First half financial report

January-June 2016

Société anonyme with share capital of €300,219,278
Registered office: 2, rue Robert Esnault-Pelterie, 75007 Paris
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Paris Trade and Company Register 552,043,002
Free translation into English for convenience only – French version prevails

CONTENTS

Corporate governance

The Board of Directors

During the 2016 first half, the composition of the Board of Directors saw the following changes:

- The Board director mandates of Mssrs. Jean-François Dehecq, Cornelis J.A van Lede and Leo M. van Wijk expired at the end of the Ordinary General Shareholders' Meeting of May 19, 2016;
- Ms. Anne-Marie Couderc was appointed as an independent Board director during the Ordinary General Shareholders' Meeting of May 19, 2016, for a four-year term of office;
- Mr. Hans N.J. Smits was appointed as a Board director during the Ordinary General Shareholders' Meeting of May 19, 2016, for a four-year term of office;
- Mr. Alexander R. Wynaendts was appointed as an independent Board director during the Ordinary General Shareholders' Meeting of May 19, 2016, for a four-year term of office.

Furthermore, at its meeting of June 22, 2016, in line with the succession plan established during its meeting of May 1, 2016, the Board of Directors decided to co-opt Mr. Jean-Marc Janaillac as a Board director and to appoint him as Chairman and Chief Executive Officer of Air France-KLM, replacing Mr. Alexandre de Juniac, effective from July 4, 2016.

As of June 30, 2016, the Board of Directors was composed of fifteen members including:

- Thirteen Board directors appointed by the General Shareholders' Meeting, of whom:

  - two proposed by the French State[1], and
  - two representatives of the employee shareholders[2];
- one representative of the French State appointed by ministerial order[3];
- one representative of the employees appointed by the *Comité de Groupe Français*[4].

As of July 4, 2016, the composition of the Board of Directors remained unchanged, with the exception of the appointment of Mr. Jean-Marc Janaillac in the capacity of Chairman and Chief Executive Officer, replacing Mr. Alexandre de Juniac.

[1] Pursuant to Article 6 of Ordinance no.2014-948 of August 20, 2014, relating to governance and to transactions involving the share capital of State-owned companies.

[2] The Board directors representing the employee shareholders are appointed pursuant to Article L.225-23 of the Code of Commerce, Article L.6411-9 of the Transport Code and Article 17-2 of the Articles of Incorporation.

[3] Pursuant to Article 4 of Ordinance no.2014-948 of August 20, 2014 relating to governance and to transactions involving the share capital of State-owned companies.

[4] Pursuant to the provisions of Article L.225-27-1 of the Code of Commerce and Article 17-3 of the Articles of Incorporation.

Composition of the Board of Directors at June 30, 2016

Board director (Age at June 30, 2016)	Functions within the Board of Directors	Date appointed to the Air France-KLM Board	Mandate expiry date	Principal current position
Alexandre de Juniac *(53 years)*	Chairman and Chief Executive Officer of Air France-KLM	January 11, 2012	July 4, 2016[5]	Chairman and CEO of Air France-KLM
Peter Hartman *(67 years)*	Vice-Chairman of the Air France-KLM Board of Directors Member of the Audit Committee	July 8, 2010	2017 AGM	Vice-Chairman of the Air France-KLM Board of Directors
Maryse Aulagnon *(67 years)*	Independent director Chair of the Audit Committee	July 8, 2010	2017 AGM	Chair and CEO of Affine
Isabelle Bouillot *(67 years)*	Independent director Member of the Remuneration Committee	May 16, 2013	2017 AGM	President of China Equity Links
Jean-Dominique Comolli *(68 years)*	Director (proposed by the French State) Member of the Appointments and Governance and Remuneration Committees	December 14, 2010	2019 AGM	Honorary Civil Administrator
Jaap de Hoop Scheffer *(68 years)*	Independent director Chairman of the Remuneration Committee	July 7, 2011	2019 AGM	Professor, Leiden University (Netherlands)
Louis Jobard *(56 years)*	Director representing the employee shareholders Member of the Audit Committee	May 20, 2014	2018 AGM	B777 Flight Captain
Solène Lepage *(44 years)*	Director representing the French State Member of the Audit Committee	March 21, 2013	May 2019	Director of Transportation Shareholdings, Agency for State Shareholdings
Christian Magne *(63 years)*	Director representing the employee shareholders Member of the Audit and Remuneration Committees	September 15, 2004	2018 AGM	Air France Executive
Isabelle Parize *(59 years)*	Independent Director Member of the Remuneration Committee	March 27, 2014	2018 AGM	Chief Executive Officer of Nocibé
Antoine Santero *(53 years)*	Director representing the employees	November 5, 2015	2017 AGM	Senior Flight Attendant, Long Haul, Air France
Patrick Vieu *(51 years)*	Director (proposed by the French State)	May 21, 2015	2019 AGM	Advisor to the Vice-President of the General Council for the Environment and Sustainable Development
Anne-Marie Couderc *(66 years)*	Independent director Chair of the Appointments and Governance Committee and member of the Audit Committee	May 19, 2016	2020 AGM	President of the Presstalis Group
Hans N.J. Smits *(66 years)*	Director Member of the Remuneration Committee	May 19, 2016	2020 AGM	President and CEO of Janssen de Jong Groep (Netherlands)
Alexander R. Wynaendts *(56 years)*	Independent director Member of the Appointments and Governance Committee	May 19, 2016	2020 AGM	Chairman of the Aegon NV Executive Board

5 Mr. Alexandre de Juniac stepped down as Chairman and Chief Executive Officer, effective July 4, 2016.

Composition of the Board of Directors at July 4, 2016

Board director *(Age at July 4, 2016)*	**Functions within the Board of Directors**	**Date appointed to the Air France-KLM Board**	**Mandate expiry date**	**Principal current position**
Jean-Marc Janaillac[6] *(63 years)*	Chairman and Chief Executive Officer of Air France-KLM	July 4, 2016	2019 AGM	Chairman and CEO of Air France-KLM
Peter Hartman *(67 years)*	Vice-Chairman of the Air France-KLM Board of Directors Member of the Audit Committee	July 8, 2010	2017 AGM	Vice-Chairman of the Air France-KLM Board of Directors
Maryse Aulagnon *(67 years)*	Independent director Chair of the Audit Committee	July 8, 2010	2017 AGM	Chair and Chief Executive Officer of Affine
Isabelle Bouillot *(67 years)*	Independent director Member of the Remuneration Committee	May 16, 2013	2017 AGM	President of China Equity Links
Jean-Dominique Comolli *(68 years)*	Director (proposed by the French State) Member of the Appointments and Governance and Remuneration Committees	December 14, 2010	2019 AGM	Honorary Civil Administrator
Jaap de Hoop Scheffer *(68 years)*	Independent director Chairman of the Remuneration Committee	July 7, 2011	2019 AGM	Professor, Leiden University (Netherlands)
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Alexander R. Wynaendts *(56 years)*	Independent director Member of the Appointments and Governance Committee	May 19, 2016	2020 AGM	Chairman of the Aegon NV Executive Board

[6] During its meeting of June 22, 2016, the Board of Directors decided to co-opt Mr. Jean-Marc Janaillac in the capacity of Board director and to appoint him as Chairman and Chief Executive Officer of Air France-KLM replacing Mr. Alexandre de Juniac, effective July 4, 2016.

The Group Executive Committee

Composition of the Group Executive Committee at June 30, 2016

Members	Age at June 30, 2016	Relevant professional experience – Sector	Experience
Alexandre de Juniac[7] Chairman and Chief Executive Officer of Air France-KLM	53 years	Public Service Industry Air Transport	9 years 14 years 4 years
Frédéric Gagey Chairman and Chief Executive Officer of Air France	60 years	Air Transport	22 years
Pieter Elbers KLM President and Chief Executive Officer	46 years	Air Transport	24 years
René de Groot KLM Chief Operating Officer	47 years	Air Transport	26 years
Patrick Alexandre Executive Vice President Commercial – Sales & Alliances, Air France-KLM	61 years	Air Transport	34 years
Pieter Boostma Executive Vice President Commercial – Strategy, Air France-KLM	46 years	Air Transport	20 years
Adeline Challon-Kemoun Executive Vice President Marketing, Digital & Communication, Air France-KLM	49 years	Sales Media-Communication Air Transport	10 years 14 years 5 years
Xavier Broseta Executive Vice President, Human Resources, Air France-KLM	49 years	Public Service Industry Air Transport	7 years 14 years 4 years
Jean-Christophe Lalanne Executive Vice President Information Technology, Air France-KLM	54 years	Industry, IT Air Transport	20 years 11 years
Jacques Le Pape Executive Vice President Corporate Secretary, Air France-KLM	49 years	Public Service Air Transport	23 years 3 years
Pierre-François Riolacci Chief Financial Officer, Air France-KLM	50 years	Industry Air Transport	23 years 3 years
Franck Terner Executive Vice President Engineering & Maintenance, Air France-KLM	56 years	Air Transport	27 years

A recruitment process is under way to appoint an Executive Vice President for Transavia and the Cargo business to replace Bram Gräber.

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

	Age at June 30, 2016	Relevant professional experience – Sector	Experience
Alexandre Boissy Secretary to Air France-KLM's Group Executive Committee and Chief of Staff	42 years	Air Transport	17 years

[7] Until July 4, 2016. As of this date, Mr. Jean-Marc Janaillac was appointed Chairman and Chief Executive Officer of Air France-KLM, replacing Mr. Alexandre de Juniac.

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 CAC Mid 60 index and is also included in the leading sustainable development and employee shareholder indices. For the eleventh year running, Air France-KLM is included in the Dow Jones Sustainability Indexes (DJSI World and DJSI Europe) and is ranked Industry Leader of the "Airlines" sector by RobecoSAM. Furthermore, for the seventh year, the Group is ranked leader of the "Transport" sector.

Stock market performance

Following a rise at the end of 2015, the Air France-KLM share price initially gained 23% between January and March 2016 before losing 34% as of March 2016 when the shares had closed at their high of €8.62. Over the 2016 first half, the shares fell by 18.5% whereas the CAC 40 posted a 8.6% decline.

	January-June 2016	**2015**
Share price high *(In €)*	8.84	8.50
Share price low *(In €)*	5.48	5.51
Number of shares in circulation	300,219,278	300,219,278
Market capitalization at the end of the period *(In € billion)*	1.7	2.1

Information relating to the share capital

At June 30, 2016, the Air France-KLM share capital comprised 300,219,278 shares with a nominal value of one euro.

Period ended	**June 30, 2016**	**2015**
Number of shares in circulation	300,219,278	300,219,278
Number of theoretical voting rights	373,737,570	300,219,278
Number of exercisable voting rights	368,471,572	300,219,278
Share capital (in €)	300,219,278	300,219,278

The shares are fully paid up and shareholders can opt to hold them in either registered or bearer form. Until April 2, 2016, each share had one voting right attached. As from April 3, 2016, in application of the "Florange" Act and in view of no provision to the contrary in the Air France-KLM Articles of Incorporation[8], all fully paid-up shares held in registered form in the name of the same shareholder for at least two years automatically benefit from a double voting right. There are no other specific rights attached to the shares.

Furthermore, there are no securities not representing the share capital.

[8] The resolution submitted to the General Shareholders' Meeting of May 21, 2015 aimed at including in the Articles of Incorporation a clause intended to maintain single voting rights was rejected.

Shareholder structure

	% of the share capital		% of theoretical voting rights		% of exercisable voting rights	
Period ended	**June 30 2016**	**December 31 2015**	**June 30 2016**	**December 31 2015**	**June 30 2016**	**December 31 2015**
Number of shares in circulation/voting rights	300,219,278	300,219,278	373,737,570	300,219,278	368,471,572	296,069,683
French State	17.6%	17.6%	27.0%	17.6%	27.3%	17.8%
Employees (FCPE)	6.5%	6.5%	10.2%	6.5%	10.3%	6.6%
Treasury stock	1.4%	1.4%	1.1%	1.4%	-	-

At June 30, 2016, 50% of Air France-KLM's share capital was owned by European interests – European Union Member States or States party to the European Economic Area Agreement - and 57.3% by French shareholders.

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, Société Air France issued 21,951,219 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCEANE) 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, investors disposing of an early reimbursement option at par on April 1 2012 and April 1, 2016. The annual coupon was 2.75% paid annually in arrears on April 1.

Following the distribution of dividends in respect of the financial year ended March 31, 2006, an adjustment was made pursuant to the stipulations of the issue contract. The conversion/exchange ratio for holders of bonds convertible and/or exchangeable into the company's new or existing shares was thus changed to 1.03 shares for each 2.75% 2005-20 bond.

On December 6, 2011, Air France signed a swap agreement with Natixis for a period of four years. To cover this agreement, Natixis acquired 18,692,474 OCEANEs, or some 85.16% of the initial issue, enabling Air France to defer, until April 2016 at the earliest, the €383.2 million repayment. Of the OCEANEs not having been tendered to Natixis within the framework of the swap transaction, 1,501,475 were the subject of a €31.6 million early reimbursement at the request of the holders on April 1, 2012.

As of April 1, 2016, Société Air France responded to the exercise of the investor puts on 20,383,985 OCEANEs by reimbursing the holders at par.

There were 65,161 convertible bonds remaining in circulation as of June 30, 2016 and, since these outstanding bonds represented less than 10% of the initial volume, Société Air France proceeded with their buyback on July 4, 2016 pursuant to the conditions of the bonds.

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

In March 2013, Société 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. Bondholders may request the early redemption of their bonds on February 15, 2019, at par plus accrued interest. At June 30, 2016, 11,151 bonds had been converted into existing shares, reducing the number of bonds remaining in circulation to 53,386,907.

Market and environment

In the first half of 2016, while experiencing a slight improvement, world economic growth remained weak. The growth rates for the euro zone economies are expected to converge at around +1.6% for 2016.

The United Kingdom's decision to withdraw from the European Union plunges many economic sectors, including air transportation, into uncertainty. The short-term impact of Brexit has been a Sterling depreciation but also a decline in the euro relative to other major currencies (dollar and yen notably) accompanied by a climate of uncertainty leading to a fall in investment. In the medium term, there should be a limited economic slowdown in the euro zone but a significant downturn in UK growth, with repercussions for air transportation. IATA estimates that traffic to and from the United Kingdom between now and 2020 could be some 3% to 5% below the level it would have been without Brexit, although the long-term impacts are difficult to quantify.

The theoretical consequences for air transportation of the UK withdrawal from the single European market could be significant. In particular, the UK airlines operating within Continental Europe may not retain free access to the single European market in the same conditions as currently.

In recent months, the geopolitical and economic climate has continued to weigh on air transport demand. Air transport demand has fallen in a number of major markets: in Brazil, due to the deterioration in the economy, in Japan, which has been negatively impacted by weaker consumption and the cancellation of numerous trips to Europe following the terrorist attacks, and on the oil industry-related routes.

In 2016, as in 2015, air traffic will nonetheless remain strong. According to IATA, the airlines should generate an average net profit margin of 5.1% (versus 4.6% in 2015) together with an average profit per passenger of $9.59. The strong demand in the passenger segment (+6.7% in 2015 and +6.9% estimated in 2016) is expected to offset disappointing growth in air freight (+1.9% in 2015 versus +3% forecast for 2016).

The competitive context remains tough, however, with high capacity growth for some players. In 2016, IATA is thus forecasting a 6.5% increase in capacity for the European airlines compared with 8% for the other airlines. Long-haul industry is expected to increase by +7.2% increase between Europe and the rest of the world. The trend towards low-cost long-haul is a recent development but will see rapid development in 2016. Medium-haul capacity is witnessing higher growth than in Summer 2015, the 6.6% increase mainly being driven by the low-cost carriers (Ryanair, Vueling, etc.). The three European groups are mainly growing through their low-cost subsidiaries (Transavia, germanwings, etc.). The Group is under particular threat from strong competition in its own markets due to the attractiveness and central localization of their dual Paris-CDG and Amsterdam-Schiphol hubs (+5.1% for France and +7.2% for the Netherlands).

The oil price is again rising. In the 2016 first quarter, the Brent price averaged $35 a barrel, its low since 2004. Having moved below $30 in January, it has since staged a strong recovery and was trading at around $50 in early June. Given the reduction in US production, the physical market could continue to tighten between now and the end of the year. However, the very high level of inventories should limit the upwards pressure on prices. Forecasts for a barrel of Brent stand at $47.5 for the second half. *Source Oxford Economics*.

Highlights

January 2016

Last flight of a legendary aircraft

At 14h00 on January 11, 2016, the last Air France commercial flight for the B747 aircraft landed at Paris-Charles de Gaulle. More than 45 years after the first flight between Paris and New York operated on June 3, 1970 in the aircraft affectionately known as the "Jumbo Jet", the company waved an emotional goodbye to this aircraft with the easily recognizable silhouette.

Air France Industries KLM Engineering & Maintenance voted "MRO of the Year"

On January 18, 2016 in Dublin, AFI KLM E&M received the "MRO of the Year" award during the "Airline Economics Aviation 100 Awards" ceremony organized by the specialized magazine Airline Economics.

For the third year running, the achievement of this award underscores AFI KLM E&M's long-term commitment to maintaining optimal standards of performance and quality over the long term, and its quest for a continuous improvement.

Dow Jones Sustainability Index

For the eleventh consecutive year, Air France-KLM is a component of the Dow Jones Sustainability Indexes (Dow Jones Sustainability World and DJSI Europe) and is ranked leader in the "Airlines" industry by RobecoSAM.

Furthermore, for the seventh year running, Air France-KLM is ranked leader of the broader "Transportation" category, covering air, rail, sea and road transport as well as airport activities.

This award positions the Group as one of the 24 most responsible companies in the world, each in their own business sectors.

Air France-KLM, a founder member of Airlines for Europe (A4E)

On January 20, 2016, at the European Aviation Summit, the five largest European airline groups – Air France-KLM, easyJet, International Airlines Group, Lufthansa Group and Ryanair – announced the creation of the Airlines for Europe (A4E) association.

The five groups, which carry more than 50% of passengers in Europe, have chosen to join forces with the aim of influencing European aviation policy.

On this occasion, Mr. Alexandre de Juniac underlined the opportunity for the Group to defend the interests of European airlines with the national and EU authorities to enable them to effectively compete with the world's leading airlines.

February 2016

World's Most Admired Companies

Air France-KLM excelled in Fortune's World's Most Admired Companies 2016, ranking third in the "Airlines" category behind Delta Air Lines and Singapore, and ahead of major players like United Continental (4th), Lufthansa (7th) and IAG (9th). Air France-KLM is one of the few French companies to figure in this ranking.

For Air France-KLM, the economic assessors particularly noted its excellent performance in terms of "global competitiveness", the quality of its products and services and its social and environmental responsibility.

Transavia: best low-cost operator in Europe

The Flight-Report.com website has delivered its verdict: Transavia is the best European low-cost airline in 2016.

Contributors to the Flight-Report website post daily reviews, photos and notes which are used to establish this ranking.

Transavia is appreciated by customers for:

— the quality of service provided by its cabin crews;

— the comfort of its cabin;

— and the quality of its paid-for inflight catering service.

This is a real success story for the airline which is seeking to stand out based on the quality of its customer experience.

April 2016

Recommended appointment of Mr. Alexandre de Juniac as the next Director General and CEO of IATA

On April 5, 2016, Mr. Alexandre de Juniac, Chairman and Chief Executive Officer, informed the Air France-KLM Group's Board of Directors of the proposal he had received from the Board of Governors of the International Air Transport Association (IATA) to become the next Director General and CEO of this global organization. On April 9, 2016, Mr. Alexandre de Juniac indicated that he would accept the proposal.

Air France welcomes its 70th B777

On April 26, 2016, the company's fleet took delivery of its seventieth B777. Air France is increasing its fleet by welcoming the new B777-300, thereby reinforcing its capacity thanks to 43 B777-300s, 25 B777-200s and two B777F Cargo aircraft. This seventieth aircraft will be operated on the airline's long-haul network. With a fleet of 96 B777s, the Air France-KLM Group is the world's number two operator of this aircraft type.

The hub becomes entirely self-boarding

Self-boarding, which is a key element in the self-service and digitized chain that Air France aims to establish as standard at most of its outstations, is being rolled out at Paris-Charles de Gaulle airport. The deployment at all the gates began on April 8 and will continue until December 2016. A total of 70 gates will be equipped, at a rate of four gates every fortnight.

By ensuring more seamless, faster boarding, self-boarding contributes to operating performance and punctuality. It also enhances the company's reputation for innovation and efficiency. This system releases staff from repetitive tasks with low added value and enables them to focus on welcoming and assisting customers, whether or not they require special support (persons with restricted mobility, famillies with babies). Self-boarding is thus a key factor in attentive customer relationships.

At Paris-CDG, self-boarding means:
- under 30 minutes to board an A380,
- under 20 minutes to board a B777,
- under 10 minutes to board an A320.

May 2016

Mr. Jean-Marc Janaillac named the Air France-KLM Group's future Chairman and Chief Executive Officer

The Air France KLM Board of Directors met on May, 1, 2016. Following the unanimous recommendation of the Appointments and Governance Committee, the Board decided that Mr. Jean-Marc Janaillac would become the Air France-KLM Group's Chairman and Chief Executive Officer when Mr. Alexandre de Juniac stepped down on July 4, 2016.

Since 2012, Mr. Jean-Marc Janaillac had been Chairman and Chief Executive Officer of Transdev, an international transportation group jointly owned by Veolia and the French Caisse des Dépôts et Consignations. He had previously served as Chairman and CEO of RATP Dev from 2010 to 2012 and Managing Director, Group Development for RATP from 2004 to 2010. He was Chairman and CEO of the Maeva tourism group from 2000 to 2002 and Chief Operating Officer of the AOM airline from 1997 to 2000. Mr. Janaillac also served as an Air France Board director from 1989 to 1994. He is a graduate of the HEC Business School and of the Ecole Nationale d'Administration.

The Air France-KLM Board of Directors considered that Mr. Janaillac's international experience, his knowledge of the transportation business in both France and the Netherlands, his successful development of the companies he has headed, his knowledge of the airline industry and its customers and his capacity for dialogue with employees and other group stakeholders would enable him to meet the challenges facing the Air France-KLM Group.

Confirmation of the entry of the B787s into the Air France fleet

On May 4, 2016, to pursue the modernization of the fleet, the company confirmed the arrival of the B787s as of the end of 2016. These new aircraft will enable an improvement in the company's economic efficiency and support its growth. They will open the way to new professional development prospects for many Air France employees, from flight crew to ground and maintenance staff.

AFI KLM E&M and Safran create a joint company dedicated to the repair of aircraft engine components in the Hauts-de-France

On May 24, 2016 at the Elysée Palace, in the presence of the French President, Air France Industries KLM Engineering & Maintenance and Safran Aircraft Engines signed a Memorandum of Understanding concerning the creation of a joint company dedicated to the repair of aircraft engine compressor blades. The new company's business will specifically concern CFM56 engines made by CFM International (equipping the Airbus A320 and Boeing 737 families), the GE90 made by General Electric (for Boeing 777s) and the GP7200 made by Engine Alliance (for Airbus A380s).

The two partners will invest over €20 million in the new company, which will be 51% owned by Safran Aircraft Engines and 49% by Air France-KLM; operations are scheduled to begin in late 2017.

This new site will be located close to Valenciennes, in the Hauts-de-France region, at the Sars et Rosière business park in the community of La Porte du Hainaut.The new plant will span a 15,000m^2 site and offer all the machinery and equipment needed to for the different stages of engine repair, including high-tech metallurgical processes. After reaching full production capacity in 2020, the company should have a total of 200 to 250 employees.

Servair: Air France-KLM enters into exclusive negotiations

To give Servair the means to grow and maintain the highest standards in the airline catering sector globally, Air France sought a leading player to become Servair's industrial partner and enable Air France to benefit from the world's highest standards of inflight catering. Several offers were received by the Group within the framework of a competitive tender process.

Following the April 11, 2016 announcement from HNA of its public tender offer for gategroup, a major player in the catering industry, on May 30, 2016 Air France entered into exclusive discussions with HNA with a view to selling 49.99% of Servair and transferring the latter's operational control, for an enterprise value of €475 million (on a 100% basis), with a view to creating the world's market leader for airline catering services.

Following the acquisition of gategroup by HNA, Air France and HNA have ambitions to create the leading platform in the inflight catering business by building on the assets, expertise and networks of both companies. The addition of Servair to gategroup would create an unprecedented offer with more than 200 facilities and 39,000 employees serving more than 300 airline customers. The relevant works councils within the Air France-KLM Group will be informed and consulted on the proposed transaction.

June 2016

Air France launches two new routes: Paris Orly–New York JFK and Paris Charles de Gaulle-Tehran

New York-JFK on departure from Paris-Orly, a new Air France route

Since June 6, 2016, Air France has served New York-JFK on departure from Paris-Orly thanks to a daily flight operated in a B777-200, equipped with 35 seats in the Business cabin, 24 seats in Premium Economy and 250 seats in Economy. The airline's customers thus benefit from optimized connections without a change of airport, to and from 26 French cities.

Additionally, alongside Flying Blue Elite Plus members, Air France now offers its La Première and Business customers a brand new lounge located in Hall 3 at Paris-Orly airport, open daily from 5h30 to 22h00. With a renovated space spanning more than 330m², Air France is seeking to meet the expectations of its passengers and offer higher standards of comfort, relaxation and entertainment via a wide range of offers and services.

Jean-Marc Janaillac proposes a dialogue-based approach for the Air France-KLM Group

Following the notice of a pilots' strike called for 24 to 27 July, on June 21, 2016 Mr. Jean-Marc Janaillac, accompanied by Frédéric Gagey, Air France's Chairman and Chief Executive Officer and Gilles Gateau, Air France's Executive Vice President Human Resources and Labor Relations, met with the representatives of the SNPL and the SPAF, the two main pilots' unions.

He submitted to them a proposed action plan aimed at rebuilding trust and balanced compromise within Air France-KLM Group and suspending the measures implemented following the decision taken by the Seine-Saint-Denis Court, in return for cancelling the notice of strike action and a commitment to no strikes before November 1, 2016.

The pilots' unions accepted this proposal.

Strategy

The Air France-KLM Group's ambitions

The Air France-KLM Group's ambition is to be a European leader in the air transport industry by offering all customer segments adapted transportation propositions between both Europe and the rest of the world, and on intra-European routes. This goal is supported by the Group's different brands which are positioned on complementary markets with their own specific operating models.

The network brands, Air France and KLM, are backed by a system of hubs around high-performance infrastructure at Paris-CDG and Amsterdam-Schiphol, and can benefit from numerous partnerships to offer a high-density global network, as well as a wide range of top-quality products and services. The HOP! (point-to-point) and Transavia (low-cost) brands aim to offer efficient transportation solutions for both domestic and intra-European travel. The Air France-KLM Group also plans to develop its positioning as a global reference player in the aeronautics maintenance market by leveraging its recognized know-how in terms of operational performance, innovation and technical expertise.

Lastly, the Group's expertise in the cargo and catering fields supports the Group's airline operations and can be leveraged via a high-quality services offer to third-party customers.

Strategy of the Air France-KLM Group

Air France-KLM's strategy is based on the following three strategic priorities:

— A product and services upgrade, targeting the highest international level;
— Selective development to increase exposure to growth markets: long-haul, intra-European low-cost, aeronautics maintenance;
— An on-going improvement in competitiveness and efficiency within the framework of strict capacity and capex discipline.

The execution of this strategy within the Group's different entities will take place via the "Perform 2020" plan which details the various initiatives embodying its deployment.

A continued move up-market for the network airlines

To capture the ever-growing number of international customers, in 2013 the Air France-KLM Group launched a major upgrading program with the installation, on its long-haul fleet, of new cabins for all travel classes, offering standards of comfort aligned with the industry best in class. At December 31, 2015, 37% of the Air France-KLM long-haul fleet had been equipped. The initial results proved consistent with the Group's ambitions, with customer satisfaction scores markedly higher on flights equipped with the new products.

In medium-haul, during 2015 the Air France fleet of 24 A319s based at Roissy was equipped with new leather-upholstered seats with adjustable head-rests, wider tray tables and coat hooks to improve the standard of on-board comfort. The 25 A320s based at Roissy will, for their part, be equipped with these new cabins during 2016.

This roll-out of new products is being accompanied by a more attentive service to customers throughout their journeys by the Group's airlines, through new ground and in-flight services, and technological innovations at the service of the customer.

All of these upgrading initiatives have received widespread recognition: Air France and KLM significantly improved their rankings in the Skytrax 2015 survey of the best global airlines, with Air France seeing the most progress.

Development in growth markets and via partnerships

Through its various strategic partnerships, the Air France-KLM Group is steadily reinforcing its presence in all world regions, and particularly in geographies offering the most promising long-term growth prospects.

A powerful network of alliances and partnerships enables Air France-KLM to reinforce its global presence. The joint-ventures with China Eastern and China Southern, reinforced in 2015 with the arrival of Xiamen Airlines in the partnership, enable in-depth coverage of the Chinese market. In Brazil, the partnership with GOL opens up access for Air France-KLM to some 30 Brazilian cities and enables GOL to feed Air France and KLM's trans-Atlantic flights through a code share agreement. Additionally, in 2015, Air France-KLM reinforced its agreement with Jet Airways and Etihad, bolstering the Group's presence in India. Lastly, Air France-KLM is a major player on the trans-Atlantic axis within the framework of its joint-venture with partners Delta and Alitalia.

The intra-European air transport market is seeing rapid growth given the strong leisure demand witnessed in the low-cost segment. Transavia, the Group's low-cost brand, posted +9% growth in 2015 and has a cost structure which is competitive with those of the other low-cost players, meaning that it is able to respond to the growth in European demand. Beyond Transavia's historic markets in France and the Netherlands, Air France-KLM plans to give Transavia a European dimension with a geographical footprint and greater scale. In this respect, since March 2016, Transavia has been operating from its first base outside France and the Netherlands with, over 2016 as a whole, 23 destinations served on departure from Munich.

With forecast growth of 4.1% at global level through to 2025, the aeronautics maintenance segment will enable the maintenance business to pursue its growth and build on Air France-KLM's leadership position in this area. In this regard, Air France-KLM has an order book representing more than five years of revenues. For Air France-KLM, this growth will primarily be reflected in its engine and component activities, both high-value-added maintenance fields. The development of global next-generation aircraft fleets offers significant growth relays and AFI KLM E&M will be able to capitalize on the introduction of B787s and A350s within the Group's fleets to develop a major role in these product lines.

On-going productivity and cost-saving efforts

On-going productivity efforts aim to support the competitiveness of the Group companies to ensure their enduring positioning at the level of competitors, and generate results enabling the Group to finance its long-term growth. In respect of the 2015 financial year, negotiations with the KLM unions resulted in productivity agreements with all staff categories while negotiations with the Air France unions are continuing. In parallel, new cost-cutting measures were launched, particularly within the framework of a project to rationalize the support and administrative functions, and through continued rationalization of the HOP! point-to-point network, the densification of the medium-haul fleet and the retirement of the oldest aircraft, and within the framework of the deployment of the High Performance Organization (HPO) at KLM.

A commitment to sustainable development

The Group plans to pursue its sustainable development commitment: consolidating the reputation of the brands with, amongst other objectives, a very high level of operational safety; establishing a permanent dialogue with stakeholders like customers, suppliers and local communities; reducing its environmental footprint; factoring innovation and sustainability throughout the service chain; promoting a responsible HR policy; contributing to the development of territories where it has operations and, lastly, applying the best corporate governance principles.

Air France-KLM's sustainable development approach is recognized by the leading extra-financial ratings agencies. Amongst other awards, in 2015 the Group was named "Airline" sector leader and included in the Dow Jones Sustainability Index (DJSI), the main international index evaluating companies on their sustainability performance, for the eleventh consecutive year. For the seventh 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.

Strengths of the Air France-KLM Group

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. In 2016, the Group will serve 320 destinations in 114 countries, including more than 50 new destinations during the Summer 2016 season.

Given its presence in all the major air transport 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.

Coordinated hubs at developing airports

The Group's network is coordinated around the dual intercontinental hubs of Paris-CDG and Amsterdam-Schiphol, which are two of the four largest connecting platforms in Europe. These hubs combine transfer flows with point-to-point traffic. This large-scale optimized system gives small markets world-wide access, and offers a dense flight schedule tailored to the frequency needs of customers.

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 Paris-CDG and Amsterdam-Schiphol hubs benefit from unsaturated runway capacity. Furthermore, the organization of the Group's activities at Paris-CDG has been significantly improved since the delivery of new infrastructure enabling the regrouping of the operations at terminals 2E, 2F and 2G and the streamlining of flight connections.

A portfolio of strong brands aligned with customer expectations

With "Air France" and "KLM", the Group has a portfolio of powerful brands that benefit from exceptional reputations and identities in both its two national markets and internationally.

The brand portfolio strategy has been reinforced with the low-cost brand Transavia. The latter is already very well known in the Netherlands and, via its development in France, will be the leading low-cost carrier on departure from Orly. The new regional brand HOP!, launched in 2013 and whose territory has been extended to all the Air France point-to-point operations under the "HOP!" banner, embodies the Group's regional activity.

Thanks to its different brands, the Group benefits from a strong affinity with multiple customer bases which prioritize a value for money approach.

A balanced customer base

The Air France-KLM Group's choice of meeting the needs of all types of customer in terms of networks, products and fares has enabled it to build a balanced customer base.

In the traditional network carrier business (Air France and KLM brands), around 40% are business passengers and 60% are travelling 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 is 60%. Furthermore, around 50% of revenue is realized with loyalty scheme customers (members of the Flying Blue frequent flyer program or those whose companies have a corporate contract with the Group).

The recent growth of Transavia, which carried some 10.8 million passengers in 2015 compared with 9.9 million in 2014, enables the Group to complete its portfolio of products to become customers' low-cost carrier of choice.

An efficient fleet

The Group is pursuing its fleet modernization strategy, particularly through the delivery of B787-9 aircraft operated by KLM. In parallel, the last B747-400s were withdrawn from the Air France fleet in early 2016 while KLM's remaining MD11 Freighters will be retired over the course of the year. The arrival of the first A350-900s is planned for 2019 at Air France.

Having made a significant investment in cabin retrofitting, the Group now offers its passengers a higher standard of comfort, achieves substantial fuel savings and respects its sustainable development commitments by mitigating noise disturbance for local residents and limiting greenhouse gas emissions.

"Perform 2020", a plan focused on growth and competitiveness

In 2012, the Air France-KLM Group launched "Transform 2015", a business transformation plan which was reflected in a significant recovery in the Group's financial position. 2015 marked the completion of this plan and notably recorded the results over a full year of the initiatives aimed at containing costs excluding fuel and the impact on the Group's debt profile. The "Transform 2015" plan thus enabled the Group to reduce its unit costs while, at the year end, the Group's net debt stood at €4.3 billion, in line with the target.

The reduction by a third in net debt over four years enabled the Group to regain its investment capability which, for the 2015 financial year, stood at €1.6 billion.

Continued productivity efforts and the Group's financial discipline maintained

"Perform 2020", which succeeded "Transform 2015" in September 2014, is a targeted growth plan, aimed at delivering an optimal service for our customers and markets while maintaining the Group's goals of deleveraging and cost-competitiveness.

Within the framework of this plan, the Group had set itself a target of reducing the unit cost by 1.5% per year on average over the 2015-17 period or the equivalent of around €1 billion. The reduction in unit costs reached a more modest level in 2015 but this target is maintained for the medium term.

To this end, the restructuring of non-competitive activities will be pursued and the identified cost-savings deployed.

A progressive increase in fleet capex will be undertaken within the framework of strict capex discipline to ensure respect of the debt ratios.

Medium-term financial targets

Summarizing all these projects, Air France-KLM has set the following financial targets:

— An adjusted net debt/EBITDAR ratio of around 2.5 at the end of 2017, with the base businesses generating annual positive free cash flow;

— A unit cost reduction target of 1.5% per year over the medium term.

These targets are consistent with a ROCE of between 9% and 11% as of 2017.

Activities

Passenger network business

The Group's passenger business is divided into two segments: the "passenger network" segment which mainly corresponds to the carriage of passengers on scheduled flights operated by the network airlines Air France, KLM and HOP!, and the low-cost business, operated under the Transavia brand, which corresponds to the ''Transavia'' business segment.

Passenger network	**First half 2016**	**First half 2015**	**Reported change**	**Change like-for-like**
Passengers carried *(thousands)*	38,624	37,853	+2.0%	
Capacity *(ASK million)*	134,642	134,054	+0.4%	
Traffic *(RPK million)*	113,910	112,370	+1.4%	
Load factor	84.6%	83.8%	+0.8 pt	
Total passenger revenues *(€m)*	9,413	9,663	-2.6%	-2.4%
Scheduled passenger revenues *(in €m)*	9,007	9,248	-2.6%	-2.4%
Unit revenue per ASK *(€ cents)*	6.69	6.90	-3.0%	-2.8%
Unit revenue per RPK *(€ cents)*	7.91	8.23	-3.9%	-3.7%
Unit cost per ASK *(€ cents)*	6.45	6.98	-7.6%	-8.4%
Income/(loss) from current operations *(€m)*	319	(112)	+431	+531

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

The capacity outlook remains unchanged with an increase of around 1% in Available Seat Kilometers (ASK) for 2016.

Passenger network activity by network

First half to June 30	**Capacity in ASK** *(In million)*		**Traffic in RPK** *(In million)*		**Load factor** *(In %)*		**Number of passengers** *(In million)*		**Scheduled passenger revenues** *(In € million)*	
	2016	**Ch.**	**2016**	**Ch.**	**2016**	**Ch.**	**2016**	**Ch.**	**2016**	**Ch.**
Long-haul	**107,756**	**0.6%**	**92,373**	**1.1%**	**85.7%**	**0.4**	**12,324**	**1.3%**	**5,972**	**-2.8%**
North America	28,997	3.2%	25,176	2.3%	86.8%	-0.7	3,525	1.8%	1,830	-0.7%
Latin America	16,670	2.1%	14,513	3.3%	87.1%	1.0	1,513	3.8%	764	-8.0%
Asia/Pacific	29,051	-5.2%	25,003	-4.3%	86.1%	0.8	2,873	-4.3%	1,426	-8.6%
Africa/Middle-East	18,083	1.3%	14,560	3.7%	80.5%	1.9	2,619	3.8%	1,209	+2.0%
Caribbean/Indian Ocean	14,955	5.1%	13,121	4.3%	87.7%	-0.7	1,794	4.1%	743	+2.0%
Short and Medium-haul	**26,887**	**-0.1%**	**21,537**	**2.6%**	**80.1%**	**2.1**	**26,300**	**2.4%**	**3,031**	**-2.3%**
Total	**134,643**	**0.4%**	**113,910**	**1.4%**	**84.6%**	**0.8**	**38,624**	**2.0%**	**9,003**	**-2.7%**

Cargo business

	First half 2016	First half 2015	Reported change	Change like-for-like
Tonnage transported *(thousands)*	558	596	-6.5%	
Capacity *(ATK million)*	6,999	7,418	-5.6%	
Traffic *(RTK million)*	4,121	4,454	-7.5%	
Load factor	58.9%	60.0%	-1.2 pt	
Total cargo revenues *(€m)*	1,036	1,229	-15.7%	-15.5%
Scheduled cargo revenues *(€m)*	957	1,150	-16.8%	-16.7%
Unit revenue per ATK *(€ cents)*	13.7	15.5	-12.0%	-11.9%
Unit revenue per RTK *(€ cents)*	23.2	25.9	-10.3%	-10.2%
Unit cost per ATK *(€ cents)*	15.3	17.4	-12.1%	-12.8%
Income/(loss) from current operations *(€m)*	(116)	(141)	+25	+38

In the **First Half 2016,** cargo revenues amounted to €1,036 million, down by 15.5% like-for-like. At a loss of €116 million, the operating result improved by €38 million like-for-like.

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

Cargo activity by network

First half to June 30	**Capacity in ATK** *(In million)*		**Traffic in RTK** *(In million)*		**Load factor** *(In %)*		**Cargo transportation revenues** *(In €m)*	
	2016	**Ch.**	**2016**	**Ch.**	**2016**	**Ch.**	**2016**	**Ch.**
Long-haul	**6,737**	**-5.8%**	**4,091**	**-7.5%**	**60.7%**	**-1.7 pts**	**935**	**-17.0%**
Americas	3,099	-2.6%	1,795	-5.5%	57.9%	-3.1pts	399	-16.9%
Asia/Pacific	1,739	-18.2%	1,348	-15.0%	77.5%	3.9 pts	254	-26.6%
Africa/Middle-East	1,329	1.7%	724	-1.6%	54.5%	-3.2 pts	213	-9.0%
Caribbean/Indian Ocean	570	5.8%	224	10.9%	39.3%	4.8 pts	69	3.0%
Short and Medium-haul	**262**	**-1.5%**	**31**	**0.0%**	**11.8%**	**1.1 pts**	**22**	**-4.3%**
Total	**6,999**	**-5.6%**	**4,121**	**-7.5%**	**58.9%**	**-1.9 pts**	**956**	**-16.9%**

Maintenance business

	First half 2016	First half 2015	Reported change	Change like-for-like
Total revenues *(€m)*	2,006	1,959	+2.1%	
Third-party revenues *(€m)*	866	775	+11.6%	9.9%
Income from current operations *(€m)*	95	86	+9	+9
Operating margin *(%)*	4.7%	4.4%	+0.4 pt	+0.3 pt

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

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

Transavia

Transavia	First half 2016	First half 2015	Reported change
Number of passengers *(thousands)*	5,657	4,748	+19.1%
Capacity *(ASK million)*	10,943	9,877	+10.8%
Traffic *(RPK million)*	9,650	8,836	+9.2%
Load factor	88.2%	89.5%	-1.3 pt
Total passenger revenues *(€m)*	483	450	+7.3%
Scheduled passenger revenues *(€m)*	475	443	+7.2%
Unit revenue per ASK *(€ cents)*	4.34	4.50	-3.5%
Unit revenue per RPK *(€ cents)*	4.92	5.03	-2.1%
Unit cost per ASK *(€ cents)*	5.03	5.26	-4.3%
Income/(loss) from current operations *(in €m)*	(75)	(75)	+0

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

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

Fleet

At June 30, 2016, the Air France-KLM Group fleet totalled 560 aircraft, of which 542 in operation versus a respective 564 and 534 aircraft at December 31, 2015.

The main operational fleet was composed of 409 aircraft (395 aircraft at December 31, 2015). The fleet includes 170 long-haul aircraft (169 at December 31, 2015), eight freighters[9] (nine freighters at December 31, 2015) and 231 medium-haul aircraft (217 at December 31, 2015), including 63 aircraft in the Transavia Group fleet (53 aircraft at December 31, 2015). The regional fleet in operation was composed of 133 aircraft (139 at December 31, 2015).

At June 30, 2016, the average age of the aircraft in the operational fleet was 10.8 years, of which 11.5 years for the long-haul fleet, 10.3 years for the medium-haul fleet, 15.1 years for the cargo fleet and 10.6 years for the regional fleet. At June 30, 2016, 35.2% of the total Group fleet was fully owned (36.0% at December 31, 2015), 21.4% was under finance lease (22.2% at December 31, 2015), and 43.4% under operating lease (41.8% at December 31, 2015).

There were firm orders outstanding for 84 aircraft at June 30, 2016, excluding operating leases, after the delivery of ten aircraft under Group ownership during the first six months of the year. Options stood at 65 aircraft (68 at December 31, 2015).

Change in the Air France-KLM Group order book	December 31, 2015	Deliveries during the period(1)	New orders	Option conversion	June 30, 2016
Main fleet	77	8	-	-	69
Regional fleet	17	2	-	-	15
Total	94	10	-	-	84

(1) Including four sub-leased Transavia Company 737-800s (three at Transavia France and one at Transavia Netherlands).

Change in the Air France-KLM Group option portfolio	December 31, 2015	Exercised during the period	Options cancelled or expired	New options	June 30, 2016
Main fleet	53	-	-	-	53
Regional fleet	15	-	3	-	12
Total	68	-	3	-	65

Fleet management

During the 2016 first half, the Air France-KLM Group continued to modernize the long-haul fleet:

- 32 aircraft were equipped with the new “Best” cabin at Air France;
- Four B787-9s were delivered at KLM, increasing this fleet to six aircraft;
- Five B777-300ERs were delivered: three for AF, two for KLM;
- An identical number of aircraft were retired: five 747-400s (three at AF and two combis at KLM), three A330-200s (KLM) and one A340-300 (AF).

Twelve B737-800s were delivered to Transavia, seven for Transavia Netherlands (of which two replacing two older aircraft) and five for Transavia France. Additionally, two A320s and one A321 were retired from the Air France fleet.

Three MD-11 cargo aircraft were withdrawn from the Martinair fleet.

The regional fleet saw the arrival of the two first Embraer 175s at KLM Cityhopper, replacing two Fokker 70s. The HOP! fleet was reduced by eight aircraft (one Embraer 135, two ATRs and five CRJs).

[9] Six freighters at the end of July 2016

The Air France-KLM fleet at June 30, 2016

Aircraft type	AF (incl. HOP!)	KL (incl. KLC & Martinair)	Transavia France	Transavia NL	Owned	Finance lease	Operating lease	Total	In operation	Change over 31/12/15
B747-400	-	20	-	-	18	-	2	20	20	-5
B777-300	43	12	-	-	9	25	21	55	55	5
B777-200	25	15	-	-	17	10	13	40	40	-
B787-9	-	6	-	-	-	1	5	6	6	4
A380-800	10	-	-	-	1	4	5	10	10	-
A340-300	12	-	-	-	5	5	2	12	11	-1
A330-300	-	5	-	-	-	-	5	5	5	-
A330-200	15	8	-	-	4	7	12	23	23	-2
Long-haul	105	66	0	0	54	52	65	171	170	1
B737-900	-	5	-	-	1	1	3	5	5	-
B737-800	-	25	26	29	8	9	63	80	80	10
B737-700	-	18	-	8	3	8	15	26	26	-
A321	20	-	-	-	5	6	9	20	20	-
A320	44	-	-	-	6	3	35	44	44	1
A319	38	-	-	-	19	6	13	38	38	-
A318	18	-	-	-	11	7	-	18	18	3
Medium-haul	120	48	26	37	53	40	138	231	231	14
ATR72-600	5	-	-	-	-	-	5	5	5	-
ATR72-500	5	-	-	-	1	3	1	5	5	-1
ATR42-500	12	-	-	-	5	3	4	12	12	-1
Canadair Jet 1000	14	-	-	-	14	-	-	14	14	-
Canadair Jet 700	13	-	-	-	13	-	-	13	11	-2
Canadair Jet 100	3	-	-	-	3	-	-	3	-	-
Embraer 190	10	30	-	-	4	15	21	40	40	-
Embraer 175	-	2	-	-	2	-	-	2	2	2
Embraer 170	16	-	-	-	8	2	6	16	14	-2
Embraer 145	18	-	-	-	13	5	-	18	16	-
Embraer 135	4	-	-	-	4	-	-	4	-	-
Fokker 70	-	16	-	-	16	-	-	16	14	-2
Regional	100	48	0	0	83	28	37	148	133	-6
B747-400ERF	-	3	-	-	3	-	-	3	3	-
B747-400BCF	-	3	-	-	-	-	3	3	1	-
B777-F	2	-	-	-	2	-	-	2	2	-
MD-11-CF	-	1	-	-	1	-	-	1	1	-
MD-11-F	-	1	-	-	1	-	-	1	1	-1
Cargo	2	8	0	0	7	0	3	10	8	-1
Total AF-KLM	**327**	**170**	**26**	**37**	**197**	**120**	**243**	**560**	**542**	**8**

Outlook and subsequent events

Outlook

For 2016, the Air France-KLM Group maintains its target of a unit cost improvement of around 1% (unit cost per EASK on a constant currency, fuel price and pension-related expenses basis) and free cashflow generation of between €600 million and €1 billion.

Medium-term financial targets

In the medium term, Air France-KLM's financial targets are as follows:

— An adjusted net debt/EBITDAR ratio of around 2.5 at the end of 2017, with the base businesses generating annual positive free cash flow;

— A unit cost reduction target of 1.5% per year over the medium term.

These targets are consistent with a ROCE of between 9% and 11% as of 2017.

Subsequent events

Air France-KLM: Pierre-François Riolacci leaves the Air France-KLM Group.

The Air France-KLM Group noted Pierre-François Riolacci's decision to resign as Chief Financial Officer to assume new professional responsibilities in a European country.

A robust and transparent recruitment process will be implemented in the coming days to appoint his successor.

Jérôme Nanty joins the Air France-KLM Group as Corporate Secretary

Jérôme Nanty was appointed Corporate Secretary and a member of the Air France-KLM Executive Committee, effective July 21, 2016.

He replaces Jacques Le Pape who is leaving the Group.

Risk factors

In addition to the risk factors outlined in the 2015 Registration Document filed with the AMF on April 12, 2016, the following risks have been identified.

Terrorist attacks, threats of attack, geopolitical instability

The on-going situation of geopolitical instability and terrorist attacks in many countries could have a negative impact on both the Group's "passenger" traffic and, consequently, its revenues, and on the level of operating expenses.

BREXIT: United Kingdom decision to withdraw from the European Union

In the medium term, the likely slowdown in the United Kingdom and, to a lesser extent, the euro zone could have an impact on the Group's activities and thus on its financial results.

Related parties

The information concerning related parties can be found in Note 26 to the consolidated financial statements.

Comments on the financial statements

Consolidated results for the first half ended June 30, 2016

Within the framework of a substantial consolidation in the catering business providing services to airlines, the Group studied various scenarios to ensure the development of its subsidiary Servair. After some months of study, the Group opted to open the Servair share capital to another shareholder.

In March 2016, both Servair and Air France informed the employee representative bodies of this search for a partner to participate in the share capital of Servair.

On May 30, 2016, the Group announced that it had entered into exclusive negotiations with HNA for the disposal of 49.99% of Servair and the transfer of its operational control. Subject to HNA’s acquisition of gategroup, Air France and HNA intend to create, with gategroup, the leading platform in the inflight catering business. On July 7, HNA published the interim result on the public tender offer for the shares of gategroup and declared the offer successful. The settlement of this offer is expected to take place towards the end of the third quarter/beginning of the fourth quarter 2016.

This transaction should lead to a loss of control of Servair by the Air France-KLM Group, as defined in IFRS 10. Servair currently constitutes the main cash-generating unit of the "Other" segment.

The above elements triggered the accounting treatment of the Servair Group as a "discontinued operation" as of March 31, 2016, as defined in IFRS 5.

The consolidated financial statements as at June 30, 2015 have consequently been restated for the purposes of comparison, except for the balance sheet,

Compared with December 31, 2015, the Air France-KLM Group’s consolidation scope at June 30, 2016 showed no significant change. The movements are outlined in Note 5 in the notes to the financial statements.

In € million	**June 30, 2016**	**June 30, 2015 restated**	**Change** ***(In %)***
Revenues	11,820	12,140	-2.6
EBITDAR	1,522	1,036	46.9
EBITDA	994	531	87.2
Income/(loss) from current operations	218	(238)	NA
Income/(loss) from operating activities	119	(154)	NA
Net income/(loss) from continuing operations	(111)	(641)	82.7
Net income/(loss) from discontinuing operations	2	4	(50.0)
Net income/(loss) - Equity holders of Air France-KLM	(114)	(638)	82.1
Basic earnings/(loss) per share *(In €)*	(0 .43)	(2.16)	80.1

Revenues

In the first half 2016, total revenues stood at €11.82 billion versus €12.14 billion in 2015 restated, down by 2.6% in nominal and on a like-for-like basis.

Operating expenses

Operating expenses decreased by 7.3 % to €10.30 billion. For capacity measured in EASK (equivalent available seat-kilometers) up by 0.3%, the unit cost per EASK decreased by 1.2% on a constant currency, fuel price and pension expense basis (see page 30 for the detailed unit cost calculation).

At €7.0 billion, **external expenses** decreased by 10.9% (€7.9 billion one year earlier).

The breakdown in operating expenses was as follows:

(In € million)	**June 30, 2016**	**June 30, 2015 restated**	**Change (in %)**
Aircraft fuel	2,263	3,141	-28.0
Chartering costs	215	217	-0.9
Landing fees and air route charges	914	941	-2.9
Catering	215	223	-3.6
Handling charges and other operating costs	750	741	1.2
Aircraft maintenance costs	1,246	1,160	7.4
Commercial and distribution costs	463	465	-0.4
Other external expenses	953	987	-3.4
Total	**7,019**	**7,875**	**-10.9**

The main changes were as follows:

- Aircraft fuel: first half fuel expenses amounted to €2.26 billion versus €3.14 billion at June 30, 2015. The fuel bill declined by 28.0% thanks to improved fuel efficiency (-€79 million) and especially a €858 million decrease in the price after hedging, despite a negative foreign exchange effect of €49 million.
- Chartering costs incurred through leasing aircraft capacity from other airlines decreased by 0.9% to €215 million versus the first half of 2015.
- Landing fees and air route charges: landing fees and air route charges for the use of airspace and airports decreased to €914 million (€941 million at June 30, 2015); they decreased by 2.1% on a constant currency basis following a change in cargo/passenger-type activity (fewer full-freighter aircraft).
- Catering costs relating to services supplied on board aircraft amounted to €215 million versus €223 million at June 30, 2015 restated, down by 3.6% (-2.1% on a constant currency basis). These expenses comprised the expenses incurred for services provided on board the Air France-KLM Group's own aircraft.
- 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 increased by 1.2% to €750 million and by 2.5% on a constant currency basis.
- Aircraft maintenance costs include the maintenance of the Group's aircraft and procurement for the third-party activity. They amounted to €1,246 million (+7.4%), the increase mainly being explained by the increase in sales to third parties (+10% on a constant currency basis) and the retrofitting of Air France and KLM cabins within the framework of their service upgrade, and despite a negative foreign exchange effect (-€16 million).
- Commercial and distribution costs were stable at €463 million.
- Other external expenses principally comprise rental costs, telecommunication costs, insurance and fees. They amounted to €953 million, decreasing by 3.4% relative to June 30, 2015 restated. This decrease is explained in particular by the decrease in rental and maintenance costs (-€21 million).

Salaries and related costs stood at €3.71 billion versus €3.74 billion at June 30, 2015 restated, i.e. down by 1.0% in nominal and on a constant currency basis. At constant pension-related expense and scope, they were down by 1.3%.

Taxes other than income taxes amounted to €88 million versus €82 million at June 30, 2015 restated.

Other income and expenses (+515 million at June 30, 2016 versus +596 million at June 30, 2015 restated) included the:

- Capitalization of maintenance and IT costs amounting to €442 million as of June 30, 2016 against €447 million as of June 30, 2015 restated.
- Currency hedges for +€95 million at June 30, 2016 versus +€162 million at June 30, 2015.
- And a €10 million expense booked concerning CO_2 emissions (€6 million one year earlier).

EBITDAR

EBITDAR amounted to €1,522 million (versus €1,036 million at June 30, 2015 restated).

The contributions to EBITDAR by business segment were as follows:

(In € million)	First half 2016	First half 2015 restated	% change
Passenger network	1,407	951	48.0
Cargo	(100)	(117)	14.5
Maintenance	193	197	-2.0
Transavia	20	(6)	NA
Others	2	11	-81.8
Total	**1,522**	**1,036**	**46.9**

Aircraft operating lease costs

Aircraft operating lease costs increased by 4.6% under the influence of the euro/dollar exchange rate and the delivery of new aircraft under operational lease. On a constant currency basis, they increased by 2.9%.

EBITDA

EBITDA amounted to €994 million (versus €531 million at June 30, 2015 restated).

The contributions to EBITDA by business segment were as follows:

(In € million)	First half 2016	First half 2015 restated	% change
Passenger network	952	510	86.7
Cargo	(103)	(128)	19.5
Maintenance	193	197	-2.0
Transavia	(50)	(59)	15.3
Others	2	11	-81.8
Total	**994**	**531**	**87.2**

Amortization, depreciation and provisions

Amortization, depreciation and provisions totaled €776 million versus €769 million at June 30, 2015 restated.

Income/(loss) from current operations

The **result from current operations** amounted to €218 million versus a loss of €238 million at June 30, 2015 restated.

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

	June 30, 2016		June 30, 2015 restated	
(In € million)	Revenues	Income/(loss) from current operations	Revenues	Income/(loss) from current operations
Passenger network	9,413	319	9,663	(112)
Cargo	1,036	(116)	1,229	(141)
Maintenance	866	95	776	86
Transavia	483	(75)	450	(75)
Others	22	(5)	22	4
Total	**11,820**	**218**	**12,140**	**(238)**

Income/(loss) from operating activities

The **result from operating activities** stood at a €119 million profit versus a €154 million loss at June 30, 2015 restated. Non-current items which amounted to a negative €99 million at June 30, 2016 were composed of:

- The €8 million result on the sale of aircraft equipment
- Other non-current income and expenses amounting to €(107) million (see Note 11), including mainly:
  - Restructuring provisions amounting to €(163) million
  - The result on the transfer of two pairs of slots at London Heathrow airport for amounting to €49 million.

Net cost of financial debt

The net cost of financial debt amounted to €134 million versus €168 million at June 30, 2015 restated. 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 €44 million versus €386 million at June 30, 2015 restated, with the breakdown as follows:

- A €119 million foreign exchange loss (loss of €246 million at June 30, 2015) which mainly included €116 million of non-realized losses on Japanese Yen debt.
  As of June 30, 2015, the foreign exchange losses had mainly included:
- a currency loss on the net debt amounting to €145 million mainly linked to the appreciation in the US dollar, Swiss franc and Japanese yen relative to the euro and also to an additional adjustment in the value of the cash held by the Group in Venezuelan bank accounts to take into account the currency conversion risk ;
- a currency loss of €84 million on provisions, mainly linked to the revaluation of the US dollar portion of the maintenance provisions.

- Net financial income of €58 million relating to the fair value of derivative instruments (loss of €96 million at June 30, 2015) which is mainly explained by the change in fair value of financial instruments recorded related to fuel derivatives for €72 million and premiums paid for fuel call options amounting to -€13 million

- Impact of accretion on long-term provisions amounting to -€27 million (versus -€30 million as of June 30, 2015);

- Release of the €41 million provision covering the accrued interest on the fine imposed concerning the litigation relating to anti-trust legislation in the air freight industry, as the European Commission did not appeal the decision taken by the European Court before February 29, 2016.

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

Income tax amounted to a €53 million loss versus a €85 million gain at June 30, 2015 restated, deriving a non-significant effective tax rate versus 12.0% at June 30, 2015 restated. The income tax loss as of June 30, 2016, whereas the result before tax is a loss, is explained by the conjunction of two elements:

- the French fiscal group, in loss as of June 30, 2016, does not recognize a tax profit on fiscal losses (ending, since the 2011 financial year, of the recognition of deferred tax assets in the French affiliates in view of the recovery period)
- the Dutch fiscal group shows a profit before tax (with a lower amount than the loss before tax of the French fiscal group) as of June 30, 2016, generating an income tax.

The **share of profits/(losses) of associates** amounted to a €1 million positive at June 30, 2016 (versus a negative €18 million at June 30, 2015 restated).

The **result from discontinued operations** amounted to a €2 million gain as of June 30, 2016 against a gain of €4 million at June 30, 2015 restated. This comprised only the result realized by the Servair Group (see Note 15).

Net income/(loss) - Equity holders of Air France-KLM stood at a loss of €114 million at June 30, 2016 (versus a loss of €638 million at June 30, 2015 restated).

The contributions to the net result by quarter were, respectively, €(152) million for the 2016 first quarter and €43 million for the 2016 second quarter.

Basic earnings/(loss) per share and diluted earnings/(loss) per share stood at €(0.43) at June 30, 2016 versus €(2.16) at June 30, 2015 restated.

Investments and financing of the Group

The Air France-KLM Group's net capital expenditure on tangible and intangible assets amounted to €1,056 million during the first half versus €809 million at June 30, 2015 restated. Net investment in the fleet amounted to €514 million, ground investment to €33 million, spare parts and aeronautical modifications to €231 million, capitalized maintenance costs to €235 million and investment in intangible assets to €43 million.

Net cash flow from operating activities of continuing operations stood at €1,429 million versus €1,074 million at June 30, 2015 restated, reflecting:

- An improvement in the cash flow from continuing operations before voluntary departure plans, which stood at €809 million at June 30, 2016 versus €318 million at June 30, 2015 restated, in line with the EBITDA improvement
- An increase in cash-outs linked to the voluntary departure plans, which stood at €173 million at June 30, 2016 versus €97 million at June 30, 2015.
- The change in working capital of continuing operations which moved from €853 million at June 30, 2015 restated to €793 million at June 30, 2016.

At June 30, 2016, net debt stood at €4.04 billion versus €4.31 billion at December 31, 2015. Currencies had a €142 million negative impact on net debt.

The Group maintains a good level of liquidity, with net cash of €4.23 billion at June 30, 2016 and undrawn credit facilities totalling €1.8 billion.

At June 30, 2016, stockholders' equity, Group share, amounted to a negative €775 million, a €1 billion deterioration over the first half on the back of the strong seasonality of results (net loss of €114 million), a decrease of €1.4 billion in the after-tax net pension liability and a +€594 million change in the fair value of the fuel hedging portfolio. The fair value of the fuel hedging portfolio remains negative, at €237 million as of June 30, 2016.

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 services invoiced to Air France and KLM. Its expenses mostly comprise financial communication costs, Statutory Auditors' fees, the expenses linked to compensation of company officers and the staff made available by Air France and KLM. In total, the operating result amounted to a €6 million negative.

The net result amounted to a €75 million loss, essentially due to financial expenses on the bonds. No dividend was paid in respect of the 2015 financial year.

Key financial indicators

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, 2016**	**June 30, 2015 Restated***
Income/(loss) from current operations	218	(238)
Portion of operating leases corresponding to financial charges (34%)	180	172
Adjusted income/(loss) from current operations	**398**	**(66)**
Revenues	11,820	12,140
Adjusted operating margin	**3.4%**	**(0.5%)**

** Restated, see Note 2 to the financial statements on page 39*

Restated net income

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

(In € million)	**June 30, 2016**	**June 30, 2015 Restated***
Net income/(loss), Group share	(114)	(638)
Net income/(loss) from discontinued operations	(2)	(4)
Change in fair value of financial assets and liabilities (derivatives)	(129)	51
Unrealized foreign exchange gains and losses, net	122	237
Non-current income and expenses	99	(84)
Impairment on shares available-for-sale	-	7
Restated net income/(loss), Group share	**(24)**	**(431)**
Restated net income/(loss) per share, Group share	**(0.12)**	**(1.46)**

** Restated, see Note 2 to the financial statements on page 39*

Financial cover ratios

► **Net debt/EBITDA**

	June 30, 2016 Trailing 12 months	December 31, 2015
Net debt *(in €m)*	4,042	4,307
EBITDA *(in €m)*	2,849	2,447
Net debt/EBITDA	**1.4x**	**1.8x**

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

	June 30, 2016 Trailing 12 months	December 31, 2015
EBITDA *(in €m)*	2,849	2,447
Net cost of financial debt *(in €m)*	277	310
EBITDA/net cost of financial debt	**10.3x**	**7.9x**

► **Adjusted net debt/EBITDAR**

Adjusted net debt amounts to net debt added to the annual amount of operating leases capitalized at seven times. Within the framework of the new Perform 2020 plan, the Group has set itself an adjusted net debt/EBITDAR ratio target of around 2.5x at the end of 2017.

	June 30, 2016 Trailing 12 months	December 31, 2015
Net debt *(in €m)*	4,042	4,307
Operating leases x 7 *(in €m)*	7,343	7,189
Total adjusted net debt ***(in €m)***	**11,385**	**11,496**
EBITDAR ***(in €m)***	3,898	**3,474**
Adjusted net debt/EBITDAR	**2.9x**	**3.3x**

► **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, 2016 Trailing 12 months	December 31, 2015
EBITDAR ***(in €m)***	**3,898**	**3,474**
Net cost of financial debt *(in €m)*	277	310
Portion of operating leases corresponding to interest charges (34%) *(in €m)*	357	349
Adjusted net cost of financial debt ***(in €m)***	**634**	**659**
EBITDAR/adjusted net cost of financial debt	**6.2x**	**5.3x**

Return on Capital Employed (ROCE)

The return on capital employed measures the return on invested capital by expressing a result after tax as a percentage of capital employed. The calculation methodology, in line with market practices, is the following:

- The calculation of capital employed is currently based on an additive method by identifying the balance sheet items corresponding to capital employed. The capital employed for the year is obtained by taking the average of the capital employed on the opening and closing balance sheets, to which is added the capital employed corresponding to aircraft under operating leases (seven times the amount of operating leases for the year);

- The adjusted result after tax corresponds to the sum of the operating result adjusted for the portion corresponding to financial charges in operating leases (34%), dividends received, and the share of profits/(losses) of associates. To be able to compare figures on a comparable scope, the Alitalia shares have been excluded from the calculation.

(In € million)	**June 30, 2016**	**June 30, 2015**	**June 30, 2015**	**June 30, 2014**
Goodwill and intangible assets	1,238	1,270	1,270	1,232
Flight equipment	9,192	8,843	8,843	9,235
Other property, plant and equipment	1,494	1,720	1,720	1,764
Investments in equity associates, excluding Alitalia	73	131	131	159
Other financial assets excluding share available for sale, marketable securities and financial deposits	204	200	200	121
Provisions excluding pension, cargo litigation and restructuring	(1,558)	(1,510)	(1,510)	(1,143)
WCR, excluding market value of derivatives	(5,897)	(5,923)	(5,923)	(5,591)
Capital employed on the balance sheet	4,746	4,731	4,731	5,777
Average capital employed on the balance sheet	**4,739**		**5,254**	
Capital employed corresponding to flight equipment under operating leases (operating leases x7)	7,343		6,636	
Average capital employed (A)	**12,082**		**11,890**	
Operating result, adjusted for operating leases	1,592		572	
Dividends received	(2)		(10)	
Share of profits/(losses) of associates	(16)		(46)	
Tax recognized in the adjusted net result	(165)		122	
Adjusted result after tax, excluding September 2014 strike (B)	**1,409**		**638**	
ROCE (B/A)	**11.7%**		**5.4%**	

Net cost per EASK

To analyze the cost performance of an individual transportation activity, the Group divides the net cost of this activity by the capacity produced, expressed in ASK for the "passenger network" and Transavia activity, and in ATK for the cargo activity.

To analyze the company's overall cost performance, the Group uses the net cost per EASK. This net cost is obtained by dividing the total net cost by the capacity produced expressed in equivalent available seat-kilometers (EASK). The net cost is calculated by subtracting the revenues other than those generated by the three transportation activities (passenger, Cargo, Transavia) from total operating expenses. The capacity produced by the three transportation activities is combined by adding the capacity of the passenger business (in ASK) to that of Transavia (in ASK) and the cargo business (in ATK) converted into EASK based on a separate fixed factor for Air France and for KLM.

IAS 19 Revised makes the defined benefit pension expense more volatile. This expense varies independently of the corresponding cash outflows. The calculation of the change in the net cost per EASK on a constant defined benefit pension expense basis enables this effect to be stripped out.

	First half 2016	**First half 2015***
Revenues *(in €m)*	11,820	12,140
Income/(loss) from current operations *(in €m)*	218	(238)
Total operating expense *(in €m)*	(11,602)	(12,376)
Passenger network business – other revenues *(in €m)*	406	415
Cargo business – other revenues *(in €m)*	79	79
Third-party revenues in the maintenance business *(in €m)*	866	775
Transavia – other revenues *(in €m)*	8	7
Third-party revenues of other businesses *(in €m)*	22	21
Net cost *(in €m)*	**10,221**	**11,079**
Capacity produced, reported in EASK	163,678	163,181
Net cost per EASK (in € cents per EASK)	**6.24**	**6.79**
Gross change		***-8.1%***
Currency effect on net costs *(in €m)*		106

Change at constant currency		***-8.9%***
Fuel price effect *(in €m)*		(858)
Change on a constant currency and fuel price basis		***1.3%***
Variation in pension-related expenses***(in €m)*		5
Net cost per EASK *on a constant currency, fuel price and pension-related expenses basis (in € cents per EASK)*	**6.24**	**6.33**
Change on a constant currency, fuel price and pension-related expenses basis		**-1.4%**

**Servair reclassified as a discontinued operation*

Unaudited interim condensed consolidated financial statements

Prepared in accordance with International Financial Reporting Standards ("IFRS" as adopted by the European Commission for use in the European Union

January 1, 2016 - June 30, 2016

Consolidated income statement (unaudited)

In € million **Period from January 1 to June 30**	***Notes***	**2016**	**2015 Restated (*)**
Sales	***6***	**11,820**	**12,140**
Other revenues		**-**	**2**
Revenues		**11,820**	**12,142**
External expenses	***7***	(7,019)	(7,875)
Salaries and related costs	***8***	(3,706)	(3,744)
Taxes other than income taxes		(88)	(82)
Other income and expenses	***10***	515	595
EBITDAR		**1,522**	**1,036**
Aircraft operating lease costs		(528)	(505)
EBITDA		**994**	**531**
Amortization, depreciation and provisions		(776)	(769)
Income from current operations		**218**	**(238)**
Sales of aircraft equipment		8	(5)
Other non-current income and expenses	***11***	(107)	89
Income from operating activities		**119**	**(154)**
Cost of financial debt	***12***	(162)	(198)
Income from cash and cash equivalents	***12***	28	30
Net cost of financial debt		***(134)***	***(168)***
Other financial income and expenses	***12***	(44)	(386)
Income before tax		**(59)**	**(708)**
Income taxes	***13***	(53)	85
Net income of consolidated companies		**(112)**	(623)
Share of profits (losses) of associates	***14***	1	(18)
Net income from continuing operations		**(111)**	**(641)**
Net income from discontinued operations	***15***	2	4
Net income for the period		**(109)**	**(637)**
Non-controlling interests		*5*	*1*
Net income – Group part		*(114)*	*(638)*
Earnings per share – Equity holders of Air France-KLM *(in euros)*			
• basic and diluted	***16***	(0.43)	(2.16)
Net income from continuing operations – Equity holders of Air France-KLM (in euros)			
• basic and diluted	***16***	(0.43)	(2.17)
Net income from discontinued operations – Equity holders of Air France-KLM (in euros)			
• basic and diluted	***16***	0.01	0.01

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

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

Consolidated statement of recognized income and expenses (unaudited)

In € million **Period from January 1 to June 30**	**2016**	**2015**
Net income for the period	**(109)**	**(637)**
Fair value adjustment on available-for-sale securities		
Change in fair value recognized directly in other comprehensive income	(15)	23
Change in fair value transferred to profit and loss	-	(222)
Fair value hedges		
Effective portion of changes in fair value hedge recognized directly in other comprehensive income	11	(10)
Cash flow hedges		
Effective portion of changes in fair value hedge recognized directly in other comprehensive income	221	76
Change in fair value transferred to profit or loss	510	550
Currency translation adjustment	**5**	**6**
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	**(225)**	**(168)**
Total of other comprehensive income that will be reclassified to profit or loss	***507***	***255***
Remeasurements of defined benefit pension plans	**(1,829)**	**361**
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	**429**	**(95)**
Total of other comprehensive income that will not be reclassified to profit or loss	***(1,400)***	***266***
Total of other comprehensive income. after tax	**(893)**	**521**
Recognized income and expenses	**(1,002)**	**(116)**
• **Equity holders of Air France-KLM**	**(1,001)**	**(119)**
• Non-controlling interests	(1)	3

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

Consolidated balance sheet (unaudited)

Assets *In € million*	***Notes***	**June 30, 2016**	**December 31, 2015**
Goodwill		217	247
Intangible assets		1,021	1,018
Flight equipment	***17***	9,192	8,743
Other property. plant and equipment	***17***	1,494	1,670
Investments in equity associates		73	118
Pension assets	***18***	737	1,773
Other financial assets		1,198	1,224
Deferred tax assets		821	702
Other non-current assets		359	295
Total non-current assets		**15,112**	**15,790**
Assets held for sale	***15 & 19***	380	4
Other short-term financial assets		175	967
Inventories		574	532
Trade receivables		1,980	1,800
Other current assets		1,022	1,138
Cash and cash equivalents	***23***	3,833	3,104
Total current assets		**7,964**	**7,545**
Total assets		**23,076**	**23,335**

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

Consolidated balance sheet (unaudited) (continued)

Liabilities and equity *In € million*	***Notes***	**June 30, 2016**	**December 31, 2015**
Issued capital	***20.1***	300	300
Additional paid-in capital		2,971	2,971
Treasury shares		(84)	(85)
Perpetual		600	600
Reserves and retained earnings	***20.2***	(4,562)	(3,561)
Equity attributable to equity holders of Air France-KLM		**(775)**	**225**
Non-controlling interests		42	48
Total equity		**(733)**	**273**
Pension provisions	***18***	2,716	1,995
Other provisions	***21***	1,467	1,513
Long-term debt	***22 & 23***	7,185	7,060
Deferred tax liabilities		9	11
Other non-current liabilities		314	484
Total non-current liabilities		**11,691**	**11,063**
Liabilities relating to assets held for sale	***15***	253	-
Other provisions	***21***	775	742
Current portion of long-term debt	***22 & 23***	1,527	2,017
Trade payables		2,333	2,395
Deferred revenue on ticket sales		3,602	2,515
Frequent flyer programs		787	760
Other current liabilities		2,827	3,567
Bank overdrafts	***23***	14	3
Total current liabilities		**12,118**	**11,999**
Total liabilities		**23,809**	**23,062**
Total liabilities and equity		**23,076**	**23,335**

The accompanying notes are an integral part of these interim 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	Perpetual	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Non-controlling interests	Total equity
December 31, 2014 – Restated (*)	**300,219,278**	**300**	**2,971**	**(86)**	**-**	**(3,877)**	**(692)**	**39**	**(653)**
Fair value adjustment on available for sale securities	-	-	-	-	-	(185)	**(185)**	**-**	**(185)**
Gain/(loss) on cash flow hedges	-	-	-	-	-	439	**439**	**1**	**440**
Gain/(loss) on fair value hedges	-	-	-	-	-	(6)	**(6)**	-	**(6)**
Remeasurements of defined benefit pension plans	-	-	-	-		265	265	1	266
Currency translation adjustment	-	-	-	-		6	**6**	-	**6**
Other comprehensive income	-	-	-	-	-	*519*	*519*	*2*	*521*
Net result for the period	-	-	-	-	-	(638)	**(638)**	1	**(637)**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**-**	**(119)**	**(119)**	**3**	**(116)**
Treasury shares	-	-	-	2	-	-	**2**	-	**2**
Change in scope	-	-	-	-	-	(3)	**(3)**	3	**-**
Perpetual	-	-	-	-	600	-	**600**	-	**600**
June 30, 2015	**300,219,278**	**300**	**2,971**	**(84)**	**600**	**(3,999)**	**(212)**	**45**	**(167)**
December 31, 2015	**300,219,278**	**300**	**2,971**	**(85)**	**600**	**(3,561)**	**225**	**48**	**273**
Fair value adjustment on available-for-sale securities	-	-	-	-	-	(15)	**(15)**	-	**(15)**
Gain/(loss) on cash flow hedges	-	-	-	-	-	508	**508**	2	510
Gain/(loss) on fair value hedges	-	-	-	-	-	7	**7**	-	**7**
Remeasurements of defined benefit pension plans	-	-	-	-	-	(1,392)	(1,392)	(8)	(1,400)
Currency translation adjustment	-	-	-	-	-	5	**5**	-	**5**
Other comprehensive income	**-**	**-**	**-**	**-**		***(887)***	***(887)***	***(6)***	***(893)***
Net result for the period	-	-	-	-		(114)	**(114)**	**5**	**(109)**
Total of income and expenses recognized	-	-	-	-		**(1,001)**	**(1,001)**	**(1)**	**(1,002)**
Dividends paid and coupons on perpetual	-	-	-	-	-	-	-	(5)	(5)
Treasury shares	-	-	-	1	-	-	1	-	1
June 30, 2016	**300,219,278**	**300**	**2,971**	**(84)**	**600**	**(4,562)**	**(775)**	**42**	**(733)**

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

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

Consolidated statements of cash flows (unaudited)

Period from January 1 to June 30 *In € millions*	***Notes***	**2016**	**2015** **Restated (*)**
Net income from continuing operations		(111)	(641)
Net income from discontinued operations	***15***	2	4
Amortization. depreciation and operating provisions		781	781
Financial provisions		(21)	43
Loss (gain) on disposals of tangible and intangible assets		(59)	5
Loss (gain) on disposals of subsidiaries and associates	***11***	(7)	(224)
Derivatives – non-monetary result		(129)	51
Unrealized foreign exchange gains and losses, net		122	237
Share of (profits) losses of associates		(1)	16
Deferred taxes	***13***	33	(105)
Impairment		2	-
Other non-monetary items		33	63
Financial capacity		**645**	**230**
Including discontinued operations		**9**	**9**
(Increase)/decrease in inventories		(76)	(62)
(Increase)/decrease in trade receivables		(238)	(381)
Increase/(decrease) in trade payables		33	(29)
Change in other receivables and payables		1,074	1,325
Change in working capital requirement		**793**	**853**
Change in working capital from discontinued operations		2	9
Net cash flow from operating activities		**1,440**	**1,092**
Acquisition of subsidiaries, of shares in non-controlled entities		(4)	(6)
Purchase of property plant and equipment and intangible assets		(1,152)	(860)
Proceeds on disposal of subsidiaries, of disposal of shares in non-controlled entities		4	342
Proceeds on disposal of property plant and equipment and intangible assets		96	51
Dividends received		3	1
Decrease (increase) in net investments, more than 3 months		681	(204)
Net cash flow used in investing activities of discontinued operations		(5)	(12)
Net cash flow used in investing activities		**(377)**	**(688)**
Perpetual		-	599
Issuance of debt		686	803
Repayment on debt		(720)	(1,133)
Payment of debt resulting from finance lease liabilities		(241)	(380)
New loans		(32)	(41)
Repayment on loans		20	96
Dividends and coupons on perpetual paid		(1)	(4)
Net cash flow used in financing activities of discontinued operations		(6)	5
Net cash flow from financing activities		**(294)**	**(55)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		(23)	(18)
Effect of exchange rate on cash and cash equivalents and bank overdrafts of discontinued operations		(1)	(4)
Change in cash and cash equivalents and bank overdrafts		**745**	**327**
Cash and cash equivalents and bank overdrafts at beginning of period		3,073	2,902
Cash and cash equivalents and bank overdrafts at end of period		3,819	3,222
Change in cash of discontinued operations		(1)	7
Income tax (paid)/ reimbursed (flow included in operating activities)		(50)	(47)

Period from January 1 to June 30	*Notes*	2016	2015
In € millions			**Restated (*)**
Interest paid (flow included in operating activities)		(165)	(225)
Interest received (flow included in operating activities)		19	20
Net cash flow from operating activities		1,440	1,092
Purchase of property plant and equipment and intangible assets		(1,152)	(860)
Proceeds on disposal of property plant and equipment and intangible		96	51
- Net cash flow from operating activities from discontinued operations		(11)	(18)
Operating free cash flow excluding discontinued operations	***23***	**373**	**265**

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

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

Notes to the condensed consolidated financial statements (unaudited)

Note 1 Business description

As used herein, the term "Air France–KLM" refers to Air France-KLM SA, 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 on scheduled flights (“passenger network”). The Group’s activities also include cargo, aeronautics maintenance, “low cost” passenger transportation (Transavia) and other air-transport-related activities including, principally, catering.

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

Note 2 Restatement of accounts 2015

Presentation of Servair Group as discontinued operation

Within the framework of a substantial consolidation in the catering business providing services to airlines, the Group studied various scenarios to ensure the development of its subsidiary Servair. After some months of study, the Group opted for the participation of another company in the share capital of Servair.

In March 2016, both Servair and Air France informed the representative bodies of their employees about this process of searching a partner to participate in the share capital of Servair.

On May 30, 2016, the Group has announced to be entered into exclusive negotiations with HNA for the disposal of 49.99% of Servair and the transfer of its operational control. Subject to HNA’s acquisition of gategroup, Air France and HNA intend to create, with gategroup, the leading platform in the inflight catering business. On July 7, HNA has published the interim result on the public tender offer for the shares of gategroup and has declared the offer successful. The settlement of this offer is expected to occur towards the end of the 3rd quarter / beginning of the 4th quarter 2016.

This should lead to a loss of control of Servair by Air France-KLM Group, as defined in IFRS 10 standard. Servair currently constitutes the main cash-generating unit of the segment "Other".

The above elements have triggered the accounting treatment of the Servair Group in "discontinued operations" as of March 31, 2016, as defined in IFRS 5 standard.

The consolidated figures as at June 30, 2015 have consequently been restated for the purpose of comparison, except for the balance sheet.

Detailed information of net income from discontinued operations is presented in Note 15.

Note 3 Significant events

3.1 Events that occurred in the period

Except the ongoing negotiations relating to the participation of another company in the share capital of Servair mentioned in note 2, the following significant event occurred on the period:

Voluntary departure plan

During the meeting of the Corporate Works Council on February 26, 2016, the Air France management presented the voluntary departure plan for ground staff and cabin crew, aimed at the departure of approximately respectively 1,400 and 200 full time equivalents. The Group accordingly made a provision of €149 million to the income statement as of June 30, 2016 (see note 11). This provision is the best estimate of the costs involved in this voluntary departure plan.

3.2 Subsequent events

There has been no significant event since the closing of the period.

Note 4 Accounting policies

4.1 Accounting principles

Accounting principles used for the consolidated financial statements

Pursuant to the European Regulation n° 1606/2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM Group as of December 31, 2015 were established in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Commission on the date these consolidated financial statements were established.

The interim condensed consolidated financial statements as of June 30, 2016 are prepared in accordance with IFRS, as adopted by the European Union on the date these condensed consolidated financial statements were established, 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, 2015.

The interim condensed consolidated financial statements as of June 30, 2016 have been established in accordance with the accounting principles used by the Group for the consolidated financial statements 2015, except for standards and interpretations adopted by the European Union applicable as from January 1, 2016.

The condensed consolidated financial statements were approved by the Board of Directors on July 26, 2016.

Change in accounting principles

- **IFRS standards, amendments to the IFRS standards and IFRIC interpretations which are applicable on a mandatory basis to the 2016 financial statements**

    - Amendment to IFRS 11 "Joint Arrangements", effective for the period beginning January 1, 2016;
    - Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", effective for the period beginning January 1, 2016;
    - Amendment to IAS 1 "Presentation of Financial Statements", effective for the period beginning January 1, 2016;
    - Amendment to IAS 19 "Employee benefit", effective for the period beginning January 1, 2016.

  These amendments did not generated significant impacts on Group's financial statements as of June 30, 2016.

- **Texts potentially applicable to the Group, published by the IASB but not yet adopted by the European Union**

    - Standard IFRS 9 "Financial Instruments", effective for the period beginning January 1, 2018;
    - Standard IFRS 15 "Revenue Recognition from Contracts with Customers", effective for the period beginning January 1, 2018 and replacing the standards IAS 18 "Revenues", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes";
    - Standard IFRS 16 "Leases", effective for the period beginning January 1, 2019;
    - Amendment to IAS 7 "Cash Flow Statement", effective for the period beginning January 1, 2017;
    - Amendment to IAS 12 "Income tax", effective for the period beginning January 1, 2017.

  The Group will early adopt the amendment to IAS 7 as from December 31, 2016.
  The Group does not expect any significant impact of the amendment to IAS 12.
  The implementation of IFRS 9, IFRS 15 and IFRS 16 is followed as a project. For each standard, the Group has set up dedicated working groups with the individual business segment and department concerned. The initial aim is to identify the changes relative to the current standards, so as to be in a second step, in the position to evaluate the financial impacts.

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

The net obligations concerning the defined-benefits schemes are revalued based on the discount rates and the fair-value of assets at interim closing dates. The net impact of these revaluations is recorded in other comprehensive income. Low discount rates can lead the Group to review other actuarial assumptions in order to keep a global consistency of the assumptions set.

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 consolidated financial statements and the reported amounts of revenues and expenses. The significant areas of estimates described in the note 4 of the December 31, 2015 consolidated financial statements, concerned:

- Revenue recognition related to deferred revenue on ticket sales;
- Flying Blue frequent flyer program;
- Financial assets;
- Tangible and intangible assets;
- Pension assets and provisions;
- Other provisions;
- Deferred tax assets.

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 period have thus been established on the basis of financial parameters available at the closing date. Concerning the non-current assets, the assumptions are based on a limited level of growth.
Actual results could differ from these estimates depending on changes in the assumptions used or different conditions.

Note 5 Change in the consolidation scope

- **First semester ended June 30, 2016**

No significant acquisitions or disposals took place during the first semester ended June 30, 2016.

- **First semester ended June 30, 2015**

No significant acquisitions or disposals took place during the first semester ended June 30, 2015.

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 network: Passenger network operating revenues primarily come from passenger transportation services on scheduled flights with the Group's airline code (except Transavia), 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.

Transavia: The revenues from this segment come from the "low cost" activity realized by Transavia.

Other: The revenues from this segment come from several services provided by the Group and not covered by the four other segment mentioned above.

The results of the business segments are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond to the EBITDAR, EBITDA, 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 origin of sales area**

Group activities by origin of sale are broken down into eight geographical areas:

- Metropolitan France
- Benelux
- Europe (excluding France and Benelux)

- 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.

• Activity by destination

Group activities by destination are divided into seven geographical areas:

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

6.1 Information by business segment

• First semester ended June 30, 2016

In € millions	**Passenger Network**	**Cargo**	**Maintenance**	**Transavia**	**Other**	**Non allocated**	**Total**
Total sales	10,034	1,044	2,006	483	324	-	13,891
Intersegment sales	(621)	(8)	(1,140)	-	(302)	-	(2,071)
External sales	**9,413**	**1,036**	**866**	**483**	**22**	**-**	**11,820**
EBITDAR	1,407	(100)	193	20	2	-	1,522
EBITDA	952	(103)	193	(50)	2	-	994
Income from current operations	319	(116)	95	(75)	(5)	-	218
Income from operating activities	235	(124)	91	(75)	(8)	-	119
Share of profits (losses) of associates	(3)	-	2	-	2	-	1
Net cost of financial debt and other financial income and expenses	-	-	-	-	-	(178)	(178)
Income taxes	-	-	-	-	-	(53)	(53)
Net income from continuing operations	**232**	**(124)**	**93**	**(75)**	**(6)**	**(231)**	**(111)**

• First semester ended June 30, 2015 (restated)

In € millions	**Passenger Network**	**Cargo**	**Maintenance**	**Transavia**	**Other**	**Non allocated**	**Total**
Total sales	10,374	1,240	1,972	452	322	-	14,360
Intersegment sales	(711)	(10)	(1,196)	(3)	(300)	-	(2,220)
External sales	**9,663**	**1,230**	**776**	**449**	**22**	**-**	**12,140**
EBITDAR	952	(117)	197	(6)	10	-	1,036
EBITDA	510	(128)	197	(59)	11	-	531
Income from current operations	(112)	(141)	86	(75)	4	-	(238)
Income from operating activities	53	(190)	60	(75)	(2)	-	(154)
Share of profits (losses) of associates	(20)	-	1	-	1	-	(18)
Net cost of financial debt and other financial income and expenses	-	-	-	-	-	(554)	(554)
Income taxes	-	-	-	-	-	85	85
Net income from continuing operations	**33**	**(190)**	**61**	**(75)**	**(1)**	**(469)**	**(641)**

6.2 Information by geographical area

External sales by geographical area

- **First semester ended June 30, 2016**

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	2,720	863	2,075	461	226	742	1,419	501	9,007
Other passenger sales	174	60	64	22	3	51	20	12	406
Total passenger	**2,894**	**923**	**2,139**	**483**	**229**	**793**	**1,439**	**513**	**9,413**
Scheduled cargo	176	113	283	56	13	145	102	67	955
Other cargo sales	18	10	15	8	1	9	14	6	81
Total cargo	**194**	**123**	**298**	**64**	**14**	**154**	**116**	**73**	**1,036**
Scheduled Transavia	172	263	33	3	-	1	2	1	475
Transavia – other sales	4	-	-	-	-	-	4	-	8
Total Transavia	**176**	**263**	**33**	**3**	**-**	**1**	**6**	**1**	**483**
Maintenance	506	291	15	-	-	-	54	-	866
Others	6	14	2	-	-	-	-	-	22
Total	**3,776**	**1,614**	**2,487**	**550**	**243**	**948**	**1,615**	**587**	**11,820**

- **First semester ended June 30, 2015 (restated)**

In € millions	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	2,878	849	2,089	462	222	854	1,339	555	9,248
Other passenger sales	176	70	69	28	3	47	11	11	415
Total passenger	**3,054**	**919**	**2,158**	**490**	**225**	**901**	**1,350**	**566**	**9,663**
Scheduled cargo	175	123	332	77	22	212	137	73	1,151
Other cargo sales	14	4	19	7	1	11	17	6	79
Total cargo	**189**	**127**	**351**	**84**	**23**	**223**	**154**	**79**	**1,230**
Transavia	144	281	24	-	-	-	-	-	449
Maintenance	462	253	12	-	-	-	49	-	776
Others	7	15	-	-	-	-	-	-	22
Total	**3,856**	**1,595**	**2,545**	**574**	**248**	**1,124**	**1,553**	**645**	**12,140**

Traffic sales by geographical area of destination

- **First semester ended June 30, 2016**

In € millions	Metropolitan France	Europe (excl. France), North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa), Middle East	North America, Mexico	South America, except Mexico	Asia, New Caledonia	Total
Scheduled passenger	930	2,098	744	1,211	1,832	765	1,427	9,007
Scheduled cargo	1	16	70	215	223	175	255	955
Scheduled Transavia	9	456	-	10	-	-	-	475
Total	**940**	**2,570**	**814**	**1,436**	**2,055**	**940**	**1,682**	**10,437**

• **First semester ended June 30, 2015**

In € million	Metropolitan France	Europe (excl. France), North Africa	Caribbean, French Guyana, Indian Ocean	Africa (excl. North Africa), Middle East	North America, Mexico	South America, except Mexico	Asia, New Caledonia	Total
Scheduled passenger	949	2,152	727	1,189	1,840	829	1,562	9,248
Scheduled cargo	2	21	67	234	276	205	346	1,151
Transavia	15	419	-	15	-	-	-	449
Total	**966**	**2,592**	**794**	**1,438**	**2,116**	**1,034**	**1,908**	**10,848**

Note 7 External expenses

In € million **Period from January 1 to June 30**	**2016**	**2015 Restated**
Aircraft fuel	2,263	3,141
Chartering costs	215	217
Landing fees and air route charges	914	941
Catering	215	223
Handling charges and other operating costs	750	741
Aircraft maintenance costs	1,246	1,160
Commercial and distribution costs	463	465
Other external expenses	953	987
Total	**7,019**	**7,875**
Excluding aircraft fuel	*4,756*	*4,734*

Note 8 Salaries and number of employees

Salaries and related costs

In € million **Period from January 1 to June 30**	**2016**	**2015 Restated**
Wages and salaries	2,589	2,658
Pension costs linked to defined contribution plans	278	271
Net periodic pension cost of defined benefit plans	136	135
Social contributions	528	538
Cost of temporary employees	72	81
Other expenses	103	61
Total	**3,706**	**3,744**

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, it is accounted for as a defined contribution plan in “pension costs linked to defined contribution plans”.

The line “Other” includes, as at June 30, 2016, an amount of €54 million of profit sharing expenses (against €7 million as at June 30, 2015).

Average number of employees

Period from January 1 to June 30	**2016**	**2015 Restated**
Flight deck crew	7,702	7,912
Cabin crew	20,748	21,288
Ground staff	53,807	55,352
Temporary employees	2,228	2,441
Total	**84,485**	**86,993**

Note 9 Amortization, depreciation and provisions

In € millions **Period from January 1 to June 30**	**2016**	**2015** **Restated**
Amortization		
Intangible assets	62	51
Flight equipment	605	618
Other property, plant and equipment	103	107
	770	**776**
Depreciation and provisions		
Inventories	-	(7)
Trade receivables	(10)	(2)
Risks and contingencies	16	2
	6	**(7)**
Total	**776**	**769**

Note 10 Other income and expenses

In € millions **Period from January 1 to June 30**	**2016**	**2015** **Restated**
Capitalized production	442	447
Joint operation of routes	(26)	(21)
Operations-related currency hedges	95	162
Other	4	7
Other income and expenses	**515**	**595**

Note 11 Other non-current income and expenses

In € millions **Period from January 1 to June 30**	**2016**	**2015**
Restructuring costs	(163)	(133)
Disposal of slots	49	-
Disposal of shares available for sale	-	224
Disposals of subsidiaries and affiliates	7	-
Other	-	(2)
Other non-current income and expenses	**(107)**	**89**

- **Six month period ended June 30, 2016**

Restructuring costs

As of June 30, 2016, this includes:
- €149 million relating to the voluntary departure plans announced by Air France in February 2016 (see note 3.1);
- €5 million relating to several voluntary departure plans initiated in the other Air France establishments located abroad.
- €9 million relating to an additional provision for KLM's restructuring plans.

Sale of slots

During the first semester 2016, the Group transferred to two airlines two pairs of slots at London Heathrow airport. Concerning this operation, an amount of €49 million has been recorded as of June 30, 2016.

Disposal of subsidiaries and affiliates

As of June 30, 2016, this includes the impact of the reclassification in “shares available for sales” of an affiliate previously recorded as equity investment.

- **Six month period ended June 30, 2015**

Restructuring costs

As of June 30, 2015, this line included:
- a provision of €56 million relating to the voluntary departure plans announced by Air France in February 2015;
- a provision of €40 million relating to the voluntary departure plan for Martinair pilots;
- a provision of €31 million relating to the new voluntary departure plan announced by KLM in June 2015.

Disposal of shares available for sale

On January 15, 2015, the Group sold a block of 9,857,202 shares in the Spanish company Amadeus IT Holding S.A. ("Amadeus"), representing approximately 2.2 per cent of the company’s share capital. This transaction generated:
- A positive result on the disposal of the shares amounting to €218 million in the “Other non-current income and expenses” part of the income statement;
- Cash proceeds of €327 million.

After this operation, the Group still holds 9.9 million of Amadeus shares. The value of these shares was fully hedged in a transaction concluded on November 25, 2014.

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

In € million **Period from January 1 to June 30**	**2016**	**2015** **Restated**
Income from marketable securities	5	7
Other financial income	23	23
Income from cash and cash equivalents	**28**	**30**
Loan interests	(98)	(123)
Lease interests	(28)	(33)
Capitalized interests and other non-monetary items	5	6
Other financial expenses	(41)	(48)
Gross cost of financial debt	**(162)**	**(198)**
Net cost of financial debt	**(134)**	**(168)**
Foreign exchange gains (losses), net	(119)	(245)
Financial instruments	58	(96)
Net (charge) release to provisions	47	(15)
Other	(30)	(30)
Other financial income and expenses	**(44)**	**(386)**

Cost of financial debt

As of June 30, 2016, the gross cost of financial debt includes an amount of €13 million corresponding to the difference between the nominal interest rate and the effective interest rate (after split accounting) of the OCEANE bonds issued (€20 million as of June 30, 2015).

The interest rate used in the calculation of capitalized interest is 2.8% for the six-month period ended June 30, 2016 (3.25% for the six-month period ended June 30, 2015).

Foreign exchange gain (losses)

As of June 30, 2016, the foreign exchange losses mainly include €116 million non-realized losses on Japanese Yen debt.

As of June 30, 2015, the foreign exchange losses mainly included:
- a currency loss on the net debt amounting to €145 million mainly linked to the appreciation in the US dollar, Swiss franc and Japanese yen relative to the euro and also to an additional adjustment in the value of the cash held by the Group in Venezuelan bank accounts to take into account the currency conversion risk ;
- a currency loss of €84 million on provision, mainly linked to the revaluation of the US dollar portion of the maintenance provisions.

Change in fair value of financial instruments

As of June 30, 2016, it mainly includes the change in fair value of financial instruments recorded related to fuel derivatives for €72 million and premium paid for fuel call options amounting to € (13) million.

As of June 30, 2015, the change in fair value of financial instruments recorded is related to fuel derivatives for €(57) million, foreign exchange derivatives for € (23) million, the total return swap on OCEANE for (9) million, and the Amadeus collar for €(8) million.

Net (charge)/release to provisions

As of June 30, 2016, the Group released to the consolidated income statement the €41 million provision covering the accrued interest of the fine imposed concerning the litigation relating to anti-trust legislation in the air freight industry, as the European commission did not appeal before February 29, 2016 the decision taken by European Court.

As of June 30, 2015, the net addition to provisions comprised mainly the constitution of a provision on GOL shares.

Other financial income and expenses

As of June 30, 2016 and 2015, the line "other" comprises mainly the effect of accretion on long-term provisions.

Note 13 Income taxes

13.1 Income tax charge

Current income tax expenses and deferred income tax are detailed as follows:

In € millions **Period from January 1 to June 30**	**2016**	**2015** **Restated**
Current tax (expense) / income	**(16)**	**(14)**
Change in temporary differences	(3)	(18)
CAVE impact	2	2
(Use/de-recognition)/recognition of tax loss carry forwards	(36)	115
Deferred tax income/ (expense) from continuing operations	**(37)**	**99**
Total	**(53)**	**85**

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.

- **French fiscal group**

In France, tax losses can be carried forward for an unlimited period. However, there is a limitation on the amount of fiscal loss recoverable each year to 50 per cent of the profit for the period beyond the first million euros. The recoverability of the deferred tax losses corresponds to a period of seven years, consistent with the Group's operating visibility.

- **Dutch fiscal group**

In The Netherlands, tax losses can be carried forward over a period of nine years without limitation in the amount of recovery due each year.

As of June 30, 2015, the Group had experienced a deferred tax income of €112 million for deferred losses of Dutch tax consolidation perimeter.

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

In € millions **Period from January 1 to June 30**	**2016**	**2015**
Other comprehensive income that will be reclassified to profit and loss	**(225)**	**(168)**
Assets available for sale	-	13
Derivatives	(225)	(181)
Other comprehensive income that will not be reclassified to profit and loss	**429**	**(95)**
Pensions	429	(95)
Total	**204**	**(263)**

Note 14 Share of profits (losses) of associates

As of June 30, 2015, the share of losses of associates held by the Group was mainly linked to Kenya Airways, a Kenyan airline based in Nairobi over which the Group exercises a significant influence. Since December 31, 2015, the equity value of Kenya Airways is nil.

Note 15 Net income from discontinued operations

As of June 30, 2016 and 2015, the line “net income from discontinued operations” includes the result of Servair Group (see note 2), whose allocation after intercompanies elimination is the following:

In € millions **Period from January 1 to June 30**	**2016**	**2015** **Restated**
Revenues	195	158
EBITDAR	15	17
EBITDA	15	17
Income from current operations	*10*	*6*
Non current item	(3)	-
Income from operating activities	*7*	*6*
Financial Income	1	(1)
Income before tax	*8*	*5*
Income taxes	(4)	(3)
Share of profits (losses) of associates	(2)	2
Net income from discontinued operations	**2**	**4**

In the context of this operation, the assets and liabilities of the Servair Group have been reclassified on the lines “assets held for sale” and “liabilities relating to assets held for sale”, as described in note 19.

Note 16 Earnings per share

16.1 Income for the period – Equity holders of Air France-KLM per share

Reconciliation of income used to calculate earnings per share

The results used to calculate earnings per share are as follows:

- **Results used for the calculation of basic earnings per share:**

In € millions **As of June 30**	**2016**	**2015** **Restated**
Net income for the period – Equity holders of Air France-KLM	(114)	(638)
Net income from continuing operations – Equity holders of Air France-KLM	(116)	(642)
Net income from discontinued operations – Equity holders of Air France-KLM	2	4
Coupons on perpetual	(12)	-
Basic net income for the period – Equity holders of Air France-KLM	(126)	(638)
Basic net income from continuing operations – Equity holders of Air France-KLM	(128)	(642)
Basic net income from discontinued operations – Equity holders of Air France-KLM	2	4

Since perpetual subordinated loan is considered as preferred shares, coupons are included in the basic earning per share.

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

In € millions **As of June 30**	**2016**	**2015**
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)
- Other treasury stock	(3,033,162)	(3,063,384)
Number of shares used to calculate basic earnings per share	**296,069,696**	**296,039,474**
OCEANE conversion	-	15,946
Number of ordinary and potential ordinary shares used to calculate diluted earnings per share	**296,069,696**	**296,055,420**

16.2 Non-dilutive instruments

The Air France-KLM Group held no non-dilutive instrument as of June 30, 2016.

16.3 Instruments issued after the closing date

No instruments were issued subsequent to the closing date.

Note 17 Tangible assets

	As of June 30, 2016			As of December 31, 2015		
In € millions	**Gross value**	**Depreciation**	**Net Value**	**Gross value**	**Depreciation**	**Net Value**
Owned aircraft	9,047	(5,879)	3,168	8,869	(5,864)	3,005
Leased aircraft	6,673	(2,583)	4,090	6,739	(2,847)	3,892
Assets in progress	516	-	516	513	-	513
Other	2,409	(991)	1,418	2,357	(1,024)	1,333
Flight equipment	**18,645**	**(9,453)**	**9,192**	**18,478**	**(9,735)**	**8,743**
Land and buildings	2,740	(1,755)	985	2,889	(1,826)	1,063
Equipment and machinery	1,166	(910)	256	1,310	(972)	338
Assets in progress	90	-	90	83	-	83
Other	940	(777)	163	1,056	(870)	186
Other tangible assets	**4,936**	**(3,442)**	**1,494**	**5,338**	**(3,668)**	**1,670**
Total	**23,581**	**(12,895)**	**10,686**	**23,816**	**(13,403)**	**10,413**

The net value of the tangible assets financed under capital lease amounts to €4,440 million as of June 30, 2016 (€4,373 million as of December 31, 2015).

Note 18 Pension assets and provisions

As of June 30, 2016, the discount rates used by companies to calculate the defined benefit obligations are the following:

	June 30, 2016	December 31, 2015
Euro zone – Duration 10 to 15 years	1.05%	1.80%
Euro zone – Duration 15 years and more	1.55%	2.35%

Within the context of the decrease of discount rates, long term inflation rates of the euro zone have been reviewed as of June 30, 2016 using the methodology described in note 31.2 of the annual financial statements as of December 31, 2015:

	June 30, 2016	December 31, 2015
Euro zone – Duration 10 to 15 years	1.15%	1.50%
Euro zone – Duration 15 years and more	1.30%	1.65%

The impact in variations of discount and inflation rates on the defined benefit obligation has been calculated using sensitivity analysis of the pension defined benefit obligation. The sensitivity analysis is mentioned in note 31.2 of the annual financial statements as of December 31, 2015.
Over the same period, the fair value of the plan assets of the pension funds increased.

All these items have a cumulative impact resulting in:

- A decrease of €1,569 million of the “pension assets”; and
- An increase of €260 million of the “pension provisions”.

The new Dutch Financial Assessment Framework applicable as per January 1, 2015 resulted in higher required solvency levels. Pension funds have more time to recover from immediate and material shortages through a rolling 10 year recovery plan. The existing recovery plan for the KLM Cabin Crew and KLM Ground Staff plan was updated per April 1, 2016. For the KLM Flight Deck Crew plan, a recovery plan was prepared and issued to the Dutch Central Bank for the first time at April 1, 2016. It is not expected that the current low interest rate environment will have an impact on future contributions for the KLM Cabin Crew and KLM Ground Staff schemes.

The current funding agreement of the KLM Flight Deck Crew pension plan provides that pilots will be guaranteed for pensions indexation. With the further decrease of interest rates and the new Financial Assessment Framework applicable as per January 1, 2015, the Group could need, if there is no change in market conditions, to make an additional contribution by the end of the year in order to reach the required coverage ratio for the Plan to grant indexation. As this contribution could be significant, the Group is currently in discussion with the KLM Flight Deck Crew Union to renegotiate the funding agreement. Should these discussions not be conclusive in the short term, the Group may decide to terminate the funding agreement promptly and to start negotiations on a new agreement. In that case, the Group could have to derecognize the net pension assets associated to the KLM Flight Deck Crew plan with an estimated on the income statement (based on June 30, 2016 figures) of € (553) million after tax.

Note 19 Assets held for sale and liabilities relating to assets to be disposed of

- **Six-month period ended June 30, 2016**

As of June 30, 2016, the line “assets held for sale” and “liabilities related to assets to be disposed of” are related to:

- Reclassification on discontinued operations of Servair Group as describe in note 2. with the main impact:

In € millions Assets		Liabilities	
Non-current Assets	239	Non-current Liabilities	68
Current Assets	141	Current Liabilities	185
Total Assets	**380**	**Total Liabilities**	**253**

The line “current Assets” included an amount of €28 million of cash and cash equivalent.
Liabilities included an amount of financial debts of €19 million.

- The fair value of 3 aircraft held for sale for an amount of €1 million.

- **Six month period ended December 31, 2015**

As of December 31, 2015, the line "Assets held for sale" included the fair value of eight aircraft held for sale for a total amount of €4 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, 2016, 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:

	June 30, 2016		**December 31, 2015**	
In percentage (%)	**Capital**	**Voting rights**	**Capital**	**Voting rights**
French State	18	27	18	18
Employees and former employees	7	10	7	7
Treasury shares	1	-	1	-
Other	74	63	74	75
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.

In accordance with the “Florange Law”, as of April 3, 2016 a double voting right is automatically assigned to all fully paid-up shares held in registered form in the name of the same shareholder for two years.

20.2 Reserves and retained earnings

In € millions	*Notes*	June 30, 2016	December 31, 2015
Legal reserve		70	70
Distributable reserves		365	301
Defined benefit pensions reserves		(4,052)	(2,660)
Derivatives reserves		(221)	(736)
Available for sale securities reserves		275	289
Other reserves		(885)	(943)
Net income (loss) – Equity holders of Air France-KLM		(114)	118
Total		**(4,562)**	**(3,561)**

Note 21 Provisions

	June 30, 2016			December 31, 2015		
In € millions	Non-current	Current	Total	Non-current	Current	Total
Restitution of aircraft	906	395	1,301	895	375	1,270
Restructuring	-	340	340	-	310	310
Litigation	419	3	422	464	10	474
Other	142	37	179	154	47	201
Total	**1,467**	**775**	**2,242**	**1,513**	**742**	**2,255**

21.1 Provisions

21.1.1. Restructuring provisions

As of June 30, 2016, the restructuring provisions mainly concern the voluntary departure plans of Air France and its regional subsidiaries, KLM and Martinair.

21.1.2. Litigation

An assessment of litigation risks with third parties has been carried out with the Group's attorneys and provisions have been recorded whenever circumstances require.
Provisions for litigation with third parties also include provisions for tax risks. Such provisions are set up when the Group considers that the tax authorities, in case of a tax audit, could reasonably 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, its subsidiaries Air France and KLM and their subsidiaries are involved in litigation cases, 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 December 31, 2015, most of these investigations have been terminated following the entry into plea agreements between Air France, KLM and Martinair and the appropriate competition authorities providing for the payment of settlement amounts or fines, with the exception of the proceedings initiated by the European Commission, and by the Swiss anti-trust authority, which are still pending.

In Europe, the decision of the European Commission of 2010 against a dozen airline companies, including the companies of the Group Air France, KLM and Martinair, was annulled by the General Court of the European Union on December 16, 2015.

As the European Commission has indicated its intention, following such annulment, to adopt a new decision against Air France-KLM, Air France, KLM and Martinair, the €340 million provision in respect of the fine has been maintained in the accounts of the Group as of June 30, 2016.

During the 1st semester 2016, the Group released to the consolidated income statement the €41 million provision covering the accrued interest (see note 12).

In Switzerland, Air France and KLM are challenging a decision imposing a €3 million fine before the relevant court.

As of June 30, 2016, the total amount of provisions in connection with the anti-trust cases amounts to €343 million.

21.1.4. Other provisions

Other provisions relate principally to power-by-the-hour contracts (maintenance activity of the Group), provisions for onerous leases, provisions for the portion of CO2 emissions not covered by the free allocation of quotas and provisions for the dismantling of buildings.

21.2 Contingent liabilities

The Group is involved in several governmental, judicial and arbitration procedures for which provisions have not been recorded in the financial statements in accordance with applicable accounting rules.

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

Following the initiation of various investigations by the competition authorities in 2006 and the E.U. Commission decision in 2010, several collective and individual actions were brought by forwarders and air-freight shippers in civil courts against Air France, KLM and Martinair, and the other airlines in several jurisdictions.

Under these civil lawsuits, shippers and freight forwarders are claiming for damages to compensate alleged higher prices due to the cartel.

Air France, KLM and/or Martinair remain defendants, either as main defendants (in particular in The Netherlands, Norway, South Korea and the United States of America) or as third party interveners brought in these cases by other main defendants under "contribution proceedings" (in the UK for example). Where Air France, KLM and/or Martinair are the main defendants, they have also initiated contribution proceedings against other airlines.

No provision has been recognized at present in connection with these disputes as the Group is not in a position at this stage of the judicial proceedings to give a reliable estimate of the potential loss that would be incurred if the outcome of these proceedings were negative. In particular, although significant amounts have been reported by the media, plaintiffs are mostly claiming for unspecified and/or insufficiently substantiated damages against defendants taken as a whole (and not individually) and the EU decision to which the plaintiffs generally refer to is still not definitive.

The Group companies and the other airlines involved in these lawsuits continue to vigorously oppose all such civil claims.

21.2.2 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 in the passenger air transport service from/to Canada on the cross-Atlantic routes, for which they are claiming damages. Air France and KLM strongly deny any participation in such a conspiracy.

21.2.3 Other litigations

Rio-Paris AF447 flight

Following to the crash in the South Atlantic Ocean of the Rio-Paris AF447 flight, a number of legal actions for damages have been brought by heirs of the victims in the United States and Brazil and more recently in France. Damages to heirs of the victims are covered by third-party liability insurance subscribed by Air France.

In 2011, Air France and Airbus were indicted as legal entities for unintentional manslaughter and therefore are exposed to applicable fines under the French criminal code. Air France is challenging its implication in this criminal case.

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

Note 22 Financial debt

	June 30, 2016			December 31, 2015		
In € millions	**Non current**	**Current**	**Total**	**Non current**	**Current**	**Total**
Perpetual subordinated loan stock	617	-	617	584	-	584
OCEANE (convertible bonds)	497	-	497	489	415	904
Bonds	1,107	601	1,708	1,104	603	1,707
Capital lease obligations	3,855	524	4,379	3,647	577	4,224
Other long-term debt	1,109	334	1,443	1,236	327	1,563
Accrued interest	-	68	68	-	95	95
Total	**7,185**	**1,527**	**8,712**	**7,060**	**2,017**	**9,077**

The Group reimbursed on April 1st 2016 the OCEANE issued in 2005. The relating swap expired at this same date.

Market value

The financial liabilities with fair values significantly different from their book values are the following:

In € million	June 30, 2016		December 31, 2015	
	Net book value	**Estimated market value**	**Net book value**	**Estimated market value**
Perpetual subordinated loan stock	617	526	584	484
OCEANE	497	566	904	1,010
Bonds	1,708	1,756	1,707	1,761
Total	**2,822**	**2,848**	**3,195**	**3,255**

Note 23 Net debt

In € millions	**June 30, 2016**	**December 31, 2015**
Current and non-current financial debt (1)	8,712	9,077
Financial lease deposits (others)	(331)	(453)
Cash secured on OCEANE swap (*)	-	(393)
Currency hedge on financial debt	(37)	(40)
Accrued interest	(68)	(95)
Gross financial debt (I)	**8,276**	**8,096**
Cash and cash equivalents (2)	3,833	3,104
Marketable securities	177	466
Cash secured (on other than OCEANE swap) (*)	18	18
Financial lease deposit (bonds)	227	204
Others	(7)	-
Bank overdrafts (3)	(14)	(3)
Net cash (II)	**4,234**	**3,789**
Net debt (I-II)	**4,042**	**4,307**
(*) Cash secured	18	411

(1) Liabilities : long term debt

(2) Assets : cash and cash equivalents

(3) Liabilities : bank overdrafts

In € millions	*Note*	June 30, 2016	December 31, 2015
Opening net debt		**4,307**	**5,407**
Operating free cash, cash flow excluding discontinued activities [(1)]		(373)	(606)
Change in perpetual		-	(588)
Disposal of subsidiaries, of shares in non-controlled entities	***11***	(4)	(342)
Acquisition of subsidiaries, of shares in non-controlled entities [(2)]		4	7
Non monetary variation of the debt		(64)	156
Currency translation adjustment		142	185
Amortization of OCEANE optional part		13	36
Reclassification		11	(4)
Change in scope		-	(8)
Other		6	64
Closing net debt		**4,042**	**4,307**

(1) Cash flows statement : operating free cash flow

(2) Cash flows statement : acquisition of subsidiaries, of shares in non-controlled entities

Note 24 Lease commitments

24.1 Financial leases

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

In € millions	June 30, 2016	December 31, 2015
Flight equipment	4,270	4,049
Buildings	447	489
Other	7	110
Total	**4,724**	**4,648**

24.2 Operating leases

The undiscounted amount of the future operating lease payments for aircraft under operating lease totaled €5,666 million as of June 30, 2016 (€5,986 million as of December 31, 2015).

Note 25 Flight equipment orders

Due dates for commitments to firm orders with a view to the purchase of flight equipment are as follows:

In € millions	June 30, 2016	December 31, 2015
2nd semester Y (6 months)	224	-
Year Y+1	1,001	811
Year Y+2	1,094	972
Year Y+3	1,087	984
Year Y+4	1,516	1,462
> Year Y+4	3,135	4,514
Total	**8,057**	**8,743**

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 under firm order (excluding operational lease) as of June 30, 2016 decreased by 10 units compared with December 31, 2015, and stood at 84 aircraft. These changes are explained by the delivery of 10 aircraft over the period.

Long-haul fleet (passenger)

The Group took delivery of 3 Boeing B777s and 1 Boeing B787.

Medium-haul fleet

The Group took delivery of 4 Boeing B737s.

Regional fleet

The Group took delivery of 2 Embraer E175s.

The Group's commitments concern the following aircraft:

Aircraft type	To be delivered in	Second semester Y (6 months)	Y+1	Y+2	Y+3	Y+4	Beyond Y+4	Total
Long-haul fleet – passenger								
	As of June 30, 2016	-	-	-	3	7	18	**28**
A350	As of December 31, 2015	-	-	-	-	6	22	**28**
	As of June 30, 2016	-	2	5	4	4	9	**24**
B787	As of December 31, 2015	-	1	2	3	4	15	**25**
	As of June 30, 2016	-	1	-	-	-	-	**1**
B777	As of December 31, 2015	-	3	1	-	-	-	**4**
Medium-haul fleet								
	As of June 30, 2016	-	2	1	-	-	-	**3**
A320	As of December 31, 2015	-	-	2	1	-	-	**3**
	As of June 30, 2016	-	8	5	-	-	-	**13**
B737	As of December 31, 2015	-	4	8	5	-	-	**17**
Regional fleet								
	As of June 30, 2016	2	8	5	-	-	-	**15**
EMB 175	As of December 31, 2015	-	4	8	5	-	-	**17**
	As of June 30, 2016	**2**	**21**	**16**	**7**	**11**	**27**	**84**
Total	**As of December 31, 2015**	-	**12**	**21**	**14**	**10**	**37**	**94**

Note 26 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, 2016

I hereby declare that, to the best of my knowledge, the condensed financial statements for the first half of the 2015 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.

Jean-Marc Janaillac
Chairman and Chief Executive Officer

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

For the six-month period ended June 30, 2016

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 condensed half-yearly consolidated financial statements of Air France-KLM S.A. for the six-month period ended June 30, 2016,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly 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 condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II- Specific verification

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

Paris La Défense and Neuilly-sur-Seine, July 27, 2016

The Statutory Auditors

KPMG Audit
A division of KPMG S.A.

Deloitte & Associés

Jean-Paul Vellutini
Partner

Eric Jacquet
Partner

Pascal Pincemin
Partner

Guillaume Troussicot
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 half-yearly 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