

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, 2010 – June 30, 2010

Air France-KLM Group

CONSOLIDATED INCOME STATEMENT

<i>In € millions</i>		2010	2009
	<i>Notes</i>		
Period from April 1 to June 30,			
Sales	4	5 721	5 169
Other revenues		-	1
Revenues		5 721	5 170
External expenses	5	(3 609)	(3 332)
Salaries and related costs	6	(1 867)	(1 893)
Taxes other than income taxes		(45)	(63)
Amortization and depreciation		(399)	(423)
Provisions		(16)	(3)
Other income and expenses		83	48
Income from current operations		(132)	(496)
Sales of aircraft equipment		11	1
Other non-current income and expenses	7	999	(1)
Income from operating activities		878	(496)
Cost of financial debt		(119)	(87)
Income from cash and cash equivalents		23	31
Net cost of financial debt		(96)	(56)
Other financial income and expenses	8	(113)	(60)
Income before tax		669	(612)
Income taxes		93	195
Net income of consolidated companies		762	(417)
Share of profits (losses) of associates		(31)	(10)
Net income from continuing operations		731	(427)
Net income for the period		731	(427)
- Group		736	(426)
- Minority interest		(5)	(1)
Earnings per share – Group (in euros)			
- basic		2.50	(1.45)
- diluted		2.00	(1.45)

Air France-KLM Group

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

<i>In € millions</i>	June 30, 2010	June 30, 2009
Net income for the period	731	(427)
Fair value adjustment on available-for-sale securities		
Change in fair value recognized directly in equity	137	2
Change in fair value transferred to profit or loss	(1)	-
Cash flow hedges		
Effective portion of changes in fair value hedge recognized directly in equity	(230)	1 094
Change in fair value transferred to profit or loss	114	20
Items of the recognized income and expenses of equity shares	1	(11)
Currency translation adjustment	6	(5)
Tax on items taken directly to or transferred from equity		
Income / (expense) recognized directly in equity	31	(341)
Total of other comprehensive income included in the recognized income and expenses	58	759
Recognized income and expenses	789	332
- Group	793	330
- Minority interest	(4)	2

Air France-KLM Group

CONSOLIDATED BALANCE SHEET

Assets	June 30, 2010	March 31, 2010
<i>In € millions</i>		
Goodwill	403	401
Intangible assets	628	612
Flight equipment	11 375	11 349
Other property, plant and equipment	2 214	2 252
Investments in equity associates	424	446
Pension assets	2 806	2 733
Other financial assets <i>(which includes € 622 million of deposits related to financial leases as of June 30, 2010, € 630 million as of March 31, 2010)</i>	1 717	840
Deferred tax assets	1 030	942
Other non-current assets	230	180
Total non current assets	20 827	19 755
Assets held for sale	66	93
Other short term financial assets <i>(which includes € 563 million of deposits related to financial leases and investments between 3 months and 1 year as of June 30, 2010, € 482 million as of March 31, 2010)</i>	603	517
Inventories	554	537
Trade accounts receivable	2 404	2 142
Income tax receivables	1	1
Other current assets	1 005	979
Cash and cash equivalents	4 092	3 751
Total current assets	8 725	8 020
Total assets	29 552	27 775

Air France-KLM Group

CONSOLIDATED BALANCE SHEET (continued)

Liabilities and equity <i>In € millions</i>	June 30, 2010	March 31, 2010
Issued capital	2 552	2 552
Additional paid-in capital	719	719
Treasury shares	(106)	(106)
Reserves and retained earnings	2 998	2 198
Equity attributable to equity holders of Air France-KLM	6 163	5 363
Minority interests	50	55
Total Equity	6 213	5 418
Provisions and retirement benefits	1 480	1 432
Long-term debt	9 683	9 222
Deferred tax	373	418
Other non-current liabilities	698	818
Total non-current liabilities	12 234	11 890
Liability related to assets held for sale	6	10
Provisions	692	696
Current portion of long-term debt	1 644	1 825
Trade accounts payable	2 254	2 032
Deferred revenue on ticket sales	2 825	2 340
Frequent flyer programs	825	840
Current tax liabilities	9	11
Other current liabilities	2 747	2 597
Bank overdrafts	103	116
Total current liabilities	11 105	10 467
Total liabilities	23 339	22 357
Total liabilities and equity	29 552	27 775

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, 2009	300 219 278	2 552	765	(124)	2 429	5 622	54	5 676
Fair value adjustment on available for sale securities	-	-	-	-	2	2	-	2
Gain / (loss) on cash flow hedges	-	-	-	-	759	759	3	762
Currency translation adjustment	-	-	-	-	(5)	(5)	-	(5)
Net result for the year	-	-	-	-	(426)	(426)	(1)	(427)
Total of income and expenses recognized	-	-	-	-	330	330	2	332
Stock based compensation (ESA) and stock options	-	-	-	-	7	7	-	7
OCEANE	-	-	-	-	69	69	-	69
Treasury shares	-	-	-	19	-	19	-	19
June 30, 2009	300 219 278	2 552	765	(105)	2 835	6 047	56	6 103
March 31, 2010	300 219 278	2 552	719	(106)	2 198	5 363	55	5 418
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 year	-	-	-	-	736	736	(5)	731
Total of income and expenses recognized	-	-	-	-	793	793	(4)	789
Stock based compensation (ESA) and stock options	-	-	-	-	7	7	-	7
Treasury shares	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	(1)	(1)
June 30, 2010	300 219 278	2 552	719	(106)	2 998	6 163	50	6 213

Air France-KLM Group

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In € millions</i>	<i>Note</i>	2010	2009
Period from April 1 to June 30,			
Net income for the period – Group		736	(426)
Minority interests		(5)	(1)
Amortization, depreciation and operating provisions		415	426
Financial provisions		(4)	5
Gain on disposals of tangible and intangible assets		(11)	(1)
Gain on WAM (ex Amadeus) operation	7	(1 030)	-
Derivatives – non monetary result		(5)	(5)
Unrealized foreign exchange gains and losses, net		113	(47)
Share of (profits) losses of associates		31	10
Deferred taxes		(100)	(194)
Other non-monetary items		(52)	(38)
Subtotal		88	(271)
(Increase) / decrease in inventories		(16)	(18)
(Increase) / decrease in trade receivables		(226)	(112)
Increase / (decrease) in trade payables		190	55
Change in other receivables and payables		534	(27)
Net cash flow from operating activities		570	(373)
Acquisitions of subsidiaries and investments in associates, net of cash acquired		(3)	(9)
Purchase of property, plant and equipment and intangible assets		(636)	(640)
Proceeds on WAM (ex Amadeus) transaction	7	193	-
Proceeds on disposal of property, plant and equipment and intangible assets		161	507
Dividends received		-	1
Decrease (increase) in investments, net between 3 months and 1 year		(30)	192
Net cash used in investing activities		(315)	51
Issuance of long-term debt		245	995
Repayments on long-term debt		(93)	(51)
Payment of debt resulting from finance lease liabilities		(77)	(145)
New loans		(17)	(19)
Repayments on loans		28	36
Net cash flow from financing activities		86	816
Effect of exchange rate on cash and cash equivalents		13	(1)
Change in cash and cash equivalents and bank overdrafts		354	493
Cash and cash equivalents and bank overdrafts at beginning of period		3 635	3 466
Cash and cash equivalents and bank overdrafts at end of period		3 989	3 959

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 YEAR

On April 29, 2010, the company WAM was the subject of an Initial Purchase Offer (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 WAM 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. The impact of this transaction on the Group financial accounts is described in note 7.

In April 2010, the European air space was closed or strongly disturbed because of the ash cloud created by the volcanic eruption in Iceland.

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, 2010 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 March 31, 2010.

The interim condensed consolidated financial statements as of June 30, 2010 are prepared in accordance with the accounting principles used by the Group for consolidated financial statements for the year 2009-10 but with the exception of the standards and interpretations adopted by the European Union applicable for the Group started April 1, 2010.

The condensed consolidated financial statements were approved by the Board of Directors on July 27, 2010.

Change in accounting principles

The revised standards IFRS 3 "Business Combination" and IAS 27 "Individual and Consolidated Financial Statements" are applied for the first time as of June 30, 2010.

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 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 in conformity with IFRS 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 the note 3 of the March 31, 2010 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.

The consolidated financial statements for the financial year have thus been established taking into account the current economic and financial crisis which has developed since 2008 and on the basis of financial parameters available at the closing date. The immediate effects of the crisis have been taken into account, in particular the valuation of current assets and liabilities. Concerning the longer-term assets, i.e. the non-current assets, the assumption was that the crisis would be of limited duration.

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, 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)
External sales	4 368	774	244	335	-	5 721
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
Net income from continuing operations	(142)	11	20	(21)	863	731

- Three month period ended June 30, 2009

<i>In € millions</i>	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	4 227	547	743	520	-	6 037
Intersegment sales	(213)	(3)	(497)	(155)	-	(868)
External sales	4 014	544	246	365	-	5 169
Income from current operations	(338)	(197)	30	9	-	(496)
Income from operating activities	(338)	(197)	30	9	-	(496)
Share of profits (losses) of associates	-	-	-	-	(10)	(10)
Net cost of financial debt and other financial income and expenses	-	-	-	-	(116)	(116)
Income taxes	-	-	-	-	195	195
Net income from continuing operations	(338)	(197)	30	9	69	(427)

4.2. Information by geographical area

Sales by geographical area

- 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
Total passenger	1 446	1 395	80	296	764	387	4 368
Scheduled cargo	167	170	6	62	117	212	734
Other cargo sales	14	6	1	2	9	8	40
Total cargo	181	176	7	64	126	220	774
Maintenance	135	98	-	-	11	-	244
Others	96	228	5	6	-	-	335
Total	1 858	1 897	92	366	901	607	5 721

- Three month period ended June 30, 2009

<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	1 353	1 231	79	260	608	284	3 815
Other passenger sales	76	72	3	15	13	20	199
Total passenger	1 429	1 303	82	275	621	304	4 014
Scheduled cargo	57	170	7	52	93	132	511
Other cargo sales	11	5	1	2	8	6	33
Total cargo	68	175	8	54	101	138	544
Maintenance	143	93	-	-	10	-	246
Others	101	252	5	7	-	-	365
Total	1 741	1 823	95	336	732	442	5 169

Traffic sales by geographical area of destination

- 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
Total	506	1 059	286	752	1 320	975	4 898

- Three month period ended June 30, 2009

<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	527	1 054	257	570	864	543	3 815
Scheduled cargo	2	13	39	107	172	178	511
Total	529	1 067	296	677	1 036	721	4 326

5. EXTERNAL EXPENSES

<i>In € millions</i>	2010	2009
<i>Three month period ended June 30,</i>		
Aircraft fuel	1 441	1 136
Chartering costs	118	125
Aircraft operating lease costs	201	182
Landing fees and en route charges	426	450
Catering	135	147
Handling charges and other operating costs	322	331
Aircraft maintenance costs	285	266
Commercial and distribution costs	239	231
Other external expenses	442	464
Total	3 609	3 332

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

6. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

<i>In € millions</i>	2010	2009
<i>Three months period ended June 30,</i>		
Wages and salaries	1 364	1 372
Net periodic pension cost	50	78
Social contributions	438	439
Expenses related to share-based compensation	7	6
Other expenses	8	(2)
Total	1 867	1 893

Average number of employees

<i>Three month period ended June 30,</i>	2010	2009
Flight deck crew	8 741	8 978
Cabin crew	22 743	23 110
Ground staff	71 434	74 715
Total	102 918	106 803

7. OTHER NON-CURRENT INCOME AND EXPENSES

<i>Three month period ended June 30,</i>	2010	2009
<i>In € million</i>		
WAM (ex Amadeus) operation	1 030	-
Other	(31)	(1)
Other non-current income and expenses	999	(1)

On April 29, 2010, the company WAM was the subject of an Initial Purchase Offer (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 WAM 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 includes an additional provision of € 20 million concerning the voluntary redundancy plan of Air France.

8. OTHER FINANCIAL INCOME AND EXPENSES

<i>In € million</i>	2010	2009
<i>Three month period ended June 30,</i>		
Foreign exchange gains (losses), net	(100)	43
Change in fair value of financial assets and liabilities	(18)	(98)
Net (charge) release to provisions	3	(5)
Other	2	-
Other financial income and expenses	(113)	(60)

9. SUBSEQUENT EVENTS

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