Financial statements 2022

Consolidated balance sheet

Before proposed appropriation of the result for the year

In millions of Euros	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	1	5,017	5,095
Right-of-use assets	2	1,606	1,630
Intangible assets	3	543	512
Investments accounted for using the equity method	4	17	17
Other non-current assets	5	165	154
Other financial assets	6	779	570
Deferred tax assets	17	450	122
Pension assets	18	27	-
		8,604	8,100
Current assets			
Other current assets	5	139	230
Other financial assets	6	167	162
Inventories	7	255	220
Trade and other receivables	8	1,205	1,094
Cash and cash equivalents	9	1,533	819
		3,299	2,525
TOTAL ASSETS		**11,903**	**10,625**

In millions of Euros	Note	December 31, 2022	December 31, 2021
EQUITY			
Capital and reserves			
Share capital	10	125	94
Share premium		474	474
Reserves	11	473	426
Retained earnings		(1,683)	(433)
Result for the year		743	(1,259)
Total attributable to Company's equity holders		132	(698)
Non-controlling interests		4	3
Total equity		136	(695)
LIABILITIES			
Non-current liabilities			
Financial debt	12	1,604	1,305
Lease debt	13	954	879
Other non-current liabilities	5	1,283	1,520
Other financial liabilities	14	816	1,840
Deferred income	16	235	259
Provisions for employee benefits	18	228	372
Return obligation liability and other provisions	19	1,380	1,263
		6,500	7,438
Current liabilities			
Trade and other payables	20	2,604	1,794
Financial debt	12	241	155
Lease debt	13	278	288
Other current liabilities	5	56	31
Other financial liabilities	14	184	188
Deferred income	16	1,536	1,081
Current tax liabilities	17	39	-
Provisions for employee benefits	18	25	27
Return obligation liability and other provisions	19	304	318
		5,267	3,882
Total liabilities		11,767	11,320
TOTAL EQUITY AND LIABILITIES		**11,903**	**10,625**

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

Consolidated statement of profit or loss

In millions of Euros	Note	2022	2021
Revenues	23	10,679	6,065
Expenses			
External expenses	24	(6,232)	(3,702)
Employee compensation and benefit expenses *	25/28	(2,955)	(2,792)
Other income and expenses	26	180	160
Total expenses		(9,007)	(6,334)
EBITDA *	28	1,672	(269)
Amortisation, depreciation, impairment and provisions *	27/28	(929)	(907)
Income from operating activities *	28	743	(1,176)
Cost of financial debt	29	(178)	(219)
Income from cash and cash equivalents	29	30	14
Net cost of financial debt		(148)	(205)
Other financial income and expenses	29	(156)	(135)
Income before tax		439	(1,516)
Income tax income/(expense)	30	305	255
Net income after tax		744	(1,261)
Share of results of equity accounted investees		-	3
NET PROFIT/(LOSS) FOR THE YEAR		**744**	**(1,258)**

In millions of Euros	Note	2022	2021
Attributable to:			
Equity holders of the company		743	(1,259)
Non-controlling interests		1	1
		744	**(1,258)**
Net profit/(loss) attributable to equity holders of the Company		743	(1,259)
Dividend on priority shares		-	-
Net profit/(loss) available for holders of ordinary shares		743	(1,259)
Average number of A and B ordinary shares outstanding		46,809,699	46,809,699
Average number of A and B ordinary shares outstanding (fully diluted)		46,809,699	46,809,699
Profit/(loss) per share (in EUR)		15.87	(26.90)
Diluted profit/(loss) per share (in EUR)		15.87	(26.90)

In millions of Euros	Note	2022	2021
Income from operating activities*	28	743	(1,176)
Total APM adjustments income from operating activities	28	(37)	949
Adjusted income from operating activities (as per AIR FRANCE KLM Group reporting)	28	**706**	**(227)**

* See note 28 Alternative performance measures (APM for the reconciliation to adjust EBITDA of EUR 1,678 million positive (2021: EUR 695 million positive) and adjusted income from operating activities of EUR 706 million positive (2021: EUR 227 million negative). Also see the Alternative performance measures section in the Notes to the consolidated financial statements.

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

Consolidated statement of profit or loss and other comprehensive income

In millions of Euros	2022	2021
Profit/(Loss) for the year	744	(1,258)
Cash flow hedges		
Effective portion of changes in fair value of cash flow hedges recognised directly in equity	(560)	(127)
Change in fair value transferred to profit or loss	468	289
Exchange differences on translation foreign operations	(3)	(1)
Tax on items of comprehensive income that will be reclassified to profit or loss	24	(42)
Total of other comprehensive income/(expense) that will be reclassified to profit or loss	(71)	119
Remeasurement of defined benefit pension plans	166	729
Fair value of equity instruments revalued through OCI	3	3
Tax on items of comprehensive income that will not be reclassified to profit or loss	(42)	(173)
Total of other comprehensive income that will not be reclassified to profit or loss	127	559
TOTAL OF OTHER COMPREHENSIVE INCOME AFTER TAX	**56**	**678**
Recognised income and expenses	800	(580)
Equity holders of the company	799	(581)
Non-controlling interests	1	1

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

Consolidated statement of changes in equity

Attributable to Company's equity holders

In millions of Euros	Share capital	Share premium	Reserves	Retained earnings	Result for the year	Total	Non-controlling interests	Total equity
As at January 1, 2022	**94**	**474**	**426**	**(433)**	**(1,259)**	**(698)**	**3**	**(695)**
Transfer to retained earnings	-	-	-	(1,259)	1,259	-	-	-
Reclassification A and C Cumulative preference shares from financial debt to equity	31	-	-	-	-	31	-	31
Contributions	31	-	-	(1,259)	1,259	31	-	31
Net gain/(loss) from cash flow hedges	-	-	(92)	-	-	(92)	-	(92)
Fair value of equity instruments revalued through OCI	-	-	3	-	-	3	-	3
Exchange differences on translation foreign operations	-	-	(3)	-	-	(3)	-	(3)
Remeasurement of defined benefit pension plans	-	-	166	-	-	166	-	166
Transfer to/(from) retained earnings	-	-	(9)	9	-	-	-	-
Deferred tax on items taken directly to or transferred from equity	-	-	(18)	-	-	(18)	-	(18)
Net income/(expense) recognised directly in equity	-	-	47	9	-	56	-	56
Profit for the year	-	-	-	-	743	743	1	744
Movement recognised income/(expenses)	-	-	47	9	743	799	1	800
Dividends paid	-	-	-	-	-	-	-	-
As at December 31, 2022	**125**	**474**	**473**	**(1,683)**	**743**	**132**	**4**	**136**

Attributable to Company's equity holders

In millions of Euros	Share capital	Share premium	Reserves	Retained earnings	Result for the year	Total	Non-controlling interests	Total equity
As at January 1, 2021	**94**	**474**	**(441)**	**1,303**	**(1,547)**	**(117)**	**2**	**(115)**
Transfer to retained earnings	-	-	-	(1,547)	1,547	-	-	-
Net gain/(loss) from cash flow hedges	-	-	162	-	-	162	-	162
Fair value of equity instruments revalued through OCI	-	-	3	-	-	3	-	3
Exchange differences on translation foreign operations	-	-	(1)	-	-	(1)	-	(1)
Remeasurement of defined benefit pension plans	-	-	729	-	-	729	-	729
Transfer to/(from) retained earnings	-	-	189	(189)	-	-	-	-
Deferred tax on items taken directly to or transferred from equity	-	-	(215)	-	-	(215)	-	(215)
Net income/(expense) recognised directly in equity	-	-	867	(1,736)	1,547	678	-	678
(Loss) for the year	-	-	-	-	(1,259)	(1,259)	1	(1,258)
Movement recognised income/(expenses)	-	-	867	(1,736)	288	(581)	1	(580)
Dividends paid	-	-	-	-	-	-	-	-
As at December 31, 2021	**94**	**474**	**426**	**(433)**	**(1,259)**	**(698)**	**3**	**(695)**

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

Consolidated cash flow statement

In millions of Euros	Note	2022	2021
Profit/(loss) for the year		744	(1,258)
Adjustments for:			
Depreciation, amortisation and impairment	27	983	942
Changes in provisions	27	(11)	(21)
Results of equity shareholdings		-	(3)
Changes in pensions		(4)	28
Changes in deferred tax	30	(344)	(255)
Other changes		154	1,033
Net cash flow from operating activities before changes in working capital		1,522	466
Changes in:			
(Increase) / decrease in inventories		(46)	(48)
(Increase) / decrease in trade receivables		(82)	(79)
Increase / (decrease) in trade payables		300	198
(Increase) / decrease in other receivables and other payables		780	663
Change in working capital requirement		952	734
Net cash flow from operating activities		2,474	1,200
Purchase of intangible fixed assets	3	(140)	(132)
Purchase of aircraft	1	(513)	(332)
Proceeds on disposal of aircraft		28	15
Purchase of other tangible fixed assets	1	(52)	(49)
Proceeds on disposal of other (in-)tangible fixed assets		37	17
Investments in equity accounted investees		(2)	-
Proceeds on sale of equity accounted investees		-	4
Dividends received		-	1
Proceeds on short-term deposits and commercial paper		76	(12)
Net cash flow used in investing activities		(566)	(488)

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

In millions of Euros	Note	2022	2021
Proceeds from long-term debt		649	577
Repayment on long-term debt		(1,315)	(679)
Payments on lease debt		(290)	(315)
Proceeds from long-term receivables		(279)	(161)
Repayment on long-term receivables		30	195
Dividend paid		-	(1)
Net cash flow used in financing activities		(1,205)	(384)
Effect of exchange rates on cash and cash equivalents		11	9
CHANGE IN CASH AND CASH EQUIVALENTS		**714**	**337**
Cash and cash equivalents at beginning of period		819	482
Cash and cash equivalents at end of period *	9	1,533	819
CHANGE IN CASH AND CASH EQUIVALENTS		**714**	**337**
Interest paid (flow included in operating activities)		(177)	(188)
Interest received (flow included in operating activities)		16	3

In millions of Euros	2022	2021
Net cash flow from operating activities	2,474	1,200
Net cash flow used in investing activities (excluding investments in and proceeds on sale of equity accounted investees, dividends received and purchase of short-term deposits and commercial paper)	(640)	(481)
Free cash flow	1,834	719
Payments on lease debt	(290)	(315)
Adjusted free cash flow**	1,544	404

* Including near cash (other highly liquid investments, such as Triple A bonds, long-term deposits and commercial paper with an original maturity between 3 and 12 months) amounts to EUR 2,395 million as at December 31, 2022 (December 31, 2021 EUR 1,474 million).

** See the Alternative performance measures section in the Notes of the consolidated financial statements.

Notes to the consolidated financial statements

General

Koninklijke Luchtvaart Maatschappij N.V. (the "Company" or "the Group") is a public limited liability company incorporated and domiciled in the Netherlands. The Company's registered office is located in Amstelveen.

The Company is a subsidiary of AIR FRANCE KLM S.A. ("AIR FRANCE KLM"), a company incorporated in France. The Company financial statements are included in the financial statements of AIR FRANCE KLM which can be obtained from the AIR FRANCE KLM Financial communication department. AIR FRANCE KLM's shares are quoted on the Paris and Amsterdam stock exchanges.

These financial statements have been authorised for issue by the Board of Managing Directors on March 31, 2023 and will be submitted for approval to the Annual General Meeting (AGM) of shareholders on April 24, 2023.

Subsequent event

In March 2023, KLM reached a final agreement with the unions on the determination of profit share 2022, which is expected to be paid out in the first half of 2023.

Assessment of going concern

In the 2021 financial statements a material uncertainty over KLM's ability to continue as a going concern, due to the impact of COVID-19, was reported.

As per the date of this 2022 Annual Report an assessment of going concern has been performed. Based on all information and analysis available and taking into account the current liquidity position, business outlook, (flexibility in the) investment plan, fuel price sensitivity, availability of funding (KLM can still draw EUR 2.5 billion of the Dutch State support package as per year-end 2022) and the redemption profile, the Board of Managing Directors concludes that there are no triggers that might impair the going concern assumption applicable and as such the going concern assumption is applied.

Sustainability and climate

The transition towards more sustainable aviation is at the core of KLM's strategy. Within that, the contribution to climate change is of major concern. Not only for KLM, but for the whole AIR FRANCE KLM Group and airline industry. Attitudes towards the acceptability of air transportation growth are changing at both political level and in terms of wider society.

KLM Group intends to be a key player in the transformation of its sector towards more sustainable aviation, and aims to take a leading role. Playing an active role in advancing the ambition of Net Zero emissions by 2050 as an industry, and committing to Science Based Targets initiative (SBTi) in line with their criteria approved in November 2022, is a strong marker for the whole AIR FRANCE KLM Group, reflecting people's changing perception of travel and calls for a more responsible use of aviation. KLM's climate ambitions and how to reach those are outlined in a Climate Action Plan.

Third party accreditation

AIR FRANCE KLM assesses its financial performance on a regular basis, through Standard and Poor's (S&P), DJSI, Carbon Disclosure Project (CDP), Ecovadis, Climate Action 100+ and Sustainalytics ratings. In 2022, for the eighteenth consecutive year, AIR FRANCE KLM was included in the Dow Jones Sustainability Indexes (DJSI World and Europe), the Ecovadis rating agency awarded AIR FRANCE KLM a gold medal (ranking in the top 3%), while the CDP gave the AIR FRANCE KLM Group a C-rating (awareness level) for the climate change 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 AIR FRANCE KLM 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 AIR FRANCE KLM Group was well prepared to manage the ESG risks faced by airlines in the short and medium term. In KLM's consolidated financial statements climate change and sustainability issues are integrated in various items as described below.

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 preparing KLM Group's financial statements for the year ending December 31, 2022. However, the physical risks identified have not been considered material to KLM Group's operational continuity, given the operation of a balanced network across the different continents and the flexibility of the fleet, which minimizes the economic consequences of extreme weather events that may occur. The impacts of expected or probable changes (increase in carbon credit prices, CO_2 compensation and development of sustainable aviation fuel - "SAF") are included in the KLM Group's five-year plan and consequently in the tested recoverable value of assets (see "Impairment of assets" paragraph in these notes to the consolidated financial statements). In 2022, the Group's environmental objectives have not led to the recognition of any impairment trigger or accelerated depreciation of assets.

Fleet modernisation

AIR FRANCE KLM and KLM Group have committed to reduce its CO_2 emissions by 30% by 2030 compared to 2019 (in line with SBTi). Currently, the most impactful way to reduce the carbon footprint is to invest in a more fuel-efficient fleet. KLM's transformation 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 KLM's airline fleet for new generation aircraft resulted in capital expenditures on aircraft equipment amounting to EUR 513 million as of December 31, 2022 (EUR 332 million as of December 31, 2021) (see the "Consolidated cash flow statement"). Pursuing its fleet renewal plan, KLM will continue to receive new generation aircraft over the next few years.

Sustainable Aviation Fuel

Replacing fossil kerosene by a more sustainable alternative is a second measure that contributes to reaching the climate ambitions. KLM aims to incorporate at least 10% SAF by 2030. In October 2022, AIR FRANCE KLM Group signed two contracts with the suppliers Nesté and DG Fuels for the supply of 1.6 million tons of SAF between 2023 and 2036. In December 2022, AIR FRANCE KLM Group also signed a memorandum of understanding with TotalEnergies for the supply of 0.8 million tons of SAF to the AIR FRANCE KLM Group's airlines over a 10-year period, starting in 2023. Since January 1, 2022, KLM Group has introduced a specific surcharge on tickets departing from the Netherlands and France. In addition, KLM offers its corporate, cargo and individual customers the option of purchasing an extra amount of sustainable fuel.

Other investments

In order to adapt its business to climate change and in particular to achieve the objective of zero emissions of ground operations by 2030, KLM is pursuing a sustainable investment policy and is notably investing in fully electric ramp equipment (vehicles, tractors and loading equipment) and the energy renovation of its buildings.

Emission allowances

Since January 1 2012, airlines have been subject to the Emission Trading Scheme (ETS) regulations for all flights to or from the European Economic Area. As such, the KLM Group must purchase CO_2 allowances to offset its emissions. The Group accounts for the CO_2 quotas as intangible assets. These assets are not subject to amortisation (see Note 3 "Intangible assets"). To meet its obligation to surrender the allowances corresponding to its emissions, the KLM Group recorded a net expense of EUR 78 million as of December 31, 2022 (EUR 16 million as of December 31, 2021) corresponding to the best estimates of its emissions for the year 2022 (see Note 26 "Other income and expenses").

Other expenses and commitments

KLM has made sustainability commitments as part of the conditions associated with the direct loan granted by the Dutch State.

Basis of presentation

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards adopted by the European Union (EU-IFRS) and effective at the reporting date December 31, 2022. The consolidated financial statements have also been prepared in accordance with Section 362(9) of Book 2 of the Dutch Civil Code. As permitted by Section 402 of Book 2 of the Dutch Civil Code the Company statement of profit or loss has been presented in condensed form.

All amounts (unless specified otherwise) are stated in millions of Euros (EUR million).

Significant accounting policies

The consolidated financial statements are prepared on historical cost basis unless stated otherwise. The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements, unless stated otherwise.

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

- Amendments to IAS 16 "Property, Plant and Equipment". These amendments aim to standardise the accounting method for the proceeds and costs while an item of property, plant or equipment is in the testing phase.
- Amendments to IFRS 3 "Business Combinations". These amendments update the conceptual framework that changed the definition of assets and liabilities, which could have resulted in the derecognition of some liabilities immediately after an acquisition. The amendments also clarify that contingent assets acquired in a business combination should not be recognised.
- Amendments to IAS 37 "Provisions, Contingent liabilities and Contingent Assets". These amendments standardise 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".
- Amendments to IFRS 9 "Financial instruments". 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 derecognised 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.

All amendments which are applicable on a mandatory basis to the 2022 financial statements have no significant impact on the Group's financial statements as of December 31, 2022.

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

- Amendments to IAS 1 "Presentation of financial statements". 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". 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".

Other amendments 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, 2024). These amendments clarify the classification of current or non-current liabilities and aim to promote a consistent approach to this classification.

Use of estimates and the exercise of judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from the estimates.

The preparation of these financial statements also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed further in the note Accounting policies for the consolidated balance sheet.

Alternative performance measures (APMs)

Adjusted EBITDA and adjusted income from operating activities

The Group considers it relevant to the understanding of its financial performance to use certain alternative performance measures (APMs) not defined by IFRS. These APMs should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. APMs do not have standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other companies.

In addition APMs are also important for the Group given that these provide alignment with the understanding of the financial performance and external reporting of its ultimate parent company, AIR FRANCE KLM S.A.

To provide clear reporting on the development of the business, APM adjustments are made that impact EBITDA and income from operating activities. A reconciliation of these APMs to the most directly comparable IFRS measures can be found in Note 28 Alternative performance measures.

Adjusted EBITDA (Adjusted Earnings Before Interests, Taxes, Depreciation, Amortisation, Impairment and provisions): by extracting the main line of the statement of profit or loss which does not involve cash disbursement ("Amortisation, depreciation, impairments and provisions") from income from operating activities, adjusted EBITDA provides a simple indicator of the Group's cash generation on operational activities. Elements that have less predictive value due to their nature, frequency and/or materiality to arrive at adjusted EBITDA are:

- Restructuring costs;
- Infrequent elements such as derecognition of a pension plan and recognition of provisions for litigation.

Elements that have less predictive value due to their nature, frequency and/or materiality to arrive at adjusted income from operating activities are:

- Result on sales of aircraft, other flight equipment and disposals of other assets;
- Impairment of assets;
- Income from the disposal of subsidiaries and affiliates;
- Infrequent elements such as the recognition of badwill in the statement of profit or loss.

Adjusted free cash flow

In addition to provide clear reporting on the development of the business, APM adjustments are also made that impact the adjusted free cash flow. A reconciliation of this APM to the most directly comparable IFRS measures can be found in the Consolidated cash flow statement.

Free cash flow corresponds to the net cash flow from operating activities net of purchase of (prepayments in) aircraft, property plant and equipment and intangible assets less the proceeds on the disposal of aircraft, 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.

Adjusted free cash flow: this corresponds to operating free cash flow net of the repayment of lease debts.

Near cash

Also near cash is mentioned in the Consolidated cash flow statement. Near cash corresponds to financial assets that can be transferred to cash on short notice. This includes cash and cash equivalent and other highly liquid investments (such as Triple A bonds, long-term deposits and commercial paper) with an original maturity between 3 and 12 months.

Consolidation principles

Subsidiaries

In conformity with IFRS 10 "Consolidated Financial Statements", the Group's consolidated financial statements comprise the financial statements for all 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 statement of profit or loss separately from Company's equity holders and the Group's net result, 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 recognised in equity. In a partial disposal resulting in loss of control, the retained equity interest is remeasured at fair value at the date of loss of control. The gain or loss on the disposal will include the effect of this remeasurement and the gain or loss on the sale of the equity interest, including all the items initially recognised in equity and reclassified to profit or loss.

Intra-group operations

All intra-group balances and transactions, including income, expenses and dividends are fully eliminated. Profits or losses resulting from intra-group transactions are also eliminated. Gains and losses realised 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.

Scope of consolidation

A list of the significant subsidiaries is included in note 37 of the consolidated financial statements.

Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at the exchange rate of the related hedge, if applicable. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The financial statements of Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

» Assets and liabilities are translated at the closing rate;
» The statement of profit or loss and the cash flow statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
» All resulting translation differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity.

When losing control, such exchange differences are recognised in the statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates used for the most significant currencies were as follows:

In Euros	Balance Sheet December 31, 2022	Average in Statement of profit or loss 2022	Balance Sheet December 31, 2021
1 US dollar (USD)	0.94	0.95	0.88
1 Pound sterling (GBP)	1.13	1.18	1.19
1 Swiss franc (CHF)	1.02	0.99	0.97
100 Japanese yen (JPY)	0.71	0.73	0.77
100 Kenya shilling (KES)	0.76	0.79	0.76

Business combinations

Business combinations are accounted for using the purchase method in accordance with IFRS 3 revised standard "Business combinations". The cost of a business combination is measured at the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquirer.

Any other costs directly attributable to the business combination are recorded in the statement of profit or loss.

When a business combination agreement provides for an adjustment to the cost contingent on future events, then the adjustment is taken into account when determining the cost if the adjustment is probable and can be measured reliably.

Where goodwill has been initially determined on a provisional basis, adjustments arising within twelve months of the acquisition date are recognised on a retrospective basis.

Goodwill acquired in a business combination is no longer amortised, but instead is subject to annual impairment testing.

Segment reporting

The Company defines its primary segments on the basis of the Group's internal organisation, main revenue generating activities and the manner in which the Board of Managing Directors manages operations.

The Group has as its principal businesses: network activities, which include air transport of passengers and cargo activities, aircraft maintenance, leisure and any other activities linked to air transport.

Business segments

The activities of each segment are as follows:

Network

Includes air transport of passengers and cargo activities:

- Passenger main activity is the transportation of passengers on scheduled flights that have the Company's airline code. Passenger revenues include receipts from passengers for excess baggage and other ancillary revenues. Other passenger revenues are derived from commissions from SkyTeam alliance partnership arrangements and revenues from block-seat sales; and
- Cargo activities relate to the transportation of freight on flights under the Company's code and the sale of cargo capacity to third parties.

Maintenance

Maintenance revenues are generated through maintenance services (engine services, component services and airframe maintenance) provided to other airlines and clients around the world.

Leisure

This segment covers primarily the provision of charter flights and (low-cost) scheduled flights operated by transavia.com.

Other

This segment covers primarily catering and handling services to third-party airlines and clients around the world.

Geographical segments

Revenues are allocated to geographical segments on the basis of destination as follows:

- Direct flights: Revenue is allocated to the geographical segment in which the destination falls; and
- Flights with stopovers: Revenue is allocated to the geographical segments in which the various sections of the route fall in accordance with IATA guidelines (based on weighted Passenger-kilometers).

The greater part of the Group's assets comprises aircraft and other assets that are located in the Netherlands. Inter-segment revenues are determined using the prices actually used for invoicing. These prices have been determined on a consistent basis.

Accounting policies for the balance sheet

Property, plant and equipment

Property, plant and equipment are recorded at cost at initial recognition, less accumulated depreciation and any accumulated impairment loss. Flight equipment acquired in foreign currency is translated at the exchange rate applicable at the date of acquisition or the hedged rate where a hedging instrument has been used. Manufacturers' discounts are deducted from the acquisition cost.

Aircraft fixtures and fittings and initial potentials to be restored on aircraft by major maintenance operations, which include life limited parts (which are defined as a major engine part whose failure would jeopardise the engine's operation), are classified as separate components from the airframe and depreciated separately.

The cost of major maintenance operations (such as airframes, engines and life limited parts) which are carried out in accordance with specifications and schedules defined by manufacturers and regulating authorities are capitalised when incurred. Other maintenance costs are expensed as incurred.

Depreciation

Property, plant and equipment are depreciated to estimated residual values using the straight-line method over average estimated useful lives in the profit or loss. Land is not depreciated.

During the annual operational planning cycle, the Group reviews the depreciation methods, useful lives and residual values and, if necessary amends these.

The useful lives of property, plant and equipment are as follows:

Category	Useful life (years)
Aircraft	20 to 25
Aircraft fixtures and fittings, major maintenance components and spare parts	3 to 25
Land	Not depreciated
Buildings	10 to 40
Equipment and fittings	3 to 15
Other property and equipment	5 to 20

Lease contracts

Lease contracts as defined by IFRS 16 "Leases", are recorded in the balance sheet, which leads 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.

Arrangements with the following financing features are not eligible to an accounting treatment according to IFRS 16:

- The lessor has legal ownership retention as security against repayment and interest obligations;
- The airline initially acquired the aircraft or took a major share in the acquisition process from the Original Equipment Manufacturers; and
- In view of the contractual conditions, it is (virtually) certain that the aircraft will 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 debt under IFRS 9 and the asset, as an owned asset, according to IAS 16 Property Plant and equipment.

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; and
- Estimated costs for 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 its costs, the discounted amount of the restoration and dismantling costs through a return obligation liability as described in the paragraph on "Return obligation liability on leased aircraft". These costs also include restoration obligations with regard to engines, airframe and life limited parts.

Following the initial recognition, the right-of-use asset must be depreciated over the useful life of the underlying assets. This is the lease term for the rental component, flight hours or expected period until engine removal 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, for life limited parts over the lease term for wide body aircraft and over the time until the maintenance event in which they are replaced for narrow body aircraft.

Measurement of the lease liability

At the commencement date, the lease liability is recognised 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;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise this option; and
- 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 amortised 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; and
- 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 recognised 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; and
- Adjustment to the rates and indices according to which the rents are calculated when rent adjustments occur.

Types of capitalised lease contracts

Aircraft lease contracts

For the aircraft lease contracts fulfilling the capitalisation criteria defined by IFRS 16, the lease term corresponds to the duration of the contracts signed except in cases where the Group is reasonably certain of exercising the renewal options contractually foreseen. The accounting treatment of the maintenance obligations related to leased aircraft is outlined in the paragraph "Return obligation liability on leased aircraft".

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 rate determined by the contractual elements and residual market values. This rate is based on the readily availability of current and future data concerning the value of aircraft. 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.

Most of the aircraft lease contracts are denominated in US dollars. The Group put in place a cash flow from these lease contracts as hedging instruments in cash flow hedges with its US dollars revenues as hedged items. The effective portion of the foreign exchange revaluation of the lease debt in US dollars at the closing date is recorded in "other comprehensive income". This amount is recycled in revenues when the hedged item is recognised.

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 building dedicated to the maintenance business, customised lounges in airports other than hubs and lease contracts on office buildings, including leasehold land when applicable.

The lease term corresponds to the non-terminable period. 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. 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 other lease contracts identified correspond to company cars, pools of spare parts and aircraft engines. The lease term corresponds to the non-terminable period. 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 (refer to the paragraph above "Real estate lease contracts" regarding the method to determine the incremental borrowing rate).

Types of non-capitalised lease contracts

The Group uses the two exemptions foreseen by the standard 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

There 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; and
- 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 USD 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 "Revenue from Contracts with Customers". More specifically, a sale is considered as such if there is no repurchase option on the goods at the end of the lease term.

Sale according to IFRS 15

If the sale by the vendor-lessee is qualified as a sale according to IFRS 15, the vendor-lessee must:

(a) de-recognise the underlying asset; and
(b) recognise a right-of-use asset equal to the retained portion of the net carrying amount of the asset.

Sale not according to IFRS 15

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

Intangible assets

Goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries and associates. Goodwill on acquisition of subsidiaries is included in intangible assets. If the cost of acquisition is less than the fair value of the net identifiable assets, liabilities and contingent liabilities at the level of the (groups of) cash-generating units (CGU's) it relates to, the difference is recognised directly in the statement of profit or loss. Goodwill on acquisition of associates is included in investments in associates. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of profit or loss on disposal. The useful life of goodwill is indefinite.

Computer software

Computer software is stated at historical cost less accumulated amortisation and accumulated impairment losses. Only the costs incurred in the software development phase are capitalised. Cost incurred in respect of feasibility studies and research etc. and post-implementation and evaluation phases are charged to the statement of profit or loss as incurred. The costs comprise the cost of KLM personnel directly related to the software implementations well as external IT consultants.

Amortisation takes place over the estimated useful lives (mainly 5 years and with a maximum of 20 years) of the software using the straight-line method. The useful life of each software application is determined separately. Amortisation commences when the software is taken into use. Prior to this moment the cost are capitalised as prepaid intangible assets.

The estimated useful life and amortisation method are reviewed during the annual operational planning cycle, including the effect of any changes in estimates being recognised prospectively if the change relates to future periods.

Impairment of assets

In accordance with IAS 36 "Impairment of Assets", the Group's assets, other than inventories, deferred tax assets, assets arising from construction contracts, assets arising from employee benefits, financial assets that are within the scope of IFRS 9 and non-current assets held for sale are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, software with indefinite lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Goodwill is allocated to the relevant CGU and software to the CGU which uses the software.

An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs), which correspond to the Group's Business segments.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs (or groups of CGUs) and then, to reduce the carrying amount of the other assets in the CGU (or group of CGUs) on a pro-rata basis.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. To determine the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed only to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

Financial instruments: Recognition and measurement of financial assets and liabilities

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 amortised cost method less impairment losses, if any. Regarding the impairment of trade receivables, the Group has chosen the simplified method approach. Considering its business and risks, trade receivables have already been depreciated to the same level equal to the expected loss.

The Group considers that the change in credit risk on the non-current financial assets since their initial recognition is limited due to the criteria defined (e.g. type of instrument, counterparty rating, and 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 for as of the transaction date.

Investments accounted for using the equity method

Associates are all entities over which the Group has significant influence but not control or joint control. Jointly controlled entities are entities whereby the Group together with one or more parties undertakes activities related to the Group's business that are subject to joint control.

Investments in associates and jointly controlled entities are accounted for by the equity method and are initially recognised at cost. The Group's investment includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, taking into account other than temporary losses (impairment). When the Group's share of losses in an associate/jointly controlled entity equals or exceeds its interest in the associate/jointly controlled entity, including unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate/jointly controlled entity.

Unrealised gains on transactions between the Group and its associates/jointly controlled entities are eliminated to the extent of the Group's interest in the associates/jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates/jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in equity securities

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 capital instruments is either in fair value through the statement profit or loss 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"; and
» 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 statement profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised initially (trade date), and are subsequently re-measured, at fair value. Fair values are obtained from quoted market prices in active markets or by using valuation techniques where an active market does not exist.

Valuation techniques include discounted cash flow models and option pricing models as appropriate. All derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative assets and liabilities on different transactions are only netted if the transactions are with the same counterpart, a legal right to offset exists and the cash flows are intended to be settled on a net basis.

Recognition of fair value gains and losses

The method of recognising fair value gains and losses on derivative financial instruments depends on whether the derivative is held for trading, or is designated as a hedging instrument, and if so, the nature of the risk being hedged.

All derivative financial instruments are held for hedging purposes. It is KLM's policy not to hold derivative financial instruments for trading purposes. The derivatives, which do not qualify for hedge accounting, are described as items not qualifying for hedge accounting in these notes to the financial statements.

Categories of hedging transactions

Derivatives are used to hedge the risks associated with changes in interest rates, foreign currency rates, fuel prices and ETS (Emission Trading Scheme).

Forward currency contracts and options are used to hedge exposure to exchange rate movements. The Group also uses interest rate swaps to manage its exposure to interest rate risk. Finally, the exposure to fuel price risks is covered by swaps or options on jet fuel and fuel related indices such as Gasoil and Brent. The risk related to 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.

Hedging transactions fall into two categories:
1. Fair value hedges; and
2. Cash flow hedges.

1. Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the asset or liability or group thereof that are attributable to the hedged risk.

2. Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. Any gain or loss relating to an ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled to the statement of profit or loss in the periods in which the hedged item will affect profit or loss. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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 recognised in other comprehensive income insofar 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 charged and impacts the hedged item or is amortised over the hedging period (if the hedged item is time-related).

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.

Hedge effectiveness testing
At inception of the hedge and on an on-going basis at each reporting date or on a significant change in circumstances (whichever comes first), the following elements will be assessed:
» Economic relationship: hedge ratio should be aligned with Group guidelines.
» In case of a significant change in circumstances the following elements will be assessed:
» Credit risk: change in credit risk of the hedging instrument or the hedge item must not be of such magnitude that it dominates the value change that results from the economic hedge relationship; and
» Need for rebalancing.

The documentation at inception of each hedging relationship sets out how it is assessed whether the hedging relationship meets the hedge effectiveness requirements.

If the hedge relationship no longer meets the criteria for hedge accounting, is sold, is terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecasted transaction affects profit or loss. If the forecasted transaction is no longer expected to occur, then the balance in equity is recognised immediately in profit or loss.

Fair value hierarchy
Based on the requirements of IFRS 9, the fair values of financial assets and liabilities are classified following a scale that 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 the active market for identical instruments;
» Level 2: Fair value calculated from valuation techniques based on observable data such as active prices or similar liabilities or scopes quoted on the active market; or
» Level 3: Fair value from valuation techniques which rely completely or in part on non-observable data such as prices on an inactive market or the valuation on a multiple basis for non-quoted securities.

Financial assets

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt financial instruments are subsequently measured at amortised cost, fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'):

- » Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion;
- » Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition.

For financial assets at amortised cost, the Group applies the effective interest rate method and amortises the transaction cost, discounts or other premiums included in the calculation of the effective interest rate over the expected life of the instrument. Other financial assets are classified and subsequently measured, as follows:

- » Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9;
- » Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Cash and cash equivalents

Cash and cash equivalents cover all highly liquid instruments with original maturities of three months or less and include cash in hand, deposits held at call and on short-term with banks and bank overdrafts. Bank overdrafts are shown under "Financial liabilities" in "Current liabilities" in the balance sheet.

Where the Company has a practice and legally enforceable right to offset bank balances, the net balance is included under cash and cash equivalents or bank overdrafts as applicable. Cash and cash equivalents are stated in the balance sheet at fair value.

Financial liabilities

Financial liabilities are initially recognised at fair value. Transaction costs are included in this initial measurement. Subsequent to initial recognition, liabilities are, with the exception of derivative financial instruments, carried at amortised cost and calculated using the effective interest rate for the other financial debt. Under this principle, any redemption and issue costs, are recorded as debt in the balance sheet and amortised as financial income or expense over the life of the loans using the effective interest method.

Financial liabilities are derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled. Any costs that were attributable to financial liabilities are expensed through the statement of profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Inventories

Inventories consist primarily of expendable aircraft spare parts, fuel stock and other supplies and are stated at the lower of cost and net realisable value. Cost, representing the acquisition cost, is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Deferred income

Advance ticket sales

Upon issuance, both Passenger and Cargo sales, including fuel and security surcharges, are recorded as deferred income under Advance ticket sales.

Deferred gains on sale and leaseback transactions

This item relates to amounts deferred arising from sale and leaseback transactions.

Flying Blue frequent flyer program

KLM and AIR FRANCE have a common frequent flyer program "Flying Blue". This program allows members to acquire "miles" as they fly on KLM, AIR FRANCE or with other partner companies. These miles entitle members to a variety of benefits such as free flights with the two companies.

The probability of air miles being converted into award tickets is estimated using a statistical method. The value of air miles is estimated based on the deferred income approach, based on its fair value. This estimate takes into consideration the conditions of the use of free tickets and other awards.

The estimated value of air miles is recorded as a deduction from revenues and recorded under the caption "Deferred income" as liability on the balance sheet at the same time the qualifying flight for which air miles are awarded is recognised.

The Group also sells miles to partner companies participating in current loyalty programs, such as credit card companies, hotel chains and car rental firms. The Group defers a portion of the miles sold representing the value of the subsequent travel award to be provided, in a manner consistent with the determination of the liability for earned flight awards discussed above. The remainder is recognised as revenue immediately.

Deferred income taxes

Deferred tax assets and liabilities arising from the tax losses carried forward and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for tax purposes are determined using the balance sheet liability method and calculated on the basis of the tax rates that have been enacted or substantively enacted at the balance sheet date and that are expected to apply to the period when the asset is realised or the liability is settled.

Except for goodwill arising from a business combination, deferred tax assets are recognised to the extent that is probable that taxable profit will be available against which the tax losses carried forward and the temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities are set off only when the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same authority.

A deferred tax asset is recognised for all deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that is not probable that the temporary difference will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be realised.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Provisions for employee benefits

Pensions and other post-employment benefits

Pensions and other post-employment benefits relate to provisions for benefits (other than termination benefits) which are payable to employees on retirement. The provisions cover defined benefit pension plans, early-retirement schemes and post-employment medical benefits available to employees. The Group has various defined benefit and defined contribution pension plans, which are generally funded through payments to separately administered funds or to insurance companies.

The amount recognised as a liability or an asset for post-employment benefits at the balance sheet date is the net total of:

- » The present value of the defined benefit obligations at the balance sheet date; and
- » Minus the fair value of the plan assets at the balance sheet date.

The actuarial gain and losses are recognised immediately in other comprehensive income.

The accounting standards require management to make assumptions regarding variables such as discount rate, rate of compensation increase, mortality rates, and future healthcare cost. Periodically, management consults with external actuaries regarding these assumptions. Changes in these key assumptions and in financing agreements between pension funds and the Company can have a significant impact on projected benefit obligations, funding requirements and defined benefit cost recognised in profit or loss incurred. For details on key assumptions and policies see note 18.

It should be noted that when discount rates decline or rates of compensation increase pension and post-employment benefit obligations will increase. Defined benefit cost recognised in profit or loss and post-employment cost generally also increase, when discount rates decline, since this rate is also used for the accrual of new pension benefits (service cost) and expected return on fund assets, partly offset by the lower interest cost on the present value of defined benefit obligations.

The present values of the defined benefit obligations are calculated using the projected unit credit method. The calculations of the obligations have been performed by independent qualified actuaries. This benefit/years-of-service method not only takes into account the benefits and benefit entitlements known at the balance sheet date, but also increases in salaries and benefits to be expected in the future. When a plan is curtailed or settled, gains or losses arising are recognised immediately in the profit or loss.

The determination of the liability or asset to be recognised as described above is carried out for each plan separately. In situations where the fair value of plan assets exceeds the present value of a fund's defined benefit obligations an asset is recognised if available. The service cost and the interest accretion to the provisions are included in the statement of profit or loss under "Employee compensation and benefit expense".

Other long-term employment benefits
The provision for other long-term employment benefits relates to benefits (other than pensions and other post-employment benefits and termination benefits) which do not fall within twelve months after the end of the period in which the employees render the related service. The provision covers jubilee benefits. The benefits are unfunded.

The amount recognised as a liability for other long-term employment benefits at the balance sheet date is the present value of the defined benefit obligations. Appropriate assumptions are made about factors such as salary increases, employee turnover and similar factors impacting the measurement of the obligations.

The service cost, the interest accretion to the provisions and the remeasurement of the net defined liability are included in the statement of profit or loss under "Employee compensation and benefit expense".

Termination benefits
Termination benefits are employee benefits payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy.

The provision is recognised when, and only when, a formal employee termination plan has been drawn up and approved and there is no realistic possibility of it being withdrawn. Where the benefits fall due in more than 12 months after the balance sheet date the provision is the present value of the expenditures expected to settle the obligation.

Return obligation liability on leased aircraft
The Group recognises return obligation liabilities in respect of the required restoration or reinstalment obligations within the framework of the lease of aircraft to lessors. The constitution of these return obligation liabilities depends on the type of restoration or reinstalment obligations to fulfil before returning these aircraft to the lessors: overhaul and restoration work as well as airframe and engine potential reconstitution. These return obligation liabilities also consist of compensation paid to lessors in respect of wear or tear of the life limited parts in the engines for wide body aircraft. If during the lease term life limited parts need to be replaced for wide body aircraft these will be recorded as expense when incurred, as such replacements do not take place within planned major engine overhaul within the lease term.

Overhaul and restoration works
Costs resulting from work required to be performed just before returning aircraft to the lessors, such as painting of the shell or aircraft overhaul are recognised as return obligation liabilities as of the inception of the contract. The counterpart of this return obligation liability 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.

This liability is valued on commencement date at the discounted value of the expected cost of restoration. At the same time and for the same value, an additional asset component is recognised in the right-of-use asset for the aircraft lease on commencement date, which is amortised over the lease term.

Airframe and engine potentials reconstitution
The airframe and the engine potentials are recognised as a complement to the right-of-use assets since they are considered as full-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, recognised at the inception of the contract. When maintenance events aimed at reconstituting these potentials take place, the costs incurred are capitalised. These potentials are depreciated over the period of use of the underlying assets, which is flight hours for the engine potentials component or straight-line for the airframe potentials component and for life limited parts over the time until the maintenance event in which they are replaced for narrow body aircraft.

This liability is valued on commencement date at the discounted value of the expected cost of reinstatement or compensation of the used productive potentials (both related to expected cost of the maintenance event required to reinstate the used potentials).

Other provisions
Provisions are recognised when:
» There is a present legal or constructive obligation as a result of past events;
» It is probable that an outflow of economic benefits will be required to settle the obligation; and
» A reliable estimate of the amount of the obligation can be made.

The provisions are carried at face value unless the effect of the time value of money is material, in which case the amount of the provision is the present value of the expenditures expected to settle the obligation. The effect of the time value of money is presented as a component of financial income.

Emission Trading Scheme
European airlines are subject to the Emission Trading Scheme (ETS). In the absence of an IFRS standard or interpretation regarding ETS accounting, the Group applied the intangible assets approach to account for emission certificates.

Accounting policies for the statement of profit or loss

Revenues

Network
Revenues from air transport transactions, which consist of passenger and freight transportation, are recognised when the transportation service is provided, net of any discounts granted. The transport service is also the trigger for the recognition of external expenses such as commissions paid to agents, certain taxes and volume discounts. The revenues however include (fuel) surcharges paid by passengers.

Both passenger tickets and freight airway bills are consequently recorded as "advance ticket sales". The booking of this 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 based on management's judgement.

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 generally expire within one year.

Legally enforced compensations to passenger after irregularities in the fulfillment of the revenue generating performance obligations under IFRS 15, including those from EU261 regulations, are recorded as revenue deducting. The Group recognises a corresponding amount in liabilities for future refunds to passengers.

Passenger ticket taxes calculated on ticket sales are collected by the Group and paid to the airport authorities. 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 recognises as revenue the amount invoiced to the customer in its entirety and recognises as chartering costs the amounts invoiced by the other carrier for the service provision.

Maintenance contracts

The main types of contracts with customers identified within the Group are:

Sales of maintenance and support 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. The revenue is recognised: (i) if the level of completion can be measured reliably; (ii) if costs incurred and costs to achieve the contract can be measured reliably. As there is a continuous transfer of the control of these services, the revenue from these contracts is recognised 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 recognised 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 recognised as revenue, are recorded as liabilities on contracts (deferred revenue) on the balance sheet. Inversely, any revenue that has been recognised but not yet invoiced is recorded under assets on the balance sheet.

Sales of spare parts repair and labour - 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 recognised as costs are incurred.

External expenses

External expenses are recognised in the statement of profit or loss using the matching principle which is based on a direct relationship between cost incurred and obtaining income related to the operation. Any deferral of cost in view of applying the matching principle is subject to these costs meeting the criteria for recognising them as an asset on the balance sheet. In order to minimise the financial risks involved with such transactions the Company makes use of financial derivatives such as fuel forward contracts, foreign currency options and swaps. The gains and losses arising from the use of the derivatives are included in these costs.

NOW subsidy

During the COVID-19 crisis, the Group applied for the "Temporary Emergency Bridging Measure for Sustained Employment" (NOW) as installed by the Dutch Government. The Group applied for the NOW compensations. NOW 1, 2 and 3.1 in 2020, NOW 3.2, 3.3, 4 and 5 in 2021 and NOW 6 in 2022 and recognised the subsidy as there is reasonable assurance that KLM will comply with the relevant conditions of the NOW schemes and thereupon the compensation will be received (IAS 20.7). The compensation is recognised as cost deducting over the period necessary to match them with the related cost, for which they are intended to compensate, being wages and salaries, on a systematic basis (IAS 20.12).

In 2021 the required separate audit for NOW 1 has been finalised and in 2022 the required separate audits for NOW 2 through NOW 5 have been finalised and filed at the Dutch Employee Insurance Agency (UWV). The Group aims to finalise and file NOW 6 in the second quarter of 2023.

Other financial income and expense

Cost of financial debt

Cost of financial debt includes interest on loans of third parties, financial debt and on lease debt using the effective interest rate method.

Income from cash and cash equivalents

Interest income includes interest on loans, interest-bearing marketable securities, short-term bank deposits and money at call. Interest income is recognised on an accrual basis.

Foreign currency exchange gains and losses
Foreign exchange gains and losses resulting from the translation of transactions in foreign currencies and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Fair value gains and losses
Fair value gains/losses represent the increases/decreases during the year in the fair values of assets and liabilities, excluding derivative financial instruments designated as cash flow hedges.

Share-based payments
Phantom shares
The Group has cash-settled long-term incentive plans in which it grants to certain employees phantom shares. The phantom shares are shares, generating an amount of cash, which is equal to the AIR FRANCE KLM share price at the moment of selling of shares. Phantom shares are accounted for as a liability at the fair value at each reporting date. The liability will be built up monthly during a three-year vesting period.

The fair value of the phantom shares is measured at the AIR FRANCE KLM share closing price at the end of the month. Changes in the fair value of the liability are recognised as employee benefit expense in profit or loss.

Cash flow statement

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows such as translation differences, financial debts and fair value changes have been eliminated for the purpose of preparing this statement. Assets and liabilities acquired as part of a business combination are included in investing activities (net cash acquired). Dividends paid to ordinary shareholders, if any, are included in financing activities. Dividends received, if any, are classified as investing activities. Interest paid and received are included in operating activities.

Accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the corresponding actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of assets
Factors may exist which require the recognition of an impairment of certain assets and/or CGUs. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units (CGUs)), which correspond to the Group's business segments. Such impairment is based on estimates of the fair value less cost to sell and the value in use. The fair value less cost to sell is derived from assumptions in relation to the possible selling price of a certain asset. The value in use is based on the discounted value of the cash flows that the asset/CGU is expected to generate in the future. These future cash flows are based on the business plans for the coming years. The value in use also takes into account possible adverse developments, which may lead to impairment. It is possible that the Group may have to recognise additional impairment charges in the future as a result of changes in (market) conditions that may take place in future periods.

The strong recovery in 2022 resulted in a positive adjusted income from operating activities and a positive equity position as per December 31, 2022. No impairment trigger was identified.

Revenues (network, leisure and maintenance), costs and investments forecasts are based on reasonable hypothesis and are management's best estimates for the coming five-year period.

The discount rate used for the test corresponds to the Group's average weighted average cost of capital (WACC) before and after tax. This stood at 7.7% before tax and 5.7% after tax as at December 31, 2022 (December 31, 2021 8.7% before tax and 6.45% after tax).

Moreover, cash flow projections used in the impairment tests are based on the 2023 Budget and five-year forecast plan, presented by the Board of Managing Directors to the Supervisory Board in December 2022. Cash flows extrapolated beyond the five-year period are projected to increase based on a long-term growth rate of 1%.

At December 31, 2022 the Board of Managing Directors reviewed the recoverable amount of each of the CGUs and concluded the recoverable amounts exceeded the carrying values.

Reasonable possible changes in key assumptions, both individually and in combination, have been considered for each CGU which include reducing the operating margin by 1% and long-term growth rates in the terminal value calculation to zero and increasing the WACC with 1%. For the reasonable possible changes in key assumptions applied to the remaining CGUs, no impairment arises.

Useful lives of property, plant and equipment

The carrying amount of flight equipment and other property and equipment is determined by using estimates of the depreciation periods, which are derived from the expected technical and economic useful life of the assets involved. Due to advancing technology, evolving market circumstances and changes in the use of the assets involved, the expected technical and economic life of the asset may be subject to alteration.

Valuation of inventories

The Group records its inventories at cost and provides for the risk of obsolescence using the lower of cost or market principle. The expected future use of inventory is based on estimates about future demand and past experience with similar inventories and their usage.

Valuation of accounts receivable and the allowance for bad or doubtful debts

The Group periodically assesses the value of its accounts receivable based on specific developments in its customer base, taking into account the expected credit loss. The allowance for bad or doubtful debts is formed on the grounds of this assessment. The actual outcome may diverge from the assumptions made in determining the allowances.

Return obligation liability and other provisions

A return obligation liability and/or a provision will be recognised in the balance sheet when the Group has a present legal or constructive obligation to a third party as a result of a past event and it is probable that an outflow of economic benefits will require settling the obligation.

Management must make estimates and assumptions as at the balance sheet date concerning the probability that a certain obligation will materialise as well as the amount that is likely to be paid. Future developments, such as changes in market circumstances, or changes in legislation and judicial decisions may cause the actual obligation to diverge from the provision. The Group is involved in legal disputes and proceedings. Management decides on a case-by-case basis whether a provision is necessary based on actual circumstances.

This assessment comprises both a determination of the probability of a successful outcome of the legal action and the expected amount payable.

Determination of fair value

The Group uses available market information and appropriate valuation techniques to determine the fair values of financial instruments. However, judgment is required to interpret market data and to determine fair value. Management believes that the carrying value of financial assets and financial liabilities with a maturity of less than one year approximates their fair value.

These financial assets and liabilities include cash and cash equivalents, trade accounts receivable and trade accounts payable. Details of the assumptions used and the results of sensitivity analyses recognising these assumptions are provided in note 5.

Financial Risk Management

Risk management organisation and hedging policy

Market risk coordination and management is the responsibility of the Risk Management Committee (RMC), which is composed of the Chief Financial Officer and Senior Vice President Financial Operations of AIR FRANCE KLM and the Chief Financial Officers and Senior Vice Presidents Corporate Finance & Treasury of AIR FRANCE and of KLM and the airline directors fuel. The RMC meets each quarter to review internal reporting of the risks relating to the fuel and carbon price, the principal currency exchange rates and interest rates, and to decide on the hedging to be implemented: targets for hedging ratios, the rolling periods for these targets and, potentially, the preferred types of hedging instrument.

The aim is to reduce the exposure of AIR FRANCE KLM and, thus, to preserve budgeted profit margins. The RMC also defines the counterparty-risk policy.

The decisions made by the RMC are implemented by the treasury and fuel departments within each airline, in compliance with the procedures governing the delegation of powers. In-house procedures governing risk management prohibit speculation. Regular meetings are held between the fuel, treasury departments and Chief Financial Officers of KLM and AIR FRANCE in order to exchange information concerning matters such as hedging instruments used, strategies planned and counterparties.

The treasury departments of each company circulate information on the level of cash and cash equivalents to their respective executive managements on a daily basis.

Every month, a detailed report including, among other information, 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 transmitted to the executive managements. The instruments used are forwards, swaps and options.

The execution of fuel and carbon hedging is the responsibility of the airlines fuel departments, which are also in charge of purchasing fuel for physical delivery. A weekly report, enabling the evaluation of the net-hedged fuel cost of the current financial year and the two following ones, is supplied to the executive managements. This mainly covers the valuation of all positions, the hedge percentages, the breakdown of instruments, the underlying used, average hedge levels, the resulting net prices and stress scenarios and market commentary. Furthermore, a weekly AIR FRANCE KLM report consolidates the figures from the two main airlines relating to fuel hedging and to physical cost. The instruments used are swaps, options and combinations of both.

Financial Risk Management

The Group is exposed to the following financial risks:

1. Market risk;
2. Credit risk; and
3. Liquidity and solvency risk.

1. Market risk

The Group is exposed to market risks in the following areas:

a. Currency risk;
b. Interest rate risk; and
c. Fuel & carbon price risk.

a. Currency risk

Most of KLM, revenues are generated in euros. However, because of its international activities, KLM incurs a foreign exchange risk. The principal exposure is to the US dollar, and then, to a lesser extent, to British pound sterling and the Japanese yen. Thus, any changes in the exchange rates for these currencies relative to the euro may have an impact on KLM's financial results.

With regard to the US dollar, since expenditures such as fuel, right-of-use leases or component cost exceed the level of revenue, KLM is a net buyer. This means that any significant appreciation in the US dollar against the euro could result in a negative impact on the Group's activity and financial results. Conversely, KLM is a net seller of the Japanese yen and of British pound sterling, the level of revenues in these currencies exceeding expenditures. As a result, any significant decline in these currencies relative to the euro could have a negative effect on the Group's activity and financial results. In order to reduce its currency exposure, AIR FRANCE KLM has adopted hedging strategies. Both KLM and AIR FRANCE hedge progressively their net exposure over a rolling 24-month period.

Aircraft are mainly purchased in US dollars, meaning that KLM is highly exposed to a rise in the dollar against the euro for its fleet and fleet related investments. The hedging policy prescribes the progressive and systematic implementation of currency hedging between the date of the aircraft order and their delivery date.

Despite this active hedging policy, not all exchange rate risks are covered. KLM might then encounter currency risks, which could have a negative impact on KLM business and financial results.

For the currency sensitivity analysis reference is made to note 5 "Other (non-current) assets and liabilities".

b. Interest rate risk

At both KLM and AIR FRANCE, most financial debt is contracted in floating-rate instruments in line with market practice. KLM and AIR FRANCE use swap strategies to convert a significant proportion of their floating-rate debt into fixed rates.

c. Fuel & carbon price risk

Risks linked to the jet fuel and carbon price are hedged within the framework of a hedging strategy aligned for the whole of AIR FRANCE KLM.

Following IFRS 9 the fuel hedging strategy of the Group involves components of non-financial items (crude oil and gasoil 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 fuel hedge strategy:

» Hedge horizon: a maximum of four quarters rolling;
» Maximum hedge percentage, to reach at the end of the current quarter:
  Quarter underway: 70% of the volumes consumed;
  Quarter 1: 70% of the volumes consumed;
  Quarter 2: 55% of the volumes consumed;
  Quarter 3: 40% of the volumes consumed
  Quarter 4: 25% of the volumes consumed.
» Increment of maximum coverage ratios: 15% by quarter;
» Underlyings: Brent, Gas Oil and Jet Fuel;
» Hedging instruments: Swap, call, call spread, three ways, four ways and collar. These hedging instruments must be eligible hedging instruments in accordance with IFRS 9.

For the fuel price sensitivity analysis on outstanding financial instruments reference is made to note 5 "Other (non-current) assets and liabilities".

The carbon exposure is related to the EU, UK and Swiss ETS. The price exposure is managed by hedging with carbon forwards to two years ahead:

» Year underway: 100% of the expected carbon emission;
» Year 1: 100% of the expected carbon emission;
» Year 2: 25-50% of the expected carbon emission.

The hedge relationship for carbon exposure is assessed as effective per December, 31, 2022.

2. Credit risk

Credit risks arise from various activities including investing and operational activities as well as hedging activities with regard to financial instruments. The risk is the loss that could arise if a counterpart were to default in the performance of its contractual obligations. The Group has established credit limits, based on geographical and counterparty risk, for its external parties, in order to mitigate the credit risk. These limits are determined on the basis of ratings from organisations such as Standard & Poor's and Moody's Investors Service.

As of December 31, 2022, KLM identified the following exposure to counterparty risk:

LT Rating (Standard & Poor's)	Total exposure in EUR millions
AAA	682
AA+	157
AA-	75
A+	1,014
A	403
Total	2,331

At December 31, 2022, the exposure consists of the fair market value of marketable securities, deposits and bonds.

3. Liquidity and solvency risk

Liquidity and solvency risk is related to the risk that the Group might be unable to obtain the financial resources it requires to meet its short- and long-term obligations on time. All anticipated and potential cash flows are reviewed regularly. These include, among other, operational cash flows, capital expenditures and financing cash flows. The objective is to have sufficient liquidity, including committed credit facilities, available that are adequate for the liquidity requirements for the short- and long-term. KLM has sufficient undrawn standby facilities available to manage liquidity risk. Furthermore, KLM has unencumbered fleet assets available for financing. Reference is made to 'Going concern' paragraph in the Notes to the consolidated financial statements section.

1. Property, plant and equipment

	Flight equipment			Other property and equipment					
	Owned aircraft	Other flight equipment	Total	Land and buildings	Equipment and fittings	Other property and equipment	Total	Prepayments	Total
Historical cost									
As at Jan. 1, 2022	4,898	2,594	7,492	760	288	341	1,389	505	9,386
Additions	1	128	129	-	1	1	2	433	564
Disposals	(14)	(217)	(231)	(5)	(4)	(10)	(19)	-	(250)
Reclassifications	83	268	351	19	4	13	36	(465)	(78)
Other movements	-	-	-	-	-	-	-	(10)	(10)
As at Dec. 31, 2022	4,968	2,773	7,741	774	289	345	1,408	463	9,612
Accumulated depreciation and impairment									
As at Jan. 1, 2022	2,330	1,121	3,451	410	205	225	840	-	4,291
Depreciation	227	222	449	34	13	22	69	-	518
Disposals	(1)	(205)	(206)	(5)	(4)	(10)	(19)	-	(225)
Reclassifications	-	88	88	-	-	-		(78)	10
Other movements	-	-	-	1	-	-	1	-	1
As at Dec. 31, 2022	2,556	1,226	3,782	440	214	237	891	(78)	4,595
Net carrying amount									
As at Jan. 1, 2022	2,568	1,473	4,041	350	83	116	549	505	5,095
As at Dec. 31, 2022	2,412	1,547	3,959	334	75	108	517	541	5,017

	Flight equipment			Other property and equipment					
	Owned aircraft	Other flight equipment	Total	Land and buildings	Equipment and fittings	Other property and equipment	Total	Prepayments	Total
Historical cost									
As at January 1, 2021	4,873	2,553	7,426	751	309	340	1,400	735	9,561
Additions	43	224	267	5	9	15	29	77	373
Disposals	(73)	(192)	(265)	(25)	(31)	(14)	(70)	-	(335)
Other movements	55	9	64	29	1	-	30	(307)	(213)
As at December 31, 2021	4,898	2,594	7,492	760	288	341	1,389	505	9,386
Accumulated depreciation and impairment									
As at January 1, 2021	2,270	1,061	3,331	394	223	215	832	-	4,163
Depreciation	222	189	411	35	12	24	71	-	482
Disposals	(67)	(191)	(258)	(20)	(31)	(14)	(65)	-	(323)
Other movements	(95)	62	(33)	1	1	-	2	-	(31)
As at December 31, 2021	2,330	1,121	3,451	410	205	225	840	-	4,291
Net carrying amount									
As at January 1, 2021	2,603	1,492	4,095	357	86	125	568	735	5,398
As at December 31, 2021	2,568	1,473	4,041	350	83	116	549	505	5,095

In 2022 an impairment of EUR 4 million was recorded related to a project, which was stopped before putting in use. The asset is related to Other business. In the table above this amount is included in prepayments other movements and reference is made to note 27 Amortisation, depreciation, impairments and provisions and note 28 Alternative performance measures.

Property, plant and equipment include assets which are held as security for mortgages and loans as follows:

As at December 31,	2022	2021
Aircraft	93	121
Land and buildings	130	132
Other property and equipment	38	43
Carrying amount	261	296

Borrowing cost capitalised during the year amounts to EUR 7 million (2021 EUR 9 million). The interest rate used to determine the amount of borrowing cost to be capitalised was 3.8% (2021 3.1%).

Land and buildings include buildings located on land which has been leased on a long-term basis. The book value of these buildings at December 31, 2022 amounts to EUR 220 million (December 31, 2021 EUR 227 million).

2. Right-of-use assets

	Aircraft	Maintenance	Land & Real Estate	Others	Total
Net value					
As at January 1, 2022	813	599	120	98	1,630
New contracts	145	76	10	5	236
Renewal or extension options	113	(8)	25	1	131
Disposals	-	(36)	-	-	(36)
Reclassifications	(6)	101	-	(62)	33
Depreciation	(225)	(131)	(18)	(13)	(387)
Other movements	-	-	(1)	-	(1)
As at December 31, 2022	840	601	136	29	1,606

	Aircraft	Maintenance	Land & Real Estate	Others	Total
Net value					
As at January 1, 2021	893	613	122	117	1,745
New contracts	102	49	12	13	176
Renewal or extension options	64	11	4	9	88
Disposals	-	(63)	-	(5)	(68)
Reclassifications	(1)	77	-	(5)	71
Depreciation	(245)	(88)	(18)	(31)	(382)
Other movements	-	-	-	-	-
As at December 31, 2021	813	599	120	98	1,630

Information related to lease debt is available in note 13.

The table below indicates the rents resulting from lease and service contracts which are not capitalised:

	2022	2021
Variable rents	4	3
Short-term rents	60	26
Low value rents	3	2
Carrying amount	67	31

3. Intangible assets

	Goodwill	Software	Software under development	Other	Total
Historical cost					
As at January 1, 2022	47	650	190	56	943
Additions	–	2	79	60	141
Reclassification	–	95	(95)	–	–
Disposals	–	(4)	(4)	(21)	(29)
Others	–	–	(4)	–	(4)
As at December 31, 2022	47	743	166	95	1,051
Accumulated amortisation and impairment					
As at January 1, 2022	31	400	–	–	431
Amortisation	–	80	–	–	80
Disposals	–	(3)	–	–	(3)
Others	–	–	–	–	–
As at December 31, 2022	31	477	–	–	508
Net carrying amount					
As at January 1, 2022	16	250	190	56	512
As at December 31, 2022	16	266	166	95	543

	Goodwill	Software	Software under development	Other	Total
Historical cost					
As at January 1, 2021	40	586	197	10	833
Additions	5	73	-	62	140
Disposals	-	(13)	(7)	(16)	(36)
Others	2	4	-	-	6
As at December 31, 2021	47	650	190	56	943
Accumulated amortisation and impairment					
As at Jan 1, 2021	30	328	-	-	358
Amortisation	-	82	-	-	82
Disposals	-	(13)	-	-	(13)
Others	1	3	-	-	4
As at December 31, 2021	31	400	-	-	431
Net carrying amount					
As at January 1, 2021	10	258	197	10	475
As at December 31, 2021	16	250	190	56	512

Main part of the software and software under development relates to internally developed software. As at December 31, 2022, software additions mainly relate to commercial, operational and aircraft maintenance systems.

Other relates to Emission Trading Scheme (ETS) quotas purchased on the market, which are accounted as intangible assets at acquisition cost. These intangible assets are not amortised.

Related to software under development an impairment of EUR 4 million was recorded in 2022. The asset is related to the other business segment. In the table above this amount is included in the line others and reference is made to note 27 Amortisation, depreciation, impairments and provisions and note 28 Alternative performance measures.

4. Investments accounted for using the equity method

As at December 31,	2022	2021
Associates	9	9
Jointly controlled entities	8	8
Carrying amount	17	17

Investments in associates

	2022	2021
Carrying amount as at January 1	9	9
Movements		
Investments	-	-
Share of profit after taxation	-	3
Other movements	-	(3)
Net movement	-	-
Carrying amount as at December 31	9	9

The share of profit/(loss) after taxation as at December 31 has been adjusted to reflect the estimated share of result of the associate for the year then ended.

Jointly controlled entities

The Group's interest in its principal jointly controlled entity, Schiphol Logistics Park C.V., which is an unlisted company, can be summarised as follows:

As at December 31,	2022	2021
Country of incorporation	-	-
Percentage of interest held	53%	53%
Percentage of voting right	45%	45%
Non-current assets	5	5
Current assets	11	11
Profit after taxation	-	-
Share of profit after taxation	-	-

The Group did not receive dividend in 2022 and 2021 from Schiphol Logistics Park C.V.

5. Other (non-current) assets and liabilities

2022	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current
Exchange rate risk				
Fair value hedges	9	22	(6)	(2)
Cash flow hedges	62	15	(7)	(12)
Items not qualifying for hedge accounting	4	1	(2)	–
Total exchange rate risk hedges	**75**	**38**	**(15)**	**(14)**
Interest rate risk				
Fair value hedges	–	–	–	–
Cash flow hedges	25	41	–	–
Items not qualifying for hedge accounting	–	4	–	–
Total interest rate risk hedges	**25**	**45**	**–**	**–**
Commodity risk hedges				
Cash flow hedges	25	–	(37)	–
Items not qualifying for hedge accounting	–	–	–	–
Total commodity risk hedges	**25**	**–**	**(37)**	**–**
Total derivative financial instruments	**125**	**83**	**(52)**	**(14)**
Others	14	82	(4)	(1,269)
Total as at December 31, 2022	**139**	**165**	**(56)**	**(1,283)**

2021	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current
Exchange rate risk				
Fair value hedges	46	4	(13)	-
Cash flow hedges	21	19	(9)	(1)
Items not qualifying for hedge accounting	5	-	-	-
Total exchange rate risk hedges	**72**	**23**	**(22)**	**(1)**
Interest rate risk				
Fair value hedges	-	-	-	-
Cash flow hedges	3	8	(3)	(2)
Items not qualifying for hedge accounting	-	3	-	-
Total interest rate risk hedges	**3**	**11**	**(3)**	**(2)**
Commodity risk hedges				
Cash flow hedges	140	2	(5)	-
Items not qualifying for hedge accounting	-	-	-	-
Total commodity risk hedges	**140**	**2**	**(5)**	**-**
Total derivative financial instruments	**215**	**36**	**(30)**	**(3)**
Others	15	118	(1)	(1,517)
Total as at December 31, 2021	**230**	**154**	**(31)**	**(1,520)**

Exposure to exchange rate risk

In the frame of cash flow hedges, maturities relate to realisation dates of hedged items. Therefore, amounts of fair value presented in equity are recycled in the statement of profit or loss at realisation dates of hedged items.

As at December 31, 2022 the types of derivatives used, their nominal amounts and fair values are as follows:

In millions of Euros	Nominal amount	<1 year	>1 year and <2 years	>2 years and <3 years	>3 years and <4 years	>4 Years and <5 years	> 5 years	Fair Value
Exchange rate risk hedges								
Fair value hedges								
Forward purchases								
USD	931	436	495	–	–	–	–	21
Forward sales								
USD	335	144	191	–	–	–	–	2
Total fair value hedges	1,266	580	686	–	–	–	–	23
Cash flow hedges								
Options								
CHF	–	–	–	–	–	–	–	–
GBP	–	–	–	–	–	–	–	–
Forward purchases								
USD	1,625	921	594	110	–	–	–	51
GBP	43	43	–	–	–	–	–	–
Forward sales								
CAD	–	–	–	–	–	–	–	–
GBP	244	219	25	–	–	–	–	7
JPY	–	–	–	–	–	–	–	–
SGD	–	–	–	–	–	–	–	–
USD	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total cash flow hedges	1,912	1,183	619	110	–	–	–	58
Items not qualifying for hedge accounting								
Forward purchases								
GBP	–	–	–	–	–	–	–	–
JPY	22	22	–	–	–	–	–	1
USD	119	100	19	–	–	–	–	2
Forward sales								
USD	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total items not qualifying for hedge accounting	141	122	19	–	–	–	–	3
Total exchange rate risk derivatives	3,319	1,885	1,324	110	–	–	–	84

The total fair value hedges of EUR 23 million positive relates to exchange rate hedging on future fleet purchases denominated in USD. Fair value adjustments included on the carrying amount of the hedge items amount to EUR 21 million negative and are recognised in the balance sheet in the line item property, plant and equipment. The related costs of hedging amount to EUR 9 million negative and are recorded in other comprehensive Income.

The total cash flow hedges of EUR 58 million positive relates to exchange rate hedging on operational exposures. The cash flow hedge reserve relating to the outstanding hedges amounts to EUR 58 million. An amount of EUR 0 million is included in the cash flow hedge reserve relating to hedges that are unwound in 2022 (2021: EUR 4 million).

Exposure to interest rate risk

In the frame of cash flow hedges, maturities relate to realisation dates of hedged items. Therefore, amounts of fair value presented in equity are recycled in the statement of profit or loss at realisation dates of hedged items.

	In millions of Euros							
As at December 31, 2022	Nominal amount	<1 year	>1 year and <2 years	>2 years and <3 years	>3 years and <4 years	>4 Years and <5 years	> 5 years	Fair Value
Interest rate risk hedges								
Fair value hedges								
Swaps	-	-	-	-	-	-	-	-
Total fair value hedges	-	-	-	-	-	-	-	-
Cash flow hedges								
Swaps	882	262	247	155	63	112	43	66
Total cash flow hedges	882	262	247	155	63	112	43	66
Items not qualifying for hedge accounting								
Swaps	56	11	12	21	12	-	-	4
Total items not qualifying for hedge accounting	56	11	12	21	12	-	-	4
Total interest rate risk derivatives	938	273	259	176	75	112	43	70

The total cash flow hedges of EUR 66 million positive relates to interest rate hedging on borrowings. The cash flow hedge reserve relating to the outstanding hedges amounts to EUR 60 million.

Exposure to commodity risk

In the frame of cash flow hedges, maturities relate to realisation dates of hedged items. Therefore, amounts of fair value presented in equity are recycled in the statement of profit or loss at realisation dates of hedged items.

In the normal course of its business, the Group conducts transactions on petroleum product markets in order to effectively manage the price risks related to its purchases of fuel.

The nominal amounts of the Group's commitments on the crude and refined oil markets as at December 31, 2022 are shown below:

In millions of Euros	Nominal amount	<1 year	>1 year and <2 years	>2 years and <3 years	>3 years and <4 years	>4 Years and <5 years	> 5 years	Fair Value
Commodity risk hedges								
Cash flow hedges								
Swaps	140	140	-	-	-	-	-	(1)
Options	518	518	-	-	-	-	-	(11)
Total cash flow hedges	658	658	-	-	-	-	-	(12)
Items not qualifying for hedge accounting								
Swaps	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
Total items not qualifying for hedge accounting	-	-	-	-	-	-	-	-
Total commodity risk derivatives	658	658	-	-	-	-	-	(12)

The total cash flow hedges of EUR 12 million negative relate to commodity price risk hedging on fuel and carbon certificate purchases. The cash flow hedge reserve relating to the outstanding hedges amounts to EUR 12 million. The related costs of hedging amount to EUR 15 million positive and are recorded in other comprehensive income.

Valuation methods for financial assets and liabilities at their fair value

As at December 31, 2022, the breakdown of the Group's financial assets and derivative instruments, based on the three classification levels, is as follows:

	Level 1	Level 2	Level 3	Total
Financial assets available for sale				
Shares	13	21	-	34
Assets at fair value through profit or loss				
Marketable securities	-	1,469	-	1,469
Deposits and marketable securities	-	50	-	50
Derivatives instruments (asset and liability)				
Currency exchange derivatives	-	84	-	84
Interest rate derivatives	-	70	-	70
Commodity derivatives	-	(12)	-	(12)

No significant changes in levels of hierarchy, or transfers between levels, have occurred in the reporting period.

For the explanation of the three classification levels, reference is made to "fair value hierarchy" paragraph in the accounting policies for the balance sheet section.

Sensitivity analysis

The sensitivity is calculated solely on the valuation of derivatives at the closing date of the period presented. The hypotheses used are coherent with those applied in the financial year ended as at December 31, 2022.

The impact on "reserves" corresponds to the sensitivity of effective fair value variations for instruments and is documented in the hedged cash flow (options intrinsic value, fair value of closed instruments). The impact on the "income for tax" corresponds to the sensitivity of ineffective fair value variations of hedged instruments (principally time value of options) and fair value variations of transactions instruments. For fuel, the downward and upward sensitivity are not symmetrical when taken into account the utilisation, in respect of the policy of optional hedged instruments in which the risk profile is not linear. For further information reference is made to the Financial Risk Management paragraph in the notes to the consolidated financial statements.

Fuel price sensitivity

The impact on "income before tax" and "reserves" of the variation of +/- USD 10 on a barrel of Brent is presented below:

	December 31, 2022		December 31, 2021	
	Increase of 10 USD	Decrease of 10 USD	Increase of 10 USD	Decrease of 10 USD
Income before tax	-	-	-	-
Reserves	66	(65)	93	(88)

The fuel price sensitivity is only calculated on the valuation of derivatives at the closing date of each period presented.

Currency sensitivity

Values as of the closing date of all monetary assets and liabilities in other currencies are as follows:

	Monetary Assets		Monetary Liabilities	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
USD	657	511	619	429
JPY	-	-	168	183
CHF	-	-	391	363
GBP	-	-	-	-

The amounts of monetary assets and liabilities disclosed above do not include the effect of derivatives.

The impact on "change in value of financial instruments" and on "reserves" of the variation of a 10% weakening in exchange rates in absolute value relative to the Euro is presented below:

	USD		JPY		GBP	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Income before tax	(3)	(7)	13	17	-	-
Reserves	(137)	(95)	-	-	21	15

The impact on "change in value of financial instruments on financial income and expenses" consists of:

» Change in value of monetary assets and liabilities (in accordance with IAS 21, including the effect of fair value and cash flow hedges);
» Changes in time value of currency exchange options (recognised in financial income);
» The changes in fair value of derivatives for which fair value hedges accounting is applied or no hedging accounting is applied.

The impact on "reserves" is explained by the change in exchange rates on changes in fair value of currency derivatives qualified for cash flow hedging, recognised in "reserves".

Interest rate sensitivity

The Group is exposed to the risk of changes in market interest rates. The variation of 100 basis points of interest rates would have an impact on income before tax of EUR nil million for 2022 (EUR nil million for 2021).

Others

The other non-current liabilities in 2022 and 2021 mainly relates to deferred payments for wage tax and social securities. Following the COVID-19 crisis, the Dutch Government issued a number of measures to support Dutch companies, such as deferral of wage tax and social securities payments for the period between March 2020 and October 2021. As from October 1, 2021, the Group pays the regular monthly wage tax and social securities and as from October 1, 2022, the Group pays the related deferred payments over a period of 60 months. As per December 31, 2022 the related undiscounted non-current deferred payments amount to EUR 1,115 million (December 31, 2021 EUR 1,398 million). As per December 31, 2022 the current deferred payments amount to EUR 285 million (December 31, 2021 EUR 73 million) and is included in note 20 in the line Taxes and social security payments. This non-cash transaction is in line with IAS 7.43 included in other payables as part of the movement in working capital in the cash flow statement.

6. Other financial assets

	Debt investments at amortised cost		At fair value through profit or loss		At fair value through OCI		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Carrying amount as at January 1	543	532	158	145	31	29	732	706
Movements								
Additions and loans granted	274	164	-	11	2	-	276	175
Loans and interest repaid	(28)	(195)	(74)	-	-	-	(102)	(195)
Interest accretion	15	12	-	-	-	-	15	12
Foreign currency translation differences	26	34	-	-	-	-	26	34
Other movements	(1)	(4)	(1)	2	1	2	(1)	-
Net movement	286	11	(75)	13	3	2	214	26
Carrying amount as at December 31	829	543	83	158	34	31	946	732

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Debt investments at amortised cost				
Bonds, long-term deposits, other loans and receivables	115	714	32	511
At fair value through profit or loss				
Deposits and commercial paper with original maturity 3-12 months	50	-	126	-
Other restricted deposits	-	-	-	-
Deposits on operating leased aircraft	2	30	4	24
AIR FRANCE KLM S.A. shares	-	1	-	4
	52	31	130	28
At fair value through OCI				
Kenya Airways Ltd. shares	-	13	-	13
Other non-consolidated entities	-	21	-	18
	-	34	-	31
Carrying amount as at December 31	167	779	162	570

The Group's stake in Kenya Airways Ltd. is 7.76% as at December 31, 2022 (December 31, 2021 7.76%). The Group has no significant influence on Kenya Airways and due to its strategic intention it is regarded as a financial asset at fair value through other comprehensive income under IFRS 9.

The carrying amounts of financial assets denominated in currencies other than the Euro are as follows:

As at December 31,	2022	2021
USD	657	511
Kenyan shilling	13	13
Total	670	524

The interest-bearing financial assets have fixed interest rates. The weighted average effective interest rates at the balance sheet date are as follows:

	December 31, 2022		December 31, 2021	
in %	EUR	USD	EUR	USD
Debt investments at amortised cost	0.1	2.1	0.1	1.9

The triple A bonds and long-term deposits are held as a natural accounting hedge to mitigate the effect of foreign exchange movements relating to financial debt. Except as described below these securities are at the free disposal of the Company. Access to triple A bonds and long-term deposits, loans and receivables amounting to EUR 224 million (December 31, 2021 EUR 229 million) is restricted.

The maturities of debt investments are as follows:

As at December 31,	2022	2021
Debt investments at amortised cost		
Less than 1 year	114	31
Between 1 and 2 years	186	61
Between 2 and 3 years	128	148
Between 3 and 4 years	95	31
Between 4 and 5 years	123	67
Over 5 years	183	205
Total	829	543

The fair values of the financial assets are as follows:

As at December 31,	2022	2021
Debt investments at amortised cost		
Bonds, long-term deposits, loans and receivables	829	543
At fair value through profit or loss		
Restricted deposit EU Cargo claim	50	51
Restricted deposits	-	75
Deposits on operating leased aircraft	32	28
AIR FRANCE KLM S.A. shares	1	4
	83	158
At fair value through OCI		
Kenya Airways Ltd. shares	13	13
Other non-consolidated entities	21	18
	34	31
Total fair value	946	732

The fair values listed above have been determined as follows:

- Triple A bonds and long-term deposits: The fair values are based on the net present value of the anticipated future cash flows associated with these instruments;
- Deposits and commercial paper: The carrying amounts approximate fair value because of the short maturity of these deposits and commercial paper;
- Kenya Airways Ltd. shares: Quoted price as at close of business on December 31, 2022 and December 31, 2021;
- AIR FRANCE KLM S.A. shares: Quoted price as at close of business on December 31, 2022 and December 31, 2021;
- Other assets: The carrying amounts approximate fair value because of the short maturity of these instruments or, in the case of equity instruments that do not have a quoted price in an active market, the assets are carried at cost.

The contractual re-pricing dates of the Group's interest bearing assets are as follows:

As at December 31,	2022	2021
Less than 1 year	164	157
Between 1 and 2 years	186	61
Between 2 and 3 years	128	148
Between 3 and 4 years	95	32
Between 4 and 5 years	123	67
Over 5 years	183	209
Total interest bearing financial assets	879	674

7. Inventories

As at December 31,	2022	2021
Carrying amount		
Maintenance inventories	269	209
Allowance for obsolete inventories	(88)	(82)
Maintenance inventories - net	181	127
Other sundry inventories	74	93
Total	255	220

8. Trade and receivables

As at December 31,	2022	2021
Trade receivables	615	538
Expected credit loss	(77)	(68)
Trade receivables - net	538	470
Amounts due from:		
- AIR FRANCE KLM group companies	102	92
- associates and jointly entities	-	1
- maintenance contract customers	101	48
Taxes and social security premiums	31	24
Other receivables	191	278
Prepaid expenses	242	181
Total	1,205	1,094

	December 31, 2022	December 31, 2021
< 90 days	458	381
90-180 days	22	33
180-360 days	9	7
> 360 days	49	49
Total trade receivables	538	470

In 2022 an EUR 9 million increase (December 31, 2021 EUR 14 million increase) of provision trade receivables has been recorded in other financial income and expenses in the Consolidated statement of profit or loss.
Maintenance contract cost incurred to date for contracts in progress at December 31, 2022 amounted to EUR 101 million (December 31, 2021 EUR 48 million).
Advances received for maintenance contracts in progress at December 31, 2022 amounted to EUR 158 million (December 31, 2021 EUR 137 million).

9. Cash and cash equivalents

As at December 31,	2022	2021
Cash at bank and in hand	64	56
Short-term deposits	1,469	763
Total	1,533	819

The effective interest rates on short-term deposits are in the range from 0% to 4.45% (2021 range -0.65% to 3.35%).
The short-term deposits are invested in money market instruments or in liquid funds with daily access to cash.

The part of the cash and cash equivalents held in currencies other than the Euro is as follows:

As at December 31,	2022	2021
USD	18	11
GBP	2	4
Other currencies	13	14
Total	33	29

The fair value of cash and cash equivalents does not differ materially from the book value.

10. Share capital

Authorised share capital

On December 30, 2022, the 149,998,125 ordinary shares have been split into 149,998,124 A ordinary shares and 1 B ordinary share. This did not change the total authorised share capital, which is unchanged since April 1, 2004. The authorised share capital of the Company is summarised in the following table:

	Authorised		
	Par value per share (in EUR)	Number of shares	Amount in EUR 1,000
Priority shares	2.00	1,875	4
A Ordinary shares	2.00	149,998,124	299,996
B Ordinary shares	2.00	1	-
A Cumulative preference shares	2.00	37,500,000	75,000
B Preference shares	2.00	75,000,000	150,000
C Cumulative preference shares	2.00	18,750,000	37,500
Total authorised share capital			562,500

Issued share capital

No changes, other than the split in the authorised share capital as per December 30, 2022 as mentioned above, have occurred in the issued share capital since April 1, 2004. All issued shares are fully paid.

	Issued and fully paid			
	December 31, 2022		December 31, 2021	
	Number of shares	Amount in EUR 1,000	Number of shares	Amount in EUR 1,000
Included in equity				
Priority shares	1,312	3	1,312	3
A Ordinary shares	46,809,698	93,619	46,809,699	93,619
B Ordinary shares	1	-	-	-
A Cumulative preference shares	8,812,500	17,625	-	-
C Cumulative preference shares	7,050,000	14,100	-	-
	62,673,511	125,347	46,811,011	93,622
Included in financial liabilities				
A Cumulative preference shares	-	-	8,812,500	17,625
C Cumulative preference shares	-	-	7,050,000	14,100
	-	-	15,862,500	31,725
Total issued share capital	62,673,511	125,347	62,673,511	125,347

Following amendments in the Articles of Association as per December 30, 2022, the A and C Cumulative preference shares have, under IFRS, been reclassified from Other financial liabilities to Share capital. Reference is made to note 14 Other financial liabilities.

The rights, preferences and restrictions attaching to each class of shares are as follows:

Priority shares

All priority shares are held by AIR FRANCE KLM S.A. Independent rights attached to the priority shares include the power to determine or approve:

a. To set aside an amount of the profit established in order to establish or increase reserves (art. 32.1 Articles of Association (AoA));
b. The reserve and dividend policy of the Company may only be amended with the prior approval of the Supervisory Board and the meeting of priority shareholders (art. 32.4 AoA)
c. Distribution of interim dividends, subject to the approval of the Supervisory Board (art. 32.6 AoA);
d. Distribution to holders of common shares out of one or more of the freely distributable reserves, subject to the approval of the Supervisory Board (art. 32.7 AoA);
e. Transfer of priority shares (art. 14.2 AoA).

Before submission to the General Meeting of Shareholders prior approval of the holder of the priority shares is required for:

a. Issuance of shares (art. 5.4 AoA);
b. Limitation of or exclusion from pre-emptive rights of the holders of other classes of shares (art. 5.4 AoA);
c. Repurchase of own shares (art. 10.2 AoA);
d. Alienation of own priority shares and C cumulative preference shares (art. 11.2 AoA);
e. Reduction of the issued share capital (art. 11.3 AoA);
f. Remuneration and conditions of employment of the Managing Directors (art. 17.4 AoA);
g. Amendments of the Articles of Association and/or dissolution of the Company (art. 41.1 AoA).

A Cumulative preference shares, B Preference shares, C Cumulative preference shares and Ordinary shares

Holders of preference and ordinary shares are entitled to attend and vote at shareholders meetings. Each share entitles the holder to one vote.

As at December 31, 2022 the State of the Netherlands held 3,708,615 A cumulative preference shares to which a voting right attaches of 5.9%. This has not changed since financial year 2006/07. For details of the right to dividend distributions attaching to each class of share see the section Other information.

11. Reserves

	Hedging reserve	Remeasurement of defined benefit pension	Translation reserve	Other reserve	Total
As at January 1, 2022	86	(129)	12	457	426
Gains/(losses) from cash-flow hedges	(91)	-	-	-	(91)
Exchange differences on translating foreign operations	-	-	(3)	-	(3)
Remeasurement of defined benefit pension plans	-	166	-	-	166
Transfer to/ (from) retained earnings	-	-	-	(7)	(7)
Tax on items taken directly to or transferred from equity	24	(42)	-	-	(18)
As at December 31, 2022	19	(5)	9	450	473
As at January 1, 2021	(37)	(890)	13	473	(441)
Gains/(losses) from cash-flow hedges	165	-	-	-	165
Exchange differences on translating foreign operations	-	-	(1)	-	(1)
Remeasurement of defined benefit pension plans	-	729	-	-	729
Transfer to/ (from) retained earnings	-	205	-	(16)	189
Tax on items taken directly to or transferred from equity	(42)	(173)	-	-	(215)
As at December 31, 2021	86	(129)	12	457	426

The volatility from the main KLM pension plans has reduced significantly after the transfer to a collective defined contribution pension schemes for cockpit crew and cabin crew in 2017 and ground staff in 2021. However, the volatility in the value of fuel derivatives and the remeasurement of current defined benefit pension plans remains for other smaller KLM Group defined benefit pension plans. The non-cash changes in pension obligations together with the level of plan assets linked to the changes in actuarial assumptions that need to be recognised in the Company's equity do not directly affect the statement of profit or loss.

For an elucidation on the remaining volatility of smaller KLM Group defined pension plans and equity, reference is made to the paragraph Risks linked to the impact of external economic factors on equity and Risks linked to pension plans in the Risks and risk management section.

Due to the significant impact of COVID-19 the Company's equity was negative end 2021. Following the strong recovery in 2022 the Company's equity is positive again. Going forward KLM needs to strengthen its balance sheet and equity.

Remeasurement of defined benefit plans
Comprises all actuarial gains and losses related to the remeasurement of defined benefit plans.

The ground staff plan was derecognised in 2021. Reference is made to note 18 Provisions for employee benefits.

The legal reserves consist of the following items:
Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Currency hedges
Most of the aircraft lease contracts are denominated in US dollars. The Group designates the cash flows from these lease contracts as hedging instruments in cash flow hedges with its US dollars revenues as hedged items. This limits the volatility of the foreign exchange variation resulting from the currency related revaluation of its lease debt. The effective portion of the foreign exchange revaluation of the lease debt in US dollars at the closing date is recorded in "other comprehensive income". This amount is recycled in revenues when the hedged item is recognised. This also included the fair value changes in equity investments which are deemed to be business investments.

Because of COVID-19 US dollar revenues sharply decreased as from March 2020. As a consequence the Company temporarily stopped to record the foreign exchange revaluation of the lease debt on US dollars at the closing date in "other comprehensive income" since the hedge was not effective, but records those in foreign currency exchange gains/(losses) in the Consolidated statement of profit or loss. As from July 2021 the US dollar revenues increased again and consequently the Company started to use the US dollar revenues as hedging instruments again.

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the consolidated figures of non-Euro foreign subsidiaries, as well as from the translation of the Company's net investment in foreign associates and jointly controlled entities.

Other reserve
The other reserve relates to development cost incurred on computer software and prepayments thereon amounting to EUR 433 million as at December 31, 2022 (December 31, 2021 EUR 440 million) and investments accounted for using the equity method amounting to EUR 17 million as at December 31, 2022 (December 31, 2021 EUR 17 million) as required by Article 365.2 of Book 2 of the Dutch Civil Code.

12. Financial debt

	December 31, 2022			December 31, 2021		
	Future minimum lease payment	Future finance charges	Total financial lease liabilities	Future minimum lease payment	Future finance charges	Total financial lease liabilities
Lease obligations						
Within 1 year	279	38	241	167	12	155
Total current	279	38	241	167	12	155
Between 1 and 2 years	232	37	195	210	15	195
Between 2 and 3 years	268	32	236	185	15	170
Between 3 and 4 years	264	26	238	195	12	183
Between 4 and 5 years	245	21	224	234	8	226
Over 5 years	765	54	711	548	17	531
Total non-current	1,774	170	1,604	1,372	67	1,305
Total	2,053	208	1,845	1,539	79	1,460

The financial debt relates exclusively to aircraft leasing, for which KLM has the option to purchase the aircraft at the amount specified in each contract once the lease expires. The lease agreements provide for either fixed or floating interest payments. Where the agreements are subject to a floating interest rate, this is normally the 3 or 6 month EURIBOR or the USD LIBOR rate. The average interest rate, without taking into account the impact of hedging (and the deferred benefits arising from sale and leaseback transactions) is 1.81% (average fixed rate 1.35%, average floating rate 2.47%). Taking into account the impact of hedging the average interest rate is 1.89% (average fixed rate 2.52%, average floating rate 0.97%). After hedging 77% of the outstanding lease liabilities have a fixed interest rate.

The carrying amount for the financial debt approximates the fair value as at December 31, 2022. The fair value of the financial liabilities is based on the net present value of the anticipated future cash flows associated with these instruments. For the lease liabilities deposits are held. Reference is made to note 6 Other financial assets.

13. Lease debt

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Lease Debt - Aircraft	230	730	241	672
Lease Debt - Real estate	15	152	15	137
Lease Debt - Others	28	72	27	70
Accrued interest	5	-	5	-
Total	278	954	288	879

Change in lease debt:

	As at January 1, 2022	New contracts and renewals of contracts	Payment of lease debt	Currency translation adjustment	Other	As at December 31, 2022
Lease Debt - Aircraft	913	258	(247)	39	(3)	960
Lease Debt - Real estate	152	34	(17)	-	(2)	167
Lease Debt - Others	97	27	(26)	3	(1)	100
Accrued interest	5	-	-	-	-	5
Total	1,167	319	(290)	42	(6)	1,232

	As at January 1, 2021	New contracts and renewals of contracts	Payment of lease debt	Currency translation adjustment	Other	As at December 31, 2021
Lease Debt - Aircraft	947	167	(268)	70	(3)	913
Lease Debt - Real estate	154	16	(18)	-	-	152
Lease Debt - Others	101	21	(29)	6	(2)	97
Accrued interest	4	-	-	-	1	5
Total	1,206	204	(315)	76	(4)	1,167

The lease debt maturity breaks down as follows:

	2022	2021
Less than 1 year	351	352
Between 1 and 2 years	292	259
Between 2 and 3 years	227	208
Between 3 and 4 years	173	161
Between 4 and 5 years	125	134
Over 5 years	266	298
Total	1,434	1,412
Including		
- Principal	1,232	1,167
- Interest	202	245

14. Other financial liabilities

	2022	2021
Carrying amount as at Jan 1	2,028	2,117
Additions and loans received	93	291
Loans repaid	(1,139)	(432)
Foreign currency translation differences	12	21
Other changes	6	31
Net movement	(1,028)	(89)
Carrying amount as at December 31	1,000	2,028

The other financial liabilities comprise:

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
A Cumulative preference shares	-	-	-	18
C Cumulative preference shares	-	-	-	14
Revolving credit facility	-	-	-	682
Direct State loan	-	-	-	279
Subordinated perpetual loans	-	523	-	516
Other loans (secured/unsecured)	184	293	188	331
Total	184	816	188	1,840

The remaining maturity of financial liabilities is as follows:

As at December 31,	2022	2021
Less than 1 year	184	188
Between 1 and 2 years	196	44
Between 2 and 3 years	97	178
Between 3 and 4 years	-	775
Between 4 and 5 years	-	250
Over 5 years	523	593
Total	1,000	2,028

A and C Cumulative preference shares

Following amendments in the Articles of Association as per December 30, 2022, the A and C Cumulative preference shares have, under IFRS, been reclassified from Other financial liabilities to Share capital. Reference is made to note 10 Share capital.

Revolving credit facility and direct State loan

As mentioned in the 2020 and 2021 Financial statements, from the start of the COVID-19 crisis, the Group was aware it needed additional financing to ensure that the Group can continue its activities and that its position is strengthened towards the future.

After careful discussions with both the Dutch Government and banks, KLM secured a Dutch State support package to ensure liquidity.

This has been announced by the Dutch Government and KLM on June 26, 2020. The Dutch State support package and the conditions imposed by the Dutch Government in connection therewith have been approved by Dutch parliament and by the European Commission on July 13, 2020.

The Dutch State support package consists of:
» A 90% State guaranteed revolving credit facility of EUR 2.4 billion with a maturity of 5 years. The facility is granted by 11 banks, of which three Dutch banks and eight foreign banks. The EUR 665 million drawn under the previous revolving credit facility on March 19, 2020 has been redeemed on August 26, 2020 and on that date the same amount was drawn under the 90% State guaranteed revolving credit facility. The facility has an interest of EURIBOR (floored at zero) plus a margin of 1.35%. The cost of the associated Dutch Government guarantee equals to 0.50% in year 1, 1.00% in year 2 and 3 and 2.00% after year 3; and
» A direct State loan of EUR 1 billion with a maturity of 5.5 years and an interest of EURIBOR 12 months (floored at zero) plus a margin of 6.25% for year 1, 6.75% for year 2 and 3, and 7.75% for year 4 and 5. The loan, provided by the Dutch Government, will be subordinated to the revolving credit facility. On August 26, 2020, KLM received EUR 277 million of this loan.

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

On October 1, 2020, KLM submitted its restructuring plan to the Dutch Ministry of Finance. The presentation of this restructuring plan was a key condition in obtaining the aforementioned direct State loan and guarantees to the value of EUR 3.4 billion.
The plan outlines how KLM intends to fulfil the conditions imposed by the Dutch Government.
Substantively, the plan includes elements such as the reassessment of strategy, becoming more sustainable, the restored performance and competitiveness of the entire KLM Group, including a comprehensive restructuring plan, manageable cost improvements, financial considerations and how KLM staff will contribute by way of reduced employment conditions. In addition KLM has undertaken to suspend dividend payments to its shareholders until these two loans have been repaid in full.

On November 3, 2020 the Dutch Ministry of Finance approved the plan and KLM has the possibility to draw additional amounts under the Dutch State support package in full. As per that date KLM can draw an additional amount of EUR 2,458 million under the Dutch State support package.

As per December 31, 2021 KLM has drawn in total EUR 942 million (the aforementioned EUR 665 million under the revolving credit facility and the aforementioned EUR 277 million under the direct State loan). Following the strong recovery in 2022, KLM fully repaid the EUR 665 million under the revolving credit facility and EUR 277 million under the direct State loan in the first half of 2022. As per December 31, 2022 KLM has no drawings under both the revolving credit facility and the direct State loan.

Going forward KLM can, in total, still draw EUR 2,458 million under the revolving credit facility and direct State loan. As per December 31, 2022 the revolving credit facility has a remaining contractual maturity of 2.5 years and the direct State loan has a remaining contractual maturity of 3 years. Furthermore, a quarterly 12 months rolling cash flow forecast is required as from September 2021. Other financial covenants include a required interest coverage ratio and a required ratio of Consolidated

Unsecured Assets to Consolidated Unsecured Net Debt. The minimum required interest coverage ratio is 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. Per December 31, 2021, the intermediate quarters and December 31, 2022 the financial covenants were met. It is expected that KLM will continue to meet the financial covenants going forward.

During 2022, the state agent monitored compliance with the conditions under the Dutch State support package that was provided by the Dutch Government. In January 2023 the state agent reported to the Minister of Finance his fourth monitoring report on compliance with these conditions. The state agent notes that steps are taken on the road to recovery of KLM. However, it is also reported that certain conditions are not met. KLM shares the state agent's ambition to emerge strong and competitive from the crisis that was caused by the pandemic. KLM took numerous measures to meet this aim and will continue to do so in future. KLM kept the focus on cost reduction and worked on a healthy business model. KLM is confident that it will continue to connect the Netherlands with the rest of the world as a future-proof airline. The state agent is critical concerning the rising cost, but KLM needed to increase wages to match the high inflation and tight labor market. KLM complied with the 15% reduction of manageable cost in 2021 and 2022. The state agent is positive regarding KLM's activities related to sustainability In December 2022, KLM agreed to start preparations for a new commercial credit facility to replace the currently available direct State loan and 90% State guaranteed revolving credit facility.

Subordinated perpetual loans

The subordinated perpetual loans are subordinated to all other existing and future KLM debts. The subordinations are equal in rank. Under certain circumstances, KLM has the right to redeem the subordinated perpetual loans, with or without payment of a premium.

As per August 28, 2019 KLM has reduced the principal amount of the Japanese Yen subordinated perpetual loan to JPY 20 billion (EUR 164 million) by repaying JPY 10 billion to the lender. As from this date a fixed JPY interest of 4.0% is applicable.

The Swiss Franc subordinated perpetual loans amounting to CHF 375 million, being EUR 381 million as at December 31, 2022 (December 31, 2021 EUR 363 million) are listed on the SWX Swiss Exchange, Zurich.

The carrying amounts of financial liabilities denominated in currencies other than the Euro are as follows:

As at December 31,	2022	2021
CHF	381	363
JPY	142	153
Total	523	516

Other loans

On December 31, 2022, KLM has a portfolio of other loans amounting to EUR 477 million (December 31, 2021 EUR 519 million). Other loans mainly consist of unsecured bilateral loans and mortgage loans. Other loans either carry a fixed interest rate or a floating interest rate based on EURIBOR or USD LIBOR. The outstanding other loans on December 31, 2022 have a maximum remaining maturity of 3 years.

The fair values of financial liabilities are as follows:

As at December 31,	2022	2021
A Cumulative preference shares	-	18
C Cumulative preference shares	-	14
Revolving credit facility	-	665
Direct State loan	-	277
Subordinated perpetual loans	414	434
Other loans (secured/unsecured)	478	539
Fair value	892	1,947

The fair value of the financial liabilities is based on the net present value of the anticipated future cash flows associated with these instruments.

The exposure of the Group's borrowing interest rate changes and the contractual re-pricing dates are as follows:

	<1 year	>1 year and < 5 years	> 5 years	Total
As at December 31, 2022				
Total borrowings	451	27	522	1,000
	451	27	522	1,000
As at December 31, 2021				
Total borrowings	1,411	23	594	2,028
	1,411	23	594	2,028

The effective interest rates at the balance sheet date, excluding the effect of derivatives, are as follows:

	December 31, 2022		December 31, 2021	
in %	EUR	Other	EUR	Other
Cumulative preference shares	-	-	4	-
Revolving credit facility	-	-	4	-
Direct State loan	-	-	7	-
Subordinated perpetual loans	-	4	-	4
Other loans	3	-	3	-

The interest rates of the revolving credit facility, direct State loan, subordinated perpetual loans and other loans, taking into account the effect of derivatives, are as follows:

	Variable interest loans	Fixed interest loans	Average variable %-rate	Average fixed %-rate	Average %-rate
Revolving credit facility	-	-	-	-	-
Direct State loan	-	-	-	-	-
Subordinated perpetual loans	-	523	-	4.25%	4.25%
Other loans	447	30	3.16%	0.21%	2.96%

The variable interest rates are based on EURIBOR or the USD LIBOR rate.

The total financial liabilities are as follows:

		As at December 31,	
	Note	2022	2021
Finance lease obligations	12	241	155
Lease debt	13	278	288
Other financial liabilities	14	184	188
Total current		703	631
Finance lease obligations	12	1,604	1,305
Lease debt	13	954	879
Other financial liabilities	14	293	331
Revolving credit facility	14	-	682
Direct State loan	14	-	279
Perpetual subordinated loan stock in YEN	14	142	153
Perpetual subordinated loan stock in Swiss francs	14	381	363
Cumulative preference shares	14	-	32
Total non-current		3,374	4,024
Total		4,077	4,655

The total movements in financial liabilities are as follows:

	Note	As at January 1, 2022	New financial debt	Reimbursment of financial debt	Currency translation differences	Other	As at December 31, 2022
Finance lease obligations	12	1,460	519	(175)	30	11	1,845
Lease debt	13	1,167	318	(290)	41	(4)	1,232
Other financial liabilities	14	519	130	(180)	5	3	477
Revolving credit facility	14	682	-	(682)	-	-	-
Direct State loan	14	279	-	(277)	-	(2)	-
Perpetual subordinated loan stock	14	516	-	-	7	-	523
Cumulative preference shares		32	-	-	-	(32)	-
Total		4,655	967	(1,604)	83	(24)	4,077

15. Net debt

As at December 31	2022	2021
Current and non-current financial debt	4,075	4,644
Financial debt	4,075	4,644
Cash and cash equivalents	1,533	819
Restricted deposits	58	130
Cross currency element of CCIR swaps	13	4
Near cash *	843	556
Financial assets	2,447	1,509
Total net debt	1,628	3,135

* See the Alternative performance measures section in the Notes to the consolidated financial statements.

	2022	2021
Carrying amount as at January 1	3,135	3,536
Adjusted free cash flow	(1,544)	(404)
Repayment lease debt	(290)	(315)
New lease debt	318	204
Other (including currency translation adjustment)	9	114
Net movement	(1,507)	(401)
Carrying amount as at December 31	1,628	3,135

Total net debt does not include the non-current and current deferred wage tax and social securities payments of in total EUR 1,400 million (December 31, 2021 EUR 1,471 million). Reference is made to the "Others" paragraph in note 5 Other (non-current) assets and liabilities.

16. Deferred income

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Advance ticket sales	1,439	-	1,019	-
Sale and leaseback transactions	15	1	2	3
Flying Blue frequent flyer program	79	231	54	251
Others	3	3	6	5
Total	1,536	235	1,081	259

Advance ticket sales corresponds to sold passenger tickets and freight airway bills which will be recognised in revenues at the date of transportation.

17. Deferred tax assets

The split between current income tax liabilities, deferred tax assets and net (offset) deferred tax liabilities is as follows:

	2022	2021
Carrying amount as at January 1	(122)	(77)
Income statement expense	(305)	(255)
Tax (credited)/charged to equity	18	215
Other movements	(2)	(5)
Net movement	(289)	(45)
Carrying amount as at December 31	(411)	(122)

The gross movement in the deferred/current tax liabilities is as follows:

As at December 31,	2022	2021
Current income tax liabilities Dutch tax fiscal unity	39	-
Deferred tax asset other tax jurisdictions	(2)	(24)
Deferred tax liability/(asset) Dutch tax fiscal unity	(448)	(98)
Total	(411)	(122)

As per December 31, 2021 the Group had significant tax losses, related to the COVID-19 losses, carry forwards amounting to EUR 1,651 million, for which due to the degree of uncertainty about the timing and degree of recovery and in line with IAS 12, no deferred tax asset for unused operating losses was recognised as per December 31, 2021. KLM had an amount of EUR 426 million for unused operating losses not recognised as per December 31, 2021.

As from January 1, 2022, the maximum future period for utilising tax losses carried forward is indefinite under income tax law in the Netherlands for the KLM income tax fiscal unity. However, utilising tax losses carried forward is limited to 50% of taxable profits per year. Current income tax has to be paid over the other 50% of taxable profits per year. Also in the United Kingdom, the maximum future period for utilising tax losses carried forward is indefinite. Also per that date, the Dutch income tax increase from 25.0% in 2021 to 25.8% as from 2022. In the UK the income tax rate remained at 25%.

Following the strong recovery in 2022, the Group made a 2022 fiscal profit and expects to achieve fiscal profits going forward. Consequently the Group recorded, in line with IAS 12, a deferred tax asset for unused operating losses as per December 31, 2022. Taking into account the 2022 fiscal profits, the tax losses carried forward, amounts to EUR 1,503 million as per December 31, 2022 and the related deferred tax asset is EUR 388 million per that date.

Following the 2022 fiscal profits, Dutch KLM tax fiscal unity also has a current tax payable of EUR 39 million as per December 31, 2022 (December 31, 2021, no current tax payable), which is shown as a current liability in KLM Group's balance sheet.

The amounts of deferred tax assets recognised in the KLM income tax fiscal unity in the Netherlands are included in the deferred tax asset line within non-current assets on the balance sheet. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

As per December 31, 2022 the KLM income tax fiscal unity in the Netherlands has a deferred tax asset relating to deductible interest expense carried forward with an indefinite period, amounting to EUR 15 million (December 31, 2021 EUR 57 million).

The Group includes a fully consolidated Cell in Harlequin Insurance PCC Limited - Cell K16, St. Peter Port (Guernsey). Respective income from the Cell is also included in the taxable basis of the KLM income tax fiscal unity in the Netherlands.

The deferred tax liability/(asset) of the Dutch tax fiscal unity is built up as follows:

As at December 31,	2022	2021
Deferred tax assets		
Deferred tax assets to be recovered in 12 months or less	56	-
Deferred tax assets to be recovered after more than 12 months	414	137
	470	137
Deferred tax liabilities		
Deferred tax liabilities to be settled in 12 months or less	-	-
Deferred tax liabilities to be settled over more than 12 months	22	39
	22	39
Net Deferred tax asset KLM income tax fiscal unity (offset)	(448)	(98)

The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Carrying amount as at January 1	Income statement (charge)/ credit	Tax (charged)/ credited to equity	Other	Carrying amount as at December 31
Deferred tax assets					
2022					
Tax losses	–	388	–	–	388
Deductible interest expenses carried forward	57	(42)	–	–	15
Provisions for employee benefits	24	–	(22)	–	2
Other tangible fixed assets	35	6	–	–	41
Pensions and benefits	42	–	(19)	–	23
Other	3	(8)	6	2	3
Total	161	344	(35)	2	472

	Carrying amount as at January 1	Income statement (charge)/ credit	Tax (charged)/ credited to equity	Other	Carrying amount as at December 31
Deferred tax assets					
2021					
Deductible interest expenses carried forward	10	47	–	–	57
Provisions for employee benefits	27	–	(3)	–	24
Other tangible fixed assets	29	6	–	–	35
Derivative financial instruments	17	–	(56)	39	–
Pensions and benefits	–	–	–	42	42
Other	2	(16)	13	4	3
Total	85	37	(46)	85	161

	Carrying amount as at January 1	Income statement charge/ (credit)	Tax (charged)/ credited to equity	Other	Carrying amount as at December 31
Deferred tax liabilities					
2022					
Derivative financial instruments	39	-	(17)	-	22
Total	**39**	**-**	**(17)**	**-**	**22**

	Carrying amount as at January 1	Income statement charge/ (credit)	Tax (charged)/ credited to equity	Other	Carrying amount as at December 31
Deferred tax liabilities					
2021					
Derivative financial instruments	-	-	-	39	39
Pensions and benefits	8	(218)	168	42	-
Total	**8**	**(218)**	**168**	**81**	**39**

The amounts of deferred tax assets recognised in the other tax jurisdictions (i.e. in the United Kingdom) and in Dutch subsidiaries not included in KLM income tax fiscal unity in the Netherlands are included in the deferred tax asset line within non-current assets on the balance sheet. Of the total amount involved, being EUR 2 million, EUR nil million is expected to be recovered in 12 months or less and EUR 5 million is expected to be recovered after more than 12 months. An amount of EUR 3 million negative relates to taxes on remeasurement via other comprehensive income of defined benefit pension plans and will not be recycled through the statement of profit or loss.

The Group has tax loss carry forwards in the United Kingdom in the amount of EUR 7 million (December 31, 2021 EUR 9 million) as well as deductible temporary differences in the amount of EUR 28 million (December 31, 2021 EUR 36 million) for which no deferred tax asset has been recognised, due to the uncertainty whether there are sufficient future tax profits against which such temporary differences and tax losses can be utilised.

18. Provisions for employee benefits

As at December 31,	2022	2021
Pension and early-retirement obligations	117	255
Post-employment medical benefits	18	26
Other long-term employment benefits	110	108
Termination benefits	8	10
Total Liabilities	253	399
Less: Non-current portion		
Pension and early-retirement obligations	106	240
Post-employment medical benefits	17	24
Other long-term employment benefits	98	99
Termination benefits	7	9
Non-current portion	228	372
Current portion	25	27

As at December 31,	2022	2021
Assets		
Pension assets non-current portion	27	-
Total assets	27	-

Pension plans

In 2021 KLM and KLM ground unions agreed on a protocol to arrive at a future proof pension agreement in December 2020. At the end of May 2021, all conditions, such as, the approval of the Board of the KLM Ground pension fund and the modified plan qualifying as a defined contribution scheme (collective defined contribution) under IFRS, were met and derecognition of the related pension asset took place.

The pension asset, based on specific actuarial assumptions for the Ground staff plan as at end May 2021, amounted to EUR 875 million and has been recorded, as a non-cash settlement expense. In addition a cash settlement expense contribution, for pension premium savings since 2014, of EUR 49 million was paid to the Ground staff plan in 2021. Lastly it was agreed that KLM will pay additional employer premiums as from January 1, 2021 going forward. The related amount for the period January through May 2021 is EUR 14 million and has been recorded as a cash settlement expense and paid to the Ground staff plan in 2021. In total a settlement expense of EUR 938 million (non-cash EUR 875 million and cash EUR 63 million) has been recorded. Reference is made to note 25 Employee compensation and benefit expenses and note 28 Alternative performance measures. In 2022 no KLM Group pension plans have been derecognised.

The Company sponsors a number of pension plans for employees world-wide. As per December 31, 2022, the major defined benefit plans include the United Kingdom, Germany, Hong Kong, and Japan. These plans are funded through separate pension funds which are governed by independent boards and are subject to supervision of the local regulatory authorities. In addition to these major plans there are various relatively insignificant defined benefit and defined contribution plans for employees located in- and outside the Netherlands.

Developments 2022

In 2022 the financial markets showed a strong decrease. Overall this resulted in decreased plan assets with EUR 131 million, from EUR 534 million end 2021 to EUR 403 million end 2022. This was more than off set by the considerable increase of the discount rate during 2022, resulting in much lower pension obligations of EUR 296 million, from EUR 789 million end 2021 to EUR 493 million end 2022. For the KLM UK pension plan this resulted in a pension asset of EUR 27 million as per end 2022.

Assumptions used for provisions for employee benefits

The provisions were calculated using actuarial methods based on the following assumptions (weighted averages for all plans):

	Pension and early-retirement obligations	
	As at December 31,	
in %	2022	2021
Weighted average assumptions used to determine benefit obligations		
Discount rate for year-ended	4.40	1.56
Rate of compensation increase	2.48	2.27
Rate of price inflation	3.21	3.24
Weighted average assumptions used to determine net cost		
Discount rate for year ended	1.56	0.79
Rate of compensation increase	2.27	1.03
Rate of price compensation	3.24	1.46

The Company refines its calculations, by retaining the adequate flows, on the discount rate used for the service-cost calculation.
In the Euro zone, this leads to the use of a discount rate of 0.10% higher for the service-cost calculation compared to the one used for the discount of the benefit obligation.

Recognition of pension assets and liabilities in the balance sheet

	Pension and early-retirement obligations	
As at December 31,	2022	2021
Present value of wholly or partly funded obligations	493	789
Fair value of plan assets	(403)	(534)
Net liability/(asset) relating pension and other post-retirement obligations	**90**	**255**

The funds together have a liability totaling EUR 90 million as at December 31, 2022 (December 31, 2021 a liability of EUR 255 million), consisting of a pension asset of EUR 27 million and pension obligations of EUR 117 million.

No limit (i.e. after the impact of IAS 19 and IFRIC 14 "The limit on a defined benefit asset, minimum funding requirements and their interaction" on IAS 19) on the pension asset is recognised in the balance sheet is applied since, based on the current financing agreement between the KLM UK pension plan and the Company, future economic benefits are available in the form of an unconditional right to a refund assuming gradual settlement of the plan liabilities over time until the last member has left the plan. This corresponds to the situation described in IFRIC 14,11.b, under which a refund is considered available to an entity.

This pension asset recognised is not readily available for the Company, but is, with reference to IFRIC 14.8, considered available even if it is not realisable immediately at the end of the financial year.

The accounting standards require management to make assumptions regarding variables such as discount rate, rate of compensation increase and mortality rates. Periodically, management consults with external actuaries regarding these assumptions. Changes in these key assumptions and in financing agreements between the KLM UK pension plan and the Company can have a significant impact on the net pension assets (IFRIC 14).

The movements in the present value of wholly or partly funded obligations in the year are as follows:

	Pension and early-retirement obligations	
	2022	2021
Carrying amount as at January 1	789	10,819
Current service cost	12	107
Interest expense	13	41
Settlements/curtailments	-	(9,670)
Actuarial losses/(gains) demographic assumptions	(3)	(13)
Actuarial losses/(gains) financial assumptions	(262)	(414)
Actuarial losses/(gains) experience adjustments	(3)	(12)
Benefits paid from plan/company	(29)	(113)
Exchange rate changes	(24)	44
Net movement	(296)	(10,030)
Carrying amount as at December 31	493	789

The movements in the fair value of assets of the wholly or partially funded pension plans in the year can be summarised as follows:

	2022	2021
Fair value as at January 1	534	10,718
Interest income	10	39
Return on plan assets excluding interest income	(111)	291
Employer contributions	14	146
Member contributions	-	16
Settlements/curtailments	-	(10,608)
Benefits paid from plan / company	(21)	(101)
Exchange rate changes	(23)	33
Net movement	(131)	(10,184)
Fair value as at December 31	403	534

In 2021 the aforementioned balance of settlements amounts to EUR 938 million. This includes EUR 875 million of non-cash and EUR 63 million of cash settlement expenses as elucidated earlier in this note. Reference is also made to note 25 Employee compensation and benefit expenses and note 28 Alternative performance measures.

The experience adjustments are as follows:

	2022	2021
Benefit obligation	(3)	(12)
Plan asset	(111)	291

The sensitivity of the defined benefit cost recognised in profit or loss and the defined benefit obligation to variation in the discount rate is:

	Sensitivity of the assumptions for the year ended December 31,	
In millions of Euros	2022	2021
0.25% increase in the discount rate		
Impact on service cost	-	(1)
Impact on defined benefit obligation	(16)	(33)
0.25% decrease in the discount rate		
Impact on service cost	-	1
Impact on defined benefit obligation	18	37

The sensitivity of the defined benefit cost recognised in profit or loss and the defined benefit obligation to variation in the salary increase is:

In millions of Euros	Sensitivity of the assumptions for the year ended December 31, 2022	2021
0.25% increase in the salary increase		
Impact on service cost	-	-
Impact on defined benefit obligation	5	5
0.25% decrease in the salary increase		
Impact on service cost	-	-
Impact on defined benefit obligation	(4)	(5)

The sensitivity of the defined benefit cost recognised in profit or loss and the defined benefit obligation to variation in the pension increase rate is:

In millions of Euros	Sensitivity of the assumptions for the year ended December 31, 2022	2021
0.25% increase in the pension increase rate		
Impact on service cost	-	-
Impact on defined benefit obligation	7	18
0.25% decrease in the pension increase rate		
Impact on service cost	-	-
Impact on defined benefit obligation	(7)	(21)

The major categories of assets as a percentage of the total pension plan assets are as follows:

in %	As at December 31, 2022	2021
Debt securities	22	21
Real estate	7	6
Equity securities	48	48

Debt securities are primarily composed of listed government bonds (inflation linked and fixed interest), at least rated BBB, and invested in Europe, the United States of America and emerging countries. Real estate is primarily invested (listed and unlisted) in Europe and the United States of America. Equity securities are mainly listed and invested in Europe, the United States of America and emerging countries.

Post-employment medical benefits

This provision relates to the obligation the Company has to contribute to the cost of employees' medical insurance after retirement in the United States of America and Canada.

As at December 31,	Post-employment medical benefits 2022	2021
Present value of unfunded obligations	18	26
Net liability/(asset) relating pension and other post-retirement obligations	18	26

The movements in the present value of wholly or partly funded obligations in the year are as follows:

	Post-employment medical benefits	
	2022	2021
Carrying amount as at January 1	**26**	**24**
Interest expense	1	1
Actuarial losses/(gains) financial assumptions	(8)	(1)
Actuarial losses/(gains) experience adjustments	-	1
Benefits paid from plan/company	(2)	(2)
Exchange rate changes	1	3
Net movement	**(8)**	**2**
Carrying amount as at December 31	**18**	**26**

The provisions were calculated using actuarial methods based on the following assumptions (weighted averages for all plans):

	Post-employment medical benefits	
	As at December 31,	
in %	2022	2021
Weighted average assumptions used to determine benefit obligations		
Discount rate for year	5.85	2.80
Weighted average assumptions used to determine net cost		
Discount rate for year	2.80	2.75
Medical cost trend rate assumptions used to determine net cost *		
Immediate trend rate Pre 65	1.90	2.30
Immediate trend rate Post 65	1.90	2.30
Ultimate trend rate	3.80	3.60
Year that the rate reaches ultimate trend rate	2073	2074

* The rates shown are the weighted averages for the United States of America and Canada.

Other long-term employee benefits

	2022	2021
Jubilee benefits	63	65
Other benefits	47	43
Total carrying amount	**110**	**108**
Less: Non-current portion		
Jubilee benefits	58	62
Other benefits	40	37
Non-current portion	**98**	**99**
Current portion	**12**	**9**

The provision for jubilee benefits covers bonuses payable to employees when they attain 25 and 40 years of service.
The provision other benefits mainly relates to the own risk carrier long-term disability plan.

Termination benefits

	2022	2021
Redundancy benefits		
Non-current portion	7	9
Current portion	1	1
Total carrying amount	**8**	**10**

Termination benefits relate to a provision for projected dismissal benefits (also called severance or termination indemnities) to current employees in case they voluntary choose to leave the Company.

19. Return obligation liability and other provisions

	Return obligation liability on leased aircraft	Maintenance liability on leased aircraft	Other provisions: Legal and civil litigations	Other provisions: Restructuring and voluntary leave	Other provisions: Other	Total
As at January 1, 2022	70	1,290	176	10	35	1,581
Additions and increases	8	(2)	6	7	87	106
Unused amounts reversed	-	-	(1)	(1)	-	(2)
Used during year	(3)	(39)	(2)	(10)	(23)	(77)
New/ Changes in lease contracts	(2)	(45)	-	-	(2)	(49)
Foreign currency translation differences	1	68	-	-	1	70
Accretion impact	(1)	54	-	-	-	53
Other changes	-	-	-	1	1	2
As at December 31, 2022	73	1,326	179	7	99	1,684
Current/non-current portion						
Non-current portion	62	1,158	154	-	6	1,380
Current portion	11	168	25	7	93	304
Carrying amount as at December 31, 2022	73	1,326	179	7	99	1,684

	Return obligation liability on leased aircraft	Maintenance liability on leased aircraft	Other provisions: Legal and civil litigations	Other provisions: Restructuring and voluntary leave	Other provisions: Other	Total
As at January 1, 2021	345	974	154	66	47	1,586
Additions and increases	8	(4)	24	6	16	50
Unused amounts reversed	-	-	(1)	(3)	(9)	(13)
Used during year	(7)	(33)	(1)	(59)	(21)	(121)
New/ Changes in lease contracts	(277)	221	-	-	-	(56)
Foreign currency translation differences	1	89	-	-	1	91
Accretion impact	-	43	-	-	-	43
Other changes	-	-	-	-	1	1
As at December 31, 2021	70	1,290	176	10	35	1,581
Current/non-current portion						
Non-current portion	55	1,039	164	-	5	1,263
Current portion	15	251	12	10	30	318
Carrying amount as at December 31, 2021	70	1,290	176	10	35	1,581

Return obligation and maintenance liabilities on leased aircraft

The movements in return obligation and maintenance liabilities (escalation 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 right-of-use assets. Effects of accretion and foreign exchange translation of return obligation liabilities recorded in local currencies are recognised in "Other financial income and expenses" (see note 29).

The discount rate used to calculate these restitution liabilities relating to leased aircraft, determined on the basis of a short-term risk-free rate increased by a spread on risky debt (used for companies with high financial leverage), is 5.5% as of December 31, 2022 versus 3.6% as of December 31, 2021.

Other provisions

Legal and civil litigations

The provision as at December 31, 2022 mainly relates to the Cargo anti-trust investigations in Europe for KLM and Martinair and a court case brought against KLM by (former) Martinair pilots. For more details, reference is made to note 22 Contingent assets and liabilities.

Restructuring and voluntary leave

In 2022 only small additional expenses related to restructuring and voluntary leave plans have been recorded. The provision as at December 31, 2022 fully relates to the remaining expected cash out for some small restructuring plans. Reference is made to note 25 Employee compensation and benefit expenses and note 28 Alternative performance measures.

Other
Other provisions include provisions for onerous contracts (third party maintenance contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it), onerous leases of aircraft and site restoration cost for land and buildings under long-term lease agreements.

20. Trade and other payables

As at December 31,	2022	2021
Trade payables	1,076	771
Amounts due to AIR FRANCE KLM Group companies	86	105
Taxes and social security premiums	653	332
Other payables	631	460
Accrued liabilities	158	126
Total	2,604	1,794

The line Taxes and social security premiums include the current deferred payments for wage tax and social securities amounting to EUR 285 million as per December 31, 2022 (December 31, 2021 EUR 73 million). Reference is made to note 5.

21. Commitments
As at December 31, 2022, KLM has commitments for previously placed orders amounting to EUR 4,667 million (December 31, 2021 EUR 1,376 million).
EUR 4,510 million of this amount (December 31, 2021 EUR 1,226 million) relates to future owned and new right-of-use aircraft of which EUR 375 million is due in 2023. In the amount for new right-of-use aircraft EUR 158 million relates to future interest.

The balance of the commitments as at December 31, 2022 amounting to EUR 157 million (December 31, 2021 EUR 150 million) is related to property, plant and equipment.

As at December 31, 2022 prepayments on aircraft have been made, amounting to EUR 493 million (December 31, 2021 EUR 442 million) and are included in the prepayments net carrying amount in note 1.

22. Contingent assets and liabilities
Contingent liabilities
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.

Antitrust investigations and civil litigation
a. **Actions instigated by the EU Commission and several competition authorities in other jurisdictions for alleged cartel activity in air cargo transport.**

AIR FRANCE, KLM and Martinair 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 airfreight industry.

As of December 31, 2016, most of these investigations and related public proceedings have been concluded, with the following exceptions:

On March 17, 2017, the European Commission announced that it would fine eleven airlines, including KLM, Martinair and AIR FRANCE, for practices in the air cargo sector that are considered anti-competitive and relate mainly to the period between December 1999 and February 2006. This decision follows the initial decision of the Commission of November 9, 2010, which was issued to the same airlines for the same alleged practices and was annulled on formal grounds by the General Court of the European Commission in December 2015.

The fine for KLM and Martinair, as announced on March 17, 2017, amounts to EUR 142.6 million and is slightly lower than the initial fine imposed in 2010. On 29 May 2017, KLM submitted its appeal to the General Court of the EU. The General Court of the EU rendered judgment on March 30, 2022 and dismissed the appeal of KLM and Martinair. On June 13, 2022 KLM and Martinair have appealed the judgment at the Court of Justice of the EU. While the decision is under appeal, there is no obligation to pay the imposed fines, but accrued interest is added as from June 2017.

In Switzerland, AIR FRANCE and KLM have challenged the decision rendered by the Swiss Competition Authority (WEKO) imposing a EUR 3.2 million fine before the relevant administrative court (the Federal Administrative Tribunal (FAT). On December 20, 2022, the FAT annulled the WEKO decision. WEKO did not file an appeal in January 2023 and therefore this case is closed.

As of December 31, 2022, the total amount of provisions in connection with antitrust cases amounts to EUR 154 million (including accrued interest).

b. Related civil lawsuits

Following the initiation of various investigations by competition authorities in 2006 and the EU Commission decision in 2010, several collective and individual actions were brought by forwarders and airfreight shippers in civil courts against KLM, AIR FRANCE and Martinair, and the other airlines in several jurisdictions.

The only civil lawsuits still pending are in the Netherlands and Norway and the latter procedure is stayed. The claimants, shippers and freight forwarders, are claiming from the defendants AIR FRANCE, KLM and/or Martinair and other airlines, damages to compensate alleged higher prices as a consequence of the alleged anticompetitive behaviour from the defendants. AIR FRANCE, KLM and/or Martinair as main defendants have initiated contribution proceedings against other airlines.

c. Other

US Department of Justice investigation related to United States Postal Services

In March 2016, the US Department of Justice (DOJ) informed KLM and AIR FRANCE of a civil inquiry regarding contracts with the United States Postal Service for the international transportation of mail by air. In June 2022 an agreement was reached to settle the claims for USD 3.9 million, which has been split on a 50/50 basis between KLM and AIR FRANCE.

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 the 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 case of former Martinair pilots. The pilots have become employed by KLM per January 1, 2014 and KLM is obliged to offer the pilots to be reinstated in their former position at Martinair. KLM is executing the court ruling and thus has offered the former Martinair pilots a renewed employment. Furthermore, the court has ruled that KLM is due to pay any damages caused by not correctly adhering to the laws of 'transfer of undertaking'. Subsequent (individual) court cases have been initiated regarding the interpretation of the verdict. As of December 31, 2022, KLM maintained a provision of EUR 22 million.

Other

The Company and certain of its subsidiaries are involved as defendant in litigation relating to competition issues, commercial transactions and labour relations. Although the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, it is the opinion of the Company's management that, with the exception of the matters discussed before, the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on the Company's consolidated financial position, but could be material to the consolidated results of operations of the Company for a particular period.

Site cleaning up cost

The Group owns a number of Cargo and Maintenance buildings situated on various parcels of land which are the subject of long lease agreements.

At the expiry of each of these agreements the Company has the following options:
1. To demolish the buildings and clean up the land prior to return to the lessor;
2. To transfer ownership of the building to the lessor; or
3. To extend the lease of the land.

No decision has been taken regarding the future of any of the buildings standing on leased land. Therefore, it cannot be determined whether it is probable that site cleaning up cost will be incurred and to what extent. Accordingly, no provision for such cost has been established.

Guarantees

Bank guarantees and corporate guarantees given by the Company on behalf of the Company, subsidiaries, unconsolidated companies and third parties, amount to EUR 37 million as at December 31, 2022 (December 31, 2021 EUR 54 million).

Section 403 guarantees

General guarantees as defined in Book 2, Section 403 of the Dutch Civil Code have been issued by the Company on behalf of several subsidiaries in the Netherlands. The liabilities of these consolidated companies to third parties amount to EUR 498 million as at December 31, 2022 (December 31, 2021 EUR 514 million).

Contingent assets

Other litigation

The Company and certain of its subsidiaries are involved as plaintiff in litigation relating to commercial transactions and tax disputes. Although the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any such claims, either individually or on a combined basis, will not have a material favourable effect on the Company's consolidated financial position, but could be material to the consolidated results of operations of the Company for a particular period.

23. Revenues

	2022	2021
Services rendered		
Passenger transport	7,210	3,109
Cargo transport	1,748	1,980
Network	8,958	5,089
Maintenance contracts	710	471
Leisure	992	484
Other services	19	21
Total revenues	**10,679**	**6,065**

24. External expenses

	2022	2021
Aircraft fuel	2,700	1,185
Chartering costs	267	263
Landing fees and route charges	676	496
Catering	187	92
Handling charges and other operating costs	533	352
Aircraft maintenance costs	827	615
Commercial and distribution costs	378	196
Insurance	24	24
Rentals and maintenance of housing	151	139
Sub-contracting	204	150
Other external expenses	285	190
Total external expenses	**6,232**	**3,702**

Aircraft fuel expenses include an amount of EUR 498 million positive (2021 EUR 110 million positive), which was transferred from other comprehensive income to the consolidated statement of profit or loss.
Aircraft fuel expenses include a net amount of EUR nil million (2021 EUR 1 million) related to fuel delivered to SkyTeam partners at Schiphol. The net amount consists of EUR 282 million cost (2021 EUR 80 million) and EUR 282 million income (2021 EUR 79 million).

25. Employee compensation and benefit expenses

	2022	2021
Wages and salaries	2,383	1,977
NOW subsidy	(134)	(771)
Social security premiums other than for state pension plans	242	216
Voluntary leave and restructuring plans	6	4
Legal provision	-	22
Share-based remuneration	(1)	-
Hired personnel	145	77
Pension and early-retirement plan costs	304	316
Curtailment pension plans	-	938
Post-employment medical benefit costs	3	1
Other long-term employee benefit costs	7	12
Total employee compensation and benefit expenses	2,955	2,792

Following the COVID-19 crisis, the Group applied for the "Temporary Emergency Bridging Measure for Sustained Employment" (NOW) as introduced by the Dutch Government. The 2022 NOW compensation amounts to EUR 134 million for the period January until March 2022 and relates to NOW 6, the last NOW period. The 2021 NOW compensation amounts to EUR 771 million for the period January until December 2021.

For the voluntary leave, legal provision and restructuring plans and settlements/curtailments of pension plans, reference is made to note 28 Alternative performance measures.

Pension and early-retirement plan cost comprises:

	2022	2021
Defined benefit plans	16	93
Defined contribution plans	288	223
Total	304	316

Defined benefit plans and early-retirement plan cost comprises:

	2022	2021
Current service cost	11	86
Interest expense	13	41
Interest income	(10)	(39)
Administration cost	2	5
Total	16	93

In the financial year 2022 the defined benefit cost recognised in profit or loss for the major defined benefit plans recognised in the statement of profit or loss amounted to EUR 16 million (2021 EUR 93 million) and the total contributions paid by the Group amounted to EUR 14 million (2021 EUR 83 million, excluding EUR 63 million cash settlement related to the KLM Ground staff plan in 2021). The 2022 amounts are far less than for 2021, following the derecognition of the KLM Ground staff plan in the course of 2021. Reference is made to note 18 Provisions for employee benefits. The contributions paid in the financial year 2022 include additional deficit funding for the Dutch KLM plans amounting to EUR nil million (2021 EUR nil million) and in the United Kingdom amounting to EUR 12 million (2021 EUR 12 million).
The Group's projected defined benefit plans and early retirement plan cost for 2023 amount to EUR 11 million. The Group's expected cash contributions for these plans amount to EUR 8 million.

Post-employment medical benefits cost comprises:

	2022	2021
Interest cost	1	1
Total	1	1

Other long-term employee benefits comprise:

	2022	2021
Current service cost	5	5
Interest cost	1	-
Immediate recognition of (gains)/losses	1	7
Other	-	-
Total	7	12

Number of full-time equivalent employees:

	2022	2021
Average for year		
Flight deck crew	3,432	3,427
Cabin crew	7,670	7,089
Ground staff	16,322	16,091
Total	27,424	26,607

	2022	2021
Average for year		
The Netherlands	24,525	23,705
Outside the Netherlands	2,899	2,902
	27,424	26,607

As at December 31,	2022	2021
Flight deck crew	3,465	3,392
Cabin crew	8,021	6,795
Ground staff	16,715	16,089
Total	28,201	26,276

26. Other income and expenses

	2022	2021
Capitalised production	235	213
Operating currency hedging recycling	74	14
Other expenses	(129)	(67)
Other income and expenses	180	160

Other expenses includes European carbon emission (ETS) expenses of EUR 78 million for 2022 (2021: EUR 16 million).

27. Amortisation, depreciation, impairments and movements in provision

	2022	2021
Amortisation of intangible assets	79	82
Depreciation of flight equipment	451	411
Depreciation of other property and equipment	67	70
Amortisation of right of use assets	387	380
Sale of assets	(53)	(15)
Impairment of fixed assets	8	-
Movements in provision	(10)	(21)
Total	929	907

For sale of assets and impairment of fixed assets, reference is made to note 28 Alternative performance measures.

28. Alternative performance measures (APMs)

As at December 31,	Note	2022	2021
Income from operating activities		743	(1,176)
Amortisation, depreciation, impairment and movement in provisions	27	929	907
EBITDA		**1,672**	**(269)**
APM adjustments to EBITDA:			
Voluntary leave and restructuring plans	25	6	4
Settlement pension plans	25	-	938
Legal provision	25	-	22
Total APM adjustments to EBITDA		**6**	**964**
Adjusted EBITDA		**1,678**	**695**
Income from operating activities		**743**	**(1,176)**
APM adjustments to income from operating activities:			
Total APM adjustments to EBITDA		6	964
Result of sale of assets	27	(53)	(15)
Impairment of fixed assets	27	8	-
Movement in provisions	27	2	-
Total APM adjustments		**(37)**	**949**
Adjusted income from operating activities		**706**	**(227)**

For a description of APMs reference is made to the Alternative performance measures section in the Notes to the consolidated financial statements.

The 2022 APM adjustments show an overall positive amount of EUR 37 million (2021: EUR 949 million negative). The definition of APMs was not adjusted in 2022.

The 2022 APM adjustments to EBITDA relate to voluntary leave plans and restructuring provisions amounting to EUR 6 million. Reference is made to note 18 Provisions for employee benefits.

The 2022 APM adjustments to income from operating activities relate to the profit on the sale of London Heathrow slots of EUR 31 million, release of maintenance and phase out provision related to the conversion of Right-of-use assets to in substance purchases of aircraft of EUR 18 million, sale of B747 engines of EUR 3 million and sale of tangible fixed assets abroad for EUR 1 million. Partly off set by the impairment of a tangible and an intangible fixed assets related project of in total EUR 8 million. All with reference to note 27 Amortisation, depreciation, impairments and movements in provision.

In summary the 2021 APM adjustments to EBITDA mainly relate to the settlement of the KLM Ground staff pension plan for a total amount of EUR 938 million (non-cash EUR 875 million and cash EUR 63 million). Reference is made to note 18 Provisions for employee benefits. In addition a legal provision of EUR 22 million related to a case brought against KLM by (former) Martinair pilots. Reference is made to note 19 Return obligations liability and other provisions and note 22 Contingent assets and liabilities. And finally EUR 4 million relates to 2021 voluntary leave plans and restructuring provisions expenses.

The 2021 APM adjustments to income from operating activities relate to result on sale of assets (mainly the last Boeing 747 combi aircraft) amounting to EUR 15 million.

29. Cost of financial debt

	2022	2021
Cost of financial debt		
Loans from third parties	69	82
Interest on financial debt	26	18
Interest on lease debt	82	86
Other interest expenses	1	33
Total gross cost of financial debt	**178**	**219**
Income from cash and cash equivalents		
Finance income	(30)	(14)
Total income from cash and cash equivalents	**(30)**	**(14)**
Net cost of financial debt	**148**	**205**

	2022	2021
Foreign currency exchange gains/(losses)	(11)	43
Fair value gains/(losses)	(90)	(133)
Other financial income and expenses	(55)	(45)
Total other financial income and expenses	**(156)**	**(135)**

The fair value results recorded in the financial year mainly consist of the unrealised revaluation of other balance sheet items amounting to EUR 76 million negative (2021: EUR 133 million negative), the ineffective/time value portion of fuel, interest rate and foreign currency exchange derivatives for EUR 14 million negative (2021: EUR 2 million negative) and revaluation of AIR FRANCE KLM S.A. shares for 3 million negative (2021: EUR 2 million negative).

Other financial income and expenses includes additions of EUR 53 million (2021: EUR 43 million) to (maintenance) provisions resulting from the discounting effect in provision calculations.

30. Income tax expense/benefit

	2022	2021
Deferred tax (income)/expense relating to the origination and reversal of temporary differences and tax losses	(344)	(255)
Current tax (income)/expense	39	-
Total tax (income)/expenses	**(305)**	**(255)**

The applicable average tax rate in the Netherlands for the financial year 2022 is 25.8% (2021: 25%).

End 2021 it was announced that the Dutch income tax will increase to 25.8% as from 2022. The impact of these changes related to the specific years is presented in 2021 in the line "Increase/Reduction tax rate" in below table.

The average effective tax rate is reconciled to the applicable tax rate in the Netherlands as follows:

in %	2022	2021
Applicable average tax rate in The Netherlands	**25.8**	**25.0**
Impact of:		
Non-deductible expenses	(7.5)	(1.3)
Increase/Reduction tax rate	(0.3)	0.1
Provision deferred tax asset	(87.5)	(6.9)
Effective tax rate	**(69.5)**	**16.9**

31. Share-based payments

Phantom shares

The movement in the number of phantom performance shares granted is as follows:

	2022	2021
As at January 1	399,998	680,694
Granted	-	98,955
Forfeited	(11,320)	(1,650)
Conditional	-	(297,919)
Exercised	(146,773)	(80,082)
As at December 31	241,905	399,998

The date of expiry of the phantom shares is as follows:

Grant related to financial year	Phantom shares expiry date	2022	2021
2015	April 1, 2021	-	22,000
2016	April 1, 2022	-	107,253
2017	April 1, 2023	96,694	107,155
2018	April 1, 2024	84,606	92,154
2019	April 1, 2025	60,605	71,436
	Carrying number	241,905	399,998

The phantom shares generate an amount of cash, which is equal to the AIR FRANCE KLM share price at the moment of selling of the shares. The number of vested phantom shares depends on the following criteria: AIR FRANCE KLM total shareholders return (30%), KLM Group Return on Capital Employed (40%) and AIR FRANCE KLM position in the Dow Jones Sustainability Index (30%).
The maximum number of phantom shares that may be granted to an individual employee in any year is related to their job grade.

Subject to restrictions relating to the prevention of insider-trading, phantom shares may be exercised at any time between the third and the fifth anniversary of the day of grant. Phantom shares are forfeited when employees leave the Company's employment.

Under the Long-Term Incentive plan 2017, executive employees of KLM have received (conditional and unconditional) phantom shares per April 1, 2018. The first tranche has vested for 114.0% per April 2018. The second tranche has vested for 74.8% per April 2019. The third tranche has vested for 102.1% in April 2020. The 2017 plan has an intrinsic value of EUR 0.1 million as at December 31, 2022.

Under the Long-Term Incentive plan 2018, executive employees of KLM have received (conditional and unconditional) phantom shares per April 1, 2019.
The first tranche has vested for 74.8% per April 2019. The second tranche has vested for 102.1% in April 2020. The third tranche relates to the 2020 financial results and have, with reference to the Dutch State support package conditions and the applicable NOW regulations, not been vested. The 2018 plan has an intrinsic value of EUR 0.1 million as at December 31, 2022.

Under the Long-Term Incentive plan 2019 (pertaining to the financial year 2019), executive employees of KLM have received (conditional and unconditional) phantom shares per April 1, 2020. The first tranche has vested for 102.1% per April 2020. The second and third tranche respectively relate to the 2021 and 2022 financial results and have, with reference to the Dutch State support package conditions and the applicable NOW regulations, not been vested. The 2019 plan has an intrinsic value of EUR 0.1 million as at December 31, 2022.

Under the Long-Term Incentive plans 2020, 2021 and 2022, no grantings have taken place for the years 2020, 2021 and 2022, due to the same the Dutch State support package conditions and applicable NOW regulations.

32. Supervisory Board remuneration

			2022			2021
(Amounts in EUR)	As Supervisory Board member	As Committee member	Total	As Supervisory Board member	As Committee member	Total
C.C. 't Hart	42,500	12,000	54,500	34,000	2,400	36,400
F. Enaud	26,500	12,000	38,500	21,200	2,400	23,600
M.T.H. de Gaay Fortman (until May 4, 2021)				7,238	1,200	8,438
J.C. de Jager	26,500	5,000	31,500	21,200	2,400	23,600
C. Nibourel	26,500	-	26,500	21,200	-	21,200
M.J. Oudeman (as from May 4, 2021)	26,500	14,500	41,000	13,963	2,400	16,363
F. Pellerin	26,500	2,000	28,500	21,200	2,400	23,600
P.F. Riolacci	26,500	10,000	36,500	21,200	4,800	26,000
B. Smith	-	-	-	-	-	-
B.J. Vos	26,500	-	26,500	21,200	-	21,200
Total	228,000	55,500	283,500	182,401	18,000	200,401

Due to COVID-19 and its significant impact on the Company, the Supervisory Board voluntarily reduced, its 2021 remuneration by 20% compared to the 2019 base remuneration. In 2022, this voluntary reduction has no longer been applied. The remuneration paid to the Supervisory Board is not linked to the Company's results.

Mr. Smith, in his capacity as Chief Executive Officer of AIR FRANCE KLM, does not receive a remuneration for his KLM Supervisory Board membership.

For further information on the remuneration policy relating to Supervisory Board members, see the Remuneration Policy and Report in the Board and Governance section.

Other transactions with Supervisory Board members

Apart from the transactions described above there were no other transactions such as loans or advances to or from or guarantees given on behalf of members of the Supervisory Board.

33. Board of Managing Directors remuneration

The execution of the remuneration policy is affected by the conditions imposed by the State in connection with the Dutch State support package. Therefore, the existing KLM remuneration policy has again not been applied in 2022, similar to 2021 and 2020 with respect to the variable income (both short-term and long-term incentive). For the Dutch State support package conditions with respect to remuneration, the financial year 2019 serves as a reference year. For this reason, the 2019 comparative figures have been included.

Total remuneration (base salary, short- and long-term incentive plan and pensions)

(amounts in EUR)	2022	2021	2020	2019	2022 versus 2019 in %
M.E.F. Rintel (as from July 1, 2022)	401,863				
P.J.Th. Elbers (until October 1, 2022) *	480,543	705,142	722,818	1,322,953	(52)%
M.P.A. Stienen (as from September 1, 2022)	129,379				
R.M. de Groot (until October 1, 2022)	334,916	494,041	494,829	754,217	(41)%
E.R. Swelheim	508,331	508,116	474,870	764,753	(34)%
Total	1,855,032	1,707,299	1,692,517	2,841,923	

* Mr. Elbers was succeeded as President & Chief Executive Officer and thus as statutory director of the company on July 1, 2022. His employment agreement was terminated by KLM as of October 1, 2022. In the so-called Article 96Rv proceedings, the court has ruled in August 2022, that Mr. Elbers, duly giving consideration to his 30 years of service, is entitled to the statutory transition payment for an amount of EUR 894,214 (which equals approximately 1 annual salary, including some additional elements, such as pension allowance). The court also ruled that pre-COVID obligations had to be paid, including statutory interest and legal increase. Excluding the transition payment, Mr. Elbers' total remuneration in 2022 was EUR 480,543, which is 52% lower than his remuneration over the comparable period in 2019. Related to the statutory transition payment a tax levy is payable by the Company of EUR 619,100 as required pursuant to Article 32bb under the Dutch payroll tax law. Including the aforementioned statutory transition payment and the tax levy the total 2022 Board of Managing Directors cost is EUR 3,368,346.

As per the conditions attached to the Dutch State support package, no STI and LTI have been awarded in 2022.

Base salary

(amounts in EUR)	2022	2021	2020	2019
M.E.F. Rintel (as from July 1, 2022)	300,000			
P.J.Th. Elbers (until October 1, 2022)	450,000	600,000	535,185	585,000
M.P.A. Stienen (as from September 1, 2022)	110,000			
R.M. de Groot (until October 1, 2022)	292,500	390,000	390,000	390,000
E.R. Swelheim	406,453	390,000	390,000	390,000
Total	1,558,953	1,380,000	1,315,185	1,365,000

Base salaries of Board members have been kept stable in 2020 and 2021. In 2022, Mr. Swelheim's base salary has been increased, partially compensating for inflation impact.

Short-term incentive plan

Because of the conditions imposed by the State in connection with the Dutch State support package, no short-term incentive has been awarded in 2022, as has been the case in 2021 as well. In 2020, the Board of Managing Directors voluntarily waived the short-term incentive, before the Dutch State support package was concluded.

(amounts in EUR)	2022 Short-term incentive plan	2021 Short-term incentive plan	2020 Short-term incentive plan	2019 Short-term incentive plan
M.E.F. Rintel (as from July 1, 2022)	-			
P.J.Th. Elbers (until October 1, 2022)	-	-	-	342,000
M.P.A. Stienen (as from September 1, 2022)	-			
R.M. de Groot (until October 1, 2022)	-	-	-	159,120
E.R. Swelheim	-	-	-	154,050
Total	-	-	-	655,170

With reference to the Article 96Rv judgment, in which the court also ruled that certain deferred obligations must be settled by KLM, the postponed short-term incentives, relating to calendar year 2019, have been paid out in the second half of 2022 to the managing directors who were still entitled to this.

Other allowances and benefits in kind

The members of the Board of Managing Directors were entitled to other allowances and benefits including a company car and customary plans such as disability insurance and a fixed monthly allowance of EUR 440 for business expenses not otherwise reimbursed.

Pensions

As per the remuneration policy the total pension benefits for the Board of Managing Directors, like for other KLM employees with a salary above the fiscal regime of EUR 114,886 (2022), consist of two parts: 1) pension cost and 2) pension allowance.

Annual variations are based on the pension calculations as provided for in the KLM Ground pension fund. These annual variations in costs have been included.

Pension cost (post-employment benefit)

(amounts in EUR)	2022	2021	2020	2019
M.E.F. Rintel (as from July 1, 2022)	14,818			
P.J.Th. Elbers (until October 1, 2022)	20,822	29,878	20,417	25,593
M.P.A. Stienen (as from September 1, 2022)	10,342			
R.M. de Groot (until October 1, 2022)	23,324	30,375	22,404	23,261
E.R. Swelheim	31,098	30,375	16,247	15,117
Total	100,404	90,628	59,068	63,971

Pension allowance (short-term benefit)

Given the Dutch fiscal regime the members of the Board of Managing Directors receive a pension allowance for the pensionable salary above EUR 114,886 (2022). This gross pension allowance can, after deduction of applicable wage taxes, either be used to participate in the KLM net pension savings scheme (defined contribution plan) or be paid out as net allowance. This scheme is similar to that of all other employees with a salary above the pensionable salary threshold.

(amounts in EUR)	2022	2021	2020	2019
M.E.F. Rintel (as from July 1, 2022)	84,405			
P.J.Th. Elbers (until October 1, 2022)	116,527	167,445	162,841	149,381
M.P.A. Stienen (as from September 1, 2022)	7,603			
R.M. de Groot (until October 1, 2022)	78,729	102,777	100,134	97,676
E.R. Swelheim	119,762	116,852	113,866	111,061
Total	407,026	387,074	376,841	358,118

External Supervisory Board memberships

According to the remuneration policy the Board of Managing Directors may retain payments they receive from other remunerated positions with a maximum number of 2 positions per Managing Director. The amount ceded to the Company amounts to EUR 15,000 (December 31, 2021 EUR 15,000) and concerns a remunerated position in connection with Supervisory Board membership in Transavia.

Other transactions with members of the Board of Managing Directors

Apart from the transactions described above there were no other transactions such as loans or advances to or from or guarantees given on behalf of members of the Board of Managing Directors.

Long-term incentive plan

No grantings and vestings have taken place for the years that relate to the performance of financial year 2020, 2021 and 2022 for both the KLM LTI scheme (all Board of Managing Directors members) and the AFKL SLTI scheme for the former CEO. The current CEO is, in line with the Dutch State support package, not entitled to a 2022 AIR FRANCE KLM LTI plan.

In general, as an incentive to make a longer-term commitment to the Company, phantom shares are granted to members of the Board of Managing Directors on the basis of their reaching agreed personal performance targets. Subject to restrictions relating to the prevention of insider-trading, (phantom) shares may be exercised at any time between the third and the fifth anniversary of the day of grant. After five years any then outstanding (phantom) shares are forfeited.

Under the AIR FRANCE KLM specific long-term incentive (SLTI) plan, the former KLM CEO was entitled to a number of AIR FRANCE KLM shares. The shares granted in 2019 under this SLTI have vested partially per April 1, 2022 (14,990 AIR FRANCE KLM shares).

As part of past obligations (financial years 2019 and earlier), current and former members of the Board of Managing Directors still have the positions, as included in the table below, with respect to the phantom shares granted over the years 2015-2019 under the KLM LTI plan.

The vested phantom shares related to the financial years 2015 and 2016 have been sold and paid out at, the March 31, 2021 AIR FRANCE KLM share price and the March 31, 2022 AIR FRANCE KLM share price respectively, as shown in below table.

At December 31, 2022, the current and former members of the Board of Managing Directors have the following positions with respect to the phantom shares granted under the KLM long-term incentive plan pertaining to the years 2019 and earlier:

Grant related to financial year	Number of phantom shares granted	Expiry date	Number of phantom shares forfeited	Number of phantom shares exercised	Average share price at exercise	Number of phantom shares conditional	Number of phantom shares vested	Total outstanding as at December 31, 2022
M.E.F. Rintel (as from July 1, 2022)								
2022	nil							–
	–		–	–		–	–	–
P.J.Th. Elbers (until Oct 1, 2022)								
2015	10,000		–	10,000	5.10	–	–	–
2016	10,000	1-Apr-22	–	10,000	4.09	–	–	–
2017	10,000	1-Apr-23	303	–		–	9,697	9,697
2018	21,354	1-Apr-24	4,834	–		3,929	12,591	16,520
2019	46,875	1-Apr-25	18,203	–		12,719	15,953	28,672
2020	nil							–
2021	nil							–
2022	nil							–
	98,229		23,340	20,000		16,648	38,241	54,889
M.P.A Stienen (as from Sept. 1, 2022)								
2017	750	1-Apr-23	23	–		–	727	727
2018	750	1-Apr-24	170	–		138	442	580
2019	750	1-Apr-25	291	–		204	255	459
2020	nil							–
2021	nil							–
2022	nil							–
	2,250		484	–		342	1,424	1,766
R.M. de Groot (until Oct. 1, 2022)								
2015	6,000		–	6,000	5.10	–	–	–
2016	6,000	1-Apr-22	–	6,000	4.09	–	–	–
2017	6,000	1-Apr-23	182	–		–	5,818	5,818
2018	11,688	1-Apr-24	2,645	–		2,151	6,892	9,043
2019	24,375	1-Apr-25	24,375	–		–	–	–
2020	nil							–
2021	nil							–
2022	nil							–
	54,063		27,202	12,000		2,151	12,710	14,861
E.R. Swelheim								
2015	6,000		–	6,000	5.10	–	–	–
2016	6,000	1-Apr-22	–	6,000	4.09	–	–	–
2017	6,000	1-Apr-23	182	–		–	5,818	5,818
2018	11,688	1-Apr-24	2,645	–		2,151	6,892	9,043
2019	24,375	1-Apr-25	9,465	–		6,615	8,296	14,910
2020	nil							
2021	nil							
2022	nil							
	54,063		12,292	12,000		8,765	21,006	29,771
Total	208,605		63,319	44,000		27,905	73,381	101,286

As mentioned, no granting took place in connection with financial years 2022, 2021 and 2020. All above mentioned positions thus relate to the pre-COVID-19 years.

Cost of phantom shares is based on IFRS accounting standards and does not reflect the value of the phantom shares at the vesting date.

Cost in 2022 of the vested phantom shares and the AIR FRANCE KLM SLTI plan for Mr. Elbers of EUR 110,766 negative, including legal interest, (2021: EUR 97,461 negative) relate to an annual technical revaluation of the phantom shares portfolio and AIR FRANCE KLM shares following the 2022 decrease of the AIR FRANCE KLM share price.

Cost in 2022 of the vested phantom shares for Mr. Stienen of EUR 326 negative, for Mr. de Groot of EUR 63,597 negative (2021: EUR 34,391 negative) and for Mr. Swelheim EUR 54,262 negative (2021: EUR 34,391 negative) relate to an annual technical revaluation of the phantom shares portfolio following the 2022 decrease of the AIR FRANCE KLM share price.

As at December 31, 2022 Mrs. Rintel, Mr. Stienen and Mr. Swelheim did not hold any AIR FRANCE KLM shares.

34. Related party transactions

The Group has interests in various associates in which it has either significant influence in but not control or joint control over operating and financial policy.

As part of its business operations, the Group enters into transactions with related parties which are negotiated at commercial conditions and prices and are not more favorable than those which would have been negotiated with third parties on an arm's length basis.

In February 2019 the State of the Netherlands acquired a 14.0% stake in the Group's ultimate parent company, AIR FRANCE KLM S.A. As a result the State of the Netherlands and Royal Schiphol Group, being a State-owned entity, are regarded as related parties as from 2019. As per December 31, 2022, the State of the Netherlands has a 9.3% stake in AIR FRANCE KLM S.A. in addition, the Dutch Government is a direct shareholder in KLM N.V. (reference is made to Note 10).

Transactions conducted with the Dutch State are limited to normal economic transactions, taxation and other administrative relationships, with the exception of items specifically disclosed in this note. Normal economic transactions mainly relate to air transport and are entered into under the same commercial and market terms that apply to non-related parties.

In financial year 2020, 2021 and the first quarter of 2022 the Group applied for the "Temporary Emergency Bridging Measure for Sustained Employment" (NOW) as installed by the Dutch Government (reference is made to Note 25), made use of the possibility to delay payment of taxes (reference is made to Note 5) and received a Dutch State support package in 2020. The amounts drawn under this package in 2020 have been repaid in the first half year of 2022. As per June 30, 2022 no amounts have been drawn (reference is made to Note 14 Other financial liabilities).

The transactions with Royal Schiphol Group relate to land and property rental agreements and airport and passenger related fees. In addition Royal Schiphol Group collects airport fees on their behalf.

The following transactions were carried out with related parties:

	2022	2021
Sales of goods and services		
AIR FRANCE KLM Group companies	276	233
Associates	-	-
Other related parties	42	22
Purchases of goods and services		
AIR FRANCE KLM Group companies	373	342
Associates	-	-
Other related parties	191	138

For details of the year-end balances of amounts due to and from related parties see notes 8 and 20. In 2021 and 2022 no dividends have been received from jointly controlled entities interests (see note 4).

For information relating to transactions with members of the Supervisory Board and Board of Managing Directors, see note 31 to 33. For information relating to transactions with pension funds for the Group's employees see note 18.

35. Primary segment reporting

2022	Network	Maintenance	Leisure	Other	Eliminations	Total
Revenues						
Revenues External	8,958	710	992	19	-	10,679
Revenues Internal	112	742	-	193	(1,047)	-
Total revenue	9,070	1,452	992	212	(1,047)	10,679
Adjusted EBITDA*	1,392	147	112	27	-	1,678
APM adjustments to EBITDA*	(6)	(1)	-	1	-	(6)
Income from current activities	632	42	25	7	-	706
APM adjustments to income from operating activities*	43	(1)	(3)	(2)	-	37
Financial Income and expenses						(304)
Income tax income/(expense)						305
Share of results of equity shareholdings						-
Profit for the year						744
Amortisation, depreciation and movements in provision	(708)	(105)	(89)	(27)	-	(929)
Other financial income and expenses	(129)	14	(30)	(11)	-	(156)
Assets						
Intangible assets	256	278	32	(23)	-	543
Flight equipment	3,373	666	393	-	-	4,432
Other property, plant and equipment	294	280	3	8	-	585
Right-of-use assets	1,278	102	224	2	-	1,606
Trade receivables	422	(28)	10	3	-	407
Other assets	3,408	651	182	89	-	4,330
Total assets	9,031	1,949	844	79	-	11,903
Additions to fixed assets	398	105	110	-		
Liabilities						
Deferred revenues on sales	1,639	157	148	-	-	1,944
Other liabilities	6,268	2,093	1,371	91	-	9,823
Total liabilities	7,907	2,250	1,519	91	-	11,767

2021	Network	Maintenance	Leisure	Other	Eliminations	Total
Revenues						
Revenues External	5,089	471	484	21	-	6,065
Revenues Internal	161	620	-	139	(920)	-
Total revenue	**5,250**	**1,091**	**484**	**160**	**(920)**	**6,065**
Adjusted EBITDA*	437	146	67	45	-	695
APM adjustments to EBITDA*	(697)	(269)	1	1	-	(964)
Income from current activities	(270)	51	(30)	22	-	(227)
APM adjustments to income from operating activities*	(682)	(269)	1	1	-	(949)
Financial income and expenses						(340)
Income tax income/(expense)						255
Share of results of equity shareholdings						3
(Loss) for the year						**(1,258)**
Amortisation, depreciation and movements in provision	(692)	(95)	(97)	(23)	-	(907)
Other financial income and expenses	(109)	(5)	(30)	9	-	(135)
Assets						
Intangible assets	251	239	16	6	-	512
Flight equipment	3,518	592	367	-	-	4,477
Other property, plant and equipment	316	290	3	9	-	618
Right-of-use assets	1,265	93	269	3	-	1,630
Trade receivables	377	(30)	13	4	-	364
Other assets	2,390	472	63	99	-	3,024
Total assets	**8,117**	**1,656**	**731**	**121**	**-**	**10,625**
Additions to fixed assets	625	99	42	-		
Liabilities						
Deferred revenues on sales	1,245	137	95	-	-	1,477
Other liabilities	8,240	570	944	89	-	9,843
Total liabilities	**9,485**	**707**	**1,039**	**89**	**-**	**11,320**

* See note 28 Alternative performance measures (APM) for the reconciliation to adjusted EBITDA and adjusted income from operating activities. Also see the Alternative performance measures section in the Notes to the Consolidated financial statements.

The intangible assets, flight equipment, other property, plant and equipment, right-of-use assets and allocated working capital have been tested for impairment as disclosed in the Impairment of assets section in the Accounting policies for the balance sheet in the Notes to the consolidated financial statements.

36. Secondary segment reporting

Revenues by destination 2022	Europe, North Africa	Caribbean, Indian Ocean	Africa, Middle East	Americas Polynesia	Asia, New Caledonia	Total
Scheduled passenger	2,244	486	876	2,561	887	7,054
Other passenger revenues	50	11	19	56	20	156
Total passenger revenues	2,294	497	895	2,617	907	7,210
Scheduled cargo	11	33	317	826	236	1,423
Other cargo revenues	2	8	72	189	54	325
Total cargo revenues	13	41	389	1,015	290	1,748
Total network revenues	2,307	538	1,284	3,632	1,197	8,958
Maintenance	710	-	-	-	-	710
Other revenues	1,011	-	-	-	-	1,011
Total maintenance and other	1,721	-	-	-	-	1,721
Total revenues by destination	4,028	538	1,284	3,632	1,197	10,679

Revenues by destination 2021	Europe, North Africa	Caribbean, Indian Ocean	Africa, Middle East	Americas Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1,082	267	380	887	380	2,996
Other passenger revenues	41	10	14	34	14	113
Total passenger revenues	1,123	277	394	921	394	3,109
Scheduled cargo	14	30	303	911	401	1,659
Other cargo revenues	3	6	59	176	77	321
Total cargo revenues	17	36	362	1,087	478	1,980
Total network revenues	1,140	313	756	2,008	872	5,089
Maintenance	471	-	-	-	-	471
Other revenues	505	-	-	-	-	505
Total maintenance and other	976	-	-	-	-	976
Total revenues by destination	2,116	313	756	2,008	872	6,065

Geographical analysis of assets: the major revenue-earning asset of the Group is the fleet, the majority of which are registered in the Netherlands. Since the Group's fleet is employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

37. Subsidiaries

The following is a list of the Company's significant subsidiaries as at December 31, 2022:

Name	Country of incorporation	Ownership interest in %	Proportion of voting power held in %
Transavia Airlines C.V.	the Netherlands	100	100
Martinair Holland N.V.	the Netherlands	100	100
KLM Cityhopper B.V.	the Netherlands	100	100
KLM Cityhopper UK Ltd.	United Kingdom	100	100
KLM UK Engineering Ltd.	United Kingdom	100	100
European Pneumatic Component Overhaul & Repair B.V.	the Netherlands	100	100
KLM Catering Services Schiphol B.V.	the Netherlands	100	100
KLM Flight Academy B.V.	the Netherlands	100	100
KLM Health Services B.V.	the Netherlands	100	100
KLM Equipment Services B.V.	the Netherlands	100	100
Cygnific B.V.	the Netherlands	100	100

The full list of the Company's subsidiaries, associates, jointly controlled entities and non-controlling interests has been, in line with Section 379 and Section 414 of Book 2 of the Dutch Civil Code, filed at the Chamber of Commerce together with this Annual Report.

Company balance sheet

Before proposed appropriation of the result for the year

In millions of Euros	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	38	4,060	4,177
Right-of-Use asset	39	1,047	1,153
Intangible assets		499	479
Investments accounted for using the equity method	40	658	544
Other non-current assets	5	164	156
Other financial assets	41	516	452
Deferred tax assets	49	438	70
Pension assets	18	7	-
		7,389	7,031
Current assets			
Other current assets	5	179	230
Other financial assets	41	165	51
Inventories		192	171
Trade and other receivables	42	2,272	1,643
Cash and cash equivalents	43	459	214
		3,267	2,309
TOTAL ASSETS		**10,656**	**9,340**

In millions of Euros	Note	December 31, 2022	December 31, 2021
EQUITY			
Capital and reserves			
Share capital	44	125	94
Share premium		474	474
Reserves	44	473	426
Retained earnings		(1,683)	(433)
Result for the year		743	(1,259)
Total attributable to Company's equity holders		132	(698)
LIABILITIES			
Non-current liabilities			
Financial debt	45	1,320	960
Lease debt	46	648	695
Other non-current liabilities	5	1,215	1,352
Other financial liabilities	47	773	1,829
Deferred income	48	234	259
Return obligation liability and other provisions	50	1,131	1,100
		5,321	6,195
Current liabilities			
Trade and other payables	51	2,903	2,097
Financial debt	45	205	100
Lease debt	46	196	212
Other current liabilities	5	107	88
Other financial liabilities	47	175	185
Deferred income	48	1,388	986
Current tax liabilities	49	39	-
Return obligation liability and other provisions	50	190	175
		5,203	3,843
Total liabilities		10,524	10,038
TOTAL EQUITY AND LIABILITIES		**10,656**	**9,340**

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

Company statement of profit or loss

In millions of Euros	2022	2021
Profit/(loss) from investments accounted for using equity method after taxation	30	13
Profit/(loss) of KLM N.V. after taxation	713	(1,272)
Profit/(loss) for the year after taxation	743	(1,259)

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

Notes to the Company financial statements

General
The Company financial statements are part of the 2022 financial statements of KLM Royal Dutch Airlines (the "Company").

Assessment of going concern
Regarding the assessment of going concern as at the date of this Annual Report reference is made to the Assessment of going concern paragraph in the Notes to the consolidated financial statements.

Subsequent event
Regarding the subsequent event as at the date of this Annual Report reference is made to the Subsequent event paragraph in the Notes to the consolidated financial statements.

Significant accounting policies
The principal accounting policies applied in the preparation of the Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Principles for the measurement of assets and liabilities and the determination of the result
In determining the principles to be used for the recognition and measurement of assets and liabilities and the determination of the result for its separate financial statements, the Company makes use of the option provided in Section 362 (8) of Book 2 of the Dutch Civil Code. This section permits companies to apply the same principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company financial statements as those applied for the consolidated EU-IFRS financial statements.

The Company makes use of the option provided in Section 402 of Book 2 of the Dutch Civil Code. This section permits companies to present a condensed company statement of profit or loss given that the Company's financial information is consolidated in the Consolidated financial statements of the ultimate parent company AIR FRANCE KLM S.A.

Subsidiaries are accounted for using the equity method and investments accounted for using the equity method, over which significant influence is exercised, are stated on that basis. The share in the result of these investments comprises the share of the Company in the result of these investments. Results on transactions, where the transfer of assets and liabilities between the Company and its investments and mutually between these investments themselves, are not incorporated insofar as they can be deemed to be unrealised.

All amounts (unless specified otherwise) are stated in millions of Euros (EUR million).

For notes and/or details, which are not explained in the notes to the Company financial statements reference is made to the notes and/or details of the Consolidated financial statements.

38. Property, plant and equipment

	Flight equipment			Other property and equipment					
	Owned aircraft	Other flight equipment	Total	Land and buildings	Equipment and fittings	Other property and equipment	Total	Prepayments	Total
Historical cost									
As at Jan. 1, 2022	4,031	2,057	6,088	717	221	300	1,238	491	7,817
Additions	-	117	117	-	-	-	-	285	402
Disposals	-	(183)	(183)	(5)	(2)	(7)	(14)	-	(197)
Reclassifications	60	180	240	18	1	11	30	(341)	(71)
Other movements	-	-	-	-	-	-	-	(26)	(26)
As at Dec. 31, 2022	4,091	2,171	6,262	730	220	304	1,254	409	7,925
Accumulated depreciation and impairment									
As at Jan. 1, 2022	2,017	886	2,903	381	160	196	737	-	3,640
Depreciation	183	175	358	31	9	19	59	-	417
Disposals	-	(180)	(180)	(4)	(2)	(7)	(13)	-	(193)
Reclassifications	-	73	73	-	-	-	-	(73)	-
Other movements	-	-	-	2	(1)	-	1	-	1
As at Dec. 31, 2022	2,200	954	3,154	410	166	208	784	(73)	3,865
Net carrying amount									
As at Jan. 1, 2022	2,014	1,171	3,185	336	61	104	501	491	4,177
As at Dec. 31, 2022	1,891	1,217	3,108	320	54	96	470	482	4,060

	Flight equipment			Other property and equipment					
	Owned aircraft	Other flight equipment	Total	Land and buildings	Equipment and fittings	Other property and equipment	Total	Prepayments	Total
Historical cost									
As at Jan. 1, 2021	4,007	2,053	6,060	693	214	293	1,200	724	7,984
Additions	43	175	218	29	7	13	49	32	299
Disposals	(73)	(179)	(252)	(7)	-	(6)	(13)	-	(265)
Other movements	54	8	62	2	-	-	2	(265)	(201)
As at Dec. 31, 2021	4,031	2,057	6,088	717	221	300	1,238	491	7,817
Accumulated depreciation and impairment									
As at Jan. 1, 2021	2,001	854	2,855	355	151	180	686	-	3,541
Depreciation	177	148	325	32	9	22	63	-	388
Disposals	(67)	(179)	(246)	(7)	-	(6)	(13)	-	(259)
Other movements	(94)	63	(31)	1	-	-	1	-	(30)
As at Dec. 31, 2021	2,017	886	2,903	381	160	196	737	-	3,640
Net carrying amount									
As at Jan. 1, 2021	2,006	1,199	3,205	338	63	113	514	724	4,443
As at Dec. 31, 2021	2,014	1,171	3,185	336	61	104	501	491	4,177

In 2022 an impairment of EUR 4 million was recorded related to a project, which was stopped before putting in use. The asset is related to Other business. In the table above this amount is included in prepayments other movements and reference is made to note 27 Amortisation, depreciation, impairments and provisions and note 28 Alternative performance measures.

The assets include assets which are held as security for mortgages and loans as follows:

As at December 31,	2022	2021
Aircraft	93	121
Land and buildings	130	132
Other property and equipment	38	43
Carrying amount	261	296

Borrowing cost capitalised during the year amounted to EUR 7 million (2021 EUR 9 million). The interest rate used to determine the amount of borrowing cost to be capitalised was 3.8% (2021: 3.1%).

Land and buildings include buildings located on land which has been leased on a long-term basis. The book value of these buildings as at December 31, 2022 was EUR 220 million (December 31, 2021 EUR 227 million).

39. Right-of-use assets

	Aircraft	Maintenance	Land & Real Estate	Others	Total
Net value					
As at January 1, 2022	613	351	94	95	1,153
New contracts	-	22	7	4	33
Renewal or extension options	56	(4)	23	1	76
Disposals	-	(8)	-	-	(8)
Reclassifications	(2)	129	-	(60)	67
Amortisation	(156)	(92)	(14)	(12)	(274)
As at December 31, 2022	511	398	110	28	1,047
Net value					
As at January 1, 2021	700	390	106	114	1,310
New contracts	-	-	2	12	14
Renewal or extension options	95	(8)	-	9	96
Disposals	-	(55)	-	(5)	(60)
Reclassifications	(1)	79	-	(5)	73
Amortisation	(181)	(55)	(14)	(30)	(280)
Other movements	-	-	-	-	-
As at December 31, 2021	613	351	94	95	1,153

Information related to lease debt is available in note 46.

The table below indicates the rents resulting from lease and service contracts which are not capitalised:

	2022	2021
Variable rents	7	5
Short-term rents	59	26
Low value rents	3	2
Carrying amount	69	33

40. Investments accounted for using the equity method

As at December 31,	2022	2021
Subsidiaries	641	527
Associates	9	9
Jointly controlled entities	8	8
Carrying amount	658	544

	2022	2021
Subsidiaries		
Carrying amount as at January 1	527	404
Movements		
Investments	-	-
Share of profit/(loss) after taxation	29	14
OCI movement	87	107
Dividends received	-	-
Foreign currency translation differences	(3)	(2)
Other movements	1	4
Net movement	114	123
Carrying amount as at December 31	641	527

For details of the Group's investments in subsidiaries see note 37 to the consolidated financial statements. For details of the Group's investments in associates and jointly controlled entities see note 4 to the consolidated financial statements.

41. Other financial assets

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Debt investments at amortised cost				
Bonds, long-term deposits, loans and receivables	115	469	1	404
At fair value through profit or loss				
Deposits and commercial paper with original maturity 3-12 months	50	-	50	-
Deposits on operating leased aircraft	-	14	-	15
AIR FRANCE KLM S.A. shares	-	1	-	4
	50	15	50	19
At fair value through OCI				
Kenya Airways Ltd. shares	-	13	-	13
Other non-consolidated entities	-	19	-	16
	-	32	-	29
Carrying amount	165	516	51	452

For details about the Company's stake in Kenya Airways see note 6.

42. Trade and other receivables

As at December 31,	2022	2021
Trade receivables	578	500
Expected credit loss	(73)	(64)
Trade receivables - net	505	436
Amounts due from:		
Subsidiaries	1,200	695
AIR FRANCE KLM group companies	91	85
Associates and jointly entities	-	1
Maintenance contract customers	95	42
Taxes and social security premiums	24	18
Other receivables	171	236
Prepaid expenses	186	130
Total	2,272	1,643

Maintenance contract cost incurred to date for contracts in progress at December 31, 2022 amounted to EUR 81 million (December 31, 2021 EUR 29 million). Advances received for maintenance contracts in progress at December 31, 2022 amounted to EUR 108 million (December 31, 2021 EUR 106 million). The maturity of trade and other receivables is within one year.

43. Cash and cash equivalents

As at December 31,	2022	2021
Cash at bank and in hand	47	33
Short-term deposits	412	181
Total	459	214

The effective interest rates on short-term deposits are in the range from 0% to 4.45% (2021 range -0.65% to 3.35%). The short-term deposits are invested in money market instruments or in liquid funds with daily access to cash.

44. Share capital and other reserves

For details of the Company's share capital and movements in other reserves see note 10 and 11 to the consolidated financial statements. For details of the Company's equity see the consolidated statement of changes in equity.

The Company has other reserves relating to hedging, remeasurement of defined benefit plans, translation and other legal reserves. Reference is made to note 11.

45. Financial debt

As at December 31,	2022	2021
Non-current portion	1,320	960
Current portion	205	100
Carrying amount	1,525	1,060

46. Lease debt

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Lease Debt - Aircraft	152	451	170	516
Lease Debt - Real estate	13	126	13	110
Lease Debt - Others	27	71	25	69
Accrued Interest	4	-	4	-
Total	196	648	212	695

Change in lease debt:

	As at January 1, 2022	New contracts and renewals of contracts	Payment of lease debt	Currency translation adjustment	As at December 31, 2022
Lease Debt - Aircraft	686	56	(163)	24	603
Lease Debt - Real estate	123	31	(15)	-	139
Lease Debt - Others	94	26	(24)	2	98
Accrued interest	4	-	-	-	4
Total	907	113	(202)	26	844

	As at January 1, 2021	New contracts and renewals of contracts	Payment of lease debt	Currency translation adjustment	As at December 31, 2021
Lease Debt - Aircraft	725	95	(189)	55	686
Lease Debt - Real estate	135	3	(15)	-	123
Lease Debt - Others	97	19	(28)	6	94
Accrued interest	4	-	-	-	4
Total	961	117	(232)	61	907

The lease debt maturity breaks down as follows:

	2022	2021
Less than 1 year	252	268
Between 1 and 2 years	214	207
Between 2 and 3 years	172	173
Between 3 and 4 years	131	142
Between 4 and 5 years	92	116
Over 5 years	135	220
Total	996	1,126
Including:		
- Principal	844	907
- Interest	152	219

47. Other financial liabilities

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
A Cumulative preference shares	-	-	-	18
B Cumulative preference shares	-	-	-	14
Revolving credit facility	-	-	-	682
Direct State loan	-	-	-	279
Subordinated perpetual loans	-	523	-	516
Other loans (secured/unsecured)	175	250	185	320
Total	175	773	185	1,829

For details about the other financial liabilities see note 14.

48. Deferred income

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Advance ticket sales	1,292	-	924	-
Sale and leaseback transactions	15	1	2	3
Flying Blue frequent flyer program	79	230	54	252
Others	3	3	6	5
Total	1,388	234	986	259

Advance ticket sales corresponds to sold passenger tickets and freight airway bills which will be recognised in revenues at the date of transportation.

49. Deferred tax assets

The gross movement in the deferred income tax account is as follows:

	2022	2021
Carrying amount as at January 1	(70)	(20)
Movements:		
Income statement expense	(314)	(260)
Tax (credited)/charged to equity	(11)	212
Reduction due to tax rate	-	(1)
Other movements	(4)	(1)
Net movement	(329)	(50)
Carrying amount as at December 31	(399)	(70)
Current income tax liabilities	39	-
Tax (assets) as at December 31	(438)	(70)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The offset amounts are as follows:

As at December 31,	2022	2021
Deferred tax assets:		
Deferred tax assets to be settled in 12 months or less	56	-
Deferred tax assets to be settled after 12 months	404	109
	460	109
Deferred tax liabilities:		
Deferred tax liabilities to be settled in 12 months or less	-	-
Deferred tax liabilities to be settled after 12 months	22	39
	22	39
Carrying amount	(438)	(70)

The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Carrying amount as at January 1	Income statement (charge) / credit	Tax charged/ (credited) to equity	Other movements	Carrying amount as at December 31
Deferred tax assets					
2022					
Tax losses	–	388	–	–	388
Pension asset	9	–	(13)	5	1
Non-deductable interest	57	(42)	–	–	15
Other tangible fixed assets	35	6	–	–	41
Derivative financial instruments	–	–	–	–	–
Other	8	1	7	(1)	15
Total	109	353	(6)	4	460

	Carrying amount as at January 1	Income statement (charge) / credit	Tax charged/ (credited) to equity	Other movements	Carrying amount as at December 31
Deferred tax assets					
2021					
Pension asset	–	–	–	9	9
Non-deductable interest	10	47	–	–	57
Other tangible fixed assets	29	6	–	–	35
Derivative financial instruments	17	–	(56)	39	–
Other	–	(10)	13	5	8
Total	56	43	(43)	53	109

	Carrying amount as at January 1	Income statement (charge) / credit	Tax charged/ (credited) to equity	Other movements	Carrying amount as at December 31
Deferred tax liabilities					
2022					
Derivative financial instruments	39	-	(17)	-	22
Total	39	-	(17)	-	22

	Carrying amount as at January 1	Income statement (charge) / credit	Tax charged/ (credited) to equity	Other movements	Carrying amount as at December 31
Deferred tax liabilities					
2021					
Pensions & benefits (asset)	36	(217)	170	11	-
Derivative financial instruments	-	-	-	39	39
Total	36	(217)	170	50	39

Tax fiscal unity

The Company, together with other subsidiaries in the Netherlands, has entered into a fiscal unity for the purpose of filing consolidated corporation tax and VAT returns. As a result, every legal entity in this tax group is jointly and severally liable for the tax debts of all the legal entities forming the group.

50. Return obligation liability and other provisions

			Other provisions				
	Return obligation liability on leased aircraft	Maintenance liability on leased aircraft	Employee Benefit	Legal Issues	Restructuring and voluntary leave	Other	Total
As at January 1, 2022	50	846	177	160	10	32	1,275
Additional provisions and increases in existing provisions	5	(1)	19	3	7	68	101
Unused amounts reversed	-	-	-	(1)	-	-	(1)
Used during year	(1)	(15)	(11)	(2)	(11)	(18)	(58)
New/changes in lease contract	-	(15)	-	-	-	-	(15)
Foreign currency translation differences	1	43	-	-	-	-	44
Accretion impact	(1)	37	-	-	-	-	36
Other changes	(2)	(21)	(46)	-	-	8	(61)
As at December 31, 2022	52	874	139	160	6	90	1,321
Current/non-current portion							
Non-current portion	49	825	114	138	-	5	1,131
Current portion	3	49	25	22	6	85	190
As at December 31, 2022	52	874	139	160	6	90	1,321

			Other provisions				
	Return obligation liability on leased aircraft	Maintenance liability on leased aircraft	Employee Benefit	Legal Issues	Restructuring and voluntary leave	Other	Total
As at January 1, 2021	56	887	193	138	55	47	1,376
Additional provisions and increases in existing provisions	3	(3)	17	24	6	17	64
Unused amounts reversed	-	-	-	(1)	-	(9)	(10)
Used during year	(6)	(29)	(21)	(1)	(52)	(22)	(131)
New/changes in lease contract	(4)	(97)	-	-	-	-	(101)
Foreign currency translation differences	1	59	5	-	-	-	65
Accretion impact	-	29	-	-	-	-	29
Other changes	-	-	(17)	-	1	(1)	(17)
As at December 31, 2021	50	846	177	160	10	32	1,275
Current/non-current portion							
Non-current portion	43	754	150	148	-	5	1,100
Current portion	7	92	27	12	10	27	175
As at December 31, 2021	50	846	177	160	10	32	1,275

For details about the Return obligation liability and other provisions see note 19.

51. Trade and other payables

As at December 31,	2022	2021
Trade payables	957	668
Amounts due to subsidiaries	670	599
Amounts due to AIR FRANCE KLM Group companies	82	102
Taxes and social security premiums	570	286
Employee related liabilities	369	205
Accrued liabilities	148	152
Other payables	108	85
Total	2,903	2,097

Other notes

For information relating to contingency assets and liabilities, including guarantees, see note 22. In addition the Company, as parent company of Transavia Airlines B.V. and its wholly owned subsidiary Transavia Airlines C.V., issued a letter that the Company provides such financial support as is necessary to enable Transavia Airlines B.V. and Transavia Airlines C.V. to continue as going concern and to meet all their liabilities as they fall due, at least for the next twelve months after the date of this Annual Report.

The Company makes use of the exemption provided in Section 382a (3) of Book 2 of the Dutch Civil Code. This section permits companies to not disclose the statutory audit fees, given that these are included in the Consolidated financial statements of the ultimate parent company AIR FRANCE KLM S.A.

For information relating to share-based payments, Supervisory Board and Board of Managing Directors remuneration see note 31 to 33.

Amstelveen, March 31, 2023

The Board of Managing Directors

Marjan. E.F. Rintel
Maarten P.A. Stienen
Erik R. Swelheim

The Supervisory Board

Cees C. 't Hart
François Enaud
Jan Kees de Jager
Christian Nibourel
Marjan Oudeman
Fleur Pellerin
Pierre-François Riolacci
Benjamin Smith
Janine Vos

Other information

Independent auditors' report

To: the General Meeting of Shareholders and the Supervisory Board of KLM Royal Dutch Airlines ('Koninklijke Luchtvaart Maatschappij N.V.')

Report on the audit of the financial statements 2022 included in the Annual Report

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of KLM Royal Dutch Airlines together with its subsidiaries as at December 31, 2022 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of KLM Royal Dutch Airlines as at December 31, 2022 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of KLM Royal Dutch Airlines ('KLM' or the 'Company') based in Amstelveen. The financial statements include the consolidated and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2022;
- the following consolidated statements for the year ended December 31, 2022: profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the Company balance sheet as at December 31, 2022;
- the Company statement of profit or loss for the year ended December 31, 2022; and
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of KLM in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon.
The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Summary

Materiality

- Materiality of EUR 60 million
- 0.6% of total revenues

Group audit

- Audit coverage of 93% of total assets
- Audit coverage of 98% of total revenues

Fraud/Noclar and going concern

- Fraud & Non-compliance with laws and regulations (Noclar) related risks: we identified management override of controls and revenue recognition as fraud risks.
- Going concern: the outcome of our procedures did not result in outcomes contrary to the Board of Managing Directors' assumptions and judgements used in the application of the going concern assumption.

Key audit matters

- Sustainable business model of KLM
- Fraudulent revenue recognition due to fictitious revenue
- Recognition of government grants from the Temporary Emergency Bridging Measures for Sustained Employment ('NOW') program

Opinion

- Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 60 million (2021: EUR 45 million). The materiality is determined with reference to the relevant benchmark revenues, of which it represents 0.6% (2021: 0.7%). We consider revenues as the most appropriate benchmark because of the needs of the stakeholders. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons. With regards to component materiality, we have allocated materiality to each component in our audit scope that is less than the materiality for the financial statements as a whole. The range of materiality allocated across components was between EUR 6 million and EUR 45 million based on our professional judgement.
One component is audited with a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 3.0 million (2021: EUR 2.25 million) would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

KLM heads a group of components and has its principal business segments: network activities, which include air transport of passengers and cargo, aircraft maintenance, leisure, and other activities linked to air transport. The financial information of this group is included in the financial statements of KLM.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the component auditors working under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components.

We provided detailed instructions to all component auditors in our audit scope. These instructions included amongst other the main developments of the Company, significant audit areas, component materiality and the required scope of the audit work. We had individual meetings with each of the component auditors during the year and upon completion of their work. During these meetings, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, that could be of relevance for the consolidated financial statements.

Our group audit mainly focused on significant components that are (i) of individual financial significance to KLM, or (ii) that, due to their specific nature or circumstances, are likely to include significant risks of material misstatement of KLM's financial statements.

We have considered in this respect, amongst others, KLM's business and its internal and external environment.

We have:
- performed audit procedures ourselves in respect of areas such as going concern, accounting for government grants from the Temporary Emergency Bridging Measures for Sustained Employment ('NOW') program, assessment of the valuation of non-current assets, the group consolidation, financial statements disclosures and topics related to litigations and claims, the group's income tax position, intangible assets, property, plant and equipment and external expenses;
- selected 8 components (2021: 8 components) to perform audits for group reporting purposes on a complete set of financial information as well as 5 components (2021: 7 components) to perform audit procedures for group reporting purposes on selected account balances and classes of transactions;
- performed specified audit procedures for 1 component (2021: 0 components).

For the residual population not in scope we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit. None of the remaining components represented more than 5% of total group revenue or total group assets.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

The audit coverage as stated in the section summary can be further specified as follows:

Total assets

67%	17%	9%
Audit of the complete reporting package	Audit of specific items	Specified audit procedures

Revenues

98%	0%	0%
Audit of the complete reporting package	Audit of specific items	Specified audit procedures

Audit scope in relation to fraud and non-compliance with laws and regulations

The Board of Managing Directors performs a fraud risk assessment and describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations and the Supervisory Board reflects on this.

As part of our audit, we have gained insights into KLM's business operations and environment, and assessed the design and implementation of KLM's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing KLM's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with the Board of Managing Directors, the Supervisory Board and other relevant functions, such as Internal Audit and KLM's Legal and Compliance Counsel. As part of our audit procedures, we:
- assessed other positions held by members of the Board of Managing Directors and/or other employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- assessed, together with our forensics specialists, KLM's fraud and non-compliance evaluation and incorporated relevant risks of material misstatements in our audit;
- evaluated investigation reports on indications of possible fraud and non-compliance;
- evaluated correspondence with regulators, if any, as well as legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to KLM and identified the following areas as those most likely to have a material effect on the financial statements:

Firstly, KLM is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, KLM is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect:
- anti-bribery and corruption laws and regulations;
- trade sanctions and export controls laws and regulations;
- data privacy regulation; and
- anti-competition laws and regulations.

As part of our process of identifying fraud and non-compliance risks, we evaluated, together with our forensic specialists, the fraud and non-compliance risk factors with respect to financial reporting fraud and misappropriation of assets. We evaluated whether these factors indicate a risk of material misstatement in the financial statements.

Based on the above and on the auditing standards, we identified the following fraud risks, and responded as follows:

Management override of controls

Risk:
- Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:
Our procedures primarily consisted of:
- we assessed the design and the implementation of internal controls that mitigate fraud risks with respect to journal entries;
- we performed data analyses on journal entries based on risk criteria and evaluated key estimates and judgements for bias by management, such as estimates relating to unearned passenger revenues and the recognition of deferred tax assets for unused operating losses, including retrospective reviews of prior year's estimates. Where we identified instances of journal entries based on risk criteria or other risks through our procedures, we performed additional audit procedures to address each identified risk, including evaluating the business rationale of the transactions. These procedures also included testing of transactions back to source information;
- we assessed the post-closing adjustments and the appropriateness of the accounting for transactions that are outside KLM's normal course of business, or are otherwise unusual (if any);
- we incorporated elements of unpredictability in our audit, including revising our selection criteria in our data analyses of journal entries based on risk criteria; and
- we evaluated whether the selection and application of accounting policies by KLM, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

Revenue recognition

Risk:
- Fraudulent revenue recognition due to fictitious revenue.

Responses:
- Our procedures to address the identified risk of fraudulent revenue recognition resulted in a key audit matter. We refer to the key audit matters for our responses and our observations thereon.

We communicated our risk assessment, audit responses and results to the Board of Managing Directors and the Audit Committee of the Supervisory Board.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Board of Managing Directors has performed its going concern assessment as included in the Assessment of going concern paragraph in the notes to the consolidated financial statements and has not identified any going concern risks. Our main procedures to assess the Board of Managing Directors' assessment were:

- we considered whether the Board of Managing Directors' assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we inquired and challenged the Board of Managing Directors regarding the most important assumptions underlying its going concern assessment. Amongst other, whether the assessment included the impact of the climate action plan, war in Ukraine, high inflation and recovery of the global COVID-19 pandemic;
- we assessed KLM's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks;
- we evaluated KLM's 2023 budget and 5-year plan, including the cash flow forecast for at least 12 months from the date of the authorisation of the financial statements taken into account current developments in the industry such as the investments made for new fleet and all relevant information of which we are aware as a result of our audit;
- we inspected the financing agreements, including the financial support package provided by the Dutch Government, in terms of conditions that could lead to going concern risks, including the term of the agreement and any covenants; and
- we performed inquiries of the Board of Managing Directors as to its knowledge of going concern risks beyond the 12 months from the date of the authorisation of the financial statements.

The outcome of our procedures did not result in outcomes contrary to Board of Managing Directors' assumptions and judgements used in the application of the going concern assumption.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee of the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Compared to last year the key audit matters with respect to derecognition ground staff pension plan and provision for litigation and contingent liabilities for the anti-trust claim ('Cargo Claim') are not included, as these were specifically related to events that occurred in financial year 2021. Furthermore, the risk related to fraudulent revenue recognition due to fictitious revenue has been extended to all relevant business segments given the recovery of air travel. The key audit matter with respect to the sustainable business model of KLM causes a matter that was most significant given the macro-economic and geopolitical challenges that directly impact KLM's current business model.

Sustainable business model

Description

The Company is facing macro-economic and geopolitical challenges that directly impact its current business model. These challenges include risks related to an increased focus on the transition towards a more sustainable aviation, labor shortages, the intended reduction of flight movements at Schiphol Airport and operational disruptions at airports. During 2022 the Company assessed its current business model and issued a new strategy and a climate action plan to safeguard the sustainability of its business model and included the outcome thereof in KLM's 2023 budget and 5-year plan.

These risks could have an impact on the Company's financial position, results and cashflow forecasting. We therefore focused on matters which require judgement, such as future scenario's including the impact of KLM's climate action plan, which may affect the going concern assumption, the valuation of aircraft, deferred tax assets and other non-current assets in the 2022 financial statements.

Our response

The following are primary procedures we performed to address this key audit matter:

- made enquiries of management and the Supervisory Board to understand the assessment of the potential impact of aforementioned developments and risks on KLM's financial statements in relation to the background of KLM's business and operations and position in the aviation sector;
- inquiring and challenging management on the effects of the new strategy and its climate action plan on the financial position, results and cashflow forecasting, in particular on reasonableness of assumptions applied in the future scenario's which include potential changes in regulations regarding carbon credit prices and CO_2 compensation, potential changes in capacity and productivity, investments for KLM's fleet renewal program, depreciation periods, lease contracts, potential refinancing of the revolving credit facility from the Dutch Government, the use of sustainable aviation fuel and the related disclosures;
- assessing that the carbon reduction targets of KLM are validated by the Science Based Targets initiative;
- assessing KLM's 2023 budget and 5-year plan and evaluating the assumptions and judgments underlying the assessment of going concern, valuation of aircraft, deferred tax assets and other non-current assets, by amongst others evaluating the appropriateness of management's sensitivity analyses of reasonable profit forecasts and liquidity;
- assessing the adequacy of the assessment of going concern, sustainability and climate paragraph, deferred tax assets and non-currents assets disclosures in the financial statements in respect of this judgmental estimate including challenging management to ensure this reflected the macro-economic and geopolitical developments which they have assessed and embedded into the Company's future cash flow assumptions in the current year; and
- furthermore we have read the 'Other information' with respect to these developments and risks as included in the Annual Report and considered the material consistency with the financial statements, our knowledge obtained through the audit, in particular as described above and our knowledge obtained otherwise. The extent of the procedures we performed over 'Other information' is further described in section Report on the other information in the Annual Report of our report.

Our observation

The results of our procedures were satisfactory, and we conclude that the related disclosures in the Assessment of going concern paragraph and Sustainability and climate paragraph in the notes to the consolidated financial statements are adequate. We note that these disclosures are balanced in the current circumstances and forecasts were made based on the current available information of the Company's operations and its environment. We expect that these disclosures will continue to evolve to reflect the impact of these developments and risks on the Company's future operations and financial performance.

Fraudulent revenue recognition due to fictitious revenue

Description

The revenue related to KLM's ordinary activities is recognized when the transportation and/or maintenance services are provided to customers in accordance with IFRS 15, as disclosed in paragraph 'revenues' of the section accounting policies for the statement of profit or loss. As air travel is recovering rapidly from the COVID-19 pandemic, management may have the incentive to overstate revenues of the current financial year in order to present better results after two consecutive years of reported losses.

We considered fraudulent revenue recognition to be a key audit matter as there may be a tendency to record fictious revenue given the importance of financial recovery in the post COVID period, in particular in the transactions in the last period of the financial year. This resulted in a risk that revenue might be overstated.

Our response

Our procedures primarily consisted of:

- evaluation of the design and implementation of controls around revenues that we considered the most relevant in determining the appropriate timing of revenue recognition;
- inquiring several individuals involved in the financial reporting process whether

there have been any instances of overrides of controls through recording of journal entries or other adjustments;
- assessing whether revenue was appropriately recognized in line with IFRS 15 requirements, for selected sales transactions recognized around year-end we inspected passenger tickets, airway-bills, flight information and maintenance contracts;
- assessing underlying data and assumptions of accounting estimates for biases that could result in a material misstatement due to fraud related to the issued but unused passenger tickets and COVID-19 related vouchers;
- analysing manual revenue journal entries by comparing it to the nature and extent of the manual journal entries in last year; and
- assessing the appropriateness of high-risk manual revenue journal entries in December 2022 and January 2023, primarily focusing on the possibility of improper shifting of revenue from January 2023 to December 2022.

We assessed the appropriateness of disclosures in note 16 and 23 to the consolidated financial statements.

Our observation

Our audit procedures did not reveal indications and/or reasonable suspicion of fraudulent revenue recognition. The results of our procedures performed regarding fraudulent revenue recognition due to fictitious revenue are satisfactory and the related disclosures (note 16 and 23) are adequate.

Recognition and measurement of government grants from the Temporary Emergency Bridging Measures for Sustained Employment ('NOW') program

Description

As described in note 25 of the financial statements, KLM applied for government grants from the Temporary Emergency Bridging Measures for Sustained Employment ('NOW') program and recognized for the last tranche of the program an amount of EUR 134 million in 2022 (2021: EUR 771 million). As disclosed in the accounting policies these government grants are deducted from the related expense in the statement of profit or loss, as the threshold of reasonable assurance that KLM will comply with all conditions attached to the government grant are met.

The recognition and measurement of the government grant was significant to our audit due to the financial impact, the one-off nature of the NOW grant program and its social relevance.

Our response

We inspected the NOW regulations issued by the Dutch government and other underlying documents to gain an understanding of the relevant terms and conditions related to the government grant program.

Our audit procedures included, amongst others, assessment of management's evaluation and representation over the recognition of the government grants in the statement of profit or loss. In 2022, we continued to assess the appropriateness of the applied definition of a NOW-group, the revenue decrease compared to reference period under the NOW regulations and compliance with other terms and conditions.

With the involvement of component auditors in the Netherlands and France, our additional NOW related audit procedures over the revenue, including its decrease compared to the reference period, and employee expenses included, amongst others:
- reconciling and evaluating the revenue in the NOW reference and measurement periods;
- performed procedures to verify the accuracy and completeness of the revenue in the measurement periods and considering the results of our standard audit procedures over revenue for the entire financial year;
- reconciling the wages to be included in the final NOW applications to the payroll administration and verifying the correct application of NOW reductions resulting from lowering wages or dismissals;
- reconciling the received government grants from the NOW program to supporting documentation such as external information and bank statements;
- obtaining KLM's assessment of compliance to the key NOW requirements and

verifying compliance with key aspects such as the NOW consolidation group, a restrictions dividend payment, share based payments and bonuses;
- challenging the reasonable assurance assumption required to recognize the government grants in the statement of profit or loss as defined by IAS 20; and
- assessing the adequacy of the presentation and disclosures in note 25 to the consolidated financial statements.

The scope of above procedures is less than the scope of those to be performed in connection with the audit of the outstanding NOW applications for final settlement.

Our observation

The results of our procedures performed regarding recognition and measurement of the government grants from the Temporary Emergency Bridging Measures for Sustained Employment ('NOW') in the financial statements were satisfactory and we determined that the related disclosure (note 25) is adequate.

Report on the other information included in the Annual Report

In addition to the financial statements and our auditors' report thereon, the Annual Report contains other information. This includes all information in the annual report in addition to the financial statements and our auditors' report thereon.

Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the Report of the Managing Directors and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Managing Directors is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

KLM engaged us, KPMG Accountants N.V. and PricewaterhouseCoopers Accountants N.V., to perform a joint audit. We were engaged by the General Meeting of Shareholders as auditors of KLM, on May 2, 2022, for the audit of the year 2022, whereby KPMG Accountants N.V. has operated as statutory joint auditor since financial year 2005. PricewaterhouseCoopers Accountants N.V. operated as statutory joint auditor since financial year 2022.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Managing Directors and the Supervisory Board for the financial statements

The Board of Managing Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Managing Directors is responsible for such internal control as the Board of Managing Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Board of Managing Directors, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Board of Managing Directors is responsible for assessing KLM's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Managing Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Managing Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Managing Directors should disclose events and circumstances that may cast significant doubt on KLM's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in appendix this auditors' report. This description forms part of our auditors' report.

Amstelveen, March 31, 2023	Amsterdam, March 31, 2023
KPMG Accountants N.V.	PricewaterhouseCoopers Accountants N.V.
R.C. de Boer RA	F.S. van der Ploeg RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix

In addition to what is included in our auditors' report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KLM's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managing Directors;
- concluding on the appropriateness of the Board of Managing Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on KLM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are ultimately responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit. We have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Audit Committee of the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the Audit Committee of the Supervisory Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditors' report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Miscellaneous

Five-year review

(in millions of EUR, unless stated otherwise)	2022	2021	2020	2019	2018 Restated*
Consolidated statement of profit or loss					
Passenger	7,210	3,109	2,518	7,952	7,766
Cargo	1,748	1,980	1,535	1,171	1,284
Other revenues	1,721	976	1,067	1,952	1,839
Revenues	10,679	6,065	5,120	11,075	10,889
Expenses**	(9,001)	(5,370)	(5,195)	(9,132)	(8,769)
Adjusted EBITDA**	1,678	695	(75)	1,943	2,120
Amortisation, depreciation, impairment and movement in provisions**	(972)	(922)	(1,079)	(1,090)	(1,029)
Adjusted income from operating activities**	706	(227)	(1,154)	853	1,091
Total APM adjustments**	37	(949)	(191)	22	(13)
Income from operating activities	743	(1,176)	(1,345)	875	1,078
Financial income and expenses	(304)	(340)	(340)	(275)	(315)
Pre-tax income	439	(1,516)	(1,685)	600	763
Income tax expenses	305	255	136	(162)	(201)
Net result after taxation of consolidated companies	744	(1,261)	(1,549)	438	562
Share of results of equity shareholdings	-	3	3	11	4
Profit/(loss) for the year	744	(1,258)	(1,546)	449	566
Consolidated balance sheet					
Current assets	3,299	2,525	1,937	2,576	2,599
Non-current assets	8,604	8,100	8,510	9,195	8,737
Total assets	11,903	10,625	10,447	11,771	11,336
Current liabilities	5,267	3,882	3,800	4,701	4,636
Non-current liabilities	6,500	7,438	6,762	5,510	5,739
Group equity	136	(695)	(115)	1,560	961
Total equity and liabilities	11,903	10,625	10,447	11,771	11,336

* 2018 restated following implementation of Customer compensation and Component approach for Life Limited Parts in 2019.
** See note 28 Alternative performance measures (APM) for the reconciliation to adjust EBITDA and adjusted income from operating activities for the financial years as from 2019. Also see the Alternative performance measures section in the Notes to the consolidated financial statements.

(in millions of EUR, unless stated otherwise)	2022	2021	2020	2019	2018 Restated*
Key financial figures (KLM Group)					
Adjusted income from operating activities for the year as percentage of revenues**	6.6	(20.7)	(30.2)	4.1	5.2
Earnings per ordinary share (EUR)	15.87	(26.90)	(33.05)	9.57	12.07
Capital expenditures (net)	(640)	(481)	(681)	(1,323)	(1,320)
Net debt/adjusted EBITDA ratio	1.0	4.5	47.4	1.3	1.3
Dividend per ordinary share (EUR)	-	-	-	0.415	0.4
Average number of staff (KLM Group)					
(in FTE)					
The Netherlands	24,525	23,705	26,866	27,293	26,601
Outside the Netherlands	2,899	2,902	3,102	3,279	3,219
Employed by KLM	27,424	26,607	29,968	30,572	29,820
Total agency staff	1,561	837	772	2,454	2,592
Total KLM Group	28,985	27,444	30,740	33,026	32,412
Traffic (KLM Company)					
Passenger kilometers***	82,289	40,912	33,873	109,476	107,676
Revenue ton freight kilometers***	2,353	3,333	3,020	3,583	3,696
Passenger load factor (%)	83.4	49.6	52.2	89.4	89.1
Cargo load factor (%)	53.4	79.6	77.7	61.9	64.4
Number of passengers (x 1,000)	25,838	14,039	11,231	35,092	34,170
Weight of cargo carried (kilograms)***	306	412	371	453	466
Average distance flown per passenger (in kilometers)	3,185	2,914	3,016	3,120	3,151
Capacity (KLM Company)					
Available seat kilometers***	98,660	82,452	64,842	122,452	120,815
Available ton freight kilometers***	4,402	4,155	3,882	5,811	5,758
Kilometers flown***	378	322	271	471	462
Blockhours (x 1,000)	561	465	390	706	689
Yield (KLM Company)					
Yield (in cents):					
Passenger (per RPK)	8.6	7.3	7.1	7.1	7.0
Cargo (per RTK)	42.7	37.3	31.8	21.0	22.5
Average number of staff (KLM Company)					
(in FTE)					
The Netherlands	18,424	18,036	20,787	21,146	20,670
Outside the Netherlands	2,008	2,037	2,277	2,421	2,431
Employed by KLM	20,432	20,073	23,064	23,567	23,101

* 2018 restated following implementation of Customer compensation and Component approach for Life Limited Parts in 2019.

** See note 28 Alternative performance measures (APM) for the reconciliation to adjust EBITDA and adjusted income from operating activities for the financial years as from 2019. Also see the Alternative performance measures section in the Notes to the consolidated financial statements.

*** in Millions.

Provisions of the articles of association on the distribution of profit

UNOFFICIAL TRANSLATION OF ARTICLE 32 OF THE ARTICLES OF ASSOCIATION OF KLM ROYAL DUTCH AIRLINES

1. Out of the profit established in the adopted financial statements, an amount may first be set aside by the meeting of priority shareholders in order to establish or increase reserves.
   The meeting of priority shareholders shall only do so after consultation of the Board of Managing Directors and the Supervisory Board.
2. So far as possible and permitted by law and these Articles of Association the remainder of the profit shall be distributed as follows:

a. the holders of priority shares shall receive first the statutory interest percentage prevailing on the last day of the fiscal year concerned, with a maximum of five per cent (5%) of the paid up amount per priority share; if and to the extent that the profit is not sufficient to make the full aforementioned distribution on the priority shares, in subsequent years a distribution to the holders of priority shares shall first be made to recompense this shortfall entirely before the following paragraph may be given effect;

b. next the holders of cumulative preference shares-A shall receive six per cent (6%) of the par value of their cumulative preference shares-A or - in the case of not fully paid-up shares - of the obligatory amount paid thereon; if and to the extent that the profit is not sufficient to make the full aforementioned distribution on the cumulative preference shares-A, in subsequent years a distribution to the holders of cumulative preference shares-A shall be made to recompense this shortfall entirely before the following paragraph may be given effect;

c. next the holders of preference shares-B shall receive five per cent (5%) of the par value of their preference shares-B or - in the case of not fully paid-up shares - of the amount obligatorily paid thereon;

d. next the holders of preference shares-B shall receive one half per cent (0,5%) of the par value of their shares or - in the case of not fully paid-up shares - of the amount obligatorily paid thereon for each per cent of the ratio (expressed as a percentage) of the profit to the operating revenues mentioned in the adopted consolidated profit and loss account, with the understanding that this dividend percentage shall not be in excess of five per cent (5%) of the nominal amount of the issued common shares;

e. subsequently, on each cumulative preference share-C of a series a dividend shall be paid which is equal to a percentage of the amount which has been paid up on the share, calculated by taking the arithmetic average of the effective yield on the Government loans to be described below under letter (f), as published in the Officiële Prijscourant of Euronext Amsterdam N.V. for the last five (5) stock exchange days prior to the day on which a cumulative preference share-C of the series in question was issued for the first time, possibly increased by a supplement established by the Board of Managing Directors and approved by the Supervisory Board and the meeting of priority shareholders in the amount of a maximum of one hundred and thirty-five (135) basic points, depending on the market circumstances which shall prevail at that time, which supplement may be different for each series;

f. government loans mentioned under the letter (e) of this paragraph shall be deemed to mean the Government loans to the debit of the State of The Netherlands with a (remaining) life of seven to eight years. If the effective yield on these Government loans has not been published in the Officiële Prijscourant of Euronext Amsterdam N.V., as the time of the calculation of the dividend percentage, then the Government loans referred to under the letter (e) shall be deemed to be the Government loans to the debit of the State of The Netherlands with a (remaining) life which is as close as possible to a (remaining) life of seven to eight years, the effective yield of which has been published in the Officiële Prijscourant of Euronext Amsterdam N.V. at the time of the calculation of the dividend percentage as stated above, on the proviso that the maximum (remaining) life is eight years;

g. on the date on which the cumulative preference shares-C of the series in question have been outstanding for eight years, for the first time, and thereafter every subsequent eight years, the dividend percentage of cumulative preference shares-C of the series in question will be adjusted to the effective yield of the Government loans referred to in the preceding subparagraphs which is valid at that time, calculated in the manner as described in the foregoing, but on the proviso that the average referred to shall be calculated over the last five (5) exchange days prior to the day as of which the dividend percentage shall be adjusted, possibly increased by a supplement established by the Board of Managing Directors and approved by the Supervisory Board and the meeting of priority shareholders in the amount of a maximum of one hundred and thirty-five (135) basic points, depending on the market circumstances which shall prevail at that time, which supplement may be different for each series. If the dividend percentage is adjusted in the course of a financial year, then for the calculation of the dividend over that financial year, the percentage which applied before the adjustment shall apply up to the day of adjustment, and as from that day, the adjusted percentage;

h. if and to the extent that profit is not sufficient to make full payment of the dividend on the cumulative preference shares-C referred to in this paragraph, in subsequent years a distribution to the holders of cumulative preference shares-C shall be made to recompensate this shortfall entirely before the following paragraph may be given effect. For the application of the provisions stated under this present letter (h), the holders of the various series of cumulative preference shares-C shall receive equal treatment. No further payment shall be made on the cumulative preference shares-C than those determined in this Article, in Article 11 paragraph 6 and in Article 42; interim payments made in accordance with the provisions of paragraph 6 of this Article for a financial year will be deducted from the payments made pursuant to this paragraph;

i. if, in the financial year for which the payment referred to above takes place, the amount paid in on the cumulative preference shares-C of a certain series has been reduced, the payment will be reduced by an amount equal to the aforementioned percentage of the amount of the reduction calculated from the time of the reduction;

j. if the profits over a financial year have been established and in that financial year one or more cumulative preference shares-C have been withdrawn with repayment, then those who were listed in the registry referred to in Article 9 as holders of those cumulative preference shares-C at the time of such withdrawal shall have an inalienable right to payment of profits as described hereinafter. The profits which are to be paid (if possible) to such a holder of cumulative preference shares-C shall be equal to the amount of the payment to which such a holder would be entitled to the grounds of the provisions of this paragraph if, at the time at which profits were determined, he were still a holder of the aforementioned cumulative preference shares-C calculated in proportion to the duration of the period during which he was a holder of those cumulative preference shares-C in said financial year, from which payment shall be deducted the amount of the payment which was made pursuant to the provisions of Article 32;

k. if, in the course of a given financial year, issuance of cumulative preference shares-C has taken place, then for that financial year the dividend on the shares in questions will be decreased in proportion to the time passed until the first day of issuance;

l. the remainder will be received by the holders of common shares in proportion to the par value of their common shares to the extent the general meeting of shareholders does not make further appropriations for reserves in addition to any reserves established pursuant to paragraphs 1 and 2 of this Article.

3. The Board of Managing Directors, with the approval of the Supervisory Board, resolves on distributions at the expense of the share premium reserve maintained for the holder of the common share-B. Until the share premium reserve maintained for the holder of the common share-B has been distributed in full, the Company shall not make any other distribution (neither from profit nor at the expense of the reserves nor in the context of a repurchase or withdrawal of shares) on common shares.
4. The reserve and dividend policy of the Company may only be amended with the prior approval of the Supervisory Board and the meeting of priority shareholders.
5. On the recommendation of the Board of Managing Directors and after approval of such recommendation by the Supervisory Board and the meeting of priority shareholders, the general meeting of shareholders may decide that payments to shareholders shall be wholly or partly effected by issuing shares of the same type of capital stock of the Company as the type of the shares to which these payments relate.
6. As far as possible and subject to the approval of the Supervisory Board, the meeting of priority shareholders may resolve to distribute one or more interim dividends against the expected dividend, provided that an interim statement of assets and liabilities demonstrates that the Company meets the requirements of Article 105, paragraph 2 Book 2 of the Dutch Civil Code.
This interim statement of assets and liabilities shall be drawn up, signed and made public according to

the specifications contained in paragraph 4 of the statutory provision mentioned above.

7. Subject to the approval of the Supervisory Board, the meeting of priority shareholders may, to the extent possible and permitted by law and these Articles of Association, resolve to make a distribution to the holders of common shares out of one or more of the freely distributable reserves with the exception of the share premium reserves.
8. Subject to the approval of the Supervisory Board, the meeting of priority shareholders may, to the extent possible and permitted by law and these Articles of Association, decide to make, as an advance payment on the distribution referred to in paragraph 2 of this Article, distributions out of the freely distributable reserves, with the exception of the share premium reserves.
9. No other distributions than the distributions provided for in this Article and in Article 42 are made on the priority shares and preference shares.

Appropriation of profit and distribution to shareholders

It is proposed that the net profit for 2022 amounting to EUR 743,138,000 be appropriated as follows:

Transfer to reserves

Retained earnings EUR 743,138,000

For an elucidation, reference is made to the Distribution to the Shareholders paragraph in the Report of the Supervisory Board section.

Glossary of terms and definitions

Adjusted EBITDA
EBITDA adjusted for alternative performance measures (APMs) not defined by IFRS.

Adjusted free cash flow
Free cash flow minus redemption payments on lease debt.

Adjusted income from operating activities
Income from operating activities adjusted for alternative performance measures (APMs) not defined by IFRS.

Alternative performance measures (APMs)
The Group considers it relevant to the understanding of its financial performance to use certain alternative performance measures (APMs) not defined by IFRS. These APMs should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. APMs do not have standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. See the Alternative performance measures section in the Notes to the Consolidated financial statements and note 28 Alternative performance measures in the Consolidated financial statements.

Available Seat Kilometer (ASK)
One aircraft seat flown a distance of one kilometer.

Available Ton Freight Kilometer (ATFK)
One metric ton (1,000 kilograms) cargo capacity flown a distance of one kilometer.

Average capital employed
The sum of property, plant and equipment, right-of-use assets, intangible assets, investments accounted for using the equity method, other financial assets (excluding shares, marketable securities and financial deposits), minus related provisions (excluding for pensions, cargo litigation and restructuring) and working capital (excluding market value of derivatives). The capital employed for the year is obtained by taking the quarterly average of the capital employed.

Cargo load factor
Total Revenue Ton Freight Kilometers (RTFK) expressed as a percentage of the total Available Ton Freight Kilometers (ATFK).

Codesharing
Service offered by KLM and another airline using the KL code and the code of the other airline.

Earnings per ordinary share
The profit or loss attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding.

EBITDA
The earnings before interests, taxes, depreciation, amortisation, impairment and movements in provisions. EBITDA provides a simple indicator of the cash generation during the year.

Free cash flow
This corresponds to the cash available after investments in (prepayments in) aircraft, other tangible fixed assets and intangible fixed assets less the proceeds of disposals.

Net debt
The sum of current and non-current financial liabilities, current and non-current loans from parent company, current and non-current finance lease obligations, current and non-current lease debt, less cash and cash equivalents, short-term deposits and commercial paper and held-to-maturity financial assets.

Passenger load factor
Total Revenue Passenger Kilometers (RPK) expressed as a percentage of the total.
Available Seat Kilometers (ASK).

Revenue Passenger Kilometer (RPK)
One passenger flown a distance of one kilometer.

Revenue Ton Freight Kilometer (RTFK)
One metric ton (1,000 kilograms) of cargo flown a distance of one kilometer.

Return on capital employed
The sum of income from current operations minus dividends received, the share of results in equity shareholdings and after taxation divided by the average capital employed.

Warning about forward-looking statements

This annual report contains, and KLM and its representatives may make, forward-looking statements, either orally or in writing, about KLM and its business. Forward-looking statements generally can be identified by the use of terms such as 'ambition', 'may', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue' or similar terms. These forward-looking statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate management's beliefs, and assumptions made by management about future events. Any such statement is qualified by reference to the following cautionary statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside of our control and are difficult to predict, that may cause actual results to differ materially from any future results expressed or implied from the forward-looking statements.
These statements are not guarantees of future performance and involve risks and uncertainties including:

- The airline pricing environment;
- Competitive pressure among companies in our industry;
- An economic downturn;
- Political unrest throughout the world;
- Changes in the cost of fuel or the exchange rate of the euro to the US dollar and other currencies;
- Governmental and regulatory actions and political conditions, including actions or decisions by courts and regulators or changes in applicable laws or regulations (or their interpretations), including laws and regulations governing the structure of the combination, the right to service current and future markets and laws and regulations pertaining to the formation and operation of airline alliances;
- Developments affecting labour relations;
- The outcome of any material litigation;
- Future demand for air travel;
- Future load factors and yields;
- Industrial actions or strikes by KLM employees, Air France employees or employees of our suppliers or airports;
- Developments affecting our airline partners;
- The effects of terrorist attacks, the possibility or fear of such attacks and the threat or outbreak of epidemics (such as the COVID-19 pandemic), hostilities or war, including the adverse impact on general economic conditions, demand for travel, the cost of security and the cost and availability of aviation insurance coverage and war risk coverage;
- The effects of natural disasters and extreme weather conditions;
- Changing relationships with customers, suppliers and strategic partners; and
- Developments in any of these areas, as well as other risks and uncertainties detailed from time to time in the documents we file with or furnish to relevant agencies, could cause actual outcomes and results to differ materially from those that have been or may be projected by or on behalf of us.

We caution that the foregoing list of important factors is not exhaustive. Additional information regarding the factors and events that could cause differences between forward-looking statements and actual results in the future is contained in our filings. We do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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