

## Financial Year 2015: First Half results

### SECOND QUARTER

- ▶ Revenues of 6.64 billion euros, up 3.0%, down 4.5% like-for-like<sup>1</sup>
- ▶ EBITDAR<sup>2</sup> of 824 million euros, a decrease of 30 million euros
- ▶ Operating result of 185 million euros, a decrease of 53 million euros, stable like-for-like
- ▶ Unit cost<sup>2</sup> down 0.5% like-for-like

### FIRST HALF

- ▶ Revenues of 12.30 billion euros, up 2.4%, down 3.6% like-for-like
- ▶ EBITDAR of 1,053 million euros, an improvement of 32 million euros
- ▶ Strong operating free cash flow<sup>2</sup> generation: 274 million euros
- ▶ Further net debt reduction: net debt<sup>2</sup> of 4.55 billion euros, down 857 million euros compared to 31 December 2014
- ▶ Adjusted net debt / EBITDAR ratio<sup>3</sup> of 3.8x, an improvement of 0.2 compared to 31 December 2014

### FULL YEAR 2015 OUTLOOK: OBJECTIVES MAINTAINED

- ▶ Unit cost reduction in the 1% to 1.3% range<sup>4</sup>
- ▶ Significant reduction in net debt, from 5.4 billion euros at end 2014 down to around 4.4 billion euros at end 2015

### ACCELERATION OF PERFORM 2020

- ▶ Launch of immediate cost-saving measures
- ▶ Acceleration of all cost reduction initiatives
- ▶ Adjustment of Winter 2015-16 capacity

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The Board of Directors of Air France-KLM, chaired by Alexandre de Juniac, met on 23 July 2015 to approve the accounts for the First Half of the Financial Year 2015.

Alexandre de Juniac made the following comments:

*"In the First Half 2015, Air France-KLM's results were characterized by exceptional volatility in exchange rates and the fuel price, and by on-going pressure on unit revenues. All the Perform 2020 cost-saving initiatives were identified and quantified, and productivity agreements have already been signed at KLM. Transavia is pursuing its rapid development and will serve 47 cities on departure from Paris this summer. The maintenance business is posting strong growth."*

*The lack of results improvement leads us to implement immediate additional adaptation measures including, in particular, the closure of heavily loss-making routes, the downward revision in capacity for the forthcoming Winter season, together with an acceleration and an increase in the magnitude of our cost-saving initiatives. Following the agreement signed by KLM with its unions, the rapid conclusion of the negotiations with the Air France unions is key to re-launching the results turnaround. At this pivotal moment in Air France-KLM's history, the Board and I know that we can count on the spirit of responsibility and commitment shared by all the Group's staff to enable us to return to a growth path."*

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<sup>1</sup> Like-for-like: excluding currency. Same definition applies in rest of press release

<sup>2</sup> See definition in appendix

<sup>3</sup> Trailing 12 months, EBITDAR adjusted for September 2014 pilot strike impact; see definition in appendix

<sup>4</sup> On a constant currency, fuel price and pension-related expense basis. See computation in appendix

## Key data

	Second Quarter			First Half		
	2015	2014	Change	2015	2014	Change
Passengers (thousands)	23,580	23,390	+0.8%	42,601	42,188	+1.0%
Capacity (EASK m)	85,948	85,807	+0.2%	163,180	162,971	+0.1%
Revenues (€m)	6,642	6,451	+3.0%	12,298	12,005	+2.4%
Change like-for-like (%)			-4.5%			-3.6%
EBITDAR (€m)	824	854	-30	1,053	1,021	+32
EBITDA (€m)	569	641	-72	548	591	-43
EBITDA margin (%)	8.6	9.9	-1.3 pt	4.5	4.9	-0.4 pt
EBITDA change like-for-like (€m)			-17			+92
Operating result (€m)	185	238	-53	-232	-207	-25
Operating margin (%)	2.8%	3.7%	-0.9 pt	-1.9%	-1.7%	-0.2 pt
Operating result change like-for-like (€m)			+2			+110
Net result, group share (€m)	-79	-11	-68	-638	-619	-19
Restated net result, group share <sup>2</sup> (€m)	77	146	-69	-427	-339	-88
Earnings per share (€)	(0.27)	(0.04)	-0.23	(2.16)	(2.09)	-0.07
Diluted earnings per share (€)	(0.27)	(0.04)	-0.23	(2.16)	(2.09)	-0.07
Adjusted earnings per share (€)	0.24	0.49	-0.25	(1.46)	(1.15)	-0.31
Diluted adjusted earnings per share (€)	0.21	0.38	-0.17	(1.46)	(1.15)	-0.31
Operating free cash flow (€m)	311	175	+136	274	95	+179
Net debt at end of period (€m)				4,550	5,407	-857

The consolidated financial statements of the Group have been revised as of 1<sup>st</sup> January 2015 in order to improve their clarity. The changes are:

- In view of its rapid development, Transavia is now presented as a separate business segment. The passenger business segment is thus renamed from “passenger” to “passenger network”.
- Capitalized production costs are no longer deducted from individual cost lines in the profit and loss statement, but are instead fully allocated to the “other income and expenses” line. The impact per quarter of this restatement is provided in the appendix.
- Foreign currency effects on provisions are no longer recorded in “amortization, depreciation and provisions” but in “other financial income and expenses”. The closing exchange rate is used to convert provisions at the closing date. Previously, the Group used the average rate of the US dollar to convert maintenance provisions. The consolidated financial statements as of December 31, 2014 have been restated for reason of comparison. The impact of this restatement is provided in the appendix.

**Second Quarter 2015** total revenues stood at 6.64 billion euros versus 6.45 billion euros in Second Quarter 2014, up 3.0% as a result of a strong currency tailwind, but down -4.5% like-for-like.

Currencies had a positive 507 million euro impact on revenues, primarily driven by the strengthening of the US dollar against the euro. In spite of higher profits on currency hedging, the negative impact on costs reached 561 million euros. The net impact of currencies on the operating result thus amounted to a negative 54 million euros.

Total operating costs were 3.9% higher year-on-year and down 4.7% on a like-for-like basis. Ex-fuel, they increased by 4.8% and by 1.3% on a like-for-like basis. Unit cost per EASK was down 0.5%, on a constant currency, fuel price and pension-related expense basis, against stable capacity measured in EASK (+0.2%).

The fuel bill amounted to 1,661 million euros, up 1.5% and down 18.7% like-for-like. Based on the forward curve at 10 July 2015, the Full Year 2015 fuel bill is expected to reach 6.4 billion euros<sup>5</sup>. Based on the same forward curve, the Full Year 2016 fuel bill could amount to 5.7 billion euros<sup>5</sup>.

<sup>5</sup> 2015 average Brent price of USD60, average jet fuel market price of USD578 per ton, average exchange rate of 1.10USD per euro. 2016 average Brent price of USD64, average jet fuel market price of USD610 per ton, average exchange rate of 1.10USD per euro.

Total employee costs including temporary staff were up 2.5% to 2,013 million euros. They included a non-cash increase of 30 million euros in pension-related expenses at KLM due to changes in actuarial assumptions (lower discount rate). On a constant scope and pension-related expense basis, employee costs increased by 0.9%.

In addition to the 56 million euro provision for the Voluntary Departure Plans announced by Air France in February, the Group recorded under “non-current income and expenses” 71 million euros of additional restructuring provisions for the Voluntary Departure Plans implemented by KLM, notably within the framework of the restructuring of the cargo business.

EBITDAR amounted to 824 million euros, a reported decrease of 30 million euros.

In the **First Half 2015**, total revenues stood at 12.3 billion euros versus 12.0 billion euros in 2014, up 2.4%, but down 3.6% on a like-for-like basis. The fuel bill amounted to 3,141 million euros, a reported decrease of 1.5% and down 18.2% on a like-for-like basis.

Over the first six months, all the savings achieved on the fuel bill (positive 683 million euros excluding currency) were completely offset by pressure on unit revenues (negative 545 million euros excluding currency) and negative currency impacts (negative 135 million euros).

EBITDA per business (€m)	Second Quarter			First Half		
	2015	2014	Change	2015	2014	Change
Passenger network	519	572	-53	511	506	+5
Cargo	-80	-29	-51	-128	-47	-81
Maintenance	112	83	+29	197	159	+38
Transavia	-1	3	-4	-59	-48	-11
Other	19	10	+9	27	19	+8
<b>Total</b>	<b>569</b>	<b>641</b>	<b>-72</b>	<b>548</b>	<b>591</b>	<b>-43</b>

In the **First Half 2015**, EBITDA amounted to a positive 548 million euros, a decrease of 43 million euros. On a like-for-like basis, EBITDA increased by 92 million euros.

At 197 million euros, Maintenance delivered a good EBITDA performance, up 38 million euros, whereas Cargo EBITDA decreased by 81 million euros.

The operating result stood at -232 million euros versus -207 million euros in 2014, a 25 million euro decrease. Like-for-like, the operating result increased by 110 million euros, mainly as a result of the strong performance of the Passenger network business which improved 129 million euros like-for-like (see below).

The net result, group share stood at -638 million euros against -619 million euros a year ago. It included notably the non-current result related to the capital gain on the sale of Amadeus shares (+218 million euros), offset by the change in value of the hedging portfolio (-96 million euros), the unrealized foreign exchange loss (-237 million euros) and restructuring costs of 133 million euros. On an adjusted basis, the net result, group share stood at -427 million euros against -339 million euros in First Half 2014, an 88 million euro decrease.

At 30 June 2015, the trailing 12 months strike-adjusted return on capital employed<sup>2</sup> (ROCE) was 5.5%, up 0.5 point compared to 30 June 2014.

## Passenger network<sup>6</sup> business

Passenger network	Q2 2015	Q2 2014	Change	Change like-for-like
Passengers (thousands)	20,488	20,550	-0.3%	
Capacity (ASK m)	69,948	69,663	+0.4%	
Traffic (RPK m)	59,453	59,059	+0.7%	
Load factor	85.0%	84.8%	+0.2 pt	
Total passenger revenues (€m)	5,242	5,112	+2.5%	-4.3%
Scheduled passenger revenues (€m)*	5,024	4,899	+2.6%	-4.4%
Unit revenue per ASK (€ cts)	7.18	7.03	+2.2%	-4.8%
Unit revenue per RPK (€ cts)	8.45	8.30	+1.9%	-5.0%
Unit cost per ASK (€ cts)	6.88	6.67	+3.3%	-4.9%
Operating result (€m)	210	255	-45	-3

\* Q2 2014 restated for change in revenue allocation (14 million euros transferred from "other passenger" to "scheduled passenger revenues")

**Second Quarter 2015** total passenger network revenues amounted to 5,242 million euros, up 2.5% and down 4.3% like-for-like. The operating result of the passenger network business stood at 210 million euros, versus 255 million euros over the Second Quarter 2014. Like-for-like, the operating result was stable (-3 million euros).

The Group maintained its strict capacity discipline, keeping total passenger network capacity stable (+0.4%). Unit revenue per Available Seat Kilometer (RASK) remained volatile, down by 4.8% on a like-for-like basis. On the long-haul network, unit revenue was affected by the expected capacity-demand balances reflected in the unit revenue pressure observed on the different parts of the network, strengthened by the large drop in demand out of Brazil and Japan, which represent together around 10% of total capacity. In addition, several routes were affected by travel budget reductions implemented by oil and gas related customers, notably to Africa.

As planned, short and medium-haul point-to-point capacity (excluding the Paris and Amsterdam hubs) was further reduced by 14.1%, leading to a significant improvement in unit revenue of +8.1% like-for-like, whereas for hub-related short and medium-haul traffic, unit revenues were down -3.3% like-for-like.

Passenger network	H1 2015	H1 2014	Change	Change like-for-like
Passengers (thousands)	37,853	37,868	-0.0%	
Capacity (ASK m)	134,054	133,710	+0.3%	
Traffic (RPK m)	112,370	112,086	+0.3%	
Load factor	83.8%	83.8%	-0.0 pt	
Total passenger revenues (€m)	9,663	9,477	+2.0%	-3.3%
Scheduled passenger revenues (€m)*	9,248	9,074	+1.9%	-3.4%
Unit revenue per ASK (€ cts)	6.90	6.79	+1.7%	-3.7%
Unit revenue per RPK (€ cts)	8.23	8.10	+1.7%	-3.6%
Unit cost per ASK (€ cts)	6.98	6.88	+1.5%	-4.7%
Operating result (€m)	-112	-123	+11	+129

\* H1 2014 restated for change in revenue allocation (21 million euros transferred from "other passenger" to "scheduled passenger revenues")

In the **First Half 2015**, passenger network revenues amounted to 9,663 million euros, up 2.0% and down 3.3% on a like-for-like basis. The operating result of the passenger network business stood at -112 million euros, versus -123 million euros in the First Half 2014, an improvement of 11 million euros and 129 million euros like-for-like.

Considering the pressure on unit revenues, the Group is adjusting its passenger network schedule for the Second Half, especially on the weakest routes to Brazil and Japan. In the Winter 2015-16 schedule, the Group plans to reduce capacity to Japan by 14%, to Brazil by 5% and to East Africa by

<sup>6</sup> Air France, KLM and HOP!. Transavia is reported in its own business segment.

6%. Capacity should thus be flat in the Fourth Quarter, and Full Year capacity should only grow by 0.6%<sup>7</sup> vs. +1.1% planned in February.

## Cargo business

Cargo	Q2 2015	Q2 2014	Change	Change like-for-like
Tons (thousands)	295	330	-10.4%	
Capacity (ATK m)	3,684	3,905	-5.7%	
Traffic (RTK m)	2,193	2,468	-11.1%	
Load factor	59.5%	63.2%	-3.7 pt	
Total Cargo revenues (€m)	604	668	-9.6%	-18.6%
Scheduled cargo revenues (€m)	562	624	-9.9%	-19.0%
Unit revenue per ATK (€ cts)	15.26	15.98	-4.1%	-13.8%
Unit revenue per RTK (€ cts)	25.63	25.28	+1.8%	-8.4%
Unit cost per ATK (€ cts)	17.37	17.13	+1.7%	-8.5%
Operating result (€m)	-78	-45	-33	-29

The Group continued to restructure its Cargo activity to address the weak global trade and structural air cargo industry overcapacity. During **Second Quarter 2015**, full-freighter capacity was thus reduced by 26%, while belly capacity increased by 1.3%, leading to a decrease in total capacity of 5.7%. Revenue per Available Ton Kilometer (ATK) was nevertheless down by 13.8% like-for-like, reflecting the structural industry overcapacity.

The operating result stood at -78 million euros, a decrease of 29 million euros like-for-like.

Cargo	H1 2015	H1 2014	Change	Change like-for-like
Tons (thousands)	596	656	-9.1%	
Capacity (ATK m)	7,418	7,710	-3.8%	
Traffic (RTK m)	4,454	4,933	-9.7%	
Load factor	60.0%	64.0%	-3.9 pt	
Total Cargo revenues (€m)	1,229	1,344	-8.6%	-16.1%
Scheduled cargo revenues (€m)	1,150	1,254	-8.3%	-15.9%
Unit revenue per ATK (€ cts)	15.50	16.26	-4.7%	-12.5%
Unit revenue per RTK (€ cts)	25.82	25.42	+1.6%	-6.8%
Unit cost per ATK (€ cts)	17.40	17.29	+0.7%	-8.4%
Operating result (€m)	-141	-79	-62	-44

**First Half 2015** Cargo revenues amounted to 1,229 million euros, down 16.1% like-for-like. At -141 million euros, the operating result decreased by 44 million like-for-like.

Within the framework of Perform 2020, 3 Boeing 747s were retired in the Winter 2014-15 season, while all MD11s will be retired by June 2016. The Group plans to operate only 5 full-freighters by the end of 2016. This reduction should enable the full-freighter business to return to operating breakeven in 2017 (versus a strike-adjusted loss of 95 million euros in 2014). The Group recorded in its 30 June 2015 accounts provisions to cover the corresponding voluntary departure plans.

<sup>7</sup> Excluding September 2014 strike. Planned growth on a reported basis : +2.2%

## Maintenance business

Maintenance	Q2 2015	Q2 2014	Change	Change like-for-like
Total revenues (€m)	1,005	810	+24.1%	
Third party revenues (€m)	396	286	+38.5%	13.0%
Operating result (€m)	51	30	+21	+16
Operating margin (%)	5.1%	3.7%	+1.4 pt	+0.9 pt

**Second Quarter 2015** third party maintenance revenues amounted to 396 million euros, up 38.5% and by 13.0% like-for-like. Revenues benefited not only from the strong dollar relative to the euro and from the contracts gained in previous years, but also from a favorable comparison base.

The operating result stood at 51 million euros, up 21 million euros year-on-year, and up 17 million euros like-for-like.

Maintenance	H1 2015	H1 2014	Change	Change like-for-like
Total revenues (€m)	1,972	1,615	+22.1%	
Third party revenues (€m)	776	576	+34.7%	+13.4%
Operating result (€m)	86	52	+34	+15
Operating margin (%)	4.4%	3.2%	+1.2 pt	+0.1 pt

During the **First Half 2015**, third party maintenance revenues increased by 34.7% and by 13.4% like-for-like. At 86 million euros, the operating result improved by 34 million euros.

Over the period, the maintenance order book recorded a further 14% increase to reach a record high of 8.5 billion dollars, including several new B787 component support contracts. The Group expanded its service portfolio with an investment in a US engine parts trading business.

## Transavia

Transavia	Q2 2015	Q2 2014	Change
Passengers (thousands)	3,092	2,840	+8.9%
Capacity (ASK m)	6,446	6,018	+7.1%
Traffic (RPK m)	5,819	5,460	+6.6%
Load factor	90.3%	90.7%	-0.4 pt
Total passenger revenues (€m)	304	296	+2.7%
Scheduled passenger revenues (€m)*	302	294	+2.7%
Unit revenue per ASK (€ cts)	4.68	4.90	-4.4%
Unit revenue per RPK (€ cts)	5.19	5.39	-3.9%
Unit cost per ASK (€ cts)	4.78	5.00	-4.4%
Operating result (€m)	-6	-6	+0

\* Q2 2014 restated for change in revenue allocation (12 million euros transferred from "other passenger" to "scheduled passenger revenues")

In the **Second Quarter 2015**, Transavia capacity was up by 7.1%, reflecting the accelerated development in France (capacity up by 22.5%). Traffic rose by 6.6%. The load factor remained high (90.3%) despite the increase in capacity. Both unit revenue per ASK and unit cost per ASK decreased by -4.4%, resulting in a stable operating result at -6 million euros.

<b>Transavia</b>	<b>H1 2015</b>	<b>H1 2014</b>	<b>Change</b>
Passengers (thousands)	4,748	4,320	+9.9%
Capacity (ASK m)	9,877	9,283	+6.4%
Traffic (RPK m)	8,836	8,277	+6.8%
Load factor	89.5%	89.2%	+0.3 pt
Total passenger revenues (€m)	450	435	+3.5%
Scheduled passenger revenues (€m)*	443	428	+3.5%
Unit revenue per ASK (€ cts)	4.49	4.61	-2.7%
Unit revenue per RPK (€ cts)	5.01	5.17	-3.0%
Unit cost per ASK (€ cts)	5.24	5.30	-1.0%
Operating result (€m)	-75	-64	-11

\* H1 2014 restated for change in revenue allocation (18 million euros transferred from "other passenger" to "scheduled passenger revenues")

In the **First Half 2015**, Transavia revenues amounted to 450 million euros, up 3.5%. The operating result stood at -75 million euros, a decrease of 11 million euros, due to the unit cost increase observed in the First Quarter, notably related to the seasonal capacity adjustments implemented in the Netherlands.

The rapid development of Transavia will continue in the Second Half of 2015. However, its revenue and profitability may be affected by its exposure to Tunisia, Morocco and Greece, representing all together 22% of Summer 2015 flights.

### Other business: Catering

<b>Catering</b>	<b>Q2 2015</b>	<b>Q2 2014</b>	<b>Change</b>
Total revenues (€m)	231	222	+4.1%
Third party revenues (€m)	85	77	+10.4%
Operating result (€m)	6	5	+1

In the **Second Quarter 2015**, third party catering revenues amounted to 85 million euros, up 10.4%. The operating result stood at 6 million euros, up 1 million euros.

<b>Catering</b>	<b>H1 2015</b>	<b>H1 2014</b>	<b>Change</b>
Total revenues (€m)	437	427	+2.3%
Third party revenues (€m)	160	150	+6.7%
Operating result (€m)	5	1	+4

In the **First Half 2015**, third party catering revenues amounted to 160 million euros, up 6.7% on the back of positive commercial momentum in both France and internationally. The operating result stood at 5 million euros, up 4 million euros.

## Financial situation

In € million	H1 2015	H1 2014	Change
Cash flow before change in WCR and Voluntary Departure Plans, continuing operations	327	364	-37
Cash out related to Voluntary Departure Plans	-97	-144	+47
Change in Working Capital Requirement (WCR)	+862	+650	+212
<b>Operating cash flow</b>	<b>1,092</b>	<b>870</b>	<b>+222</b>
Net investments before sale & lease-back	-818	-808	-10
Cash received through sale & lease-back transactions	0	+33	-33
Net investments after sale & lease-back	-818	-775	-43
<b>Operating free cash flow</b>	<b>274</b>	<b>95</b>	<b>+179</b>

In the First Half 2015, the decrease of 43 million euros in EBITDA translated into a 37 million euro decrease in cash flow before change in WCR and cash out related to Voluntary Departure Plans. The Group disbursed 97 million euros for Voluntary Departure Plans. The change in Working Capital Requirement contributed 862 million euros to operating cash flow. Net investments before sale & lease-back transactions stood at 818 million euros. As a result, operating free cash flow reached 274 million euros, up 179 million euros compared to the First Half of 2014.

The operating free cash flow does not include free cash flow from financial investments, including the cash-in of 327 million euros from the sale of Amadeus shares in January. Neither does it include the 600 million euro hybrid bond issued in April, which contributed to the reduction in net debt.

Net debt amounted to 4.55 billion euros at 30 June 2015, versus 5.41 billion euros at 31 December 2014. Currencies had a significant 145 million euro negative impact on net debt, which was also affected by the requalification of some operating leases into financial leases for an amount of 128 million euros.

Excluding the impact of the pilot strike on EBITDAR, the trailing 12 months adjusted net debt/EBITDAR ratio stood at 3.8x at 30 June 2015, down 0.2 points compared to 31 December 2014, and down 0.2 points compared to 30 June 2014. In parallel, a 661 million euro convertible bond was reimbursed on 1<sup>st</sup> April, reducing the diluted share count by more than 70 million shares to 370 million shares.

Thanks to the strong returns on pension plan assets and the rebound in discount rates during the First Half 2015, the balance sheet pension situation improved; it evolved from a net liability of 710 million euros at 31 December 2014 to a net liability of 343 million euros at 30 June 2015.

At 30 June 2015, equity, group share, amounted to -212 million euros, an improvement of 480 million euros over the First Half on the back a decrease of 265 million euros in the after tax net pension liability, a 433 million euros improvement in the fair value of the fuel hedging portfolio, and the 600 million euro hybrid bond issued in April, partially offset by the strong seasonality of results (net result of -638 million euros). The fair value of the fuel hedging portfolio remains however strongly negative, at around 820 million euros at 30 June 2015.

The Group continues to enjoy a good level of liquidity, with net cash<sup>2</sup> of 3.9 billion euros at 30 June 2015, and undrawn credit lines of 1.845 billion euros. During the First Half, the Group renewed its main credit lines with a wide pool of international banks.



## Outlook

All the operational initiatives planned within the framework of the new strategic plan Perform 2020 are being negotiated and deployed.

Negotiations with KLM unions on labor productivity have been finalized. The agreement with the pilots' union will now be submitted for approval by its members.

Negotiations continue at Air France in line with a tight schedule aimed at reaching agreements by the end of September 2015.

However, as experienced in the First Half, in 2015, almost all of the expected savings on the fuel bill could be offset by unit revenue pressure and negative currency impacts. Considering the more challenging revenue environment, the Group has decided to accelerate the implementation of Perform 2020:

- launch of immediate cost-saving measures
- acceleration of all cost reduction initiatives

In addition, the Group has revised down its capacity plans for the Winter 2015-16 season.

For Full Year 2015, the Group maintains its key targets:

- unit cost improvement<sup>8</sup> in the 1% to 1.3% range
- net debt of around 4.4 billion euros at the end of 2015

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Limited review procedures were carried out by external auditors. Their limited review report was issued following the Board Meeting.

The results presentation is available at [www.airfranceklm.com](http://www.airfranceklm.com) on 24 July 2015 from 7:15am CET.

A live broadcast of the press conference will be available as from 10:30am (Paris time) at [www.airfranceklm.com](http://www.airfranceklm.com) (password: AKH).

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<sup>8</sup> On a constant currency, fuel price and pension-related expense basis. See computation in appendix

## INCOME STATEMENT

	Second Quarter			First Half		
	2015	2014*	Change	2015	2014*	Change
<i>In millions euros</i>						
<b>SALES</b>	<b>6,642</b>	<b>6,451</b>	<b>3.0%</b>	<b>12,298</b>	<b>12,005</b>	<b>2.4%</b>
Other revenues	1	1	0.0%	2	9	-77.8%
<b>EXTERNAL EXPENSES</b>	<b>-4,382</b>	<b>-3,985</b>	<b>10.0%</b>	<b>-8,420</b>	<b>-7,824</b>	<b>7.6%</b>
Aircraft fuel	-1,661	-1,636	1.5%	-3,141	-3,189	-1.5%
Chartering costs	-110	-111	-0.9%	-217	-209	3.8%
Aircraft operating lease costs	-255	-213	19.7%	-505	-430	17.4%
Landing fees and en route charges	-499	-475	5.1%	-941	-891	5.6%
Catering	-166	-146	13.7%	-309	-283	9.2%
Handling charges and other operating costs	-380	-351	8.3%	-741	-682	8.7%
Aircraft maintenance costs	-581	-413	40.7%	-1,160	-817	42.0%
Commercial and distribution costs	-237	-213	11.3%	-465	-437	6.4%
Other external expenses	-493	-427	15.5%	-941	-886	6.2%
Salaries and related costs	-1,965	-1,915	2.6%	-3,841	-3,752	2.4%
Taxes other than income taxes	-37	-39	-5.1%	-89	-93	-4.3%
Amortization, depreciation and provisions	-384	-403	-4.7%	-780	-798	-2.3%
Other income and expenses	310	128	142.2%	598	246	143.1%
<b>INCOME FROM CURRENT OPERATIONS</b>	<b>185</b>	<b>238</b>	<b>-22.3%</b>	<b>-232</b>	<b>-207</b>	<b>-12.1%</b>
Sales of aircraft equipment	-4	-6	-33.3%	-5	-5	0.0%
Other non-current income and expenses	-72	-116	37.9%	89	-117	NA
<b>INCOME FROM OPERATING ACTIVITIES</b>	<b>109</b>	<b>116</b>	<b>-6.0%</b>	<b>-148</b>	<b>-329</b>	<b>55.0%</b>
Income from cash and cash equivalents	14	21	-33.3%	31	39	-20.5%
Cost of financial debt	-91	-109	-16.5%	-198	-223	-11.2%
<b>Net cost of financial debt</b>	<b>-77</b>	<b>-88</b>	<b>-12.5%</b>	<b>-167</b>	<b>-184</b>	<b>-9.2%</b>
Foreign exchange gains (losses), net	-91	-2	-4450%	-246	-119	-106.7%
Change in fair value of financial assets and liabilities	-40	32	NA	-96	26	NA
Other financial income and expenses	-17	-31	45.2%	-46	-34	-35.3%
<b>INCOME BEFORE TAX</b>	<b>-116</b>	<b>27</b>	<b>NA</b>	<b>-703</b>	<b>-640</b>	<b>-9.8%</b>
Income taxes	46	-33	NA	82	36	-127.8%
<b>NET INCOME OF CONSOLIDATED COMPANIES</b>	<b>-70</b>	<b>-6</b>	<b>-1066%</b>	<b>-621</b>	<b>-604</b>	<b>-2.8%</b>
Share of profits (losses) of associates	-7	-7	0.0%	-16	-11	-45.5%
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>-77</b>	<b>-13</b>	<b>-492%</b>	<b>-637</b>	<b>-615</b>	<b>-3.6%</b>
Net income from discontinued operations	0	2	NA	0	-4	NA
<b>NET INCOME FOR THE PERIOD</b>	<b>-77</b>	<b>-11</b>	<b>-600%</b>	<b>-637</b>	<b>-619</b>	<b>-2.9%</b>
Minority interest	-2	0	NA	-1	0	NA
<b>NET INCOME FOR THE PERIOD - GROUP</b>	<b>-79</b>	<b>-11</b>	<b>-618%</b>	<b>-638</b>	<b>-619</b>	<b>-3.1%</b>

\* Restated, see page 17

## BALANCE SHEET

<b>Assets</b> <i>In million euros</i>	<b>June 30, 2015</b>	<b>December 31, 2014*</b>
Goodwill	246	243
Intangible assets	1,024	1,009
Flight equipment	8,843	8,728
Other property, plant and equipment	1,720	1,750
Investments in equity associates	131	139
Pension assets	1,755	1,409
Other financial assets	1,133	1,502
Deferred tax assets	884	1,042
Other non-current assets	319	243
<b>Total non-current assets</b>	<b>16,055</b>	<b>16,065</b>
Assets held for sale	3	3
Other short-term financial assets	985	787
Inventories	602	538
Trade receivables	2,117	1,728
Other current assets	1,209	961
Cash and cash equivalents	3,344	3,159
<b>Total current assets</b>	<b>8,260</b>	<b>7,176</b>
<b>Total assets</b>	<b>24,315</b>	<b>23,241</b>

\* Restated, see page 17

<b>Liabilities and equity</b> <i>In million euros</i>	<b>June 30, 2015</b>	<b>December 31, 2014*</b>
Issued capital	300	300
Additional paid-in capital	2,971	2,971
Treasury shares	(84)	(86)
Reserves and retained earnings	(3,399)	(3,877)
Equity attributable to equity holders of Air France-KLM	<b>(212)</b>	<b>(692)</b>
Non-controlling interests	45	39
<b>Total Equity</b>	<b>(167)</b>	<b>(653)</b>
Pension provisions	2,098	2,119
Other provisions	1,457	1,404
Long-term debt	8,274	7,994
Deferred tax liabilities	13	14
Other non-current liabilities	434	536
<b>Total non-current liabilities</b>	<b>12,276</b>	<b>12,067</b>
Provisions	813	731
Current portion of long-term debt	1,141	1,885
Trade payables	2,444	2,444
Deferred revenue on ticket sales	3,709	2,429
Frequent flyer programs	760	759
Other current liabilities	3,231	3,330
Bank overdrafts	108	249
<b>Total current liabilities</b>	<b>12,206</b>	<b>11,827</b>
<b>Total liabilities</b>	<b>24,482</b>	<b>23,894</b>
<b>Total equity and liabilities</b>	<b>24,315</b>	<b>23,241</b>

\* Restated, see page 17

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In € millions</i>		
Period from January 1 to June 30,	H1 2015	H1 2014*
Net income from continuing operations	(637)	(615)
Net income from discontinued operations	-	(4)
Amortization, depreciation and operating provisions	781	805
Financial provisions	43	34
Results on disposals of tangible and intangible assets	5	(3)
Results on disposals of subsidiaries and associates	(224)	3
Derivatives – non monetary result	51	(25)
Unrealized foreign exchange gains and losses, net	237	124
Share of (profits) losses of associates	16	11
Deferred taxes	(105)	(54)
Impairment	-	106
Other non-monetary items	63	(168)
<b>Subtotal</b>	<b>230</b>	<b>214</b>
<i>Of which discontinued operations</i>	<i>-</i>	<i>(6)</i>
(Increase) / decrease in inventories	(62)	(40)
(Increase) / decrease in trade receivables	(381)	(473)
Increase / (decrease) in trade payables	(20)	47
Change in other receivables and payables	1,325	1,116
<i>Change in working capital from discontinued operations</i>	<i>-</i>	<i>20</i>
<b>Net cash flow from operating activities</b>	<b>1,092</b>	<b>884</b>
Acquisition of subsidiaries, of shares in non-controlled entities	(9)	(37)
Purchase of property plants, equipments and intangible assets	(870)	(835)
Loss of subsidiaries, of disposal of shares in non-controlled entities	342	5
Proceeds on disposal of property, plant and equipment and intangible assets	52	60
Dividends received	1	10
Decrease (increase) in net investments, more than 3 months	(204)	218
Net cash flow used in investing activities of discontinued operations	-	(20)
<b>Net cash flow used in investing activities</b>	<b>(688)</b>	<b>(599)</b>
Capital increase	600	-
Issuance of debt	808	1,145
Repayment on debt	(1,134)	(1,386)
Payment of debt resulting from finance lease liabilities	(382)	(299)
New loans	(42)	(18)
Repayment on loans	96	47
Dividends paid	(1)	-
<b>Net cash flow from financing activities</b>	<b>(55)</b>	<b>(511)</b>
Effect of exchange rate on cash and cash equivalents and bank overdrafts	(22)	(77)
<b>Change in cash and cash equivalents and bank overdrafts</b>	<b>327</b>	<b>(303)</b>
Cash and cash equivalents and bank overdrafts at beginning of period	2,910	3,518
Cash and cash equivalents and bank overdrafts at end of period	3,237	3,221

\* Restated, see page 17

## KEY FINANCIAL INDICATORS

### EBITDA and EBITDAR

<i>In million euros</i>	Q2 2015	Q2 2014*	H1 2015	H1 2014*
Income/(loss) from current operations	185	238	(232)	(207)
Amortization, depreciation and provisions	384	403	780	798
<b>EBITDA</b>	<b>569</b>	<b>641</b>	<b>548</b>	<b>591</b>
Aircraft operating lease costs	(255)	(213)	(505)	(430)
<b>EBITDAR</b>	<b>824</b>	<b>854</b>	<b>1,053</b>	<b>1,021</b>

\* Restated, see page 17

### Restated net result, group share

<i>In million euros</i>	Q2 2015	Q2 2014*	H1 2015	H1 2014*
Net income/(loss), Group share (in €m)	(79)	(11)	(638)	(619)
Net income/(loss) from discontinued operations (in €m)	0	(2)	0	4
Unrealized foreign exchange gains and losses, net (in €m)	94	13	237	124
Change in fair value of financial assets and liabilities (derivatives) (in €m)	25	(32)	51	(26)
Non-current income and expenses (in €m)	76	122	(84)	122
Depreciation of shares available for sale (in €m)	(5)	29	7	29
De-recognition of deferred tax assets (in €m)	(34)	26	0	26
<b>Restated net income/(loss), group share (in €m)</b>	<b>77</b>	<b>145</b>	<b>(427)</b>	<b>(340)</b>
Restated net income/(loss) per share (in €)	0.24	0.49	(1.46)	(1.15)

\* Restated, see page 17

### Return on capital employed (ROCE)

<i>In million euros</i>	30 June 2015	30 June 2014*	30 June 2014*	30 June 2013**
Goodwill and intangible assets	1,270	1,232	1,232	1,107
Flight equipment	8,843	9,235	9,235	9,757
Other property, plant and equipment	1,720	1,765	1,765	1,877
Investments in equity associates, <i>excluding Alitalia</i>	131	159	159	165
Other financial assets excluding shares available for sale, marketable securities and financial deposits	202	121	121	153
Provisions, excluding pension, cargo litigation and restructuring	(1,509)	(1,144)	(1,144)	(1,019)
WCR, excluding market value of derivatives	(5,922)	(5,591)	(5,591)	(5,468)
<b>Capital employed on balance sheet</b>	<b>4,735</b>	<b>5,777</b>	<b>5,777</b>	<b>6,572</b>
Average capital employed on balance sheet	5,256		6,175	
Capital employed related to flight equipment under operating leases (operating leases x7)	6,636		6,153	
<b>Average capital employed, excluding Alitalia (A)</b>	<b>11,892</b>		<b>12,328</b>	
Operating result, adjusted for operating leases	168		670	
- Dividends received	(10)		(16)	
- Share of profits (losses) of associates, <i>excluding Alitalia</i>	(44)		(8)	
- Tax recognized in the adjusted net result	<b>119</b>		<b>(29)</b>	
Adjusted result after tax, <i>excluding Alitalia</i> (B)	233		617	
<b>ROCE, trailing 12 months (B/A)</b>	<b>2.0%</b>		<b>5.0%</b>	
Adjusted result after tax, <i>excl. Alitalia</i> , excluding strike (C)	658		617	
<b>ROCE excluding strike, trailing 12 months (C/A)</b>	<b>5.5%</b>		<b>5.0%</b>	

\* Restated, see page 17

\*\* Restated for IFRIC 21, CityJet reclassified as discontinued operation.

## Net debt

Balance sheet at (In million euros)	30 June 2015	31 December 2014*
Current and non-current financial debt	9,415	9,879
Deposits on aircraft under finance lease	(456)	(584)
Financial assets pledged (OCEANE swap)	(393)	(196)
Currency hedge on financial debt	(36)	(21)
Accrued interest	(70)	(123)
<b>Gross financial debt (A)</b>	<b>8,460</b>	<b>8,955</b>
Cash and cash equivalents	3,344	3,159
Marketable securities	74	73
Cash pledges	405	399
Deposits (bonds)	195	166
Bank overdrafts	(108)	(249)
<b>Net cash (B)</b>	<b>3,910</b>	<b>3,548</b>
<b>Net debt (A) – (B)</b>	<b>4,550</b>	<b>5,407</b>

\* Restated, see page 17

## Adjusted net debt and adjusted net debt/EBITDAR ratio

	30 June 2015	31 December 2014*
Net debt (in €m)	4,550	5,407
Aircraft operating leases x 7 (trailing 12 months, in €m)	6,636	6,111
<b>Adjusted net debt (in €m)</b>	<b>11,186</b>	<b>11,518</b>
EBITDAR (trailing 12 months, in €m)	2,495	2,462
EBITDAR excluding strike (trailing 12 months, in €m)	2,920	2,887
Adjusted net debt/EBITDAR ratio (trailing 12 months)	4.48x	4.68x
<b>Adjusted net debt/EBITDAR ratio, excluding strike (trailing 12 months)</b>	<b>3.83x</b>	<b>4.00x</b>

\* Restated, see page 17

## Operating free cash flow

In million euros	H1 2015	H1 2014
Net cash flow from operating activities, continued operations	1,092	870
Investment in property, plant, equipment and intangible assets	-870	-835
Proceeds on disposal of property, plant, equipment and intangible assets	52	60
<b>Operating free cash flow</b>	<b>274</b>	<b>95</b>

## Unit cost: net cost per EASK

	Q2 2015	Q2 2014*	H1 2015	H1 2014*
Revenues (in €m)	6,642	6,451	12,298	12,005
Income/(loss) from current operations (in €m)	185	238	-232	-207
Total operating expense (in €m)	-6,457	-6,213	-12,530	-12,212
Passenger network business – other revenues (in €m)**	218	213	415	403
Cargo business – other revenues (in €m)	42	44	79	90
Third-party revenues in the maintenance business (in €m)	396	286	776	576
Transavia - other revenues (in €m)	2	2	7	7
Third-party revenues of other businesses (in €m)	96	89	180	173
<b>Net cost (in €m)</b>	<b>5,703</b>	<b>5,579</b>	<b>11,073</b>	<b>10,963</b>
Capacity produced, reported in EASK	85,948	85,807	163,180	162,971
<b>Net cost per EASK (in € cents per EASK)</b>	<b>6.64</b>	<b>6.50</b>	<b>6.79</b>	<b>6.73</b>
Gross change		+2.1%		+0.9%
Currency effect on net costs (in €m)		+482		+750
Change at constant currency		-6.1%		-5.6%
Fuel price effect (in €m)		-367		-683
Change on a constant currency and fuel price basis		+0.0%		+0.3%
Change in pension-related expenses (in €m)***		+30		+61
<b>Net cost per EASK on a constant currency, fuel price and pension-related expenses basis (in € cents per EASK)</b>	<b>6.64</b>	<b>6.67</b>	<b>6.79</b>	<b>6.81</b>
<b>Change on a constant currency, fuel price and pension-related expenses basis</b>		<b>-0.5%</b>		<b>-0.3%</b>

\* Restated, see page 17

\*\* Passenger other revenues restated for change in revenue allocation (14 million euros transferred from "other passenger" to "scheduled passenger revenues" in Q2, 21 million euros in H1)

\*\*\* Includes a €59m reduction of the net periodic pension cost and a €120m increase in wages and salaries

## INDIVIDUAL AIRLINE RESULTS

### Air France

	H1 2015	H1 2014*	Change
Revenue (€m)	7,793	7,598	+2.6%
EBITDA (€m)	364	350	+14
Operating result (€m)	-129	-180	+51
Operating margin	-1.7%	-2.4%	+0.7 pt
Operating cash flow before WCR and restructuring cash out (€m)	268	301	-33
Operating cash flow (before WCR and restructuring) margin	3.4%	4.0%	-0.5 pt

\* Restated, see page 17

### KLM

	H1 2015	H1 2014*	Change
Revenue (€m)	4,657	4,558	+2.2%
EBITDA (€m)**	178	236	-58
Operating result (€m)**	-79	-34	-45
Operating margin	-1.7%	-0.7%	-1.0 pt
Operating cash flow before WCR and restructuring cash out (€m)	102	101	+1
Operating cash flow (before WCR and restructuring) margin	2.2%	2.2%	-0.0 pt

\* Restated, see page 17

\*\* KLM EBITDA and operating result are affected by a non-cash increase of 61 million euros in pension-related expenses

NB: Sum of individual airline results does not add up to Air France-KLM total due to intercompany eliminations at Group level.

## Restatement of income statement for capitalized costs

To improve the readability of its financial statements, the Group has decided, as from January 1, 2015, to isolate the items relating to capitalized production in a single line of the income statement (within "other income and expenses") while they had previously been allocated by type of expenditure. The consolidated financial statements as of December 31, 2014 have been restated to facilitate comparison. The impact of this reclassification on the 2014 income statement is the following:

<i>In million euros</i>	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014
Aircraft maintenance costs	-84	-90	-96	-103	-373
Other external expenses	-16	-18	-17	-21	-72
Salaries and related costs	-35	-30	-31	-32	-128
Other income and expenses	135	138	145	155	573
<b>Income from current operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Modification in the conversion method of provisions in foreign currencies

The Group records provisions for future expenses in foreign currency, primarily for the restitution of aircraft under operating leases. A significant portion of these provisions is made to cover the purchase of spare parts to be purchased in US dollars whatever the functional currency of the entity. To facilitate analysis of the impacts linked to the dollar variation, the Group has decided, with effect from January 1, 2015, to isolate the foreign currency effect on provisions in "Other financial income and expenses" while it had hitherto been recorded in "Amortization, depreciation and provisions".

Moreover, the closing rate will be used to convert provisions at the closing date. Previously, the Group had used the average rate of the US dollar to convert maintenance provisions. The consolidated financial statements as of December 31, 2014 have been restated for reasons of comparison. The impacts of this restatement on the income statement are the following:

<i>In million euros</i>	H1 2014	FY 2014
Other financial income and expenses	-7	-41
<b>Income before tax</b>	<b>-7</b>	<b>-41</b>
Income taxes	2	14
<b>Net income for the period</b>	<b>-5</b>	<b>-27</b>

The impacts of this restatement on the balance sheet are the following:

<i>In million euros</i>	1 January 2014	31 December 2014
Deferred tax assets	-3	11
<b>Total assets</b>	<b>-3</b>	<b>11</b>
Reserves and retained earnings	6	-21
Other provisions	-9	32
<b>Total equity and liabilities</b>	<b>-3</b>	<b>11</b>



## GROUP FLEET AT 30 JUNE 2015

Aircraft type	AF (incl. HOP)	KL (incl. KLC & Martinair)	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/14
B747-400	5	22		18	1	8	27	27	-1
B777-300	39	10		9	22	18	49	49	4
B777-200	25	15		15	12	13	40	40	
A380-800	10			1	4	5	10	10	
A340-300	13			5	5	3	13	13	
A330-300		5				5	5	5	
A330-200	15	12		4	7	16	27	27	
<b>Total Long-Haul</b>	<b>107</b>	<b>64</b>	<b>0</b>	<b>52</b>	<b>51</b>	<b>68</b>	<b>171</b>	<b>171</b>	<b>3</b>
B737-900		5		1	1	3	5	5	
B737-800		25	44	8	9	52	69	68	7
B737-700		18	9	2	9	16	27	27	
A321	21			5	6	10	21	21	-3
A320	46			8	3	35	46	45	
A319	38			15	10	13	38	38	-3
A318	18			11	7		18	18	
<b>Total Short and Medium-Haul</b>	<b>123</b>	<b>48</b>	<b>53</b>	<b>50</b>	<b>45</b>	<b>129</b>	<b>224</b>	<b>222</b>	<b>1</b>
ATR72-600	1					1	1	1	1
ATR72-500	9			1	3	5	9	9	-2
ATR42-500	13			4	4	5	13	13	
Canadair Jet 1000	14			14			14	14	1
Canadair Jet 700	15			15			15	13	
Canadair Jet 100	10			10			10	3	-1
Embraer 190	10	28		4	13	21	38	38	
Embraer 170	16			8	2	6	16	16	
Embraer 145	19			13	6		19	17	1
Embraer 135	5			5			5	1	
Fokker 70		20		20			20	19	
<b>Total Regional</b>	<b>112</b>	<b>48</b>	<b>0</b>	<b>94</b>	<b>28</b>	<b>38</b>	<b>160</b>	<b>144</b>	<b>0</b>
B747-400ERF		3		2	1		3	3	-2
B747-400BCF		3				3	3	1	
B777-F	2			2			2	2	
MD-11-CF		3		3			3	3	
MD-11-F		3			2	1	3	3	
<b>Total Cargo</b>	<b>2</b>	<b>12</b>	<b>0</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>14</b>	<b>12</b>	<b>-2</b>
<b>Total Air France-KLM</b>	<b>344</b>	<b>172</b>	<b>53</b>	<b>203</b>	<b>127</b>	<b>239</b>	<b>569</b>	<b>549</b>	<b>2</b>