Air France-KLM Group

CONSOLIDATED FINANCIAL STATEMENTS

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

January 1, 2021 – December 31, 2021

Air France-KLM Group

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Air France-KLM Group

CONSOLIDATED INCOME STATEMENT

In € millions **Period from January 1 to December 31**	*Notes*	**2021**	**2020 restated [1]**
Revenues from ordinary activities		**14,315**	**11,088**
External expenses	***8***	(8 829)	(7 980)
Salaries and related costs	***9***	(5 340)	(5 306)
Taxes other than income taxes		(116)	(137)
Other current operating income and expenses	***10***	715	640
EBITDA		**745**	**(1 695)**
Amortization, depreciation and provisions	***11***	(2 371)	(2 859)
Income from current operations		**(1 626)**	**(4 554)**
Sales of aircraft equipment	***12***	(19)	41
Other non-current income and expenses	***12***	(887)	(1 517)
Income from operating activities		**(2 532)**	**(6 030)**
Cost of financial debt	***13***	(730)	(496)
Income from cash and cash equivalents		2	19
Net cost of financial debt	***13***	***(728)***	***(477)***
Other financial income and expenses	***13***	(289)	(451)
Income before tax		**(3 549)**	**(6 958)**
Income taxes	***14.1***	282	(89)
Net income of consolidated companies		**(3 267)**	**(7 047)**
Share of profits (losses) of associates	***21***	(27)	(58)
Net income for the period		**(3 294)**	**(7 105)**
Non-controlling interests		*(2)*	*(5)*
Net income - Group part		*(3 292)*	*(7 100)*
Earnings per share – Equity holders of Air France-KLM (in euros)			
- basic	***15***	(5.95)	(16.61)
- diluted		(5.95)	(16.61)

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

[1] See note 3 in notes to the consolidated financial statements.

Air France-KLM Group

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	***Notes***	**2021**	**2020 restated [1]**
Net income for the period		**(3,294)**	**(7,105)**
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	***30.6***	541	(946)
Change in fair value and cost of hedging transferred to profit or loss	***30.6***	(272)	969
Exchange difference resulting from the translation		3	(4)
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	***14.2***	(72)	(10)
Total of other comprehensive income that will be reclassified to profit or loss		***200***	***9***
Remeasurements of defined benefit pension plans		772	(282)
Fair value of equity instruments revalued through OCI		(2)	(21)
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	***14.2***	(171)	79
Total of other comprehensive income that will not be reclassified to profit or loss		***599***	***(224)***
Total of other comprehensive income, after tax		**799**	**(215)**
Recognized income and expenses		**(2,495)**	**(7,320)**
- Equity holders of Air France-KLM		**(2,495)**	**(7,314)**
- Non-controlling interests		-	(6)

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

[1] See note 3 in notes to the consolidated financial statements.

Air France-KLM Group

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	***Notes***	**December 31, 2021**	**December 31, 2020 restated (1)**	**January 1, 2020 restated (1)**
Goodwill	***16***	222	215	217
Intangible assets	***17***	1,235	1,230	1,305
Flight equipment	***18***	10,466	11,031	11,334
Other property, plant and equipment	***18***	1,402	1,548	1,580
Right-of-use assets	***20***	5,148	4,678	5,173
Investments in equity associates	***21***	109	230	307
Pension assets	***22***	-	211	420
Other non-current financial assets	***24***	951	795	1,096
Non-current derivative financial assets	***39***	143	92	238
Deferred tax assets	***14.4***	278	252	485
Other non-current assets	***28***	-	4	3
Total non-current assets		**19,954**	**20,286**	**22,158**
Assets held for sale	***25***	74	-	-
Other current financial assets	***24***	484	607	800
Current derivative financial assets	***39***	469	160	258
Inventories	***26***	567	543	737
Trade receivables	***27***	1,511	1,248	2,164
Other current assets	***28***	966	914	865
Cash and cash equivalents	***29***	6,658	6,423	3,715
Total current assets		**10,729**	**9,895**	**8,539**
Total assets		**30,683**	**30,181**	**30,697**

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

(1) See note 3 in notes to the consolidated financial statements.

Air France-KLM Group

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	*Notes*	**December 31, 2021**	**December 31, 2020 restated (1)**	**January 1, 2020 restated (1)**
Issued capital	***30.1***	643	429	429
Additional paid-in capital	***30.2***	4,949	4,139	4,139
Treasury shares	***30.3***	(25)	(25)	(67)
Perpetual	***30.4***	3,151	-	403
Reserves and retained earnings	***30.5***	(12,542)	(9,894)	(2,522)
Equity attributable to equity holders of Air France-KLM		**(3,824)**	**(5,351)**	**2,382**
Non-controlling interests		8	9	15
Total equity		**(3,816)**	**(5,342)**	**2,397**
Pension provisions	***31***	1,939	2,041	2,117
Non-current return obligation liability and other provisions	***32***	4,055	3,670	3,750
Non-current financial liabilities	***33***	11,274	14,171	6,271
Non-current lease debt	***34***	2,924	2,425	3,149
Non-current derivative financial liabilities	***39***	25	122	107
Deferred tax liabilities	***14.4***	1	22	142
Other non-current liabilities	***38***	2,555	1,294	115
Total non-current liabilities		**22,773**	**23,745**	**15,651**
Current return obligation liability and other provisions	***32***	885	1,337	714
Current financial liabilities	***33***	1,215	1,318	842
Current lease debt	***34***	825	839	971
Current derivative financial liabilities	***39***	46	363	154
Trade payables		1,850	1,435	2,379
Deferred revenue on ticket sales	***36***	2,644	2,394	3,289
Frequent flyer programs	***37***	888	916	848
Other current liabilities	***38***	3,369	3,175	3,448
Bank overdrafts	***29***	4	1	4
Total current liabilities		**11,726**	**11,778**	**12,649**
Total liabilities		**34,499**	**35,523**	**28,300**
Total equity and liabilities		**30,683**	**30,181**	**30,697**

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

(1) See note 3 in notes to the consolidated financial statements.

Air France-KLM Group

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In € millions	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Perpetual bonds	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Non-controlling interests	Total equity
December 31, 2019 - published	**428,634,035**	**429**	**4,139**	**(67)**	**403**	**(2,620)**	**2,284**	**15**	**2,299**
Change in accounting policy [(1)]						**98**	**98**		**98**
January 1, 2020 - restated [(1)]	**428,634,035**	**429**	**4,139**	**(67)**	**403**	**(2,522)**	**2,382**	**15**	**2,397**
Other comprehensive income		*-*	*-*	*-*	*-*	*(214)*	*(214)*	*(1)*	*(215)*
Net result for the period		-	-	-	-	(7,100)	(7,100)	(5)	(7,105)
Total of income and expenses recognized		**-**	**-**	**-**	**-**	**(7,314)**	**(7,314)**	**(6)**	**(7,320)**
Perpetual		-	-	-	(403)	-	(403)	-	(403)
Coupons on perpetual		-	-	-	-	(17)	(17)	-	(17)
Other		-	-	42	-	(41)	1	-	1
December 31, 2020 - restated [(1)]	**428,634,035**	**429**	**4,139**	**(25)**	**-**	**(9,894)**	**(5,351)**	**9**	**(5,342)**
December 31, 2020 - restated [(1)]	**428,634,035**	**429**	**4,139**	**(25)**	**-**	**(9,894)**	**(5,351)**	**9**	**(5,342)**
Other comprehensive income		*-*	*-*	*-*	*-*	*797*	*797*	*2*	*799*
Net result for the period		-	-	-	-	(3,292)	(3,292)	(2)	(3,294)
Total of income and expenses recognized		**-**	**-**	**-**	**-**	**(2,495)**	**(2,495)**	**-**	**(2,495)**
Capital increase	213,999,999	214	810	-	-	-	1,024	-	1,024
Perpetual bonds		-	-	-	3,000	(3)	2,997	-	2,997
Coupons on perpetual		-	-	-	151	(151)	-	-	-
Dividends paid						-	-	(1)	(1)
Other		-	-	-	-	1	1	-	1
December 31, 2021	**642,634,034**	**643**	**4,949**	**(25)**	**3,151**	**(12,542)**	**(3,824)**	**8**	**(3,816)**

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

[(1)] See note 3 in notes to the consolidated financial statements.

Air France-KLM Group

CONSOLIDATED STATEMENT OF CASH FLOWS

Period from January 1 to December 31 *In € millions*	***Notes***	**2021**	**2020 restated** [(1)]
Net income		(3,294)	(7,105)
Amortization, depreciation and operating provisions	***11***	2,371	2,859
Financial provisions	***13***	115	183
Loss (gain) on disposals of tangible and intangible assets		18	(50)
Loss (gain) on disposals of subsidiaries and associates	***12***	(26)	1
Derivatives – non monetary result		(39)	(27)
Unrealized foreign exchange gains and losses, net		257	(290)
Share of (profits) losses of associates	***21***	27	58
Deferred taxes	***14***	(284)	159
Impairment	***43.1***	40	680
Other non-monetary items	***43.1***	739	541
Financial capacity		**(76)**	**(2,991)**
(Increase) / decrease in inventories		(41)	138
(Increase) / decrease in trade receivables		(239)	760
Increase / (decrease) in trade payables		395	(898)
Increase / (decrease) in advanced ticket sales		227	(837)
Change in other assets and liabilities		1,268	1,002
Change in working capital requirement		**1,610**	**165**
Net cash flow from operating activities		**1,534**	**(2,826)**
Acquisition of subsidiaries, of shares in non-controlled entities		(4)	(1)
Purchase of property plant and equipment and intangible assets	***19***	(2,202)	(2,099)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	***4.2***	75	357
Proceeds on disposal of property plant and equipment and intangible assets	***12***	899	204
Dividends received		2	-
Decrease (increase) in net investments, more than 3 months		(9)	(44)
Net cash flow used in investing activities		**(1,239)**	**(1,583)**
Increase of equity	***30.1***	1,024	-
Issuance of debt	***33***	1,724	11,437
Repayment on debt	***33***	(1,993)	(3,389)
Payments on lease debts	***34***	(862)	(940)
New loans		(188)	(282)
Repayment on loans		219	321
Dividends paid		(1)	-
Net cash flow from financing activities		**(77)**	**7,147**
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		14	(27)
Change in cash and cash equivalents and bank overdrafts		**232**	**2,711**
Cash and cash equivalents and bank overdrafts at beginning of period	***29***	6,422	3,711
Cash and cash equivalents and bank overdrafts at end of period	***29***	6,654	6,422
Income tax (paid) / reimbursed (flow included in operating activities)		55	(15)
Interest paid (flow included in operating activities)		(563)	(399)
Interest received (flow included in operating activities)		(12)	(1)

(1) See note 3 in notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Air France-KLM Group

1. BUSINESS DESCRIPTION

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

The Group's core business is network activities which includes passenger transportation on scheduled flights and cargo activities. The Group's activities also include aeronautics maintenance, leisure passenger transportation (Transavia) and other air-transport-related activities.

The limited company Air France-KLM, domiciled at 2, rue Robert Esnault-Pelterie 75007 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.

2. SUSTAINABLE DEVELOPMENT AND CLIMATE

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 growth are changing at both political level and in terms of wider society. Both France and the Netherlands have implemented policies to ensure the transition to a Net Zero Carbon society by 2050.

The Air France-KLM Group intends to be a player in the transformation of its sector of activity, and aims to occupy a leading role and influence.

Playing an active role in advancing the goal of Net Zero emissions by 2050 as an industry, and committing to setting science-based targets in line with the Science-Based Targets initiative (SBTi) criteria and the Paris agreement, were crucial milestones in 2021 and a strong marker for the Group, reflecting people's changing perceptions of travel and calls for more responsible use of aviation. The Group's environmental efforts are summarized in a Climate Action Plan.

Air France-KLM assesses its extra-financial performance on a regular basis through the ratings of RobecoSAM, Ecovadis, Carbon Disclosure Project (CDP), Vigeo Eiris, MSCI Sustainalytics and ISS-ESG. In 2021, for the seventeenth year running, Air France-KLM figured in the Dow Jones Sustainability Indexes (DJSI World and DJSI Europe) and, for the second consecutive year, the Ecovadis sustainability rating agency awarded Air France-KLM Group the Platinum Medal (highest recognition for the top 1% highest label) while CDP rated AFKL group with a score of C (awareness level) for the Climate Change rating questionnaire.

Furthermore, to objectify its ESG performance and improve its strategy and practices, Air France-KLM proactively requested an independent ESG rating from Standard and Poor's, becoming the first airline group to be evaluated through a requested ESG rating. In 2021, Standard & Poor's (S&P) Global Ratings thus assigned to Air France-KLM an ESG rating of 64/100. With this rating, the Group is well positioned among the players in the airline industry with regard to the management of its significant exposure to environmental challenges. S&P underlined that the Group were well prepared to manage the ESG risks faced by airlines 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

The impact of climate change in the short to medium term has been taken into account in the preparation of the Group's financial statements for the year ending December 31, 2021. However, the risks identified have not been considered material to the Group's operational continuity, given the operation of a balanced network between the different continents and the flexibility of the fleet to minimize the economic consequences of extreme weather events that may occur.

The impacts related to the expected or probable changes in the regulations (increase in carbon credit prices, CO_2 compensation and development of sustainable aviation fuel – "SAF") are included in the five-year plan and consequently in the tested recoverable value of assets (see note 23. Impairment).

In 2021, the Group's environmental objectives have not led to the recognition of any impairment or accelerated depreciation of assets.

2.2 Sustainable investments

2.2.1 Fleet modernization

The Air France-KLM Group is committed to reduce CO2 emissions by 50 per cent by 2030 compared to 2005. Currently, the most impactful way to reduce the carbon footprint is to invest in a more fuel-efficient fleet. The transformation of the Group is therefore continuing with the arrival 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 resulted in capital expenditures on aircraft equipment amounting to €1,047 million as of December 31, 2021 (€808 million as of December 31, 2020) (see note 19. Capital expenditures).

Pursuing its fleet renewal plan, the Group will continue to receive new generation aircraft over the next few years (see notes 40. Flight equipment orders).

2.2.2 Ground equipment

In order to reach the objective of carbon neutrality in ground operations by 2030, the Group is investing in fully electric ramp equipment (vehicles, pushbacks and loaders in particular). These sustainable investments represented €0,1 million as of December 31, 2021 (€3 million as of December 31, 2020).

These investments are included in the indicators related to sustainable capital expenditures according to the European green taxonomy.

2.3 Greenhouse gas emission rights – CO_2 compensation

Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) regulations for all flights to or from the European Economic Area, as described in note 5.22. and the paragraphs "Carbon credit risks" in notes 39.1. and 39.2.4. As such, the group must purchase CO_2 allowances to offset its emissions. The group accounts for the CO_2 quotas as intangible assets. These assets are non-depreciable.

As of December 31, 2021, the value of the CO_2 quotas related to ETS program in the Group's balance sheet represented €75 million (€22 million euros as of December 31, 2020) (see note 17. Intangible assets). To meet its obligation to surrender the rights corresponding to its emissions, the Group has booked a net expense of €36 million as of December 31, 2021 (€32 million as of December 31, 2020) corresponding to the best estimates of its emissions for the year 2021 (see note 10. Other current operating income and expenses). Finally, the Group held CO_2 quota hedging instruments for an amount of €143 million as of December 31, 2021 (€31 million as of December 31, 2020) (see note 30.6. Derivatives instruments reserves).

Additionally, since January 1, 2020, Air France has compensated the CO_2 emissions of its customers on the French domestic routes. The purchase of credits representing the carbon compensation are accounted for as intangible assets, for an amount of €2 million as of December 31, 2021 (€2 million as of December 31, 2020) (see note 17. Intangible assets).

2.4 Other expenses and commitments

The criteria taken into account for the calculation of long-term variable management compensation (see note 42.1. Transactions with the principal executives) include items linked with sustainability targets, especially a targeted level of sustainability measured by the DJSI index and the reduction of CO_2 emissions.

In addition, KLM has committed to becoming more sustainable as part of the conditions associated with the direct loan granted by the Dutch State (see note 33.3 Financial support from the French and Dutch States).

3. RESTATEMENT OF THE 2020 FINANCIAL STATEMENTS

Since January 1, 2021, the Air France-KLM Group has applied the IFRIC decision relating to IAS 19 "Employee benefits", described in note 5.1 Accounting policies.
This change has been applied retrospectively to the financial information presented in the prior periods in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The impacts on the comparative periods are presented below.
Only the items impacted by the changes in accounting policies are presented.

Impact on the consolidated income statement

In € million **Period from January 1 to December 31, 2020**	Published accounts	IFRIC IAS 19	Restated accounts
Salaries and related costs	(5 300)	(6)	(5 306)
EBITDA	**(1 689)**	**(6)**	**(1 695)**
Income from current operations	**(4 548)**	**(6)**	**(4 554)**
Other non-current income and expenses	(1 493)	(24)	(1 517)
Income from operating activities	**(6 000)**	**(30)**	**(6 030)**
Income before tax	**(6 928)**	**(30)**	**(6 958)**
Income taxes	(97)	8	(89)
Net income of consolidated companies	**(7 025)**	**(22)**	**(7 047)**
Net income in equity affiliates	(58)	-	(58)
Net income	**(7 083)**	**(22)**	**(7 105)**
Earnings per share (basic)	(16.56)	(0.05)	(16.61)
Earnings per share (diluted)	(16.56)	(0.05)	(16.61)

Impact on the consolidated statement of recognized income and expenses

In € million **Period from January 1 to December 31, 2020**	Published accounts	IFRIC IAS 19	Restated accounts
Net income for the period	**(7 083)**	**(22)**	**(7 105)**
Total of other comprehensive income that will not be reclassified to profit or loss	**(224)**	**-**	**(224)**
Total of other comprehensive income, after tax	**(215)**	**-**	**(215)**
Recognized income and expenses	**(7 298)**	**(22)**	**(7 320)**
• **Equity holders of Air France-KLM**	**(7 292)**	**(22)**	**(7 314)**
• Non-controlling interests	(6)	-	(6)

Impact on the consolidated balance sheet

In € million **Balance sheet as of December 31, 2020**	Published accounts	IFRIC IAS 19	Restated accounts
Asset	**30 211**	**(30)**	**30 181**
Deferred tax assets	282	(30)	252
Equity and liabilities	**30 211**	**(30)**	**30 181**
Retirement provisions	2 147	(106)	2 041
Equity	(5 418)	76	(5 342)
• Holders of Air France-KLM	(5 427)	76	(5 351)
• Non-controlling interests	9	-	9

The adjusted balance sheet as of January 1, 2020 is also presented:

In € million **Balance sheet as of January 1, 2020**	Published accounts	IFRIC IAS 19	Restated accounts
Asset	**30 735**	**(38)**	**30 697**
Deferred tax assets	523	(38)	485
Equity and liabilities	**30 735**	**(38)**	**30 697**
Retirement provisions	2 253	(136)	2 117
Equity	2 299	98	2 397
• Holders of Air France-KLM	2 284	98	2 382
• Non-controlling interests	15	-	15

Impact on the consolidated statement of cash flows

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

In € million **Period from January 1 to December 31, 2020**	Published accounts	IFRIC IAS 19	Restated accounts
Net income	(7 083)	(22)	(7 105)
Deferred tax	167	(8)	159
Other non monetary items	511	30	541
Financial capacity	**(2 991)**	**-**	**(2 991)**

Air France-KLM Group

4. SIGNIFICANT EVENTS

4.1. Covid-19 and going concern

Since the beginning of 2020, the worldwide spread of Covid-19 has had and continues to have a major impact on air traffic around the world. The very stringent conditions on global travel adopted by many countries as of March 2020 resulted in a drastic reduction in air traffic in 2020. In the first half of 2021, new measures have been put in place by the French and Dutch governments to slow the spread of the virus and travel restrictions have been tightened globally following the emergence of new variants of the virus, again limiting air traffic.

However, the second half of 2021 was marked by a recovery in traffic over the summer and, in particular, during the Christmas holiday period, thanks to the gradual reopening of borders. Capacity in the third and fourth quarters of 2021 stood at a respective 66 per cent and 72 per cent relative to its level in the third and fourth quarters of 2019.

The strong measures taken by the Group to mitigate the effect of Covid-19 on its business since the beginning of the pandemic are continuing. These actions include, amongst others, adapting capacity to the demand trends, structural changes to the fleet, cash preservation and salary measures.
The group continues to closely monitor and evaluate the situation.

Reduction in capacity and costs

Available seat-kilometers for the Passenger network and Transavia were 62% higher in the second half of 2021 compared to the second half of 2020, in response to the easing of travel restrictions in a number of countries. Traffic in terms of passenger-kilometers jumped by 155% in the second half of the year compared to 2020 driven by a dynamic recovery in demand. For the full year, capacity thus increased by 30 per cent compared to its 2020 level, while traffic rose by 28%. The cargo business continued to benefit from a buoyant environment with available ton-kilometers up 13 per cent compared to 2020 and a positive yield trend. As a result, total revenues increased by 29 per cent compared to last year and amounted to €14,315 million.

In parallel, specific cost initiatives, in particular staff reduction and salary measures, enabled the Group to control external costs despite the significant increases in capacity. Since the beginning of the year, external expenses amounted to €8,829 million, an increase of 11% compared to 2020, comfortably below the capacity increase.

Within external expenses, fuel costs amounted €2,748 million as of December 31, 2021 against €2,392 million as of December 31, 2020, an increase of 15% due to the increase in capacity and the higher fuel price.

In addition, the continuation of the partial activity mechanisms in France, implemented from March 23, 2020, the "Temporary Emergency Bridging Measures for Sustained Employment" (NOW) program in the Netherlands, applicable from March 1, 2020, as well as the implementation of restructuring plans and the reduction in the workforce (see note 4.2. Events occurring during the period in the notes to the consolidated financial statements for the year ended December 31, 2020) continued to contribute to limiting salaries and related costs. The total salaries and related costs amounts to €(5,340) million as of December 31, 2021 compared to €(5,306) million as of December 31, 2020 and €(8,139) million as of December 31, 2019 before Covid.

Liquidity position

As of December 31, 2021, the Group's total liquidity amounted to €10.16 billion, of which €7.7 billion in net cash excluding undrawn credit lines (see note 35.Net debt) and €2.46 billion in undrawn credit lines (see note 33.3 Financial support from the French and Dutch States and 33.7 Credit lines).

In April 2021 and July 2021 respectively, the Group's liquidity position was strengthened by €1 billion via a capital increase by the Air France-KLM Group and by €800 million raised via a bond issue (see note 4.2. Significant events occurring during the period).

The Group reimbursed €500 million of the loan guaranteed by the French State on December 10, 2021 and negotiated an amendment to the repayment profile with the final maturity extended from May 6, 2023 to May 6, 2025 (see note 33.3 Financial support from the French and Dutch States).

In addition, the group is continuing the measures initiated in 2020 to defer non-core capital expenditure and internal projects and to spread the payment of payroll tax and social security contributions.

Going concern

In determining the appropriate basis for preparing the financial statements for the year ended December 31, 2021, the Board of Directors considered the Group going concern by evaluating the financial forecasts over a time horizon of at least one year and by analyzing, in particular, the trading position of the Group within the context of the current Covid-19 pandemic and taking into account the following elements.

As mentioned above, the Group had total cash at hand of €10.16 billion at December 31, 2021 (see the "*Liquidity position*" paragraph).

The deployment of vaccines is allowing for the gradual lifting of traffic restrictions, including the reopening of the US border to Europeans on November 8, 2021. Despite the rapid spread of the Omicron variant at the end of the year, traffic in the last quarter of 2021 was maintained at budgeted capacity of 74%, EBITDA in the last quarter of 2021 stood at almost the same level as in the last quarter of 2019 and operating income was higher than in 2019.

The activity forecast for the first quarter of 2022 is 73% to 78% of the first quarter of 2019.

In addition, the Group is carrying out an ambitious transformation plan which has already generated savings by the end of 2021. These savings have already enabled the company to return to its 2019 unit cost level by the fourth quarter of 2021, despite having less capacity. The progress of the transformation plan is an essential asset for achieving the operating profit targets for 2022.

Combined with the capital increase, the €800 million bond issue and the EMTN program available for the Group (see note 4.2. Events occurring during the period), the cash flow projections over an horizon of more than 12 months ensure a level of liquidity considered to be sufficient.

The assumptions take notably into account:

- The adjustment of the flight schedule and capacity to the expected demand in order to operate only flights having a positive incremental impact in terms of operating cash flow;
- The continued specific mechanisms from the French and Dutch governments to partially cover staff costs through the Long-Term Partial Activity ("*APLD*") in France until the end of 2022 for Air France and the "*NOW*" program in the Netherlands for the first quarter of 2022;
- A deferral of the payment of social contributions and taxes on salaries over a period of 4 to 5 years;
- A high level of variable costs linked to a reduction in capacity;
- The limitation of non-aeronautical investments;
- The systematic refinancing of new aircrafts delivered during the period.

Based on these financial forecasts, the banking covenants applicable in 2022, including the €2.46 billion Revolving Credit Facility at the level of KLM (see note 33.3 Financial support from the French and Dutch governments), are met. Concerning the non-financial commitment as included in the framework Agreement related to the State Aid between the Dutch State, KLM and Air France KLM, the Dutch State agent assessed that KLM does not comply with a non-financial indicator, regarding termination of facilitation of possible tax avoidance by employees. KLM is currently discussing this topic with the Dutch State agent to arrive at an acceptable solution.

The Group continues to pursue additional financing projects to improve equity or quasi-equity, and provide new liquidity, in the context of the extraordinary resolutions voted at the Annual Shareholders' Meeting of May 26, 2021. It is also working on various additional options to restore Air France's equity to the legally required level.

In addition, at the end of October 2021, an "ESG rating" ("Environmental Social and Governance") was secured to provide access to sustainable financing (see note 2. Sustainable development and climate).

The Group is actively managing its debt profile. Air France-KLM repaid €500 million of the guaranteed loan from the French State on December 10, 2021 and negotiated an amendment to the repayment profile extending the final maturity from May 6, 2023 to May 6, 2025 (see note 33.3 Financial support from the French and Dutch States).

In this context of the fifth wave of the Covid-19 crisis and the spread of the Omicron variant, the Board of Directors also considered three scenarios for the year 2022 with recovery paths deferred for up to one year. Even the most degraded and highly unlikely scenario does not call into question the going concern assumption.

Air France-KLM Group

The Group is likely to face various uncertainties on its financial trajectory, in particular the pace of recovery of activity and the lifting of restrictions notably in Asia, the potentially negative evolution of certain behaviors relating to air transport, the possible impact of an imposed restriction on airport slots especially in Schipol, the lack of available financing, notably alternative financing for the fleet renewal, the increase in the fuel price, and the ability to pass on in the ticket prices the potentially increasing costs linked notably to airport taxes, fuel and the carbon transition. In addition, the Air France company has a legal obligation to restore its equity by December 31, 2023.

Were this scenario to materialize, the Management may implement additional mitigating actions:

- Further optimization and reduction of the network and capacity;
- Asset disposals;
- Further staff restructuring;
- Other cost-saving measures; and
- Deferral of capital expenditure and charges.

Accordingly, having reviewed the cash position and the financial forecasts, and taking into account the uncertainties described above, the committed financing facilities and possible mitigating actions, the Board of Directors considers it appropriate to prepare the yearly-consolidated financial statements on a going concern basis without retaining the concept of "significant uncertainty" introduced in December 2020.

4.2. Events occurring during the period

Long-term partial activity agreement

In the first half of 2021, Air France and some of its subsidiaries finalized the signature of all the agreements with the representative trade unions allowing the use of the Long Term Partial Activity (LTPA) for a maximum period of 24 months.

Approval of Hop ! departure plan

As part of its restructuring, HOP! has launched a departure plan (“PDV-PSE”) (see note 2.2 Events occurring during the period in the notes to the consolidated financial statements for the financial year ended December 31, 2020). On February 16, 2021, HOP! received a request from the French Labor Ministry (DREETS, formerly DIRECCTE) to amend some measures of the plan concerning flight crew. The amended departure plan was finally approved on June 16, 2021. An additionnal allocation of €28 million was made to this provision for the financial year ending December 31, 2021.

Measures to strengthen the capital and liquidity of the Air France-KLM Group

On April 6, 2021, the Air France-KLM Group announced a plan of measures concerning Air France, which was approved by the European Commission in its decision to authorize the €4 billion transaction by the French State to recapitalize Air France and Air France-KLM. Subsequent to this authorization, the following transactions were carried out:

- ***€1,036 million capital increase:***

  On April 19, 2021, the Group realized a capital increase without shareholders’ preferential subscription rights, by way of a public offering and with a priority subscription period on an irreducible and reducible basis granted to existing shareholders, for an amount of €1,036 million, or €1,024 million net of issuance fees. This operation improves the Group’s shareholders’ equity, and brings the same amount of new money to the Group for the benefit of Air France.

  The capital increase resulted in the issuance of 213,999,999 new shares (the “New Shares”) at a price per share of €4.84, representing approximately 50 per cent of the Company’s existing share capital. Following the completion of the capital increase, the Company’s share capital increased to €642,634,034 divided into 642,634,034 shares, each with a nominal value of €1.

As per their subscription commitments, and given the allotment scale of the reducible orders, the French State and China Eastern Airlines subscribed within the context of the priority period to respectively 122,560,251 New Shares (i.e. 57 per cent of the total amount of the Capital Increase) and 23,944,689 New Shares (i.e. 11 per cent of the total amount of the Capital Increase). The Dutch State did not subscribe to this capital increase. Neither did Delta Airlines due to the current framework of the CARES Act in force in the United States at the time of the operation.

- ***Conversion of the fully drawn €3 billion French State loan into perpetual hybrid bond instruments ("Super Subordinated Notes"):***

  On April 20, 2021, the €3 billion direct loan granted by the French State to Air France via Air France-KLM in late May 2020 was converted into Super-Subordinated Notes in the same nominal amount, improving the Group's equity by €3 billion with no cash impact, while increasing the flexibility of the Group's debt redemption profile. This issue is composed of three tranches with perpetual maturities and each in a nominal amount of €1 billion, respectively bearing a coupon of 7 per cent, 7,25 per cent and 7,5 per cent, and with first redemption options (Call) at 4, 5 and 6 years respectively.
  In accordance with the provisions of IAS 32 – Financial instruments, as the redemption of perpetual bonds and the payment of coupons are only at the sole initiative of the Group, these issuances have been accounted for in Equity.

- ***Reimbursement of €500 million of the loan guaranteed by the French State and extension of the maturity of the outstanding capital:***

  In addition, on December 10, 2021, the Air France-KLM Group repaid €500 million of the state guaranteed loan and negotiated an amendment to the repayment profile extending the final maturity date from May 6, 2023 to May 6, 2025, as follows:
  - May 2023: partial repayment of €800 million, leaving €2.7 billion outstanding,
  - May 2024: partial repayment of €1.35 billion, leaving €1.35 billion outstanding,
  - May 2025: final repayment of €1.35 billion, (there will be no outstanding balance after this date).

  The remaining amount outstanding is therefore €3.5 billion as of December 31, 2021.

These factors make it possible to smooth the debt repayment profile of the Group, with a gradual extension of the maturity profile.

The Dutch State also approved this package and has indicated that it is continuing discussions with the European Commission on possible capital-strengthening measures for KLM.

€800 million bond issue

On June 24, 2021, the Group announced the successful realization of a senior bond issue for a total of €800 million in two tranches:
- A first tranche of bonds for €300 million, with a maturity of 3 years and a coupon of 3% per year.
- A second tranche of bonds for €500 million, with a maturity of 5 years and a coupon of 3.875% per year.

Settlement and delivery of the bonds took place on July 1, 2021. The debt has been accounted for in the balance sheet as of that date under "non-current financial liabilities".

Launch of an EMTN ("European Medium-Term Note") program

On July 8, 2021, the Group launched an EMTN program with an initial term of 12 months to maximize the use of potential market windows for bond issuance.

Sale of Servair shares

In early 2021, the terms under which Air France KLM could sell a 30% shareholding in Servair to Gategroup (see note 38.2 "Commitments received", in the notes to the consolidated financial statements for the financial year ended December 31, 2020) were re-negotiated. This resulted in the sale by Air France Finance, on May 31, 2021, of 15% of Servair for €71 million. A second payment in respect of a further 15% shareholding should be received in December 2022.

This sale led to the recognition of a disposal gain of €26 million in "Other non-current income and expenses" in the consolidated income statement. The proceeds from the sale are included in the line "Income from loss of control of subsidiaries or disposal of shares in non-controlled companies" in the consolidated statement of cash flows.

Agreement on the KLM Ground Staff pension plan

On June 14, 2021, KLM and the five Dutch Ground Staff unions signed an agreement enabling a change in the Ground Staff pension plan effective from January 2021. As provided for by this agreement, the KLM Ground Staff pension fund now qualifies as a defined contribution plan under IFRS rules. The pension assets, based on the actuarial assumptions as of May 31, 2021, amounted to €875 million (before tax). Under this agreement, KLM has paid an additional pension premium covering the period January-May 2021, as well as a one-off contribution representing the savings realized since 2014 following changes in the Dutch law. These contributions amount to €63 million.

The total impact of the de-recognition of the pension assets together with the additional contributions has been booked in "Other non-current income and expenses" in the amount of €938 million (€704 million net of tax).

Additional restructuring plan at KLM

An additional restructuring plan had been announced on January 21, 2021 for between 800 and 1,000 employees. Following agreements signed with the KLM unions to avoid additional departures and the expected scale-up of activity, KLM decided to withdraw this additional restructuring plan.

4.3. Subsequent events

There have been no significant events since the end of the accounting period.

5. ACCOUNTING POLICIES

5.1. Accounting principles

Accounting principles 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, 2021 were established in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union on the date these consolidated financial statements were established.

IFRS, as adopted by the European Union, differ in certain respects from IFRS as published by the International Accounting Standards Board ("IASB"). The Group has, however, determined that the financial information for the periods presented would not differ substantially if the Group had applied IFRS as published by the IASB.

The consolidated financial statements were approved by the Board of Directors on February 16, 2022.

Change in accounting principles

- **IFRS standards which are applicable on a mandatory basis to the 2021 financial statements**

Amendments to IFRS 9 "Financial instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial instruments: Disclosures" and IFRS 16 "Leases"

From January 1, 2021, the Group has applied the amendments to IFRS 9, IFRS 7 and IFRS 16 in connection with "Phase 2" of the interest rate benchmark. These amendments stipulate in particular the accounting treatment to be applied when an old benchmark interest rate is replaced by a new benchmark in a given contract, as well as the impact of this change on hedging relationships affected by the IBOR reform. The Group has little exposure to the indices affected by the reform. The application of these amendments has no impact on the Group's financial statements as of December 31, 2021.

With the disappearance of the EUR LIBOR rates at the end of 2021, during the year the Group amended the financing contracts (aircraft debt) indexed on this reference and restructured the related interest rate derivatives to re-index them on Euribor.

With regard to the disappearance of the USD LIBOR rates, scheduled for June 2023, the Group does not anticipate any particular risk relating to the transition to the new reference index and which will concern its debt and derivative contracts.

Amendments to IFRS 16 "Leases"

This amendment extends the simplification whereby lessees can account for lease relief related to the Covid-19 pandemic as if it were not a contract amendment. This is tantamount to recognizing the impact of the rent relief in the profit or loss for the period and to not smoothing it over the remaining term of the contract. The application of this amendment has no significant impact on the Group's financial statements at December 31, 2021.

IFRS IC decision on IAS 19 "Employee Benefits"

This IFRS IC decision deals with the methods for allocating over time the expense related to defined benefit plans that meet the following three conditions:

- The definitive acquisition of the benefits is conditional on presence in the company at the time of retirement;
- The amount of the benefits depends on the length of service;
- The amount of the benefits is capped at a number of consecutive years of service in the company.

For these schemes, the rights must be spread in a linear manner, no longer over the entire career of the employee in the company, but, for individual employee, over the last years of his or her career giving rise to the acquisition of new rights.

The application of this IFRS IC decision is accounted for as a change in accounting policy with application from the opening date of the first comparative period presented in the first-time adoption financial statements, i.e. from 1 January 2020 (see note 31 Retirement benefits).

IFRS IC decision on "Configuration or customization costs in a SaaS arrangement" (Software as a Service)

This IFRS IC decision aims to clarify whether an intangible asset should be recognized in accordance with IAS 38 in respect of these software configuration and customization costs. If this is not the case, the IFRS IC decision indicates the other accounting principles that should be applied to account for these costs.

Cloud migration projects are underway within the Group. As at December 31, 2021, no applications have been migrated to the cloud.
The application of this IFRS IC decision in the Group's financial statements as at December 31, 2021 has no impact on the Group's financial statements as at December 31, 2021.

- **IFRS standards which are applicable on a mandatory basis to the 2022 financial statements**

Texts for which the impact assessment is underway within the Group

Amendments to IAS 37 "Provisions, Contingent liabilities and Contingent Assets"

(Effective for accounting periods as of January 1, 2022)
These amendments standardize the identification and assessment practices related to the provisions for onerous contracts, especially regarding losses upon termination arising from contracts concluded with customers within the scope of IFRS 15 "Revenue from Contracts with Customers".

These amendments indicate that the costs, including in the assessment of the "cost of fulfilling a contract", are the costs that relate directly to the contract.

These amendments will apply to the contracts for which the entity has not yet fulfilled all its obligations as from the commencement date of the year of the first-time adoption.

Texts for which implementation will not result in significant impacts

Amendments to IAS 16 “Property, Plant and Equipment”

(Effective for accounting periods as of January 1, 2022)
These amendments aim to standardize the accounting method for the proceeds and costs while an item of property, plant or equipment is in the testing phase.

Amendment to IFRS 9 “Financial instruments”

(Effective for accounting periods as of January 1, 2022)
The amendment to IFRS 9 is included in the annual improvements to IFRS standards 2018 - 2020.

The amendment indicates that the fees included in the 10 per cent test for assessing whether a financial liability must be derecognized are only the costs paid or fees received between the borrower and the lender, including those which are paid or received on behalf of the other party.

Concerning the first adoption, the amendment to IFRS 9 will apply to financial liabilities that are modified or exchanged as from the commencement date of the earliest comparative period presented in the financial statements of the first adoption of the annual improvements to IFRS standards 2018 - 2020.

- **Other texts potentially applicable to the Group, published by the IASB but not yet adopted by the European Union**

Amendments to IAS 1 “Presentation of financial statements”

(Effective for accounting periods as of January 1, 2023)
These amendments clarify the classification of current or non-current liabilities and aim to promote a consistent approach to this classification.

Amendments to IAS 1 “Presentation of financial statements”

(Effective for accounting periods as of January 1, 2023)
These amendments aim to identify the disclosures about accounting policies that are useful to users of financial statements. The main change is to provide information about “significant” accounting policies rather than “major” accounting policies.

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

(Effective for accounting periods as of January 1, 2023)
These amendments 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".

Amendments to IAS 12 “Income taxes”

(Effective the accounting periods as of January 1, 2023)

These amendments aim in particular to generalize the recognition of deferred tax on leases.

5.2. Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and use assumptions that are considered reasonable, and that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. The main areas of estimates are disclosed in the following notes:

- Note 14 Income taxes
- Note 17 Intangible assets
- Note 18 Tangible assets
- Note 20 Right-of-use-assets
- Note 31 Retirement benefits

- Note 32 Return obligation liability and provision for leased aircraft and other provisions
- Note 36 Deferred revenue on ticket sales
- Note 37 Loyalty program
- Note 39 Financial instruments

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.

5.3. 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 equity 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 (joint-venture). 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 (joint operation), 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 per cent 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.

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, including income, expenses and dividends, 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.

5.4. Translation of foreign companies' financial statements and transactions in foreign currencies

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 expressed in the functional currency of the entity acquired and 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 an 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 5.11 "Financial instruments".

5.5. Business combinations

Business combinations completed on or after April 1, 2010 are accounted for using the purchase method in accordance with IFRS 3 "Business Combinations". In accordance with this standard, for a first consolidation, all assets and liabilities are measured at fair value at the acquisition date. The time period for adjustments to goodwill/negative goodwill is limited to 12 months from the date of acquisition (except for non-current assets classified as assets held for sale which are measured at fair value less costs to sell).

Goodwill corresponding, at the acquisition date, to the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable assets acquired and the liabilities assumed at the acquisition date, is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The previously held equity interest in the acquiree at fair value at the date of acquisition is also revalued and any gain or loss is recognized in profit or loss.

Costs other than those related to the issuance of debt or equity securities are recognized immediately as an expense when incurred.
For individual acquisitions, the Group has the option of using the "full" goodwill method, where goodwill is calculated by taking into account the fair value of non-controlling interests at the acquisition date rather than their proportionate interest in the fair value of the assets and liabilities of the acquiree.

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.

Contingent considerations or earn-outs are recorded in equity if the contingent payment is settled by delivery of a fixed number of the acquirer's equity instruments (according to IAS 32). In all other cases, they are recognized in liabilities related to business combinations. Contingent payments or earn-outs are measured at fair value at the acquisition date. This initial measurement is subsequently adjusted through goodwill only when additional information is obtained after the acquisition date about facts and circumstances existing on that date. Such adjustments are made only during the 12-month measurement period that follows the acquisition date and insofar as the initial measurement had still been presented as provisional. Any other subsequent adjustments which do not meet these criteria are recorded as receivables or payables through the income statement.

In a step acquisition, the previously-held equity interest in the acquiree is remeasured at its acquisition-date fair value. The difference between the fair value and the net book value must be accounted in profit or loss as well as elements previously recognized in other comprehensive income.

5.6. Sales

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, net of any discounts granted. 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 as "Deferred revenue upon issuance date". The recognition of the revenue known as "ticket breakage" is deferred until the transportation date initially foreseen. This revenue is calculated by applying statistical rates on tickets issued and unused. These rates are regularly updated and adjusted for non-recurring and specific events that may have an impact on passengers' behaviour.

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 progressively. Revenue is recognized on a percentage of completion basis, based on the costs incurred, if they can be reliably measured, plus the expected margin.

As there is a continuous transfer of the control of these services, the revenue from these contracts is recognized as the costs are incurred. 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 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.

5.7. Loyalty programs

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.

5.8. Distinction between income from current operations 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.

5.9. Aggregates used within the framework of financial communication

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 43.2 "Operating free cash flow").

Operating free cash flow adjusted: this corresponds to operating free cash flow net of the payment of lease debts (see 43.2 "Operating free cash flow").

5.10. Earnings per share

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.

5.11. Financial instruments

Valuation of trade receivables and non-current financial assets

Trade receivables, loans and other non-current financial assets 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.

The Group considers that the change in credit risk on the non-current 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 expect credit loss over the 12 months following the closing date.

Purchases and sales of financial assets are booked as of the transaction date.

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.

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risks incurred on shares, exchange rates, changes in interest rates or fuel prices and the 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 calculation of the credit risk follows a common model based on default probabilities from CDS counterparties. 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**

The 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.

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 assets, cash and cash equivalents

- **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 SICAVs and FCPs, 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 current financial assets.

- **Cash and cash equivalents**

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.

Financial liabilities

Financial liabilities are recognized initially at fair value. Subsequent to the initial measurement, financial liabilities 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.

Fair value hierarchy of the financial assets and liabilities

The table presenting a breakdown of financial assets and liabilities categorized by value (see note 39.4 Valuation methods for financial assets and liabilities at their fair 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 in part on non-observable data such as prices on an inactive market or multiple-based valuation for non-quoted securities.

5.12. Goodwill

Goodwill corresponds, at the acquisition date, to the aggregation of the consideration transferred and the amount of any non-controlling interest in the acquiree minus the net amounts (usually at fair value) of the identifiable amounts acquired and the liabilities assumed at the acquisition date.

For acquisitions prior to April 1, 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under French GAAP. The classification and accounting treatment of business combinations taking place prior to April 1, 2004 were not modified at the time international standards were adopted, on April 1, 2004, in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

Goodwill is valued in the functional currency of the entity acquired. It is recorded as an asset in the balance sheet.

It is not amortized and is tested for impairment annually and at any point during the year when an indicator of impairment exists. As discussed in note 5.16, once recorded the impairment may not subsequently be reversed.

When the acquirer’s interest in the net fair value of the identifiable assets and liabilities acquired exceeds the consideration transferred, there is negative goodwill which is recognized and immediately reversed in the Group’s income statement.

At the time of the sale of a subsidiary or an equity affiliate, the amount of the goodwill attributable to the entity sold is included in the calculation of the income from the sale.

5.13. Intangible assets

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) 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 5.16 is recorded.

Since January 1, 2012, airlines have been subject to the ETS (Emission Trading Scheme) market regulations as described in note 5.22 and the “Risks on carbon credit” paragraph in note 39.2.4. As such, the Group is required to purchase CO_2 quotas to offset its emissions. The Group records the CO_2 quotas as intangible assets. These assets are not depreciable.

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 (*)

(*) IT developments are amortized over the same useful life as the underlying software. In some cases, they can be amortized over a longer period. This duration must be documented.

5.14. Property, plant and equipment

Principles applicable

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

Pursuant to IAS 23, the financial interest attributed to advance payments made on account of investments in aircraft and other significant assets under construction is capitalized and added to the cost of the asset concerned. As prepayments on investments are not financed by specific loans, the Group uses the average interest rate on the current unallocated loans of the period.

Maintenance costs are recorded as expenses during the period when incurred, with the exception of programs that extend the useful life of the asset or increase its value, which are then capitalized (e.g. maintenance on aircraft airframes and engines including parts with limited useful lives).

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 depreciated over the period between the date of acquisition and the next major overhaul.

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

5.15. Lease contracts

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 payment obligation.

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.

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 liability, 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. 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 through a return obligation liability or provision as described in note 5.20. 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 liability

At the commencement date, the lease liability 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 liability 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 liability is subsequently measured based on a process similar to the amortized cost method using the discount rate:
- the liability is increased by the accrued interests resulting from the discounting of the lease liability, 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 liability and incurred over the relevant period, are recognized as costs.

In addition, the lease liability 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.

<u>Types of capitalized lease contracts</u>

- **« 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 5.20.

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 debt. 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).

<u>Types of non-capitalized lease contracts</u>

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.

- **Transactions deemed to be a sale**

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

- **Transaction not deemed to be a sale**

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

5.16. Impairment test

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 on September 30.

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 hypotheses for the appropriate activity.

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.

5.17. Inventories

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.

5.18. Treasury shares

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.

5.19. Employee benefits

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 in "other comprehensive income" all the actuarial gains or losses relating to post-employment plans, the differential between the actual return and the expected return on the pension assets, and the impact of any asset ceiling.

When a defined benefit pension plan is converted into a defined contribution pension plan or closed, the amounts recorded in other comprehensive income will be reclassified in other reserves.

The actuarial gains or losses relating to termination benefits (mainly jubilees) are recognized in the income statement.

The Group recognizes all the costs linked to pensions (defined contribution pension plans and defined benefit pension plans) in the income from current operations (salaries and related costs).

Specific information related to the recognition of some pension plan assets

Pension plans in The Netherlands are generally subject to minimum funding requirements ("MFR") that can involve the recognition of pension surpluses. These pension surpluses constituted by the KLM sub group were recognized until June 2021 (see note 4.2 "Events occurred during the period") in the balance sheet according to the IFRIC 14 interpretation (IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction").

5.20. Return obligation liability and provision on leased aircraft

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.

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. 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)

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).

5.21. Other 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”.

Restructuring provisions are recognized once the Group has established a detailed and formalized restructuring plan which has been announced to the parties concerned.

5.22. Emission Trading Scheme

Since January 1, 2012, European airlines have been included in the scope of companies subject to the Emission Trading Scheme (ETS). In the absence of IFRS standards or interpretations governing ETS accounting, the Group has adopted the accounting treatment known as the “netting approach”.

According to this approach, the quotas are recognized as intangible assets in the following way:
- free quotas allocated by the State are valued at nil, and
- quotas purchased on the market are accounted at their acquisition cost.

These intangible assets are not amortized.

If the allocated quotas are insufficient to cover the actual emissions then the Group recognizes a provision. This provision is assessed at the acquisition cost for the acquired rights and, for the non-hedged portion, with reference to the market price as of each closing date.
At the date of the restitution to the State of the quotas corresponding to actual emissions, the provision is written-off in exchange for the intangible assets returned.

5.23. Capital increase costs

Capital increase costs are deducted from paid-in capital.

5.24. Current and deferred taxes

The Group records deferred taxes using the balance sheet liability method, providing for any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the exceptions described in IAS 12 “Income Taxes”.

The tax rates used are those enacted or substantively enacted at the balance sheet date.

Net deferred tax balances are determined on the basis of each entity’s tax position.

Deferred tax assets relating to temporary differences and tax losses carried forward are recognized only to the extent it is probable that a future taxable profit will be available against which the asset can be utilized at the tax entity level.

Deferred tax assets corresponding to fiscal losses are recognized as assets given the prospects of recoverability resulting from the budgets and medium-term plans prepared by the Group. The assumptions used are the same as those used for the impairment tests on assets (see note 5.16).

A deferred tax liability is also recognized for the undistributed reserves of the equity affiliates.

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 other comprehensive income. In such cases, they are recorded directly in other comprehensive income.

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".

5.25. Non-current assets held for sale and discontinued operations

Assets or groups of assets held for sale meet the criteria for this classification if their carrying amount is recovered principally through a sale rather than through their continuing use. This condition is considered to be met when the sale is highly probable and the asset (or group of assets intended for sale) is available for immediate sale in its present condition. Management must be committed to a plan to sell, with the expectation that the sale will be realized within a period of twelve months from the date on which the asset or group of assets were classified as assets held for sale.

The Group determines on each closing date whether any assets or groups of assets meet the above criteria and presents such assets, if any, as "non-current assets held for sale".
Any liabilities related to these assets are also presented on a separate line in liabilities on the balance sheet.

Assets and groups of assets held for sale are valued at the lower of their book value or their fair value minus exit costs. As of the date of such a classification, the asset is no longer depreciated.

The results from discontinued operations are presented separately from the results from continuing operations in the income statement.

6. CHANGE IN THE CONSOLIDATION SCOPE

- **Year ended December 31, 2021**

No significant acquisitions or disposals took place during 2021.

- **Year ended December 31, 2020**

No significant acquisitions or disposals took place during 2020.

7. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

Business segments

The segment information is prepared on the basis of internal management data communicated to the Executive Committee, the Group's principal operational decision-making body.

The Group is organized around the following segments:

Network: The revenues for this segment, which includes the Passenger and Cargo network, primarily come from passenger transportation services on scheduled flights with the Group's airline code (excluding Transavia), including flights operated by other airlines under code-share agreements. They also include code-share revenues, revenues from excess baggage and airport services supplied by the Group to third-party airlines and services linked to IT systems.

Network revenues also include freight carried on flights operated under the codes of the airlines within the Group and flights operated by other partner airlines under code-share agreements. Other cargo revenues are derived principally from the 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 four 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

• Activity by origin of sales area

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

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

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

Only segment revenue is allocated by geographical sales area.

• Activity by destination

Group activities 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

Air France-KLM Group

7.1. Information by business segment

• Year ended December 31, 2021

In € millions	**Network**	**Maintenance**	**Transavia**	**Other**	**Non-allocated**	**Total**
Total sales	12,279	2,801	1,012	167	-	16,259
Intersegment sales	(26)	(1,778)	-	(140)	-	(1,944)
External sales	**12,253**	**1,023**	**1,012**	**27**	**-**	**14,315**
EBITDA	262	374	68	41	-	745
Income from current operations	(1,582)	88	(150)	18	-	(1,626)
Income from operating activities	(2,237)	(184)	(149)	38	-	(2,532)
Share of profits (losses) of associates	1	(11)	-	(17)	-	(27)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(1,017)	(1,017)
Income taxes	-	-	-	-	282	282
Net income from continuing operations	**(2,236)**	**(195)**	**(149)**	**21**	**(735)**	**(3,294)**
Depreciation and amortization for the period	(1,996)	(268)	(225)	(24)	-	(2,513)
Other non-monetary items	639	253	2	(129)	(26)	739
Total assets	**15,928**	**3,934**	**1,693**	**166**	**8,962**	**30,683**
Segment liabilities	9,213	1,837	1,155	15	6,037	18,257
Financial liabilities, lease debts, bank overdrafts and equity	-	-	-	-	12,426	12,426
Total liabilities	**9,213**	**1,837**	**1,155**	**15**	**18,463**	**30,683**
Purchase of property, plant and equipment and intangible assets	**1,957**	**174**	**68**	**3**	**-**	**2,202**

The non-allocated assets, amounting to €9 billion, comprise cash and cash equivalents of €6.7 billion, financial assets of €1.3 billion, deferred tax of €0.3 billion, income taxes of €0.1 billion and derivatives financial assets of €0.6 billion.

The non-allocated segment liabilities, amounting to €6 billion, mainly comprise pension provisions for €1.9 billion, tax and employee-related liabilities of €3.6 billion, other provisions for €0.4 billion and derivatives financial liabilities of €0.1 billion.

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

Air France-KLM Group

• Year ended December 31, 2020 restated (1)

In € millions	Network	Maintenance	Transavia	Other	Non-allocated	Total
Total sales	9,234	2,858	606	157	-	12,855
Intersegment sales	(28)	(1,610)	-	(129)	-	(1,767)
External sales	**9,206**	**1,248**	**606**	**28**	**-**	**11,088**
EBITDA	(1,678)	26	(77)	34	-	(1,695)
Income from current operations	(3,722)	(543)	(299)	10	-	(4,554)
Income from operating activities	(5,043)	(678)	(303)	(6)	-	(6,030)
Share of profits (losses) of associates	-	-	-	(58)	-	(58)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(928)	(928)
Income taxes	-	-	-	-	(89)	(89)
Net income from continuing operations	**(5,043)**	**(678)**	**(303)**	**(64)**	**(1,017)**	**(7,105)**
Depreciation and amortization for the period	(2,087)	(408)	(219)	(22)	-	(2,736)
Other non-monetary items	558	126	5	(133)	(15)	541
Total assets	**15,641**	**3,963**	**1,615**	**202**	**8,760**	**30,181**
Segment liabilities	7,988	1,984	918	28	5,851	16,769
Financial liabilities, lease debts, bank overdrafts and equity	-	-	-	-	13,412	13,412
Total liabilities	**7,988**	**1,984**	**918**	**28**	**19,263**	**30,181**
Purchase of property, plant and equipment and intangible assets (continuing operations)	**1,826**	**224**	**57**	**(7)**	**-**	**2,099**

(1) See note 3 in notes to the consolidated financial statements.

The non-allocated assets, amounting to €8.8 billion, comprise cash and cash equivalents of €6.4 billion, pension assets of €0.2 billion, financial assets of €1.2 billion, deferred tax of €0.3 billion, income taxes of €0.4 billion and derivatives financial assets of €0.3 billion.

The non-allocated segment liabilities, amounting to €5.9 billion, mainly comprise pension provisions for €2.1 billion, a portion of other provisions for €0.8 billion, tax and employee-related liabilities of €2.5 billion and derivatives financial liabilities of €0.5 billion.

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

7.2. Information by geographical area

External sales by geographical area

- **Year ended December 31, 2021**

In € millions	**Metropolitan France**	**Benelux**	**Europe (excl. France and Benelux)**	**Rest of the world**	**Total**
Transportation	3,286	1,197	2,695	4,342	11,520
Other sales	175	132	153	273	733
Total Network	**3,461**	**1,329**	**2,848**	**4,615**	**12,253**
Transportation	347	587	71	12	1,017
Other sales	(1)	(4)	-	-	(5)
Total Transavia	**346**	**583**	**71**	**12**	**1,012**
Maintenance	582	338	26	77	1,023
Others	5	22	-	-	27
Total	**4,394**	**2,272**	**2,945**	**4,704**	**14,315**

- **Year ended December 31, 2020**

In € millions	**Metropolitan France**	**Benelux**	**Europe (excl. France and Benelux)**	**Rest of the world**	**Total**
Transportation	2,381	983	2,010	3,196	8,570
Other sales	184	60	147	245	636
Total Network	**2,565**	**1,043**	**2,157**	**3,441**	**9,206**
Transportation	165	363	50	8	586
Other sales	(1)	(1)	1	21	20
Total Transavia	**164**	**362**	**51**	**29**	**606**
Maintenance	605	562	24	57	1,248
Others	7	21	-	-	28
Total	**3,341**	**1,988**	**2,232**	**3,527**	**11,088**

Traffic sales by geographical area of destination

- **Year ended December 31, 2021**

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	809	2,171	1,189	2,027	2,582	1,300	1,442	11,520
Transavia	63	923	-	31	-	-	-	1,017
Total Transportation	**872**	**3,094**	**1,189**	**2,058**	**2,582**	**1,300**	**1,442**	**12,537**

- **Year ended December 31, 2020**

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	662	1,503	880	1,381	1,674	1,040	1,430	8,570
Transavia	8	552	-	26	-	-	-	586
Total Transportation	**670**	**2,055**	**880**	**1,407**	**1,674**	**1,040**	**1,430**	**9,156**

8. EXTERNAL EXPENSES

In € millions **Period from January 1 to December 31**	**2021**	**2020**
Aircraft fuel	2,748	2,392
Chartering costs	325	253
Landing fees and air route charges	1,185	969
Catering	382	294
Handling charges and other operating costs	1,027	833
Aircraft maintenance costs	1,625	1,618
Commercial and distribution costs	385	346
Other external expenses	1,152	1,275
Total	**8,829**	**7,980**
Excluding aircraft fuel	*6,081*	*5,588*

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 10 Other current operating income and expenses.

9. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions **Period from January 1 to December 31**	**2021**	**2020** **restated** [1]
Wages and salaries	4,410	4,660
Social contributions	811	846
Pension costs on defined contribution plans	634	547
Pension costs of defined benefit plans	206	307
Cost of temporary employees	86	83
Profit sharing and payment linked with shares	(69)	(8)
Temporary Emergency Bridging Measure for Sustained Employment (NOW)	(771)	(1,049)
Other expenses	33	(80)
Total	**5,340**	**5,306**

[1] See note 3 in notes to the consolidated financial statements.

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

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

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

As of December 31, 2021, the impact of these measures amounts to €657 million (€999 million as of December 31, 2020).

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 December 31, 2021. This compensation amounted to €771 million (versus €1,049 million for the period from March 1 until December 31, 2020).

Average number of employees

Period from January 1 to December 31	**2021**	**2020**
Flight deck crew	8,170	8,641
Cabin crew	20,002	21,871
Ground staff	45,572	50,714
Temporary employees	977	941
Total*	**74,721**	**82,167**

**Excluding partial activity effect*

10. OTHER CURRENT OPERATING INCOME AND EXPENSES

In € millions **Period from January 1 to December 31**	**2021**	**2020**
Capitalized production	728	610
Joint operation of routes	8	(7)
Operations-related currency hedges	16	79
European carbon emission allowances (ETS)	(36)	(32)
Other	(1)	(10)
Other income and expenses	**715**	**640**

11. AMORTIZATION, DEPRECIATION AND PROVISIONS

In € millions **Period from January 1 to December 31**	**2021**	**2020**
Amortization		
Intangible assets	192	187
Flight equipment	1,027	1,167
Other property, plant and equipment	184	197
Right-of-use assets	1,110	1,185
	2,513	**2,736**
Depreciation and provisions		
Inventories	22	27
Trade receivables	25	118
Risks and contingencies	(189)	(22)
	(142)	**123**
Total	**2,371**	**2,859**

The amortization variations for intangible and tangible assets are presented in notes 17 and 18, and for right-of-use assets in note 20.

The variations relating to inventories and trade receivables are presented in notes 26, 27 and 28.

The balance sheet movements in provisions for risks and charges are detailed in note 32.

12. SALES OF AIRCRAFT EQUIPMENT AND OTHER NON-CURRENT INCOME AND EXPENSES

In € millions	**2021**	**2020**
Period from January 1 to December 31		**restated [1]**
Sales and leaseback	(29)	19
Other aeronautical sales	10	22
Sales of aeronautical assets	**(19)**	**41**
Restructuring costs	56	(846)
Impairment of fleet	(40)	(672)
Impairment of intangible assets	-	(8)
Modification of pensions plans	(922)	-
Disposals of subsidiaries and affiliates	26	11
Other	(7)	(2)
Other non-current income and expenses	**(887)**	**(1,517)**

[1] See note 3 in notes to the consolidated financial statements.

- **Year ended December 31, 2021**

Sales of aircraft equipment

The impact of aircraft sales and leasebacks resulted in an expense of €(29) million in the income statement and a result on disposal of €830 million in the cash flow statement as of December 31, 2021

Restructuring costs

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

The impacts on pension provisions relating to the restructuring are detailed in note 31. Retirement Benefits.

Impairment of fleet

This line includes the impact of the early phase-out of the twenty-five CRJ aircrafts from the HOP! fleet for €(39) million. Depreciation slopes have been revised so that the net book value as of the date of the aircrafts' phase-out, which is expected by 2022 at the latest, converges with the estimated market value. As of December 31, 2021, 15 CRJs remain under ownership.

Modifications to pension plans

Following the modification of KLM's Ground Staff pension plan (see note 4.2. Events occurring during the period), the total impact of the de-recognition of the pension assets together with the additional contributions has been booked in "Other non-current income and expenses" and amounts to an expense of €(938) million.

In addition, the thresholds for the payment of small capital annuities were raised, leading to a decrease in liabilities towards the active and deferred members of the CRAF scheme in the amount of €16 million (see note 31. Retirement Benefits).

Result on the disposal of subsidiaries and affiliates

This line corresponds to the capital gain on the disposal of a 15 per cent shareholding in Servair on May 31, 2021 (see note 4.2 Events occurring during the period).

Air France-KLM Group

- **Year ended December 31, 2020**

Restructuring costs

As of December 31, 2020, this line mainly included:

- KLM's voluntary departure plans, amounting to € (175) million, net of KLM ground staff pension curtailment and a restructuring provision of €(16) million for KLM ground staff,
- KLM Group subsidiaries' various voluntary departure plans and restructuring plans, amounting to €(14) million,
- a net cost related to the proposed collective mutual agreement on termination of contract ("Rupture Conventionnelle Collective") for Air France pilots and flight attendants, to the voluntary departure plan for Air France ground staff and the departure plan ("PDV-PSE") for HOP! employees amounting to €(584) million.
- a voluntary departure plan for Air France-KLM international sales force provision for €(33) million.

Impairment of fleet

As of December 31, 2021, this line related to the impact of the phase-out of the A380, A340, B747 and CRJ aircrafts from the fleet of Air France-KLM Group, following the drastic reduction in air traffic in relation to Covid-19.

- **Phase-out of the Air France A380 aircrafts**

The final phase-out of the nine aircraft in the A380 fleet announced on May 20, 2020, and initially planned for the end of 2022, had been brought forward to 2020. The related impact amounted to €(553) million as of December 31, 2020.
As of December 31, 2021, five A380 aircraft are still owned and three are leased.

- **Phase-out of KLM's B747 aircrafts**

A €19 million impairment had been recorded to revalue the eight KLM B747s at their estimated market value.

- **Phase-out of Air France's A340 aircrafts**

A €72 million impairment had been recorded to revalue the four Air France A340 aircraft at their estimated market value following the phase-out decision on May 6, 2020.

- **Phase-out of HOP! CRJ aircrafts**

This line included the impact of the early phase-out of the 25 CRJ aircraft from the HOP! fleet for €(26) million.

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

In € millions	2021	2020
Period from January 1 to December 31		
Income from marketable securities	(21)	(7)
Other financial income	23	26
Financial income	**2**	**19**
Interest on financial liabilities	(325)	(186)
Interest on lease debt	(241)	(252)
Capitalized interests	25	23
Other non-monetary items	(178)	(73)
Other financial expenses	(11)	(8)
Gross cost of financial debt	**(730)**	**(496)**
Net cost of financial debt	**(728)**	**(477)**
Foreign exchange gains (losses), net	(197)	300
Financial instruments and change in fair value of hedged shares	31	(561)
Net (charge)/release to provisions	1	(17)
Undiscounting of provision	(116)	(165)
Other	(8)	(8)
Other financial income and expenses	**(289)**	**(451)**
Total	**(1,017)**	**(928)**

Net cost of financial debt

Financial income mainly consists of interest income on financial assets recognized at the effective interest rate.

As of December 31, 2021, following the maturity extension of the bank loan guaranteed by the French State ("PGE") and the early repayment of €500 million on December 10, 2021, the actual value of future payments has been reviewed. This has led to a one-off expense of €(84) million was accounted for in the line "Other non-cash items" (see note 4.2 Events occurring during the period).

As of December 31, 2021, following the update of the cash flow projections on the State guaranteed revolving credit facility ("RCF"), an expense of €(20) million in the carrying amount was accounted for in the line "Other non-cash items".

Foreign exchange gains (losses)

As of December 31, 2021, the foreign exchange losses mainly include an unrealized currency loss of €(289) million of which, mainly, a loss of €(236) million on return obligation liabilities and provisions on aircraft in US dollars, and an unrealized €(45) million currency loss on debt, mainly composed of a loss on debt in US Dollars (€(66) million) and a gain on debt in Japanese Yen (€24 million).

As of December 31, 2020, the foreign exchange losses mainly included an unrealized currency gain of €302 million of which a gain of €277 million on return obligation liabilities and provisions on aircraft in US dollars and an unrealized €42 million currency gain mainly on debt in US Dollars (€28 million) and in Japanese Yen (€29 million).

Financial instruments and change in fair value of hedged shares

As of December 31, 2020, due to the significant reduction in fuel consumption for 2020 and expected for the beginning of 2021, this line included the impact of over-hedging, amounting to €(595) million of which the Air France Group €(357) million and the KLM Group €(238) million, recycled to the income statement.

As of December 31, 2020, an amount of €(589) million of these derivatives had been settled and €(6) million related to the period January-March 2021.

Un-discounting of provision

The rate used to un-discount the long term return obligation liability and provision for leased aircraft and other provisions is 3.4 per cent in 2021 against 4.5 per cent in 2020 (see note 5.20 Return obligation liability and provision for leased aircraft).

Other

As of December 31, 2020, this line mainly included premiums paid on early reimbursement on part of the bonds with maturity dates in 2021 and 2022. The total premium was €22 million.

14. INCOME TAXES

14.1. Income tax charge

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

In € millions **Period from January 1 to December 31**	**2021**	**2020** **restated [1]**
Current tax (expense) / income	**(2)**	**70**
Change in temporary differences	237	244
(Use / de-recognition) / recognition of tax loss carry forwards	47	(403)
Deferred tax income / (expense) from continuing operations	**284**	**(159)**
Total	**282**	**(89)**

[1] See note 3. in notes to financial statements

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 28.41 percent for 2021. The French Finance Act 2018 provides for a gradual reduction in the French corporate tax rate to 25.83 percent in 2022. Tax losses can be carried forward for an unlimited period. However, the amount of fiscal loss recoverable each year is limited to 50 percent of the profit for the period beyond the first million euros. The Group limits its recoverability horizon on the deferred tax losses of the French fiscal group to a period of five years, consistent with its strategic plan.

The deferred tax asset position on tax losses remains stable versus December 31, 2020 at €285 million resulting from the medium and long term uncertainty arising from the current public health context leading the Group to keep its deferred tax asset recognition policy unchanged.

Subsequently, an amount of €492 million of deferred tax assets related to tax losses and temporary differences has not been recognized for the period ended December 31, 2021 (including €453 million through the income statement).

- **Dutch fiscal group**

In the Netherlands, the tax rate is 25 percent in 2021. As from 2022, the Dutch corporate tax rate will be 25.8 per cent. Under income tax law in the Netherlands, the maximum future period for utilising tax losses carried forward is currently six years. As from January 1, 2022, this period will become indefinite for tax losses.

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

As of December 31, 2021, the Dutch fiscal group has deferred taxes assets on fiscal losses in the balance sheet amounting to €57 million, relating to an interest deduction allowance which can be carried forward indefinitely (€10 million as of December 31, 2020).

In addition, an amount of €234 million of deferred tax liabilities has been derecognized following the changes in the ground staff pension plan into a defined contribution plan (see note 4.2. Events occurring during the period).

In view of the medium and long term uncertainty surrounding the business outlook due to the health situation, the Dutch fiscal group has limited the recognition of deferred tax assets for additional tax losses in the period. Consequently, €156 million of deferred tax assets have not been recognized for the period ended December 31, 2021, in addition of the €270 millions not recognized at the end of December 31, 2020.

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

In € millions **Period from January 1 to December 31**	**2021**	**2020**
Coupons on Perpetual	**-**	**8**
Other comprehensive income that will be reclassified to profit and loss	**(72)**	**(10)**
Other comprehensive income that will not be reclassified to profit and loss	**(171)**	**79**
Equity instruments	1	6
Pensions	(172)	73
Total	**(243)**	**77**

14.3. Effective tax rate

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

In € millions **Period from January 1 to December 31**	**2021**	**2020** **restated [(1)]**
Income before tax	(3,549)	(6,958)
Standard tax rate in France	28.41%	32.02%
Theoretical tax calculated based on the standard tax rate in France	1,008	2,228
Differences in French / foreign tax rates	(59)	(137)
Non-deductible expenses or non-taxable income	(72)	(40)
Variation in unrecognized deferred tax assets	(603)	(2,133)
CAVE impact	(4)	(10)
Other	12	3
Income tax	**282**	**(89)**
Effective tax rate	8.0%	-1.3%

[(1)]See note 3 in notes to the consolidated financial statements.

The effective tax rate in France for 2021 is 28.41 per cent. The effective tax rate in the Netherlands until 2021 is 25 per cent.

Deferred tax has been calculated with a tax rate gradually decreasing to 25.83 per cent for the French tax group and an increase in the tax rate to 25.8 per cent for the Dutch tax group, applicable in 2022.

14.4. Variation in deferred tax recorded during the period

In € millions	January 1, 2021 restated [(1)]	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassification and other	December 31, 2021
Flight equipment	(948)	253	-	-	-	(695)
Right-of-use assets	(803)	(68)	-	-	(3)	(874)
Pension assets	-	170	(167)	-	42	45
Financial liabilities	606	(89)	(1)	-	(19)	497
Lease debt	597	47	30	-	(1)	673
Deferred revenue on ticket sales	143	(14)	-	-	-	129
Debtors and creditors	41	50	(129)	-	(49)	(87)
Provisions	509	(48)	(3)	-	-	458
Others	(222)	(64)	27	-	(151)	(410)
Deferred tax corresponding to fiscal losses	307	47	-	-	187	541
Deferred tax asset/ (liability) net	**230**	**284**	**(243)**	**-**	**6**	**277**

[(1)] See note 3. in notes to the consolidated financial statements.

In € millions	January 1, 2020 restated [(1)]	Amounts recorded in income statement	Amounts recorded in OCI	Amounts recorded in equity	Reclassification and other	December 31, 2020 restated [(1)]
Flight equipment	(1,091)	215	-	-	(72)	(948)
Right-of-use assets	(883)	165	-	-	(85)	(803)
Pension assets	(92)	(66)	66	-	92	-
Financial liabilities	627	(20)	-	8	(9)	606
Lease debt	757	(200)	(34)	-	74	597
Deferred revenue on ticket sales	160	(17)	-	-	-	143
Debtors and creditors	(14)	(45)	56	-	44	41
Provisions	280	95	7	-	127	509
Others	(103)	117	(26)	-	(210)	(222)
Deferred tax corresponding to fiscal losses	702	(403)	-	-	8	307
Deferred tax asset/ (liability) net	**343**	**(159)**	**69**	**8**	**(31)**	**230**

[(1)] See note 3. in notes to the consolidated financial statements.

- **French fiscal group**

The deferred taxes recognized on fiscal losses for the French fiscal group amounts to €285 million with a basis of €1,104 million as of December 31, 2021 (as in December 31, 2020). The deferred tax asset position in respect of tax loss carryforwards remains stable in relation to the forecast of future taxable profits.

The total deferred-tax position of the French fiscal group stands at a net asset of €216 million (€209 million as of December 31, 2020).

- **Dutch fiscal group**

The Dutch fiscal group recognized €57 million deferred taxes on fiscal losses with a basis of €221 million as of December 31, 2021 versus €10 million as of December 31, 2020. The increase in deferred tax assets in respect of tax loss carryforwards is due to deductible interest that can be carried forward indefinitely.

The total deferred tax position of the Dutch fiscal group stands at a net asset of €27 million (versus a €17 million net liability as of December 31, 2020).

14.5. Unrecognized deferred tax assets

In € millions	December 31, 2021		December 31, 2020	
	Basis	**Tax**	**Basis**	**Tax**
Temporary differences	1,320	341	1,359	386
Tax losses	13,934	3,599	11,312	3,203
Total	**15,254**	**3,940**	**12,671**	**3,589**

- **French fiscal group**

As of December 31, 2021, the cumulative effect of the limitation of deferred tax assets results in the non-recognition of a deferred tax asset amounting to €3,514 million (corresponding to a basis of €13,604 million), of which €3,173 million relating to tax losses and €341 million relating to temporary differences (non-recognition of deferred tax assets relating mainly to pension provisions).

As of December 31, 2020, the cumulative effect of the limitation of deferred tax assets resulted in the non-recognition of a deferred tax asset amounting to €3,319 million (corresponding to a basis of €11,596 million), of which €2,933 million relating to tax losses and €386 million relating to temporary differences (non-recognition of deferred tax assets relating to restructuring provisions and pensions).

- **Dutch fiscal group**

As of December 31, 2021, the cumulative effect of the limitation of deferred tax assets results in the non-recognition of a deferred tax asset amounting to €426 million (corresponding to a basis of €1,650 million), entirely constituted of tax losses.

As of December 31, 2020, the cumulative effect of the limitation of deferred tax assets results in the non-recognition of a deferred tax asset amounting to €270 million (corresponding to a basis of €1,075 million), entirely constituted of tax losses.

- **Other**

Other unrecognized deferred tax assets mainly correspond to a portion of the tax loss carry forwards of the Air France and KLM subsidiaries not belonging to the fiscal groups, in particular in the United States of America and the United Kingdom.

Air France-KLM Group

15. EARNINGS PER SHARE

15.1 Income for the period – Equity holders of Air France-KLM per share

Reconciliation of income used to calculate earnings per share

The results used to calculate earnings per share are as follows:

- **Results used for the calculation of basic earnings per share:**

In € millions **As of December 31**	**2021**	**2020** **restated [1]**
Net income for the period – Equity holders of Air France-KLM	(3,292)	(7,100)
Coupons on perpetual	(151)	-
Basic net income for the period – Equity holders of Air France-KLM	**(3,443)**	**(7,100)**

(1) See note 3 in notes to the consolidated financial statements.

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

Since the perpetual subordinated loan is considered to be preferred shares, the coupons are included in the basic earnings per share.

- **Results used for the calculation of diluted earnings per share:**

In € millions **As of December 31**	**2021**	**2020** **restated[1]**
Basic net income for the period – Equity holders of Air France-KLM	(3,443)	(7,100)
Net income for the period – Equity holders of Air France-KLM (taken for calculation of diluted earnings per share)	**(3,443)**	**(7,100)**

[1] See note 3 in notes to the consolidated financial statements.

For the calculation of the diluted earnings per share, the weighted average number of shares in circulation is adjusted for the potential dilutive effect of all equity instruments issued by the Group, in particular stock option plans and performance shares. The dilution resulting from the exercise of stock option plans and performance shares is based on the IAS 33 methodology.

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

Period from January 1 to December 31	**2021**	**2020**
Weighted average number of:		
- Ordinary shares issued	579,899,788	428,634,035
- Treasury stock held regarding stock option plan	(1,116,420)	(1,116,420)
- Other treasury stock	(91,585)	(91,585)
Number of shares used to calculate basic earnings per share	**578,691,783**	**427,426,030**
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	**578,691,783**	**427,426,030**

For the years 2020 and 2021, the potential conversion of OCEANEs, representing 27,901,785 shares, and the impacts on net income, have not been taken into account. The ordinary shares potentially created would not have have not decreased the earning per share or increased the loss per share.

The change in the number of ordinary shares issued is disclosed in note 30.1 Issued capital
As of December 31, 2021, taking into account the above items, the basic earnings per share amounts to €(5,95) and the diluted earnings per share amounts to €(5,95).

15.2 Non-dilutive instruments

The Air France-KLM Group held no non-dilutive instruments as of December 31, 2021.

15.3 Instruments issued after the closing date

No instruments were issued subsequent to the closing date.

16. GOODWILL

16.1 Detail of consolidated goodwill

In € millions	2021			2020		
As of December 31	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Network	197	-	197	197	-	197
Maintenance	24	(4)	20	22	(4)	18
Other	5	-	5	-	-	-
Total	**226**	**(4)**	**222**	**219**	**(4)**	**215**

16.2 Movement in net book value of goodwill

In € millions **As of December 31**	**2021**	**2020**
Opening balance	**215**	**217**
Change in scope	5	-
Currency translation adjustment	2	(2)
Closing balance	**222**	**215**

17. INTANGIBLE ASSETS

In € millions	**Trademarks and slots**	**CO_2 Quotas and other carbon credit**	**Other intangible assets**	**Total**
Gross value				
Amount as of December 31, 2019	**280**	**24**	**1,787**	**2,091**
Additions	-	77	121	**198**
Disposals	-	(74)	(28)	**(102)**
Reclassification	-	-	(4)	**(4)**
Amount as of December 31, 2020	**280**	**27**	**1,876**	**2,183**
Additions	-	84	138	**222**
Disposals	-	(31)	(15)	**(46)**
Reclassification	-	-	5	**5**
Change in scope	-		7	**7**
Amount as of December 31, 2021	**280**	**80**	**2,011**	**2,371**
Depreciation				
Amount as of December 31, 2019	**(6)**	**(4)**	**(776)**	**(786)**
Charge to depreciation	(4)	-	(195)	**(199)**
Releases on disposals	-	-	27	**27**
Reclassification	-		5	**5**
Amount as of December 31, 2020	**(10)**	**(4)**	**(939)**	**(953)**
Charge to depreciation	-	-	(193)	**(193)**
Releases on disposals	-	-	14	**14**
Change in scope	-	-	(4)	**(4)**
Amount as of December 31, 2021	**(10)**	**(4)**	**(1,122)**	**(1,136)**
Net value				
As of December 31, 2020	270	23	937	**1,230**
As of December 31, 2021	270	76	889	**1,235**
Including:				
Network	*256*		-	-
Transavia	*8*		-	-
Maintenance	*3*		-	-
Other	*3*		-	-

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;
- CO_2 quotas;
- Software and capitalized IT costs.

18. TANGIBLE ASSETS

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, 2020	**17,192**	**1,263**	**2,425**	**20,880**	**2,708**	**1,169**	**205**	**993**	**5,075**	**25,955**
Acquisitions	354	1,222	174	1,749	13	17	127	14	171	**1,920**
Disposals	(959)	-	(176)	(1,135)	(51)	(15)	-	(72)	(138)	**(1,273)**
Fair value	-	206	-	206	-	-	-	-	-	**206**
Reclassification	441	(1,141)	188	(512)	75	(99)	(143)	167	-	**(512)**
Currency translation	1	-	-	1	-	-	-	-	-	**1**
Others	129	(44)	(93)	(8)	13	(2)	2	-	13	**5**
December 31, 2020	**17,158**	**1,506**	**2,518**	**21,181**	**2,758**	**1,070**	**191**	**1,102**	**5,121**	**26,302**
Acquisitions	690	1,064	122	1,876	15	15	71	5	106	**1,982**
Disposals	(1,844)	-	(159)	(2,003)	(60)	(39)	-	(54)	(153)	**(2,156)**
Fair value	-	(192)	-	(192)	-	-	-	-	-	**(192)**
Reclassification	744	(1,150)	115	(291)	24	11	(127)	22	(70)	**(361)**
Others	36	15	(47)	4	2	2	(6)	1	(1)	**3**
December 31, 2021	**16,784**	**1,243**	**2,549**	**20,575**	**2,739**	**1,059**	**129**	**1,077**	**5,004**	**25,579**
Depreciation										
January 1, 2020	**(8,684)**	**-**	**(862)**	**(9,546)**	**(1,851)**	**(862)**	**-**	**(782)**	**(3,495)**	**(13,041)**
Charge to depreciation	(1,316)	-	(284)	(1,600)	(92)	(49)	-	(62)	(203)	**(1,803)**
Releases on disposal	896	-	133	1,029	49	14	-	68	131	**1,160**
Reclassification	64	-	8	72	1	74	-	(82)	(7)	**65**
Others	(65)	-	(41)	(106)	-	1	-	-	1	**(105)**
December 31, 2020	**(9,105)**	**-**	**(1,046)**	**(10,151)**	**(1,893)**	**(822)**	**-**	**(858)**	**(3,573)**	**(13,724)**
Charge to depreciation	(906)	-	(84)	(990)	(89)	(43)	-	(54)	(186)	**(1,176)**
Releases on disposal	985	-	119	1,104	53	37	-	51	141	**1,245**
Reclassification	(72)	-	-	(72)	18	-	-	-	18	**(54)**
Others	30	-	(30)	-	(1)	(1)	-	-	(2)	**(2)**
December 31, 2021	**(9,068)**	**-**	**(1,041)**	**(10,109)**	**(1,912)**	**(829)**	**-**	**(861)**	**(3,602)**	**(13,711)**
Net value										
December 31, 2020	8,053	1,506	1,472	**11,031**	865	248	191	244	**1,548**	**12,579**
December 31, 2021	7,716	1,243	1,508	**10,466**	827	230	129	216	**1,402**	**11,868**

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

Note 41. details the amount of pledged tangible assets.

In 2020, the line “Charge to depreciation” includes the accelerated depreciation, amounting to €(514) million, following the decision to phase out the A380, A340, B747 and CRJ aircrafts.
Commitments to assets purchases are detailed in notes 40. and 41. to these financial statements.

19. CAPITAL EXPENDITURES

The detail of capital expenditures on tangible and intangible assets presented in the consolidated cash flow statements is as follows:

In € millions	2021	2020
As of December 31		
Acquisition of flight equipment	1,856	1,745
Acquisition of tangible assets	105	170
Acquisition of other intangible assets	222	198
Accounts payable on acquisitions	19	(14)
Total	**2,202**	**2,099**

20. RIGHT-OF-USE ASSETS

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

In € millions	Aircraft	Maintenance	Land & Real Estate	Others	Total
Net value					
As of January 1, 2020	**2,798**	**1,575**	**558**	**242**	**5,173**
New contracts	95	109	56	-	**260**
Change in contracts	117	35	36	7	**195**
Disposals	-	(52)	-	-	**(52)**
Reclassification	(12)	369	-	24	**381**
Amortization	(805)	(285)	(111)	(66)	**(1,267)**
Others	(2)	(12)	2	-	**(12)**
As of December 31, 2020	**2,191**	**1,739**	**541**	**207**	**4,678**
New contracts	786	281	83	-	**1,150**
Change in contracts	134	10	77	9	**230**
Disposals	12	(16)	-	-	**(4)**
Reclassification	(1)	283	24	23	**329**
Currency translation	-	-	1	-	**1**
Amortization	(646)	(297)	(118)	(50)	**(1,111)**
Others	-	(102)	-	(23)	**(125)**
As of December 31, 2021	**2,476**	**1,898**	**608**	**166**	**5,148**

Information related to lease debt is available in note 34.

The line “Amortization” in 2020 included the accelerated amortization relating to the early phase-out of the A380, including the leased aircrafts, amounting to €(88) million.
The line "New contracts" in 2021 includes mainly the sales and leaseback effect of 2 Airbus A220s and 5 Airbus A350s delivered during the year and of 4 Boeing B777s.
The line “Others” in 2021 includes mainly movements of the return obligation liability following aircrafts restitution.
The amount recognized in the income statement in respect of lease contracts not subject to IFRS 16 amounts to:

In € millions	2021	2020
As of December 31		
Variable rents	(3)	35
Short term rents	52	80
Low value rents	16	19
Total	**65**	**134**

21. EQUITY AFFILIATES

Movements over the period

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

In € millions	Maintenance	Catering	Other	Total
Carrying value of share in investment as of December 31, 2019	**57**	**236**	**14**	**307**
Share in net income of equity affiliates	1	(62)	3	(58)
Other variations	(20)	-	1	(19)
Capital increase		-	1	1
Currency translation adjustment	(1)	-		(1)
Carrying value of share in investment as of December 31, 2020	**37**	**174**	**19**	**230**
Share in net income of equity affiliates	(11)	(19)	3	(27)
Distributions	(2)	-	-	(2)
Other variations	2	(93)	-	(91)
Capital increase	1	-	-	1
Capital decrease	-	-	(3)	(3)
Currency translation adjustment	1	-	-	1
Carrying value of share in investment as of December 31, 2021	**28**	**62**	**19**	**109**

Maintenance

As of December 31, 2021 and 2020, 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 45.2, have been concluded either with airlines or with independent players in the maintenance market.

Servair Group

The Servair Group is the French number one in aviation catering. With about 36 establishments in 19 countries and approximately 10,500 employees, Servair has a leading position in Paris and Africa. Servair numbers more than a hundred air carrier customers worldwide and proposes a series of services regrouped around three core businesses: On-Board Services, Airports Services and Out-of-Home 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 percent 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.

In early 2021, the terms under which Air France could sell a 30 percent shareholding in Servair to Gategroup were re-negotiated. This resulted in the sale by Air France Finance, on May 31, 2021, of 15 percent of Servair shares for €71 million. A second instalment for a further 15 percent shareholding should be paid in December 2022.
These 15 percent are classified in assets held for sale (see note 25. Assets held for sale) and the remaining 20 percent were revalued accordingly to the IFRS 10 standard at their fair value based on the transaction value for an amount of €62 million in the lign “equity affiliates”.

As of December 31, 2021, 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 percent 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 (see note 41 Other Commitments).

Other

As of December 31, 2021 and 2020, 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 45.2.

22. PENSION ASSETS

In € millions	**2021**	**2020**
As of December 31,		
Opening balance	**211**	**420**
Net periodic pension (cost)/income	(77)	(175)
Payments of benefits and contributions to the funds	(833)	119
Reclassification	28	(28)
Fair value revaluation	671	(125)
Closing balance	**-**	**211**

The analysis of these pension assets including the impacts related to the modification of the KLM Ground staff pension plan is presented in note 31 (see note 31.1 Characteristics of the main defined benefit plans).

23. IMPAIRMENT

- **Year ended December 31, 2021**

Concerning the methodology followed for impairment tests, the Group has allocated each item of goodwill and each intangible fixed asset with an indefinite useful life to Cash Generating Units (CGUs), corresponding to its business segments (see note 5. Accounting Policies).

The recoverable value of the CGU assets has been determined by reference to their value in use as of September 30, 2021. The tests were realized for all the CGUs on the basis of a five-year Group plan, presented by the management to the Board in early December 2021.

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 related to the current situation. They forecast a return to the level of 2019 activity in 2024 and savings linked to the pursuit of the reorganization/restructuring plans implemented by the Group.

The discount rate used for the test corresponds to the Group's weighted average cost of capital (WACC). This stood at 6.7 percent as at December 31, 2021 versus 6.3 percent as at December 31, 2020. The revenue growth rate varies between 2 and 5 percent depending on the CGU over the interim period (2027-33). The long-term growth rate for the calculation of the terminal value is 1 percent.

After the aforementioned test, no impairment was recognized on the Group's CGUs, including with a WACC 100-basis point higher combined with a decrease of 100-basis point in the long-term growth rate or a decrease of 100-basis point in the target operating margin.

- **Year ended December 31, 2020**

As of December 31, 2020, no impairments were recognized on the Group's CGUs.

24. OTHER FINANCIAL ASSETS

In € millions **As of December 31**	**2021**		**2020**	
	Current	**Non-current**	**Current**	**Non-current**
Equity instruments				
Equity instruments at fair value through OCI	-	49	-	51
Equity instruments at fair value in P&L	-	-	-	-
Assets - Debt instruments at fair value in P&L				
Marketable securities	115	74	105	88
Cash secured	324	-	309	-
Financial asset - at amortized cost				
AAA Bonds	32	497	180	338
Deposit on lease contracts	7	78	5	75
Financial liabilities deposit	-	99	-	101
Other loans and deposits	6	176	8	171
Gross value	**484**	**973**	**607**	**824**
Impairment at opening date	**-**	**(28)**	**-**	**(24)**
New impairment charge	-	-	-	(6)
Use/Reversal	-	2	-	1
Other	-	4	-	-
Impairment at closing date	**-**	**(22)**	**-**	**(29)**
Total	**484**	**951**	**607**	**795**

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, 2021							
GOL Linhas Aéreas[(1)]	12	1.19%	NA[(2)]	NA[(2)]	OCI	17 BRL	December 2021
Kenya Airways	13	7.76%	NA[(2)]	NA[(2)]	OCI	NA[(2)]	December 2021
Other	24	-	-	-		-	-
Total	**49**						
As of December 31, 2020							
GOL Linhas Aéreas[(1)]	17	1.19%	(13.767)	(5.895)	OCI	24.9 BRL	December 2020
Kenya Airways	12	7.76%	(64.223)	(33.084)	OCI	NA[(2)]	December 2020
Other	22	-	-	-		-	-
Total	**51**						

(1) Listed company
(2) Not available

Transfer of financial assets that are not derecognized in their entirety

Transfer of receivables agreement

The Group entered into a loan agreement secured by Air France's one per cent 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, 2021, the amount of transferred receivables stood at €90 million (versus €94 million as of December 31, 2020) and is included in the line "financial liabilities deposits". The associated loan stood at €74 million as of December 31, 2021 (versus €76 million as of December 31, 2020).

25. ASSETS HELD FOR SALE

- **Year ended December 31, 2021**

As of December 31, 2021, the line "Assets held for sale" includes the Group's 15% equity interest in and destined to be sold as by the end of 2022 (See note 21. Equity affiliates).

26. INVENTORIES

In € millions **As of December 31**	**2021**	**2020**
Aeronautical spare parts	653	663
Other supplies	160	106
Production work in progress	16	14
Gross value	**829**	**783**
Opening valuation allowance	**(240)**	**(202)**
Charge to allowance	(32)	(49)
Use of allowance	9	10
Reclassification	1	1
Closing valuation allowance	**(262)**	**(240)**
Net value	**567**	**543**

27. TRADE ACCOUNTS RECEIVABLES

In € millions **As of December 31**	**2021**	**2020**
Airlines	356	329
Other clients:		
* Network	889	660
* Maintenance	524	512
* Other	61	49
Gross value	**1,830**	**1,550**
Opening valuation allowance	(302)	(173)
Charge to allowance	(38)	(136)
Use/Reversal of allowance	20	6
Currency translation adjustment	(2)	3
Reclassification	3	(2)
Closing valuation allowance	**(319)**	**(302)**
Net value	**1,511**	**1,248**

The charge to allowance for 2020 and 2021 mainly relates to maintenance receivables.

28. OTHER ASSETS

In € millions **As of December 31**	2021		2020	
	Current	**Non-current**	**Current**	**Non-current**
Suppliers with debit balances	124	-	86	-
State receivables (including tax credit)	138	-	188	-
Prepaid expenses	169	-	134	-
Other debtors	539	-	510	4
Gross value	**970**	**-**	**918**	**4**
Opening valuation allowance	**(4)**	**-**	**(1)**	**-**
Charge to allowance	-	-	(3)	-
Closing valuation allowance	**(4)**	**-**	**(4)**	**-**
Total	**966**	**-**	**914**	**4**

29. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

In € millions **As of December 31**	**2021**	**2020**
Liquidity funds (SICAV) (assets - debt instruments)	3,688	4,267
Bank deposits and term accounts (assets - debt instruments)	1,113	654
Cash in hand	1,857	1,502
Total cash and cash equivalents	**6,658**	**6,423**
Bank overdrafts	(4)	(1)
Cash, cash equivalents and bank overdrafts	**6,654**	**6,422**

30. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA

30.1 Issued capital

As of December 31, 2021, following the realization of the capital increase on April 19, 2021, the issued capital of Air France-KLM comprised 642,634,034 fully paid-up shares. Each share with a nominal value of one euro is entitled to one vote. However, since April 3, 2016, shareholders who have owned their shares for at least two years have benefited from double voting rights.

As of December 31, 2021, the issued capital of Air France KLM Group amounts to €643 million, an increase of €214 million following the capital increase detailed in note 4.2. “Events occurring during the period”.

The number of issued shares held is as follows:

In number of shares	**2021**	**2020**
As of December 31		
At the beginning of the period	**428,634,035**	**428,634,035**
French State	183,801,576	61,241,325
Dutch State	60,000,000	60,000,000
Delta Air Lines	37,527,410	37,527,410
China Eastern Airlines	61,472,099	37,527,410
Employees and former employees	15,872,812	16,037,988
Treasury shares	1,208,005	1,208,005
Others	282,752,132	215,091,897
At the end of the period	**642,634,034**	**428,634,035**
Of which: - number of shares issued and paid up	642,634,034	428,634,035

Authorized stock

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021 authorized the Board of Directors, for a period of 26 months from the date of the Meeting of May 26, 2021 (i.e. until July 26, 2023), to issue shares and/or other securities conferring immediate or future rights to Air France-KLM's share capital, limited to a total maximum nominal amount of €1,930 million.

Breakdown of the share capital and voting rights

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

	% of capital		**% of voting rights**	
As of December 31	**2021**	**2020**	**2021**	**2020**
French State	28.6	14.3	28.2	20.9
Dutch State	9.3	14.0	13.8	10.2
Delta Air Lines	5.8	8.8	8.7	12.8
China Eastern Airlines	9.6	8.8	11.4	12.8
Employees and former employees	2.5	3.7	3.6	5.4
Treasury shares	0.2	0.3	0.3	0.4
Other	44.0	50.1	34.0	37.5
Total	**100**	**100**	**100**	**100**

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

30.2 Additional paid-in capital

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.

As of December 31, 2021, the additional paid-in capital amounts to €4,949 million, increasing by of €810 million following the capital increase detailed in note 4.2. "Events occurring during the period".

30.3 Treasury shares

As of December 31, 2021, Air France-KLM Group holds 1,208,005 treasury shares valued at €25 million. All of these treasury shares are classified as a reduction of equity.

30.4 Perpetual

- **Period ended December 31, 2021**

On April 20, 2021, the Group issued €3 billion of perpetual super-subordinated bonds subscribed by the French State, to offset its direct loan of the same nominal amount (see note 4.2 Events occurring during the period).

This non-monetary transaction is recorded in the Group's consolidated balance sheet as a reclassification to equity of €3 billion from the line "Financial liabilities" (see note 33 Financial liabilities).

As of December 31, 2021, the accrued coupon amounts to €151 million.

- **Period ended December 31, 2020**

In April 2015, the Group issued a perpetual subordinated bond for a total amount of €600 million. These securities, which had no maturity date and bear an annual coupon of 6.25 percent, had a first repayment option in October 2020, at the issuer's discretion.

Air France-KLM decided to redeem all of the outstanding perpetual subordinated notes issued in 2015 representing a total nominal amount of €403 million.

This amount and the related coupon (€(25) million before tax) were reclassified from equity to short-term bonds before making the early redemption on October 1, 2020 at par, i.e. €100,000 per note, plus interest accrued since the last date on which interest was paid under the notes (i.e. October 1, 2019) until the early redemption date (included).

30.5 Reserves and retained earnings

In € millions	**December 31, 2021**	**December 31, 2020 restated[1]**
Legal reserve	70	70
Defined pension benefit reserves[2]	(899)	(1,701)
Derivatives reserves[2]	199	2
Equity instrument reserves[2]	(54)	(52)
Other reserves	(8,566)	(1,113)
Net income (loss) – Group share	(3,292)	(7,100)
Total	**(12,542)**	**(9,894)**

[1] See note 3 in notes to the consolidated financial statements.

[2] Net of tax

As of December 31, 2021, the legal reserve of €70 million represents 11 per cent of Air France-KLM's issued capital. French company law requires a limited company (*société anonyme*) to allocate 5 per cent of its unconsolidated statutory net income each year to this legal reserve until it reaches 10 per cent 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.

Following the transformation of the KLM Ground Staff pension plan, the opening amount of €204 million as well as the variation until June 2021 of the actuarial assumptions and the plan assets value for an amount of €504 million, have been reclassified from the line "Defined benefit pension reserves" to the line "Other reserves" (see note 4.2. Events occurring during the period).

30.6 Derivatives instruments reserves

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

In € millions	**December 31, 2020**	**Variation of fair value**	**Recycling in income statement**	**December 31, 2021**	**Recycling allocated by heading**
Fuel	(148)	514	(262)	104	External expenses
Interest rate	(35)	25	11	1	Cost of financial debt
Currency exchange - Operating	17	54	(16)	55	Other income and expenses
Currency exchange - Financial liabilities	2	(2)	-	-	Other financial expenses
Currency exchange - Capital expenditures	62	(10)	-	52	
Change on revenues	61	(151)	(5)	(95)	Sales
European carbon emission allowances (ETS)	31	111	-	142	
Total	**(10)**	**541**	**(272)**	**259**	

31. RETIREMENT BENEFITS

In € millions	**Retirement benefits**
Amount as of December 31, 2019	**2,117**
Of which: Non-current	*2,117*
New provision	121
Reversal of provision	(349)
Fair value revaluation	158
Currency translation adjustment	(8)
Reclassification	2
Amount as of December 31, 2020	**2,041**
Of which: Non-current	*2,041*
New provision	128
Reversal of provision	(142)
Fair value revaluation	(100)
Currency translation adjustment	12
Amount as of December 31, 2021	**1,939**
Of which: Non-current	*1,939*

Pension costs are recorded in the line "salary costs", except for plan amendments and curtailments with a significant impact, which are recorded under "other non-current income and expense".

Curtailments of pension plans due to restructuring are also recorded under "other non-current income and expense". The plan amendments, curtailments and settlements in 2021 and 2020 are presented in note 31.3.

31.1 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.

Pension plan related to KLM Ground Staff – The Netherlands

On June 14, 2021, KLM and the five Dutch Ground Staff unions signed an agreement enabling a change in the Ground Staff pension plan effective from January 2021. As provided for by this agreement, the KLM Ground Staff pension fund now qualifies as a defined contribution plan under IFRS rules. The pension assets, based on the actuarial assumptions as of May 31, 2021, amounted to €875 million (before tax). Under this agreement, KLM has paid an additional pension premium covering the period January-May 2021, as well as a one-off contribution representing the savings realized since 2014 following changes in the Dutch law. These contributions amount to €63 million.

The total impact of the de-recognition of the pension assets together with the additional contributions has been booked in "Other non-current income and expenses" in the consolidated statement of income for an amount of €938 million (€704 million net of tax).

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 percent 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 percent of the benefits payments for this plan without future revaluations. If the value of the funds falls below 50 percent of the total obligations calculated for funding purposes, Air France is required to make an additional payment to achieve a minimum 50 percent coverage rate.

As of December 31, 2021, the coverage of liabilities by reserves is 53 percent.

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.

As from October 1, 2021, the thresholds for the payment of small capital annuities have been raised, leading to a decrease in liabilities towards active and deferred members of €16 million.

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.

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. There is no mandatory minimum funding requirement for this scheme.

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, 2021, the liabilities have been valued by changing the valuation method in accordance with the IFRIC advice of May 2021 (see note 3. Restatement of 2020 accounts)

As of December 31, 2021, following the transformation of the KLM Ground Staff pension plan into a defined contribution plan, the two French plans presented above represented a respective 61 percent of the Group's defined benefit obligation and 42 percent of the Group's pension plan assets.

31.2 Description of the actuarial assumptions and related sensitivities

Actuarial valuations of the Group's benefit obligation were made as of December 31, 2021 and 2020.

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	2021	2020
Euro zone – Duration 10 to 15 years	2.15%	1.25%
Euro zone – Duration 15 years and beyond	N/A	1.35%

- 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, where the discount rates used are as follows:

As of December 31	2021	2020
Euro zone - Duration 10 to 15 years	0.90%	0.45%
Euro zone - Duration 15 years and beyond	N/A	0.75%

The duration of between 10 and 15 years mainly concerns the plans located in France while the duration of 15 years and beyond mainly concerned the KLM Ground Staff plan located in The Netherlands, transformed into a defined contribution plan.

- Discount rates used to determine the actuarial present value of the service cost.

  Since January 1, 2016, by using adequate flows, the Group has refined its calculations on the discount rate used for the service-cost calculation. In the Euro zone, this implies using a discount rate for the service-cost calculation 5bps higher than the one used to discount the obligation.

- On average, the main assumptions used to value the liabilities are summarized below:

The rate of salary increase is 3.23 percent for the Group as of December 31, 2021 against 1.57 percent as of December 31, 2020.

The rate of pension increase is 2.68 percent for the Group as of December 31, 2021 against 0.88 percent as of December 31, 2020.

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

Sensitivity to changes in the inflation rate

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2021**	**Sensitivity of the assumptions for the year ended December 31, 2020**
25 bp increase in the inflation rate	79	284
25 bp decrease in the inflation rate	(78)	(271)

Sensitivity to changes in the discount rate

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2021**	**Sensitivity of the assumptions for the year ended December 31, 2020**
100 bp increase in the discount rate	(369)	(2,253)
100 bp decrease in the discount rate	448	2,987

Sensitivity to changes in salary increase (excluding inflation)

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2021**	**Sensitivity of the assumptions for the year ended December 31, 2020**
25 bp increase in the salary increase rate	49	84
25 bp decrease in the salary increase rate	(45)	(76)

Sensitivity to changes in pension increase

In € millions	**Sensitivity of the assumptions for the year ended December 31, 2021**	**Sensitivity of the assumptions for the year ended December 31, 2020**
25 bp increase in the pension increase rate	38	571
25 bp decrease in the pension increase rate	(38)	(532)

Air France-KLM Group

31.3 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, 2021 and December 31, 2020.

In € millions	As of December 31, 2021			As of December 31, 2020 restrated (1)		
	Netherlands	**France**	**Others**	**Netherlands**	**France**	**Others**
Benefit obligation at beginning of year	**10,256**	**2,159**	**995**	**9,570**	**2,268**	**956**
Service and administrative costs	91	85	11	207	86	9
Interest cost	32	9	16	107	16	18
Employees' contribution	16	-	-	21	-	-
Plan amendments, curtailments and settlements	(9,671)	(43)	-	(16)	(221)	-
Benefits paid	(99)	(86)	(44)	(201)	(105)	(33)
Actuarial loss / (gain) demographic assumptions	-	3	(13)	(174)	60	29
Actuarial loss / (gain) financial assumptions	(396)	23	(29)	672	54	63
Actuarial loss / (gain) experience gap	3	(33)	(1)	70	1	11
Change in currency exchange rates	-	-	64	-	-	(58)
Benefit obligation at end of year	**232**	**2,117**	**999**	**10,256**	**2,159**	**995**
Including benefit obligation resulting from schemes totally or partly funded	-	*2,041*	*949*	*10,037*	*2,081*	*940*
Including unfunded benefit obligation	*232*	*76*	*50*	*219*	*78*	*55*
Fair value of plan assets at beginning of year	**10,245**	**604**	**731**	**9,755**	**621**	**721**
Actual return on plan assets	294	29	46	565	4	66
Employers' contributions	133	31	17	118	-	17
Employees' contributions	16	-	-	21	33	-
Settlements	(10,609)	-	-	-	-	-
Benefits paid	(79)	(68)	(33)	(190)	(54)	(29)
Change in currency exchange rates and others	-	-	52	(24)	-	(44)
Fair value of plan assets at end of year	**-**	**596**	**813**	**10,245**	**604**	**731**
Amounts recorded in the balance sheet						
Pension asset	-	-	-	211	-	-
Provision for retirement benefits	(232)	(1,521)	(186)	(222)	(1,555)	(264)
Net amount recognized	**(232)**	**(1,521)**	**(186)**	**(11)**	**(1,555)**	**(264)**
Net periodic cost:						
Service and administrative costs	91	85	11	207	86	9
Net interest cost/(income)	-	7	4	(5)	12	4
Plan amendments, curtailment and settlement	938	(43)	-	(16)	(221)	-
Actuarial losses/ (gain) recognized in income statement	7	1	-	(6)	-	-
Net periodic cost	**1,036**	**50**	**15**	**180**	**(123)**	**13**

(1) See note 3 in notes to the consolidated financial statements.

Amendments, curtailment and settlement of pension plans

- **As of December 31, 2021**

As of December 31, 2021, an adjustment to the 2020 plan reduction was made based on the final list of individuals for the Air France departure plan in the amount of €27 million (see note 12. Other non-current income and expenses) and the thresholds for the payment of small capital annuities were increased, leading to a decrease in the liabilities to active and deferred members of the CRAF plan for an amount of €16 million (see 31.1 Characteristics of the main defined benefit plans).

In addition, on June 14, 2021, KLM and the five Dutch unions for the KLM Ground Staff signed an agreement allowing for the modification of the Ground Staff pension scheme as of January 2021. As a result of this agreement, the KLM Ground Staff pension fund is now classified as a defined contribution plan under IFRS rules. The overall impact of the de-recognition of the pension asset as well as these additional payments has been recognized in "other non-current income and expenses" in the consolidated income statement for an amount of €938 million (€704 million net of tax) (see note 31.1 Characteristics of the main defined benefit plans)

- **As of December 31, 2020**

A curtailment of the pension plan at Air France and its regional subsidiaries was accounted for, amounting to a €226 million gain as of December 31, 2020, within the framework of the voluntary departure plan and collective mutual agreement on termination of contract ("*Rupture Conventionnelle Collective*") for pilots and flight attendants.

A curtailment of the KLM Ground Staff in The Netherlands was made, amounting to a profit of €16 million, within the framework of the 2020 voluntary departure plan for ground staff.

31.4 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, 2021**		**Funds invested as of December 31, 2020**	
	France	**The Netherlands**	**France**	**The Netherlands**
Equities	23	-	25	40
Bonds	54	-	51	47
Real estate	-	-	-	9
Others	23	-	24	4
Total	**100**	**-**	**100**	**100**

The equity portion is mainly invested in active markets in Europe, the United States and emerging countries.
The bonds primarily comprise government bonds, rated at least BBB, and invested in Europe, the United States and emerging countries.
The real estate assets are mainly located in Europe and the United States.

The Group's pension assets do not include assets occupied or used by the Group.

31.5 Expected cash outflows and risks linked to the pension obligations

The employer contributions relating to the defined benefit pension plans amount to €51 million for the year ended December 31, 2022. The weighted average duration of the obligation is 12.01 years.

The funding, capitalization and matching strategies implemented by the Group are presented in note 31.1.

32. RETURN OBLIGATION LIABILITY AND PROVISION FOR LEASED AIRCRAFT AND OTHER PROVISIONS

In € millions	Return obligation liability on leased aircraft	Maintenance on leased aircraft	Restructuring	Litigation	Others	Total
Amount as of January 1, 2020	**3,376**	**486**	**63**	**412**	**127**	**4,464**
Of which: Non-current	*3,209*	*410*	*-*	*59*	*72*	***3,750***
Current	*167*	*76*	*63*	*353*	*55*	***714***
New provision	(4)	16	1,084	20	57	**1,173**
Use of provision	(42)	(2)	(404)	(2)	(60)	**(510)**
Reversal of unnecessary provisions	-	(6)	(2)	(7)	(1)	**(16)**
New lease contract/Change in lease contract	103	(12)	-	-	-	**91**
Currency translation adjustment	(248)	(26)	-	-	(1)	**(275)**
Accretion impact	144	20	-	-	2	**166**
Others	(63)	(55)	-	-	32	**(86)**
Amount as of December 31, 2020	**3,266**	**421**	**741**	**423**	**156**	**5,007**
Of which: Non-current	*2,860*	*300*	*-*	*402*	*108*	***3,670***
Current	*406*	*121*	*741*	*21*	*48*	***1,337***
New provision	6	12	38	43	41	**140**
Use of provision	(180)	(12)	(291)	(23)	(41)	**(547)**
Reversal of unnecessary provisions	-	-	(72)	(16)	(16)	**(104)**
New lease contract/Change in lease contract	243	4	-	-	(3)	**244**
Currency translation adjustment	233	3	-	-	2	**238**
Accretion impact	113	2	-	-	1	**116**
Others	128	(278)	-	(3)	(1)	**(154)**
Amount as of December 31, 2021	**3,809**	**152**	**416**	**424**	**139**	**4,940**
Of which: Non-current	*3,433*	*128*	*-*	*405*	*89*	***4,055***
Current	*376*	*24*	*416*	*19*	*50*	***885***

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 "Other" in 2021 mainly includes movements in return liabilities following the restitution of aircraft.

32.1 Provisions

32.1.1 Return obligation liability and provision on leased aircraft

The movements in return obligation liabilities and provisions (revaluation of future costs and change in discount rate) are booked in the components corresponding to the potential and restoration work performed on leased aircraft and recorded in the right-of-use assets. The effects of discounting and foreign exchange translation on return obligation liabilities and provisions recorded in local currencies are recognized in “Other financial income and expenses” (see note 13 Net cost of financial debt and other financial income and expenses).

The discount rate used to calculate these restitution liabilities and provisions relating to leased aircraft, determined on the basis of a short-term risk-free rate increased by a spread on risky debt (used for companies with high financial leverage), is 3.6 percent as of December 31, 2021.

32.1.2 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 12 Other non-current income and expenses).

32.1.3 Litigation

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

Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities, within the framework of tax audits, could reasonably challenge a tax position adopted by the Group or one of its subsidiaries.

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

32.1.4 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 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 Group has maintained a provision covering the total amount of these fines.

In Switzerland, Air France and KLM filed an appeal before the Federal Administrative Court against the decision of the competition authority to impose a fine of €4 million. The Group has provisioned the totality of this fine.

As of December 31, 2021, the total provisions in connection with proceedings which have not yet resulted in definitive decisions amounts to €350.6 million.

32.1.5 Case brought against KLM by (former) Martinair pilots

A case was brought against KLM by a number of (former) Martinair airline pilots on the basis that the cargo department of Martinair was transferred to KLM and that all former cockpit crew are entitled to remuneration from KLM, taking into account their Martinair seniority.

After several court cases the supreme court ruled that the judgment of the court of appeal lacked sufficient motivation and referred the case to another court of appeal in November 2019. On June 8, 2021 the Dutch court ruled against KLM in the proceeding brought by the former Martinair pilots. The pilots were recruited by KLM on January 1, 2014 and KLM is obliged to offer to reinstate the pilots in their former positions at Martinair. KLM is executing the court ruling and thus has offered the former Martinair pilots new positions. Furthermore, the court ruled that KLM must pay any damages caused by non-respect of the laws of "transfer of undertaking". KLM is investigating the judgement and related impact and has decided to record a legal provision of €22 million in 2021.

32.1.6 Other provisions

Other provisions relate principally to provisions for onerous contracts, provisions for the portion of CO_2 emissions not covered by the free allocation of quotas and provisions for the dismantling of buildings.

32.2 Contingent liabilities

The Group is involved in several governmental, judicial and arbitration procedures for which in most cases provisions have not been recorded in the financial statements in accordance with the applicable accounting rules. Indeed, with respect to most cases the Group is not in a position at this stage in these procedures, to give a reliable estimate of the potential loss that could be incurred in connection with these disputes.

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

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

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

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

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

32.2.2 Litigations concerning anti-trust laws in the passenger sector

Canada

A civil class action was reinitiated in 2013 by claimants in Ontario against seven airlines including Air France and KLM. The plaintiffs allege that the defendants participated in a conspiracy in the passenger air transport service from Canada on the cross-Atlantic routes, for which they are claiming damages. Air France and KLM strongly deny any participation in such a conspiracy.

32.2.3 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 AF 447 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. Further to the rejection of the appeal introduced by Air France and Airbus ("*pourvoi en cassation*") by the Court of Cassation on August 26, 2021 the case is now before the Criminal Court.

US Department of Justice investigation related to United States Postal Service

In March 2016, the US Department of Justice (DoJ) informed Air France and KLM of a civil inquiry regarding contracts with the United States Postal Service for the international transportation of mail by air. In September 2016, a Civil Information Demand from the DoJ has been received seeking certain information relating to these contracts. The DoJ has indicated it is investigating potential violations of the False Claims Act. Air France and KLM are cooperating with the DoJ investigation.

Except for the matters specified under the paragraphs 32.1 and 32.2, the Group is not aware of any governmental, judicial or arbitration dispute or proceedings (including any proceedings of which the issuer is aware, or that are pending or threatened against it) that could have a significant impact on the Group's financial position, earnings, assets, liabilities or profitability, for a period covering at least the past twelve months.

33. FINANCIAL LIABILITIES

In € millions		2021			2020		
As of December 31	**Notes**	**Non current**	**Current**	**Total**	**Non current**	**Current**	**Total**
Perpetual subordinated loan in Yen	33.1.1	153		**153**	158	-	**158**
Perpetual subordinated loan in Swiss francs	33.1.2	363	-	**363**	347	-	**347**
OCEANE (convertible bonds)	33.2.3	476	-	**476**	465	-	**465**
Bonds	33.2	1,678	361	**2,039**	1,229	289	**1,518**
Debt on financial leases with bargain option		2,901	404	**3,305**	2,908	604	**3,512**
Loans guaranteed by the French and the Dutch states	33.3	4,310		**4,310**	4,685		**4,685**
State loans	33.3	278		**278**	3,278		**3,278**
Other financial liabilities		1,114	340	**1,454**	1,101	335	**1,436**
Accrued interest		1	110	**111**	-	90	**90**
Total - Financial liabilities		**11,274**	**1,215**	**12,489**	**14,171**	**1,318**	**15,489**

Change in financial liability

In € millions	December 31, 2020	New financial debt	Non monetary change	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2021
Perpetual loan in Japanese Yen and Swiss Francs	505	-	-	-	11	-	**516**
OCEANE	465	-	11	-	-	-	**476**
Bonds	1,518	792	-	(289)	10	8	**2,039**
Debt on financial lease with bargain option	3,512	358	51	(630)	16	(2)	**3,305**
Loans guaranteed by the French and Dutch States	4,685	-	125	(500)	-	-	**4,310**
State loans	3,278	-	-	-	-	(3,000)	**278**
Other financial liabilities	1,436	574	12	(574)	13	(8)	**1,454**
Accrued interest	90	-	4	-	-	17	**111**
Total	**15,489**	**1,724**	**203**	**(1,993)**	**50**	**(2,985)**	**12,489**

In € millions	December 31, 2019	New financial debt	Non monetary change	Reimbursement of financial debt	Currency translation adjustment	Other	December 31, 2020
Perpetual loan in Japanese Yen and Swiss Francs	509	-	-	-	(4)	-	**505**
OCEANE	454	-	11	-	-	-	**465**
Bonds	1,128	744	1	(753)	(11)	409	**1,518**
Debt on financial lease with bargain option	3,485	776	23	(584)	(47)	(141)	**3,512**
Loans guaranteed by the French and Dutch States	-	4,657	28	-	-	-	**4,685**
State loans	-	3,278	-	-	-	-	**3,278**
Other financial liabilities	1,494	1,982	3	(2,052)	(11)	20	**1,436**
Accrued interest	43	-	(19)	-	-	66	**90**
Total	**7,113**	**11,437**	**47**	**(3,389)**	**(73)**	**354**	**15,489**

33.1 Perpetual subordinated debt

33.1.1 KLM Perpetual subordinated debt in Japanese Yen

In 1999, the KLM Group issued perpetual subordinated notes 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. €153 million as of December 31, 2021. Since this date, the interests rate applicable on the residual nominal amount has been reset at a fixed rate of 4 percent per annum.

The residual nominal amount of these perpetual notes 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.

33.1.2 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. €363 million as of December 31, 2021.

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 exercized, the next coupon reset date is February 12, 2025. The current outstanding coupon is 0.75 percent 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 per cent of the notional face value, and thereafter with a premium declining by 0.25 percent on each fifth anniversary of the interest payment date. From May 15, 2036, the amount of early redemption will thus be set at 100 percent of the residual Par. The debt is subject to the payment of a coupon of 5.75 percent 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.

33.2 Bonds

33.2.1 Perpetual subordinated notes

In 2020, Air France-KLM decided to redeem all of the outstanding perpetual subordinated notes issued in 2015 representing a total nominal amount of €403.3 million (see note 30.4 Perpetual).

33.2.2 Other bonds

Bond	Issuing date	Amount issued (in millions)	Maturity date	Reimbursement date	Coupon
Bond issued in 2014	June 4, 2014	€ 289	June 18, 2021	June 18, 2021	3.875%
€ Bond issued in 2016	Oct. 5, 2016	€ 361	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	July 1, 2021	€ 300	July 1, 2024	-	3.00%
€ Bond issued in 2021	July 1, 2021	€ 500	July 1, 2026	-	3.875%

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

33.2.3. 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 per cent. 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 per cent 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.
As of 31 December 2020, the debt value amount to €476 million.

33.3 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 relating to the financing for a total amount of €7 billion including two loans:

- A loan of €4 billion, provided by nine French and foreign financial institutions, 90 percent guaranteed by the French State, with an initial 12-month maturity and a one-year or two-year extension option exercisable at its sole discretion, by Air France-KLM. The loan has a coupon at an annual rate equal to EURIBOR (floored at zero) plus a margin of 0.75 percent in the first year, 1.50 percent in the second year and 2.75 percent in the third year. The cost of the French State guarantee initially equals 0.5 percent of the total amount of the loan and will step up to 1 percent for each of the second and third years.

The loan includes a mandatory partial early repayment of 75 percent of any net new money raised by Air France-KLM or Air France from financial institutions or through debt capital markets, subject to some exceptions and a mandatory total early repayment notably in case of change of control of Air France-KLM or Air France.

Of this €4 billion, the Air France-KLM group repaid €500 million on December 10, 2021 and negotiated a change in the repayment profile with the final maturity date being extended from May 6, 2023 to May 6, 2025, breaking down as follows:

▪ May 2023: partial repayment of €800 million, i.e. an outstanding balance of €2.7 billion,
▪ May 2024: partial repayment of €1.35 billion, i.e. an outstanding balance of €1.35 billion,
▪ May 2025: final repayment of €1.35 billion.

The outstanding balance is therefore €3.5 billion as at 31 December 2021.

The loan has been recognized using the amortized cost method with an effective interest rate of 2.66 percent over an assumed 3-year period for the secured loan, the rate having not been changed in spite of the review of the future cash flow projections following the extension of the maturity of this secured loan and the partial early repayment. However, a one-off expense of €(84) million for the period has been recognized in the net cost of financial debt (see note 13 Net cost of financial debt and other financial income and expenses).

- A subordinated shareholder loan of €3 billion, granted by the French State to Air France-KLM, with a maturity of four years, with two consecutive one-year extension options exercisable by Air France-KLM. This loan has a coupon payable annually or capitalizable at the discretion of Air France-KLM at a rate equal to EURIBOR 12 months (floored at zero) plus a margin of 7 percent for the first four years, 7.5 percent for the fifth year and 7.75 percent for the sixth year.

The rate for this shareholder loan should have increased by a 5.5 percent step up in case (i) the shareholders' meeting would not approve a capital increase proposed by the Board of Directors that would enable incorporation in the company's shareholder equity of all or part of the outstanding shareholder loan, (ii) the shareholders' meeting would approve, without the approval from the French State, a capital increase which would not enable the incorporation of all or part the outstanding shareholder loan in the company's shareholder equity or (iii) a third party, not acting in concert with the French State, would exceed, alone or in concert, the threshold of 20 percent of the capital of Air France-KLM.

This loan is subordinated to the bank loan guaranteed by the French State and, in the event of receivership or liquidation, to all the Air France-KLM senior bond and bank debt, without prejudice of an incorporation of all or part of the outstanding shareholder loan in the company's shareholder equity.

The company has undertaken not to pay dividends until these two loans have been repaid in full.

The European Commission approved the French State's aid mechanism on May 4, 2020.

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 notes 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 is 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.

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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 includes two loans for KLM and its subsidiaries:

- A revolving credit facility of €2.4 billion, 90 percent guaranteed by the Dutch State and with a maturity of 5 years. This revolving credit facility incurring interest at EURIBOR (floored at zero) plus a margin of 1.35 percent. The cost of the associated Dutch State guarantee equals 0.50 percent in year 1, 1.00 percent in year 2 and 3 and 2.00 percent after year 3.

- A direct loan of €1 billion, granted by the Dutch State to KLM, with a maturity of 5.5 years and incurring interest at EURIBOR 12 months (floored at zero) plus a margin of 6.25 percent for year 1, 6.75 percent for year 2 and 3, and 7.75 percent for year 4 and 5. This loan is subordinated to the new revolving credit facility.

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

KLM's first drawdown under the new revolving credit facility amounted to €665 million, drawn on August 26, 2020. It replaced the existing revolving credit facility drawn on March 19, 2020 (see note 33 Credit lines). KLM's first drawdown under the Dutch State loan, amounting to €277 million, was made on the same day.

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

The European Commission approved the Dutch State aid on July 13, 2020. On November 3, 2020, approval was obtained from the Dutch Ministry of Finance for the restructuring plan. Following this, KLM has the possibility to draw additional amounts under the financial support package.

There was no new draw on 2021.

As of December 31, 2021, KLM has drawn down €942 million of the financial support package (€665 million of the revolving credit facility and €277 million of the direct State loan). The loans have been recorded at amortized cost based on a 5 and 5.5 years drawn down assumptions with the Effective Interest Rate method (3.95 per cent for the revolving credit facility and 7.05 per cent for the direct State loan). The review of future cash flow projections on the credit line guaranteed by the Dutch government generated an adjustment of €(20) million recognized in net cost of financial debt (see 13 Net cost of financial debt and other financial income and expenses).

Both the revolving credit facility and the direct State loan are presented as non-current liabilities based on IAS 1 (presentation of financial statements). As per December 31, 2021 the revolving credit facility has a remaining contractual maturity of 4 years and the direct State loan has a remaining contractual maturity of 4.5 years. With that, the loans are not due for settlement in the coming 12 months after balance sheet date.

Furthermore, a quarterly, 12 months rolling, covenant testing is required as from September 2021. The covenants include a required interest coverage ratio and a required ratio of Consolidated Unsecured Assets to Consolidated Unsecured Net Debt. Per September 30, 2021 and December 31, 2021 the covenants were met. As from March 31, 2022 the required interest coverage ratio will be 2.5 under the revolving credit facility and 1.67 under the direct State loan. The applicable ratio of Consolidated Unsecured Assets to Consolidated Unsecured Net Debt remains constant and is set not to be between 0 and 1 under the revolving credit facility. Under the direct State loan the applicable ratio of Consolidated Unsecured Assets to Consolidated Unsecured Net Debt also remains constant and shall not be between 0 and 0.67. It is expected that KLM will continue to meet the covenants going forward.

The classification of loans as current or non-current as described in IAS 1 is amended, with an effective date as from January 1, 2023 (but not yet adopted by the European Union). Future conditions need to be incorporated in a hypothetical test at reporting date. For the revolving credit facility and the direct state loan this would entail a covenant test per balance sheet date. In the hypothetical test per balance sheet date, as at December 2021, KLM is meeting the covenant requirements that are applicable for December 2022 for both the revolving credit facility and the direct state loan. Following that, there is a right to defer the settlement for at least 12 months after balance sheet date, and both the revolving credit facility and the direct State loan would also required to be classified as non-current if the amended version of IAS 1 would have been applied.

33.4 Other debt

Other debt breaks down as follows:

In € millions **As of December 31**	**2021**	**2020**
Reservation of ownership clause and mortgage debt	1,038	1,057
Other debt	416	379
Total	**1,454**	**1,436**

Mortgage debt is a debt secured by a mortgage on an aircraft. 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 €(29) million related to issuance expenses on financial debt.

33.5 Maturity analysis

The financial liabilities maturities break down as follows:

In € millions **As of December 31**	**2021**	**2020**
Maturities in		
Y+1	1,671	2,099
Y+2	1,675	1,439
Y+3	3,051	4,928
Y+4	3,598	4,307
Y+5	1,528	2,094
Over 5 years	2,577	2,993
Total	**14,100**	**17,860**
Including: - Principal	12,489	15,489
- Interest	1,611	2,371

As of December 31, 2021, the expected financial costs amount to €457 million for the 2022 financial year, €821 million for the 2023 to 2026 financial years, and €333 million thereafter.

As of December 31, 2021, 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 33.2. Bonds).

33.6 Currency analysis

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

In € millions	**2021**	**2020**
As of December 31		
Euro	10,792	13,639
US Dollar	605	680
Swiss franc	373	357
Yen	719	813
Total	**12,489**	**15,489**

33.7 Credit lines

As of December 31, 2019, the Air France KLM Group held undrawn credit lines amounting to €1,765 million. The two undrawn revolving credit lines facilities amounted to, respectively, €1.1 billion for the Air France-KLM holding company together with Air France, and €665 million for KLM standalone.

On March 13, 2020, Air France-KLM drew down its revolving credit facility concluded in the total amount of €1.1 billion divided into two tranches of €550 million each. The total amount was repaid on May 7, 2020 and the Group terminated this credit facility.
On March 19, 2020, KLM drew down, for an initial period of 6 months, its revolving credit facility concluded on May 23, 2018 for the full amount of €665 million. KLM's new €2.4 billion revolving credit facility, 90 percent guaranteed by the Dutch State (see note 33.3 Financial support from the French and Dutch States), replaced this credit line on August 26, 2020. As of December 31, 2020 and 2021, KLM drew down €665 million of its credit facility and holds an undrawn amount of €1,735 million.

No new credit lines were taken out during 2021.

34. LEASE DEBT

In € millions	**2021**			**2020**		
As of December 31	**Non current**	**Current**	**Total**	**Non current**	**Current**	**Total**
Lease debt - aircraft	2,166	653	**2,819**	1,687	675	**2,362**
Lease debt - real estate	634	107	**741**	595	105	**700**
Lease debt - other	124	48	**172**	143	42	**185**
Accrued interest	-	17	**17**	-	17	**17**
Total - Lease debt	**2,924**	**825**	**3,749**	**2,425**	**839**	**3,264**

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Change in lease debt

In € millions	December 31 2020	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31 2021
Lease debt - Aircraft	2,362	969	(704)	195	(3)	**2,819**
Lease debt - Real estate	700	163	(122)	2	(2)	**741**
Lease debt - Others	185	18	(36)	10	(5)	**172**
Interest	17	-	-	-	-	**17**
Total	**3,264**	**1,150**	**(862)**	**207**	**(10)**	**3,749**

In € millions	December 31, 2019	New contracts and renewals of contracts	Reimbursement	Currency translation adjustment	Others	December 31 2020
Lease debt - Aircraft	3,127	227	(755)	(241)	4	2,362
Lease debt - Real estate	725	92	(118)	(1)	2	700
Lease debt - Others	249	17	(67)	(14)	-	185
Interest	19	-	-	-	(2)	17
Total	**4,120**	**336**	**(940)**	**(256)**	**4**	**3,264**

The column "New contracts and renewal of contracts" in 2021 includes mainly the sales and leaseback effect of 2 Airbus A220s and 5 Airbus A350s delivered during the year and of 4 Boeing B777s.

The lease debt maturities break down as follows:

In € millions	As of December 31, 2021	As of December 31, 2020
Y+1	1,028	1,034
Y+2	813	856
Y+3	646	662
Y+4	493	451
Y+5	388	301
Over 5 years	1,357	860
Total	**4,725**	**4,164**
Including: - Principal	*3,749*	*3,264*
- Interest	*976*	*900*

35. NET DEBT

In € millions	*Note*	2021	2020
As of December 31			
Current and non-current financial liabilities	*33*	12,489	15,489
Repo triple A bond		-	(84)
Current and non-current lease debt	*34*	3,749	3,264
Accrued interest	*33 and 34*	(128)	(107)
Deposits related to financial liabilities	*24*	(99)	(101)
Deposits related to lease debt	*24*	(85)	(80)
Derivatives impact on debt		(14)	27
Gross financial liabilities (I)		**15,912**	**18,408**
Cash and cash equivalents	*29*	6,658	6,423
Marketable securities	*24*	189	193
Cash secured	*24*	324	309
Triple A bonds	*24*	529	518
Repo triple A bond		-	(84)
Other		-	1
Bank overdrafts	*29*	(4)	(1)
Net cash (II)		**7,696**	**7,359**
Net debt (I-II)		**8,216**	**11,049**

In € millions	*Note*	2021	2020
As of December 31			
Opening net debt		**11,049**	**6,147**
Operating free cash, cash flow excluding discontinued activities		(231)	4,721
Perpetual reclassified from Equity	*33.2.1*	-	403
Coupons on perpetual reclassified from Equity	*33.2.1*	-	26
Perpetual reclassified from financial liabilities	*30.4*	(2,997)	-
Capital increase	*30.1 and 30.2*	(1,024)	-
Disposal of subsidiaries, of shares in non-controlled entities		(75)	(357)
Acquisition of subsidiaries, of shares in non-controlled entities		2	1
New lease debts (new and renewed contracts)	*34*	1,150	336
Unrealized exchange gains and losses on lease financial debts through OCI		159	(215)
Impact of derivatives on net debt		(22)	18
Impact of Effective Interest Rate methodology on State loans		126	27
Currency translation adjustment in income statement		42	(15)
Amortization of OCEANE optional part		11	11
Change in scope		-	(50)
Other non-monetary variations of the net debt		26	(4)
Closing net debt		**8,216**	**11,049**

36. DEFERRED REVENUE ON TICKET SALES

This line corresponds to the unused air tickets that will be recognized in revenues at the date of transportation. Due to the Covid-19 crisis and resulting border closures, the Group has been forced to reduce capacity and cancel a significant number of flights. In such an eventuality, customers can either ask for a refund of their tickets or the issuance of a voucher.

As of December 31, 2021, this line includes:

- €307 million of air tickets (fare and carrier-imposed charges) and revenue ancillary to transportation ("EMD") for which the date of transportation has passed and which are eligible for refunds, versus €740 million as of December 31, 2020,
- €387 million of vouchers that can be used for future flights (or which can be refunded), versus €739 million as of December 31, 2020.

37. LOYALTY PROGRAM

Within Air-France-KLM, there are two loyalty programs: Flying Blue and BlueBiz.

As of December 31, 2021 the deferred revenues relating to the outstanding *miles* of the Flying Blue customer loyalty program amount €794 million. This will be recognized as revenue once the *miles* are redeemed. The Group expects 50 percent of the *miles* to be recognized as revenue over the next five years.

The breakdown of the Flying Blue program is the following:

Flying Blue - Deferred revenues *In € millions*	**2021**	**2020**
As of January 1	**832**	**774**
Accumulation	127	130
Redemption	(165)	(72)
As of December 31	**794**	**832**

38. OTHER LIABILITIES

In € millions	**2021**		**2020**	
As of December 31	**Current**	**Non-current**	**Current**	**Non-current**
Tax liabilities	794	1,060	565	625
Employee-related liabilities	960	1,355	1,134	545
Non-current asset payables	70	-	96	-
Deferred income	873	43	836	36
Prepayments received	390	-	342	-
Other	282	97	203	88
Total	**3,369**	**2,555**	**3,175**	**1,294**

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

39. FINANCIAL INSTRUMENTS

39.1 Risk management

- **Market risk management**

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 meets each quarter to review the Group reporting on the risks relating to the fuel price, carbon credits, main currencies and interest rates and counterparties. The RMC decides on the hedging policies to be implemented, the targets for hedging ratios and the periods and instrument types. Formalized RMC decisions are then implemented by the respective Treasury Management departments within each sub-group, in compliance with the procedures governing the delegation of powers. Each sub-group centralizes the management of the market risks of its subsidiaries. Regular meetings are organized between the Treasury Management departments on hedging instruments, strategies to consider and counterparties.

To implement the strategy most appropriate 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.

The treasury management departments of each sub-group circulate weekly information on the level of cash and cash equivalents to their respective General Managements. The level of the Group's consolidated cash is communicated every week and, at the end of the month to the Group's General Management.

Every month, a complete report including the interest rate and currency positions, the portfolio of hedging instruments, a summary of investments and financing by currency and the monitoring of risk by counterparty is sent to the General Managements.

The Treasury Management departments have full responsibility for the hedging strategy on fuel and carbon credits. The General Managements receive a weekly fuel report, mainly covering the transactions carried out during the week, the valuation of all the positions, the percentages hedged as well as the breakdown of the instruments and underlying used, the average hedge levels and the resulting net prices. All this data covers a rolling 12 months. Furthermore, a weekly Air France-KLM Group report (known as the Fuel Hedge report) consolidates the figures from the two sub-groups relating to fuel hedging and carries out a budget update.

- **Fuel price risk**

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.

Risks linked to the jet fuel price are hedged within the framework of a hedging strategy defined by the RMC for the whole of the Air France-KLM Group.

Compared with the previous policy, since February 17, 2021, the revised hedging strategy approved by the Board of Directors has reduced, the time span from a rolling 24 months to a rolling 12 months and reduced the hedge amount from an equivalent of 80 percent to 50 percent of the annual volume consumed. In addition, it uses instruments that may be fixed forwards or options. These instruments are treated in such a way as to qualify as hedging instruments under the provision of IFRS 9 rule.

With the application of IFRS 9 as of January 1, 2018, the hedging strategy of the Group has evolved and now includes components (crude oil and gasoil oil are specified as components of jet fuel prices). These components are considered as separately identifiable and reliably measurable as required by IFRS 9.

Main characteristics of the hedging strategy

Hedge horizon: 12 months rolling

Minimum hedge percentage, to reach at the end of the current quarter:
- quarter underway: 70 percent of the volumes consumed;
- quarter 1: 70 percent of the volumes consumed;
- quarter 2: 55 percent of the volumes consumed;
- quarter 3: 40 percent of the volumes consumed;
- quarter 4: 25 percent of the volumes consumed;

Increment of coverage ratios: 15 percent by quarter

Underlyings: Brent, Gas Oil and Jet Fuel

Instruments: Swap, call, call spread, three ways, four ways and collar.

Implementation of monitoring indicators on positions:
To ensure more effective monitoring of the marked-to-market positions and dynamic management of its exposure, the Group uses the VAR (value at risk) metric to help measure the risk incurred by its portfolio. This monitoring is also reinforced by taking into account the maximum loss and maximum gain which limit the scale of variation of this same portfolio and enable the appropriate reaction.

- **Currency 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 management of the currency risk for the subsidiaries of the two sub-groups is centralized by each sub-group. 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 not covered by the lease debt, 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 activity and 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 with 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. The RMC sets the hedging targets for the dollar, sterling pound and the yen.

Air France uses some zero-cost structured options, as hedging instruments. These generate volatility in the financial result because of their non-aligned time value, unlike vanilla options whose time value is aligned. Changes in aligned time values are recorded in the consolidated statement of comprehensive income in accordance with IFRS9.

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 for the implementation of a systematic and graduated level of hedging between the date aircrafts are ordered and their delivery.

The exchange rate risk on the Group's financial debt is limited. At December 31, 2020, 86 percent of the Group's 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 6 percent, the US dollar for 5 percent and the Swiss Franc for 3 percent.

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As of January 1, 2018, the Group has applied IFRS16 meaning that aircraft leases mostly denominated in US dollars are accounted for in the Group's debt. These loans have been requalified as hedging for the Network's future revenues in US dollars. Consequently, the impact of foreign exchange differences in US dollars is accounted in other comprehensive income. For both Transavia and KLM Cityhopper, which have no US dollar revenues, hedging programs specific to these commitments have been defined.

- **Interest rate risk**

A portion of the financial liabilities is contracted at floating rates. However, to limit its volatility, Air France and KLM have used option and swap strategies involving the use of derivatives to convert a significant proportion of their floating-rate debt into fixed rates; after hedging, the Air France-KLM Group's debt contracted at fixed rates represents 50 percent of the overall total. The interest rate on the Group's gross debt after swaps stood at 2.23 percent at December 31, 2021 versus 2.55 percent at December 31, 2020.

- **Risks on carbon credit**

To meet its regulatory obligations, the CO_2 emission quota acquisition strategy has been monitored and reviewed during every RMC meeting since October 2011. Its implementation led to the progressive hedging of the future requirement through the use of forward contracts meaning that the 2022 requirement and a portion of the 2023 requirement are hedged.

Underlyings: EUA, EUAA and CER quotas.

Instruments: Forwards, delivery and payment during the quarter preceding the compliance application date.

- **Investment risks**

The cash resources of Air France, KLM and Air France-KLM are currently invested over a short-term time horizon, primarily in deposits, money market mutual funds and certificates with high-rated banks.

Lastly, in order to reduce the currency risk on the debt, a portion of KLM's liquid assets is invested in high-quality foreign-currency denominated bonds.

- **Equity risks**

The Air France-KLM Group holds a limited number of shares which are listed for trading. The value of these investments may vary during their period of ownership. These investments are accounted for using either the equity method (associates) if the Group has the ability to exercise significant influence, or at their fair value. If the fair value cannot be determined from a practical point of view, the value of the investment is measured at its acquisition cost.

The treasury shares held by Air France-KLM are not deemed to be investments. Furthermore, the treasury shares are not deemed to be exposed to risk, since any variation in the value of these shares is only recognized directly in equity when they are sold in the market, with no impact on the net result.

- **Counterparty risk management**

The rules concerning the management of counterparty risk are established by the RMC and applied by the sub-groups.

Except in the event of express dispensation from the RMC, counterparties must benefit from a minimum rating of BBB+ (S&P) with the exception of mutual funds where the risk is considered negligible. The maximum commitments by counterparty are determined based on the quality of their rating. 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. A monthly report is established and circulated to the members of the General Management in the two sub-groups. It is supplemented by real time information in the event of any real risk of a rating downgrade for counterparties.

The transactions involving potential counterparty risk are as follows:
- financial investments;
- derivative instruments;
- trade receivables.

Counterparty risk linked to financial investments and derivative instruments is managed by the Risk Management Committee which establishes limits by counterparty, for all instruments except investments in money market funds (OPCVM) for which the counterparty risk is deemed to be insignificant. The Group's counterparty-risk reporting is circulated each month to the General Management, the risk being measured at the fair market value of the various instruments. Any exceeding of a limit immediately results in the implementation of corrective measures.

Counterparty risk linked to derivative instruments is taken into account in the valuation of their market value as described in note 5.11. Derivative instruments are governed by the ISDA and FBF compensation master agreements. Within the framework of these agreements, compensation (in the event of default) must be made by counterparty for all the derivatives governed by each type of agreement.

Counterparty risk relating to trade receivables is limited due to the large number and geographical diversity of the customers.

The Group has identified the following exposure to counterparty risk:

LT Rating (Standard & Poors)	Total exposure in € million	
	As of December 31, 2021	**As of December 31, 2020**
AAA	246	257
AA	322	66
A	1,893	898
BBB	140	-
Total	**2,601**	**1,221**

This presentation does not include money market funds (OPCVM) and current accounts.

- **Liquidity risk**

The liquidity risk relates to the credit lines held by the Group, as described in note 33.7.

39.2 Derivative instruments

As of December 31, 2021, the fair value of the Group's derivative instruments and their expected maturities are as follows:

In € millions		**Total**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**	**> Y+5**
Commodities derivative instruments	Asset	166	166	-	-	-	-	-
	Liability	(16)	(16)	-	-	-	-	-
Interest rate derivative instruments	Asset	23	3	4	3	4	1	8
	Liability	(22)	(8)	(2)	(3)	(3)	(3)	(3)
Currency exchange derivative instruments	Asset	242	159	63	20	-	-	-
	Liability	(33)	(22)	(2)	-	(1)	(8)	-
Carbon credit derivative instruments	Asset	143	141	2	-	-	-	-
	Liability	-	-	-	-	-	-	-
Other derivative instruments	Asset	38	-	38	-	-	-	-
	Liability	-	-	-	-	-	-	-
Total	**Asset**	**612**	**469**	**107**	**23**	**4**	**1**	**8**
	Liability	**(71)**	**(46)**	**(4)**	**(3)**	**(4)**	**(11)**	**(3)**

As of December 31, 2020, the fair value of the Group's derivative instruments and their expected maturities were as follows:

In € millions		Total	Y+1	Y+2	Y+3	Y+4	Y+5	> Y+5
Commodities derivative instruments	Asset	3	3	-	-	-	-	-
	Liability	(229)	(225)	(4)	-	-	-	-
Interest rate derivative instruments	Asset	3	1		2	-	-	-
	Liability	(60)	(18)	(3)	(6)	(8)	(10)	(15)
Currency exchange derivative instruments	Asset	142	88	43	9	2	-	-
	Liability	(195)	(120)	(44)	(4)	(9)	-	(18)
Carbon credit derivative instruments	Asset	33	25	8	-	-	-	-
	Liability	-	-	-	-	-	-	-
Other derivative instruments	Asset	71	43	-	-	-	28	-
	Liability	(1)	-	-	-	-	(1)	-
Total	**Asset**	**252**	**160**	**51**	**11**	**2**	**28**	**-**
	Liability	**(485)**	**(363)**	**(51)**	**(10)**	**(17)**	**(11)**	**(33)**

39.2.1 Commodity risk linked to fuel prices

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

• As of December 31, 2021

In € millions	Nominal	Maturity	Maturities between 1 and 5 years					Fair value
		below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Cash flow hedging operating flows								
Swap	283	283	-	-	-	-	-	1
Options	2,157	2,157		-	-	-	-	119
Sub-total	**2,440**	**2,440**	**-**	**-**	**-**	**-**	**-**	**120**
Receivables / payables on fuel hedges								**30**
Total	**2,440**	**2,440**	**-**	**-**	**-**	**-**	**-**	**150**
Price after hedge USD/ Metric Tons		**730**	**726**	-	-	-	-	-

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, 2021. Time value of options derivatives is not included in the hedge results.

• As of December 31, 2020

In € millions	Nominal	Maturity below 1 year	Maturities between 1 and 5 years 1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	Fair value
Cash flow hedging operating flows								
Swap	356	356	-	-	-	-	-	(43)
Options	1,031	992	39	-	-	-	-	(103)
Total	**1,387**	**1,348**	**39**	**-**	**-**	**-**	**-**	**(146)**
opérations qualifiées de transactions								
Swap	65	65	-	-	-	-	-	(31)
Sub-Total	**65**	**65**	**-**	**-**	**-**	**-**	**-**	**(31)**
Receivables: debt on fuel hedges								**(49)**
Total	**1,452**	**1,413**	**39**	**-**	**-**	**-**		**(226)**
Price after hedge USD/ Metric Tons		**542**	**532**	-	-	-	-	-

Fuel hedge sensitivity

The impact on "income before tax" and on "gains/(losses) taken to equity" of a variation in the fair value of the fuel hedges following an increase or a decrease of USD 10 in the price of a barrel of Brent is as follows:

In € millions	**2021**		**2020**	
As of December 31	**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**
Income before tax	-	-	12	(12)
Gains / (losses) taken to equity	167	(161)	252	(263)

39.2.2 Exposure to interest rate risk

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, 2021

In € millions	Nominal	Balance sheet item of underlying items	Maturity	Maturities between 1 and 5 years					Fair value
			below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging	**2,409**		**511**	**357**	**324**	**198**	**224**	**795**	**(1)**
Rate swaps	2,259	Financial liabilities	511	357	324	198	124	745	(2)
Options	150	Financial liabilities	-	-	-	-	100	50	1
Operations qualified as fair value through profit and loss	**70**		**16**	**11**	**11**	**21**	**12**	**-**	**2**
Rate swaps	70	N/A	16	11	11	21	12	-	2
Total	**2,480**		**527**	**368**	**335**	**219**	**236**	**795**	**1**

As of December 31, 2020

In € millions	Nominal	Balance sheet item of underlying items	Maturity	Maturities between 1 and 5 years					Fair value
			below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operations qualified as cash flow hedging	**2,083**		**299**	**86**	**192**	**124**	**255**	**1,127**	**(54)**
Rate swaps	1,933	Financial liabilities	299	86	192	124	255	977	(30)
Options	150	Financial liabilities	-	-	-	-	-	150	(24)
Operations qualified as fair value through profit and loss	**98**		**21**	**18**	**12**	**10**	**11**	**26**	**(3)**
Rate swaps	98	N/A	21	18	12	10	11	26	(3)
Total	**2,181**		**319**	**104**	**204**	**134**	**266**	**1,153**	**(57)**

In 2021, given the perfect economic relationship between hedging instruments and hedged items, no ineffectiveness was recognized on the interest rate hedging strategies.

Taking into account the hedging operations, the Group's exposure to interest rate risks breaks down as follows:

In € millions	2021				2020			
As of December 31	**Before hedging**		**After hedging**		**Before hedging**		**After hedging**	
	Base	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**	**Base**	**Average interest rate**
Fixed-rate financial assets and liabilities								
Fixed-rate financial assets	1,592	0.8%	1,592	0.8%	1,291	1.3%	1,291	1.3%
Fixed-rate financial liabilities	8,936	4.0%	10,645	3.9%	8,175	4.0%	9,665	3.8%
Floating-rate financial assets and liabilities								
Floating-rate financial assets	4,022	0.1%	4,022	0.1%	4,495	0.2%	4,494	0.2%
Floating-rate financial liabilities	7,384	2.7%	5,675	3.0%	10,696	1.7%	9,206	1.8%
Without-rate financial assets	2,466	-	2,487	-	2,031	-	2,032	-
Without-rate financial liabilities	(55)	-	(55)	-	-	-	-	-

As of December 31, 2021, without-rate financial assets mainly include cash as well as at December 31, 2020.

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 €40 million on the financial income for the year ended December 31, 2021 versus €52 million for the year ended December 31, 2020.

39.2.3 Exposure to exchange rate risk

The nominal amounts of futures and options linked to exchange rates are detailed below given the nature of the hedging operations:

Air France-KLM Group

• As of December 31, 2021

In € millions	Hedged item		Maturity	Maturities between 1 and 5 years					Fair value
	Nominal	Balance sheet Item	below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
cash flow hedging of operating flows	**2,773**		**1,827**	**945**	**-**	**-**	**-**	**-**	**42**
Exchange rate options	1,396	N/A	930	465	-	-	-	-	12
Forward purchases	1,130	N/A	682	448	-	-	-	-	37
Forward sales	247	N/A	215	32	-	-	-	-	(7)
Fair value hedging of flight equipment acquisition	**3,642**		**2,430**	**670**	**542**	**-**	**-**	**-**	**158**
Exchange rate options	145	Other commitments	107	38	-	-	-	-	30
Forward purchases	2,942	Other commitments	1,768	632	542	-	-	-	140
Forward sales	555	Other commitments	555	-	-	-	-	-	(12)
Cash flow hedges on debts	**167**		**39**	**-**	**-**	**-**	**128**	**-**	**(8)**
Forward purchases	39	N/A	39	-	-	-	-	-	-
Others	128	Financial liabilities	-	-	-	-	128	-	(8)
Fair value hedges on debt	**229**		**66**	**56**	**43**	**63**	**-**	**-**	**12**
Forward purchases	229	-	66	56	43	63	-	-	12
trading	**128**		**122**	**6**	**-**	**-**	**-**	**-**	**5**
Forward purchases	128	N/A	122	6	-	-	-	-	-
Total	**6,939**		**4,484**	**1,677**	**585**	**63**	**128**	**-**	**209**

• **As of December 31, 2020**

In € millions	Hedged item		Maturity	Maturities between 1 and 5 years					Fair value
	Nominal	Balance sheet Item	below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
cash flow hedging of operating flows	**2,505**		**2,222**	**283**	**-**	**-**	**-**	**-**	**(39)**
Exchange rate options	885	N/A	857	28	-	-	-	-	(10)
Forward purchases	1,014	N/A	811	203	-	-	-	-	(65)
Forward sales	606	N/A	554	52	-	-	-	-	36
Fair value hedging of flight equipment acquisition	**3,253**		**1,666**	**1,093**	**242**	**252**	**-**	**-**	**10**
Exchange rate options	158	Other commitments	14	107	37	-	-	-	19
Forward purchases	2,561	Other commitments	1,352	752	205	252	-	-	(18)
Forward sales	534	Other commitments	300	234	-	-	-	-	9
Cash flow hedges on debts	**180**		**43**	**-**	**-**	**-**	**-**	**137**	**(21)**
Forward purchases	43	N/A	43						(2)
Others	137	Financial liabilities	-	-	-	-	-	137	(19)
Fair value hedges on debt	**232**		**66**	**66**	**57**	**43**	**-**	**-**	**-**
Forward purchases	232	-	66	66	57	43	-	-	-
trading	**740**		**720**	**20**	**-**	**-**	**-**	**-**	**(3)**
Forward purchases	561	N/A	541	20	-	-	-	-	(4)
Forward sales	179	N/A	179	-	-	-	-	-	1
Total	**6,910**		**4,717**	**1,462**	**299**	**295**	**-**	**137**	**(53)**

The unaligned time value of options with-barrier is booked under other financial income and expenses in the income statement for a gain of €8 million as of December 31, 2021 and a loss of €9 million as of December 31, 2020.

Currency hedge sensitivity

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

In € millions	**Monetary assets**		**Monetary liabilities**	
As of December 31	**2021**	**2020**	**2021**	**2020**
US dollar	1333	997	4389	3396
Pound sterling	23	14	5	14
Yen	34	45	773	832
Swiss francs	13	19	373	353
Others	13	13	8	14

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 percent appreciation in foreign currencies relative to the euro is presented below:

In € millions	**US dollar**		**Pound sterling**		**Yen**	
As of December 31	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Income before tax	(191)	(121)	(3)	(9)	(73)	(79)
Gains / (losses) taken to equity	590	131	(19)	(11)	-	(3)

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 percent depreciation in foreign currencies relative to the euro is presented below:

In € millions	**US dollar**		**Pound sterling**		**Yen**	
As of December 31	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Income before tax	132	63	(2)	-	73	77
Gains / (losses) taken to equity	(438)	(63)	18	14	-	7

39.2.4 Carbon credit risk

As of December 31, 2021, the Group has hedged its future purchases of CO_2 quotas as follows:

As of December 31, 2021

In € millions	Nominal	Maturity	Maturities between 1 and 5 years					Fair value
		below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operating flows as cash flow hedging	**261**	**253**	**8**	**-**	**-**	**-**	**-**	**143**
Forwards	261	253	8	-	-	-	-	143
Total	**261**	**253**	**8**	**-**	**-**	**-**	**-**	**143**

As of December 31, 2020

In € millions	Nominal	Maturity	Maturities between 1 and 5 years					Fair value
		below 1 year	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years	
Operating flows as cash flow hedging	**133**	**99**	**34**	**-**	**-**	**-**	**-**	**33**
Forwards	133	99	34	-	-	-	-	33
Total	**133**	**99**	**34**	**-**	**-**	**-**	**-**	**33**

These contracts mostly expire within three years.

39.3 Market value of financial instruments

Market values are estimated for most of the Group's financial instruments using a variety of valuation methods. However, the methods and assumptions used to provide the information set out below are theoretical in nature. They include the following inherent limitations:
* The estimated market values of financial instruments are estimated on the basis of the market price as of December 31, 2021 and December 31, 2020.
* The estimated amounts as of December 31, 2021 and December 31, 2020 are not indicative of gains and/or losses potentially arising on maturity or in the event of cancellation of a financial instrument.

The application of alternative methods and assumptions may, therefore, have a significant impact on the estimated market values.

The methods used are as follows:

* *Cash, trade receivables, other receivables, short-term bank facilities, trade payables and other payables:*
  The Group considers that, due to their short-term nature, net book value can be deemed a reasonable approximation of their market value.

* *Marketable securities, investments and other securities:*
  The market value of securities is determined based mainly on the market price or the prices available on other similar securities. Securities classified under equity instruments are recorded at their stock market value.
  Where no market comparable exists, the Group uses their book value, which is deemed a reasonable approximation of their market value in this instance.

* *Borrowings, other financial liabilities and loans:*
  The market value of fixed and floating-rate loans and financial liabilities is determined based on discounted future cash flows at market interest rates for instruments with similar features.

* *Derivative instruments:*
  The market value of derivative instruments corresponds to the amounts that would be payable or receivable were the positions to be closed out as of December 31, 2021 and December 31, 2020, calculated using the year-end market rate.

Only the financial assets and liabilities whose fair values differs from their net book values are presented in the following table:

In € millions	**2021**		**2020**	
As of December 31	**Net book value**	**Estimated market value**	**Net book value**	**Estimated market value**
Financial assets				
Loans	533	533	636	518
Financial liabilities				
Bonds	2,515	2,428	1,983	1,831
OCEANE 2019	*476*	*448*	*465*	*370*
Bond 2014	*-*	*-*	*289*	*289*
Bond € 2016	*361*	*366*	*361*	*361*
Bond $ 2016	*128*	*139*	*118*	*138*
Bond € 2020	*750*	*696*	*750*	*673*
Bond € 2021-2024	*300*	*295*		
Bond € 2021-2026	*500*	*484*		
Perpetual subordinated loans	548	466	537	489
Other borrowings and financial liabilities	2,111	2,609	2,278	2,530

39.4 Valuation methods for financial assets and liabilities at their fair value

The breakdown of the Group's financial assets and liabilities is as follows based on the three classification levels (see note 5.11):

In € millions	**Level 1**		**Level 2**		**Level 3**		**Total**	
As of December 31	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Financial asset equity instruments	49	51		-	-	-	**49**	**51**
Asset debt instruments								
Marketable securities and cash secured	48	46	465	456	-	-	**513**	**502**
Cash equivalents liquidity funds (JV/P&L)	3,605	4,269	1,196	652	-	-	**4,801**	**4,921**
Derivative instruments assets								
Interest rate derivatives	-	-	23	3	-	-	**23**	**3**
Currency exchange derivatives	-	-	242	142	-	-	**242**	**142**
Commodity derivatives	-	-	166	3	-	-	**166**	**3**
ETS derivatives	-	-	143	33	-	-	**143**	**33**
Others	-	-	38	71	-	-	**38**	**71**
Derivative instruments liabilities								
Interest rate derivatives	-	-	(22)	(60)	-	-	**(22)**	**(60)**
Currency exchange derivatives	-	-	(33)	(195)	-	-	**(33)**	**(195)**
Commodity derivatives	-	-	(16)	(229)	-	-	**(16)**	**(229)**
Others	-	-	-	(1)	-	-	**-**	**(1)**

40. FLIGHT EQUIPMENT ORDERS

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

In € millions	**2021**	**2020**
As of December 31		
Y+1	1,653	1,444
Y+2	1,253	1,386
Y+3	1,165	1,347
Y+4	822	923
Y+5	212	678
> Year Y+5	-	196
Total	**5,105**	**5,974**

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, 2021 decreased by 15 units compared with December 31, 2020 and stood at 87 aircrafts.

This change is explained by the delivery of 15 aircrafts.

Long-haul fleet (passenger)

The Group took delivery of two Boeing B777s and seven Airbus A350s.

Medium-haul fleet

The Group took delivery of six Airbus A220s.

Regional fleet

The Group did not take delivery of any aircraft.

The memorandum of understanding signed with Airbus in December 2021 for the order of A320neo has not yet been the subject of a binding purchase contract at the date of closing of the consolidated accounts of the Air France-KLM group. Consequently, the order is not reported in the tables of the note.

Aircraft type	To be delivered in	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond Y+5	Total
Long-haul fleet – passenger								
A350	As of December 31, 2021	7	5	6	5	2	-	**25**
	As of December 31, 2020	7	7	8	4	4	2	**32**
B787	As of December 31, 2021	4	2	2	-	-	-	**8**
	As of December 31, 2020	5	1	-	2	-	-	**8**
B777	As of December 31, 2021	-	-	-	-	-	-	**-**
	As of December 31, 2020	2	-	-	-	-	-	**2**
Medium-haul fleet								
A220	As of December 31, 2021	15	15	12	12	-	-	**54**
	As of December 31, 2020	6	15	15	12	12	-	**60**
Regional fleet								
Total	**As of December 31, 2021**	**26**	**22**	**20**	**17**	**2**	**-**	**87**
	As of December 31, 2020	**20**	**23**	**23**	**18**	**16**	**2**	**102**

41. OTHER COMMITMENTS

41.1 Commitments made

In € millions **As of December 31**	**2021**	**2020**
Commtments to leased aircraft, not yet in operation	580	525
Call on investment securities	75	146
Warranties, sureties and guarantees	257	339
Secured debts	4,362	4,586
Other purchase commitments	168	124

The restrictions and pledges as of December 31, 2021 are as follows:

In € millions	**Amount pledged**	**NBV of balance sheet entry concerned**	**Corresponding %**
Intangible assets	-	1,235	-
Tangible assets	4,576	11,868	36.5 %
Other financial assets	568	1,434	39.6 %
Total	**5,144**	**14,537**	

41.2 Commitments received

In € millions	**2021**	**2020**
As of December 31		
Warranties, sureties and guarantees	353	97
Put option on shares (1)	170	243

(1) estimate based on the disposal price of remaining 35 per cent stake in Servair.

In 2021, warranties, sureties and guarantees correspond to credit letters granted by financial institutions and the credit line granted by Export Development Canada for the financing of A220 aircrafts.

41.3 Order book

Long term contracts of the maintenance business

On December 31, 2021, the future revenues from long-term contracts in the maintenance business amount to €7,342 million. The Group expects around 60 percent of the order book to be recognized as revenue over the next five years.

The table below presents the reconciliation between the order book according to accounting principles and the order book as described in the Universal Registration Document:

In € millions **As of December 31**	**2021**
Order book according accounting definition	7,342
Contracts with no client' obligations	1,150
Receipts not recognized in revenues (2)	(841)
Published order book in the URD (1)	7,651

(1) see section 1.1.3 of the Universal Registration Document
(2) Including in the deferred income (note 38)

Passenger and freight transportation

As indicated in note ##FR_YAccPol.6 Sales, the Group applies the exemption provided by IFRS 15.

Loyalty program

Information on the liabilities relating to the loyalty program is presented in note 37 Loyalty program.

42. RELATED PARTIES

42.1 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:

In € millions **Period from January 1 to December 31**	**2021**	**2020**
Short-term employee benefits	5.4	5.0
Post-employment benefits	0.7	0.3
Termination benefits	0.8	0.7
Share-based payment	-	0.7
Total	**7.0**	**6.7**

The compensation of the non-executive Chair of the Board amounts to €0.22 million.

Directors' fees booked in expenses amount to €0.7 million as of December 31, 2021, versus €0.8 million as of December 31, 2020.

42.2 Transactions with the other related parties

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

In € millions **As of December 31**	**2021**	**2020**
Assets		
Net trade accounts receivable	259	202
Other current assets	3	5
Other non-current assets	9	8
Total	**271**	**215**
Liabilities		
Perpetual	3,151	-
Trade accounts payable	96	114
Other current liabilities	286	263
Other long-term financial liabilities	278	3,278
Total	**3,811**	**3,655**

In € millions **As of December 31**	**2021**	**2020**
Net sales	181	167
Landing fees and other rents	(259)	(216)
Other selling expenses	(17)	(16)
Passenger service	(221)	(161)
Other	(43)	(39)
Total	**(359)**	**(265)**

Air France-KLM Group

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 €283 million and €205 million for the periods ended December 31, 2021 and December 31, 2020.

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 €76 million for the period ended December 31, 2021.

French Defense Ministry

Air France-KLM has entered into contracts with the French Defense Ministry concerning the maintenance of aircraft in the French Air Force. The net revenue derived from this activity amounts to €60 million for the year ended December 31, 2021 versus €51 million as of December 31, 2020.

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 €46 million as of December 31, 2021 versus €49 million for the year ended December 31, 2020.

China Eastern Airlines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to a respective €4 million and €6 million for the periods ended December 31, 2021 and December 31, 2020.

Delta Air Lines

The net revenue derived by the Group in connection with the afore-mentioned arrangement amounted to a respective €31 million and €26 million for the periods ended December 31, 2021 and December 31, 2020.

Dutch and French States

Other long-term liabilities as of December 31, 2021 include shareholder loans granted by the Dutch and French States (see note 33.3 Financial support from the French and Dutch States) and the line "Perpetual" includes the hybrid following the conversion of the direct loan granted by the French State.

43. CONSOLIDATED STATEMENT OF CASH FLOW AND OPERATING FREE CASH-FLOW

43.1 Other non-monetary items and impairment

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

In € millions **As of December 31**	Notes	**2021**	**2020** **restated [1]**
Variation of provisions relating to restructuring plan		(352)	456
Variation of provisions relating to pension		66	66
Variation of other provisions		(7)	(17)
Changes to the pension plans		859	-
Impairment on fleet		40	680
European carbon emission allowances (ETS)		31	22
Effective interest rate methodology on states loans	*33*	126	28
Amortization of equity component of convertible bonds (OCEANE)		11	11
Other		5	(25)
Total		**779**	**1,221**

[1] See note 3 in notes to the consolidated financial statements.

43.2 Operating free cash flow

Period from January 1 to December 31 *in € millions*	***Notes***	**2021**	**2020**
Net cash flow from operating activities		1,534	(2,826)
Purchase of property plant and equipment and intangible assets		(2,202)	(2,099)
Proceeds on disposal of property plant and equipment and intangible assets		899	204
Operating free cash flow	*35*	**231**	**(4,721)**
Payments on lease debts		**(862)**	**(940)**
Operating free cash flow adjusted		**(631)**	**(5,661)**

44. STATUTORY AUDITORS' FEES

KPMG:

In € millions	2021				2020			
As of December 31	**Statutory auditor**		**Network**		**Statutory auditor**		**Network**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Statutory audit, certification, review of stand-alone and consolidated accounts	1.8	82%	2.2	96%	1.8	93%	1.3	84%
- Air France-KLM S.A.	*0.5*		-		*0.5*		-	
- Consolidated subsidiaries	*1.3*		*2.2*		*1.3*		*1.3*	
Other services	0.4	18%	0.1	4%	0.1	7%	0.2	16%
- Air France-KLM S.A.	*0.3*		-		-		-	
- Consolidated subsidiaries	*0.1*		*0.1*		*0.1*		*0.2*	
Total Air France-KLM	**2.2**		**2.3**		**1.9**		**1.6**	

Deloitte & Associés:

In € millions	2021				2020			
As of December 31	**Statutory auditor**		**Network**		**Statutory auditor**		**Network**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Statutory audit, certification, review of stand-alone and consolidated accounts	1.8	90%	1.0	77%	1.8	100%	1.3	100%
- Air France-KLM S.A.	*0.5*		-		*0.5*		-	
- Consolidated subsidiaries	*1.3*		*1.0*		*1.3*		*1.3*	
Other services	0.2	10%	0.3	23%	-	0%	-	0%
- Air France-KLM S.A.	*0.2*		-		-		-	
- Consolidated subsidiaries	-		*0.3*		-		-	
Total Air France-KLM	**2.0**		**1.3**		**1.8**		**1.3**	

45. CONSOLIDATION SCOPE

As of December 31, 2021, the scope includes 79 fully consolidated entities, 23 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.

Air France-KLM Group

45.1 Consolidated entities

Entity	Country	Segment	% interest	% control
AFI KLM E&M TEARDOWN MANAGEMENT SAS	France	Maintenance	100	100
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 OVERHAUL AND REPAIR (EPCOR) B.V.	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
AIR FRANCE S.A.	France	Multi activities	100	100
KONINKLIJKE LUCHTVAART MAATSCHAPPIJ N.V.	Netherlands	Multi activities	100	49
AIR ANTWERP B.V.	Belgium	Network	100	49
AIRTRADE HOLDINGS 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
CONSTELLATION FINANCE LIMITED	Ireland	Network	100	100
CYGNIFIC B.V.	Netherlands	Network	100	49
HOP!	France	Network	100	100
HOP! TRAINING	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
AIR FRANCE FINANCE IRELAND	Ireland	Other	100	100
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 YONDER XIV B.V.	Netherlands	Other	100	49
CELL K16 INSURANCE COMPANY	Guernsey	Other	100	0

EXECUTIVE HEALTH MANAGEMENT B.V.	Netherlands	Other	100	49
INTERNATIONALE FINANCIERING EN MANAGEMENT MAATSCHAPPIJ B.V.	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 VESTIGINIG 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
WEBLOK B.V.	Netherlands	Other	100	49
BLUE TEAM III SAS	France	Transavia	100	100
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

45.2 Equity affiliates

Entity	Country	Segment	% interest	% control
AAF SPARES	Ireland	Maintenance	50	50
AEROSTRUCTURES MIDDLE EAST SERVICES	United Arab	Maintenance	50	50
AEROTECHNIC INDUSTRIES	Morocco	Maintenance	50	50
AFI KLM E&M-BGAC Line Maintenance Co.LTD	China	Maintenance	60	60
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
TRADEWINDS ENGINE SERVICES LLC	United States	Maintenance	50	50
TURBINE SUPPORT INTERNATIONAL LLC	United States	Maintenance	50	50
XCELLE AMERICAS LLC	United States	Maintenance	50	50
ADM BLUE	Madagascar	Network	40	40
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

45.3 Joint operations

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