

FINANCIAL STATEMENTS

1st quarter 2004-05

Air France – KLM Group

Consolidated income statement

<i>In EUR millions</i>					
First quarter ended June 30,	Notes	2004	2003	2003	Year ended 03.31.2003
			Pro forma		audited
Operating revenues	2	4,463	3,974	3,009	12,337
External expenses	3	(2,476)	(2,244)	(1,657)	(6,754)
Salaries and related costs	4	(1,387)	(1,308)	(1,018)	(4,079)
Taxes other than income tax		(57)	(55)	(50)	(186)
Gross operating result		543	367	284	1,318
Charge to depreciation/amortization, net	5	(358)	(359)	(304)	(1,184)
Charge to operating provisions, net	5	(23)	(2)	9	(46)
Gain on disposal of flight equipment, net		1	13	4	7
Other operating income and charges, net		(6)	(7)	(2)	44
Operating income		157	12	(9)	139
Restructuring costs		-	(6)	(6)	(22)
Net financial charges	6	(79)	(12)	10	(60)
Gains on disposals of subsidiaries and affiliates, net		-	-	-	5
Pre-tax income (loss)		78	(6)	(5)	62
Share in net income of equity affiliates		17	9	10	53
Amortization of goodwill		30	30	(4)	(15)
Income (loss) before income tax and minority interests		125	33	1	100
Income tax		(27)	14	4	(2)
Income (loss) before minority interests		98	47	5	98
Minority interests		(3)	(1)	(1)	(5)
NET INCOME (LOSS)		95	46	4	93
Earnings (loss) per issued share		0.35	0.19	0.02	0.42
Earnings (loss) per share					
- basic		0.38	0.20	0.02	0.43
- diluted		0.38	0.20	0.02	0.43

Air France – KLM Group

Consolidated balance sheet

<i>In EUR millions</i>			
ASSETS at	06 .30.2004	03 .31.2004	03 .31.2003
		audited	audited
Consolidation goodwill	91	95	112
Intangible fixed assets	181	149	171
Flight equipment	10,782	6,951	7,284
Other property and equipment	1,818	955	878
Investments in equity affiliates	531	336	316
Other investments	270	270	260
Total fixed assets	13,673	8,756	9,021
Inventory	368	151	220
Trade receivables	2,562	1,651	1,432
Income tax receivable	350	101	111
Other accounts receivable	1,936	494	592
Marketable securities	2,482	1,476	1,039
Cash	573	330	193
Total current assets	8,271	4,203	3,587
Total assets	21,944	12,959	12,608

Air France – KLM Group

Consolidated balance sheet (continued)

In EUR millions

LIABILITIES AND STOCKHOLDERS' EQUITY at	06 .30.2004	03 .31.2004	03 .31.2003
		audited	audited
Common stock	2,290	1,868	1,868
Additional paid-in capital	607	261	261
Retained earnings (accumulated deficit)	2,036	1,942	1,862
Cumulative translation adjustment	(5)	(9)	3
Stockholders' equity	4,928	4,062	3,994
Minority interests	93	23	33
Stockholders' equity and minority interests	5,021	4,085	4,027
Provisions for liabilities and charges	2,330	1,039	1,095
Short and long-term debt and obligation under capital leases	8,656	4,380	4,147
Trade payables	1,758	1,226	1,375
Income tax liability	401	21	5
Advance ticket sales and loyalty program	1,819	1,008	901
Other payables	1,959	1,200	1,058
Total liabilities	16,923	8,874	8,581
Total liabilities and stockholders' equity	21,944	12,959	12,608

Air France – KLM Group

Consolidated Statements of Changes in Stockholders' Equity

	<i>In EUR millions</i>								
Before allocation of income	Number of shares comprising common stock	Common stock (par value)	Add'l paid-in capital	Retained earnings	Treasury stock	Cumulative Translation adjustment	Total Stockholders' equity	Minority interests	Total stockholders' equity and minority interests
March 31, 2002	219,780,887	1,868	261	1,813	-	19	3,961	29	3,990
Dividends paid				(28)			(28)	(2)	(30)
Treasury stock					(25)		(25)		(25)
Impact of changes in accounting policies (cf)				(18)			(18)		(18)
Translation differences						(16)	(16)	(1)	(17)
Current year net income				120			120	4	124
Changes in scope of consolidation							-	3	3
March 31, 2003	219,780,887	1,868	261	1,887	(25)	3	3,994	33	4,027
Dividends paid				(17)			(17)	(3)	(20)
Treasury stock				1	7		8		8
Impact of changes in accounting policies (cf)				(4)			(4)		(4)
Translation differences						(12)	(12)	(3)	(15)
Current year net income				93			93	5	98
Changes in scope of consolidation							-	(9)	(9)
March 31, 2004	219,780,887	1,868	261	1,960	(18)	(9)	4,062	23	4,085
Issuance of common stock	49,602,631	422	346				768		768
Dividends paid							-	(1)	(1)
Treasury stock					(1)		(1)		(1)
Translation differences						4	4	1	5
Net income (loss) for the period				95			95	3	98
Changes in scope of consolidation							-	67	67
June 30, 2004	269,383,518	2,290	607	2,055	(19)	(5)	4,928	93	5,021
Proposed dividends							-		-

Air France – KLM Group

Consolidated statement of cash flows

	<i>in EUR millions</i>		
First quarter ended June 30,	2004	2003	Year ended 03.31.2003 audited
Cash flows from operating activities	633	179	1,201
Gross operating result	543	284	1,318
Other income (expenses) received (paid)	(20)	(4)	(23)
Foreign exchange gains (losses)	(7)	19	3
Operating cash flows	516	299	1,298
Changes in working capital	181	(56)	54
Restructuring expenditure	(6)	(7)	(18)
Interest paid	(68)	(64)	(163)
Interest received	12	9	36
Income tax paid (received)	(2)	(2)	(6)
Cash flows from investing activities	41	(249)	(849)
Acquisitions of subsidiaries and affiliates	620	-	(10)
Purchase of tangible and intangible fixed assets	(624)	(268)	(1,269)
Disposals of subsidiaries and affiliates	-	8	24
Proceeds on disposal of tangible and intangible assets	25	10	391
Dividends received	20	1	15
Cash flows from financing activities	(1)	39	386
Issuance of common stock	-	-	-
New debts	262	63	901
Repayments of debts	(106)	(240)	(345)
Repayments of capital lease obligations	(47)	(68)	(152)
Net decrease (increase) in loans	1	(6)	(29)
Net decrease (increase) in short-term investments	(110)	290	35
Dividends paid	(1)	-	(24)
Translation differences	-	(1)	(5)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	673	(32)	733
Opening cash and cash equivalents	1,405	672	672
Closing cash and cash equivalents	2,078	640	1,405

NOTES TO THE FINANCIAL STATEMENTS

Air France – KLM Group

1. CHANGES IN THE SCOPE OF CONSOLIDATION

As of June 30, 2004, the Group comprised 161 companies, of which 138 are fully consolidated, 3 proportionally consolidated and 20 are equity affiliates. The changes in the scope of consolidation are due to the integration of KLM Group.

As the Public Exchange Offer closed on 3 May 2004, the consolidated results for the first quarter of financial year 2004-05 include the results of IKLM Group for a period of two months (April-June 2004). The acquisition of KLM Group generated a negative goodwill of 1,016 million euro, which will only be finally fixed on 31 March 2005.

Moreover, until 31 March 2004, Servair was consolidated with a one-quarter time difference. To cancel this time difference, Servair has been consolidated for six months (January-June 2004) for this first quarter of 2004-05.

2. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

2.1 - Information by sector of activity

First quarter ended June 30,	<i>In EUR millions</i>				<i>In E</i>	
	2004		2003		2003	
	Pro forma					
	Operating revenues	Operating income	Operating revenues	Operating income	Operating revenues	Operating income
Passenger	3,548	121	3,161	(18)	2,494	
Cargo	537	10	499	3	343	
Maintenance	185	10	175	5	134	
Others	193	16	139	22	38	
Total	4,463	157	3,974	12	3,009	

Operating revenues for the first 2004-05 quarter totaled EUR 4.46 billion, up EUR 489 million on last year's first quarter which had been impacted by the war in Iraq and the SARS epidemic.

Net operating income as of June 30, 2004 was positive at EUR 157 million, up EUR 145 million on the same period last year. This profit is due to the operating profits of EUR 121 million and EUR 10 million recorded by the passenger transport and cargo activities respectively. The maintenance activity recorded positive operating income of EUR 10 million.

The other activities recorded a drop of EUR 6 million on last year, due to a decrease in income from aircraft disposals (EUR 13 million as of June 30, 2003).

Air France – KLM Group

2.2 - Analysis of operating revenues by geographical area of sale

In EUR millions

	Caribbean										Total
	Europe		French Guiana		Africa		Americas		Asia		
	North Africa	Indian Ocean	Indian Ocean	Middle East	Middle East	Polynesia	Polynesia	New Caledonia	New Caledonia		
For the first quarter ended June 30, 2004											
Scheduled passenger	2,246	(68.2%)	80	(2.4%)	216	(6.6%)	489	(14.8%)	264	(8.0%)	3,295
Other passenger revenues	181	(71.5%)	10	(4.0%)	12	(4.7%)	29	(11.5%)	21	(8.3%)	253
Total passenger	2,427	(68.5%)	90	(2.5%)	228	(6.4%)	518	(14.6%)	285	(8.0%)	3,548
Scheduled cargo	234	(47.6%)	12	(2.4%)	35	(7.1%)	58	(11.8%)	153	(31.1%)	492
Other cargo revenues	30	(66.8%)	1	(2.2%)	2	(4.4%)	6	(13.3%)	6	(13.3%)	45
Total cargo	264	(49.2%)	13	(2.4%)	37	(6.9%)	64	(11.9%)	159	(29.6%)	537
Maintenance	183	(98.9%)	-	-	-	-	-	-	2	(1.1%)	185
Others	179	(92.7%)	9	(4.7%)	5	(2.6%)	-	-	-	-	193
Total	3,053	(68.5%)	112	(2.5%)	270	(6.0%)	582	(13.0%)	446	(10.0%)	4,463
For the first quarter ended June 30, 2003											
Scheduled passenger	1,647	(71.6%)	93	(4.0%)	136	(5.9%)	295	(12.8%)	132	(5.7%)	2,303
Other passenger revenues	156	(81.6%)	7	(3.7%)	9	(4.7%)	12	(6.3%)	7	(3.7%)	191
Total passenger	1,803	(72.3%)	100	(4.0%)	145	(5.8%)	307	(12.3%)	139	(5.6%)	2,494
Scheduled cargo	162	(52.9%)	9	(3.0%)	24	(7.9%)	35	(11.4%)	76	(24.8%)	306
Other cargo revenues	21	(56.8%)	2	(5.4%)	2	(5.4%)	8	(21.6%)	4	(10.8%)	37
Total cargo	183	(53.4%)	11	(3.2%)	26	(7.6%)	43	(12.5%)	80	(23.3%)	343
Maintenance	132	(98.5%)	-	-	-	-	-	-	2	(1.5%)	134
Others	34	(89.5%)	4	(10.5%)	-	-	-	-	-	-	38
Total	2,152	(71.5%)	115	(3.8%)	171	(5.7%)	350	(11.6%)	221	(7.4%)	3,009

2.3 - Analysis of traffic revenues by geographical area of destination

In EUR millions

	Caribbean										Total
	Europe		French Guiana		Africa		Americas		Asia		
	North Africa	Indian Ocean	Indian Ocean	Middle East	Middle East	Polynesia	Polynesia	New Caledonia	New Caledonia		
For the first quarter ended June 30, 2004											
Scheduled passenger	1,524	(46.3%)	228	(6.9%)	396	(12.0%)	701	(21.3%)	446	(13.5%)	3,295
Scheduled cargo	52	(10.6%)	46	(9.3%)	60	(12.2%)	132	(26.8%)	202	(41.1%)	492
Total	1,576	(41.7%)	274	(7.2%)	456	(12.0%)	833	(22.0%)	648	(17.1%)	3,787
For the first quarter ended June 30, 2003											
Scheduled passenger	1,170	(50.8%)	254	(11.0%)	240	(10.4%)	453	(19.7%)	186	(8.1%)	2,303
Scheduled cargo	44	(14.4%)	38	(12.4%)	37	(12.1%)	84	(27.4%)	103	(33.7%)	306
Total	1,214	(46.5%)	292	(11.2%)	277	(10.6%)	537	(20.6%)	289	(11.1%)	2,609

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3. EXTERNAL EXPENSES

<i>In EUR millions</i>				
First quarter ended June 30,	2004	2003	2003	Variation
	Pro forma			
Aircraft fuel	544	455	331	19.6%
Chartering costs	132	112	96	17.9%
Aircraft operating lease costs	150	157	122	-4.5%
Landing fees and en route charges	340	310	221	9.7%
Catering	101	83	72	21.7%
Handling charges and other operating costs	253	240	180	5.4%
Aircraft maintenance costs	157	157	95	0.0%
Commercial and distribution costs	356	319	256	11.6%
Other external expenses	443	411	284	7.8%
Total	2,476	2,244	1,657	10.3%

The main changes in operating expenses are as follows:

- Fuel costs rose by 19.6% to 544 million euros, compared with 455 million in the quarter to 30 June 2003, due to the combined impact of an +11% volume effect and an increase in the price of jet fuel of 28% and of an 7% fall in the dollar exchange rate. Hedging contracts generated savings of 59 million euros, or 13% of the total fuel charge.
- Chartering expenses rose by 17.9% to 132 million euros, compared with 112 million in the quarter to 30 June 2003, mainly due to the accounting of the Korean Air code share agreement in revenues and charges when the net was posted last year.
- The sharp, 21.7%, increase in catering expenses is mainly due to the 2-quarter consolidation of Servair and to higher activity levels.
- Sales and distribution expenses increased by 11.6% to 356 million euros, against 319 million in the period as of 30 June 2003, due to the resumption of the Group's advertising campaigns.

4. SALARIES AND NUMBER OF EMPLOYEES

4.1 - Salaries and related costs

<i>In EUR millions</i>				
First quarter ended June 30,	2004	2003	2003	Variation
	Pro forma			
<i>By cost category</i>				
Wages and salaries	1,058	1,017	764	4.0%
Pension contributions	83	77	61	7.8%
Social security contributions	267	242	214	10.3%
Amount capitalized	(21)	(28)	(21)	-25.0%
Total	1,387	1,308	1,018	6.0%
<i>By geographical area</i>				
France	1,026	954	954	7.5%
Overseas territories	16	3	3	433.3%
Abroad	345	351	61	-1.7%
Total	1,387	1,308	1,018	6.0%

Air France – KLM Group

Payroll costs rose by 6% to 1.39 billion euros compared with 1.31 billion euros in the quarter to 30 June 2003. Excluding the impact of the consolidation of Servair, this increase would have been limited to 4.43% including 2.4% in wages and 8.1% in payroll taxes, mainly due to the reform of subsidies linked to the deployment of the 35-hour week in France.

4.2 - Average number of employees

First quarter ended June 30,	2004	2003	2003	Variation
	Pro forma			
Total	102,412	104,330	71,936	-1.8%
Flighth deck crew	7,771	7,843	5,013	-0.9%
Cabin crew	19,794	20,051	13,143	-1.3%
- of which employed in France	12,889	12,880	12,880	0.1%
- of which employed in Oversea territories and abroad	6,905	7,171	263	-3.7%
Groundstaff	74,847	76,436	53,780	-2.1%
- of which employed in France	47,062	47,210	47,210	-0.3%
- of which employed in Oversea territories and abroad	27,785	29,226	6,570	-4.9%
Management	12,931	12,778	9,119	1.2%
Supervisors	29,081	29,479	20,904	-1.4%
Other staff	32,835	34,179	23,757	-3.9%
Pilots and cabin crew	25,918	26,126	17,189	-0.8%
Instructors	991	1,071	648	-7.5%
Management	656	697	319	-5.9%

The above number of employees is calculated on weighted average basis based on actual paid presence.

5. DEPRECIATION AND AMORTIZATION

In EUR millions

First quarter ended June 30,	2004	2003	2003	Variation
	Pro forma			
<i>Net charge to depreciation/amortization</i>	<i>358</i>	<i>359</i>	<i>304</i>	<i>-0.3%</i>
- Intangible fixed assets	11	9	9	22.2%
- Flight equipment	294	304	260	-3.3%
- Other property, plant and equipment	53	46	35	15.2%
<i>Net charge to operating provisions</i>	<i>23</i>	<i>2</i>	<i>(9)</i>	<i>-</i>
- Fixed assets	3	(3)	(4)	-
- Inventories	2	-	-	-
- Trade receivable	1	2	2	-
- Liabilities and charges	17	3	(7)	-
Total	381	361	295	5.5%

6. NET FINANCIAL CHARGES

	<i>In EUR millions</i>	
First quarter ended June 30,	2004	2003 ⁽¹⁾
<i>Financial expenses</i>	(62)	(35)
- Loan interest	(54)	(24)
- Lease interest	(13)	(14)
- Capitalized interest	7	5
- Other financial expenses	(2)	(2)
<i>Financial income</i>	12	6
- Interest on securities	1	1
- Net gains on securities	8	3
- Other financial income	3	2
Net charges	(50)	(29)
<i>Foreign exchange losses, net</i>	(14)	28
<i>Net (charge) release to provisions</i>	(15)	11
Total	(79)	10

⁽¹⁾ On a current group structure

On a constant group structure, net interest charges fell to 50 million euros, compared with 54 million euros in the quarter ending 30 June 2003, but financial income deteriorated (loss of 79 million euros in the quarter to 30 June 2004 compared with a loss of 12 million last year) due to foreign exchange losses of 14 million euros as against a foreign exchange gain of 31 million euros last year and to a provision of 15 million euros (of which 11 million euros relating to OPODO), compared with write-backs of 12 million euros in the quarter to 30 June 2003.

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