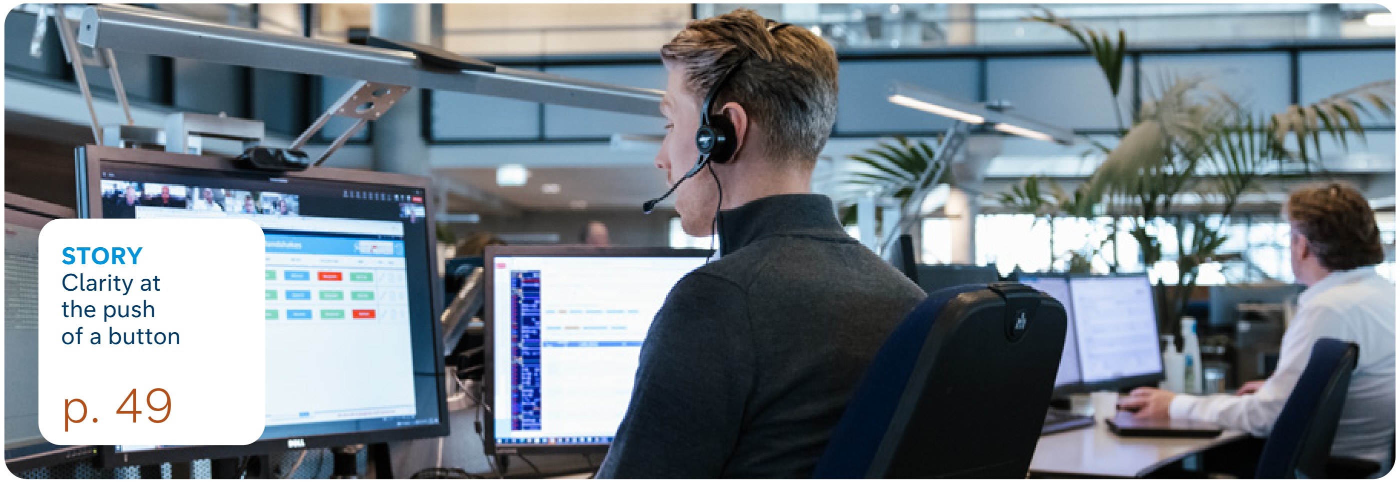
Annual Report
2023

KLM Royal Dutch Airlines

Contents

STORY
Time to lighten the load
p. 41

STORY
Purchase of a lifetime
p. 46



STORY
Clarity at the push of a button

p. 49

STORY
Fuelling the journey to more sustainable flying

p. 66

Key figures

● 2023 ● 2022

Passengers

	TRAFFIC (millions of revenue passenger-kilometers, RPK)	CAPACITY (millions of available seat-kilometers, ASK)	PASSENGER LOAD FACTOR (%)	NUMBER OF PASSENGERS (x 1,000)	NET PROMOTER SCORE
2023	92,652	106,336	87.1	30,332	39
2022	82,289	98,660	83.4	25,838	37
Δ	+12.6%	+7.8%	+4.4%	+17.4%	+5.4%

Cargo

	TRAFFIC (millions of revenue ton freight-kilometers, RTFK)	CAPACITY (millions of available ton freight-kilometer, AFTK)	CARGO LOAD FACTOR (%)	WEIGHT OF CARGO CARRIED (in tons)
2023	3,244	6,087	53.3	416,953
2022	3,330	5,762	57.8	432,315
Δ	-2.6%	+5.6%	-7.8%	-3.6%

Fleet KLM Group

WIDE BODY	NARROW BODY	REGIONAL	CARGO
65	87	65	4
Average age 11.1 years	15.2 years	7.7 years	23.7 years

2023 2022

Environment

All figures focus on KLM Group

	2023	2022	Δ
CO_2 INTENSITY (grCO_2 per RTK)	880	873	+0.8%
SCOPE 1 CO_2 EMISSIONS AVIATION FUEL (in ktons)	10,109	9,041	+11.8%
TOTAL GROUND EMISSIONS in ktons CO_2 (scope 1, 2)	23.9	30.1	-20.6%
SUSTAINABLE AVIATION FUEL (SAF) Total SAF Blend (consumed)	1.2%	0.8%	+50%
RESIDUAL WASTE (non-hazardous in tons)	6,657	6,064	+9.8%

Social

	2023	2022	Δ
HEADCOUNT KLM GROUP STAFF	35,145	33,358	+5.4%
PERMANENT CONTRACTS	26,499	25,678	+3.2%
FTES KLM GROUP	31,658	29,867	+6.0%

Governance

	Members	Female
BOARD OF MANAGING DIRECTORS	5	40%
EXECUTIVE COMMITTEE	16	25%
SUPERVISORY BOARD	9	33%

Finance

	2023	2022	Δ
REVENUES (€ x mln)	12,050	10,679	+12.8%
ADJUSTED EBITDA* (€ x mln)	1,572	1,678	-6.3%
PROFIT FOR THE YEAR (€ x mln)	714	744	-4.0%
ADJUSTED FREE CASH FLOW* (€ x mln)	340	1,544	-78.0%

* See Consolidated financial statements 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.

Letter from the President

For the past 104 years, it has been our passion and privilege to connect people from around the world. People like to travel and because of KLM, millions can visit friends and relatives, do business, and explore beautiful destinations. But KLM also transports essential goods, such as medicines, food, and high-tech equipment, to every corner of the world. This catalyses economies and keeps communities strong. We are proud to be of such value to the world around us.

The year 2023 was a turbulent one in which we further built on the recovery of KLM. We achieved good results in various areas but operational challenges have put pressure on the financial results. Revenues were a historically high EUR 12.1 billion. Our adjusted income from operating activities amounted to EUR 650 million. We strengthened our equity position and reduced net debt. We invested in our product, a next generation long-haul fleet, sustainability, our people, and technology. The Dutch State support package was terminated. We are grateful for the continued financial support of the government over the last years. We will continue to build the future of KLM and become a financially healthy company again.

Stable operation a top priority

Our operation faced many challenges mainly due to low fleet availability, worldwide supply chain issues which had their impact on our maintenance processes, engine issues within the KLM Cityhopper fleet, staff shortages as we are still making up for lost ground in the recruitment of engineers and pilots and an exceptional number of disrupted days due to adverse weather conditions throughout Europe and Schiphol airport. We reduced our capacity to deal with these complex circumstances. Unfortunately, this meant we were not always able to meet our customer expectations. Safety and compliance remained our first and highest priority. To improve the reliability of our operations, we hired extra staff and we worked hard on process improvements that contributed to a more effective and efficient operation. Within the technical departments, we optimised maintenance schedules, increased stock, and looked for solutions together with suppliers.

We must also be realistic. The year has not been without obstacles. Armed conflicts forced us to adjust flying routes, which lead to longer flight-times. Closer to home, political discussions about the future of Schiphol Airport created uncertainty for aviation in general and the role of KLM in particular.

"Building a bright future for our customers, for our staff and for our environment"

Marjan Rintel
President &
Chief Executive Officer

Cleaner, quieter, and more efficient

In 2024, the European Commission will assess the Dutch government's long-term plans to reduce the capacity of Schiphol Airport. KLM understands and supports the view that the impact of the airline industry on the environment must be reduced. We developed the 'Schoner, stiller en zuiniger' (Cleaner, quieter, and more efficient) plan, that complies with the principles of the balanced approach procedure to achieve the desired noise reduction while retaining the connectivity of the Netherlands with the world. In January 2024, KLM and sector partners presented 10 commitments towards a future-proof airline industry in the Netherlands. This year we hope to work with a newly formed Dutch government on a shared vision on aviation and set steps towards its realisation.

Meanwhile, we keep on working on delivering our promise to fly cleaner, quieter, and more efficient. AIR FRANCE KLM Group is accelerating its long-term plan to invest billions in fleet renewal. In 2023, KLM together with AIR FRANCE, placed an order for the Airbus A350 of which delivery will start in 2026. Transavia already welcomed its first Airbus A321neo and this year KLM will put the first Airbus A321neo aircraft into service. These new aircraft significantly reduce CO_2 emission and noise impact compared to its predecessors.

KLM remains committed to international agreements pertaining the sustainability of the airline industry. We must become more sustainable, while ensuring that we can continue to compete with the rest of the world. Therefore, it is vital that everyone participates and that a level playing field is maintained globally. KLM embraces the EU's 'Fit for 55' programme and we have set goals that are based on the Science-Based Targets initiative (SBTi), which aligns with the Paris climate agreement. We also continued to invest in Sustainable Aviation Fuel (SAF) and the electrification of our ground fleet.
These developments show that KLM is willing to take its responsibility.

Running a great airline for our customers and people

After work had become very challenging during the pandemic, our aim was to stabilise working conditions for our people. We welcomed hundreds of new colleagues, relieving some of the pressure so many of us have felt. However, we are aware of the fact that operational issues and a tight labour market still put a lot of strain on our people.

We did create better employment conditions by agreeing to three new collective labour agreements with a two-year validity. The new packages of employment conditions make us a more attractive employer. We also implemented new working methods and began automating processes with unloading devices and robots. This will improve working conditions, especially for those doing physically demanding work.

Furthermore, we improved the quality of our products and services. We continued to implement our Premium Comfort Class, which is highly valued by our passengers. A new World Business Class seat was introduced, providing direct-aisle access.

“We reduced our capacity to deal with low fleet availability, worldwide supply chain issues, engine issues within the Embraer 195-E2, staff shortages and a high number of disrupted days throughout Europe and Schiphol Airport”

We also accelerated investments in data-driven services, which empower passengers with self-service functionalities.

Funding our Journey

There are challenges ahead of us. We have great ambitions, and we must finance our journey to sustainability ourselves. That is why we have started our ‘Funding our Journey’ programme, which aims to generate a significant improvement of the income from operating activities over the next three to five years. We will do this by enhancing revenue streams, increasing productivity, efficiency gains and reducing costs.

Being part of the AIR FRANCE KLM Group strengthens our organisational foundation. The co-operation within the group is intensive and good. To increase our ability to execute our KLM strategy, we enlarged the KLM Board of Directors from three to five people, adding a non-statutory Chief People Officer and Chief Customer Experience Officer.

A lot is changing in the world around us, but I have full confidence in KLM’s future. Throughout our history we have proven repeatedly that we can adapt when needed. Our priorities for the future are to stabilise our operations, to continue the implementation of our strategy, and to work on our sustainability agenda. We will continue to serve our customers and improve our product and services, but we will also make a social contribution in several areas.

I want to express my gratitude towards our customers for the trust and confidence they have put in KLM. A heartfelt thank you to all colleagues on the ground and in the air, at Schiphol Airport and our outstations, for your commitment and perseverance in facing our operational challenges. It is the loyalty of our customers and people that will make the future of our company.

Marjan Rintel
President & Chief Executive Officer

About KLM

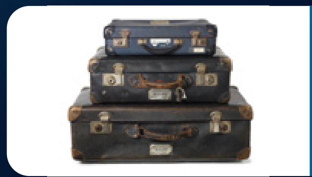
Our history

KLM was founded in **1919**. There were no lounges then. In **1921**, KLM was the first airline worldwide to open a passage office for the convenience of passengers.

The first full cargo aircraft for KLM was specially developed by Carley Werkspoor in the **1930s** under the name 'Jumbo'.

The first Delft Blue KLM house was introduced in **1952**, as an imaginary building. Every year a new house is added to the collection on KLM's birthday, October 7. This year number 104 was presented.

To explore the future of aviation, KLM collaborates with renowned institutions. This also applies to this – not executed – design for a Flying-V from the **1930s**.



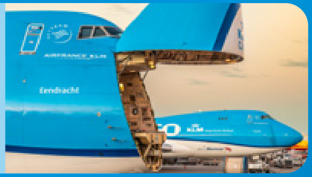
On intercontinental flights with night stops in the **1930s**, KLM provided its passengers with suitcases for hand luggage.

An aluminium frame, artificial leather upholstery, adjustable backrest, and extendable footstool. A full-flat seat *avant la lettre* on KLM's intercontinental flights in the **1930s**.

Highlights 2023

KLM opens two **newly renovated Crown Lounges** at the airports of Toronto and Houston, aiming to offer its customers the most attractive lounges in the world.

KLM Cargo places an order with Airbus for **four new, more sustainable A350F Cargo aircraft**. These will replace the B747 aircraft over the next few years.



In honor of its 104th anniversary, KLM presents the **newest miniature house** 'Valkenburg aan de Geul'.

KLM starts a **collaboration with the AeroDelft student team** to develop a hydrogen aircraft.

KLM visits **Electric Flying Connection** to explore the future of electric flying.

KLM offers its customers the option of **checking in their luggage at home**.

KLM introduces **new seats in the World Business Class in its B777** to offer its customers more comfort and privacy.

Profile

KLM was established in 1919, making it the world's oldest airline still flying under its original name. Operating from its hub at Schiphol Airport, KLM Group has three core activities:

Network

in which KLM operates flights for business and leisure passengers as well as the transport of cargo.

Engineering and Maintenance

for KLM and third-party customers.

Leisure

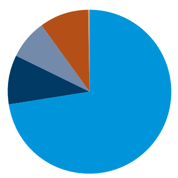
which is operated by Transavia. Transavia has a strong presence within the low-cost carrier market and focusses on Mediterranean leisure destinations.

KLM connects leisure and business passengers across the world

INTERCONTINENTAL DESTINATIONS 72

EUROPEAN CITIES 101

TOTAL AIRCRAFT 238



KLM REVENUE DISTRIBUTION
(€ x mln)

- Passenger 8,764
- Cargo 1,168
- E&M 921
- Transavia 1,176
- Other 21

AIR FRANCE KLM GROUP SINCE 2004

MEMBER OF SkyTeam

Purpose, vision and strategy

In 2023 KLM developed its new strategy ‘Pioneering to become a frontrunner in sustainable aviation’. This strategy will shape our strategic actions. The strategy builds on KLM’s strong position in the aviation industry and our current strenghts, and is inspired by our purpose and vision. KLM is focusing on three strategic ambitions.

Purpose

KLM’s purpose is ‘Creating memorable experiences on the planet we care for.’ This lies at the heart of KLM’s culture and strategy. The purpose stems from KLM’s core values, being passionate, caring, innovative, and responsible. KLM is connecting the world and that is what makes KLM staff proud. Air travel has a future. People want to fly, and flying is a crucial means of transportation. However, KLM feels a great responsibility to do better for its customers, for its people, and for the environment.

Vision

KLM’s vision is ‘Pioneering to become a frontrunner in sustainable aviation.’ This is the future KLM wishes to create, one in which KLM wants to be a pioneer in sustainable aviation and works with partners to realise that vision. New aircraft emit less CO_2 and have a lower noise impact. Sustainable Aviation Fuel (SAF) is less polluting compared to regular kerosene. KLM adheres to its climate plan. By taking large and small steps, KLM wishes to achieve major and unique improvements in the future. This is the only way KLM can keep connecting people and ensure that future generations can continue to discover the world.

PURPOSE

Creating memorable experiences on the planet we care for

The purpose entails the responsibility to make flying as sustainable as possible and with that it sets out the targets for the short and long term. Our passion for creating memorable experiences stems from our core values, being passionate, caring, innovative and responsible.

VISION

Pioneering to become a frontrunner in sustainable aviation

Pioneering is rooted in our history of entrepreneurship and can do spirit.

Strategy

In the wake of the pandemic, which severely disrupted the airline industry, four trends are impacting aviation worldwide:

- The airline industry needs to become more sustainable;
- The operating environment is becoming more complex;
- Technology is rapidly advancing; and
- The competitive landscape is changing.

In response to this, KLM continued the implementation of its new strategy in 2023, which focuses on three ambitions:

Funding our Journey

The 'Funding our Journey' programme explores and implements initiatives to improve KLM's margin by enhancing revenues and reducing costs, but most of all by returning to pre-COVID-19 capacity and fleet utilisation. The programme creates sufficient financial resources to invest in customer experience, employees, new aircraft, and technology. As a result, it plays a common thread in achieving KLM's strategic ambitions.

CLIENTS & COLLEAGUES

Run a great airline for our customers and employees

By connecting people and businesses across the world and investing in our strong brand and propositions.

KLM wants to remain the best choice for its customers and the best employer for its employees. KLM works every day to carry its customers safely around the globe. Thanks to its hub at Schiphol Airport and its airline partners it can connect customers to more than a thousand destinations. For its customers, KLM is continuously improving the products and services. It invests in its employees, to ensure they work in a safe, diverse, and inclusive environment that offers meaningful work and opportunities for growth.

SUSTAINABILITY

Improve for the future

KLM feels a great responsibility to contribute to a better future.

KLM has a great responsibility to make things better, not only for its customers and people but also for its environment. Step by step KLM is trying to make flying cleaner, quieter, and more efficient. It wants to become a frontrunner in this area. To do so, KLM is taking steps to reduce fuel consumption and thus CO_2 emissions by introducing new and more efficient aircraft, by flying more efficiently, and using more SAF. Reducing weight on board and the electrification of ground equipment also contribute to these goals. Meanwhile, KLM forms partnerships to explore the future of flying, using innovative energy sources such as hydrogen and electricity.

TECHNOLOGY

Innovate with technology

We adopt new technologies in our business and catalyse innovation in the airline industry.

KLM has always been a frontrunner in applying the latest technologies. To run a great airline and to contribute to a better future, KLM fosters digital transformation. By further investing in emerging technologies such as artificial intelligence, KLM will enhance its strong and future-proof digital capabilities. This will personalise its customer service, reduce costs, and increase operational efficiency. In addition, KLM will invest in autonomous operations and technology that decreases the strain on employees that do repetitive and physically demanding work.

How KLM creates value

Input

- Fleet & network
- Partners & stakeholders
- Natural capital
- Human capital
- Intellectual capital
- Financial capital

Added value

PURPOSE (WHY)
Creating memorable experiences on the planet we care for

VISION (WHAT)
Pioneering to become a frontrunner in sustainable aviation

STRATEGY (HOW)

ESG FRAMEWORK Environment Social Governance

Output

TOP PERFORMANCE INDICATORS

DESTINATIONS
173

CONNECTIONS TOGETHER WITH SKYTEAM PARTNERS
1,062

ARRIVAL ON-TIME PERFORMANCE
77.5%

NET PROMOTER SCORE
39

EMPLOYEE PROMOTOR SCORE
28

REVENUES
(€ x mln)
12,050

ADJUSTED EBITDA
(€ x mln)
1,572

SCOPE 1 CO_2 EMISSIONS AVIATION FUEL
(in ktons)
10,109

Outcome & impact

ECONOMIC

- KLM connects through a strong network for passengers and cargo
- Directly and indirectly, Schiphol and KLM provide more than 100,000 jobs
- KLM creates an attractive business climate for the Netherlands

ECOLOGICAL

- We are aware of our environmental impact, and we focus on the reduction of emissions and hindrance

UN SUSTAINABLE DEVELOPMENT GOALS

- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 17 PARTNERSHIPS FOR THE GOALS

One of KLM's three strategic ambitions is to improve for a better future. Some of the social and economic values that KLM generates are outlined here.

Network

Traditionally, the Netherlands has been a country whose excellent infrastructure and good logistics have made it a leader in trade and transit in global transport flows. Aviation is an indispensable link for the Dutch economy. Thanks to KLM's extensive international network at Schiphol Airport, the Netherlands is one of the best-connected economic centres in the world and millions of Dutch people travel every year to visit family, work, study, or a well-deserved holiday. Thanks to transfer passengers at Schiphol Airport, KLM's network can be maintained. Without transfer passengers, only a few destinations can be maintained, such as New York, Paramaribo, and the Netherlands Antilles.

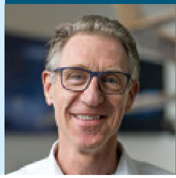
Allowing people to explore, connect, and experience

As the post-pandemic recovery shows, flying meets an important human need to travel. It connects people and creates memorable experiences. In 2023, KLM moved 30.3 million people to 173 destinations, of which 18.7 million transferred at Schiphol Airport. These numbers include people visiting friends and family, business travellers as well as leisure travellers. In 2023, passenger numbers for KLM increased by 17% compared to 2022.

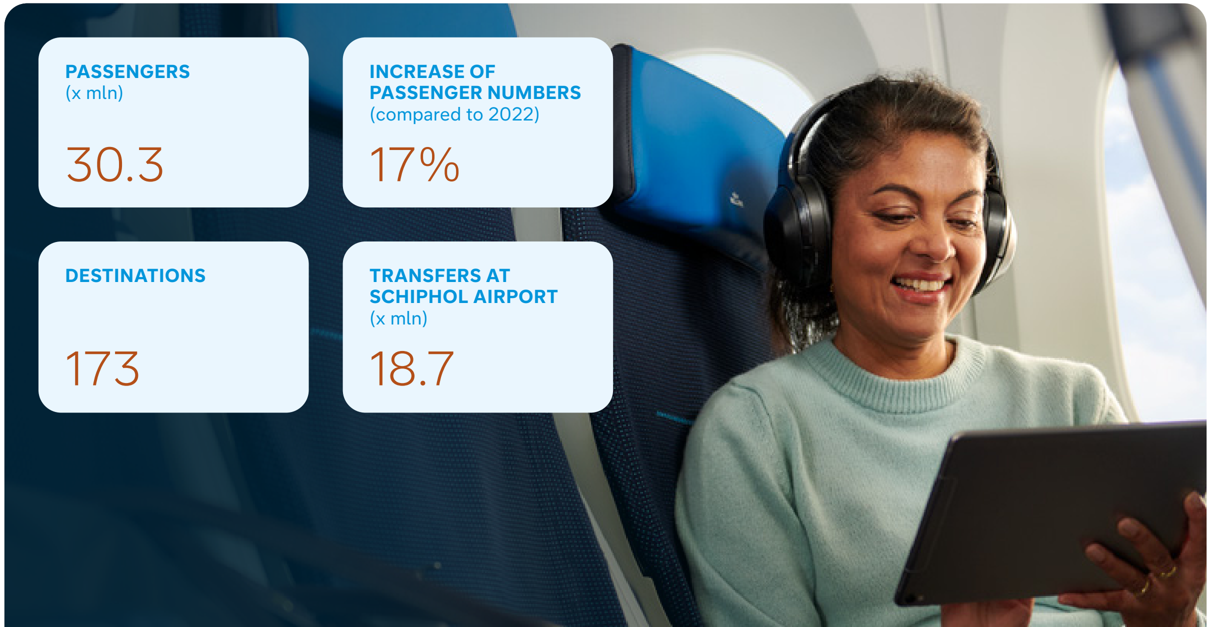
Powering the knowledge economy

KLM creates a favourable business climate for international organisations with headquarters in the Netherlands, making The Netherlands a home to global icons such as Philips, Ahold Delhaize, Randstad, and ING, as well as the European headquarters of leading brands. Amsterdam is a global financial centre, Rotterdam a major port, The Hague the international city of peace and justice, and Eindhoven a technology hub. The Netherlands is home to the globally renowned Delft University of Technology, Twente University and Wageningen University, which focus on ground-breaking solutions for environmental and social problems. Without a strong national carrier with a global network, it would be difficult for these organisations to do business and attract talent.

"KLM has been a reliable partner in research and education initiatives across the university. Two excellent examples are our research collaboration on the energy efficient aircraft innovation Flying-V and the partnership between KLM and the student initiative AeroDelft. This partnership will focus on AeroDelft's hydrogen-powered aircraft project, which aims to design and build zero-emission aircraft that can fly using liquid hydrogen and fuel cell technology."



prof. Henri Werij, Dean
Delft University of Technology, Faculty of Aerospace Engineering



PASSENGERS (x mln)
30.3

INCREASE OF PASSENGER NUMBERS (compared to 2022)
17%

DESTINATIONS
173

TRANSFERS AT SCHIPHOL AIRPORT (x mln)
18.7

Keep businesses running

The Dutch economy is globally competitive in areas like agriculture, horticulture, and high-tech. As the world's third-largest air cargo company, AIR FRANCE KLM Martinair Cargo enables the fast and cost-effective imports and exports of goods, such as Dutch flowers. Temperature-sensitive pharma logistics is one of the specialties of AIR FRANCE KLM Martinair Cargo. This creates a lot of employment for higher, secondary and practically educated people and makes it attractive for foreign companies to establish themselves in the Netherlands.

Ingrid Thijssen
Employer organisation
VNO-NCW

"KLM is a pillar of the Dutch business climate and connects us to nearly all economic centres of the world. The connectivity that KLM provides is indispensable for doing business, but also for attracting foreign business to the Netherlands. The plan and commitments from the Dutch aviation sector to accelerate the application of smart, sustainable policies is vital to ensure that this network remains intact."

Chris van Elswijk
VNC, Chairman

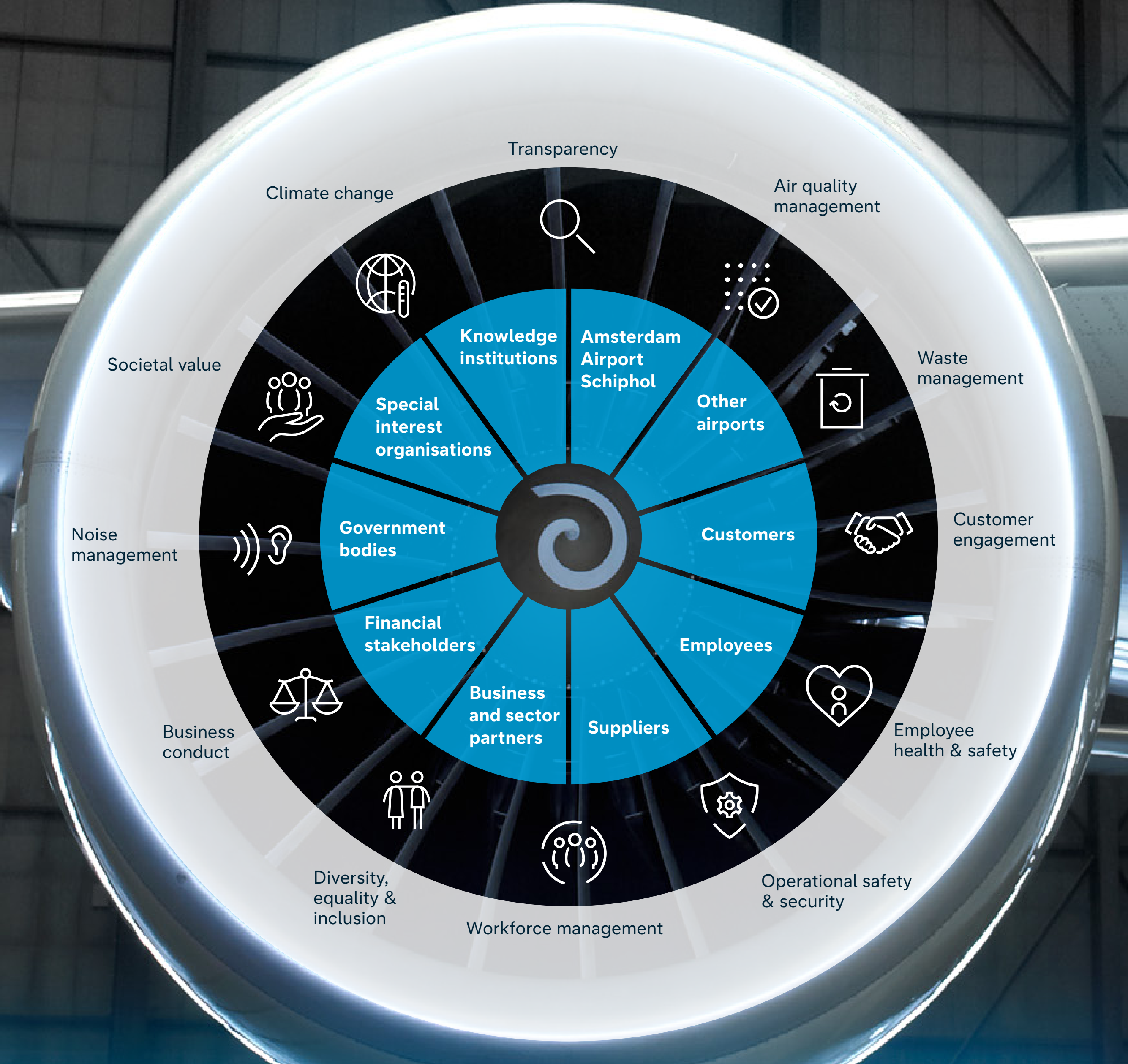
"KLM provides jobs to over 30,000 employees of which around 9,000 cabin crew. These are allround positions for highly professional people with a lot of responsibility for the safety on board. KLM does not only provide jobs, but it also provides an inclusive culture for people with very diverse backgrounds. KLM and VNC share the commitments to ensure job security and a fine and enjoyable working environment in the long term."

Providing safe, inclusive, and inspiring work

Aviation is of great importance for Dutch employment at every educational level. The KLM Group has more than 35,000 employees and, with more than 31,000 FTEs, is the third largest private employer in the Netherlands. It is very important to KLM that its employees can work safely and healthily. Many changes have been implemented in baggage halls in recent years in automation, mechanisation, and the use of lifting aids. With the arrival of containers on the new A320neo aircraft, the physical burden when loading baggage will decrease. The company works closely with universities and educational institutes to develop internships for upcoming talent. KLM aims to be a frontrunner in the LGBTQI+ commitments and strives for a diverse and inclusive environment.

Our stakeholders

- Material topics
- Stakeholders



The world around us

Global economic and geopolitical developments

The year 2023 was characterised by increased geopolitical tension. Russian and Ukrainian airspace remained closed off, resulting in longer flights to Asia. Conflict erupted in the Middle East, and while a narrow flight corridor across the region remains, a widening of the conflict could have serious impact on flight routes. Armed conflicts in Niger and Sudan impacted flights to some of our African destinations.

After the pandemic, the recovery of the global economy sped up in 2023, although higher inflation, rising interest rates and cost of borrowing did slow down economies. Europe accelerated its transition to a renewable energy system. Due to an ageing population and people reconsidering the role of work in their life, Europe continued to experience a tight labour market.

The pressure to reduce carbon emissions is requiring businesses to make costly investments, impacting their earning capacity. Fuel prices rose because, anticipating a slower recovery, oil producing countries cut down production levels. The US dollar gained strength vis-à-vis the euro.

The aviation industry

The American market remained strong, which had a positive impact on transatlantic flights. Asia lifted all remaining COVID-19-restrictions, and the Latin American markets did well.

The industry made a faster-than-expected recovery from the pandemic, but future demand may be dampened by higher inflation, leading to lower revenues. Higher oil prices, supply chain issues and increased inflation push up operational costs and the cost of borrowing, crucial for capital intensive items like new aircraft. The industry considers an increased risk of a recession and in response airlines have raised their cash positions. At the same time, it is expected that central banks will take actions, which should boost economic activity.

The airline industry is accelerating its move towards more sustainable flying, but aircraft manufacturers are unable to meet actual demand. In this context, KLM is benefiting from its timely decision to invest in a new fleet which will be delivered in the coming years.

Consolidation in the airline industry is set to continue, with AIR FRANCE KLM taking a stake in SAS in 2023. Economies of scale and larger networks will lower costs eventually.

Electric pushback car
KLM is working hard to electrify all motorised ground equipment by 2030. 65% of all KLM vehicles used at Schiphol Airport are now electric. And KLM is well on track to only drive CO_2-neutral cars, trucks, tractors and tow trucks by 2030.

Europe

Developments in Europe were dominated by the acceleration of the sustainability of the aviation industry.

‘Fit for 55’

Negotiations to finalise the European Commission’s ‘Fit for 55’ plan to reduce emissions with 55% by 2030 were completed. The new European Emissions Trading System scheme (ETS) will come into effect in 2024, which will gradually increase KLM’s cost by approximately EUR 400 million per year in 2030.

A new Carbon Border Adjustment Mechanism (CBAM), a system of tariffs designed to stem carbon leakage from countries without a carbon price, comes into effect in 2026. KLM has successfully advocated for a study that investigates how transportation services (including the airline industry) can be covered by this. This could contribute to a level playing field with non-EU airline operators.

Sustainable Aviation Fuel (SAF)

‘Fit for 55’ also introduces a gradual SAF blending obligation from 2% in 2025 up to 6% in 2030, rising sharply to 70% in 2050. This obligation applies to all flights departing from EU airports, including those by non-EU operators, which will help maintain a level playing field and encourage the market to scale the production of SAF. KLM already achieved 1.2% blending in 2023 aims for 10% in 2030 at global level.

Level playing field

KLM supports the European Union (EU’s) goal of becoming the first continent to achieve climate neutrality by 2050 wholeheartedly. The challenge we are facing is global, making unambiguous policy at a global level essential. A European Union that sets the tone with good European policies using strong instruments to improve sustainability is important for furthering this transition. It is vital that everyone participates and that a level playing field is maintained globally. We must become more sustainable, while ensuring that we can continue to compete with the rest of the world.

Single European Sky

KLM and its airline partners have long advocated for the creation of a Single European Sky (SES). For all CO_2 emissions from European aviation, this could achieve a 6 to 10% reduction of CO_2 emissions by redrawing flight paths and optimising air traffic management across Europe, which currently suffers from a patchwork of inefficient routes. A deal seems to be in sight, but it is to be seen whether the final agreement will reach its targets as originally foreseen by the European Commission. KLM therefore calls on EU Member States to contribute to realising this aim in order to meet the industry’s goal to achieve climate neutrality by 2050.

Passenger rights

Ensuring clear, balanced, and fair passenger rights is key for guaranteeing high quality services and remaining competitive at the same time. While the Passenger Mobility Package has been released in 2023, the current deadlock on the revision of Regulation 261/2004 (EU 261) leads to increasing uncertainty and significant amounting costs for European businesses. KLM calls on the European Commission to establish a clear, proportionate, and stable legal framework for air passenger rights that will bring protection and clarity to our customers and a fair cost of compliance for the operators.

goSAF
A KLM aircraft being fuelled at Schiphol Airport. The fuel supply system at Schiphol Airport contains a low blend of SAF and fossil jet fuel.

EU taxonomy

The updated EU taxonomy rules, published by the European Commission in 2023 includes aviation and labels it as 'green'. This is a positive development for the industry, as it makes it more attractive to invest in newer, more sustainable aircraft. From 1 January 2030 these new aircraft must be operated with a minimum share of 15% SAF, increased by 2% annually thereafter.

Global kerosene tax

KLM supports the European Commissioner's call for a global kerosene tax. The aviation industry operates globally and only a global tax can ensure a level playing field and prevent carbon leakage. KLM is not in favour of additional national and European taxes. Any taxes that are levied should be invested in SAF and other measures that will make the aviation industry more sustainable.

Labour conditions

Together with other airlines and trade unions, KLM is committed to exposing abuse of social legislation and regulations by certain competitors at European level that increase safety risks. This will help to achieve a level playing field in the social arena. Due to the joint efforts in Europeans for Fair Competition (E4FC), an European association consisting of both airlines and unions, the EU transport ministers put fatigue among European pilots on the agenda. KLM is in close contact with the European Labour Authority on this subject.

The Netherlands

Future capacity Schiphol

KLM believes that flying needs to become cleaner, quieter, and more efficient. It is important that we agree with the government, society, and sector partners on how we can best achieve this together. Evidently, KLM wants to reduce nuisances for people living near Schiphol Airport. On the 24th of June 2022, the Minister of Infrastructure and Water Management announced that the government wished to reduce the number of aircraft movements at Schiphol Airport from 500,000 to 440,000, starting with the capacity declaration for the winter 2023 season. The main objective of a capacity reduction was to reduce noise hindrance. The government's proposal focused on direct and significant reduction of flights to achieve these objectives. However, the proposal had clear disadvantages. No distinction was made between new, technologically advanced aircraft and old aircraft, which are less clean and quiet. Also, the plan underestimated the negative impact on society thereof, the fact that travellers will continue to fly from other hubs and potential carbon leakage.

Cleaner, quieter, and more efficient

That is why KLM, in June 2023, submitted a plan to the Dutch government that will help to achieve better results in terms of noise reduction. The plan, called '**Cleaner, quieter, and more efficient ›**', has been calculated externally by the Netherlands Aerospace Center (NLR) and results in a noise reduction at night of 18%, which is 3% more than the Minister's target of a 15% noise reduction in 2024. By 2026, the plan will result in a noise reduction during the day of 28%, which is 8% more compared to the government's target of 20% noise reduction during the entire day. In the years that follow, the noise reduction in the KLM plan will further accumulate.

The KLM plan consists of several elements. First, current revenues are invested in cleaner, quieter, and more efficient aircraft that will be delivered over the coming years. The KLM Group will invest significant amounts in fleet in the coming years. New aircraft are on average 50% quieter than the aircraft they replace, resulting in a significant noise reduction, as shown by figures in recent years. Second, KLM is looking at ways to use the quietest passenger aircraft at night.

KLM embraces the need to improve noise hindrance and has therefore started to make network adjustments to reduce noise in certain parts of the night. KLM is in favour of charging higher airport taxes to noisier aircraft. This way, level playing field is secured and all airlines operating at Schiphol Airport are encouraged to contribute to reducing noise by deploying the quietest fleet. Third, Schiphol and Air Traffic Control the Netherlands (LVNL), with the support of the airlines, are jointly committed to limiting noise pollution caused by air traffic in the vicinity of the airport and thus improving the quality of the living environment. KLM does this through nuisance-reducing procedures and measures that it applies now and in the future.

In November 2023, the cabinet decided to suspend the previously announced experimental scheme that aimed at making the aviation more sustainable and reduce noise pollution for local residents. A decision in cassation will be awaited.

Future-proof aviation for the Netherlands

In January 2024, together with partners from the Dutch aviation sector, KLM presented its vision on the future for the Dutch airline industry. This vision is translated into 10 commitments, by which KLM hopes to draft a joint action agenda together with the Dutch public, politicians, partners, and industry-wide parties that will make the Dutch airline industry cleaner, quieter, and stronger. That does not only mean that aviation should

Cleaner, quieter, and more efficient

A. Further investment in new, cleaner, and quieter aircraft

Old/current fleet	Current/new fleet	
Boeing 737-800 Embraer E1	Embraer E2	Airbus A320neo /A321neo family
	50% quieter	

Further purchase of new, cleaner, and quieter aircraft
Via fleet renewal investment

Use of quietest aircraft in the night as much as possible
Via adjusted flight schedules

Additional financial incentives to discourage noisy aircraft
Via higher airport charges

B. Improving quality of life in the surroundings of Schiphol

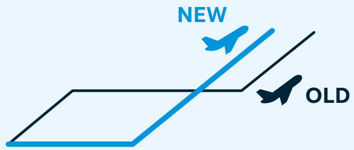
1. Restart "omgevingsfonds"
for projects in residential areas

2. Resume insulation programme
for eligible houses

Flying smarter and quieter

1. Suitable private jet activity
at Schiphol[2]

2. Adjusted departure procedure,
allowing aircraft ro reach higher altitude earlier



3. Increased inspection
(by ILT)[1] and monitoring

4. Improve arrival procedure
and other measures
(in co-operation with LVNL)[3,4]

1. Inspectie Leefomgeving en Transport.
2. This measure is part of category to be considered last in Balanced Act Approach procedure.
3. These measures are not included in the impact calculations, further LVNL study needed.
4. Luchtverkeersleiding Nederland.

become more sustainable, but also that flying should remain accessible for everyone and the Netherlands remains well-connected with the rest of the world.

Schiphol Airport

Schiphol Airport had 441,969 flight movements in 2023, 11% fewer than 2019, and hosted 61.9 million customers, 13.7% fewer than pre-COVID-19.

KLM accounted for approximately 229,000 of the flight movements and 30.3 million customers, respectively 8.6% and 13.6% below 2019. In 2023, Royal Schiphol Group managed to recruit sufficient security staff and thus limits on customers, imposed in 2022, were lifted during the year.

To compensate for lower passenger volumes during COVID-19, Royal Schiphol Group announced it would increase airport charges in 2024 by 14.8% instead of the earlier imposed 12%. This will lead to a cumulative increase of charges of 40.1% in the period from 2022 to 2024, resulting in extra cost for KLM of EUR 200 million.
KLM believes this is an unreasonable increase at a time when the airline industry is still recovering from three difficult pandemic years.
Benchmark airports have opted for no or only marginal increases of airport charges.

KLM's ambitious fleet renewal programme will increase the number of customers per aircraft.
To keep up with passenger numbers, Royal Schiphol Group and KLM are looking to align capacity at the airport. The further development of Schiphol Airport should be aimed at maintaining its position as an attractive and competitive European airport. KLM is eagerly waiting for the construction of the A pier to be finalised, because it will provide the much-needed capacity for KLM's wide-body aircraft. KLM and Royal Schiphol Group are also discussing upgrading of the C pier and the new baggage hall in the South Terminal, which is currently being designed.

Financial performance

Financial Key Figures (KPI's)

● 2023 ● 2022

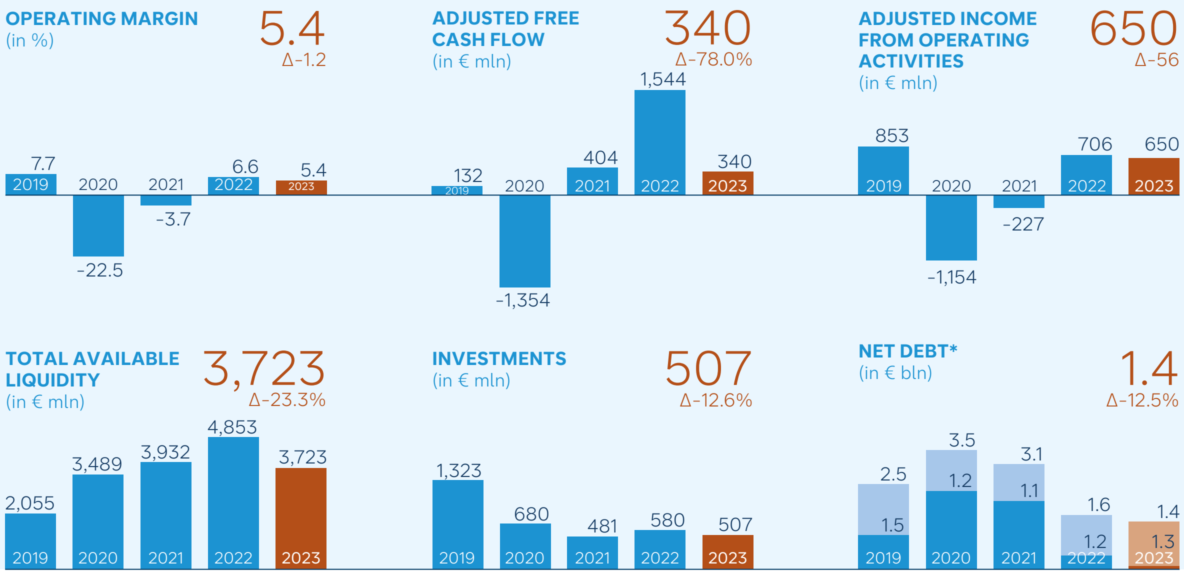
Consolidated figures in millions of euro, unless stated otherwise

KPI	2023	2022	Δ
REVENUES	12,050	10,679	Δ +12.8%
TOTAL EXPENSES*	10,478	9,001	+16.4%
AMORTISATION, DEPRECIATION, IMPAIRMENT AND MOVEMENTS IN PROVISIONS*	922	972	-5.1%
PROFIT FOR THE YEAR	714	744	-30
ADJUSTED INCOME FROM OPERATING ACTIVITIES*	650	706	Δ -56
AS A % OF REVENUES	5.4	6.6	Δ -1.2
ADJUSTED EBITDA*	1,572	1,678	-6.3%
NET DEBT/ ADJUSTED EBITDA*	0.9	1.0	improved 0.1
EQUITY	797	136	+661
AS A % OF TOTAL LONG-TERM LIABILITIES	13	2	+11
AVERAGE CAPITAL EMPLOYED**	1,705	1,978	-13.8%
RETURN ON CAPITAL EMPLOYED (%) **	28.5	26.4	+2.1
EARNINGS PER ORDINARY SHARE (EUR)	15.23	15.87	Δ -0.64
CASH FLOW FROM OPERATING ACTIVITIES**	1,122	2,414	-53.5%
CASH FLOW FROM INVESTING ACTIVITIES**	(507)	(580)	-12.6%
FREE CASH FLOW	615	1,834	-66.5%
ADJUSTED FREE CASH FLOW*	340	1,544	-78.0%

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

** The 2022 figures have been restated due to the Emission Trade Scheme (ETS) change in accounting treatment. See the Restatement of 2022 financial statement section in the Notes to the consolidated financial statements.

Financial performance



* Net debt does not include deferred wage tax and social securities payments of in total EUR 1.1 billion (2022: EUR 1.4 billion).

Erik Swelheim
Chief Financial Officer

"From a financial point of view, 2023 was a good year. Our businesses performed well, and we committed to long-term investments in fleet, Sustainable Aviation Fuel (SAF) and IT. To fund our investments, we aim to improve our margins in the next three to five years. We are optimistic about KLM's future. Demand for air travel will remain and we will continue to invest in a more sustainable future for KLM."

The airline industry continued its strong recovery from the pandemic, with demand outpacing supply for the second year in a row and ticket prices remaining high. As a result, KLM realised EUR 12.1 billion revenue, the highest revenue ever in KLM's 104-year history and 10% above pre-pandemic levels even though capacity was 12% less than in 2019.

KLM's adjusted income from operating activities ended at EUR 650 million. Equity was strengthened through the positive net result and the sale of our Flying Blue programme (similar to AIR FRANCE S.A.) to a new AIR FRANCE KLM sister company Flying Blue Miles S.A.S, and now stands at EUR 797 million, compared to EUR 136 million end 2022. Net debt was reduced to the historically low level of EUR 1.4 billion. The 2023 adjusted free cash flow was EUR 340 million and the near cash position ended at a comfortable level of EUR 2.7 billion.

In April 2023, the Dutch State support package (consisting of a 90% State guaranteed credit facility of EUR 2.4 billion and a direct State loan of EUR 1.0 billion) was terminated. All drawn amounts were already repaid in the second quarter of 2022. The conditions of the Dutch support package were monitored by the State Agent. The State Agent reported in his 5th and last monitoring report on compliance with the Dutch State support package that certain conditions were not met. During the COVID-19 crisis, the Dutch State issued several measures to support Dutch companies.

KLM applied for NOW support and obtained approximately EUR 1.9 billion of which all amounts have been settled. In addition, KLM made use of the possibility to defer payments for wage taxes and social charges of in total EUR 1.5 billion. Conform the applicable rules, as from October 1, 2022, KLM started to pay off the related deferred payments over a period of 60 months. EUR 1.1 billion is outstanding per December 31, 2023. KLM is grateful to the State and the State Agent for their support and involvement. The aforementioned support helped KLM to overcome the COVID-19 crisis and as a result over 30,000 jobs were saved. KLM will co-operate with the evaluation of the Dutch State support by independent experts as announced by the Dutch Ministry of Finance. The Dutch support package was terminated and replaced by a commercial credit facility, granted by a consortium of 14 banks in April 2023. The EUR 1 billion revolving credit facility is subject to targets related to Environment, Social, and Governance (ESG) and signals the financial market's trust in KLM.

Sale of Flying Blue

In December 2023, the AIR FRANCE KLM Group created a special entity for its loyalty programme Flying Blue. The reasons were two-fold. First, the programme is well appreciated by customers and can be further developed under dedicated leadership. Second, the programme was also used as a collateral to raise a EUR 1.5 billion perpetual loan at AIR FRANCE KLM Group level. To achieve this, KLM sold part of its Flying Blue activity to the AIR FRANCE KLM Group for an amount of EUR 489 million, strengthening KLM's equity, cashflow and cash position.

Continued recovery

KLM's businesses performed well. Passenger activities benefited from the high demand for business and leisure travel. All our markets performed better than last year, except for the Middle East. While Asia already recovered quite well last year, China opened up in 2023, and daily frequencies to Beijing and Shanghai returned. The North American and Latin American markets were strong, and production returned to their 2019 level.

Performance in Africa came to a level similar as 2019. Cargo experienced more challenging market circumstances as the demand for cargo as well as yields are under pressure, but still managed to keep revenues above pre-COVID-19 level. Third-party work by Engineering & Maintenance rose, with an increased demand for engine overhaul and components. After a difficult first half year due to insufficient fleet availability, Transavia had a good second half of the year with a strong increasing demand for leisure travel in summer.

Investing in a sustainable future

In 2023, KLM invested EUR 1.1 billion in fleet renewal, the modification of aircraft for passenger comfort, IT, and real estate. Sustainability has become a significant lever in KLM's decision-making. Central to its strategic ambition to run a great airline and to improve for the future, KLM has the ambition to invest billions for next-generation aircraft that are more cost-effective and will help to reduce its environmental footprint. The investments in fleet demonstrate that KLM wants to remain at the forefront of the airline industry. Also, KLM's investments in SAF are considered as investments in the future.

Funding our Journey

It is crucial that KLM continuously monitors the balance between its operational, environmental, and financial performance. In 2023, operational challenges have led to capacity constraints, lower fleet availability and higher recovery costs, meaning that it could not take full advantage of its earning power. Unit cost increased on the back of higher inflation, high oil prices, and increased wages that are part of three collective labour agreements concluded this year.

To fund its investment ambition in a sustainable fleet, KLM has initiated the 'Funding our Journey' programme, which aims to improve the income from operating activities by EUR 700 million over the next three to five years through revenue enhancement, productivity and efficiency gains, and cost reductions. This will also positively contribute to KLM's goal to further strengthen its balance sheet and equity position.

KLM is optimistic about the future. Demand for air travel is expected to remain high. Over the next few years, KLM has the ambition to strengthen its financial foundations and continue to invest in its customers, people, fleet renewal, maintenance, and real estate optimisation.

Our performance in 2023

Traffic and capacity

Passenger

In millions	Passenger kilometers 2023	Passenger kilometers 2022	% Change	Seat kilometers 2023	Seat kilometers 2022	% Change	Load factor 2023 (%)	Load factor 2022 (%)
Route areas								
Europe & North Africa	17,766	15,350	15.7	21,396	19,274	11.0	83.0	79.6
North America	23,597	21,941	7.5	26,876	26,642	0.9	87.8	82.4
Central and South America	14,996	15,126	(0.9)	16,634	17,106	(2.8)	90.2	88.4
Asia and Middle East	18,964	12,718	49.1	21,982	16,027	37.2	86.3	79.4
Africa	11,141	9,925	12.3	12,516	11,386	9.9	89.0	87.2
Caribbean and Indian Ocean	6,187	7,228	14.4	6,933	8,226	(15.7)	89.2	87.9
Total	**92,652**	**82,289**	**12.6**	**106,336**	**98,660**	**7.8**	**87.1**	**83.4**

Cargo

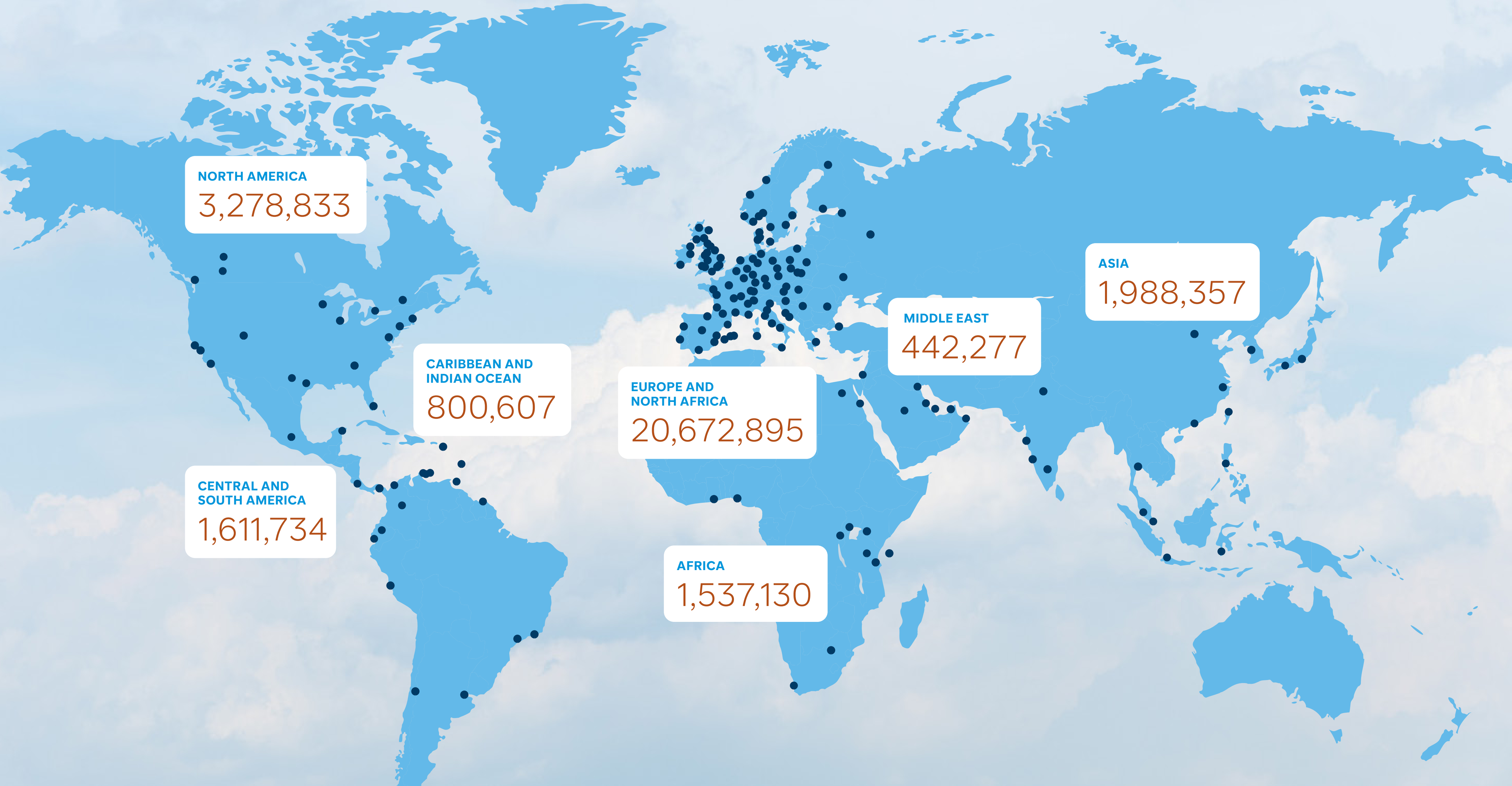
In million cargo ton-km	Traffic 2023	Traffic 2022	% Change	Capacity 2023	Capacity 2022	% Change	Load factor 2023 (%)	Load factor 2022 (%)
Route areas								
Europe & North Africa	9	4	137.4	366	330	10.8	2.5	1.2
North America	737	816	(9.7)	1,480	1,432	3.3	49.8	57.0
Central and South America	1,000	1,095	(8.7)	1,696	1,717	(1.3)	59.0	63.8
Asia	772	607	27.2	1,142	844	35.2	67.6	71.9
Africa and Middle East	661	711	(7.0)	1,064	1,023	4.0	62.1	69.5
Caribbean and Indian Ocean	65	97	(33.1)	340	415	(18.1)	19.1	23.4
Total	**3,244**	**3,330**	**(2.6)**	**6,087**	**5,762**	**5.6**	**53.3**	**57.8**

Transavia

In millions	Passenger kilometers 2023	Passenger kilometers 2022	% Change	Seat kilometers 2023	Seat kilometers 2022	% Change	Load factor 2023 (%)	Load factor 2022 (%)
Route areas								
Europe & North Africa	17,010	14,806	14.9	18,753	16,532	13.4	90.7	89.6
Total	**17,010**	**14,806**	**14.9**	**18,753**	**16,532**	**13.4**	**90.7**	**89.6**

Our passenger network

number of passengers and destinations per continent



Our businesses

KLM has three businesses. First, network activities, including passenger flights for business and leisure as well as the transport of cargo. Second, engineering & maintenance activities. Third, Transavia, focusing on intra-European leisure destinations. This year, the performance of our businesses was characterised by fast-growing demand, large investments in our products and services, sustainability, IT and the protection of data and privacy, but unfortunately also by operational challenges.

NETWORK

Passenger Activity

PASSENGERS (in millions)	DESTINATIONS	SOCIAL MEDIA CASES (in millions)
30.3	173	2

NET PROMOTER SCORE (NPS)	APPRECIATION CABIN CREW	NET PROMOTER SCORE (NPS) FAILURE FREE PAX	NET PROMOTER SCORE (NPS) PREMIUM COMFORT CLASS, FAILURE-FREE PAX
39	78%	68	78

Passenger Figures focus on KLM and KLM Cityhopper, unless indicated otherwise.

NETWORK

Cargo Activity

CARGO CARRIED (in tons)	DESTINATIONS SALES STATIONS	FULL FREIGHTER AIRCRAFT
416,953	286	4

WAREHOUSES (in m²)	EMPLOYEES (FTE)
70,000	1,773

E&M

Engineering and Maintenance

LEADING MULTI-PRODUCT MAINTENANCE, REPAIR & OVERHAUL (MRO) PROVIDER

CUSTOMERS
+200

AIRCRAFT SUPPORTED
+3,000

EMPLOYEES*
4,796

ENGINE SHOP VISITS*
103

A&C CHECKS*
449

AIR FRANCE Industries and KLM Engineering & Maintenance.
KLM Engineering & Maintenance only are indicated with a *.

LEISURE

Transavia

LOW-COST CARRIER IN THE NETHERLANDS
#1

PASSENGERS (in millions)
8.9

AIRCRAFTS
45

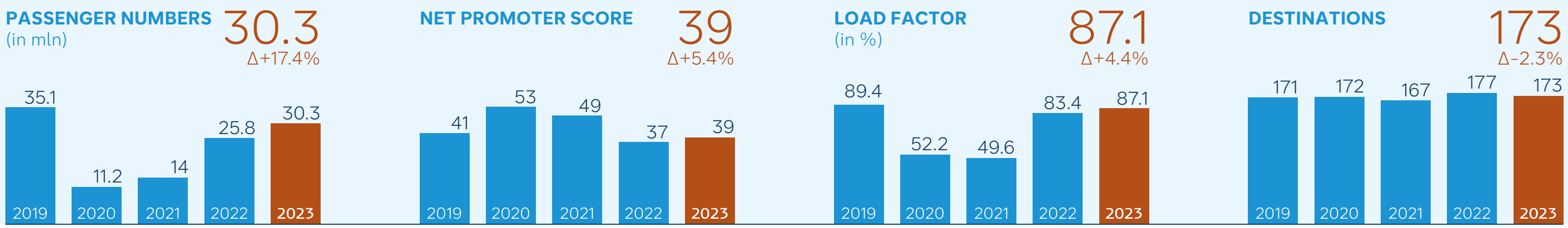
DESTINATIONS
110

ROUTES
159

EMPLOYEES
2,202

NETWORK

Passenger Activity



Passenger Figures focus on KLM and KLM Cityhopper, unless indicated otherwise.

Products and services

With demand for flying still high and KLM experiencing operational issues, the NPS score reflects the fact that KLM did not always manage to fully deliver its product as customers expected. Therefore, KLM took several mitigation steps. Most importantly, rigorous interventions in the network were made. Furthermore, KLM implemented digital tooling that empowers customers to easily rebook flights or quickly process refunds. These are services that are highly valued by customers. In 2024, KLM will improve digital tooling around lost luggage and missed connections.

The Net Promoter Score (NPS), a measure of customer appreciation, ended at 39. This is an improvement compared to 2022. Customers who do not perceive a service disruption, however, score an NPS of 70, indicating that they highly appreciate the quality of the KLM product. This reflects the investments KLM has made over the years in its product, as well as the ability of its crew to give customers a memorable experience.

APEX World Class Award

KLM improved the customer experience by further investing in its product. The rollout of the Premium Comfort Class was continued, and new World Business Class seats with direct-aisle access (read our story **Designing a stellar business class seat ›**) were introduced. The lounges in Toronto and Houston, key to KLM's strategic transatlantic routes, were refurbished, while the decision was made to renew KLM's Crown Lounge 25 at Schiphol Airport.

Other improvements were made as well. KLM offered its customers more choice and control through digital services. It started offering light fares in Premium Comfort and World Business Class, allowing customers to experience key elements of these premium products at an introductory price. KLM improved the availability of wi-fi on board and introduced a new hand luggage policy that guarantees most premium customers space for their hand luggage. Also, KLM created a digital Short Connection Pass, allowing customers to expedite their passage through

Barry ter Voert
Chief Experience Officer & Executive Vice President Business Development

"We continued to create memorable experiences for our customers. For example, through the introduction of a new Premium Comfort Class and the re-envisioned World Business Class. We committed to billions of investments in new fleet. We are excited to welcome KLM's new A321neo and A320neo as of 2024. Furthermore, as of 2026, the Airbus A350 will be introduced in KLM's fleet. KLM is heavily investing in a state-of-the-art fleet, offering our customers more comfort in terms of seats, space, and lighting."

security lanes in case they have a short connection at Schiphol Airport. These improvements contributed towards KLM being awarded the APEX World Class Award for the third year in a row. This award, which is based on professional audits and passenger reviews, recognises performance in areas like safety, customer well-being, and sustainability. KLM was recognised best-in-class for sustainability, which confirmed the steps taken in this area for more than a decade.

Frontrunner in digitisation

For years, KLM has been a frontrunner in the digitisation of the customer journey. In close co-operation with AIR FRANCE and in line with the strategic goal of creating technological advancement, outdated e-commerce systems have been replaced with a modern infrastructure. This allows for the rapid development of digital services. In recent years, data have become a focal point, for example to train chatbots and personalise customer offerings.

KLM's approach to digitisation is relatively mature compared to the rest of the industry. This year, KLM received 2 million customer service requests via its digital channels, some 30-35% of which is handled by bots. Some 84% of KLM customers had some form of digital interaction, including online check-in and booking, and a record number of tickets were sold through direct online channels. It goes without saying that digital interaction does not come at the expense of personal contact with customers. Services that can be provided via the digital platforms allow frontline staff time to tailor their personal contact with passenger to their specific needs.

In 2023, KLM saw an increasing number of sales agents and travel agencies join its New Distribution Channel, which extends KLM's offering beyond its digital channels.

Empowering customers

During the year KLM continued to roll out apps that support customers to take control over their journey. These include a digital queue at Schiphol Airport's transfer centre, as well as a new service that allows customers to increase their privacy and space by buying an empty seat next to them, and a tool for World Business Class customers to pre-order their meal online. A new customer clearance checklist is now online and helps customers to prepare their travel documents at home.

Furthermore, KLM enabled payment using miles and cash, which increases customer satisfaction. It was also made possible to pay for extra SAF using miles, which has increased the average spend of customers on SAF. In the course of 2024, KLM will be able to show the CO_2 impact of each journey and offer a SAF bundle, a sustainability focused addition to branded fares already offered.

Becoming a more inclusive airline

Digital services also help KLM to become a more inclusive airline. The booking flow is now better accessible to people with visual or auditory impairments, several kiosks at Schiphol Airport have been lowered for people in wheelchairs and customers can now request assistance at the airport online. In conjunction with AIR FRANCE, KLM has begun to add gender neutral language to its booking flow, in a bid to be more inclusive for its customers.

Jacco Hoekstra (left)
Project & Innovation Manager
Olaf Stokman (right)
Director Customer Experience

RUN A GREAT AIRLINE FOR OUR CUSTOMERS AND EMPLOYEES

Designing a stellar business class seat

The introduction of a new World Business Class seat on KLM's Boeing 777 aircraft has been a success. An amazing achievement considering the concept was developed during the pandemic and aircraft were refurbished while demand for flying was high again. Olaf Stokman, Director Customer Experience, and Jacco Hoekstra, Project & Innovation Manager, tell us what it took to upgrade KLM's proud new offering.

“The new standard in business class is direct aisle access”

Priority boarding, a good night’s sleep, and great dining. What a joy to fly business class on those long, intercontinental flights to an exotic holiday or important business meeting. But as part of its strategic goal of running a great airline, KLM felt it was time to upgrade its World Business Class on the Boeing 777 fleet.

“The new standard in business class is direct aisle access, ensuring that customers do not need to bother their neighbour when getting in or out of a window seat. Direct aisle was already available on the Boeing 787 fleet and just before the pandemic a business case was built to also introduce this new standard on the Boeing 777 fleet,” says Olaf. “As the introduction of Premium Comfort Class was already planned, it was a great opportunity to combine both installations and save time and costs,” Jacco adds.

Customer feedback proved crucial

Once three potential seats had been shortlisted, KLM involved customers in the testing. “The suppliers brought their seats to KLM’s headquarters and my team invited 30 frequent flyers to try them out. They worked on their laptop, were served food from a trolley, slept, and watched movies. They were observed with cameras and interviewed about their experience,” Olaf reflects.

The test yielded interesting findings, which were boiled down to 14 key points around three key areas: the comfort of the cabin and seat, control of features and care provided by staff. Looking at what customers wanted, the biggest change was the introduction of a privacy door. In addition, KLM decided on features like wireless charging, a separate holder for a water bottle to prevent it from moving during turbulence and placing a power plug at the front of the seat instead of the back for better access.

More privacy

According to Olaf, quite some thought went into the details of the privacy door. “Privacy doors are great when people want to sleep or need their privacy. The design resulted into a flexible door made of soft materials,” Olaf explains.

But while the passenger was the obvious focal point of this whole exercise, KLM also had to think about maintenance and cleaning. And, as is often said, the devil is in the details. “Talking to the cleaning crew, we realised that crumbs would get stuck in the bottle holder, which tarnishes the experience. So, we gave the bottom of the holder a specific angle, so the crumbs would come out during cleaning,” says Jacco.

Appreciation for Engineering & Maintenance

Now, let us take a moment to appreciate the people of Engineering & Maintenance. Because they had to take out the entire old business class and temporarily remove the galley so they could bring in seats weighing 100 kilogrammes each. And then assemble and rebuild the whole cabin. During 18 shifts a week, including the weekend and nights.

Why this time pressure? Because while refurbishing an aircraft is good for the long-term, in the short-term it is not flying customers and cargo, especially at a time when demand for flying is high. “KLM efficiently solved this by aligning Network and Engineering & Maintenance, so that the new World Business Class could be installed at the same time as the Premium Economy Class. This allowed us to install everything in about two weeks, which is amazing,” says Jacco Hoekstra.

Worth it

The effort was well worth it. By the end of 2023, the new World Business Class was installed on 10 Boeing 777-300 aircraft and feedback has been excellent. The revamped business class is showing a significant higher customer appreciation, while it also contributed to KLM being awarded the APEX World Class award for the third time in a row.

“We are proud of the fact that we decided to invest in the middle of the pandemic. It was a challenging time for everyone, but we kept our eye on the future and had the vision to come out stronger once customers could fly again. Now we are future proof with one of the finest business class seats in the industry, in addition to our excellent Premium Comfort Class,” Olaf reflects.

> "KLM Cityhopper aims to be the frontrunner in sustainable aviation within the KLM Group"

KLM Cityhopper (KLC)

KLC is a 100% subsidiary airline of KLM and operates flights to and from Europe's regional airports, feeding customers into KLM's long-haul network.

KLC operates its own fleet of 17 Embraer E175, 30 Embraer E190 and 18 Embraer 195-E2 aircraft. An additional seven Embraer 195-E2s are expected in 2024 and 2025. For the 2023-2028 period KLC pursues a three-pronged strategy, focusing on achieving operational excellence, sustainability, and offering customers and employees a great journey.

KLC had a record year in 2023, with 19% more flight movements than in 2022 and 7% above the 2019 level. At the same time, KLC experienced start-up issues with the Embraer 195-E2 engines, leading to part of the fleet being temporarily grounded. In response, KLC made use of wet leases to fulfil its network and minimise the impact on the customer journey of its passengers. KLC's Net Promoter Score (NPS) ended at 41.

Recruitment and training

KLC recruited 300 new cabin crew and 200 ground staff and trained 100 Embraer pilots. A new collective labour agreement was concluded for cabin crew; pilots and ground staff were covered by KLM's new collective labour agreements. Since KLC's line maintenance partner faced staff shortages, part of the maintenance work was outsourced to new partners.

Sustainability

KLC aims to be the frontrunner in sustainable aviation within the KLM Group. In 2023, KLC ceased economic tankering and reduced high-speed flying. A successful pilot was done to reduce the formation of contrails. A fuel optimisation programme was started to make each individual aircraft 1-3% more fuel efficient and electric vehicles, already operational at Schiphol Airport, are now used at outstations and the maintenance centre. By implementing new loading procedures, catering waste was decreased significantly.

Operations

In 2023, KLM set out to regain the trust of its customers and staff. KLM made good progress in solving its staff shortages in ground handling. More than 1,000 new colleagues were recruited for apron and baggage services. Royal Schiphol Group solved the shortage of security staff. The added manpower improved the operations and has resulted in a good performance, also compared to European competitors. Some important issues hampered a smooth operation, causing cancellations and delays, leading to discomfort for customers and staff, lost revenues, and high recovery costs.

Operational challenges

Fleet availability at KLM and KLM Cityhopper suffered from a shortage of maintenance engineers, caused by a tight labour market. KLM did manage to hire hundreds of new staff. However, all these new colleagues need extensive on-the-job training to acquire the right skills and become a licensed maintenance engineer.
In addition, there are industry-wide supply chain issues causing long delivery times of components and parts. KLM partially mitigated this problem by increasing the stock levels for certain parts, and by optimising the maintenance schedules. KLM had mechanical issues with the Embraer 190-E2 engines. By implementing new filters and catalysts it is expected that the problem will be mitigated early in 2024.

Network

Insufficient training capacity in combination with staff outflow caused a shortage of pilots on KLM's intercontinental flights. Consequently, KLM had to redesign the network and reduce long-haul capacity. To deliver the schedule as much as promised, KLM took measures. The network was rationalised, and capacity was reduced. Based on market demand, low performing destinations were closed and frequencies that were reduced during the pandemic have not yet been restored. Despite all efforts to maintain a stable network, some customers were unfortunately impacted by

Maarten Stienen
Chief Operating Officer

"From an operational point of view, 2023 was a challenging year. We managed several issues to make our operation more stable and laid the foundations for future success. I am proud of all the hard work that was done and led to the improvement of the operational results over the year. I fully trust in our ability to run a great airline for our customers and our people, and to contribute value to the world around us. A stable and manageable operation will remain our priority in 2024."

"KLM improved the working conditions of its ground staff. Hundreds of extra ground staff lessened the overall workload"

cancellations and delays. During the year KLM hired almost 300 additional pilots and managed to double training capacity. Furthermore, in the new collective labour agreement KLM agreed on measures that will increase productivity. On top of that, KLM temporarily leased six aircraft with crew (wet lease) to provide extra capacity in the European network.

In 2023, KLM worked hard on process improvements that contribute to more effective and efficient turnaround times of aircraft and a higher customer satisfaction.

External factors

KLM's operations were impacted by geopolitical developments. Flights to some destinations in Asia for example, now take up to 35% more flight time because of the closure of the Russian and Ukraine airspace, meaning KLM needs to bring more crew and use more fuel. In addition, Royal Schiphol Group's cap on passenger volumes, a spillover from 2022, led to reduced capacity and prevented KLM from fully utilising its network. Constant schedule redesigns, although time-consuming, helped to adapt. Lastly, the Dutch government's intention to limit Schiphol Airport's capacity brought a lot of uncertainty and impacted network planning.

Improved working conditions

KLM improved the working conditions of its ground staff. Hundreds of extra ground staff lessened the overall workload. In consultation with the Dutch Labour Authority (DLA), who required all handling agents at Schiphol Airport to reduce heavy physical labour at baggage handling, KLM took steps to structurally improve working conditions in the field of physically high demanding work within ground operations, cargo, and Engineering & Maintenance (read our story **Time to lighten the load >**). As for the incoming A321neo and A320neo, KLM decided to use luggage containers that can be mechanically lifted into the aircraft, meaning staff no longer need to haul individual suitcases in the aircraft's baggage compartments.

Finally, KLM believes that any form of unruly behaviour towards our staff or fellow passengers is unacceptable. Unfortunately, over recent years KLM has seen an increase in the number of passengers displaying such behaviour. KLM signed a letter of intent to collaborate with several Dutch airlines, the Royal Schiphol Group, and relevant authorities to take more effective action against passengers who misbehave.

Paul Temming (left)
Member of the baggage team
Harm Josephi (right)
Vice President Baggage Services

RUN A GREAT AIRLINE FOR OUR CUSTOMERS AND EMPLOYEES

Time to lighten the load

Handling baggage is strenuous work that impacts people's health and wellbeing. That is why KLM is taking steps to lighten the load. Paul Temming, member of the baggage team, and Harm Josephi, Vice President Baggage Services, share their perspectives.

“In 2023 the Powerstow transfer belt, a flexible roller track, was introduced”

While you are shopping at the duty free or waiting at the arrival carrousel for your belongings, hundreds of people are working to take care of your suitcases. That could be in the baggage halls of Schiphol Airport or in the belly of an aircraft where baggage is stacked. But, as Paul will tell you from experience, it is physically tough work under high pressure.

Muscles and tendons

“We are constantly pulling suitcases off the conveyor belt and pushing them unto a cart, or the other way around. Suitcases can weigh up to 32 kilogrammes and to get them moving, you exert around 79 kilogrammes of force on your muscles and tendons. Hundreds of times a day, at a high pace. And then there are special items, such as dogs in cages and the instruments of a philharmonic orchestra,” says Paul.

It is work that takes physical strength and mental perseverance. Shifts can start well before sunrise and last eight hours, so by the time people like Paul get home they are exhausted. “The work takes its toll on your shoulders, back, elbows and wrists. If you do not use lifting aids, your body will notice the impact after a while.”

Mapping out risks

Which is where Harm comes in. “Although reducing the physical strain has been an important topic for us for many years, we realised we still have not been successful enough to help Paul and his colleagues. To figure out the best way to help, we first conducted in-depth research to map out the health risks across KLM. Then we looked at taking four different steps. First, to tackle problems at the source. Second, to use supporting technology. Third, to get people to change tasks more often. And finally, to use personal protective gear.”

For the short to medium term, KLM focuses on the second and third step, and in doing so is working closely with the Netherlands Labour Authority (NLA) and Royal Schiphol Group, which is responsible for infrastructure in the baggage halls. Asked whether they could install robots, Harm admits only seven robots have been installed at Schiphol Airport in the past 12 years. However, for decades there has not been much global demand for baggage robot lifters, so there is not much on offer. In the baggage hall there is a machine made by a Dutch company that shakes suitcases out of a container; a good example of a source-based approach to eliminate physical strain. Nevertheless, it requires much floor space, which is scarce at Schiphol Airport, and the containers still need to be loaded manually.

Reduce the strain

Paul, who loves technology, has experience with lifting aids. “About two decades ago, I tested a university researcher’s exoskeleton. It was a metal construction worn on the outside of the body that uses belts and gas springs. Recently, tests have been conducted with a motorised version. They can reduce the strain by 25%, but they slow people down, are costly and need to be tailored to each individual worker.”

One change that was achieved in 2023 was the introduction of the Powerstow transfer belt, a flexible and mechanised roller track. KLM already uses the company’s belt loader at the platform to move luggage deep into the belly of aircraft. Inside the baggage halls, the transfer belt can be connected to a conveyor belt and helps to pull luggage more easily when unloading the baggage cart and placing it onto the conveyor belt. “This morning I taught a new guy to use it and it took him 30 minutes to adapt to it,” Paul says enthusiastically. Some 30 transfer belts have been ordered and will be installed in 2024.

Changing the culture

In addition to hauling baggage, Paul also became a health and safety coach for his colleagues. He loves this role. “Some colleagues have some resistance against working with the lifting aids. They think it is easier working without. But after five years all my colleagues start to feel the strain and that is a shame. I will not give up and keep on explaining the advantages of supporting technology.”

More help is on the way. A new container shaker will arrive next year in addition to the extra transfer belts. And the incoming A321neo and A320neo aircraft have been chosen in part because they can take containers filled with baggage, which tackles the issue at its source. “Thinking long-term, KLM has successfully gotten Royal Schiphol Group to incorporate far-reaching automation in the new baggage hall that is going to be built. We are also working with the Delft University of Technology on robotics, and we are a partner of FRAIM, a research and innovation centre that looks at the future of work,” concludes Harm.

Our fleet

KLM operates a fleet of 208 passenger and cargo aircraft that connect people, communities, and economies around the world. KLM is constantly upgrading the inflight experience and investing in quieter, more fuel-efficient aircraft.

Boeing 787-10/9 Dreamliner

Number of aircraft	10/13
Cruising speed (km/h)	920/920
Range (km)	9,900/11,500
Max. take-off weight (kg)	254,000/252,650
Maximum passengers	318/294
Total length (m)	68.30/62.80
Wingspan (m)	60.10/60.10

Personal inflight entertainment
Wi-Fi on board

Boeing 777-300ER/200ER

Number of aircraft	16/15
Cruising speed (km/h)	920/900
Range (km)	12,000/11,800
Max. take-off weight (kg)	351,543/297,500
Maximum passengers	408/320
Total length (m)	73.86/63.80
Wingspan (m)	64.80/60.90

Personal inflight entertainment
Wi-Fi on board

Boeing 747-400ER Freighter

Number of aircraft	3
Cruising speed (km/h)	920
Range (km)	11,500
Max. take-off weight (kg)	412,800
Max. freight (kg)	112,000
Total length (m)	70.67
Wingspan (m)	64.44

Airbus A330-300 / 200

Number of aircraft	5/6
Cruising speed (km/h)	880/880
Range (km)	8,200/8,800
Max. take-off weight (kg)	233,000/233,000
Maximum passengers	292/264
Total length (m)	63.69/58.37
Wingspan (m)	60.30/60.30

Personal inflight entertainment
Wi-Fi on board

Airbus A321neo

Number of aircraft	-
Number of aircraft Transavia	1
Cruising speed (km/h)	840
Range (km)	4,500
Max. take-off weight (kg)	89,000
Maximum passengers	232
Total length (m)	44.51
Wingspan (m)	35.80

Boeing 737-900

Number of aircraft	5
Cruising speed (km/h)	850
Range (km)	4,300
Max. take-off weight (kg)	76,900
Maximum passengers	188
Total length (m)	42.12
Wingspan (m)	35.80

Wi-Fi on board

Boeing 737-800 / 700

Number of aircraft	31/6
Number of aircraft Transavi	40/4
Cruising speed (km/h)	850/850
Range (km)	4,200/3,500
Max. take-off weight (kg)	73,700/65,317
Maximum passengers	186/142
Total length (m)	39.47/33.62
Wingspan (m)	35.80/35.80

Wi-Fi on board

Embraer 195-E2

Number of aircraft	18
Cruising speed (km/h)	876
Range (km)	4,815
Max. take-off weight (kg)	56,700
Maximum passengers	132
Total length (m)	41.5
Wingspan (m)	35.12

Embraer 190/175

Number of aircraft	30/17
Cruising speed (km/h)	850/850
Range (km)	3,300/3,180
Max. take-off weight (kg)	45,000/36,500
Maximum passengers:	100/88
Total length (m)	36.25/31.68
Wingspan (m)	28.72/28.65

Fleet

KLM has a fleet tailored to the markets and geographical areas it services. The high-frequency European network is serviced by KLM Cityhopper using Embraers and KLM using larger Boeing 737s. Both feed vital traffic to and from the Schiphol Airport hub, from which KLM offers flights to intercontinental destinations using Boeing 787s and 777s and the Airbus A330s. Transavia has a fleet of Boeing 737s and an Airbus A321neo that operates a point-to-point network aimed at leisure travellers.

New medium-haul and long-haul passenger fleet

To fulfil its vision of becoming a frontrunner in sustainable aviation, KLM aims to maintain a modern, efficient, and sustainable fleet. In 2022, KLM decided to replace the Boeing 737 with the Airbus A321neo and the Airbus A320neo. This year, KLM and AIR FRANCE joined forces to place an order for 50 Airbus A350, with purchasing rights for 40 more. The aircraft will replace the Boeing 777-200ERs, Airbus A330-200s and Airbus A330-300s. The Airbus A350 is the best fit for KLM's global network and the hub function of Schiphol Airport. It is cost-efficient to operate and offers a high payload range. Depending on the type, the Airbus A350s can accommodate between 331 and 391 customers. The first will be welcomed in 2026.

In 2023, KLM phased in three Boeing 787-10s and four Embraer 195-E2s and Transavia took delivery of its first A321neo and temporarily phased in five leased Boeing 737 as a bridge towards future delivery of the Airbus A320 and A321. Preparations have been made for the arrival of KLM's new European fleet, the A321neo in the summer of 2024 (read our story **Purchase of a lifetime >**).

The new Airbus aircraft will play an important role in the realisation of KLM's strategic goals of running a great airline for its customers and people and to improve for the future.
The Airbus A321neo uses 21% less fuel per seat and the Airbus A320neo uses 15% less fuel per trip than the aircraft they replace. Both types produce 50% less noise compared to the aircraft they replace. The Airbus A350 consumes 25% less fuel than an equivalent-sized, previous-generation aircraft and has a noise footprint that is 49% smaller compared to the A330-200.

New Cargo and KLM Flight Academy fleet

In addition, AIR FRANCE KLM Martinair Cargo will replace KLM's four Boeing 747s with four Airbus A350Fs as from 2026. These modern two-engine aircraft are considerably more fuel efficient, generate less noise footprint and are less

expensive to maintain than the ageing Boeing 747s with four engines. The full freighters serve the world's main freight routes and can transport large and voluminous items like machines and horses. They complement KLM's freight capacity in the belly of passenger aircraft.

KLM Flight Academy, a full subsidiary of KLM that trains new pilots, also decided to opt for a next generation of training aircraft with an order for 14 new aircraft. These produce less noise, generate less CO_2, and are technologically more advanced than the models they replace, offering a more sustainable training course.

Fleet composition KLM Group

Consolidated fleet as at December 31, 2023

		Average age in years	Owned	Finance leases*	Operating leases **	Total
Boeing 777-300ER	wide body	9.9	4	8	4	16
Boeing 777-200ER	wide body	18.9	10	1	4	15
Boeing 787-10	wide body	2.7	2	8	-	10
Boeing 787-9	wide body	7	-	4	9	13
Airbus A330-300	wide body	11.1	-	-	5	5
Airbus A330-200	wide body	17.8	6	-	-	6
Total wide body		**11.1**	**22**	**21**	**22**	**65**
Boeing 747-400ER Freighter	wide body	20.4	3	-	-	3
Boeing 747-400BC Freighter	wide body	33.5	1	-	-	1
Total cargo		**23.7**	**4**	**-**	**-**	**4**
Boeing 737-900	narrow body	21.8	5	-	-	5
Boeing 737-800	narrow body	17	13	2	16	31
Boeing 737-700	narrow body	13.8	6	-	-	6
Total narrow body		**17.1**	**24**	**2**	**16**	**42**
Embraer 195-E2	regional	1.7	-	-	18	18
Embraer 190	regional	12	13	4	13	30
Embraer 175	regional	6.5	3	14	-	17
Total regional		**7.7**	**16**	**18**	**31**	**65**
Airbus A321neo	narrow body	0	-	-	1	1
Boeing 737-800	narrow body	13.1	13	2	25	40
Boeing 737-700	narrow body	20.7	1	0	3	4
Total narrow body Transavia		**13.5**	**14**	**2**	**29**	**45**
Training aircraft			17	-	-	17
Total consolidated fleet		**12.0**	**97**	**43**	**98**	**238**

* With the implementation of IFRS 16, these aircraft are regarded as in substance purchases and therefore included as Owned aircraft in the financial statements.

** With the implementation of IFRS 16, these aircraft are recorded as Right of use assets in the financial statements.

Ton de Geest (left)
Fleet Manager A321neo
Bernd Visser (right)
Senior Fleet
Evaluation Manager

RUN A GREAT AIRLINE FOR OUR CUSTOMERS AND EMPLOYEES

Purchase of a lifetime

How do you buy a fleet of new aircraft? And how do you prepare for their arrival? Two simple questions with fascinating answers. Senior Fleet Evaluation Manager Bernd Visser and Fleet Manager A321neo Ton de Geest give us a look behind the scenes.

“The KLM network required an aircraft with a larger capacity”

A house, certainly. An education, possibly. We are talking, of course, about some of the biggest purchases a person can make in his or her life. For airlines, it is the choice for a new fleet of aircraft. Because they cost a fortune and last decades. And because they are at the heart of an airline’s operations, network, and product, not to mention the experience of customers and crew.

A few years ago, KLM decided it was time to revamp its Boeing 737 fleet, key to its European network. Carbon emission and noise levels of the Boeing 737 were no longer industry leading and maintenance costs and fuel usage were rising. Plus, the Boeing 737 no longer offered the product and experience that KLM wanted for its customers.

Larger aircraft

Bernd Visser and his team began to scout the market to see which aircraft would potentially perform well. “The KLM network required an aircraft with a larger capacity, as the number of flights at Schiphol Airport might be constrained. And the aircraft had to function alongside the smaller Embraers of KLM Cityhopper. This way we can use a larger aircraft on busy mornings to, say, London and a smaller one on quieter afternoons,” Bernd explains.

KLM worked together with the AIR FRANCE KLM Group, Transavia Netherlands and Transavia France to align needs. Based on this, they shortlisted the Boeing MAX family and the Airbus A320neo family. A decision was made for Airbus based on factors such as carbon emissions and noise, operating costs, and technical capabilities.
“The Airbus also has a more spacious cabin, meaning we can offer broader seats and larger overhead bins. And it makes it possible to load luggage and cargo in containers, which reduces the physical strain on ground staff associated with hauling such heavy items,” adds Ton.

Other factors played a role too, such as maintenance preferences, requirements from Flight Operations regarding the cockpit equipment and specific needs with respect to handling from the Ground Services departments. “With so many factors, interests and people involved, discussions could get heated,” laughs Ton.

Would you like an engine with that?

Another interesting aspect of the process is that the engines are not purchased from Airbus, but from other suppliers. “The engine determines noise footprint and carbon emissions, fuel usage, and maintenance needs, so that was a crucial choice. But we also had to decide on the interior, which includes anything from wi-fi and seats, which influence the experience of customers to the galley set-up, which impacts crew,” details Ton.

Once the order was placed, a new and possibly even more hectic phase began. Because, while a new car can just be driven home and parked in the usual spot, the introduction of a new aircraft is not that simple. Leaders from the main operational and technical teams are now working overtime to figure out how to train maintenance engineers, pilots, and cabin crew, how to set up IT systems and which spare parts and tools to order.
Representatives of KLM are closely working together with authorities who must give permission to start up operations. And the first fuselage parts of the new aircraft are now being inspected by KLM. Preparations will go on until the very first moment that the new aircraft type will land at KLM’s premises.

One plane type per pilot

What makes this process even more complex is that KLM is switching from Boeing to Airbus. “The new aircraft will arrive one after another, which means KLM will go into a transition period of five to six years in which two aircraft types are operated. This makes things more challenging not only for operations and maintenance, but also for our crew. While cabin crew are allowed to work on different planes, pilots can only be certified for one family of aircraft at the time,” says Bernd.

“After 20 years of operating the Boeing, crew and engineers are now enthusiastic about the prospect of learning new systems and the great qualities of this aircraft. And making such a large purchase strengthens our trust in the future,” Ton enthuses. Ton and Bernd are proud of the project achievements with so many internal and external stakeholders.
“We were at the heart of a major strategic decision that impacts KLM for years to come,” says Bernd. Ton agrees, adding that he also enjoyed organising the introduction. “Once the plane is flying, it is flying, but to make that happen we had to discuss and organise everything.”

Alliances

KLM provides expanded global connectivity for its customers, by engaging in joint ventures, being a member of the SkyTeam Alliance and by having other forms of co-operation with various airlines on every single continent.

During the pandemic, co-operations with airline partners and joint ventures were scaled down. In 2023, however, KLM resumed and expanded its existing partnerships and established new co-operations. The joint activities that are part of the Extended Transatlantic Joint Venture Partnership Blue Skies were restored by KLM and the partners involved. Implemented in 2020, Blue Skies connects the networks of KLM, Delta Air Lines, AIR FRANCE, and Virgin Atlantic.

In South America, KLM's commercial partnership with GOL was extended for 10 years. This includes exclusivity on routes between Europe and Brazil and commercial co-operation.

The tactical partnership between KLM and Copa Airlines was expanded to four new destinations, being Havana, Santa Domingo, Asunción, and Montevideo. The lifting of Chinese travel restrictions allowed KLM to resume the joint venture with China Eastern. Also, the partnership with Korean Air returned to its pre-pandemic set-up.

In India, meanwhile, a tactical codeshare co-operation has been implemented with the Indian carrier IndiGo, giving KLM access to 20 Indian destinations. In Africa, we have a codeshare co-operation with Kenya Airways. This allows customers to travel to 26 destinations via the Kenya Airways hub in Nairobi.

KLM is a member of the global SkyTeam Alliance. In 2023, Virgin Atlantic officially joined SkyTeam, enhancing the alliance's offering at both London Heathrow and Manchester Airport.

In October 2023, AIR FRANCE KLM announced its intention to acquire a non-controlling stake in a restructured SAS. Regulatory approvals, expected in 2024, would enhance KLM's presence in the Scandinavian markets, commencing with an initial tactical co-operation.

Technology

To contribute to KLM's strategic ambition of creating technological advancement, KLM is working together with AIR FRANCE in a joint technology organisation with an end-to-end responsibility for all information systems within the AIR FRANCE KLM Group. Key focus is the availability and stability of its information systems. Cyber security is a top priority.

Organisation in transformation

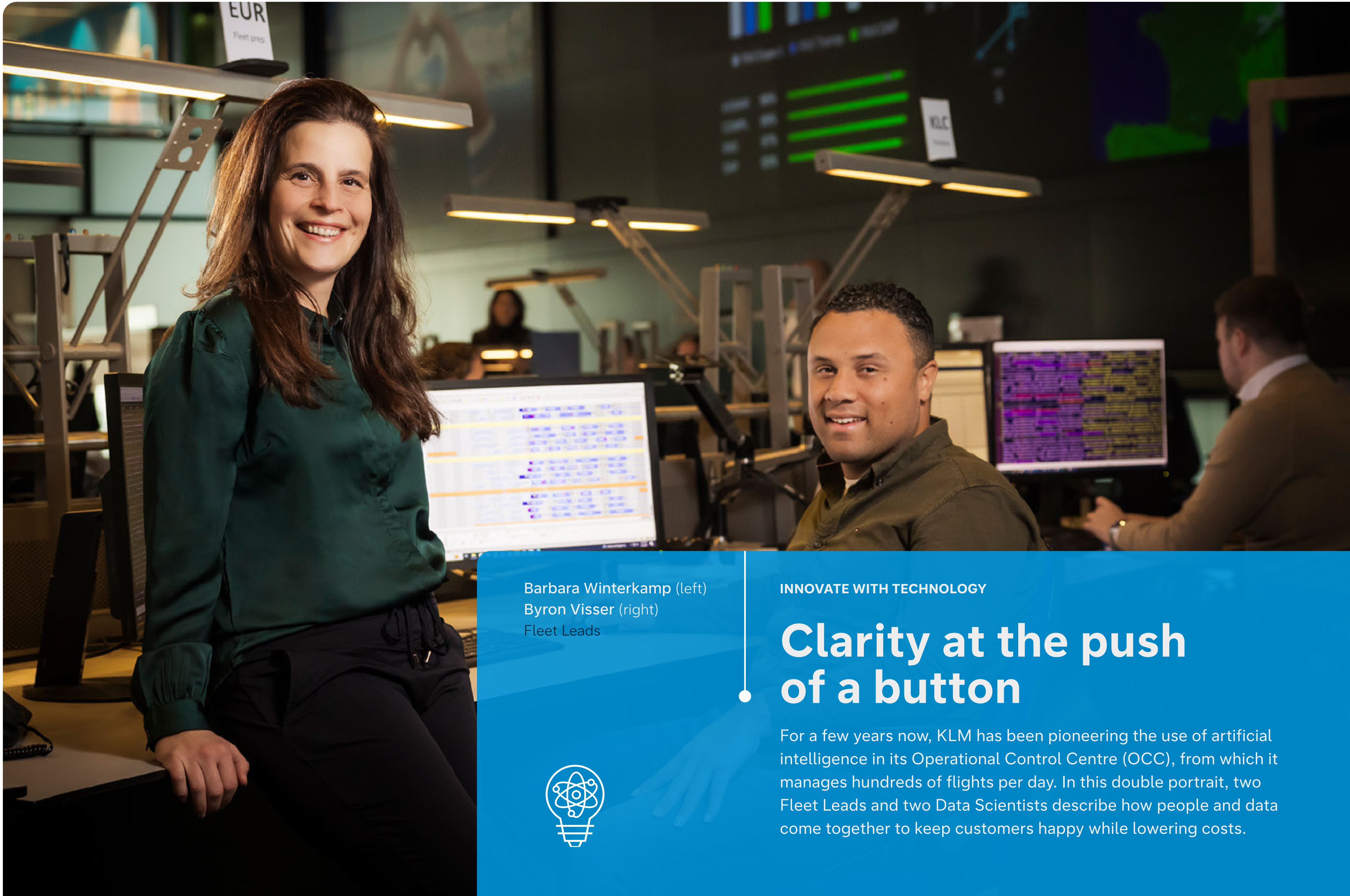
The IT organisation is currently in a massive transformation process that includes closing down three data centres and its twin centres, as well as moving IT systems to either the public cloud or a private cloud hosted in a state of the art, externally hosted Software Defined Datacentre.
This transformation will reduce the time to market, increase business possibilities, is more cost efficient, and reduces KLM's environmental footprint. The transition of the airlines' legacy systems to a future-proof IT environment is complex and includes updating, migrating, or closing 1,500 applications, a process that will take until 2027.

Artificial Intelligence (AI)

AI is an emerging and increasingly important technology. It helps to make KLM a more efficient, customer oriented, and environmentally friendly airline. In addition to using AI tools to optimise operations (read our story **Clarity at the push of a button ›**), KLM is developing its own AI application. For instance, this is currently being used in contact centre chatbots and for personalised customer offerings. In addition, KLM is testing ways in which AI can optimise other business processes and it is building a network of both internal and external AI experts.

A future-proof IT-landscape

KLM aims to have a future-proof, layered IT architecture that allows data to be accessed apart from the application by which it is managed.
This will make it much easier for customer-related departments to create personalised offers for customers or apply AI tools that offer, for instance, predictive maintenance, which increases fleet utilisation. KLM is also implementing several divisional programmes to move from old legacy applications towards modern tooling, such as the introduction of CargoBus in the Cargo organisation and the SAP roadmap in E&M. Furthermore, Blue Labs was set up, which tests innovative and impactful technologies in KLM processes, such as computer vision, digital twin, and augmented reality.



Barbara Winterkamp (left)
Byron Visser (right)
Fleet Leads

INNOVATE WITH TECHNOLOGY

Clarity at the push of a button

For a few years now, KLM has been pioneering the use of artificial intelligence in its Operational Control Centre (OCC), from which it manages hundreds of flights per day. In this double portrait, two Fleet Leads and two Data Scientists describe how people and data come together to keep customers happy while lowering costs.

The science and art of taking decisions

The OCC plans and manages KLM's network anywhere from two weeks in advance to the day of operation. As Fleet Leads, Barbara Winterkamp and Byron Visser are part of a team that is responsible for assigning aircraft to flights, timely departures and recovering KLM's operations back to normal in case of disruptions. And, as they will attest, this is responsible and complex work.

Just think about it. KLM Group has a fleet of more than 200 aircraft, and some are gone a few hours, some a few days. Crews have legal maximum working hours. Maintenance needs to schedule time for inspections and repairs.
A storm can cause a detour. A technical issue can lead to a cancellation or delay, which means customers need to be rebooked, and delays impact transfer passengers. Meanwhile, some airports are closed between certain hours or have a runway that is too short for certain aircraft.

The weight of responsibility

"It can be stressful to take a decision. Imagine an intercontinental flight with hundreds of people on board. It is time to depart, but suddenly there is a technical issue. Should we try to fix it, or should we change aircraft? It can take three hours to transfer people, baggage and catering to another aircraft, which impacts customers and crew, but it can also cost hundreds of thousands of euros to cancel a flight," says Byron.

The list of factors involved is longer than this and the situation in the air and on the ground changes every minute. Which conflicts with the need for stability and predictability. "In the past, we would manually plan these flights and use our experience in case things went south. But this is time-consuming and prone to errors. In an industry where operational efficiency and customer satisfaction affect the bottom line, this needs to change," Barbara adds.

Make better decisions

This is where the optimisers come in.
By using AI and vast amounts of data from all parts of the organisation, these IT tools help fleet leads make decisions that are better for the passenger, KLM staff and the bottom line. According to Byron, there are three such tools, developed in-house with partner BCG (Boston Consulting Group).

The first is Pathfinder, which optimises the allocation of aircraft to flights for the next three days. "You push a button and get a cup of coffee. By the time you come back, Pathfinder will have calculated an optimal schedule based on 25 factors, such as fuel consumption, airport charges, and number of customers. Everything is boiled down to a single factor, which is the amount of money that is saved. Sometimes that is as little as EUR 7,000, sometimes as high as EUR 600,000."

A second tool is Sentry, which is similar to Pathfinder, but only looks at the day of operation and considers factors like connecting flights in Amsterdam.
Runway, the third tool, is used to predict runway capacity at KLM's Schiphol Airport hub on an hourly basis. "If a storm closes a runway and our capacity is limited, Runway calculates which flights need to be cancelled. This allows us to quickly recover from such disturbances," Barbara explains.
A new tool called Armada, a more generic disruption management tool, is currently being tested.

It is still people calling the shots

Barbara is keen to emphasise that it is them and not the optimisers that make decisions. "The optimisers are great sparring partners. They can create clarity and show options in a matter of minutes. But we still take a decision as a team because we look at options and consequences in a human way. Sometimes we need to call a department to ask if a solution is possible, and AI cannot do that."

Having said that, the optimisers are quite effective. The fleet leads often accept the solution proposed by them and when they do not, it provides valuable feedback that allows the optimisers to be improved. The technical people are located on the same floor and together we constantly tweak the tools.

Remove walls to see the bigger picture

Felipe Ramos Gaete (left)
Data Science leader
Bianca Denekamp (right)
Data Scientist

In some people, the term 'AI' conjures up fearful images of a dystopian future. In others, it inspires incredible advances in medical science and autonomous driving. To Data Science leader Felipe Ramos Gaete and Data Scientist Bianca Denekamp, AI is an effective tool for finding better ways to improve customer experience and operating efficiently, all while saving money.

"Being a data scientist means being a jack of all trades. Besides creating math models and graphs, you need to be a good consultant and work with users to understand their needs. But you also do hard core programming of the algorithms," says Felipe. Bianca agrees, adding that "there is much to love about this work. We make a direct contribution to the operation, and we can quickly see the result of our work. This gives us a lot of energy."

From data to useful insights

KLM's AI optimisers use algorithms, which in essence are a set of procedures or rules. Data is fed into the algorithm, processed using vast amounts of computing power and then expressed visually, so a user can make sense of it. "Algorithms allow us to assess all the viable solutions in a smart way. On a given day, KLM can have around 100 aircraft executing 600 flights. If we also include possible delays, the need for crew to transfer between flights as well as operational restrictions, we are talking about millions of scenarios to evaluate," Bianca explains.

Which means that the optimisers need to be fed with accurate data. Some data changes in real time, such as flight schedules, other data changes rarely, such as airport opening hours. "Over the past decade KLM has built an IT infrastructure that merges data from 12 domains into two systems that, like two halves of the brain, are deeply connected. This creates a single source of truth, meaning everybody at KLM looks at the same data. This is fed into the optimisers," Felipe adds.

Finding the lowest costs

Asked how things can be made measurable, Bianca says it is important to involve users in the initial stages of the process and to have quick feedback loops. That is why they are located on the floor of the OCC and are not seen as separate IT people, but as part of a joint effort.

The design and development of the optimisers is as much about data as it is about people and processes. Felipe and Bianca work with various operational departments to determine needs and set goals, but also to discover latent problems and how much freedom there is to mitigate them.

Ultimately, the optimisers have been programmed to find the best solutions in highly restrictive environments while considering trade-offs between several metrics. The two main metrics are the lowest non-performance costs, for example hotel fees and rebooking costs in case of a cancellation, and the lowest operational costs, for example fuel consumption. "Some of this information is available, but we also work with Customer Experience to estimate the impact on customers and the KLM brand," says Bianca.

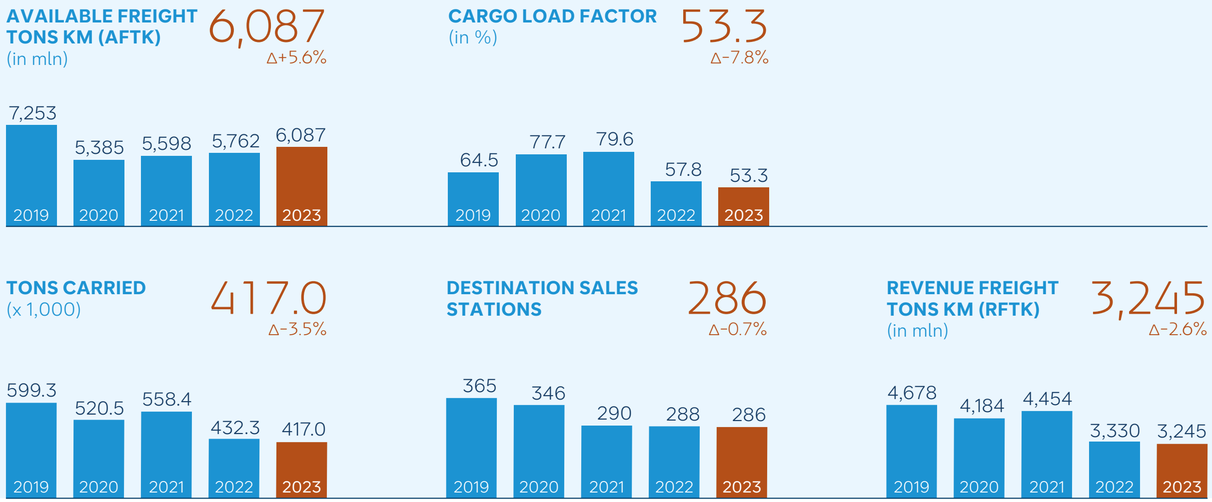
Embracing uncertainty

The optimisers are constantly being tested and developed based on feedback and new insights. If the people from fleet leads see a strange outcome or find a better solution to a problem than an optimiser, everybody goes back to the drawing board to figure out how to improve the algorithm or how to improve the quality of data.

Asked how they see the future of AI at the OCC, Bianca and Felipe say they would like to merge the tools and make the planning process more integrated. "The world is changing even more quickly, and we want to embrace uncertainty. By integrating work that is now done separately by various departments, we can create flexibility and get better results. This requires different processes, but in the end, better tooling helps us to remove walls and see the bigger picture more clearly."

NETWORK

Cargo Activity



AIR FRANCE KLM Martinair Cargo is a global air cargo company. From the dual hubs of Paris and Amsterdam, it flies cargo using six full freighters and the bellies of 170 long-haul aircraft, of which KLM accounts for four and 65, respectively.

In 2023, global cargo capacity almost fully recovered to its 2019 level, but yields, although still good and above 2019 levels, were lower than in 2022. In the first half year, the cargo market proved to be volatile. As a result of the geopolitical situation, the closure of airspace due to the war in Ukraine, macroeconomic trends and resurgence of belly capacity, air cargo volumes eased, and Cargo's contribution returned to pre-COVID-19 levels.

KLM's operational challenges impacted the performance of the cargo business. Some 80% of cargo is transported in the bellies of long-haul aircraft and the increased number of delays and cancellations of passenger flights influenced the commercial results. Staff shortage and new regulations meant some cargo could not be loaded. Meanwhile, the Boeing 747s had a 10% non-completion rate, which was mitigated by setting up a dedicated maintenance team and by easing flight schedules. The second half of the year, thanks to the agility of the business strategy and teams, business performance improved.

Renewed strategy

Cargo renewed its strategy with a new vision for 2030, aiming to 'become a leader in sustainable airfreight, while passionately delivering best-in-class customer experiences'. The strategy is centred around the themes of customer centricity and sustainability. One of the first steps was to place an order for four new Airbus A350Fs, the full freighter version of the A350. These will replace the Boeing 747s from the second half of 2026 and provide Cargo with a more sustainable and cost-efficient aircraft that can service and complement all key trade lanes. In addition, Cargo focuses on leveraging alternative capacity partnerships for the global network that is constantly in development. This includes the continued partnership with Delta and Virgin Atlantic, as well as the emergence of a partnership with CMA CGM Cargo, the world's third-largest container shipping company. The latter partnership was terminated due to changes in the market and regulatory conditions that called for an evolution of the form of co-operation.

Sustainability

The sustainability initiatives for Cargo are centred around three levers: fleet renewal, SAF, and operational measures. For the first lever, fleet, the four A350Fs, to be delivered as from 2026, will emit

“In terms of the company’s customer-centric approach, Cargo accelerated the rollout of digital services”

over 40% less CO_2 and make 50% less noise than their predecessors. For the second lever, Cargo matured the goSAF add-on offer for customers, enabling a SAF blending percentage per shipment on the myCargo booking portal. In addition to goSAF, more than 25 customers were welcomed to our corporate SAF programme, which was the first of its kind when launched in 2020.
For the third lever, operations, Cargo is implementing paperless handling and gradually introducing cardboard beams for weight distribution, along with cardboard and plastic pallets. These alternatives are preferred for their longer lifespan and lighter weight, reducing the overall weight of the plane compared to traditional materials. Cargo has introduced initiatives for Long Heavy Vehicle (LHV) transportation on the route between Amsterdam and Frankfurt. This entirely new truck combination runs on Hydrotreated Vegetable Oil 100.

As the airfreight industry is a complex ecosystem, Cargo collaborates closely with its customers and industry partners to address this challenge collectively. Therefore, Cargo initiated a collaboration with the Smart Freight Centre, where large airlines, forwarders and shippers work together to establish a clear framework for CO_2 emissions in the air cargo supply chain. This will enable Cargo to meet customers’ growing expectations for transparency regarding emissions at shipment level.

Customer centricity

In terms of the company’s customer-centric approach, Cargo accelerated the rollout of digital services. Some 77% of bookings were conducted online through the myCargo booking platform, which has been enhanced with new features such as quick allotment booking and e-tracking.

Cargo offers a premium product portfolio and has strategically aligned its organisational structure to meet diverse premium product needs. Initial steps have been made in the development of a more robust customer relationship management tool, which will be implemented within the first stations as of 2024.

Operational improvements

In the realm of operations, CargoBus continued to be rolled out, replacing legacy IT systems with innovative alternatives. Looking ahead to 2024, a major milestone for this programme is on the horizon with the implementation of CargoBus iCargo at our Schiphol Airport hub. Traction was gained with the Operational Excellence programme, investment in better cooling facilities for Pharma, and the animal hotel at Schiphol Airport. To track temperature and location real time, the rollout of the installation of tags to containers was started.

E&M

Engineering & Maintenance

LEADING MULTI-PRODUCT MAINTENANCE, REPAIR & OVERHAUL (MRO) PROVIDER	CUSTOMERS +200	AIRCRAFT SUPPORTED +3,000
EMPLOYEES* 4,796	ENGINE SHOP VISITS* 103	A&C CHECKS* 449

AIR FRANCE Industries and KLM Engineering & Maintenance.
KLM Engineering & Maintenance only are indicated with a *.

E&M's main focus was on ensuring fleet availability and punctuality for KLM. E&M finalised the installation of Premium Comfort Class and also the installation of the new World Business Class seats on KLM's Boeing 787 and 777.

E&M provides maintenance support to KLM as well as for third-party customers. While demand grew in 2023, E&M's performance was impacted by shortages of licensed staff and industry-wide disrupted supply chains. These circumstances impacted the availability for KLM's operations and reduced the ability of E&M to provide services to third-parties at a time when demand for flying is high. Cash flows were under pressure due to supply chain issues with impact on inventory and maintenance processes.

E&M sought to alleviate these issues by holding larger stock of components and leasing engines. E&M kept focusing on improving the health of KLM's fleet.

The installation of KLM's Premium Comfort Class on the Boeing 787-9 Dreamliner was finalised while the implementation on the Boeing 777 is ongoing and scheduled to be finalised in 2024. Work on airframes, engines, and components for third-parties increased, with new customers including Qatar Airways, Malaysian Airlines and Virgin Atlantic.

Recruiting and training

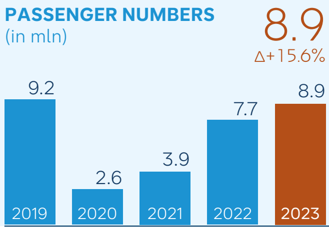
E&M continues to create a more diverse and inclusive work environment. Several Airbus A320/A321neo family technical licensed staff were recruited and trained. Recruitment efforts focused on a range of staff, creating technical traineeships, developing a new employee brand, and recruiting certified technicians from the wider EU. To meet the continuing demand for technical personnel, good contacts are maintained with schools and training institutes. This year, E&M participated in 44 job market events and 40 E&M ambassadors visited schools aiming to engage students and make them enthusiastic about KLM's E&M activities. KLM's new collective labour agreements help to improve staff retention and to attract new colleagues.

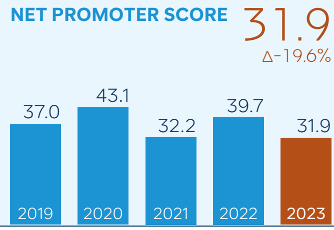
Sustainability

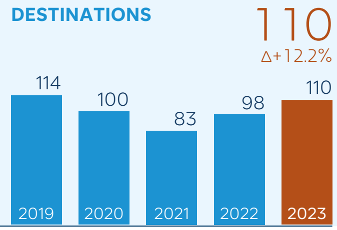
Despite the pressure, E&M focused on safety and punctuality and on contributing to KLM's sustainability goals. E&M conducted the world's first test run of an engine using 100% SAF, continued to invest in the electrification of its ground vehicles and decided to invest in new hangars that will be powered by solar panels and heat pumps. Operational maintenance processes were adjusted to make them more sustainable. One example of this is E&M's 'dry washing' procedure to clean engines, using 300 litres of water instead of the 10,000 litres used in a traditional cleaning process.

LEISURE

Transavia







Transavia is KLM's low-cost leisure airline with a strong presence on Mediterranean destinations. In recent years it has been expanding its network and working towards a more sustainable future.

Even though 2023 had a challenging start, Transavia was able to surpass the milestone of EUR 1 billion turnover for the first time in its history. Transavia carried close to nine million customers in 2023. The challenging start of the year was due to restrictions imposed by the Royal Schiphol Group on the number of daily customers, lessors unable to deliver aircraft, and supply chain issues leading to a shortage of spare parts for the fleet.
This meant up to 10 aircraft were grounded during the second quarter, forcing Transavia to cancel flights and rebook customers. Operations were stabilised by the end of May. Despite the challenges, Transavia realised a load factor of almost 91%.

Expanding operations in Brussels

In 2022, Transavia started operating three daily flights out of Brussels. With load factors comparable to the Schiphol flights and exceeding expectations, and 80% of customers being Belgian, operations were expanded to five daily flights to 11 destinations. Out of the Netherlands, two new destinations were added, Tromsø and Bordeaux, bringing the network to a total of 107 destinations and 156 routes. Meanwhile, preparations were made to start up flights to Tirana, Oslo and Tblisi in 2024. Due to the geopolitical situation in the Middle East, Transavia cancelled all flights to Tel Aviv and Beirut.
Transavia Holidays, through which the airline offers package deals that include hotels and car rental, saw growth on the back of surging demand for holidays in the Dutch market.

Transavia has been able to progress on its strategic priorities, including fleet renewal, sustainability initiatives and various digital innovations.

Fleet renewal

By the end of 2021, AIR FRANCE KLM Group made the decision to replace the Boeing 737 by the Airbus A321neo and A320neo, an aircraft type more suitable to the changing playing field.
The Airbus will allow Transavia to offer a more sustainable product, increase capacity, and operate more cost efficiently. Transavia took delivery of the first Airbus A321neo at the end of 2023.

Sustainability

Transavia acknowledges that it plays a significant role in making aviation more sustainable. In 2023, the overall SAF share on flights was increased to 0.9% and a SAF programme for travel agents was launched, which allows them to meet market demand for more sustainable travel. Transavia believes there is a need for governmental support in scaling SAF production. The use of non-reusable plastic on board was banned and almost all onboard waste is separated.

Furthermore, as from 2022, Transavia has invested in Fly with Lucy, which aims to be the first electric airline in the Netherlands.

Digitisation

During the year, Transavia invested in digital services and innovation. A shift towards a new revenue management system in 2024 was explored and Transavia joined an AIR FRANCE KLM Group tender for a new crew management system.

Furthermore, Transavia began to simplify its IT systems to facilitate the introduction of new offers and cross-selling between channels. It also improved the airline's ability to personalise offerings per customer, use dynamic pricing and provide customers with recognition on board. A pilot was run in partnership with cinema operator Pathé to offer customers flying out of Rotterdam The Hague Airport the ability to watch movies on their own devices as part of Pathé Home streaming service offering.

Transavia hired new staff in line with increased production, although it struggled to recruit technical staff. The airline concluded new collective labour agreements with cockpit and cabin crew and ground personnel. Employee engagement rose from 66% in 2022 to just under 70% this year. The Net Promoter Score (NPS) ended at 32, which was slightly below target.

Overview of significant KLM participating interests

As per December 31, 2023

	KLM interest in %
Subsidiaries	
Transavia Airlines C.V.	100
Martinair Holland N.V.	100
KLM Cityhopper B.V.	100
KLM Cityhopper UK Ltd.	100
KLM UK Engineering Ltd.	100
European Pneumatic Component Overhaul & Repair B.V.	100
KLM Catering Services Schiphol B.V.	100
KLM Flight Academy B.V.	100
KLM Health Services B.V.	100
KLM Equipment Services B.V.	100
Cygnific B.V.	100
Jointly controlled entity	
Schiphol Logistics Park C.V.	53 (45% voting right)
Financial asset	
Kenya Airways Ltd.	8

Environment

Environmental key figures

2023 2022

Figures focus on KLM Group, unless indicated otherwise.

CO_2 emission

Greenhouse gas emissions

Scope 1 (ktons CO_2 eq)

AVIATION FUEL
(in ktons CO_2)
10,109
9,041
Δ +11,8%

CO_2 SAVINGS FROM SAF
(in ktons CO_2)
179
87
+105.7%

GROUND OPERATIONS
(in ktons CO_2)
23.9
30.1
-20.6%

(Scope 2)

ELECTRICITY
(in ktons CO_2)

	Market based	Location based
2023	0	27.6
2022	0	30.7
Δ	–	-10.1%

(Scope 3)

UPSTREAM EMISSIONS FROM FUEL PRODUCTION
(in ktons CO_2)
2,573
2,308
+11.5%

(Scope 1, 2, 3)

TOTAL CARBON EMISSIONS
(in ktons CO_2)
12,527
11,322
+10.6%

Carbon credits

VOLUNTARY
(in ktons CO_2 credits)
9
10
-10.0%

CUSTOMERS
(in ktons CO_2 credits)
84
97.5
-13.8%

Emission regulation

EMISSION ALLOWANCES
(in ktons CO_2)
1,502
1,269
+18.4%

2023 / 2022

Figures focus on KLM Group, unless indicated otherwise.

Ground operations

Consumption

(MWh, unless stated otherwise)

	Electricity – Total consumption	Electricity – Of which renewable	Other energies – Fuel	Other energies – Natural gas	Water (in m^3)
2023	69,656	100%	59,591	77,739	155,292
2022	67,622	100%	61,317	71,121	121,729
Δ	+3.0%		-2.8%	+9.3%	+27.6%

Waste

(in tons, unless stated otherwise)

Air pollution

(in ktons)

	Non-hazardous – Total quantity	Non-hazardous – Recycled	Hazardous – Total quantity	Hazardous – Recovered	NOX
2023	10,118	34%	943	41%	0.09
2022	8,838	31%	1,248	75%	0.11
Δ	14.5%	9.7%	-24.4%	-34 pts	-18.2%

Flight operations

Consumption of raw materials

(in ktons)

CO_2 footprint - Fuel efficiency

(in gr CO_2)

Noise impact

Air pollution

(in ktons)

	Conventional aviation fuel	Sustainable aviation fuel	Passengers transport ($grCO_2$/passengers/km)	Cargo transport ($grCO_2$/100 kg/cargo/km)	Fleet under ICAO chapter 4 & 14[1]	NO_x low altitude (<3,000 ft)	SO_2 low altitude (<3,000 ft)
2023	3,150	49	73	44	100%	2.96	0.16
2022	2,846	24	75	44.9	60%	2.9	0.16
Δ	+10.7%	104.2%	-2.7%	2.0%	+40	2.1%	–

[1] The revision of this definition has been done in 2023, see section Noise management in the Sustainability Statement.

Sustainability

KLM made progress towards its ambitious sustainability goals through investments in a new fleet and Sustainable Aviation Fuel (SAF), operational measures and co-operation with industry partners.

KLM has a clear vision of its future: 'Pioneering to become a frontrunner in sustainable aviation.' This dot on the horizon is aimed to be realised by pursuing three strategic goals: to run a great airline for our customers and our people, to create technological advancement, and to improve for the future. The latter means KLM seeks to minimise its environmental footprint while maximising its positive impact on the world. KLM has assessed its environmental impact and developed a roadmap for the future.

In 2022 KLM launched its new strategy and in 2023 it began to embed it in the organisation, with dedicated people and formalised networks in place in every division. In 2022, KLM together with AIR FRANCE, has already set its targets based on the Science Based Targets Initiative (SBTi). A Climate Action Plan was launched that describes how KLM plans to reach these targets. For the larger part, KLM already has a concrete plan to reduce its emissions.

However, KLM needs to further explore other ways to reduce emissions. Therefore, in 2023 it started a large strategic programme working with all businesses to create roadmaps and find ways to reduce emissions more quickly.

For some goals, KLM is already doing what needs to be done. In other areas, KLM is venturing into uncharted territory. KLM focuses as much on its sustainability journey as on its goals. As an airline, it is in a constant process taking bold and sometimes painful steps and dealing with dilemmas. KLM is proud of the things achieved so far.

KLM reduction goals by 2030

Together with AIR FRANCE, KLM has already taken giant leaps and small steps to achieve six tangible footprint reduction goals:

KLM CO_2 emissions from flight operations

RELATIVE
(grCO_2 per RTK in 2030)
-30%

Compared to the 2019 baseline (871 grCO_2 emissions per RTK)

ABSOLUTE
(ktons CO_2 in 2030)
-12%

Compared to the 2019 baseline (12.03 Mt CO_2 emissions)

SAF USE
10%

TOTAL EMISSIONS OF GROUND OPERATIONS
0

NON-HAZARDOUS, NON-SEPARATED WASTE
-50%

Compared to 2011 (12,980 metric ton)

by 2050

TOTAL CO_2 EMISSIONS
0

Following the commitment of the International Air Transport Association (IATA)

CHALLENGE

Limited production capacity for SAF

There is currently truly little SAF production capacity worldwide. The amount of cooking oil, a source material, is limited, and synthetic SAF, made using captured CO_2 and renewable energy, is in its infancy. Also, SAF costs three to four times as much as kerosene and airline regulations around SAF are still in development. As an airline, KLM is sourcing, investing in, and using SAF in the face of many unknowns and the fact is that we do not yet have all the answers.

Giant leaps

KLM believes it can make a game-changing difference by investing in a new fleet, using SAF and stimulating the emergence of zero emission aviation.

Fleet renewal

The most effective way to reduce carbon footprints is to invest in a more fuel-efficient fleet. KLM is investing in more modern, high-performance aircraft with a significantly lower environmental impact compared to the aircraft they replace. Between early 2021 and end 2023, KLM already welcomed 18 out of 25 new Embraer 195-E2 aircraft, which emit approximately 30% less CO_2 per passenger-kilometre than the Embraer 190 they replace. The Airbus A321neo emits approximately 20% less CO_2 per passenger-kilometre than its predecessor the Boeing 737.

In addition, KLM will replace the full freighter Boeing 747-400 with new Airbus A350F freighters, which are expected to emit 40% less CO_2. By including the freighters, approximately 12% of our 30% CO_2 intensity target for 2030 will be reached by fleet renewal. This year, KLM placed a major order for new Airbus A350s which will operate long-haul flights and use 25% less fuel than similar aircraft of the older generation. This will give KLM one of the youngest fleets in its history.

Sustainable Aviation Fuel (SAF)

SAF offers a good alternative for kerosene. Although it still emits the same volumes of CO_2 in the air, it avoids significant amounts of emissions during its total lifecycle compared to fossil fuel. SAF made from used cooking oil can be added ('blended') to fossil kerosene. KLM has strict criteria for the SAF it uses, and KLM requires its SAF to emit at least 75% less CO_2 over the life cycle of fuel. While the EU mandates airlines to blend 6% on intra-European flights by 2030, KLM has set itself a voluntary goal of 10% worldwide. If KLM manages to achieve this goal, SAF would help to achieve 8% of KLM's overall CO_2 intensity reduction target in 2030. KLM, together with AIR FRANCE, is a frontrunner when it comes to being the first airline in the world to voluntarily add a SAF surcharge of 1% to tickets for all flights from Schiphol Airport, which is used to buy and blend more SAF.

By the end of 2023, KLM voluntarily blended 1.2% SAF, which is one of the highest levels in the industry. At the same time, KLM is aware of the long way it still must go to realise its targets. Engineering & Maintenance worked with engine manufacturer CFM International and world's largest SAF producer Neste to test an engine using 100% SAF. This helps KLM to understand how engines handle this type of fuel.

Zero emission aviation

Current aircraft engines, whether they use fossil kerosene or SAF, still emit CO_2. To move beyond these limitations, KLM has launched the Zero Emission Aviation programme to explore electric, hydrogen or hybrid propulsion systems for the next generation of sustainable aircraft. KLM works together with manufacturers and start-ups to understand the latest technological developments and their operational implications. In 2023, KLM conducted test flights from Lelystad to Delft with the trade association Electric Flying Connection and began a partnership with the Delft University of Technology to design and construct aircraft that use liquid hydrogen and fuel cell technology.

CHALLENGE

Change versus stability

The search for new propulsion systems requires airlines, aircraft manufactures, researchers, and regulators to work together. At the same time, electric or hydrogen propulsion systems are likely to have abilities and requirements quite different from kerosene engines, which could impact airline operations, networks, and business models. But aviation is a highly regulated industry geared towards safety and airlines make long-term investments in aircraft. So how do we balance the need for experimentation and change, with an airline's need for stability and predictability?

Small steps

Giant leaps do make a difference but are not enough. KLM also needs to make smaller emission-reducing steps across its value chain. To take these small steps, it focuses on operational measures in the air and on the ground, reducing waste and increasing circularity, and collaborating with partners in the aviation industry. Together, these help KLM achieve 2-4% of its overall CO_2 reduction target.

Operational flight measures

KLM is reducing fuel consumption by increasing the efficiency of its operations on the ground and while flying. In 2023 KLM began to reduce high-speed flying, which uses more fuel than flying at average speeds.

Operational ground measures

KLM has a strategy to reach zero emission on the ground. For that reason, KLM is electrifying its equipment at Schiphol Airport, which cuts emissions of CO_2 and improves the air quality for our employees. This year, KLM took delivery of 99 electric vehicles, under which 14 push-back trucks, 13 ground power units, eight water service trucks, and two toilet service trucks. KLM also began to test an Iron Flow Battery, which can supply electricity to smaller electric ground power units. By year-end, the electrification rate of our ground support equipment (GSE) was 68%, up from approximately 64% in 2022.

Challenge

Taking operational measures generally is dependent on co-operation between stakeholders. Therefore, it is not always possible to take all the steps as fast as KLM would like to. For example, KLM cannot decide independently which routes or altitude to fly but needs to collaborate with national air traffic management, which operates within the context of its own priorities. Likewise on the ground, KLM's operational measures depend in part on the infrastructure that is available at airports, for example to electrify our ground handling equipment.

Waste and circularity

KLM Group aims to cut its non-hazardous non-separated waste to half its 2011 level of 12,980 tons to maximum 6,490 tons in 2030. In 2023, KLM updated its waste strategy. KLM produces many types of flows from catering, maintenance, fleet, and buildings. All waste flows require good stewardship. Good results are realised by new methods for loading of catering at Inflight Services, the use of circular uniforms, and material substitution at AIR FRANCE KLM Martinair Cargo.

Drive industry change

KLM is fully committed to making air travel more sustainable, but it cannot achieve its sustainability targets without changing the industry as a whole. That is why KLM works with businesses, researchers, knowledge institutions, and policy makers on changing regulations, getting parties to invest in facilities, and ensuring a level playing field for EU and non-EU airlines.

The Sustainable Flight Challenge (TSFC)

In 2023, KLM participated in the second SkyTeam Sustainable Flight Challenge (TSFC). This is a yearly event that aims to catalyse sustainable aviation, by organising a sustainability competition between airlines. On this year's flights to Los Angeles and Trondheim, KLM reduced emissions by 3% by testing an extended electric tow to the runway, onboard weight reductions, and co-operation with air traffic control on a more optimal flight route.

Multi-modalities

As part of its Small steps, KLM promotes air-rail projects. This allows customers to substitute their Amsterdam to Brussels flight by offering a seat on the high-speed Eurostar trains. Behind-the-scenes, in 2023 improvements were made to the IT systems. These enable a joint train and aircraft boarding pass and better signage at Schiphol Airport. In the future KLM wishes to expand the Air-Rail network to more European destinations, although it is a crucial prerequisite that the link between train and flight connections at Schiphol Airport is improved. KLM is also in favour to expand the North-South metro line to Schiphol Airport, to increase the capacity for international trains.

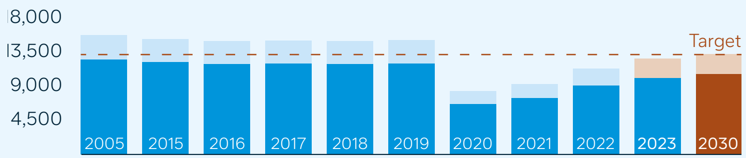
CHALLENGE

Recycling or food safety

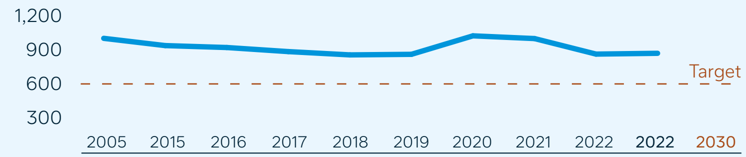
Like everything else in the airline industry, food and food waste is highly regulated. Out of safety concerns the EU demands that all waste coming from non-EU destinations is incinerated, even though KLM can and wants to recycle it. So, concerns for food safety clash with the need for environmental safety.
In 2022, we conducted a study that showed some waste can be recycled safely and we are now advocating for the EU to change its regulations.

Performance

ABSOLUTE CO_2 EMISSIONS FROM FLIGHT OPERATIONS IN KTONS CO_2 KLM GROUP
(x 1,000)



RELATIVE CO_2 EMISSIONS FROM FLIGHT OPERATIONS
(in $GrCO_2$/RTK scope 1+3)



Lisanne van Wijngaarden
Sustainability Manager
at KLM

IMPROVE FOR THE FUTURE

Fuelling the journey to more sustainable flying

Next time you enjoy your favourite deep-fried snack, take a look at the sky. Because chances are that the oil used to make it, will be turned into Sustainable Aviation Fuel (SAF). Lisanne van Wijngaarden, Sustainability Manager at KLM, explains why SAF is an important step towards decreasing the carbon footprint of aviation.

“Used cooking oil or other waste fats are collected and turned into SAF”

Modern aircraft run on kerosene, a petrochemical liquid that is refined from crude oil and is readily available at any airport in the world. With large-scale commercial electric or hydrogen powered flights still decades away, SAF can help reduce the climate impact of aviation in the short term. And that is where another type of oil comes in. “Used cooking oil or other waste fats are collected and turned into SAF at a specialised plant. At Schiphol Airport, Heathrow, Los Angeles, and other airports SAF is added – or blended in jargon – to the kerosene before it enters the airport’s fuel supply, and it gets pumped into an aircraft.”

Sounds simple enough and KLM has set itself a goal for 10% of its global fuel consumption to be SAF by 2030. This is beyond the EU’s mandated 6% for kerosene used in flights departing from Europe, which equates to 3.6% of our worldwide volume. By the end of 2023, KLM’s usage stood at 1.2%. This percentage may seem low, but it puts KLM at the high end of the industry.

That is because, according to Lisanne, there are some serious challenges ahead.

Cost and supply

Cost is one - SAF is three to four times as expensive as kerosene – but that is symptom of a larger issue. “There simply is not enough supply yet. There are a handful of plants around the world and while new ones have been announced, they take years to build. Luckily, KLM has committed to being the launch customer of some projects, meaning we guarantee the purchase of volume, and it becomes easier to obtain funding for a plant.”

A second challenge is that there is not enough used cooking oil. “It is possible to turn forestry and agricultural waste into SAF and in 2022 we did sign a contract for SAF made from wood waste. However, this technology is not as available as the technology that uses waste oils and fat, so we do not expect the first SAF from wood waste until 2026. Now, SAF can also be made from palm oil or crops that can feed animals and people. At KLM, however, we see sustainability issues around deforestation for palm oil and have concerns over using food and feed-based crops, so we explicitly exclude these feedstocks for our SAF.”

Synthetic SAF in its infancy

Another way to produce SAF is synthetically, using CO_2 captured from the air, water, clever chemistry, and vast amounts of renewable energy. Back in 2021, KLM experimentally added 500 litres of synthetic SAF to a flight, but the technology is very much in its infancy and neither affordable nor currently available in any meaningful way.

Which leaves one more bridge to cross: regulations. Lisanne: “While chemically similar to kerosene, using SAF in a pure form may impact engines in ways that are not fully understood yet, let alone regulated for. We are doing our bit to figure out how this affects our engines, for example by conducting an engine test in 2023 with 100% SAF at Engineering & Maintenance.”

75% lower footprint

Despite these challenges, Lisanne believes that SAF is an important part of KLM’s journey to more sustainable flying. “Our SAF has at least a 75% lower carbon footprint than kerosene over the entire life cycle, and we only accept SAF if it meets sustainability certification from the International Sustainability and Carbon Certification (ISCC) or Roundtable on Sustainable Biomaterials (RSB). Their criteria also concern the full sustainability spectrum, including human rights, landownership, and soil quality, so we are doing this very seriously.”

KLM is better positioned in the SAF market than many other airlines. It was a true pioneer in 2011 when it made the world’s first flight containing SAF and in recent years worked with AIR FRANCE KLM partners to sign short and long-term offtake agreements. In 2023 the AIR FRANCE KLM group incorporated 17% of the world’s SAF supply, while it only consumed 3% of global kerosene production that year. “But,” says Lisanne, “it is important to note that the global SAF supply is still very small and that SAF will account for only 0.53% of global kerosene use of the entire aviation sector in 2024.”

To further encourage the use of SAF we need to include the customer more. Some 130 businesses and the Dutch government participate the corporate SAF programme that KLM established as early as 2022, while a Cargo SAF programme is being used by large shippers and freight forwarders. KLM became the first airline to add a mandatory ticket surcharge for SAF and now offers customers the option to voluntarily buy extra SAF. “Higher ticket prices may not be popular, but we feel this is the way to go in order to decrease the carbon footprint of aviation.”

Social

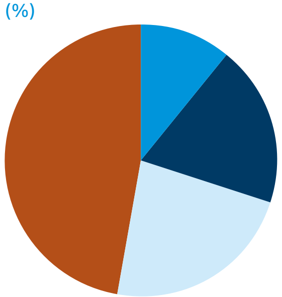
Social key figures

● 2023 ● 2022

All figures as per December 31, 2023. Figures focus on KLM and KLM Cityhopper, unless indicated otherwise.

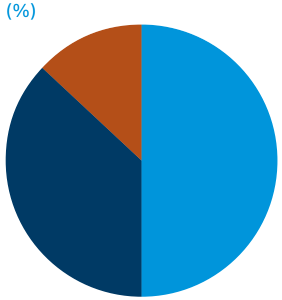
KLM aims to facilitate its approximately 35,000 employees to be 'the best version of themselves' by creating an optimal, engaged, diverse, and inclusive workforce that can execute KLM's strategy. Whether it is by handling luggage, flying aircraft, serving customers, or maintaining engines, it is through our people that KLM's purpose of 'Creating memorable experiences on the planet we care for' comes alive.

AGE DISTRIBUTION * (%)



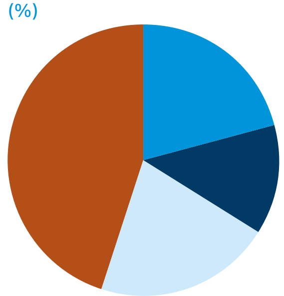
< 30	11
30-39	19
40-49	23
>49	47

STAFF DISTRIBUTION* (%)



Ground staff	50
Cabin crew	37
Cockpit crew	13

YEARS OF SERVICE* (%)



< 5	21
5-10	13
11-20	21
>20	45

	2023	2022	Δ
EPS	28	11	+154.5%
ABSENTEEISM*	8.0%	8.8%	-9.1%
HEADCOUNT KLM GROUP STAFF	35,145	33,358	+5.4%
HEADCOUNT KLM + KLM CITYHOPPER	25,899	24,633	+5.1%
NUMBER OF NATIONALITIES	69	62	+11.1%
NEW COLLEAGUES STARTED	2,057	2,369	-13.2%
FEMALE COLLEAGUES* (%)	44.8	45.5	-1.5%
FEMALES IN SENIOR MANAGEMENT* (%)	29.5	28.1	+5.0%

* In percentage of headcount

Doing good for society

	2023	2022	Δ
WINGS OF SUPPORT NUMBER OF PROJECTS	60	73	-17.8%
SUPPORTED CHILDREN	28,772	27,260	+5.5%

People

KLM's people strategy aims to have a flexible and healthy workforce, inspire managers, create a motivating work environment, and provide a personal HR experience. This fits well with KLM's renewed vision and purpose.

KLM is experiencing challenges in the labour market. The tight labour market requires a different approach to retaining and attracting talent. Being one of the largest employers in the Netherlands with colleagues from approximately 70 nationalities, who differ in age, gender, orientation, ethnic-cultural background, personality, experiences, and more, KLM has a diverse workforce. Therefore, it is important that KLM is an inclusive organisation. KLM understands that leadership skills must be developed to meet these challenges. And finally, employment conditions, labour costs, and productivity must become future proof. A people transformation agenda was defined with a rolling horizon of five years that addresses these key challenges in the near future.

Making headway on three goals

In 2023, KLM set three goals for its staff: its employees are healthy and flexible, its workforce remains stable in terms of staff numbers and competencies, and KLM remains an attractive employer. On all three counts, KLM managed to achieve improvements.

In close co-operation with trade unions, KLM concluded collective labour agreements with cockpit and cabin crew, as well as ground personnel. The collective labour agreements which provide pay rises for 2023 and 2024 and incentives

Miriam Kartman
Chief People Officer & Executive Vice President Human Resources

"Sustainability is also about maintaining a flexible and healthy workforce. After some tough years, we are excited to have welcomed so many new colleagues in all parts of the organisation. We have concluded new collective labour agreements that match the challenges we face in the tight labour market. We want to remain an attractive employer to retain and attract the talents we need now and in the future."

for sustainable commuting, have a two-year validity and will make it easier to retain employees within KLM and to attract new talent. KLM revamped its recruitment strategy and launched award-winning recruitment campaigns, which attracted pilots, baggage personnel, engineers, and IT staff.

Flexibility and health

Occupational safety was improved by using technological aids and adjusting work processes to reduce the impact of physical work (read our story **Time to lighten the load >**). The new collective labour agreements offer staff close to retirement and who do physically demanding work incentives to work towards their retirement in a healthy way. In 2023, KLM focused on undesirable conduct and manners. KLM does not tolerate bullying, violence, sexual intimidation, discrimination, and other forms of unwanted behaviour. KLM's focus has been on preventing such behaviour from occurring in the first place and effectively responding to it when it occurs nonetheless. Steps were taken to increase awareness around unwanted behaviour and a central point of contact was established for reporting unwanted behaviour. Absenteeism has KLM's continuous attention but is above targets set.

Leadership development

A changing working landscape requires a different kind of leadership. Therefore, KLM focuses on leadership development, offering generic leadership programmes for starting and experienced leaders, and theme led programmes. These also include training courses on how to deal with inappropriate behaviour in individual and group settings. Other theme-led programmes tackle 'diversity and inclusion' and 'difficult conversations'.

Diversity and inclusion

KLM's diversity and inclusion roadmap has set goals in the field of ensuring more diversity in senior management, strengthening of inclusive leadership, building an inclusive culture, and working on reputation and social impact. There are strong networks active within KLM such as Young KLM, Over the Rainbow, Women on Board, and Connecting Colours. These networks have an open dialogue with management and are of great importance, because of the input they provide on policy development and the support they give in the execution thereof. Diversity and inclusion have been included in the onboarding of new employees and current employees. KLM offers self-learning courses on prejudice, discrimination, racism, and micro-aggression. In 2023, KLM's score on the Workplace Pride Global Benchmark increased from 70% to 74%.

Listening to staff

KLM conducted an employee satisfaction survey, as part of a wider strategy to improve working conditions and increase engagement. The overall Engagement Index for KLM and KLC came in at 79%, which reflects people's satisfaction, motivation, pride, and overall willingness to recommend KLM as an employer. The EPS (Employee Promotor Score) is part of the Engagement Index and has improved from 11 (2022) to 28 in 2023.

Strategic Workforce Planning

In 2022, KLM ran a successful Strategic Workforce Planning (SWP) pilot. This tested a new approach to identifying what KLM needs in terms of knowledge, skills, and staffing numbers to achieve its goals. The outcomes of the pilot were put into practice and SWP was rolled out to several departments within E&M and Cargo. SWP will continue in 2024.

Safety

Safety is essential to KLM's customers, staff, and the environment. That is why in recent years KLM has built a risk and performance-based integrated Safety Management System (SMS). This enables risk and compliance-based decision-making on all levels within KLM and ensures optimal safety within its four connected safety domains: operational, occupational, and environmental safety, as well as operational security. Since the introduction of the SMS in 2014, the system has constantly been improved and is rated by external parties as world class.

Physical strain

During 2023, KLM has strongly focussed on the process of reducing the physical workload of and strain on ground staff handling its passengers' baggage. Based on an internal risk assessment and feedback from the Netherlands Labour Authority (NLA), KLM hired additional baggage handlers, began the installation of new lifting equipment (read our story **Time to lighten the load >**), and used job rotation to minimise exposure to heavy lifting. Although the use of available lifting aids has significantly improved, reaching full utilisation as required by the NLA remains challenging. Together with Royal Schiphol Group and other baggage handlers, KLM plans to fully robotise the airport's baggage halls. This will take more than 10 years to complete, but by 2024 all baggage workstations will already be equipped with lifting devices.

Exposure to (ultra-)fine particles

Although formal standards are not set due to lack of research, KLM has pro-actively worked with the NLA to reduce exposure to (ultra-)fine particles generated by aircraft engines and diesel-powered ground equipment. The electrification of our diesel generated ground fleet has already reached 68% and we invested in new aircraft with lower emissions. We started a health examination programme for all ground services employees working on the platform and are studying a new operational ground movement concept that will minimise exposure to exhaust gasses in the terminal area.

Psychosocial safety

To increase psychosocial safety, for example around diversity, inclusion, and unwanted behaviours, KLM analysed risks and developed policies. KLM's safety app, piloted in 2022, was rolled out more broadly across the organisation and can now also be used to report unwanted behaviours. Key stakeholders in KLM's operation received training in Organisational Behaviour Management, which encourages positive behaviours. KLM's security and safety training courses, previously separated, have now been integrated.

Safety audits

KLM took measures to minimise the impact of cyberattacks, rolled out a new document control management system, improved risk models, co-operated with the Works Council on work conditions and improved its environmental safety governance. KLM also became the first airline in Europe to successfully complete an IOSA Risk Based Audit. Regular IOSA audits ensure a uniform safety approach to all IATA member airlines, but a risk-based approach combines this standard with operator-specific elements. This risk-based approach is more stringent and allows KLM to improve its safety performance more effectively and efficiently. Furthermore, in May 2023 an onsite audit on the KLM Safety Management System has been executed by Baines Simmons. The audit result was positive, and the maturity of the KLM Safety Management System was measured as 'Effective'.

Social responsibility

As a responsible member of society, KLM engages in a broad range of partnerships with various Dutch non-governmental organisations (NGOs). In line with its values, the needs of its customers and the nature of its business, KLM focuses on sports, culture, and humanitarian aid. This year, KLM staff volunteered with the Hoogvliegers and 'Make-a-Wish' foundations helping to make physically disabled children's dreams of flying come true.

Jan Willem Mijderwijk
Senior Event Manager
Le Champion

"The Dam tot Damloop is a yearly running party where 51,500 runners participate at the Damloop by night or Dam tot Damloop. With over 75,000 participants, the Dam tot Dam Weekend is the largest sports event in the Netherlands. KLM has been a sponsor of this event since 2005. KLM participates with 117 teams, which shows KLM's commitment to stimulate sporting activities and a healthy lifestyle for its employees."

To promote a healthy lifestyle, KLM sponsored various running events, such as the Dam-to-Dam run, the Amsterdam marathon, and urban trails in various Dutch cities, where participants experience local cultural highlights. For the twentieth year in a row, KLM was one of the official partners of the Dutch Open golf tournament, a sport that is popular among its frequent flyers.

Flying creates an important lifeline for Amsterdam's vibrant tourism industry and cultural sector. That is why in 2023, KLM supported the Royal Concertgebouw Orchestra's tour to Japan and Korea and transported precious pieces of art to and from the Rijksmuseum for its renowned Vermeer Exhibition. KLM also flew in the laureates of the Prince Claus Fund, which supports artists in countries where cultural expression is under pressure. KLM maintains a connection to the Maria Austria Institute for photography, which houses its photo archive.

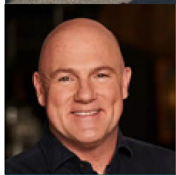
KLM supports social and humanitarian causes such as the Dutch Red Cross and UNICEF. It has a long-standing partnership with the Dutch Red Cross through which customers can donate Flying Blue Miles.

Wings of Support

Wings of Support is an NGO run independently for over 25 years by KLM staff on a voluntary basis. It aims to improve the quality of children's lives in their own living environment at many KLM destinations, particularly around education, care, and medical assistance. In 2023, Wings of Support facilitated 60 projects for more than 25,000 children in 20 countries. Ground staff create awareness and raise funds, while cockpit and cabin crew visit the local organisations during their lay overs. Of every euro donated, 92.5 cents go to the children.

Dominik Winterling
Managing Director
Koninklijk Concertgebouworkest

"With their 'royal' status, it follows that KLM and the Royal Concertgebouw Orchestra are natural partners. Other attributes they share are their pride in bringing people and cultures together, a leading international position, long-term relationships with clients and an eye for young talent. KLM has been a partner of the Concertgebouw Orchestra since 2013, the year in which the orchestra embarked on its world tour. The partnership has led to numerous collaborative efforts. KLM has regularly flown, and continues to fly, the orchestra to leading concert halls all over the world to perform. And the two organisations also combine their strengths when it comes to marketing, sales, branding, and community involvement."



Andre Kuipers
Ambassador
Stichting Hoogvliegers

"Our goal is to provide children who are coping with illness or who are handicapped with an unforgettable experience by flying in an airplane above the Netherlands.
In November 2023, a group of 60 children were able to fly aboard a KLM Boeing 737. KLM provided the airplane, ground staff, cockpit, and cabin crew. Thanks to them the children were able to see their country from the sky and be a pilot for a day."

Governance

Board and governance

Koninklijke Luchtvaart Maatschappij N.V. (KLM) is a public, limited liability company incorporated under Dutch law. KLM has a two-tier board structure consisting of a Board of Managing Directors and a Supervisory Board.

Being part of an international group, AIR FRANCE KLM, KLM is subject to the mitigated structure regime (as per Dutch company law, Book 2 Dutch Civil Code).
KLM's corporate governance is based on the applicable statutory requirements and on the company's Articles of Association. Although the Dutch Corporate Governance Code does not formally apply to KLM, KLM has voluntarily brought its corporate governance framework as far as possible in line with generally accepted principles of good governance, as laid down in the Code. Furthermore, KLM closely follows developments in corporate governance legislation to further improve its governance. In that context, KLM has implemented the updated Dutch Corporate Governance Code in 2023, which has been published in 2022.
There has been one material change in the company's governance in comparison to the financial year 2022. As of March 1, 2023, the Board of Managing Directors has been expanded to include two non-statutory directors, Mrs. Miriam Kartman, Chief People Officer & Executive Vice President (EVP) Human Resources and Mr. Barry ter Voert, Chief Customer Experience Officer & Executive Vice President (EVP) Business Development.

Shareholding structure

KLM's shareholding structure is outlined below. Depositary receipts of shares carry beneficial (economic) ownership, but no voting rights on the underlying KLM shares.

AIR FRANCE KLM holds:
- All KLM priority shares;
- A number of the common shares-A, one common share-B, together with the priority shares representing 49% of the voting rights in KLM;
- The depositary receipts issued by Stichting Administratiekantoor KLM (SAK I) on common shares-A and on the cumulative preference shares-A; and
- The depositary receipts issued by Stichting Administratiekantoor (SAK II) on the cumulative preference shares-C.

On December 31, 2023, SAK I held 33.59% of the voting rights in KLM in the form of common shares-A and cumulative preference shares-A. SAK II holds 11.25% of the voting rights in KLM based on cumulative preference shares-C.
The Dutch State directly participates with cumulative preference shares-A, which represent 5.92% of the voting rights.

Physical bearer shares certificates issued by KLM

On July 21, 2005, all bearer shares in KLM's issued share capital were converted into registered shares pursuant to an amendment of the Articles of Association. To exercise the rights vested in the shares, holders of former bearer shares were required to hand in their bearer share certificates.
Pursuant to an amendment of Section 2:82 of the Dutch Civil Code in 2019, a bearer share certificate that has not been handed in to KLM on or before December 31, 2020, has become void and the share represented by the bearer share certificate has been acquired by KLM for no consideration.
A shareholder who hands in a bearer share certificate with KLM no later than five years after December 31, 2020, is entitled to receive from KLM a replacement registered share. KLM shareholders who still have not handed in their bearer share certificates on January 1, 2026, will lose any entitlement to exchange their bearer share certificates for a registered replacement share.
For this purpose, a shareholder may contact the company.

AIR FRANCE KLM

KLM and AIR FRANCE share the same holding company, AIR FRANCE KLM S.A. The holding company's Board of Directors (Conseil d'Administration) has 20 members.
The AIR FRANCE KLM Board has five Dutch members, of which one is appointed upon

nomination by the Dutch State and two upon nomination by the KLM Supervisory Board. The fourth Dutch member is the Chair of the KLM Supervisory Board. The fifth Dutch member joined the AIR FRANCE KLM Board as Director representing employees. The KLM President & CEO attends the Board meetings as permanent guest/observer.

Supervisory Board

The KLM Supervisory Board supervises the management conducted by the Board of Managing Directors and the general course of affairs, operational performance, and corporate governance of the company. It also provides the Board of Managing Directors with advice. The Supervisory Board oversees KLM Group's strategy and policies and approves major management decisions. It further discusses companies' management of impact, risk, and opportunities relating to sustainability. For certain major resolutions by the Board of Managing Directors, approval of the Supervisory Board is required.

Pursuant to the Articles of Association, KLM's Supervisory Board shall consist of at least nine and at most 11 members. On December 31, 2023, KLM's Supervisory Board consisted of nine members. Supervisory Board members are appointed and reappointed by the General Meeting of Shareholders. The General Meeting of Shareholders may recommend candidates to the Supervisory Board, whereby the KLM Works Council has the legal right to recommend one third of the Supervisory Board members. Five members are appointed upon recommendation of AIR FRANCE KLM. The General Meeting of Shareholders can reject the nomination by an absolute majority of the votes cast, representing at least one third of the issued capital.

A Supervisory Board member is appointed for a term of four years and can be reappointed for another term of maximum four years. In the event of a reappointment after eight years of service, the Supervisory Board states the reasons for such reappointment. The candidates are selected in accordance with the Supervisory Board's profile, which also includes its diversity policy.

Considering the EUR 3.4 billion financial support package provided in 2020, the Dutch Government appointed a State Agent who was responsible for monitoring the execution of KLM's restructuring plan and its compliance with agreed upon conditions under the financing agreements and the Framework Agreement. The State Agent had a standing invitation to attend the Supervisory Board and the Audit Committee meetings, but he was not a member of the Supervisory Board and did not participate in the deliberations and the voting by the Supervisory Board. With the termination of the financial support package in April 2023, the role of the State Agent also ended.

KLM's VP Corporate Secretary & General Counsel acts as Secretary of the Supervisory Board. The Secretary ensures that the Supervisory Board acts in accordance with the law, KLM's articles of association and its own regulations. In addition, the Secretary ensures timely and adequate provision of information to the Supervisory Board and assists the Chair of the Supervisory Board in the organisation of the Supervisory Board meetings.

Committees

While retaining overall responsibility, the Supervisory Board has three committees to which it has assigned some of its tasks: an Audit Committee, a Remuneration Committee, and a Nomination Committee. These committees have their own regulations, which lay down, among others, their composition, role, and responsibilities.

Audit Committee

The Audit Committee is charged with monitoring KLM's financial accounting process, the efficiency of the internal control over financial reporting, internal audit, and risk management systems. In addition, the Audit Committee prepares the selection of the external auditors and advises the Supervisory Board regarding the external auditors' nomination for appointment, reappointment, or dismissal. As of December 2023, the Audit Committee is mandated by the Supervisory Board to supervise the management of KLM's sustainability impacts, risks, and opportunities. The Audit Committee consists of Mr. Riolacci, Mr. De Jager, and Mrs. Pellerin. Mr. Riolacci chairs the Audit Committee.

Remuneration Committee

The Remuneration Committee is charged with the preparation of a clear and understandable proposal for the remuneration policy, the remuneration of the individual members of the Board of Managing Directors and to make proposals for the remuneration of the individual members of the Supervisory Board. In addition, the committee evaluates the performance of the members of the Board of Managing Directors against the collective and individual targets set for the financial year.

The Remuneration Committee consists of Mrs. Oudeman, Mr. Enaud, and Mr. ‘t Hart. Mrs. Oudeman chairs the Remuneration Committee.

Nomination Committee
The Nomination Committee is charged with the draft selection criteria and appointment procedures for Supervisory Board members and Board of Managing Directors members. Furthermore, the committee is responsible for assessing the size and composition of the Boards and the functioning of individual board members, drafting a plan for succession, and making proposals for (re-)appointments and preparing the decision-making process for the Supervisory Board.

The Nomination Committee consists of Mr. ‘t Hart, Mr. Enaud, and Mrs. Oudeman. Mr. ‘t Hart chairs the Nomination Committee.

Board of Managing Directors
The Board of Managing Directors is responsible for managing the company and monitoring all corporate governance activities. The members of the Board of Managing Directors drive the management’s agenda and share responsibility for the continuity of KLM and sustainable long-term value creation. To fulfil their duties, each member must be guided by the best interests of KLM, its businesses, and its internal and external stakeholders. Regardless of the allocation of tasks among its members, the Board of Managing Directors acts as a single organ with collective responsibility. The Board of Managing Directors must structurally inform the Supervisory Board on developments it may need to be aware of to adequately perform its supervision and advisory role.
Pursuant to the Articles of Association, the Board of Managing Directors shall consist of at least three Managing Directors. On December 31, 2023, KLM’s Board of Managing Directors consisted of three statutory Managing Directors and two non-statutory members. The statutory Managing Directors are appointed and dismissed by the General Meeting of Shareholders, upon a proposal submitted by the Supervisory Board. The non-statutary members are appointed by the Board of Managing Directors. The Board of Managing Directors are appointed for a four-year term unless the General Meeting of Shareholders resolves otherwise.

A Board of Managing Directors member may, whether on a proposal by the Supervisory Board, be dismissed by the General Meeting of Shareholders. The Supervisory Board appoints one of the members of the Board of Managing Directors as President & Chief Executive Officer and may in addition appoint one or more Managing Directors as Deputy CEO. More information on the members’ terms and conditions of service and remuneration is presented in the Remuneration Policy and Report section.

General Meeting of Shareholders
The shareholders of KLM exercise their rights via the Annual or Extraordinary General Meeting of Shareholders. The date, agenda and location of the Annual General Meeting is announced through a national newspaper and registered shareholders are notified by letter. The main powers of the General Meeting of Shareholders consist of appointing, suspending, and dismissing members of the Board of Managing Directors and Supervisory Board, determining the remuneration policy of the Board of Managing Directors and the Supervisory Board, adopting the financial statements, discharging the Board of Managing Directors and the Supervisory Board from liability, and the appointment of external auditors.
Furthermore, the Board of Managing Directors’ resolutions entailing a significant change in the company’s identity or character are subject to the General Meeting of Shareholders’ approval. Resolutions amending the Articles of Association may only be adopted by the General Meeting of Shareholders. A resolution to dissolve the company may only be adopted if at least three-quarters of the issued shares are represented at the General Meeting of Shareholders and at least two-thirds of the votes are cast in favour of the resolution. The aforementioned powers are not limitative, and the exact procedures are explained in KLM’s Articles of Association.

KLM’s Annual General Meeting of Shareholders will be held in April, 2024.
A General Meeting of Shareholders may be convened by the Board of Managing Directors, President & Chief Executive Officer, the Supervisory Board, three Supervisory Board members or the Meeting of Priority Shareholders, each of which has equal power to do so.

Staff participation
The Board of Managing Directors, represented by the President & Chief Executive Officer, meets with the company’s Works Council on a regular basis. During these meetings, a number of topics is discussed, such as operational challenges, developments in the area of people and the

company's strategy and financial results. The KLM Works Council has 25 members. In 2023, the KLM Works Council held 10 regular meetings in the presence of either the CEO or the COO and the CPO. Furthermore, the KLM Works Council engaged in direct dialogue with members of the Supervisory Board.
At AIR FRANCE KLM level a European Works Council represents both KLM and AIR FRANCE. This council focuses on issues that pertain to both AIR FRANCE and KLM staff at European locations. The European Works Council held two regular and two extra plenary meetings and six Select Committee meetings in 2023.

Diversity

The core of KLM's overall policy on diversity and inclusion is to create a diverse and inclusive organisation where all individuals feel welcomed, valued, safe, and able to express their true selves. KLM has placed full focus on enhancing visibility of the company's diversity and implementing a dedicated approach towards improving our inclusion practices. In 2023, KLM has focused on creating a safe working environment for all colleagues through a company-wide campaign and process implementation to combat undesirable behaviour. A streamlined reporting process has been put into place. KLM creates this safe working environment by celebrating the diversity to raise awareness of the many cultures, rituals, religions, and identities that are part of the vibrant KLM community. Furthermore, an Inclusive Leadership Guide has been put into place to support leadership in their awareness journey, which guide includes tips, tricks, laws, and unconscious bias knowledge. KLM's onboarding programme for new colleagues has also been enriched with information about diversity, inclusion, and Employee Resource Groups. To raise awareness and promote understanding within the organisation regarding diversity and inclusion, as well as KLM's efforts and future plans in this area, KLM has rolled out workshops and e-learnings for the entire organisation that engage colleagues and provide opportunities for sharing their own ideas and initiatives.

With regards to gender diversity, KLM is committed to providing equal opportunities for all its employees. To achieve this, KLM has developed diversity and inclusion gender objectives and set targets. KLM is pleased to announce that the gender diversity targets for 2023 have been achieved for the Supervisory Board and the Board of Managing Directors, with a 33.3% female representation in the Supervisory Board and a 40% female representation in the Board of Managing Directors. At present, KLM does not have specific targets for the Executive Committee, but rather for the entire senior management team, which includes members of the Executive Committee. In 2024, KLM will strive to formulate targets and establish policies to meet these targets for the Executive Committee. For the senior management, the target of 23% has not yet been achieved. Despite the progress made in 2023, KLM acknowledges that there is still room for improvement and a clear focus must be placed on retaining diverse talents. To this end, KLM is prioritising the 'filling of the gender pipeline for the future,' as this is a critical action that will help optimise KLM's diverse talent within the organisation.

KLM provides annual insight into the progress it is making around gender diversity by completing the Diversity Portal, which was developed by the Social and Economic Council. In addition, KLM is involved in various projects aimed at increasing gender diversity, including conducting research on equal pay and adapting job vacancy texts to promote diversity. At the division level, initiatives are also encouraged to raise awareness of gender diversity.

Compliance and business ethics

The KLM Compliance & Business Ethics Framework requires leadership and staff to do business with loyalty, fairness, transparency, honesty, and integrity. It expects KLM leadership and staff to reach out, take ownership, to be competent, to connect, to guide, to challenge, and to inspire each other in a joint effort to secure the integrity of the KLM organisation internally and vis-à-vis third-parties that KLM deals within its day-to-day business. The KLM Code of Conduct serves as a framework that reflects the basic principles of business integrity and should be adhered to by KLM staff and management. The document clarifies rules and standards that are to be complied with and sets out expected behaviour. The document refers to underlying corporate compliance codes, such as the AIR FRANCE KLM Anti-Corruption Code of Conduct, the AIR FRANCE KLM Gift & Hospitality Policy, the AIR FRANCE KLM Competition Law Compliance Manual, the KLM Fraud Policy, and the KLM Speak Up Policy. Designated individuals are required to complete training on different compliance topics such as competition law, anti-corruption law, trade compliance, and data protection. KLM has published relevant codes and regulations on its intranet.

On behalf of the Board of Managing Directors, KLM's Compliance Committee monitors the effectiveness of the KLM Compliance & Business Ethics Framework. The KLM Compliance Committee meets at least quarterly and updates the KLM Board of Managing Directors and the Supervisory Board on compliance performance, adherence to compliance, and compliance risks. KLM has a dedicated compliance and business ethics team. Designated expert functions at corporate and business level are tasked with pursuing the implementation of the compliance programs within KLM.

Dutch Corporate Governance Code

Apart from the deviations listed below, KLM's corporate governance is in line with generally accepted principles of good governance, as laid down in the Dutch Corporate Governance Code. On several occasions the Board of Managing Directors together with the Supervisory Board discussed the impact of the Dutch Corporate Governance Code on KLM's corporate governance.

KLM deviates from the best practices described in the Code in a limited number of areas. In accordance with the 'comply or explain' principle, these deviations are:

- Regulations and other documents are not made available on the company website;
- Regulations and other documents are available upon written request; and
- The composition of the Supervisory Board does not meet the Best Practice Provision 2.1.7 sub i that relates to the independence of the Supervisory Board.

Dutch Tax Governance Code

KLM is one of the 40 companies that has embraced the new Dutch Tax Governance Code presented by The Confederation of Netherlands Industry and Employers (known as VNO NCW) in May 2022.

The Tax Governance Code not only includes relevant tax codes and principles, but is also more ambitious regarding the view that:

- Tax is not a cost factor only but a contribution to society as well;
- Tax rules must be interpreted in accordance with the spirit of the law;
- There needs to be restraint in the use of tax havens; and
- It is necessary to provide transparency, especially on taxes paid and collected.

The Tax Governance Code establishes a clear and transparent system of which accountability and supervision of tax policies are integral elements. Like the Corporate Governance Code accountability is based on the principle of 'comply or explain': companies must render account for any principles in the Code where they are not, or not yet, compliant. This opens possibilities for Board of Managing Directors and Supervisory Board to initiate a dialogue on KLM's tax profile and offers any interested party a much better understanding of the company's tax position and what and how it contributes to the societies in which it operates.

For financial year 2023 KLM complied with the principles of the Code. The 2023 tax contribution report shows the total tax borne and collected by the company for the Netherlands and for the rest of the world. KLM strives to further develop detailed tax breakdowns for the rest of the world in the coming years.

Conflict of interest

The handling of conflicts of interest between the company and members of the Board of Managing Directors or the Supervisory Board is governed by Dutch law, the relevant provisions of the Dutch Corporate Governance Code and the regulations of the respective board. KLM's Articles of Association explicitly state that a Managing Director or member of the Supervisory Board may not participate in any discussion or decision-making on a subject in which he or she has a direct or indirect personal interest that conflicts with the interests of KLM and the business connected to it. A member of the Board of Managing Directors or the Supervisory Board is required to report any conflict of interest or potential conflict of interest that is of material significance to the company and/or to the member concerned, to the Chair of the Supervisory Board. Decisions to enter into transactions in which there are conflicts of interest with members of either board that are of material significance to the company or require the approval of the Supervisory Board.

Internal regulations

The regulations adopted in respect of the Supervisory Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Board of Managing Directors are reviewed regularly. The Supervisory Board Regulations, the profile of the Supervisory Board, the Board of Managing Directors Regulations, the Terms of Reference of the Audit Committee, the Nomination Committee, and the Remuneration Committee, and the rotation schedule, in so far not published in this annual report, may all be viewed at the company's head office. Copies shall be made available to shareholders upon written request to the Company Secretary.

In control statement

KLM has experienced a strong recovery from COVID-19, with high passenger and leisure yields. This materialised in revenues that exceeded pre-COVID-19 levels, a positive adjusted income from operating activities of EUR 650 million and a positive adjusted free cash flow of EUR 340 million. KLM also has a very strong year-end cash position of EUR 3.7 billion including its undrawn Revolving Credit Facility (EUR 2.7 billion excluding the undrawn RCF). This EUR 1.0 billion new RCF was successfully concluded in April 2023 because of the positive developments and strong recovery in 2022 and 2023, and further enhances KLM's liquidity position. In April 2023 KLM also cancelled the Dutch State support package, affirming KLM's financial stability and resilience.
However, cost levels have also shown a strong increase. The ramp up of production has been challenging and lead to increases of all cost levels (labour cost, fuel cost, flight related, and maintenance costs) resulting in a slightly lower financial performance of KLM (COI) than previous year (EUR 706 million). The geopolitical environment remains volatile with international conflicts (Ukraine and Gaza).

During 2023, extra activities have been performed on risk management including IT security, safety management, internal control, and compliance.

Overall, the outcomes and progress give reasonable comfort. Further improvements are envisaged in 2024.

In accordance with previous paragraphs on risk management and control, in addition to the assessment of going concern, all currently known circumstances taken into consideration, the Board of Managing Directors states to the best of its knowledge that:

- The annual report 2023 provides sufficient insights into potential material failings in the effectiveness of the internal risk management and control systems;
- The internal risk management and control systems of the company provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- The annual report 2023 states those material risks and uncertainties relevant to the expectation of the company's continuity for 12 months after the preparation of the annual report.

Report of the Supervisory Board

The Supervisory Board is entrusted with supervising the policies and general affairs of KLM businesses, considering the relevant interests of the company's stakeholders, and advising the Board of Managing Directors. Supervision includes the effectiveness of the company's internal risk management and control systems and the integrity and quality of the financial reporting. In addition, the Supervisory Board provides support to the Board of Managing Directors on the development of KLM's strategy for realising sustainable long-term value creation fit for the current societal environment.

The Supervisory Board performs its tasks as defined by the law, the Dutch Corporate Governance Code, KLM's Articles of Association, and its own regulations. Each individual Supervisory Board member is expected to act in the best interest of KLM, its businesses and all its internal and external stakeholders.

Supervisory Board meetings

In 2023, the Supervisory Board held five regular and five extraordinary meetings. Furthermore, the Supervisory Board convened for a two-days strategy meeting to deliberate in-depth on key strategic themes and strategic challenges ahead. The Supervisory Board alternated between digital and in-person meetings. The Supervisory Board members showed maximum flexibility and availability when they were called upon. They performed their tasks with the utmost diligence and reserved adequate time to perform these tasks. Except for a limited number of occasions, and for valid reasons, most Supervisory Board members attended all meetings in 2023. The average attendance of the regular Supervisory Board meetings was 93%. For the period in 2023 that KLM had access to Dutch State Support, the State Agent had a standing invitation to attend the Supervisory Board and Audit Committee meetings and had similarly access to the meeting documents.

Throughout 2023, the Supervisory Board focused on numerous business matters for which its consent was required. Two of the main strategic topics for 2023 were the entering into a new credit facility of EUR 1 billion with a syndicate of 14 international banks, effective April 17, 2023, and the subsequent termination of the State Support on the same date, and the decision to replace the Airbus A330 and Boeing 777-200 widebody fleet with next generation aircraft of Airbus. The Supervisory Board further focused on the operational challenges resonating post-COVID-19. Recurring items for frequent involvement were the future capacity of Schiphol, KLM's reputation, and stakeholder dialogue.

Between the scheduled meetings, the Board of Managing Directors kept the Supervisory Board updated sharing general information on news items and other significant topics and developments. In addition, on a frequent basis, the Chair of the Supervisory Board and the President & Chief Executive Officer engaged in direct dialogue on the progress of actual topics. At the same time, the Chair of the Audit Committee had close contact with the Chief Financial Officer on financial topics. Executive sessions were held to discuss topics in the absence of the Board of Managing Directors.

Sustainable long-term value creation

The review and enrichment of KLM's purpose and ambition in 2022, which resulted in the conclusion that KLM must transform, given its business model, to become more sustainable and to pioneer sustainable aviation, has been continued in 2023. The Board of Managing Directors and the Supervisory Board have agreed on the next steps in this transformation journey, which involve the addition of new core values to the way of working: being passionate, caring, innovative, and responsible.

After a full-day strategy meeting assessing the external environment, strategic challenges and exploring the prospective world, the Board of Managing Directors and the Supervisory Board have concluded that KLM's strategic ambition is still supported by the existing business model. This model requires intensive and well-balanced funding, which requires focus on increasing the profitability and reducing costs. As a prerequisite for achieving KLM's ambitions in the longer term the Funding our Journey programme has been launched.

Highlights 2023

During 2023, the Supervisory Board was engaged in extensive deliberations on the societal attention towards aviation in the Netherlands, specifically pertaining to granted State Aid and respective conditions attached to the aid and the future capacity at Schiphol Airport. Additionally, the Supervisory Board discussed numerous other developments and dilemmas that KLM encountered, such as reputation, stakeholders dialogue, and operations. This section provides an overview of the topics the Supervisory Board has addressed in 2023.

With significant improved revenues close to pre-COVID-19 levels, a positive operational income, and improved financial market conditions, the Supervisory Board supported the KLM's decision to terminate the State Support package two years before its due date and to close a new commercial revolving credit facility with a consortium of international banks. With the termination of the Dutch State support package, the conditions imposed by the State in 2020 for the State Aid regarding cost reduction, conditions of employment, and the involvement of the State Agent as set out in the Framework Agreement also ended. The Supervisory Board is grateful to the State and the State Agent for their support and involvement.

In addition, the Supervisory Board supported KLM in further strengthening of its equity via transfer of the Flying Blue activities to a new incorporated Flying Blue entity owned by AIR FRANCE KLM Group.

The Board of Managing Directors regularly informed the Supervisory Board on the three policy tracks pursued by the Dutch State to limit flight movements at Schiphol to address noise reduction and as such impacting the slot capacity for KLM. KLM embraces further noise abatement and reduction of CO_2 emission around Schiphol Airport. KLM fully accepts its responsibility and acts accordingly. However, KLM and other sector-parties do not agree that the best way to achieve sustainability is by reducing capacity at Schiphol Airport. With the support of the Supervisory Board, KLM has launched a smarter, three-pronged plan to fly cleaner, quieter, and more efficient, which consists of measures that meets the stated noise targets and is more balanced, reasonable, and less costly to society in terms of welfare and prosperity. The Supervisory Board stressed the necessity to remain in close contact with the Dutch State to bridge the knowledge and awareness gap and not to alienate such an important stakeholder.

The Board of Managing Directors, together with the Supervisory Board, made efforts to reach a constructive, diplomatic solution with the government at an early stage, based on which KLM could maintain its business model, meet noise targets, and reduce CO_2 emissions. Regrettably, the experimental rule was announced reducing flight movements to 460,000 per summer 2024.

In the interest of KLM, it was necessary to take legal action against this intention. The case was ruled in favour of the airlines by the District Court of North Holland and overruled by the Amsterdam Court of Appeal. KLM, along with other sector-parties, filed an appeal in cassation.
The Supervisory Board is pleased that the government has ultimately decided to suspend the implementation of the Experimental Regulation until a decision is made in cassation.

KLM operates in a high-pressure, ever-changing environment, which has led the company to develop 'Frontrunner's Journey' as its strategy. This strategy, with sustainability as an integral value rather than a separate element, sets direction and outlines the company KLM wants to be.
In 2023, execution of this strategy was a main priority. Therefore, extensive discussions were held with the Supervisory Board about ten measurable targets that have been set for sustainability, customer, employee, finance, and operations.
The Supervisory Board has ensured that the Board of Managing Directors has engaged in dialogue with all stakeholders and incorporated their perspectives in the implementation of the strategy.
The Supervisory Board constantly challenged the Board of Managing Directors to think creatively about the sustainable long term.

As KLM is still recovering from measures taken during the COVID-19 period, its operations are facing backlogs. The Supervisory Board, together with the Board of Managing Directors, has analysed the root causes of the operational challenges. KLM's operational performance is strongly affected by fleet availability, supply chain issues, and staff shortages. Mitigating measures and alternatives were thoroughly considered. The Supervisory Board encouraged the Board of Managing Directors to continue seeking ways to stabilise operations and increase productivity. In June, during the two-day Strategy meeting, a deep dive was conducted into the role of employees and the shortage of technicians and pilots. The Supervisory Board has extensively discussed with the Board of Managing Directors measures to address the staff shortage.

A turbulent COVID-19 period has demanded a lot from KLM's employees. The operational consequences of the pandemic still have a significant impact on the company and its staff. The Supervisory Board has supported the Board of Managing Directors' intention to achieve an appropriate improvement of employment conditions after the pandemic. The Supervisory Board was actively informed by the Board of Managing Directors during the process of concluding new collective labour agreements for cockpit, cabin, and ground staff. Ultimately, agreement was reached with the unions on all three collective labour agreements in the fourth quarter. The collective labour agreements have a validity of two years. The Supervisory Board has critically questioned the Board of Managing Directors during the phase of concluding the collective labour agreements, regarding the costs development and the actions to be taken in response. In addition to the negotiations for collective labour agreements, the Supervisory Board closely followed the Board of Managing Directors' actions on other topics related to KLM's role as an employer. The Board of Managing Directors updated the Supervisory Board on the employee engagement survey conducted in 2023 and the resulting action points.

During the year, the Supervisory Board was updated on the projects to improve customer satisfaction. The Supervisory Board underscored that KLM should continue to enhance its product quality to keep excelling in a highly competitive market. In this context, the Supervisory Board concurs with the Board of Managing Directors that changing customer behaviour requires KLM to adapt its network, product, and service. During the year, the Board of Managing Directors presented the fleet development strategy. Regarding the long-haul fleet, the Supervisory Board critically assessed and challenged the Board of Directors on the intention to replace the older and less efficient Airbus A330s and, at a later stage, the Boeing 777s with Airbus A350s. The Supervisory Board approved this investment finding it an essential lever for the sustainable future of KLM.

Throughout the year regular contact and information sharing occurs between the Chair of the KLM Supervisory Board and the Chair of the Board of Directors of the AIR FRANCE KLM Group on Group developments. Other topics discussed during the financial year, some of which are recurring, included safety performance, cyber security, network performance, the competitive landscape, litigation and claims, and relations with internal and external stakeholders.

Financial topics

In 2023, the recovery from the COVID-19 pandemic has continued, thanks to strong financial performance KLM was able to attract a new commercial revolving credit facility of EUR 1 billion with a consortium of 14 international banks to replace the financial support package of the Dutch State. The new credit facility is linked to ESG objectives regarding sustainability and social responsibility.

Simultaneously, further cost increases due to supply chain challenges and a tight labour market have necessitated significant cost reduction initiatives by the Board of Managing Directors. The Supervisory Board monitors these initiatives.

The good results in 2023 do not negate the ongoing geopolitical, macroeconomic, and operational challenges on the horizon. The Board of Managing Directors is therefore faced with the challenging task of constructing a budget for 2024 in which all these elements have a place. An important driver is the ambitious investment agenda needed to renew the fleet, confirming the KLM sustainability strategy, postponed maintenance, and real estate optimisation. The Supervisory Board emphasised the importance of building the necessary flexibilities and cost control measures in the budget to adapt to potential headwinds in 2024 and thereafter.

Risk management

Throughout the year, the Supervisory Board paid close attention to the topic of risk management. KLM's Audit Committee takes responsibility for monitoring the adequacy of KLM's risk control system and prepares discussions in the Supervisory Board. KLM's internal audit function is firmly positioned in the organisation and enables prompt interaction between the Board of Managing Directors, the Audit Committee, and the Supervisory Board.

During the financial year 2023, the Supervisory Board was regularly updated on KLM's strategic, financial, operational, and compliance risks. Particular attention was paid to the macroeconomic developments with risks of higher taxes, inflation, geopolitical instability, recession, the future of the capacity at Schiphol Airport, litigation and claims, and operational disruptions. Within this context, the Supervisory Board discussed with the Board of Managing Directors the biggest risks and the shift of these risks during the crisis.

Compliance and business ethics

Following the Company's Legal and Business Ethics Compliance Framework and the Compliance Charter, the Supervisory Board monitored how KLM is compliant with rules and regulations. During the February and July meeting, the Supervisory Board was updated on the main compliance activities. The Supervisory Board was informed about the various e-learning programmes in the fields of competition law, anti-corruption, data privacy, and trade sanctions.

Furthermore, the Board of Managing Directors reported on KLM's actions regarding unwanted behaviour in the company. Also, the Board of Managing Directors regularly updates the Supervisory Board on the main investigations and litigations.

Evaluation

To maintain the constructive co-operation within the Supervisory Board and with the Board of Managing Directors, the members regularly discussed the performance of the Supervisory Board during its meetings. In addition, the Supervisory Board evaluated its own performance, the performance of the individual committees of the Supervisory Board, and that of the individual Supervisory Board members through a self-assessment conducted outside the presence of the Board of Managing Directors. The conclusions drawn from the evaluation were discussed during the executive session of October 24, 2023.
In doing so, attention has been paid to:

- Substantive aspects, conduct and culture, the mutual interaction and collaboration, and the interaction with the Board of Managing Directors;
- Events that occurred in practice from which lessons may be learned; and
- The desired profile, composition, competencies, and expertise of the Supervisory Board.

Composition of the Supervisory Board

Effective as per the Annual General Meeting of Shareholders of 2023, Mr. De Jager, Mr. Smith and Mrs. Vos have been reappointed as Supervisory Board members for a second term of four years. The reappointment of Mr. Smith was done upon the recommendation of AIR FRANCE KLM. The KLM Works Council has recommended the reappointment of Mrs. Vos.

As announced during the Annual General Meeting of 2023, the current term of Mr. 't Hart, Mr. Enaud, Mr. Nibourel and Mr. Riolacci will end as per the closure of the Annual General Meeting of Shareholders in April 2024. The Supervisory Board has approved the proposed appointment of Mr. Draijer as successor of Mr. 't Hart. The appointment is made on the recommendation of the Works Council and is subject to approval by KLM's shareholders' meeting in April, 2024. The Board considers Mr. Draijer's experience and background in politics, economics, and strategic planning as valuable addition to the expertise of the Supervisory Board. For the positions of Mr. F. Enaud, Mr. Nibourel, and Mr. Riolacci, AIR FRANCE KLM has the right to propose a candidate. Mr. Nibourel has advised the company to be available for reappointment for a second term of four years. Mr. Enaud has advised the company to be available for reappointment for a period of two years. The Supervisory Board will propose to the 2024 Annual Meeting of Shareholders the reappointment of Mr. Nibourel for four years and the reappointment of Mr. Enaud for two years. The Supervisory Board concluded that continuity is considered to be necessary in view of the challenges KLM is facing, which explains the reappointment of Mr. Enaud for a third term of two years. Mr. Riolacci will step down as Supervisory Board member as his second term will expire. The Supervisory Board will propose to the 2024 Annual Meeting of Shareholders the appointment of Mr. Gagey. The Supervisory Board considers the broad experience and extensive financial knowledge of Mr. Gagey as very valuable.

On behalf of the Supervisory Board, I wish to express my gratitude to Mr. Riolacci for his excellent contribution to the Supervisory Board and the Audit Committee during his many years of service. The Board of Managing Directors and the Supervisory Board want to thank Mr. 't Hart for his good leadership of the Board. Mr. 't Hart has displayed great fortitude in leading KLM through good times and challenging times.

The Supervisory Board hereby announces that the first term of Mrs. Oudeman expires at the end of the closure of the Annual General meeting of

Shareholders in 2025. Mrs. Oudeman has informed the Company that she is available for reappointment.

See chapter 'Supervisory Board and Board of Managing Directors' for the composition of the Supervisory Board.

Independence

The Supervisory Board considers all but two of its members to be independent in the sense of the Dutch Corporate Governance Code. Mr. Riolacci resigned as Chief Financial Officer of AIR FRANCE KLM in July 2016 and is therefore not considered independent. Mr. Smith, in his capacity as Chief Executive Officer of AIR FRANCE KLM, is not considered independent.

Composition of the Board of Managing Directors

The Board of Managing Directors consists of five members. Mrs. Rintel, Chief Executive Officer, Mr. Swelheim, Chief Financial Officer, and Mr. Stienen, Chief Operating Officer, are statutory directors. As per March 1, 2023, two new members were added to the Board. Mrs. Kartman, Chief People Officer (CPO), is responsible for KLM's Human Resources policy. Mr. Ter Voert, Chief Experience Officer (CXO) and EVP of Business Development, is responsible for the KLM brand, customer experience and further developing of KLM's business model. Mrs. Kartman and Mr. Ter Voert are non-statutory members of the Board of Managing Directors.

In view of the expiration of Mr. Swelheim's term in the function of Managing Director and Chief Financial Officer as per the Annual General Meeting of April 2024, the Supervisory Board announces that it will propose to the 2024 Annual General meeting of Shareholders the appointment of Mr. Brouns as Managing Director and Chief Financial Officer for a first term of four years. KLM's Works Council has positively advised on the nomination of Mr. Brouns.
On behalf of the Supervisory Board, I would like to thank Mr. Swelheim for his enormous commitment towards KLM throughout his 20 years of service. Mr. Swelheim played an important and very constructive role facing major developments that affected KLM and aviation in general.

Committees

The Supervisory Board has three committees: the Audit Committee, the Remuneration Committee, and the Nomination Committee. All committees prepare policies and make decisions and report on their activities to the full Supervisory Board. Committee meetings are open to all members of the Supervisory Board regardless of membership of the Committees.

Audit Committee

In 2023, the Audit Committee held three regular meetings and one extraordinary meeting.
Most of the Audit Committee meetings were held via video call.

Except for one member, all members of the Audit Committee attended all the meetings.

Furthermore, the Chief Financial Officer, the Vice President Internal Audit, the Senior Vice President Corporate Controller, and the external auditors also attended all Audit Committee meetings. Senior managers and other experts within KLM were invited to the Audit Committee's December meeting. The State Agent, responsible for monitoring the execution of the agreements under the State Support Package, has a standing invitation to attend the Audit Committee meetings. The State Agent did not make use of this right.

The meeting held in February 2023, primarily focused on KLM's financial results for 2022. Furthermore, the Audit Committee discussed the KLM Group operational risk report and the internal audit activity report for the period July-December 2022.

In March 2023, the Audit Committee organised an extraordinary meeting to discuss the external auditor's KPMG Accountants N.V. and PricewaterhouseCoopers Accountants N.V. (KPMG/PwC) Report on KLM's annual results 2022. During this meeting, the Audit Committee also discussed the audit performed over KLM's annual report 2022, the 4th report of the State Agent, the 2022 profit sharing and the new revolving credit facility.

During the July 2023 meeting, the Audit Committee discussed KLM's first half-year results. Particular attention was paid to manageable cost reductions. Furthermore, the KPMG/PwC audit plan for financial year 2023 was discussed and approved by the Audit Committee.

The meeting held in December 2023, was dedicated to discussing the 2024 budget and the financing and financial risk plan for 2024. The Audit Committee also discussed fuel hedging and Sustainable Aviation Fuel. Furthermore, the 2023 management letter of the external auditors was discussed. In addition, during this meeting, it was decided that ESG Reporting will be monitored by the Audit Committee.

During the February 2024 meeting, KLM's financial results of 2023 were discussed. Furthermore, the summary of the internal audit activity report for the period July-December 2023 as well as the Group Operational Risk report were discussed. End of March an extra Audit Committee meeting was held to discuss the audit performed over KLM's Annual Report 2023 and the KPMG/PwC statutory audit report on KLM's annual results 2023.

Remuneration Committee
In 2023, the Remuneration Committee convened for eight meetings. All members attended all meetings.

Further information on the work of the Remuneration Committee can be found in the Board and governance and the Remuneration Policy and Report chapter of this annual report.

Nomination Committee
In 2023, the Nomination Committee met on six occasions during the financial year 2023. During these meetings, the composition of the Supervisory Board and the Board of Managing Directors, including succession planning, was discussed. In particular, the Nomination Committee intensively prepared the successions of Mr. 't Hart and Mr. Swelheim.

Within this context, the Nomination Committee advised the Supervisory Board on the candidate profiles where the challenges ahead have been considered. Following an extensive candidate research, Mr. Draijer was selected as the candidate for the positions of member of the Supervisory Board. Mr. Brouns, currently serving as Senior Vice President Corporate Controller, has been selected as the candidate to succeed Mr. Swelheim in the position of Chief Financial Officer.

Distribution to shareholders
Article 32 of KLM's Articles of Association provides for the appropriation of profit. Paragraph 1 of that article gives the Meeting of Priority Shareholders (AIR FRANCE KLM) the right to set aside an amount of the disclosed profit to establish or increase reserves. The Meeting of Priority Shareholders may do so only after consultation of the Board of Managing Directors and the Supervisory Board.

For financial year 2023 KLM will report a net profit of EUR 714 million. KLM's strong operating cash flows and net result have increased the equity position to EUR 797 million as per December 31, 2023.

After having consulted KLM's Board of Managing Directors and the Supervisory Board, after careful consideration of KLM's financial position and given the need to further strengthen the equity position and specific required investment levels for the coming years, the Priority Shareholders have decided not to pay our any dividend.

Financial statements 2023
The Supervisory Board hereby presents the annual report and the financial statements for financial year 2023. KPMG and PwC have audited the financial statements. The Supervisory Board has discussed the financial statements and the annual report with the external auditors and the Board of Managing Directors. The unqualified auditors' report can be found in the Other Information section of the financial statements.

The Supervisory Board is satisfied that the annual report and the financial statements comply with all relevant requirements and proposes that the shareholders adopt the financial statements and endorse the Board of Managing Directors' conduct of KLM Group's affairs and the Supervisory Board's supervision thereof in financial year 2023.

Closing remarks
The recovery of KLM has continued in 2023, albeit the aftermath of the COVID-19 pandemic is still palpable. I would like to express my gratitude to the State for the Dutch State support package during the COVID-19 pandemic. It is gratifying that KLM has been able to terminate that support in 2023. With the in 2023 secured commercial revolving credit facility, KLM can now set its sights on a sustainable future.

I am confident in the way KLM is addressing the challenges it faces today and foresee equal agility towards the future. I would like to express my gratitude for the tremendous commitment and flexibility demonstrated by the Board of Managing Directors, the Executive Committee, and all KLM employees worldwide over the past year.

With the tireless dedication of all KLM staff, I have full confidence in a bright and sustainable future for the company.

Finally, I would like to express my gratitude to KLM's Board of Managing Directors and Supervisory Board as well as all internal and external stakeholders for the productive and pleasant co-operation over the years. As per the Annual General Meeting of Shareholders in April 2024, I will step down as Director and Chair of KLM's Supervisory Board. With his experience, capabilities, and motivation, Mr. Draijer will make an excellent successor. I am convinced that he will be a valuable asset to the Board, and I wish him the best of success.

Cees 't Hart
Chairman

March 28, 2024

Remuneration report and policy

Remuneration policy for the Board of Managing Directors

After three successive years of being impacted by conditions stemming from COVID-19 and the support measures KLM has benefitted from during this period, KLM has terminated the Dutch State support package on April 17, 2023. As from that date the remuneration policy is reinstated. In the years 2020, 2021 and 2022 the remuneration policy has not been applied to the variable income, no short-term and long-term incentives have been awarded.

Following its extensive evaluation, the Supervisory Board submitted a technical amendment of the remuneration policy in respect of the long-term incentive plan of the Managing Directors to the General Meeting of Shareholders in April 2023. The General Meeting of Shareholders has adopted the amendment during its annual meeting. The long-term incentive plan is one of the three basic components of the remuneration package of the members of the Board of Managing Directors. With the amendment to the long-term incentive plan, as adopted, the KLM remuneration policy has been simplified and aligned with the remuneration policy of AIR FRANCE KLM whereby the existing two long-term incentive schemes (the KLM Long-Term Incentive Plan and the AIR FRANCE KLM Specific Long-Term Incentive Plan) applicable to the KLM CEO will be merged into one AIR FRANCE KLM long-term incentive scheme (in the form of shares AIR FRANCE KLM). The long-term incentive scheme (in phantom shares) for the other statutory directors remains unchanged. The amendment has become effective for the year 2023.

Process

The Supervisory Board's Remuneration Committee is responsible for formulating, implementing, and evaluating the remuneration policy of KLM regarding the terms and conditions of service and remuneration of the Managing Directors and the remuneration of the members of the Supervisory Board. The remuneration policy is formulated and proposed by the Supervisory Board to the General meeting of Shareholders and, in accordance with the Articles of Association, adopted by this meeting.

Each year, the Remuneration Committee evaluates whether there is reason to change the remuneration policy considering developments in the remuneration policy of AIR FRANCE KLM's directors with the objective to align with the policy of the AIR FRANCE KLM Group.

Within the framework of the articles of association and the remuneration policy and subject to prior approval of the Meeting of Priority Shareholders (AIR FRANCE KLM), the Supervisory Board sets the remuneration and further terms and conditions for the individual members of Managing Directors upon advice by the Remuneration Committee. The Remuneration Committee determines the remuneration package considering an appropriate ratio between fixed and variable remuneration taking note of the requirements and responsibilities pertaining to the function of the relevant Managing Director using external benchmark data regarding directors' remuneration and inflation and developments in KLM's collective labour agreements. Any changes in individual remuneration resulting from the evaluation are proposed by the Remuneration Committee to the Supervisory Board and adopted subject to approval of the Meeting of Priority Shareholders (AIR FRANCE KLM).

The Remuneration Committee further evaluates agreed variable incentive targets each year and sets new targets for the subsequent period. The Remuneration Committee may use its discretionary powers in case the evaluation of the variable incentive targets would produce an unfair result due to extraordinary circumstances by adjusting the pay-out downwards or upwards. Together with its proposal to the Supervisory Board, the Remuneration Committee will provide an explanation for using such discretionary powers.

Objective of the policy

The main objective of the remuneration policy is to create a clear and understandable remuneration structure that enables KLM to attract and retain qualified Managing Directors and to offer them a stimulating reward. Furthermore, the remuneration policy aims to encourage Managing Directors to improve the performance of KLM and to achieve KLM's long-term objectives within the context of the governance of AIR FRANCE KLM.

Structure of remuneration package

The remuneration package of the Managing Directors consists of three components:

- Base salary (intended to reach maximum level around the median of the benchmarked market data);
- Short-term incentive in cash as a percentage of base salary linked to pre-agreed financial and non-financial performance targets in the financial year as reported; and
- Long-term incentive in the form of phantom shares and for the CEO, in AIR FRANCE KLM shares, based on a percentage of the base salary upon realisation of certain pre-determined financial and non-financial targets with a longer-term focus.

Other

Managing Directors may retain payments they receive from other remunerated positions (such as membership of a Supervisory Board or similar body) with the maximum number of remunerated positions set at two per Managing Director. Acceptance of such position requires the prior approval of the Supervisory Board. Any payment in connection with Supervisory Board memberships with KLM Group companies or with other airline companies remains due to KLM. Managing Directors are furthermore entitled to make use of travel facilities comparable to the travel facilities as described in the travel regulations for KLM employees.

Claw back clause

The Supervisory Board has the authority to reclaim payments based on article 2:135 sub 8 of the Dutch Civil Code.

Pensions

In accordance with KLM's pension policy the Pension Plan for Managing Directors is a career average salary scheme. The short-term incentive (up to a maximum of 30%) is part of pensionable income.

In line with the fiscal regime, pensionable income is capped at EUR 128,810 (2023). In addition, Managing Directors are entitled to an allowance, comparable to the premium available for pension accrual for the part of base salary above EUR 128,810 which can be used as a premium (deposit) for a net pension scheme that is offered by KLM's pension fund.

Employment contracts with members of the Board of Managing Directors

The term of the appointment as managing director is set for a period of four years, until the end of the first general Meeting of Shareholders Members of the Board of Managing Directors have a contract of indefinite employment duration with KLM. The term of the appointment as managing director is set for a period of four years, until the end of the first general Meeting of Shareholders taking place in the fourth year after appointment.

With regard to the current Managing Directors:

- Mrs. Rintels' employment contract of indefinite duration contains a fixed-term appointment clause for a period of four years until the Annual General Meeting of 2026;
- Mr. Swelheim's employment contract of indefinite duration contains a fixed-term appointment clause as a board member for a period of two years until the Annual General Meeting of 2024; and
- Mr. Stienen's employment contract of indefinite duration contains a fixed term appointment clause as a board member for a period of four years until the Annual General Meeting of 2027.

Severance pay

In case of newly appointed Managing Directors from 2022 onwards, the maximum severance pay in the event of dismissal is capped at one year's base salary. For appointed Managing Directors in the period until 2022, the severance pay in the event of dismissal may be set at a maximum of two years' base salary.

Remuneration report of the Managing Directors for financial year 2023

With the termination of the Dutch State loan and guarantee on April 17, 2023, there are no legal limitations in granting total remuneration to the individual Managing Directors. Though there are no legal restrictions in granting variable remuneration over the full year, the Supervisory Board has awarded the Managing Directors the variable rewards applying a pro-rated mechanism as from April 17, 2023.

Base salary

Pursuant to KLM's remuneration policy base salaries are intended to reflect amounts around the median of the market level. Coherent and consistent with a benchmark exercise the current base salaries of the Managing Directors rate below this median. The base salary of Mrs. Rintel was set at EUR 600,000 per calendar year at the date of her appointment (2022: EUR 300,000 date of appointment July 1, 2022). Mr. Swelheim's base salary was EUR 409,744 in 2023 (2022: EUR 406,453). Mr. Stienen received a base salary of 330,000 (2022: EUR 110,000 date of appointment September 1, 2022).

Details of the base salary received by the individual members of the Managing Directors are presented in note 33 of the financial statements.

Short-term incentive plan

The Remuneration Committee has evaluated KLM's actual results against the collective and individual targets set for 2023 in accordance with the remuneration policy and its proposal has subsequently been endorsed by the Supervisory Board. It has been decided to apply the STI from April 17, 2023, onwards. The evaluation led to the following pay-outs under the short-term incentive plan for financial year 2023: 49.96% of the base salary for Mrs. Rintel, 32.89% for Mr. Swelheim and 30.94% for Mr. Stienen.

Details of the amounts involved are included in note 33 of the financial statements.

Long-term incentive plan

Pursuant to the applicable long-term incentive plan, the following number of phantom shares were conditionally granted to the Managing Directors on May 1, 2023:

Mr. Swelheim : 7,780 phantom shares
Mr. Stienen : 6,266 phantom shares

Pursuant to the AIR FRANCE KLM Performance Share Plan, as applicable for the KLM CEO, Mrs. Rintel, 26,517 AIR FRANCE KLM shares are conditionally granted. The evaluation and subsequent vesting of AIR FRANCE KLM shares will only take place after three years, hence in 2026.

Internal pay ratios

In line with the Dutch Corporate Governance Code, internal pay ratios are an important input for assessing the Remuneration policy for the Board of Managing Directors. The ratio between the annual total compensation for the CEO and the average annual total compensation for an employee of KLM was 9.5 for the 2023 financial year (11.7 for 2019, 12.2 for 2018). The annual total compensation for both CEO and KLM employee includes variable income and pension benefits. The development of this ratio will be monitored and disclosed going forward.

Loans and advances

No loans or advances have been granted to any of the Managing Directors.

Remuneration policy for the Supervisory Board

The remuneration policy for members of the Supervisory Board has not changed since 2008. During the COVID-19 period the remuneration policy has not been executed in full. Since KLM has terminated the Dutch State support package, the remuneration policy is reinstated.

The remuneration consists of a fixed annual fee and a fee for each meeting that is attended. Members of the Supervisory Board do not receive a performance-related reward or shares or rights to shares by way of remuneration, nor are they granted loans, advances, or guarantees.
The remuneration of the members of the Supervisory Board is fixed by the General Meeting of Shareholders.

Remuneration of the Supervisory Board members in 2023

The remuneration for the Supervisory Board is as follows. The fixed fee payable for services amounts to EUR 42,500 for the Chairman and EUR 26,500 for the other members of the Supervisory Board.
The fee per meeting of the Audit Committee attended amounts to EUR 2,000 for the Chairman of the committee and EUR 1,000 for the other members. The fee per meeting of the Remuneration Committee and the Nomination Committee attended amounts to EUR 1,500 for the Chairman of the committee and EUR 1,000 for the other members of the Remuneration Committee and the Nomination Committee.
Members of the Supervisory Board are furthermore entitled to make use of travel facilities described in the travel regulations for KLM employees.

Details on the remuneration received by individual members of the Supervisory Board are presented in note 32 of the financial statements.

Supervisory Board

(situation as per December 31, 2023)

					
	Cees 't Hart Chairman	François Enaud	Jan-Kees de Jager	Christian Nibourel	Marjan Oudeman
	1958, Dutch	1959, French	1969, Dutch	1958, French	1958, Dutch
Appointed upon recommendation of	KLM's Works Council	AIR FRANCE KLM	–	AIR FRANCE KLM	KLM's Works Council
First appointment/ current term	2014 / 2022 - 2024	2016 / 2020 - 2024	2019 / 2023 - 2027	2020 / 2020 - 2024	2021 / 2021 - 2025
Current function/ Supervisory Board memberships and former functions*	› Boardmember Mondelez (US) › Member Supervisory Board Randstad International (NL) › Former CEO Carlsberg Group › Former CEO of Royal Friesland Campina › Former SVP Marketing Operations Unilever Europe	› President FE Development › Vice President GSF › Board Member of Talan, Visiativ, Taleo and Erium › Managing Partner of Towerbrook and Omnes Capital › President of ANSA › Former Group CEO Sopra Steria Group	› President and investor at Easygenerator › Investor and strategic advisor at Sana Commerce › Former CFO and Member of the Board of Managing Directors of Royal KPN N.V. › Former managing partner and CEO of ISM eCompany	› Chairman of Association de Garantie des Salaires › Former Chairman of Greater Paris Investment Agency › Chairman of INSA-Lyon (Engineer School) › Chairman of ESSCA (Management School) › Board Member of SMILE › President OneUp › Former CEO Accenture France Benelux	› Member of the Boards of UPM-Kymmene Corporation, SHV Holdings N.V., Solvay SA › Former President of the Executive Board of Utrecht University › Former Member of the Board of Statoil ASA/Equinor ASA › Former Member of the Executive Committee of Tata Steel

* Only memberships of Supervisory Boards and functions with large companies on December 31, 2023, are shown here.




	Fleur Pellerin	Pierre François Riolacci	Benjamin Smith	Janine Vos
	1973, French	1966, French	1971, Canadian	1972, Dutch
Appointed upon recommendation of	AIR FRANCE KLM	AIR FRANCE KLM	AIR FRANCE KLM	KLM's Works Council
First appointment/ current term	2018 / 2022 - 2026	2016 / 2020 - 2024	2019 / 2023 - 2027	2019 / 2023 - 2027
Current function/ Supervisory Board memberships and former functions*	› CEO Korelya Capital, Korelya Consulting and Korelya Fondateurs › Board Member of Ledger › Board Member of Synapse Medicine and Finn › Director of Talan › Director of Gaumont › Director of Eutelsat › Chair of the Credit Mutuel Alliance Fédérale Mission Committee › President of Canneseries Festival	› EVP Finance, CSR, Procurement of Engie › Former CEO Europe of ISS World Services › Former Group CFO of ISS World Services › Former CFO of AIR FRANCE KLM › Former CFO of Veolia	› CEO of AIR FRANCE KLM › Member of AIR FRANCE Board of Directors › Director of Société AIR FRANCE › Former President airlines and COO of Air Canada	› Member of the Managing Board and CHRO of Rabobank › Member of the Supervisory Board of Olympia › Member of the Advisory Board SER Topvrouwen › Member of the Advisory Board Social Capital › Former CHRO of Royal KPN N.V.

* Only memberships of Supervisory Boards and functions with large companies on December 31, 2023, are shown here.

Board of Managing Directors

(situation as per December 31, 2023)





	Marjan E.F. Rintel	Maarten P.A. Stienen	Erik R. Swelheim	Miriam I. Kartman	Barry A.M. ter Voert
	President and Chief Executive Officer	Managing Director and Chief Operating Officer	Managing Director and Chief Financial Officer	Chief People Officer & EVP Human Resources	Chief Experience Officer & EVP Business Development
	1967, Dutch	1974, Dutch	1965, Dutch	1965, Dutch	1971, Dutch
Appointed as	Statutory Board Member	Statutory Board Member	Statutory Board Member	Non-Statutory Board Member	Non-Statutory Board Member
First appointment/ current term	2022 / 2022 - 2026	2022 / 2022 - 2027	2014 / 2022 - 2024	n/a	n/a

Vice President Corporate Secretary & General Counsel

Ingeborg Zikken

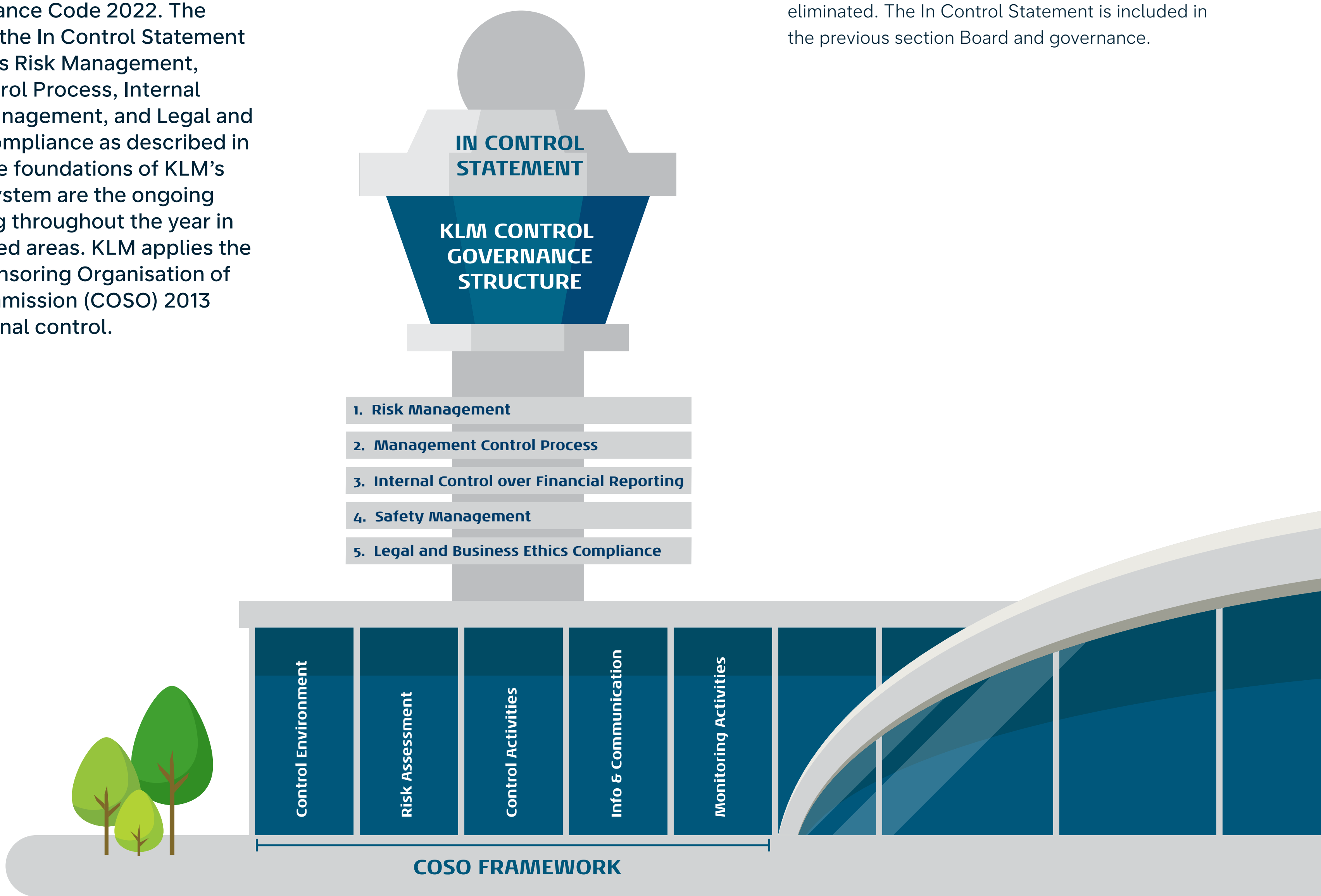
Vice President Corporate Secretary & General Counsel

1973, Dutch

Risk Management and control

Risk Management and control

KLM's In Control Statement stems from our voluntary compliance with the Dutch Corporate Governance Code 2022. The building blocks of the In Control Statement consist of the areas Risk Management, Management Control Process, Internal Control, Safety Management, and Legal and Business Ethics Compliance as described in this paragraph. The foundations of KLM's Internal Control System are the ongoing activities occurring throughout the year in the abovementioned areas. KLM applies the Committee of Sponsoring Organisation of the Treadway Commission (COSO) 2013 standards for internal control.



As with any control system, it is not possible to provide an absolute guarantee that risks will be eliminated. The In Control Statement is included in the previous section Board and governance.

1. Risk management

KLM is exposed to general risks associated with the air transport industry and with airline operations and consequently has a system in place to identify, analyse, monitor, manage, and control risks. A distinction is made between strategic, operational, compliance, and financial risks. The financial risks are elaborated in the Financial Risk Management section and in the notes included in the consolidated financial statements. Overall risks of AIR FRANCE KLM are explained in the relevant parts of the AIR FRANCE KLM financial disclosure reporting. These risks can also have an impact on KLM's brand, reputation, profitability, liquidity, and access to capital markets.

Risk profile

The airline industry is a cyclical, capital, and labour-intensive business with high levels of fixed cost and relatively small margins. Additionally, the airline industry has to deal with geopolitical conflicts, strongly fluctuating oil prices and currencies, high inflation, supply chain challenges, a tight labour market, as well as with increasing numbers of laws and regulations. The latter encompasses, for instance, the areas of compliance, environment, flight safety, security, and passenger rights. KLM continues to face challenges in ramping up its capacity to pre-COVID-19 levels. Its financial position has further improved as a result of a strong financial recovery in 2023, which has also led to the termination of the Dutch State support package in April 2023. KLM is fully aware of this risk profile and has a risk management process and internal control monitoring in place to manage this profile.

Risk appetite

The risk appetite of KLM differs per risk type:

- Strategic risk: with a revised purpose, 'creating memorable experiences on the planet we care for,' taking and accepting strategic risks is inevitable;
- Operational risk: KLM's operations are diverse. KLM accepts zero risks in the field of flight safety and operational safety, other operational risks are considered in view of the (daily) business;
- Compliance risk: KLM is averse to risks that could jeopardise compliance with applicable external laws, and internal rules and regulations; and
- Financial risk: KLM is averse to risks that could endanger the integrity of finance and reporting.

Risk management process

KLM has implemented a system to identify, analyse, monitor, manage, and control risks, which is in line with international risk management standards (COSO Enterprise Risk Management) and complies with the risk management part of the 8th EU Company Law Directive. The execution of the risk management process is supported by the strategic and operational risk mapping processes and has been established by all the relevant entities. The fraud risk management process was also performed in 2023 in all entities of the KLM Group including its subsidiaries using a completeness checklist and a fraud tree.

Twice per year, the most significant strategic, operational, compliance, and financial risks are presented to the Board of Managing Directors, the KLM Executive Committee, and the KLM Supervisory Board.

1.1 Strategic risks

Competition from other transport operators and passenger demand

Risk: On its short- and medium-haul flights to and from the Netherlands, KLM competes with alternative means of transportation. Furthermore, KLM faces competition from low-cost airlines for European point-to-point traffic. KLM expects downward pressure on airfares in Europe to continue due to further competition from low-cost airlines. On its long-haul flights, KLM competes with a multitude of airlines. Non-EU airlines operate under different regulatory and state aid regimes that allow them to compete successfully in the global market and with lower cost bases. Furthermore, after emerging from the COVID-19 pandemic, the existing capacity of Middle Eastern carriers and the already visible accelerating growth of Turkish and expected growth from Chinese carriers will further increase the imbalance between supply and demand to and from East and Southeast Asia.

Passenger demand to and from Europe generally restored except for certain traffic flows from and to Asia.

Mitigating action(s): Network, sales and revenue management are involved to mitigate the risks. This includes relevant joint ventures and partnerships, flexibility in network, balancing market share and pricing, adaptation of frequent flyer programmes, and corporate contracts (e.g. SAF contracts).

Cargo market

Risk: The year 2023 showed an expected downward pressure on yield and traffic resulting in significantly lower revenues. In the coming years, yield levels may be impacted by volatility of demand and an expected increase in cargo capacity. Also, geopolitical conflicts, recessionary pressure, and fuel prices could impact international trade in general and the airline cargo market in particular.

Mitigating action(s): KLM addresses the cargo risks by continuing to enhance the (digital) connection to customers, improving revenue management and optimising cargo capacity.

Jet fuel

Risk: Jet fuel is one of the largest cost items for an airline. The volatility of oil prices and jet fuel availability is a material risk for KLM. Both an increase and decrease of the oil price may have a material impact on profitability. There are several global geopolitical situations that have an impact on the oil supply and demand, leading to additional costs to get access to fuel. Furthermore, any change in the US dollar/euro exchange rate also results in volatility in the fuel expenses. Furthermore, the energy transition impacts the aviation sector too, where we support the use of SAF to reach our sustainability ambitions. Further regulations are being introduced that will lead to more use of SAF.

Mitigating action(s): KLM has a policy in place to manage these price risks, which are set out in the section Financial Risk Management > in the notes attached to the consolidated financial statements. Securing the supply of fuel is key, therefore KLM spreads the supply risk as much as possible amongst multiple suppliers whilst having flexibility on the method of supply to its hub.

Terrorist attacks, geopolitical instability, and epidemics

Risk: Any terrorist attack or threat of attack, geopolitical instability, armed conflict, or epidemic may have a negative effect on KLM's business. This would directly result in a decrease in demand and an increase in operational, insurance, and security costs. In 2023, KLM scaled up operations and re-started operations to several pre-COVID-19 destinations. A number of these destinations are associated with security-related challenges. In general, geopolitical instability has increased worldwide, which raises security concerns.

The war in Ukraine and the subsequent sanctions imposed by the US and the EU (and in return by Russia) impact KLM's activities. To date, KLM announced, until further notice, the suspension of services to and from and overflight of Ukraine (as from February 12, 2022) and Russia (as from February 26, 2022). The prohibition of overflying has consequences for KLM's flights to China, Japan, and South Korea, and required changes to KLM's network. However, the main impact for KLM is the risk incurred due to higher fuel prices.
The situation in the Middle East results in increased tensions within the region and is therefore subject to rapid changes which might impact the use of airspace. Impact on other areas of KLM's activities is limited. KLM, in co-operation with AIR FRANCE KLM, is committed to mitigating the impact of these risks and ensuring its compliance with applicable sanction regimes as imposed. However, uncertainty regarding the conflict's outcome does not enable us to anticipate the total impact on KLM's activities.

Mitigating action(s): KLM has a Safety Management System, a Security Management System, contingency plans, and procedures in place that enable the company to adapt quickly to the changing environment and to anticipate and respond effectively to the abovementioned events. The aim of these measures is the effective protection of passengers and staff, operational and service continuity, and the preservation of the long-term viability of KLM's businesses. These measures are evaluated regularly and adapted to reflect changes in the environment. KLM complies with national, European, and international safety and security regulations and submits regular reports to the national authorities of the measures and procedures deployed.

Loss of airport slots or lack of access to flight slots

Risk: Due to congestion at major European airports, including Schiphol Airport, all air carriers must obtain airport slots, which are allocated in accordance with the terms and conditions set out in EU Council of Ministers Regulation 95/93. Pursuant to this regulation, at least 80% of airport slots held by an air carrier must be used during the period for which they have been allocated. Unused slots will be lost by the relevant carrier and transferred into a slot pool. Any loss of airport slots or lack of access to airport slots due to airport saturation could negatively impact the company's market share, financial results, or even future development. Furthermore, the outcome of the balanced approach procedure could result in less capacity at Schiphol Airport. However, KLM does not expect this, since it has proposed a sector plan which forms a more effective alternative. In addition, capacity constraints resulting from a situation of not being able to attract enough staff to run the operation form a risk in safeguarding the slot portfolio.

Mitigating action(s): Given the 80/20 utilisation rule applying to each pair of airport slots for the duration of the season concerned, KLM manages this risk at a preventive and operational level. At the start of the COVID-19 pandemic, the EU Council of Ministers decided on an exemption to the 80/20 utilisation rule. In 2023, the generic slot waivers have expired.

Consumer compensation regulations

Risk: Increasingly states are adopting legislation on passenger rights to determine rules for compensation and assistance in flight irregularities (cancellation, delay, denied boarding, and downgrading). Legislation outside the EU is increasingly in line with the passenger rights legislation in the European Union (Regulation EU 261/2004). A proposal to amend the regulation EU 261/2004 was issued in March 2013, but the amendment has been held off, as review is being postponed by the Council of the EU. In the meantime, the European Court of Justice has issued many rulings that have extended and broadened the scope of Regulation EU 261/2004. In November 2023, the European Commission adopted several proposals to improve the position of (air) travellers. The proposals concern even stronger passenger rights, protection for package travellers and multimodal travel information. The new rules are based on lessons learned from the operational challenges airports and airlines worldwide have been facing in the last few years, which resulted in many legal procedures. Governmental bodies like the US Department of Transportation, the Canadian CTA, and the EU National Enforcements Bodies have expressed their intent to strictly enforce the passenger rights, and some have already imposed fines for infringements of these rights.

Mitigating action(s): KLM actively supports a global standardisation of passenger rights, also, considering a level playing field and the competitive position of EU carriers. There is continuous monitoring and advocacy for more balanced regulations, both on the airline and consumer side. KLM defends itself against imposed fines and has a pragmatic view on handling claims and court cases.

Competition, customer, and financing risks E&M

Risk: The growing power of original equipment manufacturers (OEMs) and maintenance and repair operation services providers (MROs) increases market competition, raises costs, and puts up entry barriers for KLM. Long-term contract margins are under pressure due to excessive monopolistic costs, affecting overall business profitability. OEMs protect their intellectual property with expensive license agreements, with only a limited number of licenses to be sold in the market. Some OEMs' products are in a completely closed model, with the OEMs in full control of the market.

Staff shortages can be a large obstacle in carrying out business activities and ambitions.
Loss of current and future turnover may occur due to deferred or partial payments by customers resulting from economic circumstances at customer airlines. Higher costs are associated with the Boeing 787, due to reliability issues. Finally, a shortage exists of materials and components in all units, due to parts shortage, workforce shortage, and worldwide supply chain distortion.

Mitigating action(s): Using the benefits of being an airline-controlled MRO to control future maintenance costs (up to 25 years). The risk is further mitigated by increasing buying power, negotiating power, and economies of scale, by adding third-party customers to KLM's own airline volumes. To further improve market leverage, E&M develops partnerships and negotiates long term contracts with OEMs and original aircraft manufacturers (OAMs). Airline fleet campaigns are used to enable entrance to new platforms. KLM has negotiated price escalations, remedies, concessions, and license agreements during the medium and long-haul fleet tender.

To mitigate financing risks, cost reduction initiatives are and will be implemented to increase profitability and strengthen the economy and performance of the component supply chain. Insourcing of repairs is accelerated, and supply chain strategies are improved, by increasing repair versus replace and by the usage of used serviceable material (USM) instead of new materials. To mitigate the risk of staff shortages, KLM designed an extensive recruitment strategy to recruit sufficiently qualified employees.
To mitigate the risk of not being able to collect from debtors, E&M actively follows up on payment plans and performs frequent debtor calls.
Finally, an assessment has been done on the impact and likelihood of unavailability of materials and components with suppliers.

Climate related risks

Risk: KLM is aware of the physical and transitional risks associated with climate change and considers them to be a significant concern. Failure to anticipate and adapt to these risks voluntarily could have negative consequences on the company's financial performance and reputation. In 2023, the AIR FRANCE KLM Group conducted a climate scenario analysis to gain a better understanding of the climate risk landscape. The analysis focused on identifying and assessing the physical and climate-transition-related risks facing the company across different timeframes. The physical risk component of this assessment focused on the AIR FRANCE KLM's top 50 sites, exploring geographical regions around the world in which it operates that are projected to experience greater impacts. The effects of potential changes in policy, technologies, and markets were also examined. The AIR FRANCE KLM Group implemented the TCFD recommendations and used the IPCC's Representative Concentration Pathways (RCP) scenarios to analyse the physical risks and the IPCC's Shared Socio-Economic Pathway (SSP) to analyse the transition risks. From the analysis, a KLM-specific outcome was determined.

The Climate Scenarios analysed included:

Climate Scenario	RCP	SSP	
Orderly	RCP 2.6 - 1.5°C	SSP 1	Sustainability
Disorderly	RCP 4.5 - 2 to 2.5°C	SP 2	Middle of the Road
Hot-House World	RCP 8.5 - 3.6 to 4.4°C	SSP 5	Fossil-Fueled Development

Impact
The scenario analysis led to the establishment of the following risk universe:

Physical risks

Acute
- Degradation/destruction of assets (airports, offices, warehouses, aircraft) due to more frequent and severe extreme weather events:
  - Flooding (tidal, fluvial, pluvial)
  - Cyclones
  - Wildfires
- Disruption of activity and increase in delays/ rerouting due to more frequent **storms and turbulences**.
- Degradation of working conditions for on-ground operations due to **extreme temperatures and heatwaves**.
- Interruption of operations due to **extreme temperatures** causing heat buckling on runways.
- Disruption of activity and increase in delays/ rerouting due to **increased snowfall and more frequent snow storms**.

Chronic
- Degradation of infrastructure (airports.offices, etc.) due to **rising sea levels**.
- Restrictions on aircraft take-off weight due to **increasing temperatures**.
- Disruption of take-off and landing schedule due to loss of visibility linked with **changing humidity patterns**.
- Increased fuel consumption due to **changing wind patterns**.
- Disruption of activity and increase in delays/rerouting due to more frequent **icing risk**.
- Increase in air conditioning usage due to **sustained rise in temperatures**.

Transition risks

	General	SAF-related	Aircraft-related
Policy and legal	› Increase in air conditioning usage due to Increased pricing of GHG emissions. › Enhanced emission-reporting obligations {EU-ETS, CORSIA}. › Limits on license to operate and ban on short-haul flights.	› New carbon taxes or SAF mandates could increase the price of jet fuel. › Insufficient support from governments regarding SAF and synthetic fuel deployment.	› Delayed regulations could slow the pace of development of new technologies (electric planes). › Insufficient support regarding investments in fleet renewal.
Reputational	› Increased pressure from stakeholders and investors to achieve sustainability goals. › Increased exposure to greenwashing claims. › Increase in passenger injury risk.	› Exposure to litigation linked with low credibility of SAF for decarbonisation or use of feedstocks causing adverse environmental outcomes.	› Limited social license to consume renewable energy if not demonstrably additional.
Market	› Lower demand due to modal shifts and sector stigmatisation. › Decrease in demand for short haul flights due to increased remote working. › Increased cost of raw materials.	› Inability to secure sufficient volumes and/or competitive prices for SAF to meet public targets. › Inability to secure synthetic fuels volumes.	› Inability to access enough energy due to limited green hydrogen availability. › Inability to secure enough electric planes.
Technology	› Substitution of existing products and services with lower emissions options. › Unsuccessful investment in new technologies. › Costs to transition to lower emissions technology.	› Power-to-Liquid SAF and other SAF technology pathways do not deliver expected emissions reductions. › Synthetic fuels technology pathway does not scale as expected.	› Network limitations due to lack of required infrastructure. › Limited talent availability for maintenance and operation of next generation aircraft.

Mitigating actions(s): KLM and its airlines are continuing their efforts to reduce their environmental footprints as part of a transparent and responsible approach to the challenges of global warming. KLM has had its CO_2 emission reduction target by 2030 validated by the independent reference organisation SBTi, ensuring that it is in line with the Paris Agreement's 'well below 2°C scenario'. KLM's Climate Action Plan stipulates its priorities in terms of reducing its environmental impacts, like fleet modernisation, reducing fuel consumption, improved fuel management, and optimising operational procedures such as eco-piloting and the accelerated introduction of SAF. KLM, as part of the AIR FRANCE KLM Group, is also playing a front runner role in the airline industry, mobilising the sector to accelerate its decarbonisation commitments. AIR FRANCE KLM supported the adoption of IATA and ICAO's Long Term Aspirational Goal – an aspirational net-zero carbon emissions by 2050 – and supported the introduction of a fuel decarbonisation ambition of 5% by 2030, adopted in 2023 by ICAO at CAAF/3. Additionally, AIR FRANCE KLM is lobbying the ICAO to increase the ambitions of CORSIA. KLM is investing in research and development to promote the advancement of low-carbon technologies, such as SAF and electric flying. For a full overview see section 4 of this report. To adapt to the already-visible consequences of climate change such as more frequent extreme weather events, KLM has a policy in place to ensure safe operational and passenger handling conditions, and regularly conducts comprehensive risk analyses to optimise these arrangements.
The operation of a network balanced between the different continents and the flexibility related to the fleet's composition enables minimised financial consequences of these impacts.
Finally, KLM constantly analyses changing attitudes to travel and responds through regular adjustments to its network, services, and offers.
In the event of climatic events, KLM's various partnerships enable the rapid deployment of commercial measures so that passengers can postpone their journeys or change their destinations if they wish.

Noise management

Risk: Noise management has become a regulatory topic in the ESRS standards falling under the CSRD. The ESRS Standard 2 on Pollution now considers noise a pollutant, which can be harmful to human health and the environment. In Europe, there are calls to restrict activity at airports in response to increasing sensitivity to airport noise nuisance.
At Schiphol Airport, there is a cap on the number of (night) flights. To address these concerns, the Dutch government has launched impact assessment procedures using a balanced approach developed by the EU. This approach involves a scientific assessment of the noise pollution levels at airports, followed by an analysis of various reduction measures that can be taken, prioritising the best combination of cost-effective measures before introducing any restrictions on aircraft operations as a last resort. The balanced approach is the only regulatory way to introduce operating restrictions on noise pollution. The Dutch government has also been considering a noise ceiling to restrict flight movements.
Such legislation could, especially if only applied to specific geographic areas, lead to competitive distortions between airlines. Flight limitations present a significant risk to KLM's operations and revenue. Any changes to noise-related landing and take-off charges could increase operational costs. A potential reduction of flight movements poses a threat to the hub structure of airports like Schiphol, since it would limit the number of daily rotations, potentially reducing aircraft yield and the company's operating profitability. This would hinder the ability to invest in fleet renewal and reduce noise at the source. Furthermore, this would have a cascading effect on airport's suppliers and service providers, ultimately impacting local employment and the regions' overall attractiveness.

Mitigating action(s): KLM actively collaborates with member states and stakeholders to ensure compliance with the EU's Balanced Approach regulation, which aims to improve the noise environment around EU airports and promote greater compatibility between aviation activities and residential areas. Reference is made to section The Netherlands in which KLM's plan 'Schoner, stiller en zuiniger (Cleaner, quieter, and more efficient)' is explained as well as the 10 commitments of sector partners that aim to make aviation more sustainable.

In June 2023, in the Netherlands, KLM submitted a plan, calculated by the Netherlands Aerospace Centre (NLR), which offers a greater reduction in noise pollution at night (18%) and exceeding the Dutch Minister's target of 15% in 2024. The KLM plan aims to reduce noise pollution by 18% at night and 28% by 2026, while also reducing noise pollution more effectively in the long term. KLM brought together a broad group of Dutch airlines, knowledge institutes, manufacturers, industry associations, and trade unions (31 parties in total) and has presented its vision: 'Future-proof aviation for the Netherlands'. This includes 10 concrete commitments to the Netherlands and to the Dutch

for the coming years, including on noise. Thanks to its fleet renewal policy, KLM is not only reducing CO_2 emissions but also noise pollution. In 2023, 100% of its fleet is eligible with the stringent noise level criteria of ICAO chapters 4 and 14. The new A350-900, Airbus A320neo, and Embraer 195-E2 are expected to reduce noise by 40%, 50%, and 63% respectively, compared to the aircraft they replace. KLM's airlines optimise flight routes and implement continuous descent procedures, which significantly reduce noise pollution. KLM is committed to supporting governments and air traffic control organisations in the rapid and widespread implementation of continuous descent procedures at all airports. KLM contributes to airport noise taxes and levies in the Netherlands, which fund soundproofing for homes located around airports. For each of these procedures,
our experts are in constant dialogue with residents, airport community representatives and the authorities as part of dedicated working groups.
In each case, our approach aims to implement efficient solutions, which are both sustainable for KLM's airlines and satisfactory for residents.

Air pollution
Risk: Air pollution from aviation is a growing health and environmental concern, related to the emissions of NO_x, SO_x, and particulate matter (PM). In the Netherlands, Schiphol Airport has secured a temporary nitrogen permit until 2025. The Dutch government has set a target of reducing nitrogen emissions by 50% by 2035, while Schiphol Airport is aiming to be an emissions-free airport by 2030, including NO_x. KLM may face increased airport charges based on its nitrogen emissions, not just in the Netherlands, as other airports may follow.

Mitigating action(s): KLM monitors its atmospheric emissions for both flight and ground operations, including low-altitude emissions that impact air quality around airports. The indicators cover emissions of SO_2 and NO_x with most of these emissions coming from aircraft movements. We are accelerating the development of SAF, which reduces particulate matter, NO_x and SO_x emissions. For our ground operations, we use electric and more efficient vehicles and equipment powered by cleaner fuels.
We optimise our operational procedures for ground operations, including minimising taxiing time, taxiing with only one engine, and replacing APUs with electrical GPUs. As of 2023, 70% of KLM ground equipment at Schiphol Airport was electrically powered. Moreover, KLM is actively involved in research on pollutants. Together with Schiphol, KLM is conducting an exploratory study into exposure to ultrafine particulates (UFPs) to gain more insight into the exposure of employees, and the sources of this exposure.

Risks linked to labour cost and labour disruptions
Risk: In 2023, KLM and all unions have renegotiated the collective labour agreements (CLAs) for ground staff, cockpit crew on KLM flights and cabin crew. These CLAs are valid until March 2025. The new CLAs have been negotiated with the unions in 2023, in a context of high inflation and shortages on the labour market (mainly production and IT staff), leading to labour conditions that make KLM a more attractive employer.

Mitigating action(s): KLM fosters social dialogue and employee agreements among other things to prevent conflict.

1.2 Operational risks

Safety and security and airline accident risk
Risk: Safety and security are fundamental elements of KLM's operations and essential to our customers, our employees, our environment, and therefore KLM's future. KLM is committed to maintaining the highest level of safety and security.

Mitigating action(s): KLM builds upon the best safety and security practices through a Safety Management System (SMS), a working environment of continuous learning and improvement and independently positioned oversight of the four safety domains: operational, occupational, environmental safety, and operational security.
KLM continuously adapts to restrictions imposed by local governments and agencies within the operation based on the result of safety studies and risk analysis.

Air transport is also heavily structured by a range of regulatory procedures issued by both national and international civil aviation authorities. The required compliance with these regulations is governed through an Air Operator Certificate (AOC), awarded to KLM for an unlimited period. The civil aviation authority carries out a series of checks and audits on a continuous basis covering these requirements and associated quality system.

In addition to this regulatory framework, IATA member airlines need to meet the requirements for IATA Operational Safety Audit certification (IOSA). The IOSA audits for the renewal of KLM's and KLM Cityhopper's certification were carried out at the end of 2022 and resulted in the renewal of the certificates in March 2023 with validity until March 2025.

Operational integrity
Risk: Operational integrity is one of the essential conditions for success in the airline industry. Airline operations are sensitive to disruptions because delays reduce the predictability and quality of the network and are costly. Air transport depends, among others, on meteorological conditions, which can lead to flight cancellations, delays, and diversions. Adverse weather conditions such as heavy fog, heavy storms, snow, and ice conditions may require the temporary closure of an airport or airspace and thus lead to significant cost (repatriation and passenger accommodation, schedule modifications, diversions, etc.). Geopolitical tensions may require (temporary) closure of routes or airports and have an impact on airspace corridors, leading to significant extra fuel and staff costs. The unavailability of KLM staff and the fleet not being available mainly due to supply chain issues could threaten our operational integrity.

Mitigating action(s): KLM has taken several initiatives to safeguard its operational integrity, to keep delivering high-quality service to its customers. To balance with the available resources, the network schedule is redesigned accordingly. The Operations Control Centre, where all network-related decisions on the day of operations are taken, is central to ensuring operational integrity.

IT risks and cybercrime
Risk: The IT and telecommunications systems are of vital importance to day-to-day operations. They comprise the IT applications in the operating centres that are used through the networking of tens of thousands of different devices. The number of cloud providers, and thus dependency, is increasing, as well as virtualisation of and transformation towards external data centres. This requires more focus on protecting data outside our internal environment. IT systems and the information they contain may be exposed to risks from both inside and outside the organisation concerning continuity of functioning, data security, and regulatory compliance. The cybercrime programme covers the prevention and detection procedures such as cyber threat surveillance, evaluations of information system security, and tests to pinpoint any information system incursions via the internet. The threats and number of attacks are increasing. The fast-moving technology of this risk mean that AIR FRANCE KLM will always retain a certain level of vulnerability.

Mitigating action(s): The secure functioning of IT systems is continuously monitored, and vulnerabilities are addressed. The related processes are regularly evaluated and adapted to the changing risk scenario. Tools, services, and security rules have been implemented to prevent and respond to cyberattacks and to reduce the risks linked to new technologies, (mobile) devices, and data. The access controls to IT applications, to the computer files at each workstation together with the control over the data exchanged outside the company are in line with international standards. Dedicated help centres integrate cybersecurity into business contingency, invest in qualified staff and co-operate in the AIR FRANCE KLM cybercrime programme. Where appropriate, activities are further strengthened such as security patch and vulnerability management, monitoring of cloud usage, endpoint detection, and response tooling for devices like workstations, laptops, iPads, and servers. A dedicated cyber threat hunting team is in place.

Furthermore, the exchange with our subsidiaries about cyber defence has increased and the department of Information Services is working with procurement and business departments to review the cyber security risk impact in the supply-chain. During the COVID-19 pandemic many qualified people left the IT department. After COVID-19, as activities rapidly scaled up, it was hard to attract and secure the right staff. This has proven to take time and became less of a risk in 2023, but still puts pressure on a timely remediation of issues emerging from control testing and audits.

Risks linked to availability of production staff and fleet availability
Risk: KLM's recovery plan and growing network requires increased staff resources. KLM faces the risk of not having the required number of staff due to e.g. absenteeism and shortages on the labour market and limited training capacity for cockpit crew. Due to technical quality and supply chain issues our fleet availability is under pressure.

Mitigating action(s): Multiple initiatives occur within KLM and with suppliers to increase availability of staff and materials. Training capacity for cockpit crew and for pushback drivers has been increased and optimised. To overcome cockpit shortage and fleet availability, wet lease partners are contracted. The network schedule is redesigned to be balanced with the available resources.

Risks linked to the use and cost levels of third-party services

Risk: KLM's activities depend in part on services provided by third-parties, such as air traffic controllers, airport authorities, and public security officers. KLM also uses suppliers, which it does not directly control, such as aircraft handling, maintenance, catering, and fuel supply companies. Any interruption in their activities or any increase in taxes or prices of the services concerned could negatively impact KLM's activity and financial results. Additionally, KLM could suffer reputational damage in case a supplier violates a sustainability principle. KLM must further comply with trade sanctions applied by various countries. Incorrectly applying these policies can result in financial or other penalties. KLM is confronted with pressure on services provided by suppliers due to various disruptions in supply chains and shortages of especially manpower in most markets. Also, KLM is confronted with strongly increasing prices for a range of services.

Mitigating action(s): To secure the supply of goods and services, contracts signed with third-parties include, whenever applicable, clauses for services, continuity, and responsibility. The financial health of key suppliers in core operational categories, such as airport and inflight services, is followed on an ongoing basis. Additionally, business continuity plans have been developed to ensure the long-term viability of all commercial and operational activities.

To mitigate sustainability risks, suppliers in categories with a higher sustainability risk, such as the production of inflight hardware, are being assessed by a specialist rating agency. KLM's Code of Conduct is added to our standard contracts to explicitly stipulate and require our high standards of fair and ethical behaviour.
A highly demanding supplier registration process has been introduced requiring all kinds of information from suppliers to assess and act on their risk level. For example, to comply with trade sanctions policies, KLM has included in its supplier registration process a screening of suppliers on possible trade sanctions.

An 'inflation observatory' has been introduced in 2022 to identify sources of inflation and to assist with defining alternative actions to control cost increases.

KLM has implemented specific policies to ensure compliance with anti-bribery and corruption laws and regulations. Procurement staff need to sign a Code of Ethics and conduct anti-bribery courses. Anti-bribery clauses are included in all standard contracts. Contracts are always signed following a 'four eyes' principle; powers of attorney are limited and strictly adhered to.

1.3 Compliance risks

Risks linked to changes in international, national, or regional laws and regulations

Risk: On July 14, 2021, the European Commission presented its Green Deal 'Fit for 55', which contains EU climate proposals that will have a direct and decisive impact on the future of aviation in Europe. It concerns a strengthening of the EU Emission Trading System for aviation, including the proposed phase out of free allowances, a proposal for an EU SAF mandate and the proposed introduction of an EU kerosene tax. EU negotiators have reached a balanced deal on the EU ETS reform, and the other proposals are still in the final phase of negotiations with the Council (27 EU Member States) and the European Parliament before the EU plans for decarbonising aviation towards 2050 are final. Moreover, implementation of a Single European Sky is still one of the European Commission's key priorities. The airline industry also closely follows the possible upcoming revisions of passenger rights regulations, the airport charges directive, and the slots regulation. At a national level, the Dutch government has suspended, until further notice, the earlier announced experimental measures for reducing the maximum number of commercial flight movements (to 460,000 a year) per summer 2024. However, the balanced approach notification document, in which the Ministry of Infrastructure and Water Management has defined a maximum number of yearly flight movements (452,500) per November 2024, is still under review by the European Commission. Announced plans by the Ministry for the implementation of a CO_2 ceiling at Schiphol Airport are also being studied and assessed by the European Commission and verified with EU legislation.

Mitigating action(s): For KLM it is important to ensure that the implementation of laws and regulations does not lead to a distortion of the level playing field in the airline industry and does not disproportionately impact our industry. KLM, in close co-ordination with AIR FRANCE, actively clarifies its position towards the European institutions and the Dutch Government, both directly and through industry bodies such as IATA, Airlines for Europe (A4E), the BusinessEurope, the Board of Airline Representatives in the Netherlands (BARIN) and the Confederation of Netherlands

Industry and Employers (VNO-NCW) regarding changes in European and national regulations.

Risks linked to commitments made by KLM and AIR FRANCE to the European Commission
Risk: For the European Commission to approve the merger between KLM and AIR FRANCE in 2004, a certain number of commitments had to be made, notably regarding the possibility of making landing and take-off slots available to competitors at certain airports. The fulfilment of these commitments should not have a material impact on the activities of KLM and AIR FRANCE.

Mitigating action(s): The honouring of the commitments is closely monitored and the related information dialogue with the European Commission is ongoing.

Legal risks and arbitration procedures
Risk: In relation to the normal exercise of activities, KLM and its subsidiaries are involved in disputes or subject to monitoring actions or investigations by authorities.

Mitigating action(s): All proceedings and investigations are addressed, claims defended, and an external counsel is appointed.
Where applicable, provisions are included in the consolidated financial statements or information is included in the notes to the consolidated financial statements as to the possible liabilities. Reference is made to note 23 ‘Contingent Assets and Liabilities’ of the consolidated financial statements for more information.

GDPR compliance
Risk: Data security is a priority, especially the protection of personal data pursuant to the General Data Protection Regulation (GDPR). Non-compliance may lead to penalties as high as 4% of annual turnover. Next to the GDPR, KLM must comply with more recent privacy laws of non-EU countries/destinations like the China Personal Information Protection Law (PIPL). Where these third country laws differ from the GDPR, KLM must change its processes and systems to abide by both the GDPR and these third country laws.

Mitigating action(s): A governance structure is in place, in which privacy is the responsibility of the business with support from the Corporate Privacy Office. KLM staff is considered the first line of defence against any non-compliance risk. Training and awareness and a strong ‘tone from the top’ were and will remain key to further bolstering our defences. The Privacy Office, being the second line of defence, provides policies, standards, and the necessary expert advice. Internal Audit, the third line of defense, performs privacy compliancy audits to identify independently any room for improvement of compliancy.

KLM must be able to demonstrate compliance and, to that aim performs and registers Data Protection Impact Assessments (DPIA), maintains a processing register, implements a data protection policy, keeps a data breach register, performs Data Transfer Impact Assessments (DTIA), puts contractual agreements in place with processors, and employs a Data Protection Officer.
With the help of local law firms, the necessary changes resulting from third country privacy laws are identified and changes to processes and systems will be implemented. Additionally, together with the International Air Transport Association, governments are urged to align their privacy laws for the airline industry.

Risks linked to non-compliance with antitrust legislation and compliance in general
Risk: KLM and its subsidiaries have been exposed to investigations by authorities alleging breaches of antitrust legislation and subsequent civil claims. Following the annulment on formal grounds of the initial decision of 2010, the European Commission adopted a new decision on March 17, 2017, and fined the same 11 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. The fine for KLM and Martinair, as announced on March 17, 2017, amounts to EUR 142.6 million. KLM and Martinair appealed this new decision. On March 30, 2022, the General Court of the EU rendered judgment and dismissed the appeals of KLM and Martinair. KLM and Martinair appealed that judgment. While the decision is under appeal, there is no obligation to pay the imposed fines. Reference is made to note 23 ‘Contingent Assets and Liabilities’ of the consolidated financial statements.

Mitigating action(s): Compliance is KLM’s top priority. Various programmes and procedures are in place, aimed at preventing breaches of legislation. KLM provides on-site (tailor made) training and e-learnings on compliance topics. Codes and manuals are available to employees in the compliance domains. Continued business management attention is needed for compliance. KLM will further expand its procedures to secure and monitor compliance.

Customs, trade sanctions and export controls
Risk: Possible trade compliance (customs, export, and trade sanctions) violations still exist, although several mitigation actions resulting from the export and customs compliance programmes have been executed and consequently procedures have been implemented. The main remaining risks are in the unlicensed exports of controlled items, in irregularities resulting from incorrect customs procedures and in the possibility of non-compliance with continuously changing international trade sanctions.

In particular the trade and financial sanctions against Russia in response to the war in Ukraine increased the necessity of organisational awareness and a solid framework of implemented mitigating measures.

Mitigating action(s): KLM has a company-wide corporate trade compliance programme in place, which among others entails the Corporate Trade Compliance Policy. This policy describes governance, responsibilities, (divisional) responsibilities, and processes in relation to customs and export compliance and trade sanctions within KLM. Additional focus must remain on the translation of the Trade Compliance Policy into divisional drafting and the implementation of concrete procedures and work instructions.

1.4 Financial risks

Financing Risks
Risk: Among others, KLM finances its capital requirements via secured financing (with aircraft as collateral), through bilateral unsecured term loans with banks and drawn bilateral standby facilities.

A portion of KLM's financing consists of perpetual debt that does not have a repayment obligation but qualifies as debt.

On top of that KLM has, after having concluded a new fully commercial revolving credit facility (RCF) with 14 international banks in April 2023, providing ready access to EUR 1 billion cash. In April 2023, KLM also terminated the Dutch State support package (direct state loan and state guaranteed RCF). Pursuant to this cancellation, conditions attached to the Dutch State support package did not longer apply. In 2023 nothing was drawn from the new RCF facility.

Any long-term obstacle to KLM's ability to raise capital could reduce the borrowing capability and any difficulty in securing financing under acceptable conditions could have a negative impact on KLM's activities and financial results.
In addition to refinancing risk, KLM is exposed to financial risks. Market risk and credit risk could have a material negative impact on profitability.

Mitigating action(s): KLM has a policy in place to manage refinancing and financial risks, which are set out in the section Financial Risk Management > in the notes attached to the consolidated financial statements.

Risks linked to the impact of external economic factors on equity
Risk: Following the de-risking of the KLM ground staff pension plan in 2021, the non-cash impact of 'Other Comprehensive Income', decreased significantly, but remains for some smaller defined benefit schemes.

Besides the results for the year and dividend pay-out, also the non-cash impact of changes in the fair value of cash flow hedges can have a significant positive or negative impact on equity. These hedge results are the impact of market fluctuations (predominantly fuel prices). Reference is made to note 10 'Share Capital' and note 11 'Other Reserves' in the consolidated financial statements for more information.

Mitigating action(s): Following the 2023 net profit, KLM's equity at the end of 2023 is substantially positive again after the decrease of equity caused by COVID-19. The potential non-cash changes in re-measurements of defined benefit plans, have become substantially less material. The changes in fair value of cash flow hedges will remain volatile.

Assessment of Going Concern
KLM provides an extensive elaboration on the going concern analyses performed by the company. These analyses include the most important economic, financial, and business risks (many of them described in this chapter), the uncertainties in relation to them and their potential impact on the financial robustness and going concern basis of the company.
In this context, scenario and sensitivity analyses have been performed in the course of 2023 and various time horizons have been considered.
The analyses included trends and scenarios related to volatility of fuel prices, changes in Schiphol Airport capacity, a possible recession, and tight labour markets. The analyses have been shared and discussed with the Audit Committee and the conclusions were shared with the Supervisory Board of KLM.

Several important observations following from these analyses are:

- In general, KLM has a solid financial risk profile because of a combination of developments and achievements;
- A strong recovery in post-COVID-19 demand and travel and very positive yield developments, with revenues as well as yield above 2019 levels;
- KLM acquired a new revolving credit facility in 2023, and per year end has EUR 1 billion available to draw down;
- A very robust available liquidity position of EUR 2.7 billion (excluding aforementioned revolving credit facility);
- A strong positive adjusted free cash flow of EUR 340 million;
- A positive equity position of EUR 797 million at the end of 2023;
- Strong fuel price fluctuations remain an important risk factor for KLM, also because there is a delay in any impact on air transport prices. Also, the correlation between fuel price development and air transport price development may fluctuate over time, depending on many factors underlying the ever-changing supply-demand balance. AIR FRANCE KLM has a policy in place to manage these risks that is set out in the section Financial Risk Management in the notes attached to the consolidated financial statements;
- In the financial sensitivity analyses performed, KLM has assessed the flexibility in executing committed and uncommitted investments and funding capacity. This flexibility proves to be an important element to mitigate risks on financial continuity in longer periods of strong and unexpected downturns;
- KLM has ensured that the scenario and financial sensitivity analyses were based on an up-to-date business plan that has been built up from realistic business and financial parameters;
- KLM aims at mitigating its financial risks as much as possible to compensate for the relatively high business risks, which were identified in our analyses and are inherent to our airline business and the different underlying business activities. This conservative approach includes clear and stringent risk management policies to mitigate fuel price, currency and interest, refinancing, counterparty, and liquidity risks; and
- KLM's approach to mitigate the liquidity risk is based on maintaining sufficient liquidity in the form of daily available cash and cash equivalents as well as a committed standby revolving credit facility.

With regards to the annual planning horizon, which receives the most attention in this annual report, 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 (EUR 1 billion on a revolving credit facility per year end 2023), and the redemption profile, the Board of Managing Directors concludes that there is no foreseeable reason to expect that the financial going concern of KLM is at stake in the next twelve months as per the date of this annual report.

2. Management control process

2.1. Management control cycle

KLM's organisation is based on the network business, (in which both passenger and cargo activities are combined), E&M, leisure, central staff functions, and the subsidiaries controlled by KLM. The KLM budget and five-year plan process is fully aligned with AIR FRANCE KLM on common key assumptions and timing and review meetings. KLM's Corporate Control department manages this process for the three core business units and all subsidiaries, covering the entire business of KLM. A management report is prepared every month by each of the businesses, analysing the monthly development of the financial results in relation to the forecast, budget, and previous year. Furthermore, these management reports analyse the operational performance of the company. The management reports are discussed with responsible managers of the businesses and the Board of Managing Directors in regular review meetings. KLM's most significant subsidiaries are monitored through KLM's Corporate Strategy Department monthly. KLM Board members are represented in the management of the most significant subsidiaries.

2.2. Planning and control process

This process is based on the following three structural procedures:

- The Group Strategic Framework which was updated in July in close co-operation with AIR FRANCE KLM and AIR FRANCE;
- The corporate five-year plan that translates KLM's strategy into clear financial and non-financial objectives. The corporate budget for

the next financial year is fully embedded in the first year of the Corporate five-year plan. The budget is drawn up on an entity level and consolidated at company level. As mentioned before, this process is fully aligned with AIR FRANCE KLM. The 2024 budget, which is included in the five-year plan, has been approved before the start of the financial year 2024; and

- The regular review meetings on a business level, where the performance of the businesses is evaluated (and updated) in the context of the budget.

2.3. Accounting process and establishment of accounts

The Corporate Control department prepares monthly group financial information based on the information submitted by the businesses and subsidiaries. The AIR FRANCE KLM accounting manual meets the compliance objectives for accounting records. The subsidiaries follow the Group's accounting rules, methods and frames of reference as laid down by the company and presentation of financial statements must be in the format circulated by the Group. The consolidated and company financial statements are submitted twice a year (half-year and year-end) for review by the Vice President Reporting & Control to the external auditors prior to their closure at a summary meeting and are then forwarded for discussion to the Audit Committee.

2.4. Management reporting process

The Corporate Control department co-ordinates the company's reporting process. At the beginning of the month, an estimate is prepared in a bottom-up process by the businesses and most significant subsidiaries based on the planned network activity information available for the previous month. Once the accounting result is known, the Corporate Control department produces a monthly management report listing the main activity data, staff numbers, and accounting and financial data. In addition, each month, the Corporate Control department examines and analyses with the businesses and main subsidiaries the financial performance for the month and evaluates the forecast for the coming months up to the end of the current financial year. The Corporate Controller reports monthly to the KLM Board of Managing Directors and on a bi-annual basis to the Audit Committee, focusing on the variances between actuals versus budget and forecast, explaining incidental results recorded during the month, and the variances in the full-year forecast.

3. Internal control

3.1 Internal control

KLM has a system of internal control in place to provide reasonable comfort regarding reliability of accounting and financial information and to comply with applicable laws and regulations.
The Corporate Internal Control Team supports and guides all activities related to the annual assessment of internal control activities.
The principles are laid down in the AIR FRANCE KLM Internal Control Charter and outlines the methodology to assess its effective implementation and functioning of financial internal controls. The Internal Control activities oversee the annual testing of the entity level controls, testing of the operational effectiveness of the transaction level controls and testing of the IT general controls that are relevant for the financial disclosure processes. The results of the testing are the cornerstones for signing the internal Document of Representation (DoR) by business executives and business controllers. Based on information from the DoR and the Internal Control reporting during the year and at year-end Corporate Internal Control reports on the effectiveness of the internal control process over financial reporting in the In Control Statement document.

Internal Control Charter

The AIR FRANCE KLM Internal Control Charter outlines the methodology to assess its effective implementation and functioning of financial internal controls. It also reaffirms the involvement in the prevention and control of the risks associated with the KLM Group's activities.

3.2 Internal Audit

KLM has an independent Internal Audit Function (IAF) to provide independent and objective assurance and consulting services designed to add business value and improve the organisations operations by bringing a systematic and disciplined approach to evaluating and strengthening the effectiveness of decision making, risk management, internal control, and governance processes. The IAF has been subject to a regular external quality assessment by the Dutch and French affiliates of the worldwide Institute of Internal Auditors. The external quality assessment concluded in 2023 indicated that KLM Internal Audit is Generally Conformed on all the 10 Core Principles for the Professional Practices of Internal Auditing.

The IAF conducts engagements at KLM and AIR FRANCE KLM level at request of the AIR FRANCE KLM and KLM Audit Committees, the AIR FRANCE KLM Group Executive Committee, the KLM Executive Committee, and the KLM Board of Managing Directors. An annual audit plan, covering the main processes and risks, is presented to the Boards and Executive Committees, and approved by the Audit Committees.

The IAF may perform different types of engagements:

- Assurance Audits including operational audits, information and communication technologies or electronic data processing audits, compliance audits or post audits;
- Consulting engagements;
- Fraud investigations and fraud risk assessments;
- Enterprise risk management; and
- Other activities.

Engagements carried out are summarised in a report presenting the conclusions, a grading and highlighting findings, risks, and related recommendations. The follow-up by business management is required and monitored.

The KLM Internal Audit department reports the bi-annual outcome of the audits to the Board of Managing Directors and to the Audit Committee of the KLM Supervisory Board.

Internal Audit Charter

To provide the internal auditors with an adequate base, a KLM Group Internal Audit Charter is in place.

This charter establishes the framework of the Internal Audit Function and contains the guidelines to which it adheres regarding:

- Internal audit mission and objective, scope of work and types of work;
- Accountability, independence, and relationship to other assurance functions;
- Authority and ethics; and
- Applicable standards.

The KLM Group Internal Audit Charter is in line with the governance structure regarding the Internal Control Function, the AIR FRANCE KLM Group Internal Audit Charter, and the Dutch Corporate Governance Code.

4 Safety management

4.1 Safety Organisation and Governance

The Safety and Compliance Organisation (SCO) and Security Services assure compliance with the rules, regulations, and principle of secure, safe, and effective operations.

Safety governance is accomplished by the Safety Review Board (SRB), the Integrated Systems Board (ISB), and the Safety Action Groups (SAGs).

Safety Review Board

The SRB is a strategic meeting chaired by the Accountable Manager (Chief Operating Officer) that deals with high-level issues. Its objective is continuous improvement of KLM's safety and compliance.

The SRB sets strategic safety objectives, establishes the safety policies, decides on KLM wide safety improving initiatives and provides the platform to:

- Monitor the integrated safety and compliance performance against safety policies and objectives; and
- Ensure appropriate resources are allocated to achieve the desired safety and compliance performance.

Integrated Systems Board

The ISB is a strategic meeting and is chaired by the Accountable Manager (Chief Operating Officer). The ISB sets policies, procedures, and methods regarding the Safety Management System (SMS). Its objective is the continuous development of the SMS for KLM, KLM E&M and KLM Cityhopper and to ensure the effectiveness of KLM's SMS processes, procedures, and methods with respect to safety and compliance monitoring. The ISB allocates the appropriate resources to ensure the proper execution of safety and compliance monitoring.

Safety Action Group
The responsibility for integrated safety and compliance, including the implementation of mitigations, resides with the Nominated Person or Head of Division and the Accountable Manager. SAGs are established on corporate, divisional, departmental, and if appropriate sub-departmental level. The Management Team Operations is the corporate SAG. The task of each SAG is to determine and decide on mitigating measures and monitor safety within their area of responsibility. Its objective is continuous improvement of safety and compliance in the execution of KLM's operation.

The Safety & Compliance Organisation (SCO) assures that the measures applied by all the company's entities are consistent.

Safety & Compliance Execution
It is the responsibility of the divisions and business units within KLM to work safely and in accordance with legislation and KLM policy.

Advice and support regarding this responsibility is organised both decentral and central.
The Integrated Safety & Compliance Manager (ISCM) within the (decentral) line organisation is responsible for the implementation of KLM's safety policy and related culture. Each ISCM has a direct line and access to the highest responsible manager in the division or business unit.

Safety & Compliance Monitoring
The SCO is a centralised independent department, responsible for monitoring, measuring, policy, and advice regarding operational, occupational, and environmental safety & compliance and operational security.

4.2 Safety manual and references

Safety Management System manual
The Safety Management System manual (SMS manual) describes the Safety Management System (SMS). The SMS is an integrated system used in the following KLM domains: operational safety, occupational safety, environmental safety, and operational security. The SMS assures the safe performance of all processes within these domains through the effective management of safety risk.

The SMS complies with relevant national and international legislation. The SMS is also based on the requirements of other regulatory systems, such as IOSA, ISAGO, and ISO 14001. The SMS encompasses all safety management system components and elements as defined in ICAO Doc 9859.

By means of the SMS, risks are predictively indicated and proactively eliminated or mitigated before accidents and incidents occur. The SMS is also used to continuously improve safety by collecting and analysing data, identifying hazards, threats, and safety issues, and assessing safety risks to ensure the optimal allocation of company resources.

KLM's SMS is based on the following main internal and external frames of reference:

External Frames of Reference
- Statutory: European and Dutch regulations (including those for operational security) and general implementing regulations;
- Industry: IATA Operational Safety Audit (IOSA), a standard that ensures a transparent level of operational safety to enable codeshare operations without further audits on KLM and ICAO Doc 9859, for the Safety Management Manual;
- Environment: ISO 14001, a standard for monitoring environmental control and impact; and
- Energy management system requirements: ISO 50001.

Internal Frames of Reference
These are variations of external frames of reference adjusted to the company's own processes:
- Statutory: statutory manuals (operating manuals, maintenance manuals, quality manuals), and associated general procedures, which are usually formally validated by the supervisory authorities that issue approval certificates, such as CAA-NL and FAA;
- Quality manuals for environmental control; and
- Management system: the company's Safety Management System Manual (SMS manual) and associated general procedures.

5. Legal and business ethics compliance

5.1 Compliance and Business Ethics Organisation

The Compliance and Business Ethics Framework, which has been adopted by the Board of Managing Directors and the Supervisory Board, outlines the rules of compliance and business ethics conduct, internal procedures and relevant laws and regulations to which staff should adhere. Several expert functions, including the Director Compliance and Business Ethics, the Data Protection Officer, the Trade Compliance Officer, manage the Compliance and Business Ethics programme and have a direct reporting line to the Board of Managing Directors, who delegated the day-to-day monitoring to the Compliance Committee. In addition, there is also a direct reporting and escalation line to the Supervisory Board.

The Compliance Committee's primary role is to support KLM's Board of Managing Directors and the Executive Committee on compliance matters under the scope of the Compliance and Business Ethics Framework[1]. The Compliance Committee

- (i) monitors the adherence by all concerned to the KLM Code of Conduct and related codes and regulations; and
- (ii) assist the KLM Board of Managing Directors and Executive Committee in fulfilling their responsibilities relating to compliance with applicable laws and regulations.

1 This excludes all operational safety, occupational safety, environmental safety, and operational security compliance matters.

The KLM Compliance Charter was released by the Board of Managing Directors and later adopted by the Supervisory Board. The Charter applies to all employees and temporary employees. Its purpose is to inform them regarding the principles, roles, tasks, and responsibilities of the compliance function within the company.

The Corporate Compliance Monitor provides an overview of the compliance status of KLM. The Corporate Compliance Monitor is submitted to the Supervisory Board bi-annually.

5.2 Compliance and Business Ethics Framework

The KLM Compliance and Business Ethics Framework ensures staff are capable of adhering to rules of conduct, internal procedures, and relevant laws and regulations.

KLM Compliance Charter

The KLM Compliance Charter applies to all employees and temporary workforce. The charter informs KLM staff of the principles, roles, tasks, and responsibilities of the compliance function within the company. The Corporate Compliance Monitor provides an overview of the compliance status of KLM.

Code of Conduct

The KLM Group has published the KLM Code of Conduct for all staff addressing the following principal matters: safety, business integrity, social responsibility, and reporting.

KLM also has a Code of Ethics for the Finance Function for staff in finance positions.

Anti-Fraud Policy

An Anti-Fraud Policy is in place at KLM and includes a Fraud Risk Management Framework and Fraud Risk Assessments, a zero-tolerance stance on fraud, an Anti-Fraud Policy Statement, and a Fraud Response Protocol. By means of the KLM Anti-Fraud Policy, KLM mitigates the risk of intentional acts designed to deceive or mislead others mainly to obtain unjust or illegal advantage to the detriment of KLM.

Policies to prevent the risks of corruption and antitrust

The AIR FRANCE KLM Code of Conduct and its underlying appendixes affirm KLM's commitment to conducting its business with loyalty, fairness, transparency, and integrity, and in the strict respect of anti-corruption laws wherever it or its subsidiaries exercise their activities. It establishes the guidelines for preventing corruption, and for identifying and handling at-risk situations regarding the anti-corruption legislation.

The AIR FRANCE KLM Competition Law Compliance Manual targets employees who are or may become involved with competition law in the course of their professional duty.

Compliance training sessions are organised to create awareness with regards to, among others, corruption and antitrust.

ESG Statement

General information

With KLM's vision to be frontrunner in sustainable aviation, it aims to transparently report on its commitments and progress to date. As part of this journey, KLM will have to take into account the Corporate Sustainability Reporting Directive (CSRD) in the upcoming years. The non-financial information has not been audited nor subject to other assurance procedures.

The ESG statement covers key topics identified as part of the preliminary double materiality assessment conducted in 2023, which is further described in the section **Double materiality assessment >** below. In this 2023 annual report, KLM reports on its initial assessment and main outcomes thereof, noting that this might be subject to change in future reporting periods when reporting in compliance with CSRD and the specific requirements under the European Sustainability Reporting Standards (ESRSs) adopted by the European Commission. KLM therefore acknowledges that the specific disclosure requirements for these topics, or certain general disclosure requirements, are not yet addressed in full.

The ESG statement comprises the sustainability information of Koninklijke Luchtvaart Maatschappij N.V. (the 'Company') and its consolidated subsidiaries, hereafter referred to as 'KLM' or 'the Group', in accordance with International Financial Reporting Standards as adopted by the EU (EU-IFRS). They do not include the sustainability information of entities that are not controlled directly or indirectly by the Group.

Some disclosures in the ESG statement are drafted with a limited entity scope. Whenever a disclosure deviates from the full reporting scope, this has been specified.

ESG governance

KLM refers to **section 6: Board and governance >**, in which KLM has provided a detailed overview of the composition and diversity of the Board of Managing Directors and the Supervisory Board.

KLM aims to be an industry leader in sustainable aviation. Sustainability is therefore a prominent part of its strategy. The Board of Managing Directors determines the company's strategy and that of its holdings in line with AIR FRANCE KLM Group strategy. The Supervisory Board oversees the company's policies and strategies, including managing the impacts, risks, and opportunities related to sustainability.

The Supervisory Board has discussed the oversight and reporting of ESG. As of December 2023, the Audit Committee is mandated by the Supervisory Board to supervise the management of KLM's sustainability impacts, risks, and opportunities. The Audit Committee subsequently reports on this matter to the Supervisory Board. This decision is intended to be included in the Terms of Reference of the Audit Committee and the Regulations of the Supervisory Board.

At the Board of Managing Directors' level, KLM distinguishes between environmental, social, and governance factors regarding the responsibility for material impacts, risks, and opportunities related to ESG. The Chief Executive Officer is responsible for environmental and governance factors, while social factors fall under the responsibility of the Chief People Officer. Despite the specific allocation of tasks amongst the specific members of the Board of Managing Directors, the Board of Managing Directors is collectively responsible under Book 2 of the Dutch Civil Code and the Regulations of the Board of Managing Directors.

With regards to the environmental impacts, risks, and opportunities KLM has appointed a Senior Vice President Sustainability & Strategy as head of the Sustainability Office, reporting directly to the Chief Executive Officer. The Sustainability Office centrally develops, sets, and monitors the strategy, ambitions, and roadmaps for all environmental impacts, risks, and opportunities on behalf of and with a mandate from the Board of Managing Directors. In the execution of the strategy, ambitions, and roadmaps, KLM appointed Sustainability Leads for each division responsible for achieving KLM's environmental sustainability goals and managing material impacts, risks, and opportunities within their team.

KLM is currently working on developing a system of checks and balances. Therefore, it is standing practice that the SVP Sustainability & Strategy reports on sustainability progress at each Executive Committee meeting. The Executive Committee oversees this matter, is responsible for implementation of decisions as needed, and is executing targets set by the Board of Managing Directors. Every quarter, the SVP Sustainability & Strategy reports to the Executive Committee using a dashboard that monitors carbon footprint performance against targets. KLM is currently developing reporting lines to the Executive Committee for the other environmental impacts, risks, and opportunities as well. The Sustainability Office reports on operational risks and progress within the existing framework of the internal audit function, where the risks are reported in the periodic KLM Group Operational Risk Report. This report is discussed and presented for approval to the Executive Committee and Supervisory Board.

Regarding impacts, risks, and opportunities related to our own workforce, the Chief People Officer is primarily responsible with a mandate from the Board of Managing Directors. The Chief People Officer is supported by the Human Resources Management Team. The Human Resources Management Team governs the Human Resources organisation primarily through strategic meetings. Chaired by the Chief People Officer, the Human Resources Management Team determines the people related strategies, makes decisions where needed, and establishes frameworks for developments in the business. The Human Resources Management Team oversees and monitors the objectives that KLM has set for itself on the people agenda, for example in the People Transformation process. The Human Resources Management Team members are chairpersons of the respective Human Resources Councils for their specific HR expertise area and are responsible for decision-making and guidance on the content. For example, there are Councils for Learning & Development, Strategy & Execution, Compensation & Benefits, and Resourcing & Health. These councils provide specific expertise input and guidance on their respective areas to ensure effective decision-making and implementation of policies. Co-ordination with the Human Resources Management Team takes place to ensure alignment with the organisation's overall strategy.

There is a structure and dashboards in place for consultation and collaboration within the Human Resources organisation, for example how compliance is monitored and managed. In addition, roadmaps, strategies, and action plans are used extensively. The Chief People Officer reports on People to the Board of Managing Directors and the Supervisory Board. Each month, the Executive Committee is provided with a dashboard for information that includes the People KPIs.

With regards to the governance impacts, risks, and opportunities, the VP Corporate Secretary & General Counsel reports directly to the Chief Executive Officer. The Director Compliance & Business Ethics reports directly to the VP Corporate Secretary & General Counsel on compliance and business ethics matters.
The KLM Supervisory Board has delegated the KLM Compliance Committee, consisting of the VP Corporate Secretary & General Counsel, the Chief People Officer, the VP Internal Audit and Control, the VP Security Services, and the Director Compliance and Business Ethics to monitor the effectiveness of the KLM Compliance & Business Ethics Framework. KLM refers to the paragraph **Compliance and business ethics >** in this annual report, which explains the governance and reporting lines concerning compliance and business ethics. The VP Corporate Secretary & General Counsel is also a member of the Executive Committee. In this capacity, she informs the Executive Committee about relevant developments, including governance impacts, risks, and opportunities. Furthermore, the Legal department of KLM falls under the responsibility of the VP Corporate Secretary & General Counsel, so that governance-related sustainability matters, for which claims are pending or expected, also fall under with in this scope of responsibilities.

The Sustainability Office provides knowledge and training to ensure that the Board of Managing Directors, Executive Committee, and the Supervisory Board have access to the appropriate skills and expertise to oversee environmental sustainability matters. The Supervisory Board, the Board of Managing Directors, the Executive

Committee, and the business all have access to experts and training from the Sustainability Office to leverage environmental sustainability-related expertise. Currently, no periodic training on sustainability matters takes place.

In addition to the legally mandated training, the Human Resources and Compliance organisations determine the extent to which training is necessary on their respective areas to ensure that the Board of Managing Directors and the Supervisory Board have access to the appropriate skills and expertise to oversee social and governance sustainability matters. Furthermore, both the Human Resources and Compliance organisations have the knowledge and expertise to inform the Board of Managing Directors and the Supervisory Board on an ad hoc and as-needed basis.

Double materiality assessment

In preparation for the upcoming requirements under the CSRD, KLM conducted a preliminary double materiality assessment to better understand and prioritise material impacts, risks, and opportunities for its business and its stakeholders. The aim of the double materiality assessment is to identify and assess the sustainability matters that are material from an impact materiality perspective and/or a financial materiality perspective. KLM notes that this might be subject to change when reporting in compliance with CSRD and the specific requirements under the ESRSs as from 2024.

KLM will evaluate its material impacts, risks, and opportunities when significant changes in the business, environment, and airline industry take place.

A five-step methodology was used for the preliminary double materiality assessment.

Step 1
Understanding of the objectives and context (including stakeholder identification and value chain relevance)

Desk research was used to assess potentially material topics, feeding as input into a long list of relevant topics. This included a review of internal documents, reporting frameworks and sustainability regulations, a value chain analysis, peer benchmarking, and a media scan. The latter mainly provided insights into which topics are publicly regarded as most relevant for the aviation industry, including carbon capture, downsizing of airports, eco-piloting, fleet modernisation, and general decarbonisation. Following a thorough stakeholder mapping process, stakeholders with relevant knowledge and expertise were identified for each topic and engaged for interviews to further assess the topic.

Step 2
Development of a long list of relevant topics

Outputs from step 1 were used to compile a long list of relevant topics. Topics and impacts, risks, and opportunities were grouped, to facilitate the stakeholder interviews in a structured way.

Step 3
Assessment of impact materiality

The impact materiality of sustainability topics was assessed through stakeholder interviews and a workshop with internal stakeholders, during which the key topics were discussed and assessed. Each participant received an interview pre-read and was asked to share their opinion during the interviews based on their professional judgment. The stakeholders were asked to assess the impact of each topic on a scale of very significant, significant, or not significant. Based on the number of times a significance level was given to a topic, the data was analysed and visualised to create a prioritisation of topics. As part of a validation workshop, a threshold was used (based on the percentage of stakeholders that selected a topic as ‘significant and very significant’) to determine the list of material topics from an impact materiality perspective.

Step 4
Assessment of financial materiality

To assess the financial materiality of each topic, internal stakeholders participated in a financial materiality workshop. Representatives from KLM’s various business units provided scoring on the financial impact and likelihood of occurrence for each relevant risk and/or opportunity, resulting in an overall financial materiality score.
The pre-existing KLM risk management framework, with levels of probability and impact scales, was used to assess the actual and/or potential financial impact and the likelihood of occurrence of the relevant topics in the short, medium, and long-term. Similar to the assessment of impact materiality, a financial materiality threshold score was used to determine the list of material topics from a financial materiality perspective.

Step 5
Validation of results

In a final validation workshop, selected KLM leadership representatives validated the prioritisation of relevant topics, thresholds used for the impact and financial materiality assessment, and the definitions of material topics and sub(sub-) topics. Finally, the overall outcome of the double materiality assessment was validated with AIR FRANCE KLM.

Environmental information

Climate change

The aviation industry is considered a hard-to-abate sector due to a lack of alternatives and a rise in demand for flying. This does not preclude KLM from taking responsibility, and a mix of measures is necessary to achieve emission reductions. KLM is dedicated to play a role in finding adequate solutions and taking a leading role towards sustainable aviation, as specifically included in the strategic pillar **to improve for the future >**.

Key actions

To reach its targets, KLM has developed a Climate Action Plan towards 2030. The Climate Action Plan, of which much is based on the Science Based Targets initiative (SBTi) commitment, was approved by the Board of Managing Directors, and published on KLM's corporate **website >**. The Climate Action Plan is a comprehensive roadmap for addressing the critical challenges posed by climate change and achieving predetermined objectives. The plan includes the approach towards each significant decarbonisation lever. More information on the contents of KLM's Climate Action Plan and the progress in implementing this plan can be found in the sections **Giant leaps >** and **Small steps >** of this annual report.

KLM recognises several physical and transition risks that could potentially affect its business model. These risks have been incorporated into the company's risk management procedures. Further details on the risks, their impacts, and the measures taken to mitigate them are outlined in the Risk Management chapter. KLM is working on an analysis to investigate the resilience of its strategy to climate change.

In addition to the Climate Action Plan, KLM has implemented internal guidance documents regarding the procurement of carbon credits, the acquisition of SAF, and non-CO_2 climate change effects. These internal guidelines are intended to provide a framework for KLM's employees to follow when dealing with complex issues related to climate change. The Climate Action Plan and related guidance documents address the areas of climate change mitigation, energy efficiency, and renewable energy deployment.

KLM is in the process of further defining and formalising its policies and processes in relation climate change.

Metrics and targets

KLM has set itself several targets to contribute to climate change mitigation. The targets aim to reduce its carbon emissions in line with the policy objectives. KLM has not involved external stakeholders in its target setting for climate change mitigation but has validated its targets through the SBTi.

Flight operations

KLM's metrics and targets for its flight operations can be found in section 4 **Sustainability >** of this annual report.

GHG emissions included in these metrics and targets are the KLM Group's scope 1 CO_2 emissions from the combustion of jet fuel in its flight operations and the CO_2eq emissions in scope 3 category 3 fuel- and energy-related activities that are related to the manufacturing and transportation of jet fuel. KLM refers to these emissions as its emissions from flight operations (well-to-wake).

The relative CO_2eq emissions from flight operations reduction target of -30% was developed using the SBTi Manual as a methodology and is compatible with a well below 2°C scenario. The target has been validated by the SBTi in 2022. KLM is setting interim targets per business division.

The absolute CO_2eq emission target has been derived from the relative CO_2eq emission target considering a 1.95% compound annual growth rate of KLM's RTK. KLM monitors whether the actual annual growth rates diverge from this factor, including the impact on its absolute target.

Ground operations

KLM's metrics and targets for its ground operations can be found in section 4 **Sustainability >** of this annual report, including energy consumption and mix. CO_2eq emissions included in these metrics and targets are KLM's remaining scope 1 emissions and scope 2 emissions (market-based method) in accordance with the Greenhouse Gas Protocol – Corporate Standard. KLM is setting interim targets per business division.

Coverage of total GHG emissions

Through the targets set on flight and ground operations, KLM estimates to have covered approximately 99% of its scope 1 & 2 GHG emissions. KLM has not set targets for the remaining emissions as the methodology and measurement of the scope 3 inventory is not finalised. The scope 3 category emissions related to fuel- and energy-related activities are calculated based on the average-data method.

Baseline

In line with SBTi guidance, KLM considers 2019 to be a representative year to calculate its baseline as the activities that contribute to the GHG emissions included in the targets were not disrupted by incidents (COVID-19) or other external factors (temperature anomalies).

Information on the decarbonisation levers that KLM uses to achieve its targets can be found in the sections **Giant leaps >** and **Small steps >** of this annual report. KLM has not set targets addressing climate change adaptation.

Gross Scopes 1, 2, 3 and Total GHG emissions

	Retrospective	
	2023	2022
Scope 1 GHG emissions		
Gross Scope 1 GHG emissions ($ktCO_2e$)	10,132.7	9,099.7
Aviation Fossil Fuel	9,954.0	8,993.0
Sustainable Aviation Fuel	154.8	76.6
Ground Operations[1]	23.9	30.1
Scope 2 GHG emissions[1]		
Gross location-based Scope 2 GHG emissions ($ktCO_2e$)	27.6	30.7
Gross market-based Scope 2 GHG emissions ($ktCO_2e$)	0.0	0.0
Significant scope 3 GHG emissions		
3 Upstream emissions from fossil fuel production	2,533	2,289
3 Upstream emissions from Sustainable Aviation Fuel	39.4	19
4&9 Upstream & downstream emissions from transportation[2]	182	
Sub-total GHG emissions	**12,887**	**11,408**
CO_2e reduction from SAF	179	87
Total GHG emissions	**12,709**	**11,322**
Total GHG emissions (location-based) ($ktCO_2e$)	**12,737**	**11,353**
Total GHG emissions (market-based) ($ktCO_2e$)	**12,709**	**11,322**

1 KLM's scope 1 GHG emissions from ground operations and total scope 2 GHG emissions, including emissions from its consolidated subsidiaries, exclude the emissions from its leased buildings and international stations. KLM intends to increase the scope of its measurement in future reporting periods.

2 Upstream and downstream emissions from transport (GHG Protocol categories 4 and 9) is a measure that was introduced in 2023. Consequently, 2022 data are not presented.

The reporting boundary of the scope 3 emissions of category 3 includes all jet fuel used in flight operations. The emission factor used to calculate the scope 3 emissions is 0.80422 kg CO_2eq per kg of fuel, determined from the emission factor defined by the ICAO (89 g CO_2 eq/MJ) for the entire life cycle of kerosene and the heating value of kerosene (44.5 MJ/kg).

Non-CO_2 effects

Whilst CO_2 remains the most commonly cited and arguably best-understood pollutant from aviation, its contribution to global effective radiative forcing (ERF) (i.e. global warming) is estimated to be just one third of the industry's total impact. Two thirds of aviation's climate impact is caused by other pollutants from jet engines. For example, particulate matter has been linked to the formation of condensation trails, also known as contrails. These cloudlike stripes that form behind an aircraft last from a few minutes to a day but can have strong climate effects. Nitrogen oxides (NOx) emissions from aircraft engines at altitude contribute to the formation of ozone but at the same time also the destruction of methane (both GHG) such that the overall effect is estimated to be warming although this is dependent on background surface air pollution levels.

KLM is working on further understanding its full climate impact, including non-CO_2 effects, and measures the company can take to reduce it. This is despite a lack of scientific consensus on how the non-CO_2 impact of individual flights can best be measured and the impact reduced. In 2023 KLM conducted a six-month trial with SATAVIA, a company that can predict regions where contrails may form and can suggest alternative flight levels to avoid creating them. During the trial, one day a week a limited number of intra-European flights were adjusted if needed. Knowledge obtained during the trial focused on the operational impact of strategic contrail avoidance in the flight planning stage and the need for automatisation if KLM would want to implement this at a larger scale in the future.

From 2025, non-CO_2 effects will fall under the EU ETS Monitoring, Reporting and Verification obligation. The To70 consortium is working on behalf of the European Commission on what this system should look like. KLM is closely involved as part of the industry advisory board to this To70 consortium.

GHG removals and GHG mitigation projects financed through carbon credits
KLM voluntarily purchased 93 kton CO_2eq of carbon offsets (2022: 107,5 kton CO_2eq) of which 9 kton CO_2eq on its own account (2022: 10 kton CO_2eq) and 84 kton CO_2eq on behalf of its customers (2022: 97,5 kton CO_2eq). KLM deducts the carbon offsets purchased on its own account from the total gross GHG emissions to calculate the total net GHG emissions.

KLM offers individual and corporate customers the opportunity to voluntarily reduce or (partially) offset the CO_2eq emissions from their flight by purchasing additional SAF or carbon credits via the KLM CO_2eq Impact Programme. All projects are certified by the Gold Standard for the Global Goals label. This certification aims to maximise both climate and development impacts and measures and reports outcomes in the most credible way. Although CO_2eq compensation does not affect KLM's (direct) emissions, and does not contribute to reaching the SBTi target, it does offer customers the possibility to contribute to carbon sequestration as well as the restoration of biodiversity and ecosystems.

Carbon pricing is a market-based policy instrument that creates a financial incentive for polluters to reduce emissions by making emitters responsible for the external costs of CO_2eq. EU ETS and CORSIA are such instruments that affect KLM in Europe and globally respectively. For the implementation of CORSIA, the AIR FRANCE KLM Group contributed to the calculation of the CO_2eq emission baseline of January 1, 2019. These market-based measures and the carbon offsets purchased by customers were counted towards KLM's CO_2eq reductions below previous targets. However, according to the SBTi sector guidelines, these mechanisms cannot be counted towards CO_2eq reductions. In 2023, KLM purchased 1,502 kton CO_2eq of emissions allowances under the EU-ETS regulation (2022: 1.269 kton CO_2eq).

Internal carbon pricing
KLM has implemented an internal carbon pricing mechanism that is applied in every significant fleet investment decision. This mechanism involves assigning a shadow price to the carbon emissions associated with investment decision-making, thereby accounting for the environmental cost of carbon. The implementation of internal carbon pricing enables KLM to make more informed investment decisions by weighing the environmental impact of each option against its financial costs. Throughout 2023, KLM applied a price of EUR 80 per ton of CO_2eq, based on the market price for carbon rights at the start of the year.

Air quality management

Air pollutants emitted by airlines are a significant societal concern due to their negative impacts on human health and the environment.
Aircraft emit a variety of air pollutants, including nitrogen oxides (NOx), sulphur dioxide (SO2) and particulate matter (PM) that can have local and global impacts. Reducing KLM's impact in terms of air pollution is aligned with KLM's overall vision of 'Pioneering to become a frontrunner in sustainable aviation'. For more information on KLM's strategy and business model, reference is made to section 1, specifically the chapters on **Strategy >** and **How we create value >**.

Key actions
The topic of air pollution is intricately linked to the topic climate change mitigation, as the primary sources that emit GHG emissions also contribute to the release of air pollutants. Therefore, information on the policies in place that address mitigating the adverse effects related to air pollution is included in the section on **Climate Change >**.

Particulate matter
KLM is working with Schiphol Airport to reduce the emission of particulate matter to improve the air quality for employees and people living in the Schiphol Airport area. Key to this are activities in

the ground operations that contribute to the net zero ground emissions target. KLM does this by further rolling out electric vehicles, by using energy more efficiently and by switching to renewable energy where possible. KLM is also actively involved in national and international research projects that contribute to air quality and sustainable aviation.

Nitrogen and sulphur

In recent years, much has been done in the aviation sector to reduce nitrogen emissions, such as the use of electric ground vehicles at airports, operational measures such as taxiing with one engine, and less use of auxiliary power units. KLM will continue with these measures to reduce nitrogen and sulphur. Changes in flight procedures have reduced fuel consumption and thus nitrogen and sulphur emissions. KLM will continue with these measures and is working with knowledge institutions to identify other options for reducing nitrogen emissions.

KLM adheres to the strict limits on NOx and PM emissions from aircraft operating in the country set by the Dutch government.

Metrics and targets

KLM's metrics and targets related to air pollution can be found in section 4 Sustainability of this annual report. While KLM has not established specific targets for mitigating air pollution, the objective of achieving its climate change targets will indirectly contribute to the reduction of air pollutants.

Waste and circular economy

Reducing KLM's impact in terms of waste and circular economy is aligned with KLM's overall vision of 'Pioneering to become a frontrunner in sustainable aviation', although it is currently not identified as a separate pillar within its strategy. For more information on KLM's strategy and business model, reference is made to section 1, specifically the chapters on **Strategy >** and **How we create value >**.

Key actions

More than 60% of KLM's non-hazardous waste is generated at Inflight Services and KLM Catering Services, which is why actions are focused on these entities. The nature and extent of KLM's actions are however significantly influenced by EU legislation (Regulation 1069/2009), which limits the reuse and recycling of the products used in its services. Regardless of these legislative challenges, KLM has focused on several activities throughout the year. KLM Catering Services has introduced anaerobic digestion for unconsumed sandwiches and coffee grounds. Also, at Inflight Services a Life Cycle Assessment tool was developed and adopted together with Dutch research institute TNO to support decision making for more sustainable packaging and to find alternatives to single use plastic items. Inflight Services introduced fully reusable food containers for the new Premium Comfort Class, which are returned to the supplier, sanitised, and used again on the next flight. Preventing waste through circular strategies is an important pillar of KLM's waste reduction ambitions.

KLM's Zer0Waste project, launched in 2022, has achieved several successes. For instance, a new loading scheme for EU sandwiches was tested and subsequently adopted. This scheme has resulted in a reduction of 50% of unconsumed sandwiches being thrown away.

KLM Cargo has started experimenting with the substitution of materials used to build up cargo shipments. A first example is the introduction of carton beams which are durable but five times lighter than the wooden beams they replace. These were introduced in 2022. Alternative materials for pallets and circular plastic wrappings are currently being investigated.

Transavia has replaced single use plastics with renewable materials, introduced sustainable uniforms for crew and has begun to recycle on-board waste. KLM and Transavia also initiated a process of purchasing certification, which will hold suppliers to higher sustainability standards. Additionally, on all European flights, on-board waste is now being sorted and the process to collect plastic and cardboard cups has been improved. Glass, cans, aluminum lids, paper, cooling material, PET plastic bottles, and other forms of plastic are recycled by the catering teams.

KLM and Transavia have signed an IATA declaration calling for smarter regulation of international catering waste. While waste from within the EU is efficiently processed, recycled, and reused, waste generated on flights coming from outside the EU must be incinerated or buried to meet EU regulations. While these regulations intend to prevent the outbreak of animal diseases, research commissioned by IATA shows there is no evidence catering waste increases this risk. In 2023, KLM produced an explainer video aimed at the public to raise awareness of the issue and encourage policymakers to act.

KLM is in the process of defining and formalising its policies and processes in relation to waste and circular economy.

Metrics and targets

KLM's metrics and targets related to waste can be found in section 4 **Sustainability >** of this annual report. Although KLM has not involved stakeholders in its waste reduction target setting, the organisation collaborates with waste processers in its actions to achieve its targets. In 2023, KLM has set interim targets per business division. These interim targets were set together with each business division's employees. KLM considers 2011 to be a representative year to calculate its baseline as the activities that contribute to waste generation included in the target were not disrupted by incidents (COVID-19) or other external factors (legislation).

In 2023 KLM produced the following hazardous and non-hazardous waste:

Waste (in tons, unless stated otherwise)[3]

	2023	2022
Non-hazardous		
Separated	3,504	2,774
Non-Separated	6,662	6,064
Total	10,166	8,838
Percentage Recycled	34%	31%
Hazardous		
Recovered	387	934
Non-Recovered	556	314
Total	943	1,248
Percentage Recovered	41%	75%

In 2022, our contracted waste processors were able to recover 75% of the hazardous waste generated, which was an improvement from the previous year. However, in 2023, we noticed a sharp decline in the percentage of hazardous waste recovered, which dropped to 41%. The decline was due a change in the processing methods of one of our waste processors for multiple types of hazardous waste. This change resulted in a lower recovery rate and a significant setback in our efforts to manage hazardous waste in an environmentally responsible manner.

EU Taxonomy

The EU Taxonomy is a classification system that provides a list of environmentally sustainable economic activities. It defines criteria for economic activities aligned with the European Green Deal objectives and a net zero trajectory by 2050.
The EU Taxonomy gives companies, investors and policymakers appropriate definitions and criteria to be met by economic activities to be considered environmentally sustainable.
Companies subject to this EU regulation must disclose the extent of their economic activities that are eligible and aligned with the Taxonomy. The reporting includes the eligible and aligned proportion of their total turnover, capital expenditure (CapEx), and operating expenditure (OpEx).
An economic activity is deemed eligible if it is listed among the activities established by the European Commission under one or several of the following environmental objectives:

- Climate change mitigation (CCM);
- Climate change adaptation (CCA)[4];
- Sustainable use and protection of water and marine resources (WTR);
- Transition to a circular economy (CE);
- Pollution prevention and control (PPC); and
- Protection and restoration of biodiversity and ecosystems (BIO).

3 KLM's waste figures include figures from ground and flight operations, excluding its international stations, part of its leased buildings, parts of its subsidiaries and Transavia cabin and catering waste. The reporting period for the 2023 waste data runs from October 2022 to September 2023. KLM intends to increase the scope of its measurement of waste and align the reporting period with the full calendar year in future reporting periods.

4 The frequently asked questions document published by the European Commission in December 2022 clarified that an adaptation plan is required for activities to be eligible to the CCA objective.

To be aligned, an activity needs to comply with three cumulative criteria:

- The activity must substantially contribute to at least one of the six environmental objectives (criterion of substantial contribution);
- Not cause harm to the five other remaining criteria, known as the DNSH criteria (for do no significant harm); and
- The activity must be carried out respecting the minimum safeguards (minimum safeguards criterion MS) regarding human rights, corruption, taxation, and competition law.

For 2023, eligibility and alignment are reported for the CCM and CCA objectives, while only eligibility is reported for the remaining four environmental objectives. Alignment will be reported for the four remaining objectives from 2024 onwards. Notably, the gradual implementation of the Regulation meant that only the climate-related objectives (CCM and CCA) applied for the fiscal years 2021 and 2022, under the Climate Delegated Act. The European Commission subsequently published the Environmental Delegated Act over the four other environmental objectives, as well as amendments to the Climate Delegated Act and the Complementary Climate Delegated Act, which were in force for the fiscal year 2023. The amendments to the Climate Delegated Acts were considered in this reporting year only for reporting on eligibility.

Assessment of compliance with the EU Taxonomy Regulation

Core business activities

For 2023, the European Commission further expanded the activities within the Taxonomy scope, to include aviation activities within the EU Taxonomy Regulation. This includes 3.21 Manufacturing of aircraft, 6.19 Passenger and freight air transport, and 6.20 Air transport ground handling operations, which directly relate to the Group's core businesses. In this reporting year, KLM will focus solely on evaluating their eligibility, through leveraging the activity descriptions and NACE codes, which is the classification system for economic activities in the EU, specified in the delegated acts. Starting from 2024, reporting on the alignment of these new activities will be mandatory. KLM is actively evaluating the alignment criteria of these activities against its operations and is awaiting further clarification from the European Commission to finalise the alignment disclosure. This includes additional insights over SAF, emissions reduction technologies, and sustainable airport operations.

Individual measures

In addition to the Group's core business activities, the regulation allows for the valuation of expenditures aimed at reducing GHG emissions. These expenditures are also mentioned in the Climate and Environmental delegated acts. Aligned activities were evaluated against the specific Technical Screening Criteria outlined in the EU Taxonomy Regulation, ensuring that these activities contributed substantially to the CCM or CCA objectives, and significant harm to other environmental objectives were avoided.

Financial information across the Group was assessed for potential eligibility under the six environmental objectives, whereby all eligible OpEx and CapEx under the CCM and CCA objectives were analysed against the technical criteria for the substantial contribution and DNSH to determine their alignment.

Minimum safeguards

Compliance with the minimum safeguards have been assessed with respect to the criteria outlined in the EU Taxonomy Regulation (EU 2020/852) Article 3 and 18, aligning with international standards such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprise.
The Group has conducted a human rights risk assessment including risk impact and the mitigation plans put in place to mitigate and prevent them. KLM addresses various human rights concerns through the AIR FRANCE KLM Principles, which guides the social and ethics policy of the Group. KLM implemented a vigilance plan in 2018 to comply with legal requirements and ensure comprehensive risk management. Relationships with suppliers are governed by the principles outlined in the Code of Conduct, including commitments to human rights, health and safety, the environment, and ethical standards. KLM has followed the recommendations outlined in the Platform on Sustainable Finance (PSF) Final Report on Minimum Safeguards on Member State recommendations. This also extends to compliance with the Duty of Vigilance for upholding Human Rights. The Group has not faced any legal condemnations related to Human Rights violations, corruption, competition law breaches,

or fiscal misconduct. This includes the protection of Human Rights and combating all forms of child and forced labour, the fight against corruption, tax fraud, and tax evasion, which demonstrated by conducting due diligence on these four themes, as required by the PSF final report mentioned above.

Calculation of KPIs and Methodology

Accounting policy

The EU Taxonomy disclosures over the KPIs of turnover, CapEx and OpEx are based on the consolidated financial information of the Group, as outlined in the consolidated financial statements, and prepared on the bases as outlined in the 'Significant Accounting Policies' note in the 'Notes to the consolidated financial statements' section. The calculation methodology for turnover, CapEx and OpEx remain consistent with the previous reporting period. However, there has been a notable adjustment made to the scope of eligible activities under the EU Taxonomy to include aviation activities from the financial year 2023 reporting period onwards. The addition of activities 3.21 Manufacturing of aircraft, 6.19 Passenger and freight air transport, and 6.20 Air transport ground handling operations are particularly relevant to the Group. This expansion has resulted in changes to eligible turnover, CapEx, and OpEx since the previous reporting period.
The KPIs for turnover, CapEx and OpEx were determined through mapping the eligible activities per the delegated acts to the financial information of the Group. Each eligible activity was assessed against a materiality threshold for CapEx and OpEx, under which the economic activities were considered to be immaterial for reporting purposes. Thresholds were set based on absolute numbers with consideration of the average transaction value per economic activity. The CapEx threshold was set at EUR 100,000 which represents 0.01% of the Group's total capital expenditure, while the OpEx threshold was set at EUR 50,000 which represents 0.003% of the Group's total operating costs.

Contextual information and methodology

The definition of the turnover, CapEx and OpEx KPIs for the purposes of the EU Taxonomy corresponds to the following items as discussed below. Due to the three activities (3.21 Manufacturing of aircraft, 6.19 Passenger and freight air transport, and 6.20 Air transport ground handling operations) becoming eligible in 2023, the reported turnover, CapEx and OpEx for the Group differs from the 2022 reporting period. Double counting of activities and KPIs was avoided through the mapping of the eligible turnover, CapEx and OpEx to only one eligible activity. If an eligible economic activity contributed substantially to more than one environmental objective, the KPIs of turnover, CapEx, and OpEx were allocated to only one of these environmental objectives.

Turnover

The denominator is based on the Group's total consolidated revenue, as set out in the consolidated statement of profit or loss in the consolidated financial statements.
The eligible numerator covers net turnover derived from services associated with Taxonomy-eligible economic activities, which are reported under the following three activities and relate to:

- 3.21 Manufacturing of aircraft: revenues from maintenance contracts;
- 6.19 Passenger and freight air transport: revenues derived from the Group's Network and Leisure businesses, other than revenues that do not comply with the description of the activity, which relate primarily to revenues from fees, credit card surcharge, booking fees, fuel trading, hedging income, and sales of certain airway bills. This also excludes revenues derived from ground handling operations, which are included in activity 6.20 Air transport ground handling operations and hence not double counted; and
- 6.20 Air transport ground handling operations: revenues from ground handling operations under the Group's Network business.

CapEx

The denominator covers additions to tangible and intangible assets before depreciation, amortisation, and impairments (if any), as well as rights of use assets in accordance with IFRS 16, during the reporting period. This relates to additions to property, plant and equipment, and additions to intangible assets, as reported in the consolidated financial statements and the notes to the consolidated financial statements in notes 'Note 1: Property, plant and equipment', 'Note 2: Right-of-use assets', and 'Note 3: Intangible assets'.
The eligible numerator comprises the part of the CapEx included in the denominator that is related to assets that are associated with Taxonomy-eligible economic activities, and the individual measures as detailed above. CapEx as reported under the CapEx KPI, does not relate to a CapEx plan that meets the conditions as stated in the EU Taxonomy Regulation. The eligible numerator comprises activities reported as both eligible and aligned, and activities reported as only eligible.

The activities reported only as eligible relate to the activities covering KLM's core business activities, which are newly eligible for the 2023 reporting period, where the eligible CapEx numerator is derived from:
- 3.21 Manufacturing of aircraft: fleet-related and maintenance CapEx;
- 6.19 Passenger and freight air transport: fleet CapEx; and
- 6.20 Air transport ground handling operations: CapEx incurred relating to ground handling operations.

The aligned numerator comprises of CapEx associated with the aligned individual measures identified across the Group, as detailed in the 'EU Taxonomy Results Over FY 2023' section. This has been determined through directly allocating relevant CapEx amounts to economic activities identified as being aligned with the technical criteria.

OpEx
The denominator comprises of direct non-capitalised costs incurred by the Group that relate to research and development, building renovation, short-term leases, maintenance and repair, and other direct expenses relating to the day-to-day servicing of property, plants, and equipment. These expenses are included within the expenses as listed in the notes to the consolidated financial statements, reference is made to **Note 24 >** external expenses. The eligible numerator comprises of OpEx included in the denominator that is related to Taxonomy-aligned core business activities and individual measures, and with the same rationale as outlined for CapEx. The aligned numerator comprises of OpEx associated with the aligned individual measures, and follows the same rationale as outlined for CapEx.

EU Taxonomy results over financial year 2023
Based on KLM's analysis of the current Taxonomy provisions, KLM concludes that the following economic activities of the Group are Taxonomy eligible, and Taxonomy aligned:

Activity		Objective	Eligible	Alignment
2.1	Collection and transport of hazardous waste	PPC	Yes	Not assessed
3.21	Manufacturing of aircraft	CCM	Yes	Not assessed
4.15	District heating/cooling distribution	CCM	Yes	No
5.1	Construction, extension and operation of water collection, treatment, and supply systems	CCM	Yes	Yes
5.5	Collection and transport of non-hazardous waste in source segregated fractions	CCM	Yes	Yes
6.17	Low carbon airport infrastructure	CCM	Yes	Yes
6.19	Passenger and freight air transport	CCM	Yes	Not assessed
6.20	Air transport ground handling operations	CCM	Yes	Not assessed
6.5	Transport by motorbikes, passenger cars, and light commercial vehicles	CCM	Yes	Partly
7.1	Construction of new buildings	CCM	Yes	No
7.2	Renovation of existing buildings	CCM	Yes	No
7.3	Installation, maintenance, and repair of energy efficiency equipment	CCM	Yes	Yes
7.4	Installation, maintenance, and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM	Yes	Yes
7.5	Installation, maintenance, and repair of instruments and devices for measuring, regulation, and controlling energy performance of buildings	CCM	Yes	Yes
7.6	Installation, maintenance, and repair of renewable energy technologies	CCM	Yes	Yes
7.7	Acquisition and ownership of buildings	CCM	Yes	Yes
8.1	Data processing, hosting, and related activities	CCM	Yes	No
9.3	Professional services related to energy performance of buildings	CCM	Yes	Yes

Refer to the table below for the results of this assessment and the share of eligible and aligned activities. The full table as prescribed in Annex II of the Commission Delegated Regulation 2021/2178 is presented in the Annex of this report.

	Proportion of turnover/ Total turnover		**Proportion of CapEx/ Total CapEx**		**Proportion of OpEx/ Total OpEx**	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective	Taxonomy-aligned per objective	Taxonomy-eligible per objective	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	97.7%	1.2%	93.4%	3.8%	96.5%
CCA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
WTR	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PPC	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
BIO	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Future developments

KLM plans to extend its reporting scope to include the alignment assessment of these newly introduced activities and the additional four environmental objectives (water, circular economy, pollution prevention, and biodiversity) from financial year 2024 onwards.

KLM recognises the importance of addressing human rights concerns within its operations. In line with the commitment to responsible business practices, KLM is actively working to strengthen its human rights risk assessment procedures. This includes the implementation of an adaptation plan that will further enhance the ability to identify, prevent, and mitigate any potential adverse human rights impacts associated with KLM's business activities.

The new generation of aircraft falls within the scope of activity 6.19 Passenger and freight air transport. For 2023, only the eligibility of these activities has been disclosed, but their alignment to the Taxonomy is evident. New aircraft generate less noise and consume less fuel, leading to an immediate reduction of carbon emissions.
The inclusion of the new generation of aircraft in KLM's fleet is a move towards meeting the future sustainability goals and the evolving requirements of the EU Taxonomy. Given the current absence of technologically and economically feasible low-carbon alternatives in the aviation industry, these transitional activities are key to reaching net zero emissions by 2050.

EU Taxonomy reporting forms a part of KLM's strategy to align with sustainability objectives. KLM acknowledges its alignment with the CSRD and aim to streamline its reporting for enhanced transparency and compliance with evolving regulations.

Social information

Own workforce

At KLM, employees regularly engage with their managers, fostering an environment where opinions and viewpoints are actively welcomed. This open dialogue ensures effective communication and strengthens the Group's commitment to engagement and inclusivity. Also, KLM has taken several steps to engage employees in the strategy process. One of these steps is the KLM Employee Listening Strategy, which aims to enhance how the company listens to its employees and considers their feedback. KLM also carries out periodic Employee Engagement Surveys to collect feedback from employees and find areas for improvement. Moreover, KLM offers fair and clear career opportunities for its employees, fosters co-operation, and strengthens leadership. Besides, the KLM Works Council is a representative body elected by the employees of KLM and is part of the decision-making process. These steps show KLM's dedication to engaging its employees in the strategy process and improving the employee experience.

Key actions

KLM has implemented various strategies as further outlined in **section 5 >** of this annual report, including subjects such as Workforce Management, Health & Safety, and Diversity & Inclusion. KLM is in the process of defining and normalizing its policies and processes in relation to its own workforce.

Workforce management

At KLM, workplace dialogue is conducted in accordance with the Dutch Works Council Act, which mandates proper consultation and representation of individuals employed within the enterprise. This is essential for compliance with any requirements outlined in the act. Within the KLM Works Council, staff representatives come together to facilitate this dialogue.

KLM N.V. employees are covered by collective labour agreements. In 2023, three such agreements were concluded for ground staff, cabin crews and cockpit crews, including a wage increase for the March 2023 to February 2025 period. Defining a minimum monthly increase, KLM set a high social standard in the Dutch market, enabling the lowest operational functions to receive a salary increase up to 12.5% for 2023. In addition, these agreements further improve working conditions, with a revised elderly policy, commuting facilities, compensation for working from home and regulations regarding work and rest times.

During 2023, together with members of the Executive Committee, KLM's President & Chief Executive Officer regularly met with employees at various worksites to engage in dialogue on current topics. An example of such an initiative is the 'On Air with Marjan' webcast series with KLM's CEO Marjan Rintel. Conducted every six weeks, this webcast, open to all colleagues, is filmed at diverse KLM worksites. During this webcast, all employees can ask questions and raise concerns.

Health and safety & diversity and inclusion

In **section 5 >** of this annual report, KLM reaffirms that it values a safe and inclusive work environment for all employees. Therefore, KLM has taken steps to stop and deal with bullying, violence, harassment, and discrimination. In January 2023, KLM launched a comprehensive campaign against unwanted behaviour, using various communication channels and interventions to inform and train employees. This involved e-learning modules for self-education and team workshops for 400 participants, as well as education on microaggressions, racism, and discrimination by the employee resource group Connecting Colours. Moreover, KLM set up a central point for advice and reporting ('Meld-pagina') to raise issues, report incidents, and learn more about KLM's business ethics and code of conduct. KLM has increased the number of trusted advisors and introduced a new complaint procedure with a complaints committee.

After filing a complaint through KLM's reporting platform, KLM works with the employees to find solutions, including discussions with a confidential advisor or assistance in facilitating conversations. If needed, further investigation may involve the complaints committee or a specialised entity. KLM closely monitors the progress of all actions and intervenes if necessary. KLM's center of expertise for inappropriate behaviour (part of HR Resources & Health) also provides support to managers and HR in addressing instances of unwanted behaviour and devising effective solutions.

Metrics and targets

KLM has several targets and metrics in place and is in the process of further defining its metrics and targets. KLM formulates targets through data analysis, subsequently validating them with the respective divisions. The Executive Committee then deliberates upon and approves these targets. More detailed information on the key figures can be found in the section Key Figures as stated in **section 5: People >** of this annual report.[5]

Collective negotiation coverage and social dialogue

At KLM, the working conditions and terms of employment of 98% of its employees in the Netherlands are determined by collective labour agreements. KLM is committed to social dialogue and ensures that 100% of its employees in the Netherlands are represented by a works council. This demonstrates KLM's dedication to providing fair and equitable working conditions for its employees.

Diversity metrics

KLM has several diversity targets and metrics. For more detailed information, reference is made to the Key Figures as stated in **section 5: People >** of this annual report.

5 For these metrics, data is included from KLM Nederland, International and KLM Cityhopper.

Adequate wages

KLM is in the process of addressing the specific disclosure requirements regarding the adequacy of employee wages, including providing detailed insights into what is meant by KLM's definition of 'adequate wage' and whether these wages meet the needs of workers and their families in accordance with national economic and social conditions. In the Netherlands, a legal minimum wage is applicable. KLM employees in the Netherlands are paid a wage above this legal minimum wage. The wages are negotiated with the unions and agreed on in a collective labour agreement.

Social protection

At KLM, employees in the Netherlands are covered by social protection against income loss due to major life events in accordance with the provisions outlined in the Dutch social security system, which encompasses various legal frameworks such as the Werkloosheidswet (Unemployment Insurance Act), Wet op de Arbeidsongeschiktheidsverzekering (Work and Income According to Labour Capacity Act), and other relevant legislations.

Persons with disabilities

KLM adheres to Dutch Law, which mandates equal rights for all employees in the workplace, regardless of disability or chronic illness. KLM considers adjustments to tasks or the work environment to accommodate employees with disabilities, and only refuses to hire individuals with disabilities or health conditions if they are unable to effectively perform the necessary tasks of the job, particularly if health or safety is a concern. KLM is currently exploring the appropriate methodology to gather data and report on the percentage of employees with disabilities while ensuring compliance with all applicable laws and regulations.

Training and skills development

At KLM, all employees can avail themselves of the voluntary training programmes and posts on the Learning Management System. The company gives its employees a wide range of online and/or face-to-face training courses, which they can enrol in at no cost. For some of the training options, employees need to consult and get approval from a manager. Also, employees can use their personal budget for Sustainable Employability to cover the costs of training programmes without asking a manager for permission. The Learning Management System assigns training courses related to compliance to employees. If needed, the time for these courses is planned and shown in personal schedules. Based on legal requirements or specific job requirements, such training courses may be necessary before doing certain tasks. The operational division in charge makes sure that the compliance training courses are arranged and completed.

Health and safety

KLM is committed to providing a healthy and safe working environment that prioritises the physical and mental well-being of all individuals working for or with the company. The health of KLM's employees is essential for achieving optimal productivity, performance, and engagement, resulting in reduced absenteeism, increased job satisfaction, and the retention of top talent. By investing in the health and well-being of employees, KLM can minimise safety risks and enhance overall mental and physical health. In the long term this is beneficial to both the individual and the organisation.

KLM ensures safety and compliance through the implementation of a continuous system of processes and procedures known as the Safety Management System (SMS). The SMS guarantees the safety performance of all processes across all safety domains through the effective management of safety risks. **Section 5 >** of this annual report outlines KLM's health and safety policy.

	2023	2022
Total workplace accidents[6]	213	173
Number of fatal workplace accidents[6]	0	0

Work-life balance
KLM is dedicated to fully supporting its managers and employees by offering flexible work arrangements that cater to their personal needs. These arrangements are diversified and constantly evolving. In addition to statutory entitlements, KLM grants its employees an extra week of annual leave and provides them with a Sustainable Employability budget, which allows them to receive up to five extra days of annual leave. Employees also have the option to use their annual bonus to purchase up to 20 additional days of leave, three times a year, if their annual leave balance is insufficient. For other types of leave, such as parental and care leave, KLM employees benefit from the applicable laws and local regulations.

6 Included entities in this metric are KLM NV and the following subsidiaries: Cygnific, KLM UK Engineering, KLM Cityhopper, Transavia C.V., KLM Catering Services, and Int. Airline Services, representing 98% of the employees in the subsidiaries of the KLM Group. The work-related accidents taken into account are those accidents involving time off work (at least one day of absence from work). Travel-related accidents are not included in the indicator but are the subject of specific monitoring and action plans.

Noise

Reducing KLM's impact in terms of noise hindrance is aligned with KLM's overall vision of 'Pioneering to become a frontrunner in sustainable aviation', although it is currently not identified as a separate pillar within its strategy. For more information on KLM's strategy and business model, reference is made to section 1, specifically the chapters on **Strategy >** and **How we create value >**.

Key actions
KLM developed the plan 'Schoner, stiller, en zuiniger' (Cleaner, quieter, and more efficient) to achieve the desired noise reduction while safeguarding the connectivity of the Netherlands with the world. As part of this plan, KLM is in the process of defining and formalising noise management policies to remediate the negative impacts of noise hindrance. Reference is made to the **Future capacity Schiphol >** section for more information.

In addition, Royal Schiphol Group has established the Schiphol Local Contact Point (Bewoners Aanspreekpunt Schiphol) in collaboration with Air Traffic Control Netherlands to provide assistance and address inquiries related to noise hindrance. KLM received reports from this portal and provides input to Royal Schiphol Group and Air Traffic Control for inquiries regarding technical matters associated with aircraft.

The Omgevingsraad Schiphol (ORS), in which KLM participates with representatives from various stakeholders, including residents, airports, air traffic control, provinces, municipalities, and other authorities, has been transformed into the Maatschappelijke Raad Schiphol (MRS). Unfortunately, the airport, air traffic control, provinces, municipalities, and other authorities are no longer represented in the MRS. KLM values constructive consultation with all relevant stakeholders and continues to request equal treatment for the MRS and the other parties represented in the ORS.

In the past, KLM participated in the Minder Hinder (less hindrance) programme with Royal Schiphol Group and Air Traffic Control the Netherlands to reduce noise hindrance and improve the quality of the local environment. Measures to reduce noise hindrance have been implemented around Schiphol Airport, and KLM, along with other airlines, has been an important contributor to the over EUR 750 million in noise levies, which have been allocated to soundproofing in the area in the past two decades. KLM is also dedicated to contributing to the government and Royal Schiphol Group's local emission reduction plans covering ultrafine particles and nitrogen. The noise insulation programme resumed in 2023 and will be continued in 2024.

KLM maintains contact with the Ministry of Infrastructure and Water Management at various levels and participates in sector consultations with the Board of Airline Representatives in the Netherlands, Royal Schiphol Group, and Air Traffic Control the Netherlands, to discuss nuisance reduction. KLM also organised a session around noise in September, to which it invited the ministry, the Delft University of Technology, Airbus, Royal Netherlands Aerospace Centre (Nederlands Lucht- en Ruimtevaartcentrum), and Dutch Expert Group Aviation Safety. Effective involvement and constructive dialogue with all relevant parties are essential to balancing ecological and economic interests with the interest and quality of life of local residents.

Metrics and targets

KLM's metric related to noise impact can be found in section 4 **Sustainability ›** of this annual report. KLM is in the process of further defining its metrics and targets in relation to noise management.

The key metric is the percentage of fleet under ICAO (International Civil Aviation Organisation) Chapter 4 and 14. These refer to the proportion of an airline's fleet that meets the noise standards outlined in these chapters. ICAO Chapter 4 pertains to aircraft noise standards for jet engines, while Chapter 14 outlines noise standards for aircraft operating in a community noise-sensitive area.

The acoustic impact of KLM is measured according to the eligibility of its fleet in operation for ICAO noise chapters. The indicator evaluates the percentage of aircraft according to their margin eligible under chapters 4 or 14 (the 2 most efficient noise levels for jet aircraft to date). Up to and including 2022, administrative aircraft noise certification was used to calculate this. As of 2023, eligibility for certification is used for the calculation, as this is deemed to be closer to the real noise impact. The flights concerned are under the commercial codes KL, HV and MP, operated, franchised, and chartered, code share excepted.

KLM supports airports charging landing fees based on noise levels of the aircraft. For example, Schiphol Airport has a noise-based landing fee system in place, incentivising aircraft operators that use quieter aircraft or operate during designated noise-sensitive hours in the form of discounts on landing fees. On the other hand, operators of noisier aircraft or those that operate during noise-sensitive hours may face higher landing fees. This system is aimed at reducing the impact of aircraft noise on local communities.

Operational safety & security

Flight safety is paramount to KLM. It is key to retaining the trust of both customers and employees, and imperative for the long-term viability of its operations and of air transportation.

Key actions

To meet the highest possible standard of flight safety, KLM updates and reinforces its Safety Management System (SMS) and manual, which concretely defines the modalities in place to manage aviation risks. Reference is made to the **Safety section ›** and the **Safety Management ›** chapter for more information on KLM's policies on operational safety and security.
The SMS is outlined in KLM's Safety Management System manual (SMM) and has been approved by the Dutch Civil Aviation Authorities as part of the Air Operator Certificate.
To improve safety around Schiphol Airport, joint safety risk assessments are carried out and resulting mitigating actions are taken. This is done in co-operation with the aviation industry stakeholders at Schiphol Airport, like the airport authorities and Dutch Air Traffic Control. These activities fall under the umbrella of the common sector Integrated Safety Management System, a unique collaboration between the aviation players at the airport established in 2018.
Reporting safety events and concerns by staff members is paramount to the proper functioning of any SMS. Within KLM, the newly introduced reporting app See it, Say it (SiSi) has resulted in an increase in reported events and a clearer safety picture. Every report is assessed for its contribution to the KLM risk profile. After event assessment, a follow-up action in terms of analysis or investigation may be decided.

All the Group's activities are subject to numerous checks and certifications; in particular, via the supervisory actions carried out by the Civil Aviation Authorities in each country and via the International Air Transport Association (IATA), whose operational safety audit (IOSA) is a benchmark within the industry. Reference is made to the **Safety and security and airline accident risk ›** section in the Risk Management chapter for more information.

Metrics and targets

During 2023, based on the IATA and ICAO definition, KLM experienced one non-fatal accident and five serious incidents. All of these were processed through the SMS in view of event- and risk-analysis and investigation for improvement possibilities and learning potential. The rate of reporting of Flight Safety events by staff is above target, contributing to the proper functioning of the SMS. The Flight Safety network teams are mobilised to analyse the signals coming from the SMS and to take the appropriate action.

Diversity, equity, and inclusion

KLM is committed to creating an inclusive and welcoming environment for all customers, so that regardless of their background, religion, age, gender, and other personal characteristics they feel respected and recognized. Recognising customers throughout their journey is a crucial aspect of KLM's strategic pillar of **Running a great airline for our customers >**.

Key actions

KLM is defining and formalising its policies and processes in relation to diversity, equity, and inclusion for its customers.

KLM develops products, services, tools, and interactions with a specific focus on meeting the needs of our customers, such as gender-neutral recognition or accessibility of customers with disabilities.

KLM has established a platform integrating ground services, inflight, international stations, customer contact centres, integrated safety and compliances, and customer experience. This platform focuses on the overall customer journey, with emphasis on customers with disabilities. The platform considers customer feedback, including their needs and concerns, to continuously improve products and services and comply with regulatory measures.

Several actions were taken in 2023 in relation to diversity, equity, and inclusion for customers, including the implementation of new kiosks at Schiphol Airport to provide improved self-service options and better accommodate passengers in wheelchairs. These kiosks are equipped with voice guidance, making them accessible to passengers who are blind or partially sighted. In addition, KLM now provides customers who do not identify as either male or female the option to select the non-binary category in both title and gender, ensuring recognition throughout all customer interactions. This gender-neutral option is accessible on digital touchpoints, including the newsletter subscription page, booking process, check-in, and profile in MyTrip. KLM will continue to work on the implementation of gender-neutral options across all digital customer touchpoints.

Metrics and targets

KLM is defining its metrics and targets in relation to diversity, equity and inclusion and the accessibility of services for customers.

There are more people with disabilities or reduced mobility traveling on the Group's flights every year. In 2023, around 470,000 KLM assistance requests were handled. Although only a small percentage of KLM's customers request special assistance, the legal framework surrounding customers with disabilities can result in fines, claims, and negative brand image. Therefore, KLM is exploring the use of new technology to cater to the specific needs of elderly customers and those with mental disabilities.

KLM collaborates with the Hidden Disabilities Sunflower organisation, which provides specialised training to airport personnel to assist customers with non-visible disabilities. These customers can wear a lanyard with sunflowers to indicate their need for special attention and service.

While KLM does not possess explicit information regarding the number of customers that require gender-neutral options, it remains a crucial societal concern, and numerous partner airlines have already implemented gender neutrality practices. Neglecting to integrate gender-neutral alternatives into systems could result in potential risks related to inclusivity, legal adherence, smooth partnerships, and user satisfaction. On the other hand, adopting gender-neutral options presents opportunities to cultivate a more welcoming atmosphere and enhance brand image.

Governance information

For details on KLM's Compliance & Business Ethics Framework included in the KLM Code of Conduct, Reference is made to the Corporate Governance chapter, specifically the section on **Compliance and Business Ethics >**. Following this framework, KLM top managers play a key role in setting exemplary behaviour, referred to as the 'tone from the top.' Management is responsible and accountable for compliance with all relevant laws and regulations and for effectively managing the risks associated with business activities.

The Speak Up Policy, which is the internal and external whistle-blower policy, provides information on how to report, how reporter's confidentiality and protection are guaranteed and how reports will be handled.

Key actions

Prevention and detection of corruption or bribery

As stated in the AIR FRANCE KLM Anti-Corruption code of conduct, KLM has a zero-tolerance approach to corruption and bribery. At a minimum, that means adhering to applicable laws and regulations. The AIR FRANCE KLM Anti-Corruption code of conduct is accessible for any third-party via the AIR FRANCE KLM website. KLM employees can access the document via the KLM intranet.

KLM attaches great importance to establishing a just culture in which employees feel free and willing to report incidents, including corruption and bribery. The Speak Up tool consists of an internet-based and telephone-based application via which reporters can (anonymously) communicate with KLM in writing or by leaving a voice message. The Speak Up policy and tool are also available for any third-party that wishes to report via the KLM website and for KLM employees via the KLM intranet.

Confidential advisors have been appointed on behalf of KLM to handle enquiries from reporters who first wish to know more about the Speak Up Policy, who want advice about whether to file a report under the Speak Up Policy or who seek (emotional) support throughout the procedure.

Investigators act independently from the business activities to prevent conflicts of interests and to ensure the level of confidentiality for these kinds of investigations. The Compliance Committee will submit a summarised and anonymised overview of all reports, including corruption and bribery, every six months to the Audit Committee of the Supervisory Board, sending a copy to the Board of Managing Directors and the Works Council.

The latest AIR FRANCE KLM Anti-Corruption e-learning is provided to identified target groups and is also made available to the wider company. Furthermore, targeted workshops are provided to individuals based on their responsibilities and activities, this also includes Executive Committee members and senior management.

Metrics and targets

Corruption and bribery

KLM has no convictions or fines for violation of anti-corruption and bribery laws during the reporting period and is not subject to any legal investigations concerning anti-corruption and anti-bribery.

	2023	2022
Completion rate of e-learning on prevention of corruption[7]	96%	85%

Political influence and lobbying activities

As part of KLM's responsibility to conduct business with integrity and transparency, KLM recognises the importance of disclosing any political influence and lobbying activities that may affect its business operations.

The oversight of KLM's political influence and lobbying activities falls under the purview of KLM's Supervisory Board, through the Chair of the Supervisory Board. This oversight ensures that KLM's activities are conducted in compliance with all applicable laws and regulations, as well as its internal policies and values.

7 Scope: target group of AIR FRANCE KLM Group compulsory panel of employees.

KLM and its representative(s) are registered in the EU Transparency register with the identification number 76441066192-30. KLM does not make any financial political contributions of any kind. KLM does not donate to any political party, candidate, or political action committee. KLM's commitment to impartiality and transparency is reflected in the decision not to engage in any form of political contribution.

The main topics covered by lobbying activities and KLM's main positions on these are discussed in the chapter **The World Around Us >**, specifically the sections on **the Netherlands >**, **Schiphol Airport >** and **Europe >**.

Annex

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)																			
Of which Enabling																		E	
Of which Transitional																			T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Activity 3 Manufacturing	CCM 3.21	920.8	7.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Activity 6 Transport	CCM 6.19	10,691.0	88.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
	CCM 6.20	155.4	1.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		11,767.3	97.7%	97.7%	0.0%	0.0%	0.0%	0.0%	0.0%										
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**11,767.3**	**97.7%**	**97.7%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		283.2	2.3%																
TOTAL (A. + B.)		**12,050.4**	**100.0%**																

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 5 Waste management	CCM 5.1	2.7	0.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y			
Activity 6 Transport	CCM 6.5	0.4	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0%		T
Activity 7 Construction and real estate activity	CCM 7.3	6.4	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
	CCM 7.4	0.2	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
	CCM 7.5	1.3	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
	CCM 7.6	0.8	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y		E	
	CCM 7.7	0.0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		12.0	1.2%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%		Y	Y	Y	Y	Y	Y	0.0%		
Of which Enabling		8.8	0.9%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%		Y	Y	Y	Y	Y	Y	0.0%	E	
Of which Transitional		0.4	0.0%	0.0%							Y	Y	Y	Y	Y	Y	0.0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Activity 2- Water supply, sewerage, waste management and remediation	PPC 2.1	0.7	0.1%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Activity 3 Manufacturing	CCM 3.21	495.5	49.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Activity 4 Energy	CCM 4.15	1.3	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Activity 6 Transport	CCM 6.5	1.6	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
	CCM 6.19	396.0	39.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
	CCM 6.20	1.2	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Activity 7 Construction and real estate activity	CCM 7.1	9.9	1.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
	CCM 7.2	17.5	1.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Activity 8 Information and communication	CCM 8.1	4.7	0.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		928.2	92.2%	92.2%	0.0%	0.0%	0.0%	0.0%	0.0%										
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**940.2**	**93.4%**	**93.4%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		66.0	6.6%																
TOTAL (A. + B.)		**1,006.2**	**100.0%**																

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 5 Waste management	CCM 5.5	0.7	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0%		
Activity 7 Construction and real estate activity	CCM 7.3	44.1	2.7%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
	CCM 7.4	1.6	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
	CCM 7.5	9.2	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
	CCM 7.6	5.7	0.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0%	E	
	CCM 7.7	0.1	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y			
Activity 9 Professional, scientific and technical activities	CCM 9.3	1.2	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y		E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		62.6	3.8%	3.8%	0.0%	0.0%	0.0%	0.0%	0.0%		Y	Y	Y	Y	Y	Y	0.0%		
Of which Enabling		61.8	3.8%	3.8%	0.0%	0.0%	0.0%	0.0%	0.0%		Y	Y	Y	Y	Y	Y	0.0%	E	
Of which Transitional																			T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Activity 3 Manufacturing	CCM 3.21	1,350.7	82.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Activity 6 Transport	CCM 6.19	158.5	9.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
	CCM 6.20	5.5	0.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,514.7	92.7%	92.7%	0.0%	0.0%	0.0%	0.0%	0.0%										
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**1,577.3**	**96.5%**	**96.5%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		57.2	3.5%																
TOTAL (A. + B.)		**1,634.5**	**100.0%**																

Financial statements 2023

Consolidated balance sheet

Before proposed appropriation of the result for the year

In EUR million	Note	December 31, 2023	December 31, 2022 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	1	5,288	5,017
Right-of-use assets	2	1,703	1,606
Intangible assets	3	475	448
Investments accounted for using the equity method	4	22	17
Other non-current assets	5	152	195
Other financial assets	6	898	779
Deferred tax assets	17	287	450
Pension assets	18	36	27
		8,861	**8,539**
Current assets			
Other current assets	5	205	204
Other financial assets	6	254	167
Inventories	7	332	255
Current tax receivables	17	20	-
Trade and other receivables	8	1,288	1,205
Cash and cash equivalents	9	1,603	1,533
		3,702	**3,364**
TOTAL ASSETS		**12,563**	**11,903**

In EUR million	Note	December 31, 2023	December 31, 2022
EQUITY			
Capital and reserves			
Share capital	10	125	125
Share premium		474	474
Reserves	11	452	473
Retained earnings		(972)	(1,683)
Result for the year		713	743
Total attributable to Company's equity holders		**792**	**132**
Non-controlling interests		5	4
Total equity		**797**	**136**
LIABILITIES			
Non-current liabilities			
Financial debt	12	1,751	1,604
Lease debt	13	983	954
Other non-current liabilities	5	1,005	1,283
Other financial liabilities	14	628	816
Deferred income	16	224	235
Provisions for employee benefits	18	231	228
Return obligation liability and other provisions	19	1,231	1,380
		6,053	**6,500**
Current liabilities			
Trade and other payables	20	2,879	2,604
Financial debt	12	223	241
Lease debt	13	285	278
Other current liabilities	5	74	56
Other financial liabilities	14	197	184
Deferred income	16	1,560	1,536
Current tax liabilities	17	-	39
Provisions for employee benefits	18	23	25
Return obligation liability and other provisions	19	472	304
		5,713	**5,267**
Total liabilities		**11,766**	**11,767**
TOTAL EQUITY AND LIABILITIES		**12,563**	**11,903**

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

Consolidated statement of profit or loss

In EUR million	Note	2023	2022 Restated
Revenues	23	**12,050**	**10,679**
External expenses	24	(7,280)	(6,310)
Employee compensation and benefit expenses*	25/28	(3,554)	(2,955)
Other income and expenses*	26/28	839	258
EBITDA*	28	**2,055**	**1,672**
Amortisation, depreciation, impairment and provisions*	27/28	(916)	(929)
Income from operating activities*	28	**1,139**	**743**
Cost of financial debt	29	(207)	(178)
Income from cash and cash equivalents	29	82	30
Net cost of financial debt		**(125)**	**(148)**
Other financial income and expenses	29	(67)	(156)
Income before tax		**947**	**439**
Income tax income/(expense)	30	(238)	305
Net income after tax		**709**	**744**
Share of results of equity accounted investees	4	5	-
NET PROFIT FOR THE YEAR		**714**	**744**

In EUR million	Note	2023	2022 Restated
Attributable to:			
Equity holders of the company		713	743
Non-controlling interests		1	1
		714	**744**
Net profit attributable to equity holders of the Company		713	743
Dividend on priority shares		-	-
Net profit available for holders of ordinary shares		**713**	**743**
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 per share (in EUR)		15.23	15.87
Diluted profit per share (in EUR)		15.23	15.87

* See note 28 Alternative performance measures (APMs) for the reconciliation from EBITDA (including EUR 489 million income from sale of Flying Blue) to adjusted EBITDA of EUR 1,572 million positive (2022: EUR 1,678 million positive) and adjusted income from operating activities of EUR 650 million positive (2022: EUR 706 million positive). Also see the Alternative performance measures section in the Notes to the consolidated financial statements.

Income from operating activities*	28	**1,139**	**743**
Total APM adjustments income from operating activities	28	(489)	(37)
Adjusted income from operating activities (as per AIR FRANCE KLM Group reporting)	28	**650**	**706**

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

Consolidated statement of profit or loss and other comprehensive income

In EUR million	2023	2022
Profit for the year	**714**	**744**
Cash flow hedges		
Effective portion of changes in fair value of cash flow hedges recognised directly in OCI	(26)	(560)
Change in fair value transferred to profit or loss	(54)	468
Exchange differences on translation foreign operations	1	(3)
Tax on items of comprehensive income that will be reclassified to profit or loss	21	24
Total of other comprehensive income/(expense) that will be reclassified to profit or loss	**(58)**	**(71)**
Remeasurement of defined benefit pension plans	-	166
Fair value of equity instruments revalued through OCI	(2)	3
Tax on items of comprehensive income that will not be reclassified to profit or loss	(1)	(42)
Total of other comprehensive income that will not be reclassified to profit or loss	**(3)**	**127**
TOTAL OF OTHER COMPREHENSIVE (EXPENSE)/INCOME AFTER TAX	**(61)**	**56**
Recognised income and expenses	**653**	**800**
Equity holders of the company	652	799
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 EUR million	Share capital	Share premium	Reserves	Retained earnings	Result for the year	Total	Non-controlling interests	Total equity
As at January 1, 2023	**125**	**474**	**473**	**(1,683)**	**743**	**132**	**4**	**136**
Transfer to retained earnings	-	-	-	743	(743)	-	-	-
Fair value related to AIR FRANCE KLM S.A. Employee Share Purchase Plan	-	-	8	-	-	8	-	8
Contributions	**-**	**-**	**8**	**743**	**(743)**	**8**	**-**	**8**
Net gain/(loss) from cash flow hedges	-	-	(80)	-	-	(80)	-	(80)
Fair value of equity instruments revalued through OCI	-	-	(2)	-	-	(2)	-	(2)
Exchange differences on translation foreign operations	-	-	1	-	-	1	-	1
Remeasurement of defined benefit pension plans	-	-	-	-	-	-	-	-
Transfer to/(from) retained earnings	-	-	32	(32)	-	-	-	-
Deferred tax on items taken directly to or transferred from equity	-	-	20	-	-	20	-	20
Net income/(expense) recognised directly in OCI	**-**	**-**	**(29)**	**(32)**	**-**	**(61)**	**-**	**(61)**
Profit for the year	-	-	-	-	713	713	1	714
Movement recognised income/(expenses)	**-**	**-**	**(29)**	**(32)**	**713**	**652**	**1**	**653**
Dividends paid	-	-	-	-	-	-	-	-
As at December 31, 2023	**125**	**474**	**452**	**(972)**	**713**	**792**	**5**	**797**

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

Attributable to Company's equity holders								
In EUR million	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 OCI	**-**	**-**	**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**

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

Consolidated cash flow statement

In EUR million	Note	2023	2022 Restated
Profit for the year		714	744
Adjustments for:			
Depreciation, amortisation and impairment	27	979	983
Changes in provisions	27	2	(11)
Results of equity shareholdings		(5)	-
Changes in pensions		(3)	(4)
Changes in deferred tax	30	189	(344)
Other changes	28	(526)	76
Net cash flow from operating activities before changes in working capital		**1,350**	**1,444**
Changes in:			
(Increase) / decrease in inventories		(76)	(46)
(Increase) / decrease in trade receivables		(158)	(82)
Increase / (decrease) in advances ticket sales		17	421
Increase / (decrease) in trade payables		(21)	300
(Increase) / decrease in other receivables and other payables		10	377
Change in working capital requirement		**(228)**	**970**
Net cash flow from operating activities		**1,122**	**2,414**
Purchase of intangible fixed assets	3	(97)	(80)
Purchase of aircraft	1	(897)	(513)
Proceeds on disposal of aircraft		25	28
Purchase of other tangible fixed assets	1	(92)	(52)
Proceeds on disposal of other (in-)tangible fixed assets	26/27	554	37
Investments in equity accounted investees		(1)	(2)
Dividends received		1	-
Proceeds on short-term deposits and commercial paper		(44)	76
Net cash flow used in investing activities		**(551)**	**(506)**

In EUR million	Note	2023	2022 Restated
Proceeds from long-term debt	14	401	649
Repayment on long-term debt	14	(451)	(1,315)
Payments on lease debt	14	(275)	(290)
Proceeds from long-term receivables		(283)	(279)
Repayment on long-term receivables		117	30
Net cash flow used in financing activities		**(491)**	**(1,205)**
Effect of exchange rates on cash and cash equivalents		(10)	11
CHANGE IN CASH AND CASH EQUIVALENTS		**70**	**714**
Cash and cash equivalents at beginning of period		1,533	819
Cash and cash equivalents at end of period*	9	1,603	1,533
CHANGE IN CASH AND CASH EQUIVALENTS		**70**	**714**
Interest paid (flow included in operating activities)		(214)	(177)
Interest received (flow included in operating activities)		61	16

* 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 2,663 million as at December 31, 2023 (December 31, 2022 EUR 2,395 million).

In EUR million	2023	2022 Restated
Net cash flow from operating activities	1,122	2,414
Net cash flow used in investing activities (excluding investments in and proceeds on sale of equity accounted investees, dividends received and proceeds of short-term deposits and commercial paper)	(507)	(580)
Free cash flow	**615**	**1,834**
Payments on lease debt	(275)	(290)
Adjusted free cash flow**	**340**	**1,544**

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

The accompanying notes are an integral part of these 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 Group website. 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 28, 2024 and will be submitted for approval to the Annual General Meeting (AGM) of shareholders in April, 2024.

Subsequent events

Evolution in the commercial cooperation between air cargo between AIR FRANCE KLM and CMA CGM

AIR FRANCE KLM and CMA CGM have decided to terminate the agreements signed in May 2022 with effect from March 31, 2024 as the tight regulatory environment in certain important markets has prevented the cooperation from working in an optimal way. This termination has no impact on KLM and Martinair as per December 31, 2023.

Parties have begun discussions on new terms and conditions of a commercial relation to operate independently from March 31, 2024.

Sale of KLM Equipment Services B.V.

On February 1, 2024 the Company sold its 100% subsidiary KLM Equipment Services B.V. to a third party, TCR international N.V., Belgium (TCR). Under the agreement, KLM will become a TCR customer for the maintenance and lease of ground operations equipment at Schiphol, while TCR will be responsible for investment in ground operations equipment. The sale has no material impact on the Groups' revenue and/or balance sheet.

Assessment of going concern

As per the date of this 2023 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 and business outlook the Board of Managing Directors concludes that there are no triggers that might impair the going concern assumption and as such the going concern assumption is applied.

Sustainability development and climate

Climate change is a major concern for the air transport industry, and for the AIR FRANCE KLM Group, of which the Company is a subsidiary, in particular. Attitudes towards the acceptability of air transport growth are evolving both at the political level and in society at large. The Netherlands have implemented policies aimed at ensuring the transition to a carbon-neutral society by 2050, in line with the European Unions strategy in this domain, reflected in the commitments made by the Company to the Dutch Government.

The Company, in close cooperation with the AIR FRANCE KLM Group, intends to be a key player in the transformation of its sector of activity, and aims to take a leading role and influence.

Playing an active role in advancing the ambition of Net Zero emissions by 2050 as an industry, and committing to science-based targets in line with the SBTi criteria approved in November 2022, is a strong marker for the Company, reflecting people's changing perception of travel and calls for a more responsible use of aviation. The Groups environmental efforts are summarized in a Climate Action Plan, with the objective of reducing CO_2 emissions per RTK by 30% in 2030 compared to 2019, in particular by progressively incorporating sustainable aviation fuel (SAF) and investing in the renewal of the Group's fleet with new generation aircraft emitting up to 25% less CO_2.

The AIR FRANCE KLM Group assesses its extra-financial performance on a regular basis, through Standard and Poor's (S&P), CSA, CDP and Ecovadis.

The Groups financial statements integrate climate change and sustainability issues in various items as described below.

Valuation of assets and consideration of environmental risks and commitments

The impact of climate change in the short to medium term has been taken into account in preparing the Groups financial statements for the year ending December 31, 2023. In order to identify the physical and transitional climate-related risks to which the Group is exposed, a climate scenario analysis was carried out. However, the physical risks identified in this way were not considered likely to have a significant impact on operational continuity, given the Groups balanced network between the different continents and the flexibility of its fleet, which minimizes the economic consequences of extreme weather events.

The impacts of expected or probable regulatory changes, notably the rising cost of carbon credits and CO_2 offsetting under European (EU-ETS) and international (CORSIA) mechanisms, the increasing trajectory of SAF incorporation, and the Groups ability to pass on additional costs in ticket prices, as well as investments and depreciation linked to the fleet renewal plan, in line with the CO_2 emission reduction targets validated by SBTi, are included in the Groups five-year plan and consequently in the assumptions used to test the recoverable value of assets.

In 2023, the Groups environmental objectives have not led to the recognition of any impairment or accelerated depreciation of assets.

Sustainable investments and financings

The Group has committed to reduce its CO_2 emissions per RTK by 30% by 2030 compared to 2019. Currently, one of the most impactful ways to reduce the carbon footprint is to invest in a more fuel-efficient fleet. The Group is focusing on simplifying and rationalizing its fleet to make it more competitive. The Groups transformation is therefore continuing with the phase in of more modern, high-performance aircraft with a significantly lower environmental impact and a reduced noise footprint.

Pursuing its fleet renewal plan, the Group will continue to receive new generation aircraft over the next few years.

The decarbonization of the Groups activities is also reflected in investments in materials and equipment designed to reduce its environmental footprint. In order to adapt its business to climate change and in particular to achieve the objective of Net Zero emissions for ground operations by 2030, the Group is pursuing a sustainable investment policy and is notably investing in fully electric ramp equipment (vehicles, tractors and loading equipment) and the energy renovation of its buildings.

In April 2023, the Company signed an ESG KPI-Linked Revolving Credit Facilities (“RCF”) with a pool of international financial institutions, for a total amount of EUR 1 billion. This RCF includes a financing cost margin adjustment mechanism (upward or downward) conditional to the independent achievement of these dedicated Indicators (among others, reduction of the unit CO_2 emission and increase of the share of SAF).

Sustainable Aviation Fuel (SAF)

As part of its decarbonization objectives, the Group has developed a progressive and proactive SAF purchasing policy, aiming to incorporate at least 10% SAF by 2030, above and beyond its regulatory obligations.

To cover the additional costs incurred by SAF purchases, the Group introduced a specific surcharge on tickets departing from the Netherlands as from January 1, 2022. In addition, voluntary contribution mechanisms enable the Groups customers to contribute financially to the supply and use of SAF beyond the regulatory incorporation.

In order to secure its purchases of SAF and thus achieve the joint AIR FRANCE KLM Groups decarbonization objectives, in particular through the incorporation of at least 10% SAF by 2030, AIR FRANCE KLM Group signed two contracts in October 2022 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 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.

Emission allowances

Since January 1, 2012, airlines have been subject to the Emission Trading Scheme (EU-ETS) regulations for all flights to or from the European Economic Area. As such, the Group must purchase CO_2 allowances, in addition to the free allowances, to offset its emissions.

The Group accounts for these CO_2 quotas as intangible assets (non-amortizable) in the line Other (non) current assets (see note 5) and the chapter Restatement of 2022 financial statements in this section. To meet its obligation to surrender the allowances corresponding to its emissions, the Company recorded expenses (see note 24 External expenses).

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, 2023. 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. In addition, where possible, alignment has been strived with the external reporting of its ultimate parent company, AIR FRANCE KLM S.A. All amounts (unless specified otherwise) are stated in millions of Euros (EUR million).

Material accounting policies

The consolidated financial statements are prepared on historical cost basis unless stated otherwise. The material 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.

Restatement of 2022 financial statements

Since January 1, 2012, airlines have been subject to the Emission Trading Scheme (ETS) regulations for all flights to or from the European Economic Area.

Until December 31, 2022 the Group, in the absence of an IFRS standard or interpretation regarding ETS accounting, applied the intangible assets approach to account for emission certificates:

- on the assets side, free CO_2 quotas allocated by the State and the ones purchased on the market to compensate emissions as unamortized intangible assets. Their acquisition was disclosed in the investing activities of the consolidated cash flow statement;
- in the consolidated statement of profit or loss, an expense to cover its obligation to surrender rights corresponding to its emissions of the period within the “Other income and expenses” of the consolidated statement of profit or loss. This non-monetary expense was shown as “other changes” in the cash flow statement without impacting operating cash flows; and
- on the liabilities side, a provision to cover the cost of quotas to be surrendered in respect of emissions made at the closing date.

As from January 1, 2023 and in the absence of IFRS standards or interpretations governing ETS accounting and considering CO_2 quotas as an operating expense linked to fuel expenses, the Group considers that the operating cash flow is the most representative of this outflow. The Group, in conjunction with AIR FRANCE KLM Group, therefore decided to adjust its accounting treatment as described below:

- free CO_2 quotas allocated by the State and the ones purchased on the market recognised as intangible assets will now be disclosed in the lines “other (non-current) assets” of the consolidated balance sheet and as an operating cash flow in the consolidated cash flow statement;
- the expense corresponding to the obligation to surrender quotas of the period will be integrated in the “external expenses” of the consolidated statement of profit or loss; and
- the obligation to surrender rights valued at acquisition cost for acquired rights - including free quotas - and at market price for rights not yet acquired remains a provision on the liability side.

This change has been applied retrospectively to the financial information disclosed in the prior periods in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

The impacts on the comparative periods for the impacted items of the primary financial statements are presented below:

Impact on the consolidated balance sheet

Balance sheet as of December 31, 2022 In EUR million	Note	Published accounts	Change in accounting treatment	Restated accounts
Intangible assets	3	543	(95)	448
Other non current assets	5	165	30	195
Other current assets	5	139	65	204

Impact on the company balance sheet

Balance sheet as of December 31, 2022 In EUR million	Note	Published accounts	Change in accounting treatment	Restated accounts
Intangible assets		499	(82)	417
Other non current assets	5	164	25	189
Other current assets	5	179	57	236

Impact on the consolidated statement of profit or loss

Period from January 1 to December 31, 2022 In EUR million	Note	Published accounts	Change in accounting treatment	Restated accounts
External expenses	24	(6,232)	(78)	(6,310)
Other income and expenses	26	180	78	258

Impact on the consolidated cash flow statement

Period from January 1 to December 31, 2022 In EUR million	Note	Published accounts	Change in accounting treatment	Restated accounts
Other changes		154	(78)	76
Net cash flow from operation activities before changes in working capital		**1,522**	**(78)**	**1,444**
(Increase) / decrease in other receivables and other payables		780	18	798
Change in working capital requirement		**952**	**18**	**970**
Net cash flow from operating activities		**2,474**	**(60)**	**2,414**
Purchase of intangible fixed assets		(140)	60	(80)
Net cash flow used in investing activities		**(566)**	**60**	**(506)**

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 “material” accounting policies rather than “significant” accounting policies. Information on the accounting policies are material if, when you consider it in conjunction with other information in the financial statements of the entity, we can reasonably expect it will influence the decisions the mains users of general purpose of the financial statements will take based on these financial statements. The Group carried out a review of the financial statements to ensure that the material accounting policies are correctly presented.
- 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”.
- Amendments to IAS 12 “Deferred tax assets”. These amendments relate to deferred tax assets and liabilities resulting from the same transaction.
- OECD Pillar Two model rules. The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the Netherlands and has come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendment to IAS 12 issued in May 2023. The Group is currently evaluating how the legislation will apply to its operations and expects OECD guidelines specific to the international air transport industry.

In this regard, the Group does not expect to be significantly exposed to top-up tax expenses.

All amendments which are applicable on a mandatory basis to the 2023 financial statements, which are not mentioned in this paragraph are considered as not applicable or without significant impact on the Group's financial statements as of December 31, 2023.

IFRS standards applicable in the future

The impact of the application of standards an applications respectively published by IASB (International Accounting Standards Board) and IFRS IC (Interpretation Committee) not yet effective as of December 31, 2023 are expected to be non significant.

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:

› Income from sale of Flying Blue;
› Restructuring costs;
› Infrequent elements such as modification or 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 (intangible) assets;
› Impairment of assets;
› Accelerated aircraft phase-out;
› 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 investments in and proceeds on sale of equity accounted investees, dividends received, proceeds on short-term deposits and commercial paper and net cash flow from 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 without significant penalty. 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 recycled from equity and 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 EUR	Balance Sheet December 31, 2023	Average in Statement of profit or loss 2023	Balance Sheet December 31, 2022
1 US dollar (USD)	0.90	0.92	0.94
1 Pound sterling (GBP)	1.15	1.15	1.13
1 Swiss franc (CHF)	1.08	1.03	1.02
100 Japanese yen (JPY)	0.64	0.66	0.71
100 Kenya shilling (KES)	0.59	0.67	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	20 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 from equity and recorded as part of 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 seller-lessee shall continue to recognise the transferred asset on its balance sheet and recognises a financial liability equal to the transfer proceeds.

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 as 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 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 of 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 Emission Trading Scheme (ETS).

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 that can be withdrawn at any time from the bank without a penalty 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
AIR FRANCE KLM has a common frequent flyer program “Flying Blue”. This program allows members to acquire “miles” as they fly with KLM, AIR FRANCE or with other partner companies, such as credit card companies, hotel chains and car rental firms. These miles entitle members to a variety of benefits such as discounts on and free flights with the two airlines.

In 2023, AIR FRANCE KLM Group created a new company for its Flying Blue program, Flying Blue Miles S.A.S, in France (FBM). KLM sold its Flying Blue activities to this new sister company within the AIR FRANCE KLM Group for an amount of EUR 489 million (reference is made to note 28 APMs). AIR FRANCE also sold its Flying Blue activities to FBM.

As from December 1, 2023 all Flying Blue activities are recorded at FBM, being the exclusive issuer of miles (earn) for the AIR FRANCE KLM Group and partner companies. KLM still has a deferred income in its balance sheet (reference is made to note 16 Deferred income). Going forward this deferred income will be settled with FBM, when Flying Blue members use these miles for qualifying flights (for which FBM buys tickets from KLM) and/ or at partner companies. This will be the case until this deferred income is nil at KLMs balance sheet.

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 offset 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 the fiscal reinvestment reserve, 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 statement of 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). As from January 1, 2023 and in the absence of IFRS standards or interpretations governing ETS accounting, the Group considers ETS quotas as an operating expense linked to fuel expenses, the Group considers that the operating cash flow is the most representative of this outflow. ETS expenses are based on the weighted average cost of purchased carbon quotas.

For more details reference is made to the paragraph “Restatement of 2022 financial statements” in these Notes to the consolidated financial statements.

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 fulfilment 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).

NOW 1 through 5 were finalised in previous years. In 2023 the remaining required separate audit for NOW 6 has been finalised and filed at the Dutch Employee Insurance Agency (UWV). As per December 31, 2023 all amounts related to all NOW periods have been settled.

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.

As per December 31, 2023 no impairment triggers have been 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 weighted average cost of capital (WACC) before and after tax. This stood at 7.0% before tax and 5.2% after tax as at December 31, 2023 (December 31, 2023 7.7% before tax and 5.7% after tax).

Moreover, cash flow projections used in the impairment tests are based on the 2024 Budget and five-year forecast plan, presented by the Board of Managing Directors to the Supervisory Board in December 2023. Cash flows extrapolated beyond the five-year period are projected to increase based on a long-term growth rate of 1%.

At December 31, 2023 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.

Valuation of Network revenues
The valuation of revenues from air transport transactions, which consist of passenger and freight transportation, on tickets issued and unused. Reference is made to the "Accounting policies for the statement of profit or loss, paragraph "Revenues Network".

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, fleet investments, 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 exceeds 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 currency hedge progressively their net exposure over a rolling 24-month period.

Aircraft are often 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 six quarters rolling;
- Maximum hedge percentage, to reach at the end of the current quarter:
  Quarter underway: 70% of the volumes consumed;
  Quarter 1 and 2: 70% of the volumes consumed;
  Quarter 3: 55% of the volumes consumed;
  Quarter 4: 40% of the volumes consumed;
  Quarter 5: 25% of the volumes consumed; and
  Quarter 6: 10% 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, 2023.

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 rating agencies such as Standard & Poor’s and Moody’s Investors Service.

As of December 31, 2023, KLM identified the following exposure to counterparty risk:

LT Rating (Standard & Poor’s)	Total exposure in EUR millions
AAA	908
AA+	150
AA-	97
A+	660
A	743
Total	**2,558**

At December 31, 2023, 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, amongst 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.

1. Property, plant and equipment

In EUR million	Flight equipment: Owned aircraft	Flight equipment: Other flight equipment	Flight equipment: Total	Other property and equipment: Land and buildings	Other property and equipment: Equipment and fittings	Other property and equipment: Other property and equipment	Other property and equipment: Total	Prepayments	Total
Historical cost									
As at January 1, 2023	**4,968**	**2,773**	**7,741**	**774**	**289**	**345**	**1,408**	**463**	**9,612**
Additions	-	160	160	-	1	1	2	835	997
Disposals	(18)	(207)	(225)	(61)	(44)	(5)	(110)	-	(335)
Reclassifications	206	266	472	25	1	23	49	(693)	(172)
Other movements	-	-	-	4	-	-	4	139	143
As at December 31, 2023	**5,156**	**2,992**	**8,148**	**742**	**247**	**364**	**1,353**	**744**	**10,245**
Accumulated depreciation and impairment									
As at January 1, 2023	**2,556**	**1,226**	**3,782**	**440**	**214**	**237**	**891**	**(78)**	**4,595**
Depreciation	219	242	461	32	11	24	67	-	528
Disposals	-	(204)	(204)	(51)	(43)	(6)	(100)	-	(304)
Reclassifications	-	59	59	4	(6)	2	-	(59)	-
Other movements	-	-	-	1	-	-	1	137	138
As at December 31, 2023	**2,775**	**1,323**	**4,098**	**426**	**176**	**257**	**859**	**-**	**4,957**
Net carrying amount									
As at January 1, 2023	**2,412**	**1,547**	**3,959**	**334**	**75**	**108**	**517**	**541**	**5,017**
As at December 31, 2023	**2,381**	**1,669**	**4,050**	**316**	**71**	**107**	**494**	**744**	**5,288**

	Flight equipment			Other property and equipment					
In EUR million	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, 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 December 31, 2022	**4,968**	**2,773**	**7,741**	**774**	**289**	**345**	**1,408**	**463**	**9,612**
Accumulated depreciation and impairment									
As at January 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 December 31, 2022	**2,556**	**1,226**	**3,782**	**440**	**214**	**237**	**891**	**(78)**	**4,595**
Net carrying amount									
As at January 1, 2022	**2,568**	**1,473**	**4,041**	**350**	**83**	**116**	**549**	**505**	**5,095**
As at December 31, 2022	**2,412**	**1,547**	**3,959**	**334**	**75**	**108**	**517**	**541**	**5,017**

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

In EUR million	2023	2022
Aircraft	88	93
Land and buildings	111	130
Other property and equipment	35	38
Total	**234**	**261**

Borrowing cost capitalised during the year amounts to EUR 16 million (2022 EUR 7 million). The interest rate used to determine the amount of borrowing cost to be capitalised was 3.76% (2022 3.80%).

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, 2023 amounts to EUR 198 million (December 31, 2022 EUR 220 million).

2. Right-of-use assets

In EUR million	Aircraft	Maintenance	Land & Real Estate	Others	Total
Net value					
As at January 1, 2023	**840**	**601**	**136**	**29**	**1,606**
New contracts	181	62	3	26	272
Renewal or extension options	113	(29)	13	5	102
Disposals	-	(48)	-	-	(48)
Reclassifications	(4)	162	-	-	158
Depreciation	(221)	(133)	(19)	(14)	(387)
Other movements	-	-	-	-	-
As at December 31, 2023	**909**	**615**	**133**	**46**	**1,703**

In EUR million	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**

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:

In EUR million	2023	2022
Variable rents	5	4
Short-term rents	108	60
Low value rents	3	3
Total	**116**	**67**

3. Intangible assets

In EUR million	Goodwill	Software	Software under development	Total
Historical cost				
As at January 1, 2023	**47**	**743**	**166**	**956**
Additions	–	–	97	97
Reclassification	–	60	(62)	(2)
Disposals	–	(25)	(4)	(29)
Others	–	–	–	–
As at December 31, 2023	**47**	**778**	**197**	**1,022**
Accumulated amortisation and impairment				
As at January 1, 2023	**31**	**477**	**–**	**508**
Amortisation	–	64	–	64
Disposals	–	(25)	–	(25)
Others	–	–	–	–
As at December 31, 2023	**31**	**516**	**–**	**547**
Net carrying amount				
As at January 1, 2023	**16**	**266**	**166**	**448**
As at December 31, 2023	**16**	**262**	**197**	**475**

In EUR million	Goodwill	Software	Software under development	Other	Total
Historical cost					
As at January 1, 2022 Restated	**47**	**650**	**190**	**-**	**887**
Additions	-	2	79	-	81
Reclassification	-	95	(95)	-	-
Disposals	-	(4)	(4)	-	(8)
Others	-	-	(4)	-	(4)
As at December 31, 2022 Restated	**47**	**743**	**166**	**-**	**956**
Accumulated amortisation and impairment					
As at January 1, 2022 Restated	**31**	**400**	**-**	**-**	**431**
Amortisation	-	80	-	-	80
Disposals	-	(3)	-	-	(3)
Others	-	-	-	-	-
As at December 31, 2022 Restated	**31**	**477**	**-**	**-**	**508**
Net carrying amount					
As at January 1, 2022 Restated	**16**	**250**	**190**	**-**	**456**
As at December 31, 2022 Restated	**16**	**266**	**166**	**-**	**448**

Main part of the software and software under development relates to internally developed software. As at December 31, 2023, software additions mainly relate to commercial, operational and aircraft maintenance systems.

Other fully related to Emission Trading Scheme (ETS) quotas purchased on the market, which were accounted as intangible assets at acquisition cost until December 31, 2022. These intangible assets were not amortised. As from January 1, 2023 these ETS quotas have been restated to other (non-current) assets (see note 5). Reference is made to the paragraph “Restatement of 2022 financial statements” in these Notes to the consolidated financial statements.

4. Investments accounted for using the equity method

In EUR million	2023	2022
Associates	14	9
Jointly controlled entities	8	8
Carrying amount	**22**	**17**

Investments in associates

In EUR million	2023	2022
Carrying amount as at January 1	**9**	**9**
Movements		
Investments	-	-
Share of profit after taxation	5	-
Net movement	**5**	**-**
Carrying amount as at December 31	**14**	**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:

In EUR million	2023	2022
Country of incorporation	-	-
Percentage of interest held	53%	53%
Percentage of voting right	45%	45%
Non-current assets	6	5
Current assets	10	11
Profit after taxation	-	-
Share of profit after taxation	**-**	**-**

The Group did not receive dividend in 2023 and 2022 from Schiphol Logistics Park C.V.

5. Other (non-current) assets and liabilities

	Assets		Liabilities	
In EUR million	Current	Non-current	Current	Non-current
Exchange rate risk				
Fair value hedges	24	–	(8)	(4)
Cash flow hedges	11	–	(23)	(13)
Items not qualifying for hedge accounting	1	–	(1)	–
Total exchange rate risk hedges	**36**	**-**	**(32)**	**(17)**
Interest rate risk				
Fair value hedges	–	–	–	–
Cash flow hedges	2	13	–	(3)
Items not qualifying for hedge accounting	1	–	–	–
Total interest rate risk hedges	**3**	**13**	**-**	**(3)**
Commodity risk hedges				
Cash flow hedges	14	–	(37)	(1)
Items not qualifying for hedge accounting	–	–	–	–
Total commodity risk hedges	**14**	**-**	**(37)**	**(1)**
Total derivative financial instruments	**53**	**13**	**(69)**	**(21)**
Others	152	139	(5)	(984)
Total as at December 31, 2023	**205**	**152**	**(74)**	**(1,005)**

In EUR million	Assets (restated) Current	Assets (restated) 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	79	112	(4)	(1,269)
Total as at December 31, 2022	**204**	**195**	**(56)**	**(1,283)**

Others mainly includes current and non-current CO_2 quotas purchased on the market, which were accounted as intangible assets at acquisition cost until December 31, 2022 (see note 3). As from January 1, 2023 these CO_2 quotas have been restated to other (non-current) assets . Reference is made to the paragraph “Restatement of 2022 financial statements” in these Notes to the consolidated financial statements. These CO_2 quotas are not amortised.

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, 2023 the types of derivatives used, their nominal amounts and fair values are as follows:

In EUR million	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	1,255	833	391	31	–	–	–	6
Forward sales								
USD	655	655	–	–	–	–	–	6
Total fair value hedges	**1,910**	**1,488**	**391**	**31**	**–**	**–**	**–**	**12**
Cash flow hedges								
Options								
CHF	–	–	–	–	–	–	–	–
GBP	–	–	–	–	–	–	–	–
Forward purchases								
USD	1,460	914	546	–	–	–	–	(22)
GBP	–	–	–	–	–	–	–	–
Forward sales								
CAD	–	–	–	–	–	–	–	–
GBP	392	229	163	–	–	–	–	(3)
JPY	–	–	–	–	–	–	–	–
SGD	–	–	–	–	–	–	–	–
USD	37	37	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total cash flow hedges	**1,889**	**1,180**	**709**	**–**	**–**	**–**	**–**	**(25)**
Items not qualifying for hedge accounting								
Forward purchases								
GBP	–	–	–	–	–	–	–	–
JPY	21	21	–	–	–	–	–	–
USD	98	62	36	–	–	–	–	–
Forward sales								
USD	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total items not qualifying for hedge accounting	**119**	**83**	**36**	**–**	**–**	**–**	**–**	**–**
Total exchange rate risk derivatives	**3,918**	**2,751**	**1,136**	**31**	**–**	**–**	**–**	**(13)**

The total fair value hedges of EUR 12 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 13 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 5 million negative and are recorded in other comprehensive Income.

The total cash flow hedges of EUR 25 million negative relates to exchange rate hedging on operational exposures. The cash flow hedge reserve relating to the outstanding hedges amounts to EUR 25 million. An amount of EUR nil million is included in the cash flow hedge reserve relating to hedges that are unwound in 2023 (2022: EUR nil 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.

	As at December 31, 2023							
In EUR million	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	924	333	336	100	112	11	32	12
Total cash flow hedges	**924**	**333**	**336**	**100**	**112**	**11**	**32**	**12**
Items not qualifying for hedge accounting								
Swaps	44	12	21	11	–	–	–	1
Total items not qualifying for hedge accounting	**44**	**12**	**21**	**11**	**-**	**-**	**-**	**1**
Total interest rate risk derivatives	**968**	**345**	**357**	**111**	**112**	**11**	**32**	**13**

The total cash flow hedges of EUR 12 million positive relates to interest rate hedging on borrowings. The cash flow hedge reserve relating to the outstanding hedges amounts to EUR 9 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, 2023 are shown below:

In EUR million	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	261	251	10	-	-	-	-	(19)
Options	595	595	-	-	-	-	-	(5)
Total cash flow hedges	**856**	**846**	**10**	**-**	**-**	**-**	**-**	**(24)**
Items not qualifying for hedge accounting								
Swaps	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
Total items not qualifying for hedge accounting	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total commodity risk derivatives	**856**	**846**	**10**	**-**	**-**	**-**	**-**	**(24)**

The total cash flow hedges of EUR 24 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 23 million. The related costs of hedging amount to EUR 18 million positive and are recorded in other comprehensive income.

Valuation methods for financial assets and liabilities at their fair value

As at December 31, 2023, the breakdown of the Group's financial assets and derivative instruments, based on the three classification levels, is as follows:

In EUR million	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Shares	10	24	-	34
Assets at fair value through profit or loss				
Deposits and liquidity funds	-	1,540	-	1,540
Marketable securities	964	54	-	1,018
Derivatives instruments (asset and liability)				
Currency exchange derivatives	-	(13)	-	(13)
Interest rate derivatives	-	13	-	13
Commodity derivatives	-	(24)	-	(24)

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, 2023.

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:

In EUR million	December 31, 2023		December 31, 2022	
	Increase of 10 USD	Decrease of 10 USD	Increase of 10 USD	Decrease of 10 USD
Income before tax	-	-	-	-
Reserves	89	(90)	66	(65)

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:

In EUR million	Monetary Assets		Monetary Liabilities	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
USD	653	657	551	619
JPY	-	-	151	168
CHF	-	-	416	391
GBP	45	-	-	-

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:

In EUR million	USD		JPY		GBP	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Income before tax	(10)	(3)	12	13	(4)	-
Reserves	(126)	(137)	-	-	35	21

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 2023 (EUR nil million for 2022).

Others
Other (non-current) assets in 2022 and 2023 mainly relates to CO_2 quotas purchased on the market.

Other (non-current) liabilities in 2023 and 2022 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, 2022, the Group pays the related deferred payments over a period of 60 months. As per December 31, 2023 the related undiscounted non-current deferred payments amount to EUR 835 million (December 31, 2022 EUR 1,115 million). As per December 31, 2023 the current deferred payments amount to EUR 282 million (December 31, 2022 EUR 285 million) and is included in note 20 in the line Taxes and social security payments.

6. Other (non-current) financial assets

In EUR million	Debt investments at amortised cost 2023	Debt investments at amortised cost 2022	At fair value through profit or loss 2023	At fair value through profit or loss 2022	At fair value through OCI 2023	At fair value through OCI 2022	Total 2023	Total 2022
Carrying amount as at January 1	**829**	**543**	**83**	**158**	**34**	**31**	**946**	**732**
Movements								
Additions and loans granted	278	274	8	-	1	2	287	276
Loans and interest repaid	(115)	(28)	(2)	(74)	-	-	(117)	(102)
Interest accretion	21	15	-	-	-	-	21	15
Foreign currency translation differences	(20)	26	-	-	-	-	(20)	26
Other movements	(3)	(1)	39	(1)	(1)	1	35	(1)
Net movement	**161**	**286**	**45**	**(75)**	**-**	**3**	**206**	**214**
Carrying amount as at December 31	**990**	**829**	**128**	**83**	**34**	**34**	**1,152**	**946**

In EUR million	December 31, 2023 Current	December 31, 2023 Non-current	December 31, 2022 Current	December 31, 2022 Non-current
Debt investments at amortised cost				
Bonds, long-term deposits, other loans and receivables	158	832	115	714
At fair value through profit or loss				
Deposits and commercial paper with original maturity 3-12 months	94	-	50	-
Deposits on operating leased aircraft	2	30	2	30
AIR FRANCE KLM S.A. shares	-	2	-	1
	96	**32**	**52**	**31**
At fair value through OCI				
Kenya Airways Ltd. shares	-	10	-	13
Other non-consolidated entities	-	24	-	21
	-	**34**	**-**	34
Carrying amount as at December 31	**254**	**898**	**167**	**779**

Deposits on operating leased aircraft are not interest bearing.

The Group's stake in Kenya Airways Ltd. is 7.76% as at December 31, 2023 (December 31, 2022 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,	
In EUR million	2023	2022
USD	667	657
GBP	45	-
Kenyan shilling	10	13
Total	**722**	**670**

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, 2023		December 31, 2022	
In %	EUR	USD	EUR	USD
Debt investments at amortised cost	1.7	2.7	0.1	2.1

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 209 million (December 31, 2022 EUR 224 million) is restricted.

The maturities of debt investments are as follows:

	As at December 31,	
In EUR million	2023	2022
Debt investments at amortised cost		
Less than 1 year	158	114
Between 1 and 2 years	161	186
Between 2 and 3 years	332	128
Between 3 and 4 years	123	95
Between 4 and 5 years	28	123
Over 5 years	188	183
Total	**990**	**829**

The fair values of the financial assets are as follows:

	As at December 31,	
In EUR million	2023	2022
Debt investments at amortised cost		
Bonds, long-term deposits, loans and receivables	990	829
At fair value through profit or loss		
Restricted deposit EU Cargo claim	54	50
Deposits	40	-
Deposits on operating leased aircraft	32	32
AIR FRANCE KLM S.A. shares	2	1
	128	83
At fair value through OCI		
Kenya Airways Ltd. shares	10	13
Other non-consolidated entities	24	21
	34	34
Total fair value	**1,152**	**946**

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, 2023 and December 31, 2022;
- AIR FRANCE KLM S.A. shares: Quoted price as at close of business on December 31, 2023 and December 31, 2022;
- 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,	
In EUR million	2023	2022
Less than 1 year	253	164
Between 1 and 2 years	161	186
Between 2 and 3 years	332	128
Between 3 and 4 years	123	95
Between 4 and 5 years	28	123
Over 5 years	188	183
Total interest bearing financial assets	**1,085**	**879**

7. Inventories

	As at December 31,	
In EUR million	2023	2022
Carrying amount		
Maintenance inventories	314	269
Allowance for obsolete inventories	(86)	(88)
Maintenance inventories - net	**228**	**181**
Other sundry inventories (among others fuel)	104	74
Total	**332**	**255**

8. Trade and other receivables

In EUR million	2023	2022
Trade receivables	784	615
Expected credit loss	(64)	(77)
Trade receivables - net	**720**	**538**
Amounts due from:		
– AIR FRANCE KLM group companies	110	102
– Maintenance contract customers	103	101
Taxes and social security premiums	48	31
Other receivables	76	191
Prepaid expenses	231	242
Total	**1,288**	**1,205**

In EUR million	As at December 31, 2023	2022
< 90 days	671	458
90-180 days	16	22
180-360 days	15	9
> 360 days	18	49
Total trade receivables	**720**	**538**

In 2023 an EUR 10 million decrease (December 31, 2022 EUR 9 million increase) of provision trade receivables has been recorded in other income and expenses in the Consolidated statement of profit or loss.

Maintenance contract cost incurred to date for contracts in progress at December 31, 2023 amounted to EUR 103 million (December 31, 2022 EUR 101 million).

Advances received for maintenance contracts in progress at December 31, 2023 amounted to EUR 185 million (December 31, 2022 EUR 158 million).

9. Cash and cash equivalents

In EUR million	**2023**	**2022**
Cash at bank and in hand	103	64
Short-term deposits	1,500	1,469
Total	**1,603**	**1,533**

The effective interest rates on short-term deposits are in the range from 1.52% to 5.62% (2022 range 0% to 4.45%).
The short-term deposits are invested in money market instruments or in liquid funds with daily access to cash.

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

In EUR million	As at December 31, 2023	2022
USD	24	18
GBP	3	2
Other currencies	11	13
Total	**38**	**33**

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, 2023		December 31, 2022	
	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	46,809,698	93,619
B Ordinary shares	1	-	1	-
A Cumulative preference shares	8,812,500	17,625	8,812,500	17,625
C Cumulative preference shares	7,050,000	14,100	7,050,000	14,100
	62,673,511	**125,347**	**62,673,511**	**125,347**

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
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. This since the Board of Managing Directors and/or Supervisory Board, like for the aforementioned priority shares, has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation in line with IAS 32.19.

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, 2023 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

In EUR million	Hedging reserve	Remeasurement of defined benefit pension	Translation reserve	Other reserve	Total
As at January 1, 2023	**19**	**(5)**	**9**	**450**	**473**
Gains/(losses) from cash-flow hedges	(82)	-	-	-	(82)
Exchange differences on translating foreign operations	-	-	1	-	1
Remeasurement of defined benefit pension plans	-	-	-	-	-
Transfer to/ (from) retained earnings	-	-	-	32	32
Fair value related to AIR FRANCE KLM S.A. Employee Share Purchase Plan	-	-	-	8	8
Tax on items taken directly to or transferred from equity	21	(1)	-	-	20
As at December 31, 2023	**(42)**	**(6)**	**10**	**490**	**452**
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**

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.

Following the strong recovery in 2022 and 2023 the Company's equity is positive again, but 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 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.

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 459 million as at December 31, 2023 (December 31, 2022 EUR 433 million) and investments accounted for using the equity method amounting to EUR 22 million as at December 31, 2023 (December 31, 2022 EUR 17 million) as required by Article 365.2 of Book 2 of the Dutch Civil Code.

In October 2023 AIR FRANCE KLM S.A. launched "Partners for the future", an AIR FRANCE KLM Group employee share purchase plan. Eligible employees were able to subscribe at a 30% discounted price with the benefit of a matching contribution from the AIR FRANCE KLM Group. In line with IFRS 2, the related non-cash discount and matching contribution expenses, amounting to EUR 8 million, for KLM Group employees participating in this employee share purchase were recorded as employee compensation and benefit expenses (reference is made to note 25 Employee compensation and benefit expenses) and credited to Other reserves. In December 2023 all participating KLM Group employees paid for the AIR FRANCE KLM shares, which can be traded after December 21, 2028.

12. Financial debt

In EUR million	December 31, 2023 Future minimum lease payment	Future finance charges	Total financial lease liabilities	December 31, 2022 Future minimum lease payment	Future finance charges	Total financial lease liabilities
Lease obligations						
Within 1 year	294	71	223	279	38	241
Total current	**294**	**71**	**223**	**279**	**38**	**241**
Between 1 and 2 years	329	62	267	232	37	195
Between 2 and 3 years	317	53	264	268	32	236
Between 3 and 4 years	306	44	262	264	26	238
Between 4 and 5 years	206	37	169	245	21	224
Over 5 years	873	84	789	765	54	711
Total non-current	**2,031**	**280**	**1,751**	**1,774**	**170**	**1,604**
Total	**2,325**	**351**	**1,974**	**2,053**	**208**	**1,845**

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 3.26% (average fixed rate 1.68%, average floating rate 5.97%). Taking into account the impact of hedging the average interest rate is 3.02% (average fixed rate 2.57%, average floating rate 3.28%). 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, 2023. 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

In EUR million	December 31, 2023 Current	December 31, 2023 Non-current	December 31, 2022 Current	December 31, 2022 Non-current
Lease Debt - Aircraft	231	752	230	730
Lease Debt - Real estate	14	152	15	152
Lease Debt - Others	35	79	28	72
Accrued interest	5	-	5	-
Total	**285**	**983**	**278**	**954**

Change in lease debt:

In EUR million	As at January 1, 2023	New contracts and renewals of contracts	Payment of lease debt	Currency translation adjustment	Other	As at December 31, 2023
Lease Debt - Aircraft	960	294	(226)	(47)	2	983
Lease Debt - Real estate	167	16	(16)	-	(1)	166
Lease Debt - Others	100	50	(33)	(3)	-	114
Accrued interest	5	-	-	-	-	5
Total	**1,232**	**360**	**(275)**	**(50)**	**1**	**1,268**

In EUR million	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**

The lease debt maturity breaks down as follows:

In EUR million	2023	2022
Less than 1 year	354	351
Between 1 and 2 years	299	292
Between 2 and 3 years	240	227
Between 3 and 4 years	185	173
Between 4 and 5 years	119	125
Over 5 years	298	266
Total	**1,495**	**1,434**
Including		
– Principal	1,269	1,232
– Interest	226	202

14. Other financial liabilities

In EUR million	2023	2022
Carrying amount as at Jan 1	**1,000**	**2,028**
Additions and loans received	(13)	93
Loans repaid	(184)	(1,139)
Foreign currency translation differences	7	12
Other changes	15	6
Net movement	**(175)**	**(1,028)**
Carrying amount as at December 31	**825**	**1,000**

The other financial liabilities comprise:

	December 31, 2023		December 31, 2022	
In EUR million	Current	Non-current	Current	Non-current
Subordinated perpetual loans	–	533	–	523
Other loans (secured/unsecured)	197	95	184	293
Total	**197**	**628**	**184**	**816**

The remaining maturity of financial liabilities is as follows:

	As at December 31,	
In EUR million	2023	2022
Less than 1 year	197	184
Between 1 and 2 years	93	196
Between 2 and 3 years	2	97
Between 3 and 4 years	-	-
Between 4 and 5 years	-	-
Over 5 years	533	523
Total	**825**	**1,000**

Cancellation of Dutch State support package

As mentioned in the 2022 Financial statements, from the start of the COVID-19 crisis early 2020, 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 and a direct State loan of EUR 1 billion. 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.

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.

In 2020 and 2021 KLM has drawn amounts under the Dutch State support package. 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 had no drawings under both the revolving credit facility and the direct State loan.

As already mentioned in the 2022 financial statements 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.

2023 new revolving credit facility

On April 17, 2023 KLM agreed a new revolving credit facility of EUR 1 billion with a consortium of 14 Dutch and international banks. The revolving credit facility accommodates to increase the facility to EUR 1.2 billion. At the same date the Dutch State support package was cancelled by KLM. The State Agent reported in his 5th and last monitoring report on compliance with the Dutch State support package that certain conditions were not met. With the cancellation the conditions imposed by the State in 2020 for the State Aid regarding cost reduction, conditions of employment and the involvement of the State Agent as set out in the Dutch State support package ended.

Interest of the new revolving credit facility is based on EURIBOR + margin of 1.70% per annum. At any time an event of default is continuing the margin will be 2.10% per annum.

The tenor of the revolving is 4 years with the option to extend for a maximum period of 2 years. Some financial covenants are applicable:

› Interest Coverage Ratio (ICR), defined as consolidated EBITDA to consolidated net cost of financial debt. The ICR is calculated over a period of 12 months ending on the testing date. The ICR should be greater than 2.5;
› Asset Cover (AS), defined as the ratio of consolidated unsecured assets to consolidated unsecured net debt. The AS calculation should not be between 0 and 1; and
› Guarantee Cover (GC), defined as, that at all times, the aggregate EBITDA, the aggregate revenues and the aggregates gross assets of the Company, (excluding intragroup), exceeds 75 per cent of the the aforementioned KLM Group consolidated parameters.

In addition some Environmental, Social and Governance (‘ESG’) dedicated indicators, related to reduction of the unit CO_2 emission, increase of the share of SAF and increase of females in management positions, are applicable. This results in a financing cost margin adjustment mechanism (upward or downward) conditional to the independent achievement of these dedicated indicators.

As per December 31, 2023 these financial covenants and ESG dedicated indicators are met and no amounts have been drawn under the 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 405 million as at December 31, 2023 (December 31, 2022 EUR 381 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,	
In EUR million	2023	2022
CHF	405	381
JPY	128	142
Total	**533**	**523**

Other loans

On December 31, 2023, KLM has a portfolio of other loans amounting to EUR 292 million (December 31, 2022 EUR 477 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, 2023 have a maximum remaining maturity of 2 years.

The fair values of financial liabilities are as follows:

	As at December 31,	
In EUR million	2023	2022
Subordinated perpetual loans	444	414
Other loans (secured/unsecured)	292	478
Fair value	**736**	**892**

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:

In EUR million	< 1 year	> 1 year and < 5 years	> 5 years	Total
As at December 31, 2023				
Total borrowings	265	27	533	825
	265	**27**	**533**	**825**
As at December 31, 2022				
Total borrowings	451	27	522	1,000
	451	**27**	**522**	**1,000**

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

	December 31, 2023		**December 31, 2022**	
In %	EUR	Other	EUR	Other
Revolving credit facility	–	–	–	–
Direct State loan	–	–	–	–
Subordinated perpetual loans	–	4	–	4
Other loans	5	–	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:

In EUR million	Variable interest loans	Fixed interest loans	Average variable %-rate	Average fixed %-rate	Average %-rate
Revolving credit facility	–	–	–	–	–
Direct State loan	–	–	–	–	–
Subordinated perpetual loans	–	533	–	4.27%	4.27%
Other loans	265	27	5.92%	0.21%	5.39%

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

The total financial liabilities are as follows:

In EUR million	Note	As at December 31, 2023	2022
Finance lease obligations	12	223	241
Lease debt	13	285	278
Other financial liabilities	14	197	184
Total current		**705**	**703**
Finance lease obligations	12	1,751	1,604
Lease debt	13	983	954
Other financial liabilities	14	95	293
Perpetual subordinated loan stock in YEN	14	128	142
Perpetual subordinated loan stock in Swiss francs	14	405	381
Total non-current		**3,362**	**3,374**
Total		**4,067**	**4,077**

The total movements in financial liabilities are as follows:

In EUR million	Note	As at January 1, 2023	New financial debt	Reimbursment of financial debt	Currency translation differences	Other	As at December 31, 2023
Finance lease obligations	12	1,845	401	(267)	(13)	8	1,974
Lease debt	13	1,232	360	(275)	(50)	1	1,268
Other financial liabilities	14	477	-	(184)	(3)	2	292
Perpetual subordinated loan stock	14	523	-	-	10	-	533
Total		**4,077**	**761**	**(726)**	**(56)**	**11**	**4,067**

15. Net debt

In EUR million	As at December 31, 2023	2022
Current and non-current financial debt	4,062	4,075
Financial debt	**4,062**	**4,075**
Cash and cash equivalents	1,603	1,533
Restricted deposits	101	58
Cross currency element of CCIR swaps	5	13
Near cash*	999	843
Financial assets	**2,708**	**2,447**
Total net debt	**1,354**	**1,628**

In EUR million	2023	2022
Carrying amount as at January 1	**1,628**	**3,135**
Adjusted free cash flow	(340)	(1,544)
Repayment lease debt	(275)	(290)
New lease debt	360	318
Other (including currency translation adjustment)	(19)	9
Net movement	**(274)**	**(1,507)**
Carrying amount as at December 31	**1,354**	**1,628**

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

Total net debt does not include the non-current and current deferred wage tax and social securities payments of in total EUR 1,117 million (December 31, 2022 EUR 1,400 million). Reference is made to the “Others” paragraph in note 5 Other (non-current) assets and liabilities.

16. Deferred income

In EUR million	December 31, 2023 Current	December 31, 2023 Non-current	December 31, 2022 Current	December 31, 2022 Non-current
Advance ticket sales	1,464	-	1,439	-
Sale and leaseback transactions	15	-	15	1
Flying Blue frequent flyer program	77	222	79	231
Others	4	2	3	3
Total	**1,560**	**224**	**1,536**	**235**

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

In 2023 AIR FRANCE KLM Group created a new company for its Flying Blue program, Flying Blue Miles S.A.S, in France (FBM). KLM sold its Flying Blue activities to this new sister company within the AIR FRANCE KLM Group for an amount of EUR 489 million (reference is made to note 28 APMs and note 34 Related party transactions). AIR FRANCE also sold its Flying Blue activities to FBM.

As from December 1, 2023 all Flying Blue activities are recorded at FBM, being the exclusive issuer of miles (earn) for the AIR FRANCE KLM Group and partner companies. KLM still has a deferred income in its balance sheet as shown on the line Flying Blue frequent flyer program in above table. Going forward this deferred income will be settled with FBM, when Flying Blue members use these miles for qualifying flights (for which FBM buys tickets from KLM) and/or at partner companies. This will be the case until this deferred income is nil at KLMs balance sheet.

17. Deferred tax assets

The split between current income tax liabilities, deferred tax assets and deferred tax liabilities is as follows:

In EUR million	2023	2022
Carrying amount as at January 1	**(411)**	**(122)**
Income statement expense/(income)	238	(305)
Tax (credited)/charged to equity	(20)	18
Other movements	(6)	(2)
Payment current income tax	(108)	-
Net movement	**104**	**(289)**
Carrying amount as at December 31	**(307)**	**(411)**

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

	As at December 31,	
In EUR million	2023	2022
Current income tax liability/(asset) Dutch tax fiscal unity	(20)	39
Deferred tax asset other tax jurisdictions	(1)	(2)
Deferred tax liability/(asset) Dutch tax fiscal unity	(286)	(448)
Total	**(307)**	**(411)**

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. In 2023 and 2022 the Dutch income tax rate remained at 25.8% and the UK income tax rate remained at 25%.

Following the strong post COVID-19 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 all unused operating losses as per December 31, 2022. Taking into account the 2023 fiscal profits, the tax losses carried forward, amounts to EUR 1,288 million as per December 31, 2023 (December 31, 2022 EUR 1,503 million) and the related deferred tax asset is EUR 332 million as per December 31, 2023 (December 31, 2022 EUR 388 million).

Following the 2023 fiscal profits, Dutch KLM tax fiscal unity also has a current tax receivable of EUR 20 million as per December 31, 2023 (December 31, 2022, EUR 39 million payable), which is shown as a current asset in KLM Group's balance sheet.

As per December 31, 2022 the KLM income tax fiscal unity in the Netherlands had a deferred tax asset relating to deductible interest expense carried forward with an indefinite period, amounting to EUR 15 million. This deferred tax asset has been fully utilised in 2023.

Further, as per December 31, 2023 a deferred tax liability related to the fiscal reinvestment reserve of EUR 489 million has been recognised, which pertains to the result of the 2023 sale of assets of the Flying Blue program (reference is made to Note 28 Alternative performance measures (APMs)). This resulted in a deferred tax liability of EUR 126 million as per December 31, 2023. This fiscal reinvestment reserve can be used in the next three years for investments in assets with the same or shorter useful life as the sold Flying Blue program with a maximum of 10 years. The criteria, including plausibility test, to recognise a fiscal reinvestment have been met.

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.

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,	
In EUR million	2023	2022
Deferred tax assets		
Deferred tax assets to be recovered in 12 months or less	68	56
Deferred tax assets to be recovered after more than 12 months	218	414
	286	**470**
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
	-	**22**
Net Deferred tax asset KLM income tax fiscal unity (offset)	**(286)**	**(448)**

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

In EUR million	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					
2023					
Tax losses	388	(56)	–	–	332
Deductible interest expenses carried forward	15	(15)	–	–	–
Reinvestment reserve	–	(126)	–	–	(126)
Provisions for employee benefits	2	–	(1)	–	1
Other tangible fixed assets	41	6	–	–	47
Derivative financial instruments	–	–	–	7	7
Pensions and benefits	23	–	–	–	23
Other	3	2	(8)	6	3
Total	**472**	**(189)**	**(9)**	**13**	**287**

In EUR million	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**

In EUR million	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					
2023					
Derivative financial instruments	22	-	(29)	7	-
Total	**22**	**-**	**(29)**	**7**	**-**

In EUR million	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**

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 1 million, EUR nil million is expected to be recovered in 12 months or less and EUR 3 million is expected to be recovered after more than 12 months. An amount of EUR 2 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 5 million (December 31, 2022 EUR 7 million) as well as deductible temporary differences in the amount of EUR 28 million (December 31, 2022 EUR 28 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

In EUR million	As at December 31, 2023	2022
Pension and early-retirement obligations	119	117
Post-employment medical benefits	16	18
Other long-term employment benefits	111	110
Termination benefits	8	8
Total Liabilities	**254**	**253**
Less: Non-current portion		
Pension and early-retirement obligations	109	106
Post-employment medical benefits	15	17
Other long-term employment benefits	99	98
Termination benefits	8	7
Non-current portion	**231**	**228**
Current portion	**23**	**25**

In EUR million	As at December 31, 2023	2022
Assets		
Pension assets non-current portion	36	27
Total assets	**36**	**27**

Pension plans

The Company sponsors a number of pension plans for employees world-wide, of which the main defined benefit plan relates to the United Kingdom. These world-wide 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 plans there are various relatively insignificant defined benefit and defined contribution plans for employees located in- and outside the Netherlands. All major KLM pension plans in the Netherlands qualify as a defined contribution scheme (collective defined contribution). In 2023 no KLM Group pension plans have been derecognised.

Developments 2023

In 2023 plan assets increased with EUR 33 million (from EUR 403 million end 2022 to EUR 436 million end 2023) and pension obligations went up by EUR 26 million (from EUR 493 million end 2022 to EUR 519 million end 2023). The KLM UK pension plan pension asset slightly increased to EUR 36 million as per end 2023 compared to 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):

In %	Pension and early-retirement obligations As at December 31, 2023	2022
Weighted average assumptions used to determine benefit obligations		
Discount rate for year-ended	4.33	4.40
Rate of compensation increase	2.38	2.48
Rate of price inflation	3.08	3.21
Weighted average assumptions used to determine net cost		
Discount rate for year ended	4.40	1.56
Rate of compensation increase	2.48	2.27
Rate of price compensation	3.21	3.24

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,	
In EUR million	2023	2022
Present value of wholly or partly funded obligations	519	493
Fair value of plan assets	(436)	(403)
Net liability/(asset) relating pension and other post-retirement obligations	**83**	**90**

The funds together have a liability totalling EUR 83 million as at December 31, 2023 (December 31, 2022 a liability of EUR 90 million), consisting of a pension asset of EUR 36 million and pension obligations of EUR 119 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	
In EUR million	2023	2022
Carrying amount as at January 1	**493**	**789**
Current service cost	8	12
Interest expense	22	13
Actuarial losses/(gains) demographic assumptions	1	(3)
Actuarial losses/(gains) financial assumptions	8	(262)
Actuarial losses/(gains) experience adjustments	9	(3)
Benefits paid from plan/company	(29)	(29)
Exchange rate changes	7	(24)
Net movement	**26**	**(296)**
Carrying amount as at December 31	**519**	**493**

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

In EUR million	2023	2022
Fair value as at January 1	**403**	**534**
Interest income	19	10
Return on plan assets excluding interest income	17	(111)
Employer contributions	8	14
Benefits paid from plan / company	(20)	(21)
Exchange rate changes	9	(23)
Net movement	**33**	**(131)**
Fair value as at December 31	**436**	**403**

The experience adjustments are as follows:

In EUR million	2023	2022
Benefit obligation	9	(3)
Plan asset	17	(111)

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 EUR million	2023	2022
0.25% increase in the discount rate		
Impact on service cost	-	-
Impact on defined benefit obligation	(17)	(16)
0.25% decrease in the discount rate		
Impact on service cost	-	-
Impact on defined benefit obligation	18	18

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

	Sensitivity of the assumptions for the year ended December 31,	
In EUR million	2023	2022
0.25% increase in the salary increase		
Impact on service cost	-	-
Impact on defined benefit obligation	4	5
0.25% decrease in the salary increase		
Impact on service cost	-	-
Impact on defined benefit obligation	(4)	(4)

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:

	Sensitivity of the assumptions for the year ended December 31,	
In EUR million	2023	2022
0.25% increase in the pension increase rate		
Impact on service cost	-	-
Impact on defined benefit obligation	7	7
0.25% decrease in the pension increase rate		
Impact on service cost	10	-
Impact on defined benefit obligation	(7)	(7)

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

	As at December 31,	
In %	2023	2022
Debt securities	58	22
Real estate	6	7
Equity securities	15	48
Insurance contracts	21	23

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. Insurance contract relates to insured annuity policies at an insurance company in the United Kingdom regarding the KLM UK pension plan.

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.

In EUR million	Post-employment medical benefits As at December 31, 2023	2022
Present value of unfunded obligations	16	18
Net liability/(asset) relating pension and other post-retirement obligations	**16**	**18**

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

In EUR million	Post-employment medical benefits 2023	2022
Carrying amount as at January 1	**18**	**26**
Interest expense	1	1
Actuarial losses/(gains) financial assumptions	(1)	(8)
Benefits paid from plan/company	(1)	(2)
Exchange rate changes	(1)	1
Net movement	**(2)**	**(8)**
Carrying amount as at December 31	**16**	**18**

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

In %	Post-employment medical benefits As at December 31, 2023	2022
Weighted average assumptions used to determine benefit obligations		
Discount rate for year	6.30	5.85
Weighted average assumptions used to determine net cost		
Discount rate for year	5.85	2.80
Medical cost trend rate assumptions used to determine net cost*		
Immediate trend rate Pre 65	10.40	1.90
Immediate trend rate Post 65	10.40	1.90
Ultimate trend rate	3.60	3.80
Year that the rate reaches ultimate trend rate	2073	2073

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

Other long-term employee benefits

In EUR million	2023	2022
Jubilee benefits	61	63
Other benefits	50	47
Total carrying amount	**111**	**110**
Less: Non-current portion		
Jubilee benefits	54	58
Other benefits	45	40
Non-current portion	**99**	**98**
Current portion	**12**	**12**

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

In EUR million	2023	2022
Redundancy benefits		
Non-current portion	8	7
Current portion	-	1
Total carrying amount	**8**	**8**

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

In EUR million	Return obligation liability on leased aircraft	Maintenance liability on leased aircraft	Other provisions: Legal and civil litigations	Restructuring and voluntary leave	Other	Total
As at January 1, 2023	**73**	**1,326**	**179**	**7**	**99**	**1,684**
Additions and increases	4	1	61	6	100	172
Unused amounts reversed	–	–	(1)	–	(6)	(7)
Used during year	(3)	(39)	–	(10)	(67)	(119)
New/ Changes in lease contracts	(7)	(35)	–	–	(2)	(44)
Foreign currency translation differences	(1)	(41)	–	–	–	(42)
Accretion impact	–	68	–	–	–	68
Other changes	–	(10)	–	1	–	(9)
As at December 31, 2023	**66**	**1,270**	**239**	**4**	**124**	**1,703**
Current/non-current portion						
Non-current portion	57	1,169	–	–	5	1,231
Current portion	9	101	239	4	119	472
Carrying amount as at December 31, 2023	**66**	**1,270**	**239**	**4**	**124**	**1,703**

In EUR million	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	Other provisions: 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 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 7.3% as of December 31, 2023 versus 5.5% as of December 31, 2022.

Other provisions

Legal and civil litigations

The provision as at December 31, 2023 mainly relates to 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 2023 only small additional expenses related to restructuring and voluntary leave plans have been recorded. The provision as at December 31, 2023 fully relates to the remaining expected cash out for some small voluntary leave plans. Reference is made to note 25 Employee compensation and benefit expenses and note 28 Alternative performance measures.

Other

Other provisions include provisions for CO_2 (to cover the cost of CO_2 quotas to be surrendered in respect of emissions made), 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,	
In EUR million	2023	2022
Trade payables	1,097	1,076
Amounts due to AIR FRANCE KLM Group companies	147	86
Taxes and social security premiums	898	775
Other payables	554	509
Accrued liabilities	183	158
Total	**2,879**	**2,604**

The line Taxes and social security premiums include the current deferred payments for wage tax and social securities amounting to EUR 282 million as per December 31, 2023 (December 31, 2022 EUR 285 million). Reference is made to note 5.

21. Commitments

As at December 31, 2023, KLM has commitments for previously placed orders amounting to EUR 8,102 million (December 31, 2022 EUR 4,667 million). EUR 7,818 million of this amount (December 31, 2022 EUR 4,510 million) relates to future owned and new right-of-use aircraft of which EUR 464 million is due in 2024. In the amount for new right-of-use aircraft EUR 193 million relates to future interest.

The balance of the commitments as at December 31, 2023 amounting to EUR 284 million (December 31, 2022 EUR 157 million) is related to property, plant and equipment.

As at December 31, 2023 prepayments on aircraft have been made, amounting to EUR 651 million (December 31, 2022 EUR 493 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, 2021, most of these investigations had been terminated following the entry into plea agreements between the three companies of the AIR FRANCE KLM Group and the appropriate competition authorities, providing for the payment of settlement amounts or fines, with the exception of the proceeding initiated by the European Commission which is still pending.

In Europe, the decision of the European Commission of 2010 against eleven air cargo carriers, including the companies of the AIR FRANCE KLM Group (AIR FRANCE, KLM and Martinair), was annulled by the General Court of the European Union on December 16, 2015 because it contained a contradiction regarding the exact scope of the practices sanctioned. On March 17, 2017, the European Commission issued a new decision against the aforementioned cargo carriers, including AIR FRANCE, KLM and Martinair. The total amount of fines imposed in respect of this decision for KLM and Martinair was EUR 142.6 million. This amount was slightly reduced by EUR 15.4 million as compared to the initial decision owing to a lower fine for Martinair due to technical reasons. On May 29 and 30, 2017, AIR FRANCE, KLM and Martinair filed an appeal against this decision before the General Court of the European Union. The hearings before the General Court took place on June and July 2019.

The decision from the General Court in March 2022 confirmed the fines against AIR FRANCE, KLM and Martinair. The aforementioned companies appealed in June 2022 to the European Union Court of Justice and there will be a hearing date in the second quarter of 2024. As of December 31, 2023, KLM and Martinair have maintained a provision of EUR 156.6 million (including accrued interest) covering the total amount of these fines.

b. Related civil lawsuits

Following the initiation of various investigations by the competition authorities in 2006 and the European Commission decision in 2010, several collective and individual actions were brought by forwarders and air-freight shippers in the civil courts against AIR FRANCE, KLM and Martinair, and other cargo operators, in a number of jurisdictions. Under these civil lawsuits, shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to alleged competition law infringement.

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

c. Other

Case brought against State Aid Decision

In 2020 the European Commission approved under the State Aid rules, the revolving credit facility of EUR 2.4 billion guaranteed by the Dutch State and a EUR 1 billion loan from the Dutch State to KLM. Like most of the decisions with respect to airlines receiving State Aid in the context of the COVID-19 crisis, the European Commission's decisions granting support measures to KLM, but also AIR FRANCE and AIR FRANCE KLM have been subject to annulment proceedings brought by Ryanair. The General Court of the European Union annulled in May 2021 the European Commission decision based on failure to state reasons. The European Commission corrected this failure by a decision on July 16, 2021. Ryanair also initiated annulment proceedings against the July 16, 2021 decision. The General Court of the European Union annulled this decision on February 7, 2024. Also, the AIR FRANCE and AIR FRANCE KLM decisions of May 4, 2020 and April 5, 2021 providing a loan guaranteed by the French State in the amount of EUR 4 billion, a EUR 3 billion loan from the French State and the recapitalization aid to AIR FRANCE-KLM and AIR FRANCE were annulled, but on December 20, 2023.

Until a final decision or judgment is obtained, there is still uncertainty as to the legal and financial consequences of the annulment of decisions to grant State Aid. However, all the aid granted has already been repaid in full compliance with the constrains linked (commitments, behavioural measures, application of interests) to the applicable legal framework.

The potential indirect consequences of the cancellation of the above mentioned State Aid could include in particular, the demand for illegality interest.

In order to protect its interests, AIR FRANCE KLM and AIR FRANCE lodged an appeal on March 8, 2024 and also KLM intends to lodge an appeal against the judgments of the General Court annulling the above mentioned decisions. At the date of this report, the European Commission is expected to lodge an appeal. However, as it has been done in similar cases, the European Commission may also decide, if necessary, to initiate a formal examination procedure, during which AIR FRANCE KLM, AIR FRANCE and KLM will defend its interest to the best of their ability.

Case brought against KLM by (former) Martinair pilots

In 2015, a case was brought against KLM by a number (former) Martinair airline pilots, hereafter called “Vrachtvliegers”. In 2016 and 2018, the District Court and Court of Appeal ruled in favour of KLM and rejected all claims of plaintiffs. In November 2019, however, the Supreme Court ruled against KLM on the basis of lack of sufficient motivation and referred the case to another Court of appeal. On June 8, 2021, this Court of appeal rendered its judgment in favour of the plaintiffs, the former Martinair pilots, ruling that the transfer of the cargo department qualifies as a transfer of undertaking.

According to the ruling the rights and obligations under the employment contracts of 116 Martinair pilots automatically transfer to KLM as per January 1, 2014. The Court of Appeal rejected the plaintiffs' claim to also transfer the rights regarding seniority accrued at Martinair.

Vrachtvliegers filed complaints on August 8, 2021 at the Supreme Court claiming that the rights regarding seniority accrued at Martinair should transfer to KLM. On June 24, 2022, the General Attorney has given the advice to the Supreme Court that the complaints should be rejected. On January 20, 2023, the Supreme Court ruled that this claim is denied, except for one part of the verdict. The Supreme Court ruled that the motivation was not conclusive on the item that seniority does not transfer in case of redundancy.

The pilots also started a new court case about the implementation by KLM of the "transfer of undertaking". The hearing took place on November 15, 2023. The court rendered a decision on January 11, 2024, in which all claims have been declined except that seniority built up within Martinair should be respected in case of dismissal (which is in line with current law). In 2021, KLM recorded a provision for a total amount of EUR 22 million, which is unchanged in 2023.

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 39 million as at December 31, 2023 (December 31, 2022 EUR 37 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 471 million as at December 31, 2023 (December 31, 2022 EUR 498 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

In EUR million	2023	2022
Services rendered		
Passenger transport	8,764	7,210
Cargo transport	1,168	1,748
Network	**9,932**	**8,958**
Maintenance contracts	921	710
Leisure	1,176	992
Other services	21	19
Total revenues	**12,050**	**10,679**

24. External expenses

In EUR million	2023	2022 Restated
Aircraft fuel	2,838	2,700
CO_2 quotas costs	99	78
Sustainable Aviation Fuel (SAF) costs	85	-
Chartering costs	221	267
Landing fees and route charges	815	676
Catering	225	187
Handling charges and other operating costs	633	533
Aircraft maintenance costs	1,103	827
Commercial and distribution costs	438	378
Insurance	27	24
Rentals and maintenance of housing	173	151
Sub-contracting	239	204
Other external expenses	384	285
Total external expenses	**7,280**	**6,310**

With reference to the paragraph “Restatement of the 2022 financial statements” in the Notes to the consolidated financial statements, as from January 1, 2023 the expenses corresponding to the obligation to surrender CO_2 quotas has been restated from Other income and expenses (see note 26) to a separate line CO_2 quotas in External expenses.

Aircraft fuel expenses include an amount of EUR 18 million negative (2022 EUR 498 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 1 million negative (2022 EUR nil million) related to fuel delivered to SkyTeam partners at Schiphol. The net amount consists of EUR 272 million cost (2022 EUR 282 million) and EUR 271 million income (2022 EUR 282 million).

25. Employee compensation and benefit expenses

In EUR million	2023	2022
Wages and salaries	2,735	2,383
NOW subsidy	(1)	(134)
Social security premiums other than for state pension plans	285	242
Voluntary leave and restructuring plans	6	6
Share-based remuneration	1	(1)
AIR FRANCE KLM employee share plan	8	-
Hired personnel	214	145
Pension and early-retirement plan costs	290	304
Post-employment medical benefit costs	1	3
Other long-term employee benefit costs	15	7
Total employee compensation and benefit expenses	**3,554**	**2,955**

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 2023 NOW amount of EUR 1 million relates to a NOW 6 recalculation. As per December 31, 2023 all amounts related to all NOW periods have been settled.

For the voluntary leave and restructuring plans expenses, reference is made to note 28 Alternative performance measures.

For the AIR FRANCE KLM employee share plan expenses, reference is made to note 11 Reserves.

Pension and early-retirement plan cost comprises:

In EUR million	2023	2022
Defined benefit plans	11	16
Defined contribution plans	279	288
Total	**290**	**304**

Defined benefit plans and early-retirement plan cost comprises:

In EUR million	2023	2022
Current service cost	7	11
Interest expense	22	13
Interest income	(19)	(10)
Administration cost	1	2
Total	**11**	**16**

In 2023 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 11 million (2022 EUR 16 million) and the total contributions paid by the Group amounted to EUR 8 million (2022 EUR 14 million). The 2023 contributions paid include additional deficit funding for the Dutch KLM plans amounting to EUR nil million (2022 EUR nil million) and in the United Kingdom amounting to EUR 5 million (2022 EUR 12 million). The Group's projected defined benefit plans and early retirement plan cost for 2024 amounts to EUR 10 million. The Group's expected cash contributions for these plans amounts to EUR 8 million.

Post-employment medical benefits cost comprises:

In EUR million	2023	2022
Interest cost	1	1
Total	**1**	**1**

Other long-term employee benefits comprise:

In EUR million	2023	2022
Current service cost	4	5
Interest cost	4	1
Immediate recognition of (gains)/losses	7	1
Other	-	-
Total	**15**	**7**

Number of full-time equivalent employees:

	KLM Group		KLM N.V.	
	2023	2022	2023	2022
Average for year				
Flight deck crew	3,505	3,432	2,089	2,073
Cabin crew	8,283	7,670	6,469	6,190
Ground staff	17,398	16,322	13,112	12,321
Total	**29,186**	**27,424**	**21,670**	**20,584**

	KLM Group		KLM N.V.	
	2023	2022	2023	2022
Average for year				
The Netherlands	26,194	24,525	19,662	18,575
Outside the Netherlands	2,992	2,899	2,008	2,009
Total	**29,186**	**27,424**	**21,670**	**20,584**

	As at December 31,			
	KLM Group		KLM N.V.	
	2023	2022	2023	2022
Flight deck crew	3,571	3,465	2,126	2,088
Cabin crew	8,138	8,021	6,469	6,457
Ground staff	17,884	16,715	13,504	12,575
Total	**29,593**	**28,201**	**22,099**	**21,120**

26. Other income and expenses

In EUR million	**2023**	**2022 Restated**
Capitalised production	312	234
Operating currency hedging recycling	49	74
Result sale of Flying Blue program	489	-
Other expenses	(11)	(50)
Other income and expenses	**839**	**258**

With reference to the paragraph “Restatement of the 2022 financial statements” in the Notes to the consolidated financial statements, as from January 1, 2023 the expenses corresponding to the obligation to surrender CO_2 quotas has been restated from other expenses in this note to a separate line CO_2 quotas in External expenses (see note 24).

For the sale of Flying Blue program reference is made to note 28 Alternative performance measures.

27. Amortisation, depreciation, impairments and movements in provision

In EUR million	**2023**	**2022**
Amortisation of intangible assets	64	79
Depreciation of flight equipment	461	451
Depreciation of other property and equipment	67	67
Amortisation of right of use assets	387	387
Sale of assets	(65)	(53)
Impairment of fixed assets	-	8
Movements in provisions	2	(10)
Total	**916**	**929**

The Group has decided to extend the depreciation period for part of its Boeing 777-300ER fleet from 20 to 25 years, generating a reduction in depreciation of EUR 16 million for 2023.

For the sale of assets reference is made to note 28 Alternative performance measures.

28. Alternative performance measures (APMs)

In EUR million	Note	As at December 31, 2023	2022
Income from operating activities		1,139	743
Amortisation, depreciation, impairment and movement in provisions	27	916	929
EBITDA		**2,055**	**1,672**
APM adjustments to EBITDA:			
Voluntary leave and restructuring plans	25	6	6
Result sale of Flying Blue program	26	(489)	-
Total APM adjustments to EBITDA		**(483)**	**6**
Adjusted EBITDA		**1,572**	**1,678**
Income from operating activities		**1,139**	**743**
APM adjustments to income from operating activities:			
Total APM adjustments to EBITDA		(483)	6
Result of sale of assets	27	(65)	(53)
Impairment of fixed assets	27	-	8
Movement in provisions	27	59	2
Total APM adjustments		**(489)**	**(37)**
Adjusted income from operating activities		**650**	**706**

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

The 2023 APM adjustments show an overall positive amount of EUR 489 million (2022: EUR 37 million positive). The definition of APMs was not adjusted in 2023.

The 2023 APM adjustments to EBITDA mainly relates to the profit on the sale of the Flying Blue program for an amount of EUR 489 million, to the new established AIR FRANCE KLM sister company, Flying Blue Miles S.A.S., in France. This sale in line with IFRS 15 has been valued at arm's length basis by an external valuation. The related cash has been received in full in 2023. Reference is made to note 16 Deferred income and note 34 Related party transactions.

In addition it also includes voluntary leave plans amounting to EUR 6 million. Reference is made to note 18 Provisions for employee benefits.

The 2023 APM adjustments to income from operating activities mainly relates 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 22 million, sale of land and buildings of EUR 10 million and others EUR 2 million.

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.

29. Cost of financial debt

In EUR million	2023	2022
Cost of financial debt		
Loans from third parties	44	69
Interest on financial debt	56	26
Interest on lease debt	77	82
Other interest expenses	30	1
Total gross cost of financial debt	**207**	**178**
Income from cash and cash equivalents		
Finance income	(82)	(30)
Total income from cash and cash equivalents	**(82)**	**(30)**
Net cost of financial debt	**125**	**148**

Other interest expense mainly relates to the interest on the COVID-19 related deferred payments for wage tax and social securities charges. For more information reference is made to note 5 Other (non-current) assets and liabilities - Others.

In EUR million	2023	2022
Foreign currency exchange gains/(losses)	9	(11)
Fair value gains/(losses)	7	(90)
Other financial income and expenses	(83)	(55)
Total other financial income and expenses	**(67)**	**(156)**

The fair value results recorded in the financial year mainly consist of the unrealised revaluation of other balance sheet items amounting to EUR 6 million positive (2022: EUR 76 million negative), the ineffective/time value portion of fuel, interest rate and foreign currency exchange derivatives for EUR 1 million positive (2022: EUR 14 million negative) and revaluation of AIR FRANCE KLM S.A. shares for 1 million positive (2022: EUR 3 million negative).

Other financial income and expenses includes additions of EUR 70 million (2022: EUR 53 million) to (maintenance) provisions resulting from the discounting effect in provision calculations.

30. Income tax expense/benefit

In EUR million	2023	2022
Deferred tax (income)/expense relating to the origination and reversal of temporary differences and tax losses	189	(344)
Current tax (income)/expense	49	39
Total tax (income)/expenses	**238**	**(305)**

The applicable average tax rate in the Netherlands for the financial year 2023 is 25.8% (2022: 25.8%).

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

In %	2023	2022
Applicable average tax rate in The Netherlands	**25.8**	**25.8**
Impact of:		
Non-deductible expenses	(1.8)	(7.5)
Increase/Reduction tax rate	(0.6)	(0.3)
Provision deferred tax asset	1.6	(87.5)
Effective tax rate	**25.1**	**(69.5)**

31. Share-based payments

Phantom shares

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

	2023	2022
As at January 1,	**241,905**	**399,998**
Adjustment in line with regulation	(181,428)	-
Adjusted balance January 1	**60,477**	**399,998**
Granted	19,373	-
Forfeited	(73)	(11,320)
Conditional	48,600	-
Exercised	(43,346)	(146,773)
As at December 31	**85,031**	**241,905**

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

Grant related to financial year	Phantom shares expiry date	2023	2022
2017	April 1, 2023	-	96,694
2018	April 1, 2024	18,563	84,606
2019	April 1, 2025	17,868	60,605
2023	May 1, 2028	48,600	-
Carrying number		**85,031**	**241,905**

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.

Due to the emission of AIR FRANCE KLM shares in 2022 and the AIR FRANCE KLM reverse stock split in 2023 the number of granted shares, per January 1, 2023, have been divided by 4 in line with the KLM Phantom Performance Shares regulation. This has been approved by the KLM Remuneration Committee and KLM Board of Managing Directors. 2022 comparative table has not been adjusted.

Under the Long-Term Incentive plan 2018, executive employees of KLM have received 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 has vested for 55.2% in 2023. The 2018 plan has an intrinsic value of EUR 0.3 million as at December 31, 2023.

Under the Long-Term Incentive plan 2019 (pertaining to the financial year 2019), executive employees of KLM have received phantom shares per April 1, 2020. The first tranche has vested for 102.1% per April 2020. The second tranche has vested for 55.2% in April 2023. The third tranche has vested for 26.2% in 2023. The 2019 plan has an intrinsic value of EUR 0.2 million as at December 31, 2023.

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 Dutch State support package conditions and applicable NOW regulations.

Under the Long-Term Incentive plan 2023 (pertaining to the financial year 2023), executive employees of KLM have received conditional phantom shares per May 1, 2023. The first tranche will vest in April 2024. The 2023 plan has not yet been vested and as a result has no intrinsic value as at December 31, 2023.

32. Supervisory Board remuneration

In EUR	2023 As Supervisory Board member	2023 As Committee member	2023 Total	2022 As Supervisory Board member	2022 As Committee member	2022 Total
C.C. 't Hart	42,500	14,000	56,500	42,500	12,000	54,500
F. Enaud	26,500	14,000	40,500	26,500	12,000	38,500
J.C. de Jager	26,500	4,000	30,500	26,500	5,000	31,500
C. Nibourel	26,500	-	26,500	26,500	-	26,500
M.J. Oudeman	26,500	18,000	44,500	26,500	14,500	41,000
F. Pellerin	26,500	4,000	30,500	26,500	2,000	28,500
P.F. Riolacci	26,500	8,000	34,500	26,500	10,000	36,500
B. Smith	-	-	-	-	-	-
B.J. Vos	26,500	-	26,500	26,500	-	26,500
Total	**228,000**	**62,000**	**290,000**	**228,000**	**55,500**	**283,500**

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

For the years 2020 through 2022 the execution of the remuneration policy was affected by the conditions imposed by the Dutch State in connection with the COVID-19 related Dutch State support package and mainly impacted the variable income (both short-term (STI) and long-term incentive (LTI)).
On April 17, 2023 the Dutch State support package was cancelled by KLM and consequently has no impact anymore on the remuneration policy.

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

In EUR	2023	2022
M.E.F. Rintel (as from July 1, 2022)	1,228,009	401,863
M.P.A. Stienen (as from September 1, 2022)	562,858	129,379
E.R. Swelheim	826,441	508,331
P.J.Th. Elbers (until October 1, 2022)*/**	26,974	480,543
R.M. de Groot (until October 1, 2022)*	2,795	334,916
Total	**2,647,077**	**1,855,032**

* 2023: In 2023 payments were made to Mr. Elbers following the pay out of the phantom shares grant related to the financial years 2017, 2018 and 2019 at the AIR FRANCE KLM share price of September 5, 2022. Also 14,990 AIR FRANCE KLM shares granted in 2019 under the AIR FRANCE KLM specific long-term incentive plan and partially vested in April 2022, have been paid out in cash in September 2023. The related 2023 cost for the Company are included in above table. On the 2023 payments to Mr. Elbers, the Company paid a 2023 tax levy of EUR 75,654 as required pursuant to Article 32bb under the Dutch payroll tax law. In addition the Company paid EUR 11,762 on statutory interest in 2023 related to the 2022 tax levy as mentioned below in ** 2022 to the Dutch tax authorities. Including the aforementioned 2023 tax levy and statutory interest the total 2023 Board of Managing Directors cost is EUR 2,734,493.

** 2022: 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

In EUR	2023	2022
M.E.F. Rintel (as from July 1, 2022)	600,000	300,000
M.P.A. Stienen (as from September 1, 2022)	330,000	110,000
E.R. Swelheim	409,744	406,453
P.J.Th. Elbers (until October 1, 2022)	-	450,000
R.M. de Groot (until October 1, 2022)	-	292,500
Total	**1,339,744**	**1,558,953**

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 and 2021. In 2020, the Board of Managing Directors voluntarily waived the short-term incentive, before the Dutch State support package was concluded. As from 2023 the remuneration policy is applied again, grandfathering the conditions of the Dutch State support package until April 17, 2023.

In EUR	2023	2022
M.E.F. Rintel (as from July 1, 2022)	299,730	-
M.P.A. Stienen (as from September 1, 2022)	102,096	-
E.R. Swelheim	134,763	-
P.J.Th. Elbers (until October 1, 2022)	-	-
R.M. de Groot (until October 1, 2022)	-	-
Total	**536,589**	**-**

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 128,810 (2023), consist of two parts: 1) pension cost and 2) pension allowance.

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

Pension cost (post-employment benefit)

In EUR	2023	2022
M.E.F. Rintel (as from July 1, 2022)	33,233	14,818
M.P.A. Stienen (as from September 1, 2022)	34,790	10,342
E.R. Swelheim	34,868	31,098
P.J.Th. Elbers (until October 1, 2022)	-	20,822
R.M. de Groot (until October 1, 2022)	-	23,324
Total	**102,891**	**100,404**

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 128,810 (2023). 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) at the Algemeen Pensioenfonds KLM 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.

In EUR	2023	2022
M.E.F. Rintel (as from July 1, 2022)	167,909	84,405
M.P.A. Stienen (as from September 1, 2022)	64,526	7,603
E.R. Swelheim	127,461	119,762
P.J.Th. Elbers (until October 1, 2022)	-	116,527
R.M. de Groot (until October 1, 2022)	-	78,729
Total	**359,896**	**407,026**

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, 2022 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 until 2022

No grantings 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 current and former Board of Managing Directors members) and the AIR FRANCE KLM specific long-term incentive plan (SLTI) for the current and former CEO. In 2023 all grantings under the KLM LTI scheme for former Board of Managing Directors and under the AIR FRANCE KLM SLTI plan for the former CEO have been settled. Under the AIR FRANCE KLM SLTI plan the former KLM CEO was entitled to a number of AIR FRANCE KLM shares. These shares granted in 2019 have vested partially per April 1, 2022 (14,990 AIR FRANCE KLM shares). On request of Mr. Elbers the value of these shares have been cash settled instead of equity settled in 2023. This had no impact on the gross or net amounts for the Company and/or Mr. Elbers.

As part of past obligations (financial years 2019 and earlier), current 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 2018 and 2019 under the KLM LTI scheme.

Long-term incentive plan as from 2023
In general, as an incentive to make a longer-term commitment to the Company, under the AIR FRANCE KLM LTI plan the current KLM CEO is entitled to a number of AIR FRANCE KLM shares. The shares granted in 2023 will vest after three years if the predetermined LTI plan criteria are met. The evaluation and subsequent vesting will only take place after three years, hence in 2026.
The current other Board of Managing Directors are entitled to grantings under the KLM LTI scheme related to the performance of financial year 2023.
The first tranche will vest per April 1, 2024.

This longer commitment is also applicable under the KLM LTI scheme, by granting phantom shares to members of the Board of Managing Directors, excluding the current CEO, 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.

Total outstanding phantom shares under the KLM LTI scheme
The table below shows the 2023 movements of the phantom shares of current and former Board of Managing Directors including the respective adjusted number of granted phantom shares per January 1, 2023. It also shows the December 31, 2023, positions of the current members of the Board of Managing Directors with respect to the phantom shares granted and vested under the KLM LTI scheme pertaining to financial years 2019 and earlier and 2023.

Due to the emission of AIR FRANCE KLM shares in 2022 and the AIR FRANCE KLM reverse stock split in 2023 the number of outstanding granted phantom shares for current Board of Managing Directors have been divided by 4, as per January 1, 2023, in line with the KLM Phantom Performance Shares regulation. The outstanding granted phantom shares per January 1, 2023 for former Board of Managing Directors have been divided by 10 and have all been settled in 2023.

Grant related to financial year	Number of phantom shares granted	Adjusted number granted based on phantom shares regulation	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, 2023
M.P.A Stienen									
(as from Sept. 1, 2022)									
2017	750	188	1-Apr-23	6	182	17.00	–	–	–
2018	750	188	1-Apr-24	43	–		–	145	145
2019	750	188	1-Apr-25	73	–		–	115	115
2020, 2021 and 2022	nil	nil		–	–		–	–	–
2023		6,266	1-Apr-28	–	–		6,266	–	6,266
	2,250	**6,830**		**122**	**182**		**6,266**	**260**	**6,526**
E.R. Swelheim									
2017	6,000	1,500	1-Apr-23	45	1,455	17.00	–	–	–
2018	11,688	2,922	1-Apr-24	661	–		–	2,261	2,261
2019	24,375	6,094	1-Apr-25	2,366	–		–	3,728	3,728
2020, 2021 and 2022	nil	nil		–	–		–	–	–
2023		7,780	1-Apr-28	–	–		7,780	–	7,780
	42,063	**18,296**		**3,072**	**1,455**		**7,780**	**5,989**	**13,769**
P.J.Th. Elbers									
(until Oct 1, 2022)									
2017	10,000	1,000	1-Apr-23	30	970	14.50	–	–	–
2018	21,354	2,135	1-Apr-24	483	1,652	14.50	–	–	–
2019	46,875	4,688	1-Apr-25	1,821	2,867	14.50	–	–	–
2020, 2021 and 2022	nil	nil							
	78,229	**7,823**		**2,334**	**5,489**		**–**	**–**	**–**
R.M. de Groot									
(until Oct. 1, 2022)									
2017	6,000	600	1-Apr-23	18	582	13.00	–	–	–
2018	11,688	1,168	1-Apr-24	265	903	13.00	–	–	–
2019, 2020, 2021 and 2022	nil	nil					–	–	–
	17,688	**1,768**		**283**	**1,485**		**–**	**–**	**–**
Total	**140,230**	**34,717**		**5,811**	**8,611**		**14,046**	**6,249**	**20,295**

As mentioned, no granting took place in connection with financial years 2020, 2021 and 2022.

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 2023 for Mrs. Rintel of EUR 121,857 positive relate to cost of the granted 2023 AIR FRANCE KLM LTI plan and the non-cash cost (discount and matching contribution expenses) related to the AIR FRANCE KLM Group employee share purchase plan (see note 11 Reserves). For Mr. Stienen of EUR 26,116 positive (2022: EUR 326 negative) relate to cost of the granted 2023 phantom shares and the annual technical revaluation of the phantom shares portfolio following the 2023 increase of the AIR FRANCE KLM share price. For Mr. Swelheim EUR 114,325 positive (2022: EUR 54,262 negative) relate to the cost of the granted 2023 phantom shares, the annual technical revaluation of the phantom shares portfolio following the 2023 increase of the AIR FRANCE KLM share price and the non-cash cost related to the AIR FRANCE KLM Group employee share purchase plan.

For former Board of managing Directors the 2023 cost of the exercised phantom shares and AIR FRANCE KLM SLTI plan for Mr. Elbers amount to EUR 26,974 positive (2022: EUR 110,766 negative, including legal interest). The cost in 2023 of the exercised phantom shares for Mr. de Groot amount to EUR 2,795 positive (2022: EUR 63,597 negative).

In 2023, Mrs. Rintel and Mr. Swelheim acquired, respectively 279 and 1,954 AIR FRANCE KLM shares under the AIR FRANCE KLM Group employee share purchase plan. Under this plan the shares can be traded after December 21, 2028. Reference is made to note 11 Reserves. As at December, 31 2023, Mr. Stienen 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 favourable 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, 2023, the State of the Netherlands has a 9.1% 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 years 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). April 2023 KLM filed the last NOW period related to the first quarter 2022. Per December 31, 2023 all NOW related amounts have been settled.
In addition KLM 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:

In EUR million	2023	2022
Sales of goods and services		
AIR FRANCE KLM Group companies	760	276
Associates	-	-
Other related parties	122	42
Purchases of goods and services		
AIR FRANCE KLM Group companies	349	373
Associates	-	-
Other related parties	305	191

The 2023 sales of goods and services amounting to EUR 760 million, mainly relates to the profit on the sale of the Flying Blue program for an amount of EUR 489 million, to the new established AIR FRANCE KLM company, Flying Blue Miles S.A.S. (see note 28 Alternative Performance Measures and note 16 Deferred income). The related cash has been fully received in 2023.

For details of the year-end balances of amounts due to and from related parties see notes 8 and 20. In 2022 and 2023 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

In EUR million	2023 Network	Maintenance	Leisure	Other	Eliminations	Total
Revenues						
Revenues External	9,932	921	1,176	21	-	12,050
Revenues Internal	89	972	1	230	(1,292)	-
Total revenue	**10,021**	**1,893**	**1,177**	**251**	**(1,292)**	**12,050**
Adjusted EBITDA*	1,293	146	108	25	-	1,572
APM adjustments to EBITDA*	484	(1)	-	-	-	483
Income from current activities	555	71	22	2	-	650
APM adjustments to income from operating activities*	478	-	1	10	-	489
Financial Income and expenses						(192)
Income tax income/(expense)						(238)
Share of results of equity shareholdings						5
Profit for the year						**714**
Amortisation, depreciation and movements in provision	(721)	(74)	(84)	(37)	-	(916)
Other financial income and expenses	(23)	(14)	(3)	(27)	-	(67)
Assets						
Intangible assets	163	282	27	3	-	475
Flight equipment	3,560	710	418	-	-	4,688
Other property, plant and equipment	280	306	4	10	-	600
Right-of-use assets	1,274	133	295	1	-	1,703
Trade receivables	519	153	34	1	-	707
Other assets	3,471	566	222	131	-	4,390
Total assets	**9,267**	**2,150**	**1,000**	**146**	**-**	**12,563**
Additions to fixed assets	700	93	105	-		
Liabilities						
Deferred revenues on sales	1,593	183	199	-	-	1,975
Other liabilities	5,799	2,336	1,603	53	-	9,791
Total liabilities	**7,392**	**2,519**	**1,802**	**53**	**-**	**11,766**

In EUR million	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	174	278	19	(23)	-	448
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	3,489	651	196	89	-	4,425
Total assets	**9,030**	**1,949**	**845**	**79**	**-**	**11,903**
Additions to fixed assets	357	141	91	-		
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**

* 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 2023					
In EUR million	Europe, North Africa	Caribbean, Indian Ocean	Africa, Middle East	Americas Polynesia	Asia, New Caledonia	Total
Scheduled passenger	2,738	490	1,022	2,972	1,324	8,546
Other passenger revenues	70	12	26	76	34	218
Total passenger revenues	**2,808**	**502**	**1,048**	**3,048**	**1,358**	**8,764**
Scheduled cargo	7	25	227	524	184	967
Other cargo revenues	2	5	47	109	38	201
Total cargo revenues	**9**	**30**	**274**	**633**	**222**	**1,168**
Total network revenues	**2,817**	**532**	**1,322**	**3,681**	**1,580**	**9,932**
Maintenance	921	-	-	-	-	921
Other revenues	1,197	-	-	-	-	1,197
Total maintenance and other	**2,118**	**-**	**-**	**-**	**-**	**2,118**
Total revenues by destination	**4,935**	**532**	**1,322**	**3,681**	**1,580**	**12,050**

	Revenues by destination 2022					
In EUR million	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**

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, 2023:

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 EUR million	Note	December 31, 2023	December 31, 2022 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	38	4,300	4,060
Right-of-use asset	39	1,029	1,047
Intangible assets		436	417
Investments accounted for using the equity method	40	745	658
Other non-current assets	5	148	189
Other financial assets	41	648	516
Deferred tax assets	49	297	438
Pension assets	18	9	7
		7,612	**7,332**
Current assets			
Other current assets	5	203	236
Other financial assets	41	182	165
Inventories		252	192
Current income tax assets	49	20	-
Trade and other receivables	42	1,989	2,272
Cash and cash equivalents	43	764	459
		3,410	**3,324**
TOTAL ASSETS		**11,022**	**10,656**

In EUR million	Note	December 31, 2023	December 31, 2022
EQUITY			
Capital and reserves			
Share capital	44	125	125
Share premium		474	474
Reserves	44	452	473
Retained earnings		(972)	(1,683)
Result for the year		713	743
Total attributable to Company's equity holders		**792**	**132**
LIABILITIES			
Non-current liabilities			
Financial debt	45	1,516	1,320
Lease debt	46	576	648
Other non-current liabilities	5	942	1,215
Other financial liabilities	47	579	773
Deferred income	48	224	234
Return obligation liability and other provisions	50	954	1,131
		4,791	**5,321**
Current liabilities			
Trade and other payables	51	3,077	2,903
Financial debt	45	186	205
Lease debt	46	187	196
Other current liabilities	5	76	107
Other financial liabilities	47	190	175
Deferred income	48	1,361	1,388
Current tax liabilities	49	-	39
Return obligation liability and other provisions	50	362	190
		5,439	**5,203**
Total liabilities		**10,230**	**10,524**
TOTAL EQUITY AND LIABILITIES		**11,022**	**10,656**

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

Company statement of profit or loss

In EUR million	2023	2022
Profit from investments accounted for using equity method after taxation	64	30
Profit of KLM N.V. after taxation	649	713
Profit for the year after taxation	**713**	**743**

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 2023 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.

Restatement of 2022 financial statements
Regarding the restatement of 2022 financial statements reference is made to the Restatement of 2022 financial statements paragraph in the Notes to the consolidated financial statements.

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					
In EUR million	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, 2023	**4,091**	**2,171**	**6,262**	**730**	**220**	**304**	**1,254**	**409**	**7,925**
Additions	-	155	155	-	-	-	-	662	817
Disposals	-	(185)	(185)	(61)	(41)	(5)	(107)	-	(292)
Reclassifications	188	207	395	25	(3)	21	43	(590)	(152)
Other movements	-	-	-	4	-	-	4	139	143
As at December 31, 2023	**4,279**	**2,348**	**6,627**	**698**	**176**	**320**	**1,194**	**620**	**8,441**
Accumulated depreciation and impairment									
As at January 1, 2023	**2,200**	**954**	**3,154**	**410**	**166**	**208**	**784**	**(73)**	**3,865**
Depreciation	176	190	366	29	8	20	57	-	423
Disposals	-	(184)	(184)	(51)	(41)	(5)	(97)	-	(281)
Reclassifications	-	60	60	4	(6)	2	-	(59)	1
Other movements	-	-	-	2	-	-	2	132	134
As at December 31, 2023	**2,376**	**1,020**	**3,396**	**394**	**127**	**225**	**746**	**-**	**4,142**
Net carrying amount									
As at January 1, 2023	**1,891**	**1,217**	**3,108**	**320**	**54**	**96**	**470**	**482**	**4,060**
As at December 31, 2023	**1,903**	**1,328**	**3,231**	**304**	**49**	**95**	**448**	**620**	**4,299**

In EUR million	Flight equipment: Owned aircraft	Flight equipment: Other flight equipment	Flight equipment: Total	Other property and equipment: Land and buildings	Other property and equipment: Equipment and fittings	Other property and equipment: Other property and equipment	Other property and equipment: Total	Prepayments	Total
Historical cost									
As at January 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 December 31, 2022	**4,091**	**2,171**	**6,262**	**730**	**220**	**304**	**1,254**	**409**	**7,925**
Accumulated depreciation and impairment									
As at January 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 December 31, 2022	**2,200**	**954**	**3,154**	**410**	**166**	**208**	**784**	**(73)**	**3,865**
Net carrying amount									
As at January 1, 2022	**2,014**	**1,171**	**3,185**	**336**	**61**	**104**	**501**	**491**	**4,177**
As at December 31, 2022	**1,891**	**1,217**	**3,108**	**320**	**54**	**96**	**470**	**482**	**4,060**

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

In EUR million	As at December 31, 2023	2022
Aircraft	88	93
Land and buildings	111	130
Other property and equipment	35	38
Carrying amount	**234**	**261**

Borrowing cost capitalised during the year amounted to EUR 13 million (2022 EUR 7 million). The interest rate used to determine the amount of borrowing cost to be capitalised was 3.76% (2022: 3.8%).

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, 2023 was EUR 198 million (December 31, 2022 EUR 220 million).

39. Right-of-use assets

In EUR million	Aircraft	Maintenance	Land & Real Estate	Others	Total
Net value					
As at January 1, 2023	**511**	**398**	**110**	**28**	**1,047**
New contracts	-	25	3	24	52
Renewal or extension options	74	(1)	12	4	89
Disposals	-	(29)	-	-	(29)
Reclassifications	(3)	137	-	1	135
Amortisation	(136)	(100)	(16)	(13)	(265)
As at December 31, 2023	**446**	**430**	**109**	**44**	**1,029**
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**

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:

In EUR million	2023	2022
Variable rents	8	7
Short-term rents	105	59
Low value rents	3	3
Carrying amount	**116**	**69**

40. Investments accounted for using the equity method

	As at December 31,	
In EUR million	2023	2022
Subsidiaries	723	641
Associates	14	9
Jointly controlled entities	8	8
Carrying amount	**745**	**658**

In EUR million	2023	2022
Subsidiaries		
Carrying amount as at January 1	**641**	**527**
Movements		
Investments	33	-
Share of profit/(loss) after taxation	59	29
OCI movement	(5)	87
Dividends received	-	-
Foreign currency translation differences	1	(3)
Other movements	(6)	1
Net movement	**82**	**114**
Carrying amount as at December 31	**723**	**641**

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 (non-current) financial assets

	December 31, 2023		December 31, 2022	
In EUR million	Current	Non-current	Current	Non-current
Debt investments at amortised cost				
Bonds, long-term deposits, loans and receivables	132	603	115	469
At fair value through profit or loss				
Deposits and commercial paper with original maturity 3-12 months	50	-	50	-
Deposits on operating leased aircraft	-	13	-	14
AIR FRANCE KLM S.A. shares	-	2	-	1
	50	**15**	**50**	**15**
At fair value through OCI				
Kenya Airways Ltd. shares	-	10	-	13
Other non-consolidated entities	-	20	-	19
	-	**30**	**-**	**32**
Carrying amount	**182**	**648**	**165**	**516**

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

42. Trade and other receivables

In EUR million	As at December 31, 2023	2022 Restated
Trade receivables	719	578
Expected credit loss	(61)	(73)
Trade receivables - net	**658**	**505**
Amounts due from:		
- Subsidiaries	864	1,200
- AIR FRANCE KLM group companies	96	91
- Associates and jointly entities	1	-
- Maintenance contract customers	97	95
Taxes and social security premiums	40	24
Other receivables	64	171
Prepaid expenses	169	186
Total	**1,989**	**2,272**

Maintenance contract cost incurred to date for contracts in progress at December 31, 2023 amounted to EUR 78 million (December 31, 2022 EUR 81 million). Advances received for maintenance contracts in progress at December 31, 2023 amounted to EUR 122 million (December 31, 2022 EUR 108 million). The maturity of trade and other receivables is within one year.

43. Cash and cash equivalents

In EUR million	As at December 31, 2023	2022
Cash at bank and in hand	45	47
Short-term deposits	719	412
Total	**764**	**459**

The effective interest rates on short-term deposits are in the range from 1.52% to 5.62% (2022 range 0% to 4.45%). 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

In EUR million	As at December 31, 2023	2022
Non-current portion	1,516	1,320
Current portion	186	205
Carrying amount	**1,702**	**1,525**

46. Lease debt

	December 31, 2023		December 31, 2022	
In EUR million	Current	Non-current	Current	Non-current
Lease Debt - Aircraft	136	372	152	451
Lease Debt - Real estate	12	127	13	126
Lease Debt - Others	35	77	27	71
Accrued Interest	4	-	4	-
Total	**187**	**576**	**196**	**648**

Change in lease debt:

In EUR million	As at January 1, 2023	New contracts and renewals of contracts	Payment of lease debt	Currency translation adjustment	As at December 31, 2023
Lease Debt - Aircraft	603	74	(137)	(32)	508
Lease Debt - Real estate	139	14	(13)	(1)	139
Lease Debt - Others	98	50	(33)	(3)	112
Accrued interest	4	-	-	-	4
Total	**844**	**138**	**(183)**	**(36)**	**763**

In EUR million	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**

The lease debt maturity breaks down as follows:

In EUR million	2023	2022
Less than 1 year	238	252
Between 1 and 2 years	206	214
Between 2 and 3 years	166	172
Between 3 and 4 years	123	131
Between 4 and 5 years	68	92
Over 5 years	137	135
Total	**938**	**996**
Including:		
- Principal	763	844
- Interest	175	152

47. Other financial liabilities

In EUR million	December 31, 2023 Current	December 31, 2023 Non-current	December 31, 2022 Current	December 31, 2022 Non-current
Revolving credit facility	-	-	-	-
Direct State loan	-	-	-	-
Subordinated perpetual loans	-	533	-	523
Other loans (secured/unsecured)	190	46	175	250
Total	**190**	**579**	**175**	**773**

For details about the other financial liabilities see note 14.

48. Deferred income

In EUR million	December 31, 2023 Current	December 31, 2023 Non-current	December 31, 2022 Current	December 31, 2022 Non-current
Advance ticket sales	1,267	-	1,291	-
Sale and leaseback transactions	13	-	15	1
Flying Blue frequent flyer program	77	222	79	230
Others	4	2	3	3
Total	**1,361**	**224**	**1,388**	**234**

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

In December 31, 2023 AIR FRANCE KLM Group created a new company for its Flying Blue program, Flying Blue Miles S.A.S, in France (FBM). KLM (and also AIR FRANCE) sold its Flying Blue activities to this new company for an amount of EUR 489 million (reference is made to note 28 APMs). As from December 2023 all Flying Blue activities are recorded at FBM.

KLM still has a deferred income in its balance sheet as shown on the line Flying Blue frequent flyer program in above table. Going forward this deferred income will be settled with FBM, when Flying Blue members use these miles for qualifying flights (for which FBM buys tickets from KLM) and/or at partner companies, such as credit card companies, hotel chains and car rental firms. This will be the case until this deferred income is nil at KLMs balance sheet. As from that moment FBM will, next to the acquiring of miles as from December 2023, also record the usage of Flying Blue miles.

49. Deferred tax assets

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

In EUR million	2023	2022
Carrying amount as at January 1	**(399)**	**(70)**
Movements:		
Income statement expense	225	(314)
Tax (credited)/charged to equity	(21)	(11)
Payment current income tax	(108)	-
Other movements	(14)	(4)
Net movement	**82**	**(329)**
Carrying amount as at December 31	**(317)**	**(399)**
Current income tax (asset)/liabilities	(20)	39
Deferred tax (assets) as at December 31	**(297)**	**(438)**

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,	
In EUR million	2023	2022
Deferred tax assets:		
Deferred tax assets to be settled in 12 months or less	68	56
Deferred tax assets to be settled after 12 months	229	404
	297	**460**
Deferred tax liabilities:		
Deferred tax liabilities to be settled in 12 months or less	-	-
Deferred tax liabilities to be settled after 12 months	-	22
	-	**22**
Carrying amount	**(297)**	**(438)**

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

In EUR million	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					
2023					
Tax losses	388	(49)	-	14	353
Pension asset	1	-	-	-	1
Non-deductable interest	15	(15)	-	-	-
Reinvestment reserve	-	(126)	-	-	(126)
Other tangible fixed assets	41	6	-	-	47
Derivative financial instruments	-	-	-	8	8
Other	15	8	(8)	(1)	14
Total	**460**	**(176)**	**(8)**	**21**	**297**

In EUR million	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
Reinvestment reserve	-	-	-	-	-
Other tangible fixed assets	35	6	-	-	41
Derivative financial instruments	-	-	-	-	-
Other	8	1	7	(1)	15
Total	**109**	**353**	**(6)**	**4**	**460**

In EUR million	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					
2023					
Derivative financial instruments	22	-	(29)	7	-
Total	**22**	**-**	**(29)**	**7**	**-**

In EUR million	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**

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

In EUR million	Return obligation liability on leased aircraft	Maintenance liability on leased aircraft	Employee Benefit	Other provisions: Legal Issues	Other provisions: Restructuring and voluntary leave	Other provisions: Other	Total
As at January 1, 2023	**52**	**874**	**139**	**160**	**6**	**90**	**1,321**
Additional provisions and increases in existing provisions	2	–	17	35	6	82	142
Unused amounts reversed	–	–	–	–	–	(7)	(7)
Used during year	(3)	(23)	(14)	–	(10)	(59)	(109)
New/changes in lease contract	–	(30)	(1)	–	–	–	(31)
Foreign currency translation differences	(1)	(25)	(2)	–	–	–	(28)
Accretion impact	–	46	–	–	–	–	46
Other changes	(4)	(13)	(2)	–	1	–	(18)
As at December 31, 2023	**46**	**829**	**137**	**195**	**3**	**106**	**1,316**
Current/non-current portion							
Non-current portion	43	792	114	–	–	5	954
Current portion	3	37	23	195	3	101	362
As at December 31, 2023	**46**	**829**	**137**	**195**	**3**	**106**	**1,316**

In EUR million	Return obligation liability on leased aircraft	Maintenance liability on leased aircraft	Other provisions: Employee Benefit	Other provisions: Legal Issues	Other provisions: Restructuring and voluntary leave	Other provisions: 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**

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

51. Trade and other payables

In EUR million	As at December 31, 2023	2022
Trade payables	946	956
Amounts due to subsidiaries	662	670
Amounts due to AIR FRANCE KLM Group companies	143	82
Taxes and social security premiums	773	671
Employee related liabilities	290	268
Accrued liabilities	156	148
Other payables	107	108
Total	**3,077**	**2,903**

Other notes

KLM N.V. is the head of both the KLM income tax and value added tax fiscal unity of KLM N.V. and its Dutch subsidiaries.

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 28, 2024

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 2023 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, 2023 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, 2023 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 2023 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, 2023;
- the following consolidated statements for the year ended December 31, 2023: profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows; and
- the notes comprising a summary of the material accounting policies and other explanatory information.

The company financial statements comprise:

- the Company balance sheet as at December 31, 2023;
- the Company statement of profit or loss for the year ended December 31, 2023; and
- the notes comprising a summary of 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 regarding fraud risk and the audit approach related to going concern was addressed in this context, and we do not provide separate opinions or conclusions on these matters.

Summary

Materiality
- Materiality of EUR 80 million
- 0.7% of total revenues

Group audit
- Audit coverage of 89% of total assets
- Audit coverage of 98% of total revenues

Fraud/Noclar and going concern
- Fraud and non-compliance with laws and regulations ('Noclar') related risks: we identified management override of controls, bribery and corruption risk due to business with sales agents, sale of Flying Blue frequent flyer program and revenue recognition as fraud risks.
- Going concern: no risks of material misstatement with regards to the going concern basis of financial reporting identified.

Key audit matters
- Sustainable business model of KLM
- Sale of Flying Blue frequent flyer program
- Fraudulent revenue recognition due to fictitious revenue

Opinion
- Unqualified

Materiality
Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 80 million (2022: EUR 60 million). The materiality is determined with reference to the relevant benchmark revenues, of which it represents 0.7% (2022: 0.6%). 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 17.5 million and EUR 60 million (2022: EUR 6 million and EUR 45 million) based on our professional judgement. One component is audited with a local audit materiality that was also less than the allocated group materiality.

We agreed with the Audit Committee and Supervisory Board that misstatements identified during our audit in excess of EUR 4.0 million (2022: EUR 3.0 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 four 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 the sale of Flying Blue frequent flyer program, assessment of the valuation of non-current assets, the group consolidation, financial statements disclosures and topics related to litigations and claims and corporate taxes;
- selected 8 components (2022: 8 components) to perform audits for group reporting purposes on a complete set of financial information as well as 1 component (2022: 5 components) to perform audit procedures for group reporting purposes on selected account balances and classes of transactions; and
- performed specified audit procedures for 1 component (2022: 1 component) ourselves.

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 individually components represented more than 2% of total group revenue or 3% of total group assets.

By performing the procedures mentioned above at 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

71%	9%	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 Audit Committee 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; and
- evaluated correspondence with regulators, 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 laws and regulations 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;
- anti-competition laws and regulations; and
- Act on aviation included in Dutch Law.

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 high-risk criteria and evaluated key estimates and judgements for bias by management, such as estimates and assumptions associated with the sale of Flying Blue frequent flyer program and estimates related to unearned passenger revenues, including retrospective reviews where needed. Where we identified instances of journal entries based on high-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 high risk criteria;
- 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; and
- performed fraud inquiries of management and others within the Company as to their knowledge, awareness, concerns regarding fraud.

Bribery and corruption risk due to business with sales agents
Risk:
- Historically KLM engaged sales agents in order to obtain and/or secure maintenance contracts. This involves risks related to non-compliance with laws and regulations regarding bribery and corruption. The qualitative aspect as any publicly known non-compliance could significantly harm KLM's reputation.

Responses:
Our procedures primarily consisted of:
- evaluating the design and implementation of internal controls and policies and procedures in relation to entering contracts with sales agents;
- we performed inquiries of management, and where appropriate, head of internal audit, compliance officer, and head of legal affairs, about the corruption risk and anti-corruption program;
- we performed audit procedures on commission and payments to agents, among others, by testing transactions back to source information, assessing the due diligence procedures performed by the Company; and
- we obtained written management representations that all known instances and non-compliance with laws and regulations have been disclosed.

Sale of Flying Blue frequent flyer program and Revenue recognition
Risks:
- The sale of Flying Blue frequent flyer program was significant to our audit due to the nature of the transaction involving a related party, its financial impact, complexity of the accounting treatment including related judgements and assumptions applied in the determination of the allocated value of Flying Blue frequent flyer program.
- Fraudulent revenue recognition due to fictitious revenue.

Responses:
- Our procedures to address the identified risks regarding the sale of Flying Blue frequent flyer program and fraudulent revenue recognition have been covered in key audit matters. 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, geopolitical unrest and macro-economic uncertainties;
- 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 2024 budget and 5-year plan, including the cash flow forecast for at least 12 months from the date of the authorization 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 and termination of the package in terms of conditions during the financial year, that could lead to going concern risks; 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 authorization of the financial statements.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on the Board of Managing Directors' going concern assessment.

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 matter with respect to recognition and measurement of government grants from the Temporary Emergency Bridging Measures for Sustained Employment (‘NOW’) program is not included, as this was specifically related to events that occurred in prior year(s). The key audit matter with respect to the sale of Flying Blue frequent flyer program has been added, because the transaction occurred in 2023 and given its significance to the financial statements.

Sustainable business model of KLM

Description

The Company continues facing macro-economic, environmental 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, fleet availability, labor shortages, the intended reduction of flight movements at Schiphol Airport and persistent global supply chain issues. KLM assessed its current business model and issued a strategy and a climate action plan to safeguard the sustainability of its business model and the outcome thereof has been embedded in KLM’s 2024 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 valuation of aircraft and other non-current assets in the 2023 financial statements.

Our response

Our procedures primarily consisted of:

- made inquiries of management and the Audit Committee 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 KLM 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, the use of sustainable aviation fuel and the related disclosures;
- assessing KLM’s 2024 budget and 5-year plan and evaluating the assumptions and judgments underlying management’s going concern assessment, investment in and valuation of aircraft and other non-current assets, by amongst others evaluating the appropriateness of management’s sensitivity analyses of reasonable profit forecasts and liquidity;
- inspecting the Board of Managing Directors and Audit Committee’ meeting minutes to determine any climate-related matters impacting KLM’s current or future business strategy and or operations;
- furthermore, we have read the ‘Other information’ with respect to these developments, including the ESG statement and risks as included in the Annual Report and considered whether such information contains material inconsistencies with the financial statements or our knowledge obtained through the audit. 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 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.

Sale of Flying Blue frequent flyer program

Description

In 2023, KLM sold its Flying Blue frequent flyer program to a new established Air France-KLM's company, Flying Blue Miles S.A.S. incorporated in France. This affiliated company of KLM obtained the trademark and most of the commercial partner contracts related to the loyalty program. An independent external appraiser was engaged for the valuation of Flying Blue frequent flyer program. KLM recognised a gain of EUR 489 million which is presented as other income in the statement of profit or loss.

The sale of the Flying Blue frequent flyer program was significant to our audit due to the nature of the transaction involving a related party, its financial impact, complexity of the accounting treatment including related judgements and assumptions applied in the determination of the allocated value of the Flying Blue frequent flyer program.

Our response

Our procedures primarily consisted of:

- evaluation of the design and implementation of controls around the sale of Flying Blue frequent flyer program;
- assessing the terms and conditions of the sale to identify the performance obligation, transaction price and date of transfer of control as set out in the relevant agreements.
- reconciling the consideration received with the agreements and bank statement;
- assessing the capabilities, objectivity and professional competence of the external appraiser engaged by management for the valuation of Flying Blue frequent flyer program and assessing their reports, including calculation for the valuation of the Flying Blue frequent flyer program; and
- engaging an internal valuation specialist to assess the appropriateness of the valuation methodologies applied, whether the sale of Flying Blue frequent flyer program to a related party is at arm's length and reasonableness of assumptions made by management, such as discount and terminal growth rates, among others to address the fraud element of the identified risk.

Our observation

The results of our procedures performed regarding the sale of the Flying Blue frequent flyer program were satisfactory and we conclude that the related disclosures (notes 16 and 28) are adequate. Our audit procedures did not reveal indications of fraud related to the transaction.

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. KLM further capitalised on the recovery momentum in airline industry and management may have the incentive to overstate revenues of the current financial year.

We considered fraudulent revenue recognition to be a key audit matter as there may be a tendency to record fictious revenue, 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;
- analyzing 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 2023 and January 2024, primarily focusing on the possibility of improper shifting of revenue from January 2024 to December 2023.

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.

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 April 24, 2023, for the audit of the year 2023, 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 the appendix of this auditors' report. This description forms part of our auditors' report.

Amstelveen, March 28, 2024 KPMG Accountants N.V.	Amsterdam, March 28, 2024 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Miscellaneous

Five-year review

In EUR million, unless stated otherwise	2023	2022 Restated*	2021	2020	2019
Consolidated statement of profit or loss					
Passenger	8,764	7,210	3,109	2,518	7,952
Cargo	1,168	1,748	1,980	1,535	1,171
Other revenues	2,118	1,721	976	1,067	1,952
Revenues	12,050	10,679	6,065	5,120	11,075
Expenses**	(10,478)	(9,001)	(5,370)	(5,195)	(9,132)
Adjusted EBITDA**	1,572	1,678	695	(75)	1,943
Amortisation, depreciation, impairment and movement in provisions**	(922)	(972)	(922)	(1,079)	(1,090)
Adjusted income from operating activities**	650	706	(227)	(1,154)	853
Total APM adjustments**	489	37	(949)	(191)	22
Income from operating activities	1,139	743	(1,176)	(1,345)	875
Financial income and expenses	(192)	(304)	(340)	(340)	(275)
Pre-tax income	947	439	(1,516)	(1,685)	600
Income tax expenses	(238)	305	255	136	(162)
Net result after taxation of consolidated companies	709	744	(1,261)	(1,549)	438
Share of results of equity shareholdings	5	-	3	3	11
Profit/(loss) for the year	**714**	**744**	**(1,258)**	**(1,546)**	**449**
Consolidated balance sheet					
Current assets	3,702	3,364	2,525	1,937	2,576
Non-current assets	8,861	8,539	8,100	8,510	9,195
Total assets	**12,563**	**11,903**	**10,625**	**10,447**	**11,771**
Current liabilities	5,713	5,267	3,882	3,800	4,701
Non-current liabilities	6,053	6,500	7,438	6,762	5,510
Group equity	797	136	(695)	(115)	1,560
Total equity and liabilities	**12,563**	**11,903**	**10,625**	**10,447**	**11,771**

* 2022 restated: CO_2 quotas have been restated from intangible assets to other (non-current) assets. Reference is made to the paragraph “Restatement of 2022 financial statements” in these Notes to the consolidated financial statements.

** 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 EUR million, unless stated otherwise	2023	2022 Restated*	2021	2020	2019
Key financial figures (KLM Group)					
Adjusted income from operating activities for the year as percentage of revenues**	9.5	6.6	(20.7)	(30.2)	4.1
Earnings per ordinary share (EUR)	15.23	15.87	(26.90)	(33.05)	9.57
Capital expenditures (net)	(507)	(580)	(481)	(681)	(1,323)
Net debt/adjusted EBITDA ratio	0.7	1.0	4.5	47.4	1.3
Dividend per ordinary share (EUR)	-	-	-	—	0.4
Average number of staff (KLM Group)					
(in FTE)					
The Netherlands	26,194	24,525	23,705	26,866	27,293
Outside the Netherlands	2,992	2,899	2,902	3,102	3,279
Employed by KLM	29,186	27,424	26,607	29,968	30,572
Total agency staff	1,966	1,561	837	772	2,454
Total KLM Group	31,152	28,985	27,444	30,740	33,026
Traffic (KLM Company)					
Passenger kilometers***	92,652	82,289	40,912	33,873	109,476
Revenue ton freight kilometers***	3,244	2,353	3,333	3,020	3,583
Passenger load factor (%)	87.1	83.4	49.6	52.2	89.4
Cargo load factor (%)	49.4	53.4	79.6	77.7	61.9
Number of passengers (x 1,000)	30,332	25,838	14,039	11,231	35,092
Weight of cargo carried (kilograms)***	305	306	412	371	453
Average distance flown per passenger (in kilometers)	3,055	3,185	2,914	3,016	3,120
Capacity (KLM Company)					
Available seat kilometers***	106,336	98,660	82,452	64,842	122,452
Available ton freight kilometers***	4,779	4,402	4,155	3,882	5,811
Kilometers flown***	416	378	322	271	471
Blockhours (x 1,000)	627	561	465	390	706
Yield (KLM Company)					
Yield (in cents):					
Passenger (per RPK)	9.2	8.6	7.3	7.1	7.1
Cargo (per RTK)	29.8	42.7	37.3	31.8	21.0

* 2022 restated: CO_2 quotas have been restated from intangible assets to other (non-current) assets. Reference is made to the paragraph "Restatement of 2022 financial statements" in these Notes to the consolidated financial statements.
** 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 2023 amounting to EUR 713,883,000 be appropriated as follows:

Transfer to reserves
Retained earnings EUR 713,883,000.

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. It does not include investments in and proceeds on sale of equity accounted investees, dividends received, proceeds on short-term deposits and commercial paper and net cash flow from operating activities of discontinued operations.

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.

KLM Royal Dutch Airlines

Headoffice
Amsterdamseweg 55
1182 GP Amstelveen
the Netherlands

Postal address
P.O. Box 7700
1117 ZL Schiphol
the Netherlands

Telephone
+31 20 649 9123

Internet
www.klm.com

Registered under number
33014286 in the Trade Register
of the Chamber of Commerce
and Industry Amsterdam,
the Netherlands.