

FINANCIAL YEAR 2011

QUARTER APRIL-JUNE 2011

- ▶ Activity impacted by crises in Japan, the Middle East and Africa
- ▶ Stable unit revenues
- ▶ Revenues up by 8.7%
- ▶ Reduction in unit cost (on a constant currency and fuel price basis)
- ▶ Reduction in long-haul capacity growth for Winter 2011 to 2.7%

The Board of Directors of Air France-KLM, presided by Jean-Cyril Spinetta, met on 27th July 2011 to examine the accounts for the quarter April-June 2011.

The operating result stood at -145 million euros (-132 million euros at 30th June 2010) after a 16% rise in the fuel bill (+232 million euros) and a loss estimated at 100 million euros resulting from the political events in Africa and the Middle East, as well as the nuclear crisis in Japan.

Key Data

In millions of euros, except earnings per share (in euros)	Quarter to 30 th June		
	2011	2010	Change
Revenues	6,220	5,721	+8.7%
EBITDAR ¹	503	484	+3.9%
Operating result	(145)	(132)	nm
Adjusted operating result ²	(73)	(64)	nm
Net result, group share	(197)	736	nm
Adjusted net result, group share ³	(212)	(252)	nm
Earnings per share	(0.67)	2.50	nm
Diluted earnings per share	(0.67)	2.00	nm

Activity

Important markets still affected by the various geopolitical crises

Activity over the quarter, and particularly in June, was strongly affected by the difficult situation in some important markets for the group.

The passenger business saw a 9.4% rise in traffic with capacity up by 10.1% (+5.2% adjusted for the airspace closure in April 2010). The load factor declined by 0.5 points to 81.1%. Unit revenue per available seat kilometre (RASK) was stable but increased by 0.8% excluding currency. Passenger revenues rose by 9.9% to 4.80 billion euros, after a negative currency effect of 0.9%. The operating result stood at -140 million euros (-142 million euros a year earlier).

The cargo business was impacted by the crisis in Japan as well as a situation of overcapacity on China departures. Traffic rose by 1.9% with capacity up by 6.2% (+2.9% adjusted for airspace closure in April 2010), leading to a 2.8 point decline in load factor to 66.7%. Unit revenue per available tonne kilometre (RATK) declined by 2.7% but increased by 0.6% excluding currency. Revenues amounted to 799 million euros (+3.2%) while the operating result was -14 million euros, (versus +11 million euros at 30th June 2010).

¹ Before amortisation, provisions and operating leases

² Adjusted for the portion of operating leases corresponding to financial charges (34%)

³ See definition in the Reference Document 2010-11, page 133. Reconciliation table available in the results presentation

Revenues of the Maintenance business rose by 7.4% to 262 million euros. The operating result stood at 23 million euros, up 15% versus 30th June 2010. The engines and components activities continued to perform well over the quarter.

Total revenues amounted to 6.22 billion euros, up by 8.7% after a negative currency effect of 1.2%.

Well controlled unit costs

Operating costs rose 8.7% and by 6.2% excluding fuel. Over the quarter, the group realised 129 million euros in savings in the context of the 'Challenge 12' programme, the annual objective of which has been revised up from 470 million euros to 500 million euros. In equivalent available seat kilometres (EASK), unit costs were stable, and declined by 3.0% at constant fuel prices and exchange rates, for production in EASK up by 8.8%.

The fuel bill rose by 232 million euros to 1.67 billion euros (+16%) under the combined effect of a 7% rise in volume, a favourable currency effect of 8% and a rise in fuel prices after hedging of 19%. Employee costs stood at 1.93 billion euros, up by 3.5%, of which a third linked to the payment of an exceptional bonus.

The operating result amounted to -145 million euros (-132 million euros at 30th June 2010). The adjusted operating result stood at -73 million euros. Net interest costs declined from 96 million euros at 30th June 2010 to 87 million euros at 30th June 2011. The currency result included in the item 'Other financial income and costs' remained negative at -33 million euros (-100 million euros a year earlier).

Net result, group share stood at -197 million euros (versus 736 million euros a year earlier, which included the capital gain of 1.03 billion euros realised on Amadeus). The net result adjusted for non-recurring items was -212 million euros versus -252 million euros a year earlier. Earnings per share and diluted earnings per share stood at -0.67 euros (2.5 euros and 2.0 euros respectively at 30th June 2010).

Operating cash flow of 345 million euros

Investments net of disposals amounted to 436 million euros at 30th June 2011 (475 million euros in the equivalent quarter 2010-11). Operating cash flow was 345 million euros. At 30th June 2011, Air France-KLM had cash of 3.9 billion euros and renewed credit lines of 1.85 billion euros of which 1.6 billion euros renewed for 5 years in 2011 at Air France and at KLM.

Shareholders' funds declined by 312 million euros versus 31st March 2011 to 6.91 billion mainly reflecting the negative net result. Net debt stood at 6.04 billion euros (5.89 billion euros at 31st March 2011). The gearing ratio was 0.92 (0.85 at 31st March 2011).

Outlook

The operating environment remains uncertain due to the situation in Japan, Africa and the Middle-East and the Eurozone crisis. Moreover, fuel prices are still at high levels and the euro remains volatile. For the upcoming Winter season, the group has decided to reduce long-haul capacity growth (including the Martinair passenger activity) from 5.1% to 2.7% (-2.4 points). In this context, the group continues to target a positive operating result for the calendar year 2011.

Information by business

Passenger

	Quarter to 30 th June		
	2011	2010	Change
Traffic (RPK millions)	53,931	49,282	+9.4%
Capacity (ASK millions)	66,531	60,435	+10.1%
Load factor	81.1%	81.5%	-0.5 pts
Total passenger revenues (€m)	4,802	4,368	+9.9%
Revenues from scheduled passenger business (€m)	4,586	4,164	+10.1%
Unit revenue per RPK (€cts)	8.50	8.45	+0.6%
Unit revenue per RPK ex currency (€cts)	-	-	+1.5%
Unit revenue per ASK (€cts)	6.89	6.90	-0.1%
Unit revenue per ASK ex currency (€cts)	-	-	+0.8%
Unit cost per ASK (€cts)	7.02	7.04	-0.3%
Unit cost per ASK at constant currency and fuel price (€cts)	-	-	-2.8%
Operating income (€m)	(140)	(142)	nm

Cargo

	Quarter to 30 th June		
	2011	2010	Change
Traffic (RTK millions)	2,865	2,812	+1.9%
Capacity (ATK millions)	4,293	4,041	+6.2%
Load factor	66.7%	69.6%	-2.8 pts
Total cargo business revenues (€m)	799	774	+3.2%
Revenues from scheduled cargo business (€m)	759	734	+3.4%
Unit revenue per RTK (€cts)	26.47	26.09	+1.5%
Unit revenue per RTK ex currency (€cts)	-	-	+4.8%
Unit revenue per ATK (€cts)	17.67	18.15	-2.7%
Unit revenue per ATK ex currency (€cts)	-	-	+0.6%
Unit cost per ATK (€cts)	17.73	17.62	+0.6%
Unit cost per ATK on constant currency and fuel price (€cts)	-	-	-3.5%
Operating income (€m)	(14)	11	nm

Maintenance

Total maintenance revenues rose amounted to 785 million euros (+6%) of which 262 million euros with third parties (+7.4%). The operating result was up 15% to 23 million euros. High value added activities, notably engines and components, continued to perform well.

Other businesses

Other businesses comprise mainly the leisure activities of Transavia and the catering business of Servair. They realised revenues of 357 million euros against 335 million euros a year earlier. The operating result stood at -14 million euros (-21 million euros at 30th June 2010). The leisure business was affected by the uprisings in Tunisia and Egypt, but still generated a 5.8% increase in revenues to 255 million euros and an operating result of -11 million euros versus -20 million euros the previous year.

Catering generated third party revenues of 84 million euros (76million euros at 30th June 2010). The operating income stood at 2.4 million euros (-1.8 million euros the previous year).

Additional information

The Quarter April-June 2011 accounts are not audited by the Statutory Auditors.

The results presentation will be available on www.airfranceklm-finance.com on 28th July 2011 from 12.00h CET.

Practical information

Conference call on 28th July 2011 at 15.30h CET
To connect, dial:

+33 (0)1 70 99 32 12 }
+44 (0)20 7162 0125 } (password : AKH)
1 334 323 6203 }

For the recording, dial:

+33 (0)1 70 99 35 29 }
+44 (0)20 7031 4064 } (code : 898412)
1 954 334 0342 }

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INCOME STATEMENTS (unaudited)

In euros millions

	April to June		
	2011	2010	Variation
SALES	6,220	5,721	8.7%
Other revenues	21	-	nm
EXTERNAL EXPENSES	-3,959	-3,609	9.7%
Aircraft fuel	-1,673	-1,441	16.1%
Chartering costs	-144	-118	22.0%
Aircraft operating lease costs	-211	-201	5.0%
Landing fees and en route charges	-463	-426	8.7%
Catering	-144	-135	6.7%
Handling charges and other operating costs	-333	-322	3.4%
Aircraft maintenance costs	-290	-285	1.8%
Commercial and distribution costs	-234	-239	-2.1%
Other external expenses	-467	-442	5.7%
Salaries and related costs	-1,932	-1,867	3.5%
Taxes other than income taxes	-50	-45	11.1%
Amortization and depreciation	-406	-399	1.8%
Provisions	-31	-16	nm
Other income and expenses	-8	83	nm
INCOME FROM CURRENT OPERATIONS	-145	-132	-9.8%
Sales of aircraft equipment	-	11	nm
Sales of subsidiaries	-	-	-
Other non-current income and expenses	2	999	nm
INCOME FROM OPERATING ACTIVITIES	-143	878	nm
Income from cash and cash equivalents	26	23	13.0%
Cost of financial debt	-113	-119	-5.0%
<i>Net cost of financial debt</i>	<i>-87</i>	<i>-96</i>	<i>-9.4%</i>
Foreign exchange gains (losses), net	-33	-100	nm
Change in fair value of financial assets and liabilities	5	-18	nm
Other financial income and expenses	-1	5	nm
INCOME BEFORE TAX	-259	669	nm
Income taxes	81	93	12.9%
NET INCOME OF CONSOLIDATED COMPANIES	-178	762	nm
Share of profits (losses) of associates	-18	-31	41.9%
INCOME FROM CONTINUING OPERATIONS	-196	731	nm
Net income from discontinued operations	-	-	-
NET INCOME FOR THE PERIOD	-196	731	nm
Minority interest	-1	5	nm
NET INCOME FOR THE PERIOD - GROUP	-197	736	nm

CONSOLIDATED BALANCE SHEET (unaudited)

<i>April to June</i>	<i>in € millions</i>	2011	2010
Assets			
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
Total non current assets		20,804	20,428
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
Total current assets		7,919	8,541
Total assets		28,723	28,969

<i>April to June</i>	<i>in € millions</i>	2011	2010
Liabilities and equity			
Issued capital		300	300
Additional paid-in capital		2,971	2,971
Treasury shares		(90)	(94)
Reserves and retained earnings		3,362	3,675
Equity attributable to equity holders of Air France-KLM		6,543	6,852
Non-controlling interests		51	54
Total Equity		6,594	6,906
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
Total non-current liabilities		11,462	11,693
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
Total current liabilities		10,667	10,370
Total liabilities		22,129	22,063
Total liabilities and equity		28,723	28,969

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

<i>In € millions</i>		
Period from April 1 to June 30,	2011	2010
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	-	(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)
Subtotal	67	88
<i>(Increase) / decrease in inventories</i>	(40)	(16)
<i>(Increase) / decrease in trade receivables</i>	(228)	(226)
<i>Increase / (decrease) in trade payables</i>	130	190
<i>Change in other receivables and payables</i>	416	534
Net cash flow from operating activities	345	570
<i>Acquisitions of subsidiaries and investments in associates, net of cash acquired</i>	-	-
<i>Purchase of property, plant and equipment and intangible assets</i>	(913)	(636)
<i>Proceeds on Amadeus transaction</i>	-	193
<i>Proceeds on disposal of property, plant and equipment and intangible assets</i>	477	161
<i>Dividends received</i>	-	-
<i>Decrease (increase) in investments, net between 3 months and 1 year</i>	(69)	(30)
Net cash used in investing activities	(505)	(312)
<i>Purchase of non-controlling interests, of shares in non-controlled entities</i>	(7)	(3)
<i>Disposal of subsidiaries without control loss, of shares in non-controlled entities</i>	3	-
<i>Issuance of long-term debt</i>	408	245
<i>Repayments on long-term debt</i>	(666)	(93)
<i>Payment of debt resulting from finance lease liabilities</i>	(139)	(77)
<i>New loans</i>	(26)	(17)
<i>Repayments on loans</i>	59	28
<i>Dividends paid</i>	(1)	-
Net cash flow from financing activities	(369)	83
Effect of exchange rate on cash and cash equivalents and bank overdrafts	(8)	13
Change in cash and cash equivalents and bank overdrafts	(537)	354
<i>Cash and cash equivalents and bank overdrafts at beginning of period</i>	3,588	3,635
<i>Cash and cash equivalents and bank overdrafts at end of period</i>	3,051	3,989

AIR FRANCE-KLM FLEET

Air France fleet

Aircraft	AF	Brit Air	City Jet	Régional	VLM	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 3/31/11
B747-400	10						3		7	10	10	
B777-300	34						14	5	15	34	34	3
B777-200	25						15	2	8	25	25	
B767-300												
A380-800	6						2	1	3	6	6	2
A340-300	16						10	2	4	16	15	-1
A330-200	15						3	2	10	15	15	
MD11												
Long haul	106						47	12	47	106	105	4
B747-400 cargo	5						2		3	5	3	
B777- cargo	2							2		2	2	
MD-11-CF												
MD-11-F												
Freighter	7						2	2	3	7	5	
B737 900												
B737-800						10			10	10	10	1
B737-700												
B737-400												
B737-300												
A321	24						11	1	12	24	24	
A320	59						24	3	32	59	56	1
A319	44						21	4	19	44	44	
A318	18						13	5		18	18	
Medium haul	145					10	69	13	73	155	152	2
AVRO RJ 85			27				15		12	27	22	
Canadair Jet 1000		7					7			7	7	1
Canadair Jet 900		1							1	1	1	
Canadair Jet 700		15					6	9		15	15	
Canadair Jet 100		15					11	2	2	15	15	
Embraer 190				10			4		6	10	10	
Embraer 170				10			8	2		10	10	
Embraer 145				26			9	13	4	26	26	-1
Embraer 135				7			4	3		7	4	-2
Fokker 100		5					3		2	5	5	-1
Fokker 70												
Fokker 50					14		12		2	14	14	-1
Regional		43	27	53	14	10	79	29	29	137	129	-4
TOTAL	258	43	27	53	14	10	197	56	152	405	391	2

KLM fleet

Aircraft	KLM	KLM Cityhopper	Transavia	Martinair	Owned	Finance lease	Operating lease	Total	In operation	Change / 3/31/11
B747-400	22				13	4	5	22	22	
B777-300	5					5		5	5	
B777-200	15					6	9	15	15	
B767-300				3			3	3	3	-1
A380-800										
A340-300										
A330-200	11					6	5	11	11	
MD11	10				8	2		10	10	
Long haul	63			3	21	23	22	66	66	-1
B747-400 cargo	4			4		3	5	8	5	
B777- cargo										
MD-11-CF				4	3		1	4	4	
MD-11-F				3		2	1	3	3	
Freighter	4			11	3	5	7	15	12	
B737 900	5					2	3	5	5	
B737-800	23		19		9	11	22	42	42	1
B737-700	13		10		2	11	10	23	23	3
B737-400	8				6		2	8	6	-2
B737-300	3				3			3	2	-1
A321										
A320										
A319										
A318										
Medium haul	52		29		20	24	37	81	78	1
AVRO RJ 85										
Canadair Jet 1000										
Canadair Jet 900										
Canadair Jet 700										
Canadair Jet 100										
Embraer 190		17				13	4	17	17	
Embraer 170										
Embraer 145										
Embraer 135										
Fokker 100		5			5			5	5	
Fokker 70		26			23	3		26	26	
Fokker 50		2			2			2		
Regional	50				30	16	4	50	48	
KLM	119	50	29	14	74	68	70	212	204	
TOTAL Air France-KLM Group					271	124	222	617	595	2