

SECOND QUARTER 2020
Performance strongly impacted by the Covid-19 crisis, significant liquidity available to weather the crisis

The Board of Directors of Air France-KLM, chaired by Anne-Marie Couderc, met today to approve the financial statements for the First Half 2020 and review the acceleration of the Group transformation plan.

SECOND QUARTER 2020

The Covid-19 crisis severely impacted the Second quarter 2020 results:

- Revenue at 1,182 million euros, down 5,839 million compared to last year
- Operating result at -1,553 million euros, down 1,976 million euros compared to last year
- EBITDA loss minimalized to an average of 260 million euros per month compared to an initial estimate of 400 million euros thanks to effective cash preservation and cost control measures
- Net income at -2,612 million euros, including an impairment on Airbus 380 and 340 aircraft at respectively -520 and -72 million euros, Covid-19 related over-hedging at -105 million euros, and restructuring provision at -227 million euros
- Net debt/EBITDA ratio at 4.8x, compared to 1.5x at the end of 2019

The French and the Dutch governments have provided financial packages with conditions attached to increase competitiveness and achieve sustainability objectives. Thus at 30 June 2020 the Air France-KLM Group has 14.2 billion euros of liquidity or credit lines at its disposal to weather the crisis and restructure its business.

OUTLOOK

The Group has introduced stringent sanitary measures on board and, supported by the ongoing “Travel with Confidence” campaign, has seen a slow recovery of leisure demand in June and July 2020.

The airlines of the Group are carefully increasing capacity for the summer months, wherein overall capacity levels are managed based on continuously scrutinizing developments in market demand and government policies, including the opening of borders and slot moratoriums. The Group aims to rebuild its worldwide network step by step with a wide variety of destinations in the portfolio.

Nevertheless, there is limited visibility on the demand recovery curve as customer booking behavior is much more short-term oriented than before the Covid-19 crisis, especially on the Long Haul network.

On this basis the Group expects:

- Capacity in Available Seat kilometers at index 45 for the third quarter 2020 and at index 65 for the fourth quarter 2020 compared to last year.
- Negative load factor developments for the third quarter 2020, particularly on long-haul network, and anticipates negative yield mix effects due to a delayed recovery in business compared to leisure motive traffic.

The Group has further reduced its capital expenditure plan for 2020 by an additional -0.3 billion euros to 2.1 billion euros. This is a reduction of -1.5 billion euros compared to the initial 2020 guidance of 3.6 billion euros.

The Group foresees a significantly negative EBITDA in the second half year 2020.

Air France-KLM Group	Second quarter		Half year	
	2020	Change	2020	Change ¹
Passengers (thousands)	1,217	-95.6%	19,328	-61.7%
Passenger Unit revenue per ASK ¹ (€ cts)	3.88	-42.8%	5.57	-14.6%
Operating result (€m)	-1,553	-1,976	-2,368	-2,505
Net income – Group part (€m)	-2,612	-2,709	-4,413	-4,186
Adj. operating free cash flow (€m)	-1,501	-1,609	-2,327	-2,677
Net debt at end of period (€m)			7,973	1,826

¹ Passenger unit revenue is the aggregate of Passenger network and Transavia unit revenues, change at constant currency

The Board of Directors of Air France-KLM, chaired by Anne-Marie Couderc, met on 30 July 2020 to approve the financial statements for the First Half 2020. Group CEO Mr. Benjamin Smith said:

“The second quarter results demonstrate the unprecedented impact of the COVID-19 crisis on the activity of the Air France-KLM Group and of all airlines worldwide. The Group reported an operating loss of 1.5 billion euros for the quarter, with activity virtually at a standstill in April. The cost reduction and liquidity preservation measures rapidly implemented have nevertheless enabled our operational losses to be reduced. The exceptional support of the French and Dutch governments has provided Air France-KLM with the liquidity needed to weather the crisis and ensure a gradual recovery in business. However, the uncertainties linked to the health situation, the opening of borders and the general economic situation are very strong. We must also adapt to important changes in customers' behaviour. This context pushes us to accelerate our transformation to improve our economic and environmental performance according to the main pillars of our strategic plan. I am confident in our ability to implement these projects with our teams in order to emerge from this exceptional crisis.”

Business review

Network: Skeleton network operation in April and May 2020, slow resumption of traffic in June 2020 after lockdown easing across Europe

Network	Second quarter			Half year		
	2020	Change	Change constant currency	2020	Change	Change constant currency
Total revenues (€m)	938	-84.3%	-84.4%	5,216	-53.1%	-53.5%
Scheduled revenues (€m)	827	-85.5%	-85.6%	4,897	-53.8%	-54.1%
Operating result (€m)	-1,123	-1,438	-1,436	-1,852	-1,906	-1,933

Second quarter 2020 revenues decreased by 84.4% at constant currency to 938 million euros. The operating result amounted to -1,123 million euros, a -1,436 million euros decrease at constant currency compared to last year. Measures are in place to preserve cash including reduction of investments, cost savings measures, deferral of supplier payments and partial activity for employees.

Passenger network: Skeleton operations to key cities in April and May, slow resumption of activity in June with reduced frequencies on a substantial part of the network routes

Passenger network	Second quarter			Half year		
	2020	Change	Change constant currency	2020	Change	Change constant currency
Passengers (thousands)	1,128	-95.1%		16,889	-60.4%	
Capacity (ASK m)	8,765	-88.4%		71,168	-51.1%	
Traffic (RPK m)	3,261	-95.1%		53,109	-58.3%	
Load factor	37.2%	-51.4 pt		74.6%	-12.9 pt	
Total passenger revenues (€m)	372	-93.2%	-93.2%	4,183	-58.4%	-58.6%
Scheduled passenger revenues (€m)	335	-93.6%	-93.6%	4,006	-58.6%	-58.9%
Unit revenue per ASK (€ cts)	3.83	-44.9%	-45.1%	5.63	-15.4%	-15.9%

The passenger network activity in April and May 2020 was, as anticipated due to the lock downs and travel restrictions, effectively reduced to a skeleton operation connecting our home markets to key cities and a number of routes with high cargo demand.

The slow resumption of traffic in June 2020 on the short and medium haul networks was a result of lockdown easing's across Europe.

For the second quarter 2020 the unit revenues were strongly down at -45.1% at constant currency compared to last year due to low load factors, partially offset by higher yields.

Since we introduced the refund policy, nearly 3 million direct sales requests have been processed (concerning flights cancelled since mid-March), representing nearly 90% of the volume of ongoing direct

sales customer requests. Requests from customers who have booked through travel agencies can now be made through the agencies (gradual opening by country).

To handle this exceptional volume of requests related to program adjustments, the size of the team in charge of reimbursements was multiplied by 10 at the height of the activity, reaching more than 600 people thanks to internal and external reinforcements to process our customers' requests as quickly as possible.

Cargo: Strong Cargo yields due to gap between industry capacity and demand in the second quarter **2020**

Cargo business	Second quarter			Half year		
	2020	Change	Change constant currency	2020	Change	Change constant currency
Tons (thousands)	149	-46.4%		392	-28.5%	
Capacity (ATK m)	1,581	-56.3%		4,772	-32.6%	
Traffic (RTK m)	1,180	-44.4%		3,013	-27.7%	
Load factor	74.7%	+16.0 pt		63.1%	+4.3 pt	
Total Cargo revenues (€m)	566	+6.0%	+5.2%	1,032	-4.5%	-5.6%
Scheduled cargo revenues (€m)	491	+8.2%	+7.4%	890	-4.0%	-5.1%
Unit revenue per ATK (€ cts)	31.06	+147.6%	+145.7%	18.65	+42.4%	+40.8%

Global air cargo capacity is at the end of the second quarter 2020 approximately 27% lower than 2019 whereby industry air cargo load factors are the highest levels in past two years. The Cargo capacity of the Group has been down 56.3%, primarily driven by the reduction in belly capacity of passenger aircraft, with load factors strongly up 16.0 points for the quarter. Unit revenue were strongly positive for the second quarter 2020 up 145.7% compared to last year at constant currency.

On the demand side, world-wide air freight volumes are down due to Covid-19 crisis but are expected to rebound to 90 to 95% of pre Covid-19 levels in 2021. The supply-demand gap of the past months is foreseen to narrow as industry capacity supply will increase.

Transavia operating loss in the second quarter 2020 at -111 million euros, as fully impacted by Covid-19 crisis

Transavia	Second quarter		Half year	
	2020	Change	2020	Change
Passengers (thousands)	90	-98.2%	2,439	-68.8%
Capacity (ASK m)	277	-97.1%	5,169	-66.3%
Traffic (RPK m)	181	-97.9%	4,636	-67.2%
Load factor	65.3%	-26.7 pt	89.7%	-2.3 pt
Total passenger revenues (€m)	17	-96.6%	259	-65.0%
Unit revenue per ASK (€ cts)	5.47	+4.4%	4.74	-1.9%
Unit cost per ASK (€ cts)	45.46	+871.8%	8.46	+71.4%
Operating result (€m)	-111	-164	-193	-176

The second quarter operating result ended 164 million euros lower compared to last year at an operational loss of -111 million euros, as a result of the Covid-19 crisis. Activity levels were close to zero in April and May 2020 with a progressive restart from early June, resulting in an activity level for the month of June 2020 of 8% compared to last year. Strict cash preservation measures are in place including reduction of investments, cost savings measures, deferral of supplier payments and partial activity measures.

Maintenance business operating result for Second quarter 2020 at -318 million euros, strongly impacted by Covid-19

Maintenance	Second quarter			Half year		
	2020	Change	Change constant currency	2020	Change	Change constant currency
Total revenues (€m)	501	-55.2%		1,640	-28.4%	
Third-party revenues (€m)	222	-57.8%	-59.3%	716	-33.8%	-36.0%
Operating result (€m)	-318	-370	-376	-321	-419	-430
Operating margin (%)	-63.4%	-68.1 pt	-68.5 pt	-19.6%	-23.9 pt	-24.3 pt

The Second quarter operating result stood at -318 million euros, a decrease of 370 million euros, highly impacted by the Covid-19 crisis.

Revenue highly declined in all three main businesses. In the second quarter, all clients of the E&M business have been impacted by the Covid-19 crisis resulting in a sharp decrease of revenues. Operating costs have been reduced in the second quarter 2020 by a reduced maintenance activity level, partial activity pay schemes for employees and other initiated cost savings measures.

A provision had been posted in the operating result of the second quarter for around 210 million euros to take into account client situations including cash difficulties, fleet decreases and bankruptcies, and spare parts surplus due to the world wide fleet reductions expected as a result of the current crisis. The E&M business is also strongly impacted by the activity decrease of the Air France-KLM Group airlines.

The Maintenance order book is assessed to 9.6 billion dollars at 30 June 2020 a decrease of 1.9 billion dollars compared to 31 December 2019, explained by the Covid-19 crisis effects already occurring and expected. The Maintenance business is carefully managing its external business, including agreements with clients on payment terms

Air France-KLM Group: Second quarter 2020 revenues down -83% and operating result down -1,976 million euros

	Second quarter			Half year		
	2020	Change	Change constant currency	2020	Change	Change constant currency
Capacity (ASK m)	9,042	-89.4%		76,337	-52.5%	
Traffic (RPK m)	3,442	-95.5%		57,746	-59.2%	
Passenger unit revenue per ASK (€ cts)	3.88	-42.6%	-42.8%	5.57	-14.0%	-14.6%
Group unit revenue per ASK (€ cts)	9.31	+27.8%	+27.3%	6.73	-4.5%	-5.2%
Group unit cost per ASK (€ cts) at constant fuel	26.48	+290.1%	+351.2%	9.84	+41.1%	+40.9%
Revenues (€m)	1,182	-83.2%	-83.3%	6,201	-52.2%	-52.6%
EBITDA (€m)	-780	-1,947	-1942	-840	-2,451	-2,481
Operating result (€m)	-1,553	-1,976	-1972	-2,368	-2,505	-2,537
Operating margin (%)	-131.4%	-137.4 pt	-137.3 pt	-38.2%	-39.2 pt	-39.5 pt
Net income - Group part (€m)	-2,612	-2,709		-4,413	-4,186	

2019 results restated for LLP componentization accounting change and EU passenger compensation reclassification between revenues and external expenses

In the Second quarter 2020, the Air France-KLM Group posted an operating result of -1,553 million euros, down by 1,976 million euros compared to last year.

Net income amounted to -2,612 million euros in the second quarter 2020, a decrease of 2,709 million euros compared to last year, of which exceptional accounting items due to Covid-19: impairment for acceleration phase-out Airbus 380s -520 million euros and Airbus 340s -72 million euros, fuel "over hedge" -105 million euros and a restructuring costs provision for the KLM voluntary departure plan of -188 million euros and for Air France pilots Voluntary Departure Plan of -37 million euros.

Fuel “over hedge” -105 million euros for the remainder of 2020:

As a result of capacity reductions compared to the end of March 2020 assumptions partly offset by higher fuel prices, the Group increased its position of over-hedging. The change in fair value, initially recognized in equity, has been recycled to “Other financial income and expenses”

Currencies had a positive 55 million euro impact on revenues and a negative 59 million euro effect on costs including currency hedging in the second quarter of 2020.

The Second quarter 2020 unit cost increased by 290%, primarily caused by Covid-19 related capacity reductions

On a constant currency and fuel price basis, unit costs were up 351% in the Second quarter 2020.

Group net employee costs were down 50.4% in the second quarter 2020 compared to last year, supported by partial activity implementation at Air France and KLM, release of temporary and hired staff and no profit sharing provisions to be made at both airlines. The average number of FTEs (Full Time Equivalent) in the second quarter 2020 decreased by 4,000 compared to last year, including 2,400 hired staff.

Net debt up 1,826 million euros and leverage ratio at 4.8x

In € million	Second quarter		Half year	
	2020	Change	2020	Change
Cash flow before change in WCR and Voluntary Departure Plans, continuing operations (€m)	-1,161	-2,276	-1,331	-2,838
Cash out related to Voluntary Departure Plans (€m)	-6	+0	-15	+0
Change in Working Capital Requirement (WCR) (€m)	82	+97	543	-248
Net cash flow from operating activities (€m)	-1,085	-2,179	-803	-3,086
Net investments* (€m)	-254	+481	-1,112	+319
Operating free cash flow (€m)	-1,339	-1,698	-1,915	-2,767
Repayment of lease debt	-162	+89	-412	+90
Adjusted operating free cash flow**	-1,501	-1,609	-2,327	-2,677

* Sum of ‘Purchase of property, plant and equipment and intangible assets’ and ‘Proceeds on disposal of property, plant and equipment and intangible assets’ as presented in the consolidated cash flow statement.

** The “Adjusted operating free cash flow” is operating free cash flow after deducting the repayment of lease debt.

The Group generated adjusted operating free cash flow in the second quarter 2020 of -1,501 million euros, a decrease of 1,609 million euros compared to last year, mainly explained by an operating cash flow decline of 2,276 million euros, partly offset by a reduction in net investments of 481 million euros.

In € million	30 Jun 2020	31 Dec 2019
Net debt	7,973	6,147
EBITDA <i>trailing 12 months</i>	1,678	4,128
Net debt/EBITDA <i>trailing 12 months</i>	4.8 x	1.5 x

Both airlines results negatively impacted in the Second quarter 2020

	Second quarter		Half year	
	2020	Change	2020	Change
Air France Group Operating result (€m)	-1,058	-1,212	-1,594	-1,500
<i>Operating margin (%)</i>	-189.5%	-193.1 pt	-44.6%	-43.4 pt
KLM Group Operating result (€m)	-493	-763	-768	-991
<i>Operating margin (%)</i>	-70.3%	-79.7 pt	-27.0%	-31.3 pt

OUTLOOK 2020

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Nevertheless, there is limited visibility on the demand recovery curve as customer booking behavior is much more short-term oriented than before the Covid-19 crisis, especially on the Long Haul network. On this basis the Group expects:

- Capacity in Available Seat kilometers at index 45 for the third quarter 2020 and at index 65 for the fourth quarter 2020 compared to last year.
- Negative load factor developments for the third quarter 2020, particularly on long-haul network, and anticipates negative yield mix effects due to a delayed recovery in business compared to leisure motive traffic.

The Group foresees significantly negative EBITDA in the second half year 2020.

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Foreseen incidental elements with cash-impact in second half 2020:

- Working Capital risk due to cash refunds of pre-paid ticket revenues estimated at 1.6 billion euros
- Repayment of the currently drawn KLM revolving credit facilities 0.7 billion euros
- The Hybrid bond with an outstanding principal; amount of 0.4 billion euros is intended to be repaid in full, the Group is considering refinancing options.

The Group has further reduced its capital expenditure plan for 2020 by an additional -0.3 billion euros to 2.1 billion euros. This is a reduction of -1.5 billion euros compared to the initial 2020 guidance of 3.6 billion euros.

DUE TO THE NEW REALITY AIR FRANCE-KLM GROUP ADAPTS AND ACCELERATES ITS TRANSFORMATION PLANS

The Group's strategic orientations started to deliver results in 2019 and in early 2020. The Covid-19 crisis which commenced in Europe at the end of February 2020 had an unprecedented impact on the industry. The Group does not anticipate to return to the pre-crisis levels of global demand before several years.

In this context, the Group will look to continuously flex its activity to the development of demand for travel and will be adapting its capacity and commercial approach to adjust to the new reality. The Group expects to operate a capacity of Available Seat Kilometers for 2021 minimum -20% compared to 2019 and anticipates that a recovery to the pre-crisis capacity level will be reached by 2024.

Notwithstanding the current crisis situation, the principles of the Group's go-forward plan remains unchanged, aiming to reinforce the Group's competitive positioning by leveraging its strengths. The Group's sustainability commitments are also reasserted, the Group has set specifically for Environment a 2030 commitment to reduce its CO2 emissions per passenger by 50% versus 2005. This is achieved by a multi-facet strategic solution with real reductions of CO2 due to modern fleet, optimization of fuel use, scale up of sustainable aviation fuel and compensation via market based measures including CO2 schemes and voluntary offsetting by the Air France and KLM customer programs.

In the post-Covid-19 world, the Air France-KLM Group needs to balance its medium-term focus on managing liquidity risk and optimizing Capex investments with the long-term focus on achieving increased competitiveness and sustainability targets. The Group plans to do this through the 5 key levers of labor, productivity, network, fleet and cost management.

In response to the Covid-19 crisis and in order to carry out its reconstruction plan, the Group and its airlines must significantly reduce the number of employees.

Air France's restructuring plan calls for a reduction of 6,560 FTEs, or minus 16% of the total number of FTEs by the end of 2022 and Hop!'s restructuring plan calls for a reduction of minus 1,020 FTEs, or minus 42% of the total number of FTEs by the end of 2022. These plans will be carried out with a focus on volunteering and solidarity between the different companies in the group.

In addition, the implementation of the partial activity (without compensation for lost wages) and the application of the variable remuneration system for pilots and flight attendants (MGA) have made it possible to reduce the wage bill. Air France has also announced a policy of salary moderation through the suspension of negotiations on the profit-sharing scheme for the years 2020/21/22 and the freezing of general and individual increases (excluding promotion and seniority). Discussions may also be launched to identify and define, beyond the announced staff reductions, the savings required to meet the economic trajectory.

In the Netherlands, KLM's restructuring plan contains a significant reduction of FTE's compared to preCovid-19. KLM has already launched a voluntary departure plan to which 2,000 staff (in FTE) have subscribed at the closing deadline. Also the departures due to stoppage of external and temporary contracts will contribute to this plan. The next steps in the social plan to achieve these reductions will be discussed by KLM with unions.

KLM will announce their full restructuring plan by October 2020. In addition, as imposed by the Dutch State, adjustment of labour conditions for employees who earn above a certain threshold is conditional to the full drawing of State financing. These adjustments are under discussion with labour representatives.

Future competitiveness and sustainability ambitions are largely linked to network and fleet decisions. Mid- and long-term fleet investments drive the exit from the current crisis and are essential to achieve increased competitiveness and sustainability targets.

The Group therefore intends to keep the schedule as much as possible intact of committed fleet deliveries between 2021-2025, for which the Group is carefully considering financing options and is maintaining highest level of flexibility in fleet development to adapt in view of current uncertainty on the recovery trajectory.

In the context of the Covid-19 crisis the Group vows to accelerate its key transformation initiatives and all non-essential investments and expense are to be minimized.

Key measures, to improve structurally the future unit costs, are being implemented including a stringent policy to cancel or delay non-essential non-fleet capex investments, including IT, Ground and real-estate investment projects, the implementation of a control tower procedure on controllable external expenses and a freeze on contracting of external staff. In addition, new transformational initiatives to further simplify the organization and processes have been identified and added to the objectives.

With the reduction in capacity, consequential organizational restructuring and acceleration of transformations the Group is realigning to the new reality. The Group's medium-term financial ambition is maintained with a delay of 1 year, confirming the objective for 2025 to reach an operating margin of 7% to 8% and positive operating free cash flow in 2023. The capex investment level for 2021 to 2024 will be around 3 billion euros per year on average, it remains largely flexible.

Furthermore, the Board of Directors of the Air France-KLM Group is continuing its reflections initiated last April on the plan to strengthen the Group's equity and quasi-equity by May 2021, subject to market conditions.

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

The results presentation is available at www.airfranceklm.com on 31 July 2020 from 7:15 am CET.

A conference call hosted by Mr. Smith (CEO) and Mr. Gagey (CFO) will be held on 31 July 2020 at 08.30 CET.

To connect to the conference call, please dial:

France: Local +33 (0) 1 76 77 22 57
Netherlands: Local +31 (0) 20 703 8261
UK: Local +44 (0)330 336 9411
US: Local +1 720 543 0214

Confirmation code: 8033582

To listen to the audio-replay of the conference call, please dial:

- France: Local +33 (0) 1 70 48 00 94
- Netherlands: Local +31 (0) 20 721 8903
- UK: Local +44 (0)207 660 0134
- US: Local +1 719-457-0820

Confirmation code: 8033582

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Income Statement

€m	Second quarter			Half year		
	2020	2019	Change	2020	2019	Change
Sales	1,182	7,021	-83.2%	6,201	12,963	-52.2%
Other revenues	0	0	<i>nm</i>	0	0	<i>nm</i>
Revenues	1,182	7,021	-83.2%	6,201	12,963	-52.2%
Aircraft fuel	-213	-1,404	-84.8%	-1,397	-2,605	-46.4%
Chartering costs	-24	-135	-82.2%	-114	-269	-57.6%
Landing fees and en route charges	-91	-506	-82.0%	-478	-941	-49.2%
Catering	-14	-208	-93.3%	-178	-395	-54.9%
Handling charges and other operating costs	-82	-430	-80.9%	-441	-840	-47.5%
Aircraft maintenance costs	-298	-645	-53.8%	-912	-1,296	-29.6%
Commercial and distribution costs	-36	-267	-86.5%	-230	-517	-55.5%
Other external expenses	-270	-432	-37.5%	-673	-872	-22.8%
Salaries and related costs	-1,016	-2,048	-50.4%	-2,931	-4,020	-27.1%
Taxes other than income taxes	-24	-41	-41.5%	-80	-93	-14.0%
Other income and expenses	106	262	-59.5%	393	495	-20.6%
EBITDA	-780	1,167	<i>nm</i>	-840	1,610	<i>nm</i>
Amortization, depreciation and provisions	-773	-744	+3.9%	-1,527	-1,473	+3.7%
Income from current operations	-1,553	423	<i>nm</i>	-2,368	137	<i>nm</i>
Sales of aircraft equipment	25	10	+150.0%	24	23	+4.3%
Other non-current income and expenses	-809	-35	+2,212.2%	-854	-32	<i>nm</i>
Income from operating activities	-2,337	398	<i>nm</i>	-3,198	130	<i>nm</i>
Cost of financial debt	-113	-115	-1.7%	-215	-221	-2.7%
Income from cash and cash equivalent	6	14	-57.1%	12	27	-55.6%
Net cost of financial debt	-107	-101	+5.9%	-203	-194	+4.6%
Other financial income and expenses	-68	-40	+68.8%	-733	-133	+451.1%
Income before tax	-2,512	257	<i>nm</i>	-4,134	-197	+1,994.6%
Income taxes	-81	-165	-50.9%	-254	-37	+586.5%
Net income of consolidated companies	-2,593	92	<i>nm</i>	-4,388	-234	+1,772.3%
Share of profits (losses) of associates	-21	6	<i>nm</i>	-29	8	<i>nm</i>
Net income for the period	-2,614	98	<i>nm</i>	-4,417	-226	+1,851.2%
Minority interest	-2	1	<i>nm</i>	-4	1	<i>nm</i>
Net income for the period – Group part	-2,612	97	<i>nm</i>	-4,413	-227	+1,944%

2019 results restated (with a similar impact in both years) for limited life parts componentization accounting change.

Consolidated Balance Sheet

Assets		
<i>€m</i>	30 Jun 2020	31 Dec 2019
Goodwill	217	217
Intangible assets	1,282	1,305
Flight equipment	10,919	11,334
Other property, plant and equipment	1,551	1,580
Right-of-use assets	4,938	5,173
Investments in equity associates	267	307
Pension assets	254	420
Other financial assets	1,071	1,096
Deferred tax assets	282	523
Other non-current assets	231	241
Total non-current assets	21,012	22,196
Other short-term financial assets	394	800
Inventories	647	737
Trade receivables	1,354	2,164
Other current assets	1,107	1,123
Cash and cash equivalents	4,796	3,715
Total current assets	8,298	8,539
Total assets	29,310	30,735

Liabilities and equity		
<i>In million euros</i>	30 Jun 2020	31 Dec 2019
Issued capital	429	429
Additional paid-in capital	4,139	4,139
Treasury shares	-67	-67
Perpetual	403	403
Reserves and retained earnings	-7,463	-2,620
Equity attributable to equity holders of Air France-KLM	-2,559	2,284
Non-controlling interests	10	15
Total Equity	-2,549	2,299
Pension provisions	2,193	2,253
Return obligation liability and other provisions	3,797	3,750
Financial debt	8,364	6,271
Lease debt	2,891	3,149
Deferred tax liabilities	7	142
Other non-current liabilities	316	222
Total non-current liabilities	17,568	15,787
Return obligation liability and other provisions	1,007	714
Current portion of financial debt	1,836	842
Current portion of lease debt	1,018	971
Trade payables	1,476	2,379
Deferred revenue on ticket sales	3,619	3,289
Frequent flyer program	898	848
Other current liabilities	4,434	3,602
Bank overdrafts	3	4
Total current liabilities	14,291	12,649
Total equity and liabilities	29,310	30,735

Statement of Consolidated Cash Flows from 1st January until 30 June 2020

€m	30 Jun 2020	30 Jun 2019
Net income from continuing operations	-4,417	-226
Amortization, depreciation and operating provisions	1,527	1,473
Financial provisions	88	108
Loss (gain) on disposals of tangible and intangible assets	-36	-31
Loss (gain) on disposals of subsidiaries and associates	0	-2
Derivatives – non monetary result	224	24
Unrealized foreign exchange gains and losses, net	74	56
Impairment	639	0
Other non-monetary items	282	64
Share of (profits) losses of associates	29	-8
Deferred taxes	244	34
Financial Capacity	-1,346	1,492
(Increase) / decrease in inventories	59	-73
(Increase) / decrease in trade receivables	703	-371
Increase / (decrease) in trade payables	-875	24
Increase / (decrease) in advanced ticket sales	378	1,266
Change in other receivables and payables	278	-55
Change in working capital requirements	543	791
Net cash flow from operating activities	-803	2,283
Purchase of property, plant and equipment and intangible assets	-1,284	-1,507
Proceeds on disposal of property, plant and equipment and intangible assets	172	76
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	357	8
Acquisition of subsidiaries, of shares in non-controlled entities	-1	0
Dividends received	0	7
Decrease (increase) in net investments, more than 3 months	-3	20
Net cash flow used in investing activities	-759	-1,396
Increase of equity due to new convertible bond	0	54
Perpetual (including premium)	0	0
Issuance of debt	5,014	762
Repayment on financial debt	-1,993	-338
Payments on lease debt	-412	-502
Decrease (increase) in loans, net	52	-14
Dividends and coupons on perpetual paid	0	-1
Net cash flow from financing activities	2,661	-39
Effect of exchange rate on cash and cash equivalents and bank overdrafts	-17	-13
Change in cash and cash equivalents and bank overdrafts	1,082	835
Cash and cash equivalents and bank overdrafts at beginning of period	3,711	3,580
Cash and cash equivalents and bank overdrafts at end of period	4,793	4,415
<i>Change in treasury of discontinued operations</i>	0	0

Key Performance Indicators

Restated net result, group share

<i>In million euros</i>	Second quarter		Half year	
	2020	2019	2020	2019
Net income/(loss), Group share	-2,612	97	-4,413	-227
Unrealized foreign exchange gains and losses, net	-68	-20	74	56
Change in fair value of financial assets and liabilities (derivatives)	-208	5	224	-20
Non-current income and expenses	784	25	830	7
Tax impact on gross adjustments net result	-140	-3	-317	-13
Restated net income/(loss), group part	-2,244	104	-3,602	-197
Coupons on perpetual	-4	-4	-9	-8
Restated net income/(loss), group share including coupons on perpetual (used to calculate earnings per share)	-2,248	100	-3,611	-205
Restated net income/(loss) per share (in €)	-5.26	0.23	-8.45	-0.48

Return on capital employed (ROCE)¹

<i>In million euros</i>	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Goodwill and intangible assets	1,500	1,564	1,522	1,481	1,465	1,485	1,411	1,391
Flight equipment	10,919	11,465	11,334	10,905	10,747	10,456	10,308	10,401
Other property, plant and equipment	1,551	1,579	1,580	1,554	1,530	1,504	1,503	1,462
Right of use assets	4,938	5,119	5,173	5,212	5,470	5,453	5,664	5,596
Investments in equity associates	267	299	307	310	305	306	311	299
Financial assets excluding marketable securities and financial deposits	133	142	140	131	125	127	125	116
Provisions, excluding pension, cargo litigation and restructuring	-4,130	-4,190	-4,058	-4,105	-3,888	-3,907	-3,760	-3,676
WCR, excluding market value of derivatives	-6,779	-6,650	-6,310	-6,285	-6,957	-6,938	-6,133	-5,851
Capital employed	8,399	9,328	9,688	9,203	8,797	8,486	9,429	9,738
Average capital employed (A)		9,155				9,113		
Adjusted results from current operations		-1,364				1,278		
- Dividends received		-1				-2		
- Share of profits (losses) of associates		-15				23		
- Normative income tax		447				-360		
Adjusted result from current operations after tax (B)		-933				939		
ROCE, trailing 12 months (B/A)		-10.2%				10.3%		

¹ The definition of ROCE has been revised to take into account the seasonal effects of the activity.

Net debt

€m	Balance sheet at	
	30 Jun 2020	31 Dec 2019
Financial debt	9,978	6,886
Lease debt	3,822	4,029
Currency hedge on financial debt	-4	4
Accrued interest	-56	-62
Gross financial debt (A)	13,740	10,857
Cash and cash equivalents	4,796	3,715
Marketable securities	110	111
Cash securities	309	300
Deposits (bonds)	552	585
Bank overdrafts	-3	-4
Others	3	3
Net cash (B)	5,767	4,710
Net debt (A) – (B)	7,973	6,147

Adjusted operating free cash flow

€m	Second quarter		Half year	
	2020	2019	2020	2019
Net cash flow from operating activities, continued operations	-1,085	1,094	-803	2,283
Investment in property, plant, equipment and intangible assets	-415	-770	-1,284	-1,507
Proceeds on disposal of property, plant, equipment and intangible assets	161	35	172	76
Operating free cash flow	-1,339	359	-1,915	852
Payments on lease debt	-162	-251	-412	-502
Adjusted operating free cash flow	-1,501	108	-2,327	350

Operating cash burn

	Second Quarter		First Half	
	2020	2019	2020	2019
EBITDA	-780	1,167	-840	1,610
Provisions (CO2 and other)	-39	-16	-33	-6
Correction of spare parts inventory	-1	0	0	2
Addition to pension provisions	77	67	154	133
Reversal to pension provisions (cash-out)	-47	-49	-95	-96
Payment linked with shares	0	-1	-2	0
Sales of tangible and intangible assets (excluding aeronauticals)	43	40	41	43
Income from operation activities - cash impact	-747	1,208	-775	1,686
Restructuring costs	-6	-6	-15	-11
Other non-current income and expenses	0	-2	-1	0
Cost of financial debt	-105	-108	-200	-212
Financial income	0	7	2	14
Realized foreign exchanges gain/loss	6	2	-1	15
Termination of trading hedges - cash	-310	0	-322	0
Current income tax	-3	5	-10	-3
Other financial charges & expenses - cash	-3	-2	-26	-4
Other elements	1	7	1	7
Financial capacity	-1,166	1,104	-1,346	1,492

Unit cost: net cost per ASK

	Second quarter		Half year	
	2020	2019	2020	2019
Revenues (in €m)	1,182	7,021	6,201	12,963
Income/(loss) from current operations (in €m) -/-	1,553	-423	2,368	-137
Total operating expense (in €m)	2,735	6,598	8,568	12,826
Passenger network business – other revenues (in €m)	-37	-203	-177	-370
Cargo network business – other revenues (in €m)	-75	-80	-142	-153
Third-party revenues in the maintenance business (in €m)	-222	-527	-716	-1,081
Transavia - other revenues (in €m)	-1	5	-14	0
Third-party revenues of other businesses (in €m)	-5	-8	-11	-16
Net cost (in €m)	2,395	5,784	7,508	11,205
Capacity produced, reported in ASK*	9,042	85,207	76,337	160,793
Net cost per ASK (in € cents per ASK)	26.48	6.79	9.84	6.97
<i>Gross change</i>		290.1%		41.1%
Currency effect on net costs (in €m)		29		44
<i>Change at constant currency</i>		288.2%		40.6%
Capacity effect on net cost		-5,216		-5,937
Fuel price effect (in €m)		-66		17
Net cost per ASK on a constant currency and fuel price basis (in € cents per ASK)	26.48	5.87	9.84	6.98
Change at constant currency and fuel price basis		+351.2%		+40.9%

* The capacity produced by the transportation activities is combined by adding the capacity of the Passenger network (in ASK) to that of Transavia (in ASK).

Group results

Air France Group

	Second quarter		Half year	
	2020	Change	2020	Change
Revenue (in €m)	558	-86.9%	3,574	-55.0%
EBITDA (in €m)	-566	-1,191	-634	-1,480
Operating result (en m€)	-1,058	-1,212	-1,594	-1,500
<i>Operating margin (%)</i>	-189.5%	-193.1 pt	-44.6%	-43.4 pt
Operating cash flow before WCR and restructuring cash out (in €m)	-790	-1,394	-916	-916
<i>Operating cash flow (before WCR and restructuring) margin</i>	-141.5%	-155.6 pt	-25.6%	-25.6 pt

KLM Group

	Second quarter		Half year	
	2020	Change	2020	Change
Revenue (in €m)	701	-75.7%	2,841	-45.9%
EBITDA (in €m)	-212	-752	-200	-951
Operating result (en m€)	-493	-763	-768	-991
<i>Operating margin (%)</i>	-70.3%	-79.7 pt	-27.0%	-31.3 pt
Operating cash flow before WCR and restructuring cash out (in €m)	-358	-868	-373	-373
<i>Operating cash flow (before WCR and restructuring) margin</i>	-51.1%	-68.8 pt	-13.1%	-13.1 pt

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

Group fleet at 30 June 2020

Aircraft type	AF (incl. HOP)	KL (incl. KLC & MP)	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/19
B747-400		6		6			6	3	-5
B777-300	43	14		17	18	22	57	57	
B777-200	25	15		26		14	40	40	
B787-9	9	13		7	3	12	22	22	
B787-10		5		3	2		5	5	1
A380-800	10			2	3	5	10		-10
A350-900	6			2	4		6	5	2
A340-300	4			4			4		-4
A330-300		5				5	5	5	
A330-200	15	8		11		12	23	23	
Total Long-Haul	112	66	0	78	30	70	178	160	-16
B737-900		5		2		3	5	5	
B737-800		31	75	29	10	67	106	106	2
B737-700		16	7	3	5	15	23	23	
A321	20			11		9	20	20	
A320	44			3	5	36	44	43	
A319	33			14		19	33	33	
A318	18			8		10	18	18	
Total Medium-Haul	115	52	82	70	20	159	249	248	2
ATR72-600	2					2	2		-2
ATR72-500									
ATR42-500									
Canadair Jet 1000	14			14			14	14	
Canadair Jet 700	11			11			11	10	
Embraer 190	16	32		9	12	27	48	48	1
Embraer 175		17		3	14		17	17	
Embraer 170	15			10		5	15	15	
Embraer 145	15			15			15		-7
Total Regional	73	49	0	62	26	34	122	104	-14
B747-400ERF		3		3			3	3	
B747-400BCF		1		1			1	1	
B777-F	2			2			2	2	
Total Cargo	2	4	0	6	0	0	6	6	0
Total	302	171	82	216	76	263	555	518	-28

SECOND QUARTER 2020 TRAFFIC

Passenger network activity*

Total Passenger network*	Q2			Year to date		
	2020	2019	Variation	2020	2019	Variation
Passengers carried ('000s)	1,128	22,908	(95.1%)	16,889	42,655	(60.4%)
Revenue pax-kilometers (m RPK)	3,261	67,022	(95.1%)	53,109	127,243	(58.3%)
Available seat-kilometers (m ASK)	8,764	75,684	(88.4%)	71,168	145,444	(51.1%)
Load factor (%)	37.2%	88.6%	(51.3)	74.6%	87.5%	(12.9)
Long-haul						
Passengers carried ('000s)	339	7,107	(95.2%)	5,853	13,629	(57.1%)
Revenue pax-kilometers (m RPK)	2,592	53,674	(95.2%)	44,078	103,154	(57.3%)
Available seat-kilometers (m ASK)	7,614	60,136	(87.3%)	58,851	116,734	(49.6%)
Load factor (%)	34.0%	89.3%	(55.2)	74.9%	88.4%	(13.5)
North America						
Passengers carried ('000s)	106	2,374	(95.5%)	1,586	4,056	(60.9%)
Revenue pax-kilometers (m RPK)	755	16,881	(95.5%)	11,335	28,886	(60.8%)
Available seat-kilometers (m ASK)	2,499	18,719	(86.6%)	15,812	32,660	(51.6%)
Load factor (%)	30.2%	90.2%	(59.9)	71.7%	88.4%	(16.8)
Latin America						
Passengers carried ('000s)	42	874	(95.1%)	873	1,795	(51.4%)
Revenue pax-kilometers (m RPK)	416	8,369	(95.0%)	8,235	17,073	(51.8%)
Available seat-kilometers (m ASK)	1,048	9,452	(88.9%)	10,347	19,174	(46.0%)
Load factor (%)	39.7%	88.5%	(48.8)	79.6%	89.0%	(9.5)
Asia / Pacific						
Passengers carried ('000s)	74	1,677	(95.6%)	1,188	3,246	(63.4%)
Revenue pax-kilometers (m RPK)	656	14,704	(95.5%)	10,278	28,333	(63.7%)
Available seat-kilometers (m ASK)	2,542	16,103	(84.2%)	14,666	31,281	(53.1%)
Load factor (%)	25.8%	91.3%	(65.5)	70.1%	90.6%	(20.5)
Africa / Middle East						
Passengers carried ('000s)	47	1,306	(96.4%)	1,235	2,636	(53.1%)
Revenue pax-kilometers (m RPK)	269	7,343	(96.3%)	7,150	14,953	(52.2%)
Available seat-kilometers (m ASK)	487	8,700	(94.4%)	9,150	18,076	(49.4%)
Load factor (%)	55.3%	84.4%	(29.1)	78.1%	82.7%	(4.6)
Caribbean / Indian Ocean						
Passengers carried ('000s)	70	876	(92.0%)	972	1,896	(48.7%)
Revenue pax-kilometers (m RPK)	495	6,378	(92.2%)	7,080	13,908	(49.1%)
Available seat-kilometers (m ASK)	1,038	7,162	(85.5%)	8,876	15,543	(42.9%)
Load factor (%)	47.7%	89.0%	(41.4)	79.8%	89.5%	(9.7)
Short and Medium-haul						
Passengers carried ('000s)	788	15,801	(95.0%)	11,036	29,026	(62.0%)
Revenue pax-kilometers (m RPK)	669	13,349	(95.0%)	9,031	24,090	(62.5%)
Available seat-kilometers (m ASK)	1,151	15,548	(92.6%)	12,317	28,711	(57.1%)
Load factor (%)	58.1%	85.9%	(27.7)	73.3%	83.9%	(10.6)

* Air France and KLM

Transavia activity

Transavia	Q2			Year to date		
	2020	2019	Variation	2020	2019	Variation
Passengers carried ('000s)	90	4,894	(98.2%)	2,439	7,823	(68.8%)
Revenue pax-kilometers (m RPK)	181	8,753	(97.9%)	4,636	14,122	(67.2%)
Available seat-kilometers (m ASK)	277	9,527	(97.1%)	5,169	15,353	(66.3%)
Load factor (%)	65.3%	91.9%	(26.6)	89.7%	92.0%	(2.3)

Total group passenger activity**

Total group**	Q2			Year to date		
	2020	2019	Variation	2020	2019	Variation
Passengers carried ('000s)	1,217	27,802	(95.6%)	19,328	50,478	(61.7%)
Revenue pax-kilometers (m RPK)	3,442	75,776	(95.5%)	57,746	141,365	(59.2%)
Available seat-kilometers (m ASK)	9,042	85,211	(89.4%)	76,337	160,798	(52.5%)
Load factor (%)	38.1%	88.9%	(50.9)	75.6%	87.9%	(12.3)

** Air France, KLM and Transavia

Cargo activity

Total Group	Q2			Year to date		
	2020	2019	Variation	2020	2019	Variation
Revenue tonne-km (m RTK)	1,180	2,122	(44.4%)	3,012	4,169	(27.7%)
Available tonne-km (m ATK)	1,581	3,630	(56.5%)	4,772	7,093	(32.7%)
Load factor (%)	74.7%	58.5%	16.2	63.1%	58.8%	4.3

Air France activity

Total Passenger network activity	Q2			Year to date		
	2020	2019	Variation	2020	2019	Variation
Passengers carried ('000s)	662	13,668	(95.2%)	10,149	25,676	(60.5%)
Revenue pax-kilometers (m RPK)	1,661	38,914	(95.7%)	30,855	74,265	(58.5%)
Available seat-kilometers (m ASK)	3,637	44,481	(91.8%)	40,320	85,845	(53.0%)
Load factor (%)	45.7%	87.5%	(41.8)	76.5%	86.5%	(10.0)
Long-haul						
Passengers carried ('000s)	179	4,202	(95.7%)	3,460	8,090	(57.2%)
Revenue pax-kilometers (m RPK)	1,255	30,981	(95.9%)	25,426	59,815	(57.5%)
Available seat-kilometers (m ASK)	2,985	35,043	(91.5%)	32,906	68,280	(51.8%)
Load factor (%)	42.1%	88.4%	(46.4)	77.3%	87.6%	(10.3)
Short and Medium-haul						
Passengers carried ('000s)	483	9,467	(94.9%)	6,688	17,586	(62.0%)
Revenue pax-kilometers (m RPK)	406	7,933	(94.9%)	5,429	14,449	(62.4%)
Available seat-kilometers (m ASK)	652	9,438	(93.1%)	7,415	17,565	(57.8%)
Load factor (%)	62.2%	84.1%	(21.8)	73.2%	82.3%	(9.0)

Cargo activity	Q2			Year to date		
	2020	2019	Variation	2020	2019	Variation
Revenue tonne-km (m RTK)	382	948	(59.7%)	1,197	1,867	(35.9%)
Available tonne-km (m ATK)	630	1,807	(65.1%)	2,251	3,543	(36.5%)
Load factor (%)	60.6%	52.5%	8.1	53.2%	52.7%	0.5

KLM activity

Total Passenger network activity	Q2			Year to date		
	2020	2019	Variation	2020	2019	Variation
Passengers carried ('000s)	465	9,240	(95.0%)	6,741	16,979	(60.3%)
Revenue pax-kilometers (m RPK)	1,600	28,108	(94.3%)	22,254	52,979	(58.0%)
Available seat-kilometers (m ASK)	5,127	31,203	(83.6%)	30,848	59,599	(48.2%)
Load factor (%)	31.2%	90.1%	(58.9)	72.1%	88.9%	(16.7)
Long-haul						
Passengers carried ('000s)	160	2,906	(94.5%)	2,392	5,538	(56.8%)
Revenue pax-kilometers (m RPK)	1,337	22,692	(94.1%)	18,652	43,338	(57.0%)
Available seat-kilometers (m ASK)	4,629	25,093	(81.6%)	25,945	48,454	(46.5%)
Load factor (%)	28.9%	90.4%	(61.5)	71.9%	89.4%	(17.6)
Short and Medium-haul						
Passengers carried ('000s)	305	6,334	(95.2%)	4,348	11,441	(62.0%)
Revenue pax-kilometers (m RPK)	263	5,416	(95.1%)	3,602	9,640	(62.6%)
Available seat-kilometers (m ASK)	499	6,110	(91.8%)	4,902	11,145	(56.0%)
Load factor (%)	52.8%	88.6%	(35.9)	73.5%	86.5%	(13.0)

Cargo activity	Q2			Year to date		
	2020	2019	Variation	2020	2019	Variation
Revenue tonne-km (m RTK)	798	1,174	(32.0%)	1,816	2,302	(21.1%)
Available tonne-km (m ATK)	950	1,823	(47.9%)	2,521	3,549	(29.0%)
Load factor (%)	84.0%	64.4%	19.6	72.0%	64.9%	7.2