Air France-KLM Group

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 – September 30, 2016

Air France-KLM Group

Table of contents

CONSOLIDATED INCOME STATEMENT - 3 -
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES - 4 -
CONSOLIDATED BALANCE SHEET - 5 -
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - 7 -
CONSOLIDATED STATEMENT OF CASH FLOWS - 8 -
1. BUSINESS DESCRIPTION - 11 -
2. RESTATEMENT OF ACCOUNTS 2015 - 11 -
Presentation of Servair Group as discontinued operation - 11 -
3. SIGNIFICANT EVENTS - 11 -
3.1. Events that occurred in the period - 11 -
3.2. Subsequent events - 12 -
4. ACCOUNTING POLICIES - 12 -
4.1. Accounting principles - 12 -
4.2. Preparation of unaudited interim consolidated financial statements - 13 -
4.3. Use of estimates - 13 -
5. CHANGE IN THE CONSOLIDATION SCOPE - 14 -
6. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA - 14 -
6.1. Information by business segment - 15 -
6.2. Information by geographical area - 17 -
7. EXTERNAL EXPENSES - 18 -
8. SALARIES AND NUMBER OF EMPLOYEES - 19 -
9. OTHER INCOME AND EXPENSES - 19 -
10. OTHER NON-CURRENT INCOME AND EXPENSES - 20 -
11. OTHER FINANCIAL INCOME AND EXPENSES - 21 -
12. INCOME TAXES - 22 -
13. SHARE OF PROFITS (LOSSES) OF ASSOCIATES - 22 -
14. NET INCOME FROM DISCONTINUED OPERATIONS - 22 -
15. PENSION ASSETS AND PROVISIONS - 23 -
16. NET DEBT - 24 -

Air France-KLM Group

CONSOLIDATED INCOME STATEMENT

In € millions **Period from January 1 to September 30**	***Notes***	**2016**	**2015 Restated(*)**
Sales	***6***	**18,758**	**19,447**
Other revenues		**1**	**1**
Revenues		**18,759**	**19,448**
External expenses	***7***	(10,797)	(11,942)
Salaries and related costs	***8***	(5,543)	(5,582)
Taxes other than income taxes		(125)	(120)
Other income and expenses	***9***	647	813
EBITDAR		**2,941**	**2,617**
Aircraft operating lease costs		(798)	(762)
EBITDA		**2,143**	**1,855**
Amortization, depreciation and provisions		(1,188)	(1,212)
Income from current operations		**955**	**643**
Sales of aircraft equipment		16	(5)
Other non-current income and expenses	***10***	(107)	88
Income from operating activities		**864**	**726**
Cost of financial debt		(237)	(291)
Income from cash and cash equivalents		39	47
Net cost of financial debt		***(198)***	***(244)***
Other financial income and expenses	***11***	(78)	(610)
Income before tax		**588**	**(128)**
Income taxes	***12***	(166)	(5)
Net income of consolidated companies		**422**	**(133)**
Share of profits (losses) of associates	***13***	3	(37)
Net income from continuing operations		**425**	**(170)**
Net income from discontinued operations	***14***	14	17
Net income for the period		**439**	**(153)**
Non controlling interests		*9*	*5*
Net income - Group part		*430*	*(158)*
Earnings per share – Equity holders of Air France-KLM (in euros)			
- basic and diluted		1.39	(0.53)
- diluted		1.22	(0.53)
Net income from continuing operations - Equity holders of Air France-KLM (in euros)			
- basic and diluted		1.34	(0.59)
- diluted		1.18	(0.59)
Net income from discontinued operations - Equity holders of Air France-KLM (in euros)			
- basic and diluted		0.05	0.06
- diluted		0.04	0.06

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.

Air France-KLM Group

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

In € millions **Period from January 1 to September 30**	**2016**	**2015**
Net income for the period	**439**	**(153)**
Fair value adjustment on available-for-sale securities		
Change in fair value recognized directly in other comprehensive income	33	47
Change in fair value transferred to profit or loss	-	(222)
Fair value hedges		
Effective portion of changes in fair value hedge recognized directly in other comprehensive income	11	(34)
Cash flow hedges		
Effective portion of changes in fair value hedge recognized directly in other comprehensive income	157	(417)
Change in fair value transferred to profit or loss	689	907
Currency translation adjustment	**10**	**7**
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	**(258)**	**(121)**
Total of other comprehensive income that will be reclassified to profit or loss	***642***	***167***
Remeasurements of defined benefit pension plans	**(2,030)**	**103**
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	**474**	**(37)**
Total of other comprehensive income that will not be reclassified to profit or loss	***(1,556)***	***66***
Total of other comprehensive income, after tax	**(914)**	**233**
Recognized income and expenses	**(475)**	**80**
- Equity holders of Air France-KLM	**(478)**	**77**
- Non-controlling interests	3	3

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

Air France-KLM Group

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	***Notes***	**September 30, 2016**	**December 31, 2015**
Goodwill		217	247
Intangible assets		1,037	1,018
Flight equipment		9,214	8,743
Other property, plant and equipment		1,485	1,670
Investments in equity associates		78	118
Pension assets	***15***	692	1,773
Other financial assets		1,273	1,224
Deferred tax assets		742	702
Other non-current assets		327	295
Total non current assets		**15,065**	**15,790**
Assets held for sale	***14***	392	4
Other short-term financial assets		83	967
Inventories		595	532
Trade receivables		1,950	1,800
Other current assets		973	1,138
Cash and cash equivalents	***16***	3,567	3,104
Total current assets		**7,560**	**7,545**
Total assets		**22,625**	**23,335**

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

Air France-KLM Group

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	***Notes***	**September 30, 2016**	**December 31, 2015**
Issued capital		300	300
Additional paid-in capital		2,971	2,971
Treasury shares		(83)	(85)
Perpetual		600	600
Reserves and retained earnings		(4,062)	(3,561)
Equity attributable to equity holders of Air France-KLM		**(274)**	**225**
Non-controlling interests		44	48
Total equity		**(230)**	**273**
Pension provisions	***15***	2,872	1,995
Other provisions		1,490	1,513
Long-term debt	***16***	6,845	7,060
Deferred tax liabilities		8	11
Other non-current liabilities		282	484
Total non-current liabilities		**11,497**	**11,063**
Liabilities relating to assets held for sale	***14***	254	-
Other provisions		719	742
Current portion of long-term debt	***16***	1,680	2,017
Trade payables		2,356	2,395
Deferred revenue on ticket sales		2,702	2,515
Frequent flyer programs		798	760
Other current liabilities		2,843	3,567
Bank overdrafts	***16***	6	3
Total current liabilities		**11,358**	**11,999**
Total liabilities		**22,855**	**23,062**
Total equity and liabilities		**22,625**	**23,335**

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

Air France-KLM Group

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In € millions	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	-	-	-	-	-	(162)	**(162)**	-	**(162)**
Gain / (loss) on cash flow hedges	-	-	-	-	-	346	**346**	(2)	**344**
Gain /(loss) on fair value hedges	-	-	-	-	-	(22)	**(22)**	-	**(22)**
Remeasurements of defined benefit pension plans	-	-	-	-	-	66	**66**	-	**66**
Currency translation adjustment	-	-	-	-	-	7	**7**	-	**7**
Other comprehensive income	***-***	***-***	***-***	***-***	***-***	***235***	***235***	***(2)***	***233***
Net result for the period	-	-	-	-	-	(158)	**(158)**	5	**(153)**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**-**	**77**	**77**	**3**	**80**
Treasury shares	-	-	-	2	-	-	**2**	-	**2**
Coupons on perpetual	-	-	-	-	(12)	-	**(12)**	-	**(12)**
Change in scope	-	-	-	-	-	(2)	**(2)**	6	**4**
Perpetual	-	-	-	-	599	-	**599**	-	**599**
September 30, 2015	**300,219,278**	**300**	**2,971**	**(84)**	**587**	**(3,802)**	**(28)**	**48**	**20**
December 31, 2015	**300,219,278**	**300**	**2,971**	**(85)**	**600**	**(3,561)**	**225**	**48**	**273**
Fair value adjustment on available for sale securities	-	-	-	-	-	31	**31**	-	**31**
Gain / (loss) on cash flow hedges	-	-	-	-	-	590	**590**	-	**590**
Gain / (loss) on fair value hedges	-	-	-	-	-	11	**11**	-	**11**
Remeasurements of defined benefit pension plans	-	-	-	-	-	(1,550)	**(1,550)**	(6)	**(1,556)**
Currency translation adjustment	-	-	-	-	-	10	**10**	-	**10**
Other comprehensive income	***-***	***-***	***-***	***-***	***-***	***(908)***	***(908)***	***(6)***	***(914)***
Net result for the period	-	-	-	-	-	430	**430**	**9**	**439**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**-**	**(478)**	**(478)**	**3**	**(475)**
Dividends paid and coupons on perpetual	-	-	-	-	(23)	-	**(23)**	(7)	**(30)**
Treasury shares	-	-	-	2	-	-	**2**	-	**2**
September 30, 2016	**300,219,278**	**300**	**2,971**	**(83)**	**577**	**(4,039)**	**(274)**	**44**	**(230)**

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.

Air France-KLM Group

CONSOLIDATED STATEMENT OF CASH FLOWS

Period from January 1 to September 30 *In € millions*	***Notes***	**2016**	**2015** **Restated(*)**
Net income from continuing operations		425	(170)
Net income from discontinued operations	***14***	14	17
Amortization, depreciation and operating provisions		1,194	1,230
Financial provisions		(7)	65
Loss (gain) on disposals of tangible and intangible assets		(69)	4
Loss (gain)on disposals of subsidiaries and associates	***10***	(10)	(224)
Derivatives – non monetary result		(131)	158
Unrealized foreign exchange gains and losses, net		121	268
Share of (profits) losses of associates		(1)	33
Deferred taxes		141	(19)
Impairment		2	-
Other non-monetary items		12	30
Financial capacity		**1,691**	**1,392**
Including discontinued operations		***29***	***30***
(Increase) / decrease in inventories		(108)	(29)
(Increase) / decrease in trade receivables		(198)	(240)
Increase / (decrease) in trade payables		54	3
Change in other receivables and payables		297	521
Change in working capital requirement		**45**	**255**
Change in working capital from discontinued operations		(10)	(5)
Net cash flow from operating activities		**1,726**	**1,642**
Acquisition of subsidiaries, of shares in non-controlled entities		(7)	(6)
Purchase of property plant and equipment and intangible assets		(1,595)	(1,166)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities		4	342
Proceeds on disposal of property plant and equipment and intangible assets		138	71
Dividends received		4	1
Decrease (increase) in net investments, more than 3 months		798	(205)
Net cash flow used in investing activities of discontinued operations		(11)	(7)
Net cash flow used in investing activities		**(669)**	**(970)**
Capital increase		-	(1)
Perpetual		-	600
Issuance of debt		686	908
Repayment on debt		(792)	(1,377)
Payment of debt resulting from finance lease liabilities		(387)	(540)
New loans		(83)	(51)
Repayment on loans		32	122
Dividends and coupons on perpetual paid		(1)	(1)
Net cash flow used in financing activities of discontinued operations		(10)	5
Net cash flow from financing activities		**(555)**	**(335)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		(16)	(52)
Effect of exchange rate on cash and cash equivalent and bank overdrafts of discontinued operations		(1)	(1)
Change in cash and cash equivalents and bank overdrafts		**485**	**284**
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		3,561	3,164
Change in cash of discontinued operations		(3)	22

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.

Air France-KLM Group

Period from January 1 to September 30 *in € millions*	*Notes*	2016	2015 Restated(*)
Net cash flow from operating activities		1,726	1,642
Purchase of property plant and equipment and intangible assets		(1,595)	(1,166)
Proceeds on disposal of property plant and equipment and intangible		138	71
Net cash flow from operating activities from discontinued operations		(19)	(25)
Operating free cash flow excluding discontinued activities	***16***	**250**	**522**

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 CONSOLIDATED FINANCIAL STATEMENTS

Air France-KLM Group

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.

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. 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 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 September 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 14.

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 September 30, 2016 (see note 10). This provision is the best estimate of the costs involved in this voluntary departure plan.

3.2. Subsequent events

In October 2016, the Group issued a six-year bond for a total amount of €400 million. The bonds have a nominal value of 100,000 Euros and an annual coupon of 3.75%. The issue price was fixed at 100% of the nominal value. The bonds are redeemable at par in October 2022.

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 September 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 September 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 November 2, 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 September 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.

5. CHANGE IN THE CONSOLIDATION SCOPE

- **Nine-month period ended September 30, 2016**

No significant acquisition or disposal took place during the nine-month period ended September 30, 2016.

- **Nine-month period ended September 30, 2015**

No significant acquisition or disposal took place during the nine-month period ended September 30, 2015.

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 worldwide.

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.

Air France-KLM Group

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 broken down into seven geographic 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

• Nine-month period ended September 30, 2016

In € millions	Passenger network	Cargo	Mainte-nance	Transavia	Other	Non allocated	Total
Total sales	15,838	1,537	3,052	973	501	-	21,901
Intersegment sales	(955)	(14)	(1,704)	-	(470)	-	(3,143)
External sales	**14,883**	**1,523**	**1,348**	**973**	**31**	**-**	**18,758**
EBITDAR	2,635	(190)	310	176	10	-	2,941
EBITDA	1,951	(194)	310	67	9	-	2,143
Income from current operations	983	(216)	172	17	(1)	-	955
Income from operating activities	904	(219)	168	17	(6)	-	864
Share of profits (losses) of associates	(2)	-	3	-	2	-	3
Net cost of financial debt and other financial income and expenses	-	-	-	-	-	(276)	(276)
Income taxes	-	-	-	-	-	(166)	(166)
Net income from continuing operations	**902**	**(219)**	**171**	**17**	**(4)**	**(442)**	**425**

Air France-KLM Group

• Nine-month period ended September 30, 2015 (restated)

In € millions	Passenger network	Cargo	Mainte-nance	Transavia	Other	Non allocated	Total
Total sales	16,654	1,828	2,932	893	505	-	22,812
Intersegment sales	(1,096)	(15)	(1,784)	(1)	(469)	-	(3,365)
External sales	**15,558**	**1,813**	**1,148**	**892**	**36**	**-**	**19,447**
EBITDAR	2,327	(193)	339	124	20	-	2,617
EBITDA	1,662	(204)	339	39	19	-	1,855
Income from current operations	686	(222)	167	2	10	-	643
Income from operating activities	850	(270)	139	2	5	-	726
Share of profits (losses) of associates	(38)	-	1	-	-	-	(37)
Net cost of financial debt and other financial income and expenses	-	-	-	-	-	(854)	(854)
Income taxes	-	-	-	-	-	(5)	(5)
Net income from continuing operations	**812**	**(270)**	**140**	**2**	**5**	**(859)**	**(170)**

6.2. Information by geographical area

External sales by geographical area

- **Nine-month period ended September 30, 2016**

In € millions	Metropolitan France	Benelux	Europe (except France and Benelux)	Africa	Middle-Eastern gulf India (MEGI)	Asia Pacific	North America	West Indies Caribbean Guyana Indian Ocean South America (CILA)	Total
Scheduled passenger	4,301	1,399	3,132	750	379	1,260	2,183	846	14,250
Other passenger sales	252	122	103	35	4	77	22	18	633
Total passenger	**4,553**	**1,521**	**3,235**	**785**	**383**	**1,337**	**2,205**	**864**	**14,883**
Scheduled cargo	262	168	422	72	19	216	148	97	1,404
Other cargo sales	25	10	27	12	1	14	22	8	119
Total cargo	**287**	**178**	**449**	**84**	**20**	**230**	**170**	**105**	**1,523**
Scheduled Transavia	363	525	63	-	6	1	5	1	964
Transavia - other sales	4	-	-	-	-	1	4	-	9
Total Transavia	**367**	**525**	**63**	**-**	**6**	**2**	**9**	**1**	**973**
Maintenance	781	468	20	-	-	-	79	-	1,348
Others	8	21	2	-	-	-	-	-	31
Total	**5,996**	**2,713**	**3,769**	**869**	**409**	**1,569**	**2,463**	**970**	**18,758**

- **Nine-month period ended September 30, 2015 (restated)**

In € millions	Metropolitan France	Benelux	Europe (except France and Benelux)	Africa	Middle-Eastern gulf India (MEGI)	Asia Pacific	North America	West Indies Caribbean Guyana Indian Ocean South America (CILA)	Total
Scheduled passenger	4,339	1,334	3,258	786	387	1,541	2,297	978	14,920
Other passenger sales	266	108	110	45	4	70	18	17	638
Total passenger	**4,605**	**1,442**	**3,368**	**831**	**391**	**1,611**	**2,315**	**995**	**15,558**
Scheduled cargo	214	187	508	120	29	322	207	109	1,696
Other cargo sales	21	5	31	8	2	24	19	7	117
Total cargo	**235**	**192**	**539**	**128**	**31**	**346**	**226**	**116**	**1,813**
Transavia	304	554	34	-	-	-	-	-	892
Maintenance	694	362	18	-	-	-	74	-	1,148
Others	11	25	-	-	-	-	-	-	36
Total	**5,849**	**2,575**	**3,959**	**959**	**422**	**1,957**	**2,615**	**1,111**	**19,447**

Traffic sales by geographical area of destination

- **Nine-month period ended September 30, 2016**

In € millions	**Metropolitan France**	**Europe (except France) North Africa**	**Caribbean, French Guyana, Indian Ocean**	**Africa (except North Africa) Middle East**	**North America, Mexico**	**South America, except Mexico**	**Asia, New Caledonia**	**Total**
Scheduled passenger	1,367	3,303	1,140	1,916	2,995	1,243	2,286	14,250
Scheduled cargo	2	23	102	307	330	256	384	1,404
Scheduled Transavia	18	915	-	31	-	-	-	964
Total	**1,387**	**4,241**	**1,242**	**2,254**	**3,325**	**1,499**	**2,670**	**16,618**

- **Nine-month period ended September 30, 2015**

In € millions	**Metropolitan France**	**Europe (except France) North Africa**	**Caribbean, French Guyana, Indian Ocean**	**Africa (except North Africa) Middle East**	**North America, Mexico**	**South America, except Mexico**	**Asia, New Caledonia**	**Total**
Scheduled passenger	1,423	3,455	1,121	1,920	3,097	1,339	2,565	14,920
Scheduled cargo	2	32	101	348	407	297	509	1,696
Transavia	24	844	-	24	-	-	-	892
Total	**1,449**	**4,331**	**1,222**	**2,292**	**3,504**	**1,636**	**3,074**	**17,508**

7. EXTERNAL EXPENSES

In € millions	**2016**	**2015**
Period from January 1 to September 30		**Restated**
Aircraft fuel	3,507	4,820
Chartering costs	324	325
Landing fees and air route charges	1,437	1,478
Catering	336	350
Handling charges and other operating costs	1,196	1,147
Aircraft maintenance costs	1,847	1,657
Commercial and distribution costs	690	703
Other external expenses	1,460	1,462
Total	**10,797**	**11,942**
Excluding aircraft fuel	*7,290*	*7,122*

8. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions	**2016**	**2015**
Period from January 1 to September 30		**Restated**
Wages and salaries	3,888	3,991
Pension costs linked to defined contribution plans	413	404
Net periodic pension cost of defined benefit plans	213	201
Social contributions	810	826
Cost of temporary employees	114	123
Other expenses	105	37
Total	**5,543**	**5,582**

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 September 30, 2016, an amount of €85 million of profit sharing expenses (against €23 million as at September 30, 2015).

Average number of employees

Period from January 1 to September 30	**2016**	**2015**
		Restated
Flight deck crew	7,680	7,853
Cabin crew	20,999	21,437
Ground staff	53,756	55,116
Temporary employees	2,391	2,520
Total	**84,826**	**86,926**

9. OTHER INCOME AND EXPENSES

In € millions	**2016**	**2015**
Period from January 1 to September 30		**Restated**
Capitalized production	566	603
Joint operation of routes	(63)	(41)
Operations-related currency hedges	129	242
Other	15	9
Other income and expenses	**647**	**813**

10. OTHER NON-CURRENT INCOME AND EXPENSES

In € millions	**2016**	**2015**
Period from January 1 to September 30		
Restructuring costs	(167)	(134)
Disposal of slots	49	-
Disposal of shares available for sale	-	224
Disposals of subsidiaries and affiliates	10	-
Other	1	(2)
Other non-current income and expenses	**(107)**	**88**

- **Nine month period ended September 30, 2016**

Restructuring costs

As of September 30, 2016, this includes mainly:
- €149 million relating to the voluntary departure plans announced by Air France in February 2016 (see note 3.1);
- €7 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 September 30, 2016.

Disposal of subsidiaries and affiliates

As of September 30, 2016, this includes the impact of the reclassification in "shares available for sales" of two affiliates previously recorded as equity investment.

- **Nine month period ended September 30, 2015**

Restructuring costs

As of September 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.

11. OTHER FINANCIAL INCOME AND EXPENSES

In € millions	**2016**	**2015**
Period from January 1 to September 30		**Restated**
Foreign exchange gains (losses), net	(131)	(319)
Change in fair value of financial instruments	51	(225)
Net (charge)/ release to provisions	48	(21)
Other	(46)	(45)
Other financial income and expenses	**(78)**	**(610)**

Foreign exchange gains (losses)

As of September 30, 2016, the foreign exchange losses mainly include an unrealized currency loss of €124 million on Japanese Yen debt.

As of September 30, 2015, the foreign exchange losses mainly included:

- An unrealized currency loss on the net debt amounting to €167 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 and
- An unrealized currency loss of €80 million mainly linked to the revaluation of the US dollar portion of the maintenance provisions.

Change in fair value of financial instruments

The change in fair value of financial instruments is mainly due to:

- Fuel derivatives instruments for €73 million as of September 30, 2016, against €(189) million as of September 30, 2015,
- Currency derivatives for €(6) million as of September 30, 2016, against €(22) million as of September 30, 2015.

Net (charge) / release to provisions

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

Others

As of September 30, 2016 and 2015, this line mainly comprises the effect of the accretion on long-term provisions.

12. INCOME TAXES

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, the 2011 and 2012 Finance Acts introduced 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 period for recovering these losses against future profits having also been extended within the context of prevailing economic crisis and a highly competitive global market. The Group therefore limits its recoverability horizon on the deferred tax losses of the French fiscal group to a period of seven years, consistent with its operating visibility.

Following to the calculation of the estimated annual average tax rate for the current year, the French fiscal Group has not recognized any deferred tax asset on results on the nine-month period ended as of September 30, 2016 and 2015.

- **Dutch fiscal group**

As of September 30, 2016, the Group used deferred tax assets on fiscal losses amounting to €137 million, relating to the Dutch fiscal Group.

As of September 30, 2015, the Group recognized deferred tax assets on fiscal losses amounting to €30 million, relating to the Dutch fiscal Group.

13. SHARE OF PROFITS (LOSSES) OF ASSOCIATES

As of September 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.

14. NET INCOME FROM DISCONTINUED OPERATIONS

As of September 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 **Période from January 1 to September 30**	**2016**	**2015** **Restated**
Revenues	298	266
EBITDAR	39	41
EBITDA	39	41
Income from current operations	*33*	*23*
Non current item	(7)	1
Income from operating activities	*26*	*24*
Financial Income	1	(1)
Income before tax	*27*	*23*
Income taxes	(11)	(9)
Share of profits (losses) of associates	(2)	3
Net income from discontinued operations	**14**	**17**

In the context of this operation, the assets and liabilities of the Servair Group have been reclassified on the lines « assets held for sale » and « liabilities relating to assets held for sale », for respectively €390 million and €254 million as of September 30 2016.

15. PENSION ASSETS AND PROVISIONS

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

	September 30, 2016	December 31, 2015
Euro zone – duration 10 to 15 years	1.00%	1.80%
Euro zone – duration 15 years and more	1.40%	2.35%

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

	September 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 €1,726 million of the "pension assets" on the balance sheet (schemes with a net asset position) and
- An increase of €305 million of the "pension provisions" on the balance sheet (schemes with a net liability position).

The new Dutch Financial Assessment Framework for pension schemes applicable as per January 1, 2015 resulted in higher required solvency levels. According to this Framework, pension funds have also 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 KLM pays additional contribution to grant 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 parameters, to make a significant additional contribution by the end of the year in order to reach the required coverage ratio. Discussions with the KLM Flight Deck Crew Union have been initiated to renegotiate the current funding agreement. In parallel, the Group has decided to use its possibility to terminate this funding agreement on a unilateral way.
The KLM Flight Deck Crew Union disputed the termination and initiated short summary proceeding before the Court of Amsterdam. On September 27, the Court judged that KLM was entitled to terminate the agreement on funding the pension scheme with the KLM Flight Deck Crew Union. This judgment only refers to the termination and not to the amount of any payment obligation. The Union announced to go for an appeal on this judgement. Besides it is expected that the pension fund will start a court case on termination the funding agreement on short notice.
KLM is willing to renegotiate the current funding agreement with the KLM Flight Deck Crew Union. KLM is confident that it can reach a mutual acceptable new funding agreement with the KLM Flight Deck Crew Union and the pension fund. The contribution for future pension accrual could increase without nevertheless the Group being able to assess the impacts of this renegotiation while KLM and the KLM Flight Deck Crew Union are still in consultation to find a solution.

Because of the termination and in case there is no solution before December 1, 2016 also a new pension agreement would be required for future pension accrual. KLM started negotiations with the Union on a new funding agreement with a new pension fund. In case of funding via a new fund KLM will have to derecognize the net pension assets associated to the KLM Flight Deck Crew plan. The estimated negative impact on the income statement (based on September 30, 2016 figures) is € (520) million after tax. The derecognition of the net pension asset for KLM pilots would reduce the risk from the Group balance sheet.

16. NET DEBT

In € millions	**September 30, 2016**	**December 31, 2015**
Current and non-current financial debt (1)	8,525	9,077
Financial lease deposits (others)	(331)	(453)
Cash secured on OCEANE swap (*)	-	(393)
Fair value hedge on financial debt	(36)	(40)
Accrued interest	(90)	(95)
Gross financial debt (I)	**8,068**	**8,096**
Cash and cash equivalents (2)	3,567	3,104
Marketable securities	70	466
Cash secured (on other than OCEANE swap) (*)	15	18
Financial lease deposit (bonds)	270	204
Others	(11)	-
Bank overdrafts (3)	(6)	(3)
Net cash (II)	**3,905**	**3,789**
Net debt (I-II)	**4,163**	**4,307**
(*) Cash secured	15	411

(1) Liabilities : long term debt

(2) Assets : cash and cash equivalents

(3) Liabilities : bank overdrafts

In € millions	***Note***	**September 30, 2016**	**December 31, 2015**
Opening net debt		**4,307**	**5,407**
Operating free cash, cash flow excluding discontinued activities (1)		(250)	(606)
Change in perpetual		-	(588)
Disposal of subsidiaries, of shares in non-controlled entities	***10***	(4)	(342)
Acquisition of subsidiaries, of shares in non-controlled entities (2)		7	7
Non monetary variation of the debt		(64)	156
Currency translation adjustment		132	185
Amortization of OCEANE optional part		17	36
Reclassification		5	(4)
Change in scope		-	(8)
Other		13	64
Closing net debt		**4,163**	**4,307**

(1) Cash flows statement : operating free cash flow

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