

**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, 2017 – June 30, 2017**

# Air France-KLM Group

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# 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>2017</b>   | <b>2016</b>   |
| <b>Sales</b>  | <b>6</b>     | <b>12,314</b> | <b>11,820</b> |
| <b>Revenues</b>   |              | <b>12,314</b> | <b>11,820</b> |
| External expenses   | 7            | (7,148)       | (7,019)       |
| Salaries and related costs  | 8            | (3,727)       | (3,706)       |
| Taxes other than income taxes   |              | (83)          | (88)          |
| Other income and expenses   | 10           | 388           | 515           |
| <b>EBITDAR</b>  |              | <b>1,744</b>  | <b>1,522</b>  |
| Aircraft operating lease costs  |              | (562)         | (528)         |
| <b>EBITDA</b>   |              | <b>1,182</b>  | <b>994</b>    |
| Amortization, depreciation and provisions   | 9            | (829)         | (776)         |
| <b>Income from current operations</b>   |              | <b>353</b>    | <b>218</b>    |
| Sales of aircraft equipment   |              | 19            | 8             |
| Other non-current income and expenses   | 11           | (11)          | (107)         |
| <b>Income from operating activities</b>   |              | <b>361</b>    | <b>119</b>    |
| Cost of financial debt  | 12           | (133)         | (162)         |
| Income from cash and cash equivalents   | 12           | 20            | 28            |
| <b>Net cost of financial debt</b>   |              | <b>(113)</b>  | <b>(134)</b>  |
| Other financial income and expenses   | 12           | 1             | (44)          |
| <b>Income before tax</b>  |              | <b>249</b>    | <b>(59)</b>   |
| Income taxes  | 13           | (96)          | (53)          |
| <b>Net income of consolidated companies</b>   |              | <b>153</b>    | <b>(112)</b>  |
| Share of profits (losses) of associates   |              | 7             | 1             |
| <b>Net income from continuing operations</b>  |              | <b>160</b>    | <b>(111)</b>  |
| Net income from discontinued operations   |              | (8)           | 2             |
| <b>Net income for the period</b>  |              | <b>152</b>    | <b>(109)</b>  |
| <i>Non-controlling interests</i>  |              | 1             | 5             |
| <i>Net income - Group part</i>  |              | 151           | (114)         |
| Earnings per share – Equity holders of Air France-KLM (in euros)                      |              |               |               |
| - basic   | 14           | 0.46          | (0.43)        |
| - diluted   |              | 0.42          | (0.43)        |
| Net income from continuing operations - Equity holders of Air France-KLM (in euros)   |              |               |               |
| - basic   | 14           | 0.49          | (0.43)        |
| - diluted   |              | 0.45          | (0.43)        |
| Net income from discontinued operations - Equity holders of Air France-KLM (in euros) |              |               |               |
| - basic   | 14           | (0.03)        | 0.01          |
| - diluted   |              | (0.02)        | 0.01          |

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>2017</b>         | <b>2016</b>           |
| <b>Net income for the period</b>   | <b>152</b>          | <b>(109)</b>          |
| <b>Fair value adjustment on available-for-sale securities</b>  |                     |                       |
| Change in fair value recognized directly in other comprehensive income                               | (1)                 | (4)                   |
| <b>Cash flow hedges</b>  |                     |                       |
| Effective portion of changes in fair value hedge recognized directly in other comprehensive income   | (374)               | 221                   |
| Change in fair value transferred to profit or loss   | 43                  | 510                   |
| <b>Currency translation adjustment</b>   | -                   | 5                     |
| <b>Deferred tax on items of comprehensive income that will be reclassified to profit or loss</b>     | <b>115</b>          | <b>(225)</b>          |
| <b><i>Total of other comprehensive income that will be reclassified to profit or loss</i></b>        | <b><i>(217)</i></b> | <b><i>507</i></b>     |
| <b>Remeasurements of defined benefit pension plans</b>   | <b>1,077</b>        | <b>(1,829)</b>        |
| <b>Deferred tax on items of comprehensive income that will not be reclassified to profit or loss</b> | <b>(264)</b>        | <b>429</b>            |
| <b><i>Total of other comprehensive income that will not be reclassified to profit or loss</i></b>    | <b><i>813</i></b>   | <b><i>(1,400)</i></b> |
| <b>Total of other comprehensive income, after tax</b>  | <b>596</b>          | <b>(893)</b>          |
| <b>Recognized income and expenses</b>  | <b>748</b>          | <b>(1,002)</b>        |
| - Equity holders of Air France-KLM   | 745                 | (1,001)               |
| - Non-controlling interests  | 3                   | (1)                   |

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

# Air France-KLM Group

## CONSOLIDATED BALANCE SHEET (unaudited)

| <b>Assets</b>                       |              | <b>June 30,</b> | <b>December 31,</b> |
|-------------------------------------|--------------|-----------------|---------------------|
| <i>In € millions</i>                | <i>Notes</i> | <b>2017</b>     | <b>2016</b>         |
| Goodwill                            |              | 217             | 218                 |
| Intangible assets                   |              | 1,092           | 1,066               |
| Flight equipment                    | <b>15</b>    | 9,632           | 9,119               |
| Other property, plant and equipment | <b>15</b>    | 1,455           | 1,480               |
| Investments in equity associates    |              | 294             | 292                 |
| Pension assets                      | <b>16</b>    | 2,503           | 1,462               |
| Other financial assets              |              | 1,126           | 1,064               |
| Deferred tax assets                 |              | 266             | 176                 |
| Other non-current assets            |              | 180             | 448                 |
| <b>Total non-current assets</b>     |              | <b>16,765</b>   | <b>15,325</b>       |
| Other short-term financial assets   |              | 404             | 130                 |
| Inventories                         |              | 623             | 566                 |
| Trade receivables                   |              | 2,079           | 1,868               |
| Other current assets                |              | 1,023           | 1,105               |
| Cash and cash equivalents           | <b>20</b>    | 4,217           | 3,938               |
| <b>Total current assets</b>         |              | <b>8,346</b>    | <b>7,607</b>        |
| <b>Total assets</b>                 |              | <b>25,111</b>   | <b>22,932</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>       | 2017          | 2016          |
| Issued capital   | <i>17.1</i>        | 300           | 300           |
| Additional paid-in capital                                     |                    | 2,971         | 2,971         |
| Treasury shares  |                    | (67)          | (67)          |
| Perpetual  |                    | 600           | 600           |
| Reserves and retained earnings                                 | <i>17.1</i>        | (1,775)       | (2,520)       |
| <b>Equity attributable to equity holders of Air France-KLM</b> |                    | <b>2,029</b>  | <b>1,284</b>  |
| Non-controlling interests                                      |                    | 15            | 12            |
| <b>Total equity</b>  |                    | <b>2,044</b>  | <b>1,296</b>  |
| Pension provisions   | <i>16</i>          | 2,144         | 2,119         |
| Other provisions   | <i>18</i>          | 1,601         | 1,673         |
| Long-term debt   | <i>20</i>          | 6,640         | 7,431         |
| Deferred tax liabilities                                       |                    | 307           | (12)          |
| Other non-current liabilities                                  |                    | 319           | 284           |
| <b>Total non-current liabilities</b>                           |                    | <b>11,011</b> | <b>11,495</b> |
| Other provisions   | <i>18</i>          | 609           | 654           |
| Current portion of long-term debt                              | <i>19 &amp; 20</i> | 1,618         | 1,021         |
| Trade payables   |                    | 2,263         | 2,359         |
| Deferred revenue on ticket sales                               |                    | 3,957         | 2,517         |
| Frequent flyer programs  |                    | 811           | 810           |
| Other current liabilities                                      |                    | 2,787         | 2,775         |
| Bank overdrafts  | <i>20</i>          | 11            | 5             |
| <b>Total current liabilities</b>                               |                    | <b>12,056</b> | <b>10,141</b> |
| <b>Total liabilities</b>                                       |                    | <b>23,067</b> | <b>21,636</b> |
| <b>Total equity and liabilities</b>                            |                    | <b>25,111</b> | <b>22,932</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>December 31, 2015</b>                               | <b>300,219,278</b> | <b>300</b>     | <b>2,971</b>               | <b>(85)</b>     | <b>600</b> | <b>(3,561)</b>                 | <b>225</b>                                       | <b>48</b>                 | <b>273</b>     |
| Fair value adjustment on available for sale securities | -                  | -              | -                          | -               | -          | (8)                            | (8)  | -                         | (8)            |
| Gain / (loss) on cash flow hedges                      | -                  | -              | -                          | -               | -          | 508                            | 508  | 2                         | 510            |
| Remeasurements of defined benefit pension plans        | -                  | -              | -                          | -               | -          | (1,392)                        | (1,392)  | (8)                       | (1,400)        |
| Currency translation adjustment                        | -                  | -              | -                          | -               | -          | 5                              | 5  | -                         | 5              |
| <b>Other comprehensive income</b>                      | -                  | -              | -                          | -               | -          | <b>(887)</b>                   | <b>(887)</b>                                     | <b>(6)</b>                | <b>(893)</b>   |
| Net result for the period                              | -                  | -              | -                          | -               | -          | (114)                          | (114)  | 5                         | (109)          |
| <b>Total of income and expenses recognized</b>         | -                  | -              | -                          | -               | -          | <b>(1,001)</b>                 | <b>(1,001)</b>                                   | <b>(1)</b>                | <b>(1,002)</b> |
| Treasury shares  | -                  | -              | -                          | 1               | -          | -                              | 1  | -                         | 1              |
| Dividends paid and coupons on perpetual                | -                  | -              | -                          | -               | -          | -                              | -  | (5)                       | (5)            |
| <b>June 30, 2016</b>                                   | <b>300,219,278</b> | <b>300</b>     | <b>2,971</b>               | <b>(84)</b>     | <b>600</b> | <b>(4,562)</b>                 | <b>(775)</b>                                     | <b>42</b>                 | <b>(733)</b>   |
| <b>December 31, 2016</b>                               | <b>300,219,278</b> | <b>300</b>     | <b>2,971</b>               | <b>(67)</b>     | <b>600</b> | <b>(2,520)</b>                 | <b>1,284</b>                                     | <b>12</b>                 | <b>1,296</b>   |
| Fair value adjustment on available for sale securities | -                  | -              | -                          | -               | -          | (3)                            | (3)  | -                         | (3)            |
| Gain / (loss) on cash flow hedges                      | -                  | -              | -                          | -               | -          | (214)                          | (214)  | -                         | (214)          |
| Remeasurements of defined benefit pension plans        | -                  | -              | -                          | -               | -          | 811                            | 811  | 2                         | 813            |
| Currency translation adjustment                        | -                  | -              | -                          | -               | -          | -                              | -  | -                         | -              |
| <b>Other comprehensive income</b>                      | -                  | -              | -                          | -               | -          | <b>594</b>                     | <b>594</b>                                       | <b>2</b>                  | <b>596</b>     |
| Net result for the period                              | -                  | -              | -                          | -               | -          | 151                            | 151  | 1                         | 152            |
| <b>Total of income and expenses recognized</b>         | -                  | -              | -                          | -               | -          | <b>745</b>                     | <b>745</b>                                       | <b>3</b>                  | <b>748</b>     |
| <b>June 30, 2017</b>                                   | <b>300,219,278</b> | <b>300</b>     | <b>2,971</b>               | <b>(67)</b>     | <b>600</b> | <b>(1,775)</b>                 | <b>2,029</b>                                     | <b>15</b>                 | <b>2,044</b>   |

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

# Air France-KLM Group

## CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

| Period from January 1 to June 30  | Notes | 2017           | 2016         |
|---|-------|----------------|--------------|
| Net income from continuing operations   |       | 160            | (111)        |
| Net income from discontinued operations   |       | (8)            | 2            |
| Amortization, depreciation and operating provisions   |       | 829            | 781          |
| Financial provisions  |       | 19             | (21)         |
| Loss (gain) on disposals of tangible and intangible assets  |       | (19)           | (59)         |
| Loss (gain) on disposals of subsidiaries and associates   |       | (2)            | (7)          |
| Derivatives – non monetary result   |       | 76             | (129)        |
| Unrealized foreign exchange gains and losses, net   |       | (100)          | 122          |
| Share of (profits) losses of associates   |       | (7)            | (1)          |
| Deferred taxes  |       | 80             | 33           |
| Impairment  |       | -              | 2            |
| Other non-monetary items  |       | (42)           | 33           |
| <b>Financial capacity</b>   |       | <b>986</b>     | <b>645</b>   |
| <i>Including discontinued operations (D)</i>  |       | -              | 9            |
| (Increase) / decrease in inventories  |       | (54)           | (76)         |
| (Increase) / decrease in trade receivables  |       | (292)          | (238)        |
| Increase / (decrease) in trade payables   |       | (31)           | 33           |
| Change in other receivables and payables  |       | 1,203          | 1,074        |
| <b>Change in working capital requirement</b>  |       | <b>826</b>     | <b>793</b>   |
| Change in working capital from discontinued operations (D)  |       | -              | 2            |
| <b>Net cash flow from operating activities (A)</b>  |       | <b>1,812</b>   | <b>1,440</b> |
| Acquisition of subsidiaries, of shares in non-controlled entities   |       | -              | (4)          |
| Purchase of property plant and equipment and intangible assets (B)  |       | (1,208)        | (1,152)      |
| Proceeds on disposal of subsidiaries, of shares in non-controlled entities  |       | 2              | 4            |
| Proceeds on disposal of property plant and equipment and intangible assets (C)  |       | 64             | 96           |
| Dividends received  |       | 1              | 3            |
| Decrease (increase) in net investments, more than 3 months  |       | (258)          | 681          |
| Net cash flow used in investing activities of discontinued operations   |       | -              | (5)          |
| <b>Net cash flow used in investing activities</b>   |       | <b>(1,399)</b> | <b>(377)</b> |
| Issuance of debt  |       | 324            | 686          |
| Repayment on debt   |       | (90)           | (720)        |
| Payment of debt resulting from finance lease liabilities  |       | (302)          | (241)        |
| New loans   |       | (76)           | (32)         |
| Repayment on loans  |       | 26             | 20           |
| Dividends and coupons on perpetual paid   |       | (1)            | (1)          |
| Net cash flow used in financing activities of discontinued operations   |       | -              | (6)          |
| <b>Net cash flow from financing activities</b>  |       | <b>(119)</b>   | <b>(294)</b> |
| Effect of exchange rate on cash and cash equivalents and bank overdrafts (net of cash acquired or sold)                           |       | (21)           | (23)         |
| Effect of exchange rate on cash and cash equivalent and bank overdrafts of discontinued operations (net of cash acquired or sold) |       | -              | (1)          |
| <b>Change in cash and cash equivalents and bank overdrafts</b>  |       | <b>273</b>     | <b>745</b>   |
| Cash and cash equivalents and bank overdrafts at beginning of period (including cash of discontinued operations)                  |       | 3,933          | 3,073        |
| Cash and cash equivalents and bank overdrafts at end of period (including cash of discontinued operations)                        |       | 4,206          | 3,819        |
| <b>Change in cash of discontinued operations</b>  |       | -              | (1)          |
| Income tax (paid) / reimbursed (flow included in operating activities)  |       | (9)            | (22)         |
| Interest paid (flow included in operating activities)   |       | (153)          | (165)        |
| Interest received (flow included in operating activities)   |       | 9              | 19           |

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>2017</b> | <b>2016</b> |
|--|--------------|-------------|-------------|
| <i>in € millions</i>   |              |             |             |
| Net cash flow from operating activities                                    | <i>A</i>     | 1,812       | 1,440       |
| Purchase of property plant and equipment and intangible assets             | <i>B</i>     | (1,208)     | (1,152)     |
| Proceeds on disposal of property plant and equipment and intangible assets | <i>C</i>     | 64          | 96          |
| Net cash flow from operating activities from discontinued operations       | <i>D</i>     | -           | (11)        |
| <b>Operating free cash flow excluding discontinued activities</b>          | <i>20</i>    | <b>668</b>  | <b>373</b>  |

The accompanying notes are an integral part of these 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. ACCOUNTING POLICIES

### 2.1. 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, 2016 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, 2017 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, 2016.

The interim condensed consolidated financial statements as of June 30, 2017 have been established in accordance with the accounting principles used by the Group for the consolidated financial statements 2016, except for standards and interpretations adopted by the European Union applicable as from January 1, 2017.

The condensed consolidated financial statements were approved by the Board of Directors on July 27, 2017.

#### **Change in accounting principles**

##### • **IFRS standards which are applicable on a mandatory basis to the 2018 financial statements**

- Standard IFRS 9 "Financial Instruments", effective for the period beginning January 1, 2018;
- Standard IFRS 15 "Revenue from Contracts with Customers", effective for the period beginning January 1, 2018 and replacing the standards IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes".

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

- Standard IFRS 16 "Leases", effective for the period beginning January 1, 2019;
- Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions", effective for the period beginning January 1, 2018;
- Amendment to IFRS 15 Clarification on "Revenue Recognition from Contracts with Customers", effective for the period beginning January 1, 2018.
- 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;

# Air France-KLM Group

- Amendment to IFRS 12 “Disclosure of interests in other entities”, effective for the period beginning January 1, 2017;
- IFRIC 22 “Foreign currency transactions and advance consideration”, effective for the period beginning January 1, 2018.

The main qualitative impacts regarding the implementation of IFRS 9, 15 and 16 have been described in Note 4.1 of the fifth part of the Registration Document 2016 in the ‘Accounting principles’.

The amendment IAS 12 “Income tax” does not have a significant impact on Group’s financial statements as of June 30, 2017.

## 2.2. 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.

## 2.3. 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, 2016 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.

# Air France-KLM Group

## 3. RESTATEMENT OF ACCOUNTS 2016

### Introduction of Network Business

Within the strategic repositioning of the cargo business, the Group has progressively implemented a new business model aimed at optimizing the belly and combi capacity of the passenger aircraft and reducing the full freighter fleet. In 2017 the bellies of passenger aircraft should exceed 85 per cent of total cargo capacity. The full freighter fleet consists of two B777 and four B747 freighters which means a reduction in capacity of the full freighters of 24 per cent in 2016 and a more than 50 per cent reduction since 2013.

Except for the full freighter fleet, the commercial interests of the passenger business are leading in the determination of the utilization of the aircraft in the Group's network, especially regarding the selection of and the frequency to destinations and the type of aircraft. In that context, the cargo activities are considered as part of the network, complementary to the passenger activities that contributes to the line profitability of the network destinations. These activities constitute a unique larger activity, called 'Network'. It is the performance of this activity that is monitored by the Group Executive Committee.

As a consequence, the Network business constitutes one unique operating segment. The external reporting on business segmentation in Note 6 "Information by activity and geographical area", has been restated accordingly.

## 4. SIGNIFICANT EVENTS

### 4.1. Events that occurred in the period

#### Litigation concerning anti-trust law in the air-freight industry

On March 17, 2017, the European Commission issued a new decision against eleven air cargo carriers, including Air France, KLM and Martinair, regarding practices in the air cargo sector which are considered to be anti-competitive and relate to the period between December 1999 and February 2006. This new decision follows the December 16, 2015 annulment by the General Court of the European Union of the European Commission's initial decision of November 9, 2010, relating to these same practices and concerning the same carriers. This initial decision had been annulled in full because it contained a contradiction regarding the exact scope of the practices sanctioned.

The total amount of fines imposed on the Air France-KLM Group is €325 million. This amount has been slightly reduced as compared to the initial decision owing to a lower fine for Martinair due to technical reasons. On 29 and 30 May 2017, the Group companies filed an appeal against this decision before the General Court of the European Union.

### 4.2. Subsequent events

The Group announces a further major step in the reinforcement of its strategic partnerships with the creation of a global joint-venture between Air France-KLM, Delta Air Lines (Delta) and Virgin Atlantic and the strengthening of its partnership with China Eastern Airlines (CEA). These two commercial alliances will be consolidated by capital links:

- Air France-KLM will acquire a 31% stake in Virgin Atlantic's share capital for an amount of GBP 220 million. Delta holds 49% of Virgin Atlantic's share capital;
- Delta and China Eastern will each acquire a 10% stake in Air France-KLM's share capital within the framework of a reserved capital increase for a global amount of 750 million of euros.

The creation of the global joint-venture is subjected to the approval of the competent statutory authorities.

The realization of these reserved capital increases will be subject to approval by the Air France-KLM shareholders during their forthcoming Exceptional Shareholders' Meeting convened for 4th September 2017.

# Air France-KLM Group

## 5. CHANGE IN THE CONSOLIDATION SCOPE

- **First semester ended June 30, 2017**

No significant acquisition or disposal took place during the first semester ended June 30, 2017

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

No significant acquisition or disposal took place during the first semester ended June 30, 2016

## 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:

**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 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 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 the EBITDAR, EBITDA, current operating income and to the income from operating activities. Other elements of the income statement are presented in the "non-allocated" column.

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

### Geographical segments

- **Activity by origin of sales area**

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

- Metropolitan France
- Benelux
- Europe (excluding France and Benelux)
- Africa
- Middle East, Gulf, India (MEGI)
- Asia-Pacific

# Air France-KLM Group

- 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

### • First semester ended June 30, 2017

| <i>In € millions</i>   | Network       | Maintenance | Transavia   | Other     | Non allocated | Total         |
|--|---------------|-------------|-------------|-----------|---------------|---------------|
| Total sales  | 10,812        | 2,041       | 606         | 120       | -             | 13,579        |
| Intersegment sales   | (22)          | (1,141)     | (1)         | (101)     | -             | (1,265)       |
| <b>External sales</b>  | <b>10,790</b> | <b>900</b>  | <b>605</b>  | <b>19</b> | -             | <b>12,314</b> |
| EBITDAR  | 1,486         | 170         | 82          | 6         | -             | 1,744         |
| EBITDA   | 1,005         | 170         | 1           | 6         | -             | 1,182         |
| Income from current operations                                     | 309           | 89          | (43)        | (2)       | -             | 353           |
| Income from operating activities                                   | 318           | 89          | (45)        | (1)       | -             | 361           |
| Share of profits (losses) of associates                            | -             | 2           | -           | 5         | -             | 7             |
| Net cost of financial debt and other financial income and expenses | -             | -           | -           | -         | (112)         | (112)         |
| Income taxes   | -             | -           | -           | -         | (96)          | (96)          |
| <b>Net income from continuing operations</b>                       | <b>318</b>    | <b>91</b>   | <b>(45)</b> | <b>4</b>  | <b>(208)</b>  | <b>160</b>    |

### • First semester ended June 30, 2016 (Restated)

| <i>In € millions</i>   | Network       | Maintenance | Transavia   | Other      | Non allocated | Total         |
|--|---------------|-------------|-------------|------------|---------------|---------------|
| Total sales  | 10,475        | 2,006       | 483         | 324        | -             | 13,288        |
| Intersegment sales   | (26)          | (1,140)     | -           | (302)      | -             | (1,468)       |
| <b>External sales</b>  | <b>10,449</b> | <b>866</b>  | <b>483</b>  | <b>22</b>  | -             | <b>11,820</b> |
| EBITDAR  | 1,307         | 193         | 20          | 2          | -             | 1,522         |
| EBITDA   | 849           | 193         | (50)        | 2          | -             | 994           |
| Income from current operations                                     | 203           | 95          | (75)        | (5)        | -             | 218           |
| Income from operating activities                                   | 111           | 91          | (75)        | (8)        | -             | 119           |
| Share of profits (losses) of associates                            | (3)           | 2           | -           | 2          | -             | 1             |
| Net cost of financial debt and other financial income and expenses | -             | -           | -           | -          | (178)         | (178)         |
| Income taxes   | -             | -           | -           | -          | (53)          | (53)          |
| <b>Net income from continuing operations</b>                       | <b>108</b>    | <b>93</b>   | <b>(75)</b> | <b>(6)</b> | <b>(231)</b>  | <b>(111)</b>  |

# Air France-KLM Group

## 6.2. Information by geographical area

### External sales by geographical area

- First semester ended June 30, 2017

| <i>In € millions</i>    | Metropo-<br>litan<br>France | Benelux      | Europe<br>(except<br>France and<br>Benelux) | Africa     | Middle-<br>Eastern<br>gulf<br>India<br>(MEGI) | Asia<br>Pacific | North<br>America | West Indies<br>Caribbean<br>Guyana<br>Indian Ocean<br>South America<br>(CILA) | Total         |
|-------------------------|-----------------------------|--------------|---|------------|---|-----------------|------------------|---|---------------|
| Network                 | 2,904                       | 1,100        | 2,297                                       | 535        | 280   | 1,007           | 1,541            | 670   | 10,334        |
| Other network sales     | 187                         | 89           | 53  | 15         | 15  | 48              | 31               | 18  | 456           |
| <b>Total network</b>    | <b>3,091</b>                | <b>1,189</b> | <b>2,350</b>                                | <b>550</b> | <b>295</b>                                    | <b>1,055</b>    | <b>1,572</b>     | <b>688</b>  | <b>10,790</b> |
| Scheduled Transavia     | 230                         | 303          | 53  | 1          | 4   | 1               | 3                | 1   | 596           |
| Transavia - other sales | 4                           | -            | -   | -          | -   | -               | 5                | -   | 9             |
| <b>Total Transavia</b>  | <b>234</b>                  | <b>303</b>   | <b>53</b>                                   | <b>1</b>   | <b>4</b>                                      | <b>1</b>        | <b>8</b>         | <b>1</b>  | <b>605</b>    |
| Maintenance             | 505                         | 333          | 13  | -          | -   | -               | 49               | -   | 900           |
| Others                  | 5                           | 14           | -   | -          | -   | -               | -                | -   | 19            |
| <b>Total</b>            | <b>3,835</b>                | <b>1,839</b> | <b>2,416</b>                                | <b>551</b> | <b>299</b>                                    | <b>1,056</b>    | <b>1,629</b>     | <b>689</b>  | <b>12,314</b> |

- First semester ended June 30, 2016 (Restated)

| <i>In € millions</i>    | Metropo-<br>litan<br>France | Benelux      | Europe<br>(except<br>France and<br>Benelux) | Africa     | Middle-<br>Eastern<br>gulf<br>India<br>(MEGI) | Asia<br>Pacific | North<br>America | West Indies<br>Caribbean<br>Guyana<br>Indian Ocean<br>South America<br>(CILA) | Total         |
|-------------------------|-----------------------------|--------------|---|------------|---|-----------------|------------------|---|---------------|
| Network                 | 2,896                       | 976          | 2,358                                       | 517        | 239   | 887             | 1,521            | 568   | 9,962         |
| Other network sales     | 192                         | 70           | 79  | 30         | 4   | 60              | 34               | 18  | 487           |
| <b>Total network</b>    | <b>3,088</b>                | <b>1,046</b> | <b>2,437</b>                                | <b>547</b> | <b>243</b>                                    | <b>947</b>      | <b>1,555</b>     | <b>586</b>  | <b>10,449</b> |
| Scheduled Transavia     | 172                         | 263          | 33  | 3          | -   | 1               | 2                | 1   | 475           |
| Transavia - other sales | 4                           | -            | -   | -          | -   | -               | 4                | -   | 8             |
| <b>Total Transavia</b>  | <b>176</b>                  | <b>263</b>   | <b>33</b>                                   | <b>3</b>   | <b>-</b>                                      | <b>1</b>        | <b>6</b>         | <b>1</b>  | <b>483</b>    |
| Maintenance             | 506                         | 291          | 15  | -          | -   | -               | 54               | -   | 866           |
| Others                  | 6                           | 14           | 2   | -          | -   | -               | -                | -   | 22            |
| <b>Total</b>            | <b>3,776</b>                | <b>1,614</b> | <b>2,487</b>                                | <b>550</b> | <b>243</b>                                    | <b>948</b>      | <b>1,615</b>     | <b>587</b>  | <b>11,820</b> |



# Air France-KLM Group

## Traffic sales by geographical area of destination

- **First semester ended June 30, 2017**

| <i>In € millions</i> | Metropolitan<br>France | Europe<br>(except<br>France)<br>North Africa | Caribbean,<br>French Guyana,<br>Indian Ocean | Africa<br>(except<br>North<br>Africa)<br>Middle East | North<br>America,<br>Mexico | South<br>America,<br>except<br>Mexico | Asia,<br>New<br>Caledonia | Total         |
|----------------------|------------------------|--|--|--|-----------------------------|---------------------------------------|---------------------------|---------------|
| Network              | 930                    | 2,235  | 806  | 1,413  | 2,131                       | 994                                   | 1,825                     | 10,334        |
| Scheduled Transavia  | 10                     | 562  | -  | 24   | -                           | -                                     | -                         | 596           |
| <b>Total</b>         | <b>940</b>             | <b>2,797</b>                                 | <b>806</b>                                   | <b>1,437</b>   | <b>2,131</b>                | <b>994</b>                            | <b>1,825</b>              | <b>10,930</b> |

- **First semester ended June 30, 2016 (Restated)**

| <i>In € millions</i> | Metropolitan<br>France | Europe<br>(except<br>France)<br>North Africa | Caribbean,<br>French Guyana,<br>Indian Ocean | Africa<br>(except<br>North<br>Africa)<br>Middle East | North<br>America,<br>Mexico | South<br>America,<br>except<br>Mexico | Asia,<br>New<br>Caledonia | Total         |
|----------------------|------------------------|--|--|--|-----------------------------|---------------------------------------|---------------------------|---------------|
| Network              | 931                    | 2,114  | 814  | 1,426  | 2,055                       | 940                                   | 1,682                     | 9,962         |
| Scheduled Transavia  | 9                      | 456  | -  | 10   | -                           | -                                     | -                         | 475           |
| <b>Total</b>         | <b>940</b>             | <b>2,570</b>                                 | <b>814</b>                                   | <b>1,436</b>   | <b>2,055</b>                | <b>940</b>                            | <b>1,682</b>              | <b>10,437</b> |

## 7. EXTERNAL EXPENSES

| <i>In € millions</i>                       | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
| <b>Period from January 1 to June 30</b>    |              |              |
| Aircraft fuel                              | 2,280        | 2,263        |
| Chartering costs                           | 202          | 215          |
| Landing fees and air route charges         | 932          | 914          |
| Catering                                   | 388          | 215          |
| Handling charges and other operating costs | 856          | 750          |
| Aircraft maintenance costs                 | 1,240        | 1,246        |
| Commercial and distribution costs          | 468          | 463          |
| Other external expenses                    | 782          | 953          |
| <b>Total</b>                               | <b>7,148</b> | <b>7,019</b> |
| <i>Excluding aircraft fuel</i>             | <i>4,868</i> | <i>4,756</i> |

# Air France-KLM Group

## 8. SALARIES AND NUMBER OF EMPLOYEES

### Salaries and related costs

| <i>In € millions</i>                               | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
| <b>Period from January 1 to June 30</b>            |              |              |
| Wages and salaries                                 | 2,552        | 2,589        |
| Pension costs linked to defined contribution plans | 290          | 278          |
| Net periodic pension cost of defined benefit plans | 132          | 136          |
| Social contributions                               | 526          | 528          |
| Cost of temporary employees                        | 88           | 72           |
| Other expenses                                     | 124          | 103          |
| <b>Total</b>                                       | <b>3,727</b> | <b>3,706</b> |

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”.

As of June 30, 2017, the line « Other expenses » includes an amount of €79 million of profit-sharing expenses (against €54 million as of June 30, 2016).

### Average number of employees

| <b>Period from January 1 to June 30</b> | <b>2017</b>   | <b>2016</b>   |
|---|---------------|---------------|
| Flight deck crew                        | 7,719         | 7,702         |
| Cabin crew                              | 21,154        | 20,748        |
| Ground staff                            | 51,637        | 53,807        |
| Temporary employees                     | 2,683         | 2,228         |
| <b>Total</b>                            | <b>83,193</b> | <b>84,485</b> |

## 9. AMORTIZATION, DEPRECIATION AND PROVISIONS

| <i>In € millions</i>                    | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
| <b>Period from January 1 to June 30</b> |             |             |
| <b>Amortization</b>                     |             |             |
| Intangible assets                       | 68          | 62          |
| Flight equipment                        | 625         | 605         |
| Other property, plant and equipment     | 99          | 103         |
|   | <b>792</b>  | <b>770</b>  |
| <b>Depreciation and provisions</b>      |             |             |
| Inventories                             | 4           | -           |
| Trade receivables                       | -           | (10)        |
| Risks and contingencies                 | 33          | 16          |
|   | <b>37</b>   | <b>6</b>    |
| <b>Total</b>                            | <b>829</b>  | <b>776</b>  |

## 10. OTHER INCOME AND EXPENSES

## Air France-KLM Group

| <i>In € millions</i>                    | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
| <b>Period from January 1 to June 30</b> |             |             |
| Capitalized production                  | 390         | 442         |
| Joint operation of routes               | (39)        | (26)        |
| Operations-related currency hedges      | 29          | 95          |
| Other                                   | 8           | 4           |
| <b>Other income and expenses</b>        | <b>388</b>  | <b>515</b>  |

# Air France-KLM Group

## 11. OTHER NON-CURRENT INCOME AND EXPENSES

| <i>In € millions</i>                              | <b>2017</b> | <b>2016</b>  |
|---|-------------|--------------|
| <b>Period from January 1 to June 30</b>           |             |              |
| Restructuring costs                               | (16)        | (163)        |
| Modification on pensions plans in the Netherlands | 15          | -            |
| Cargo penalty                                     | (12)        | -            |
| Disposal of slots                                 | -           | 49           |
| Disposal of shares available for sale             | 2           | -            |
| Disposals of subsidiaries and affiliates          | -           | 7            |
| <b>Other non-current income and expenses</b>      | <b>(11)</b> | <b>(107)</b> |

- **Six-month period ended June 30, 2017**

### Restructuring costs

This mainly includes an addition to the voluntary departure plan by Air France and the closure of the Munich base of Transavia The Netherlands as of October 2017.

### Modification on pension plans The Netherlands

In 2016, the KLM Pilot Pension Fund Board decided to convert the accrued spouse's pension into additional old age pension. In 2017, the Dutch Ministry of Finance has refused to validate the change without the formal approval of all the spouses. As a consequence, the accrual rate has been decreased from 1.28% to 1.11% as from July 1, 2017. The one-off financial impact of this scheme change is a €15 million profit.

### Cargo penalty

The provision for the cargo claim has been adjusted by a net amount of € (12) million.

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

### Restructuring costs

As of June 30, 2016, this included:

- €149 million related to the voluntary departure plans announced by Air France in February 2016;
- €5 million related to several voluntary departure plans initiated in the other Air France establishments located abroad.
- €9 million related to an additioned provision for KLM restructuring plans.

### Sale of slots

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

### Disposal of subsidiaries and affiliates

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

# Air France-KLM Group

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

| <i>In € millions</i>  | <b>2017</b>  | <b>2016</b>  |
|---|--------------|--------------|
| <b>Period from January 1 to June 30</b>                         |              |              |
| Income from marketable securities                               | 6            | 5            |
| Other financial income  | 14           | 23           |
| <b>Income from cash and cash equivalents</b>                    | <b>20</b>    | <b>28</b>    |
| Loan interests  | (79)         | (98)         |
| Lease interests   | (27)         | (28)         |
| Capitalized interests and other non-monetary items              | 7            | 5            |
| Other financial expenses  | (34)         | (41)         |
| <b>Gross cost of financial debt</b>                             | <b>(133)</b> | <b>(162)</b> |
| <b>Net cost of financial debt</b>                               | <b>(113)</b> | <b>(134)</b> |
| Foreign exchange gains (losses), net                            | 104          | (119)        |
| Financial instruments and change in fair value of hedges shares | (78)         | 58           |
| Net (charge) release to provisions                              | 3            | 47           |
| Other   | (28)         | (30)         |
| <b>Other financial income and expenses</b>                      | <b>1</b>     | <b>(44)</b>  |

### *Cost of financial debt*

As of June 30, 2017, the gross cost of financial debt includes an amount of €10 million corresponding to the difference between the nominal interest rate and the effective interest rate (after split accounting) of the OCEANE bonds issued (€13 million as of June 30, 2016).

### *Foreign exchange gain (losses)*

As of June 30, 2017, the foreign exchange gain mainly included €87 million non-realized gain on the maintenance provision in US Dollar and €30 million non-realized gain on Japanese Yen debt.

As of June 30, 2016, it mainly included the unrealized change of the debt yen of €116 million.

### *Change in fair value of financial instruments*

As of June 30, 2017, it mainly includes a net financial charge of financial instrument of €78 million (product of €58 million as June 30, 2016) explain by the variation of the financial instrument due to fuel derivative for €53 million and change derivative for €44 million.

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

### *Net (charge) / release to provisions*

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

# Air France-KLM Group

## *Other financial income and expenses*

As of June 30, 2017 and 2016, the line “other” comprises mainly the effect of accretion on long-term provisions for € (28) million and € (27) million.

## 13. INCOME TAXES

### 13.1. Income tax charge

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

| <i>In € millions</i>  | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
| <b>Period from January 1 to June 30</b>                           |             |             |
| <b>Current tax (expense) / income</b>                             | <b>(16)</b> | <b>(16)</b> |
| Change in temporary differences                                   | 13          | (3)         |
| CVAE impact   | 2           | 2           |
| (Use / de-recognition) / recognition of tax loss carry forwards   | (95)        | (36)        |
| <b>Deferred tax income / (expense) from continuing operations</b> | <b>(80)</b> | <b>(37)</b> |
| <b>Total</b>  | <b>(96)</b> | <b>(53)</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 7 years, consistent with the Group’s operating visibility.

The Finance law 2017, voted in December, 2016, planned a decrease of the income tax rate from 34.43% to 28.92% applicable to the French fiscal group as from fiscal year 2020.

- **Dutch fiscal group**

In The Netherlands, tax losses can be carried forward over a period of 9 years without limitation in the amount of recovery due each year.

# Air France-KLM Group

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

| <i>In € millions</i>   | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
| <b>Period from January 1 to June 30</b>  |              |              |
| <b>Other comprehensive income that will be reclassified to profit and loss</b>     | <b>115</b>   | <b>(225)</b> |
| Assets available for sale  | (2)          | -            |
| Derivatives  | 117          | (225)        |
| <b>Other comprehensive income that will not be reclassified to profit and loss</b> | <b>(264)</b> | <b>429</b>   |
| Pensions   | (264)        | 429          |
| <b>Total</b>   | <b>(149)</b> | <b>204</b>   |

## 14. EARNINGS PER SHARE

### 14.1 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>2017</b> | <b>2016</b> |
|--|-------------|-------------|
| <b>As of June 30</b>   |             |             |
| Net income for the period – Equity holders of Air France-KLM                       | 151         | (114)       |
| Net income from continuing operations – Equity holders of Air France – KLM         | 159         | (116)       |
| Net income from discontinued operations – Equity holders of Air France – KLM       | (8)         | 2           |
| Coupons on perpetual   | (12)        | (12)        |
| Basic net income for the period – Equity holders of Air France-KLM                 | 139         | (126)       |
| Basic net income from continuing operations – Equity holders of Air France – KLM   | 147         | (128)       |
| Basic net income from discontinued operations – Equity holders of Air France – KLM | (8)         | 2           |

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>2017</b>        | <b>2016</b>        |
|--|--------------------|--------------------|
| <b>Weighted average number of:</b>   |                    |                    |
| - Ordinary shares issued   | 300,219,278        | 300,219,278        |
| - Treasury stock held regarding stock option plan  | (1,116,420)        | (1,116,420)        |
| - Other treasury stock   | (32,783)           | (3,033,162)        |
| <b>Number of shares used to calculate basic earnings per share</b>                                   | <b>299,070,075</b> | <b>296,069,696</b> |
| OCEANE conversion  | 53,386,532         | -                  |
| <b>Number of ordinary and potential ordinary shares used to calculate diluted earnings per share</b> | <b>352,456,607</b> | <b>296,069,696</b> |

# Air France-KLM Group

## 14.2 Non-dilutive instruments

The Air France-KLM Group held no non-dilutive instruments as of June 30, 2017.

## 14.3 Instruments issued after the closing date

No instruments were issued subsequent to the closing date.

## 15. TANGIBLE ASSETS

| <i>In € millions</i>         | As of June 30, 2017 |                 |               | As of December 31, 2016 |                 |               |
|------------------------------|---------------------|-----------------|---------------|-------------------------|-----------------|---------------|
|                              | Gross value         | Depreciation    | Net Value     | Gross value             | Depreciation    | Net Value     |
| Owned aircraft               | 9,020               | (5,739)         | 3,281         | 8,873                   | (5,807)         | 3,066         |
| Leased aircraft              | 6,759               | (2,678)         | 4,081         | 6,656                   | (2,635)         | 4,021         |
| Assets in progress           | 784                 | -               | 784           | 616                     | -               | 616           |
| Other                        | 2,463               | (977)           | 1,486         | 2,391                   | (975)           | 1,416         |
| <b>Flight equipment</b>      | <b>19,026</b>       | <b>(9,394)</b>  | <b>9,632</b>  | <b>18,536</b>           | <b>(9,417)</b>  | <b>9,119</b>  |
| Land and buildings           | 2,739               | (1,836)         | 903           | 2,721                   | (1,782)         | 939           |
| Equipment and machinery      | 1,212               | (951)           | 261           | 1,212                   | (938)           | 274           |
| Assets in progress           | 133                 | -               | 133           | 115                     | -               | 115           |
| Other                        | 930                 | (772)           | 158           | 921                     | (769)           | 152           |
| <b>Other tangible assets</b> | <b>5,014</b>        | <b>(3,559)</b>  | <b>1,455</b>  | <b>4,969</b>            | <b>(3,489)</b>  | <b>1,480</b>  |
| <b>Total</b>                 | <b>24,040</b>       | <b>(12,953)</b> | <b>11,087</b> | <b>23,505</b>           | <b>(12,906)</b> | <b>10,599</b> |

The net value of the tangible assets financed under capital lease amounts to €4,391 million as of June 30, 2017 (€4,356 million as of December 31, 2016).

## 16. PENSION ASSETS AND PROVISIONS

As of June 30, 2017, the discount rates used by companies to calculate the defined benefit obligations are the following:

|  | June 30, 2017 | December 31, 2016 |
|--|---------------|-------------------|
| Euro zone – duration 10 to 15 years    | 1.50%         | 1.50%             |
| Euro zone – duration 15 years and more | 2.10%         | 1.90%             |

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 31.2 of the annual financial statements as of December 31, 2016.

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:

- An increase of € 1 080 million of the “pension assets” on the balance sheet (schemes with a net asset position) and
- An increase of € 2 million of the “pension provisions” on the balance sheet (schemes with a net liability position).



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## KLM pension schemes in The Netherlands

### *Cabin Crew pension plan*

The new pension scheme for KLM Cabin Crew is expected to be implemented as a collective defined contribution scheme in the third quarter 2017, which would lead to derecognition of the cabin pension asset and recording of a significant amount, based on the current actuarial assumptions, in the consolidated income statement on the line 'Other non-recurring charges and income'. The amount can only be assessed at implementation.

### *Cockpit Crew pension plan*

In December 2016, KLM and the pilots union (VNV) came to a funding agreement concerning the indexation for the year 2017. This agreement indicates that parties will resume negotiations in good faith in 2017 to come to a de-risked pension system and that part of the funding for indexation, amounting to € 94 million will be paid before October 1, 2017. An agreement between parties on a de-risked pension system in 2017 could lead to derecognition of the pension asset related to the KLM Cockpit Crew plan and the € 94 million being deducted from the potential dowry payment. As of June 30, 2017 no agreement has been signed.

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

### **17.1 Breakdown of stock and voting rights**

As of June 30, 2017, the issued capital of Air France-KLM comprised 300,219,278 fully paid-up shares with a nominal value of €1. Each share is entitled to one vote. 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, 2017</b> |               | <b>December 31, 2016</b> |               |
|--------------------------------|----------------------|---------------|--------------------------|---------------|
|                                | Capital              | Voting rights | Capital                  | Voting rights |
| French State                   | 18                   | 28            | 18                       | 27            |
| Employees and former employees | 6                    | 10            | 6                        | 10            |
| Treasury shares                | -                    | -             | -                        | -             |
| Other                          | 76                   | 62            | 76                       | 63            |
| <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.

### **17.2 Reserves and retained earnings**

| <i>In € millions</i>                                 | <i>Notes</i> | <b>June 30, 2017</b> | <b>December 31, 2016</b> |
|--|--------------|----------------------|--------------------------|
| Legal reserve  |              | 70                   | 70                       |
| Distributable reserves                               |              | 15                   | 176                      |
| Defined benefit pensions reserves                    |              | (2,283)              | (3,094)                  |
| Derivatives reserves                                 |              | (164)                | 102                      |
| Available for sale securities reserves               |              | 204                  | 161                      |
| Other reserves                                       |              | 232                  | (727)                    |
| Net income (loss) – Equity holders of Air France-KLM |              | 151                  | 792                      |
| <b>Total</b>   |              | <b>(1,775)</b>       | <b>(2,520)</b>           |

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## 18. PROVISIONS

| <i>In € millions</i>    | June 30, 2017 |            |              | December 31, 2016 |            |              |
|-------------------------|---------------|------------|--------------|-------------------|------------|--------------|
|                         | Non current   | Current    | Total        | Non current       | Current    | Total        |
| Restitution of aircraft | 1,046         | 316        | 1,362        | 1,073             | 316        | 1,389        |
| Restructuring           | -             | 221        | 221          | -                 | 277        | 277          |
| Litigation              | 390           | 48         | 438          | 424               | 8          | 432          |
| Other                   | 165           | 24         | 189          | 176               | 53         | 229          |
| <b>Total</b>            | <b>1,601</b>  | <b>609</b> | <b>2,210</b> | <b>1,673</b>      | <b>654</b> | <b>2,327</b> |

### 18.1. Provisions

#### 18.1.1. Restructuring provisions

As of June 30, 2017 and December 31, 2016, the restructuring provisions mainly concern the voluntary departure plans of Air France and its regional subsidiaries, KLM and Martinair.

#### 18.1.2. Litigation

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

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

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

#### 18.1.3. 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, 2016, most of these investigations have been terminated following the entry into plea agreements between Air France, KLM and Martinair and the appropriate competition authorities providing for the payment of settlement amounts or fines, with the exception of the proceedings initiated by the European Commission, and by the Swiss antitrust authority, which are still pending.

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 16 December 2015, because it contained a contradiction regarding the exact scope of the practices sanctioned. On 17 March 2017, the European Commission issued a new decision against eleven air cargo carriers, including Air France, KLM and Martinair. The total amount of fines imposed on the Air France-KLM Group is €325 million. This amount has been reduced by €15 million as compared to the initial decision owing to a lower fine for Martinair due to technical reasons. On 29 and 30 May 2017 the Group companies filed an appeal against this decision before the General Court of the European Union. The Group has maintained a provision covering 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.

#### 18.1.4. Other provisions

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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.

## 18.2 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. The provisions that have been recorded by Air France, KLM and Martinair are described in paragraph 18.2.1.

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

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.

### 18.2.2. 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.

### 18.2.3. Other litigations

#### Rio-Paris AF447 flight

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

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

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

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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 18.1 and 18.2, 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.

### 19. FINANCIAL DEBT

| <i>In € millions</i>              | June 30, 2017 |              |              | December 31, 2016 |              |              |
|-----------------------------------|---------------|--------------|--------------|-------------------|--------------|--------------|
|                                   | Non current   | Current      | Total        | Non current       | Current      | Total        |
| Perpetual subordinated loan stock | 589           | -            | 589          | 600               | -            | 600          |
| OCEANE (convertible bonds)        | 516           | -            | 516          | 507               | -            | 507          |
| Bonds                             | 1,131         | 500          | 1,631        | 1,646             | -            | 1,646        |
| Capital lease obligations         | 3,382         | 784          | 4,166        | 3,567             | 696          | 4,263        |
| Other long-term debt              | 1,022         | 284          | 1,306        | 1,111             | 236          | 1,347        |
| Accrued interest                  | -             | 50           | 50           | -                 | 89           | 89           |
| <b>Total</b>                      | <b>6,640</b>  | <b>1,618</b> | <b>8,258</b> | <b>7,431</b>      | <b>1,021</b> | <b>8,452</b> |

#### Market value

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

| <i>In € millions</i>              | June 30, 2017  |                        | December 31, 2016 |                        |
|-----------------------------------|----------------|------------------------|-------------------|------------------------|
|                                   | Net book value | Estimated market value | Net book value    | Estimated market value |
| Perpetual subordinated loan stock | 589            | 521                    | 600               | 289                    |
| OCEANE                            | 516            | 706                    | 507               | 559                    |
| Bonds                             | 1,631          | 1,574                  | 1,646             | 1,686                  |
| <b>Total</b>                      | <b>2,736</b>   | <b>2,801</b>           | <b>2,753</b>      | <b>2,534</b>           |

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## 20. NET DEBT

| <i>In € millions</i>                                  | <b>June 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|---|--------------------------|------------------------------|
| Current and non-current financial debt <sup>(1)</sup> | 8,258                    | 8,452                        |
| Financial lease deposits (others)                     | (337)                    | (336)                        |
| Fair value hedge on financial debt                    | (12)                     | (49)                         |
| Accrued interest                                      | (50)                     | (89)                         |
| <b>Gross financial debt (I)</b>                       | <b>7,859</b>             | <b>7,978</b>                 |
| Cash and cash equivalents <sup>(2)</sup>              | 4,217                    | 3,938                        |
| Marketable securities                                 | 81                       | 53                           |
| Cash secured  | 258                      | 50                           |
| Financial lease deposit (bonds)                       | 361                      | 298                          |
| Others  | (3)                      | (11)                         |
| Bank overdrafts <sup>(3)</sup>                        | (11)                     | (5)                          |
| <b>Net cash (II)</b>                                  | <b>4,903</b>             | <b>4,323</b>                 |
| <b>Net debt (I-II)</b>                                | <b>2,956</b>             | <b>3,655</b>                 |

*(1) Liabilities : long term debt*

*(2) Assets : cash and cash equivalents*

*(3) Liabilities : bank overdrafts*

| <i>In € millions</i>   | <b>June 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|--|--------------------------|------------------------------|
| <b>Opening net debt</b>  | <b>3,655</b>             | <b>4,307</b>                 |
| Operating free cash, cash flow excluding discontinued activities <sup>(1)</sup>  | (668)                    | (347)                        |
| Operating free cash flow, cash flow from discontinued activities                 | -                        | (33)                         |
| Disposal of subsidiaries, of shares in non-controlled entities                   | -                        | (364)                        |
| Acquisition of subsidiaries, of shares in non-controlled entities <sup>(2)</sup> | -                        | 18                           |
| Non monetary variation of the debt   | -                        | (64)                         |
| Currency translation adjustment  | (76)                     | 73                           |
| Amortization of OCEANE optional part   | 10                       | 21                           |
| Reclassification   | (2)                      | 2                            |
| Change in scope  | -                        | (19)                         |
| Other  | 37                       | 61                           |
| <b>Closing net debt</b>  | <b>2,956</b>             | <b>3,655</b>                 |

*(1) Cash flows statement : operating free cash flow*

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

# Air France-KLM Group

## 21. LEASE COMMITMENTS

### 21.1 Financial leases

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

| <i>In € millions</i> | <b>June 30, 2017</b> | <b>December 31, 2016</b> |
|----------------------|----------------------|--------------------------|
| Flight equipment     | 4,090                | 4,164                    |
| Buildings            | 405                  | 432                      |
| Other                | 6                    | 7                        |
| <b>Total</b>         | <b>4,501</b>         | <b>4,603</b>             |

### 21.2 Operating leases

The undiscounted amount of the future operating lease payments for aircraft under operating lease totaled €4,940 million as of June 30, 2017 (€5,559 million as of December 31, 2016).

## 22. 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, 2017</b> | <b>December 31, 2016</b> |
|--|----------------------|--------------------------|
| 2 <sup>nd</sup> semester year Y (6 months) | 444                  | -                        |
| Year Y+1                                   | 1,095                | 1,053                    |
| Year Y+2                                   | 1,072                | 1,134                    |
| Year Y+3                                   | 1,271                | 1,151                    |
| Year Y+4                                   | 1,249                | 1,362                    |
| > Year Y+4                                 | 1,911                | 3,402                    |
| <b>Total</b>                               | <b>7,042</b>         | <b>8,102</b>             |

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

The number of aircraft under firm order (excluding operational lease) as of June 30, 2017 decreased by 12 units compared with December 31, 2016 and stood at 70 aircraft. These changes are explained by the delivery of 14 aircraft over the period and by the order of 2 aircraft.

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

The Group took delivery of 1 Boeing B787.

#### **Medium-haul fleet**

The Group took delivery of 8 Boeing B737s.

#### **Regional fleet**

The Group took delivery of 5 Embraer E175s.

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The Group's commitments concern the following aircraft:

| Aircraft type                             | To be delivered in             | 2 <sup>nd</sup> semester Y<br>(6 months) | Y+1       | Y+2       | Y+3       | Y+4       | Beyond<br>Y+4 | Total     |
|---|--------------------------------|--|-----------|-----------|-----------|-----------|---------------|-----------|
| <b><u>Long-haul fleet – passenger</u></b> |                                |  |           |           |           |           |               |           |
| A350                                      | As of June 30, 2017            | -  | -         | 3         | 6         | 6         | 13            | 28        |
|   | As of December 31, 2016        | -  | -         | -         | 3         | 6         | 19            | 28        |
| B787                                      | As of June 30, 2017            | 1  | 5         | 5         | 4         | 5         | 3             | 23        |
|   | As of December 31, 2016        | -  | 2         | 5         | 5         | 4         | 8             | 24        |
| B777                                      | As of June 30, 2017            | 1  | -         | -         | -         | -         | -             | 1         |
|   | As of December 31, 2016        | -  | 1         | -         | -         | -         | -             | 1         |
| <b><u>Medium-haul fleet</u></b>           |                                |  |           |           |           |           |               |           |
| A320                                      | As of June 30, 2017            | 2  | 1         | -         | -         | -         | -             | 3         |
|   | As of December 31, 2016        | -  | 2         | 1         | -         | -         | -             | 3         |
| B737                                      | As of June 30, 2017            | -  | 5         | -         | -         | -         | -             | 5         |
|   | As of December 31, 2016        | -  | 8         | 5         | -         | -         | -             | 13        |
| <b><u>Regional fleet</u></b>              |                                |  |           |           |           |           |               |           |
| EMB 175                                   | As of June 30, 2017            | 3  | 5         | -         | -         | -         | -             | 8         |
|   | As of December 31, 2016        | -  | 8         | 5         | -         | -         | -             | 13        |
| EMB 170                                   | As of June 30, 2017            | -  | -         | -         | -         | -         | -             | -         |
|   | As of December 31, 2016        | -  | -         | -         | -         | -         | -             | -         |
| EMB 190                                   | As of June 30, 2017            | -  | 2         | -         | -         | -         | -             | 2         |
|   | As of December 31, 2016        | -  | -         | -         | -         | -         | -             | -         |
| <b>Total</b>                              | <b>As of June 30, 2017</b>     | <b>7</b>                                 | <b>18</b> | <b>8</b>  | <b>10</b> | <b>11</b> | <b>16</b>     | <b>70</b> |
|   | <b>As of December 31, 2016</b> | <b>-</b>                                 | <b>21</b> | <b>16</b> | <b>8</b>  | <b>10</b> | <b>27</b>     | <b>82</b> |

## 23. RELATED PARTIES

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