

Financial Year 2016: First Half results

SECOND QUARTER

- ▶ Revenues of 6.22 billion euros, down 5.2% and down 3.7% like-for-like¹, with clear deterioration during the quarter
- ▶ Non fuel unit costs down 1.5% at constant currency
- ▶ EBITDA² of 728 million euros, a reported increase of 171 million euros and up 211 million euros like-for-like
- ▶ Operating result of 317 million euros, an improvement of 138 million euros and up 183 million euros like-for-like

FIRST HALF

- ▶ Revenues of 11.82 billion euros, down 2.6% both reported and like-for-like
- ▶ EBITDAR of 1,522 million euros, an improvement of 486 million euros, up 597 million euros like-for-like
- ▶ Strong operating free cash flow² generation: 373 million euros
- ▶ Further net debt reduction: net debt² of 4.04 billion euros, down 265 million euros compared to 31 December 2015
- ▶ Adjusted net debt / EBITDAR² ratio of 2.9x, an improvement of 0.5 points compared to 31 December 2015

FULL YEAR 2016 OUTLOOK

- ▶ High level of geopolitical and economic uncertainties, increasing pressure on unit revenues and special concern about France as a destination
- ▶ Impact of fuel savings on P&L expected to be more than offset in the coming quarters by downward pressure on unit revenue and negative currency impacts
- ▶ Continued progress in unit cost reduction, targeted at around 1% ex fuel in 2016
- ▶ Free operating cash flow generation after disposals maintained between 0.6 billion euros and 1.0 billion euros in 2016
- ▶ Further significant net debt reduction

The Board of Directors of Air France-KLM, chaired by Jean-Marc Janailac, met on 26th July 2016 to approve the accounts for the First Half of the Financial Year 2016.

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

² See definition in appendix

Key data

	Second Quarter			First Half		
	2016	2015*	Change	2016	2015*	Change
Passengers (thousands)	24,385	23,579	+3.4%	44,281	42,601	+3.9%
Capacity (EASK m)	85,948	85,807	+0.2%	163,392	163,039	+0.2%
Revenues (€m)	6,215	6,558	-5.2%	11,820	12,140	-2.6%
Change like-for-like (%)			-3.7%			-2.6%
EBITDAR (€m)	991	812	+179	1,522	1,036	+486
EBITDA (€m)	728	557	+171	994	531	+463
EBITDA margin (%)	11.7%	8.5%	+3.2 pt	8.4%	4.4%	+4.0 pt
EBITDA change like-for-like (€m)			+211			+582
Operating result (€m)	317	179	+138	218	-238	+456
Operating margin (%)	5.1%	2.7%	+2.4 pt	1.8%	-2.0%	+3.8 pt
Operating result change like-for-like (€m)			+183			+580
Net result, group share (€m)	41	-79	+120	-114	-638	+524
Restated net result, group share ² (€m)	78	75	+3	-24	-431	+407
Earnings per share (€)	0.14	(0.27)	+0.41	(0.43)	(2.16)	+1.73
Diluted earnings per share (€)	0.13	(0.27)	+0.40	(0.43)	(2.16)	+1.73
Adjusted earnings per share (€)	0.24	0.24	+0	(0.12)	(1.46)	+1.34
Diluted adjusted earnings per share (€)	0.22	0.21	+0.01	(0.12)	(1.46)	+1.34
Operating free cash flow (€m)	177	311	-134	373	265	+108
Net debt at end of period (€m)				4,042	4,307	-265

* Servair reclassified as discontinued operation.

The consolidated financial statements of the Group were revised as of 1st January 2016 in order to reflect Servair as a discontinued operation. The 2015 financial statements have been restated accordingly. Details of this restatement can be found in the appendix of this press release.

Second Quarter 2016 total revenues stood at 6.22 billion euros versus 6.56 billion euros in Second Quarter 2015, down 5.2% as a result of increasing pressure on unit revenue and down 3.7% like-for-like.

Currencies had a negative 104 million euro impact on revenues, primarily driven by the weakening of currencies other than the US dollar against the euro, notably the BRL, GBP, CNY, CAD and ZAR. The negative effect on revenues was partly offset by the positive effect of currencies on costs, which amounted to 58 million euros. The net impact of currencies on the operating result thus amounted to a negative 46 million euros.

Total operating costs were 7.5% lower year-on-year and down 6.7% on a like-for-like basis. Ex-fuel, they increased by 0.3% and by 0.5% on a like-for-like basis. Unit cost per EASK was down 1.5%, on a constant currency, fuel price and pension-related expense basis, against stable capacity measured in EASK (+0.3%).

The fuel bill amounted to 1,167 million euros, down 29.7% and down 27.6% like-for-like. Based on the forward curve at 15 July 2016, the Full Year 2016 fuel bill is expected to reach 4.6 billion euros³ and the Full Year 2017 fuel bill could amount to 4.4 billion euros.

Total employee costs including temporary staff were down 2.7% to 1,862 million euros. On a constant scope and pension-related expense basis, employee costs decreased by 2.9% and by 3.6% excluding the increase in the profit sharing scheme.

Over the Second Quarter 2016, 15% of the savings achieved on the fuel bill were retained, down significantly from the 55% retained during First Quarter 2016. During the Second Quarter, the positive

³ Average Brent price of USD 45, average jet fuel market price of USD 422 per ton, average exchange rate of 1.11 USD per euro for period July-December 2016. 2017 average Brent price of USD 52, average jet fuel market price of USD 493 per ton, average exchange rate of 1.11 USD per euro.

fuel price effect of 408 million euros was largely offset by pressure on unit revenues (negative 300 million euros) and currency impacts (negative 46 million euros).

EBITDAR amounted to 991 million euros, a reported increase of 179 million euros and up 226 million euros like-for-like.

EBITDA amounted to 728 million euros, an increase of 171 million euros. Like-for-like, EBITDA increased by 211 million euros, mainly as a result of the strong Passenger network performance, which improved by 186 million euros like-for-like.

EBITDA per business (€m)	Second Quarter				First Half			
	2016	2015*	Change	like-for-like	2016	2015*	Change	like-for-like
Passenger network	675	518	+157	+186	952	510	+442	+541
Cargo	-61	-80	+19	+24	-103	-128	+25	+37
Maintenance	108	112	-4	-1	193	197	-4	-4
Transavia	2	-1	+3	+9	-50	-59	+9	+20
Other	4	9	-5	-7	2	11	-9	-12
Total	728	557	+171	+211	994	531	+463	+582

* Servair reclassified as discontinued operation.

Second Quarter 2016 EBITDA improved by 60 million euros like-for-like at Air France and 151 million euros like-for-like at KLM. EBITDA margins were up at both airlines, reaching 10.0% at Air France and 13.8% at KLM.

EBITDA per airline (€m)	Second Quarter				First Half			
	2016	2015*	Change	like-for-like	2016	2015*	Change	like-for-like
Air France	382	333	+49	+60	532	347	+185	+240
EBITDA margin	10.0%	8.2%	+1.8 pt	+2.1 pt	7.2%	4.5%	+2.7 pt	+3.4 pt
KLM	341	220	+121	+151	459	178	+281	+346
EBITDA margin	13.8%	8.6%	+5.2 pt	+6.4 pt	10.0%	3.8%	+6.1 pt	+7.6 pt
Other/ eliminations	5	4	+1	+0	3	7	-4	+4
Total	728	557	+171	+211	994	531	+463	+582

* Servair reclassified as discontinued operation.

In the **First Half 2016**, total revenues stood at 11.8 billion euros versus 12.1 billion euros in the first half 2015, down 2.6% reported and on a like-for-like basis. The fuel bill amounted to 2,263 million euros, a reported decrease of 28.0% and down 29.1% on a like-for-like basis.

Over the first six months, savings achieved on the fuel bill (positive 858 million euros excluding currency) were partly offset by pressure on unit revenues (negative 419 million euros excluding currency) and negative currency impacts (negative 125 million euros) resulting in 37% of the fuel savings being retained.

In the First Half 2016, EBITDA amounted to a positive 994 million euros, an increase of 463 million euros. On a like-for-like basis, EBITDA increased by 582 million euros.

At 952 million euros, the Passenger Network was the main contributor to the EBITDA, up 541 million euros like-for-like. Despite the challenging Cargo operating context, marked by structural industry overcapacity, Cargo EBITDA improved by 37 million euros like-for-like mainly as a result of restructuring efforts.

The operating result stood at 218 million euros versus negative 238 million euros in 2015, an improvement of 456 million euros. Like-for-like, the operating result increased by 580 million euros.

The net result, group share stood at negative a 114 million euros against a negative 638 million euros a year ago.

At 30 June 2016, the trailing 12 months return on capital employed (ROCE) was 11.7%, up 6.3 points compared to 30 June 2015.

Passenger network⁴ business

Passenger network	Q2 2016	Q2 2015	Change	Change like-for-like
Passengers (thousands)	20,621	20,487	+0.7%	
Capacity (ASK m)	69,799	69,947	-0.2%	
Traffic (RPK m)	59,104	59,453	-0.6%	
Load factor	84.7%	85.0%	-0.3 pt	
Total passenger revenues (€m)	4,940	5,242	-5.8%	-4.3%
Scheduled passenger revenues (€m)	4,733	5,024	-5.8%	-4.4%
Unit revenue per ASK (€ cts)	6.78	7.18	-5.6%	-4.1%
Unit revenue per RPK (€ cts)	8.01	8.45	-5.2%	-3.8%
Unit cost per ASK (€ cts)	6.30	6.88	-8.5%	-7.6%
Operating result (€m)	337	210	+127	+156

Second Quarter 2016 total passenger network revenues amounted to 4,940 million euros, down 5.8% and down 4.3% like-for-like. The Air France pilot strike negatively impacted the operating result by an estimated 40 million euros. The operating result of the passenger network business stood at 337 million euros, versus 210 million euros for the Second Quarter 2015. Like-for-like, the operating result was up 156 million euros.

The Group maintained its strict capacity discipline, keeping total passenger network capacity stable (-0.2%). Unit revenue per Available Seat Kilometer (RASK) remained volatile and was on average down by 4.1% excluding currency. The increasing pressure on unit revenue during the quarter reflected the weak supply-demand balance in the different regions of the network and increasingly soft flows to France as a destination.

Passenger network	H1 2016	H1 2015	Change	Change like-for-like
Passengers (thousands)	38,624	37,853	+2.0%	
Capacity (ASK m)	134,642	134,054	+0.4%	
Traffic (RPK m)	113,910	112,370	+1.4%	
Load factor	84.6%	83.8%	+0.8 pt	
Total passenger revenues (€m)	9,413	9,663	-2.6%	-2.4%
Scheduled passenger revenues (€m)	9,007	9,248	-2.6%	-2.4%
Unit revenue per ASK (€ cts)	6.69	6.90	-3.0%	-2.8%
Unit revenue per RPK (€ cts)	7.91	8.23	-3.9%	-3.7%
Unit cost per ASK (€ cts)	6.45	6.98	-7.6%	-8.4%
Operating result (€m)	319	-112	+431	+531

In the **First Half 2016**, passenger network revenues amounted to 9,413 million euros, down 2.6% and down 2.4% on a like-for-like basis. The operating result of the passenger network business stood at 319 million euros, versus a negative 112 million euros in the First Half 2015, an improvement of 431 million euros and 531 million euros like-for-like.

The capacity outlook is unchanged with an increase over the Full Year 2016 of around 1% Available Seat Kilometer (ASK) in the passenger network expected as a result.

⁴ Air France, KLM and HOP!. Transavia is reported in its own business segment.

Cargo business

Cargo	Q2 2016	Q2 2015	Change	Change like-for-like
Tons (thousands)	282	295	-4.6%	
Capacity (ATK m)	3,565	3,684	-3.2%	
Traffic (RTK m)	2,087	2,193	-4.8%	
Load factor	58.5%	59.5%	-1.0 pt	
Total Cargo revenues (€m)	507	604	-16.1%	-14.0%
Scheduled cargo revenues (€m)	465	562	-17.3%	-15.2%
Unit revenue per ATK (€ cts)	13.0	15.3	-14.9%	-12.9%
Unit revenue per RTK (€ cts)	22.3	25.8	-13.5%	-11.4%
Unit cost per ATK (€ cts)	14.9	17.4	-14.6%	-14.0%
Operating result (€m)	-66	-78	+12	+21

The Group continued to restructure its Cargo activity to address the weak global trade and structural air cargo industry overcapacity. During **Second Quarter 2016**, full-freighter capacity was thus reduced by 16%, leading to a decrease in total Cargo capacity of 3.2%. Revenue per Available Ton Kilometer (ATK) was down by 12.9% like-for-like.

The operating result stood at negative 66 million euros, an improvement of 21 million euros like-for-like resulting from a strong decrease in unit costs (-14.0% like-for-like) due to the restructuring measures taken.

Cargo	H1 2016	H1 2015	Change	Change like-for-like
Tons (thousands)	558	596	-6.5%	
Capacity (ATK m)	6,999	7,418	-5.6%	
Traffic (RTK m)	4,121	4,454	-7.5%	
Load factor	58.9%	60.0%	-1.2 pt	
Total Cargo revenues (€m)	1,036	1,229	-15.7%	-15.5%
Scheduled cargo revenues (€m)	957	1,150	-16.8%	-16.7%
Unit revenue per ATK (€ cts)	13.7	15.5	-12.0%	-11.9%
Unit revenue per RTK (€ cts)	23.2	25.9	-10.3%	-10.2%
Unit cost per ATK (€ cts)	15.3	17.4	-12.1%	-12.8%
Operating result (€m)	-116	-141	+25	+38

First Half 2016 Cargo revenues amounted to 1,036 million euros, down 15.5% like-for-like. At -116 million euros, the operating result increased by 38 million like-for-like.

One MD11 freighter was retired during the First Quarter, and two MD11 freighters were phased out during the first week of July 2016 reducing the total number of full freighters in operation to six. This reduction should enable the full-freighter business to return to operating breakeven in 2017. The operating result of the Full Freighter business stood at negative 12 million euros over the first six months of 2016, an improvement of 25 million euros compared to the First Half 2015.

Maintenance business

Maintenance	Q2 2016	Q2 2015	Change	Change like-for-like
Total revenues (€m)	1,000	999	+0.1%	
Third party revenues (€m)	435	395	+9.8%	12.9%
Operating result (€m)	57	51	+6	+9
Operating margin (%)	5.7%	5.1%	+0.6 pt	+0.9 pt

Second Quarter 2016 third party maintenance revenues amounted to 435 million euros, up by 9.8% and by 12.9% like-for-like. Revenues benefited not only from the strong dollar relative to the euro but also from the contracts gained in previous years.

The operating result stood at 57 million euros, up 6 million euros year-on-year, and up 9 million euros like-for-like.

Maintenance	H1 2016	H1 2015	Change	Change like-for-like
Total revenues (€m)	2,006	1,959	+2.1%	
Third party revenues (€m)	866	775	+11.6%	9.9%
Operating result (€m)	95	86	+9	+9
Operating margin (%)	4.7%	4.4%	+0.4 pt	+0.3 pt

During the **First Half 2016**, third party maintenance revenues increased by 11.6% and by 9.9% like-for-like. At 95 million euros, the operating result improved by 9 million euros.

Over the period, the maintenance order book recorded a further 10% increase to reach a record high of 9.2 billion dollars, including several new A350 support contracts.

Transavia

Transavia	Q2 2016	Q2 2015	Change
Passengers (thousands)	3,764	3,092	+21.7%
Capacity (ASK m)	7,225	6,446	+12.1%
Traffic (RPK m)	6,387	5,819	+9.8%
Load factor	88.4%	90.3%	-1.9 pt
Total passenger revenues (€m)	323	304	+6.3%
Scheduled passenger revenues (€m)	322	302	+6.6%
Unit revenue per ASK (€ cts)	4.46	4.69	-4.9%
Unit revenue per RPK (€ cts)	5.04	5.19	-2.9%
Unit cost per ASK (€ cts)	4.62	4.78	-3.3%
Operating result (€m)	-12	-6	-6

In the **Second Quarter 2016**, Transavia capacity was up by 12.1%, reflecting the accelerated development in France (capacity up by 30%) and the opening of the Munich base on 25th March 2016. Traffic, measured in revenue passenger kilometers (RPK), rose by 9.8%. The load factor remained high (88.4%) despite the increase in capacity.

The unit revenue per ASK decreased by 4.9%, mainly due to geopolitical unrest and intensification of low cost competition. Unit costs per ASK decreased by 3.3% and by 10.0% at constant currency and stage length. The operating result stood at a negative 12 million euros, down 6 million euros but stable like-for-like.

Transavia	H1 2016	H1 2015	Change
Passengers (thousands)	5,657	4,748	+19.1%
Capacity (ASK m)	10,943	9,877	+10.8%
Traffic (RPK m)	9,650	8,836	+9.2%
Load factor	88.2%	89.5%	-1.3 pt
Total passenger revenues (€m)	483	450	+7.3%
Scheduled passenger revenues (€m)*	475	443	+7.2%
Unit revenue per ASK (€ cts)	4.34	4.50	-3.5%
Unit revenue per RPK (€ cts)	4.92	5.03	-2.1%
Unit cost per ASK (€ cts)	5.03	5.26	-4.3%
Operating result (€m)	-75	-75	+0

In the **First Half 2016**, Transavia revenues amounted to 483 million euros, up 7.3%. The operating result remained stable at a negative 75 million euros.

The rapid development of Transavia will continue in the Second Half of 2016, a capacity increase, measured in Available Seat Kilometer (ASK), of around 15% for the Full Year 2016, unchanged on the previous outlook.

Financial situation

In € million	H1 2016	H1 2015*	Change
Cash flow before change in WCR and Voluntary Departure Plans, continuing operations	+809	+318	+491
Cash out related to Voluntary Departure Plans	-173	-97	-76
Change in Working Capital Requirement (WCR)	+793	+853	-60
Operating cash flow	+1,429	+1,074	+355
Net investments before sale & lease-back	-1,056	-809	-247
Cash received through sale & lease-back transactions	+0	+0	+0
Net investments after sale & lease-back	-1,056	-809	-247
Operating free cash flow	+373	+265	+108

* *Servair reclassified as discontinued operation.*

In the First Half 2016, the increase of 463 million euros in EBITDA translated into a 491 million euro increase in cash flow before change in WCR and cash out related to Voluntary Departure Plans. The Group disbursed 173 million euros for Voluntary Departure Plans. The change in Working Capital Requirement contributed 793 million euros to operating cash flow. Net investments before sale & lease-back transactions stood at 1,056 million euros. As a result, operating free cash flow reached 373 million euros, up 108 million euros compared to the First Half of 2015.

Net debt amounted to 4.0 billion euros at 30 June 2016, versus 4.3 billion euros at 31 December 2015, an improvement of 265 million euros. Currencies had a significant negative impact of 142 million euro on net debt.

The trailing 12 months adjusted net debt/EBITDAR ratio stood at 2.9x at 30 June 2016, down 0.5 points compared to 31 December 2015, and down 1.0 points compared to 30 June 2015.

The 80 basis point fall in discount rates (for period > 20 years) during First Half 2016 led to another significant increase in the actuarial valuation of retirement obligations of more than 2.7 billion euros. The change in asset value amounted to 811 million euros during the First Half. The balance sheet pension situation thus moved from a net liability of 177 million euros at 31 December 2015 to a net liability of 1,979 million euros at 30 June 2016.

At 30 June 2016, equity, group share, amounted to negative 733 million euros, down 1,006 million euros over the First Half mainly due to the increase in the net pension liability.

The Group continues to enjoy a good level of liquidity, with net cash of 3.8 billion euros at 30 June 2016, and undrawn credit lines of 1.8 billion euros.

Outlook

The global context in 2016 remains highly uncertain regarding the geopolitical and economic environment in which we operate, fuel prices and the continuation of the overcapacity in the airline industry resulting in an increasing pressure on unit revenues and a special concern about France as a destination.

Under these conditions, the Group is expecting for Full Year 2016:

- Free operating cash flow generation after disposals is maintained between 0.6 billion euros and 1.0 billion euros. The updated 2016 investment plan (between 1.8 billion euros and 2.0 billion euros, including buying back aircraft under operating lease) and disposals programme (between 0.3 billion euros and 0.6 billion euros) will continue to be adjusted depending on operating cashflow generation
- Impact of fuel savings on the P&L expected to be more than offset in the coming quarters by downward pressure on unit revenue and negative currency impacts
- Non fuel unit cost reduction target remain around 1% at constant currency
- Further significant reduction in net debt

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

The results presentation is available at www.airfranceklm.com on July 27th 2016 from 7:15am CET.

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INCOME STATEMENT

	Second Quarter			First Half		
	2016	2015*	Change	2016	2015*	Change
<i>In millions euros</i>						
SALES	6,215	6,558	-5.2%	11,820	12,140	-2.6%
Other revenues	0	1	NA	0	2	NA
EXTERNAL EXPENSES	-3,571	-4,104	-13.0%	-7,019	-7,875	-10.9%
Aircraft fuel	-1,167	-1,661	-29.7%	-2,263	-3,141	-28.0%
Chartering costs	-113	-110	2.7%	-215	-217	-0.9%
Landing fees and en route charges	-484	-499	-3.0%	-914	-941	-2.9%
Catering	-113	-120	-5.8%	-215	-223	-3.6%
Handling charges and other operating costs	-389	-380	2.4%	-750	-741	1.2%
Aircraft maintenance costs	-604	-581	4.0%	-1,246	-1,160	7.4%
Commercial and distribution costs	-232	-237	-2.1%	-463	-465	-0.4%
Other external expenses	-469	-516	-9.1%	-953	-987	-3.4%
Salaries and related costs	-1,862	-1,914	-2.7%	-3,706	-3,744	-1.0%
Taxes other than income taxes	-39	-36	8.3%	-88	-82	7.3%
Other income and expenses	248	307	-19.2%	515	595	-13.4%
EBITDAR	991	812	22.0%	1,522	1,036	46.9%
Aircraft operating lease costs	-263	-255	3.1%	-528	-505	4.6%
EBITDA	728	557	30.7%	994	531	87.2%
Amortization, depreciation and provisions	-411	-378	8.7%	-776	-769	0.9%
INCOME FROM CURRENT OPERATIONS	317	179	77.1%	218	-238	NA
Sales of aircraft equipment	0	-4	NA	8	-5	NA
Other non-current income and expenses	18	-72	NA	-107	89	NA
INCOME FROM OPERATING ACTIVITIES	335	103	225%	119	-154	NA
Income from cash and cash equivalents	14	13	7.7%	28	30	-6.7%
Cost of financial debt	-78	-91	-14.3%	-162	-198	-18.2%
Net cost of financial debt	-64	-78	-17.9%	-134	-168	-20.2%
Foreign exchange gains (losses), net	-152	-90	-68.9%	-119	-245	51.4%
Change in fair value of financial assets and liabilities	31	-40	NA	58	-96	NA
Other financial income and expenses	-5	-16	68.8%	17	-45	NA
INCOME BEFORE TAX	145	-121	NA	-59	-708	91.7%
Income taxes	-107	49	NA	-53	85	NA
NET INCOME OF CONSOLIDATED COMPANIES	38	-72	NA	-112	-623	82.0%
Share of profits (losses) of associates	2	-7	NA	1	-18	NA
INCOME FROM CONTINUING OPERATIONS	40	-79	NA	-111	-641	82.7%
Net income from discontinued operations	3	2	50.0%	2	4	-50.0%
NET INCOME FOR THE PERIOD	43	-77	NA	-109	-637	82.9%
Minority interest	-2	-2	0.0%	-5	-1	-400%
NET INCOME FOR THE PERIOD - GROUP	41	-79	NA	-114	-638	82.1%

* Servair reclassified as discontinued operation

BALANCE SHEET

Assets <i>In million euros</i>	June 30, 2016	December 31, 2015*
Goodwill	217	247
Intangible assets	1,021	1,018
Flight equipment	9,192	8,743
Other property, plant and equipment	1,494	1,670
Investments in equity associates	73	118
Pension assets	737	1,773
Other financial assets	1,198	1,224
Deferred tax assets	821	702
Other non-current assets	359	295
Total non-current assets	15,112	15,790
Assets held for sale	380	4
Other short-term financial assets	175	967
Inventories	574	532
Trade receivables	1,980	1,800
Other current assets	1,022	1,138
Cash and cash equivalents	3,833	3,104
Total current assets	7,964	7,545
Total assets	23,076	23,335

* *Servair reclassified as discontinued operation*

Liabilities and equity <i>In million euros</i>	June 30, 2016	December 31, 2015*
Issued capital	300	300
Additional paid-in capital	2,971	2,971
Treasury shares	(84)	(85)
Perpetual	600	600
Reserves and retained earnings	(4,562)	(3,561)
Equity attributable to equity holders of Air France-KLM	(775)	225
Non-controlling interests	42	48
Total Equity	(733)	273
Pension provisions	2,716	1,995
Other provisions	1,467	1,513
Long-term debt	7,185	7,060
Deferred tax liabilities	9	11
Other non-current liabilities	314	484
Total non-current liabilities	11,691	11,063
Liabilities relating to assets held for sale	253	-
Provisions	775	742
Current portion of long-term debt	1,527	2,017
Trade payables	2,333	2,395
Deferred revenue on ticket sales	3,602	2,515
Frequent flyer programs	787	760
Other current liabilities	2,827	3,567
Bank overdrafts	14	3
Total current liabilities	12,118	11,999
Total liabilities	23,809	23,062
Total equity and liabilities	23,076	23,335

* *Servair reclassified as discontinued operation*

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In € millions</i>		
Period from January 1 to June 30,	H1 2016	H1 2015*
Net income from continuing operations	(111)	(641)
Net income from discontinued operations	2	4
Amortization, depreciation and operating provisions	781	781
Financial provisions	(21)	43
Loss (gain) on disposals of tangible and intangible assets	(59)	5
Loss (gain) on disposals of subsidiaries and associates	(7)	(224)
Derivatives – non monetary result	(129)	51
Unrealized foreign exchange gains and losses, net	122	237
Share of (profits) losses of associates	(1)	16
Deferred taxes	33	(105)
Impairment	2	-
Other non-monetary items	33	63
Subtotal	645	230
<i>Of which discontinued operations</i>	9	9
(Increase) / decrease in inventories	(76)	(62)
(Increase) / decrease in trade receivables	(238)	(381)
Increase / (decrease) in trade payables	33	(29)
Change in other receivables and payables	1,074	1,325
<i>Change in working capital from discontinued operations</i>	2	9
Net cash flow from operating activities	1,440	1,092
Acquisition of subsidiaries, of shares in non-controlled entities	(4)	(6)
Purchase of property plants, equipments and intangible assets	(1,152)	(860)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	4	342
Proceeds on disposal of property, plant and equipment and intangible assets	96	51
Dividends received	3	1
Decrease (increase) in net investments, more than 3 months	681	(204)
<i>Net cash flow used in investing activities of discontinued operations</i>	(5)	(12)
Net cash flow used in investing activities	(377)	(688)
Perpetual	-	599
Issuance of debt	686	803
Repayment on debt	(720)	(1,133)
Payment of debt resulting from finance lease liabilities	(241)	(380)
New loans	(32)	(41)
Repayment on loans	20	96
Dividends and coupons on perpetual paid	(1)	(4)
<i>Net cash flow used in financing activities of discontinued operations</i>	(6)	5
Net cash flow from financing activities	(294)	(55)
Effect of exchange rate on cash and cash equivalents and bank overdrafts	(23)	(18)
<i>Effect of exch. rate on cash and cash eq. and bank overdrafts of disc. ops.</i>	(1)	(4)
Change in cash and cash equivalents and bank overdrafts	745	327
Cash and cash equivalents and bank overdrafts at beginning of period	3,073	2,902
Cash and cash equivalents and bank overdrafts at end of period	3,819	3,222
<i>Change in cash of discontinued operations</i>	(1)	7

* Servair reclassified as discontinued operation

KEY FINANCIAL INDICATORS

EBITDA and EBITDAR

<i>In million euros</i>	Q2 2016	Q2 2015*	H1 2016	H1 2015*
Income/(loss) from current operations	317	179	218	(238)
Amortization, depreciation and provisions	411	378	776	769
EBITDA	728	557	994	531
Aircraft operating lease costs	263	255	528	505
EBITDAR	991	812	1,522	1,036

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Restated net result, group share

<i>In million euros</i>	Q2 2016	Q2 2015*	H1 2016	H1 2015*
Net income/(loss), Group share (in €m)	41	(79)	(114)	(638)
Net income/(loss) from discontinued operations (in €m)	(3)	(2)	(2)	(4)
Unrealized foreign exchange gains and losses, net (in €m)	149	94	122	237
Change in fair value of financial assets and liabilities (derivatives) (in €m)	(91)	25	(129)	51
Non-current income and expenses (in €m)	(18)	76	99	(84)
Depreciation of shares available for sale (in €m)	0	(5)	0	7
De-recognition of deferred tax assets (in €m)	0	(34)	0	0
Restated net income/(loss), group share (in €m)	78	75	(24)	(431)
Restated net income/(loss) per share (in €)	0.24	0.24	(0.12)	(1.46)

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Return on capital employed (ROCE)

<i>In million euros</i>	30 June 2016	30 June. 2015*	30 June. 2015*	30 June 2014
Goodwill and intangible assets	1,238	1,270	1,270	1,232
Flight equipment	9,192	8,843	8,843	9,235
Other property, plant and equipment	1,494	1,720	1,720	1,764
Investments in equity associates	73	131	131	159
Financial assets excluding shares available for sale, marketable securities and financial deposits	204	200	200	121
Provisions, excluding pension, cargo litigation and restructuring	(1,558)	(1,508)	(1,508)	(1,144)
WCR, excluding market value of derivatives	(5,897)	(5,925)	(5,925)	(5,590)
Capital employed before operating leases	4,746	4,731	4,731	5,777
Operating leases x7	7,343		6,636	
Average capital employed (A)	12,082		11,890	
Adjusted results from current operations	1,592		572	
- Dividends received	(2)		(10)	
- Share of profits (losses) of associates	(16)		(46)	
- Tax recognized in the adjusted net result	(165)		122	
Adjusted result from current operations after tax (B)	1409		638	
ROCE, trailing 12 months (B/A)	11.7%		5.4%	

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Net debt

Balance sheet at (In million euros)	30 June 2016	31 December 2015*
Current and non-current financial debt	8,712	9,077
Deposits on aircraft under finance lease	(331)	(453)
Financial assets pledged (OCEANE swap)	0	(393)
Currency hedge on financial debt	(37)	(40)
Accrued interest	(68)	(95)
Gross financial debt (A)	8,276	8,096
Cash and cash equivalents	3,833	3,104
Marketable securities	177	466
Cash pledges	18	18
Deposits (bonds)	227	204
Bank overdrafts	(21)	(3)
Net cash (B)	4,234	3,789
Net debt (A) – (B)	4,042	4,307

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Adjusted net debt and adjusted net debt/EBITDAR ratio

	30 June 2016	31 December 2015*
Net debt (in €m)	4,042	4,307
Aircraft operating leases x 7 (trailing 12 months, in €m)	7,343	7,189
Adjusted net debt (in €m)	11,385	11,496
EBITDAR (trailing 12 months, in €m)	3,898	3,413
Adjusted net debt/EBITDAR ratio, excluding strike (trailing 12 months)	2.92	3.37

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Operating free cash flow

In million euros	H1 2016	H1 2015*
Net cash flow from operating activities, continued operations	1,429	1,074
Investment in property, plant, equipment and intangible assets	-1,152	-860
Proceeds on disposal of property, plant, equipment and intangible assets	96	51
Operating free cash flow	373	265

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Unit cost: net cost per EASK

	Q2 2016	Q2 2015*	H1 2016	H1 2015*
Revenues (in €m)	6,215	6,557	11,820	12,140
Income/(loss) from current operations (in €m)	317	180	218	(238)
Total operating expense (in €m)	(5,898)	(6,377)	(11,602)	(12,376)
Passenger network business – other revenues (in €m)**	207	218	406	415
Cargo business – other revenues (in €m)	42	42	79	79
Third-party revenues in the maintenance business (in €m)	435	395	866	775
Transavia - other revenues (in €m)	1	2	8	7
Third-party revenues of other businesses (in €m)	10	11	22	21
Net cost (in €m)	5,203	5,709	10,221	11,079
Capacity produced, reported in EASK	86,234	85,949	163,678	163,181
Net cost per EASK (in € cents per EASK)	6.03	6.64	6.24	6.79
<i>Gross change</i>		-9.2%		-8.0%
Currency effect on net costs (in €m)		(43)		106
<i>Change at constant currency</i>		-8.4%		-8.9%
Fuel price effect (in €m)		(408)		(858)
<i>Change on a constant currency and fuel price basis</i>		-1.4%		-1.3%
Change in pension-related expenses (in €m)***		4		5
Net cost per EASK on a constant currency, fuel price and pension-related expenses basis (in € cents per EASK)	6.03	6.12	6.24	6.33
<i>Change on a constant currency, fuel price and pension-related expenses basis</i>		-1.5%		-1.3%

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INDIVIDUAL AIRLINE RESULTS

Air France

	H1 2016	H1 2015*	Change
Revenue (€m)	7,376	7,631	-3.3%
EBITDA (€m)	532	347	+185
Operating result (€m)	15	-134	+149
<i>Operating margin</i>	0.2%	-1.8%	+2.0 pt
Operating cash flow before WCR and restructuring cash out (€m)	515	267	+248
<i>Operating cash flow (before WCR and restructuring) margin</i>	7.0%	3.5%	+3.5 pt

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KLM

	H1 2016	H1 2015*	Change
Revenue (€m)	4,604	4,657	-1.1%
EBITDA (€m)	459	178	+281
Operating result (€m)	207	-79	+286
<i>Operating margin</i>	4.5%	-1.7%	+6.2 pt
Operating cash flow before WCR and restructuring cash out (€m)	384	102	+282
<i>Operating cash flow (before WCR and restructuring) margin</i>	8.3%	2.2%	+6.2 pt

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

Presentation of Servair Group as discontinued operation

The Group studied various scenarios to ensure the development of its subsidiary Servair and opted for the participation of another company in the share capital of Servair. In March 2016, both Servair and Air France informed the representative bodies of their employees about this process. Taken into consideration the offers received by Air France, this should lead to a loss of control of Servair by Air France-KLM Group, as defined in IFRS 10 standard. Servair currently constitutes the main cash-generating unit of the segment "Other". The above elements have triggered the accounting treatment of the Servair Group in "discontinued operations" as of March 31, 2016, as defined in IFRS 5 standard. The consolidated figures as at March 31, 2015 have consequently been restated for the purpose of comparison.

During the First Half 2016, the third party revenues amounted to 195 million euros, resulting in a reported EBITDA of 15 million euros and an operating profit of 10 million euros.

In the context of this operation, the assets and liabilities of the Servair Group have been reclassified on the lines *assets held for sale* and *liabilities relating to assets held for sale*, for respectively €380 million and €253 million as of June 30, 2016.

<i>In millions euros</i>	Full Year 2015 - Servair				
	Q1	Q2	Q3	Q4	Total
THIRD PARTY REVENUES	74	85	109	102	370
Other revenues	0	0	0	0	0
EXTERNAL EXPENSES	27	27	18	14	86
Catering	-39	-46	-57	-51	-193
Other external expenses	66	73	75	65	279
Salaries and related costs	-91	-99	-100	-98	-388
Taxes other than income taxes	-5	-2	-3	-2	-12
Other income and expenses	0	2	1	2	5
EBITDAR	5	13	25	18	61
Aircraft operating lease costs	0	0	0	0	0
EBITDA	5	13	25	18	61
Amortization, depreciation and provisions	-5	-7	-6	-7	-25
INCOME FROM CURRENT OPERATIONS	0	6	19	11	36
Other non-current income and expenses	0	0	0	-1	-1
INCOME FROM OPERATING ACTIVITIES	0	6	19	10	35
Income from cash and cash equivalents	0	0	0	1	1
Cost of financial debt	0	0	0	-1	-1
Net cost of financial debt	0	0	0	0	0
Other financial income and expenses	0	-1	-1	1	-1
INCOME BEFORE TAX	0	5	18	11	34
Income taxes	0	-3	-6	-4	-13
NET INCOME OF CONSOLIDATED COMPANIES	0	2	12	7	21
Share of profits (losses) of associates	2	1	1	1	5
INCOME FROM CONTINUING OPERATIONS	2	3	13	8	26
Net income from discontinued operations	0	0	0	0	0
NET INCOME FOR THE PERIOD	2	3	13	8	26
Minority interest	-2	-2	-2	-2	-8
NET INCOME FOR THE PERIOD - GROUP	0	1	11	6	18

GROUP FLEET AT 30 JUNE 2016

Aircraft type	AF (incl. HOPI)	KL (incl. KLC & Martinair)	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/15
B747-400		20		18		2	20	20	-5
B777-300	43	12		9	25	21	55	55	5
B777-200	25	15		17	10	13	40	40	
B787-9		6			1	5	6	6	4
A380-800	10			1	4	5	10	10	
A340-300	12			5	5	2	12	11	-1
A330-300		5				5	5	5	
A330-200	15	8		4	7	12	23	23	-2
Total Long-Haul	105	66	0	54	52	65	171	170	1
B737-900		5		1	1	3	5	5	
B737-800		25	55	8	9	63	80	80	10
B737-700		18	8	3	8	15	26	26	
A321	20			5	6	9	20	20	
A320	44			6	3	35	44	44	1
A319	38			19	6	13	38	38	
A318	18			11	7		18	18	3
Total Short and Medium-Haul	120	48	63	53	40	138	231	231	14
ATR72-600	5					5	5	5	
ATR72-500	5			1	3	1	5	5	-1
ATR42-500	12			5	3	4	12	12	-1
Canadair Jet 1000	14			14			14	14	
Canadair Jet 700	13			13			13	11	-2
Canadair Jet 100	3			3			3		
Embraer 190	10	30		4	15	21	40	40	
Embraer 175		2		2			2	2	2
Embraer 170	16			8	2	6	16	14	-2
Embraer 145	18			13	5		18	16	
Embraer 135	4			4			4		
Fokker 70		16		16			16	14	-2
Total Regional	100	48	0	83	28	37	148	133	-6
B747-400ERF		3		3			3	3	
B747-400BCF		3				3	3	1	
B777-F	2			2			2	2	
MD-11-CF		1		1			1	1	
MD-11-F		1		1			1	1	-1
Total Cargo	2	8	0	7	0	3	10	8	-1

Total Air France-KLM	327	170	63	197	120	243	560	542	8
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