

FINANCIAL YEAR 2009-10

FOURTH QUARTER

- ▶ Stronger demand and improvement in unit revenues at the end of the quarter
- ▶ Better than expected operating result, despite negative impact of 173 million euros from fuel hedging and the effects of adverse weather conditions and the air traffic control strike in February
- ▶ Positive operating cash flow and stabilization of debt level

FULL YEAR RESULTS REFLECT IMPACT OF GLOBAL ECONOMIC CRISIS

- ▶ 15% drop in revenues
- ▶ Negative impact of 637 million euros due to fuel hedges
- ▶ Operating loss of 1.28 billion euros

Outlook for FY 2010-11: Objective of operating break-even maintained excluding impact of pre-2009 fuel hedges and subject to definitive cost of European airspace closure

The board of directors of Air France-KLM, chaired by Jean-Cyril Spinetta, convened on 19th May 2010 to approve the accounts for Financial Year 2009-10.

Pierre-Henri Gourgeon, Chief Executive Officer, made the following comments: *“2009-10 will go on record as our ‘annus horribilis’. The global economic crisis had a profound effect on the entire airline industry. In addition, Air France-KLM had to contend with the tragedy of the Rio-Paris accident of June 1st 2009. During these demanding times, the strengths of the Air France-KLM combination have come into their own, and its efficiencies have proven even greater than expected. As a result, we have been able, together with Peter Hartman, to rapidly implement drastic changes within the group. The entire workforces of Air France and KLM have been mobilized under the motto ‘keep the family together’, and have delivered an outstanding performance. With their support, we have launched a robust action plan, based on three pillars: controlling capacity and investments, adapting our business models in passenger and cargo, and strengthening our alliance and partnerships. These actions have started to bear fruit and will enable us to emerge from the crisis with a young fleet, a rejuvenated product offer, adapted to the needs of our customers, and a preserved financial position. We are therefore maintaining our objective of operating break-even for the current financial year excluding the impact of pre-2009 fuel hedges, and subject to the definitive cost of the closure of European airspace.”*

In this difficult context, the board of directors decided not to propose the payment of a dividend in respect of Financial Year 2009-10.

Key data

€ millions (per share data in €)	Quarter to 31 st March			Full Year to 31 st March		
	2010	2009*	change	2010	2009**	change
Revenues	5,021	5,060	(0.8)%	20,994	24,693	(15.0)%
EBITDAR***	77	62	24.2%	1,111	2,275	(51.2)%
Operating income/(loss)	(497)	(535)	7.1%	(1,285)	(186)	nm
Adjusted operating income/(loss)****	(435)	(474)	8.2%	(1,040)	45	nm
Net income/(loss), group share	(691)	(479)	(44.3)%	(1,559)	(811)	(91.5)%
Earnings/(loss) per share	(2.35)	(1.62)	nm	(5.30)	(2.75)	nm
Diluted earnings/(loss) per share	(2.35)	(1.62)	nm	(5.30)	(2.75)	nm

*Restated for the application of IFRIC 13 and pro forma Martinair. Reconciliation table available in results presentation.

**Pro forma Martinair. Reconciliation table available in results presentation

***EBITDAR: operating income / (loss) before amortization, provisions and operating leases.

****Adjusted for the portion of operating leases corresponding to financial costs (34%).

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Corporate release

Fourth Quarter

Progressive recovery in demand

Group revenues stood at 5.02 billion euros (-0.8%). Passenger demand picked up, especially at the end of the quarter. A 0.9% increase in traffic, combined with a 3.4% reduction in capacity led to a 3.3 point rise in the load factor to 78.8%. Revenue trends were also positive with an improvement in both premium and economy. In total, unit revenue per available seat kilometer (RASK) was up 2.7%, and by 3.5% on a constant currency basis. Passenger revenues declined slightly to 3.88 billion euros (-1.3%). The operating loss of the passenger business stood at 381 million euros (239 million euros excluding the impact of pre-2009 fuel hedges).

The restructuring of the cargo business, launched in the previous quarter, started to bear fruit, and coincided with an upturn in activity. As a result the load factor gained 8.9 points to 69.2% on the back of traffic up 0.7% and capacity down by 12.2%. Unit revenue per available ton kilometer (RATK) rose strongly (+28.9% and +30.9% on a constant currency basis). Revenues therefore progressed by 12.3% to 674 million euros. Despite rigorous cost control, the business remained in the red (63 million euros) but showed a marked improvement on the previous year (-164 million euros at 31st March 2009). Excluding the impact of pre-2009 fuel hedges, the operating loss of the cargo business would have stood at 39 million euros.

Operating costs contained

Although production measured in equivalent available seat kilometers (EASK) declined by 5.1%, unit costs per EASK rose by 4.9%, but by only 1.0% on a constant currency and fuel price basis. Operating costs fell 1.4% to 5.52 billion euros. Excluding fuel, they declined by 4.1%. The group realized 190 million euros in savings in the context of the 'Challenge 12' plan.

For the first time since the beginning of the financial year, the fuel bill rose (+9.3%) to 1.24 billion euros under the combined effects of a reduction in volumes of 6%, a favorable currency impact of 5%, a rise in the jet fuel price of 31% and a negative impact from fuel hedges of 173 million euros.

Other costs also contributed to the overall cost performance:

- Employee costs rose slightly to 1.84 billion euros (+1.3%). Excluding the additional contributions to the Air France and KLM pension funds, they would have declined by 0.8%.
- Marketing and other costs fell by 1.0% and 16.0% respectively.

The group recorded an operating loss of 497 million euros against 535 million euros a year earlier. Excluding the negative impact of fuel hedges, the operating loss would have been 324 million euros. Elsewhere, the group booked a 152 million euro exceptional provision for restructuring charges mainly related to the voluntary departure plan at Air France.

Net interest charges rose from 47 million euros to 91 million euros on the back of a rise in the cost of debt (+30 million euros) and a decline in interest income (-14 million euros). Other financial income and costs stood at -94 million euros (-96 million euros at 31st March 2009) of which 88 million euros related to a negative exchange result.

The pre-tax loss stood at 943 million euros, while the net loss, group share amounted to 691 million euros. The net loss restated* for non-recurring and non-cash items related to the hedging instruments amounted to 477 million euros (-610 million euros at 31st March 2009).

Both the loss per share and fully diluted loss per share amounted to 2.35 euros (-1.62 euros at 31st March 2009).

During the quarter, the group generated positive operating cash flow of 70 million euros and slightly positive free cash flow, while net debt remained virtually stable.

* As defined in the 2008-09 Reference Document p 117 and p. 6 of the update; reconciliation table available in results presentation

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Full Year 2009-10

Passenger traffic declined by 3.2%, less than the reduction in capacity of 4.3%, leading to a 1 point rise in load factor to the high level of 80.7%. In cargo, the decline in traffic (-13.7%) was also below the reduction in capacity (-16.5%), enabling the load factor to gain 2.2 points to 66.5%. In both activities, unit revenues were sharply down relative to the previous year. Total revenues therefore fell by 15.0% to 20.99 billion euros. For production measured in EASK down 6.7%, unit costs per EASK fell 4.4%. Savings realized in the context of the 'Challenge 12' plan amounted to 718 million euros.

The operating loss stood at 1.28 billion euros after a negative impact of 637 million euros linked to the pre-2009 fuel hedges. The adjusted operating loss stood at 1.04 billion euros.

The net loss, group share stood at 1.56 billion euros (-811 million euros at 31st March 2009). The net loss restated* for non-recurring and non-cash items related to the hedging instruments amounted to 1.23 billion euros (-578 million euros at 31st March 2009).

The net loss per share and fully diluted net loss per share both stood at 5.30 euros, against a loss of 2.75 euros at 31st March 2009.

Financial position maintained

Investments net of disposals amounted to 1.04 billion euros at 31st March 2010 (1.9 billion euros at 31st March 2009). Net cash stood at 4.28 billion euros with available credit facilities of 1.2 billion euros (1.1 billion euros as of April 2010).

Shareholders' funds amounted to 5.42 billion euros after the negative impact of the change in fair value of hedging instruments of 325 million euros. Net debt stood at 6.22 billion euros (4.44 billion euros at 31st March 2009). The gearing ratio* stood at 1.15, and 1.08 excluding hedging instruments.

At the end of April 2010, the initial public offering of Amadeus of which the group now holds 15.2%, generated a capital gain of 1.03 billion euros for the group, of which 195 million euros of cash. Based on the balance sheet at 31st March 2010, this transaction reduces the gearing ratio to 0.94, and 0.89 excluding derivative instruments.

Outlook

The Financial Year 2010-11 started with the shut down of European air space following the volcanic eruption in Iceland. The quasi totality of our passenger, cargo and leisure activities were suspended for four days, followed by a progressive reinstatement of the schedules over three further days. The group estimates the loss in revenues at 260 million euros with a 160 million euro impact on our operating result. As of today, negotiations are ongoing with the relevant authorities concerning the eventual level of compensation. Elsewhere, we are also actively working with the authorities to define a comprehensive and pragmatic approach to the volcanic ash risk, so as to avoid the repetition of unnecessary flight operation stoppages in the future.

For the current year, the group's priorities are to control costs via headcount reduction, and to restore unit revenues by limiting capacity growth (+1% for passenger and zero for cargo). Elsewhere, the benefits of the measures launched in 2009-10 to adapt both our products and our organization will continue to feed through.

As a result, the group maintains its objective of operating break-even excluding the impact of pre-2009 hedges, and subject to the final evaluation of the cost of the European airspace closure, including any compensation.

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Information by business

Passenger

	Quarter to 31 st March			Full Year to 31 st March		
	2010	2009	Change	2010	2009	Change
Traffic (RPK millions)	46,627	46,216	0.9%	202,455	209,060	(3.2)%
Capacity (ASK millions)	59,165	61,235	(3.4)%	251,012	262,356	(4.3)%
Load factor	78.8%	75.5%	3.3 pts	80.7%	79.7%	1.0 pt
Total passenger revenues (€ m)	3,879	3,931*	(1.3)%	16,267	18,832	(13.6)%
Revenues from scheduled passenger business (€m)	3,696	3,723*	(7.3)%	15,489	17,937	(13.6)%
Unit revenue per RPK (€ cts)	7.93	8.06	(1.6)%	7.65	8.58	(10.8)%
Unit revenue per RPK ex currency (€ cts)	-	-	(0.9)%	-	-	(11.4)%
Unit revenue per ASK (€ cts)	6.25	6.08	2.7%	6.17	6.84	(9.7)%
Unit revenue per ASK ex currency (€ cts)	-	-	3.5%	-	-	(10.3)%
Unit cost per ASK (€ cts)	6.81	6.60	3.1%	6.46	6.78	(4.6)%
Unit cost per ASK at constant currency and fuel price (€ cts)	-	-	(0.7)%	-	-	(1.5)%
Operating income (€m)	(381)	(365)	(4.4)%	(918)	(21)	nm

* Restated for the application of IFRIC 13

Cargo

	Quarter to 31 st March			Full Year to 31 st March		
	2010	2009*	Change	2010	2009*	Change
Traffic (RTK millions)	2,751	2,732	0.7%	11,155	12,923	(13.7)%
Capacity (ATK millions)	3,977	4,530	(12.2)%	16,764	20,073	(16.5)%
Load factor	69.2%	60.3%	8.9 pts	66.5%	64.4%	2.2 pts
Load factor excluding Martinair	674	600	12.3%	2,439	3,378	(27.8)%
Total cargo business revenues (€m)	639	550	16.2%	2,313	3,191	(27.5)%
Revenues from the transportation of cargo (€m)	23.13	20.77	11.3%	20.74	24.66	(15.9)%
Unit revenue per RTK (€ cts)	-	-	13.1%	-	-	(17.0)%
Unit revenue per RTK ex currency (€ cts)	16.08	12.48	28.9%	13.79	15.91	(13.3)%
Unit revenue per ATK (€ cts)	-	-	30.9%	-	-	(14.4)%
Unit revenue per ATK ex currency (€ cts)	17.39	15.86	9.7%	16.14	16.83	(4.1)%
Unit cost per ATK (€ cts)	-	-	4.0%	-	-	3.3%
Unit cost per ATK on constant currency and fuel price (€ cts)	(63)	(164)	nm	(436)	(221)	nm

* Pro forma Martinair

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Maintenance

The maintenance business realised revenues of 233 million euros in the Fourth Quarter of 2009-10 against pro forma revenues including Martinair of 254 million euros at 31st March 2009, which had been impacted by non-recurring events. Operating income amounted to 1 million euros (47 million euros pro forma at 31st March 2009).

For the Full Year, revenues totalled 956 million euros versus 996 million euros pro forma a year earlier, impacted by slightly weaker demand and intensified competition. Operating income amounted to 81 million euros (98 million euros pro forma at 31st March 2009).

Other businesses

'Other Businesses' mainly include the leisure activities of Transavia and the catering business of Servair. Revenues amounted to 235 million euros in the Fourth Quarter, versus pro forma revenues of 275 million euros at 31st March 2009, a decline of 14.5% due mainly to capacity reductions at Transavia Netherlands and the reduction of the leisure activity of Martinair. The operating loss was stable relative to a year earlier (-54 million euros versus -53 million euros pro forma at 31st March 2009).

For the full year, the revenues of other businesses amounted to 1.33 billion euros versus 1.49 billion euros pro forma a year earlier. The leisure business recorded revenues of 918 million euros (1.05 billion euros pro forma at 31st March 2009) while catering generated 347 million euros in revenues (349 million euros a year earlier). The operating loss of Other Businesses was sharply reduced from 42 million euros pro forma at 31st March 2009 to just 12 million euros at 31st March 2010, including a loss of 23 million euros for leisure (-3 million euros excluding the impact of pre-2009 fuel hedges) and operating income of 19 million euros for catering.

Agenda

Wednesday 19th May 2010:

The Press Conference will be broadcast live today at 18:00 am CET on the Air France website: <http://corporate.airfrance.com>, with:

- Pierre-Henri Gourgeon, President & CEO of Air France-KLM
- Peter Hartman, President & CEO of KLM
- Philippe Calavia, Executive Vice President and CFO of Air France-KLM

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Air France-KLM fleet as of 31 March 2010

Aircraft	AIRFRANCE /						KLM				Owned	Finance lease	Operating lease	Total	In operation	Change/3/31/09
	AF	Brit Air	City Jet	Régional	VLM	Transavia	KLM	KLM Cityhop.	Transavia	Martinair						
B747-400	13						22				17	6	12	35	31	-4
B777-300	30						4				17	6	11	34	34	6
B777-200	25						15				15	8	17	40	40	
B767-300									4				4	4	4	-2
A380-800	2										1		1	2	2	2
A340-300	18										11	2	5	18	18	-1
A330-200	15						10				5	7	13	25	25	-1
MD11							10				8		2	10	10	
Total long haul	103						61		4		74	29	65	168	164	
B747-400 cargo	8						4		4		5	3	8	16	9	-5
B747-200 cargo	1										1			1		
B777- cargo	2											2		2	2	
MD-11-CF									4		3		1	4	4	
MD-11-F									3		2		1	3	3	
Total freighter	11						4		11		11	5	10	26	18	-5
B737 900							5					2	3	5	5	
B737-800						7	21		19		3	17	27	47	47	1
B737-700							6		10			11	5	16	16	2
B737-400							9				6		3	9	9	-3
B737-300							7				7			7	7	-3
A321	24										12	1	11	24	23	2
A320	61										35	2	24	61	58	-7
A319	45										22	4	19	45	45	
A318	18										18			18	18	
Total medium haul	148					7	48		29		103	37	92	232	228	-8
AVRO RJ 85			27								15		12	27	23	-2
Canadair Jet 900		2											2	2	2	2
Canadair Jet 700		15									6	9		15	15	
Canadair Jet 100		15									8	5	2	15	14	-1
Embraer 190				10				13			4	9	10	23	23	12
Embraer 170				7							6	1		7	7	4
Embraer 145				28							8	14	6	28	28	
Embraer 135				9							4	3	2	9	8	-1
Embraer 120				3							3			3		
Fokker 100		11		7				5			9		14	23	23	-14
Fokker 70								26			23	3		26	26	1
Fokker 50					17			4			17		4	21	15	-15
Total Regional	43	27	64	17			48				103	44	52	199	184	-14

Aircraft	AF	Brit Air	City Jet	Régional	VLM	Transavia	KLM	KLM Cityhop.	Transavia	Martinair	Owned	Finance lease	Operating lease	Total	In operation	Change/3/31/09
TOTAL	262	43	27	64	17	7	113	48	29	15	291	115	219	625	594	-27

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Corporate release

Income statement as of March 31, 2010

In euros million

	Q4 (January to March)			12 months (April to March)		
	2009-10	2008-09 (adjusted and pro forma)	Variation	2009-10	2008-09 pro forma	Variation
SALES	5,021	5,060	-0.8%	20,994	24,693	-15.0%
Other revenues	1	1	0.0%	5	5	0.0%
EXTERNAL EXPENSES	-3,328	-3,358	-0.9%	-13,243	-15,540	-14.8%
Aircraft fuel	-1,240	-1,134	9.3%	-4,725	-6,044	-21.8%
Chartering costs	-116	-135	-14.1%	-487	-641	-24.0%
Aircraft operating lease costs	-182	-179	1.7%	-721	-678	6.3%
Landing fees and en route charges	-394	-420	-6.2%	-1,707	-1,834	-6.9%
Catering	-108	-111	-2.7%	-472	-490	-3.7%
Handling charges and other operating costs	-311	-328	-5.2%	-1,281	-1,408	-9.0%
Aircraft maintenance costs	-279	-293	-4.8%	-1,065	-1,170	-9.0%
Commercial and distribution costs	-203	-205	-1.0%	-854	-1,023	-16.5%
Other external expenses	-495	-553	-10.5%	-1,931	-2,252	-14.3%
Salaries and related costs	-1,843	-1,819	1.3%	-7,388	-7,423	-0.5%
Taxes other than income taxes	-38	-59	-35.6%	-216	-250	-13.6%
Amortization and depreciation	-399	-400	-0.3%	-1,640	-1,667	-1.6%
Provisions	7	-18	-138.9%	-35	-116	-69.8%
Other income and expenses	82	58	41.4%	238	112	nm
INCOME FROM CURRENT OPERATIONS	-497	-535	7.1%	-1,285	-186	nm
Sales of aircraft equipment	-21	-	nm	-21	5	nm
Sales of subsidiaries	-	6	nm	1	13	nm
Negative goodwill	-	1	nm	-	17	nm
Other non-current income and expenses	-240	-57	nm	-327	-106	nm
INCOME FROM OPERATING ACTIVITIES	-758	-585	-29.6%	-1,632	-257	nm
Income from cash and cash equivalents	21	35	-40.0%	106	269	-60.6%
Cost of financial debt	-112	-82	36.6%	-410	-372	10.2%
<i>Net cost of financial debt</i>	-91	-47	93.6%	-304	-103	nm
Foreign exchange gains (losses), net	-88	-27	nm	-26	-195	nm
Change in fair value of financial assets and liabilities	-7	-65	nm	-160	-707	nm
Other financial income and expenses	1	-4	nm	-7	-15	-53.3%
INCOME BEFORE TAX	-943	-728	-29.5%	-2,129	-1,277	-66.7%
Income taxes	249	244	2.0%	586	457	28.2%
NET INCOME OF CONSOLIDATED COMPANIES	-694	-484	-43.4%	-1,543	-820	-88.2%
Share of profits (losses) of associates	1	9	nm	-17	18	nm
INCOME FROM CONTINUING OPERATIONS	-693	-475	-45.9%	-1,560	-802	-94.5%
Net income from discontinued operations	-	-	-	-	-	-
NET INCOME FOR THE PERIOD	-693	-475	-45.9%	-1,560	-802	-94.5%
Minority interest	2	-4	nm	1	-9	nm
NET INCOME FOR THE PERIOD - GROUP	-691	-479	-44.3%	-1,559	-811	-92.2%

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Corporate release

Consolidated balance sheet

Assets	<i>In € millions</i>	March 31, 2010	March 31, 2009
Goodwill		401	400
Intangible assets		612	559
Flight equipment		11,349	12,125
Other property, plant and equipment		2,252	2,313
Investments in equity associates		446	446
Pension assets		2,733	2,499
Other financial assets <i>(including € 630 million of deposits related to financial leases as of March 31, 2010 and € 740 million as of March 31, 2009)</i>		840	938
Deferred tax assets		942	811
Other non-current assets		180	629
Total non-current assets		19,755	20,720
Assets held for sale		93	93
Other short-term financial assets <i>(including € 482 million of deposits related to financial leases and investments between 3 months and 1 year as of March 31, 2010 and € 538 million as of March 31, 2009)</i>		517	580
Inventories		537	527
Trade accounts receivable		2,142	2,038
Income tax receivables		1	2
Other current assets		979	1,065
Cash and cash equivalents		3,751	3,748
Total current assets		8,020	8,053
Total assets		27,775	28,773

Liabilities and equity	<i>In € millions</i>	March 31, 2010	March 31, 2009
Issued capital		2,552	2,552
Additional paid-in capital		719	765
Treasury shares		(106)	(124)
Reserves and retained earnings		2,198	2,429
Equity attributable to equity holders of Air France -KLM		5,363	5,622
Minority interests		55	54
Total Equity		5,418	5,676
Provisions and retirement benefits		1,432	1,334
Long-term debt		9,222	7,864
Deferred tax		418	339
Other non-current liabilities		818	2,170
Total non-current liabilities		11,890	11,707
Liability related to assets held for sale		10	7
Provisions		696	480
Current portion of long-term debt		1,825	1,353
Trade accounts payable		2,032	1,887
Deferred revenue on ticket sales		2,340	2,131
Frequent flyer programs		840	917
Current tax liabilities		11	11
Other current liabilities		2,597	4,322
Bank overdrafts		116	282
Total current liabilities		10,467	11,390
Total liabilities		22,357	23,097
Total liabilities and equity		27,775	28,773

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Consolidated statement of cash flows

Period from April 1 to March 31,	<i>In € millions</i>	2009-10	2008-09
Net income for the period – Group		(1,559)	(814)
Minority interests		(1)	7
Amortization, depreciation and operating provisions		1,675	1,719
Financial provisions		7	14
Gain on disposals of tangible and intangible assets		61	(22)
Loss / (gain) on disposals of subsidiaries and associates		-	(13)
Reversal of provision for cargo investigation		-	(225)
Derivatives – non monetary result		(8)	333
Unrealized foreign exchange gains and losses, net		13	6
Negative goodwill		-	(17)
Share of (profits) losses of associates		17	42
Deferred taxes		(591)	(340)
Other non-monetary items		143	(188)
Subtotal		(243)	502
(Increase) / decrease in inventories		(28)	8
(Increase) / decrease in trade receivables		(89)	676
Increase / (decrease) in trade payables		126	(401)
Change in other receivables and payables		(564)	13
Net cash flow from operating activities		(798)	798
Acquisitions of subsidiaries and investments in associates, net of cash acquired		(18)	(348)
Purchase of property, plant and equipment and intangible assets		(2,097)	(2,043)
Proceeds on disposal of subsidiaries and investments in associates		3	16
Proceeds on disposal of property, plant and equipment and intangible assets		1,053	141
Dividends received		5	6
Decrease (increase) in investments, net between 3 months and 1 year		87	(246)
Net cash used in investing activities		(967)	(2,474)
Increase in capital		-	1
Issuance of long-term debt		2,704	1,899
Repayments on long-term debt		(326)	(312)
Payment of debt resulting from finance lease liabilities		(522)	(573)
New loans		(73)	(58)
Repayments on loans		151	149
Dividends paid		(3)	(177)
Net cash flow from financing activities		1,931	929
Effect of exchange rate on cash and cash equivalents and bank overdrafts		3	4
Change in cash and cash equivalents and bank overdrafts		169	(743)
Cash and cash equivalents and bank overdrafts at beginning of period		3,466	4,209
Cash and cash equivalents and bank overdrafts at end of period		3,635	3,466

Please note that the French version of this press release prevails

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