

**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, 2011 – June 30, 2011**

# Air France-KLM Group

## CONSOLIDATED INCOME STATEMENT

<i>In € millions</i>		2011	2010
	<i>Notes</i>		
<b>Period from April 1 to June 30,</b>			
<b>Sales</b>	<b>4</b>	<b>6 220</b>	<b>5 721</b>
Other revenues		21	-
<b>Revenues</b>		<b>6 241</b>	<b>5 721</b>
External expenses	5	(3 959)	(3 609)
Salaries and related costs	6	(1 932)	(1 867)
Taxes other than income taxes		(50)	(45)
Amortization and depreciation		(406)	(399)
Provisions		(31)	(16)
Other income and expenses		(8)	83
<b>Income from current operations</b>		<b>(145)</b>	<b>(132)</b>
Sales of aircraft equipment		-	11
Other non-current income and expenses	7	2	999
<b>Income from operating activities</b>		<b>(143)</b>	<b>878</b>
Cost of financial debt		(113)	(119)
Income from cash and cash equivalents		26	23
<b>Net cost of financial debt</b>		<b>(87)</b>	<b>(96)</b>
Other financial income and expenses	8	(29)	(113)
<b>Income before tax</b>		<b>(259)</b>	<b>669</b>
Income taxes		81	93
<b>Net income of consolidated companies</b>		<b>(178)</b>	<b>762</b>
Share of profits (losses) of associates		(18)	(31)
<b>Net income from continuing operations</b>		<b>(196)</b>	<b>731</b>
<b>Net income for the period</b>		<b>(196)</b>	<b>731</b>
- Equity holders of Air France-KLM		(197)	736
- Non-controlling interests		1	(5)
Earnings per share – Equity holders of Air France-KLM (in euros)			
- basic		(0,67)	2,50
- diluted		(0,67)	2,00

# Air France-KLM Group

## CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

<i>In € millions</i>	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>Net income for the period</b>	<b>(196)</b>	<b>731</b>
<b>Fair value adjustment on available-for-sale securities</b>		
Change in fair value recognized directly in equity	54	137
Change in fair value transferred to profit or loss	-	(1)
<b>Cash flow hedges</b>		
Effective portion of changes in fair value hedge recognized directly in equity	(129)	(230)
Change in fair value transferred to profit or loss	(119)	114
<b>Items of the recognized income and expenses of equity shares</b>	<b>10</b>	<b>1</b>
<b>Currency translation adjustment</b>	<b>(9)</b>	<b>6</b>
<b>Tax on items taken directly to or transferred from equity</b>		
Income / (expense) recognized directly in equity	72	31
<b>Total of other comprehensive income included in the recognized income and expenses</b>	<b>(121)</b>	<b>58</b>
<b>Recognized income and expenses</b>	<b>(317)</b>	<b>789</b>
- Equity holders of Air France-KLM	<b>(316)</b>	<b>793</b>
- Non-controlling interests	<b>(1)</b>	<b>(4)</b>

# Air France-KLM Group

## CONSOLIDATED BALANCE SHEET

<b>Assets</b>	<b>June 30, 2011</b>	<b>March 31, 2011</b>
<i>In € millions</i>		
Goodwill	420	422
Intangible assets	716	695
Flight equipment	11 069	11 040
Other property, plant and equipment	2 077	2 111
Investments in equity associates	411	422
Pension assets	3 069	2 995
Other financial assets <i>(including €557 million of deposits related to financial leases and €70 million of investments over one year as of June 30, 2011, compared to €503 million of deposits related to financial leases as of March 31, 2011)</i>	1 845	1 654
Deferred tax assets	1 048	933
Other non-current assets	149	156
<b>Total non current assets</b>	<b>20 804</b>	<b>20 428</b>
Assets held for sale	21	21
Other short term financial assets <i>(including €130 million of deposits related to financial leases and €534 million of investments between 3 months and 1 year as of June 30, 2011, compared respectively to €149 million and €574 million as of March 31, 2011)</i>	730	751
Inventories	593	558
Trade accounts receivable	2 172	1 938
Income tax receivables	4	6
Other current assets	1 248	1 550
Cash and cash equivalents	3 151	3 717
<b>Total current assets</b>	<b>7 919</b>	<b>8 541</b>
<b>Total assets</b>	<b>28 723</b>	<b>28 969</b>

# Air France-KLM Group

## CONSOLIDATED BALANCE SHEET (continued)

<b>Liabilities and equity</b> <i>In € millions</i>	<b>June 30, 2011</b>	<b>March 31, 2011</b>
Issued capital	300	300
Additional paid-in capital	2 971	2 971
Treasury shares	(90)	(94)
Reserves and retained earnings	3 362	3 675
<b>Equity attributable to equity holders of Air France-KLM</b>	<b>6 543</b>	<b>6 852</b>
Non-controlling interests	51	54
<b>Total Equity</b>	<b>6 594</b>	<b>6 906</b>
Provisions and retirement benefits	1 955	1 930
Long-term debt	8 779	8 980
Deferred tax	463	511
Other non-current liabilities	265	272
<b>Total non-current liabilities</b>	<b>11 462</b>	<b>11 693</b>
Provisions	258	287
Current portion of long-term debt	1 703	1 808
Trade accounts payable	2 357	2 211
Deferred revenue on ticket sales	2 846	2 440
Frequent flyer programs	789	806
Current tax liabilities	4	3
Other current liabilities	2 610	2 686
Bank overdrafts	100	129
<b>Total current liabilities</b>	<b>10 667</b>	<b>10 370</b>
<b>Total liabilities</b>	<b>22 129</b>	<b>22 063</b>
<b>Total liabilities and equity</b>	<b>28 723</b>	<b>28 969</b>

# 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
<b>March 31, 2010</b>	<b>300 219 278</b>	<b>2 552</b>	<b>719</b>	<b>(106)</b>	<b>2 198</b>	<b>5 363</b>	<b>55</b>	<b>5 418</b>
Fair value adjustment on available for sale securities	-	-	-	-	134	134	-	134
Gain / (loss) on cash flow hedges	-	-	-	-	(82)	(82)	-	(82)
Currency translation adjustment	-	-	-	-	5	5	1	6
Net result for the period	-	-	-	-	736	736	(5)	731
<b>Total of income and expenses recognized</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>793</b>	<b>793</b>	<b>(4)</b>	<b>789</b>
Stock based compensation (ESA) and stock options	-	-	-	-	7	7	-	7
Treasury shares	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	(1)	(1)
<b>June 30, 2010</b>	<b>300 219 278</b>	<b>2 552</b>	<b>719</b>	<b>(106)</b>	<b>2 998</b>	<b>6 163</b>	<b>50</b>	<b>6 213</b>
<b>March 31, 2011</b>	<b>300 219 278</b>	<b>300</b>	<b>2 971</b>	<b>(94)</b>	<b>3 675</b>	<b>6 852</b>	<b>54</b>	<b>6 906</b>
Fair value adjustment on available for sale securities	-	-	-	-	53	53	-	53
Gain / (loss) on cash flow hedges	-	-	-	-	(164)	(164)	(1)	(165)
Currency translation adjustment	-	-	-	-	(8)	(8)	(1)	(9)
Net result for the period	-	-	-	-	(197)	(197)	1	(196)
<b>Total of income and expenses recognized</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(316)</b>	<b>(316)</b>	<b>(1)</b>	<b>(317)</b>
Stock based compensation (ESA) and stock options	-	-	-	-	3	3	-	3
Dividends paid	-	-	-	-	-	-	(1)	(1)
Treasury shares	-	-	-	4	-	4	-	4
Other	-	-	-	-	-	-	(1)	(1)
<b>June 30, 2011</b>	<b>300 219 278</b>	<b>300</b>	<b>2 971</b>	<b>(90)</b>	<b>3 362</b>	<b>6 543</b>	<b>51</b>	<b>6 594</b>

# Air France-KLM Group

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In € millions</i>	<i>Note</i>	<b>2011</b>	<b>2010</b>
<b>Period from April 1 to June 30,</b>			
Net income for the period – Equity holders for Air France-KLM		(197)	736
Non-controlling interests		1	(5)
Amortization, depreciation and operating provisions		437	415
Financial provisions		2	(4)
Gain on disposals of tangible and intangible assets		(3)	(11)
Gain on Amadeus operation	7	-	(1 030)
Derivatives – non monetary result		(22)	(5)
Unrealized foreign exchange gains and losses, net		27	113
Share of (profits) losses of associates		18	31
Deferred taxes		(90)	(100)
Other non-monetary items		(106)	(52)
<b>Subtotal</b>		<b>67</b>	<b>88</b>
(Increase) / decrease in inventories		(40)	(16)
(Increase) / decrease in trade receivables		(228)	(226)
Increase / (decrease) in trade payables		130	190
Change in other receivables and payables		416	534
<b>Net cash flow from operating activities</b>		<b>345</b>	<b>570</b>
Acquisitions of subsidiaries and investments in associates, net of cash acquired		-	-
Purchase of property, plant and equipment and intangible assets		(913)	(636)
Proceeds on Amadeus transaction	7	-	193
Proceeds on disposal of property, plant and equipment and intangible assets		477	161
Dividends received		-	-
Decrease (increase) in investments, net between 3 months and 1 year		(69)	(30)
<b>Net cash used in investing activities</b>		<b>(505)</b>	<b>(312)</b>
Purchase of non-controlling interests, of shares in non-controlled entities		(7)	(3)
Disposal of subsidiaries without control loss, of shares in non-controlled entities		3	-
Issuance of long-term debt		408	245
Repayments on long-term debt		(666)	(93)
Payment of debt resulting from finance lease liabilities		(139)	(77)
New loans		(26)	(17)
Repayments on loans		59	28
Dividends paid		(1)	-
<b>Net cash flow from financing activities</b>		<b>(369)</b>	<b>83</b>
<b>Effect of exchange rate on cash and cash equivalents and bank overdrafts</b>		<b>(8)</b>	<b>13</b>
<b>Change in cash and cash equivalents and bank overdrafts</b>		<b>(537)</b>	<b>354</b>
Cash and cash equivalents and bank overdrafts at beginning of period		3 588	3 635
Cash and cash equivalents and bank overdrafts at end of period		3 051	3 989

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## **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 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), Amsterdam (Euronext).

The Group's functional currency is the euro.

## **2. SIGNIFICANT EVENTS OF THE PERIOD**

There has been no significant event during the period.

## **3. ACCOUNTING POLICIES**

### **3.1. Accounting principles**

#### **Accounting principles used for the interim condensed consolidated financial statements**

Pursuant to the European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of the Air France-KLM Group have been established in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Commission at the date of these consolidated financial statements drawing up.

The interim condensed consolidated financial statements as of June 30, 2011 are prepared in accordance with the IFRS, as adopted by the European Union at the date of the preparation of these condensed consolidated financial statements, and are presented according to IAS 34 "Interim financial reporting" and must be read in connection with the annual consolidated financial statements for the year ended on March 31, 2011.

The interim condensed consolidated financial statements as of June 30, 2011 are prepared in accordance with the accounting principles used by the Group for consolidated financial statements for the year 2010-11.

The condensed consolidated financial statements were approved by the Board of Directors on July 27, 2011.

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

As of June 30, 2011, no new IFRS standard has been applied to the interim condensed consolidated financial statements.

### **3.2. Preparation of unaudited interim consolidated financial statements**

#### **Seasonality of the activity**

Revenues and income from current operations are characterized by their seasonal nature related to a high level of activity 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.

### **Income taxes**

For the interim financial statements, the tax charge (current and deferred) is calculated by applying to the book income of 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 in conformity with IFRS requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses. The significant areas of estimates described in the note 3 of the March 31, 2011 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 Air France-KLM 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 mainly correspond to the current operating income and the share of results in associates. Other elements of the income statement are presented in the "not allocated" column.

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

The Air France-KLM Group's secondary reporting format is geographical segmentation, based on origin of sales. Only segment revenue is 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 from charter flights operated primarily by Transavia.

### **Geographical segments**

Group activities are broken down into six geographical regions:

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

## 4.1. Information by business segment

- Three month period ended June 30, 2011

<i>In € millions</i>	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	5 086	803	785	514	-	7 188
Intersegment sales	(284)	(4)	(523)	(157)	-	(968)
<b>External sales</b>	<b>4 802</b>	<b>799</b>	<b>262</b>	<b>357</b>	-	<b>6220</b>
Income from current operations	(140)	(14)	23	(14)	-	(145)
Income from operating activities	(140)	(14)	23	(14)	2	(143)
Share of profits (losses) of associates	-	-	-	-	(18)	(18)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(116)	(116)
Income taxes	-	-	-	-	81	81
<b>Net income from continuing operations</b>	<b>(140)</b>	<b>(14)</b>	<b>23</b>	<b>(14)</b>	<b>(51)</b>	<b>(196)</b>

- Three month period ended June 30, 2010

<i>In € millions</i>	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	4 627	778	741	479	-	6 625
Intersegment sales	(259)	(4)	(497)	(144)	-	(904)
<b>External sales</b>	<b>4 368</b>	<b>774</b>	<b>244</b>	<b>335</b>	-	<b>5 721</b>
Income from current operations	(142)	11	20	(21)	-	(132)
Income from operating activities	(142)	11	20	(21)	1 010	878
Share of profits (losses) of associates	-	-	-	-	(31)	(31)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(209)	(209)
Income taxes	-	-	-	-	93	93
<b>Net income from continuing operations</b>	<b>(142)</b>	<b>11</b>	<b>20</b>	<b>(21)</b>	<b>863</b>	<b>731</b>

## 4.2. Information by geographical area

### Sales by geographical area

- Three month period ended June 30, 2011

<i>In € millions</i>	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 528	1 451	83	285	807	432	4 586
Other passenger sales	88	71	3	15	13	26	216
<b>Total passenger</b>	<b>1 616</b>	<b>1 522</b>	<b>86</b>	<b>300</b>	<b>820</b>	<b>458</b>	<b>4 802</b>
Scheduled cargo	92	293	7	56	130	181	759
Other cargo sales	12	8	1	2	10	7	40
<b>Total cargo</b>	<b>104</b>	<b>301</b>	<b>8</b>	<b>58</b>	<b>140</b>	<b>188</b>	<b>799</b>
Maintenance	152	101	-	-	9	-	262
Others	110	231	4	12	-	-	357
<b>Total</b>	<b>1 982</b>	<b>2 155</b>	<b>98</b>	<b>370</b>	<b>969</b>	<b>646</b>	<b>6 220</b>

- Three month period ended June 30, 2010

<i>In € millions</i>	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	1 369	1 321	77	280	748	369	4 164
Other passenger sales	77	74	3	16	16	18	204
<b>Total passenger</b>	<b>1 446</b>	<b>1 395</b>	<b>80</b>	<b>296</b>	<b>764</b>	<b>387</b>	<b>4 368</b>
Scheduled cargo	167	170	6	62	117	212	734
Other cargo sales	14	6	1	2	9	8	40
<b>Total cargo</b>	<b>181</b>	<b>176</b>	<b>7</b>	<b>64</b>	<b>126</b>	<b>220</b>	<b>774</b>
Maintenance	135	98	-	-	11	-	244
Others	96	228	5	6	-	-	335
<b>Total</b>	<b>1 858</b>	<b>1 897</b>	<b>92</b>	<b>366</b>	<b>901</b>	<b>607</b>	<b>5 721</b>

### Traffic sales by geographical area of destination

- Three month period ended June 30, 2011

<i>In € millions</i>	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	555	1 191	287	570	1 225	758	4 586
Scheduled cargo	1	13	41	152	297	255	759
<b>Total</b>	<b>556</b>	<b>1 204</b>	<b>328</b>	<b>722</b>	<b>1 522</b>	<b>1 013</b>	<b>5 345</b>

- Three month period ended June 30, 2010

<i>In € millions</i>	Metropolitan France	Europe except France, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	505	1 047	249	606	1 062	695	4 164
Scheduled cargo	1	12	37	146	258	280	734
<b>Total</b>	<b>506</b>	<b>1 059</b>	<b>286</b>	<b>752</b>	<b>1 320</b>	<b>975</b>	<b>4 898</b>

## 5. EXTERNAL EXPENSES

<i>In € millions</i>	2011	2010
<i>Three month period ended June 30,</i>		
Aircraft fuel	1 673	1 441
Chartering costs	144	118
Aircraft operating lease costs	211	201
Landing fees and air route charges	463	426
Catering	144	135
Handling charges and other operating costs	333	322
Aircraft maintenance costs	290	285
Commercial and distribution costs	234	239
Other external expenses	467	442
<b>Total</b>	<b>3 959</b>	<b>3 609</b>

“Other external expenses” correspond mainly to rent and insurance costs.

## 6. SALARIES AND NUMBER OF EMPLOYEES

### Salaries and related costs

<i>In € millions</i>	<b>2011</b>	<b>2010</b>
<b><i>Three months period ended June 30,</i></b>		
Wages and salaries	1 387	1 364
Net periodic pension cost	56	50
Social contributions	460	438
Expenses related to share-based compensation	3	7
Other expenses	26	8
<b>Total</b>	<b>1 932</b>	<b>1 867</b>

### Average number of employees

<i>Three month period ended June 30,</i>	<b>2011</b>	<b>2010</b>
Flight deck crew	8 581	8 741
Cabin crew	22 977	22 743
Ground staff	70 675	71 434
<b>Total</b>	<b>102 233</b>	<b>102 918</b>

## 7. OTHER NON-CURRENT INCOME AND EXPENSES

<i>Three month period ended June 30,</i>	<b>2011</b>	<b>2010</b>
<i>In € million</i>		
Amadeus operation	-	1 030
Other	2	(31)
<b>Other non-current income and expenses</b>	<b>2</b>	<b>999</b>

- **Three month period ended June 30, 2010**

On April 29, 2010, the company Amadeus was the subject of an Initial Public Offering (IPO) on the Spanish stock exchange. This operation was executed in two stages:

1. A capital increase reserved to the market, which the group did not subscribe to,
2. The concomitant sale of a part of the shares held by the Group.

After the operation, the group's holding has decreased from 22% to 15%. At the same time, the governance of Amadeus has been changed. These two items involved the loss of significant influence for the Group as well as a change in the valuation method of the shares held.

As a consequence, according to IFRS, since April 29, 2010, date of the IPO, shares held by the Group are valued at their market value (market price).

The global profit recorded in the income statement for an amount of €1 030 million is analyzed as follows:

- gain on disposal of shares : € 280 million, including €193 million of cash received
- valuation of shares held by the Group : €750 million.

The "other" line mainly included an additional provision of €20 million concerning the voluntary redundancy plan of Air France.

## 8. OTHER FINANCIAL INCOME AND EXPENSES

<i>In € million</i>	<b>2011</b>	<b>2010</b>
<b><i>Three month period ended June 30,</i></b>		
Foreign exchange gains (losses), net	(33)	(100)
Change in fair value of financial assets and liabilities	5	(18)
Net (charge) release to provisions	(2)	3
Other	1	2
<b>Other financial income and expenses</b>	<b>(29)</b>	<b>(113)</b>

## 9. SUBSEQUENT EVENTS

There has been no significant event since the close of the period.