

Financial Year 2014: First Half results

SECOND QUARTER

- ▶ Revenues of 6.45 billion euros, up 1.7% like-for-like; passenger unit revenue up 1.3% at constant currency thanks to strict capacity discipline
- ▶ Operating result of 238 million euros, improvement of 154 million euros
- ▶ EBITDA¹ of 641 million euros, improvement of 131 million euros
- ▶ Ongoing cost reduction: reported unit cost¹ down 4.0%, and 1.7% like-for-like
- ▶ Further reduction of full-freighter exposure: 106 million-euro impairment charge recorded

FIRST HALF

- ▶ Revenues of 12.01 billion euros, up 1.0% like-for-like
- ▶ Net result, group share of -614 million euros, improvement of 185 million euros
- ▶ Adjusted net result, group share¹ of -342 million euros, improvement of 344 million euros
- ▶ Net debt of 5.4 billion euros; net debt/EBITDA ratio of 2.6, a 0.3 point improvement compared to 31 December 2013

FULL YEAR 2014 OUTLOOK

- ▶ Tough operating environment
- ▶ EBITDA expected between 2.2 to 2.3 billion euros
- ▶ On track to reach net debt target of 4.5 billion euros next year

The Board of Directors of Air France-KLM, chaired by Alexandre de Juniac, met on 24th July 2014 to approve the accounts for the First Half of the Financial Year 2014.

Alexandre de Juniac made the following comments: *"Despite a tough operating environment, the Air France-KLM Group maintained the momentum of its recovery in the first half of 2014, by halving its operating loss. Quarter after quarter, our results are consistently reflecting the benefits of the productivity measures implemented under Transform 2015.*

In parallel, we have continued to adapt our offer. More than a third of KLM's long-haul fleet is equipped with the new World Business Class. The first Air France aircraft equipped with the new cabins has started flying to New York. Transavia is ramping up in Paris.

Faced with the slower-than-expected recovery of cargo demand, we will further decrease our full-freighter exposure but will remain a key player in the cargo business.

Transform 2015 will be completed in a few months. While maintaining the imperatives of competitiveness and the ongoing strengthening of the Group's financial position, the successor plan will also focus on growth. The plan will be thus be named "Perform 2020", and we will give a detailed presentation of its main components in September."

¹ See definition in appendix

Key data

	Second quarter			First half		
	2014	2013*	Change	2014	2013*	Change
Revenues (€m)	6,451	6,541	-1.4%	12,005	12,222	-1.8%
<i>Change like-for-like**</i>			+1.7%			+1.0%
EBITDA ² (€m)	641	510	+131	591	394	+197
<i>EBITDA margin (%)</i>	9.9	7.8	+2.1pts	4.9	3.2	+1.7pts
Operating result (€m)	238	84	+154	-207	-448	+241
<i>Operating margin (%)</i>	3.7	1.3	+2.4pts	-1.7	-3.7	+1.9pts
Net result, group share (€m)	-6	-158	+152	-614	-799	+185
Adjusted net result, group share ² (€m)	143	-34	+177	-342	-686	+344
Earnings per share (€)	(0.02)	(0.53)	+0.51	(2.07)	(2.70)	+0.63
Diluted earnings per share (€)	(0.02)	(0.53)	+0.51	(2.07)	(2.70)	+0.63
Adjusted earnings per share ² (€)	0.48	(0.11)	+0.59	(1.16)	(2.32)	+1.16
Diluted adjusted earnings per share ² (€)	0.38	(0.11)	+0.49	(1.16)	(2.32)	+1.16
Operating free cash flow ² (€m)	181	528	-347	95	566	-471
Net debt ² at end of period (€m)	-	-	-	5,414	5,348 ³	+66

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

** Like-for-like: at constant currency and scope

In the **Second Quarter of 2014**, total revenues amounted to 6,451 million euros versus 6,541 million euros in 2013, down 1.4%, but up +1.7% on a constant currency and scope basis (like-for-like). Currencies had a negative 168 million euro impact on revenues.

Operating costs were reduced by 3.8% and by 1.5% on a constant currency basis. Ex-fuel, they decreased by 3.4% and by 2.6% on a constant currency basis. Unit cost per EASK¹ (Equivalent Available Seat Kilometer) was reduced by 4.0%, and by 1.7% on a constant currency, fuel price and pension expense basis, against capacity measured in EASK up by 0.9%. The fuel bill amounted to 1,636 million euros, down 5.6%, but stable (+0.2%) on a constant currency basis. Total employee costs including temporary staff were down 3.4% to 1,934 million euros, and by 3.2% on a constant currency basis. At constant pension expense and scope, they declined by 47 million euros.

EBITDA amounted to 641 million euros, an improvement of 131 million euros. The EBITDA margin stood at 9.9%, a 2.1 point improvement on 2013. The operating result stood at 238 million euros versus 84 million euros in 2013, an 154 million euro improvement. Currencies had a 20 million euro net negative impact on the Second Quarter operating result.

The net result, group share stood at -6 million euros against -158 million euros a year ago. It was impacted by an 106 million euro impairment charge relating to assets of the Cargo business⁴. On an adjusted basis², the net result, group share stood at 143 million euros against -34 million euros in Second Quarter 2013, a 177 million euro improvement.

In the **First Half 2014**, total revenues stood at 12,005 million euros versus 12,222 million euros in 2013, down 1.8%, but up +1.0% on a like-for-like basis. Currencies had a negative 287 million euro impact on revenues.

Operating costs were reduced by 3.6% and by 1.7% on a constant currency basis. Ex-fuel, they decreased by 2.9%, and by 2.0% on a constant currency basis. The fuel bill amounted to 3,189 million euros, down 5.9%, and 1.5% on a constant currency basis. Total employee costs including temporary staff were down 3.6% to 3,780 million euros, and by 3.4% on a constant currency basis. At constant pension expense and scope, they declined by 106 million euros.

EBITDA improved by 197 million euros to 591 million euros, resulting in an EBITDA margin of 4.9%, a 1.7 point increase on 2013. The operating result stood at -207 million euros versus -448 million euros in 2013, an 241 million euro improvement. Currencies had a 45 million euro net negative impact on the operating result in the First Half.

² See definition in appendix

³ Net debt at 31st December 2013

⁴ See details in "Cargo business" section below

The net result, group share stood at -614 million euros against -799 million euros a year ago. It was impacted by the adjustment in the value of the cash held by the Group in Venezuela recorded in the First Quarter and the impairment charge in the Cargo business in the Second Quarter. On an adjusted basis⁵, the net result, group share stood at -342 million euros against -686 million in the First Half 2013, a 344 million euro improvement.

Earnings and diluted earnings per share both stood at -2.07 euros (-2.70 euros in 2013), and at -1.16 euros on an adjusted basis (-2.32 euros in 2013).

Passenger business

Passenger	Q2 2014	Q2 2013*	Change	Change Like-for-like**
Capacity (ASK m)	69,658	68,968	+1.0%	-
Traffic (RPK m)	59,056	57,454	+2.8%	-
Load factor	84.8%	83.3%	+1.5 pts	-
Total passenger revenues (€m)	5,112	5,120	-0.2%	+2.4%
Scheduled passenger revenues (€m)	4,884	4,885	-0.1%	+2.5%
Unit revenue per ASK (€ cts)	7.01	7.09	-1.1%	+1.3%
Unit revenue per RPK (€ cts)	8.27	8.51	-2.9%	-0.4%
Unit cost per ASK (€ cts)	6.65	6.95	-4.4%	-2.3%
Operating result (€m)	255	96	+159	+178

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

**Like-for-like: on a constant currency basis and restated for change in revenue allocation (4 million euros transferred from "other passenger" to "scheduled passenger" revenues in Q2 2013)

In the **Second Quarter 2014**, passenger revenues amounted to 5,112 million euros, down 0.2%, but up 2.4% like-for-like. The operating result of the passenger business stood at 255 million euros, versus 96 million euros in Q2 2013, an improvement of 159 million euros (178 million euros on a constant currency basis).

The Group maintained its strict capacity discipline, increasing total passenger capacity by only 1.0%. Passenger traffic rose by 2.8%, leading to a 1.5 point improvement in load factor to 84.8%. Unit revenue per Available Seat Kilometer (RASK) fell by 1.1% but increased by 1.3% on a constant currency basis. Thanks to Transform 2015, and in spite of the low capacity growth, the passenger activity delivered a strong cost performance, with Cost per Available Seat Kilometer (CASK) down by 2.3% like-for-like.

Long-haul traffic rose 3.1% for a 1.5% rise in capacity, leading to a 1.4 point increase in load factor to 86.0%. Long-haul RASK was up 1.6% like-for-like.

As planned within the framework of Transform 2015, point-to-point (not linked to the Paris and Amsterdam hubs) short and medium-haul capacity was significantly adjusted (down 7.1%), leading short and medium-haul capacity to fall by 0.7%. Traffic rose by 1.6%, resulting in a 1.8 point improvement in load factor to 80.4%. Short and medium-haul RASK improved by 1.7% like-for-like.

All regions improved their profitability with the exception of Latin America, impacted by the situation in Venezuela.

⁵ See definition in appendix

Passenger	H1 2014	H1 2013*	Change	Change like-for-like**
Capacity (ASK m)	133,710	132,183	+1.2%	-
Traffic (RPK m)	112,086	109,394	+2.5%	-
Load factor	83.8%	82.8%	+1.0 pts	-
Total passenger revenues (€m)	9,477	9,570	-1.0%	+1.4%
Scheduled passenger revenues (€m)	9,053	9,111	-0.6%	+1.7%
Unit revenue per ASK (€ cts)	6.77	6.90	-1.8%	+0.5%
Unit revenue per RPK (€ cts)	8.08	8.34	-3.1%	-0.8%
Unit cost per ASK (€ cts)	6.86	7.16	-4.2%	-2.4%
Operating result (€m)	-123	-351	+228	+268

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

**Like-for-like: on a constant currency basis and restated for change in revenue allocation (11 million euros transferred from "other passenger" to "scheduled passenger" revenues in Q2 2013)

In the **First Half 2014**, passenger revenues amounted to 9,477 million euros, down 1.0%, but up 1.4% like-for-like. The operating result of the passenger business stood at -123 million euros, versus -351 million euros in the First Half 2013, an improvement of 228 million euros (268 million euros like-for-like).

Total passenger traffic rose by 2.5% while capacity rose by 1.2% leading to a 1.0 point improvement in load factor to 83.8%. Unit revenue per Available Seat Kilometer (RASK) fell by 1.8% but increased by 0.5% like-for-like. Unit costs (CASK) were reduced by 4.2% and by 2.4% like-for-like.

Cargo business

Cargo	Q2 2014	Q2 2013	Change	Change ex currency
Capacity (ATK m)	3,912	3,993	-2.0%	-
Traffic (RTK m)	2,472	2,513	-1.6%	-
Load factor	63.2%	62.9%	+0.3 pts	-
Total Cargo revenues (€m)	669	705	-5.1%	-1.9%
Scheduled cargo revenues (€m)	625	652	-4.1%	-0.9%
Unit revenue per ATK (€ cts)	15.99	16.34	-2.1%	+1.1%
Unit revenue per RTK (€ cts)	25.30	25.96	-2.5%	+0.7%
Unit cost per ATK (€ cts)	17.15	17.58	-2.4%	+0.2%
Operating result (€m)	-45	-50	+5	+8

Second Quarter 2014 cargo revenues amounted to 669 million euros, down 5.1% and by 1.9% on a constant currency basis. Faced with a slower than expected recovery, the group continued to reduce full-freighter capacity (down 8.6%). In consequence, total capacity decreased by 2.0%. Traffic decreased by 1.6%, leading to a 0.3 point increase in load factor to 63.2%. Unit revenue per Available Ton Kilometer (RATK) increased by 1.1% on a constant currency basis (-2.1% on a reported basis).

The operating result improved slightly to -45 million euro, up 5 million euros.

The recovery in demand being slower than expected, the group has initiated a strategic review of its full-freighter business, with different scenarios under consideration. Having already decided in October 2013 to reduce its full-freighter fleet to 2 aircraft in Paris and 8 aircraft in Amsterdam by 2015, the group is now looking to further reduce its Amsterdam-based full-freighter exposure either through a partnership with a third party or through internal restructuring. In consequence, the group has recorded an impairment of 106 million euros in its Second Quarter 2014 accounts.

Cargo	H1 2014	H1 2013	Change	Change ex currency
Capacity (ATK m)	7,710	7,827	-1.5%	-
Traffic (RTK m)	4,933	4,932	+0.0%	-
Load factor	64.0%	63.0%	+1.0 pts	-
Total Cargo revenues (€m)	1,344	1,405	-4.3%	-1.6%
Scheduled cargo revenues (€m)	1,254	1,309	-4.2%	-1.5%
Unit revenue per ATK (€ cts)	16.27	16.72	-2.7%	0.0%
Unit revenue per RTK (€ cts)	25.43	26.55	-4.2%	-1.6%
Unit cost per ATK (€ cts)	17.30	18.00	-3.9%	-1.7%
Operating result (€m)	-79	-100	+21	+25

First Half 2014 cargo revenues amounted to 1,344 million euros, down 4.3% and by 1.6% on a constant currency basis. Traffic was stable for a -1.5% decline in capacity, leading to a 1.0 point increase in load factor to 64.0%. Unit revenue per Available Ton Kilometer (RATK) was stable on a constant currency basis (down 2.7% on a reported basis).

On a constant currency basis, cargo unit cost was down 1.7% in the First Half (down 3.9% on a reported basis). The operating result improved by 21 million euros to -79 million euros.

Maintenance

Maintenance	Q2 2014	Q2 2013	Change	Change ex currency
Total revenues (€m)	810	846	-4.0%	-
Third party revenues (€m)	286	320	-10.3%	-7.2%
Operating result (€m)	30	37	-7	-2
Operating margin (%)	+3.7%	+4.4%	-0.7 pts	-

Second Quarter 2014 third party maintenance revenues amounted to 286 million euros, down 10.3% and by 7.2% on a constant currency basis. Q2 2013 revenues had been boosted by high volumes from the engine contract with General Electric. The operating result stood at 30 million euros, down 7 million euros year-on-year.

Maintenance	H1 2014	H1 2013	Change	Change ex currency
Total revenues (€m)	1,615	1,634	-1.2%	-
Third party revenues (€m)	576	622	-7.2%	-3.4%
Operating result (€m)	52	57	-5	+4
Operating margin (%)	+3.2%	+3.5%	-0.3 pts	-

First Half 2014 third party maintenance revenues amounted to 576 million euros, down 7.2% and by 3.4% on a constant currency basis. The operating result decreased by 5 million euros to 52 million euros. At constant currency, the operating result improved by 4 million euros in the First Half. The operating margin was stable (-0.3 point) at 3.2%.

In the First Half 2014, the group recorded a 16% increase in its order book to 5.1 billion euros, including a major contract with Air China covering the maintenance of GE90 engines. In addition, the group acquired Barfield, a US component support business.

Other business: Transavia

Transavia	Q2 2014	Q2 2013	Change	Change ex currency
Capacity (ASK m)	6,018	5,741	+4.8%	-
Traffic (RPK m)	5,460	5,153	+6.0%	-
Load factor	90.7%	89.8%	+0.9 pts	-
Total passenger revenues (€m)	296	282	+5.0%	+5.0%
Scheduled passenger revenues (€m)	283	274	+3.3%	+3.3%
Unit revenue per ASK (€ cts)	4.70	4.78	-1.7%	-1.7%
Unit revenue per RPK (€ cts)	5.18	5.32	-2.8%	-2.8%
Unit cost per ASK (€ cts)	4.80	4.84	-0.8%	+0.9%
Operating result (€m)	-6	-3	-3	

In the **Second Quarter of 2014**, Transavia capacity was up 4.8%, reflecting the accelerated development of Transavia France (up 10%) and the repositioning of Transavia Netherlands (up 3% including a 6% reduction in charter capacity). Traffic rose 6.0%, leading to a record high load factor of 90.7% (up 0.9 point). Unit revenue was down 1.7%. Transavia's total revenue stood at 296 million euros, up 5.0%. The operating result was -6 million euros, down 3 million euros year-on-year.

Transavia	H1 2014	H1 2013	Change	Change ex currency
Capacity (ASK m)	9,283	8,775	+5.8%	-
Traffic (RPK m)	8,277	7,743	+6.9%	-
Load factor	89.2%	88.2%	+0.9 pts	-
Total passenger revenues (€m)	435	417	+4.5%	+4.5%
Scheduled passenger revenues (€m)	410	398	+3.0%	+3.0%
Unit revenue per ASK (€ cts)	4.42	4.54	-2.6%	-2.6%
Unit revenue per RPK (€ cts)	4.96	5.14	-3.7%	-3.7%
Unit cost per ASK (€ cts)	5.11	5.15	-0.8%	+0.5%
Operating result (€m)	-64	-54	-10	

In the **First Half of 2014**, Transavia traffic increased by 6.9% for capacity up 5.8%, leading to a 0.9 point increase in load factor to 89.2%. Unit revenue was down 2.6%. Total revenue stood at 435 million euros, up 4.5%, while the unit cost per ASK decreased by 0.8%, but increased by 0.5% on a constant currency basis. The operating result decreased by 10 million euros to -64 million euros, mainly due to the ramp up of Transavia France.

Other business: Catering

Catering	Q2 2014	Q2 2013	Change	Change At constant scope*
Total revenues (€m)	222	247	-9.0%	+2.7%
Third party revenues (€m)	77	103	-25.2%	+6.9%
Operating result (€m)	5	2	+3	+3

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

Second Quarter 2014 third party catering revenues amounted to 77 million euros, down 25.2%. At constant scope (excluding the impact of the sale of Air Chef that occurred in Q2 2013), third party revenues increased by 6.9%, reflecting new contracts and international development, while the operating result improved by 3 million euros.

Catering	H1 2014	H1 2013	Change	Change At constant scope*
Total revenues (€m)	427	466	-9.2%	+2.6%
Third party revenues (€m)	150	188	-20.2%	+8.7%
Operating result (€m)	2	-1	+3	+5

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

First Half 2014 third party catering revenues amounted to 150 million euros, up 8.7% at constant scope. The operating result increased by 5 million euros at constant scope.

Financial situation

In € million	H1 2014	H1 2013*	Change
Cash flow before change in Working Capital Requirement (WCR) and Voluntary Departure Plans, continued operations	+364	+132	+232
Cash out related to Voluntary Departure Plans	-144	-56	-88
Change in WCR	+650	+964	-314
Operating cash flow	+870	+1,040	-170
Net investments before <i>sale & lease-back</i>	-808	-585	-223
<i>Sale & lease-back</i> transactions	+33	+111	-78
Net investments after <i>sale & lease-back</i>	-775	-474	-301
Operating free cash flow	+95	+566	-471

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

In the **First Half of 2014**, the further improvement in EBITDA translated into an 232 million euro increase in cash flow before change in WCR and the cash out related to Voluntary Departure Plans. The group disbursed 144 million euros for Voluntary Departure Plans representing 90% of the cash out expected in the Financial Year. Net investments before *sale & lease-back* transactions stood at 808 million euros.

Operating free cash flow amounted to 95 million euros, versus 566 million euros a year earlier. In the First Half 2013, operating free cash flow had benefited from the full effects of the reduction in investments and the structural improvements in WCR within the framework of Transform 2015.

Net debt amounted to 5.41 billion euros at 30st June 2014, versus 5.35 billion euros at 31st December 2013. At 2.6x, the net debt / EBITDA ratio continued to fall.

Outlook

Delivery on the Transform 2015 plan is fully on track. However, as indicated at the beginning of the month, the operating environment remains tough, with industry overcapacity on certain long-haul routes, notably North America and Asia, impacting yields. This trend comes on top of the persistently weak cargo demand and the challenging situation in Venezuela already identified in the First Quarter.

Under these conditions, as indicated at the beginning of the month, 2014 EBITDA is expected to be between 2.2 and 2.3 billion euros. Strong capital discipline will enable the group to remain on track in terms of debt reduction and achieve its objective of 4.5 billion euros in net debt in 2015.

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

The results presentation is available at www.airfranceklm-finance.com on 25th July 2014 from 7:15am CET.

An Analysts' Meeting will be held on 25th July 2014 at 08:30am CET at the Pullman Paris Tour Eiffel hotel, 18, avenue de Suffren, Paris (15th arrondissement).

A live broadcast of the Analysts' Meeting will be available at www.airfranceklm-finance.com (password: AKHH1) and by conference call.

To access the conference call, please dial:

- France: +33 1 70 99 32 12 (code: 946330, password: AKH)
- Netherlands: +31 20 7965 012 (code: 946330, password: AKH)
- UK: +44 207 162 0125 (code: 946330, password: AKH)
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To listen to a recording of the conference call in English, please dial:

- France: +33 1 70 99 35 29 (code: 946330)
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INCOME STATEMENTS

	Second Quarter			First Half		
	2014	2013*	Change	2014	2013*	Change
<i>In euro millions</i>						
Sales	6,451	6,541	-1.4%	12,005	12,222	-1.8%
Other revenues	1	1	na	9	1	na
External Expenses	-3,877	-4,036	-3.9%	-7,616	-7,883	-3.4%
Aircraft fuel	-1,636	-1,733	-5.6%	-3,189	-3,390	-5.9%
Chartering costs	-111	-116	-4.3%	-209	-231	-9.5%
Aircraft operating lease costs	-213	-234	-9.0%	-430	-465	-7.5%
Landing fees and en route charges	-475	-474	0.2%	-891	-894	-0.3%
Catering	-146	-153	-4.6%	-283	-289	-2.1%
Handling charges and other operating costs	-351	-354	-0.8%	-682	-697	-2.2%
Aircraft maintenance costs	-323	-332	-2.7%	-643	-636	1.1%
Commercial and distribution costs	-213	-212	0.5%	-437	-434	0.7%
Other external expenses	-409	-428	-4.4%	-852	-847	0.6%
Salaries and related costs	-1,885	-1,959	-3.8%	-3,687	-3,839	-4.0%
Taxes other than income taxes	-39	-43	-9.3%	-93	-97	-4.1%
Amortization and depreciation	-386	-384	0.5%	-764	-768	-0.5%
Provisions	-17	-42	-59.5%	-34	-74	-54.1%
Other income and expenses	-10	6	-267%	-27	-10	170%
Income from current operations	238	84	183.3%	-207	-448	-53.8%
Sales of aircraft equipment	-6		na	-5	-4	na
Sales of subsidiaries	-3	15	-120%	-3	9	-133%
Other non-current income and expenses	-113	-2	na	-114	-19	na
Income from operating activities	116	97	19.6%	-329	-462	-28.8%
Income from cash and cash equivalents	21	19	10.5%	39	39	0.0%
Cost of financial debt	-109	-123	-11.4%	-223	-240	-7.1%
Net cost of financial debt	-88	-104	-15.4%	-184	-201	-8.5%
Foreign exchange gains (losses), net	6	30	na	-111	34	na
Change in fair value of financial assets and liabilities	32	-158	na	26	-115	na
Other financial income and expenses	-32	-12	na	-35	-8	na
Income before tax	34	-147	-123.1%	-633	-752	-15.8%
Income taxes	-35	44	-179.5%	34	72	-52.8%
Net income of consolidated companies	-1	-103	-99.0%	-599	-680	-11.9%
Share of profits (losses) of associates	-7	-24	-70.8%	-11	-78	-85.9%
Income from continuing operations	-8	-127	-93.7%	-610	-758	-19.5%
Net income from discontinued operations	2	-29	-106.9%	-4	-38	-89.5%
Net income for the period	-6	-156	-96.2%	-614	-796	-22.9%
Minority interest		-2	-100.0%		-3	-100.0%
Net income for the period - Group	-6	-158	-96.2%	-614	-799	-23.2%

* Restated for IFRIC 21, CityJet reclassified as discontinued

CONSOLIDATED BALANCE SHEET

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

* Restated for IFRIC 21, CityJet reclassified as discontinued

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

* Restated for IFRIC 21, CityJet reclassified as discontinued

CONSOLIDATED STATEMENT OF CASH FLOWS

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

* Restated for IFRIC 21, CityJet reclassified as discontinued

KEY FINANCIAL INDICATORS

EBITDA

(In € millions)	Q2 2014	Q2 2013*	H1 2014	H1 2013*
Income/(loss) from current operations	238	83	-207	-448
Amortization	387	384	764	768
Depreciation and provisions	16	42	34	74
EBITDA	641	510	591	394

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

Adjusted operating result and adjusted operating margin

	Q2 2014	Q2 2013*	H1 2014	H1 2013*
Income/(loss) from current operations (in €m)	238	83	-207	-448
Portion of operating leases corresponding to financial charges (34%) (in €m)	72	80	146	158
Adjusted income/(loss) from current operations (in €m)	310	163	(61)	(290)
Revenues (in €m)	6,452	6,541	12,005	12,222
Adjusted operating margin	4.8%	2.5%	(0.5)%	(2.4)%

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

Restated net income

	Q2 2014	Q2 2013*	H1 2014	H1 2013*
Net income/(loss), Group share (in €m)	(6)	(158)	(614)	(799)
Net income/(loss) from discontinued operations (in €m)	(2)	29	4	38
Unrealized foreign exchange gains and losses, net (in €m)	6	(50)	117	(54)
Change in fair value of financial assets and liabilities (derivatives) (in €m)	(32)	158	(26)	115
Non current income and expenses (in €m)	122	(13)	122	14
Depreciation of shares available for sale (in €m)	29	-	29	-
Cargo deferred tax assets (in €m)	26	-	26	-
Restated net income/(loss) (in €m)	143	(34)	(342)	(686)
Restated net income/(loss) per share (in €)	0.48	(0.11)	(1.16)	(2.32)

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

Net debt

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

Operating free cash flow*

(In € millions)	H1 2014	H1 2013**
Net cash flow from operating activities	870	1,040
Investment in property, plant, equipment and intangible assets	(835)	(633)
Proceeds on disposal of property, plant, equipment and intangible assets	60	159
Operating free cash flow	95	566

* Excluding discontinued operations

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

Net cost per EASK

	Q2 2014	Q2 2013*	H1 2014	H1 2013*
Revenues (in €m)	6,452	6,541	12,005	12,222
Income/(loss) from current operations (in €m)	238	83	(207)	(449)
Total operating expense (in €m)	(6,214)	(6,457)	(12,213)	(12,670)
Passenger business – other passenger revenues (in €m)	228	232**	424	459**
Cargo business – other air freight revenues (in €m)	43	52	90	96
Third-party revenues in the maintenance business (in €m)	286	319	576	621
Other businesses – revenues other than Transavia transportation (in €m)	103	121	196	228
Net cost (in €m)	5,554	5,721	10,925	11,266
Capacity produced, reported in EASK	85,807	85,053	162,971	161,291
Net cost per EASK (in € cents per ESKO)	6,47	6,74	6,70	6,99
Gross change	-4,0%		-4,1%	
Currency effect on net costs (in €m)		(119)		(199)
Change at constant currency		-1.9%		-2.3%
Fuel price effect (in €m)		(2)		(64)
Change on a constant currency and fuel price basis		-1.9%		-1.8%
Defined pension benefit expense included in salaries and related costs (in €m)	98	107	196	211
Net cost per EASK on a constant currency, fuel price and defined benefit pension expense basis (in € cents per EASK)	6,47	6,58	6,70	6,82
Change on a constant currency, fuel price and defined benefit pension expense basis		-1.7%		-1.8%

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

** Restated for change in revenue allocation (4 million euros transferred from "other passenger" to "scheduled passenger" revenues in Q2 2013 and 11 million euros in H1 2013)

INDIVIDUAL AIRLINE RESULTS

Air France

	Q2 2014	Q2 2013*	H1 2014	H1 2013*
Revenue (€ bn)	4.04	4.12	7.60	7.75
EBITDA (€m)	362	294	350	217
Operating result (€m)	98	-3	-180	-373

* Restated for IFRIC 21, CityJet reclassified as discontinued operation

KLM

	Q2 2014	Q2 2013*	H1 2014	H1 2013
Revenue (€ bn)	2.48	2.50	4.56	4.61
EBITDA (€m)	280	217	236	178
Operating result (€m)	140	86	-34	-77

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

GROUP FLEET AT 30 JUNE 2014

Air France fleet

Aircraft type	AF	Hop!	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/13
B747-400	7			3	1	3	7	7	
B777-300	37			11	9	17	37	37	
B777-200	25			14	3	8	25	25	
A380-800	10			2	4	4	10	10	1
A340-300	13			4	6	3	13	13	
A330-200	15			4	1	10	15	15	
Total long-haul	107			38	24	45	107	107	1
B747-400ERF	3			1		2	3	2	
B777-F	2			2			2	2	
Total cargo	5			3		2	5	4	
B737-800			14			14	14	14	3
A321	25			6	6	13	25	25	
A320	46			8	3	35	46	45	1
A319	41			15	10	16	41	41	
A318	18			11	7		18	18	
Total short and medium-haul	130		14	40	26	78	144	143	4
ATR72-500		11		1	3	7	11	11	3
ATR72-200									-1
ATR42-500		13		4	4	5	13	13	
Canadair Jet 1000		13		13			13	13	
Canadair Jet 700		15		12	3		15	13	
Canadair Jet 100		11		11			11	4	-3
Embraer 190		10		4		6	10	10	
Embraer 170		16		8	2	6	16	16	
Embraer 145		19		14	5		19	16	-2
Embraer 135		6		4	2		6	2	
Total regional		114		71	19	24	114	98	-3

TOTAL	242	114	14	152	69	149	370	352	2
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KLM fleet

Aircraft type	KLM	KLM Cityhopper	Transavia	Martinair	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/13
B747-400	22				15	2	5	22	22	
B777-300	8					8		8	8	
B777-200	15					6	9	15	15	
A330-300	4						4	4	4	
A330-200	12					6	6	12	12	
MD11	4				3	1		4	4	
Total long-haul	65				18	23	24	65	65	
B747-400ERF				4		3	1	4	3	
B747-400BCF				3			3	3	1	
MD-11-CF				3	3			3	3	
MD-11-F				3		2	1	3	3	
Total cargo				13	3	5	5	13	10	
B737-900	5				1	1	3	5	5	
B737-800	25		22		7	10	30	47	47	2
B737-700	18		9		2	9	16	27	27	
Total short and medium-haul	48		31		10	20	49	79	79	2
Embraer 190		28				13	15	28	28	4
Fokker 70		23			23			23	19	-7
Total Regional		51			23	13	15	51	47	-3

KLM	113	51	31	13	54	61	93	208	201	-1
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TOTAL Air France-KLM (Constant scope)	206	130	242	578	553	1
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TOTAL Air France-KLM (Before sale of CityJet and VLM)	206	130	242	578	553	-30
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