year plan was the raising of awareness around the topic, the sharing of our ambition and the deep understanding of our starting point.

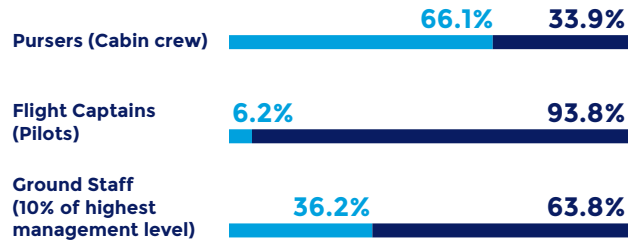
Measures and performance

Air France-KLM has set itself a long-term objective of reaching parity between men and women within the Group Executive Committee and within the top 10% highest levels of management.

In addition, in parallel with the French entities achieving their diversity targets in accordance with the deadlines set by French law, medium-term targets of a minimum of 40% women within the Group Executive Committee and 40% of the top 10% management level positions to be held by women by 2030 have also been set by the Board of Directors. Concretely, in the event of the recruitment and/or appointment of new members and candidates with equal skills, expertise and management qualities, preference is given to female candidates. An action plan has been deployed with a stronger focus on the careers and promotion of female profiles at all levels of management. In 2023, 33.3% of the members of the Group Executive Committee were women.

In 2023, the proportion of women in managerial positions continued to increase for all categories of staff:

PERCENTAGE OF WOMEN/MEN IN MANAGERIAL POSITIONS



The Group D&I governance is supported by a solid structure in the airlines: KLM has a D&I Circle responsible for defining the strategy in The Netherlands and safeguarding the overall quality and execution of the roadmap. An independent D&I Ecosystem has been established, with representatives from the different businesses, D&I leads as well as employee network resource groups (ERGs) providing insight about under-represented population groups, increasing awareness and enhancing discussions. Air France is supported by a centralized D&I team that defines the direction, launches actions and interacts closely with all management levels to embody the change and make it tangible in all areas of the company. Transavia has trained all its formally mandated employee representatives. Improving Diversity & Inclusion is a journey during which we pay constant attention to the way our employees experience this cultural transformation. ***The evolution of their perception of their own inclusion within their teams will guide us on the path. As a result of our first D&I survey, 76% of the 13,000 respondents agreed with the statement "I feel welcome and included within my teams".***

The strong engagement of Air France in numerous actions promoting diversity and inclusion is reflected in its contractual policy i.e. the 12th three-year agreement on employment and retention of people with disabilities and the 6th three-year professional agreement on gender equality, and their concrete results. These actions are at the heart of our values and are the subject of daily work by the teams and a dynamic of continuous improvement. Air France has retained a Glassdoor score of 3.8/5 and is recommended by its employees for its diversity and inclusion policy, and its culture and values.

Raising awareness of Diversity & Inclusion

We have identified raising awareness about Diversity and Inclusion and understanding of our ambition on this topic as a key starting point for our D&I journey. Indeed, awareness and training are key to combating stereotypes and preventing situations of discrimination.

The entities have set up several face-to-face or e-learning training modules, some of which are specifically aimed at managers and the HR network. Throughout the Group, the learning platforms cover topics about Bias and Bias in Recruitment (unconscious bias and the ways to remove structural barriers and systematic bias), diversity of religions within the company, Discrimination, Racism, psychological troubles, organizational sensitivity and micro-aggression.

The entities have also raised awareness in different ways in accordance with their countries and cultures; we might mention initiatives like: the interactive talk "Are you an inclusive colleague", the podcast about D&I for the whole company, speed coaching and mentoring for the young with difficult socio-economical backgrounds, a fun and interactive challenge to approach and understand handicap, the "intergenerational duos" photography exhibition, dedicated D&I leadership workshops to educate leaders on how to implement D&I within teams (230 leaders trained in 2023), Inclusion Scan (more than 600 this year) i.e. a personal assessment on inclusive thinking and doing based on a scientific approach by the University of Leiden.

For two years now and again last November, Air France has been organizing a Diversity Month, during which webinars, forums, exhibitions and challenges reiterate the company's diversity ambitions and explore the topic. Participation in Diversity frescoes is proposed to employees, a collective intelligence workshop to raise awareness and questions about the issues of discrimination and inclusion within organizations.

KLM organizes quarterly D&I events, the opportunity to learn and grow from external speakers or companies that share their best practices and policies. KLM has also built the annual D&I calendar which was launched in early 2023, to celebrate cultures, religions and highlight important topics such as Autism, Women's Day, Keti Koti, etc.

Internal policies are adapted to strongly anchor diversity and inclusion throughout the company.

- Onboarding: the D&I chapter is now included in the KLM onboarding program for new employees.
- Language: KLM has updated the recruitment text on job sites, vacancies and communication, and around 440 templates of letters to employees have been changed to a more inclusive language.
- Recruitment: KLM organized an "unbiased recruitment" pilot with one division. This method without a CV involved a few initial tests to see if candidates have the correct skills and competencies; evaluation of the pilot run will follow.
- HR policy adaptation: often brought to the table by the Employee Resources group, topics touching minority groups are investigated and discussed; as an example, the parental leave policy was adopted for rainbow families.

Documents support employees in their transformation:

- an inclusive language document to help colleagues communicate with inclusive language in their correspondence is published in KLM and Air France;
- a D&I leadership guide in which leaders can find tips, explanations and tools to help them become a D&I role model;
- a Diversity and Inclusion guide, for all staff in Air France.

Promoting gender equality

Improving gender equality is key in the Diversity & Inclusion journey as it helps support a widespread cultural change; this improvement goal is promoted and activated throughout all our entities and at various levels.

The “Talent to the Top” Charter, signed by KLM’s President & CEO in March 2019, contains guidelines and clear agreements that help KLM to purposefully work towards durable and effective results, with progress monitored around defined criteria and an inter-company Cross-Mentoring program for women.

At the beginning of 2022, the Gender Balance Act came into force in the Netherlands and the Dutch Social Economic Council (SER) now monitors compliance. This Gender Balance Act provides strict guidelines for:

- a quota of at least one-third male and one-third female members on the Supervisory Boards of Dutch listed companies. This is not applicable to KLM, but KLM has decided to voluntarily comply with the Dutch Corporate Governance Code;
- a self-determined target and reporting obligation for “large” entities, applicable to KLM. An appropriate and ambitious target to promote gender diversity on KLM’s Board of Managing Directors and Supervisory Board as well as for the Executive Team has been set. Each year KLM must report on the implementation and progress to the SER. In addition, this report will also form part of KLM’s annual report.

For Air France, professional and wage equality between men and women is a major priority in which the company would like to make further progress in terms of human resource management. This undertaking was reflected in the signature, in January 2022, of a sixth three-year agreement with the unions on Professional Gender Equality. It aims to accelerate economic and professional equality over the next three years and now includes new measures that represent significant progress for professional equality and the fight against sexism; it contains quantified targets for the proportion of women in management roles and management committees; follow-up of the agreement is discussed yearly with the Unions. It complements the publication of the French Professional Equality Index where, for 5 years in a row, Air France has obtained a score high above the threshold, demonstrating the good dynamics within the company.

To ensure equal treatment between men and women, male-female comparative indicators are tracked annually within each division of the company (training, careers,

vocational safety, remuneration, etc.). Special wage equalization and equitable salary management measures are in place, together with an annual review of male and female comparative remuneration.

To encourage women to access the highest management positions, coaching and mentoring initiatives are in place to promote their career progression. Since 2015, 250 women have benefited from the “*Femmes de Talent*” coaching program.

At KLM, a communication campaign to encourage the increase of women in leadership was led by HR and relayed by the Employee Resource Group Women on Board, creating events on the topic and providing tips and tricks correlated to pain points linked to career paths for women (daring to apply for jobs, negotiating the salary). A dedicated Female Leadership workshop aims at empowering KLM women and 2023 saw more than one hundred participants.

Continuing to raise awareness on the topic of gender equality remains key for embarking all the relevant employees. Thus, Air France held a Female Career Paths photographic testimony exhibition at its headquarters and organized a conference with an expert on the question of female quotas vs. discrimination against men. In addition, more than 150 people participated in a discovery and awareness challenge, a fun and interactive journey to learn everything about issues of professional equality and diversity within society and within the company.

Promotion of the aeronautics and airline industry professions

The Air France-KLM group airlines are active in promoting airline vocations for women:

- Air France-KLM is a member of the 25by2025 global initiative led by the International Air Transport Association (IATA) to enhance diversity, equity and inclusion in the aviation industry. Created in 2019, 25by2025 emphasizes the significance of adopting best practices to foster greater D&I and gender balance in the aviation sector;
- Air France is a member of the “*Elles Bougent*” external network, whose female business mentors encourage young girls to join the engineering and technical professions. In 2023, 120 female pupils from middle schools participated in visits within institutions and companies (including Air France) thereby benefiting from insights into maintenance, flight operations and IT career choices;
- in The Netherlands, for the second year, the Engineering and Maintenance business participated in a Girls’ Day in April to inspire young girls to choose a technical future in the field of aeronautics and engineering. At Transavia, young secondary school students were welcomed to the company’s headquarters to discover airline jobs accessible to both men and women beyond preconceived ideas;

- at the Paris Air Show, Air France supported a special competition with female students aimed at raising awareness of aeronautics and space industry career opportunities and promoting access for young female students. Air Emploi also organized the second edition of “*Féminisons les Métiers de l’Aéronautique*” at the Delivery center of Airbus in Toulouse, involving 200 female students.

Prevention of sexism and harassment

The Group has a zero-tolerance policy with respect to any form of discrimination and inequitable treatment. Bullying, harassment, and any other harmful behavior that stems from discrimination has no place within our Group and our corporate culture. We have zero tolerance for any form of harassment, whether of a sexual, verbal, physical or psychological nature. We are committed to increasing the awareness of protection and improving our prevention measures. Since 2022 we have been intensifying our awareness raising and actions to prevent sexism and sexual harassment.

Air France has addressed this issue since 2018 by adhering to the “Stop ordinary sexism in business” (#StOpE) French State commitment process and signing the Stop Sexism Charter, to be followed by Transavia France in 2021. In 2023, both companies launched an e-learning course on “Preventing and combating ordinary sexism in the workplace” to understand what ordinary sexism in the workplace is, how it manifests itself and how to react to it. Furthermore, at Air France, a webinar “Unmasking sexism at work” was organized as part of Diversity Month. Since 2022, a booklet on “Preventing and Acting against Violence and Sexual and Moral Harassment at Work” has been available after the zero-tolerance principle was reaffirmed by the Air France Executive Committee. At Transavia, the prevention of behavior that could be a source of difficulty at work has been integrated into Transavia’s internal regulations.

Because violence against women in the private sphere also has an impact on professional life (stress, absenteeism, isolation, etc.), Air France is committed to preventing, helping to understand and providing assistance to victims of domestic violence. In 2022, Air France joined the “One in 3 Women” network, the first European network of companies committed to combating violence against women.

KLM prioritizes a safe and welcoming work environment for all employees and has implemented measures to prevent and effectively respond to bullying, violence, harassment and discrimination. In January 2023, KLM launched a comprehensive campaign against undesirable behavior, utilizing various communication channels and interventions to raise awareness and educate employees. This included e-learning modules for self-education and team workshops for 400 participants, as well as education on microaggressions, racism and discrimination by the Employee Resource Group Connecting Colors. Additionally, KLM established a central advice and reporting point for unwanted behavior, expanded the team of trusted advisors and implemented a new complaints procedure with a complaints committee.

Air France-KLM combats discrimination linked to sexual orientation and gender identity in the professional context. Fostering an inclusive work environment in which all employees can be themselves represents a firm commitment of the company.

The Air France-KLM group has a long history of proud engagement with the LGBT+ community. In 2019, Air France’s Chief Executive Officer, Anne Rigail, signed the association L’Autre Cercle’s LGBT+ Commitment Charter. With the signature of Workplace Pride’s Declaration of Amsterdam in 2021, KLM committed to developing a working environment where openness and equality are fundamental, and where there is an explicit awareness of diversity, inclusion and the LGBTIQ+ community.

- In collaboration with their Employee Resource Groups LGBT+, the Group’s entities organize awareness-raising actions: webinars, meetings, discussions and initiatives. On anti-homophobia day 2023, Air France organized dedicated communication and KLM operated two all-LGBTIQ+ flights to Bogota and Munich in a campaign entitled “Taking off with Pride”.
- Transavia France drew and launched its Tolerance Frescoes now visible in its meeting rooms and deployed a “*Halte au sexisme*” communication campaign.
- KLM led a Pride “road show” involving colleagues discussing D&I at different KLM locations and engaging in external societal activities to increase awareness and acceptance on the work floor for LGBTIQ+ colleagues.
- KLM has been a member of Workplace Pride for eleven years and reinforced its “Ambassador” status in 2023: for the second year in a row, the company was officially considered to be a front-runner in LGBTIQ+ diversity and inclusion.

Promoting employment of people with disabilities

For more than 30 years, Air France has been strongly committed to an employment policy in favor of people with disabilities, and despite a challenging economic situation, the Air France-KLM group has reaffirmed its commitment to welcoming persons with disabilities.

At the end of 2023, a 12th three-year agreement on the employment of people with disabilities was signed unanimously by the management and by all the union organizations representing employees. Over the 2021-23 period Air France recruited more than 60 persons with disabilities and each year around 200 actions are conducted to maintain employment. Through this agreement covering the 2024-26 period, Air France reaffirms its desire to pursue an ambitious policy by maintaining the recruitment of people with disabilities and by pursuing actions on their employability, training and professional support via, in particular, coaching and co-development. The changes also relate to suitable career support, the implementation of measures in favor of family carers and, more particularly, employees who are parents of children with disabilities. At KLM, the recruitment teams have expanded their manpower portals by going to different schools and by approaching diverse university fraternities and recruitment agencies that employ disabled or special needs candidates.

Air France strongly supports suppliers who employ people with disabilities. Thus, about sixty external organizations have signed agreements with Air France, to cover activities such as the laundering of blankets or bolting in aircraft maintenance. In 2023, the budget for these activities was 17.4 million euros, making the company one of the most engaged in promoting the employment of persons with disabilities.

Air France continues to take an active part in awareness-raising initiatives and has been participating for years in the European Week for the Employment of People with Disabilities, through webinars and information sessions, and in the DuoDays. Air France also partnered with the world para-athletics championships (July 8-17 2023), financing a solidarity ticket office that allowed 500 people, young people from the regions and young people with disabilities, to attend the events. At the Job Forum, recruitment offers were dedicated to athletes undergoing retraining and the company conducted 70 pre-interviews. Such actions underscore Air France's strong commitment to people with disabilities, whether employees, future employees or customers.

During its week in favor of people with disabilities, Transavia proposed a sensorial journey to raise awareness about handicaps and participated in the DuoDays.

At KLM, pursuant to Dutch Law, all employees have equal rights in the workplace. Differentiating between employees on the basis of disability or chronic disease is not permitted. Adjustment of tasks or the work environment to assist a person with a disability to perform the job in question is considered. It is only when people with a disability or health condition are unable to fulfil the tasks necessary to do a job effectively that employers may refuse to hire them, especially if health or safety is a major issue.

KLM and Air France are strongly engaged in the care of customers with disabilities: for instance, KLM supports the "Hidden Disabilities" organization which educates staff at the airport on how to take care of customers with a disability that is not visible. Customers wear a green key cord which indicates hidden disabilities, making crew aware so that they can provide the attention and service needed.

Promoting the education and recruitment of young people

Youth diversity is reflected in the diversity of our initiatives, covering a wide spectrum of socio-economic backgrounds and educational levels. As part of a growing commitment to the territories in which they exercise their activities, the airlines have stepped up their support for educational actions in line with the airline industry.

Education and internship for all, a focus on people from disadvantaged socio-economic backgrounds

Air France and Transavia France cooperate with the Association for Training in Aviation Professions (AFMAE) and work with local organizations and French job centers (France Travail and the previously-named Pôle Emploi) to identify profiles who could benefit from educational actions linked to the airline industry (for instance, two-

year or three-year apprenticeships). In 2023, 1,164 new work-study students joined the company, bringing the number of work-study students for Air France to almost 1,874 (new contracts, 2nd and 3rd year). The company complements classroom-based education with training offers covering soft skills and the English language.

Air France has voluntarily signed the governmental PAQTE programs agreement, "*La France, Une Chance, Les Entreprises S'entendent*" and "1 student, 1 solution". Thus, in partnership with the association "*Tous en Stage*", Air France continues to regularly welcome students in year three of secondary school for an internship lasting a few days (about 200 students per year).

Helping young people to find employment

In line with its commitment to helping local young people find employment, Air France participated in the "*Envo! pour votre futur*" event at Roissy, enabling young people to benefit from support in their first job search efforts with conferences and practical workshops.

At the end of their work-study contract, Air France supports interns in their transition to employment with the organisation of forums and workshops dedicated to business creation, job search and access to numerous job offers. Work-study is Air France's primary sourcing lever with more than 70% of contracts being transformed into employment contracts.

To strengthen local relations between Air France and the target schools and facilitate its external recruitment, Air France welcomed representatives from 23 major schools and universities in May 2023. In June, the forum "Take Off: Get your career off the ground with Air France!" aimed at meeting young talents who could take on the challenges of sustainable transport and new technologies within the Air France Industries teams.

The KLM IT traineeship has also been opened to international students. New trainees complete the D&I Leadership workshop which gives them the tools to deploy inclusive leadership.

Mentoring for all, a focus on people from disadvantaged socio-economic backgrounds

In 2022, Air France partnered with the local associations "Article 1" and "*Nos Quartiers Ont du Talent*" to sponsor secondary school students and young graduates from disadvantaged socio-economic backgrounds and to help them succeed in their studies or in their professional integration. Approximately 50 managers from the company mentor these students and, in November 2023, the company organized the first mentoring meeting workshop in favor of equal opportunities at its headquarters, with the help of four partner associations.

Air France remains very attractive to young people having been ranked first in the Palmares ranking of the best places to work for graduate students (source: Universum).

At KLM, the recruitment teams are expanding their manpower portals, by going to different schools and approaching diverse university fraternities and recruitment agencies that employ disabled or special needs candidates.

Equal opportunities within the Group

The Air France-KLM Group takes into consideration the diverse situations of employees in their personal lives. Air France has support initiatives in place to optimize the return to work after maternity or parental leave and to promote a serene resumption of activity combining their

private and professional lives for employees who have recently become parents (men and women).

Air France-KLM offers flexible working conditions to all employees whose positions enable this, subject to the service requirement. Thus, part-time employment is widespread within our entities (see the social indicators).

4.2.5 Health, Safety and Quality of Life in the Workplace

Context and strategy

For the Air France-KLM Group, health, safety, and quality of life in the workplace is a major priority on which there may be no compromise. Everyone working for or with the Air France-KLM Group has the right to a healthy and safe working environment that considers their physical and mental well-being.

The public health crisis had major human consequences for every one of us and thus for the Group's employees. Remote working, partial activity, and especially the Job Protection and Voluntary Departure Plan formalized in 2020, had human repercussions that the company supported with care.

Air France-KLM recognizes that vitality is essential to the health and development of the organization. Healthy employees are crucial for productivity, performance and engagement. They reduce absenteeism, increase job satisfaction and help the company retain top talent. Additionally, investing in employee health and well-being can reduce safety risks and improve both mental and physical health. Investing in employee health and well-being will yield long-term benefits for both individuals and the organization.

Since 2022, the inflation-driven global economic environment and strong business growth in a tight labor market have put pressure on the airline industry's workforce and Air France-KLM has been working to support its employees in this new context.

Measures and performance

On an annual basis, the Air France-KLM Group measures and reports the indicators related to health and safety at work: absenteeism, number of workplace accidents, frequency rate and severity rate of workplace accidents (see sections 4.2.6.2 and 4.2.6.3).

Within Air France, the Health and Quality of Working Life and Multi-Risk departments are responsible for steering and coordinating the Health, Safety and Quality of working life networks. These departments have representatives in all the company's business units, enabling the coordinated deployment of the policy, actions and objectives. Accident analysis is used to adjust the policy and actions designed to protect the health and safety of individuals. The monitoring of indicators ensures that the initiatives are continuously adapted.

Within both Transavia Netherlands and KLM, safety and compliance are achieved via a continuous system of processes and procedures known as the Safety Management System (SMS). The SMS guarantees the safety performance of all processes, in all safety domains, through the effective management of safety risks. Safety and compliance are continuously improved via collaboration between the tasks and responsibilities of the Safety & Compliance Organization (SCO) and the divisions/business units. The SMS identifies hazards, threats and safety issues, collects, and analyses data, assesses safety risks, implements mitigations and monitors the results. The SMS supports the mitigation of risks to keep accident and incident rates below an "acceptable level" and to further improve occupational safety and health performance, the mitigation team of occupational experts continues to support the line management and their departments in the implementation of KLM's Occupational Safety and Health policies and the mitigation of the occupational safety and health risks.

In 2023, Air France had two fatal accidents in the workplace. Sodexi and Transavia France reported two fatal accidents. No fatal accidents occurred at KLM this year. Fatal accidents are calculated and determined in line with local regulations and rules.

Permanent adaptation and application of health measures

In 2023, in line with 2020, the focus was on managing the consequences and impact of the Covid-19 pandemic, and more broadly on respiratory patients, and on adapting and pursuing risk prevention measures for the Group's operations.

As in 2022, the focus in 2023 was on restoring normal operations, within safety limits and in compliance with the worldwide Covid-19 regulations. As part of the risk inventory and assessment, further in-depth studies were carried out in the areas of physical workload, work equipment and psychosocial risks. External authorities and companies, such as Baines Simmons, IATA and DSS+, carried out assessments in operational and professional areas, thus reinforcing the company's safety culture.

Reinforced prevention of psycho-social risks

Listening, counseling, supporting

At Air France, a network of committed players made up of doctors, psychiatrists, nurses, social workers, prevention officers and Health, Safety and Quality of Life in the Workplace advisors supports employees and cares for their well-being and health in the workplace in all entities of the company including:

- since 2021, for staff facing personal or professional difficulties, Air France has offered a completely anonymous and confidential psychological support and advice program with a 24/7 number. A digital platform is also available on a computer, tablet and cell phone for rapid contact with a psychologist or access to psychological health information;
- the association Amitié Entraide d'Air France (AEAF) helps employees in difficult situations due to addiction (alcohol or other drugs);
- a listening device dedicated to pilots and cabin crew was implemented in 2021: the Critical Incident Response Program facilitates the return to nominal functioning of people who have experienced critical incidents as part of their mission. A dedicated program relying on peer support with specifically trained employees is available for aircrew experiencing professional fragility.

At KLM, a procedure for complaints about inappropriate behavior is in place with a pool of skilled confidential advisors and a Complaints Committee. They provide employees with independent consultation, advice on how to deal with inappropriate behavior and support in filing reports or complaints.

A range of training options is available, from workshops for team development to interventions when serious issues arise in the teams. The management can also bring in external expertise or request mediation. Experts in the Corporate Social Work department remain available for all forms of mental support.

Continuous improvement of health, safety and quality of life in the workspace

Preventive actions

Air France-KLM continually adapts and enriches its Health and Safety preventive actions.

Health Interventions

Air France is implementing several initiatives to monitor the mental health of its employees working under pressure and/or at home. Every month, a sample of 1,000 employees is surveyed to assess their levels of stress, depression and anxiety. This psychosocial risk observatory is managed by the occupational medicine department, and the results of the survey are shared with the Executive Committee and the Central Health Committee, leading to the implementation of specific action plans.

On a dedicated Learning Channel launched in the summer of 2022, training content is offered to prevent psychosocial risks, addictive behavior, incivilities, harassment and sexist behavior, organize teleworking, manage work-life balance and be aware of the right to disconnect. Videos, practical information sheets and interactive courses are available. This digital training library encourages every employee to be a player in health and quality of life at work.

Continuous company-wide execution of Safety Issue Risk Analyses on the virus and the monitoring/introduction of new regulations, procedures and methodologies have ensured the appropriate measures and mitigations are in place to maintain safety.

KLM launched a new MyHealth portal in 2023 that offers over 90 high-quality health interventions focused on seven health themes. These themes include vitality, physical well-being, addiction, nutrition, social well-being, mental well-being and sleep. The interventions range from fitness activities and ergonomic workspaces to (online) courses on stress management, mindfulness and access to counselling services.

Health experts in the KLM business lines

Health representatives play a crucial role in identifying health issues and advise on and create customized health programs specifically designed or adapted to meet the business's needs, preferences and specifications. They provide insights into health-related problems in different target groups, follow emerging health/absenteeism trends and help businesses to make informed decisions when it comes to sustainable employability (initiatives).

Integrated "chain" approach for Health, Safety and Absenteeism

KLM will implement a central Health Management System in 2024, following the pilots launched in 2023. This system will create a comprehensive and coordinated strategy to promote a healthy and safe working environment, with representatives from HR, the HR Center of Expertise Health, HR Reintegration, the Safety department and KLM Health Services working together to optimize sustainable employability, prevent sick leave, and address absenteeism at an early stage.

Regular health check-ups

In 2023, Air France and its medical teams continued the intensification of prevention campaigns for employees' health, thanks to funding from Air France health insurance (MNPAF), a very active prevention player, and the "Prevoyance Social Action Fund". In 2023, more than 40 skin cancer screening days (twice as many as before the Covid crisis) were organized with dermatologists and the Occupational Health and Prevention Services, at most of the French sites. The Social Action Fund set up in conjunction with provident fund AXA, has financed the purchase of devices for Air France medical departments: rebound tonometer to screen for glaucoma, tympanometers, electrocardiograph (all Air France health departments are now equipped with one), Tremoflo for screening for Chronic Obstructive Pulmonary Disease (COPD), to name but a few. These new devices will further strengthen the preventive actions.

KLM offers regular health check-ups to employees through a personal vitality survey called "My Vitality Check". The survey results provide insight into an employee's health and vitality, with an opportunity to discuss the results with vitality coaches. The company also collates information at group level to be able to work on the most important health topics and identify potential health issues early on.

Raising awareness about health

Air France organized the Quality of Life at Work Week in June 2023, which included a challenge to take care of one's health, a conference on "The keys to a healthy brain" led by a doctor in cognitive neuroscience, an experimental course on the effects of alcohol and illicit substances on motor skills and attention span, and healthy menus in company restaurants.

KLM held a KLM-wide Vitality Week in September 2023 to raise awareness of health and well-being. Health experts visited all the KLM businesses to familiarize employees with the new KLM Health portal, hand out brochures and fill out questionnaires for more customized interventions. Additionally, employees were provided with healthy snacks during the Vitality Week.

Focus on inappropriate behavior in the workplace

In 2020, Air France and the unions signed an agreement to "prevent and act against violence and harassment in the workplace" and since then the actions and results have been regularly monitored with professional organizations. To further professionalize those responsible for health and quality of life at work, as well as human resources players, a harassment action plan was deployed in July 2023, supported by the joint statement from the Air France Executive Committee, confirming its collective commitment and the company's zero tolerance of any inappropriate behavior: "We do not accept that the actions of a few individuals hurt our colleagues, weaken our collective and tarnish the image of our company". Our approach is based on several pillars: prevention through awareness-raising and training, reporting, listening to and supporting victims, triggering resolution mechanisms, and implementing disciplinary measures where necessary. A booklet entitled "Preventing and taking action against sexual and moral violence and harassment in the workplace" and training courses for conducting and investigating harassment, as well as a mandatory "harassment and violence in the workplace" e-learning course for all executives and managers, are also available.

As part of its campaign to prevent violence against women, Air France has signed a partnership agreement with the association Face/one in three women. An internal charter was also signed at the end of 2022 and tools such

as podcasts, e-learning modules and training courses, co-hosted with the *Fédération Nationale Solidarité Femmes*, were provided to employees along with a guide and posters. An in-house working group has also been set up, made up of social workers, doctors, human resources managers, diversity and Quality of Life at Work point people, with the aim of proposing targeted initiatives when relevant.

In The Netherlands, as with the D&I survey results, the attention paid to social security in the workplace by the Netherlands Labor Authority and the increased awareness of inappropriate behavior within Dutch society has led to a review of the reporting policy, processes, existing mitigating measures and interventions. For more than two years, KLM has been focusing on tackling inappropriate behavior and it is now an integral part of the leadership training and team workshops at the divisional level.

- This topic is continuously addressed on various media, through meet-and-talk events with employees or in the presence of confidential advisors, and via a movie in the briefing rooms of in-flight and flight operations.
- KLM's code of conduct and policy for psychosocial occupational safety have both been updated setting the appropriate standards for professional behavior.

Hybrid way of working

In 2023, Transavia France evaluated the hybrid 2-3-2 working method introduced in 2022 in the office organization for all colleagues who do not work in operational positions or rosters and who, based on the requirements of their positions, (also) work from home. To ensure the health and safety of its home workers Transavia has developed several interventions: employees can take office supplies and furniture such as a desk, chair or keyboard from the office to use at home; a mandatory online course explains how to work from home healthily and safely. The office staff gave a score of eight in the employee experience survey (response rate 50%).

Within the Group, there are many and varied initiatives to promote physical activity and/or sports.

In France, the organization and promotion of sports activities and the use of sports facilities and halls are carried out by the CSE (Social and Economic Committees) and are implemented in conjunction with the ASAF (Amicale Sportive d'Air France).

KLM promotes sports via traditional communication channels (e.g. NewsApp, My Health) and also organizes sports events for its employees; for example, a boot camp on the King's Day, a soccer tournament for the Flight Operations teams or the 5th KLM Urban Trail in Utrecht.

Flexibility at work

Within the Group, we fully support employees by adapting working hours and schedules to their personal needs, with a diversified and constantly evolving offer of flexible work arrangements.

- **Annual leave:** in addition to the statutory entitlement, KLM grants employees an extra week of annual leave and Air France between three and five additional days depending on seniority, every year. Furthermore, in the Netherlands, employees are provided with a Sustainable Employability budget enabling them to choose to receive a maximum of five extra days of annual leave. Three times a year employees can use their annual bonus to purchase an additional maximum of 20 days if the balance of their annual leave doesn't suffice in that calendar year. In France, between five and ten additional days are granted depending on the weekly work duration, and the annual bonus (one month of salary for workers) can be transformed into days of leave.
- **Parental leave:** Air France and KLM employees benefit from parental leave by the applicable laws and local regulations. In France, fathers are granted up to 25 days of paternity leave or 32 days in the event of multiple births and Air France pays a salary supplement to the daily social security allowances over this period. If the parents are two fathers, Air France grants paternity leave despite this not being required

by law. Women benefit from paid hours of leave for breastfeeding during the child's first year and crew members can opt for schedule arrangements or temporary ground assignments. Within Air France, most employees who work part-time are between 30 and 45 years old, probably related to parenthood. At the end of December 2023, the proportion of employees who had chosen to work part-time stood at 18% at Air France and 41% at KLM.

- **Flexibility:** at KLM, employees can request a temporary or structural adjustment to their contractual working hours. Within ten years of their retirement date these adjustments are financially supported to allow, for example, employees to reduce their contractual hours to 80% while still accruing a full (100%) pension entitlement. Employees can also opt for an alternative arrangement where the number of working hours remains unchanged but a reduction or even exemption from night shifts is requested. At Air France, employees can retire one year ahead of their legal retirement date and receive 70% of their gross salary during this year.
- **Flexibility:** Air France-KLM recognizes the importance of the Nation-Army link and supports colleagues' commitment to the reserves. As such, the company provides flexibility for colleagues to participate in reserve duties.

4.2.6 Social indicators

4.2.6.1 Consolidated social data for the Air France-KLM Group

	AFKL Group		
	2022	2023	23/22 (in %)
Total staff (Full Time Equivalent) at 31/12	73,303	76,271	4%
Scope of social reporting	98%	98%	stable
Total staff (headcount, permanent and fixed-term contracts)⁽¹⁾	78,950	82,105	4.0%
Ground staff	45,325	46,985	3.7%
Cabin crew	24,789	25,486	2.8%
Flight deck crew	8,836	9,634	9.0%
Staff under permanent contract at 31/12	74,049	76,842	3.8%
Recruitment under permanent contract at 31/12 ⁽²⁾	4,140	4,958	19.8%
Recruitment under fixed – term contract at 31/12	6,628	6,373	-3.8%
Departures at 31/12	9,689	9,527	-1.7%
Of which: redundancies (incl. economic)	213	237	11.3%
Of which: voluntary departures/resignations	2,503	2,277	-9.0%
Number of interns	799	158	-80.2%
Number of apprentices	2,021	2,223	10.0%
Number of young people under Young Talent programs	286	438	53.1%
Percentage of women at 31/12 ⁽³⁾	46%	45%	-1.0%
Percentage of part – time employees at 31/12	26%	27%	3.8%
BREAKDOWN OF STAFF BY AGE AT 31/12			
≤ 29 years	8,687	10,531	21.2%
Between 30 and 39 years inclusive	13,322	13,797	3.6%
Between 40 and 49 years inclusive	25,194	23,773	-5.6%
50 Years and above	31,747	34,004	7.1%
BREAKDOWN OF STAFF BY GEOGRAPHICAL AREA AT 31/12			
Europe (except France and the Netherlands)	2,294	2,401	4.7%
North & South America	1,684	1,764	4.8%
Caribbean/Indian Ocean (including French overseas territories) ⁽⁴⁾	1,057	1,080	2.2%
Asia/Pacific	1,354	1,370	1.2%
Africa/Middle East	867	860	-0.8%
The Netherlands	28,543	30,100	5.5%
Continental France	43,151	44,530	3.2%
TRAINING			
Number of training hours by employee ⁽⁵⁾	42	39	-7.7%

(a) Air France Group: Air France and Air France subsidiaries. Air France subsidiaries: Barfield, Blue Connect, Blueink, Blueink International CZ, CRMA, Hop!, Sodexi and Transavia France.

(b) KLM Group: KLM and KLM subsidiaries. KLM subsidiaries: Cygnific, KLM UK Engineering, KLM Cityhopper B.V., Transavia Pays-Bas, KLM Catering Services Schiphol B.V. and Int. Airline Services.

(1) (2) (3) (4) (5): See Note on the Methodology.

Air France Group ^(a)				KL Group ^(b)			
Air France Group		Of which: Air France		KL Group		Of which: KLM	
2022	2023	2022	2023	2022	2023	2022	2023
45,102	46,532	38,335	39,211	28,202	29,739	21,120	22,218
99%	93%	100%	100%	98%	98%	100%	100%
47,307	48,782	40,541	41,879	31,643	33,323	25,789	26,980
28,077	28,533	24,248	24,743	17,248	18,452	13,948	14,897
14,146	14,682	12,405	12,860	10,643	10,804	8,722	8,729
5,084	5,567	3,888	4,276	3,752	4,067	3,119	3,354
45,515	46,717	39,579	40,267	28,534	30,125	23,892	25,212
2,754	3,474	1,238	1,937	1,386	1,484	568	789
3,254	3,673	1,390	2,524	3,374	2,700	1,824	1,447
7,173	7,086	4,190	4,590	2,516	2,441	1,107	1,090
150	161	91	95	63	76	29	16
1,020	985	564	427	1,483	1,292	725	587
789	149	700	57	10	9	0	0
1,194	1,538	1,099	1,370	827	685	734	584
249	392	247	392	37	46	31	45
46%	45%	46%	46%	46%	45%	44%	43%
17%	18%	18%	20%	41%	41%	42%	43%
4,533	5,661	3,055	3,932	4,154	4,870	2,261	2,684
6,918	7,001	5,073	5,102	6,404	6,796	5,007	5,362
17,705	16,369	15,857	14,657	7,489	7,404	6,463	6,324
18,151	19,751	16,556	18,188	13,596	14,253	12,058	12,610
1,051	1,078	738	721	1,243	1,323	860	925
1,287	1,347	853	901	397	417	396	416
1,012	1,034	581	593	45	46	45	46
347	338	336	331	1,007	1,032	451	428
474	465	448	440	393	395	393	395
28	29	21	24	28,515	30,071	23,601	24,731
43,108	44,491	37,564	38,869	43	39	43	39
34	35	31	32	54	44	53	42

4.2.6.2 Other social data for the Air France Group (according to local legislation)

AIR FRANCE (100% OF THE STAFF HEADCOUNT, REGISTERED AT THE END OF THE CALENDAR YEAR)

	Air France Group ^(a)		
	2022	2023	23/22
ABSENTEEISM⁽¹⁾			
Absenteeism due to illness	4.64%	3.67%	-0.97 pts
Absenteeism due to work accidents	0.64%	0.61%	-0.03 pts
HEALTH AND SAFETY			
Total workplace accidents ⁽²⁾	2,237	2,104	-6%
Number of fatal workplace accidents ⁽³⁾	2	4	x 2
Frequency rate for workplace accidents ⁽⁴⁾	33.69	29.97	-11%
Severity rate of workplace accidents ⁽⁴⁾	1.00	0.92	-8%
DISABLED STAFF			
Total staff with disabilities ⁽⁵⁾	1,924	1,908	-1%
Total staff with disabilities recruited during year	30	28	-7%
Yearly spending in the sheltered sector (in millions euros)	14	17	24%
TOTAL NUMBER OF COLLECTIVE AGREEMENTS SIGNED DURING THE YEAR	92	81	-12%

(a) Air France Group: Air France and Air France subsidiaries. Air France subsidiaries: Barfield, Blue Connect, Bluelink, Bluelink International CZ, CRMA, Hop!, Sodexi and Transavia France.

(1) (2) (3) (4) (5): See Note on the Methodology.

4.2.6.3 Other data for the KLM Group (according to local legislation)

KLM (100% OF THE STAFF HEADCOUNT, REGISTERED AT THE END OF THE CALENDAR YEAR)

	KLM Group ^(b)		
	2022	2023	23/22
ABSENTEEISM⁽¹⁾			
Absenteeism due to illness	9.23%	6.77%	-2.46 pts
Absenteeism due to work accidents	0.17%	0.18%	0.01 pts
HEALTH AND SAFETY			
Total workplace accidents ⁽²⁾	173	213	40 pts
Number of fatal workplace accidents ⁽³⁾	0	0	stable
Frequency rate for workplace accidents ⁽⁴⁾	3.14	3.74	19%
Severity rate of workplace accidents ⁽⁴⁾	0.3	0.29	-2%
DISABLED STAFF			
Total staff with disabilities ⁽⁵⁾	608	614	1%
Total staff with disabilities recruited during year	0	2	2
Yearly spending in the sheltered sector (in millions euros)	0	0	0
TOTAL NUMBER OF COLLECTIVE AGREEMENTS SIGNED DURING THE YEAR	5	6	20%

(b) KLM Group: KLM and KLM subsidiaries. KLM subsidiaries: Cygnific, KLM UK Engineering, KLM Cityhopper B.V., Transavia Pays-Bas, KLM Catering Services Schiphol B.V. and Int. Airline Services.

(1) (2) (3) (4) (5): See Note on the Methodology.

4.2.6.4 Note on the methodology for the reporting of the social performance indicators

In 2005-06, under the aegis of the Air France-KLM Disclosure Committee, and validated by the College of Statutory Auditors, the social performance indicators were defined to comply with the requirements of the French New Economic Regulations law (*Les Nouvelles Régulations Économiques*, NRE, May 15, 2001) and the European Prospectus Directive Regulation (EC 809/2004).

Work on optimizing these indicators was undertaken in 2018 to align the Grenelle II reporting with the new requirements linked to the transposition of the Directive on the Extra-Financial Performance Statement.

Since the 2007-08 financial year, the Group has chosen to appoint one of its Statutory Auditors, KPMG Audit, a department of KPMG SA, to be responsible for verifying a selection of its reported social indicators.

Since 2018 and in the application of the provisions of Article L. 225-102-1 of the French Code of Commerce (*Code de Commerce*), it has been the responsibility of our Independent Third Party to determine the compliance of the Extra-financial Performance Statement and the accuracy of the published CSR information.

Reporting scope

The Air France-KLM group's social reporting consolidation scope is based on the number of employees (expressed as headcount) on the payroll at the end of the calendar year.

The reporting scope covers 98% of the average employees in the Air France-KLM group at the end of the 2023 calendar year, expressed in full-time equivalent.

The subsidiaries of Air France and KLM over which the Group exercises control at the 50% minimum, whose acquisition dates back at least one full year and which have at least 250 employees, are included in this social reporting scope.

Note that the number of employees for Air France and KLM and its subsidiaries comprises their entire workforce including staff employed internationally:

- for the 2023 financial year, the Air France consolidated subsidiaries are: Barfield Inc., Blue Connect, BlueLink, BlueLink International CZ, CRMA, HOP, Sodexi and Transavia France, representing 93% of the employees of the subsidiaries in the Air France Group;
- for the 2023 financial year, the KLM consolidated subsidiaries are: Cygnific, KLM UK Engineering, KLM Cityhopper, Transavia C.V., KLM Catering Services and Int. Airline Services, representing 98% of the employees in the subsidiaries of the KLM Group.

The reporting scope for the Air France subsidiaries did not change relative to 2022, with no subsidiaries having been either included or withdrawn.

The reporting scope for the KLM subsidiaries did not change relative to 2022, with no subsidiaries being either included or withdrawn.

The reference number of employees to calculate the coverage rate of the social reporting is the average number of employees in Full Time Equivalent during 2023, derived from the Management Control division's BFC tool.

The reporting period for the Group's social information is based on the calendar year to ensure consistency with the social performance indicators of other French companies.

Reporting tools

As last year, the social reporting has been carried out using the ONEmission tool from the editor Enablon implemented for the Air France-KLM Group. Consistency tests have been incorporated within this tool together with precise definitions of each indicator. The data are verified and approved locally at the level of each subsidiary by a manager who is responsible for the HR statistical data.

This tool is supplemented by overall coordination of the process and by a general reporting procedure that defines the process for compiling, calculating and consolidating the indicators, based on an instruction memorandum circulated by the Air France-KLM group's Finance division.

The consolidation of the Air France-KLM group's social information is carried out by Air France-KLM's Sustainability & Compliance department.

Details and methodology – Definition of the key performance indicators and comments on changes in the indicators

Definition of the key performance indicators

Employee Promoter Score (EPS)

Scope: Air France, Transavia France and KLM (employees on French or Dutch contracts).

The Employee Promoter Score (or EPS) is the score given to Air France, Transavia France and KLM in their capacity as employers by their employees. This indicator has been measured at Air France and KLM since July 2019, and at Transavia France since the end of 2021, on a weekly basis, based on a random group of employees in the form of a question sent by mail: "How likely are you to recommend Air France-KLM as an employer to friends and family?", on a scale of 0 to 10. The EPS corresponds to the difference between the percentage of employee promoters (score of 8 to 10) of the employer brand and the percentage of detractors (scores 0 to 5).

The indicator measured is the annual change in the consolidated EPS.

Percentage of women in management functions (ground staff, pilots, cabin crews)

Scope: Air France and KLM employees (expressed as "headcount") on both permanent (CDI) and fixed-term (CDD) contracts, on the payroll as of December 31 of the reference year.

The indicator measured is the percentage of women in the three staff categories:

- ground staff: percentage of women in the top 10% management level. The percentage of women is calculated by combining all the levels of management, classified in descending hierarchical order until the threshold of 10% of the total salaried workforce of Air France and KLM is reached. For this last level of management, the entire workforce is taken into account;

- pilots: percentage of women amongst the pilots exercising management functions (Flight Captain);
- cabin crews: percentage of women amongst the cabin crews exercising management functions (Pursers).

Number of training hours

See "Training" below – Note 5.

Comments on changes in the social indicators

No changes were made to the social indicators in 2023, except the adaptation of the definitions of turnover and voluntary turnover, now including retirement and excluding the changes in employment contracts.

For the other social data dashboard (Absenteeism, Health and Safety, Disabled Staff and Collective Agreements Signed), the data of Air France and its subsidiaries have been aggregated. KLM and its subsidiaries' data have also been aggregated.

"Consolidated social data for the Air France-KLM Group" table

This table presents the indicators relating to the number of employees, hires and departures, the proportion of female employees and the percentage of staff working part-time. These indicators are consolidated at the level of the Air France-KLM Group.

The following notes refer to the references in the social indicator tables (section 4.2.1).

Employees

Note 1: The number of people employed by the Group (expressed as headcount) on both permanent (CDI) and fixed-term contracts (CDD) on December 31 of the reference year.

Recruitment on permanent contracts

Note 2: The indicator concerns employees hired on permanent contracts (CDI).

For Air France, the calculation of the number of employees recruited on permanent contracts includes those initially recruited on fixed-term contracts (CDD) transferring to permanent contracts (CDI) during the year.

For KLM, only employees recruited directly on permanent contracts are taken into account.

Percentage of women – Organization of working time

Note 3: These indicators enable the percentage of women to be evaluated relative to the workforce and the proportion of part-time employees on both permanent and fixed-term contracts on December 31 of the reference year.

Employees by geographical zone on December 31

Note 4: In 2023, the Air France Group employees in the French Overseas Departments and Territories, i.e. 1,034 employees, have been included in the Caribbean-Indian Ocean geographical zone.

Training

Note 5: The "Number of training hours by employee" indicator is calculated based on all the training sessions, divided by the average monthly headcount. All training occurred between January 1 and January 31 (inclusive). This indicator is presented at Air France-KLM Group consolidated level.

At KLM, training hours are accounted for based on estimates and each type of training has a specific calculation methodology. The training programs at KLM are:

- training for Cockpit and Cabin crew: the estimate is based on the training recorded in days. Each day counts for 8 hours of training. This training represented 75% of the total training hours at KLM. Training in 2023 for Cockpit and Cabin Crew of Q4 2022 and Q1-3 2023 included;
- training for ground staff: actual training hours are accounted for up to 320 hours of training per year per staff. This threshold has been determined by KLM Group to exclude the hours spent by the trainers (6% of the total training hours at KLM are then excluded). These training courses represent 19% of the total training hours at KLM;
- e-learning: training hours are based on actual time within the limit of twice the expected training time required. These training courses represent 6% of the total training hours at KLM.

For KLM and the KLM subsidiaries, the hours of external training dispensed to KLM group administrative employees and the hours of training given to employees of the Transavia Netherlands subsidiary (less than 10% of the Air France-KLM Group's headcount) are not included in the "Training Hours" indicator due to there being no information collation process in place. Measures will be taken to progressively expand the reporting scope of the indicator in the coming financial years. The subsidiaries regrouped under KLM International are managed independently locally and KLM Group only has access to e-learning training.

Turnover Rate

Note 6: Turnover rates are calculated based on headcount under permanent contracts at the end of the latest reporting year. The Group has adjusted and implemented a revised calculation method.

- Total employee turnover rate (outgoing): total departures minus departures due to the ending of fixed-term contracts minus departures due to the exclusion of manpower divided by the number of employees on permanent contracts at 31/12. Including retirements and changes in employment contracts.
- Voluntary turnover rate: the number of resignations plus the number of retirements divided by the number of employees on permanent contracts at 31/12. Including retirements and excluding changes in employment contracts.

“Other social data” tables

The indicators reported in the “Other social data” tables are subject to different qualification and legal reporting obligations in France and The Netherlands, meaning that they are not comparable and need to be presented separately for Air France and KLM. The subsidiaries concerned in these tables are listed in the reporting scope section above.

Absenteeism – Health and safety in the workplace (Note 1)

A significant portion of the work-related accidents reported by Air France is due to cases of barometric otitis and musculoskeletal disorders which are recognized as work-related accidents in France whereas they are recorded as sick leave by KLM in accordance with Dutch law.

All KLM absences are on a declarative basis due to the local legislation which, unlike in France, requires an evaluation of the employee by KLM Health Services only after six weeks of absence. For work-related absences, only absences following a work-related accident are easily detected.

Air France and Air France subsidiaries (Note 1)

The absenteeism rates are calculated based on the hours of absence expressed as a ratio of the hours theoretically worked (excluding leave). For Air France flight crews, absenteeism is broken down into days and then converted into hours by multiplying by five hours.

The absenteeism rate for accidents in the workplace also takes into account travel-related accidents.

KLM and KLM subsidiaries (Note 1)

Since the 2014 financial year, the absenteeism rates due to work-related accidents or illness have been reported separately.

The absenteeism rates are calculated by expressing the number of calendar days of absence as a percentage of the calendar days theoretically worked. Absenteeism is tracked based on the figures declared by the KLM entities in The Netherlands.

Health and safety – work-related accidents (Note 2)

There are significant differences in the definition criteria for work-related accidents between France and The Netherlands (see also the paragraph on absenteeism).

Air France and Air France subsidiaries together with KLM and KLM subsidiaries

The work-related accidents taken into account are work-related accidents involving time off work (at least one day of absence from work). Travel-related accidents are not included in the indicator but are the subject of specific monitoring and action plans.

Number of fatal workplace accidents (Note 3)

The fatal workplace accidents are calculated and determined in line with the local legislation and rules.

Frequency and severity rates (Note 4)

The frequency and severity rates concern 97% of the Air France-KLM Group workforce.

Air France and Air France subsidiaries

The frequency and severity rates are calculated in calendar days:

- for ground staff, based on the actual paid hours worked;
- for flight crews, based on the hours of “commitment”.

For Air France, the number of days of sick leave recorded for the year corresponds only to the accidents having taken place during the financial year. Part-time working for health reasons is booked as sick leave. The total period of sick leave is booked in the month of the accident.

Air France International, representing 3% of the total headcount, is excluded since the data is unavailable at the reporting date.

KLM and KLM subsidiaries

The frequency and severity rates are calculated for all staff based on the hours theoretically worked.

The days lost for work-related accidents are tracked based on figures declared by the KLM entities in the Netherlands.

Number of disabled employees (Note 5)**Air France and Air France subsidiaries**

For Air France, the number of disabled employees refers to those who, based in Continental France and the French Overseas Departments and Territories, were present for at least one day during the year and for whom a valid certificate, pursuant to French law (Article L. 5212-2 of the French Labor Code), is available. Note that the data for international employees are reported based on local legislation.

The number of disabled employees recruited corresponds to the number of permanent and fixed-term employment contracts signed during the year; an employee recruited on a fixed-term contract who then transfers to a permanent contract during the year will be reported twice.

KLM and KLM subsidiaries

The definition of a disabled person varies according to the local legislation governing the entities in The Netherlands and the United Kingdom.

For KLM and KLM’s Dutch subsidiaries, an individual is deemed to be disabled if unable to carry out his or her work or any other work at an equivalent salary level. This requires the employer and the employee to look for another position with a salary as near as possible to the previous level and gives the employee the right to government benefits to compensate for any difference.

For KLM’s UK subsidiaries, the reported number of employees with disabilities refers to the employees on the payroll on December 31, 2023, for whom a valid certificate, pursuant to national legislation, is available.

4.3 ADDRESSING THE IMPACT ON THE ENVIRONMENT

According to the IEA, the aviation sector is one of the most challenging sectors of the global economy to decarbonize. The aviation sector's pathway to Net Zero will require substantial investment in efficiency and disruptive technologies to switch fuel sources, in addition to optimized airspace management and a modal shift. IATA recently set a course towards Net Zero emissions by 2050. The Air France-KLM Group, whose emission intensity was reduced by 30% (based on fuel reduction) between 2005 and 2019, is committed to playing a leading role in the sector transition.

Climate change is a major concern for the airline industry and for the Air France-KLM group in particular. Attitudes towards the acceptability of air transportation are changing at both a political level and in terms of society. Both France and The Netherlands, as well as the

European Union, have implemented policies to ensure the transition to a climate-neutral society by 2050.

The Air France-KLM group intends to be a player in the transformation of its sector, and aims to occupy a leading role.

Playing an active role in advancing towards our goal of Net Zero emissions by 2050 at the industry and ICAO levels, and obtaining validation from the SBTi (Science Based Targets Initiative) for our 2030 emission reduction target, were crucial milestones in 2022 and an important marker for the Group, reflecting people's changing perceptions of travel and the call for more responsible aviation. See also section 3.1.2 "Risks relating to the air transportation activity".

Key Performance Indicator	Definition	2022 results	2023 results	2030 targets
	CO ₂ footprint for passenger transportation (gCO ₂ eq/ passenger/ km) ⁽¹⁾ ✓	77.0	76.0	
CO ₂ efficiency per passenger kilometer	GHG emissions intensity in metric tons of CO ₂ equivalents per revenue ton-kilometer (gCO ₂ eq/RTK) ⁽²⁾ ✓	921	927	30% reduction compared to 2019 (2019: 948 gCO₂eq/RTK)
	Percentage change in CO ₂ efficiency (g.CO ₂ /passenger/km) between 2005 and 2023 (operational measures only) ✓		-23.4%	
CO ₂ emissions from ground operations ⁽³⁾	Percentage change in absolute CO ₂ emissions (scope 1&2) from ground operation activities between 2022 and 2023		-15%	Net Zero
Non recycled waste	Percentage change in non recycled wastes between 2011 and 2023		-52%	50% reduction compared to 2011
Acoustic impact	Number of chapter 4 or 14 ⁽⁴⁾ eligible aircrafts out of the total AFKL fleet in operation		100%	

See note on the methodology for the reporting of the environmental indicators, section 4.3.5.4.

✓ Figures verified by KPMG for 2023 at reasonable level of assurance.

(1) The methodology for calculating PAX + EQT weight and Weight of Freight + EQT changed in light of a new methodology published in late November 2022 by IATA influencing the calculation.

(2) In 2023 the methodology was changed to include SAF savings.

(3) The scope of this indicator includes CO₂ emissions from pax/cargo related activities in ground operations at Paris-Charles de Gaulle, Paris-Orly and Amsterdam-Schiphol hubs.

(4) Chapters 4 and 14 are the most efficient acoustic levels to date for jet aircraft.

4.3.1 Accelerate the environmental transition

Climate goals and ambitions

Since 2019, the Group has accelerated its environmental transition and has set ambitious sustainability performance targets to highlight its sustainability commitment.

Climate Goals	Target Year	Progress in 2023
Reduce GHG emissions intensity by 30% vs 2019 (gCO ₂ eq/RTK)	2030	927 gCO ₂ eq/RTK (2.3% reduction vs. 2019) ✓
Ambition of Net Zero emissions	2050	

Decarbonization Road Map	Target Year	Progress in 2023
Operate up to 80% new-generation aircraft	2030	20.3% share of fleet ⁽¹⁾⁽²⁾
Replace at least 10% of our conventional aviation fossil fuel with SAF	2030	1.1% of SAF incorporated (0.5% increase vs. 2022)

(1) 20.3% is based on all operational new-generation aircraft; two new-generation aircraft were delivered in December 2023 but were operational only at the beginning of 2024. If these two new generation aircraft were included Air France-KLM would reach 21% of the fleet.

(2) Share of fleet see 4.3.5.4 New-generation aircraft.

The Group's CO₂ emissions reduction target was approved by SBTi's Target Validation Team in 2022, confirming its support for the Paris agreement's objective of Well Below 2°C⁽¹⁾. In 2023, SBTi released a new technical report outlining an interim 1.5°C pathway for aviation companies, which the Group is following, alongside the Well Below 2.0°C trajectory, during the 2023 to 2030 period⁽²⁾. As soon as the final pathway is released, the Group will assess a potential update to its current ambition scenario. In addition to monitoring the development of leading industry guidance, the Group is internally developing its Net Zero by 2050 Trajectory, set to be finalized for external disclosure in 2024.

To meet its ambitious objectives, The Air France-KLM Group acknowledges the importance of working with all the players in the aviation industry – aircraft manufacturers, airlines and industrial partners – as well as with the entire transport sector, including rail partners. Decarbonizing aviation is highly dependent on the availability of future technologies, and thus requires close cooperation and investment with industry players to secure the technological capacity to reduce business operations.

The Group has identified several strategic priorities, investments and actions per decarbonization lever that are pivotal to meeting the Group's climate objectives, as identified below in our Decarbonization Road Map section. In addition, the Group has instituted internal carbon pricing, placing a monetary value on greenhouse gas emissions, which is factored into investment decisions and increasingly into business cases as a decision factor.

Our carbon footprint in 2023

Key 2023 emission milestones:

- 20.3% of the Air France-KLM fleet was composed of new-generation aircraft compared to 10% in 2021;
- 87,000 metric tons of SAF were uplifted, representing 1.1% of the Group's total fuel volume and saved 315 ktons CO₂eq vs. the use of traditional jet fuel;
- new MoUs were signed in 2023 to further support our Sustainable Aviation Fuel need for 2030. Our strategy is to sign contracts based on the best criteria of price, availability and sustainability;
- 64% electrification of our ground equipment services vehicles;
- reduction of building energy consumption by 46% in 2023 compared to 2011.

Engaging our customers and partners

Air France and KLM were the first carriers to offer their customers a SAF program for both businesses and cargo, thereby raising awareness and knowledge around SAF, and encouraging companies to reduce their Scope 3 emissions linked to business travel and the transportation of cargo. The Sustainable Aviation Fuel programs currently have 116 companies. In 2023, Air France-KLM extended the SAF program to its BlueBiz members with 188 companies now participating. Air France-KLM Martinair Cargo, the Group's cargo division, runs a similar program that was joined by 29 freight forwarders and customers in 2023.

Individual customers can also voluntarily contribute to increasing the use of SAF when they make a booking or up until check-in.

⁽¹⁾ <https://www.airfranceklm.com/en/newsroom/air-france-klm-co2-emissions-reduction-targets-2030-approved-science-based-targets>

⁽²⁾ Source: "The SBTi's New Interim 1.5°C Aviation Pathway", SBTi, 2 February 2023 (<https://sciencebasedtargets.org/news/the-sbtis-new-interim-1-5-c-aviation-pathway>).

Since 2022, the Group has offered all its Flying Blue members the option to pay for Sustainable Aviation Fuel with Miles. As a mark of recognition for high-value customers, these contributions also count towards earning or maintaining Flying Blue Elite status. Flying Blue was the first loyalty program in the travel industry to structurally introduce such a choice to earn status.

Air France and KLM have taken steps to participate in addressing climate change and promote sustainable aviation. Both airlines have launched video campaigns and dedicated pages on their websites, and engaged with the public to share their actions and provide information about their sustainability efforts. Additionally, they encourage customers to learn more about the climate impact of aviation. The airlines offer a user-friendly CO₂ impact calculator that allows customers to estimate the carbon footprint of their journeys.

KLM and Air France have made significant strides towards sustainable aviation, including the launch of The Sustainable Flight Challenge (TSFC). The initiative was embraced by the SkyTeam alliance in 2023 with 22 airlines having operated 72 flights in 2023, resulting in a 19% reduction in CO₂/RTK⁽³⁾. During the TSFC, customers were provided with information on sustainable actions they could take before, during and after their flights. Over 200 suppliers took up the challenge, providing circular on-board products, lightweight materials, Sustainable Aviation Fuel and IT solutions.

The Air France-KLM Decarbonization Strategy

Air France-KLM's greenhouse gas (GHG) emissions are primarily generated by its direct activities (Scope 1), and mainly by the flight operations which represent 99.8% of the Group's total direct emissions. The ground operations (testing bench, runway vehicles, etc.) represent 0.2% of emissions. Ground operations, like aircraft maintenance and tertiary activities, also generate indirect greenhouse gas emissions through energy consumption in buildings (electricity and air conditioning) (Scope 2).

For Scope 3 emissions, see the dedicated section below. Although Scope 3 is less material in terms of the Group's overall footprint, the Group monitors its Scope 3 emissions annually for the relevant categories.

Our Decarbonization Road Map

To achieve its ambitions and reduce its carbon footprint by activating all the levers at its disposal, the Group is pursuing its Decarbonization Road Map. This directional road map is updated yearly to incorporate the latest developments and insights **and Air France-KLM has developed a carbon forecasting tool with detailed assumptions that are updated twice a year.** This road

map includes the following key priority areas for which targets have been identified and action plans are deployed.

The plan is fully aligned with the Group's financial planning and includes an annual investment of over €2 billion in new aircraft. To fund Sustainable Aviation Fuels (SAF), Air France-KLM will continue to implement specific pricing measures such as the SAF surcharge and our customer marketing programs. The decarbonization strategy was produced by the Group's Decarbonization Committee and approved by the Group Executive Committee, and finally validated by the Air France-KLM Board of Directors. See chapter 4.1 for more details on these governance bodies.

In parallel, Air France-KLM has been developing its "Net Zero 2050" road map, which is set to be published in 2024.

Fleet renewal and technological improvements

Fleet modernization

The renewal of the fleet with more fuel-efficient aircraft is the first lever in the Group's decarbonization trajectory. The Group is continuously investing in fleet renewal with the latest-technology aircraft like the A350s, the A320neos and the Embraer 195-E2s, which are up to 25% more efficient, in terms of fuel consumption and thus CO₂ emissions per passenger km, than the aircraft they replace. It is also progressively accelerating the phase-out of aircraft that are the least adapted to its environmental route map.

In line with its fleet renewal policy, the Air France-KLM Group is continuing to take delivery of new generation aircraft like:

- the Airbus A350 which consumes 25% less fuel per passenger km than the previous generation aircraft and is 40% quieter;
- the Airbus A320neo aircraft family, which consumes 15% less fuel per passenger km than the previous generation aircraft and is 50% quieter;
- the Airbus A220 which consumes 20% less fuel per passenger km than the previous generation aircraft and is 34% quieter;
- the Embraer 195-E2, which consumes 9% less fuel per flight and emits 31% less CO₂ per passenger km compared to the E-190 that it replaces. This new type of aircraft is also 63% quieter than the EMB190.

By 2025, the Air France-KLM group projects that up to 37% of its fleet will be composed of new-generation aircraft compared to 10% in 2021, taking into account the delays foreseen in aircraft deliveries.

⁽³⁾ Source: PA Consulting Group and Royal Netherlands Aerospace Center in The Sustainable Flight Challenge report of 2023 – TSFC 2023 Feedback report.

AIR FRANCE-KLM FLEET RENEWAL OUTLOOK*

	2019	2021	2022	2023	2025	2028	2030
Results	5%	10%	15.6%	20.3%			
Plan (up to)					37%	64%	80%

* For more details, see chapter 1.4.

Supporting technological advances in the industry through R&D

To promote the advancement of low carbon technologies, the Group is committed to research and development into innovative solutions, design, and aeronautical and engine maintenance.

Electric aircraft

KLM is supporting AeroDelft, a student team whose mission is to prove that emission-free aviation is possible by designing and building one of the world's first liquid hydrogen aircraft. KLM is also a member of the Heart Aerospace Advisory Board, which supports the design and development of the ES-30 and the program milestones on the path to aircraft type certification.

KLM is a full member of the Electric Flying Connection (EFC) and the Power Up collective, which aim to revolutionize transportation through electric aircraft. EFC focuses on building a network of organizations dedicated to creating a value chain for electric flying, while Power Up aims to gain knowledge of the feasibility, potential and handling of electric flights.

In collaboration with key partners in the aviation sector, KLM initiated the KLM Electric Flying Connection Tour in August 2023, a pilot designed to trial new techniques and innovations in practice. By operating 18 instructional flights for two days with three Pipistrel Velis Electro aircraft between Lelystad Airport and Schiphol-East, we set up the entire logistics system of electric flying for the first time and learned from the challenges it involved. What is established on a small scale with today's resources can be an important driver for the scalability of these applications in the future.

KLM is also a member of the Heart Aerospace Advisory Board, which supports the design and development of the ES-30 and the program milestones on the path to aircraft type certification. The ES-30 is an electric aircraft designed for regional transport.

Accelerating zero-emission technology in aviation

Air France-KLM is involved in the Clean Air Transport initiative, which aims to accelerate the transition towards zero-emission commercial aviation technologies. This initiative involves the development of new technologies and infrastructure.

Air France-KLM participates in the Alliance for Zero-Emissions Aviation (AZEAA), which aims to prepare the market for the entry into service of zero-emission aircraft. The objective of this Alliance is to support the development of zero-emission aircraft technologies, fuels and infrastructures, and to facilitate the deployment of these technologies in the aviation industry. AZEAA's work aligns with the Airbus Zero-e announcements.

Air France-KLM Martinair Cargo has joined the Smart Freight Centre (SFC) program to increase transparency on GHG emissions and drive decarbonization measures across the air freight industry.

Technical innovation

Air France-KLM is a major partner in the TU Delft-France Initiative and is committed to contributing an annual €150,000 over three years, starting in 2024. Launched in April 2023, the initiative aims to create innovative solutions to decarbonize the aviation industry. The financing will go towards a university fund to finance ambitious collaborative research projects between France and The Netherlands.

AFI KLM E&M has signed MoUs with start-up OEMs to prepare for aftermarket service for hybrid and hydrogen-electric aircraft and is participating in the development of educational programs for technicians to support the adoption of new technologies.

Basic training for technicians on new aircraft is expected to be ready by the first half of 2025 in line with EASA legislation. This ensures that technicians are adequately trained to support the new aircraft technologies and promotes the safe and effective adoption of these technologies.

KLM has a partnership with Delft University of Technology in The Netherlands to design the Flying-V aircraft, a highly energy-efficient long-haul aircraft, and has engaged in collaborative efforts aimed at further developing the aircraft. This innovative aircraft design has the potential to significantly reduce emissions and promote more sustainable aviation.

KLM is involved in the Bright Sky ecosystem, which aims to achieve sustainable commercial aviation operations at Schiphol through the introduction of new technologies and workforce support. This ecosystem involves professionals and students from within and outside the aviation industry, and has already yielded results such as a remote maintenance support solution using AR/VR technology and state-of-the-art technologies for inspecting difficult-to-access parts.

Sustainable Aviation Fuel collaboration

Air France-KLM participates in the Renewable Low Carbon Fuels (RLCF) Value Chain Alliance, an EU initiative that focuses on increasing production and supply of renewable and low carbon fuels in the aviation sector. As part of this alliance, Air France-KLM formally chairs roundtable 2 "Production Pathways and Value Chain in Aviation" and is represented in the three other roundtables. The goal is to accelerate the development and production of Sustainable Aviation Fuels in Europe.

Air France-KLM supports the "Take kair" project in Pays de la Loire, France, developed by EDF, Holcim, IFPEN, and Axens to help create the French aviation e-fuel industry. This new industrial facility is one of the first e-fuel production projects in France and will save over one hundred kilotons of CO₂ each year. The objective is to start the construction of the industrial pilot in 2026 for a first phase of production in 2028.

Other collaborative working groups

KLM is a partner of the Duurzame Luchtvaarttafel, a working group that aims to reduce CO₂ emissions from aviation. This sub-table of the mobility sector-table is facilitated by the Ministry of Infrastructure and Water Management, and involves sector parties, knowledge institutes, trade organizations and social organizations.

KLM is also a partner of TULIPS, a €25 million EU-funded consortium, which will develop sustainable innovations for airports between January 2022 and December 2025. The project aims to accelerate the roll-out of low-carbon mobility technologies, achieve zero emissions and zero waste airports by 2030, and climate-neutral aviation by 2050.

Air France is a key partner in the OLGA project, launched in 2021 by the Aéroports de Paris (ADP) Group and comprised of four international airports and 57 partners. Air France is a pioneer in the electrification of the ground support equipment fleets at the Paris airports, is a driving force in the clean energy transition and the reduction in local emissions thanks to its work on optimizing electric recharging operations and hydrogen solutions, and the use of Sustainable Aviation Fuel.

Operational measures generating fuel savings of up to 5% (CO₂ emissions)

In 2023, both KLM and Air France launched internal programs geared towards further improving operational efficiency measures within the respective businesses. The programs investigate opportunities for CO₂ reduction across all the divisions, including cross-divisional projects. The focus areas of the programs are related to the categories below and, in the future, additional measures may be introduced.

Weight reduction

The lighter the aircraft, the less fuel it consumes. The Group recognizes that reducing the weight of aircraft is crucial to reducing CO₂ emissions. To achieve this, the companies have implemented various measures, such as reducing the weight of seats, galley and service equipment, and minimizing the use of heavy products and drinking water. Also, the weight of equipment required to transport payloads is being addressed, with wooden beams to support the cargo being replaced by a lightweight cardboard version and the use of lightweight cargo containers.

Aircraft performance optimization

Air France-KLM, as part of its fleet renewal, adopts fuel-efficient engines like the LEAP, P&W 1500, and GENx. An innovative engine wash process allows on-the-gate cleaning, boosting performance and cutting fuel consumption. Collaboration with paint suppliers reduces paint weight, enhancing aircraft streamlining and efficiency. Winglet upgrades, such as the Split Scimitar Winglets by Transavia in partnership with GKN Fokker Techniek, also contribute to fuel savings.

The airline group is also engaged in aerodynamic studies, including the Flying V project, for further technological advancements.

Route and flight path optimization

Improvements in fuel efficiency are achieved through a range of measures. These include:

- Air France-KLM is participating in the Single European Sky ATM (Air Traffic Management) Research and Development (SESAR) program. This 10-year program (2021-31) aims to deliver technological solutions to transform air traffic management in Europe and reduce fuel burn to contribute to the Single Europe Sky's 10% CO₂ reduction target. Through SESAR, Air France-KLM can optimize its routes and flight paths to reduce fuel burn and emissions. SESAR addresses the whole scope of aviation's environmental impact, including CO₂ and non-CO₂ emissions, noise, and air quality. <https://www.easa.europa.eu/eco/eaer/topics/air-traffic-management-and-operations/sesar-towards-digital-european-sky>;
- the Group has developed decompression and drift-down procedures to enable shorter routes around airspace closures, reducing the impact of flight disruption;
- implementing new tools based on artificial intelligence in partnership with innovative start-ups. For example, Air France and Transavia France have joined forces with OpenAirlines to deploy the SkyBreathe tool for the precise tracking of fuel-efficiency practices. They also engage in partnerships like developing the OptiFlight Solution by SITA, which uses flight data and machine learning to determine the most-fuel-economical scenarios for all phases of a flight.

The Group's airlines work closely with French and Dutch Air Traffic Control to optimize their descents and take-offs for greater efficiency. Air France is closely associated with the Green Operation Task Force led by French Air Traffic Control, while KLM is involved in the Dutch Airspace Redesign Program (DARP) discussions, which enable the use of more efficient routes in the European and Dutch airspace. This redesign is expected to be completed in 2030, which should lead to optimized routing and reduced fuel consumption and noise pollution.

Other fuel-saving measures

All possible avenues of fuel-saving measures are identified and, when feasible, implemented, subject to strict respect of the rules on Flight Safety. All the airlines within the Air France-KLM Group are included in the Fuel Plan, to improve the Group's energy efficiency and reduce its carbon footprint.

Pilots apply fuel-efficient procedures wherever possible, including Flight Plan precision, speed adjustments and optimized trajectories, and taxiing with one engine shut down.

To mitigate the impact of fuel tankering, which involves carrying excess fuel to destinations where it is more expensive, KLM and Transavia have decided to stop this practice completely, while Air France has discontinued fuel tankering on its short and medium-haul routes.

Mobile engine water wash; cleaner aircraft engines are more fuel efficient. In 2019 KLM began to use mobile engine washers to clean its engines more regularly, leading to fuel savings of 3.4 million kilograms per year and a CO₂ reduction of approximately 10,000 tonnes.

Sustainable Aviation Fuels (SAF)

Sustainable Aviation Fuels (SAF) offer a promising and essential method for decarbonizing the aviation industry. SAF can decrease CO₂ emissions by up to 80% compared to conventional jet fuel on a life cycle basis, without requiring engine modifications⁽⁴⁾. Future carbon reduction ratios could be even higher, depending on the type of SAF technology utilized. There are ongoing global initiatives to encourage and enforce the use of SAF, such as the SAF tax credits introduced in the US "Inflation Reduction Act" to promote SAF production. Notably, the "ReFuelEU Aviation Regulation" was adopted by the European Parliament on September 13, 2023, and will come into effect on January 1, 2024. This regulation mandates targets for SAF incorporation in global fuel consumption, aiming for up to 70% by 2050 for all flights within and departing from Europe.

In 2023, the Group:

- incorporated 87,000 metric tons of SAF, almost doubling the amount of SAF used in 2022. Air France-KLM aims to remain one of the world's largest users of SAF;
- announced that it will be investing \$4.7 million in DG Fuels, a producer of SAF in the United States. The capital investment will aid in the development of a new SAF refinery in the state of Louisiana. The investment has secured access to 75,000 tons of SAF annually from 2029, which is an addition to the previous uptake agreement signed in October 2022 for the sourcing 600,000 tons of SAF over the 2027 to 2036 period;
- in April 2023, KLM successfully conducted tests confirming that it is safe to run aircraft engines on 100% SAF. The engine tests were carried out in partnership with engine manufacturer CFM International and fuel producer Neste.

Committing to SAF incorporation

Air France-KLM is a pioneer in the use of SAF. In line with its goal to reduce total CO₂ emissions per RTK by 30% by 2030 compared to 2019, the Group has committed to incorporating a minimum of 10% SAF by 2030. This target goes beyond the European mandate of 6% for flights departing from Europe by the same deadline.

Committing to long-term SAF procurement

This year's announcements build on Air France-KLM's long-term SAF deals with Neste and DG Fuels, covering a total of 1.6 million tons from 2023 to 2036. As pioneers in the industry, we are fully committed to promoting sustainable aviation by increasing the demand for and usage of SAF, and driving its growth and development worldwide. We achieve this by forging multi-year supply agreements and actively supporting suppliers in their journey towards achieving the highest sustainability standards.

Securing the quality of our SAF supplies

Sustainable Aviation Fuels (SAF) are aviation fuels either made from biomass and biofuels, or synthesized from renewable CO₂ and Hydrogen synthetic fuels. The second category is not currently produced on a commercial scale. The European Directive for Renewable Energy defines the sustainability criteria for aviation biofuel to ensure the production of SAF does not create demand for land while promoting the use of waste and residues as feedstocks.

Air France-KLM has established a strict sourcing policy to ensure that the SAF production facilities selected have a minimal impact on the environment. The SAF selection criteria include minimizing the overall direct and indirect land-use change to ensure no competition with human food and animal feed supply, excluding palm oil-derived materials, and requiring RSB or ISCC certification.

Air France and KLM have been members of RSB since 2008, in their capacity as founding members of the Sustainable Aviation Fuel Users Group (SAFUG). This body takes into account 12 criteria ranging from food security to rural development, the quality of air, soil and water resources, and waste management.

Supporting the development of a Sustainable Aviation Fuel (SAF) production chain in Europe

Air France and Elyse Energy hosted the SAF Connect breakfast event on April 5, 2023 bringing together key stakeholders in the SAF ecosystem to exchange ideas and promote decarbonization in the aviation industry. The event featured financial and technology experts, project leaders, public administration and off-takers, discussing the challenges and opportunities for SAF production in France. This was the first event of its kind organized by Air France, highlighting the importance of SAF in contributing to decarbonization goals in the aviation sector. The discussions emphasized the need for clarity in the European regulatory context, financing support for producers and end-user pricing visibility to ensure the future success of SAF production in France. A second SAF Connect event was held in December 2023, in collaboration with ENGIE and Crédit Agricole Corporate Investment Bank.

⁽⁴⁾ Source: internal data and industry research from the ICCT – International Council for Clean Transportation.

KLM, a co-founder of SkyNRG, has been instrumental in developing and supplying Sustainable Aviation Fuel (SAF) since 2016. KLM flights departing from Los Angeles airport have been operating with SAF produced by the local World Energy refinery and are supplied by SkyNRG. In 2019, KLM committed to purchasing an annual 75,000 tons of SAF for the next decade, becoming the world's first airline to invest in SAF on such a large scale. SkyNRG is now developing Europe's first dedicated plant to produce SAF.

Supporting SAF-related Research and Development

For over 15 years, the Air France-KLM group has been a leader in the research and development of Sustainable Aviation Fuel.

KLM made history in 2011 as the first airline to operate a commercial flight partially fueled by SAF, while Air France launched the Lab Line for the Future in 2014, conducting 78 flights partially powered by SAF. In 2021, Air France completed its first long-haul flight fueled by SAF produced entirely in France, while KLM made history again operating with the world's first commercial flight using synthetic fuel. Air France has been instrumental in promoting biofuels for aviation and raising public authority awareness of the need for a French biofuels industry. Together with ATAG (Air Transport Action Group), Air France helped establish the French national road map on aviation biofuels in 2018.

Through the Council for Civil Aviation Research (CORAC), Air France is driving the development of a sustainable fuel strategy through technological research and innovation, aimed at achieving the global ecological transition objectives. Additionally, as a founding member of the Aviation Climate Taskforce (ACT), Air France-KLM is committed to accelerating breakthroughs in emerging decarbonization technologies, with a focus on synthetic SAF, hydrogen and direct air capture.

100% SAF certification

Reaching 100% SAF certification is a critical milestone for the aviation industry, as it eliminates the current limitation of planes being allowed to fly with a maximum of 50% SAF. This flexibility will help the SAF industry to emerge and grow.

The Air France Industries KLM Engineering & Maintenance (AFI KLM E&M) business unit has proudly contributed to this effort by conducting the first-ever 100% SAF test this year on a CFM56-7B engine at Amsterdam-Schiphol in collaboration with CFM International and Neste. Furthermore, in October 2023, EPCOR BV, a wholly-owned Air France-KLM subsidiary, became the first MRO in the world to test a 100% SAF-powered APU in a full test environment, in collaboration with Virgin Atlantic Airways, Pratt & Whitney Canada and Boeing. These tests paved the way for Virgin Atlantic's transatlantic flight carried out on November 28, 2023, powered entirely by 100% SAF.

Combining different modes of transportation

Wherever possible for journeys over short distances, the Group's airlines offer their customers the possibility of combining different modes of transportation, a solution known as inter-modality. Customers can book their entire journey, including both flights and trains, in a single ticket, with guaranteed connections. These offers called "Train+Air" and "Air&Rail" are, respectively, in partnership with SNCF and Eurostar. The Air France "Train+Air" product is used every year by more than 100,000 customers travelling to and from Paris-Charles de Gaulle and Paris-Orly airports. The KLM Air&Rail product is available for customers connecting via Amsterdam to or from Brussels and Antwerp Central, with a yearly capacity of almost 100,000 seats.

Reducing emissions from the ground operations

In addition to reducing emissions from kerosene combustion, which are responsible for the majority of Air France-KLM carbon footprint, the Group is aiming to achieve Net Zero CO₂ emissions⁽⁵⁾ for its passenger and cargo-related activities in its ground operations at its Paris-Charles de Gaulle, Paris-Orly and Amsterdam-Schiphol hubs by 2030.

In 2023, 64% of the ground equipment at its hubs was electrically powered. Proof Of Concepts of so-called "Taxibots" are in progress at Schiphol and Paris Charles-de-Gaulle. The results and analyses will be used in 2024 to define the next steps in their potential deployment.

The Air France-KLM group has been actively pursuing measures to reduce CO₂ emissions, including trials involving electric Ground Power Units (e-GPUs) and thermal Air Conditioning Unit (ACU) converters for air conditioning on the ground. The Aircraft Power Unit (APU) OFF concept, which minimizes APU usage during ground operations, is progressively being extended to medium-Haul flights, with 100% of Charles-de-Gaulle Terminal 2F's medium-haul gates having been equipped.

Transavia has been experimenting with the start-up SAS on the use of thermal ACU converters for air conditioning on the ground. This reduces the emissions from the use of APUs. During the first test phase, Transavia was able to save 50,000 liters of fuel, i.e. around 100 tons of CO₂ emissions. In the long run, Transavia is pursuing its road map for electric Ground Power Units (GPUs) and ACUs.

KLM Catering Services (KCS) is testing the world's first all-electric catering truck as part of its plan to transition to electric transport. The aim is to replace all vehicles with electric models and aim for Net Zero CO₂ ground operations by 2030. Two electric catering trucks are being built to specifications and are expected to join the fleet in 2024.

⁽⁵⁾ Net Zero CO₂ emissions for Scope 1 and 2 passenger and cargo ground operations, excluding aircraft taxiing. Taxiing operations are part of the flight related emissions.

Reduce Scope 2 emissions

Energy consumption in the ground operations, such as the fuels used by ground support equipment, electricity and gas use in buildings, and electricity used for aircraft maintenance and tertiary activities, generates direct and indirect Greenhouse Gas emissions (Scopes 1 and 2). In 2023, this accounted for 0.1% of Air France-KLM's total Scope 1 and 2 emissions.

Reducing the energy consumption of the ground facilities

Air France-KLM launched an active program of energy efficiency measures, reducing building energy consumption by 46% in 2023 compared to 2011. Concrete actions include switching off lighting, automatic switch-off for electronic devices, thermal insulation work and adjusting temperature settings.

The Group constantly pursues actions to reduce its energy consumption. KLM has obtained ISO 50001 certification to manage energy efficiency improvements. The photovoltaic energy project on the roof of KLM's largest aircraft hangar was completed in 2021. These solar panels generated 1,398 million kWh of renewable electricity in 2023. The remaining electricity required to be purchased from the grid to power KLM's ground operations was 100% renewable and was produced by onshore wind farms in Europe.

At Air France, 100% of the heating needs of the tertiary buildings at Toulouse and Valbonne, where the bulk of the IT servers are located, are met by recycling air conditioning system heat. In July 2023, two contracts (of 20 years duration called PPAs – Power Purchase Agreements) were signed with "EDF Renouvelable" to contribute to the installation of two photovoltaic farms in France (La Charité-Nievre and Grand Gueret-Creuse) which should deliver their first production in 2024. The annual potential is estimated at 28 GWh which corresponds to 20% of Air France's current electricity consumption supplied by EDF.

Reducing Scope 3 emissions

In 2022, Air France-KLM conducted a preliminary spend-based assessment of its significant Scope 3 emissions, estimating that they account for 20%-25% of its total CO₂ emissions, with around 10% arising from non-jet fuel-related activities. The main components of its (non-jet fuel related) indirect emissions are the purchasing of goods and services, aircraft manufacturing, business travel and employee commuting.

In 2023, to gain a more comprehensive understanding of the nature of various Scope 3 emissions and to prepare emission reduction programs in partnership with suppliers, Air France-KLM in collaboration with an external consultancy firm, conducted in-depth Scope 1, 2 and 3 emission analyses for Air France Industries KLM Engineering & Maintenance as well as for KLM In-Flight Services. The findings revealed that the procurement of goods and services constitutes their primary Scope 3 category.

In addition, about 100 suppliers have been contacted and invited to participate in the CDP climate module. This will help to align Air France-KLM's Scope 3 emissions data with the Scope 1 emissions data from these suppliers and create a common base for joint emission reduction actions.

Air France-KLM is also preparing for the CBAM (Carbon Border Adjustment Mechanism) which, as of 2024, requires the registration of supplier-incurred emissions for products made of iron, steel and aluminum imported from non-ETS countries.

In the past years, Air France-KLM has reported energy-related Scope 3 emissions as these represent the largest part of Scope 3. For 2023, the emissions related to upstream and downstream transportation (Scope 3 categories 4 and 9) have been reported.

A sustainable supply chain

The Group has appointed EcoVadis, a market-leading provider of business sustainability ratings, to support its understanding of every aspect of sustainability in the supply chain, including the environment, labor and human rights, and ethics.

Sustainability is a key part of the Procurement department's transformation plan. As well as continuing the measures above, the plan includes embedding sustainability KPIs into the procurement processes and the criteria for awarding new business to suppliers. We are also developing a wider training program for employees, building sustainability awareness and driving higher sustainability performance across the entire organization.

Support carbon capture, storage projects and biodiversity conservation

The Group's airlines are contributing to projects that capture and store carbon from the atmosphere in natural carbon sinks such as forests and mangroves, with the support of customers participating in their environmental programs.

Air France has selected EDF Oklima, a subsidiary of EDF, which is known for its expertise in decarbonization. EDF Oklima will support Air France to comply with the Climate and Resilience regulation (article 147). https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000043957219.

Meanwhile, KLM has been supporting a reforestation project in Panama since 2017 and has added two more projects in Uganda and Colombia to its portfolio since 2022. These projects are all Gold Standard and FSC certified, contributing to job creation, community development and the United Nations' Sustainable Development Goals.

More details on these programs are available in section 4.3.3 "Biodiversity" of this document.

Compliance and participation in carbon offset and reduction schemes

Different mechanisms and obligations governing carbon offsetting and reduction are gradually coming into force at all territorial levels (national, European and international). To achieve its ambition of Net Zero emissions in 2050, the Air France-KLM Group is investing in all the mechanisms in place, while advocating strict complementarity.

Mandatory offsetting of domestic flights (French national level)

Since January 1, 2022, operators of French aircraft whose emissions exceed the annual threshold of 1,000t/CO₂ must offset the carbon emissions from flights within France (excluding the French overseas departments). The regulatory threshold of 50% by 2022 was met thanks to anticipation and an ongoing dialogue with the competent authorities. In 2023, this threshold will increase to 70% followed, in 2024, to 100%. The 2023 project portfolio will be submitted in May 2024.

Integration into the European Union Emissions Trading Scheme – ETS (European level)

Air France-KLM is also preparing for the ramp-up in the European carbon emissions trading scheme (European level). A pillar of the “Fit for 55” legislative package currently being adopted by the EU institutions, the revision of the European carbon market should lead to the gradual elimination of free ETS allowances at European level as a clear market signal against conventional kerosene. The Air France-KLM Group welcomes these orientations adopted by the European institutions while actively participating in the ongoing discussions.

Participation in the international carbon offset and reduction scheme – CORSIA (International level)

The Air France-KLM group is fully committed to the CORSIA scheme, implemented by the International Civil Aviation Organization (ICAO), under the voluntary commitments of France and The Netherlands. The Group is participating in the first phase of implementation over the 2021-26 period by reporting its emissions and implementing any offsets. Air France-KLM, which supports its representative organization IATA, welcomed this step forward as well as the adoption of the Long-Term Aspirational Goal (LTAG) for the entire industry at global level.

In this context and in view of the possible complementarity of the different systems, Air France-KLM considers that the same CO₂ emissions should not be simultaneously subject to the domestic offset obligations, the European Emissions Trading Scheme and the CORSIA scheme.

Non-CO₂ effects

The climate impact of aviation is larger than CO₂ alone. Aircraft produce other emissions such as water vapor, soot particles and nitrogen oxides that interact with the atmosphere and contribute to climate change. The two main non-CO₂ effects are condensation trails (contrails) and nitrogen oxides (NO_x). There are still many uncertainties in assessing the climatic impact of non-CO₂ effects, but the latest scientific studies agree that they have a significant warming impact, especially in the short term, comparable to the impact of CO₂.

The most significant non-CO₂ effect is due to contrails, the line-shaped clouds that sometimes form behind an aircraft. The exhaust soot particles emitted by engines promote their formation and they can persist for dozens of hours under specific atmospheric conditions. NO_x emissions from aircraft engines at altitude contribute to the formation of ozone and the destruction of methane, both greenhouse gases, such that the overall effect is estimated to be warming although this is dependent on background surface air pollution levels.

The Air France-KLM group is actively working with research facilities, policymakers and solution providers to deepen the knowledge of non-CO₂ effects and speed up the implementation of mitigation measures.

- Since 2013, Air France has been involved in the research infrastructure IAGOS (In-Service Aircraft for a Global Observing System) and operates one aircraft with sensors collecting atmospheric data.
- Since 2021, Air France has been working in close collaboration with Météo France to help further improve their forecasting of the contrail risk area. Air France has collected more than 2,700 observations with its Contrail Observation Program.
- In 2023, KLM conducted a six-month pilot project with SATAVIA. Flight paths within Europe were adjusted to avoid the formation of potentially warming contrails. This pilot project gave insights into the non-CO₂ effects of KLM and the operational implications and constraints of contrail avoidance.
- KLM is a member of the Advisory Board for the EU project which will investigate the revision of the ETS Directive to include a MRV (Measuring, Reporting and Verification) system for non-CO₂ effects in aviation.
- Air France-KLM is involved in CICONIA, a three-year European project that aims to define and assess new procedures for airlines and air traffic control to mitigate non-CO₂ effects.
- Air France-KLM participates in research through the “Conseil pour la Recherche Aéronautique Civile” (CORAC) which supports Climaviation, a Climate Chair focusing on the non-CO₂ effects of aviation.

4.3.2 More Sustainable Operations

Air France-KLM is committed to reducing its environmental impact from the ground operations at its three main hubs in Paris and Amsterdam, by adopting electrified products, and implementing energy and waste management practices.

Environmental and Energy Management System certifications (ISO 14001:2015 and ISO 50001:2018)

ISO 14001:2015 and ISO 50001:2018 are international standards that set out the requirements for, respectively, an environmental management system (EMS) and an energy management system (EnMS). These certifications provide companies with frameworks to manage their environmental impacts, improve their environmental and energy efficiency performance and comply with regulations. These are particularly relevant for Air France-KLM, as the company is aiming to improve its environmental performance within the organization and at its suppliers.

The Air France Environmental Management System (EMS) has been ISO 14001:2015 certified since 2008 and covers all the following activities: Flight and Ground Operations, Cargo, Engineering & Maintenance, Corporate, Real Estate as well as IT, and the Procurement department based in Metropolitan France.

Air France's ISO 14001:2015 certification covers 100% of the French stopovers and the following sites:

- the Air France headquarters: Paris-Roissy CDG, Montreuil;
- the Cargo station G1XL: Roissy CDG;
- the Engineering & Maintenance facilities based in Roissy CDG, Orly and Villeneuve Le Roi;
- IT: Toulouse, Valbonne.

KLM's Environmental Management System (EMS) has been ISO 14001:2015 certified since 1999. The certification covers 100% of the Flight and Ground Operations, Cargo, Engineering & Maintenance, Corporate, and Real Estate & Facility Services in The Netherlands.

In total 100% of all the operational activities owned by Air France and KLM airlines have been ISO 14001:2015 certified.

Since its inception, Air France-KLM has been committed to maintaining an environmental management system as underscored by its ISO 14001:2015 certification (held since 2008 for Air France and 1999 for KLM). The ISO 14001:2015 certification requires the tracking and monitoring of environmental impacts and issues.

Since September 2022, Air France's Environmental Risk and EMS has been part of the Multi-Risk Management department. This move was made to leverage the expertise and experience of the safety flight risk and other risk management teams to continuously improve the

ISO 14001 environmental management practices. By joining forces, the teams will be able to share best practices and collaborate more effectively to identify and mitigate the environmental risks.

Air France's ISO 14001:2015 certification was renewed in 2023 and KLM will renew its certification in 2024. During the three years of certification, local independent third parties will conduct annual follow-up external audits to ensure compliance with the standard. Additionally, an internal audit program is in place to verify the effective performance of the EMS across all network contributors throughout the year.

To comply with the European legislation both companies have performed energy audits. The KLM Group has chosen to comply with ISO 50001:2018 for its relevant activities (including subsidiaries) in The Netherlands except for airplane fuel consumption. Air France has decided to make a complementary energy audit to ISO 14001:2015, as allowed by the authorities.

Reducing noise

As air travel continues to grow and to meet the increasing demand for mobility, airlines must also prioritize a reduction in noise pollution for those living near airports. The Air France-KLM Group recognizes this responsibility and has formalized its commitment to noise mitigation by enshrining it as a requirement in The Air France-KLM Principles. This commitment reflects the Group's dedication to balancing operational efficiency with environmental responsibility, ensuring that air travel is sustainable and respectful of the local communities.

Air France-KLM's approach to noise reduction and mitigation

Air France-KLM is committed to flying in a more environmentally sustainable and socially responsible manner, in line with governmental and societal objectives. The Group actively collaborates with Member States and other stakeholders to ensure compliance with the Balanced Approach, an EU regulation (no. 598/2014) designed to improve the noise environment around EU airports, and to promote greater compatibility between aviation activities and residential areas. To meet these regulations, Member States are encouraged to adopt a comprehensive approach, combining all the available measures to identify the most cost-effective solutions. At the Air France-KLM hubs, including Paris-Charles de Gaulle, Paris-Orly, and Amsterdam-Schiphol, the Balanced Approach procedure is followed, which includes four categories of additional measures that Member States can take to address noise pollution:

- reduction in noise at the source (such as fleet renewal);
- land-use planning and management (including insulation projects and continuous descent);

- operational procedures (such as optimizing flight routes);
- operating restrictions (such as night closure or capacity limitations).

Fleet renewal

Thanks to its fleet renewal, the Air France-KLM Group is not only reducing CO₂ emissions but also reducing noise pollution.

In 2023, the number of ICAO chapter 4 and 14 eligible aircrafts out of the Air France-KLM fleet in operation was 100%⁽¹⁾. Compared to previous generations, the A350 is 40% quieter, while the A320neo aircraft family is 50% quieter, the A220 is 34% quieter, and the E195-E2 has a 63% reduction in noise levels. In September 2023, the Air France-KLM Group announced an order for 50 Airbus A350 family aircraft, with purchase rights for 40 additional aircraft, to accelerate the renewal of its long-haul fleet, further contributing to reducing noise and improving air quality.

Land-use planning and management, stakeholder dialogue, insulation projects

Air France and KLM are committed to engaging in a continuous dialogue with stakeholders in all territories, including the representatives of local communities, airport authorities and air traffic control. By collaborating closely with these stakeholders, the airlines aim to identify measures that can reduce noise hindrance and improve the quality of the local environment.

In The Netherlands, KLM has been involved in the Minder Hinder (less hindrance) program with Schiphol and Air Traffic Control the Netherlands since 2022 to reduce noise hindrance and improve the quality of the local environment. <https://minderhinderschiphol.nl/over-dit-plan/>.

In France, Air France actively participates in CCEs (Environmental Consultative Commissions) and CCARs (Advisory Residents' Assistance Commissions) at all the French airports where it operates. Air France has also been actively involved in the Night Flights working group, overseen by the Prefect of the Paris-CDG airport region, which has proposed new "dead of night" continuous descent procedures and facilitated the voluntary retirement of noisy aircraft, including Air France's B747s and A340s.

In addition, the Air France Group (Air France, Air France HOP! and Transavia France) contributes to the Airport Noise Tax (TNSA) paid to the French State, with a contribution of €17.5 million in 2023, which funds soundproofing for homes located around French airports. Since the introduction of the TSNA in 2004, €850 million has been allocated to soundproofing homes, to which the Air France Group has made a significant contribution.

Around Schiphol airport, airlines have collectively contributed €750 million in noise levies over the past two decades, which have been devoted to soundproofing and

compensation for the loss of property value around the airport. In 2023, the Dutch Ministry decided to resume this noise insulation program, with a new tranche of approximately 670 homes in the vicinity of Schiphol Airport to be launched at an expected cost in the coming years of more than €30 million. The cost of installing soundproofing is paid entirely by the airlines flying from Schiphol.

Operational procedures (e.g. better flight routes, continuous descent)

Air France-KLM is committed to reducing its environmental impact through a range of measures, including participation in the SESAR program to optimize routes and reduce fuel burn, and the development of decompression and drift-down procedures. These measures contribute not only to the group's sustainability goals and the CO₂ reduction target but also to the reduction of noise and the improvement in air quality. For more examples of measurements, see section 4.3.1 "Accelerate the environmental transition".

The group also works closely with air traffic control to optimize descents and take-offs, and whenever possible, implements continuous descent or NADP (Noise Abatement Departure Procedure) procedures which significantly reduce noise pollution. Air France-KLM is committed to supporting the government and the DGAC departments in the rapid and widespread implementation of continuous descent procedures at all airports.

Operating restrictions (e.g. night closure or capacity limitations)

In June 2022, the Dutch Minister of Infrastructure and Water Management announced a plan to reduce the number of aircraft movements at Schiphol from 500,000 to 440,000 by 2024, to reduce noise pollution around the airport. However, the KLM Group and the European Committee have noted that the current approach and process of the Balanced Approach procedure differs from the prescribed procedure referred to in the Noise Regulation. In June 2023 KLM submitted a plan calculated by the Netherlands Aerospace Centre (NLR) which offers a greater reduction in noise pollution at night (18%) and exceeds the Minister's target of 15% in 2024. The KLM plan aims to reduce noise pollution by 18% at night and 28% by 2026, while also reducing noise pollution more effectively in the long term. The KLM plan involves investing in quieter, fuel-efficient aircraft, smarter operational processes and the scheduling of quieter aircraft for night flights.

Noise restrictions also apply to Paris-Orly and Paris-Charles de Gaulle airports (curfews, slot caps at Paris-Orly, noise cap on night-time slots at Paris-Charles de Gaulle) and are managed within the framework of the balanced approach.

⁽¹⁾ The revision was revised in 2023, see section 4.3.5.4.

Air quality

Air quality is an important aspect of our sustainability efforts within the Air France-KLM Group. It impacts health and the environment, and as such, the Group is committed to conducting our operations in a responsible and environmentally conscious manner that safeguards the well-being of the wider community.

Managing air quality

The Air France-KLM Group monitors its atmospheric emissions for both flight and ground operations, including low-altitude emissions that impact air quality around airports. The indicators cover emissions of SO₂ and NO_x, with most of these emissions coming from aircraft movements.

In the framework of the “Minder Hinder” program, KLM is committed to the hindrance program and to contributing to the government and Schiphol's local emission reduction plans covering ultrafine particles and nitrogen.

KLM is working with industry partners to measure Ultrafine Particulates (UFP) and find ways to reduce the use of Auxiliary Power Units (APUs) and increase n-1 taxiing. It is conducting a study with Schiphol Airport to understand employee exposure to UFPs and their sources. The results will be used in an external follow-up study.

Electric ground equipment

Electric ground equipment has the benefit of generating no local emissions. This contributes to cleaner air and better working conditions at and around airports. **In 2023, for the Group's airlines, 64% of the Ground Service Equipment (GSE) at Paris-Charles de Gaulle, Paris-Orly and Amsterdam-Schiphol airports was electrically powered.**

Since 2022, in collaboration with other partners like Aéroport de Paris and Amsterdam Airport Schiphol, Air France-KLM has conducted sustainable taxiing trials, using special towing vehicles to bring aircraft to the runway. This so-called “Taxibot” is driven by a combination of electric and diesel engines that use 95% less fuel than airplane engines. This method of taxiing greatly reduces fuel consumption and therefore CO₂, as well as local emissions such as Nitrogen (NO_x) and (ultra) fine particulate emissions. This innovation is still in the trial phase at Schiphol.

Besides this opportunity, other initiatives include trialing electric Ground Power Units (e-GPUs) and thermal Air Conditioning Unit (ACU) converters for air conditioning on the ground, as well as the introduction of electric Fixed Power Units (e-FPU) at Schiphol Airport and the use of electric Air Conditioning Units (ACUs) at all the gates in the Paris-Charles de Gaulle and Paris-Orly terminals. More details can be found in section 4.3.1 “Accelerate the environmental transition”.

The Air France-KLM group plans to pursue the electrification of equipment and expand its ground support equipment (eGSE), focusing on airports with the existing

eGSE and adequate charging capabilities, as expansion is dependent on the supply of electric equipment and airport investment in charging infrastructure.

Transitioning to alternative and renewable fuels for Ground Equipment

Moving to Gas to Liquid (GTL), a synthetic diesel, is an important measure as it can reduce emissions of harmful pollutants, such as SO₂ and particulate matter. GTL fuel has a higher energy content and burns more efficiently, resulting in lower CO₂ emissions compared to traditional fossil fuels. This shift to GTL fuel can effectively contribute towards reducing emissions and improving air quality.

At the end of 2020, Paris-Charles de Gaulle and Paris-Orly airports adopted GTL to replace Non-Road Diesel (GNR). All Air France Ground Service equipment at Paris-Charles de Gaulle is now powered by this fuel, which is 15% to 20% more economical in terms of CO₂ emissions, generates 10% less NO_x, requires 10% less fuel consumption and lowers maintenance costs due to less engine clogging. Air France plans to systematically use GTL as a substitute fuel for GNR throughout the electrification phase of its equipment.

Water management

Although water conservation was not considered to be material in the Air France-KLM double materiality analysis, proper management of water can reduce water usage and minimize the environmental impact of operations. Air France-KLM's commitment to sustainable practices was demonstrated by its achievement of a 9% reduction in water consumption between 2019 and 2023. This is particularly relevant considering the UN's prediction of a 40% shortfall in freshwater resources by 2030.

Air France-KLM has implemented several water conservation measures since 2011, such as using pads to clean aircraft exteriors which has reduced water usage from the 12,000 liters previously used to a mere 150 liters to clean a Boeing 777, recycling the water used for engine washes and leveraging artificial intelligence to optimize drinking water loading. Furthermore, the Group has discontinued the practice of aircraft water salutes to reduce water waste since 2022.

KLM also introduced the KLM Environment Center (KMC) in 1990 to collect and clean water from most operations. Using reverse osmosis filters, KMC is able to remove pollutants like heavy metals before draining the cleaned water into Schiphol Group's wastewater treatment plant. In the reporting period, KMC cleaned and drained 28,791 m³ of water.

Waste management

Air France-KLM is committed to minimizing waste and increasing the proportion of waste recycled or incinerated using energy recovery where possible. The Group handles many forms of waste arising from flight operations and maintenance, while complying with strict regulatory requirements.

Air France and KLM face a challenge in improving waste management due to the strict European Union legislative framework. This is exemplified by the regulations that restrict the recycling of most catering waste from intercontinental flights entering the EU. To address this issue, in 2021 Air France and KLM joined a coalition with other European airlines to raise awareness among legislators. In 2023, the collaboration expanded to include NGO Zero Waste Europa. Additionally, KLM produced an explainer video aimed at the public to raise awareness of the issue and encourage policymakers to act. These efforts aim to overcome the regulatory hurdles and improve waste management practices across the aviation industry.

The following performance targets have been set:

- a 50% reduction in non-hazardous residual waste (non-recycled waste from the cabin and ground activities) by 2030 compared to the 2011 baseline for all operations in France and The Netherlands;
- in March 2023, Air France reached its target of eliminating 90% of single-use plastics compared to 2018, having replaced plastic cups, cutlery and stirrers with sustainable alternatives back in 2019. In 2023 Air France thus succeeded in avoiding 79 tons of single-use plastic items;
- the Group's actions are based on the four principles of the circular economy: rethink, reduce, reuse and recycle. Risks and mitigation actions are assessed from a life cycle perspective. The airlines run programs aimed at a constant improvement in the overall management of waste: waste prevention, increasing the use of recycled content, the eco-design of products and the identification of the appropriate reprocessing facilities. The end-of-life management of items is factored into their initial design.

In 2023, Air France-KLM achieved a 52% reduction in residual waste in France and The Netherlands compared to 2011, representing 8,755 tons of recycled waste. All the entities in France are the subject of a comprehensive tracing system pursuant to the Decree of March 25, 2021 on waste traceability transcribed into the Environment Code (Art. R. 541-43 and R. 541-45). <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000043294613>.

Reduction of single-use plastics

Whether for reasons of hygiene and food safety, or to reduce the weight embarked, the in-flight service uses a substantial quantity of Single-Use Plastic products (SUPs). The Air France-KLM group is committed to reducing the environmental impact of SUPs in its operations. The Group achieves this via several levers: eliminating SUPs wherever possible; replacing these plastics with other materials whenever more sustainable alternatives are available; redesigning SUP items to decrease material use, using recycled plastic and ensuring SUPs are recycled wherever possible.

Some sustainability measures taken by Air France-KLM to reduce its use of single-use plastic:

- Transavia now uses certified alternatives to single-use plastic, eliminating over 7 million single-use plastic items per year, or 41 tons of plastic;
- KLM Inflight Services uses a Life Cycle Assessment (LCA) tool to choose packaging materials with the lowest environmental impact and reduce waste, aiming to find alternatives to SUPs. Surplus packaging is avoided and items are replaced with sustainable alternatives whenever possible.

Other in-flight waste

In 2023, our airlines continued with the following actions:

- Air France worked with Delta and IATA to recycle waste on flights and launched recycling trials on the US routes;
- Air France participated in The SkyTeam Flight Challenge for environmentally responsible flights and achieved an impressive level of waste reduction on a CDG/ATH/CDG flight, with only 3% of waste incinerated;
- KLM sorts and recycles on-board waste on its European flights, including plastic and cardboard cups, glass, cans, aluminum lids, paper, EPS boxes and PET plastic bottles;
- KLM conducts waste sorting and management campaigns for its flight crews and supplies information via an internal website and e-book;
- KLM has redesigned its Economy glass, resulting in a 10% material reduction, replaced plastic packaging with paper for salt and pepper, reduced single-use plastic by 31,370 kg and reduced secondary packaging material through supplier conversations, resulting in a decrease of 5,833 kg of packaging material;
- Transavia has started sorting waste on board, saving up to 80 tons of residual waste per year and accounting for 45% of cabin waste (plastic, cans and drink cartons).

Action to combat food waste

Air France-KLM manages food waste from its flight operations in a strict regulatory context. The Group employs two main levers to reduce food waste: adjusting on-board services and implementing a rigorous policy for the management of merchandise inventories. The key actions taken by the Group to combat food waste include the:

- pre-selection of hot meals in the Business cabin, which made it possible to avoid 11 tons of waste in 2023;
- a reduction in bread reserves in Air France's Premium Economy and Economy classes, which saved 61 tons of food waste over the year;

- a food donation policy, where unconsumed items served on long-haul flights are donated to charities. In 2023, more than one million items (food and material) were donated to charitable associations by Air France;
- the ZerOWaste project by KLM, which has resulted in a reduction of approximately 50% in unconsumed sandwiches that had previously been thrown away;
- a survey of flight crews to gather their ideas for limiting waste and improving on-board sorting. The results of this survey will lead to new initiatives in 2024;
- adjusting perishable product orders and maintaining a rigorous merchandise inventory management policy to reduce wastage of unconsumed fresh products.

Aircraft end-of-life

Aircraft that are at the end of their service with the Air France-KLM group are returned to the lessors or are sold to third parties to continue their operation. Aircraft at the end of their economic life will be dismantled by the lessor or purchasers, or under the management of the Air France-KLM group itself.

Engines & Components used in and on “end-of-life” aircraft have their own individual life cycles. Parts that are relatively new or recently overhauled will not be treated as waste but will be removed to serve other aircraft in compliance with regulations (EASA part M and part 145 as well as FAA regulations), requirements, form, fit and function without compromising on safety or reliability. The remaining parts and hull will be dismantled and recycled, a process for which the Group's airlines have contracted specialized companies with the highest environmental standards. like Tarmac Aerosave. Tarmac Aerosave recycles approximately 90% of aircraft materials. An additional 8% are fluids such as oils which are reused to produce energy, leaving only 2% of an entire aircraft for disposal.

Aeronautical waste

Engine parts, aircraft seats, cargo pallets and broken suitcases are just some examples of the production waste generated by our Engineering & Maintenance, Cargo and Flight Operations. Although most aeronautical waste is subject to strict regulation, Air France-KLM has implemented many initiatives to reduce non-recycled production waste.

Engineering & Maintenance prevents aeronautical component waste by developing alternative repairs. Whenever repair is no longer viable, aeronautical components are deemed to be Beyond Economical Repair (BER). These components, as well as other elements of aeronautical waste, are then sent to the in-house salvation and scrap team. This team handles procedures to reuse and recycle spare parts, and other forms of waste. Wherever the rules and regulations allow, the cradle-to-cradle principle is applied to reintegrate waste into a new production cycle. Scraps that cannot be integrated within our own production cycles and

components that are governed by strict regulations, and thus are not reusable, are collected by external partners and either destroyed or processed into secondary raw materials. The process foresees procedures to reuse and recycle spare parts. This program has been extended to other types of waste: furniture, equipment, pallets and blankets.

At Air France, the move up-market for the medium and long-haul cabins with the installation of new seats has been accompanied by the implementation of a recycling and dismantling process for the old seats ranging from the reuse and recycling of components to the recovery of foams and metals.

Hazardous waste from the maintenance activities is the subject of a comprehensive tracing system and its handling is harmonized in the different maintenance sites.

Incorporating circular economy principles

Air France-KLM is implementing initiatives to incorporate circular economy principles, such as the up-cycling of waste for new uses like, for example, the recycling of used cabin materials (life jackets, seat fabrics, seat belts, etc.) or aircraft parts (AIR ART).

A permanent recycling process is in place for Air France uniforms and work clothing. Staff are encouraged to adopt good sorting practices by depositing them in secure containers located at the Air France premises. The uniforms are collected from various sites by different partners including a Work Assistance Establishment (ESAT for the employment of disabled workers). In 2023, a new process trialed with the work clothing supplier enabled the reuse of 964 items, and the recycling of 3,827 white shirts and 5,433 other darker-colored uniform items. When this recycling is not possible, and for safety reasons, these textiles are crushed before being transformed into solid recovered fuels with a high calorific value. These fuels offer a non-fossil alternative for large fuel consumers such as the cement and lime industries. Since September 2018, the Roissy site has collected 86 tons of textiles.

In another initiative to reduce the impact of textile production, cabin crews and pilots have tested a new shirt including mechanical recycled polyester fiber, or rPET, which requires less energy and resources to manufacture.

At KLM, Schijvens Corporate Fashion is the new provider of uniforms and other work wear. The sustainable uniforms and work wear, which will be provided from 2024, are in line with the principles of the circular economy. After use, they are collected by Schijvens to be used as feedstock for new uniforms. Schijvens's factories are being audited by the Fair Wear Foundation using the independent firm Modint Ecotool BaWear. Schijvens has also conducted sustainability impact calculations and found that the new KLM blouses and shirts will result in an annual saving of 16 tons of CO₂ and 12 million liters of water compared to the old uniform.

Meanwhile, KLM Cargo uses cardboard beams as a lighter alternative to wooden beams for freight and is planning more material substitution initiatives and circular packaging opportunities.

Air France-KLM's IT Matters initiative aims to reduce the environmental impact of its information technology through sustainable practices. This is achieved by

adopting two approaches: Greening IT and Greening by IT, which minimize waste and maximize resource efficiency. Additionally, the company focuses on reducing, reusing, and recycling IT equipment. Examples include recycling iPads and obsolete iPad covers, and developing Digital Eco Systems with suppliers to establish circular solutions and services.

4.3.3 Impact on Biodiversity

Context and strategy

Air France-KLM's 2023 double materiality matrix shows that stakeholders do not consider biodiversity to be a material concern due to the nature of Air France KLM's activities, however Air France-KLM remains continuously involved in efforts and projects that contribute to the protection of natural ecosystems and the restoration of degraded ecosystems.

Biodiversity encompasses three elements: diversity within species, diversity between species and diversity of ecosystems.

Commitments to biodiversity

Air France made a strong commitment to biodiversity by joining the Act4Nature international initiative in May 2021: this is a voluntary commitment initiative in favor of biodiversity aimed at French companies with an international presence. By the end of 2023, Act4Nature will have brought together more than 70 major companies, all of which have pledged to respect 10 common commitments as well as their own specific pledges. These can be consulted on the <https://www.act4nature.com/> website.

Air France-KLM ensures that its partnerships and contracts with SAF (Sustainable Aviation Fuel) producers use approved renewable raw materials, certified by the Roundtable on Sustainable Biomaterials (RSB) and have International Sustainability and Carbon Certification (ISCC+), using second- and third-generation materials that do not interfere with pre-existing land use.

In June 2017, Air France and KLM signed the Buckingham Palace Declaration formalizing their commitment and determination to combat the trafficking of protected species and their zero-tolerance approach. Through its membership of IATA, the Group is also committed to full compliance with CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora). Air France and KLM also have a worldwide policy

prohibiting the transportation of hunting trophies (even when obtained legally) on board all their flights, in checked luggage, carry-on baggage and cargo.

Air France was behind the creation of a cross-industry platform bringing together several corporate partners, as well as government bodies and NGOs, with the aim of making CDG a no-fly zone. Finally, since 2023, Air France has been collaborating with the newly-formed interdepartmental working group on the subject of combating wildlife trafficking and continues to work with international associations and organizations (WWF, OIE, IATA, United for Wildlife, etc.). By taking a stand against this traffic, the Group is helping to combat the over-exploitation of resources. To its cost, air transportation is particularly affected by this traffic.

In 2023, numerous actions were carried out within the scope of the Group's responsibility as an airline. Raising customer and employee awareness is clearly part of the Group's scope of action and it is keen to play its full part. All the communication actions are designed to cover the entire customer journey, from ticket purchase through to the journey itself: updates to the commercial websites in the "Items forbidden in baggage" section; poster communication campaigns; awareness-raising video on illegal trade; updates to customer visuals; pre-flight messages, etc. Air France is continuing its awareness-raising program for staff in contact with customers or their baggage, to help them spot and report suspicious behavior or baggage to the relevant authorities.

Air France-KLM group biodiversity preservation actions

The Air France-KLM group's actions to preserve biodiversity are based on the main factors of biodiversity erosion: overexploitation of resources, climate change, pollution and the introduction of invasive species, and local action involving customers, suppliers and employees.

Over-exploitation of resources

KLM and Transavia Netherlands have partnered with FORLIANCE to enable customers to support projects that protect forests and promote sustainable businesses. All FORLIANCE projects supported by KLM and Transavia Netherlands meet the Gold Standard, the highest quality standard to maximize the positive impacts on climate and development. The projects in Panama, Uganda and Colombia combat deforestation, protect and enhance biodiversity, restore degraded land and provide fair employment for local communities:

- the "CO₂OL Tropical Mix" project in Panama, which aims to reforest an area of high biological diversity that has been severely degraded by unsustainable livestock farming practices, using nature-based solutions such as agroforestry;
- a project in the Bitá wetland in Colombia, focusing on the regeneration of native trees after land had previously been burned for cattle farming purposes;
- a project in Uganda, aimed at conserving biodiversity and improving the economic situation of the surrounding villages.

Flying Blue program members have the opportunity to donate Miles in support of associations, including A Tree for You, which carries out tree planting projects in France and around the world, in close collaboration with the local communities to maximize both the social and environmental impacts of such projects.

Contributing to the fight against climate change

Reducing greenhouse gas emissions is the primary lever for reducing our impact on biodiversity. Consequently, all actions that reduce CO₂ emissions also have an indirect beneficial effect in reducing biodiversity loss and ecosystem degradation.

Combating pollution (air, water, noise, waste)

Air France-KLM's actions to reduce its impact on air quality on the ground and water quality, reduce its noise footprint, reduce the use of single-use plastics and better manage its waste, are all initiatives that help limit pollution and, consequently, reduce the negative impact on biodiversity.

Contributing to the fight against invasive species

Air France participates in the fight against the introduction of invasive species by respecting the prohibitions on transporting certain animal and plant species, as well as the conditions governing authorized transport as laid down by the conventions and regulations in force.

Act locally by involving customers, suppliers and employees

In addition to these actions, the Air France-KLM group raises awareness among its individual and corporate customers of its initiatives to protect biodiversity.

In its relations with subcontractors and suppliers, Air France-KLM ensures that environmental protection is guaranteed. If, based on supplier screening, a supplier is found to belong to a supplier category that is associated with an elevated level of sustainability risk, the supplier is asked to carry out an assessment of its sustainability performance with Ecovadis. The Ecovadis assessment and its 360° monitoring system in the Environment category ensures that the assessed supplier has had no serious negative results in the past three years.

Ecovadis assessments enable a score to be assigned to each category (Environment, Human Rights and Labor Rights, Ethics and Responsible Purchasing), all of which contribute to the overall score awarded to each company assessed.

Biodiversity is one of the nine themes assessed in the environmental field: the impacts of the company's activities on flora, fauna, protected lands and ecosystems are all taken into account.

As a result, the severity and probability of occurrence of risks (including deforestation) are reduced, or even greatly reduced, especially when suppliers are themselves committed to combating deforestation.

Informing and involving our employees and reaching out to as many people as possible are also among our priorities, with the help of forums, briefings, training courses and dedicated intranet pages. In addition, since 2021, Air France has been encouraging and facilitating its employees' civic commitment by providing them with the Vendredi platform, which connects employees with environmental and biodiversity protection associations, among others. Since the launch of the platform at Air France, the Environment and Biodiversity have represented 49% of the most popular themes.

4.3.4 National Low-Carbon Strategy (SNBC)

4.3.4.1 Introduction

The Air France-KLM group is publishing this report on the commitment and the strategy for reducing greenhouse gas emissions for the scope of mainland France and the overseas territories pursuant to the provisions of Article 66 of Act No. 2020-935 of July 30, 2020 and the decree-law of November 2, 2021.

This report contains a trajectory for reducing greenhouse gas emissions for the scope of the National Low Carbon Strategy (Stratégie Nationale Bas Carbone – SNBC) that has been updated, relative to the report published in the Air France-KLM Group's 2022 Universal Registration Document, to take into account the July 2023 revision of the projections for the activities, fleet and the incorporation of Sustainable Aviation Fuels (SAF).

Note that the SNBC scope under consideration represents 7.8% of the Air France-KLM group's CO₂ emissions. Consequently, this update has no material impact on the Air France-KLM group's trajectory.

The environmental transition of the air transportation industry is a priority in our contribution to the fight against climate change.

- It is an immense challenge for our sector which plays a key societal role: air transportation brings together people, cultures and economies. It contributes to developing tolerance and understanding of others through travel. It connects the territories and contributes to the development of numerous economies. According to a report from the EM Strasbourg Management School, published in early 2020 and based on 2019 figures (prior to the Covid-19 period), Air France-KLM contributes €39 billion annually to the French economy (1.6% of GDP, and 475,000 direct, indirect and induced jobs). During the Covid crisis, the Group demonstrated to the full its strategic dimension, with repatriation operations and the transportation of masks, vaccines and medical personnel.
- If it is to continue to play this role, the sector must succeed in decarbonizing: it is a strong expectation of our customers and crews, and a requirement of society as a whole, which engages the whole of our industry. Throughout its history, the sector has managed to keep pace with technological and operational transitions towards safer, more affordable air transportation thanks, in particular, to aircraft and engines that are more energy-efficient, quieter and less-polluting. A new revolution is now under way, that of decarbonization. All of the sector's abilities are

mobilized around a successful transition to more sustainable, more responsible aviation. This decarbonization constitutes a major challenge which is central to the strategy Air France-KLM group, which aims to be a pioneer in this area.

4.3.4.2 The National Low Carbon Strategy (Stratégie Nationale Bas-Carbone – SNBC): reminder of the overall principles

National Low Carbon Strategy (SNBC)

The National Low Carbon Strategy (Stratégie Nationale Bas-Carbone – SNBC) serves as France's policy-making road map in terms of climate change mitigation. It provides guidelines to enable the transition to a low carbon economy in all sectors of activity. **It sets greenhouse gas emission reduction targets for France in the short/medium-term in the form of carbon budgets, i.e., emission ceilings not to be exceeded per period of five years.**

The carbon budgets account for the emissions recorded in mainland France, Guadeloupe, French Guiana, Martinique, Réunion, Saint Martin and Mayotte, as well as emissions from transportation between these geographical areas. Emissions from international air and maritime links are not included in these readings.

The AMS scenario for air transportation

The National Low Carbon Strategy is based on a **baseline scenario** developed through a modelling exercise also used in the Multi-Year Energy Programming. This scenario, called **"With Additional Measures" (Avec Mesures Supplémentaires – AMS)**, details all the public policy measures, in addition to those already in place, which will allow France to adhere to its short, medium, and long-term climate and energy objectives. **It outlines a possible trajectory for reducing greenhouse gas emissions until carbon neutrality is achieved by 2050, which is used as the basis for defining the carbon budgets.**

The air transportation AMS scenario is based on a number of hypotheses relating to traffic growth, the improved energy efficiency of air transportation and the incorporation of sustainable aviation fuels. The latest version of the air transportation WAM, taking into account the most recent data available on the French Ecological Transition Ministry website, provides the following figures and revisions relative to 2015:

AMS scenario (MtCO ₂)	2015	2025	2030	2050
National air transportation	4.6	4.7	4.6	1.9
Change	0%	2%	0%	-59%

<https://www.ecologie.gouv.fr/sites/default/files/Guide%20art.%2066%20LFR3.pdf>

As indicated in this guide, **the rates of change in emissions projected between 2015 and the target year in the AMS scenario** are used as a reference for defining company trajectories, and are therefore used to check the compatibility of these companies' emission reduction targets with the National Low Carbon Strategy.

The AMS emissions projections for aviation are based, amongst other things, on the **following assumptions** for the incorporation of sustainable aviation fuels:

INCORPORATION RATE OF BIOFUELS

AMS scenario (MtCO ₂)	2015	2020	2025	2030	2050
Incorporation rate in aviation fuels	0.0%	0.5%	2.4%	4.3%	50.0%

4.3.4.3 Consistency of the Air France-KLM group's CO₂ emissions road map with the SNBC targets

Main hypotheses retained

In the definition of the Air France-KLM group's CO₂ emissions trajectory for the SNBC scope, a number of hypotheses have been retained. Some of these assumptions are implicit in the Air France-KLM group's overall decarbonization road map at global level while others are specific to the construction of this SNBC trajectory.

Note that, across the SNBC scope, the Air France-KLM group had already reduced its greenhouse gas emissions by 5% in absolute terms between 2015 and 2019) (2.26 MlnT of CO₂ in 2015 and 2.16 MlnT in 2019).

Hypotheses common to the overall road map and the SNBC scope

- **Emissions factor relating to the combustion of kerosene:** for 1 ton of kerosene burned, 3.16 tons of CO₂ are emitted. This emission factor is in line with the ICAO's CORSIA system and slightly higher than the factor of 3.15 used within the framework of the EU ETS system.
- **Percentage incorporation of SAF** (Sustainable Aviation Fuel) as a proportion of the total volume of fuel:
 - 2025: target of 2% SAF incorporation on the SNBC scope,
 - by 2030: the Air France-KLM group is targeting the incorporation of at least 10% SAF at global level, higher than the French and European regulatory requirement,
 - at the time of writing of this document, there is no difference in the SAF incorporation assumptions in the specific SNBC trajectory below and those in the Air France-KLM Group's overall decarbonization road map.
- **Gains obtained thanks to air operations optimization:** the assumption is a gain of 5% by 2050 relative to 2019. This hypothesis is deliberately relatively conservative since it depends on exogenous factors (e.g., the implementation of the Single European Sky project).

Hypotheses specific to the SNBC scope

- **The schedule of activity** expressed in Available Seat-Kilometers (ASK), defined with the following granularity, corresponding to the Air France-KLM Group's SNBC activity scope:

- Air France (AF) – Long Haul: French Overseas Territories: flights between Paris and Cayenne/Réunion/Pointe-à-Pitre/Fort-de-France; and flights between the French overseas territories,
- Air France – Hub: flights in mainland France feeding the Paris-CDG Hub,
- Air France – Point-to-Point: Domestic France flights from/to Paris-Orly and Transversal flights,
- Transavia France – Domestic: Domestic activity of Transavia France.

This schedule is supported by activity projections per air line through to the end of 2028 as of the writing of this document, then beyond, by a projection of activity at a normative level established by the Air France-KLM Group's Strategy Division.

- **Aircraft load factor data**, specified based on the above-mentioned business segments. The current hypothesis retained for this trajectory is a return, in 2024, to the aircraft load factors seen in 2019, on the SNBC scope.
- **The fleet plan** expressed as the number of aircraft by aircraft type and by year based on the above-mentioned business segments. Several elements key to the specific SNBC fleet plan:
 - Air France – Long-Haul: taking into account the fact that the Long-Haul destinations on the SNBC scope are currently mainly served by Boeing 777-300ER aircraft, in a densified configuration. On the current forecasts, this will be the case until at least 2028,
 - Air France – Hub and Point-to-Point activity: since 2021, the Airbus A320 family fleet has been progressively replaced by new-generation Airbus A220s. These aircraft enable around a 20% reduction in CO₂ emissions and fuel consumption relative to the previous generation of aircraft,
 - Transavia France – Domestic: Transavia France has historically operated Boeing B737-800 aircraft. The fleet mix retained within the framework of the SNBC for Transavia includes the introduction of the new-generation Airbus A320Neo as of 2024. These aircraft enable around a 15% reduction in CO₂ emissions and fuel consumption per passenger km relative to the previous-generation aircraft.

Reasoning used for the road map and the organizational scope covered

The construction of Air France-KLM's SNBC trajectory does not correspond to a share of the Air France-KLM Group's overall emissions road map, but rather to a dedicated construction for the scope of activity in mainland France and the French overseas territories.

The model for the trajectory is based on:

- activity: expressed in ASKs (Available Seat-Kilometers), consistent with the Fleet Plan;
- the level of consumption in gFuel/ASK of the aircraft constituting the fleet, supported by the "realized" data on the aircraft currently in the Fleet and the assumptions of the manufacturers and of the Air France Fleet division for the aircraft not currently operated.

Type of emissions

Scopes 1, 2, 3

The bulk of Air France-KLM's greenhouse gas (GHG) emissions is generated by its direct activities (Scope 1) and mainly by the air operations which represent 99.8% of the Group's total direct emissions. The ground operations (engine test benches, runway vehicles, etc.) represent 0.2% of the direct emissions. Tertiary activities also generate greenhouse gas emissions through energy consumption in buildings (electricity and air conditioning) (Scope 2).

The indirect greenhouse gas emissions (Scope 3) mostly come from the upstream phase (extraction, production, distribution, etc.) of aviation kerosene production. A first evaluation based on the 2019 expenditure and figures showed that around two-thirds of the Air France-KLM Group's Scope 3 emissions are linked to the emissions generated during the upstream phase of kerosene production. The other main components of indirect emissions are the purchasing of goods and services, aircraft manufacturing, business travel and employee commuting.

The Air France-KLM group's CO₂ emissions trajectory below is **based on Scope 1 CO₂ emissions**, i.e. taking account only of emissions linked to fuel combustion, **so as to remain consistent with the specific targets assigned to air transportation in the SNBC, and the accounting of aviation sector emissions by CITEPA** (Interprofessional Technical Centre for Studies on Air Pollution) (see [OMINEA_2023.pdf \(citepa.org\)](#)). Additional emissions associated with the extraction, refining and transportation of fuels are not considered here. These additional emissions are however well accounted for in other sectors by the SNBC. For information purposes, the emissions linked to the manufacturing and transportation of fuel can be calculated by applying a factor of x0.2545 to the emissions linked to the combustion of kerosene. This multiplier factor comes from the recommendations of the Science Based Targets initiative in its document on the airline sector.

The Climate Action Plan section figuring in this document includes the Air France-KLM group's commitments and actions on the remainder of the Scope 3 scope.

Greenhouse gas emissions and the focus on CO₂ emissions

The trajectory outlined below is based only on CO₂ emissions, consistent with the WAM scenario for aviation.

The other greenhouse gas emissions (e.g. N₂O, CH₄) that are generally presented in the form of CO₂ equivalent (CO₂e) are marginal relative to the CO₂ emissions from aircraft, with a contribution of around 1%, as shown in the CITEPA data (<https://www.citepa.org/fr/secten/>) for air transportation in:

Air transportation industry			
	2021	% of the total	% 2021/90
NO _x (Gg)	6.0	0.79	(8.9)
COVNM (Gg)	0.62	0.05	(72)
CO (Gg)	7.3	0.27	(45)
HFC (Gg CO ₂ e)	0.11	0.0	-
CO ₂ (Tg)	3.80	1.2	(8.8)
CO ₂ e (Tg CO ₂ e)	3.80	0.92	(8.8)
As (Mg)	-	-	-
Cd (Mg)	-	-	-
Cr (Mg)	-	-	-
Cu (Mg)	-	-	-
Hg (Mg)	-	-	-
Ni (Mg)	-	-	-
Pb (Mg)	2.8	3.3	(48)
Se (Mg)	-	-	0
Zn (Mg)	-	-	0
PM10 (Gg)	0.11	0.04	(34)
PM2,5 (Gg)	0.08	0.04	(41)
PM1,0 (Gg)	0.03	0.02	(61)
BC (Gg)	0.02	0.06	(54)
HAP (Mg)	-	-	-
PCDD-F (g-ITEQ)	-	-	-

Thus, for 2023, for the Air France-KLM group, here are the volumes of GHG emissions at global level to appreciate the proportions between the various GHGs:

Air France-KLM Group's emissions in 2023		
	kTons	%
CO ₂ (Scope 1)	24,681	99.961%
NO _x (< 3,000 ft)	8.88	0.036%
SO ₂ (< 3,000 ft)	0.68	0.003%

URD 2023 reference section 4.3.5.4.

Non-CO₂ effects

Furthermore, although CO₂ remains the most commonly cited and best-understood aviation greenhouse gas, its contribution to global Effective Radiative Forcing (ERF), i.e. warming, is estimated in the current state of research at around one third of the industry's total impact (analysis by Lee et al, for the 2000-2018 period: [The contribution of global aviation to anthropogenic climate forcing for 2000 to 2018 – ScienceDirect](#)). Two-thirds of aviation's climate impact is estimated to be caused by other greenhouse gas emitted from jet engines that cause further warming beyond the impact of carbon alone. For example, particulate matter has been linked to the formation of condensation trails (the cloud-like stripes that form behind an aircraft) whose warming effect is potent but short-lived, lasting from a few minutes to a day. NO_x emissions from aircraft engines at altitude contribute to the formation of ozone and the destruction of methane (both greenhouse gases) such that the overall effect is estimated to be warming although this is dependent on background surface air pollution levels. For the past 30 years, these non-CO₂ effects on the climate have been the subject of scientific research at international level. Quantifying the impact of these phenomena on the climate, which requires the use of complex multi-dimensional models, is still fraught with considerable uncertainty.

Therefore the trajectory below does not take these non-CO₂ effects into account, in the same way as the Science Based Targets for aviation. Nevertheless, Air France-KLM is fully aware of these effects and factors them into its thinking, strategies and research work, as detailed in the Climate Action Plan section at the end of this document.

Baseline

In view of the impact of the Covid-19 crisis on the aviation industry, the baseline commonly used for the decarbonization trajectory is 2019.

In this document we also provide some figures based on 2015, in line with the reference year of the WAM scenario.

Air France-KLM's emission reduction targets over the short, medium and long term

The Air France-KLM group has set itself a target of reducing its Greenhouse Gas emissions (GHG) intensity by 30% by 2030 relative to the 2019 baseline (g CO₂eq/RTK [Revenue Ton-Kilometers]). This target was validated by the Science Based Targets initiative (SBTi) in November 2022 for the Air France-KLM group, as well as for Air France and KLM.

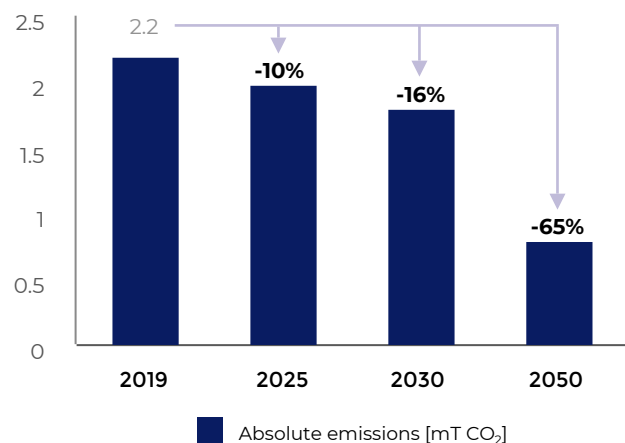
On the SNBC scope, i.e. national air transportation, the Air France-KLM Group has set itself the following short, medium and long-term ambitions for reducing CO₂ emissions in absolute terms (excluding offsetting):

- **in the short term (2025), a -10% reduction relative to 2019;**
- **in the medium term (2030), a -16% reduction relative to 2019;**
- **in the long term (2050), a -65% reduction relative to 2019.**

To define these targets, the Air France-KLM group carried out a CO₂ emissions forecasting exercise, factoring in the expected effects of the various measures that will contribute to their reduction: fleet renewal, incorporation of sustainable aviation fuel, improved operational efficiency linked to the optimization of air traffic control and flight management.

Note that these short and medium-term targets are based on the current forecasts for Air France-KLM's traffic growth, the Group's ambitions in terms of sustainable aviation fuel and the current state of its market positions.

Furthermore, the long-term trend in the Air France-KLM group's emissions (2050) is based on assumptions that are by their very nature uncertain concerning, in particular, the availability of sustainable aviation fuel (SAF) at competitive prices, technological advances in the development of aircraft emitting fewer greenhouse gases, or the implementation of measures to optimize air traffic control. France's strategy for building a national SAF production chain will thus be a key condition for the successful decarbonization of the Air France-KLM group and of the French aviation industry as a whole – as detailed in the decarbonization road map for the French aviation industry: [Proposition de feuille de route décarbonation transportation aérien.pdf \(ecologie.gouv.fr\)](#).



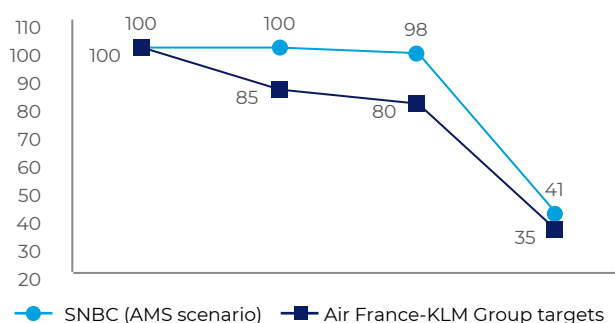
EMISSION TRAJECTORY FOR THE AIR FRANCE-KLM GROUP ON THE SNBC SCOPE

(IN ABSOLUTE VALUE AND RELATIVE TO THE 2019 BASELINE)

Air France-KLM Group targets	2019	2025	2030	2050
Absolute emissions (mT CO ₂)	2.2	2.0	1.8	0.8
Relative emissions (base 100 / 2019)	100	90	84	35

The primary reason for the decrease in emissions on the SNBC perimeter from 2.2Mt CO₂ in 2019 to 1.8Mt CO₂ in 2023 is the reduction in activity levels, specifically on domestic operations in France. This reduction accounts for a significant portion of the overall decrease, with fleet renewal on the SNBC perimeter and the incorporation of Sustainable Aviation Fuel (1.1% in 2023) playing a relatively minor role thus far. However, it is important to highlight that in the future, the role of incorporating SAF and renewing the fleet will become predominant in reducing carbon emissions, while the contribution of activity levels will decrease.

Below is the translation of this trajectory based on the basis of a **2015 reference year**, consistent with the reference year for the airline industry in the WAM scenario – confirming the compatibility and performance of Air France-KLM objectives, which to beyond the sectoral targets:

**AIR FRANCE-KLM GROUP EMISSIONS TRAJECTORY RELATIVE TO THE AMS SCENARIO**

(BASE 100 RELATIVE TO THE 2015 REFERENCE YEAR)

Emissions in absolute value (mT CO ₂)	2015	2025	2030	2050
SNBC (AMS scenario)	4.6	4.7	4.6	1.9
Air France-KLM Group targets	2.3	2.0	1.8	0.8

The forecast rates of activity that underlie the Air France-KLM group's emission reduction trajectory are in line with the forecasts for the French air transportation sector road map for which the link appears above, on the aggregate national air transportation scope: namely a modest average annual growth rate of 0.8% for the 2019-50 period.

The assumptions for energy prices are detailed in the second part of this document, in the section dedicated to Sustainable Aviation Fuels (SAF).

The Air France-KLM group's commitments concerning international traffic

While domestic air transportation is included in national accounting for CO₂ emissions, and is governed by the SNBC targets, international air transportation is subject to the ICAO (International Civil Aviation Organization) legal framework, with which Air France-KLM complies.

The ICAO has also put in place the CORSIA program, adopted by most countries, including France. This program consists of offsetting, through certified CO₂ reduction projects, any excess – compared with the benchmark of 85% of 2019 emissions – of greenhouse gas emissions produced by commercial flights. All of the Air France-KLM Group airlines participate in this international program.

The SBTi (Science Based Target initiative) specifies and validates the compatibility of a company's CO₂ emission targets with the climate objectives in the most rigorous way possible. In this case, with the validation of this target, the Air France-KLM group is committing itself to a decarbonization trajectory in line with a "Well-below 2 degrees C" climate target according to the Science Based Targets initiative.

<https://www.airfranceklm.com/fr/newsroom/les-objectifs-de-reduction-des-emissions-de-co2-dair-france-klm-pour-2030-ont-ete>

Comparison of Air France-KLM's CO₂ intensity with that of the sector

There is currently no benchmark against which airlines can compare themselves. However, the independent Science Based Targets initiative has provided airlines with a tool enabling them precisely to assess the CO₂ intensity of their operations and compare them with the sector as a whole, taking into account the types of market in which they operate (short-haul/long-haul and cargo).

According to this tool (available here: https://sciencebasedtargets.org/resources/files/SBTi_Aviation_Tool_v1.1_locked.xlsx), the **CO₂ intensity of the Air France-KLM group in 2019, expressed in g CO₂e/RTK, was 948** compared with a theoretical intensity of **975** for the industry as a whole (based on the same proportions of short-haul/long-haul and cargo activity).

According to the SBTi benchmark, the Air France-KLM group's intensity is thus lower than that of the sector as a whole (on a comparable scope of activity). Note that, within the framework of the SBTi benchmark, these CO₂ intensities are calculated on the basis of Scope 1+3 fuel emissions, known as Well-to-Wake.

Chapter SNBC V2	Topic	2023 URD reference
IV	Greenhouse gas emission reduction strategy	Chap 4.3.1 p. 277
IV	Fleet modernization	Chap 4.3.1 p. 278
IV	Reducing the weight on board	Chap 4.3.1 p. 280
IV	Optimizing aircraft performance	Chap 4.3.1 p. 280
IV	Optimizing routes and flight paths	Chap 4.3.1 p. 280
IV	Intermodality	Chap 4.3.1 p. 282
IV	Sustainable Aviation Fuels (SAF)*	Chap 4.3.1 p. 281
IV	Risk analysis*	Chap 3.1.2.2 Climate-related risks p. 204
IV	Impacts	Chap 3.1.2.2 Climate-related risks p. 205
IV	Carbon credit risk	Chap 3.1.2.6 Carbon credit risk p. 207
IV	Link between the investment strategy and the decarbonization trajectory	Chap 5.3 Note 2.2 – Sustainable investments and financings
IV	Modalities for the appropriation of the emission reduction commitments in the governance and by employees	Chap 4.1.3 p. 239
IV	The company's commitments to stakeholders, upstream and downstream in the value chain, to take into account the greenhouse gas emission reduction targets	Chap 4.1.3 p. 238
IV	Contribution of Air France-KLM customers to its decarbonization trajectory	Chap 4.3.1 p. 277
IV	Sustainable Procurement*	Chap 4.6.2 p. 323

* The URD2023 has undergone updates, surpassing the previous SNBC.

4.3.5 Environmental indicators

4.3.5.1 Carbon emission indicators

		Unit
Greenhouse gas emissions (Scope 1 GHG protocol) ⁽¹⁾	Conventional Aviation Fossil Fuel ✓	ktons CO ₂ eq
	Sustainable Aviation Fuel ✓	ktons CO ₂ eq
	Ground Operations	ktons CO ₂ eq
Greenhouse gas emissions (Scope 2 GHG protocol) ⁽²⁾	Location Based	ktons CO ₂ eq
	Market Based	ktons CO ₂ eq
Greenhouse gas emissions (Scope 3 GHG protocol)	Upstream emissions from fuel production ✓	ktons CO ₂ eq
	Upstream emissions from Sustainable Aviation Fuel	ktons CO ₂ eq
	Upstream & downstream emissions from transportation (cat 4&9 of GHG protocol) ⁽⁶⁾	ktons CO ₂ eq
Subtotal carbon emissions (Scope 1, 2 & 3 GHG protocol) incl. upstream & downstream emissions from transportation (cat 4&9 of GHG protocol)		ktons CO₂eq
CO₂eq reduction from SAF (Scope 1 & 3 GHG protocol) ⁽³⁾		ktons CO ₂ eq
TOTAL CARBON EMISSIONS (Scope 1, 2 & 3 GHG protocol) incl. upstream & downstream emissions from transportation (cat 4&9 of GHG protocol)		ktons CO₂eq
Carbon emissions regulation ⁽⁴⁾	ETS	emission allowances
Carbon credits ⁽⁵⁾	Mandatory	ktons CO ₂ credits
	Voluntary	ktons CO ₂ credits
	Customers	ktons CO ₂ credits

✓ Data verified by KPMG for 2023 (reasonable level of assurance).

(a) Air France Group scope: all flights under AF code operated by Air France and HOP, all flights under TO code operated by Transavia France.

(b) KLM Group scope: all flights operated by KLM, KLM Cityhopper, Martinair and Transavia.

(1) (2) (3) (4) (5) See Note on the Methodology.

(6) Upstream and downstream emissions from transport (GHG Protocol categories 4 and 9) is a measure that was introduced in 2023.

Consequently, 2022 data are not presented.

N/A: not applicable.

Air France-KLM Group			Air France Group ^(a)			KLM Group ^(b)		
2022	2023	23/22	2022	2023	23/22	2022	2023	23/22
22,442	24,681	10%	13,449	14,727	10%	8,993	9,954	11%
132.5	274.1	x 2	55.9	119.3	x2	76.6	154.8	x 2
45.1	38.9	-14%	15.0	15.0	0%	30.1	23.9	-21%
50.7	45.2	-11%	20.0	17.6	-12%	30.7	27.6	-10%
18.3	15.0	-18%	18.3	15.0	-18%	0.0	0.0	stable
5,712	6,281	10%	3,423	3,748	10%	2,289	2,533	11%
34	70	x 2	14	31	x 2	19	39.4	x 2
	412			230			182	
28,384	31,774	12%	16,976	18,887	11%	11,408	12,887	13%
151	315	x 2	64	136	x 2	87	179	x 2
28,233	31,459	11%	16,911	18,751	11%	11,322	12,709	12%
2,486	2,844	14%	1,217	1,341	10%	1,269	1,502	0
445	511	15%	445	511	15%	0	0	N/A
10	9	-0.14	0	0	N/A	10	9	-14%
98	84	-15%	0	0	N/A	98	84	-15%

4.3.5.2 Flight operation indicators

		Unit
Consumption of raw materials	Conventional Aviation Fuel √	ktons
	Sustainable Aviation Fuel √	ktons
	Sustainable Aviation Fuel incorporation rate	%
Fuel efficiency	CO ₂ footprint for passengers transport √	gCO ₂ eq/passenger/km
	CO ₂ footprint for Cargo transport	gCO ₂ eq/100kg cargo/km
	GHG emissions intensity (SBTi) ⁽¹⁾ √	gCO ₂ eq/RTK
Non-carbon emissions	NO _x low altitude (< 3,000 ft)	ktons
	SO ₂ low altitude (< 3,000 ft)	ktons
Noise impact⁽²⁾	Acoustic performance ⁽²⁾	% eligible aircrafts under chap 4 and 14

√ Data verified by KPMG for 2023 (reasonable level of assurance).

(a) Air France Group scope: all flights under AF code operated by Air France and HOP, all flights under TO code operated by Transavia France.

(b) KLM Group scope: all flights operated by KLM, KLM Cityhopper, Martinair and Transavia.

(1) (2) See Note on the Methodology.

(3) In 2022, the acoustic performance was based on the percentage of aircraft certified under the ICAO noise chapters 4 and 14.

In 2023, the methodology was changed to measure acoustic performance by the percentage of aircraft eligible under ICAO noise chapters 4 or 14.

N/A: not applicable.

4.3.5.3 Ground operations indicators

		Unit
CONSUMPTIONS		
Electricity	Total consumption	MWh
	Of which: renewable	MWh
Other energies	Fuel	MWh
	Natural Gas	MWh
	Steam / other heating / cooling	MWh
	Of which: renewable	MWh
Water	Water consumption	m ³
NON-CARBON EMISSIONS		
	NO _x	ktons
WASTE		
Non-hazardous industrial waste	Total quantity	tons
	Percentage recycled	%
Hazardous industrial waste	Total quantity	tons
	Percentage recovered	%

(a) Air France and its subsidiaries (HOP, Sodexi, CRMA, BlueLink and Transavia France).

(b) KLM and its subsidiaries: KLM Cityhopper BV (KLC), KLM Equipment Services (KES), KLM Catering Services (KCS), KLM Health Services (KHS), Cygnific BV, Transavia NL and Martinair

Air France-KLM Group			Air France Group ^(a)			KLM Group ^(b)		
2022	2023	23/22	2022	2023	23/22	2022	2023	23/22
7102	7,810	10%	4,256	4,660	9%	2,846	3,150	11%
42	87	x 2	18	38	x 2	24	49	x 2
0.6%	1.1%	0.5 pts	0.4%	0.8%	0.4 pts	0.8%	1.5%	0.7 pts
77	76	-1%	78	78	-1%	75	73	-3%
45	45	0%	45	46	2%	45	44	-2%
921	927	1%	957	961	0.4%	873	880	1%
8.3	8.88	7%	5.45	5.52	1%	2.88	2.96	3%
0.62	0.67	8%	0.46	0.52	13%	0.16	0.16	stable
75% ⁽³⁾	100%	33%	86%	100%	17%	60%	100%	67%

Air France-KLM Group			Air France Group ^(a)			KLM Group ^(b)		
2022	2023	23/22	2022	2023	23/22	2022	2023	23/22
231,543	220,122	-5%	163,920	150,466	-8%	67,622	69,656	3%
103,456	97,981	-5%	35,834	28,324	-21%	67,622	69,656	3%
96,496	99,680	3%	35,179	40,179	14%	61,317	59,500	-3%
103,809	102,916	-1%	32,688	25,177	-23%	71,121	77,739	9%
84,792	76,411	-10%	84,792	76,411	-10%	N/A	N/A	N/A
8,665	18,311	x 2	8,665	18,311	x 2	N/A	N/A	N/A
327,666	436,671	33%	205,937	281,379	37%	121,729	155,292	28%
0.19	0.17	-9%	0.08	0.08	3%	0.11	0.09	-18%
14,487	15,450	7%	5,649	5,284	-6%	8,838	10,166	15%
44%	43%	-1 pt	63%	60%	-3 pts	31%	34%	3 pts
3,697	2,989	-19%	2,449	2,046	-16%	1,248	943	-24%
58%	53%	-5 pts	50%	58%	8 pts	75%	41%	-34 pts

4.3.5.4 Note on the methodology for the reporting of the environmental indicators

In 2005-06, under the aegis of the Air France-KLM Disclosure Committee, and validated by the college of Statutory Auditors, the Group's environmental indicators were defined to comply with the requirements of the French New Economic Regulations law (*Les Nouvelles Régulations Économiques*, NRE, May 15, 2001) and the European Prospectus Directive Regulation (EC 809/2004).

Work on optimizing these indicators was undertaken in 2018 to align the Grenelle II reporting with the new requirements linked to the transposition of the Directive in the Extra-Financial Performance Statement.

Since 2018 and in the application of the provisions of Article L. 225-102-1 of the French Code of Commerce (*Code de Commerce*), it has been the responsibility of our Independent Third Party to determine the compliance of the Extra-Financial Performance Statement and the accuracy of the published CSR information.

Furthermore, the data relating to the "Conventional kerosene consumption" and "CO₂eq emissions associated with conventional kerosene consumption" indicators linked to the Flight Operations have been verified with the highest level of assurance, reasonable assurance (indicated by the symbol \surd), since 2007-08.

Scope covered and scope N-1

For the flight operations, the environmental consolidation scope covers:

- all the commercial flights under the AF codes operated by Air France and HOP!, and the TO code operated by Transavia France;
- all the commercial flights under the KLM code are operated by KLM and its subsidiaries KLM Cityhopper B.V. (KLC), Martinair and the HV code operated by Transavia Netherlands.

For the ground operations, the environmental consolidation scope covers:

- Air France consolidated subsidiaries: HOP!, CRMA, Sodexi, BlueLink and Transavia France;
- KLM consolidated subsidiaries: KLC (KLM Cityhopper), KES (KLM Equipment Services), KCS (KLM Catering Services), KHS (KLM Health Services), Transavia Netherlands, Martinair and EPCOR (for a portion of the indicators).

For the ground activities, the consolidation scope of the environmental reporting covers nearly 100% of the sites because some very small subsidiaries are excluded from reporting water and electricity consumption and represent less than 2% of this consumption. The international stations are not considered (partially for the French Overseas Departments and Territories).

For Air France, the indicators in the French stations are not reported when there is no detail available on the charges invoiced by airports. The contribution from the relevant stations is, however, marginal compared with the reported data.

Reporting tools

The environmental indicators are assembled at local level via different reporting tools: ONEmission (Enablon software), Tennaxia for waste, SAP Finance (invoicing) for Air France and CaeSaR for KLM.

The reliability of the reporting process is supported by definitions of each indicator and tool user guides made available to the contributors. Consistency tests have also been implemented.

The consolidation of the Air France-KLM group's environmental data is carried out by the Air France-KLM Sustainability department.

Details and methodology – Definition of the key performance indicators and comments on changes in the indicators

At the Air France-KLM group level, the regulatory requirements and the reporting and consolidation principles are outlined in a joint document which is updated annually. Within the framework of an improvement-based approach, methodological details are provided on some indicators, and particularly on their definitions. When these changes have a significant impact on the data, comparison with the figures for previous years is not meaningful.

When the data is not available, the figure reported for the year (N) is estimated based on the value reported for the previous year (N-1).

The reporting period for the Group's environmental data is based on a rolling twelve-month period from October 1 until September 30 for ground data and January 1 to December 31 for flight data.

Definition of the key performance indicators

Comments on changes in the indicators

Global capacity in available seat kilometers recovered to 95% of its 2019 level in 2023, reaching 99% in December 2023. The Russian invasion of Ukraine had a limited impact on worldwide capacity but resulted in the closure of the Ukrainian, Russian, and Belarusian air spaces to European airlines.

While the Group increased its capacity by around 11% in 2023 compared to 2022 in terms of PAX kilometer, its level of activity, while close, did not return to its 2019 level (11% difference). The overall energy efficiency of the Air France-KLM group slightly improved in 2023 vs 2019 (-2%), due to two levers of decarbonization, i.e. Fleet Renewal (+16 pts 2023 vs 2019) and the incorporation of SAF: 1.1% in 2023 (0% SAF in 2019).

The PAX + EQT Weight is calculated by assigning a weight of 100kg to each passenger, to which an additional 80kg is added for long-haul flights, 50kg for medium-haul flights, and 25kg for short-haul flights. The number of passengers used for the calculation corresponds to the RPK divided by the segment distance (orthodromic aircraft distance divided by the number of segments). Note that this calculation method may change in light of a new methodology published in late November 2022 by IATA (RP 1726) which consists of no longer adding additional weight based on the type of flight (long, short, and medium-haul) and instead using only 100kg per passenger.

The Weight of Freight + EQT is calculated by dividing the Freight RTK by the segment distance and increasing it by 5% for the long-haul, Cargo and A320 flights. The resulting figures are then divided by the RPK flight and the Freight RTK flight (RPK and Freight RKT increased by 5%, 12%, and 20% respectively for long, medium and short-haul flights, or increased by a weighted average of these factors when the flight has multiple configurations, in order to reflect the actual distance covered by the aircraft and not just the orthodromic distance). The data is in tons but is then converted to liters using the density (1 liter = 0.793kg). Note that the 5% increase for long-haul flights may change in light of the ban on flying over Russia since Q1 2022, which extends flight times and distances.

For reference: *tonne-kilomètre transportée* (TKT) in French is translated into revenue ton-kilometer (RTK) in English.

Carbon efficiency – CO₂eq emissions per passenger kilometer

Operational CO₂eq efficiency is expressed as grams of CO₂eq per passenger kilometer. It is calculated using the actual jet fuel consumed and the number of passengers flown over the actual flight distance planned. For international flights, the fuel burned is divided between passengers and cargo based on mass. The distance used is the flight distance planned which is on average around 7% longer than the great circle distance due to various restrictions (no-fly zones, local air traffic control, weather conditions, etc.). The standard mass for a passenger plus luggage amounts to 100 kg (ICAO-standard).

Note that the CO₂ saving from SAF incorporation is not included in the fuel efficiency calculation for pax transportation this year. It will be included next year.

Since 2022 the fuel efficiency with the market-based measures that compare the efficiency of the current year with the value in 2005 has no longer been tracked and has been replaced by the Greenhouse Gas Emissions Intensity (GHG) indicator (see note 1).

Carbon efficiency – CO₂eq emissions for freight transportation

Fuel efficiency is expressed both in liters of kerosene per 100 kg of freight – 100 kilometers and in grams of CO₂ per 100 kg of freight. The calculation is based on a split of fuel between passengers and freight. The fuel consumption for freight is divided by 0.1TK and corrected by the ratio between the planned flight distance and the shortest

distance. Freight CO₂eq emissions are calculated based on the fuel consumption from which the CO₂eq emissions linked to the use of sustainable alternative fuels are deducted.

Note that the CO₂ saving from SAF incorporation is not included in the fuel efficiency calculation for freight transportation this year. It will be included next year.

Greenhouse gas (GHG) emissions intensity (Note 1)

In 2022, the Air France-KLM group committed to the SBTi program and has set itself the target of reducing its Greenhouse Gas (GHG) emissions intensity by 30% by 2030 compared to the 2019 baseline (in gCO₂eq/RTK). This target was validated in November 2022 for the Air France-KLM group, as well as for Air France and KLM.

The GHG emissions intensity including SAF emissions reductions is expressed in Tons of CO₂ equivalent per Revenue Ton-Kilometer (gCO₂eq/RTK). This indicator covers in absolute terms the CO₂eq Scope 1 (emissions from the Group's direct activities) and Scope 3 category 3 (upstream emissions from the fuel production of the Group's activities) emissions, divided by the sum of RTK (Revenue Ton-Kilometer) and RPK (Revenue Passenger-Kilometer), representing all the industry segments in which the Air France-KLM group operates.

The scope of activities taken into account for its evaluation is the same as that used for the URD. Carbon offsetting and avoided emissions are not included in the calculation of the indicator to comply with the SBTi methodology and framework.

The baseline for the indicator in 2019 is 948 gCO₂eq/RTK.

CO₂eq emissions from the ground operations (Note 2)

The CO₂eq emissions from the ground operations include all Scope 1 and 2 emissions at the sites in France and the Netherlands. SAF has not been included this year but will be next year.

Non-recycled non-hazardous industrial waste

Non-recycled non-hazardous industrial waste is defined as waste disposed of (Eural Code D). Waste incinerated with energy recovery (Eural Code R1) and R12 or R13 waste, for which it is not possible to know whether this waste has been recycled or incinerated with energy recovery, is categorized as Non-Recycled Waste as a conservative position.

Comments on changes in the environmental indicators

Share of SAF (Sustainable Aviation Fuel)

The share of SAF is the total amount of consumption of Sustainable Aviation Fuel (SAF) in kttons divided by the total Aviation Fuel consumption (Conventional Aviation Fuel + Sustainable Aviation Fuel) in kttons. Consumption of SAF is the quantity of SAF purchased during the reporting period. Consumption of conventional aviation fuel is the actual fuel consumption for each flight.

Carbon emissions (Note 1)

Direct and indirect CO₂eq emissions are reported in accordance with the Green House Gas Protocol. Since 2017, Scope 3 emissions from flight operations (upstream emissions from jet fuel) have been reported. According to ADEME, the CO₂eq emissions correspond to 98% of all greenhouse gases.

Scope 1 – Aviation fuel

Scope 1 emissions generated by the combustion of aviation fuel are reported for all the kerosene used in Air France-KLM's flight operations. The emission factor used of 3.16 kg CO₂eq per kg kerosene is in line with the emission factor from the ICAO (CORSA – Carbon Offsetting and Reduction Scheme for International Aviation). Since the combustion of kerosene does not emit CH₄ or N₂O, we consider in this situation that the CO₂ emitted is similar to the equivalent CO₂.

Note that there are differences between the scope of the CO₂eq emissions published in the Extra-Financial Performance Statement and the scope of the EU ETS for the greenhouse gas emission allowance, so the comparison is not meaningful.

Scope 1 – Ground operations

The direct emissions from the ground operations are based on the consumption of energy coming from different sources and their corresponding emission factors. The factors are based on national standards or are delivered by the energy suppliers.

In 2023, the Air France-KLM group updated all its emission factors to express its direct emissions in CO₂eq.

CO₂eq (or carbon dioxide equivalent) is the unit of measurement used to compare the global warming impacts of different greenhouse gases. CO₂eq is calculated by measuring all the greenhouse gases (nitrogen, methane, carbon dioxide etc.) emitted at all stages of the ground activities. To simplify the analysis of their footprint, we convert these greenhouse gases into CO₂ equivalent.

Scope 2 – Electricity, steam, other heating and cooling (Note 2)

The emissions from electricity, steam, other heating and cooling are based on the consumption volume and the corresponding emission factors.

In 2022, in order to further comply with GHG protocol standards, Air France-KLM adapted its reporting methodology. The calculation of Scope 2 emissions is carried out according to the two methods described by the GHG protocol: one based on the market and the other based on geographical location:

- location-based method: this method takes into account the average emissions related to the production of electricity in the area where it is consumed. The emission factors used are taken from the ADEME database for Air France and the CO₂emissiefactoren database for KLM;

- market-based method: this method takes into account the contractual agreements under which the organization sources electricity from specific sources, such as renewable energy. It is becoming mandatory to provide Certificates of Origin guaranteeing that the electricity has been produced from a renewable energy source and fed into the electricity grid. The CO₂ emissions reduction resulting from the purchase of these certificates for renewable electricity are subtracted from the total. The renewable energy rates are communicated by the suppliers. Note that the electricity supply is 100% renewable for KLM.

Scope 3 – Upstream and downstream Transportation & Distribution (Categories 4 and 9)

These categories include emissions that occur in the reporting year from the:

- transportation and distribution of products purchased by the reporting company (excluding fuel and energy), between a company's direct suppliers and its own operations in vehicles and facilities not owned or controlled by the reporting company. (category 4);
- transportation and distribution of products sold by the reporting company between the reporting company's operations and the end consumer (if not paid for by the reporting company) in vehicles and facilities not owned or controlled by the reporting company. (category 9).

Scope 3 – Upstream emissions from Conventional Aviation fuel production (Category 3)

These emissions are generated during the production, transportation and distribution of Conventional Aviation Fuel.

Since 2022, the Air France-KLM group has used the greenhouse gas emission factor used to calculate Scope 3 emissions to align with the SBTi methodology. It is 0.80422 (former factor used in 2021 = 0.6448) kg CO₂eq per kg of fuel, determined from the emission factor defined by the ICAO (89 gCO₂e/MJ) for the entire life cycle of kerosene and the heating value of kerosene (44.5 MJ/kg).

Scope 1 & 3 – CO₂eq emission reduction from the use of Sustainable Aviation Fuel (Note 3)

The CO₂eq reductions from the use of Sustainable Aviation Fuel (SAF) are calculated based on the specific percentage CO₂eq reduction for the particular SAF batch and the total volume purchased. The SAF CO₂ saving is based on the information provided by the suppliers from PTDs (Post Transfer Document).

Emissions regulation – ETS (Emissions Trading System) (Note 4)

The volume of the reported mandatory carbon credits is based on the annual reporting of the ETS and CORSIA. Free allowances and trading costs are excluded. As of 2023, the UK-ETS has been included in the total ETS figures.

Carbon credits (Note 5)

- **Mandatory:** Pursuant to Article 147 of the French Climate and Resilience Law, the Air France group is required to offset 70% of its 2023 domestic emissions. This mandatory compensation scheme for the Air France group applies to the domestic emissions emitted since January 1, 2022. The scope of mandatory compensations is gradually increasing starting from 50% of domestic emissions in 2022, to 70% in 2023 and 100% in 2024.
- **Voluntary:** The volume of voluntary carbon credits is calculated over the calendar year. Voluntary carbon offsetting of CO₂ paid for by customers is not included. The carbon credits are purchased by KLM. These carbon credits are Gold Standard or VERRA certified.
- **Customer:** The volume of voluntary carbon credits is calculated based on the calendar year. This concerns the voluntary CO₂ compensation paid by customers via KLM programs.

Flight operations**Consumption of conventional aviation fuel**

This is the actual conventional aviation fuel consumption for each flight. It includes the fuel consumption for the use of APUs (Auxiliary Power Units).

Consumption of Sustainable Aviation Fuel

This is the quantity of Sustainable Aviation Fuel (SAF) purchased during the reporting period.

Non-carbon emissions – NO_x low altitude

The methodology used to calculate low-altitude emissions (i.e. below 3,000 feet) is common to Air France and KLM. It is based on the LTO (Landing-Take Off) cycle and on engine data communicated by the ICAO (International Civil Aviation Organization). The taxiing time considered is the actual taxiing time, which is more precise than the standard values recommended by the ICAO methodology. Note that, since the actual taxiing time is not available for Transavia France, the standard ICAO values have been used for this subsidiary.

Non-carbon emissions – SO₂ low altitude

Note: the “low altitude” and “LTO” for Landing-Take Off cycle denominations are equivalent. The calculation of the SO₂ emissions from flight operations is based on the average sulfur content (level provided by the SMCA company for Air France and AFS for KLM), in charge of Jet Fuel logistics at CDG and AMS) of the fuel loaded, respectively, on the Amsterdam and Paris platforms which is applied, respectively, to all fuel used during the year by KLM and its subsidiaries, and by Air France and its subsidiaries. KLM used the N-1 emission factor for calculating the non-carbon emissions related to SO₂ LTO.

Acoustic impact

The acoustic impact of the Air France-KLM group is measured according to the eligibility of its fleet in operation for ICAO noise chapters. The indicator evaluates the percentage of aircraft according to their margin eligible under chapters 4 or 14 (the 2 most efficient noise levels for jet aircraft to date). Until and including 2022, administrative aircraft noise certification was used to calculate this. Starting in 2023, eligibility for certification is used for the calculation, as this is deemed to be even closer to the real noise impact. The flights concerned are under the commercial codes AF, KL, TO, HV and MP, operated, franchised and chartered, with the exception of code shares.

New-generation aircraft

The indicator refers to the share of new-generation aircraft in the Air France-KLM group. According to the EU taxonomy, the following aircraft are considered to be the new-generation of aircraft: A320neo (319 and 321), A350 (900 and 1000), A350F, A220 (100 and 300) A330 (800 and 900), 737 MAX, 787, 777X, E195-E2 (and E190-E2).

Ground operations**Consumption – Electricity (of which renewable)**

This is the total volume of electricity used in MWh. For KLM the volume of renewable electricity is based on the purchase of EU Certificates of Origin coming from wind energy.

Consumption – Other energies: Fuel

The total volume of fuel used for the ground operations includes:

- aviation fuel for testing engines;
- non-road diesel fuel for a portion of the Air France runway equipment;
- gasoline, diesel and GTL for the Ground Support Equipment (GSE);
- HVO 100: Hydro treated Vegetable Oil, a biofuel diesel for Ground Support Equipment certified.

Consumption – Other energies: Natural gas

The total quantity of natural gas is mainly used for heating buildings, maintenance hangars and cargo warehouses. The conversion factor for the quantity of gas used is based on the characteristics of the gas specific to France and The Netherlands.

Consumption – Other energies: Steam/other heating/cooling (of which renewable)

This includes superheated and iced water for climate comfort. For Air France, superheated and iced water is supplied by ADP (Aéroports de Paris) at the Orly and Roissy sites. The KLM facilities do not consume this type of energy.

Consumption – Other: Water consumption

The consumption of water is considered for all the ground activities. The water used on board the aircraft is not included.

Non-carbon emissions – NO_x

The NO_x emissions related to engine testing are calculated based on a methodology similar to the one used for the Flight Operations, which reflects the actual testing conditions. Other sources of NO_x include the combustion of the fuel used by ground support vehicles and runway equipment. For Air France, the calculation is based on the European standards EURO 1 to 6 for light and heavy vehicles, and Stage I to IV for diesel engines (European Directive 97/68/EC for non-road mobile machinery), setting the emission limits based on engine power. For KLM, the NO_x emissions from gas installations and vehicles are determined by direct measurements, from manufacturer data or external databases.

Waste – Non-hazardous industrial waste and percentage recycled

Non-hazardous waste is monitored and reported by specialized waste management providers. KLM's scope includes KLM Catering Services (a KLM subsidiary) and therefore Catering waste, unlike Air France which subtracts this activity. The percentage of non-hazardous

waste recycled covers all waste sorted separately for recycling. The percentage of recycling does not cover waste incinerated with energy recovery (EURAL code R1).

Non-hazardous recycled waste is the quantity of recycled non-hazardous industrial waste including processing and reuse (recycling) and chemical/physical processing. It does not include incineration with energy recovery.

Transavia France waste (services included in the rent) is not included in the waste data. However, this represents an insignificant volume (less than 1% of the total tonnage).

Waste – Hazardous industrial waste and percentage recovered

Hazardous industrial waste is monitored and reported by specialized waste management service providers. When the quantity of hazardous waste has not been communicated by the service providers at the end of the reporting period, the quantity mentioned on the slip leaving the site is taken into account. However, this quantity is estimated to be marginal. The recovery of hazardous waste complies with European regulations. The percentage of recovery is the ratio of hazardous industrial waste incinerated with energy recovery and recycled (codes R1 to R13) to total hazardous industrial waste.

4.4 CUSTOMER TRUST

For Air France-KLM, customer satisfaction is a key priority, and the Group is developing numerous initiatives to improve the customer's end-to-end travel experience. Customer satisfaction is notably measured through the Net Promoter Score (NPS), the reference indicator driving customer recommendations. Performance indicators and tools have been developed to track the results daily.

Customer satisfaction is above all based on their trust in the Group's airline activities. As a responsible airline

Group, Air France-KLM must ensure the safety and health of its customers, employees and partners. This commitment covers flight safety, health security, the safety of the food services offered on board and in the lounges, the protection of personal data and also occupational health and safety (see also section 4.2.3 above). The Group is also committed to facilitating access to its products and services, particularly for passengers with disabilities or those with reduced mobility.

Key Performance Indicator	Definition	Companies	23/22 variation	2023 target
Net Promoter Scores (NPS)	Change in the NPS (expressed as an annual average) of Air France, KLM, Transavia (France and the Netherlands) between 2022 and 2023 Achievement of the 2023 target	Air France	-4 pts	Not reached
		KLM	+2 pts	Not reached
		Transavia France	-6 pts	Not reached
		Transavia Netherlands	-3 pts	Not reached

Perimeter: Scope: Air France, KLM, Transavia France and Transavia Netherlands.

The Net Promoter Score (or NPS) is a recommendation indicator given by customers to the products and services of Air France, KLM and Transavia (France and The Netherlands) in their capacity as airlines, ranging from 0 to 10 (0 corresponding to "I will definitely not recommend" and 10 to "I will definitely recommend"). It corresponds to the difference between the percentage of promoter customers (scores 9 and 10) and the percentage of customers critical of the brand (scores 0 to 6). This concerns the response to the first question asked in Air France-KLM's e-Score online customer satisfaction questionnaire: "Based on your opinion and experience, how likely are you to recommend Air France/KLM/Transavia to your friends/colleagues?". For each brand, the indicator measured is the annual change in the NPS (calculated as an annual average). Note that, since they are reported via two different measurement tools, the Net Promoter Scores for Transavia France and Transavia Netherlands cannot be consolidated.

For each brand, whether or not the annual target has been achieved is also indicated.

The Air France NPS target was not achieved in 2023 due to various operational difficulties generating delays and irregularities which were the main causes of customer dissatisfaction impacting the NPS (ATC strikes and congestion, increased unavailability of aircraft due to the global shortage of spare parts and delayed deliveries of new aircraft, handling of connecting passengers and baggage). In addition to the actions described in section 1.5, to manage these difficulties Air France implemented a number of initiatives: a common task force with Aéroport de Paris to solve baggage sorting problems, additional baggage sorter capacity in peak periods, anticipation of maintenance part orders, increased wet leasing particularly for medium-haul flights, an increased number of spare aircraft. In parallel, the airline maintained an even greater focus on handling the disruption for its customers, and on communication and information.

The KLM NPS target was not achieved this year due to various operational difficulties (e.g. staff shortages, baggage handling and fleet maintenance). To manage these difficulties, the focus was on seamless airport processes. To deal with service disruption, KLM will increase its focus on assisting customers and on communications and information. Besides process improvements, KLM continues to invest in on-board comfort (new World Business class seats, new Premium Comfort cabin, Economy class seats and WiFi) to improve the customer experience.

For 2024, Air France has decided, in addition to the overall Air France 2024 NPS target, to conduct an NPS per haul cabins and, in each case, to look at the NPS without Perceived Service Failure (to measure the pure level of satisfaction regarding our product and services), the NPS with Perceived Service Failure (to measure how situations are handled by operations and crew) and the percentage of service failure.

The Air France-KLM group has received awards and recognition for its commitment to providing high-quality, sustainable and customer-oriented services, which has earned the trust of its customers.

In 2023, Air France was certified for the second consecutive year as a 5-star airline in the official 2024 APEX airline ratings.

Air France once again stood out for the quality of the in-flight travel experience, recognizing its cabin comfort, catering, in-flight entertainment, connectivity services and excellent cabin service.

This ranking is based on the independent rating of more than one million flights by passengers from nearly 600 airlines worldwide, with scores ranging from 1 to 5 stars according to even more demanding criteria than in previous years.

For the third consecutive year, Air France was voted the best airline in Western Europe by the Skytrax World Airline Awards 2023. Air France also continued its journey upwards in the World Best Airline ranking, moving from the 8th to the 7th position this year.

For the third consecutive year, KLM again won the APEX World Class Award. This special recognition is awarded by customers and the industry for performance in relation to themes including safety, customer well-being and

sustainability. In addition to winning the World Class Award, KLM was also recognised as Best-in-Class for Sustainability.

Transavia was recognized as the number two Best Low-Cost Airline in Europe in 2023 by SkyTrax (and Best Short Haul Carrier by the Dutch travel trade. For its customer service, Transavia was awarded by ESCDA, and for online customer relations it received the Qualiweb award.

4.4.1 Operational safety for stakeholders

Flight safety

Context and strategy

Flight Safety is paramount for Air France-KLM. It is key to retaining the trust of both customers and staff, and imperative for the long-term viability of its operations and of air transportation.

Within the context of a complex and changing environment, the Group strives to maintain the highest level of Flight Safety thanks to its Safety Management System and by supporting its Flight Safety players through specific measures.

All the Group's activities are subject to numerous checks and certifications; in particular, via the supervisory actions carried out by the Civil Aviation Authorities in each country and via the International Air Transport Association (IATA), whose Operational Safety Audit (IATA Operational Safety Audit – IOSA) is a benchmark within the industry.

Air France's and KLM's IOSA certifications are continuously renewed following on-site audits and Air France carried out its most recent renewal audit in November 2022; with the next one planned end 2024. In 2022, IATA launched a new, risk-based approach to further improve its IOSA program. As a first mover, KLM took part in this audit approach in November 2022. Based on the outcome, the KLM IOSA registration was renewed until March 2025.

See also section 3.1.2 "Risks relating to the air transportation activity".

Measures and action plan

To achieve the highest possible standard of Flight Safety, each airline updates and reinforces its Safety Management System (SMS), which concretely defines the modalities in place to manage aviation risks.

Management of Flight Safety risks

Air France and KLM use the evaluation method for operational risks recommended by the European Aviation Safety Agency. They have deployed this method in all the operational entities and at all levels of the business. The management of Flight Safety risks, notably through systems compiling flight parameters and situation

reports, enables threats to be identified, risks to be evaluated, the implementation of remedial measures and the monitoring of the results obtained.

Further, it enables proactive management of the risks to maintain them below the level that is deemed acceptable to the responsible management. The management of flight safety risks is monitored by the Corporate Safety Department. An internal quality assurance procedure continuously evaluates the proper functioning of Flight Safety Risk Management. To this end, both Air France and KLM have decided to invest in new software tools for the management of safety data. These software tools concern the Flight Data Analysis of each flight with a system providing capabilities such as the possibility for pilots to review their own flights. It also includes the management of all the Safety reports (dealing with flight safety, health at work, food safety, security, environmental risk, etc.).

Air France is developing synergies between an array of progress-oriented and risk management approaches – Flight Safety, Health & Safety in the Workplace, Customer Service Quality, Operational Performance, Environmental & Sustainable Development, Food Safety & Hygiene. This quality-based approach is the vector for the steering and management of the businesses, aimed at a continuous improvement in results.

KLM deploys a similar approach. The company is building on the best safety and security practices through its Safety Management System (SMS), a working environment of continuous learning and improvement, and independent oversight of the four safety domains: operational, occupational, environmental safety and operational security. KLM thus continuously aims to improve its industry-leading, risk and performance-based Safety Management System in which risk-based decisions can be taken by the responsible management at all levels within KLM. The SMS is outlined in KLM's Safety Management System manual (SMM) and has been approved by the Dutch Civil Aviation Authorities as part of the Air Operator Certificate.

Air France and KLM's Safety Culture programs, which include promotion, communication, training and learning interventions, are embedded in the companies to enhance safety awareness and the relevant safe attitude and behavior at all levels.

The international cooperation framework, via notably participation in the work of the International Air Transport Association (IATA) and the Flight Safety Foundation, allows information exchange about Flight Safety and to learn about the best industry standards. This cooperation enables synergies to be generated within the SkyTeam alliance and the sharing of information between the partner airlines.

Governance

Flight Safety Committees, chaired by the Executive Vice-Presidents responsible for the operational entities (Safety Action Groups), meet every quarter within Air France. Their task is to approve the action plans established to apply the orientations set by the companies, the outcomes of inquiries and the results of supervisory acts.

These committees are also tasked with sharing information on the emergence of new Flight Safety issues originating from feedback or risk analysis, by ensuring that the resources and action plans in place are adapted to the issues.

Flight Safety Committee meetings are held twice a year at the level of each company, to evaluate the effectiveness of the existing action plans.

Other committees are held at higher frequencies. Every two weeks a safety review committee headed by the EVP Safety analyses and reviews the main safety events to launch short- and medium-term actions. Other committees covering Flight Data Analysis and Systemic analysis are held as well as a monthly meeting between the businesses Safety Managers and the EVP of Safety who manages the Safety Management System.

At KLM, the Corporate Safety Committee within the KLM Board of Directors meets every quarter to analyze the Safety Indicators. In 2023, KLM maintained its focus on Occupational Safety hazards by further updating the overall Occupational Safety Policies to provide structure for the required mitigating action. Safety Action Groups (SAGs), chaired by the Nominated Persons and/or Heads of Divisions are in place across the company with, at the highest level, the weekly Corporate Safety Action Group chaired by the COO and Accountable Manager. The SAGs decide on the safety action plans during meetings held either weekly or fortnightly.

To improve safety around Schiphol Airport, joint safety risk assessments are carried out and the resulting mitigating actions are taken. This is done in cooperation with the aviation industry stakeholders at Schiphol Airport, like the airport authorities and Dutch Air Traffic Control. These activities fall under the umbrella of the common sector Integrated Safety Management System, a unique collaboration between the aviation players at the airport which was established in 2018.

Furthermore, since Flight Safety is an absolute priority for Air France-KLM, the Board of Directors conducts an annual review of the Flight Safety indicators (KPIs) and results, and the measures in place to mitigate the impact of the risks.

Developing a safety culture

Building a company-wide culture of the prerequisite for a safety awareness across all the operations is a gradual yet ongoing approach aimed at raising the ambition of the airlines in the Air France-KLM group. Vocational training is a cornerstone of this culture and thus primarily considers the skills and expertise to be acquired in matters of safety: safety training for pilots and cabin crews, and training for the maintenance professions and ground operations.

The quintessential idea that concerns all employees is a comprehensive safety awareness and a safe working environment, both physical and mental/social. Everyone working in the Air France-KLM group should feel safe and free to report mistakes and incidents, even those for which they themselves are responsible. By embracing a "Just Culture" we learn, develop and improve on a permanent basis.

Air France and KLM are further embedding safety in the attitude of every employee and the execution of every function by making safety awareness an integral part of every onboarding and cross-boarding program.

Air France has set itself the objective of developing its safety culture through the Safety Attitude program, launched at the end of 2018. The ambition of Safety Attitude is to always strengthen the company's safety performance and promote industry best practices.

The Safety Attitude program began with a benchmarking study of five companies, completed by a diagnostic phase, conducted by an independent organization. 22,500 employees from all the Air France professions responded to a questionnaire and over 600 people were interviewed. This in-depth diagnosis enabled the identification of the areas of work that will enable the federation of all employees around a common Safety Culture as close to operations as possible, based on transparency and trust. In 2020, despite the crisis, the Executive Committee reaffirmed its determination to pursue the project by implementing the first concrete actions, in particular the introduction of field visits for the entire line management. The action plan has been developed with contributions from all the departments to maintain a culture of transparency, simplification and respect for procedures, the evaluation of non-technical skills and inter-business exchanges

In 2021, Safety Leadership training courses were deployed from the Executive Committee down to the middle management level, addressing important subjects such as the just culture and arbitration.

In 2022, other major actions were launched, such as the definition of rescue procedures and "safety moments" during all briefings and meetings. To this end, a three-year program of concrete actions adapted to each business line has been structured: mobilization of the line management, a culture of transparency, respect of the procedures, evaluation of non-technical competencies and exchange between the professions.

In 2023, in addition to the initiatives implemented in previous years, several specific actions were launched such as a new safety culture diagnosis concerning all the Air France operational staff as a follow up to the previous diagnosis, involving a new campaign of Line Oriented Safety Assessment (LOSA) consisting of peer observation of the day-to-day operations across all domains (pilot, cabin crew, maintenance, ground operations, cargo operations). A number of Safety training courses were also either maintained or created to continue the safety culture improvement for the mid management.

In the fall of 2023, a new safety and security training program was launched within KLM, which is mandatory training for the onboarding of all newly-hired staff members.

Results and performance

In late October 2023, based on the IATA and ICAO definition, Air France experienced one major ground safety accident involving damage to an aircraft due to a collision with another aircraft passing behind.

During the same period KLM experienced one non-fatal accident and five serious incidents. All of these were processed through the Safety Management System to facilitate event- and risk-analysis, and an investigation into the possibilities for improvement and the learning potential.

The rate of reporting of Flight Safety events by staff was above target, contributing to the proper functioning of the Safety Management System.

The Flight Safety network teams are mobilized to analyze the signals coming from the Safety Management System and to take the appropriate action.

The reporting of safety events and concerns by staff members is paramount for the proper functioning of any SMS. Within KLM the newly-introduced reporting app "See it, Say it (SiSi)", has enabled an increase in reported events thus providing an even clearer safety picture. Every report is assessed for its contribution to the KLM risk profile. After assessment of the event, a follow-up action plan in terms of analysis or investigation may be decided.

Operational measures to address the impact of climate change

Context and strategy

For air transportation, the impacts of climate change could have consequences for the routes and destinations served. In particular, the more frequent occurrence of extreme climate events could affect the safety of flight operations and service continuity (re-routing, flight cancellations and delays, etc.) causing disruption for customers.

Measures and performance

Since they are present across all continents, the Group's airlines already operate safely in all weather conditions. They have thus already deployed the procedures and resources to ensure operations in extreme climate conditions. Air France, KLM and Transavia have developed special training programs for employees on the management of emergency situations.

Air France-KLM has developed policies and procedures applicable in the event of any emergency in the form of regional, site or unit level emergency response teams. These procedures cover all the activities and sites of the Group worldwide Identified managers are responsible for preparedness, response and investigation in case of emergency events.

The airlines also work in cooperation with airports to ensure safe operational and passenger handling conditions and, in such circumstances, deploy commercial measures to enable passengers to defer their travel should they so wish, or change their destinations.

Lastly, the size of the Air France-KLM network, with services balanced between the different continents and the flexibility linked to fleet composition, are all valuable assets when it comes to minimizing the economic and commercial consequences of these impacts and adapting flight schedules to market requirements.

Food safety

Context and strategy

The Air France-KLM group is committed to guaranteeing food services that are safe for its customers and flight crews.

As the years go by the relevant regulations are becoming increasingly exacting. This is why food safety is a key priority for the Group. Air France and KLM both deploy quality-control procedures to fulfil these requirements. In Air France, since September 1, 2022, the Corporate Multi-Risk Management department has been responsible for Food Safety so as to take advantage of synergies with Flight Safety.

This new organization, which includes several of Air France's risk areas, will make it possible to share best practices to improve risk management. Air France manages food risks using a management system that has been tried and tested for several years. In 2022, KLM launched a food safety awareness campaign within the In-flight Services community.



Measures and action plans

Air France

The management system is based on four processes, steered by a centralized unit within Air France.

The first process is cross-cutting and applies to the whole risk area: regulatory intelligence, alert management, risk analysis and definition of the measures to mitigate these risks, staff training, establishment and updating of the reference standards, and monitoring of the action plans.

The three other processes are operational and are detailed based on the activity: on board services, water on board and services offered in the lounges. Risk analysis using the HACCP method is carried out at every stage of the operational processes. Control measures are defined to prevent risks. They are deployed by food safety specialists in each of the relevant entities: procurement, air operations, ground services, maintenance, operations, international stations, logistics and flight products. These coordinators are responsible for ensuring that these measures are implemented and applied within the different business lines, and for reporting back on their functioning together with the related action plans.

KLM

Food safety is ensured among the various parties in the food distribution chain. Catering companies have their HACCP programs and undergo unannounced audits at least once a year by an external company, specializing in food safety in airline catering. The water quality on board is assured by international quality checks through sample collection by the Schiphol laboratory. Within In-flight Services, crew members are trained using e-learning modules and industry best practices. In the operational field, specific procedures are in place to immediately contain food incidents and ensure that the highest quality standard is delivered internationally.

Both Air France and KLM have implemented quality control procedures and monitoring programs to ensure compliance with the regulatory requirements.

Food safety audits are carried out at caterers at least once a year. These on-site food safety audits are unannounced and are carried out by specially-trained auditors (outsourced or in-house audits). The audits verify the application of good hygiene practices in compliance with QSAI (quality and safety alliance in-flight services) for food processing, based on HACCP (hazard analysis and critical control points) principles.

In addition, all food suppliers are listed according to very strict specifications. Microbiological controls, water analyses and temperature controls are carried out by an internal laboratory for KLM and by an external laboratory for Air France, both of which are ISO 17025 certified.

The data from the monitoring processes are regularly monitored through indicators and decision-making committees to ensure the effectiveness of the provisions in place relating to Food Safety.

Results and performance

In addition to compliance with the HACCP Principles & Application Guidelines, Air France is the first airline in the world to have attained ISO 22000 certification. An annual audit carried out by an external body verifies that the management system complies with the standard and with the regulatory requirements. In 2023, the ISO 22000 certificate was renewed.

Internal audits are also realized based on a three-year plan across all the relevant business lines.

At Air France, every week, critical events are analyzed and followed up by specific committees.

A series of key indicators, one for each operational process, are used to monitor the performance of the three operational processes. Any malfunctioning flagged, notably, by flight crews or customers, is also studied to be able to implement remedial and/or preventive measures. Throughout the year, several meetings of in-house steering bodies are held, enabling the monitoring of current events in this area and the tracking of performance via indicators and action plans, with a view to ensuring a continuous improvement.

Animal safety during transportation

At Air France-KLM, we recognize the importance of animal welfare and are committed to ensuring the safe and humane transportation of animals. We adhere to the strict guidelines set forth by regulatory agencies and work closely with animal welfare organizations to ensure our policies and procedures are in line with industry best practices. Our trained staff provide appropriate care and attention to all animals in our care during transportation.

4.4.2 Confidentiality and data protection

Protection of data and IT systems

Context and strategy

IT is at the heart of all of Air France-KLM's activities, like passenger bookings, flight schedule management, baggage check-in, the calculation of ticket prices, aircraft maintenance and crew information.

Cyber security and data protection constitute one of the top priorities for the Group, on which its operational and economic performance depends, and the trust of its customers.

Measures and action plans

The Air France-KLM group manages its cybersecurity strategy and practices under the leadership of the CIO, who is a member of the Group Executive Committee (GEC) and the CISO at Group level. The CISO (Vice President, Cybersecurity) is responsible for liaising with the national security authorities (France, The Netherlands). The Group cooperates with a network of relevant aviation sector players (airports, OEMs) to ensure a state-of-the-art cyber security framework. Its IT infrastructure is organized with multi-segmented networks and multi redundant data centers. The IT systems, assets and IT activities are permanently monitored by the SOC. Internally, Air France-KLM employees follow a cyber training with dedicated cyber objectives included in their annual targets.

The 24/7 Security Operation center, certified PDIS by the authorities, monitors all security events. The threat-hunting team ensures the state-of-the-art cyber security of the IT components. Every employee can declare a cyber event through a dedicated mail or a request for support to the AF-KL Help Desk worldwide.

Air France-KLM's cyber security level is assessed permanently online and annually on-site by several independent audits, including "red team" and cyber penetration tests, which participate in the continuous improvement of the cyber security strategy. The Cyber Business Continuity Plan (BCP) is tested annually and improved with long-term action to maintain the highest cyber security level in the industry, including all affiliates and suppliers.

The Air France-KLM group also takes part in the cybersecurity working groups of the main professional airline associations (IATA, A4E, etc.) and contributes to the work of associations specialized in cybersecurity (CLUSIF, CESIN, CIGREF, Aviation ISAC, CSIRT).

The Air France-KLM group conducts regular assessments of its cybersecurity through a number of specialized companies like Bitsight. Continuous benchmarking and the use of an independent cybersecurity rating agency, enable the Air France-KLM group to be compared with other companies in the air transport sector. Air France-

KLM leads the front-runners in its domain for Cyber security. In the Skytracks Top 25 Airlines ranking, Air France-KLM is in the top 5 in terms of cybersecurity.

The Air France-KLM group leverages the expertise of leading consultants in the cybersecurity market and actively cooperates with a wide range of IT partners.

To offer the best level of protection on the ground and in the air, the Air France-KLM group is increasing the number of staff dedicated to cyber security and the cyber security plans which include:

- a plan to deliver the best effective cybersecurity solutions and infrastructures to adapt permanently to the evolving cyber threats. This includes a cyber insurance policy;
- a mandatory awareness program for all staff including a Cyber training module;
- a plan to ensure compliance and adapt our IT products and services to new regulations;
- a crisis response book to manage all cyber security threats and incidents;
- a plan to support the digital transformation to offer a simplified and secure user experience.

Each year, employees are required to sign an IT charter that outlines the principles for managing cyber security. Disciplinary measures are foreseen in cases of misconduct. Additionally, the IT Flight Plan sets annual targets for the IT community, with targets on cybersecurity.

Results and performance

A quarterly presentation on the results of these plans is made to the Group Executive Committee and annually to the Audit Committee and the Board of Directors, guaranteeing sponsorship by all GEC members. Among the realizations, the Group benefits from:

- a technological state-of-the-art cybersecurity infrastructure and services, with a robust organization coordinated with the SOC (Security Operations Center), including its affiliates and partners;
- an up-to-date cybersecurity regulatory framework for the ground IT and onboard systems, with a cybersecurity policy based on the ISO 27000 and NIST standards, and other strict regulations applying to the Air France-KLM group's activities;
- an annual monitoring plan of the risks associated with digital technologies, involving audits and threat hunting. The results are presented to the three management committees with complementary perspectives;
- the Group's IT Executive Committee notably evaluates the coherence between the cyber risks and investment in IT;

- the Cyber Plane Committee, chaired by the Accountable Manager, decides on the orientations to be adopted to reduce the potential cyber risks for the different businesses;
- the Safety Performance Committee, chaired by the Head of Safety, evaluates the effective mitigation of cybersecurity risks;
- a special cybersecurity review takes place in the Air France-KLM group cybersecurity community. It has resulted in an improved cyber score which has moved to the top of the ranking. See also section 3.1.3 "Risks relating to the Group's processes".

Data privacy

Context and strategy

In force since May 25, 2018, the European General Data Protection Regulation (GDPR) aimed at protecting personal data, has firstly extended the rights of data subjects and, secondly, strengthened the accountability and obligations of data controllers, requiring documentation and proof of their compliance.

To meet the requirements of the GDPR, Air France and KLM have deployed, since 2018, under the responsibility of their Privacy Officers, a broad-ranging program to strengthen their Data Protection management systems in line with their cybersecurity programs and designed a personal data management framework to ensure compliance with all GDPR principles, in particular Privacy by design and by default.

In addition to standard security controls, the Information Security Manual (ISM) incorporates the GDPR controls that Air France and KLM must implement to guarantee the highest level of security and protection of personal data, in particular articulated around the following topics: data lifecycle, retention period and purge mechanism, protection of sensitive data, logical access security controls, data flows, personal data extractions, protection of mobile devices, third-party management, etc.



Measures and action plans

Data protection activities in 2023:

- the Group worked on improving its Data Protection governance systems, and on improving employee awareness and training;
- the Group focused on the compliance of transfers of personal data outside the European Economic Area, after the invalidation by the Court of Justice of the European Union of the Privacy Shield in the "Schrems IT" case. As a consequence, the European Data Protection Board (EDPB) recommended the

performance of Data Transfer Impact Assessments (DTIA) and the use of new models of standard contractual clauses for these transfers. To comply with the requirements for transferring personal data, a new comprehensive GDPR-contracting process has been created;

- within the Group's Passenger Commercial organization and airline customer domains, a Data Protection Committee was created to focus on customer privacy-related matters to strengthen the execution of the Data Privacy activities. This framework will also be used to manage the new organization and governance of the Flying Blue program. A joint controller agreement has been formalized between Air France, KLM and Flying Blue Miles, the new operating affiliate of Air France-KLM that will hold the trademark and most of the commercial partner contracts related to the Flying Blue loyalty program;
- Air France's focus was on cooperating with the French Data Protection Authority (CNIL) on thematic topics, and on improving data protection awareness;
- KLM's efforts to enhance its Data Protection governance systems were intensified. A new training program for employees was developed as part of the annual compliance and awareness program. Moreover, the mandatory Register of Processing Activities and the data breach process saw further reinforcement.

Results and performance

The overall effectiveness of the Data Protection management system is assessed through the steering of an internal network of business privacy correspondents (first level controls), the internal control systems implemented (second level controls) and a dedicated Internal Audit program (third level control). This framework is subject to a continuous improvement process. In parallel, the Data Protection Officer monitors the application and compliance with the privacy legislation.

Risks related to Data Protection are periodically assessed within the various business activities of the Air France-KLM group and integrated into the overall risk management and control system.

Given the increasing significance of these risks in conjunction with cybersecurity threats, the protection of personal data is becoming more important. This and, more generally, data privacy, is an absolute imperative for the Air France-KLM group.

See also section 3.1.3 "Risks relating to the Group's processes".

4.4.3 Accessibility of the products and services

Context and strategy

The Group is committed to providing its customers with the best possible travel experience, including passengers with disabilities or reduced mobility (PDRM), provided that air travel is not against medical advice. Providing the appropriate assistance can be complex due to the differences between the EU and US regulations. In the United States, the responsibility for providing assistance falls solely to the airline while, in the European Union, the airport authority is responsible for end-to-end assistance. Customers are advised to transmit PDRM information to the airline 48 hours before departure, which will be forwarded to the airport authority 36 hours prior to departure. At Paris-CDG, Paris Aéroport (ADP Group) oversees special assistance for Air France passengers via its Gimap service providers. At Amsterdam-Schiphol Airport, PWD assistance is supplied by Axxicom Airport Caddy. Lastly, the communication channels are kept updated to help customers comply with all the travel conditions.

Measures and action plan

Air France's dedicated assistance service for passengers with reduced mobility, Saphir (*Service d'Assistance aux Personnes Handicapées pour les Informations et la Réservation*), provides tailored services such as facilitated booking procedures, airport assistance, baggage assistance and special equipment on board (raisable armrests). Saphir fielded around 75,000 calls in 2023: telephone and online services enable ticket bookings and the provision of the appropriate assistance. A telephone assistance service dedicated to hearing-impaired customers is also available. Saphir is specifically aimed at customers "whose mobility is reduced, when using transport, due to any physical disability (sensory or motor, permanent or temporary) or any handicap or intellectual deficiency, or any other cause of disability, or age, and whose situation requires appropriate attention and adaptation to their particular needs of the service made

available to all passengers" (definition of the Regulation of the European Parliament and of the Council of July 5, 2006). It is available from mainland France, the French overseas departments (Cayenne, Fort-de-France, Pointe-à-Pitre, Reunion), and 19 other countries. Every member of the Saphir team has been trained by a doctor specializing in disability.

Air France has partnered with multiple associations and national and European bodies dedicated to disability to improve services. KLM Cares facilitates the organization and booking of flights for people with disabilities or mobility issues. At the airport and on board, KLM provides adapted facilities and equipment to ensure a comfortable and enjoyable journey. Air France and KLM cabin crews are trained in the assistance needs of the customers concerned and received specific instructions to deal with the public health crisis. All of them ensure the appropriate assistance on board. The mobilized crew group alone numbers some 24 members as part of a "Viva Engage" team. Commercial agents and LSF (French sign language)-qualified crew members wear identification pins for easy recognition.

Results and performance

There are more people with disabilities or reduced mobility traveling on the Group's flights every year. In 2023, around 710,000 Air France and 470,000 KLM assistance requests were handled. Air France has organized meetings with disabled employees to gather feedback and improve services, in particular better information before and during the trip for customers and staff to foster a caring relationship. Other initiatives include redesigning Air France and KLM website pages for disabled customers to facilitate access to information for their journeys and sending information adapted to their type of disability. Awareness workshops on the appropriate language and gestures for disabled customers, along with computer tools to facilitate care, have been created for staff on flights and on the ground.

4.5 ETHICS AND COMPLIANCE

As an international Group with operations all over the world and employing a large number of staff, Air France-KLM is committed to respecting both ethical values and the applicable legislation in all regulatory compliance domains.

The Group complies with all such legislation not just because it is required to do so, but also because it is an essential element of delivering on its corporate purpose and values and an imperative to be in a position to preserve competitiveness, company reputation and the sustainability of its activities.

The Air France-KLM group recognizes and complies with the international standards applicable to legal entities in terms of ethics and compliance including, notably, the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the fundamental conventions of the International Labor Organization (ILO) and UNICEF's Rights of the Child and Business Principles.

As a signatory of the United Nations Global Compact since 2003, the Air France-KLM group has undertaken to respect the ten principles of the Global Compact. It has

incorporated these ten principles into its strategy, policies and procedures, and actively promotes them to its partners and suppliers. The last communication on progress was published on May 30, 2022.

The importance of respecting ethical principles in day-to-day business activities is reiterated in a number of documents. Some of these documents apply to all employees irrespective of their positions, locations and activities, such as the Air France-KLM Principles and the anti-corruption Code of Conduct. This documentation gives rise to regular communication, awareness campaigns and training programs.

In addition, and without prejudice to the above-mentioned documentation, other documents may be dedicated to:

- certain legal entities so as to comply with the applicable local laws or internal regulations;
- specific functions (such as the Charter for the Procurement domain or the Code of Ethics for the Finance domain).

4.5.1 The Air France-KLM Principles

4.5.1.1 Background and objectives

In July 2020, the Air France-KLM group published the Air France-KLM Principles which set out the values and fundamental rights within the Group.

The Air France-KLM Principles were developed in cooperation with the European Works Council and staff representatives.

These are regularly reviewed to ensure these are up to date. The Air France-KLM Principles reaffirm to all employees the Air France-KLM group's commitment to fostering a climate of mutual trust, respect, transparency and confidentiality, and to promoting a work environment where health, safety and quality of life are key priorities without compromise.

4.5.1.2 Scope and content

They include the commitments in respect of diversity and inclusion, health and safety, working conditions including training and development of skills, remuneration, working hours, freedom of association, social dialogue, combating modern slavery and human trafficking, protection of the environment and local communities, privacy and digital ethics, combating corruption, fraud and market abuse, compliance with embargo, trade sanctions and export control rules, and competition laws, and relations with third parties.

They also remind employees of the speak-up policies and reporting tools to ensure that incidents can be investigated and remedied.

They serve as a shared foundation for all the companies within the Air France-KLM group and support new initiatives, procedures, rules, and Codes of Conduct, and are used in building training material on compliance domains for the employees of the Air France-KLM group.

The Air France-KLM Principles apply to all employees within the Air France-KLM group, including those working part time and on temporary contracts.

All employees of the Air France-KLM group may access these Air France-KLM Principles through their respective intranets and the Air France-KLM corporate website.

These Air France-KLM Principles also apply to all Air France-KLM stakeholders, irrespective of their nature, and the Air France-KLM group encourages all its customers, shareholders, business partners and local communities to respect them⁽¹⁾. To this end, the Air France-KLM group publicly communicates on the Air France-KLM Principles on its corporate website (<https://www.airfranceklm.com/en/our-commitments/people-culture>) and the principles and commitments are embedded in specific documentation applicable to the Air France-KLM supply chain (such as in the Supplier Sustainable Code of Conduct) and in the provisions of contract templates to be used when entering into commercial relationships with business partners.

⁽¹⁾ The full text of the Air France-KLM Principles is accessible with the following link: https://www.airfranceklm.com/sites/default/files/afklm_principles_2021_fr.pdf.

4.5.2 Organization and key elements of ethics and compliance programs

4.5.2.1 Governance and strategy

The Air France-KLM group has deployed an organization dedicated to compliance. The Compliance department, which is part of the Corporate Secretary's Office and is headed by the VP Group Compliance Officer, is in charge of anti-corruption and business ethics, personal data protection and trade compliance. In coordination with the airlines' and subsidiaries' compliance teams, the Air France-KLM Compliance department is notably responsible for defining the compliance programs for the Air France-KLM group, assisting the businesses in deploying them and monitoring their effectiveness as part of a continuous improvement process. It provides regular updates to the Air France-KLM Sustainable Development and Compliance Committee (see sections 2.3.2 and 3.3.1).

The compliance teams are supported by a network of compliance coordinators appointed in the activities or departments and subsidiaries. Depending on the type of business transaction envisaged and the complexity of the activities exercised within the departments and entities, compliance experts and coordinators facilitate compliance with specific legislation and the roll-out of the relevant elements of the compliance program.

The compliance activities are based on compliance programs per domain, executed within the context of a formalized framework and in line with the applicable legislation. The compliance programs include policies, risk mapping, awareness and training, controls, reporting mechanisms and control frameworks, and are subject to audits by the internal audit team.

4.5.2.2 Respect of human rights

a) Within the Air France-KLM group

Human rights are the foundation for social, economic and cultural cohesion within each company and across the Air France-KLM group. Every employee of Air France-KLM has the right to working conditions that protect their health, safety and dignity, and guarantee a social dialogue.

Within the framework of its activities, the Air France-KLM group has identified the risk factors relating to human rights. The measures put in place to mitigate these risks fall into a number of different categories: health and safety of individuals, equal opportunity, achieving a better work/life balance and data protection procedures to protect the personal data of customers and employees (see sections 4.2, 4.4 and 4.6.3). The French entities of the Air France-KLM group are required to implement all measures necessary to ensure the safety and protection of the physical and mental health of workers in terms of instructions, training, materials and tools, protection equipment, organization of working conditions and interactions to prevent harassment etc. pursuant to French law (article L4121-1 to 5 of the French labor Code), failing which any failure may lead to criminal liability. All entities of the Air France-KLM group apply security and safety principles which may even be reinforced by the

applicable local regulations of the country of registration of such entities.

Air France has carried out awareness-raising actions for its employees on human trafficking, to help them identify at-risk situations and take action against this form of international organized crime, comparable with modern-day slavery. Whether it is trafficking for the purpose of forced labor or crime, sexual exploitation, illegal adoption or forced marriage, child soldiers, organ trafficking or other forms of human exploitation, the ground staff and flight crews should be able to recognize behavior that may seem abnormal or concerning and, in the event of suspected human trafficking, report the event as soon as possible and in accordance with the internal instructions. These actions were initiated in 2019.

b) With third parties

In the course of its relationships with suppliers and subcontractors, the Air France-KLM group is committed to ensuring that the fundamental principles and social rights are properly respected, everywhere in the world.

Suppliers are requested to accept and comply with a Supplier Sustainable Code of Conduct based on the ten Principles of the United Nations Global Compact or to comply with their own Code of Conduct provided that its terms and conditions are as stringent as the ones in the Air France-KLM Supplier Sustainability Code of Conduct (see sections 4.6.2 and 4.6.3). They are also asked to verify such commitment within their own supply chain.

The Compliance and Procurement domains contribute to the regular review and updating of the Supplier Sustainability Code of Conduct to ensure its alignment with the applicable regulations, notably the French Sapin 2 Act and the French law on the Duty of Vigilance which sets forth a monitoring obligation concerning contracting partners respectively with respect to probity and integrity and to vigilance with regard to human and social rights, the environment and sustainability within the supply chain.

Before entering into any undertakings and during commercial relationships with customers, suppliers and intermediaries, the Air France-KLM group ensures that the compliance and fair business conduct rules are duly respected through a third-party evaluation process in accordance with the Air France-KLM policy on third party selection and management.

4.5.2.3 Prevention of corruption

The Air France-KLM group is committed to conducting business with loyalty, fairness, transparency, honesty and integrity in the strict respect of the anti-corruption laws in all the countries where its entities are registered and operate.

This commitment guides its social and ethical policy and is embedded in its Corporate Purpose, as the prevention of and fight against corruption is the basis for responsible and sustainable business around the world.

To this end, the Air France-KLM group has implemented internal rules consistent with the requirements of the various anti-corruption laws, including the French Sapin 2 Act, the UK Bribery Act and the US Foreign Corrupt Practices Act. The Air France-KLM group regularly reviews and updates its internal documentation to take into account changes in legislation and recent case law, but also the result of risk mapping and any reported incidents.

Following the publication of the latest Recommendations from the French Anti-corruption Agency ("AFA"), in December 2022 the Air France-KLM group updated its anti-corruption manual which has since become the Anti-Corruption Code of Conduct. Six policies were added to this Code covering the topics of gifts and hospitality, conflicts of interest, facilitation payments, lobbying, sponsoring and patronage, and third parties.

These documents are available on the Air France and KLM intranets and the anti-corruption Code of Conduct is also available on the Air France-KLM group corporate website (<https://www.airfranceklm.com/en/group/values>).

An anti-corruption e-learning campaign was realized between December 2022 and March 2023, with an e-learning module in both French and English. The content is based on examples of cases arising from alerts, cases

encountered in practice and the results of bribery risk mapping. The aim is to explain the applicable legal framework, the associated sanctions and the rules stipulated in the updated anti-corruption documentation with a quiz to check that the internal rules have been properly understood.

In addition to this e-learning module, a comprehensive in-class training campaign was designed with the support of an external service provider to (i) build a dedicated training program for the Top Management and (ii) plan a training program for employees with the highest risk of exposure involving three hours of classroom sessions based on a "train the trainers" approach with the support of the compliance and legal teams to be rolled out in 2023 and 2024.

At the end of April 2023, the realization rate for the anti-corruption e-learning for the selected panel was 96%. Awareness is also reinforced through, for example, information meetings and discussions, improved access to compliance documents and regular communication by the Top Management.

See also section 3.1.1.2 "Risks relating to the air transportation activity".

Key Performance Indicators	Definition	2022 results	2023 results
Completion rate of the e-learning on prevention of corruption	Number of employees having completed the entire training program as of December 31 of the relevant year divided by the total number of employees invited to undertake this training	85%	96%

Scope: Target group of Air France-KLM group compulsory panel of employees.

Training is mandatory for the target group of employees. The latter is selected based on a functional level (i.e. executives or managers) or exposure to bribery risk according to the results of the bribery risk mapping performed within the organization (i.e. the Sales and Procurement teams).

The indicator measured is the number of employees having completed the entire training program as of December 31, divided by the total number of employees invited to undertake this training.

The Air France-KLM group has selected a service provider to implement a digital compliance tool which will also facilitate the deployment and monitoring of the anti-corruption program within the Air France-KLM group. This tool should be deployed over the course of 2024.

4.5.2.4 Prevention of anti-competitive practices

The prevention of anti-competitive behavior is an important factor in honest and fair business practice. It is crucial to prevent unfair practices since unethical or inappropriate behavior can have significant detrimental consequences, both financial and in terms of reputational damage.

In terms of anti-competitive practices, the Air France-KLM group is developing its policy aimed at the prevention of anti-competitive acts by circulating to staff a Competition Law Compliance Manual. This manual is regularly reviewed and updated.

A competition law e-learning module was developed in-house and rolled out between December 14, 2021 and March 15, 2022 to a significant number of Air France-KLM group employees, to remind them of the competition law principles and the risks incurred.

In addition to this e-learning module, the competition law team carries out dedicated training sessions with certain categories of staff.

See also section 3.1.2 "Risks relating to the air transportation activity".

4.5.2.5 Compliance with embargoes, trade sanctions and export controls legislation

The Air France and KLM Trade Compliance departments are responsible for defining and managing the compliance program, and for ensuring and facilitating its implementation and adherence, so as to ensure maximum compliance with customs, trade sanctions and export control legislation applicable to the Air France-KLM group's activities.

They monitor changes in the applicable regulations, liaise with the relevant administrations and authorities in charge of control, participate in third-party screening with regard to trade sanctions and sanctions by business sectors, and follow up on the measures applied in the business activities. They review the need for the request and renewal of export licenses by product category, partner and country (dual use goods, military goods, explosives and ozone depleting products, etc.) and complete or review compliance questionnaires issued by the Air France-KLM group stakeholders (banks, insurers, etc.).

The Trade Compliance Officers ensure the monitoring of the existing export control framework.

Within the Engineering & Maintenance, Cargo, Procurement and Treasury domains, customers and suppliers are screened before onboarding and on an ongoing basis. A more exhaustive third-party due diligence screening procedure is being drafted with an extended compliance scope, for implementation in 2024.

Training and awareness-raising is a major priority for the Air France-KLM group. Export control e-learning modules are pushed to the relevant cargo and engineering and maintenance staff on a regular basis. A trade sanctions e-learning program applicable to a broader target group has also been deployed within KLM.

4.5.2.6 Personal Data Protection

Whether for passenger bookings, flight schedule management or aircraft maintenance, etc., information systems are at the heart of all of Air France-KLM's activities. For the Air France-KLM group, the protection of personal data is a key element in the trust granted by its customers and employees.

Since the Air France-KLM group is well aware that the protection of private lives and personal data is an increasingly sensitive subject, it places this issue at the heart of its priorities and ensures the highest level of regulatory compliance.

The Data Privacy Officers of the Air France-KLM group entities are in charge of ensuring the European General Data Protection Regulation through the set up of processes for Data Privacy governance, the management of data compliance breaches and training as part of the annual compliance program for this domain. Last year, the focus was on the compliance of personal data transfers outside the European Economic Area, after the invalidation by the Court of Justice of the European Union of the Privacy Shield in the "Schrems IT" case.

For more details, see section 4.4.2.

4.5.2.7 Speak up policy and whistleblower procedures

All employees in the entities of the Air France-KLM group are encouraged to discuss any compliance concerns with their line managers. They can also contact a Compliance Officer or compliance coordinator directly. Employees also have the option to report an incident via the whistleblower mechanism. Both KLM and Air France have implemented and regularly review and update their speak-up policies and procedures to collect and manage internal and external alerts so as to comply with the latest regulations in force. Air France has also changed its reporting tool to increase the number of languages for the reporting of incidents and facilitate the management of alerts, especially if they are done anonymously.

These whistleblower procedures also include the option to report any corruption issues or serious incidents linked to the duty of vigilance (human rights, fundamental freedoms, health and safety, environment) in all areas of activity, pursuant to the regulation in force via secured channels which ensure the strict confidentiality of the alert and identity of the relevant employees. The associated procedure gives guidance on how to proceed and guarantees that no sanctions will be taken against employees reporting any such incidents in good faith, as provided under the applicable law.

Incidents reported by employees according to the above-mentioned procedures are investigated and the appropriate corrective actions are implemented.

4.5.2.8 Tax strategy

Tax is an integral part of the Finance function within Air France and KLM and supports Air France-KLM's corporate strategy. As such the Air France-KLM group's tax strategy is aligned with the business strategy, ambitions and values of the Group. We want to act fairly, transparently and with integrity towards all our stakeholders. The tax strategy is driven by demonstrating the commitment to comply with legislation and explaining Air France-KLM's approach to tax.

Tax principles

Air France-KLM bases its approach to tax on a set of three key principles: Compliance, Transparency and Risk Management.

Compliance

Air France-KLM recognizes the important role fiscal compliance plays in its strategy and undertakes to act with integrity and transparency in all tax matters and to prevent tax evasion. The Company is committed to complying with the letter, the intent and the spirit of the tax legislation, and the local and international laws (including bilateral tax treaties, OECD and UN guidelines) of the countries in which it operates and to paying the right amount of tax at the right time.

Air France-KLM complies with the OECD's Base Erosion and Profit Shifting Action Plan and files all the required transfer pricing documents, including a Country-by-Country Report.

Pursuant to the specific guidelines relating to the taxation of international air transportation services, wherein operational income is taxed in the country of domicile, Air France-KLM consequently reports most of its airline income in France and The Netherlands.

Specific local taxation rules require the Group to also report a relatively small portion in foreign jurisdictions where the Group operates.

Tax returns will be well sourced, based on sound evidence and full disclosure. All information is recorded and reported in a fair, timely, and accurate manner following good business practices, applicable accounting standards and local tax laws.

The Air France and KLM tax departments are fully involved in sustainable development issues in order to secure the different Group projects (Trip and Tree, SAF Corporate and SAF Cargo) and to comply with French and EU obligations in this respect (Fitfor55).

Transparency

Mutual respect, transparency and trust drive the Air France-KLM's relationships with the tax authorities and other relevant external stakeholders all around the world.

Air France-KLM seeks to establish and maintain an open and constructive dialogue with the tax authorities and other government bodies. The Group participates in the development of tax policies by contributing constructive inputs to public consultations.

The aim is to proactively deal with disputed taxation matters, and avoid unnecessary challenges and disputes to achieve certainty wherever possible.

In this regard, the Group has reinforced its relationship with both tax administrations through the following initiatives:

- on March 14, 2019, a fiscal partnership was signed between the French tax authorities and Air France-KLM, the consolidating entity of the French tax group. This partnership is aimed at improving the relationship with the French tax authorities within the framework of the day-to-day operations and ongoing tax audits;
- in addition, in 2023, Air France was audited by the French Customs Administration which led to the renewal of its *Organisme Économique Agréé* certification (OEA) for the third time in a row. This qualification allows the company to benefit from facilitated tax and custom regimes. This also confirms the relationship of trust between the company and the international customs administrations with very limited customs risks;

- on the Dutch side, KLM has maintained a long-term relationship with the Dutch tax authorities. KLM is one of the top 100 companies in the Netherlands to have entered into an individual tax monitoring plan (ITP) with the Dutch tax authorities. Following this ITP approach, the tax authorities test the level of the monitoring measures (tax control framework) KLM maintains to recognize and manage its key tax risks. Ultimately this approach enables the tax authorities to adapt their control measures for KLM more effectively.

Since 2022 KLM has produced an annual Tax Transparency and Contribution Report as developed by the Confederation of Netherlands Industry and Employers (known as VNO NCW). The tax governance code not only includes the relevant tax codes and principles, but is also more ambitious with regard to a) the view that tax is not only a cost factor but also a contribution to society, b) that tax rules must be interpreted in accordance with the spirit of the law, c) the avoidance of the use of tax havens and d) transparency, especially on taxes paid and collected.

Risk management

The Group's aim is to take sustainable tax positions which are long-term in nature, in support of the business operations.

It only uses business structures that are driven by commercial considerations, are aligned with its business activity and have genuine substance. It does not look for schemes that might be deemed improper at the fiscal level or are intended to avoid paying taxes.

Air France-KLM conducts its operations with a minimum level of risk with respect to tax matters and as such applies the anti-tax-avoidance rules within the framework of the European Directive (EU) 2016-1164 transposed into the French and Dutch tax legislation.

The European mandatory disclosure regime for potentially aggressive international tax arrangements came into effect on July 1, 2020 (DAC6 Directive, EU 2018/822 of May 25, 2018). Both Air France and KLM's tax departments have reviewed the compliance reporting obligations the businesses are potentially facing under the new Mandatory Disclosure Rules (MDR) in relation to certain cross-border arrangements. No such arrangements have been identified.

Considering the OECD GloBE rules agreement dated October 8, 2021 and the Pillar 2 EU Directive (Dir. UE 2022/2523 of December 14, 2022), the Group will comply with the Pillar 2 rules from January 1, 2024.

The Tax Affairs departments in France and The Netherlands seek to anticipate and reduce the tax risks to their lowest possible level. They ensure that reasonable care applies in relation to all the Group's processes that could materially affect compliance with the tax obligations and are particularly vigilant concerning the application of the rules combating fraud and tax evasion.

4.6 SOCIETAL VALUE

Air France-KLM strives to add economic and social value in the areas where it operates, around its hubs and destinations. By working together with local partners, the Group creates new business opportunities and supports projects that contribute to the future generations and local communities.

As a major purchaser of a wide range of products and services, the Group integrates ethical and sustainability criteria into its supply chain, by sourcing products and services that minimize its environmental footprint and create societal value.

Key Performance Indicators	Definition	2022 results	2023 results	2023 targets
Percentage of suppliers having signed the Supplier Code of Conduct ⁽¹⁾	Number of Air France and KLM suppliers under contract having signed Air France-KLM's Supplier Code of Conduct divided by the total number of Air France and KLM suppliers under contract.	53%	79%	75%
Number of suppliers evaluated by EcoVadis ⁽²⁾	Number of suppliers under contract with Air France and KLM evaluated by the CSR rating agency EcoVadis or an equivalent body.	302	431	392

Definitions

- (1) **Percentage of suppliers having signed the Supplier Code of Conduct.** Scope: suppliers under contract with Air France and KLM, monitored under ARIBA. As of the initiation of the procurement process, suppliers are invited to sign the Air France-KLM Supplier Code of Conduct. The indicator measured is the number of Air France and KLM suppliers under contract (monitored via ARIBA) having signed the Code of Conduct divided by the number of suppliers concerned (under contract followed under ARIBA) (end December of the reference year).
- (2) **Number of suppliers evaluated by EcoVadis.** Scope: suppliers under contract with Air France and KLM, monitored under ARIBA, and scored by the CSR rating agency EcoVadis or an equivalent body. Within the framework of its supplier risk policy, Air France-KLM has its suppliers evaluated and takes into account their sustainable development performance. In the event of an elevated or severe risk, suppliers must be assessed by the CSR rating agency EcoVadis or an equivalent body on the following four themes: environmental, social, ethical and responsible purchasing. All other suppliers are invited to carry out this evaluation on a voluntary basis. The indicator measured is the number of suppliers evaluated by EcoVadis or an equivalent body (end December of the reference year). Suppliers considered compliant are those with a score equal to or greater than 35 over the last three years.

4.6.1 Local development

Context and strategy

Directly and indirectly, the Group's activities contribute to economic development and create value at their hubs around Amsterdam and Paris, and at national level in France and The Netherlands. These hubs offer multiple connection opportunities in Europe and with the rest of the world, and are part of an extensive, high-quality network that generates an attractive business environment. According to an Opinionway survey of international investors carried out in 2019, the presence of a hub offering direct and frequent international connections is the second most important criterion when choosing a location. The Group serves over 300 destinations in over 100 countries and its economic impact extends beyond its hubs.

With 91% of the Group's employees based in France and The Netherlands, Air France-KLM is a significant contributor to direct job creation in the regions around its two main hubs. The Group's activities also generate numerous indirect and induced jobs: assistance and catering in the outstations, cleaning and sub-contracted services required for the operation of an aircraft.

The hubs create highly attractive business environments while airport proximity leads to the development of other activities (hotels, conferences, company show-rooms, commercial and marketing functions, business services and activities linked to innovation).

As the number one air operator carrying international tourists visiting France, Air France-KLM makes a significant contribution towards promoting France and The Netherlands as destinations, and to the development of tourism.

KLM's extensive network has contributed to making The Netherlands an attractive location for both Dutch and international companies. The Air France group, with operations at 30 French airports in 2023 (in mainland France and overseas), reinforces the appeal of the regions and contributes to the growth in local activity.

Historically, the Group has also played an active role in promoting international development, particularly through its support of NGOs and projects sponsored by its own employees.



Measures and action plans

Contributing to national and local development

For many years, Air France-KLM has supported the development of small and medium-sized companies to which it entrusts a significant proportion of its procurement. The Group also promotes innovation and working with start-ups via its involvement in initiatives such as the creation of an innovation counter, and participation in special business incubators. On December 7, 2023, a special event was held with the theme of CSR innovation. The event showcased innovative small and medium-sized enterprises, start-ups, the sheltered sector, and universities.

At local level, Air France and KLM are involved in various initiatives and local bodies to promote sustainable development and build human capital and the attractiveness of the territories around their hubs. Air France is working in cooperation with local officials and companies as a member of the Board of the “*Club des Acteurs du Grand Roissy*”. This association aims to foster harmonious and balanced development of the Grand Roissy area, in synergy with the airport platform, and to promote public transport, housing and infrastructure projects that are vital to the development of this region.

Creating social impact

Air France and KLM support initiatives enabling the development of skills, the vocational integration of young people and the social inclusion of vulnerable individuals. This also includes promoting access to training leading to professions in the airline industry, through numerous associations and educational programs for young people.

Air France is a founder member and partner of four associations involved in information and training programs on aviation careers (AirEmploi, Jeremy, AFMAé, and Engineers for Schools). The company is also a partner of two associations, “*Nos Quartiers ont du Talent*” and “Article 1”, to which Air France employees' volunteers offer mentoring for socially disadvantaged young people. Air France is also a founder member of “*Tous en Stage*”, an association that organizes multi-company internships for secondary school students in the areas where the company operates (mainland France, French overseas departments and young people with disabilities).

The Air France group promotes gender diversity and combats stereotypes in technical aviation careers by supporting initiatives aimed at promoting gender balance. This is demonstrated through the charter “*Feminizing the aeronautics and space professions*” and the “*Elles bougent*” association.

Air France and KLM continue to support workers with disabilities by using companies in the sheltered and adapted sector for multiple projects (e.g. the upkeep of green spaces at some sites, shipment of packages of uniforms, packaging of headphones used on board, laundering of on-board linen) and by entrusting them with critical services (four sheltered sector suppliers work with the Air France-KLM IT department).

Since its launch, 4,928 Air France employees have registered on the “*Mon Engagement citoyen*” platform testifying to the interest generated. In total, more than 1,160 employees have taken up at least one challenge or carried out a volunteer action.

Air France and KLM contribute to local communities by supporting economic initiatives and educational programs, while also encouraging their employees to volunteer and address social and environmental issues. These initiatives like, for example, Sodesi, Luchtvaart College Schiphol collaboration and the *Vendredi* volunteer partnership are outlined in section 4.2.1 “*Working Conditions and Employee Engagement*”.

Social partnerships

The Air France-KLM group partners with local and global Non-Governmental Organizations to increase its reach and broader positive impact.

Air France provides practical support to development projects through three long-standing partnerships: the Air France Foundation, Acting for Life and *Aviation Sans Frontières*.

The Air France Foundation has adapted its projects while pursuing its primary objective: supporting children and youth, as well as humanitarian sponsorship. Long-term projects on the themes of education and integration for sick, disabled and vulnerable children are being pursued and which now include environmental awareness issues. The Foundation finances educational projects contributing to fostering new kinds of behavior and increased understanding of climate issues, together with training and awareness-raising projects on sustainable practices respecting natural resources. In 2023, the Air France Foundation supported 36 projects (12 projects for environmental education, 30 projects for children in difficulty and six projects for sick or disabled children) in 22 countries with 46,000 beneficiaries. Among these projects, eight concern France, with 7,450 beneficiaries across the national territory. The Friends of the Air France Foundation network mobilizes more than 4,800 employees around different volunteering, skills-sharing and donation-based initiatives.

The Humanitarian Patronage Service supports 16 medical NGOs working with children. In 2023, 455 tickets were issued for medical teams and the repatriation of sick children. In addition, free excess baggage fees were donated to 16 NGO partners for the transportation of medical and emergency aid equipment, i.e. over 60 pieces of baggage.

Acting for Life, of which Air France has been a partner for more than 40 years, was involved in 17 projects in Africa and Latin America. In 2023, three new projects were launched. Acting for Life works to promote sustainable territorial economic and social development.

In 2023, thanks to the financial support and transportation facilities donated by Air France, the emergency aid organization *Aviation Sans Frontières* accompanied 954 sick children on the airline's flights and shipped nearly 6,000 packages (35 tons) of medicines and minor medical supplies to 19 destinations to the benefit of 26 different associations. In addition, the Air France-KLM Flying Blue loyalty program enables *Aviation Sans Frontières* to benefit from numerous Miles, thereby reducing the transportation costs incurred in accompanying sick children. There are many active and retired Air France employees amongst the *Aviation Sans Frontières* teams of volunteers.

Twenty-four years ago, Transavia Netherlands created the Peter Pan Holiday Club. This initiative, supported by Transavia Netherlands employees, organizes holidays for young people between the ages of 13 and 20 years who are unable to enjoy a “normal” holiday due to illness or difficult circumstances. Transavia Netherlands also works closely with JINC, an organization that arranges activities for children from economically-disadvantaged backgrounds. Transavia Netherlands employees are invited and encouraged to actively participate in these initiatives during which children notably visit companies to gain valuable insight into the working world and its functioning, and become familiar with the concept of networking. These initiatives illustrate the Transavia Netherlands conviction that “Everybody deserves to be seen” and contribute to a more inclusive society. Transavia Netherlands utilizes an internal social impact platform available on the intranet so that employees can contribute to other local charities through time or financial means, or even start their own initiatives towards environmental or social causes which other employees can further support.

Additionally, Transavia Netherlands also presents an annual Peter Legro award, a competition for small Dutch charities, in which the year's winner receives a financial prize (as voted for by Transavia Netherlands employees) and all charities benefit from the additional exposure.

For over a decade, Transavia France has been supporting the Louis Carlesimo association, enabling sick children to travel on its flights. Every year, between 50 and 80 children have the opportunity to travel to Lapland and meet Father Christmas on the outbound flight as part of a magical and unforgettable moment with the airline.

Transavia France also supports men combating diseases via its commitment to associations like *Les Hommes de l'Air*. In 2023, special flights were organized to raise customer awareness and highlight the association.

Since 2019, Transavia France has fostered diversity by supporting *Personn'Ailes*, an LGBT association. Every year, special flights are organized in the colors of the rainbow to share a common vision of diversity and inclusion. On May 17, 2022, Transavia France organized special flights to raise awareness of homophobia, transphobia and biphobia.

KLM works together with selected partners to protect the environment and preserve cultural heritage. In addition, KLM supports a number of large institutions that assist children in need. One of these is Wings of Support, which was founded by KLM and Martinair staff, and runs projects that provide shelter, education and medical care for children in need worldwide. KLM is also engaged in several partnerships that aim to preserve cultural heritage and, more generally, offer support to arts and cultural initiatives. Examples include the Royal Concertgebouw in Amsterdam, the Royal Concertgebouw Orchestra and leading museums and theaters in the Netherlands.

Lastly, Air France-KLM customers who are members of the Flying Blue (FB) loyalty program are offered the opportunity to donate their Miles to 19 NGOs selected by Air France and KLM, including WWF, the Ocean Cleanup, Close the Gap, the Red Cross, UNICEF, Wings of Support and Giro555. In 2023, almost 350 million Miles were donated by FB members.

Results and performance

National and regional economic impact

Economic impact in France, according to an EM Strasbourg Management School research report published in early 2020 on the basis of 2019 figures (pre-Covid-19):

- €40 billion positive economic impact attributable to the Air France-KLM group's activity, representing 1.6% of French GDP;
- 475,000 FTE (Full Time Equivalent) jobs depend on the Group's activity;
- for every job created by the Group, 8.7 jobs are created in the French economy;
- for every euro invested, the Group generates two euros in the national economy;
- the Air France-KLM group's activity directly generates €3.6 billion (including the taxes and social contributions paid by the Group and its employees);
- Air France is a leading private sector employer in the Île-de-France, with almost 230,000 direct, indirect and induced jobs in France;
- at the end of 2022, the KLM group was one of the five largest private sector employers in The Netherlands, accounting for more than 31,000 jobs.

An updated study will be published in 2024.

Contribution to the sheltered and adapted sector

In 2023, Air France signed its twelfth three-year agreement on jobs and the maintained employment of persons with disabilities.

Within the framework of this agreement, one of the commitments concerns reaffirmed support for partnerships with the companies of the sheltered and adapted sector.

Air France also cooperates with associations and companies in the sheltered sector on multiple projects representing, in 2023, approximately €17.4 million of the Group's procurement (e.g. supplies of carrier bags and hygiene and amenity products for passengers, laundry, maintenance of printers and scanners, maintenance of industrial equipment). Air France maintains long-term partnership relations, thus enabling these companies to develop in a sustainable context. Since the 2000s, Air France has been developing one of the most important support initiatives in the national territory for workers with disabilities by using the STPA (*Secteur du Travail Protégé et Adapté*) for multiple projects.

Contribution to community projects

In 2023, Air France-KLM allocated €6.8 million to supporting NGOs and other social and environmental initiatives. In 2023, KLM allocated €591,000 to support various NGOs and other social and environmental initiatives.

4.6.2 Sustainable procurement

Context and strategy

As a global airline company, Air France-KLM procures a wide range of goods, products and services from various industries worldwide. Air France-KLM Procurement department supports the Group's sustainability strategy by implementing a sourcing process that aims to select more sustainable products, services and business partners that align with its Environmental, Social, and Governance (ESG) ambitions. Procurement department recognizes that it has a significant impact on the sustainability performance of its supplier base and can play a crucial role in the shift towards supply chain transparency and Net Zero emissions.

The procurement department plays a crucial role in Air France-KLM's sustainability efforts, particularly in reducing its carbon footprint. Fuel purchasing accounts for approximately 40% of the company's expenditure, with a strong focus on Sustainable Aviation Fuel (SAF) procurement. Additionally, the company explores other opportunities for responsible purchasing, including aircraft maintenance and components, airport handling, cargo trucking and onboard products.

The foundation of the Group's sustainable procurement strategy is a risk-based approach. The procurement department actively screens its suppliers and identifies Sustainability High-Risk Suppliers and Critical Suppliers as the Group's primary focus in its commitment to supply chain due diligence. Critical Suppliers are those on which the company relies heavily for its business continuity, while Sustainability High-Risk Suppliers are those associated with elevated ESG risk levels, including environmental, societal and ethical factors.

To mitigate and avoid risks, Sustainability High-Risk Suppliers are required to conduct assessments of their ESG performance. The procurement department increasingly engages with Critical Suppliers to do the same. In conjunction with the mandatory signature of the Air France-KLM Supplier (Sustainability) Code of Conduct (sCoC), these targeted assessments constitute the basic compliance that the Group expects from its suppliers. The procurement department encourages all suppliers to conduct such assessments on a voluntary basis and go beyond (legal) compliance to promote supply-chain transparency.

Air France-KLM's procurement department aims to make sustainable procurement more than a box-ticking exercise and actively seeks to engage with suppliers as sustainable business partners.

Measures and action plans

Focusing on scope 3 emissions: purchased goods and services

In 2023, the Group's Scope 3 mapping exercise revealed that a significant portion of the company's Scope 3 emissions are due to Category 1 "purchased goods and services", primarily related to jet fuel procurement. The Air France-KLM group has reported on Scope 3 for its 1 jet fuel purchases for several years. The other main contributors to this Category 1 are road haulage in support of Air France-KLM cargo operations (Road Feeder Services RFS), in-flight catering and aircraft components.

The knowledge and data gathered during the 2023 Scope 3 pilots will be used to develop Air France-KLM's Scope 3 roadmap in 2024 and to set a Scope 3 target for 2025.

Responsible procurement embedded in the sourcing process

Air France-KLM has embedded a responsible procurement policy in its sourcing process to ensure that sustainability considerations are taken into account when selecting suppliers. Given the wide range of products and services, and the diverse nature of suppliers, this policy is implemented at both a generic and specific level.

- During the supplier registration process, Procurement sends a questionnaire to suppliers to assess their commitment to sustainability. Suppliers are required to sign the Air France-KLM Supplier Sustainability Code of Conduct or to have signed up for the UN Global Compact. This is a mandatory step, as outlined in our Sustainable Procurement policy. In addition, suppliers are asked if they have completed an EcoVadis assessment or are willing to do so.
- The Supplier Sustainability Code of Conduct can be included as an appendix to a contract, either a Master Service Agreement or another. Tender documents include criteria enabling the evaluation of the environmental impact of the product or service, which is considered during the evaluation of the different supplier proposals. These criteria will vary depending on the product or service that is purchased and may include but are not limited to: the distance of the delivery or travel; the option of electrically-powered machinery, vehicles, and the source of the energy used; CO₂ emissions, environmental footprint in general; the weight of products that are fitted or used onboard and thus the impact on Scope 1 emissions.
- In addition, assessments on the total cost of ownership cost and life cycle analysis are increasingly used in procurement, although these are not standard practice for all the products and services purchased. In 2023, a pilot was conducted with Engineering and Maintenance (E&M) component services to factor in CO₂ as part of a Total Cost of Ownership (TCO) approach.

The Air France-KLM Procurement department screens its suppliers and targets suppliers in specific categories for sustainability assessments. Our sustainable procurement policy is published on the public supplier portal to ensure transparency and accountability. <https://procurement.airfranceklm.com/procurement/en/pageStandard/homepage.html>.

Supplier screening and assessment

To manage and verify the sustainability of our supplier base, we use the services of EcoVadis. This evidence-based online platform provides supplier sustainability ratings that enable the Air France-KLM Procurement department to assess the ESG performance of its suppliers worldwide.

Suppliers are screened using a risk mapping system based on our procurement categories, which links these categories to the UN ISIC categories and their ESG risk levels. Suppliers that are identified as having an elevated sustainability risk level are required to conduct a sustainability assessment with EcoVadis.

The sustainability assessments cover four key themes: Environment, Labor and Human Rights, Business Ethics, and Sustainable Procurement. Air France-KLM maintains a compliance threshold in terms of a minimum assessment score that our targeted suppliers must achieve to qualify as a sustainable business partner.

Vendors that score below the required minimum are requested to implement a corrective action plan and undergo a re-assessment that results in a compliant score within one year.

Buyer engagement

Buyer engagement is critical for Air France-KLM to achieve its ESG ambitions and commitments. All buyers must sign a Code of Ethics that outlines the ethical rules they must follow when dealing with suppliers. In compliance with anti-bribery legislation, buyers are required to undergo anti-corruption/ethics training every other year.

The role of the buyer is evolving, with sustainability requirements being integrated into the sourcing process. To support this transformation, the Procurement Academy was launched in 2021, offering online training courses for buyers and other procurement staff. The training covers various sustainability topics, and there are onboarding modules for new buyers. This reflects the priority placed on sustainability by procurement and supports the objective of incorporating sustainability further into sourcing.

As public demands on the aviation industry grow, procurement must stay on top of the rapidly-changing developments in sustainability. The Procurement department is encouraged to attend workshops and training on various sustainability topics, such as EcoVadis, Climate Fresk, Carbon Disclosure Project, circular plastics

and upcoming regulatory changes such as CSRD and CSDDD. The Procurement department also hosts regular sustainable procurement awareness sessions and training on request. Sustainability news and specific news about sustainability in procurement are shared in a monthly Air France-KLM newsletter, called Newsfeed.

To ensure the alignment of the processes, policies and execution, bi-monthly meetings of the combined Dutch/French procurement teams are held. As new regulations and legislation impact procurement, the Group must adapt its policies and report on the related policies and results. It is crucial to continue to prioritize sustainability in procurement and empower buyers to make a difference.

Driving responsible supplier engagement

The Air France-KLM Procurement department recognizes the importance of supplier engagement in achieving the Group's ESG goals. To drive responsible supplier engagement, the following initiatives have been implemented:

- Sustainable procurement standards: In May 2023, Air France-KLM joined forces with other airlines to launch the Sustainable Airlines Initiative (SAI). Together with EcoVadis, the member airlines aim to introduce similar standards for responsible procurement. The initiative will increase supply chain transparency and support the transition of the airline industry towards sustainability;
- Carbon Disclosure Project (CDP) Climate Module Assessment: A selected group of the 108 highest greenhouse gas emitting suppliers have been asked to do a Carbon Disclosure Project (CDP) climate module assessment. This assessment helps to understand our suppliers' environmental impact and identify areas where Air France-KLM and suppliers can work together to reduce the carbon footprint;
- Sustainable Flight Challenge: As also discussed in chapter 4.3.1 paragraph "Engaging our Customers and Partners". Over 200 different suppliers supported the challenge, providing circular on-board products, lightweight materials, Sustainable Aviation Fuel (SAF), IT solutions, and more to reduce the environmental footprint of a flight. At the awards ceremony in Atlanta on October 3 and 4, 2023, Air France won several prizes, including "Best Collaboration" for the Olga project to decarbonize airport activities, "Easiest-to-Implement Solution" for the autonomous tractor, and "Best R&D" for its study of non-CO₂ effects and the testing of a solution to avoid condensation trails.

Through these initiatives, the Air France-KLM Procurement department aims to work with suppliers as sustainable business partners based on mutual trust and collaboration. By increasing supply chain transparency, promoting sustainable procurement standards and driving innovation and development.

Encouraging supplier diversity

The Air France-KLM Procurement department is committed to encouraging supplier diversity through various partnerships and initiatives, as demonstrated by the following examples in 2023:

- I Am Skyhop Global: This is the only women-owned crew ground transportation business, with 75% of the senior staff being women, and representing 20 different nationalities;
- AAB In Flight: This partnership with the World Business Class chocolate supplier involves chocolate being packaged by employees from the sheltered sector;
- Dienst Justitiële Inrichtingen: This initiative involves the packaging of porcelain by prisoners, promoting rehabilitation and social reintegration;
- Air France-KLM uses companies in the sheltered and adapted sector that give priority to handicapped people for multiple projects (e.g. upkeep of green spaces at some sites, shipment of packages of uniforms, packaging of headphones used on board, laundering of on-board linen) and by entrusting them with highly-critical services.

By encouraging supplier diversity, the Air France-KLM Procurement department aims to promote social and cultural inclusion and support disadvantaged groups.

On board catering

The Air France-KLM Procurement department recognizes the environmental impact of on-board catering and continues to focus on catering products and related materials to load, serve and preserve meals on board, such as trays, cutlery, trolleys and packaging. These products have a multidimensional sustainability impact, and weight is a specific issue in aviation, leading to additional emissions during flights. There are times when straightforward sustainability considerations on the ground may not apply in the air. To address these challenges, KLM In-flight Services Procurement department uses a Life Cycle Analysis approach to make well-founded sourcing decisions, resulting in visible changes such as using washable, reusable dishware and changing the packaging of salt and pepper.

In addition to reducing its environmental impact, the Group is committed to offering customers a more environmentally-friendly service while ensuring the choice and origin of food. Air France-KLM sources locally and seasonally, offering meat, dairy products and eggs of

100% French and Dutch origin and fish from sustainable fisheries. The Group selects products with internationally recognized labels such as AOC/PDO and AB and is a member of the Responsible Soy (RTRS) and Sustainable Palm Oil (RSPO) Round Table, offering certified products such as MSC and ASC certified fish, "better life" eggs, chicken, and veal, and UTZ-certified coffee, tea and chocolate. Hot dishes served in the Economy and Premium Economy classes have an A or B Nutri-Score, and dishes for babies and children are exclusively composed of organically grown food.

In line with the societal trend towards plant-based diets, Servair offers a choice of casserole dish with or without animal protein for hot meals. In 2022, Servair produced vegetarian services for all classes on Air France flights, unless otherwise requested by passengers. Since January 2018, all egg supplies have come from free-range hens, and by 2025, suppliers have committed to stop producing or buying eggs from battery hens. In 2022, the supply rate of egg products from non-battery hens was 8% and 100% of shell eggs were from free-range hens. Servair has also committed to sourcing broiler chicken from farms and slaughterhouses that meet all the criteria of the European Chicken commitment for all the European activities by 2026, with at least 20% of these volumes coming from farms guaranteeing access to the open air or a winter garden for airline catering in France.

Results and performance

By 2023, the Air France-KLM Procurement department had made significant progress on engaging with its existing suppliers, with 79% of all Air France-KLM suppliers now having signed the Supplier Code of Conduct, up from 53% last year. Additionally, the total number of companies evaluated and assessed by EcoVadis was 431 in 2023, exceeding the target of 392. For 2024, the aim is to surpass the growth for our EcoVadis portfolio that was achieved in 2023.

Air France-KLM Procurement's sustainable procurement initiatives testify to the Group's commitment to responsible sourcing and supplier engagement, which have resulted in increased supplier participation and evaluation. By maintaining an ongoing dialogue with suppliers and requiring them to uphold the Supplier Sustainability Code of Conduct, the Air France-KLM Procurement department aims to drive positive change across its supply chain and achieve its sustainability goals.

4.6.3 Monitoring of Act No. 2017-399 known as the Duty of Vigilance Law

The Air France-KLM group is subject to the obligations introduced by the Act of March 27, 2017, relating to the duty of vigilance for parent companies and ordering companies.

Since 2018, in response to the regulatory requirements, the Air France-KLM group has implemented a vigilance plan, it being understood that the Group already had processes in place enabling it to comply directly or indirectly with the requirements of the 2017 Duty of Vigilance Act.

In particular, having established verification processes in the areas required to be covered by the vigilance plan, the Air France-KLM group has ensured that it is in a position to benefit, as effectively as possible, from the contributions of its various divisions/entities through the completion of a questionnaire by the aforementioned entities. As required by the Act, the Air France-KLM group has also implemented measures concerning its supply chain through the updating of its Supplier Sustainable Code of Conduct in 2023 and is improving the suppliers' evaluation process using a risk-based approach (through a screening tool, a questionnaire, a third party due diligence procedure and an assessment by external providers such as EcoVadis).

Identification and regular risk evaluation procedures

The identification and evaluation of the various risks relating to the duty of vigilance are part of the overall risk management process established within the Air France-KLM group. As a facilitator of risk management, Group Internal Audit regularly evaluates the risk management process and its conclusions are the subject of presentations to the Air France-KLM Group Executive Committee and the Audit Committee.

The Air France-KLM group's overall sub-contracting management system applies to all risk areas. It is based on contract reviews, compliance monitoring and supervisory acts such as audits, inspections and checks, carried out internally by the sub-contractors themselves where appropriate or with external providers (as part of the EcoVadis screening on social rights, the environment and sustainable procurement).

Every year, the Group conducts a review of the non-financial risks generated by its activities. This analysis verifies the relevance and comprehensiveness of the measures and action plans aimed at the effective prevention, control and mitigation of the non-financial risks deemed to be the most material.

See also Chapter 3 "Risks and risk management" and section 4.1.2 "Identification of the key priorities for building long-term relationships".

Measures deployed to prevent and mitigate the risks and monitoring mechanisms

The Air France-KLM group's policy enshrines the respect of fundamental rights as established in the leading

international principles: the Universal Declaration of Human Rights, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development's (OECD) guiding principles.

Air France-KLM has been a signatory of the United Nations Global Compact since 2003 and is committed to respecting and promoting its ten Principles in the areas of human rights, labor, the environment and anti-corruption. This undertaking is reaffirmed each year by the Air France-KLM group's top management bodies. The Air France-KLM group requests its suppliers to respect the same standards themselves and within their own supply chain.

The duty of vigilance is a multi-risk approach. The management of risks is at the heart of the steering of the Air France-KLM group's business activities, based on a rationale of prevention and homogeneous management via common methods and tools.

Human rights and fundamental liberties

The Air France-KLM Principles published in July 2020 reaffirm the Group's commitment to fostering a climate of mutual trust and respect amongst staff and ensuring a safe working environment. The Group undertakes to apply the labor legislation of the European Union and its Member States and all national collective agreements, and to respect the exercise of trade union rights in all the relevant countries. The Group also undertakes to scrupulously respect human rights, oppose child and forced labor, apply laws and ask its service providers and suppliers to uphold these principles.

In view of its organization, the Group delegates to its subsidiaries the responsibility of respecting and promoting the content of these commitments locally, in the respect of the national provisions and legislation specific to each country.

For more information, see also sections 4.2 "Human Resources" and 4.5.2 "Organization and key elements of ethics and compliance programs".

Health and safety

For Air France-KLM, the health and safety of both customers and staff is an absolute priority.

Flight Safety is paramount for the Group. It is key to retaining the trust of customers and imperative for the long-term viability of its operations. All the Group's operations are the subject of multiple checks and certifications, and comply with extremely strict norms and the highest standards in the industry.

Each Group airline deploys a Safety Management System, which is integral to their business organizations, processes and corporate cultures.

For more information, see Chapter 3 "Risks and risk management" and section 4.4 "Customer trust".

Safeguarding health and safety in the workplace is a human priority to which the Group responds by preventing vocational risks and improving the quality of life in the workplace.

For more information, see section 4.2 "Human resources".

The Group must guarantee its customers and flight crew safe catering services and, to this end, has implemented a Food Hygiene and Safety process to respond to the regulatory requirements linked to the preparation and supply of meals.

For more information, see section 4.4 "Customer trust".

Environment

Air France-KLM's Climate Action Plan sets forth the Group's strategy and the main priorities in terms of reducing its impact on climate change. In November 2019, the Group unveiled its global strategy through to 2025, based on environmental sustainability.

The Air France and KLM Environmental Management Systems (EMS) aim to prevent and mitigate the environmental impacts of their operations. These Environmental Management Systems have ISO 14001 certification and internal and external audits enable the verification of their effective deployment.

In 2019, the Group adopted the format recommended by the Task Force on Climate-related Financial Disclosures (TCFD) for the management of financial risks linked to climate change (TCFD concordance table, section 4.1.1).

For more information, see section 4.3 "Addressing the impact on the Environment".

Supply chain

In its relations with sub-contractors and suppliers, Air France-KLM ensures that the fundamental social rights and principles, and environmental protection provisions, are properly respected everywhere in the world.

A supplier selection process has been implemented to respond to the duty of vigilance requirements. To this end, Air France-KLM's Procurement function provides awareness-raising training on these risks. A compliance training program for new members of the Procurement teams of Air France and KLM was carried out in 2022.

A risk-mapping process is in place with, for each segment and procurement domain, an evaluation of the environmental, social and ethical risks. Risks are also evaluated by country.

For all new contracts or contract renewals, the signature of the Supplier Sustainability Code of Conduct or an equivalent commitment covering the four areas (environment, social, ethical and supply chain) is mandatory and is included in the contract's appendix. In case of deviation, the legal department or the Compliance Officer may be called on to provide guidance.

In the segments most exposed to risks, suppliers are asked to submit an evaluation of their sustainability performance, carried out by a specialized organization or the equivalent. It is mandatory for this evaluation to address four areas: environment, social, ethics, supply chain. The "Supplier supply chain" section provides visibility for tier 2 suppliers.

Suppliers failing to reach an acceptable level are required to put in place a remedial action plan. Independent in-situ audits may also be triggered.

Independently of the level of risk, all suppliers are encouraged to have their CSR performance evaluated.

In 2023, at the Group's request, 431 suppliers had their sustainability performance evaluated.

Listening to stakeholders and whistle blower mechanism

On a regular basis, Air France-KLM realizes a new materiality analysis by questioning a representative panel of internal and external stakeholders. The comparison of these results with those of the analysis carried out in 2019 enabled confirmation of the relevance of Air France-KLM's strategic choices in the light of the issues deemed to be priorities for its activities and the expectations of its stakeholders.

Several processes enable the Group to regularly evaluate the perception of its stakeholders and to understand the related risks. The Group also has a number of feedback channels in place enabling stakeholders (particularly employees, customers and local residents around airports) to communicate any complaints.

For more information, see section 4.1.2 "Identification of the key priorities for building long-term relationships".

The Air France-KLM group has updated the scope of its speak-up policies, internal whistle-blower procedures and mechanisms to enable employees to report any situations arising within the scope of the applicable legislation, including the Act of March 27, 2017, relating to the duty of vigilance of parent companies and ordering companies.

For more information, see also section 4.5 "Ethics and compliance".

TABLE OF CONCORDANCE FOR THE SOCIAL, SOCIETAL AND ENVIRONMENTAL INFORMATION

DPEF	GRI Standards	UN Global Compact Principles
4.1 CREATING LONG-TERM VALUE FOR ALL OUR STAKEHOLDERS		
4.1.1 The Group's business model		
4.1.2 Identification of the key priorities for building long-term relationships	2-12; 2-29; 3-2; 3-3	
4.1.3 Business responsibility at the heart of the strategy	2-9; 2-12; 2-13	
4.1.4 Eligibility to the European taxonomy		
4.2 HUMAN RESOURCES		1, 2, 3, 4, 5, 6
4.2.1 Working conditions and employee engagement	2-12; 402-1	
4.2.2 Resource adaptation and employee dialogue	404-1; 404-2; 404-3; 407-1	
4.2.3 Development of human capital and talent management	2-12; 402-1; 404-1; 404-2; 404-3; 407-1	
4.2.4 Diversity, equity and inclusion	405-1; 406-1	
4.2.5 Health, Safety and Quality of Life in the Workplace	403-1; 403-2; 403-3; 403-4; 403-5; 403-6	
4.2.6 Social indicators for the Group	2-7; 403-2; 403-3; 401-1	
4.3 ADDRESSING THE IMPACT ON THE ENVIRONMENT		7, 8, 9
4.3.1 Accelerate the environmental transition	302-4; 302-5; 305-1;	
4.3.2 More Sustainable Operations	2-12; 305-5; 305-7; 306-2; 413-1; 413-2	
4.3.3 Impact on Biodiversity	304-1; 304-3	
4.3.4 National Low-Carbon Strategy (SNBC)		
4.3.5 Environmental indicators	302-1; 303-1; 305-1; 305-2; 305-4; 305-5; 305-7; 306-3; 306-4	
4.4 CUSTOMER TRUST		1, 2
4.4.1 Operational safety for stakeholders	416-1	
4.4.2 Confidentiality and data protection	418-1	
4.4.3 Accessibility of products and services	406-1	
4.5 ETHICS AND COMPLIANCE		1, 2, 10
4.5.1 The Air France-KLM Principles		
4.5.2 Respect of Human Rights	205-2; 408-1; 409-1	
4.6 SOCIETAL VALUE		1, 2, 4, 5, 6, 7, 8, 9, 10
4.6.1 Local development	2-12; 203-1; 413-1	
4.6.2 Sustainable procurement	414-1; 414-2	
4.6.3 Monitoring of Act No. 2017-399 known as the Duty of Vigilance Law		
4.7 REPORT BY ONE OF THE STATUTORY AUDITORS	2-5	

4.7 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Year ended December 31st 2023

To the annual general meeting,

In our capacity as Statutory Auditor of your company, (hereinafter the "Entity") appointed as independent third party, and accredited by the French Accreditation Committee (COFRAC) under number 3-1884⁽¹⁾, we have undertaken a limited assurance engagement on the historical information (observed or extrapolated) in the consolidated non-financial statement, prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), for the year ended December 31st, 2023 (hereinafter, the "Information" and the "Statement" respectively), presented in the Group's management report pursuant to the legal and regulatory provisions of Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*code de commerce*).

At the request of the entity, we also performed work designed to express a reasonable assurance conclusion on the information selected by the entity and identified by the sign √.

Limited assurance conclusion

Based on the procedures we performed as described under the "Nature and scope of procedures" paragraph and the evidence we obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not prepared in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Reasonable assurance conclusion on a selection of non-financial information

In our opinion, the information selected by the entity and identified with the symbol √ in the Statement has been prepared, in all material respects, in accordance with the Guidelines.

Comment

Without modifying our conclusion and in accordance with Article A. 225-3 of the French Commercial Code, we have the following comment:

- as explained in section "4.1.2 Identification of the key priorities for building long-term relationships", as part of the update of its risk identification and ranking process, the entity has identified the new following risks "Affordability of services", "Corporate culture and ESG Values", "Political engagement and lobbying activities" and "Transparency with Stakeholders", for which policies will be developed in 2024.

Preparation of the non-financial performance statement

The absence of a commonly used generally accepted reporting framework or of a significant body of established practices on which to draw to evaluate and measure the Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Information needs to be read and understood together with the Guidelines, summarized in the Statement and available on the Entity's website or on request from its headquarters.

Inherent limitations in preparing the Information

The Information may be subject to uncertainty inherent to the state of scientific and economic knowledge and the quality of external data used. Some information is sensitive to the choice of methodology and the assumptions or estimates used for its preparation and presented in the Statement.

⁽¹⁾ Accreditation Cofrac Inspection, number 3-1884, scope available at www.cofrac.fr.

Responsibility of the entity

Management of the entity is responsible for:

- selecting or establishing suitable criteria for preparing the Information;
- preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators, and the information set out in Article 8 of Regulation (EU) 2020/852 (Green Taxonomy);
- preparing the Statement by applying the entity's "Guidelines" as referred above; and
- designing, implementing, and maintaining internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared by the Board of Directors.

Responsibility of the Statutory Auditor, appointed as independent third party

Based on our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- the fairness of the historical information (observed or extrapolated) provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e., the outcomes of policies, including key performance indicators, and measures relating to the main risks.

As we are engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

At the request of the entity and outside of the scope of our accreditation, we may express reasonable assurance that the information selected by the entity, presented in the Appendices, and identified by the symbol √ has been prepared, in all material respects, in accordance with the Guidelines.

It is not our responsibility to report on:

- the entity's compliance with other applicable legal and regulatory provisions (particularly with regard to the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy), the French Duty of care law, and provisions against corruption and tax evasion law);
- the fairness of information set out in Article 8 of Regulation (EU) 2020/852 (Green Taxonomy);
- the compliance of products and services with applicable regulations.

Applicable regulatory provisions and professional guidance

We performed the work described below in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to such engagements, in particular the professional guidance issued by the *Compagnie Nationale des Commissaires aux Comptes*, "*Intervention du commissaire aux comptes – Intervention de l'OTI – Déclaration de performance extra-financière*", acting as the verification program, and with the international standard ISAE 3000 (revised)⁽²⁾.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory requirements, ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement.

Means and resources

Our work engaged the skills of seven people between November 2023 and March 2024 and took a total of thirteen weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted around twenty interviews with the people responsible for preparing the Statement.

Nature and scope of procedures

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Information is likely to arise.

The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement on the Information:

- we obtained an understanding of all the consolidated entities' activities, and the description of the main related risks;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, taking into account, where appropriate, best practices within the sector;

⁽²⁾ ISAE 3000 (Revised) – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III of the French Commercial Code as well as information regarding compliance with human rights, anti-corruption and tax avoidance legislation, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the main risks;
- we verified that the Statement presents the business model and a description of main risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, products or services, as well as policies, measures and the outcomes thereof, including key performance indicators related to the main risks;
- we verified that the Statement includes a clear and motivated explanation of the reasons for the absence of policies implemented considering one or more of these risks required under Article R.225-105 I of the French Commercial Code;
- we referred to documentary sources and conducted interviews to:
 - assess the process used to identify and confirm the main risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the main risks and the policies presented,
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in the Appendices. Concerning certain risks⁽³⁾, our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities⁽⁴⁾;
- we verified that the Statement covers the consolidated scope, i.e. all the entities within the consolidation scope in accordance with Article L. 233-16 of the French Commercial Code, within the limitations set out in the Statement;
- we obtained an understanding of internal control and risk management procedures the entity implemented, and assessed the data collection process aimed at ensuring the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important, presented in the Appendices, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
 - tests of details, using sampling techniques, in order to verify the proper application of definitions and procedures and reconcile the data with supporting documents. This work was carried out on a selection of contributing entities⁽⁴⁾ and covers between 20% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities' activities.

The procedures performed in a limited assurance review are less in extent than for a reasonable assurance opinion in accordance with the professional guidance of the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*), a higher level of assurance would have required us to carry out more extensive procedures.

Nature and extent of additional work on the information selected by the entity and identified by the sign √

With regard to the information selected by the entity, presented in the Appendices and identified by the symbol √ in the Statement, we conducted the same work as described in the paragraph "Nature and scope of our work" above for the Information considered to be the most important, but in a more in-depth manner, in particular with regard to the number of tests.

The selected sample accounts for between 54% and 100% of the information identified by the symbol √.

We believe that our work is sufficient to provide a basis for our reasonable assurance opinion on the information selected by the entity and identified by the symbol √.

Paris La Défense, 1st March 2024

KPMG S.A.

Eric Dupré
Partner

Raffaele Gambino
ESG Expert

⁽³⁾ *Climate Change Adaptation; Corruption and Bribery; Operational Safety & Security of Passengers; Operational Safety & Security (Data Protection) of Passengers; Accessibility of Products and Services; Working Rights and Human Rights; Customer Engagement; Economic & Social Value of Air Transportation.*

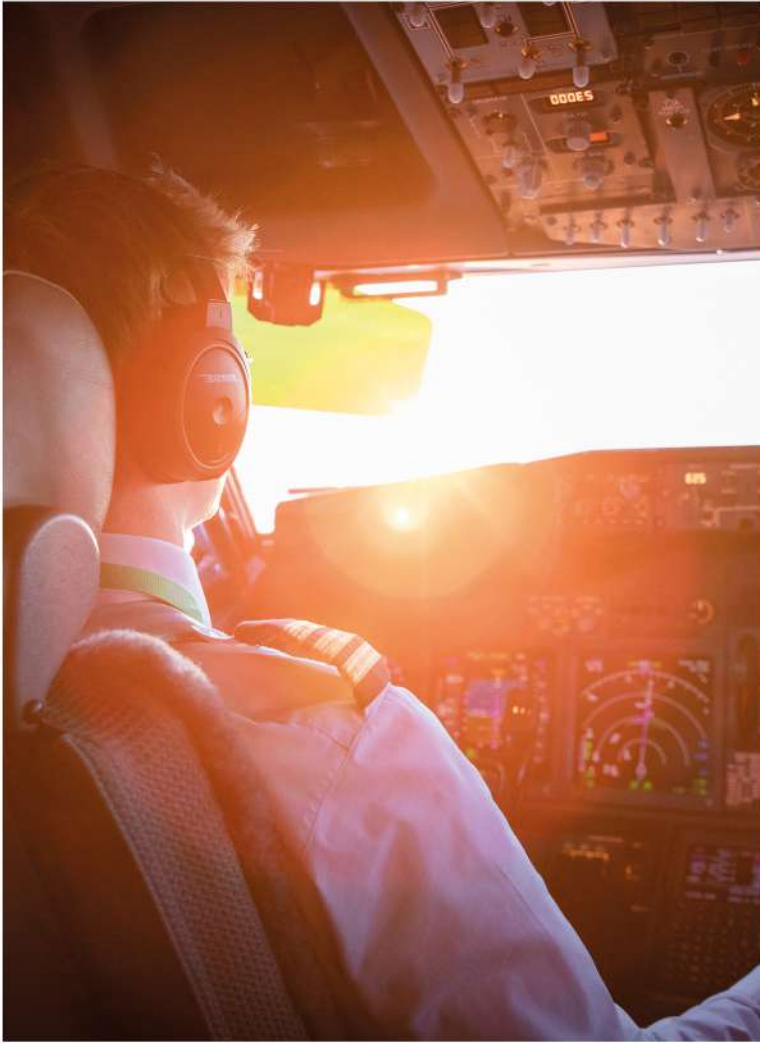
⁽⁴⁾ *Air France FR, KLM NL, Martinair.*

Qualitative information (actions and results) considered most important

Operational measures to address the impact of climate change
Measures related to food safety on the plane
Measures to improve governance and awareness regarding data protection and cybersecurity
Measures to improve accessibility of services and collection of customers' feedback
Measures to address human and working rights through training and awareness campaigns
Measures related to reinforcement of Group compliance governance and whistleblower policy
Actions implemented to meet customers' expectations regarding environmental impact and transparency of information
Measures related to the support of NGOs thanks to the Air France Foundation and the Flying Blue Loyalty Program

Key performance indicators and other quantitative results considered most important**Level of assurance**

Total staff and breakdown of staff by age	Limited
Number of hires and Number of departures	Limited
Number of training hours per employee	Limited
Share of women at 31/12	Limited
Percentage of women in managerial positions (Executive Committee, PS, PNT and PNC)	Limited
Total staff with disabilities	Limited
Employee Promoter Score (EPS)	Limited
Total number of collective agreements signed during the year	Limited
Frequency rate for workplace accidents	Limited
Severity rate of workplace accidents	Limited
Consumption of Conventional Aviation Fossil Fuel	Reasonable
Consumption of Sustainable Aviation Fuel	Reasonable
GHG emissions related to fuel consumption (Scope 1)	Reasonable
Upstream GHG emissions related to fuels (Scope 3)	Reasonable
GHG emissions intensity (SBTi)	Reasonable
CO ₂ footprint for passenger transport	Reasonable
Percentage change in CO ₂ efficiency between 2005 and 2023 (operational measures only)	Reasonable
CO ₂ footprint for Cargo transport	Limited
Share of new generation aircraft in the fleet	Limited
GHG emissions related to ground operations (scope 1)	Limited
Percentage change in absolute CO ₂ emissions (scope 1&2) from ground operations activities between 2022 and 2023	Limited
NO _x low altitude emissions	Limited
SO ₂ low altitude emissions	Limited
NO _x emissions on the ground	Limited
Percentage of fleet eligible under ICAO Chapters 4 and 14	Limited
Total hazardous and non-hazardous industrial waste	Limited
Percentage change in non-recycled waste between 2011 and 2023	Limited
Percentage of hazardous industrial waste recovered	Limited
Percentage of suppliers having signed the Supplier Code of Conduct	Limited
Number of suppliers evaluated by EcoVadis	Limited



5.

Financial report

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5.1 COMMENTS ON THE FINANCIAL SITUATION

5.1.1 Consolidated results at December 31, 2023

Scope at December 31, 2023

At December 31, 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 90% of revenues and 64% of the balance sheet. The other subsidiaries are principally involved in air transportation (Hop!, KLM Cityhopper), maintenance and low-cost transportation (Transavia).

As far as possible, the changes in the like-for-like figures have been estimated on a constant currency basis.

<i>(in € million)</i>	2023	2022	Change
Sales	30,019	26,393	3,626
EBITDA	4,208	3,615	593
Income from current operations	1,712	1,193	519
Income from operating activities	1,677	1,194	483
Net income for the period	990	744	246
Net income/(loss), Group part	934	728	206
Basic earnings/(loss) per share, Group <i>(in €)</i>	0.43	0.35	0.08

Revenues

Consolidated revenues for the period amounted to €30.0 billion, an increase of 13.7% and 15.1% on a constant currency basis. Revenues from the Network business increased by 12.5%. Maintenance revenues increased by 18.3%, while third-party maintenance revenues increased by 23.2% (33.7% on a constant currency basis). Transavia revenues increased by 19.0%.

Air France-KLM increased its overall capacity by 9.5% (ASK). Indeed, Air France-KLM increased its passenger capacity by 8.8% (ASK) and its cargo capacity by 11.6% (ATK). Transavia's capacity increase stood at 13.6% (ASK).

The 2023 financial year was characterized by a 3.3% slight increase in unit revenues on a constant currency basis, due to the performances of the passenger (10.2%) and the performance of Transavia (4.6%) despite a decrease of the cargo unit revenues ((29.4)%).

Operating expenses

Operating expenses increased by 12.3% to €28.3 billion, while capacity (ASK) increased by 9.5%.

External expenses increased by 10.3% to €18.1 billion versus €16.4 billion over the previous twelve months.

Excluding fuel, external expenses were up by 19.3% relative to the previous twelve months.

The breakdown of external expenses was as follows:

(in € million)	2023	2022 restated ⁽¹⁾	% ch.	% ch. at constant currency
Aircraft fuel	7,133	7,184	(0.7)%	5.2%
Sustainable aviation fuel	172	57	201.8%	
CO ₂ quotas	203	141	44.0%	
Chartering costs	551	387	42.4%	45.5%
Landing fees and air route charges	1,908	1,710	11.6%	12.7%
Catering	829	720	15.1%	16.3%
Handling charges	1,856	1,608	15.4%	16.9%
Aircraft maintenance costs	2,549	2,256	13.0%	15.7%
Commercial and distribution costs	1,029	887	16.0%	17.6%
Other external expenses	1,909	1,488	28.3%	28.7%
TOTAL	18,139	16,438	10.3%	12.9%

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

The main changes were as follows:

- aircraft fuel: the fuel expense for the year decreased by (0.7)%, lower than in 2022, representing an increase of 5.2% at constant exchange rates. This variation is explained by the combined effect of the Group's capacity growth (ASK 9.5%) and the decline in the average price of jet fuel over the year (Jet CIF NWE -19.4%), while the effect of fuel hedging was neutral, unlike the previous year when it was largely positive (+968 million dollars);
- sustainable aviation fuel: these expenses correspond to sustainable aviation fuels (SAF) purchased in particular under the French SAF incorporation mandate and the SAF contracts made to corporate customers for their passenger and cargo traffic. The increase in demand from these customers is the main reason for the rise in expenses;
- CO₂ quotas: these expenses correspond to purchases of CO₂ emission quotas, and are rising due to increased capacity and higher quota prices;
- chartering costs: the costs incurred in leasing aircraft capacity from other airlines. The costs have increased significantly in 2023 (+42.4%) in order to meet demand;
- landing fees and en-route charges: these costs are incurred for air navigation services and the use of airports. Their increase relative to 2023 (+11.6%) is slightly higher than that of the capacity produced by the Group, due to fare increases applied at certain airports;
- catering costs: these costs comprise the services supplied on board the Air France-KLM group's own aircraft. They increased by 15.1% compared to last year, due to capacity increases and inflationary pressures;
- 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 (+15.4%) 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 16.0%, significantly more than capacity due to a base effect as marketing costs had been extremely limited in 2022, and higher credit card commissions linked to higher ticket prices;
- other external expenses principally comprise rental charges, telecommunications costs, insurance and fees. Their level, increased by considerably less than capacity thanks to cost saving initiatives.

Salaries and related costs were up by 18.7% to €8.7 billion versus €7.3 billion in 2022.

This variation is explained firstly by the various salary measures allocated to all employee categories in a context of high inflation, but also in France by the end of the Long-Term Partial Activity (APLD) at the end of 2022, added to that, the increase in activity for flight crews. In addition, the capital increase reserved for employees carried out at the end of 2023 generated 35 million euros in personnel costs.

Taxes other than income taxes stood at €164 million in 2023 versus €156 million in 2022, up by 5.1%.

Other current income and expenses stood at net income of €1,142 million in 2023 versus net income of €1,105 million in 2022. They included:

- capitalized production amounting to €1,066 million in 2023 versus €991 million in 2022;
- a result from joint-ventures of €(32) million in 2023 versus €9 million in 2022;

- €71 million from currency hedges in 2023 versus €152 million in 2022.

EBITDA

EBITDA amounted to €4,208 million (versus €3,615 million at December 31, 2022).

The contributions to EBITDA by business segment were as follows:

(in € million)	2023	2022	% ch.
Network	3,659	3,039	20.4%
Maintenance	405	442	(8.4%)
Transavia	152	144	5.6%
Other	(8)	(10)	(20.0%)
TOTAL	4,208	3,615	16.4%

Amortization, depreciation and provisions

Amortization, depreciation and provisions totaled €2,496 million in 2023 versus €2,422 million in 2022.

Income/(loss) from current operations

The result from current operations was positive to the tune of €1,712 million (versus €1,193 million at December 31, 2022).

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

(in € million)	2023		2022	
	External sales	Income from current operations	External sales	Income from current operations
Network	25,636	1,693	22,758	1,131
Maintenance	1,712	150	1,389	163
Transavia	2,638	(97)	2,218	(100)
Other	31	(34)	26	(1)
TOTAL	30,017	1,712	26,391	1,193

The nominal unit cost per ASK (available seat-kilometer) increased by 1.8%. In addition, there was a 1.1% increase on currency variation and a fuel price increase of 1.8%. Together this amounted to a unit cost ex currency and ex fuel price effect of 4.7%.

Income/(loss) from operating activities

The result from operating activities amounted to €1,677 million versus €1,194 million in 2022.

Over the 2023 financial year, the result from operating activities included, notably:

- the impact of aircraft sales and leasebacks for €4 million;
- the impact of other aircraft disposals, linked to the refinancing of a B777 at KLM for 20 million euros.

Over the 2022 financial year, the result from operating activities had included, notably:

- the impact of aircraft sales and leasebacks for €38 million;
- the impact of the modification to pensions plans for Air France cabin crew for €(53) million;
- a €(18) million impairment on the Airbus A380s fleet following the review of the market value of the aircraft;
- a €27 million gain resulting from the disposal of Heathrow slots to Virgin Atlantic.

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 €(347) million versus a net cost of €(528) million during the previous financial year mainly due to 212 million euros increase in income from cash and cash equivalents.

Other financial income and expenses

Other net financial income and expenses amounted to €(183) million in 2023 versus €(324) million in 2022 and corresponded mainly to foreign exchange loss of €127 million in 2023 versus a €(173) million loss in 2022 as well as 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 €(164) million in 2023 versus €390 million in 2022. The charge for the period

comprises current tax of (58) million euros and deferred tax of (106) million euros.

Share of profits/(losses) from associates contributed a gain of €7 million in 2023 versus a €12 million loss in the previous year. 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 €934 million in 2023 versus a €728 million in 2022.

The contributions to the net result by quarter were, respectively, €(344) million at March 31, 2023, €604 million at June 30, 2023, €931 million at September 30, 2023 and €257 million at December 31, 2023.

Basic earnings per share, Group part amounted to €0.43 at December 31, 2023 versus €0.35 at December 31, 2022.

5.1.2 Investments

<i>(in € million)</i>	2023	2022 restated⁽¹⁾
Acquisition of intangible assets	(176)	(158)
Investment in flight equipment	(3,114)	(2,458)
Other tangible investments	(258)	(176)
Change in accounts payable on acquisitions	(3)	(6)
Acquisition of subsidiaries, of shares in non-controlled entities	(7)	(3)
Acquisitions of warrants	(12)	–
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	–	(1)
Proceeds on disposal of property plant and equipment and intangible assets	867	880
Dividends received	3	2
Decrease (increase) in net investments, more than 3 months	(540)	(59)
NET CASH-FLOW USED IN INVESTING ACTIVITIES	(3,240)	(1,979)

(1) See Note 3 of the notes to the 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 financial year, the Air France-KLM Group's capital expenditure on tangible and intangible assets amounted to €(3,551) million and proceeds on disposals to €867 million.

5.1.3 Financing

<i>(in € million)</i>	2023	2022
Increase of equity	35	1,551
Capital increase subscribed by non controlling interests	9	3
Payments to acquire treasury shares	(1)	–
Issuance of perpetual	2,718	798
Repayment of perpetual	(595)	(1,767)
Coupons on perpetual	(92)	(252)
Issuance of debt	2,094	1,110
Repayment on debt	(3,324)	(3,078)
Payments on lease debts	(833)	(861)
New loans	(335)	(305)
Repayment on loans	129	45
Dividends paid	(90)	–
NET CASH-FLOW FROM FINANCING ACTIVITIES	(285)	(2,756)

At December 31, 2023, the Group's net liquidity position amounted to €8.2 billion, including €1.1 billion of investments with maturities of above three months and €966 million of bonds. In addition, the Group had credit facilities of €2.3 billion available at December 31, 2023 (see also section 3.1.5.1 "Financial Structure").

Net debt stood at €5.0 billion (€6.3 billion at December 31, 2022). The detailed net debt calculation can be found in Note 32 in the Notes to the consolidated financial statements.

5.1.4 Structure and profile of reimbursement of the financial debt

Structure of the financial debt

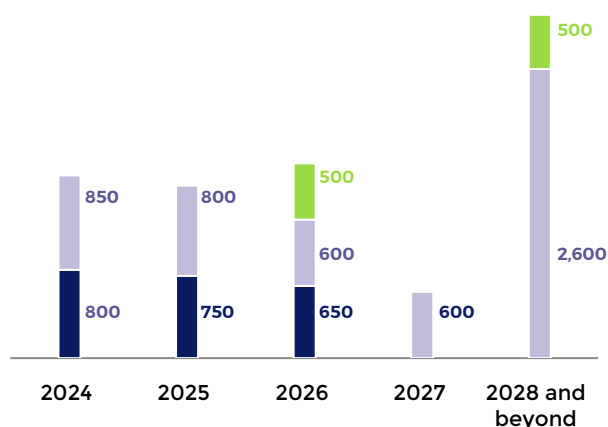
The Group's gross debt stood at €9.2 billion at December 31, 2023. €5.2 billion is guaranteed by pledged or mortgaged assets with a net book value amounting to €6.0 billion (see Note 39.1 "Commitments made" in the notes to the consolidated financial statements). After hedging, 84% of the gross debt (excluding lease debt) is at fixed rates and 82% (excluding lease debt) is denominated in euros. The interest rate on the Group's gross debt (excluding lease debt) after swaps stood at 3.63% as of December 31, 2023 (versus 2.97% as of December 31, 2022).

At December 31, 2023, the structure of the debt was as follows:

- market financing (bonds and perpetual subordinated loan stock): €3.7 billion;
- financial lease debt with bargain option: €3.9 billion;
- other borrowings including bank debt and accrued interest: €1.6 billion.

Reimbursement profile for debt and subordinated securities in € million⁽¹⁾

The debt reimbursement maturities are progressive over time.



Air France-KLM obligations senior

- March 2024: AFKL 0.125% (€500m, Convertible "OCEANE")
- June 2024: AFKL 3.0% (€300m)
- January 2025: AFKL 1.875% (€750m)
- June 2026: AFKL 3.875% (€500m)
- December 2026: AFKL 4.35% \$145m (-€131m)

Other long-term Debt: Air France and KLM secure Debt

Mainly "Asset-backed"

Sustainability-Linked Bonds

- 2026: 7.250% (500 €m)
- 2028: 8.125% (500 €m)

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

5.1.5 Main financial ratios of the Group

Financial cover ratios

	2023	2022
Net debt/EBITDA ratio		
Net debt	5,041	6,337
EBITDA	4,208	3,615
NET DEBT/EBITDA	1.20	1.75
EBITDA/net cost of financial debt ratio		
EBITDA	4,208	3,615
Net cost of financial debt	347	528
EBITDA/NET COST OF FINANCIAL DEBT	12.13	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)	December 31, 2023	September 30, 2023	June 30, 2023 restated ⁽²⁾	March 31, 2023 restated ⁽²⁾
Goodwill and intangible assets	1,352	1,331	1,339	1,351
Flight equipment	11,501	11,296	10,957	10,954
Other property, plant and equipment	1,431	1,379	1,389	1,372
Right-of-use assets	5,956	5,596	5,480	5,304
Investments in equity associates	129	127	121	122
Other financial assets excluding shares available for sale, marketable securities and financial deposits	219	191	190	169
Provisions excluding pension, cargo litigation and restructuring	(4,346)	(4,481)	(4,248)	(4,255)
Working capital ⁽³⁾	(6,981)	(7,804)	(8,917)	(8,696)
Capital employed	9,261	7,635	6,311	6,321
Average capital employed (A)		7,382		
Income (losses) from current operations		1,712		
Dividends received		(1)		
Share of profits/(losses) of associates		7		
Normative income tax		(444)		
Adjusted result from current operations after tax (B)		1,274		
ROCE (B/A)		17.3%		

(in € million)	December 31, 2022 restated ⁽¹⁾⁽²⁾	September 30, 2022 restated ⁽¹⁾⁽²⁾	June 30, 2022 restated ⁽¹⁾⁽²⁾	March 31, 2022 restated ⁽¹⁾⁽²⁾
Goodwill and intangible assets	1,352	1,350	1,361	1,363
Flight equipment	10,614	10,298	10,521	10,537
Other property, plant and equipment	1,375	1,349	1,358	1,378
Right-of-use assets	5,428	5,536	5,439	5,205
Investments in equity associates	120	111	108	107
Other financial assets excluding shares available for sale, marketable securities and financial deposits	169	164	162	158
Provisions excluding pension, cargo litigation and restructuring	(4,347)	(4,792)	(4,473)	(4,240)
Working capital ⁽³⁾	(7,213)	(7,609)	(8,338)	(6,736)
Capital employed	7,498	6,407	6,138	7,772
Average capital employed (A)		6,954		
Income (losses) from current operations		1,193		
Dividends received		(1)		
Share of profits/(losses) of associates		12		
Normative income tax		(311)		
Adjusted result from current operations after tax (B)		893		
ROCE (B/A)		12.8%		

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

(2) Compared with previous periods, working capital has been restated to exclude the deferral of social security and tax charges granted following Covid.

(3) Excluding the deferral of social security and tax charges granted by Covid.

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 calculated by adding the capacity of the passenger business (in ASK) to that of Transavia (in ASK).

		2023	2022
Revenues (in €m)	A	30,019	26,393
Income/(loss) from current operations (in €m)	B	1,712	1,193
Total operating expense (in €m)	C=A-B	28,307	25,200
Network business – other network revenues (in €m)	D	1,076	914
Third-party revenues in maintenance (in €m)	E	1,712	1,389
Transavia – other revenues (in €m)	F	(51)	(45)
Other businesses (in €m)	G	31	26
Net cost (in €m)	H=C-D-E-F-G	25,539	22,916
Capacity produced, reported in ASK		309,563	282,826
Net cost, per ASK (in € cents)		8.25	8.10
Gross change			0.02
Currency effect on net costs (in €m)			246
Change at constant currencies			2.9%
Fuel price effect (in €m)			388
Change on a constant currency and fuel price basis			0.05
NET COST PER ASK ON A CONSTANT CURRENCY AND FUEL PRICE BASIS		8.25	7.88

5.1.6 Consolidated equity at December 31, 2023

Equity attributable of Air France-KLM amounted to €500 million as of December 31, 2023 versus €(2,480) million as of December 31, 2022. The €3.0 billion increase is mainly explained by the following:

- the variation of perpetual subordinated bonds for €2,2 billion (See Note 28.3 "Perpetual");
- a positive net result of € 990 million;
- a €(0.1) billion impact of other comprehensive income (mainly due to the remeasurements of defined benefit pension plans and the change in fair value of the hedging instruments).

5.1.7 Air France-KLM parent company results

The Air France-KLM parent company results were closed on December 31, 2023.

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 December 31, 2023, the operating result amounted to a loss of €(29) million (versus a loss of €(6) million in 2022).

The net result was a €130 million profit, mainly due to the fiscal consolidation bonus.

Pursuant to the provisions of Article 39-5 and Article 223 quinquies of the French Tax Code relating to

expenses in the statement of general expenses excluded from non-tax-deductible expenses, note that no amount was recognized during the financial year.

Pursuant to the provisions of Article 39-4 and Article 223 quater of the French tax Code no excess amortization was recognized.

Information on the maturity of accounts payable for the company Air France-KLM:

- at December 31, 2023, accounts payable stood at €25 million of which €17 million outside the Group, mostly not yet due within 45 days as of the end of the month;
- at December 31, 2022, accounts payable stood at €11 million of which €9 million outside the Group, mostly not yet due within 45 days as of the end of the month.

5.2 CONSOLIDATED FINANCIAL STATEMENTS

5.2.1 Consolidated income statement

Period from January 1 to 31 December

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

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

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

5.2.2 Consolidated statement of recognized income and expenses

Period from January 1 to December 31

(in € millions)

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

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

5.2.3 Consolidated balance sheet

ASSETS

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

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

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

Consolidated balance sheet (continuation)

LIABILITIES AND EQUITY

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

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

5.2.4 Consolidated statement of changes in stockholders' equity

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

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

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

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

5.2.5 Consolidated statement of cash flows

Period from January 1 to December 31

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

Period from January 1 to December 31

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

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

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

5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Group’s core business is network activities which includes passenger transportation on scheduled flights and cargo activities. The Group’s activities also include aeronautics maintenance, leisure passenger transportation (Transavia) and other air-transport-related activities.

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

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

1.1 Accounting principles

Accounting principles and policies used for the consolidated financial statements

Pursuant to the European Regulation 1606-2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM group as of December 31, 2023 were established in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union on the date these consolidated financial statements were established.

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

Change in accounting principles

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

Amendments to IAS1 “Presentation of Financial Statements”

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

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

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

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

These amendments “Definition of Accounting Estimates” aim to facilitate the distinction between accounting policies and accounting estimates. However, they focus exclusively on accounting estimates now defined as “monetary amounts in the financial statements that are subject to measurement uncertainty”.

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

OECD Pillar Two model rules

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

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

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

Other amendments or IFRS standards

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

IFRS standards applicable in the future

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

1.2 Material judgements and accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates based on judgements and assumptions that affect the information presented in the consolidated financial statements and their notes.

The Group's management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable.

The consolidated financial statements for the financial year have thus been established on the basis of the financial parameters available at the closing date.

These accounting estimates are based on the most-recently available, reliable information.

The actual results could differ from these estimates depending on changes in the assumptions used or different conditions.

The main estimates, assumptions and judgements made in the preparation of the consolidated financial statements and notes are described below:

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

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

1.3 Consolidation principles

Subsidiaries

In conformity with IFRS 10 "Consolidated Financial Statements", the Group's consolidated financial statements comprise the financial figures for all the entities that are controlled directly or indirectly by the Group, irrespective of its level of participation in the equity of these entities. The companies over which the Group exercises control are fully consolidated. An entity is controlled when the Group has power over it, is exposed or has rights to variable returns from its involvement in this entity, and has the ability to use its power to influence the amounts of these returns. The determination of control takes into account the existence of potential

voting rights if they are substantive, meaning they can be exercised in time when decisions about the relevant activities of the entity need to be taken.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control begins until the date this control ceases.

Non-controlling interests are presented within equity and on the income statement separately from Group stockholders' equity and the Group's net income, under the line "non-controlling interests".

The effects of a buyout of non-controlling interests in a subsidiary already controlled by the Group and divestment of a percentage interest without loss of control are recognized in equity.

In a partial disposal resulting in loss of control, the retained equity interest is re-measured at fair value at the date of loss of control. The gain or loss on the disposal will include the effect of this re-measurement and the gain or loss on the sale of the equity interest, including all the items initially recognized in other comprehensive income and reclassified to profit and loss.

Interest in associates and joint ventures

In accordance with IFRS 11 "Joint Arrangements", the Group applies the equity method to partnerships over which it exercises control jointly with one or more partners. Control is considered to be joint when decisions about the relevant activities of the partnership require the unanimous consent of the Group and the other parties with whom control is shared.

In cases of a joint activity, the Group recognizes assets and liabilities in proportion to its rights and obligations regarding the entity.

In accordance with IAS 28 "Investments in Associates and Joint Ventures", companies in which the Group has the ability to exercise significant influence over financial and operating policy decisions are also accounted for using the equity method. The ability to exercise significant influence is presumed to exist when the Group holds more than 20% of the voting rights.

The consolidated financial statements include the Group's share in the net result of associates and joint ventures from the date the ability to exercise significant influence begins until the date it ceases, adjusted for any impairment loss of net investment.

The Group's share of losses of an associate exceeding the value of the Group's interest and net investment (long-term receivables for which no reimbursement is scheduled or likely) in this entity are not accounted for, unless the Group has:

- incurred contractual obligations to recover losses; or
- made payments on behalf of the associate.

Any surplus in investment cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate company on the date of acquisition is accounted for as goodwill and included in the book value of the investment accounted for using the equity method.

Investments in which the Group has ceased to exercise significant influence or joint control are no longer accounted for by the equity method and are accounted at their fair value as other financial assets on the date of loss of significant influence or joint control.

Intra-Group operations

All intra-Group balances and transactions are fully eliminated. Profits and losses resulting from intra-Group transactions are also eliminated.

Gains and losses realized on internal sales with associates and jointly-controlled entities are eliminated, to the extent of the Group's interest in the entity, providing there is no impairment.

Translation of foreign companies' financial statements

The financial statements of foreign subsidiaries are translated into euros on the following basis:

- except for the equity for which historical prices are applied, balance sheet items are converted on the basis of the foreign currency exchange rates in effect at the closing date;
- the income statement and the statement of cash flows are converted on the basis of the average foreign currency exchange rates for the period;
- the resulting foreign currency exchange adjustment is recorded in the "Translation adjustments" item within equity;
- goodwill is converted into euros using the foreign exchange rate in effect at the closing date.

Translation of foreign currency transactions

Foreign currency transactions are translated using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate in effect at the closing date.

Non-monetary assets and liabilities denominated in foreign currencies assessed on a historical cost basis are translated using the rate in effect at the transaction date or the hedging rate, when applicable.

The corresponding exchange rate differences are recorded in the income statement. Changes in fair value of the hedging instruments are recorded using the accounting treatment described in Note 35 "Financial risk management".

1.4 Alternative performance measures

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): by excluding the main line of the income statement which does not involve cash disbursement ("Amortization, depreciation and provision") from income from current operations, EBITDA provides a simple

indicator of the cash generated by the Group's current operational activities. It is thus commonly used for the calculation of the financial coverage and enterprise value ratios (see "Consolidated income statement").

Operating free cash flow: this corresponds to the net cash flow from operating activities net of the purchases of property, plant and equipment and intangible assets, plus the proceeds on the disposal of property, plant and equipment and intangible assets. It does not include the other cash flows linked to investment operations, particularly investments in subsidiaries and other financial assets and net cash flow from the operating activities of discontinued operations (see Note 37.1 "Operating free cash flow").

Operating free cash flow adjusted: this corresponds to operating free cash flow net of the payment of lease debts (see Note 37.1 "Operating free cash flow").

Distinction between income from current operation and income from operating activities: the Group considers it relevant to the understanding of its financial performance to present in the income statement a subtotal within the "income from operating activities". This subtotal, entitled "Income from current operations", excludes unusual elements that do not have predictive value due to their nature, frequency and/or materiality, as defined in recommendation No. 2020-01 from the France's accounting standards authority.

Such elements are as follows:

- sales of aircraft equipment and significant disposals of other assets;
- accelerated aircraft phase-out;
- income from the disposal of subsidiaries and affiliates;
- restructuring costs when they are significant;
- modification of pension plans;
- significant and infrequent elements such as the recognition of badwill in the income statement, the recording of an impairment loss on goodwill and significant provisions for litigation.

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

Financial liabilities include:

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

Net cash include:

- cash and cash equivalents;
- marketable securities over 3 months;
- non-current investments;
- Bank overdraft.

NOTE 2 SUSTAINABLE DEVELOPMENT AND CLIMATE

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

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

Air France-KLM plays an active role in advancing the ambition of Net Zero emissions by 2050 as an industry, and is committed to science-based targets in line with the SBTi criteria approved in November 2022. The Group's environmental efforts are summarized in a Climate Action Plan, with the objective of reducing CO₂ emissions by 30% in 2030 compared to 2019, in particular by progressively incorporating sustainable aviation fuel (SAF) and investing in the renewal of the Group's fleet for new generation aircraft emitting up to 25% less CO₂ per passenger km.

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

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

The Group's financial statements integrate climate change and sustainability issues in various items as described below.

2.1 Valuation of assets and consideration of environmental risks and commitments

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

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

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

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

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

2.2 Sustainable investments and financings

2.2.1 Fleet modernization

The Air France-KLM group has committed to reduce its CO₂ emissions per passenger km by 30% by 2030 compared to 2019. Currently, one of the most impactful ways to reduce the carbon footprint is to invest in a more fuel-efficient fleet. The Group is focusing on simplifying and rationalizing its fleet to make it more competitive. The Group's transformation is therefore continuing with the phase in of more modern, high-performance aircraft with a significantly lower environmental impact and a reduced noise footprint.

The renewal of the Group's airline fleet for new generation aircraft, that are up to 25% more efficient in terms of fuel consumption and therefore CO₂ emissions, and generate less noise, resulted in capital expenditures on aircraft equipment amounting to €1,738 million as of December 31, 2023 (€1,332 million as of December 31, 2022) (see Note 18 "Capital expenditures").

Pursuing its fleet renewal plan, the Group will continue to receive new generation aircraft over the next few years, with the aim of having 80% of its fleet composed of new generation aircraft by 2030 (see Note 38 "Flight equipment orders").

2.2.2 Other investments

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

In order to adapt its business to climate change and in particular to achieve the objective of net zero emission for ground operations by 2030, the Air France-KLM Group is pursuing a sustainable investment policy and is notably investing in fully electric ramp equipment (vehicles, tractors and loading equipment) and the energy renovation of its buildings.

These investments represented €134 million as of December 31, 2023 (€52 million as of December 31, 2022).

2.2.3 Sustainable financings

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

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

On April 18, 2023 Air France-KLM, Air France and KLM have signed two ESG ("Environmental, Social and Governance") KPI-Linked Revolving Credit Facilities ("RCF") with a pool of international financial institutions, for a total amount of €2.2 billion (see Note 31.7 "Credit lines").

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

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

2.3.1 Sustainable aviation fuel (SAF)

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

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

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

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

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

2.3.2 Greenhouse gas emission rights and CO₂ compensation

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

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

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

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

The obligation to surrender allowances, valued at acquisition cost for rights acquired (including free allowances) and at market value for rights yet to be acquired, is recorded as provisions in the Group's balance sheet. These "provisions for CO₂ quota surrenders"

amounted for €213 million as of December 31, 2023 (€142 million as of December 31, 2022) (see Note 30 "Return obligation liability and provision for leased aircraft and other provisions").

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

2.4 Management compensation

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

NOTE 3 RESTATEMENT OF THE 2022 FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

IMPACT ON THE CONSOLIDATED STATEMENT

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

IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

IMPACT ON THE CONSOLIDATED BALANCE SHEET

Balance Sheet as of December 31, 2022 (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

NOTE 4 SIGNIFICANT EVENTS

4.1 Significant events occurring during the period

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

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

The emission is composed of two tranches:

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

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

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

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

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

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

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

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

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

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

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

Flight AF447 Rio-Paris

On March 28, 2011, Air France and Airbus were indicted for manslaughter of the 228 victims who died in the crash of the AF447 Rio-Paris flight on June 1, 2009.

The investigating judges of the Court of First Instance ruled in favor of Air France and Airbus by issuing an order dismissing the case on September 4, 2019.

The Public Prosecutor's Office and most of the civil parties (including the Pilots' associations and unions) appealed this decision. The Paris Court of Appeals ruled on May 12, 2021, referring Airbus and Air France to the Criminal Court. The criminal trial took place from October 10 to December 8, 2022 at the Paris Criminal Court. After an acquittal by the Public Prosecutor's Office, the Court issued a judgment of acquittal on April 17, 2023, based on the absence of a causal link between the faults found and the accident. On April 27, 2023, the Public Prosecutor's Office appeals against the acquittal of Airbus and Air France.

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

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

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

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

Air France-KLM and Air France

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

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

KLM

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

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

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

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

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

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

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

Air France-KLM reverse share split and share capital reduction

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

These transactions resulted in two steps, without equity impact:

Reverse share split

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

Share capital reduction

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

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

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

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

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

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

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

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

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

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

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

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

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

Global employee share purchase plan

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

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

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

The capital increase breaks down into into €6 million in share capital and €29 million in additional paid in capital. In addition, in accordance with IFRS2, an expense of 31 million euros (excluding social security charges) was

recognized in salaries and related costs, with a counterpart in shareholders equity.

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

On October 18th, 2023, Air France Group has presented to the employees representative committee an adaptation plan on domestic flights from Paris by summer 2026. Air France will operate all domestic and international flights from Paris-Charles de Gaulle hub. Only the public service delegation on Air France's routes to/from Corsica, remain assured from Paris-Orly.

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

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

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

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

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

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

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

Under the agreement, Apollo-managed funds subscribe to perpetual bonds issued by this dedicated operating affiliate. The financing is non-dilutive to shareholders. The structure is similar to two previous financings raised by Air France on its pool of spare engines in July 2022 and its maintenance activity components in July 2023 (See paragraph "Agreement between Air France-KLM and Apollo Global Management related to a financing of €500 million").

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

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

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

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

4.2 Subsequent events

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

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

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

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

Sales of KLM Equipment Service B.V.

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

NOTE 5 CHANGE IN THE CONSOLIDATION SCOPE

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

NOTE 6 INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments (Note 6.1)

The segment information is prepared on the basis of internal management data communicated to the Executive Committee, the Group's principal operational decision-making body.

The Group is organized around the following segments:

- **Network:** The revenues for this segment, which includes the Passenger and Cargo network, primarily come from passenger transportation services on scheduled flights with the Group's airline code (excluding Transavia), including flights operated by other airlines under code-share agreements. They also include code-share revenues, revenues from excess baggage and airport services supplied by the Group to third-party airlines and services linked to IT systems. Network revenues also include freight carried on flights operated under the codes of the airlines within the Group and flights operated by other partner airlines under code-share agreements. Other cargo revenues are derived principally from the sale of cargo capacity to third parties and the transportation of shipments on behalf of the Group by other airlines;
- **Maintenance:** Maintenance operating revenues are generated through maintenance services provided to other airlines and customers worldwide;

- **Transavia:** The revenues from this segment come from the "leisure" activity realized by Transavia;
- **Other:** The revenues from this segment come from various services provided by the Group and not covered by the three segments mentioned above.

The results of the business segments are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond to the EBITDA, current operating income and to the income from operating activities. Other elements of the income statement are presented in the "non-allocated" column.

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

Geographical segments (Note 6.2)

Activity by origin of sales area (Note 6.2.1)

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

- France, including French overseas departments;
- Benelux, including Dutch Caribbean & Suriname;
- Europe (excluding France and Benelux);
- Rest of the world.

Activity by destination (Note 6.2.2)

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

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



ACCOUNTING PRINCIPLES

Passenger and freight transportation

Sales related to air transportation operations, which consist of passenger and freight transportation, are recognized as revenue when the transportation service is provided.

The valuation of revenue, related to passenger tickets and freight airwaybills issued and not used ("ticket breakage"), is based on a calculation using statistical rates, updated regularly and adjusted for non-recurring and specific events that may impact passenger behaviour.

The transportation service is also the trigger for the recognition as external expenses of the commissions paid to agents (e.g. credit card companies and travel agencies) and the booking fees.

Both passenger tickets and freight airway bills are consequently recorded on the Balance Sheet as "Deferred revenue upon issuance date". The recognition of the revenue known as "ticket breakage" is deferred until the transportation date initially foreseen.

The Group applies the exemption provided by IFRS 15 which allows the balance of the outstanding transactions to remain unspecified as well as their planned recognition date for the performance obligations related to contracts with an initial term set at one year or less. If the tickets are not used, the performance obligations related to passenger and freight transportation effectively expire within one year.

Pursuant to the European Union's Regulation EC 261, the Group compensates passengers in the event of denied boarding and for flight cancellations or long delays. This compensation is booked as contra revenue. The Group recognizes a corresponding amount in liabilities for future refunds to passengers. The determination of this liability for future refunds relies on a statistical approach.

Passenger ticket taxes calculated on ticket sales are collected by the Group to be paid to the airport authorities. Therefore, they do not correspond to revenue. Taxes are recorded as a liability until such time as they are paid to the relevant airport authority as a function of the chargeability conditions (on ticket issuance or transportation).

The Group considers that the company that issues the airway bill acts as principal since the latter has control over the achievement of the performance obligation. When the Group issues freight airway bills for its goods carried by another carrier (airline company or road carrier), the Group acts as principal. Therefore, at the time of transportation the Group recognizes as revenue the amount invoiced to the customer in its entirety as well as the chartering costs invoiced by the other carrier for the service provision.

Maintenance

The main types of contracts with customers identified within the Group are mainly:

■ sales of maintenance and support contracts (Power by the hour contracts)

Some maintenance and support contracts cover the airworthiness of engines, equipment or airframes, an airframe being an aircraft without engines and equipment. The invoicing of these contracts is based on the number of flight hours or landings of the goods concerned by these contracts.

The different services included within each of these contracts consist of a unique performance obligation due to the existing interdependence between the services within the execution of these contracts.

Revenue from maintenance and support services is recognized on a percentage of completion basis, based on the costs incurred, if they can be reliably measured, plus the expected margin.

The transfer of the control of these services is performed continuously, As long as the margin on the contract cannot be measured in a reliable manner, the revenue will only be recognized at the level of the costs incurred.

Forecast margins on the contracts are assessed through the forecast future cash flows that take into account the obligations and factors inherent to the contracts as well as other internal parameters to the contract selected using historical and/or forecast data.

These forecast margins are regularly reviewed. If necessary, provisions are recorded as soon as any losses on completion of contracts are identified.

Amounts invoiced to customers, and therefore mostly collected, which are not yet recognized as revenue, are recorded as liabilities on contracts (deferred revenue) at the accounting year end. Inversely, any revenue that has been recognized but not yet invoiced is recorded under assets (invoice to be issued) on the balance sheet at the accounting year end.

■ **sales of spare parts repair and labor – Time & Material contracts**

These services which relate to engines, equipment or airframes, an airframe being an aircraft without engines and equipment, are generally short term.

They consist of a unique performance obligation. The revenue is recognized as costs are incurred.

■ **third-party procurement**

When the Group serves as a broker between its suppliers and end customers, the Group acts as an agent and hence, recognizes the margin that results from this operation as revenue.

6.1 Information by business segment

Year ended December 31, 2023

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

The non-allocated assets, amounting to €9.9 billion, comprise cash and cash equivalents of €6.2 billion (see Note 26), other financial assets of €2.6 billion (see Note 22),

deferred tax of €0.7 billion (see Note 13.4), income taxes of €0.1 billion (see Note 25) and derivatives financial assets of €0.3 billion (see Note 35).

The non-allocated segment liabilities, amounting to €6.2 billion, mainly comprise pension provisions for €1.7 billion (see Note 29), tax and employee-related liabilities of €3.6 billion (see Note 34), other provisions litigation, restructuring and others for €0.7 billion (see Note 30) and derivatives financial liabilities of €0.2 billion (see Note 35).

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

Year ended 31 December, 2022 restated⁽¹⁾

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

(1) See Note 3 of the financial statements.

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

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

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

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

6.2 Information by geographical area

6.2.1 Activity by origin of sales area

EXTERNAL SALES BY GEOGRAPHICAL AREA

Year ended December 31, 2023

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

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

Year ended December 31, 2022

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

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

6.2.2 Activity by destination

TRAFFIC SALES BY GEOGRAPHICAL AREA OF DESTINATION

Year ended December 31, 2023

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

Year ended December 31, 2022

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

NOTE 7 EXTERNAL EXPENSES

Period from January 1 to December 31

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

(1) See Note 3 of the financial statements.

A portion of external expenses, mainly aircraft fuel and maintenance, is sensitive to fluctuations in the US dollar exchange rate. The hedges covering this currency exposure are presented in Note 9 "Other current operating income and expenses".

NOTE 8 SALARIES AND NUMBER OF EMPLOYEES



ACCOUNTING PRINCIPLES

IFRS 2 “Share-based payment” requires share-based payment services to be recognised as an employee expense. These services are measured at the fair value of the instruments granted.

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

SALARIES AND RELATED COSTS

Period from January 1 to December 31

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

Pension costs on defined contribution plans

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

Payment linked with shares

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

Wages and salaries, and social contributions

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

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

Temporary emergency bridging measure for sustained employment (NOW)

The line “Temporary Emergency Bridging Measure for Sustained Employment (NOW)” includes the compensation received from the Dutch State for the KLM Group’s labor expenses during the period from January 1 until March 31, 2022. Due to the recovery of activity, the Dutch government has terminated this program as of March 31, 2022. This compensation amounted to €134 million in 2022.

AVERAGE NUMBER OF EMPLOYEES

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

(1) Excluding partial activity effect.

NOTE 9 OTHER CURRENT OPERATING INCOME AND EXPENSES

Period from January 1 to December 31

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

(1) See Note 3 of the financial statements.

NOTE 10 AMORTIZATION, DEPRECIATION AND PROVISIONS

Period from January 1 to December 31

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

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

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

The variations relating to inventories and trade receivables are presented in Notes 23, 24 and 25.

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

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

Period from January 1 to December 31

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

Year ended December 31, 2023

Sales of aircraft equipment

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

Other aeronautical sales

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

Year ended December 31, 2022

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in a profit of €38 million in the income statement and a result on disposal of €767 million in the cash flow statement as of December 31, 2022.

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

Period from January 1 to December 31

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

Net cost of financial debt

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

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

Foreign exchange gains (losses)

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

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

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

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

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

Undiscounting of provision

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

NOTE 13 INCOME TAXES



ACCOUNTING PRINCIPLES

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

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

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

The tax rates used to measure deferred taxes are the ones enacted or substantively enacted at the balance sheet date.

Net deferred tax balances are determined on the basis of each entity's tax position.

Taxes payable and/or deferred are recognized in the income statement for the period, unless they are generated by a transaction or event recorded directly in equity. In such cases, they are recorded directly in equity.

Impact of the Contribution on Added Value of Enterprises

The CAVE (Contribution on Added Value of Enterprises/*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE) is calculated by the application of a tax rate to the added value generated by the company during the year. As the added value is a net amount of income and expenses, the CAVE meets the definition of a tax on profits as set out in IAS 12.2. Consequently, the expense relating to the CAVE is presented under the line "Income taxes".

13.1 Income tax charge

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

Period from January 1 to December 31

(in € millions)

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

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

French fiscal group

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

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

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

Dutch fiscal group

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

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

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

Period from January 1 to December 31

(in € millions)

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

13.3 Effective tax rate

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

Period from January 1 to December 31

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

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

13.4 Variation in deferred tax recorded during the period

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

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

French fiscal group

The deferred taxes recognized on fiscal losses for the French fiscal group amounts to €707 million with a basis of €2,737 million as of December 31, 2023. As of December 31, 2022, it amounted to € 346 million with a basis of €1,340 million. The deferred taxes increase on fiscal losses is explained by forecasts of future tax profits.

The total deferred-tax position of the French fiscal group stands at a net asset of €465 million (€323 million as of December 31, 2022).

Dutch fiscal group

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

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

13.5 Unrecognized deferred tax assets

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

French fiscal group

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

As of December 31, 2022, the cumulative effect of the limitation of deferred tax assets resulted in the non-

recognition of a deferred tax asset amounting to €3,477 million (corresponding to a basis of €13,461 million), of which €3,294 million relating to tax losses and €183 million relating to temporary differences.

Others

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

NOTE 14 EARNINGS PER SHARE



ACCOUNTING PRINCIPLES

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

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

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

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

RESULTS USED FOR THE CALCULATION OF BASIC EARNINGS PER SHARE

As of December 31

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

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

RESULTS USED FOR THE CALCULATION OF DILUTED EARNINGS PER SHARE

As of December 31

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

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

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

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

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

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

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

NOTE 15 GOODWILL



ACCOUNTING PRINCIPLES

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

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

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

If the fair values of the identifiable assets acquired and liabilities assumed exceed the consideration transferred, the resulting negative goodwill is recognized immediately in the income statement.

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

15.1 Detail of consolidated goodwill

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

15.2 Movement in net book value of goodwill

As of December 31

(in € millions)

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

NOTE 16 INTANGIBLE ASSETS



ACCOUNTING PRINCIPLES

Intangible assets are recorded at initial cost less accumulated amortization and any accumulated impairment losses.

IT development costs are capitalized and amortized over their useful lives. The Group has the tools required to enable the tracking by project of all the stages of development, and, in particular, the internal and external costs directly related to each project during its development phase.

Identifiable intangible assets acquired with a finite useful life are amortized over their useful lives from the date they are available for use.

The KLM and Transavia brands and slots (takeoff and landing rights) acquired by the Group as part of the acquisition of KLM are identifiable intangible assets with an indefinite useful life. They are not amortized but tested annually for impairment or whenever there is an indication that the intangible asset may be impaired. If necessary, impairment as described in Note 21 "Impairment" is recorded.

Intangible assets with a definite useful life are amortized on a straight-line basis over the following periods:

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

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

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

(1) See Note 3 of the financial statements.

The intangible assets mainly comprise:

- the KLM and Transavia brands and slots (takeoff and landing) acquired by the Group as part of the acquisition of KLM. These intangible assets have an indefinite useful life as the nature of the assets means that they have no time limit;
- software and capitalized IT costs.

NOTE 17 TANGIBLE ASSETS**ACCOUNTING PRINCIPLES**

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

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

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

Flight equipment

The purchase price of aircraft equipment is denominated in foreign currencies. It is translated at the exchange rate at the date of the transaction or, if applicable, at the hedging price assigned to it. Manufacturers' discounts, if any, are deducted from the value of the related asset.

Aircraft are depreciated using the straight-line method over their average estimated useful life which is between 20 and 25 years for all types of aircraft except in specific cases.

During the operating cycle, and when establishing fleet replacement plans, the Group reviews whether the amortizable base or the useful life should be adjusted and, if necessary, determines whether a residual value should be recognized and the useful life adapted.

Any major aircraft airframe and engine overhaul including parts with limited useful lives are treated as a separate asset component with the cost capitalized and are amortized on the basis of production units which can be the number of flight hours for airframe potentials or the number of flight cycles for engines over the period between the date of acquisition and the next major overhaul.

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

Aircraft spare parts (maintenance business) which enable the use of the fleet are recorded as fixed assets and are amortized on a straight-line basis over the estimated residual lifetime of the aircraft/engine type on the world market. The useful life is limited to a maximum of 30 years.

Other property, plant and equipment

Other property, plant and equipment are depreciated using the straight-line method over their useful lives as follows:

Buildings	20 to 50 years
Fixtures and fittings	8 to 20 years
Flight simulators	10 to 20 years
Equipment and tooling	3 to 15 years

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

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

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

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

NOTE 18 CAPITAL EXPENDITURES

The detail of capital expenditures on tangible and intangible assets presented in the consolidated cash flow statements is as follows:

Period from January 1 to December 31

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

(1) See Note 3 of the financial statements.

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

NOTE 19 RIGHT-OF-USE ASSETS AND LEASE DEBT



ACCOUNTING PRINCIPLES

Lease contracts, as defined by IFRS 16 "Leases", are recorded in the balance sheet and lead to the recognition of:

- an asset representing a right of use of the asset leased during the lease term of the contract; and
- a liability related to the lease debt.

Assets (aeronautical and buildings) which are not eligible for an accounting treatment according to IFRS 16 are those:

- which were acquired by the airline or for which the airline took a major share in the acquisition process from the OEMs (Original Equipment Manufacturers);
- and which, in view of the contractual conditions, will almost certainly be purchased at the end of the lease term.

Since these financing arrangements are "in substance purchases" and not leases, the related liability is considered as a financial liability under IFRS 9 and the asset, as property, plant and equipment, according to IAS 16 (see Note 31 "Financial liabilities" – Debt on financial leases with bargain option and Note 31.4 "Other debt").

Measurement of the right-of use asset

At the commencement date, the right-of-use asset is measured at cost and comprises:

- the amount of the initial measurement of the lease debt, to which is added, if applicable, any lease payments made at or before the commencement date, less any lease incentives received;
- where relevant, any initial direct costs incurred by the lessee for the conclusion of the contract. These are incremental costs which would not have been incurred if the contract had not been concluded;
- estimated costs for the restoration and dismantling of the leased asset according to the terms of the contract in accordance with IFRIC 1. At the date of the initial recognition of the right-of-use asset, the lessee adds to these costs, the discounted amount of the restoration and dismantling costs contractually agreed through a return obligation liability or provision as described in Note 30. These costs also include maintenance obligations with regard to the engines and airframes.

Following the initial recognition, the right-of-use asset must be depreciated over the useful life of the underlying assets (lease term for the rental component, flight hours for the component relating to engine maintenance or on a straight-line basis for the component relating to the airframe until the date of the next major overhaul).

Measurement of the lease debt

At the commencement date, the lease debt is recognized for an amount equal to the present value of the lease payments over the lease term.

Amounts involved in the measurement of the lease debt are:

- fixed payments (including in-substance fixed payments; meaning that even if they are variable in form, they are in-substance unavoidable);

- variable lease payments that depend on an index or a rate, initially measured using the index or the rate in force at the lease commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease debt is subsequently measured based on a process similar to the amortized cost method using the discount rate:

- the lease debt is increased by the accrued interests resulting from the discounting of the lease debt, at the beginning of the lease period;
- less payments made.

The interest cost for the period as well as variable payments, not taken into account in the initial measurement of the lease debt and incurred over the relevant period, are recognized as costs.

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

In addition, the lease debt may be remeasured in the following situations:

- change in the lease term;
- modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option;
- remeasurement linked to the residual value guarantees;
- adjustment to the rates and indices according to which the rents are calculated when rent adjustments occur.

Types of capitalized lease contracts

"Aircraft" lease contracts

For the aircraft lease contracts fulfilling the capitalization criteria defined by IFRS 16, the lease term corresponds to the non-terminable period of each contract except in cases where the Group is reasonably certain of exercising the renewal options contractually foreseen. For example, this may be the case if substantial cabin customization has taken place whereas the residual lease term is significantly shorter than the useful life of the cabins. The accounting treatment of the maintenance obligations related to leased aircraft is outlined in Note 30.

Aircraft lease contracts concluded by the Group do not include guaranteed value clauses for leased assets.

The discount rate used to calculate the lease debt corresponds, for each aircraft, to the implicit interest rate induced by the contractual elements and residual market values. This rate is easy to calculate due to the availability of current and future data concerning the value of aircraft. It is recalculated on each contract renewal (prolongation). The implied rate of the contract is the discount rate that gives the aggregated present value of the minimum lease payments and the unguaranteed residual value. This present value should be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

Since most of the aircraft lease contracts are denominated in US dollars, starting from January 1, 2018 the Group put in place a cash flow hedge for its US dollar revenues via the lease debt in US dollars. Consequently, the revaluation of the Group's debt at the closing rate is accounted for in "Other comprehensive income".

"Real-estate" lease contracts

Based on its analysis, the Group has identified lease contracts according to the standard concerning surface areas rented in its hubs, lease contracts on buildings dedicated to the maintenance business, customized lounges in airports other than hubs and lease contracts on office buildings. The lease term corresponds to the non-terminable period, with most of the contracts not including renewal options.

The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate at the signature date. The incremental borrowing rate is the rate that the lessee would pay to borrow the required funds to purchase the asset over a similar term, with a similar security and in a similar economic environment. This rate is achieved by the addition of the interest rate on government bonds and the credit spread. The coupon on government bonds is specific to the location, currency, period and maturity. The definition of the spread curve is based upon reference points, each point consisting of asset financing on assets other than aircraft.

"Other-assets" lease contracts

The main lease contracts identified correspond to company cars, pools of spare parts and engines. The lease term corresponds to the non-terminable period. Most of the contracts do not provide renewal options. The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate at the signature date. The incremental borrowing rate is the rate that the lessee would pay to borrow the required funds to purchase the asset over a similar term, with a similar security and in a similar economic environment (for the method used to determine the incremental borrowing rate, see the "Real estate lease contracts" paragraph above).

Types of non-capitalized lease contracts

The Group uses the two exemptions foreseen by IFRS 16 allowing for non-recognition in the balance sheet: short-term lease contracts and lease contracts for which the underlying assets have a low value.

Short duration lease contracts

These are contracts whose duration is equal to or less than 12 months. Within the Group, they mainly relate to leases of:

- surface areas in our hubs with a reciprocal notice-period equal to or less than 12 months;
- accommodations for expatriates with a notice period equal to or less than 12 months;
- spare engines for a duration equal to or less than 12 months.

Low value lease contracts

Low-value lease contracts concern assets with a value equal to or less than US\$5,000. Within the Group, these include, notably, lease contracts on printers, tablets, laptops and mobile phones.

Sale and leaseback transactions

The Group qualifies as sale and leaseback transactions, operations which lead to a sale according to IFRS 15. More specifically, a sale is considered as such if there is no repurchase option on the goods at the end of the lease term. The results of the leaseback transactions are presented in Note 11 "Sales of aircraft equipment and other non-current income and expenses".

Transactions deemed to be a sale

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

Transaction not deemed to be a sale

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

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

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

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

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

As of December 31

(in € millions)

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

The table below presents the lease debt per category:

As of December 31

(in € millions)

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

The tables below present the change in lease debt:

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

(in € millions)	December 31, 2021	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31, 2022
Lease debt – Aircraft	2,819	977	(687)	121	(3)	3,227
Lease debt – Aircraft spare parts	109	45	(32)	2	–	124
Lease debt – Real estate	741	113	(124)	–	(1)	729
Lease debt – Other	63	13	(18)	(4)	(1)	53
Accrued interest	17	–	–	–	2	19
TOTAL	3,749	1,148	(861)	119	(3)	4,152

The lease debt maturities break down as follows:

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

NOTE 20 EQUITY AFFILIATES



ACCOUNTING PRINCIPLES

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

Movements over the period

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

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

Maintenance

As of December 31, 2023 and 2022, the equity affiliates in the maintenance business mainly comprise joint-venture partnerships entered into by the Group to develop its maintenance activities worldwide. These partnerships, whose country localizations and percentages of interest are presented in Note 42.2 have been concluded either with airlines or with independent players in the maintenance market.

Servair Group (Catering)

The Servair Group is a french company in aviation catering.

Following the acquisition of Gategroup by HNA on December 22, 2016, Air France and Gategroup finalized the agreement for the sale to Gategroup of 49.99% of the Servair share capital. On conclusion of this transaction, the operational control of Servair was transferred to Gategroup in application of the governance planned in the agreements between Air France and Gategroup.

Early 2021, the terms under which Air France could sell a 30% shareholding in Servair to Gategroup were re-negotiated. This resulted in the sale by Air France Finance, on May 31, 2021, of 15% of Servair shares for €71 million. The second tranche of 15% is classified in assets held for sale (see Note 27 "Assets held for sale"), pending payment over several years. The remaining 20% were revalued accordingly to the IFRS 10 standard at their fair value based on the transaction value in the line "equity affiliates".

As of December 31, 2023, the Servair group remains consolidated according to the equity method, as it has been the case since December 31, 2016.

The net result from airline catering is mainly impacted by the Servair operating loss. However, the total fair value of the Group's 34.9% equity interest in the Servair Group, including the put option recorded in the balance sheet in the lines other derivatives and assets held for sale, remains unchanged.

Other

As of December 31, 2023 and 2022, the equity affiliates linked to the Group's other businesses are mainly joint-venture partnerships entered into by the Group in the airport business. The localizations of the activities and the interest percentages in these partnerships are presented in Note 42.2.

NOTE 21 IMPAIRMENT



ACCOUNTING PRINCIPLES

In accordance with IAS 36 "Impairment of Assets", tangible fixed assets, intangible assets, right-of-use assets and goodwill are tested for depreciation if there is an indication of impairment, and those with an indefinite useful life are tested at least once a year.

For this test, the Group deems the recoverable value of the asset to be the higher of the market value less cost of disposal and its value in use. The latter is determined according to the discounted future cash-flow method, estimated based on budgetary assumptions approved by management, using an actuarial rate which corresponds to the weighted average cost of the Group's capital and a growth rate which reflects the market.

Revenues (network, leisure and maintenance), costs and investments forecasts are based on reasonable hypotheses and are the management's best estimates. They are subject to the uncertainties prevailing at the time the test is performed.

The depreciation tests are carried out individually for each asset, except for those assets to which it is not possible to attach independent cash flows. In this case, these assets are regrouped within the CGU to which they belong and it is this which is tested. The CGUs correspond to the Group's business segments: network, maintenance, leisure and others which are homogeneous asset groups whose use generates identifiable cash inflows.

When the recoverable value of an asset or CGU is inferior to its net book value, an impairment is recognized. The impairment of a CGU is charged in the first instance to goodwill, the remainder being charged to the other assets which comprise the CGU, prorated to their net book value.

No indication of impairment has been identified. Given the existence of goodwill and intangible assets with indefinite useful lives, an impairment test has been carried out, in accordance with IAS 36, in order to verify that the net assets of the cash-generating units (CGUs) do not exceed their recoverable amount. The test is performed based on the values as of September 30 for the annual closing.

The Group monitors any significant changes that could affect this calculation in the last quarter.

The Group's CGUs correspond to the Group's business segments (see Note 6.1 "Information by business segment"). Their carrying amounts break down as follows:

As of September, 30 <i>(in € millions)</i>	Network		Maintenance		Transavia		Other/Non allocated	
	2023	2022	2023	2022	2023	2022	2023	2022
Segment assets	16,912	16,440	4,986	4,249	2,095	1,831	9,855	12,043
Segment liabilities	(11,835)	(11,983)	(1,989)	(1,985)	(1,787)	(1,574)	(18,237)	(19,021)
NET SEGMENT ASSETS (LIABILITIES)	5,077	4,457	2,997	2,264	308	257	(8,382)	(6,978)

The recoverable amount of the net assets of the CGUs has been determined by reference to their value in use as of September 30, 2023, based on a five-year target plan presented by Management to the Board of Directors early December 2023. Subject to the uncertainties associated with the current situation, this plan is based on revenue, cost and investment projections that are based on reasonable assumptions and correspond to Management's best estimates, including:

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

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

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

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

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

Beyond this period, the Group uses the long-term growth and current operating margin assumptions shown in the table below. In addition, the discount rate used for the test is the weighted average cost of capital (WACC).

Cost of capital

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

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

The long-term growth rate and the current operating margin rates used by the Group for the realization of the test, which are relatively conservative, make it possible to take account of the uncertainties that apply to the Group's three segments, in particular the acceptability of air transport.

On the other hand, the Group has not taken into account technological advances not available at the closing date, nor potential future changes in law or regulations not yet voted (kerosene taxes, limitation of the number of slots, etc.).

As a result of the test, no impairment was recognized on the Group's CGUs (as was the case for the year ended December 31, 2022). The results are identical for the sensitivity tests performed:

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

NOTE 22 OTHER FINANCIAL ASSETS



ACCOUNTING PRINCIPLES

Investments in equity instruments

Investments in equity securities qualifying as equity instruments are recorded at fair value in the Group's balance sheet. For publicly-traded securities, the fair value is considered to be the market price at the closing date. For non-quoted securities, the valuation is made on the basis of the financial statements of the entity.

The valuation of equity instruments is either in fair value through the income statement or in fair value through other comprehensive income:

- when the instrument is deemed to be a cash investment, i.e. it is held for the purposes of monetary transactions, its revaluations are recorded in "Other financial income and expenses";
- when the instrument is deemed to be a business investment, i.e. it is held for strategic reasons (as it mainly consists of investments in companies whose activity is very close to that of the Group), its revaluations are recorded in "Other comprehensive income" non-recyclable. Dividends are recorded in the income statement.

Financial assets at fair value through profit and loss

Financial assets include financial assets at fair value through profit and loss (French mutual funds such as SICAV, FCP, certificates, etc.) that the Group intends to sell in the near term to realize a capital gain, or that are part of a portfolio of identified financial instruments managed collectively and for which there is evidence of a practice of short-term profit taking. They are classified in the balance sheet as other current financial assets.

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

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

EQUITY INSTRUMENTS

	Fair Value (in € millions)	% interest	Stockholder's equity (in billions of currency)	Net income (in billions of currency)	Classification methodology	Stock price	Closing date
As of December 31, 2023							
GOL Linhas Aéreas ⁽¹⁾	7	0.01	NA ⁽²⁾	NA ⁽²⁾	OCI	9 BRL	December 2023
Kenya Airways	10	0.078	NA ⁽²⁾	NA ⁽²⁾	OCI	NA ⁽²⁾	December 2023
Other	35	-	-	-	-	-	-
TOTAL	52						
As of December 31, 2022							
GOL Linhas Aéreas ⁽¹⁾	6	0.01	NA ⁽²⁾	NA ⁽²⁾	OCI	7,34 BRL	December 2022
Kenya Airways	13	0.078	NA ⁽²⁾	NA ⁽²⁾	OCI	NA ⁽²⁾	December 2022
Other	26	-	-	-	-	-	-
TOTAL	45						

(1) Listed company.

(2) Not-available.

Transfer of non-deconsolidating financial assets

Receivables delagation agreement

The Group entered into a loan agreement secured by Air France's 1% housing loans. For each of the CILs (*Comités Interprofessionnels du Logement*), Air France and the bank concluded, in July 2012, a tripartite receivables delegation agreement with reference to the loan agreement. Through this agreement, the CILs

commit to repaying the bank directly on each payment date. These are imperfect delegations: in the event of non-repayment by the CILs, Air France remains liable to the bank for repayments of the loan and interest.

As of December 31, 2023, the amount of transferred receivables stood at €80 million (versus €85 million as of December 31, 2022) and is included in the line "deposits on financial liabilities". The associated loan stood at €68 million as of December 31, 2023 (versus €71 million as of December 31, 2022).

NOTE 23 INVENTORIES



ACCOUNTING PRINCIPLES

Inventories are measured at the lower of their cost and net realizable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition and location. These costs include the direct and indirect production costs incurred under normal operating conditions.

Inventories are valued on a weighted average basis.

The net realizable value of the inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

As of December 31

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

NOTE 24 TRADE ACCOUNTS RECEIVABLES



ACCOUNTING PRINCIPLES

Trade receivables are considered to be assets issued by the Group and are initially recorded at fair value. They are subsequently valued using the amortized cost method. In addition, they are written off based on the expected loss.

Regarding the impairment of trade receivables, the Group has chosen the simplified method approach in that the automated customer invoicing and settlement processes for the Network business significantly limit the credit risk. The Group also uses credit insurance to reduce the risk of potential default regarding trade receivables concerning the clients of the Maintenance activity.

As of December 31

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

NOTE 25 OTHER ASSETS



ACCOUNTING PRINCIPLES

CO₂ quotas

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

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

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

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

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

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

(1) See Note 3 of the financial statements.

NOTE 26 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS**ACCOUNTING PRINCIPLES**

Cash and cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

NOTE 27 ASSETS HELD FOR SALE

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

NOTE 28 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA**28.1 Issued capital & additional paid-in capital****ACCOUNTING PRINCIPLES**

Additional paid-in capital represents the difference between the nominal value of the equity securities issued and the value of contributions in cash or in kind received by Air France-KLM.

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

On May 24, 2022, Air France–KLM Group announced the launch of a capital increase with preferential subscription rights for an amount of €2,256 million, to be subscribed in cash and/or by offsetting claims.

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

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

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

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

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

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

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

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

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

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

Each share is entitled to one vote. However, since April 3, 2016, shareholders who have owned their shares for at least two years have benefited from double voting rights.

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

Authorized stock

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

As of December 31, 2023, the available balance of these authorizations is approximately €128,5 million, following capital transactions carried out during the year.

Breakdown of the share capital and voting rights

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

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

(1) Stichting Piloten Aandelen Air France-KLM.

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

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

28.2 Treasury shares



ACCOUNTING PRINCIPLES

Air-France-KLM shares held by the Group are recorded as a deduction from the Group's consolidated equity at the acquisition cost. Subsequent sales are recorded directly in equity. No gains or losses are recognized in the Group's income statement.

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

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

28.3 Perpetual



ACCOUNTING PRINCIPLES

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

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

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

28.3.1 2021 perpetual super-subordinated bonds

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

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

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

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

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

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

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

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

28.3.2 2023 perpetual super-subordinated bonds

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

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

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

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

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

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

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

From the issue date until November 23, 2025, the bonds bear interest at a nominal rate of 6.5% per annum, payable quarterly in arrears. From November 23, 2025, the bonds will bear interest at a rate equal to 1,300 basis points above the applicable 3-year Euro Mid-Swap rate as reference rate, subject to review every three years thereafter. Interest is payable quarterly in arrears.

The bonds are for an indefinite period, and the Air France-KLM group may, at its option, redeem all the bonds early at par plus interest, for the first time on November 23, 2025, or over the period from December 14, 2024 to November 23, 2025 if certain conditions linked to the Air France-KLM share price are met.

Bondholders may exercise their conversion/exchange right at any time until November 10, 2025. The conversion/exchange ratio was initially 65,496.4632 Air France-KLM shares per bond at December 31, 2022.

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

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

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

28.4 Reserves and retained earnings

As of December 31

(in € millions)

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

(1) After deferred tax.

As of December 31, 2023, the legal reserve of €70 million represents 27 percent of Air France-KLM's issued capital. French company law requires a limited company (*société anonyme*) to allocate 5 percent of its unconsolidated statutory net income each year to this legal reserve until it reaches 10 percent of the Group's issued capital. The

amount allocated to this legal reserve is deducted from the distributable income for the current year.

The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

28.5 Derivatives instruments reserves

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

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

28.6 Non-controlling interests

28.6.1 2022 perpetual super subordinated bonds

On July 13, 2022, following the €500 million investment agreement between Air France-KLM group and Apollo, the latter subscribed to:

- a capital increase in the Air France operating subsidiary, Air France Spare Engines Management, for an amount of €3 million;
- perpetual bonds issued by the Air France operating subsidiary for an amount of €497 million.

The perpetual bonds, which meet the criteria for equity under IFRS, bear interest at 6 percent for the first three years, after which gradual step ups and a cap will apply. The Group has the option to redeem the notes at any time after the third year.

The coupon paid during the year amounted to €30 million and as of December 31, 2023 the balance of accrued coupon totaled €13 million.

28.6.2 July 2023 perpetual super subordinated bonds

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

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

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

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

28.6.3 November 2023 perpetual super subordinated bonds

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

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

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

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

NOTE 29 PENSION ASSETS AND RETIREMENT BENEFITS



ACCOUNTING PRINCIPLES

The Group's obligations in respect of defined benefit pension plans, including termination indemnities, are calculated in accordance with IAS 19 Revised "Employee Benefits", using the projected units of credit method based on actuarial assumptions and considering the specific economic conditions in each country concerned. The commitments are covered either by insurance or pension funds or by provisions recorded on the balance sheet as and when rights are acquired by employees.

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

The Group recognizes in other comprehensive income all actuarial gains and losses on post employment plans, the difference between actual and expected return on pension assets, and the impact of any asset ceiling. When a defined-benefit pension plan is converted to a defined-contribution pension plan or closed, the amounts recognized in other comprehensive income are reclassified to other reserves.

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

Pension Assets

As of December 31, 2023, taking into account the financial conditions, the pension plan in the United Kingdom is in a surplus situation according to IAS19 for an amount of €45 million (€39 million as of December 31, 2022).

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

As of December 31

(In € millions)

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

Retirement benefits

<i>(in € millions)</i>	Retirement benefits
As of December 31, 2021	1,939
<i>Of which: Non-current</i>	1,939
New provision	174
Reversal of provision	(102)
Fair value revaluation	(392)
Currency translation adjustment	(4)
Reclassification	19
As of December 31, 2022	1,634
<i>Of which: Non-current</i>	1,634
New provision	154
Reversal of provision	(91)
Fair value revaluation	(7)
Currency translation adjustment	(4)
Reclassification	(1)
As of December 31, 2023	1,685
<i>Of which: Non-current</i>	1,685

29.1 Characteristics of the main defined benefit plans

The Group has a large number of retirement and other long-term benefit plans for its employees, several of which are defined benefit plans. The specific characteristics of the plans (benefit formulas, funding policies and types of assets held) vary according to the regulations and laws in the particular countries in which the employees are located.

Air France pension plan (CRAF) – France

The employees covered by this plan are the Air France Ground Staff affiliated to the CRAF until December 31, 1992.

The participants receive, or will receive on retirement, an additional pension paid monthly or a lump sum based on the monthly annuity and definitively calculated based on the data known as of December 31, 1992 and expressed in the form of points. The value of each point is adjusted every year based on the weighted increases seen in the CNAV and AGIRC-ARRCO schemes over the last twelve months.

Until 2009, the CRAF had the legal form of a supplementary pension institution (pursuant to the "Code de Sécurité Sociale"). With this status, the CRAF was responsible, on behalf of the Air France ground staff employed in France, for managing the pension plan resulting from the merging of the Air France ground staff plan with the mandatory pension plan for the private sector.

Following the 2003 law on pension reform foreseeing the disappearance of supplementary pension institutions as of December 31, 2009, the CRAF's Board of Directors opted to

transform it into an institution managing supplementary pensions. The CRAF is now responsible for the administrative functions linked to the plan. The pension rights were not amended by this reform. Air France is directly responsible for the pension obligations.

As of December 31, 2009, all the funds managed by the CRAF had been transferred to two insurance companies. On December 31, 2012, one of the insurance contracts was terminated and its funds were transferred to the other, which thus became the only insurer.

This guarantees a capital of 17 per cent equal to the amount of capital invested in units of account in its collective fund, this percentage being automatically set to increase over time. The annual payments made by Air France to the insurance company are governed by the agreement signed with the employee representative bodies on December 14, 2009. The minimum annual payment defined by this agreement amounts to €32.5 million as long as the life annuity guaranteed by the insurer does not reach 85 per cent of the benefits payments for this plan without future revaluations. If the value of the funds falls below 50 per cent of the total obligations calculated for funding purposes, Air France is required to make an additional payment to achieve a minimum 50 per cent coverage rate.

As of December 31, 2023, the coverage of liabilities by reserves is 61 per cent in 2023 (59 per cent in 2022).

The funds are invested in bonds, equities and general assets of the insurance company. Studies of assets/liabilities allocation are carried out regularly, to verify the relevance of the investment strategy.

Air France end of service benefit plan (ICS) – France

Pursuant to French regulations and the company agreements, every employee receives an end of service indemnity on retirement.

In France, this indemnity depends on the number of years of service, the professional category of the employee (flight deck crew, cabin crew, ground staff, agent, technician and executive) and, in some cases, on the age of the employee at retirement. There is no mandatory minimum funding requirement for this scheme.

On retirement, employees consequently receive an end of service indemnity based on their final salaries over the last twelve-months and on their seniority. The indemnity is only payable to employees on their retirement date.

Air France has nevertheless signed contracts with three insurance companies to partly pre-finance the plan. Air France has sole responsibility for payment of the indemnities, but remains free to make payments to these insurance companies.

The relevant outsourced funds are invested in bonds and equities.

As of December 31, 2023, the two French plans presented above represented a respective 67 per cent (67 in 2022 as well) of the Group's defined benefit obligation and 46 per cent (45 per cent in 2022) of the Group's pension plan assets.

29.2 Description of the actuarial assumptions and related sensitivities

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

These calculations include:

- assumptions on staff turnover and the life expectancy of the plan beneficiaries;
- assumptions on salary and pension increases;
- assumptions on retirement ages varying from 50 to 68 years depending on the localization and applicable laws;

- inflation rates determined with reference to the inflation swaps applied to the Group's cash flows and based on the duration of the schemes:

As of December 31	2023	2022
Euro zone – Duration 10 to 15 years	2.20%	2.55%
United Kingdom – Duration 20 years	3.15%	3.35%

- discount rates used to determine the actuarial present value of the projected benefit obligations.

The discount rates for the different geographical areas are thus determined based on the duration of each plan, taking into account the average trend in interest rates on investment grade bonds, observed on the main available indices. In some countries, where the market in this type of bond is not sufficiently broad, the discount rate is determined with reference to government bonds. Most of the Group's benefit obligations are located in the Euro zone and in the United Kingdom, where the discount rates used are as follows:

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

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

- discount rates used to determine the actuarial present value of the service cost. Since January 1, 2017, by using adequate flows, the Group has refined its calculations on the discount rate used for the service-cost calculation. As of December 31, 2023, in the euro zone and in the United Kingdom, the discount rates used to calculate the service cost is equal to the rates used to discount the liabilities;
- on average, the main assumptions used to value the liabilities are summarized below;
 - the rate of salary increase is 3.79% for the Group as of December 31, 2023 against 4.04% as of December 31, 2022,
 - the rate of pension increase is 2.53% for the Group as of December 31, 2023 against 2.74% as of December 31, 2022.

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

OBLIGATION SENSITIVITY TO THE INFLATION RATE

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

OBLIGATION SENSITIVITY TO THE DISCOUNT RATE

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

OBLIGATION SENSITIVITY TO SALARY INCREASE (EXCLUDING INFLATION)

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

OBLIGATION SENSITIVITY TO PENSION INCREASE

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

29.3 Evolution of commitments

The following table details the reconciliation between the benefits obligation and the plan assets of the Group and the amounts recorded in the financial statements for the years ended December 31, 2023 and December 31, 2022:

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

Amendments, curtailment and settlement of pension plans

As of December 31, 2023

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

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

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

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

As of December 31, 2022

As of December 31, 2022, the provision relating to the ICS commitments (termination benefits) of Air France flight crews was increased by 53 million euros, following the signing of an agreement with the trade unions on December 20, 2022. This change consists of moving, as from January 1, 2023 and for the entire population concerned by this agreement, from a scale favoring retirement at 55 years of age to a more progressive scale, allowing departures up to 60 years of age to be linearized.

The counterpart of this increase has been recognized on the line Other non-current income and expenses in the income statement (see Note 11).

29.4 Asset allocation

The weighted average allocation of the funds invested in the Group's pension and other long-term benefit plans is as follows:

(in %)	Funds invested as of December 31, 2023		Funds invested as of December 31, 2022	
	France	Other	France	Other
Equities	22	16	20	42
Bonds	51	29	52	21
Real estate	-	-	-	-
Others	27	51	28	37
TOTAL	100	96	100	100

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

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

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

29.5 Expected cash outflows and risks linked to the pension obligations

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

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

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



ACCOUNTING PRINCIPLES

The Group recognizes return obligation liabilities and provisions in respect of the required maintenance obligations within the framework of the leasing of aircraft from lessors. The constitution of these return obligation liabilities and provisions depends on the type of maintenance obligations to fulfill before returning these aircraft to the lessors: overhaul and restoration work, airframe and engine potential reconstitution as well as the replacement of limited life parts.

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

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

Overhaul and restoration works (not depending on aircraft utilization)

Costs resulting from work required to be performed just before returning aircraft to the lessors, such as painting of the shell or aircraft overhaul ("C Check") are recognized as provisions as of the inception of the contract in accordance with IFRIC1. The counterpart of these provisions is booked as a complement through the initial book value of the aircraft right-of-use assets. This complement to the right-of-use asset is depreciated over the lease term.

Airframe and engine potentials reconstitution (depending on the utilization of the aircraft and its engines)

In accordance with IFRIC1, the airframe and the engine potentials as well as the limited life parts are recognized as a complement to the right-of-use assets since they are considered as fully-fledged components, as distinct from the physical components which are the engine and the airframe. These components are the counterparts of the return obligation liability, recognized in its totality at the inception of the contract. When maintenance events aimed at reconstituting these potentials or replacing the limited life parts take place, the costs incurred are capitalized. These potentials and the limited life parts are depreciated over the period of use of the underlying assets (flight hours for the engine potentials component, straight-line for the airframe potentials component and cycles for the limited life parts).

Provisions for CO₂ quota surrenders

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

Others provisions

The Group recognizes a provision in the balance sheet when it has an existing legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amounts recorded as provisions are discounted when the effect of the passage of time is material. The effect of the time value of money is presented as a component of "Other financial income and expenses".

A provision for onerous contracts is recognised when the unavoidable costs of meeting the contractual obligations exceed the expected economic benefits. Within the Group, the issue of onerous contracts is limited to the Maintenance business.

Restructuring provisions are recognized once the Group has established a detailed and formalized restructuring plan which has been announced to the parties concerned.

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

The movements in provisions for litigation and other risks and charges with an impact on the income statement are booked in the lines of the income statement corresponding to the nature of the expenses.

The line “Others” mainly corresponds to reclassification with the right of use for leased aircrafts following the restitution of aircraft.

30.1 Provisions

30.1.1 Return obligation liability and provision on leased aircraft

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

30.1.2 Restructuring provisions

The movements in restructuring provisions with a significant impact on the income statement are booked in "Other non-current income and expenses" (see Note 11 "Sales of aircraft equipment and other non-current income and expenses").

30.1.3 Litigation

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

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

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

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

Air France, KLM and Martinair, a wholly-owned subsidiary of KLM since January 1, 2009, have been involved, since February 2006, with up to twenty-five other airlines in investigations initiated by the antitrust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air freight industry.

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

In Europe, the decision of the European Commission of 2010 against eleven air cargo carriers, including the companies of the Group, Air France, KLM and Martinair, was annulled by the General Court of the European Union on December 16, 2015 because it contained a contradiction regarding the exact scope of the practices

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

The decision from the General Court in March 2022 confirmed the fines against Air France-KLM group companies. The Group companies appealed in June 2022 to the European Union Court of Justice and are still waiting for hearing dates. As of December 31, 2023, the Group has maintained a provision of €361 million covering the total amount of these fines (and including interests).

30.1.5 Case brought against KLM by (former) Martinair pilots

In 2015, a case was brought against KLM by 152 (former) Martinair airline pilots, hereafter called "Vrachtyliegers". In 2016 and 2018, the District Court and Court of Appeal ruled in favor of KLM and rejected all claims of plaintiffs. In November 2019, however, the Supreme Court ruled against KLM on the basis of lack of sufficient motivation and referred the case to another Court of appeal. On June 8, 2021, this Court of appeal rendered its judgment in favor of the plaintiffs, the former Martinair pilots, ruling that the transfer of the cargo department qualifies as a transfer of undertaking.

According to the ruling the rights and obligations under the employment contracts of 116 Martinair pilots automatically transfer to KLM as per January 1, 2014. The Court of Appeal rejected the plaintiffs' claim to also transfer the rights regarding seniority accrued at Martinair.

Vrachtyliegers filed complaints on August 8, 2021 at the Supreme Court claiming that the rights regarding seniority accrued at Martinair should transfer to KLM. On June 24, 2022, the General Attorney has given the advice to the Supreme Court that the complaints should be rejected. On January 20, 2023, the Supreme Court ruled that this claim is denied, except for one part of the verdict. The Supreme Court ruled that the motivations was not conclusive on the item that seniority does not transfer in case of redundancy.

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

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

30.1.6 Other provisions

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

30.2 Contingent liabilities

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

Indeed, at this stage in these procedures, the Group is not in a position to give a reliable financial estimate of the potential loss that could be incurred in connection with these disputes.

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

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

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

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

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

30.2.2 Other litigations

Rio-Paris AF447 flight

On March 28, 2011, Air France and Airbus were indicted for manslaughter of the 228 victims who died in the crash of the AF447 Rio-Paris flight on June 1, 2009.

The investigating judges of the Court of First Instance ruled in favor of Air France and Airbus by issuing an order dismissing the case on September 4, 2019.

The Public Prosecutor's Office and most of the civil parties (including the Pilots' associations and unions) appealed this decision. The Paris Court of Appeals ruled on May 12, 2021, referring Airbus and Air France to the Criminal Court. The criminal trial took place from October 10 to December 8, 2022 at Paris Criminal Court. After an acquittal by the Public Prosecutor's Office, the Court issued a judgment of acquittal on April 17, 2023, based on the absence of a causal link between the faults found and the accident. On April 27, 2023, the Public Prosecutor's Office appeals against the acquittal of Airbus and Air France.

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

Litigations on State Aid

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

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

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

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

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

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

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

NOTE 31 FINANCIAL LIABILITIES



ACCOUNTING PRINCIPLES

Convertible bonds

Convertible bonds are deemed to be financial instruments comprising two components: a bond component recorded as debt and a stock component recorded in equity. The bond component is equal to the discounted value of all the coupons due on the bond at the rate of a simple bond that would have been issued at the same time as the convertible bond. The value of the stock component recorded in the Group's equity is calculated by the difference between this value and the bond's nominal value at issuance.

The difference between the financial expense recorded and the amounts effectively paid out is added, at each closing date, to the amount of the debt component so that, at maturity, the amount to be repaid if there is no conversion equals the redemption price.

Financial liabilities

Borrowings and financial liabilities are recognized initially at fair value. Subsequent to the initial measurement, they are recorded:

- at their net book value for bonds;
- based on amortized cost calculated using the effective interest rate for the other financial liabilities. Under this principle, any redemption and issue premiums, as well as issue costs, are recorded as debt in the balance sheet and amortized as financial income or expense over the life of the loans using the effective interest method.

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

CHANGE IN FINANCIAL LIABILITY

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

<i>(in € millions)</i>	Notes	December 31, 2021	New financial debt	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2022
Perpetual loan in Japanese Yen and Swiss Francs	31.1.1 & 31.1.2	516	–	–	7	–	523
OCEANE (convertible bonds)	31.2.1	476	–	–	–	11	487
Plain vanilla Bonds	31.2.3	2,039	–	(361)	8	–	1,686
Debt on leases with bargain option		3,305	770	(440)	(10)	34	3,659
Loan guaranteed by the French and Dutch states	31.3	4,310	–	(1,665)	–	(39)	2,606
State loans	31.3	278	–	(278)	–	–	–
Other financial liabilities	31.4	1,454	340	(334)	5	19	1,484
Accrued interest		111	–	–	(1)	(2)	108
TOTAL		12,489	1,110	(3,078)	9	23	10,553

31.1 Perpetual subordinated debt

31.1.1 KLM Perpetual subordinated debt in Japanese Yen

In 1999, the KLM Group issued perpetual subordinated bonds in Japanese Yen (JPY) for a principal amount of JPY 30 billion.

Since August 28, 2019, KLM has partially redeemed an amount of JPY 10 billion, leaving the residual outstanding principal amount at JPY 20 billion, i.e. €128 million as of

December 31, 2023. Since this date, the interests rate applicable on the residual nominal amount has been reset at a fixed rate of 4% per annum.

The residual nominal amount of these perpetual bonds can be redeemed at KLM's discretion on each fifth anniversary of the first interest payment date, August 28, 1999. The next option date for redemption at Par is thus August 28, 2024. Note that an indemnity is due if the JPY loan is redeemed in a currency other than the JPY.

This debt is subordinated to all other existing and future debt at KLM.

31.1.2 KLM perpetual subordinated debt in Swiss Francs

The perpetual subordinated bond debt in Swiss Francs (CHF) was issued by KLM in two tranches, one in 1985 and one in 1986. The initial nominal amount for these two perpetual bonds combined was CHF 500 million.

Over the years, KLM has proceeded with several partial buy back transactions to partially redeem the debt. As a result, the total amount now outstanding is CHF 375 million, i.e. €405 million as of December 31, 2023.

Concerning the tranche issued in 1985, KLM is entitled to early redeem at Par the then-prevailing outstanding residual amount on each tenth anniversary of the interest payment date. The next "call date" is February 12, 2025. The coupon reset date is fully aligned with the above mentioned frequency. If the call option is not exercised, the next coupon reset date is February 12, 2025. The current outstanding coupon is 0.75% per annum.

Concerning the tranche issued in 1986, the KLM Group is entitled to early redeem the outstanding residual nominal amount at Par on each fifth anniversary of the interest payment date. The next "call date" is May 15, 2026. The call price amount in 2001 was 101.75% of the notional face value, and thereafter with a premium declining by 0.25% on each fifth anniversary of the interest payment date. From May 15, 2036, the amount of early redemption will thus be set at 100% of the residual Par. The debt is subject to the payment of a coupon of 5.75% per annum.

The two CHF perpetual bond debts are ranked "pari passu" with the JPY perpetual loan debt and are subordinated to all other existing and future debt at KLM.

31.2 Bonds

31.2.1 OCEANE

On March 20, 2019, Air France-KLM issued 27,901,785 bonds convertible and/or exchangeable for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at March 25, 2026 for a total nominal amount of €500 million. Each bond has a nominal value of €17.92. The annual coupon amounts to 0.125%. The conversion period of these bonds runs from May 4, 2019 to the seventh working day preceding the normal or early reimbursement date. The conversion ratio is one share for one bond.

Repayment at par, plus accrued interest, will be possible on March 25, 2024 at the request of the bond holders. Air France-KLM can enforce the cash reimbursement of these bonds by exercising a call option running from

April 15, 2022 if the share price exceeds 130% of the nominal, i.e. €23.29, encouraging OCEANE bond holders to convert their bonds into Air France-KLM shares.

Upon issue of these convertible bonds, Air France-KLM recorded a debt of €446 million, corresponding to the present value of future payments of interest and nominal discounted at the rate of a similar bond without a conversion option. The option value, calculated by deducting this debt value from the total nominal amount of the issue (i.e. €500 million), was recorded in equity.

Following the realization of the capital increase of Air France-KLM group on June 16, 2022, to ensure that the rights of the OCEANE bond holders are maintained in accordance with the applicable legal and regulatory provisions and the terms and conditions of the OCEANE bonds, the conversion/exchange ratio has been adjusted as from June 16, 2022 from a parity of 1 Air France-KLM share per OCEANE bond to a parity of 1.783 Air France-KLM share per OCEANE bond (see Note 4.1 "Significant events occurring during the period").

This operation had no impact on the value recorded under financial liabilities.

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

31.2.2 Sustainability-linked bonds

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

The emission is composed of two tranches:

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

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

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

- Tranch 1, a 0.75% step up on the coupon to be paid at the maturity date;
- Tranch 2, a 0.375% step up on the coupon to be paid each year from May 31, 2026 to the maturity date.

31.2.3 Plain vanilla bonds

Bond	Issuing date	Amount issued (in millions)	Maturity date	Reimbursement date	Coupon
€ Bond issued in 2016	Oct. 5, 2016	€361	Oct. 12, 2022	Oct. 12, 2022	3.75%
\$ Bond issued in 2016 ⁽¹⁾	Dec. 9, 2016	\$145	Dec. 15, 2026	–	4.35%
€ Bond issued in 2020	Jan. 10, 2020	€750	Jan. 16, 2025	–	1.875%
€ Bond issued in 2021	Jul. 1, 2021	€300	Jul. 1, 2024	–	3.00%
€ Bond issued in 2021	Jul. 1, 2021	€500	Jul. 1, 2026	–	3.875%

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

31.3 Financial support from the French and Dutch States

Financial support package of €7.0 billion backed from the French State

On May 6, 2020, the Air France-KLM group signed the legal documentation for two announced financings for a total of 7 billion euros including:

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

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

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

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

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

On April 20, 2021, the €3 billion direct loan granted by the French State to Air France via Air France-KLM at the end of May 2020, was converted into super subordinated bonds of the same nominal amount, allowing the Group to improve its equity by €3 billion without impacting cash flow, while increasing the

flexibility of its debt repayment profile. This issue was made up of three tranches with perpetual maturities of a nominal amount of €1 billion each, each with a first redemption option (call) at 4, 5 and 6 years respectively.

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

Financial support package of €3.4 billion backed by the Dutch State

On June 25, 2020, the Dutch State, the Air France-KLM group and KLM have finalized an agreement on a financial support mechanism supported by the Dutch State for an amount of €3.4 billion. This financial support package included two loans for KLM and its subsidiaries:

- a revolving credit facility of €2.4 billion, 90% guaranteed by the Dutch State and with a maturity of 5 years;
- a direct loan of €1 billion, granted by the Dutch State to KLM, with a maturity of 5.5 years. This loan is subordinated to the new revolving credit facility.

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

The main conditions associated with the direct State loan were linked to manageable cost improvements, the airline becoming more sustainable and the restored performance and competitiveness of KLM, including a comprehensive restructuring plan and contributions made by employees.

KLM had undertaken to suspend dividend payments to its shareholders until these two loans had been repaid in full.

Respectively, on May 3 and June 3, 2022, KLM repaid €311 million and €354 million under its credit line guaranteed by the Dutch State. Upon completion of the transaction, the full credit line has been repaid.

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

31.4 Other debt

Other debt breaks down as follows:

As of December 31

<i>(in € millions)</i>	2023	2022
Reservation of ownership clause and mortgage debt	1,265	1,228
Other debt	213	256
TOTAL	1,478	1,484

Sales with retention of title clause (ROT) and mortgage debt are debts secured by aircrafts. The mortgage is filed with the national Civil Aviation Authority (the DGAC in France) in order to be publicly available to third parties. A mortgage grants to its beneficiary a right to enforce the security (by order of a judge), the sale of the asset and a priority claim on the sale proceeds in line with the amount of the loan, the balance reverting to the other creditors.

Other debt mainly corresponds to bank borrowings. This also includes €(13) million related to issuance expenses on financial debt.

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

31.5 Maturity analysis

The financial liabilities maturities break down as follows:

As of December 31

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

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

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

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

31.6 Currency analysis

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

As of December 31

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

31.7 Credit lines

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

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

Air France-KLM and Air France

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

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

KLM

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

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

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

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

31.8 Market value of financial liabilities

Market values are estimated for most of the Group's financial liabilities using a variety of methods that are theoretical in nature:

- based on market prices as of December 31, 2023 and December 31, 2022;
- by discounting future flows at market interest rates for instruments with similar characteristics.

However the estimated amounts as of December 31, 2023 and December 31, 2022 are not representative of the gains or losses that would be recorded at maturity.

The application of different methods and assumptions could therefore have a significant impact on the estimated market value.

The table below indicates the estimated market value and net book value of the financial liabilities:

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

NOTE 32 NET DEBT

As of December 31

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

As of December 31

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

NOTE 33 LOYALTY PROGRAM



ACCOUNTING PRINCIPLES

The airlines of the Group have a common frequent flyer program "Flying Blue". This program enables members to acquire Miles as they fly with Air France, KLM and airline partners and from transactions with non-airline partners (credit card companies, hotels, car rental agencies). These Miles entitle members to a range of benefits such as free flights with Air France, KLM and their airline partners or other free services with non-airline partners.

Miles are considered as separate elements of a sale of a ticket with multiple elements and one part of the price of the initial sale of the ticket is allocated to these Miles and deferred until the Group's commitments relating to these Miles have been met.

The deferred amount due in relation to the acquisition of Miles by members is estimated:

- according to the fair value of the Miles, defined as the amount for which the benefits could be sold separately;
- after taking into account the redemption rate, corresponding to the probability that the Miles will be used by members, using a statistical method.

With regard to the re-invoicing of Miles between the partners in the program, the margins realized on sales of these Miles are recorded immediately in the income statement.

Within Air-France-KLM, there are two loyalty programs: Flying Blue and BlueBiz. For those two programs, the amount recognized in liabilities is as follows:

(in € millions)	2023	2022
Flying Blue	802	792
BlueBiz	97	108
TOTAL	899	900

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

The redemption of this debt, without taking into account future accruals, is estimated over a 5-year horizon.

The breakdown of the Flying Blue program is the following:

Flying Blue – Deferred revenues

(in € millions)	2023	2022
As of January 1	792	794
Accumulation	419	337
Redemption	(409)	(339)
As of December 31	802	792

NOTE 34 OTHER LIABILITIES

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

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

NOTE 35 FINANCIAL RISK MANAGEMENT



ACCOUNTING PRINCIPLES

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risks incurred on shares, exchange rates, changes of interest rates or fuel prices and ETS (Emission Trading Scheme).

Forward currency contracts and options are used to hedge exposure to exchange rates.

The Group also uses interest rate swaps to manage its exposure to interest rate risk. Most of the swaps traded convert floating-rate debt to fixed-rate debt.

The exposure to fuel risk is hedged by swaps or options on jet fuel, diesel or Brent.

Finally, the risk related to the ETS is hedged by forwards.

Most of these derivatives are classified as hedging instruments if the derivative is eligible as a hedging instrument and if the hedging relationships are documented as required by IFRS 9 "Financial Instruments".

These derivative instruments are recorded on the Group's consolidated balance sheet at their fair value adjusted for the market value of the Group's credit risk (DVA) and the credit risk of the counterparty (CVA). The method of accounting for changes in fair value depends on the classification of the derivative instruments.

There are three classifications:

- **derivatives classified as fair value hedge**

Changes in the fair value of the derivative are recorded through the income statement and offset within the limit of its effective portion against the changes in the fair value of the underlying item (asset, liability or firm commitment), which are also recognized through the income statement;

- **derivatives classified as cash flow hedge**

Changes in fair value of the derivative are recorded in other comprehensive income for the effective portion and are reclassified as income when the hedged element affects earnings. The ineffective portion is recorded as financial income or losses until the termination of the derivative. When the termination occurs, the residual ineffective portion is recycled on the hedged item;

- **derivatives classified as trading**

Changes in the fair value of the derivative are recorded as financial income or losses.

For options, only the intrinsic risk can be hedged. The time value is excluded as it is considered as a cost of hedging. The change in fair value of the option time value is recognized in other comprehensive income in so far as it relates to the hedged item. When the latter occurs (if the hedged item is transaction related), the change in fair value is then recycled and impacts the hedged item or is amortized over the hedging period (if the hedged item is time-related).

The difference in time value between non-aligned structured options and the related "vanilla" ("aligned") options is recognized in the profit and loss account.

Regarding forward contracts, only the spot component is considered as a hedging instrument, since the forward element is considered as a hedging cost and accounted for similarly to the option time value.

The currency swap basis spread is also excluded from the hedging instrument and considered to be a hedging cost.

Non-current derivative financial assets

The Group considers that the change in credit risk on the non-current derivative financial assets since their initial recognition is limited due to the current selection criteria (e.g. type of instrument, counterparty rating, maturity). The impairment recorded by the Group consists of the expected credit loss over the 12 months following the closing date.

Purchases and sales of financial assets are booked as of the transaction date.

The aim of the Air France-KLM group's risk management strategy is to reduce its exposure to such risks. Market risk coordination and management is the responsibility of the Risk Management Committee (RMC) which is composed of the Chief Financial Officer of Air France-KLM, and the Deputy Chief Financial Officer, head of Financial Operations of Air France-KLM, and the Chief Financial Officers of Air France and of KLM.

The RMC decides on the derivative instruments to be implemented, the targets for hedging ratios and the periods and instrument types.

To implement the most appropriate strategy to each circumstance, any type of instrument may be used provided it qualifies as hedging within IFRS. As a general rule, no trading or speculation is allowed. Any exception to this rule must be approved by the Risk Management Committee.

As of December 31, 2023, the fair value of the Group's derivative financial assets and liabilities and their expected maturities are as follows:

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

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

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

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

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

35.1 Risk linked to fuel prices

The fuel bill is one of the largest cost items for airlines, making oil price volatility a risk for the air transport industry. A sharp increase in the oil price can have a very material negative impact on the profitability of airlines, particularly if the economic environment does not enable them to adjust their pricing strategies. Similarly, a sharp decline in fuel prices is favorable for airline profitability. However, the way in which airlines pass on a sharp fall in the fuel price in their fares is a factor of significant uncertainty.

In addition to fare adjustments and permanent efforts to reduce fuel consumption, the Group has implemented a policy of systematically hedging the fuel price risk.

The hedging strategy:

- sets the time span of the hedges;
- sets the target hedging ratios to be reached for the coming quarters;
- the hedging uses simple futures or option-based instruments, eligible for hedging pursuant to the accounting standards in force.

In respect of the application of IFRS 9, hedging by component is applied. Since the Group's fuel procurement is strongly correlated to the Jet Kerosene Cargoes CIF NWE Index, components specific to this fuel risk are used (Brent ICE, Gasoil ICE, Jet CIF NWE) to align the fuel hedging accounting and the Group's risk management policy more effectively.

In a context of high volatility and tension in the commodity market due to the geopolitical events since 2022, the Air France-KLM group has incorporated new hedging instruments on crack spreads in order to better cover the risk associated with the decoupling between indices reflecting the price of crude oil (Brent ice) and indices reflecting the price of refined products (Gasoil ICE and Jet CIF NEW).

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

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

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

The price after hedge of the total fuel expenses is equal to the market price, to which unitary into-plane costs and hedge results have been added. The hedge results reflect the payout of the hedging strategy based on the forward curve as of December 31, 2023.

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

Fuel hedge sensitivity

At closing date a +/-10 USD variation in the price of a barrel of Brent generates a variation of fair value of derivatives which has the following impact on income before tax and on "gains/(losses) taken to equity":

As of December 31 (in € millions)	2023		2022	
	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent	Increase of USD 10 per barrel of Brent	Decrease of USD 10 per barrel of Brent
Gains/(losses) taken to equity	220	(228)	144	(141)

35.2 Interest rate risk

A portion of the financial liabilities (including lease debt) is contracted at floating rates. However, to limit its volatility, Air France-KLM has used option and swap strategies involving the use of derivatives to convert a significant proportion of its floating-rate debt into fixed rates.

To manage the interest rate risk on its short and long-term borrowings, the Group uses instruments with the following nominal values:

As of December 31, 2023 (In € millions)	Nominal	Balance sheet item of underlying items	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
				1-2 years	2-3 years	3-4 years	4-5 years	+5 years	
Operations qualified as cash flow hedging	2,863		581	483	280	162	11	1,346	81
Rate swaps	2,437	Financial liabilities	581	483	180	112	11	1,070	83
Options	426	Financial liabilities	-	-	100	50	-	276	(2)
Operations qualified as fair value hedging	45		12	21	12	-	-	-	1
Rate swaps	45	N/A	12	21	12	-	-	-	1
TOTAL	2,908		593	504	292	162	11	1,346	82

As of December 31, 2022 (In € millions)	Nominal	Balance sheet item of underlying items	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
				1-2 years	2-3 years	3-4 years	4-5 years	+5 years	
Operations qualified as cash flow hedging	2,832		666	353	340	257	159	1,057	202
Rate swaps	2,691	Financial liabilities	666	353	340	163	112	1,057	200
Options	141	Financial liabilities	-	-	-	94	47	-	2
Operations qualified as fair value through profit and loss	56		11	12	21	12	-	-	4
Rate swaps	56	N/A	11	12	21	12	-	-	4
TOTAL	2,888		677	365	361	269	159	1,057	206

Due to hedging, interest rate exposure based on net debt items is shown below. This table breaks down net book value before and after hedging, according to fixed rate, floating rate and without rate:

As of December 31 <i>(in € million)</i>	2023		2022	
	Before hedge	After hedge	Before hedge	After hedge
Financial liabilities at fixed rate	9,862	11,518	8,656	10,605
Financial liabilities at variable rate	3,665	2,009	5,955	4,006
Financial liabilities without rate	(242)	(242)	(268)	(268)
Total Financial liabilities	13,285	13,285	14,343	14,343
Net liquidity at fixed rate	2,560	2,560	2,645	2,645
Net liquidity at variable rate	4,430	4,430	3,977	3,977
Net liquidity without rate	1,254	1,254	1,384	1,384
Total Net liquidity	8,244	8,244	8,006	8,006
Net debt at fixed rate	7,302	8,958	6,011	7,960
Net debt at floating rate	(765)	(2,421)	1,978	29
Net debt without rate	(1,496)	(1,496)	(1,652)	(1,652)
TOTAL NET DEBT	5,041	5,041	6,337	6,337

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

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

Interest rate sensitivity

The Group is exposed to the risk of interest rate variations. A 100 basis point variation (increase or decrease) in interest rates would have an impact of €20 million on the financial income for the year ended December 31, 2023 versus €40 million for the year ended December 31, 2022.

35.3 Exchange rate risk

Most of the Air France-KLM group's revenues are generated in euros. However, because of its international activities, the Group incurs a foreign exchange risk. The principal exposure relates to the US dollar. Since the expenditure on items such as fuel and components exceeds the amount of revenues in dollars, the Group is a net buyer of US dollars. As a result, any significant appreciation in the dollar against the euro could result in a negative impact on the Group's financial results.

On the other hand, Air France-KLM group is a net seller of other currencies, the level of revenues in these currencies exceeding its expenditure. This exposure is far less significant than on the US dollar. As a result, any significant decline in these currencies against the euro would have a negative effect on the Group's financial results.

The management of the Group's exchange rate risk is carried out based on the forecasted net exposure for each currency. Currencies which are highly correlated to the US dollar are aggregated with the US dollar exposure.

For each currency hedged, the time span of the hedging is a rolling 12 to 24-month period, the first four quarters having more hedging than the following four.

Aircrafts are mostly paid for in US dollars, meaning that the Group is exposed to an appreciation in the dollar relative to the euro in terms of its investments in flight equipment. The hedging strategy provides the gradual implementation of hedging between the aircrafts order date and their delivery.

The exchange rate risk on the Group's financial debt is limited. As of December 31, 2023, 82% of the Group's financial debt, after taking into account derivative instruments, was euro-denominated, thereby significantly reducing the risk of currency fluctuation on the debt. The exchange rate risk on debt denominated in other currencies mostly concerns the Yen for 8%, the US dollar for 6% and the Swiss franc for 4% (see note 31.6).

Since the application of IFRS 16 by the Group as of January 1, 2018, the aircraft operating leases, which are mostly denominated in US dollars, have been recognized in the Group's debt. This debt is recognized as hedge of future operating revenues in USD. For airlines not generating US dollar revenues, US dollar-denominated assets and currency hedges are in place to mitigate this exchange rate risk.

The nominal amounts of forwards and options linked to exchange rates are detailed below given the nature of the hedging operations:

As of December 31, 2023 <i>(in € millions)</i>	Hedged item		Maturity below 1 year	Maturities between 1 and 5 years					Fair value
	Nominal	Balance sheet Item		1-2 years	2-3 years	3-4 years	4-5 years	+5 years	
Cash flow hedging of operating flows	3,085		2,006	1,079	-	-	-	-	(24)
Exchange rate options	1,196	N/A	826	370	-	-	-	-	1
Forward purchases	1,460	N/A	914	546	-	-	-	-	(22)
Forward sales	429	N/A	266	163	-	-	-	-	(3)
Fair value hedging of flight equipment acquisition	3,284		2,338	894	39	13	-	-	33
Forward purchases	2,629	Other commitments	1,683	894	39	13	-	-	27
Forward sales	655	Other commitments	655	-	-	-	-	-	6
Cash flow hedges on debt	165		34	-	-	131	-	-	(6)
Forward purchases	34	N/A	34	-	-	-	-	-	(1)
Others	131	Financial liabilities	-	-	-	131	-	-	(5)
Fair value hedges on debt	451		110	124	121	96	-	-	2
Forward purchases	451	Lease debt	110	124	121	96	-	-	2
Operations on debt qualified in fair value through P&L	118		82	36	-	-	-	-	-
Forward purchases	118	N/A	82	36	-	-	-	-	-
TOTAL	7,103		4,570	2,133	160	240	-	-	5

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

Currency hedge sensitivity

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

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

The amounts of monetary assets and liabilities disclosed above do not include the effect of the revaluation of assets and liabilities documented in fair value hedge.

The impact on "income before tax" and on "gains/(losses) taken to equity" of a 10% appreciation in foreign currencies relative to the euro is presented below:

As of December 31 <i>(in € millions)</i>	US dollar		Pound sterling		Yen	
	2023	2022	2023	2022	2023	2022
Income before tax	(148)	(207)	(28)	(6)	(68)	(71)
Gains/(losses) taken to equity	559	649	(42)	(26)	(8)	-

The impact of the change in fair value of currency derivatives on “income before tax” and on “gains/(losses) taken to equity” of a 10% depreciation in foreign currencies relative to the euro is presented below:

As of December 31 <i>(in € millions)</i>	US dollar		Pound sterling		Yen	
	2023	2022	2023	2022	2023	2022
Income before tax	85	209	(6)	(3)	74	72
Gains/(losses) taken to equity	(441)	(513)	50	27	14	3

35.4 Carbon credit risk

As an air transport operator, the Air France-KLM group emits carbon dioxide. As such, it fully complies with regulatory measures to reduce carbon emissions (see Note 25). These include the EU Emissions Trading Scheme (EU ETS), which has been in force at European level since 2012 for aviation. The European institutions have confirmed the intra-European scope of the EU-ETS, thus reinforcing CORSIA's future role in defining clearing solutions for international flights.

They have also programmed the gradual end of allowances allocated free of charge to air operators. From 2026 onwards, this new measure will require the Air France-KLM group to purchase emission rights (credits) for all its flights to and from the European Union (intra-European flights).

To minimize the consequences of the necessary strengthening of the European carbon market and the gradual increase in the price of credits, Air France-KLM is responding through a proactive financial policy based on the purchase of forward credits.

As of December 31, 2023, the Group has hedged its future purchases of CO₂ quotas as follows:

As of December 31, 2023 <i>(In € millions)</i>	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+5 years	
Operating flows as cash flow hedging	12	12	-	-	-	-	-	(3)
Forwards	12	12	-	-	-	-	-	(3)
TOTAL	12	12	-	-	-	-	-	(3)

As of December 31, 2022 <i>(In € millions)</i>	Nominal	Maturity below 1 year	Maturities between 1 and 5 years					Fair value
			1-2 years	2-3 years	3-4 years	4-5 years	+5 years	
Operating flows as cash flow hedging	106	106	-	-	-	-	-	13
Forwards	106	106	-	-	-	-	-	13
TOTAL	106	106	-	-	-	-	-	13

35.5 Counterparty risk

The transactions involving potential counterparty risk are as follows:

- financial investments measured at fair market value;
- derivative instruments measured at fair value;
- trade receivables: risk limited due to the large number and geographical diversity of the customers.

Counterparty risk linked to financial investments and derivative instruments is managed by the Risk Management Committee which establishes limits by counterparty based on the quality of their financial position.

In order to assess financial position of its counterparties, the Group relies on their financial data, as well as on any public information providing analysis on those. Regarding mutual funds (OPCVM) the risk is considered as negligible thanks to large diversification and regulatory provisions applicable to these supports. The RMC also monitors the trend in the respective proportion each counterparty represents of the overall hedging portfolio (fuel, currency and interest rate) and investments. The positions of both Air France and KLM, together with those of the Air France-KLM parent company, are taken into account in the assessment of the overall exposure. Any exceeding of a limit immediately results in the implementation of corrective measures.

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

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



ACCOUNTING PRINCIPLES

Fair value hierarchy of the financial assets and liabilities

The table presenting a breakdown of financial assets and liabilities categorized by value meets the amended requirements of IFRS 7 “Financial Instruments: Disclosures”. The fair values are classified using a scale which reflects the nature of the market data used to make the valuations.

This scale has three levels of fair value:

- **Level 1:** Fair value calculated from the exchange rate/price quoted on an active market for identical instruments;
- **Level 2:** Fair value calculated from valuation methods based on observable data such as the prices of similar assets and liabilities or scopes quoted on an active market;
- **Level 3:** Fair value calculated from valuation methods which rely completely or partly on non observable data such as market prices from an inactive market or valuation based on multiples for non listed stocks.

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

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

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

37.1 Operating free cash flow

Period from January 1 to December 31

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

(1) See Note 3 of the financial statements.

37.2 Other non-monetary items and impairment

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

As of December 31

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

(1) See Note 3 of the financial statements.

NOTE 38 FLIGHT EQUIPMENT ORDERS

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

As of December 31

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

These commitments mainly relate to amounts in US dollars, converted into euros at the closing date exchange rate. All these amounts are hedged.

The number of aircraft under firm order as of December 31, 2023 increased by 32 units compared with December 31, 2022 and stood at 210 aircrafts.

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

Delivery calendar as of December 31, 2023

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

NOTE 39 OTHER COMMITMENTS

39.1 Commitments made

As of December 31

(in € millions)

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

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

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

- DG Fuels: the contract covers 0.6 million tons of SAF over the period 2027 to 2036;
- SkyNRG: the contract covers 0.75 million tons of SAF over the period 2027 to 2037.

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

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

39.2 Commitments received

As of December 31

(in € millions)

	2023	2022
Warranties, sureties and guarantees	97	152
Call option of Servair shares	97	97

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

39.3 Order book

Long term contracts of the maintenance business

On December 31, 2023, the future revenues from long-term contracts in the maintenance business amount to €7,874 million. The Group expects around 56% of the order book to be recognized as revenue over the next four years.

The table below presents the reconciliation between the order book according to accounting principles and the order book as described in Chapter 1 of the Universal Registration Document:

As of December 31

(in € millions)

	2023
Maintenance order book according to accounting definition	7,068
Contracts with no client' obligations	1,132
Cash received not recognized in revenues ⁽¹⁾	(326)
PUBLISHED ORDER BOOK IN THE URD⁽²⁾	7,874

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

(2) Representing \$8,701 million (see section 1.3.3 "Maintenance business").

Passenger and freight transportation

As indicated in Note 4.6 "Sales", the Group applies the exemption provided by IFRS 15.

Loyalty program

Information on the loyalty program is presented in Note 33 "Loyalty program".

NOTE 40 RELATED PARTIES

40.1 Transactions with the principal executives

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

Period from January 1 to December 31

(in € millions)

	2023	2022
Short-term employee benefits	10.3	10.3
Post-employment benefits	0.4	0.4
Termination benefits	–	0.9
Share-based payment	1.8	1.8
TOTAL	12.5	13.4

The compensation of the non-executive Chair of the Board amounts to €0.2 million.

Directors' fees booked in expenses amount to €0.8 million as of December 31, 2023, versus €0,8 million as of December 31, 2022.

40.2 Transactions with the other related parties

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

As of December 31

(in € millions)

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

As of December 31

(in € millions)

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

As a part of its normal business, the Group enters into transactions with related parties including transactions with State-owned and governmental entities such as the French Defense Ministry, the Paris Airport Authority ("Aéroports de Paris", or "ADP"), Amsterdam Airport Schiphol, the Dutch and French States and the French civil aviation regulator ("DGAC"). Air France-KLM considers that such transactions are concluded on terms equivalent to those on transactions with third parties. The most significant transactions are described below:

■ Aéroports de Paris (ADP)

- land and property rental agreements,
- airport and passenger-related fee arrangements.

In addition, ADP collects airport landing fees on behalf of the French State.

Total expenses incurred by the Group in connection with the afore-mentioned arrangements amounted to a respective €335 million and €333 million for the periods ended December 31, 2023 and December 31, 2022;

■ Amsterdam Airport Schiphol (AAS)

- land and property rental agreements,
- airport and passenger-related fee arrangements.

In addition, AAS collects airport fees on behalf of the Dutch State.

Total expenses incurred by the Group in connection with the afore-mentioned arrangements amounted to €176 million for the period ended December 31, 2023 versus €108 million as of December 31, 2022;

■ French Defense Ministry

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

■ Direction Générale de l'Aviation Civile (DGAC)

This civil aviation regulator is under the authority of the French Ministry of Transport, which manages security and safety in the French air space and at airports. As a result, the DGAC charges fees to Air France-KLM for the use of installations and services which amounts to €81 million as of December 31, 2023 versus €91 million for the year ended December 31, 2022;

■ CMA-CGM

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

■ China Eastern Airlines

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

- Delta Air Lines

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

- French States

As of December 31, 2023 the line “Perpetual” corresponds to the perpetual granted by the French State (see Note 28.3.2 “2023 perpetual super-subordinated bonds”);

- Westjet

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

NOTE 41 STATUTORY AUDITORS' FEES

KPMG	2023				2022			
	Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
As of December 31								
<i>(in € millions)</i>								
Statutory audit, certification, review of stand-alone and consolidated accounts	2.1	81%	1.7	89%	2.1	84%	3.0	97%
<ul style="list-style-type: none"> Air France-KLM S.A. 	0.6		–		0.5		–	
<ul style="list-style-type: none"> Consolidated subsidiaries 	1.5		1.7		1.6		3.0	
Other ancillary services and audit services⁽¹⁾	0.5	19%	0.2	11%	0.4	16%	0.1	3%
<ul style="list-style-type: none"> Air France-KLM S.A. 	0.2		–		0.2		–	
<ul style="list-style-type: none"> Consolidated subsidiaries 	0.3		0.2		0.2		0.1	
TOTAL – AIR FRANCE-KLM	2.6		1.9		2.5		3.1	

PwC	2023				2022			
	Statutory auditor		Network		Statutory auditor		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
As of December 31								
<i>(in € millions)</i>								
Statutory audit, certification, review of stand-alone and consolidated accounts	1.8	95%	1.5	100%	1.6	100%	1.0	100%
<ul style="list-style-type: none"> Air France-KLM S.A. 	0.6		–		0.5		–	
<ul style="list-style-type: none"> Consolidated subsidiaries 	1.2		1.5		1.1		1.0	
Other ancillary services and audit services⁽¹⁾	0.1	5%	–	–	–	–	–	–
<ul style="list-style-type: none"> Air France-KLM S.A. 	0.1		–		–		–	
<ul style="list-style-type: none"> Consolidated subsidiaries 	–		–		–		–	
TOTAL – AIR FRANCE-KLM	1.9		1.5		1.6		1.0	

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

NOTE 42 CONSOLIDATION SCOPE

As of December 31, 2023, the scope includes 85 fully consolidated entities, 21 equity affiliates and 1 joint operation.

Based on the Air France-KLM ownership in terms of both voting rights and equity interest, and on the functioning mode of the Group's Executive Committee, Air France-

KLM has the power to manage the KLM Group's financial and operational strategies and controls KLM. As a result, KLM is fully consolidated in Air France-KLM's consolidated financial statements.

The interest percentage in KLM is calculated based on the ordinary shares.

42.1 Consolidated entities

Entity	Country	Segment	% interest	% control
AIR FRANCE SA	France	Multisegment	100	100
KONINKLIJKE LUCHTVAART MAATSCHAPPIJ N.V.	Netherlands	Multisegment	100	49
AIRTRADE HOLDINGS B.V.	Netherlands	Network	85	42
AIRTRADE HOLLAND B.V.	Netherlands	Network	85	42
BLUE CONNECT	Mauritius	Network	70	70
BLUE CROWN B.V.	Netherlands	Network	100	49
BLUELINK	France	Network	100	100
BLUELINK INTERNATIONAL	France	Network	100	100
BLUELINK INTERNATIONAL AUSTRALIA	Australia	Network	100	100
BLUELINK INTERNATIONAL CHILE	Chile	Network	100	100
BLUELINK INTERNATIONAL CZ S.R.O.	Czech Rep.	Network	100	100
BLUELINK INTERNATIONAL MAURITIUS	Mauritius	Network	100	100
BLUELINK INTERNATIONAL STRASBOURG	France	Network	100	100
CYGNIFIC B.V.	Netherlands	Network	100	49
FLYINGBLUE MILES SAS	France	Network	98	98
HABADO SAS	France	Network	100	100
HADABA BV	Netherlands	Network	100	49
HOP!	France	Network	100	100
IASA INCORPORATED	Philippines	Network	100	49
INTERNATIONAL AIRLINE SERVICES EUROPE LIMITED	United Kingdom	Network	100	49
INTERNATIONAL AIRLINE SERVICES LIMITED	United Kingdom	Network	100	49
INTERNATIONAL MARINE AIRLINE SERVICES LIMITED	United Kingdom	Network	100	49
KLM CITYHOPPER B.V.	Netherlands	Network	100	49
KLM CITYHOPPER UK LTD	United Kingdom	Network	100	49
KLM EQUIPMENT SERVICES B.V.	Netherlands	Network	100	49
KLM LUCHTVAARTSCHOOL B.V.	Netherlands	Network	100	49
MARTINAIR HOLLAND N.V.	Netherlands	Network	100	49
MEXICO CARGO HANDLING	Mexico	Network	100	100
SNC CAPUCINE BAIL	France	Network	100	100
SNC OTTER BAIL	France	Network	100	100
SODEXI	France	Network	65	65
STICHTING STUDENTENHUISVESTINGVLIEGVELD EELDE	Netherlands	Network	100	49
AFI KLM E&M (BEIJING) LINE MAINTENANCE CO LTD	China	Maintenance	100	100
AFI KLM E&M TEARDOWN MANAGEMENT SAS	France	Maintenance	100	100
AFI SPARE ENGINE MANAGEMENT	France	Maintenance	98	98
AIR FRANCE COMPONENT ASSET MANAGEMENT	France	Maintenance	98	98

Entity	Country	Segment	% interest	% control
AIR FRANCE INDUSTRIE US	United States	Maintenance	100	100
AIR FRANCE KLM COMPONENT SERVICES CO LTD	China	Maintenance	100	100
AIR ORIENT SERVICES	France	Maintenance	100	100
BARFIELD INC	United States	Maintenance	100	100
CRMA	France	Maintenance	100	100
EUROPEAN PNEUMATIC COMPONENT	Netherlands	Maintenance	100	49
KLM E&M MALAYSIA SDN BHD	Malaysia	Maintenance	100	49
KLM LINE MAINTENANCE NIGERIA LTD.	Nigeria	Maintenance	100	49
KLM UK ENGINEERING LIMITED	United Kingdom	Maintenance	100	49
REGIONAL JET CENTER B.V.	Netherlands	Maintenance	100	49
TRANSAVIA AIRLINES B.V.	Netherlands	Transavia	100	49
TRANSAVIA AIRLINES C.V.	Netherlands	Transavia	100	49
TRANSAVIA COMPANY SAS	France	Transavia	100	100
TRANSAVIA FRANCE SAS	France	Transavia	100	100
TRANSAVIA VENTURES B.V.	Netherlands	Transavia	100	49
AIR FRANCE FINANCE SAS	France	Other	100	100
AIR FRANCE KLM E&M PARTICIPATIONS SAS	France	Other	100	100
AIR FRANCE KLM FINANCE SAS	France	Other	100	100
AIRCRAFT CAPITAL LEASING A LTD	United Kingdom	Other	100	49
AIRCRAFT CAPITAL LTD	United Kingdom	Other	100	49
AIRPORT MEDICAL SERVICES B.V.	Netherlands	Other	80	39
AIRPORT MEDICAL SERVICES C.V.	Netherlands	Other	80	39
AMSTERDAM SCHIPHOL PIJPLEIDING C.V.	Netherlands	Other	76	49
ASP BEHEER B.V.	Netherlands	Other	60	49
B.V. KANTOORGEBOUW MARTINAIR	Netherlands	Other	100	49
BIGBLANK	France	Other	100	100
BLUE TEAM V SAS	France	Other	100	100
BLUE TEAM VIII	France	Other	100	100
BLUE TEAM X	France	Other	100	100
BLUE TEAM XI	France	Other	100	100
BLUE TEAM XII	France	Other	100	100
BLUE YONDER XIV B.V.	Netherlands	Other	100	49
CELL KI6 INSURANCE COMPANY	Guernsey	Other	100	0
EXECUTIVE HEALTH MANAGEMENT B.V.	Netherlands	Other	100	49
INTERNATIONALE FINANCIERING EN MANAGEMENT	Netherlands	Other	100	49
KLM AIR CHARTER B.V.	Netherlands	Other	100	49
KLM CATERING SERVICES SCHIPHOL B.V.	Netherlands	Other	100	49
KLM HEALTH SERVICES B.V.	Netherlands	Other	100	49
KLM INTERNATIONAL CHARTER B.V.	Netherlands	Other	100	49
KLM OLIEMAATSCHAPPIJ B.V.	Netherlands	Other	100	49
MARTINAIR VLIEGSCHOOL VLIEGVELD LELYSTAD BV	Netherlands	Other	100	49
ORION-STAETE B.V.	Netherlands	Other	100	49
PELICAN	Luxemburg	Other	100	100
PYRHELIO-STAETE B.V.	Netherlands	Other	100	49
RIGEL-STAETE B.V.	Netherlands	Other	100	49
STICHTING GARANTIEFONDS KLM LUCHTVAARTSCHOOL	Netherlands	Other	100	49
TRAVEL INDUSTRY SYSTEMS B.V.	Netherlands	Other	100	49
TREASURY SERVICES KLM B.V.	Netherlands	Other	100	49
WEBLOCK B.V.	Netherlands	Other	100	49

42.2 Equity affiliates

Entity	Country	Segment	% interest	% control
ADM BLUE	Madagascar	Network	40	40
AAF SPARES	Ireland	Maintenance	50	50
AEROSTRUCTURES MIDDLE EAST SERVICES	United Arab Emirates	Maintenance	50	50
AEROTECHNIC INDUSTRIES	Morocco	Maintenance	50	50
BONUS AERO	United States	Maintenance	50	50
BONUS TECH	United States	Maintenance	50	50
IGO SOLUTIONS SAS	France	Maintenance	33	33
MAX MRO SERVICE	India	Maintenance	26	26
SHS TECHNICS	Senegal	Maintenance	49	50
SINGAPOUR COMPONENT SOLUTIONS PTE	Singapore	Maintenance	50	50
SPAIRLINERS	Germany	Maintenance	50	50
TURBINE SUPPORT INTERNATIONAL LLC	United States	Maintenance	50	50
XCELLE AMERICAS LLC	United States	Maintenance	50	50
INTERNATIONAL AEROSPACE MANAGEMENT COMPANY S.C.R.L.	Italy	Other	25	25
INTERNATIONAL PATIENT CENTER B.V.	Netherlands	Other	33	33
MAINPORT INNOVATION FUND BV	Netherlands	Other	25	25
MAINPORT INNOVATION FUND BV II	Netherlands	Other	24	24
SCHIPHOL LOGISTICS PARK CV	Netherlands	Other	53	45
SERVAIR	France	Other	35	35
SKYNRG	Netherlands	Other	20	20
TERMINAL ONE GROUPE ASSOCIATION	United States	Other	25	25

42.3 Joint operations

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

5.4 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2023

To the Annual General Meeting of Air France-KLM S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Air France-KLM S.A. for the year ended December 31, 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors for the period from January 1, 2023 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Emphasis of Matter

We draw your attention to the matter set out in Note 3 to the consolidated financial statements entitled "Restatement of the 2022 financial statements", which describes a change in accounting method regarding the accounting treatment of the greenhouse gas emissions trading scheme and its impact on the consolidated financial statements. Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 821-53 and R.821-180 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Recoverability of flight equipment assets (Notes 2, 17, 19 and 21 to the consolidated financial statements)

Risk identified

Flight equipment and aircraft right of use assets amounted to €11.5 billion and €5.3 billion respectively as of December 31, 2023. As indicated in the Note 17 to the consolidated financial statements, during the operating cycle, and when establishing fleet replacement plans, the Group reviews whether the amortizable base or the useful life of the assets should be adjusted and, if necessary, determines whether a residual value should be recognized and the useful life adapted.

Moreover, in accordance with IAS 36 "Impairment of Assets", and as specified in Note 21 to the consolidated financial statements, property, plant and equipment, intangible assets, right-of-use assets and goodwill are tested for impairment if there is an indication of impairment, and at least once a year for goodwill and intangible assets with an indefinite useful life. Assets that cannot be directly linked to independent cash flows are grouped together into Cash Generating Units (CGU) to perform the impairment test. The Group concluded that the CGUs correspond to the Group's business segments – the Network, Maintenance and Transavia activities.

Their value in use is determined based on particularly sensitive forward-looking assumptions, given the current context which has uncertainty due to the geopolitical and economic environment and the increasing impact of ESG considerations. These assumptions include the discounted cash flows derived from the 5-year budget figures prepared by Management and validated by the Board of Directors, the discount rate corresponding to the weighted average cost of capital, and the growth rates reflecting assumptions relating to mid- and long-term business development. Such cash flows also reflect the Group's environmental objectives as well as the impacts related to expected or probable regulatory changes in terms of environment (modernization of the fleet, increase in the cost of carbon credits, CO₂ compensation, development of sustainable aviation fuel "SAF").

As indicated in Note 2 to the consolidated financial statements, the Group's environmental objectives have not led to the recognition of any impairment or acceleration of depreciation on its assets.

We considered the valuation of those assets to be a key audit matter in light of their significant amount and of the high degree of judgment and estimates required by Management to determine their recoverable value.

Our response

We assessed the procedures and controls implemented by the Group to determine and review the useful lives of flight equipment assets and assessing their consistency with the Group's environmental objectives.

Also, we assessed the procedures and controls implemented to identify indicators of impairment, and for the purpose of the impairment test, calculate the book value of non-current assets by CGU and determine their recoverable amount. We tested the key controls used by the Group in the design process of the assets' impairment test.

Our work also included:

- a) assessing whether the methodology used by Management complies with current accounting standards (IAS 36), including validating the CGU independence and consistency criteria as well as the frequency of impairment tests;
- b) reconciling the book value of the non-current assets of each CGU with the accounting balances and the corresponding allocation;
- c) verifying (i) the cash flow projections with the Management-approved 5-year plan, (ii) the intermediate period and perpetual growth rates, as well as (iii) profit margin rates used;
- d) assessing the consistency of discount rate calculation assumptions with external market information;

- e) assessing the consistency of the assumptions with the Group's environmental objectives and the impacts related to expected or probable regulatory changes in terms of environment;
- f) assessing the sensitivity scenarios retained by Management by verifying arithmetic accuracy of sensitivity calculations based on WACC, perpetual growth rate and long-term profitability;
- g) reviewing the calculation of the enterprise value performed by Management from Air France-KLM's market capitalization to corroborate the impairment test based on value in use.

We also assessed the appropriateness of the disclosures provided in Notes 2, 17, 19 and 21 to the consolidated financial statements.

Recognition of deferred tax assets of the French tax group (Note 13 to the consolidated financial statements)

Risk identified

Deferred tax assets relating to tax loss carryforwards are only recognized if their recovery is probable.

As of December 31, 2023, a net deferred tax asset amounting to €698 million is recognized in the consolidated balance sheet for the Group. The amount comprises €707 million of deferred tax assets relating to tax loss carryforwards for the French tax consolidation group as presented in Note 13.4 to the consolidated financial statements. These deferred tax assets are recognized based on their likelihood of recovery pursuant to the medium-term budgets and plans prepared by the Group, as well as the reversal of taxable temporary differences available.

As presented in Note 13.1 to the consolidated financial statements, the recovery period for the deferred tax assets of the French tax consolidation group is five years.

As of December 31, 2023, unrecognized deferred tax assets relating to tax loss carryforwards of the French tax consolidation group amounts to €2.9 billion as presented in Note 13.5 to the consolidated financial statements.

We identified deferred tax assets related to French tax loss carryforwards as a key audit matter given their significant amount and the high degree of judgments and estimates made by the Group to assess the validity of the related deferred tax assets recognized.

Our response

Our procedures consisted in assessing the compliance of the Group's methodology with IAS 12 "Income tax" and assessing the likelihood of the Group making future use of the tax loss carryforwards generated to date by the French tax consolidation group, particularly with regards to:

- a) the reversal of deferred tax liabilities coming from taxable temporary differences in the same tax jurisdiction, against which deferred tax assets related to tax loss carryforwards could be offset;
- b) the French tax consolidation group's ability to generate future taxable profits in order to use prior-year tax losses recognized as deferred tax assets.

We assessed the appropriateness of the methodology adopted by the Group to identify existing tax loss carryforwards that will be utilized, either through deferred tax liabilities or future taxable profits.

To determine future taxable profits, we assessed the forecasting process by:

- a) examining the procedure for preparing the latest taxable income forecasts used as a basis for estimates;
- b) verifying tax regulations application and complex tax treatments;
- c) comparing income forecasts for prior years with actual results;
- d) verifying the consistency of the assumptions used by Management to prepare taxable income forecasts with those adopted for non-current assets impairment tests.

We also assessed the appropriateness of the disclosures provided in the Note 13 to the consolidated financial statements.

Revenue recognition for issued but unused passenger tickets (Note 6 to the consolidated financial statements)

Risk identified

Network revenue amounts to €25.7 billion and essentially corresponds to passenger transport services, and to a lesser extent to cargo.

As shown in Note 6 to the consolidated financial statements, the revenue related to passenger transportation is recognized when the transportation service is provided and, consequently, passenger tickets recorded when issued as "Deferred revenue on ticket sales" for a liability amounting to €3.9 billion as at December 31, 2023.

However, a portion of these sales, relating to tickets that have been issued but which will never be used, is recognized as revenue at the theoretical date of the transport, based on a statistical rate regularly updated. These rates are determined by the Air France-KLM Group based on historical data taken from the information systems and adjusted for non – recurring and specific events that could impact passenger behavior.

We considered the recognition of deferred revenue on ticket sales to be a key audit matter due to the importance of the Group judgement in determining the recognition assumptions.

Our response

We assessed the procedures and controls implemented by the Group to determine the statistical rates of "Deferred revenue on ticket sales".

Our procedures primarily consisted in:

- a) assessing the appropriateness of the methodology adopted by the Group;
- b) corroborating the historical databases with the databases used;
- c) verifying the statistical rate calculation;
- d) evaluating and analyzing the impact of the adjustments made for non-recurring and specific events related to the Covid crisis;
- e) analyzing the ageing of deferred revenue on ticket sales presented in liabilities on the consolidated balance sheet to assess the appropriateness of the revenue recognized in the period.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*code de commerce*), is included in the Group's management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation N° 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent in the macro-tagging of the consolidated financial statements in accordance with the European single electronic format, it is possible that the content of certain tags in the notes to the financial statements may not be rendered identically to the consolidated financial statements attached to this report.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Air France-KLM S.A. by the Annual General Meetings held on September 25, 2002 for KPMG S.A. and on May 25, 2022 for PricewaterhouseCoopers Audit.

As at December 31, 2023, KPMG S.A. was in the 22nd year of total uninterrupted engagement and PricewaterhouseCoopers Audit was in the 2nd year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 821-55 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- a) identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- c) evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- d) assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or,

if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- e) evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 821-27 to L. 821-34 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, March 01, 2024

KPMG S.A.

Neuilly-sur-Seine, March 01, 2024

PricewaterhouseCoopers Audit

The statutory auditors

French original signed by

Valérie Besson
Partner

Eric Dupré
Partner

Philippe Vincent
Partner

Amélie Jeudi de Grissac
Partner

5.5 STATUTORY FINANCIAL STATEMENTS

5.5.1 Income statement

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

5.5.2 Balance sheet

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

5.5.3 Notes

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

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

1. Accounting policies and procedures

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

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

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

Value in use of its equity investments

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

The main accounting methods used are the following:

■ Long-term investments

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

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

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

■ Trade receivables

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

■ Provisions

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

■ Marketable securities

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

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

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

■ Foreign currency transactions

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

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

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

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

■ Debts

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

■ Financial instruments

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

■ Dividends received

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

2. Significant events of the period

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

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

The emission is composed of two tranches:

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

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

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

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

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

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

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

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

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

Air France-KLM and Air France

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

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

Air France-KLM reverse share split and share capital reduction

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

These transactions resulted in two steps, without equity impact:

Reverse share split

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

Share capital reduction

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

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

Global employee share purchase plan

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

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

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

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

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

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

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

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

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

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

3. Operating income

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

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

4. External expenses

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

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

5. Compensation of company's corporate officers

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

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

6. Other operating expenses

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

7. Net financial income

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

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

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

8. Non-recurring income (loss)

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

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

9. Income tax

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

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

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

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

10. Long-Term Investments

10.1 Net book value

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

10.2 Equity investments

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

10.3 Loans & receivables related to long-term investment

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

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

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

11. Marketable securities

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

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

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

12. Shareholders' equity

12.1 Distribution of share capital and voting rights

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

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

(1) Stichting Piloten Aandelen Air France-KLM.

The line "Employees and former employees" includes the shares held by employees and former employees identified in the "Fonds Communs de Placement d'Entreprise (FCPE)" (see note 2).

12.2 Statement of changes in shareholders' equity

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

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

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

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

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

13. Financial debt and other equity

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

13.1 Perpetual subordinated loan

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

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

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

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

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

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

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

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

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

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

13.2 Bonds

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

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

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

On March 25, 2019, Air France-KLM issued a bond in the form of a bonds convertible into and/or exchangeable for new or existing shares (OCEANE) of €500 million with a 7-year maturity. The coupon rate is 0.125%. Repayment at par, plus accrued interest, will be possible on March 25, 2024 at the request of the bond holders. Air France-KLM can enforce the cash reimbursement of these bonds by exercising a call option running from April 15, 2022 if the share price exceeds 130% of the nominal, i.e. €23.29, encouraging OCEANE bond holders to convert their bonds into Air France-KLM shares.

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

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

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

13.3 Miscellaneous loans & debts

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

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

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

The main characteristics are as follows:

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

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

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

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

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

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

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

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

14. Maturity of receivables and debt

December 31, 2023

(in € millions)

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

December 31, 2023

(in € millions)

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

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

15. List of subsidiaries and equity investments

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

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

16. Items concerning related companies

As of December 31, 2023

(in € millions)

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

17. Commitments

KLM shares

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

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

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

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

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

Hedges

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

Other

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

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

18. Litigation

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

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

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

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

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

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

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

19. Contingent liabilities

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

Indeed, with respect to some cases the Group is not in a position at this stage in these procedures, to give a reliable estimate of the potential loss that could be incurred in connection with these disputes.

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

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

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

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

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

Litigations on State Aid

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

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

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

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

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

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

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

20. Subsequent events

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

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

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

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

5.6 FIVE-YEAR RESULTS SUMMARY

Year ended 31	December 2023	December 2022	December 2021	December 2020	December 2019
	12 months	12 months	12 months	12 months	12 months
1. SHARE CAPITAL AT YEAR END					
Share capital (in €)	262,769,869	2,570,536,136	642,634,034	428,634,035	428,634,035
Number of ordinary shares outstanding	262,769,869	2,570,536,136	642,634,034	428,634,035	428,634,035
Number of shares with a priority dividend	–	–	–	–	–
Maximum number of shares that may be created:					
■ by bond conversion	24,962,588	249,709,585	27,901,785	27,901,785	27,901,785
■ by exercise of subscription rights	–	–	–	–	–
2. TRANSACTIONS AND RESULTS FOR THE YEAR (in € thousand)					
Net revenues	2,026	2,255	890	–	–
Net income/(loss) before income tax, employee profit-sharing, net depreciation, amortization and provisions	(5,264)	(60,167)	(43,801)	(47,243)	(32,516)
Income tax	(139,836)	(23,113)	(39,155)	1,636	(17,173)
Employee profit-sharing for the year					
Net income/(loss) after income tax, employee profit-sharing, net depreciation, amortization and provisions	129,784	(13,243)	(4,152)	(65,851)	(11,051)
Distributed net income	–	–	–	–	–
3. PER SHARE DATA (in €)					
Net income/(loss) after income tax and employee profit-sharing but before net depreciation, amortization and provisions	0.51	(0.02)	(0.01)	(0.11)	(0.04)
Net income/(loss) after income tax, employee profit-sharing, net depreciation, amortization and provisions	0.49	(0.01)	(0.01)	(0.15)	(0.03)
Dividend per share	–	–	–	–	–
4. EMPLOYEES					
Average number of employees during the year	21.0	12.0	10,3	8,5	3,9
Total payroll costs (in € thousand)	9,009	3,820	4,060	3,518	1,831
Employee welfare contributions and similar charges (Social Security, employee organizations, etc.) (in € thousand)	4,310	2,004	1,990	1,207	636

5.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2023

To the Annual General Meeting of Air France-KLM S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Air France-KLM S.A. for the year ended December 31, 2023.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2023 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors for the period from January 1, 2023 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 821-53 and R.821-180 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of equity investments and related receivables (Notes 1, 10 and 15 to the financial statements)

Risk identified

As at December 31, 2023, equity investment and related receivables amounts to a net value of €9.8 billion out of total assets of €12.3 billion. Equity investments are recorded at their acquisition cost net of any impairment, based on their fair value taking into account their share of shareholders' equity, profitability outlook and reference stock market values.

The fair value estimate of these investments in subsidiaries requires Management to exercise judgment in its choice of items considered according to the nature of the investments concerned. Such items may correspond to historical items (shareholders' equity) or forecast items (cash flows and profitability outlook) particularly sensitive given the current context which has uncertainty due to the geopolitical and economic environment and the increasing impact of ESG considerations.

We considered the determination of the fair value of equity investment and related receivables to be a key audit matter in light of their significant amount and of the high degree of judgment and estimates required by Management to determine their recoverable value.

Our response

To assess the reasonableness of estimated fair values of equity investments, based on the information communicated to us, our procedures mainly consisted in verifying that the estimate of the values determined by Management were based on an appropriate justification of the valuation method and figures used, and according to the investments concerned:

- a) For valuations based on historical items: verifying that the shareholders' equity used is consistent with the financial statements of the entities audited or subjected to analytical procedures and that any equity adjustments have been appropriately documented; and

b) For valuations based on forecast items:

- obtaining the profitability outlook based on discounted cash flows for the entities concerned,
- assessing the consistency of the assumptions adopted with the economic environment on the reporting dates,
- comparing the forecasts adopted for prior periods with actual outcomes in order to assess the extent of achievement of past objectives,
- verifying that the value resulting from cash flow forecasts was adjusted for the debt of the entity considered, and
- verifying the arithmetical accuracy of the computed recoverable values.

In addition to assessing the realizable value of equity investments, our work also consisted in assessing the recoverability of the related receivables based on analyses of the equity investments.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given [in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (*Code de commerce*).

Information relating to corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-4, L22-10-10 and L. 22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*code de commerce*) relating to remunerations and benefits received by or awarded to the directors and any other commitments made in their favour, we have verified the consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlled companies included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Format of presentation of the financial statements intended to be included in the Annual Financial Report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Air France-KLM S.A. by the Annual General Meetings held on September 25, 2002 for KPMG S.A. and on May 25, 2022 for PricewaterhouseCoopers Audit.

As at December 31, 2023, KPMG S.A. was in the 22nd year of total uninterrupted engagement and PricewaterhouseCoopers Audit was in the 2nd year.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 821-55 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- a) identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- c) evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- d) assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- e) evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 821-27 to L. 821-34 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors

French original signed by

Paris La Défense, March 01, 2024

KPMG S.A.

Neuilly-sur-Seine, March 01, 2024

PricewaterhouseCoopers Audit

Valérie Besson
Partner

Eric Dupré
Partner

Philippe Vincent
Partner

Amélie Jeudi de Grissac
Partner

5.8 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

This is a free translation into English of the Statutory Auditors' special report on related party agreements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Annual General Shareholders' Meeting for the approval of the financial statements for the year ended December 31, 2023

In our capacity as Statutory Auditors of Air France-KLM S.A. (hereinafter the "Company"), we hereby report to you on related party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R. 225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R. 225-31 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the Annual General Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements to be submitted for the approval of the Annual General Shareholders' Meeting

Agreements authorized and entered into during the year

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following agreements entered into during the year and authorized in advance by the Board of Directors during the year.

Repurchases of a fraction of the Undated Deeply Subordinated Notes and subscription to new Undated Deeply Subordinated Notes for a total amount of €727,800,000

Persons concerned

- The French State, a shareholder owning more than 10% of voting rights;
- Mr. Pascal Bouchiat and Mr. Jean-Dominique Comolli, both members of the Board of Directors of the Company, appointed by the Annual General Shareholders' Meeting as proposed by the French State;
- Ms. Stéphanie Besnier, director representing the French State appointed by ministerial order until her resignation on March 15, 2023;
- Ms. May Gicquel, director representing the French State appointed by ministerial order on March 15, 2023, replacing Mrs. Stéphanie Besnier, until her resignation on October 9, 2023;
- Ms. Céline Fornaro, director representing the French State appointed by ministerial order on October 9, 2023, replacing Ms. May Gicquel.

Nature, purpose and conditions

As part of the Group's recapitalization plan announced on April 6, 2021, Air France-KLM entered into a subscription agreement on April 20, 2021 relating to the issue by the Company and the subscription by the French Republic of undated deeply subordinated notes in the total amount of €3 billion composed of three €1 billion tranches redeemable, respectively, in April 2025 (the "NR4 Deeply Subordinated Notes"), April 2026 (the "NR5 Deeply Subordinated Notes") and April 2027 (the "NR6 Deeply Subordinated Notes") (together the "Deeply Subordinated Notes"). Following the various repurchases and redemptions realized in 2022, only the NR6 Deeply Subordinated Notes remained outstanding, representing a principal amount of €595,000,000, i.e. 5,950 NR6 Deeply Subordinated Notes whose repurchase was carried out in full on March 17, 2023 and April 19, 2023.

The recapitalization aid also included the subscription by the French State, simultaneously with the subscription to the Undated Deeply Subordinated Notes, to €593 million in shares as part of the Company's capital increase of approximately €1.04 billion in April 2021 (the "State Shares 2021" and, with the TSS French State, the "Recapitalization").

As a result of this objective of full repayment of the Recapitalization aid, in two stages on March 17, 2023 and April 19, 2023, the Company repurchased the NR6 Undated Deeply Subordinated Notes remaining in circulation. These repurchases were carried out subject to the subscription by the French State of new Deeply Subordinated Notes in the amount of €320,400,000 on March 17, 2023 (the "Subordinated Notes March 2023") and €407,400,000 on April 19, 2023 (the "Subordinated Notes April 2023" and, together with the Subordinated Notes March 2023, the "Subordinated Notes 2023") (it being specified that the Subordinated Notes April 2023 will be assimilated to the Subordinated Notes March 2023 from March 17, 2024).

As part of the repurchase of these Undated Deeply Subordinated Notes and the issue of the Subordinated Notes 2023, the Company entered into the following agreements with the French State, which held 28.6% of the Company's share capital at the date of conclusion of these agreements:

- on March 17, 2023, the repurchase offer by the Company for 3,000 NR6 Deeply Subordinated Notes and the corresponding interest for an amount of €320,404,110 and (ii) the subscription agreement for the issue of 3,204 Subordinated Notes March 2023 for an amount of €320,400,000 by the Company and subscribed in full by the French State; and
- on April 19, 2023, (i) the repurchase offer by the Company for 2,950 NR6 Deeply Subordinated Notes and the corresponding interest for an amount of €317,064,377.50, together with the payment of a sum of €90,354,401.01 relating to the application of Article 64ter of the Temporary Framework, as set out below, to remunerate the French Republic following the aid granted within the framework of its purchase of an equity interest during the capital increase of April 2021 (the "Exit Amount") and (ii) the subscription agreement for the issue of 4,074 Subordinated Notes April 2023 in the amount of €407,400,000 by the Company and subscribed in full by the French State (the "Regulated Agreements").

Reasons why the agreement is beneficial for the Company

Within the context of the recovery in airline industry activity, at levels close to those of prior to the Covid crisis, the Company considered that it was now vital to proceed with the effective and full redemption of the Recapitalization aid.

The repurchases were therefore concluded to allow the Company to redeem in full the Undated Deeply Subordinated Notes issued by the Company on April 20, 2021, for a total amount of €3 billion and fully subscribed by the French State by way of set-off on claims held by the French State against the Company pursuant to the shareholder's current account agreement dated May 6, 2020, entered into between the French State and the Company. The repurchase offer concluded on April 19, 2023 was further increased by the Exit Amount due by the Company to the French State in accordance with the rules provided for in the Temporary Framework and the decision to grant Covid aid (Decision SA.59913).

The repurchases were carried out subject to the subscription by the French State to the Super Subordinated Notes 2023 corresponding to the amounts provided for in the repurchase offers, i.e. a total of around €727,800,000. This subscription was carried out following approval by the European Commission, on February 16, 2023, of a compensation aid from the French State without any bans for the benefit of Air France-KLM and Air France.

No Undated Deeply Subordinated Notes have been outstanding since April 19, 2023.

Amendment to the subscription agreement entered into on May 22, 2022 between Air France-KLM and CMA CGM

Persons concerned

- CMA CGM, a shareholder of the Company with 8.0% of the voting rights; and
- Mr. Rodolphe Saadé, director appointed by the Annual General Shareholders' Meeting of the Company on May 24, 2022 as proposed by CMA CGM.

Nature, purpose and conditions

On May 22, 2022, Air France-KLM (the "Company") entered into a subscription agreement in the context of the conclusion of a long-term strategic partnership in air freight with the company CMA CGM, a shareholder of the Company with 9% of its share capital (the "Subscription Agreement").

In effect, in February 2023, Mr. Rodolphe Saadé, a Board director of the Company, had announced his intention to be replaced as a Board director by the company CMA CGM. On April 19, 2023, the Company concluded an amendment to the Subscription Agreement.

Consequently, on April 19, 2023, the Company's Board of Directors authorized the signature by the Company of an Amendment to the Subscription Agreement allowing the nomination by CMA CGM of a legal person.

The other provisions of the Subscription Agreement remain unchanged.

Reasons why the agreement is beneficial for the Company

The objective of the conclusion of the amendment to the Subscription Agreement was to ensure the continuity of the cooperation between Air France-KLM and CMA CGM by ensuring the possibility for CMA CGM to be represented within the Company's Board of Directors by a natural or a legal person.

Apart from the impact on the composition of the Company's Board of Directors, this amendment has no other impact on the Company's business and the long-term strategic partnership in air freight with the company CMA CGM.

Termination of the financial settlement waiver agreement relating to the joint-venture agreement with China Eastern Airlines Co. Ltd.

Persons concerned

- China Eastern Airlines Co Ltd. ("China Eastern Airlines"), a shareholder with 6.3% of the voting rights; and
- Mr. Jian Wang, director appointed by the Annual General Shareholders' Meeting, as proposed by China Eastern Airlines.

Nature, purpose and conditions

On December 4, 2020, the Air France-KLM Board of Directors authorized the suspension of the financial mechanism relating to the "settlement" (financial mechanism designed to distribute the income generated by the joint-venture) set forth in the joint-venture agreement entered into with China Eastern Airlines Co. Ltd. on November 26, 2018 (the "JV Agreement"), effective February 1, 2020.

With the reopening of the Chinese borders in early 2023, the company initiated discussions with China Eastern Airlines Co. Ltd, aimed at reactivating the financial mechanism provided in the initial JV Agreement.

The parties then entered into an agreement providing for the reactivation of the financial settlement mechanism as set forth in the JV Agreement as from July 1, 2023 until December 31, 2023 (inclusive), but with a decrease in the settlement cap of the JV's total revenues so as to limit the financial risk for the parties given the uncertainty still overhanging the recovery dynamic.

Reasons why the agreement is beneficial for the Company

The signature of the Agreement will enable the financial mechanism provided for in the initial JV Agreement to again be applied, thereby enabling the renewed coordination and cooperation with China Eastern Airlines Co. Ltd.

Conclusion of an Investment Agreement between Air France-KLM, Air France, KLM, BlueTeam VII, AP Fides Holdings I LLC and AP Fides Holdings II LLC

Persons concerned

- Ms. Anne-Marie Couderc, chairman of the Board of directors of both the Company and Société Air France;
- Mr. Benjamin Smith, Chief Executive Officer of the Company and director of the Company, Air France and KLM;
- Mr. Cees 't Hart, directors of both the Company and KLM.

Nature, purpose and conditions

On October 26, 2023, Air France-KLM entered into an investment agreement (the "Investment Agreement") with Air France, KLM, BlueTeam VII ("Newco"), AP Fides Holdings I LLC (the "Bond Investor") and AP Fides Holdings II LLC (the "Share Investor"), setting forth the terms and conditions of the proposed financing transaction for up to €1.5 billion raised by Newco, to which will be transferred certain assets of the Flying Blue loyalty program relating to the Miles-issuing business on an exclusive basis with the program's third-party partners ("Project Fides" or the "Transaction").

On July 27, 2023, the Board of Directors authorized the entry into exclusive discussions with Apollo Capital Management, L.P. to negotiate and finalize the transaction documents relating to Project Fides.

The Investment Agreement sets forth the terms and conditions of the Transaction, and notably:

- i. the investment on the date of completion of the Transaction (the "Closing") of €1,492,800,000 by the Bond Investor through the subscription of deeply subordinated notes issued by Newco (the "Bonds"), qualifying as equity under IFRS, thereby reinforcing the Air France-KLM group's balance sheet, it being specified that the Bond Investor's firm commitment will be to subscribe to bonds for €1,292,800,000 and that, in excess of this nominal amount, the Bond Investor will benefit from the right to substitute the Company for the subscription of Bonds up to a maximum amount of €200,000,000;
- ii. the investment on the Closing date of €7,200,000 by the Share Investor through the subscription of preferred shares issued by Newco, representing around 2% of the share capital and voting rights of Newco;
- iii. the subscription by the Company, at the Closing date, in cash to a share capital increase by Newco for an amount of €355,490,000; and
- iv. the conditions precedent to the realization of the Transaction, it being specified that the agreed forms of all the contractual documents to be entered into at the Closing are attached to the Investment Agreement.

Reasons why the agreement is beneficial for the Company

This Transaction is an essential part of the recapitalization measures announced on publication of the Company's 2022 annual results. Subject to the fulfillment of the conditions precedent to the Transaction, the Investment Agreement enables:

- i. a competitive financing operation with a positive impact on the Company and the Group, contributing to the equity-restoration objectives. This additional tool enables the Company to optimize its sources of liquidity financing; and
- ii. the implementation of a structure to accelerate the development of the Flying Blue business, including the sale of Miles, while remaining compatible with the Company's and the Group's European consolidation strategy.

Conclusion of a Shareholders' Agreement relating to Flying Blue Miles, between Air France-KLM, Air France, KLM, AP Fides Holdings I LLC and AP Fides Holdings II LLC, in the presence of Flying Blue Miles

Persons concerned

- Ms. Anne-Marie Couderc, chairman of the Board of directors of both the Company and Société Air France;
- Mr. Benjamin Smith, Chief Executive Officer of the Company and director of the Company, Air France and KLM;
- Mr. Cees 't Hart, directors of both the Company and KLM.

Nature, purpose and conditions

On November 30 2023, Air France-KLM ("AFKLM") entered into, with Air France, KLM, AP Fides Holdings I LLC (the "Bond Investor") and AP Fides Holdings II LLC (the "Share Investor"), in the presence of Flying Blue Miles S.A.S. (formerly known as BlueTeam VII), a société par actions simplifiée (simplified joint stock company) incorporated under French Law, with its registered office located at 45, rue de Paris, 95747 Roissy Charles-de-Gaulle Cedex 93290 Tremblay-en-France, and registered with the Bobigny Trade and Companies Registry under number 921,540,258 ("Flying Blue Miles"), a shareholders' agreement (the "Shareholders' Agreement") in the context of the financing of €1.5 billion raised by Flying Blue Miles, to which have been transferred certain assets of the Flying Blue loyalty program relating to the Miles-issuing business on an exclusive basis with the program's third-party partners (the "Transaction").

It is recalled that (i) on July 27, 2023, the Board of Directors authorized the entry into exclusive discussions with Apollo Capital Management, L.P. to negotiate and finalize the transaction documents relating to the Transaction and (ii) on October 26, 2023, the Board of Directors approved the signature of a definitive agreement on the Transaction and the corresponding contractual documentation, including the signature of the Shareholders' Agreement.

The Shareholders' Agreement defines the terms and conditions, inter alia, of the governance of Flying Blue Miles, the covenants of Air France-KLM as majority shareholder of Flying Blue Miles, certain covenants of Air France and KLM, the rights attached to the preferred shares issued by Flying Blue Miles and subscribed by the Share Investor, the terms and conditions of AFKLM's call option on the preferred shares held by the Share Investor in Flying Blue Miles, and the Share Investor's contractual remedies in the event of a breach by Air France-KLM, Air France and/or KLM of certain material obligations under the agreements (including, in this case, (i) the right of the Share Investor to appoint the President of Flying Blue Miles and of the SPVs, and to terminate the operational agreements relating to the Transaction, and (ii) the right of Flying Blue Miles to claim for liquidated damages for a total amount of €1.5 billion upon such termination).

The Shareholders' Agreement also includes specific provisions whereby:

- i. AFKLM shall be jointly and severally liable with Air France and KLM with respect to the payment of any liquidated damages owed, as the case may be, by them in the event of a breach of their material obligations, to Flying Blue Miles for the total amount of €1.5 billion;
- ii. Air France-KLM shall procure that neither Air France nor KLM shall take any action that would result in a breach of their material covenants in the Shareholders' Agreement; and

- iii. AFKLM shall indemnify Flying Blue Miles for any liability it may incur, if applicable, in respect of the processing of personal data in accordance with the Joint Controller Agreement, an agreement entered into on November 30, 2023 between Air France, KLM and Flying Blue Miles, the purpose of which is to set out the respective rights, obligations and liabilities of Air France, KLM and Flying Blue Miles as joint controllers in respect of the processing of personal data within the framework of Flying Blue.

Reasons why the agreement is beneficial for the Company

The Shareholders' Agreement is an essential component of the Transaction. The latter is an essential part of the recapitalization measures announced on publication of Air France-KLM's 2022 annual results and enables:

- i. a competitive financing operation with a positive impact on Air France-KLM and the Group, contributing to the equity-restoration objectives. This additional tool enables the Company to optimize its sources of financing; and
- ii. the implementation of a structure to accelerate the development of the Flying Blue business, including the sale of Miles, while remaining compatible with Air France-KLM's and the Group's European consolidation strategy.

Agreements authorized and entered into since the year-end

We were informed of the following agreements entered into since the year-end, and authorized in advance by the Board of Directors during the year.

Conclusion of a Term Sheet between Air France-KLM, Air France, KLM, CMA CGM, CMA CGM Air Cargo and CMA CGM Air Cargo 9

Persons concerned

- Ms. Anne-Marie Couderc, chairman of the Board of directors of both the Company and Société Air France;
- Mr. Benjamin Smith, Chief Executive Officer of the Company and director of the Company, Air France and KLM;
- Mr. Cees 't Hart, directors of both the Company and KLM;
- CMA CGM, a shareholder of the Company with 8.0% of the voting rights; and
- Mr. Ramon Fernandez, permanent representative GMA CGM, co-opted as director on April 19, 2023 by the Board and whose co-optation was ratified by the Shareholders' Meeting of June 7, 2023.

Nature, purpose and conditions

On January 15, 2024, the Company entered into a term sheet called White Cargo – Term Sheet (“the Term Sheet”) with Air France, KLM, CMA CGM, CMA CGM Air Cargo (“CCAC”) and CMA CGM Air Cargo 9 (“CCAC 9”) and, together with the Company, Air France, KLM, CMA CGM and CCAC (the “Parties”), providing for the terms and conditions of the termination of the commercial cooperation between the entities of the Air France-KLM group and the entities of the CMA CGM Group concerning their air freight activities, effective March 30, 2024. The Term Sheet provides notably for the termination of the commercial cooperation agreement entered into on December 9, 2022 between the Parties (the “Cooperation Agreement”) and the ancillary agreements relating to their cooperation in the air freight sector (the “Ancillary Agreements”).

The Term Sheet provides for the terms and conditions of the termination of the Cooperation Agreement and the Ancillary Agreements and notably:

- i. the termination of the Cooperation Agreement, effective March 30, 2024;
- ii. the termination of the dry and wet lease agreements, effective January 16, 2024;
- iii. the termination of the Ancillary Agreements, effective March 30, 2024;
- iv. the payment of the various amounts due by each of the Parties to the other under all the agreements relating to the cooperation in the air freight activities (with the exception of certain operational costs) resulting in a global final payment by the Company to CMA CGM of €20,000,000;
- v. the waiver by the Parties of any recourse against each other in respect of the commercial cooperation in the air freight activities; and
- vi. the terms and conditions of the transition period commencing on January 16, 2024 (inclusive) and ending with the termination of the commercial cooperation, effective March 30, 2024 (inclusive).

Reasons why the agreement is beneficial for the Company

The signature of the Term Sheet enables the Company to terminate, by mutual agreement with CMA CGM, their commercial cooperation in the air freight sector, which had been unable to function optimally given the tight regulatory environment in certain important markets, while clarifying the terms and conditions of the transition period commencing on January 16, 2024 (inclusive) and ending with the termination of the commercial cooperation effective March 30, 2024, and the settlement of the various financial flows under this cooperation.

Amendment to the Subscription Agreement entered into on May 22, 2022 between Air France-KLM and CMA CGM

Persons concerned

- CMA CGM, a shareholder of the Company with 8.0% of the voting rights; and

- Mr. Ramon Fernandez, permanent representative GMA CGM, co-opted as director on April 19, 2023 by the Board and whose co-optation was ratified by the Shareholders' Meeting of June 7, 2023.

Nature, purpose and conditions

On May 22, 2022, Air France-KLM entered into a subscription agreement in the context of a long-term strategic partnership in air freight with the company CMA CGM, a shareholder of the Company with 9% of its share capital (as modified by the Amendments of November 28, 2022 and April 19, 2023, the “Subscription Agreement”).

On January 15, 2024, and as outlined in Section I above, the Company entered into a term sheet (“White Cargo – Term Sheet”) with Air France, KLM, CMA CGM, CMA CGM Air Cargo and CMA CGM Air Cargo 9, setting forth the terms and conditions for the termination of the commercial cooperation agreement entered into on December 9, 2022 and the ancillary agreements relating to their air freight activities effective March 30, 2024.

In the context of the termination of the commercial cooperation, on January 15, 2024, the parties also agreed on an Amendment to the Subscription Agreement which henceforth that CMA CGM's lock-up undertaking to retain all the shares in the Company subscribed by CMA CGM in the rights issue by the Company announced on May 24, 2022, initially due to expire upon termination of the commercial cooperation agreement or on June 15, 2025 (in the case of all the Company's shares subscribed by CMA CGM in the rights issue and on June 15, 2028 in the case of 50% of such shares), will be modified and will expire on February 28, 2025, and will no longer be conditional on the existence of the commercial cooperation agreement between the Company and CMA CGM.

Furthermore, the Amendment to the Subscription Agreement provides that CMA CGM will no longer have a representative on the Company's Board of Directors from March 31, 2024 under the Subscription Agreement as amended by the Amendment to the Subscription Agreement.

The Amendment to the Subscription Agreement will however not change the standstill commitment provided for under the Subscription Agreement, which thus continues to apply.

Reasons why the agreement is beneficial for the Company

Apart from the impact on the composition of the Company's Board of Directors, the conclusion of the Amendment to the Subscription Agreement enables the continuity, until February 28, 2025, of CMA CGM's lock-up undertaking on the Company's shares subscribed by CMA CGM in the rights issue announced by the Company on May 24, 2022.

Agreements already approved by the Annual General Shareholders' Meeting

Agreements approved in previous years that continued to be implemented during the year

In accordance with Article R. 225-30 of the French Commercial Code, we were informed of the following agreements, approved by the Annual General Shareholders' Meeting in previous years, which continued to be implemented during the year.

Subscription agreement for the issue of Undated Deeply Subordinated Notes entered into on April 20, 2021

Persons concerned

- The French State, a shareholder owning more than 10% of voting rights;
- Mr. Pascal Bouchiat and Mr. Jean-Dominique Comolli, both members of the Board of Directors of the Company, appointed by the Annual General Shareholders' Meeting as proposed by the French State;
- Ms. Stéphanie Besnier, director representing the French State appointed by ministerial order until her resignation on March 15, 2023;
- Ms. May Gicquel, director representing the French State appointed by ministerial order on March 15, 2023, replacing Mrs. Stéphanie Besnier, until her resignation on October 9, 2023;
- Ms. Céline Fornaro, director representing the French State appointed by ministerial order on October 9, 2023, replacing Ms. May Gicquel.

Nature, purpose and conditions

As indicated in the "Repurchases of a fraction of the Undated Deeply Subordinated Notes and subscription to new Undated Deeply Subordinated Notes for a total amount of €727,800,000" agreement above, on April 20, 2021 as part of the Group's recapitalization plan announced on April 6, 2021, Air France-KLM entered into a subscription agreement with the French State relating to the issue by the Company and the subscription by the French Republic of/to undated deeply subordinated notes (qualifying as equity under IFRS in the Company's consolidated financial statements) in the total amount of €3 billion.

This agreement remained in force during the 2023 financial year and gave rise to the partial Repurchases outlined in the above agreement "Repurchases of a fraction of the Undated Deeply Subordinated Notes and subscription to new Undated Deeply Subordinated Notes for a total amount of €727,800,000".

Conclusion of a commercial Cooperation Agreement between Air France-KLM, Air France, KLM, CMA CGM Air Cargo and CMA CGM

Persons concerned

- CMA CGM, a shareholder of the Company with 8.0% of the voting rights; and
- Mr. Rodolphe Saadé, director appointed by the Annual General Shareholders' Meeting of the Company on May 24, 2022 as proposed by CMA CGM;
- Mr. Ramon Fernandez, permanent representative GMA CGM, co-opted as director on April 19, 2023 by the Board and whose co-optation was ratified by the Shareholders' Meeting of June 7, 2023.

Nature, purpose and conditions

On December 9, 2022, the Company entered into a commercial cooperation agreement in air freight (the "Cooperation Agreement") with Air France, KLM, CMA CGM Air Cargo and CMA CGM, a shareholder in the Company with 9% of its share capital.

On May 17, 2022, the Company's Board of Directors approved the main terms and conditions of the Cooperation Agreement, together with the investment of CMA CGM in the share capital of the Company through a capital increase realized by the Company on June 14, 2022 (the "Investment").

The Cooperation Agreement covers cargo capacities in the air freight sector and will allow the Air France-KLM and CMA CGM Groups to pool their cargo networks, all-cargo capacity and dedicated services, and to jointly market their air freight capacities.

The Cooperation Agreement is established for an initial term of ten years from its entry into force on fulfillment of the customary conditions precedent for this type of operation. The commercial cooperation started in the 2023 second quarter.

The Cooperation Agreement is a commercial agreement whose costs and benefits for the Company are not quantifiable at this stage.

As outline above in the agreements "Conclusion of a Term Sheet between Air France-KLM, Air France, KLM, CMA CGM, CMA CGM Air Cargo and CMA CGM Air Cargo 9" and "Amendment to the Subscription Agreement entered into on May 22, 2022 between Air France-KLM and CMA CGM", on January 15, 2024, the parties entered into an agreement known as the "White Cargo – Term Sheet", setting forth the terms and conditions for the termination of the Cooperation Agreement, effective March 30, 2024, and an Amendment to the Subscription Agreement.

Expansion of the cooperation agreement entered into between the Company, Air France, KLM and China Eastern Airlines

Persons concerned

- China Eastern Airlines Co Ltd. ("China Eastern Airlines"), a shareholder with 6.3% of the voting rights; and
- Mr. Jian Wang, director appointed by the Annual General Shareholders' Meeting, as proposed by China Eastern Airlines.

Nature, purpose and conditions

In the context of the Group's recapitalization plan announced on April 6, 2021, on June 23, 2021 Air France-KLM entered into an agreement with China Eastern Airlines to accelerate their efforts to deepen and broaden the existing and future cooperation, and further strengthen their partnership for transportation services between China and Europe (the "CEA Commercial Agreement").

The CEA Commercial Agreement sets out the ambitions for the expansion of the cooperation between China Eastern Airlines, Air France-KLM, Société Air France and KLM. The parties intend to intensify their commercial cooperation (exclusive joint-venture partnership from January 1, 2022 for passenger air transportation between Europe and China (improved code share offer, closer alignment of fares and sales policy, etc.) and extend cooperation.

In particular, the parties in the CEA Commercial Agreement undertook to:

- add the Paris-Beijing and Amsterdam-Beijing routes to the CEA Commercial Agreement, upon satisfaction of the agreed conditions;
- accelerate their efforts to deepen the existing cooperation on business, operational, marketing and innovation policies, including through staff exchanges;
- explore new opportunities for cooperation in the area of passenger transportation in particular in the domains of competition rules, alliances and technologies;
- explore synergies in areas such as ground services, catering, maintenance and non-aviation-related areas such as tourism, hotels and car rental; and

- strengthen the strategic coordination between the parties within the SkyTeam alliance and IATA.

State Guaranteed Loan (*Prêt Garanti par l'État – PGE*), as amended on December 10, 2021

Persons concerned

- The French State, a shareholder owning more than 10% of voting rights;
- Mr. Pascal Bouchiat and Mr. Jean-Dominique Comolli, both members of the Board of Directors of the Company, appointed by the Annual General Shareholders' Meeting as proposed by the French State;
- Ms. Stéphanie Besnier, director representing the French State appointed by ministerial order until her resignation on March 15, 2023;
- Ms. May Gicquel, director representing the French State appointed by ministerial order on March 15, 2023, replacing Mrs. Stéphanie Besnier, until her resignation on October 9, 2023;
- Ms. Céline Fornaro, director representing the French State appointed by ministerial order on October 9, 2023, replacing Ms. May Gicquel.

Nature, purpose and conditions

To address the impacts of the crisis linked to the Covid-19 pandemic on the cash level of the Air France-KLM group, on May 6, 2020 Air France-KLM secured a €4 billion loan from a consortium of banks, up to 90% guaranteed by the French State (the "State Guaranteed Loan"), which held 14.3% of the Company's share capital at the time of the conclusion of the agreement.

To smooth the State Guaranteed Loan's redemption profile beyond its 2023 maturity and thus balance the Group's consolidated debt maturity schedule, on December 10, 2021, the Company agreed with the bank consortium and the French State an amendment to the State Guaranteed Loan (the "Amendment").

The State Guaranteed Loan, subject to the decree of May 7, 2020 and in application of Article 6 of the Finance Amendment Act No. 2020-289 of March 23, 2020, granted a guarantee from the French State to the banks for 90% of the State Guaranteed Loan.

The Amendment modified the following stipulations of the State Guaranteed Loan as follows:

- the final maturity date of the State Guaranteed Loan was extended by two additional years, i.e. to May 6, 2025;
- the State Guaranteed Loan had to be repaid by amortization based on the following schedule:
 - €500 million on the signature date of the Amendment,
 - €800 million on May 6, 2021,
 - €1.35 billion on May 6, 2024,
 - €1.35 billion on May 6, 2025;
- the rate of interest has been set as follows: 3-month Euribor (with a floor at zero) with an annual margin of between 0.75% and 2.75%, it being specified that this margin had to be applied according to the following schedule: 1.50% from May 6, 2021 (inclusive) until May 6, 2022 (exclusive) and 2.75% from May 6, 2022;
- the guaranteed fee had to be applied according to the following schedule: 1.0% from May 6, 2021 (inclusive) until May 6, 2023 (exclusive) and 2.0% from May 6, 2023. Until May 6, 2023 (exclusive), calculated based on the initial amount of €4 billion, the calculation basis being reduced by the scheduled repayments mentioned above.

Mandatory prepayment clauses ("Mandatory Prepayments") were provided for in the contract, in particular in the event of debt issues resulting from capital market transactions in the bond market, up to a limit of 75% of the amounts raised, excluding hybrid instruments, convertible bonds or quasi-equity repayments to be made under bonds and convertible lines existing on the signature date of the Amendment and with maturity dates falling during the term of the extended State Guaranteed Loan.

A first early redemption of the PGE occurred on November 7, 2022 for one billion euros, and the PGE was subsequently fully repaid on March 15, 2023 for the amount of 2.5 billion euros.

Framework Agreement between the Company, KLM and the Dutch State

Persons concerned

- The Dutch State, shareholder owning more than 10% of the voting rights;

- Mr. Dirk van den Berg, director appointed by the Annual General Shareholders' Meeting as proposed by the Dutch State; and
- Mr. Cees 't Hart and Mr. Benjamin Smith, directors of both the Company and KLM.

Nature, purpose and conditions

On August 7, 2020, within the framework of the financial support package granted by the Dutch State to KLM, a subsidiary of Air France-KLM, Air France-KLM entered into a Framework Agreement with KLM and the Dutch State, a shareholder in the Company with 14% of its share capital, to enable KLM to meet its urgent need for liquidity following the crisis linked to the Covid-19 pandemic and prepare for the future.

This financial support package, approved on June 25, 2020 by the Company's Board of Directors in the total amount of €3.4 billion, was structured as follows:

- a revolving credit facility in the amount of €2.4 billion, granted to KLM by eleven banks and up to 90% guaranteed by the Dutch State; and
- a direct loan in the amount of €1 billion, granted by the Dutch State to KLM, with subordination to the revolving credit facility.

Several conditions were associated with the granting of these loans, including respect by the company of the commitments on sustainability and the restored performance and competitiveness of KLM, including a comprehensive restructuring plan and a contribution made by employees. KLM also undertook to suspend dividend payments to its shareholders until such time as these two loans had been repaid in full.

During the 2022 first half, KLM repaid amounts made available with the framework of the revolving credit line (€665 million) and the subordinated loan (€277 million), without however terminating the framework agreement.

KLM also cancelled the revolving credit facility guaranteed by the Dutch State and the direct loan granted by the Dutch State.

Following this cancellation, the conditions attached to this aid were no longer applicable.

The framework agreement remains however applicable mostly as concerns the stipulations relating to the assurances given to the Dutch State which provide, in particular, for the extension from nine months to five years of the notice period to terminate these assurances.

Adjustment to the financial conditions of the joint-ventures entered into with firstly (i) Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd. (the “Blue Skies” partnership contract, and secondly (ii) China Eastern Airlines Co.Ltd. (the “Air France-China Eastern Airlines Joint-Venture Agreement”) (together the “Joint-Venture Agreements) in the context of the Covid-19 crisis

Persons concerned

- Delta Air Lines Inc. ("Delta"), a shareholder with 3.8% of the voting rights and a director of the Company, represented by Alain Bellemare;
- China Eastern Airlines Co Ltd. ("China Eastern Airlines"), a shareholder with 6.3% of the voting rights; and
- Mr. Jian Wang, director appointed by the Annual General Shareholders' Meeting, as proposed by China Eastern Airlines.

Nature, purpose and conditions

On December 4, 2020, pursuant to Article L. 225-38 of the Code de Commerce, the Air France-KLM Board of Directors had authorized the adjustment of the financial provisions relating to the financial settlement mechanism (to share the revenues and costs generated by the joint-venture) in the Blue Skies joint-venture agreement (entered into with Delta Air Lines, Inc. and Virgin Atlantic Airways Ltd. on May 15, 2018 and amended in October 2019), for the calendar year 2020. In this respect, each party waived all rights it may have with respect to the amounts due to it under the Blue Skies joint-venture agreement for the calendar year 2020, and agreed to waive them permanently.

By mutual agreement between the parties, the term of this waiver was extended to the 2021 and 2022 financial years owing to the duration of the impact of the Covid-19 virus on the operations of the Blue Skies joint-venture.

On December 21, 2023, an agreement was concluded between the parties providing for new settlement caps to be applicable solely in respect of the 2023 calendar year.

On December 4, 2020, in accordance with Article L. 225-38 of the Code de Commerce, the Air France-KLM Board of Directors had also authorized the suspension of the settlement mechanism aimed at sharing the revenues generated by the joint-venture provided for in the Air France-KLM-China Eastern Airlines joint-venture agreement. In this context the parties waived all payment in respect of the joint-venture agreement as of February 1, 2020 and for a period to be mutually agreed between the

parties depending on the duration of the impacts of the Covid-19 epidemic on the joint-venture.

The parties to the Air France-China Eastern Airlines Joint-Venture entered into an agreement, effective as of July 1, 2023, terminating the waiving by the parties of all payments in respect of the Air France-China Eastern Airlines joint-venture agreement (decided in 2020) and providing for a new transitional settlement cap and applicable solely for the period from July 1, 2023 until December 31, 2023.

In December 2023, the parties extended the term of the Air France-China Eastern Airlines Joint-Venture Agreement, that had been due to expire on December 31, 2023, to enable the parties to pursue their cooperation while actively negotiating the terms of a new joint-venture agreement in 2024.

Given the adjustment to the financial settlement mechanism provided in the joint-venture agreements, there has been no need to calculate the impact that would have resulted from the application of these provisions.

Transatlantic partnership between the Company, Delta Air Lines Inc. and Virgin Atlantic Airways Ltd.

Persons concerned

- Delta Air Lines Inc. ("Delta"), a shareholder with 3.8% of the voting rights and a director of the Company, represented by Mr. Alain Bellemare.

Nature, purpose and conditions

On October 30, 2019, the Board of Directors mandated the Air France-KLM management to finalize the discussions and negotiate amendments to the agreements authorized during the Board meetings of March 14 and May 15, 2018 (see section 2.7.4 “Partnerships with Air France-KLM”), so as not to proceed with the planned acquisition by Air France-KLM of a 31% equity interest in Virgin Atlantic Limited as initially provided in that this impacts the position of Air France-KLM in the commercial joint-venture between Delta, Virgin Atlantic and Air France-KLM.

As a result, the agreements entered into on March 14 and May 15, 2018 were amended and an agreement was signed between Air France-KLM, Delta and Virgin Group (signed and effective as of January 30, 2020) granting Air France-KLM, subject to specific conditions, a right to acquire shares in Virgin Atlantic Limited in the event of a sale by Virgin Group of shares in Virgin Atlantic Limited to a third party.

Commitments relating to severance pay for Mr. Benjamin Smith, Chief Executive Officer of the Company

Persons concerned

- Mr. Benjamin Smith, Chief Executive Officer of the Company.

Nature, purpose and conditions

On August 16, 2018, pursuant to the provisions of the former Article L. 225-42-1 of the Code de Commerce (repealed by Ordinance No.2019-1234 of November 27, 2019), the Air France-KLM Board of Directors authorized the granting of a severance payment to the benefit of Mr. Benjamin Smith, Chief Executive Officer of Air France-KLM, in some instances of forced termination and, namely, dismissal, non-renewal of his mandate as Chief Executive Officer or forced resignation linked to a change of control.

It is stipulated that the instances of forced termination enabling the implementation of this severance payment exclude any situation of serious misconduct on the part of the Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the basis of the severance payment is equivalent to two years of his annual fixed and variable compensation (according to specific calculation modalities based, as applicable, on the target variable compensation in the event of a termination during the first 24 months).

A coefficient (between 0 and 100% inclusive) will be applied to the basis of the severance payment based on the achieved performance criteria relating to the annual variable component of his compensation over the two last financial years of his mandate. The Board will assess the achievement of these performance criteria.

The Statutory Auditors

French original signed by

Paris La Défense, March 28, 2024

KPMG S.A.

Neuilly-sur-Seine, March 28, 2024

PricewaterhouseCoopers Audit

Valérie Besson
Partner

Éric Dupré
Partner

Philippe Vincent
Partner

Amélie Jeudi de Grissac
Partner



6.

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6.1 HISTORY

Two companies born on the same day

October 7, 1919

KLM, Koninklijke Luchtvaartmaatschappij, is founded, Royal Dutch Airline for the Netherlands and its colonies.

October 7, 1933

Air France is born from the combination of five French airlines (Air Union, Air Orient, Société Générale de Transport Aérien (SGTA), CIDNA and Aéropostale).

Air France and KLM jointly operate the Amsterdam-Rotterdam-Paris route within the framework of a commercial agreement.

1934

First KLM transatlantic flight from Amsterdam to Curaçao in a Fokker F-XVIII Snip.

Air transportation and the two companies take off

1945-46

Air France is nationalized.

KLM flights, interrupted by the war, resume service.

Introduction of scheduled flights to New York in DC-4s, from Paris with Air France and from Amsterdam with KLM. At this time, the flight takes nearly 24 hours.

Air France and KLM are equipped with Constellations and engage in mutual assistance.

1958

Air France and KLM inaugurate the polar route, flying from Paris and Amsterdam to Tokyo via the North Pole.

1959-1960

Arrival of the jet era: Air France brings the first Caravelles and B707s into service, reducing the duration of the Paris-New York flight to eight hours. KLM brings its first DC-8 aircraft into service.

1961

Air France bases its operations and maintenance at Orly Sud.

1967

First KLM flight takes off from the new Schiphol airport.

1970-71

The Boeing 747 is first used on long-haul routes by Air France in 1970 and by KLM in 1971.

1974-1982

Air France operations move, in 1974, to the new Terminal 1 at Paris-Charles de Gaulle, then to CDG 2 in 1982.

1976

The supersonic airplane, Concorde, is brought into service, first on the Paris-Rio, Paris-Caracas and Paris-Washington routes then, in 1977, on Paris-New York, connecting the two cities in three hours 45 minutes.

Development of the two majors

1989

Conclusion of an alliance, the first in the history of air transportation, between KLM and the US company Northwest Airlines.

1990

Air France acquires UTA (Union des Transports Aériens), founded in 1963.

1991

KLM founds a regional company, KLM Cityhopper, by merging NLM Cityhopper and NetherLines, and reinforces its shareholding in Transavia from 40% to 80%.

1992

Air France and UTA merge, giving Air France a 72% stake in Air Inter after combining its own shareholding in that company with that of UTA.

KLM establishes the first European medium-haul/long-haul transfer platform at Schiphol airport.

First Open Skies agreement between the Netherlands and the United States.

1993

All KLM and Northwest Airlines flights between Europe and the United States are operated within a joint-venture.

1996

Air Inter becomes Air France Europe.

Establishment of Air France's medium-haul/long-haul transfer platform at Paris-CDG.

1997

Air France Europe is merged with Air France.

1999

Air France is listed for trading on the Monthly Settlement Market of the Paris Stock Exchange for the first time on February 22, 1999.

2000

Air France, Aeromexico, Delta Air Lines, Inc. and Korean Air found the SkyTeam and SkyTeam Cargo alliances.

Creation of the Air France regional division following the acquisition of Régional Airlines, Flandre Air, Proteus, Brit Air and CityJet.

2001

Open Sky agreement signed between France and the United States.

Alitalia and CSA Czech Airlines join SkyTeam.

Creation of Air France-KLM, the leading European air transport group

2003

September 30: Air France and KLM announce their intention to merge through a public exchange offer.

2004

May: Air France-KLM shares are listed for trading on the Euronext Paris and Amsterdam markets as well as on the New York Stock Exchange. Privatization of Air France with the transfer of the majority of its shares to the private sector involving the dilution of the French State's shareholding.

September: Finalization of the Group's organizational structure with the creation of the Air France-KLM holding company, regrouping the two airline subsidiaries, Air France and KLM. KLM and its US partners Northwest Airlines and Continental join the SkyTeam alliance.

December: The French State reduces its shareholding from 44% to 23% by selling shares in the market.

2005-06

The French State reduces its shareholding in Air France-KLM from 23% to 18.6% by selling shares within the framework of the share offer (ORS) reserved to Air France employees.

2006-07

Signature of the Open Skies agreement between Europe and the United States to come into force in March 2008.

2008-09

The US Department of Transportation grants Air France, KLM, Delta Air Lines, Inc. and Northwest anti-trust immunity with the obligation to establish a single transatlantic joint-venture between these four airlines before the end of 2009.

Air France-KLM acquires a 25% equity interest in Alitalia.

2009-10

In April, Air France-KLM and Delta Air Lines, Inc. implement the joint-venture on the North Atlantic joined, in July 2010, by Alitalia.

2012

Launch of the "Transform 2015" plan targeting a €2 billion reduction in net debt, the restoration of the Group's competitiveness and a turnaround in the short and medium-haul network.

2014

In early September, the Group unveils its new strategic plan, "Perform 2020", foreseeing an ongoing improvement in competitiveness and an increase in the Group's exposure to growth markets.

2015

The B787 enters the KLM fleet.

2016

Air France-KLM returns to the offensive with the launch of the new "Trust Together" strategic project.

2017

Air France-KLM takes a further major step in the reinforcement of its strategic partnerships when China Eastern Airlines and Delta Air Lines, Inc. become shareholders.

2018

Anne-Marie Couderc is appointed Chair of the Air France-KLM Board of Directors. Benjamin Smith is appointed Chief Executive Officer.

2019

The longest-standing commercial airline in the world still to be flying under its original name, on October 7, 2019 KLM celebrates its centenary.

The Dutch State acquires 14% of the Air France-KLM share capital.

Faced with the Covid-19 crisis, the Group undergoes a transformation

2020

The public health crisis linked to the Covid-19 pandemic has a major impact on the airline industry and Air France-KLM's activity throughout 2020. Air France-KLM implements a number of strong measures to reduce its costs and preserve cash. The Group also benefits from financial support packages from the French and Dutch States.

2021

The Covid-19 crisis had a significant impact on the Group's results and financial position in the 2021 financial year and will continue to do so, in a context where visibility on the recovery of demand is limited, with travel restrictions still in place in most destinations served by the Group.

In 2021, in order to strengthen its cash position, the Group puts in place various measures which are approved by the European Commission as part of its decision to authorize an intervention by the French State of up to €4 billion to recapitalize Air France and its holding company.

2022

In 2022, in a challenging economic and geopolitical context, the Air France-KLM group records a strong performance, with a positive net result of €738 million.

Successfully capturing the strong demand for travel, Air France and KLM repay more than €4 billion of State Aid from the French and Dutch governments and, at the same time, invest in the renewal of their fleets and sustainable aviation fuel (SAF).

2023

Air France celebrates its 90th anniversary.

Air France-KLM records the highest revenues in its history, at €30 billion, with a net profit of €934 million, an increase of €206 million.

Air France-KLM and Air France exit in full the French State's recapitalization aid, granted under the European Union's State Aid Temporary Framework, linked to Covid-19, and the related constraints, following the final repayment of the balance of the perpetual hybrid bonds held by the French State as well as the required compensation for the shares subscribed in April 2021 by the French State, while KLM canceled both the direct loan and the existing credit facility guaranteed by the Dutch State.

6.2 GENERAL INFORMATION

Corporate name

Air France-KLM

Trade name

Air France-KLM group

Registered office

7, rue du Cirque, 75008 Paris

Tel: +33 (0)1 43 17 20 20

Mailing address

7, rue du Cirque, 75008 Paris

Website

www.airfranceklm.com

The Company information figuring on the website is not an integral part of this Universal Registration Document, excepting incorporation by reference.

Legal status

French public company (*société anonyme*) with a Board of Directors

Legislation

French law

Air France-KLM is governed by the French Code of Commerce (*Code de Commerce*) and the provisions of the Civil Aviation (*Code de l'Aviation Civile*) and Transport (*Code des Transports*) Codes relating to air transport companies and notably to Air France. The Transport Code (*Code des Transports*) contains a provision designed to safeguard the nationality of air transport companies whose shares are listed for trading on a regulated market.

Incorporation and expiry dates

Incorporated on: April 23, 1947.

Due to expire on: July 3, 2045 barring early liquidation or extension.

Corporate purpose (Article 2 of the Articles of Incorporation)

The primary purpose of Air France-KLM is to hold direct or indirect interests in the capital of air transport companies and, more generally, in any companies in France or elsewhere whose purpose is related to the air transport business.

Trade register

Paris Trade and Company Register: 552,043,002

APE Code: 6420Z

Legal Entity Identifier

969500AQW31GYO8JZD66 (LEI Code)

Consultation of legal documents

The legal and corporate documents relating to Air France-KLM may be consulted at 7, rue du Cirque, 75008 Paris.

Financial year

The financial year begins on January 1 and ends on December 31.

Appropriation of income

After approving the financial statements and taking due note of the income available for distribution, the shareholders vote in the Shareholders' Meeting on the total or partial distribution of such income (with, in the latter case, the appropriation of the undistributed balance to one or more reserve accounts), or the appropriation of all distributable income to one or more reserve accounts.

Relations between Air France-KLM and its subsidiaries

Air France-KLM and its subsidiaries Air France and KLM have signed agreements whose aim is to define the conditions under which Air France and KLM, at the request of Air France-KLM, provide technical and administrative support services to Air France-KLM (intra-group accounting, administrative, legal, financial and IT services).

6.3 INFORMATION ON THE AGREEMENTS CONCLUDED IN CONNECTION WITH THE BUSINESS COMBINATION BETWEEN AIR FRANCE AND KLM

In connection with the business combination taking place in 2004 between Air France and KLM for the creation of the Air France-KLM holding company, agreements were entered into with various stakeholders, some of whose provisions continue to apply as of the date of this Universal Registration Document.

6.3.1 Agreements relating to the KLM shareholding structure

Holding of shareholder voting rights by two Dutch foundations

In order to continue to comply with specific regulatory requirements relating to KLM air transport operations, a system to separate the rights attached to KLM shares and the exercise of the voting rights attached to these shares by two Dutch foundations (SAK I and SAK II) was put in place in 2004.

Pursuant to this system which is still in force, Air France-KLM held, as at December 31, 2023, 93.84% of KLM's economic rights, 99.70% of KLM's dividend rights and 49% of KLM's voting rights, while the two Dutch foundations held, together, 44.84% of KLM's voting rights.

Furthermore, as at December 31, 2023, the Dutch State held 5.92% of KLM's voting rights and the remaining minority shareholders held 0.24% of KLM's voting rights and 0.30% of its dividend rights.

In KLM Shareholders' Meetings, the two Dutch foundations, SAK I and SAK II, exercise the voting rights they hold in accordance with decisions taken unanimously by the three Board directors constituting their respective Boards of Directors, it being specified that these Board directors must act in accordance with the corporate governance principles defined in the agreements relating to the business combination between KLM and Air France, and in the best interests of

KLM, Air France-KLM and its shareholders. If a unanimous decision cannot be reached by the three Board directors in the Board of Directors for each of the Dutch Foundations, no resolution may be passed by the Board of the relevant Foundation, which consequently cannot then vote on the relevant resolutions in the KLM Shareholders' Meeting.

Amongst the three Board directors for each of the foundations, one member is appointed by Air France-KLM, one by KLM and the third, acting in the capacity of Chair of the Foundation, is appointed by the first two directors, it being specified that the majority of the members of the Boards of Directors of each Foundation, including the Chair, must be Dutch residents.

Unilateral termination option for Air France-KLM at any time

Initially incorporated in 2004 for a three-year period, the two SAK I and SAK II foundations were however extended for an unlimited period by a 2007 agreement. Nevertheless, this agreement provides that Air France-KLM may, at any time as of May 6, 2007 and at its sole discretion, terminate this administered shareholding structure for KLM shares through SAK I and SAK II and proceed to regroup the economic and voting rights attached to the KLM shares, thereby holding 93.84% of KLM's voting rights.

6.3.2 Agreements with the Dutch State

To enable the completion of the business combination and safeguard KLM's traffic rights, airline status and the scale of its network and operations at Schiphol, Air France and KLM entered into the following agreements with the Dutch State.

Agreement for the acquisition of cumulative preference A shares held by the Dutch State

On October 16, 2003, Air France, KLM and the Dutch State signed an agreement pursuant to which the Dutch State agreed to decrease its interest in KLM proportionately to any reduction by the French State of its stake in Air France-KLM. To this end, the Dutch State will sell its cumulative preferential A shares to Air France-KLM or to

SAK I on behalf of Air France-KLM as long as this foundation is maintained. In such case, SAK I will issue share certificates to the benefit of Air France-KLM corresponding to the cumulative preferential A shares transferred to SAK I. These share certificates confer to Air France-KLM the economic right attached to the transferred cumulative preferential A shares, i.e. a right to a dividend, the corresponding voting rights being exercised by SAK I until the share certificates have been exchanged by Air France-KLM against the said shares.

In March 2005, pursuant to the agreement, 5,103,885 cumulative preference A shares were transferred by the Dutch State to SAK I on behalf of Air France-KLM, which received, in return, SAK I share certificates.

At the end of the initial three-year period (2004 to 2007), Air France-KLM had the option to exchange the share certificates against cumulative preferential A shares, and to directly hold the cumulative preferential A shares. Having decided, in 2007, to maintain the SAK I and SAK II foundations, Air France-KLM did not proceed with this exchange but could still do so at any time, in whole or in part. In addition, Air France-KLM is free to decide to dissolve the foundations at any time and at its sole discretion.

Furthermore, the Dutch State benefits from the right to transfer, at any time, as many cumulative preferential A shares as it wishes to Air France-KLM.

These agreements relating to the cumulative preferential A shares remain in force.

Option for the Dutch State to subscribe for preferential KLM B shares

This option granted to the Dutch State lapsed in May 2010.

Assurances given to the Dutch State

Nature and duration of the assurances – unilateral termination option

Within the framework of the 2004 business combination, Air France and KLM granted the Dutch State, for an initial eight-year period starting from the completion of the business combination (i.e. expiring in 2012), various assurances as to KLM's airline status, its air services and the scale of its passenger and cargo operations at Schiphol airport with a view to maintaining the quality of KLM's network at Schiphol which, according to the Dutch State, is of public interest, while at the same time taking into account the interests of the Air France-KLM group and its shareholders (the "Assurances").

In return for these Assurances, the Dutch State undertook to take the importance of KLM's activities at Schiphol into consideration when defining its civil aviation policy. Furthermore, the Dutch State agreed to:

- maintain the existing portfolio of traffic rights granted to KLM, other than those that have not been used by KLM over a cumulative period of twelve months;
- continue to review any future request submitted by KLM for the allocation of new traffic rights on a fair and non-discriminatory basis.

Pursuant to an agreement entered into on May 25, 2010, the Dutch State, Air France-KLM and KLM agreed to extend the Assurances given to the Dutch State, with the exclusion, however, of an assurance foreseeing that the combined growth should not negatively impact KLM's operations in the passenger and cargo segment, beyond May 5, 2012 for an indefinite period, subject to Air France-

KLM's right to terminate these Assurances, at its sole discretion, with prior notice of nine months. This agreement was confirmed by a meeting between, inter alia, the Minister for Transportation of the Netherlands, the Chairman and Chief Executive Officer of Air France-KLM and the President of the Management Board of KLM which took place on March 12, 2015.

Mechanism to ensure compliance with the Assurances

Air France and KLM set up a Dutch foundation, known as the KLM Assurances Foundation (Stichting Assurances KLM – duration extended in 2010) to facilitate the provision of binding advice (*bindend advise*) on the interpretation of the Assurances granted to the Dutch State (the "Advice"). These advices are issued by a KLM Assurances Foundation Committee in the event that a decision taken by the KLM Supervisory Board, KLM Management Board or Air France-KLM Board of Directors is considered to be in conflict with the Assurances given to the Dutch State.

When giving its Advice, the KLM Assurances Foundation must act in the best interests of KLM, the Air France-KLM group and its shareholders.

The Committee is composed of three members:

- one member appointed by Air France-KLM;
- one member appointed by the Dutch State; and
- one member jointly appointed by the first two members as well as by a Board member of the KLM Assurances Foundation appointed by KLM who is not a Committee member; it being specified that the member appointed by Air France-KLM has a double voting right for the appointment of the third Committee member.

The filing of a case with the Foundation's Committee relating to a decision taken by the KLM Supervisory Board, the KLM Management Board or the Air France-KLM Board of Directors can be made by the Dutch State only in relation to the Assurances given to it.

If the KLM Assurances Foundation Committee issues an Advice indicating that the decision submitted to it contravenes the Assurances given to the Dutch State, the KLM Supervisory Board, the KLM Management Board or the Air France-KLM Board of Directors will be required to cancel or amend its decision as soon as possible and nullify the effects of any measure taken in connection with the said decision, in accordance with the issued Advice. The Committee's decisions are adopted by majority vote of its members.

As at December 31, 2023, no Advice had been rendered by the KLM Assurances Foundation Committee.

6.3.3 Assurances given to KLM

The assurances granted to KLM have been null and void since May 6, 2009.

6.4 LEGISLATIVE AND REGULATORY ENVIRONMENT FOR THE AIR TRANSPORT INDUSTRY

Commercial air transport is governed by eight freedoms, national and supranational legislation, and various international conventions that each State undertakes to apply in its air space after their ratification.

6.4.1 Freedoms of the air and international conventions

In addition to the eight freedoms of the air established by the Chicago Agreements relating to transit and transport (1944), three main treaties establish the legal and regulatory framework for commercial aviation: the Chicago Convention (1944), the Montreal Convention (1999) and the Tokyo Convention (1963). A fourth treaty, the Rome Convention (1952), covers damage caused to third parties on the ground.

Freedoms of the air

Under a bilateral treaty, an air carrier has freedoms that allow it to operate in the air space and the territory of a State other than its State of origin. These eight freedoms are as follows:

- 1st freedom – A carrier that leaves from its State of origin has the right to overfly the air space of a foreign State;
- 2nd freedom – A carrier that leaves from its State of origin has the right to make a technical layover without unloading or loading passengers in a foreign State. This freedom is the “transit right”;
- 3rd freedom – A carrier that leaves from its State of origin has the right to unload passengers from its State of origin in a foreign State;
- 4th freedom – A carrier that leaves from a foreign State has the right to load passengers in this foreign State and unload them in its State of origin;
- 5th freedom – A carrier that leaves from its State of origin has the right to unload and load passengers in two successive foreign States;
- 6th freedom – A carrier that leaves from a foreign State has the right to load passengers in that State and unload them in its State of origin, then in another foreign State;
- 7th freedom – A carrier that leaves from a foreign State has the right to load passengers in that State to unload them in another foreign State, without going through its State of origin;
- 8th freedom – A carrier that leaves from its State of origin has the right to load passengers in a foreign State, to unload them in another city in this same foreign State.

The Chicago Convention (1944)

The Convention relating to international civil aviation, known as the Chicago Convention, sets out the legal, regulatory and technical rules governing commercial aviation and its Member State signatories are required to implement a common legal framework governing their domestic air space and their relations with one another.

Signed on December 7, 1944, the Chicago Convention established the International Civil Aviation Organization (ICAO) as the instrument of cooperation between the 193 signatory States in all areas of civil aviation.

The Montreal Convention (1999)

The Montreal Convention of May 1999, ratified to date by 136 States, aims to provide better protection for passengers suffering damages. This convention entered into force on June 28, 2004. It is based on several fundamental provisions, notably the principle of the unlimited liability of air transport companies in the event of physical injury with the implementation of a two-tier system:

- a first tier that sets an objective liability for the air transport company of up to 128,821 Special Drawing Rights (SDR);
- a second tier, based on a presumption of fault for the air transport company, for which the airline may be exempt if it proves that it or its agents or officials have not been negligent in any way or that the damages result exclusively from the acts of a third party.

The Rome Convention (1952)

The Rome Convention, signed in 1952, covers damages caused to third parties on the ground by foreign aircraft. This convention has not been ratified by France, the Netherlands or the United States. The ICAO's legal commission is currently involved in a major initiative to redraft the wording which would facilitate its ratification by making a distinction between everyday risk and terrorist risk.

The Convention intended to replace the Rome Convention, relating to compensation for damage caused to third parties following acts of unlawful interference with aircraft, signed in Montreal on May 2, 2009 by thirteen States, for the most part African, is still not applicable. It has only been ratified by three of the 35 States required for its entry into force.

The Tokyo Convention (1963)

The Tokyo Convention, in force since December 4, 1969, sets out the principles and establishes the procedures for handling offenses against penal law (except those of a political nature and based on racial or religious discrimination) and acts endangering the safety of the aircraft or that of the persons and property on board.

One of the specific characteristics of this Tokyo Convention is that it recognizes certain powers and immunities of aircraft commanders, exonerating them, under certain conditions, from responsibility for any harm potentially caused to individuals committing such unlawful acts.

The Tokyo Convention (ratified by France in 1970) is currently the subject of a revision process within the ICAO.

A Protocol to amend the Tokyo Convention was adopted in Montreal on April 4, 2014. It gathered the minimum of 22 ratifications required for its entry into force and is thus applicable in the States having ratified it. It was ratified by France at the beginning of 2021.

The Montreal Protocol expands the jurisdiction by recognizing, under certain conditions, the jurisdiction of the State of Landing and the State of the Operator over offenses and acts committed on board aircraft. The establishment of such jurisdiction over offenses is mandatory if the criteria stipulated in the Protocol are respected. Furthermore, the Protocol grants legal recognition and some protections to in-flight security officers. It also contains provisions covering matters such as intra-State coordination, due process of law and fair treatment.

6.4.2 European legislation

Single European air space

For aviation the EEA internal market (UE+, Norway/Iceland/Liechtenstein) was effectively finalized on April 1, 1997, by common legislation that creates a homogeneous regulatory situation for all European carriers. Since then all EU airlines may freely operate between any point in the EU and, in particular, perform cabotage operations within this single European air space. This legislation also lays down the requirements that Community air carriers must comply with in order to start or continue operations, principally they must be owned and effectively controlled by Member States and/or nationals of Member States, and their principal place of business must be located in a Member State. These nationals can not act as a front for a beneficial owner who is not a citizen of an EU Member State. The existence of this legislation eliminated the need for bilateral agreements between EU Member States. It does not prevent EU Member States from participating in ICAO, nor does it conflict with the principles and regulations of the Chicago Convention.

Open Skies agreements between Europe and third-party countries

Based on mandates issued by the Council of Ministers, the European Union and its Member States have signed air transport agreements with the following third-party countries:

- **United States:** the agreement signed in April 2007 was amended by a protocol of June 2010 enabling, notably, European airlines to operate an unlimited number of flights, aircraft and routes to the United States from any European airport with the freedom to set prices, and to operate their services within the framework of cooperation agreements with partners of their choice. This agreement does not change the US rules on ownership and control and, similarly, cabotage remains forbidden;
- **Canada:** the agreement signed in December 2009 offers EC carriers similar opportunities to those figuring in the agreement with the United States and also includes the same restrictions;

- **European Union neighboring countries:** the agreement signed with Morocco in December 2006 was the first in a series of agreements signed with European Union neighboring countries: Georgia and Jordan in December 2010, Moldavia in June 2012 and Israel in June 2013. These agreements foresee the liberalization of bilateral air relations subject to the relevant countries adopting the EU aviation-related acquis;
- **Balkan States (Albania, Bosnia, Macedonia, UNMIK, Montenegro, Serbia):** the agreement signed in June 2006 aims to create a common air space. At the end of transition periods that vary by country, the Balkan airlines will benefit in Europe from the same traffic rights as EC airlines. At this stage, only the 3rd and 4th freedom rights have been liberalized;
- **Qatar:** the agreement signed in October 2021 aims, by 2024 and at the end of a gradual increase in 3 and 4 freedom traffic rights varying per country, to liberalize access to the EU market for Qatari carriers. In return Qatari carriers are bound by provisions aimed at guaranteeing their financial transparency and establishing a fair competition framework;
- **ASEAN (Association of Southeast Asian Nations):** the agreement signed in October 2022 is the world's first block-to-block agreement to allow ASEAN and EU airlines to operate an unlimited number of flights between the two regions (3 and 4 freedom traffic rights). In addition, airlines from each country in one block will be allowed to offer up to seven weekly passenger services and an unlimited number of cargo services to each country in the other block under 5th freedom traffic rights, via any third country or to any third country beyond. Note that Malaysia has an opt-in arrangement postponing the application of the agreement as far as it is concerned.

In April 2002, the European Union also signed an air transport agreement with Switzerland giving Swiss carriers, which are assimilated with EU carriers, access to all the intra-Community rights with the exception of cabotage.

Access to the market between France and States other than those mentioned above for which there are existing agreements at European Community level remains governed by bilateral aviation agreements signed between France and these third-party States.

Community air transport policy

The regulation applicable to air transportation within the European Union is primarily of European Community origin. The aims as outlined in the work programs of the European Commission are to reinforce the competitiveness of European Community airlines while insisting on the need to reduce the air transport industry's environmental impact and offer a high degree of passenger protection⁽¹⁾.

The principal positive measures consist of establishing a legal framework favoring fair competition between EU and third-party carriers, the effective implementation of the Single European Sky and a commitment to developing biofuels.

The European Commission also proposed a series of measures known as the "Better Airports" package, aimed at reducing the cost of infrastructure use within the European Union.

The latter initiatives have only very partially come to fruition due to persistent disagreements within the European institutions. The last European Commission Aviation Strategy published on December 7, 2015 included measures aimed at sustaining the competitiveness of EU airlines, such as the revision of (then) Reg. 868/2004 (now Reg. 712/2019) and the broader Foreign Subsidies Regulation. These regulations have been adopted, but have not yet been put to a test.

European Green Deal and "Fit For 55" legislative package

On July 14, 2021, the European Commission presented a package of 15 draft legislative proposals aimed at reducing net greenhouse gas emissions by 55% by 2030. These draft proposals include six which directly impact the aviation sector and are of interest to the Air France-KLM group:

- ReFuel EU Aviation sets an increasing mandatory minimum percentage for the incorporation of sustainable aviation fuel for flights on departure from all EU airports between 2025 and 2050;
- the revised EU-ETS Directive aims to phase out free quotas for airlines in the EU Carbon Market;
- the Energy Tax Directive aims to implement a tax on fuel and remove the current exemption for aviation;
- the Carbon Border Adjustment Mechanism is targeting the introduction of a Carbon Tariff on imported goods and services, and envisages its extension to airline operations over the medium term;
- the RED directive on renewable energies establishes a list of raw materials (Annex IX) that are considered to be sustainable. The ReFuel regulation refers, in particular, to this list of raw materials. A revision of Annex IX by delegated act is currently being discussed and the final adoption of this revision is expected within the next few months;
- the Net Zero Industry Act (NZIA) sets targets for the deployment of certain net-zero technologies in Europe. These include, in particular, production technologies for sustainable aviation fuels (SAF).

The Air France-KLM group's teams are closely monitoring the progress of this legislative package in liaison with all the stakeholders. They are also contributing to the various consultations launched by the European Commission, and to the discussions concerning the setting of new greenhouse gas emission reduction targets by 2040, which affects the transport sector in general.

6.4.3 Other legal aspects of Air France-KLM's activities

Access to the main international airports is subject to the prior allocation of time slots. A European Regulation covers access to most so-called coordinated European airports (London, Paris, Frankfurt, Milan, Madrid, Amsterdam, etc.). Elsewhere in the world, the allocation of slots is generally done on the basis of recommendations issued by IATA in a Worldwide Slot Guidelines reference document. Countries nonetheless retain sovereignty for defining the modalities of slot allocation and may apply rules that differ slightly from the IATA recommendations (e.g. China, Japan, United States, Dubai, etc.).

For airports within the European Union, each Member State with coordinated airports under its responsibility, after consulting the airlines that regularly use the airports concerned, their representative organizations and the airport authorities, must designate a coordinator or an entity to be responsible for the allocation of slots and the monitoring of their use. Such individuals or entities must have specialized knowledge of coordinating aircraft routes for air transport companies.

Slots are allotted twice a year by the designated airport coordinator, at the same time as the airline flight schedules for the relevant IATA season.

⁽¹⁾ The passenger compensation rules are detailed in section 3.1.2 "Risks relating to the air transportation activity".

The allocation procedure is as follows:

- airlines file their slot applications with the coordinator five months prior to the beginning of each season;
- the coordinator first allocates slots to airlines that already had slots the previous season (known as grandfather rights) for past operations;
- a pool is then created that regroups, for each coordination period, all the available slots, whether they are newly created, unused, abandoned by a carrier or have become available for any other reason;
- finally, the coordinator allocates half of the pooled slots to newcomers and the other half to the other operators.

Since slots are first allocated to existing long-standing operators, and given the expansion plans of all the airlines, requests for new slots are rarely satisfied at saturated airports.

At the end of this preliminary allocation (pre-coordination) process, a conference attended by virtually all airport coordinators and airlines is organized in order to enable the airlines to:

- simultaneously coordinate the slots they are allocated on different airports so that when they operate flights between two coordinated airports they are granted compatible slots by each of them; and
- exchange slots among themselves in the event that the slots originally allocated by the airport coordinators are unsatisfactory.

Within the framework of the public health crisis linked to Covid-19, Regulation No.95/93 was amended for the period from March 1, 2020 to October 24, 2020 to enable slots allocated for this period to be considered as having been operated by the air carrier to which they were initially granted. On October 14, 2020, in view of the continuing public health crisis and the weak demand for air transportation in the coming months, the European Commission decided to extend this exception from the requirement to the whole Winter scheduling season, i.e. until March 27, 2021. A series of further amendments to the Regulation enabling the easing of the conditions relating to the operation of slots and covering a period extending until October 28, 2023 were successively adopted between February 16, 2021 and October 19, 2022 (see also paragraph 3.1.2.5 "Loss of flight slots or lack of access to flight slots").

Reinforcement of passenger compensation rights

See section 3.1.2.7.

Framework for State aid within the context of the public health crisis

In March 2020, the European Commission adopted a Temporary Framework to enable Member States to use the full flexibility foreseen under State Aid rules to support the economy and companies facing the consequences of the public health crisis. Recapitalization measures for companies by Member States were authorized within this framework until June 30, 2022. The implementation of measures to reinforce the Air France-KLM group's liquidity (consisting of the guarantee by the State of a €4 billion bank loan (PGE) and a €3 billion loan from the French State, together with the guarantee by the Dutch State of a €2.4 billion revolving credit facility and a €1 billion loan from the Dutch State) was submitted for prior approval to the European Commission pursuant to the rules on State Aid, applying the aforementioned Temporary Framework. Similarly, the capital-strengthening measures in which the French State participated during 2021 (€593 million of shares subscribed during the capital increase and subscription to €3 billion of Deeply Subordinated Notes) were the subject of prior approval by the European Commission on April 4, 2021.

On April 6, 2021, the Group announced the first part of its overall recapitalization plan. Certain measures in this plan contained State Aid (so-called "Covid-19 recapitalization" program) which were accordingly notified by the French authorities to the European Commission, the latter approving them in its decision of April 5, 2021 (annulled on December 20, 2023 by the General Court of the European Union – see below under Impact). This decision made the approval of the measures subject to a number of commitments undertaken by the French State (see section 1.2.5 above) 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 on the Group companies (with the exception of KLM and its subsidiaries) within the framework of the European Commission's Temporary Framework for State Aid (such as restrictions on acquisitions, share buybacks and dividend payments) and could have an impact on the Group's activities. All these constraints have disappeared since the full repayment of this recapitalization aid on April 19, 2023 (see "Mitigation plan" below). Only the provision concerning slots at Orly is still being implemented in accordance with the Commission's decision.

6.5 INFORMATION AND CONTROL

6.5.1 Person responsible for the Universal Registration Document and for the Annual Financial Report

Benjamin Smith, Chief Executive Officer of Air France-KLM.

6.5.2 Certification by the person responsible for the Universal Registration Document

April 26, 2024

I hereby declare that, to the best of my knowledge, the information contained in this Universal Registration Document reflects reality and that nothing has been omitted that would be likely to change the significance thereof.

I further declare that, to the best of my knowledge, the financial statements have been prepared 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 all the companies within the

consolidation scope, and that the information contained in the management report, the cross-reference table of which appears on page 484 of this Universal Registration Document, provides a true and fair view of the changes in the business, results and financial position of the Company and all the companies within the consolidation scope, and that it outlines the main risks and uncertainties that they face.

Benjamin Smith

Chief Executive Officer of Air France-KLM

6.5.3 Statutory Auditors

Incumbent Statutory Auditors

PricewaterhouseCoopers Audit

63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex

Represented by Philippe Vincent and Amélie Jeudi de Grissac

Starting date of first mandate: May 24, 2022
Mandated for a six-year period
by the Shareholders' Meeting of May 24, 2022.

KPMG Audit

A department of KPMG S.A.
Tour EQHO, 2 avenue Gambetta CS60006,
92066 Paris-La Défense Cedex

Represented by Valérie Besson and Éric Dupré

Starting date of first mandate: September 25, 2002
Renewed for a six-year period
by the Shareholders' Meeting of May 26, 2020.

Deputy Statutory Auditors

Expiry of the mandate of the firm BEAS, the latter having been neither reappointed nor replaced.

Expiry of Salustro Reydel's term of office, the latter having been neither reappointed nor replaced.

6.5.4 Head of Investor Relations

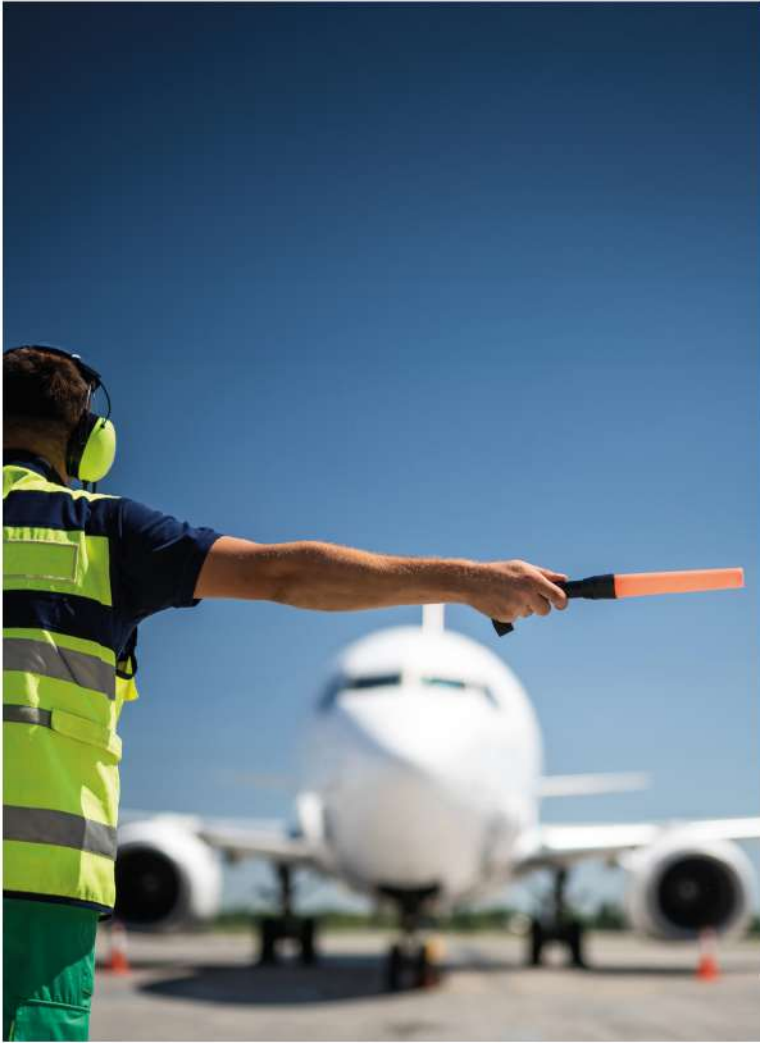
Michiel Klinkers

Mailing address: Air France-KLM/AFKL.FI.IR
7, rue du Cirque, 75008 Paris

6.5.5 Documents available to the public

Amongst the documents available on the Company's website (www.airfranceklm.com) figure, notably:

- the 2023 Universal Registration Document;
- the 2023 first-half financial report;
- the 2022 Universal Registration Document and the 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 Registration Documents filed with the *Autorité des Marchés Financiers*;
- the financial press releases (traffic, quarterly, half-year and annual results);
- the offering memoranda;
- the financial presentations;
- the Company's Articles of Incorporation.



Glossaries and tables of concordance

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AIR TRANSPORT GLOSSARY

🔗 A4E

Airlines for Europe. On January 20, 2016, at the European Aviation Summit, the five largest European airline groups – Air France-KLM, easyJet, International Airlines Group, Lufthansa Group and Ryanair – announced the creation of the new association. Airlines for Europe counts now 17 airline group members, with more than 70% of passengers in Europe.

A4E goals are to advocate to the ultimate benefit of passenger a safe, sustainable and competitive air transport market in Europe.

🔗 Anti-trust immunity (ATI)

Decision by authorities to grant immunity from anti-trust laws taking into account global benefit for customers.

🔗 Available seat-kilometers (ASK)

Total number of seats available for the transportation of passengers multiplied by the number of kilometers traveled.

🔗 Available ton-kilometers (ATK)

Total number of tons available for the transportation of cargo, multiplied by the number of kilometers traveled.

🔗 Biometry

Technique enabling the identity of an individual to be verified, while crossing a national border for example, through the automatic recognition of certain pre-recorded physical characteristics.

🔗 Coordinated airport

Airport where a coordinator has been appointed to allocate landing and take-off slots according to rules established in advance. All major European Union airports are coordinated.

🔗 Cabotage

Airline cabotage is the carriage of air traffic that originates and terminates within the boundaries of a given country by an air carrier of another country.

🔗 Capacity

Capacity is measured in available seat-kilometers (ASKs) for passenger business and measured in available ton-kilometers (ATKs) for the cargo business.

🔗 Catering

In-flight catering involves the planning and preparation of meals and the assembly of meal trays destined to be served on board an aircraft.

🔗 Code sharing

Governed by a codeshare agreement, two partner airlines offer services on the same aircraft, each under their own brand, their own IATA code and their own flight number. Each partner airline may have access to full or only part of the seats on the aircraft available for sale.

🔗 Connecting traffic

Traffic between two cities via one or more intermediate airports with a change of aircraft.

🔗 DGAC

Direction Générale de l'Aviation Civile. Under the authority of the French Ministry of Transport, the DGAC is in charge of the security of air transport and of air space in France.

🔗 E-Services

Range of IT-enabled ground services offered by Air France and KLM to their passengers. E-services notably allow passengers to manage their trip using self-service kiosks or the airlines' websites.

🔗 EASA

European Aviation Safety Agency. EASA develops safety and environmental protection expertise in civil aviation in order to assist the European institutions to establish legislation and implement measures regarding aircraft security, organizations and associated staff.

🔗 EEA countries

Countries part of European Union single market: those countries accept all regulations made by the EU in air transportation. EEA countries include all EU countries, Iceland, Liechtenstein and Norway.

🔗 FAA

Federal Aviation Administration. Body responsible for civil aviation security in the United States.

🔗 Handling

Preparation of the aircraft, involving loading and unloading, as well as the associated logistics.

○ Hub

Term used for a massive transfer platform. Departures and Arrivals are often scheduled in such a way that transfer opportunities are maximized. Air France-KLM's Paris-CDG and Amsterdam-Schiphol hubs are two of the four major Western European hubs.

○ IATA

International Air Transport Association. Created in 1945, IATA establishes regulations for the air transport industry and provides its members with a framework for the coordination and proper implementation of tariffs, together with various commercial and financial support services.

○ ICAO

The International Civil Aviation Organization, a UN Specialized Agency, promotes the safe, secure and sustainable development of civil international aviation worldwide. It establishes the standards and regulations required to ensure the safety, security, efficiency and continuity of aviation operations as well as the protection of the environment.

○ Joint-venture

Joint company with two partners, often held equally with 50% each. This type of ownership structure notably allows the implementation of technological or industrial alliances in order to undertake specific projects common to both partner companies.

A joint-venture may also be an alliance between several airlines to serve a specific area, where airlines share costs and profit under anti-trust immunity.

○ Load factor

Revenue passenger-kilometers (RPK) divided by available seat-kilometers (ASKs). In the cargo activity this is revenue ton-kilometers (RTKs) divided by available ton-kilometers (ATKs).

○ Multi-hub

System linking several hubs, allowing customers to access the networks developed from each hub, thus multiplying the round-trip offer to and from worldwide destinations.

○ Net Zero/carbon neutrality

Air France-KLM uses a global definition as per Article 4 of the Paris Agreement of December 12, 2015, applicable to States Parties, which defines carbon neutrality as the global balance between anthropogenic emissions (from human activity) by sources and anthropogenic removals by sinks of greenhouse gases.

○ Over-reservation or over-booking

Over-reservation or over-booking consists of accepting more bookings than seats available. Practiced by most airline companies and regulated by European legislation, over-booking allows airlines to reduce the number of empty seats for which there is passenger demand, while leveraging historic data to minimize actually overbooked flights.

○ Point-to-point traffic

Traffic between two airports, excluding passengers prolonging their trip with a connecting flight.

○ Revenue management

Technique designed to optimize revenue on flights, by constantly seeking an optimal balance between the load factor and the fares offered.

○ Revenue passenger-kilometer (RPK)

Total number of paying passengers carried multiplied by the number of kilometers traveled.

○ Revenue ton-kilometer (RTK)

Total number of tons of paid cargo multiplied by the number of kilometers that this cargo is carried.

○ Safety and security

Airline safety includes all the measures implemented by air transport professionals aimed at ensuring the reliable operation and maintenance of aircraft.

Airline security involves all the measures taken by air transport professionals to prevent any illicit or malicious act. Airline security notably includes baggage screening, and the screening and questioning of passengers.

GLOSSARIES AND TABLES OF CONCORDANCE

Financial glossary

🔗 Self-service check-in kiosk

Self-service check-in kiosks, available in airport departure halls, allow passengers to check in and print their own boarding cards, without having to go to a check-in counter.

🔗 Segment

Section of a flight between two destinations. The number of passengers is calculated by segment carried.

🔗 Slot

A slot represents a time-based system used to manage air traffic and reduce congestion at busy airports.

🔗 Strategy of decarbonization of the Air France-KLM group

Air France-KLM group's decarbonization strategy corresponds to its contribution, at its own level, to the collective and planetary objective of carbon neutrality, in phase with all the stakeholders in civil society and with the public policies applicable in terms of energy transition.

To this end, Air France-KLM group has set itself the ambition of reducing its greenhouse gas emissions in line with its activities and is implementing various action levers in support of this ambition, relying globally, for its 2030 targets, on certain recommendations of the Science Based Targets (SBTi) initiative.

🔗 Sub-fleet

All the aircraft of the same type, with identical technical and commercial characteristics (engines, cabin configuration, etc.).

🔗 Summer season

Defined by IATA as the period running from the last Sunday in March to the last Sunday in October, aligned with European Summer daylight saving time.

🔗 Traffic

Traffic is measured in revenue passenger-kilometers (RPK).

🔗 Unit revenue

In the passenger business, corresponds to the revenue for one available seat or for one paying passenger transported over one kilometer. In the cargo business, corresponds to the revenue for one available ton or one ton transported over one kilometer.

🔗 Winter season

Defined by IATA as the period running from the last Sunday in October to the last Sunday in March.

FINANCIAL GLOSSARY

🔗 Adjusted net interest charges

The net financial charges are adjusted for the portion of operating leases (34%) deemed to be interest charges.

🔗 ADR

American Depositary Receipt. ADRs are negotiable certificates representing a specific number of shares with a nominal value in dollars. The Air France-KLM level 1 ADR program is traded on the OTC Pink Open Marketplace.

🔗 CSRD

The CSRD directive, or Corporate Sustainability Reporting Directive, is the directive no. 2022/2464 of December 14, 2022 of the European Commission which aims to update the extra-financial reporting of the companies. It was transposed in France by the Ordinance No. 2023-1142 of December 6, 2023 relating to the publication and certification of information regarding the sustainability of commercial companies.

🔗 Earnings per share

Net income divided by the average number of shares for the period.

🔗 EBITDA

Earnings before interest, taxation, depreciation and amortization.

🔗 Fuel hedging

Financial mechanism aimed at protecting Air France-KLM from the risk of a rise in the fuel price. Involves purchasing financial instruments, mostly in the form of options, whose value fluctuates as a function of the jet fuel price and the related oil products (oil, diesel). The hedging strategy is detailed in Note 36.1.

🔗 IFRS

International Financial Reporting Standards. International accounting standards used by European Union listed companies to establish their consolidated financial statements. Adopted on January 1, 2005, they allow investors to compare European companies more easily.

🔗 ISIN

International Securities Identification Number. Attributed to securities listed for trading on the Euronext market.

🔗 Market capitalization

The market capitalization corresponds to the share price multiplied by the number of shares comprising the Company's capital.

🔗 Net result, Group part

Corresponds to the net result, minus the share reverting to the minority shareholders in fully consolidated subsidiaries.

🔗 Result from current operations

The result from current operations corresponds to the difference between revenues and the operating expenses incurred (external expenses, salaries and related costs, and amortization, depreciation and provisions). It represents what the Company earns from its main activity before the impact of financial and exceptional items.

🔗 Return on Capital Employed (ROCE)

A measure of the returns that a company is making on the capital employed to ensure its business activity. The calculation method is detailed in section 5.3.

🔗 Revenues

Revenues correspond to the total sales generated by the Air France-KLM group in its three core businesses (passenger, cargo, maintenance) and in its ancillary activities. The revenues from airline operations are recognized on realization of the transportation, net of any potential discounts granted. Consequently, when passenger and cargo tickets are issued, they are recorded in balance sheet liabilities under deferred revenue on ticket sales (see Note 33).

🔗 SBTI

Science Based Targets Initiative, reference framework for reducing greenhouse gas (GHG) emissions.

🔗 Share capital

Corresponds to the total contributions either financial or in kind made by the shareholders either at the time the company is created or during capital increases. It is equal to the number of shares multiplied by the nominal value of the share.

🔗 Stockholders' equity

Stockholders' equity represents accounting value of the capital contributed by the shareholders to establish the company or subsequently, or left at the disposal of the company as income not distributed in the form of dividends. Corresponds to total balance sheet assets, net of total debt.

🔗 TPI

Titre au Porteur Identifiable or identifiable bearer shares. TPI analysis enables a company to identify its shareholders holding stock in bearer form.

GLOSSARIES AND TABLES OF CONCORDANCE

Table of concordance for the Universal Registration Document

TABLE OF CONCORDANCE FOR THE UNIVERSAL REGISTRATION DOCUMENT

This concordance table is based on the main headings required by the Delegated Regulation (EU) 2019/980 of March 14, 2019 ("the Regulation"), supplementing the provisions of Regulation (EU) 2017-1129 of June 14, 2017, and provides the page numbers in this Universal Registration Document on which the relevant information for each of this headings can be found.

No	Information based on Annex 1 of the Regulation	Pages
1	Persons responsible, information from a third party, from experts' reports and approval by the competent authority	
1.1	Persons responsible	476
1.2	Information from a third party, from experts' reports and declarations of interest	Not applicable
2	Statutory Auditors	476
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5.2	Principal markets	38 to 39
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6	Organizational structure	
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7	Review of the financial situation and results	
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8.2	Sources and amounts of cash flows	214 to 216, 338 and 339, 348 and 349, 422
8.3	Information on borrowing requirements and funding structure	214 to 216, 338 and 339, 405 to 411, 416 to 420 and 444 to 446
8.4	Restrictions on the use of capital resources having materially affected or potentially materially affecting the Group's activities	386 and 387, 408
8.5	Anticipated sources of funding	34 to 36 and 214 to 216
9	Regulatory environment	472 to 475
10	Information on trends	45 and 46
	Update on recent events linked to Covid-19	Not applicable
11	Profit forecasts or estimates	Not applicable
12	Administrative, management and supervisory bodies, and the Senior Management	80 to 131, 133 to 137, 177 and 178
12.1	Information relating to members of the Board and the Senior Management	80 to 121, 131, 133 to 137, 177 and 178
12.2	Conflicts of interest affecting members of the Board of Directors and the Senior Management	120 and 121

GLOSSARIES AND TABLES OF CONCORDANCE

Table of concordance for the Universal Registration Document

No	Information based on Annex 1 of the Regulation	Pages
13	Compensation and benefits	
13.1	Compensation and benefits in kind	135 to 175
13.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	176 and 424
14	Functioning of the administrative and management bodies	112 and 113
14.1	Mandates of the members of the Board of Directors	80 and 81
14.2	Service contracts binding the members of the management bodies	120 to 129, 186 and 187
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14.5	Potential material impacts on Corporate Governance	138 and 139
15	Employees	252 to 275
15.1	Number of employees and breakdown of persons employed	270 and 271, 366
15.2	Shareholdings and stock options held by members of the Board of Directors and the Senior Management	80 to 111, 159 and 160, 192 and 390 to 393
15.3	Employee shareholding in the issuer's share capital	191 and 192, 391
16	Major shareholders	
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16.2	Existence of specific voting rights	179 and 191
16.3	Control of the issuer	Not applicable
16.4	Agreements known to Air France-KLM which could lead to a change in control	Not applicable
17	Related party transactions	424 to 426
18	Financial information concerning the issuer's assets and liabilities, financial position and results	
18.1	Historical financial information	4 and 5, 342 to 349 and 435 to 450
18.2	Interim and other financial information	Not applicable
18.3	Auditing of historical annual financial information	430 to 434 and 451 to 454
18.4	Pro forma financial information	Not applicable
18.5	Dividend policy	192
18.6	Legal and arbitration proceedings	213 and 401 to 405
18.7	Significant change in the issuer's financial position	16 to 33
19	Additional information	
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20	Material contracts	16 to 33, 188 to 191 and 424
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GLOSSARIES AND TABLES OF CONCORDANCE

Information included by reference

INFORMATION INCLUDED BY REFERENCE

Pursuant to Article 19 of Regulation (EU) 2017-1129 of the European Parliament and of the Council of June 14, 2017, the following information is included by reference in this Universal Registration Document:

2022 Financial Year

The Universal Registration Document for the 2022 financial year was filed with the *Autorité des Marchés Financiers* on April 24, 2023 under the registration number D. 23-0329. The consolidated financial statements are presented on pages 296 to 401 and the related Statutory Auditors' report on pages 402 to 408. The full statutory financial statements can be found on pages 409 to 424 and the related Statutory Auditors' certification on pages 425 to 429. The selected financial information is presented on pages 4 to 6 of the Universal Registration Document. The management report figures on pages 27 to 64, 65 to 168, 169 to 196, 197 to 294, 295 to 436. The elements shown in blue in the document relate to the updating of the paragraphs in the management report to, notably, take into account the crisis in Ukraine.

2021 Financial Year

The Universal Registration Document for the 2021 financial year was filed with the *Autorité des Marchés Financiers* on April 4, 2022 under the registration number D. 22-0236. The consolidated financial statements are presented on pages 265 to 361 and the related Statutory Auditors' report on pages 362 to 368. The full statutory financial statements can be found on pages 369 to 383 and the related Statutory Auditors' certification on pages 384 to 389. The selected financial information is presented on pages 4 and 5 of the Universal Registration Document. The management report figures on pages 6 to 13, 15 to 57, 59 to 144, 145 to 174, 175 to 252, 253 to 394. The elements shown in blue in the document relate to the updating of the paragraphs in the management report to, notably, take into account the crisis in Ukraine.

TABLE OF CONCORDANCE FOR THE ANNUAL FINANCIAL REPORT

This Universal Registration Document contains all the elements of the financial report as referred to in Article L. 451-1-2 of the French Monetary and Financial Code (*Code Monétaire et Financier*) and required by Article 222-3 of the AMF's General Regulation. The table below resumes the elements of the financial report.

Elements required	Pages of the Universal Registration Document
The annual statutory financial statements	435 to 449
The Group's consolidated financial statements	342 to 349
Corporate governance report	80 to 196
Management report	37 to 78, 80 to 196, 198 to 226, 228 to 332, 334 to 464 The elements included as we finalize this 2023 Universal Registration Document as of April 26, 2024, appear in bold italic blue .
Certification by the person responsible for the Annual financial report	476
Statutory Auditors' report on the statutory financial statements	451 to 454
Statutory Auditors' report on the consolidated financial statements	430 to 434
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