

AIRFRANCE **KLM**

Annual report
2009-10



2009-10



Contents

Chairman's message	3
Interview with the Chief Executive Officer	4
A pro-active response to the crisis	8
Activities	11
Passenger business	14
Cargo business	24
Maintenance business	32
Governance and shareholders	41
Summary consolidated financial statements	53

Profile

The Air France-KLM group, born of the merger between Air France and KLM in 2004, is building its development on the complementary between the two airlines in their three principal businesses: passenger transportation, cargo transportation and aeronautics maintenance and overhaul services. The Group has world-ranking positions in each of its businesses.

Air France-KLM is a European leader in passenger transportation, which represents around 80% of its revenues.

The Group is global leader in cargo transportation, its second business with 12% of revenues.

On the aeronautics maintenance market (5% of revenues), Air France-KLM ranks number two amongst the multi-product players world-wide.

With operations in every continent, the Group has more than 100,000 employees.

Chairman's message

Dear Shareholders,

For Air France-KLM, 2009-10 proved to be a very difficult financial year within an environment marked by one of the gravest economic crises the world has ever seen.

As shown by our results to March 31, 2010, this crisis had a particularly serious impact on the air transport sector. Your Group responded with the rapidity and fortitude that are a part of its culture. It demonstrated the ability to adapt by mobilizing multiple operating levers while continuing to develop growth drivers. The medium-haul product saw an in-depth transformation and the cargo business was restructured. These strategic changes were accompanied by tight cost control via cost-savings plans and the adaptation, within a consensual framework, of headcount to the level of activity.

With all these initiatives, Air France-KLM has given itself the resources needed to secure its long-term future in an environment which is unquestionably changed, with air transport now more commoditized and customers increasingly focused on the price/service relationship, but where air transport remains key to international trade. The global economy is gaining strength, principally driven by the major emerging countries and the United States. Having established leadership positions in these markets, your Group will benefit from the dynamism of these countries.

We have just commemorated the first anniversary of the tragic loss of flight AF447 which has left us all deeply scarred. The absence of any clearly-identified explanation led Air France to review its organization. I would like to take this opportunity to reaffirm the Board of Directors' unqualified support for the Group's management and employees as they strive to achieve continuous progress in flight safety.

I would also like to thank you, our shareholders, for your unwavering confidence and support over the years.



Jean-Cyril Spinetta

Chairman of the Board of Directors

Interview with Pierre-Henri Gourgeon, Chief Executive Officer of Air France-KLM



Safety, Air France's over-riding priority

The loss of flight AF447 on June 1, 2009 remains painfully engraved in all our memories. Flight safety is a priority for every airline and, for our Group, it is the over-riding concern. Without prejudging the causes of this tragedy which, to date, remain unknown, Air France has launched a number of new initiatives in order to maintain the highest possible level of flight safety: the *Trajectoire* program run by the company's pilots, the Independent Safety Review comprising international experts and the joint proposals committee, bringing together the management and all the pilots' professional organizations. These three pillars constitute the driver of the modernization and continuous improvement in the safety management system for Air France flights.

How do you see the results of the Air France-KLM group for the 2009-10 financial year?

Pierre-Henri Gourgeon: We experienced a period of extreme crisis which saw an unprecedented collapse in air transport activity. The long-awaited recovery is now starting to come through but from a very low base and it has only been since February 2010 that we have seen any significant pick-up. Our results reflected this *annus horribilis*, with a 15% decline in revenues to €21 billion, an operating loss of €1.28 billion after €637 million of losses on fuel hedges and a net loss of €1.56 billion. Two positive points, however: we managed to conserve our cash at the level of March 31, 2009 and our balance sheet situation is healthy with a gearing ratio of 0.9 after the sale of Amadeus shares.



How were you impacted by the crisis?

P.-H. G.: We experienced a dual impact. World-wide demand for air transport is linked to global growth with a multiplier effect of between 1.5 and 2. This holds true for both periods of economic growth and downturns. In addition to this 'natural' fall in traffic, corporate travel policies restricted the amount of travel or switched their employees from business to economy class, with a very significant impact on unit revenue and, thus, the profitability of the flights. The crisis also accentuated existing underlying trends, particularly in medium haul where passengers are becoming increasingly sensitive to price and the relationship between this price and the service offered.

What was the effect of the fall in the oil price? Don't you regret your hedging strategy?

P.-H. G.: The fuel hedging strategy saved us €2.7 billion between 2004 and 2009. On the other hand, it prevented us from benefiting to the full from the decline in the oil price in 2009-10, which resulted in a €637 million negative impact on our operating result. The overall outcome was, thus, very positive. Faced with significant oil price volatility, we adapted this hedging so that it now covers a lower level of volume with a shorter time horizon.

What were your priorities during this difficult period?

P.-H. G.: We reacted very rapidly. Faced with the decline in revenues, our first priority was to conserve the Group's cash by reinforcing the cost-cutting strategy and reducing investment. In total, we reduced our expenses by €2.6 billion. The second priority was to secure our future by improving our offer and maintaining, or even extending, the network.

What concrete measures did you take?

P.-H. G.: Firstly, we reduced capacity in our passenger and cargo businesses. We then implemented an in-depth adaptation by updating our long-haul offer, transforming our medium-haul business model and restructuring the cargo activity: in short, we adapted our business to customer demand. Lastly, we adjusted our cost base in line with our level of activity. In the context of a highly consensual employee relations environment, we reduced our headcount by 7% over an eighteen-month period by implementing a hiring freeze and reducing our use of temporary staff. We encouraged internal mobility and launched a voluntary redundancy plan involving some 1,700 jobs. Our employees also mobilized to exceed the target in the *Challenge* plan by achieving €718 million of savings. We also reduced our investment to conserve cash.

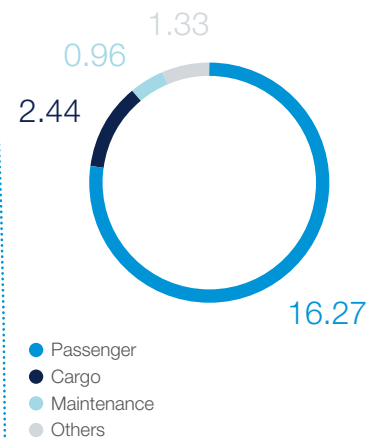
What did you do to protect or even extend your network?

P.-H. G.: We have the leading network linking Europe to the rest of the world, which gives us a solid position based on our dual Paris and Amsterdam hubs supplemented by our partnership with Alitalia. The joint venture agreement with Delta reinforces our offer on the North Atlantic. With our US partner we have a 25% market share of the leading global air transport market. We also benefit from the SkyTeam alliance which brings together nine airlines serving more than 850 destinations world-wide.

Revenues (in € billion)



Breakdown of revenues by business line (in € billion)



Net income/(loss) (in € billion)



Challenge cost-savings plan

718
million euros of cost savings

Three questions for Peter Hartman, Chief Executive Officer of KLM



How did the Group adapt its long-haul offer during this crisis period?

Despite the crisis, long-haul remains a solid, growth business. To adapt to the decline in demand, we reduced our capacity by focusing primarily on the reduction in frequencies whenever possible in order to preserve the quality of our network. For example, the arrival of the Airbus A380 enabled us to reduce the number of frequencies to New York and Johannesburg while offering the same number of seats. Another example is the opening of new services such as Amsterdam-Denpasar, Amsterdam-Hangzhou and Paris-Abu Dhabi. To better gear the business to market needs, we also introduced an intermediary proposition between business and economy class, with *Premium Voyageur* at Air France and *Economy Comfort* at KLM. These offers have been very well received with revenue growth exceeding expectations.

What was your short and medium-haul strategy?

The medium-haul network is vital to our hub strategy since it feeds our long-haul flights while also serving the local market. Some 65% of the passengers on our medium-haul network in Amsterdam and 50% in Paris are transfer passengers. Since European traffic was more badly affected than long-haul traffic, we reduced capacity on the European network by between 5 and 7%. We revised our medium-haul strategy by reducing capacity and offering competitive fares in return for simpler services. Last April, Air France launched a new medium-haul offer which is proving very successful while KLM is set to announce its own redefined offer in the coming months.

And for the cargo business?

Our Cargo business has been restructured. Even more than in the past, we now focus on filling the bellies of passenger aircraft and 'combis', a KLM speciality, which offers significant flexibility. The activity of the all-cargo aircraft has thus fallen by 40% and their fleet has been reduced from 25 to 14 freighters. We are optimizing the interchangeability of the Paris-CDG and Amsterdam-Schiphol hubs and have improved our commercial organization via a single team combining the strengths of Air France, KLM and Martinair. The pick-up in traffic since the end of 2009 and the marked improvement in unit revenues, together with the restructuring measures, all give us confidence in our ability to significantly improve the results.

Are you seeing the first results of these efforts and adaptation?

P.-H. G.: Yes. The numerous initiatives we have taken are bearing fruit. Our operating expenses were down by more than 10% on the previous year and our unit costs by 1.4% which is substantial in an industry of fixed costs. It is in the cargo business that the first results are already very visible. The restructuring launched in late 2009 started to feed through as of the final quarter of the 2009-10 financial year. And all our new offers have been very well received by customers.

How do you see the coming years? Will the crisis prove to have been a blip, or will it have a long-term impact on the profile of your activity?

P.-H. G.: The world is emerging from the crisis and this is starting to be felt in a pick-up in activity. While the recovery in transport demand is significant, it has yet to return to pre-crisis levels. Air transport will remain key to a globalized economy but the days when it was seen as a luxury are over. Our ability to adapt our business model to this new environment, which is to say offer high-quality services at attractive rates, will be crucial.

What is the impact of the volcanic ash cloud episode on your 2010-11 financial year?

P.-H. G.: Faced with this natural phenomenon, the authorities took the precaution of closing the airspace and we suffered a virtually total shutdown of operations between April 16 and 19. The test flights we operated, followed by real flights, showed that these precautions were disproportionate. Our loss in revenue amounts to €260 million and the impact on our operating result is estimated at €160 million. We are negotiating with the authorities to obtain compensation for these losses. We are also actively working with them to define a new, more robust approach to such phenomena, based on scientific measurement.



What is your road map for the next financial year?

P.-H. G.: We expect a gradual recovery and we plan virtually no change in capacity, while maintaining some flexibility to rebound. We will again limit our investment this year. We also intend to continue to reduce our unit costs. We shall benefit from the adaptation of our *Premium Voyageur* offer in long-haul, the transformation of the medium-haul business model and the restructuring in cargo. Our partnerships and alliances will also be powerful growth drivers. We should thus return to operating break-even excluding the impact of the pre-2009 fuel hedges subject, obviously, to the final cost of the volcanic ash cloud.

What will be the effect of your international agreements?

P.-H. G.: They link us to the fastest-growing world regions. The trans-Atlantic joint venture with Delta is a very effective tool. Our initial objective of improving the economic performance of this network by €150 million has been confirmed. Indeed, this year, the agreement generated €50 million. Meanwhile, the SkyTeam alliance is expanding in Asia, the fastest-growing world region, with the membership of China Southern, then China Eastern and Vietnam Airlines - three airlines with which we are establishing strategic partnerships. Air France-KLM is thus the leading European company to China, South-East Asia, Japan and South Korea. This is a decisive competitive advantage. We shall also see the full benefits of our code share agreements with Aeroflot for Russia and GOL for Brazil.

What strengths and competitive advantages does the Group have that give you confidence in its future?

P.-H. G.: Above all its employees whose professionalism is recognized the world over and who have shown, at every difficult time for the Group, their spirit of responsibility and commitment. Air France-KLM is a global leader that will emerge from this crisis with a young fleet, a rejuvenated commercial offer adapted to the new needs of our customers, a leading network between Europe and the rest of the world based on our dual Roissy-Schiphol hub and a preserved financial position.

A pro-active response to the crisis



Forecasts for 2010 cautiously optimistic

Global GDP growth forecasts stand at 3.2% for 2010 with Asia, the United States and Latin America as the growth drivers. The euro zone will remain a laggard with GDP growth limited to 0.9% explained, in part, by a high unemployment rate weighing on household consumption and the difficulties of a number of countries.

An exceptionally difficult environment

An unprecedented economic crisis

The 2009 global recession, with GDP declining by 2% over the year and by 3.5% between the 2008 and 2009 second quarters, was the most severe of the past sixty years.

The recession had dramatic consequences for airline activity. In volume terms, international traffic declined by 3.5% while, in value terms, airline revenues collapsed by 16%.

The crisis amplified the trend for leisure passengers to seek the lowest fares and, in particular, forced companies to reduce their travel or switch to economy. The volume of business traffic was the most affected, falling by 15.8% globally and by 23.8% in Europe.

The European airlines saw their traffic decline by 5.8% and capacity was reduced by 4.2%, limiting the fall in the load factor to 0.3 of a point (76%). In 2009, the European air transport industry generated \$3.9 billion of operating losses.

Another effect of the recession was the fall in the oil price to \$73 a barrel, meaning that fuel hedges become inefficient and even costly. For Air France-KLM, this reversal accounted for €637 million of the operating loss for the financial year.

Air transport, an activity key to the global economy

Generating nearly 8% of the global economy and carrying 2.5 billion passengers and 50 million tons of freight annually, the air transport sector is a key factor in globalization. It facilitates trade flows and cultural exchanges and enables growth in tourism and business activity.

This industry is also a cyclical activity which is highly sensitive to the economic environment. It is characterized by low margins and a significant investment requirement. It also has to contend with numerous external factors: regulations, oil prices, geopolitical developments or even geological phenomena like the eruption of the Icelandic volcano in April 2010. While it was seriously impacted by the global economic crisis, air transport demand has always regained or even exceeded its pre-crisis levels.

A very different exit from crisis depending on the world region

Since December 2009, there have been some signs of a recovery in *Premium* traffic on long-haul flights: in December 2009, traffic increased by 6.2% between Europe and Asia and by 7.7% between Europe and South America. In January 2010, traffic was up by 3.5% between Europe and North America.

The cargo business is in the recovery phase driven, in particular, by the rebuilding of company inventories.

The oil price remains the major unknown, although the recovery should see it move higher. Historically, however, the air transport industry has demonstrated its ability to grow even during periods of sharply higher fuel prices.

Air France-KLM, pro-activeness and commitment

Greater than ever focus on the customer

Faced with the crisis, the Air France-KLM group took up the challenge, redefining its product offer in response to the needs and expectations of its customers.

In long-haul, the Group adapted its business model by adjusting capacity and enriching its offer with the launch of the new *Premium Voyageur* class, an intermediary proposition between *Affaires* and *Voyageur*, at Air France while KLM created the *Economy Comfort* space.

The medium-haul offer, which is vital to feeding the hubs, underwent an in-depth transformation to respond to structural changes involving the repositioning of the product and fares, productivity gains and network adjustments.

The cargo business, which remains a growth activity, was restructured, with the Group now focused on filling the bellies of passenger aircraft.

Adapting capacity

In a two-stage process, in April and November 2009, the Group adapted its capacity to the level of demand with respective reductions of 4.5% and 3% in the passenger business and 11% and 5% in cargo. These capacity reductions were mostly achieved through reducing frequencies in the passenger business and the withdrawal from service of cargo aircraft.

Leveraging our partnerships

On April 1, 2009, Air France-KLM and Delta launched a joint venture with the equal sharing of costs and revenues.

This joint venture, created for the benefit of the customers of the two groups, is the leading operator on the North Atlantic, the number one global air transport market, with a market share of 25%. More than 200 daily flights link the six hubs: Paris, Amsterdam, Atlanta, Detroit, Minneapolis and New York.

Adapting headcount and the cost-savings plan

The policy of adapting headcount, in place since 2008, was stepped up: a hiring freeze, assistance with retirement departures, the promotion of geographical and professional mobility, new conditions offered for personal leave and part-time working. These measures resulted in a 4.4% year-on-year reduction in headcount at March 31, 2010. In early 2010, a voluntary redundancy plan was launched for some 2,000 ground staff.

The cost-savings plan was also reinforced. In total, the Group achieved €718 million of savings.

Conserving cash

All of these measures together with the reduction in investment enabled the company to conserve cash which stood at €4.3 billion at March 31, 2010.

Competitive strengths during the crisis and for the recovery

Throughout the crisis, the Group leveraged the competitive strengths which underpin its robustness:

- the coordinated hubs of Roissy-Charles de Gaulle in France and Amsterdam-Schiphol in the Netherlands which offer more than 33,000 weekly connecting opportunities in under two hours;
- the leading network between Europe and the rest of the world with 111 destinations, or 62% of all the destinations offered by Association of European Airlines member airlines;
- a global alliance with more than 13,100 daily flights to 859 destinations in 169 countries;
- a young, modern fleet offering greater comfort and enabling respect of the Group's sustainable development commitments;
- a balanced (56% transfer passengers and 44% taking direct flights) and loyal (53% of revenues contributed by the frequent flyer policy) customer base;
- a high level of financial resources, including €1.1 billion of available credit facilities.

All these factors which enabled the Group to weather the crisis will also contribute to accelerating its growth during the recovery.



F-GFKF CO-AP



Activities

Businesses mobilized around serving the customer.



To serve its customers world-wide, the Air France-KLM group is present in all the major air transport activities: from passenger and cargo transportation to aircraft and engine maintenance and in-flight catering.

Activity in brief

Rationalization of the offers and processes, commercial initiatives and innovation across all the businesses in response to the crisis.

The **passenger business**, with **€16.28 billion** of revenues, makes the Group the global leader in both long and medium-haul passenger transportation and contributes some **80%** of total revenues. The trends in the long and medium-haul businesses are very different. **Long-haul is fundamentally a growth business which was impacted by the crisis whereas medium-haul is experiencing a structural change due to competition from high-speed rail and the low cost carriers, together with business travellers looking for cheaper products.** The Group responded in two ways. In long-haul, it adapted its offer and capacity while, in medium-haul, it undertook an in-depth transformation by redefining its products, fares and networks. At March 31, 2010, the passenger business recorded an operating loss of **€918 million**.

The **cargo business** generated **€2.44 billion** of revenues, or **12%** of the Group's total revenues. Cargo is a key service in a globalized economy where the competitiveness of businesses depends on their ability to manage inventory levels and bring products, particularly perishables and high tech items, to market within very tight time frames. [The Air France-KLM group is the world leader in air freight.](#) This business proved highly sensitive to the economic downturn and even amplified its effects with international air freight collapsing by 25% in value terms. Air France-KLM revised its strategy by focusing on the bellies of passenger aircraft and reducing the cargo fleet from 24 to 14 freighters. In the 2009-10 financial year, the operating loss reached **€436 million**.

The **maintenance business** is the Group's third activity. With revenues of **€2.95 billion**, including **€956 million** generated with third-party customers, it represents 5% of the Group's activity. The maintenance market was also impacted by the crisis which led airlines to reduce their schedules, close services and withdraw the oldest aircraft from operation. The Group's maintenance business, however, proved relatively resilient, benefiting from its positioning on valued-added services, particularly in engine and component support, executed by highly-qualified teams. [It demonstrated significant commercial dynamism and won numerous new contracts.](#) Over the financial year as a whole, this business generated operating income of **€81 million**.

Passenger business

Moving closer to the customer





Air transport tends to amplify economic trends, on the upside as on the downside. A 2% global recession was thus reflected in a 3.5% decline in international traffic.

80%

of the Group's revenues

71.4

million passengers

16.28

billion euros of revenues

Summary of the year

The effects of the economic crisis on air transport were intensified by highly restrictive corporate travel policies which had a serious impact on the business travel segment. The crisis also led to a change in the behavior of passengers travelling in Europe.

Results reflecting the magnitude of the crisis

During a very difficult first half, the Group carried 38.4 million passengers (-5.3% year-on-year). Faced with a 4.5% fall in traffic which affected all the networks, the Group reduced its capacity by 4.6%, maintaining the load factor at 81.7%. Including the fall in unit revenues, overall revenues declined by 17.9% to €8.36 billion. The operating loss stood at €353 million.

During the second half, which saw the beginnings of a recovery, 33 million passengers (-2.6%) travelled on the Group's network. Traffic saw a modest improvement especially as of the fourth quarter (+0.9%) with a fall limited to 1.7%, while the Group continued to reduce its capacity (-4.1%). The load factor thus gained 1.9 points to 79.5%. The Group generated revenues of €8.36 billion (-8.4%) and an operating loss of €565 million.

In total, traffic for the Air France-KLM group's passenger business declined by 3.2% for a capacity reduction of 4.3%, underpinning a one point improvement in the load factor to 80.7%. It generated revenues of €16.28 billion (-13.6% year-on-year), of which €15.49 billion in scheduled passenger revenues and €778 million in ancillary revenues. The operating loss amounted to €918 million, of which €530 million was due to the pre-2009 fuel hedges.

The hubs, a competitive advantage during the crisis

This year the dual hub system once again acted as a shock absorber during the crisis. Since the hubs pool low traffic flows from and to every world region, they limit the decline in traffic thanks to the diversity of the flows which are not all exposed to the crisis in the same way. Connecting traffic at Roissy was, thus, much less affected by the crisis than point-to-point traffic.

The hub operates as a highly-efficient pooling system that gives small markets access to a large number of world-wide destinations. With more than 33,000 weekly connecting opportunities, the dual hub based at Paris and Amsterdam is positioned well ahead of its competitors. This system also enables the optimization of the fleet and the use of larger aircraft, thus reducing noise disturbance and CO₂ emissions.

The long-haul network

Adapting capacity to demand

- The Group adapted its capacity to respond to demand and reduce variable costs.

New aircraft

- The A380, which arrived in November 2009, can carry 538 passengers over 13,000 km. It is the quietest, most fuel efficient and most environmentally-friendly of the modern aircraft. In time, the Air France fleet will have twelve A380s.
- Initially planned to support growth, the A380 is also used as an optimization tool. Its capacity, which is the equivalent of a B777-200 and an Airbus A340-300 put together for a cost per seat some 22% lower, enables the regrouping of flights on high-frequency routes. The number of daily flights between Paris and New York has thus been reduced from five to four and from three to two on the Johannesburg route.

Reinforcing SkyTeam

- SkyTeam will welcome Vietnam Airlines and Tarom, the Romanian carrier, to the alliance in June 2010. China Eastern has also announced plans to become an alliance member.
- At Heathrow (London), the SkyTeam alliance regrouped its airline members in co-located facilities at Terminal 4 and inaugurated a new SkyTeam passenger lounge offering an exceptional level of service. The airlines also share the self-service check-in kiosks.

Commercial dynamism

- Launched in October 2009, the new *Premium Voyageur* class on Air France long-haul flights offers an intermediary proposition between *Affaires* (business) and *Voyageur* (economy).
- KLM also introduced the *Economy Comfort* seats (between 34 and 40 seats depending on the type of aircraft) in a dedicated front section of the *Voyageur* cabin.
- *La Première* at Air France has been improved. Customers now have access to a personalized ground service from the moment they arrive at the airport through to a chauffeur-driven transfer to the aircraft. They also benefit from a space dedicated to work or relaxation and gourmet dining.

- On leisure destinations, the Group increased the proportion of *Voyageur* seats in response to the growth in demand.
- Aircraft cabin interiors were improved as part of the *Harmonie 2010* project.
- The Group redoubled its commercial efforts: e-commerce with new internet-based services for individual customers and the corporate marketing strategy directed at companies, offering more competitive fares and increased flexibility.
- Since January 2010, the Air France-KLM American Express Platinum card has offered customers with a bank account in France a wide range of services including a world-wide concierge service, air miles, insurance, etc.
- The Air France and KLM websites have converged to offer the same functionalities (choice of seat in the aircraft, ability to change a *Flying Blue* reservation or switch flights after check in).
- The group is developing commission-based services: online sale of insurance, car rental, hotel reservations.
- After the United States and China, the Phoenix training program aimed at raising the awareness of the cultural differences of international customers was rolled out in Russia and the Ukraine.

160

aircraft in operation

22.9

million passengers

121

destinations (Summer 2009) in 69 countries

9.76

billion euros of revenues

60%

of passenger revenues

SkyTeam develops in Asia

After China Southern, which has been a SkyTeam member since 2007, China Eastern plans to join the alliance. Out of Canton for China Southern and Shanghai for China Eastern, these two Chinese airlines represent 40% of Chinese domestic and international traffic and offer 121 domestic destinations to customers of the alliance. SkyTeam is thus becoming the leading alliance in China. Vietnam Airlines also extends the alliance offer in Asia with its 290 daily flights to 46 destinations, of which 26 international, operated in a young fleet of 70 modern aircraft.

Network highlights

**North America-Latin America network
9 million passengers, 34 destinations in
10 countries, 23% of passenger revenues,
33% of traffic and 31% of Group capacity**

- Launched in April 2009, the joint venture with Delta optimizes the trans-Atlantic offer. The flights have been reallocated between the three partners and a single revenue management team has been created.
- May 1, 2009: an agreement with the Brazilian airline GOL, which also owns the VARIG brand, gives Flying Blue and GOL customers reciprocal rights to earn air miles on the flights with the three airlines. The agreement also foresees code sharing on flights.
- A commercial agreement with Canadian low cost airline WestJet, which serves 66 cities in North America and the Caribbean, enables Air France-KLM passengers travelling to North America to fly with WestJet on the same ticket.
- November 23, 2009: the inaugural flight of the A380 to New York. Tickets were auctioned with the profits donated to humanitarian projects.
- Flight frequencies to Rio, Sao Paulo and Mexico were reduced.
- Over the financial year, traffic declined by 3.7% and capacity by 6.3%, leading to a 2.3 point improvement in the load factor to 86%.

Network highlights

Asia-Pacific network

5.4 million passengers, 22 destinations in 11 countries, 15.4% of passenger revenues, 23% of traffic and 22% of the Group's capacity

- Air France-KLM is the leading European group to all the Asian regions. It offers ten daily flights to Japan and three destinations in South Korea, 12 daily flights in China to seven destinations and nine daily flights in South-East Asia to eight destinations. In addition to the flights operated directly by the Group, there are also those operated by its partners or members of the SkyTeam alliance.
- Air France-KLM strengthened its position as the European leader in China with 72 weekly flights to Beijing, Shanghai, Hong Kong, Canton (out of Paris), Chengdu and Taipei (out of Amsterdam).
- In India, the group withdrew its services to two destinations, Hyderabad operated by KLM and Madras operated by Air France.
- Over the financial year, traffic declined by 4% and capacity by 4.7%, leading to a 0.7 improvement in the load factor to 85.2%.

Africa-Middle East network

5.5 million passengers, 50 destinations in 40 countries, 15.3% of passenger revenues, 14% of the Group's traffic and capacity

- Traffic remained dynamic to Africa and the group added frequencies to Cotonou, Brazzaville and Luanda.
- The daily direct flight to Port Harcourt in Nigeria operated by A319 was replaced by a flight in a Boeing B777-300 via Lagos to improve the load factor.
- Johannesburg became the second destination to be served by the A380, which replaced two flights with a single flight. The number of flights to South Africa out of Roissy and Amsterdam was reduced from 24 to 19 a week. During the Football World Cup, however, the Group plans an additional three frequencies operated in Boeing B777s. 1,500 seats have been brought on line for the final.
- Over the financial year, traffic increased by 0.3% and capacity by 1%, resulting in a 0.5 point fall in the load factor to 78.6%.

Caribbean-Indian Ocean network

3 million passengers, 15 destinations in 5 countries, 7.6% of passenger revenues and 11% of the Group's traffic and capacity

- Traffic to the Caribbean continued to grow.
- February 1, 2010: KLM reinstated the Aruba service, suspended since March 2009.
- Frequencies were increased from seven to nine flights to Havana and from five to six flights to Punta Cana at the height of the winter season, operated in nine Boeing B777 aircraft.
- Over the financial year, traffic declined by 1.6% and capacity by 2.1%, underpinning a 0.4 point improvement in the load factor to 80.6%.

Transformation of the medium-haul network

A new business model to increase competitiveness

The medium-haul network is strategic for Air France-KLM in that it represents more than a third of passenger revenues and feeds the long-haul flights with connecting traffic. This network nonetheless underwent a large-scale crisis with a very sharp fall (-30%) in business traffic during the 2009-10 first half.

To contend with this situation, the Group restructured its offer by launching a project at the end of the year based on three pillars: repositioning the commercial offer, reducing expenses and particularly logistics costs and adjusting flight schedules.

A simple, easily-understandable service

- Since March 2010, Air France has had two clearly differentiated offers: the *Voyageur* cabin and the *Premium* cabin.

- *Voyageur* offers all the essentials of the Air France service at attractive fares: up to 23kg of baggage carried free in the hold, a choice of seat at the time of reservation, in-flight snack, newspapers and dedicated check-in counters at the airport.

- *Premium* class, which is mostly aimed at business customers, offers greater flexibility and an enhanced level of service, with improved efficiency and time savings at more competitive prices with an offer based on *Premium Eco* and *Premium Affaires*.

An optimized flight schedule

- At Roissy-Charles de Gaulle, on the routes with the most flights, the Group optimized the balance between flight frequencies and aircraft size by operating larger aircraft to reduce unit costs while maintaining an attractive offer for high contribution passengers.

- Via its Transavia subsidiary, the Group developed a low cost offer with a foothold in the French regions by opening leisure destinations out of Nantes to Tunisia, Morocco and Greece. In parallel, Transavia Netherlands developed its offer out of Denmark with charter flights to 16 sun and winter sports destinations.

A brand new offer in the French domestic network

- Air France is equipping all its short-haul aircraft with the lightest, most comfortable seat on the market, a process that should be completed by the end of 2010. This will enable an annual saving of 1,700 tons of fuel, or the equivalent of the fuel used on 650 Paris-Marseilles flights.

- The commercial offer was enriched with innovation coming from the new European offer: online reservation with a *Time to Think* option, a choice of a window or aisle seat, boarding pass sent out by email

- The fare structure, season ticket offers and reductions were all improved.

Over the financial year, short and medium-haul traffic fell by 4.5% while capacity was reduced by 5.5%, underpinning a 0.7 point improvement in the load factor to 70%. Revenues declined by 15.2% to €6.50 billion.

376

aircraft in operation, including 184 regional aircraft

48.5

million passengers

123

destinations (Summer 2009) in 36 countries

6.50

billion euros of revenues

40%

of passenger revenues

Sustainable development highlights

	The figures	The facts	The plus point
First optimized flight	<p>A flight lasting 9h30</p> <p>—</p> <p>3 metric tons of jetfuel saved</p> <p>—</p> <p>6 to 9 metric tons of CO₂ avoided.</p>	<p>April 6, 2010</p> <p>Between Roissy and Miami, with a Boeing B747-400ER, Air France operated the first trans-Atlantic flight to be fully optimized from start to finish aimed at reducing noise and emission levels. These optimized procedures were applied at each flight phase: shorter taxiing times, continuous climb and descent, optimum altitude and cruising speed.</p>	<p>On departure and arrival, the procedures also helped to minimize noise levels by up to 7dB, a remarkable performance given that a 3dB reduction is the equivalent of halving noise levels.</p>
First flight using bio-fuel	<p>A flight lasting 1h30</p> <p>—</p> <p>50% biokerosene</p> <p>—</p> <p>40 passengers</p>	<p>November 23, 2010</p> <p>KLM operated the first passenger flight powered by biokerosene. With some 40 passengers on board, a Boeing B747 flew over the Netherlands for an hour and half with one of its four engines functioning on a 50-per cent mix of biokerosene, derived from a plant, the camelina.</p>	<p>KLM ensured that the production of this biokerosene did not represent a threat to the food chain or forestry and that it did not involve excessive water consumption.</p>
New, lighter seats	<p>6,000 seats weighing 5.4 kg less</p> <p>—</p> <p>An annual fuel saving of 1,700 tons</p> <p>—</p> <p>5,200 tons of CO₂ avoided annually</p>	<p>Between January 30 and the end of 2010</p> <p>Air France will equip its entire domestic fleet with new, slim-line seats, weighing 9.1kg instead of 14kg for the previous model.</p>	<p>Designed with ergonomists and tested by customers, this seat is more comfortable, with increased leg room, integrated head rests and a fully removable arm rest, improving access for mobility-impaired passengers.</p>
2009 Golden Marianne		<p>December 2009</p> <p>Air France was awarded the 2009 sustainable development Golden Marianne in recognition of its commitments and best practice.</p>	

Interview with Bruno Matheu and Erik Varwijk

How has your activity been impacted by the crisis?

Bruno Matheu : Like the whole industry, we were impacted by this unprecedented crisis. The long-haul network had to contend with a fall-off in demand and, thus, revenues. However, while some changes were needed (many of which have been implemented) this does not fundamentally call into question our business model which is based on growth in demand for international transport. We are also pleased to note the first real signs of a recovery in recent weeks. On the other hand, for the medium-haul network, the crisis further accelerated a trend that has existed for several years which is the desertion of Business by professional travellers. We thus had to undertake an in-depth review of the product and business model in this activity.

What changes have you seen with customers?

Erik Varwijk : In long-haul, for budget reasons, companies have implemented more restrictive travel policies either by reducing the amount of travel or by requiring their employees to fly in economy class. We thus had to contend with a sharp decline in Business revenues although we have seen passengers returning to this class in recent weeks.

In medium-haul, business travellers have been gravitating towards cheaper products for a number of years. This customer segment represented just 9% in 2007 compared with 34% in 1996. This is thus a structural change and we have taken measures to adapt our product.

How have you adapted your products ?

B. M. : In long-haul, we have significantly enhanced our product (seats, in-flight catering, ground services, etc.). For Air France, the most spectacular initiative was certainly the launch of the *Premium Voyageur* class, which fills a gap between the *Business* and *Economy* classes by offering very good value for money. KLM offers the *Economy Comfort* seats in economy class, sold as a paid option. In medium haul, Air France has completely redefined its commercial proposition to offer a more price-competitive, simpler product that responds to the new needs of customers. In the next few months, KLM will also announce changes to its medium-haul product.

E. V. : These new offers are very attractive to both leisure travellers and businesses. The latter reacted very positively when we presented the new Air France medium-haul product and the feedback is very encouraging. These offers are well adapted to the needs of small and mid-sized companies with whom we want to develop long-term relationships through our new Bluebiz program.

What are your key objectives for the coming years?

B. M. : Winning our customers' preference is, more than ever, our major objective. Our ability to understand, respond to and anticipate the changing needs of our customers is a key factor in our recovery. For example, we have just launched the *Recovery* project to help our passengers and keep them as well-informed as possible in the event of any service disruption. We want to transform these incidents into an opportunity to strengthen our relationships with them. We are also adapting our products to the wide cultural diversity of our customers.

E. V. : We have also launched the *E-power* project to develop our internet activities with new mobile applications and the use of social media like *Facebook* and *Twitter*. It's about finding innovative ways to contact and maintain a dialogue with our customers, attracting new customers, developing loyalty to the Group's brands and encouraging return business.

B. M. : All these developments are within the framework of a responsible commercial policy. We involve our customers in our effort to reduce CO₂ emissions through offsetting programs in addition to supporting the development of renewable energies. We are aware that, in the long term, the appropriateness of our behavior in this area will be a key factor vis-à-vis stakeholders when it comes to our continued growth.



Bruno Matheu

Executive Vice President, Revenue Management, Marketing and Network, Air France and Air France-KLM



Erik Varwijk

Executive Vice President, Commercial Passenger Business, KLM and Executive Vice President, International and the Netherlands, Air France-KLM



Innovation for the well-being of passengers

Passengers in
Premium Voyageur
class on board a
Boeing B777-300



A new, more comfortable long-haul seat

Launched in October 2009, the *Premium Voyageur* class offers more space than the *Voyageur* class, with 20% more legroom and 20% additional seat width. The passenger benefits from a very comfortable fixed-shell seat that has been specially designed for this class and reclines without intruding on the space of the passenger behind, a feature generally reserved for the best Business class cabins. On the ground, the baggage allowance and check-in zones are the same as for *Affaires* passengers. This product is particularly adapted to customers looking for competitive fares and a high level of comfort, to small and mid-sized companies and to companies tempted to switch their executives from Business to Economy. *Premium Voyageur* has already proved a success: 70% of customers say they would happily recommend it and fly in this cabin again. They cite the main benefits as being on-board comfort and value for money.



KLM's new,
elegant uniform
for women
flight crew



Harmonie 2010:
new cabin
interiors in the
Air France colors
offer everyone
a sophisticated
travel ambiance
with the French
touch





A world first: experimentation with smartboarding

In 2009, *Flying Blue* customers regularly travelling between Paris and Amsterdam tested the smartboarding automated boarding system which uses biometric technology, RFID and thermal printing. On arrival at the airport, passengers insert a smartboarding pass, on which the print of their index finger has been encrypted, into a smartboarding kiosk which returns it with their boarding pass and seat number printed on the back. They then go through the security check-point to the boarding gate where an electronic portal automatically recognizes their finger prints, enabling them to board the aircraft completely autonomously.

A welcoming passenger lounge for SkyTeam customers at Heathrow

Since 2009, *Affaires*, *La Première* and *Elite Plus* customers of the nine SkyTeam member airlines have been able to access a stylish lounge in Terminal 4 at London's Heathrow airport. Open from 5h30 until the last evening flight, it offers them a welcoming environment where everything has been designed around their comfort: reception area, service counters, baggage storage, areas for relaxing, work spaces equipped with PCs, video games, complementary food and beverages, a wine bar offering fine wines, a wellness center with full-body massage chairs, etc. All services of a very high level that none of the airlines would be able to provide on an individual basis. A concept destined to spread.



The lightest, most comfortable short-haul seat in the market

Having been awarded the prize for innovation at the Hamburg Aircraft Interiors trade fair, a new seat, launched on January 30, 2010, is gradually being fitted in Air France's short-haul fleet. In time, it will be available on the Airbus A319s, A320s and A321s operated by the airline's domestic network. This more streamlined and comfortable seat has been ergonomically designed to offer the passenger more legroom and optimize the available space: cabin seat capacity has been increased by at least six seats. Some 40% lighter than a conventional version, this seat combines economy and ecology: based on 11 million passengers carried annually in 731 daily flights, it will enable the saving of 1,700 tons of fuel and avoid 5,200 tons of CO₂ emissions.

Cargo business

A pro-active response and a revised strategy





The magnitude of the decline in global trade between 2008 and 2009 (-12%) was unprecedented.

Summary of the year

A market seriously affected by the crisis

Under the impact of the crisis, traffic experienced a spectacular downturn during the 2009 first half before increasing during the second half, driven by the Asian and Middle Eastern airlines which benefited from the recovery in their markets. In 2009, cargo revenues for the airlines as a whole declined by 23%.

Results in line with the environment

•• Compared with the first half of 2008-09 which was relatively unscathed by the crisis, the 2009-10 first half saw the Group's traffic decline by 19.3% (34.1% in full freighter). The Group reduced its capacity by 17.3% (33.1% in full freighter) by grounding six freighters, thus limiting the decline in the load factor to 1.6 points (63.9%). Revenues collapsed by 41% to €1.11 billion and the operating loss stood at €344 millions.

•• The second half, relative to a 2008-09 second half already impacted by the crisis and helped by the first benefits of restructuring, appeared less dramatic. The more limited 7.4% fall in traffic was the net result of a 26.5% decline in full freighter and a 9.3% increase in the cargo carried in the bellies of passenger aircraft. The Group having again reduced its capacity by 15.6%, the load factor improved by 6.2 points to 69.4%. Revenues declined by 11% to €1.32 billion and the operating result improved with a loss of €92 million compared with a loss of €247 million for the second half of the previous year.

•• Over the financial year as a whole, traffic fell by 13.7% (-30.6% in full freighter and +1.7% in passenger bellies). The Group having reduced its capacity by 16.5%, the load factor increased by 2.2 points to 66.5%. Revenues for the cargo business amounted to €2.44 billion (-27.8%) and the operating loss stood at €436 million (a loss of €221 million in 2008-09).

1.46

million tons transported

350

destinations in 175 countries

No.1

world-wide

Competitive strengths

Air France-KLM Cargo customers have access to two powerful hubs; Roissy, the leading European cargo hub and Schiphol which ranks number three. The integrated organization offers them a single contact point, a single contract and a unified network, as well as the possibility of combining these two hubs or choosing between two operational systems via Paris-Charles de Gaulle or Amsterdam-Schiphol. The Group's customers benefit from a modern fleet and access to the leading global network present on all the major air freight routes. The network is also extended by the SkyTeam Cargo alliance which regroups Air France-KLM Cargo, AeroMexico Cargo, CSA Cargo, Delta Air Logistics now merged with Northwest Cargo and Korean Air Cargo to serve 728 destinations.

2.44

billion euros of revenues

Key developments

Leadership confirmed

The Air France-KLM group confirmed its European and global leadership position in air freight (excluding integrators) with respective market shares of 32.7% and 8.4%. During the financial year, it carried 1.46 million tons of cargo of which 65% in the bellies of passenger aircraft and 35% in the all-cargo fleet to 350 destinations in 175 countries.

A pro-active response to the crisis

- Martinair, the cargo operator over which KLM took control in early 2009, was integrated rapidly and effectively.
- In the summer of 2009, the company introduced its revised strategy focusing on the bellies of passenger aircraft, with support from a supplementary all-cargo offer on the busier routes and for specific types of cargo. This offer benefits from the Group's extensive network and those of its partners and is based on the growing number of Boeing B777 passenger aircraft with unrivalled belly capacity.
- As of the summer of 2009, Air France-KLM reduced its total capacity by 17.4% and its all-cargo capacity by 33.6% relative to the summer of 2008.
- In the Winter 2009 season, these reductions reached 15.1% and 32% respectively. The number of cargo aircraft was reduced from 25 in the summer of 2008 (including Martinair) to 14 in the winter of 2009.
- The cargo schedule optimized the entire Air France-KLM network by dividing the capacity reductions between the Roissy and Schiphol hubs. The hubs now specialize in different destinations to avoid several of the Group's airlines operating all-cargo aircraft to the same place and traffic is transferred to the bellies of passenger aircraft whenever possible. Some 70% of the exclusively-cargo destinations are now operated by only one of the three airlines compared with 40% prior to the integration of Martinair at the beginning of 2009.
- In October 2009, rates were increased by up to 30% depending on the market.
- The Group reduced its costs by around 14% on 2008-09 levels and reduced headcount by 7.5%, mostly through voluntary mobility.
- Air France-KLM benefited from its partnerships. In October 2009, Alitalia entrusted Air France Cargo with all its cargo sales in Japan. Customers of the Group now have access to 63 weekly flights between Japan and several major European hubs: Roissy, Amsterdam, Rome and Milan, with the addition of the Nouméa and Papeete services with their North American and Australian connections. Air France then became the general sales agent for marketing the bellies of Alitalia aircraft world-wide.
- The joint venture with Delta includes the transport of cargo in the holds of passenger aircraft. It gives the three airlines 25% of total trans-Atlantic capacity and has enabled the closer coordination of commercial strategies.

Track and trace

Thanks to e-services, Air France-KLM Cargo is one of the first air transport companies to have developed paper-free air freight solutions. E-services can be particularly effective when applied to the tracking of air freight via the *Track and Trace* system which enables customers to monitor the real-time status of their shipments. The latter can access, at any time, a special drop down window on the Air France-KLM Cargo website and follow a very simple procedure to check the status of their consignment and locate its position in the transport process. This system has been extended to the 728 destinations of the SkyTeam Cargo alliance.

Different trends depending on the network

Asia network

529,000 tons, 36% of revenues, 35% of the Group's traffic and 41% of capacity

- At the beginning of the financial year, this network was badly affected by the crisis before recovering during the second half. Faced with a 21.1% fall-off in traffic, capacity was reduced by 29.6%, leading to an 8.3 point improvement in the load factor to 77.2%. Revenues declined by 33.2% to €840 million.

North and Latin America network

527,000 tons, 34% of revenues, 38% of the Group's traffic and capacity

- This network is now very close behind the Asian network. The 9.3% decline in traffic and the 10.3% reduction in capacity resulted in a 0.8 point improvement in the load factor to 66.5%. Revenues were down by 25.8% at €798 million.

Africa-Middle East network

288,000 tons, 21% of revenues, 13% of the Group's traffic and capacity

- This network remained relatively dynamic with a traffic decline limited to 1.7%. The Group having increased its capacity by 1.3%, the load factor lost 1.9 points to 62.6%. Revenues declined by 15.6% to €476 million.

Caribbean and Indian Ocean network

154,000 tons, 7% of revenues, 6% of capacity and 4% of traffic

- This network saw its load factor deteriorate by 3 points to 42.7%, with a 13.1% decline in traffic and a capacity reduction of 7.2%. Revenues declined by 18.1% to €151 million.

Sustainable development and solidarity

	The figures	The facts	The plus point
The environment: a major concern	CO₂-18%	2009-10 The Group continued to modernize its fleet with the arrival of the Boeing B777 F , the quietest aircraft in its category, which reduced the CO ₂ emissions per revenue ton-kilometer by 18%. Air France-KLM informs its customers of the CO ₂ emissions linked to their shipments and how they can offset them, for example via the financing of carbon-free energy production projects (wind power, solar power, etc.).	The Group launched a number of corporate social responsibility initiatives to protect the planet: the development of electronic transactions to save paper, the recycling of batteries in refrigerated containers and the purchasing of lighter cabin equipment.
Solidarity with the victims of the Haiti earthquake	4 United Nations World Program flights — 4 UNICEF flights — 1 SDV flight	Between January 24 and February 10, 2010 Faced with the disaster affecting the people of Haiti, the Group mobilized its cargo resources. Four Boeing B777 flights, chartered by the United Nations World Program, delivered aid in the form of powdered milk, nutritional supplements and an emergency vehicle. Four additional flights were chartered by UNICEF and another by logistics group SDV.	

Interview with Michael Wisbrun and Florence Parly

Why was the impact of the crisis more severe for your activity than for the passenger business?

Michael Wisbrun : There are several reasons but the main one was the 12% collapse in international trade in 2009. To this you need to add a situation of structural overcapacity in air freight and very aggressive competition from shipping. This is the reason why our industry saw its revenues fall by 25% in 2009. Like its competitors, Air France-KLM Cargo was very badly affected.

Florence Parly : The crisis also revealed the specificity of full freighter operations. To be profitable, these aircraft need a load of more than 70 tons of cargo at a level of unit revenue high enough to cover all their operating costs. Such operations are thus very sensitive to market fluctuations and are in competition with passenger operators, for whom cargo represents only an additional source of revenues.

What is the outlook for your industry?

F. P. : There is a future for air freight. In many economic sectors, and particularly high technology and fashion, just in time constitutes a major competitive advantage.

Furthermore, on high-added-value products, transport represents less than 5% of the production cost. We estimate that, as in the past, the air freight market should see growth in line with that of the global economy.

M. W. : Environmental pressures may lead to a risk of substitution by shipping but only for a portion of air freight. Merchandise is carried by aircraft to avoid the disruption of logistics chains. The segment potentially the most at risk is perishables. Fresh, local products could effectively replace imported goods, although the latter represent only 15% of air freight.

What is Air France-KLM Cargo's current situation and what are your key objectives for the next few years?

F. P. : Air France-KLM's cargo business is currently in the recovery phase. We have reduced the full freighter fleet and thus capacity, rationalized and specialized the network, reduced costs and launched numerous measures to improve performance. Thanks to the significant mobilization of all the commercial and operational teams, this action is starting to bear fruit.

In parallel with these measures, we redefined our strategy by opting to focus mostly on the bellies of passenger aircraft and combis. We still have 14 freighters for cargo that cannot be carried in the bellies of passenger aircraft and to position us on the large cargo markets out of Shanghai and Hong Kong and on niche markets such as fresh flowers. We are becoming a belly-dominant mixed carrier.

M. W. : Our main objective is to be profitable. The measures that were implemented, combined with the current economic recovery, give us confidence in our ability to potentially divide last year's loss by three in the 2010-11 financial year and return to profit the year after. The imbalance in the flows between markets, the significant seasonality and the power of the freight forwarders means, however, that the outlook for the air freight market remains uncertain. That said, our presence on all the key trade lanes to and from Europe, the quality of our hubs and network and the diversity of our customer portfolio are all competitive advantages that will underpin our continued growth. In addition, we have further partnership opportunities, for example in China. During the crisis we were able to maintain our position as European and global leader and we are going to take advantage of the recovery to strengthen this.



Michael Wisbrun
Executive Vice President,
Air France-KLM Cargo



Florence Parly
Executive Vice President,
Air France Cargo





Fashion won't wait:
when dresses take
to the skies

D-4

In Spain, a fashion wholesaler is looking to rapidly re-supply its retailers in Mexico. It sends a tonnage table by email to Air France-KLM, which verifies whether this table matches the capacity in the aircraft. The shipment is reserved by the freight forwarder via a secure messaging system and a VIP code assigned to it. After checking the number of pallets required, these are ordered from the manufacturer. The trucks are reserved for the journey to the airport.





D-Day

The trucks arrive at the airport five to eight hours before the scheduled departure of the aircraft. The team responsible for the shipment works flat out to ensure that everything goes according to plan. The pallets are transferred from the trucks to the aircraft. After a 12-hour flight, the aircraft lands in Mexico where a dedicated customs agent checks the packages. The latter are sorted, each one bearing an individual retailer number, and then divided into deliveries for each individual store

D-2

The allocated capacity is readjusted as a function of the actual number of pallets. The packages are loaded into the trucks in Spain.

D-1

The cargo management department views the shipment on its control screen using the VIP code input at the time of reservation.



D+1/D+2

The dresses are delivered and displayed in the stores.



Maintenance business

Industrial and commercial momentum





Estimated at \$42.6 billion in 2009, the global aeronautics maintenance market was 3.2% down on its 2008 level, in line with the trend in the active commercial fleets.

Summary of the year

A dual mission

Aeronautics maintenance is the Group's third business. Air France Industries KLM Engineering & Maintenance (AFI KLM E&M) has a dual mission: to ensure the competitive support of the Group fleets and to be a leading MRO (Maintenance, Repair and Overhaul) player world-wide contributing to the Group's bottom line. One third of revenues is thus generated with third-party customers, representing some 5% of the Group's total revenues.

Increased competition

With the crisis, the MRO market became even more competitive. Between January 2008 and January 2010, the global fleet, which grew by a modest 2%, saw considerable modernization with the retirement of many older-generation aircraft and a significant increase in the number of more fuel-efficient and economical new-generation aircraft requiring fewer maintenance hours: Airbus A320, A330, A340, Boeing B737NG and B777.

Furthermore, airframe, engine and equipment manufacturers are also becoming competitors by offering after-sales services and integrated maintenance solutions.

Activity levels maintained

In this competitive environment, where the operators focused on older-generation aircraft were particularly badly affected, AFI KLM E&M benefited from its very strong positioning on the MRO market for new-generation aircraft.

The Group was able to offset most of the lower fleet utilization by customers with an increase in its customer portfolio driven by a commercial offensive, enabling it to maintain the number two global ranking amongst the multi-product players. The Group generated third-party revenues of €956 million, down by 4%, and operating income of €81 million (€98 million in 2008-09).

A strategy focused on performance and development

AFI KLM E&M's strategy has two cornerstones: improving its level of economic and industrial performance and developing the customer portfolio in value-added products and services, particularly in engine support and localized logistics. To this end, it is pursuing the shared development of the industrial capabilities coming from Air France Industries and KLM Engineering & Maintenance, adapting its services to customer needs and developing its global network.

Competitive advantages

AFI KLM E&M customers know that it can offer them all the strengths of an MRO service provider which is, itself, part of a leading airline Group: expertise acquired in MRO operations for the Group's own fleet, an extensive spare parts inventory and, more generally, the scale effect of the fleets maintained both within Air France-KLM and their own fleets.

AFI KLM E&M offers added-value services particularly in engine support, drawing on the expertise of its highly-trained teams. It pursues a policy of total quality as part of an approach aimed at continuous improvement. By capitalizing on its extensive experience, AFI KLM E&M can offer a comprehensive range of solutions, ranging from support to line maintenance, component support, engine overhaul and cabin modification.

956

million euros of third-party revenues

+81

million euros of operating income

No.2

of the multi-product MRO players globally

1,260

aircraft maintained

Key developments

Shared growth in maintenance capacity

- AFI KLM E&M launched an Industrial Development Plan (IDP) to ensure the balanced development of its different activities and maximize synergies.
- For the overhaul of Very Big Engines (VBE) such as the GE 90 and GP7200 (the powerplant equipping the A380), the Group is building 9,500m² of workshop space in 2010, doubling its servicing capacity to 100 engines a year.
- The project to upgrade maintenance infrastructure at Orly, launched in 2007 to handle the new-generation Boeing B777 and Airbus A320 aircraft, continued with the delivery of the logistics building offering the automated storage of 32,000 references.
- The airframe activity continued to adapt to the reduced need for maintenance on modern aircraft and to optimize its costs. Based in France for Air France and the Netherlands for KLM, operations are increasingly located nearer to third-party customers. In June 2009, for example, AFI KLM E&M created the Aerotechnic Industries joint venture with Royal Air Maroc, based in Casablanca, for the heavy maintenance of the Airbus A320s in the region.

Developing the world-wide network

To seize opportunities in different geographies, AFI KLM E&M is developing its network of local support units to capitalize on the Group's technical and logistics expertise.

- In the Middle East, AFI and Aircelle Safran Group created the Aerostructures Middle East Services (AMES) joint venture for the maintenance and repair of aircraft engine nacelles in the region. This new joint venture guarantees a responsive, high-quality service based closer to customers. In March 2010, AMES officially inaugurated its new workshop based in Dubai.
- The Spairliners joint venture between Air France Industries and Lufthansa Technik for component support on the A380 is ramping up. Its customer portfolio already includes Air France's first two A380s, the six A380s operated by Qantas, and Lufthansa's first three A380s. Advance inventories have been located around the world in Johannesburg, Los Angeles, Melbourne, Munich, New York, Paris and Singapore.
- Based in Amsterdam, the Group's EPCOR subsidiary has, since its creation a decade ago, refocused its offer on auxiliary power unit (APU) maintenance for Boeing B737NGs, B777s, Airbus A318-321s, A330s and the A340, and the repair and overhaul of pneumatic systems mainly used by the global commercial fleets.
- The global network comprising the Group's maintenance subsidiaries and joint ventures underscored its collaborative approach with a new common *AFI KLM E&M Network* brand name and logo.

Industrial and commercial momentum

- Maintenance: the Réunion airline Air-Austral selected the Group in a call to tender for the maintenance of its five Boeing B777s and their engines over a six-year period. Similarly, the regional airline, Airliner, signed a five-year contract for the full-service maintenance of its 25 ATR aircraft while the French Air Force chose AFI KLM E&M for the upgrading of the avionics on its C135s.
- Component support: the low cost Malaysian airline, AirAsia X, chose AFI KLM E&M for its 25 Airbus A330s on the basis of its high-quality service and status as a world-class partner. Eagle Aviation Europe entrusted AFI KLM E&M with its B747-400s based on its flawless response record and access to a spares pool in Europe.
- CFM56-5 engines: AFI KLM E&M is responsible for the maintenance of some 400 of these engines, the largest fleet in the world. Thomas Cook entrusted the division with the maintenance of its 23 CFM56-5Bs and Moskovia Airlines chose AFI KLM E&M for the engines on its Boeing B737NGs.

Component support: a real center of excellence

Component support covers repairs to a wide spectrum of aircraft components, the oversight of technical and reliability standards, and the management of physical flows to and from customers' operating bases. Development opportunities for this product are to be found in geographically remote markets, where customers are looking for integrated services with local access to a pool of spare parts. To meet their needs, the Group is deploying a global support network based on local logistics units.

- CF6-80E1 engines: AFI KLM E&M is responsible for the maintenance over 20% of these rapidly-growing engines globally. Vladivostok Air chose it for the full-service maintenance of its engines.

- CFMA, a subsidiary of AFI KLM E&M, was chosen by General Electric as the primary repair shop for its combustion chambers and turbine center frames on the GP7200, the powerplant on the A380. CRMA thus confirmed its leadership in the repair of hot-end temperature components and modules for a large range of engines.

- Since March 2010, AFI KLM E&M has been the only European MRO to be certified by the Magellan Group for repairs to CF6-80C2 exhaust nozzles.

At the service of the Group

- AFI KLM E&M geared up to prepare for the arrival of the A380 via a series of meetings with the aircraft's suppliers and entrusted the manufacturer with the training of 40 technicians. There were three objectives: appropriate the technologies on the aircraft, adapt to the new maintenance interface and assimilate the new computer-assisted maintenance management system (Maintenix).

- The workshops mobilized to fit the new *Premium Voyageur* class seats on the long-haul aircraft.

- In Toulouse, the teams mobilized to harmonize the cabins of the A320 aircraft family and install the new seats. The cabins on all 38 aircraft will be modified over a ten-month period.

Sustainable development

	The standards	The facts	The plus point
<p>Environmental quality approach</p>	<p>ISO 14001 — OHSAS 18001 — ISO 15489</p>	<p>Since 2007 Sustainable development principles are an integral part of the AFI KLM E&M quality management system: all the activities have ISO 14001 certification and it is the only MRO operator in the world to have Single Global Certification for its entire operational footprint, covering ISO 14001 and seven other standards including OHSAS 18001 for Occupational Health and Safety and ISO 15489 for document management. This certification was confirmed in June 2009.</p>	
<p>A significant contribution to the environment</p>	<p>Engine Water Wash — HQE</p>	<p>Engine Water Wash, a procedure for washing engines, combines economy with ecology: it prolongs the life of engines, reduces their fuel consumption and, thus, their CO₂ emissions.</p> <p>KLM E&M has developed a new, ecologically-friendly system for painting aircraft, with chromate-free paint containing fewer harmful solvents.</p> <p>High Quality Environmental standards are an integral part of the Group's projects, as seen in the new logistics building at Orly, inaugurated in 2009, and the engines building that came on line in 2010.</p> <p>The Group's vehicles, ground support and other equipment are increasingly powered by electricity.</p> <p>Since 2008 AFI KLM E&M has been developing the recovery and recycling of materials from retired parts.</p>	<p>The water is recovered and recycled.</p> <p>The application of thinner paint layers also reduces weight, leading to lower fuel consumption and CO₂ emissions.</p> <p>All the buildings have roofs equipped with solar panels.</p> <p>The Group created TAC, a subsidiary involved in engine disassembly and the recertification of engine components.</p>

Interview with Franck Turner and Peter de Swert

What are the operations or initiatives taken during the financial year that, in your view, hold the most promise for the future?

Franck Turner : First and foremost, AFI KLM E&M's swift response to the crisis. We rapidly adapted the business to the reduced flight hours of our customers and, at the same time, sought to win new business, with a strong positioning on new-generation aircraft.

Peter de Swert : When the recovery arrives this will be an advantage since we will be able to leverage a broader customer base, having anticipated technological changes while recognizing, of course, that our competitors have not stood still and that we are in a very competitive market.

F. T. : The second key point is the continued growth in our MRO network with two new joint ventures during the financial year: AMES with manufacturer Aircelle in Dubai, to bring highly competitive engine nacelle repair capabilities to customers throughout the Middle East, which became operational in February 2010 and, at the same time, the creation of Aerotechnics Industries with Royal Air Maroc, based in Casablanca, to reinforce the major airframe overhaul activity on the A320s in the region. This partnership also consolidates our long-standing cooperation with Royal Air Maroc.

P. S. : In the United States, the network also saw the start of operations at our TSI engine disassembly subsidiary. This promising activity enables us to recycle and recertify expensive components, avoiding the purchase of new engine parts.

What are your key objectives?

P. S. : We have three objectives. The first is to capitalize on AFI KLM E&M's industrial capabilities by leveraging our industrial development plans to maximize the sharing of our expertise and assets and optimize costs, not only in the existing business but in new services and development.

F. T. : Our second objective is to adapt the products and services in the various MRO segments. In components, we are moving from repair to integrated services and asset management with all that this implies in terms of component inventories, logistics capabilities, proximity to customers and financing. The aim is clear: to establish and increasingly affirm our global dimension. In the engines business, we are pursuing our efforts to control raw materials costs, with a repair development focus. The GE90 very big engines are reaching maturity and we need to increase our capability, hence the investment in doubling our maintenance capacity.

P. S. : In major airframe overhaul, we need to adapt our industrial base for the lighter maintenance checks on modern aircraft and continue to sign partnerships in low-cost countries to master the cost/quality equation. Our third objective is, of course, to continue to extend the AFI KLM E&M network by structuring and consolidating it in zones where there are rapidly-growing markets. Partnerships, locating the activities as close as possible to growth regions and the support of a unique, high-performance Group logistics backbone are the key drivers of our performance.

Is progress still required in terms of integration and synergies?

F. T. : The main common structures are being implemented. We have a joint organization in place for strategy, sales and marketing, corporate communications and business development. The teams are mixed and are based in Paris and Amsterdam or within our other operations globally. In parallel with developing the network, we are strengthening its management. We thus benefit from solid foundations on which we can build.

P. S. : In this respect, our shared projects, such as the building of a global logistics system, are facilitating the integration process. Our Industrial Development Plans are directed at a fair distribution of tasks to ensure the growth is shared between Air France Industries, KLM E&M and our subsidiaries. Our joint procurement policy and the organization of engine component repair between Paris and Amsterdam are just some examples of our ability to benefit from scale effects in a cooperation process which is win-win for everyone.



Franck Turner
President, Air France Industries



Peter de Swert
Executive Vice President, KLM E&M



The A380, extensive preparation and special handling

Six years of preparation

The creation of the A380 project group dates back to 2002. Having started small, it was to expand to 70 experts covering all the technical dimensions required to accommodate and operate the aircraft. The team participated in the development of the aircraft alongside Airbus, developed the maintenance procedure together with Airbus and the DGAC and rolled out Maintenix, the new maintenance system. The Group also built a new 11,000m² hangar to house this superjumbo, created the Spairliners joint venture with Lufthansa for component support and stepped up industrial cooperation with Engine Alliance for the maintenance of the engines. In 2009, the maintenance teams dedicated to the A380 were created with some 5,000 training days devoted to their preparation.

The A380
in its dedicated
hangar at Roissy
>>>





The A380 is equipped with four GP7200 engines. <<<

Operational monitoring and maintenance

At Roissy, 365 days a year and 24 hours a day, a team is responsible for monitoring the technical operation of the A380. Trained on the aircraft prototypes in Toulouse, this team monitors flight operations and executes the maintenance program in the H6 hangar.

The maintenance team participated from the outset in the design of the tools, qualified on the aircraft in Toulouse, followed an internship on the disassembly and reassembly of the engines in the United States then completed a training course in Châteauroux for the physical handling of this huge aircraft.

Engines always ready to roll

After having followed the development of the GP7000 engine with its manufacturer Engine Alliance, the engine team prepared for the arrival of the first alternative version, the GP7200. Fifteen technicians undertook the type-rating training on this new engine, comprising a theoretical component based on its functioning and a practical part involving the disassembly and reassembly of the engine. As of October, they started work on assembling the GP7200.



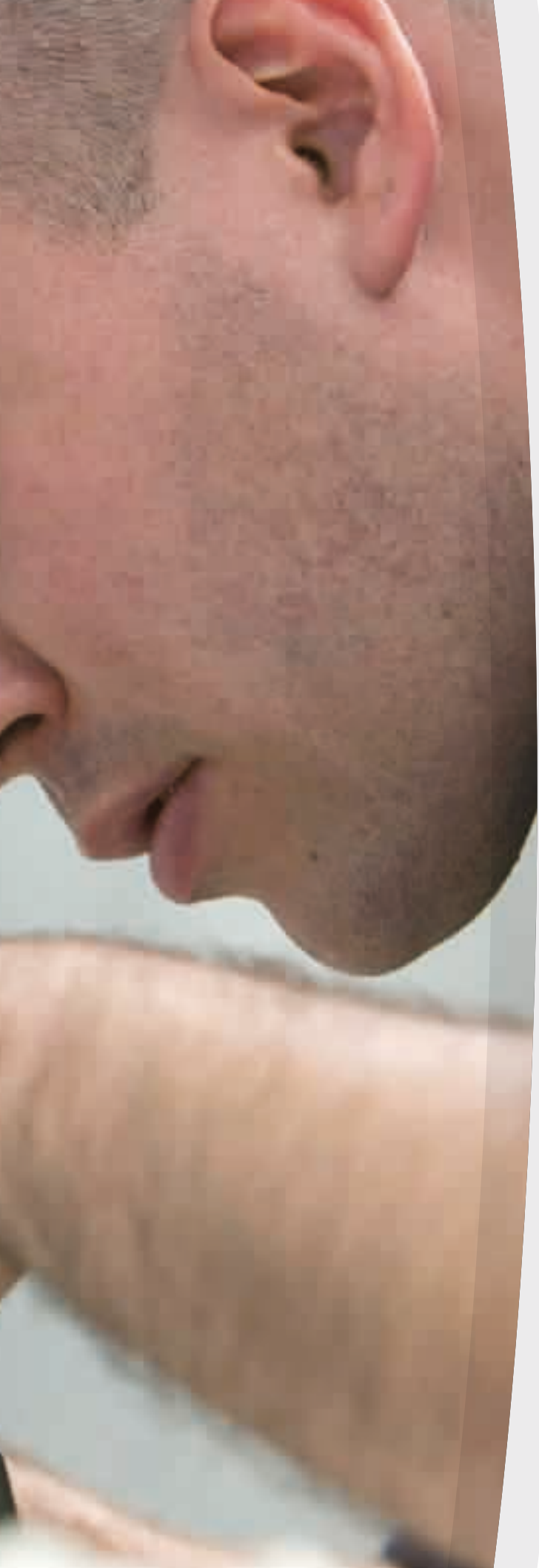
A components store next to the aircraft

Operating the length of the 80-meter H6 hangar, a six-person team supervised the installation and organization of the store to ensure that the components and tools were inventoried, ranked, stored and easily accessible. A components inventory on the scale of the aircraft.

In the H6 hangar, an inventory of components and tools <<<







Governance and relations with shareholders

Solidity and transparency.



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

During this very difficult period for the air transport industry, the Group made a resolute commitment to the greatest possible transparency for shareholders, with whom it maintains a permanent dialogue.

The Group Executive Committee



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



1

Pierre-Henri Gourgeon

Chief Executive Officer of Air France and Air France-KLM

2

Peter Hartman

President and Chief Executive Officer of KLM

3

Alain Bassil

Chief Operating Officer of Air France and Executive Vice President, Commercial & Strategy for Engineering & Maintenance, Air France-KLM

4

Christian Boireau

Executive Vice President, France Sales, Air France

5

Philippe Calavia

Chief Financial Officer of Air France and Senior Executive Vice President, Finance, Air France-KLM

6

Frédéric Gagay

Chief Financial Officer of KLM and Senior Vice President, Fleet and Purchasing, Air France-KLM

7

Bertrand Lebel

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

8

Edouard Odier

Executive Vice President, Information Systems of Air France and the Air France-KLM group

9

Bruno Matheu

Executive Vice President, Marketing, Revenue Management and Network of Air France and the Air France-KLM group

10

Frank de Reij

Executive Vice President, Procurement, Air France-KLM group

11

Erik Varwijk

Executive Vice President, International and The Netherlands of KLM and the Air France-KLM group

12

Michael Wisbrun

Executive Vice President of Air France-KLM Cargo



The Air France-KLM Board of Directors may comprise up to 18 members, appointed for a four-year term of office. At March 31, 2010, the Board comprised 15 members, of whom ten Board directors appointed by the Shareholders' Meeting, two representatives of the employee shareholders also appointed by the Shareholders' Meeting and three representatives of the French State appointed by ministerial order.

Organization and functioning of the Board of Directors

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 2009-10 financial year, the Board of Directors met nine times.

Corporate governance principles

The Board of Directors operates in accordance with the governance principles in force in France as set forth in the AFEF-MEDEF Corporate Governance Code updated in 2008. Since January 1, 2009, the functions of Chairman of the Board of Directors and Chief Executive Officer of the Group have been separate.

On June 17, 2004, the Board of Directors adopted a set of internal regulations, inspired by the Bouton and Vienot reports. In addition to the limitations on the powers of the Chief Executive Officer, these internal regulations specify the terms for the organization and functioning of the Board and establish the prerogatives and duties of the Board directors in terms of the rules on reporting, disclosure, confidentiality and conflicts of interest. They also determine the powers of each of the specialized committees established within the Board.

These internal regulations are regularly updated.

Independence of the Board directors

Given the specific rules governing the appointment of Board directors representing the French State and the employee shareholders, Air France-KLM is not able to comply in full with the AFEP-MEDEF Code guidelines with regard to the proportion of independent directors within the Board of Directors and the Audit Committee.

After having examined the situation of each Board director, the Board of Directors, at its meeting of March 31, 2010, confirmed that seven directors could be considered independent. It also considered, however, that all the Board directors, irrespective of whether they were seen as independent, had competencies and professional experience that are valuable to the company.

Compliance and ethics

The Board of Directors has adopted a Compliance Charter and a Financial Code of Ethics. The Compliance Charter prohibits company officers, senior executives and certain employees in sensitive posts from trading in the company's shares during the month preceding annual results announcements and for a period of twenty-one days preceding the quarterly and half-year results.

The Financial Code of Ethics defines the principles with which the company's principal senior executives and executives in sensitive posts who are responsible for the disclosure of financial information must comply.

Members of the Board of Directors at March 31, 2010

Jean-Cyril Spinetta

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

Pierre-Henri Gourgeon

Chief Executive Officer of Air France-KLM and Air France

Leo M. van Wijk

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

Patricia Barbizet^{*(3)}

Chief Executive Officer and Director of Artémis

Bruno Bézard⁽¹⁾

Director of the French Treasury State Holdings Agency

Frits Bolkestein*

Member of the Supervisory Board of de Nederlandsche Bank

Jean-François Dehecq^{*(1)(3)}

Chairman of the Sanofi-Aventis Board of Directors

Jean-Marc Espalioux^{*(2)(3)}

Chairman of Financière Agache Private Equity

Claude Gressier⁽¹⁾

Honorary General Public Works Engineer, Director of the SNCF

Philippe Josse

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

Didier Le Chaton⁽¹⁾

Flight captain, representing the flight deck crew

Cornelis J.A van Lede^{*(2)}

Chairman of the Heineken Supervisory Board

Christian Magne⁽¹⁾

Finance executive, representing the ground staff and cabin crew

Floris A. Maljers^{*(1)}

Chairman of the Board of Directors of the Rotterdam School of Management

Pierre Richard^{*(1)(2)}

Director of Generali France Holding, Expert Advisor to the European Investment Bank

* Director considered to be independent

(1) Member of the Audit Committee

(2) Member of the Remuneration Committee

(3) Member of the Appointments Committee

The Board of Directors Committees

Audit Committee

Comprised of seven Board directors and chaired by Pierre Richard, this committee reviews the interim and annual consolidated financial statements in order to inform the Board of Directors of their content, to ensure that they are reliable and exhaustive and that the information they contain is of high quality, including the forecasts provided to shareholders and the market. In the same spirit, the committee assesses the consistency and effectiveness of the internal control procedures and examines the material risks. The principal executives responsible for accounting, legal affairs, finance, internal control and audit of Air France-KLM and the subsidiaries Air France and KLM also attend the meetings. During the 2009-10 financial year, the Audit Committee met four times.

Remuneration Committee

Comprised of three Board directors and chaired by Jean-Marc Espalioux, the Remuneration Committee is primarily responsible for formulating recommendations for the level of and changes to the compensation of the executive directors. It may also be asked to comment on the compensation of the Group's senior executives, as well as on any possible stock subscription or purchase option plan policies. Information on the compensation of the executive directors can be found on the company's website in accordance with the AFEP-MEDEF recommendations. The Remuneration Committee met once during the 2009-10 financial year.

Appointments Committee

Comprised of three Board directors and chaired by Jean-Marc Espalioux, the Appointments Committee is responsible for proposing Board director candidates to the Board of Directors as well as candidates to replace the executive directors, particularly in the event of unforeseen vacancies. The committee met in March and May 2010 to submit to the Board of Directors proposals relating to its composition and the organization of the expiry of Board directors' terms of office to ensure the smooth renewal of the Board of Directors.

A proposal was thus submitted to the General Shareholders' Meeting recommending that it renew the mandates of seven Board Directors and appoint three new members:

- Ms Maryse Aulagnon, Chief Executive Officer of Affine group, a company specializing in real estate which she founded after a career in the senior public service and industry,
- Mr Peter Harman, President and Chief Executive Officer of KLM since April 2007,
- Mr Bernard Pédamon, Flight captain, representing the flight deck crew.

Composition of the Board of Directors following the General Shareholders' Meeting of July 8, 2010

Subject to the adoption of the proposed resolutions submitted to the General Shareholders' Meeting.

Board director	Re-appointment/ appointment	Expiry of mandate ⁽¹⁾	Professional experience	Current principal function
Jean-Cyril Spinetta	Re-appointment for 4 years	Financial year ended March 31, 2014	Public Service/Air Transport (Air Inter and Air France)	Chairman of the Board of Directors of Air France-KLM and Air France
Pierre-Henri Gourgeon	—	Financial year ended March 31, 2011	Aeronautics/Air Transport	Chief Executive Officer of Air France-KLM and Air France
Leo van Wijk	Re-appointment for 2 years	Financial year ended March 31, 2012	Air Transport (KLM)	Vice-Chairman of the Air France-KLM Board of Directors
Maryse Aulagnon*	Appointment for 3 years	Financial year ended March 31, 2013	Public Service/Industry/Real Estate	Chief Executive Officer of Affine
Patricia Barbizet*	Re-appointment for 4 years	Financial year ended March 31, 2014	Industry (Renault, Pinault group)	Chief Executive Officer and director of Artémis
Bruno Bézard	—	Financial year ended March 31, 2013	Public Service	Director of the French Treasury State Holdings Agency
Frits Bolkestein*	—	Financial year ended March 31, 2011	Industry (Shell)/ Public (Dutch parliament and European Commission)	Member of the Supervisory Board of de Nederlandsche Bank
Jean-François Dehecq*	Re-appointment for 2 years	Financial year ended March 31, 2012	Industry (SNPA and Sanofi)	Honorary Chairman of Sanofi-Aventis
Jean-Marc Espalioux*	Re-appointment for 3 years	Financial year ended March 31, 2013	Services (CGE, Accor)	Chairman of Financière Agache Private Equity
Claude Gressier	—	Financial year ended March 31, 2014**	Public Service	Honorary General Public Works Engineer, Director of the SNCF
Peter Hartman	Appointment for 3 years	Financial year ended March 31, 2013	Air Transport (KLM)	President and CEO of KLM
Philippe Josse	—	Financial year ended March 31, 2012	Public Service	Director of Budget
Cornelis van Lede*	Re-appointment for 2 years	Financial year ended March 31, 2012	Industry (Shell, Akzo, Dutch Industry Federation) Consultancy (McKinsey & Company)	Chairman of the Supervisory Board of Heineken
Christian Magne	Re-appointment for 4 years	Financial year ended March 31, 2014	Air Transport (Air France)	Finance executive
Bernard Pédamon	Appointment for 4 years	Financial year ended March 31, 2014	Air Transport (Air France)	Flight captain

* Board directors considered to be independent.

** Board director representing the French State: awaiting publication of the decree.

(1) Expiry date: Shareholders' Meeting called to approve the financial statements for the financial years mentioned in the table.

Relations with shareholders

Transparency and openness to dialogue

Air France-KLM shareholders

French air transport companies are required to monitor and control their shareholders and, to respect this obligation, Air France-KLM carries out an identification exercise every quarter.

Individual shareholders

Air France-KLM has a wide and stable shareholder base which is also characterized by its commitment to the Group and its history. Of the Group's 400,000 individual shareholders at March 31, 2010, more than 92,000 held more than 50 shares.

The majority of Air France-KLM shareholders live in the Paris (34%) and Provence-Alpes-Côte d'Azur (16%) regions.

An ongoing dialogue with shareholders

Engaging with the financial community

Financial analysts and institutional investors have a dedicated point of contact: the Investor Relations department.

Conference calls and information meetings are scheduled for them to coincide with results announcements.

The Group's management also regularly meets financial analysts and institutional investors during road-shows in Europe and the United States, with six such road-shows organized during the 2009-10 financial year.

The annual Investor Day is an opportunity to meet the Group's operational management. During the 2009-10 financial year, the Investor Day was held in November 2009.

A forum for discussion and ideas on relations with individual shareholders

Comprised of 13 representative members, the Consultative Committee for Individual Shareholders (CCRAI), established in 2000, constitutes a forum for discussion and ideas regarding communication with Air France-KLM's individual shareholders.

During the quarterly meetings, its members raise any questions they have and communicate their ideas and requests which are followed up by Air France-KLM in the form of recommendations and thematic studies.

In 2009-10, the CCRAI's work, in plenary sessions and sub-groups, notably focused on the Shareholders' Meeting, the Shareholders' Newsletter 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, the *Actionaria* trade show and the Shareholders' Meeting.

CCRAI members

Name and surname	Age and occupation	Region
Members since June 2006		
Gérard Audran	52 years, SG Research Executive	Provence-Alpes-Côte d'Azur
Henri Deportes	64 years - Retired	Rhône-Alpes
Claude Samuel	67 years - Retired	Central France
Members since June 2008		
Jean-Louis Dervin	58 years - Engineer	Basse-Normandie
Michel Guerillot	62 years - Consultant	Île-de-France
Huguette Rollet	80 years - Retired	Île-de-France
René Chateauneuf	52 years - Mason	Languedoc-Roussillon
Members since September 2009		
Anne Somborn	58 years - Retired	Île-de-France
Michel Martin	59 years - Lawyer	Île-de-France
Gilbert Le Dain	60 years - Retired	Île-de-France
Christian Samson	39 years - Designer	Île-de-France
Fabrice Lelong	39 years - Accounting manager	Île-de-France
Philippe Millet	49 years - Chief Executive Officer	Île-de-France

The members of the CCRAI can be contacted by email at the Club address : mail.actionnaires.afklm@airfrance.fr



Air France-KLM has chosen to maintain a regular dialogue with its shareholders, based on detailed, transparent information provision.

An interactive shareholder space on the Group's financial website

At the Group's website, shareholders have access to dedicated interactive content:

- the Reference Document, the Annual Report and the Shareholder Handbook
- the stock price
- the documents relating to the General Shareholders' Meeting
- the Shareholders' Newsletter
- a presentation on the CCRAI
- a form for sending in suggestions
- the financial calendar.

Shareholders can also consult all the press releases on the website as well as the presentations made to analysts and investors.

An email alert system enables shareholders to be kept informed of the posting online of press releases and sends them a reminder of any event in the Group's financial calendar.

A simplified version of the website is also available in PDA (personal digital assistant) form and from mobile phones by logging into www.airfranceklm-finance.mobi.

Since November 2008, Air France-KLM has offered shareholders an *Island in the sky* space in the Second Life universe dedicated to information and dialogue on the Group's financial news.

Direct contact with shareholders

The Shareholder Relations team is committed to providing shareholders with regular, transparent information. It welcomes contact from current and future shareholders and keeps them informed on, for example, the Group's financial news or the tax treatment of shares. It handles requests for the mailing of the available documents, knowing that such documents are also available on the website.

Between Monday to Friday, from 10h30 to 12h30 and from 14h30 to 17h30, a member of the financial communication team is on hand to answer shareholders' questions on +33 1 41 56 56 56. Outside these periods, a voice server reports the Air France-KLM opening and closing stock prices.

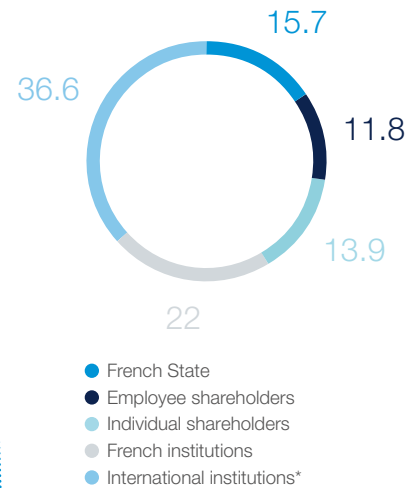
Shareholders can also contact the team by email at: mail.actionnaires.afklm@airfrance.fr.

Information meetings

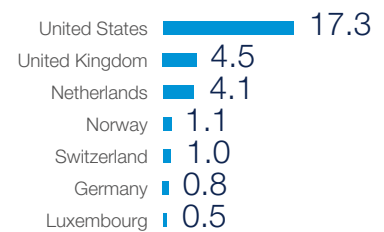
In partnership with the financial press, Air France-KLM regularly organizes information meetings in the French regions to which its shareholders are invited.

The dates and locations of such meetings are announced in the *Connecting* newsletter, on the website and in the partner media. During the financial year, the Group also held meetings with shareholders in four French regions to present its strategy and results and address issues affecting the sector.

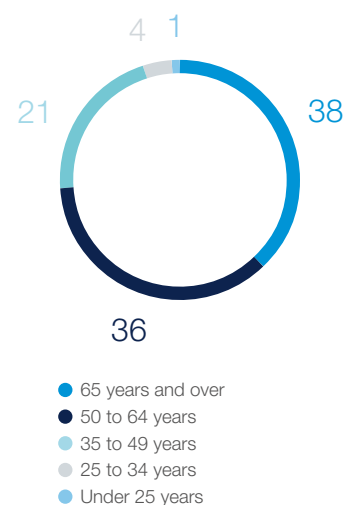
Shareholder breakdown (in %)



*International institutional shareholders (in %)



Breakdown of shareholders holding more than 50 shares by age bracket (in %)





The Air France-KLM stock

Share capital: proposed reduction in the nominal value

The financial operations approved by the Shareholders' Meeting cannot be carried out when the share price is below the nominal value. As a result and given the significant volatility in its stock price, the Group decided to submit to the Shareholders' Meeting of July 8, 2010, a proposed reduction in the nominal value from €8.50 to €1. The resulting capital reduction will be allocated to the share premium account. The number of shares will remain unchanged at 300,219,278.

In June 2009, Air France-KLM issued 56,016,949 bonds convertible and/or exchangeable into Air France-KLM new or existing shares (OCÉANES) for a total of €661 million. These bonds have a nominal unit value of €11.80 and an annual coupon of 4.97%. The conversion/exchange ratio is one share for one bond and the bonds are redeemable at par on April 1, 2015.

Air France-KLM in the stock market

The stock price mirrored the rises and falls in the stock market, frequently amplifying them, reflecting the impact of the global economic crisis on the valuation of the air transport sector in general and Air France-KLM in particular.

The Shareholders' Club

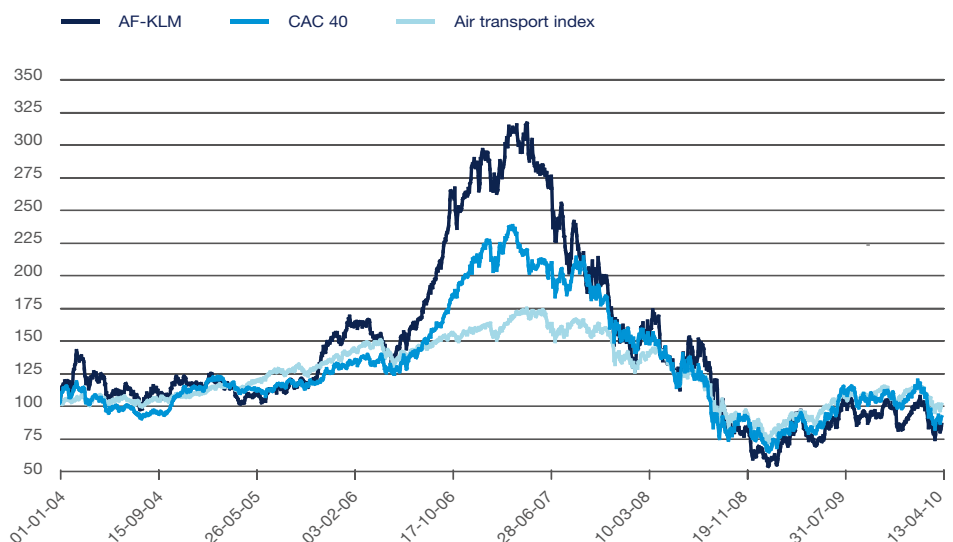
The aim of the Shareholders' Club is to maintain a regular, constructive dialogue with shareholders. It currently has some 7,000 members and is open to any Air France-KLM shareholder holding a minimum of 50 shares in bearer or registered form. Members of the Shareholders' Club benefit from:

- the quarterly *Connecting* newsletter which contains an update on results and news on the Group. The newsletter is available by email or mail and in the Shareholders space on the website;
- special access to the company via invitations to site visits. In 2009-10, some twenty such visits gave members the opportunity to gain a behind-the-scenes insight into the Group and learn more about the company by meeting professionals from the passenger, cargo and maintenance businesses;
- invitations to information meetings organized in their region.

Securities conferring rights to the capital

In April 2005, Air France issued 21,951,219 bonds convertible and/or exchangeable into new or existing Air France-KLM shares (OCÉANES), with a 15-year maturity, for a total amount of €450 million. These bonds have a nominal unit value of €20.50 and mature on April 1, 2020. The annual coupon is 2.75% paid annually in arrears on April 1. The conversion period for these bonds runs from June 1, 2005 to March 23, 2020. The exchange ratio is 1.03 shares for each 2.75% 2005-20 bond.

Trend in the Air France-KLM stock (Base 100 at January 1, 2004)



Shareholder reference information

Stock market listing

- Euronext Paris and Amsterdam, and in ADR form
- OTC Market in New York

Codes and tickers

Market: Eurolist Section A
ISIN code: FR0000031122
OTC Market: AFLYY
Reuters: AIRF.PA and AIRF.AS
Bloomberg: AF FP

Included in the following main indices

Indices: CAC Next 20, Euronext 100, SBF 120 and SBF 250

Sustainable development indices: DJSI World and DJSI STOXX (Super Sector Leader), ASPI Eurozone, Ethibel Sustainability Index Excellence Global, FTSE4Good Index

Other index: Euronext FAS IAS

Being a shareholder

Voting right

Each share confers one voting right and there are no specific rights attached to the shares.

Method of holding the stock

Shareholders can choose between bearer and registered form.

Direct registered shares

Air France-KLM has mandated Société Générale to manage the shares in direct registered form.

Holders of direct registered shares have three key benefits:

- free custodial fees as these are paid by the Group;
- they can consult their securities account, be kept informed of transactions and place stock market orders directly by telephone via the voice server and on Société Générale's dedicated website;
- they receive the voting forms and convening notice for the Shareholders' Meeting automatically, without having to request them.

Transferring shares to the direct registered form

Any shareholder, irrespective of the number of shares they own, can transfer their Air France-KLM shares into direct registered form. They just need to fill in a form available on request from Société Générale and return it to their financial intermediary. Similarly, purchasers of Air France-KLM shares can also make an initial acquisition in direct registered form. To do this, they need only send a request in writing to Société Générale. On receipt of the letter, Société Générale then sends out an information pack which must be returned to the bank completed and enclosing the required information. Investors can also place an order by sending the details on un-headed paper accompanied by a personal check.

For further information, the Shareholder Relations department can be contacted by telephone at +33 1 41 56 56 56.

Administered registered shares

Shareholders can also transfer their shares into administered registered form, particularly within the framework of a PEA tax-efficient wrapper. These shares are managed in the same way as bearer shares, which means that shareholders do not benefit from free custodial fees. Whether they hold their shares in direct registered or administered registered form, all shareholders receive an invitation to the General Shareholders' Meeting.

Dividend policy

The aim of the Group remains to maintain a sustained dividend policy, subject to the growth in net income excluding exceptional items. In view of the difficult environment faced by the Group for the second consecutive year, the Board of Directors decided not to propose the payment of a dividend in respect of the 2009-10 financial year.

Practical information

In France

Société Générale
Division de la clientèle Émetteurs
GSSI/GIS/NPO
32, rue du Champ-de-Tir
BP 81236 – 44312 Nantes Cedex 3
Nomilia voice server:
0825 820 000 (+33 2 51 85 67 89)
Website: www.nominet.socgen.com

In the Netherlands

ABNAMRO Effecten Postbus 3200
4800 DE Breda
Tel.: +31 76 579 94 55

In the United States

Citibank Shareholders Services
250 Royal Street
Canton, MA 02021
Tel.: +1 877 CITI ADR (877 248 42 37)
Email: Citibank@shareholders-online.com





Summary consolidated financial statements

Strategic
execution supported
by an ever more
flexible and balanced
business model.



The Group's consolidated results reflect the impact of the crisis on all its businesses. Within this environment, the Group implemented a robust strategy aimed at reducing costs and preserving its financial situation.

Interview with Philippe Calavia and Frédéric Gagey

Question: You have regularly revised your investment plan downwards. Are you encountering any difficulty in financing your aircraft due to the crisis in the banking system?

Philippe Calavia: The decision to revise our fleet plan was in response to the crisis sweeping our industry. This revision is thus explained by the reduced demand in the passenger and cargo businesses and our policy of maintaining a high level of cash in this crisis environment. These adjustments to our fleet plan did not, however, prevent us from continuing to modernize it by taking delivery of new aircraft. While a number of banks have withdrawn from the aircraft financing business, we have not encountered any major difficulty in financing our aircraft. The conditions have, however, become more exacting and the cost higher than before the crisis. Lastly, despite the crisis in the financial markets, Air France-KLM successfully raised a total of €1.4 billion in two market transactions.

After this difficult year, what are your key objectives for the current financial year?

Frédéric Gagey: Our two major objectives for 2010-11 are the reduction in our unit costs and the stability of net debt. During the last financial year, the €2.6 billion reduction in our costs enabled us to limit the impact of the €3.7 billion decline in revenues. While we expect revenues to improve in the year to March 31, 2011, our fuel bill will also increase and we therefore need to be very vigilant in terms of costs. This is why our cost savings plan was reinforced with a target of €510 million to be achieved, in particular, via the reduction

in headcount and the measures launched last year to adapt or restructure our businesses. Our second objective is stability in net debt. While our gearing ratio deteriorated with the crisis, our financial situation at March 31, 2010 remains good.

P.C.: I might add that the IPO transaction for Amadeus last April strengthened our financial situation. We generated a capital gain of €1 billion which, based on our balance sheet at March 31, 2010, reduced our gearing ratio from 1.1 to 0.9. Our target is to return to a ratio of between 0.7 and 0.8 as rapidly as possible.

You often refer to the pre-2009 fuel hedges that weighed on the 2009-10 financial year and will continue to do so in the coming financial years. Could you explain what this involves?

F.G.: Air France-KLM has always had a fuel hedging policy. It was introduced at a time when the volatility in the oil price was very low and, until the autumn of 2008, protected the Group from its continuous increase. Don't forget that, in four years, the oil price moved from \$40 to \$140 a barrel. During the summer of 2008, all the experts were predicting that the oil price would be at \$200 before the end of the year. We thus continued to take out new hedging contracts to limit the consequences of this increase on our profitability, but obviously at prices which were high relative to current levels. With the banking crisis in September 2008, the oil price took just six months to return to \$40 a barrel!

We unwound part of our hedging portfolio in early 2009 but some contracts at high prices expired last year which explains the hedging losses recorded during the financial year. That said, a hedging policy needs to be evaluated over the medium term and I can confirm that, for the 2004-2010 period, the fuel hedging policy enabled us to both reduce our fuel bill by €2.7 billion and limit its volatility.

Your industry is very competitive. What is your assessment of the performance of your Group relative to the other European airlines?

F.G.: If we compare our performance for this financial year with that of Lufthansa, it is clear that the latter's margins are higher for two main reasons: the fuel hedges that represent half our operating loss and the higher profitability of their maintenance and catering businesses which are much larger than our own. In our principal activities, passenger and cargo, the margins are relatively comparable. British Airways' performance was fairly close to our own. On the other hand, British Airways' gearing ratio is much higher than that of Air France-KLM and they also have to manage the issue of their pension funds deficit. The conclusion of this comparison is that the whole sector was impacted by the crisis. We have, however, taken numerous measures to adapt our businesses and protect our financial situation. We need to continue these efforts to regain a level of profitability that will enable us to pursue our development.



Philippe Calavia
Senior Executive Vice President,
Finance, Air France-KLM



Frédéric Gagey
Chief Financial
Officer, KLM

Key figures 2009-10

The annual results reflected the deterioration in the operating environment.



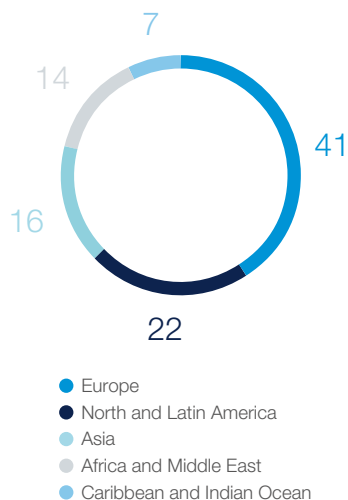
On January 1, 2009, KLM took control of the company Martinair. The latter is principally a cargo operator with small leisure and maintenance businesses. For comparison purposes, the pro-forma 2008-09 financial year consolidates Martinair over 12 months.

Revenues



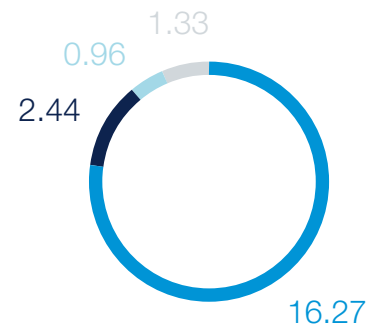
Revenues declined by 15% to €21 billion, impacted by the decline in traffic and unit revenues in the passenger and cargo businesses. Traffic was down by 13.6% in the passenger business and by 27.8% in cargo. Unit revenues fell by 9.7% and 13.3% respectively.

Breakdown of revenues by geographical zone (in %)



This geographical breakdown confirms the internationalization of the Air France-KLM group.

Breakdown of revenues by business (in € billion)



- Passenger
- Cargo
- Maintenance
- Others

The other activities mainly comprise the leisure and catering businesses. The leisure business, organized around the low cost operator Transavia, generated revenues of €918 million while the catering business, organized around Servair, generated external revenues of €347 million.

Key figures 2009-10 (continued)

EBITDAR



A measure of management performance which corresponds to the difference between revenues and operating expenses excluding operating leases, depreciation, amortization and provisions. It facilitates comparison between the different airlines, irrespective of the way their fleets are financed.

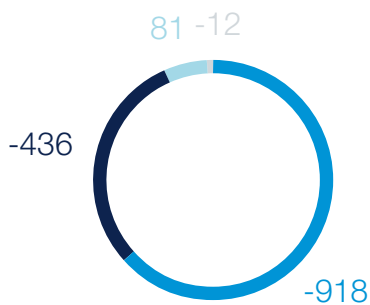
Income/(loss) from current operations



The loss from current operations amounted to €1.28 billion at March 31, 2010 and comprised an operating loss of €648 million reflecting the impact of the crisis and a loss of €637 million linked to the pre-2009 fuel hedges.

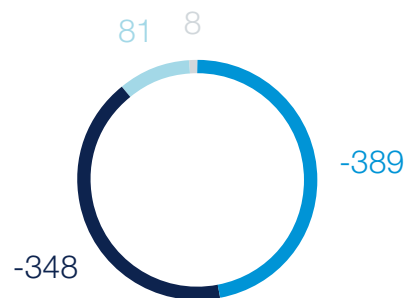
Breakdown of income/(loss) from current operations by business (in € million)

After the impact of the pre-2009 fuel hedges



- Passenger
- Cargo
- Maintenance
- Others

Excluding the impact of the pre-2009 fuel hedges



- Passenger
- Cargo
- Maintenance
- Others

Net income/(loss), Group share



The loss per share amounted to €5.30 versus a loss per share of €2.75 at March 31, 2009.

Gross investments



Negative operating cash flow of €798 million and proceeds from aircraft disposals of €1.05 billion did not enable the company to self-finance the totality of tangible and intangible investment.

Cash position



At March 31, 2010, the Group had cash of €4.3 billion and available credit facilities of €1.2 billion (€1.1 billion since April 2010).

Return on capital employed



This ratio measures the return on invested capital by expressing operating income, adjusted for a portion of operating leases, as a percentage of average capital employed. Comparing this ratio with the cost of capital shows whether the Group is creating value for its shareholders. The average weighted cost of capital was 7% at March 31, 2010, unchanged on March 31, 2009.

Debt

Net debt (in € billion)



Gearing ratio



Net debt stood at €6.2 billion at March 31, 2010, an increase of €1.8 billion. The gearing ratio amounted to 115% of shareholders' equity. In April 2010, the Group participated in the Amadeus IPO by disposing of nearly a third of its shareholding. It generated a capital gain of €1.03 billion, of which €195 million in cash. Based on the balance sheet at March 31, 2010, the Amadeus transaction lowered the gearing ratio from 1.15 to 0.95.

Summary consolidated financial statements

Financial year ended March 31, 2010

Consolidated balance sheet

In € million

Assets	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
Deferred tax assets	840	938
Other non-current assets	1,122	1,440
Total non-current assets	19,755	20,720
Assets held for sale	93	93
Other short-term financial assets	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

In € million

Liabilities and equity	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
Liabilities relating 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 and equity	27,775	28,773

Consolidated income statement

In € million

Period from April 1 to March 31	March 31, 2010	March 31, 2009
Sales	20,994	23,970
Other revenues	5	5
Revenues	20,999	23,975
External expenses	(13,243)	(14,930)
Salaries and related costs	(7,388)	(7,317)
Taxes other than income taxes	(216)	(250)
Amortization and depreciation	(1,640)	(1,604)
Provisions	(35)	(115)
Other income and expenses	238	112
Income/(loss) from current operations	(1,285)	(129)
Sales of aircraft equipment	(21)	5
Negative goodwill	-	17
Other non-current income and expenses	(326)	(86)
Income/(loss) from operating activities	(1,632)	(193)
Cost of financial debt	(410)	(368)
Income from cash and cash equivalents	106	268
Net cost of financial debt	(304)	(100)
Other financial income and expenses	(193)	(911)
Income/(loss) before tax	(2,129)	(1,204)
Income taxes	586	439
Net income/(loss) of consolidated companies	(1,543)	(765)
Share of profits/(losses) of associates	(17)	(42)
Net income/(loss) from continuing operations	(1,560)	(807)
Net income/(loss)		
- Group	(1,559)	(814)
- Minority interests	(1)	7
Earnings/(loss) per share - Group (in €)		
- basic	(5.30)	(2.76)
- diluted	(5.30)	(2.76)

Consolidated statements of cash flows

In € million

Period from April 1 to March 31	March 31, 2010	March 31, 2009
Net income, 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	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 three months and one 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)
Repayment on loans	151	149
Dividends paid	(3)	(177)
Decrease in equity	-	(10)
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
Income tax (paid)/reimbursed (flow included in operating activities)	(3)	89
Interest paid (flow included in operating activities)	(357)	(372)
Interest received (flow included in operating activities)	79	224

Air transport glossary

AEA

Association of European Airlines. Created in 1952, notably by Air France and KLM, the AEA represents the interests of its members within the European Union institutions, the European Civil Aviation Conference and other organizations and associations.

Available seat-kilometers (ASK)

Total number of seats available for the transportation of passengers multiplied by the number of kilometers traveled.

Available ton-kilometers (ATK)

Total number of tons available for the transportation of cargo, multiplied by the number of kilometers traveled.

Biometry

Technique allowing the identity of an individual to be verified, while crossing a national border for example, through the automatic recognition of certain pre-recorded physical characteristics.

Coordinated airport

Airport where a coordinator has been appointed to allocate landing and take off slots according to rules established in advance. All large European Union airports are coordinated.

Cabotage

Airline cabotage is the carriage of air traffic that originates and terminates within the boundaries of a given country by an air carrier of another country.

Capacity

Capacity is measured in available seat-kilometers.

Catering

In-flight catering involves the planning and preparation of meals and the assembly of meal trays destined to be served on board an aircraft.

Code share

In accordance with a code share agreement, two partner airlines offer services on the same aircraft, each under their own brand, IATA code and flight number. Code sharing may take two forms. In the first case, the two airlines purchase and sell seats to and from each other at an agreed price. The airline which has purchased the seats then markets them under its brand and at its fares. In the second case, under the system known as free flow, the two airlines are allowed to sell all the seats on the flights involved. Each airline retains the revenues generated on the flight it operates and remunerates the other airline for the number of seats the latter has sold on its aircraft.

Combi

Aircraft whose main deck is equipped for the transportation of both passengers and cargo. The freight is stored at the back of the aircraft and is accessed by a specially-fitted cargo door.

DGAC

Direction Générale de l'Aviation Civile. Under the authority of the French Ministry of Transport, the DGAC is in charge of the security of air transport and of air space in France.

DGTL

Directoraat-Generaal Transport en Luchtvaart. Under the authority of the Ministerie van Verkeer en Waterstaat, the Dutch Ministry of Transport, Public Works and Water Management, the DGTL is in charge of the security of air transport and of air space in the Netherlands.

E-services

Range of ground services offered by Air France and KLM to their passengers, based on new information technologies. E-services notably enable passengers to check in using self-service kiosks or via the two airlines' websites as well as the use of electronic tickets.

EASA

European Aviation Safety Agency. EASA develops safety and environmental protection expertise in civil aviation in order to assist the European institutions to establish legislation and implement measures regarding aircraft security, organizations and associated staff.

Electronic ticketing

All the journey information for one or several passengers which, instead of being printed, is recorded in an airline's IT database, once the reservation has been made and paid for. An electronic or e-ticket replaces the traditional paper ticket.

Equivalent available seat-kilometer (EASK)

Measure of production after conversion of cargo tons into equivalent available seats.

Equivalent revenue passenger-kilometers (ERPK)

Overall measure of traffic after conversion of cargo tons into equivalent revenue passenger-kilometers.

Fare combinability

System which, on destinations served by both Air France and KLM, enables customers to choose between a journey with an onward flight connection at KLM's Schiphol hub and a journey with an onward flight connection at Air France's Roissy-Charles de Gaulle hub. With fare combinability, customers benefit from a choice of more frequencies via one or other of the hubs, for both the inbound and outbound trips. The fare is based on two half return tickets.

FAA

Federal Aviation Administration. Body responsible for civil aviation security in the United States.

Fuel hedging

Financial mechanism aimed at protecting Air France-KLM from the risk of a rise in the fuel price. Involves purchasing a fixed quantity of fuel on a given date at a pre-determined price. Two financial products, options and swaps, are used in this type of mechanism.

Handling

Preparation of the aircraft, involving loading and unloading, as well as the associated logistics such as management and storage of hotel products.

High contribution

Fare classes corresponding to business or first class.

Hub

Term used for a transfer platform where departures and arrivals are scheduled to minimize transit times. Air France-KLM has two of the four major European hubs: Roissy-Charles de Gaulle and Amsterdam-Schiphol. The Air France and KLM hubs are organized into successive waves for arrivals and departures each day in order to increase the transfer opportunities for customers.

IATA

International Air Transport Association. Created in 1945, IATA establishes regulations for the air transport industry and provides its members with a framework for the coordination and proper implementation of tariffs, together with various commercial and financial support services.

IATA year

Financial year for many airlines, including Air France-KLM, which runs from April 1 to March 31 the following year. This system makes it possible to track changes in activity more effectively based on the seasons defined by IATA, i.e. a summer season and a winter season.

ICAO

The International Civil Aviation Organisation, a UN Specialized Agency, promotes the safe, secure and sustainable development of civil aviation world-wide. It establishes the standards and regulations required to ensure the safety, security, efficiency and continuity of aviation operations as well as the protection of the environment.

Joint venture

Joint company with two partners, often held equally with 50% each. This type of shareholder structure notably allows the implementation of technological or industrial alliances in order to undertake specific projects common to both partner companies.

Load factor

Revenue passenger-kilometers (RPK) divided by available seat-kilometers (ASK). In the cargo business, this is revenue ton-kilometers (RTK) divided by available ton-kilometers (ATK).

Multi-hub

System linking several hubs, allowing customers to access the networks developed from each hub, thus multiplying the round-trip offer to and from world-wide destinations.

Over-reservation or over-booking

Over-reservation or over-booking consists of accepting more bookings than seats available. Practiced by all airline companies and permitted by European legislation, this allows many passengers per year to find a seat on board aircraft by freeing up additional seats. Airlines usually have a passenger compensation policy.

Point-to-point traffic

Traffic between two airports, excluding all passengers prolonging their trip with a connecting flight.

Revenue management

Technique designed to optimize revenue on flights, by constantly seeking a better balance between the load factor and the fares offered.

Revenue per passenger per kilometer

Unit revenue for one paying passenger carried over one kilometer.

Revenue per ton per kilometer

Unit revenue for one ton of cargo carried over one kilometer.

Revenue passenger-kilometer (RPK)

Total number of paying passengers carried multiplied by the number of kilometers traveled.

Revenue ton-kilometer (RTK)

Total number of tons of paid cargo multiplied by the number of kilometers that this cargo is carried.

Safety and security

Airline safety includes all the measures implemented by air transport professionals aimed at ensuring the reliable operating and maintenance of aircraft. Airline security involves all the measures taken by air transport professionals to prevent any illicit or malicious act. Air transport is particularly exposed to terrorist acts due to the considerable media impact offered by such activity. Airline security notably includes baggage screening and the questioning of passengers.

Summer season

Defined by IATA as the period running from the last Saturday in March to the last Saturday in October. The summer season corresponds to a schedule of summer flights over a period of seven months.

Self-service check-in kiosk

Self-service check-in kiosks, available in airport departure halls, allow passengers to check in and print their own boarding passes, without having to go to a check-in counter.

Segment

Section of a flight between two destinations. The number of passengers is calculated by segment carried.

Slot

A slot represents clearance given for a carrier to land at or take off from an airport at a specified time and date.

Sub-fleet

All the aircraft of the same type, with identical technical and commercial characteristics (engines, cabin configuration, etc.).

Ton-kilometers transported

Total number of tons transported multiplied by the number of kilometers covered.

Traffic

Traffic is measured in revenue passenger-kilometers.

Unit revenue

In the passenger business, corresponds to the revenue for one available seat or for one paying passenger transported over one kilometer. In the cargo business, corresponds to the revenue for one available ton or one ton transported over one kilometer.

Winter season

Defined by IATA as the period running from the first Sunday following the last Saturday in October to the Friday before the last Saturday in March. The winter season corresponds to a schedule of winter flights over five months.

Air France-KLM destinations

AIR FRANCE DESTINATIONS
KLM DESTINATIONS
AIR FRANCE-KLM DESTINATIONS

AFRICA

SOUTH AFRICA
JOHANNESBURG
CAPE TOWN

ALGERIA
ALGIERS

ANGOLA
LUANDA

BENIN
COTONOU

BURKINA-FASO
OUAGADOUGOU

CAMEROUN
DOUALA
YAOUNDÉ

CONGO
BRAZZAVILLE
POINTE-NOIRE

IVORY COAST
ABIDJAN

DJIBOUTI
DJIBOUTI

EGYPT
CAIRO

ETHIOPIA
ADDIS ABABA

GABON
LIBREVILLE

GHANA
ACCRA

GUINEA
CONAKRY

EQUATORIAL GUINEA
MALABO

KENYA
NAIROBI

LIBYA
TRIPOLI

MALI
BAMAKO

MOROCCO
CASABLANCA
MARRAKECH
RABAT

MAURITANIA
NOUAKCHOTT
NIGER
NIAMEY

NIGERIA
ABUJA
KANO
LAGOS
PORT HARCOURT

UGANDA
ENTEBBE

CENTRAL AFRICAN REPUBLIC
BANGUI

DEMOCRATIC REPUBLIC OF CONGO
KINSHASA

SENEGAL
DAKAR

SUDAN
KHARTOUM

TANZANIA
DAR ES SALAAM
KILIMANJARO

CHAD
N'DJAMENA

TOGO
LOMÉ

TUNISIA
TUNIS

NORTH AMERICA

UNITED STATES

ATLANTA
BOSTON
CHICAGO
CINCINNATI
DETROIT
HARTFORD
HOUSTON
LOS ANGELES
MEMPHIS

MIAMI
MINNEAPOLIS
NEW YORK
PHILADELPHIA
SAN FRANCISCO
SEATTLE
WASHINGTON

CANADA
MONTREAL
TORONTO
VANCOUVER

SOUTH AMERICA

ARGENTINA
BUENOS AIRES
BRAZIL
RIO DE JANEIRO
SAO PAULO

CHILE
SANTIAGO

COLOMBIA
BOGOTA

ECUADOR
GUAYAQUIL
QUITO

MEXICO
MEXICO CITY

PERU
LIMA

VENEZUELA
CARACAS

ASIA

CHINA
CANTON
(GUANGZHOU)
CHENGDU
HONG KONG
BEIJING
SHANGHAI

SOUTH KOREA
SEOUL

INDIA
BANGALORE
CHENNAI
DELHI
HYDERABAD
MUMBAI

INDONESIA
JAKARTA

JAPAN
NAGOYA
OSAKA
TOKYO

MALAYSIA
KUALA LUMPUR

PHILIPPINES
MANILLA

SINGAPORE
SINGAPORE

TAIWAN
TAIPEI

THAILAND
BANGKOK

VIETNAM
HANOI
HO CHI MINH VILLE

CARIBBEAN INDIAN OCEAN

ANTILLES
BONNAIRE
CURAÇAO
FORT DE FRANCE
POINTE À PITRE
SAINT MARTIN

ARUBA
ARUBA

CUBA
HAVANA

FRENCH GUYANA
CAYENNE

HAÏTI
PORT AU PRINCE

MAURITIUS
MAURITIUS

MADAGASCAR
ANTANANARIVO

DOMINICAN REPUBLIC
PUNTA CANA
SANTO DOMINGO

REUNION
ST DENIS DE LA REUNION

SEYCHELLES
SEYCHELLES

SURINAM
PARAMARIBO

EUROPE

GERMANY
BERLIN
BREMEN
COLOGNE
DUSSELDORF
FRANKFURT
HAMBURG
HANOVER
LEIPZIG
MUNICH
MUNSTER
NUREMBERG
STUTTGART

ARMENIA
YEREVAN

AUSTRIA
VIENNA

BELGIUM
BRUSSELS
ANTWERP

BULGARIA
SOFIA

CYPRUS
LARNACA
PAPHOS

CROATIA
ZAGREB

DENMARK
BILLUND
COPENHAGEN

SPAIN
ALICANTE
BARCELONA
BILBAO

MADRID
MALAGA
PALMA

SEVILLE
VALENCIA
VALLADOLID
VIGO

ESTONIA
TALLIN

FINLAND
HELSINKI

FRANCE
AJACCIO
ANNÉCY
AVIGNON
BASTIA
BIARRITZ
BORDEAUX
BREST
CAEN
CALVI
CLERMONT-
FERRAND
FIGARI
LANNION
LE HAVRE
LILLE
LIMOGES
LORIENT
LOURDES
LYONS
MARSEILLES
MONTPELLIER
MULHOUSE
NANTES
NICE
PARIS
PAU
PERPIGNAN
QUIMPER
RENNES
RODEZ
ROUEN
STRASBOURG
TOULON
TOULOUSE

GREECE
ATHENS

HUNGARY
BUDAPEST

IRELAND
CORK
DUBLIN

ITALY

BOLOGNA
FLORENCE
GENOA
MILAN
NAPLES
PISA
ROME
TURIN
VENICE
VERONA

LATVIA
RIGA

LITHUANIA
KLAIPEDA
VILNIUS

LUXEMBOURG
LUXEMBOURG

NORWAY
BERGEN
KRISTIANSAND
OSLO
STAVANGER
TRONDHEIM

THE NETHERLANDS
AMSTERDAM
EINDHOVEN
MAASTRICHT
ROTTERDAM

POLAND
KATOWICE
WARSAW

PORTUGAL
LISBON

CZECH REPUBLIC
PRAGUE

ROUMANIA
BUCAREST

UNITED KINGDOM
ABERDEEN
BELFAST
BIRMINGHAM
BRISTOL
CARDIFF
DUNDEE
DURHAM TEESIDE
EDINBURGH
GLASGOW
HUMBERSIDE
LEEDS
LONDON
MANCHESTER
NEWCASTLE
NORWICH
SOUTHAMPTON

RUSSIA
MOSCOW
SAINT-PETERSBURG

**SERBIA-
MONTENEGRO**
BELGRADE

SLOVENIA
LJUBLJANA

SWEDEN
GOTHENBURG
STOCKHOLM

SWITZERLAND
GENEVA
ZURICH

TURKEY
ISTANBUL

UKRAINE
KIEV

MIDDLE EAST

SAUDI ARABIA
DAMMAM
JEDDAH
RIYAD

BAHREIN
BAHREIN

UNITED ARAB EMIRATES
ABU DHABI
DUBAI

IRAN
TEHERAN

ISRAEL
TEL AVIV

JORDAN
AMMAN

KAZAKHSTAN
ALMATY

KUWAIT
KUWAIT CITY

LEBANON
BEIRUT

QATAR
DOHA

SYRIA
DAMAS

PACIFIC

NEW CALEDONIA
NOUMÉA

FRENCH POLYNESIA
PAPEETE

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website or on request from Air France-KLM
financial communication department,
45 rue de Paris, 95747 Roissy-CDG cedex

