

ACTION

Air France-KLM's Shareholders' Newsletter

December 2011

air



Jean-Cyril Spinetta
Chairman and Chief Executive Officer,
Air France-KLM

“ Dear Shareholders,

New orientations for the Air France-KLM group's future were decided at the Board of Directors' meeting on October 17 during which, as you know, Pierre-Henri Gourgeon tendered his resignation. I would like to pay tribute to his achievements during all the years we worked together.

In these circumstances, it seemed sensible to simplify the Group's structure. Alexandre de Juniac is taking over as Chairman and Chief Executive Officer of Air France and I shall fulfill the same functions within Air France-KLM. This means that I once more have the pleasure of contacting you via our quarterly newsletter. →



Air France operates the flight with the lowest CO₂ emissions,

Air France's flight linking Toulouse to Orly on October 13 achieved a world first by operating the flight with the world's lowest CO₂ emissions...

[See page 6](#)



Air France-KLM announces the order for 110 Airbus A350 and Boeing B787 aircraft.

This is the first joint order for long-haul aircraft...

[See page 2](#)

The Air France-KLM group's new governance

[See page 3](#)

Operating income of €397 million for the July-September 2011 quarter

[See pages 4 and 5](#)

→ **Jean-Cyril Spinetta**
editorial continued

The current economic context is very difficult and we need to contend with the new challenges faced by air transportation as a whole. Despite our resolute efforts of the past three years, the results of our activity remain insufficient in an economic environment marked by high oil prices that do not reflect the weak global demand.

We need to respond to this crisis unleashed in 2008 because I think it is liable to last for some years. The Air France-KLM Board of Directors has also established a road map for the two companies based on three priorities: re-establishing the Group's competitiveness via additional cost savings, restructuring our short and medium-haul activity and a rapid reduction in our debt.

An action plan for these priorities will be presented during the first quarter of 2012 and I am confident that both Air France and KLM will be able to deliver an effective response to these new challenges.

The number of Air France-KLM individual shareholders continues to grow and, during the most difficult period in our history, I would like to thank you for your unwavering trust and loyalty.

Air France-KLM announces the order for **110 Airbus A350 and Boeing B787 aircraft**

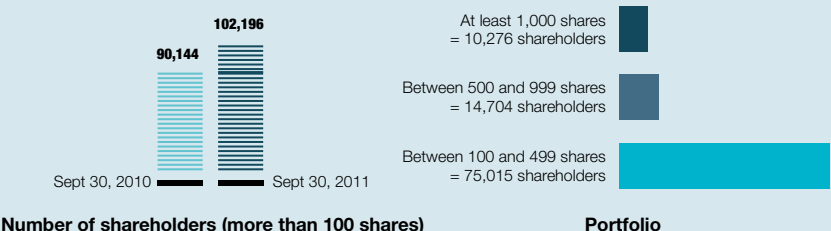
This first pooled order for long-haul aircraft at Air France and KLM was approved by the Board of Directors on September 15.

Subject to the finalization of discussions with the manufacturers, these 110 long-haul aircraft (50 firm orders and 60 options) will replace the 200/350-seater aircraft currently in the fleet. Based on the provisional fleet plan, this order should result in the Group operating 73 next-generation aircraft by 2024: 43 Airbus A350-900s and 30 Boeing B787-9s. The first Boeing B787-9 will come into service at KLM in 2016 and the first Airbus A350-900 with Air France in 2018. The choice of engines for the Boeing B787-9 will be made at a later stage while we already know that the Airbus A350-900s will be equipped with Rolls-Royce Trent XWB engines. These new aircraft families will enable a 15% plus reduction in fuel consumption and significantly lower noise and gas emissions, confirming the Group's commitments in terms of the environment and sustainable development.



Within the framework of this order, Air France Industries KLM Engineering & Maintenance confirms its commitment to positioning itself as a key market player for the maintenance of these aircraft and their engines.

The proportion of the Group's share capital owned by individual shareholders has increased



The new governance of the Air France-KLM group

On October 17, 2011, Pierre-Henri Gourgeon, Chief Executive Officer of Air France-KLM and Air France tendered his resignation which was subsequently accepted by the respective Boards of Directors.

The Air France-KLM Board of Directors appointed Jean-Cyril Spinetta Chairman and Chief Executive Officer of the Group and Leo van Wijk Deputy Chief Executive Officer. Additionally, as recommended by the Appointments Committee, the appointment of Alexandre de Juniac as Chairman and Chief Executive Officer of Air France was approved by the Board on November 16, 2011.



KLM offers the « TripShake App »

Looking for a fun new way to choose a destination? KLM's new TripShake App offers iPhone and Android users a truly innovative way to plan their next trip. Just shake the phone and a

KLM destination will pop up on the screen, along with a ticket price.

This new option is part of KLM's multi-channel strategy and, complementing the KLM.com website, the TripShake App

enables customers to find a wide range of destinations where and when it suits them.

The "TripShake App" has the option to select a continent and travel dates. Shake the phone and one of over 100 destinations will appear, with each new shake producing a fresh proposal together with the lowest return fare. The iPhone and Android applications are now available in French, Dutch and German and can be downloaded for free from the www.klm.com website.

China Airlines joins SkyTeam



The Taiwanese flag carrier, China Airlines, has become the fifteenth member

of SkyTeam, reinforcing its leading position in Greater China.

From its hub in Taipei, China Airlines operates an extensive network throughout the wider Asia Pacific region, North America and Europe, with a total of 224 daily flights to 80 destinations worldwide. It also brings three new destinations to the SkyTeam network: Okinawa and Miyazaki in Japan, and Surabaya in Indonesia.

China Airlines complements the network of existing members China Southern and China Eastern, and offers an extensive cross-strait operation to 20 major destinations in China, providing SkyTeam customers with an unrivalled choice of travel options in the Greater China region.

FOCUS



TRANSPORT AND MEN

Since last summer, Air France has been partnering the Transport and Men exhibition at the Cité des Sciences et de l'Industrie in Paris. The exhibition explores the theme of personal mobility from the socio-technical perspective and reviews the transformation of individual and collective transport, network efficiency, traveller comfort and safety, technical innovation and eco-behavior. PSA, the RATP and the SNCF are also partners of this permanent exhibition.

AIR FRANCE BUSINESS CLASS VOTED THE "MOST INNOVATIVE" IN CHINA

Air France has just been named the year's "Best Airline for Innovative Business Class" by the Chinese monthly, Voyage. Since 2004, this magazine with a circulation of some 600,000 has recognized the best airlines. This year, Air France was the only European airline to win an award.

AIR FRANCE-KLM, RESPONSIBLE LEADER IN THE TRANSPORT SECTOR

Air France-KLM has also been recognized as air transport leader for 2011 in the field of corporate social responsibility and confirmed in the two Dow Jones Sustainability Indices, the DSJI World and DSJI Europe. Thanks to its performance, the group was named air transport leader for the seventh consecutive year and leader of the whole Transport and Leisure super-sector for the third time.

The Air France-KLM Corporate Social Responsibility report is available on request in printed form and can be found on the website airfranceklm-finance.com

2011 FINANCIAL YEAR

Operating income of €397 million

for the July-September 2011 quarter

> Operating income of €397 million for the July-September 2011 quarter

Traffic was dynamic in the passenger activity but began to erode in cargo. Moreover, the level of unit revenues was insufficient to offset the rise in the fuel bill. The Group generated revenues of €6.79 billion (+2.1% after a negative currency impact of 2.8%). Thanks to good control over operating costs and €106 million of savings achieved within the framework of the Challenge 12 plan, the Group generated a comfortably positive operating result of €397 million. The net result stood at a positive €14 million.

> A first half affected by the geopolitical crises

The various geopolitical crises affecting several important markets for the Group led to an operating loss estimated at €130 million for the half year (April-September

2011). Revenues stood at €13 billion (+5.2% after a negative currency impact of 2%). Operating costs rose by 7%, mostly driven by a 15.1% increase in the fuel bill to €3.4 billion. Operating income stood at €252 million and the net result was negative to the tune of €183 million versus a positive €1.03 billion at September 30, 2010 after the €1.03 billion capital gain on Amadeus.

> A high level of liquidity

Investments net of disposals came to €743 million. Operating cash flow stood at a positive €263 million. Net debt amounted to €6.50 billion and shareholders' funds to €6.23 billion, the gearing ratio standing at 1.04 (0.85 at March 31, 2011). The Group has cash of €3.4 billion and available credit facilities of €1.8 billion.

> Outlook

The current economic conditions are impacting international trade

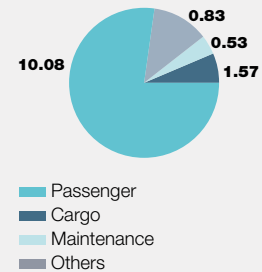
as well as business confidence, leading to volatility in both traffic and revenues. As early as July the Group took the decision to reduce planned Winter 2011 long-haul capacity growth from 5% to 3%. However, this difficult environment is being exacerbated by volatile currency movements and a high fuel price. In these conditions, the group anticipates a negative operating result for the October-December 2011 quarter and, consequently, for the calendar year 2011⁽¹⁾ (as a reminder, the current financial year comprises the nine month period from April to December 2011 and will generate a positive operating result).

⁽¹⁾ The operating result for the first nine months of the calendar year 2011 stood at a €151 million loss.

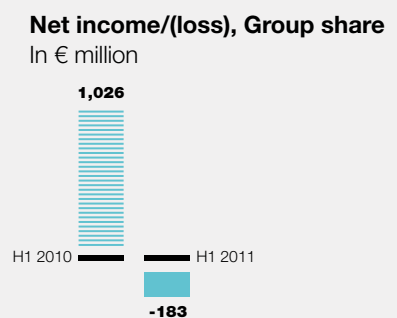
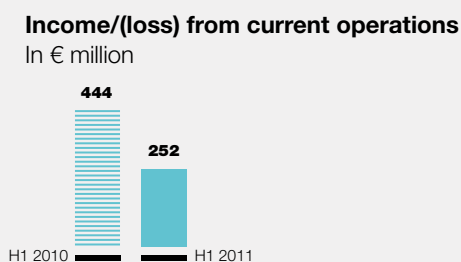
+5.2%
growth in revenues



Revenues by business line
In € billion



235
million euros of savings



October traffic

Passenger

- 5.7% growth in traffic
- Slight decline in load factor to 83.9% (-0.3 points)

Passenger business

Traffic was affected by the flight attendants strike at Air France during the final three days of October. Traffic increased by an overall 5.7% for capacity growth of 6.1%, leading to a modest 0.3 point decline in the load factor to 83.9%. The growth in capacity was also the result of the gradual transfer of the capacity operated by Martinair to KLM. The number of passengers carried stood at 6.76 million, up by 4.9%. Unit revenue per available seat kilometer (RASK) excluding currency was down relative to its level of October 2010.

- On the Americas network, traffic rose by 8.6% and the load factor gained 0.7 points to 88.9%.
- The Asia network posted traffic growth of 5.8% while the load factor declined by 2.2 points to 87.3%.
- The Africa and Middle East network saw virtually stable traffic (-0.2%) and the load factor increased by one point to 80.1%. While traffic to/from Ivory Coast was higher than in October 2010, traffic to/from Egypt, Syria and Tunisia remained well down.
- On the Caribbean and Indian Ocean network, traffic was up by 2.8% and the load factor declined by 0.4 of a point to 82.7%.

- The European network saw capacity growth of 7.4%, part of which was linked to the launch of the Marseilles base in early October. Traffic increased by 5.9% and the load factor declined by 1.1 points to 75.7%.

Cargo

- 5.2% decline in traffic
- Four point decline in load factor to 66.3%

Cargo business

Cargo traffic declined by 5.2% while capacity increased by 0.6%. The low capacity growth was due to strict control of the capacity in full freighters (-8.8%). The load factor fell by four points to 66.3%. Unit revenue per available ton kilometer (RATK) excluding currency was down relative to its level of October 2010.

SEEN IN THE PRESS



Le Monde - November 11, 2011
« Increased rigour at Air France-KLM which is loss-making this year. »

Le Figaro Economie - November 10, 2011
« Air France. The company foresees losses in 2011 and a recovery plan in 2012. »

L'Agefi Quotidien - November 10, 2011
« Air France-KLM is preparing a cost saving and debt reduction plan for 2012. »

The Wall Street Journal - November 10, 2011
« Air France posts slide in earnings. »

Air France operates the world's lowest CO₂ emission flight

On the Toulouse to Orly flight on October 13, Air France achieved a world first with the lowest CO₂ emission flight

To achieve this feat, Air France did everything possible to reduce noise hindrance and greenhouse gas emissions:

- Use of a 50% mix of sustainable biofuel,
- Optimized flight procedures,
- Reduced on-board mass.

For the first time, this commercial flight encapsulated all Air France's energy-saving initiatives as part of an ambitious program to support the fight against climate change.

By using a mix of conventional kerosene and bio-kerosene made from hydrogenated used vegetable oils, this Air France flight acted directly on the main source of aircraft carbon emissions. The emissions on this flight were 54g of CO₂ per passenger per km, i.e. half those emitted on a conventional flight.

The biofuel used constitutes a renewable, sustainable energy source having no environmental or social impacts and is produced by recycling used oil.

The kerosene fuelling of the A321 operating the flight was carried out by Airbus which guaranteed that the quality of the fuel from its delivery in Toulouse until its pumping on board.

To reduce fuel consumption and thereby carbon emissions while ensuring high standards of flight safety, the Air France pilots applied the most fuel-efficient procedures in coordination with air traffic control at every phase of the flight.

On the ground:

- Using electrically-powered generators to supply the aircraft.
- Taxiing after touchdown using only one engine.

In flight:

- Continuous operation of climb and descent phases, i.e. without recourse to intermediary periods of level flight which are known to generate noise and emissions.
- Optimizing the aircraft's trajectory to select the shortest possible flight path and the most economical cruising altitude.

Lastly, reducing the weight of the aircraft is a priority in all areas: each kilogram saved represents an annual saving of 80 tons of CO₂.

The aircraft on the fully-optimized Air France Toulouse-Paris flight are equipped with a new seat that is 40% lighter than a conventional seat, enabling an annual saving of 1,700 tons of jet fuel.

Since the first fully-optimized trans-Atlantic flight on April 6, 2010 to reduce gas and noise emissions, Air France has organized daily optimized trans-Atlantic flights.



This is notably the case between New York-JFK and Paris-Charles de Gaulle by Airbus A380. On each of these flights, Air France reduces its CO₂ emissions by three to five tons by optimizing each phase in coordination with air traffic control.

Air France pursues a long-term, ambitious policy to improve the energy performance of its aircraft.

The late summer meeting of the Consultative Committee for Individual Shareholders took place on Friday September 9 at Air France's Roissy headquarters.

Top of the agenda was a presentation on the first quarter results by Dominique Barbarin followed by a review of the application dossier for the forthcoming renewal of the mandates of two Committee members.

This dossier which also includes the Committee Charter was updated so that it can be sent to potential candidates. The lunch was attended by Bruno Delile, Senior Vice President for the Fleet and New Aircraft, who gave a presentation on his activity and mission.

During this worthwhile discussion, Committee members gleaned fascinating new information such as the fact that:

- The Airbus A380 has been very well-received by Air France-KLM group passengers.
- The use of composite materials in next-generation aircraft enables a reduction in the frequency of their maintenance thanks to markedly less corrosion.
- Individual entertainment systems require a complex network of cables with a significant impact on the weight of aircraft.
- The maintenance of cargo and passenger aircraft is optimized by

switching between greater use of the passenger fleet over the summer and the cargo fleet towards the year end.

- Requests for proposals are issued for the acquisition of new aircraft under lease agreements to encourage competition between financial institutions and obtain the best financing conditions.
- Airlines placing sizeable orders are actively involved in the specification of the OEM projects for future models.

The afternoon was then dedicated to a visit to the Flight Crew Training Center.

The Committee's last meeting for 2011 took place on Friday November 25 and, for 2012, meetings are scheduled for Thursday March 29, Wednesday June 13, Wednesday September 12 and Thursday November 29.

Renewing the Committee

Two new members of the Committee will be needed for terms of office starting in June 2012. If you would like to contribute to the Committee's efforts, you can join us and work with us on communication matters concerning individual shareholders.



To apply, just download the application form from the Shareholders/Consultative Committee section of our www.airfranceklm-finance.com website.

You can also request the form over the telephone by calling +33 1 41 56 56 56 or by email at: mail.actionnaires.afklm@airfrance.fr.

Candidates must be shareholders in the Air France-KLM group with a minimum of 50 shares. They also need to sign the Charter enclosed with the application dossier and return these documents, duly completed, before Thursday March 1, 2012. A short list will be established on Thursday March 29 with short-listed candidates meeting the Committee at the General Shareholders' Meeting on May 31. The final appointments will be made in early June

Club life

To contribute to the Group's efforts and promote the reduction in carbon emissions through the reduced use of paper, you can now sign up for the Shareholders' Club by email and download most of our documents like the annual report directly from

the website:
www.airfranceklm-finance.com

All our financial information can also be accessed by subscribing for the RSS feed at the home page of the website.

Within the framework of our next General Shareholders' Meeting to take place on Thursday May 31, 2012, you can ask to receive your convening notice in electronic form. Just send us your email address at:
mail.actionnaires.afklm@airfrance.fr

31 MY MEETINGS

Sign up from Tuesday January 3 by email at mail.actionnaires.afklm@airfrance.fr or call +33 (0) 1 41 56 56 56

Thursday January 19, 2012
19h30: « La Dame aux Camélias »
by Frank Castorf
 Théâtre national de l'Odéon

Tuesday January 31, 2012
13h30: Visit to the Air France Hub
 Roissy-Charles de Gaulle airport

Friday February 10, 2012
14h00: Visit to the Air France Flight Crew Training Center at Roissy

Please note that numbers are limited for these events.

Thursday March 29, 2012
Next meeting of the Consultative Committee for Individual Shareholders (CCRAI)

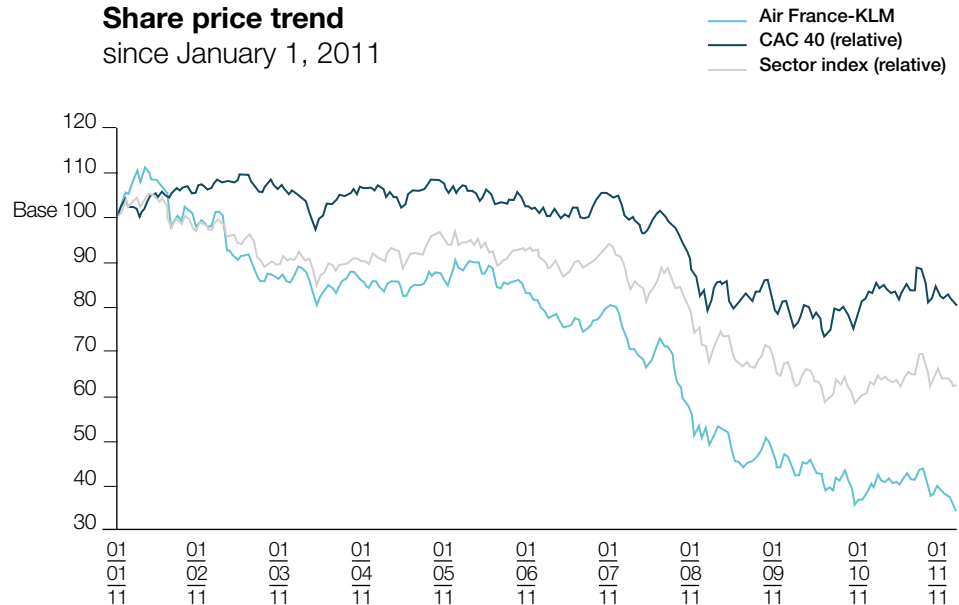
Tuesday November 13, 2012
Nice with Investir

Thursday December 6, 2012
Toulouse with Le Revenu

 **Club members in these regions will receive a personal invitation**

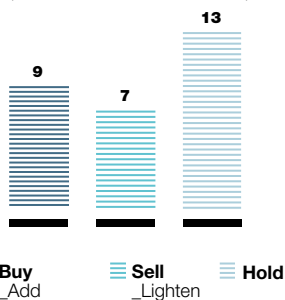
My shares

Share price trend
 since January 1, 2011



Analysts' recommendations

(Source: Reuters at 11/11/2011)



Stock information

DUAL LISTING

NYSE Euronext Paris and Amsterdam
 ISIN code:
 FR0000031122

INCLUDED IN THE FOLLOWING INDICES

CAC Next 20 and Euronext 100
 Sustainable development indices: DJSI World and STOXX, ASPI Eurozone and FTSE4Good

NUMBER OF SHARES

AT NOVEMBER 10, 2011
 300,219,278

MARKET CAPITALIZATION

AT NOVEMBER 10, 2011
 €1.39 billion



My space on the website

www.airfranceklm-finance.com

and also by telephone: from Monday through Friday, between 10h30 and 12h30 and between 14h30 and 17h30, +33 (0) 1 41 56 56 56

By mail: Air France-KLM, Shareholder relations - DB-AC
 45 rue de Paris, 95747 Roissy- CDG Cedex

By email: mail.actionnaires.afklm@airfrance.fr