

together

O P E N & C O M M I T T E D





The captain and his crew wish you an enjoyable business trip to New York, Tokyo, Delhi... and more than 850 other cities, letting you take advantage of one of the world's leading networks with our SkyTeam partners.

We can face the challenges with confidence

Jean-Cyril Spinetta, Chairman of the Air France-KLM Board of Directors



After a challenging time in 2009-10, our Group has succeeded in stemming the haemorrhage and returning to profit while also reducing debt. Our recovery has been remarkable. This success is thanks to the outstanding work of the Air France-KLM teams and the resolute commitment of all our employees within a difficult environment. I would like to thank everyone for their efforts.

To confirm this recovery, the Air France-KLM group was able to implement the strategy required to win back market share lost during the crisis in both the passenger and cargo businesses. But make no mistake: we are still in an uncertain air transport environment. There remain numerous obstacles to overcome to ensure that our Group remains in a leading position. I am thinking, in particular, of the oil price, and competition from low cost carriers and the Gulf State airlines. We are, however, on the right track. The Air France-KLM group has established an effective business model that its main European competitors have been swift to replicate. The SkyTeam alliance, which is the most advanced in terms of operating principles, has been considerably reinforced.

On the North Atlantic, the leading long-haul market globally, Air France-KLM has established a significant lead over the other alliances, and particularly Star Alliance, through the joint-venture that the Group has created with Delta and Alitalia. Our goal is to extend this model to all our SkyTeam partners, and particularly our Chinese partners. Furthermore, we are actively engaged in membership negotiations with other airlines in Brazil, India and elsewhere in Asia. On this basis, SkyTeam stands to benefit from global coverage.

“Air France-KLM has established an effective business model that has been widely replicated.”

SkyTeam will be the alliance benchmark. My initial thinking had been that global transportation would be structured around three major global systems: SkyTeam, Star Alliance and One World. Today this is a reality. We now have to be sure to maintain our position and our role within SkyTeam. The agreement with Alitalia implemented in 2009 further reinforces the Group's presence on the large Single European Sky market and makes Air France-KLM the unrivalled leader on all long-haul routes between Europe and the rest of the world.

Looking ahead, we need to further improve the efficiency of the Air France-KLM group. Seven years after the merger, we must ensure that we are constantly reinforcing the Group's cohesion and the relevance of its strategic choices. I have no doubt that the remarkable mobilization of all Air France-KLM employees during the difficult period we have just experienced has left us well equipped to face the challenges ahead with increased confidence.

AIR FRANCE-KLM, A RESPONSIBLE, GLOBAL LEADER

Air France-KLM is a global leader in each of its three businesses: passenger transportation, cargo transportation and aeronautics maintenance. Thanks to its dual hub of Paris-Charles de Gaulle and Amsterdam-Schiphol, the Group operates a balanced network offering the most connecting opportunities between Europe and the rest of the world. It has operations in all continents and offers 254 destinations in 124 countries.

Born of the merger between Air France and KLM, the Group is the European leader in passenger transportation and ranks amongst the leading generalist companies in cargo transportation. In the aeronautics maintenance market, Air France-KLM is the world number two of the multi-product players. The Group has more than 100,000 employees.

With Delta and Alitalia, the Group operates the largest trans-Atlantic joint-venture. Air France and KLM are also members of the SkyTeam global alliance, bringing together 14 airlines. Air France-KLM is recognized as the sustainable development leader in the air transport sector and has been a Dow Jones Sustainability Index component for the past six years.



2010-11

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INTERVIEW WITH PIERRE-HENRI GOURGEON,

Chief Executive Officer of Air France-KLM on the outlook for the Group and the *Embark* corporate project
• Three questions for Peter Hartman, President and CEO of KLM

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CUSTOMERS



Reinforcing our service culture

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HIGHLIGHTS



Key figures and highlights of the passenger, cargo and maintenance businesses

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DEVELOPMENT



Consolidating our leadership position • A look at the Group's main growth areas • Map of the network

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OPERATIONS



Teams mobilized 24/7

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PEOPLE

Portraits of Air France-KLM staff



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FINANCE

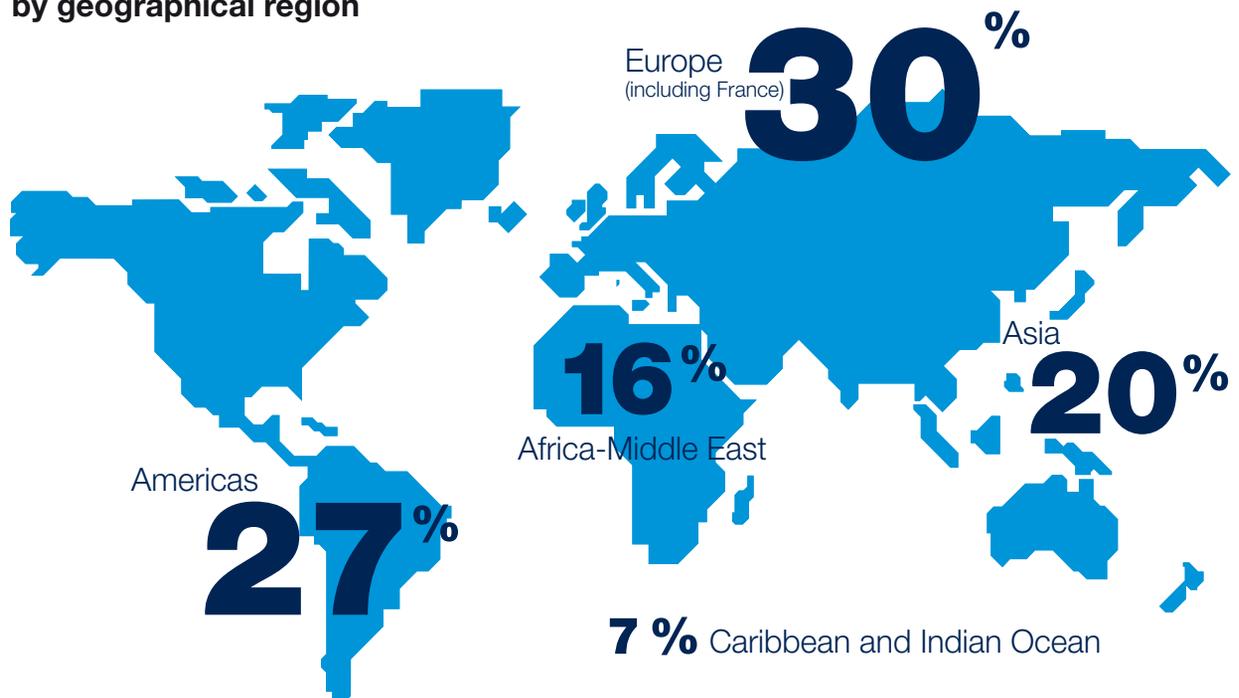


A review of the results for the year
• Governance • Consolidated financial statements

Key figures for the 2010-11 financial year (to March 31, 2011)

23.6 billion euros **Revenues**
Operating income
122 million euros

Breakdown of passenger revenues by geographical region



71.3 million passengers

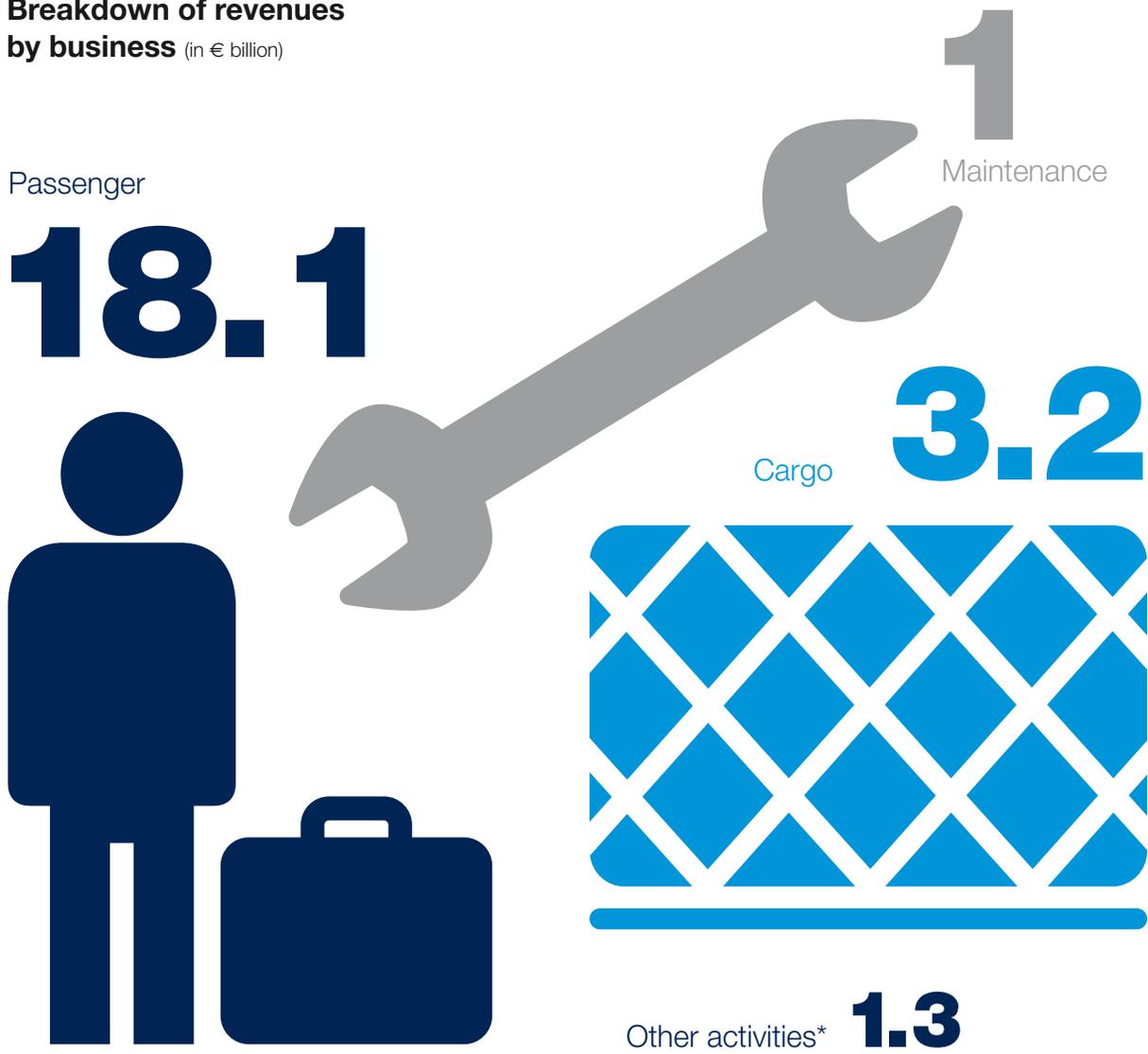
254 destinations

124 countries

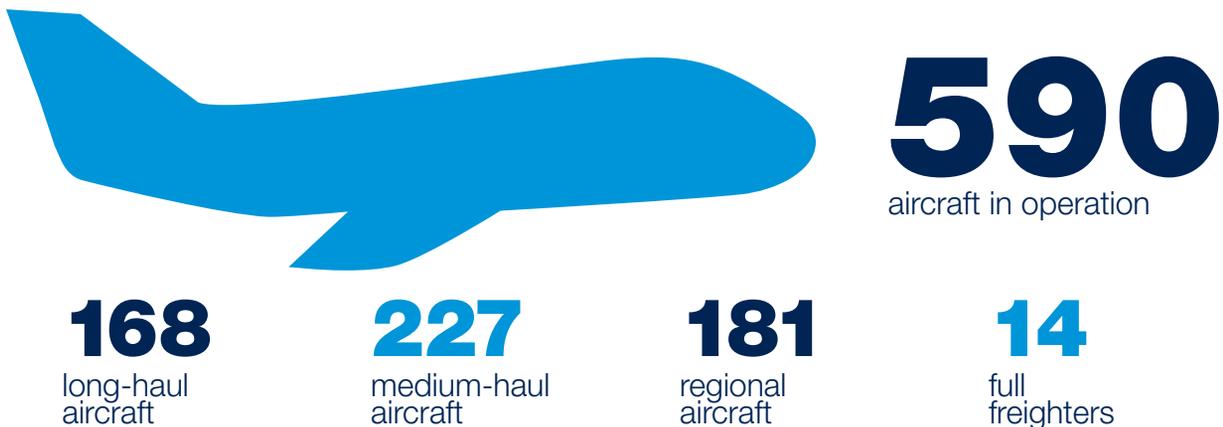
2 hubs

Paris-CDG and Amsterdam-Schiphol

Breakdown of revenues by business (in € billion)



*Regrouping the leisure (Transavia.com) and catering businesses



A look back at the 2010-11 financial year

APRIL 2010

VOLCANIC ERUPTION IN ICELAND

The eruption of the Icelandic volcano Eyjafjöll leads to the almost total shutdown of operations. Something not seen in Europe since the Second World War.

JULY 2010

HISTORIC CONTRACT FOR MAINTENANCE

Air Canada entrusts the Group with the engine support on the GE90 powerplants equipping its B777s. In terms of revenue, this contract is one of the largest in the history of maintenance.



AUGUST 2010

SERVAIR OPENS OPERATIONS IN KENYA

Servair, the Air France subsidiary specialized in airline catering and airport services, now offers its services in Kenya at the Nairobi and Mombasa outstations thanks to the acquisition of the company NAS Catering. Servair is leader in the African continent with 17 sites.



SEPTEMBER 2010

AIR FRANCE'S NEW BUSINESS OFFER

Air France upgrades its Business offer by introducing a more comfortable and more practical seat for working, relaxing

or sleeping. A choice of menus and new services throughout the travel experience also enhance this offer.



SEPTEMBER 2010

AIR FRANCE-KLM, A RESPONSIBLE LEADER

Air France-KLM is confirmed air transport leader for sustainability. For the

sixth successive year, the Group is included in the benchmark financial index, the Dow Jones Sustainability Index.

NOVEMBER 2010

FIRST AIR FRANCE-KLM STRATEGIC PLAN

Embark, the Group's strategic project is presented to employees. This first corporate project common to Air France and KLM unveils the Group's goals for the coming years: return to growth and be a leader in the globalized airline sector. The project is structured around three key values: together, open and committed.



DECEMBER 2010

THE AIR FRANCE FOUNDATION MOBILIZES IN SENEGAL

The Air France Foundation jointly finances a brand-new emergency accommodation hostel for street children in Dakar, again showing its commitment to helping children.



FEBRUARY 2011

GROWTH FOR SKYTEAM

With the arrival of Middle East Airlines, the SkyTeam alliance will have 20 members by 2012. Over the course of the year, no fewer than seven airlines sign membership agreements to join the alliance: China Eastern, Shanghai Airlines, China Airlines, Garuda Indonesia, Aerolineas Argentinas, Saudi Arabian Airlines and Middle East Airlines.

DECEMBER 2010

LESS CO₂ WITH THE OPTIMIZED FLIGHT

A first trans-Atlantic "optimized" flight is operated in the A380 between New York-JFK and Paris-CDG.

This optimization enables a 3 to 5 ton reduction in carbon emissions per flight and will in time apply to all long-haul trans-Atlantic flights. This flight is part of the AIRE program run jointly by the European Union and the United States.



MARCH 2011

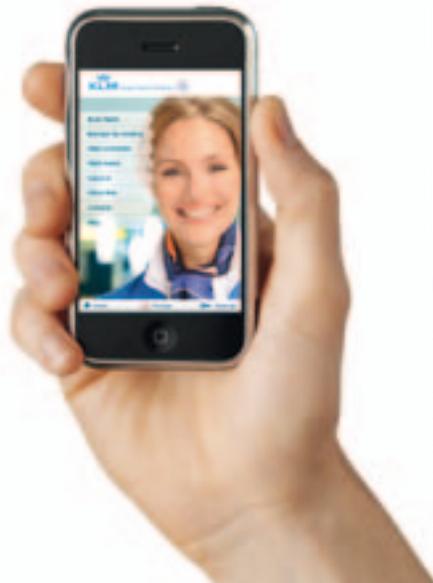
EARTHQUAKE IN JAPAN

On March 11, 2011, a force 9 earthquake strikes Japan. In response to this disaster, the Air France and KLM teams mobilize to ensure flight continuity to Tokyo and Osaka. Several tons of equipment and emergency logistics materials are sent to Japan.

DECEMBER 2010

HEAVY SNOWFALL IN EUROPE

A wave of snow engulfs the whole of Europe, prompting the closure of several major European airports and the cancellation of many Air France-KLM medium-haul flights.



FEBRUARY 2011

NEW MOBILE SERVICES

Air France and KLM launch Connect, a free information system by telephone, SMS or email on flight changes and any service irregularity. The Group's goal is to become the benchmark in the mobile services market.

MARCH 2011

GROWTH IN THE NETWORK

With the opening of the Xiamen service by KLM, the Group now serves an eighth destination in Greater China, consolidating its position as the leading carrier between Europe and China. Over the course of 2011, seven new destinations will be opened by Air France and KLM.

“Our teams were able to contend with a series of unexpected events and take advantage of the global recovery to amplify the momentum.”

Pierre-Henri Gourgeon

Chief Executive Officer, Air France-KLM



“A new world to sha

In an environment marked by the economic recovery but also by numerous crises, Air France-KLM this year returned to the path of profitable growth. What were the main levers?

Air France-KLM effectively succeeded in engineering a spectacular recovery: our results were well above the objectives we had set ourselves with a positive €122 million, i.e. a €1.4 billion improvement in one year. Our three main businesses made significant progress. In the passenger business, the repositioning of our medium-haul offer has been very successful, while passengers also welcomed the new *Premium Voyageur* and *Premium Economy* cabins at Air France and KLM, seeing them as an excellent compromise between Business and Economy class. Lastly, the deployment of our Airbus A380 fleet has enabled us to rationalize flights to major destinations like New York, Johannesburg and Montreal. The cargo activity has,

“Our results were well above target.”

for its part, seen a spectacular rebound driven by the global recovery and an effective restructuring. The aeronautics maintenance business also confirmed its profitability. We are starting to reap the benefits of the pro-active recovery plan that we launched at the height of the crisis.

To what extent has the economic environment facilitated this recovery?

It is clear that, like other air transport groups, Air France-KLM has benefited from the global recovery. Latin America, China and the United States have emerged or are emerging from the financial crisis that rocked the world in 2008. Economic activity and trade are picking up and our Group has been able to take advantage of this. At the same time, a whole series of different events held back our momentum: an ash cloud that closed a number of European airports including Amsterdam



Air France-KLM's new **Embark** strategic plan now enshrines the Group's goals for the years to come.

The Group plans to develop its three businesses in rapidly-growing markets while reinforcing its position in Europe.

The quality of customer service is at the heart of this plan.

re”

and Paris, for several days in April 2010, the terrorist attacks in Sahel, the situation in the Ivory Coast, heavy snowfall in December, the revolutions of the Arab spring and the catastrophe striking Japan all seriously disrupted our activity. Lastly, the further rise in the oil price absorbed more than half our productivity gains. Our teams were clearly able to contend with these new events and take advantage of the global recovery to amplify the momentum. Thanks to everyone's determined efforts we have fulfilled and even exceeded our objectives.

Air France-KLM currently operates the leading international long-haul network on departure from Europe. How do you plan to develop your activity and network?

“The quality of our offer and the strength of our partnerships are the keys to success.”

I firmly believe that the quality of our offer and the strength of our partnerships are the keys to the Group's future success. We have significantly invested in our quality of service with a new Business offer

for Air France and by using the latest technologies to keep our customers informed. We are going to continue to develop our network by offering new routes not previously served or served from a single hub, particularly towards Asia, Latin America and parts of Africa. The joint-venture that we have created with Delta joined, since July, by Alitalia will be a real asset for the Group in this regard. It is a real and very powerful virtual airline, with a governance that has proven its effectiveness. Air France-KLM and its partners are thus leaders

on the market between Europe and North America, representing a considerable flight and destination offering to our customers.



The 3 values
of the *Embark*
strategic plan

Together
Open
Committed

More generally, the development of the SkyTeam alliance which has welcomed three new members this year is also very promising. How will the alliance contribute to the success of Air France-KLM?

We were one of the four founders of this alliance in 2000. Today, SkyTeam brings together 14 airlines in the main global markets. In 2012, it will number 20 airlines, having welcomed major Chinese, Indonesian and South American airlines. SkyTeam is thus becoming the number one alliance in Greater China. This leadership and our strong roots in Europe will enable the growth of non-stop flights to China and help us to compete with the Gulf State airlines. Our next challenge will be to welcome an Indian partner and new South-American partners to the alliance, in order to reinforce our global offer.

Will that be enough to withstand the competition from the Gulf State carriers?

It is by developing our network and offering non-stop flights that we can compete with the Gulf State airlines. The European continent is currently the best connected to the rest of the world. This is a key competitive advantage for the European economy at a time when trade is globalizing. It is true, however, that the Gulf carriers are investing

heavily in their flight equipment by taking advantage of their location in countries where there are no taxes, levies or social charges.

It would probably be very negative for Europe, its economy and citizens if the centre of gravity of global air transport were to gradually shift from Europe to the Gulf States. I have alerted the public authorities to this situation not for protectionist reasons but so that competition can be fully played out on equitable foundations. We are also working

flat out to leverage and consolidate our strengths to withstand this competition.

“SkyTeam
is becoming
the number
one alliance
in Greater
China.”

What does the new *Embark* strategic plan involve?

Embark is the road map for all Air France-KLM employees for the years to come. It is also the first corporate project common to both Air France and KLM. The central goal of this project is a commitment to developing our customer service

culture to respond and adapt to new ways of traveling. *Embark* mobilizes all our teams whether customer-facing or not. The other goals cover operational quality and, particularly, safety which is an absolute priority, the development of our network as well as economic and financial performance, a key condition of our performance at the service of our customers. One very important point covers employees,

The 5 areas of *Embark*

Customers: invest in human relations and service excellence

Development: reinforce our leadership position within Europe and on long-haul flows

Operations: guarantee our customers high standards of operational performance

People: promote the Group's values

Finance: regain our pre-crisis level of financial performance



their diversity and the quality of their working conditions. In this general mobilization we have three guiding values: openness to others and the world, commitment vis-à-vis our customers, colleagues, partners and stakeholders and the team-work expressed by a simple and federating word: *together*.

You mentioned safety as a priority of the *Embark* project.

How is it reflected in your development strategy?

Safety is by definition the first priority of any airline worthy of the name. It is the primordial concern of all Air France and KLM people. I have every confidence in the way our staff mobilize to ensure the operations of the company with a maximum level of safety. Following the Rio-Paris accident which struck Air France, we convened a round table to discuss how to increase safety to above and beyond the level of standards irrespective of the possible causes of the accident that as yet remain unknown. We decided to adopt the best practices deployed by other airlines and operators aimed at raising aviation safety to the best possible level. Air France and KLM are working closely together on this issue because the improvement in safety often comes from comparing different practices. Our goal is not just to respect high standards but to take

safety to the highest possible level.

What will Air France-KLM look like in the medium term?

Despite having exceeded our objectives, we are only just returning to the pre-crisis level of activity. We must thus continue to apply our plan with the same level of commitment that yielded these initial results to return the Group to a level of profitability that enables it to invest while reducing debt. We are thus going to pursue our efforts

to reduce costs, which should be easier during a period of growth, with the aim of cutting unit costs by some 1% annually over the next three years. We are also going to change the Group's organization by integrating more functions to facilitate the decision-making process. There will be a number of projects to change our medium-haul network: we plan to continue to implement a new medium-haul offer within KLM

and gradually relaunch the Air France network out of the major French provincial capitals. It is by redefining our model and improving our quality of service that we shall make Air France-KLM not only a leading Group within Europe but a responsible global leader in terms of growth, safety and sustainable development.

“Aviation safety is by definition our first priority.”

“Our model is proving a real success. Our two companies are complementary and are able to generate significant synergies.”

Peter Hartman

President and Chief Executive Officer, KLM



Looking to the future, what do you see as Air France-KLM's principal development strength?

Globally, Air France-KLM is the air transport group with the greatest presence in rapidly-growing markets. We have strong positions in the Asian markets which, by their dynamism, have become a key strategic region. We are reinforcing our leadership in Africa, where the disruption in a number of countries should not mean we overlook the real and strong overall development. Our two airlines' networks there are remarkably complementary.

We are also consolidating our presence in Latin America, through new partnerships and the opening of new routes. With 76 countries served in long-haul, or 20 countries more than our closest European competitor, our network is, naturally, exposed to the majority of unforeseen events but its significant diversification enables their impact to be smoothed. Furthermore, we have learned to be flexible.

Your cargo business has seen a spectacular recovery.

Our cargo business effectively returned to profit in just one year rather than the two initially planned. This is the fruit of our strategy based on restructuring the offer to prioritize the bellies of passenger and combi aircraft. We have been able to grow our cargo activity and revenues thanks to productive growth.

“We have learned to be flexible.”

This demonstrates the real success of our model. Our two airlines are complementary and are able to generate numerous synergies.

Our two coordinated European hubs, the good fit between our networks and markets and the many synergies between our two companies are the keys to our current and future success.

Air France and KLM are repositioning their offer towards European destinations. What is this aimed at?

Air France and KLM have always had to contend with competition, something which also acts as a stimulus for any airline. On medium-

haul flights they currently need to reinforce their competitiveness relative to the other majors, low cost carriers and high-speed rail.

Two years ago, Air France launched a new European offer to respond to customer expectations

by offering them more attractive fares, simplified services and revamped cabins with more comfortable, lighter seats that are thus more respectful of the environment. This program also calls for larger aircraft to reduce frequencies. Backed by this experience, our teams have been deploying this concept on KLM flights for the past few months and I must say that the initial results are very encouraging. With teams working in close coordination and a focus on service quality, the two airlines are making a real different vis-à-vis customers. This is one of our Group's great strengths.

CEUS. TOM. ERS

REINFORCING OUR SERVICE CULTURE



REINFORCING OUR SERVICE CULTURE

One ambition: to be the airline that best fulfils customer expectations and, particularly, the leader in mobile technology.



CHRISTIAN BOIREAU

Executive
Vice President,
French Sales
(left)

ERIK VARWIJK

Executive
Vice President,
International and
The Netherlands
(right)

THE FIRST GOAL OF THE *EMBARK* PROJECT IS TO REINFORCE THE CUSTOMER SERVICE CULTURE. WHY?

Christian Boireau. Air France-KLM has a strong reputation for customer service. The Group needs to affirm its leadership in this area and make it a significant part of the value added within an increasingly competitive environment. This means evolving in tune with our customers. They are familiar with the internet, are equipped with smart mobile phones, increasingly participate in social media, and are looking for more autonomy and greater freedom of choice. At the same time, our customers want a more personalized service and the ability to maintain a dialogue and build a real relationship with Air France and KLM.

Erik Varwijk. New customer expectations are also emerging globally, particularly in rapidly-growing countries and our ambition is to be the airline with the best solutions. To enable us to adapt to a world that is undergoing a profound transformation we have launched a new customer-centric dynamic within the framework of the *Embark* strategic plan. This dynamic concerns all our activities globally, meaning firstly, of course, the passenger business but also cargo and maintenance.

CONCRETELY, HOW ARE YOU GOING TO BRING ABOUT THIS NEW DYNAMIC?

CB: We are counting on the integration of new technologies, not as a substitute for the human dimension, which is and will remain key to our services business but, on the contrary, to help personalize the relationship with individual customers and keep them informed on a real time basis. For this, we have launched a new website and mobile applications enabling passengers to make and manage their reservations, find out about flight times, etc. The Air France mobile website already welcomes more than a million visitors a month. We are also going to increase our presence on social media, where the Air France and KLM Facebook pages already have more than 600,000 fans!

EV: We want to become the leader in mobile services. Last February, we launched *Air France Connect* and *KLM Connect*, an exclusive, free service, without the need for a membership or subscription, which informs customers of any changes or service disruption concerning their trip. *Air France Connect* and *KLM Connect* are operational on all the flights in the Air France and KLM network. The initial feedback has, moreover, been very positive. With this new service, Air France and KLM are in the vanguard, being the first airlines to use the latest mobile technologies to make a pro-active commitment to keeping their customers informed in real time.

“The human dimension will remain at the heart of our services activity.”

THE LAST FINANCIAL YEAR SAW AIR TRANSPORT SERIOUSLY DISRUPTED BY A SERIES OF EXCEPTIONAL EVENTS, NOTABLY HEAVY SNOWFALL AND THE ASH CLOUD. HOW HAS THIS BEEN TAKEN INTO ACCOUNT IN YOUR STRATEGIC PROJECT?

CB: This year was effectively a challenging one for our customers and teams. We want to improve our responsiveness in cases where we fail to deliver the promised level of service and become the number one in service recovery to remain our customers' carrier of choice. We can make a difference by keeping our customers better informed and sooner, and by offering them better, alternative solutions and, when required, compensation.

Air France Connect and *KLM Connect* already represent the first advances, with more to come in future.

EV: Concerning service recovery, there are a number of projects underway aimed at harmonizing this service between our two airlines and even creating a common tool. We are also going to improve how we listen to customers so that we can better understand their needs and circulate this information more widely within the Group.



How does the new *Connect* service work?

Thanks to the mobile number and email address supplied by customers when booking their tickets, Air France and KLM will be able to inform them, by telephone, SMS or email, up to 14 days prior to departure of any cancellation, delay or change of boarding gate and, on arrival, of any delay in baggage delivery. This service is free and doesn't require a subscription and is aimed at all customers. It is initially available in eight languages.



KLM Europe Business Class a high-quality travel experience

With its new Business product in medium-haul, KLM offers more legroom and guarantees an empty middle seat. In addition to improved ground services, KLM has revamped its in-flight catering with varied menus and a mealtray designed by Marcel Wanders.



ONE OF YOUR GOALS IS TO BETTER DIFFERENTIATE YOUR OFFER.

CB: Yes. A number of working groups are looking into how we can differentiate but also personalize our offer. This differentiation is aimed at growing our customer portfolio, particularly in emerging countries and with individual passengers. We are also going to offer new *à la carte* options so that each passenger can personalize their travel.

EV: One of our challenges will also be to enable our customers to benefit from the advantages of our scale in the market. We plan to increasingly secure their loyalty notably by making our *Flying Blue* frequent flyer program even more attractive. With more than 130 partners it is the leading loyalty program within Europe. Lastly, we are going to further improve our services for Business and *La Première* customers.

IN THIS RESPECT, THE LAUNCH OF NEW BUSINESS OFFERS HAS BEEN ONE OF THE YEAR'S REAL ADVANCES.

EV: Starting with the 2010 Summer season, KLM effectively launched its *Europe Business Class* on medium-haul flights. Our customers benefit from a more comfortable seat with increased leg-room. Our services have also been improved: in the Boeing B737 fleet, each seat now has a socket for recharging electrical appliances. On the ground there is priority on departure and arrival, at check-in and for lounge access, baggage handling, etc.

CB: For its part, Air France is developing its long-haul Business product. In late 2010, we started to install a new structure comprising a lie-flat seat bed over 2m in length, one of the most spacious on the market and better adapted to working, relaxing and sleeping. Its controls are simpler and each passenger has a large 15-inch screen in 16:9 format. As of the summer of 2011, some twenty aircraft will benefit from these new cabins and, by 2013, nearly forty aircraft will have been equipped.

All our efforts are in the same direction which is to reinforce the customer service culture at Air France and KLM.



“The return to profitability proves that the cargo business is seeing a strong recovery.”

Camiel Eurlings

Executive Vice President,
Air France-KLM Cargo

How did the Cargo division perform during the 2010-11 financial year?

After a 2009-10 during which global air freight activity had been very badly affected by the crisis, we returned to profit with a positive operating result of €69 million. We comfortably exceeded our objective for this year which was to halve our losses, effectively demonstrating that the cargo business is seeing a strong recovery.

What was behind this recovery and return to profitability?

Firstly, we were able to make the most of the pick-up in demand in 2010, which enabled us to gradually regain a higher level of unit revenues. We were then able to take advantage of the adjustment in capacity with, notably, the reduction in full freighter flights, something we had initiated when the crisis struck. We were also able to redistribute capacity and restructure the cargo network at the level of the Group: by reducing surplus capacity out of our two hubs, focusing on belly and combi capacity and allocating additional cargo capacity to our busiest routes.

Have these changes led you to review your commercial policy?

Yes, Air France-KLM Cargo launched an in-depth redefinition of its commercial policy to adapt it to the new business model. This redefinition was based on a revised customer segmentation and

a simplified product portfolio. We are increasingly developing e-services (e-booking and e-freight) to improve the quality of service, offer real-time track and trace on shipments and reduce distribution costs.

Do the changes in your product also involve network changes?

In terms of the network, the cargo business is benefiting from the opening of multiple new routes in the passenger business. But the development of cargo also benefits from the integration of the Dutch company Martinair, which makes a significant contribution to

the realization of this new strategy by reinforcing the Group's position in the market. Our aim is to leverage the expertise of Martinair, particularly in terms of its flexibility and adaptability to market needs.

Air France-KLM has thus reoriented its offer by prioritizing the bellies of passenger aircraft and combis. How has this new strategy been tailored to customer needs?

Most cargo customers don't need specialized forms of transportation. They are looking for a timely service at the best price. This is generally what is offered by the bellies of passenger aircraft. That being said, it is easier to program full freighters than passenger aircraft on different routes or with additional stopovers to respond to specific needs. Full freighter capacity can also be required for high-volume shipments. Our belly-dominant mixed model offers our customers solutions that respond to their specific needs, at attractive tariffs.

“We are increasingly focusing on the quality of service.”

Passenger transportation represents **77% of revenues**. The Group operates **the leading long-haul network between Europe and the rest of the world**. It offers an extensive network of 254 destinations globally out of the two hubs, Paris-Charles de Gaulle and Amsterdam-Schiphol.

18.1

billion euros
of revenues

71.3

million passengers
carried

Air France and KLM are introducing new ground and in-flight services to **facilitate passenger travel**. e-services enable them to manage their journey from A to Z from home, the office or on the road. Once on board, a high standard of in-flight catering and 600 hours of entertainment on demand make the flight an enjoyable experience.



The **Flying Blue** frequent flyer program, with 19 million members, is **the leader in Europe**. *Flying Blue* has four levels: Ivory, Silver, Gold and Platinum. Members benefit from dedicated facilities on the ground and in the air. The miles earned can be redeemed with more than 130 partners.

168

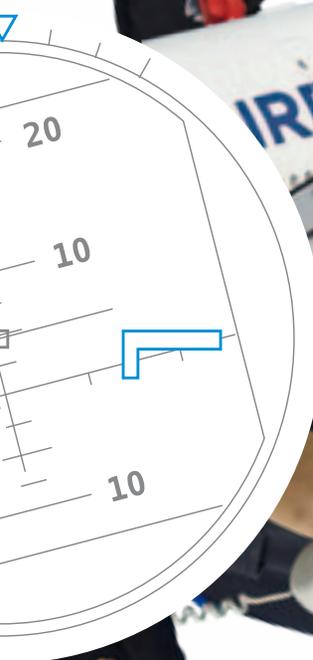
long-haul aircraft

passenger

408

short and medium-haul aircraft
(including the regional fleets)

Since December 2010, Air France has gradually rolled out a new Business cabin on its long-haul network, equipped with a completely redesigned seat. Some 5 kg lighter, the new seat contributes to **reducing fuel consumption and the associated CO₂ emissions**. For a 42-seat cabin, the reduction in carbon emissions reaches 70 tons annually per equipped aircraft. Across 43 aircraft, this means a saving of 3,000 tons of CO₂ every year.



Take care of tomorrow - today

Flying around this beautiful world inspires us to keep it that way. Our way is to reduce CO₂ emissions with fuel-efficient aircraft, smarter catering and our CO₂ZERO compensation service. Our way is caring for children in need with KLM AirCares. Our way is to lead the way responsibly. Visit klm.com/csr to find out how to make our way - your way.



Journeys of Inspiration

OPENING NEW DESTINATIONS IN 2011

254 destinations
124 countries

STRONG POSITIONS IN GROWTH MARKETS

33 daily flights to Asia
16 daily flights to Latin America
31 daily flights to Africa

DESTINATIONS OPERATED BY AIR FRANCE AND KLM, AND WITHIN THE FRAMEWORK OF JOINT-VENTURE AGREEMENTS

- Destination operated non-stop out of Paris or Amsterdam
- New network destination (in 2011)
- New destination served out of the two hubs (in 2011)
- Air France-KLM hubs





Our Group is a player in the global recovery



Interview with **Bruno Matheu**,
Executive Vice President, Marketing,
Revenue Management and Network,
Air France-KLM

In an air transport context which remains disrupted, what is your development strategy?

While the economic crisis affected all regions of the world, in long-haul it required only the adaptation of the Group's model. On the other hand, in medium haul, it highlighted the need to undertake a more structural changes. All the work carried out during the crisis has paid off and our Group currently stands ready to act as a driver in the global recovery.

What are your strengths?

With an average age of around nine years, we have one of the youngest fleets in Europe, which naturally enables the achievement of significant fuel savings relative to our competitors.

We are also the leader in terms of the long-haul network out of Europe, based on both the number of destinations served and seats offered. Despite acquiring a number of companies, the Lufthansa group remains, for the Summer 2011 season, significantly smaller with 10.6% of long-haul capacity between Europe and the rest of the world, versus 13.2% for Air France-KLM.

In Europe, Air France-KLM is also the Group with the most long-haul aircraft at 165. We thus have significant potential to exploit!

Transavia.com: when quality is synonymous with low cost

Transavia.com France and Netherlands carried more than 5 million passengers in 2010-11.

These two subsidiaries offer flights to leisure destinations and have, over the years, refined the concept of a high-quality, low-cost medium-haul service.

In 2010-11 Transavia.com Netherlands refocused its offer on the Dutch market and benefited from the significant winter sports demand. Transavia.com France pursued its growth by opening new services out of, for example, Lyons and Nantes.

Sustainable development: the key priorities

Sustainable development is at the heart of the Group's strategy. Air France and KLM have made formal commitments to reducing their CO₂ emissions and the Group deploys a common strategy, applied at the level of each company. The Group assumes and anticipates its responsibilities with regard to this global issue, notably by constantly renewing its fleet which is one of the most up-to-date in Europe. Air France-KLM thus contributes to combatting greenhouse gas emissions and noise disturbance.

Will the Group's growth involve partnerships or the launch of new routes?

We want to reinforce our leadership in Europe by developing our network and introducing new destinations. But we also plan to rely on our partnerships and particularly SkyTeam.

The recovery in global growth, which the Group is accompanying with increased capacity, opens up new development prospects for our network. We have increased our capacity on existing destinations by operating larger aircraft and adding frequencies. We have also launched new destinations and increased the number of destinations served out of both Paris-CDG and Amsterdam-Schiphol. The Group thus plans to operate no fewer than seven additional long-haul destinations relative to the Summer 2010 season including Kigali in Rwanda, Freetown in Sierra Leone, Monrovia in Liberia, Phnom Penh in Cambodia and Xiamen in China. Our powerful trans-Atlantic joint-venture also facilitates the opening of new destinations such as Orlando and Cancun.

Partnerships and joint-venture agreements effectively feed the flights with passenger flows and reinforce the Group's competitiveness on the routes covered by these agreements. This is why the strong development of SkyTeam is a major strength for the Group. Seven new members, all located in rapidly-growing markets, should join the current 14 alliance members by 2012. The alliance's positioning in China will be exceptional since it will, in time, number four Chinese airlines representing 40% of the domestic market, with a presence in the largest Chinese cities together with other rapidly-growing regions.

Won't the development of these new growth areas be to the detriment of the medium-haul network?

On the contrary! Our aim is to reinforce the feeding of our hubs and our presence in Europe, while reducing our operating costs.

Faced with the crisis which particularly affected the medium-haul network, in 2009-10 the Group decided to respond by launching a new European offer. One year after its launch, this offensive clearly responds to customer needs.

This satisfaction has been reflected, in particular, in a very significant increase in *Premium Economy* traffic amounting to more than 60%. The main objective, which was to encourage the return of the best customers, has thus been

“Air France is launching a veritable offensive on departure from the French regions.”

achieved. Having restructured its medium-haul network in 2010, in April 2011 KLM launched the redefinition of its offer for Business customers. Business class was thus reviewed to respond, as at Air France, to the customer need for flexibility and comfort. To reinforce the feeding of our hub, we also signed a number of major partnership agreements including the one with FlyBe in July 2010, offering Air France customers 45 new routes between France and the United Kingdom and 17 domestic flights on the FlyBe network,

connecting at Birmingham, Manchester or Southampton.

Lastly, to return to profitable growth on departure from the French regions, Air France is preparing to launch a veritable commercial offensive out of the French provincial capitals. Our aim is to significantly increase our domestic offer while offering new non-stop flights to Europe and the Mediterranean basin. This project opens the way to recapturing a significant portion of the activity on departure from these cities and marks a modest revolution in which everyone could be a winner.



Maintenance: capitalizing on centres of excellence

Air France-KLM's maintenance division increased its revenues by 7.6% over the financial year by capitalizing on its key strengths: the scale effects on the Group's fleets and those of airline customers, an extensive range of services, the expertise of its teams and the policy of continuous improvement. Air France Industries KLM E&M customers benefit from one of the largest engine shops for the CFMI and General Electric brands, divided between two ultra-modern facilities at Amsterdam and Paris.

Investment in the construction of a new engine test bench facility, on which work began in February, will enable AFI KLM E&M to dispose of a state-of-the-art industrial tool for handling very big engines.

The year saw the signature of some very significant contracts, underpinning the relevance of this strategy. In July 2010, Air Canada entrusted the Group with the support on the GE90 engines equipping its Boeing B777s. By revenue, this contract is one of the largest ever signed by AFI KLM E&M.

AFI KLM E&M is pursuing its growth strategy in profitable markets and segments by deploying its network of subsidiaries and leveraging the strength of its global logistics network. In 2010-11, the Group thus affirmed its presence in growth markets (developing countries, the Americas) by taking 100% control of US subsidiary AMG, specialized in component support and aerostructures, and by acquiring a minority shareholding in the Indian company Max MRO Services, dedicated to component support in the Indian market.





Cape Town, South Africa

Africa



Fishermen, Sierra Leone

A dense network in the African continent.

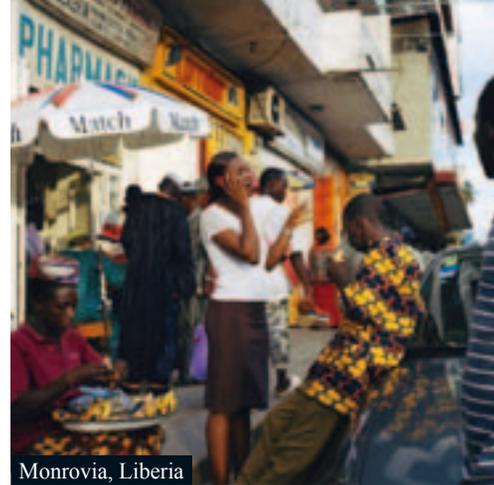
Passengers with Air France and KLM currently have a choice of more than 30 flights to Africa. The Group, whose presence on the continent dates back 75 years, resolutely endeavours to provide a more effective response to customer expectations by opening new destinations but also by improving frequencies and flight times. For example, during the year the two companies reinforced the Pointe Noire (Republic of the Congo) Libreville (Gabon) and Dar es Salaam (Tanzania) services. By joining forces with those of its African partners, the Group offers an even more extensive network of 45 destinations in 33 countries.

The Group's offer is always being reinforced.

Over the course of the year, flights were introduced to three new destinations: Kigali, the Rwandan capital, Freetown, the capital of Sierra Leone and Monrovia, the capital of Liberia. The network will again extend its reach in the autumn of 2011 with the opening by Air France of a seasonal service to Cape Town in South Africa. The Group's development in Africa is in response to a strong commitment to supporting the growth of economic relations between the African continent and the rest of the world.



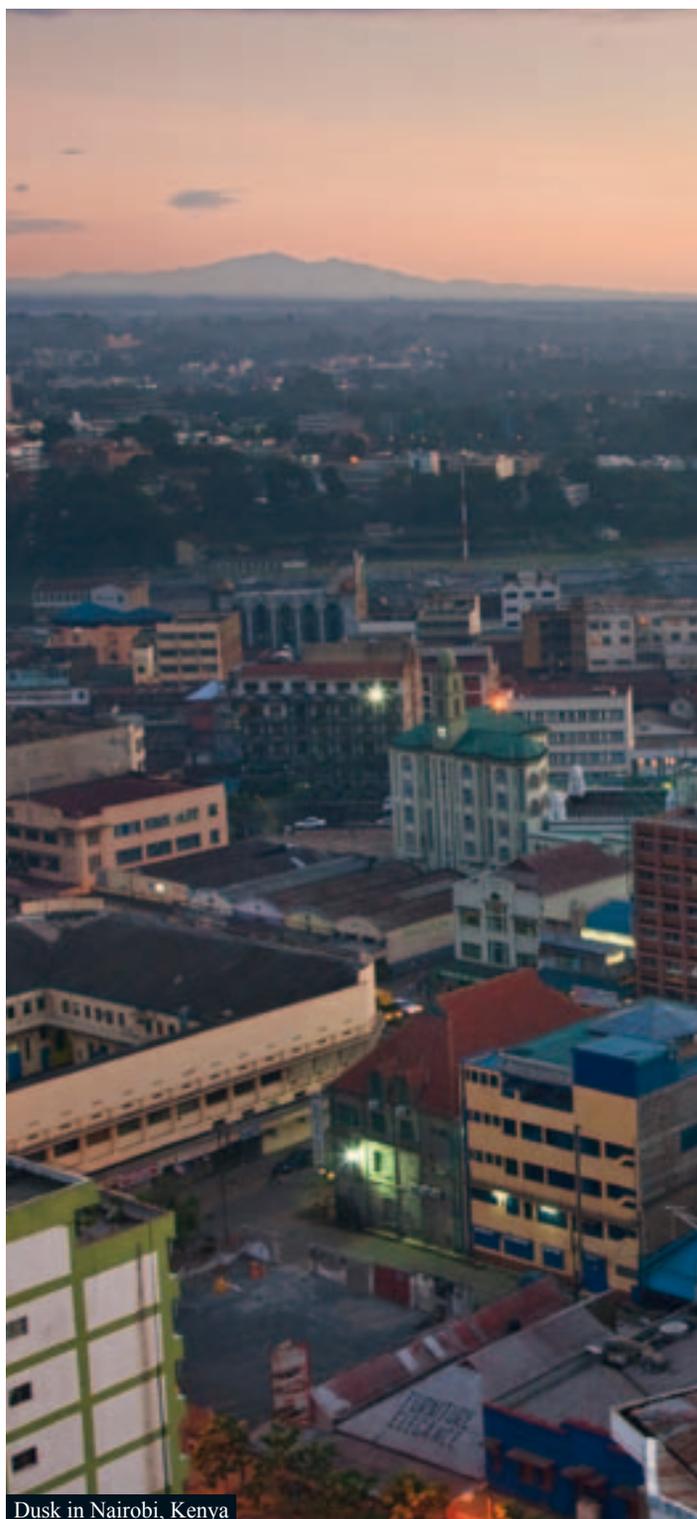
Repairing nets, Sierra Leone



Monrovia, Liberia

To satisfy their customers, Air France and KLM operate one of the youngest fleets in the world. Air France is the first airline to offer the A380 bound for Africa, the aircraft having been inaugurated in February 2010 on the Paris-Johannesburg route. On board flights to Brazzaville and Pointe Noire, customers benefit from new Business seats whose increased comfort has been well received, in satisfaction surveys, by 90% of customers.

To improve passenger comfort, Air France's multicultural crews facilitate passenger services at the airport. Staff with expert knowledge of the African continent are present on flights and ensure the commercial relationship by taking into account any geopolitical, commercial, regulatory and cultural specificities peculiar to individual countries.



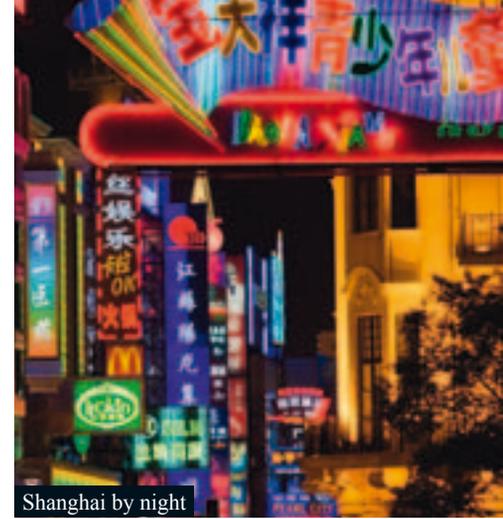
Dusk in Nairobi, Kenya



Agricultural landscape, Sierra Leone



Huangshan (Yellow Mountain)



Shanghai by night

China

The second global power.

China is stepping up its business and leisure interaction with the rest of the world. Air France and KLM participated in this dynamism by carrying more than 1.8 million passengers on their services to this major country where their presence dates back more than 70 years. The Group is thus the leading carrier between Europe and China.

No fewer than 88 flights

per week (or 122 including those operated under code share with China Eastern and China Southern) are offered to customers via the Paris and Amsterdam hubs to eight destinations in Greater China: Beijing, Shanghai, Hong Kong and Canton are served by the two airlines while KLM operates flights to Taipei, Chengdu, Hangzhou and Xiamen.

Travel reflecting cultural nuances.

In flight, no effort is spared when it comes to passenger comfort: crews trained in the Chinese culture, interpreters, announcements in Mandarin and Cantonese. Passengers can enjoy jasmine tea and meals designed by chefs of Chinese origin, watch international films with subtitles in Chinese or films in Mandarin and Cantonese, browse through Chinese newspapers and magazines and listen to traditional Asian music.



Xiamen Island, Fujian province



Haicang Bridge, Xiamen



Statue of Buddha



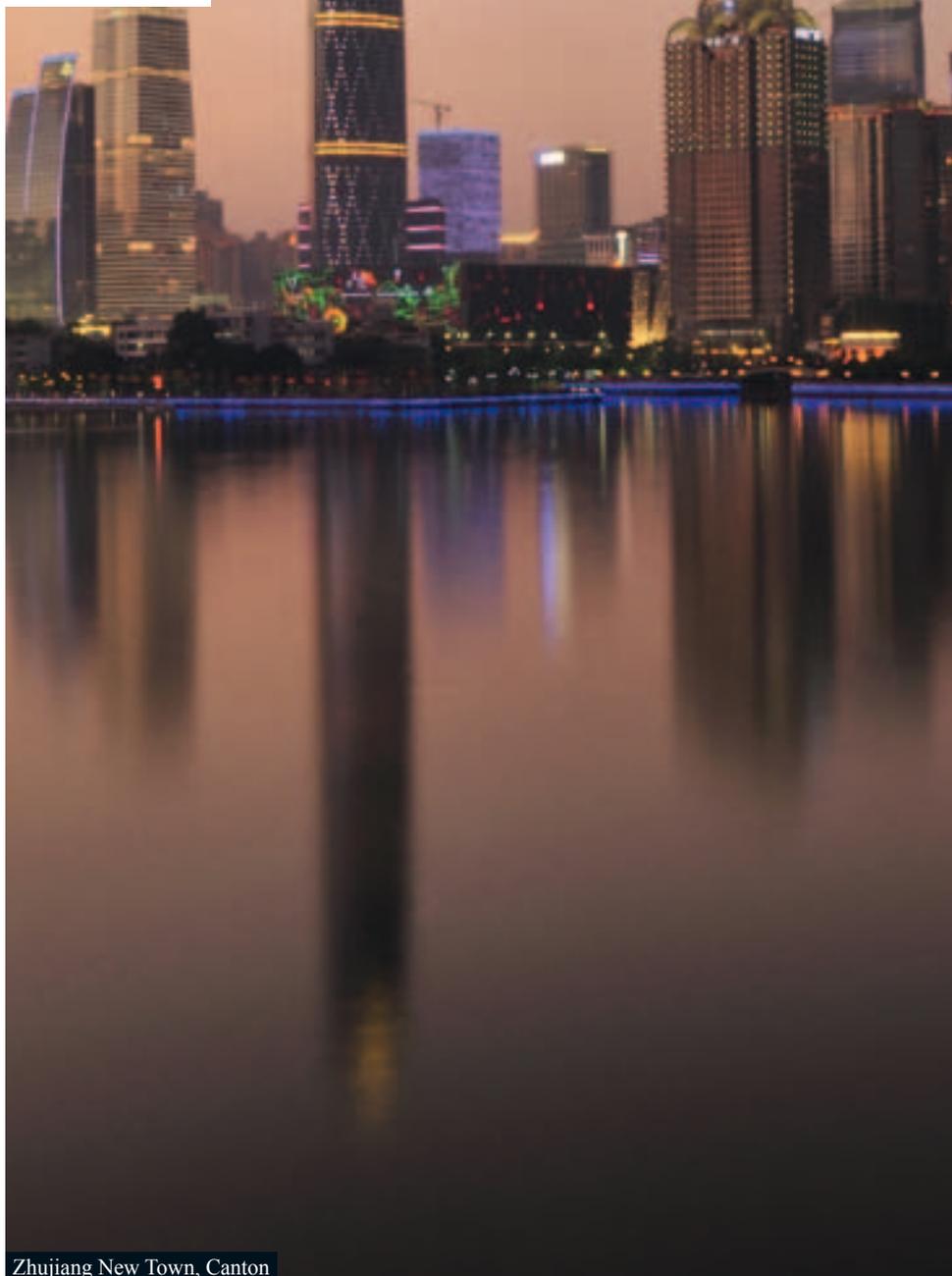
Great Wall of China

Cooperation with Chinese airlines

enables the Group's customers to be offered more frequencies thanks to the code share system.

The joint-venture agreement between Air France and China Southern, effective end 2010 on the Paris-Canton route, marks an additional step in this cooperation. As with the trans-Atlantic joint-venture, this joint-venture gives customers access to an unrivalled network of destinations at competitive prices, increased frequencies with better connections and more opportunities to earn miles. For the member airlines, it is the opportunity to improve their financial results and market shares on the routes operated.

This joint-venture is also aimed at increasing the visibility of the Air France and KLM brands in the Chinese market while preserving and reinforcing the position of the Amsterdam-Schiphol and Paris-Charles de Gaulle hubs in Europe. In 2012, the planned implementation of another joint-venture with China Eastern on Paris-Shanghai should further reinforce the Group's positioning in this country-continent, in line with its development strategy.



Zhujiang New Town, Canton

SkyTeam: a decade of strong growth



Between 2000 and 2010, SkyTeam doubled its number of flights and destinations: an impressive record and promising prospects for the second largest global air transport alliance. With 14 member airlines, customers benefit from unique facilities when traveling on the flights of multiple companies, earning air miles with the different carriers and enjoying access to more than 400 airport lounges globally.



Strong growth in Asia and the Pacific region

The arrival of three Chinese airlines considerably reinforces the SkyTeam network in the most dynamic economic region globally. China Eastern, the third largest Chinese carrier, has been an alliance member since June 2011 as has Shanghai Airlines, which had merged with China Eastern in 2009. These two Shanghai-based airlines alone contribute 32 new destinations to the alliance. The SkyTeam network in the Asia-Pacific region is set to become even more extensive with the membership, announced in September 2010, of the Taiwanese carrier, China Airlines, contributing four new international destinations.

In 2012, the alliance will again extend its reach into South-East Asia and the Pacific with Garuda Indonesia's plans for membership announced in late 2010, bringing with it 30 new destinations.

A reinforced presence in Latin America and the Middle East

In November 2010, the Argentinian flag carrier, Aerolíneas Argentinas, signed an accord to join SkyTeam in 2012, becoming the first South American alliance member. It will contribute 38 new destinations to the network, including Patagonia, a popular destination with travelers.

The alliance is also developing in the Middle East: in January, SkyTeam announced the membership of Saudi Arabian Airlines, the Saudi Arabian national airline, in 2012. As the first Middle Eastern airline to join SkyTeam, it will contribute 35 new destinations to the alliance, bringing infrastructure, a network and a modernized fleet.

In February, Lebanese carrier Middle East Airlines followed hard on its heels, reinforcing the alliance's presence in the Middle East, a strategic market which is seeing rapid expansion.

13,000

daily flights

898

destinations

169

countries

Florida



Lifeguard station, Florida



Florida Keys



Art deco hotel, Miami

Fourteen new flights per week between Florida and London, Amsterdam or Paris is what the trans-Atlantic joint-venture between Air France, KLM, Delta and Alitalia has offered its customers since 2011. On March 21, 2011, KLM inaugurated its first flight between Miami and Amsterdam. On March 26, 2011, it was Delta's turn to launch a daily flight between Miami and London Heathrow. As for Air France, it has been operating three flights a week to Orlando out of Paris-CDG since June 7, 2011. Beyond Miami, Delta also offers new non-stop flights bound for Jacksonville, Orlando and Tampa, courtesy of its subsidiary Comair.

This combined offer illustrates the strategy of the trans-Atlantic joint-venture. Through their cooperation, the four partners offer a wider choice of destinations and flight times, a homogeneous service, simplified booking procedures, common corporate contracts and miles that can be earned on any of the four carriers. Just some of the concrete benefits for their customers.

This joint-venture, the largest on the North Atlantic, mobilizes a fleet of 144 aircraft to operate 266 trans-Atlantic flights daily, representing 27% of total trans-Atlantic capacity. In future, the ambition is to become an increasingly integrated alliance.



SKYTEAM®

**WITH A GLOBAL NETWORK ACROSS ALL CONTINENTS,
TRAVELING HAS NEVER BEEN SO SEAMLESS.**

With 14 SkyTeam members and a large number of partners to connect you to the world, traveling is seamless. More than 850 destinations across all continents make it easy to get wherever you need to go. skyteam.com

Caring more about you™



OPERATIONAL RA- TIONS

**TEAMS
MOBILIZED
24/7**

MANAGING FLIGHT OPERATIONS

From coordination through to the realization and control of the flight schedule, flight operations regroup all the phases linked to the planning and monitoring of flights. Right at the heart of the Group's business, flight operations involve overseeing the effective technical and commercial management of flights to guarantee the customer the highest possible standards of service while ensuring flight safety and security on a permanent basis, no matter the unexpected events (meteorological conditions, political unrest, technical incidents, health scares, etc.).

A closer look at Air France's Operations Control Center (OCC).



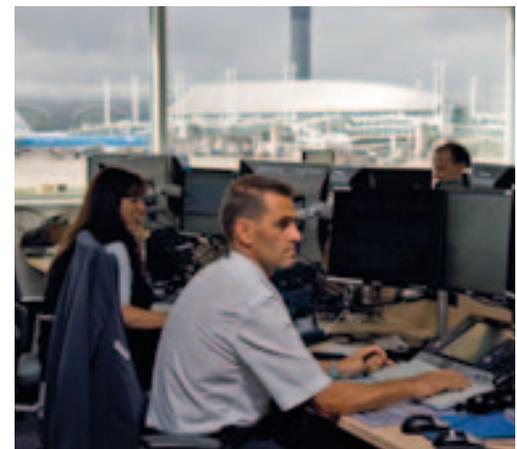
Operations Control Center

The Flight Planning unit researches and prepares the flight documentation for all Air France long-haul flights. The flight documentation contains, in particular, all the information on the aeronautical environment traversed, the flight plan, the air traffic control authorizations and the weather reports for the route.



Team briefing, retrieval of the flight documentation

No later than one hour and forty-five minutes before the departure time for the flight, the flight captain picks up the flight documentation, determines the fuel load and briefs his or her crew.



Ground flight coordination

Meantime, all the decisions regarding the ground operations are made by the hub's Control Center: parking stands for the aircraft, passenger and baggage handling, oversight of the teams intervening around the aircraft, etc.



KLM Operations Control Center



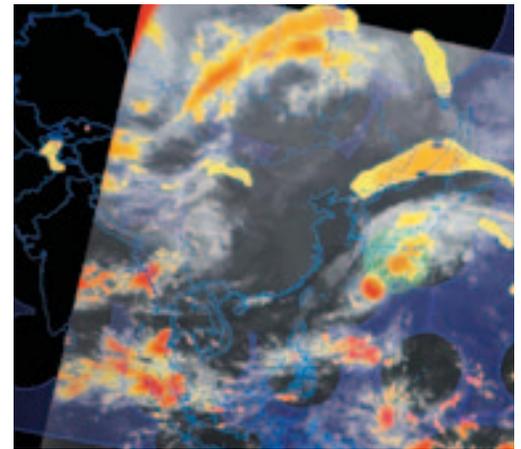
Loading of cargo

One hour before the flight, on the runway, numerous individuals are involved in preparing the bellies, loading the cargo, loading the fuel supply together with the meal trays and other perishable items required during the flight, and checking the proper execution of the ground operations during the stop-over.



Passenger service

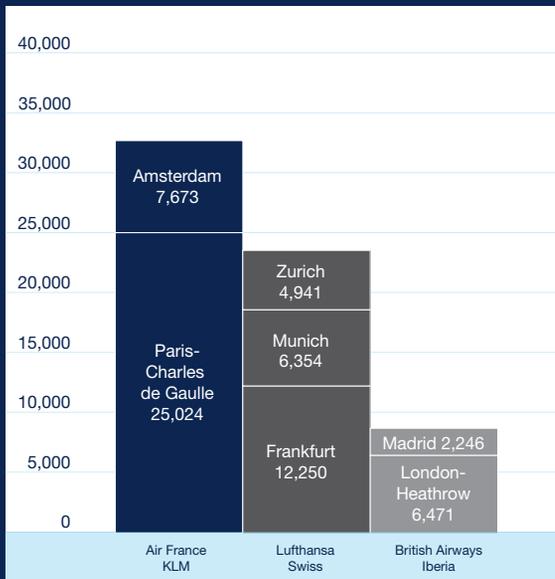
Soon, boarding can begin. The airport-based teams check passenger identity documents and tickets while the crew welcomes them on board.



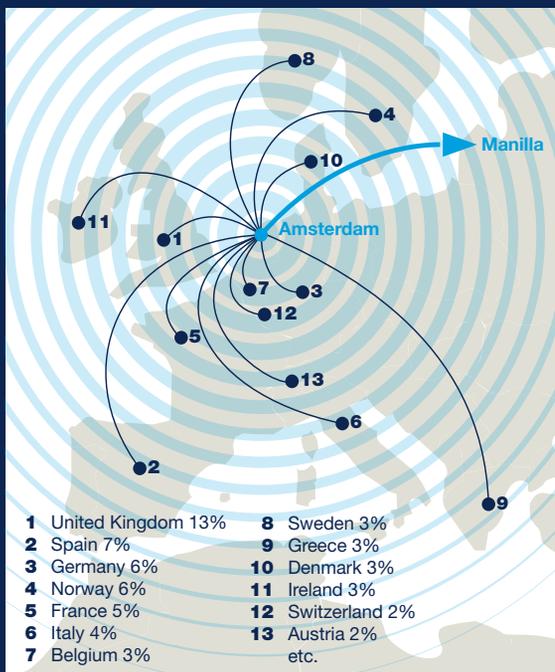
Flight monitoring

After take-off, the operation of the aircraft is monitored by the OCC which provides en route weather reports as well as technical assistance to the crews.

THE BEST OFFER OF CONNECTING FLIGHTS IN EUROPE



More than 30,000 connecting opportunities between the medium and long-haul networks in under two hours (weekly figures)



For example, on an Amsterdam-Manilla flight, more than 90% of passengers are connecting passengers.

Power of the hubs

The dual hub of Air France and KLM is one of the cornerstones of the Group's strategy.

At the heart of this dual network are two powerful hubs, Paris-Charles de Gaulle and Amsterdam-Schiphol, interlinked by some dozen daily flights known as the Paris-Amsterdam Hubway, enabling optimized access to the two networks.

The Air France and KLM networks are complementary when it comes to linking Europe more effectively with the rest of the world. The number of destinations common to Air France and KLM is limited: 70% of long-haul and 60% of medium-haul destinations are served by only one of the two airlines. For example, KLM's operations have a bias towards East Africa whereas Air France is more present in West Africa. Since it is balanced, this dual network is also less sensitive to external shocks. Dependent on no single market, it also offers a natural hedge to risk.

THE HUB: COMBINING LIGHT AND HEAVY TRAFFIC FLOWS

The principle of the hub is to enable the pooling of a large number of light traffic flows (short and medium-haul) with heavier flows to and from international destinations (long-haul). This involves establishing waves or banks several times a day within which the flight arrivals and departures are concentrated.

This structure of flight times multiplies the connecting opportunities while keeping the waiting time between two flights to a minimum. Between Air France and KLM, there are more than 30,000 connecting opportunities in under two hours every week.

Unlike other European platforms, Paris-Charles de Gaulle and Amsterdam-Schiphol have significant development potential. One of the major strengths of these platforms is that they are not saturated and are able to expand to anticipate future trends. Terminal 2 at Paris-Charles de Gaulle is thus being equipped with a new satellite that will, in time, offer 16 additional aircraft parking stands.

Lyon-Saint Exupéry, Air France-KLM's third hub after Paris-Charles de Gaulle and Amsterdam-Schiphol, is a real aviation crossroads interlinking the French regional capitals with other European cities, making this airport an integral part of the Group's powerful, structured organization.

SERVAIR, CATERING TO GLOBAL TASTES



Servair is the number three globally for airline catering and logistics. Servair is the partner of choice for airlines due to the refinement of its in-flight services and level of passenger comfort.

Meals are a very important moment during any flight since they contribute to passenger comfort and well-being. The Servair teams are constantly seeking to reconcile gastronomy with the constraints inherent to airline catering producing, in the permanent respect of food quality and hygiene standards, more than 200,000 meals at more than 52 stations across the globe.

As the ambassadors of world cuisine, Servair and its chefs develop an exclusive and innovative catering offer for airlines. The chefs are supported in this process by the Servair© culinary Studio, overseen by Joël Robuchon, together with Guy Martin, Jacques Le Divellec, Michel Quissac and Bruno Goussault, the specialist in vacuum-packed cuisine.

On board an aircraft a clean, welcoming cabin makes for a more pleasurable travel experience for passengers while crews need all the equipment required to ensure a comfortable flight (amenity kits, newspapers, drinks, etc.). This, too, is Servair's mission.

In order to guarantee a permanently consistent level of service quality everywhere in the world, Servair is actively engaged in a process to consolidate and develop its international network with local partners, the guarantor of respect for local specificities and the corporate culture specific to each company.



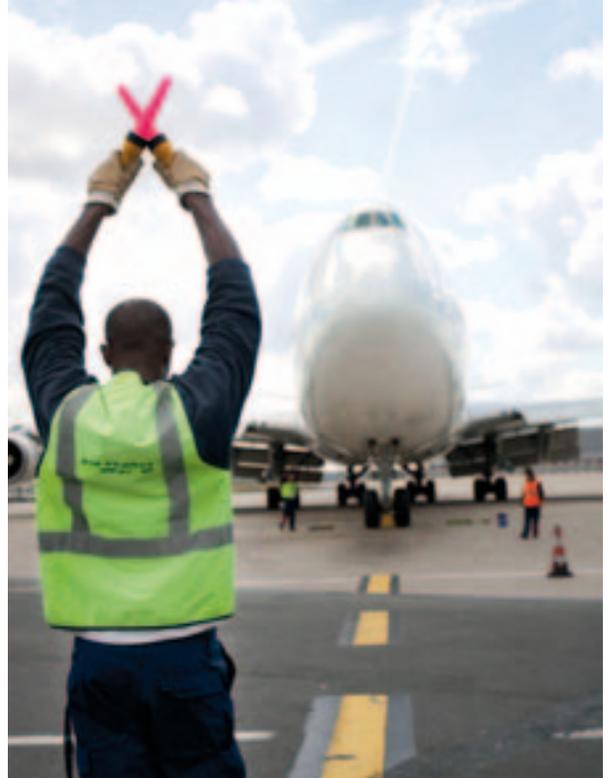
Security: a priority for airlines

Since the flight operations and customer service objectives are closely linked, Air France and KLM have made guaranteeing their customers high performance standards in terms of punctuality and reliability a key priority. To this end, Air France and KLM have invested in state-of-the-art operating facilities such as the Operational Control Centers for the two airlines (see feature on page 40). This high level of performance also means prioritizing innovation in aviation safety.

The cornerstone of the contract between the airlines and their customers, safety is a priority for every airline and is, consequently, the subject of numerous checks and forms of certification. Whether at global level with IATA (International Air Transport Association), whose IOSA safety audit is a reference for the sector, or at European level with EASA (the European Aviation Safety Agency), the standards for certification are very demanding: Air France and KLM fully comply with these extremely demanding standards and with the highest standards in the air transport industry.

When it comes to safety, in addition to complying with these demanding standards, Air France and KLM's ambition is also to achieve the highest possible level of safety. This is why the two companies have explicitly placed flight safety at the heart of their corporate project by making it a key priority.

This ambition reflects the Group's commitment to achieving high standards in this area, and to innovating and guaranteeing that safety continues to be a constant concern for all employees. To drive this process, Air France and KLM have developed an ambitious program based on a series of initiatives.



SAFETY TO THE FORE AT AIR FRANCE: THE INDEPENDENT SAFETY REVIEW TEAM

In December 2009, Air France set up an external Independent Safety Review Team on flight safety, comprising eight independent and internationally-recognized experts to unite both the French and Anglo-Saxon cultures. The team was tasked with reviewing all the internal operational procedures, decision-making processes and practices potentially having an impact on flight safety.

On this basis, in January 2011, following a year-long inquiry during 2010, the experts made 35 recommendations to Air France to drive the ongoing process aimed at the highest possible standards of flight safety for the airline.

Air France is the first major airline to have undergone, on its own initiative, a review by external experts. By implementing their recommendations, which combine the best practices observed in other airlines globally, Air France plans to achieve the highest possible standards of flight safety.

This initiative goes hand in hand with the *Trajectoire* project group comprising professional pilots dedicated to the launch of flight safety initiatives. This project will support the implementation of the recommendations of the Independent Safety Review Team.

Following these recommendations, a Flight Safety Committee was created within the Air France Board of Directors, tasked with monitoring the safety of operations and reviewing any issues relating to flight safety and the relevant indicators.





The captain and his crew wish you a delicious trip with top-notch chefs' menus in La Première, gourmet meals in Business Class, varied menus in Voyageur Class.

Cargo transportation is Air France-KLM's second business, **contributing 12% of revenues.** With the integration of Martinair Cargo, Air France-KLM Cargo confirmed its position as the leading European and global air freight operator amongst the AEA (Association of European Airlines) member airlines, with a market share of 31%, and 6.8% at global level (IATA).

3.2

billion euros of revenues

By calling on Air France-KLM Cargo's services, customers benefit from a **vast and dense network** based on two operating systems, Paris-Charles de Gaulle and Amsterdam-Schiphol. The two airlines are also members of SkyTeam Cargo, to date the only global alliance of air freight transporters, which covers the main strategic trade routes.

1.5

million tons transported



cargo

Air France-KLM now prioritizes the marketing of the bellies of passenger aircraft. Bellies and combis accounted for 67% of capacity versus 33% for full freighter aircraft.

The new cargo strategy reduces the Group's environmental impact.

The increased load factors on bellies and combis optimizes the use of available capacity and enables the saving of the equivalent of three quarters of a full freighter aircraft annually, thereby reducing CO₂ emissions by 33,000 tons.

14

full freighters



OUR NETWORK OPENS UP YOUR HORIZONS

When you choose Air France-KLM Cargo and Martinair Cargo as your partner, you are above all choosing a far-reaching network that guarantees fast delivery of your cargo just about anywhere in the world.

Coverage: via our two major gateways in Paris and Amsterdam we serve 320 destinations in 113 countries, and through our charter ad-hoc freighter desk, we can also offer many other destinations you may need.

Frequencies: we reach almost 60 countries more than once daily and fly between Europe and the Americas 435 times per week, between Europe and Asia over 200 times per week and between Europe and Africa 330 times per week.

Flexibility: the majority of goods can be transported on our wide body aircraft, while for extraordinary volumes and sizes we offer capacity on our Combi and freighter fleet.

THE CAPACITY TO SERVE YOU



AIRFRANCE / **KLM**
CARGO



www.afklcargo.com
www.martinaircargo.com

Martinair CARGO

PEO- PLE



Steve Relyveld

Duty Manager, Operations Aerospace Logistics, KLM Cargo

"I'm in charge of logistics in the Aerospace Department, which involves delivering aircraft engines to wherever the client wants, all over the world, night or day. The most important aspect of the job is flexibility because, for customers, aircraft on the ground cost a lot of money, and they really need the engines to be delivered on time. What I like best about my job: teamwork and organizing the workflow so that, at the end of the day, the customer receives the delivery on time."



KLM
CARGO





Eric Bernard

Boeing B777 flight captain, Air France

“The flight captain is tasked with transporting passengers from point A to point B, in absolute safety, on time and under good commercial conditions: the passenger must be happy with the travel experience. My job is therefore to head the crew and coordinate skills in what is, above all, a team effort. What I love about my job is the diversity: diversity in terms of destinations, the people you meet and the operational situations experienced... My passion for flying remains intact.”



Manal Al Nammari

Station Manager at Lomé (Togo),
Air France-KLM

“The working day of a Head of Station is spent with his or her team, planning the departure and arrival of the aircraft. You need to deal with everything: the crew, the aircraft, the cargo, etc. And of course, most importantly, the customers! You need to ensure that all the regulations are respected, particularly in terms of security and safety. The two key words in my job are contact and control. To reconcile everything, you need to be diplomatic but I find that being a woman gives me an advantage: people talk more openly to a woman and they listen more.”



Didier Barussaud

Head of Occupational Safety
Deployment, Air France Industries

“My work means making sure that every employee coming to work in the morning arrives home in good health and physical condition in the evening. My job is based on observational phases. I go into the field and look for risks or poor practices and how to avoid them. We learn from experience: improving individual protection equipment, clear demarcation of working zones... Most of the good ideas come from the operators themselves and my job is to deploy them and ensure that they are widely adopted.”

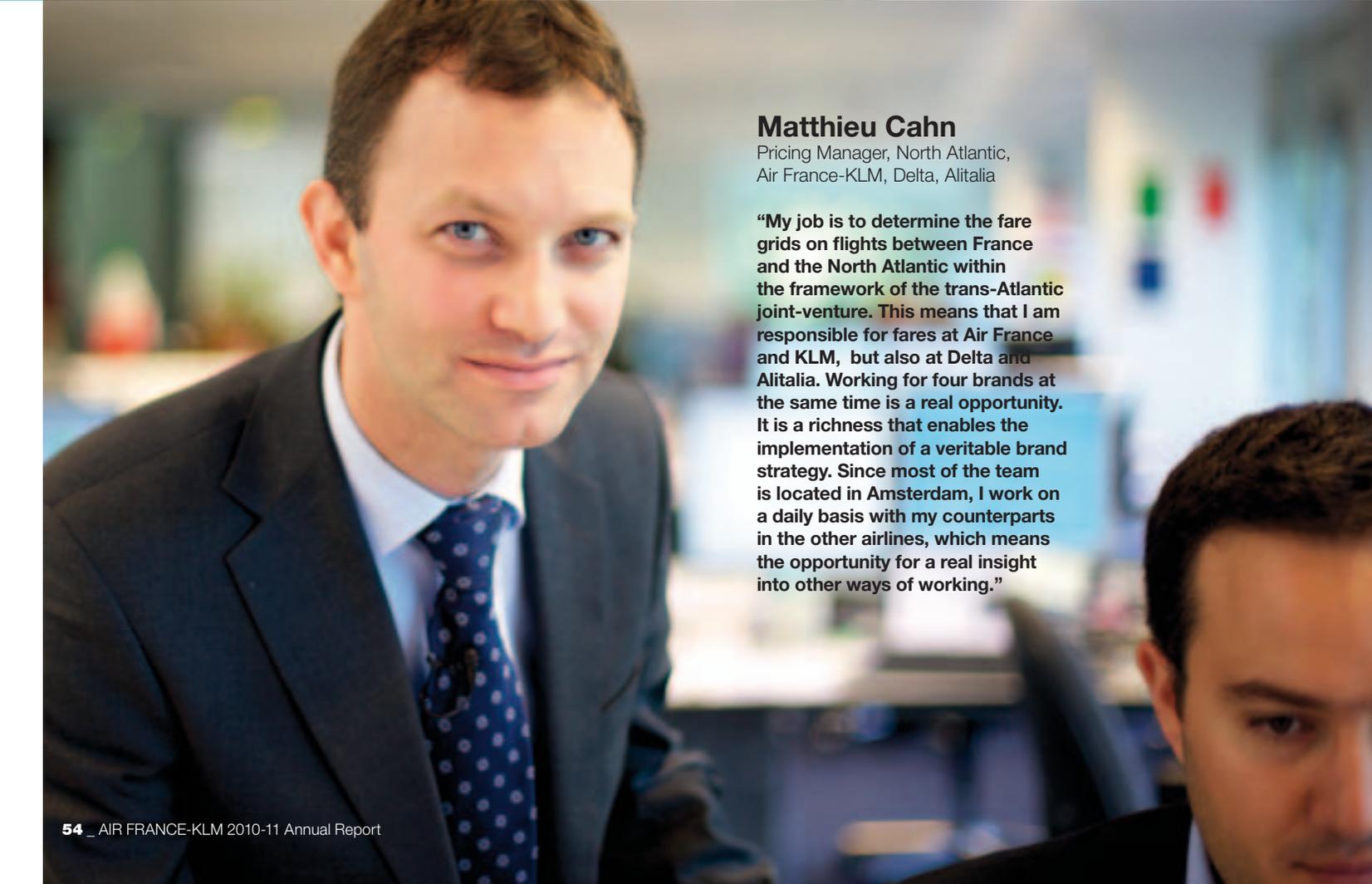


A close-up portrait of Yves Le Petitcorps, a man with a prominent mustache, wearing a dark suit, white shirt, and a blue patterned tie. He is looking slightly to the left with a gentle smile. The background is blurred, showing what appears to be an office or airport setting.

Yves Le Petitcorps

Director of Employment and Training,
Air France

“At Air France and KLM there is a strong policy of maintaining employment which is reflected in significant internal mobility. But mobility inevitably goes hand in hand with training... This training is made possible thanks to a very major investment effort from the two companies. In a context where the businesses are changing very rapidly with the development of new technologies, it is naturally vital to support employees in the transformation of their activity.”

A portrait of Matthieu Cahn, a man with short brown hair and blue eyes, wearing a dark suit, white shirt, and a blue patterned tie. He is looking towards the camera with a slight smile. The background is a blurred office environment.

Matthieu Cahn

Pricing Manager, North Atlantic,
Air France-KLM, Delta, Alitalia

“My job is to determine the fare grids on flights between France and the North Atlantic within the framework of the trans-Atlantic joint-venture. This means that I am responsible for fares at Air France and KLM, but also at Delta and Alitalia. Working for four brands at the same time is a real opportunity. It is a richness that enables the implementation of a veritable brand strategy. Since most of the team is located in Amsterdam, I work on a daily basis with my counterparts in the other airlines, which means the opportunity for a real insight into other ways of working.”



Natalie Dijkgraaf

Service Agent, passenger service
at Schiphol, KLM

“I have been a KLM service agent for the past six years, helping passengers with check-in and transfers. It is very interesting since you need to establish a rapport within a short space of time. Customers are now very autonomous with self-service check-in kiosks and check-in by mobile phone so usually I only need to step in when they need assistance. It can be passengers travelling for business or families going on holiday. It is challenging sometimes but I am always satisfied to see customers happy and properly checked in. I love travelling and enjoy sharing this passion with customers.”



Aeronautics maintenance is the Air France-KLM group's **third business**. In addition to the services delivered to the Group's fleets, **one third of activity is realized with third-party customers** in return for revenues representing more than 4% of the Group's total revenues. The maintenance activity operates under the Air France Industries KLM E&M brand (AFI KLM E&M).

1,300

aircraft handled

AFI KLM E&M **guarantees the airworthiness of the Group's fleet and its regulatory compliance.**

For this AFI KLM E&M supervises management of the technical data, implements the maintenance policies and ensures the round-the-clock availability of people with the right skills and the required technical resources.

150+

airline customers



maintenance

1.03

billion euros of revenues

AFI KLM E&M's products and services cover all needs: from support to line maintenance, airframe overhaul, component and engine support, cabin modification and technical training. **Customers benefit from, notably, one of the largest engine overhaul facilities for the CFMI and General Electric brands**, with the two ultra-modern engine shops at Amsterdam and Paris-Orly. The latter facility, dedicated to the overhaul of very big engines (GE90 and GP7000-type) makes the Group a major player in this area.

No.2

globally in multi-product aeronautics maintenance (Maintenance Repair Overhaul or MRO)

Air France Industries (AFI) is expanding its Single & Global Certification to ISO 26000 for corporate social responsibility. Following the evaluation audit carried out in November 2010, AFI, the first company to be assessed based on these criteria, became the first maintenance operator in the world to benefit from this new international standard.

IN A CHANGING WORLD, TRUST THE ADAPTIVE ONE



ADAPTIVENESS[®] is our response to the changing Maintenance Repair Overhaul business environment. ADAPTIVENESS[®] means listening to and understanding the key technical priorities of your operations, building unique solutions meeting your specific requirements, and staying at your side as a partner to support you through your daily challenges in a spirit of continuous improvement. If, like many other airlines around the world, you are looking for efficient MRO solutions which lead to longer on-wing times, optimized MTBRs, and overall performance, ask us about ADAPTIVENESS[®].



Interview with Philippe Calavia, Executive Vice President, Finance, Air France-KLM and Chief Financial Officer, Air France and **Frédéric Gagey**, Chief Financial Officer, KLM.

Against a backdrop of economic recovery, which continued to be characterized by numerous unforeseen events and enduring uncertainties, Air France-KLM recovered strongly. A look back at the 2010-11 financial year and at the financial prospects for the Group, whose results improvement remains to be consolidated.

WHAT WERE THE HIGHLIGHTS OF AIR FRANCE-KLM'S 2010-11 RESULTS?

Philippe Calavia: We returned to positive territory in terms of both the operating result, which reached €122 million after a loss of €1.285 billion one year ago, and the net result which amounted to €613 million, notably due to the revaluation of Amadeus shares on the occasion of the company's stock market flotation in April 2010.

Frédéric Gagey: And this was achieved despite having to contend with numerous challenges from the Icelandic ash cloud early in the financial year to the heavy snowfall at the end of 2010, the political upheaval in North Africa, the Japanese catastrophe and the soaring oil price which was particularly marked during the final quarter of the 2010-11 financial year.

WHAT WERE THE KEY FACTORS IN THE RECOVERY?

PC: Over the year as a whole, the €1.4 billion improvement in the operating result came above all from a strong rebound in revenues which increased by €2.6 billion, growth of 13%. The Group's results were, however, penalized by the very sharp rise in the fuel bill. Excluding fuel, the Group achieved a very good performance in terms of reducing operating costs. The restructuring and adaptation measures implemented since the beginning of the crisis have thus produced a positive result. Unit costs excluding currency and fuel fell by 0.5% over the year, and by 1.3% if you neutralize the effects of the events that significantly disrupted our activity in 2010-11.

“The trends already in place in 2010-11 show that we are on the right track. This remains to be consolidated.”

FG: I would also like to highlight the success of our *Challenge 2012* program which enabled the achievement of €595 million of cost savings, surpassing the initial target by some hundred million euros. This is thanks to a mobilization of the teams in all sectors to contain procurement, improve productivity, implement the necessary restructuring, in cargo for example, while continuing to deliver a high-quality service. The three main businesses experienced a strong improvement in their overall results: the passenger business approached break-even, cargo returned to profit after a very challenging 2009-10 and maintenance saw a marked improvement in its contribution to operating income.

REVENUES

(€ billion)



EBITDAR

(€ billion)



EBITDAR measures the management performance, corresponding to the difference between revenues and operating expenses, excluding operating leases, depreciation and provisions. It makes it easier to compare different airlines whatever the method used to finance their fleets.

OPERATING INCOME/(LOSS)

(€ billion)



NET INCOME/(LOSS)

(€ billion)



2.5

billion euros generated by the fuel hedges in seven years



PHILIPPE CALAVIA
Executive Vice
President, Finance,
Air France-KLM
and Chief Financial
Officer, Air France
(left)

FRÉDÉRIC GAGEY
Chief Financial
Officer, KLM
(right)

AND YET THE FUEL BILL HAD A SIGNIFICANT IMPACT...

PC: It effectively increased by €1 billion relative to the previous year: a 21% rise! Between January 2010 and January 2011, the oil price soared from \$80 to \$111. To this price rise, which had a \$1.1 billion negative impact in our accounts, was added a second factor: the appreciation in the dollar relative to the euro which increased our bill by €300 million.

FG: On the other hand, the impact of the losses on hedging (€164 million) was much lower than in the previous year. The former hedges are gradually disappearing and those that remain have turned positive. We are again entering a period when hedging becomes favorable. The counterparty to this is, of course, that the oil price is a good deal higher.

WHAT IS THE LONG-TERM TRACK RECORD OF YOUR FUEL HEDGING STRATEGY?

PC: Very positive. Since the creation of the Air France-KLM group, our fuel hedging strategy has brought in €2.5 billion, even if its impact was negative to the tune of €800 million over the last two financial years. It should again be positive this year at some €500 million if the oil price remains at the current level, i.e. around \$115.

YOU ALSO PLAN TO IMPROVE THE GROUP'S FINANCIAL STRUCTURE...

PC: Our initial objective had been to stabilise the Group's net debt in 2010-11. This objective was exceeded. The Group generated operating cash flow of €1.35 billion. Furthermore, the Amadeus stock market flotation generated cash proceeds of some €200 million and net investment was maintained at around €1.1 billion. Overall, the Group closed the financial year with free cash flow of €400 million after investments, strengthening the Group's balance sheet. Net debt was reduced by €300 million, moving from €6.2 billion to €5.9 billion. Our gearing ratio (net debt to stockholders' equity) was thus significantly reduced, from 115% at March 31, 2010 to 85% at March 31, 2011.

FG: The Group's financial situation is healthy. Furthermore, we are also protected against a rise in interest rates since 71% of our debt is contracted at fixed rates and the rest is covered by our cash. Elsewhere, we are not exposed to dollar fluctuation since 90% of our debt is denominated in euros.

AMONGST THE FIVE GOALS OF THE EMBARK CORPORATE PROJECT ONE RELATES TO FINANCE. WHAT ARE YOUR OBJECTIVES?

PC: Our ambition is to remain a major Group within our industry and to generate the financial resources required to actively participate in the growth of air transportation over the next few years. For this, we need to continue our efforts to regain our level of pre-crisis financial performance, which is to say a return on capital employed of 8%. To achieve this objective, we must focus our efforts on three main areas. Firstly, the Group must pursue its efforts to reduce unit costs to remain competitive within a tougher competitive environment. Air France-KLM's objective is to reduce unit costs by around 1% annually over the next three years. The Group must also continue to curtail investment, particularly in terms of the fleet plan and reduce debt so that it remains below the level of stockholders' equity.

FG: Note that this ambition applies to all the businesses: supporting profitable growth in the maintenance business but also developing a cargo business that is profitable over the long term and makes an increased contribution to long-haul profitability. The trends already in place during the 2010-11 financial year, notably the recovery in the cargo business, show that we are on the right track. This remains to be consolidated!

“We need to pursue our cost-cutting efforts.”

In terms of unit costs, efforts to reduce external expenses by a more effective procurement strategy should be maintained. We also need to continue to improve productivity by using new technologies more effectively and making our processes more efficient. For example, this is the aim of the project to simplify and align the financial processes, launched in 2010 (Finance Function Transformation project).

PC: Lastly, I would add that 2011 will be one of change since the Group has decided to come into line with most air transport players and change its accounting year to the calendar year. This means that the financial year beginning April 1, 2011 will close on December 31, 2011 and last for a period of only nine months.

DEBT

NET DEBT
(in € billion)



GEARING RATIO



CHALLENGE 2012 COST-SAVINGS PLAN:

approaching €600 million of savings in the 2010-11 financial year





PETER HARTMAN
President and Chief
Executive Officer of KLM



PIERRE-HENRI GOURGEON
Chief Executive Officer
of Air France-KLM and Air France

Governance

The Group's governance is ensured by its Board of Directors, chaired by Jean-Cyril Spinetta, and by the Group Executive Committee, headed by Pierre-Henri Gourgeon.

The Board of Directors determines the orientations of the Group's activities and ensures their implementation. Subject to the powers conferred upon it, the Board is responsible for any question regarding the proper running of the company and settles, in its deliberations, the matters which concern it. During the 2010-11 financial year, the Board met nine times.

The Group Executive Committee meets every two weeks, alternating between Amsterdam and Paris, in order to determine the Group's main orientations within the framework of the strategy approved by the Board of Directors. Its members fulfil responsibilities at the level of the Air France-KLM group while retaining their functions within each company.

Group Executive Committee



BRUNO MATHEU
Executive Vice President, Marketing, Revenue Management and Network, Air France-KLM and Chief Commercial Officer, Air France

PHILIPPE CALAVIA
Executive Vice President, Finance, Air France-KLM and Chief Financial Officer, Air France



PIERRE-HENRI GOURGEON
Chief Executive Officer of Air France-KLM and Air France



CAMIEL EURLINGS
Executive Vice President, Air France-KLM Cargo and Managing Director of KLM



CHRISTIAN BOIREAU
Executive Vice President, French Sales, Air France-KLM



FRÉDÉRIC GAGEY
Executive Vice President, Fleet Management, Air France-KLM and Managing Director and Chief Financial Officer, KLM

WIM KOOIJMAN

Executive Vice President, Management Development, Air France-KLM



BERTRAND LEBEL

Secretary to the Executive Committee in charge of strategic planning, Air France-KLM



ALAIN BASSIL

Executive Vice President, Engineering & Maintenance, Air France-KLM and Chief Operating Officer, Air France



PETER HARTMAN

President and Chief Executive Officer of KLM



ERIK VARWIJK

Executive Vice President, International and The Netherlands, Air France-KLM and Managing Director, KLM



EDOUARD ODIER

Executive Vice President, Information Systems, Air France-KLM and Air France

AN ONGOING DIALOGUE WITH SHAREHOLDERS

Air France-KLM maintains a regular dialogue with shareholders, in a spirit of transparency, aimed at building direct, long-term relationships. To this end, the Group has teams dedicated to relations with both individual shareholders and institutional investors.

MEMBERS OF THE BOARD OF DIRECTORS AT MARCH 31, 2011

The Air France-KLM Board of Directors can have up to eighteen members, appointed for a four-year term of office. At March 31, 2011, the Board comprised fifteen members, including two representing the employee shareholders appointed by the General Shareholders' Meeting and three representing the French State, appointed by ministerial order.

Jean-Cyril Spinetta

Chairman of the Board of Directors, Air France-KLM and Air France

Pierre-Henri Gourgeon

Chief Executive Officer, Air France-KLM and Air France

Leo M. van Wijk

Vice-Chairman of the Air France-KLM Board of Directors

Maryse Aulagnon

Chairman and Chief Executive Officer of Affine

Patricia Barbizet

Chief Executive Officer and Director of Artémis

Jean-Dominique Comolli

Commissioner for State Holdings

Frits Bolkestein

Member of the Supervisory Board of de Nederlandsche Bank

Jean-François Dehecq

Honorary Chairman of Sanofi-Aventis

Jean-Marc Espalioux

Chairman of Financière Agache Private Equity

Claude Gressier

Honorary General Public Works Engineer and Director of the SNCF

Peter Hartman

President and Chief Executive Officer, KLM

Philippe Josse

Director of Budget, Ministry of the Economy, Finance and Industry

Cornelis van Lede

Chairman of the Heineken Supervisory Board

Christian Magne

Representative of the ground staff and cabin crew, Finance Executive

Bernard Pédamon

Representative of the flight deck crew, Boeing B777 Flight Captain

PERSONAL CONTACT WITH SHAREHOLDERS

Nothing beats personal contact when it comes to maintaining a dialogue and keeping shareholders informed of the Group's day-to-day realities. In addition to the Annual General Shareholders' Meeting, the Group organizes regular roadshows to meet with individual and institutional shareholders.

Individual shareholders are invited to information meetings in the French regions that the Group organizes in partnership with the business press to present its strategy, results and issues relevant to the sector.

During the 2010-11 financial year, seven meetings of this type were held, from Bordeaux last September, to Metz and Rheims in October, Biarritz and La Rochelle in March, and Dijon and Clermont-Ferrand in April.

For institutional investors, the Group's senior executives regularly participate in roadshows in Europe and the United States. Furthermore, every year the **Investor Day** is the opportunity to meet with the Group's operational executives.

DEDICATED TEAMS

The Shareholder Relations team is responsible for day-to-day contact with individual shareholders informing them of the Group's financial news or, for example, the taxation applying to shares. On request, the team will dispatch the available documents by mail.

The Investor Relations team maintains an ongoing dialogue with financial analysts and institutional investors and organizes conference calls and information meetings for the financial community to coincide with results announcements.

A FORUM FOR DISCUSSION AND IDEAS

The Group encourages the involvement of individual shareholders and welcomes their ideas when it comes to developing its communication.

The Consultative Committee for Individual

Shareholders, established in 2000 and currently comprising thirteen representative members, constitutes a forum for discussion and ideas on communication with Air France-KLM's individual shareholders. During the quarterly meetings, its members raise any questions they have and communicate their suggestions and requests which are followed up by Air France-KLM in the form of recommendations and thematic studies. In 2010-11, the Consultative Committee work, in plenary sessions and sub-groups, notably focused on the General Shareholders' Meeting, the Shareholders' Newsletter, the website and the Annual Report.

The members of the Committee also act as the bridge between individual shareholders and the Group. They regularly accompany the teams responsible for financial communication to information meetings held during the Shareholders' Meeting or the Paris Air Show.

The Group has also created a Shareholders' Club so as to maintain a regular, constructive dialogue. Now numbering some 7,000 members, this Club is open to all Air France-KLM shareholders holding at least 50 shares in bearer or registered form. Sign up to receive a subscription to the club's *ACTION'Air* newsletter.

Members of the Shareholders' Club can also gain a behind-the-scenes insight into the Group. In 2010-11, some twenty site visits offered the opportunity to meet the professionals in the passenger, cargo and maintenance businesses.

ACCESS TO REAL-TIME INFORMATION

Shareholders have continuous access to clear and transparent information on the Group's news and results through a number of different channels.

The Group's financial website

www.airfranceklm-finance.com offers shareholders interactive content designed with their needs in mind. They can consult and download the Group's financial publications from the website together with all the documents relating to the Annual General Shareholders' Meeting and the financial calendar. A simplified version of the website is also accessible using a mobile phone at the address www.airfranceklm-finance.mobi.

The ACTION'air shareholders' newsletter (previously called Connecting), published every quarter and sent to members of the Shareholders' Club, contains an update on results and news on the Group. In 2010, a change of name was accompanied by a new layout.

Social media are not forgotten. Since 2008, the Group has been present in the Second Life universe having created an *Island in the Sky*, dedicated to information and dialogue on the Group's financial news.

MEMBERS OF THE AIR FRANCE-KLM CONSULTATIVE COMMITTEE FOR INDIVIDUAL SHAREHOLDERS

G rard Audran, Research Executive, Aix-en-Provence

Ren  Chateaufneuf, Mason, Bernis

Henri Deportes, Retired, Lyons

Jean-Louis Dervin, Engineer, Caen

Michel Guerillot, Consultant, Saint-Cloud

Gilbert Le Dain, Retired, Maisons-Laffitte

Fabrice Lelong, Accountant, Paris

Michel Martin, Lawyer, Charenton-le-Pont

Philippe Millet, Chief Executive Officer, Chenoise

Huguette Rolet, Retired, Rocquencourt

Christian Samson, Designer, Paris

Claude Samuel, Retired, Couzeix

Anne Somborn, Retired, Levallois-Perret

For further information, please see the website www.airfranceklm-finance.com.

The Shareholder Relations team

is responsible for sending out the publications by mail (also available on the website) and for answering any questions at +33 1 41 56 56 56

Sign up for the Shareholders' Club by email at mail.actionnaires.afklm@airfrance.fr or by mail at:

Air France-KLM Shareholders' Club,
45 rue de Paris, 95747 Roissy CDG Cedex

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

ASSETS

In € million

March 31, 2011 March 31, 2010

Goodwill	422	401
Intangible assets	695	612
Flight equipment	11,040	11,349
Other property, plant and equipment	2,111	2,252
Investments in equity associates	422	446
Pension assets	2,995	2,733
Other financial assets <i>(including €503 million of deposits related to financial leases at March 31, 2011 and €630 million at March 31, 2010)</i>	1,654	840
Deferred tax assets	933	942
Other non-current assets	156	180
TOTAL NON-CURRENT ASSETS	20,428	19,755
Assets held for sale	21	93
Other short-term financial assets <i>(including €149 million of deposits related to financial leases and €574 million of investments over between three months and one year at March 31, 2011 versus a respective €139 million and €343 million at March 31, 2010)</i>	751	517
Inventories	558	537
Trade accounts receivable	1,938	2,142
Income tax receivables	6	1
Other current assets	1,550	979
Cash and cash equivalents	3,717	3,751
TOTAL CURRENT ASSETS	8,541	8,020
TOTAL ASSETS	28,969	27,775

LIABILITIES AND EQUITY

In € million

March 31, 2011 March 31, 2010

Issued capital	300	2,552
Additional paid in capital	2,971	719
Treasury shares	(94)	(106)
Reserves and retained earnings	3,675	2,198
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AIR FRANCE-KLM	6,852	5,363
Non-controlling interests	54	55
TOTAL EQUITY	6,906	5,418
Provisions and retirement benefits	1,930	1,432
Long-term debt	8,980	9,222
Deferred tax	511	418
Other non-current liabilities	272	818
TOTAL NON-CURRENT LIABILITIES	11,693	11,890
Liability relating to assets held for sale	-	10
Provisions	287	696
Current portion of long-term debt	1,808	1,825
Trade accounts payable	2,211	2,032
Deferred revenue on ticket sales	2,440	2,340
Frequent flyer programs	806	840
Current tax liabilities	3	11
Other current liabilities	2,686	2,597
Bank overdrafts	129	116
TOTAL CURRENT LIABILITIES	10,370	10,467
TOTAL LIABILITIES	22,063	22,357
TOTAL LIABILITIES AND EQUITY	28,969	27,775

Consolidated income statement

In € million

March 31, 2011 March 31, 2010

SALES	23,615	20,994
Other revenues	7	5
EXTERNAL EXPENSES	(14,555)	(13,197)
Aircraft fuel	(5,720)	(4,725)
Chartering costs	(513)	(487)
Aircraft operating lease costs	(831)	(721)
Landing fees and en route charges	(1,747)	(1,707)
Catering	(554)	(562)
Handling charges and other operating costs	(1,303)	(1,281)
Aircraft maintenance costs	(1,139)	(1,072)
Commercial and distribution costs	(896)	(854)
Other external expenses	(1,852)	(1,788)
Salaries and related costs	(7,333)	(7,434)
Taxes other than income taxes	(179)	(216)
Amortization and depreciation	(1,624)	(1,640)
Provisions	(52)	(35)
Other income and expenses	243	238
INCOME/(LOSS) FROM CURRENT OPERATIONS	122	(1,285)
Sales of aircraft equipment	8	(21)
Sales of subsidiaries	13	1
Negative goodwill	-	-
Other non-current income and expenses	743	(327)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	886	(1,632)
Income from cash and cash equivalents	84	106
Cost of financial debt	(455)	(410)
Net cost of financial debt	(371)	(304)
Foreign exchange gains/(losses), net	(33)	(26)
Change in fair value of financial assets and liabilities	(48)	(160)
Other financial income and expenses	3	(7)
INCOME/(LOSS) BEFORE TAX	437	(2,129)
Income taxes	196	586
NET INCOME/(LOSS) OF CONSOLIDATED COMPANIES	633	(1,543)
Share of profits/(losses) of associates	(21)	(17)
INCOME/(LOSS) FROM CONTINUING OPERATIONS	612	(1,560)
Net income/(loss) from discontinued operations	-	-
NET INCOME/(LOSS) FOR THE PERIOD	612	(1,560)
Minority interest	1	1
NET INCOME FOR THE PERIOD, GROUP	613	(1,559)

Consolidated statement of cash flows

In € million, period from April 1 to March 31

	2011	2010
Net income for the period – Equity holders for Air France-KLM	613	(1,559)
Non-controlling interests	(1)	(1)
Amortization, depreciation and operating provisions	1,676	1,675
Financial provisions	(3)	7
Gain on disposals of tangible and intangible assets	(11)	61
Loss/(gain) on disposals of subsidiaries and associates	(13)	-
Gain on WAM (ex Amadeus) operation	(1,030)	-
Derivatives – non-monetary result	(25)	(8)
Unrealized foreign exchange gains and losses, net	33	13
Share of (profits)/losses of associates	21	17
Deferred taxes	(215)	(591)
Other non-monetary items	(209)	143
SUBTOTAL	836	(243)
(Increase)/decrease in inventories	(10)	(28)
(Increase)/decrease in trade receivables	171	(89)
Increase/(decrease) in trade payables	245	126
Change in other receivables and payables	108	(564)
NET CASH FLOW FROM OPERATING ACTIVITIES	1,350	(798)
Acquisitions of subsidiaries and investments in associates, net of cash acquired	(33)	(2)
Purchase of property, plant and equipment and intangible assets	(2,122)	(2,097)
Proceeds on WAM (ex Amadeus GTD) transaction	193	-
Proceeds on disposal of subsidiaries and investments in associates	-	-
Proceeds on disposal of property, plant and equipment and intangible assets	977	1,053
Dividends received	8	5
Decrease/(increase) in investments, net between three months and one year	(229)	87
NET CASH USED IN INVESTING ACTIVITIES	(1,206)	(954)
Increase in capital	6	-
Purchase of non-controlling interests, of shares in non-controlled entities	(13)	(16)
Disposal of subsidiaries without control loss, of shares in non-controlled entities	14	3
Issuance of long-term debt	900	2,704
Repayments on long-term debt	(646)	(326)
Payment of debt resulting from finance lease liabilities	(550)	(522)
New loans	(110)	(73)
Repayments on loans	231	151
Dividends paid	(3)	(3)
NET CASH FLOW FROM FINANCING ACTIVITIES	(171)	1,918
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS	(20)	3
CHANGE IN CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS	(47)	169
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	3,588	3,635

FOR AIR FRANCE AND KLM, CORPORATE SOCIAL RESPONSIBILITY ALSO MEANS...

For both Air France and KLM, corporate social responsibility involves concrete initiatives to promote development and humanitarian aid which take many forms: direct sponsorship, free transportation, corporate patronage, awareness-raising campaigns, etc.

Since its creation in 1992, the Air France Foundation's vocation has been to finance projects benefiting children and young people, persons with disabilities and those in great difficulty, in France and countries where the company operates. In 2010, the Foundation financed 100 projects. For example, the flagship projects for the year saw Air France participate, in November 2010, in the inauguration of a brand-new emergency accommodation hostel for street children in Dakar. Thanks to the proceeds of a fund-raising for Haïti amongst Air France-KLM staff, the Foundation was able to renovate the Carius-Lhérisson state school in Port-au-Prince, inaugurated in March 2011.

Each year, KLM AirCares supports four different projects over a three-month period. In 2010, KLM notably sponsored *Aviation without Borders*. In addition to these three-month projects, KLM AirCares supports two major initiatives. Within the framework of the *Doctor 2 Doctor-Flying Expertise Overseas* project, KLM AirCares and a team of hospital pediatricians work together to improve the medical care of children in Kenya. The second project *Close the Gap*, aims to reduce the gap between rich and poor by recycling discarded computers in developing countries.



CONTRIBUTORS

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Air France-KLM's 2010-11 Annual Report, Registration Document and Corporate Social Responsibility Report are available at the website www.airfranceklm.com



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AIRFRANCE KLM

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