

FINANCIAL YEAR 2009-10
THIRD QUARTER TO 31st DECEMBER 2009

- ▶ Slow recovery in activity against the backdrop of a still tough economic environment
- ▶ Reduction in costs limits the impact of lower revenues
- ▶ Cargo restructuring starting to bear fruit
- ▶ Operating loss of a similar level to last year's, at 245 million euros
- ▶ Net loss reduced from 508 million euros to 295 million euros year-on-year

NINE MONTHS TO 31st DECEMBER 2009

- ▶ Revenues down 18.6%
- ▶ Negative impact of 464 million euros from fuel hedges
- ▶ Operating loss of 788 million euros

There were some signs of recovery in activity during the Third Quarter, but in an economic environment which remains difficult. In the passenger business, the trend in unit revenues was more favourable than in the previous two quarters, but they remained well below the level of a year earlier. Combined with a reduction in capacity of some 5%, this led to a decline of 15% in revenues. The Third Quarter, which is the most active for the cargo business, also benefited from the effect of industrial re-stocking. Healthier volumes and a marked improvement in unit revenues led to a halving of the decline in cargo revenues recorded in the previous two quarters.

Overall, the Air France-KLM Group recorded an operating loss of a similar level to last year's (245 million euros) despite a 16% drop in revenues to 5.2 billion euros. In contrast to previous quarters, the negative impact of the pre-2009 fuel hedges was small, at 34 million euros. The net loss, group share, amounted to 295 million euros, a significant improvement on the loss of 508 million euros recorded a year earlier.

Key data

In millions of euros (per share data in euros)	Quarter to 31 st December			Nine months to 31 st December		
	2009	2008 ¹	Change	2009	2008 ²	Change
Revenues	5,198	6,188	(16.0)%	15,973	19,633	(18.6)%
EBITDAR	367	387	(5.2)%	1,034	2,213	(53.3)%
Operating income / (loss)	(245)	(243)	(0.8)%	(788)	349	nm
Adjusted ¹ operating income / (loss)	(186)	(182)	(1.7)%	(605)	519	nm
Net income/ (loss), group share	(295)	(508)	41.9%	(868)	(332)	nm
Earnings / (loss) per share	(1.00)	(1.72)	41.9%	(2.95)	(1.13)	nm
Diluted earnings / (loss) per share	(1.00)	(1.72)	41.9%	(2.95)	(1.13)	nm

Third Quarter to 31st December 2009
Further reduction in capacity

Passenger capacity was cut further in the Third Quarter, with the reduction of 4.7% exceeding the decline in traffic (-4.0%), and leading to a 0.6 point improvement in load factor to 80.2%. Although the decline in unit revenues recorded a marked slow-down for the first time since the beginning of the current financial year, particularly in premium long-haul, they nevertheless remained well below the levels of Q3 2008-09. Overall, unit revenue per available seat kilometer (RASK) declined by 10.5%. Passenger revenues amounted to 4.03 billion euros (-14.5%). In spite of a 13% reduction in operating costs, the business remained in the red, with an operating loss of 184 million euros (-150 million euros excluding the impact of fuel hedging).

¹ Restated for the impact of the application of IFRIC 13 and pro forma to include Martinair

Cargo saw an improvement during the Third Quarter, especially in December. The load factor gained four points to 70.0% on the back of a drop in traffic of 14.4% and a 19.3% reduction in capacity. Unit revenues recovered strongly relative to previous quarters, with a decline limited to 8.6% per transported ton kilometer compared with -28.9% in the First Half. Revenues amounted to 650 million euros (-26.8%). The reduction in operating costs largely offset the decline in revenues, and the operating loss amounted to 29 million euros, down from 83 million euros at 31st December 2008.

The maintenance business realised a good performance during the Third Quarter: despite a 10.6% decline in revenues to 237 million euros, linked to the decline of the dollar, operating income was virtually stable at 12 million euros (13 million euros at 31st December 2008).

Reduction in unit costs

In spite of a 7.5% drop in production measured in equivalent available seat kilometers (EASK), unit cost per EASK was reduced by 9.1%.

The change in operating costs was in line with the decline in EASK, with the exception of the following:

- The fuel bill amounted to 1.05 billion euros (-38.5%) under the combined effect of a 10% reduction in volume, a favorable currency effect of 9% and a 20% drop in the fuel price after hedging.
- Employee costs were stable at 1.85 billion euros. Excluding an additional contribution to the pension funds, they would have declined by 1.8%.
- Marketing and other costs were reduced respectively by 15.7% and 12.1%.

The operating loss amounted to 245 million euros after a negative fuel hedge effect limited to 34 million euros. The adjusted operating loss was 186 million euros, and 152 million euros excluding the impact of hedges.

Net interest charges went from 34 million euros at 31st December 2008 to 87 million euros at 31st December 2009 mainly due to the drop in financial income. Other financial income and expenses amounted to -48 million euros against -388 million euros a year earlier, due mainly to the change in the fair value of hedging instruments.

The pre-tax loss amounted to 391 million euros (- 666 million euros at 31st December 2008). Net loss, group share, stood at 295 million euros compared with a loss of 508 million euros last year. Net loss, group share, restated¹ for non-recurring items and the non-cash portion of the change in the value of hedging instruments, stood at 241 million euros (-322 million euros at 31st December 2008). The loss and diluted loss per share amounted to 1.00 euro compared with 1.72 euros at 31st December 2008.

Nine months to 31st December 2009

In the first nine months, the passenger business recorded a 4.3% drop in traffic, slightly less than the reduction in capacity of 4.6%, leading to a 0.3 point gain in the load factor to 81.2%. The decline in traffic was accompanied by a 13.0% drop year-on-year in unit revenue per available seat kilometer. In the cargo business, the matching of the reduction in capacity (-17.9%) with demand (-17.7%) led to a stable load factor of 65.8% (+0.2 points). Unit revenue per available ton kilometer fell by 22.6% year-on-year under the combined effect of the financial crisis and the collapse in the fuel price from its peak in summer 2008 with the attendant removal of fuel surcharges. Total revenues amounted to 15.97 billion euros, down 18.6%. Production measured in EASK fell by 7.1%, while unit costs per EASK were reduced by the same level, underpinned by the 529 million euros in savings realised under the 'Challenge 12' program.

The operating loss amounted to 788 million euros after a charge of 464 million euros relating to the pre-2009 fuel hedges. The adjusted operating loss stood at 605 million euros. Net loss, group share was 868 million euros against a loss of 332 million euros at 31st December 2008. The restated net loss stood at 755 million euros against a loss of 2 million euros at 31st December 2008. The loss and diluted loss per share amounted to 2.95 euros (-1.13 euros at 31st December 2008).

¹ Restated net income: see calculation on p117 of the Reference Document and p 6 of the Reference Document update 2008-09

Stable cash position

Investments net of disposals amounted to 961 million euros at 31st December 2009 (1.55 billion euros at 31st December 2008). The Air France-KLM group has cash of 4.4 billion euros and available credit lines of 1.2 billion euros. Among these credit lines, Air France still has 700 million euros, 500 million having already been drawn down. To extend the maturity of this facility, Air France will open negotiations with the pool of banks involved.

Shareholders' funds amounted to 5.97 billion euros, an improvement of 290 million euros relative to 31st March 2009, with the negative impact of the fair value of hedging instruments declining from 1.5 billion euros to 0.45 billion during the period. Net debt amounted to 6.14 billion euros (4.44 billion euros at 31st March 2009). The gearing ratio¹ stood at 1.03 and 0.96 excluding the impact of hedging instruments.

Outlook

The operating loss for the Fourth Quarter should be of the same order as last year's (see table p.5), taking into account a later than expected pick up in unit revenues, lower capacities (in the region of -2% for passenger and -7% for cargo) and an increase of some 300 million dollars in the fuel bill.

For the Financial Year 2010-11, all the measures to reduce costs, the anticipated slight progression in unit revenues, the launch of the new medium-haul product and the restructuring of the cargo business already underway enable us to target the objective, already announced, of a return to operating break-even excluding the impact of pre-2009 hedges.

¹ See p 118 of the 2008-09 Reference Document for calculation

Information by business

Passenger

	Third Quarter to 31 st December			Nine months to 31 st December		
	2009	2008*	Change	2009	2008*	Change
Traffic (RPK millions)	49,220	51,254	(4.0)%	155,828	162,844	(4.3)%
Capacity (ASK millions)	61,407	64,453	(4.7)%	191,847	201,124	(4.6)%
Load factor	80.2%	79.5%	0.6 pts	81.2%	81.0%	0.3 pts
Total passenger revenues (€ m)	4,031	4,717	(14.5)%	12,388	14,901	(16.9)%
Revenues from scheduled passenger business (€ m)	3,841	4,506	(15.0)%	11,793	14,214	(17.0)%
Unit revenue per RPK (€ cts)	7.80	8.79	(11.2)%	7.57	8.73	(13.3)%
Unit revenue per RPK ex currency (€ cts)	-	-	(10.0)%	-	-	(14.1)%
Unit revenue per ASK (€ cts)	6.25	6.99	(10.5)%	6.15	7.07	(13.0)%
Unit revenue per ASK ex currency (€ cts)	-	-	(9.3)%	-	-	(13.9)%
Unit cost per ASK (€ cts)	6.48	7.12	(8.9)%	6.36	6.83	(6.9)%
Unit cost per ASK at constant currency and fuel price (€ cts)	-	-	(0.1)%	-	-	(1.6)%
Operating income (€ m)	(184)	(129)	(42.6)%	(537)	344	nm

* Restated for the application of IFRIC 13

Cargo

	Third Quarter to 31 st December			Nine months to 31 st December		
	2009	2008*	Change	2009	2008*	Change
Traffic (RTK millions)	2,849	3,330	(14.4)%	8,390	10,193	(17.7)%
Capacity (ATK millions)	4,070	5,045	(19.3)%	12,747	15,533	(17.9)%
Load factor	70.0%	66.0%	4.0 pts	65.8%	65.6%	0.2 pts
Total cargo business revenues (€ m)	650	888	(26.8)%	1,765	2,778	(36.5)%
Revenues from the transportation of cargo (€ m)	623	844	(26.0)%	1,674	2,641	(37.0)%
Unit revenue per RTK (€ cts)	21.87	25.28	(13.5)%	19.95	25.69	(22.4)%
Unit revenue per RTK ex currency (€ cts)	-	-	(9.5)%	-	-	(23.6)%
Unit revenue per ATK (€ cts)	15.25	16.68	(8.6)%	13.08	16.91	(22.6)%
Unit revenue per ATK ex currency (€ cts)	-	-	(4.3)%	-	-	(23.9)%
Unit cost per ATK (€ cts)	15.72	18.11	(13.2)%	15.75	17.11	(7.9)%
Unit cost per ATK on constant currency and fuel price (€ cts)	-	-	2.4%	-	-	3.7%
Operating income (€ m)	(29)	(83)	65.1%	(373)	(57)	nm

* Pro forma Martinair

Maintenance

Maintenance generated revenues of 237 million euros in the Third Quarter versus pro-forma revenues including Martinair of 265 million euros at 31st December 2008. This decline stemmed mainly from the change in the dollar. Operating income stood at 12 million euros (13 million euros pro-forma at 31st December 2008). For the first nine months, revenues amounted to 723 million euros against 742 million euros pro-forma a year earlier (-2.6%). Operating income rose 59% from 51 million euros at 31st December 2008 to 80 million euros at 31st December 2009, driven by the engines and components activities.

Other businesses

Other activities mainly include the leisure business of Transavia and Martinair and the catering business of Servair. Revenues from other businesses amounted to 280 million euros in the Third Quarter against pro-forma revenues of 318 million euros at 31st December 2008, a decline of 11.9% due mainly to the leisure

activities, Martinair having reduced leisure capacity by 21.2%. The operating loss was stable at 44 million euros. For the first nine months, revenues amounted to 1.1 billion euros versus 1.2 billion pro-forma a year earlier. Operating income rose from 11 million euros at 31st December 2008 to 42 million euros, of which 32 million euros for leisure and 20 million euros for catering.

Reconciliation table for 2008-09 results

<i>(in millions of euros)</i>	Third Quarter 2008-09	Nine Months 2008-09	Fourth Quarter 2008-09
Published revenues	5,973	18,956	5,014
Impact of IFRIC 13	(14)	(38)	38
Impact of Martinair	229	715	8
Restated pro-forma revenues	6,188	19,633	5,060
Published operating costs	(6,167)	(18,511)	(5,588)
Impact of Martinair	(264)	(773)	(7)
Proforma operating costs	(6,431)	(19,284)	(5,595)
Published operating income	(194)	445	(574)
Impact of IFRIC 13	(14)	(38)	38
Impact of Martinair	(35)	(58)	1
Restated pro-forma operating income	(243)	349	(535)
Published pretax income of consol companies	(652)	(438)	(766)
Impact of IFRIC 13	(14)	(38)	38
Impact of Martinair	(57)	(73)	-
Restated pro-forma pretax income of consolidated companies	(723)	(549)	(728)
Published income tax	203	184	255
Impact of IFRIC 13	4	11	(11)
Impact of Martinair	8	18	-
Restated pro-forma income tax	215	213	244
Published net income, group share	(505)	(309)	(505)
Impact of IFRIC 13	(10)	(27)	27
Impact of Martinair	7	4	(1)
Restated pro-forma net income, group share	(508)	(332)	(479)

Agenda

Thursday 11th February 2010:

- ▶ audio-web conference at 16 00h (CET)
- ▶ to join the call dial 44(0)20 7162 0125 (password: AKH)
 - US: 1 334 323 6203 (password: AKH)
- ▶ to view the presentation, go to the following website:
<http://airfranceklm.momentys.com> (password: AKHQ3)



Recording: 44 (0)20 7031 4064 (code: 832208)
US: 1 954 334 0342 (code: 832208)

Contact

Dominique Barbarin
SVP Investor Relations
Tel: +33 1 41 56 88 60
Email: dobarbarin@airfrance.fr

Bertrand Delcaire
VP Investor Relations
Tel: +33 1 41 56 72 59
Email: bedelcaire@airfrance.fr

Fleet as of 31 December 2009

Aircraft	AIRFRANCE 						KLM 				Fleet as of 31 December 2009					
	AF	Brit Air	City Jet	Régional	VLM	Transavia	KLM	KLM Cityhop.	Transavia	Martinair	Owned	Finance lease	Operating lease	Total	In operation	Change / 3/31/09
B747-400	13						22			16	7	12	35	33	-2	
B777-300	30						4			17	6	11	34	34	6	
B777-200	25						15			15	8	17	40	40		
B767-300								4		3		1	4	4	-2	
A380-800	1									1			1	1	1	
A340-300	18									11	2	5	18	18	-1	
A330-200	15						10			5	7	13	25	25	-1	
MD11							10			8		2	10	10		
Total long haul	102						61		4	76	30	61	167	165	1	
B747-400 cargo	9						2		6	5	3	9	17	9	-5	
B747-200 cargo	2									2			2			
B777- cargo	3									1	2		3	3	1	
MD-11-CF									4	3		1	4	4		
MD-11-F									3	2		1	3	3		
Total freighter	14						2		13	13	5	11	29	19	-4	
B737 900							5				2	3	5	5		
B737-800						7	21		19	1	20	26	47	47	1	
B737-700							5		10		10	5	15	15	1	
B737-400							9			6		3	9	9	-3	
B737-300							7			7			7	7	-3	
A321	23									11	1	11	23	23	2	
A320	62									38	1	23	62	60	-5	
A319	45									22	4	19	45	45		
A318	18									18			18	18		
Total medium haul	148					7	47		29	103	38	90	231	229	-7	
AVRO RJ 85			27							15		12	27	23	-2	
Canadair Jet 700		15								6	9		15	15		
Canadair Jet 100		15								5	8	2	15	14	-1	
Embraer 190				10			10			4	6	10	20	20	9	
Embraer 170				7						6	1		7	7	4	
Embraer 145				28						8	14	6	28	28		
Embraer 135				9						4	3	2	9	9		
Embraer 120				3						3			3			
Fokker 100		11		8				6		11		14	25	25	-12	
Fokker 70								26		23	3		26	26	1	
Fokker 50					18		8			18		8	26	21	-9	
Total Regional		41	27	65	18	7	50			103	44	54	201	188	-10	
TOTAL	264	41	27	65	18	7	110	50	29	17	295	117	216	628	601	-20

Income statement as of December 31, 2009

In € millions

	Q3 (October to December) 2008-09 (adjusted and pro forma)			9 months (April to December) 2008 (adjusted and pro forma)		
	2009-10		Variation	2009		Variation
SALES	5,198	6,188	-16.0%	15,973	19,633	-18.6%
Other revenues	1	2	-50.0%	4	4	0.0%
EXTERNAL EXPENSES	-3,121	-4,125	-24.3%	-9,915	-12,182	-18.6%
Aircraft fuel	-1,053	-1,711	-38.5%	-3,485	-4,910	-29.0%
Chartering costs	-119	-155	-23.2%	-371	-506	-26.7%
Aircraft operating lease costs	-175	-178	-1.7%	-539	-499	8.0%
Landing fees and en route charges	-409	-457	-10.5%	-1,313	-1,414	-7.1%
Catering	-116	-124	-6.5%	-364	-379	-4.0%
Handling charges and other operating costs	-312	-358	-12.8%	-970	-1 080	-10.2%
Aircraft maintenance costs	-255	-316	-19.3%	-786	-877	-10.4%
Commercial and distribution costs	-214	-254	-15.7%	-651	-818	-20.4%
Other external expenses	-468	-572	-18.2%	-1,436	-1,699	-15.5%
Salaries and related costs	-1,854	-1,850	0.2%	-5,545	-5,604	-1.1%
Taxes other than income taxes	-54	-62	-12.9%	-178	-191	-6.8%
Amortization and depreciation	-408	-420	-2.9%	-1,241	-1,267	-2.1%
Provisions	-29	-32	-9.4%	-42	-98	-57.1%
Other income and expenses	22	56	nm	156	54	nm
INCOME FROM CURRENT OPERATIONS	-245	-243	-0.8%	-788	349	nm
Sales of aircraft equipment	-2	-1	nm		5	nm
Sales of subsidiaries		-1	nm	1	7	nm
Negative goodwill			nm		16	nm
Other non-current income and expenses	-9	-59	nm	-87	-49	nm
INCOME FROM OPERATING ACTIVITIES	-256	-304	15.8%	-874	328	nm
Income from cash and cash equivalents	25	68	-63.2%	85	234	-63.7%
Cost of financial debt	-112	-102	9.8%	-298	-290	2.8%
Net cost of financial debt	-87	-34	nm	-213	-56	nm
Foreign exchange gains (losses), net	6	-105	nm	62	-168	nm
Change in fair value of financial assets and liabilities	-54	-286	nm	-153	-642	nm
Other financial income and expenses		6	nm	-8	-11	-27.3%
INCOME BEFORE TAX	-391	-723	45.9%	-1,186	-549	nm
Income taxes	96	215	-55.3%	337	213	nm
NET INCOME OF CONSOLIDATED COMPANIES	-295	-508	41.9%	-849	-336	nm
Share of profits (losses) of associates	1	2	nm	-18	9	nm
INCOME FROM CONTINUING OPERATIONS	-294	-506	41.9%	-867	-327	nm
Net income from discontinued operations						
NET INCOME FOR THE PERIOD	-294	-506	41.9%	-867	-327	nm
Minority interest	-1	-2	nm	-1	-5	nm
NET INCOME FOR THE PERIOD - GROUP	-295	-508	41.9%	-868	-332	nm

Consolidated balance sheet

Assets <i>In € millions</i>	December 31, 2009	March 31, 2009
Goodwill	400	400
Intangible assets	595	559
Flight equipment	11,894	12,125
Other property, plant and equipment	2,264	2,313
Investments in equity associates	434	446
Pension assets	2,678	2,499
Other financial assets (<i>including € 657 million of deposits related to financial leases as of December 31, 2009 and € 740 million as of March 31, 2009</i>)	865	938
Deferred tax assets	748	811
Other non-current assets	449	629
Total non-current assets	20,327	20,720
Assets held for sale	114	93
Other short term financial assets (<i>including € 519 million of deposits related to financial leases and investments between 3 months and 1 year as of December 31, 2009 and € 538 million as of March 31, 2009</i>)	555	580
Inventories	600	527
Trade accounts receivable	1,877	2,038
Income tax receivables	-	2
Other current assets	835	1,065
Cash and cash equivalents	3,809	3,748
Total current assets	7,790	8,053
Total assets	28,117	28,773

Liabilities and equity <i>In € millions</i>	December 31, 2009	March 31, 2009
Issued capital	2,552	2,552
Additional paid-in capital	765	765
Treasury shares	(106)	(124)
Reserves and retained earnings	2,700	2,429
Equity attributable to equity holders of Air France-KLM	5,911	5,622
Minority interest	57	54
Total Equity	5,968	5,676
Provisions and retirement benefits	1,369	1,334
Long-term debt	9,270	7,864
Deferred tax	425	339
Other non-current liabilities	1,226	2,170
Total non-current liabilities	12,290	11,707
Liability related to assets held for sale	14	7
Provisions	565	480
Current portion of long-term debt	1,835	1,353
Trade accounts payable	1,956	1,887
Deferred revenue on ticket sales	1,853	2,131
Frequent flyer programs	857	917
Current tax liabilities	12	11
Other current liabilities	2,664	4,322
Bank overdrafts	103	282
Total current liabilities	9,859	11,390
Total liabilities	22,149	23,097
Total liabilities and equity	28,117	28,773

Consolidated statement of cash flows

<i>In € millions</i>		
Period from April 1 to December 31,	2009	2008 (adjusted)
Net income for the period – Group	(868)	(336)
Minority interest	1	4
Amortization, depreciation and operating provisions	1,283	1,302
Financial provisions	8	11
Gain on disposals of tangible and intangible assets	3	(23)
Loss / (gain) on disposals of subsidiaries and associates	(1)	(7)
Reversal of provision for cargo investigation	-	(225)
Derivatives – non monetary results	11	555
Unrealized foreign exchange gains and losses, net	(39)	29
Negative goodwill	-	(16)
Share of (profits) losses of associates	18	51
Deferred taxes	(335)	(153)
Other non-monetary items	(39)	(114)
Subtotal	42	1,078
(Increase) / decrease in inventories	(91)	(33)
(Increase) / decrease in trade receivables	152	572
Increase / (decrease) in trade payables	65	(257)
Change in other receivables and payables	(1,035)	(246)
Net cash flow from operating activities	(867)	1,114
Acquisitions of subsidiaries and investments in associates, net of cash acquired	(17)	(18)
Purchase of property, plant and equipment and intangible assets	(1,621)	(1,669)
Proceeds on disposal of subsidiaries and investments in associates	2	8
Proceeds on disposal of property, plant and equipment and intangible assets	670	128
Dividends received	5	5
Decrease (increase) in investments, net between 3 months and 1 year	52	(427)
Net cash used in investing activities	(909)	(1,973)
Issuance of long-term debt	2,526	1,133
Repayments on long-term debt	(216)	(251)
Payment of debt resulting from finance lease liabilities	(305)	(438)
New loans	(62)	(50)
Repayments on loans	78	117
Dividends paid	(2)	(175)
Net cash flow from financing activities	2,019	336
Effect of exchange rate on cash and cash equivalents and bank overdrafts	(3)	4
Change in cash and cash equivalents and bank overdrafts	240	(519)
Cash and cash equivalents and bank overdrafts at beginning of period	3,466	4,209
Cash and cash equivalents and bank overdrafts at end of period	3,706	3,690