First half financial report

January-June 2014

Société anonyme with share capital of €300,219,278
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Paris Trade and Company Register 552 043 002
Free translation into English for convenience only – French version prevails

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Corporate governance

The Board of Directors

The Board of Directors saw a number of changes in composition during the 2014 first half: the co-opting and renewal of the mandate of a new independent Board director and the replacement of a Board director representing the employee shareholders. These changes led to the updating of the composition of the Board of Directors' specialized committees as shown in the following table.

At June 30, 2014, the composition of the Board of Directors was as follows:

- 11 directors appointed by the Shareholders' Meeting, including two representing the employee shareholders;
- Three representatives of the French State appointed by ministerial order.

Composition of the Board of Directors at June 30, 2014

Board director *(Age at June 30, 2014)*	**Functions within the Board of Directors**	**Date appointed to the Air France-KLM Board**	**Date of expiry of mandate**	**Principal current position**
Alexandre de Juniac *(51 years)*	Chairman and Chief Executive Officer of Air France-KLM	January 11, 2012	2015 AGM	Chairman and CEO of Air France-KLM
Peter Hartman *(65 years)*	Vice-Chairman of the Air France-KLM Board of Directors	July 8, 2010	2017 AGM	Vice-Chairman of the Air France-KLM Board of Directors
Maryse Aulagnon *(65 years)*	Independent director Chair of the Audit Committee	July 8, 2010	2017 AGM	Chair and CEO of Affine
Isabelle Bouillot *(65 years)*	Independent director Member of the Remuneration Committee	May 16, 2013	2017 AGM	President of China Equity Links
Régine Bréhier *(53 years)*	Director representing the French State	March 22, 2013	March 2017	Director of Maritime Affairs
Jean-Dominique Comolli *(66 years)*	Director representing the French State Member of the Appointments and Remuneration Committees	December 14, 2010	January 2017	Honorary Civil Administrator
Jean-François Dehecq *(74 years)*	Independent director Chairman of the Appointments Committee and member of the Audit Committee	September 15, 2004	2016 AGM	Vice-Chairman of the National Industry Council
Jaap de Hoop Scheffer *(66 years)*	Independent director Member of the Remuneration Committee	July 7, 2011	2015 AGM	Professor, Leiden University (Netherlands)
Louis Jobard[(1)] *(54 years)*	Director representing the employee shareholders Member of the Audit Committee	May 20, 2014	2018 AGM	Boeing 747 Flight Captain
Cornelis van Lede *(71 years)*	Independent director Member of the Audit and Appointments Committees	September 15, 2004	2016 AGM	Company director
Solène Lepage *(42 years)*	Director representing the French State Member of the Audit Committee	March 21, 2013	March 2017	Deputy Director, Transport and Audiovisual, Agency for State Shareholdings
Christian Magne *(61 years)*	Director representing the employee shareholders Member of the Audit and Remuneration Committees	September 15, 2004	2018 AGM	Executive

Isabelle Parize[2] *(57 years)*	Independent Director Member of the Remuneration Committee	March 27, 2014	2018 AGM	Chief Executive Officer of Nocibé
Leo van Wijk *(67 years)*	Board director Chairman of the Remuneration Committee	September 15, 2004	2016 AGM	Chairman of SkyTeam

[1] *Appointed by the Shareholders' Meeting of May 20, 2014, replacing Mr. Bernard Pédamon*
[2] *Co-opted by the Board of Directors on March 27, 2014 and re-appointed by the Shareholders' Meeting of May 20, 2014, replacing Ms. Patricia Barbizet, who resigned on December 31, 2013.*

The Group Executive Committee

There were no changes in the composition of the Executive Committee during the 2014 first half.

Composition of the Group Executive Committee for the period from January 1 to June 30, 2014.

Members	**Age at June 30, 2014**	**Relevant professional experience**	
		Sector	**Experience**
Alexandre de Juniac Chairman and Chief Executive Officer of Air France-KLM	51 years	Public Service Industry Air Transport	9 years 14 years 2 years
Frédéric Gagey Chairman and Chief Executive Officer of Air France	58 years	Air Transport	20 years
Camiel Eurlings President and Chief Executive Officer of KLM	40 years	Public Service Air Transport	16 years 3 years
Alain Bassil Chief Operating Officer of Air France	59 years	Air Transport	34 years
Pieter Elbers Managing Director and Chief Operating Officer of KLM	44 years	Air Transport	21 years
Patrick Alexandre Executive Vice President, Commercial – Passenger Business	59 years	Air Transport	32 years
Pieter Boostma Executive Vice President, Commercial Marketing – Passenger Business	44 years	Air Transport	18 years
Bram Gräber Executive Vice President, Strategy – Passenger business	49 years	Consulting Air Transport	5 years 18 years
Wim Kooijman Executive Vice President, Human Resources	64 years	Industry Air Transport	25 years 16 years
Jean-Christophe Lalanne Executive Vice President, Information Technology	52 years	Industry, IT Services Air Transport	20 years 9 years
Jacques Le Pape Executive Vice President, Corporate Secretary	47 years	Public Service Air Transport	23 years 1 year
Pierre-François Riolacci Chief Financial Officer	48 years	Industry	23 years
Franck Terner Executive Vice President, Engineering & Maintenance	54 years	Air Transport	25 years
Erik Varwijk Executive Vice President, Cargo	52 years	Air Transport	25 years

Secretarial services to the Executive Committee are provided by the Chief of Staff in the Air France-KLM Chairman and Chief Executive Officer's office.

Members	Age at June 30, 2014	Relevant professional experience	
		Sector	**Experience**
Guy Zacklad	48 years	Public Service	11 years
Group Executive Committee Secretary		Air Transport	12 years

Stock market and shareholder structure

Air France-KLM is listed for trading on the Paris and Amsterdam stock markets (Euronext Paris and Amsterdam) under the ISIN code FR0000031122. The stock is a component of the CACmid60 index and is also included in the leading sustainable development and employee shareholder indices. In September 2013, Air France-KLM was confirmed as the air transport leader in sustainable development for 2013 and the stock figures in the two Dow Jones Sustainability Indices for the ninth consecutive year.

Stock market performance

As a cyclical stock positioned in an extremely volatile market, the Air France-KLM share price gained 21.3% over the first half (January-June 2014) after an 8% increase in 2013. Over the 2014 first half, the CAC gained 4.6%.

	January-June 2014	January-June 2013	January-June 2012
Share price high *(In €)*	11.945	8.950	5.358
Share price low *(In €)*	7.589	6.400	3.011
Number of shares in circulation	300,219,278	300,219,278	300,219,278
Market capitalization at the end of the period *(In € billion)*	2.763	2.1	1.1

Information relating to the share capital

At June 30, 2014, the share capital of Air France-KLM comprised 300,219,278 shares with a nominal value of one euro.

Period ended	June 30, 2014	June 30, 2013	December 31, 2012
Number of shares in circulation	300,219,278	300,219,278	300,219,278
Share capital (in €)	300,219,278	300,219,278	300,219,278

The shares are fully paid up and shareholders have a choice between registered and bearer form. Each share confers one voting right. There are no specific rights attached to the shares, nor any securities not representing the share capital.

Securities conferring entitlement to shares

Bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANE) 2.75% 2020

In April 2005, Air France issued 21,951,219 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs), with a 15-year maturity, for a total of €450 million. These bonds have a nominal unit value of €20.50 and mature on April 1, 2020. The annual coupon is 2.75% paid annually in arrears on April 1. These bonds can be converted at any time until March 23, 2020 and the conversion/exchange ratio is 1.03 shares for each bond. A total of 600 bonds have been converted, of which 510 gave rise to the creation of 526 shares. On December 6, 2011, Air France signed a swap agreement with Natixis for a period of four years. To cover this agreement, Natixis acquired 18.7 million OCEANEs, or some 85.2% of the total issue, enabling Air France to defer, until April 2016 at the earliest, the €383.2 million repayment. At the end of this process, 3.3 million OCEANEs had not been tendered to the offer of which 1.5 million were the subject of a €31.6 million reimbursement on April 1, 2012. With no conversions having taken place during the 2014 first half, there were 20,449,146 convertible bonds still in circulation at June 30, 2014.

Bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANE) 4.97% 2015

In June 2009, Air France-KLM issued 56,016,949 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs) for a total of €661 million. These bonds, which are convertible at any time, have a nominal unit value of €11.80, a conversion/exchange ratio of one share for one bond and mature on April 1, 2015. The annual coupon is 4.97% paid annually in arrears on April 1. At June 30, 2014, 9,015 bonds had been converted, of which none during the first half. The number of convertible bonds remaining in circulation at June 30, 2014 stood at 56,007,877.

Bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANE) 2.03% 2023

In March 2013, Air France-KLM issued 53,398,058 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANEs) for a total of €550 million. These bonds, which are convertible at any time, have a nominal unit value of €10.30, a conversion/exchange ratio of one share for one bond and mature on February 15, 2023. The annual coupon is 2.03% payable annually in arrears on February 15. At June 30, 2014, 9,513 bonds had been converted, of which none during the first half. The number of convertible bonds remaining in circulation at June 30, 2014 stood at 53,388,545.

Shareholder structure

Period ended	**June 30, 2014**	**June 30, 2013**	**June 30, 2012**
Number of shares in circulation	300,219,278	300,219,278	300,219,278
French State	15.9%	15.9%	15.9%
Employees (FCPE units)	6.9%	7.4%	7.7%
Treasury stock	1.4%	1.4%	1.4%
Free float	75.8%	75.3%	75.0%

At June 30, 2014, 72.0% of Air France-KLM share capital is owned by European interests – European Union Member States or States party to the agreement on the European Economic Area (75.2% at December 31, 2013).

Market and environment

There were no significant changes in the market and environment relative to the information given in pages 42 to 49 of the 2013 Registration Document.

- The European economies remained sluggish during the 2014 first half, continuing to negatively impact air transport demand.
- The economic situation deteriorated in a number of emerging countries, particularly in Latin America. The Group had to contend with the degradation of the Venezuelan economy and the devaluation of the local currency. The value of the cash held by the group in Venezuela (€199 million at December 31, 2013) was adjusted in the first quarter financial statements to take into account the currency conversion risk.
- The competitive context remained tough, with high capacity growth for some players. For 2014, IATA forecasts a 4.5% increase in capacity for the European airlines (2.5% in 2013) *(Source: IATA, Airline industry economic performance, June 2014).* Several European airlines issued profit warnings due to this challenging context.
- The fuel price remained fairly stable over the first half, only reaching a peak in June following the deterioration in the Iraqi political situation. For 2014, IATA sees only a slight increase in the fuel bill for the industry to US$212 billion (US$210 billion in 2013) based on an average aviation fuel price of US$124.2 for the year versus US$124.5 in 2013. *(Source: IATA, Airline industry economic performance, June 2014)*

Highlights

Air France-KLM

The main events of the period from January to June 2014 were as follows:

- During the first half, marking a major phase in the product up-scaling program at Air France, the Group presented its new Business and long-haul *La Première* cabins. In February, the new Business class seat was unveiled to the press. For this seat, Air France has chosen positioning in line with the highest industry standards. In early May, in Shanghai, Air France presented its new *La Première* suite. These new cabins will be installed on 44 Boeing 777s over the next 24 months. To support these new ambitions, in early April Air France unveiled its new signature and the “Air France, France is in the air” advertising campaign, daring to be different. Lastly, the first aircraft equipped with the new Economy, Premium Economy and Business cabins was inaugurated on the Paris-New York route at the end of June.
- In parallel, KLM continued the roll-out of its new World Business Class launched in the summer of 2013. At the end of June 2014, the airline’s entire Boeing 747-400 fleet comprising 22 aircraft had been equipped. The installation on KLM’s Boeing 777s will begin in September 2014.
- On February 19, 2014, Air France-KLM announced the signature of an exclusive, long-term strategic partnership with the Brazilian airline GOL. This agreement strengthens Air France-KLM’s leadership position in Brazil and Latin America. At the same time, the group invested USD 100 million in GOL.
- At the end of March, Air France-KLM finalized an agreement with General Electric on the choice of the GEnx-1B engine to equip its fleet of Boeing 787-9s. The first aircraft will be delivered to KLM in October 2015 and to Air France in January 2017.
- At the end of April, the Group announced the signature of the most important maintenance agreement in its history covering the support of Air China’s GE90 engines. This agreement enabled the order book to grow by 16% to €5.1 billion at June 30, 2014.
- In late April, the Group finalized the disposal to Intro Aviation GmbH of CityJet and its VLM subsidiary, operating regional aircraft mainly on departure from London City.
- In early June, the Group successfully placed a €600 million issue of seven-year bonds. In parallel, the bonds maturing in 2016 were redeemed for a nominal amount of €94 million.
- The voluntary departure plan relating to Air France ground staff, announced in October 2013 as part of the additional restructuring measures, was completed at the end of June 2014. With 1,772 validated applications, corresponding to 1,660 Full Time Equivalents, the plan almost reached its objective of 1,826 departures. The plan targeting 700 Full Time Equivalents among cabin crew was opened to applications in June.
- The recovery in cargo demand being slower than expected, in April the Group initiated a strategic review of its full-freighter business, with different scenarios under consideration. Having already decided in October 2013 to reduce its full-freighter fleet to two aircraft in Paris and eight aircraft in Amsterdam by the end of 2015, the Group is now looking to further reduce its Amsterdam-based full-freighter fleet either through a partnership with a third party or through internal restructuring. In consequence, the Group booked a €106 million impairment charge on the cargo business in its second quarter 2014 accounts.

Strategy

In early 2012, the Air France-KLM Group launched Transform 2015, a three-year transformation plan (2012-14). While this plan aims to generate the financial resources required to return to a growth path, it does not call into question the Group's strategy of continuing to invest in products and customer services, reinforcing its presence in growth markets, stepping up cooperation with partners and securing agreements with new partners within the SkyTeam alliance, and leveraging its fundamental strengths.

In the 2014 first half, the Group began to prepare the strategic plan to follow Transform 2015. This new plan should be unveiled by the end of September 2014.

Fundamental strengths

A strong presence in all the major markets

The Air France-KLM Group currently operates the largest network between Europe and the rest of the world. Including the flights operated by Delta within the framework of the trans-Atlantic joint-venture, the Group served 120 long-haul destinations world-wide in Summer 2014, of which 35 in Africa, 25 in North America, 23 in the Asia-Pacific region, 12 in the Caribbean, three in the Indian Ocean, 12 in Latin America and 10 in the Middle East. Revenues are evenly balanced across all these markets *(see also the Passenger business section on page 15 for the key figures by network)*.

Given its presence in all the major markets, the Group's network is balanced, with no single market representing more than a third of "passenger" revenues. These markets also behave differently, enabling the Group to mitigate the negative impact of any developments or crises affecting some markets.

Two coordinated hubs at developing airports

The Group's network is coordinated around the two intercontinental hubs of Paris-Charles de Gaulle and Amsterdam-Schiphol, which are two of the four largest connecting platforms in Europe. Their efficiency is supplemented in southern Europe by the airports of Rome and Milan where Alitalia, a company with which the Group has had a strategic partnership since January 2009, operates. These hubs, which are organized in waves known as "banks", combine connecting with point-to-point traffic. This large-scale pooling of limited flows gives small markets world-wide access. Furthermore, it enables the use of larger aircraft, thereby reducing noise and carbon emissions. The second bank at the Paris-Charles de Gaulle hub, organized around the arrival of some 60 medium-haul flights and the departure of around 30 long-haul flights, thus enables the offer of more than 1,500 different connections in under two hours with only 90 aircraft.

The efficiency of the hubs largely depends on the quality of airport infrastructures: number of runways usable in parallel, fluidity of circulation and ease of connections between terminals. In this regard, the dual Roissy-Charles de Gaulle and Amsterdam-Schiphol platforms benefit from unsaturated runway capacity. Furthermore, the organization of the Group's activities at Roissy-Charles de Gaulle has been significantly improved since the delivery of new infrastructure enabling the regrouping of the operations at terminals 2E, 2F and 2G and smoother flight connections.

A balanced customer base

The Air France-KLM Group's choice of satisfying all its customers in terms of networks, products and fares has enabled it to build a balanced customer base. Around 40% of passengers travel for professional reasons and 60% for personal reasons. The Group also benefits from a balanced breakdown between transfer and point-to-point passengers. At Air France, connecting passengers represent around 45% of total passengers while, at KLM, this figure amounts to 60%. Furthermore, over 50% of revenue is realized with loyalty scheme customers (Flying Blue members or those whose companies have a corporate contract with the Group).

SkyTeam, the number two global alliance

Serving 1,024 airports globally, SkyTeam is the number two global alliance. At June 30, 2014, it brought together 20 European, American and Asian airlines: Aeroflot, AeroMexico, Air Europa (Spain), Air France and KLM, Alitalia, China Airlines, China Eastern, China Southern, Czech Airlines, Delta, Garuda Indonesia, Kenya Airways, Korean Air, Tarom, Vietnam Airlines, Aerolineas Argentinas, MEA (Lebanon), Saudi Arabian Airlines and Xiamen Airlines (the fifth Chinese carrier).

The alliance is stepping up initiatives aimed at securing customer loyalty and facilitating connections. It naturally enables the Group to offer its passengers an extended network by giving access to the numerous destinations of its partners. In 2012, SkyTeam thus rolled out SkyPriority, a range of services clearly signposted in airports, systematically offered to Elite customers in *La Première* and Business class.

Strategic partnerships

The Group has signed several strategic partnerships on key markets.

On the North Atlantic, the Group has implemented a joint-venture with its partners Delta and Alitalia since 2009. The scope of this agreement is very wide covering all the flights between North America, Mexico and Europe through integrated cooperation and flights between North America and Mexico to and from the Mediterranean basin, Africa, the Gulf States and India together with flights from Europe to and from Central America, Colombia, Venezuela, Peru and Ecuador through close coordination. This contract is based on the principle of sharing revenues and costs.

In January 2009, during the re-launch of Alitalia by a syndicate of private investors, Air France-KLM acquired a 25% stake in the Italian company (since reduced to around 7% following transactions involving its share capital) and signed a strategic partnership agreement. This agreement generates substantial synergies for the two groups.

In 1995, KLM acquired a stake in Kenya Airways and signed a strategic partnership with the latter. A joint-venture agreement was implemented in 1997 before being significantly extended in November 2013. This agreement generates, notably, commercial synergies on six routes between Europe and East Africa.

More recently, Air France-KLM signed a code share agreement with Etihad on flights between Paris, Amsterdam and Abu Dhabi together with destinations in Australia, Asia and Europe.

Lastly, in February 2014, the Group signed an exclusive partnership agreement with the Brazilian company GOL. As part of this agreement, Air France-KLM made a US$100 million strategic investment in GOL. This agreement strengthens Air France-KLM's leadership position in Brazil and Latin America.

A modern fleet

The Group has continuously invested in new aircraft and currently operates one of the most rationalized and modern fleets in the sector. This enables it to offer an enhanced level of passenger comfort, achieve substantial fuel savings and respect its sustainability commitments by reducing noise disturbance for local communities and greenhouse gas emissions. The measures implemented within the framework of the Transform 2015 plan to limit investment in the fleet will have little impact on its age curve through to 2014. Furthermore, the Group will start to take delivery of its first Boeing 787s as of the end of 2015 and its first Airbus A350s in 2018 *(see also the Fleet section, page 19*)

A commitment to sustainable development

The Group plans to pursue its sustainable development approach aimed at consolidating the reputation of the brands with, amongst other objectives, a very high level of operational safety, establishing an on-going dialogue with stakeholders such as customers, suppliers and local communities, reducing its environmental footprint, factoring innovation and sustainability into the entire service chain, contributing to the development of the territories where it has operations and, lastly, applying the best corporate governance principles.

The Air France-KLM Group's sustainable development approach is recognized by the main extra-financial ratings agencies. Amongst these many awards, in 2013 the Group was named airline sector leader and was included in the Dow Jones Sustainability Index (DJSI), the main international index evaluating companies on their sustainability performance. For the fifth year running, Air France-KLM was also ranked leader of the broader "Transport" sector, covering air, rail, sea and road transport as well as airport activities.

Transform 2015 plan

Covering the 2012-14 period, Transform 2015 was announced in January 2012 in response to the objectives set by the Air France-KLM Group's Board of Directors: rapidly reducing debt, restoring competitiveness and restructuring the short- and medium-haul operations.

On the launch of the plan, the Group set itself a target of reducing debt by €2 billion between December 31, 2011 and December 31, 2014 (from €6.5 billion to €4.5 billion). With the economic environment continuing to negatively impact demand, particularly in medium-haul and cargo, additional measures were launched in September 2013 in these two segments. Since these new measures are only expected to produce their full effects in 2015, the Group maintained its debt reduction target but considered that it would only be realized in 2015.

The plan also provides for an improvement in the Group's competitiveness as the main lever in debt reduction. This objective led to the setting of a targeted reduction in unit cost per EASK (Equivalent Available Seat-Kilometer) of 0.4 euro cents between 2011 and 2014, moving from 4.8

euro cents in 2011 to 4.4 euro cents in 2014. This cost reduction corresponds to a 10% decline relative to the level initially expected for 2014 (4.9 euro cents, despite permanent cost control).

All of the action plans must be reflected in a significant improvement in EBITDA. In view of the industry overcapacity on some long-haul routes, the persistently weak cargo demand and the challenging situation in Venezuela, in early July the Group revised its EBITDA target for Full Year 2014 to between €2.2 billion and €2.3 billion, an increase of nearly €1 billion compared with 2011.

During 2012, the Group established solid foundations for its successful turnaround: in addition to the rapid implementation of cost-saving measures and a downwards revision in capacity and the investment plan, the Group finalized the:

- renegotiation of working conditions with the signature of new collective labor agreements for the three staff categories (Ground Staff, Flight Deck Crew, Cabin Crew);
- establishment of action plans for each of its businesses;
- definition of its new corporate governance; and
- a number of measures aimed at improving its financial situation.

2013 was principally a year of implementation for all the measures decided in 2012: modest capacity growth, lower investments, headcount reduction, the implementation of the new working agreements and improvements in productivity.

In the autumn of 2013, as foreseen at the time of the plan's inception, a progress review was realized. This progress review confirmed that Transform 2015 was on track: all the measures decided in 2012 had been implemented within the pre-defined timetable and had translated into a steady improvement in the operating result. However, in a difficult economic environment, the turnaround of the medium-haul and cargo activities was not progressing sufficiently. The Group thus launched additional industrial and headcount measures as outlined below.

The 2014 first half reflected the full impact of the measures undertaken in 2013, particularly on employee costs, together with the progressive deployment of the additional measures decided during the autumn of 2013 like the new departure plan for ground staff which closed at the end of June having received 1,772 validated applications corresponding to 1,660 Full Time Equivalents.

Limited capacity growth and a downwards revision in investment

Given the uncertain economic environment and the persistent imbalance between transport capacity and demand, the Group opted for a limited increase in capacity in both passenger and cargo. For the passenger business, after growth of 0.6% in 2012, capacity increased by 1.6% in 2013 and should increase by around 1.5% in 2014 (+1.2% during the first half).

As a result, the Group revised its fleet plan and investment program with the exception of investments aimed at the on-going improvement in operational safety and customer services (€500 million over the three years of the plan). This decision led the Group to adjust its medium-term fleet plan combining, for example, the deferral of aircraft deliveries and the non-exercise of options. Investment was reduced from €2.1 billion before sale and lease-backs in 2011 to €1.5 billion in 2012, €1.1 billion in 2013 and should reach €1.4 billion in 2014. The Group also decided to limit sale and lease-back transactions (€600 million in 2012, €100 million in 2013 and none in 2014, versus €800 million in 2010 and €850 million in 2011).

Renegotiating the new working conditions

Within the Air France Group, returning to a satisfactory level of profitability required a very significant improvement in productivity across all segments, implying the renegotiation of the employment conditions in the existing collective agreements. The negotiations with the organizations representing the different staff categories resulted in the signature of new collective labor agreements in 2012 for ground staff and flight deck crew and, in March 2013, for cabin crew. These new collective agreements were aimed at establishing a workplace organization and compensation and career system adapted to the new air transport environment. Having come into force in 2013, these agreements guarantee an improvement in productivity across all categories of staff. For ground staff, the number of working days has increased by between ten and twelve while flight deck and cabin crew have accepted an increase in flight hours, particularly in medium-haul. Furthermore, these agreements ensure a reduction of around half a point in seniority creep.

Lastly, the Group implemented wage moderation though a freeze on general salary increases and promotions in 2012 and 2013.

Following the signature of the collective agreements, the Group launched voluntary departure plans to reduce headcount in each of the staff categories including incentives to leave the company or move to part-time working, unpaid leave, etc. The measures concerning ground staff in France enabled a headcount reduction of some 2,900 in Full Time Equivalent compared with a target of 2,700 FTEs. The measures concerning pilots enabled a reduction of around 270 in Full Time Equivalent for a targeted 300 FTEs. Lastly, the measures concerning cabin crew enabled a reduction of some 470 in FTE relative to a target of 500 in FTE.

At KLM, the collective labor agreements apply for a limited period. During 2012, the company renewed its collective labor agreements through to January 1, 2015. The changes negotiated within the framework of Transform 2015 include, notably, a salary freeze in 2013 and 2014, an increase in the number of days worked, a new compensation grid for cabin crew and mobility initiatives for ground staff.

In total, these measures must enable a reduction of more than €300 million in payroll expenses, on a constant scope and pension expense basis, between 2011 and 2014.

Within the framework of the additional measures decided in autumn 2013, Air France has implemented new voluntary headcount reduction measures. For ground staff, a new voluntary departure plan covering 1,826 Full Time Equivalents was open between February and June 2014. Within the framework of this plan, the Group approved 1,772 applications corresponding to 1,660 Full Time Equivalents. For cabin crew a voluntary departure plan targeting 700 FTEs will be open between June and December 2014. Lastly, voluntary departure measures will be implemented for pilots in the 2014 second half, targeting a reduction of 350 FTEs. The freeze on general wage increases has been extended by one year.

Action plans

Within the framework of Transform 2015, the Group launched a series of action plans across each of its businesses. While all the measures decided in 2012 were implemented as planned, in a more-difficult-than-expected environment, particularly in Europe, the turnaround of the medium-haul and cargo businesses did not progress sufficiently, leading the Group to launch additional measures in these two activities in autumn 2013.

Passenger business

The losses in the passenger business are concentrated in the medium-haul network, with operating losses amounting to some €620 million in 2013. This network remains a cornerstone of the Group's development in that it ensures not only its operations across Europe but also feeds the long-haul flights at the dual Paris-CDG and Amsterdam-Schiphol hubs. Since the 2008-09 crisis and despite the action plans, the negative structural trend in unit revenues has led to the deepening of losses in this activity. The long-haul network is clearly profitable but it cannot operate without an efficient medium-haul feeder network nor entirely offset these losses. The action plans have thus been on a larger scale in medium-haul.

In long-haul, the Group has sought to reinforce its profitability by retiring the least-efficient aircraft (particularly the MD-11s), improving schedule and staff productivity and, lastly, repositioning its products in line with the industry best in class.

This repositioning has notably involved substantial investment in ground (new lounge at Roissy-CDG) and inflight services. KLM launched the roll-out of a new Business class seat in summer 2013 while Air France plans to renovate the cabins of 44 Boeing 777s as of the summer of 2014. This renovation accompanies investment in new seats and in-flight entertainment systems consistent with the best industry standards.

The restructuring of medium-haul led to the launch of a series of action plans, reinforced by additional measures in autumn 2013.

At Air France, the emphasis was firstly on improving the utilization of the fleet and the achievement of significant productivity gains by all staff categories. At the level of the CDG hub, the Group thus plans to scale back its fleet by 17% between 2012 and 2015 (19 fewer aircraft) while increasing productivity (expressed in ASK per aircraft) by 14%.

Air France's point-to-point network has been adjusted at both Orly and in the provincial bases (Marseilles, Nice, Toulouse) with 16 fewer aircraft between 2012 and 2015. To limit the impact of these reductions on the revenues of the routes on departure from Orly, the reduction in activity has been focused on high-density routes. Launched in 2011 and 2012, the three provincial bases have yet to reach break-even at the operational level. In the summer of 2013, the adaptation of the bases enabled a strong improvement in revenues. The resizing will be pursued resulting in only 18 aircraft at the provincial bases in summer 2015 compared with 29 in the summer of 2012.

To accompany the reduction in activity and productivity gains, the new voluntary departure plan has covered mainly the French stations.

In parallel, the development of Transavia, a real growth relay at Orly, has been accelerated, aimed at reaching critical mass in the Paris market by 2016 with 26 aircraft compared with eight in Summer 2012. This growth will be accompanied by a significant level of commercial investment.

The Group's activity in the regional aircraft segment (below 100 seats) has been extensively reorganized. In April 2013, the Group regrouped its three companies operating this type of aircraft in France (Brit Air, Régional and Airlinair) within a new entity, known as HOP!, operating in two markets. Firstly, HOP!, ensures the feeding of the Paris-CDG hub on the lowest traffic flows and, secondly, it operates the point-to-point flights to and from the French regional capitals. A few months after its launch, this brand has achieved a high level of prompted awareness, approaching 40% in its six largest markets: Lyons, Nantes, Strasbourg, Lille, Bordeaux and Toulouse. In parallel, the Group finalized the disposal of its other regional point-to-point subsidiaries, CityJet and VLM, which operate mainly outside France.

At KLM, the main measures were the increased utilization of aircraft thanks to cabin densification and the organization of more rapid aircraft turnaround times. On a constant fleet, KLM thus plans to increase its medium-haul capacity by 11% between 2012 and 2015. These measures have led to a significant rebound in medium-haul results, enabling the anticipation of a result close to breakeven in 2015.

Lastly, the repositioning initiative in medium-haul has notably been reflected in investment in the Business class product and the development of more attractive pricing: Mini fares at Air France with option-based services; the development of ancillary revenues (in particular, payment for the first piece of baggage) at KLM.

All these measures must enable a reduction of around €500 million in medium-haul losses between 2012 and 2015.

Cargo business

The cargo business is facing not only a tough environment (weak demand, high oil price) but also a situation of persistent industry overcapacity due to growth in the fleets of large aircraft with significant belly capacity, together with increased competition from ocean transportation solutions. The measures launched in 2012 included the on-going reduction in full-freighter capacity, the retirement of unused aircraft, a reduction in controllable costs and the launch of a new commercial and revenue management strategy. In 2013, these measures enabled the Group to achieve a good cost performance while continuing to downsize its full-freighter capacity. This nonetheless proved insufficient to offset the decline in revenues, leading the Group to reinforce its action plan with additional measures in autumn 2013. At this time, a new target was set for downsizing the full-freighter fleet: operate only ten aircraft in 2015, i.e. four fewer than in 2012, for a capacity reduction of more than 30%, of which 11% already achieved in 2013. By 2015, the full-freighter fleet is expected to contribute only a little over 20% of the Group's cargo capacity. Naturally it is the least efficient aircraft (two Boeing 747s in Paris, one Boeing 747 and one MD-11 in Amsterdam) which will be retired from the fleet. New cost-cutting and productivity improvement measures were launched including the sub-contracting of the Orly cargo hangar and the adaptation of the CDG handling operations.

The recovery in cargo demand is proving slower than expected and the Group has initiated a strategic review of its full-freighter business, with different scenarios under consideration. Having decided, in October 2013, to reduce its full-freighter fleet to two aircraft in Paris and eight aircraft in Amsterdam by the end of 2015, the Group is now looking to further reduce its Amsterdam-based full-freighter fleet either through a partnership with a third party or through internal restructuring. In consequence, the group booked a €106 million impairment charge on the cargo business in its second quarter 2014 accounts.

Maintenance business

The strategy for the maintenance business focuses on the development of high added-value activities (engines and components) and gradually downsizing some unprofitable areas of the heavy maintenance activity, particularly since Europe is no longer competitive in terms of labor costs. The strong growth in the order book (+€1.3 billion between December 2012 and June 2014) gives this business good visibility on revenue and results growth. Furthermore, the new collective agreements negotiated within the framework of Transform 2015 have enabled this business to pursue its productivity efforts. In parallel, the Group continues to make targeted investment in innovative infrastructure (engine test bench, aerostructure workshop) and to locate its operations closer to clients (joint-ventures in the United States and India, component workshop in Shanghai, etc.).

New governance

To accompany the deployment of the Transform 2015 plan, the Group decided to implement a new governance framework with the centralization not only of the corporate functions but those relating to the three business lines like the network strategy, global sales and revenue management functions. This new organization is aimed at accelerating the decision-making processes and capturing all the available synergies.

Activities

Passenger business

	First half 2014	First half 2013*	Reported change	Change like-for-like**
Number of passengers *(in thousands)*	37,868	37,156	+1.9%	-
Capacity *(in ASK million)*	133,710	132,183	*+1.2%*	-
Traffic *(in RPK million)*	112,086	109,394	*+2.5%*	-
Load factor	83.8%	82.8%	*+1.0 pts*	-
Total passenger revenues *(in €m)*	9,477	9,570	*-1.0%*	*+1.4%*
Scheduled passenger revenues *(in €m)*	9,053	9,111	*-0.6%*	*+1.7%*
Unit revenue per ASK *(in € cents)*	6.77	6.90	*-1.8%*	*+0.5%*
Unit revenue per RPK *(in € cents)*	8.08	8.34	*-3.1%*	*-0.8%*
Unit cost per ASK *(in € cents)*	6.86	7.16	*-4.2%*	*-2.4%*
Income/(loss) from current operations *(in €m)*	**(123)**	**(351)**	***+228***	***+268***

** Restated for IFRIC 21, CityJet reclassified as a discontinued operation*

*** Like-for-like: on a constant currency basis and restated for change in revenue allocation (€11 million transferred from "other passenger" to "scheduled passenger" revenues in H1 2013)*

In the **first half 2014**, passenger revenues amounted to €9,477 million, down by 1.0% but up by 1.4% like-for-like. The operating loss for the passenger business stood at €123 million, versus a loss of €351 million in the first half of 2013, an improvement of €228 million (€268 million like-for-like).

The Group maintained its strict capacity discipline, increasing total passenger capacity by only 1.2%. Total passenger traffic rose by 2.5%, leading to a 1.0 point improvement in load factor to 83.8%. Unit revenue per Available Seat Kilometer (RASK) fell by 1.8% but increased by 0.5% like-for-like. Thanks to Transform 2015, and despite the low capacity growth, the passenger activity delivered a strong cost performance, with a Cost per Available Seat Kilometer (CASK) down by 2.4% like-for-like (-4.2% on a reported basis).

In the **first quarter 2014**, total traffic increased by 2.1% for capacity up by 1.3%, the load factor gaining 0.6 of a point to 82.8%. Unit revenue per Available Seat-Kilometer was down by 2.7%, and by 0.8% like-for-like, affected by the calendar effect linked to Easter falling in April as opposed to March last year. Long-haul traffic increased by 2.2% for a 2.1% rise in capacity. The load factor was stable at 85.2%. Long-haul unit revenue per Available Seat-Kilometer declined by 0.4% like-for-like. As planned within the framework of Transform 2015, short and medium-haul capacity was reduced by 2.2%. Traffic rose by 1.6%, enabling a 2.7 point improvement in load factor to 73.3%. RASK improved by 0.6% like-for-like.

In the **second quarter 2014**, total traffic increased by 2.8% for capacity up by only 1.0%, the load factor gaining 1.5 points to 84.8%. Unit revenue per Available Seat-Kilometer fell by 1.1% but increased by 1.3% like-for-like. Long-haul traffic increased by 3.1% for a 1.5% rise in capacity, the load factor gaining 1.4 points to 86.0%. Long-haul unit revenue per ASK was up by 1.6% like-for-like. Point-to-point short and medium-haul capacity (not linked to the Paris and Amsterdam hubs) was significantly adjusted (down 7.1%), leading short and medium-haul capacity to fall by 0.7%. Traffic rose by 1.6%, enabling a 1.8 point improvement in load factor to 80.4%. Short and medium-haul RASK improved by 1.7% like-for-like.

Key figures by network

First half to June 30	Capacity in ASK (In million)		Traffic in RPK (In million)		Load factor (In %)		Number of passengers (In thousands)		Scheduled passenger revenues (In € million)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013*
Long-haul	106,106	104,233	90,812	88,459	85.6	84.9	12,070	11,758	5,961	5,991
Americas	43,364	41,410	37,849	36,357	87.3	87.8	4,834	4,642	2,498	2,467
Asia/Pacific	30,345	30,836	26,037	26,099	85.8	84.6	2,945	2,957	1,545	1,623
Africa/Middle-East	18,075	17,805	14,468	13,991	80.0	78.6	2,579	2,504	1,218	1,216
Caribbean/Indian Ocean	14,321	14,182	12,458	12,012	87.0	84.7	1,712	1,655	700	686
Short and Medium-haul	27,604	27,951	21,274	20,935	77.1	74.9	25,798	25,398	3,092	3,130
Total	133,709	132,184	112,086	109,394	83.8	82.8	37,868	37,156	9,053	9,121

** CityJet reclassified as a discontinued operation, figures restated for a number of changes impacting revenues: €11 million transferred from "other passenger" to "scheduled passenger" revenues, reallocation of some revenues between networks)*

In the first half 2014, the **Long-haul network** represented 66% of total scheduled passenger revenues, 79% of capacity and 32% of the passengers carried. Traffic on this network increased by 2.7% for capacity up by 1.8%, leading to a 0.7 point improvement in load factor. The only network to show notable growth was the Americas network, where capacity increased by 4.7% mainly due to developments in Latin America (opening of the Brasilia and Panama City routes by Air France, extension of the Buenos Aires flight to Santiago for KLM, partially offset by a reduction in flights to Caracas due to the local economic situation). Traffic on this network was up by 4.1%, leading to a slight fall in load factor. All the other long-haul networks saw an improvement in their load factors.

The **Short and Medium-haul network** covers Europe (including France) and North Africa. This network principally links Europe to the rest of the world thanks to the Group's two hubs. The French domestic market is mostly served out of Orly thanks, notably, to the *La Navette* shuttle service which links Paris to the main French regional capitals. This network is seeing some significant adjustments within the framework of Transform 2015. The 1.2% reduction in capacity was the result of a 7.1% increase at KLM and a 5.0% reduction at Air France affecting, in particular, the point-to-point activity (not linked to the hubs). In the first half, traffic on the point-to-point network fell by 6.7% for capacity down by 10.8%, enabling a 3.0 point improvement in load factor. Unit revenue increased by 5.8%.

Cargo business

	First half 2014	First half 2013	Reported change	Change ex-currency
Tonnage transported *(in thousands)*	656	661	-0.7%	-
Capacity *(in ATK million)*	7,710	7,827	*-1.5%*	-
Traffic *(in RTK million)*	4,933	4,932	*+0.0%*	-
Load factor	64.0%	63.0%	*+1.0 pt*	-
Total cargo business revenues *(in €m)*	1,344	1,405	*-4.3%*	*-1.6%*
Scheduled cargo revenues *(in €m)*	1,254	1,309	*-4.2%*	*-1.5%*
Unit revenue per ATK *(in € cents)*	16.27	16.72	*-2.7%*	*0.0%*
Unit revenue per RTK *(in € cents)*	25.43	26.55	*-4.2%*	*-1.6%*
Unit cost per ATK *(in € cents)*	17.30	18.00	*-3.9%*	*-1.7%*
Income/(loss) from current operations ***(in €m)***	**(79)**	**(100)**	***+21***	***+25***

In the **first half 2014,** cargo revenues amounted to €1,344 million, down by 4.3% and by 1.6% on a constant currency basis**.** Faced with a slower-than-expected recovery in demand, the Group continued to reduce its full-freighter capacity (down by 7.2%). As a result, total capacity decreased by 1.5%. Traffic was stable leading to a 1.0 point improvement in load factor to 64.0%. Unit revenue per Available Ton Kilometer (RATK) was stable on a constant currency basis (-2.7% reported).

On a constant currency basis, cargo unit cost was down by 1.7% during the first half (-3.9% reported). The operating result improved by €21 million to a loss of €79 million.

Key figures by network

First half to June 30	**Capacity in ATK** *(In million)*		**Traffic in RTK** *(In million)*		**Load factor** *(In %)*		**No. of tons** *(In thousands)*		**Cargo transportation revenues** *(In €m)*	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Long-haul	**7,445**	**7,565**	**4,902**	**4,898**	**65.8**	**64.7**	**633**	**637**	**1,229**	**1,283**
Americas	3,208	3,228	2,065	2,035	64.4	63.0	256	249	506	535
Asia/Pacific	2,376	2,435	1,845	1,860	77.7	76.4	217	229	411	391
Africa/Middle-East	1,319	1,357	776	793	58.8	58.4	131	131	241	285
Caribbean/Indian Ocean	542	545	216	210	39.9	38.5	29	28	71	72
Short and Medium-haul	**265**	**260**	**32**	**34**	**12.1**	**12.9**	**23**	**24**	**25**	**26**
Total	**7,710**	**7,827**	**4,933**	**4,932**	**64.0**	**63.0**	**656**	**661**	**1,254**	**1,309**

The cargo business is concentrated on the long-haul networks which represent 97% of capacity and 98% of revenues.

The Americas network is currently the Group's first network with 42% of capacity and 40% of revenues due, notably, to the growth in the Group's "passenger" network in this region (see Passenger business above).

The Asia/Pacific network is the Group's second network, representing 31% of capacity and 33% of revenues. The Group reduced its capacity on this network by 2.4% in the first half. With traffic declining by only 0.8%, the load factor improved by 1.3 points.

The Africa/Middle East network is the third network for the cargo business, far behind the two first networks with 17% of capacity and 19% of cargo revenues. This network has been particularly badly affected by the absence of a pick-up in activity: while the Group reduced its capacity by 2.8%, the load factor improved by only 0.4 of a point. Unit revenue saw a significant fall in this network.

Maintenance business

	First half 2014	First half 2013	Reported change	Change ex-currency
Total revenues *(in €m)*	1,615	1,634	*-1.2%*	-
Third-party revenues *(in €m)*	576	622	*-7.2%*	*-3.4%*
Income from current operations *(in €m)*	52	57	*-5*	*+4*
Operating margin *(%)*	*+3.2%*	*+3.5%*	*-0.3 pt*	-

In the **first half 2014,** third party maintenance revenues amounted to €576 million, down by 7.2% and by 3.4% on a constant currency basis. Second quarter 2013 revenues had been boosted by high volumes from the engine contract with General Electric. Operating income stood at €52 million, down by €5 million on the previous year. On a constant currency basis, the operating result improved by €4 million. The operating margin was stable (-0.3 point) at 3.2%.

In the first half 2014, the Group recorded a 16% increase in its order book to €5.1 billion at June 30, 2014 thanks, notably, to the signature of a major contract with Air China covering the maintenance of its GE90 engines. In addition, the Group acquired the US company Barfield, specializing in component support.

Other businesses

The other businesses principally comprise Transavia and catering activities.

Transavia

Transavia	First half 2014	First half 2013	Reported change	Change ex-currency
Capacity *(in ASK million)*	9,283	8,775	*+5.8%*	-
Traffic *(in RPK million)*	8,277	7,743	*+6.9%*	-
Load factor	89.2%	88.2%	*+0.9 pt*	-
Total passenger revenues *(in €m)*	435	417	*+4.5%*	*+4.5%*
Scheduled passenger revenues *(in €m)*	410	398	*+3.0%*	*+3.0%*
Unit revenue per ASK *(in € cents)*	4.42	4.54	*-2.6%*	*-2.6%*
Unit revenue per RPK *(in € cents)*	4.96	5.14	*-3.7%*	*-3.7%*
Unit cost per ASK *(in € cents)*	5.11	5.15	*-0.8%*	*+0.5%*
Income/(loss) from current operations *(in €m)*	(64)	(54)	*-10*	-

In the **first half 2014,** Transavia capacity increased by 5.8%, reflecting the accelerated development of Transavia France (+10%) and the repositioning of Transavia Netherlands (+3% including a reduction in charter capacity). Traffic rose by 6.9%, leading to a 0.9 point increase in load factor to 89.2%. Unit revenue was down by 2.6%. Transavia's total revenue stood at €435 million, up by 4.5%. Unit cost per ASK decreased by 0.8%, but increased by 0.5% on a constant currency basis. The operating result decreased by €10 million to a loss of €64 million, mainly due to the ramp up of Transavia France.

At June 30, 2014, Transavia had a fleet of 45 aircraft (41 aircraft at December 31, 2013) (see Fleet, page 19).

Catering

	First half 2014	First half 2013	Reported change	Change at constant scope*
Total revenues *(in €m)*	427	466	*-9.2%*	*+2.6%*
Third-party revenues *(in €m)*	150	188	*-20.2%*	*+8.7%*
Income/(loss) from current operations *(in €m)*	2	(1)	*+3*	*+5*

** At constant scope: 2013 restated for sale of Air Chef*

The catering business is regrouped around Servair, a subsidiary of Air France and KLM Catering Services, a KLM subsidiary.

In the **first half 2014,** third-party catering revenues amounted to €150 million, down by 20.2%. At constant scope (excluding the impact of the sale of Air Chef taking place during the 2013 second quarter), third-party catering revenues were up by 8.7%, reflecting new contracts wins and international development. The operating result increased by €5 million at constant scope.

The Air France-KLM fleet

At June 30, 2014, the Air France-KLM Group fleet totalled 578 aircraft, of which 553 in operation. The first half was marked by the disposal of CityJet and VLM Airlines (34 aircraft at December 31, 2013, of which 31 in operation). On a constant scope, the Air France-KLM Group fleet was thus virtually stable with one additional aircraft. Firm orders stood at 63 aircraft, excluding leasing. During the first half, two options on 777-300ERs were converted into firm orders.

The Air France Group fleet

The Air France Group fleet totalled 370 aircraft at June 30, 2014, of which 352 in operation, with 107 long-haul aircraft, four full freighters, 143 medium-haul aircraft and 98 regional aircraft (106 long-haul aircraft, four full freighters,139 medium-haul aircraft and 101 regional aircraft excluding CityJet and VLM at December 31, 2013). Of the total fleet, 41% is fully owned, 19% is under finance lease and 40% under operating lease.

Breakdown by type	Owned		Finance lease		Operating lease		Total		In operation	
of ownership	**06/30/14**	**Ch/Dec 13**	**06/30/14**	**Ch/Dec 13**	**06/30/14**	**Ch/Dec 13**	**06/30/14**	**Ch/Dec 13**	**06/30/14**	**Ch/Dec 13**
Total Air France Group	**152**	**-25**	**69**	**-3**	**149**	**-7**	**370**	**-35**	**352**	**-29**

The Air France fleet

The Air France fleet comprised 242 aircraft at June 30, 2014, of which 240 in operation. The fleet has 107 long-haul aircraft, four full freighters and 129 medium-haul aircraft (106 long-haul aircraft, four full freighters and 128 medium-haul aircraft at December 31, 2013). Of the overall fleet, 33% of the aircraft are fully owned, 21% are under finance lease and 46% under operating lease. During the first half, one A380 joined the fleet while one 747-400ERF, one A319 and three A320s were retired.

	Owned		Finance lease		Operating lease		Total		In operation	
Aircraft	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**
B747-400	3		1		3		7		7	
B777-300	11		9		17		37		37	
B777-200	14	-1	3	1	8		25		25	
A380-800	2	1	4		4		10	1	10	1
A340-300	4		6		3		13		13	
A330-200	4	1	1	-1	10		15		15	
Long-haul	***38***	***1***	***24***		***45***		***107***	***1***	***107***	***1***
B747-400ERF	1	-1			2		3	-1	2	
B777-F	2						2		2	
Cargo	***3***	***-1***			***2***		***5***	***-1***	***4***	
A321	6		6		13		25		25	
A320	8	-2	3		35	-1	46	-3	45	1
A319	15	-2	10	2	16	-1	41	-1	41	
A318	11		7				18		18	
Medium-haul	***40***	***-4***	***26***	***2***	***64***	***-2***	***130***	***-4***	***129***	***1***
Total	**81**	**-4**	**50**	**2**	**111**	**-2**	**242**	**-4**	**240**	**2**

The fleet of the subsidiaries

Regional fleet

At June 30, 2014, the regional subsidiaries (regrouped under the HOP*!* brand) had a fleet of 114 aircraft, of which 98 were operational. Some 62% of this fleet is fully owned, 17% is under finance lease and 21% under operating lease. The first half saw the disposal of CityJet and VLM Airlines.

	Owned		**Finance lease**		**Operating lease**		**Total**		**In operation**	
Aircraft	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**
HOP !										
ATR72-500	1		3		7	3	11	3	11	3
ATR72-200				-1				-1		-1
ATR42-500	4		4		5		13		13	
Canadair Jet 1000	13						13		13	
Canadair Jet 700	12	2	3	-2			15		13	
Canadair Jet 100	11	-1					11	-1	4	-3
EMB190	4				6		10		10	
EMB170	8		2		6		16		16	
EMB145-EP/MP	14	1	5	-2			19	-1	16	-2
EMB135-ER	4		2				6		2	
Total	***71***	***2***	***19***	***-5***	***24***	***3***	***114***		***98***	***-3***
CityJet										
AVRO RJ 85		-11				-11		-22		-19
Total CityJet		***-11***				***-11***		***-22***		***-19***
VLM Airlines										
Fokker 50		-12						-12		-12
Total		***-12***						***-12***		***-12***
Total regional fleet	**71**	**-21**	**19**	**-5**	**24**	**-8**	**114**	**-34**	**98**	**-34**

Transavia fleet

Transavia has a fleet of 14 medium-haul aircraft, three of which joined the fleet during the first half.

Transavia France										
B737 800	-	-	-	-	14	3	14	3	14	3
Total	**-**	**-**	**-**	**-**	**14**	**3**	**14**	**3**	**14**	**3**

The KLM Group fleet

The KLM Group fleet comprises 208 aircraft of which 201 in operation, with 65 long-haul aircraft, 79 medium-haul aircraft, 13 full freighters and 51 regional aircraft.

Some 26% of the fleet is fully owned, 29% is under finance lease and 45% under operating lease.

Breakdown by type	**Owned**		**Finance lease**		**Operating lease**		**Total**		**In operation**	
of ownership	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**
Total KLM Group	**54**	**-2**	**61**	**-1**	**93**	**5**	**208**	**2**	**201**	**-1**

The KLM fleet

The KLM fleet totalled 113 aircraft at June 30, 2014, all in operation, with 65 long-haul aircraft and 48 medium-haul aircraft (the full freighters having been regrouped within Martinair, the operator of these aircraft). Some 21% of the fleet is fully owned, 33% is under finance lease and 46% under operating lease. During the first half, one MD11 was withdrawn and one B737-800 joined the fleet.

	Owned		**Finance lease**		**Operating lease**		**Total**		**In operation**	
Aircraft	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Var/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**
B747-400	15		2		5		22		22	
B777-300			8				8		8	
B777-200			6		9		15		15	
MD11	3	-1	1				4	-1	4	
A330-300					4		4		4	
A330-200			6		6		12		12	
Long-haul	***18***	***-1***	***23***		***24***		***65***	***-1***	***65***	
B737-900	1	1	1	-1	3		5		5	
B737-800	5		5		15	1	25	1	25	1
B737-700			8		10		18		18	
B737-400										
Medium-haul	***6***	***1***	***14***	***-1***	***28***	***1***	***48***	***1***	***48***	***1***
Total	**24**		**37**	**-1**	**52**	**1**	**113**		**113**	**1**

The fleet of the subsidiaries

Transavia and Martinair fleets

The Transavia Netherlands fleet comprises 31 medium-haul aircraft, all in operation, of which 13% were fully owned, 19% were under finance lease and 68% under operating lease at June 30, 2014. One aircraft joined the fleet during the first half.

After regrouping the KLM full freighters, the Martinair fleet comprises 13 cargo aircraft, of which ten in operation at June 30, 2014.

	Owned		**Finance lease**		**Operating lease**		**Total**		**In operation**	
Aircraft	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**
Transavia Netherlands										
B737-800	2	1	5		15		22	1	22	1
B737-700	2		1		6		9		9	
Total	***4***	***1***	***6***		***21***		***31***	***1***	***31***	***1***
Martinair										
B747-400ERF			3		1		4		3	
B747-400BCF					3		3		1	
MD-11-CF	3						3		3	
MD-11-F			2		1		3		3	
Total	***3***		***5***		***5***		***13***		***10***	
Total other fleet	**7**	**1**	**11**		**26**		**44**	**1**	**41**	**1**

One Transavia Netherlands B737-800, sub-leased to Transavia France, is included only in the table relating to the latter.

Regional fleet

At June 30, 2014, the KLM Cityhopper regional subsidiary had a fleet of 51 aircraft, of which 47 were operational. This fleet is 45% fully-owned, 26% under finance lease and 29% under operating lease. During the first half, three Fokker 70s were withdrawn and four Embraer 190s joined the fleet.

	Owned		**Finance lease**		**Operating lease**		**Total**		**In operation**	
Aircraft	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**	**06/30/14**	**Ch/Dec13**
KLM Cityhopper										
F70	23	-3					23	-3	19	-7
EMB190			13		15	4	28	4	28	4
Total	**23**	**-3**	**13**		**15**	**4**	**51**	**1**	**47**	**-3**

Outlook and subsequent events

Outlook

In early July, following publication of the June traffic figures, the Group revised its outlook for the year in the following terms.

While not representing a turning point in market trends, the June traffic figures published today as well as the bookings for July and August nevertheless reflect the industry over-capacity on certain long-haul routes, notably North America and Asia, with the attendant impact on yields.

This comes on top of the persistently weak cargo demand and the challenging situation in Venezuela identified in the first quarter.

These factors lead us to revise our EBITDA target for Full Year 2014 from €2.5 billion to between €2.2 billion and €2.3 billion, representing a rise of over 20% compared with 2013.

Maintained strong capital discipline will enable the Group to remain on track in terms of debt reduction and the objective of €4.5 billion in net debt in 2015 is confirmed.

Subsequent events

There were no events arising subsequent to the period having a significant impact on the Group’s activity and outlook.

Risks and risk management

Risk factors

There were no significant changes to the risks and uncertainties incurred by the Air France-KLM Group during this half year relative to those outlined in the 2013 Registration Document filed on April 8, 2014.

Related parties

The information concerning related parties can be found in Note 25 to the consolidated financial statements.

Comments on the financial statements

Consolidated results for the first half ended June 30, 2014

As of January 1, 2014, the Group adopted the early application of IFRIC Interpretation 21 "*Levies*". The impact is essentially a different allocation of the expense across interim periods.

On December 20, 2013, Air France received a firm offer from Intro Aviation GmbH for the acquisition of CityJet and its VLM subsidiary. The planned sale of these two companies (which became effective on April 30, 2014) was treated as a discontinued operation and the financial statements as of June 30, 2013 have been restated accordingly.

Compared with December 31, 2013, the Air France-KLM Group's consolidation scope at June 30, 2014 mainly reflects the exit of CityJet and VLM. The movements are outlined in Note 5 in the notes to the financial statements.

In € million	**June 30, 2014**	**June 30, 2013 Restated**	**Change** *(In %)*
Revenues	12,005	12,222	-1.8
Income/(loss) from current operations	(207)	(448)	53.8
Income/(loss) from operating activities	(329)	(462)	28.8
Net income/(loss) from continuing operations	(610)	(758)	19.5
Net income/(loss) from discontinuing operations	(4)	(38)	ns
Net income/(loss) - Equity holders of Air France-KLM	(614)	(799)	23.2
Basic earnings/(loss) per share *(In €)*	(2.07)	(2.70)	23.3

Revenues

In the **First Half 2014**, total revenues stood at 12.01 billion euros versus 12.22 billion euros in 2013, down 1.8%, but up +1.0% on a like-for-like basis. Currencies had a negative 287 million euro impact on revenues.

Operating expenses

Operating expenses declined by 3.6% to €12.21 billion. For capacity measured in EASK (equivalent available seat-kilometers) up by 1.0%, unit cost per EASK was down by 1.8% on a constant currency, fuel price and pension expense basis.

External expenses, notably, decreased by 3.4% to €7.6 billion versus €7.9 billion one year earlier.

The breakdown of operating expenses was as follows:

(In € million)	June 30, 2014	June 30, 2013 Restated	Change in %
Aircraft fuel	3,189	3,390	-5.9
Chartering costs	209	231	-9.5
Aircraft operating lease costs	430	465	-7.5
Landing fees and air route charges	891	894	-0.3
Catering	283	289	-2.1
Handling charges and other operating costs	682	697	-2.2
Aircraft maintenance costs	643	636	1.1
Commercial and distribution costs	437	434	0.7
Other external expenses	852	847	0.6
Total	**7,616**	**7,883**	**-3.4**

The main changes were as follows:

- Aircraft fuel: first half fuel expenses amounted to €3.19 billion versus €3.39 billion at June 30, 2013. The fuel bill declined by 5.9% under the impact of a 0.5% increase in consumption, a positive currency impact of 4.6% and a 2.0% fall in the fuel price after hedging;
- Chartering costs incurred through leasing aircraft capacity from other airlines fell by 9.5% to €209 million versus the first half of 2013. This decrease is explained by a fall in block-seat purchasing;
- Aircraft operating lease costs: aircraft operating lease costs decreased by 7.5% to €430 million. On a constant currency basis, the decrease amounted to 3%, mainly explained by the reduction in the number of aircraft under operating lease;
- Landing fees and air route charges: landing fees and air route charges for the use of airspace and airports slightly decreased in line with activity to €891 million (€894 million at June 30, 2013);
- Catering costs relating to services supplied on board aircraft amounted to €283 million versus €289 million at June 30, 2013, down by 2.1%. These expenses comprised the expenses incurred for services provided on board the Air France-KLM Group's own aircraft and those incurred by its catering subsidiary for third-party customers;
- Handling charges and other operating costs principally cover aircraft handling on the ground and the cost of passenger care for the Group and, to a lesser extent, third-party customers. They decreased by 2.2% to €682 million mainly due to the saving on de-icing costs due to milder weather than in the previous year;
- Aircraft maintenance costs: these include the maintenance of the Group's aircraft and procurement for the third-party activity. They amounted to €643 million (+1.1%);
- Commercial and distribution costs: commercial and distribution costs were slightly higher (+0.7%) at €437 million.
- Other external expenses: other external expenses principally comprise rental costs, telecommunication costs, insurance and fees. They amounted to €852 million and remained stable (+0.6%) relative to June 30, 2013.

Salaries and related costs stood at €3.69 billion versus €3.84 billion at June 30, 2013 restated, i.e. down by 4.0%. Total employee costs including temporary staff were down 3.6% to 3,780 million euros, and by 3.4% on a constant currency basis. At constant pension expense and scope, they declined by 106 million euros.

Taxes other than income taxes amounted to €93 million versus €97 million at June 30, 2013.

Amortization. depreciation and provisions stood at €798 million versus €842 million at June 30, 2013.

Other income and expenses (-€27 million at June 30, 2014 versus -€10 million at June 30, 2013) included currency hedges for +€12 million at June 30, 2014 versus +€39 million at June 30, 2013. A €7 million expense was also booked concerning CO_2 emissions (€13 million one year earlier).

Income/(loss) from current operations

The result from current operations amounted to a €207 million loss versus a loss of €448 million at June 30, 2013 restated.

The contribution to revenues and income/(loss) from current operations by sector of activity was as follows:

	June 30, 2014		June 30, 2013 Restated	
(In € million)	**Revenues**	**Income/(loss) from current operations**	**Revenues**	**Income/(loss) from current operations**
Passenger	9,477	(123)	9,570	(351)
Cargo	1,344	(79)	1,405	(100)
Maintenance	576	52	621	57
Others	608	(57)	626	(54)
Total	**12,005**	**(207)**	**12,222**	**(448)**

Income/(loss) from operating activities

The result from operating activities stood at a loss of €329 million versus a €462 million loss at June 30, 2013 restated. Non-current items amounted to a negative €117 million at June 30, 2014 and mainly included (see Note 11) a €106 million provision corresponding to the impairment of the cargo CGU (cash generating unit) following an impairment test.

Net cost of financial debt

The net cost of financial debt amounted to €184 million versus €201 million at June 30, 2013. The fall in the net cost of financial debt was directly linked to the reduction in gross financial debt.

Other financial income and expenses

Other net financial expenses amounted to €120 million versus €89 million at June 30, 2013 restated, with the breakdown as follows:

- A €111 million foreign exchange loss (+€34 million at June 30, 2013); the currency result included, notably, an adjustment in the value of the cash held by the Group in Venezuelan bank accounts to take into account the currency conversion risk.
- Net financial income of €26 million relating to the fair value of derivative instruments, mainly reflecting the change in the value of the swap relating to the OCEANE 2.75% 2020, the change in the ineffective portions of fuel and currency derivatives offsetting each other (-€115 million at June 30, 2013).
- Net allocations to provisions of €34 million including, notably, a €21 million impairment charge on Alitalia shares marking the value of this shareholding down to its fair value.

Net income/(loss) - Equity holders of Air France-KLM

Income tax amounted to a €34 million gain versus a €72 million gain at June 30, 2013 restated, deriving an effective tax rate of 5.4% versus 9.6% at June 30, 2013. The low effective tax rate at June 30, 2014 was mostly explained by:

- The ending, since the 2011 financial year, of the recognition of deferred tax assets in the French affiliates in view of the recovery period.
- The €26 million impairment charge on the Martinair deferred tax assets concerning the fiscal losses made prior to its integration in the Dutch fiscal group.

The **share of profits/(losses) of associates** amounted to a €11 million negative at June 30, 2014 (versus a negative €78 million at June 30, 2013 restated including, principally, the €65 million share of Alitalia Group losses for the first half of 2013).

The **result from discontinued operations** stood at a negative €4 million at June 30, 2014 versus a negative contribution of €38 million for the first half of 2013. It comprises the result realized by the companies CityJet and VLM, and the proceeds on their disposal as of April 30, 2014 (see note 15).

Net income/(loss) - Equity holders of Air France-KLM stood at a loss of €614 million at June 30, 2014 (versus a loss of €799 million at June 30, 2013 restated).

The contributions to the net result by quarter were, respectively, €(608) million for the 2014 first quarter and €(6) million for the second quarter of 2014.

Basic earnings/(loss) per share and diluted earnings/(loss) per share stood at €(2.07) at June 30, 2014 versus €(2.70) at June 30, 2013 restated.

Investments and financing of the Group

The Air France-KLM Group's net capital expenditure on tangible and intangible assets amounted to €775 million during the first half versus €474 million at June 30, 2013 restated. Net investment in the fleet amounted to €200 million, ground investment to €109 million, spare parts and aeronautical modifications to €164 million, capitalized maintenance costs to €165 million and investment in intangible assets to €137 million.

Net cash flow from operating activities stood at €884 million versus €1.04 billion at June 30, 2013 restated, reflecting:

- A €214 million improvement in cash flow before WCR at June 30, 2014 versus €72 million at June 30, 2013 restated, and
- The change in working capital which moved from €972 million at June 30, 2013 restated to €670 million at June 30, 2014.

At the closing date, the net cash position stood at €3.9 billion. Furthermore, the Group still had available credit facilities totalling €1.80 billion at June 30, 2014.

Stockholders' equity amounted to €1.1 billion (€2.3 billion at December 31, 2013) while net financial debt stood at €5.41 billion (€5.35 billion at December 31, 2013). Given the volatility in stockholders' equity introduced by the application of IAS19R, the Group no longer considers the balance sheet gearing ratio a meaningful indicator.

Air France-KLM parent company results

As a holding company, Air France-KLM has no operating activity. Its revenues comprise royalties paid by the two operating subsidiaries for use of the Air France-KLM logo and its expenses essentially comprise financial communication costs, Statutory Auditors' fees, and the remuneration of corporate officers and the staff made available by Air France and KLM. In total, the operating result amounted to a €10.9 million positive.

The net result amounted to a €50.1 million loss, essentially due to financial expenses on the bonds. No dividend was paid in respect of the 2013 financial year.

Key financial indicators

EBITDA

(In € million)	**June 30, 2014**	**June 30, 2013 Restated***
Income/(loss) from current operations	(207)	(448)
Amortization	764	768
Depreciation and provisions	34	74
EBITDA	**591**	**394**

** Restated for IFRIC 21 Levies, CityJet Group reclassified as a discontinued operation*

Adjusted operating result and adjusted operating margin

In accordance with generally accepted practice for analysing the air transport sector, operating leases are capitalized at seven times for the capital employed and adjusted net debt calculations. Consequently, the result from current operations is adjusted by the portion of operating leases assimilated with financial charges, i.e. 34% of operating leases, the percentage resulting from the capitalization rate of the operating leases. The outcome is an adjusted operating margin which, by stripping out the accounting impact of different methods of aircraft financing, makes it easier to compare the profitability of different airlines.

(In € million)	**June 30, 2014**	**June 30, 2013 Restated***
Income/(loss) from current operations	(207)	(448)
Portion of operating leases corresponding to financial charges (34%)	146	158
Adjusted income/(loss) from current operations	**(61)**	**(290)**
Revenues	12,005	12,222
Adjusted operating margin	**(0.5)%**	**(2.4)%**

** Restated for IFRIC 21 Levies, CityJet Group reclassified as a discontinued operation*

Restated net income

The restated net result corresponds to the net result adjusted for exceptional or non-recurring items.

(In € million)	**June 30, 2014**	**June 30, 2013 Restated***
Net income/(loss), Group share	(614)	(799)
Net income/(loss) from discontinued operations	4	38
Change in fair value of financial assets and liabilities (derivatives)	(26)	115
Unrealized foreign exchange gains and losses, net	117	(54)
Non-current income and expenses	122	14
Impairment on shares available-for-sale	29	-
Depreciation of deferred tax assets	26	-
Restated net income/(loss), Group share	**(342)**	**(686)**
Restated net income/(loss) per share, Group share	**(1.16)**	**(2.32)**

** Restated for IFRIC 21 Levies, CityJet Group reclassified as a discontinued operation*

Net debt

For the calculation of net debt, the Group carries out two types of adjustment. Firstly, the deposits constituted during the implementation of aircraft finance lease transactions and charged to the balance of the debt when the option is exercised are deducted from debt. Similarly, the cash pledges within the framework of the four-year swap contract with Natixis relating to the OCEANE 2.75% 2020 are deducted from the corresponding debt. The fall in this amount is explained by the substitution of other financial assets for this cash.

Secondly, marketable securities over three months and the cash pledges, principally constituted within the framework of the appeal against the amount of the cargo fine filed with the European Union Court of Justice, are added to cash.

An adjustment to the cash held in Venezuelan bank accounts has been recorded to take into account the currency conversion risk.

(In € million)	**June 30, 2014**	**December 31, 2013**
Current and non-current financial debt	10,173	10,733
Deposits on aircraft under financial lease	(575)	(626)
Financial assets pledged (OCÉANE swap)	(196)	(393)
Currency hedge on financial debt	3	8
Accrued interest	(86)	(144)
Gross financial debt	**9,319**	**9,578**
Cash and cash equivalents	3,298	3,684
Marketable securities > 3 months	97	126
Cash pledges	442	432
Deposits (bonds)	145	154
Bank overdrafts	(77)	(166)
Net cash	**3,905**	**4,230**
Net debt	**5,414**	**5,348**

Within the framework of Transform 2015, the Group has set itself a target of reducing net debt to €4.5 billion in 2015.

Financial cover ratios

The reduction in net debt and a recovery in the Group's operating cash flow are the main objectives of the Transform 2015 plan, which should be reflected in a significant improvement in the financial cover ratios.

► **Net debt/EBITDA**

	June 30, 2014 Sliding 12 months	**December 31, 2013**
Net debt *(in €m)*	5,414	5,348
EBITDA *(in €m)*	2,052	1,855
Net debt/EBITDA	**2.6x**	**2.9x**

► **EBITDA/net cost of financial debt**

	June 30, 2014 Sliding 12 months	**December 31, 2013**
EBITDA *(in €m)*	2,052	1,855
Net cost of financial debt *(in €m)*	387	404
EBITDA/net cost of financial debt	**5.3x**	**4.6x**

► **Adjusted net debt/EBITDAR**

Adjusted net debt amounts to net debt added to the annual amount of operating leases capitalized at seven times. EBITDAR corresponds to the result from current operations before amortization, depreciation, provisions and operating leases.

	June 30, 2014 Sliding 12 months	**December 31, 2013**
Net debt *(in €m)*	5,414	5,348
Operating leases x 7 *(in €m)*	6,153	6,391
Total adjusted net debt *(in €m)*	**11,567**	**11,739**
EBITDA *(in €m)*	2,052	1,855
Operating leases *(in €m)*	879	913
EBITDAR *(in €m)*	**2,931**	**2,768**
Adjusted net debt/EBITDAR	**3.9x**	**4.2x**

► **EBITDAR/adjusted net cost of financial debt**

The adjusted net cost of financial debt includes the portion of operating leases corresponding to interest charges (34%).

	June 30, 2014 Sliding 12 months	**December 31, 2013**
EBITDAR *(in €m)*	**2,931**	**2,768**
Net cost of financial debt *(in €m)*	387	404
Portion of operating leases corresponding to interest charges (34%) *(in €m)*	299	310
Adjusted net cost of financial debt *(in €m)*	**686**	**714**
EBITDAR/adjusted net cost of financial debt	**4.3x**	**3.9x**

Operating free cash flow

Operating free cash flow represents the cash available after investment in property, plant, equipment and intangible assets for solely operational purposes. It does not include the other cash flows linked to investment operations, particularly financial. In this financial indicator, the Group includes the amount of the acquisition contracts for property, plant, equipment and intangible assets which, on an exceptional basis, have not been recorded under investments in the consolidated statements of cash flows table.

(In € million)	**June 30, 2014**	**June 30, 2013 Restated***
Net cash flow from operating activities**	870	1,040
Investment in property, plant and equipment and intangible assets	(835)	(633)
Acquisition of property, plant and equipment and intangible assets not recorded under investments	-	-
Proceeds on disposal of property, plant and equipment and intangible assets	60	159
Operating free cash flow	**95**	**566**

** Restated for IFRIC 21 Levies, CityJet Group reclassified as a discontinued operation*

*** Excluding discontinued operations*

Unaudited interim condensed consolidated financial statements

January 1, 2014 - June 30, 2014

Consolidated income statement (unaudited)

In € million **Period from January 1 to June 30**	***Notes***	**2014**	**2013 Restated(*)**
Sales	***6***	**12 005**	**12 222**
Other revenues		9	1
Revenues		**12 014**	**12 223**
External expenses	*7*	(7 616)	(7 883)
Salaries and related costs	*8*	(3 687)	(3 839)
Taxes other than income taxes		(93)	(97)
Amortization	*9*	(764)	(768)
Depreciation and provisions	*9*	(34)	(74)
Other income and expenses	*10*	(27)	(10)
Income from current operations		(207)	**(448)**
Sales of aircraft equipment		(5)	(4)
Other non-current income and expenses	*11*	(117)	(10)
Income from operating activities		**(329)**	**(462)**
Cost of financial debt	*12*	(223)	(240)
Income from cash and cash equivalents	*12*	39	39
Net cost of financial debt		***(184)***	***(201)***
Other financial income and expenses	*12*	(120)	(89)
Income before tax		**(633)**	**(752)**
Income taxes	*13*	34	72
Net income of consolidated companies		**(599)**	**(680)**
Share of profits (losses) of associates	*14*	(11)	(78)
Net income from continuing operations		**(610)**	**(758)**
Net income from discontinued operations	*15*	(4)	**(38)**
Net income for the period		**(614)**	**(796)**
• **Equity holders of Air France-KLM**		**(614)**	**(799)**
• Non-controlling interests		-	3
Earnings per share – Equity holders of Air France-KLM *(in euros)*			
• basic and diluted	*16*	(2.07)	(2.70)
Net income from continuing operations – Equity holders of Air France-KLM (in euros)			
• basic and diluted	*16*	(2.06)	(2.57)
Net income from discontinued operations – Equity holders of Air France-KLM (in euros)			
• basic and diluted	*16*	(0.01)	(0.13)

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

(*) See note 2 in notes to the condensed consolidated financial statements

Consolidated statement of recognized income and expenses (unaudited)

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated(*)**
Net income for the period	**(614)**	**(796)**
Fair value adjustment on available-for-sale securities		
Change in fair value recognized directly in other comprehensive income	(34)	194
Change in fair value transferred to profit and loss	9	-
Fair value hedges		
Effective portion of changes in fair value hedge recognized directly in other comprehensive income	12	(23)
Cash flow hedges		
Effective portion of changes in fair value hedge recognized directly in other comprehensive income	116	58
Change in fair value transferred to profit or loss	(55)	(55)
Currency translation adjustment	**(1)**	**2**
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	**(42)**	**1**
Items of the recognized income and expenses of equity shares, net of tax	-	7
Total of other comprehensive income that will be reclassified to profit or loss	***5***	***184***
Remeasurements of defined benefit pension plans	**(829)**	**(154)**
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	**215**	**32**
Remeasurements of defined benefit pension plans of equity shares, net of tax	**-**	**(2)**
Total of other comprehensive income that will not be reclassified to profit or loss	***(614)***	***(124)***
Total of other comprehensive income. after tax	**(609)**	**60**
Recognized income and expenses	**(1 223)**	**(736)**
• **Equity holders of Air France-KLM**	**(1 219)**	**(737)**
• Non-controlling interests	(4)	1

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

(*) See note 2 in notes to the condensed consolidated financial statements

Consolidated balance sheet (unaudited)

Assets *In € million*	*Notes*	**June 30, 2014**	**December 31, 2013 Restated (*)**
Goodwill		245	237
Intangible assets		986	896
Flight equipment	***17***	9 235	9 391
Other property. plant and equipment	***17***	1 765	1 819
Investments in equity associates		159	177
Pension assets	***18***	1 819	2 454
Other financial assets (**)		1 885	1 963
Deferred income tax assets		502	434
Other non-current assets		130	113
Total non-current assets		**16 726**	**17 484**
Assets held for sale	***19***	26	91
Other short term financial assets (**)		790	1 031
Inventories		563	511
Trade receivables		2 284	1 775
Current income tax receivables		49	23
Other current assets		948	822
Cash and cash equivalents		3 298	3 684
Total current assets		**7 958**	**7 937**
Total assets		**24 684**	**25 421**

(*) See note 2 in notes to the condensed consolidated financial statements

(**) Including:

In € million	**June 30, 2014**	**December 31, 2013**
Deposits related to financial leases	720	780
Marketable securities	735	951

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

Consolidated balance sheet (unaudited) (continued)

Liabilities and equity *In € million*	***Notes***	**June 30, 2014**	**December 31, 2013** **Restated(*)**
Issued capital	***20.1***	300	300
Additional paid-in capital		2 971	2 971
Treasury shares		(87)	(85)
Reserves and retained earnings	***20.2***	(2 160)	(941)
Equity attributable to equity holders of Air France-KLM		**1 024**	**2 245**
Non-controlling interests		44	48
Total equity		**1 068**	**2 293**
Provisions and retirement benefits	***18-21***	3 212	3 102
Long-term debt	***22***	8 101	8 596
Deferred income tax liabilities		16	178
Other non-current liabilities		348	397
Total non-current liabilities		**11 677**	**12 273**
Liabilities linked to assets held for sale	***19***	-	58
Provisions	***21***	617	670
Current portion of long-term debt	***22***	2 072	2 137
Trade payables		2 409	2 369
Deferred revenue on ticket sales		3 454	2 371
Frequent flyer program		753	755
Current income tax liabilities		2	2
Other current liabilities		2 555	2 327
Bank overdrafts		77	166
Total current liabilities		**11 939**	**10 855**
Total liabilities		**23 616**	**23 128**
Total liabilities and equity		**24 684**	**25 421**

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

*See note 2 in notes to the condensed consolidated financial statements

Consolidated statement of changes in stockholders' equity (unaudited)

In € million	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Non-controlling interests	Total equity
December 31, 2012 (Restated) (*)	**300 219 278**	**300**	**2 971**	**(85)**	**406**	**3 592**	**48**	**3 640**
Fair value adjustment on available for sale securities	-	-	-	-	186	**186**	**-**	**186**
Gain/(loss) on cash flow hedges	-	-	-	-	11	**11**	**-**	**11**
Gain/(loss) on fair value hedges	-	-	-	-	(15)	**(15)**	-	**(15)**
Remeasurements of defined benefit pension plans	-	-	-	-	(123)	**(123)**	(2)	**(125)**
Currency translation adjustment	-	-	-	-	3	**3**	-	**3**
Other comprehensive income	***-***	***-***	***-***	***-***	***62***	***62***	***(2)***	***60***
Net income for the period	-	-	-	-	(799)	**(799)**	3	**(796)**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**(737)**	**(737)**	**1**	**(736)**
Share based payments	-	-	-	-	1	**1**	**-**	**1**
OCEANE	-	-	-	-	70	**70**	-	**70**
Treasury shares	-	-	-	**1**	**-**	**1**	-	**1**
Dividends paid	-	-	-	-	-	**-**	(2)	**(2)**
Change in consolidation scope	-	-	-	-	-	**-**	(7)	**(7)**
June 30, 2013 (Restated)(*)	**300 219 278**	**300**	**2 971**	**(84)**	**(260)**	**2 927**	**40**	**2 967**
December 31, 2013 (Restated) (*)	**300 219 278**	**300**	**2 971**	**(85)**	**(941)**	**2 245**	**48**	**2 293**
Fair value adjustment on available-for-sale securities	-	-	-	-	(24)	**(24)**	-	**(24)**
Gain/(loss) on cash flow hedges	-	-	-	-	22	**22**	-	**22**
Gain/(loss) on fair value hedges	-	-	-	-	8	**8**	-	**8**
Remeasurements of defined benefit pension plans	-	-	-	-	(610)	**(610)**	(4)	**(614)**
Currency translation adjustment	-	-	-	-	(1)	**(1)**	-	**(1)**
Other comprehensive income	***-***	***-***	***-***	***-***	***(605)***	***(605)***	***(4)***	***(609)***
Net income for the period	-	-	-	-	(614)	**(614)**	-	**(614)**
Total of income and expenses recognized	-	-	-	-	**(1 219)**	**(1 219)**	**(4)**	**(1 223)**
Treasury shares	-	-	-	(2)	-	**(2)**	-	**(2)**
June 30, 2014	**300 219 278**	**300**	**2 971**	**(87)**	**(2 160)**	**1 024**	**44**	**1 068**

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

(*) See note 2 in notes to the condensed consolidated financial statements

Consolidated statements of cash flows (unaudited)

In € million **Period from January 1 to June 30**	***Notes***	2014	**2013 Restated (*)**
Net income from continuing operations		(610)	(758)
Net income from discontinued operations	***15***	(4)	(38)
Amortization. depreciation and operating provisions		805	848
Financial provisions		34	8
Results on disposals of tangible and intangible assets		(3)	3
Results on disposals of subsidiaries and associates		3	(9)
Derivatives – non-monetary result		(25)	111
Unrealized foreign exchange gains and losses, net		117	(54)
Impairment	***11***	106	29
Share of (profits) losses of associates		11	78
Deferred taxes	***13***	(52)	(88)
Other non-monetary items		(168)	(58)
Subtotal		**214**	**72**
Of which discontinued operations		***(6)***	***(4)***
(Increase)/decrease in inventories		(40)	(20)
(Increase)/decrease in trade receivables		(473)	(551)
Increase/(decrease) in trade payables		47	281
Change in other receivables and payables		1 116	1 254
Change in working capital from discontinued operations		20	8
Net cash flow from operating activities		**884**	**1 044**
Acquisition of subsidiaries, of shares in non-controlled entities		(37)	(18)
Purchase of property, plant and equipment and intangible assets		(835)	(633)
Loss of subsidiaries, of disposal of shares in non-controlled entities		5	26
Proceeds on disposal of property, plant and equipment and intangible assets		60	159
Dividends received		10	7
Decrease (increase) in net investments, more than 3 months		218	54
Net cash flow used in investing activities of discontinued operations		(20)	(2)
Net cash flow used in investing activities		**(599)**	**(407)**
Issuance of debt		1 145	1 214
Repayment on debt		(1 386)	(663)
Payment of debt resulting from finance lease liabilities		(299)	(311)
New loans		(18)	(71)
Repayment on loans		47	66
Dividends paid		-	(2)
Net cash flow from financing activities		**(511)**	**233**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		(77)	(18)
Change in cash and cash equivalents and bank overdrafts		**(303)**	**852**
Cash and cash equivalents and bank overdrafts at beginning of period		3 518	3 160
Cash and cash equivalents and bank overdrafts at end of period		3 221	4 010
Change in cash of discontinued operations		(6)	2

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

(*) See note 2 in notes to the condensed consolidated financial statements

Notes to the condensed consolidated financial statements (unaudited)

Period from January 1, 2014 to June 30, 2014

Note 1 Business description

As used herein, the term “Air France-KLM” refers to Air France-KLM S.A., a limited liability company organized under French law.

The term “Group” is represented by the economic definition of Air France-KLM and its subsidiaries. The Group is headquartered in France and is one of the largest airlines in the world. The Group’s core business is passenger transportation. The Group’s activities also include cargo, aeronautics maintenance and other air-transport-related activities including, principally, catering and charter services.

The limited company Air France-KLM, domiciled at 2, rue Robert Esnault-Pelterie, 75007 Paris, France, is the parent company of the Air France-KLM Group. Air France-KLM is listed for trading in Paris (Euronext) and Amsterdam (Euronext).

The reporting currency used in the Group’s financial statements is the euro, which is also Air France-KLM’s functional currency.

Note 2 Restatements of accounts 2013

2.1 Early application of IFRIC 21 “Rights and duties”

On May 20, 2013 the IASB published IFRIC 21 Rights and duties, a new interpretation on the treatment of collected taxes by a public authority, effective as per fiscal year 2015.

The Group decided to apply already to this interpretation as of January 1, 2014. The impact is essentially a different allocation of the charge during the interim period (March 31, June 30 and September 30). The consolidated financial statements as of December 31, 2013 are not significantly affected by the application of this interpretation.

The consolidated financial statements as of June 30, 2013 have been restated for reason of comparison.

According to any new text, the application was made retrospectively.

Because of the early adoption of application of IFRIC 21:

- The consolidated income statement for the six month period ended June 30, 2013 has been impacted by an additional charge of €6 million on the taxes other than income tax, involving a (0.02) euro impact on the earning per share.
- On the consolidated balance sheet as at December 31, 2012, the reserves and retained earnings have been restated €3 millions.

2.2 Presentation of the CityJet Group’s financial statements as a discontinued operation

On December 20, 2013, Air France received a firm offer from Intro Aviation GmbH to purchase its subsidiaries CityJet and VLM. The employee representative bodies of the relevant companies needed to be informed and consulted to enable the disposal to be finalized. The CityJet Group, which has always dealt on its own trademark, comprised the only airlines in the Group that operated:

- outside the short/medium-haul scope defined by the Transform 2015 plan

- mainly on the basis of London City which appeared non-complementary to the Group activities

- with few operational links or “businesses” with the rest of the company (maintenance. information systems, etc.).

This unit represented a clearly identifiable component, with limited links to the rest of the Group but nevertheless significant in term of business. As result, the planned disposal justified to treat the two companies as discontinued operations as of December 31, 2013 as defined in the standard IFRS 5.
The consolidated financial statements as of June 30, 2013 have been restated for reason of comparison.

The impact on the net income from discontinued operations is given in note 15.

The disposal of CityJet and VLM has been realized at April 30, 2014 (see note 5).

Note 3 Significant events

3.1 Occurred during the period

On February 19, 2014 the companies Air France-KLM and GOL Linhas Aéreas Inteligentes have signed an exclusive strategic partnership to reinforce their commercial cooperation between Brazil and Europe. Within the framework of this agreement, Air France- KLM has held 1.5% of the capital of GOL Linhas Aéreas Inteligentes as well as a long-term exclusivity right.

On June 5, 2014, Air France- KLM issued a bond of €600 million. The same time, the Group redeemed a part of the bond issued in 2009, as described in note 22.

During the 1st semester 2014, the Group has continued the strategic review of its full-freighter business, different scenarios being currently under review. After a huge reduction of its activity in Paris-CDG during the last years, the Group has decided to decrease its full-freighter fleet in Schiphol (the Netherlands) either through a partnership with a third party or through an internal restructuring. Impacts are described in note 11.

3.2 Subsequent events

There has been no significant event since the closing of the 6-months period with a material impact on the financial statements.

Note 4 Accounting policies

4.1 Accounting principles

Accounting principles used for the interim condensed consolidated financial statements

Pursuant to the European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM Group as of December 31, 2013 have been established in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Commission at the date these consolidated financial statements were drawn up.

The interim condensed consolidated financial statements as of June 30, 2014 are prepared in accordance with the IFRS, as adopted by the European Union at the date of the preparation of these condensed consolidated financial statements, and are presented according to IAS 34 "Interim financial reporting" and must be read in connection with the annual consolidated financial statements for the year ended on December 31, 2013.

The interim condensed consolidated financial statements as of June 30, 2014 are prepared in accordance with the accounting principles used by the Group for consolidated financial statements for the year 2013, except for standards and interpretations adopted by the European Union applicable from January 1, 2014.

The condensed consolidated financial statements were approved by the Board of Directors on July 24, 2014.

Change in accounting principles

The interpretation IFRIC 21 "Rights and Duties" has been applied for the first time by the Group on January 1, 2014, as it is described in note 2.1.

The standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure on Interests in Other Entities and IAS 28 "Investments in Associates" are applied by the Group since January 1, 2014. This application has no significant impact on the financial statements of the Group as of June 30, 2014.

The amendments to the standards IAS 32 "Presentation – Offsetting Financial assets and Financial liabilities", IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" and IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" have no significant impacts on the Group financial statements as of June 30, 2014.

The standards and amendments to standards potentially applicable to the Group, published by the IASB but not yet adopted by the European Union, are described below. They will be applicable as soon as they will be endorsed by the European Union:

- Amendment to the standard IAS 19 "Employee Benefits" for the accounting period starting on January 1, 2015
- Amendment to the standard IFRS 11 "Joint Arrangements" for the accounting period starting on January 1, 2016
- Amendment to the standard IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" for the accounting period starting January 1, 2016
- Standard IFRS 15 "Revenue from Contracts with Customers" for the accounting period starting January 1, 2017

4.2 Preparation of unaudited interim consolidated financial statements

Seasonality of the activity

Revenues and income from current operations are characterized by their seasonal nature related to a high level of activity from April 1 to September 30. This phenomenon varies in magnitude depending on the year. In accordance with IFRS, revenues and the related expenses are recognized over the period in which they are realized and incurred respectively.

Income taxes

For the interim financial statements, the tax charge (current and deferred) is calculated by applying to the income before tax of the period the estimated annual average tax rate for the current year for each entity or fiscal group.

Retirement benefits

Net obligation concerning the defined-benefits schemes are revalued based on discount rates and assets fair-value at the date of interim closings. The net impact of these revaluations is recorded in other comprehensive income.

4.3 Use of estimates

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses. The significant areas of estimates described in note 4 of the December 31, 2013 consolidated financial statements concerned:

- Revenue recognition related to deferred revenue on ticket sales;
- Tangible and intangible assets;
- Financial assets;
- Deferred tax assets;
- Flying Blue frequent flyer program;
- Provisions (including employee benefits).

The Group's management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable.

The consolidated financial statements for the financial year have thus been established taking into account the current economic and financial crisis which has developed since 2008 and on the basis of financial parameters available at the closing date. The immediate effects of the crisis have been taken into account, in particular the valuation of current assets and liabilities. Concerning the longer-term assets, i.e. the non-current assets, the assumptions are based on a limited growth.

Actual results could differ from these estimates depending on changes in the assumptions used or different conditions.

Note 5 Evolution of the scope of consolidation

First semester ended June 30, 2014

Acquisition

On June 30, 2014, Air France Industrie US and Sabena technics signed an agreement according to which the Group acquired 100% of the capital of Barfield, US specialist of equipment support in the maintenance activity.

According to the requirements of standards IFRS 3 and IFRS 10, the Barfield company has been accounted according to the acquisition method and full integrated in the Group accounts starting from its acquisition date. The goodwill amounts to €7 million.

Disposal

On April 30, 2014, the Group has sold to Intro Aviation GmbH its subsidiaries CityJet and VLM, Irish and Belgium regional airlines previously 100% held.

Having these two entities valued at their disposal value within the framework of their classification as discontinued operations in 2013 (see notes 2, 15 and 19), the result of their disposal has no significant impact on the Group consolidated accounts as of June 30, 2014.

First semester ended June 30, 2013

Acquisition

Within the framework of the establishment of *HOP!,* the Group acquired Airlinair. This operation took place as follows:

- the sale, on February 28, 2013, of the shareholding in Financière LMP (39.86%), the parent company which owned Airlinair (see note 11),

- the acquisition, on February 28, 2013, of 100% of the Airlinair share capital for €17 million. The goodwill relating to this operation amounted to €3 million.

Disposal

On May 15, 2013, the Group sold its Italian subsidiary Servair Airchef, specialized in airline catering.

Note 6 Information by activity and geographical area

Business segments

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

The Group is organized around the following segments:

Passenger: Passenger operating revenues primarily come from passenger transportation services on scheduled flights with the Group's airline code, including flights operated by other airlines under code-sharing agreements. They also include commissions paid by SkyTeam alliance partners, code-sharing revenues, revenues from excess baggage and airport services supplied by the Group to third-party airlines and services linked to IT systems.

Cargo: Cargo operating revenues come from freight transport on flights under the companies' codes, including flights operated by other partner airlines under code-sharing agreements. Other cargo revenues are derived principally from sales of cargo capacity to third parties.

Maintenance: Maintenance operating revenues are generated through maintenance services provided to other airlines and customers globally.

Other: The revenues from this segment come primarily from catering supplied by the Group to third-party airlines and to charter flights operated primarily by Transavia.

The results of the business segments are either directly attributable or can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond to the current operating income and to the income from operating activities. Other elements of the income statement are presented in the "non-allocated" column.

Inter-segment transactions are evaluated based on normal market conditions.

Geographical segments

- **Activity by of origin of sales area**

Following a decision of the Executive Board to reorganize the sales areas of the Group, the presentation of activities by origin of sale is divided into eight geographical areas since January 1, 2014 (against 6 areas before):

- Metropolitan France
- Benelux
- Europe (excluding France and the Benelux) and North Africa
- Africa
- Middle East. Gulf, India (MEGI)
- Asia-Pacific
- North America
- Caribbean, West Indies, French Guyana, Indian Ocean, South America (CILA)

Only segment revenue is allocated by geographical sales area.
The information as of June 30, 2013 has been restated for reason of comparison.

- **Activity by destination**

Group activities by destination are divided into six geographic areas:

- Metropolitan France
- Europe (excluding France) and North Africa
- Caribbean, West Indies, French Guyana and Indian Ocean.
- Africa, Middle East
- Americas and Polynesia
- Asia and New Caledonia

6.1 Information by business segment

• Six-month period ended June 30, 2014

In € million	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	10 168	1 354	1 615	908	-	14 045
Intersegment sales	(691)	(10)	(1 039)	(300)	-	(2 040)
External sales	**9 477**	**1 344**	**576**	**608**	**-**	**12 005**
Income from current operations	(123)	(79)	52	(57)	-	(207)
Income from operating activities	(120)	(198)	49	(60)	-	(329)
Share of profits (losses) of associates	(15)	-	1	3	-	(11)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(304)	(304)
Income taxes	-	-	-	-	34	34
Net income from continuing operations	**(135)**	**(198)**	**50**	**(57)**	**(270)**	**(610)**

• Six-month period ended June 30, 2013 (restated)

In € million	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	10 294	1 421	1 633	925	-	14 273
Intersegment sales	(724)	(16)	(1 012)	(299)	-	(2 051)
External sales	**9 570**	**1 405**	**621**	**626**	**-**	**12 222**
Income from current operations	(351)	(100)	57	(54)	-	(448)
Income from operating activities	(361)	(115)	53	(39)	-	(462)
Share of profits (losses) of associates	(79)	-	1	-	-	(78)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(290)	(290)
Income taxes	-	-	-	-	72	72
Net income from continuing operations	**(440)**	**(115)**	**54**	**(39)**	**(218)**	**(758)**

6.2 Information by geographical area

Sales by geographical area

• Six-month period ended June 30, 2014

In € million	Metropolitan France	Benelux	Europe (excl. France and Benelux), North Africa	Africa	Middle East, Gulf, India (MEGI)	Asia Pacific	North America	West Indies, Caribbean, Guyana, Indian Ocean, South America (CILA)	Total
Scheduled passenger	2 872	853	2 196	408	198	813	1 159	554	9 053
Other passenger sales	169	81	85	22	3	45	8	11	424
Total passenger	**3 041**	**934**	**2 281**	**430**	**201**	**858**	**1 167**	**565**	**9 477**
Scheduled cargo	188	123	377	71	26	244	150	75	1 254
Other cargo sales	24	9	18	5	1	11	17	5	90
Total cargo	**212**	**132**	**395**	**76**	**27**	**255**	**167**	**80**	**1 344**
Maintenance	360	185	13	-	-	-	18	-	576
Others	230	326	3	32	-	-	-	17	608
Total	**3 843**	**1 577**	**2 692**	**538**	**228**	**1 113**	**1 352**	**662**	**12 005**

• Six-month period ended June 30, 2013 (restated)

In € million	Metropolitan France	Benelux	Europe (excl. France and Benelux), North Africa	Africa	Middle East, Gulf, India (MEGI)	Asia Pacific	North America	West Indies, Caribbean, Guyana, Indian Ocean, South America (CILA)	Total
Scheduled passenger	2 916	797	2 169	408	209	845	1 172	595	9 111
Other passenger sales	187	101	75	21	3	40	19	13	459
Total passenger	**3 103**	**898**	**2 244**	**429**	**212**	**885**	**1 191**	**608**	**9 570**
Scheduled cargo	200	133	370	78	25	257	160	86	1 309
Other cargo sales	27	-	18	6	1	19	18	7	96
Total cargo	**227**	**133**	**388**	**84**	**26**	**276**	**178**	**93**	**1 405**
Maintenance	372	222	10	-	-	-	17	-	621
Others	202	322	53	32	-	-	-	17	626
Total	**3 904**	**1 575**	**2 695**	**545**	**238**	**1 161**	**1 386**	**718**	**12 222**

Traffic sales by geographical area of destination

• Six-month period ended June 30, 2014

In € million	Metropolitan France	Europe (excl. France), North Africa	Caribbean, French Guyana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	947	2 145	700	1 218	2 498	1 545	9 053
Scheduled cargo	2	23	71	241	506	411	1 254
Total	**949**	**2 168**	**771**	**1 459**	**3 004**	**1 956**	**10 307**

• **Six-month period ended June 30, 2013 (restated)**

In € million	Metropolitan France	Europe (excl. France), North Africa	Caribbean, French Guyana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	962	2 150	685	1 196	2 504	1 614	9 111
Scheduled cargo	3	23	72	285	535	391	1 309
Total	**965**	**2 173**	**757**	**1 481**	**3 039**	**2 005**	**10 420**

Note 7 External expenses

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Aircraft fuel	3 189	3 390
Chartering costs	209	231
Aircraft operating lease costs	430	465
Landing fees and air route charges	891	894
Catering	283	289
Handling charges and other operating costs	682	697
Aircraft maintenance costs	643	636
Commercial and distribution costs	437	434
Other external expenses	852	847
Total	**7 616**	**7 883**
Excluding aircraft fuel	*4 427*	*4 493*

Note 8 Salaries and number of employees

8.1 Salaries and related costs

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Wages and salaries	2 649	2 736
Costs linked to defined contribution plans	284	290
Net periodic pension cost	196	211
Other social contributions	573	596
Expenses related to share-based compensation	1	2
Other expenses	(16)	4
Total	**3 687**	**3 839**

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

The "other expenses" among other include:

- The CICE tax credit,
- The capitalization of salary costs on aircraft and engine overhaul.

8.2 Average number of employees

Period from January 1 to June 30	**2014**	**2013 Restated**
Flight deck crew	8 089	8 153
Cabin crew	21 470	21 866
Ground staff	65 126	67 465
Total	**94 685**	**97 484**

Note 9 Amortization, depreciation and provisions

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Amortization		
Intangible assets	42	36
Flight equipment	604	602
Other property, plant and equipment	118	130
	764	**768**
Depreciation and provisions		
Inventories	(2)	-
Trade receivables	-	3
Risks and contingencies	36	71
	34	**74**
Total	**798**	**842**

Note 10 Other current income and expenses

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Joint operation of routes	(28)	(39)
Operations-related currency hedges	12	39
Other	(11)	(10)
Other current income and expenses	**(27)**	**(10)**

Note 11 Other non-current income and expenses

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Depreciation of CGU Cargo	(106)	-
Depreciation of assets available for sale	(4)	-
Restructuring costs	(7)	(4)
Disposals of subsidiaries and affiliates	(3)	9
Other	3	(15)
Other current income and expenses	**(117)**	**(10)**

- **Six-month period ended June 30, 2014**

During the 1st semester 2014, the Group has continued the strategic review of its full-freighter business, different scenarios being currently under review. After a huge reduction of its activity in Paris CDG during the last years, the Group has decided to decrease its full-freighter fleet in Schiphol (the Netherlands) either through a partnership with a third party or through an internal restructuring. This decision represents a trigger event that impairment may occur. An impairment test on the cargo cash generating unit (CGU) has then been made as of June 30, 2014. At the end of the test, an impairment has been recorded to decrease the carrying value of the aeronautical assets of the cargo CGU to the level of their fair market value according to appraisers' valuations. The impairment amounts to €106 million.

- **Six-month period ended June 30, 2013 (restated)**

As of June 30, 2013, the "disposals of subsidiaries and affiliates" included:

- The sale of the shares owned in Financière LMP (39.86%) (see note 5),
- The sale of the shares owned in Servair Airchef (50%) (see note 5).

Note 12 Net cost of financial debt and other financial income and expenses

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Income from marketable securities	13	13
Other financial income	26	26
Income from cash and cash equivalents	**39**	**39**
Loan interests	(134)	(143)
Lease interests	(36)	(40)
Capitalized interests and other non-monetary items	4	5
Other financial expenses	(57)	(62)
Gross cost of financial debt	**(223)**	**(240)**
Net cost of financial debt	**(184)**	**(201)**
Foreign exchange gains (losses), net	(111)	34
Change in fair value of financial assets and liabilities	26	(115)
Net (charge) release to provisions	(34)	(2)
Other	(1)	(6)
Other financial income and expenses	**(120)**	**(89)**

As of June 30, 2014, gross cost of financial debt includes an amount of €25 million corresponding to the difference between the nominal interest rate and the effective interest rate (after split accounting) of the OCEANE bonds issued (€17 million as of June 30, 2013).

The interest rate used in the calculation of capitalized interest is 3.26 % for the six-month period ended June 30, 2014 (3.86% for the six-month period ended June 30, 2013).

As of June 30, 2014, the foreign exchange losses among other include an adjustment of the value of the cash held by the Group on a bank account in Venezuela, to take into account the currency conversion risk.

The change in fair value of financial assets and liabilities recorded as of June 30, 2014 is related to the variation in the ineffective portion of fuel derivatives for €(19) million, foreign exchange derivatives for €22 million and the total return swap on Oceane 2005 for €23 million.

As of June 30, 2013, the change in fair value of financial assets and liabilities was mainly related to variation in the ineffective portion of fuel derivatives.

As of June 30, 2014, the line “Net (charge) release to provisions” includes a loss of €21 million relating to the Alitalia’s shares – resulting from the bonds conversion in December 2013 within the framework of the financial restructuring of Alitalia – to put them at their fair value.

Note 13 Income taxes

13.1 Income tax charge

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Current tax (expense) / income	**(18)**	**(16)**
Change in temporary differences	(1)	15
CVAE impact	2	2
(Use)/de-recognition of tax loss carryforwards	51	71
Deferred tax income/ (expense) from continuing operations	**52**	**88**
Total	**34**	**72**

The current income tax charge relates to the amounts paid or payable in the short term to the tax authorities for the period, in accordance with the regulations prevailing in various countries and any applicable treaties.

As of June 30, 2014, the Group recognized deferred tax assets on fiscal losses amounting to €77 million, relating to the Dutch fiscal Group. Moreover, the Group decided, within the framework of its considerations on the full-freighter activity in Schiphol, to fully de-recognize the deferred tax asset on pre-acquisition fiscal losses of Martinair. This has a negative impact on the deferred tax charge amounting to € 26 million.

In France, deficits are carried forward indefinitely. However, the 2011 and 2012 Finance Act introduced a limit on the amount of tax loss allowed to be recognized each year (amounting to only 50% of the profit of the period beyond the first million). This measure has the effect of lengthening the recovery period. They led the Group to limit, since October 1, 2011, the recognition of deferred tax assets linked to the Air France-KLM Group's tax loss carry forwards. The limitation of deferred tax assets as of June 30, 2014 has an impact of €(123) million on the tax charge, against €(170) million as of June 30, 2013.

13.2 Deferred tax recorded directly in equity (equity holders of Air France-KLM)

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Treasury shares	**(2)**	**-**
OCEANE	**-**	**37**
Other comprehensive income that will be reclassified to profit and loss	**(42)**	**1**
Assets available for sale	*1*	*(8)*
Derivatives	*(43)*	*9*
Other comprehensive income that will not be reclassified to profit and loss	**212**	**32**
Pensions	*212*	*32*
Total	**168**	**70**

Note 14 Share of profits (losses) of associates

Six-month period ended June 30, 2014

Following to the dilution of its interest during the last 2013 quarter, the Group does not hold any equity shares in Alitalia, from that moment on recorded as other financial asset.

Six-month period ended June 30, 2013

The "share of profits (losses) of associates" included mainly the share of Alitalia Group losses, amounting to €(65) million. This share of losses was calculated using an estimated result for the second quarter, the Board meeting of Alitalia which approved the financial accounts as of June 30, 2013, took place in August 2013.

Note 15 Net income from discontinued operations

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Sales	38	79
Income from current operations	(5)	(9)
Non-current items	1	(29)
Income from operating activities	(4)	(38)
Financial income	-	-
Income before taxes	(4)	(38)
Income taxes	-	-
Net income from discontinued operations	**(4)**	**(38)**

As of June 2014, the line "Net income from discontinued operations" comprises to the result realized by CityJet and VLM before their disposal on April 30, 2014 (see notes 2 and 5). It also includes the gain of the disposal of these two companies which amounts to € 1 million. It is recorded as "non-current items" in the net income from discontinued operations.

As of June 30, 2013, within the framework of the valuation of the regional airlines CityJet and VLM, the Group recorded, as a non-current item, a provision of € 29 million to bring back the net asset of the group Cityjet and VLM to zero (see notes 2 and 19).

Note 16 Earnings per share

Reconciliation of income used to calculate earnings per share

In € million **Period from January 1 to June 30**	**2014**	**2013 Restated**
Net income for the period – Equity holders of Air France-KLM	(614)	(799)
Net income from continuing operations – Equity holders of Air France-KLM	(610)	(761)
Net income from discontinued operations – Equity holders of Air France-KLM	(4)	(38)

Since the Group does not pay dividends to preferred stockholders, there is no difference with the results appearing in the financial statements. The net income for the periods presented and used to calculate diluted earnings per share is the same as the results used to calculate earnings per share.

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

In € million **Period from January 1 to June 30**	**2014**	**2013**
Weighted average number of:		
- Ordinary shares issued	300 219 278	300 219 278
- Treasury stock held regarding stock option plan	(1 116 420)	(1 116 420)
- Treasury stock held for the share buyback plan	-	-
- Other treasury stock	(3 063 384)	(3 071 876)
Number of shares used to calculate basic earnings per share	**296 039 474**	**296 030 982**
OCEANE conversion	-	-
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	**296 039 474**	**296 030 982**

Note 17 Tangible assets

	As of June 30, 2014			**As of December 31, 2013**		
In € million	**Gross value**	**Depreciation**	**Net Value**	**Gross value**	**Depreciation**	**Net Value**
Owned aircraft	8 935	(5 435)	3 500	8 862	(5 335)	3 527
Leased aircraft	6 730	(2 718)	4 012	6 732	(2 489)	4 243
Assets in progress	485	-	485	400	-	400
Other	2 211	(973)	1 238	2 163	(942)	1 221
Flight equipment	**18 361**	**(9 126)**	**9 235**	**18 157**	**(8 766)**	**9 391**
Land and buildings	2 770	(1 657)	1 113	2 828	(1 668)	1 160
Equipment and machinery	1 353	(981)	372	1 331	(949)	382
Assets in progress	110	-	110	95	-	95
Other	891	(721)	170	882	(700)	182
Other tangible assets	**5 124**	**(3 359)**	**1 765**	**5 136**	**(3 317)**	**1 819**
Total	**23 485**	**(12 485)**	**11 000**	**23 293**	**(12 083)**	**11 210**

The net value of tangible assets financed under capital lease amounts to €4,521 million as of June 30, 2014 (€4,769 million as of December 31, 2013).

Note 18 Pension assets

For the six months ended June 30, 2014 the discount rates used by companies for defined benefit obligations are the following:

	June 30, 2014	December 31, 2013
Euro zone – Duration 10 to 15 years	2.45%	3.00%
Euro zone – Duration 15 years and more	3.10%	3.65%

The impact of variations of discount rates on the defined benefit obligation has been calculated using the sensitivity of the pension defined benefit obligation to variations in the discount rate, as mentioned in note 31.1 to the annual financial statements as of December 31, 2013.

Over the same period, the fair value of the plan assets of the pension funds has increased.

Both items have a cumulative impact resulting in :

- A decrease of €717 million of the "pension assets" and
- An increase of €113 million of the "provisions for retirement benefits".

Note 19 Assets held for sale and liabilities relating to assets held for sale

Six-month period ended June 30, 2014

The line “assets held for sale” includes the fair value of 4 aircraft held for sale for a total amount of € 26 million.

Year ended December 31, 2013

As of December 31, 2013, the lines "Assets held for sale" and "Liabilities related to assets held for sale" corresponded, for respectively € 34 million and € 58 million to the assets and liabilities of the Group CityJet held for sale (see notes 2, 5 and 15).

Moreover, the line “Assets held for sale” also includes the fair value of 6 aircraft held for sale for a total amount of €57 million, including two Boeing B747 freighters in the Air France Group for € 51 million.

Note 20 Equity attributable to equity holders of Air France-KLM SA

20.1 Breakdown of stock and voting rights

As of June 30, 2014, the issued capital of Air France-KLM comprised 300,219,278 fully paid-up shares with a nominal value of €1. Each share is entitled to one vote.

The breakdown of stock and voting rights is as follows:

	As of June 30, 2014		As of December 31, 2013	
	Capital	**Voting rights**	**Capital**	**Voting rights**
French State	16%	16%	16%	16%
Employees and former employees	7%	7%	7%	7%
Treasury shares	1%	-	1%	-
Other	76%	77%	76%	77%
Total	**100%**	**100%**	**100%**	**100%**

The item "Employees and former employees" includes shares held by employees and former employees identified in funds or by a Sicovam code.

20.2 Reserves and retained earnings

In € million	**As of June 30, 2014**	**As of December 31, 2013 Restated**
Legal reserve	70	70
Distributable reserves	412	734
Defined benefit pensions reserves	(1 803)	(1 193)
Derivatives reserves	(17)	(47)
Available for sale securities reserves	631	655
Other reserves	(839)	667
Net income (loss) – Equity holders of Air France-KLM	(614)	(1 827)
Total	**(2 160)**	**(941)**

Note 21 Provisions and retirement benefits

	As of June 30, 2014			As of December 31, 2013 restated		
In € million	**Non current**	**Current**	**Total**	**Non current**	**Current**	**Total**
Retirement benefits	1 963	-	1 963	1 853	-	1 853
Restitution of aircraft	605	182	787	606	148	754
Restructuring	-	347	347	-	442	442
Litigation	452	26	478	439	35	474
Other	192	62	254	204	45	249
Total	**3 212**	**617**	**3 829**	**3 102**	**670**	**3 772**

21.1 Provisions

21.1.1 Retirement benefits

See note 18.

21.1.2 Litigation

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

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

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

21.1.3 Litigation concerning anti-trust laws in the air-freight industry

Air France, KLM and Martinair, a wholly-owned subsidiary of KLM since January 1, 2009, have been involved, since February 2006, with up to twenty-five other airlines in investigations initiated by the anti-trust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air-freight industry.

As of June 30, 2014 most of these proceedings had resulted in Plea Agreements made by Air France, KLM and Martinair with the appropriate agencies, and the payment of settlement amounts which ended procedures.

In Europe, the European Commission announced, on November 9, 2010, its decision to impose fines on 14 airlines including Air France, KLM and Martinair related to anti-competition practices - mainly concerning fuel surcharges in the air freight industry. The Commission imposed an overall fine of €340 million on the Air France-KLM Group companies.

As the Group's parent company, Air France-KLM was considered by the European Commission to be jointly and severally liable for the anti-competitive practices of which the Group companies were found guilty.

On January 24 and 25, 2011, the Group companies filed an appeal against the decision before the General Court of the European Union. The case is currently pending before the General Court. Since the appeal does not suspend the payment of the fines, the Group companies chose not to pay the fine immediately, but to provide bank guarantees until a definitive ruling by the European Courts.

On December 2, 2013, the Swiss anti-trust authority (COMCO) imposed a fine of €3.2 million on Air France and KLM. On February 12, 2014, the Group companies filed an appeal against this decision before the Federal Administrative Tribunal.

In South Korea on November 29, 2010, the Korean antitrust authority (KFTC) imposed on Air France-KLM, Air France and KLM a total fine of €8.8 million which was paid for €8.4 million in January 2011. The Group companies filed an appeal before the competent Seoul High Court in December 2010.

On May 16, 2012 the 6th chamber of the Seoul High Court vacated the KFTC's decision against Air France-KLM on the grounds that Air France-KLM was not engaged in the air freight transportation business after it converted to a holding company on September 15, 2004. With regard to the appeals of Air France and KLM, the Court found in favour of the KFTC. Appeal filings against the Court decisions were submitted to the Supreme Court by both Air France and KLM in June 2012. Generally, the Supreme Court appeal process will take 1-2 years to conclude. The case is currently pending before the Supreme Court and its judgments should be issued in the second half of 2014.

Since December 2, 2013 (the imposition of a fine by the Swiss antitrust authorities), the Group companies have no longer been exposed to anti-trust proceedings with respect to alleged concerted practices in the air freight industry.

The total amount of provisions as of June 30, 2014 amounts to €374 million for the whole proceedings, which have not yet been concluded by a final decision.

21.1.4 Other provisions

Other provisions are mainly provisions for power-by-hour contracts (maintenance activity of the Group), provision for onerous contracts, provisions for parts of CO_2 emissions not covered by free allowance of quotas and provisions for dismantling buildings.

21.2 Contingent liabilities

The Group is involved in a number of governmental, legal and arbitrage procedures for which provisions have not been recorded in the financial statements.

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

These litigations have not been provisioned given that the Group is unable, given the current status of proceedings, to evaluate its exposure.

Pursuant to the initiation in February 2006 of the various competition authority investigations and the European Commission's decision of November 9, 2010, several group and individual actions were brought by forwarding agents and air-freight shippers in civil courts in various countries against Air France, KLM and Martinair, and the other freight carriers. The Group companies vigorously oppose all such civil claims.

United States

In the United States, the Group concluded a Settlement Agreement with the representatives of the class action in July 2010, bringing to an end all claims and court proceedings in connection with unlawful practices for cargo transportation to, from and within the United States.

With respect to those Air France, KLM and Martinair customers who chose to be excluded, a portion of the settlement proportional to the revenue Air France, KLM and Martinair received from those parties over the relevant period as compared with the overall revenue for this same period has been segregated in a separate escrow account. The parties who opted out are free to sue Air France, KLM and Martinair individually.

The Netherlands

a) Litigation vehicle Equilib has initiated two largely overlapping proceedings before the Amsterdam District Court aimed at establishing liability on behalf of 184 groups, whereby the actual amounts are to be determined in follow-up proceedings. Following the annulment by the Amsterdam Court of Appeal of the interim decision of the District Court to stay the proceedings, Air France, KLM and Martinair filed their statement of defence on April 2, 2014 in the first proceeding. The second proceeding will be introduced during the second half of 2014.

   Air France, KLM and Martinair initiated contribution proceedings before the Amsterdam District Court against the other airlines included in the European Commission decision, which were stayed with the main proceedings. As the annulment of this stay by the Amsterdam Court of Appeal did not affect the stay of the contribution proceedings, Air France, KLM and Martinair asked the Court of Appeal in a separate appeal to annul the stay of the contribution proceedings, which would again synchronize the main and contribution proceedings. The Court of Appeal annulled the stay of the contribution proceedings in a judgment of February 4, 2014.

b) A second litigation vehicle, East West Debt ("EWD"), also initiated proceedings before the Amsterdam District Court to obtain compensation from the Group, as well as two other European airlines, for the claims of 8 individual shippers. Following the annulment by the Amsterdam Court of Appeal of the interim decision of the District Court to stay the proceedings, the case has resumed at the District Court and Air France, KLM and Martinair will file their statement of defence on August 6, 2014.

   The Group has also initiated contribution proceedings at the Amsterdam District Court against the other airlines included in the European Commission decision.

c) A third litigation vehicle, Stichting Cartel Compensation ("SCC"), initiated proceedings before the Amsterdam District Court to obtain compensation from the Group and several other European and Asian airlines, for the claims of 877 individual shippers. The proceedings were introduced on April 2, 2014.

   On June 25, 2014, the Group requested the Amsterdam District Court to stay the proceedings and permission to sue in contribution the other airlines included in the European Commission decision and five other Asian airlines.

d) On May 9, 2014, the China Chamber of International Commerce (CCOIC) initiated proceedings on behalf of some of its members (their exact number has not yet been determined) before the Amsterdam District Court to obtain compensation from KLM, Martinair and British Airways. The proceedings will be introduced on September 24, 2014.

United Kingdom

In the United Kingdom, a civil suit has been filed against British Airways with the English High Court by two flower importers. British Airways issued contribution proceedings against all the airlines fined by the European Commission including entities of the Group. To date, British Airways has neither quantified nor substantiated its purported claims. These contribution proceedings have been stayed.

In the main proceedings, the plaintiffs were granted permission to add parties to the proceedings, resulting in 565 plaintiffs.

Australia

Class action proceedings were instituted in 2007 against seven airlines (excluding the Air France-KLM Group) in the Australian Federal Court. In 2011, five of these airlines (Singapore Airlines, Cathay Pacific, Lufthansa, Air New Zealand and British Airways) filed cross claims against Air France, KLM and Martinair. In March 2014, the Group concluded a Settlement Agreement with the cross-claimants (except Air New Zealand) and the representatives of the class action, bringing an end to all claims and court proceedings for cargo transportation to and from Australia between January 1, 2000 and January 11, 2007. The Federal Court of Australia approved the Settlement Agreement on June 6, 2014. The Group also concluded a Release Deed with Air New Zealand bringing an end to its cross-claim against the Group.

Norway

On May 25, 2012, a civil suit was filed by a company named Marine Harvest before the Norwegian court against the Group, as well as Lufthansa and SAS on the grounds of allegedly additional costs caused by anti-competitive practices. The Group companies have initiated contribution proceedings against the other airlines included in the European Commission Decision. On February 20, 2014 the court decided that the main and contribution proceedings are stayed awaiting the final outcome of the appeal before the EU court.

South Korea

In January 2014, LG Group has initiated proceedings against twelve companies, including Air France and KLM, before the Seoul District Court. On April 4, 2014, Air France and KLM filed their defence.

21.1.2 Litigations concerning anti-trust laws in the passenger sector

Canada

A civil class action was reinitiated in 2013 by claimants in Ontario against seven airlines including Air France and KLM. The plaintiffs allege that the defendants participated in a conspiracy to increase the price of passenger services by an adjustment in fuel surcharges from Canada to transatlantic destinations, for which they are claiming damages. Air France and KLM strongly deny any participation in such a conspiracy and intend to file a motion to dismiss. The proceeding has not been granted leave by the court to proceed as a class action, and there is no date set for a certification hearing.

21.1.3 Other litigations

a) Pretory

Company Air France, as a legal entity. was placed under investigation on July 20. 2006 on charges of concealed employment and as an accessory to misuse of corporate assets in connection with a judicial investigation initiated against the officers of Pretory, a company with which Air France, pursuant to the September 2001 attacks, had entered into an agreement for the provision of safety officers on certain flights.

Despite a non-prosecution decision by the Public Prosecutor, the investigating magistrate decided, on February 7, 2012, to bring the case to court on charges of concealed employment.

On July 9, 2013, the Court sentenced the Company to a €0.15 million fine. Air France has filed an appeal against this decision which it deems to be without grounds.

b) KLM minority shareholders

In December 2012, two KLM minority shareholders filed a request with the Enterprise Chamber of the Amsterdam Court of Appeal to order an enquiry into, amongst other matters, the KLM’s dividend policy in respect of the years 2004-2005 to 2010-2011 periods.

This file relates to a claim for higher dividend for the fiscal year 2007-2008 by these shareholders together with the Vereniging van Effectenbezitters (VEB) initiated in January 2008 against KLM and Air France-KLM. In this last proceeding, a final decision ruling from the Dutch Supreme Court on July 2013 definitively rejected all claims against KLM.

The Enterprise Chamber did, however, uphold the request for an enquiry into the dividend policy for the period under consideration. The main focus of the enquiry is the manner in which Air France-KLM, in its capacity as the sole priority shareholder, and KLM's Management and Supervisory Boards executed clause 32 of KLM's Articles of Association. This provides that the priority shareholder may reserve part of the profits after consulting with the Management Board and the Supervisory Board of KLM. KLM has filed for cassation with the Supreme Court against the enquiry ordered.

c) Rio-Paris AF447 flight

Following to the crash of the Rio-Paris AF447 flight in the South Atlantic, a number of legal actions have been brought in the United States and Brazil and, more recently, in France by the victims' heirs.

All these proceedings are aimed at receiving damages as reparation for the losses suffered by the heirs of the passengers who died in the crash.

In the United States, all the proceedings have been consolidated in California before the Northern District Court.

On October 4, 2010, the District judge granted the defendants' motion for dismissal on grounds of "forum non convenience" and suggested that they pursue their claim in France.

On March 17 and 18, 2011 respectively, Airbus and Air France were indicted for manslaughter by the investigating magistrate and incur the penalties of fines prescribed by law. Air France intends to challenge its implication in this case.

These penalties should not have a material effect on the financial situation of Air France.

The damages as reparation for the losses suffered by the heirs of the passengers who died in the crash are covered by Air France's third-party liability insurance policy.

Except for the matters specified under the paragraphs 21.1 and 21.2, the Group is not aware of any dispute or governmental, judicial and arbitration proceedings (including any proceedings of which the issuer is aware, or that are pending or threatened against it) that could have or have recently had a significant impact on the Group's financial position, earnings, assets, liabilities or profitability, during a period including at least the past twelve months.

Note 22 Financial debt

In € million	As of June 30, 2014			As of December 31, 2013		
	Non current	**Current**	**Total**	**Non current**	**Current**	**Total**
Perpetual subordinated loan stock	568	-	568	552	-	552
OCEANE (convertible bonds)	859	644	1 503	1 478	-	1 478
Bonds	1 706	-	1 706	1 200	741	1 941
Capital lease obligations	3 529	628	4 157	3 808	599	4 407
Other long-term debt	1 439	714	2 153	1 558	653	2 211
Accrued interest	-	86	86	-	144	144
Total	**8 101**	**2 072**	**10 173**	**8 596**	**2 137**	**10 733**

Bond 2021

On June 5, 2014, Air France-KLM has issued a bond in euro amounting to €600 million with a maturity date fixed at June 2021 (bond 2021) and an annual coupon of 3.875%.

On June 18, 2014, at the end of an offer to buy back bonds issued in 2009, launched by a bank, a part of them (€94 million in nominal) has been exchanged against 1,094 shares of the bond 2021.

The exchange value of this operation, accrued interests included, has amounted to €109 million. It has no impact on the income statement because there is no substantial modification on the exchanged part of the bond 2009.

This exchange operation has allowed the Group to extend the debt maturity without any significant impact on the financial result.

Market value

As of June 30, 2014, the financial liabilities with a fair value significantly different from their book value are the following:

In € million	As of June 30, 2014		As of December 31, 2013	
	Net book value	Estimated market value	Net book value	Estimated market value
Perpetual subordinated loan stock	568	275	552	248
OCEANE	1 503	1 815	1 478	1 733
Bonds	1 706	1 831	1 941	2 055
Total	**3 777**	**3 921**	**3 971**	**4 036**

Note 23 Lease commitments

23.1 Capital leases

The breakdown of total future minimum lease payments related to capital lease is as follows:

In € million	**June 30, 2014**	**December 31, 2013**
Flight equipment	4 113	4 353
Buildings	550	584
Other	126	133
Total	**4 789**	**5 070**

23.2 Operating leases

The undiscounted amount of the future minimum operating lease payments for aircraft under operating lease totalled €5,203 million as of June 30, 2014 (€5,431 million as of December 31, 2013).

Note 24 Flight equipment orders

Due dates for commitments within sight of owning in respect of flight equipment orders are as follows:

In € million	**As of June 30, 2014**	**As of December 31, 2013**
2nd semester Y (6 months)	119	-
Y+1	495	381
Y+2	671	436
Y+3	548	616
Y+4	973	536
> Y+4	3 908	4 759
Total	**6 714**	**6 728**

These commitments relate to amounts in US dollars, converted into euros at the closing date exchange rate. Furthermore these amounts are hedged.

The number of aircraft on firm order within sight of owning as of June 30, 2014 decreased by one compared with December 31, 2013 to 63 units. These changes are explained by the delivery of 3 aircraft and the transfer of 2 options into firm orders over the period.

Long-haul fleet (passenger)

The Group took delivery of 1 Airbus A380. Moreover, 2 Boeing B777 in option have been transformed into firm orders.

Medium-haul fleet

The Group took delivery of 2 Boeing B737s.

Regional fleet

The Group did not take any deliveries.

The Group's commitments concern the following aircraft:

Aircraft type	To be delivered in	Y (6 months)	Y+1	Y+2	Y+3	Y+4	Beyond Y+4	Total
Long-haul fleet – passenger								
	As of June 30, 2014	-	-	-	-	2	-	**2**
A380	As of December 31, 2013	-	1	-	-	-	2	**3**
	As of June 30, 2014	-	-	-	-	2	23	**25**
A350	As of December 31, 2013	-	-	-	-	2	23	**25**
	As of June 30, 2014	-	-	2	5	3	15	**25**
B787	As of December 31, 2013	-	-	-	3	5	17	**25**
	As of June 30, 2014	-	3	4	-	-	-	**7**
B777	As of December 31, 2013	-	-	3	2	-	-	**5**
Medium-haul fleet								
	As of June 30, 2014	-	-	3	-	-	-	**3**
A320	As of December 31, 2013	-	-	-	3	-	-	**3**
	As of June 30, 2014	-	-	-	-	-	-	**-**
B737	As of December 31, 2013	-	2	-	-	-	-	**2**
Regional fleet								
	As of June 30, 2014	-	1	-	-	-	-	**1**
CRJ1000	As of December 31, 2013	-	-	1	-	-	-	**1**

Note 25 Related parties

The Group's relationships with its related parties did not change significantly in terms of amounts and/or scope.

Information and control

Attestation by the person responsible for the first half financial report to June 30, 2014

I hereby declare that, to the best of my knowledge, the condensed financial statements for the first half of the 2014 financial year have been established in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and of all the companies within the consolidation scope, and that the first half activity report presents a true picture of the significant events arising during the first six months of the financial year and of their impact on the first half financial statements, the main related party agreements together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Alexandre de Juniac
Chairman and Chief Executive Officer

Statutory Auditors' review report on the half-year financial information

For the six-month period ended June 30, 2014

To the Shareholders,

Following our appointment as Statutory Auditors by your Annual General Meetings and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying half-year condensed consolidated financial statements of Air France-KLM S.A. for the six-month period ended June 30, 2014,
- the verification of information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I- Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union applicable to interim financial statements.

II- Specific verification

We have also verified the information given in the half-year management report on the half-year condensed consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-year condensed consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, July 24, 2014

The Statutory Auditors

KPMG Audit *Département de KPMG S.A.*	Deloitte & Associés

Jean-Paul Vellutini	Eric Jacquet	Pascal Pincemin	Guillaume Troussicot
Partner	*Partner*	*Partner*	*Partner*

This is a free translation into English of the statutory auditors' review report issued in French language and is provided solely for the convenience of English speaking readers. This report includes information relating to the specific verification of information presented in the Group's interim management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Document produced by Air France-KLM's Investor Relations Department