

# **Air France-KLM Group**

## **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, 2019 – June 30, 2019**

# Air France-KLM Group

## Table of contents

CONSOLIDATED INCOME STATEMENT (unaudited).....	3 -
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES (unaudited).....	4 -
CONSOLIDATED BALANCE SHEET (unaudited).....	5 -
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited).....	7 -
CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited).....	8 -
1. BUSINESS DESCRIPTION.....	11 -
2. SIGNIFICANT EVENTS .....	11 -
2.1. Events occurring during the period .....	11 -
2.2. Subsequent events .....	11 -
3.1. Accounting principles.....	12 -
3.2. Preparation of unaudited interim consolidated financial statements .....	13 -
3.3. Use of estimates.....	13 -
4. CHANGE IN THE CONSOLIDATION SCOPE.....	14 -
5.1. Information by business segment.....	15 -
5.2. Information by geographical area .....	17 -
6. EXTERNAL EXPENSES.....	18 -
7. SALARIES AND NUMBER OF EMPLOYEES .....	19 -
8. AMORTIZATION, DEPRECIATION AND PROVISIONS.....	19 -
9. OTHER INCOME AND EXPENSES .....	20 -
10. OTHER NON-CURRENT INCOME AND EXPENSES.....	20 -
11. NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES .....	21 -
12. INCOME TAXES .....	22 -
12.1. Income tax charge .....	22 -
12.2. Deferred tax recorded in equity (equity holders of Air France-KLM).....	22 -
13. EARNINGS PER SHARE.....	23 -
13.1 Income for the period – Equity holders of Air France-KLM per share .....	23 -
13.2 Non-dilutive instruments .....	23 -
13.3 Instruments issued after the closing date .....	23 -
14. TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS .....	24 -
16. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA .....	25 -
16.1 Breakdown of stock and voting rights .....	25 -
16.2 Reserves and retained earnings.....	25 -
17. RETURN OBLIGATION LIABILITY AND OTHER PROVISIONS .....	26 -
17.1. Return obligation liability and other provisions.....	26 -
17.2 Contingent liabilities .....	27 -
18. FINANCIAL DEBT AND LEASE DEBT.....	28 -
19. NET DEBT .....	30 -
20. FLIGHT EQUIPMENT ORDERS .....	31 -
21. RELATED PARTIES .....	32 -

# Air France-KLM Group

## CONSOLIDATED INCOME STATEMENT (unaudited)

<i>In € millions</i>			
<b>Period from January 1 to June 30</b>	<i>Notes</i>	<b>2019</b>	<b>2018</b>
<b>Sales</b>	<b>5</b>	<b>13,036</b>	<b>12,432</b>
<b>Revenues</b>		<b>13,036</b>	<b>12,432</b>
External expenses	<b>6</b>	(7,806)	(7,299)
Salaries and related costs	<b>7</b>	(4,020)	(3,812)
Taxes other than income taxes		(93)	(87)
Other income and expenses	<b>9</b>	454	436
<b>EBITDA</b>		<b>1,571</b>	<b>1,670</b>
Amortization, depreciation and provisions	<b>8</b>	(1,474)	(1,442)
<b>Income from current operations</b>		<b>97</b>	<b>228</b>
Sales of aircraft equipment		23	(4)
Other non-current income and expenses	<b>10</b>	(30)	(23)
<b>Income from operating activities</b>		<b>90</b>	<b>201</b>
Cost of financial debt	<b>11</b>	(221)	(236)
Income from cash and cash equivalents	<b>11</b>	27	20
<b>Net cost of financial debt</b>		<b>(194)</b>	<b>(216)</b>
Other financial income and expenses	<b>11</b>	(110)	(74)
<b>Income before tax</b>		<b>(214)</b>	<b>(89)</b>
Income taxes	<b>12</b>	(33)	(68)
<b>Net income of consolidated companies</b>		<b>(247)</b>	<b>(157)</b>
Share of profits (losses) of associates		8	(1)
<b>Net income for the period</b>		<b>(239)</b>	<b>(158)</b>
<i>Non-controlling interests</i>		<i>1</i>	<i>1</i>
<i>Net income - Group part</i>		<i>(240)</i>	<i>(159)</i>
Earnings per share – Equity holders of Air France-KLM (in euros)			
- basic	<b>13</b>	(0.59)	(0.40)
- diluted		(0.59)	(0.40)

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

# Air France-KLM Group

## CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES (unaudited)

<i>In € millions</i>		
<b>Period from January 1 to June 30</b>	<b>2019</b>	<b>2018</b>
<b>Net income for the period</b>	<b>(239)</b>	<b>(158)</b>
Effective portion of changes in fair value hedge and cost of hedging recognized directly in other comprehensive income	404	629
Change in fair value and cost of hedging transferred to profit or loss	(79)	(302)
<b>Currency translation adjustment</b>	<b>-</b>	<b>(1)</b>
<b>Deferred tax on items of comprehensive income that will be reclassified to profit or loss</b>	<b>(103)</b>	<b>(94)</b>
<b><i>Total of other comprehensive income that will be reclassified to profit or loss</i></b>	<b><i>222</i></b>	<b><i>232</i></b>
<b>Remeasurements of defined benefit pension plans (1)</b>	<b>(331)</b>	<b>192</b>
<b>Fair value of equity instruments revalued through OCI</b>	<b>(12)</b>	<b>(38)</b>
<b>Deferred tax on items of comprehensive income that will not be reclassified to profit or loss</b>	<b>52</b>	<b>(34)</b>
<b><i>Total of other comprehensive income that will not be reclassified to profit or loss</i></b>	<b><i>(291)</i></b>	<b><i>120</i></b>
<b>Total of other comprehensive income, after tax</b>	<b>(69)</b>	<b>352</b>
<b>Recognized income and expenses</b>	<b>(308)</b>	<b>194</b>
- Equity holders of Air France-KLM	<b>(310)</b>	<b>193</b>
- Non-controlling interests	2	1

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

<sup>(1)</sup> Remeasurement of defined benefit pension plans is composed of €886 million related to the difference between the expected and actual return on assets (June 2018: €(14) million) and €(217) million related to the change in actuarial assumptions (June 2018: €206 million)

# Air France-KLM Group

## CONSOLIDATED BALANCE SHEET (unaudited)

Assets		June 30,	December 31,
<i>In € millions</i>	<i>Notes</i>	<b>2019</b>	<b>2018</b>
Goodwill		217	217
Intangible assets		1,248	1,194
Flight equipment	<b>14</b>	10,541	10,167
Other property, plant and equipment	<b>14</b>	1,530	1,503
Right-of-use assets		5,079	5,243
Investments in equity associates		305	311
Pension assets	<b>15</b>	174	331
Other financial assets		1,384	1,487
Deferred tax assets		441	544
Other non-current assets		242	264
<b>Total non-current assets</b>		<b>21,161</b>	<b>21,261</b>
Other short-term financial assets		469	325
Inventories		702	633
Trade receivables		2,558	2,191
Other current assets		1,224	1,062
Cash and cash equivalents	<b>19</b>	4,418	3,585
<b>Total current assets</b>		<b>9,371</b>	<b>7,796</b>
<b>Total assets</b>		<b>30,532</b>	<b>29,057</b>

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

# Air France-KLM Group

## CONSOLIDATED BALANCE SHEET (unaudited) (continued)

Liabilities and equity		June 30,	December 31,
<i>In € millions</i>	<i>Notes</i>	<b>2019</b>	<b>2018</b>
Issued capital	<i>16.1</i>	429	429
Additional paid-in capital		4,139	4,139
Treasury shares		(67)	(67)
Perpetual		403	403
Reserves and retained earnings	<i>16.1</i>	(3,327)	(3,051)
<b>Equity attributable to equity holders of Air France-KLM</b>		<b>1,577</b>	<b>1,853</b>
Non-controlling interests		13	12
<b>Total equity</b>		<b>1,590</b>	<b>1,865</b>
Pension provisions	<i>15</i>	2,285	2,098
Return obligation liability and other provisions	<i>17</i>	3,097	3,035
Financial debt	<i>18 &amp; 19</i>	5,949	5,733
Lease debt	<i>18 &amp; 19</i>	3,473	3,546
Deferred tax liabilities		-	4
Other non-current liabilities		293	459
<b>Total non-current liabilities</b>		<b>15,097</b>	<b>14,875</b>
Return obligation liability and other provisions	<i>17</i>	558	492
Current portion of financial debt	<i>18 &amp; 19</i>	1,080	826
Lease debt	<i>18 &amp; 19</i>	955	989
Trade payables		2,500	2,460
Deferred revenue on ticket sales		4,407	3,153
Frequent flyer programs		837	844
Other current liabilities		3,505	3,548
Bank overdrafts	<i>19</i>	3	5
<b>Total current liabilities</b>		<b>13,845</b>	<b>12,317</b>
<b>Total liabilities</b>		<b>28,942</b>	<b>27,192</b>
<b>Total equity and liabilities</b>		<b>30,532</b>	<b>29,057</b>

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

# Air France-KLM Group

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)

<i>In € millions</i>	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
<b>January 1, 2018</b>	<b>428,634,035</b>	<b>429</b>	<b>4,139</b>	<b>(67)</b>	<b>600</b>	<b>(2,693)</b>	<b>2,408</b>	<b>12</b>	<b>2,420</b>
Gain / (loss) on cash flow hedges	-	-	-	-	-	233	233	-	233
Fair value of equity instruments through OCI	-	-	-	-	-	(38)	(38)	-	(38)
Remeasurements of defined benefit pension plans	-	-	-	-	-	158	<b>158</b>	-	<b>158</b>
Currency translation adjustment	-	-	-	-	-	(1)	<b>(1)</b>	-	<b>(1)</b>
<b>Other comprehensive income</b>	-	-	-	-	-	<b>352</b>	<b>352</b>	-	<b>352</b>
Net result for the period	-	-	-	-	-	(159)	<b>(159)</b>	<b>1</b>	<b>(158)</b>
<b>Total of income and expenses recognized</b>	-	-	-	-	-	<b>193</b>	<b>193</b>	<b>1</b>	<b>194</b>
<b>June 30, 2018</b>	<b>428,634,035</b>	<b>429</b>	<b>4,139</b>	<b>(67)</b>	<b>600</b>	<b>(2,500)</b>	<b>2,601</b>	<b>13</b>	<b>2,614</b>
<b>December 31, 2018</b>	<b>428,634,035</b>	<b>429</b>	<b>4,139</b>	<b>(67)</b>	<b>403</b>	<b>(3,051)</b>	<b>1,853</b>	<b>12</b>	<b>1,865</b>
Gain / (loss) on cash flow hedges	-	-	-	-	-	221	<b>221</b>	<b>1</b>	<b>222</b>
Fair value of equity instruments through OCI	-	-	-	-	-	(9)	(9)	-	(9)
Remeasurements of defined benefit pension plans	-	-	-	-	-	(282)	<b>(282)</b>	-	<b>(282)</b>
<b>Other comprehensive income</b>	-	-	-	-	-	<b>(70)</b>	<b>(70)</b>	<b>1</b>	<b>(69)</b>
Net result for the period	-	-	-	-	-	(240)	<b>(240)</b>	<b>1</b>	<b>(239)</b>
<b>Total of income and expenses recognized</b>	-	-	-	-	-	<b>(310)</b>	<b>(310)</b>	<b>2</b>	<b>(308)</b>
OCEANE	-	-	-	-	-	35	<b>35</b>	-	<b>35</b>
Dividends paid and coupons on perpetual	-	-	-	-	-	-	-	(1)	(1)
Other	-	-	-	-	-	-	(1)	-	(1)
<b>June 30, 2019</b>	<b>428,634,035</b>	<b>429</b>	<b>4,139</b>	<b>(67)</b>	<b>403</b>	<b>(3,327)</b>	<b>1,577</b>	<b>13</b>	<b>1,590</b>

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

The amounts included in other comprehensive income are presented net of deferred tax.

# Air France-KLM Group

## CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Period from January 1 to June 30	<i>Notes</i>	2019	2018
<i>In € millions</i>			
Net income from continuing operations		(239)	(158)
Amortization, depreciation and operating provisions		1,475	1,442
Financial provisions		89	57
Loss (gain) on disposals of tangible and intangible assets		(31)	7
Loss (gain) on disposals of subsidiaries and associates		(2)	-
Derivatives – non monetary result		24	(23)
Unrealized foreign exchange gains and losses, net		52	108
Share of (profits) losses of associates		(8)	1
Deferred taxes		30	61
Other non-monetary items		64	(182)
<b>Financial capacity</b>		<b>1,454</b>	<b>1,313</b>
(Increase) / decrease in inventories		(73)	(67)
(Increase) / decrease in trade receivables		(371)	(517)
Increase / (decrease) in trade payables		24	163
Change in other receivables and payables		1,207	1,254
<b>Change in working capital requirement</b>		<b>787</b>	<b>833</b>
<b>Net cash flow from operating activities (A)</b>		<b>2,241</b>	<b>2,146</b>
Acquisition of subsidiaries, of shares in non-controlled entities		-	(8)
Purchase of property plant and equipment and intangible assets (B)		(1,465)	(1,534)
Proceeds on disposal of subsidiaries, of shares in non-controlled entities		8	3
Proceeds on disposal of property plant and equipment and intangible assets (C)		76	46
Dividends received		7	3
Decrease (increase) in net investments, more than 3 months		20	5
<b>Net cash flow used in investing activities</b>		<b>(1,354)</b>	<b>(1,485)</b>
Increase of equity due to new convertible bonds		54	-
Issuance of debt		762	295
Repayment on debt		(339)	(998)
Payments on lease debts (D)		(501)	(517)
New loans		(34)	(115)
Repayment on loans		20	66
Dividends and coupons on perpetual paid		(1)	(1)
<b>Net cash flow from financing activities</b>		<b>(39)</b>	<b>(1,270)</b>
Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)		(13)	8
<b>Change in cash and cash equivalents and bank overdrafts</b>		<b>835</b>	<b>(601)</b>
Cash and cash equivalents and bank overdrafts at beginning of period		3,580	4,667
Cash and cash equivalents and bank overdrafts at end of period		4,415	4,066
Income tax (paid) / reimbursed (flow included in operating activities)		5	(20)
Interest paid (flow included in operating activities)		(221)	(256)
Interest received (flow included in operating activities)		14	7

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



## Air France-KLM Group

<b>Period from January 1 to June 30</b>	<i>Notes</i>	<b>2019</b>	<b>2018</b>
<i>in € millions</i>			
Net cash flow from operating activities	<i>A</i>	2,241	2,146
Purchase of property plant and equipment and intangible assets	<i>B</i>	(1,465)	(1,534)
Proceeds on disposal of property plant and equipment and intangible assets	<i>C</i>	76	46
<b>Operating free cash flow (*)</b>	<i>19</i>	<b>852</b>	<b>658</b>
<b>Payments on lease debts</b>	<i>D</i>	<b>(501)</b>	<b>(517)</b>
<b>Operating free cash flow adjusted (**)</b>		<b>351</b>	<b>141</b>

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

<sup>(\*)</sup> See note 3 in notes to the 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 network activities which includes passenger transportation on scheduled flights and cargo activities. The Group's activities also include aeronautics maintenance, "low cost" passenger transportation (Transavia) and other air-transport-related activities.

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. SIGNIFICANT EVENTS

### 2.1. Events occurring during the period

#### Convertible bond (OCEANE) issued in 2019

On March 20, 2019, Air France-KLM issued 27,901,785 bonds convertible and/or exchangeable for new or existing Air France-KLM shares (OCEANE) with a maturity date fixed at March 25, 2026 for a total nominal amount of €500 million. Each bond has a nominal value of €17.92. The annual coupon amounts to 0.125 per cent. The conversion period of these bonds runs from May 4, 2019 to the seventh working day preceding the normal or early reimbursement date. The conversion ratio is one share for one bond.

Repayment at par, plus accrued interest, will be possible on March 25, 2024 on request of the bond holders. Air France-KLM can enforce the cash reimbursement of these bonds by exercising a call option running from April 15, 2022 if the share price exceeds 130 per cent of the nominal, amounting to €23.29, encouraging OCEANE bond holders to convert their bonds into Air France-KLM shares.

Upon issue of this convertible debt, Air France-KLM recorded a debt of €446 million, corresponding to the present value of future payments of interest and nominal discounted at the rate of a similar bond without a conversion option. The option value was evaluated by deducting this debt value from the total nominal amount (i.e. €500 million) and was recorded in equity.

#### Voluntary Departure Plan

Voluntary Departure Plan focused on Air France ground staff of short haul, aimed at the respective departure of some 465 full time equivalents. The Group accordingly made a provision of €32 million to the income statement as of June 30, 2019.

### 2.2. Subsequent events

On July 30, 2019, the Board decided to early phase out progressively the A380 aircraft from the fleet by the end of 2022. The impact of this decision, at this stage, is estimated around € (400) million, mainly due to the acceleration in the depreciation of the aircraft. The Group expects to account for the impact in "other non-current incomes and expenses" as from the third quarter of 2019 and to spread it over the period until 2022.

# Air France-KLM Group

## 3. ACCOUNTING POLICIES

### 3.1. 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, 2018 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, 2019 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, 2018.

The interim condensed consolidated financial statements as of June 30, 2019 have been established in accordance with the accounting principles used by the Group for the consolidated financial statements 2018, except for standards and interpretations adopted by the European Union applicable as from January 1, 2019.

The condensed consolidated financial statements were approved by the Board of Directors on July 30, 2019.

#### Change in accounting principles

- **IFRS standards which are applicable on a mandatory basis to the 2019 financial statements**

##### **Amendment to IFRS 9 “Financial instruments”**

This amendment deals with prepayment features with negative compensation.

##### **IFRIC 23 “Uncertainty over Income Tax Treatments”**

This interpretation of IAS 12 “Income Taxes” clarifies the treatment of any situation of uncertainty regarding the acceptability of a tax treatment related to income taxes.

##### **Amendment to IAS 28 “Long-term interests in an associate or joint venture”**

This amendment is related to the measurement of other interests in an associate or a joint venture which would not be recognized by the equity method.

##### **Amendment to IAS 19 “Employee benefits”**

This amendment relates to the consequences of a plan amendment, curtailment or settlement for the current service cost and the net interest.

##### **Amendment to IAS 12 “Income taxes”**

This amendment outlines income tax consequences of payments on financial instruments classified as equity.

##### **Amendment to IFRS 11 “Joint arrangements”**

This amendment clarifies the accounting treatment of the interest’s acquisition in a joint operation;

##### **Amendment to IAS 23 “Borrowing costs”**

This amendment indicates borrowing costs eligible for capitalization;

The application of these amendments and interpretation has no significant impact on the Group’s consolidated financial statements.

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

# Air France-KLM Group

## **Amendment to IFRS 3 “Business Combinations”**

(Effective for the accounting periods as of January 1, 2020)

This amendment clarifies the definition of a business.

## **Amendments to IAS 1 “Presentation of financial statements” and IAS 8 “Accounting policies, changes in accounting estimates and errors”**

(Effective for the accounting periods as of January 1, 2020)

This amendment defines the materiality.

The impact of the application of these amendments is currently being assessed.

## **3.2. 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.

## **3.3. 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, 2018 consolidated financial statements, concerned:

- Revenue recognition related to deferred revenue on ticket sales;
- Frequent flyer program;
- Financial instruments;
- Tangible and intangible assets;
- Lease contracts;
- Pension assets and provisions;
- Return obligation liability and provision for leased aircraft and Other provisions;
- Current and 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 that provide the basis for these assumptions.

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.

These accounting estimations are based upon the latest available, reliable information.

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

# Air France-KLM Group

## 4. CHANGE IN THE CONSOLIDATION SCOPE

- **First semester ended June 30, 2019**

No significant acquisition or disposal took place during the first semester ended June 30, 2019

- **First semester ended June 30, 2018**

No significant acquisition or disposal took place during the first semester ended June 30, 2018

## 5. 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:

**Network:** Passenger network and Cargo operating revenues primarily come from passenger transportation services on scheduled flights with the Group's airline code (excluding 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.

The revenues also including freight 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 the sales of cargo capacity to third parties and the transportation of shipments on behalf of the Group by other airlines.

**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 various services provided by the Group and not covered by the four segments 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 EBITDA, current operating income and 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

## 5.1. Information by business segment

### • First semester ended June 30, 2019

<i>In € millions</i>	Network	Maintenance	Transavia	Other	Non allocated	Total
Total sales	11,211	2,290	751	123	-	14,375
Intersegment sales	(20)	(1,209)	(2)	(108)	-	(1,339)
<b>External sales</b>	<b>11,191</b>	<b>1,081</b>	<b>749</b>	<b>15</b>	-	<b>13,036</b>
EBITDA	1,186	268	99	18	-	1,571
Income from current operations	12	102	(19)	2	-	97
Income from operating activities	29	102	(19)	(22)	-	90
Share of profits (losses) of associates	1	1	-	6	-	8
Net cost of financial debt and other financial income and expenses	-	-	-	-	(304)	(304)
Income taxes	-	-	-	-	(33)	(33)
<b>Net income</b>	<b>30</b>	<b>103</b>	<b>(19)</b>	<b>(16)</b>	<b>(337)</b>	<b>(239)</b>

# Air France-KLM Group

• First semester ended June 30, 2018

<i>In € millions</i>	Network	Maintenance	Transavia	Other	Non allocated	Total
Total sales	10,806	2,082	689	120	-	13,697
Intersegment sales	(20)	(1,141)	(1)	(103)	-	(1,265)
<b>External sales</b>	<b>10,786</b>	<b>941</b>	<b>688</b>	<b>17</b>	<b>-</b>	<b>12,432</b>
EBITDA	1,301	235	116	18	-	1,670
Income from current operations	150	72	3	3	-	228
Income from operating activities	120	76	3	2	-	201
Share of profits (losses) of associates	1	2	-	(4)	-	(1)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(290)	(290)
Income taxes	-	-	-	-	(68)	(68)
<b>Net income</b>	<b>121</b>	<b>78</b>	<b>3</b>	<b>(2)</b>	<b>(358)</b>	<b>(158)</b>



# Air France-KLM Group

## 5.2. Information by geographical area

### External sales by geographical area

- **First semester ended June 30, 2019**

<i>In € millions</i>	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
Network	3,149	1,180	2,322	491	264	988	1,586	622	10,602
Other network sales	216	87	105	34	11	72	35	29	589
<b>Total network</b>	<b>3,365</b>	<b>1,267</b>	<b>2,427</b>	<b>525</b>	<b>275</b>	<b>1,060</b>	<b>1,621</b>	<b>651</b>	<b>11,191</b>
Scheduled Transavia	324	359	46	1	5	1	3	1	740
Transavia - other sales	5	-	-	-	-	-	4	-	9
<b>Total Transavia</b>	<b>329</b>	<b>359</b>	<b>46</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>7</b>	<b>1</b>	<b>749</b>
Maintenance	636	382	11	-	-	2	50	-	1,081
Others	3	12	-	-	-	-	-	-	15
<b>Total</b>	<b>4,333</b>	<b>2,020</b>	<b>2,484</b>	<b>526</b>	<b>280</b>	<b>1,063</b>	<b>1,678</b>	<b>652</b>	<b>13,036</b>

- **First semester ended June 30, 2018**

<i>In € millions</i>	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
Network	3,012	1,144	2,306	469	263	932	1,434	670	10,230
Other network sales	201	87	100	31	9	67	38	23	556
<b>Total network</b>	<b>3,213</b>	<b>1,231</b>	<b>2,406</b>	<b>500</b>	<b>272</b>	<b>999</b>	<b>1,472</b>	<b>693</b>	<b>10,786</b>
Scheduled Transavia	290	337	40	1	4	1	2	1	676
Transavia - other sales	5	-	-	-	-	-	7	-	12
<b>Total Transavia</b>	<b>295</b>	<b>337</b>	<b>40</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>688</b>
Maintenance	505	377	13	-	-	1	45	-	941
Others	4	13	-	-	-	-	-	-	17
<b>Total</b>	<b>4,017</b>	<b>1,958</b>	<b>2,459</b>	<b>501</b>	<b>276</b>	<b>1,001</b>	<b>1,526</b>	<b>694</b>	<b>12,432</b>

# Air France-KLM Group

## Traffic sales by geographical area of destination

- **First semester ended June 30, 2019**

<i>In € millions</i>	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
Network	831	2,360	821	1,357	2,291	1,045	1,897	10,602
Scheduled Transavia	10	672	-	58	-	-	-	740
<b>Total</b>	<b>841</b>	<b>3,032</b>	<b>821</b>	<b>1,415</b>	<b>2,291</b>	<b>1,045</b>	<b>1,897</b>	<b>11,342</b>

- **First semester ended June 30, 2018**

<i>In € millions</i>	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
Network	865	2,273	788	1,332	2,110	1,058	1,804	10,230
Scheduled Transavia	10	616	-	50	-	-	-	676
<b>Total</b>	<b>875</b>	<b>2,889</b>	<b>788</b>	<b>1,382</b>	<b>2,110</b>	<b>1,058</b>	<b>1,804</b>	<b>10,906</b>

## 6. EXTERNAL EXPENSES

<i>In € millions</i>	2019	2018
<b>Period from January 1 to June 30</b>		
Aircraft fuel	2,605	2,245
Chartering costs	269	276
Landing fees and air route charges	941	906
Catering	395	375
Handling charges and other operating costs	909	980
Aircraft maintenance costs	1,298	1,183
Commercial and distribution costs	517	510
Other external expenses	872	824
<b>Total</b>	<b>7,806</b>	<b>7,299</b>
<i>Excluding aircraft fuel</i>	<i>5,201</i>	<i>5,054</i>

# Air France-KLM Group

## 7. SALARIES AND NUMBER OF EMPLOYEES

### Salaries and related costs

<i>In € millions</i>	2019	2018
<b>Period from January 1 to June 30</b>		
Wages and salaries	2,750	2,608
Social contributions	535	525
Pensions costs on defined contribution plans	337	319
Pensions costs of defined benefit plan	133	119
Cost of temporary employees	126	115
Profit sharing	57	94
Other expenses	82	32
<b>Total</b>	<b>4,020</b>	<b>3,812</b>

The Group pays contributions to a multi-employer plan in France, the CRPN (public pension fund for crew). Since this multi-employer plan is assimilated with a French State plan, it is accounted for as a defined contribution plan in “pension costs on defined contribution plans”.

### Average number of employees

<b>Period from January 1 to June 30</b>	2019	2018
Flight deck crew	8,378	7,870
Cabin crew	22,185	21,897
Ground staff	52,022	51,377
Temporary employees	3,021	3,125
<b>Total</b>	<b>85,606</b>	<b>84,269</b>

## 8. AMORTIZATION, DEPRECIATION AND PROVISIONS

<i>In € millions</i>	2019	2018
<b>Period from January 1 to June 30</b>		
<b>Amortization</b>		
Intangible assets	90	79
Flight equipment	587	585
Other property, plant and equipment	99	95
Right-of-Use assets	633	615
	<b>1,409</b>	<b>1,374</b>
<b>Depreciation and provisions</b>		
Inventories	13	(3)
Trade receivables	6	22
Risks and contingencies	46	49
	<b>65</b>	<b>68</b>
<b>Total</b>	<b>1,474</b>	<b>1,442</b>

# Air France-KLM Group

## 9. OTHER INCOME AND EXPENSES

<i>In € millions</i>	<b>2019</b>	<b>2018</b>
<b>Period from January 1 to June 30</b>		
Capitalized production	482	460
Joint operation of routes	(23)	(21)
Operations-related currency hedges	12	(25)
Emission trade schemes (ETS)	(28)	(9)
Other	11	31
<b>Other income and expenses</b>	<b>454</b>	<b>436</b>

## 10. OTHER NON-CURRENT INCOME AND EXPENSES

<i>In € millions</i>	<b>2019</b>	<b>2018</b>
<b>Period from January 1 to June 30</b>		
Restructuring costs	(30)	(22)
Modification on pension plans	(11)	-
Cargo claim	(1)	(1)
Other	10	-
<b>Other non-current income and expenses</b>	<b>(30)</b>	<b>(23)</b>

- **Six-month period ended June 30, 2019**

### **Restructuring costs**

This mainly includes the new provision relating to the voluntary departure plan for Air France ground staff (please refer to note 2.1).

### **Modification on pension plans**

On February 22, 2019, an agreement was signed amending the retirement indemnities for Air France pilots retiring at 60 years or above, increasing the benefit obligation by € 11 million.

### **Other**

This line mainly includes the sale of Vilgénis school real estate in the Paris area and ground equipment at Charles de Gaulle airport.

- **Six-month period ended June 30, 2018**

### **Restructuring costs**

This mainly includes the new provision relating to the voluntary departure plan for KLM cabin crew.

# Air France-KLM Group

## 11. NET COST OF FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

<i>In € millions</i>		
<b>Period from January 1 to June 30</b>	<b>2019</b>	<b>2018</b>
Income from marketable securities	2	2
Other financial income	25	18
<b>Financial income</b>	<b>27</b>	<b>20</b>
Interest on financial debt	(70)	(73)
Interest on lease debt	(136)	(146)
Capitalized interests and other non-monetary items	(8)	(8)
Other financial expenses	(7)	(9)
<b>Gross cost of financial debt</b>	<b>(221)</b>	<b>(236)</b>
<b>Net cost of financial debt</b>	<b>(194)</b>	<b>(216)</b>
Foreign exchange gains (losses), net	(37)	(78)
Financial instruments and change in fair value of hedges shares	20	64
Net (charge)/release to provisions	(3)	(3)
Other financial income and expenses	(90)	(57)
<b>Other financial income and expenses</b>	<b>(110)</b>	<b>(74)</b>

### *Net cost of financial debt*

Financial income mainly consists of interest income on financial assets accounted at the effective interest rate and of the result on disposal of financial assets at fair value recorded through the income statement.

### *Foreign exchange gain (losses)*

As of June 30, 2019, the foreign exchange losses mainly include an unrealized currency loss of €53 million of which €12 million loss on return obligation liabilities and provisions on aircraft in US dollars and a loss of €24 million on debt in Japanese Yen.

As of June 30, 2018, the foreign exchange losses mainly include an unrealized currency loss of €55 million on return obligation liabilities and provisions on aircraft in US dollars and an unrealized currency loss of €36 million on the debt on Japanese Yen.

### *Financial instruments and change in fair value of hedged shares*

As of June 30, 2019, this line mainly includes a gain on the hedged Amadeus shares of €21 million?

As of June 30, 2018, it mainly includes a gain on the hedged Amadeus shares of €16 million and a gain on the non-aligned time value of dissymmetrical options with barriers for an amount of €48 million.

### *Other financial income and expenses*

As of June 30, 2019 and 2018, the line “other financial income and expenses” comprises mainly the effect of accretion on long-term provisions for € (86) million and € (56) million.

# Air France-KLM Group

## 12. INCOME TAXES

### 12.1. Income tax charge

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

<i>In € millions</i>	<b>2019</b>	<b>2018</b>
<b>Period from January 1 to June 30</b>		
<b>Current tax (expense) / income</b>	<b>(3)</b>	<b>(7)</b>
Change in temporary differences	(54)	-
CVAE impact	2	2
(Use / de-recognition) / recognition of tax loss carry forwards	22	(63)
<b>Deferred tax income / (expense) from continuing operations</b>	<b>(30)</b>	<b>(61)</b>
<b>Total</b>	<b>(33)</b>	<b>(68)</b>

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.

In 2017, the Finance Law initiated a gradual reduction in the French income tax rate to 25.83 per cent in 2022.

- **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.

### 12.2. Deferred tax recorded in equity (equity holders of Air France-KLM)

<i>In € millions</i>	<b>2019</b>	<b>2018</b>
<b>Period from January 1 to June 30</b>		
<b>Other comprehensive income that will be reclassified to profit and loss</b>	<b>(103)</b>	<b>(94)</b>
Gain and loss on cash flow hedge	(103)	(94)
<b>Other comprehensive income that will not be reclassified to profit and loss</b>	<b>52</b>	<b>(34)</b>
Equity instruments	3	-
Pensions	49	(34)
<b>Total</b>	<b>(51)</b>	<b>(128)</b>

# Air France-KLM Group

## 13. EARNINGS PER SHARE

### 13.1 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:**

<i>In € millions</i>	<b>2019</b>	<b>2018</b>
<b>As of June 30</b>		
Net income for the period – Equity holders of Air France-KLM	(240)	(159)
Coupons on perpetual	(12)	(12)
Basic net income for the period – Equity holders of Air France-KLM	(252)	(171)

Since the perpetual subordinated loan is considered to be preferred shares, the coupons are included in basic earnings per share.

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

<b>As of June 30</b>	<b>2019</b>	<b>2018</b>
<b>Weighted average number of:</b>		
- Ordinary shares issued	428,634,035	428,634,035
- Treasury stock held regarding stock option plan	(1,116,420)	(1,116,420)
- Other treasury stock	(29,959)	(29,956)
<b>Number of shares used to calculate basic earnings per share</b>	<b>427,487,656</b>	<b>427,487,659</b>
<b>Number of ordinary and potential ordinary shares used to calculate diluted earnings per share</b>	<b>427,487,656</b>	<b>427,487,659</b>

### 13.2 Non-dilutive instruments

The Air France-KLM Group held no non-dilutive instruments as of June 30, 2019.

### 13.3 Instruments issued after the closing date

No instruments were issued subsequent to the closing date.

# Air France-KLM Group

## 14. TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

<i>In € millions</i>	As of June 30, 2019			As of December 31, 2018		
	Gross value	Depreciation	Net Value	Gross value	Depreciation	Net Value
Owned aircraft	16,420	(8,473)	7,947	16,101	(8,337)	7,764
Assets in progress	1,117	-	1,117	1,032	-	1,032
Other	2,324	(847)	1,477	2,184	(813)	1,371
<b>Flight equipment</b>	<b>19,861</b>	<b>(9,320)</b>	<b>10,541</b>	<b>19,317</b>	<b>(9,150)</b>	<b>10,167</b>
Land and buildings	2,691	(1,883)	808	2,676	(1,846)	830
Equipment and machinery	1,306	(1,016)	290	1,308	(1,012)	296
Assets in progress	239	-	239	187	-	187
Other	976	(783)	193	980	(790)	190
<b>Other tangible assets</b>	<b>5,212</b>	<b>(3,682)</b>	<b>1,530</b>	<b>5,151</b>	<b>(3,648)</b>	<b>1,503</b>
<b>Total</b>	<b>25,073</b>	<b>(13,002)</b>	<b>12,071</b>	<b>24,468</b>	<b>(12,798)</b>	<b>11,670</b>
Aircraft			3,065			3,137
Maintenance			1,175			1,269
Land and real estate			585			585
Other			254			252
<b>Total right-of-use assets</b>			<b>5,079</b>			<b>5,243</b>

As of January 1, 2019 Air France extended the useful life of its A330 fleet to 25 years. Previously the useful life was 20 years. This decision decreases the depreciation cost of €4 million in the first semester 2019 vs. first semester 2018.

## 15. PENSION ASSETS AND PROVISIONS

As of June 30, 2019, the discount rates used by companies to calculate the defined benefit obligations are the following:

	June 30, 2019	December 31, 2018
Euro zone – duration 10 to 15 years	0.75%	1.45%
Euro zone – duration 15 years and more	1.30%	1.85%

The duration of between 10 and 15 years mainly concerns the plans located in France while the duration of 15 years and beyond mainly concerns the KLM ground staff plan located in The Netherlands.

The impact in variations of discount 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 29.2 of the annual financial statements as of December 31, 2018.

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 €157 million decrease in the “pension assets” on the balance sheet (schemes with a net asset position) and
- A €187 million increase in the “pension provisions” on the balance sheet (schemes with a net liability position).



# Air France-KLM Group

## 16. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM SA

### 16.1 Breakdown of stock and voting rights

As of June 30, 2019, the issued capital of Air France-KLM comprised 428,634,035 fully paid-up shares with a nominal value of €1. Each share is entitled to one vote. However since April 3, 2016, shareholders who have owned their shares for at least two years benefit from double voting rights.

The breakdown of stock and voting rights is as follows:

<i>In percentage(%)</i>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
	Capital	Voting rights	Capital	Voting rights
French State	14	23	14	23
Dutch State	14	12	-	-
Delta Airlines	9	7	9	7
China Eastern Airlines	9	7	9	7
Employees and former employees	4	7	4	7
Other	50	44	64	56
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

### 16.2 Reserves and retained earnings

<i>In € millions</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Legal reserve	70	70
Pension defined benefit reserves <sup>(1)</sup>	(1,809)	(1,527)
Derivatives reserves <sup>(1)</sup>	(59)	(309)
Equity instruments reserves <sup>(1)</sup>	(34)	(19)
Other reserves	(1,255)	(1,675)
Net income (loss) – Equity holders of Air France-KLM	(240)	409
<b>Total</b>	<b>(3,327)</b>	<b>(3,051)</b>

*(1) Net of deferred tax*

# Air France-KLM Group

## 17. RETURN OBLIGATION LIABILITY AND OTHER PROVISIONS

<i>In € millions</i>	June 30, 2019			December 31, 2018		
	Non current	Current	Total	Non current	Current	Total
Return obligation liability on leased aircraft	2,135	74	2,209	2,145	32	2,177
Maintenance on leased aircraft	843	12	855	778	15	793
Restructuring	-	72	72	-	48	48
Litigation	54	350	404	47	346	393
Others	65	50	115	65	51	116
<b>Total</b>	<b>3,097</b>	<b>558</b>	<b>3,655</b>	<b>3,035</b>	<b>492</b>	<b>3,527</b>

### 17.1. Return obligation liability and other provisions

#### 17.1.1. Return obligation liability on leased aircraft

The movements in return obligation liabilities on leased aircraft (revaluation of future costs and change in discount rate) are booked in the components corresponding to the potential and restoration work performed on leased aircraft and recorded in the right-of-use assets. Effects of accretion and foreign exchange translation of return obligation liabilities recorded in local currencies are recognized in “Other financial income and expenses”.

#### 17.1.2. Restructuring provisions

The movements in restructuring provisions with a significant impact on the income statement are charged to “Other non-current income and expenses” (See note 10).

As of June 30, 2019 and December 31, 2018, the restructuring provisions mainly concern the voluntary departure plans for Air France and its regional subsidiaries and KLM.

#### 17.1.3. 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 (except corporate tax). 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.

#### 17.1.4. Litigation concerning antitrust laws in the airfreight 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 antitrust authorities in several countries, with respect to allegations of anti-competitive agreements or concerted actions in the air freight industry.

As of December 31, 2017, most of these investigations had 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 antitrust authority, which are still pending.

## Air France-KLM Group

In Europe, the decision of the European Commission of 2010 against eleven air cargo carriers, 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 because it contained a contradiction regarding the exact scope of the practices sanctioned. On March 17, 2017, the European Commission issued a new decision against the aforementioned cargo carriers, including Air France, KLM and Martinair. The total amount of fines imposed in respect of this decision at the Air France-KLM Group level is €325 million. This amount has been slightly reduced by €15.4 million as compared to the initial decision owing to a lower fine for Martinair due to technical reasons. On May 29 and 30, 2017 the Group companies filed an appeal against this decision before the General Court of the European Union.

The hearings before the General Court have taken place on June 12 and 13, 2019 for Air France-KLM and Air France. KLM and Martinair hearings took place on July 2, 2019. A decision from the General Court may be expected by the end of 2019. The Group has maintained a provision covering the total amount of these fines.

In Switzerland, Air France and KLM are challenging a decision imposing a €3 million fine before the relevant court. The Group has provisioned the totality of this fine.

### 17.1.5. 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.

## 17.2 Contingent liabilities

The Group is involved in several governmental, judicial and arbitration procedures for which, in most cases, provisions have not been recorded in the financial statements in accordance with applicable accounting rules. Indeed, with respect to most cases the Group is not in a position at this stage of these procedures to give a reliable estimate of the potential loss that would be incurred in connection with these disputes.

### 17.2.1. Litigations concerning antitrust laws in the airfreight industry

Following the initiation of various investigations by competition authorities in 2006 and the European 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 a number of jurisdictions.

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

Air France, KLM and/or Martinair remain defendants, either as main defendants (in particular in The Netherlands, Norway and South Korea) 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.

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.

# Air France-KLM Group

## 17.2.2. Litigations concerning antitrust 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 Canada on the cross-Atlantic routes, for which they are claiming damages. Air France and KLM strongly deny any participation in such a conspiracy.

## 17.2.3. 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 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.

### *US Department of Justice investigation related to United States Postal Service*

In March 2016, the US Department of Justice (DOJ) informed Air France and KLM of a civil inquiry regarding contracts with the United States Postal Service for the international transportation of mail by air. In September 2016, a Civil Information Demand from the DOJ has been received seeking certain information relating to these contracts. The DOJ has indicated it is investigating potential violations of the False Claims Act. Air France and KLM are cooperating with the DOJ investigation.

Except for the matters specified under the paragraphs 17.1 and 17.2, 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 covering at least the past twelve months.

## 18. FINANCIAL DEBT AND LEASE DEBT

<i>In € millions</i>	June 30, 2019			December 31, 2018		
	Non current	Current	Total	Non current	Current	Total
Perpetual subordinated loan stock	501	82	583	572	-	572
OCEANE (convertible bonds)	449	-	449	-	-	-
Bonds	1,129	-	1,129	1,131	-	1,131
Deb on financial lease with bargain option	2,756	682	3,438	2,907	640	3,547
Other debt	1,114	283	1,397	1,123	140	1,263
Accrued interest	-	33	33	-	46	46
<b>Total - Financial debt</b>	<b>5,949</b>	<b>1,080</b>	<b>7,029</b>	<b>5,733</b>	<b>826</b>	<b>6,559</b>
Lease debt - aircraft	2,613	780	3,393	2,657	821	3,478
Lease debt - real estate	658	107	765	654	119	773
Lease debt - other	202	49	251	234	30	264
Accrued interest	-	19	19	1	19	20
<b>Total - Lease debt</b>	<b>3,473</b>	<b>955</b>	<b>4,428</b>	<b>3,546</b>	<b>989</b>	<b>4,535</b>

# Air France-KLM Group

## Market value

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

<i>In € millions</i>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Net book value</b>	<b>Estimated market value</b>	<b>Net book value</b>	<b>Estimated market value</b>
Perpetual subordinated loan stock	583	540	572	527
OCEANE	449	493	-	-
Bonds	1,129	1,198	1,131	1,171
<b>Total</b>	<b>2,161</b>	<b>2,231</b>	<b>1,703</b>	<b>1,698</b>

# Air France-KLM Group

## 19. NET DEBT

<i>In € millions</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Current and non-current financial debt	7,029	6,559
Current and non-current lease debt	4,428	4,535
Accrued interest	(52)	(67)
Deposits related to financial debt	(344)	(343)
Deposits related to lease debt	(88)	(85)
Derivatives impact on debt	5	7
<b>Gross financial debt (I)</b>	<b>10,978</b>	<b>10,606</b>
Cash and cash equivalents	4,418	3,585
Marketable securities <sup>(1)</sup>	49	74
Cash secured <sup>(1)</sup>	269	265
Triple A bonds <sup>(1)</sup>	548	522
Others	(1)	1
Bank overdrafts	(3)	(5)
<b>Net cash (II)</b>	<b>5,280</b>	<b>4,442</b>
<b>Net debt (I-II)</b>	<b>5,698</b>	<b>6,164</b>

(1) Included in "others financial assets"

<i>In € millions</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Opening net debt</b>	<b>6,164</b>	<b>6,359</b>
Operating free cash, cash flow excluding discontinued activities	(852)	(1,087)
Oceane 2019 - Equity part	(54)	-
Perpetual	-	197
Coupons on perpetual	-	38
Disposal of subsidiaries, of shares in non-controlled entities	(8)	(6)
Acquisition of subsidiaries, of shares in non-controlled entities	-	9
New lease debts (new and renewed contracts)	400	439
Unrealised exchange gains and losses on lease financial debts through OCI	(3)	121
Currency translation adjustment	61	66
Reclassification	-	3
Other	(10)	25
<b>Closing net debt</b>	<b>5,698</b>	<b>6,164</b>

# Air France-KLM Group

## 20. FLIGHT EQUIPMENT ORDERS

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

<i>In € millions</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
2 <sup>nd</sup> semester year Y (6 months)		-
Year Y+1	628	1,274
Year Y+2	1,069	914
Year Y+3	769	1,279
Year Y+4	689	831
> Year Y+4	2,041	1,256
<b>Total</b>	<b>5,196</b>	<b>5,554</b>

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

Air France and KLM agreed to re-allocate firm orders of seven A350 and six B787 aircraft. The swap has been formalized in a settlement agreement between Air France and KLM on June 28, 2019. The swap does not impact consolidated reporting at Air France KLM level. It only revises delivery dates with the aircraft manufacturers.

The number of aircraft under firm order as of June 30, 2019 decreased by seven units compared with December 31, 2018 and stood at 42 aircraft. These changes are explained by the delivery of seven aircraft over the period.

### **Long-haul fleet (passenger)**

The Group took delivery of three Boeing B787.

### **Medium-haul fleet**

The Group took delivery of four Boeing B737.

The Group's commitments concern the following aircraft:

# Air France-KLM Group

Aircraft type	To be delivered in	2 <sup>nd</sup> semester Y (6 months)	Y+1	Y+2	Y+3	Y+4	Beyond Y+4	Total
<b><u>Long-haul fleet – passenger</u></b>								
A350	As of June 30, 2019	-	3	4	4	3	14	28
	As of December 31, 2018	-	3	3	7	5	10	28
B787	As of June 30, 2019		3	5	3	2	1	14
	As of December 31, 2018	-	6	4	4	2	1	17
<b><u>Medium-haul fleet</u></b>								
B737	As of June 30, 2019	-	-	-	-	-	-	-
	As of December 31, 2018	-	4	-	-	-	-	4
<b>Total</b>								
	As of June 30, 2019	-	6	9	7	5	15	42
	As of December 31, 2018	-	13	7	11	7	11	49

## 21. RELATED PARTIES

Since the Netherland State took share interests in Air France KLM Group, the related parties scope has changed. Amsterdam Airport Schiphol is the main new related party.