

**Air France-KLM Group**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Commission for use in the European Union

**April 1, 2007 – June 30, 2007**

# Air France-KLM Group

## CONSOLIDATED INCOME STATEMENTS

<i>In € millions</i>		2007	2006
	<i>Notes</i>		
<b>Period from April 1 to June 30,</b>			
<b>Sales</b>	<b>1</b>	<b>5 945</b>	<b>5 802</b>
Other revenues		-	-
<b>Revenues</b>		<b>5 945</b>	<b>5 802</b>
External expenses	<b>2</b>	(3 371)	(3 242)
Salaries and related costs	<b>3</b>	(1 729)	(1 661)
Taxes other than income taxes		(57)	(64)
Amortization and depreciation		(387)	(424)
Provisions		(11)	(6)
Other income and expenses		25	6
<b>Income from current operations</b>		<b>415</b>	<b>411</b>
Sales of aircraft equipment	<b>4</b>	-	6
Negative goodwill		-	-
Other non-current income and expenses	<b>4</b>	122	(29)
<b>Income from operating activities</b>		<b>537</b>	<b>388</b>
Cost of financial debt		(96)	(97)
Income from cash and cash equivalents		65	51
<b>Net cost of financial debt</b>		<b>(31)</b>	<b>(46)</b>
Other financial income and expenses	<b>5</b>	97	(32)
<b>Income before tax</b>		<b>603</b>	<b>310</b>
Income taxes		(174)	(87)
<b>Net income of consolidated companies</b>		<b>429</b>	<b>223</b>
Share of profits (losses) of associates		(9)	-
<b>Net income from continuing operations</b>		<b>420</b>	<b>223</b>
Net income from discontinued operations		-	-
<b>Net income for the period</b>		<b>420</b>	<b>223</b>
- Group		<b>415</b>	<b>244</b>
- Minority interest	<b>4</b>	5	(21)
Earnings per share – Group (in euros)			
- basic		1,49	0,91
- diluted		1,34	0,86

# Air France-KLM Group

## CONSOLIDATED BALANCE SHEETS

<b>Assets</b>	<b>June 30, 2007</b>	<b>March 31, 2007</b>
<i>In € millions</i>		
Goodwill	204	204
Intangible assets	427	424
Flight equipment	11 774	11 551
Other property, plant and equipment	2 046	2 007
Investments in equity associates	189	228
Pension assets	2 124	2 097
Other financial assets <i>(which includes € 844 million of deposits related to financial leases as of June 30, 2007, € 835 million as of March 31, 2007)</i>	1 085	1 095
Deferred tax assets	26	26
Other non-current assets	890	604
<b>Total non current assets</b>	<b>18 765</b>	<b>18 236</b>
Other short term financial assets <i>(which includes € 464 million of deposits related to financial leases and investments between 3 months and 1 year as of June 30, 2007, € 631 million as of March 31, 2007)</i>	525	689
Inventories	441	360
Trade accounts receivable	2 782	2 610
Income tax receivables	-	7
Other current assets	1 192	1 271
Cash and cash equivalents	4 102	3 497
<b>Total current assets</b>	<b>9 042</b>	<b>8 434</b>
<b>Total assets</b>	<b>27 807</b>	<b>26 670</b>

# Air France-KLM Group

## CONSOLIDATED BALANCE SHEETS (continued)

<b>Liabilities and equity</b> <i>In € millions</i>	<b>June 30, 2007</b>	<b>March 31, 2007</b>
Issued capital	2 375	2 375
Additional paid-in capital	539	539
Treasury shares	(21)	(30)
Reserves and retained earnings	5 987	5 415
<b>Equity attributable to equity holders of Air France-KLM</b>	<b>8 880</b>	<b>8 299</b>
Minority interest	117	113
<b>Total Equity</b>	<b>8 997</b>	<b>8 412</b>
Provisions and retirement benefits	1 159	1 387
Long-term debt	7 303	7 419
Deferred tax	1 097	891
Other non-current liabilities	471	401
<b>Total non-current liabilities</b>	<b>10 030</b>	<b>10 098</b>
Provisions	257	225
Current portion of long-term debt	1 086	1 098
Trade accounts payable	2 192	2 131
Deferred revenue on ticket sales	2 582	2 217
Current tax liabilities	51	21
Other current liabilities	2 346	2 335
Bank overdrafts	266	133
<b>Total current liabilities</b>	<b>8 780</b>	<b>8 160</b>
<b>Total liabilities</b>	<b>18 810</b>	<b>18 258</b>
<b>Total liabilities and equity</b>	<b>27 807</b>	<b>26 670</b>

# Air France-KLM Group

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

In €millions

	Number of shares	Issued capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Equity attributable to holders of Air France-KLM	Minority interests	Total equity
<b>March 31, 2006</b>	<b>269 383 518</b>	<b>2 290</b>	<b>430</b>	<b>(58)</b>	<b>5 072</b>	<b>7 734</b>	<b>119</b>	<b>7 853</b>
Fair value adjustment on available for sale securities	-	-	-	-	(2)	(2)	-	(2)
Gain / (loss) on cash flow hedges	-	-	-	-	129	129	-	129
Currency translation adjustment	-	-	-	-	(8)	(8)	-	(8)
Net income for the year	-	-	-	-	244	244	(21)	223
<b>Total of income and expenses recognized</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>363</b>	<b>363</b>	<b>(21)</b>	<b>342</b>
Stock based compensation (ESA)	-	-	-	-	8	8	-	8
Dividends paid	-	-	-	1	-	1	-	1
Other	-	-	-	-	-	-	7	7
<b>June 30, 2006</b>	<b>269 383 518</b>	<b>2 290</b>	<b>430</b>	<b>(57)</b>	<b>5 443</b>	<b>8 106</b>	<b>105</b>	<b>8 211</b>
<b>March 31, 2007</b>	<b>279 365 707</b>	<b>2 375</b>	<b>539</b>	<b>(30)</b>	<b>5 415</b>	<b>8 299</b>	<b>113</b>	<b>8 412</b>
Fair value adjustment on available for sale securities	-	-	-	-	4	4	-	4
Gain / (loss) on cash flow hedges	-	-	-	-	143	143	2	145
Currency translation adjustment	-	-	-	-	2	2	-	2
Net income for the year	-	-	-	-	415	415	5	420
<b>Total of income and expenses recognized</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>564</b>	<b>564</b>	<b>7</b>	<b>571</b>
Stock based compensation (ESA)	-	-	-	-	8	8	-	8
Treasury shares	-	-	-	9	-	9	-	9
Other	-	-	-	-	-	-	(3)	(3)
<b>June 30, 2007</b>	<b>279 365 707</b>	<b>2 375</b>	<b>539</b>	<b>(21)</b>	<b>5 987</b>	<b>8 880</b>	<b>117</b>	<b>8 997</b>



# Air France-KLM Group

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In € millions</i>		
<b>Period from April 1 to June 30,</b>	<b>2007</b>	<b>2006</b>
Net income for the period – Group	415	244
Minority interests	5	(21)
Amortization, depreciation and operating provisions	398	430
Financial provisions	5	7
Gain on disposals of tangible and intangible assets	-	(6)
Loss / (gain) on disposals of subsidiaries and associates	(40)	(2)
Gain on Amadeus GTD transaction	(82)	-
Derivatives – non monetary result	(94)	11
Unrealized foreign exchange gains and losses, net	(9)	2
Share of (profits) losses of associates	9	-
Deferred taxes	144	108
Other non-monetary items	(16)	37
<b>Subtotal</b>	<b>735</b>	<b>810</b>
(Increase) / decrease in inventories	(3)	(17)
(Increase) / decrease in trade receivables	(182)	(275)
Increase / (decrease) in trade payables	51	243
Change in other receivables and payables	476	595
Payment of the ESA 2003 soulte	(110)	-
Additional contribution to pension fund	(198)	-
<b>Net cash flow from operating activities</b>	<b>769</b>	<b>1 356</b>
Acquisitions of subsidiaries and investments in associates, net of cash acquired	(5)	(24)
Purchase of property, plant and equipment and intangible assets	(720)	(655)
Proceeds on disposal of subsidiaries and investments in associates	79	2
Proceeds on Amadeus GTD transaction	82	-
Proceeds on disposal of property, plant and equipment and intangible assets	13	11
Dividends received	2	1
Decrease (increase) in investments, net between 3 months and 1 year	73	(289)
<b>Net cash used in investing activities</b>	<b>(476)</b>	<b>(954)</b>
Issuance of common stock	193	-
Issuance of long-term debt	221	207
Repayments on long-term debt	(169)	(175)
Payment of debt resulting from finance lease liabilities	(62)	(151)
New loans	(22)	(35)
Repayments on loans	17	24
Dividends paid	-	(2)
Decrease in equity	-	-
<b>Net cash flow from financing activities</b>	<b>178</b>	<b>(132)</b>
<b>Effect of exchange rate on cash and cash equivalents</b>	<b>1</b>	<b>1</b>
<b>Change in cash and cash equivalents and bank overdrafts</b>	<b>472</b>	<b>271</b>
Cash and cash equivalents and bank overdrafts at beginning of period	3 364	2 844
Cash and cash equivalents and bank overdrafts at end of period	3 836	3 115

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**



# 1. INFORMATION BY ACTIVITY AND GEOGRAPHICAL AREA

The Air France-KLM Group's primary reporting format is business segmentation.

Business segments' results are those that are either directly attributable or that can be allocated on a reasonable basis to these business segments. Amounts allocated to business segments mainly correspond to the current operating income and the share of results in associates. Other elements of the income statement are presented in the "not allocated" column.

Inter-segment transactions are evaluated based on normal market conditions.

The Air France-KLM Group's secondary reporting format is geographical segmentation, based on origin of sales.

Only segment revenue is allocated by geographical sales area.

## **Business segments**

**Passenger:** Passenger operating revenues primarily come from passenger transportation services on scheduled flights with the Group's airline code, including flights operated by other airlines under code-sharing agreements. They also include commissions paid by SkyTeam alliance partners, code-sharing revenues, revenues from excess baggage and airport services supplied by the Group to third party airlines and services linked to IT systems.

**Cargo:** Cargo operating revenues come from freight transport on flights under the companies' codes, including flights operated by other partner airlines under code-sharing agreements. Other cargo revenues are derived principally from sales of cargo capacity to third parties.

**Maintenance:** Maintenance operating revenues are generated through maintenance services provided to other airlines and customers globally.

**Other:** The revenues from this segment come primarily from catering supplied by the Group to third-party airlines and from charter flights operated primarily by Transavia.

## **Geographical segments**

Group activities are broken down into five geographical regions :

- Europe and North Africa
- Caribbean, French Guiana and Indian Ocean
- Africa, Middle East
- Americas, Polynesia
- Asia and New Caledonia

## 1.1. Information by business segment

- Three month period ended June 30, 2007

<i>In € millions</i>	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	4 965	693	716	404	-	6 778
Intersegment sales	(203)	(4)	(473)	(153)	-	(833)
<b>External sales</b>	<b>4 762</b>	<b>689</b>	<b>243</b>	<b>251</b>	-	<b>5 945</b>
Income from current operations	396	(17)	13	23	-	415
Income from operating activities	396	(17)	13	23	122	537
Share of profits (losses) of associates	-	-	-	(9)	-	(9)
Net cost of financial debt and other financial income and expenses	-	-	-	-	66	66
Income taxes	-	-	-	-	(174)	(174)
<b>Net income from continuing operations</b>	<b>396</b>	<b>(17)</b>	<b>13</b>	<b>14</b>	<b>14</b>	<b>420</b>

- Three month period ended June 30, 2006

<i>In € millions</i>	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	4 800	735	690	373	-	6 598
Intersegment sales	(187)	(6)	(459)	(144)	-	(796)
<b>External sales</b>	<b>4 613</b>	<b>729</b>	<b>231</b>	<b>229</b>	-	<b>5 802</b>
Income from current operations	363	28	3	17	-	411
Income from operating activities	363	28	3	17	(23)	388
Share of profits (losses) of associates	-	-	-	-	-	-
Net cost of financial debt and other financial income and expenses	-	-	-	-	(78)	(78)
Income taxes	-	-	-	-	(87)	(87)
<b>Net income from continuing operations</b>	<b>363</b>	<b>28</b>	<b>3</b>	<b>17</b>	<b>(188)</b>	<b>223</b>

## 1.2. Information by geographical area

### Sales by geographical area

- Three month period ended June 30, 2007

<i>In € millions</i>	Europe, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
Scheduled passenger	3 063	83	270	752	352	4 520
Other passenger sales	184	11	8	14	25	242
<b>Total passenger</b>	<b>3 247</b>	<b>94</b>	<b>278</b>	<b>766</b>	<b>377</b>	<b>4 762</b>
Scheduled cargo	290	9	47	84	212	642
Other cargo sales	30	1	2	7	7	47
<b>Total cargo</b>	<b>320</b>	<b>10</b>	<b>49</b>	<b>91</b>	<b>219</b>	<b>689</b>
Maintenance	241	-	-	-	2	243
Others	243	5	3	-	-	251
<b>Total</b>	<b>4 051</b>	<b>109</b>	<b>330</b>	<b>857</b>	<b>598</b>	<b>5 945</b>

- Three month period ended June 30, 2006

	Europe, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
<i>In € millions</i>						
Scheduled passenger	2 848	86	275	787	349	4 345
Other passenger sales	190	14	12	22	30	268
<b>Total passenger</b>	<b>3 038</b>	<b>100</b>	<b>287</b>	<b>809</b>	<b>379</b>	<b>4 613</b>
Scheduled cargo	290	9	47	86	242	674
Other cargo sales	38	1	2	5	9	55
<b>Total cargo</b>	<b>328</b>	<b>10</b>	<b>49</b>	<b>91</b>	<b>251</b>	<b>729</b>
Maintenance	228	-	-	-	3	231
Others	223	2	2	1	1	229
<b>Total</b>	<b>3 817</b>	<b>112</b>	<b>338</b>	<b>901</b>	<b>634</b>	<b>5 802</b>

### Traffic sales by geographical area of destination

- Three month period ended June 30, 2007

	Europe, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
<i>In € millions</i>						
Scheduled passenger	1 912	258	568	1 079	703	4 520
Scheduled cargo	17	46	92	197	290	642
<b>Total</b>	<b>1 929</b>	<b>304</b>	<b>660</b>	<b>1 276</b>	<b>993</b>	<b>5 162</b>

- Three month period ended June 30, 2006

	Europe, North Africa	Caribbean, French Guiana, Indian Ocean	Africa, Middle East	Americas, Polynesia	Asia, New Caledonia	Total
<i>In € millions</i>						
Scheduled passenger	1 868	248	553	1 028	648	4 345
Scheduled cargo	17	48	89	207	313	674
<b>Total</b>	<b>1 885</b>	<b>296</b>	<b>642</b>	<b>1 235</b>	<b>961</b>	<b>5 019</b>

## 2. EXTERNAL EXPENSES

<i>In € millions</i>	2007	2006
<i>Three month period ended June 30,</i>		
Aircraft fuel	1 093	1 010
Chartering costs	160	166
Aircraft operating lease costs	151	156
Landing fees and en route charges	443	433
Catering	110	103
Handling charges and other operating costs	322	319
Aircraft maintenance costs	264	201
Commercial and distribution costs	306	321
Other external expenses	522	533
<b>Total</b>	<b>3 371</b>	<b>3 242</b>

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

### 3. SALARIES AND NUMBER OF EMPLOYEES

#### Salaries and related costs

<i>In € millions</i>	<b>2007</b>	<b>2006</b>
<b><i>Three months period ended June 30,</i></b>		
Wages and salaries	1 263	1 209
Net periodic pension cost	14	37
Social contributions	408	378
Expenses related to share-based compensation	8	8
Other expenses	36	29
<b>Total</b>	<b>1 729</b>	<b>1 661</b>

#### Average number of employees

<i>Three month period ended June 30,</i>	<b>2007</b>	<b>2006</b>
Flight deck crew	8 164	7 945
Cabin crew	21 452	20 603
Ground staff	74 362	74 552
<b>Total</b>	<b>103 978</b>	<b>103 100</b>

### 4. SALES OF AIRCRAFT EQUIPMENT AND OTHER NON-CURRENT INCOME AND EXPENSES

<i>Three month period ended June 30,</i>	<b>2007</b>	<b>2006</b>
<i>In € million</i>		
<b>Sales of aircraft equipment</b>	<b>-</b>	<b>6</b>
Impairment	-	(20)
Disposal of subsidiaries and affiliates	40	-
Gain on Amadeus GTD transaction	82	-
Other	-	(9)
<b>Other non-current income and expenses</b>	<b>122</b>	<b>(29)</b>

- **Three month period ended June 30, 2007**

During the three month period ended June 30, 2007, the Group sold its shares in Alpha recording a gain on disposal of €40 million. The company Alpha, previously held at 26%, was accounted according to the equity method in the Group’s accounts.

The gain on Amadeus GTD transaction that amounts to €82 million, corresponds to the reimbursement of the shareholders’ loan for an amount of €76 million and to a dividend payment for €6 million. The loan had been neutralized in the operation of reinvestment of Air France-KLM within the LBO operation initiated in July 2005.

- **Three month period ended June 30, 2006**

The result on disposal of aircraft equipment that amounts to €6 million, corresponds to the sale of an aircraft owned by AFPL, entity held by the Group at 45% and fully consolidated.

Moreover, AFPL has recorded an impairment during the period from April 1<sup>st</sup> to June 30, 2006. This impairment corresponds to accounting of an aircraft at fair value. The disposal of this aircraft will happen during the 4<sup>th</sup> quarter of the year 2006-07.

Lastly, minority interests on the income for the period as of June 30, 2006 that amounts to €(21) million integrates the share of the AFPL loss.

## **5. OTHER FINANCIAL INCOME AND EXPENSES**

Other financial income and expenses comprises, for the three month period ended June 30, 2007, the change in fair value of financial assets and liabilities for €94 million.

