Air France – KLM Group

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

April 1, 2008 – December 31, 2008

Air France – KLM Group

CONSOLIDATED INCOME STATEMENT

In € millions **Period from April 1 to December 31,**	***Notes***	**2008**	**2007**
Sales	***4***	**18 956**	**18 410**
Other revenues		4	3
Revenues		**18 960**	**18 413**
External expenses	***5***	(11 578)	(10 318)
Salaries and related costs	***6***	(5 498)	(5 210)
Taxes other than income taxes		(191)	(186)
Amortization and depreciation		(1 204)	(1 206)
Provisions		(98)	(43)
Other income and expenses		54	1
Income from current operations		**445**	**1 451**
Sales of aircraft equipment		5	6
Negative goodwill	***7***	16	-
Other non-current income and expenses	***7***	(35)	347
Income from operating activities		**431**	**1 804**
Cost of financial debt		(288)	(301)
Income from cash and cash equivalents		234	222
Net cost of financial debt		***(54)***	***(79)***
Other financial income and expenses	***8***	(815)	8
Income before tax		**(438)**	**1 733**
Income taxes	***9***	184	(409)
Net income of consolidated companies		**(254)**	**1 324**
Share of profits (losses) of associates	***10***	(51)	(16)
Net income from continuing operations		**(305)**	**1 308**
Net income from discontinued operations		-	-
Net income for the period		**(305)**	**1 308**
- Group		**(309)**	**1 290**
- Minority interest		4	18
Earnings per share – Group (in euros)			
- basic		(1.05)	4.58
- diluted		(1.05)	4.26

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

Air France – KLM Group

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	**December 31, 2008**	**March 31, 2008**
Goodwill	380	377
Intangible assets	518	475
Flight equipment	12 103	12 280
Other property, plant and equipment	2 254	2 193
Investments in equity associates	142	177
Pension assets	2 410	2 245
Other financial assets *(including € 760 million of deposits related to financial leases as of December 31, 2008 and € 735 million as of March 31, 2008)*	967	956
Deferred tax assets	314	29
Other non-current assets	654	1 810
Total non-current assets	**19 742**	**20 542**
Other short term financial assets *(including € 680 million of deposits related to financial leases and investments between 3 months and 1 year as of December 31, 2008 and € 266 million as of March 31, 2008)*	727	303
Inventories	547	507
Trade accounts receivable	2 026	2 569
Income tax receivables	47	3
Other current assets	1 075	2 385
Cash and cash equivalents	3 897	4 381
Total current assets	**8 319**	**10 148**
Total assets	**28 061**	**30 690**

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

Air France – KLM Group

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity *In € millions*	**December 31, 2008**	**March 31, 2008**
Issued capital	2 552	2 552
Additional paid-in capital	765	765
Treasury shares	(123)	(119)
Reserves and retained earnings	3 769	7 338
Equity attributable to equity holders of Air France-KLM	**6 963**	**10 536**
Minority interest	54	78
Total Equity	**7 017**	**10 614**
Provisions and retirement benefits	1 309	1 439
Long-term debt	7 268	6 914
Deferred tax	438	1 713
Other non-current liabilities	2 401	819
Total non-current liabilities	**11 416**	**10 885**
Provisions	472	441
Current portion of long-term debt	1 322	905
Trade accounts payable	1 999	2 218
Deferred revenue on ticket sales	1 910	2 279
Current tax liabilities	11	25
Other current liabilities	3 707	3 151
Bank overdrafts	207	172
Total current liabilities	**9 628**	**9 191**
Total liabilities	**21 044**	**20 076**
Total liabilities and equity	**28 061**	**30 690**

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

Air France – KLM Group

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

In € millions	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Minority interests	Total equity
March 31, 2007	**279 365 707**	**2 375**	**539**	**(30)**	**5 415**	**8 299**	**113**	**8 412**
Fair value adjustment on available for sale securities	-	-	-	-	12	**12**	-	**12**
Gain / (loss) on cash flow hedges	-	-	-	-	1 026	**1 026**	12	**1 038**
Currency translation adjustment	-	-	-	-	9	**9**	(1)	**8**
Net income for the period	-	-	-	-	1 290	**1 290**	18	**1 308**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**2 337**	**2 337**	**29**	**2 366**
Stock based compensation (ESA) and stock options	-	-	-	-	23	**23**	-	**23**
Issuance of share capital	20 853 571	177	226	-	-	**403**	-	**403**
Dividends paid	-	-	-	-	(134)	**(134)**	(3)	**(137)**
Treasury shares	-	-	-	(80)	-	**(80)**	-	**(80)**
Other	-	-	-	-	-	-	(10)	**(10)**
December 31, 2007	**300 219 278**	**2 552**	**765**	**(110)**	**7 641**	**10 848**	**129**	**10 977**
March 31, 2008	**300 219 278**	**2 552**	**765**	**(119)**	**7 338**	**10 536**	**78**	**10 614**
Fair value adjustment on available for sale securities	-	-	-	-	(10)	**(10)**	-	**(10)**
Gain / (loss) on cash flow hedges	-	-	-	-	(3 114)	**(3 114)**	(8)	**(3 122)**
Currency translation adjustment	-	-	-	-	13	**13**	2	**15**
Net income for the period	-	-	-	-	(309)	**(309)**	4	**(305)**
Total of income and expenses recognized	**-**	**-**	**-**	**-**	**(3 420)**	**(3 420)**	**(2)**	**(3 422)**
Stock based compensation (ESA) and stock options	-	-	-	-	22	**22**	-	**22**
Dividends paid	-	-	-	-	(171)	**(171)**	(4)	**(175)**
Treasury shares	-	-	-	(4)	-	**(4)**	-	**(4)**
Change in scope	-	-	-	-	-	-	(18)	**(18)**
December 31, 2008	**300 219 278**	**2 552**	**765**	**(123)**	**3 769**	**6 963**	**54**	**7 017**

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

Air France-KLM Group
CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions

Period from April 1 to December 31,	***Notes***	**2008**	**2007**
Net income for the period – Group		(309)	1 290
Minority interests		4	18
Amortization, depreciation and operating provisions		1 302	1 249
Financial provisions		11	8
Gain on disposals of tangible and intangible assets		(23)	(32)
Loss / (gain) on disposals of subsidiaries and associates		(7)	(45)
Gain on WAM (ex Amadeus GTD) transaction	*7*	-	(284)
Reversal of provision for cargo investigation		(225)	-
Derivatives – non monetary results		555	(36)
Unrealized foreign exchange gains and losses, net		29	1
Negative goodwill	*7*	(16)	-
Share of (profits) losses of associates	*10*	51	16
Deferred taxes		(142)	283
Other non-monetary items		(114)	(318)
Subtotal		**1 116**	**2 150**
(Increase) / decrease in inventories		(33)	(83)
(Increase) / decrease in trade receivables		572	413
Increase / (decrease) in trade payables		(257)	25
Change in other receivables and payables		(284)	(385)
Net cash flow from operating activities		**1 114**	**2 120**
Acquisitions of subsidiaries and investments in associates, net of cash acquired		(18)	(74)
Purchase of property, plant and equipment and intangible assets		(1 669)	(1 718)
Proceeds on disposal of subsidiaries and investments in associates		8	84
Proceeds on WAM (ex Amadeus GTD) transaction	*7*	-	284
Proceeds on disposal of property, plant and equipment and intangible assets		128	214
Dividends received		5	4
Decrease (increase) in investments, net between 3 months and 1 year		(427)	202
Net cash used in investing activities		**(1 973)**	**(1 004)**
Increase in capital		-	597
Decrease in capital		-	(10)
Issuance of long-term debt		1 133	707
Repayments on long-term debt		(251)	(329)
Payment of debt resulting from finance lease liabilities		(438)	(543)
New loans		(50)	(62)
Repayments on loans		117	68
Dividends paid		(175)	(137)
Net cash flow from financing activities		**336**	**291**
Effect of exchange rate on cash and cash equivalents and bank overdrafts		**4**	**4**
Change in cash and cash equivalents and bank overdrafts		**(519)**	**1 411**
Cash and cash equivalents and bank overdrafts at beginning of period		4 209	3 364
Cash and cash equivalents and bank overdrafts at end of period		3 690	4 775

Income tax paid (flow included in operating activities)		(19)	(24)
Interest paid (flow included in operating activities)		(236)	(256)
Interest received (flow included in operating activities)		191	217

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

April 1, 2008 – December 31, 2008

1. BUSINESS DESCRIPTION

As used herein, the term "Air France–KLM" refers to Air France-KLM S.A., a limited liability company organized under French law excluding its consolidated subsidiaries. The word “Group” concerns the economic entity composed by 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 passenger transportation. The Group’s activities also include cargo, aeronautics maintenance and other air-transport related activities, including principally catering and charter services.
The limited company Air France-KLM SA, 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 Group’s functional currency is the euro.

2. SIGNIFICANT EVENTS OF THE YEAR

As of December 17, 2008, the European Commission gave its approval to the acquisition of 50% of the airline Martinair by the KLM company which, after this operation, held 100% of the shares. Martinair whose assets and liabilities fair valuation is in process, will be fully consolidated starting January 1, 2009. Until this date, it remains consolidated by the equity method in the Group’s consolidated accounts.

3. ACCOUNTING POLICIES

3.1. Accounting principles

Accounting principles used for the interim condensed consolidated financial statements as of December 31, 2008 are the same as those used as of March 31, 2008 and described in the consolidated financial statements of the year ended March 31, 2008.

The interim condensed consolidated financial statements as of December 31, 2008 are prepared in accordance with IAS 34 “Interim financial reporting” and must be read in connection with the annual consolidated financial statements for the year ended March 31, 2008. They have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Commission on the date of the preparation of these condensed consolidated financial statements.

New mandatory interpretations applicable from April 1, 2008, and some of which have yet to be adopted by the European Commission, do not have a material impact on the interim condensed consolidated financial statements as of December 31, 2008.

The condensed consolidated financial statements were approved by the Board of Directors on February 12, 2009.

3.2. Preparation of interim condensed consolidated financial statements

Revenues and income from current operations are characterized by their seasonal nature related to a high level of activity during the first half of the fiscal year. 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.
For the interim statements, the tax charge (current and deferred) is calculated by applying to the book income for the period the estimated annual average tax rate for the current year for each entity or tax group.

3.3. Use of estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses. The significant areas of estimations described in note 3 of the March 31, 2008 consolidated financial statements, concerned:

- Revenue recognition related to deferred revenue on ticket sales
- Tangible and intangible assets
- Financial assets
- Deferred tax assets
- Flying Blue frequent flyer program
- Provisions

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.

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

4. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

The Group's primary reporting format is business segmentation.

Business segments' results 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 correspond to the income from current operations. Other elements of the income statement are presented in the "non allocated" column.

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

The Group's secondary reporting format is geographical segmentation based on origin of sales.
Only segment revenues are allocated by geographical sales area.

Business segments

Passenger: Passenger operating revenues primarily come from passenger transportation services on scheduled flights with the Group's airline code, 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.

Cargo: Cargo operating revenues 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 globally.

Other: The revenues from this segment come primarily from catering supplied by the Group to third-party airlines and to charter flights operated primarily by Transavia.

Geographical segments

Group activities are broken down into five geographical regions:

- Europe and North Africa
- Caribbean, French Guiana and Indian Ocean
- Africa, Middle East
- Americas, Polynesia
- Asia and New Caledonia

4.1. Information by business segment

- **Nine month period ended December 31, 2008**

In € millions	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	15 665	2 269	2 165	1 527	-	21 626
Intersegment sales	(726)	(14)	(1 437)	(493)	-	(2 670)
External sales	**14 939**	**2 255**	**728**	**1 034**	**-**	**18 956**
Income from current operations	**381**	**(42)**	**48**	**58**	**-**	**445**
Income from operating activities	381	(42)	48	58	(14)	431
Share of profits (losses) of associates	-	-	-	-	(51)	(51)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(869)	(869)
Income taxes	-	-	-	-	184	184
Net income from continuing operations	381	(42)	48	58	(750)	(305)

- **Nine month period ended December 31, 2007**

In € millions	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	15 248	2 220	2 135	1 328	-	20 931
Intersegment sales	(623)	(12)	(1 409)	(477)	-	(2 521)
External sales	**14 625**	**2 208**	**726**	**851**	**-**	**18 410**
Income from current operations	**1 292**	**40**	**65**	**54**	**-**	**1 451**
Income from operating activities	1 292	40	65	54	353	1 804
Share of profits (losses) of associates	-	-	-	-	(16)	(16)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(71)	(71)
Income taxes	-	-	-	-	(409)	(409)
Net income from continuing operations	**1 292**	**40**	**65**	**54**	**(143)**	**1 308**

4.2. Information by geographical area

Sales by geographical area

- **Nine month period ended December 31, 2008**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	9 728	300	902	2 173	1 149	14 252
Other passenger sales	530	26	30	40	61	687
Total passenger	**10 258**	**326**	**932**	**2 213**	**1 210**	**14 939**
Scheduled cargo	1 001	26	141	296	660	2 124
Other cargo sales	76	3	6	22	24	131
Total cargo	**1 077**	**29**	**147**	**318**	**684**	**2 255**
Maintenance	719	-	-	-	9	728
Others	1 001	18	15	-	-	1 034
Total	**13 055**	**373**	**1 094**	**2 531**	**1 903**	**18 956**

- **Nine month period ended December 31, 2007**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	9 384	292	887	2 238	1 101	13 902
Other passenger sales	543	38	25	42	75	723
Total passenger	**9 927**	**330**	**912**	**2 280**	**1 176**	**14 625**
Scheduled cargo	938	27	136	266	695	2 062
Other cargo sales	94	3	6	20	23	146
Total cargo	**1 032**	**30**	**142**	**286**	**718**	**2 208**
Maintenance	718	-	-	-	8	726
Others	828	15	8	-	-	851
Total	**12 505**	**375**	**1 062**	**2 566**	**1 902**	**18 410**

Air France-KLM Group

Traffic sales by geographical area of destination

- **Nine month period ended December 31, 2008**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	5 600	960	2 023	3 388	2 281	14 252
Scheduled cargo	48	145	311	668	952	2 124
Total	**5 648**	**1 105**	**2 334**	**4 056**	**3 233**	**16 376**

- **Nine month period ended December 31, 2007**

In € millions	**Europe, North Africa**	**Caribbean, French Guiana, Indian Ocean**	**Africa, Middle East**	**Americas, Polynesia**	**Asia, New Caledonia**	**Total**
Scheduled passenger	5 532	892	1 905	3 320	2 253	13 902
Scheduled cargo	50	144	284	633	951	2 062
Total	**5 582**	**1 036**	**2 189**	**3 953**	**3 204**	**15 964**

5. EXTERNAL EXPENSES

In € millions ***Nine month period ended December 31,***	**2008**	**2007**	**Variation %**
Aircraft fuel	4 569	3 384	35,0%
Chartering costs	487	488	(0,2)%
Aircraft operating lease costs	467	457	2,2%
Landing fees and en route charges	1 374	1 341	2,5%
Catering	372	356	4,5%
Handling charges and other operating costs	1 026	1 001	2,5%
Maintenance costs	837	740	13,1%
Commercial and distribution costs	805	914	(11,9)%
Other external expenses	1 641	1 637	0,2%
Total	**11 578**	**10 318**	**12,2%**
Excluding aircraft fuel	*7 009*	*6 934*	*1,1%*

6. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

In € millions ***Nine month period ended December 31,***	**2008**	**2007**
Wages and salaries	4 053	3 829
Social contributions	1 325	1 238
Net periodic pension cost	113	72
Expenses related to share-based compensation	25	21
Other expenses	(18)	50
Total	**5 498**	**5 210**

Change in "salaries and related costs" includes change in perimeter for € 34 million.

Average number of employees

Nine month period ended December 31,	**2008**	**2007**
Flight deck crew	8 615	8 258
Cabin crew	22 915	21 308
Ground staff	75 243	74 916
Total	**106 773**	**104 482**

Change in "average number of employees" includes change in perimeter for 838 FTE (full time equivalent).

7. NEGATIVE GOODWILL AND OTHER NON-CURRENT INCOME AND EXPENSES

- **Nine month period ended December 31, 2008**

During the second quarter of the year 2008-09, the Group acquired an additional 0.35% of the share capital of KLM. After this acquisition Air France-KLM held 99.10% of the common shares representing 49% of KLM voting rights. This operation involved a negative goodwill amounting to € 16 million that has been directly recognized as an operating profit.

- **Nine month period ended December 31, 2007**

During the six month period ended September 30, 2007, the Group sold its shares in Alpha recording a gain on disposal of € 40 million. The company Alpha, previously held at 26%, was accounted for under the equity method in the Group's condensed consolidated financial statements.

The gain on the WAM (ex Amadeus GTD) transaction that amounts to € 284 million, corresponds to the reimbursement of the shareholder capital for € 202 million, of the shareholders' loan for an amount of € 76 million and to a payment of interests for € 6 million. The shares and the loan had been recognized at a value of nil in the operation of reinvestment of Air France-KLM within the LBO operation initiated in July 2005.

8. OTHER FINANCIAL INCOME AND EXPENSES

In € millions

Nine month period ended December 31,	2008	2007
Foreign exchange gains (losses), net	(152)	(19)
Change in fair value of financial assets and liabilities	(649)	39
Net (charge) release to provisions	(11)	(7)
Other	(3)	(5)
Other financial income and expenses	**(815)**	**8**

The change in fair value of financial assets and liabilities recorded as of December 31, 2008 comes mainly from the variation of the ineffectiveness of fuel derivatives.

As of December 31, 2007, net charge to provisions includes an unrealized loss on shares of Alitalia for an amount of € 4 million, as a result of the stock price decreasing significantly during this six month period.
As of December 31, 2008, net charge to provisions includes an impairment on Alitalia shares for an amount of € 12 million because the company Alitalia is under controlled management with insolvency declaration. This additional provision involves 100% depreciation of the held shares.

9. INCOME TAXES

- **Nine month period ended December 31, 2008**

During the nine-month period ended December 31, 2008, the Group has recognized a deferred tax asset amounting to € 47 million which corresponds to previous fiscal losses of two of its subsidiaries because of their realized profits and perspectives of recoverability.

10. SHARE OF PROFITS (LOSSES) OF ASSOCIATES

- **Nine month period ended December 31, 2008**

The share of profits (losses) of associates includes notably the negative contribution from Martinair for an amount of € 60 million. It corresponds mainly to the loss from fuel derivatives recorded before the acquisition of shares by the Group. It also comprises a new provision for risk concerning the inquiry of the European Commission about an alleged conspiracy to fix the price of air shipping services.

- **Nine month period ended December 31, 2007**

The share of profits (losses) of associates includes a negative contribution from Martinair which comprises in particular, according to the statues of discussions, a new provision for risk concerning the inquiry of the US Department Of Justice (DOJ) about an alleged conspiracy to fix the price of air shipping services. The part of the Group is a cost amounting to € 11 million.

11. SUBSEQUENT EVENTS

As of January 12, 2009, the Air France-KLM company and the Alitalia Compagnia Aero Italiana Spa company concluded an agreement in order to reinforce their strategic partnership with a minority holding by Air France-KLM in the Italian company. Air France-KLM will subscribe to a preferential capital increase for about € 323 million. After this operation, subject to the resolution of all suspensive conditions and in particular the operation's approval by the European Commission, Air France-KLM will hold 25% of the Alitalia paid-in capital. Alitalia shares will be consolidated by the equity method in the Group consolidated accounts.