

Air France – KLM Group

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

**As of June 30, 2006 and for the three-month periods ended June 30, 2006
and 2005**

Air France-KLM Group

CONSOLIDATED INCOME STATEMENTS^(*)

<i>In € million</i>			
Period from April 1 st to June 30,	Notes	2006	2005
Sales	1	5 802	5 186
Other revenues		-	-
Revenues		5 802	5 186
External expenses	2	(3 242)	(2 899)
Salaries and related costs	3	(1 661)	(1 594)
Taxes other than income taxes		(64)	(58)
Depreciation and amortization		(424)	(391)
Provisions		(6)	(20)
Other income and expenses		6	(1)
Income from current operations		411	223
Sales of aircraft equipment	4	6	-
Negative goodwill		-	2
Other non-current income and expenses	4	(29)	3
Income from operating activities		388	228
Cost of financial debt		(97)	(87)
Income from cash and cash equivalents		51	27
Net cost of financial debt		(46)	(60)
Other financial income and expenses		(32)	(19)
Income before tax		310	149
Income taxes		(87)	(52)
Net income of consolidated companies		223	97
Share of profits (losses) of associated		-	17
Net income from continuing operations		223	114
Net income from discontinued operations		-	-
Income for the period		223	114
- Group		244	112
- Minority interest	4	(21)	2
Income for the period per share		0,91	0,43

(*) Established in accordance with accounting principles and valuation methods of IFRS standards adopted by the European Union

Air France-KLM Group

CONSOLIDATED BALANCE SHEET^(*)

Assets <i>In € million</i>	June 30, 2006	June 30, 2005
Goodwill	206	208
Intangibles assets	428	428
Flight equipment	11 294	11 017
Other property, plant and equipment	1 965	1 955
Investments in equity associates	194	204
Pension assets	1 961	1 903
Other financial assets	1 179	1 182
Deferred tax assets	1	7
Other non current assets	1 187	1 082
Total non current assets	18 415	17 986
Other short term financial assets	1 276	932
Inventories	353	340
Account receivables	2 694	2 518
Income tax receivables	1	1
Other current assets	1 888	1 756
Cash and cash equivalents	3 193	2 946
Total current assets	9 405	8 493
Total assets	27 820	26 479

(*) Established in accordance with accounting principles and valuation methods of IFRS standards adopted by the European Union

Air France-KLM Group

Liabilities and equity <i>In € million</i>	June 30, 2006	June 30, 2005
Issued capital	2 290	2 290
Additional paid-in capital	430	430
Treasury shares	(57)	(58)
Reserves and retained earnings	5 443	5 072
Equity attributable to equity holders of Air France-KLM SA	8 106	7 734
Minority interests	105	119
Total Equity	8 211	7 853
Provisions and retirement benefits	1 467	1 453
Long-term debt	7 770	7 826
Deferred tax	999	839
Other non-current liabilities	656	417
Total non-current liabilities	10 892	10 535
Provisions	200	192
Short term portion of long-term debt	1 143	1 260
Trade payables	2 154	2 039
Deferred revenue on ticket sales	2 462	2 062
Current tax liabilities	123	167
Other current liabilities	2 557	2 269
Bank overdrafts	78	102
Total current liabilities	8 717	8 091
Total liabilities and equity	27 820	26 479

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Air France – KLM Group

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY^(*)

In € million

	Number of shares	Issued capital	Additional paid-in capital	Treasury shares						Equity attributable to holders of Air France-KLM SA	Minority interests	Total equity	
					Retained earnings	Derivatives reserve	Available for sale securities reserve	Currency translation adjustment	Other reserves				Total
March 31, 2005	269 383 518	2 290	384	(19)	3 260	-	-	(6)	-	3 254	5 909	111	6 020
Gain / (loss) on revaluation of fixed assets reclassified as available for sale assets	-	-	-	-	-	-	(3)	-	-	(3)	(3)	-	(3)
Gain / (loss) on cash flow hedges	-	-	-	-	-	1 030	-	-	-	1 030	1 030	-	1 030
Currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-	1	1
Income for the period	-	-	-	-	112	-	-	-	-	112	112	2	114
Total of gains / (losses) recorded	-	-	-	-	112	1 030	(3)	(6)	-	1 139	1 139	3	1 142
Stock based compensation (ESA)	-	-	-	-	(104)	-	-	-	-	(104)	(104)	-	(104)
Stock component of convertible bonds (OCEANE)	-	-	38	-	-	-	-	-	-	-	38	-	38
Treasury shares	-	-	-	(74)	-	-	-	-	-	-	(74)	-	(74)
June 30, 2005	269 383 518	2 290	422	(93)	3 268	1 030	(3)	(6)	-	4 289	6 908	114	7 022
March 31, 2006	269 383 518	2 290	430	(58)	4 023	1 055	(4)	(2)	-	5 072	7 734	119	7 853
Gain / (loss) on revaluation of fixed assets reclassified as available for sale assets	-	-	-	-	-	-	(2)	-	-	(2)	(2)	-	(2)
Gain / (loss) on cash flow hedges	-	-	-	-	-	129	-	-	-	129	129	-	129
Currency translation adjustment	-	-	-	-	-	-	-	(8)	-	(8)	(8)	-	(8)
Income for the period	-	-	-	-	244	-	-	-	-	244	244	(21)	223
Total of gains / (losses) recorded	-	-	-	-	244	129	(2)	(8)	-	363	363	(21)	342
Stock based compensation (ESA)	-	-	-	-	8	-	-	-	-	8	8	-	8
Treasury shares	-	-	-	1	-	-	-	-	-	-	1	-	1
Other	-	-	-	-	-	-	-	-	-	-	-	7	7
June 30, 2006	269 383 518	2 290	430	(57)	4 275	1 184	(6)	(10)	-	5 443	8 106	105	8 211

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Air France – KLM Group

STATEMENTS OF CONSOLIDATED CASH FLOWS^(*)

<i>In € million</i>		
Period from April 1 st to June 30,	2006	2005
Income for the period	223	114
Amortization, depreciation and operating provisions	430	411
Financial provisions	7	-
Gain on disposals of tangible and intangible assets	(6)	-
Gain on disposals of subsidiaries and associates	(2)	-
Derivatives	11	(4)
Unrealized foreign exchange gains and losses, net	2	20
Negative goodwill	-	(2)
Share of profits (losses) of associates	-	(17)
Deferred taxes	108	52
Other non-monetary items	37	21
Subtotal	810	595
Changes in working capital	546	239
Net cash flow from operating activities	1 356	834
Acquisitions of subsidiaries and investments in associates, net of cash acquired	(24)	(28)
Purchase of property, plant and equipment and intangible assets	(655)	(730)
Proceeds on disposal of subsidiaries and investments in associates	2	-
Proceeds on disposal of property, plant and equipment and intangible assets	11	13
Dividends received	1	4
Decrease (increase) in investments, net between 3 months and 1 year	(289)	(30)
Net cash used in investing activities	(954)	(771)
Issuance of long-term debt	207	443
Repayments on long-term debt	(175)	(109)
Payment of debt resulting from finance lease liabilities	(151)	(69)
Decrease (increase) in loans, net	(11)	(56)
Dividends paid	(2)	(1)
Net cash flow from financing activities	(132)	208
Effect of exchange rate on cash and cash equivalents	1	-
Change in cash and cash equivalents	271	271
Cash and cash equivalents at beginning of period	2 844	2 192
Cash and cash equivalents at end of period	3 115	2 463

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**NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS**

Air France-KLM Group

1. SEGMENT INFORMATION

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

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

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

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

Only segment revenue is allocated by geographical sales area.

Business segments

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

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

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

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

Geographical segments

Group activities are broken down into five geographical regions :

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

Air France-KLM Group

1.1. Information by business segment

- Period from April 1st to June 30, 2006

<i>In € million</i>	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	4 800	735	690	373	-	6 598
Inter-segment sales	(187)	(6)	(459)	(144)	-	(796)
External sales	4 613	729	231	229	-	5 802
Income from current operations	363	28	3	17	-	411
Income from operating activities	363	28	3	17	(23)	388
Share of profits (losses) of associates	-	-	-	-	-	-
Net cost of financial debt and other financial income and expenses	-	-	-	-	(78)	(78)
Income taxes	-	-	-	-	(88)	(87)
Net income from continuing operations	363	28	3	17	(185)	223

- Period from April 1st to June 30, 2005

<i>In € million</i>	Passenger	Cargo	Maintenance	Other	Non allocated	Total
Total sales	4 286	667	665	301	-	5 919
Inter-segment sales	(169)	(7)	(452)	(105)	-	(733)
External sales	4 117	660	213	196	-	5 186
Income from current operations	176	11	14	22	-	223
Income from operating activities	176	11	14	22	5	228
Share of profits (losses) of associates	14	-	-	3	-	17
Net cost of financial debt and other financial income and expenses	-	-	-	-	(79)	(79)
Income taxes	-	-	-	-	(52)	(52)
Net income from continuing operations	190	11	14	25	(126)	114

1.2. Information by geographical area

Sales by geographical area

- Period from April 1st to June 30, 2006

<i>In € million</i>	Europe North Africa	Caribbean French Guiana Indian Ocean	Africa Middle East	Americas Polynesia	Asia New Caledonia	Total
Scheduled passenger	2 871	86	277	762	349	4 345
Other passenger sales	190	14	12	22	30	268
Total passenger	3 061	100	289	784	379	4 613
Scheduled cargo	290	9	47	86	242	674
Other cargo sales	38	1	2	5	9	55
Total cargo	328	10	49	91	251	729
Maintenance	228	-	-	-	3	231
Others	223	2	2	1	1	229
Total	3 840	112	340	876	634	5 802

Air France-KLM Group

- Period from April 1st to June 30, 2005

<i>In € million</i>	Europe North Africa	Caribbean French Guiana Indian Ocean	Africa Middle East	Americas Polynesia	Asia New Caledonia	Total
Scheduled passenger (*)	2 647	86	246	598	282	3 859
Other passenger sales	197	15	8	13	25	258
Total passenger	2 844	101	254	611	307	4 117
Scheduled cargo	281	9	39	75	206	610
Other cargo sales	35	1	2	5	7	50
Total cargo	316	10	41	80	213	660
Maintenance	211	-	-	-	2	213
Others	191	3	2	-	-	196
Total	3 562	114	297	691	522	5 186

(*): Geographical reallocation in line with the 2006/07 scope

Traffic sales by geographical area of destination

- Period from April 1st to June 30, 2006

<i>In € million</i>	Europe North Africa	Caribbean French Guiana Indian Ocean	Africa Middle East	Americas Polynesia	Asia New Caledonia	Total
Scheduled passenger	1 883	250	552	1 015	645	4 345
Scheduled cargo	17	48	89	207	313	674
Total	1 900	298	641	1 222	958	5 019

- Period from April 1st to June 30, 2005

<i>In € million</i>	Europe North Africa	Caribbean French Guiana Indian Ocean	Africa Middle East	Americas Polynesia	Asia New Caledonia	Total
Scheduled passenger (*)	1 772	238	483	818	548	3 859
Scheduled cargo	19	44	73	193	281	610
Total	1 791	282	556	1 011	829	4 469

(*): Geographical reallocation in line with the 2006/07 scope

Air France-KLM Group

2. EXTERNAL EXPENSES

<i>Period from April 1st to June 30</i>	2006	2005
<i>In € million</i>		
Aircraft fuel	1 010	809
Chartering costs	166	138
Aircraft operating lease costs	156	155
Landing fees and en-route charges	433	403
Catering	103	101
Handling charges and other operating costs	319	292
Aircraft maintenance costs	201	182
Commercial and distribution costs	321	315
Other external expenses	533	504
Total	3 242	2 899

The "Other external expenses" correspond mainly to rent expenses and insurance costs.

3. SALARIES AND NUMBER OF EMPLOYEES

Salaries and related costs

<i>Period from April 1st to June 30</i>	2006	2005
<i>In € million</i>		
Wages and salaries	1 194	1 156
Social contributions	378	343
Other expenses	89	95
Total	1 661	1 594

Average number of employees

<i>Period from April 1st to June 30</i>	2006	2005
Flight deck crew	7 945	7 804
Cabin crew	20 603	20 137
Ground staff	74 552	73 945
	103 100	101 886

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

<i>Period from April 1st to June 30</i>	2006	2005
<i>In € million</i>		
Sales of aircraft equipment	6	-
Impairment	(20)	-
Other	(9)	3
Other non-current income and expenses	(29)	3

- The result on disposal of aircraft equipment that amounts to € 6 million, corresponds to the sale of an aircraft owned by AFPL, entity held by the Group at 45% and fully consolidated.
- Moreover, AFPL has recorded an impairment during the period from April 1st to June 30, 2006. This impairment corresponds to accounting of an aircraft at fair value. The disposal of this aircraft will happen during the 4th quarter of the year 2006-07.
- Lastly, minority interests on the income for the period as of June 30, 2006 that amounts to € (21) million integrates the share of the AFPL loss.

5. RECENT DEVELOPMENT

Litigation

Pursuant to legal proceedings commenced in 2004 in the Tribunal de Grande Instance in Paris against the former managers of Pretory, the security company, which led to their investigation for acts of embezzlement, illegal employment and organised money-laundering, Air France itself became the target on 20 July 2006 of an investigation for acts of aiding and abetting in connection with such alleged embezzlement and illegal employment. It has been alleged that by concluding an agreement with Pretory for the supply of security guards on board its planes following the attacks of 11 September 2001, business which Pretory sub-contracted to companies within its group, despite provisions of the agreement prohibiting it from doing so, Air France consciously facilitated the commission of certain infractions alleged against the managers of Pretory. Air France firmly denies these allegations and intends to seek the termination of its investigation before the Paris Court of Appeal.