

FINANCIAL YEAR 2010-11

EXCELLENT PERFORMANCE IN THE SECOND QUARTER

- ▶ 18.6% rise in revenues to 6.65 billion euros
- ▶ Sharp improvement in operating result: +576 million euros versus -47 million at 30th September 2009
- ▶ Adjusted operating margin close to 10%

STRONG FIRST HALF RESULTS

- ▶ Growth of 14.8% in revenues to 12.37 billion euros
- ▶ Operating income of 444 million euros versus loss of 543 million euros at 30th September 2009
- ▶ Net income, group share of 1.03 billion euros after Amadeus income and complementary cargo fine provision
- ▶ Significant improvement in the financial position

OBJECTIVE FOR FULL YEAR OPERATING INCOME REVISED UP

The Board of Directors of Air France-KLM, chaired by Jean-Cyril Spinetta, met on 17th November 2010 to examine the accounts for the First Half of Financial Year 2010-11.

Commenting on the First Half, Pierre-Henri Gourgeon, Chief Executive Officer, said: *“In the context of a more favourable economic environment, all the strategic actions we have undertaken over the past year have enabled us to return to profit. The second quarter is especially satisfying and, despite the disruption in April, we improved our operating result by some one billion euros in the First Half. This has required a significant commitment from the entire group, and, together with Peter Hartman, President and CEO of KLM, I take this opportunity to thank, all our employees for their efforts. While we have achieved a great deal in a short space of time, we will remain focused on accomplishing the further measures required to ensure that we generate a value-creating level of profitability. This is our ambition for the next three years.”*

Key data

In euro millions, except per share data in euros	Quarter to 30 th September			Six months to 30 th September		
	2010	2009	Change	2010	2009	Change
Revenues	6,649	5,606	18.6%	12,370	10,775	14.8%
EBITDAR ¹	1,234	555	x2.2	1,718	667	x2.6
Operating income/(loss)	576	(47)	+623	444	(543)	+987
Adjusted operating income/(loss) ²	649	15	+663	585	(419)	+1,004
Net income/(loss), group share	290	(147)	+487	1,026	(573)	nm
Restated net income/(loss) ³	366	(95)	+461	104	(509)	+613
Earnings/(loss) per share	0.98	(0.50)	nm	3.48	(1.95)	nm
Diluted earnings/(loss) per share	0.81	(0.50)	nm	2.81	(1.95)	nm

¹ Operating income/(loss) before amortization, provisions and operating leases

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

³ Restated net income: as defined in the 2009-10 Reference Document p 127; reconciliation table available in results presentation

Please note that the French version of this press release prevails

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Excellent performance in the Second Quarter

Strong rise in unit revenues

The recovery in demand for air transport continued in the Second Quarter, while Air France-KLM continued to limit capacity, leading to an improvement in both load factors and unit revenues. The Group also benefited from the adaptation and restructuring measures implemented at its passenger and cargo divisions.

Passenger traffic was up 0.6% with capacity reduced by 0.5%. The load factor therefore gained almost one point to 84.8%. Unit revenues continued to improve, and are again approaching pre-crisis levels. Unit revenue per available seat kilometre (RASK) increased by 18.9% with a marked improvement in both medium- and long-haul. On the latter, both unit revenue and traffic rose more strongly in premium than in economy class. Unit revenue in premium has, however, yet to return to its pre-crisis level. Revenues rose 18% after a positive currency impact of 4% to 5.12 billion euros. The operating result of the passenger business stood at 453 million euros (-15 million euros a year earlier).

With traffic up by 2.6% for stable capacity (-0.3%), the load factor in the cargo activity gained 1.9 points to 66.0%. Unit revenues exceeded pre-crisis levels, with a rise of 34% in unit revenue per revenue ton kilometer. Revenues rose 38% after a favourable currency effect of 7.1% to 786 million euros. The operating result was in the black for the second consecutive quarter at 7 million euros (-147 million euros at 30th September 2009).

Total Group revenues amounted to 6.65 billion euros versus 5.61 billion euros at 30th September 2009, up 18.6% after a favourable currency impact of 4.2%.

Operating income of 576 million euros

Operating costs rose by 7.4% and by 4.9% ex-fuel. Measured in equivalent available seat kilometres (EASK), the unit cost was up by 6.6%, but by only 1.2% on a constant fuel price and currency basis for stable production measured in EASK (-0.1%). The 'Challenge 12' cost saving plan generated 156 million euros in savings.

The main change in operating costs came from fuel, up 16.0%, or 207 million euros, under the combined effects of a 1% rise in volume, a negative currency impact of 12% and a fuel price rise after hedging of 3%. Employee costs were stable at 1.82 billion euros.

Operating income amounted to 576 million euros after a loss of 47 million euros a year earlier. Adjusted operating income stood at 649 million euros, implying an adjusted operating margin of 9.7%¹.

Net interest charges rose from 70 million euros at 30th September 2009 to 93 million euros, under the effects of a rise in the cost of debt and a decline in interest income. Other financial income and costs amounted to 41 million euros (9 million euros at 30th September 2009), of which 46 million euros in currency income.

Pre-tax income stood at 397 million euros (-183 million euros at 30th September 2009) while net income, group share was 290 million euros after an additional provision of 127 million euros relating to the cargo fine, versus a negative result of 147 million euros at 30th September 2009.

Net earnings per share were 0.98 euros and diluted earnings per share 0.81 euros versus -0.50 euros at 30th September 2009, both undiluted and diluted.

Strong First Half results

First Half results to 30th September 2010 were affected by the closure of European airspace in April. The operating loss due to this shutdown is estimated at 158 million euros.

Passenger traffic recorded a slight decline (-0.8%) for capacity down by 2.6%. The load factor gained 1.5 points to 83.3%. In the cargo business, traffic rose by 2.6% for capacity down 3.6%, leading to a 4.1 point rise in the load factor to 67.7%. Year-on-year, unit revenues recovered strongly in both businesses (+13.8% per ASK and +38.6% per ATK ex-currency).

¹ As defined in the 2009-10 Reference Document p 127

Group revenues amounted to 12.37 billion euros (+14.8%). Operating costs grew by 5.4%, but by 1.1% only ex-fuel. Savings realised under the 'Challenge 12' programme were 287 million euros during the First Half.

Operating income stood at 444 million euros (-543 million euros at 30th September 2009) while adjusted operating income was 585 million euros, implying an adjusted operating margin of 4.7%.

Net income, Group share amounted to 1.03 billion euros after a 1.03 billion euro capital gain on the disposal of Amadeus shares (-573 million euros at 30th September 2009). Net income restated¹ for non-recurrent items was 104 million euros (-509 million euros at 30th September 2009).

Earnings per share stood at 3.48 euros and diluted earnings per share at 2.81 euros versus -1.95 euros, undiluted and diluted, at 30th September 2009.

Free cash flow of 205 million euros

Investments net of disposals amounted to 696 million euros at 30th September 2010 (572 million euros at 30th September 2009). Operating cash flow stood at 708 million euros. Free cash flow was 205 million euros including the cash proceeds from the Amadeus operation (193 million euros). The Group's cash position remained strong with cash of 4.1 billion euros and available credit lines of 1.3 billion euros.

Shareholders' funds amounted to 6.64 billion euros, an increase of 1.22 billion euros since 31st March 2010 under the effect of the net result for the First Half as well as the revaluation of the Group's holding in Amadeus. Net debt stood at 6.10 billion euros (6.22 billion euros at 31st March 2010). The gearing ratio² improved to 0.92 and 0.88 excluding derivative instruments (1.15 and 1.08, respectively, at 31st March 2010).

Outlook: Objective revised up for FY 2010-11

In current market conditions, the group's objective is to generate operating income for Full Year 2010-11 over 300 million euros³.

In the context of its three year plan (2011-12/2013-14), the group has fixed financial objectives of a 3% reduction in unit costs on a constant currency and fuel price basis, an adjusted operating margin above 7%, a return to a gearing ratio of 0.5 and ROCE (return on capital employed) of 8% after tax.

¹ Restated net income: as defined in the 2009-10 Reference Document p 127; reconciliation table available in results presentation

² As defined in the 2009-10 Reference Document p 128; reconciliation table available in results presentation

³ Consensus published on our website on 9th November 2010 (operating result range: -156 million to +297 million euros)

Information by business

Passenger business

	Quarter to 30 th September			Six months to 30 th September		
	2010	2009	Change	2010	2009	Change
Traffic (RPK millions)	56,457	56,141	0.6%	105,739	106,608	-0.8%
Capacity (ASK millions)	66,558	66,862	-0.5%	126,993	130,440	-2.6%
Load factor	84.8%	84.0%	0.9 pts	83.3%	81.7%	1.5 pts
Total passenger revenues (€m)	5,125	4 343	18.0%	9,493	8,357	13.6%
Revenues from scheduled passenger business (€m)	4,897	4,137	18.4%	9,061	7,952	14.0%
Unit revenue per RPK (€ cts)	8.68	7.37	17.7%	8.57	7.46	14.9%
Unit revenue per RPK ex currency	-	-	13.2%	-	-	11.7%
Unit revenue per ASK (€ cts)	7.36	6.19	18.9%	7.14	6.10	17.0%
Unit revenue per ASK ex currency	-	-	14.3%	-	-	13.8%
Unit cost per ASK (€ cts)	6.59	6.14	7.3 %	6.80	6.30	8.0%
Unit cost per ASK at constant currency and fuel price	-	-	2.2%	-	-	1.4%
Operating income (€m)	453	(15)	nm	311	(353)	nm

Cargo business

	Quarter to 30 th September			Six months to 30 th September		
	2010	2009	Change	2010	2009	Change
Traffic (RTK millions)	2,872	2,800	2.6%	5,684	5,541	2.6%
Capacity (ATK millions)	4,352	4,339	(0.3)%	8,393	8,677	(3.6)%
Load factor	66.0%	64.1%	1.9 pts	67.7%	63.7%	4.1 pts
Total cargo business revenues (€m)	786	571	37.7%	1,560	1,115	39.9%
Revenues from the transportation of cargo (€m)	741	540	37.2%	1,475	1,051	40.3%
Unit revenue per RTK (€ cts)	25.84	19.28	34.0%	25.96	18.96	36.9%
Unit revenue per RTK ex currency	-	-	25.1%	-	-	30.3%
Unit revenue per ATK (€ cts)	17.05	12.36	38.0%	17.58	12.07	45.7%
Unit revenue per ATK ex currency	-	-	28.9%	-	-	38.6%
Unit cost per ATK (€ cts)	16.62	15.49	7.3%	17.10	15.77	8.5%
Unit cost per ATK on constant currency and fuel price	-	-	(1.5)%	-	-	(0.4)%
Operating income (€m)	7	(147)	nm	18	(344)	nm

Maintenance business

Maintenance generated revenues of 288 million euros in the Second Quarter 2010-11 against 240 million euros at 30th September 2009, a rise of 20% after a favourable currency impact of 11%. Operating income was 61 million euros (38 million euros at 30th September 2009). First Half revenues stood at 532 million euros against 486 million euros a year earlier, up 9.5% after a positive currency effect of 7%. Operating income increased by 19.1%, from 68 million euros at 30th September 2009 to 81 million euros at 30th September 2010. All the maintenance activities contributed to this results improvement.

Other activities

The other activities principally comprise the leisure and catering businesses. In the Second Quarter, total revenues amounted to 450 million euros, the same level as at 30th September 2009. Operating income was 55 million euros (77 million euros at 30th September 2009).

In the First Half, total revenues stood at 785 million euros (817 million euros at 30th September 2009) and operating income was 34 million euros (86 million euros at 30th September 2009).

The **Leisure** business includes the Transavia group and, since January 2009, the leisure activities of Martinair. The latter continues to reduce its activity. Furthermore, leisure was affected by the closure of European airspace, with an estimated loss in revenues of 24 million euros and an impact on operating income of 9 million euros. In the Second Quarter, this business generated revenues of 348 million euros (-1%) and operating income of 43 million euros (63 million euros a year earlier). In the First Half, revenues declined by 2.6% to 589 million euros while operating income fell from 64 million euros at 30th September 2009 to 23 million euros at 30th September 2010.

The **Catering** business generated third-party revenues of 89 million euros, up by 8%, while operating income declined by 26% to 11 million euros in the Second Quarter. In the First Half, third party revenues declined by 14 million euros to 161 million euros while operating income dropped from 18,5 to 8,4 million euros.

Agenda

Wednesday 17th November 2010:

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

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

Air France-KLM fleet as of 30 septembre 2010



Aircraft	AF	Brit Air	City Jet	Régional	VLM	Transavia	KLM	KLM City-hop.	Transavia	Martinair	Owned	Finance lease	Operating lease	Total	In operation	Change /3 /31 /10
B747-400	12						22				16	6	12	34	32	1
B777-300	30						4				17	6	11	34	34	
B777-200	25						15				15	8	17	40	40	
B767-300									4				4	4	4	
A380-800	4										2		2	4	4	2
A340-300	18										11	2	5	18	18	
A330-200	15						10				3	8	14	25	25	
MD11							10				8		2	10	10	
Total long haul	104						61			4	72	30	67	169	167	3
B747-400 cargo	6						4			4	3	3	8	14	8	-1
B747-200 cargo																
B777-cargo	2											2		2	2	
MD-11-CF										4	3		1	4	4	
MD-11-F										3	2		1	3	3	
Total freighter	8						4			11	8	5	10	23	17	-1
B737 900							5					2	3	5	5	
B737-800						9	21		21		9	13	29	51	51	4
B737-700							8		10			11	7	18	18	2
B737-400							8				6		2	8	8	-1
B737-300							4				4			4	4	-3
A321	24										11	1	12	24	24	1
A320	58										29	2	27	58	56	-2
A319	45										21	4	20	45	44	-1
A318	18										18			18	18	
Total medium haul	145					9	46		31		98	33	100	231	228	
AVRO RJ 85			27								15		12	27	24	1
Canadair Jet 900		2											2	2	2	
Canadair Jet 700		15									6	9		15	15	
Canadair Jet 100		15									9	4	2	15	15	1
Embraer 190				10				17			4	13	10	27	27	4
Embraer 170				10							8	2		10	10	3
Embraer 145				27							8	14	5	27	27	-1
Embraer 135				7							4	3		7	6	-2
Embraer 120				1							1			1		
Fokker 100		9		2				5			8		8	16	14	-9
Fokker 70								26			23	3		26	26	
Fokker 50					15			4			17		2	19	15	
Total Regional		41	27	57	15			52			103	48	41	192	181	-3
Aircraft	AF	Brit Air	City Jet	Régional	VLM	Transavia	KLM	KLM City-hop.	Transavia	Martinair	Owned	Finance lease	Operating lease	Total	In operation	Change /3 /31 /10
TOTAL	257	41	27	57	15	9	111	52	31	15	281	116	218	615	593	-1

Income statement as of September 30, 2010 (6 months)

<i>In euros million</i>	Q2 (July to September)			6 months (April to September)		
	2009-10	2009-10	Variation	2 010	2009	Variation
SALES	6,649	5,606	18.6%	12,370	10,775	14.8%
Other revenues	5	2	150.0%	5	3	66.7%
EXTERNAL EXPENSES	-3,822	-3,438	11.2%	-7,431	-6,770	9.8%
Aircraft fuel	-1,503	-1,296	16.0%	-2,944	-2,432	21.1%
Chartering costs	-127	-127	0.0%	-245	-252	-2.8%
Aircraft operating lease costs	-215	-182	18.1%	-416	-364	14.3%
Landing fees and en route charges	-475	-454	4.6%	-901	-904	-0.3%
Catering	-150	-149	0.7%	-285	-296	-3.7%
Handling charges and other operating costs	-343	-327	4.9%	-665	-658	1.1%
Aircraft maintenance costs	-310	-270	14.8%	-595	-536	11.0%
Commercial and distribution costs	-257	-206	24.8%	-496	-437	13.5%
Other external expenses	-442	-427	3.5%	-884	-891	-0.8%
Salaries and related costs	-1,823	-1,822	0.1%	-3,690	-3,715	-0.7%
Taxes other than income taxes	-45	-61	-26.2%	-90	-124	-27.4%
Amortization and depreciation	-413	-410	0.7%	-812	-833	-2.5%
Provisions	-28	-10	180.0%	-44	-13	238.5%
Other income and expenses	53	86	-38.4%	136	134	1.5%
INCOME FROM CURRENT OPERATIONS	576	-47	nm	444	-543	nm
Sales of aircraft equipment	-5	1	nm	6	2	nm
Sales of subsidiaries	-	1	nm	-	1	nm
Negative goodwill	-	-	nm	-	-	nm
Other non-current income and expenses	-122	-77	nm	877	-78	nm
INCOME FROM OPERATING ACTIVITIES	449	-122	nm	1,327	-618	nm
Income from cash and cash equivalents	19	29	-34.5%	42	60	-30.0%
Cost of financial debt	-112	-99	13.1%	-231	-186	24.2%
Net cost of financial debt	-93	-70	nm	-189	-126	nm
Foreign exchange gains (losses), net	46	13	nm	-54	56	nm
Change in fair value of financial assets and liabilities	-8	-1	nm	-26	-99	nm
Other financial income and expenses	3	-3	nm	8	-8	nm
INCOME BEFORE TAX	397	-183	nm	1,066	-795	nm
Income taxes	-103	46	nm	-10	241	nm
NET INCOME OF CONSOLIDATED COMPANIES	294	-137	nm	1,056	-554	nm
Share of profits (losses) of associates	-1	-9	nm	-32	-19	nm
INCOME FROM CONTINUING OPERATIONS	293	-146	nm	1,024	-573	nm
Net income from discontinued operations	-	-	-	-	-	-
NET INCOME FOR THE PERIOD	293	-146	nm	1,024	-573	nm
Minority interest	-3	-1	nm	2	-	nm
NET INCOME FOR THE PERIOD - GROUP	290	-147	nm	1,026	-573	nm

Consolidated balance sheet (unaudited)

Assets <i>In € millions</i>	September 30, 2010	March 31, 2010
Goodwill	401	401
Intangible assets	644	612
Flight equipment	11,347	11,349
Other property, plant and equipment	2,174	2,252
Investments in equity associates	407	446
Pension assets	2,873	2,733
Other financial assets (including € 573 million of deposits related to financial leases as of September 30, 2010 and € 630 million as of March 31, 2010)	1,733	840
Deferred tax assets	947	942
Other non-current assets	136	180
Total non-current assets	20,662	19,755
Assets held for sale	37	93
Other short term financial assets (including € 561 million of deposits related to financial leases and investments between 3 months and 1 year as of September 30, 2010 and € 482 million as of March 31, 2010)	588	517
Inventories	566	537
Trade accounts receivable	2,344	2,142
Income tax receivables	1	1
Other current assets	840	979
Cash and cash equivalents	3,588	3,751
Total current assets	7,964	8,020
Total assets	28,626	27,775

Liabilities and equity <i>In € millions</i>	September 30, 2010	March 31, 2010
Issued capital	300	2,552
Additional paid-in capital	2,971	719
Treasury shares	(98)	(106)
Reserves and retained earnings	3,414	2,198
Equity attributable to equity holders of Air France-KLM	6,587	5,363
Minority interest	51	55
Total Equity	6,638	5,418
Provisions and retirement benefits	1,516	1,432
Long-term debt	9,163	9,222
Deferred tax	436	418
Other non-current liabilities	552	818
Total non-current liabilities	11,667	11,890
Liability related to assets held for sale	5	10
Provisions	714	696
Current portion of long-term debt	1,601	1,825
Trade accounts payable	2,241	2,032
Deferred revenue on ticket sales	2,125	2,340
Frequent flyer programs	821	840
Current tax liabilities	9	11
Other current liabilities	2,651	2,597
Bank overdrafts	154	116
Total current liabilities	10,321	10,467
Total liabilities	21,988	22,357
Total liabilities and equity	28,626	27,775

Consolidated statement of cash flows (unaudited)

<i>In € millions</i>		
Period from April 1 to September 30,	2010	2009
Net income for the period – Group	1,026	(573)
Minority interest	(2)	-
Amortization, depreciation and operating provisions	856	846
Financial provisions	(8)	7
Gain on disposals of tangible and intangible assets	(8)	-
Loss / (gain) on disposals of subsidiaries and associates	-	(1)
Gain on WAM (ex Amadeus) operation	(1,030)	-
Derivatives – non monetary results	(14)	(14)
Unrealized foreign exchange gains and losses, net	61	(48)
Share of (profits) losses of associates	32	19
Deferred taxes	(4)	(239)
Other non-monetary items	(67)	(24)
Subtotal	842	(27)
(Increase) / decrease in inventories	(23)	(62)
(Increase) / decrease in trade receivables	(229)	(106)
Increase / (decrease) in trade payables	253	63
Change in other receivables and payables	(135)	(613)
Net cash flow from operating activities	708	(745)
Acquisitions of subsidiaries and investments in associates, net of cash acquired	(9)	(15)
Purchase of property, plant and equipment and intangible assets	(1,128)	(1,095)
Proceeds on WAM (ex Amadeus) transaction	193	-
Proceeds on disposal of subsidiaries and investments in associates	10	-
Proceeds on disposal of property, plant and equipment and intangible assets	432	523
Dividends received	6	3
Decrease (increase) in investments, net between 3 months and 1 year	(76)	241
Net cash used in investing activities	(572)	(343)
Issuance of long-term debt	297	1,449
Repayments on long-term debt	(435)	(110)
Payment of debt resulting from finance lease liabilities	(258)	(234)
New loans	(43)	(31)
Repayments on loans	107	54
Dividends paid	(2)	(1)
Net cash flow from financing activities	(334)	1,127
Effect of exchange rate on cash and cash equivalents and bank overdrafts	(3)	(4)
Change in cash and cash equivalents and bank overdrafts	(201)	35
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	3,434	3,501